FY15

Sustainability Report

The New Forests Company

Highlights of NFC's First 10 Years: 2005-2015

4 countries where NFC operates: Rwanda, South Africa, Tanzania, and Uganda

5.5 thousand out growers planting trees in the communities surrounding NFC's plantations to date

Sustainable Forestry

24 million trees planted to date

37 thousand hectares of sustainable forest land managed by NFC

9.4 thousand hectares of conservation area managed by NFC

$128.3 million biological asset value

6.4 million tree seedlings planted by out growers

Economic Development

1.9 thousand people employed directly by NFC or NFC's labour contractors in 2015

240 jobs created for women in 2015

21 thousand estimated kilometres of electricity grid built with NFC's poles

$1.3 million spent on road construction to date

$2.2 million paid in taxes in 2015

$21.4 million import substitution in 2015

Community Development

$6.4 million spent on community development programme to date

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

32 schools and double classroom blocks built

23 clean water points built

9 health centres built

Commercial

$21.4 million sales revenues generated in 2015

33% increase in sales revenues from 2014

$100 million invested to date (debt and equity)

Health and Safety

21 injuries occurring at work in 2015

100% of workers with personal protective equipment at work

CONTENTS

GIIRS IMPACT RATED

The Global Impact Investing Rating System (GIIRS) is a measure of social and environmental responsibility amongst companies and our scores represent how our systems and policies measure up against other international GIIRS-rated companies. The New Forests Company is proud of another five star rating (out of five stars) in FY15.

STRATEGY AND ANALYSIS

CEO Statement

"We cannot solve our problems with the same thinking we used when we created them."
– Albert Einstein

The New Forests Company is moving into its second decade with enthusiasm, a sense of adventure and a determination not to rest on our laurels. We want to continue to challenge conventional thinking, including our own, and the larger status quo.

On the one hand, we are pleased with what we have achieved in our first decade: planting over 24 million trees, creating 2,000 jobs, locally processing hundreds of thousands of utility poles for much needed rural electrification, investing over $6 million in our community development programme, diversifying East Africa's economies, contributing to private sector led economic growth and development, and alleviating rural poverty.

On the other hand, we constantly question how our company can continue to contribute to sustainably solving the enormous problems of the twenty first century – the drain of resources from population growth and deforestation; increasing consumption of limited fossil fuels; global warming; the challenges of poverty alleviation in a world where income disparity is increasing rapidly.

One doesn't want to be re-inventing the wheel for the sake of it – especially as we are beset with daily operational, financial and people challenges. However, we are blessed with high level support from our shareholders and our bankers for our ambitions to make a positive social and environmental impact and take part in the most pressing debate of the twenty first century: the role of the private sector as a source of innovation in an increasingly challenging global environment.

At NFC, we are on the eve of an important transition, moving from a loss-making business to a profitable one. It has been a long and rocky road, but we are now closer to breakeven.

We need to take full advantage of this opportunity to once again challenge ourselves about how our business model can meet the twenty first century's greatest problems – to maximize renewable resources, reverse deforestation and climate change, reduce income inequality and alleviate poverty and the political unrest and migration which is the inevitable result.

We could continue driving forward with our existing model and use our profits to invest more in the social, economic and environmental benefits our company already creates. This would work just fine, but it would be lazy. A missed opportunity to re-focus on the social and environmental motivations that brought the New Forests Company into being in the first place and the mission which many of us feel is imperative: to be a force of agitation and change.

We started this rethinking process in 2015, by making a commitment to double the wages of lowest paid labourers within the next five years (by 2020). This policy affects more than 90 per cent of our workforce.

Our role as a rural employer is a great way to uplift livelihoods – especially in Africa where economists agree at least 8 people depend on one breadwinner. In effect, this means wages paid by NFC currently support about 16,000 people.

As we are creating more value over the next five years, we will proactively transfer some of that value from our generous, patient shareholders to our hard working labour, a key part of the NFC family who maintain our assets on a daily basis and are some of the poorest people in the world. We hope this will motivate other employers to follow our lead, creating an even greater multiplier effect.

However, this is only the beginning. We look forward to spending this coming year grappling with difficult questions and challenging ourselves to think on a new scale to live out our values, drive them into the DNA of the company, and leverage our commercial success to create systemic social and environmental change in a way not previously conceived of by today's business leaders.

We do not believe this must come at the expense of profitability and giving returns to our shareholders – in fact we believe that in a true sustainable model, social and environmental impact underwrite sustainable profitability and vice versa – and all are interdependent and mutually coexistent.

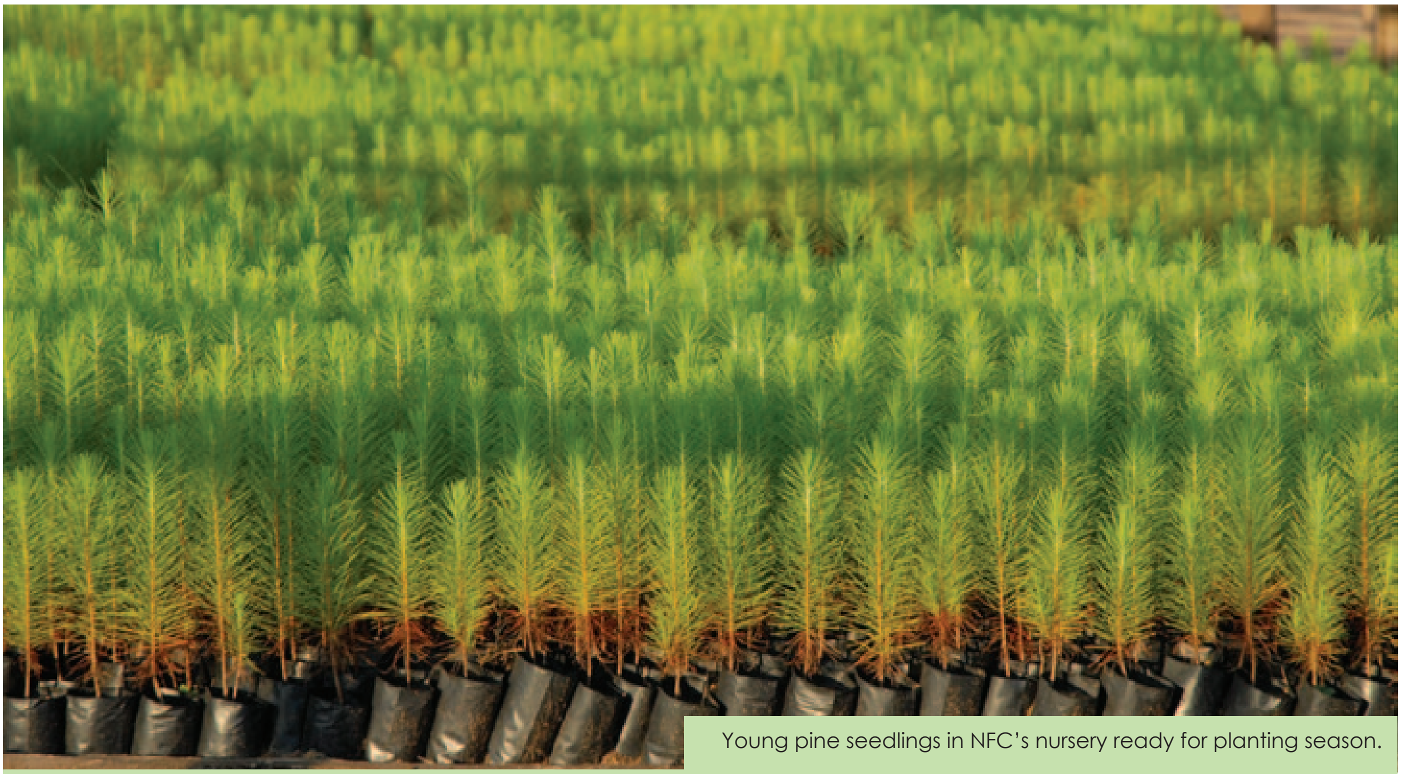
Amongst the questions we are now grappling with are: how can our neighbouring communities become owners in our business, fully aligning our interests and mitigating our risks while sharing the benefits? How can we incentivise rural farmers to reforest the entire region by creating a lucrative market for sustainably planted timber? How can we develop more products that directly impact the Bottom of the Pyramid and substitute non-renewable products? How do we make community cooking fuels more efficient to reduce deforestation?

How do we act as change agents in our markets, challenging corruption and giving priority to sustainably sourced wood? How long will it take to have an all local management team and gender parity in every country? How can we lead East Africa from a timber importer to a globally recognized, high value, sustainable wood products exporter? How do we build the capacity of local entrepreneurs to improve our local supply chains? What are the best social, economic and environmental performance targets to drive these impacts and how do we incentivise them as strongly as our commercial targets? How do we ensure these ideas are passed on to the next generation of leaders at NFC?

Some of these questions we just do not have answers for today. As I have said before often, at NFC, we find ourselves on a journey without maps. That is both frustrating and exciting. Part of this next period will be an adventure, a search for solutions, a process of trial and error.

We will certainly make mistakes, but we must count failures as a measurement of our success; for if we are not failing, then we are not thinking big enough. Over the next decade, we look forward to redefining what is possible for private sector driven sustainable development, eliminating poverty, reversing climate change, generating renewable resources, setting new standards for others to follow and last, but not least, delivering handsome returns for our investors.

Julian Ozanne
Chief Executive Officer



Young pine seedlings in NFC's nursery ready for planting season.

Description of the Key Impacts, Risks and Opportunities

Impacts

The New Forests Company is driven by impact: social, environmental, economic and commercial. We are very proud of the impacts we have achieved in our first ten years of operations.

In striving to create a sustainable timber resource in East Africa, for East Africa, NFC has planted 24 million trees and manages 37 thousand hectares of sustainable forest land, including over 9 thousand hectares of conservation area. This area is spread across Rwanda, Uganda and Tanzania on five plantations, four of which are Forest Stewardship Council™ (FSC™) certified, the internationally recognized and rigorous gold standard in responsible forest management. NFC's FSC license numbers are: FSC-C001823 for The New Forests Company Uganda and FSC-C124444 for The New Forests Company Tanzania. Our growing timber has a total value currently of about $130 million.

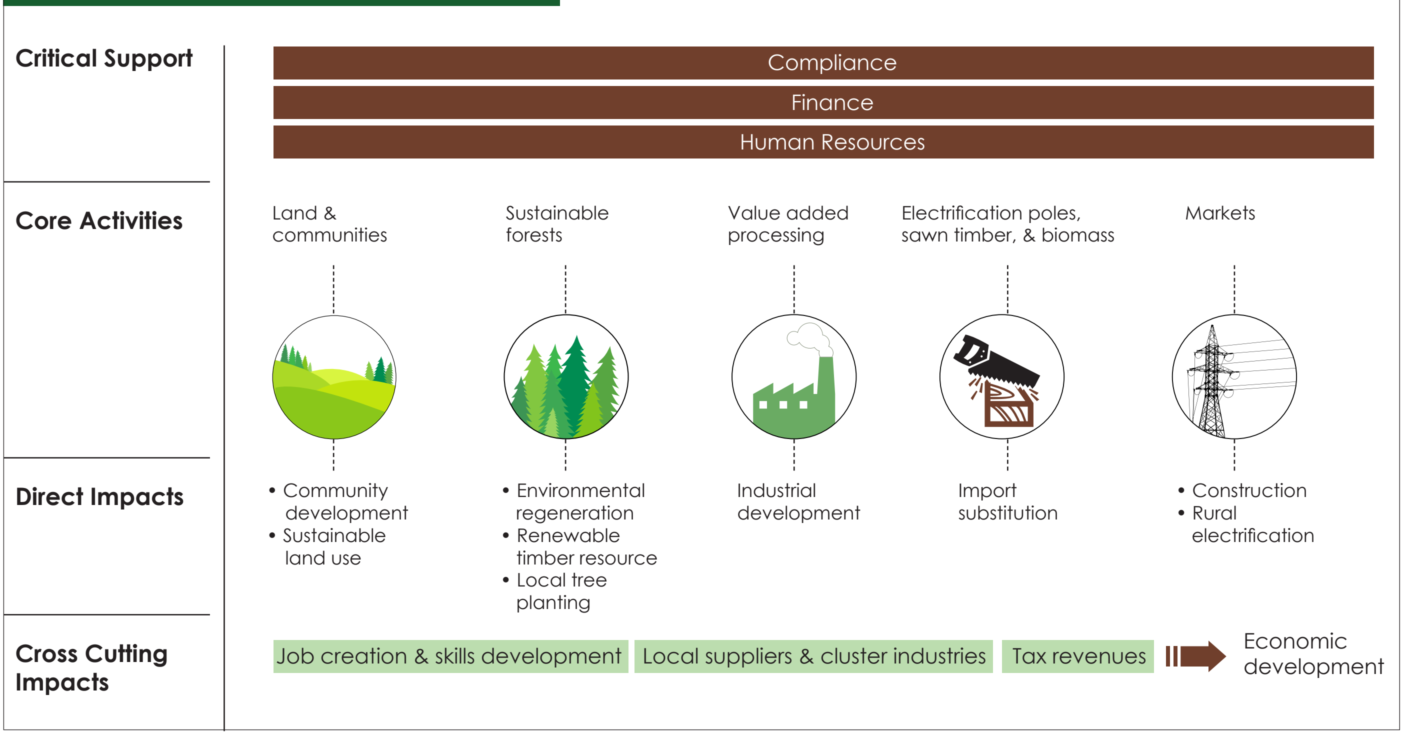
From the beginning, we have also understood the value of helping our neighbours become tree planters as well. This has many benefits including: fewer fires, less theft, less deforestation and environmental degradation as a result of needing fuelwood, and more prosperous neighbours who understand the benefits of commercial tree planting. In partnership with our financiers the European Investment Bank and Deutsche Investitions und Entwicklungsgesellschaft, we have supported 5,500 of our neighbours to plant over 6.4 million tree seedlings.

NFC was also created to try to offset the growing inequalities that exist in our world by contributing to economic development in the emerging markets in which we operate. As of 30 June 2015, we were employing almost 2000 people, the vast majority of whom are in rural areas where there are few to no other economic opportunities. 240 of these jobs created were for women, though we are dissatisfied with this amount and look forward to increasing the portion of jobs for women in our next decade.

This year, we took an extra step to leverage our position as a responsible employer contributing to poverty alleviation by committing to double our lowest paid labourers' wages over the next five years. We look forward to transferring some of the value that we are creating from our patient and dedicated shareholders to the poorest members of NFC's family who honourably build and maintain our assets on a daily basis.

In addition to our role as an employer, NFC's model contributes to economic development on a macro level. Locally produced value added timber products are a critical catalyst for regional economic growth. For example, our poles sold to date have built an estimated 21 thousand kilometres of electricity grid. This is critically important to the development of our target markets whose average electrification rate is 17% nationally and 8% in rural areas. While we already have one pole treatment plant each in Uganda, Rwanda and Tanzania, in FY15, we also built saw mills in Tanzania and Uganda which will be commissioned in FY16. We have spent $1.3 million so far on road construction, maintenance and

The New Forests Company Value Chain



upgrading. In FY15 alone, we paid over $2 million in taxes and provided over $21 million in import substitution because the wood products we supplied to the local markets would have otherwise been imported.

Social development and the upliftment of our neighbouring communities is equally important to us. NFC has spent over $6 million to date on our community development programme despite the fact that we are still a loss-making company. This is about 5-7% of our annual operating budgets. We believe investing in our communities and creating positive, mutually beneficial relationships with them is critical to our long-term commercial viability. With this money, in addition to the outgrower programme described above and a honey project to improve livelihoods, we have built 32 schools and double classroom blocks, 23 clean water points, and 9 health centres. These projects reach an estimated 415 thousand people.

Risks

As a sustainable forestry company in East Africa in the 21st century, the New Forests Company faces many risks in pursing our vision to create a sustainable timber resource for the increasing demand fueled by regional economic growth. However, we are proactive in preventing these risks and have been successful to date.

Local Context

Political: NFC operates in emerging markets with limited infrastructure and complicated political landscapes, but we have proven ourselves adept at navigating these environments while maintaining international standards of governance, ethics and integrity, which we believe is one of our critical competitive advantages.

Community and Labour: NFC's plantations are surrounded by communities and we are reliant on positive relationships with them as well as our labour. NFC's community development programme has so far been relatively successful in proactively identifying potential risks and regularly engaging these stakeholders to ensure open communication with the company.

Land: NFC is reliant on large plots of land which we acquire legally and responsibly. However, land is a controversial issue in the countries where we work, so we approach the process conscientiously.

Commercial

Limited Customer Base: NFC's main product is electrification poles, so centralized public utility companies are our main customers. If they face cash flow or other issues, we can suffer. We are focusing on diversifying our customer base in FY16 as well as expanding into the sawn timber market.

Financing and Cash Flows: in an industry with a long investment horizon, we attract patient capital and pursue early revenue opportunities. So far, we are balancing this well and will continue to limit our spending until we achieve cash flow profitability within the next two years.

Currency: NFC operates across numerous currencies in our four countries of operation as well as US dollars. We usually sell poles in US Dollars since timber products are a global commodity and most of our expenditure is in local currency which limits our exposure. The group monitors this exchange movement closely and uses simple currency hedging products as appropriate to mitigate the risk.

Raw Material

Crop loss: NFC is dependent on our wood supply that we grow on sustainable plantations. Fire, pests, diseases and theft are our biggest supply risks that we manage through proactive fire management, vigilance around the health of our trees and legal action against theft. Our out grower scheme also incentivizes our neighbours to help mitigate these risks.

External Supply Chain Transparency: NFC also procures timber from local tree planters and is working with experts to assess the cost effectiveness of various internationally recognized supply chain transparency systems.

Climate change: climate change and severe weather patterns could impact the growth and survival of our trees, the drying of our poles and our vulnerability to fires.

People

Loss of Key Personnel: NFC is a medium-sized company, so turnover at the management level can be problematic. As we grow, we are improving our recruitment, retention and institutional memory systems.

Health and Safety: NFC's forestry, harvesting and processing operations can be dangerous, so we are vigilant throughout all of our teams, prioritizing health and safety above all else.

Opportunities

The New Forests Company has established credibility over the last 10 years, responsibly managing our forests and supplying high quality electrification poles. This track record has opened new doors to us to scale and diversify.

Rural electrification and grid expansion is growing rapidly across East Africa, so New Forests looks forward to attracting an increasing share of this market as a competitive local supplier with international quality standards.

NFC is opening three saw mills in FY16, one in each of our countries of operation, thereby expanding into the sawn timber market, diversifying our customer and product bases, and opening new revenue streams. We are also exploring the viability of higher value timber products like doors, windows, and furniture.

These saw mills will generate significant biomass, so NFC will decide the best way to create value from this new output. Options include diversifying into electricity generation, creating a joint-venture with an experienced partner, or signing a long-term offtake agreement.

In forestry, NFC has had successful eucalyptus clone trials with impressive growth and disease resistance that we look forward to scaling up in FY16. We also have the opportunity to share success stories and best practices across the territories now that we have been successfully managing plantations for over ten years.

Finally, NFC has identified exciting expansion opportunities in southern Africa that we look forward to pursuing in FY16.

NEW FORESTS COMPANY PROFILE

Overview of the Company

The New Forests Company Group is a sustainable forestry and value added timber products business with operations in Rwanda, Uganda and Tanzania and headquarters in Johannesburg, South Africa. Our core business is establishing sustainable timber plantations and planting trees. After years spent growing our asset base of timber, in 2010, NFC successfully expanded into timber processing and is in a rapid revenue growth phase.

Operations ongoing at NFC's pole treatment plant in Tanzania.

Markets

Riding the wave of rampant economic growth and rising middle class incomes, NFC's strategy is based on the rapidly growing demand for timber products, particularly in electrification and construction in East Africa. Our main product is high quality, treated transmission poles for rural electrification. In FY16, we look forward to expanding into sawn timber and potentially biomass electricity cogeneration.

NFC enjoys the status of the largest seller of transmission poles in East Africa with enormous upside potential in this market. We focus on the East African markets because of their fast growth and our local, vertically integrated supply of timber. Timber is a heavy product so minimizing transport between where the trees are grown, processed, and sold provides NFC's competitive edge in the region. NFC achieved a 96% compound annual growth rate in revenues between June 2012 and June 2015.

Management look forward to becoming the leading supplier of sustainable timber products in Sub-Saharan Africa and are exploring expansion opportunities in southern Africa.

Scale

The New Forests Company achieved its strongest year yet in FY15 with sales of $21.4 million. This is a 33% increase from last year's sales of $16.1 million. By 30 June 2015, NFC had raised $100 million in debt and equity financing. NFC has planted over 24 million trees to date and manages 37 thousand hectares of sustainable forests. All of NFC's forests are responsibly managed using the Forest Stewardship Council's (FSC) principles and criteria. Four out of our five plantations are FSC certified, requiring annual audits of our compliance by an external auditor. Namwasa, Kirinya and Luwunga plantations in Uganda, under license number FSC-C001823 and Lukosi plantation in Tanzania under license number FSC-C124444.

Human Resources

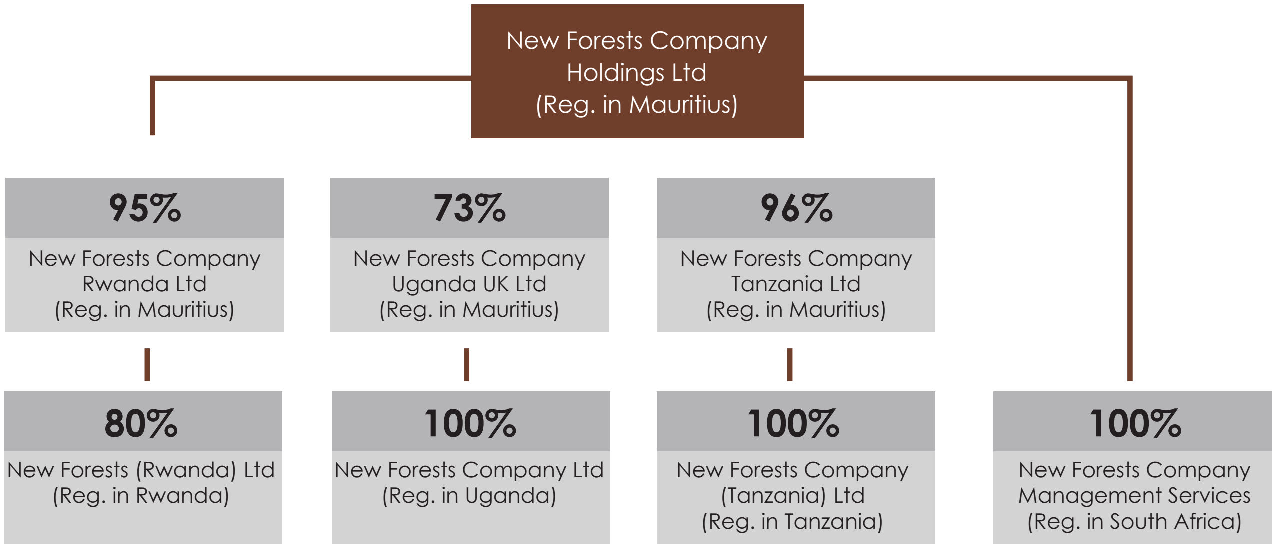
NFC and our labour contractors directly employed 1,914 people. This is a decrease of 507 from FY14's 2,421 largely because of the exit from Mozambique. As operations grow in Rwanda, the number of employees have grown as well. Tanzania's total workforce dropped by 30% because our planting target in FY15 was half of what it was in FY14. While all of NFC's workforce are free to organize, only 4% have chosen to be covered by a collective bargaining agreement, all in Tanzania where unions have the strongest presence.

Value Chain

The New Forests Company was created with the idea of a vertically integrated, sustainable business model. One of our greatest competitive advantages in the region is the large size of sustainable timber plantations that we manage and will eventually supply the vast majority of our timber processing needs. However, while those trees are growing, NFC is procuring many of our eucalyptus poles from local tree planters. The early revenues from processing of local tree farmers' timber is critical to NFC's commercial viability, underpinning our ability to plant more trees in the future.

The sustainability of this third party timber supply chain is very important to NFC, so in 2015, our Safety, Health, Environment and Quality Manager and an external expert did an assessment of our external suppliers to see how compliant they are with FSC's Controlled Wood Directive. Although extending controlled wood principles to low income, 3rd party suppliers in the conditions of rural Africa are very challenging, nevertheless, the company is looking forward to making significant progress on this in the coming years in order to increase environmental sustainability and supply chain transparency across all of our suppliers.

New Forests Company Group Trading Structure – June 2015



The entities above are the entities included in the company's consolidated financial statements. These companies are all covered by this report, though the focus is on the operational companies in Uganda, Rwanda and Tanzania; the holdings and management services companies have minimal social, environmental and economic impacts except through setting and auditing group level policies in our operational countries.

Labour at Nyungwe Plantation in Rwanda carry trees from where they were harvested to the roadside so they can be transported to the processing plant.

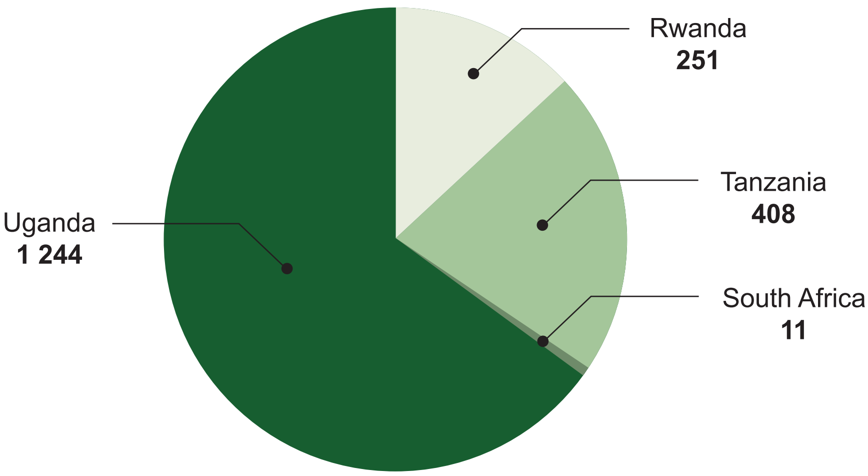
NFC's FY15 Employment Statistics

	Contractor Labour (Male)	Contractor Labour (Female)	Contractor Labour (Total)	Seasonal Employees (Male)	Seasonal Employees (Female)	Seasonal Employees (Total)	Full Time Employees (Male)	Full Time Employees (Female)	Full Time Employees (Total)	FY 15 Total	FY 14 Total
South Africa	0	0	0	0	0	0	5	6	11	**11**	**9**
Rwanda	127	5	132	0	0	0	115	4	119	**251**	**217**
Tanzania	0	0	0	300	43	343	53	12	65	**408**	**596**
Uganda	925	144	1 069	0	0	0	152	22	175	**1 244**	**1 258**
Total	1 048	153	**1 201**	300	43	**343**	325	44	**370**	**1 914**	**2 421***

***** Includes 341 employees in Mozambique which NFC exited in FY15

Note: The FTE figures were taken as at 30th June 2015; the contractor and seasonal figures are averages across the reporting period.

Total Employees & Labour by Country in FY15



NFC's pine seedlings.

Breakdown of the Direct Economic Value Generated and Spent During FY15, Compared to FY14

Economic Value Generated and Distributed	FY 2015 $ millions	FY 2014 $ millions	Variance %
Sales	21.4	16.1	33%
Employee compensation	7.0	4.8	46%
Community investments	1.1	1.2	-11%
Payments to capital providers	0.0	2.0	-100%
Retained earnings	5.4	18.9	-71%

Quality control is very important at NFC; this gentleman is part of the quality control team at one of the pole treatment plants.

Key Developments during FY15

Labour and Poverty Alleviation

NFC is very proud of our board's decision in 2015 to double the wages of our lowest paid labour within the next 5 years. This policy is a critical part of NFC's poverty alleviation strategy and our renewed vision to leverage our position as a large rural employer in East Africa to achieve our social and economic development goals. We began planning implementation in the final quarter of FY15 and begin implementation in FY16. We will transfer significant value from our enlightened investors to the caretakers of our assets on a daily basis, some of the poorest people in the world and a core part of the NFC family.

Uganda

Uganda continued its status as our largest sales business in FY15. We planted 1,090 ha of trees in Uganda this year, commenced a biomass sales contract to a large cement company, refinanced our loan book and further diversified the business with the construction of a saw mill.

Tanzania

Tanzania received a substantial loan from FinnFund, the Finnish Government's development finance institution. We also planted almost 500 hectares and achieved FSC certification in FY15. Tanzania also rivalled Uganda's sales for the first time.

Rwanda

NFC received a significant loan from South Africa's development finance institution, the Industrial Development Corporation (IDC) in FY15, and the first disbursement was made. New Forests Rwanda (NFR) also replanted the entire area that has been harvested to date and is preparing a site for a nursery to expand the planting programme even more next year. NFR began harvesting operations of third party tree planters, increasing both our labour force and our access to planted timber for electrification poles.

Sawmills

NFC began the process of diversifying into sawmilling in Uganda and Tanzania in FY15. By the end of FY16, we should to have sawmills operating in all three territories. We are excited about this opportunity to diversify our products, customer base, and revenue sources as we continue to grow the pole business.

Governance

Our founding board chairman, Robert Devereux, decided to step down as chairman this year after over seven years of service, and is remaining on the board as Terry Davidson became chairman. Terry is a seasoned African businessman having spent 3 successful decades with Citibank in various geographies and capacities including Region Head for East and Southern Africa. He was also Chief Executive Officer of Kenya Commercial Bank for 5 years. Terry is on the board of many East African companies and charitable organizations. Long standing board member and shareholder, Jon Aisbitt, has taken the role of Deputy Chairman.

Women preparing seedling beds in one of NFC's nurseries.

Standards and Associations

The New Forests Company applies the precautionary approach to our operations by conducting Environmental Impact Assessments (EIAs) and biodiversity studies at all plantations and value added timber processing sites to record environmental implications of our business. Our ongoing impacts are monitored and managed in compliance with the high standards of the Forest Stewardship Council (FSC), and four out of our five plantations are currently FSC certified, meaning that an external auditor ensures compliance with these standards annually.

In addition, we conduct social baselines and Participatory Rural Appraisals (PRAs) to assess the extent to which any social harm may be caused by the presence of our company. From these reports, we develop mitigation action plans if necessary, to avoid causing environmental, economic or social harm and to identify opportunities to increase benefits.

International Standards

NFC voluntarily subscribes to three critical externally developed economic, environmental and social standards. Upholding these standards is critical to our values as a triple bottom line company as well as our commitments to our stakeholders and investors, so we take them extremely seriously, upholding them in both the letter and the spirit:

Forest Stewardship Council: FSC is the international gold standard of responsible forest management worldwide. They consulted inter-disciplinary stakeholders of the forestry and timber industries to develop ten principles and supporting criteria of sustainable forestry. To get certified, organizations must be fully compliant with the FSC principles and criteria and be audited annually, which NFC has now done with four out of our five plantations.

IFC Performance Standards: The International Finance Corporation's eight Performance Standards on Environmental and Social Sustainability are generally considered to be international best practice for environmental and social responsibility. Development finance institutions, like some of NFC's investors, often rely on these performance standards to assess their investments. NFC developed an Environmental and Social Action Plan (ESAP) to achieve full compliance and had our first external audit in FY15 with positive results and takes commitment this extremely seriously.

ISO 9001: the International Standards Organization developed the ISO 9000 family of standards for quality management and is known worldwide as a best practice. This standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement. NFC's pole plant in Uganda has been ISO 9001 certified since 2011.

In addition to these, as NFC develops our robust environmental, social and economic performance management system and metrics, we will also be considering the relevance of many principles and standards that have been evolving in the past few years, including but not limited to: the new Sustainable Development Goals (replacing the Millennium Development Goals in Sept 2015), the World Wildlife Fund's New Generation Plantations initiative, the Global Impact Investing Rating System's Benefit-Corps standard and their Impact Reporting and Investment Standards catalogue, the Sustainability Accounting Standards Board, the UN Global Compact, and the Forest Stewardship Council's controlled wood directive.

National Associations

In addition to the above, is NFC a member of a few national industry organizations in Uganda and Tanzania:

Uganda Timber Growers' Association (UTGA): formed in 2007, UTGA brings together commercial tree growers in Uganda to ensure a sustainable commercial forestry industry that is socio-economically beneficial, profitable and environmentally sound.

Uganda FSC Working Group: his working group is tasked with developing specific generic indicators for the Uganda forestry environment. As one of only a handful of FSC certified plantations, NFC plays a leading role in assisting the local timber growers in developing these indicators and ultimately achieving certification.

Federation of Ugandan Employers (FUE): FUE works closely with the government, and the National Organisation of Trade Unions to strengthen collaboration that brings the social partners together to promote industrial peace, enhance employment, support social security and develop vocational and managerial skills.

Association of Tanzania Employers (ATE): ATE is the most representative Employers Organisation in Tanzania. It is a consultative advisory organization on employment and labour matters. Formerly known as the Federation of Tanganyika Employers (FTE), ATE was formed in 1960 by a number of companies, industries and association of employers. ATE is one of the three tripartite forums that address all industrial relations and labour related issues at sectoral and national levels in Tanzania.

Kenya Wood Preservers Association (KWPA): KWPA is composed of a collection of Licensed Wood Preservers and Treatment Plants. Associate members are any entity, corporate or otherwise, with an interest in the wood preservation industry in Kenya.

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

REPORT PROFILE AND MATERIALITY

Profile

The New Forests Company publishes sustainability reports annually in accordance with the GRI's G4 core report framework. This report covers the company's fiscal year 2015 (FY15), July 1st 2014 through June 30th 2015. NFC's last report was published in October 2014, detailing FY14. Unless otherwise stated, all areas of operation have been considered under each indicator, including: the offices, plantations, processing plants, and all other operations in Uganda, Rwanda, Tanzania, and South Africa.

All queries and comments regarding this report can be forwarded to NFC's Chief Impact Officer, Meredith Bates at:

email: media@newforests.net; **phone:** +27 11 (0)44 77 344;
address: P.O. Box 3524, Parklands, 2121, South Africa.

NFC began externally assuring 4 indicators of our sustainability report in FY13 and increased this number to 6 in FY14. However, NFC is not sure whether the value of this partial assurance is worth the costs at this time. We have not externally assured any indicators in this FY15 report while we evaluate the impact of external assurance on NFC and our stakeholders.

Materiality

NFC's management team has reviewed our performance over the last year, the risks we have faced, and our overall philosophy to optimize social, environmental and economic impact on our stakeholders in determining the material aspects to include in this report. Throughout the year, management and staff engage stakeholders and include their feedback in this process. We based this process on the GRI's four principles of defining report content: materiality, stakeholder inclusiveness, sustainability context, and completeness.

From this process, we identified the following list of material aspects 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 like the Forest Stewardship Council and international standards like the International Finance Corporation's Social and Environmental Performance Standards; the holdings and management services organizations exist only to support these three operations and do not have material operations themselves:

Tending to young seedlings at one of NFC's nurseries.

Economic:
- **Market presence: EC6**
- **Procurement Practices: EC9**

Environmental:
- **Biodiversity: EN11-14**
- **Effluents and waste: EN24,27**
- **Compliance: EN29**
- **Overall: EN31**

Social:
- **Labour practices and decent work**
  - **Labour/Management relations: LA4**
  - **Occupational Health & Safety: LA6**
  - **Training and Education: LA10,11**
- **Human rights**
  - **Non-discrimination: HR3**
  - **Freedom of Association: HR4**
  - **Child Labour: HR5**
  - **Forced of Compulsory Labour: HR6**
  - **Indigenous Rights: HR8**
  - **Assessment: HR9**
- **Society**
  - **Local Communities: SO1,2**
  - **Anti-corruption: SO5**
  - **Public Policy: SO6**
  - **Compliance: SO8**
  - **Supplier Assessment for Impacts on Society: SO10**
- **Product responsibility:**
  - **Customer Health and Safety: PR2**
  - **Compliance: PR9**

There were no restatements of information in previous reports and no significant changes in scope and aspect boundaries from the FY15 report.

School children at Kikandwa Umea Primary School in Uganda learn about the importance of weeding in maintaining their school's wood lot.

STAKEHOLDER ENGAGEMENT

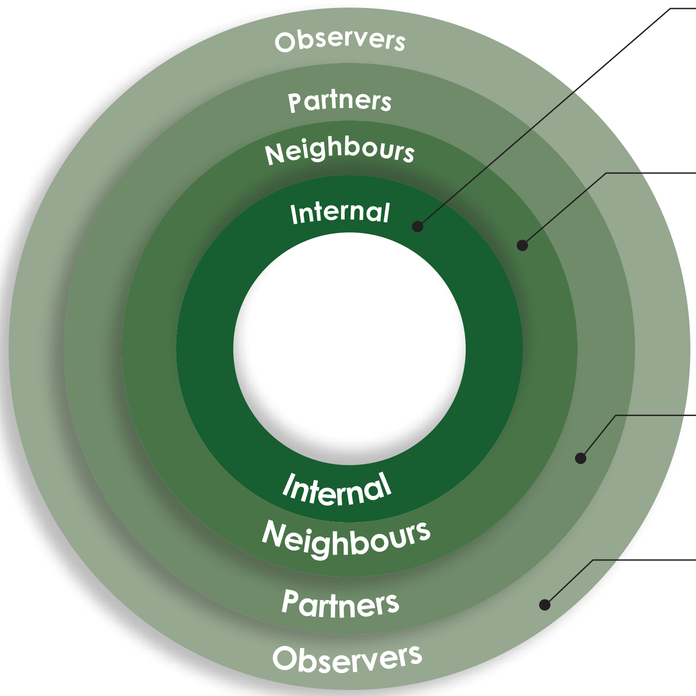
As an African sustainable forestry and timber products business in the 21st century, New Forests' relationships with our stakeholders are a very critical factor in our success, so we must be thorough in identifying and regularly engaging with our stakeholders.

Identifying Stakeholders

With co-financing from our generous investor DEG, NFC engaged a consultant in 2015 to develop a more robust Social Impact Monitoring System. These consultants began the process by facilitating a workshop to help NFC identify the stakeholder groups whose cooperation is most critical to our success. The next step will be developing micro-surveys to collect their perceptions and use this data to monitor our impacts, manage our risks and achieve our targets. Through this process, NFC identified the following key stakeholder groups as a critical members of our ecosystem:

Investor due diligence field visit to Nyungwe Plantation in Rwanda where they speak with local government officials to learn more about NFC.

Total Employees & Labour by Country in FY15



Board of Directors | Skilled and semi-skilled employees | Unskilled labour
- Interact daily at work
- Regular meetings
- Official grievance procedures

Direct beneficiaries of NFC's community development programme | Neighbouring communities
- Daily interactions with NFC's Community Development Officers who live in the neighbouring communities
- Regular meetings
- Participatory Rural Appraisals to identify needs
- Official complaints procedure

Government officials | Suppliers | Customers | Investors
- Regular meetings
- Quarterly reports as requested

Local and international NGOs | Media
- Identify local players to proactively engage
- Respond when engaged by international parties

Stakeholder Concerns

Through the formal and informal stakeholder engagement processes outlined above, we regularly get very helpful feedback from our stakeholders that help us improve our relationships with them, manage our risks, and maximize our positive impacts.

Below are a few examples of feedback we received in FY15 as well as our responses:

• **Labour:** whenever we meet with our labour, they have many requests, but the first and foremost is always higher wages. When NFC was analysing our options for transferring value from our shareholders to our labour as part of our poverty alleviation strategy, we considered school fee loans, additional food supplements, health care benefits, and many other options. However, our labour continued to prioritize money in their pockets over all other options, so we listened to them and decided maximizing the amount of money we could afford to pay in direct wages was the best option.

• **Communities:** one community in Rwanda living outside our plantation was illegally farming in the wetland inside our plantation boundaries. As the responsible manager of the Nyungwe Buffer Zone in Rwanda, we could not allow this environmental degradation, so we met with them numerous times and after long discussions agreed that they would form a cooperative and stop cultivating in the wetlands. Instead, we supported them to develop a nursery to sell improved tree seedlings to the Government, tree farmers, and NFC. Now they are some of our strongest advocates in our neighbouring communities in the importance of wetland conservation.

• **Government officials:** in Uganda, we work very closely with the National Forestry Authority (NFA) who carries out regular monitoring visits to our Namwasa and Luwunga Plantations and gives us feedback. The NFA has been especially pleased with how we are managing conservation areas and biodiversity issues particularly in wetlands.

Following this positive feedback from the NFA, the district Department of Natural Resources and NFC developed a concept that would bring together the company, the local government authorities, the NFA, the National Environmental Management Authority (NEMA) and the community in a collaborative partnership to secure the entire wetland and its biodiversity.

• **International NGOs:** a German NGO wrote a report on land-grabbing in Tanzania and offered us a chance to formally respond to their accusations. We did this as well as inviting them to meet with our local communities, seeing our community projects, and welcoming them onto our plantation for a dialogue about our investment model, land acquisition process, and generally addressing all their concerns in an open forum. This led to a productive discussion and mutual understanding of the benefits of pro-poor investment models like ours.

NFC's CSR Programme Manager addresses neighbours of our Nyungwe Plantation in Rwanda.

GOVERNANCE, ETHICS & INTEGRITY

The highest governance body at New Forests is the New Forests Company Holdings Board of Directors. Five board members hold shares in the company and are therefore not considered independent; there are five other directors who are independent. All directors apart from the CEO are non-executive. The board members are all nominated by the existing board and ultimately serve the shareholders; they must be aligned with NFC's triple bottom line business model. All conflicts of interest among board members must be declared before they join the board. The Chief Impact Officer (CIO) reports to the CEO and is responsible for maximizing NFC's social, economic and environmental (SEE) impacts. She also makes regular presentations to the board about NFC's impact strategy so they are aware of the implications and can provide guidance. Social, economic and environmental topics are discussed at every quarterly board meeting.

Below the board is the NFC group Executive Committee (ExCo) comprised of the CEO, CFO, CIO, and the CEOs of the Uganda, Rwanda and Tanzania businesses. ExCo debates and establishes strategic issues that affect the whole group. ExCo is comprised of five men and one woman. NFC also has a group management committee (ManCo) consisting of all the heads of departments to discuss more tactical matters, including: CEO, CFO, CIO, Head of Forests, Head of Human Resources, Head of Business Development, and Head of Planning. ManCo has seven members, one of which is a woman. The CIO sits on both of these committees to participate in setting the company strategy and ensure the social, economic and environmental (SEE) impacts are considered in decision making. In FY15, NFC also hired a Safety, Health, Environment and Quality Manager to internally audit and monitor these important policies across the group. ExCo and ManCo are responsible for setting the group's purpose, mission statements, strategies, policies and goals generally as well as those related to SEE. When ManCo or ExCo decide on a SEE policy that has substantial financial implications, like doubling labour wages, then the CIO takes management's proposal to the board for approval.

The board receives important feedback on stakeholder relations and environmental, social, and economic matters in their quarterly meetings. This feedback is collected by the in country management committees, particularly Corporate Social Responsibility Programme Managers who report to the country CEOs with a dotted line to the CIO.

The group's SEE performance is assessed annually by third party independent auditors through the Forest Stewardship Council annual certification audits as well as annual auditors who assess progress on NFC's Environmental and Social Action Plan (ESAP) based on the International Finance Corporation's Environmental and Social Performance Standards. FSC and IFC compliance are both investments that the board has approved and holds the company accountable to. The Board also reviews and approves NFC's annual sustainability reports, ensuring all material aspects are covered.

Whenever a critical concern arises in the company, it is raised to the members of ExCo and ManCo. If these committees determine that it is an issue that needs board input, they either include it in the next quarterly board meetings or communicate it immediately, depending on the urgency.

The children of the New Hope Day Care Centre that was built by NFC welcome visitors from the company.

Poles stacked at NFC's pole treatment plant.

Vision Statement

NFC's vision is to be Eastern Africa's most successful and self-sustained integrated timber business.

Mission Statement

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

We aim to lead in the fields of forestry, profitability, employment, conservation and community development.

NFC Values

Integrity • Inspiration • Innovation

NFC has a code of conduct that every employee of the company must sign and be held accountable to. Employees know they can discuss issues of ethics and integrity with their direct supervisor or further up the chain if they do not feel comfortable discussing these issues with their supervisor for any reason. We also have an anonymous whistle blower hotline that all employees have access to.

SOCIAL IMPACT

2015 Overview

The New Forests Company is very proud of our leadership as a driver of social, economic and environmental impact embedded in our commercial model and strategy. The Chief Impact Officer leads the Social Impact department at a strategic group level. Each country of operation has a CSR Programme Manager who reports to the country CEO and drives the country level social, economic, and environmental initiatives. The Programme Manager leads a team of Community Development Officers, one at each plantation, who live in the communities surrounding the plantation and are constantly interacting with stakeholders on the ground.

In addition to this ongoing community development programme, risk mitigation, operational support and stakeholder engagement, a number of new initiatives have taken place during the reporting period, the most notable of which are:

Group

• In May 2015, the board of directors approved a ground breaking proposal to double the wages of the lowest paid labourers over the next 5 years. This will go into effect next financial year. This will transfer significant value from the shareholders to the labour to transform their and their families' lives. It will also make NFC a leading rural employer, hopefully creating a multiplier effect by setting a role model for others.

• The CSR department is working closely with consultants, co-funded by DEG, to set up a social impact monitoring system that will be piloted next financial year. This system will allow NFC to be more data driven in its management and maximize our socio-economic impact across the company. It will also regularly engage stakeholders in micro surveys to share their perceptions of NFC and use these impressions to minimize risks.

• In FY15, NFC underwent our first external audit of our Environmental and Social Action Plan to ensure compliance with IFC Performance Standards with very positive results.

This classroom block was built by one of NFC's neighbouring communities in Uganda, but was not being used because they could not afford a roof, so NFC partnered with the community to install the roof.

Uganda

• This year in Uganda marks the second year of Joint Development Forum (JDF) projects successfully carried out in collaboration with the Mubende Affected Community and the first year of JDF projects with the Kiboga Affected Community. These projects included:

- Education: Kigudde and Kayindiyindi primary school classroom blocks

- Health: 2 boreholes and 2 motorised wells for clean water as well as extension services

- Livelihoods: goat rearing project, grain silos, bee keeping, tree planting, road grading, a cooperative office, and a community hall

• Uganda significantly scaled up the out grower scheme this year with co-financing from a DEG technical assistance grant.

Rwanda

• The CSR team implemented the following community projects: training of bee farmers and the fencing of two hives to keep out chimpanzees and other threats; upgrading 5 kms of community road; two clean water tanks; and a tree nursery implemented by a cooperative of former illegal wetland encroachers.

• The CSR team drove the process of procuring land for the relocation of the pole treatment plant to Nyanza district.

• NFC also moved into a new area of operation this year in Nyamasheke district, so the CSR team established new relationships there and carried out a participatory rural appraisal.

Tanzania

• This year in Tanzania, the CSR team built a health centre in Makungu village, a girls' dormitory at Mazombe Secondary School and teachers' accommodation in Ikang'asi village and provided support to the out grower and apiculture programmes. They also started quarterly voluntary counselling and testing for HIV/AIDS for labourers and interested community members. These projects included $50 thousand generously donated by our partner, Lyra in Africa.

• We completed our first official Social Return on Investment Analysis (SROI) in FY15 in Tanzania, with support from the International Finance Corporation who wanted to pilot their new Financial Valuation (FV) tool for assessing SROI. This analysis showed that NFC's community development programme adds significant value to the company, particularly the outgrower scheme.

Community members use one of the boreholes NFC installed in partnership with one of our neighbouring communities.

NFC supports health awareness and immunisation campaigns to improve the health services offered in our local communities.

Community Development and Negative Impact Mitigation

All of NFC's forestry and timber processing operations have very strong community engagement, impact assessments and development programmes, as described above. Our Management Services Company in South Africa and UK Holdings Company do not have these programmes because NFC has no core operations in these locations, but they are responsible for setting group level policies and holding the country operations accountable to these high standards.

100% of New Forests' operations in Rwanda, Uganda and Tanzania have conducted Environmental Impact Assessments (EIAs) and had a formal external Environmental and Social Action Plan (ESAP) audit, 89% have completed Participatory Rural Appraisals (PRAs), 100% of the plantations have completed Social Baselines, and 33% have had formal, external programme evaluations. 100% of NFC operational sites have active local engagement programmes and significant community development investment.

Stakeholder engagement is extremely important to NFC. Meetings with communities are organized regularly to communicate and better understand their issues.

In FY15, New Forests invested a total of $1.1 million (compared with $ 1.2 million in FY14), 5% of total revenues, in our community development and stakeholder engagement programme, through the corporate responsibility department. This total represents $900 thousand of internal funding from the company and $200 thousand raised in match funding or other generous donors. New Forests has invested $6.4 million in community development and stakeholder engagement from 2005 through fiscal year 2015.

We define significant impacts as affecting communities' livelihoods, access to clean water, employment opportunities, environmental hazards, noise pollution, physical safety, economy and political climate. Communities living within ten kilometres of our plantation boundaries are included in our definition of local communities.

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

The actual negative impacts of our operations have been physical displacement of persons, their crops, livestock and temporary housing; political manoeuvring--politicians using the company to either advance their own agendas or to profit financially; rogue community members using the company to enrich themselves, nefariously; and damage to private property. However, New Forests Company does everything we can to mitigate these negative impacts, ensure our net impact is very positive and preserve our positive relationships with our stakeholders.

The New Forests Company is currently unable to provide any disclosures in relation to the supply chain of third-party timber. The systems to track the conditions and realities at each of the thousands of private homes and wood lots from which our third party timber is are currently cost-prohibitive, as the market does not yet pay a premium for sustainably sourced timber. However, this transparency is very important to us, so we are engaging with FSC and their Controlled Wood Standard to see if we can develop a practical solution for smallholder timber growers in rural Africa.

Corruption, Political Contribution & Non-Compliance

Children at a school neighbouring one of NFC's plantations in Uganda collect water from a rain water harvesting tank the company installed at the school for safer drinking water.

NFC adopts a zero tolerance policy toward corruption by employees, suppliers, customers or other stakeholders as laid out in its Code of Conduct. There were two reported incidents of corruption throughout our operations in FY15.

The first was on the team that sources third party electrification poles in Rwanda. We detected fraudulent activities and after a full investigation we found that NFC's pole grading team asked the third party pole suppliers for additional fees in order to supply poles to NFC. We had conclusive evidence condemning two pole graders who were dismissed and the investigations against the remaining two persons resulted in their transfer to other departments. We then held a meeting with all pole suppliers to ensure that they report all fraudulent activities via the whistle blower hotline. This amounted to a loss of ~$20,000.

The second incident took place at the pole treatment plant in Tanzania. In this case, someone used the anonymous whistle blowing line to report the theft of 35 kegs of the treatment chemical, CCA, the equivalent of ~$5,000. NFC investigated the incident and charged four staff members with alleged misconduct. NFC went through internal disciplinary procedures before finding these employees guilty of theft and subsequently terminating their contracts. NFC also reported a case of theft to the police who arrested the suspects for further criminal prosecution.

As a matter of policy, NFC did not make any political contributions in any country in FY15. NFC was also fully compliant with laws and regulations and was not required to pay any additional non-compliance fines or sanctions.

Employment and Labour

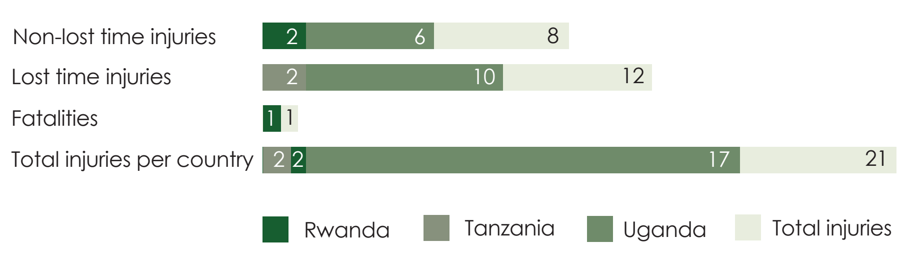
The New Forests Company spent a lot of time and energy in FY15 considering options for leveraging our status as an employer to maximize our social impact, particularly on poverty alleviation. The major result of this is our commitment to double the lowest paid labour wages within 5 years in all three countries of operation. We are very excited to see the impacts of this policy as we begin implementation in FY16.

Health and Safety Incidents

In FY15, the New Forests Company had a total of 21 injuries while at work. eight of these were very minor and did not require the injured person to take any time off work. Twelve of them were more serious and did require the injured person to take time off work. Tragically, the final injury was actually a fatality of one of our contractor's labourers fighting a fire in Uganda. This is the second death in NFC's history as a company.

In the 5.5 years that NFC has been monitoring its incidents, through June 2015, NFC's All Incident Frequency Rate (AIFR) is 3.42, down from 3.5 in June 2014. NFC's Lost Time Incident Frequency Rate (LTIFR) is 1.85, up from 1.8 in June 2014. NFC will continue to monitor these and do everything we can to drive them down, but it is also helpful to know that our incident frequency rates are below the international acceptable standards of 3.8 AIFR and 2.03 LTIFR.

A Summary of the Incidents by Country in 2015



NFC takes health and safety very seriously and ensures our teams wear appropriate personal protective equipment.

Professional Development

The company provides on the job training for all staff. Each senior manager uses his/her expertise in order to transfer the necessary skills to employees. New employees are taken through a company induction process where specific skills are developed. On the middle to senior management levels the approach is taken to provide Forestry specific training in terms of supervisory skills as well as the management of occupational health and safety. The company provides on the job training to all forestry contractors and their staff to ensure that the necessary quality is maintained in all silviculture operations. The fire response teams are also adequately trained for their task to ensure that firefighting takes place in a professional manner without injury.

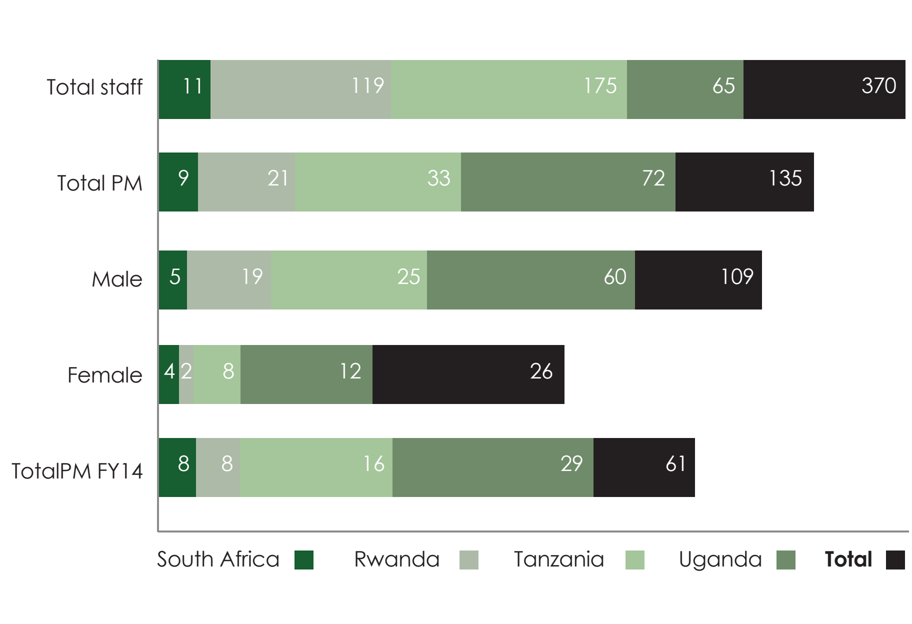
Performance Management

Formally structured performance management is practiced up to middle management and supervisory levels. The content of performance agreements are finalised between a line manager and the relevant employee at the start of each performance cycle. Employees are engaged by their supervisors on a monthly basis which takes the form of an interactive session between the line manager and the staff member. These sessions also include discussions with regards to individual development plans and also career and succession planning. In FY15, NFC more than doubled the number of employees who received performance management from 61 to 135 as part of an internal initiative to scale this benefit and improve performance across the group.

Discrimination

No incidents of discrimination of any form were recorded in the past financial year. A formal grievance procedure is standing policy at each workplace and employees are encouraged to lodge grievances via their line managers, the HR department and where applicable via the trade union mechanisms. All grievances are reported to the Group HR function for internal audit purposes.

Performance Management at NFC



Collective Bargaining

As mentioned previously, 4% of the total workforce is covered by collective bargaining agreements, but all employees and labour are free to join unions or other associations.

Preventing Child Labour and Forced Labour

All of New Forests' plantations and value-added timber processing sites have risks of child and forced labour; therefore, it is incumbent upon the company to establish strict policies and mitigation measures.

The mitigation of child labour is slightly different in each country given the contexts. In Rwanda, all citizens have government issued ID cards which the company checks to verify that all labour are over age 18. In Uganda, citizens do not yet have government issued ID cards and most of our labour are employed by our contractors, so we require that the labour provides references from their local councils and District Security Officers who confirm that potential labourers are above the age of 18 and do not have security records. NFC carries out audits of this process and if under age labour is found, the contractor is warned once with a second occurrence leading to termination of contract. In Tanzania, we enforce the employment policies of the company, which articulate a strict ban on any form of child labour.

In all three countries, labour are recruited locally as much as possible and people only join the company or our contractors if they agree that the wages provide sufficient compensation for the work they are doing. The company pays all employees directly and audits the contractor labour's payslips to ensure all workers are fairly compensated for their work and not there out of force.

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

Human Rights

Indigenous People's Rights

During FY14, we had zero incidents of violations involving the rights of indigenous people throughout the group of companies. According to the national laws in Uganda, Rwanda and Tanzania, none of the local communities in our areas of operation are considered "indigenous peoples."

External Evaluations

In FY15, NFC had our first external audit of its Environmental and Social Action Plan (ESAP), which was drafted to bring NFC's operations into full compliance with the International Finance Corporation's (IFC) Environmental and Social Sustainability Performance Standards. This external audit was carried out by the Environmental Resources Management (ERM) audit firm and was comprehensive, covering 100% of NFC's forestry and timber processing operations and included all aspects of human rights that the IFC has included in their international standards.

Grievance Resolution

During FY15, there were no new grievances related to human rights filed. In FY12, complaints were raised by communities settled in the Mubende and Kiboga Districts of Uganda, about perceived rights to constitutionally protected land within the Namwasa and Luwunga Central Forest Reserves (CFRs). While land rights in Uganda is a matter of heated debate and controversy, there are very clear laws and policies about land rights within government-delineated CFRs—areas of land protected by the government for the people of Uganda, on which specific activities may take place, such as conservation of indigenous forests, wildlife conservation and tourism or forestry. In the National Forestry and Tree Planting Act of 2003, the Government of Uganda states that it is illegal to live or cultivate on CFRs, and this has been the case since they were gazetted in the 1940s – 1960s.

Two entrepreneurs stand near their timber in a typical East African timber market.

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

In July of 2013, the mediation with the Mubende affected community was successfully settled, and during this reporting period, July of 2014, the mediation with the Kiboga affected community was also settled, marking a mutually agreeable resolution that will both respect the losses of affected communities as well as the laws of Uganda. Our focus has turned toward implementation of the two agreements, which will form the largest portion of our Uganda Corporate Responsibility investment over the next three years.

NFC is developing strong relationships with these communities and is working with them to select and implement community development projects. So far, we have completed the following:

Education:

- 4 Double Classroom Blocks in Netulidde, Kyato, Kigudde, and Kayindiyindi

Health:

- 3 boreholes in Kicucula, Kampindu, and Kyakatebe
- 2 motorised wells
- Health extension services

Livelihoods:

- Kalwana Community Hall
- Cooperative office
- Kyakatebe roads
- Grain storage silos
- Goats
- Bee keeping
- Tree planting
- Poultry
- Biomass briquettes

Product Responsibility

During FY15, our Pole Treatment Plant in Uganda received an audit to maintain its ISO: 9001 certification and received a zero non-conformance, which indicates full ISO: 9001 compliance.

NFC paid no fines in FY15 for non-compliance with laws or regulations concerning the provision and use of NFC's products: utility transmission poles and charcoal.

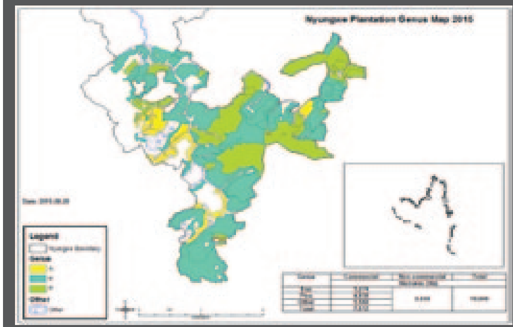
According to the final audit report from November 2014:

"ERM's overall impression is that NFC is committed to implementation of the requirements of the Environmental and Social Action Plan (ESAP), and in general is making progress with respect to closing any outstanding corrective action items. ERMs assessment found that less than 10% of the total ESAP actions that were due to be closed out by the time of the audit have not yet been closed out. Most of these open items are either in the process of receiving due attention by NFC, in order to achieve closure, or there is a reason beyond NFC's control that is preventing or delaying the closure of the required corrective action."

Making use of early thinnings from NFC's eucalyptus compartments.

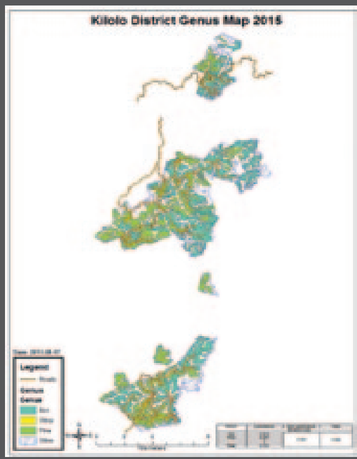
ENVIRONMENTAL IMPACT

Rwanda



Nyungwe Buffer Zone Plantation

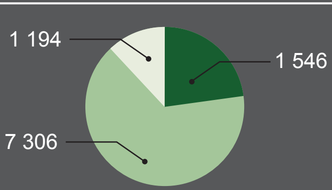
Tanzania



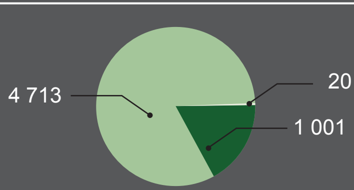
Kilolo Plantation

Uganda

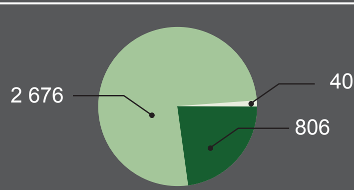
Kirinya Plantation



Total area: 10 046



Total area: 5 734



Total area: 3 522

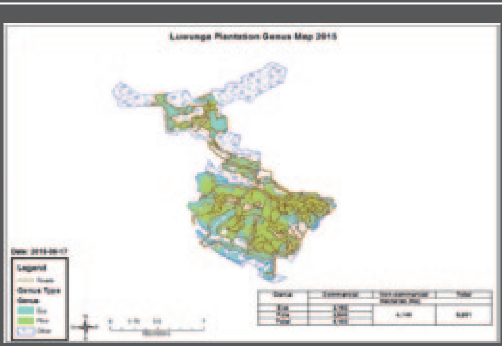
As a business dependent on land, New Forests has a vested interest in ensuring that the areas in which we work, and the land our neighbours rely on for their livelihoods, regenerates its rich biodiversity and high quality of ecosystem. Climate change and attendant extreme weather events, in particular, can impact watersheds, tree growth rates, biodiversity denseness, fire danger, and local food security. NFC has a proactive approach to managing our land assets relying on responsible forestry practices, helping neighbours build resilience to climate change, and actively conserving indigenous forests, wetlands and woodlands.

Plantations and Conservation

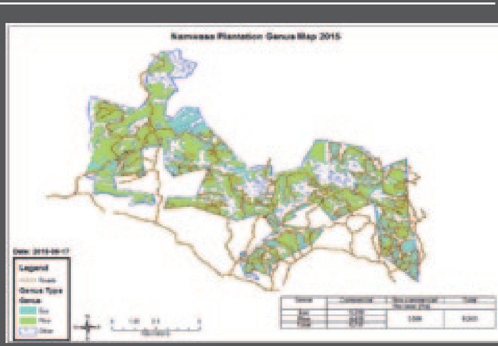
The above maps of our plantations show the areas planted to eucalyptus, the areas planted to pine, and the conservation areas. New Forests counts as conservation area, any area within the forest concession that is being protected and preserved based on its pristine, natural or cultural value. A small portion of this area is also being used for offices.

High Conservation Value Areas and Biodiversity

There were no significant negative impacts from our activities, products and services on biodiversity in protected areas or other areas of high biodiversity value. Our plantation activities occur outside these areas which NFC conserves and protects. Our current actions and strategies for managing biodiversity are driven by the biological assets that are found in each particular area. Dalamba and Netullide conservation areas and D/B Block and Homestead Forests on Namwasa in Uganda are high conservation value areas that have differing characteristics. The conservation areas are degraded forests in different settings, one riparian and the other woodland, where our management objectives are to protect



Luwunga Plantation



Namwasa Plantation

NFC total area (ha): **37 199**

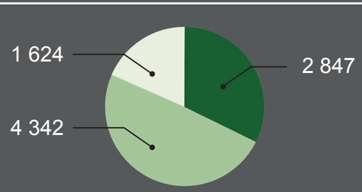
NFC total area (square Kms): **372**

NFC total conservation area (ha): **9 384**

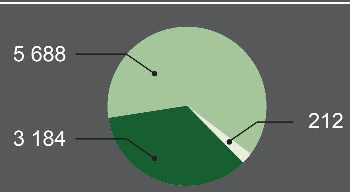
NFC total area (square Kms): **94**

NFC total planted area (ha): **24 725**

NFC total planted area (square Kms): **247**



Total area: 8 813



Total area: 9 084

Total area Uganda: 21 419

Conservation and unplanted area (ha)

Planted area (ha)

Remaining plantable area (ha)

them and allow them to regenerate with the least interference. The forests are the last wooded areas left in the district and are being protected as sample areas that are representative of local ecosystems. A lot of the other existing woodlands and forests in the district have been cut down for charcoal production and to clear land for grazing by the community.

Dalamba and Netullide conservation areas have had Colobus monkeys return to them. Buck and similar larger game that had disappeared are now occasionally seen on our Namwasa and Luwunga plantations. Biological diversity assessments are currently in progress in Rwanda, with an EIA review due in Namwasa in Uganda FY16.

Integrated Management System

Our environmental policy and plans are based on a triple bottom line model. We are a responsible business that includes environmental protection and social needs in our quest for economic success. The setting up and implementation of our environmental plans are strongly guided by the elements in the integrated management system (IMS).

The IMS is capable of making an organisation certification ready for FSC, ISO 14001, ISO 9001 and OHSAS 18001. Currently, we have operations that are FSC certified in Uganda (FSC-C001823) and Tanzania (FSC-C124444), and our pole plant in Uganda is ISO 9001 accredited. Our use of IMS is not limited to certification; it is also about international best practice. There are improvements that are being constantly made to the system. For example, the existing best operating practices are in the process of including a safe work procedure element. Not only is this becoming a legal requirement in some countries (though, this is not the case yet where we operate), also it adds an additional layer of assurance for both the employee and the employer. This is also in line with our vision of being the premier pan-African vertically integrated, socially responsible, sustainable company. A total of 65 revisions were made to our IMS in FY15.

Our monitoring is not limited to legal requirements; we ascribe to many voluntary best practices, like the quantity of water abstracted and other environmental impact monitoring. We have a monthly monitoring report that feeds into the annual sustainability report (according to GRI G-4 requirements), meets the reporting needs of investors and also supplies information that goes into our FSC public monitoring summaries. The monthly report covers 4 broad areas, namely human resources, operational management, SHEQ (safety, health, environment and quality), and corporate social responsibility. The range of specific items reported include the breakdown of local and expat workers, employee incident summaries and rates, training, health, pesticide use rates per catchment, fuel usage and chemical or oil spills, water monitoring, corrective action reports, job observations, complaints, and community meetings, among others.

Chemical Usage

All of the pesticides we used are approved by the Forest Stewardship Council (FSC). There were no pesticide or oil spills reported that were greater than 50 litres.

Please note that Rwanda did not use any pesticides. Uganda carried out noxious weed control on 1,321 ha. Tanzania and Rwanda are yet to control noxious weeds.

	Usage	
Active ingedient	**Uganda**	**Tanzania**
Glyphosate	27 349	215
Triclopyr	1 774	
Imidacloprid	2 453	
DAP	27 946	2 241
MAP	12	
Bupirimate	57	

Water Monitoring

2 191 000 litres of water were abstracted from various water sources on our Uganda plantations, mainly for domestic use and our nurseries. Stream flow monitoring was successfully started in our Uganda plantations, and will roll out to our Tanzania and Rwanda plantations next year. 77% of water tested for potability was potable, the remaining 23% carried an advisory that if it was to be used for domestic purposes, it had to be boiled first or treated. This same information was passed on to the workers who use the water.

Member of NFC's team at the pole plant in Uganda measures the dimensions of the poles.

Environmental Impact Mitigation at our Pole Treatment Plants

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

100% Compliance

During FY15, New Forests did not receive any fines or non-monetary sanctions for environmental non-compliance. We carried out the following voluntary external assessments of our environmental impacts in FY15.

Type of Assessment	Plantation	Date Reviewed
Environmental Impact	Kirinya Plantation, Uganda	August 2014
FSC Main Assessment	Lukosi Plantation, Tanzania	December 2014
FSC Surveillance Assessment 1	Kirinya Plantation, Uganda	January 2015

Commitment through Investment

This year, Uganda invested a total of $320 thousand on environmental expenses, Tanzania invested $315 thousand and Rwanda invested $15 thousand. This is a total investment across the group of $650 thousand, 3% of our annual revenues.

The innerworkings of one of NFC's pole treatment plants.

ECONOMIC IMPACT

New Forests Company is rapidly emerging as East Africa's premier supplier of treated poles with a reputation for high quality, reliability and consistency of supply. The company maintains strict adherence to international best practice.

With a view to contributing to Africa's sustainable economic growth, the company delivers locally treated, durable and weather-resistant transmission poles to East African markets for rural electrification purposes. Based in Uganda, Tanzania, and Rwanda, New Forests' poles are also cost competitive in western Kenya, Burundi and South Sudan.

The New Forests Company is very proud of the impact we are having on the economies in which we operate as tree planters, sustainable foresters, value added timber processors, and suppliers of high quality, local timber products. Our most substantial economic impacts can be summarized into microeconomic and macroeconomic categories.

Quality

With first class processing sites, outstanding quality control and experienced management, New Forests Poles has distinguished itself as one of East Africa's premier pole producers. Quality-control teams operating NFC's in-house laboratory oversee the consistency and superior treatment of the company's wood products. International external experts regularly vet quality. NFC has adopted best practices as defined by the European Committee for Standardisation, the South African National Standard, and the standards and treatment requirements mandated by members of the East African Community. The Uganda plant achieved ISO 9001:2008 certification in 2011. These standards and policies are regularly internally audited by our Safety, Health, Environment and Quality Manager who was hired in FY15.

Local Procurement

It is company policy to exhaust all local suppliers in procurement before external suppliers are considered. The majority of funds available for such purchases 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 saw timber material. External suppliers are only considered when local supplies prove to be of extreme sub-standard nature, significantly more expensive, or when it is an investor requirement like the IDC requiring a certain value of South African goods.

A significant portion of the timber treated by NFC in Rwanda, Uganda and Tanzania in 2015 were bought from local tree planters.

Macroeconomic Impact	Microeconomic Impact
• creation of long term jobs where they are most needed – in rural areas; • cheaper rural electrification through lower priced, high quality transmissionvpoles; • supporting construction industries through local, affordable, high quality timber products; • import substitution and exports leading to foreign exchange earnings and savings; • increased renewable energy generation; • local value addition processing, instead of raw material exportation; • creation of a sustainable forestry industry; and • increased tax revenues.	• rural unskilled job creation; • local skill building; • cluster industry development of suppliers and service providers with multiplier effect on the local private sector economy; and • community driven investments in health, education and livelihoods.

"In light of the power generation plans of increasing power generation by up to approximately ten times in approximately 14-15 years, there needs to be a corresponding increase in transmission and distribution infrastructure to ensure Government of Kenya's objectives of increasing electrification rates at affordable prices are to be realised." – KPMG, Sub-Saharan Power Outlook, 2014

Local Recruitment

It is company policy to only hire expatriate staff for positions where the national labour market lack the necessary expertise and skill. In FY15 the company hired the following new managers from the local workforce: HR Managers in Uganda and Tanzania, CSR Programme Manager in Tanzania, Plantation Manager in Uganda. NFC prioritizes its neighbouring communities for all of its recruitment, but this is most relevant for labour and lower level employment positions because the areas we operate in have relatively low levels of education and forestry experience.

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

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

One of the labourers in NFC's nurseries examining the seedlings for quality and survival.

Management Demographics at NFC in FY15

	South Africa	Rwanda	Tanzania	Uganda	Total
Managers	7	18	13	30	**68**
Local male	3	13	6	17	**39**
Local female	1	0	2	3	**6**
Expat male	2	5	5	10	**22**
Expat female	1	0	0	0	**1**

GRI Content Index in Accordance with the Core Report Guidelines

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FMO Entrepreneurial Development Bank

NFA National Forestry Authority

eadb East African Development Bank Your Partner in Development

KFW DEG

agriVie

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