



THE NEW  
**FORESTS**  
COMPANY

**FY22**  
SUSTAINABILITY  
REPORT

# OUR KEY IMPACTS

## COMMUNITY

Number of jobs created directly in FY22 was

**953**

**105**

(11%) jobs created for women in FY22

schools, double classroom blocks or teachers' accommodation built to date

**43**

**7** injuries occurred at work in FY22

including fatalities

**0**

clean water points built to date

**31**

**1,200kg**

of avocados harvested from trees donated by NFC in FY22 in TZ

**16**

16 health centres/ Dr accommodation built to date

**300,000**

estimated number of people in NFC's neighbouring villages that benefit from our community development programme

**39**

Village savings schemes established in UG and TZ

**1,028kg**

of honey harvested in FY22 in UG and TZ

**\$5,711**

Out-grower revenue generated from honey, avos and fruit trees

**\$12,7M**

spent on community development programme to date

**30**

Bee keeping groups supported in UG and TZ

## CONSERVA

**88,000**

metric tons of carbon equivalent emissions estimated to be removed from our Out-growers

**29,9M**

trees planted by NFC to date

**5**

plantations

**1**

sawmill

certified by the Forest Stewardship Council™ (FSC™)

1/3 portion of NFC's forest land that is reserved for conservation

**1/3**

**30,000**

hectares of sustainable forest land managed by NFC

Current carbon sink of

**2,7**

tonnes of CO<sub>2</sub>-e

**132,000**

metric tons of carbon equivalent emissions estimated to be removed from the atmosphere by NFC's maturing operations

Participant of the Circular Bioeconomy Alliance, led by King Charles III of the United Kingdom

# PLANTATION

**10**  
 ...ved  
 s

**4,000**  
 Out-growers planting trees in the communities surrounding NFC's plantations to date

**15,3M**  
 tree seedlings planted by Out-growers.

**18**  
 More than 18 Olympic sized swimming pools of coal being burned that is offset through our plantation + Outgrower trees' in FY22

Participant of WWF's Forests Forward & New Generation Plantations (NGP) Platform - promoting responsible & sustainable plantation forestry

**100**  
 ...ved from  
 FC's

**100**  
 ...ved from  
 FC's

# COMMERCE

**\$10,2M**  
 sales revenues generated in FY22

**100%**  
 of our products sold in FY22 substituted imports

**\$94M**  
 biological asset value

**2** pole treatment plants in East Africa

**3** sawmills in East Africa

**5** manufacturing plants in East Africa

**\$3,5M**  
 paid in taxes or government fees in FY22

**\$2M**  
 spent on road construction to date

**\$147,6M**  
 invested to date (debt and equity)

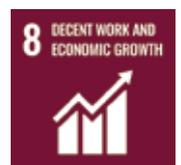
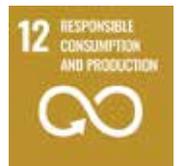
**85,988KM**  
 of electricity grid estimated to be built with NFC poles, equivalent to 2 x around the globe at the equator

**\$147,6M**  
 invested to date (debt and equity)

**\$3,5M**  
 paid in taxes or government fees in FY22

**\$3,5M**  
 paid in taxes or government fees in FY22

**\$3,5M**  
 paid in taxes or government fees in FY22



## WINNERS OF THE EMPLOYEE PHOTOGRAPHY COMPETITION: TANZANIA



Tanzania Employee photography winner: Baraka Komba



Michael Omari, Tanzania



Gwakisa Lija

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## WINNERS OF THE EMPLOYEE PHOTOGRAPHY COMPETITION: UGANDA



Joel Bagata, Uganda



Rogers Wogira, Uganda



Winfred Birungi, Uganda

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# CEO STATEMENT



*NFC CEO, Darren Lapp (left) with Fred Yiga (right) - the 1<sup>st</sup> NFC employee. Photo taken in Uganda.*

While elements of the global economy largely recovered from the previous year's downturn, the treated pole business was slow to recover with several key customers, government parastatals, delaying orders until 2023. The war in Ukraine has increased prices of several commodities including wood products and the Company is pursuing new channels to market for its solid wood products. However, input costs have increased in parallel – some significantly, and the team is focused on hedging against further increases. Management is highly cognizant of the need to drive new business and product lines, and to expand the customer base with our existing products.

The Board and management team are monitoring the impact that inflation and supply chain shortages are having on our neighbouring communities and considering possible ways of ameliorating these impacts. As I write this, an Ebola outbreak has been declared in Uganda and we are supporting health care officials in educating communities and employees to help prevent the spread of the virus.

Raising expansion capital has been difficult through the COVID period, but 2022 saw several significant achievements that will serve to de-risk the capital structure. The first was the exit with value in August 2022 from Rwanda. While we departed with mixed feelings, the NFC team managed to retain sufficiently good relations with our Rwandan counterparts, that sales of NFC products continue into Rwanda from our other operations in Tanzania and Uganda.

The next is achieving agreement amongst the DFIs to the balance sheet restructuring. With the support of shareholders and the development banks, the Company has been deleveraged from ~US\$80m to ~US\$17m in debt, and that on very good terms, and DEG, the German Development Bank, agreed to write off their accrued interest in the course of converting their debt to equity in return from a partial cash settlement of the principle amount. All documents were agreed by the end of the year, signed in early August 2022, and we await a final administrative approval by the Regulatory authorities in Tanzania. This approval is expected towards the beginning of FY23Q2.

With this restructuring, and the risk of DEG calling in their debt eliminated, the path has been cleared to bring in new investment – to be directed at cash generating activities – without encumbrance.

I'm pleased to announce that an African-focused agriculture fund has chosen The New Forests Company for its first foray into the forest industry, and has made a substantial investment in the Company. This investment will come with a US\$ 750k technical assistance co-funded grant to be focused on advancing our out-grower and tree improvement programmes over the next 4 years. An announcement with the investor is expected soon.

With our structural challenges resolved, we are focused on incrementally increasing shareholder value. The team understands that the first step to this is driving positive cash and EBITDA.

Many shareholders have asked me, "what's going to be different in 2023?" The first, again, is with the

restructured balance sheet and the new investment, we will be operating from a position of relative strength. This is recognized by the investment community, and many investors previously concerned about the debt risk, have renewed their interest in NFC. Markets for poles, still NFC's largest business, are returning and we have an increasing order book in both Uganda and Tanzania, and a large contract into Rwanda. We have submitted an application and project development design (PDD) with Verra, a carbon certification body, for our first large tranche of carbon, the revenues from which will also benefit our out-grower partners. And we are accessing our own biological assets on much greater scale than we have in the past, focused on bridging EBITDA and driving profitability. As an example, we have delivered the first three Urus skyline harvesting units into Tanzania to harvest the Company's "own" wood.

We look forward to a much-improved 2023, and I'd like to thank our shareholders for their support, and the NFC team for their resilience.



JOHANNESBURG, Sept 13 (Reuters) - Africa is losing 5% to 15% of its per capita economic growth due the effects of climate change and is facing a gaping climate finance shortfall, according to the African Development Bank (AfDB).

Africa has been hit disproportionately hard by the fallout from climate change, which has aggravated droughts, flooding and cyclones across the continent in recent years.

Source: Africa losing up to 15% of GDP growth to climate change, African Development Bank says Reuters (<https://www.reuters.com>)



As of July 2021, 53 African countries out of 54 have submitted their first Nationally Determined Contributions (NDCs). Africa will need to invest more than \$3 trillion in mitigation and adaptation by 2030 in order to implement its NDCs.

Source: Climate Change | African Development Bank - Building today, a better Africa tomorrow ([afdb.org](http://afdb.org))



# COMPANY PROFILE





# OVERVIEW

The New Forests Company Group (NFC) is a sustainable forestry and value-added timber products business with operations in Uganda and Tanzania, an office in Kenya, a management support office in South Africa, and headquarters in Mauritius. From August 2021, Rwanda was excluded from the Group, having been sold to a minority shareholder. Our core business is managing our own established timber

plantations to harvest and processing high quality wood products - including electrification & telecom transmission poles; sawn timber; kiln dried timber; wooden pallets and biomass. Increasingly, the company is also developing and marketing ecosystem services, such as carbon, biodiversity and water that are protected and restored due to our management activities.

NFC's **Vision** is creating stakeholder value through effective, integrated landscape management.

## Our Core Values are:

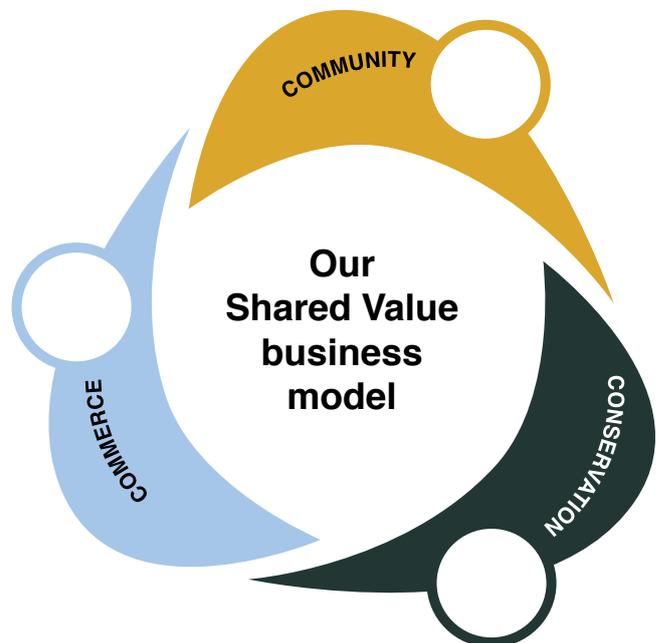


We are an agent of change, helping redefine the role of companies as drivers of economic growth in Africa. The company's **Core Values** are: Integrity, Inspiration and Innovation.

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

Our **Mission** is to be an integrated forest and land management company, managing for multiple natural capital values including protection of conservation areas, support for out-grower farmers and surrounding communities. Underpinning our model with anchor investments in responsibly managed plantation forests and sustainable forest products manufacturing.

Aspiring to expand and replicate our unique, high-impact integrated business model.





FY22 was another challenging year for businesses in Africa as the economies are struggling to recover from the Covid-19 pandemic and its after-effects. Both the Ugandan and Tanzanians governments lag in executing their electrification programs, meaning weak pole purchases from NFC. Group sales slipped to \$10,2 million down from \$13,5 million in FY21. The company focused on diversifying products, looking for new markets and as a result opened an office in Kenya which is the leading economy in East Africa and known for innovation, with interest in engineered timber products for construction instead of traditional concrete and steel. Importantly, NFC completed the DFI debt restructuring and has signed terms to take on a new investor, an African Fund, which will unleash new opportunities for the Company to grow.

The interest in ecosystem services, specifically carbon credits and the voluntary carbon market continued to rise, co-inciding with our 1st carbon verification project being registered with Verra/VCS that focuses on afforestation in our Ugandan landscape, incorporating both NFC conservation areas and the Out-grower trees planted with NFC seedlings and technical support, over the past 5 years. In response to the huge increase in interest in registering carbon projects, Verra/VCS opted to raise their due diligence, know your customer and social as well as environmental safeguard requirements for projects. Verra has also increased their staff resources and reviewed their processes but there is a recognised backlog of projects. Nevertheless, NFC has received interest from almost a dozen potential off-takers, traders and large corporates, and we have opted to continue commercial discussions with a select few.

At the time of preparing this report, the NFC Uganda Carbon Landscapes Project, was approved by Verra/

VCS for pipeline listing (under validation). The project is available on the Verra registry, currently under its 30-day public comment period and will then be externally audited. Carbon creates an important additional revenue stream for the company and her neighbours during FY23 and promises a more sustainable future for the entire landscape in which we operate.

The African Development Bank reported recently that due to climate change and slower than promised financial capital, African economies are losing between 5 and 15% of their per capita GDP. Africa losing up to 15% of GDP growth to climate change, African Development Bank (*Source: <https://www.reuters.com/world/africa/africa-losing-up-15-gdp-growth-climate-change-afdb-2022-09-13/>*)

Africa as a continent has probably contributed the least to climate change, and yet is now facing some of the heaviest burdens across all sectors. It becomes vital to continue to grow Africa and invest capital and skills in a responsible and sustainable manner. NFC has a number of bankable nature-based business ideas worthy of investment with the right partner.

Including seedlings distributed to our neighbours, we have now planted 45 million trees to date, while managing 30,000 hectares of leased sustainable forests. All of NFC's territories are responsibly managed according to the Forest Stewardship Council™ (FSC™) principles and criteria.

- Uganda Forest Management: FSC-C001823
- Uganda Chain of Custody: FSC-C162788
- Tanzania Forest Management: FSC-C124444

While the market in East Africa does not yet offer a premium for certified FSC products, it is encouraging to see that some global multinational companies, who are NFC pallet customers, are promoting global standards of responsible business and appreciate our FSC certification. We will continue to do market shaping and work with FSC to raise awareness of this important certification.

### ECONOMIC VALUE GENERATED:

	FY21 \$ millions	FY22 \$ millions	Variance %
Sales	13,5	10,2	- 24
Employee compensation	4,7	4,5	- 5
Community investments	0,3	0,3	
Payments to capital providers	4,3	2,9	- 33
Taxes and other payments to government	2,4	3,5	46
Total Assets	119	118	- 1
Retained earnings deficit	83,1	75,2	- 10

Note: These values have not been fully audited at the time of printing



In FY22 we began to harvest our own timber from our plantations in Tanzania, which required investments in capex for a Uris and cable harvesting system, heralding an exciting new chapter for NFC - especially when combined with carbon credit revenues expected to be coming online. The Integrated Timber Resource Plan (ITRP) which includes a pipeline view of timber coming from NFC plantations and 3rd party suppliers, including Out-growers, supports our strategy of promoting the commercialization of our Out-grower program.

The NFC Group Support Structure remained stable during FY22, with efforts to streamline operations and a find new customers and markets. In Uganda the Country Operations Director opted to leave NFC and has been replaced by the previous Rwanda Country Manager, Mr Wellington Chirinda, who is a seasoned African business executive with a strong financial background.

## HUMAN RESOURCES

NFC and our labour contractors directly employed 952 people this year, a decrease of 200 jobs from FY21 due to business streamlining activities and exiting the business in Rwanda.

While all of NFC's workforce are free to organize, only 104 individuals (11%) are covered by a collective bargaining agreement, all of whom are in Tanzania.

## MARKETS

NFC's strategy is based on growing demand for timber products in the electrification, construction and beverage transportation sectors in East Africa. Our main products are transmission poles for rural electrification, as well as telecom poles, fencing poles and sawn timber products, such as pallets and construction timber. Increasingly we seek to leverage the ecosystem services of carbon, biodiversity, soil, ecotourism and water that we generate through our management activities towards a growing market for natural capital and climate solutions. There is also a limited biomass market in each territory.

New Forests remains the largest manufacturer of quality, treated transmission poles in East Africa. The company has become a preferred supplier to several major infrastructure contractors. We aim to minimize transport between where the trees are grown, processed, and sold, providing a competitive advantage and limiting our carbon emissions. Our main markets are Tanzania, Kenya, Uganda, Rwanda, Zambia and DRC.

## EMPLOYEES

LABOUR / CONTRACTORS FY22					FY22	FY21	Difference
	Contract Labour Women				72	93	-21
	Tanzania	Uganda	SA	Mauritius			
	29	43	0	0			
	Full Time employees Women				33	41	-8
	14	15	4	0			
<b>Total</b>	<b>33</b>	<b>58</b>	<b>4</b>	<b>0</b>	<b>105</b>	<b>134</b>	<b>-29</b>
	Contract Labour Men				645	775	-130
	Tanzania	Uganda	SA	Mauritius			
	152	491	2	0			
	Full Time Employees Men				202	263	-61
	97	99	5	1			
<b>Total</b>	<b>249</b>	<b>590</b>	<b>7</b>	<b>1</b>	<b>847</b>	<b>1038</b>	<b>-191</b>
<b>Group Total</b>	<b>282</b>	<b>648</b>	<b>11</b>	<b>1</b>	<b>952</b>	<b>1172</b>	<b>-220</b>

Note: figures are averages across the reporting period.

## KEY RISKS AND OPPORTUNITIES

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

	Risk	Mitigation
COMMERCIAL	Limited customer base	Diversification into new products (timber and ecosystem services) and new geographic markets
	Perception of poor quality of all local, wooden poles	Ensure and demonstrate our high quality, while raising local pole standards and quality assurance processes in procurement
	Limited forestry sector financing	Working with finance partners to create patient equity and blended return financing innovations to fund growth of greenfield forestry industry
	Tree risks	Managing fire, pests, diseases and theft through awareness, training, close monitoring, research and development, incentive alignment and legal action
	Supply chain transparency	Practical, cost-effective actions for smallholder African tree planters, such as training and code of conduct Local Environment
LOCAL	Political context	Navigating complex political environments while adhering to global standards of governance and ethics
	Community and labour relations	Proactive engagement strategies (including Forests for Prosperity) to strongly align interests
	Land acquisition	Adhere to national laws and voluntary international responsibility standards
PEOPLE	Key personnel loss	Integrated employee value model, covering onboarding training and development, reward & recognition as well as well-structured succession plans
	Health and safety, (including responding to pandemics, such as Covid-19)	Continuous training, incident reporting and focus on prevention by operational managers, with auditing and guidance by SHEQ manager. Close co-ordination with Country Operations Directors, HR, CSR and local government stakeholders (where appropriate)

## OPPORTUNITIES

2021-2030 is the UN decade for Ecosystem Restoration to achieve the UN SDGs. Globally there remains much to be done as world leaders head towards COP27 in November 2022. Despite positive commitments on mitigating climate change at COP26, further strengthening of the toolbox approach, which includes carbon markets, is expected to come out of this global event. NFC continues to partner with the Circular Bioeconomy Alliance, the Strategic Markets Initiative, WWF Forests Forward (FF) and New Generation Plantations (NGP), as well as the Business For Nature lobby group to ensure we are well placed to be part of the climate change revolution and able to leverage the ecosystem services of carbon, water, and biodiversity that our management activities protect and promote.

The Company continues to unlock new customers, new geographies and new products through diversification and leveraging our sound business track record. Rural electrification remains key to East African development strategy and we anticipate demand to pick up in FY23, with more timber business coming out of the region and export markets beyond Africa.

## GOVERNANCE

The highest governance body is the New Forests Company Holdings Ltd. Board of directors. In FY22 the Board remained at five Directors and two observers, who all hold shares in the company – or represent parties who do. All Directors, apart from the CEO, are non-executive. The Board members are nominated by the nominations



committee and serve the shareholders. Each Director must agree with NFC's triple bottom line approach to doing business. All conflicts of interest among Board members are declared before they join and they are required to report any that arise subsequently. The Chief Impact Officer (CIO) reports to the CEO and is responsible for developing and implementing the Shared Value strategy to maximize our positive impacts in community, conservation, and commerce. She makes ESG presentations to the Board for oversight and guidance and receives direct coaching from Directors. Social, economic and environmental topics are business critical and reported on at all board meetings. An Audit Committee and Remuneration Committee for NFC Holdings is in place and meetings of these committees takes place prior to the Quarterly Board meeting.

Below the holdings Board is the Executive Committee (Exco) who set strategy and identify and resolve operational issues. They comprise the CEO, Chief Financial Officer, Tanzania Country Operations Director, Uganda Country Operations Director; Group SHEQ Manager, CIO, Group Head of Strategic Planning and HR, Group Head of Forests and the Group Head of Sales and Marketing (seven men and two women, of whom two are Black and seven are White). Each country has their own Board

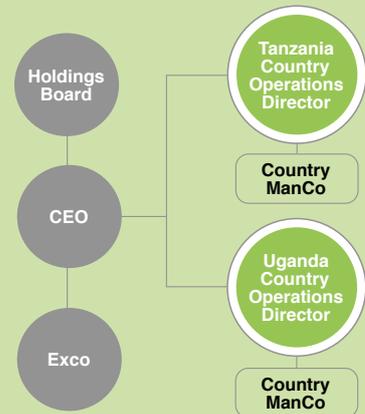
of Directors. Additionally, there is a Management Committee (Manco) reporting to the Country Operations Director in each country. Uganda also has an Operations Committee under their Manco.

Tanzania has a local Board of Directors to guide the business there. The members are Jon Aisbitt [Chair], Darren Lapp, Matthew Merrick, John Bura and Sarah Majengo (one woman and four men, of whom three are white and two are black). Similarly, Uganda has a local Board of Directors, whose members are Jon Aisbitt [Chair], Darren Lapp and Wellington Chirinda (two white males and a black male).

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

The group's Shared Value performance is assessed annually by third party independent auditors, such as the Forest Stewardship Council and ad hoc Environmental and Social Action Plan (ESAP) audits which drive compliance with the

International Finance Corporation's Performance Standards. The Board also reviews and approves NFC's annual sustainability report, ensuring all material aspects are covered.



NFC has a code of conduct that every employee and Board member must sign and uphold. Employees know they can discuss issues of ethics and integrity with their direct supervisor or further up the chain, if necessary. All employees have access to an anonymous whistle blower hotline. The Holdings, Mauritius and management services companies' main social, environmental and economic impact is setting, supporting and auditing group level policies.

### New Forests Company Group Trading Structure – June 2022





## STANDARDS AND ASSOCIATIONS

### International Standards and Partnerships

- Business For Nature (lobby group)
- Circular Bioeconomy Alliance
- Forest Stewardship Council
- IFC Performance Standards
- International Union of Forestry Research Organization (IUFRO)
- ISO 9001
- ISO 14001
- Strategic Markets Initiative
- UN Sustainable Development Goals
- WWF Forests Forward
- WWF New Generation Plantations Platform

### NATIONAL ASSOCIATIONS:

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

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

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



*African Grey Flycatcher, adult and juvenile, taken at the NFC Tanzania Office in Iringa by Riaan Marais*

### RAINER HÄGGBLOM – NFC HOLDINGS BOARD MEMBER

Rainer Häggblom has supervised major M&A, post merger integration and organizational and strategic development assignments in the forest products and energy industries in North America, Europe, Asia and Latin-America. He has conducted large number of strategy, investment planning and M&A assignments in more than 50 countries in the forest industry. Mr. Häggblom holds several board positions in stock listed and non-listed companies globally. He joined the NFC Holdings Board in 2019 at the invitation of Finnfund and FMO, key NFC investors, due to his long and successful history working with and leading responsible forestry management businesses not only in Europe but also in Latin America. They felt he could add similar value to forestry businesses in Africa.

Rainers' view on ESG priorities for NFC going forward: "Sustainability means much more today than it did 10 years ago, because nowadays it is discussed in a much broader context. Social sustainability has been important for many years but now there is an increasing focus on biodiversity – which is critical for maintaining the health of the forest and different species. The forest environment, if designed and

managed well can sustain high levels of biodiversity in a mosaic manner that looks after riparian zones and conservation values. It's not just about growing trees anymore".





**WWF FORESTS FORWARD INVESTMENT OPPORTUNITY: NFC TANZANIA**

WWF has created a portfolio of investment opportunities seeking funding in priority landscapes to become the next generation of Forests Forward projects delivering positive impacts for forests and people. NFC Tanzania is one of the 1st projects to have an investment opportunity listed:

Through the Foundation, established and supported by NFC Tanzania, the project aims to train and remunerate community members for monitoring biodiversity, especially birding, to raise awareness and interest in biodiversity and conservation. Historically there is very limited data on the bird numbers and trends in the Southern Highlands. Building regular data will enable trending to understand the health of the ecosystems in order to develop appropriate and sustainable protection interventions in the longer term. This will take 24 months. In the 3rd year the project will pilot at least one ecotourism opportunity that demonstrates Shared Value and promotes birding and conservation, with appropriate monitoring, reporting and continuous improvement.

**Objectives**

- 1) Define a Biodiversity Monitoring Program for the NFC Tanzania Landscape, focused on birds occurring in forest landscapes and Southern Highland species, producing relevant field guides, monitoring and

- reporting templates. The project will start with a pilot phase and then ramp up, including lessons learnt.
- 2) Train 6 x Village Associations as a pilot and 18 in total, plus the NFC Tanzania field teams in the practicalities of Biodiversity Monitoring and provide them the necessary tools, e.g. binoculars, boots and basic smartphones, in accordance with a performance agreement. At least 90 households to benefit, including 50% target for women and youth.
- 3) Implement a mobile app for effective biodiversity monitoring, that can synch to the cloud, so it can be used offline and in areas of weak internet coverage.
- 4) Remunerate village associations according to their performance against a performance agreement, to generate livelihoods opportunities, especially for women and youth.
- 5) After 12 months of data capturing, to provide a trend report that can be used as a baseline for ongoing evaluation and development of appropriate conservation initiatives.
- 6) Review certification options for biodiversity monitoring, including Verra/VCS and FSC.
- 7) Develop a lite feasibility study for ecotourism opportunities plus pilot at least one birding ecotourism project.

*For more information please visit the WWF site: <https://explorer.land/p/page/wwf-forests-forward/investments>*



*African Grey Flycatcher, adult and juvenile, taken at the NFC Tanzania Office in Iringa by Riaan Marais*



*Common Rock-thrush, taken at the NFC Tanzania Office in Iringaby Riaan Marais*



# COMMUNITY





**N**FC strives toward scalable, innovative, private sector driven rural development in East Africa. We follow a co-design model of piloting innovations and using data from the ground up to monitor and analyse our performance, aiming to learn lessons and apply continuous improvement, before scaling. We seek to build partnerships with community associations, local government, corporates and NGOs to expand the scope and impact of our initiatives wherever possible. Ultimately, we aim to build *Capacity and Agency over Dependency*, so that if the company was no longer around, the communities would continue to thrive.

**MEET JOAN ASIIMWE FROM UGANDA**

I am Joan Asimwe, a Senior Community Development Officer and Community Carbon Project Manager with the New Forests Foundation of The New Forests Company.

I started working with NFC in 2012 as an acting Community Development Officer attached to the Namwasa Plantation where I found a working system that was ad hoc. We had a top-down decision-making approach regarding Company support to the neighboring communities. Emphasis was on infrastructural development such as the construction of schools, classroom blocks, water sources/points, roads, health centres / clinics. In 2013, I was transferred to the Kirinya Plantation, the eastern part of Uganda on the shores of Lake Victoria. At that time my manager, Alex and the Estate Landlord were engaging Local Government and the courts to legally stop the ongoing encroachment / cultivation of illegal gardens on the plantation, and especially in the conservation areas. Court orders were finally secured to stop further cultivations. I mobilized the plantation neighbours to form a cooperative society where they would be supported to develop alternative livelihoods. The idea was embraced by the communities and the Coop is still in existence receiving support not only from NFC but also from the Local government, in the form of technical support, trainings, finances and linking to government programmes.

A PRA (Participatory Rural Appraisal) study was later carried out with all communities neighbouring the Plantation. This was an eye opener to NFC where we realized low Net Promoter Scores (NPS) on service delivery at all our infrastructural projects. This drove us to more dialogue with our neighbours, to understand how best they could be served using the constituent voices approach. A lot of ideas were captured ranging from direct financial support to more infrastructure developments. This led to further mobilization of communities and formation of associations. Several plantation risks were adversely affecting the Company's biological asset especially fires, theft, illegal gardens, charcoal kilns, hunting and uncontrolled grazing. After thorough dialogue with communities, we developed and piloted a system at Kirinya that communities termed "Forests for Prosperity". The goal was prosperity for both the Company and her neighbours causing a win-win situation. Communities mitigate Plantation risks and get paid for the service provided. The program is still thriving and adapting, having been scaled up to the rest of the Plantations in Uganda and now a pilot project has also started in Tanzania.

At the start of 2021, the Company obtained co-funding from the Dutch Fund for Climate and Development (DFCD) to develop a pilot carbon landscape project in Uganda. This



focuses on natural reforestation in the BFC protected areas and community trees grow with seedling and silviculture support from the Company. It is intended to accrue mid-term revenues for the tree planters as they wait for their trees to mature since tree growing is a long-term project. The key milestone of submitting carbon documents for certification happened in April 2022 but due to the increased volume of projects there is a bottleneck at Verra/VCS and we are waiting for the project to progress.

I am very grateful to The New Forests Company for the moral, financial support, personal development and opportunities for career growth. During these past 10 years my journey has taken me from an Acting to a Senior CDO, with special responsibilities of community carbon project manager. I thank all my colleagues and the management for a conducive working environment, not forgetting my line manager who is still mentoring me to performing well.



## NFC COLLECTIVE SOCIAL IMPACTS TO DATE TANZANIA



6 Girls dormitories

Total tree seedlings donated to date:



6,053,018



8 Hospital / clinic / Dr Accommodation

23 School plantations supported

Religious institution plantations supported



16

54

Silviculture days held on plantation with out-growers

4 Double classrooms



9 Beekeeping associations with 247 members (39% are women)



828kg

Honey harvested in FY22

Outgrower areas mapped into Microforest:

+2,700 Ha

11 VSLA with 255 members (80% women)



\$3,553

Generated from honey sales

27

Tree grower associations, with 501 active members (38%)

121

Outgrowers visited pole plants/sawmill sites



18

Fire awareness trainings conducted with out-growers

9 Village and savings associations with 265 members (77% are women)



1,200kg

of avos/fruit harvested in FY22



## NFC COLLECTIVE SOCIAL IMPACTS TO DATE UGANDA

\$65k

Paid to FP associations in FY22

1 Carbon credits project underway

24

Forests for prosperity Community Associations with 2,156 members (54% are women)

\$43k

in equity

Treegrower cards with QR codes issued to out-growers

92



1 Ablution block

1



Granary project



29 Fire awareness trainings conducted with out-growers



2 Bridges



4 Hospital / clinic



Beekeeping associations 21 with 755 members (44% women)



200kg of honey harvested in FY22



1 Fish farm

2 Co-operatives

1 Maize mill



28

Village savings & loan Associations with 1307 members (35% are women)

18

Tree-grower associations with 643 active members (20% women)

\$43k

Equity in FP group bank accounts

10

Silviculture days held on plantation with out-growers



1 Goat farming

20

Classrooms/school accommodation

21

Financial Literacy trainings facilitated



14

Out-growers visited pole plants / sawmill sites

+4,500 Ha

Outgrower areas mapped into Microforest



1 Pig farming

74%

Average FP risk reduction score

1 Banking hall

6 Community buildings

Tree seedlings donated to date: 7,612,396

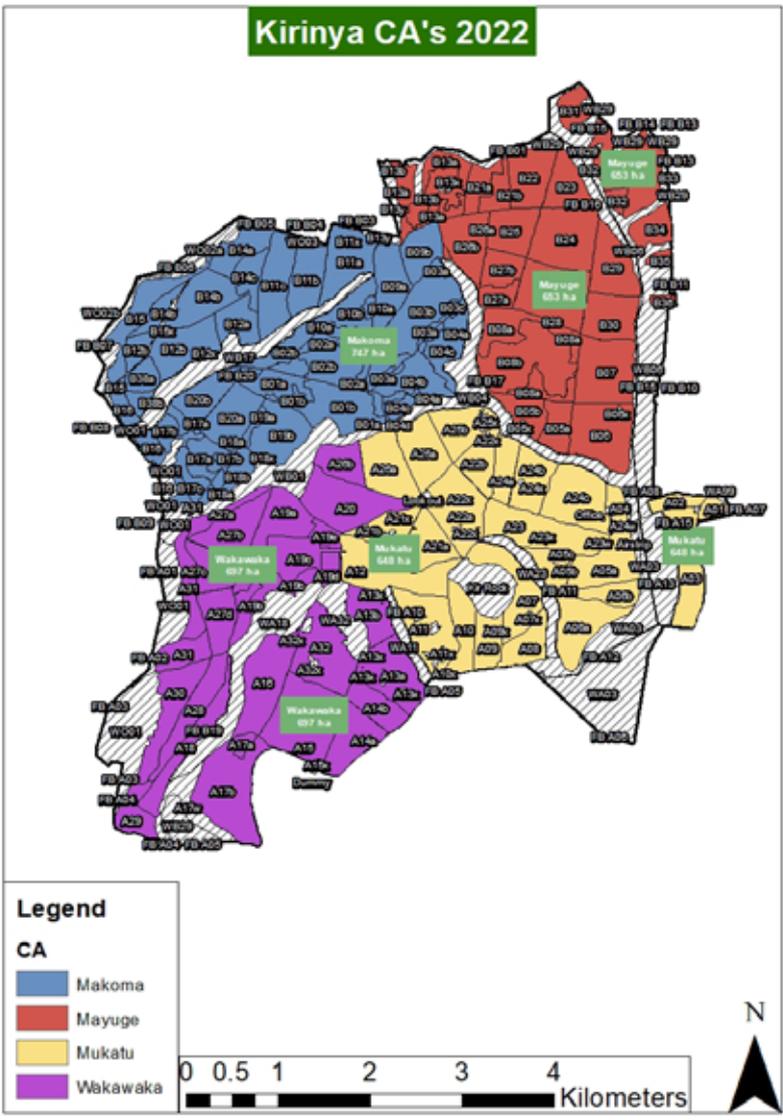
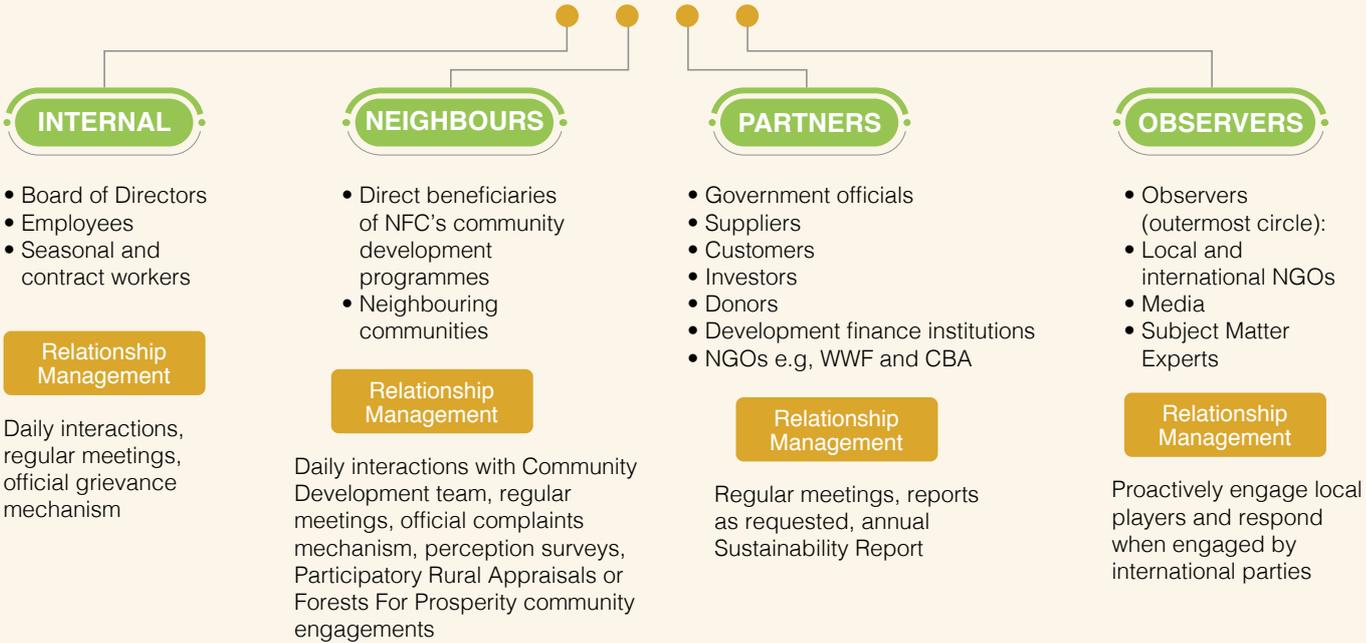


1 Fruit tree farming



3 Secondary schools

# STAKEHOLDER ENGAGEMENT - IDENTIFYING STAKEHOLDERS



## STAKEHOLDER FEEDBACK

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

Our collaboration with **WWF FF, NGP, CBA, SMI, Business For Nature** and **FSC** is aimed at accessing and influencing broader conversations around sustainable, responsible and successful African forestry.

On the left is the Forests for Prosperity Map of the four Community Associations (CA) operating in Kirinya, Uganda. Each Association manages an area of approximately 900ha and they are remunerated based on their performance against the agreed scorecard.

## MITIGATING SPILL OVER RISKS

In FY22, New Forests invested over \$880,000 in community development and stakeholder engagement, which is critical to our proactive risk management. This is roughly half from grants and half from NFC, with total investment in community development to date being more than \$12.7M.

All of NFC's forestry and timber processing operations have comprehensive community engagement, impact assessments and development programmes:

- Participatory Rural Appraisals (PRAs) to help communities identify their challenges and solutions while establishing free, prior and informed consent (FPIC) for our operations
- Social Baselines at all plantations
- Local engagement and community development programmes
- Environmental Impact Assessments (EIAs)
- Biodiversity Studies (plantations only)
- Forest Stewardship Council certification (5 plantations)
- Ad hoc IFC Environmental and Social Performance Standards compliance audits

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

The operations with significant potential or actual negative impacts on local communities are the forestry operations and pole treatment plants in Uganda, Tanzania, and Rwanda.

The potential negative impacts include: fire, watershed damage, erosion, spillages of hazardous substances, dust created by vehicles, housing displacement, displacement of grazing and crop cultivation activities leading to loss of income, health and safety risks, damage to private property and encroachment onto private property.

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

The CSR departments in both Tanzania and Uganda maintain an E&S Impact registers to document actual or community raised risks, which are in addition to the Complaints register, to ensure these are documented, managed and resolved or mitigated systematically.

The company cannot currently monitor all the impacts within our supply chain. Our markets are starting to recognise the need for responsible sourcing but do not yet pay a premium for sustainably sourced timber, making full tracking systems cost-prohibitive. We have initiated supplier codes of conduct and continue engaging with customers, FSC and other stakeholders for practical solutions for smallholder timber growers in rural Africa.



*NFC Tanzania Country Operations Director Matt Merrick with the CSR Team, Michael Omary, Salehe Mpalanzi, Monica Mbasha, Bahati Sosthenes, Aneth Manase and Noah Donard.*

## ANTI-CORRUPTION

NFC has a zero-tolerance policy on corruption by employees, suppliers, or other stakeholders as per our Code of Conduct. All operations are assessed for corruption risks by our Country Operations Directors and finance teams. Additional checks are put in place as and when needed.

NFC has explained our anti-corruption policy to 100% of our governance bodies, employees, seasonal and contract

labour, suppliers, and business partners. The company has never had a legal action filed against us regarding anti-competitive behaviour or violations of anti-trust or monopoly legislation.

NFC did not make any political contributions in FY22. The company was fully compliant with laws and regulations and was not required to pay any non-compliance fines or sanctions.



NFC Tanzania 2021 Employee Photography Competition winners receiving their prizes

## EMPLOYMENT

The HR People Strategy transforms the lives of our employees:



## LOCAL RECRUITMENT

NFC's turnover rate in FY22 was 6% for men and 2% for women, with a total of 32 new hires (3 women and 29 men; twelve were below 30 years; nineteen were 30-50 years old and one was over 50).

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

Vacancies for all positions are advertised in the local media and shared with the neighbouring communities.

TURNOVER	TZ	UG	SA	Mauritius
Total full time employees	111	114	9	1
Men number who left	4	8	1	0
Men %	4%	7%	9%	0%
Women number who left	2	2	0	0
Women %	2%	2%	0%	0%

NEW HIRES	TZ	UG	SA	Mauritius
Total	19	12	1	0
Men number	18	10	1	0
Men %	95%	83%	100%	0%
Women number	1	2	0	0
Women %	5%	17%	0%	0%
New hires under age of 30	7	5	0	0
New hires between 30 - 50	11	7	1	0
New hires over 50	1	0	0	0

Women are encouraged to apply. Applications are screened and suitable candidates are interviewed and subject to competency assessments, depending on the skills required. Final interviews are held and reference and qualification verifications are conducted. The interview panel decides based on the above and offers employment to the best candidate.

### MANAGEMENT DEMOGRAPHICS:

There were 28 full time employees in managerial positions across the Group in FY22

Women: Local: 7 (25%) Expatriates: 0  
Men: Local: 10 (36%) Expatriates: 11 (39%)





Photography competition entrant: John Kawooya at Namwasa Sawmill. 

In an article titled "Wood buildings as a climate solution", Austin Himes and Gwen Busby analysed and found out that substituting wood for conventional building materials reduces emissions by 69% and that using wood in half of the new urban construction may achieve 9% of 2030 emission goals. So, by constructing wooden structures, we could play a part in mitigating climate change. Submitted by: John Kawooya at Namwasa Sawmill.

## DIVERSE CAREER OPPORTUNITIES AT NFC

My name is Desire Dusengimana and I was born in Southern part of Rwanda in 1990. My parents' home is in 14 km from the Nyungwe National Park. In the morning of 12th September 2013 I received a phone call that NFC is looking for competent, disciplined, and energetic young people to join NFC to conduct forest inventory in the Nyungwe buffer-zone. I quickly grabbed my bicycle and rode to NFC's office at Kitabi. I attended interviews and was offered the job, officially joining the Company the next day as Planning Enumerator. At the time, the company was still establishing the operations in Nyungwe and I was entrusted to serve in different roles:

- From September 2013 I served as Planning Enumerator
- In April 2014 I was promoted to Planning Data Administrator

- In September 2014 I was appointed as Office Administrator
- In December 2015 I was elevated to acting HR personnel
- In March 2016 I was promoted to Human Resources Officer
- In May 2017, I became the Acting HR Manager
- In February 2018 I was promoted to Human Resources Business Partner. I served in this role until the closure of NFC Rwanda business.
- In April 2021, I was deployed to NFC Tanzania to hold the fort in the absence of HR Manager.
- Since September 2021 I have been the Manager – Organizational Development and Design for NFC Tanzania

In January 2020, I obtained an MBA degree from the University of Lay Adventists of Kigali. To cut a



long story short, my journey at NFC is amazing. I learnt much along the way through different training opportunities that NFC offered to me and I continue to learn more from my senior managers and from the rest of the team. NFC remains my family I am committed to be part of the prosperous times that lie ahead.

## NON DISCRIMINATION

No incidents of discrimination were recorded in FY22. We have a formal grievance procedure that employees are encouraged to use via their line managers, the HR department, and, where applicable, the trade union mechanisms. All grievances are reported to the Group Head of Strategic Planning and HR. There were zero grievance recorded this year across the Group.

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

## PROFESSIONAL DEVELOPMENT

Training is broken down into three key areas: technical; behavioural and leadership.

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

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



## EMPLOYEE GENDER SUCCESS: TANZANIA

My name is Halima Mungia, I joined NFC Tanzania in 2015 as a treatment plant Operator. At the time, I was not optimistic that I would fit for the role given the mindset of people in the community that the role should be handled by men. After training, I proved that females are capable and I'm sure I inspired more colleagues around me.

In January 2018, I was promoted to Treatment coordinator based on my good performance. In July 2018, I attended a pole plant workshop in

Uganda which helped me to acquire more technical knowhow in the pole business.

In Sept 2020, I was promoted to Poles Treatment and Dispatch Coordinator, and I serve the same position to date.

I'm proud to be part of NFC team and I'm confident that the company will continue to grow from strength to strength. I wish to be part and parcel of the process by ensuring quality of delivered poles, to ensure customer



satisfaction remains at the forefront for the sustainability of the business.



## MY STORY – A TALE OF VERTICAL CAREER GROWTH

My name is Asaph Asiimwe, Plantation Manager for Namwasa plantation in The New Forests Company Uganda

I joined NFC in June 2009 as an Administrative Forester being the custodian of administrative work at Namwasa plantation. In January 2010, I was promoted to Silviculture Forester until June 2014 when I was appointed as the Plantation Manager, a position I hold up to today. This is what I call a vertical career growth.

This systematic growth through ranks is informed by two factors: the employee and employer. I joined NFC fresh from my 4-year University course in Forestry without any prior field experience. At NFC operations are carried out to international levels, and a new phase of more practical learning set in. What became clear in my eyes and mind is that I needed to adjust to fit in for me to suit the job.

As mentioned, I had been trained as a forester, but my initial job was purely administrative i.e. sitting in the office mainly doing clerical work. This was the first moment of truth that all that forestry that I studied might not help so much in this job. But I use that knowledge to appreciate and adapt to the job as I understand it more.

With NFC's deliberate move to practice forestry at an international level, it was well understood that the technical team needed a holistic program for ensuring continuous career improvement through trainings - both external and inhouse. Foresters were exposed to all sorts of new information through trainings, manuals, brochures, and other literature to help us appreciate and turn the classroom knowledge

acquired into practice in the field.

Trainings included field forestry operations (plantation establishment, management, and utilisation), fire protection, conservation area management as well as people management and administration work. All this was very new.

From being an administrative forester, to a silviculture forester to Plantation Manager was a journey that was anchored in learning that shaped my capability to deliver on the expectations each position came with. A forester who was responsible for issuing fuels, chemicals and managing stores. A forester who performed the role of a plantation secretary during the plantation meetings. A forester who ensured the office complex terrain was always tidy and neat. All this was never covered in university but was acquired while on the job, thanks to NFC leadership.

While in the field, you translate the marking, pitting, planting, weeding, thinning, pruning, fire-fighting that you theoretically studied in class into practice. Sometimes you encounter challenges in putting these into practice. You go back to your notes and available literature and read and read again and go back in the field to do it correctly. With good and able leadership of supervisors, consultations are made, and clarifications are provided such that young, fresh forestry graduates like me were helped to perform their roles. That is what I went through for the 4.2 years I served as the silviculture forester. It was a moment of learning new things every day.

27th February 2014 was a great day as I was promoted to Plantation



Manager. The bottom line here was that I was going to perform the role of a manager. In management, the key roles are planning, organising, controlling, reporting, motivating, conflict management among others simply summarised into 5 major result areas: Quality assurance, cost control, delivery, risk management and people management. This forms the core of my role as the Plantation Manager. I have been able to perform to the expectations of this position till now with the help and guidance of my seniors, supervisors and top NFC leadership.

This is done through regular engagements both formal and informal, consultations and other forms of engagement as deemed fit from time to time. I personally thank and appreciate NFC systems that have enabled employees at different levels to learn new things every day. I appreciate the efforts by the top management to create a conducive environment for employees to learn and growth through ranks like me. Without this kind of environment, career growth would not be possible.

Continuous improvement is the catch phrase in NFC corridors, and I strongly believe that the future is quite bright as new developments emerge as we grow a sustainable, profitable commercial forestry business as well conserving the environment while benefiting the communities and nation as a whole.

## HEALTH AND SAFETY

The negative impacts of COVID-19 continued to be felt through FY22 at all our sites in Africa. Due to various lockdowns, there was a reduction in our operations and for the second year a decrease in lost time incidents (LTI) and non-lost time incidents (NLTI) compared to FY21. There were a total of 7 work related injuries in FY22 and no fatalities.

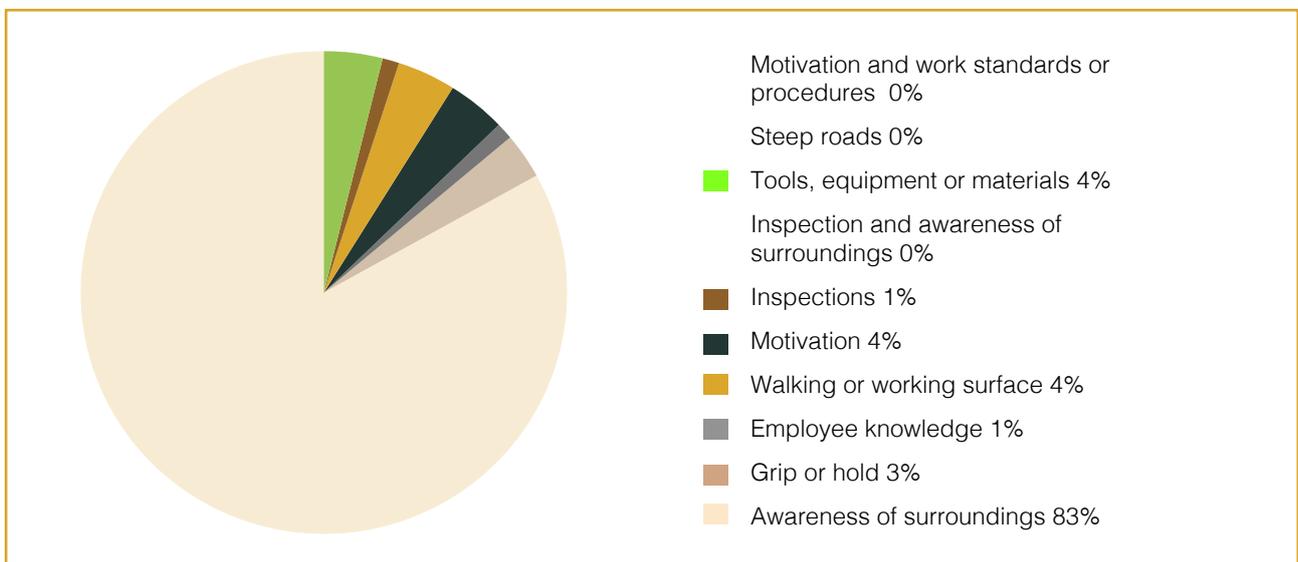
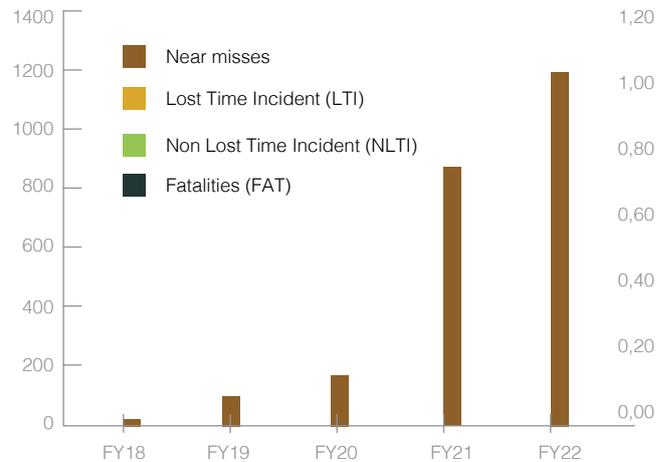
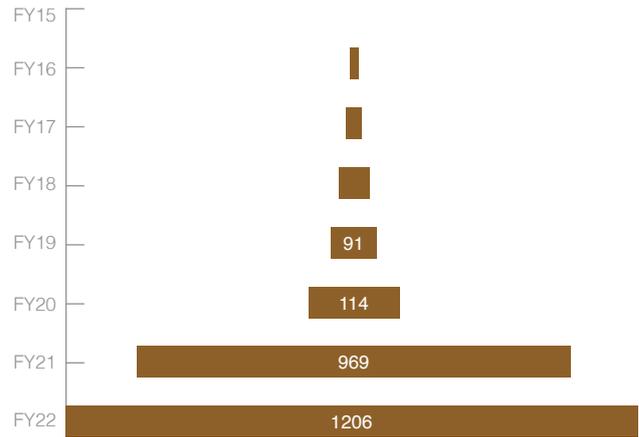
The continued increase in Near Misses (NM) from 969 to 1206 is due to our culture of focusing on safety awareness and reporting. It is a sign of maturity that near misses are not seen as something to be hidden, but reported, reviewed and lessons learned or improvements made, where necessary. Root cause analysis indicates that the majority of Near Misses are reported by Forestry and most relate to Awareness of surroundings. We correspondingly focus more attention on situational awareness during all safety briefings, trainings and risk assessments.

Lost time incidents frequency rate (LTIFR) was 1.69 and the average incident frequency rate (AIFR) was 3.38. These are calculated by multiplying the number of incidents by one million and divided by the total manhours worked over a period.

The representation of employees in formal joint management-worker health and safety committees is: Tanzania is 5%, and Uganda is 6%.

	FY18	FY19	FY20	FY21	FY22
Near Misses (NM)	11	91	114	969	1206
Non Lost Time Incident (NLTI)	8	18	8	7	3
Lost Time Incident (LTI)	8	9	5	4	4
Fatalities (FAT)	0	1	0	0	0
Total OHS Incidents	16	28	13	11	7

Our work locations are remote and our workforce is 89% male. Some workers do not live with their families, which increases the risks of HIV/AIDS, so we organize HIV/AIDS voluntary, anonymous counselling and testing quarterly or annually (depending on the risk in that area). We operate in areas where malaria is prevalent, so we have also done trainings on malaria prevention and treatment. Our agreement with the labour union in Tanzania also includes health and safety.



## COVID-19 IMPACT

The Company has continued to support employees and the neighboring community with awareness, prevention and treatment, where appropriate against COVID-19. The company has implemented specific Standard Operating Procedures (SOPs) in line with government regulations in each territory in response to the pandemic.

Despite a number of employees being infected, most notably in Uganda, there have fortunately not been any fatalities due to the disease. In FY22 the Company actively supported and encouraged vaccination to help curb the spread of the disease and to reduce the severity of possible infections. Despite infection rates reducing significantly in Africa the Company and employees remain vigilant against Covid-19.

	Mauritius	South Africa	Tanzania	Uganda
Confirmed Positive Cases	1	2	2	18
Deaths	0	0	0	0
Recovering	0	0	0	0
Recovered	1	2	2	18
Vaccinated	1	9	52	142
Vaccinated % of total employees	100%	90%	23%	83%



Photography competition entrant: Ramadhani Mwakisisile showing a natural conservation area



## INTERVIEW WITH ALOIS MABUTHO, GROUP SHEQ MANAGER AT NFC

### **When did you join NFC?**

I joined The New Forests Company near the end of 2014. It was quite an exciting time in the company with a lot going on and a situation where, literally, the position I had just started in was new. It was about merging the requirements of the environmental and social action plan with the high standards that The New Forests Company had already “baked” into their DNA.

### **What’s your work background?**

I am a Zimbabwean silviculture forester with a diploma from the Zimbabwe College of Forestry. Over the years I have worked briefly in harvesting and forest planning. My first experience with FSC certification was less than a year after I graduated. It fascinated me that our humble, often severely underestimated and certainly reviled in some quarters, plantation forestry could be viewed through a lens that had such high ideals. Since then I have never worked for an organisation that was not FSC certified. Today, these ideas are basic requirements if an organisation would like to be considered as serious about what they are doing. I worked for Border Timbers Limited in Zimbabwe, for 16 years, leaving when I was an Estate Manager. I then moved on to The Wattle Company as an Estate Manager and was quickly promoted to the position of Forest Resource Manager, the most senior forest planning position that was also responsible for FSC certification. Our FSC certificate was suspended in my first audit, but as a team we attended to the raised CARs and got our certificate reinstated. I then moved to East Africa with Green Resources AS, as the Group FSC Manager, with responsibilities covering three countries. I stayed with them for five years, helping

them move from one FSC certificate to four before I joined The New Forests Company.

### **I know you are a family man. Can you tell us a little about them?**

I am married to the most beautiful girl in the world, Barbara Ann, and we have two amazing daughters, Ree and Vusi. Our girls have a keen interest in sciences, which is what they are both doing at A level.

### **What are your main interests outside work?**

Priority number one is spending quality time with my family. I have re-engaged recently with something I did a lot of when I was in high school, that is reading books. Watching movies and playing chess are things I really enjoy.

### **What does SHEQ stand for?**

Safety, Health, Environment and Quality. To me, it basically means I am here to serve the business, something I find stimulating.

### **Q: What are your main responsibilities as Group SHEQ Manager?**

**A:** FSC is 50% of what I do. This is everything related to the ten principles and 70 criteria, and includes safety, health, environment, and quality aspects. I am the custodian for all safety statistics as well as being responsible for all safety related matters. The environmental, health and quality responsibilities of my work are not secondary to the safety responsibilities, though safety does lead. My role is to be out in the field where the work is done, I am not an office-based person, though there is some administrative work in what I do. The key point that stays front and centre in my mind is that what I do needs to add value to the



shareholders, primarily, and also our stakeholders. It is not always easy to stay true to identifying the issues that need to be attended to at a work site, and then switching hats and finding solutions for those same issues with the best people to do this, the team on site. I also play a role in managing the external audits for our different sites.

### **What are your main challenges?**

Top of the list is that I wish more team members across the board would read their documents in their Integrated Management System more. Not necessarily reading everything in the IMS, but certainly what is necessary for us to function well. We cannot maintain our system without this, it is encouraging to see that the younger team members of both sexes are keener to read, understand, implement and question what we do.

### **What are some of your successes in this role?**

Our successes collectively as a team have been:

- Not losing a single team member to the COVID-19 pandemic thus far
- Generally maintaining low incident rates
- Achieving three “clean” (without a CAR raised) external audits, largely due to our team and our IMS



- Maintaining our IMS as a live system and being able to evolve the system given changing technology and user needs
- It is deeply encouraging to see bright young female foresters and supervisors that are doing well in our teams, though there is still much to be done.

**What advice would you give someone wanting to work in SHEQ?**

Systems are important, they are a tool towards the goal. However, it is more important how team members interact with those systems to achieve the agreed objective. Our people are the ones that drive our

system. Communication is key, both written and spoken, at all levels of the organisation. What matters is how the communication is perceived far more than what was actually said. It makes a world of difference if you have a passion for what you're doing.

**What's next for SHEQ at NFC?**

We are finalizing our transition from a fully Microsoft Windows desktop based Integrated Management System to hosting the same system on SharePoint with dual access via Teams (fully online only) and OneDrive (both online and offline access). This has opened up opportunities for access on mobile

devices and made our system significantly more portable and field friendly without generating any paper.

Behaviour Based Safety is something we have already started on, closely followed by some exciting work on ecosystem services. A number of other smaller steps that in themselves may seem insignificant, but when joined with others can generate significant progress.

ESG considerations, how this comes together given where we are today, and where we would like to be tomorrow. There is always much still to be done...



Mallory Graves from WWF Forests Forward addressed our Kirinya Community in March 2022, Uganda

**HUMAN RIGHTS**

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

According to the national laws in Uganda and Tanzania and international statutes, none of the local communities in our areas of operation are considered "indigenous peoples." During FY22, we had no violations of the rights of indigenous people.

**EXTERNAL EVALUATIONS**

The COVID-19 pandemic impacted on external assessments in FY22, specifically with respect to travel restrictions. This resulted in auditors implementing remote or hybrid audits for FSC forest management and chain of custody, in line with the derogations issued by FSC, though most of the audits were delayed and one was postponed and is yet to be conducted. Remote audits are run entirely via a web-based platform such as Microsoft Teams, with us supplying the required documentary evidence mainly via e-mail. Interviews with stakeholders were conducted remotely as well. Hybrid audits are where the lead auditor leads the audit remotely via a web-based platform whilst an in-country technical team gathers evidence on the ground as directed by, and on behalf of, the lead auditor.

## CONTRIBUTION TO THE EDUCATION SECTOR IN TANZANIA

Written by Bahati Sosthenes, CSR PM Tanzania

Since the company started its operations, it invested also in addressing some challenges faced by the communities where social, environmental, economic, health and education issues are touched.

NFCT is recognized by the president's office for its valuable contribution in the Education sector in the region. As one of the key stakeholders in education, NFCT built a number of classes, school pit toilets, dormitories, donated bunk beds and chairs in Kilolo district, which made a notable mark in the region.

In this recognition, the Regional Commissioner, Ms. Queen Sendiga handed over The Certificate of Appreciation from President's Office, Regional Administration and Local Government

Tanzania (PO-RALG) in June 2022 when having a meeting with stakeholder to discuss success and challenges in the region.

In most rural settings there are some of infrastructures missing or inadequate due to limited funds which is contrary to town settings where private schools and hospitals are available for people

to access these services at their own cost. This is where NFC tries to reduce these gaps by investing in education to create a conducive environment for learning while providing future hopes for kids who may return back to these places and make positive changes in the future.



Bahati Sosthenes handing over wooden bunk beds for a school dormitory



For some standards where auditing capacity is available in-country, a local team would carry out an on-site audit whilst observing at least the three basic requirements for managing COVID-19, masking, social distancing and frequent hand washing.

Tanzania succeeded in their FSC Forest Management audit while the Uganda audit was postponed due to COVID-19 restrictions. The FSC Chain of Custody at Namwasa Sawmill in Uganda first certification period surveillance 1 audit was conducted virtually in December 2021 due to COVID-19 restrictions.

FSC Forest Management for the Uganda plantations third certification period surveillance 2 in December 2021 was conducted as a hybrid audit with on-site and virtual components

FSC Forest Management for the Tanzania plantations second certification period surveillance 1 in March 2022 was conducted as a hybrid audit with on-site and virtual components.

The public summaries of the FSC certifications are available on our website. NFC Group SHEQ Manager, Alois Mabutho: "Our performance in these audits was better than good largely due to the strength of our Integrated Management System (IMS)"

The NFC Environmental and Social Action Plan (ESAP) against the International Finance Corporation's (IFC)'s Performance Standards was confirmed to be completed and closed in FY19 after external audit and verification by a group of investors.

## GRIEVANCE RESOLUTION

During FY22, there were no grievances related to human rights filed with the company. More than ten years ago complaints were raised by communities in Uganda, about claims to constitutionally protected land within the Namwasa and Luwunga Central Forest Reserves. It is a risk for any neighbours to feel aggrieved by the company, regardless of the legal frameworks. We voluntarily entered into dialogue with these communities, mediated by the World Bank's Office of the Compliance Advisor Ombudsman (CAO). We signed agreements with community co-operatives and fulfilled all our commitments. Both disputes were officially closed and recognised internationally as role models of successful resolution between private companies and communities. Final reports for the complaints are available on the CAO website.

## PREVENTING CHILD LABOUR AND FORCED LABOUR

All New Forests' plantations and timber processing sites proactively mitigate the risks of child and forced labour. In Uganda and Tanzania, citizens do not have ID cards, so we require references from village leaders who confirm that workers are above 18 and do not have criminal records. In all countries, labour are recruited locally and at will. The company pays employees directly and audits the contractor labour's payslips to ensure all workers are fairly compensated and are not there out of force.

## THRIVING THROUGH CHALLENGES

My name is Godfrey Gwantemi and I joined NFC Tanzania on in November 2014 as a student Forester after completing my BSc Forestry at Sokoine University of Agriculture. After six months I was promoted to Junior Forester which motivated me to keep up the good work with NFC.



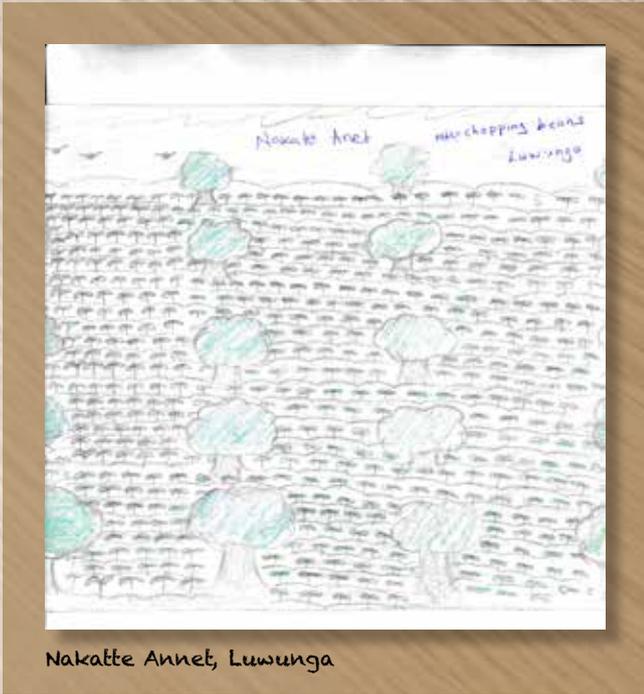
In 2017 NFC offered me a full scholarship to study Diploma in Forestry at Nelson Mandela University, George campus in Saasveld, South Africa. The Diploma was a three-year course and I graduated with distinction in 2022. This course covered conservation forestry to commercial forestry - practiced by NFC in East Africa. It was a major change to cope with international standards about well managed commercial forestry. I learned the South African silvicultural system which involves tending, harvesting and regeneration in commercial plantations.

Beside the learning opportunity, it was my first experience to fly in a plane, not only domestic, Iringa to Dar es Salaam but also internationally to South Africa. This was a great life experience. Despite the good, there were some challenges I faced. Just a week before our last first year exams, there was a big veldfire around the campus and close to my hostel. We were evacuated and taken to stay in a church for three days. No one was injured but we were traumatized and exams interrupted. The second challenge was the Covid-19 pandemic. A lockdown policy was enacted in SA during March, the university was closed, and all international flights were stopped. I was stuck. In May 2020 we shifted to online studies and in July I was able to be repatriated on a Tanzania Army Flight - which was another surprising experience. I then had to carry on with online studies and faced connectivity challenges while attending classes online.

NFC management always supported me through these challenges and this encouraged me to complete my studies. After finalizing my Diploma at Saasveld, I was promoted into a Senior forester and I'm currently overseeing Harvesting Operations in Tanzania.



# Children's Art Competition

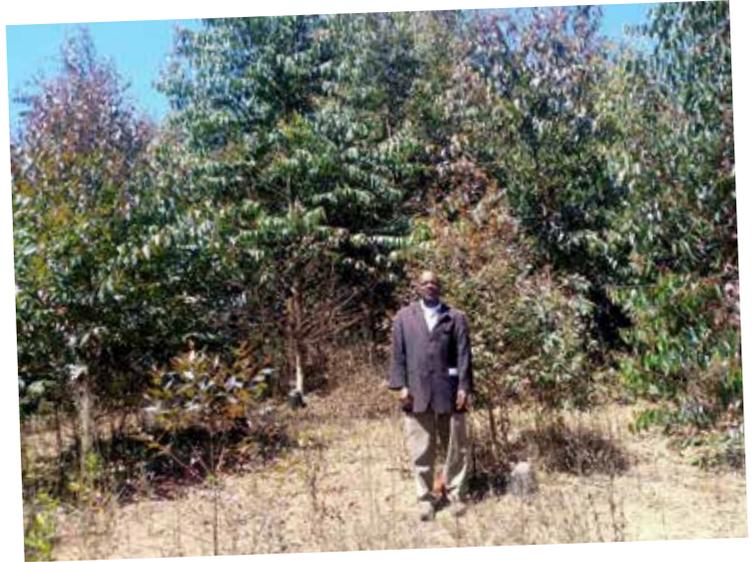


# TANZANIA COMMUNITY FEEDBACK

I am **Jacob Julius Mbwelwa** 54 years old, Out-grower from Lusinga village and a member of MITI NI MALI group (TGA) which I joined with in 2020, untill today I am blessed to plant nine (9) acre of trees. From 2020

The New Forests Company has helped me to get education concerning woodlot management including preparing fire line and spacing, also the project helped me to get fruit trees (Avocado), pines and eucalyptus. After different trials, I am now focusing more on planting eucalyptus because it grow faster and it has multiple profit which are poles and woods.

With success there is no lack of challenges, for-example young ecalyptus trees are eaten by ants and rats especially if the farm is not well cleaned. So, I always clean the farm to avoid this problem.



*Jacob Mbwelwa in one of his woodlots*



*Art competition, handing over presents*



*Josephat Nyama with his sample of 3yrs avocado tree and eucalyptus planted in 2021*

My name is **Josephat Nyama**, 62 years old, from Ng'ang'ange Village. We thank the company for different trainings provided in each stage of planting and managing trees. This starting from seedling preparations, seedlings handling before planting, land preparations, proper planting procedures and woodlot management in general. These trainings are accompanied with provision of different working tools which help us to have a quality tree for the future time compared to our previous ways of planting before company in our village. The good thing we have plantations surrounding us and we normally visit and learn practically different methodologies.



*Chin-spot Batis, Female taken at Masumbo in the Kilolo District, Tanzania by Riaan Marais*



*African Stonechat, taken at Ibofwe, Kilolo District, Tanzania by Riaan Marais*

My name is **Ofard Nyamoga**, I'm 60 years old and from the Village Ndengisivili. TOSP program help us to maintain wellbeing of environment due to afforestation and reforestation, also it helps us in our village to reduce and stop fire which was resulted into poverty in previous years. When we se cerebrate to leave from poverty line and hopefully we will be a good rich champion in a future time during harvesting with better per capital income."



*Ofard Nyamoga farm at Ndengisivili, planted in 2021*

### **UMOJA NGUVU KAZI TREE-GROWERS ASSOCIATION**

UMOJA NGUVU KAZI is a Tree Growers Association (TGA) from Barabara Mbili village we are ten members (10) whereby eight (8) men and two (2) women. We started our journey with The New Forests Company in 2018. Apart from planting trees we started various short-term economic projects to get rid from poverty while waiting for our trees to grow for the pole and timber business. From 2018-2022 we have been cultivating different short-term crops such as Potatoes, Peas, and Maize for different seasons, and after the selling our products, we managed to buy a farm with trees that has four years old and has a size of one acre legally. We opened group Bank Account where we use it to save some of our money that we collect after selling our raw materials while the rest we use them to cover family expenses. Generally, UMOJA NGUVU KAZI aur greatest weapon of success is unity, solidarity, Patience, obedience among themselves and stable leadership. We do not hesitate to thank The New Forests Company for supporting us and encouraging us to continue struggling, we thank so much, and we ask you to continue supporting us more.



*UMOJA NGUVU KAZI members a TGA from Barabara Mbili village.*



Photography  
competition entrant:  
Richard Drileyo,  
Luwunga



# CONSERVATION



Photography  
competition entrant: Halima  
Mungia from Tanzania



NFC has a proactive, landscape approach to managing land through responsible forestry practices, helping neighbours adapt to climate change, and actively conserving indigenous forests, wetlands, biodiversity and woodlands.

### CLIMATE CHANGE

The United Nations refers to climate change as the greatest environmental challenge facing mankind in the 21st century (<http://www.fao.org/forestry/climatechange/53459/en/>). Greenfield tropical forestry continues to be highlighted as the cheapest, most effective way to mitigate climate

change. As we increase our Out-grower program, we anticipate further carbon sequestration and climate change mitigation through the growing of millions of trees, agroforestry and landscape restoration.

NFC continue to be an active participant of the WWF Forests Forward program aimed at keeping forests thriving for people, nature and climate. NFC is featured as one of the founding participants in Africa, under “Landscape innovation in Uganda’s forests”



Source: Forests Forward | Initiatives | WWF ([worldwildlife.org](http://worldwildlife.org))



Joan Asimwe, NFC Community Pilot Carbon Project Manager (3rd from right in bottom picture, with CEO Darren Lapp (furthest right) and Uganda Country Operations Director Wellington Chiranda (2nd from left) at the Kirinya sawmill in 2022

## UGANDA CARBON STORY

During 2020, The New Forests Company applied for funding support from the Dutch Fund for Climate and Development and WWF to promote landscape afforestation efforts, to assist Out-growers with annual or interim cashflows – so they would not be forced to cut their trees early and for the Company to afford the increased costs of operating in Africa, as they seek to invest in diversification of their processing capabilities.

The co-funded grant agreement was finalized in late 2020, for a total value of Euro 307,349, comprising of Euro 198,883 from DFCD and the balance from NFC. The grant was for eighteen months, and once carbon certification is realized, will assist both NFC and the Out-growers to be more resilient and sustainable, while promoting tree-growing and natural resource management in Uganda.

Despite Covid-19 related challenges, needing to develop carbon technical skills and needing to develop a riparian strategy to address risks identified in the lite environmental study, the key milestone of submitting carbon documents for verification certification happened before the middle of 2022. Due to the increased interest in carbon credits and a large volume of projects seeking certification a bottleneck at Verra/VCS built up and we are waiting for the application to progress. However, carbon prices are strengthening and we have received healthy interest from potential brokers and off-takers, which is promising.

The project exceeded the initial target to include 4,500ha of mapped out-grower plots and the Out-grower mobile tracking app and cloud hosted dashboard is live. Remote sensing with GIS land use analysis from 2000 to 2020 was concluded for the carbon landscape, covering a wider project impact area of 1 million hectares. Given Uganda's

complex land ownership laws, a Legal opinion on Out-grower land tenure document options was received to support the certification documentation. Following Free, Prior and Informed Consent principles of stakeholder consultation, Landscape stewardship meetings generated interest for participation in the project. Updated Out-grower Code of Conduct documents were then signed by participating growers and Carbon agreements were signed with Out-grower Associations. For transparency and governance, a Carbon Steering Group was formed, including the Company, NFF, all 18 Out-grower Associations and independent observers.

Community carbon landscape engagements have been at the core of running and managing the programme from a bottom-up approach. This is an exciting project for NFC, our Out-growers and the broader landscape approach in Uganda. We are grateful for DFCD and WWF support in realizing the key objectives of this project and we look forward to our carbon certification project progressing to exciting next steps.

## BIODIVERSITY AND HIGH CONSERVATION VALUE AREAS

There were no significant negative impacts from our activities, products or services on biodiversity in protected areas or areas of high biodiversity value in FY22. NFC have conducted thorough biodiversity studies in Uganda (2012–14) and Tanzania (2014). We complete these studies every five to ten years to compare trends. So far, there is only one IUCN Red List species identified within our operational areas, *Dissotis arborescens*, an orchid classified as endangered in Tanzania.



*Dissotis Arborescens*, an orchid classified as endangered in Tanzania.

Our Group Safety, Health, Environment and Quality (SHEQ) Manager is responsible for driving our biodiversity monitoring plans. The conservation areas we protect are generally recovering degraded forests and riparian zones next to streams and rivers and we do not conduct commercial activities in these areas. In general, more than one third of the areas we manage are left for conservation purposes to naturally regenerate. Where possible we will remove invasive species. We also promote apiculture in the conservation areas to increase pollination rates of plants and we are active in protecting water ways. As a result we are starting to witness plant, insect, bird and animal species regeneration in our conservation areas including monkeys, buck, and snakes

### LAND MANAGEMENT

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

Country	Plantation Name	Total Area (ha)	Total Commercial Area (ha)	Conservation Area		Planted Nominal Area (ha)	Planted Effective Area (ha)	TUP	Remaining Plantable Area (ha)
				(ha)	%				
Uganda	Namwasa	9,153	5,333	3,820	42%	5,195	4,733	138	600
	Luwunga	9,303	5,117	4,186	45%	4,382	3,694	736	1,424
	Kirinya	3,507	2,690	817	23%	2,573	2,469	118	222
	<b>Total</b>	<b>21,963</b>	<b>13,140</b>	<b>8,823</b>	<b>40%</b>	<b>12,150</b>	<b>10,896</b>	<b>992</b>	<b>2,246</b>
Tanzania	Lukosi	2,351	1,575	776	33%	1,532	1,486	43	89
	Kisinga	4,787	2,835	1,951	41%	2,815	2,451	20	384
	Makungu	929	577	352	38%	563	552	13	24
	<b>Total</b>	<b>21,963</b>	<b>4,987</b>	<b>3,080</b>	<b>38%</b>	<b>4,910</b>	<b>4,489</b>	<b>76</b>	<b>497</b>
<b>NFC Group</b>		<b>30,030</b>	<b>18,127</b>	<b>11,903</b>	<b>40%</b>	<b>17,060</b>	15,385	1,068	2,743
<b>NFC Square KM's</b>		<b>300</b>	<b>181</b>	<b>119</b>	<b>40%</b>	<b>171</b>	<b>154</b>	<b>11</b>	<b>27</b>

### MANAGEMENT SYSTEMS AND COMPLIANCE

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

The company also has a monthly monitoring system to consolidate all our reporting requirements for investors, FSC, IFC, ISO, and others.

During FY22, New Forests did not receive any fines or non-monetary sanctions for environmental non-compliance nor any grievances.

Type of Assessment	Location	Date
FSC Chain of Custody, Sawmill 1st certification period 1st surveillance	Uganda	December 2021
FSC Forest Management, 2nd certification period 2nd surveillance	Tanzania	March 2022
FSC Forest Management, 3rd certification period 2nd surveillance	Uganda	December 2021

## WATER AND CHEMICAL USAGE

1,181,570 (estimate) litres of water were used from surface water on Lake Victoria, Netulidde stream and Wabitosi stream, as well as ground water in Kyankwanzi and Kiboga districts in Uganda during FY22. None of the sources were significantly affected and all water abstraction in Uganda is closely monitored by the Ministry of Water, through applications for abstraction, issue of permits and quarterly monitoring. We have not received complaints from the ministry pertaining to excessive use. We are not required to keep these records for Rwanda and Tanzania.

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

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

All the pesticides we use are approved by the Forest Stewardship Council. There were no pesticide or oil spills reported greater than 50 litres in FY22. No country carried out noxious weed control in FY21.

Chemical usage during FY22 (in Litres)		
Active Ingredient	Uganda	Tanzania
Glyphosate	7,340	2,690
Imidacloprid	240	0
Triclopyr	356	0
CCA	85,545	25,2337
Anti Blue	10	0

## ENERGY CONSUMPTION

This year, our total energy consumption across the group was 10,844,325 MJ (estimate). This included 238,601 litres of diesel equivalent to 9,066,838 MJ and 44,047 litres of petrol equivalent to 1,409,505 MJ.

These were consumed in our vehicles as well as backup power generators.

Energy consumption from the electricity grid totalled 102,217 kWh, equivalent to 367,982 MJ. This includes all of our operations except for the head offices in Lundamatwe, Tanzania and Kampala, Uganda. Energy consumption from renewable resources is currently not measured but we do use a significant amount of solar energy in our rural operations.

We did not sell energy into the grid or to other parties. This may happen in the future with biomass by-product from our sawn timber.

## EMPLOYEE COMMITMENT TO NFC SUCCESS



My name is Daniel Habimana and I was born in Rwanda in 1985. I hold a bachelor's degree in chemistry from National University of Rwanda. I joined NFC- Rwanda on 01st March 2014 as a pole plant Operator. At the time, there was no pole plant team and we had to attend training since this was the first plant of its kind established in Rwanda. We were up-skilled by Dolphin Bay for a period of three weeks. After training, the management appointed me as the supervisor of the team after spending one-month doing on-the-job training at the Uganda pole plant. I was able to continue learning and taking some professional courses that helped.

- From March 2014 – Pole Plant Operator
- From November 2014 – Pole plant Supervisor
- From February 2016 – Pole Plant Production Officer
- From November 2016 – Pole Sourcing Officer
- From August 2017 – Acting Pole Plant Manager
- From February 2018 – Pole Plant Manager
- From December 2018 to date – Pole plant Manager for NFC Tanzania

I am proud to serve my Company and I am committed to making a positive contribution towards NFC success.

## CLIMATE CHANGE MITIGATION WHILE ENHANCING COMMUNITY LIVELIHOODS



*One of the woodlot management trainings at Kimala Village*



*Visiting Outgrower woodlots at Ndengisivili Village*

In 2016 NFC's Tanzania Out-Growers Support Program signed a contract with the Ministry for Foreign Affairs of Finland, to continue supporting tree-grower communities. This was a three years' contract which ended in 2019, followed by another three years contract from 2020 to 2022.

The support from Finland has added great value to the NFC out-growers' program which started by supporting communities in 4 villages, later extending this service to 18 villages surrounding NFC plantations. The support involved trainings through tree grower associations (TGAs) to address quality of trees, survival of trees and safety from fires and other risks. Livelihoods development for tree growers and sharing of timber market information are also key to sustainability of the out-grower program. The project impact of tree out-grower support program was to promote the sustainable and inclusive commercial forestry that contributes to economic growth and poverty alleviation in rural Tanzania, while mitigating climate change and sequestering carbon.

Though this out-growers' program, the communities benefitted economically, environmentally, and socially. Different training awareness provided to different groups helped them to understand the difference between the way they used to plant trees compared to modern more effective ways of planting trees. These include the introduction of improved seedlings, spacing, stem density, weeding and pruning regimes. By doing so there are number of notable transformations to most of individuals who are early adaptors while others learn gradually from influential people what others benefited.

More than 1,000 Out-growers received approximately 3,000,000 eucalyptus, pine and avocado seedlings, with more than 1,843ha of new areas established in the past few years. The program helped poor community members to benefit from access to rural jobs, growing

household income and access to food through avocado tree planting.

As one of the criteria of Ministry for Foreign Affairs of Finland for TOSP Programme, the project needed to be implemented in the villages with formalized land use plans. Therefore, in cooperation with the Kilolo District Land Use Management (PLUM) Team and Village Land Use Management (VLUM) team and the relevant communities in the areas, we were able to develop land use plans in three villages to guide sustainable land use, natural resources management and forest plantation establishment and management. This was a new component of community development for NFCT. It helps villages to decide on the optimal land use around their villages for economic activities, reducing conflicts between groups and conserving natural resources.

To make sure that there is sustainability in out-growers groups, NFCT team assisted the Associations to be registered under the Ministry of Home Affairs. By doing so, these groups will continue being supported by the Tanzania Tree Growers Association Union (TTGAU) southern zone in terms of trainings, seminars, markets and future opportunities that may arise.

Tree growers are assisted in also developing other alternative livelihood options to make sure that they don't depend only in tree growing and to generate interim cashflows while they wait for their trees to mature. The company facilitated training with National Microfinance Bank (NMB) our financial literacy partner. NMB has provided access to Group and individual bank accounts, loan guidelines and once they qualify with the standards provided then they will be able to access loans to increase their small businesses.

NFCT will continue to do continuous improvement and innovate to support these groups, as part of our Shared Value commitment.





The company is East Africa’s premier supplier of treated utility poles with a reputation for high quality and reliability. NFC maintains strict adherence to international best practice and standards, producing locally treated, durable, weather-resistant transmission poles for rural electrification.

With 5 industrial operations, including sawmills and pole treatment plants we produce housing and construction timber as well as treated poles, fencing posts and industrial pallets - substituting poor quality, illegally harvested wood products, or imported, plastic and steel products.

We contribute directly to many of the UN Sustainable Development Goals (SDGs) by promoting not only jobs and

industrialization of wood products, but also through promoting access to power, through the electrification transmission network, which is an accelerator for many of the SDGs

Natural Capital solutions and the monetization of ecosystem services, such as carbon are increasingly attractive products that responsible landscape management facilitates. These will support community livelihoods, local taxes and diversify Company revenues, which all drive sustainability in the region.

**JOB CREATION**

NFC created 952 direct jobs and significant indirect employment through our suppliers and the cluster industries that spring up around our operations.

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

**New Forests’ activities accelerate local economic development:**

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



## FORESTRY PLANNING AND RESEARCH: EUC CLONES SPACING REGIME CHANGE

Data and research are the basis for continuous improvement in Forestry. During FY22 the Forestry and Planning teams compared the currently implemented regime for E.gxu in Uganda against the current regime with a late thinning and against a wider espacement regime.

Three regime options were compared for E.gxu in Uganda:

Regime Option	Planted TPH	Thin 1 Age	Thin 1 TPH remain	Thin 2 Age	Thin 2 TPH remain	CF Age
Current regime	1111	2	650	NA	NA	8
Current regime with late thinning	1111	2	650	4	450	8
Optimized regime	850	3	450	NA	NA	7

The best performing regime was the optimized regime, as indicated by the table below.

Regime Option	EAI peak (rotation length)	IRR peak (rotation length)
Current regime	938.89 (9)	37.1% (7)
Current regime with late thinning	1 538.43 (8)	49.8% (7)
Optimized regime	1 658.04 (7)	55.46% (6)

Furthermore, applying a 2<sup>nd</sup> thinning at years 4 or 5 in current regime stands with an after thinning stocking of 650 TPH also improves EAI and IRR when compared to the current regime.

The result of the research and analysis is a recommendation to increase the Euc clone spacing at planting from 3m x 3m to 3.5m by 3.5m. That means fewer stems will be planted per hectare (down from 1111 to 850) but better timber yields.

This will also be extended to our Out-growers, enabling them to do inter-cropping and more agroforestry, as it will take longer for canopy closure. Typically Out-growers who do inter-cropping have better weeding practices and tree survival rates too.



Photography competition entrant:  
Joel Bagata from CSR with an  
Outgrower in Mityana, Uganda



**QUALITY**

With first class processing sites, outstanding quality control and experienced management, New Forests is a leading producer in the region. Quality-control teams operate in-house laboratories to oversee the consistency and superior treatment of our products. Our best practices are defined by the European Committee for Standardisation; the South African National Standard, and the standards and treatment requirements mandated by members of the East African Community. NFC paid no fines in FY22 for non-compliance with laws or regulations concerning the provision and use of our products.

During FY22, we conducted the following ISO quality audits:

- **ISO 9001:2015 surveillance in Uganda in October 2021**
- **ISO 9001:2015 surveillance in Tanzania in February 2022**
- **ISO 14001:2015 surveillance in Uganda in February 2022**

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



## TANZANIA SAWMILL UPDATE

The logistical costs of getting raw material to the NFCT sawmill in Lundamatwe had caused significant underutilization of the sawmill asset over recent past. The expected start of the NFCT harvesting operations in Kilolo and the associated saw log material drove the decision to re-open the sawmill in 2021.

Unfortunately, COVID-19 caused delays in the delivery of the necessary spare parts from Woodmizer Poland. The delay was further exacerbated by the onset of the Omicron variant which prevented the Woodmizer technicians from travelling to Tanzania to commission the sawmill.

As a result, it was not until February 2022 that the first logs were milled and then not until March 2022 that the first timber sales were realized.

Obvious teething problems were initially faced in getting the sawmill onto an efficient operating plane. But through teamwork and a willingness to learn, the required lessons have been learnt and the sawmill now operates at a suitable level. The first four months of production utilized the non-pole material which had accumulated in the pole plant. The age of this material caused significant cracking and wastage, but the business has been able to recover some revenue from this reject material. These wastage numbers have decreased significantly since the sawmill has been receiving saw logs from our own Lukosi plantation.

The recruitment of Nickson Magezi as the Sawmill Production Coordinator in July 2022 has increased production and controls to minimize waste and maximize controls where required.

Local pallet customers and the local lumber market remain the focus area for sales at present. There continues to be significant demand for kiln dried timber in the export market. A suitable kiln remains in the pipeline for NFCT to be able to leverage this market in the future.



## SUPPLY CHAIN

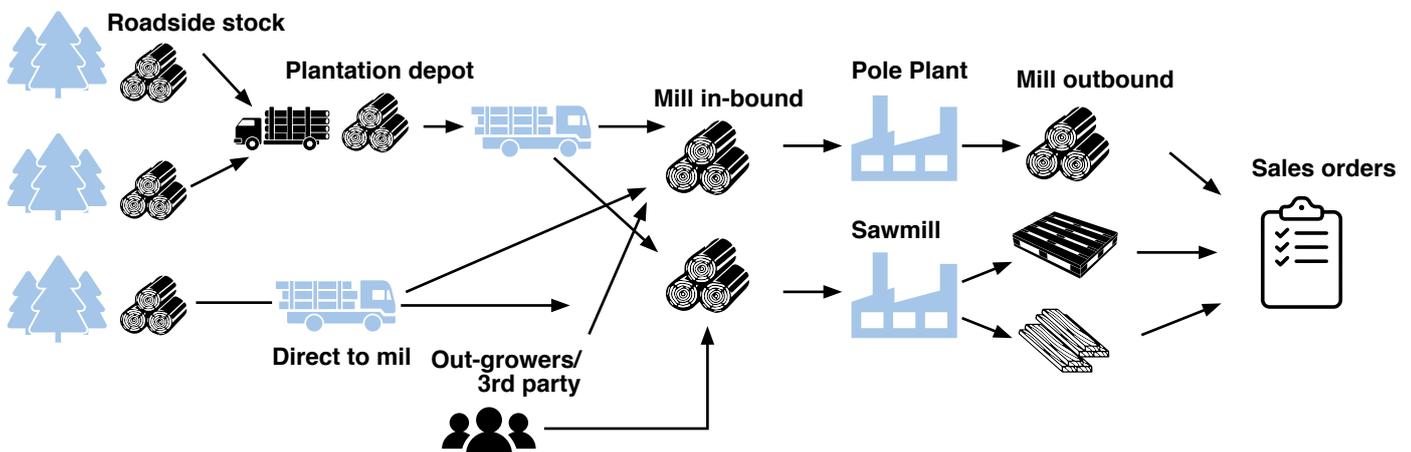
It is company policy to prefer local suppliers and the majority of funds are spent locally.

Typical procurement needs are road maintenance and construction equipment, building supplies, vehicles, machines, tractors, tools, pumps and spares, electrical equipment, personal protective equipment, raw pole and sawn timber material. External suppliers are only considered when local supplies prove to be sub-standard or significantly more expensive.

In FY20 the Planning, Forestry and Operational teams together developed an Integrated Timber Resource Planning System, which is working well. This provides supply chain visibility for operational managers to improve supply planning for each operational unit, including

the prioritization of Out-grower timber. In FY22 due to constrained customer orders NFC did not purchase timber directly from Out-growers and in Tanzania we are waiting for the Out-grower timber to become mature.

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



### “ Why pollute when you can GROW wooden poles for electricity transmission? ”

	CONCRETE POLES	TIMBER POLES
SUSTAINABILITY	<p><b>Cement is a Top polluter</b> (responsible for 8% of climate change)</p> 	<p><b>Top Carbon Sequester</b> saving 5,45 tCO2e compared to concrete per tonne</p> <p><b>Biodegradable product</b> made from <b>renewable resource</b></p>
COST EFFICIENCY	<p>Long distances to where products is needed = <b>higher transport costs</b></p> <p><b>High level of breakages</b></p> 	<p><b>100% Local products</b></p> <p>100% Import substitution</p> <p><b>Produced in rural areas</b>, where needed</p> 
COMMUNITY IMPACT	<p><b>Mining rehabilitation</b> required</p> 	<p>Rural Development Hubs</p> <p>Focus on <b>women &amp; youth</b></p> <p>Tree <b>Smallholder Supplier</b> Development</p> <p>Non-timber products (honey, resin, biomass)</p> 



## FORESTRY AS A CATALYST FOR SUSTAINABLE AND INCLUSIVE DEVELOPMENT

*Candice Taylor, NFC's CIO travelled to South Korea in May 2022 for the World Forestry Congress. Below are her reflections, as published on LinkedIn:*

The World Forestry Congress is rarer than the Olympics, as it only happens once in 6 years. Last week (May 2022) was the 15th World Forestry Congress, hosted in Seoul, South Korea – one of only a handful of countries that have managed to increase their forest cover meaningfully over the last 30 years. It was a privilege to network, learn and help shape the future of our industry.

I particularly enjoyed participating in a panel organized by WWF New Generation Plantations (NGP), as part of a Special Event on Sustainable Forestry Investment for People, Profit and Nature, to talk about lessons from East Africa. As an impact specialist I have spent the last 4 years creating Shared Value between Commercial forests, timber processing, Conservation and Community interests in East Africa, that has culminated in a Community Focused Carbon credits project in Uganda. My team are passionate about trees and how they can help heal landscapes, returning rain for crops and bringing livelihoods to rural villages that are without many employment opportunities.

### **These are my key takeaways from the week:**

1. WFC made a huge effort to be inclusive – not only geographically, but by having a broad range of sessions that focused on the role of youth, women, indigenous people, healthcare providers, technologists, environmentalists and the private sector. Everything from drones, to architecture and financial inclusion was covered in 6 sub-themes and various side events. My only complaint was that it

was difficult to choose between parallel sessions, and maybe “less could be more focused” for future Congresses.

2. South Korea and FAO, who organized the event did an outstanding job. Despite complicated entry requirements due to covid precautions, we were kept well informed and everything ran smoothly. From the worlds biggest media screen for the Opening and Closing sessions, which were pretty impressive by themselves, to the multitude of assistants, translators and audio-video techies making sure that the presenters and audience who opted to join remotely would be able to do so smoothly. All the sessions will have executive summaries and links to recordings, to ensure the knowledge can be further shared – another excellent legacy.
3. The world needs forests now more than ever. This was not a debate. There was an urgency and a call to action in every session. Stop being perfectionists – be agile – start small, learn, adapt, scale and make an impact. Climate change is an existential threat to our very survival and forestry is central to whether we succeed.
4. Forestry is not just a sector. It intersects with many other sectors, from health (the air we breathe) to water, agriculture, industrialization, finance, consumption and production. Forestry cannot be strictly defined by geographies. The central African forests in Gabon, for example, are the lungs of Africa. They also feed the Blue Nile through Ethiopia, which ultimately feeds Egypt. We are all dependent on the forests.
5. Logging is not bad. Working forests are required to create alternate products to those currently made from fossil fuels. Sustainable and responsible forestry can drive the circular bioeconomy to stimulate economic growth. Investment is needed



– not donor aid – into timber processing and value chains to prevent Africa becoming a simple exporter of unprocessed wood, with the value addition and GDP growth occurring elsewhere.

6. Inclusion of the communities who are guardians, right keepers and neighbors of forests is non-debatable. They are the stewards of the landscape and must be meaningfully involved in the co-design and benefit sharing of solutions that impact their environment.
7. Inclusion of youth is non-negotiable, as they are the guardians of our future and should be empowered to co-design and champion these long-term forest development plans.
8. Carbon credits are a potential game changer for the

viability of various forest restoration projects, but a significant portion of the benefits must flow down the value chain to those actually growing the trees, and not get siphoned off to middle-men, consultancies, auditors, financiers and certification bodies. There is a real risk of carbon cowboys jumping on the bandwagon for a quick buck.

9. ESG requirements are rising, as the global financial markets want to de-risk forestry and processing investments, so issues of legality and certification become increasingly important to build trust and transparency. However, climate change is urgent and we must not raise the bar so high that it becomes a barrier to new projects.

## NEW HARVESTING EQUIPMENT IN TANZANIA

*Written by Nkululeko Lionel Dlamini – Forestry Manager at NFC Tanzania*

In pursuit of “CASH EBITDA POSITIVITY” for the Forestry operations, “ADAPTABILITY” was a key theme. Mindset change, interdependence and teamwork emerged as the bolts and nuts in the Adaptability construct. It began with a brown paper exercise with teams across all NFC departments, which led to a strategy crafted and landed into an action plan, against which progress continues to be measured..

Tanzania’s steep slopes is one peculiar topographical characteristic which had to be adapted to in pursuit of the strategic Mandate in order to effectively harvest mature timber. With great support from the CEO, EXCO and the NFC Board, Tanzania was able to source new pieces of equipment, such as the URUS II – UNI 500, with relevant infield training from Ian McCauly from South Africa. It was an excellent achievement to align teams with equipment that has set its foot for the first time in the country.

As an organization that has a strong commitment to workplace safety and in support of gender equality, we expanded the role of our Forestry Administrative Clerk, Josephine Ndulu, into the SHEQ portfolio, under the guidance of NFC’s Group SHEQ Manager. This was another adaptation that the company is proud of, through upskilling the local workforce. Through this process, Josephine has quickly adapted the basics of Forestry Business Value Chains and aligned from a SHEQ support perspective.



*Ian McCauly Conducting Training from Lukosi Compartment A31c*



*Anton Greeff (GHoF) addressing Tanzania Teams from Iringa Pole Plant*



*Josephine Ndulu Conducting SHEQ audits under the supervision on Alois Mabutho (GSHEQ Manager) in compartment A32 of Lukosi Plantation*



# NFC AND CLIMATE CHANGE – RISKS AND OPPORTUNITIES

## RISKS OF CLIMATE CHANGE (SNAKES)

### 17: Government interference

Increased pressure to be sustainable with rising taxes on natural resource usage

### 52: Plant mortality

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

### 57: Severe Weather

Greater risk of extreme climatic events, such as flooding or droughts

### 62: Land conflict

Arable land will become increasingly scarce, driving conflict amongst farmers and also with cattle grazers

### 88: Deforestation

Wood scarcity will increase community related risks & accelerate climate change

### 95: Certification challenges

Standards will become more stringent to ensure sustainability

### 97: Fire and loss

Higher temperatures and winds increase fire intensity and the resultant losses

## OPPORTUNITIES OF CLIMATE CHANGE (LADDERS)

### 3: R&D

Improved management practices, growing stock, ameliorates and technology use

### 8: INVESTMENT

Circular bioeconomy and ecosystem services are increasingly monetizable, driving investment interest.

### 28: FORESTS FOR PROSPERITY

Community based performance agreements for risk management and livelihoods development

### 58: OUT-GROWER SUPPLY

Increase timber processing by sourcing from Out-growers - developing livelihoods & reducing risk

**75: INCREASED DEMAND** Increased sales and profits due to reduced regional timber supply

### 80: CARBON SEQUESTRATION

Forestry is the most cost-effective tool for removing carbon GHG from the atmosphere

### 90: LOBBYING

Regional co-operation for preferential procurement for responsible forestry



# GRI REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

GRI Section	GRI Indicator	Pages
Organisational Profile	102: 1-13	7-10 & 41
Strategy	102: 14-15	4-5,10 & 48
Ethics and Integrity	102: 16-17	7-12
Governance	102: 18-26; 29 & 31-33	10-11
Stakeholder Engagement	102: 40-44	12 & 14-33
Reporting	102: 45-56	10-11 & 49
Management Approach	103:1	49
Economic Performance	201: 1-2 & 4	1 & 8; 18
Market Presence	202:2	41
Indirect Economic Impacts	203: 1-2	16 & 43
Procurement Practices	204-1	45
Anti-corruption	205:2	19
Anti-competitive Behaviour	206:1	19
Energy	302:1	38
Water & Effluents	303:1	38
Biodiversity	304:1 & 3-4	36-37
Emissions	305: 1-2 & 5	35-36
Emissions	306:3	38
Environmental compliance	307:1	39
Employment	401:1	1, 9, 20-21, 41
OHS	403:1-9	1, 34-37
Training and Education	404: 1-3	22
Diversity & Equal Opportunity	405:1	11
Non-discrimination	406:1	22
Child labour	408:1	29
Forced labour	409:1	29
Rights of Indigenous People	411:1	27
Human Rights Assessment	412: 1-3	27
Local communities	413: 1-2	14-33
Public Policy	415:1	18
Marketing & labeling	417: 2-3	43
Customer Privacy	418:1	43
Socio-economic Compliance	419:1	18

## PROFILE

The New Forests Company publishes sustainability reports annually in accordance with the GRI framework, covering the fiscal year 2022 (FY22), July 1st 2021 through June 30th 2022. NFC's last report was published in October 2021, detailing FY21. Unless otherwise stated, all areas of operation have been considered under each indicator, including: the offices, plantations, processing plants, and other operations in Uganda, Tanzania, South Africa, Kenya and Mauritius. Key commercial indicators are externally verified through our audited financials for the same period. There are no restatements of information from previous reports and no significant changes in scope and aspect boundaries from the FY21 report. At the end of FY21 the NFC Rwanda operations were sold to a minority shareholder, the Rwandan government and have subsequently been removed from the reporting scope.

Queries and comments can be sent to NFC's Chief Impact Officer, Candice Taylor at:

-  **NFC's Chief Impact Officer:** Candice Taylor
-  **email:** [sharedvalue@newforests.net](mailto:sharedvalue@newforests.net);
-  **phone:** +27.11.44.77.344;
-  **address:** .O. Box 3524, Parklands, 2121, South Africa.

## MATERIALITY

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

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

Local community childrens art competition in Tanzania and Uganda.  
The topic was Agroforestry



Veronica Florian Mkakatu, Tanzania



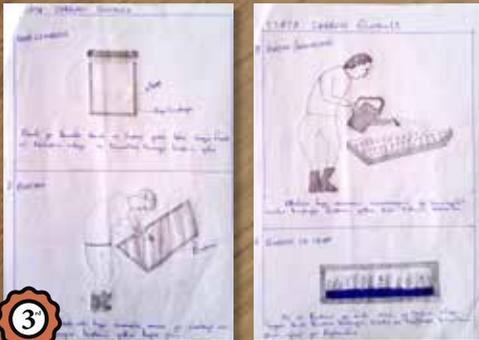
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