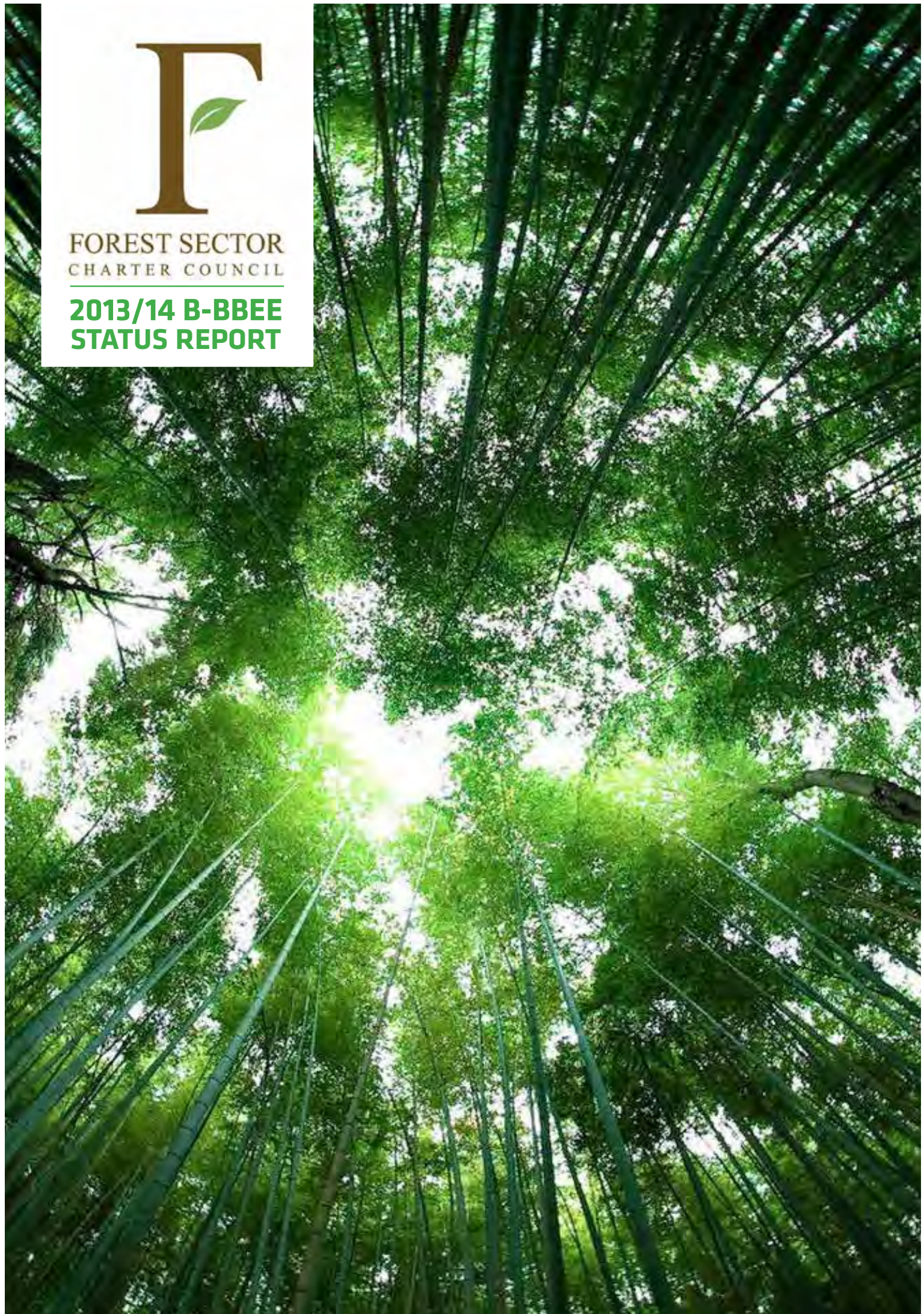
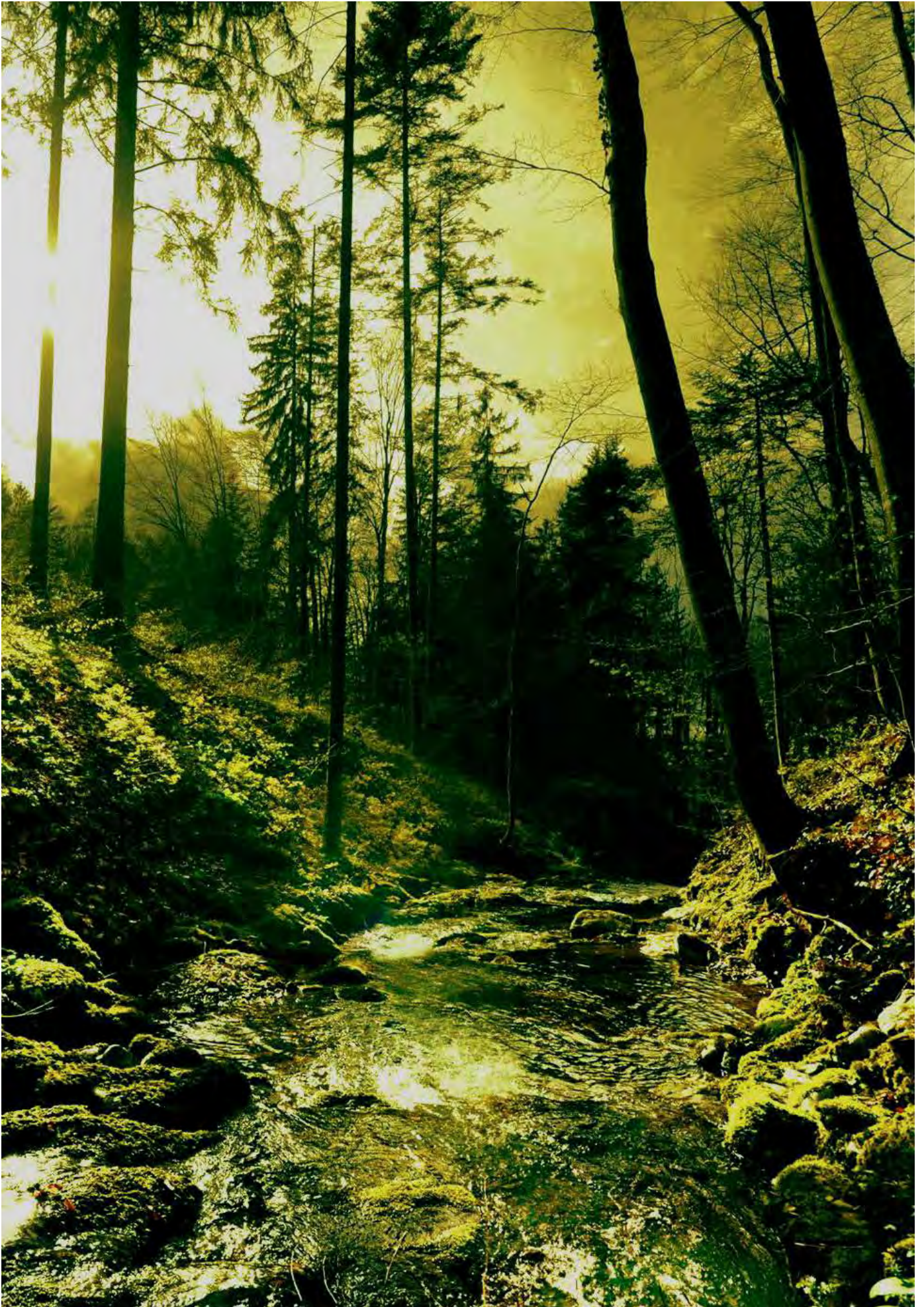




FOREST SECTOR
CHARTER COUNCIL

**2013/14 B-BBEE
STATUS REPORT**





EXECUTIVE SUMMARY

The main aim of the report is to determine the compliance of the industry with the Forest Sector B-BBEE Codes of Good Practice as a main driver for transformation. This is achieved by assessing the performance of Exempt Micro Enterprises (EMEs), Qualifying Small Enterprises (QSEs) and the Medium and Large Enterprises (MLEs) against the Forest Sector Code. The report also aims to determine the forestry industry's progress in terms of the ownership profile of the industry.

The objectives of the research study informed the statistical techniques that were used in the data analysis. The methodology section will further expand on the technique used. The 2014 Forestry B-BBEE status report provides the performance of the industry for 1 April 2013 to 31 March 2014 reporting period and a high level view of the industry performance in the last 5 years as prescribed in the Forest Sector Code.

Since the first reporting cycle there is improvement in the number of submissions that were independently verified under the Forest Sector Code. Indeed the number of submissions received for analysis has increased from 27 submissions in 2010 to 71 submissions in 2014.

Although there has been a considerable increase in the number of submissions, member companies have not participated consistently in each reporting period over the years. Only 1.4% of companies that reported in the last 5 years participated in more than 4 reporting cycle making it difficult to have a firm grasp of industry trends.

Despite these challenges and the gaps in annual submissions, the current analysis produced an overall scorecard of 66.52

points, which translate to a Level Four B-BBEE rating for the industry in the MLE category. There is an improvement of 2.3 points in the average score achieved between the period 2013 and 2014. Although MLE's represent a third of all the companies that participated, they embody majority of the market share in this current rating period. The average score is therefore a representative of the sector's performance.

The QSE category performance observed is materially higher than the average score at 87.7 points translating to a Level Three B-BBEE rating. The QSE category performance is largely made up of the contractor sub-sector entities.

The report notes similar performance trends to those of previous years; these include the underperformance of the Human Capital scorecard elements and commendable achievement on Enterprise Development and Socio-economic Development. The main challenge observed remains in the areas of Skills Development, which is a catalyst for the growth, and sustainability of the industry as well as conversion of Enterprise Development's stellar initiatives to procurement opportunities.

The report also observes opportunities in other areas such as black female participation and broad based group participation in the economic activities of the industry.

Despite the highlighted challenges, the annual average performance per element over the last 5 years indicates an improvement across all scorecard elements, with the exception of Skills Development.



2014 | TABLE OF CONTENTS

Executive summary.....	3
LIST OF FIGURES.....	4
LIST OF TABLES.....	6
LIST OF ACRONYMS.....	6
INTRODUCTION.....	7
OBJECTIVES OF THE REPORT.....	10
Section 1.....	12
LITERATURE REVIEW.....	12
Section 2.....	15
METHODOLOGY.....	15
MEDIUM AND LARGE ENTERPRISES (MLEs).....	17
QUALIFYING SMALL ENTERPRISES (QSEs).....	36
EXEMPT MICRO ENTERPRISES (EMEs).....	44
SUB-SECTOR ANALYSIS.....	45
Section 3.....	47
FINDINGS.....	47
Recommendations.....	47
CONCLUSION.....	47



LIST OF FIGURES

Figure 1: Number of BEE Certificates Received per Year.....	7
Figure 2: Forestry vs. All BEE Certificates Received per Year.....	8
Figure 3: Number of Times Companies Reported.....	8
Figure 4: B-BBEE Status Level.....	9
Figure 5: Evolution of Forest Plantation Area in South Africa 1996 - 2010.....	12
Figure 6: SA Forestry Industry Structure and Ownership.....	13
Figure 7: Regional Differences in Forestry Tenure.....	13
Figure 8: MLE BEE Certificates received per Year.....	17
Figure 9: Annual Average Performance per Element.....	17
Figure 10: Overall average vs Top 5 companies.....	18
Figure 11: 2014 MLE Ownership Sub-sector Scorecard Performance.....	20
Figure 12: 2010 - 2014 MLE Ownership vs. KPMG Average Performance.....	20
Figure 13: 2014 MLE Management Control Sub-sector Scorecard Performance.....	21
Figure 14: Top Management- population group.....	22
Figure 15: 2010 - 2014 MLE Management Control Scorecard Performance.....	22
Figure 16: 2010 - 2014 MLE Management Control vs KPMG Average Performance	23
Figure 17: 2014 MLE Management Control Sub-sector Scorecard Performance	23
Figure 18: Top Management-Gender.....	24
Figure 19: 2010-2014 MLE Employment Equity Scorecard Performance.....	26
Figure 20: 2010 - 2014 MLE Employment Equity vs KPMG Average Performance.....	26
Figure 21: 2014 MLE Employment Equity Sub-sector Scorecard Performance	27
Figure 22: 2010 - 2014 MLE Skills Development Scorecard	28
Figure 23: 2010 - 2014 MLE Skills Development vs KPMG Average Performance	28
Figure 24: : 2014 MLE Skills Development Sub-sector Scorecard Performance	29
Figure 25: 2014 MLE Preferential Procurement Scorecard Performance	30
Figure 26: 2010 - 2014 MLE Preferential Procurement vs KPMG Average Performance	30
Figure 27: 2014 MLE Preferential Procurement Sub-sector Scorecard Performance	31
Figure 28: 2010 - 2014 MLE Enterprise Development Scorecard Performance	32
Figure 29: 2010 - 2014 MLE Enterprise Development vs KPMG Average Performance	32
Figure 30: 2014 MLE Enterprise Development Sub-sector Scorecard Performance	33
Figure 31: 2010 - 2014 MLE Socio-economic Development Scorecard Performance.....	34
Figure 32: 2010 - 2014 MLE Socio-economic Development vs. KPMG Average Performance	34
Figure 33: 2014 MLE Socio-economic Development Sub-sector Scorecard Performance.....	35
Figure 34: QSE BEE Certificates received per Year.....	36
Figure 35: QSE Scorecard Elements - Average Score.....	36
Figure 36: Percentage of Target Achieved	37
Figure 37: 2010 - 2014 QSE Ownership Scorecard Performance.....	39
Figure 38: 2010 - 2014 QSE Management Control Scorecard Performance.....	40
Figure 39: 2010 - 2014 QSE Employment Equity Scorecard Performance	41
Figure 40: 2010 - 2014 QSE Skills Development Scorecard Performance.....	41
Figure 41: 2010 - 2014 QSE Preferential Procurement Scorecard Performance.....	42
Figure 42: 2010 - 2014 QSE Enterprise Development Scorecard Performance.....	43
Figure 43: 2010 - 2014 QSE Socio-economic Development Scorecard Performance.....	44
Figure 44: EME BEE Certificates received per Year.....	44
Figure 45: Fibre Sub-sector Average Performance	45
Figure 46: Growers Sub-sector Average Performance	45
Figure 47: Poles Sub-sector Average Performance	46
Figure 48: Sawmilling Sub-sector Average Performance	46



LIST OF TABLES

Table 1: List of Acronyms/ Glossary.....	6
Table 2. Profile of B-BBEE Certificates.....	10
Table 3. B-BBEE Certificates per Sub-sector.....	10
Table 4: Profile of Responses.....	16
Table 5: Ownership scorecard for Medium and Large Enterprises.....	19
Table 6: MLE Management Control scorecard.....	21
Table 7: 2014 Sector workforce profile at the Top Management Level by population group and gender.....	24
Table 8: MLE Employment Equity scorecard.....	25
Table 9: MLE Skills Development scorecard.....	27
Table 10: MLE Preferential Procurement scorecard.....	29
Table 11: MLE Enterprise Development.....	31
Table 12: MLE Socio- Economic scorecard.....	33
Table 13: Ownership scorecard for Qualifying Small Enterprises.....	38
Table 14: QSE Management Control.....	39
Table 15: QSE Employment Equity.....	40
Table 16: QSE Skills Development scorecard.....	41
Table 17: QSE Preferential Procurement scorecard.....	42
Table 18: QSE Enterprise Development scorecard.....	42
Table 19: QSE Socio-economic Development scorecard.....	43

Table 1. List of Acronyms / Glossary

The Acronyms used in the annual report have the following meaning:	
BEE	Black Economic Empowerment
B-BBEE	Broad based Black Economic Empowerment
CEE	Commission for Employment Equity
EAP	Economically Active Population
EME	Exempt Micro Enterprises
KPMG BEE Report	An annual survey which aims to provide organisations with a tool to benchmark B-BBEE implementation progress against competitors by industry, organisation type and size.
	KPMG is a global network of professional firms providing Audit, Tax and Advisory services
MLE	Medium and Large Enterprise
NPAT	Net Profit After Tax
QSE	Qualifying Small Enterprise
SMME	Small, Micro and Medium Enterprise

Introduction

The Forest Sector Code applies to all enterprises involved with commercial forestry and first level processing of wood products. As a general principle, if a company operates in more than one sector, the enterprise will be required to report on all of its activities in terms of the scorecard for the sector in which the majority of its core activities (measured in terms of turnover) are located.

The Forest Sector Charter Council is in its fifth year of reporting its B-BBEE performance in the industry.

This year is a noteworthy one as B-BBEE Codes of Good Practice, which included 0 - 5 year targets, have been revised, signifying the start of a new trajectory with elevated scorecard compliance requirements.

Figure 1 shows that in the past five years the Forest Sector Charter Council has received a total of 284 BEE certificates, with the highest number of 88 being received for the 2013/2014 B-BBEE Status Report period.

However, of the 88 submissions this year, the analysis was only based on the 71 Forest Sector Code rated companies, 33 EMEs, 21 QSEs and 17 large.

Over the years, the number of companies that has been verified using the Forestry Sector Code has grown from 63% of all submissions in 2009 to 80% in 2013.

This suggests that clarity on which scorecard is applicable to companies is increasingly being addressed over the years.

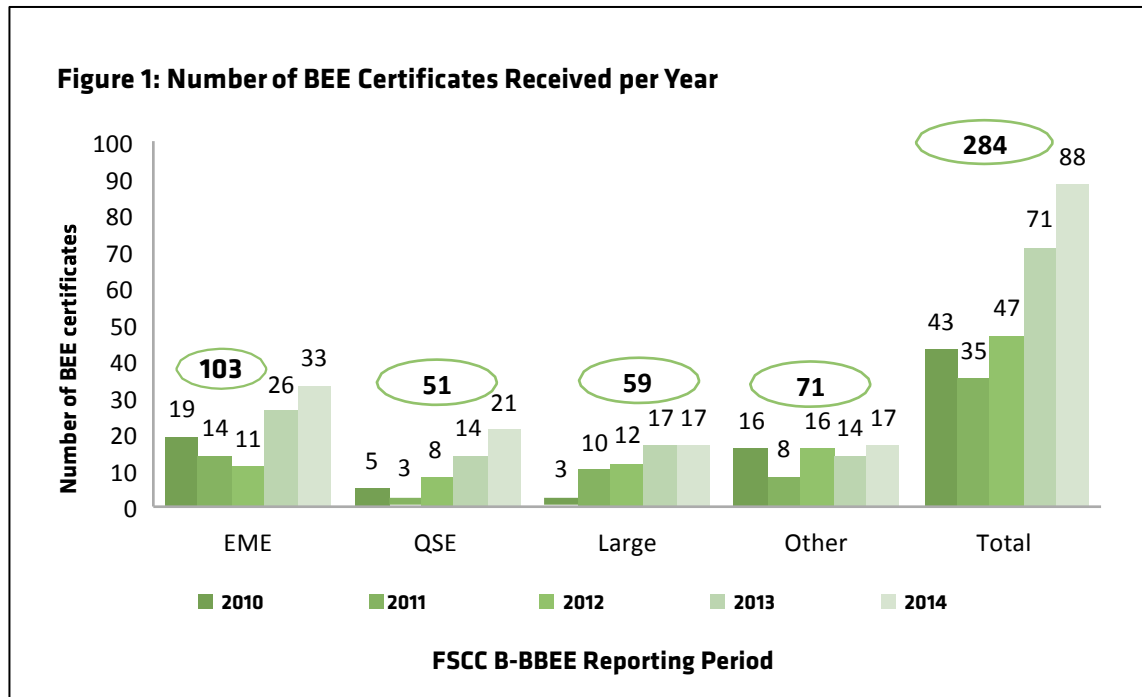


Figure 1 also illustrates that just over a third of the BEE certificates received over the past five years have been from EMEs. In as much as the participation of QSEs has been the lowest over the past five years, the growth in their year-on-year participation has been growing at a commendable pace.

Figure 2 shows that the sharpest climb was observed between the 2012 and 2013 reporting periods, where the number of Forest Sector Codes verified certificates grew 84% year-on-

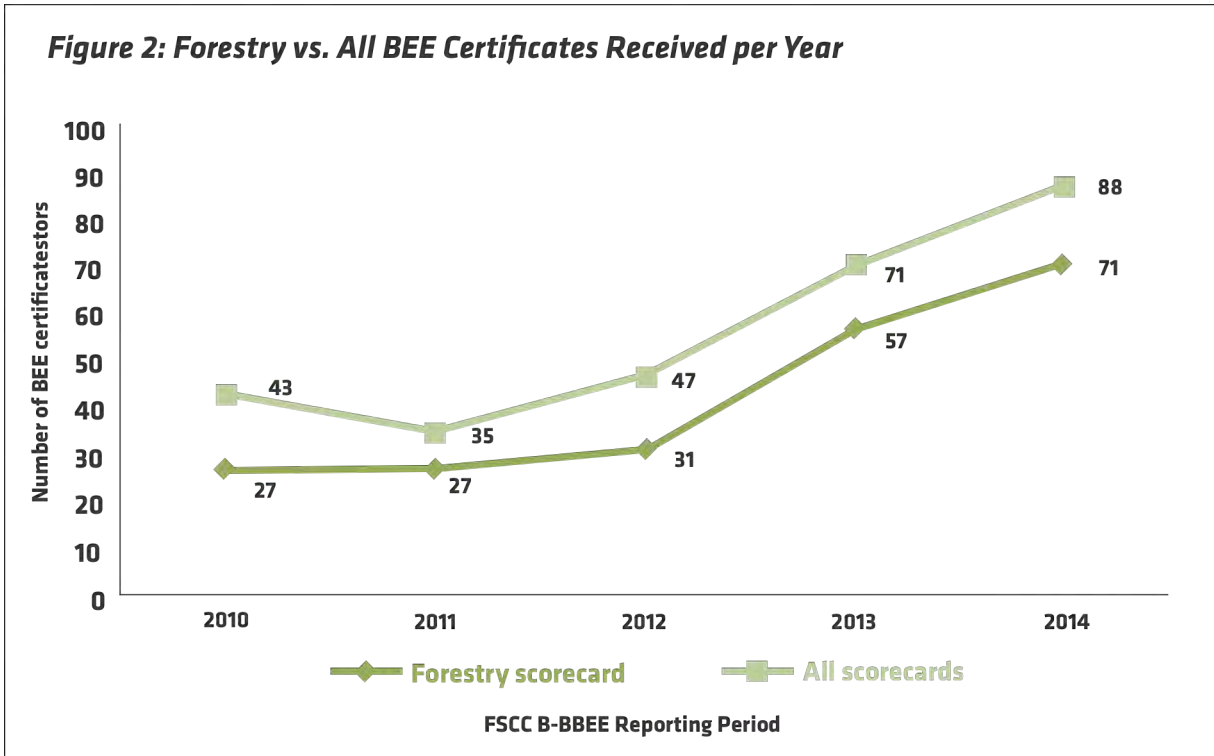
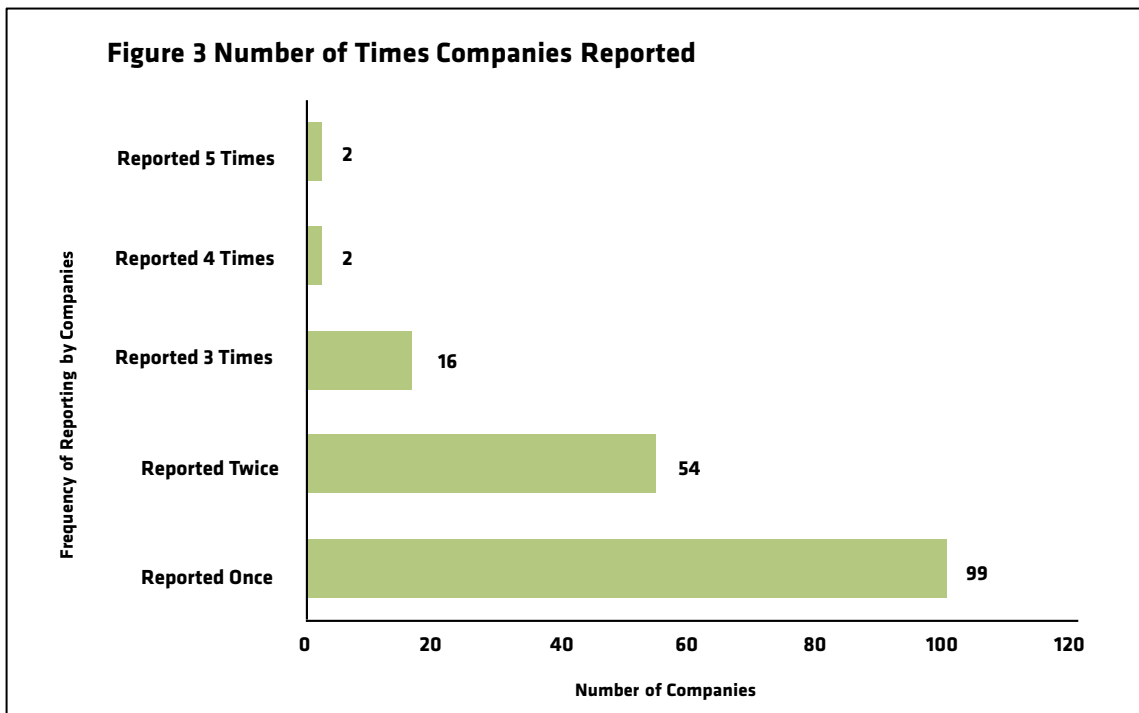


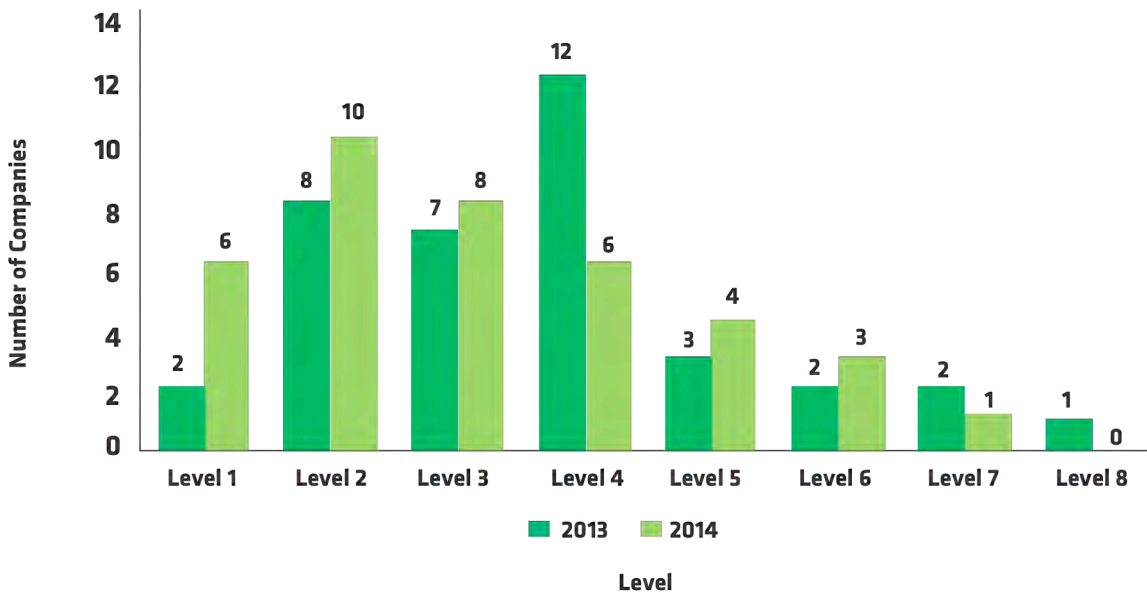
Figure 2 outlines the number of times that companies participated in the B-BBEE status reporting process over the past five years. Thirty-five percent (35%) of participants have reported only once between 2010 and 2014. When making contact with the companies that participated in the 2012/2013 B-BBEE status report, it was observed that their 2013 BEE

certificates from the previous reporting period had expired and not been renewed. Only 4 companies (1.4% of all submissions) in the industry participated in more than 4 reporting periods. This suggests that companies are either not disciplined in ensuring that they always have a valid BEE certificate or not committed to participating regularly.



Some of the 17 MLEs that reported are active in more than one sub-sector. These companies are spread across the Fibre (3 companies), Growers (11 companies), Poles (3 companies) and Sawmilling (7 companies) sub-sectors. None of the Charcoal sub-sector member companies reported; and the participating Contractors sub-sector member companies were QSEs and

EMEs. Since no MLEs in the Charcoal and Contractors sub-sectors reported, these have been excluded from the MLE sub-sector analysis. Furthermore, all the QSEs that reported are Contractors. The industry's QSE average performance is therefore reflective of the Contractors sub-sector and no other sub-sectors in the industry.

Figure 4: B-BBEE status level

The BEE certificates received range from level 1 to level 8, with majority of the certificates being level 2 and 3. EME certificates, that can either be a level 4 rating (for EMEs that do not have black

shareholders) and level 3 (for EMEs that are black owned) have been excluded from the analysis. A significant increase in number of level 1 certificates was observed between 2013 and 2014.

Objectives of the Report

The main purpose of the report is to provide the FSCC with an independent assessment of the following objectives:

To determine:

1. the B-BBEE profile and performance of Exempted Micro Enterprises (EME) based on their black Ownership profile and compliance with the Codes of Good Practice on contracting practices for each of the six sub-sectors;
2. the B-BBEE profile and performance of Qualifying Small Enterprises (QSE) based on any four elements of the forest sector scorecard for each of the six sub-sectors;
3. the B-BBEE profile and performance of Medium and Large enterprises (MLE) in the Forest Sector based on the seven elements of the forest sector scorecard for each of the six sub-sectors;
4. the overall scorecard performance of the Sector against the set compliance targets and determine the overall transformation status and the impact the scorecard implementation and performance has had in the Forest Sector;
5. the extent to which transformation has impacted on job creation and growth in the sector;
6. the number of SMMEs created and sustained thus far;
7. the role that the Charter has played within the investment sector, relationships between employers, employees, as well as communities; and
8. the general constraints faced by the sub-sectors and the entire sector in implementing the Sector Code

The analysis performed to measure the achievement of the above objectives was based on the 88 2013/2014 B-BBEE certificates received from reporting enterprises in the different sub-sectors. A summary of the size and inapplicable scorecard representation is provided below:

Table 2. Profile of B-BBEE Certificates

Description	Number of Certificates
Forestry: NPO	1
Forestry: Large	16
Forestry: QSE	21
Forestry / Generic: EME	33
Non-forestry scorecard	17
Total	88

The table below provides a breakdown of the sub-sectors that the reporting enterprises operate in. It is important to bear in mind that some enterprises, mostly MLEs, operate in more than one industry.

Table 3. B-BBEE Certificates per Sub-sector

Sub-sector	MLE	QSE
Charcoal	0	0
Contracting	0	20
Fibre	3	0
Growers	11	0
Pole	3	0
Sawmilling	7	1

For this study, forestry companies were requested to complete an Excel spread sheet in order to facilitate the consistent, objective and impartial collation of qualitative and quantitative information that does not form part of information reflected on a B-BBEE certificate. This was required to be accompanied by company's B-BBEE certificate, verification report and other qualitative and quantitative information requested by the Council, e.g. the measured entity's Sustainability Report and/or Transformation (B-BBEE) Report (if available).

However after sending email communication requesting the completion of the Excel spread sheet and provision of the supporting document company representatives indicated that they have capacity constraints and would therefore not be able to source the required information and complete the Excel spread sheet. The company representatives were therefore requested to submit readily available information, i.e. B-BBEE certificates and their verification reports. This limited the ability to perform analysis of the data regarding point (5) and (6) of the Terms of Reference, pertaining to job creation and growth as well as the number of SMMEs created and sustained.

Descriptive research is the statistical analysis technique used in the analysis of the data. Descriptive research is used when the purpose is to describe characteristics of certain groups. It encompasses an array of research objectives. The cross sectional study is the best known and most frequently used type of descriptive design. The cross-sectional study has two distinguishing features. First, it provides a snapshot of the variables of interest at a single point in time (i.e. the analysis of the companies B-BBEE performance as at 31 March 2014). Secondly, the sample is typically selected to be representative of some known universe (in this case the participation of the biggest players that represent a sizeable portion of the industry's market share participated in the survey, making the sample representative of the industry).

Time series analysis accounts for the fact that data points taken over time may have an internal structure (such as autocorrelation, trend or seasonal variation) that should be accounted for. Time series analysis comprises methods for analyzing time series data in order to extract meaningful statistics and other characteristics of the data. In this analysis the five year trend was considered. A trend exists when there is a long-term increase or decrease in the data. It does not have to be linear. Sometimes we will refer to a trend "changing direction" when it might go from an increasing trend to a decreasing trend, as will be observed in the analysis performed.

The analysis also allowed us to identify patterns and profiles in the time series data. We also wanted to measure the average of individual scorecard elements and how these were dispersed around the average. The averages are often referred to as measures of central tendency and the statistics used to measure spread namely the variance and the standard deviation are known as measures of dispersion. To illustrate the distributions of our variables tables, Figures and charts were also used. Pivot tables in Microsoft excel were also used for data aggregation.

Both time series data and cross sectional data was extracted from the data submitted by the reporting companies. Cross sectional data helped us to understand the current state of transformation in the forestry sector. Time series was beneficial in helping the Sector develop a sense of the likely impact of the revised Codes of Good Practice as it enables the prediction of future BEE performance of the forestry industry. Once the data was collected the Statistical Analysis Software (SAS) and Microsoft Excel was used in the data analysis. Data analysis variables include all the scorecard elements and other information reflected on a B-BBEE certificate.

SECTION ONE

B-BBEE STATUS REPORT 2013/14

Literature Review

An International and South African Perspective

The World Wildlife Fund (WWF) estimates that paper production and consumption may double in the next three decades, and overall wood consumption may triple to reach 13 billion m³ of round wood equivalent (vs. 3.4 billion in 2010) by 2050.

This is attributable to the rising demand for furniture, housing, energy and paper products from fast growing emerging markets such as China, India and Brazil, where the rising middle class, with increased disposable income, is expected to boost consumption.

This offers a promising outlook for the global forestry industry, as countries and industry players gear up to support increased opportunities.

A new land reform proposal by the Department of Rural Development and Land Reform could alter the South African forestry landscape over the next few decades for the better. Proposals include the transfer of more than 50% of current privately owned land to government with the exception of planted trees which remain the property of corporates.

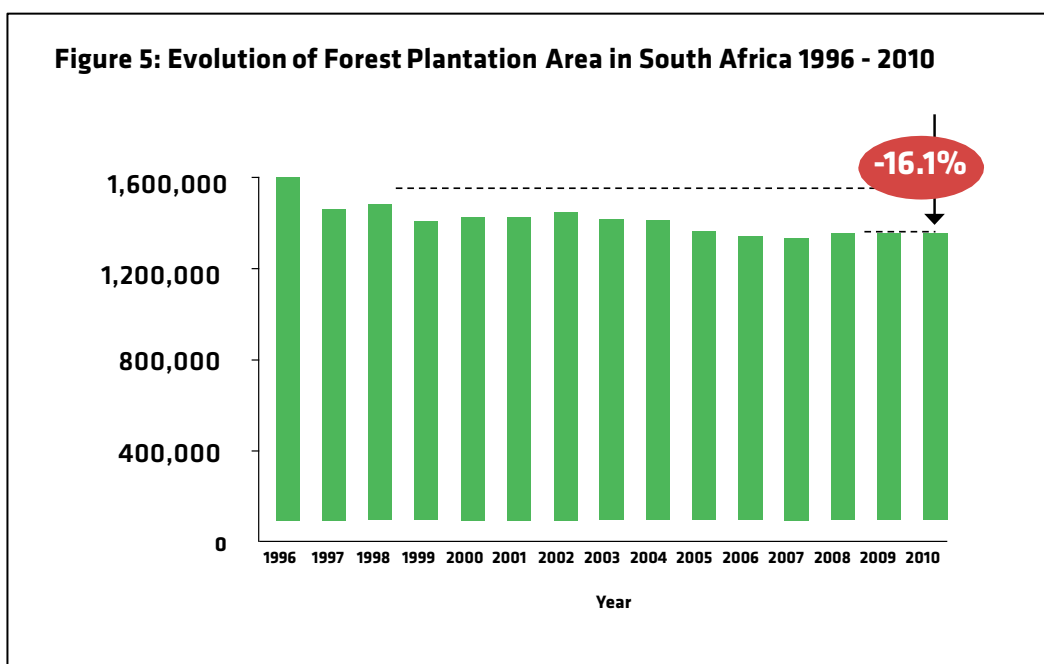
This provides the opportunity for a sizeable percentage of land to come under the Ownership of communities. This provides an opportunity for local communities to play a significant

role in forest management and land use decision making by themselves in the facilitating support of government as well as other interest parties. This in turn provides a good opportunity to graduate the communities from Socio-economic Development beneficiaries to small business supported through Enterprise Development.

Several forward thinking forest producing countries have over the last two decades begun expanding their forestry areas in an effort to increase output. These countries include, amongst others, China, Vietnam and the Philippines.

China (46 million hectares of planted forest in 2001 vs. 1.3 million ha for SA) has executed its plan to create an additional 9.7 million hectares of forest between 1996 and 2010.) Vietnam added 5 million hectares of forest between 1998 and 2010, while the Philippines are completing a plan to create 2.5 million hectares of forest by 2015.

These afforestation programmes are key creators of employment in emerging markets and provide training and up skilling opportunities to thousands of citizens. Despite this positive global outlook, the South African Forestry sector has experienced a decrease in forest plantation area over the same period.



South Africa: Challenges

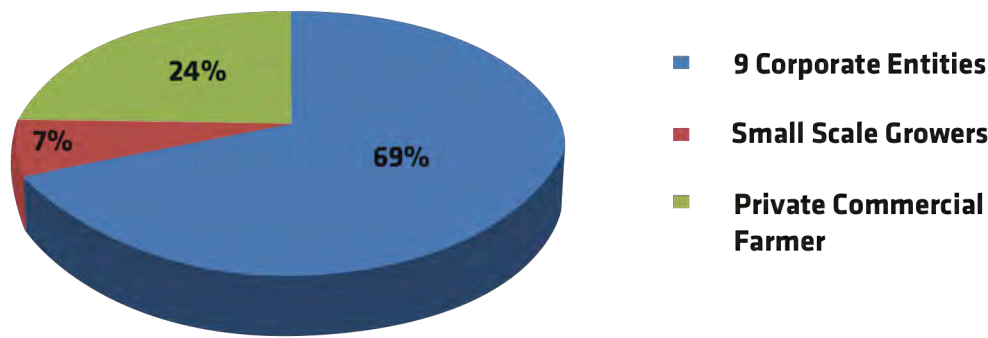
Forestry plantation in South African has decreased by 16% between 1996 and 2010. This trend has negative consequences for the country’s ability to be competitive and to benefit from the expected growth in global demand for forestry products. Furthermore, these circumstances impede job creation and meaningful transformation in the industry.

There are several contributory factors to the reduction of

forestry land. South African currently has 1.2 million hectares of existing forestry land. A significant proportion of this, more than 90%, is owned by the private sector, largely benefiting big business and privately owned entities.

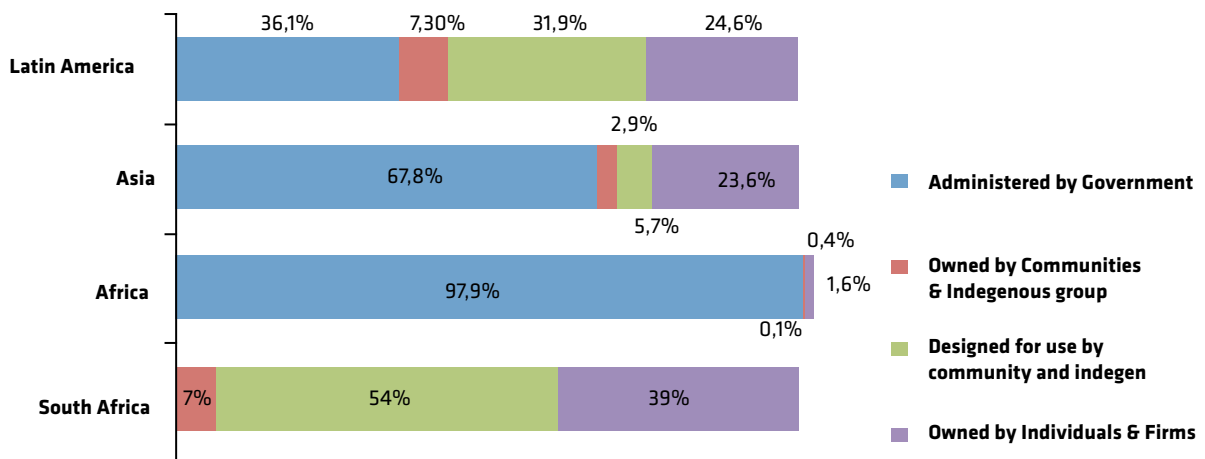
This is in contrast to emerging markets where government and local communities act as custodians of forestry land, leads to job creation through policies.

Figure 6: SA Forestry Industry Structure and Ownership



Source: Forestry SA

Figure 7: Regional Differences in Forestry Tenure



Source: Forest Carbon Markets and Communities

Prospective Opportunities

Traditionally, local community involvement in Forestry has centred on corporate social responsibility initiatives by larger corporates such as Sappi or Mondi, rather than partnerships between land owners (communities) and tree owners (corporates).

Community Forestry offers the opportunity to transform the local sector and equally, alleviate poverty through job creation and Skills Development.

In South Africa forestry in communities is not widespread but pockets of success exist.

One such success is the Umgano Development Company based in KwaZulu Natal. This 7 000 hectare commercial plantation business boasts an annual turnover of R12-million and has created 100 permanent and 30 temporary jobs.

It would however be necessary to develop a formal framework or guideline on the management of community forestry to ensure successful and sustainable local forestry enterprises. South Africa could look to frameworks developed and successfully implemented in other forestry markets, where land was transferred to indigenous groups, for the basis of its own.

Good examples of such a framework come out of Indonesia and India, where, although more suitable for state owned forests, can provide relevant insight on the potential involvement of the government in empowering forestry communities.

A social forestry programme introduced by the Indonesian government in the 1980s aimed at guiding the set-up and management of community forestry. The policy, which has gone through several iterations over the years, defines the government's role and requirements to empower communities, including

- Provision of legal status
- Institutional enhancement/ harmonizing interests of different sectors and actors
- Guidance on production schemes/benefits sharing schemes
- Guidance on technology
- Human resource development
- Information access to markets
- Provision of forest utilization licenses

The guidelines have allowed the successful creation and empowerment of community forestry programmes in the Asian country. One of these is the Argo Mulyo Local Community Forest Council created in 2003, providing employment for 239 households in 2007, and allowing the community a percentage of profit derived from commercial activities.

Similarly, India's Joint Forest Management regulates the functions of communities under its banner - 22million hectares of forestry and 125 000 villages.

Although corporates have suggested various partnerships models with communities through Forestry SA, from land leasing to management agreements, a community management framework is crucial for the success of any such enterprise.

In addition to a clear legal framework, a study by the Forest Carbon Markets and Communities of several community forestry projects around the world highlighted the need for community capacity building skills.

This included forest management, sustainability and environment protection, Enterprise Development, and administrative skills. This would ensure the community's ability to successfully and sustainably create value and opportunities for the local forestry industry.

SECTION TWO

B-BBEE STATUS REPORT

2013/14

Methodology

The information analysed for this report was obtained from secondary sources. Income statements included in the companies' audited financial statements were used to establish the companies' turnover. The independent rating of the BEE performance from 2010 to 2014 was obtained from various accredited verification agencies. The companies' scorecard information can therefore be considered to be valid and reliable for the purposes of the report.

Measured enterprises were requested to submit their B-BBEE certificates and underlying information that was valid during the period 1st April 2013 to 31st March 2014 using the Forest Sector Code. Certificates measured under any other Code were disqualified as articulated under the Terms of Reference.

The approach adopted included the following steps:

- Obtain a list of the member companies in the sub-sectors of the forest industry from the FSCC office and relevant sub-sector board representatives. This yielded a list of 528 enterprises including duplicates;
- Update the database of forest enterprises that fall within the six industry sub-sectors
- Contact the member companies via email and telephone to submit the required information;
- Collate all submitted reporting information; including spread sheets, B-BBEE certificates and verification reports;
- Analyse the collected data and prepare the aggregated scorecard performance and B-BBEE status report for each of the three sizes of enterprises and for the six industry sub-sectors; and,
- Prepare a comprehensive scorecard and B-BBEE status report of the entire sector.

The table below outlines the hit and success rate as well as other forms of feedback received from the companies that were contacted.

Table 4: Profile of Responses

Description	Number(s)
Number of enterprises on the database	528
Enterprises that are no longer in the industry	34
Enterprises that do not have a valid BBEE Certificate and have not been rated	89
Enterprises that do not have correct contact details (i.e. incorrect email address and/or contact number)	178
Enterprises with no listed contact details	57
Unreachable enterprises with correct contact details	55
Certificates received	88

At least 290 companies, 55% of the total database, were not accessible and therefore excluded. Of the remaining 238 companies, 123 enterprises (24% of the database) were either no longer in the industry, did not have a valid BEE certificate or had never been rated. This resulted in the expectation to receive a valid BEE certificate from 115 companies. The 88 BEE certificates received therefore make up 77% of the adjusted denominator.

Although not all sub-sectors could demonstrate a sufficient number of companies to enable meaningful analysis, sub-sector analysis is included for purposes of completeness.

Challenges

Time and capacity constraints were expressed by many of the reporting enterprises. For this reason, most companies only submitted their B-BBEE certificate, and not their B-BBEE verification reports, as required for in-depth analysis.

This absence of BEE verification reports from most of the reporting enterprises compromised the ability to perform detailed analysis, especially for QSE's and sub-sectors. However, 10 of the 17 large companies (59%) submitted their B-BBEE verification reports.

This allowed for detailed analysis that can be regarded as indicative of the trend for large companies in the industry. This should therefore serve as an approximation of the aggregated

Limited reliance should be placed on the sub-sectors where a small number of companies reported.

Because the annual pool of companies that submitted differs each year and in light of the recent release of the revised B-BBEE Codes of Good Practice, the analysis conducted over the past five years would provide diluted insight into how the companies that operate in the sector might behave in future.

It is important to highlight that the analysis offered in this report presents results that are relevant in the historical setting.

behaviour of the industry's member companies that make more than R35 million annual turnover.

Furthermore, several challenges of integrity resulted in the disqualification of some BEE certificates. The reasons for disqualification included the following:

- Certificates and reports not issued using the Forest Sector Code;
- Certificates issued pre or post-measurement period;
- Unverified BEE information submitted;
- Short period of time between the two reporting periods which resulted in some companies submitting the same B-BBEE certificate for both periods;

Medium and Large Enterprises (MLEs)

The most notable introduction to the 2014 status report is the analysis of the verification reports received some from the large companies in the industry. This provides a detailed view of the consolidated score reflected on the companies BEE certificate. The companies' scorecard sub-element performances varied greatly, with outliers in all scorecard sub-elements.

Figure 8 shows that the number of certificates received from MLEs has grown steadily over the past five years. The 42% growth in number of submissions from 12 to 17 between 2012 and 2013 is maintained in 2014. 67% of MLEs that participated in 2013/2014 had also reported in the 2012/2013 reporting period. This allows for meaningful year-on-year trend analysis.

Indeed some companies spend in excess of the target set for some scorecard elements. Although the weighting allocated is capped, it did not deter companies to committing more than the prescribed target. The overachievement in some instances resulted in the average percentage performance of the applicable scorecard elements exceeding the target significantly, for example the disabled staff compliment of one of the companies is 18%, which increased the average black disabled achievement. However, because bonus points are not awarded in most elements, exceeding targets does not translate into an overachievement of scorecard points.

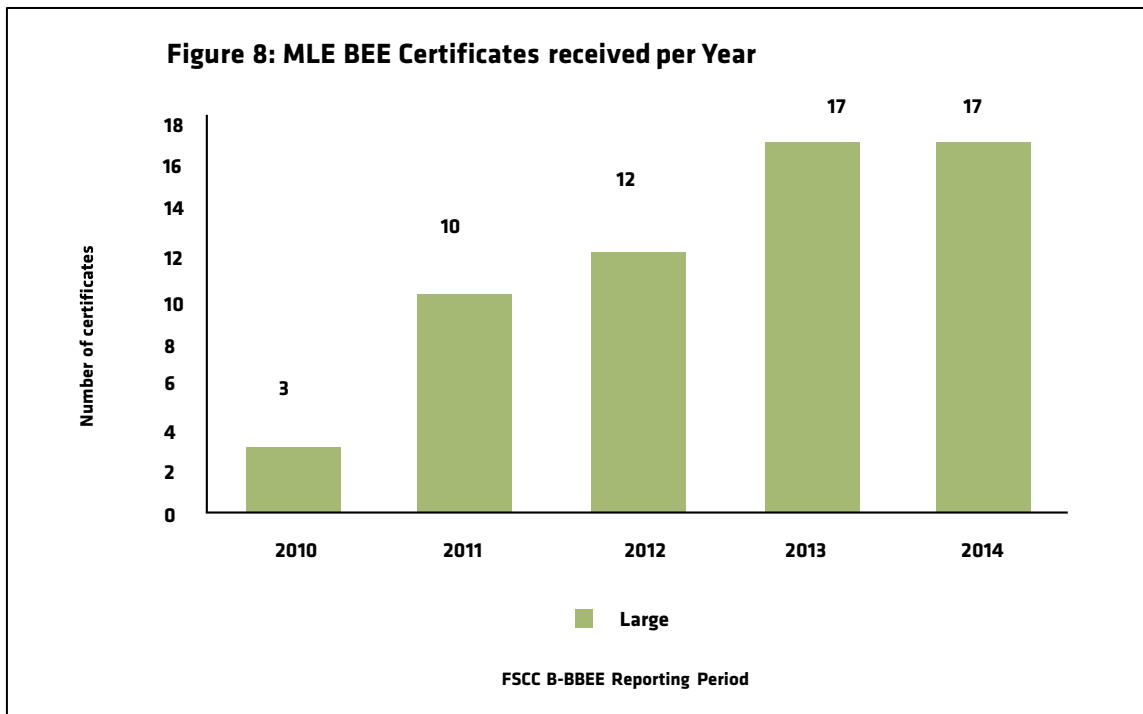
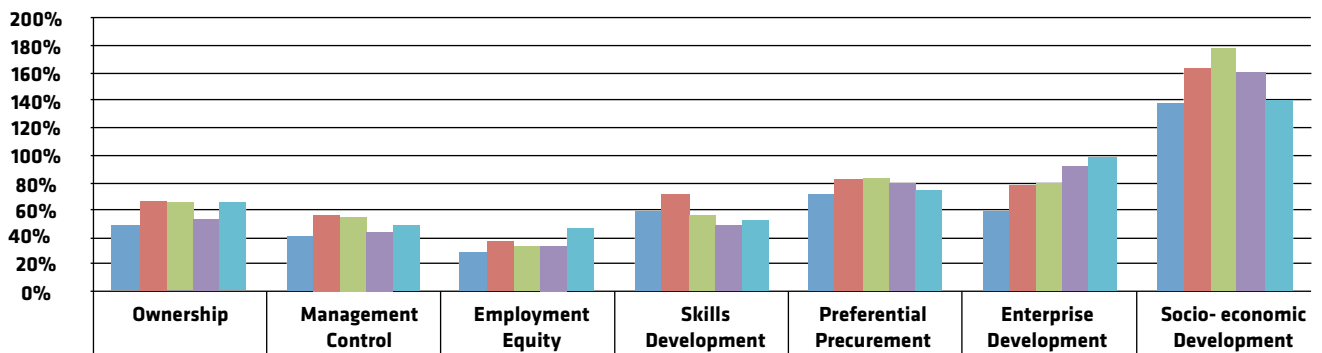


Figure 9: Annual Average Performance per Element



	Ownership	Management Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-economic Development
2010	49%	40%	29%	58%	71%	58%	138%
2011	66%	52%	36%	67%	82%	77%	164%
2012	65%	55%	33%	56%	82%	79%	178%
2013	53%	43%	32%	48%	79%	92%	160%
2014	61%	43%	40%	51%	77%	98%	156%

Three of the seven scorecard elements (Management Control, Preferential Procurement and Socio-economic Development) dropped in the last two reporting periods.

It is encouraging to note that Skills Development, which consistently dropped between 2011 and 2013 received a slight recovery.

Enterprise Development has recorded a constant improvement and is now at 2% shy off achieving the target.

The average scores achieved across the scorecard elements resulted in MLEs achieving a level 4 contributor level.

Table 5: 2010-2014 Annual B-BBEE Recognition Level

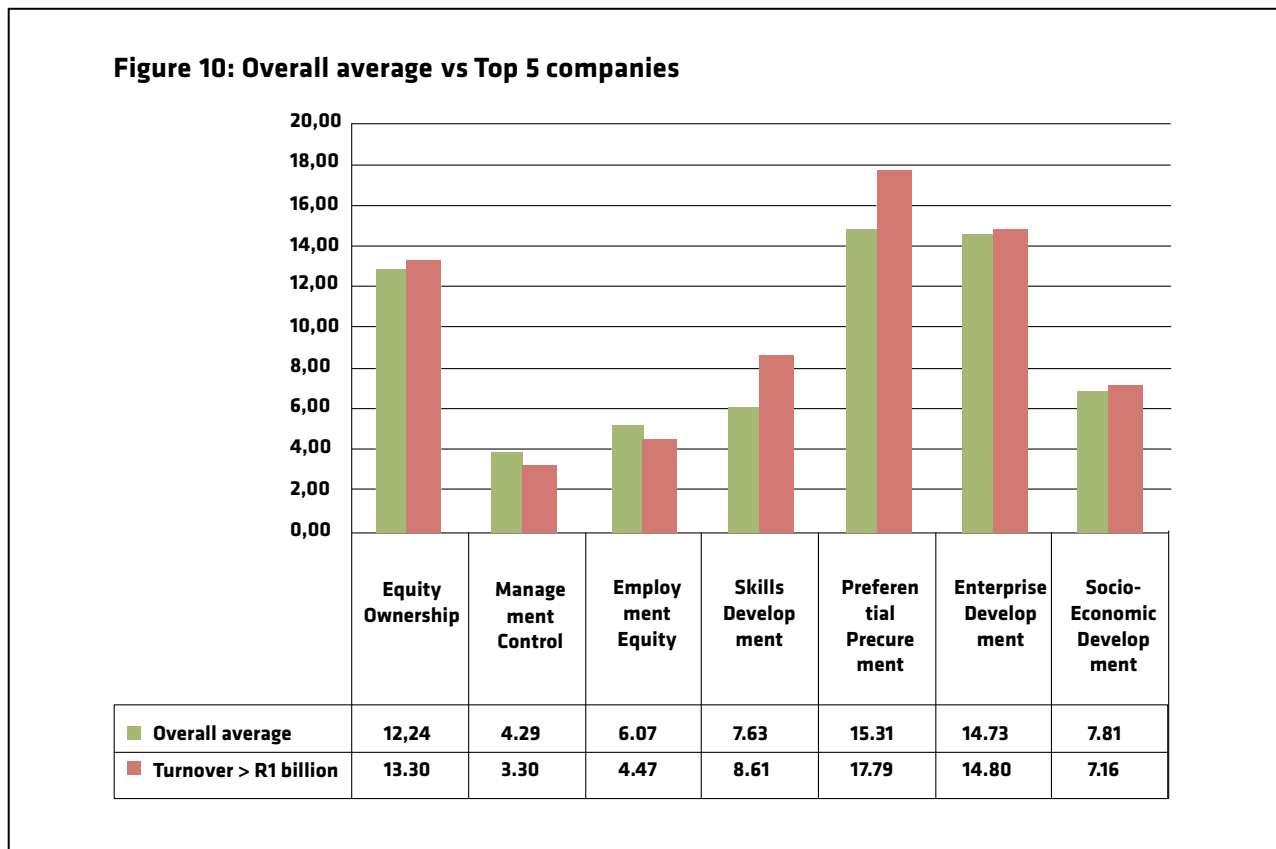
Period	MLE Average Score and Recognition
2013 / 2014	66.52% (Level 4)
2012 / 2013	64.3% (Level 5)
2011 / 2012	69.2% (Level 4)
2010 / 2011	69.9 % (Level 4)
2009 / 2010	56.7% (Level 5)

Just below one third of the large companies that participated in the current reporting period represent 90% of the turnover of all the companies that participated.

This 90% representation is made up of companies that generate a turnover that is greater than R1 billion. Their contribution across all scorecard elements therefore has the highest and broadest impact in the industry.

For this reason, the analysis of the MLEs draws a comparison between the average of all 17 companies and the average of the 5 companies with a turnover in excess of R1 billion.

Figure 10 illustrates that these 5 companies achieved higher than average scores for Skills Development and Preferential Procurement, and were on par on other elements, with the exception of Employment Equity where they lagged behind.



Ownership

The sector aims to attain a weighted black Ownership profile of 30% for the industry as a whole within 10 years. The industry and government are committed to working together in pursuing this target, inter alia, as follows:

(a) The transfer of equity Ownership and sale of business assets to achieve 25% Ownership by black people in existing forest enterprises. A bonus point incentive to further increase this target to 30% has been set for medium and large forest enterprises.

(b) The restructuring of state forest assets to support black Ownership in the forestry sub-sector and, through log supply, in the forest product sectors.

(c) The entrance of significant numbers of new black owned enterprises into the sector through Enterprise Development support initiatives by industry and government. This includes opportunities for new afforestation on land already owned by black people as well as growth in black owned forestry value adding enterprises.

Table 5: Ownership scorecard for Medium and Large Enterprises

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target	Actual	Target: Target	Actual
1. Ownership	20			
1.1 Exercisable voting rights in the Enterprise in the hands of black people	3	1.5	25%+1	15%
1.2 Exercisable voting rights in the Enterprise in the hands of black women	2	0.42	10%	2%
1.3 Economic interest of black people in the Enterprise	3	1.51	25%	13%
1.4 Economic interest of black women in the Enterprise	2	0.38	10%	2%
1.5 Economic interest of the following natural people in the Enterprise: Black designated groups; Black Participants in Employee Ownership Schemes; Black beneficiaries of Broad-based Ownership Schemes; or Black Participants in Cooperatives	2	0.40	7.50%	2%
1.6 Realisation points for Ownership fulfilment (refer to par. 10.1 of Code 100 Statement 100)	1	0.11	Yes	No
1.7 Realisation points for net equity interest (refer to Annexe C par. 4 of Code 100 Statement 100)	7	3.27	Yes	No
1.8 Bonus points for involvement in the Ownership of the enterprise by black participants: In Employee Ownership Schemes; Of Broad-based Ownership Schemes; or Of Cooperatives	1	0.47	10%	4%
1.9 Bonus points for involvement in the Ownership of the enterprise by black new entrants	2	0.16	10%	4%
1.10 Bonus point for achieving a higher target for indicator 1.3	1	0.11	30%	9%
1.11 Bonus point for achieving a higher target for indicator 1.4	1		15%	

The BEE certificates of large forestry companies reported that they achieved a 29.7% average black Ownership, and a 5.6% average black women Ownership. This is a compelling improvement from the 18.7% from 2013's reporting period 18.7% and 4% respectively.

However, when reviewing the average sub-element scores of the 10 companies that submitted verification reports, other areas where the industry falls short become clear. In addition to the limited participation of black women at an Ownership

level, the industry also lags on black groupings represented in 1.5 (Economic Interest of Specified Natural People in the Enterprise) of the scorecard in Table 2.

The unfavourable performance in 1.7 (Realisation points for Net Equity Interest) of the scorecard, which measures the extent to which black participants are released from third-party rights arising from financing their Ownership transactions, shows that at least 50% of the value of shares in the hands of black shareholders is encumbered.

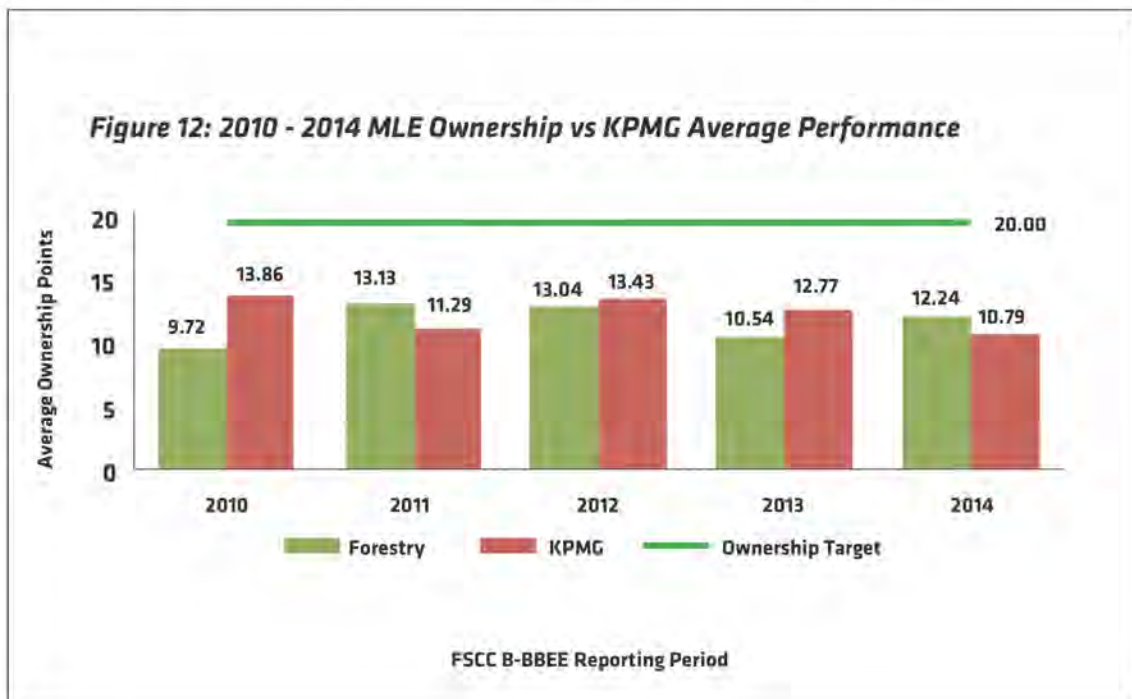


Seventeen (17) companies submitted valid B-BBEE certificates. This includes 16 privately owned companies and one not-for-profit company for which the specialised scorecard (which excludes the Ownership element) applies.

largely due to the composition of companies that reported in 2014, compared to 2013. Ten (10) companies were common to both years.

Figure 11 shows that an average score of 12.24 points (2013: 10.54 points) was achieved. This noteworthy improvement was

However, the new participants in 2014 reported much higher scores than those that participated in 2013 and not 2014, which pushed the average score back to the level noted in 2014



Although the industry was on a downward trend between 2011 and 2013, 2014 saw the average score achieved improve by over 2 points. This improvement saw the industry record a converse movement to the KPMG average

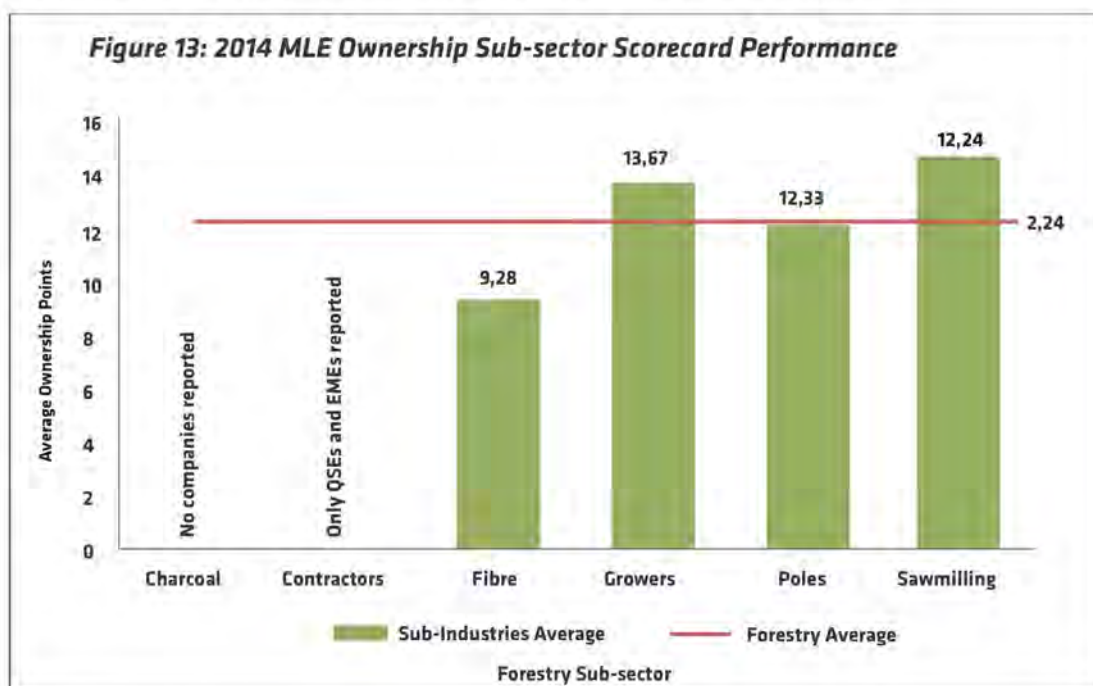


Figure 13 shows that Growers and Sawmilling sub-sectors recorded an above average Ownership performance Fibre, while Fibre was below par.

Management Control

Industry aligns itself with the national Codes of Good Practice on Management Control by committing to substantially increasing the number of black people, including black women, exercising Management Control over the forest industry. The industry as a whole is working from a low base and a concerted effort is

to be made by all sector role players to promote the image of the Forest Sector, succession planning, implementing Skills Development programmes and recruiting suitable management staff, necessary to achieve these targets.

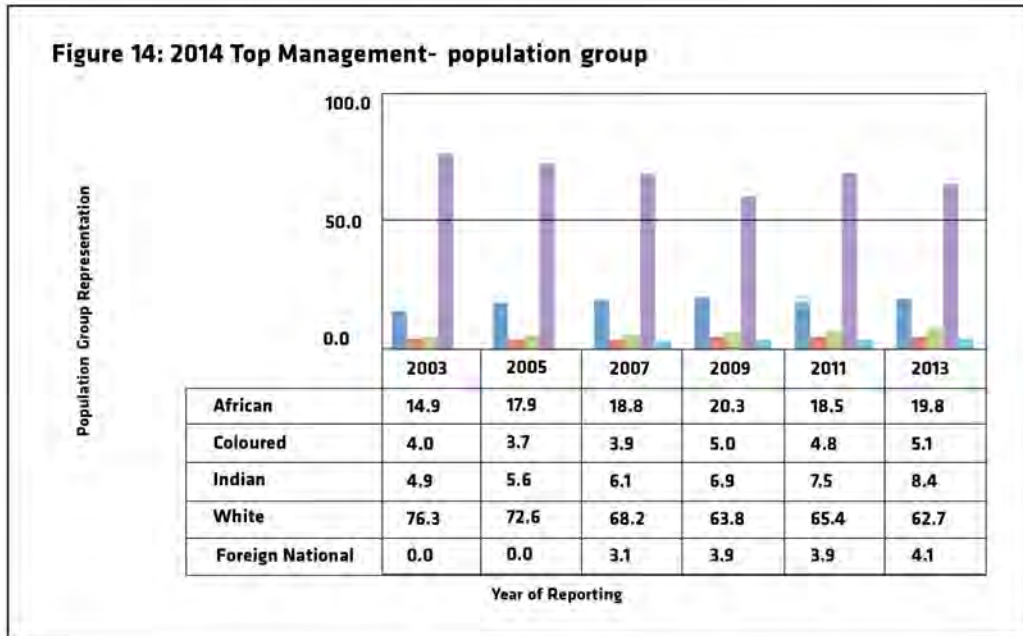
Table 6: MLE Management Control scorecard

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target	Actual	Target: Target	Actual
2. Management Control	10			
2.1 Exercisable Voting Rights held by black Board members using the Adjusted Recognition for Gender	3	1.70	50%	28%
2.2 Black Executive Directors using the Adjusted Recognition for Gender	2	0.52	50%	13%
2.3 Black Senior Top Management using the Adjusted Recognition for Gender	3	1.88	40%	21%
2.4 Black Other Top Management using the Adjusted Recognition for Gender	2	0.83	40%	20%

2.5 Bonus point for black Independent Non-Executive Board Members	-		-	
-------------------------------------------------------------------	---	--	---	--

Management Control measures representation of black individuals in executive and non-executive board directorship roles, with the former holding a greater weighting in terms of comparison. The average score of 28% for black board members suggests that more non-executive roles are filled by black

representatives than executive directorships. It is interesting to note that while half of the Senior Top Management target is being achieved, these executives are not represented on the board; reflected by the difference between the 21% recorded for 2.2 (Table 3) and 2.3 (Table 3).

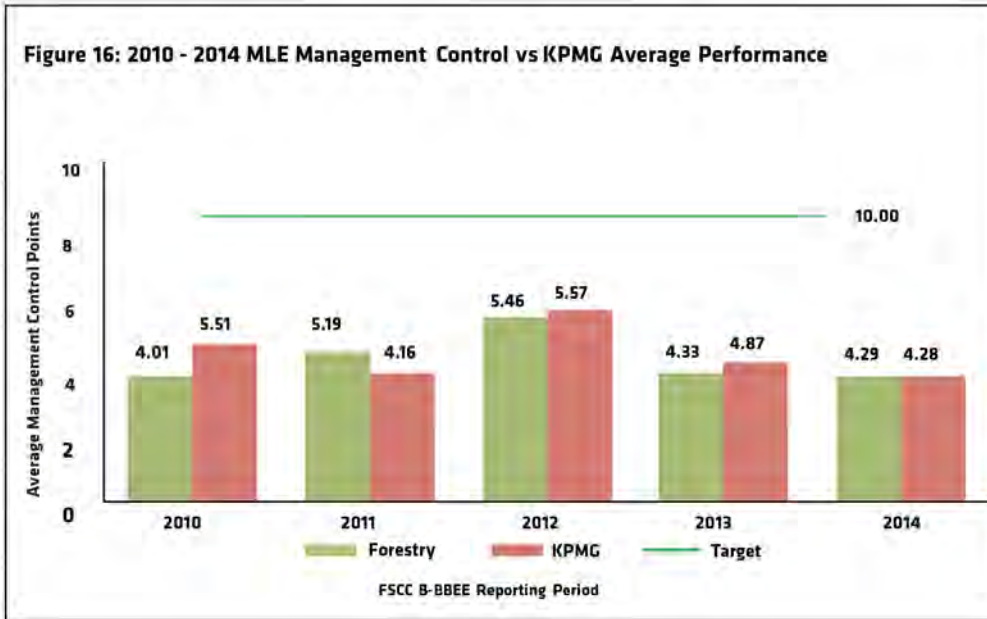


The average score of 4.29 points achieved for Management Control indicates that the industry is on a downward trend in achieving black representation at leadership level.

between 2003 and 2013, the decline in the forest sector numbers indicates that the industry, even when compared to the KPMG BEE report, is behind trend in this regard.

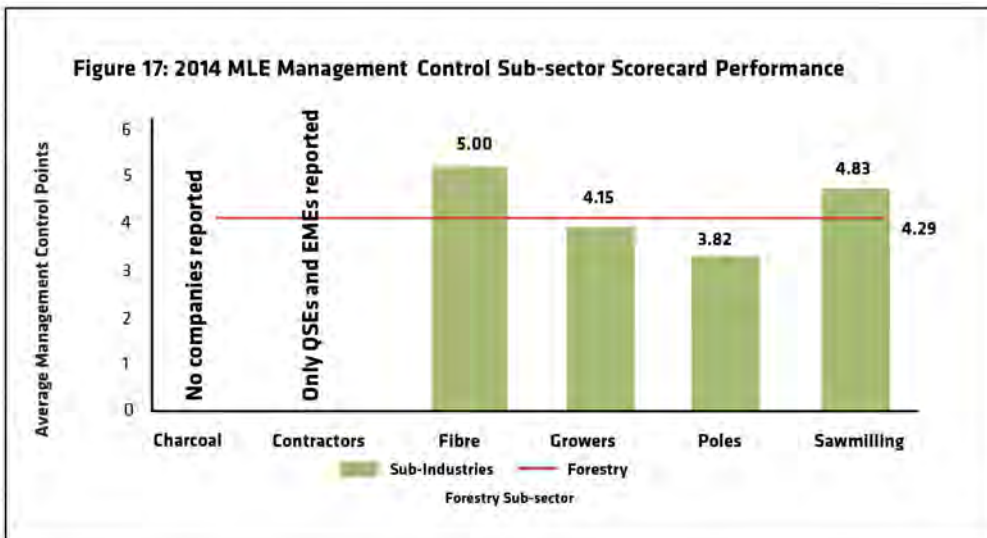
This is a concerning movement as the industry has remained below 50% of target for 3 of the 5 periods under review. Although Figure 15 from the CEE report notes an improvement in the representation of black (i.e. African, Indian and Coloured)

The sector's underperformance is also likely negatively impacted by the limited black women representation, highlighted as a concern in the CEE report, as shown in Figure 16.



The forest sector remained behind the KPMG averages for three of the five reporting period. This is consistent with the over-representation of white males in the Agriculture (incl. hunting, forestry and fishing) sector as reported in Table 4

(Sector Workforce Profile at the Top Management Level by Population Group and Gender) from the 2013/2014 CEE report. The current levels of both averages leave a gap of approximately 6 points to fill to reach the target.



It is interesting to note that the sub-sector players that submitted verification reports recorded an above average score in all sub-sectors that were analysed. It is important to note that the number of verification reports was lower than the total

BEE certificates that were reported. The sub-sector therefore suggests that the companies that submitted verification reports were the overachievers on this scorecard element.

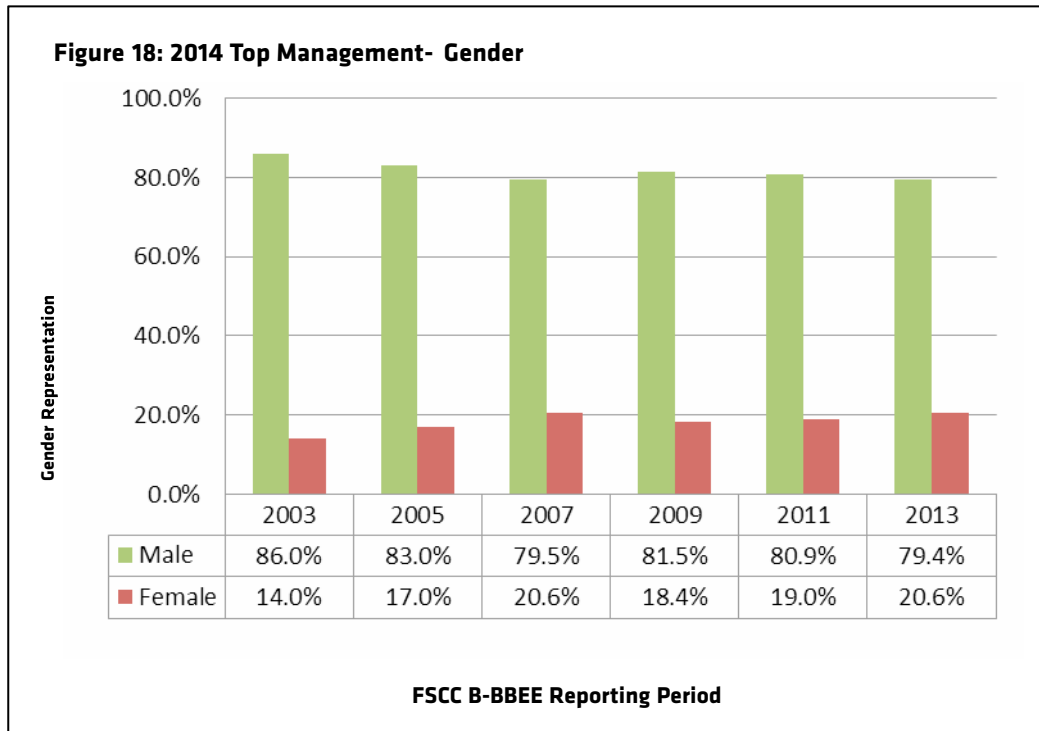


Table 7: 2014 Sector workforce profile at the Top Management Level by population group and gender

Sectors	Male				Female				Foreign National		TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Agriculture	6.7%	2.2%	1.3%	72.7%	3.4%	0.6%	0.2%	11.1%	1.7%	0.1%	100.0%
Mining & Quarrying	17.4%	2.0%	2.2%	60.8%	4.9%	0.6%	1.2%	6.3%	4.2%	0.5%	100.0%
Manufacturing	6.0%	2.9%	8.4%	61.5%	2.7%	1.3%	1.5%	8.1%	7.1%	0.6%	100.0%
Electricity, Gas & Water	36.8%	3.9%	4.7%	26.2%	17.1%	1.4%	1.4%	3.6%	4.5%	0.4%	100.0%
Construction	13.4%	5.1%	5.2%	60.8%	4.4%	1.2%	1.8%	5.1%	2.8%	0.3%	100.0%
Retail and Motor Trade/Repair Service	3.5%	4.0%	5.6%	68.7%	1.2%	1.5%	1.4%	12.0%	1.8%	0.3%	100.0%
Wholesale Trade/Commercial Agents/Allied Services	5.4%	2.5%	9.9%	59.7%	3.3%	1.4%	2.9%	10.3%	3.7%	0.8%	100.0%
Catering/Accommodation/ other trade	11.5%	2.9%	4.1%	51.4%	6.3%	1.5%	1.3%	17.9%	2.8%	0.4%	100.0%
Transport/Storage/ Communications	13.5%	3.5%	9.4%	48.9%	6.4%	1.4%	2.2%	10.2%	3.6%	0.7%	100.0%
Finance/ Business Services	11.3%	2.9%	6.9%	48.7%	6.2%	2.3%	2.5%	14.7%	3.9%	0.8%	100.0%
Community/ Social/ Personal Services	32.5%	5.2%	5.2%	26.7%	15.1%	2.1%	2.1%	9.8%	1.1%	0.3%	100.0%

Note: The Agriculture sector includes hunting, forestry and fishing.

Employment Equity

The Industry aligns itself with the national Codes of Good Practice on Employment Equity by committing to substantially increasing the number of black people, including black women, in management as well as professional and technically skilled positions in forest enterprises.

The industry as a whole is working from a low base in all employment categories other than in the skilled technical,

junior management and supervisory levels.

A concerted effort is to be made by all sector role players in promoting the image of the Forest Sector through succession planning, implementing Skills Development programmes and recruiting suitable management staff, which are necessary to achieve these targets.

Table 8: MLE Employment Equity scorecard

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target	Actual	Target: Target	Actual
3. Employment Equity	15			
3.1 Black employees with disabilities as a percentage of all employees using the Adjusted Recognition for Gender	2	0.54	2%	2%
3.2 Black employees in Senior Management as a percentage of all employees using the Adjusted Recognition for Gender	5	1.15	43%	18%
3.3 Black employees in Middle Management as a percentage of all employees using the Adjusted Recognition for Gender	4	1.04	63%	32%
3.4 Black employees in Junior Management as a percentage of all employees using the Adjusted Recognition for Gender	4	2.55	68%	48%
3.5 Bonus points for meeting or exceeding the EAP targets in each category under 3.1 to 3.4	3	0.22	Yes	

Table 8 demonstrates that the only scorecard sub-element that recorded satisfactory performance is junior management.

This is in line with the 2013/2014 Commission for Employment Equity report finding that there is still a great need for Employment Equity.

The report notes that great progress at the lower levels is observed, usually from middle management downwards. However, while this is commendable, the progress registered is not flowing into senior and top management levels.

Table 5 further highlights that majority of MLEs scored zero

for black employee with disabilities representation. Only one company reported that 18% of their employee compliment was people with disabilities.

This was made possible through a Certificate in Management Development Learnership Programme with an NQF4 qualification.

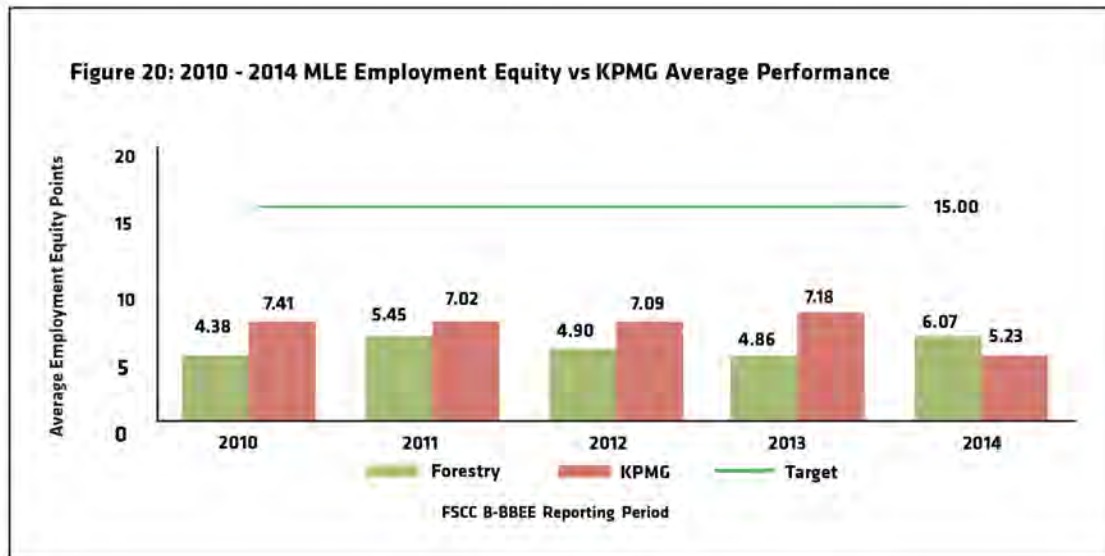
The programme consisted of theoretical and experiential training. In addition, one of its business units outsources assembly work to a therapeutic and training centre for people with disabilities.

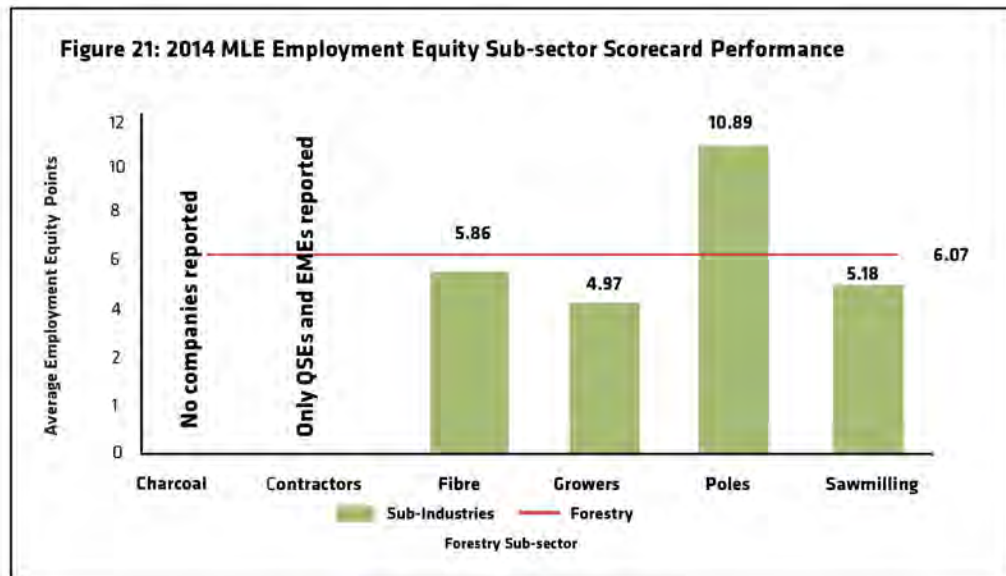
Employment Equity element is a critical one as it measures whether suitably qualified black individuals are provided with equal employment opportunities and are equitably represented in all occupation categories and levels. Figure 19 below depicts

that an average score of 6.07 points was scored, placing the industry at just over a third of target for the second time in five years.



This year's performance saw the industry recording a score that was about the same as the KPMG average for the first time in five years.





The Poles sub-sector reported stellar performance, while Fibre, Growers and Sawmilling Lagged behind.

Skills Development

Skills Development is critical in underpinning the Management Control and Employment Equity targets. Therefore, industry aligns itself with the National Codes of Good Practice on Skills Development by committing to spend 3% of its payroll on learning programmes for black employees. This is over and above the 1% spent on the skills levy. At least half of this will be spent on Skills Development for black women and a portion will also be set aside to skill disabled employees. The industry commits

to ensuring that 5% of employees are black participants in in-service training programmes.

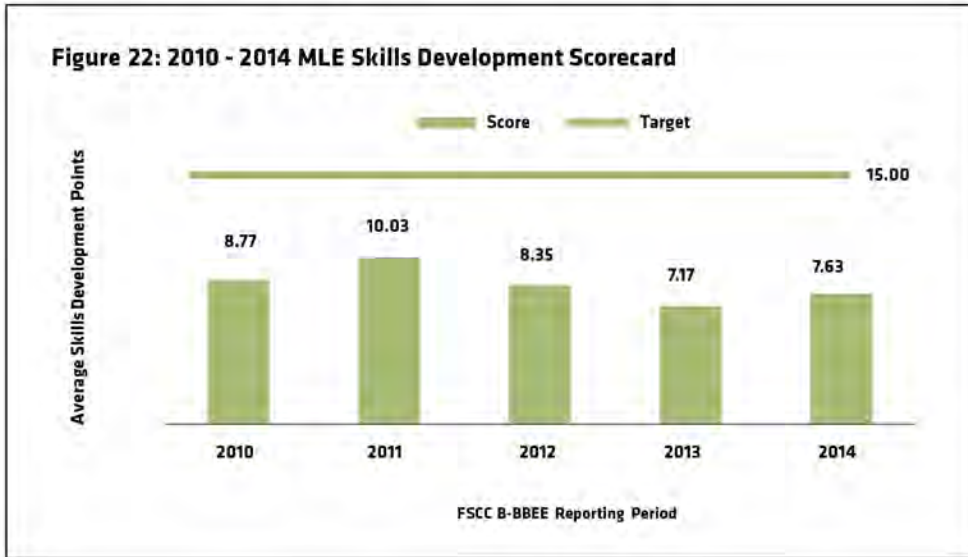
Industry is committed to ensuring that the aforementioned Skills Development targets are achieved within 3 years of the signing of the Charter, so as to ensure that an early foundation is laid for reaching the Management Control and Employment Equity targets.

Table 9: MLE Skills Development scorecard

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target	Actual	Target: Target	Actual
4. Skills Development	15			
4.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees as a percentage of Leivable Amount using the Adjusted Recognition for Gender	6	2.74	3%	1%
4.2 Skills Development expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of Leivable Amount using the Adjusted Recognition for Gender	3	0.04	0%	0%
4.3 Number of black employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees using the Adjusted Recognition for Gender	6	3.71	5%	5%

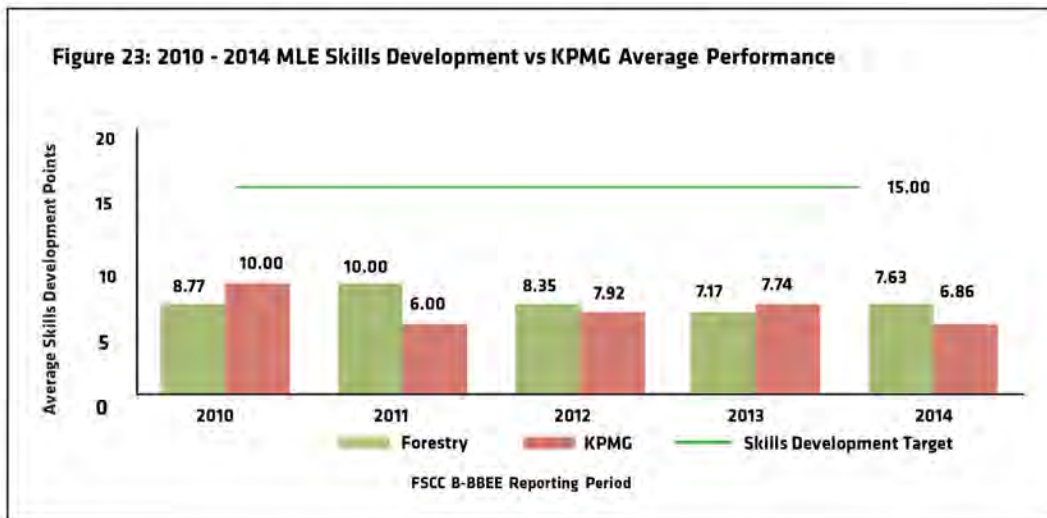
The main contributor for the Skills Development underperformance is the industry's lack of development of people with disabilities. This is not aligned with the Employment Equity's

Black employees with disabilities performance, which suggests that the average spend per disabled person is less than the average spends per abled person.

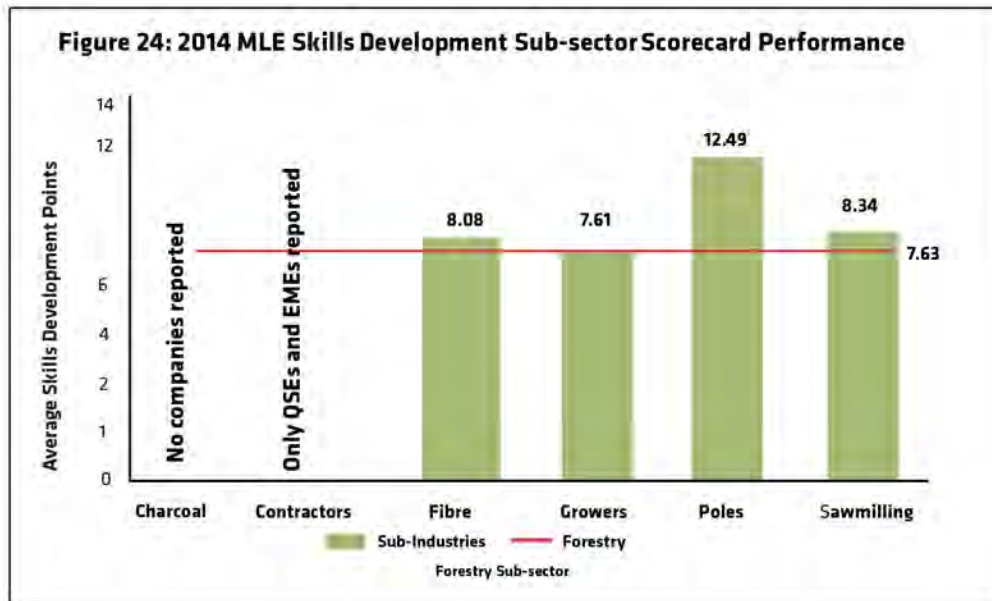


Skills Development of black employees has been on the decline since 2010. MLEs scored 7.63 points in 2014 compared to 7.17 in the previous year; this saw the industry's performance move back above 50% of the target in 2014.

According to the 2013/2014 CEE report, more than 60% of black employees had limited exposure to Skills Development. This trend can be turned around through pro-equity and pro-transformation strategies and initiatives and have the ability to have a replicated positive impact on Management Control and Employment Equity scores.



A similar trend is observed in the KPMG BEE reports, demonstrating that the Skills Development challenge is not limited to the forest sector.



A similar trend to the sub-sector's Employment Equity performance was noted. This confirms the direct relationship between Employment Equity and Skills Development.

Preferential Procurement

The industry is committed to Preferential Procurement spend that will widen market access for black enterprises and improve the working conditions and sustainability of suppliers. Industry aligns itself with the National Codes of Good Practice on Preferential Procurement, and enterprises will also report to

the Charter Council on interventions undertaken to improve contracting conditions for suppliers as it relates to the:

- Forestry Contractors industry;
- Charcoal industry; and
- Small Growers contracting schemes.

Table 10: MLE Preferential Procurement scorecard

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	W	T	W	T
Category B, C and D Programmes as a percentage of total employees using the Adjusted Recognition for Gender				
5. Preferential Procurement	20	Years 0-5* Years 6-10**		
5.1 B-BBEE Procurement Spend from all Supplies based on their B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12	50%* 70%**	11.12	64%
5.2 B-BBEE Procurement Spend from Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	10%* 15%**	2.15	18%
5.3 B-BBEE procurement spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend: 5.3.1 Suppliers that are 50% black owned (3 out of 5 points); and 5.3.2 Suppliers that are 30% black women owned (2 out of 5 points).	5	15%* 20%**	2.06	9%
5.4 Compliance with Industry Codes of Conduct on contracting in the Forest Sector	3	Yes	-	-

The achievement of less than 50% of the target for spend with black-owned and black women owned suppliers (5.1 of Table

7) indicates that this the area that the industry finds most challenging

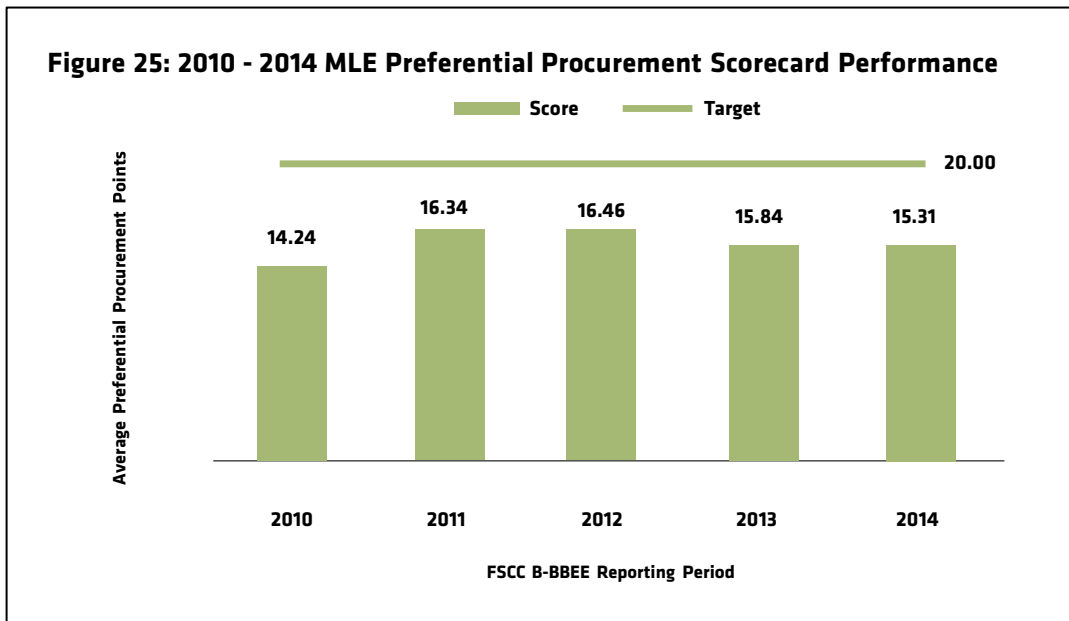
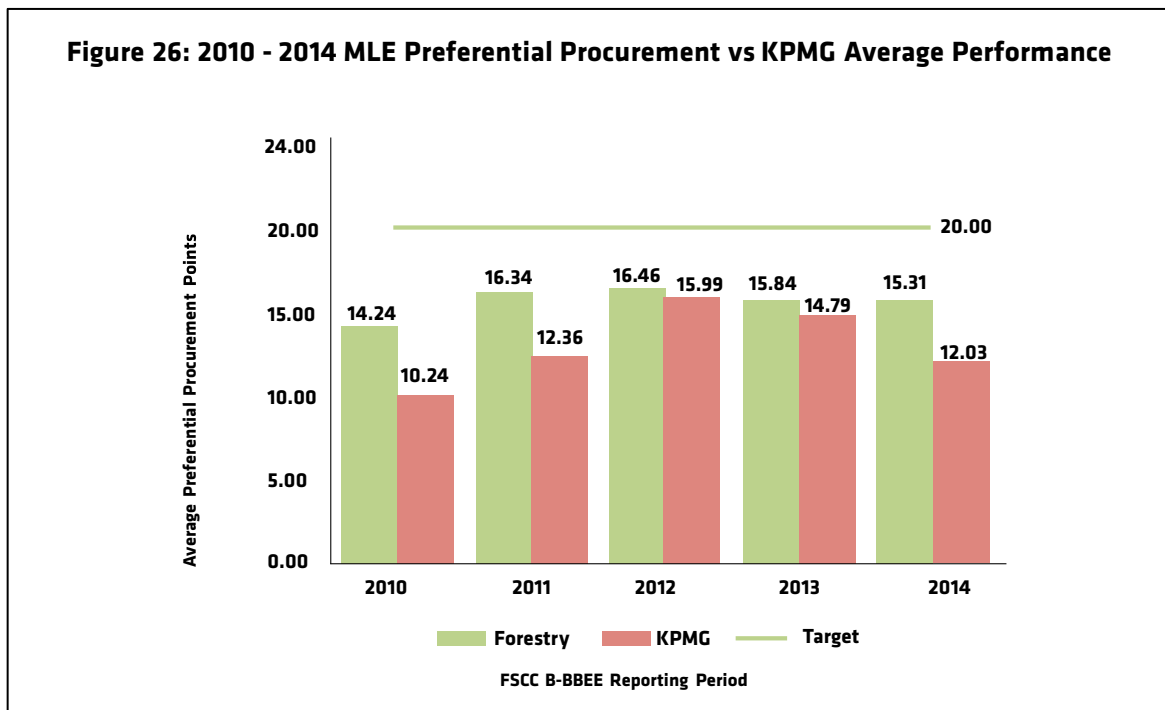


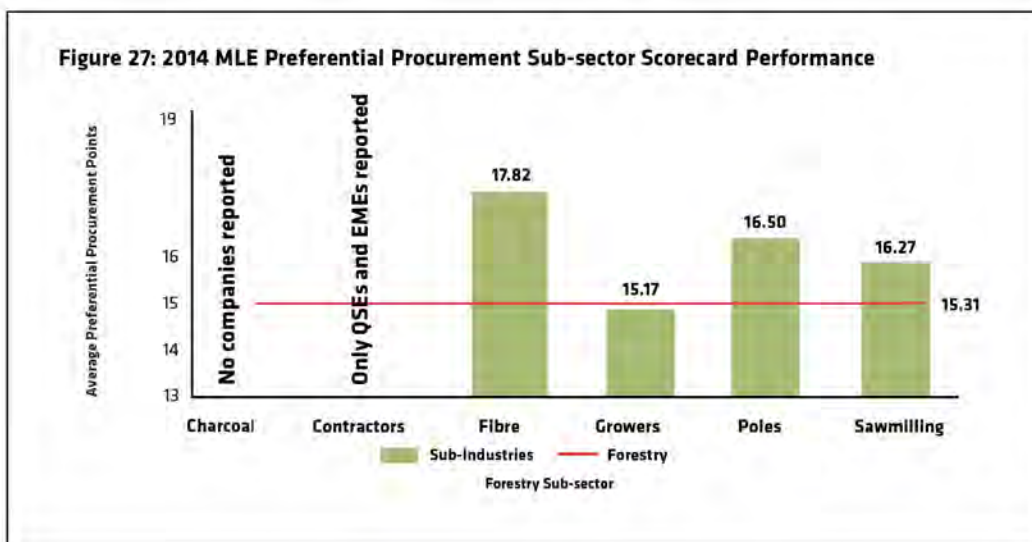
Figure 25 shows that the industry’s average Preferential Procurement score has declined from 15.84 in the previous year to 15.3 points, 74.4% of the targeted 20 points.

The industry’s average Preferential Procurement performance peaked in 2012 and has been on a downward trend since then. This may be due to the following reasons:

- Supplier not renewing their BEE certificates
- Contracts of suppliers who are good contributors to BEE (with a rating of 9 and above) not being renewed.
- Companies deferring back to non-transformation traditional suppliers

A very similar trend is observed in the KPMG recorded average performance, with a much sharper decline between 2013 and 2014. This may be an indication of non-renewal of contracts with black owned and black women owned companies. This may be due to the following reasons;





Enterprise Development

The development of sustainable black-owned and black women owned enterprises is critical in promoting equity with growth in the sector.

The important role of SMME development in underpinning economic growth and ensuring that black economic empowerment is broad-based, will be emphasised in this regard.

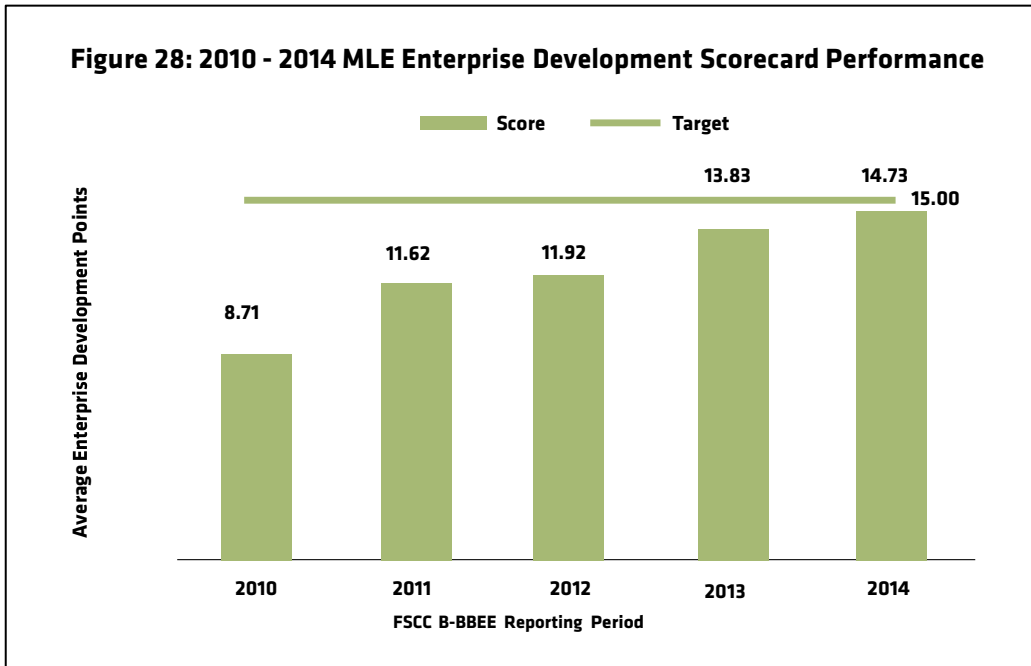
The industry aligns itself with National Codes of Good Practice on Enterprise Development. The scorecard also provides three bonus points for additional Enterprise Development spend to support sector specific initiatives in Enterprise Development. This is further outlined in paraFigure 15.1 of the Charter. Special attention will be given to targeting women and rural communities in Enterprise Development support.

Table 11: MLE Enterprise Development scorecard

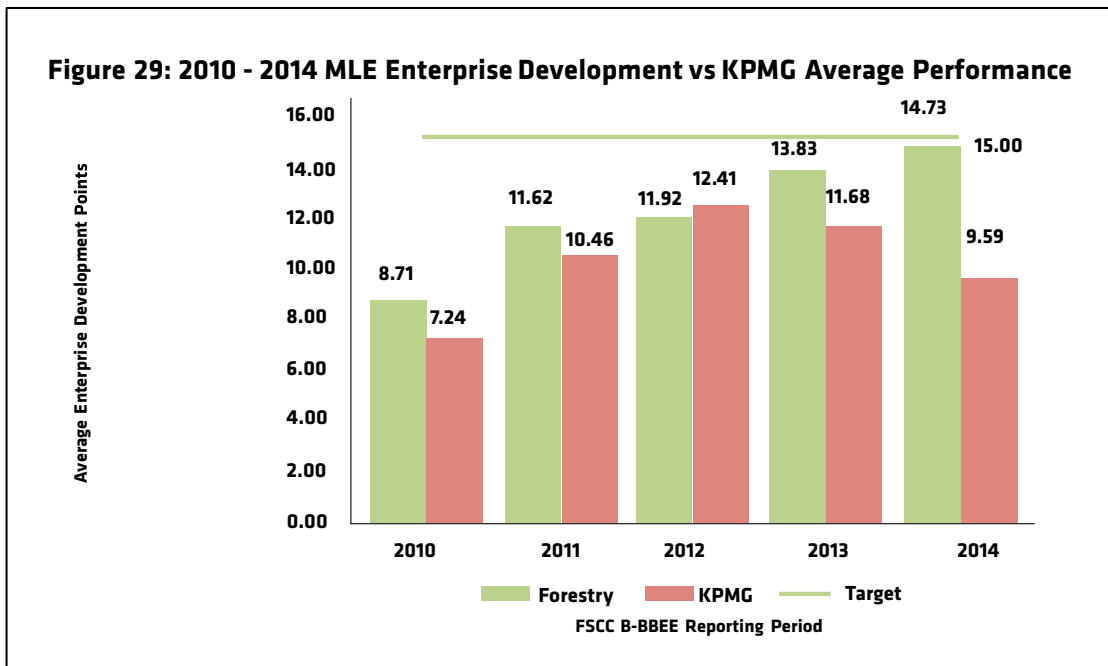
INDICATORS	WEIGHTINGS (W) & TARGETS (T)			
	Forest Sector			
	W	T	W	T
6. Enterprise Development	15	Years 0-5* Years 6-10**	Growers & Sawmillers	
6.1 Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	15	3% of NPAT	12	
6.2 Annual sales of logs and sawtimber (as a percentage of total sales in terms of tonnage) to enterprises based on their B-BBEE	2	20%	-	-

A lot of industry players overspend on Enterprise Development, despite there not being any bonus points awarded. The decline in Preferential Procurement score suggests that there may be a missed opportunity in converting the Enterprise Development beneficiaries into suppliers.

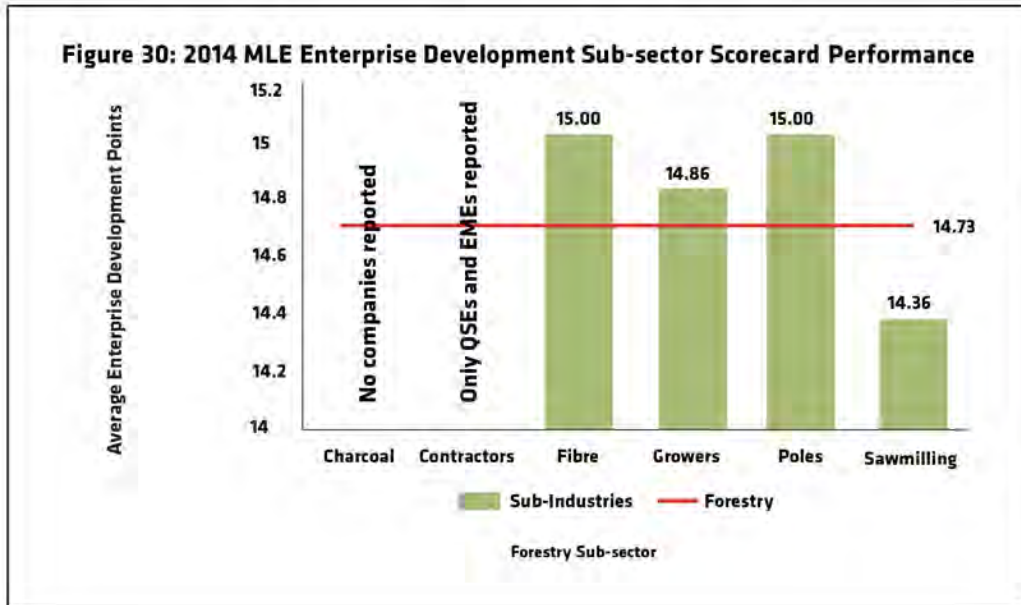
MLEs achieved an average score of 14.76 points, 98.4 % of that targeted, indicating a consistent year-on year improvement in performance on Enterprise Development. While benefits of an investment made in Enterprise Development is often realised in Preferential Procurement, this was not reflective in the 2014 reporting period.



Forest sector investment in Enterprise Development generally outperforms the industry average noted by KPMG (Figure 29) and EMEs, which are financially and operationally independent, can be beneficial to the sector. This indicates unanimity that developing black-owned QSEs



The Fibre sub-sector is a clear outlier on the sub-sector's average score. The same was true for Management Control, Employment Equity and Enterprise Development. This may present opportunity to draw lessons that can be shared with the sub-sector industry players.



Socio-economic Development

Most forest enterprises are located in rural areas where the majority of the country’s poor live. The Forest Sector is well placed to advance B-BBEE by undertaking Socio-economic Development initiatives that benefit local communities.

This entails the provision of services and amenities to the rural poor, such as housing provision for workers and their families, support to health and HIV/AIDS programmes, provision of community education facilities, environmental conservation programmes, community training in fire prevention and conservation, and support of rural road maintenance. The

industry is also aware of the important role of forests in providing livelihood opportunities for poor rural households and commits to ensuring regulated access to non-commercial forest products such as firewood, building Poles, medicinal plants and edible fruits by local communities.

Industry is committed to continued support in these areas and to spending at least 1% of Net Profit after Tax on Socio-economic Development. The scorecard also provides for three bonus points for additional Socio-economic Development spend to support sector specific initiatives on Enterprise Development.

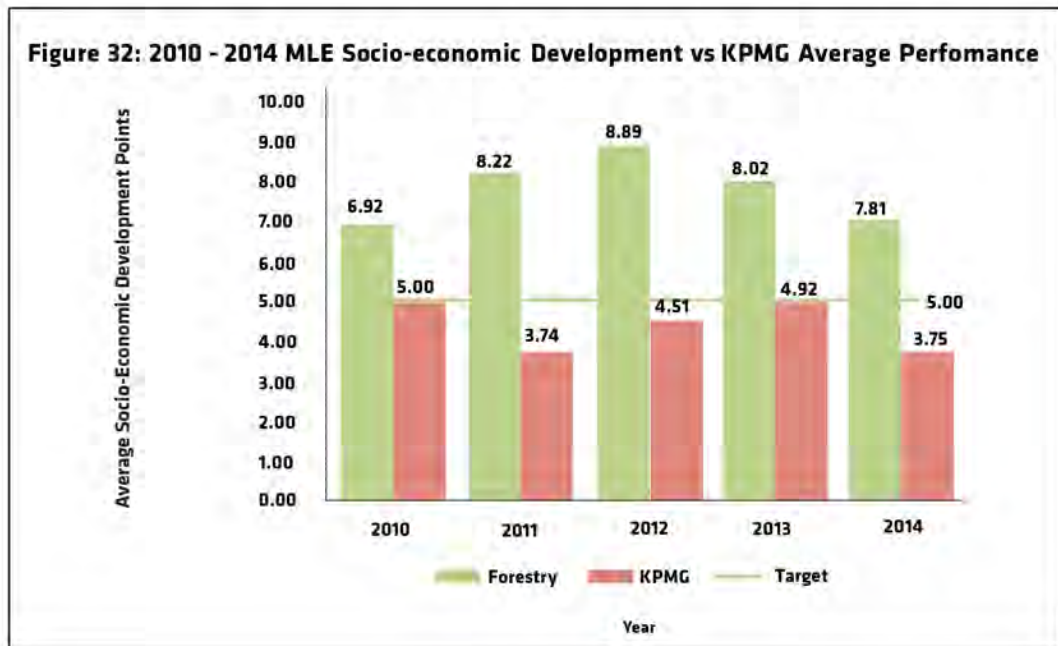
Table 12: MLE Socio-economic Development scorecard

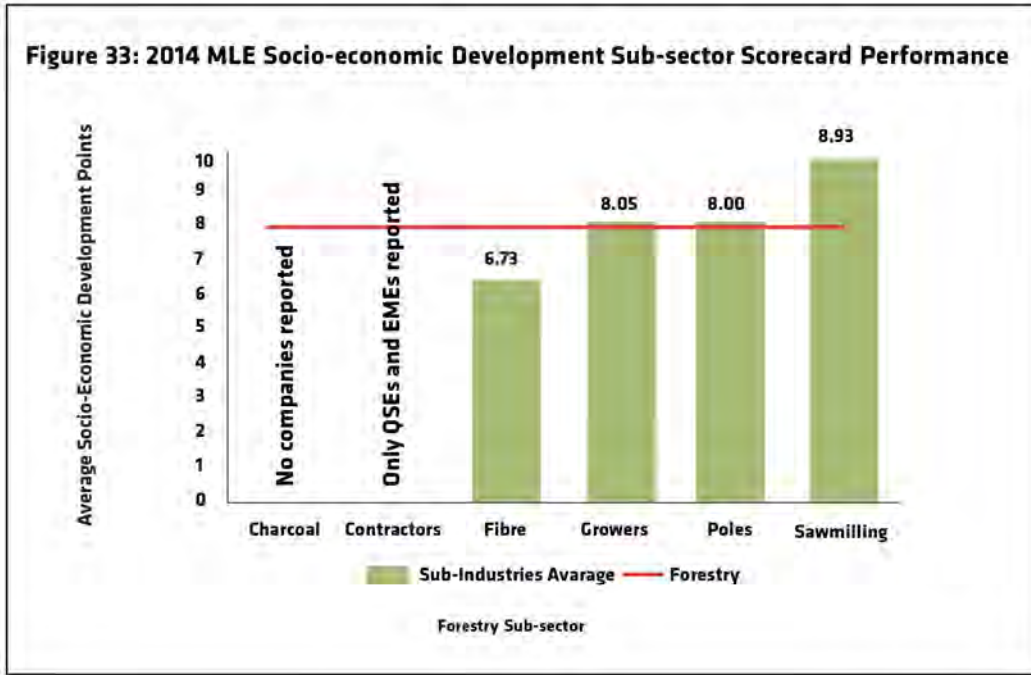
INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target	Actual	Target: Target	Actual
7. Socio-economic Development	25		Years 0-5	
7.1 Average annual value of all Socio-economic Development Contributions made by the Measured Entity as a percentage of the target	5	6.02	1% of NPAT	6% of NPAT
7.2 Bonus point for additional Qualifying Contributions made by the Measured Entity to Sector Specific Initiatives on Enterprise Development (indicator 6.1) or Socio-economic Development (indicator 7.1) (1 bonus for every 0.25% of NPAT)	3		0.75% of NPAT	

MLEs performed above target with half awarded the 3 bonus points. It was, however, interesting to note the decline in bonus points awarded. This suggests that companies have, over the past three years, consistently reduced the funds that they commit to Socio-economic Development activities



Despite the industry's decline in spend year-on-year, the industry's still achieved above average performance on the development of communities. This is confirmed by the industry's outperformance even when benchmarked against the KPMG BEE report



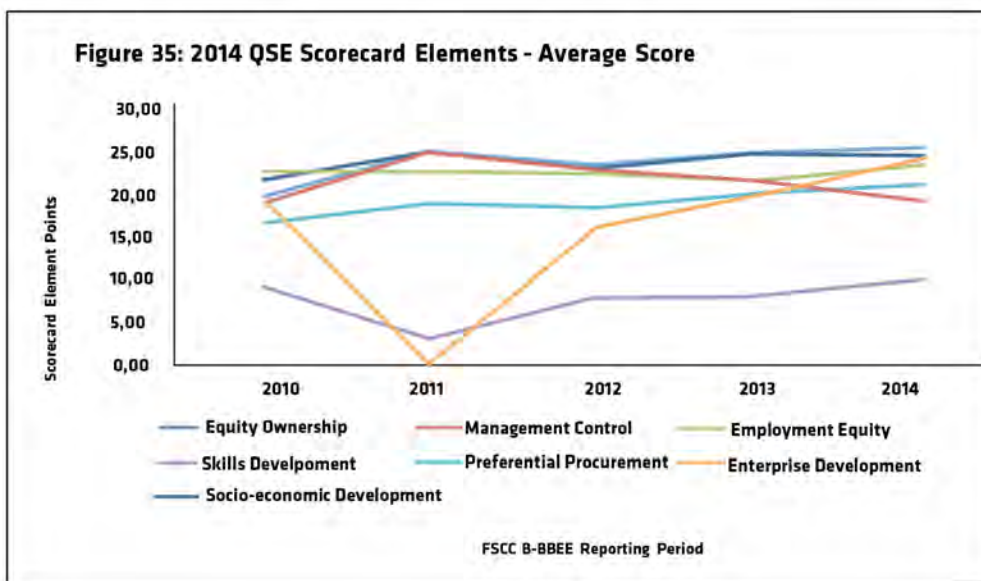


Three of the four sub-sectors recorded above average Socio-economic Development contribution, with Sawmilling contributing the most for its communities.

Qualifying Small Enterprises (QSEs)

The

QSEs have generally benefitted from the ability to elect to be rated on their best performing scorecard elements. The overall B-BBEE performance for the QSE's is Level Three contributor, with the average points achieved climbing from 84.03 points (2013) to 87.69 points (2014) when measured against the selected elements.



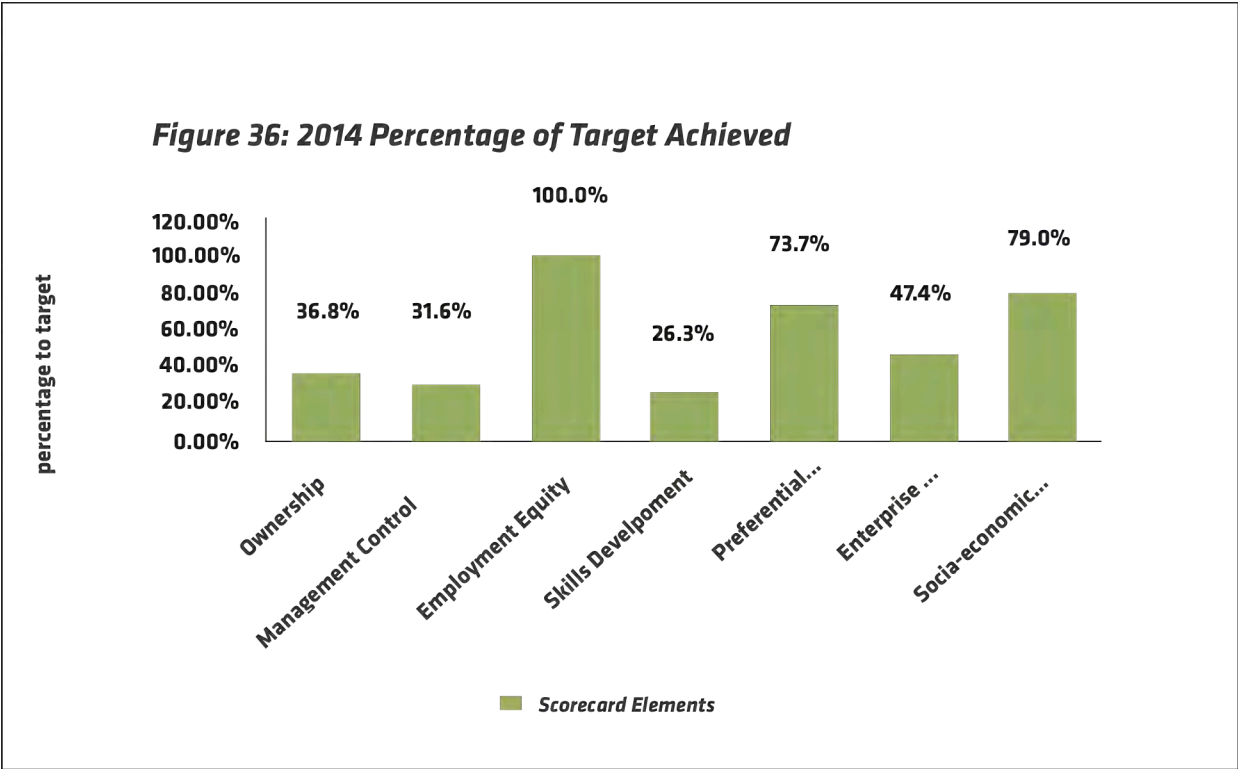


Figure 36 demonstrates that Employment Equity, Preferential Procurement and Socio-economic Development continued to dominate as firm favourites for QSEs. Skills Development, the least popular scorecard element, was also the least performing in terms of average score, as outlined in Figure 34

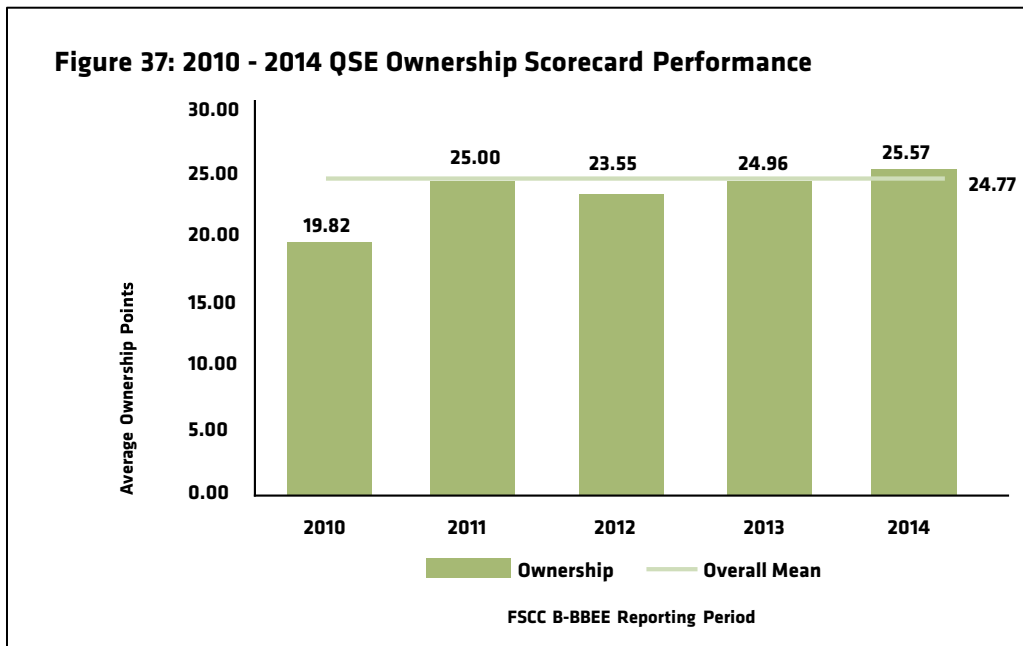
Ownership

Table 13: Ownership scorecard for Qualifying Small Enterprises

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target	Actual		
1. Ownership	20			
1.1 Exercisable voting rights in the Enterprise in the hands of black people	3	(1.5)	25%+1	(15%)
1.2 Exercisable voting rights in the Enterprise in the hands of black women	2	(0.42)	10%	(2%)
1.3 Economic interest of black people in the Enterprise	3	(1.51)	25%	(13%)
1.4 Economic interest of black women in the Enterprise	2	(0.38)	10%	(2%)
1.5 Economic interest of the following natural people in the Enterprise: Black designated groups; Black Participants in Employee Ownership Schemes; Black beneficiaries of Broad-based Ownership Schemes; or Black Participants in Cooperatives	2	(0.40)	7.50%	(2%)
1.6 Realisation points for Ownership fulfilment (refer to par. 10.1 of Code 100 Statement 100)	1	(0.11)	Yes	(No)
1.7 Realisation points for net equity interest (refer to Annexe C par. 4 of Code 100 Statement 100)	7	(3.27)	Yes	(No)
1.8 Bonus points for involvement in the Ownership of the enterprise by black participants: In Employee Ownership Schemes; Of Broad-based Ownership Schemes; or Of Cooperatives	1	(0.47)	10%	(4%)
1.9 Bonus points for involvement in the Ownership of the enterprise by black new entrants	2	(0.16)	10%	(4%)
1.10 Bonus point for achieving a higher target for indicator 1.3	1	(0.11)	30%	(9%)
1.11 Bonus point for achieving a higher target for indicator 1.4	1		15%	

Ownership is not a preferred element amongst companies with only 33% of QSEs selecting to be evaluated against it. An average score of 25.57, the highest average over the past five years, was achieved. A marked absence in participation of black women and designated groups was noted. An average black

ownership shareholding of 70% was reported, with 4 of the 7 companies being 100% black owned. Only 2 QSEs had black women shareholders. The average black women shareholding was therefore suppressed, recording only 8%.



Management Control

Table 14: QSE Management Control scorecard

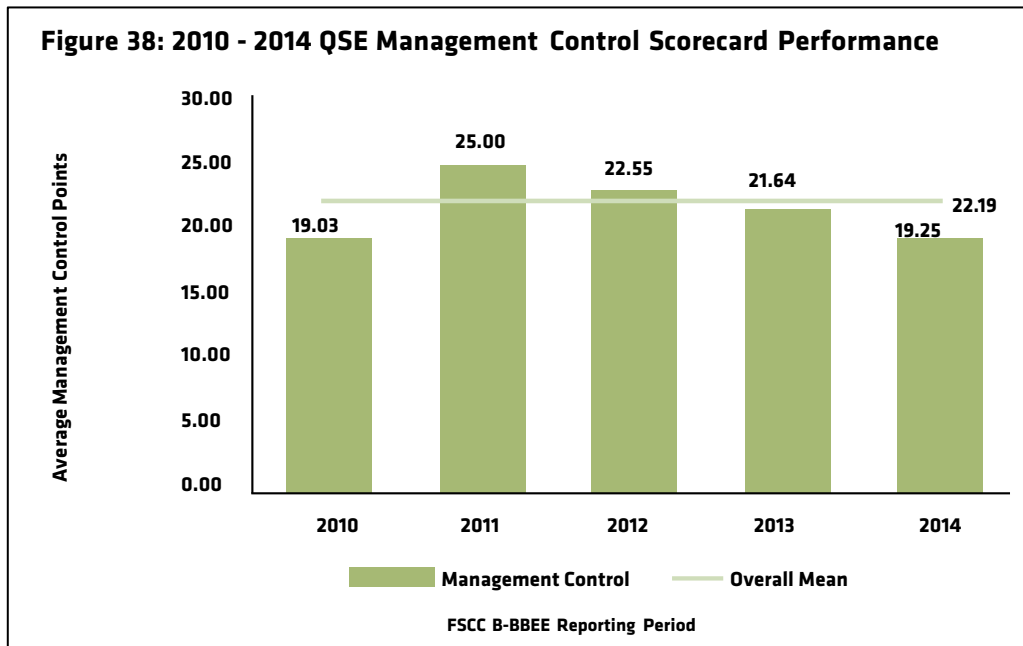
INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target Actual		Target: Target Actual	
2. Management Control	25			
2.1 Black representation at Top Management level	50		50.10%	
2.2 Bonus points for black women representation at Top Management level	2		25%	

Since most QSEs are generally family-run and not black-owned they are unable to include additional people at Ownership and Executive Management levels.

This is indicative in that only 33% of QSEs selected to be evaluated against the Management Control element. The averages score achieved by QSEs was on the decline between 2011 and 2013.

Six of the seven companies that chose Ownership were also evaluated on Management Control. This strongly supports that there is a direct relationship between the two scorecard elements for QSEs.

It is, however, critical to note the just shy of one point climb recorded between 2013 and 2014, as this suggests a change in the leadership and ownership composition of QSEs.



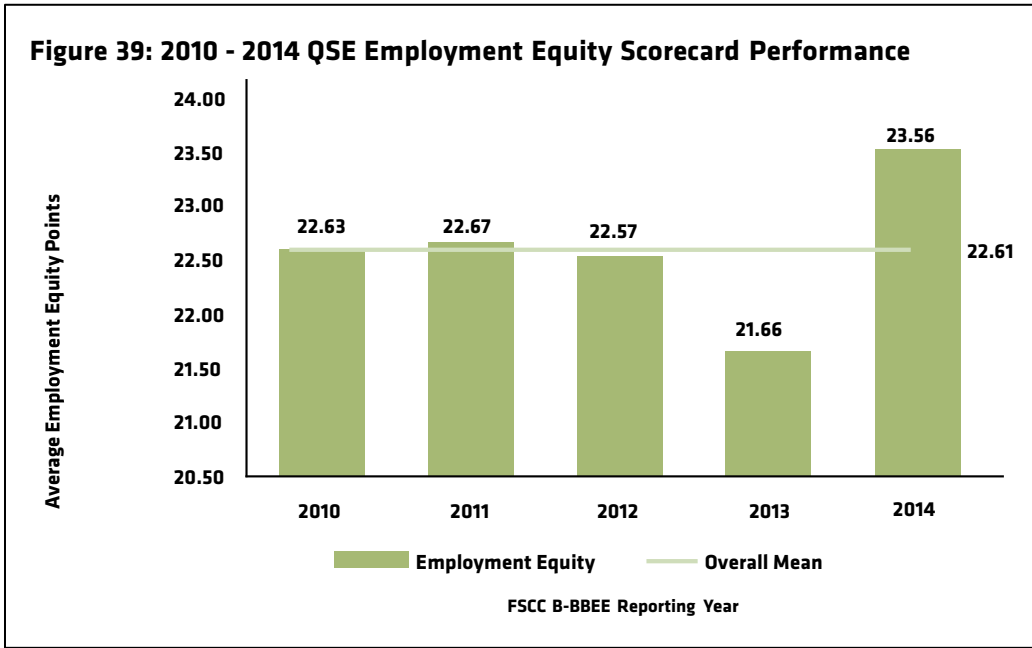
Employment Equity

Table 15: QSE Employment Equity scorecard

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target Actual		Target: Target Actual	
3. Employment Equity	25		Years 0-5	
3.1 Black employees of the Measured Entity who are Management as a percentage of all Management using the Adjusted Recognition for Gender	13		40%	
3.2 Black employees of the Measured Entity as percentage of all employees using the Adjusted Recognition for Gender	7		60%	
3.3 Compliance with Industry Codes of Conduct on employment in the Forest Sector	5		Yes	
3.4 Bonus points for meeting or exceeding the EAP targets in each category under 3.1 and 3.2	2		Yes	

QSEs find it easier to comply to the Employment Equity element of the scorecard with all participating companies selecting to be evaluated against it.

An average score of 23.54 points achieved, an almost 2 points climb since last year. An impressive seven QSEs were awarded bonus points for having representation above the EAP (people between 15 and 64 years of age who are either employed, unemployed or seeking employment).



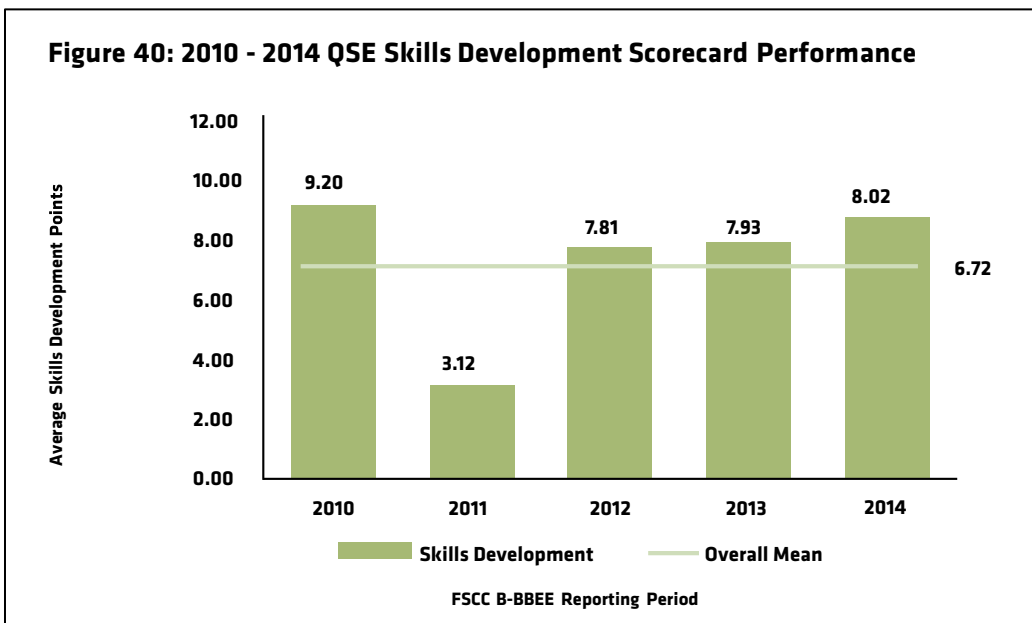
Skills Development

Table 16: QSE Skills Development scorecard

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target Actual		Target: Target Actual	
4. Skills Development	25			
4.1 Skills Development spend on Learning Programmes for black employees as percentage of Leivable Amount using the Adjusted Recognition for Gender	25		2%	

By virtue of their size, QSEs employ small numbers of staff, typically fulfilling more than one role. The limited staff compliment makes the ability to send staff members on training very challenging. As a result, only 28.6% of reporting

companies selected the Skills Development element to be evaluated against. However, the slight year-on-year increase indicates a growing recognition of the benefit of investing in skilling staff.



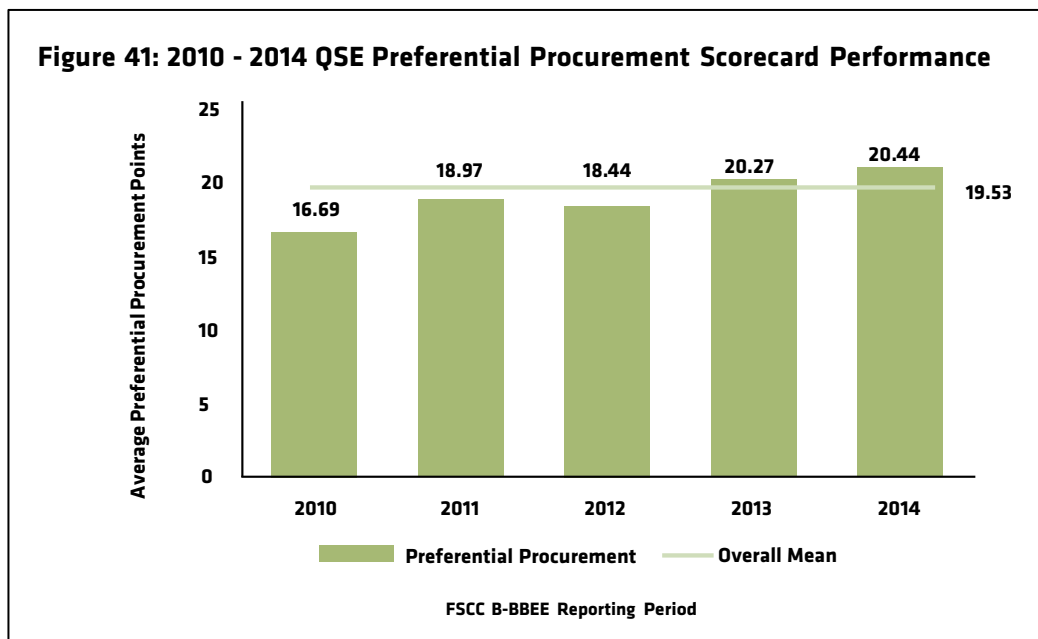
Preferential Procurement

Table 17: QSE Preferential Procurement scorecard

INDICATORS	WEIGHTINGS & TARGETS			
	Forest Sector			
	Weighting: Target Actual		Target: Target Actual	
5. Preferential Procurement	25		Years 0-5	
5.1 B-BBEE Procurement Spend from all Supplies based on their B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	25		40%	
5.2 Compliance with Industry Codes of Conduct on contracting in the Forest Sector				

Preferential Procurement was selected by 71.4% of QSEs and who scored an average of 20.44 points. The number of BEE

compliant suppliers that QSEs do business has steadily grown over the past five years.



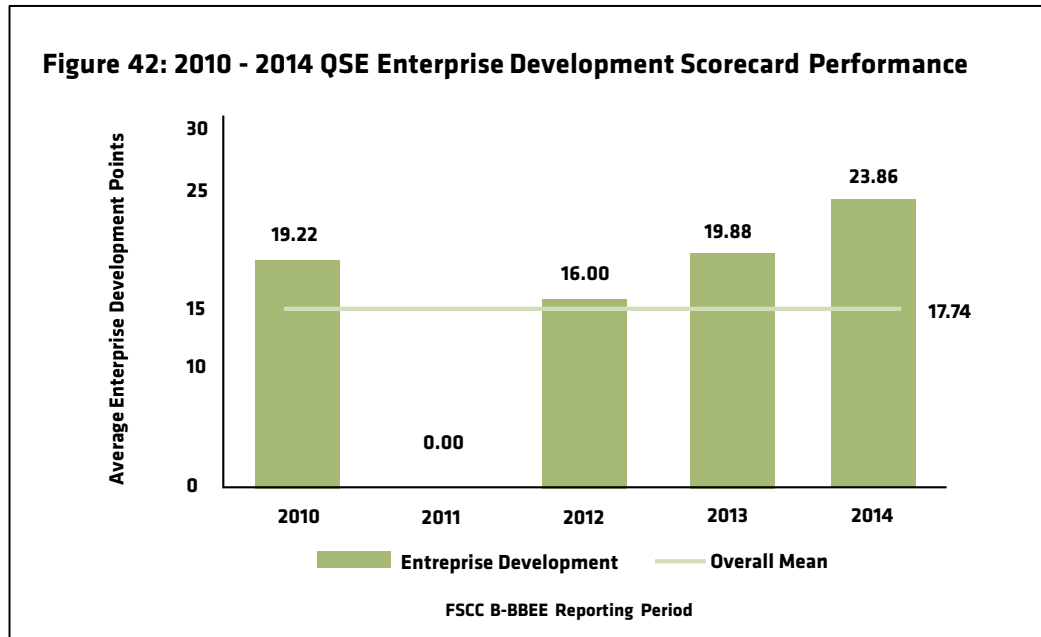
Enterprise Development

Table 18: QSE Enterprise Development scorecard

INDICATORS	WEIGHTINGS & TARGETS	
	Forest Sector	
	Weighting: Target Actual	Target: Target Actual
6. Enterprise Development	25	Years 0-5
6.1 Average annual value of all Enterprise Development Contributions made by the Measured Entity as a percentage of the target	25	2% of NPAT

Despite the QSEs limitation in resources to monitor Enterprise Development and the cost of executing and managing Enterprise Development initiatives, QSEs average performance continued on an upward trajectory. This demonstrates the

potential to use Enterprise Development as a lever to create supply chain opportunities that improve on a company's Preferential Procurement score.



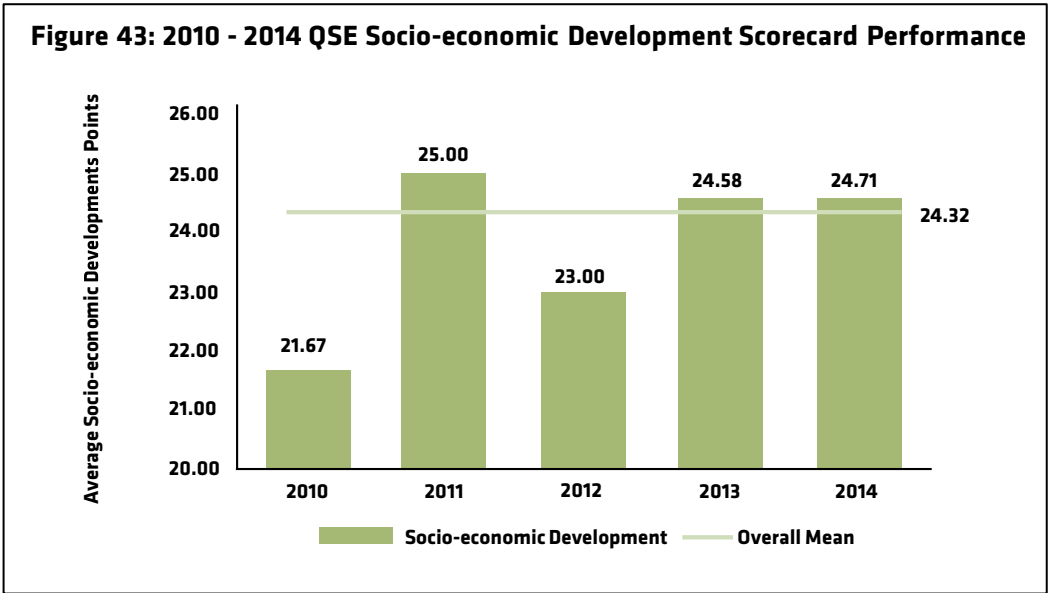
Socio-economic Development

Table 19: QSE Socio-economic Development scorecard

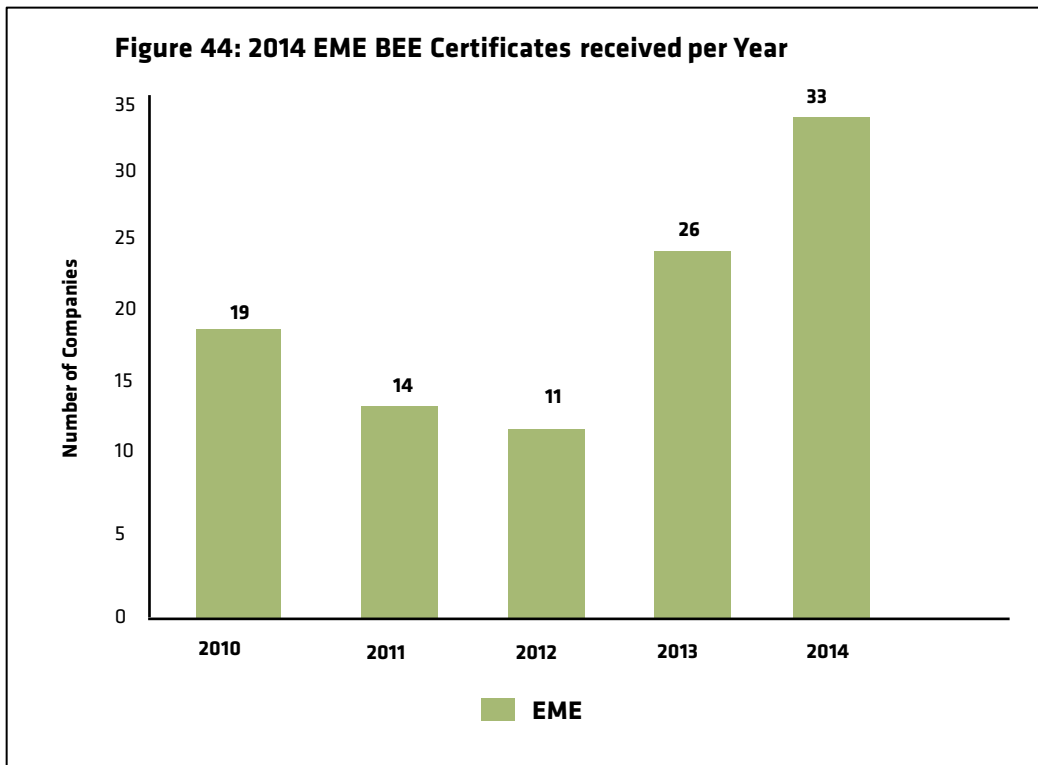
INDICATORS	WEIGHTINGS & TARGETS	
	Forest Sector	
	Weighting: Target Actual	Target: Target Actual
7. Socio-economic Development	25	Years 0-5
7.1 Average annual value of all Socio-economic Development Contributions made by the Measured Entity as a percentage of the target	25	1% of NPAT
7.2 Bonus point for additional Qualifying Contributions made by the Measured Entity to Sector Specific Initiatives on Enterprise Development (indicator 6.1) or Socio-economic Development (indicator 7.1) (1 bonus for every 0.25% of NPAT)	3	0.75% of NPAT

The Socio-economic Development element was selected by 80.9% of QSEs who achieved an average score of 24.71

points. This is indicative of a commitment to community development.



Exempt Micro Enterprises (EMEs)



Majority of the EMEs that reported are in the Contractors sub-sector. 42.4% (14 of 33), up from 35% (10 of 28) in 2013, of the

EMEs were black owned. 8 of the 14 EMEs reported 100% black ownership. Of these only 4 EMEs had black women ownership.

Sub-sector Analysis

Charcoal

None of the member companies in the industry reported.

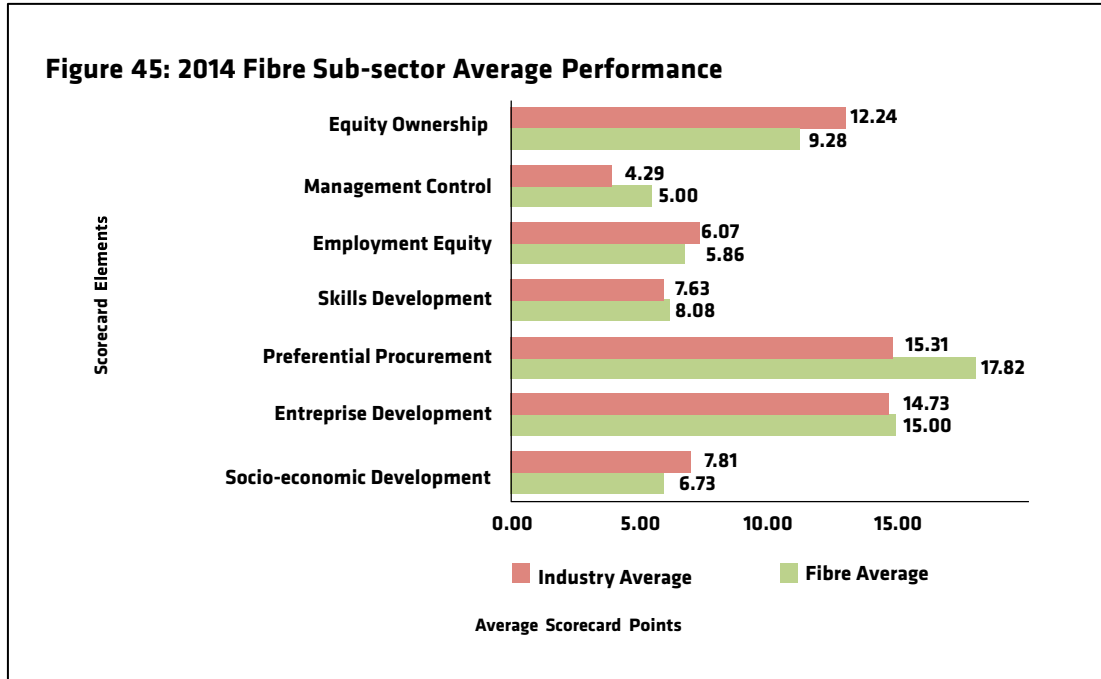
Contractors

Only MLE from the sub-sector reported. It was therefore difficult to perform meaningful analysis for the MLEs in this sub-sector. All the QSEs that reported are Contractors. The

industry's average performance is therefore reflective of the Contractors sub-sector and no other sub-sectors in the industry.

Fibre

26% of the companies that operate in this sub-sector reported. All of them are all MLEs.



The sub-sector achieved above average performance for the following scorecard elements:

- Management Control;
- Skills Development
- Employment Equity;
- Preferential Procurement and

- Entreprise Development

Growers

This sub-sector had the highest participation, with 71% of the member companies participating. Like the Fibre sub-sector, all the companies that participated are MLEs.

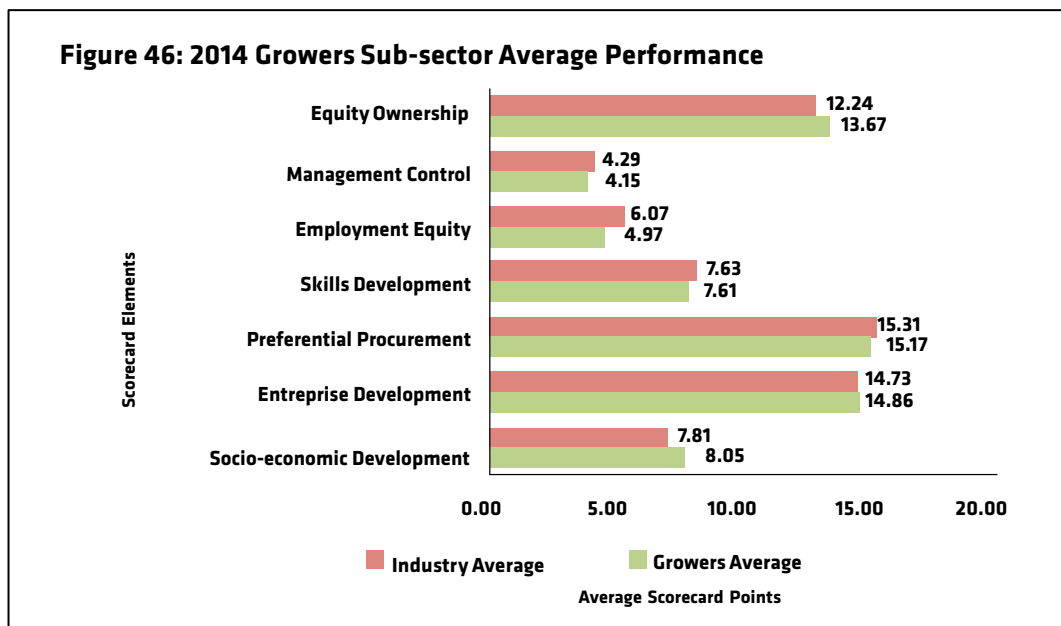
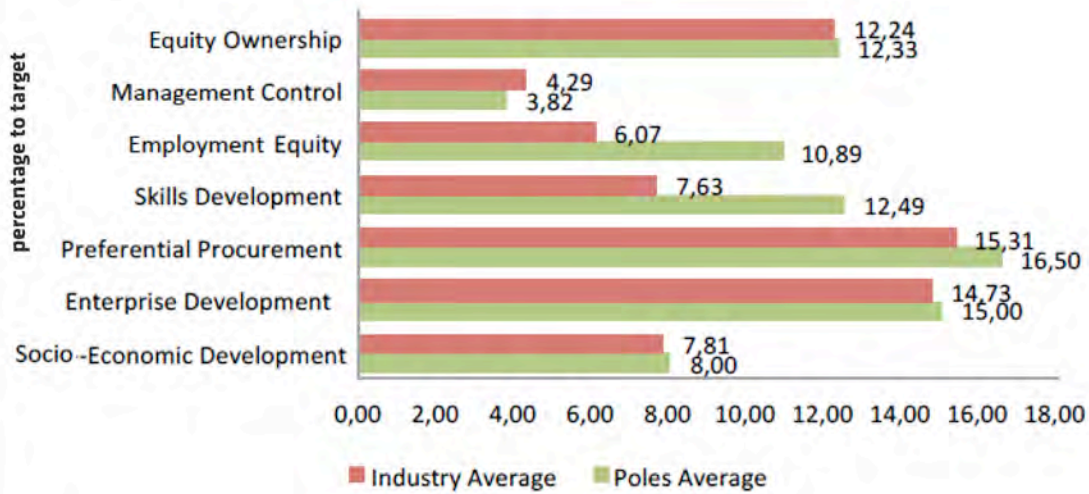


Figure 47: 2014 Poles Sub-sector Average Performance



The sub-sector recorded better than average performance on the following scorecard elements:

- Ownership
- Enterprise Development; and
- Socio-economic Development.

Poles

The sub-sector performed well across all elements with the exception of Management Control. The sub sector performed significantly better than the industry averages for the following Human Capital elements

- Employment Equity
- Skills Development

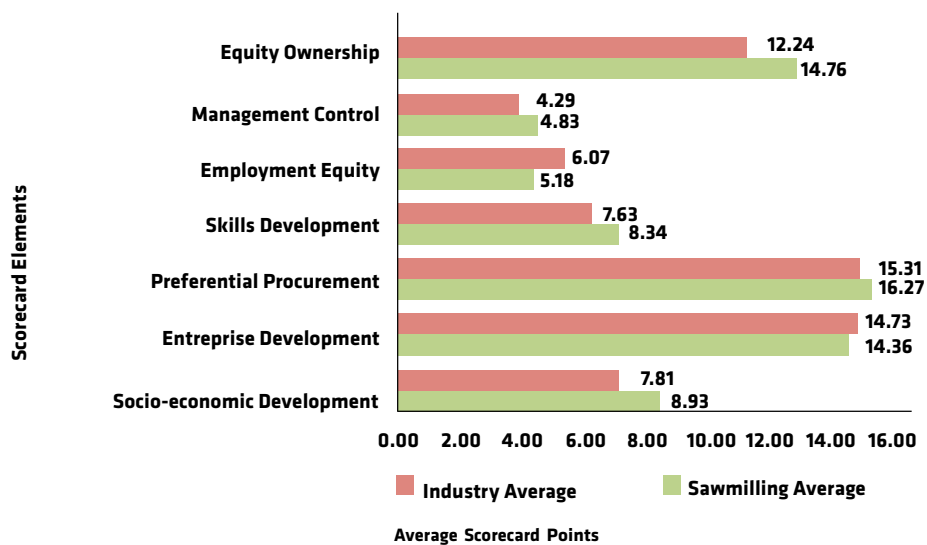
Sawmilling

All the Sawmilling sub-sector companies that reported are MLEs. However, only 13% of sub-sector member companies reported.

The sub-sector responded positively to

- Ownership
- Preferential Procurement

Figure 48: 2014 Sawmilling Sub-sector Average Performance



SECTION THREE

B-BBEE STATUS REPORT 2013/14

Findings

Overall

The current performance for the Forest Sector industry produced a Level 5 BBBEE performance for MLE's whilst QSE's produced a level three performance.

There is noted improvement of submissions in the Forest Sector Charter over the last 5 years.

Ownership

The report indicates limited participation by black women at ownership level. This also extends to designated groups such as black people participating in employee share scheme or black people in cooperative structures.

It is noted that more than 50% of the BEE transactions over the 5 years are still encumbered,

Management & Control

The industry performs well at board level, particularly the non-executive director representation, however, there is limited participation of black executives at board level over the last 5 years.

Recommendations

To improve industry performance year on year, various stakeholders are required to drive policy, strategy and a well-coordinated execution plan that benefits and resuscitates a vibrant forest industry.

In order to achieve satisfactory performance levels in the next chapter of BBBEE, the economic development elements will require special focus as they fall under the priority elements in the revised Codes of Good Practice.

The underperformance of skills development is a great area of concern for the industry coupled with the lack of conversion

Conclusion

There is evident progress of the industry's transformation initiative albeit in small pockets. The Forestry industry worldwide is used as a lever for job creation, community participation and can drive an inclusive market approach. In

Employment Equity

Junior management sub-level is over-prescribed whilst people living with disability score continues to be a challenge during the last 5 years.

Skills Development

Skills development element score continues to drop over the last 5 years.

Preferential Procurement

There is improvement in the overall Preferential Procurement score for the industry with the exception of the two sub-elements namely, black owned and women black owned procurement scores.

Enterprise Development

The report indicates great performance on the Enterprise Development.

Socio Economic Development

There is continuous over-performance over the last 5 years. The decrease of bonus points over the last 5 years indicate decline in year to year spend in SED.

of Enterprise Development performance to Procurement opportunities. It is therefore critical that the industry considers a coordinated approach towards the economic development areas of the scorecard going forward to improve overall transformation of the industry.

The focus in these areas will assist with the transformation of the profile of the participants as more skilled women entrepreneurs will be sufficiently skilled to enter the industry. Women representation across all elements should be the focus of integration across all elements.

most emerging markets, government and communities own a large component of forestry land available for plantation thus the key lever to realise the full potential of the industry is to have access to the current available land.



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