



Environmental, Social & Governance Report
(Environment, Health & Safety, Social and Governance)

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Introduction

This is the Kilombero Valley Teak Company ('KVTC')'s fourth Environmental, Social and Governance ('ESG') Report which aims to inform our board of directors, the management team, our partners as well as other stakeholders on the actions KVTC takes to create a safe, environmentally responsible and transparent working environment for all our stakeholders.

The ESG report is an expansion on the previous monitoring reports and aims to include more information around the governance and management of the company.

KVTC teak plantations are interlinked with natural indigenous areas; these include evergreen forests, open to dense miombo woodlands, rivers, wetlands and grasslands with scattered trees.

KVTC is committed to maintain a high level of biodiversity within its landholding and believes this represents a value both to the business and to the communities surrounding the project.

KVTC furthermore strives to treat its employees as well as surrounding communities with respect and offers a safe working environment with growth opportunities for all parties involved in the management of the business.

This report contains the various plantations, social and environmental monitoring activities and reflects the present condition of the plantations.

This publication is public domain to allow interested persons to be informed on the achievements and the impact of activities on people and the environment at KVTC

Company Mission

Our mission is to produce high quality Teak timber products by adding value to resources from plantations which the Company has established, maintained and harvested on a sustainable basis by applying internationally accepted forestry, environmental, health, safety and social best operating practices

Company Vision

Our vision is to maintain and grow our teak plantations in a sustainable and economical manner. These plantations are the basis for long term growth and value creation and are guided by international best practices. The plantations and the products derived of the plantations will serve both domestic as well as export markets.

Our business operates closely with surrounding communities and (local) governments and the economic, social and environmental benefits are shared widely.

Organisational Structure

The Kilombero Valley Teak Company is a Tanzanian Limited Liability Company and was incorporated in 1992 with Certificate of Incorporation 2820.

The company's Head Quarters are in Mavimba Village, Ulanga District, Morogoro Region in Tanzania. The company has a support office in Dar es Salaam, the commercial capital of Tanzania, and correspondence can be addressed to PO Box 12452, Dar es Salaam, Tanzania.

The company primarily engages in the production of sawlogs for own consumption as well as domestic markets and the production of sawn timber and value-added products. In addition, the company sells biomass to industrial users.

The company operates a sawmill in Mavimba Village and has plantations in the Ulanga and Kilombero District of the Morogoro Region, Tanzania.

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Av. 2018	Av. 2017	Av. 2016	
Forests																
Nursery	No	24	21	19	17	15	16	15	16	15	15	14	14	17	17	19
Silviculture	No	108	65	76	79	69	60	55	91	91	92	92	90	81	85	82
Enumeration / Technical Team	No	8	8	8	8	8	8	8	8	8	8	8	8	8	8	9
Harvest & Haulage	No	33	33	33	33	31	35	34	34	29	24	25	25	31	33	30
Processing																
Sawmill	No	63	66	65	63	59	64	66	66	70	65	67	63	65	65	62
Kilns	No	3	3	3	3	2	3	3	3	3	3	3	3	3	3	3
Drymill	No	35	32	32	32	22	29	31	31	30	31	30	30	30	34	30
VAM	No	30	30	30	32	32	32	32	30	30	30	30	30	31	34	35
Sawshop	No	6	6	6	6	6	7	7	7	6	8	7	7	7	7	7
Support																
Admin & Finance	No	2	2	2	3	3	3	3	3	3	3	3	3	3	2	2
MV Workshop & Drivers	No	8	8	8	8	8	8	8	8	8	8	8	8	8	8	6
Engineering	No	9	9	9	9	9	9	9	9	10	10	10	10	9	9	9
Sawmill Admin	No	3	3	3	3	3	3	3	3	4	4	4	4	3	4	5
Tanzanian Management	No	29	32	32	32	32	31	31	29	30	31	31	31	31	29	27
Expatriate Management	No	5	5	5	5	5	5	5	5	6	5	5	5	5	5	5
Total Staff	No	366	323	331	333	304	313	310	343	342	338	337	331	331	343	331

The below table provides a snapshot of the employees as per 31st of December 2018:

Employee Snapshot Dec' 2018		
Female Caucasian	0	0%
Female Asian	1	1%
Female African	49	15%
Male Caucasian	4	1%
Male Asian	0	0%
Male African	277	84%
	331	100%

Organisational Changes

During the 2018 there have been no major changes in the organisational structure of the company.

The vacant seat on the board was taken up by Mr. David Parkhill effective April 2018.

External Charters, Principles and Initiatives

KVTC is committed to complying with national, international legislation, conventions, guidelines and best operating practises related to its businesses. Below an extract of the most important ones:

-) National Environmental Management Council's framework for Environmental and Social Impact Assessments and (External) Monitoring
-) Forest Stewardship Council (FSC)'s Principles and Criteria
-) International Labour Organisation (ILO)'s declaration on the Fundamental Principles and Rights at Work

-) ILO's standard for Forestry Workers
-) International Finance Corporation (IFC)'s Guidelines and Standards for Sawmilling and manufactured Wood Products as well as various other IFC standards
-) Occupational Health and Safety Authority compliance act.

Membership Associations

KVTC is a member of following organisations and associations

-) American Tanzanian Chamber of Commerce (discontinued at the end of 2018)
-) EU Business Group (with effect from 1st January 2019)
-) Association for Tanzanian Employers
-) CEO Roundtable
-) Teaknet
-) African Forestry

External Assessments

KVTC adheres to various international and national standards and undergoes environmental assessments for new activities. During 2014 and 2018 KVTC completed several external audits:

Date	Standard	Type	Results
Jul-14	FSC Controlled wood	Surveillance Audit	Successful
	FSC Chain of Custody	Surveillance Audit	Successful
	FSC Forest Management	3rd Party Audit	Successful but conversion principle excludes KVTC from full certification
Aug-14	ISO 14001	Re-certification Audit	Successful
	OSHAS 18001	Re-certification Audit	Successful
May-15	External Environmental Audit Processing Plants	External Audit	Accepted by NEMC
	External Environmental Plantation	External Audit	Accepted by NEMC
Jun-15	FSC Controlled wood	Surveillance Audit	Successful
	FSC Chain of Custody	Surveillance Audit	Successful
	FSC Forest Management	3rd Party Audit	Successful but conversion principle excludes KVTC from full certification
Nov-15	ISO 14001	Re-certification Audit	Successful
	OSHAS 18001	Re-certification Audit	Successful
Jun-16	FSC Controlled wood	Surveillance Audit	Successful
	FSC Chain of Custody	Surveillance Audit	Successful
	FSC Forest Management	3rd Party Audit	Successful but conversion principle excludes KVTC from full certification
Nov-16	ISO 14001 / OSHAS18001	Re-certification Audit	Successful
Jun-17	FSC Controlled wood	Surveillance Audit	Successful
	FSC Chain of Custody	Surveillance Audit	Successful
	FSC Forest Management	3rd Party Audit	Successful but conversion principle excludes KVTC from full certification
Sept-17	ISO 14001 / OSHAS18001	Re-certification Audit	Successful
Aug-18	FSC Controlled wood	Re-certification Audit	Successful
	FSC Chain of Custody	Re-certification Audit	Successful
	FSC Forest Management	3rd Party Audit	Successful but conversion principle excludes KVTC from full certification
Sept-18	ISO 14001 / OSHAS18001	Re-certification	Successful

Historic Performance External Audits

Below table shows a historic overview of KVTC performance during various audits

System	CAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ISO14001	Minor	0	2	0	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Major	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
OSHAS18001/ISO14001	Minor	N/A	N/A	N/A	N/A	6	4	2	3	2	2	4	2
	Major	N/A	N/A	N/A	N/A	0	0	0	0	0	0	0	0
TLTV	Minor	N/A	5	4	0	6	0	N/A	N/A	N/A	N/A	N/A	N/A
	Major	N/A	0	0	0	0	1	N/A	N/A	N/A	N/A	N/A	N/A
FSC FM	Minor	N/A	N/A	N/A	N/A	N/A	N/A	13	5	4	4	4	5
	Major	N/A	N/A	N/A	N/A	N/A	N/A	3	3	1	0	0	0
FSC CoC	Minor	N/A	N/A	N/A	N/A	N/A	N/A	4	0	0	0	0	0
	Major	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0	0	0
FSC CW	Minor	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0	0	0
	Major	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0	0	0
Total	Minor	0	7	4	5	12	4	15	8	4	6	8	7
	Major	0	0	0	0	0	1	3	3	1	0	0	0

Aspects and Impacts, Hazards and Risks

KVTC periodically identifies and updates the Impacts and Aspects of its operations the environment as well as the Hazards and Risks for its employees and stakeholders. The identification process is done through a ranking system that combines the likelihood as well as the severity of an incident to happen. Controls are introduced to reduce the ranking of a Hazard or Aspect.

-) **Occupational Health & Safety (OH&S):** Safety is a priority throughout KVTC's operations. KVTC has policies and procedures in place and there is extensive training of employees and managers in all aspects of OH&S
-) **Environment:** KVTC wishes to minimise the impact of its operations on the environment and wants to ensure its activities are environmentally sustainable and should have an overall net positive impact. The company monitors rainfall, stream flow, areas of special interest and maintains High Conservation Value Areas on its landholding. Over the years KVTC has worked extensively with external consultants and experts to ensure its plantation layout would not negatively impact the environment and allow for biodiversity protection and wildlife movement.

Monitoring

Monitoring and evaluation of forest and environmental conditions is continuously and adapting to the approach of managing the plantations. KVTC implemented a range of plantation and environmental monitoring activities aimed at collecting different types of information, these methods are depending on the FSC, OSHAS18001 and ISO 140001 principles and guidelines.

Plantation monitoring

The principle objective for the establishment of teak plantations was to establish teak on approximately 30% of the total land holding and to place the balance 70% of the land under a rigorous conservation regime.

To achieve this monitoring is undertaken in the plantations according to a set of standards and progress is measured over time. These subjects are covered in detail in the following paragraphs.

Extent of the plantations

Over time, since 1992, the teak compartments have been established in a mosaic pattern and are embedded into the natural landscape. The block design and mosaic pattern provide for wildlife corridors and buffer zones.



Figure 1: View of plantation and buffer mosaic from fire lookout tower.



Figure 2: High biodiversity buffer zone neighbouring a teak stand in Mafinji plantation.

Table 4: Break Down of KVTC Land Holding (Source 2013 Satellite Survey Unique Forestry)

2013 Sat Survey		Nakafulu (C)	Mafinji (D)	Ichima (A)	Narabungo (B)	Total
Evergreen	ha	1,303	2,149	669	48	4,169
Dense Miombo	ha	5,929	2,045	1338	777	10,089
Open Miombo	ha	1,344	286	143	501	2,274
Woodland	ha	8,576	4,480	2,150	1,326	16,532
Open / Grassland	ha	3,250	1,357	69	110	4,786
Teak Compartments	ha	3,643	2,960	740	708	8,051
Total Area	ha	15,469	8,797	2,959	2,144	29,369

Currently KVTC plantations cover 29% of the total land holding and indigenous woodlands and other infrastructure areas cover 71%.

Permanent sample plots – PSP’s

In order to collect sufficient time series data on the growth of teak for use in the development and calibration of growth and yield models, KVTC has established a comprehensive system of PSP’s. A total of 122 PSP’s was established over the range of growing sites and age profile at KVTC.

An 11.28-meter circle plot (0.004 of a hectare) is established in the selected area in a compartment. All trees are marked individually with a permanent marking paint. All trees are measured for DBH and 4 pairs of 4 trees each are assessed for height. The height pairs are selected for their height classes’ e.g. small, medium, large, and very large within the PSP plot. These plots are assessed and measured on a yearly basis and the data electronically captured and stored in a database for further analysis.

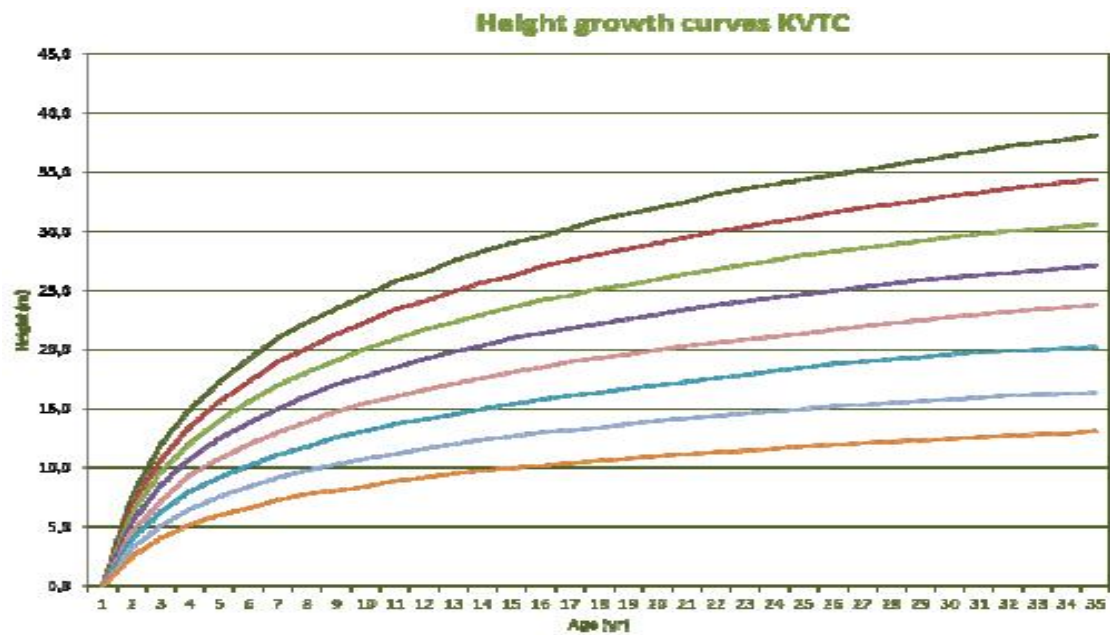


Figure 3: Growth curves based upon data collected from Permanent Sample Plots (PSPs) on eight different growth site classes

Soil evaluation

When comparing the mean growth of teak between different sites, soil is the most influential factor to understand for further improved insight and management intervention.

Teak being such a soil-sensitive tree, a soil monitoring and evaluation program was implemented in order to get a better understanding of growing site conditions and performance. The results of the ongoing evaluations lead to more accurate growth predictions, as well as better management regimes and fertilizer strategies.

Results of the soil analyses are in analytical report form and comparisons are done between different areas to identify factors influencing tree performance.

In 2014 the company undertook a larger soil study to develop a broader classification of growing zones. The result of this work has been incorporated in management plans.

Forest production

The annual allowable cut is determined through the Microforest system by running a simulation with the Harvest Scheduler Simulator - HSS. The annual allowable cut is the utilizable volume that can be harvested each year without compromising the long-term sustainable timber supply. This is expressed as cubic meter (m³) per year and takes into consideration the current stands with their unique parameters and management regimes. The optimum sustained volume is an indication of business sustainability and maximum volume production.

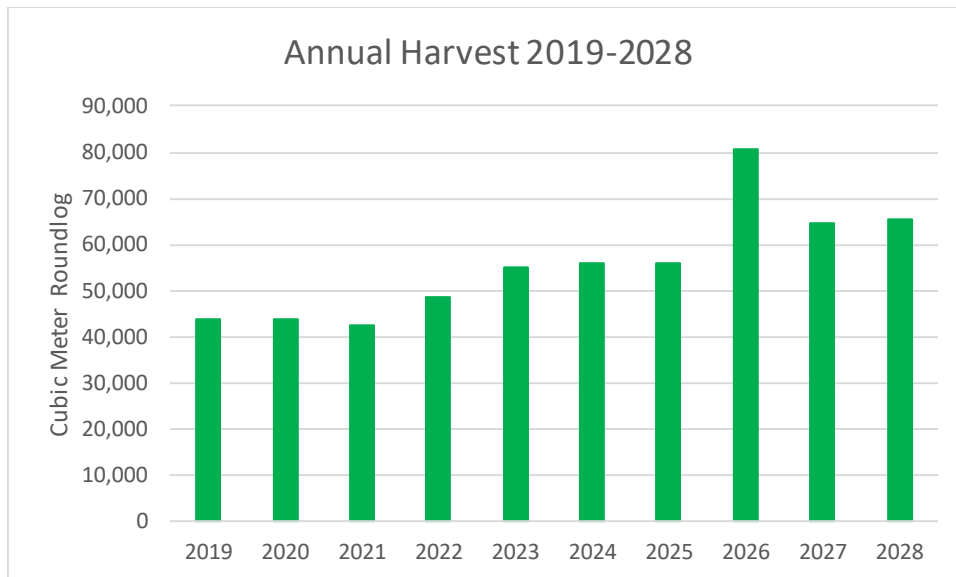


Figure 4: Harvest Scheduler Simulator (HSS run –Nov ‘18) output showing annual allowable cut over the next 10 years.

Forest inventory

Forest inventory is a high precision operation. Future management decisions, forecasts and volume estimates are based on data that the enumeration teams collect. KVTC uses circular plots for forest inventory work, although special circumstances may require other types of inventory.

-) The required radius of circular plots is 12.6 m (giving a 500 m² plot).
-) A ratio of **two plots per hectare** is used giving a sampling intensity of 10%.
-) All DBH's per plot are measured, excluding dead trees and regeneration.
-) The minimum number of plots per compartment is equal to 10% of the area.
-) At least 30 DBH/height pairs per compartment, or two pairs per plot (whichever is the greater) are measured. To ensure an unbiased selection of trees for height measurements, the two trees closest to the plot centre are selected.



Figure 5: Diameter at Breast Height (DBH) measurement being conducted using Masser Calliper during an enumeration exercise

Herbicide use

The use of chemicals is controlled, and a process of authorization is followed in accordance with set procedures. Only chemicals on the company's chemical approved list may be used. All chemicals must be legally registered within Tanzania and conform to the chemical policy guidelines of the Forest Stewardship Council (FSC). Chemical spillage emergency procedures are in place and reviewed periodically. Chemical usage is continuously monitored through the "Job Instruction" process and records are kept; actual vs. planned consumption is compared per liter per hectare according to the prescription.

Water quality

River water quality monitoring is being carried out in compliance with the FSC and ISO 14001 requirements. The monitoring sites are located throughout water courses that pass through KVTC land or could be affected by KVTC operations.



Figure 6: Identification of macro-invertebrates according to the Mini-SASS monitoring protocol

Mini SASS (South African Scoring System) is used to measure the health of aquatic communities and the general quality of the water in those communities. Monitoring procedures based on the biota measure the health of a river and the ability of aquatic systems to support life, as opposed to simply characterizing the chemical and physical components of a system. Monitoring is done annually, and the results of the rivers monitored in 2018 are shown on

figure 7. The results of monitoring between 2012 and 2018, 98% of Mafinji River had experienced natural and good condition. Only Mafinji low had experienced fair condition due to of cattle grazing and domestic uses from Madabadaba village as shown in table 6.

Table 5: Summary of timing of KVTC’s river health sampling over last 9 years in terms of month and rainfall

Year	Month	Season
2008	October	Dry
2009	November	Dry (end)
2010	December	Rains
2011	September	Dry
2012	May	Rains (end)
2013	June/July	Rains (end)
2014	September	Dry
2015	November	Dry (end)
2016	August	Dry
2016	December	Dry (end)
2017	September	Dry
2018	October 2018	Dry

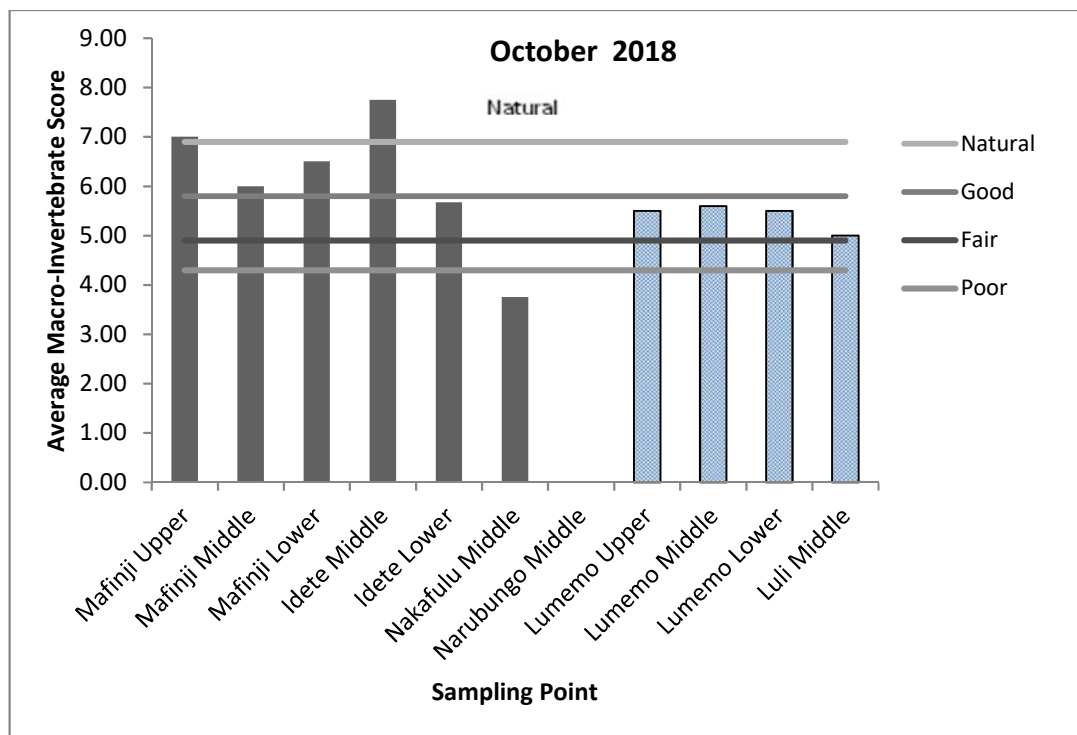


Figure 7: Mini-SASS biodiversity average scores for September 2018 river health monitoring. Note: Chequered bars are those rivers falling outside KVTC Plantation

Table 6: Historic Overview of monitoring results since May 2012 to Sept 2017 for all rivers within and outside KVTC land

Date/Year	Monitoring Point										
	Mafinji Upper	Mafinji Middle	Mafinji Lower	Lumemo Upper	Lumemo Middle	Lumemo Lower	Idete Middle	Idete Lower	Nakafulu Middle	Narubungo Middle	Luli
May-2012	Good	Good	Natural	Natural	Natural	Natural	Good	Good	Poor	Poor	N/A
Nov-2012	Natural	Natural	Fair	N/A	N/A	N/A	Natural	Natural	Poor	N/A	N/A
Jun-2013	Natural	Natural	Natural	Good	Natural	Natural	Good	Natural	Good	Good	Good
Dec-2013	Natural	Natural	Good	Good	Natural	Fair	Good	Good	N/A	N/A	Good
Sep-2014	Natural	Natural	Natural	Good	Fair	Fair	Good	Fair	Fair	N/A	Fair
Nov-2015	Natural	Good	Good	Fair	Good	Poor	Natural	Good	N/A	N/A	Poor
Aug-2016	Natural	Natural	Natural	Fair	Fair	Fair	Natural	Good	Good	Good	Natural
Dec-2016	Natural	Natural	Fair	Fair	Natural	Poor	Natural	Fair	Poor	N/A	Fair
Sep-2017	Natural	Good	Natural	Fair	Poor	Fair	Natural	Fair	Fair	Fair	Fair
Oct-2018	Natural	Good	Good	Fair	Fair	Fair	Natural	Fair	Poor	N/A	Poor



Figure 8: Mini-SASS river sampling being carried out on Nakafulu River (Humbulu drift)

Areas of Special Interest – ASI

The KVTC Area of Special Interest (ASI) database is an archive of locations within the plantation that are significant for archaeological, historical, cultural, or environmental reasons. These locations warrant specific attention and/or management to preserve their integrity; annual monitoring is carried out in order to assess the status of each site, and to review the effectiveness of the prescribed management. About 12 ASI sites were identified completely lost and recommended to be removed from the lists as they are not active.

Most of the factors influencing the presence of ASI are external factors like pastoralism, illegal logging, firewood collection, charcoal making, poaching and land encroachment

KVTC continues its various conservation measures and seeking for more assistance from the government authorities and various stakeholders to the issues beyond its capacity, in order to protect and recover the ASI sites as they form an important record of the change over time and they are symptoms of the larger changes taking place in the Kilombero Valley.

Monitoring was performed, and the register updated during September and October 2018.

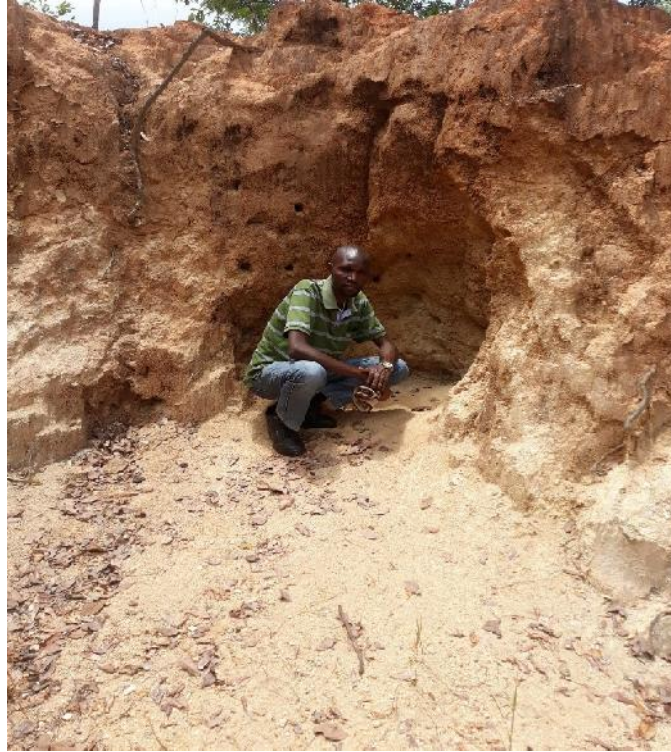


Figure 9: An active elephant mineral lick at Naka2 where elephants and other large wild mammals to derive calcium from.

Red data species protection

CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival.

Tanzania ratified the convention; and KVTC has identified species present on company land included on the CITES database.

The species included in Annexure B have been identified as species that are or may be at risk of becoming extinct on a global or regional level. KVTC policies and procedures ensure that a safe habitat for all species living on company property is provided, whether they are at risk or not. This was achieved by limiting the modification of natural woodland only to areas where the impacts will be small and where mitigation is possible (such as leaving substantial natural corridors linking large habitat areas).

Comprehensive pre-felling assessments take all fauna and flora aspects of a particular area into consideration. This process has ensured that all species present has been able to continue living on KVTC land.

Individual trees identified within the property of KVTC for their aesthetic and genetic potential are protected and listed in the ASI register.



Figure 10: Dalbergia Mmelanoxyton (Mpingo) tree in Mafinji (Mgombalenga) plantation; this particular tree is listed in the ASI (Area of Special Interest) register

Illegal Logging and encroachment

KVTC manages approximately 20,000ha of conservation land consisting of Miombo woodlands (16,000ha) and grass- and wetlands (4,000ha). KVTC has succeeded to conserve and maintain the natural woodland through its various conservation measures. However, it is challenged by increasing level of land encroachment, overgrazing, illegal logging on both teak and natural forest, all these are due to increased population which creates pressure for the need of various resources like, building materials and extensive farming and therefore threaten the conservation efforts.

KVTC does engage various stakeholders, government authorities for more support on the issues beyond its capacity to ensure the forest is conserved for sustainable benefits.



Figure 11: Charcoal Kiln preparation in block 'C' Nakafulu

Stakeholder Relations and Community Development

Communication and Consultation

KVTC's Community Investment program is designed to secure, maintain and strengthen its 'Social license to operate'. Communicating actively and repeatedly about this program is an integral part of the process.

Communicating with our neighbours and operating as part of the community is important to us. To maintain our two-way dialogue with stakeholders, KVTC:

- Ensures an open and transparent relationship with local people, politicians, community representatives and other local groups through provision of information about the operations and policies of KVTC.
- Ensures that its employees and senior executives are kept informed about the company's community involvement and strategies.
- Trains its employees and executives to be ambassadors for the company and all are expected to be aware of the company's strategy towards the communities and to play an active role in realizing this strategy.
- Provides information through verbal communication, radio programs public notices and sometimes electronic formats accessible to all individuals as far as reasonably practicable
- Seeks opinions and views on matters affecting local people working or engaging with KVTC
- Audits of KVTC contractors and consulting of contractor employees
- Provides a forum for discussions about the Company

Mitiki Workers' SACCOS

KVTC's workers' Saving and Credit Cooperative Society (SACCOS) was established in May 2001 in order to provide members with an opportunity to invest their savings and to gain access to soft credits. Mitiki SACCOS provides loans to members ranging from small loans for school fees and agricultural inputs to larger loans for house construction as well as farming implements.

Membership of Mitiki SACCOS is on a voluntary basis and a total of 70 staff are currently registered. KVTC has contributed 3,000,000 to Mitiki SACCOS. At present SACCOS shares and reserve stand at 25 million and 120 million Tanzanian Shillings respectively. At the end of 2016 KVTC provided a capital injection to further grow Mitiki SACCOS' activities this loan was fully repaid at the beginning of 2018.

Mitiki Workers SACCOS is registered with registration no MGR 313 and operates under Tanzania Co-operative Act No 20 Of 2003. It managing its affairs based on the relevant law and its regulation. The Society has a board responsible for policy of the society, employing staff when the need arises. Every member has a say through ballot box by electing Board members and passing resolutions through General Assembly.

Social Fund

The Social Fund is a novel way to provide continuous support to communities that have granted land to KVTC for its forestry and processing operations.

The concept of the social Fund is that annually KVTC will make an available a sum of money towards a selected community project in each of the 17 associated villages. Fund made available through the social fund are deposited in a joint account and will only be released against an approved project.

In recent years money from the social fund has been used for infrastructure projects, educational projects, community projects and many others. During 2018 a total amount of around \$35k was disbursed. Since 2002 an amount of approximately \$450,000 has been disbursed through the Social Fund program.

During 2018 approved projects monetary value worth 116m TZS whereby Social fund money spent was 60m TZS (52%) and other sources of funding amounted to 56m (48%).

Health Care

It is in the interest of the company to operate in a healthy community from which it can recruit future staff. To support its neighbours and staff KVTC engages in following health activities:

- Employees undergo an annual medical check
- A dispensary is available at the processing site for staff to receive first aid and initial diagnosis of injuries or illnesses.
- KVTC provides medical support to staff and their immediate families
- KVTC has a system of Peer Health Educators in its associated villages; these PHE's provide training and raise awareness among villagers on most prevalent diseases such as malaria, typhoid as well as HIV/AIDS
- KVTC holds village seminars as well as work place seminars where villagers as staff are educated on the risks of HIV/AIDS
- KVTC provides free condoms at the work place
- KVTC bring awareness to their employees and contractors on occupational diseases and work place hazards
- KVTC provides First Aid Training to both employees as well as contractors

Table 8: HIV Test Records 2018

2018 HIV testing statistics	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	2018
Positive	0	0	0	0	1	1	0	0	0	0	0	0	2
Negative	0	17	14	8	7	22	16	25	10	44	43	1	207
Total tested	0	17	14	8	8	23	16	25	10	44	43	1	209

Village Contracts

KVTC believes incentives are to be offered for services that associated villages can provide and that have a common goal, i.e. control of poaching, encroachment and illegal logging as well as fire prevention and firefighting.

KVTC engages with its associated villages through a system of Village Contracts. Under these contracts trained Game Scouts from surrounding villages assist with cleaning boundaries of KVTC land, do patrols to avoid illegal logging or poaching and ensure that no land encroachment takes place. The Game Scouts also play an important role in monitoring and recording movements of wildlife.

In events of fire in or around the plantations the villages make available villagers that work together with KVTC staff in fighting or preventing fires.

Attached to the Village Contract is a bonus scheme where villagers are rewarded if incidents of illegal logging, poaching or fire are prevented during a year.

KVTC has budgeted approximately 100m Tshs for 2018 towards village contracts and village bonuses.

The annual village bonuses are awarded during the Annual Village Seminar which is a forum where associated villages can engage with KVTC and discuss performance, concerns and table specific requests.

Village out Grower Project

KVTC realizes that in order to be aligned with its associated villages it needs to share a common goal as well as offer income generating activities.

In 2008 KVTC embarked on a Village Out Grower Project where annually teak plantations are being established in the associated villages. KVTC finances the establishment and maintenance of these new teak plantations and guarantees a market at a minimum age of 15 years for the trees. The Village is the owner of the new plantations and KVTC holds a right of first refusal to the trees. Approximately 67 hectares of new plantings have been established however in 2012 the program was replaced with the Out-grower Support Program.

Out Grower Support Program ('OSP')

As KVTC has seized its planting program of new areas within its own landholding, this leaves out grower teak establishment as the next option to grow its business. By establishing a thriving out grower community, the company aligns itself with the surrounding communities.

The overall objective of the project is to reduce poverty by establishing plantations that contribute effectively and sustainably to improving the lives of poorer members of the community whilst at the same time offering alternatives to more environmentally destructive manners of generating income, i.e. illegal logging, poaching and/or charcoal production.

KVTC has started the Out-grower Support Program (‘OSP’) in 2012 with a first trial planting season of 17hectares although applications far exceeded this number of hectares. In 2014 KVTC entered a dialogue with its development partners on how to expand and provide finance for an expanded out-grower program. The Program has expanded aggressively since then and currently the OSP program is roughly 1,250ha of teak plantations with close to 500 farmers. During 2018 direct support to farmers amounted to 190m TZS with extension services and inputs being a multiple of this.

External Log Purchase

On 2018 KVTC started to purchase logs from external farmers who grew teak by their own initiatives. Close to 1,000m³ were purchased from all three districts (Ulanga, Malinyi and Kilombero District) resulting in revenues of 250m TZS for farmers, contractors and government

Table 9: Development of Village and OSP Programs at KVTC

Year	Type	Active areas	Cumulative
		ha	ha
2008	Village	3	3
2009	Village	24	27
2010	Village	23	50
2011	Village	17	67
2012	OSP	17	84
2013	OSP	37	121
2014	OSP	50	170
2015	OSP	219	389
2016	OSP	269	658
2017	OSP	350	1,008
2018	OSP	250	1,258
2019 (est.)	OSP	75	1,333

Currently three dedicated Out grower Managers drive the OSP program and improve quality and quantity of planted areas.

Community Radio Program

The Company always seeks for novel ways of communicating its messages to its stakeholders in the Ulanga, Malinyi and Kilombero Districts. The Radio operates a FM radio station with coverage in the Ulanga, Malinyi and Kilombero Districts. The Parties have a joint undertaking to use the radio station as a way to:

-) Communicate information, reports and regular news to encourage greater understanding of the Company’s operations and business practices
-) Receive feedback from stakeholders on the company’s performance and community perception of the company’s operations and activities.

-) Use the radio station educate the community on matters related to fire management, conservation and forest economic opportunities
-) Engage with educational institutions to make students and staff aware of employment and training opportunities as well as project and research work.

On 2018 the Company Social Manager has organised 52 radio programs where by various KVTC staffs have attended to Pambazuko radio located Ifakara town to express various activities and projects done by KVTC.

Annual Consultative meeting

Each year, KVTC update its stakeholders register list and invite them to the annual consultative meeting. The invitees are KVTC Participating village chairmen, executive officer, Honourable Ward councillors, Ward executive officer, division officers, community development officers, Local forest technical staff, District Council chairperson, NGO and local mass media representatives.

Main objective is to give local stakeholder a platform for receiving a feedback and exchanging information on the company operational activities and an opportunity to comment on company operations.

In 2018 the meeting was not done as the company was waiting to the resolve dialogue with Mavimba village on development agreement and finally the MOU was signed at the end of December.

Joint Forest Management

KVC continues to explore the possibility to develop a program that would bring more benefits from the conservation forest areas to the surrounding communities. Various dialogues with potential funders are underway and management is hopeful that more developments will take place during 2019.

KVTC newsletter

In order to improve communication with the communities, out growers local government and other stakeholders, KVTC has established a quarterly newsletter which is being distributed to all surrounding communities, district authorities and other stakeholders. Previous versions of the company newsletter can be found on the KVTC website under the download section: www.kvtc-tz.com/downloads

Canteen Service

KVTC Management together with the workers union representatives agreed to build a canteen at Mavimba sawmill where all processing staffs and Managers based at Mavimba will be getting tee in the morning and lunch during the afternoon. The building has already started, and the services will start soon after finishing the building work. A contract has been signed between the service provider and KVTC Management.

KVTC Essay Contest

KVTC Management organized an essay contest open to all ordinary secondary schools in the KVTC surrounding villages. The aim of the contest was to tie together knowledge, creativity and understanding to youth on promoting the sustainable environmental social economic development.

The title of the essay was “*what are the main challenges of development in Kilombero Valley and how can they be solved*”

KVTC received total of fourteen essays from six secondary schools and the marking is scheduled to be done in February 2019. Marking will be done by both school teachers and KVTC staffs.

Forest and Wood Industries Trade fair

On 20th and 21st March 2018 KVTC attended a trade fair organised by PFP at Mafinga. KVTC used this opportunity to express teak forest products to the local Market and knowledge of growing teak to other regions.



Figure 12: KVTC representative explaining about teak wood product during trade fair at Mafinga

KVTC Biomass Challenge

Most households in Tanzania depend on firewood and charcoal for their energy needs and with a growing population this is resulting in ever increasing pressure on Tanzania’s forests.

KVTC operates a forest plantation and sawmill in the Ulanga District (Morogoro) and supplies round logs to an additional four sawmills in the area. All sawmills are generating significant amounts of unutilized by-products from their milling operations

KVTC believes that finding solutions to sawmill residues can offer some solution to Tanzania’s energy needs and assist in reducing deforestation whilst at the same time offer economic opportunities for the company to monetize its waste products

Sustainable Carbon Cycles Industry (SCCI) submitted the winning bid for the KVTC Charcoal and Biomass Challenge. KVTC is looking forward working with SCCI in implementing the solution.

Collective Agreement Union

KVTC has an annual mechanism through which a collective agreement is reached with the Tanzania Plantation and Agricultural Workers Union (‘TPAWU’). This agreement governs the interaction with as well as provides rules and obligations for company and employees. Union

members as well as all other staff are kept up to date of the company's Occupational Health and Safety Policy as well as any changes in the company's Staff and Administrative Instructions.

Monitoring of Accidents, Injuries (Disabling and Non-Disabling)

All accidents, near misses or any other incidents are being recorded at KVTC and undergo a formal investigation with recommendations and actions which are reviewed and approved by senior management.

KVTC has a full-time clinical officer, nurse officer as well as a dedicated HSE Manager to look after the safety and well-being of our employees.

KVTC monitors disabling and non-disabling injuries and reports these monthly to the Criterion Africa Partners (CAP) group companies.

Training

Human capital is one of the most important assets of any company. In a country where schooling and education is problematic KVTC has a policy to develop and maintain a solid and well-balanced organization and staff complement capable of performing the duties of the company properly and thus special consideration is paid to training and development of the company employees. Training is provided both on the job, through in-house courses as well as by bringing in trainers from other areas or sending staff to courses within as well as outside of the country.

During 2018 a total of 150 people were trained in following fields:

-) Finance Management for Non - Financial Managers (ATE)
-) Managing Workplace Conflicts (ATE)
-) Human Resources Metrics & Analysis (ATE)
-) Chemical Management and Control Act Cap 182. (Government chemist)
-) In-house training on "The use of fire equipment"
-) First Aid Training (in house)
-) Safety and Health Representatives Training (by OHSA)
-) Industrial First Aid Training (by OHSA)
-) Trade Unions Leadership and Art of Communications (By Tanzania Labour Collage)
-) Collective Bargaining and Negotiations Strategies (By Tanzania Labour Collage)
-) Forestry Summer School (CMO) South Africa
-) Chainsaw Course (CMO)
-) IFRS Training (NBAA Mbeya)
-) IFRS Training (PWC DSM)
-) Effective leadership skills (ATE)

BeHave Software Application.

On 2018 the company started to implement the application of BeHave software after conducting software training done in December 2017, BeHave is a behavioural-based capacity-building software system that uses a fully electronic assessment system to evaluate skilled and semi-skilled workers on a one-on-one basis. It includes contractor worker. Key components of BeHave are:

- J Work study assessments that can be done on a site by site basis by company staff or contractors.
- J Identifying and assessing of key jobs of forestry company workers and contractor workers, starting with the highest risk jobs first (HIRAC). Assessments are also based on the Plan/Do/Check/Act (PDCA) and SPEQS (Safety, Productivity, Environmental, Quality and Social).
- J BeHave also forms the backbone of the internal audit system within the company and may include defined formal audits that supervisors and management should do.
- J Key competencies are then re-evaluated on a predetermined basis thereafter based on risk and doing corrective training or taking corrective management steps, where necessary.

Governance

The highest body at KVTC is the Board of Directors which currently consists of four Directors (with one vacancy). The board meets three times per annum of which one meeting is held at the company Head Quarters in Mavimba.

On a monthly basis the General Manager circulates a detailed report (including issues related to health, safety and environment) to the board and in addition the Chief Financial Officer prepares a monthly set of Management accounts for the board.

Board of Directors

The Board of Directors of KVTC is responsible for the governance of the company and for the proper organisation of its activities in accordance with the Memorandum of Articles of Association. The board establishes the strategy and organization of the company and appoints the CEO/GM who acts in accordance with the instructions of the board and is responsible for the day to day management of the company.

Currently the composition of the board of directors is as follow:

- | | |
|-----------------------|--|
| - Amb. Ami Mpungwe | Tanzanian (Chairman) |
| - Amb. Juma Mwapachu | Tanzanian |
| - Mr Jim Heyes | American |
| - Mr Ilkka Norjamakki | Finnish |
| - Mr Ole Sand | Norwegian (Mr. Sand is an alternate to Mr Heyes) |
| - Mr David Parkhill | Irish (joined April 2018) |

The Chief Executive Officer of the company is Mr Hans Lemm a Dutch National.

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