



Kilombero Valley
TEAK COMPANY



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

2017- 2021

Updated March 2022 by:

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1. Introduction.

This is the Kilombero Valley Teak Company ('KVTC')'s seventh Environmental, Social and Governance ('ESG') Report which aims to inform all key stakeholders on the actions KVTC takes to create a safe, environmentally responsible and transparent working environment for all its stake holders. The format of the report has been modified so that it also serves as the company ESG Monitoring report.

The company established a long-term monitoring strategy that gives management baseline information and detects changes over time to enable management to implement the correct mitigating interventions when required.

This report covers the company's five-year monitoring programme from 2017 to 2021.

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 is available to the public to allow interested persons to be informed on the achievements and the impact of activities on people and the environment at KVTC.

2. Company Mission

KVTC's mission is to produce high quality Teak timber products by adding value to resources from plantations which the Company establishes, maintains, and harvests on a sustainable basis by applying internationally accepted forestry, environmental, health, safety, and social best operating practices.

3. Company Vision

Our vision is to maintain and grow our teak plantations in a socially, environmentally, and financially sustainable and responsible manner. These plantations are the basis for long term growth and value creation and are guided by international best practices. The company's products will serve both domestic as well as export markets.

KVTC works closely with surrounding communities and (local) governments for mutual economic, social, and environmental benefit.

4. 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 at 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 P O Box 12452, Dar es Salaam, Tanzania.

The company primarily engages in the production of sawlogs for sale and own processing of sawn timber and value-added products that are sold in both export and domestic markets.

The company operates a sawmill at Mavimba Village and has plantations in the Ulanga, Malinyi and Mlimba (formerly Kilombero) Districts of the Morogoro Region, Tanzania.

5. Organisational Changes

During the 2021 Mr Gustav Sahlertz took over as the new Operations Manager. Mr Sahlertz has more than 35 years' experience in both forestry and wood processing industries and most of that in senior management positions.

6. External Charters, Principles, and Initiatives

KVTC is committed to complying with national legislation, international and national conventions, guidelines, and best operating practises related to its businesses. Below is 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.

7. Membership Associations

KVTC is a member of following organisations and associations.

- EU Business Group
- Association for Tanzanian Employers
- CEO Roundtable
- Teaknet
- African Forestry

8. Monitoring

Monitoring and evaluation of forest and environmental conditions is continuously adapting to the approach of managing the company's operations. KVTC implemented a range of monitoring activities aimed at collecting different types of information. These methods are based on the FSC, ISO 45001 and ISO 14001 principles and guidelines.

The framework adopted by the company is depicted in tabular form below:

Level of monitoring	Details	Monitoring programs
Safety Monitoring		
Safety monitoring	Monitoring of employee safety at work to detect trends and implement corrective action.	<ul style="list-style-type: none"> • Accident statistics monitoring • Legal compliance monitoring
Employee health monitoring		
Health monitoring	Monitoring of employee health to support prescription of appropriate interventions	<ul style="list-style-type: none"> • HIV and malaria monitoring • Covid-19 monitoring
Environmental Monitoring		
Land use & practices monitoring	Monitoring changes in land use, practices and land cover to enable management to design and implement mitigating interventions when necessary	<ul style="list-style-type: none"> • Plantation monitoring • Herbicide use monitoring. • Land cover monitoring
Water quality monitoring	Monitoring the health of water bodies to ensure that the quality of the water and the life that it supports is not negatively impacted by forestry activities.	<ul style="list-style-type: none"> • River health monitoring
Biodiversity monitoring	Identification and monitoring of the variety, extent & health of various ecosystems on KVTC property and mitigate the adverse impact of forestry activities on them.	<ul style="list-style-type: none"> • Areas of special interest monitoring • RTE species monitoring
Environmental Incidents	Report and investigate environmental incidents to address impacts and avoid repeats.	<ul style="list-style-type: none"> • Uncontrolled fires monitoring • Illegal logging monitoring
Socio-economic impact monitoring		
Development impact	Monitor the impact of KVTC on local communities and development to enable the company to take corrective action when negative trends develop.	<ul style="list-style-type: none"> • Socio-economic impact monitoring. • Gender balance monitoring

8.1. Safety monitoring

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

KVTC recognises that its activities, can have an impact on the Health and Safety of its employees, contractors and visitors. The company will manage its operations in such a way as to minimise Health and Safety risks.

The company will achieve and uphold this policy by continuous measurement of accident and incident rates and by identifying risks and opportunities. Continual improvement will be instituted in relation to these risks.

KVTC will meet all laws and regulations covering Health and Safety of employees and their families. KVTC also subscribes to OHS ISO 45001:2018 standards, IFC Industry Guidelines and FSC Health and Safety related principles

All accidents, near misses or any other incidents are recorded at KVTC. There is a formal investigation of every accident with recommendations and corrective actions which are reviewed and approved by senior management.

KVTC has a full-time clinic 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 board of directors and Criterion Africa Partners (CAP) group companies.

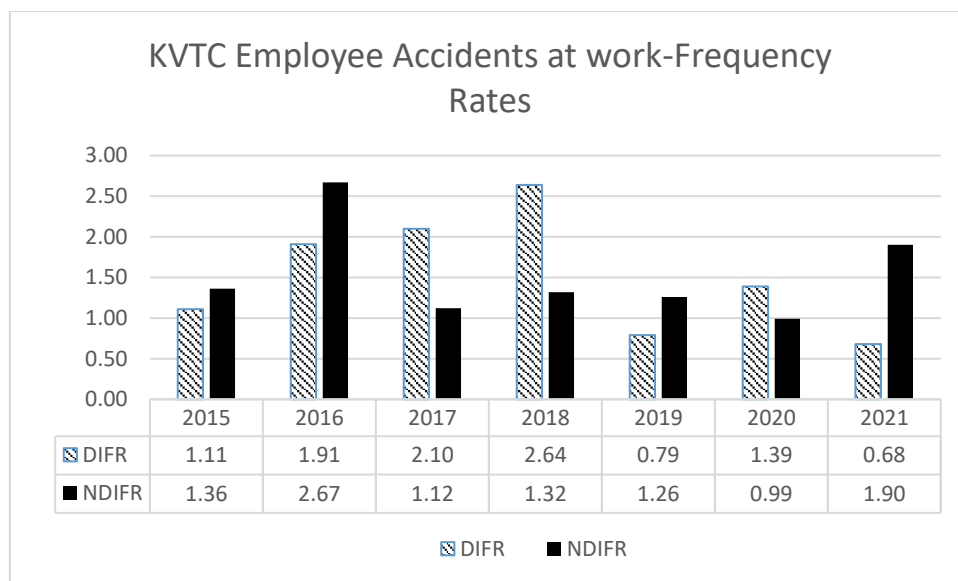


Chart 1: Graphs showing the trend of accidents frequency rate since 2015 to 2021.

Legal & safety standards compliance monitoring

KVTC adheres to various international and national standards and undergoes assessments every year. From 2017 to 2021, KVTC completed several external audits whose results are summarised in Table 1 below:

Table 1 KVTC external audit results

Date	Standard	Type	Results
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
Aug-19	FSC Forest Management	3rd part audit	Successful but conversion principle excludes KVTC from full certification
Sep-19	ISO 14001 / OSHAS18001	Re-certification	Successful
Aug-20	FSC Forest Management	3rd part audit	Successful but conversion principle excludes KVTC from full certification
Sep-20	ISO 14001 / ISO 45001	Re-certification	Successful
Aug-21	FSC Forest Management	3rd part audit	Successful but conversion principle excludes KVTC from full certification
Sep-21	ISO 14001 / ISO 45001	Re-certification	Successful

Table 2 below shows a historic overview of KVTC's performance during various audits.

Table 2 KVTC external audit results-CARs

Scheme	CAR	2017	2018	2019	2020	2021
ISO14001	Minor	N/A	N/A	1	0	1
	Major	N/A	N/A	0	0	0
OSHAS18001 /ISO 45001	Minor	4	2	1	3	0
	Major	0	0	0	0	0
FSC FM	Minor	4	5	2	1	2
	Major	0	0	0	0	0
Total	Minor	8	7	4	4	3
	Major	0	0	0	0	0

Recommendations from monitoring results

- Improve management of safety system to eliminate CARS from ISO 45001 and ISO14001 audits.

8.2. Employee health monitoring

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

- Employees undergo an annual medical examination.
- A dispensary is available at the processing site for employees to receive first aid and initial diagnosis of injuries or illnesses.
- KVTC provides medical support to employees and their immediate families.
- KVTC holds workplace seminars where employees are educated on the prevention and risks of infection with HIV/AIDS and Covid-19.
- KVTC provides free condoms at the workplace.
- KVTC brings awareness to its employees and contractors on occupational diseases and workplace hazards.
- KVTC provides First Aid Training to both employees as well as contractors.

HIV & Malaria Monitoring.

Table 3: HIV Test Records 2017-2021

	HIV				
	2017	2018	2019	2020	2021
Positive	1	2	0	0	0
Negative	171	207	190	94	107
Total	172	209	190	94	107

Table 4: Malaria Test Records 2017-2021

	Malaria Tests				
	2017	2018	2019	2020	2021
Positive	290	178	107	78	74
Negative	450	319	294	177	265
Total	740	497	401	255	339

COVID -19 Pandemic monitoring

The eruption of COVID-19 pandemic affected almost everyone around the world, some more than others, but it affected business globally.

At KVTC, the pandemic affected the company business as many countries went on lock down particularly in 2020. There was no lock down in Tanzania, but KVTC was negatively affected mainly due to disruption of shipping and the resultant increased cost of doing business.

The company's employees developed the protocol developed to ensure that all people who come to work are safe. The protocol aimed at preventing the infection and spread of coronavirus to KVTC employees, visitors, and contractors. The company took measures based on government and World Health Organisation guidelines. All employees and contractors were encouraged to go for vaccination. 82 employees were vaccinated voluntarily at various health institutions.

One employee at KVTC tested positive for Covid-19 but recovered quickly.

Table 5: COVID 19 Test Records 2021

	COVID -19				
	2017	2018	2019	2020	2021
Positive	N/A	N/A	N/A	0	1
Negative	N/A	NA	N/A	9	29
Total	N/A	N/	N/A	9	30

Recommendations from monitoring results

- Covid-19 prevention, surveillance, testing, and vaccination need to be stepped up.

8.3. Environmental monitoring

KVTC recognises that its developments and activities in the Kilombero valley will have environmental impacts in the areas managed by the company. The company will manage its operations in such a way as to minimise the negative effects of these impacts. The company will adhere to all applicable legislation. The company will take account of relevant international / regional conventions, treaties and environmental agreements of the country. The company will adhere to Criterion Africa Partners and Finn Fund environmental policies, the ISO 14001:2004 management system as well as the FSC Principles and Criteria governing Environmental Management. The company will achieve this aim by identifying negative environmental impacts and institute a programme of continuous improvement in relation to these impacts. In order to achieve this, the company will operate according to the following principles and monitor its performance in respect of them.

KVTC will promote the conservation of biodiversity within its landholding. A significant portion of the land will be managed with the primary objective of maintaining Miombo woodland related biodiversity. Rare, endangered, and protected species or areas that have high biodiversity will be identified and protected from damage. A representative network of habitat types will be preserved. Obstacles to the free movement of animals and plants will be minimised.

Land use and practices monitoring

Plantation extent monitoring

The principal objective for the establishment of teak, plantations was to plant 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.

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 zones.



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

Table 6: Break Down of KVTC Land Holding :2017-2021

	Year				
	2017	2018	2019	2020	2021
Area under management	Hectares				
Planted	7,631	7,599	7,376	7,393	7,323
Temporarily unplanted (TUP)	332	365	587	570	640
Sub-toal	7,963	7,963	7,963	7,963	7,963
Infrastructure	256	256	256	261	261
Protected are	19,913	19,913	19,908	19,908	19,908
Total area	28,132	28,132	28,132	28,132	28,132

Currently KVTC plantations cover 28% of the total land holding. Conservation areas cover 71% and 1% is under infra-structure. Sites on which teak growth is extremely poor are not being re-planted at felling. Miombo is allowed to naturally regenerate in these areas so that they increase the area being managed for conservation purposes.

The area under infrastructure increased slightly in 2020 due to a new power line erected by TANESCO that passes through KVTC property.

Herbicide usage monitoring

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.

Table 7 below shows herbicide usage from 2017 to 2021.

Table 7: KVTC herbicide usage

KVTC BERBICIDE USED 2017-2021						
Herbicide	Units	2017	20218	2019	2020	2021
Glyphosate	Ltrs	9,910	5,000	8,500	4,000	11,640
Triclon	Ltrs	1,136	1,100	860	290	650
Performer	Ltrs	1,400	660	900	400	380
Total	Ltrs	12,446	6,760	10,260	4,690	12,670

Volume of herbicide in 2021 was high as very little work was done in 2020 to conserve cash when business slowed down due to Covid -19.

Land cover monitoring

KVTC works closely with local government and communities adjacent to its property to conserve flora and fauna within and outside its boundary. Satellite imagery is used to track changes in land cover within KVTC’s boundary and neighbouring areas. The photo below highlights the extent of deforestation outside KVTC’s boundary.



Figure 3. Boundary between KVTC (left) and neighbouring community land

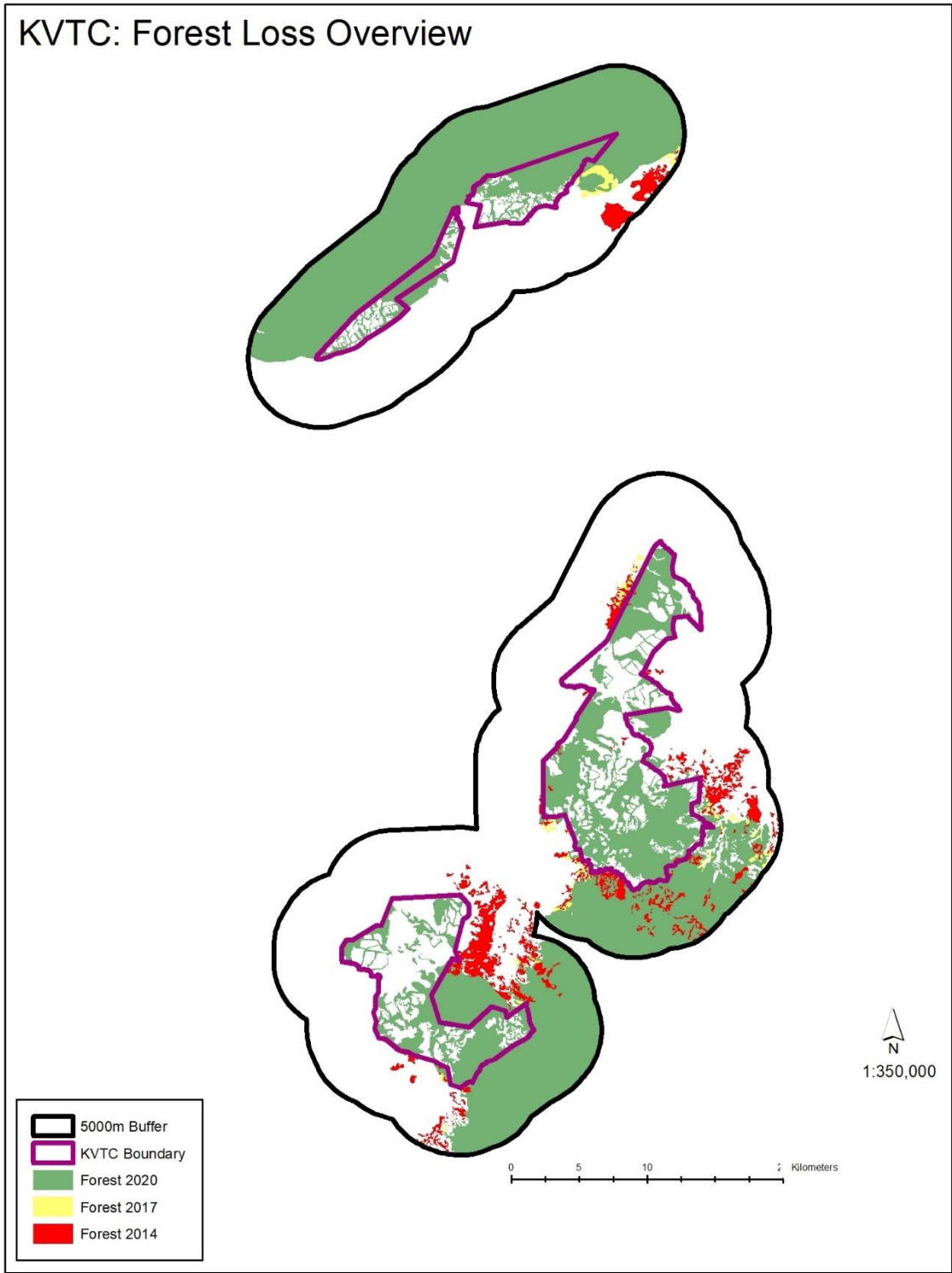


Figure 4. Forest loss map

The map shows that forest cover is disappearing outside KVTC’s boundary whilst there has been no change within KVTC’s boundary over the last 7 years.

Water quality monitoring

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 5: Identification of macro-invertebrates according to the Mini-SASS at Mafinji river low (4th Nov 2021)

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 2021 are shown in Chart 2. Monitoring done between 2012 and 2021, shows that 98% of Mafinji River had experienced natural and good condition. Only Mafinji Lower had experienced fair condition due to influence of cattle grazing and domestic uses from Madabadaba village as shown in table 9.

Table 8: Summary of timing of KVTC's river health sampling over last 14 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
2019	November 2019	Dry
2020	November 2020	Dry
2021	November 2021	Dry

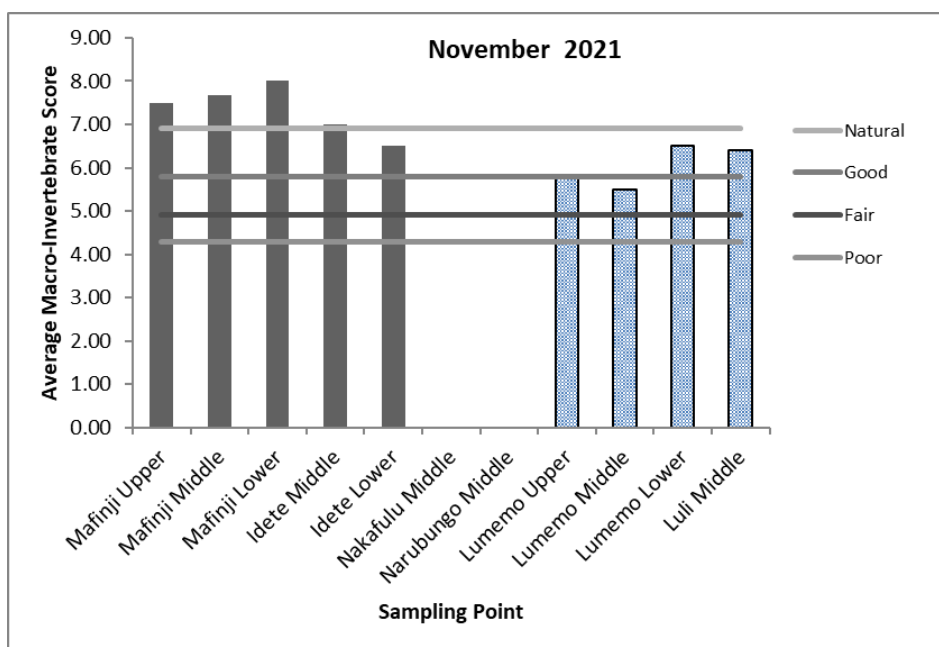


Chart 2: Mini-SASS biodiversity average scores for November 2021 River health monitoring. Note: Chequered bars are those rivers falling outside KVTC Plantation

Table 9: Historic Overview of monitoring results since May 2012 to November 2021 for all rivers within and outside KVTC land

Date/Year	Monitoring Points							
	Mafinji Upper	Mafinji Middle	Mafinji Lower	Lumemo Upper	Lumemo Middle	Lumemo Lower	Idete Middle	Idete Lower
May-2012	Good	Good	Natural	Natural	Natural	Natural	Good	Good
Nov-2012	Natural	Natural	Fair	N/A	N/A	N/A	Natural	Natural
Jun-2013	Natural	Natural	Natural	Good	Natural	Natural	Good	Natural
Dec-2013	Natural	Natural	Good	Good	Natural	Fair	Good	Good
Sep-2014	Natural	Natural	Natural	Good	Fair	Fair	Good	Fair
Nov-2015	Natural	Good	Good	Fair	Good	Poor	Natural	Good
Aug-2016	Natural	Natural	Natural	Fair	Fair	Fair	Natural	Good
Dec-2016	Natural	Natural	Fair	Fair	Natural	Poor	Natural	Fair
Sep-2017	Natural	Good	Natural	Fair	Poor	Fair	Natural	Fair
Oct- 2018	Natural	Good	Good	Fair	Fair	Fair	Natural	Fair
Nov- 2019	Natural	Good	Natural	Good	Fair	Poor	Natural	Good
Nov-2020	Natural	Natural	Natural	Good	Good	Fair	Natural	Natural
Nov-2021	Natural	Natural	Natural	Fair	Fair	Good	Natural	Good



Figure 6: Mini-SASS River sampling being carried out on Mafinji lower (Mafinji river) (4th November 2021)

Biodiversity monitoring

Areas of Special Interest – ASI

KVTC Areas of Special Interest (ASI) database is an archive of locations within the land holding 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. In 2021 a total of 36 ASIs were monitored, 20 ASI were active, 12 ASI were not in good condition and are recommended to continue being monitored. 4 ASIs are no longer active and will be removed from the list.

ASI monitoring is done yearly and the main factors influencing the presence of ASI are external factors like pastoralism, illegal logging, firewood collection, charcoal making, poaching and land encroachment.

KVTC continues to implement its various conservation measures including collaboration with the government authorities, surrounding villages and other stakeholders 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.



Figure 7: An active archeological site, remaining of iron smelting furnaces at Nakafulu.

Red data species monitoring

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 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 most species present have 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 8: *Dalbergia Mmelanoxylon* (Mpingo) tree in Mafinji (Mgombalenga) plantation; this particular tree is listed in the ASI (Area of Special Interest) register

Environmental incidents monitoring

KVTC manages approximately 20,000ha of conservation land consisting of Miombo woodlands (12,000ha) and grass- and wetlands (8,000ha). 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 in both teak and natural forest. This is due to increased population which creates pressure through the demand of various resources like, building materials (timber), charcoal, firewood, and extensive farming.

KVTC secures its area by regular patrols being done by using village game scouts under KVTC and village security agreements. Each village under the agreement provides two village game scouts to patrol in KVTC areas on a daily basis and report any illegal incidents. In the event that the incident is beyond the village Game Scouts capacity to deal with, the company seeks the support of the relevant district authorities. Ulanga district police in collaboration with village Game Scouts, village government leaders have conducted several patrols and apprehended many offenders. Through this, the community awareness and respect of KVTC property have increased.

The number of environmental incidents are recorded and analysed to assist management to design and implement corrective action when necessary.

Table 10 below summarises the most pernicious environmental incidents recorded from 2017 to 2021.

Table 10: Environmental incidents at KVTC 2017-2021

	2017	2018	2019	2020	2021
	Number of incidents				
Charcoal making	51	79	33	82	85
Grazing	227	136	159	48	47
Encroachment	24	37	27	35	24
Teak pole/seedling Theft	5	5	30	5	5
Timber theft	59	87	67	59	55
Fire	23	35	21	35	7
Wildlife poaching	21	49	66	24	18
Gravel making	5	9	7	1	2
Fishing	15	20	11	14	4
TOTAL	430	457	421	303	247

Recommendations from environmental monitoring results

KVTC management should continue to work closely with community leaders, local government, and other agencies with an environmental management agenda to bring down illegal harvesting of endangered flora and fauna.

8.4. Socio-economic impact monitoring

The company will ensure that local stakeholders will be treated in an equitable manner in relation to other stakeholders. The company will adopt policies that promote the realisation of significant benefits in the Kilombero valley. The company will endeavour to ensure that local communities do not suffer losses as a result of the company’s activities. The company will adhere to the FSC Principles and Criteria related to Community Relations.

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 the company’s neighbours and operating as part of the community is important to KVTC. To maintain a 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
- Provide forums for discussions about the Company's activities.



Figure 9: KVTC Management and forest contractors' representatives: Mavimba sawmill on 28th April 2021.

Development impact monitoring

KVTC's shareholders expect the company to be profitable, socially and environmentally responsible and make a measurable development impact in Tanzania and locally. What follows is a description of some of the initiatives the company has embarked on to have this measurable development impact

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 purchase of farming implements.

Membership to Mitiki SACCOS is on a voluntary basis and up to now has 103 active members. The members include KVTC Employees, KVTC contractors, KVTC retired employees, staff and regular KVTC house maids. At the end of 2021, SACCOS shares and reserves stood at 98 million and 152 million Tanzanian Shillings, respectively.

Mitiki Workers SACCOS is registered with registration no MGR 313 and operates under Tanzania Co-operative Act No 6 of 2013. It manages its affairs based on the relevant law and its regulation. The Society has a board responsible for policy implementation.

In order to increase capital Mitiki workers SACCOS does look for other opportunities to invest for the best interest of members. Its projects include teak woodlots and transport services. In March 2021 Mitiki workers SACCOS purchased a vehicle and contracted it to KVTC. The vehicle transports forest employees in the harvesting operations and the income generated goes into the SACCOS account to which all members are beneficiaries.

Every member has a say through electing Board members and passing resolutions through an annual General Assembly. In early December 2021 Mitiki workers SACCOS conducted an election. Mr Teogenus Ngalekela is the new chairman taking over from Mr. Ally Maganga. The Chairman appreciated the outgoing leadership for achieving various SACCOS goals including members access to affordable loans.



Figure 10: KVTC Mitiki Workers SACCOS members, photo taken during the general assembly meeting in December 2020.

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 available a sum of money towards a selected community project in each of the 17 associated villages. Funds made available through the social fund are deposited in a joint account and will only be released against an approved project.

In 2021, KVTC and its communities implemented several projects worth 164 million shillings of which KVTC's Social Fund contributed 46%. This includes completion of two classrooms at Mavimba "B" Primary School. Construction of two more classrooms and toilets is in progress. Namwawala continued to develop a health staff residential house. Construction of two classrooms at Igumbiro village was completed. Construction of a school toilet at Mbasu village is in progress



Figure 11: New Mavimba “B” primary school built with funding from the Community, Government, and KVTC Social Fund

Mavimba village offcut collection.

KVTC has continued to implement the MoU that it signed with Mavimba village government by paying social funds and giving them access to Mavimba sawmill off cuts. Offcut collection protocol that was developed in 2020 is being implemented.

The majority of communities from Mavimba and other neighbouring villages have benefited from collecting offcuts that KVTC used to burn. Many people use offcuts for construction fencing and making furniture. This helps to improve the livelihood of the people. KVTC will continue offering this opportunity to promote livelihood improvement to the surrounding communities.



Figure 12: Furniture products made from KVTC offcuts displayed at Mavimba village market for sale.

Village Contracts

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

KVTC engages 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, carry out 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.

The villages make available people that work together with KVTC staff in fighting or preventing fires in areas adjacent to their villages.

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

KVTC paid out TZS 20 million in 2021 through the village bonus scheme.

The annual village bonuses are paid through the village account for each village. The village performances are discussed during field visits or during the village consultative meetings.



Figure 13: KVTC Village Game Scout on patrol.

Out Grower Support Program ('OSP')

KVTC realizes that 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 teak plantations were established in associated villages. This was replaced by the Out-Grower Support Program (OS) in 2012. KVTC finances the establishment and maintenance of new teak plantations by individuals and groups within a radius of 100km from the sawmill. The company guarantees a

market for the logs which will be harvested at a minimum age of 15 years. The out-grower is the owner of the plantation and KVTC holds a right of first refusal to buy the logs at harvesting.

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.

In 2021 no new OSP were established. KVTC’s OSP management focused on extension service and re-mapping of the previous years planted plots. This aimed at identifying and maintaining viable and active plots. After re-mapping a total of 1,000ha were identified as viable. The beneficiaries are 479 males, 65 females and 26 institutes.

New planting is planned to resume in 2022 and a new OSP model will focus on provision of free seedlings and extension service. OSP participants will own 100% of their plantations and will be free to sell all their logs to the highest bidder.

Table 11: Development of Village and OSP Programs at KVTC

Year	Type	Active areas	commulative
2008	village	2.53	2.53
2009	village	22.77	25.3
2010	village	20.52	45.82
2011	village	15.52	61.34
2012	OSP	13.96	75.3
2013	OSP	29.92	105.22
2014	OSP	26.64	131.86
2015	OSP	162.02	293.88
2016	OSP	170.72	464.6
2017	OSP	232.78	697.38
2018	OSP	118.48	815.86
2019	OSP	73.84	889.7
2020	OSP	110.75	1000.45

Community Radio Program

The Company always looks for novel ways of communicating its messages to its stakeholders in the Ulanga, Malinyi and Mlimba Districts. KVTC sponsors radio programs through an FM radio station with coverage in the Ulanga, Malinyi and Mlimba 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 to 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.

Mitiki Yetu radio show was on Pambazuko FM radio in 2021. KVTC had airtime every Friday 1930 – 2000 hours and repeats every Saturday 0730 – 0800 hours. The station also broadcasted short six radio message every day on behalf of KVTC.

Annual Consultative meetings

Each year, KVTC updates its stakeholders register list. The company used to invite representatives of its stakeholders to an annual field consultative meeting. Attendees were KVTC management, village chairmen, village executive officers, ward councillors, ward executive officers, division officers, community development officers, local forest technical staff, District Council chairperson, NGOs and local mass media representatives.

In 2021 the consultative meetings were done at village level and the main objective was to give local stakeholders a platform for receiving feedback and exchanging information on the company operational activities and an opportunity to comment on company operations.

Natural woodland project.

KVTC continues to explore the possibility to develop a program that would bring more benefits from the conservation forest areas to the surrounding communities. The viability of the project hinges on the government granting the project royalty waiver. KVTC through its partners in this project is canvassing for this waiver to be granted.

KVTC newsletter

In order to improve communication with the communities, out growers, local government and other stakeholders, KVTC has established a bi-annual 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: <http://www.kvtc.co.tz/downloads>

Canteen Service

The company has continued providing breakfast and lunch to its employees who work at its Mavimba industrial complex. It is now three years since the service started. Access to healthy food at workplace is very essential. It contributes towards increased employee health, morale and productivity. Employees remain energetic and alert and this also leads to reduced accidents at work, absenteeism, and employee health costs.

Field cooking allowance

The company provides food allowance to all employees who works in the forest, this includes, Harvesting and Haulage Teams (Logger Operator, Skidder Driver, Choker Man, Tally Clerk), Silvicultural Teams and Enumeration/Technical Team. Field cook allowance is provided to compensate for the difficulty of providing cooking facilities to the forestry working environment. The amount provided is Tshs 47,000 per employee per month. It is reviewed every year during the collective wage negotiations

KVTC Essay Contest

Since 2017 KVTC Management has been organizing an essay contest open to all secondary schools in KVTC's neighbouring villages. The aim of the contest is to tie together knowledge, creativity and understanding to youth on promoting the sustainable environmental social economic development.

In 2021, KVTC organised a poem competition instead of the essay competition. The theme of the poems was.

“Sustainable Child Nutrition and national development.”

KVTC received a total of eleven poems from four secondary schools which are Minepa Secondary School, Kichangani Secondary School, Lupiro Secondary School and Ulanga Secondary School. Marking was done on 12th October 2021.

The first winner was Abdallah Shomari Malangu, a student from Minepa secondary school, the second winner was Renatha Kassian Kaweza from Kichangani secondary and the third winner was Irene Medard from Lupiro secondary school. KVTC offered the following prizes

- 1st winner received 500,000TZS prize.
- 2nd winner received 250,000TZS prize.
- 3rd winner received 150,000TZS prize.
- Best school received 500,000TZS prize.
- School participation 100,000TZS prize.

The prizes and certificates were handed over in October 26th and 27th, 2021 to the respective schools.



Figure 14: A student from Minepa secondary school receiving a prize and a certificate from KVTC CEO as the first winner of 2021 poem contest. Photo taken on 26th October 2021.

Ulanga District Investment Exhibition.

On 22nd and 23rd October 2021 KVTC attended an exhibition that took place in Ulanga District at Mahenge. The exhibition was organised by the office of District Commissioner (Hon: Ngollo Malenya). She appreciated KVTC for the High Standard of Display of teak timber products and encouraged the community to plant trees and use the opportunity of out grower support program to invest in commercial forests.



Figure 15: KVTC representatives displaying teak value-added products during the exhibition in Ulanga District Mahenge. Photo taken on 11th Nov 2021

Contractors' tendering policy for outsourced forestry works.

At the end of 2021 KVTC management developed a new policy which requires all forest operations activities to be outsourced through a tendering system.

All contractors were informed of the new policy. The implementation of the new system will start with effect from 1st of January 2022. A tendering committee was established, and it is responsible for awarding work to forestry contractors.

The aim of introducing a tender system is to ensure that all contractors interested in outsourced work are equally and fairly treated, encourage work performance and competition among the contractors, and avoid conflict of interest between the contractors and KVTC employees.

All contractors will be evaluated in terms of their performance, compliance with OHS and environmental requirements, compliance to all legal requirements and compliance with KVTC operational procedures.

Tendering committee reserves the right to review or cancel any awarded tender if any of the critical points in the protocol is violated.

National Freedom Torch

National Freedom Torch race is a national annual event where the torch is run all over the country. Each year the district authorities in collaboration with the regional authorities pick relevant projects for the freedom torch destinations. In 2021, KVTC nursery was selected for the freedom race destination because of its contribution to environment and out grower support program. The Freedom torch race was successfully held on August 5th, 2021.

During the event, KVTC presented a gift to the national freedom team leader. The national freedom team leader on behalf of KVTC also awarded stumps to community representatives and schools as the marking of the event. Many regional and district leaders were interested with the program as it was their first time to visit KVTC.

The race attracts various mass media and is part of public image building. Apart from the race destination, KVTC was invited to attend exhibition at Lupiro primary school ground. KVTC had an opportunity to advertise its products and services.



Figure 16: KVTC Value Added Timber products displayed at the exhibition during freedom torch event at Lupiro 5th August 2022.

Collective Bargaining Agreement

KVTC has a mechanism through which a collective agreement is reached with the Tanzania Plantation and Agricultural Workers Union ('TPAWU') each year. This agreement governs the interaction with as well as provides rules and obligations for the company and employees. Union members as well as all other employees are kept up to date about the company's performance and future plans.

Training

Human capital is one of the most important assets of any company. KVTC has a policy to develop and maintain a solid and well-balanced organization and staff capable of performing the duties of the company properly. 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 the country.

During 2021 a total of 343 people were trained in the following fields:

- ISO 45001:2018 Occupational Health and Safety Management System Awareness Training Course (By Roisfam).
- ISO 45001:2018 Occupational Health and Safety Management System Internal Auditor Training Course. (By Roisfam).
- Firefighting and use of firefighting equipment (In-house)
- Safety and Health Representatives Training (by OHSA)
- Industrial First Aid Training (by OHSA)
- First Aid Training (in house training)
- Finance for Non-financial Managers Training (In-house)
- Chainsaw Operations and harvesting techniques (By Ministry of natural resources and tourism. Forest and beekeeping division.)
- Effective Handling Disciplinary Procedures & Chairing of Hearings at the workplace (By ATE).
- Negotiation Principles and Skills of Collective Bargaining for workers councils, (By Tanzania Labour College (TLC)
- Accounting governance best Practices for Decision Makers (Tom Fisher Associations)
- Training on Ethics, prevention and combating corruption. (Tanzania Prevention and Combating of Corruption Bureau (PCCB)

Development impact monitoring

The impact on development of the initiatives discussed above is monitored on an ongoing basis. The results are shared with investors, board members and other stakeholders.

Socio-economic impact monitoring

Chart 3 and Table 12 below shows key development impact indicators for KVTC for the period 2017-2021.

Chart 3: Development impact indicators 2017-2021

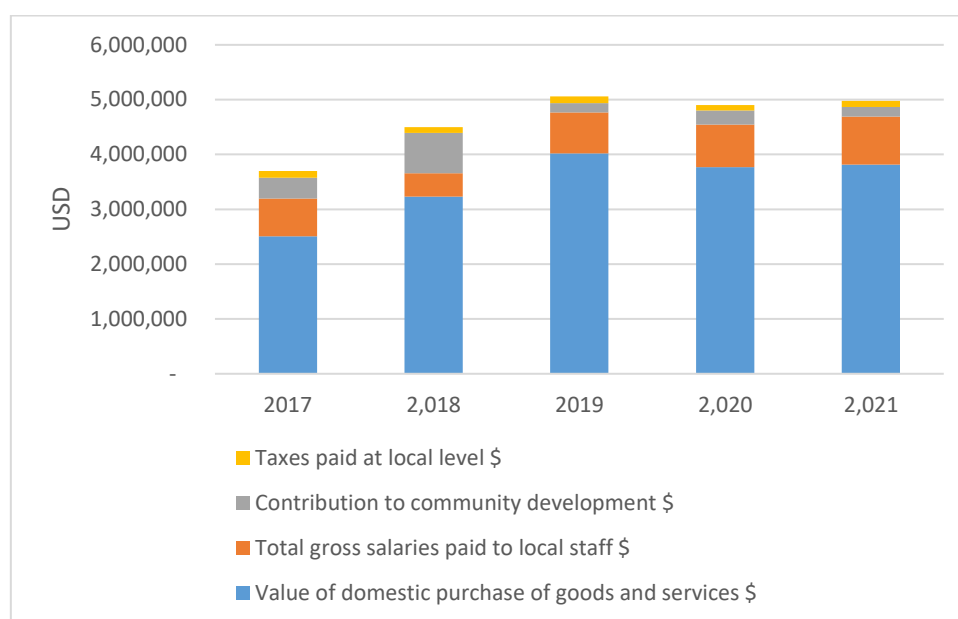


Table 12: Number of Direct Employees

Indicator	unit	2017	2018	2019	2020	2,021
Employment						
Number of employees	#	366	346	326	307	331
of which women	#	50	53	45	51	47

Recommendations from socio-economic impact monitoring results

There is concerted effort required to increase the number of female employees in the company.

9. Governance

9.1. Ethics Policy and ant-corruption training.

The company continues to implement the Ethics policy which was developed by management and approved by the board. The policy was translated into Swahili language and distributed to all employees, contractors and other stakeholders.

This policy is linked to employee guidelines prescribed in KVTC staff administration instruction handbook whereby.

- KVTC employees will not offer or accept anything of value with the purpose of inducing or entering into any business relationship with anyone.
- KVTC employees will not pay or accept any bribes.
- KVTC's resources, assets or services will not be used directly or indirectly for any personal or improper purpose.
- KVTC employees will avoid any situation which involves or may involve a conflict between personal interests and the interests of the company.

- KVTC employees will not make any false or fraudulent statements to any parties in connection with preparation of company documents / reports or during audits and inspections.
- KVTC employees will treat everyone fairly and with respect without regard to race, tribe, religion, gender, marital or family status, disability, age, political affiliation, or any other trait.
- KVTC employees will keep the local communities informed about issues which may affect them.
- KVTC employees will not take advantage of their position in the company to gain sexual favors from anyone who wants to enter into any business or employment relationship with KVTC.
- KVTC employees will not divulge or use any confidential company information or any other information which might be contrary to the interests of KVTC without prior authorization from the CEO.

In November 2021, the company invited Tanzania Prevention and Combating of Corruption Bureau (PCCB) from Ulanga district and conducted training awareness on ethics, prevention and combating of corruption among its employees and contractors.

The training aimed at ensuring that all employees and contractors are informed of what kind of behaviours are acceptable and not acceptable within the normal course of the business.

9.2 Legal compliance Evaluation.

KVTC complies with all the relevant rules and regulations that govern its business and operations. The table below shows KVTC 's compliance status with legal requirements.

Table 13: KVTC Legal compliance status for 2021.

No.	License	Issued By	Reference no.	Expiry Date
1	Taxpayer Identification Number	Tanzania Revenue Authority (TRA)	Cert No 0119553 Tin No 101-462-439	N/A
2	Social Security Scheme/Cover	Pension Funds (NSSF, PPF, etc.)	N/A	Individual
3	Environmental Impact Assessment for projects carried out by KVTC	National Environmental Management Council of Tanzania (NEMC)	Certificate Number: EC/EIS/70 Certificate Number: EAC/EAR/1721/93	N/A
4	EIA Certificate for Sawmill	NEMC	EC/EIS/70	N/A
5	Water License	Rufiji Basin Development Authority	Cert No: RBWB0495	N/A

6	Fire Rescue Certificate	Ministry of Home Affairs	Cert No 3029-6744984 Cert No 3029-1844577 Cert No 3029-2462741	August 2022 August 2022 August 2022
7	Certificate of Registration of Workplace	Occupational Safety and Health Authority (OSHA)	IFA/00076 (sawmill) IFA/000091 (Forestry)	N/A N/A
8	Compliance License Workplace	Occupational Safety and Health Authority (OSHA)	Cert No: MOR/0212, 0576/21/22	Nov 2022
9	Forest Harvesting License	Tanzania Forest Service	0022703	30 th June 2022
10	Timber Yard Registration	Tanzania Forest Service	0023501 (DSM) 0022705 (Mavimba)	30 th June 2022
11	Sawmill Registration & Carpentry	Tanzania Forest Service	0022702 and 0022707	30 th June 2022
12	Trade of Timber Export Certificate	Tanzania Forest Service	Ref No CCA. 109/205/01C/12 and S/NO: 0023431	30 th June 2022
13	Radio License	Tanzania Communication Radio Authority (TCRA)	TCRA/SUL/208/2019	15 th Sept 2022
14	Business License	BRELA	20000007132 & 20000007133	30 June 2021
15	Chemical Registration Certificate	Government Chemist Laboratory Agency	9331-921-0644	11 th October 2022
16	Workers' compensation Fund registration	WCF Tanzania	Registration Number 012752	N/A

9.3 Board of Directors

The highest body at KVTC is the Board of Directors which currently consists of five Directors. 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 Chief Executive Officer 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.

The Board of Directors of KVTC is ultimately 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 approves the strategy and organization of the company and appoints the CEO 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)

The Chief Executive Officer of the company is Mr Irvine Kanyemba, a Zimbabwean National.

9.4 Company Addresses and Contacts

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