



**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/2016) through (June/2017)

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SUMMARY ANNUAL REPORT TO BOND INVESTORS

1. VCU Generation

During the reporting period from July 1, 2016 through June 30, 2017, a total of 1,836,547 VCUs (net 1,561,064 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 2,552,829 VCUs and 9,317,783 VCUs respectively from the start of the Project through June 30, 2017. For the first coupon payment of the IFC Forests Bond on November 6, 2017, the Project delivered 469,984 Eligible VCUs of vintage 2014 generated from Phase II to IFC. No Noteholder selected the coupon in the form of VCUs, therefore, no Eligible VCUs were delivered to the Noteholders.

The Project remains in full compliance with both the VCS and CCB Standards, and will enter its 5th monitoring period prior to the end of 2017.

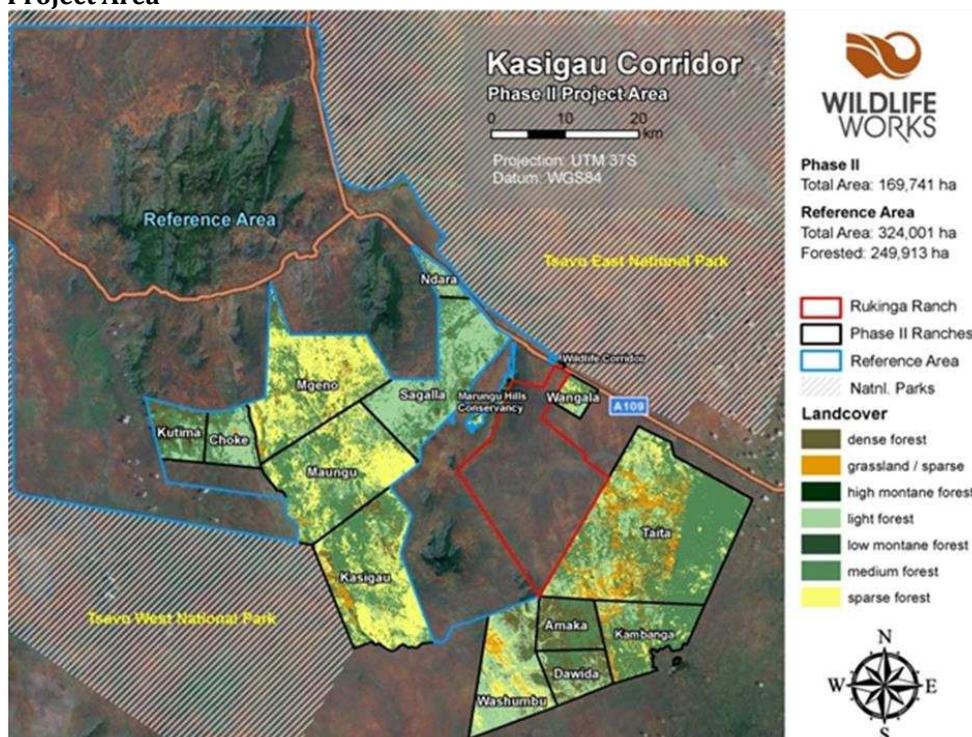
Table 1: Volume of gross and net emission reductions from the Project during the reporting period

Project Phase	Ranches	Period	GERs ¹	NERs ² after risk buffer
Phase II: Kasigau Corridor	ALL 13 ranches under Kasigau Phase II	Jul 1, 2016-Jun 30, 2017	1,579,711	1,342,754
Phase I: Rukinga	Rukinga Ranch	Jul 1, 2016-Jun 30, 2017	256,836	218,310
		Total	1,836,547	1,561,064

¹ Gross Emission Reductions

² Net Emission Reductions

Figure 1: Project Area



2. Revenue Share Breakdown

The breakdown of revenue sharing during the annual monitoring reporting period consist of: (i) 33% to the local project landowners; (ii) 50% to the communities including payments through the Wildlife Works Carbon Trust (WWCT) and Locational Carbon Committees (LCCs); and (iii) 55% to Wildlife Works Carbon (WWC) for the project operations. No funds were available for the shareholders of WWC in this period. The

total of 138% takes into account that expenses were greater than revenues for this reporting period. Total revenues were US\$1.97million and expenses were US\$2.71million.

3. Community Development Projects Funded by Carbon Revenue

WWCT: LCC projects: Three community development projects have been initiated and three projects have been completed during the reporting period across the Project funded by the carbon revenues supporting the following sectors: (i) water (construction of pipelines, harvesting and storage facilities); (ii) education (providing school furniture); and (iii) agriculture (construction of agri-business & forestry units).

WWCT: Bursaries: During 2016 education year, 30 students on Full Scholarships were supported through the Project towards their secondary and tertiary education.

4. Employment

- The Project employed total 298 full-time employees during the monitoring period, of whom 83 (28%) are female, and 283 (94%) are from the local community.
- 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:* a small but not insignificant portion of our 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 by supporting women and youth groups, community-based conservation organizations etc. during the reporting period. A total of 15 meetings/seminars were held involving 416 community members covering diverse topics ranging from women leadership and empowerment, reproductive health and family planning, financial literacy and management, conservation awareness, and products marketing.
- *Improving access to markets:* through use of technology, such as through the Wildlife Works' Export Processing Zone (EPZ) for apparel and *Hadithi* for community crafts. During the reporting year, 66 local community members were trained and employed in the EPZ, 46 (70%) being ladies, mainly as seamstresses but also in several printing and other support positions like sales and marketing. Additionally, 26 Women's Groups and one Group with Disability were subscribed under *Hadithi* comprising approximately 650 women and several men in the group. Through these efforts, a substantial amount of revenue from salaries or sales accrues to these local communities, especially directed to women.
- *Leveraging funds:* Wildlife Works activities and existing infrastructure including human resource, project and fiscal management structures, have enabled Wildlife Works leverage additional funds towards financing projects and activities that align with Wildlife Works' social and biodiversity goals. During the reporting period, two companies (ASOS and Elephant Conservation) have contributed towards implementation of six projects spanning water, education and agriculture across the Project.
- *Improving wildlife habitat and reducing Human Elephant Conflict(HEC):* During the reporting period, Wildlife Works has been working with Elephant Cooperation (<https://www.elephantcooperation.com/>) to construct a wildlife- only borehole 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.
- *Agriculture and livelihoods:* Wildlife Works is involved in the implementation of a 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>). Findings from this research on effectiveness of deterrents and crop selection on HEC will enhance the overall benefits from our Greenhouse and agriculture programme.

6. Reporting to Communities and Project Stakeholders

- *Landowners' meetings*: there were three landowner meetings held across the Project during the reporting period where the major agenda points included: the IFC deal, the LaPoste deal, *breakdown of income allocations by ranch based on these projected sales*, status of historic debts and 2015 sales information, and other potential deals and sales amongst other issues.
- *LCC (Locational Carbon Committee)/CBO (community based organizations) meetings*: 20 meetings were held with LCCs and 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.