



**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/2020 through June/2021

November 4, 2021

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SUMMARY ANNUAL REPORT TO BOND INVESTORS

1. VCU Generation

During the period from January 1 through December 31, 2020, a total of 2,304,784 VCUs (net 1,953,438 VCUs after deducting the risk buffer) were verified from Phase I Rukinga REDD+ Project (“Phase I”) and Phase II Kasigau Corridor REDD+ Project (“Phase II”, and collectively the “Project”), which covers 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 verified cumulative 3,997,705 Verified Carbon Units (VCUs) and 17,316,605 VCUs respectively from the start of the Project through December 31, 2020. For the fifth coupon payment of the IFC Forests Bond on November 4, 2021, the Project delivered 469,984 Eligible VCUs of vintage 2019 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.

Wildlife Works Carbon LLC (WWC) calculates emission reductions (ERs) per calendar year (CY), so the results in Table 1 below reflect 2020 volumes from the most recent verification. Since WWC has not verified for CY 2021, it is not possible to determine the exact crediting for the period July 1, 2020 to June 30, 2021. However, WWC generally expects little differences in ERs across years, but because of possible deductions from leakage, confidence levels, periodic buffer returns, possible reversals, and other factors, the actual ERs are only finalized at verification.

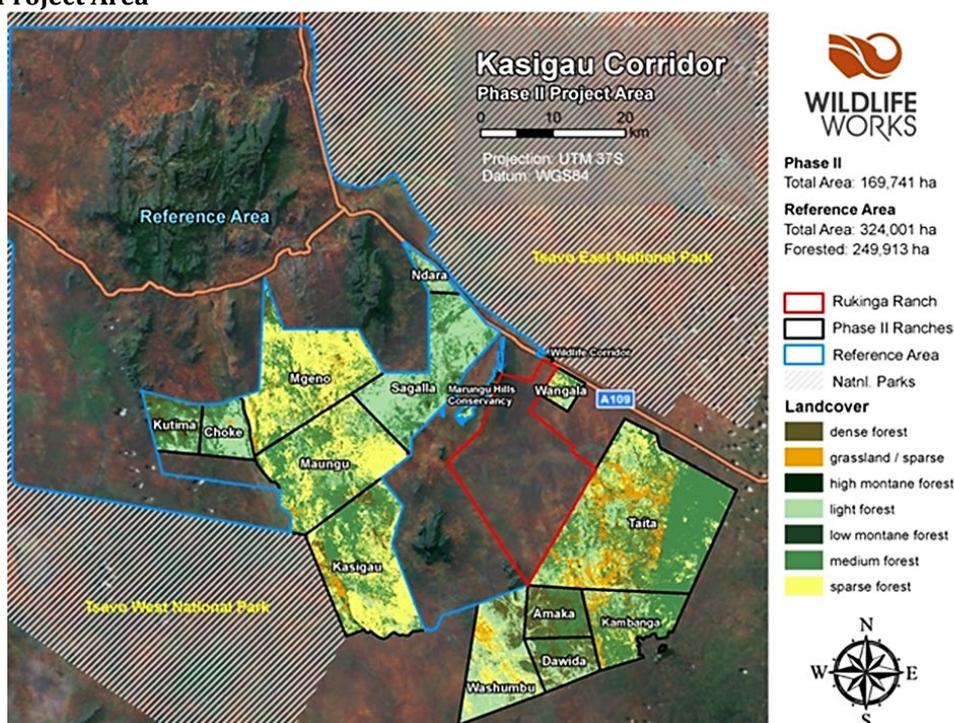
Table 1: Volume of gross and net emission reductions from the Project during the reporting period

Project Phase	Ranches	Period	GERs ¹	NERs ² after risk buffer
Phase II: Kasigau Corridor	ALL 13 ranches under Kasigau Phase II	January 1- December 31, 2020	2,020,142	1,705,801
Phase I: Rukinga	Rukinga Ranch	January 1- December 31, 2020	284,642	247,637
		Total	2,304,784	1,953,438

¹ Gross Emission Reductions

² Net Emission Reductions

Figure 1: Project Area



2. Revenue Share Breakdown

Total net revenues from carbon credits after deducting brokerage fees and issuance fees were US\$11.98 million and total expenses were US\$9.07 million. The breakdown of revenue sharing for the fiscal year 2020 (Jan 1st 2020 thru December 31st 2020) is as follows:

- (i) 33.3% of net revenues to the local project landowners;
- (ii) 42.5 % of net revenues for project operations, which consists of (a) 22.2% allocated to local operations including local salaries and associated costs such as insurance, on-site and in-country project operating costs such as goods and services procured locally including local transport, and all other core operations like infrastructure development (e.g. waterholes within project and community areas) and other project activities like greenhouses and tree planting, and (b) 20.3% allocated to non-local operations and support including non-local salaries and associated costs such as air travel and any other services procured, third-party verification costs and any applicable financing costs including inventory financing.
This left net cash of US\$2.91 million available for profit-sharing which was shared between;
- (iii) 12.1% of net revenue to WWC and
- (iv) 12.1% of net revenue in payments to the community through the Wildlife Works Carbon Trust (WWCT) and Locational Carbon Committees (LCCs), which have been spent / are to be spent for school bursaries, water projects and education and health infrastructure e.g. furniture.

3. Community Development Projects Funded by Carbon Revenue

WWCT LCC projects: 64 projects were initiated during the reporting period in the six locations across the Project Area: Kasigau 13, McKinnon 14, Marungu 14, Mwachabo 8, Mwatate 7, and Sagala 8. Out of the 64 projects, 38 were education-related (e.g. construction of classroom and desks), 15 were water projects, 6 were health-related, and 3 were infrastructure and 2 were social amenities. A total of KES 42.7 million was spent on these projects during this reporting period.

WWCT: LCC projects: 64 projects were initiated during the reporting period in the six locations across the Project Area: Kasigau 13, McKinnon 14, Marungu 14, Mwachabo 8, Mwatate 7, and Sagala 8. Out of the 64 projects, 38 were education-related (e.g. construction of classrooms and desks), 15 were water projects, 6 were health related, 3 were other infrastructure and 2 were social amenities. A total of KES 42.6 million was spent on these projects during this reporting period.

WWCT Bursaries: During 2021 education year, 4,215 students received partial scholarships supported by the Project, ranging from 573 to 858 students per location. A total of KES 19.9 million was spent on these bursaries. Girls comprised 51% of the bursary recipients. These scholarships were predominantly towards secondary education (84%) with the rest being mostly vocational institutions (polytechnics and colleges) (12%). University comprised about 4% and primary school level less than 1%.

4. Employment

- As of June 2020, the Project employed total 342 full-time employees, of whom 97 (28%) were female, and 338 (99%) were from the local community.
- Typically, more than 80% of Wildlife Works' employees at the Project are recruited directly from the local community. 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 by the Project.

5. Development Activities

Activities & projects

- *Provision of goods and services:* About \$569,000 of operational costs went 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, youth and other community groups, community-based conservation organizations etc. across the Project. During the reporting period, a total of 118 meetings/seminars were held cumulatively involving 2,827 community members. They covered diverse topics ranging from health (hygiene, discipline, early

pregnancy, re-usable sanitary pads for girls), agricultural techniques such as vertical gardening, organic farming and tree nursery management, group leadership, administration and monetary management, and climate change, environmental conservation and REDD+.

- *Improving access to markets:* Despite the COVID-19-related disruption to business activities, Wildlife Works continued to build and improve access to markets for various products in the Project Area through use of technology, such as through the Wildlife Works' Export Processing Zone (EPZ) for apparel and Hadithi for community handicrafts. As at June 2021, 54 local community members (85% being women) were employed in Wildlife Works' eco-factory at the EPZ, mainly as seamstresses but also in several printing and other support positions like sales and marketing; an additional six operate the local printing section, while three staff operate its soap factory. Under the Hadithi community enterprise development, six more community groups were trained in basket weaving and joined Hadithi, bringing the total of groups under this CBO to 54, mostly women's groups plus one disabled's group. Total active group members under Hadithi are now 1709 women and several men in the disabled group (Plate 2). 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 and their societies in general. In 2017 for instance, 4.9 million KES was spent on women group crafts by Hadithi, paid cash in hand to the individual ladies, rising to KES 10.5 million in 2018 and KES 14.9 million in 2019. In the first trimester of 2020 before the COVID-19 disruption, 3.5 million KES had been already spent on handicrafts. In the first half year-2021, KES 16.4 million (\$150,000) has been spent on purchasing crafts from these groups.
- *Agriculture and livelihoods:* while the COVID-19 disruption of international travel led to the cancellation of all planned 2020 and 2021 volunteer groups for the Earthwatch program, Wildlife Works continues to jointly implement the sustainable agriculture and human-elephant conflict (HEC) deterrents project in conjunction with national and international universities under the Earthwatch Institute (<http://earthwatch.org/Expeditions/Elephants-and-Sustainable-Agriculture-in-Kenya>). During this period, findings from this research on effectiveness of deterrents have led to further expansion of this project in the Ngambenyi area of the Project Area through extension of the previously installed metal- strip fence while community workshops have been planned in villages neighboring the experimental area of the Project in Sasenyi to start spreading the lessons learned and build capacity of community members to implement these initiatives.
- *Commercialization of eco-charcoal venture:* Implementation has been progressing for the eco-charcoal business plan involving improved harvesting, kilning processes and automated briquetting that was funded by the National Research Fund (<http://researchfund.go.ke/>) after remittance of funds happened in 2018. During this period, though hampered by COVID-19 lockdowns, Wildlife Works proceeded with baseline studies on the biodiversity, as well as mechanization of production through testing and refabrication of kilning and briquetting machines. The imported briquette press has now been installed and undergoing testing, before moving on to full production, then turn the focus on improving sales and marketing in the next phase of the work.
- *Improving wildlife habitat and reducing human-elephant conflict (HEC):* As a mainstreamed project activity, Wildlife Works added a new wildlife-only borehole to add to the existing one maintained and operated by the company within Rukinga Wildlife Sanctuary that was built during the previous reporting period.

6. Reporting to Communities and Project Stakeholders

- *Landowners' meetings:* While meetings are still disrupted due to the corona virus pandemic, Wildlife Works still managed to hold 20 landowner meetings, comprising of individual ranch board meetings and combined (joint) landowners' meetings. The major agenda included security matters, sales projections, breakdown of income allocations by ranch based on projected sales, potential future deals and project evolution amongst other issues.
- *LCC (Locational Carbon Committee)/CBO (Community Based Organizations) meetings:* In addition to the landowners' meetings above, 151 meetings were held specifically with LCCs, Bursary Committees and implementing partner CBOs across the six administrative locations to discuss various aspects of funds allocation and utilization through the WWCT. Most of the meetings involved project implementation aspects and involved either CBO/Community Coordination Office staff or Joint LCC/CBO committees. The key issues discussed were the tendering process, bursary

forms vetting and bursary allocation, project implementation including groundbreaking and handover, updates on sales and community allocations through WWCT, and vetting, evaluation and audits of the LCCs and CBOs including bursaries, and projects-related activities.

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