



**IFC FORESTS BOND
ANNUAL REPORT TO BOND
INVESTORS**

**Summary Based on Annual Monitoring Report
Prepared by Wildlife Works Carbon LLC**

**Kasigau Corridor REDD
Project KENYA**

REPORTING PERIOD: (July/2017) through (June/2018)

November 6, 2018

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SUMMARY ANNUAL REPORT TO BOND INVESTORS

1. VCU Generation

During the period from January 1 through December 31, 2017, a total of 1,829,532 VCUs (net 1,591,693 VCUs after deducting the risk buffer) are monitored from Phase I Rukinga REDD Project (“Phase I”) and Phase II Kasigau Corridor REDD Project (“Phase II”, and collectively the “Project”), which cover the project area of 199,910 hectares (30,169 hectares and 169,741 hectares for Phase I and Phase II, respectively). Phase I and Phase II have monitored cumulative 2,807,970 VCUs and 10,892,174 VCUs respectively from the start of the Project through December 31, 2017. For the second coupon payment of the IFC Forests Bond on November 5, 2018, the Project delivered 469,984 Eligible VCUs of vintage 2016 generated from Phase II to IFC. The Project remains in full compliance with both the VCS and CCB Standards. No Noteholder selected the coupon in the form of VCUs, therefore, no Eligible VCUs were delivered to the Noteholders.

Table 1: Volume of gross and net emission reductions from the Project during the reporting period

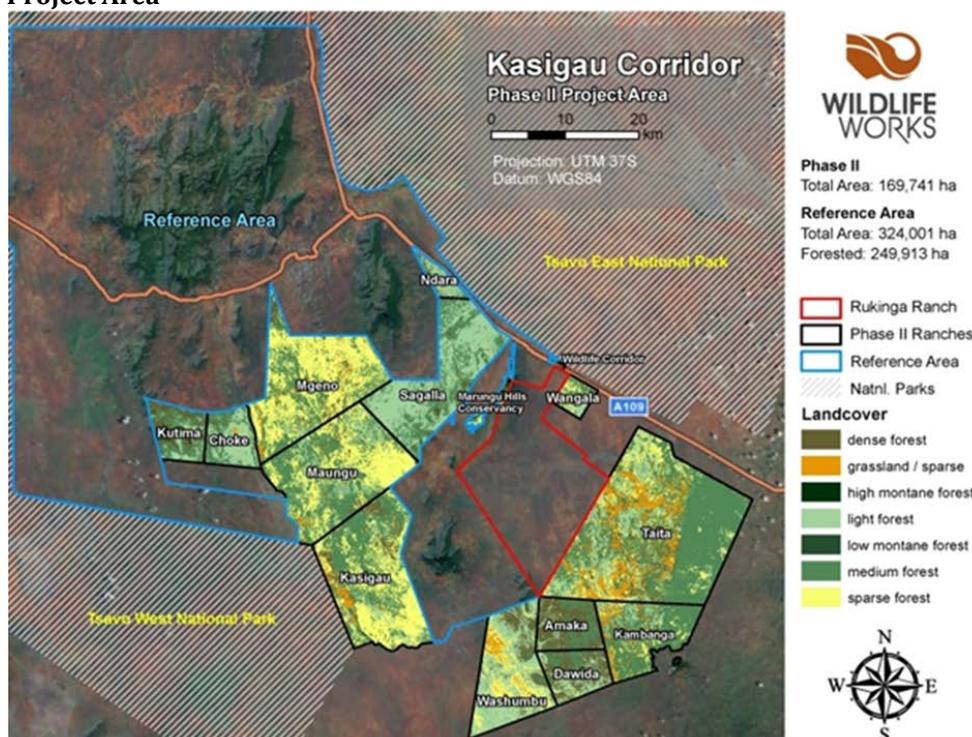
Project Phase	Ranches	Period	GERS ¹	NETs ² after risk buffer
Phase II: Kasigau Corridor	ALL 13 ranches under Kasigau Phase II	January 1- December 31, 2017 ³	1,574,391	1,369,720
Phase I: Rukinga	Rukinga Ranch	January 1- December 31, 2017	255,141	221,973
		Total	1,829,532	1,591,693

¹ Gross Emission Reductions

² Net Emission Reductions

³ WWC calculates emission reductions (ERs) per calendar year, therefore the results above reflect 2017 volumes. However, there should be little difference in ERs between these estimates and those from July 2017 – June 2018 reporting period.

Figure 1: Project Area



2. Revenue Share Breakdown

The breakdown of revenue sharing for the fiscal year 2017 (Jan 1st 2017 thru December 31st 2017) is as follows: (i) 33% to the local project landowners; (ii) 38% for project operations, which consists of 21% directly to the local communities including local salaries, goods and services and 17% to Wildlife Works Carbon (WWC) expats, US team and non-local costs; and (iii) 15% in transaction costs – carbon issuance fees, sales and brokerage commissions. Total revenues were US\$5.72 million and expenses were US\$4.96 million. Net cash of US\$0.76 million available for profit sharing were shared between (iv) WWC (7% of gross revenue) and (v) payments to the Community through the Wildlife Works Carbon Trust (WWCT) and Locational Carbon Committees (LCCs) (7% of gross revenue).

3. Community Development Projects Funded by Carbon Revenue

WWCT: LCC projects: Three community development projects have been initiated and five projects have been completed during the reporting period across the Project funded by the carbon revenues supporting the following sectors: (i) water (construction of water harvesting and storage facilities); (ii) education (providing school furniture); and (iii) infrastructure (renovation of Chief's Office).

WWCT: Bursaries: During 2017 and 2018 education years, 2,899 and 2,791 students respectively, received partial scholarships supported by the Project. A total of KES11.1 million and 9.8 million were spent in 2017 and 2018 respectively on these bursaries. These scholarships were predominantly towards secondary education (about 85% in both years) with the rest being tertiary (polytechnics, colleges and university).

4. Employment

- As at June 2018, the Project employed total 325 full-time employees (average of about 328 during the monitoring period July 2017-June 2018), of whom 85 (26%) are female, and 321 (99%) are Kenyan.
- Typically, more than 80% of all Wildlife Works' employees at the Project at any one time are recruited directly from the local community (six administrative locations surrounding the Project Area). This employment income constitutes a meaningful infusion of money into these communities and is an important source of livelihood for most of the households that have a member employed.

5. Development Activities

Activities & Projects

- *Provision of goods and services:* About \$400,000 of operational costs goes into the local communities surrounding the Project as providers of goods and services including transport, food and water supply amongst others.

Non-monetary benefits

- *Building social capital and capacity:* This is mainly achieved by supporting women and youth groups, community-based conservation organizations etc. across the Project Area. During the reporting period, a total of 24 meetings/seminars were held involving 506 community members. They covered diverse topics ranging from leadership, health, education, greenhouse management and seedling nurture, and monetary management.
- *Improving access to markets:* Wildlife Works continues to build and improve access to markets for various products in the Project through use of technology, such as through the Wildlife Works' Export Processing Zone (EPZ) for apparel and Hadithi for community crafts. During the reporting period, 66 local community members were trained or employed in the EPZ, 46 (70%) being female, mainly as seamstresses but also in several printing and other support positions like sales and marketing. Additionally, about 32 Women's Groups and one Disabled Group were subscribed under Hadithi during the reporting period, comprising approximately 850 women and several men in the disabled group. Through these efforts, a substantial amount of revenue from salaries or sales accrues to these local communities, especially directed to women, which greatly empowers them, their households, and their societies in general. In 2017 for instance, KES 4.9 million was spent on women group crafts by Hadithi, paid cash in hand to the individual ladies. Out of the

profits, KES 0.4 million was divided to the groups to for group development, (building group house, maintenance, chairs, materials or table banking). KES 3 million has already been spent in first quarter (January to April) of 2018, again paid cash in hand to the individual ladies.

- *Leveraging funds:* Wildlife Works' activities and existing infrastructure including human resources, project and fiscal management structures, have enabled the leveraging of additional funds towards financing projects and activities that align with the Project's social and biodiversity goals. During the reporting period, ASOS Foundation contributed towards implementation of three water projects in various communities across the Project Zone, including schools.
- *Improving wildlife habitat and reducing human-elephant conflict (HEC):* During the reporting period, Wildlife Works worked with Elephant Cooperation (<https://www.elephantcooperation.com/>) to construct a wildlife-only borehole at Salama Dam within Rukinga Wildlife Sanctuary. The main aim is to supply wildlife – especially elephants – with water during the dry season to reduce incursions into community areas in search of water. The borehole began pumping in August 2017 and at full capacity will be pumping 6,000-7,000 liters/hour during daytime (using solar energy), with an unlimited capacity for the foreseeable future. To enhance this, Wildlife Works is planning to set up a distributional network across the ranch comprising eight 35,000-liter troughs and a 100,000-liter storage tank.
- *Agriculture and livelihoods:* Wildlife Works is involved in the implementation of a sustainable agriculture and HEC deterrents project in conjunction with national and international research organizations and universities under the Earthwatch Institute (<http://earthwatch.org/Expeditions/Elephants-and-Sustainable-Agriculture-in-Kenya>). Findings from this research on effectiveness of deterrents and crop selection towards reducing HEC will enhance the Project in general, and the objectives of Greenhouse and sustainable agriculture programs in particular.
- *Commercialization of eco-charcoal venture:* Lastly, a business plan was developed for expanding Wildlife Works' eco-charcoal venture towards full commercial scale, including improved harvesting and kilning processes and automated briquetting. The plan was positively evaluated by the Kenya National Research Fund in 2016-2017 funding cycle, but is still awaiting remittance of funds to begin the scaling up process, including mechanization of production and improving sales and marketing.

6. Reporting to Communities and Project Stakeholders

- *Landowners' meetings:* In addition to 16 Board meetings with landowners, there were two full landowner meetings held across the Project during the reporting period where the major agenda points included: the IFC project, the LaPoste project, breakdown of income allocations by ranch based on these projected sales, status of historic debts, current sales' information, and other potential future deals and sales, amongst other issues.
- *LCC (Locational Carbon Committee) /CBO (Community Based Organizations) meetings:* 63 meetings were held with LCCs and CBOS across the six Administrative Locations specifically for discussing various aspects of the Project implementation including: WWC's financial status, updates on sales and community allocations through WWCT, and vetting and evaluation of the LCC and CBO Project-related activities.