



FOREST SECTOR  
CHARTER COUNCIL

# ANNUAL REPORT 2020/2021





# The Forest Sector Charter Council

## Vision

**"A transformed and sustainable Forest Sector fully compliant with the Forest Sector Code."**

## Mission

**"To support, promote, guide and monitor transformation of the Forest Sector by securing stakeholders compliance with the requirements of the Forest Sector Code."**

## Values

**The Council operates with the following values:**

**Good governance**

**Transparency**

**Commitment to service (responsiveness is implied)**

**People-centred**

**Dynamism**

**Respect for integrity**

**Respect for confidentiality**

**Trust among and between stakeholders**



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# Table of Contents

<b>Acronyms .....</b>	<b>2</b>
<b>Message from the Chairperson .....</b>	<b>3</b>
<b>The Forest Sector Charter Council's Main Activities .....</b>	<b>5</b>
The Forest Sector Charter Council (FSCC) .....	5
Achievements (Council's Activities) .....	8
The Greatest of Them All.....	9
<b>Industry Happenings .....</b>	<b>11</b>
Council Participates in the Forestry Master Plan Development .....	11
Council Collaborates with FSA to Celebrate Women in Forestry .....	11
Council Partners with FPM SETA to Celebrate Women in Forestry.....	11
DFFE Deputy Minister Hosts International World Forestry Day.....	12
Surviving the Worst while Doing our Best - Industry's Perspective .....	13
Department of Forestry, Fisheries and the Environment.....	13
Sawmilling South Africa (SSA) .....	13
Paper Manufacturers Association of South Africa (PAMSA) .....	13
South African Forestry Company SOC Ltd .....	14
South African Forestry Contractors Association (SAFCA) .....	14
<b>Report of Progress made in the Implementation of the Forest Sector Charter Undertakings .....</b>	<b>16</b>
Instruments to Support Ownership Targets.....	16
Instruments to Support Enterprise and Supplier Development Targets .....	16
Instruments to Support Industry-Specific Initiatives .....	17
<b>Summary of the Status of Transformation .....</b>	<b>18</b>
Medium and Large Enterprises (MLEs) .....	19
Qualifying Small Enterprises (QSEs) .....	21
Exempted Micro-Enterprises (EMEs) .....	22
Conclusion .....	23
B-BBEE Reporting Entities .....	24
<b>Annual Financial Statements for the Year Ended 31 March 2021 .....</b>	<b>25</b>
Index .....	25
General Information.....	26
Councillors' Responsibilities and Approval .....	27
Councillors' Report.....	28
Independent Auditor's Report.....	29
Statement of Financial Position as at 31 March 2021 .....	31
Statement of Comprehensive Income.....	32
Statement of Changes in Reserves .....	33
Statement of Cash Flows .....	34
Accounting Policies .....	35
Notes to the Annual Financial Statements.....	37
Detailed Income Statement .....	42
<b>Appreciation .....</b>	<b>44</b>

## Acronyms

AGM	Annual General Meeting
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CEPPWAWU	Chemical Energy, Paper, Printing, Wood and Allied Workers' Union
COP	Community Outreach Programme
DALRRD	Department of Agriculture, Land Reform and Rural Development
DFFE	Department of Forestry, Fisheries and Environment
DDG	Deputy Director-General
DPE	Department of Public Enterprise
DTIC	Department of Trade, Industry and Competition
EME	Exempted Micro-Enterprises
ESD	Enterprise and Supplier Development
EXCO	Executive Committee
FINCOM	Finance Committee
FP&M	Fibre Processing and Manufacturing
FSA	Forestry South Africa
FSC	Forest Sector Code

FSCC	Forest Sector Charter Council
HRC	Human Resources Committee
IDC	Industrial Development Corporation
JCT	Joint Technical Committee
MLE	Medium and Large Enterprises
NFAC	National Forestry Advisory Council
NPO	Not-for-Profit Organisation
PAMSA	Paper Manufacturers Association of South Africa
POC	Planning and Organising Committee
QSE	Qualifying Small Enterprises
SACTWU	South African Clothing and Textile Workers' Union
SAFCA	South African Forestry Contractors Association
SAFCOL	South African Forestry Company Limited
SAWPA	South African Wood Preservers Association
SSA	Sawmilling South Africa
SSG	Small-Scale Growers
SSP	Sector Skills Plan
SAUPA	South African Utility Pole Association
WULA	Water Use License Application



## Message from the Chairperson

**Our culture and core values have always been centred on best practices working towards a competitive and transformed industry. This will inevitably lead to an all-encompassing process and sustainable partnerships, ensuring relevancy through our strategic actions and, of course, good governance practices as prescribed in the King IV report.**



*Dr D.E. Mahango – Chairperson of Council*

In all my years as Chairman (since 2015), I never imagined that 2020/2021 would be so unpredictable and extraordinary. As for the Council, this meant that we had to adjust to the new norm of working remotely under unique circumstances or attend meetings through virtual platforms. Worst of all, we were deprived of verifying the level of compliance through our on-site visits, mostly to our forest companies and beneficiaries. However, all these restricted conditions imposed by the COVID-19 pandemic were for everyone's safety.

The economic outlook in 2020-2021 has been dire and enormously challenging. South Africa, like all other countries in the entire world, experienced the unexpected COVID-19 pandemic that led to a hard lockdown and global economic meltdown. As such, we have seen a high rate of business closures, in particular within the small and medium business sector, increasing already high levels of unemployment, intermittent electricity outages and unstable crude oil prices.

The above factors undeniably created one of the most challenging operating environments for the Forestry Industry, both in private and public sectors. The COVID-19 pandemic and its mutating strains resulted in a human tragedy with severe economic consequences mainly impacting the transformation programme of the industry negatively. However, we should not permit near-term challenges to deflect us from achieving our strategic intentions and predetermined objectives. Our focus and determination in achieving realistic transformation in the industry remains undeterred. We are, however, cognisant of the fact that though economic well-being will return, we may find the post-virus world a very different one.

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In 2020/2021, the Forest Sector Charter Council (FSCC) continued to implement its operational plans in a reliable, safe and sustainable way. Ethical governance and sustainability have remained critical factors to our success over the years and so it was in 2020/2021. The Council further displayed prudence in managing its financial resources with its business plans closely aligned to the current and future opportunities and challenges of the Forest Sector. This is to ensure that our transformation plan is relevant to both Government and Industry's B-BBEE requirements.

It is the FSCC's longstanding belief that Industry can only be more profitable if it simultaneously creates value for all its stakeholders. However, our experience has also indicated that this is premised on Government's ability in unblocking certain obstacles concomitant to the transformation success.

Our commitment to transformation remains as relevant as ever to the expectations of the beneficiaries. To illustrate the relevancy and aligned deliberations of Council, the following items are extrapolations from the Department of Forestry, Fisheries and Environment (DFFE) Forestry Master Plan (the list is not exhaustive):

- New afforestation – Industry has been appealing to Government to fast-track this process
- Rehabilitation of DEFF-owned plantations
- Plantation theft – regularly discussed in Council meetings
- Illegal activities in the pole market – a regular item in Council meetings
- Skills development – an item for discussion in all Community Outreach Programme (COP) and CEO meetings
- Road and rail – identified by COP and CEO visits
- Forest fires – a regular item in Council meetings (CEO visits)

What is required is for Government to show commitment in resolving the above issues in collaboration with all Forestry stakeholders. The above-mentioned items, apart from hampering and delaying transformation, are a thorn in the side of Industry and may indirectly discourage future investment. It is, however, encouraging that DFFE has deemed it fit to include them in the Forestry Master Plan to ensure that they are allotted proper attention. DFFE is sincerely thanked

for undertaking this exercise, which echoes the growth and expectation of Industry.

In conclusion, I would like to extend my gratitude to the Council and FSCC staff members for their outstanding effort during this taxing period. I experienced enormous support in the year and the trust and commitment shown by all members and supporting stakeholders has been overwhelming. It would be remiss of me not to mention the assistance and advise we received from the Minister, Deputy Minister and Acting DDG of DFFE to ensure a smooth transition from Department of Agriculture, Forestry and Fisheries (DAFF) to DFFE. We have had a tumultuous year as a result of the pandemic. However, the outlook is positive and the FSCC is well positioned to continue into the future with your support.

I hope that we will be meeting face to face under normal circumstances in the new year.

Thanking you



**Dr D.E. Mahango**  
**(Chairperson of FSCC)**





# The Forest Sector Charter Council's Main Activities



## The Forest Sector Charter Council (FSCC)

The year 2021 was the most challenging for FSCC (Council). The COVID-19 pandemic, recognised as a National Disaster that led to a lockdown, brought about a lot of uncertainty, making it almost impossible to undertake some of the prioritised activities in the normal way. As such, Council had to adjust and adopt the new norm of using technology advancement to do business through online or virtual platforms. However, these platforms were, to a certain extent, an inconvenience and a limitation to some of the activities where they could not be substituted.

Council strongly believes and subscribes to high ethical standards and its powers are conferred in the Memorandum of Incorporation (MoI). Its value system consistently governs the manner in which it interrelates with its stakeholders in striving for objective B-BBEE implementation. Despite the limitations, Council still managed to advocate for the implementation of B-BBEE and respond appropriately to the challenges highlighted so as to make sure that B-BBEE application was still a priority for the sector. The interaction with the National Forestry Advisory Council was a must, even for this year in particular, as they are one of the entities that backs Council in its endeavours.

Council only managed to hold three successful meetings instead of the four required for the Annual General Meeting (AGM), which was only held towards the end of the year. Attendance in all three meetings was exceptional and, in all meetings, Council exercised independent judgements on all matters discussed.



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Council maintained a standard agenda in all meetings, focusing mostly on Council's routine business mandate and strategy, operational reports, feedback and updates on projects commissioned, the applicability of B-BBEE under declared national disasters and Industry's related matters in support of meaningful transformation.

Council acknowledges its responsibilities in ensuring that each of its committees execute its statutory mandate effectively. The Audit and Risk Committee (ARC) undertook a risk assessment exercise to review and update the types of risks identified. Most of the risks were mitigated, suggesting that the risk management system was effective. ARC has even made considerations to reinforce the current risk management system and incorporate a score for each risk.

The Finance Committee (Fincom) continued to monitor the Council's financial pattern so as to ensure that the financial controls were effective, stable and sustainable. All financial transactions were examined monthly, with quarterly feedback to the Council. The Council's suppliers were reviewed and as a result, some were cancelled as they added no value to Council's business objectives.

The Human Resources Committee (HRC) focused on deliberations aimed at drafting a human resources (HR) strategy, which should encapsulate a fit-for-purpose culture of staff recruitment and retention. The strategy will be based on identified gaps, in particular to address the expectations of both Council and staff. Additionally, HRC reviewed its reward system so as to influence reliability, high performance of staff members while warranting the Council's competitiveness in the labour market and aligning to good corporate governance. As required by law, HRC finalised the COVID-19 Workplace Plan to ensure the safety of all staff in the workplace.

The Executive Committee (EXCO) of Council is constituted by all committee chairpersons and presided by Council's Chairperson. EXCO thoughtfully and objectively deliberated on key strategic matters advancing on Council's mandate and made recommendations to Council for endorsement.

The meeting attendance for the financial year ending 31 March 2021 is shown in the table below.

Names	Council Meetings			AGM
	16 Sept 2020	26 Nov 2020	25 Feb 2021	30 March 2021
Dr Diphoko E. Mahango (Chairperson)	√	√	√	√
Ms Thabitha Shange (COP Chairperson)	X	√	√	√
Mr Daniel Kivetts (ARC Chairperson)	√	√	√	√
Mr Tyrone Hawkes (Fincom Chairperson)	√	√	√	√
Ms Rally Moropa (HR Chairperson)	√	√	X	√
Ms Tanucia Coopasamy	√	√	X	√
Mr Jacob Maputha	√	√	√	P
Mr Penwell Lunga	X	√	P	√
Mr Lulamile Xate	X	√	√	√
Ms Felleng Yende	P	P	P	P
Ms Susan Leseke	√	√	X	√
Mr Bruce Breedt	√	X	√	√
Mr Tsepo Monaheng	√	√	X	√
Mr Michael Peter	√	√	√	√
Mr Roy Southey	X	√	√	√
Mr Pierre Tullis	√	√	√	√
Dr Jaap Steenkamp	X	X	√	√

√ – Present    X – Absent    P – Represented by proxy







## Achievements (Council's Activities)

### CEO Visits

The 2021 'CEO visits' differed slightly when compared to previous years. While the focus remained unchanged in prioritising reflections with Industry executives, alternatives had to be considered, mostly as a result of the erratic pandemic. It was fulfilling that the handover from the former DAFF to the current DFFE was executed reliably. The joint meetings between some of the Industry executives, i.e. SAFCOL and Hans Merensky with the Forestry Community Forums, could not be sidestepped under these challenging conditions as expectations from all stakeholders were to be objectively discussed for accountability purposes. The tour to Hans Merensky's plantations hosted by Dr Johan de Graaf was encouraging as it gave insight into the actual operations and activities of Hans Merensky and further reinforced transparent partnerships.

### Outreach Programme to Young Professionals and Communities

The Council is responsible for publicising the Amended Forest Sector Code and other related matters aligned to its mandate. The Council, through the researcher, continued to interact with communities through the organised Forestry Forum as well the young forestry professionals from the labour force and tertiaries through webinars. The proposed changes to the Amended Forest Sector Code and latest Status of Transformation in terms of their objectives and implications were the main foci of deliberations. Guest speakers from the industry, namely Dr Tatenda Mapeto (Nelson Mandela University – Soft Skills to Enhance a Forest Professional), Mr Penwell Lunga (KAP and Council Member – Human Resource's Perspective), Mr Mark Barnado (SAPPI – A Calibre Preferred for a Forestry Professional) and Mr Norman Dlamini, (Forestry South Africa (FSA) – The Influence of Technology in Forestry) shared some insights under the theme, 'Surviving Tough Economic Times'. Such interactions are critical and are intended at influencing the sector towards a culture of competence, inclusiveness, accountability and compliance. The four guest speakers, together with their representative institutions, are thanked sincerely for not only making the Council a priority but assisting it in executing its mandate.

### Collaboration of Council with the Sector Council Forum and dtic JTC

The Council collaborated well with the Sector Council Forum chaired by the Department of Trade, Industry and Competition's (dtic) B-BBEE unit, considering the unusual circumstances. Related matters of compliance, regular reporting, reporting contents and tangible outcomes to the

B-BBEE strategy remained critical discussion points. Regular updates on the latest developments on amendments, gazettes and technical issues were discussed. The secondment of the FSCC, represented by Ms Makhosazana Mavimbela, the Executive Director to the dtic B-BBEE Joint Technical Committee (JTC), speaks volumes in terms of the Council's commitment to B-BBEE. The Council's participation in JTC facilitated an enhanced technical understanding of B-BBEE application. The dtic's B-BBEE unit, under the leadership of Mr Jacob Maphutha and Ms Lindiwe Mavundla, has provided strong support to both initiatives and must be thanked sincerely.

### Additions and Changes in the Scorecard with Reference to National Disasters and SAFCOL's perspective

Council has made changes to the Amended Forest Sector Code (FSC) in an attempt to strengthen the existing B-BBEE concept and catalyse the pace to achieve meaningful B-BBEE in the sector. Some of the changes were informed by the amendments to the B-BBEE Generic Code as promulgated by the dtic. The scope of application for the amended FSC was also expanded to include other business types who could play a significant role in providing economic opportunities for previously disadvantaged populations. SAFCOL's scorecard has also been reconfigured as an interim alternative to accommodate the delay in accreditation as a B-BBEE facilitator as well as the loss of preferential procurement points.

The COVID-19 pandemic, a crisis like no other, also distorted the application of some of the B-BBEE qualifying activities. As such, Council was compelled to propose a measurement criterion that will be considered in cases of national disasters of similar magnitude in future.

All the proposed changes have been submitted for gazetting, and hopefully will be enforceable by the end of year 2021/2022.

### Social Media Posts (Radio Khwezi, Twitter and LinkedIn)

The Council's communication policy principles resonate with the values of conveying information to stakeholders on a regular basis. Subjects of importance and relevancy, based on Council's and industry's insights and events, were constantly posted through different media for visibility purposes and to enable the fulfilment of our mission. Our social media has significant followers, proving its worth. In support of Women's Month in August, Council hosted only women speakers on Radio Khwezi who shared their perspective with regard to women involvement and their contribution in the Forestry sector.





### Forestry Enforcement Guidelines

Key to the Council's imperative is the sector's compliance status to B-BBEE implementation. Section 10 of the B-BBEE Act as amended compels all government departments to enforce B-BBEE implementation through the application of the relevant levers or services required by Industry. The Council has finalised the Forestry Enforcement Guidelines for all-individual government departments offering certain services to the Forest Sector and has shared these with the departments for adoption. It is anticipated that these guidelines will be used by each department, mainly in procurement and State resources, to enforce B-BBEE compliance. Each department is also expected to update these guidelines in alignment with the changes of the B-BBEE Act as amended and services provided.

### The Greatest of Them All

#### She is Forestry- Celebrating Women in Forestry

In August 2020, the Industry joined the nation in celebrating Women's Month thanks to the joint efforts of FSCC, all forestry associations, FSA, Paper Manufacturers Association of South Africa (PAMSA), South African Wood Preservers Association (SAWPA), South African Utility Pole Association (SAUPA), Sawmilling South Africa (SSA), South African Forestry Contractors Association (SAFCA), our department, DFFE and all supporting institutions, including The Fibre Processing and Manufacturing (FP&M SETA), Department of Public Enterprises (DPE), Department of Trade, Industry and Competition (the dtic) and many more.





The initiative was ignited by FSA's celebration of Women's Month in 2020 and 2021, which profiled successful women from across the Sector (including the FSCC's Executive Director Makhosazana Mavimbela) and profiling the women in Forestry, their accomplishments and future aspirations. Women's Month closed with the entire Industry celebrating the contribution of women via the Women in Forestry Webinar held on 28 August 2020. Special thanks is extended to the Organising and Planning Committee (POC), a group of outstanding and dedicated ladies and three gentlemen, whose gargantuan efforts, in a very limited timeframe, ensured the webinar's success. This was a first for the Industry in terms of showcasing the contribution of women to our Sector and facilitating conversations to ensure women's participation in the Industry is advanced across the entire value chain.

The event was hosted by NCT Forestry Agricultural Co-operative Limited, who not only made the speakers and our facilitators comfortable, but ensured that the event ran smoothly, professionally and perhaps more importantly, was fun for all those who participated.

The event was opened by the enthusiastic DFFE Deputy Minister, Ms Makhotso Soyty who gave a comprehensive address in support of the initiative and her pledge to women empowerment in the entire industry.

The webinar was viewed by individuals logging in from over 350 individual IP addresses, many of which hosted socially-distanced groups of women. Women guest speakers excitedly shared their perspectives in the range of themes summarised and introduced by the two facilitators of the day. The themes are summarised below:

- Progress made by women in the Forest Sector over the last two decades
- Forestry through the eyes of the women who are passionate about the Sector
- Forestry 2020 – how the sector has encouraged gender transformation
- The future face of Forestry is female
- Elevating the next generation of females in Forestry
- Walking in her boots

The webinar's success led to the formation of the 'She is Forestry' not for profit organisation (NPO), whose directors are Ms Suzen M. Leseke, (acting Deputy Director-General (DDG), DFFE), Ms Bathobile Ntshingila, (Projects Manager Sappi Southern Africa Ltd), Ms Julia Rees (Director, Dargle Poles (Pty) Ltd), Ms Neliswa Malatji (former Deputy Director, Small Scale Forestry DFFE), and Ms Irene Mathabela (Deputy Director: Sector Capacity Development, DFFE). An entity has

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been formed to raise the profile of women within the Industry while breaking down the barriers that are hindering other women from joining. The organisation is still in its infancy; however, the drive, determination and passion of all involved will ensure it will have a positive and lasting presence.

Sincere gratitude is extended to:

- DFFE Deputy Minister Ms Makhotso Soyty
- NCT Forestry Co-operative Limited and their management team, whose generous offer to host the entire event free of charge made it possible. In particular, we would like to sincerely thank Deepak Mohanlal, Jason Naidoo and Terence Nair for the patience they showed, both on the day and during the dry runs that led up to it. This confirms beyond doubt that NCT Forestry Co-operative Limited are earnest in making us feel as part of the NCT Forest family.
- PAMSA for producing sterling marketing material such as the logo, programme, etc.
- Sponsors for the day, FSA, FP&M Seta, SAPPI, SAWPA, SAUPA, and SSA
- All the participants at the event
- DFFE, DTIC, DPE, National Forestry Advisory Council (NFAC), FSCC and SAFCA for their support to the initiative
- The two facilitators Ms Susan Leseke (Acting DDG), and Dr Katy Johnson from FSA
- The POC team of exceptional ladies, who are too many to mention individually, but all went above and beyond to ensure this event was a success. Additionally, Mr Norman Dlamini and Mr Nathi Ndlela from FSA and FSCC's researcher Mr Sikhumbuzo Nxumalo, who all played a fundamental role in facilitating the whole process
- Lastly, all our incomparable guest speakers and their representative institutions, departments and organisations



# Industry Happenings



## Council Participates in the Forestry Master Plan Development

Following extensive consultations with key strategic industry role-players, DFFE concluded the Forestry Master Plan with a comprehensive implementation plan, associated commitments and deliverables, which was approved by Cabinet in November 2020. The Master Plan seeks not only to address the hindrances but also to maximise opportunities for investments, employment creation competitiveness and inclusive growth of the entire Sector. The outcome of the negotiations resulted in six priority foci that were deemed crucial in supporting the overall objectives and prospective of the plan. In summary these are:

- Expansion of the primary resources, maintenance and protection
- Transformation of the sector
- Processing and value addition
- Illegal timber and related criminal activities
- Research development and innovation, human resources and skills development
- Key inhibitors

It is anticipated that the successful implementation of the plan would ensure the improvement of the productivity and sustainability capacity of the sector. DFFE, through the

Deputy Minister and the supporting team, are congratulated for delivering a high-value product of this calibre at a very challenging time where every effort counts.

## Council Collaborates with FSA to Celebrate Women in Forestry

Despite COVID-19 disruptions, 2021 continues to see the participation of women in the Forestry Industry thanks to the joint efforts of FSCC and FSA. The initiative, begun in 2019 by FSA to dismantle the stereotype that the Forestry Sector is a male-only industry and to celebrate Women's Month, has grown beyond all expectations. FSA's initial Female Face of Forestry Campaign in 2019, which profiled successful women from across the Sector, was followed up by their Women in Forestry Campaign, which included video messages by other women in the Sector, showcasing their forestry accomplishments and future aspirations in 2020. Going forward, FSCC will continue to collaborate with FSA to encourage gender equality across the Sector and its value chain.

## Council Partners with FP&M SETA to Celebrate Women in Forestry

Council continues to have a broad collaborated relationship with the FP&M SETA, supporting the August 2020 FP&M SETA





initiative under the Theme 'Generational Equity, Empowered Women Leaders, Empowered Future Leaders', which featured FSCC's Executive Director Ms Khosi Mavimbela. The initiative was led by the Chief Executive Director Ms Felleng Yende, with the aim of magnifying and acknowledging women's enormous contribution in Forestry.

The celebration showcased enthusiastic women who did not only share their interesting insights and greatest accomplishments but also the importance of women parity and empowerment, in particular in the workplace. More so, the diverse opinions shared showed that women are ready to take centre stage and are capable of doing just that. FSCC would like to acknowledge the exceptional contribution of Ms Felleng to the Forestry Sector, which is greatly appreciated and makes her a role model to many.

### **DFFE Deputy Minister Hosts International World Forestry Day**

DFFE celebrated International World Forestry Day in March 2021 as a resolution of the United Nations General Assembly

in November 2012 under the theme, 'Forest Restoration, a Path to Recovery and Well-being'. This is intended to raise awareness of the importance, protection and rehabilitation of all forestry resources within the applicable regulatory frameworks.

Most presentations were focused on the Master Plan led by Government, and represented by the Honourable DFFE Deputy Minister led by the FSA Executive Director and labour led by representatives of the Southern African Clothing and Textile Workers' Union (SACTWU) and the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union (CEPPWAWU).

In addition, there were presentations aligned to the theme centred on the restoration of forestry to promote economic activity, agroforestry, forestry and climate change mitigation so as to create a healthy ecosystem and environment for all generations. The commitment shown by DFFE will no doubt be of added value to this initiative.



## Surviving the Worst while Doing our Best - Industry's Perspective

Forestry in South Africa mostly occurs as natural woodlands and plantations in the north-east and southern coasts. It is estimated that forests cover 1.3 million hectares of plantation with an investment value of about R2.6 billion. The sector employs an average of 170 000 people, of which 66 000 are employed directly in forestry operations. Most timber is used for industrial purposes such as construction, mining timber and paper products. South African forests produce more than 14.5 million cubic metres of unseasoned timber annually with a contribution of about 4.5% to manufacturing also to the South African GDP. The industry was also affected negatively by the COVID-19 pandemic, with most businesses opting for best and possible alternatives.

### Department of Forestry, Fisheries and the Environment

The sector was permitted to operate under Lockdown level 5 under strict COVID-19 health and hygiene protocols.

The Forestry branch through the acting Deputy-Director General (DDG) and other departmental representatives at Natjoints facilitated the prioritisation of timber and timber-related products as essential goods through the Department of Trade Industry and Competition (dtic).

The following operations were permitted as a result:

- Sawmills responsible for producing pulp for the production of toilet paper
- Cross border and inter-provincial transportation of pellets and pelleting material used in the packaging of food, fruit and agricultural produce
- Processing plants responsible for producing essential oils like Eucalyptus

The branch, through the acting DDG, also served as the interface between Industry and government departments who were central to ensuring compliance with the National Disaster Management Act. Some of the activities included intervening at Oshoek and other border gates at the Kingdom of eSwatini border to release trucks that were detained and to follow up on applications for permits.

### Sawmilling South Africa (SSA)

The sawmilling sector was very fortunate that it was judged to be an essential service early in the COVID-19 lockdown. This was because of the role that sawmilled products play in the packaging sector, which were urgently needed by the country for the packaging of medical supplies and foodstuffs. This meant that once the country came out of total lockdown





and moved to level 4, sawmills could get back into production provided that the necessary COVID-19 protection protocols were in place. The majority of sawmills opted to do this and all companies both large and small ensured that all the COVID-19 measures were in place and resumed production. Those mills whose production is geared towards predominantly structural timber were reluctant to start up as their market was still in lockdown but as soon as the country entered level 3, this was rectified and all sawmills could resume production.

Sawmills did suffer a loss of production and, therefore, turnover and income for the period that they were closed but fortunately, this did not last as long as initially feared. The majority of mills did not have to reduce their staff and the Temporary Employer/Employee Relief Scheme (TERS) payments certainly helped in keeping staff on the books. All mills are now back at full production with the exception of one or two that elected to restructure their businesses from the time of the initial shutdown and took advantage of the COVID-19 pandemic to address other issues.

### Paper Manufacturers Association of South Africa (PAMSA)

The South African pulp and paper sector, represented by PAMSA, remained open for business during the pandemic as it was deemed an essential service. Fortunately, the country still needed paper packaging and toilet tissue! The effect of COVID-19 was also well managed by PAMSA's member companies. During lockdown level 5 last year, waste pickers, who earn money from the recyclables they collect, were not allowed to work. As a sector, and in collaboration with other material organisations, PAMSA, along with Fibre Circle,

assisted them with food parcels and vouchers as well as other basic necessities to lessen the burden.

PAMSA is immensely proud of the sector it represents and how its member companies have responded to the needs of its employees and the communities they serve. "Responding with agility and compassion is what we do best and it's why our sector often shows resilience in the toughest times," said Jane Molony, PAMSA's Executive Director.

During 2020, the pulp and paper industry made an impact in various ways, especially in the first line of defence with the provision of cloth masks, sanitisers, handwashing facilities as well as nourishment.

**More information is available on PAMSA's website.**

### South African Forestry Company SOC Ltd

SAFCOL, a State-owned entity and a member to both FSA and SSA, responded to the lockdown during the second quarter of 2020 by conducting a scenario-planning exercise to ensure that the company remained resilient. Decisive actions taken have resulted in a significant improvement in the company's financial position, affording it the opportunity to protect jobs and the health of their employees.

During the challenging year, SAFCOL continued to demonstrate its commitment to supporting economic transformation to achieve a more inclusive, effective and efficient economy in the communities where their operations are based. A total of R4 322 268 was invested in enterprise







and supplier development as well as socio-economic development projects and programmes, which resulted in the reduction of poverty (establishment of vegetable gardens in communities) and the creation of jobs (more than 1 500 jobs), thus empowering local communities adjacent to operations. Among others, four buildings were completed, which included a state-of-the-art clinic built for the people of Graskop and surrounding areas. The clinic was launched in March 2021 and is providing basic healthcare services to ±1 500 patients monthly. In addition, this centre has been earmarked as a COVID-19 vaccine centre.

### South African Forestry Contractors Association (SAFCA)

The Southern Cape was subject to very adverse forestry conditions since 2017 with the forest and fynbos fires that were followed by the COVID-19 lockdown.

The Southern Cape is a major producer of saw timber. Most of forestry was not severely affected as it forms part of agriculture and could continue with production. The challenge for the producers of saw timber was the lockdown on the construction industry. By implication, the sales of timber were totally restricted, with severe effects on the industry in the Southern Cape. The KwaZulu-Natal and Mpumalanga contractors were not affected to the same extent. The total loss of just over 5 000 jobs over the past three years is of great concern to SAFCA and hence it endeavoured to break the inertia by replanting 22 400ha in the Southern Cape.





# Report of Progress made in the Implementation of the Forest Sector Charter Undertakings



The amended Forest Sector Charter lists commitments for both industry and governments. These obligations are intended to provide an enabling environment for B-BBEE compliance and enforcement. The section below indicates progress achieved on these commitments, though without a doubt, the COVID-19 pandemic had a negative effect on their application and implementation.

## Instruments to Support Ownership Targets

### Leveraging of State Forest Assets

The outcome of SAFCOL's application for the B-BBEE Facilitator's Status is awaited. The outcome of the application has an effect on the entities procuring timber from SAFCOL in relation to the procurement points as well as the completeness ratio.

## Instruments to Support Enterprise and Supplier Development Targets

### Access to Funds and Financial Services for Emerging Black Entrepreneurs

A programme composed of 27 projects was brought before the Presidency for R447 million that would potentially create 20 000 jobs. The Industry, through FSA and Industrial Development Corporation's (IDC) proposal to the Presidential employment stimulus for this programme was unfortunately unsuccessful.

### Capacity Building and Business Support for Emerging Black Entrepreneurs

Industry, through FSA, secured R1.3 million from FP&M SETA for industry-led training initiatives, however, these were unfortunately put on hold due to the COVID-19 pandemic.

FSA further secured €988 170 000 (±R17 million) from the European Union to support the five forestry-based institutions of higher learning in South Africa. These institutions are Fort Cox, Nelson Mandela University, Stellenbosch University, University of Venda and Tshwane University of Technology.





### **Expedite the Authorisation Process for Afforestation and Paper and Sawmilling Facilities**

In relation to the Water Use Licence Applications (WULA), only five new applications were received. Twenty-one were eventually processed in the year under review; only 19 were approved and two were declined.

### **Instruments to Support Industry-Specific Initiatives**

#### **Strengthening Representative Industry Structures**

FSA normally holds three rounds of regional meetings with small-scale grower (SSG) representatives. The meetings have since been reduced to two meetings a year. Due to the pandemic and hard lockdowns, most meetings had to be organised through diverse virtual platforms and FSA managed to train all SSG representatives across the country to use Microsoft Teams, Zoom and Skype for meetings.

“

*Due to the pandemic and hard lockdowns, most meetings had to be organised through diverse virtual platforms and FSA managed to train all SSG representatives across the country to use Microsoft Teams, Zoom and Skype for meetings.*

”





## Summary of the Status of Transformation

**All sectors, including forestry, are encouraged to accelerate black participation in the economy and alleviate poverty and unemployment among the youth in particular. The imbalances exposed by the COVID-19 pandemic will have a definite long-term impression on the Industry's economic performance, job creation and/or retention and the B-BBEE implementation in general.**

The year 2020/2021 marks the fourth year since the Amended Forest Sector Codes (FSC) were introduced and will be regarded as one of the best years to measure Industry's response to the target as indicated in the Forestry sector's scorecard. Industry would have had sufficient time to transition from the expectations of the repealed scorecard targets if it was not for COVID-19, which effected unfavourable lockdowns.

In the current reporting year, a total of 37 valid certificates were received, showing a consistent and substantial decline from the 68 and 70 certificates received in 2019/2020 and 2018/2019 respectively.

Medium and large enterprises (MLEs) submitted 18 certificates, with 14 attaching the underlying reports.

Qualifying small enterprises (QSEs) submitted 10 B-BBEE affidavits and one certificate. Only eight valid affidavits were obtained from exempted micro-enterprises (EMEs) compared to 21 submissions from the previous year.

MLEs maintained a Level 4. Notably, QSEs and EMEs recorded improved average B-BBEE ratings of Level 1 from a Level 2 and Level 1 also from a Level three. This suggests that most of the QSEs and EMEs were enhanced, with a majority achieving a Level 1 as most were 100% black-owned with none of the QSEs and EMEs achieving a level below 2.

“

*Industry would have had sufficient time to transition from the expectations of the repealed scorecard targets if it was not for COVID-19, which effected unfavourable lockdowns.*

”



### Medium and Large Enterprises (MLEs)

MLEs recorded a slight improvement in their overall B-BBEE weighting points for the year under review from 85 to 88 and this despite the negative influence of the COVID-19 pandemic. The average rating achieved for MLEs was maintained at Level 4. Most of the MLEs had reported in the last two years, confirming the sector’s commitment to transformation.

The number of certificates received further declined from 21 to 18 even for the reporting period as displayed in Figure 1. The 14 MLE submissions on the underlying B-BBEE reports were further assessed to gather real insight into the transformative landscape of the sector. The continuous trend of receiving fewer underlying reports when compared to the certificates is disturbing as the B-BBEE Act as amended clearly states that such reports should be accompanied by the in-depth reports.

**Figure 1: MLE Certificate and Underlying Report Submissions, 2018/2019 – 2020/2021**

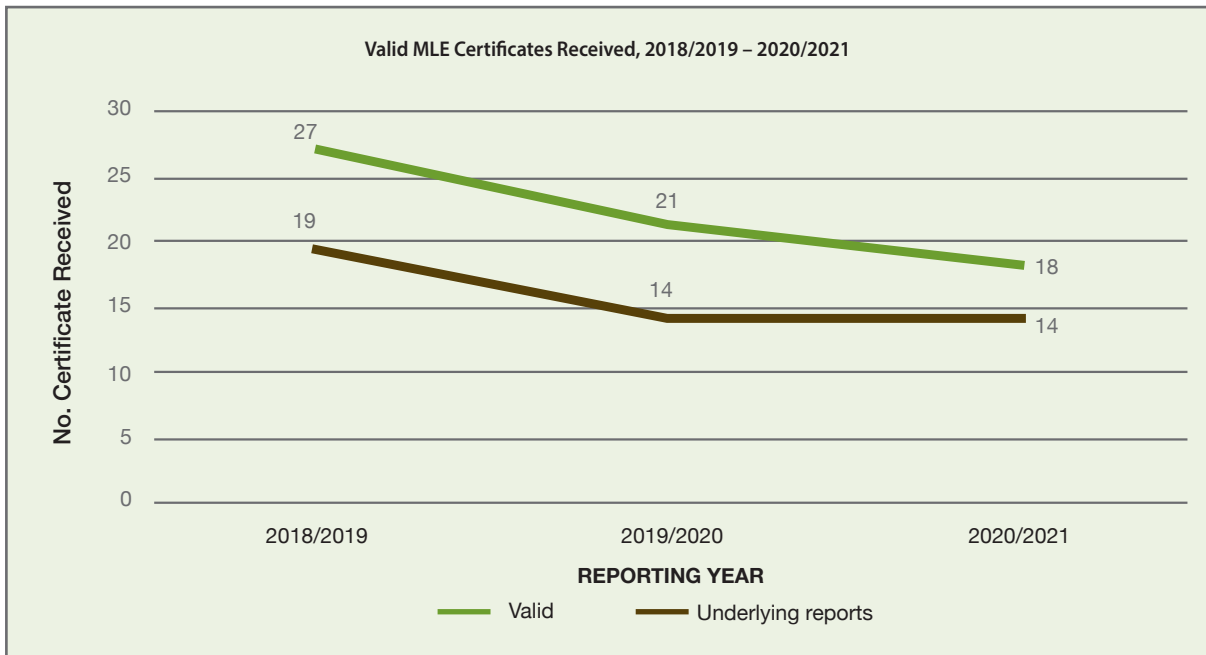


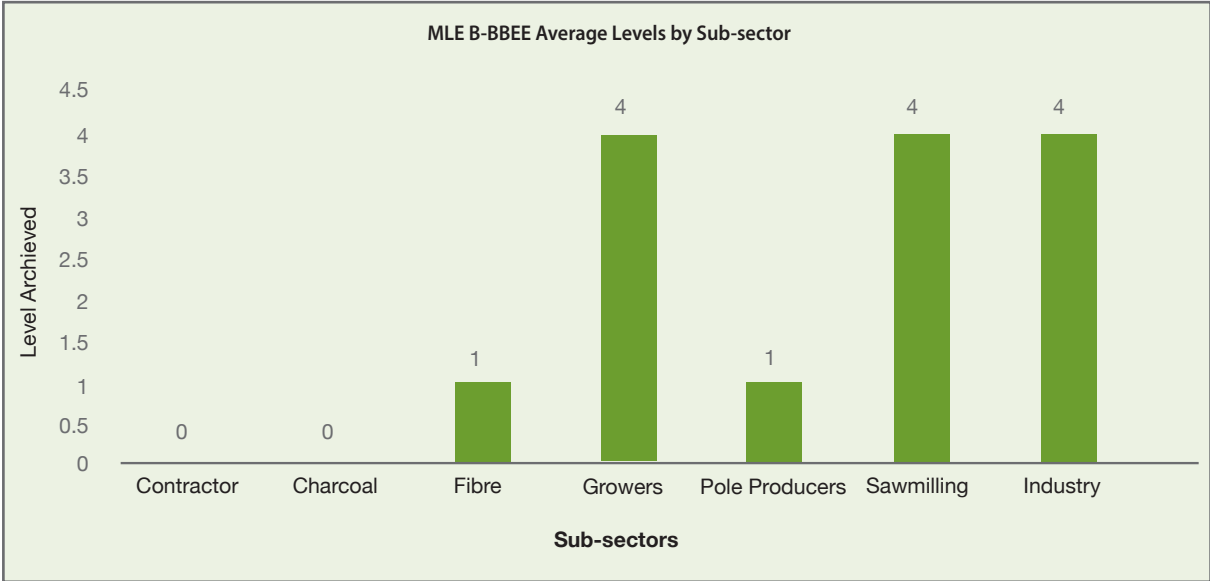




Figure 2 gives an indication of B-BBEE levels achieved by MLEs belonging to different sub-sectors. Notably, no submissions were received from the Charcoal or Contractor sub-sectors, further validating that there are no MLEs in these two sub-sectors as previously reported. A total of seven MLEs achieved a Level 1 B-BBEE rating – most of them from the Fibre and Sawmilling sub-sectors. None of the MLEs received a non-complaint B-BBEE rating.

In the year 2020/2021, both the Fibre and Pole Producers' subsectors achieved an average rating of Level 1. The growers showed an improvement and similarly, the Sawmilling sub-sector achieved the same level as the overall Industry of Level 4. Both the Growers and the Sawmilling sub-sectors recorded the most diverse B-BBEE ratings.

**Figure 2: MLE Overall Performance by Sub-sector and B-BBEE Level**

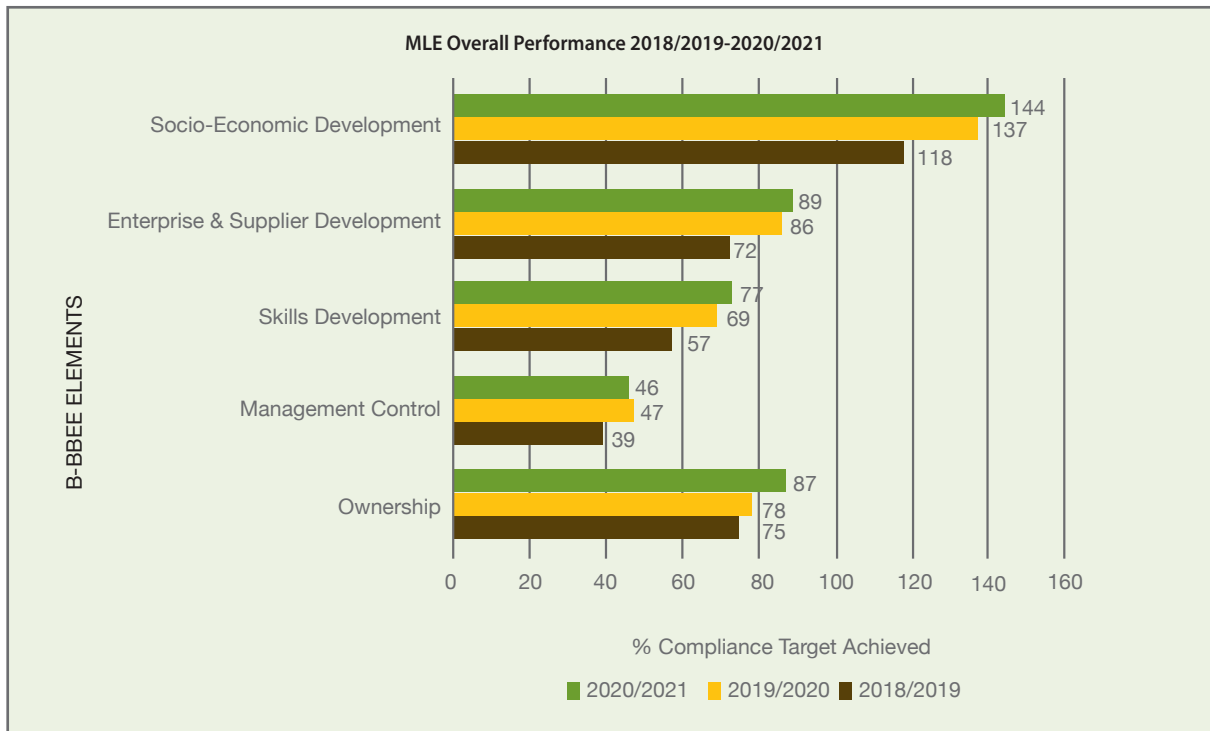




A three-year comparison of the percentage compliance target achieved in each of B-BBEE scorecard element is displayed in Figure 3 below. The current year’s performance reveals improvements in all the four scorecard elements, with significant improvements in enterprise and supplier development (ESD), socio- economic development (SED) and skills development (SD). A slight drop in performance

was observed in management control (MC) when compared to the previous year. This perhaps confirms that the Industry continues to find it difficult to achieve the target on this element and will need to consider other alternatives as a certificate will be issued for compliance on the Employment Equity Act, which seeks to ensure equitable and racial representation in senior and executive positions.

**Figure 3: MLE Overall Performance per Element as a Percentage of the Compliance Target**



Further analyses shows that MLEs are achieving targets for economic interest and the voting of black men and women. An improvement was also observed on the broad-based groupings indicator as well as procurement from 51% black-owned and 51% black- designated groupings.

SAFCOL’s rating is based on Statement 004, which disqualifies state-owned entities from being assessed on the ownership element. SAFCOL’s overall B-BBEE rating declined from Level 3 to Level 4 in the current year. An improvement was observed in the ESD and SD elements while the SED performance was maintained at the score of 5 points. Similarly, MC dropped slightly in the overall Industry performance.

The application for the B-BBEE Facilitator’s status is still pending and as an interim measure, a modified scorecard has been drafted and is awaiting gazetting. Depending on either outcome, it is likely that the completeness ratio will be adjusted.

In terms of the discounting principle introduced in 2017, entities are downgraded by a level if they do not achieve the 40% minimum target on the three priority elements, namely; ownership, skills development and enterprise and supplier development. Only three MLEs in total were discounted through SD and ESD, indicating an improvement from the last reporting. None of these entities were discounted as a result of ownership or a combination of two or more of the three priority elements.

**Qualifying Small Enterprises (QSEs)**

QSEs are measured entities with a turnover between R10-50 million per annum. QSEs are assessed using their own specific Amended FSC Scorecard and B-BBEE principles as the MLEs, though with lower targets.

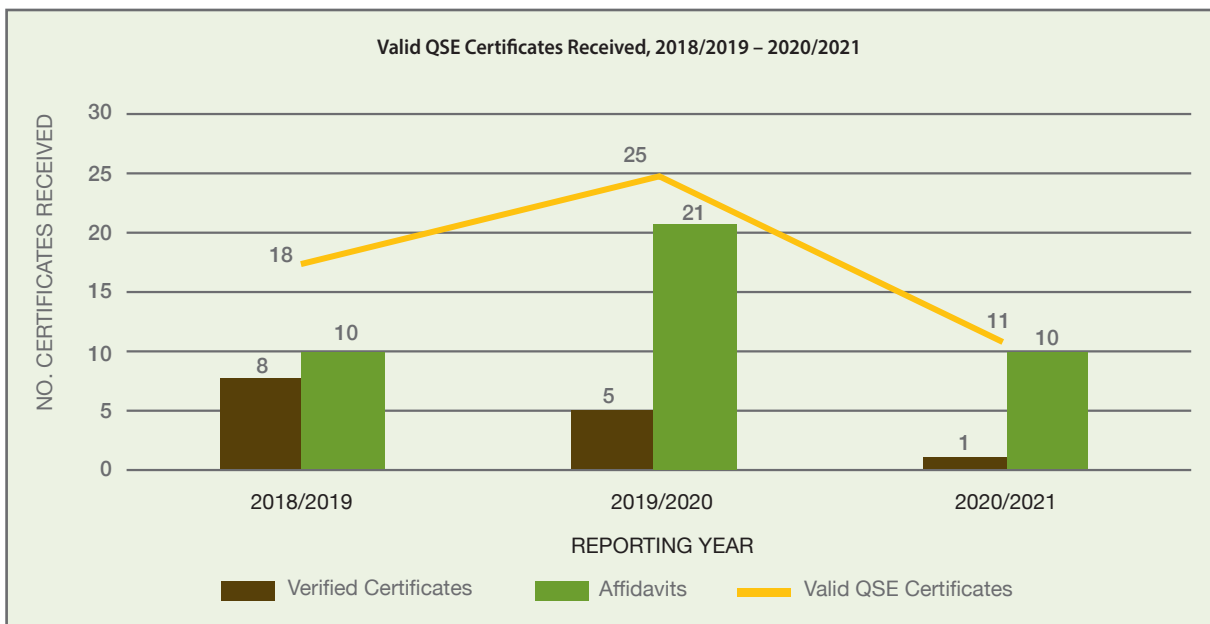
Additionally, QSEs who are majority black-owned, i.e. 51% or 100% black-owned (BO) or black women-owned (BWO) are enhanced to a Level 2 and Level 1 respectively. Such QSEs



are required to confirm their total turnover, black ownership profile and empowering status through a Forest sector-specific affidavit. Moreover, they are expected to declare whether they are a category A or B ESD beneficiary. As such, they are exempted from reporting on the scorecard elements. The intention is to encourage majority black ownership within the Sector for inclusivity purposes. The black ownership profile among the QSE category has increased even in the current year, proving that more QSEs are black-owned.

The number of affidavits and certificates received for the year has reduced drastically. Only 11 submissions were received for the year, with one certificate and 10 affidavits as illustrated in Figure 4. Due to the few certificates received, the analysis based on the certificates was not undertaken as it would not give a comprehensive comparison.

**Figure 4: Valid QSE Certificate Submissions, 2018/2019 – 2020/2021**



QSEs achieved an average Level 2 B-BBEE rating, largely because of the Level 1 and Level 2 ratings. Six QSEs achieved Level 1 and the remaining six attained a Level 2. Black ownership among QSEs also increased from 63% in 2019/2020 to 73% in 2020/2021. Analysis of the submissions from the QSEs indicate that a majority (eight) are heavily involved in contracting such as harvesting, silviculture and transport. Only two are in pole production, with one operating in the Fibre sub-sector.

### Exempted Micro-Enterprises (EMEs)

EMEs are entities with a turnover of less than R10 million per annum. EMEs are automatically awarded a Level 4 B-BBEE rating but may be enhanced to Level 1 or 2 if they are 100% or 51% BO respectively. Unenhanced EMEs may be rated on the QSE's scorecard should they want to improve their level and maximise their B-BBEE recognition level.

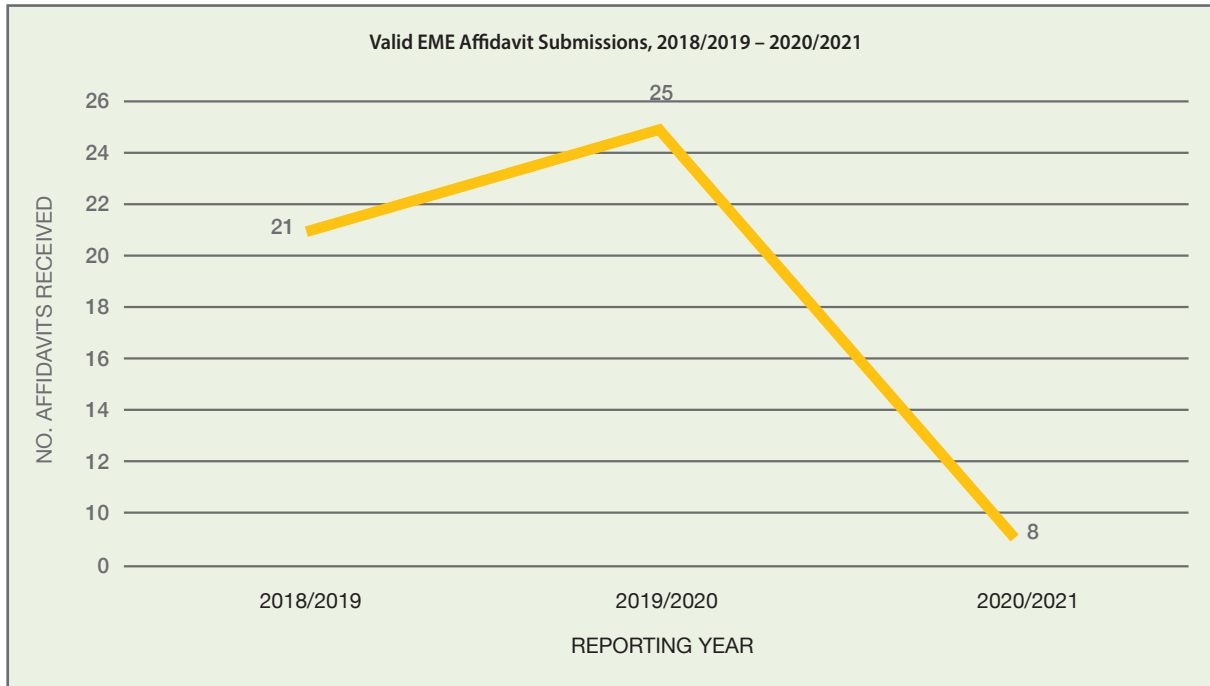
The number of submitting EMEs has decreased from 21 to eight affidavits as shown in Figure 5. Similar to QSEs and previous years, all EMEs are involved in contracting. A total of six EMEs achieved a Level 1 rating while two EMEs achieved Level 2, implying that all the EMEs were enhanced.

The average black ownership profile increased significantly from 24% to 87.7% while the average black women ownership decreased from 14% to 12.5%. This implies that the majority of reporting EMEs are enhanced due to their BO profile of above 51%.

The overall average B-BBEE rating for EMEs improved from a Level 3 to a Level 1, largely due to the fact that only Level 1 and 2 EMEs made submissions.



**Figure 5: Valid EME Affidavit Submissions 2018/2019 - 2020/2021**



**Conclusion**

Despite the devastating effect of the COVID-19 pandemic, the Forestry industry has continued to make an effort to implement and improve its B-BBEE performance. In accordance with a COVID-19 questionnaire, it was evident that the Industry was heavily affected by the pandemic in different sectors. The most affected were the entities that could not be registered as an essential service, resulting in inactive operations during the lockdown declared under the National Disaster Act. Some could not even implement or comply with B-BBEE requirements due to a shift in focus for survival.

Differing opinions were shared on the impact of each scorecard element. MC together with Ownership were the least challenging elements under the pandemic and SD and ED had the highest ranking – expectedly so, as these two have a financial commitment and the lockdown meant that most unregistered business had to halt their operations. Other views suggested a change or alteration of the B-BBEE Amended FSC to accommodate such circumstances. It is for this reason that the Council has drafted a Schedule 4, proposing for a measurement criterion to assess B-BBEE during a National Disaster.

The Industry maintained a Level 4 rating despite COVID-19, which worsened the economic outlook. Improvements were

observed in all the scorecard elements, with the exception of MC. The Fibre and Pole sub-sectors performed exceptionally well in all the scorecard elements and also achieved an average B-BBEE Level 1 each. Only Fibre achieved more than 50% towards the target on MC. Industry’s performance on the SED element is also encouraging considering the various contributions made in response to the pandemic. Most entities made donations in the form of food parcels, school items, masks, sanitisers, etc. SAFCOL’s donation of a clinic came at the perfect time.

The average black ownership profile across all sizes of business in the Industry also improved and surpassed the 30% target for black people and 10% for black-women ownership. QSEs achieved a Level 2 while EMEs achieved a Level 1 and this was due to most submissions being affidavits.

In conclusion, Industry’s effort is creditable and should focus more on impactful outcomes, inclusivity and broad-based economic participation. It is evident from the performance that Council should continue to prioritise advocating for B-BBEE implementation and compliance and for the support of black-owned businesses for their growth and contribution to job creation, in particular to the youth. Fundamentally, there is a need to explore avenues to support small businesses across the other economic sub-sectors, even if it means creating new ones.



## B-BBEE Reporting Entities

MLEs	QSEs	EMEs
Corruseal	Durban Poles	NBR Harvesting
Maqhilika Timber	Natal Factory Box	Kettledas
Mondi Limited	Ngwenya Forestry	Makhubekhube Trading
Mpact	SIBSA Group	Mhlekezi Forestry
Natal Forest Products (R&B Timbers)	SIBSA Wees Services	SC Forestry
Sappi Southern Africa	CMO Logistics	Rally Consulting
Vuka Timbers PTY LTD	Enviromech	Mfezi Security
Industrial Timber Supplies	Imphisi Harvesting	Silvicultrix
Lion Match Company	Gauteng Pallets East	
Timrite	Njojo Construction	
Gauteng Pallets cc	Welverdiend Forestry Pty Ltd	
MTO Forestry		
Bedrock		
SAFCOL		
York Timbers Holdings CC		
White River Sawmills		
Amathole (Rance Timber)		
PG Bison		







# Annual Financial Statements for the Year Ended 31 March 2021

Forest Sector Charter Council NPC  
(Registration number 2009/006567/08)  
Annual Financial Statements  
for the year ended 31 March 2021

## Index

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

	Page
Councillors' Responsibilities and Approval	28
Councillors' Report	29
Independent Auditor's Report	30-31
Statement of Financial Position	32
Statement of Comprehensive Income	33
Statement of Changes in Reserves	34
Statement of Cash Flows	35
Accounting Policies	36-37
Notes to the Annual Financial Statements	38-42

The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income Statement	43-44
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## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Oversight over and facilitation of the implementation of the Forest Sector Code which, as its main objective, seeks to promote Broad-Based Black Economic Empowerment in and through the Forest Sector.
<b>Directors</b>	Dr. Diphoko Mahango (Chairperson) Bruce Breedt Tyrone Hawkes Daniel Kivetts Jacob Maphutha Rally Moropa Michael Peter Thabitha Shange Roy Southey Dr. Jaap Steenkamp Lulamile Xate Penwell Lunga Tanucia Coopasamy Felleng Yende
<b>Business address</b>	SAFCA, 6 Hulley Road, Isando, 1690
<b>Postal address</b>	P O Box 1130, Isando, 1600
<b>Auditors</b>	Dziwa & Company Registered Auditors
<b>Income Tax Exemption Number</b>	930068132
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.



## Councillors' Responsibilities and Approval

The councillors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The councillors acknowledge that they are ultimately responsible for the system of internal financial control established by the Council and place considerable importance on maintaining a strong control environment. To enable the councillors to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Council and all employees are required to maintain the highest ethical standards in ensuring the Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Council is on identifying, assessing, managing and monitoring all known forms of risk across the Council. While operating risk cannot be fully eliminated, the Council endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The councillors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The councillors have reviewed the Council's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, they are satisfied that the Council has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Council's annual financial statements. The annual financial statements have been examined by the Council's external auditors and their report is presented on page 5.

The annual financial statements set out on page 32, which have been prepared on the going concern basis, were approved by the Council on 11 June 2021 and were signed on its behalf by:

### Approval of Annual Financial Statements



**Dr Diphoko Mahlongo**  
Chairperson



# Councillors' Report

The councillors have pleasure in submitting their report on the annual financial statements of Forest Sector Charter Council NPC for the year ended 31 March 2021.

## 1. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Council are set out in these annual financial statements.

## 2. Councillors

The councillors in office at the date of this report are as follows:

### Councillors

Dr Diphoko Mahango (Chairperson)  
Bruce Breedt  
Tyrone Hawkes  
Daniel Kivetts  
Jacob Maphutha  
Rally Moropa  
Michael Peter  
Thabitha Shange  
Roy Southey  
Dr Jaap Steenkamp  
Lulamile Xate  
Penwell Lunga  
Tanucia Coopasamy  
Felleng Yende

## 3. Councillors' term of office

The Councillors' contractual term of office having commenced on 26 October 2018 is due to expire on 31 October 2021. The Minister of Forestry, Fisheries and the Environment will appoint a new Council in due course.

## 4. Events after the reporting period

The councillors are not aware of any material event which occurred after the reporting date and up to the date of this report.





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e-mail: [office@dziwainc.com](mailto:office@dziwainc.com)  
website: [www.dziwa-inc.com](http://www.dziwa-inc.com)

## Independent Auditor's Report

### To the members of Forest Sector Charter Council NPC Opinion

We have audited the annual financial statements of Forest Sector Charter Council NPC (the company) set out on pages 7 to 18, which comprise the statement of financial position as at 31 March 2021, statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Forest Sector Charter Council NPC as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The directors are responsible for the other information. The other information comprises the information included in the document titled "Forest Sector Charter Council NPC annual financial statements for the year ended 31 March 2021", which includes the Councillors' Report as required by the Companies Act of South Africa and the supplementary information as set out on pages 19 to 20, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independent Auditor's Report (continued)

### Responsibilities of the Directors for the Annual Financial Statements

The councillors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the councillors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the councillors either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the councillors.
- Conclude on the appropriateness of the councillors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Dziwa & Company**  
SK Dziwa RA(SA)

**11 June 2021**  
**Bramley, Johannesburg**



## Statement of Financial Position as at 31 March 2021

Figures in Rand	2021	2020
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	1 756	8 828
Current assets		
Trade and other receivables	356 004	241 820
Cash and cash equivalents	11 698 105	9 746 901
	<b>12 054 109</b>	<b>9 988 721</b>
<b>Total Assets</b>	<b>12 055 865</b>	<b>9 997 549</b>
<b>Reserves and Liabilities</b>		
<b>Reserves</b>		
Retained income	11 987 060	7 020 365
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	68 805	1 884
Current tax payable	-	2 975 300
	68 805	2 977 184
<b>Total equity and liabilities</b>	<b>12 055 865</b>	<b>9 997 549</b>

## Statement of Comprehensive Income

Figures in Rand	2021	2020
<b>Revenue</b>	7 415 075	7 144 094
Other income	59 682	-
Operating expenses	(2 725 978)	(5 167 313)
<b>Operating surplus/(deficit)</b>	<b>4 748 779</b>	<b>1 976 781</b>
Investment revenue	285 733	178 616
<b>Profit before taxation</b>	<b>5 034 512</b>	<b>2 155 397</b>
Taxation	(67 817)	(2 975 300)
Surplus/(deficit for the year)	<b>4 966 695</b>	<b>(819 903)</b>
Other comprehensive income	-	-
<b>Total comprehensive surplus (deficit) for the year</b>	<b>4 966 695</b>	<b>(819 903)</b>



## Statement of Changes in Reserves

Figures in Rand	Retained Income	Total Equity
<b>Balance at 01 April 2019</b>	(819 903)	(819 903)
Surplus for the year	(819 903)	(819 903)
Other comprehensive income	-	-
Total comprehensive loss for the year	(819 903)	(819 903)
<b>Balance at 01 April 2020</b>	7 020 365	7 020 365
Deficit for the year	4 966 695	4 966 695
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	4 966 695	4 966 695
<b>Balance at 31 March 2021</b>	<b>11 987 060</b>	<b>11 987 060</b>

Note(s)

## Statement of Cash Flows

Figures in Rand	2021	2020
<b>Cash flows from operating activities</b>		
Cash generated from operations	4 708 588	1 627 281
Interest income	285 733	178 616
Tax paid	(3 043 117)	-
<b>Net cash from operating activities</b>	<b>1 951 204</b>	<b>1 805 897</b>
<b>Total cash movement for the year</b>	<b>1 951 204</b>	<b>1 805 897</b>
Cash at the beginning of the year	9 746 901	7 941 004
<b>Total cash at end of the year</b>	<b>11 698 105</b>	<b>9 746 901</b>



## Accounting Policies

### 1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for biological assets at fair value less point of sale costs, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average Useful Life
Office equipment	Straight line	6 years
Computer equipment	Straight line	3 years
Computer software	Straight line	6 years

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

## Accounting Policies (continued)

### 1.2 Financial instruments

#### Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

### 1.3 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill or investment property on the cost model may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

### 1.4 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

### 1.5 Revenue

Revenue is recognised to the extent that the membership fees are invoiced and is measured at the agreed rates as per the approved annual budgets.

Interest is recognised, in profit or loss, using the effective interest rate method.



## Notes to the Annual Financial Statements

Figures in Rands			2021	2020		
<b>2. Property, plant and equipment</b>						
	2021		2020			
	Cost or revaluation	Accumulated Depreciation	Carrying Value	Cost or revaluation	Accumulated Depreciation	Carrying Value
Furniture and fixtures	122 313	(120 983)	1 330	122 313	(115 439)	6 874
Office equipment	23 662	(23 247)	415	23 662	(21 708)	1 954
Computer equipment	108 626	(108 615)	11	108 626	(108 626)	-
Computer software	1 999	(1 999)	-	1 999	(1 999)	-
<b>Total</b>	<b>256 600</b>	<b>(254 844)</b>	<b>1 756</b>	<b>256 600</b>	<b>(247 772)</b>	<b>8 828</b>

### Reconciliation of property, plant and equipment – 2021

	Opening Balance	Depreciation	Closing Balance
Furniture and fixtures	6 874	(5 544)	1 330
Office equipment	1 954	(1 539)	415
Computer equipment	-	11	11
	<b>8 828</b>	<b>(7 072)</b>	<b>1 756</b>

### Reconciliation of property, plant and equipment – 2020

	Opening Balance	Depreciation	Closing Balance
Furniture and fixtures	13 296	(6 422)	6 874
Office equipment	3 610	(1 656)	1 954
Computer equipment	597	(597)	-
	<b>17 503</b>	<b>(8 675)</b>	<b>8 828</b>

### 3. Trade and other receivables

Trade receivables	353 153	231 761
Other receivables	2 851	10 059
	<b>356 004</b>	<b>241 820</b>

### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 259 430	3 568 285
Interest yielding bank balances	8 438 675	6 178 616
	<b>11 698 105</b>	<b>9 746 901</b>

### 5. Trade and other payables

Trade payables	4 515	1 884
Payroll related accruals	64 290	-
	<b>68 805</b>	<b>1 884</b>

## Notes to the Annual Financial Statements (continued)

Figures in Rands	2020	2019
<b>6. Revenue</b>		
Industry contributions – Members of the Forestry Sector	2 209 075	2 209 094
Government contribution – Department of Forestry, Fisheries and the Environment	5 206 000	4 935 000
	<b>7 415 075</b>	<b>7 144 094</b>
<b>7. Other income</b>		
Insurance claim recovery	59 682	-
<b>8. Operating surplus/(deficit)</b>		
Operating surplus/(deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Lease rentals on operating lease		
• Contractual amounts	126 315	119 355
Depreciation on property, plant and equipment	7 072	8 675
Employee costs	1 722 836	1 825 907
<b>9. Employee costs</b>		
<b>Employee costs</b>		
Basic	1 215 364	1 292 154
PAYE, UIF and SDL	507 472	533 753
	<b>1 722 836</b>	<b>1 825 907</b>
<b>10. Depreciation, amortisation and impairments</b>		
The following items are included within depreciation, amortisation and impairments:		
<b>Depreciation</b>		
Property, plant and equipment	7 072	8 675
<b>11. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	285 733	178 616
<b>12. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current taxation</b>		
South African normal tax – prior years	-	2 975 300
South African normal tax – prior years' under provision	67 817	-
	<b>67 817</b>	<b>2 975 300</b>

The Council was granted income tax exempt status with effect from 5 January 2020 under exemption number is 930068132. The Council's income and accruals are exempt from income tax, subject to the fulfillment of the exemption conditions which are assessed annually. Accordingly, no provision has been made for 2021.



## Notes to the Annual Financial Statements (continued)

Figures in Rands	2021	2020
<b>13. Auditor's remuneration</b>		
Fees	76 400	73 000
<b>14. Cash generated from operations</b>		
Surplus before adjustments	5 034 512	2 155 397
<b>Adjustments for:</b>		
Depreciation and amortisation	7 072	8 675
Interest received	(285 733)	(178 616)
<b>Changes in working capital:</b>		
Trade and other receivables	(114 184)	154 603
Trade and other payables	66 921	(512 778)
	<b>4 708 588</b>	<b>1 627 281</b>
<b>15. Tax paid</b>		
Balance at beginning of the year	(2 975 300)	-
Prior years' under provision	(67 817)	(2 975 300)
Balance at end of the year	-	2 975 300
	<b>(3 043 117)</b>	-

## Notes to the Annual Financial Statements (continued)

Figures in Rands	2021	2020
<b>16. Related parties</b>		
<b>Relationships</b>		
Members of the Forest Industry	Paper Manufacturers Association of South Africa (PAMSA) Forestry South Africa (FSA) Sawmilling South Africa (SSA) South African Wood Preservers Association (SAWPA) South African Utility Pole Association (SAUPA) South African Forestry Contractors Association (SAFCA)	
Ultimate responsible authority	Department of Forestry, Fisheries and the Environment (DFFE)	
<b>Related party balances and transactions</b>		
<b>Related party balances</b>		
<b>Amounts included in Trade receivable</b>		
FSA	100 698	50 349
PAMSA	236 192	118 096
Sawmilling SA Non-affiliated	17 290	63 315
FSA Non affiliated	-	190 063
<b>Related party transactions</b>		
<b>Revenue received from related-parties:</b>		
PAMSA	1 299 058	1 417 154
FSA	722 285	604 188
Sawpa	31 323	32 850
Sawmilling South Africa	103 757	103 757
Saup	31 323	29 796
Safca	21 349	21 349
DFFE	5 206 000	4 935 000



## Notes to the Annual Financial Statements (continued)

Figures in Rand	2021	2020	
<b>17. Councillors' remuneration</b>			
<b>Non-executive</b>			
<b>2021</b>	<b>Attendance fees</b>	<b>Travel and subsistence allowances</b>	<b>Total</b>
Dr Diphoko Mahango (Chairperson)	182 912	10 683	193 595
Daniel Kivetts	34 929	-	34 929
Rally Moropa	38 104	-	38 104
Thabitha Shange	25 403	-	25 403
<b>2020</b>			
Dr Diphoko Mahango (Chairperson)	320 095	42 928	363 023
Daniel Kivetts	66 683	33 729	100 412
Rally Moropa	88 910	12 195	101 105
Thabitha Shange	41 280	7 339	48 619

## 18. Income statement by project and function

### Total income

Total income	7 760 490	7 322 691
CEO visits	(69 471)	(168 375)
Community outreach programme (Phase 2 & 3)	(25 403)	(381 113)
Youth and women empowerment	-	(64 013)
Knowledge sharing & transfer programme	-	(146 570)
Research on value chain	-	(79 300)
Impact assessment of the amended FSC & environmental scanning exercise	-	(471 328)
Employee costs	(1 722 836)	(1 825 907)
Other operating expenses	(908 268)	(2 030 688)
<b>Surplus for the year before prior years tax adjustment</b>	<b>5 034 512</b>	<b>2 155 397</b>

## Detailed Income Statement

Figures in Rand	Note(s)	2021	2020
<b>Revenue</b>			
Government contribution – Department of Forestry, Fisheries and the Environment		5 206 000	4 935 000
Industry contributions – Members of the Forestry Sector		2 209 094	2 209 094
	6	<b>7 415 075</b>	<b>7 144 094</b>
<b>Other income</b>			
Insurance claim recovery		59 682	-
		<b>(2 725 978)</b>	<b>(5 167 313)</b>
<b>Expenses (Refer to page 44)</b>			
<b>Operating deficit</b>	8	<b>4 748 779</b>	<b>1 976 781</b>
Investment income	11	285 733	178 616
<b>Surplus before taxation</b>		<b>5 034 512</b>	<b>2 155 397</b>
Taxation	12	(67 817)	(2 975 300)
<b>Surplus/(deficit) for the year</b>		<b>4 966 695</b>	<b>(819 903)</b>



## Detailed Income Statement (continued)

Figures in Rand	Note(s)	2021	2020
<b>Operating expenses</b>			
Accounting fees		(207 665)	(311 310)
Advertising and branding		-	(21 924)
Annual report		(14 835)	(27 715)
Audit fees	13	(76 400)	(73 000)
BBBEE impact analysis		-	(471 328)
Bad debts		-	(190 063)
Bank charges		(8 041)	(8 284)
Catering		-	(96 567)
Cleaning		(43 818)	(42 232)
Computer expenses		(40 599)	(64 500)
Consulting: B-BBEE status reports		(24 092)	-
Depreciation, amortisation and impairments		(7 072)	(8 675)
Employee costs		(1 722 836)	(1 825 907)
Gifts		-	(20 807)
Insurance		(17 293)	(16 568)
Legal expenses		-	(32 500)
Meeting and workshop venues		-	(54 737)
Meeting attendance costs		(281 348)	(516 967)
Operating lease – office equipment		(50 474)	(45 885)
Operating lease – premises		(126 315)	(119 355)
Presentations		-	(5 750)
Printing and stationery		(14 637)	(33 169)
Telephone and fax		(74 332)	(76 229)
Travel and accommodation		(4 470)	(887 653)
Travel and subsistence claims – Council members		(10 683)	(96 191)
Travel and subsistence claims – staff		(1 068)	(25 737)
Value chain analysis		-	(79 300)
Youth and women empowerment		-	(14 960)
		<b>(2 725 978)</b>	<b>(5 167 313)</b>

# Appreciation

**What a year 2020/2021 has been. When the first COVID-19 case was diagnosed in South Africa and lockdown was introduced, we all thought that we would manage the new situation and adjust to the new norm.**

Little did we anticipate adjusting to a whole new system of seamless virtual meetings and learning to rely mostly on long emails and media statements. It has indeed been a most difficult and challenging year, to say the least.

While that was the case, it didn't hamper the Council from its original mandate, though execution was restricted due to some limitations such as the ban on provincial travelling and gatherings. Nonetheless, we managed to do what we could, and engaged and interacted with our stakeholders to ensure that the Sector continued to strive for social and economic transformation.

A highlight for the year was the webinar to recognise the significant contribution of Women in Forestry while gauging their engagement in the Sector. This proved beyond doubt the Council and the entire Forestry Industry's determination and culture to remain committed to the B-BBEE principle.

In 2021, we also enjoyed support and commitment from Council, all members and stakeholders. On behalf of all staff members, I wish to extend our gratitude to Chairperson Dr Mahango, Council members and, of course, supporting departments, in particular, DFFE, dtic, DPE, Department of Agriculture, Land Reform and Rural Development (DALRRD), Department of Water and Sanitation (DWS), FP&M Seta, IDC and industry associations. Your thoughtfulness, calculated approach and leadership caused us to want to do better and be responsible even under the abnormal circumstances.

To our funders, particularly DFFE and all Sector associations, we thank you for your considerable support despite the economic instability worsened by the COVID-19 pandemic.

Lastly, to my colleagues, I am appreciative of the fact that we worked tirelessly as a collective and learnt to work harder than ever despite all the disruptions brought about by the pandemic. We can only hope that the year 2021/2022 will be better for all of us.

*Khosi Mavimbela*

**FSCC: Executive Director**









HITACHI



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