

Annual Report on the Status of Transformation in the Forest Sector 2015/16

Forest Sector Charter Council

Executive Summary

Transformation is not only defined by black shareholding or black owned schemes having economic interests in companies, but also by the real inclusion of disadvantaged individuals into the economy, employment creation and promotion into management positions, as well as the development of sustainable new businesses. Such activities should lead to the economic growth and expansion of the sector as a whole. It is imperative that stakeholders not only associate empowerment and transformation with the development of individual Historically Disadvantaged South African (HDSAs) within large entities, but also with the creation of capacity within beneficiaries in communities, small businesses, and individuals across the sector leading to a developmental cascading effect, growing and empowering the sector.

The annual report on the status of Transformation was drafted in line with the Forest Sector Codes that came into effect on 12 June 2009. The Code assesses B-BBEE implementation in terms of the scorecard performance for all entities operating in the forest industry. According to the B-BBEE Act as Amended, measured entities may not choose or elect to be assessed in terms of the Generic Codes even though some entities still gravitate towards the Generic Codes. This aspect is highlighted in the report, where the number of certificates received is further classified into either valid and invalid based on the scorecard used as well as the date of issue.



The industry has experienced minimal growth within the period under review and this might have had an influence in the establishment of new entities. In order to achieve sustainable transformation within a sector, there is the need for an inclusive and recognisable growth at all levels of the business categories and across the value chain. The performance achieved within the business spheres of Medium and Large Enterprises (MLE), Qualifying Small Enterprises (QSE) and Exempted Micro-Enterprises (EME) provide a view of how B-BBEE implementation is realised. The sector maintained an overall B-BBEE status of level four, a level that has been achieved for the two previous years. The QSEs have also been consistent in achieving a level three with the EMEs maintaining a level four.

There could be a number of economic factors influencing the industry 'performance in terms of B-BBEE. These could be attributed possibly to technology advancement, trade, sector expansion and investment. These however, should not be the limiting factors for the broader implementation of B-BBEE.



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Acronyms

ATR	Annual Training Report
B-BBEE	Broad-Based Black Economic Empowerment
BO	Black Owned
BWO	Black Women Owned
CSR	Corporate Social Responsibility
CSI	Corporate Social Investment
DTI	Department of Trade and Industry
EAP	Economically Active Population
EME	Exempt Micro-Enterprise
FP&M SETA	Fibre, Processing and Materials Sector Education and Training Authority
FSC	Forest Sector Code (Sector Codes)
FSCC	Forest Sector Charter Council
GDP	Gross Domestic Product
HA/ha	Hectare
HDSAs	Historically Disadvantaged South Africans
MLE	Medium and Large Enterprises
QSE	Qualifying Small Enterprise
SADC	Southern African Development Community
SED	Socio-Economic Development
SETA	Sector Education and Training Authority
SMME	Small Medium and Micro Enterprises
SSP	Sector Skills Plan
WSP	Workplace Skills Plan

1. Introduction

The FSCC is mandated to monitor and report on the annual status of transformation in the forest sector. This report serves to provide the findings obtained in terms of the scorecard performance.

Measured entities were requested to submit their B-BBEE certificates with the underlying information so as to perform in-depth analysis.

However, the acquisition of valid certificates and in some cases together with supporting information was a challenge. Valid certificates are defined as B-BBEE certificates that were issued within the reporting period, that have been measured under the Forest Sector Codes and that fall within the various sub-sectors as defined in the Forest Sector Code. The sub-sectors are as follows:

- Growers sub-sector (plantations, nurseries and indigenous forests)
- Contracting sub-sector (forestry contractors in silviculture, harvesting, fire-fighting services and other forestry contracting services that are not covered by their own Sector Charters)
- Fibre sub-sector (pulp, paper, paperboard, timber board product, woodchip and wattle bark manufactures)
- Sawmilling sub-sector (industrial, structural and mining timber sawmills and match producers)
- Pole sub-sector (pole treatment plants)
- Charcoal sub-sector (charcoal producers)

2. Report Objectives

The objectives of this report are to determine:

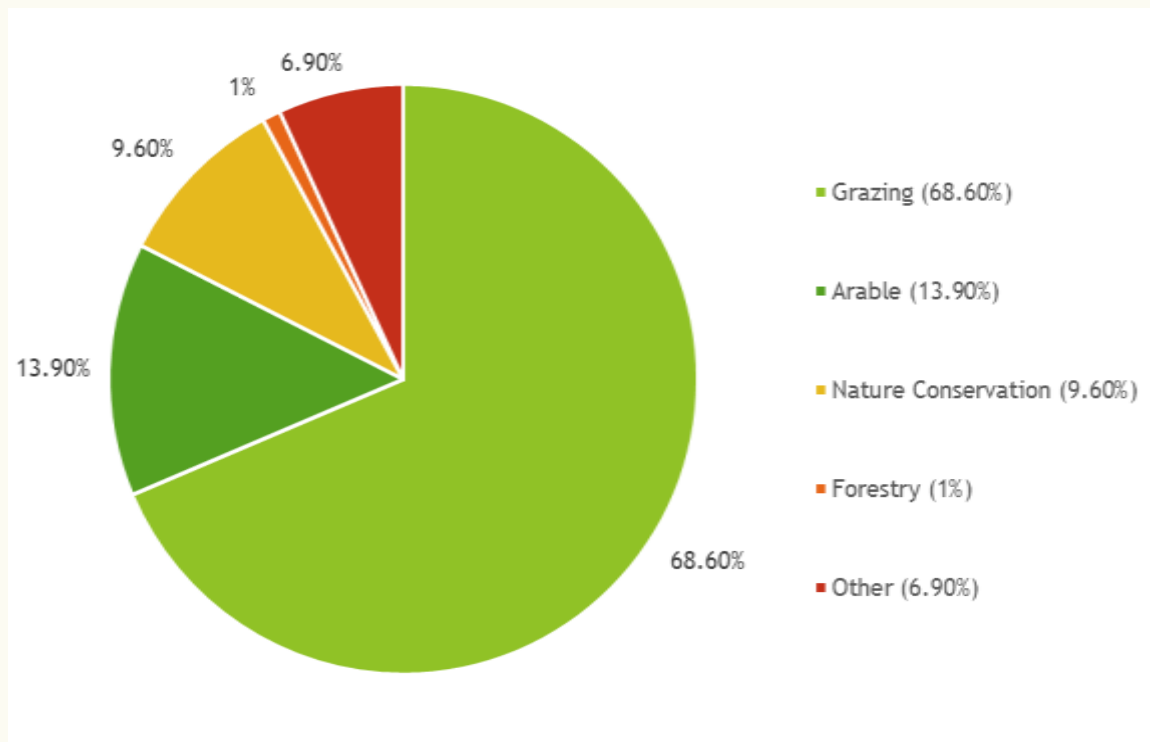
- the B-BBEE status of Exempted Micro Enterprises (EME) based on their black ownership profile and compliance with the codes of good practice on contracting practices for each of the six sub-sectors;
- the B-BBEE status of Qualifying Small Enterprises (QSE) based on any four elements of the forest sector scorecard for each of the six subsectors;
- the B-BBEE status 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;
- the actual performance of the scorecard elements against the set 6-10 years compliance targets and determine the overall transformation status and the impact it has had in the Forest Sector;
- the extent to which transformation has impacted on job creation and growth in the sector;
- the number of SMMEs created and sustained thus far;
- the role that the Forest Sector Code has played more especially within the investment sector, and on relationships between employers, employees and communities; and
- To identify the general constraints faced by the sub-sectors and the entire sector in implementing of the Sector Code.

These objectives served as guidance for the data and information gathering process. However, due to the limited data, some of the above objectives could not be achieved while others were integrated into other objective(s).

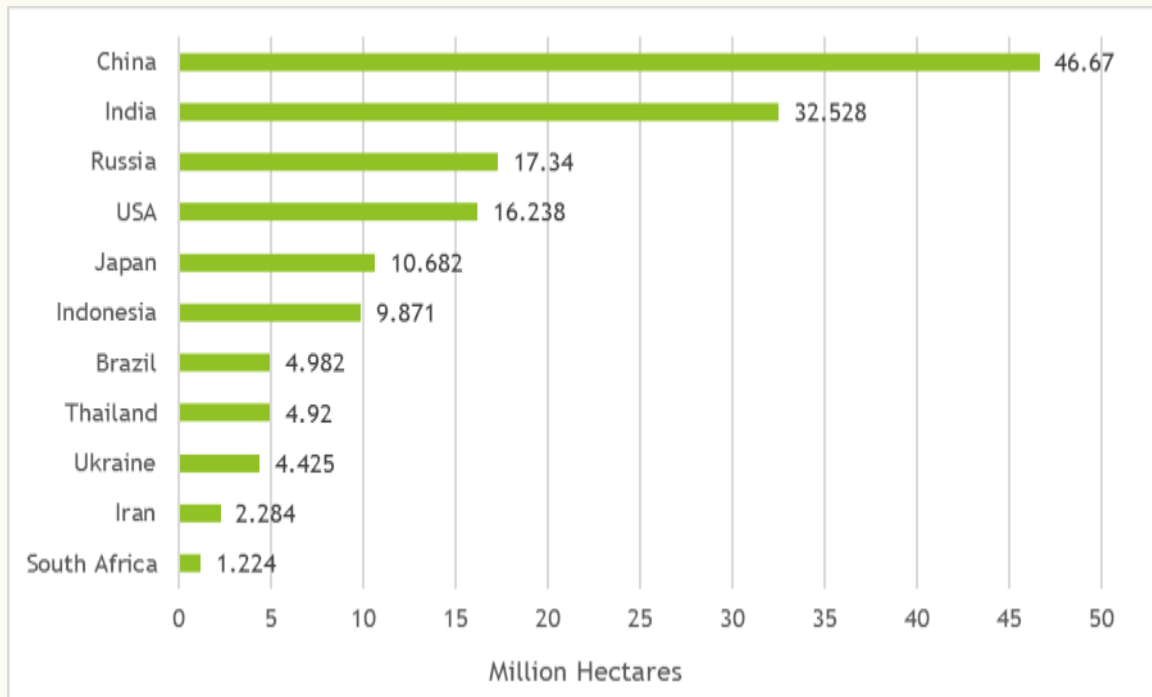
3.A Sector Overview

This section aims to give a brief overview of the forest sector within the South African context as well as in comparison to the outside world. The land use of forestry in the country is estimated at 1% (1 224 000 ha) of the total land area (122.3 million ha) as shown in figure 1 below. Even though forestry has seen a decline over the past 10 years of 110 000 ha accounting for about 8.2% (2005 – 2015), (Forestry South Africa (FSA), Godsmark, 2017a), it remains an important contributor to the overall and agricultural Gross Domestic Product (GDP). It also contributes significantly to employment creation in particular within the rural areas where forestry is mostly based.

Figure 1: Land Use within South Africa



According to the presentation given by FSA, Mpumalanga and Kwazulu-Natal remains the largest provinces with significant plantations amongst the other five identified provinces. The report also shows that employment statistics within the industry have not dramatically changed since the previous reporting period, with direct jobs within forestry estimated to be 60 200 and indirect jobs averaging at 98 200. These figures however do not cover the informal and inaccessible sector making it almost impossible to assess.

Figure 2: Plantation Area International Comparisons (2015)

Adapted from Forestry South Africa Presentation (2017b)

Figure 2 above compares South Africa's plantation area to its international counterparts. China and India remain at the top of the list, with over 46 and 32 million hectares respectively with South Africa hovering at the bottom of the list.

The allocation of land for plantations can be influenced or determined by various reasons, including frost free areas, rainfall during winter or summer, height above sea level, etc. Exports to other markets also play a role in the demand for land usage, where export conditions are not seen as being ideal and in turn not driving markets for further development. South Africa is still considered as the major exporter, and technical experts, within the Southern African Development Community (SADC).

4. Research Overview and Methodology

The research methodology was based on the objectives of the status report as indicated in the terms of reference. One matter that was also crucial was ensuring that more companies report and provide their B-BBEE certificates with the underlying information for in-depth analysis. A substantive number of scorecard certificates together with the required information would also be ideal for more comprehensive, precise and accurate analysis. The methodology incorporated was based on quantitative data, e.g. the analysis of B-BBEE certificates and supporting documentation, as well as on qualitative data that would assist in providing a profound interpretation of results. The combination of these two research would assist the sector identifying and understanding challenges and exploring means of dealing with the challenges in B-BBEE implementation in the forest sector.

The means by which scorecard and underlying information was collected is detailed below as follows;

- Call centre established and staff complement increased from previous reporting period.
- Direct interaction with associations to increase database of companies to be contacted as well as additional information gathering.
- Online survey sent out to database, to substantiate feedback from industry as support to qualitative aspects of the report.
- Online database used as reference in the companies within the value chain.

As a result of the methods of data collection described above, a total of 141 certificates were received during this reporting period. The 141 certificates received were qualified as being valid or invalid. Figure 3 indicates the number of certificates received under each of these allocations.

Figure 3: Certificates Received (2015/16)

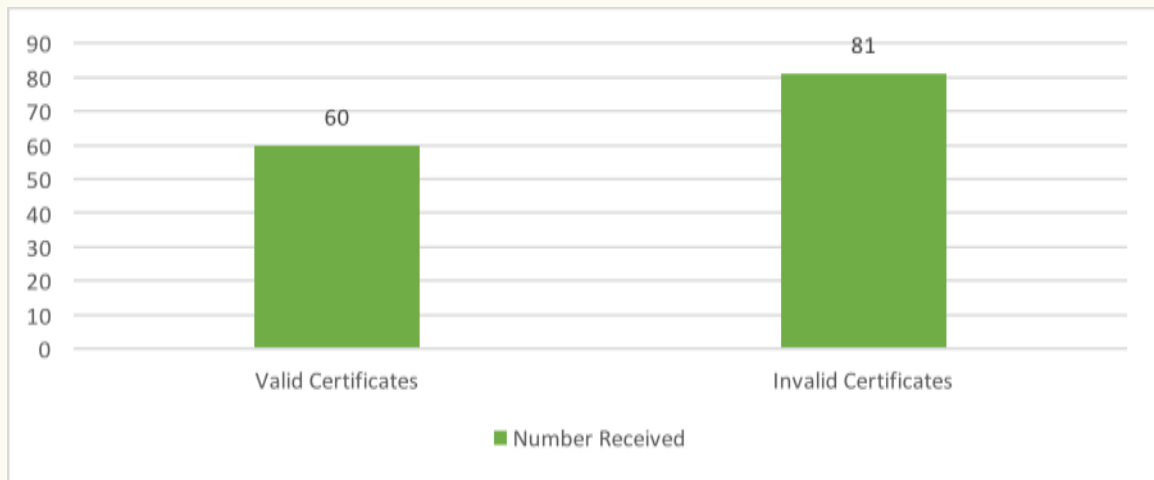
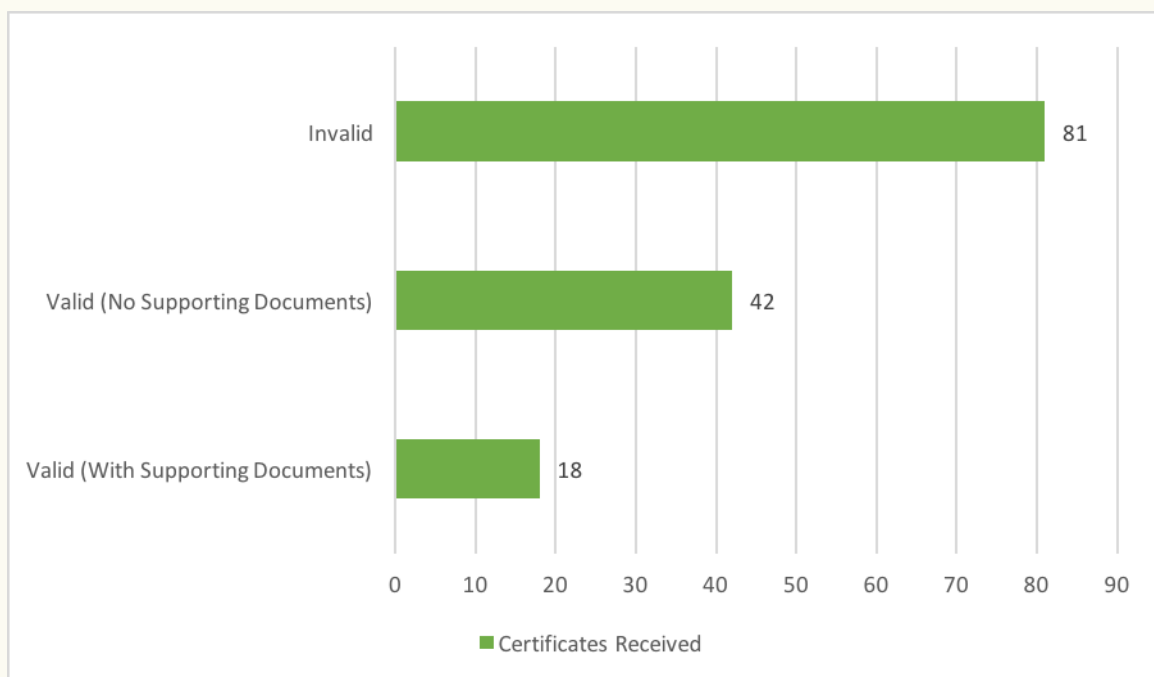


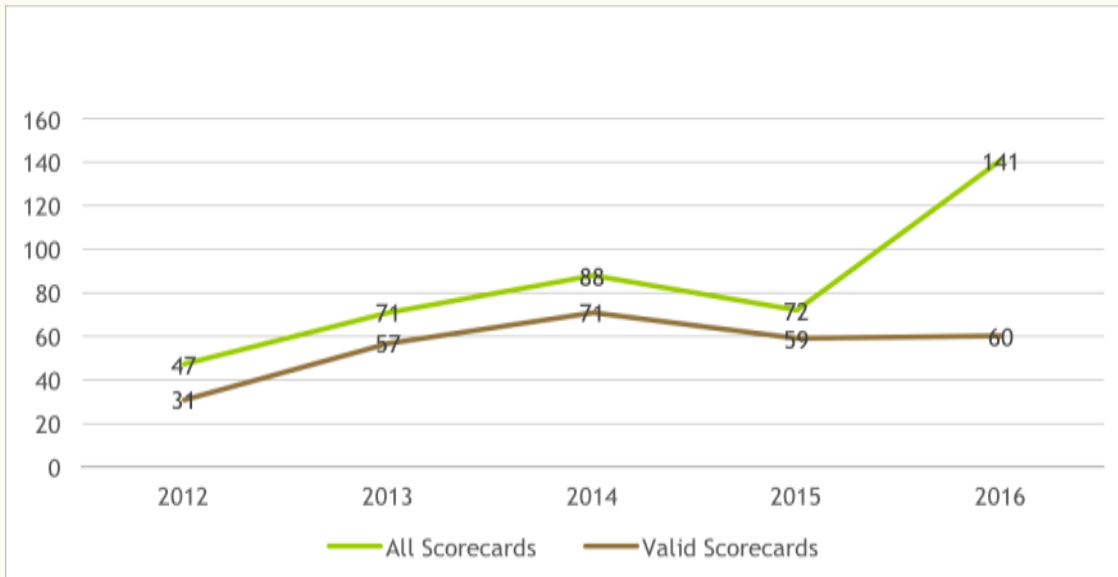
Figure 4 below further shows a breakdown based on the number of certificates received with or without supporting documentation.

Figure 4: Certificates Received – Supporting Documentation (2015/16)



Although there has been a very slight increase in the certificates received, there has unfortunately not been an increase in the number valid certificates received with supporting documentation for the year under review.

Figure 5: Comparison of Valid vs Invalid Certificates Received – Previous Periods



The figure above compares the number of certificates received within the last five years of reporting. Although there has been a significant increase in the number of certificates received, the foremost concern remains the number of valid certificates received. The number of valid certificates received has an impact on the analysis and on the determination of the status and level of transformation in the sector.

The MLEs have once again proven to be consistent with reporting on B-BBEE implementation. This observation proves beyond doubt that most MLEs are incorporating B-BBEE principles as part of their corporate development strategies. Figure 6 provides an illustration of the submission of certificates from the different categories of measured entities.

Figure 6: Certificates Submitted per Enterprise Category



Figure 6 above shows the number of reporting entities from the three business categories. A total of sixty valid certificates were received from measured entities for the year under review. The MLEs were the most enterprises that submitted as compared to the QSEs and EMEs. Even though there has been a decline at about 11 percent of the MLEs that submitted, it must be noted that most of these MLEs have been consistent in terms of reporting.

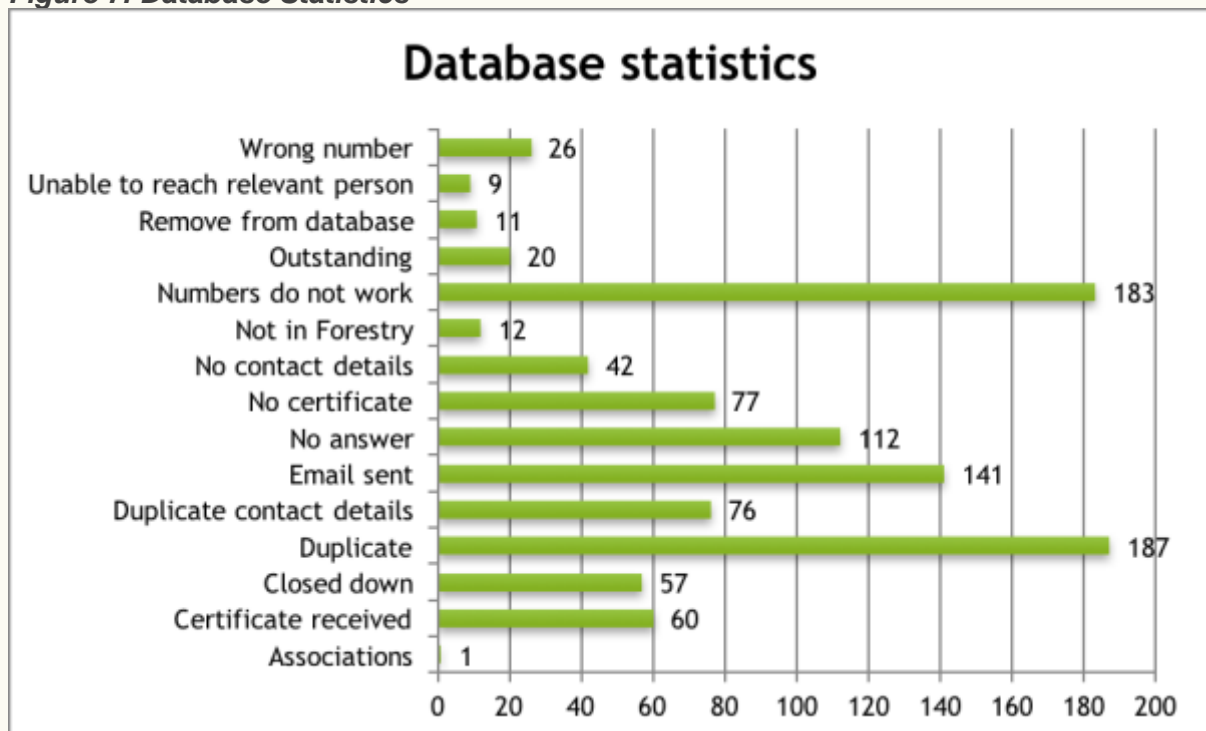
EMEs have seen a significant increase in submissions, when compared to the previous reporting period. QSEs have seen a significant drop of 38% as compared to the previous reporting period, of valid certificates submitted. Even though there were fewer MLEs who submitted as compared to the previous year, most of the underlying information was submitted by the MLEs. The findings per category of enterprise will be discussed within the relevant sections on B-BBEE implementation and transformation.

The averages for each category were used and in turn compared to previous reporting periods. These averages are calculated as a percentage of the average score compared to the total score that could be achieved in each element. Please note: the total score achieved excludes the bonus points that can be scored on the relevant element. This paragraph holds specific reference to Section 7 of the report.

5. Database and Sector Inclusion

The database received mostly from the sub-sectors indicates mainly the company details necessary. The aim yearly is to improve this data base in terms of accuracy and in terms of addition of new entrants into the sector as well as those entities who have closed down their operations. An in-depth interpretation is provided in the Figure 7 below.

Figure 7: Database Statistics



The following table is an illustration of the feedback received from the call centre operators and gives the reader more insight into the interaction that has taken place between the operators and industry.

Table 1: Feedback Clarification

Feedback	Explanation
Associations	The company turned out to be an association who indicated that it is not necessary for them to take part in the study – this number decreased from previous reporting period.
Certificate received	These were the certificates received from organisations that fell within the period under study.
Closed down	These organisations have closed operations and no longer exist – similar percentage as previous reporting period.
Duplicate	Organisations that appear on the database more than once.
Duplicate contact details	Organisations that have the contact details of a different organisation already on the database.
Email sent	The organisations were contacted and had asked the emails to be sent. Emails, detailing the project and requesting the organisations B-BBEE certificate and the link to the online survey were sent but no response was received from the organisations thereafter.
No answer	Unable to make contact with these organisations. At least two attempts were made to contact each of these organisations – these attempts were increased after the call centre operating times were extended.
No certificate	These organisations were unable to supply a B-BBEE certificate as they either did not have one or did not have one during the reporting period – many of the entities avoid / misunderstand the aspect of B-BBEE reporting.
No contact details	No contact details were available for these organisations. In some cases, there were email addresses, in such cases emails detailing the project and requesting the organisation's B-BBEE certificate and the link to the online survey were sent but no response was received from the organisations.
Not in Forestry	These organisations indicated that they do not operate within the Forestry industry – this is either due to a change in scope or was incorrectly captured initially.
Numbers do not work	The contact details for these organisations were incorrect and generally out of service – update was attempted.
Outstanding	These organisations had agreed to send their certificates and take part in the survey, however at the time of writing this report the certificates had still not been received.
Remove from database	These organisations indicated that they are not interested in being part of such studies and that they should be removed from the database as they do not wish to be contacted again.
Unable to reach relevant person	These organisations were reachable however it was never possible to speak to the relevant person as that person was never available.
Wrong number	The contact details on the database for these organisations were incorrect and / or were the numbers of other businesses / residences.

This section seeks to give an overview of the data base used for this exercise. Associations were also requested to liaise with their members in an effort to get an inclusive participation of entities operation in the forest sector and affiliated to the Association(s). Wide participation of stakeholders in the forest sector would result in a more realistic status of performance of the entire sector in terms of B-BBEE.

6. Online Survey

The online survey was conducted to support and substantiate the objectives of the report. A summary of the communication and responses is shown below.

- Total number of emails sent: 567
- Total number of emails delivered: 519
- Total number of responses received: 24

The number of questions for the online survey were kept minimal while maintaining the quality and adhering to the objectives of the report. This was to encourage entities to respond effectively and timeously. However, the lower number of questions did not affect the quality of the survey and the questions that had direct value to the objectives. The table below summarises the questions used for the survey.

Table 2: Online Survey Questions

No	Question	Question Type
1	Email address (for database confirmation)	Closed Ended
2	Category of Employer (Please select all applicable answers):	Multiple Choice – Closed Ended
3	Please indicate your organisation's main focus of activities (Please select all applicable answers)	Multiple Choice – Closed Ended
4	In which category does your enterprise fall?	Multiple Choice – Closed Ended
5	Where does your Enterprise focus most of their efforts with regards to the Scorecard elements? (Please select all applicable answers).	Multiple Choice – Closed Ended
6	Are you familiar with the Forest Sector Charter Council (FSCC)?	Multiple Choice – Closed Ended
7	Does the Sector conduct/implement any initiatives that benefit your Enterprise?	Multiple Choice – Open Ended
8	Do you think that the beneficiaries benefit from transformation initiatives that your company is undertaking?	Multiple Choice – Open Ended
9	Do you think your organisation's B-BBEE level is linked to its actual transformation activities?	Multiple Choice – Open Ended
10	Are there any initiatives that you can recommend that will assist in promoting transformation within the Sector?	Multiple Choice – Open Ended
11	Do you feel that the informal sector has enough input into industry developments?	Multiple Choice – Open Ended
12	Training is mainly conducted through:	Multiple Choice – Closed Ended
13	The beneficiaries that benefit from training initiatives undertaken by your organisation are mainly:	Multiple Choice – Closed Ended
14	What initiatives can be undertaken to improve B-BBEE within the sector?	Multiple Choice – Open Ended
15	Please share any constraints that your organisation may have experienced regarding the implementation of B-BBEE	Open Ended

The advantages of an online survey are outlined as follows:


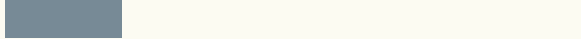


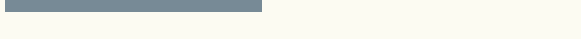
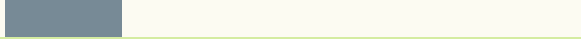

- Quick turnaround on results
- User friendly and accessible
- The benefit of balancing qualitative and quantitative research methodology
- Quicker process for responders (average response time: 10 – 12 minutes)
- Anonymity of responses

In addition to the abovementioned an online survey assists in gathering direct inputs from industry through the open ended questions. These serve as support for assumptions that might be made of industry ‘thinking’ and the inclination of stakeholders towards B-BBEE implementation in the sector.

6.1. Survey Results

The table below depict the outcomes, in percentages, for the results received from the online survey within the sub-sectors to which the Forest Code applies to. As seen below participation on the online survey was poor when compared to the previous report. Most responses were received from the Sawmilling sub-sector with the least observed within the Charcoal sub-sector. The Fibre sub-sector has seen an increase, whereas Contracting has seen a considerable decrease when compared to the previous reporting period. It was also noticed that in every question there were respondents that chose not to answer the question at all. Such observations varied from one company to the other. The respondents that chose not to answer more questions were mostly from the EME category. However, most of these EME companies did not respond to the questions directly but chose to comment instead. These comments have been incorporated under the qualitative findings in Section 6.2.
















Table 3: Category of Employer

Category of Employer (Please select all applicable answers):			
Responses	Responses	%	Percentage of total respondents
Growers Sub-sector	4	16.67%	
Contracting Sub-sector	5	20.83%	
Fibre Sub-sector	3	12.50%	
Saw milling Sub-sector	11	45.83%	
Pole Sub-sector	5	20.83%	
Charcoal Sub-sector	0	0%	
(Did not answer)	1	4.17%	
Total Responses	29		

Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.

Measured entities were requested to indicate and elaborate on their specific business activities. Table 4 below summarises the responses as per the focus of the measured entities within the sub-sectors.



Table 4: Focus of Activities

Please indicate your organisation's main focus of activities (Please select all applicable answers).			
Responses	Responses	%	Percentage of total respondents
Plantation	5	20.83%	
Nursery	0	0%	
Indigenous Forest	0	0%	
Silviculture Contractor	3	12.50%	
Fire-fighting Services	3	12.50%	
Forestry Contracting Services	5	20.83%	
Pulp Manufacturers	1	4.17%	
Paper Manufacturers	3	12.50%	
Paperboard Manufacturers	3	12.50%	
Timber Board Product Manufacturers	3	12.50%	
Woodchip Manufacturers	1	4.17%	
Wattle Bark Manufacturers	1	4.17%	
Industrial Timber Sawmills	4	16.67%	
Structural Timber Sawmills	4	16.67%	
Mining Timber Sawmills	1	4.17%	
Match Producers	0	0%	
Pole Treatment Plants	6	25.00%	
Charcoal Producers	0	0%	
(Did not answer)	1	4.17%	
Total Responses	44		

Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.

Table 4 above provides a breakdown of the sub-sectors to which the measured entities operate in. Most of the measured entities that responded are in Plantations, Forestry Contracting Services and Pole Treatment activities. Pole Treatment Plants have seen a substantial increase in their responses to the online survey. It was also observed that several of the respondents are involved in more than one activity within the sub-sectors, thus the number of responses totalled to forty-four (44).

Table 5: B-BBEE Category per Respondent

In which category does your enterprise fall? (Please select one answer only)			
Responses	Responses	%	Percentage of total respondents
Exempted Micro Enterprise with Turnover of less than R5m per year and with 50% or less black ownership	4	16.67%	
Exempted Micro Enterprise with	1	4.17%	

Turnover of less than R5m per year and with more than 50% black ownership and compliant with the Codes on Contracting			
Qualifying Small Enterprise with Turnover between R5m - R35m per year	5	20.83%	
Medium & Large Enterprise with Turnover above R35Million per annum	13	54.17%	
(Did not answer)	1	4.17%	
Total Responses	24		

This section was meant to differentiate the participants in terms of the business categories they fall in. As shown in table 5 above, there were few EMEs (less than 10%) as compared to the MLEs and QSEs probably because the database had few entities falling within the EMEs.

Table 6: Focus on Elements





Where does your Enterprise focus most of their efforts with regards to the Scorecard elements? (Please select all applicable answers).			
Responses	Responses	%	Percentage of total respondents
Ownership	10	41.67%	
Management Control	9	37.50%	
Employment Equity	15	62.50%	
Skills Development	16	66.67%	
Preferential Procurement	9	37.50%	
Enterprise Development	10	41.67%	
Socio-Economic Development	14	58.33%	
(Did not answer)	1	4.17%	
Total Responses	84		

Multiple answers per participant possible. Percentages added may exceed 100 since a participant may select more than one answer for this question.

Measured entities had to indicate their focus area in terms of the preferred scorecard elements. This was to get a view in terms of which element or elements the entities find it easy or a challenge to implement. Most of the entities indicated that their focus was on employment equity and skills development. This is encouraging as the previous status report, showing poor performances in employment equity and skills development, have served as a benchmark and possibly stimulated industry interest to focus on the two.

MLEs have had a fair distribution around the elements, with a slight increase of focus on the Employment Equity and Socio-Economic Development elements. A number of QSEs preferred Ownership, Employment Equity, Skills Development, and Preferential Procurement. EMEs as expected indicated that their interest was on the Ownership and Employment Equity elements.

Table 7: FSCC Familiarity




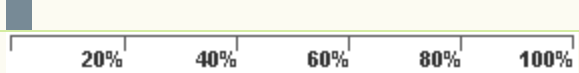
Are you familiar with the Forest Sector Charter Council (FSCC)? (Please select one answer only)			
Responses	Responses	%	Percentage of total respondents
Yes	13	54.17%	
No	10	41.67%	
(Did not answer)	1	4.17%	
Total Responses	24		

This question was aimed at understanding how familiar the respondents were with the FSCC. This percentage has noticeably changed, towards the positive, from the previous reporting period. The reasons highlighted by the respondents are summarised below.

- They are directly involved with the FSCC; having either been part of, or are currently part of the Council;
- Informed about the FSCC through an association that they are part of;
- The annual audits performed by the FSCC;
- Via communication from the FSCC, press, media, and consultant workshops;
- Through MLEs informing smaller contractors about the FSCC; and
- Internet searches conducted.

The increase in awareness of the FSCC mandate is recommended, as it would lead to ease of interaction between the FSCC and sector stakeholders.

Table 8: Initiatives that Benefit Enterprises

Does the Sector conduct / implement any initiatives that benefit your Enterprise? (Please select one answer only)			
Responses	Responses	%	Percentage of total respondents
Yes	3	12.50%	
If NO, what would you recommend?	20	83.33%	
(Did not answer)	1	4.17%	
Total Responses	24		





This section aimed at getting a view on whether the sector is proactive in undertaking initiatives for the benefit of the enterprises operating in the sector. However the question was not specific as to whether these initiatives are meant to assist entities achieve their B-BBEE targets or not. A large number of the respondents (83.33%) indicated that the sector does not implement initiatives that benefit their enterprises. However, some of the entities made suggestions of initiatives that could be implemented for the sector. Some of these initiatives are highlighted below:

- sector specific Enterprise Development and Socio-Economic Development investments;

- increase of specialised training institutions that can provide skilled labour and employable persons;
- detailed audits on B-BBEE implementation;
- a directory for Black Owned companies active within the sector; and
- Greater interaction with contractors to define stakeholder’s roles and indicate assistant services and developmental areas.

These inputs were directly taken from the responses provided by the respondents that completed the survey. Inputs such as these justify the drive for greater interaction with industry stakeholders at various levels within the sector.

Table 9: Beneficiaries and Transformation

Do you think that the beneficiaries benefit from transformation initiatives that your company is undertaking? (Please select one answer only)			
Responses	Responses	%	Percentage of total respondents
Yes	17	70.83%	
If NO, please comment	5	20.83%	
(Did not answer)	2	8.33%	
Total Responses	24		

This question referred to the direct beneficiaries with whom companies are directly involved. The majority of the companies agreed (70.83%) that there are benefits for their direct beneficiaries from the initiatives that have been undertaken.





It is noteworthy to state that some of the respondents commented that the benefits are short term, and would prefer benefits of a longer term nature. Another respondent stated that they are unaware what these initiatives are as well as who they would benefit, and suggested that there should be better marketing towards the smaller entities.

The companies that responded positively to the question, listed the following as some of the benefits that their initiatives aim to achieve:

- They tend to focus largely on education by offering learnerships, apprenticeships and bursaries to employees;
- Improvement in salary, knowledge and management skills;
- More representation by Black and Black Women employees in senior levels;
- Enterprise Development projects have ensured the viability of businesses supported;
- Ensuring that employees become part of all levels of company activity;
- More equal distribution of income for male and female workers, ensuring that women earn the same salary as their male counterparts;
- Through the payment of dividends to relevant participating persons; and
- Sponsorships to entities, such as schools, to advance the aspect of education and training in the sector.




Table 10: B-BBEE Levels Linked to Actual Transformation

Do you think your organisation’s B-BBEE level is linked to its actual transformation activities? (Please select one answer only)			
Responses	Responses	%	Percentage of total respondents

Yes	12	50.00%	
If NO, please comment	11	45.83%	
(Did not answer)	1	4.17%	
Total Responses	24		

There has been a considerable change from the previous reporting period, with regards to the question posed in Table 10. The influence was cited to be from the new B-BBEE codes even though the new Codes (Forest) were not pronounced. In actuality, the new Codes are not supposed to influence this reporting period, but chances are the larger companies have already started aligning their current activities to the new Codes and possibly predicting their impact. In terms of feedback received, many of the companies stated that they have the impression that they are not being fairly judged. This aspect will further be discussed under Section 6.2.





Table 11: Informal Sector Inputs to Industry Development

Do you feel that the informal sector has enough input into industry developments? Please select one answer only)			
Responses	Responses	%	Percentage of total respondents
Yes	9	37.50%	
If NO, please comment	13	54.17%	
(Did not answer)	2	8.33%	
Total Responses	24		

There has been a considerable change from the previous reporting period, with a more distributed view between agree and disagree in this period. This has been influenced by the fact that there was an even distribution between entity sizes during this online survey.

The respondents believed the informal sector role-players are too small and too widely spread. Some of the larger companies have attempted consultation but have found that the only representatives are from selected local community members. There might be the need for the formalisation of communication channels, for instance, through a formal sector body or association.

Table 12: Training in the Industry




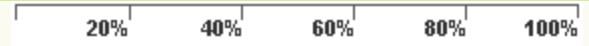
Training is mainly conducted:(Please select one answer only)			
Responses	Responses	%	Percentage of total respondents
In-house	10	41.67%	
Through a training provider	13	54.17%	
(Did not answer)	1	4.17%	
Total Responses	24		

The companies that selected in-house training (41.67%) stated that they are able to deliver this training due to their operational size and capability. They have often found that the quality of output from training centres are not to the level that they require in the sector. Over and above this, the access (geographically) to training institutions is in most times a

challenge. Specialised training is often conducted in-house, where management and other training is done externally.

The smaller entities stated that the cost of in-house training is just too high and that their operational costs cannot carry this. The aspect of accreditation was also seen as being too difficult, lengthy and expensive. Other respondents specified that there are also safety considerations to consider when conducting the training in-house, again affecting costing. Lastly, the smaller entities do not have the manpower to address all their training needs.

Table 13: Beneficiaries of Training

The beneficiaries that benefit from training initiatives undertaken by your organisation are mainly: (Please select one answer only)			
Responses	Responses	%	Percentage of total respondents
Employees	18	75.00%	
Unemployed beneficiaries	0	0%	
Both employees and unemployed beneficiaries	5	20.83%	
(Did not answer)	1	4.17%	
Total Responses	24		

None of the companies focused their training initiatives on unemployed learners alone, but would rather incorporate both employed and unemployed learners. 75.00% of the employers only focused their training on directly employed learners. A recommendation was made that there should be greater degree of incentivising employers to train unemployed learners. The current discretionary grant system does not provide enough returns for employers to focus more effort on unemployed learners. This is however encouraging as the Amended FSC incentivises entities for skilling the unemployed.

There is further analysis required on this aspect and the possibility for a joint research team to be established must be investigated. An example of such a team would be stakeholders such as the FSCC, FP&M SETA, DTI, employers, training providers, etc.

6.2. Qualitative Inputs

The data within Section 6.1 focuses on the quantitative aspects of the online survey. There has been some aspects of the qualitative feedback discussed in the previous section and this section further expands on the observations and discussions.

- It was found that it would be beneficial if industry stakeholders could identify and publicise projects that member companies could get involved in. This would increase the involvement of the QSE and MLE companies with B-BBEE initiatives.
- Further to this, it would be necessary for the FSCC and other stakeholders to further increase awareness of B-BBEE and transformation projects.
- To implement B-BBEE is having negative impacts on business operations, with certain companies struggling to reach a Level 5, where they feel that they should be rated closer to Level 1.
- Transformation and training should be the role of government as well, and not only responsibility of companies. This indicated towards larger involvement from government on actual empowerment / transformation projects.

- Some of the smaller companies have felt that there is need to loosen the labour legislation constraints that they face – unfortunately there was not further expansion on this.
- Larger capital investment from government and other relevant industry stakeholders would assist the development of smaller entities. This should be accompanied with longer term raw material supply.
- Provision of easier access to financial systems to increase the training aspect within the sector. This was especially true for the smaller entities within the sector, where financially they are not capable of conducting enough training for their employees and unemployed learners.
- There were respondents that thought that current B-BBEE strategies are just putting more pressure on existing business owners and that it does not actually drive the development of entrepreneurs.
- Contractors commented that they require assistance with both compliance to the B-BBEE as well as their growth.
- There remains a shortage of forestry related technical skills available in the sector. The sector is struggling to address the aspect of scarce and critical skills.
- Lastly, there were respondents that commented that they are still unsure of the new Codes that will be implemented as well as the effect that this will have on their business.

The above comments and considerations were well aligned to some of the responses that the researchers directly received from interaction with companies. There is especially a very negative connotation that smaller entities have with B-BBEE and the impact that it has on their business. Recommendations will further be discussed in Section 8.

6.3. Summary to Online Survey

It would have been more beneficial if there had been more responses to the online survey. The ratio for this reporting period has not increased, even though there was an increase in the amount of emails sent. There was only a 4.62% response rate received on the survey, yet this information is crucial for the report.

The survey focuses mostly on the direct interaction with the companies within the sector, and thus the data / information received is invaluable to create understanding and deeper insights into the sector. The survey also identifies constraints that are being faced within the sector. A specific section has been dedicated to these constraints and challenges.

7. B-BBEE Status Sector Analysis

A total of one hundred and forty-one (141) certificates were received for this reporting period. This shows a 95% increase on the number of certificates received compared to the previous reporting period. However, there were only sixty (60) valid certificates showing an increase of only about 2%. Table 14 below summarises the form of feedback from the companies or entities that were contacted.

Table 14: Database Analysis and Feedback

Feedback	Number of companies
Associations	5

Certificate received	141
Closed down	24
Duplicate contact details	35
Email sent	519
No answer	135
No certificate	76
No contact details	39
Numbers do not work	183
Outstanding	20
Unable to reach relevant person	23
Wrong number	17
Actual Total Number	569

As shown in the table above, it was not possible to categorise the entities into the respective sub-sectors due to the limited number of valid certificates received. Valid certificates received were further separated into those with or without supporting documentation for the in-depth analysis. Only eighteen (18) of those entities submitted their certificates with underlying information. This presented a challenge of undertaking an in-depth analysis representative of the sector performance in terms of B-BBEE implementation.

Another general observation was that most of the companies still prefer to be verified using the Generic Code. It is believed that the FSCC will be able to deal with this aspect as the B-BBEE Amended Act clearly indicates that companies operating in a sector with a Sector Code cannot choose the Generic Code over the Sector Code. Therefore these measured entities operating in the sector in this case Forestry must be measured against the Forest Sector Code.

The Ownership Element

The ownership element seeks to enhance the shareholding of black people in through voting rights and economic interests.

The Sector Code gives the sector a targeted and weighted black Ownership profile of 30% for the industry as a whole within 10 years of implementation.

The weighting target under the Ownership element is 20 with an allocation of 5 bonus points. These bonus points are for the involvement of employee ownership schemes, broad-based ownership schemes or cooperatives and for having new entrants and for achieving higher targets on economic interest of black owned enterprise and black women owned enterprises.

Management Control Element

The sector seeks to achieve equitable and fair representation of black people in all professional categories and levels in the workforce. This could be within Boards, Executive directors or top managers.

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 forestry 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.

Employment Equity Element

It is necessary for the sector stakeholders to make a concerted effort towards the development of all employees, from management through to operational staff. This is in an effort to increase the image of the industry as well as to ensure that there is actual empowerment and transformation taking place across all levels of the organisations and sector.

Priority is given to the employment of black disabled people and employment of black people into senior, middle and junior management position. An entity is awarded bonus points (to a maximum of 3) for exceeding targets on disabled employees, senior, middle and junior and management.

Skills Development Element

Skills Development is essential to the development of individuals into positions and creating a definite succession plan for employment equity candidates into junior, middle and senior management. There has been difficulty in finding suitable candidates for certain positions, as was stated by industry, and thus there is necessary emphasis on developing these skills to build future capacity.

This development is in part funded through the additional 3% of payroll that should be spent on the development of black employees. In addition to this there are outlines provided by the SETA to guide employers to maximize their levy grant spend (1% of payroll) and claim backs through submission of their Workplace Skills Plan (WSP) and Annual Training Report (ATR).

These outlines, and future skills development focus, for the sector is provided in the Sector Skills Plan (SSP). In this document, there is a focus on accredited training provided for black as well as disabled employees.

Preferential Procurement Element

The sector charter code states that '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'. The aim of this element is to expand the circle of B-BBEE development to include contractors and suppliers of the companies – thus creating more inclusive development within the value chain.

Enterprise Development Element

SMME Development has long been a focus for South Africa as a whole and the same focus should be within the forestry sector.

The Sector Code states that 'the industry aligns itself with the 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 paragraph 15.1 of the Code. Special attention will be given for supporting women and rural communities owned enterprises.

Socio-Economic Development Element

Owing to the locations of many of the operations, the forestry sector is fittingly located to ensure involvement of local communities. Industry is committed to continued support in the area of socio-economic development 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.

The Sector Codes outlines additional instruments that can be utilised by industry, which are as follows:

- Access to funds and financial services for emerging black entrepreneurs.
- Capacity building and business support for emerging black entrepreneurs.
- Expedite the authorisation process for afforestation and paper and saw milling facilities
- Securing land rights and land holding structures for new afforestation and the restructuring of State forest assets.
- Small grower certification.
- Access to raw material supply for small scale charcoal production and domestic fuelwood.

These instruments are vital in the further development of the socio-economic levels within the sector.

Through the background and foundational understanding created, the following sub-sections describe the findings for these element for each of the categories: MLE; QSE and EME.

7.1. Medium and Large Enterprises (MLE) Analysis

Enterprises that receive a turnover above R35 million are classified as Medium and Large enterprises. They are often described as the major role-players within the sector and influence or contribute considerably to the transformation of the sector. Their initiatives have a larger impact on the local communities as they often are, normally, involved in a number of businesses within the value chain.

A change in the MLEs circumstances often have a ripple effect throughout the entire value chain. It is for this reason that MLEs are expected to drive the transformation initiatives within the sector. It is also important that MLEs participate in research studies, such as this, to assist in creating a realistic view of the transformation within the sector.

A total of twenty-three (23) certificates were received showing a decline in the number of certificates received from MLEs for the reporting period under review. Figure 8 compares the number of certificates received within the last five years.

Figure 8: MLE B-BBEE Certificates Received Per Year

There wasn't a concrete rationale supporting the decline except that some of the MLEs chose to be verified using the Generic Codes. There were also no recorded closures in this category. Nevertheless, there has still been an average increase, from the 2012 period, in the number of submissions from MLEs for analysis. The response time from MLEs in their submissions is to be commended and interaction was not a challenge.

Figure 9: MLE Average Score Per Element Comparison

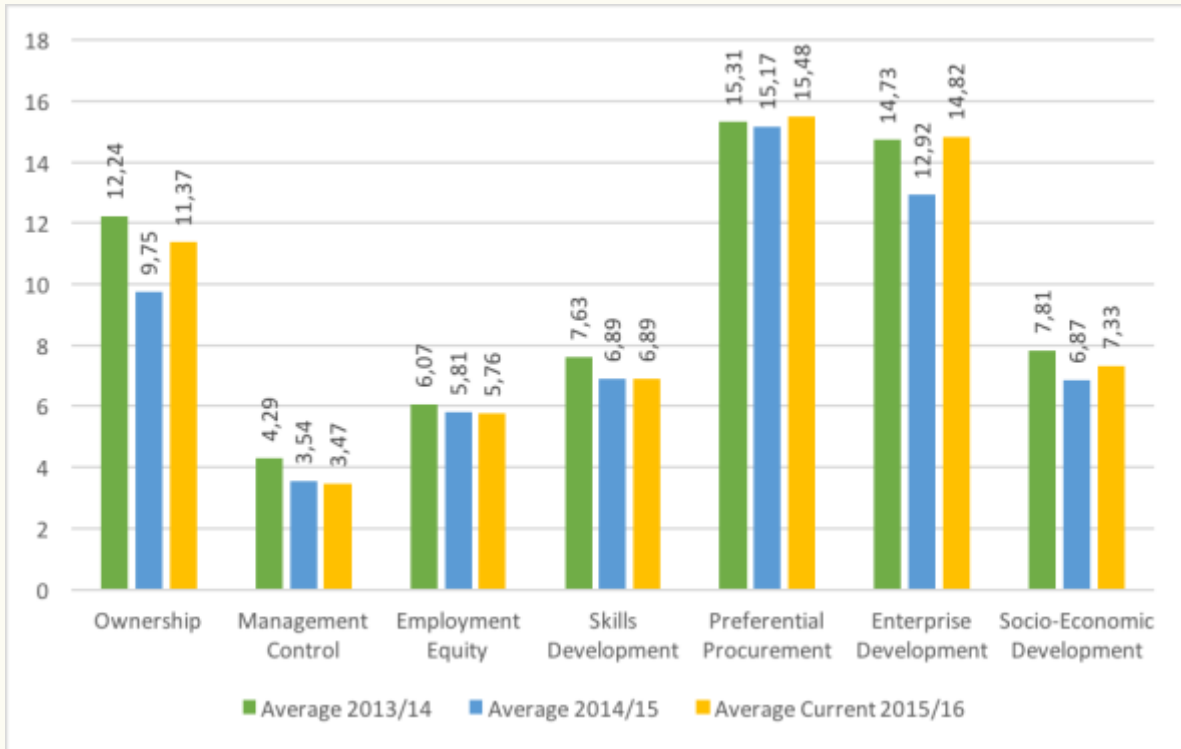


Figure 9 above outlines the comparison of the current scores per element for MLEs with the previous two reporting periods.

During the reporting period of 2014/15 there was an overall decline on the averages for each element from the previous period (2013/14). In the current reporting period, slight decreases were observed in the Management Control and Employment Equity elements. The Skills Development element remained unchanged in comparison to the previous reporting period. The remaining four elements showed an improvement with Ownership and Enterprise Development showing significant increases. Only 12 of the companies (52%) that submitted have been consistent as they also submitted their certificates during the previous reporting period.

However, the increase in ‘new’ company submissions has not influenced the data trends dramatically. This probably indicates that most of the MLEs are employing similar B-BBEE implementation strategies.

Table 15: Changes in Elements from Previous Years

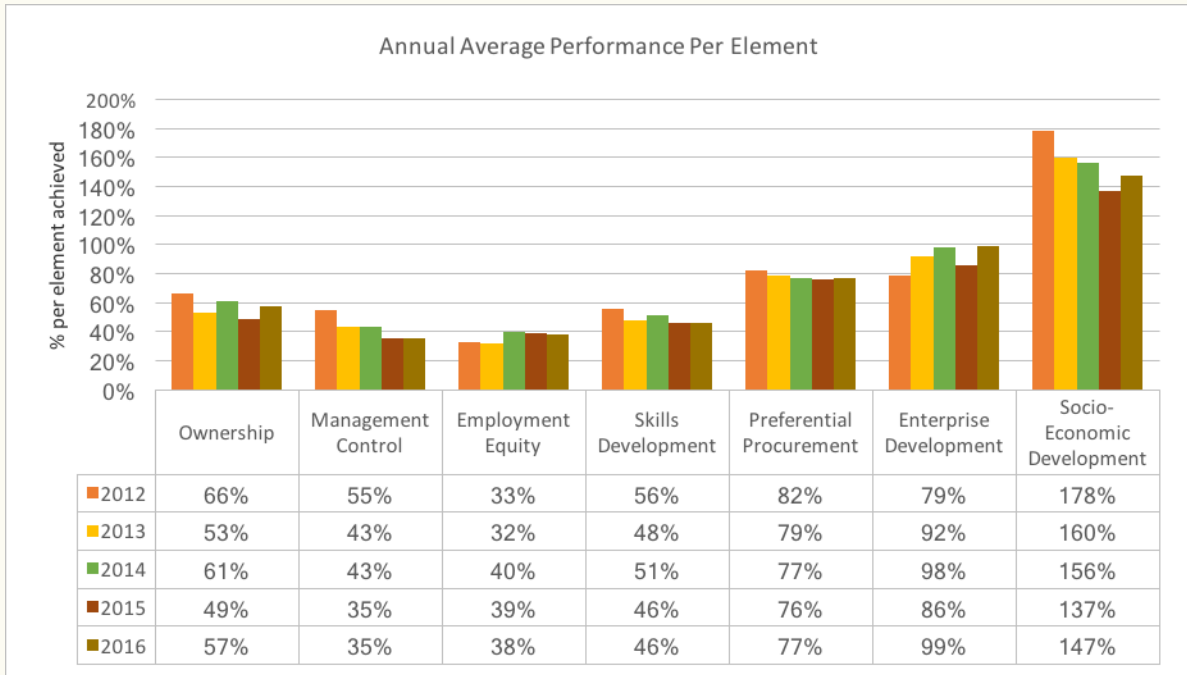


Table 15 gives a summary of the average scores achieved under each of the scorecard element for the past five years including the current reporting year towards the target points. The performance trend is similar to the previous reporting year where Management Control, Employment Equity and Skills Development still fail to achieve at least a 50% target on the weighting points. However, there are slight increases within the Employment Equity and Skills Development elements. The Ownership average weighting has seen a significant increase, also realising above the 50% target.

The sector still performs well when it comes to Preferential Procurement, Enterprise Development and Socio-economic Development. Enterprise Development and Socio-Economic Development have shown significant improvements. The above observations prove that the sector is putting an effort towards improving their scores achieved under the Ownership and Socio-Economic Development elements especially.

Table 16: Average B-BBEE Recognition Level

Period	MLE Average Recognition
2010/11	Level 4
2011/12	Level 4
2012/13	Level 5
2013/14	Level 4
2014/15	Level 4
2015/16	Level 4

The sector maintained a level four B-BBEE level status. Even though, one of the twenty-one reporting entities under the MLE category was non-compliant, it had no negative influence on the level achieved.

7.1.1. MLE Ownership Element Analysis

Figure 10 shows the year on year average achieved on the ownership element.

Figure 10: 2010 – 2016 MLE Ownership Scorecard Performance



An average score of 11.37 was achieved. This shows an increase of about 17% in the average score achieved on the Ownership element. This increase can, statistically, be seen as significant. The concern from this score is that the average has still not exceeded the scores achieved in 2012. It is worth reiterating that the supporting documentation would have assisted in identifying the areas within the element where the measured entities are underperforming.

It is worth noting that about 30% of the companies that submitted their certificates had a 0.00 rating on this element. These ratings had a negative influence on the average of the MLEs that submitted. Only 22% of the companies had a rating of 20 and above, thus falling within the bonus points awarded on the scorecard.

However, the new participants (referring to companies that only submitted during this period, and had not submitted during the previous period), had an overall positive influence on the average rating. The element of Ownership remains a concern for the industry with only a few role players making a concerted effort to achieve the target under this element.

7.1.2. MLE Management Control Element Analysis

This element is aimed at enhancing the contribution of black people at management. Black managers must be involved in taking and controlling the decisions of the measured entity. This is normally accompanied by the succession plans that are approved and linked to the

development of personnel into management positions. Management Control is not an aspect that is normally addressed within a short space of time and careful consideration should be taken as to the individuals that will be developed into these positions.

The Management Control element aims at encouraging participation of black people in senior management, directorship and board membership positions.

Figure 11: 2012 – 2016 MLE Management Control Scorecard Performance

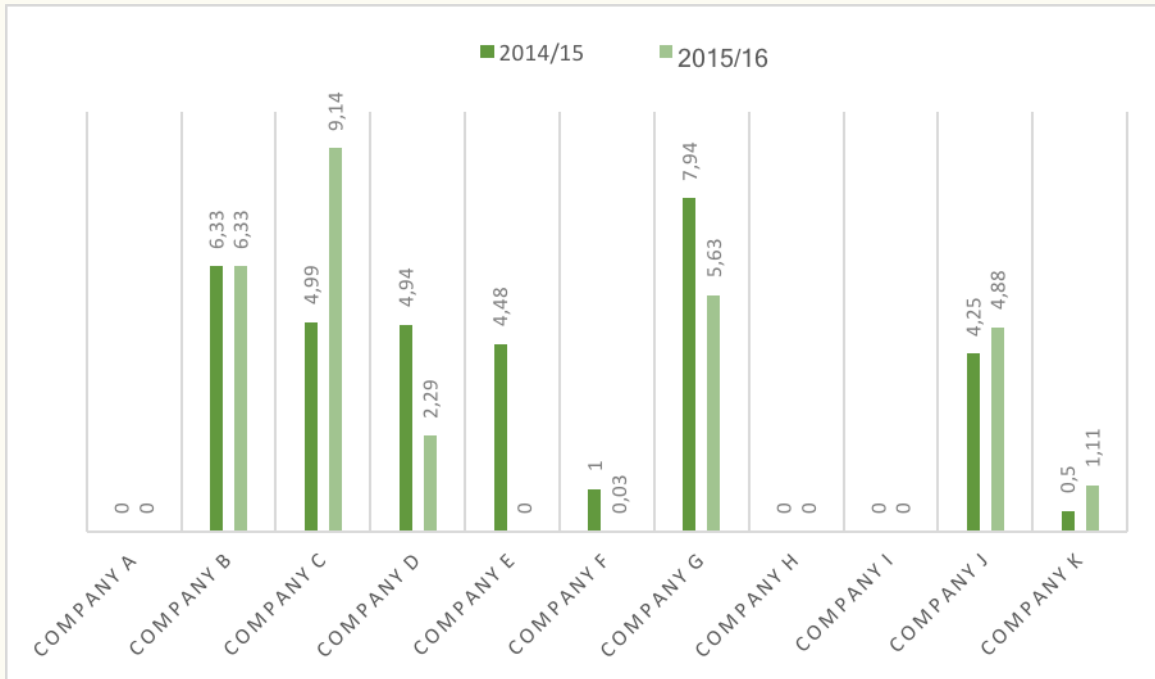


The average score achieved for the current year is 3.47 showing the lowest performance when even comparing to the other scorecard elements. This result has again shown a decrease when compared to the previous reporting years. Further, the consistent decline in performance regarding Management Control remains a challenge for the industry and indicates that black representation at management level is still not achievable.

It is worth noting that about eight of the MLEs (35%) scored 0.00 on this element.

To further highlight the concern in the Management Control element, Figure 12 was developed to indicate the change in ownership between 11 of the companies that submitted during the previous and current periods.

Figure 12: Consistent Submission Comparison



Four of the companies that submitted during both reporting periods (2014/15 and 2015/16), have seen no change in their average scores, with companies C, J and K showing an increase. The remaining companies have seen a decline that has affected the average scores negatively.

None of the companies have managed to reach the target of 10 on this element, with the closest score averaging at about 9. Only 1 of the entities scored 9.14 on this element, with 3 other entities scoring between 8.38 and 9.00. Management Control has also become the lowest performing element for MLEs, with 33% only reaching towards the target of 10.

7.1.3. MLE Employment Equity Element Analysis

The employment of black people previously excluded within the structures of companies, through recruitment, selection and development practices is what this element seeks to achieve. MLEs are in the position to ensure that these practices are incorporated within their business development strategy as well as their quality management system.

Figure 13: 2012 - 2016 MLE Employment Equity Scorecard Performance



The average score attained for this element is 5.76 points which is about 38% towards its target score. MLEs have performed lower this year as compared to the previous reporting period, showing a decrease of 1,1% as illustrated in Figure 13 above. The decrease is not statistically significant enough to be specifically attributable to any specific influence. The need remains for entities to focus efforts at the development of employees at various levels within their organisations as well as the alignment of the recruitment and selection strategies to support B-BBEE targets.

7.1.4. MLE Skills Development Element Analysis

Measured entities are required to comply with the Skills Development Act as well as the Skills Development Levy Act. Industry aligns itself with the Codes on Skills development by committing to spend 3% of its payroll for learning programmes for its employees over and above the mandatory 1% skills levy. Skills development has compelling efforts towards employment equity and management control.

Figure 14: 2012 – 2016 MLE Skills Development Scorecard Performance

There has been no change in the average score in comparison to the previous reporting period, and the sector continues to experience poor performance in this element. The sector has achieved about 46% towards the target in this reporting period.

Considering the important aspect that this plays within the development of both individuals and organisations, as a whole, this is a concern for the sector. There has been feedback received on the reasoning behind the low spend on training and development, which is summarised as follows:

- The cost of training and development within industry puts strain on current budgets;
- SETA grant systems does not provide sufficient funding as well as turnaround times on claims paid is slow. Employers are often required to spend the money on the training before any claims are paid;
- The quality of learners is not on par with the requirements of industry;
- Often operations are in remote areas and access to providers is limited;
- Preference is on compliance to Health and Safety requirements, which is not always seen as contributing to the development of staff;
- The lack of serious industry growth has led to minimal spend on larger group training; and
- Specialised skills are trained in-house, which is often not aligned to the requirements of the SETA.

The above noted challenges are specific to MLEs and it can only be predicted how these factors influence the smaller entities in the sector.

Only few MLEs (about 5%) scored nothing under this element, which is an improvement from the previous period. At least two of the MLEs scored the target points under this element. This shows that the sector's focus is also shifting towards skills development, an element that has been a challenge to implement. This also proves that the sector understands how performing unsatisfactory in one of the elements impacts on the overall B-BBEE level.

7.1.5. MLE Preferential Procurement Element Analysis

This element seeks to develop sustainable black suppliers with emphasis on QSEs as well as EME suppliers. Most of the MLEs have developed suppliers and thus have aligned specific B-BBEE providers for specific products and services.

Figure 15: 2012 – 2016 MLE Preferential Procurement Scorecard Performance



Figure 15 shows that the industry’s average Preferential Procurement score has shown a slight improvement of about 2% from 15.17 in the previous year to 15.48 points, of the targeted 20 points. The average score has remained relatively stable over the past reporting periods with the sector still maintaining an average score of above 75% towards the target points. The highest score obtained in this element was 19.37 with the lowest score being 6.67.

None of the entities that submitted scored 0.00 on this element, which positively indicates that most companies or entities are finding this element easy to implement probably more so because it is aligned to their business strategies.

The new submissions (companies that did not submit in the previous period), have not had a significant impact on the average score to justify the improvement attained.

7.1.6. MLE Enterprise Development Element Analysis

The development of sustainable black owned and even black women owned enterprises is critical in underpinning the objectives of the national development plan in support of sustainable job creation, poverty alleviation and broad based black economic empowerment. The following figure outlines the findings for the Enterprise Development for MLEs.

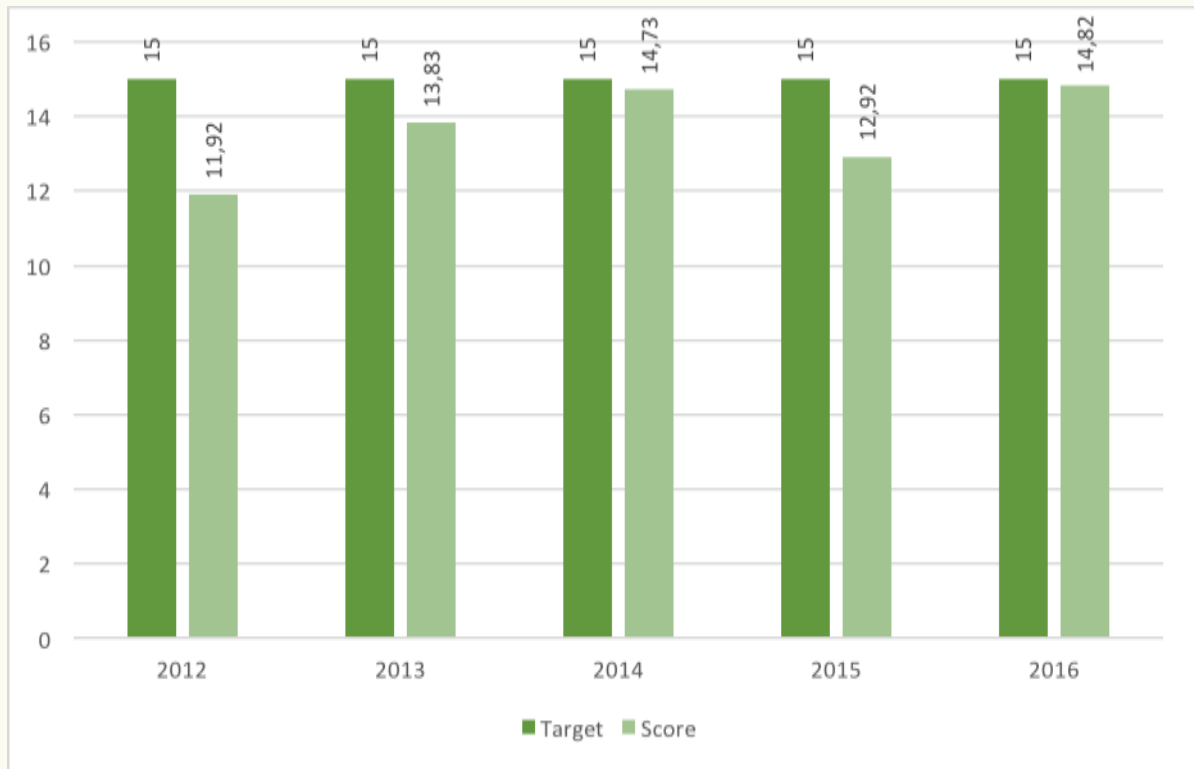
Figure 16: 2012 – 2016 MLE Enterprise Development Scorecard Performance

Figure 16 shows the performance of Enterprise Development element within the MLE category. An average score of 14.82 was achieved showing a considerable increase of about 14% overall when compared to the previous report. The sector has consistently performed exceptionally well under this element attaining about 99% towards the target score.

Only 5% of the companies were able to score the maximum with the additional bonus points, with 87% of the submissions achieving the 15 points target. This is encouraging for the development of sustainable small entities and new venture creation in particular, considering the size of MLEs and their impact on the sector.

None of the MLEs scored less than 12 on this element, showing the involvement of all MLE submissions into the development of other enterprises.

7.1.7. MLE Socio-Economic Development Element Analysis

Most forest operations are within remote and rural areas and community development is essential in driving socio-economic development within the sector. The Forest Sector is well positioned to undertake socio-economic initiatives to support rural economy. This impact has a cascading effect with multiple families benefitting from the development within their areas. Many of the MLEs have incorporated this within their corporate social responsibility plans and use this element as a means of giving back to the community within which they operate.

Most MLEs in the sector's Corporate Social Responsibility (CSR) is channelled on local community development as well as the development of small enterprises. As can be seen in

the Sustainability Report for Sappi (2016), there are projects such as The Abanakekeli and The Abashintsi that have directly benefitted local communities. Further to this, another large international company, states the following “A thriving local community is essential for us to continue to prosper” (Mondi, 2016).

Figure 17: 2012 – 2016 MLE Socio-Economic Development Scorecard Performance



The sector has shown continuous and good performance with regards to Socio-Economic Development with the sector performing above the target. This proves that the sector under all economic constraints still consider socio-economic development as a value add to rural community development.

Out of the certificates received, 74% have scored the maximum points allocated, including the three (3) bonus points totalling to eight (8) points. None of the measured entities scored 0.00, indicating that the sector is committed to this element. The lowest score recorded on this element was 4.54.

7.1.8. MLE Black Owned and Black Women Owned Analysis

In the previous reporting period these statistics were grouped together to show the overall progress in the distribution of percentages for the overall industry. In this report, it has been divided per enterprise category. The representation below outlines the averages achieved by enterprises that reported within the MLE category.

Figure 18: MLE Black Owned and Black Women Owned Averages

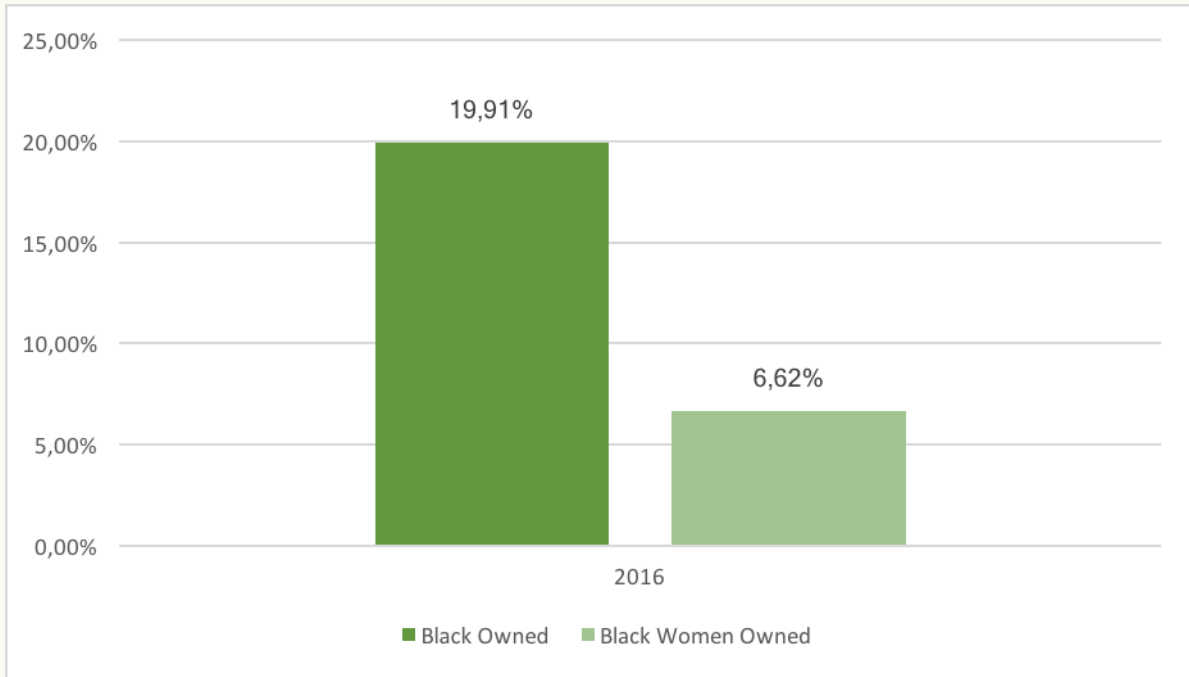


Figure 18 above depicts a picture of black and black women ownership representation. The results that the participation on women in forestry is still skewed. One can expect the dynamics to change with the gazetting of the Amended Forest Sector Codes as it holds both government and industry accountable for the undertakings that will enable industry to facilitate black and women ownership.

It must be remembered that these percentages are the overall distribution and are not an in-depth view of the current stance for each specific entity. For a more detailed analysis it is necessary to compare the percentages with previous results. The research team had access to the statistics of the current and previous reporting periods. Regrettably, to get a true reflection, it is only possible to draw the annual comparison with the companies that have submitted during both periods.

This comparison is illustrated in Table 17 below.

Table 17: Comparison of BO and BWO Percentages (Previous vs Current)

Description	Analysis
Number of companies in both periods	11
Number of companies that have declined in Black Ownership	3
Number of companies that have declined in Black Women Ownership	3
Number of companies that have remained same as previous reporting year – Black Ownership	4
Number of companies that have remained same as previous reporting year – Black Women Ownership	4
Number of companies that have increased in Black Ownership	4
Number of companies that have increased in Black Women Ownership	4

A larger pool would be more accurate in assessing the actual impact of this aspect within the scorecard. This does however provide an overview to investigate whether the companies that did report during both periods have a focus on this aspect. From the information in Table 17 it is evident that there has been not been considerable change on these factors. The concern that would be highlighted is the fact that there has been a decline in the percentages.

Upon further analysis, it was noticed that in certain instances these declines were quite dramatic, especially for 2 of the 3 companies. Further analysis into this decline would be required.

7.2. Qualifying Small Enterprises (QSE) Analysis

QSEs are defined as entities that have a turnover between R5 million and R35 Million annually. The threshold defining QSEs will however change in the Amended FSC (still to be gazetted). These entities often act is the second tier within the value chain and play an integral role in the further development of the sector. Currently, QSEs still have the option of choosing 4 of the 7 elements. However, this will not be the case when the Amended FSC become effected as they will be verified under 5 elements just like the MLEs.

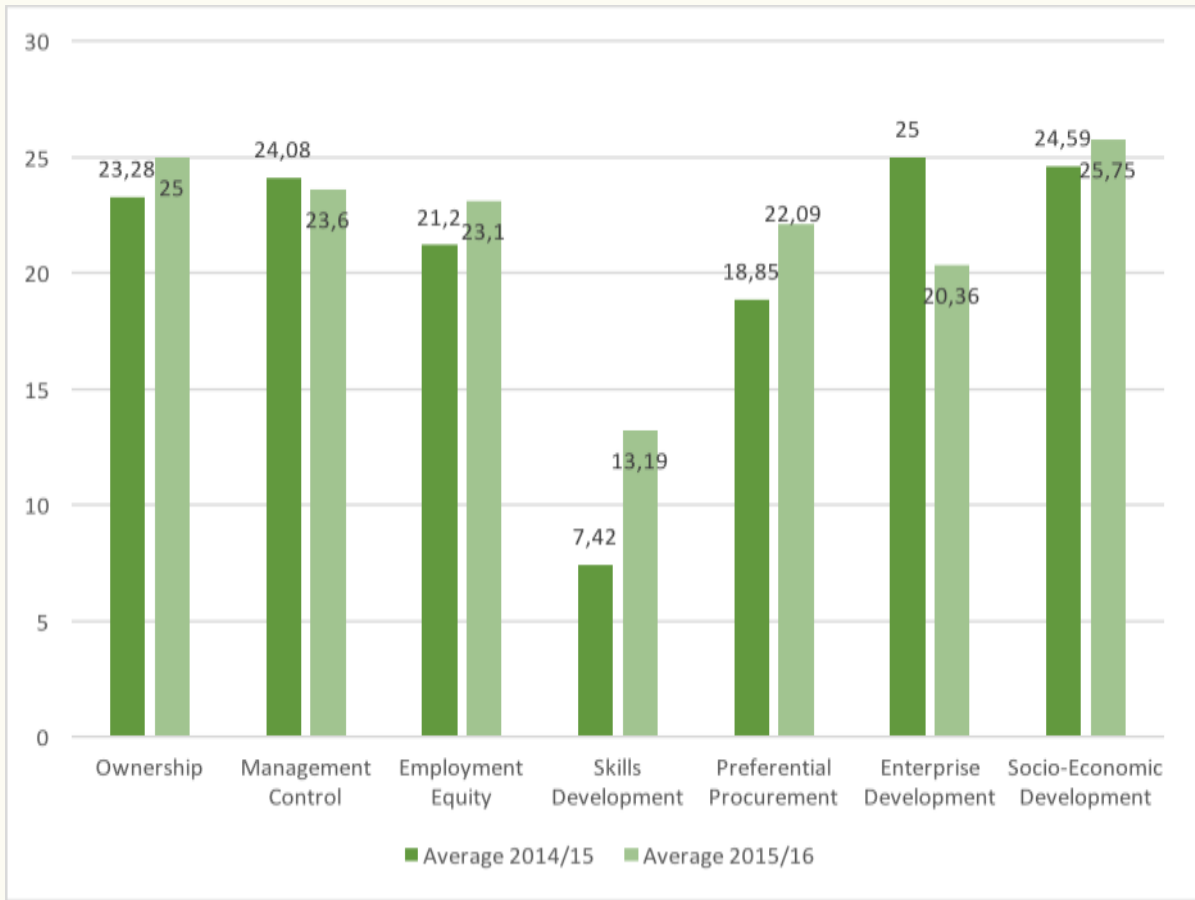
Figure 19: QSE B-BBEE Certificates Received Per Year



During this reporting period there has been a decline within the valid certificates submitted by the QSEs. A total of twenty-seven (27) certificates were received for QSEs, but eleven (11) of these were invalid as measurement was under the Generic Codes. Of the 16 valid certificates submitted, only 4 of the entities also submitted their certificates during the previous reporting period. This has had some effect on the data, creating a lack of consistency in reporting.

Figure 20 below compares the average scores per element achieved by QSEs within the last two reporting periods.

Figure 20: QSE Average Score Per Element Comparison to Previous Period



The QSEs have always performed well except with the skills development element even though there has been a considerable improvement for this element from the previous reporting period as shown in Figure 20.

Other elements that have improved include Ownership, Employment Equity, Preferential Procurement as well as Socio-Economic Development. Even though there was a decrease in Management Control, it was not as significant as in the Enterprise Development element.

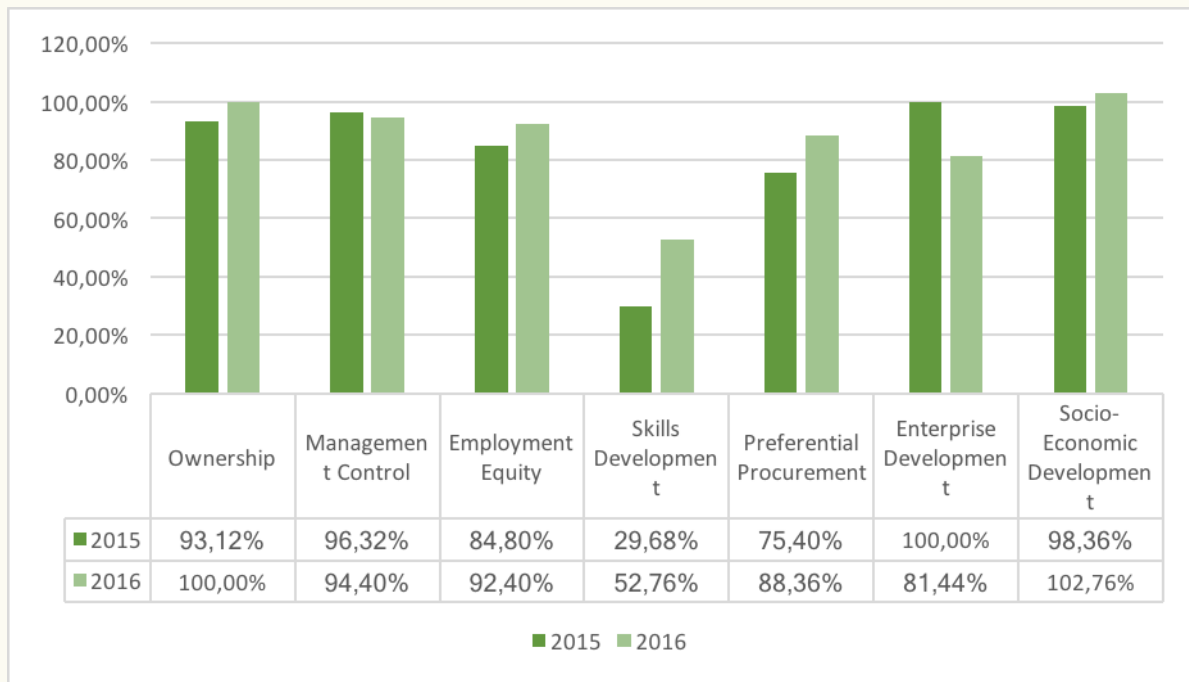
The rest of the elements have remained relatively stable over the two periods, with minimal impact from the new submissions received. In effect, the impact from the new submissions on the abovementioned elements had a slight positive effect. The positive influence of the new submissions was especially relevant to the Enterprise Development element.

The highest performing element, for this reporting period, has been Socio-Economic Development probably because of the bonus point allocated. This trend was also observed within the MLES.

Out of the companies that submitted valid information there were 33% that had a contributor score of 1, with only 13% scoring a Level 4. None of the QSEs that submitted scored below a Level 4 contributor.

Table 18 indicates the target achievement for each element over the past three reporting periods.

Table 18: QSE Target Achievement Comparison



The figure and table above gives a summary of the QSEs performance between the previous and current reporting periods. Ownership has seen an overall increase from the 2014 period, and this element has seen an increase within the current period again. Management Control has seen a slight decrease from the previous reporting period.

Skills Development has seen a drastic increase in target achievement, yet the significant increase can be contributed to the lack of consistency in the certificate submissions. Nevertheless, it can still be perceived as a positive growth towards target achievement. Preferential Procurement and Socio-Economic Development have increase significantly during the comparison in reporting periods. Enterprise Development has experienced fluctuations within target achievement – with a severe drop in the current period, being most probably attributable to inconsistency in either the selection of the element or of submissions.

If there was more historical data a more comprehensive comparison could have been achieved. During this period the QSEs have improved their average B-BBEE contributor Level rating from 3 to 2.

7.2.1. QSE Ownership Element Analysis

Many of the QSEs have developed from smaller entities into the current size that they operate in. These QSEs have quite often developed from either family-owned businesses or from the expansion from other investments. This “personal involvement” has made it difficult for certain of the companies to incorporate this element within their scorecard. Figure 21 indicates the average score for the Ownership element over the past 5 reporting periods.

Figure 21: 2012 – 2016 QSE Ownership Scorecard Performance



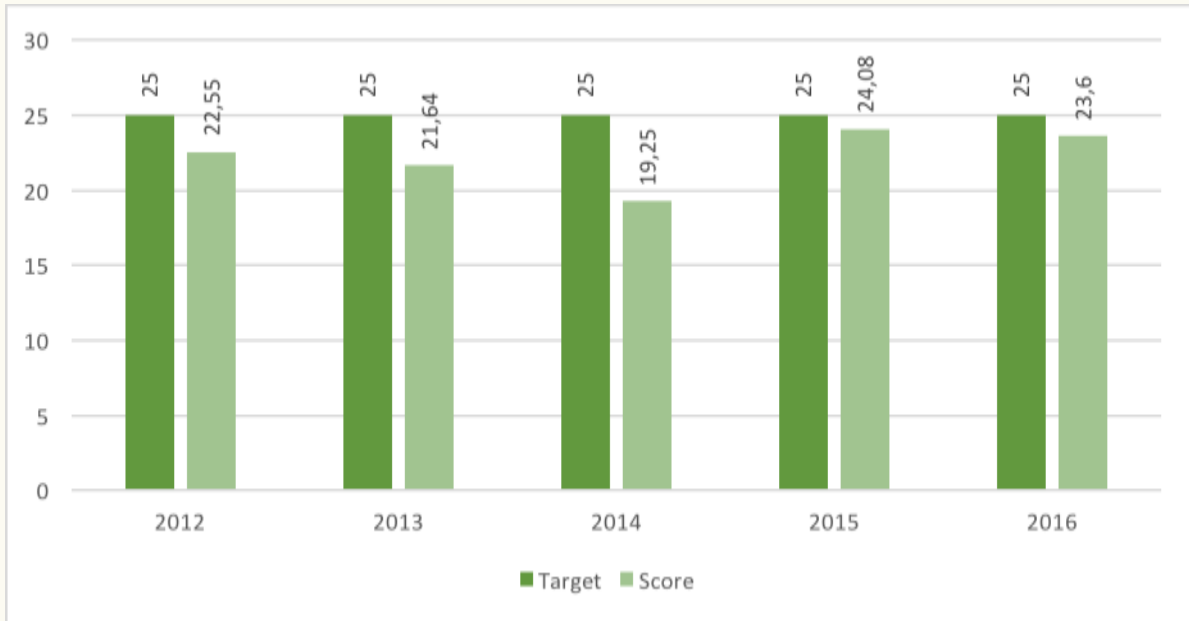
Ownership is not a preferred element with about 40% of the reporting entities choosing to be scored against it. The average score for QSEs that chose this element was 25. The score on this element has increased from the previous reporting period by 6,88%.

None of the companies were scored on the bonus points allocated under this element. A major focus for these enterprises was the involvement of Black Women within their ownership percentages. The other consideration that influenced the rating was the importance placed on broad-based or ownership schemes.

7.2.2. QSE Management Control Element Analysis

As was stated in the previous sub-section, these companies are often managed and owned by families. It is observed that the QSEs that have chosen to be assessed on this element have scored relatively well. Figure 22 below outlines the year-on-year comparison for the Management Control element.

Figure 22: 2012 – 2016 QSE Management Control Scorecard Performance



QSEs still find it easy to comply with the management control element when compared to MLES, managing to achieve 94,4% towards the target points. An average score of 23.6 was achieved which shows an insignificant decline from the previous year. 4 of the 6 companies that were rated on this element scored the target of 25 points.

There have been six (6) of the companies (40%) that have nominated to be rated on this specific element this could be seen as a development area for QSEs within the sector. The implementation of the Amended Codes would not be beneficial to some of the QSEs that have never opted to be measured on this element. None of the companies managed to score bonus points for this element, with more focus required on the equal distribution of the Economically Active Population (EAP).

7.2.3. QSE Employment Equity Element Analysis

During this reporting period it was evident from the collected data that Employment Equity was a major focus for the QSEs. Many of the entities have chosen to focus on this element and have incorporated this within their basic recruitment, selection and development policies. This is encouraging as it supports the national strategy in creating and employing black people.

Figure 23 below provides insight into the 5-year reporting period averages for the Employment Equity element.

Figure 23: 2012 – 2016 QSE Employment Equity Scorecard Performance

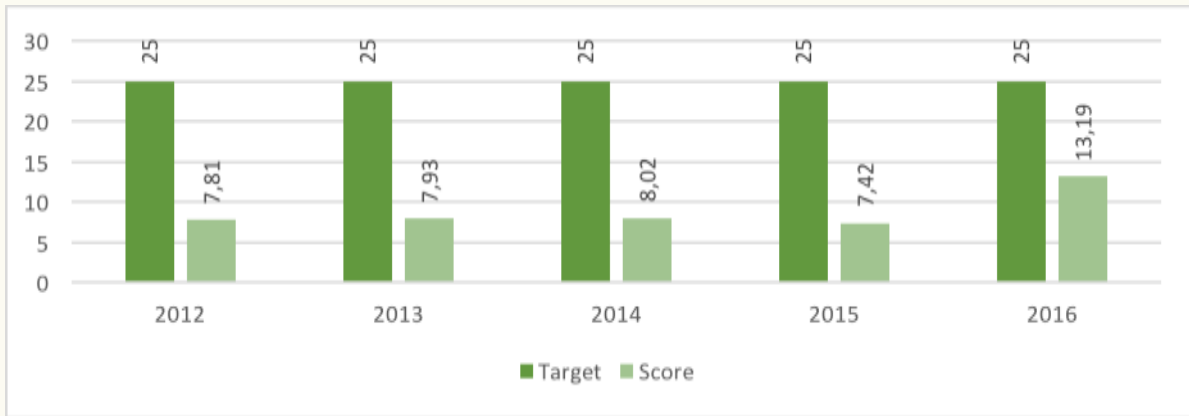
The Employment Equity element has seen a 9% increase from the previous reporting period with an average score of 23.10. There were about 93% of the entities opting to be measured on this element. Forty percent (42%) of these scored above the 25 points target and were able to get bonus points for exceeding the EAP targets set within the Sector Code.

The lowest score that was recorded was 9.07. This element has not been consistent as there has been a year-on-year negative and positive change. It is also worth noting that new participants in this category also chose this element. By opting to include this element in their B-BBEE rating it can be deduced that QSEs prefer employment creation as part of their business operations strategy.

7.2.4. QSE Skills Development Element Analysis

Many of the QSEs have stated that skills development remains a challenge to implement. This is proven in that even though it's a choice but performance has not been at par when equated to the other elements. The main reason cited was the lack of funding for training and development initiatives. Although there are grant systems, these grants are often paid in arrears and does not contribute to the initial implementation of training. The cost of training and development has lessened the number of people that can be sent for training. The other possible influence could be the size of operations, which limits the number of people eligible for training. The average scores attained within the past reporting period are shown in Figure 24 below.

Figure 24: 2012 – 2016 QSE Skills Development Scorecard Performance



QSEs have performed much better in skills development as compared to the previous years attaining a score of 13.19. This is the first time that QSEs have reached at least 50% of the target points.

In total 53% of the companies were measured on this element with about 20% of these scoring the total target points. The lowest recorded score was 0.00, which influenced the average achieved negatively. The 78% increase can be attributed to the number of new submissions that were received in this period. Most of the new submissions have opted to be measured on this element, which is comparable with the previous reporting period.

7.2.5. QSE Preferential Procurement Element Analysis

The level of procurement and the policies or strategies within QSEs cannot be compared to that of MLEs. There is often not the formality behind creating provider databases and systems for sourcing providers. It is also important to note that QSEs usually have a more consistent relationship with their providers and thus there is not a lot of change in the demographic of providers.

Figure 25: 2012 – 2016 QSE Preferential Procurement Scorecard Performance



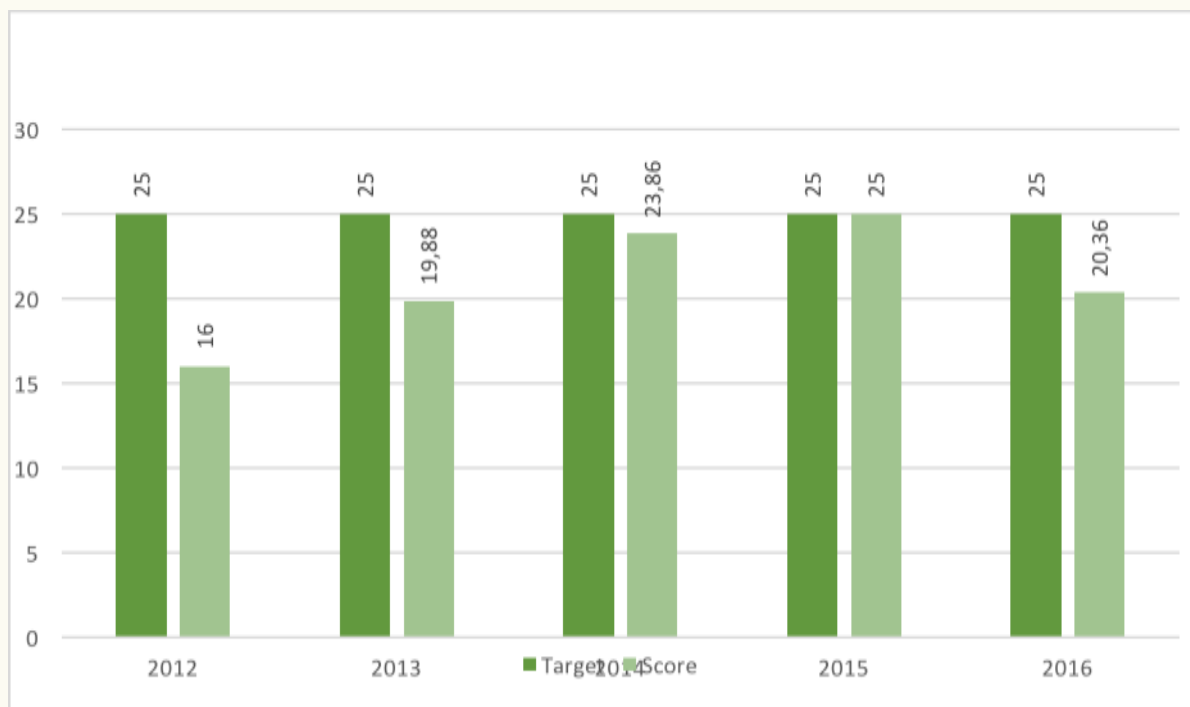
The target score achieved under this element is 22.09 (88,36%) points which is higher compared to the scores achieved in the previous years. A total of nine (9) accounting to 56% selected this element. This is the same number of entities that chose this element in the last reporting period. About 33% of the measured entities scored the maximum points. The lowest recorded score was 12.78 showing an insignificant increase from the previous report. There has been relative consistency within the element over the past five (5) reporting periods, with a slight increase of 17% from the previous reporting period.

Of the entities that were measured on this element, there were 38% that scored the maximum 25 points, which has been an increase from the previous reporting period. The average has reached of the target set by the Sector Code.

7.2.6. QSE Enterprise Development Element Analysis

During the past four (4) reporting periods there has consistently been an increase in this element. The lack of consistency in submission has directly influenced this element. As further reference, Figure 26 outlines the average performance for this element.

Figure 26: 2012 – 2016 QSE Enterprise Development Scorecard Performance



QSEs scored 20.36 showing a considerable decline of 19% during this reporting period. This decline was the first experienced within the last five (5) reporting periods as illustrated in Figure 26.

Seven (7), amounting to 44%, of the companies that submitted valid certificates opted to be measured on this element. Most of the entities (5 of 7) scored 25 points and the average was brought down by a 3.25 score attained by one the entities. Two (2) of the new submission companies scored below 25, which had a negative impact on the average score. The only inference that could be made from the data is that there was greater focus on own operations rather than involvement with external development.

7.2.7. QSE Socio-Economic Development Element Analysis

QSEs have been consistent when it comes to this element. Due to the locations of operations there is a need to develop local communities and ensure that they take up available economic opportunities within the sector.

Figure 27 indicates the average performance for the Socio-Economic Development element.

Figure 27: 2012 – 2016 QSE Socio-Economic Development Scorecard Performance



The figure above explains the scores achieved within the Socio-Economic Development element. An average score of 25.69 was achieved which shows a trend similar to the MLEs. This was the highest score when compared to the last reporting years. This performance illustrates a 4% increase compared to the last reporting period. The average score has remained fairly stable over the past 5 reporting periods.

This is also the first recorded period in which the average score has exceeded the 25 points target, with the target being achieved at 103%. 19% of the reporting companies scored the maximum 28 points (including the bonus points) with the remaining scoring 25. None scored below the target points of 25.

7.2.8. QSE Black Owned and Black Women Owned Analysis

Due the lack of consistency of submissions it was not possible to develop a full comparison against previous reporting periods. It has however been deemed necessary to write a short analysis of the current reporting period.

There were 20% of the companies that reported 100% black ownership on their certificates. Specific to black ownership the average score was 27%. This score was drastically influenced by the amount of companies that had 0,00% black ownership, which amounted to 60% of the companies. Quite naturally the companies that had a black ownership percentage were also measured on the Ownership and Management Control elements.

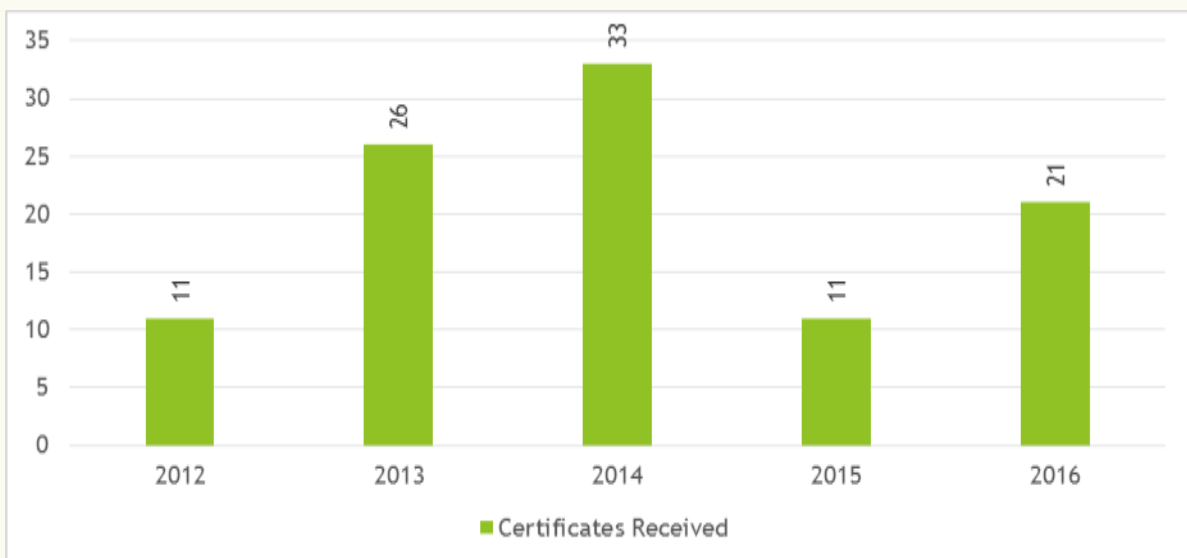
A concern for the QSE category is the lack of black women ownership that was noticed in the submissions. All the entities scored 0,00% on this aspect of the scorecard. This means that there has not been any drive to the inclusion of black women within the ownership structures. Another aspect that can be mentioned is that all the entities scored 100% and above on the BEE Procurement recognition level.

7.3. Exempted Micro-Enterprises (EME) Analysis

EME are entities with an annual turnover of less than R5 million. These enterprises are exempted from being scored using the scorecard elements. Instead they are automatically a level 4 B-BBEE contributor though they may be a level three if they comply with the Codes of Good Conduct and are more than 50% black owned.

Figure 28 shows the number of certificates received within the past five (5) reporting periods.

Figure 28: EME B-BBEE Certificates Received Per Year



There has been a considerable increase in the supporting information received from the previous period from the EMEs. The unfortunate fact is that there was no clear evidence of these companies attempting participation in the further development of B-BBEE in the sector. This is attributed to the size of the entities and them quite often operating as small

“one-man shows”. The Sector Code states that ‘Although EME’s are exempted from the scorecard requirements, they must comply with the Industry Codes of Conduct provided for under the Forest Sector Code in order to support transformation initiatives and improves their scores.

The average percentage for black ownership was 36,43% during the reporting period, with black women ownership averaging 11,90%. It is encouraging to see that there has been an increase in the black women ownership aspect within the EMEs. The average BEE Procurement recognition level was 109% with none of the entities scoring below 100%. EMEs remained at a Level four (4) average during the reporting period.

The assessment and accurate scoring of EMEs remains a challenge in the industry. The feedback received from EMEs was that they do not have the capital to focus on transformation and that they rather focus on day-to-day operations. These entities are also quite often very small and have little interest in the national policy matters of transformation and B-BBEE.

Quite often these entities are also not aware of the implications and drive behind B-BBEE and they feel removed from the codes and policies. The entities that were wholly black owned understood the aspect of being a supplier that will fall under preferential procurement, but this is the major influence that they feel on their operation.

8. Findings and Recommendations

This report has illustrated the averages within the sector across the various categories of entities. There have been various findings and recommendations identified within the previous sections. This section is specifically focused on summarising some of the findings and recommendations that need to be taken into consideration in order for the sector to achieve real transformation.

Impact assessment of new Codes

There should be an impact assessment to measure and substantiate the effect of the revised Codes post-implementation. The feedback received from industry is that the new codes will have a negative effect on their overall rating. This was especially the comments received from both the EME and QSE participants. It would be beneficial if the actual impact can be further researched and investigated specific to the forestry sector when the revised Sector Codes have been implemented.

Database update and alignment

There is further need for the database of companies to be updated and cleaned up. This database needs to be further categorised into the different entities (MLE, QSE and MLE) as well as the sub-sectors they operate within. The inclusion of EMEs is of particular importance.

Market interaction

There is the need for further market interaction from stakeholders, including the FSCC and other governing bodies. There can also be greater alignment between governing and overseeing bodies, i.e. SETA, FSCC DTI, etc. This interaction will further create awareness and understanding of the Sector Codes and B-BBEE in the sector.

Focus on Sub-Sectors

The sub-sectors listed in Section 1 of the report can be further investigated and categorised into individual research areas. The number of certificates received is often not sufficient to create a proper profile for each sub-sector in terms of B-BBEE performance. Further research is required per sub-sector. Many of the role-players in the industry operate within more than one sub-sector and thus there would be greater cross sectional accuracy in profiling these sub-sectors.

Alignment and cooperative research teams

In order to attempt to address aspects such as training and development within the sector synergies between research teams must be encouraged. These teams can be established from the role-players within the sector, such as associations, SETA, FSCC, and enterprises.

Generic Codes still the preference

It was found that many of the companies still choose to be measured on the Generic Codes and this is a serious concern for the sector. Many of the companies believe that the Generic Codes are more lenient and thus improves their chance of increasing their B-BBEE level. The FSCC needs to communicate this aspect clearly and convince sector enterprises to report on the Sector Code as prescribed by the B-BBEE Amendment Act.

Low focus on Management Control

Although there has been some focus within the QSEs on the management control aspect, there seems to be less focus from MLEs on this element. There has been an actual decline in the scores obtained on this element, which indicative of a lower drive for management control to be addressed. Both MLEs and QSEs need to consider better incentives to effectively address and that would lead to the promotion and employment of blacks into management structures of entities.

BWO not a priority

Black Women Owned companies have not seen an increase and in certain cases there have been decreases in the categories. The only category that showed positive increase was the EME category. Some of the respondents in the research project have stated that they struggle to find women that are capable and willing to fill specific positions. It would seem that the sector is still male dominated, especially looking at the more technical and physical positions.

The isolation of EMEs

There has been a challenge in the gathering of data and information from EMEs. It was observed that EMEs operate outside the scope of B-BBEE unless there is a direct benefit for them. The EMEs within the sector are yet to be clearly identified and thoroughly included in the research projects undertaken. The challenge with accomplishing this is the informality of the EME category.

The impact of technology

Technology has started having a greater impact on the industry and will in turn influence employment opportunities and sector development. There is the need to understand the future skills, growth opportunities for smaller entities and the expansion of current operations. These technological changes will most assuredly influence the needs of operations in terms of education levels and specialised training.

The above aspects have been some of the major findings and recommendations during the research project. If consistency in research and submissions can be adhered to then final research results will also make comparisons more accurate and create better understanding of the actual performance in terms of transformation agenda within the sector.

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