The Global Impact Investing Rating System (GIIRS) is a measure of social and environmental responsibility amongst companies and our scores represent how our systems and policies measure up against other international GIIRS-rated companies.

Not only did we maintain our 5-star rating, but more importantly, we improved our overall score from 130 (in FY13) to 154.3 (FY14) — our most significant improvements have been in the areas of Community and Environment, which were underpinned by our 2014 Environmental & Social Action Plan achievements.

Despite this improvement from last year, we still have a long way to go and there are certainly areas on which we’ll be focusing over the next year to further develop our systems and processes—and eventually, our score!

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staying on way beyond their sell-by date – it is time for me to ponder my own future, the dangers of “founderitis” (founder’s disease) and the artificial sense of one’s own indispensability, and consider the transition to the next generation of leadership of the company which will bring in fresh ideas, creativity and energy.

As such, I am much more interested in what I hope will be the future of the company than the past and therefore, the sustainability of what we have built in the first decade is paramount.

When we set out to build this company we always knew a key to our sustainability would be working as a social enterprise, and I recently discovered a new and compelling definition of a social entrepreneur: “society’s change agents: creators of innovations that disrupt the status quo and transform our world for the better.”

How much have we at NFC lived up to this definition and how much more can we do?

I believe that in the next decade, as NFC transforms from a young company to a mature company, we will need to fundamentally transform our sustainability programme and experiment with new models and ways of working in Africa.

Despite our best efforts, too much of what we have done has been paternalistic and top down. We need to look at more radical solutions in this second decade—sharing wealth and ownership amongst our workers and our neighbouring communities;

finding ways to build true alignment of interests which will always remain the key to sustainable businesses in Africa.

We have always taken the view that much of our social investment programme at NFC is intrinsically wrapped up in risk mitigation – mitigating against the risk of social discontent around land issues – the hottest political potato in Africa – mitigating the risk of fire – mitigating the risk of nationalisation. These risks will only be fully mitigated when there is a much greater sense of shared ownership in the company’s future – when our workers and neighbours have a massive vested interest in our success and our longevity – and a lot to lose if we are threatened.

NFC is finally moving towards cash break even and profitability. When we get there we will need to think seriously about how to share the wealth we create with both our patient shareholders and with the people who underwrite our sustainability – our workers and our neighbours.

We long ago exceeded the one percent club – companies which give back one per cent of revenues or profits to the planet. Although for many years we haven’t had any sales and still don’t have profits, over the past decade NFC has always invested between 3-5% of its expenditure budget on its social and environmental programme. In this current financial year we are spending $640,000 on our social and environmental projects of a total opex budget of $16.8m – or 3.8%. This figure excludes about $350,000 of co-financing from...
These new models must, of course, accommodate our obligation to return healthy profits to the investors without whom we would have never got to where we are today – and without which sustainability will be unattainable.

I hope that in the second decade of NFC’s life, and at some stage, under new leadership, we will continue to challenge conventional wisdom and the status quo and bring innovative and creative solutions, which much further advance the values at the heart of our very DNA – our commitment to people, planet and profit – and to improving the world in which we live for our children to inherit.

- Julian Ozanne
activities. Which of course, it is not. It is part of a continuous, holistic approach to benefiting all the constituent parts of the company: its employees, the community in which it is embedded, its customers and its shareholders. A business that neglects any of these groups is a bad business and any business that prioritises one part over the other is equally so. They are part of a harmonious, integrated organism. Of course things break from time to time and need to be fixed; but there are no cogs and wheels here just wheels.

Our CSR activities have evolved considerably over the years in response to two main drivers; the need to tailor actions to local circumstances and most importantly--bottom up re-design. William Easterly writes of “planners” and “searchers” - top down and bottom up approaches to designing programmes of activity. Inevitably we started as planners without the benefit of experience or of people to whom we could listen. We quickly became searchers. It is fascinating how often the obvious, first world, pervading wisdom is inappropriate, when applied in a rural African context. The only way to avoid falling into the trap of the orthodox is to search and to listen. However this is not as easy as it sounds. The communication tools need to be honed through a patient process of exchange and mutual education. We now have a good understanding of both the process by which to arrive at the most beneficial investments and the specifics of some of those investments. This knowledge and our experience in implementing it is one of our most valuable assets and like any other asset we continue to invest in it and grow it.

Sustainability has become a buzz word in the corporate world in recent years and I use it here with its older fashioned connotation of “good health”. That which is sustainable must be in good health. At New Forests, we invest in the health of the company in a number of ways. For example through achieving and maintaining Forest Stewardship Council (FSC) certification and through aligning our programmes and policies with the International Finance Corporation’s (IFC) social and environmental performance standards. We adopt these as best practise in the belief that they deliver returns to all members of the company.

This year, we expanded our FSC-certification to include our third plantation in Uganda, Luwunga plantation in the Kiboga/ Kyankwanzi Districts (FSC - C001823). As this report goes to print, we are preparing for the first FSC audit of our Lukosi Plantation in Tanzania. Clearly, alignment with and certification by the FSC is of critical business interest to us. Importantly, FSC certification represents not only the gold-standard of social and environmental performance by forestry companies, but also provides a process by which we are able to develop our procedures and policies, train our people and advance our forestry expertise. FSC certification is both a means and an end. The end is critical to our ethos of doing business responsibly in East Africa; the means is a process of robustness, of strengthening and of becoming resilient.

My first engagement with New Forests was as result of its CSR/ sustainability strategy. When Julian asked me to advise him back in 2007, I wasn’t entirely sure of the business case but was totally convinced by the seamless integration of its community investment philosophy into the business DNA. So I invested in the first instance from my philanthropic fund, always having believed that investment is better than aid if you can find the right opportunity. It didn’t take long for me to realise that the business case was equally sound and that The New Forests Company offered the opportunity for excellent shareholder returns, compelling positive environmental impact and sustainable socioeconomic change.

While the contemporary corporate world requires that CSR/ sustainability/ community investment--call it what you will--be reported separately, this has always seemed to me a somewhat artificial construct as it perpetuates the idea that this work is somehow separate from the rest of our Board Chairman Statement

Above: Robert Devereux
IFC Performance Standards define companies’ responsibilities for managing social and environmental risks. During FY14, as part of finalising a loan agreement with the German Development Bank, we adopted an Environmental and Social Action Plan (ESAP) outlining the actions we are to take in aligning all areas of our business with IFC Performance Standards. A requirement of this nature forces companies into a process of self-reflexivity—a stock taking of that which has served our social and environmental development and that which has not. The actions included in our ESAP are certain to serve our greater aims, to improve our systems and procedures and to strengthen our ability to withstand the various risks facing a forestry company in East Africa.

During FY14, we brought to full and final settlement, a mediation process which had been underway for more than two years. Together with the two communities involved and a professional, completely impartial mediation team, we worked through matters which had begun between the company and two of our neighbouring communities in 2010 and had been left unresolved; matters involving sensitive issues such as land and livelihoods; and matters involving parties outside the mediation. What later took shape in September 2011, as a media attack on the company, was brought full circle by mid-2014 in an honourable and respectful manner, strengthening not only the relationships between New Forests and our neighbours, but also equipping us with tools and wisdom to avoid a similar situation in the future. That which threatened our good name and could have brought us down has served to strengthen and improve our company. A situation that could have ruined us has improved us.

The New Forests Company feels, to me, to be in more robust health than ever—its immune system, strong. The fertiliser of good practice throughout the business is ensuring a strong and growing organisation. However, we will not be complacent. Henry Ford’s dictum, “if it ain’t broke don’t fix it” has never struck me as very useful in the contemporary world and never less so than in an African forestry business where there is always room for improvement. As a company we are dedicated to constantly re-examining all aspects of our business. To listening and learning from all those with whom we engage - our employees, the communities in which we work, our customers - in order to do better.

-Robert Devereux
Health & Safety

As a company that has recently begun harvesting operations, safety is of paramount importance.

Establishment of policies and procedures to govern our safety habits and the subsequent monitoring of safety performance has been a critical focus area during FY14. Safety awareness and discipline improved substantially after the rollout of safety awareness for supervisors trainings in all countries during FY14.

The all incidents frequency rate (AIFR) reduced from 4.5 to 2.76 compared to this time last year. The lost time incident frequency rate (LTIFR) reduced from 2.5 to 1.44 compared to this time last year.

Vehicle incidents: The occurrence of vehicle incidents and accidents remains a concern. 24% of all incidents are vehicle related over the last 54 months. After a tragically fatal tractor-trailer incident in FY14, New Forests banned the use of tractor-trailers for labour transport.

Risks

As a large landholding, pan-African forestry and value added timber products company, our risks range from being practical and tangible to reputational and regional. Emerging from company risk identification and management processes, fire was identified as our greatest risk. The annual fire results are found below. As we have begun harvesting operations over the last two years, we consider it useful to provide statistics and feedback on our annual Health & Safety statistics across the group, which we have done below.

Fire

Fire risk remains on top of the list of potentially damaging risks. In terms of probability of an event, Mozambique is the highest, with Tanzania following, and Uganda and Rwanda, the least probable.

FY14 shows a 14% increase in area lost due to wild fires compared to FY13 – 211 ha in FY14 vs 185 ha in FY13.

Health & Safety

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Vehicle incidents: The occurrence of vehicle incidents and accidents remains a concern. 24% of all incidents are vehicle related over the last 54 months. After a tragically fatal tractor-trailer incident in FY14, New Forests banned the use of tractor-trailers for labour transport.
The growth of the regional population, infrastructure and economy has increased the demand for forestry related products (building materials, furniture, electrical poles). Inefficient local producers, lack of technical knowledge and poor market infrastructure have led to the misuse of forestry resources across East Africa. Efficient management and professional investors can change that and gain significant profit from properly run businesses. New Forests has the structure to achieve this and a growth plan to bolster its investment.

As a major player within the East African poles market, New Forests has the opportunity to influence the development and evolution of the product standards and the market. The development of our customer relationships and astute political engagement enables the company to be an ethical partner to our customers and our host governments in promoting the future of local production of local timber over poor quality imports.

Opportunities
Our greatest FY14 opportunity in East Africa is the large scale electrification that is taking place, largely within Kenya and Tanzania, and the need for suitably priced, high quality electricity transmission poles. Growing our own timber locally in a conscientious, FSC-certified manner, combined with in house processing, together represent cost and consistency of supply advantages over imported alternatives. The greatest risk is twofold. The first is our ability to secure sufficient raw material against the surging demand when our biological asset base is still growing. This represents a large focus for the business at present – investing in working capital and close alignment with our third party tree growers. Secondly, to find a reliable, cost-effective logistical solution to transport 70% of our Rwandan and Uganda products into regional. While Uganda’s and Rwanda’s domestic demand will increase over time to meet our supply, the current demand into primarily Kenya and Tanzania requires an excellent logistical strategy and implementation.

Poles sourcing for the industrial section of the company relies on external, third party suppliers until our own forestry resources are mature. This is both a risk and an opportunity. This year, we have fundamentally changed our supplier relationships through improved buying systems that both reduce payment times and increase the deliveries to the company. The suppliers have been encouraged to form a committee to improve communication between the company and the suppliers.
New Forests publishes an annual sustainability report, which captures the company’s activities each fiscal year. The reporting period for this publication is July 1st 2013 through June 30th 2014, representing the company’s fiscal year 2014. NFC’s last report was published in October 2013, detailing FY13. Unless otherwise stated, all areas of operation have been considered under each indicator. These areas include the administrative offices in London and Johannesburg, the operational offices in Kampala, Kigali, Iringa and Lichinga, the plantations in Uganda (3), Rwanda (1), Tanzania (1) and Mozambique (1), the pole treatment plants in Uganda, Rwanda and Tanzania and the charcoal kilns in Uganda and Rwanda.

All queries and comments regarding this report and its contents can be forwarded to the attention of the Group’s Head of Corporate Responsibility, Kate Sharum:
media@newforests.net
177 Jan Smuts Avenue
Lumley House, ground floor
Rosebank, Johannesburg, South Africa
**SECTION 3: ORGANIZATION PROFILE**

**(G4-3 AND G4-16)**

**Economic Value Generated and Distributed (G4-9)**

Below is a breakdown of the economic value generated and spent during FY14.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 000’s</td>
<td>$ 000’s</td>
<td></td>
</tr>
<tr>
<td>Revenue (including BAV Growth)</td>
<td>37 480</td>
<td>33 049</td>
</tr>
<tr>
<td>Operating costs</td>
<td>11 637</td>
<td>11 663</td>
</tr>
<tr>
<td>Employee compensation</td>
<td>4 828</td>
<td>4 905</td>
</tr>
<tr>
<td>Community investments</td>
<td>903</td>
<td>1 025</td>
</tr>
<tr>
<td>Payments to capital providers</td>
<td>2 002</td>
<td>1 185</td>
</tr>
<tr>
<td>Payments to government</td>
<td>21 175</td>
<td>19 (Excluding VAT)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>23 821</td>
<td>14 252</td>
</tr>
</tbody>
</table>

**Number of Poles Sold during FY14:**

In Tanzania, 47 814 treated poles were sold.
In Uganda, 54 815 treated poles were sold.

**Human Resources (G4-10)**

<table>
<thead>
<tr>
<th>Workplace</th>
<th>Contractors</th>
<th>Male</th>
<th>Female</th>
<th>Seasonal Employees</th>
<th>Male</th>
<th>Female</th>
<th>Permanent Employees</th>
<th>Male</th>
<th>Female</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Mozambique</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>341</td>
<td>230</td>
<td>138</td>
<td>341</td>
</tr>
<tr>
<td>Rwanda</td>
<td>99</td>
<td>98</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>118</td>
<td>109</td>
<td>9</td>
<td>217</td>
</tr>
<tr>
<td>Tanzania</td>
<td>74</td>
<td>63</td>
<td>11</td>
<td>463</td>
<td>350</td>
<td>53</td>
<td>59</td>
<td>48</td>
<td>9</td>
<td>596</td>
</tr>
<tr>
<td>Uganda</td>
<td>1068</td>
<td>1003</td>
<td>65</td>
<td>15</td>
<td>15</td>
<td>-</td>
<td>175</td>
<td>160</td>
<td>15</td>
<td>1258</td>
</tr>
<tr>
<td>Totals</td>
<td>1241</td>
<td>1164</td>
<td>77</td>
<td>478</td>
<td>365</td>
<td>53</td>
<td>702</td>
<td>525</td>
<td>175</td>
<td>2421</td>
</tr>
</tbody>
</table>
Report the percentage of total employees covered by collective bargaining agreements (G4-11)

Only the full-time Tanzanian employees are covered by a collective bargaining agreement, accounting for 2.4% of NFC staff. The Mozambican Government regulates the minimum wage of all agricultural sectors. The Tanzanian Government promulgated the first minimum wages for the agricultural sector last year. These had no effect on the Tanzanian operational budget as the Company already pays over fifty percent above minimum wage.

**South Africa** - The Johannesburg office employs staff on a permanent basis to fill the strategic senior leadership of the company, offering specialised skills and experience in Forestry, Finance, Corporate Responsibility, Human Resources and Planning.

**Mozambique** - Due to legislative requirements, all plantation labour is employed on a permanent basis. All plantation labour is recruited from the neighbouring communities.

**Rwanda** - The aim is to employ all key personnel on a permanent basis. All seasonal labour is to be employed from the communities closest to the Company’s operations. The mountainous terrain in Rwanda makes transporting staff difficult, so employing local people is thus not merely responsible, but also necessary.

**Uganda** - The bulk of the workforce is made up by the staff of independent contractors. The productivity of the contractors is sufficient, giving these entrepreneurial contractors an opportunity to run their own businesses and provide employment for a significant number of local people, as required in the contracts.

**Tanzania** - Historically, the Company employed independent contractors to provide labour for the plantation. However, the contractors proved unreliable, so last year the Company resolved to employ more employees directly in order to achieve operational targets. These seasonal workers are employed on fixed term contracts as needed and direct supervision has raised the quality of the silviculture operations.
We at the New Forests Company believe that effective supply chain management is the glue that holds our value chain together. On this basis, we follow a stringent supply chain, supplier, and compliance management program as an intrinsic part of our operations. The Company’s supply chain management includes: sourcing the appropriately cloned seed that forms the foundation of our raw material supply; broadening raw material sources to include third party growers; nursery management; the perpetual process of in-field plantation management customized across the age and species of the timber; third party equipment and material supplier management; harvesting contractor management; inbound, outbound, and inter-facility transportation management; on site activities at processing facilities, and many others.

Whether internal or external, we manage the principles of supply chain management in a similar fashion. Each custodian in the process has a scorecard, a set of deliverables that have been distilled into a mutually agreed set of key performance indicators. This permits a transparent view of any likely challenges, so activities can be proactively corrected. It also permits management against global benchmarks, customized to local dynamics. Depending on the nature of the activity and its position in the value chain, performance reviews are conducted monthly to bi-annually. In some instances, these reviews have a punitive impact, but mostly they identify risks before they manifest to allow a change in approach.

Some practical examples include our transporters who are managed via a service level agreement (SLA) mechanism. The SLA measures adherence to cost, payload, lane rate, timelines, standing time and health and safety targets. Our employees have scorecards (group and individual) that measure criteria from the 6 pillars of our employee management philosophy: delivery, quality, people, cost, innovation and risk. Our third party pole suppliers are measured against requirements aligned to our customers’ expectations and represent the front end of an International Standards Organisation (ISO) certified production process.

In FY14, we introduced water logistics into our cross border supply chain, transporting poles across Lake Victoria where possible rather than by road. This closely aligns with our sustainability philosophy by reducing the maintenance bill on existing roads, the need for imported diesel, the carbon footprint of each pole moved, and the congestion at the border between Uganda and Tanzania. An estimated 180 000 road kms were avoided over a 6 month period.

We understand the increasing focus on supply chain transparency and management as an indicator of company responsibility and adequate management of supply chain risks. While we do not yet have an integrated supply chain management plan which covers all timber moving through our business, we do have responsibility for internally sourced timber, as the majority comes from our three FSC-certified plantations in Uganda (Namwasa, Luwunga and Kirinya).
The remainder of timber moving through our value-added timber processing sites is sourced from third-party suppliers—private citizens with standing timber or tea companies with excess eucalyptus timber to sell.

The key developments during the period ended 30 June 2014 were as follows:

**UGANDA**

The Ugandan poles business doubled pole sales to over 54,000 poles and created a forward order book for the next 6 months, generating both exciting growth and revenue predictability;

Doubled our pole customer base in the region – a key diversification imperative;

Started shipping poles across Lake Victoria to Musoma and Bukoba, thereby greatly reducing our carbon footprint and providing a more cost effective alternative to our customers;

Began harvesting our own poles at Namwasa plantation – a fundamental milestone for the business in line with our long term vision;

Achieved FSC certification at Luwunga plantation thereby ensuring that all our plantations in Uganda are FSC certified;

Maintained the ISO 9001:2008 Quality Management System certification at our pole plant – underwriting our commitment to quality;

Had a major breakthrough by concluding a comprehensive final agreement with the second community under the mediation process led by the IFC Compliance Advisor Ombudsman (CAO). The IFC mediation process has thus ended with success and the CAO now moves on to monitoring the implementation of the agreements reached by the Company with both the Kiboga and Mubende groups;

Encroachment challenges at Kirinya were resolved;

The New Forest Foundation brought on board 3 new independent board members to boost our NGO’s capacity to fundraise and network; and

The total number of CSR projects funded by the company and currently active now totals 81 – deepening the positive relationships held with our communities.

**TANZANIA**

After a period of staff instability, we now have a strong, full complement of Senior Management of the Tanzania business—a formidable team of experts in their areas of influence

The Tanzanian pole business sold over 48,000 poles;

Profits from the pole operation exceeded plantation costs;

Implemented an improved land data management system;

Implemented a payroll control system, whereby all employees now have identification cards. This has improved staff and payroll management. Implemented planting surveys to ensure accurate planting area and survival reporting, ensuring no adjustments were needed during FY14;

Achieved our planting targets within the time frame planned, before the end of the rainy season; and

Achieved savings in fuel usage and transport rates.

**RWANDA**

Commissioned Rwanda's first pole treatment plant in the presence of Rwanda's Minister for Natural Resources;

Signed a treated pole supply contract with Rwanda’s utility company, EWSA, for a 3 year supply of 60,000 poles;

Won a tender to export 11,500 treated poles to Tanzania’s national grid company TANESCO;

Continued with our off-take agreement, supplying charcoal to Cimerwa Cement, thus mitigating the environmental impacts of their cement factory;

Signed a critical MOU with Rwanda Development Board and Wildlife Conservation Society, articulating and formalising our independent and shared responsibilities with regard to protecting and managing Nyungwe Buffer Zone; Social & Environmental Impact Report approved by the Government of Rwanda regulator agency and commenced biodiversity study;

Completion of Social Baseline Study; and

Construction of staff housing at Nyungwe Buffer Zone.

**MOZAMBIQUE**

Continued with the consolidation of silviculture operations;

Minimized fire losses due to wild fires - the best year since FY09;

Made progress toward acquiring additional land for planting in Muemba District;

Conducted an updated Participatory Rural Appraisal to identify socio-economic needs in surrounding communities;

Invested in our teams through regular fire, Health & Safety and job-specific training, on-site HIV and AIDS awareness and testing as well as immunization events; and

Continued to be the leader amongst forestry companies in Niassa Province, as far as investment in and management of the autonomous Community Development Fund (CDF).
The New Forests Company’s focus has been on the establishment and management of greenfield commercial forestry operations, building an asset base for a sustainable and regular supply of timber to upstream processing facilities. During FY14, we finally began to harvest our own timber and hit significant milestones in delivering value-added timber products to the rapidly growing East African market.

The company plants genetically robust, high quality hardwood species of eucalyptus and pine trees. Eucalyptus can be ready for commercial sales as early as year eight of growth; pine year twelve, with revenue opportunities available earlier from the biomass generated from thinning and stand maintenance.

The UK-based New Forests Company Holdings represents its companies in East and Southern Africa. Each active country of operation is a business subsidiary, with a country manager/CEO, plantation team(s) and necessary support structures in finance, human resources, planning and corporate responsibility. The Holdings Company, with support from New Forests Management Services Pty Ltd, based in Johannesburg, South Africa, is responsible for effective brand development and explores new business opportunities in the commercial forestry sector and its related products. It offers oversight services in financial management, human resources, planning and corporate citizenship. The group’s Management Committee sits in the South African office, meeting quarterly to review and advise on developments across all territories. Each subsidiary is represented by its own local board of directors, and is privately owned by various shareholders.

New Forests’ major operations take place in Uganda, Rwanda, Mozambique and Tanzania, with six plantations and three pole plants. The unit of measure is hectares.

The Government of Rwanda has a target of achieving a 70% electrification rate by 2020 off the 20% rate of today – representing a significant opportunity for our recently installed (and the only) pole processing facility in Rwanda (The Rwandan Energy, Water and Sanitation Limited).

---

<table>
<thead>
<tr>
<th>Total Planted Area</th>
<th>End FY13</th>
<th>Newly planted in FY14</th>
<th>End FY14 excl TU</th>
<th>TU</th>
<th>End FY14 incl TU</th>
</tr>
</thead>
<tbody>
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<td>Mozambique</td>
<td>3412</td>
<td>0</td>
<td>3412</td>
<td>0</td>
<td>3412</td>
</tr>
<tr>
<td>Tanzania</td>
<td>3646</td>
<td>952</td>
<td>4226</td>
<td>123</td>
<td>4349</td>
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<tr>
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<td>10903</td>
<td>1329</td>
<td>12088</td>
<td>144</td>
<td>12232</td>
</tr>
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<td>7812</td>
<td>0</td>
<td>7812</td>
<td>0</td>
<td>7812</td>
</tr>
<tr>
<td>Totals</td>
<td>25861</td>
<td>2281</td>
<td>27538</td>
<td>267</td>
<td>27805</td>
</tr>
</tbody>
</table>

*Temporarily Unplanted*
over the last few years, is composed of actions we must perform in order to bring our company into alignment with the International Finance Corporation’s eight Performance Standards for responsible investment. Soon after signing our investment agreement with DEG, we underwent a due diligence process with FinnFund, which was also largely driven by the IFC’s Performance Standards.

We have learned a great deal about the IFC, the eight performance standards and the ways in which we comply. We know which performance standards present the greatest challenges and which are already part of our company DNA. We consider the IFC Performance Standards, in particular, Performance Standard #5 (pertaining to land acquisition and involuntary resettlement) to be especially material to our company and thus, we have selected indicators throughout this report which speak to the eight performance standards in general, as well as performance standard #5 in particular.

Supply Chain
Another area of materiality to our company is the growing internal and external interest in our supply chain. While we have begun harvesting operations in both Uganda and Rwanda and while we are beginning to feed our timber processing sites with FSC-certified materials from our own plantations, the majority of our raw timber is currently sourced from private, independent third party suppliers—farmers of trees and often crops. Throughout this report we will comment on the indicators for which supply chain information will be used in the future. Unfortunately, we do not yet have the capacity or the systems to monitor the entire network including thousands of individuals who supply our processing sites; however, our objective is to implement such systems in the future.

FSC Certification: The Forest Stewardship Council represents the gold seal of social and environmental responsibility for forestry companies and is of great material interest to our company. During an analysis of our stakeholder interests, we realised once again the dramatic and critical impact that FSC certification has on our performance, our ability to mobilise finance and our reputation. It is a critical deliverable to our shareholders, to our neighbours and to the regional industry. We have achieved FSC certification on our three plantations in Uganda and our Tanzanian plantation will be audited for FSC certification in early FY15.

The importance of earning and maintaining this level of certification cannot be overstated and the impacts of losing certification would be disastrous. In that vein, we have focused on providing FSC-required information, which are beyond GRI requirements, throughout this report. We have also selected indicators that we have exposed to external assurance that are relevant to our FSC commitments and underscore our desire to remain a leader in environmental and social responsibility, including annual external reviews.

Rwandan construction demand was up 20.4% in 2013 (National Institute of Statistics Rwanda) – an opportunity for the supply of diversified timber products.
SECTION 5: REPORT PROFILE

GRI CONTENT INDEX

(G4-32)

GRI Content Index for ‘In accordance’ – Core Report

<table>
<thead>
<tr>
<th>Indicators</th>
<th>OMISSIONS</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of operations with implemented local community engagement, impact assessments and development programmes.</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Operations with significant potential or actual negative impacts on local communities.</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Total # and volume of significant spills</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Monetary value of fines for environmental non-compliance</td>
<td>None</td>
<td>Yes</td>
</tr>
</tbody>
</table>
and our neighbours, adds value to our business and ensures a sound ecological and investment climate for sustainable forestry in Africa. These are the guiding priorities we use to formulate our annual plans of action and to select our reporting indicators for this GRI G4 report. We will provide a focused account of our risks as a private investor working in rural Africa. We will articulate and analyse our commitment to achieving Forest Stewardship Council (FSC) certification on all plantations, including our plans and timelines for full group FSC certification. We will narrate our commercial footprint thus far and discuss that which will pave the way to expanded commercial activity. And we will report on our social and environmental impacts, as a responsible and intentional investor in commercial forestry.

It is the policy of New Forests to expose all facets of the company to external review and interrogation. This includes financial, forestry and sustainability auditing as well as community development evaluations. The scope of the external assurance of New Forests’ FY14 Sustainability report is limited to six key indicators, as this is the second year of external assurance. We plan to expand our list of assured indicators each year. The CEO, CFO and Head of Corporate Responsibility were involved in both the decision to seek external assurance and the selection of an assurance provider. The FY14 Sustainability Report Assurance is a Public, Limited Assurance. The assurance opinion can be found on the final page of this report.

What is within and what is outside the boundaries of our materiality? That which is material to New Forests is that which mitigates risk to ourselves and our neighbours, adds value to our business and ensures a sound ecological and investment climate for sustainable forestry in Africa. These are the guiding priorities we use to formulate our annual plans of action and to select our reporting indicators for this GRI G4 report. We will provide a focused account of our risks as a private investor working in rural Africa. We will articulate and analyse our commitment to achieving Forest Stewardship Council (FSC) certification on all plantations, including our plans and timelines for full group FSC certification. We will narrate our commercial footprint thus far and discuss that which will pave the way to expanded commercial activity. And we will report on our social and environmental impacts, as a responsible and intentional investor in commercial forestry.

The annual consumption of wood in Uganda is estimated at 25 million tons (Uganda Investment Authority).
The highest governance body at New Forests is the Board, at the level of the New Forests Company Holdings Ltd. It is comprised of five individuals who represent a rich fusion of business acumen and field-based Africa experience in agri-business, politics and community engagement. The board members hold shares in the company and for this reason aren’t independent, though three members, including the Chair, are non-executive. The CEO and CFO hold board positions. In FY14, a decision was taken to restructure the executive committee (EXCO) and to establish a group management committee (MANCO). It was decided that the executive committee would be composed of the Group CEO, Group CFO, CEO for Uganda and CEO for Rwanda/Kenya. The purpose for the EXCO is to establish and debate strategy, sales targets and regional issues. The purpose for the MANCO is to provide feedback and support on departmental matters, to share updates on departmental achievements and challenges, to solicit advice and solutions and to identify and exploit areas of shared interests.

The board receives important feedback on environmental, social, and economic issues from the Management Committee, the members of which have individual responsibilities for managing priorities in the company risk register. Updates to and amendments of the risk register are reported to the Board’s audit committee for a semi-annual review. The Board and EXCO are comprised 100% of males; in FY14, the MANCO, comprised of senior department heads, had one female.

The Management Committee plays an important role in ensuring that employee concerns and recommendations can be heard at the level of the Board. MANCO is made up of senior management staff, each of whom oversees the work for field-based teams in each country of operation. This group includes the CEO, CFO, Group Head of Forests, Group Head of Human Resources and Group Head of Corporate Responsibility. Through regular visits to each territory and weekly calls with team members, MANCO members have the opportunity to hear first-hand accounts of challenges, complaints, or recommendations to include in the risk register and deliver to the Board.
The precautionary approach to our operations is employed by conducting Environmental Impact Assessments (EIAs) and biodiversity studies at all plantations and value added timber processing sites to record environmental implications of our business. In addition, we conduct social baselines and Participatory Rural Appraisals (PRAs) to assess the extent to which any social harm may be caused by the presence of our company. These reports then lead to our devising mitigation action plans, which are overseen by EXCO and implemented in the territories to avoid causing environmental, economic or social harm and to identify opportunities to increase benefits. Externally developed economic, environmental, or social charters, principles or other initiatives to which NFC subscribes include the Forest Stewardship Council (FSC), the International Labour Organisation (ILO), International Stewardship Council (FSC), the International Finance Corporation (IFC) performance standards for investors.

List memberships of associations (industry) and national or international advocacy organisations in which the organisation is involved. (G4 16)

**Forest Stewardship Council**: all three NFC plantations in Uganda are officially FSC certified. FSC aims at achieving three fundamental goals: a) environmentally appropriate forest management ensures that the harvest of timber and non-timber products maintains the forest’s biodiversity, productivity, and ecological processes; b) socially beneficial forest management helps both local people and society at large to enjoy long-term benefits and also provides strong incentives to local people to sustain the forest resources and adhere to long-term management plans; and c) economically viable forest management encourages financial profitability, though not at the expense of the forest resource, the ecosystem, or affected communities. The above three goals are synonymous with our approach as a forestry and diversified timber products business prioritizing people, planet and profits. We subscribe to this internationally recognized certification as a standard operating practice and are playing an instrumental role in supporting the crafting of how FSC caters for African contexts.

**Norfund Technical Assistance Fund / AgriVie training initiatives**: this is a privately driven process that we are delighted to be part of – providing professional training expertise in technical forestry skills and matched funding into our Ugandan business.

**Uganda Timber Growers’ Association**: formed in 2007, the association brings together commercial tree growers in Uganda for purposes of promoting public awareness, advocacy and lobbying for the commercial forestry sector in the country. The objectives are to promote training, research and development in the forestry sector and to promote strategic partnerships through an active network. The overarching aim of the UTGA is to ensure a sustainable commercial forestry industry in Uganda that is socio-economically beneficial, profitable and environmentally sound.

**Federation of Ugandan Employers (FUE)**: We are members of the Federation of Uganda Employers (FUE), which is a body that brings together employers in Uganda. It deals with issues related to employment legislation, trade union activity and advocacy for employers. We are members due to: FUE works closely with the government, and the National Organisation of Trade Unions to strengthen collaboration that brings the social partners together to promote industrial peace, enhance employment, support social security and develop vocational and managerial skills. FUE serves on various tripartite bodies namely; the National Social Security Fund, Labour Advisory Board, Minimum Wages Advisory Board and Uganda Industrial Court, among others. It is affiliated with the East African Business Council, East, Central, and Southern African Employers’ Conference, Pan-African Employers’ Confederation, International Labour Organisation where it represents Uganda employers. FUE advocates for employers on policy issues and represents employers’ interests on different National, Regional and International bodies which have a bearing on Labour, Employment, Business and Social issues.

Through our Community Development Officers, the company also participates in planning and information sharing events organised by the Local Government Councils.

**Forestry Association Niassa**: created by the five forestry companies (New Forests, Chikweti, Floresta de Niassa, UPM & Green Resources) in Niassa province of Mozambique. The aim is to create a platform where the forestry companies can communicate with each other, share ideas and address common problems. It also provides an easier way for government, NGO’s and third parties communicate with the forestry companies as one group.
SECTION 9: STAKEHOLDER ENGAGEMENT (G4-24 through G4-27)

Stakeholder engagement and consultation have, since New Forests’ beginning, formed a critical part of its constructive risk mitigation strategy. Rather than invest in high walls, electric fencing and armed guards, New Forests has chosen to proactively engage with communities, communicate company plans and targets, work collaboratively to erect and improve development infrastructure and invest in establishing micro-enterprises that grow in harmony with and are strengthened by the presence of the plantations. As a large scale investor working exclusively in rural Africa, with a long-term investment horizon, New Forests invests a great deal of time and thought into risk mitigation. Many identified risks are addressed by the company corporate responsibility strategy, three of the largest of which are fires, access to land and maintaining FSC certification. Through active and involved community partnerships; constant communication; concerted investment in health, education and livelihoods enhancement strategies; and shared ownership of projects and problems with local leadership, New Forests has managed to lose comparatively less assets to fire, secure more land and remain certified, despite considerable challenges in reconciling international standards with local law. By keeping our stakeholders near, keeping on top of community issues and investing in the upliftment of our neighbours, New Forests has managed to mitigate these risks effectively. We believe that when the interests of communities are merged with the interests of the company, what results is a robust and highly effective development partnership, through which, all parties benefit. We are proud of the strength of these partnerships and the scale of success they have achieved.
VISION STATEMENT:
NFC’s vision is to be Eastern Africa’s most successful and self-sustained integrated timber business.

MISSION STATEMENT:
New Forests Company’s ambition is to become the premier pan-African vertically integrated, socially responsible, sustainable timber company providing high returns for its shareholders, employees, customers and community.

It aims to lead in the fields of forestry, profitability, employment, conservation and community development.

NFC VALUES: INTEGRITY, INSPIRATION, INNOVATION

INTEGRITY:
- Honesty
- Openness
- Accountability - no acceptance of poor performances
- Doing the right thing - always
- We are ethical and trustworthy
- Walking the talk
- Fully committed to the organisation and its efforts

INSPIRATION:
- Lead by example
- We are always looking for reasons to be optimistic
- Investing in the growth of people
- Mentorship is always top of mind – each one teach one
- Making a positive difference in other people’s lives
- Always striving to live the vision
- Connecting with our planet and doing whatever we can to protect it
- Enabling economic growth in Africa

INNOVATION:
- Implement new ideas in a measured way but with urgency
- We are open to new ideas
- We share best practices with our colleagues
- We encourage people to make decisions – with accountability
- Always challenging assumptions
- Always striving for excellence and looking for better ways to do things
In October of 2013, we signed an investment agreement with the German Development Bank (DEG), which included an Environmental and Social Action Plan (ESAP). The ESAP outlines the various activities that our company must undertake in order to align itself with the IFC’s 8 performance standards for responsible investment. The ESAP covers all four territories in which we carry out forestry and value added timber processing operations. FY14 was the first year of implementing the ESAP and an external audit on our performance against the ESAP will take place in early FY15.

During FY14, the Corporate Responsibility department achieved significant match funding in Tanzania and Uganda, expanded its social baselines to Rwanda and mitigated risk to the company through the settlement of the complaint by the Mubende and Kiboga communities in Uganda.

A country-by-country account of the FY14 activity is given below:

Uganda

Mediation Resolution: Settled the International Finance Corporation (IFC) CAO-led mediation with the Kiboga Affected Community. This brings to a close the IFC CAO mediation process with the two communities who raised formal complaints about the manner in which they were removed from the Namwasa and Luwungu Central Forest Reserves by the Government of Uganda. We will be implementing these agreements for the next four years.

Fundraising: Raised $208,000 in match funding from DEG’s Technical Assistance department and from a private NFC Board member. The DEG funding is for an expanded out growers project in Uganda, to serve out growers around all three plantations and the pole plant.

Grew Foundation: The New Forests Foundation revamped its board by introducing three new independent members with expertise in fundraising and governance, the two most critical areas of the Foundation. The Foundation also signed memoranda of understanding with both Mubende and Bugiri Districts, further lending government support and oversight to our development work.

Strong Partnerships: The department continued to strengthen its work with partners – both Join Hands Community Development Initiative Uganda and Mityana Diocese are effectively managing the plantation-based clinics and enhancing health outreach services to neighbouring communities and vulnerable groups at Kirinya and Namwasa, respectively.

Needs Driven: This fiscal year, Participatory Rural Appraisals were updated at Kirinya, Luwunga and Namwasa plantations. Community leaders conduct PRAs by working with their community members to identify their most critical challenges and solutions that then inform NFC’s development program.

Illegal Grazing Resolved: The illegal grazing and cultivation challenge at Kirinya plantation was resolved, reaching agreements with most of the groups. The encroachment at Kirinya constituted a major risk that was identified during the course of the year. An internal assessment and external counsel concluded that this encroachment challenge does not threaten IFC Performance Standard #5 compliance and that existing action plans under our social risk mitigation strategies are sufficient.

Wetland Management: The department established a dialogue with both the National Forestry Authority and the National Environment Management Authority on harmonisation of FSC standards and national legislation, specifically pertaining to the management and protection of wetland areas.

Livelihoods Development: The department expanded our existing CSR programme through the creation of a position of Livelihoods Program Officer, who is tasked with developing our livelihoods work. During FY14, he formed the Kirinya Bee Masters Cooperative and managed part of the grant for the out growers programme expansion, co-funded by DEG and NFC. As a perquisite of the out growers programme expansion, a baseline survey was commissioned that will map all out grower locations around the plantations.

Out Grower Harvesting: Out growers who were supported by the company in the very early days of our operation have started profitably harvesting their trees. This is an important milestone as they will be the examples for what can be achieved through partnerships with the company, diligent silvicultural management and patience.

Budget: The department spent a total of USD477,226 in the FY14 on projects and operational support.

Members who were initially very resistant to NFC and who felt displaced; but who now feel grateful, empowered, and who are economically benefitting from their partnership with the company.
Supporting beekeepers in and around Nyungwe National Park and Buffer Zone was our first community development investment in Rwanda. By the end of FY14, we had trained 139 beekeepers from two cooperatives on general apiculture, migration to the Kenya Top Bar Hives (KTBH) and queen bee rearing. In addition, New Forests distributed one hundred KTBHs and accompanying beekeeping and honey harvesting equipment to the beekeepers. KTBHs provide significantly higher yields and improved quality of honey. As this investment is aimed at improving livelihoods in the communities surrounding Nyungwe, it has been useful for our team to transfer the lessons learned in Uganda over to Rwanda, like efficient beekeeping and honey harvesting practices. Apiculture provides alternative livelihood solutions in light of the lack of arable land in this particular area, while complementing the government targets of scaling up bee farmers.

Given the history and strong ties that exist between beekeepers and the Nyungwe Buffer Zone, New Forests promoted the beekeepers, allowing them to position apiaries within the buffer zone. Soon after the distribution of the KTBHs, when the cooperative moved their apiaries to the new location in the buffer zone, baboons and chimps invaded, killing the bees and destroying the hives. In response to this, New Forests resolved to fence the apiaries to halt losses caused by the wild animals.

In response to challenges the beekeepers were facing, New Forests worked with the cooperatives to design and fund a honey collection facility near their apiaries, reducing travel times improving the efficiency of their operation.

While New Forests was supporting beekeeping training, equipment and infrastructure, the beekeepers union, through support from Wildlife Conservation Society, was also pursuing with the Rwanda Bureau of Standards (RBS) certification for Nyungwe honey, which was successfully issued by early 2014.

Expectations:
Once the two cooperatives have sufficient honey collection infrastructure and equipment coupled with the knowledge gained from the trainings, the following should happen:
• The business model will shift to the supply of value-added honey products (e.g. propolis), thus increasing the expected income;
• Co-ops’ membership will increase from 136 to over 270 in two years (by 2015) mainly composed of women and youth;
• Savings and loan products will be introduced for all co-op members, thus improving their livelihoods and increasing their access to capital;
• The utilisation of the equipment and knowledge from training will increase the human capital value of this investment;
• Improved coordination will facilitate members in gathering for meetings, information sharing, trainings and other relevant fora; and
• Co-op members will be New Forests’ ambassadors for fire, traffic and theft awareness.

Rwanda

Partnerships: Signed a tripartite agreement for collaboration on management and protection of the Nyungwe Buffer Zone with Rwanda Development Board and Wildlife Conservation Society.

Community Development: Completed seven water points, one double classroom block and expanded support to two beekeeping cooperatives operating in the Nyungwe Buffer Zone.

Raising Awareness: During FY14, in addition to investment in educational and sanitation infrastructure and support to beekeepers, the CSR team conducted fire and traffic awareness campaigns in the communities, directly reaching 110 people, resulting in good health and hygiene practices.

Boundary Management: We continued to receive and respond to complaints related to land claims and compensation matters after the revised boundary report issued by the Ministry of Natural Resources. We have implemented a boundary resolution monitoring system in order to track government response to land claims and to ensure said claims are responded to in a timely manner.

Budget: The total expenditure on CSR project activities during FY14 was US$ 141,267 implemented with funding from NFC and from the generous donation from a Board Director.

Highlight on Apiculture in Rwanda
With Ugandan GDP growth running at 5.8%, Rwanda at 4.6%, Mozambique at 7.1% and Tanzania at 7% (World Bank) these growth rates spur the need for electricity access and timber construction material.
New Forests has established a participatory community development programme, with a presence and plan of action at each plantation and value–added timber products site. Administrative offices and locations such as London, United Kingdom and Johannesburg, South Africa have been omitted from this indicator, as community engagement, impact assessments and development programmes do not coincide with the nature of our presence and our work in the UK or South Africa.

Below is a breakdown:

<table>
<thead>
<tr>
<th>Country</th>
<th>Operation</th>
<th>Community Engagement</th>
<th>Impact Assessments</th>
<th>Development Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>Namwasa Plantation</td>
<td>Est 2005, active CDO; Weekly community meetings, biannual District meetings; Sensitization for fire awareness twice a year</td>
<td>- EIA&lt;br&gt;- Biodiversity Study&lt;br&gt;- PRA&lt;br&gt;- CSR Evaluation</td>
<td>The largest and most established; site of initial apiculture programme; base for Livelihoods Program Officer; a high school, FHHSK 4; water and school infrastructure projects; clinic managed by partner and related health outreach programs</td>
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<tr>
<td></td>
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<td></td>
<td>Youngest programme; providing extensive assistance to beekeepers; coordinating with gov to build social infrastructure, like primary schools, sanitation facilities and water points</td>
</tr>
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<td></td>
<td>Kirinya Plantation</td>
<td>Est 2006, active CDO; Weekly community meetings, biannual District meetings; Sensitization for fire awareness twice a year</td>
<td>- EIA&lt;br&gt;- Biodiversity Study (FY14)&lt;br&gt;- PRA&lt;br&gt;- CSR Evaluation</td>
<td>Establishment of health &amp; education infrastructure projects: girls’ dormitories, primary school blocks, sanitation facilities, water points; out growers and apiculture livelihoods programmes</td>
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<td></td>
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<td></td>
<td></td>
<td>Planning to move to Butare/Huye District in FY15; providing extensive assistance to beekeepers; coordinating with gov to build social infrastructure</td>
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<td></td>
<td>Luwunga Plantation</td>
<td>Est 2009, active CDO; Weekly community meetings, biannual District meetings; Sensitization for fire awareness twice a year</td>
<td>- EIA&lt;br&gt;- PRA&lt;br&gt;- CSR Evaluation&lt;br&gt;- Biodiversity study</td>
<td>Focus on educational infrastructure: girls’ dormitories, primary school teacher’s accommodation, water points; out growers and apiculture livelihoods programmes</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>First forestry private-sector led community development fund established in the Province; microfinance lending; educational infrastructure: primary school and teacher’s accommodation; health infrastructure; maternity ward, clinic, agriculture, water points</td>
</tr>
<tr>
<td></td>
<td>Mityana Pole Plant</td>
<td>Est 2010, receives CDO support from Luwunga; biannual Community meetings</td>
<td>- EIA</td>
<td></td>
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<tr>
<td>Tanzania</td>
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<tr>
<td>Mozambique</td>
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</tbody>
</table>

4 Forest High School, Kikandwa  
5 Bilton Forest High School, Bulidha  
6 Light motor bike driven as a means of purchased transport in East Africa
We realise that what may be deemed relatively non-invasive to one neighbour may be a significant disturbance to another. The operations with significant potential or actual negative impacts on local communities are the forestry operations in Uganda, Tanzania, Mozambique and Rwanda and the commercial pole treatment plants in Uganda, Rwanda and Tanzania. The potential negative impacts of the forestry and poles operations are: fire, watershed damage, noise pollution, spillages of hazardous substances, dust created by pole lorries, housing displacement, displacement of grazing & crop cultivation activities, loss of income, health & safety risks, damage to private property and encroachment onto private property.

The actual negative impacts of our operations have been physical displacement of persons, their crops, livestock and temporary housing; political manoeuvring—politicians using the company to either advance their own agendas or to profit financially; rogue community members using the company to enrich themselves, nefariously; and damage to private property.

G4 SO10: The New Forests Company is currently unable to provide any disclosures in relation to the supply chain of third-party timber, as we do not presently have the systems to track the conditions and realities at each of the thousands of private homes and wood lots from which our third party timber is sourced nor are we able to comment on whether third party timber is grown in a way that may have potential or actual negative impacts. In terms of actual negative impacts of displacement on two communities in Uganda, this matter is covered in more depth under indicator G4-HR 11.
The prevention and mitigation measures implemented in response to negative impacts on local communities are:

<table>
<thead>
<tr>
<th>POTENTIAL NEGATIVE IMPACT</th>
<th>MITIGATION MEASURE</th>
<th>OCCURRED DURING FY14 (ACTUAL NEGATIVE IMPACTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIRE</strong></td>
<td>Fire breaks, water tenders, watch towers, fire awareness training/sensitization.</td>
<td>-</td>
</tr>
<tr>
<td><strong>WATERSHED DAMAGE</strong></td>
<td>Responsible forestry practises, observance of 50 metre planting distance from all streams and rivers.</td>
<td>-</td>
</tr>
<tr>
<td><strong>NOISE POLLUTION</strong></td>
<td>Transporting poles during peak hours when people are still working or at school. Disallowing transportation during evening, night or early morning hours.</td>
<td>-</td>
</tr>
<tr>
<td><strong>DUST</strong></td>
<td>Maintaining slow pace. Wetting the roads during dry season or when necessary.</td>
<td>-</td>
</tr>
<tr>
<td><strong>SPILLAGE OF HAZARDOUS SUBSTANCES</strong></td>
<td>As part of its Integrated Management System, NFC has developed procedures for the responsible placement, control and use of its fuel tanks, notably the use of bund walls. NFC uses only FSC™ approved herbicides in all its operations. These are not environmentally hazardous. We also require the use of appropriate Personal Protective Equipment (PPE) for all staff. All treatments and washing of plastic containers take place within a pre-specified zone. This area falls within a banded area, protected by concrete to prevent the leakage of chemicals into the soil. Chemicals are collected in the band and re-used; anything that can’t be re-used is buried in a concrete-lined pit to check seeping effects. Staff have the necessary PPE.</td>
<td>-</td>
</tr>
</tbody>
</table>

5 In Rwanda, where we acquired standing, mature timber, this mitigation strategy is not being implemented yet, since the trees were planted several decades ago, by the government. Land pressures have seen stream bank cultivation and tree planting being promoted. Several trees are currently planted right in the rivers of the Buffer Zone; however, we will assume responsibility for correcting this practise as we replant areas of the buffer zone, after harvesting.
Some impacts of our company's presence have to do with others' reactions to the company and to opportunistic power-plays brought about when self-interested people use the company as a wedge, forcing complex local issues into unnatural binaries with the company at the centre. In this case, the company is often used by either local politicians or rogue community members to enrich themselves or advance their own interests, to the detriment of our neighbours.

Finally, on some plantations, private company-sanctioned activities such as beekeeping are allowed and encouraged. During FY14, we experienced a situation in which private bee hives were destroyed during a harvesting operation. As a result, the company provided compensation for the hives and built a new honey collection centre at an alternative location; however, the ideal situation for both the communities and the company would be to avoid the harm to property in the first place. In order to avoid harm to private property on the plantation in future, we have begun circulating harvesting plans to all affected parties conducting activities within the plantation. This advance notice will allow people to relocate their activities to a new area, agreed upon between the individuals and the Corporate Responsibility department, thus protecting the private property of our neighbours and continuing to facilitate and promote activities, which are of value to our stakeholders.
The Company confirms that all employees, of all genders earn the same income, for the same levels of job. The NFC follows the remuneration principle of equal work for equal pay.

Formally structured performance management is practiced down to middle management and supervisory level. The content of performance agreements are finalised between a line manager and the relevant employee at the start of each performance cycle. Employees are engaged by their supervisors on a monthly basis which takes the form of an interactive session between the line manager and the staff member. These sessions also include discussions with regards to individual development plans and also career and succession planning.

Those who participated in formal performance reviews, during FY14, include:

<table>
<thead>
<tr>
<th>Workplace</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>5</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Mozambique</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Rwanda</td>
<td>7</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Tanzania</td>
<td>14</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>Uganda</td>
<td>23</td>
<td>6</td>
<td>29</td>
</tr>
<tr>
<td>Totals</td>
<td>59</td>
<td>12</td>
<td>71</td>
</tr>
</tbody>
</table>

The Company provides on the job training for all staff. Each Senior Manager uses his/her expertise in order to transfer the necessary skills to employees. New employees are taken through a company induction process where specific skills are developed, assessed and discussed. On the middle to senior management levels the approach is taken to provide forestry specific training in terms of supervisory skills as well as the management of occupational health and safety. In Uganda and Rwanda, where harvesting is done, specialist certificated training is provided for all chainsaw operators and harvesting supervisory staff. The Company provides on the job training to all forestry contractors and their staff to ensure that the necessary quality is maintained in all Silviculture operations. The fire response teams are also adequately trained for their task to ensure that fire fighting takes place in a professional manner and without injury. NFC has partnered with Agri-Vie over the last three years, obtaining a 50% cost-share grant in order to develop and improve forestry skills in Africa. This targeted skills improvement will continue throughout financial year 2015.

The NFC has an HIV and Aids policy in place where the CSR department promotes awareness training to communities and to NFC staff and contractors, on operational site and in neighbouring communities. The emergence of the Ebola Virus in Uganda during FY14 necessitated an awareness programme for staff members where the Company made use of internal communication to provide staff with the necessary information about the virus and how it should be reported.

Programmes for skills management and lifelong learning that support the continued employability of employees and assists them in managing career endings. (G4-LA11)

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Total number of incidents of reported discrimination and corrective actions taken (G4-HR 4)

No incidents of discrimination of any form were recorded in the past financial year. Each workplace has a formal grievance procedure and employees are encouraged to lodge grievances via their line managers, the HR department and where applicable, via the trade union mechanisms. All grievances are reported to the Group HR function for internal audit purposes. In early FY15, the Human Resources department was rolling out an anonymous whistle blower policy, which will be further discussed in next year’s report.

Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour (G4-HR 6)

The NFC has an HIV and Aids policy in place where the CSR department promotes awareness training to communities and to NFC staff and contractors, on operational site and in neighbouring communities. The emergence of the Ebola Virus in Uganda during FY14 necessitated an awareness programme for staff members where the Company made use of internal communication to provide staff with the necessary information about the virus and how it should be reported. All New Forests plantations and value-added timber processing sites have significant risk for incidents of child labour; therefore, it is incumbent upon the company to establish strict policies and mitigation measures.

In Uganda and Rwanda, where we work through labour contractors, we require that the labour provides references from their local councils and District Security Officers who confirm that potential labourers are above the age of 18 and do not have security records. This is a contractual requirement checked via internal quarterly audits done on the contractors. In addition to quarterly audits, our Plantation Managers and management committee members conduct spot checks on the labour and when under age labour is found, the contractor is warned once with a second occurrence leading to termination of contract.

In Tanzania, during FY14 we made a significant shift in operations from working through contract labour to hiring and employing our own labour on both our plantation and at our pole treatment plant. We enforce the employment policies of the company, which articulate a strict ban on any form of child labour. We implement the same system in Mozambique, employing our own labour and applying strict policies against child labour.

Regarding our value chain, transporters of timber are contractually obligated to follow New Forests’ policies. Further, transporter companies require valid driver’s licenses from all staff, which further ensures transparency of ages. Finally, our Pole Plant managers and their teams visit suppliers of third-party timber at regular intervals for the purpose of pole inspection and price negotiations. All are informed of the company policies, particularly the child labour policy.

Total number of incidents of violations involving rights of indigenous people and actions taken. (HR 9) 8

In the FY13 Group Sustainability Report, we reported the contents of the FY14 HR 11 indicator under this indicator—HR 9. Upon reflection, we felt that the update on our existing mediation did not belong here, as the matter is unrelated to indigenous people. For readers interested in an update on the formal mediation which was reported under indicator HR 9 last year, please read our response to indicator HR 11.

During FY14, we had zero incidents of violations involving the rights of indigenous people throughout the group of companies. Below, we will include the findings from a due diligence process conducted on the company, assessing our compliance with International Finance Corporation Performance Standards, specifically PS7, related to interaction with indigenous people.

8 For Indicator HR 9, we site a great deal of the findings from a due diligence report written by the German consulting company, Unique. This is because Unique conducted a thorough investigation of NFC’s compliance with IFC performance standards, including PS7, related to interaction with Indigenous People.
Uganda:
The definition of indigenous people does not apply in the case of the population neighbouring NFC plantations in Uganda.

A study conducted in 2008 (FPP series on Forest Peoples and Protected Areas) states:

“In Ugandan law the definition of an indigenous person is outlined in the constitution of Uganda as anyone existing and residing within the borders of Uganda before 1926. As a result, indigenous people in Uganda are both everyone – there are 56 different ethnic groups listed in the constitution as indigenous in 1926 – and no one in particular at the same time”.

This specific study however suggests that Batwa people should be regarded as indigenous people. They live in the upper highlands of Uganda, which is not part of the NFC plantation area.

Tanzania: 
Tanzania is estimated to have a total of 125 – 130 ethnic groups, falling mainly into the four categories of Bantu, Cushite, Nilo-Hamite and San. While there may be more ethnic groups that identify themselves as indigenous peoples, four groups have been organizing themselves as the area of operation expands into new sectors. In the PRAs, no concerns about possible negative impacts on customary laws, tradition or cultural resources have been expressed. There are no indigenous people according to Rwandan law and understanding. Since the Genocide in Rwanda, the Government insists on avoiding any differentiation between tribes, people or culture. All citizens are Rwandan citizens. However, some literature refers to Twa or Batwa people as indigenous people. This was refused by the Rwandan Justice Ministry in 2004 and national unity was given priority.10

Mozambique:
Local villages surrounding New Forests plantations represent the indigenous community. The name of the ethnic group is Yao11. There is an agreement between local / indigenous communities and NFC that dictates where NFC may plant and where not, how to compensate in case of economic displacement and on annual land lease fees.

Rwanda:
NFC has carried out PRAs in four communities as of now and will continue to do so with more communities as the area of operation expands into new sectors. In the PRAs, no concerns about possible negative impacts on customary laws, tradition or cultural resources have been expressed. There are no indigenous people according to Rwandan law and understanding. Since the Genocide in Rwanda, the Government insists on avoiding any differentiation between tribes, people or culture. All citizens are Rwandan citizens.

However, some literature refers to Twa or Batwa people as indigenous people. This was refused by the Rwandan Justice Ministry in 2004 and national unity was given priority.12

Total number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms (HR 11)
During FY14, there were no new grievances related to human rights filed. In FY12, complaints were raised by communities settled in the Mubende and Kiboga Districts of Uganda, about perceived rights to constitutionally protected land within the Namwasa and Luwunga Central Forest Reserves (CFRs). Because these two communities are not classified as indigenous people, we will address the matter within this indicator. While land rights in Uganda is a matter of heated debate and controversy, there are very clear laws and policies about land rights within government-delineated CFRs—areas of land protected by the government for the people of Uganda, on which specific activities may take places, such as conservation of indigenous forests, wildlife conservation and tourism or forestry. In the National Forestry and Tree Planting Act of 2003, the Government of Uganda clearly outlined the activities that are allowed and those that are prohibited within CFRs.

It is clearly a risk to NFC for any community member to feel aggrieved by our management of the CFRs; therefore, NFC voluntarily entered into mediation with the affected communities, led by the office of the Compliance Advisor Ombudsman (CAO).

In July of 2013, the mediation with the Mubende affected community was successfully settled, and in July of 2014, the mediation with the Kiboga affected community was also settled, marking a mutually agreeable resolution that will both respect the losses of affected communities as well as the laws of Uganda. Our focus has turned toward implementation of the two agreements, which will form the largest portion of our Uganda Corporate Responsibility investment over the next four years. While the settlement with the Kiboga community was signed in July of 2014 (formally, in Fiscal Year 2015), we have opted to report this event in the FY14 Sustainability Report, as it was a culmination of engagement over the course of 2014 and the contents of the agreement were agreed upon in FY14.

The Compliance Advisor Ombudsman (CAO) is the independent recourse mechanism for the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). The CAO responds to complaints from project-affected communities with the goal of enhancing social and environmental outcomes on the ground.13

10 See more at: www.minorityrights.org/?lid=4952#sthash.UB7aldYO.dpuf
11 See more information at: www.massatourism.com/yao-people-61.html
12 Source: www.caos-ombudsman.org
13 See more information at: www.minorityrights.org/private.php
Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes. (G4-PR 2)

To address this indicator, we will outline with Corrective Action Requirements (CARs) received during FSC audits as well as any other incidents of non-compliance at our pole plant sites, which occurred or changed during FY14. During FY14, we hosted one audit by the FSC, during which some CARs were closed and others were opened. We will outline them below:

**FSC CORRECTIVE ACTION REQUIREMENTS**

<table>
<thead>
<tr>
<th>FY13 CARs</th>
<th>Date Opened</th>
<th>Date Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>#19: Indicator 10.2.1</td>
<td>7 June 2013</td>
<td>14 Feb 2014</td>
</tr>
<tr>
<td>Natural vegetation areas within the forest management unit (FMU) have not been identified and demarcated on maps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#20: Indicator 6.1.2</td>
<td>7 June 2013</td>
<td>14 Feb 2014</td>
</tr>
<tr>
<td>Site specific assessments prior to afforestation are lacking in detail</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#21: Indicator 10.6.1</td>
<td>7 June 2013</td>
<td>14 Feb 2014</td>
</tr>
<tr>
<td>Soil and site information is not optimally utilized for planning and is lacking key data</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY13 CARs</th>
<th>Date Opened</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1: Indicator 7.1.4</td>
<td>14 Feb 2014</td>
<td>13 Feb 2015</td>
</tr>
<tr>
<td>The rate of harvest is not documented and justified</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#2: Indicator 8.1.4</td>
<td>14 Feb 2014</td>
<td>13 Feb 2015</td>
</tr>
<tr>
<td>Monitoring information is not readily available and in a format that facilitates effective auditing and certification by third parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#3: Indicator 4.2.4</td>
<td>14 Feb 2014</td>
<td>13 Feb 2015</td>
</tr>
<tr>
<td>Forestry operations do not always comply as a minimum, with the ILO Code of Practice on Safety and Health in Forestry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#4: Indicator 1.1.1</td>
<td>14 Feb 2014</td>
<td>13 Feb 2015</td>
</tr>
<tr>
<td>There is evidence of non-compliance with some national laws and administrative requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#5: Indicator 5.5.2</td>
<td>14 Feb 2014</td>
<td>13 Feb 2015</td>
</tr>
<tr>
<td>Forest management practices do not always minimise negative impacts on services and other forest resources</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

During FY14, our Pole Treatment Plant in Uganda received an audit to maintain its ISO: 9001 certification and received a zero non conformance, which indicates full ISO: 9001 compliance.
As a business dependent on land, New Forests has a vested interest in ensuring that the areas in which it works, and the land its neighbours rely on for their livelihoods, maintains its biodiversity richness and the quality of its ecosystem services. Climate change and attendant extreme weather events, in particular, can impact watersheds, tree growth rates, biodiversity denseness and local food security. With a long-term view on its presence in East Africa, NFC has a pro-active approach to managing its land assets, from the use of responsible forestry practices and helping neighbors build resilience to climate change to actively conserving indigenous forests, wetlands and woodlands.

Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. (G4-EN 11) For this indicator, we will display the maps of our land concession and thus, are surrounded by our plantation forests. The table below provides areas in hectares with the final row converting the totals into kilometers squared.

New Forests counts as conservation area, any area within the forest concession that is being protected and preserved based on its pristine, natural or cultural value. The location and size of land being reported under ‘Conservation Area’ is only that which is within the licensed or leased forest. No land being protected or considered to have high biodiversity value that lies outside the forest concession or borders the concession is included in the Conservation Area. This is because New Forests assumes full financial, operational and logistical responsibility for the land—both planted and unplanted—within its formal boundaries, and cannot assume responsibility for land outside its boundaries that may have conservation value but is managed by another entity. For example, our Nyungwe Buffer Zone concession is adjacent to the Nyungwe National Forest, a pristine, protected, high biodiversity value national asset comprised of 970 square kilometres of biodiverse, natural rainforest. No land being reported under ‘Conservation Area’ is not considered company conservation area. This is because the areas in which it works, and land that is not considered company conservation area.

During FY14, in the process of field enumerations, New Forests’ staff identified land claims by private persons. These claims were immediately reported to the Government, via the Rwanda Natural Resources Authority (RNRA) in its capacity as lessor of the concession. RNRA engaged with the affected communities and undertook a detailed mapping exercise of the entire buffer zone. The outcome of this exercise was a revised concession area of 10 043 ha.

### ENVIRONMENTAL INDICATORS

<table>
<thead>
<tr>
<th>Country</th>
<th>Plantation</th>
<th>Total Area</th>
<th>Total Plantable</th>
<th>Planted end FY14</th>
<th>Plant area left</th>
<th>Conservation area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>Namwasa</td>
<td>9 084</td>
<td>5 900</td>
<td>5 231</td>
<td>669</td>
<td>3 184</td>
</tr>
<tr>
<td></td>
<td>Luwungu</td>
<td>8 813</td>
<td>5 966</td>
<td>4 225</td>
<td>1 741</td>
<td>2 847</td>
</tr>
<tr>
<td></td>
<td>Kirinya</td>
<td>3 522</td>
<td>2 716</td>
<td>2 632</td>
<td>84</td>
<td>806</td>
</tr>
<tr>
<td></td>
<td>Total UG</td>
<td>21 419</td>
<td>14 582</td>
<td>12 088</td>
<td>2 494</td>
<td>6 587</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Lukosi</td>
<td>8 146</td>
<td>5 145</td>
<td>4 226</td>
<td>919</td>
<td>1 001</td>
</tr>
<tr>
<td></td>
<td>Total TZ</td>
<td>8 146</td>
<td>5 145</td>
<td>4 226</td>
<td>919</td>
<td>1 001</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Chiconono</td>
<td>21 591</td>
<td>5 184</td>
<td>5 285</td>
<td>1 772</td>
<td>16 407</td>
</tr>
<tr>
<td></td>
<td>Total MOZ</td>
<td>21 591</td>
<td>5 184</td>
<td>5 285</td>
<td>1 772</td>
<td>16 407</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Nyungwe</td>
<td>10 043</td>
<td>8 500</td>
<td>7 812</td>
<td>688</td>
<td>1 543</td>
</tr>
<tr>
<td></td>
<td>Total RW</td>
<td>10 043 10</td>
<td>8 500 10</td>
<td>7 812</td>
<td>688 10</td>
<td>1 543</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Chiconono</td>
<td>59 199</td>
<td>33 411</td>
<td>27 411</td>
<td>6 000</td>
<td>25 788</td>
</tr>
<tr>
<td>Total NFC</td>
<td></td>
<td>792</td>
<td>334</td>
<td>274</td>
<td>60</td>
<td>258</td>
</tr>
</tbody>
</table>

1. 5 409 ha was the previous area of the buffer zone, according to the Rwanda Natural Resources Authority. After an updated boundary marking exercise, completed during FY14, the actual area was found to be 10 043 ha.
2. The 8 500 ha planted area is a scientific estimate based on an aerially mapped 7812 ha, which is reliable as it has been gleaned from aerial images, but has not been GPSed. The 7812 ha is then super-imposed on the concession map, via ARC GIS, which measures trees, electronically. We are still in the process of uploading our aerially mapped compartments, which is why our ARC GIS system does not yet match our declared planted area. This will be completed during FY15. Our strategy is to GPS map areas of the buffer zone prior to harvesting. The GPS mapping we have completed is of 10 000 ha for harvesting.
3. The area which has not been aerially mapped is 2231 ha (10 043–7812=2231). The stated area left to plant of 688 ha is an estimated base on 31% of what has not yet been aerially mapped, of the total concession. We estimate that, of the 2231 ha unmapped, that 688 will be plantable and that 1 543 will be classified protected conservation areas.
On water monitoring – Tanzania forest operations sampled two points, at two separate intervals throughout the year, both samples show no evidence of siltation from our activities, and as this is the first of the stream flow samples for Tanzania they form the baseline for future analysis.

Rwanda conducted similar water quality sampling above and below the pole plant using four chemical parameter tests; these tests form the basis for future analysis of impact on water quality of the pole treatment plant, which was commissioned this year.

| SUMMARY OF CHEMICALS/HERBICIDES/PESTICIDES USE IN NFC OPERATIONS - FY14 |
|-------------------------|-------------------------|-------------------------|-------------------------|
| Commercial Name of Pesticide/Chemical | Active Ingredient | Volume |
|-------------------------|-------------------------|-------------------------|-------------------------|
| Volcano (L) | Glyphosate (360) | **Uganda** | 120 |
| DAP Fertilizer (Kg) | Double Ammonium | Mozambique | 31 |
| Sanoplant (Kg) | Anionic Polacrymide | Tanzania | 29 |
| Vondozeb 800 (L) | Mancozeb (80% WP) | | |
| Volcano Demeter (L) | Benomyl (50% WP) | | |
| Censor | Fipronil 200 G/L | | |
| Chlorprofos (L) | Chlorprofos | | |
| Volcania Cypermethrin (L) | Cypermethrin 20% EC | | |
| NPK Fertilizer (Kg) | Double Ammonium | | |
| NPK Fertilizer (Kg) | 20: 7 : 19 | | |
| Aquafix (Kg) | Anionic Polacrymide | | |
| Gycel | Glyphosate | | |
| Weedex (L) | Glyphosate | | |
| Cooperstate (L) | Glyphosate | | |
| Hang Triclopyr (L) | Triclopyr | | |
| Weedall (L) | Glyphosate | | |
| Imaxi (L) | Imidachloprid | | |
| Nimrod (L) | bupirimate, triforine | | |
| Folpan (L) | Folpan | | |
| Agrolaxy (L) | Agrolaxy | | |
| Rocket (L) | Rocket | | |
| Hydrogen peroxide (L) | Hydrogen peroxide | | |
| Goldazim (L) | carbendazim | | |

Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas (EN12)

<table>
<thead>
<tr>
<th>INVASIVE SPECIES MANAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area(ha) treated within compartment</td>
</tr>
<tr>
<td>NAMWASA</td>
</tr>
<tr>
<td>LUVUNGA</td>
</tr>
<tr>
<td>KIRINYA</td>
</tr>
<tr>
<td>LUKOSI</td>
</tr>
<tr>
<td>CHICONONO</td>
</tr>
</tbody>
</table>

On water monitoring – Tanzania forest operations sampled two points, at two separate intervals throughout the year, both samples show no evidence of siltation from our activities, and as this is the first of the stream flow samples for Tanzania they form the baseline for future analysis.

Rwanda conducted similar water quality sampling above and below the pole plant using four chemical parameter tests; these tests form the basis for future analysis of impact on water quality of the pole treatment plant, which was commissioned this year.
Biodiversity studies were completed on Kirinya in Uganda and Nyungwe in Rwanda; however, the Nyungwe study was only completed in June 2014 and the report on this study was not available at the time of finalising the sustainability report. Species diversity in the taxa the company is monitoring is shown in the table below for areas where this monitoring has been introduced (Uganda):

<table>
<thead>
<tr>
<th></th>
<th>Namwasa</th>
<th>Kirinya</th>
<th>Luwanga</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>baseline</td>
<td>2014</td>
<td>baseline</td>
</tr>
<tr>
<td>Mammals</td>
<td>23</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>Butterflies</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Birds</td>
<td>12</td>
<td>103</td>
<td>6</td>
</tr>
</tbody>
</table>

This shows a consistent increase in species since monitoring was introduced. While some of this increase must be attributed to improved monitoring, evidence suggests an improvement in species diversity as well.

Of the species identified to date, most of these fall within the IUCN “Least Concern” category, and none would be considered rare and endangered. Nine restricted range butterfly species were identified in the natural areas within Kirinya plantation forest in the 2014 biodiversity study. Only two species of plants of conservation concern in IUCN sense were recorded from the habitats protected or restored. Strategies, current actions and future plans for managing impacts on biodiversity. (G4-EN13, 14)

Biodiversity studies for Kilolo Plantations in Tanzania is scheduled for July 2014 and the first 5 year review is scheduled for Namwasa in late 2015. Using the Global Forest Watch website it would appear that the High Conservation Value protection assigned to some forest areas is starting to show recovery; however, this is currently difficult to quantify as tracking of forest recovery on the website is scheduled over a ten year period starting in 2000 and the company only took over the lease in 2006.

Ninety changes were made to the company’s Integrated Management System in the year indicating that the system is still dynamic and input from management is consistently improving our system.
At New Forests, we have done risk assessments at all our operations and two types of spill risks were identified, being Chemical (CCA) and fuel and oils spills at all our operations. We define a significant spill as one that involves greater or equal to twenty litres of CCA or fuel oils. As a result of this risk assessment all chemical storage and treatment areas and all fuel and oil storage areas are banded to contain accidental spillage or leakage.

As part of its Integrated Management System, NFC also has developed a procedure for the responsible placement, control and use of its fuel and chemicals including spill response.

During FY14, we achieved our target, which was to have no significant spills occur at any of our operational sites. We haven’t had any spillages on site outside the bund area, and zero spillages within the bund area above 20 litres. Should a spill transpire within a bund area, all spill chemical is drained via a sump and recycled into the process.

In the unlikely event that a chemical spillage takes place outside a bund wall, we have a spill kit on site comprising certain active ingredients (lime, etc) which is sprinkled on the spill to neutralize the fluid with the soil then being buried in an impervious and specifically demarcated pit until such time as the outsourced removal crew have taken this away for industrial disposal. There has not been an instance of spillage outside a bund area to date.

Where there is a fuel or oil spill of significance the contaminated soil is collected in a bin and taken to constructed MAP beds where the soils is treated with Ammonium Phosphate, turned and watered until the hydrocarbons have degraded. At this time the soil is disposed of back into the environment.

**Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation (G4-EN26)**

Copper chrome arsenic is the main chemical used at our pole plant, considered the leading environmental solution to pole treatment. The chemical is kept in customized storage tanks erected within an impervious bund wall thus preventing leaching. Our onsite diesel tank is also surrounded by a bund wall. Concrete drains are strategically located to channel water appropriately and to avoid soil erosion. In the unlikely event that a spillage takes place outside a bund wall, we have a spill kit on site comprising certain active ingredients (lime, etc) which is sprinkled on the spill to neutralize the situation with the soil then being taken and buried in an impervious and specifically demarcated pit until such time as the outsourced removal crew have taken this away for industrial disposal. There has not been an instance of spillage outside a bund area to date.

**Monetary value of significant fines for environmental non-compliance. (G4-EN29)**

We define this indicator as the monetary value of fines for any level of environmental non-compliance, which may be exacted from the company by host governments, certifying bodies, national regulators and other environmental stewards within our countries of operation. We also define as ‘significant’ any fine of any amount, exacted for environmental non-performance, as the issue is less about the amount of the fine and more about the condition of non-compliance. For New Forests, the entities with the most authority to exert influence over our operations, via their auditing of company practices are the Forest Stewardship Council (Ugandan-registered plantations), the National Forestry Authority (Uganda), The National Environmental Management Authority (Uganda), the Ministry of Natural Resources (Rwanda), the Ministry of Natural Resources and Tourism (Tanzania), the National Environmental Management Council (Tanzania) and Ministério Para A Coordenação Da Acção Ambiental (Ministry for the Coordination of Environmental Action, Mozambique).

This indicator relates specifically to the monetary value of fines the company may have received for environmental non-compliance, but does not cover the reputational implications of such fines. For example, at NFC Tanzania, if we have not paid for an environmental license, we could be fined by NEMC. This could also cause FSC auditors to issue a Corrective Action Request (CAR) against us, as this would be a legal non-compliance with country statutes. Beyond the financial implications of a fine, New Forests’ reputation would suffer as it becomes public knowledge (FSC reports are public) that New Forests failed to pay a legislated fee. FSC does not fine for non-compliance; rather, they issue a CAR-- either minor or major-- depending on the circumstances. The CAR must then be closed within a set period of time, or else we risk losing our FSC certification.

**Total number and volume of significant spills. (G4-EN24)**

During FY14, New Forests did not receive any fines for environmental non-compliance. In addition, New Forests did not receive any CARs related to environmental compliance.
New Forests Poles (NFP) is rapidly emerging as East Africa’s premier supplier of treated poles with a reputation for high quality, reliability and consistency of supply. The company maintains strict adherence to international best practice.

With a view to contributing to Africa’s sustainable economic growth, the company delivers locally treated, durable and weather-resistant transmission poles to African markets for rural electrification purposes. Based in Uganda and Tanzania, NFP is cost competitive in Western Kenya, Rwanda, Burundi and South Sudan.

Quality: With first class processing sites, outstanding quality control and experienced management, New Forests Poles has distinguished itself as one of East Africa’s premier pole producers. Quality-control teams operating NFP’s in-house laboratory oversee the consistency and superior treatment of the company’s wood products. International external experts regularly vet quality. NFP has adopted best practices as 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. The Uganda plant achieved ISO 9001:2008 certification in 2011.

Major developments: NFP won a tender to supply Kenya Power and Lighting Company with 42,000 poles into Western Kenya, of which 14,000 have been delivered; the Ugandan pole plant was announced as the most competitive bidder at a public bid opening for 18,600 poles into Tanzania and a 10,000 pole tender into Rwanda, and continues to provide the lion’s share of supply to the electricity distribution company of Uganda – Umeme. The Ugandan pole plant is thus competitive across the East African Community (EAC) – Uganda, Rwanda, Tanzania and Western Kenya which poses significant opportunities into the future. Total sales from the pole plant increased 51% year on year from FY12 to FY13; the pole plant passed the ISO 9001:2008 surveillance audit without the aid of a consultant; the pole plant received Uganda National Bureau of Standards (UNBS) certification and further demonstrates our commitment to quality and sustainable best practice.

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments. (G4-EC1): This is addressed within our response to indicator G4-9 Actions taken in response to incidents of corruption. (G4-SO4)

No incidents of corruption were noted during the reporting period and it should be noted that NFC adopts a zero tolerance policy toward corruption by employees, suppliers, customers or other stakeholders as laid out in its Code of Conduct.

Added Indicator: Financial damage caused by illegal activities and mitigation measures.

This year, we have decided to include information on unanticipated mitigation costs incurred at select locations, across the group, as a result of illegal activities. As touched upon in our G4-SO10 response, various destructive practices can emerge on plantation land as a result of resource scarcity, poor understanding of land uses, food insecurity and even political interference for the purposes of nefarious and personal gain.

Uganda:
During FY14, forestry operations in Uganda spent a total of $60,000 on security guards, forest patrols, vehicle hire and fuel to control and eradicate illegal encroachment and illegal cattle grazing. This amount constitutes 3% of the total forestry operations budget. An additional $11,000 was spent by the Corporate Responsibility Department on mitigating the risks and impacts of illegal activities.

What cannot however be measured in monetary terms, is the number of hours spent by management on consultations, meetings, workshops, informal sessions, written and electronic media, letters, e-mails, etc. in an effort to educate, mediate and consult on issues related to illegal activities.

Approximately 400 ha of conservation areas have been affected at Kirinya through illegal crop cultivation, which is a common practise.
across East Africa. In addition to the costs mentioned above, a further $8,700 was spent on conservation management across the management areas. In an effort to resolve the situation at Kirinya, a court judgement was passed in favour of NFC, resulting in the voluntary exit of encroachers by 20 January 2014. If after the due date, not all encroachers had vacated, local police were instructed to evict.

Illegal grazing at Namwasa plantation resulted in the digging of a cattle trench around the most affected areas. The total cost for 8 km of trench dug, came to approximately $14,400 over 2 years, with a total of $2,700 spent in FY14. Since the trench has been dug, incidences of damage to young trees in the affected areas (as is commonly observed when cattle grazing occurs) has reduced significantly.

Furthermore, NFC spent a total of $238,327 on consultants and auditors sourced for various topics related to environmental concerns, risk management and responsible business management. These include EIA’s, biodiversity studies, FSC audits, species selections, soil surveys, safe chemical usage in plantation operations, etc. The cost of these services amounts to 5.4% of FY14 budget.

Tanzania:
During FY14 in Tanzania, we spent $67,946 on conservation efforts (including fire lookouts, fire standby, fire security and road rehabilitation after floods), which accounted for 7.9% of the FY14 budget.

Rwanda:
During FY14 NFC Rwanda employed 37 security guards in five sectors within the Nyungwe Buffer Zone. The aim of these guards was first and foremost, to protect NFCR assets. Since NFCR has identified encroachment as its greatest risk, security guards are conscious of this and it is therefore treated and acted upon swiftly. The total spent on security patrols equates to an annual total of $74,400 and that amounts to 8.8% of the NFCR monthly wage bill. Incidents of timber theft have been reported; however, the value is very difficult to determine. During the reporting period, the Rwanda Natural Resources Authority (RNRA) had undertaken the large scale boundary demarcation exercise, which has now been completed, and clear boundary indicators have been established, increasing the efficacy of policing.
Policies, practices and proportion of spending on locally-based suppliers at significant locations of operation. (G4-EC 6)

It is company policy to exhaust all local suppliers before external suppliers are contacted. The majority of funds available for such purchases are spent locally. Typical procurement needs include:

- Road maintenance and construction equipment, building supplies, vehicles, machines, tractors, tools, pumps and spares, electrical equipment, personal protective equipment, herbicides, chemicals, fertilizer, pole purchases;
- Most importantly NFC only makes use of labour originating from in and around its area of operations; and
- Most of the raw material (poles) treated at NFC treatment sites in Rwanda, Uganda and Tanzania are bought from 3rd party tree planters in close proximity to the treatment plants.

<table>
<thead>
<tr>
<th></th>
<th>Uganda</th>
<th>Tanzania</th>
<th>Rwanda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of pole purchases from third parties FY14</td>
<td>$3,071,786.00</td>
<td>$3,490,145.00</td>
<td>$107,000.00</td>
</tr>
</tbody>
</table>
Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. (G4–EC7)

It is Company policy to only hire expatriate staff for positions where the national labour market lacks the necessary expertise and skill. These positions are mainly the Country Managers, Financial Managers, Forestry Managers and Plantation Managers. The preference for all employment across the group is for employees who are national residents. In Uganda, NFC promoted a senior Forester to the position of Plantation Manager instead ofappointing an expatriate (FY14). In the Tanzanian Forestry department one outgoing expatriate was not replaced, but instead the position of Forester was filled with a local Tanzanian (FY14). In the Mozambican business NFC also managed to replace an outgoing expatriate with a local Mozambican Forester from within (FY14). The management team of the Rwanda business is mainly composed of Rwandans (all FY14) such as the Charcoal Manager, Pole Plant Operator and Security Manager. NFC has been successful in developing internal resources in order to minimise the appointment of expatriates.

Management Proportions:

<table>
<thead>
<tr>
<th>Country</th>
<th>Local Managers</th>
<th>Expatriate Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>7/8 managers are local while 1/8 are expatriate</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>6/9 managers are local while 3/9 are expatriate</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>4/8 managers are local while 4/8 are expatriate</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>6/10 managers are local while 4/10 are expatriate</td>
<td></td>
</tr>
</tbody>
</table>

Procedure for hiring locals:

NFC follows a strict recruitment procedure as per the HR Manual. Vacancies for all semi-skilled and skilled positions are advertised in the local media and the job adverts are also shared with the necessary communities depending on the nature of the vacancy. All applications are screened in terms of the criteria noted in the relevant job advertisement. Suitable candidates are interviewed and subject to competency assessments depending on the specific skills required. Final interviews are held and reference/qualifications verifications are conducted. The interview panel makes a decision based on the above and makes an offer of employment to the employee.

Vacancies for unskilled labour are communicated only to the community in the closest proximity to where the labour is required. A similar process to the abovementioned is followed to eliminate the risk of employing individuals who were dismissed for serious misconduct at previous workplaces.
Assurance Report

Limited assurance report of the independent auditor, Deloitte & Touche to New Forests Company Holdings Limited on selected subject matter disclosures contained in their Sustainability Report for the year ended 30 June 2014 ("the Sustainability Report")

Scope of our work
New Forests Company Holdings Limited ("New Forests Company") engaged Deloitte & Touche ("Deloitte") to perform limited assurance procedures over the following sustainability performance indicators, the subject matter, for the financial year ended 30 June 2014:

- Percentage of operations with implemented local community engagement, impact assessments and development programs;
- Number of operations with significant potential or actual negative impacts on local communities;
- Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities;
- Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas;
- The total number and volume of significant spills; and
- Monetary value of significant fines for environmental regulation non-compliance.

Assurance process and standard
We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000). To achieve limited assurance, ISAE 3000 requires that we review the processes and systems used to compile information in the areas on which we provide assurance. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

The evaluation criteria used for our assurance is the New Forests Company indicator definitions and basis of reporting as well as the Global Reporting Initiative Sustainability Reporting Guidelines.

Summary of work performed
Considering the risk of material error, our multi-disciplinary team of sustainability assurance specialists planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient appropriate evidence. Our work was planned to mirror New Forests Company’s own compilation processes.

Key procedures we conducted included:
- Gaining an understanding of the New Forests Company systems through interviews with management responsible for reporting systems at corporate head office and site level; and
- Reviewing the systems and procedures to capture, collate, aggregate, validate and process source data for the assured performance data included in the Report.

Our conclusion
Based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that the selected sustainability performance indicators are not fairly presented.

Responsibilities of directors and independent assurance provider
The directors are responsible for the preparation of the Sustainability Report 2014, including the implementation and execution of systems to collect required subject matter data.

Our responsibility is to express our limited assurance conclusion on the selected subject matter for the year ended 30 June 2014.

This report is made solely to New Forests Company in accordance with our engagement letter. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a limited assurance report and for no other purpose. Thus, we do not accept or assume responsibility to anyone other than New Forests Company for our work, for this report, or for the conclusions we have formed.

Deloitte & Touche
Registered Auditor
Per – AN le Riche
Partner
21 October 2014
1st Floor, The Square, Cape Quarter, 27 Somerset Road, Greenpoint, Cape Town, 8005

A full list of partners is available on request

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  - South Africa

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  - Kigali
  - Rwanda

- Tanzania
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  - Iringa
  - Tanzania

- Mozambique
  - PO Box 280
  - Lichinga, Niassa Province
  - Mozambique

- Uganda
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  - Kampala
  - Uganda

- Uganda
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  - Kampala
  - Uganda