

FY23

SUSTAINABILITY
REPORT



Ndege
bijenteelt

OUR KEY IMPACTS

COMMUNITY

\$13,35M

million: spent on community development programme to date

18



Bee keeping groups supported in UG and TZ (37% of members are women)

31



clean water points built to date

\$8,675

Out-grower revenue generated from honey, avos and agroforestry crops, supported by NFC

46



Village savings schemes supported (59% of members are women)

300 000

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



1,260kg

of honey harvested in FY23 in UG and TZ



1,400kg

of avos harvested from trees donated by NFC in FY23 in TZ



43



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

Number of jobs created directly in FY23 was

821



117 (14%)

jobs created for women in FY23

4 injuries occurred at work in FY23

including fatalities **0**



16 health centres/ Dr accommodation built to date, with

2 clinics up-graded in FY23



CONSERVATION

30,2M

trees planted by NFC to date

1/3

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

Current carbon sink of

2,6M tonnes of CO₂e



15,7

million tree seedlings planted by Out-growers



GROWING AFRICA

PLANTATION



4,000

Out-growers planting trees in the communities surrounding NFC's plantations

154,000

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

More than

20

Olympic sized swimming pools of coal being burned that is offset through our plantation + Outgrower trees in FY23

82,000

metric tons of carbon equivalent emissions estimated to be re-moved from the atmosphere by NFC's operations (lower than previous years due to harvesting)

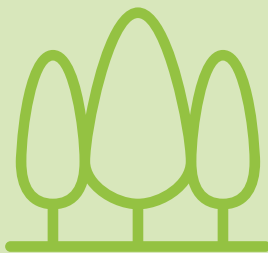
5 plantations + **1** sawmill certified by the Forest Stewardship Council™ (FSC™)



30,000

hectares of sustainable forest land managed by NFC

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



COMMERCE

2

pole treatment plants and

+

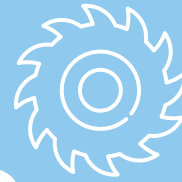
3

sawmills in East Africa

=

5

manufacturing plants



\$2,3 million

spent on road construction to date



\$3.1 million

paid in taxes or government fees in FY23



\$157.6 million

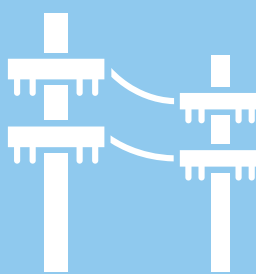
invested to date (debt and equity)

\$13M

sales revenues generated in FY23

\$99 million

biological asset value



93,139

estimated kilometres of electricity grid built with NFC's poles

100%

of our products sold in FY23 substituted imports

10 REDUCED INEQUALITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



15 LIFE ON LAND



17 PARTNERSHIPS FOR THE GOALS





Photography Courtesy Riaan Marais @images4africa

CEO STATEMENT	4
COMPANY PROFILE	
Overview	7
Key Developments in FY23	8
Key Risks and Opportunities	13
NFC Holdings Board Chairperson: Jon Aisbitt	14
Governance	14
NFC Tanzania Board: Sarah Majengo	15
Standards and Associations	17

COMMUNITY	
Bahati Sosthenes: NFC Tanzania CSR PM	19
Stakeholder Engagement	22
Externality Mitigation	22
Employment	23
Tanzania Women's Forum	25
Health and Safety	26
Uganda Community Health Clinics	27
Human Rights	28
Employee Wellness Activities	28



CONTENTS

CONSERVATION

Climate Change	33
AgDevCo Technical Assistance	33
Uganda Carbon Update	33
Biodiversity and High Conservation Value Areas	33
Land Management	34
Management Systems and Compliance	37
MKM Tanzania Pilot Launched	37
Water and Chemical Usage	39
Energy Consumption	39

COMMERCE

Job Creation	41
Quality	41
Namwasa Sawmill Hydropower	42
Supply Chain	43
Poem written by Ugandan students	44
Tree Improvement Programme: A Collaborative Path	46
Climate Change Risks & Opportunities	48
Report Profile and Materiality	49

CEO STATEMENT



Darren Lapp, NFC CEO

Dear New Forests Company Shareholders,

Simply put, 2023 was a difficult year for NFC. Our region operations, from a macroeconomic view, struggled with increased inflation rates as a result of the war in Ukraine, the Ebola outbreak in Uganda was centred in Mubende District, home to NFC's largest forest area and, towards the end of the 2023 financial year, the Government of Uganda announced a timber products export ban which created a short-term negative impact on operations. NFC Uganda operations, despite record sales in December and January and adequate raw material, experienced extremely diminished export sales for the last four months of the year. NFC Tanzania had the opposite challenge; demand significantly exceeded the organisation's ability to supply treated transmission poles due to a shortage of raw material resulting from a significant delay in planned investment related to the lengthy balance sheet restructuring process. Top line revenue for the year was a disappointing \$13.0M, and operating profit after biological asset value adjustment was \$0.4M.

More positively, in June 2023, with the support of our Development Finance Bank partners, Finnfund, FMO and DEG, New Forests Company finally completed the balance sheet restructuring exercise. Later in the year we also communicated to shareholders the significant progress made on a forestry joint venture that represents a long-awaited evolution to NFC's business model. More on this exciting development will be communicated in Q3 of FY24.

We are also proud to announce the new investment in NFC by AgDevCo, a specialist investor in African

agri-business. Their investment in the New Forests Company is their first foray into the responsibly managed forestry sector. AgDevCo's investment brought with it a 4-year, US\$750k, matching grant facility that will be used to support our out-growers and a revitalized tree improvement program.

NFC has always been a purpose driven company. In a world clearly grappling with climate change and supply chain and resource challenges, sustainability and ESG have now evolved into fundamental business imperatives. Responsible management and the creation of positive social impacts are not just an obligation for NFC; it is the cornerstone of our identity. I'm pleased to share the Shared Value impacts that NFC and its team have created through 2023:

1. Positive Social Impact. This year, our community engagement initiatives have tangibly bettered the lives of many.

Our company's success is intrinsically linked to the prosperity of our neighbouring communities.

Through our direct intervention:

- Forests For Prosperity - community led performance-based risk management program was expanded to Tanzania, known as "MKM"
- Clinics in Uganda are being revamped under a sustainable model thanks to DEG support
- Out growers / community associations received over 400k seedlings with trainings, technical support and livelihoods development

2. Biodiversity Baseline Monitoring: As part of the MKM pilot in Tanzania, communities are regularly reporting biodiversity sightings on plantation (refer to page 35 of this report)

3. Carbon Sequestration. The global urgency to combat climate change remains a core objective. In 2021, we embarked on a carbon certification project with support from the Dutch Climate Fund. The project included the formation of 18 community carbon associations in Uganda comprising 500-odd small holder tree farmers. We have submitted the project to Verra, the certifying body, and are in the final steps of the audit process. Importantly, the Company convinced Verra to waive the requirement that the small-holders have FSC certification on their plantations. We anticipate that these community associations, with NFC's support, will be able to monetize almost 90,000 tonnes of carbon offset credits in 2024, a very significant income in these rural areas.

In addition to the Carbon Project, we are proud to report that our forestry operations plus the trees being grown by our out-growers, have offset over 210,000 tons of CO₂ this year. This not only aids in global climate change

mitigation efforts but also positions NFC as a regional leader in responsible forestry.

THE PATH FORWARD:

- With the balance sheet restructuring complete, and with the anticipated development of the forestry joint venture, we will aim to increase our operational footprint in a manner consistent with ILO and FSC expectations, and consistent with our ethos of support for communities. The planned joint venture represents an opportunity to improve the quality and biological diversity of the conservation areas embedded in NFC’s forests.
- Strengthening Community Bonds: Our socio-economic programs will continue, focusing on the UN SDGs of No Poverty (#1), Zero hunger (#2), Good health & well-being (#3), Decent work & economic growth (#8), Industry, innovation and infrastructure (#9), Reduced inequalities (#10); Responsible consumption and production (#12), Climate action (#13), Life on land (#15), and Partnerships for the goals (#17)
- Innovation in ESG. As our Chief Impact Officer likes to say, we are not afraid of ESG, we aim to improve it. The MKM Shared Value program in Tanzania builds on the successful Uganda model and includes biodiversity monitoring and invasive weed control in the conservation area as part of the community scorecards.

The NFC Team has not lost its focus on achieving strong financial results, and we hope and expect the anticipated changes to the business model will facilitate this objective. However, we would also like to



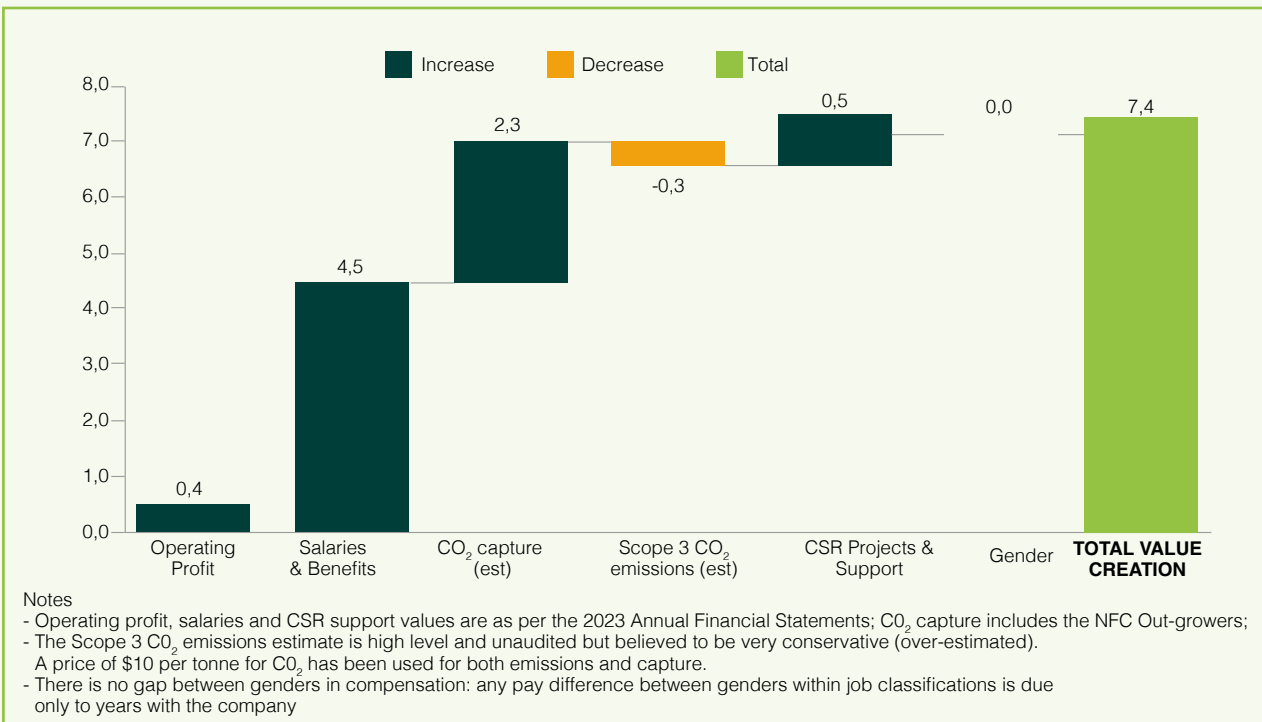
Tumaini Mahuve (Plantation Manager), Darren Lapp and Godfrey Gwantemi (Harvesting manager) at Lukosi plantation, Tanzania

demonstrate the value, the true value, created by the Company beyond the financial results.

The numbers in the chart below are preliminary and unaudited, but we intend to improve our data capture in subsequent iterations to provide investors with confidence that the Company is creating and managing for a broad range of values.

I would like to thank our shareholders for their continued support, and we would welcome shareholder visits to the operations. Please reach out to Candice Taylor or me to coordinate.

With purpose and determination,
Darren Lapp





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. 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 restoring landscapes, developing nature based solutions and ecosystem services, such as carbon, biodiversity and water that are protected and restored due to our management activities.

NFC's Vision and Mission have been refreshed to adapt to the changing global markets, risks and growth opportunities.

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. Nature Based Solutions reflect significant economic opportunities due to the global need to address climate change.

VISION

Planting and Enhancing Forestlands and Improving Lives for a Sustainable Future

MISSION STATEMENT

We are an integrated forest and land stewardship company, managing for multiple natural capital values including sequestration of carbon, protection of conservation areas, enhancement of biodiversity, and support for out-grower farmers, our surrounding communities and other stakeholders, and our employees. We underpin our model with anchor investments in responsibly managed plantation forests and sustainable forest products manufacturing.

NFC'S CORE VALUES



NFC'S SHARED VALUE BUSINESS MODEL



KEY DEVELOPMENTS IN FY23

FY23 was a challenging year for NFC and businesses in Africa in general with rising inflation and low growth. Both the Ugandan and Tanzania governments continue to lag in executing their electrification programs, meaning weak pole purchases from NFC. Uganda had a significant Ebola outbreak, from September to December 2022, which resulted in a total ban on movements in the Centre of the country, where our main plantations, sawmill and pole operations are based. Various timber bans and export restrictions have confused the regional market, slowing demand and the ability to conclude sales. NFC Group sales grew to \$13M up from \$10.25 million in FY22 as a result. The company continues seeking new markets, partners and investors in the circular timber bio-economy.

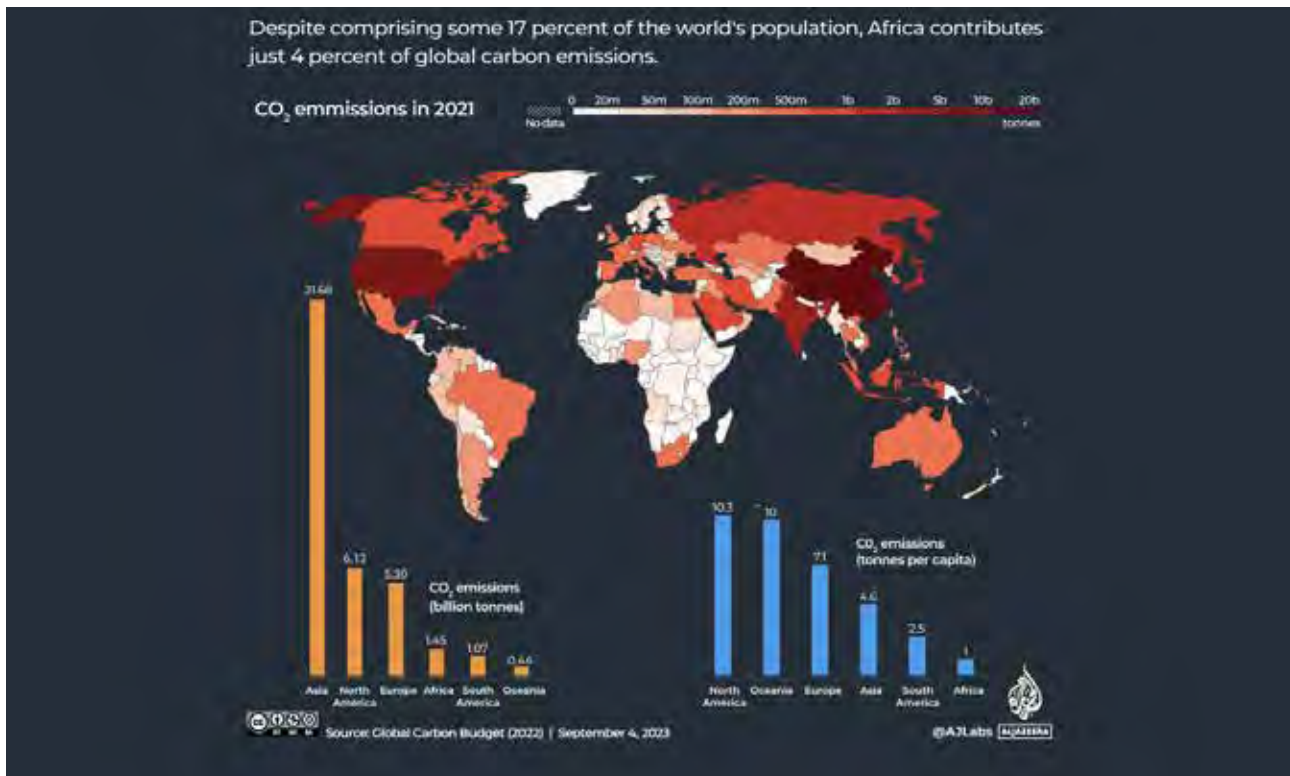
In terms of ecosystem services, we submitted our first FSC™ (Forest Stewardship Council)™ biodiversity ecosystem services claim for verification in Uganda. We aim to be an early African player in the biodiversity certification market, predicted to be the next big market development after carbon.

Our Uganda landscape carbon project is undergoing the last stage of validation and verification with external auditors and we anticipate our first carbon credits to be issued

within the 1st half year of FY24. It has been a three-year journey thus far, amidst a rapidly changing climate market which has seen much criticism against some carbon credit projects. It should be noted that almost all of these relate to avoided deforestation and avoided emissions, not the direct carbon removals from afforestation efforts, such as our own project.



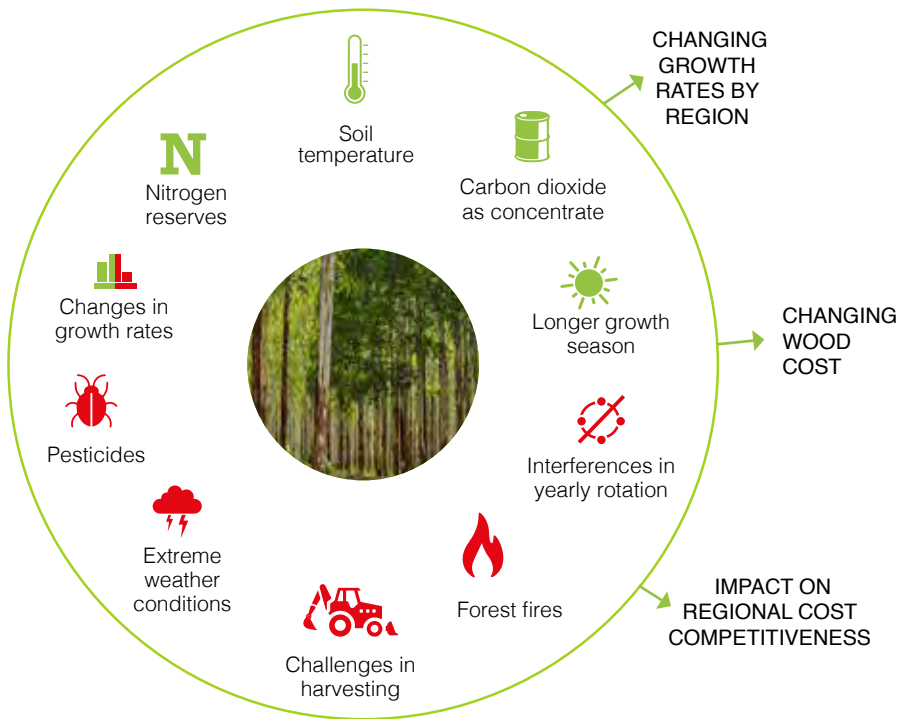
Nkululeko Lionel Dlamini, Forestry Manager, (left) during an investor visit to Lukosi plantation, Tanzania



Source: <https://www.aljazeera.com/news/2023/9/4/how-much-does-africa-contribute-to-global-carbon-emissions>

Africa as a continent contributes the least to climate change, but is expected to be the hardest hit, especially in rural subsistence settings. Our work with communities and the environment in climate change adaptation and building resilience will be come only more vital and valuable in the coming years.

CLIMATE CHANGE AFFECTS FOREST GROWTH RATES AND DAMAGES



IMPACT ON EAST AFRICA

- Rising global temperatures disrupt the rainfall patterns and multiply the likelihood of **extreme weather**.
- In East Africa, rainfall has become more intense and sporadic.
- Changes in river discharges have **two-way implications**; they increase the risk for floods, soil erosion and drought. Simultaneously, the potential for storing water resources for irrigation increases.

IMPACT ON SOUTH AMERICA

- **MAI has decreased** as result of altered weather patterns.
- Highly efficient development of **adapted clones** will minimise the impact, and can be utilised also in other regions with similar conditions.

Climate change affects forests and their growth globally, impact depending on species and geography. Plant adaptation helps mitigate impact of changing conditions. Impact on regional availability and competitiveness can, however, be significant.

Source: Vision Hunters

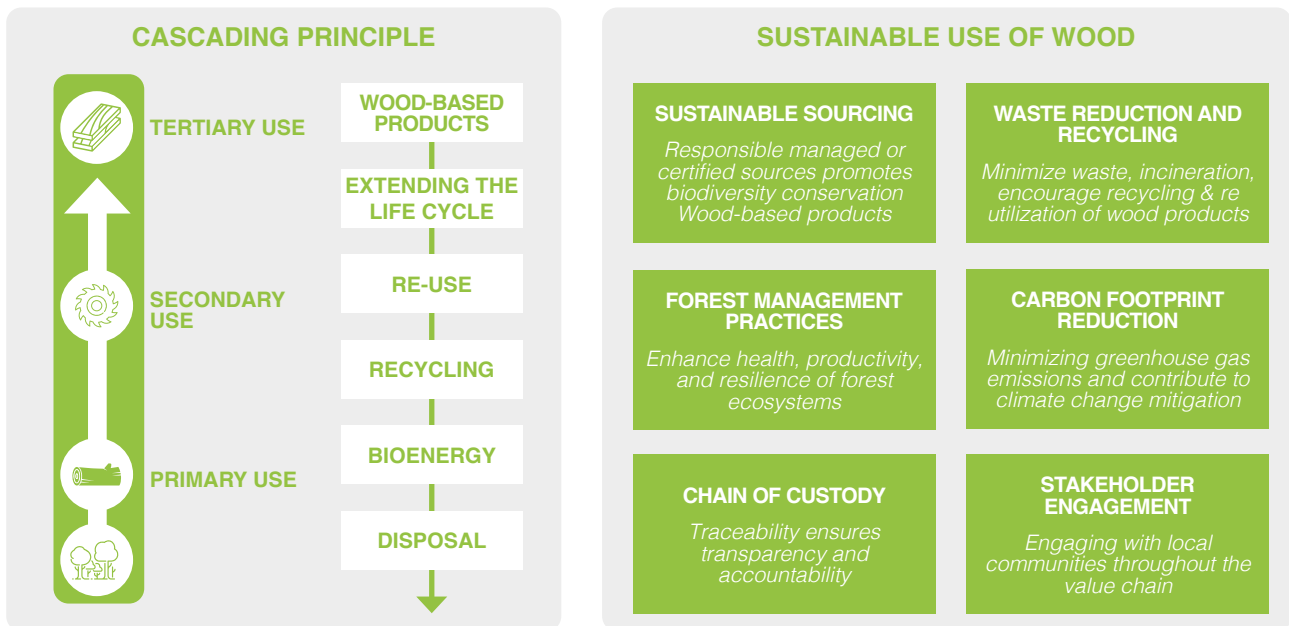
NFC is both growing nature based solutions and driving the circular timber based bio-economy, in East Africa, to reduce dependence on non-renewable resources. Looking at more advanced timber processing markets there is huge opportunity to develop the timber value chain further.

FUTURE ROLE OF FORESTS AS AN INDUSTRIAL INNOVATOR

FORESTS AS NATURAL & RENEWABLE RAW MATERIAL	FORESTS ROLE AS CARBON SINK	FOREST INDUSTRY AS FORERUNNER IN R&D & RAW MATERIAL EFFICIENCY
Demand for wood products remains strong	Deforestation remains a concern despite decelerating pace	Value creation & carbon sequestration steer wood utilisation
Wood construction promoted by global trends and its CO ₂ reduction potential	Fellingings can be timed to maximise carbon sequestration	Regulation strives to rationalize wood utilisation
Demand for traditional fibre-based products grow globally	Carbon market schemes are mushrooming globally	Industry expands towards biochemical & biomedical industries
Wood is processed at highly heterogeneous sites	Climate change affects forest growth rates and damages	Novel industry side streams improve resource efficiency

© Vision Hunters

VALUE CREATION DRIVES EFFICIENT AND CIRCULAR USE OF WOOD



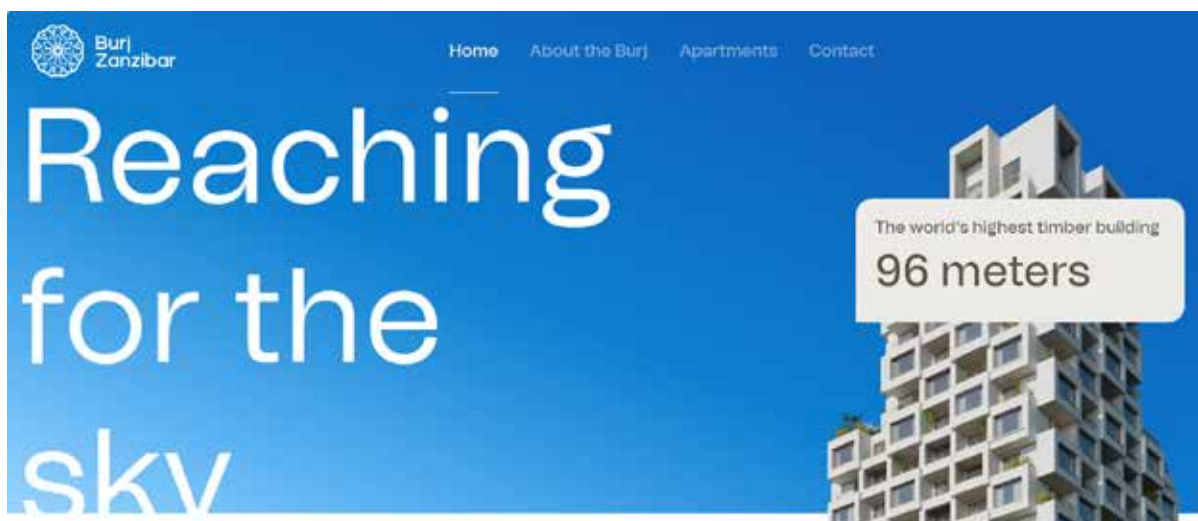
Cascading principle steers raw material use towards higher value creation, circularity and towards resource efficiency, in which all parts of wood are utilized.

Source: Vision Hunters, public sources

MEET THE WORLD'S TALLEST TIMBER TOWER, PROPOSED FOR TANZANIA

The Burj Zanzibar in Fumba City, Tanzania is an example of a pipeline project set to put Africa on the global renewable construction map, as the tallest timber (CLT) building in the world at 96 floors with no concrete or steel in the construction. The construction sector accounts for almost 40% of global carbon emissions and the ability to switch raw materials to carbon sequestering timber-based inputs will be a significant weapon in the war against climate change.

Source: <http://burjzanzibar.com>



Including seedlings distributed to our neighbouring communities, we have now planted 46 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 working with FSC to raise awareness of this important certification.

ECONOMIC VALUE GENERATED:

	FY21 \$ millions	FY22 \$ millions	FY23 \$ millions	Variance %
Sales	13.5	10,2	13.0	27.45
Employee compensation	4.7	4.5	4.5	-
Community investments	0.3	0.3	0.5	66.67
Payments to capital providers	4.3	2.9	1.9	- 34.48
Taxes and other payments to government	2.4	3.5	3.1	- 11.43
Total Assets	131.3	130	130.2	.2
Retained earnings deficit	83.1	75.2	79	3.8



CSR and Forestry Teams at Namwasa Plantation, Uganda

The Biological Asset Value (BAV) increased from \$94 million in FY22 to \$99 million and total assets climbed from \$117,6 million to \$119,5 million in FY23. Sales in Uganda and Tanzania were constrained by lack of government orders, health pandemics, and business bans which impacted working capital in the Group.

The NFC Group Support Structure remained stable during FY23, with ongoing efforts to streamline our operations. Accordingly, the Group Head of Sales and Marketing role was unbundled with responsibility for sales and marketing now resting with the Uganda and Tanzania Mancos under the respective Country Operations Director and CEO's accountability.



HUMAN RESOURCES

Note: figures are averages across the reporting period.



Tom Okello, Executive Director, National Forest Authority, Uganda (on the left) with Alex Kyabawampi, NFC Uganda Snr CSR PM (on the right)

EMPLOYEES

	LABOUR / CONTRACTORS FY23	TZ	UG	SA	Mauritius	FY23 Total	FY22	Difference
	Number of Union Members	154	0	0	0			
	Contract Labour Women FY23	35	45	0	0	80	72	8
	Full Time Employees Women FY23	19	14	4	0	37	33	4
	TOTAL WOMEN					117	105	12
	Contract Labour Men FY23	121	392	0	0	513	645	-132
	Full Time Employees Men FY23	91	96	3	1	191	202	-11
	TOTAL MEN					704	847	-143
	TOTAL					821	952	-131

NFC and our labour contractors directly employed 821 people this year, a decrease of 131 jobs from FY22.

While all of NFC's workforce are free to organize, only 154 individuals (19%) are covered by a collective bargaining agreement, all of whom are in Tanzania.

MARKETS

NFC's main business is timber products from renewable resources for the growing bio-economy, in the electrification, telecommunications, construction and beverage transportation sectors in East Africa. Our key 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 and water that we protect and restore through our management activities towards a growing market for natural capital and climate solutions. There is a limited biomass market in each territory and we are actively seeking to develop biochar and energy from the waste produced at our sawmills.

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.

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	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, development, reward, recognition and succession planning
	Health and safety, (including responding to pandemics, such as Covid-19 / Ebola)	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

Climate Change is becoming an existential crisis and forestry companies, such as New Forests are well placed to be part of the solution through landscape restoration and large-scale afforestation, while producing products from renewable resources to displace heavy carbon emitting products, such as concrete. NFC continues to participate in the WWF Forests Forward (FF) and New Generation Plantations (NGP) movements to protect native forests and accelerate the responsibility and sustainability of working forests at the landscape level. Developments in the carbon markets indicate that biodiversity and water markets will in

the future also be monetizable through our management activities.

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 FY24, with more timber business coming out of the region and export markets beyond Africa.

NFC HOLDINGS BOARD CHAIRPERSON: JON AISBITT

"I first invested in New Forests in June 2007. I had had a successful career in the financial world (first head of the UK Investment Banking team at Goldman Sachs and a general partner of the firm) and was by then was a non-executive director of a number of companies and soon to become non-executive Chairman of the Man Group which, at the time, was the largest stock-market listed hedge fund group in the world.

Finding people who were confident that they could help me invest in Europe, North America, South America, Asia etc. and who could handle private and public investments was really easy but what about Africa? I wanted to do more for the developing world than simply pay taxes and rely on the Government to deliver on my behalf. I wanted to invest in Africa and become personally engaged.

One morning on a plane to London I read an article about a start-up company called New Forests and contacted Julian Ozanne, its CEO. I loved the idea of creating jobs, helping nearby communities to develop (schools/healthcare/seedlings) and tackling the historic deforestation of countries like



Uganda by planting trees on a commercial basis. So I went out to Uganda for my due diligence trip, met the team, bought into the dream and came back a convert.

I became a Non-Executive Director of the company in 2009, I became the Non-Executive Chairman in 2019 and have continued to invest both as an individual and on behalf of my Family Trust (the beneficiaries of which are my 3 children and my grandchildren) so that today we have a 9.59% shareholding.

We are proud to be associated with New Forests and very proud of what the company has achieved - despite the many different challenges it has had to confront every year! We fully

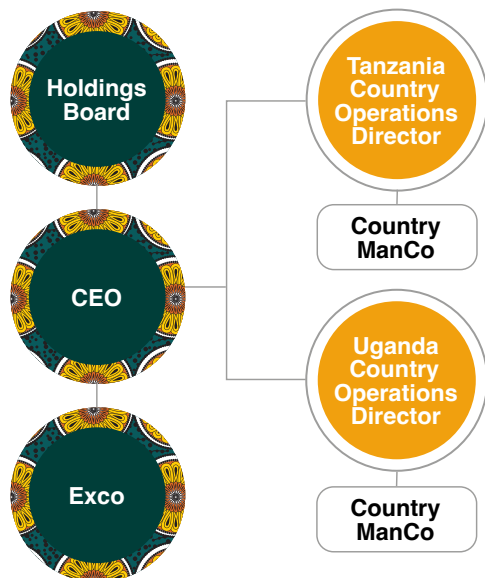
endorse the values that drive New Forests, and the growing global focus on the environment and the impact of climate change only strengthens our resolve to be active team members in this battle for the future of the world.

The introduction to forestry has also had additional benefits – my wife and I have planted lots of trees in Sussex where we live, I bought a small forest (86 hectares) in Wales (near Lampeter) in 2008 which has been harvested and replanted very successfully, and more recently the Family Trust has planted a new forest in Scotland on 456 hectares of low-grade farmland and that is growing very well too. So New Forests is having a positive impact in the British Isles as well as in East Africa!"

GOVERNANCE

The highest governance body is the New Forests Company Holdings Ltd. Board of directors. In FY23 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, and the Group Head of Forests (six men and two women, of whom two are Black and six are White). 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, Wellington Chirinda and Victoria Sekitoleko (one woman and three men, of whom two are white and two are black).

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 also 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.

PERSPECTIVE FROM THE NFC TANZANIA BOARD: SARAH MAJENGO

Sarah is a seasoned business leader with over two decades in senior corporate roles focusing on strategic communication, marketing and strategy. Through her company, Kengo Ltd., Sarah specializes in building capacity of SMEs and people. She also uses her expertise in strategy and communication to help companies with advocacy, positioning and visibility.

Q: What made you interested in joining NFC as a Board member?

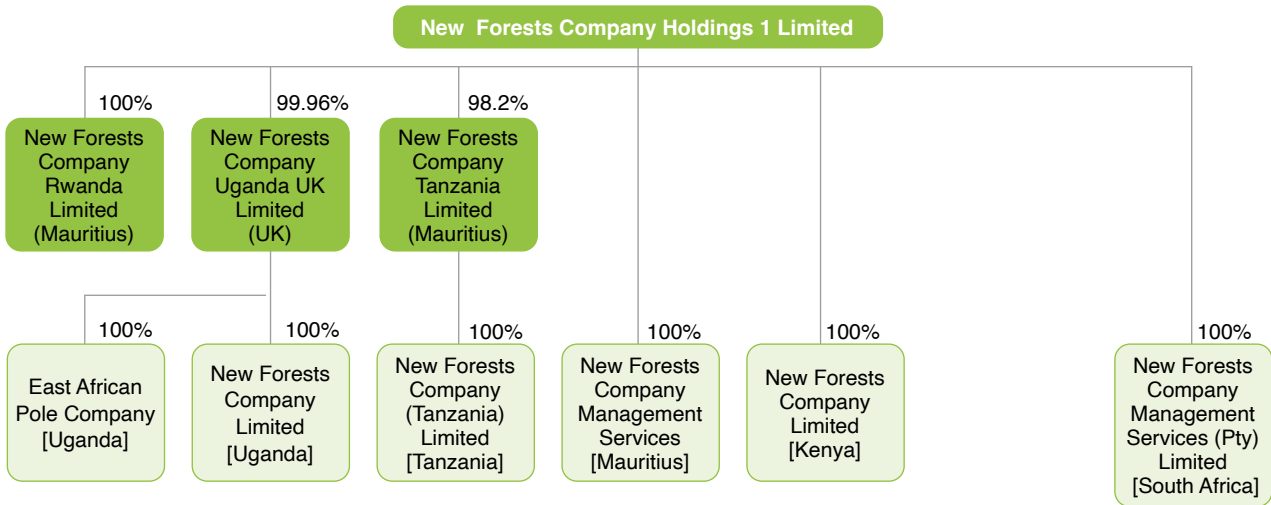
A: The prospect of serving on the board of a company with sustainability at the heart of its operations was very appealing. Tanzania’s forest cover is depleting at 400,000 hectares per annum and it’s a privilege to be involved with a company that’s addressing deforestation through sustainable forestry.

Q: What areas of NFC impact are you most passionate about promoting and why?

A: I am passionate about helping people thrive and the development programs at NFC are empowering communities in several ways including training, outgrower schemes, tree seedlings and improved livelihoods through beekeeping that enables them to earn incomes and enhance the quality of their lives. This has a ripple effect on communities that impacts future generations.



New Forests Company Group Trading Structure – June 2023



Trees have enabled me to meet basic needs, more importantly paying (school) fees for my children, and I am happy being a tree Planter. I regret starting tree planting late but promise to remain dedicated and committed. I will always encourage my children to plant more trees for the future”



Annet Bagaala, Member of Kijjuna Out-growers Association, Namwasa, Uganda



Magome Village Savings and Loan Association (VSLA), Tanzania



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 Foundation Uganda
- Uganda Manufacturers Association
- Uganda Timber Growers' Association (UTGA)
- Uganda Utility Pole Producers Association
- WWF Uganda
- TTGAU – Tanzania Tree Growers Association Union

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.



Byron Rugyema, NFC Uganda HR Manager and NFC built timber office



MKM Community Associations, Tanzania



Furniture from NFC pallets, Uganda



NFC made pallets



COMMUNITY



NFC strives toward scalable, innovative and impactful 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 BAHATI SOSTHENES: NFC TANZANIA CSR PM

Q: When did you join NFC?

A: I joined The New Forests Company in February 2020

Q: What's your work background?

A: I have 16 years' experience of working in Education, Community, and Conservation in the Northern and Southern Highlands of Tanzania. I have a Diploma in Education (Chemistry & Biology) from Klerruu Teachers' College, BA Community Development from The University of Iringa, and MA Natural Resources Assessment and Management from The Open University of Tanzania.

Q: I know you are a dedicated wife and mum, not just an employee. Can you tell us a little about your family?

A: I am married to Christian Mgona, an accountant who was previously a teacher. We met at teachers' college and we are blessed with three kids – Joshua, Jonathan, and Jacob Jovin, all still in primary school.

Q: What are your main interests outside work?

A: I am interested in spending time with my family and preparing delicious meals for them. Others are listening to gospel music and livestock farming.

Q: Why did you want to work in CSR?

A: I wanted to be part of building a socially responsible business, simultaneously promoting the company's brand and the well-being of society and the environment. Thereby also actively ensuring compliance to ethical and environmental standards.

Q: What are your main responsibilities as CSR PM?

A: My responsibilities are to oversee the creation and implementation of the organization's social responsibility objectives. I am in charge of designing and developing the strategies that

support the company's CSR goals. This is achieved by generating ideas, constructing comprehensive plans, establishing links with partner organizations, and then implementing, managing and overseeing a variety of activities and projects aimed at improving the environment and local communities. So far, the company is implementing a tree planting program in eighteen villages of Kilolo District; Forests For Prosperity - translated to Misitwa kwa Maendeleo (MKM), beekeeping, girls & women empowerment and Village Saving and Loans Associations. As the Tanzania CSR PM, all these need to be organized and achieved within the agreed time and by involvement of respective stakeholders with the support from everyone in the CSR team.

Q: How many people report to you, in what roles?

A: There are thirteen (13) people reporting to me, namely a Community Forester, two Community Development Officers, an Extension Forester, a Field Officer, a Data Officer and seven Community Liaison Officers.

Q: What are your main challenges?

A: The main challenge is fire management in out-growers' woodlots. The company is investing in training communities on the best tree growing practices, including risk management, but this needs all community members, government, and investors to work together. If one part is missing then the probability of having forest fires is high. The other challenge is unequal gender participation / presentation in forestry activities. Typically we are faced with a ratio of 24 females :76 males' participation in community projects. The aim is to increase this female ratio by 5% each year towards a 50:50 ratio. The number of female staff in forestry in TZ is low. In CSR we have worked to create female role models with 8 women and 6 men. However, we need to do more to encourage females to apply for available positions.



Q: What are some of your successes in this role?

A: Improvement of the relationship between the company and respective stakeholders, at village, ward, district regional and national levels. I am also proud of our successful FSC audit and the extension of scope to a second plantation in Tanzania. Launching and implementing the risk management program pilot of Forests For Prosperity (FP)/ Misitu Kwa Maendeleo (MKM) in Tanzania has been very rewarding. This has win-win benefits for both community and company in terms of relationship, conservation, awareness, and increased number of livelihood activities for neighboring communities.

Q: What advice would you give someone wanting to work in CSR?

A: It is very exciting work. It is an opportunity to work with a great team, the chance to learn new skills, potential for growth and advancement within the company. We also welcome new ideas that will support the achievement of the company's CSR goals.

Q: How will your department continue to grow positive impacts at NFC?

A: Through teamwork, communication and coordination among ourselves, other departments and the community/ stakeholders we serve we will continue to grow our positive impact.

UGANDA - NFC COLLECTIVE IMPACTS TO DATE



- 4 hospital / clinic
- 3 secondary schools
- 1 Banking hall
- 2 bridges
- 1 fruit tree farming
- 1 goat farming
- 29 FP Community Associations (increase of 4 from FY22)
- 1 maize mill
- Average FP risk reduction score: over **70%**
- 1815 FP members (45% are women)
- \$71k equity in FP group bank accounts
- \$41k paid to FP associations based on performance in FY23
- 63 individuals received Financial Literacy trainings
- 34 Village savings & loan Associations with 1233 members (50% are women)
- 297 kg of honey harvested in FY23
- Tree seedlings donated to date: **7,79M**
- 10 Bee-keeping associations with 1019 members (39% women)
- 90 Fire awareness trainings conducted with out-growers
- 1 Carbon credits project underway
- 1 fish farm
- 20 Tree-grower associations with 967 active members (38% women)
- 26 Out-growers visited pole plant
- 1 granary project
- 1 pig farming
- 20 classrooms/school accommodation
- 1 ablution block
- 6 community buildings
- Out-grower areas mapped into Micro-forest: **+4557 Ha**
- 2 cooperatives

TANZANIA - NFC COLLECTIVE IMPACTS TO DATE



8 Hospital / clinic / Dr Accommodation

8 beekeeping associations with **278** members (30% are women)



Honey harvested:

963kg in **FY23**



\$3,852 generated from honey sales

27 Tree grower associations with **612** active members (38%)

School plantations supported: **23**

4 Short term crop farming livelihoods projects (beans, Irish potatoes)



6,29M

Total tree seedlings donated to date

Religious institution plantations supported



16



18 Fire awareness trainings conducted with out-growers

+2700 Ha

Outgrower areas mapped into Microforest:

8 Silviculture days held on plantation with out-growers

121

Out-growers visited pole plants / sawmill sites

double classrooms **4**

6 girls dormitories

48 school ablution pits

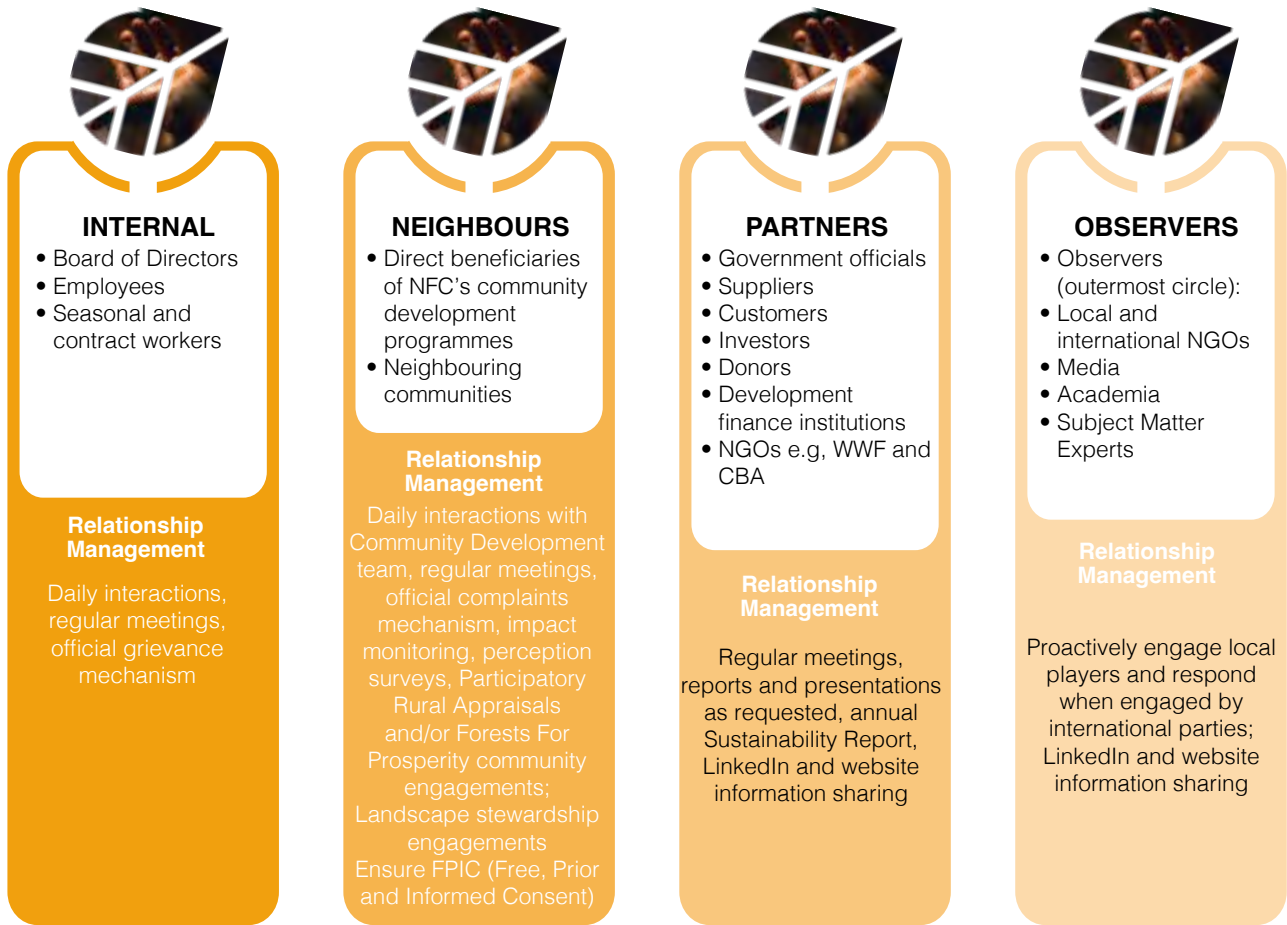
12 VSLA associations with **302** members (95% women)



1400kg of avos/fruit harvested in FY23

4 FP Community Associations with **137** members, 48% are women

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, Business For Nature, African Forestry and FSC is aimed at accessing and influencing broader conversations around sustainable, responsible and successful African forestry in a landscape context.

EXTERNALITY MITIGATION

In FY23, New Forests invested almost \$600,000 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 \$13,35M.

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, and Tanzania. 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 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.

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 FY23. The company was fully compliant with laws and regulations and was not required to pay any non-compliance fines or sanctions.

EMPLOYMENT

The HR people strategy transforms the lives of our employees:



LOCAL RECRUITMENT

NFC's turnover rate in FY23 was 7% for men and 0% for women, with a total of 12 new hires (5 women and 7 men; seven were below 30 years and five were between 30 and 50 years old).

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 neighbouring communities. Women are explicitly encouraged to apply. Applications are screened and suitable candidates are interviewed and then subjected 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.

TURNOVER	TZ	UG	SA	Mau	TOTAL
Total No of Employees	110	110	7	1	128
Men Number Left	10	5	1	0	16
Men %	9%	5%	14%	0%	7%
Women Number Left	0	0	0	0	0
Women %	0%	0%	0%	0%	-

NEW HIRES	TZ	UG	SA	Mau	TOTAL
Total	10	2	0	0	12
Men Number	6	1	0	0	7
Men %	60%	50%	0%	0	
Women Number	4	1	0	0	5
Women %	40%	50%	0	0	
New hires under age of 30	5	2	0	0	7
New hires between 30 - 50	5	0	0	0	5
New hires over 50	0	0	0	0	0

NON DISCRIMINATION

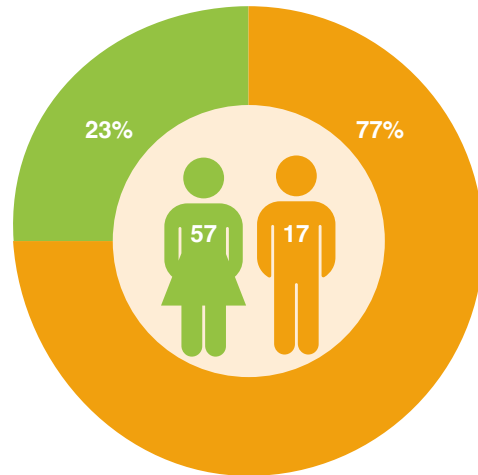
No incidents of discrimination were recorded in FY23. We have a formal grievance procedure that employees are encouraged to use via their line managers, the HR department, and, where applicable, the trade union mechanisms. All grievances are reported to the Group Head of Strategic Planning and HR. There were zero grievance recorded this year across the Group.

Employees are also 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, customers 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.

MANAGEMENT DEMOGRAPHICS:

There were 22 full time employees in managerial positions across the Group in FY23

Women:	Men:
Local: 57 (23%)	Local: 6 (27%)
Expatriates: 0	Expatriates: 11 (50%)



Above and below: NFC community members, Uganda



TANZANIA WOMEN'S FORUM

IN FY23 BAHATI SOSTHENES, OUR TANZANIA CSR PM AND NFC GENDER CHAMPION PARTICIPATED IN TWO REGIONAL ONLINE EVENTS AS A SPEAKER ON THE TOPIC OF GENDER AND YOUTH WITHIN RURAL VALUE CHAINS. ONE WAS LED BY NGPTA AND THE OTHER BY AGDEVCO.

The NFC Tanzania Women's Forum was officially launched in October 2022. Initially there were small groups of women who agreed to support one another in sickness, funerals, and childbirth.

There are currently 31 women in this forum including employees and contractors. The women usually communicate through a whatsapp group and have quarterly meetings where they share news, such as hygiene, opportunities advertised in the company, planned meetings and events related to women.

The forum is treated as important in the organization and for women themselves. Women are free to discuss challenges facing them as a group and propose solutions. Having a representative at Management meetings adds value to these forums as most of the opportunities and challenges tabled are able to be addressed. These include the introduction of English conversational sessions during lunch hours, provision of sanitary pads during working hours, entrepreneurship skills through gardening, and attending local International Women's Day 2023 events. Women were

able to connect with other women in the region and learn about handmade items and business skills.

Jannipher Mbogo, office attendant said "This is something we were looking for, that we can share our challenges, solutions and being united under one umbrella. We hope that we will grow as the company grows. Many thanks to management for allowing us to discuss women matters in relation to health, social and economic. The fruits and veggies garden that was started through a women forum program, helped me to gain the knowledge to start a veggies garden at home via seeds that were also distributed to workers and my family is eating healthier now. Also, feminine towels that are distributed monthly helped me in being free and feeling safe when I am working. Special thanks to my fellow workers now that I am improving in speaking English because I can practise speaking often with others."

This coming year NFCT plans to conduct girl's empowerment sessions in neighboring schools, where the NFCT women will visit and host girls for learning.



Women participating in International Women's Day, 8 March 2023

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.

HEALTH AND SAFETY

While COVID-19 restrictions across the region were lifted, East Africa was impacted by Haemorrhagic viruses, Ebola and Marburg during FY23. The Ebola outbreak in Uganda from September to December 2022 significantly impacted the Central part of the country, where we have plantations and processing sites. Fortunately, there were no confirmed cases amongst our staff and we took the precautionary approach to limiting movements and restricting engagements with neighboring communities. The economic activity in East Africa has not yet fully recovered and this lower demand resulted in less timber harvesting and processing activities for the Company, resulting in fewer near misses and incidents. The Mityana Pole Plant achieved 1 000 000 labour hours free of lost

time incidents in the period under review. The lowest injury statistics in 5 years were reported in this year, with a steady decline over the preceding years. The near misses for the year were 838, with a total of 4 work related injuries in FY23 and no fatalities.

	Near Misses	Non Lost Time Incident	Lost Time Incident	Fatalities
FY18	11	8	8	0
FY19	91	18	10	1
FY20	114	8	5	0
FY21	969	7	4	0
FY22	1206	3	4	0
FY23	838	2	2	0

NFC continue to focus attention on situational awareness during all safety briefings, trainings and risk assessments. Near Miss reporting is encouraged to create a culture of root cause analysis and continuous improvement.

Lost time incidents frequency rate (LTIFR) was 1.29 and the average incident frequency rate (AIFR) was 2.57. 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%.

Our work locations are remote and our workforce is 86% male. Some workers do not live with their families, which

NFC Group Safety Stats Annual Comparison



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.

UGANDA COMMUNITY HEALTH CLINICS

Thanks to a co-funded grant from DEG, NFC are currently upgrading 3 x community -based basic health clinics in Uganda, with plans to also build a new community clinic at the Pole Plant in Mityana during FY24. To date the Company

has renovated the Namwasa and Kirinya clinics, focusing on infrastructure repairs, toilets, incinerator, power, clean water and pharmaceutical supplies. We have appointed a new Clinic administrator role at Namwasa and are piloting a sustainable clinic operational business model, that provides a variety of medical services at minimum cost to the public, but is not dependent on government staff and resources. While both clinics are registered with the local governments we are busy having them also accredited with our medical aid network in Uganda, to ensure our employees and their families can utilise the facilities easily. We have begun outreach campaigns for immunisations from the clinic and are reviewing expansion of diagnostic and treatment services with other NGOs and health providers.



Darren Lapp (CEO), Wellington Chirinda (Uganda Country Operations Director) and staff at the Namwasa Clinic, Uganda



Front view of the renovated Namwasa Clinic, with access ramp

Additionally, we added a medicinal garden adjacent to the clinic at Namwasa to promote the availability of local plants and traditional treatments, such as covidex plant which was used as a local treatment for Covid-19 symptoms, should community members wish to supplement these for better health outcomes.



Medicinal Garden - Namwasa Clinic In charge, Livingstone Matovu (right), Sosi Waswa, the support staff (middle) and the Plantation Support staff, Nankya (left) doing garden maintenance - Cucumber, carrots and spinach – June 2023



Namwasa Medicinal Garden – June 2023
English Name: East African Greenheart – also known as Covidex plant
Botanical name: Warburgia Ugandensis;
Local name: Mukaza nume
Benefits: Treats colds, cough, sore throat, fever and respiratory disorders. Also helps with COVID-19 symptoms.
Preparation: Boil leaves or bark

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 FY23, we had no violations of the rights of indigenous people.

EXTERNAL EVALUATIONS

The Ebola outbreak in Uganda impacted on freedom of movement but there was no major impact on the ability to conduct external assessments in FY23, unlike with Covid-19 restrictions in the previous year. Hybrid audits still have a place, however, as they can be cost effective, with some of the team working remotely and an in-country technical team gathering evidence on the ground.

Our FSC Chain of Custody audit in Uganda was carried out on site but had to be completed off-site as the Ebola Virus restrictions came into effect in Kasanda District, where our sawmill is located, in September 2022.

The FSC Forest Management for the Uganda plantations third certification period third surveillance audit was carried out on site. It was also adversely affected by Ebola Virus Disease restrictions and had to be completed off site in September 2022. In the same financial year, the fourth surveillance audit was also carried out on site in June 2023. The FSC Forest Management for the Tanzania plantations second certification period second surveillance audit was carried out on site in November 2022

The public summaries of the FSC certifications are available on our website at www.newforests.earth

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.

In February 2023 AENOR visited NFC Uganda operations and out-growers as part of the Verra carbon credits validation and verification hybrid audit process.

EMPLOYEE WELLNESS ACTIVITIES

Under the leadership of the Country Operations Director, Matt Merrick, New Forests Tanzania has been working to improve employee morale and wellness at the Iringa Office in the Southern Highlands. This is the main administrative office location, which includes the pole plant and sawmill. Together with HR and CSR they have established group



NFC Tanzania staff playing volleyball during their lunch break

sports for the employees such as football and volleyball in FY23. Subsequent to the end of the reporting period they also started jogging 5km every second Friday, at the end of the afternoon work shift.

The objective is to cement cooperation among employees, strengthen teamwork and improve individual health - which ultimately results in better engagement and higher productivity for the company, from senior management to blue collar employees. The company also provides the necessary sporting equipment and 1st aid to encourage

participation. Football and volleyball are played during the daily lunch hour, with 38 playing football regularly and 18 playing volleyball. While the football currently is only played by men the volleyball has a mix of genders.

The football is led by Adam Chambuso, Pole Production Foreman. The team have already participated in matches against regional teams, including Iringa Veterans, Iringa all-stars, Mkwawa University College of Education, Ipogoro Veterans & Igumbilo team. Their plans is to try participate in different leagues, outside work hours.



NFC staff playing football during their lunch break in Tanzania



Papaya tree planted in May 2023 at the NFC Iringa Office, Tanzania

In early 2023 the HR and CSR Managers in Tanzania proposed to Manco to use open space at the Iringa Office for a fruit and vegetables project. The Country Operations Director was supportive of a pilot, which is now being expanded. The objective is to promote nutrition, assist lowest earning staff with vegetables to take home and to teach interested employees about growing vegetables, so they could improve their home nutrition levels. The harvested fruit and vegetables are shared out during lunchtime with employees from the office, sawmill and pole plant.

After selecting the appropriate area and preparing the ground, the vegetable garden was established in April 2023 to take advantage of the rainy season. Seedlings

planted include sukuma kale and collard greens, chinese cabbage, lettuce, spinach, leeks, mchicha, okra, saro-figiri, carrot, tea leaves, matembele, eggplant, white eggplant and swiss chard. Two employees Hamisa Karata and Ex-millian Ntunze, volunteer to assist with irrigation and monitoring of the garden. They report any challenges with insects or soil quality, which are then addressed through Manco leveraging on their forestry and agroforestry skills.

Thirty-four fruit seedlings were also planted around the Iringa office boundary, including short - and long-term trees. Short term fruit trees take less a year to begin producing fruits and these include passionfruit, strawberries, and tree tomatoes. Long term fruit trees take 2-3 years to begin



Spinach at the NFC garden, Iringa, Tanzania



Jane Mbogo and Aneth Manase harvesting Chinese cabbage for distribution to staff, Tanzania



Linah Mtei, Alois Mabutho & Aneth Manase visiting the progress of the fruit & vegetable garden, Tanzania



Devotha Kindole & Jane Mbogo arranging vegetables for distribution to staff, Iringa, Tanzania

producing fruits and include avocado, orange, lemon, pomegranate, mango, papaya, guava, soursop and plum trees. All trees were planted in early May 2023. The trees will also act as wind breaks and provide shade, helping to reduce erosion during rainy seasons.

GRIEVANCE RESOLUTION

During FY23, 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 Rwanda, all citizens have government issued ID cards which the company checks to verify that labour are over age 18. In Uganda and Tanzania, not all citizens have ID cards, so in their absence 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.



CONSERVATION



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/>). Growing trees in tropical zones is still considered the most cost-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 and out-growers have planted 46M trees to date, with 236,000 tonnes of CO₂e being sequestered in FY23. The current carbon sink on NFC managed land is 2,6M tonnes.

AGDEVCO TECHNICAL ASSISTANCE

In September 2022, NFC signed a 4 year Technical Assistance co-funding agreement with AgDevCo, a new investor in NFC with a strong history of promoting agriculture sector development in Africa. The objective of the TA facility is to grow our environmental and social impacts through raising the bar with our Out-grower programmes, focusing on gender inclusion, agroforestry, increased carbon sequestration and tree improvement trials and research. Thanks to this agreement, both Tanzania and Uganda each appointed a professional Forester to lead the community out-grower activities, reporting to the CSR PMs. Around 400,000 seedlings were donated in FY23 to registered growers, who complied with NFC code of practise and improved their silviculture practices. In Uganda there is also an agroforestry pilot to promote intercropping with wider hedgerow spacing to promote mixed landuse within the mozaic landscape. The teams have since developed an Out-grower Balanced Scorecard to holistically assess all active growers and help them to understand key areas for improvement, as we aim to improve survival counts, carbon sequestration and high quality mature timber, to maximise outgrower livelihoods.

UGANDA CARBON UPDATE

In early 2022 the New Forests Company registered a carbon credits project with funding support from the Dutch Fund for Climate and Development and WWF to promote landscape afforestation, to assist Out-growers with 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 Verra/VCS project underwent public commentary from November to December 2022 with no adverse comments recorded. In February a hybrid carbon audit was conducted

by AENOR, an approved Verra auditor. This consisted of a detailed review of the PDD, Monitoring Report and hundreds of pages of supporting documentation as well as a physical visit to NFC Operations and randomly selected Out-growers, to verify their trees, tree growth, land documents and permanent sample plots in the conservation areas. By July 2023, the Company and Aenor were still finalizing feedback received and tweaks needed to the PDD before the project can progress to having credits issued. We anticipate that the process will be concluded before the end of calendar year 2023. Carbon revenues will enable the communities to continue to expand their tree-growing areas and the Company to invest in further diversification of timber processing. This increases both the supply of timber and value addition options for the circular bio-economy.

A similar carbon community and conservation project is planned for Tanzania, however, the recent introduction of carbon market regulations by the government there and predicted changes to the Verra/VCS methodologies have triggered a slight delay as we seek to understand the impact of these changes on the feasibility of carbon projects in Tanzania. While we support greater transparency of carbon markets, they should not raise the bar so high that smaller projects without access to large consultancies (who tend to reap a large proportion of the benefits) become unsustainable. Communities are the guardians of rural areas in Africa and they need to be a key part of the solution to climate change, earning fair rewards.

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 FY23.

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, *Dioscorea* *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 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



Dissotis arborescens

species regeneration in our conservation areas including monkeys, buck, and snakes.

Alois Mabutho (Group SHEQ Manager) and Candice Taylor (CIO) led the development and submission of NFC's 1st Biodiversity Ecosystem Services claim with FSC for Uganda, which was reviewed in May 2023 during the annual FSC audit. A few key findings were made and upon addressing these, the claim will be able to be confirmed. In the near future there is potential for the emergence of biodiversity credits and markets, so its important for NFC to remain at the forefront of these developments in order to capitalize and further develop new Shared Value models that benefit communities and nature.



Fire Danger Index at Namwasa Plantation, Uganda

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.

“ I appreciate The New Forests Company for training us in Beekeeping in addition to donating to us 50 KTB and 21 CAB hives. We are able to harvest, process and package honey ”

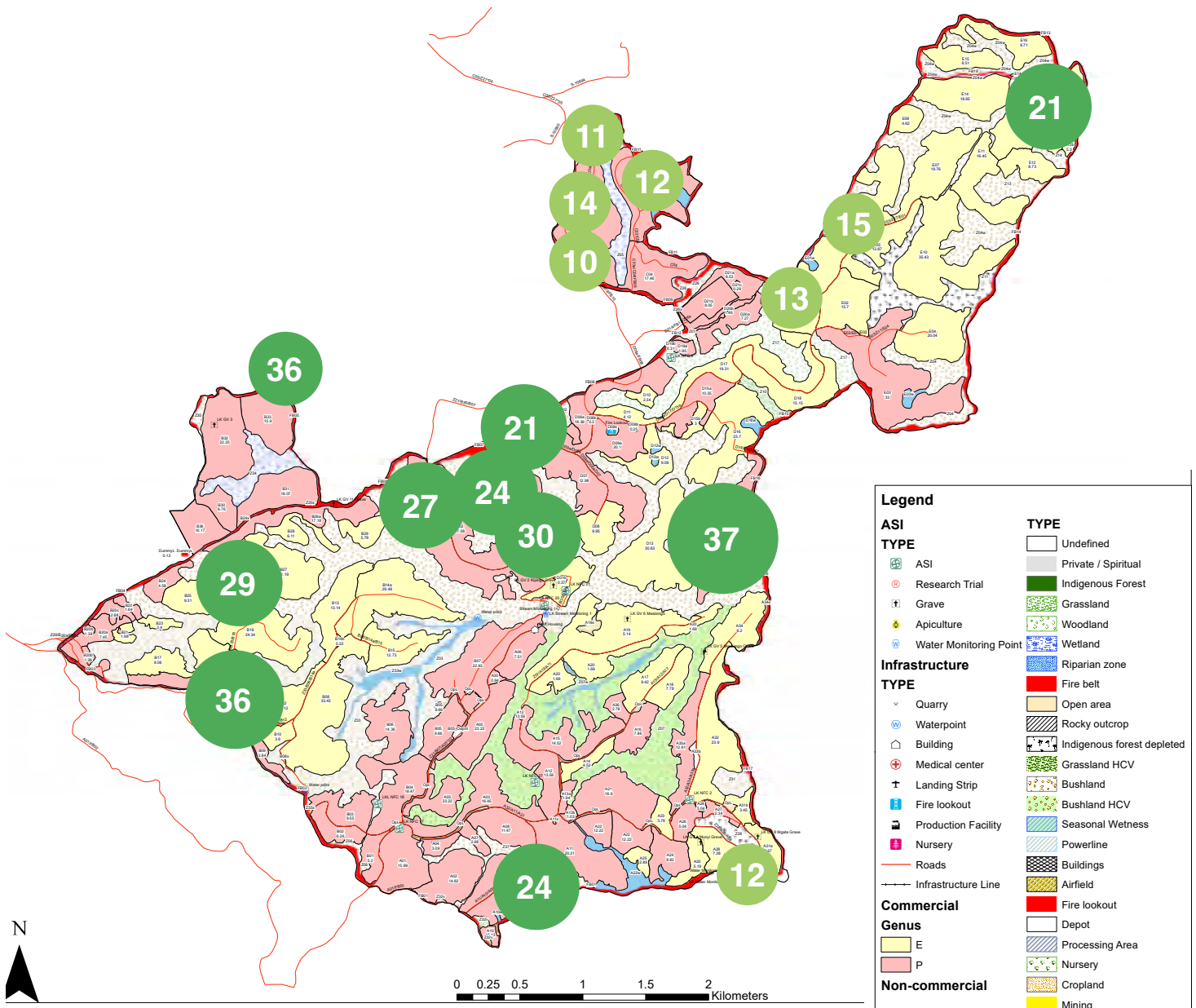
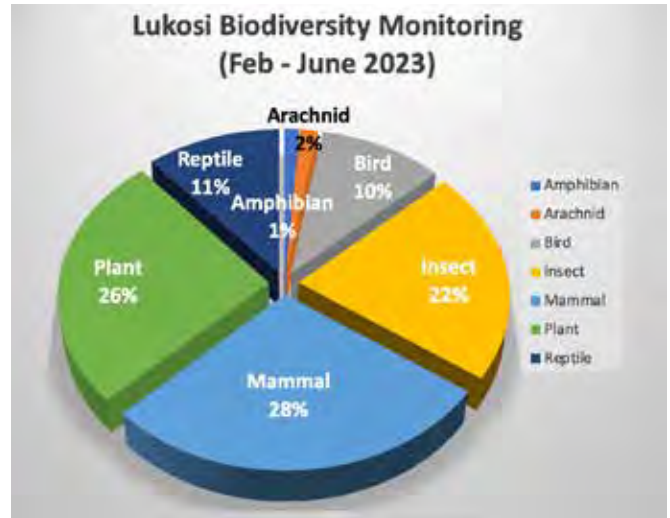
Tina Grace from Bukatu Beekeepers Association, Kirinya, Uganda

Country	Plantation Name	Total Area (ha)	Total Commercial Area (ha)	Conservation Area		Planted Nominal Area	Planted Effective Area (ha)	TUP	Remaining Plantable Area (ha)
				(ha)	%				
Uganda	Namwasa	9,153	5,333	3,820	42%	4,898	4,463	138	573
	Luwunga	9,303	5,115	4,187	45%	4,420	3,751	736	1,405
	Kirinya	3,508	2,688	820	23%	2,453	2,410	118	161
	Total	21,964	13,137	8,827	40%	11,771	10,624	992	2,139
Tanzania	Lukosi	2,351	1,575	776	33%	1,485	1,439	43	89
	Kisinga	4,787	2,835	1,951	41%	2,818	2,454	20	384
	Makungu	929	577	352	38%	563	553	13	23
	Total	8,067	4,987	3,080	38%	4,866	4,446	76	496
NFC Group		30,031	18,123	11,907	40%	16,637	15,070	1,068	2,635
NFC Square Km's		300	181	119	40%	166	151	11	26

BIODIVERSITY 'HEAT MAP'

As part of the expansion of the Forests For Prosperity Program to Tanzania, it was agreed – in consultation with communities - to include basic biodiversity monitoring on the Lukosi plantation. The “Heat Map” is an indication of where the most biodiversity sightings were being reported by community associations. In five months, 596 Biodiversity sightings were reported by community associations in Tanzania on the Lukosi plantation. 16% didn't include compartment data. Where communities reported a “group” we used “5” sightings. Initially communities reported grasshoppers and caterpillars as birds, since they fly. These are areas of continuous improvement for the project.

Most reports are in conservation areas and areas closest to villages.





Conservation area monitoring at Namwasa plantation, Uganda, by (from left to right) Asaph Asimwe, Rogers Wogira, Robinson Olanya and Jephath Zvehama

“ Am very glad for the wonderful work which has been done by The New Forests Company and the surrounding Community who embraced FP (Forests For Prosperity). It’s through the project that we have learnt the spirit of saving. We have been able to save, acquire loans and put up rentals. Am meeting my basic needs, in addition to paying (school) fees for my children. ”

*Kyomugisha Sylvia, FP
Community member at
Namwasa, Uganda*





NFC, MKM groups, CRDB bank & District official representatives after signing MKM Memorandum of Understanding, Tanzania

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 FY23, 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 1 st certification period 2 nd surveillance	Uganda	September 2022
FSC Forest Management, 2 nd certification period 3 rd surveillance	Tanzania	November 2022
FSC Forest Management 3 rd certification period 3 rd surveillance	Uganda	September 2022
FSC Forest Management, 3 rd certification period 4 th surveillance	Uganda	June 2023
FSC Ecosystem Service verification initial assessment	Uganda	June 2023

MKM TANZANIA PILOT LAUNCHED

MKM stands for MISITU KWA MAENDELEO – translated from Swahili and meaning “Forests For Prosperity” By Bahati Sosthenes

1st February 2023 was a very good start to the calendar year when NFC signed a Memorandum of Understanding with the surrounding communities at Lukosi Plantation, Kilolo District in Tanzania. The communities involved are from the villages of Magome, Kimala, Kiwalamo and Ndengisivili. All parties were happy that after a long period of planning, finally they could start the journey of working together while addressing challenges existing on both sides.

Misitu kwa Maendeleo, was adapted from NFC Uganda’s Forest For Prosperity program, after showing positive outcomes with slightly modifications. The program aimed at risks mitigation in NFC forests while creating sustainable development for the surrounding communities through innovative and strategic partnerships.

The program started with consultation with surrounding communities through Free Prior Informed Consent (FPIC). The communities and company agreed to work together in risk mitigation focusing on fire management, conservation management (weeding & biodiversity monitoring), charcoal burning management, grazing, theft, and road maintenance. At the same time communities are supported with economic activities through short term crops and financial literacy training. This creates a win-win for both to achieve their goals.

Since its inception, we have seen positive progress towards the intended outcomes.

Anton Greeff, Group Head of Forestry, confirmed to see the value of having MKM groups as compared to previous times. During a Finfund & FMO DFI visit in early June 2023, he gave his sincere gratitude to Magome Community Association who represented all four groups. “I am very happy to see these community associations and the works they are doing, I have been getting very good reports of what you are doing, and now I witness this”.



Signing ceremonies between FP groups & NFCT in presence of village leaders and district officer



MKM Magome during Finnfund and FMO visit, June 2023

A key and innovative component of the program is the community led recording of biodiversity. So far, the communities have documented and captured photos of different plants, birds, insects and animals present on the forestry management unit. Some are even listed by The International Union for Conservation of Nature (IUCN) red list as endangered, with a decreasing population trend. Examples: (i) Jackson's Chameleon (*Trioceros jacksonii*), listed as least concern in 2013 and (ii) *Dissotis arborescens* (A. Fern & R. Fern), listed as Threatened Species in 2012, and which is only found in Southern Tanzania.

So far communities are scoring high in risk management and at the end of the year their performance will be calculated against the signed agreements, with a corresponding payment and new agreement signed for the next calendar year. Meanwhile the Company made revolving funds available for the communities to invest in short term crop farming, which is going well. Co-operation between the CSR, Forestry, the Company and Communities are benefiting greatly. Once the pilot year is completed, we will do lessons learnt and hopefully expand the program to the other two plantations in Tanzania.



Shiela Awori with an auditor at Namwasa, Uganda



Resin tapping in Uganda

WATER AND CHEMICAL USAGE

886,300 (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 FY23. 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 similar records for Tanzania at present.

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 FY23. No country carried out noxious weed control in FY23.

ENERGY CONSUMPTION

This year, our total energy consumption across the group was **13,889,400 MJ** (estimate). This included **323,534 litres** of diesel, (equivalent to **12294295.8 MJ**) and **31,368 litres** of petrol (equivalent to **1,003,766 MJ**). These were consumed in our vehicles as well as backup power generators.

Energy consumption from the electricity grid totalled **164,260 kWh**, equivalent to **591,338 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.

CHEMICAL USAGE DURING FY23 (IN LITRES)

	Glyphosate	Imidacloprid	Triclopyr	CCA
Uganda	<i>1695.37</i>	<i>998.33</i>	<i>242.99</i>	<i>55237</i>
Tanzania	<i>619.83</i>	<i>0</i>	<i>0</i>	<i>58448</i>
TOTAL	2,315.20	998.33	242.99	113,685.00

COMMERCE





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

With 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

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

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



Timber from the NFC sawmill in Uganda

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 upskilling, as well as OHS trainings.

QUALITY

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

During FY23, we conducted the following ISO quality audits:

- ISO 9001:2015 surveillance audit in Uganda at Mityana Pole Plant in October 2022
- ISO 9001:2015 re-certification audit at Iringa Pole Plant in Tanzania in January/February 2023
- ISO 14001:2015 re-certification audit at Mityana Pole Plant in Uganda in March 2023
- ISO 9001:2015 certification audit in Uganda at Namwasa Sawmill in June 2023

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.

HYDRO POWER CONNECTED TO NAMWASA SAWMILL

By Matthew Mapfumo, NFC Uganda Sawmill Manager



All lights on at Namwasa sawmill after 8 years of darkness and high fuel cost of running the mill with a diesel generator

The Sawmill in Uganda was established in 2015 and located in the Namwasa plantation area with the hope of receiving hydro power considering the cost of investment and need for power. However, events did not move that way for the next eight years and exerted high pressure on the sawmill running cost. It was through the persistent efforts of CSR PM, Alex Kyabawampi and the Country Operations Director, Wellington Chirinda that the fight was won in June 2023 when the hydro power line was fully extended and commissioned at the sawmill, 21km away from the existing terminal. We extend our thanks to the Government of Uganda for extending hydro power to the mill and all the communities along the line.

Benefits of clean electricity:

- Cost of power has reduced to 5m Ugandan shillings per month compared to 21.2m shillings to run the generator
- No service cost attached to NFC as electricity is guaranteed by the UMEME supplier, compared with generators which need to be serviced by the user
- Constant power supply and reduced damage to electrical mechanisms. Hydro power has no fluctuations in current and voltage. The generator current fluctuation would burn electrical sensitive components
- All machines at the sawmill can now be run, and there is potential to upgrade or increase machines and output
- Quicker start up time than Generator – where many prestart inspections first on it and then on the machines is required
- Increased profit margins
- Security lights can be kept on through-out the night and after production, reducing risk of theft and injury

Matthew joined The New Forests Company Uganda in 2010 breaking ground for NFC's first timber processing plant – the Uganda Pole Plant as Pole Plant Manager. He later successfully led the establishment of both the Tanzania and Rwanda Pole Plants. When visiting the Pole Plant at Mityana the lawns are manicured, signs

are neat and fruit trees are in abundance. There is even a volleyball court and shaded area for employees to eat their lunch. Matthew is known for his warm smile and genuine hospitality, caring for all his teams and colleagues. Currently he is the Sawmill Manager in Uganda.



500kV Transformer on site



Timber Drying Kiln on site and powered by Hydro Power



Singular step in leadership journey is listening. Empathetic listening. Focused listening. Everything you need to know is being said by people around you all the time. You just need to listen intently.



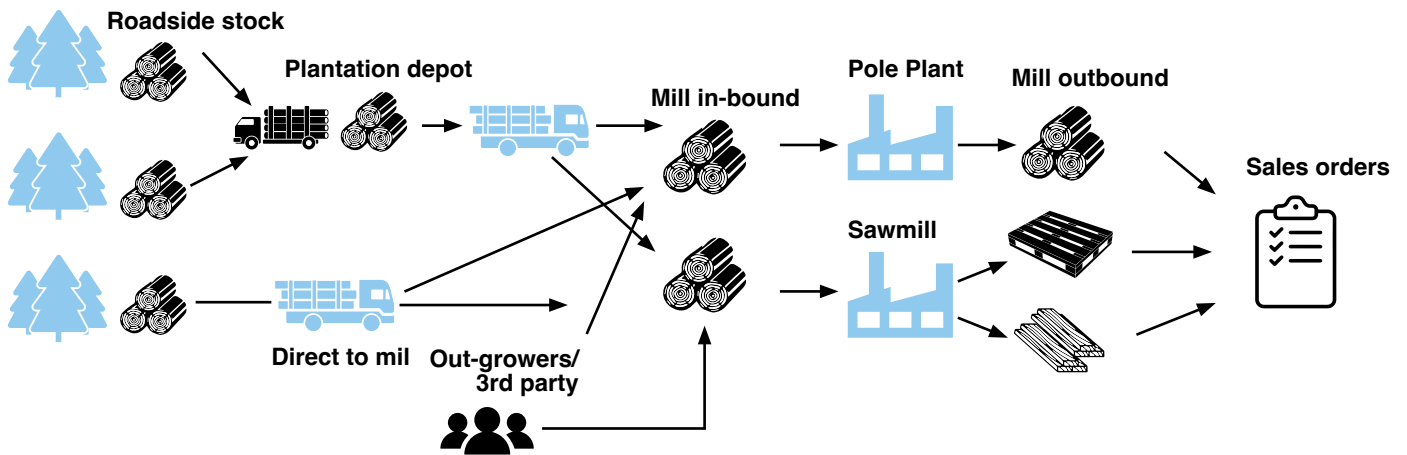
Maran Nakarajan, CEO KaarTech

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.

Since FY20 the Planning, Forestry and Operational teams utilise an Integrated Timber Resource Planning System, which provides supply chain visibility for operational managers to improve supply planning for each operational unit, including the prioritization of Out-grower timber. In FY23 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.



Pole treatment plant at Mityana, Uganda

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

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



Bell logger in Uganda

POEM WRITTEN BY UGANDAN STUDENTS

NFC has supported education and schools in the communities around our plantations since inception. Recently a team from NFC Uganda visited Biliton High School in Uganda to discuss climate risks, mitigation and career options for senior students. In appreciation the English head teacher facilitated the writing of a group poem for NFC. The contributors' ages ranged between 15 and 21 years. They are: Ndikulwange James; Malaba Elupa David; Mukisa Emmanuel; Naigulu Hdaya; Nalwoga Namubiru Lukaiyah; Obbo Hassan; Nassanga Fahimah Naava ; Ikoba Juma; Nangobi Annah Ruth; Mukyafu Nasulu; Khauka Ronald



Authors of the student poem



Interactive High School visit on climate risks & opportunities

This is an excerpt from the poem and very apt for the times we are living in and the threat of climate change, especially in rural areas in Africa:

TO THE CHILDREN LIVING 50 YEARS FROM NOW

... Look ,
 Yes, look again
 The cars, trucks, ships, planes
 The electricity
 From burning charcoal
 An industry here, an industry there
 Oh! The advent of modern.

Industrialized agriculture
 Emission out of oil and gas
 The green house gases
 From our building
 The cancer of deforestation
 Now come to our life style choices
 The product we buy
 How much electricity we consume
 How we get around
 What we eat
 What we don't eat
 Just cutting the branch
 On which humanity is seated.

Wake up,
 All you, wake up
 Not all is gone
 We need large scale investments
 For more zero emission vehicles
 Adopt clean renewable energy
 Quite cheap and affordable,
 The wind, the solar, name it

Stronger enforcement of pollution regulations
 Need, not a luxury
 To you, our agriculturalists
 Tend the land by sustainable principle
 Dear government
 Emphasize sustainable practices.

Tell a friend
 To tell a friend
 Tell a generation
 To tell a generation
 Together
 The plants glory is restored

Heading the fight against climate change
 Lots of obstacles that we will face.
 Global warming is forth coming
 But we will still see the sun and moon
 What about our plants and trees.
 The universe needs some peace
 Above the trees are some honey bees
 Lovely sweetly sing global warming might be rare

There is a lot we can't resist
 The lovely earth that we should kiss
 Let us save our mother nature
 Let us make it in construction
 Life is pleasant hard on earth
 Don't let disaster become her birth



Community meeting at Kirinya Plantation, Uganda

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.

TREE IMPROVEMENT PROGRAMME: A COLLABORATIVE PATH

By Ben van Heerden, Group Planning Manager



We are proud to report our continued commitment to sustainable development through our collaboration with AgDevCo in developing a pioneering Tree Improvement Programme. This initiative not only reflects our dedication but also underscores the alignment of our values and goals with sustainable forestry practices. This programme allows us to make significant strides towards improving wood properties, tree growth, and climate resilience.

ALIGNED OBJECTIVES WITH GATSBY AFRICA

Our commitment to sustainable forestry practices coincides with the objectives championed by Gatsby Africa. Through our collaborative Tree Improvement Programme, we are actively supporting the drive to transform the forestry sector in East Africa. This alignment serves as a powerful example of how shared goals can drive meaningful change, fostering a more resilient and thriving forestry sector.

HYBRID CLONAL CONSORTIUM (HCC): ENRICHING GENETIC RESOURCES AND EXPERTISE

An integral component of our commitment to sustainable development is our membership in the Hybrid Clonal Consortium (HCC), a collaborative initiative facilitated

by Gatsby Africa. This consortium offers us opportunities to access new genetic material, tap into a network of esteemed experts and researchers, and exchange knowledge with like-minded organizations.

THROUGH OUR TREE IMPROVEMENT PROGRAMME, WE LOOK FORWARD TO:

Expanding Genetic Material: Our membership in the HCC provides us with access to a diverse pool of genetic resources. This invaluable asset equips us to test and develop hybrid clonal varieties that are more resilient, adaptable, and suited for various applications.

Collaborating with Experts: Gatsby Africa and the HCC serve as bridges connecting us with experts and researchers who share our commitment to sustainable forestry. This collaboration enhances our research capabilities, encouraging innovative approaches and methodologies.

Strengthening Sustainability: By actively engaging with industry partners, we deepen our dedication to sustainable forestry practices. This collaborative effort aligns with our corporate values, contributing to the continued improvement of growing material and the long-term viability of our operations.

A FUTURE OF GROWTH AND INNOVATION

The Tree Improvement Programme sets the stage for a future marked by growth, resilience, and innovation. Together with AgDevCo, Gatsby Africa, and fellow HCC members, we are steadfast in our pursuit of sustainable development, driving positive change within the forestry sector and beyond.



HONEY PRESS MACHINE

DONATED BY
THE NEW
FORESTS
COMPANY

NFC AND CLIMATE CHANGE RISKS AND OPPORTUNITIES

L	I	V	E	L	I	H	O	O	D	S	Q	E	U	I	E
T	A	B	F	G	R	L	A	V	I	V	R	U	S	N	C
E	G	N	A	H	C	E	T	A	M	I	L	C	C	V	O
I	L	K	D	J	Y	O	W	T	V	Y	X	A	Z	E	S
S	F	M	P	S	N	T	P	O	S	T	R	L	S	S	Y
T	T	I	A	W	C	T	I	A	R	B	U	Y	E	T	S
S	N	B	R	C	X	A	D	R	O	G	D	P	E	M	T
E	E	F	I	E	G	N	P	N	E	H	T	T	R	E	E
R	M	D	V	J	A	Z	R	E	K	P	L	U	T	N	M
O	T	F	N	G	Q	A	P	E	Q	M	S	S	O	T	H
F	S	C	U	O	U	N	R	S	H	O	N	O	T	U	T
F	T	F	E	H	T	I	H	R	C	T	P	K	R	M	L
P	V	R	E	S	E	A	R	C	H	L	A	J	B	P	A
I	N	O	I	T	A	T	S	E	R	O	F	E	D	V	E
C	R	E	S	I	L	I	E	N	C	E	A	F	W	W	H

MORE ABOUT NFC

NFC has this global certification of responsible forestry management (3 letters)

NFP participates in this global NGO's movement called "Forests Forward" (3 letters)

NFC & neighbors grow these for timber, shade, boundaries, wind protection and land restoration (5 letters)

Holistical level that NFC views commerce, community and conservation activities (9 letters)

Coastal country in East Africa where NFC operates that is excellent for growing trees (8 letters)

Country in Africa where NFC started operations 18 years ago (6 letters)

Tree species commonly treated for use as electricity transmission poles (10 letters)

Species of tree grown by NFC mainly for pallets and construction timber (4 letters)

RISKS

Global crises involving rising average temperatures by more than 2 degrees (7+6 letters)

New diseases and pests impacting ... as a result of rising temperatures (6 letters)

Lower tree seedling ... rates due to climate change and the impact of disease & pests (8 letters)

Risk of cutting down natural forests due to wood scarcity (13 letters)

Rural, subsistence ... are at risk with climate change impacting rainfall patterns (11 letters)

Higher temps and winds could increase this risk, which destroys plantations' core value (4 letters)

Greater risk of extreme ... events, such as flooding and droughts (7 letters)

Risk of timber For charcoal production due to rising poverty and wood scarcity (5 letters)

OPPORTUNITIES

Ability to adapt to external changes / threats, such as climate change (10 letters)

Opportunities to receive financial... to expand forestry, as the world tackles climate change (10 letters)

Abbreviation: Engaging community proactively to create Shared Value (4 letters)

Trees sequester large amounts of this as they grow, one of the best natural climate solutions (6 letters)

Smallholder who is part of the NFC strategic timber supply chain (9 letters)

Forests For ... is a community based program addressing risk management & livelihoods (10 letters)

Improved management practices, growing stock & technology use through ... and development (8 letters)

Collective term for many trees, best solution to climate change (7 letters)

... Services monetization of carbon, biodiversity and water due to global interest in fighting climate change (9 letters)

MORE ABOUT NFC FSC, WWF Trees, Landscape, Tanzania, Uganda, Eucalyptus, Pine **RISKS** Climate Change, Health, Survival, Deforestation, Livelihoods, Fire, Weather, Theft **OPPORTUNITIES** Resilience, Investment, FPG, Carbon, Outgrower, Prosperity, Research, Forests, Ecosystem

GRI REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

GRI Section	GRI Indicator	Pages
Organizational profile	102: 1-13	7-12 & 41
Strategy	102: 14-15	4-5,13 and 48
Ethics and integrity	102: 16-17	7-15
Governance	102: 18-26; 29 & 31-33	14-15
Stakeholder engagement	102: 40-44	17 & 19-31
Reporting	102: 45-56	14-16 & 49
Management Approach	103:1	49
Economic Performance	201: 1-2 & 4	1, 11 and 22
Market Presence	202:2	41
Indirect Economic Impacts	203: 1-2	20, 21 and 41
Procurement Practices	204-1	43
Anti-corruption	205:2	23
Anti-competitive behaviour	206:1	23
Energy	302:1	39
Water & Effluents	303:1	39
Biodiversity	304:1 & 3-4	33-35
Emissions	305: 1-2 & 5	33
Emissions	306:3	39
Environmental compliance	307:1	37
Employment	401:1	1, 12, 24-5, 41
OHS	403:1-9	1, 26-27
Training and Education	404: 1-3	26
Diversity & Equal Opportunity	405:1	15
Non-discrimination	406:1	24
Child labour	408:1	31
Forced labour	409:1	31
Rights of Indigenous People	411:1	28
Human Rights Assessment	412: 1-3	28
Local communities	413: 1-2	19-31
Public Policy	415:1	22-23
Marketing & labeling	417: 2-3	41
Customer Privacy	418:1	41
Socio-economic Compliance	419:1	22-23


PROFILE


The New Forests Company publishes sustainability reports annually in accordance with the GRI framework, covering the fiscal year 2023 (FY23), July 1st 2022 through June 30th 2023. NFC's last report was published in November 2022, detailing FY22. 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 FY22 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

 phone: +27.11.44.77.344

 address: WeWork Offices, The Link, c/o New Forests Company, 173 Oxford Road, Rosebank, Johannesburg, 2196, South Africa

MATERIALITY

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

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

Circular bio-economy Forests **Healthy soil** **Asali**
TIMBER PROCESSING
Uferzone **Climate Change** **Puita**
Jamii Carbon Sequestration
Riparian zones *Maisha* **SHELTER**
 Ecosystem services **Biomass** Carbon
klimaatverandering **Biohiili**
NATURE Renewable resources Apiculture
 Risikominderung **LANDSCAPE RESTORATION** Communities
 Bioanuai Livelihoods *Asili*
SHELTER *Hiili* **Natur** *koolstofkredieten*
CLEAN AIR **SHELTER** **Forests**
TACK ECOSYSTEM SERVICES **HONEY**
Risk Mitigation **Ndege** **Biochar**
Nature **Biodiversity** *hernieuwbare*
Riparian zones *puunjalostus* *bijenteelt*
 Carbon Miti *schone lucht* *gesunder Boden* **Birds**
COMMUNITIES *Trees*
CARBON CREDITS
Timber processing *Maiseman*
 KOHLENSTOFFBINDUNG
ecosysteemdiensten *ennallistaminen*

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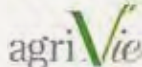
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