



**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/2019 through June/2020

November 4, 2020

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SUMMARY ANNUAL REPORT TO BOND INVESTORS

1. VCU Generation

During the period from January 1 through December 31, 2019, a total of 1,837,672 VCUs (net 1,598,774 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 3,713,063 VCUs and 15,296,463 VCUs respectively from the start of the Project through December 31, 2019. For the fourth coupon payment of the IFC Forests Bond on November 4, 2020, the Project delivered 469,984 Eligible VCUs of vintage 2018 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 2019 volumes when the last verification happened in 2020. In the last verification, WWC also verified for CY 2018 VCUs. During the period from January 1 through December 31, 2018, 238,316 VCUs (net 207,335 VCUs) were verified from Phase I and 1,659,089 VCUs (net 1,443,407 VCUs) were verified from Phase II, a total of 1,897,405 VCUs (net 1,650,742 VCUs) from the Project. Since WWC has not verified for CY 2020, it is not possible to determine the exact crediting for the period July 1, 2019 to June 30, 2020. 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.

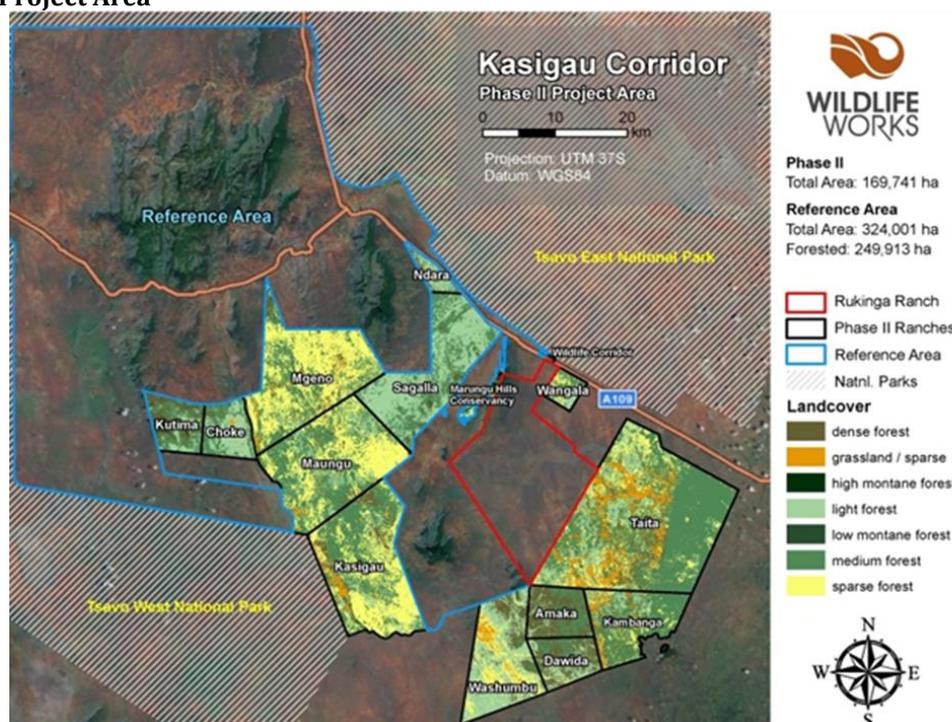
Table 1: Volume of gross and net emission reductions from the Project during the reporting period

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, 2019	1,583,790	1,377,897
Phase I: Rukinga	Rukinga Ranch	January 1- December 31, 2019	253,882	220,877
		Total	1,837,672	1,598,774

¹ Gross Emission Reductions

² Net Emission Reductions

Figure 1: Project Area



2. Revenue Share Breakdown

Total revenues were US\$14.76 million and total expenses were US\$12.43 million. The breakdown of revenue sharing for the fiscal year 2019 (Jan 1st 2019 thru December 31st 2019) is as follows:

- (i) 33.3% of gross revenues to the local project landowners;
- (ii) 50.9 % of gross revenues for project operations, which consists of (a) 23.0% 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 a share of applicable financing costs including inventory financing, and (b) 27.9% allocated to non-local operations and support including non-local salaries and associated costs such as air travel and any other services procured, VCU sales and marketing-related costs such as brokerage fees and issuance costs, third-party verification costs and any applicable financing costs including inventory financing.
This left net cash of US\$2.33 million available for profit-sharing which was shared between;
- (iii) 7.9% of gross revenue to WWC and
- (iv) 7.9% of gross 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: 20 projects were initiated during the reporting period in the six locations across the Project Area: Kasigau 2, McKinnon 2, Marungu 2, Mwachabo 9, Mwatate 2, and Sagala 3. In addition, one health project involving the distribution of handwashing buckets and liquid handwash was implemented outside the Project Area at the neighboring Mgange Dawida in the Taita Hills. Out of the 21 projects, 14 were education-related (e.g. construction of classrooms and desks) with the rest seven being health-related. A total of KES 5,746,820 was spent on these projects during this reporting period.

WWCT: Bursaries: During 2020 education year, 4,004 students received partial scholarships supported by the Project, ranging from 523 to 742 students per location. A total of KES22.6 million was spent on these bursaries. These scholarships were predominantly towards secondary education (83%) with the rest being mostly vocational institutions (polytechnics and colleges) (13%). University comprised about 4% and primary school level less than 1%.

4. Employment

- As at June 2020, the Project employed total 331 full-time employees, of whom 95 (29%) were female, and 327 (99%) were Kenyan.
- 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.

5. Development Activities

Activities & projects

- *Provision of goods and services:* About \$619,000 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 and youth groups, community-based conservation organizations etc. across the Project. During the reporting period, a total of 75 meetings/seminars were held involving over 1,200 community members. They covered diverse topics ranging from health, 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 normal 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 2020, 55 local community members (85% being women) were trained or 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. Additionally, during the reporting period, eight more community groups were trained in basket weaving and officially joined the Hadithi umbrella, bringing the total of groups under this Community Based Organization (CBO) to 49, which are mostly women's groups plus one disabled's group. Total active group members under Hadithi are now 1,456 women and several men in the disabled's group, undertaking various activities including beadwork and traditional basket weaving. 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, KES4.9 million was spent on women's group crafts by Hadithi, paid cash in hand to the individual ladies, rising to KES10.5 million in 2018 and KES14.9 million in 2019, again paid cash in hand to the individual ladies. In the first trimester of 2020 to 30th of April, KES3.5 million was spent on handicrafts before business was halted by COVID-19. Nonetheless, in the wake of the virus, the CBO has been able to leverage funds to assist the membership and their families. KES1 million was donated by SOKO Community Trust for purchase of 1,500 cotton face-masks to distribute to all the group members, while KES1.1 million was received from Love is Project for purchase and installation of five water tanks, plus training in kitchen gardening for the 5 Maasai beading groups.
- *Agriculture and livelihoods:* Despite the corona virus epidemic disrupting 2020 groups, 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 metal-strip fence, as well as expansion of activities to soil and water conservation actions under sustainable climate-smart agriculture.
- *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 (designing and/or procuring kilning and briquetting machines). The imported briquette press has now been delivered to site and awaiting the improved kiln and hammermill being fabricated locally, before moving on to 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 has maintained and operated the wildlife-only borehole within Rukinga Wildlife Sanctuary built during the previous reporting period in conjunction with the Elephant Cooperation (<https://www.elephantcooperation.com/>).

6. Reporting to Communities and Project Stakeholders

- *Landowners' meetings:* While inability to hold meetings due to the corona virus pandemic in addition to 12 Board meetings with landowners, there were four full landowner meetings held in conjunction with the Taita Taveta Wildlife Conservancy Association (TTWCA) during the reporting period where the major agenda points included: 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:* 57 meetings were held with LCCs (and Bursary Committees) plus implementing partner CBOs across the six administrative locations specifically for discussing various aspects of the project implementation including: Company's financial status, 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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