

FY2022/23 Annual Status of Transformation in the Forest Sector

Forest Sector Charter Council

EXECUTIVE SUMMARY

The Forest Sector Charter Council, “FSCC” is mandated to profile the annual status of transformation based on the reporting entities from Medium and Large Enterprises (MLEs), Qualifying Small Enterprises (QSEs) scorecard scores as well as Exempted Micro Enterprises (EMEs).

In FY2022/23, a total of 193 entities reported, showing a significant increase when compared to 2021/22 (113) with a larger fraction of the reporting entities representing the EMEs. Increases were recorded in all three categories of reporting entities. The largest increases were observed amongst the QSEs and EMEs, with a majority of these representing the Contractors sub-sector and very few received from the other five sub-sectors. This may suggest that the Forest Sector still outsources a majority of the operations to small and medium-sized businesses. The significant increases may be proof of the effectiveness of the intense drive undertaken by the FSCC to mobilise reporting from entities, either through organised forums or industry associations. The relationship the FSCC has with the entire sector is also a contributing factor.

The mode for MLEs was a B-BBEE level 1 with most of these labelled as the most reliable entities. Level 3 and 4 B-BBEE rating was achieved by more MLEs when compared to the other higher levels. About 7 MLEs improved in terms of the B-BBEE level achieved when compared to the previous reporting period. MLEs recorded remarkable scores in Socio-Economic Development (SED), Enterprise and Supplier Development (ESD), Ownership and Skills Development (SD) elements with SD showing the largest improvement on the average score achieved. In Management Control (MC), an average score of 50% was attained, a score achieved for the first time since the implementation of B-BBEE in the Forest sector. Only 6 MLEs were downgraded as a result of failure to achieve the 40% minimum on the priority elements.

A majority of the reporting QSEs were enhanced, automatically achieving a level 1 or 2 B-BBEE rating. The submissions from the QSEs were received from 4 of the 6 sub-sectors suggesting a need to further engage and mobilise the other two sub-sectors misrepresented. Similarly, to the previous year, the Contractors sub-sector was well represented in terms of reporting.

Considering that most of the reporting QSEs were enhanced, the analysis of the scorecard elements was based on a few Unenhanced QSEs. QSEs achieved good scores in all 5 elements (Skills Development, Socio-Economic Development, Enterprise and Supplier

Development, and Management Control) with the average score attained on Ownership. The trend in the Ownership performance suggests that Unenhanced QSEs are finding the Ownership element more challenging to implement.

A majority of the reporting EMEs were also enhanced attaining either a level 1 or 2 respectively. The mode was level 1, and this trend differs from the Enhanced QSEs, suggesting that the level of Black Ownership amongst EMEs is higher than in QSEs.

The sector achieved a level 3 B-BBEE showing an improvement from the previous year where a level 4 was achieved. QSEs and EMEs both maintained a level 2. Notably, very few reporting entities from both the MLEs and the QSEs achieved a level lower than level 4, with some entities even improving in the overall B-BBEE level attained. Most entities in the MLE category also achieved the bonus points allocated. SAFCOL's performance was remarkable showing an improvement from a level 4 to a level 2 rating. These observations are encouraging and suggest that the forest sector's reporting entities are in full comprehension and alignment to transforming the sector meaningfully.

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ACRONYMS

ABP	Association of B-BBEE Professionals
B-BBEE	Broad-Based Black Economic Empowerment
BDG	Black Designated Groups
BBOS	Broad-Based Ownership Scheme
BO	Black-Owned
BWO	Black Women Owned
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Property Commission
CSO	Chief Strategist Officer
DALRRD	Department of Agriculture, Land Reform and Rural Development
DoEL	Department of Employment and Labour
DFFE	Department of Forestry, Fisheries and the Environment
DTIC	Department of Trade, Industry and Competition
ED	Enterprise Development
EDB	Enterprise Development Beneficiary
EEA	Employment Equity Act
EI	Economic Interests
EMEs	Exempted Micro-Enterprise
EP	Exclusion Principle
ESD	Enterprise & Supplier Development
ESOP	Employee Share Ownership Programmes
FSC	Forest Sector Code
FSCC	Forest Sector Charter Council
FTP	Flow-Through Principle
GDP	Gross Domestic Product
JSE	Johannesburg Stock Exchange
MC	Management Control
MFTP	Modified Flow-Through Principle
MLEs	Medium and Large Enterprises
NPAT	Net Profit after Tax
PP	Preferential Procurement
PPPFA	Preferential Procurement Policy Framework Act
QSEs	Qualifying Small Enterprises

SAFCOL	South African Forestry Company Limited
SANAS	South African National Accreditation System
SD	Supplier Development
SDA	Skills Development Act
SDLA	Skills Development Levies Act
SED	Socio-Economic Development
SFRA	Stream Flow Reduction Activity
SMMEs	Small Medium and Micro Enterprises
SOE	State-Owned Enterprises
SONA	State of the Nation Address
VAs	Verification Agencies
VR	Voting Rights
WUL	Water Use License

1. INTRODUCTION

Economic growth is much needed not only to absorb joblessness but to also ensure real inclusion, diversity and participation of previously disadvantaged individuals. The Broad-Based Black Economic Empowerment (B-BBEE) concept being governed by the B-BBEE Act as Amended, therefore, better placed to accelerate the entry and development of black beneficiaries into the targeted value chains and mainstream economy. One of the numerous ways, therefore, is to justify the direct correlation between economic growth and inclusion through the effective implementation of the qualifying contributions of each of the five pillars of B-BBEE.

The length of time of continuous reporting by reporting entities should provide sufficient time for the evaluation and monitoring of the sector's noticeable trends, perceptions, and general views of B-BBEE and provide more interpretation for the current state of the sector towards the transformation objectives. Moreso, empowerment and transformation should be associated with the creation of capacity within beneficiaries in communities, small businesses, and individuals across the sector with a cascading effect of economically growing the sector.

The 2022/23 Annual Status of Transformation, similarly, provides a detailed in-depth comparative and analytical review of the forest sector's B-BBEE performance and state of compliance among the three business categories. This assessment also indicates the sub-sectors from which the businesses operate, the B-BBEE level achieved, and the number of reporting entities. Additionally, the black ownership profile and overall scorecard performance for the applicable businesses which is also required for the Forestry Masterplan, will also be detailed in the annual report. It is anticipated that the prospects in terms of the other unique principles such as the Completeness Ratio, Discounting Principle, Enterprise Development Beneficiary (EDB) concept, etc. as outlined will project and magnify the commitment of the qualifying enterprises to these objectives. Moreover, the report also reflects on the performance of the Johannesburg Stock Exchange (JSE) listed forestry companies. This assessment will be later contrasted against the B-BBEE Commission report.

A summary comparing SAFCOL's three-year performance in compliance with Statement 004 is also incorporated. Future reports will also detail a summary of the government departments' compliance with Section 10 of the B-BBEE Act as Amended. This section is with reference to the Enforcement Guidelines approved by the Council to ensure that B-BBEE is considered as a condition when services such as grants, licenses, authorisations, etc, are granted.

2. SECTOR OVERVIEW

2.1 Compromising Section 10 of the B-BBEE Act as Amended is a major impediment to B-BBEE implementation and inclusive economic participation

Policies that drive and accelerate gender and inclusive transformation should be intensified and thus, Broad-Based Black Economic Empowerment Act as Amended (B-BBEE) remains more relevant now than ever. On 6 November 2022, the government promulgated a new set of procurement rules for State Owned Entities (SOEs) with these expected to take effect on 16 January 2023. The new legislation was intended at exempting SOEs from relying solely on BEE-compliant companies during the procurement procedures, thereby encouraging SOEs to determine their preferential procurement policies within the ambit of the Preferential Procurement Policy Framework Act (PPPFA). However, the idea was contentious in relation to it being regulated to ensure alignment and avoid divergence from the PPPFA during the procurement processes by SOEs.

The decision would undoubtedly yield unintended outcomes, intensify the constant criticism and resistance to the B-BBEE legislation and even more dreadfully, invalidate the existence of B-BBEE while encouraging a raving economic inequality. Moreso, such proposed changes may aggravate continuous non-compliance as some companies would not feel obligated to comply with B-BBEE, as it would no longer be a prerequisite for securing tenders in the SOEs' procurement processes. Positively the assertive response by the President affirmed otherwise, accentuating that SOEs must comply fully with the B-BBEE Act as Amended and their procurement policies must be aligned thereof. It is anticipated that such adjustments will fast-track the achievement of the B-BBEE objectives as the statement was justifiably aligned to the B-BBEE Act as Amended's sections 3 and 10 referring to the trumping effect as well as the development of a preferential policy by each organ of the state.

2.2 The Impact of Load Shedding on the South African Economy and potentially to B-BBEE

There is no doubt that load shedding has a dire impact and threatens the existence of many businesses in particular the fledgling ones and exacerbates the already crippled economy following the effect of the Covid-19 pandemic and the subsequent national lockdown. Load shedding is projected to cost the economy between 8 and R10 billion a month.¹ This is due to the continual and extended power cuts. Many businesses are negatively affected as operational hours are disturbed and loss of production has a cascading effect on the company's revenues. As a result, many businesses are shutting down as the surge of power

¹ [How does Load shedding impact your Business? - Leads 2 Business Blog \(l2b.co.za\)](https://www.leads2business.co.za/blog/how-does-load-shedding-impact-your-business/)

cuts continues to increase, leaving thousands jobless. Due to these reasons, B-BBEE implementation and reporting could possibly be deterred due to shifting priorities as many enterprises are spending additional costs on the use of alternative power sources. However, this only applies to the affording enterprises. The implementation of B-BBEE heavily rests on optimum economic performance as some of the B-BBEE elements require a financial commitment while some may require expansion and diversification to implement and bring about as many qualifying participants on board and potential investors.

2.3 DFFE Forestry Masterplan's commitment to capacitate SMME's access to funding opportunities

The Amended Forest Sector Charter (FSC) has set a commitment for new afforestation to support the present and future market demands for timber resources. Most of the new afforestation is earmarked to support the inclusion of small medium and micro enterprises (SMMEs) owned by previously disadvantaged communities. Besides the land matter, the other main inhibitor to this commitment is the funding element. A Sector tailored fund would be most suited to advance the preferences and peculiarities of the sector, more so related to the long-term and high-risk investment nature of forestry. In addition, this would probably present a sustainable and competitive advantage to other existing schemes previously explored.

Through the Forestry Masterplan, the Department of Forestry, Fisheries and the Environment (DFFE) has been at the forefront of negotiating for the inclusion of Forestry in the Agri-Industry Fund executed by the Department of Agriculture, Land Reform and Rural Development (DALRRD). Such a fund would be reinforced to support and sustain new and existing black-owned commercial enterprises in the sector. This for sure is a step in the right direction and in support of rural development, inclusion, entrepreneurship and job creation which are all principles and concepts enshrined in the Amended FSC.

2.4 Streamlined water use license application to enhance the sector's transformation

Forestry is classified as a stream flow reduction activity (SFRA). The issuing of valid forestry licenses, including a water use license (WUL) is one of the many compliance requirements for afforestation. The Forest Sector Charter Council (FSCC) has been aggressive about the long period and even the delays in the issuing of WULs as it impedes the advancement of empowerment and transformation in the sector. In line with the stated sector-specific principle of accountability, it is critical that all stakeholders conform to this principle. As such, the Amended FSC attached three commitments for the government; one being to streamline and expedite the afforestation licensing procedures which would include the contentions WULs with an allocated weighting to the Completeness Ratio concept. Through this commitment,

companies from the sector are incentivised with an automatic 5% black women recognition (only applicable for the Ownership element) in cases where the companies have made an application for a WUL either for themselves or on behalf of communities considering that they are most likely to have the expertise and resources to fund the process. Once the application has been processed, the automatic recognition is no longer applicable. Often than not, this process is cumbersome and unfavourable, and delayed outcomes can be more frustrating and defeating. The announcement by the President in the State of National Address (SONA) in February 2023 confirmed an improved application system that will ensure that applications are finalised within a revised time frame of ninety (90) days instead of the traditional three hundred (300) days. This is anticipated to bring a huge relief to the sector, possibly with a favourable response by companies on the license application numbers as well as the progression of government in terms of the referenced commitment.

3. RESEARCH OVERVIEW & METHODOLOGY

The Forest Sector Charter Council (FSCC) is mandated to profile the Annual Status of Transformation in the Forest Sector. The Annual Status of Transformation Report seeks to examine and detail progress achieved towards the implementation of the B-BBEE scorecard elements by all reporting enterprises operating as outlined in the scope of the Amended FSC.

Reports are received from Medium and Large Enterprises (MLEs), Qualifying Small Enterprises (QSEs) (both Enhanced and Unenhanced) as well as Exempted Micro Enterprises (EMEs), all operating in the following subsectors;

- Growers;
- Contractors;
- Fibre;
- Sawmilling;
- Pole Producers; and
- Charcoal Producers.

Methodology

The B-BBEE certificates and reports as well as affidavits were collected from reporting entities verified using the Amended FSC. In the year under review, the information was collected either directly from reporting companies, company's websites, online portals (Mpowered Beagle database and B-BBEE Wise Certificate Manager) and through Organised industry associations. Encouragingly, some of the B-BBEE reports were also received directly from

Verification Agencies (VAs), at the South African National Accreditation System (SANAS) and FSCC's request. It is anticipated that the collection of B-BBEE information will improve in the next coming years, as FSCC's Online Reporting system is being developed.

Medium and Large Enterprises as well as Unenhanced QSEs submitted both detailed B-BBEE scorecard reports and certificates. In cases where the underlying report was not submitted, that entity was disqualified.

Enhanced QSEs and all EMEs submitted either an affidavit or a Companies and Intellectual Property Commission (CIPC) certificate. Information gathered from the affidavits of CIPC certificates confirmed the level of black ownership, with the different black groupings, the overall turnover and rarely the Enterprise Development Beneficiary (EDB) status. Currently, all forest enterprises are automatically empowering suppliers, suggesting, compliance with the Employment Equity Act (EEA), Skills Development Act (SDA) and the Skills Development Levies Act (SDLA).

Data validation was undertaken to assess the validity of the information submitted. The factors considered for this process were the date of issue, the applicable sector code used for the verification, i.e., the Amended FSC, the measurement period as well as the applicable scorecard depending on the size of the entity, i.e., MLEs or QSEs. All valid certificates and affidavits had to have issue dates falling within the 2022/23 financial year, failing to adhere to the above requirements would result in a submission being disqualified.

All valid data received (both from reports and affidavits) were coded into Excel spreadsheets. This included the B-BBEE levels achieved, target points achieved per element, bonus points, etc. Depending on the three categories of measured entities, the data was then analysed and presented into different and appropriate graphs such as bar graphs, line graphs pie charts and tables. These were further used for qualitative and quantitative interpretation, interrogation and conclusion on the sub-sectors and overall sector's performances.

A summary of progressions made on the enterprise development indicator by both Growers and Sawmillers supporting QSEs and EMEs as well as 51% Black Owned and 30% Black Women Owned entities in terms of log supply was also provided as an undertaking for the Forestry Masterplan process.

The report also detailed the performance of South African Forestry Company Limited (SAFCOL) based on the scorecard targets as indicated in Statement 004.

3.1 RISKS

This section summarizes some of the challenges that emanated during stakeholder engagements and consultations either when advocating for B-BBEE implementation or in the collection of B-BBEE information for the compilation of the 2022/23 annual status of transformation report. These are mostly viewed as potential threats to the effective implementation of sustainable and transformational B-BBEE in the sector.

The associated risks are:

- The cost of B-BBEE implementation and the associated cost of the verification process to verify the entity's B-BBEE status.
- The most associated view was that the high-cost implications are a challenge and demotivator for several companies, particularly those that underperform or receive high scores or often get discounted.
- This challenge is most prevalent within the Unenhanced QSEs and discounted MLEs.
- Difficulties in the dilution of the ownership profile as per the legal requirement of the Ownership element to include black shareholders mostly within family-owned businesses in particular amongst the Unenhanced QSEs. As a result, such entities suffer the effect of the Discounting or Consequence principle.
- Consistent poor performance due to either implementation of unrecognized contributions or lack of interest in the B-BBEE programme. Inconsistent reporting is a prevailing challenge across all business categories, though occurring rarely amongst the MLEs. Companies are challenged with understanding the importance of annual reporting and linking the direct benefits of reporting with compliance to the B-BBEE Act as Amended.
- Small businesses are being devastated by the rising tide of rolling blackouts and load shedding. For this reason, rather than implementing B-BBEE, many companies focused on surviving the financial effects of rolling blackouts on the firm. This has had an immediate effect on B-BBEE reporting, particularly for Unenhanced QSEs.
- The delayed and deferred B-BBEE verification process influenced the reduced number of reporting entities, particularly amongst the Unenhanced QSEs and inconstantly reporting entities proving non-compliance to the measurement period and annual reporting obligations as defined in the B-BBEE Act as Amended and Amended FSC.
- The comprehension by certain entities across all business categories of the Council's mandate and the contribution to the forestry industry resulted in some entities declining invites to interact with the Council. Prevailing views were that the FSCC intended to

take over the B-BBEE administrations in their businesses or report them to other statutory institutions.

- Delays in the delivery of industry and government undertakings, especially those recognized for the joint scorecard.

4. SECTOR ANALYSIS

Section 10 (4) of the B-BBEE Act as Amended requires entities operating in a sector with a sector code to verify and report annually to the sector council on B-BBEE implementation using the applicable specific sector code. In the forest sector, the Amended FSC applies to forestry enterprises in the MLEs, QSEs and EMEs business categories. Entities must submit both the report and the certificates and or affidavits. The sector achieved a level 3 B-BBEE status in the year under review, improving from a level 4, while QSEs and EMEs maintained level 2 in the preceding year. This may be attributed to an increasing number of consistent reporting entities achieving improved levels.

In total, one hundred ninety-three (193) valid submissions were received from the three business categories of MLEs, QSEs and EMEs for the 2022/23 reporting year as shown in figure 1 below. The current year recorded the highest number of submissions received since the gazettement of the Amended FSC in 2014 and the repealed Code in 2009, showing a significant increase of 80 submissions when compared to the 2021/22 reporting year. A significant increase was recorded in EMEs and QSEs.

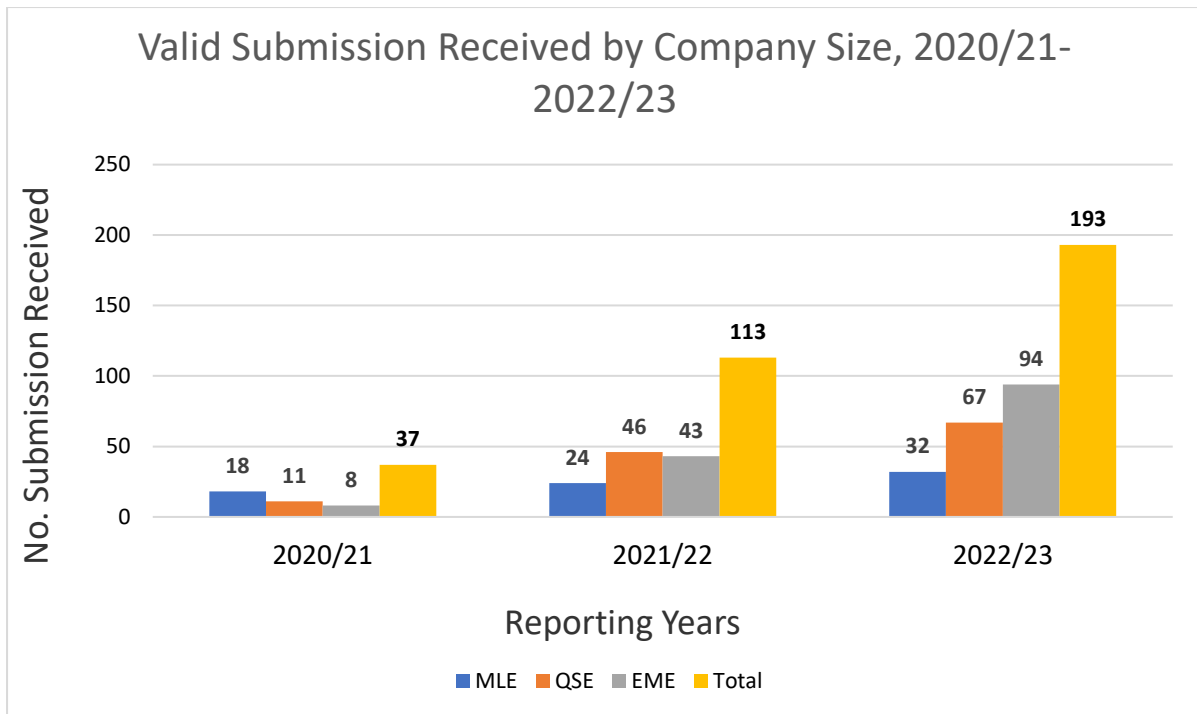


Figure 1: Certificates and Affidavits by company size over three reporting years

As shown in the figure 1 above, in the 2022/23 total submissions, EMEs account for a greater number of submissions, totalling about 49% (94), with QSEs recording 38% (67), and MLEs, 17% (32). This shows a significant increase compared to the two previous reporting years, which has been a result of a number of efforts; including an intensified collection method, consultations and engagement with stakeholders and support from the Organised industry associations. The exponential growth in submissions reflects the commitment of the entities to transformation in the sector and it enables the Council to carry out its mandate of profiling a reflective status report.

The Amended FSC applies to enterprises operating in the six sub-sectors of commercial forestry and first-level processing of wood products. The sub-sectors are Contractors, Fibre, Growers, Sawmilling, Pole and Charcoal Producers. One of the suggested amendments to the Amended FSC, still to be gazetted, will allow for the inclusion of other processing activities in the Fibre sub-sector including lignin, recycling, and generation of energy and fuels. Figure 2 below shows the total number of reporting entities per sub-sector.

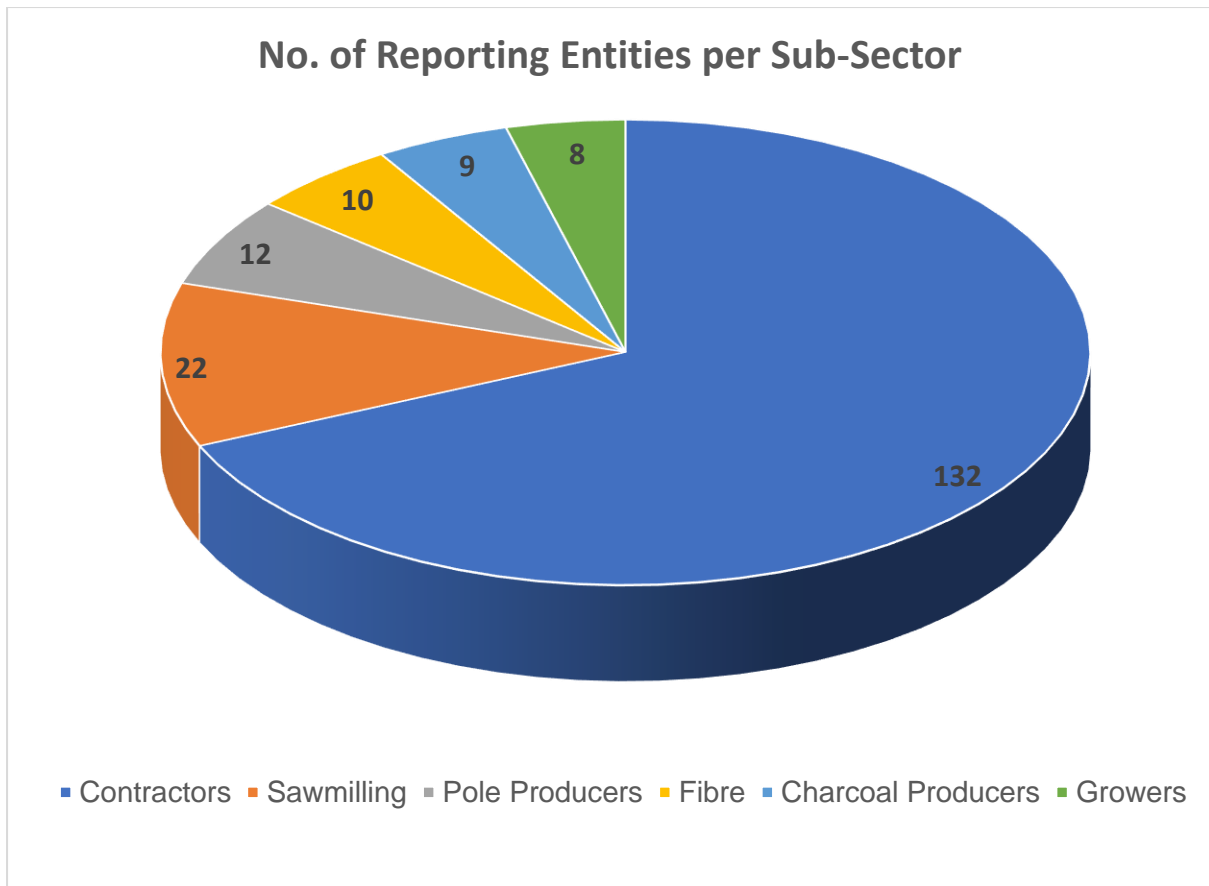


Figure 2: Submission by Sub-sector, 2022/23

As shown in figure 2, the submissions represent all six sub-sectors for the first time since the gazetting of the Amended FSC. Previously, only five sub-sectors would be represented across the three business categories with the Charcoal Producers sub-sector not represented. Similar to the preceding years, Contractors constitute a majority of submissions (132), with most of the Contractors' submissions received from the EMEs and QSEs, and a few from the MLEs. This is because a majority of the bigger companies (MLEs) outsource some of their operations to smaller companies (EMEs and QSEs).

Sawmilling had the second-highest representation of submissions (22), equally received from both MLEs and EMEs, with a few from QSEs. There were 12 submissions from Pole Producers, which followed the same pattern as the Sawmilling sub-sector. Fibre recorded 10 submissions with a majority of them received from MLEs, with few from both QSEs and EMEs. There were nine submissions from Charcoal Producers, with EMEs accounting for most of the submissions compared to MLEs, and no submissions were received from QSEs. The submission from the Charcoal Producers' sub-sector from EMEs was due to the direct consultation and orientation of these businesses.

Despite receiving more submissions from Growers (8) in the year under review than in the preceding year, the Growers' representation is still concerning, considering that there are many small growers supplying timber resources to MLEs and QSEs. This validates the FSCC's plan to attend the small-scale timber grower regional meetings to increase its visibility and to advocate for B-BBEE implementation and reporting. The FSCC intends to intensify its Community Outreach Programmes, organised company forums and CEO Deliberations to ensure an improved shared understanding and equal footing of the sector's transformation goal.

4.1 MEDIUM AND LARGE ENTERPRISE ANALYSIS

Medium and Large Enterprises play a crucial role in the country's economy, contributing to job creation, innovation, and economic growth. They are often involved in key sectors but not limited to forestry, manufacturing, mining, and financial services, and are major contributors to the country's Gross Domestic Product (GDP). MLEs within forestry are required to comply with the Amended FSC requirements and are expected to contribute to the development and transformation of the country's economy. This includes implementing initiatives that support the growth and development of small, medium and micro enterprises (SMMEs), investing in Skills Development (SD), and supporting Socio-Economic Development (SED) initiatives that benefit communities in which they operate.

Medium and Large Enterprises operating in the forest sector are required to submit both their annual verified B-BBEE certificates and reports to the FSCC. The number of MLEs in the FSCC database has significantly increased from 33 known MLEs to 46 in the current reporting period. Out of these, 32 MLEs including SAFCOL have submitted their B-BBEE certificates and reports for the 2022/23 reporting period. This is a notable increase of 33% compared to the previous reporting period of 2021/22 where only 24 MLEs submitted their certificates and reports (figure 3).

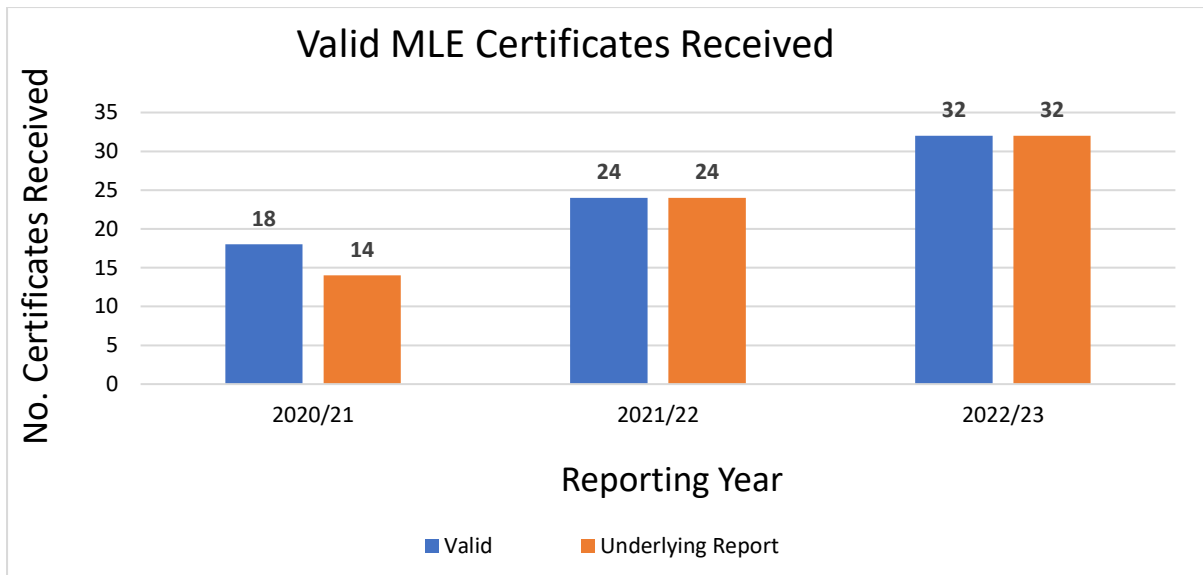


Figure 3: Valid MLE Certificate submissions 2022/23

A majority of the submissions, accounting for more than 90%, were directly sourced from the MLEs. It is worth noting that some of the certificates and reports were voluntarily submitted by the Verification Professionals (VPs) or Verification Agencies (Vas) through the dtic and SANAS technical committees. This included reports for both the reliable and new entities. This is mostly attributed to the dependable relationship that the FSCC has built with the entities, and regulatory bodies such as the dtic, SANAS and Association of B-BBEE Professionals (ABP) which has facilitated smooth and efficient data collection for reporting purposes. The suggestion to mandate VPs to submit the B-BBEE credentials for the verified entity seems to be a workable solution for the collection of certificates. It is anticipated that the online reporting system currently being explored by the FSCC will also improve the reporting from Measured entities. The increase in the number of reporting MLEs is a positive indicator of the sector's continuous commitment to transformation and empowerment.

Table 1 below shows a comparison of consistent reporters and new reporting entities over a three-year reporting period. It is noted that the number of consistent reporting entities increased from 20 in 2021/22 to 23 in the 2022/23 reporting period. This increase demonstrates progress in promoting and supporting transformation efforts in the forest sector. Moreover, the number of new reporting entities increased from 4 to 9 entities in 2022/23 as compared to 2021/22 reporting periods.

Table 1: Number of consistent and new entities comparison for the three reporting period

Years	Number of entities	Consistent entities	New entities
Year 2020/21	18	16	2
Year 2021/22	24	20	4
Year 2022/23	32	23	9

The scope of application for qualifying operations is clearly defined in the Amended FSC. Figure 4 below shows the distribution of the submissions from the different sub-sectors.

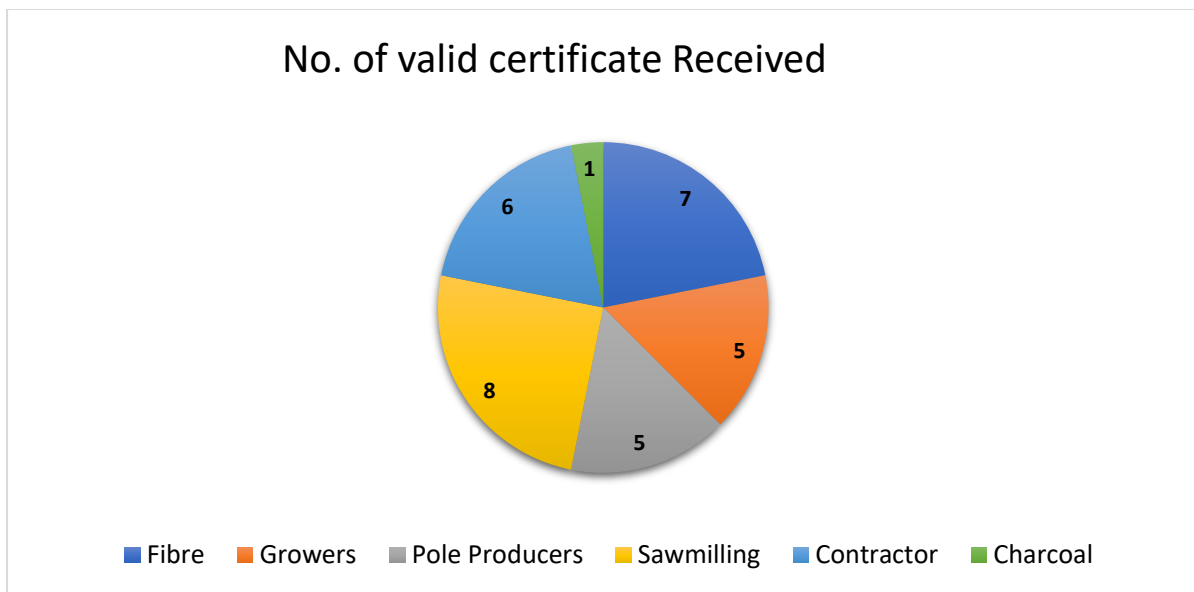


Figure 4: Certificate submissions by MLE per Sub-sector 2022/23

As shown in figure 4 above, the highest number of submissions were received from Sawmilling (8) and Fibre (7). The Contracting sub-sector also had more (6) submissions even when compared to the previous year. A total of 6 submissions were received from the Pole Producers with another 5 received from the Growers. Encouragingly, in the current year, a report from the Charcoal Producers (1) sub-sector was also received.

The B-BBEE levels range from level 1 to level 8, with level 1 being the highest level of compliance and level 8 being the lowest. A non-compliance status is justified by a score below 40 points. MLEs that achieve a higher B-BBEE level are considered to be more compliant with the B-BBEE Act as Amended and are more likely to be awarded government contracts and other business opportunities. The levels achieved by reporting MLEs are shown in figure 5 below.

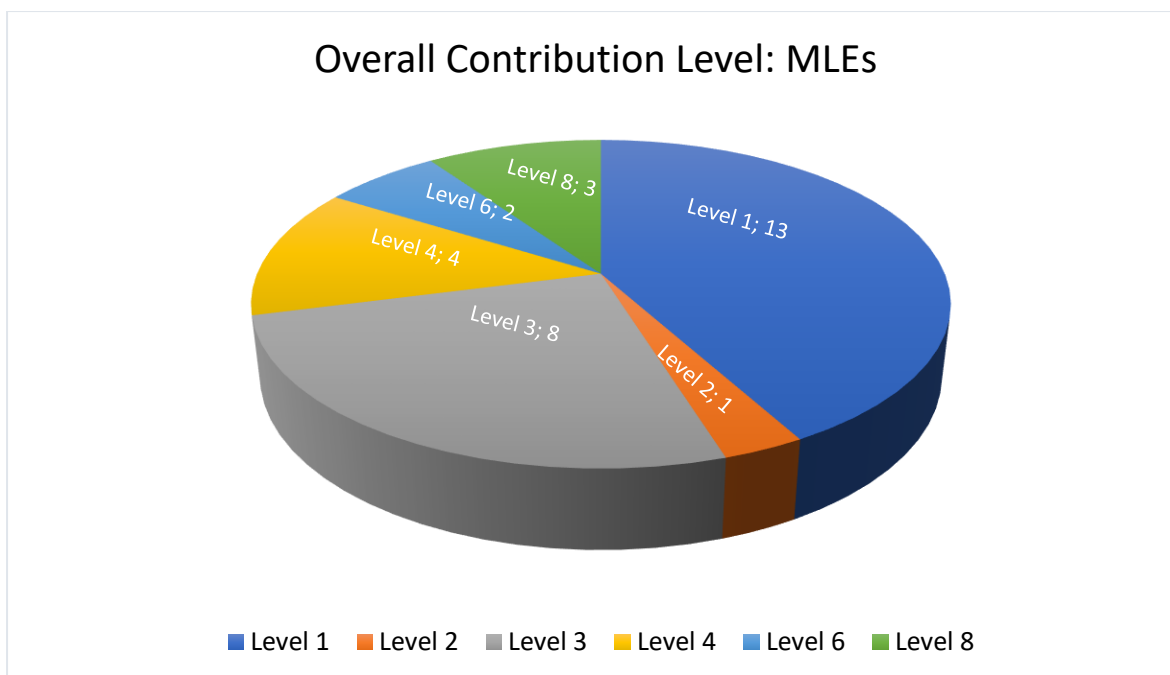


Figure 5: Certificates submission by MLE per Sub-sector 2022/23

In the current reporting year, 13 MLEs attained a Level 1 B-BBEE. Two MLEs achieved Level 2, with another 8 MLEs attaining Level 3 showing an improvement also from 2021/22. Additionally, 4 MLEs achieved a Level 4, while 2 other MLEs attained Level 6. The remaining 3 MLEs attained a Level 8 with none achieving either a level 5, 7 or a non-compliance status as demonstrated in Figure 5 below. These impressive achievements demonstrate the sector's unwavering commitment to promoting and supporting economic transformation.

4.1.1 OWNERSHIP ANALYSIS

The Ownership element is one of the three priority elements in the B-BBEE scorecard compelling reporting entities to achieve a minimum of 40% towards the net value indicator. It measures the extent to which Black People participate in the ownership and control of companies. Ownership is calculated as a score based on the black shareholding percentage of total shareholding and can be acquired through the sale of shares or equity or assets. The Ownership element is measured on voting rights, economic interest, new black role players as well as the net value indicator. It is allocated a total point of 25 distributed across the seven indicators.

Considering the broadness principle as espoused in the Amended FSC, Ownership can also be recognised through trusts, broad-based groupings such as Employee Share Ownership Schemes, and Cooperatives to name a few, etc. Currently, the recognition of ownership deals

is still allowable through the Flow Through (FTP), Modified Flow Through (MFTP) and even the Exclusion Principles.

The average performance of MLEs on the Ownership element over a three-year reporting period is shown in Figure 6 above.

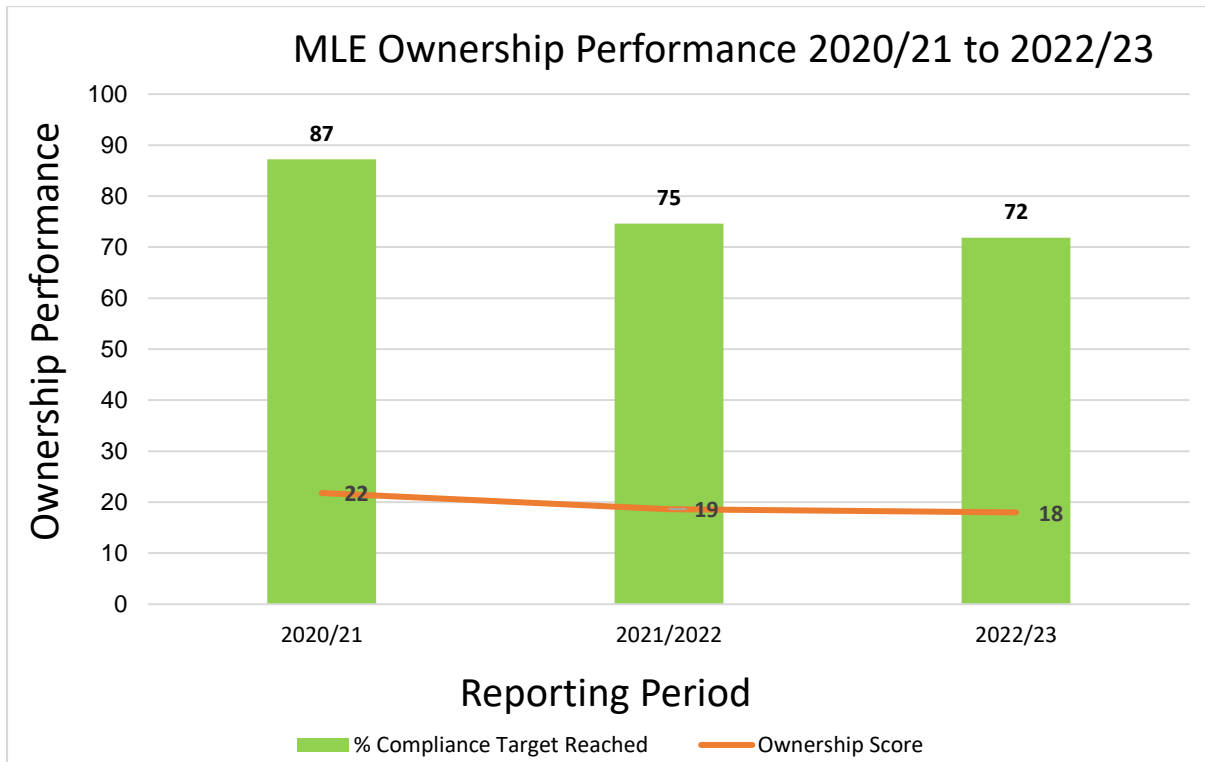


Figure 6: MLE Ownership Performance, 2020/21 – 2022/23

The scores recorded show a decline from 2020/21 to the current year, with an insignificant 4% decline between 2021/22 and the current year. Comparatively, one attribute to the obvious difference could be the number of reporting MLEs which differed each year and was exacerbated by the increase in the number of MLEs (6) achieving very low scores on the element. Of concern is that three of these MLEs are consistent reporting entities with the other three regarded as unreliable reporters. It is expected that such scores would improve on a consistent basis in particular amongst the entities that undergo verification on an annual basis as per the requirement of the B-BBEE Act as Amended.

Table 2 below provides a comprehensive statistical breakdown of Direct Black People and Black Women ownership for the 31 MLEs that have reported for the current reporting period. Obvious increases were observed in both Black People and Black Women ownership. The ownership mean value for Black People has increased to 40%, a reliable improvement from the 33% recorded in 2021/22, presenting a recorded score above the 25% compliance target. Similarly, the Black Women ownership mean value increased slightly to 15%, from 13% in the

previous year. This may be a good score when considering the 10% compliance target but might be a compromised score in cases where 30% Black Women ownership is required.

Further analysis of the scores recorded in Table 2 below shows that only 10 (32%) had black-owned (BO) either or above 51% with a majority of the MLEs having minority Black Women Ownership. Encouragingly, two MLEs recorded a 100% BO profile as compared to none in the previous year, with the remaining achieving less than 50%.

Table 2: Statistical Breakdown of Direct Black and Black Women Ownership in MLEs

	Black People	Black Women
Minimum	0	0
Q1	21.58	0.00
Median	39.27	14.56
Mean	40.19	14.27
Mode	0	0
Q3	52.22	22.98
Maximum	100	50
Standard Deviation	28.41	1.62
No. of entities scoring 0% ownership	5	8
No. of entities scoring above 0% but below 51% ownership	12	20
No. of 51% BO entities	2	0
No. of entities scoring above 51% but below 100% ownership	8	0
No. of 100% BO entities	2	0
Total No. of Measured Entities	31	31

MLEs are required to achieve 25 points on the Ownership element, as stipulated in the Amended FSC. Figure 7 below provides a comparison of the ownership averages of all six sub-sectors against the industry. Four of the sub-sectors impressively attained good scores with the Contractors, Fibre, and Growers achieving the same average as the industry on this element. The Charcoal Producers sub-sector was the least performing as shown in figure 7 below. The most significant improvement was recorded amongst the Growers, suggesting an improvement also in the scores achieved, as it was the same MLEs that reported as Growers previously.

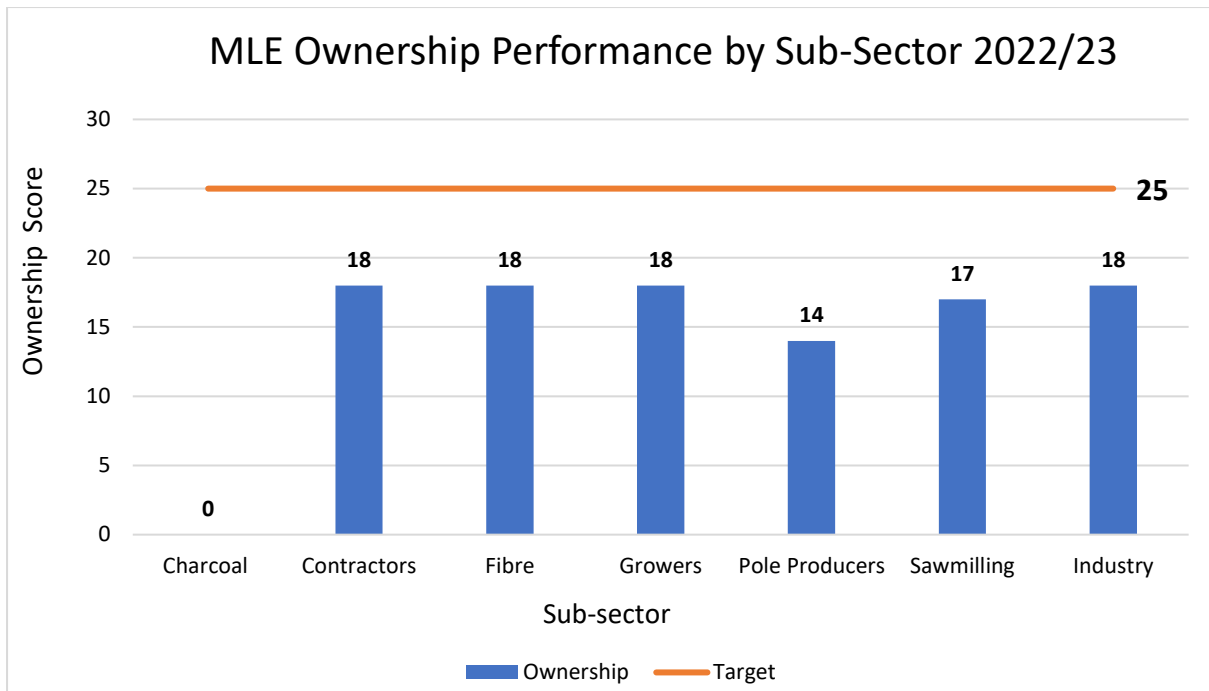


Figure 7: MLE Ownership Performance by Sub-sector

The industry achieved an average of 18 points which may be a demonstration that some MLEs have either improved or maintained good scores considering that some MLEs achieved very low scores on this element. The performance further highlights the need for all MLEs to have reliable plans to either sell their assets or equity in order for the industry to either improve or achieve the Ownership target.

Figure 8 below shows the performance of the reporting MLEs on the 7 Ownership indicators.

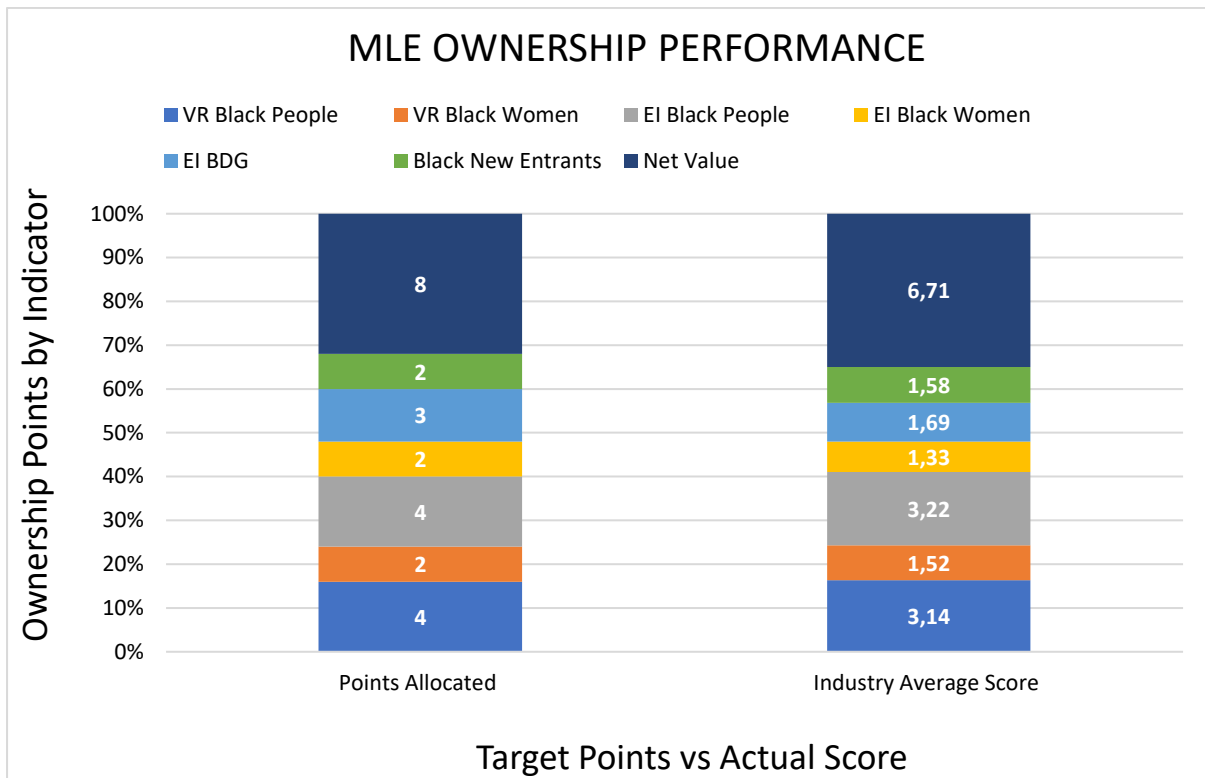


Figure 8: MLE Ownership Performance

Slight increases were recorded on the EI for Black Designated Groupings People, New Entrants and on the Net Value indicators in 2022/23 when compared to 2021/22.

Table 3 below reveals a 3-year comparison of Ownership indicators from 2020/21 to 2022/23.

Table 3: A comparison of Industry Ownership indicator scores between 2020/21 to 2022/23

Indicator	Points Allocated	Average Score FY 2020/21	Average Score FY 2021/22	Average Score FY 2022/23	Compliance Target (%)	Indicator Achieved (%) FY 2020/21	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23
VR Black People	4	3.37	3.28	3.14	25+1 Vote	84	82	79
VR Black Women	2	1.56	1.6	1.52	10	78	80	76
EI Black People	4	3.23	3.34	3.22	25	81	84	81
EI Black Women	2	1.55	1.52	1.33	10	78	76	67
EI BDG	3	1.26	1.51	1.69	7	42	50	56
Black New Entrants	2	0.95	1.42	1.58	2	48	71	79
Net Value	8	6.33	6.25	6.71	-	79	78	84

Good scores of above 50% towards the target were achieved in all the indicators with the highest performance recorded on the Net Value points. Both the VR and EI for Black People and Women showed declines when compared to the previous years. Improvements were only recorded in the EI for Black Natural Groupings as well as the New Entrants and Net Value indicators.

OWNERSHIP IN-DEPTH ANALYSIS

Voting Rights (VR) in the hands of Black People

Voting rights refer to the fraction of shareholding held by Black People (BP) and Women (BW). Shareholding in the hands of BP should be 25% + 1 vote while that of BW should be 10% respectively for a compliant MLE. Black People and BW with voting rights are entitled to participate in strategic decision-making processes. Table 4 below compares the averages achieved per sub-sector as well as the number of MLEs in each sub-sector that either achieved the target or between 50% and above but below the target as well as those that attained a score lower than 50%.

Table 4: MLE Analysis: Voting Rights in the Hands of Black People

VOTING RIGHTS FOR BLACK PEOPLE								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	25	0	4	0	0	0	1	1
Contractors	25	20.8	4	3.3	5	0	1	6
Fibre	25	23.8	4	3.8	6	1	0	7
Growers	25	23.9	4	3.8	3	1	0	4
Pole Producers	25	15	4	2.4	3	0	2	5
Sawmilling	25	20.5	4	3.3	6	1	1	8
Total	25	17.3	4	2.8	23	3	5	31

MLEs have to have 25% +1 Voting Rights to be awarded a maximum of 4 points. Seemingly four sub-sectors performed above the industry's average of 17.3% with the Growers and Fibre sub-sectors excelling in this indicator. Two sub-sectors attained scores lower than the industry, with Charcoal Producers regarded as the worst performing. A majority of the MLEs (23, (74%)) achieved the target as well, showing an improvement from the previous year where only 17 achieved the target. Most of the best reporting entities were either from the Sawmilling, Fibre, Contractors, Growers sub-sectors.

Voting Rights in the hands of Black Women

Table 5 below shows the performance of the sub-sectors on the Voting Rights (VR) in the hands of Black Women indicator. The compliance target for this indicator is lower when compared to the VR for Black People indicator.

Table 5: MLE Analysis: Voting Rights in the Hands of Black Women

VOTING RIGHTS FOR BLACK WOMEN								
Sub-sectors	Compliance		Weighting Points		#s target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	10	0	2	0	0	0	1	1
Contractors	10	6.9	2	1.4	3	1	2	6
Fibre	10	8.6	2	1.7	6	0	1	7
Growers	10	9.1	2	1.8	3	1	0	4
Pole Producers	10	6	2	1.2	3	0	2	5
Sawmilling	10	5.2	2	1	4	1	3	8
Total	10	6	2	1.2	19	3	9	31

Similarly, four of the six sub-sectors performed exceptionally with Growers and the Fibre sub-sectors achieving the best averages, a trend also observed in the VR for Black People indicator.

More MLEs from the Fibre and Growers sub-sectors also achieved the target, validating the exceptional averages achieved by these two sub-sectors. The Contracting and Sawmilling sub-sectors' performance differed slightly in this indicator, showing fewer MLEs achieving the target when compared to the VR for Black People indicator. In addition, more MLEs performed poorly on this indicator when compared to the VR for Black People indicator, a trend also observed in the previous reporting year. Charcoal Producers was also the least performing in this indicator (table 5).

Economic Interest (EI) in the hands of Black People

Economic Interest refers to the right to receive financial benefits from assets, such as dividends, profit, or capital gain. In the Ownership element, two indicators are earmarked for Economic Interest, these being for Black People and Women. A compliance target of 25% with 4 points is allocated for the EI for Black People indicator.

Table 6: MLE Analysis: Economic Interest in the Hands of Black People

ECONOMIC INTEREST FOR BLACK PEOPLE								
Sub-sectors	Compliance		Weighting Points		#s target achieved	#s >50% <100%	#s <50%/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	25	0	4	0	0	0	1	1
Contractors	25	20.8	4	3.3	5	0	1	6
Fibre	25	23.8	4	3.8	6	1	0	7
Growers	25	23.4	4	3.7	2	2	0	4
Pole Producers	25	15	4	2.4	3	0	2	5
Sawmilling	25	20.5	4	3.3	6	1	1	8
Total	25	17.3	4	2.8	22	4	5	31

Four (4) sub-sectors performed exceptionally well on this indicator, achieving way above the industry's average as shown in Table 6 above. While the Pole Producers also attained an average score, its score was lower when compared to the industry's overall performance. Similarly, to the trend observed under the VR indicator for Black People, more MLEs (22. 71%) achieved the target with the remaining 9 (29%) achieving either above 50% and a score below 50% or 0 towards the target. A majority of the MLEs who attained the target were from the Sawmilling, Fibre and Contractors sub-sectors. The Pole Producers had the most MLEs achieving a score below 50% or 0% towards the target.

Economic Interest in the hands of Black Women

A compliance target of 10% with 2 points is allocated for the EI for Black Women indicator. Table 7 below shows the averages achieved per sub-sector on the EI indicator as well as a comparison of the reporting MLEs scores.

Table 7: MLE Analysis: Economic Interest in the Hands of Black Women

ECONOMIC INTEREST FOR BLACK WOMEN								
Sub-sectors	Compliance		Weighting Points		#s target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	10	0	2	0	0	0	1	1
Contractors	10	6.9	2	1.4	3	1	2	6
Fibre	10	8.5	2	1.7	5	1	1	7
Growers	10	8.7	2	1.7	2	2	0	4
Pole Producers	10	6	2	1.2	3	0	2	5
Sawmilling	10	5.2	2	1	4	0	4	8
Total	10	5.9	2	1.2	17	4	10	31

Seemingly the performance of MLEs in this indicator is poorer when compared to the EI for Black People. While there were 4 of the sub-sectors that obtained averages above the industry, only three of these outperformed as shown in table 7 above. This observation is mostly attributable to the fact that a majority of the reliable reporting MLEs, some with improved scores were from these sub-sectors. Approximately 50% of the reporting MLEs (17, (55%)) achieved the target in this indicator. In addition, there were also more MLEs (10, (35%)) who performed poorly or achieved a score of less than 50% or 0% towards the target.

Economic Interest in the hands of Black Natural Groups

One of the principles of transformation is, 'Broad Based". The principle supports a wider range of recipients in terms of scorecard opportunities. The Black Natural Groupings include Black Designated Groups (BDS), Employee Share Ownership Programme (ESOPs), Broad Based Ownership Schemes (BBOS) and Co-operatives.

Table 8: MLE Analysis: Economic Interest in the Hands of Black Natural Groupings

ECONOMIC INTEREST FOR BLACK NATURAL GROUPINGS								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	7.5	0	3	0	0	0	1	1
Contractors	7.5	6.3	3	2.5	5	0	1	6
Fibre	7.5	4	3	1.6	3	1	3	7
Growers	7.5	3.3	3	1.3	1	1	2	4
Pole Producers	7.5	3	3	1.2	2	0	3	5
Sawmilling	7.5	5.6	3	2.3	6	0	2	8
Total	7.5	3.7	3	1.5	17	2	12	31

In this indicator, the Sawmilling and Contractors sub-sectors outperformed all the other sub-sectors as shown in table 8 above, and possibly because they had most of the MLEs achieving the target on the indicator. MLEs from the Fibre sub-sector also achieved a good score when compared to the other sub-sectors. More MLEs (12, (39%)) also find implementing this indicator challenging. MLEs can also get bonus points on the EI held by communities in their area of operation or by black employees only if the 7.5% on either or more of the 4 listed indicators of Black Natural Groupings, is achieved.

Economic Interest in the hands of Black New Entrants

New Black Entrants are participants who hold rights of ownership in a measured entity and who, before holding the equity instrument have not held Equity Instruments that had a total value of more than R50 million. MLEs are allocated a compliance target of 2% and 2 weighting points for this indicator. Table 9 below illustrates the performances of MLEs per sub-sector on this indicator.

Table: 9 MLE Analysis: Black New Entrants

ECONOMIC INTEREST FOR BLACK NEW ENTRANTS								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	2	0	3	0	0	0	1	1
Contractors	2	1.7	3	2.5	5	0	1	6
Fibre	2	1.1	3	1.7	4	0	3	7
Growers	2	1.5	3	2.3	3	0	1	4
Pole Producers	2	1.2	3	1.8	3	0	2	5
Sawmilling	2	1.5	3	2.3	6	0	2	8
Total	2	1.2	3	1.8	21	0	10	31

The Contractors, Growers and Sawmillers were the best performing sub-sectors on this indicator as shown in table 9 above. The Fibre and Pole Producers did not perform well on this indicator when compared to other Ownership indicators. Charcoal Producers remained the least performing in all the Ownership indicators. In this indicator, MLEs either achieved the target or performed poorly as shown in table 9 above. This may suggest that there are more entities that are unable to attract new entrants into their businesses. Encouragingly so, and while this may be the case, this indicator showed the greatest improvements when compared to all the Ownership indicators.

Net Value Points

In the year under review, an MLE that sold equity in 2017/18, would have 60% of the debt unencumbered. Table 10 below displays the average scores of the reporting sub-sectors as well as the discounted MLEs per sub-sector.

Table 10: MLE Analysis: Net Value Points, Priority Indicator

NET VALUE POINTS								
Sub-sectors	Weighting Points				#s Target achieved	#s >50% <100%	#s <40/0%	Total
	Target	Averaged	40% Achieved	Discounted				
Charcoal Producers	8	0	0	1	0	0	1	1
Contractors	8	6.7	5	1	5	0	1	6
Fibre	8	7.6	7	0	6	1	0	7
Growers	8	7	4	0	2	2	0	4
Pole Producers	8	4.7	3	2	3	0	2	5
Sawmilling	8	6.6	7	1	6	1	1	8
Total	8	5.4	26	5	22	4	5	31

MLEs are downgraded on the Net Value points. In order to avoid a downgrade, each MLE must achieve a minimum of 40% of the 8 points and this would equate to 3.2 points. All 5 of the sub-sectors with the exception of the Charcoal Producers sub-sector attained a good average score on this indicator. A majority (26, (83%)) of the MLEs achieved either the target or above the 40% minimum requirement and hence avoided being discounted as shown in table 10 above. Only 5 MLEs were discounted from four sub-sectors with none operating in the Fibre and Growers. Notably so, the discounted MLEs are either regarded as consistent and inconsistent reporters.

Ownership Recognition

In the Ownership element, ownership deals are either recognised through the Flow-Through Principle (FTP), Modified Flow-Through Principle (MFTP) or Exclusion Principle (EP). The application of these principles is still flexible, pending the new amendments to the Amended FSC suggesting that only the FTP will be applicable. Table 11 below displays the number of MLEs choosing any of the three applicable principles.

Table 11: Black Ownership through Modified Flow-through, Flow-through & Exclusion Principle

Applicable Principles	Black Ownership through Flow-Through Principle (FTP)	Black Ownership through Modified Flow-Through Principle (MFTP)	Exclusion Principle (EP)
Number of Companies	25	6	0

Twenty-five (81%) MLEs have undergone verification using the Flow-Through Principle, with the remaining 6 (19%) preferring the Modified Flow-Through Principle (MFTP) as shown in table 11 below. This shows a similar trend to the previous years, suggesting the comprehension of the FTP which should be beneficial in facilitating a smooth transition once the proposed changes are officially gazetted.

4.1.2 MANAGEMENT CONTROL ANALYSIS

The Management Control (MC) element is allocated 19 points which are distributed through the board and management representation categories. Most of the indicators have a compliance target ranging between 30% and 88% with the lowest being 2% and allocated for Black Employees living with Disabilities employed in office-based operations.

The Management Control performance over a three-year reporting period from 2020/21 to 2022/23 is depicted in figure 9 below.

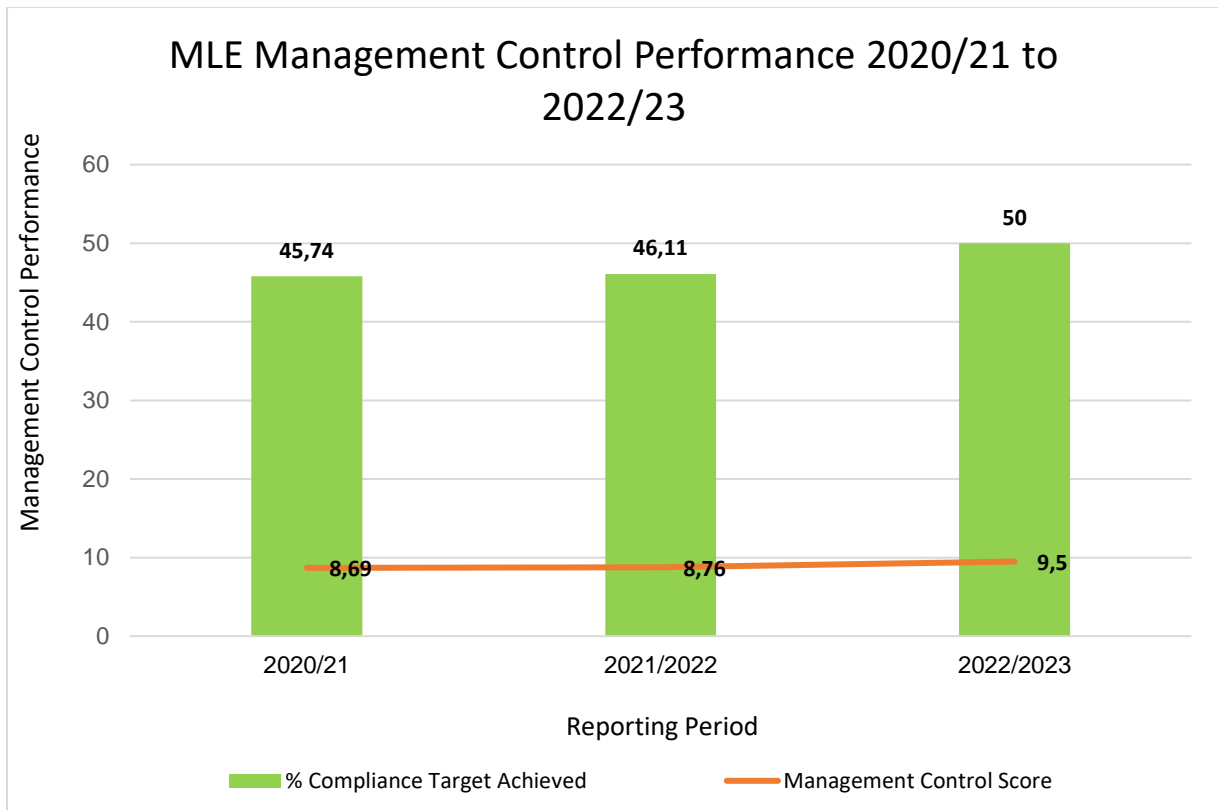


Figure 9: MLE Management Control Performance, 2020/21 – 2022/23

There has been a gradual increase over the past three years, showing an increase of about 8% between 2021/22 and 2022/23. This is the first time that the sector has achieved 50% towards the target. This improvement may be substantiated by some of the improved scores achieved by some MLEs in this element confirming either the progressive implementation of the succession plans or the pre-effectiveness of the proposed changes to the Employment Equity Act (EEA) to be effected in September 2023.

Figure 10 below displays the MC performance for the Forestry industry contrasted with each of the reporting sub-sectors.

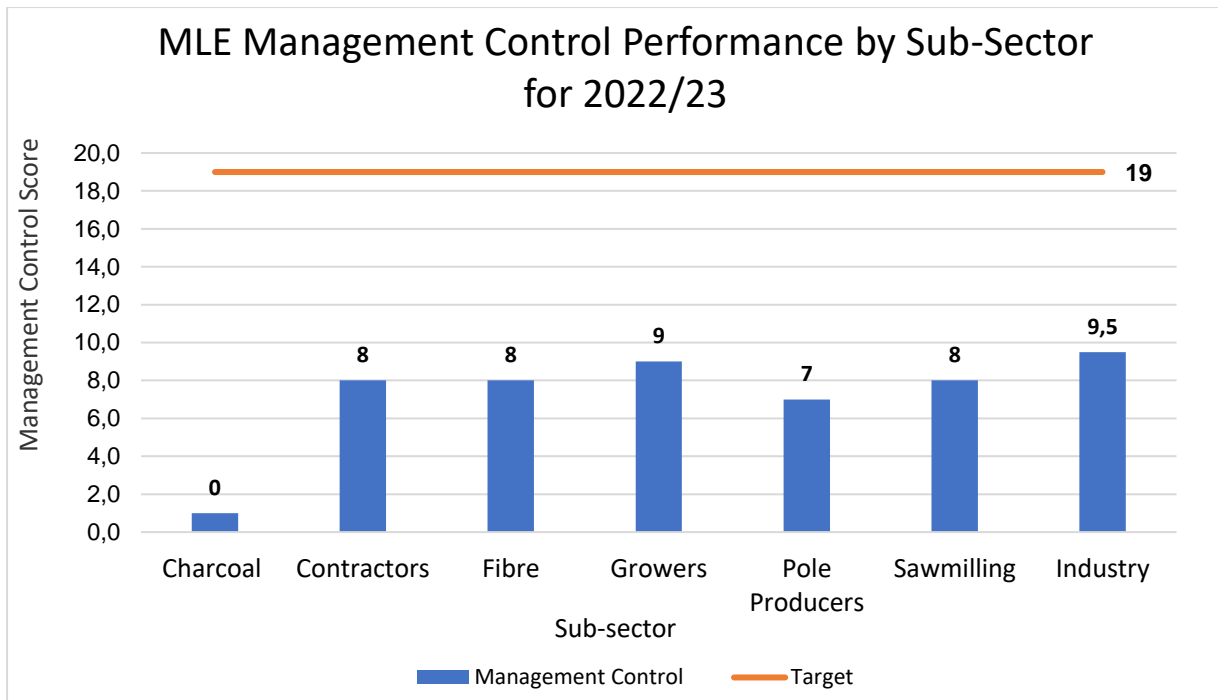


Figure 10: MLE Management Control Performance by Sub-sector, 2022/23

The industry’s average is above all sub-sectors as reflected in figure 10 above. The Growers maintained an average score, with obvious regressions observed in the Contractors, Fibre, Sawmilling and Pole Producers sub-sectors. The Charcoal Producers sub-sector performed poorly, and expectedly so as it achieved 0 scores in most of the MC indicators. Such a performance is highly discouraged as it may be viewed as reluctance to employ and promote deserving black people to management and board positions.

Table 12 below compares the performance of reporting MLEs on each of the Management Control indicators.

Table 12: Three-year comparison of the MC indicators

Indicator	Points Allocated	Average Score FY 2020/21	Average Score FY 2021/22	Average Score FY 2022/23	Compliance Target (%)	Indicator Achieved (%) FY 2020/21	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23
VR BB Members	2	1.6	1.13	1.41	50	80.18	57	70.93
VR BWB Members	1	0.4	0.32	0.46	25	40.32	32	46.36
BE Board Members	2	1.31	0.65	0.95	50	65.57	33	47.41
BWEB Members	1	0.12	0.17	0.22	25	12.09	17	21.94
BOED	2	-	-	0.91	60	-	-	46
BOWED	1	-	-	0.41	30	-	-	41
BOED	4	-	-	2.66	60	-	-	66.5
BOWED	2	-	-	0.74	30	-	-	37
BSM	2	0.4	0.44	0.59	60	19.84	22	30
BSWM	1	0.14	0.13	0.21	30	14.46	13	21
BMM	2	0.90	1.02	0.97	75	44.95	51	48.05
BWMM	1	0.24	0.3	0.32	38	24.13	33	24
BJM	1	0.58	0.63	0.61	88	58.33	63	60.6
BWJM	1	0.29	0.38	0.39	44	28.56	38	38.82
Black Employees living with Disabilities	2	0.95	1.22	1.52	2	47.69	60,83	76.19

Seemingly MLEs are having a good representation of Black People and Women board members justifying the improved scores in these indicators as shown in table 12 above. However, the representation of Other Executive Management is better in black males than in black women proving that the forest sector is still male dominated in the C-suit or Executive Management and thus requires double efforts to promote women into these

positions. The performance on the Senior Management indicators showed slight improvements, which may suggest that there were either promotions or new appointments in this management category. Declines were observed in the Middle Management as well as the Junior Black Women Managers indicators. In the past reports, MLEs would achieve better scores in the lower management categories in particular on the indicators for black people. While the rationale may not be obvious for these declines, the migration of skilled workers to urban and better paying jobs could be the driver. All MLEs are thus encouraged to continue to implement sustainable succession plans with impactful mentorship programmes and promote more black people and women in particular across the management categories. Considering the new EEA targets to be effected in September 2023, entities failing to adhere to these targets are most likely to receive a non-compliance certificate.

Black Board Members

Medium and Large Entities are expected to have a 50% representation of Black Board and 25% Black women members with full voting rights, in order to display a fair and equitable representation of Black People and Women on boards. The representation of Black Board Members in each of the reporting sub-sectors is shown in table 13 below.

Table 13: MLE Analysis: Management Control-Black Board Members

Management Control- Black Board Members								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	50	0	2	0	0	0	1	1
Contractors	50	50	2	2	6	0	0	6
Fibre	50	41.2	2	1.6	3	4	0	7
Growers	50	23.3	2	0.9	2	0	2	4
Pole Producers	50	30	2	1.2	3	0	2	5
Sawmilling	50	30.1	2	1.2	4	1	3	8
Total	50	29.1	2	1.2	18	5	8	31

The Contractors' sub-sector was the only sub-sector that achieved the 50% compliance target, encouragingly so as all the 6 MLEs achieved the target in the indicator as shown in table 13. Fibre was the second-best performer in this indicator with none of the MLEs from this sub-sector achieving a score below 50% towards the target or 0. Two other sub-sectors performed similarly to the industry achieving an average score of 1.2. The Growers achieved a low score with the worst performer being the Charcoal Producers sub-sector. Only 18 MLEs accounting for about 58% achieved the target with most of these belonging to the Contractors and Sawmilling sub-sectors. Five (16%) MLEs attained a score above 50% but less than the target score with the remaining 8 (26%) performing poorly in this indicator.

Table 14 displays the participation of Women on Boards per sub-sector.

Table 14: MLE Analysis: Management Control-Women on Boards per sub-sector

Management Control- Black Women Board Members								
Sub-sectors	Compliance		Weighting Points		#sTarget achieved	#s >50% <100%	#s <50/ 0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	25	0	1	0	0	0	1	1
Contractors	25	20.8	1	0.8	5	0	1	6
Fibre	25	13.6	1	0.5	3	1	3	7
Growers	25	4.8	1	0.2	1	0	3	4
Pole Producers	25	10	1	0.4	2	0	3	5
Sawmilling	25	6.3	1	0.3	2	0	6	8
Total	25	9.2	1	0.4	13	1	17	31

Thirteen (42%) of the MLEs achieved the target on this indicator and the majority of these were from the Contractors and Fibre sub-sectors. Poor performance was recorded from 17 MLEs proving that most MLEs are still not having the required representation of women on their boards. Similarly, to the performance on the representation of Black People participating on Boards, the Contractors and Fibre outperformed all the other reporting sub-sectors. All the remaining four performed poorly with the least being the Growers and the Charcoal Producers sub-sectors. This observation is concerning as it may be conservatively viewed as a barrier to women's empowerment and inclusion on boards. Encouragingly, is that the number of MLEs achieving the targets for both the Black People and Women on boards indicators shows an upward trend from 5 previously to 11 in the current year.

The achieved averages per sub-sector on the Black Executives participating on Boards are shown in table 15 below.

Table 15: MLE Analysis: Black Executive Directors participating on Boards

Management Control- Black Executive Directors on Boards								
Sub-sectors	Compliance		Weighting Points		#sTarget achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	50	0	2	0	0	0	1	1
Contractors	50	41.7	2	1.7	5	0	1	6
Fibre	50	42.6	2	1.7	4	3	0	7
Growers	50	6.7	2	0.3	0	0	4	4
Pole Producers	50	6.7	2	0.3	0	1	4	5
Sawmilling	50	16.7	2	0.7	2	1	5	8
Total	50	19	2	0.8	11	5	15	31

The Contractors and Fibre sub-sectors continued to outperform the other 4 sub-sectors also in this indicator and attained the target. All the remaining four sub-sectors underperformed, proving to be challenged by this indicator, with a majority of MLEs (48%), from these four sub-sectors performing poorly, substantiating the low averages attained.

The achieved averages per sub-sector on the Black Women Executives participating on Boards are shown in table 16 below.

Table 16: MLE Analysis: Black Women Executive Directors participating on Boards

Management Control- Black Women Executives Directors on Boards								
Sub-sectors	Compliance		Weighting Points		#sTarget achieved	#s >50% <100%	#s<50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	25	0	1	0	0	0	1	1
Contractors	25	16.7	1	0.7	4	0	2	6
Fibre	25	10	1	0.4	2	1	4	7
Growers	25	0	1	0	0	0	4	4
Pole Producers	25	0	1	0	0	0	5	5
Sawmilling	25	0	1	0	0	0	8	8
Total	25	4.4	1	0.2	6	1	24	31

MLEs seem to be having a low representation of Women Executive Directors participating on boards as confirmed by the low numbers shown in table 16 above. Only the Contractors sub-sector achieved an average score with Fibre obtaining 40% towards the target. The remaining sub-sectors all achieved 0 scores on this indicator. This performance is discouraging as it reflects a sector that is hesitant to promote women to executive positions. It also confirms the narrative that the forest sector is still male dominated and hence the scores may be either validating or misrepresenting the efforts. The sentiments shared during the previous She is Forestry webinar, on the perceived barriers hindering the elevation of more women into executive and board positions, considered two scenarios. The reflection was both on self-imposed barriers as well as those conservative ones driving and exposing the narrative with an emphasis on the urgent need to address both. In comparison to all the indicators for board participation, this indicator shows the highest number of MLEs achieving very low scores, as only 6 MLEs out of 31 achieved the target.

Other Black Executive Directors would mostly refer to the “C” suit as the likes of Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Strategist Officer (CSO), etc. The weighting points in this indicator were excluded as some MLEs combined the “Other Executive Directors” with the “Senior Management”, a condition permissible in the Amended FSC. Table 17 below shows the attained averages of the sub-sectors on the Other Black Executive Director’s indicator.

Table 17: MLE Analysis: Black Other Executive Management

Management Control- Black Other Executive Directors						
Sub-sectors	Compliance		#s Target achieved	#s >50% <100%	#s<50/0%	Total
	Target (%)	Averaged (%)				
Charcoal Producers	60	0	0	0	1	1
Contractors	60	30	3	0	3	6
Fibre	60	45.7	3	3	1	7
Growers	60	32.9	0	2	2	4
Pole Producers	60	22	1	1	3	5
Sawmilling	60	32.3	2	3	3	8
Total	60	27.1	9	9	13	31

The Fibre sub-sector achieved a very good score, with Growers, Sawmilling and Contractors showing an average performance, while the remaining sub-sectors performed poorly. Nine (29%) MLEs achieved the target, with another 9 achieving 50% but below 100% towards the target. The remaining MLEs (13, (42%)) attained less than 50% or 0% towards the target.

The performance of Black Women in Other Executive Directors is represented in table 18 below.

Table 18: MLE Analysis: Black Women Other Executive Management

Management Control- Black Women Other Executive Directors						
Sub-sectors	Compliance		#s Target achieved	#s >50% <100%	#s<50/0%	Total
	Target (%)	Averaged (%)				
Charcoal Producers	30	0	0	0	1	1
Contractors	30	10.7	1	1	4	6
Fibre	30	12.6	1	2	4	7
Growers	30	22.5	3	0	1	4
Pole Producers	30	11	1	1	3	5
Sawmilling	30	9.1	2	0	6	8
Total	30	11	8	4	19	31

None of the sub-sectors achieved the target in this indicator as shown in table 18 above. However, the Growers was the only sub-sector that obtained a remarkable score with all the remaining sub-sectors underperforming.

This performance is also validated by the largest number (19, (61%)) of MLEs achieving a score either below 50% or 0%. This trend continues to show that the forest sector has very few black women occupying executive positions, a result that will further compromise the sector in terms of the newly proposed employment equity targets. Concerted efforts to improve this performance should therefore be intensified.

The Senior Management indicator is intended at having a fair and transformative representation of Black People and Women holding senior management positions. These would be in the rank of plantation or estate managers etc. In the succession plans, senior managers would be regarded as future executives. Considering that some MLEs combined the “Other Executive Director” indicator with “Senior Management”, only a fewer MLEs were assessed on this indicator.

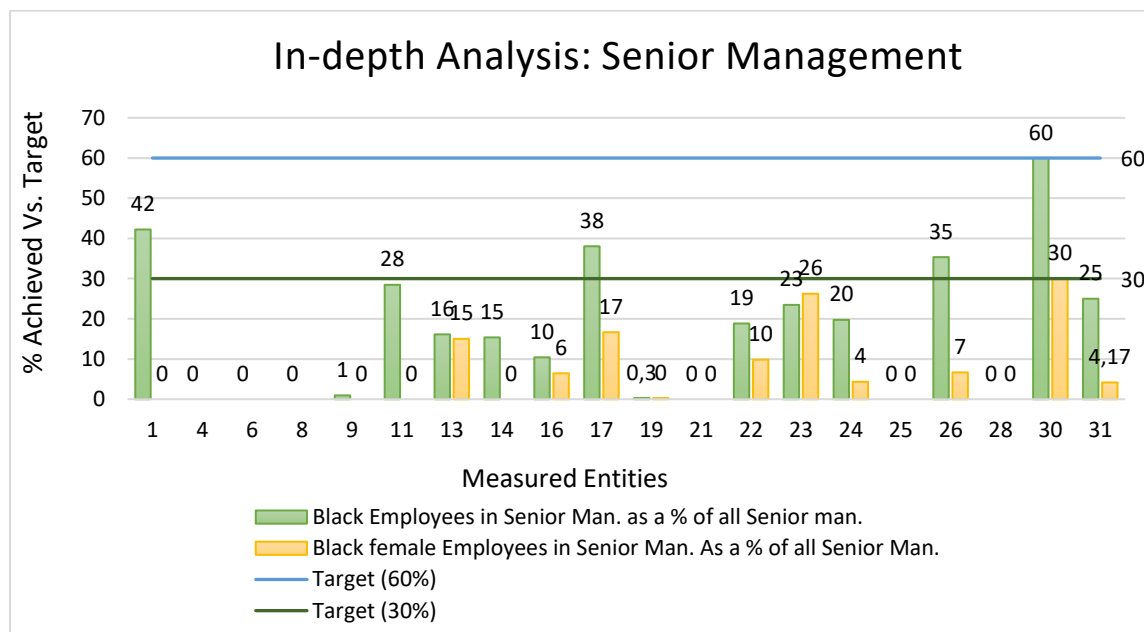


Figure 11: MLE Analysis: Black Participation at Senior Management level

The representation of Black People and Women in senior management positions shows a disappointing outlook as shown in figure 11 above, with only one (5%) MLE attaining the target on both indicators. Only 3 (15%) MLEs demonstrated above average performance in black senior management position, with the remaining 16 (80%) performing poorly, and out of these, 6 (30%) achieving a 0 score. The performance on the representation of black women employees in senior management position shows that only 3 (15%) performed averagely and

above, with the remaining 16 (80%) showing poor performance, and out of these 10 (50%) having no representation under this indicator. The performance is poorer on the women indicator, even though the sector's averages improved slightly. The rationale given in some forums, refers to the rural base nature of forestry operations, thus making it challenging to attract and even retain highly skilled black people. Considering these reasons, this may mean that the sector will continue to under achieve on the MC indicators and therefore other avenues to increase the representation of Black People and Women in particular, should be aggressively explored.

Middle managers are mostly second in command and are potential candidates to be promoted in the future to senior management positions. Such positions are usually occupied by foresters, project managers, etc. Table 19 below illustrates the sub-sectors' performance towards the target on the Black Middle Management indicator.

Table 19: MLE Analysis: Black Participation at Middle Management level

Management Control- Black People Middle Management								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/ 0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	75	0	2	0	0	0	1	1
Contractors	75	42.8	2	1.1	1	3	2	6
Fibre	75	31.6	2	0.8	0	2	5	7
Growers	75	36.4	2	1	0	2	2	4
Pole Producers	75	46.1	2	1.2	0	4	1	5
Sawmilling	75	32.9	2	0.9	0	4	4	8
Total	75	31.6	2	0.8	1	15	15	31

Similarly, to Senior Management indicator, only 1 MLE (3.2%) within the contractor sub-sector achieved the target in this indicator as shown in table 19 above. Fifteen (48.4%) MLEs attained a score of 50% and above but below 100%, with another 15 (48.4%) achieving scores below 50% or 0% towards the target. Only the Contractors and Pole Producers performed well on this indicator. While the achieved score by the other sub-sectors was below 50% towards the target, the representation of Black People in Middle Management was much better compared to the other indicators.

The representation of Black Women in Middle Management positions across the sub-sectors is shown below in table 20 below.

Table 20: MLE Analysis: Black Women Participation at Middle Management level

Management Control- Black Women Middle Management								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s<50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	38	0	1	0	0	0	1	1
Contractors	38	17.6	1	0.5	1	2	3	6
Fibre	38	10.7	1	0.3	0	1	6	7
Growers	38	12.8	1	0.3	0	1	3	4
Pole Producers	38	16.4	1	0.4	0	3	2	5
Sawmilling	38	7.7	1	0.2	1	0	7	8
Total	38	10.9	1	0.3	2	7	22	31

All the reporting sub-sectors under achieved on this indicator with most of the reporting MLEs (22, (71%)) achieving below 50% or 0% towards the target, as displayed in table 20 above. This trend continues to confirm that fewer women are promoted to these positions in the forest sector, validating the very low averages attained. As previously suggested, MLEs are encouraged to promote more women into this position as the level of women participating in this position has a cascading and long-term effect on the representation of women in senior and executive positions.

The Junior Management indicator is meant to create an entry-level management opportunity for Black People and Women. The Junior Management indicators have the highest compliance targets (88% for Black People and 44% for Black Women) when compared to the other Management Control indicators. It would be expected, that through the effective implementation of the succession plans, the potential and future executives and senior managers would be mentored from this pool. The representation of black employees participating in Junior Management level is portrayed in table 21 below.

Table 21: MLE Analysis: Black Participation at Junior Management level

Management Control- Black People Junior Management								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/ 0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	88	47	1	0.5	0	1	0	1
Contractors	88	60.4	1	0.7	2	2	2	6
Fibre	88	56.9	1	0.6	0	6	1	7
Growers	88	61	1	0.7	0	4	0	4
Pole Producers	88	44	1	0.5	0	3	2	5
Sawmilling	88	47.8	1	0.5	0	4	4	8
Total	88	52.8	1	0.6	2	20	9	31

As per previous reports, the representation of Black People in Junior Management positions mirrors a promising prospect. All the sub-sectors attained better scores on this indicator with the Growers and Contractors outperforming them all as displayed in table 21 above. The performance suggests that the forest sector has more male junior managers, showing an alignment to the observations reflected in the 2022 Sanlam Gauge report that highlighted the saturation of black people in Junior Management positions when compared to other management categories. This may validate the narrative that the sector is still male-dominated and hence the better performance on other Black People indicator in the Management Control element.

The representation of black women employees participating in Junior Management level is displayed in table 22 below.

Table 22: MLE Analysis: Black Women Participation at Junior Management level

Management Control- Black Women Junior Management								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	44	0	1	0	0	0	1	1
Contractors	44	30.4	1	0.7	2	2	2	6
Fibre	44	15.1	1	0.3	0	0	7	7
Growers	44	15.4	1	0.4	0	0	4	4
Pole Producers	44	13.1	1	0.3	0	2	3	5
Sawmilling	44	14.2	1	0.3	0	1	7	8
Total	44	14.7	1	0.3	2	5	24	31

Table 22 above shows that only the Contractors sub-sector performed better in this indicator compared to the other 5 sub-sectors, who performed poorly confirming an under representation of Black Women in the Junior Management category. Only 2 (6.5%) MLEs achieved the target, with another 5 (16.1%) achieving above 50% and below 100% and the remaining being the majority of the MLEs (77.4%) getting low scores on this indicator. MLEs are encouraged to employ more black women junior managers to increase the pool of women who will be groomed for future promotions.

The Management Control element has a set target for Black Employees Living with Disabilities meant to promote the recruitment and retention of this grouping in office-based operations. The compliance target is 2%, making it the lowest achievable target in the MC indicators. The achieved compliance of each of the MLEs is shown in figure 12 below.

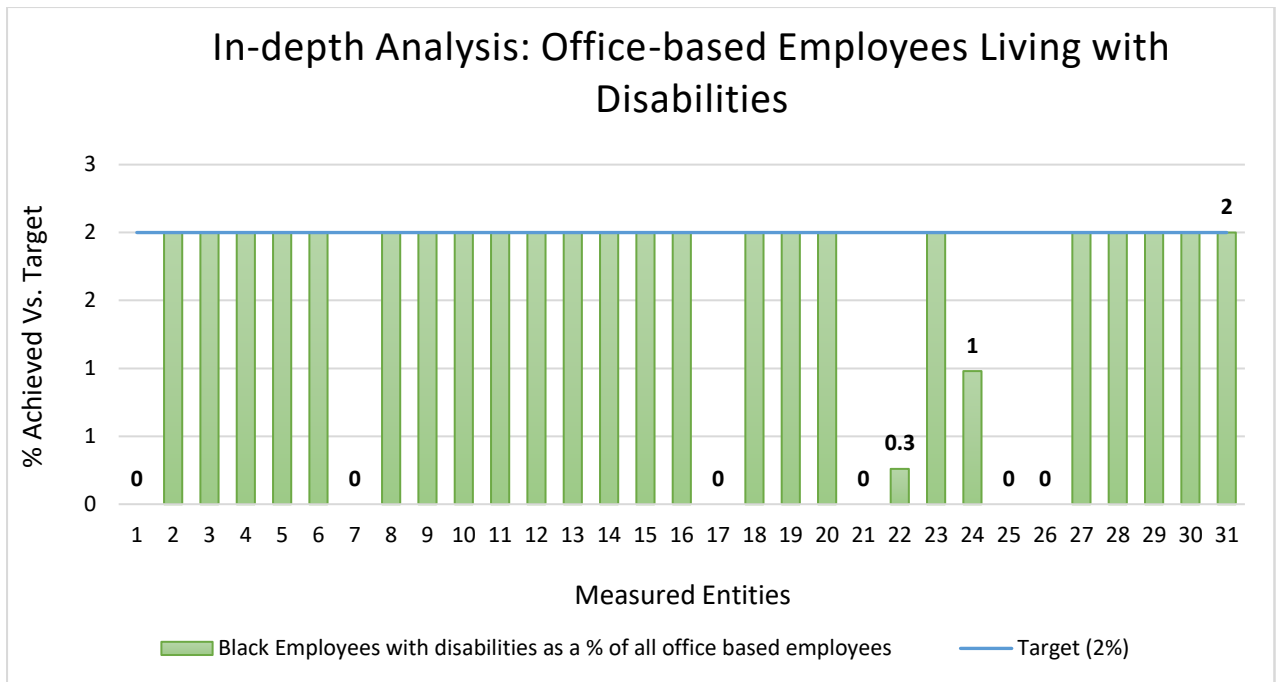


Figure 12: MLE Analysis: Disabled Employees

In 2022/23, 23 (74.2%) MLEs achieved the compliance target compared to 11 in 2021/22 reporting period. Only 2 (6.5%) MLEs achieved the average and below towards the target with the remaining 6 (19.3%) having no Black Disabled employees. The performance reflected an improved outlook when compared to previous years.

4.1.3 SKILLS DEVELOPMENT ANALYSIS

Skills Development (SD) is intended to develop key competencies required to enhance the skills base and promote the creation of decent jobs. It is one of the three priority elements, requiring MLEs to achieve a minimum of 40% of the 20 points (8 points) allocated to it, to avoid being discounted. Figure 13 below demonstrates the SD average performances over a three-reporting period.

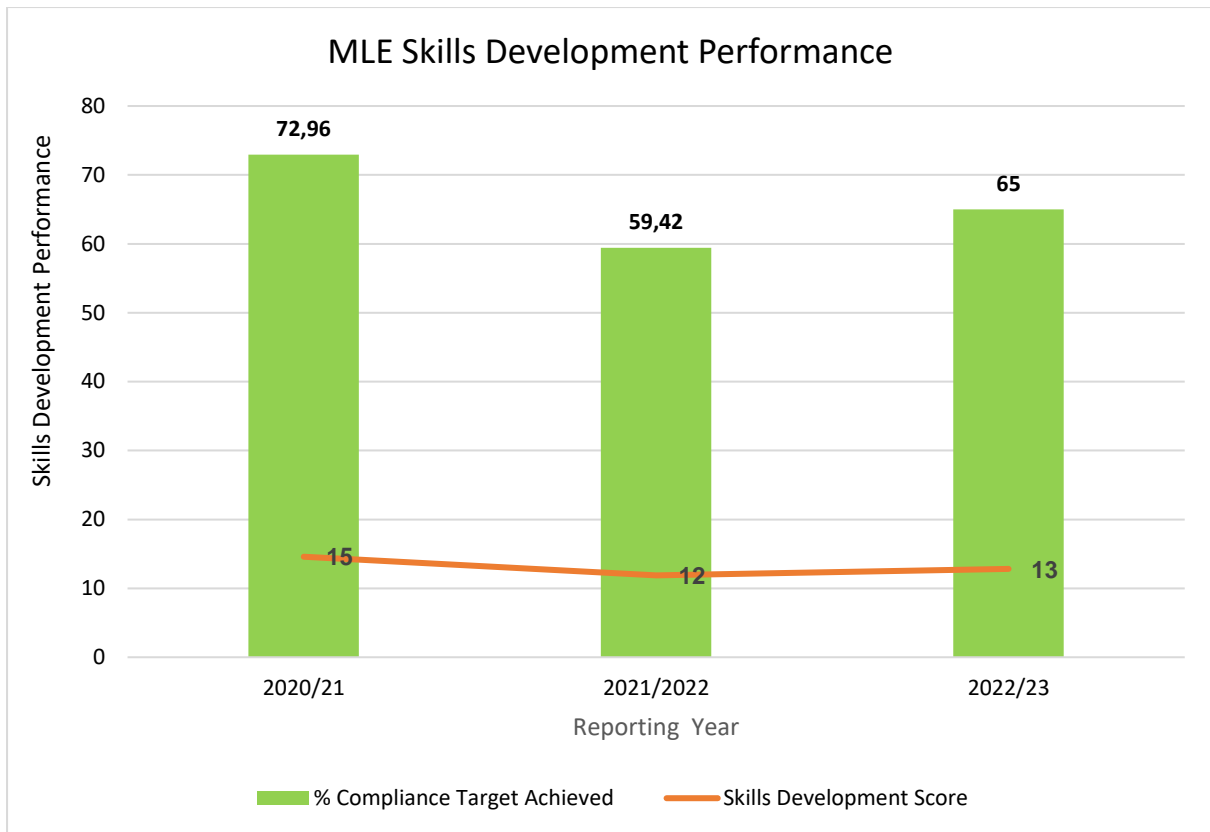


Figure 13: MLE Skills Development Performance, 2020/21 – 2022/23

In the current reporting period, MLEs achieved 64% towards the compliance target on SD, showing an 8% increase when compared to the 59% achieved in 2021/22 as shown in figure 13 above. The improvement in SD may suggest that some MLEs have recovered from the COVID-19 pandemic and are probably able to implement their revised and recognisable skills development strategies and initiatives, thus yielding positive outcomes. Figure 14 below illustrates the average performance of the 6 sub-sectors compared to the industry.

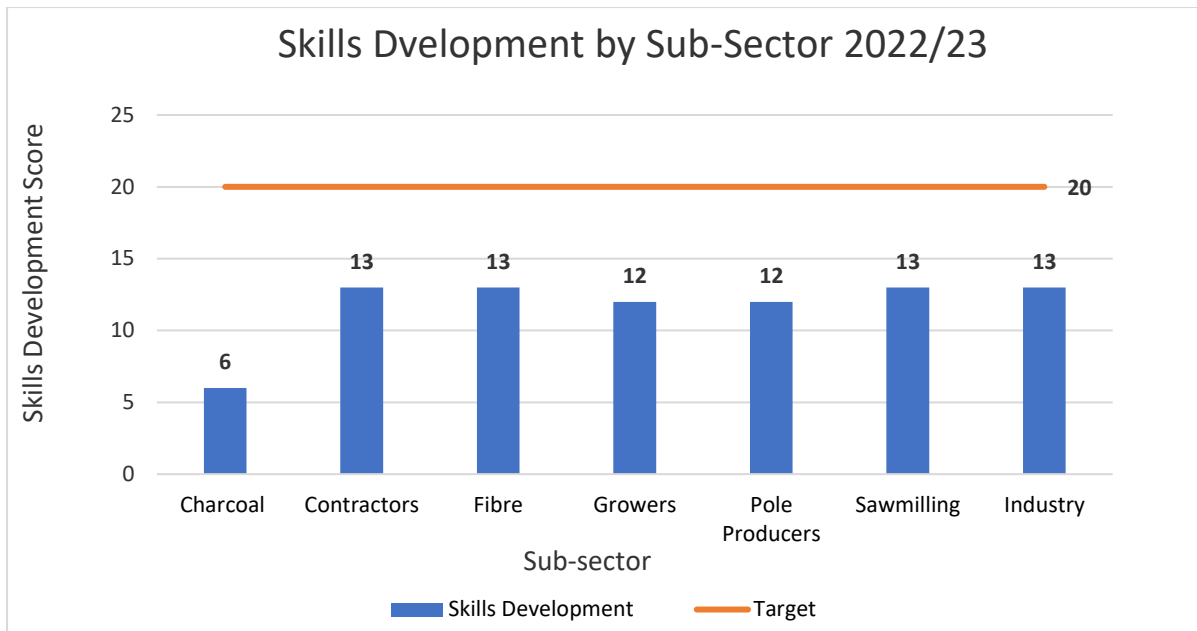


Figure 14: MLE Skills Development Performance per Sub-sector

The Contractors, Fibre, and Pole Producers sub-sectors performed similarly to the industry. The Growers and Pole Producers sub-sectors attained the second-best score, with the Charcoal Producers sub-sector achieving the least score when compared to all the other sub-sectors. While the rationale may not be obvious, chances are the low performance may be a result of being inconsistent with reporting. This would further deprive such reporting entities from getting FSCC’s yearly feedback report that generally highlights the insufficiencies in their B-BBEE implementation which can be used to influence future strategies to achieve good scores.

Skills Development Spend includes any legitimate expenses incurred for any learning programmes as described in the learning matrix that are offered by a measured entity to Black People, People living with Disabilities and Unemployed Learners. Such a spend must be evidenced by an invoice or appropriate internal accounting records, in alignment to the key measurement principles of SD element as detailed in the Amended FSC.

Figure 15 below presents the performance of MLEs on the four indicators of the Skills Development element.

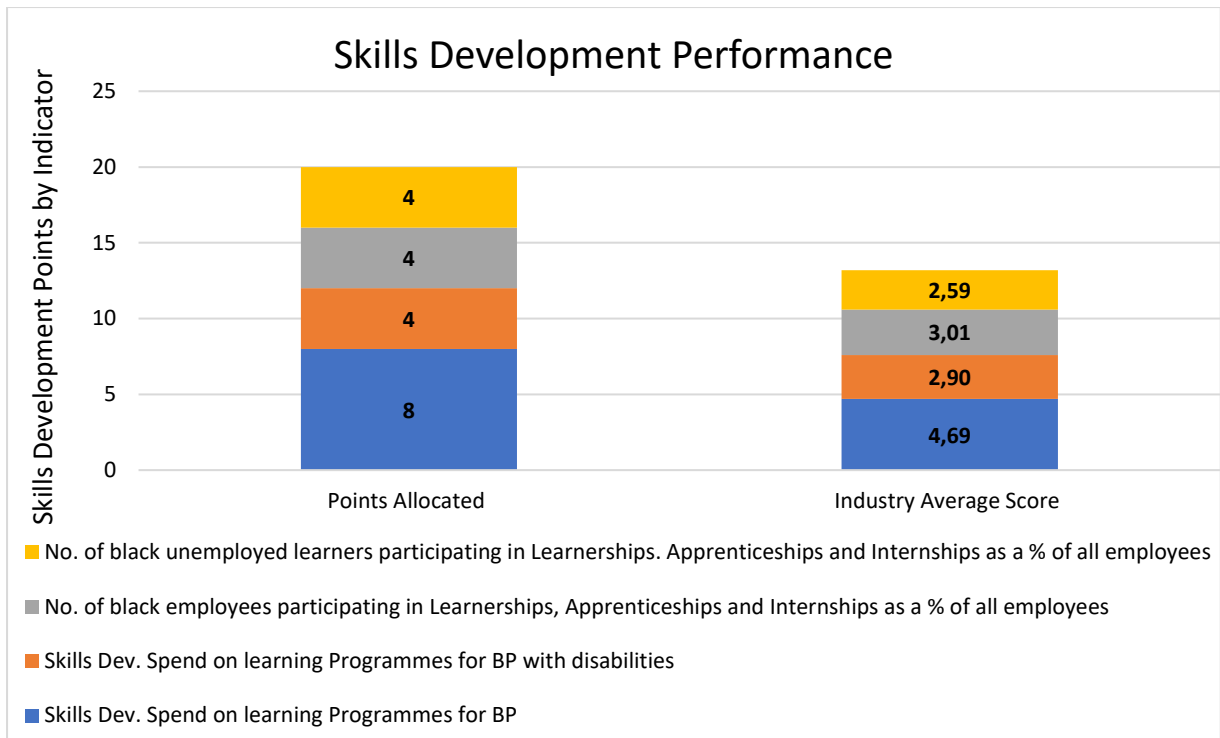


Figure 15: MLE Skills Development Performance per Indicator

Increases were observed in three of the four indicators, with the largest improvements recorded under the skills spend for black employees living with disabilities and employees participating in learnership, apprenticeship and internships. The trend observed in particular on the employees living with disabilities indicator is encouraging considering that in the previous year, a low score was recorded.

MLEs are required to spend 5% of the leviable amount for both internal and external training and 0.3% on skills development expenditure for Black Employees living with Disabilities. In the other two indicators MLEs' are required to also spend 2.5% each for Learnership, Apprenticeship, and Internships for Black Employees, as well as Black Unemployed Learners. Seemingly the first three indicators show a similar performance in the last three years with declines and improvements observed between the last two years as shown in table 23 below. The decline recorded in the Black Unemployed Learners is insignificant when compared to the 2021/22 but obvious when compared to the 2020/21 reporting year.

Table 23: MLE Analysis: Three-year comparison of the SD indicators

Indicator	Points Allocated	Average Score FY 2020/21	Average Score FY 2021/22	Average Score FY 2022/23	Compliance Target (%)	Indicator Achieved (%) FY 2020/21	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23
Skills Development Expenditure- Black People	8	5.3	4.51	4.69	5	66	56	59
Skills Development Expenditure- Black Employees living with Disabilities	4	2.66	2.31	2.9	0.3	67	58	73
Black Employees- LAI	4	3.02	2.47	3.01	2.5	76	62	75
Black Unemployed Learners- LAI	4	3.41	2.7	2.59	2.5	85	68	67

Skills Development Spend on Black People

The MLEs play a crucial role in fostering the development of essential skills within the labour-intensive forestry sector, often necessitating in-house training. Table 24 below illustrates the skills development expenditure allocated for Black People per sub-sector

Table 24: MLE Analysis: Skills Development Spend on Black People

Skills Development Spend- Black People								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	5	5	8	8	1	0	0	1
Contractors	5	3.1	8	4.9	1	2	3	6
Fibre	5	2.8	8	4.6	0	4	3	7
Growers	5	3.1	8	4.9	0	2	2	4
Pole Producers	5	3.7	8	6	1	3	1	5
Sawmilling	5	2.5	8	4.1	0	4	4	8
Total	5	3.4	8	5.4	3	15	13	31

As shown in table 24, only the Charcoal Producers sub-sector achieved the target of 5%. Four additional sub-sectors attained average scores, with the Sawmilling sub-sector performing the least and achieving half of the target. Further analysis shows that only a few (3, (10%)) of the MLEs achieved the target on this indicator. The number of MLEs achieving above 50% but below 100% as well as those achieving below 50% and or 0% towards the target shows an upward trend, proving that most MLEs find it challenging to spend the 5% leviable amount. The suggestion in the amendments to the Amended FSC to consider the 1% skills levy as part of the leviable amount is thus justified.

In the SD element, MLEs are required to develop the competencies of their Black Employees living with Disabilities. MLEs are likely to achieve this target on condition they have employed black people living with disabilities as per the employment equity requirements of the Management Control element. Table 25 displays the Skills Development Spend performance on Black Employees Living with Disabilities.

Table 25: MLE Analysis: Skills Development Spend on Black Employees Living with Disabilities

Skills Development Spend- Black Employees Living with Disabilities								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	0.3	0	4	0	0	0	1	1
Contractors	0.3	0.2	4	2.67	4	0	2	6
Fibre	0.3	0.22	4	2.95	4	0	3	7
Growers	0.3	0.09	4	1.23	1	0	3	4
Pole Producers	0.3	0.24	4	3.23	3	0	2	5
Sawmilling	0.3	0.23	4	3.02	5	0	3	8
Total	0.3	0.16	4	2.18	17	0	14	31

Seemingly the Pole Producers were the best performing in this indicator, with the Sawmilling, Fibre and Contractors sub-sectors achieving good scores as displayed in table 25 above. Poor performance was observed under the Charcoal Producers and Growers sub-sectors respectively showing a different inclination when compared to the Skills Spend for Black People. In this indicator, MLEs either achieved the target or 50% below or 0% towards the target as shown in table 25 above.

Learnership, Apprenticeship and Internships

Measured entities should prioritise and facilitate professional, vocational, technical, and academic learning programs that encompass professional placements, work-integrated learning, apprenticeships, and learnership opportunities. These initiatives should meet the necessary criteria for fostering economic growth and development.

Learnership, Apprenticeship and Internships for Black Employees

Table 26 below demonstrates the average scores of the reporting sub-sectors achieved on black employees participating in learnership, apprenticeship and internship programmes.

Table 26: MLE Analysis: Black Employees Participating in Learnerships, Apprenticeships and Internships

Black Employees - Learnership, Apprenticeship & Internship								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	2.5	0	4	0	0	0	1	1
Contractors	2.5	1.72	4	2.75	0	4	2	6
Fibre	2.5	2.24	4	3.59	1	6	0	7
Growers	2.5	2.26	4	3.61	0	4	0	4
Pole Producers	2.5	1.69	4	2.71	1	2	2	5
Sawmilling	2.5	1.54	4	2.46	0	5	3	8
Total	2.5	1.58	4	2.52	2	21	8	31

All the reporting sub-sectors apart from Charcoal Producers achieved good scores, with Growers and Fibre being the best-performing sub-sectors. Very few MLEs (2, (6%)) achieved the target. A majority of the reporting MLEs (21, (68%)) achieved either above 50% or below the target as demonstrated in table 26 above.

Learnership, Apprenticeship and Internships for Black Unemployed Learners

The skilling of Black Unemployed Learners is of much significance, given the prevailing high unemployment rate. Measured entities should prioritise and facilitate vocational, technical, and academic learning programs that encompass professional placements, work-integrated learning, apprenticeships, and learnership opportunities. These initiatives should meet the necessary criteria for fostering economic growth and development. Table 27 below compares the percentage scores achieved by each of the reporting sub-sectors on black unemployed learners participating in learnership, apprenticeship and internship initiatives.

Table 27: MLE Analysis: Black Unemployed Learners Participating in Learnerships, Apprenticeships and Internships

Black Unemployed Learners- Learnership, Apprenticeship & Internship								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	2.5	0	4	0	0	0	1	1
Contractors	2.5	1.2	4	1.91	0	2	4	6
Fibre	2.5	1.94	4	3.11	1	5	1	7
Growers	2.5	1.88	4	3	0	3	1	4
Pole Producers	2.5	1.58	4	2.52	0	3	2	5
Sawmilling	2.5	1.43	4	2.29	1	4	3	8
Total	2.5	1.3	4	2.14	2	17	12	31

Fibre and Growers sub-sectors outperformed all the other sub-sectors with the Pole Producers and Sawmilling sub-sectors displaying an average performance. In this indicator, also very few MLEs (2, (6%)) achieved the target, with a majority (17, (55%)) achieving above 50% but below the target an outlook also exposing a similar pattern as observed in table 26 above.

Absorption through Skills Development

Black economic empowerment should be an enabler for the creation of new jobs, which can be facilitated by SD's absorption principle. This requirement is of significance at the present time, in particular amongst the younger generation, given the prevailing high unemployment rate, aggravated by various economic growth challenges. It is anticipated that a reasonable number of new jobs can be created by the economic sectors that have the potential to expand or diversify into other operations of significance.

In the Skills Development element, a measured entity can achieve 5 extra points through the absorption of the unemployed learners at the end of learnership programme provided the same entity creates the much-needed employment for all learners trained. These points can however be prorated in cases where all the learners were not offered job opportunities. Figure 16 below portrays the absorption rate achieved by the reporting MLEs.

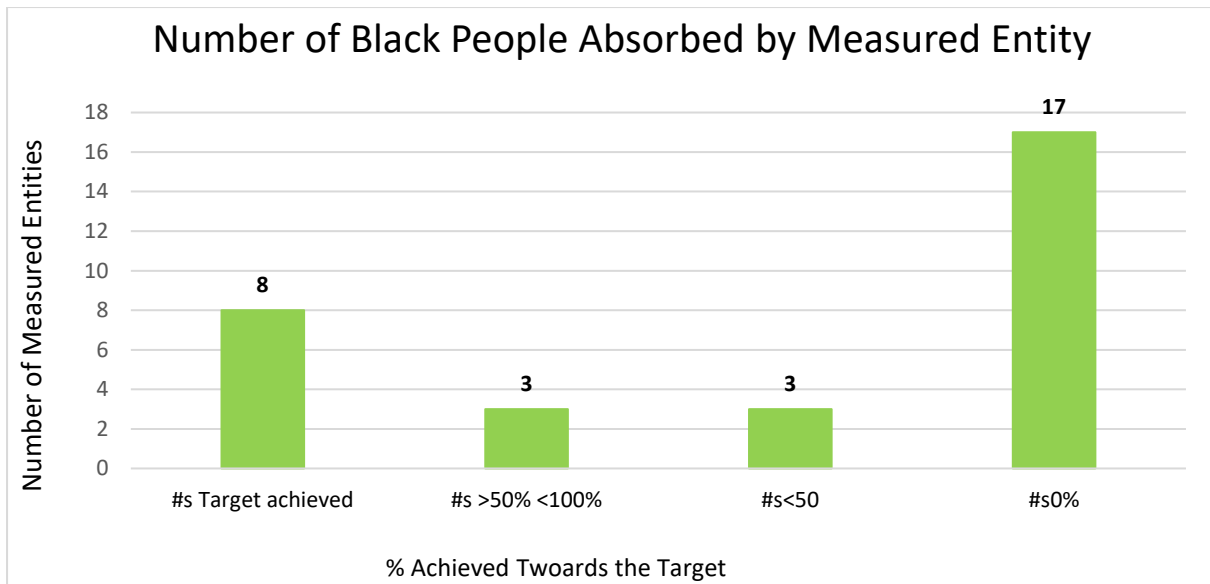


Figure 16: MLE Analysis: Absorption of Learners into Measured Entity

Only 8 (25%) absorbed all their unemployed learners, 3 (10%) of these belonging to Fibre, 2 from the Sawmilling with 1 each from the Growers, Pole Producers and Contractors sub-sectors. Other 3 (10%) MLEs achieved between 50% and below 100% towards the target, with an additional 3 (10%) recording a low absorption rate. Seventeen (55%) MLEs did not create employment for their unemployed learners. These were spread throughout all the reporting sub-sectors, with the mode recorded under the Sawmilling sub-sector. This could be attributable to the challenge of registration of qualifying occupations that was previously reported by the Sawmilling sub-sector.

4.1.4 ENTERPRISE AND SUPPLIER DEVELOPMENT ANALYSIS

Enterprise and Supplier Development (ESD) measures the extent to which companies support and invest in small medium and micro enterprises (SMMEs) and promotes local procurement. This could be through sustainable inclusion in the supply chain and more so extending procurement opportunities to these groupings hence the diverse grouping of beneficiaries under this element. These entities are usually Qualifying Small Enterprises (QSEs) and Exempted Micro Enterprises (EMEs) in the B-BBEE concept owned by black people and women. The ESD element is also a priority element. MLEs are required to achieve a 40% minimum on each of the three sub-elements within the ESD. The MLE need to at least achieve 9.2 points on Preferential Procurement (PP) and 4 points each for Supplier Development (SD) and Enterprise Development (ED).

Some of the recognisable contributions for this element includes financial and non-financial supp. It was anticipated that the commissioned research on this element will unpack the performance and would present some facts to substantiate the good performance observed in this element. However, only a few MLEs responded to the questionnaire, justifying the need to defer the research to the 2023/24 financial year. Figure 17 below displays the average ESD performance of reporting entities over three reporting periods.

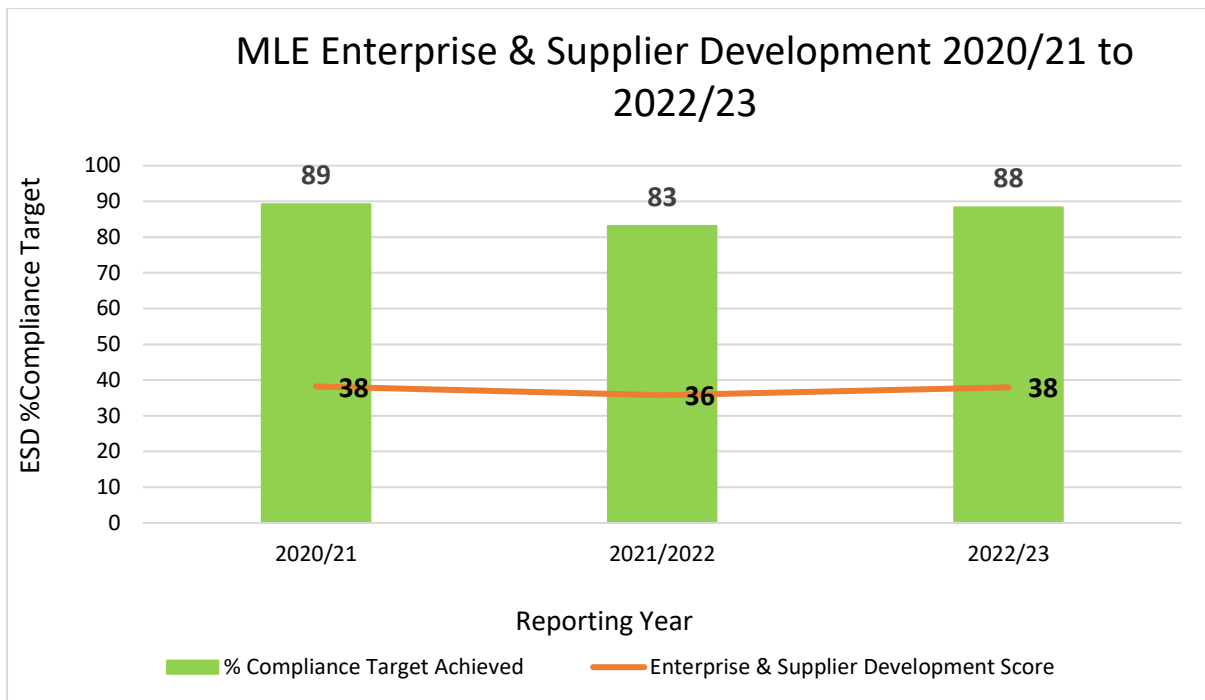


Figure 17: Enterprise & Supplier Development Performance, 2020/21 – 2022/23

The current reporting year of 2022/23 shows a noticeable 6% improvement as compared to the average performance achieved in 2021/22 as shown in figure 17 above. However, when comparing 2022/23 to the average performance achieved in 2020/21, a slight decline was recorded. The increase in ESD for the industry performance in 2022/23 may have resulted in new successful partnerships with black suppliers and enterprises.

Figure 18 above illustrates the average performance of different sub-sectors in terms of ESD.

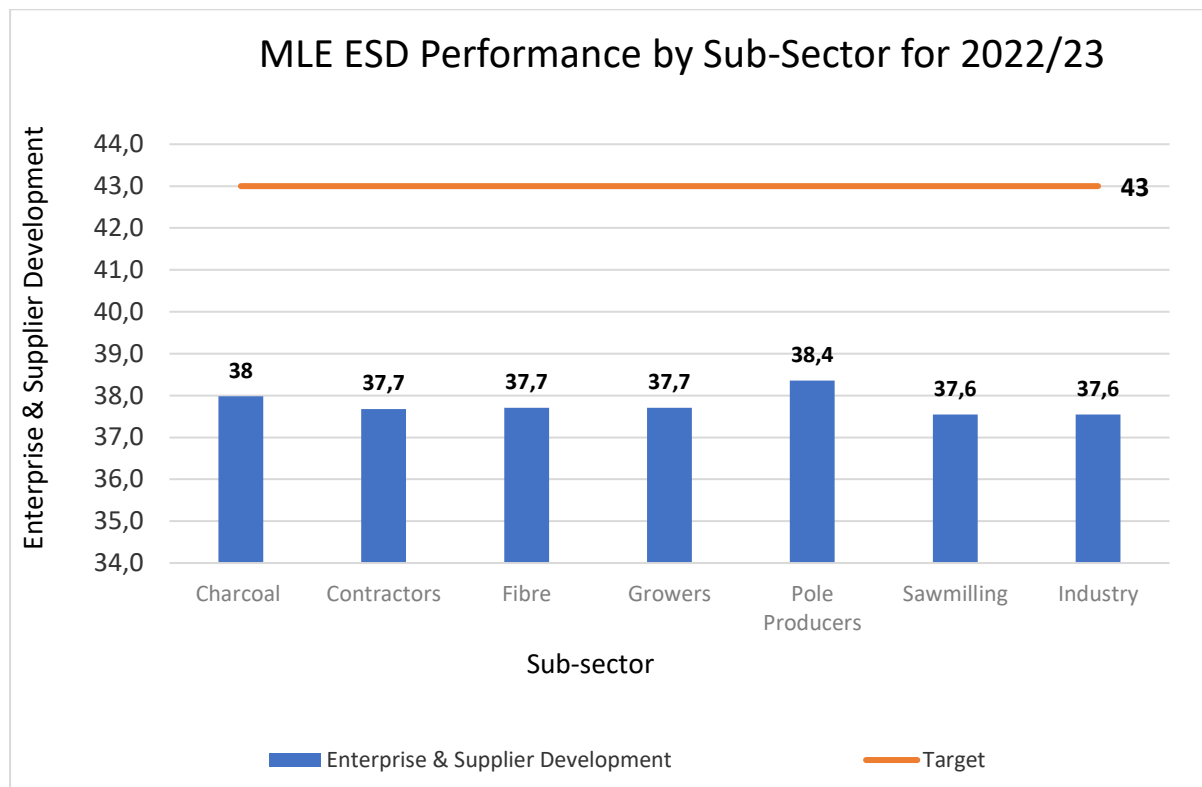


Figure 18: MLE Enterprise and Supplier Development Performance per sub-sector

Remarkable scores were achieved across the 6 sub-sectors in the current year as reflected in figure 18 above. This performance continues to show that the forest sector find this element easy to implement.

Procurement spend refers to the total amount of money an MLE allocates for acquiring goods and services from preferred suppliers as specified in the Amended FSC. Figure 19 below illustrates the Preferential Procurement performance amongst various target groups.

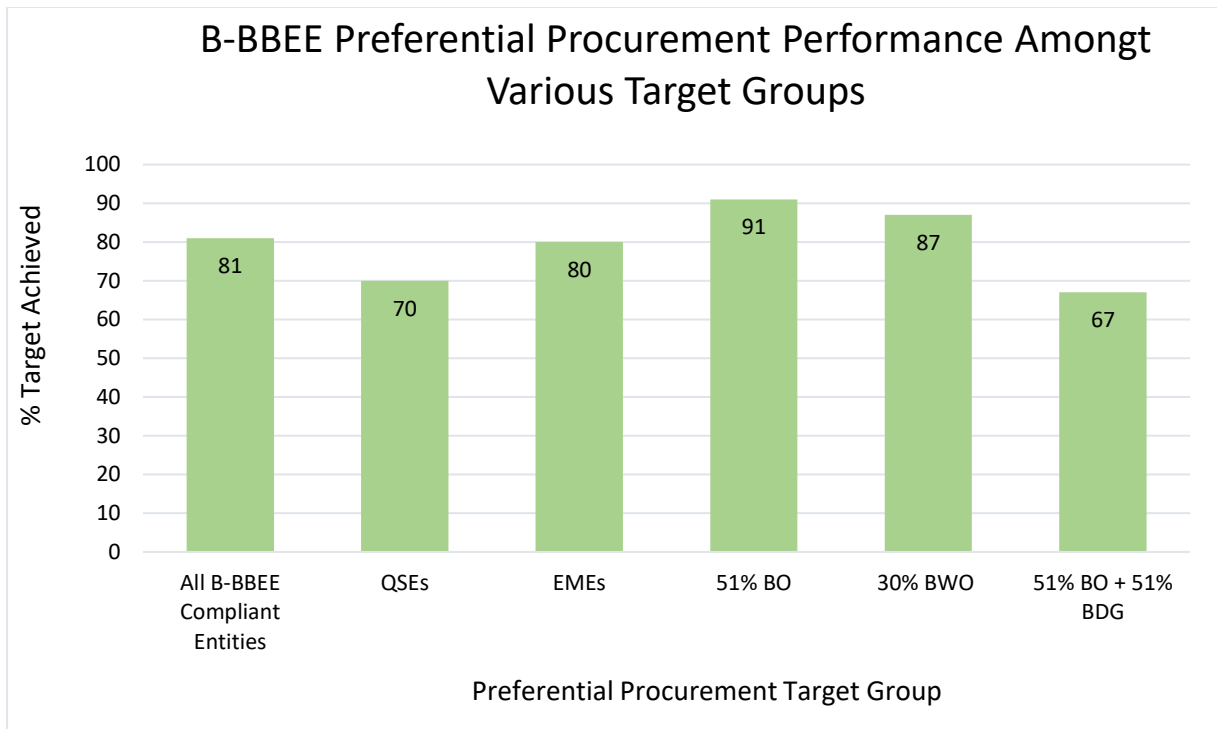


Figure 19: MLE B-BBEE Preferential Procurement Performance amongst Various Target Groups

MLEs are finding it easy to procure from all types of suppliers as evident from the scores achieved as displayed in figure 19 above. Slight improvements were recorded in 4 of the 6 indicators. While there were observed declines in the procurement from EMEs and 30% BWO indicators, good scores were still achieved.

Table 28 below presents a comparison of the ESD performance for MLEs over a three-year reporting period.

Table 28: MLEs Three-year performance comparison on ESD element

Indicator	Points Allocated	Average Score FY 2020/21	Average Score FY 2021/22	Average Score FY 2022/23	Compliance Target (%)	Indicator Achieved (%) FY 2020/21	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23
PPS All Suppliers	5	3.95	3.75	4.07	80	79	75	81
PPS from QSEs	2	-	1.52	1.49	15	-	76	75
PPS from EMEs	3	-	2.08	2.22	15	-	69	74
PPS from 51% BO	9	-	7.15	8.68	40	-	79	96
PPS from 30% BWO	2	-	2	1.74	10	-	100	87
PPS from 51% BDG	2	-	2	1.32	2	-	100	66
SD Contribution	10	9.92	9.03	9.51	2	99	90	95
ED Contribution	10	10	9.47	9.74	1	100	95	97
ED Contribution	7*	4.79	6.59	6.41	1	68	94	92
Sale of Logs EMEs /QSEs	2	0	0.11	0.46	20	0	5.5	23
Sale of Logs 51% BO/30% BWO	1	0	0.11	0.25	5	0	11	25

Disclaimer: - means scores not confirmed on half or full targets.

While the performance in each indicator varied when compared to previous years with some declines and improvements observed, exceptional scores in most of the indicators were achieved even in the current reporting year. The biggest decline was recorded in Procurement spend from 51% Black Designated Groupings. This may suggest that some MLEs still find this indicator challenging and hence would attain lower scores.

As per previous years, MLEs also received exceptional scores on the SD and ED indicators proving that most MLEs perform well on the ESD element as also shown in Table 28 below. MLEs operating as Growers and Sawmillers are also required to sell logs to QSEs and EMEs as well

as 51% BO and 30% BWO entities as part of their contributions to the ED sub-element. Growers find this requirement easy to implement when compared to Sawmillers as none of the Sawmillers achieved any points on these two indicators. This may mean Sawmillers are not supporting such entities whose growth and sustainability are dependent on the timber resource as well. It would be anticipated that such entities should also benefit from the public-private partnership that would be explored when Category B & Cs are disbursed by Government.

The performance of MLEs on the ESD indicators based on the halved targets is shown in Table 29 below. Similarly, MLEs preferring this option also perform well with declines and improvements recorded when compared to other years. This good performance validates that the Sector is not challenged with implementing this element and as such the research commissioned on the ESD element is thus justified.

Table 29: MLEs year performance comparison on ESD (Procurement Preferential) element (half targets)

Indicator	Points Allocated	Average Score FY 2020/21	Average Score FY 2021/22	Average Score FY 2022/23	Compliance Target (%)	Indicator Achieved (%) FY 2020/21	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23
PPS from QSEs	2	1.65	1.4	1.36	7.5	83	70	68
PPS from EMEs	3	2.88	2.76	2.4	7.5	96	92	80
PPS from 51% BO	9	7.88	7.67	8.19	20	88	85	91
PPS from 30% BWO	2	1.71	1.83	1.74	5	86	92	87
PPS from 51% BDG	2	1.34	0.61	1.34	1	67	31	67

Table 30 below illustrates the procurement spend from all suppliers based on their recognition levels per sub-sector. All the reporting sub-sectors achieved good scores on this indicator.

Table 30: MLE Analysis: Procurement Spend on all Suppliers based on their Recognition Levels

Procurement Spend from all suppliers based on their B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	80	53	5	3.3	0	0	1	1
Contractors	80	69.6	5	4.3	4	1	1	6
Fibre	80	63.4	5	4	2	5	0	7
Growers	80	62	5	3.9	0	4	0	4
Pole Producers	80	63.8	5	4	3	1	1	5
Sawmilling	80	64.3	5	4	2	5	1	8
Total	80	62.6	5	3.9	11	16	4	31

A total of 11 MLEs (35%) achieved the compliance target for procuring from all suppliers, showing an improvement from the 7 entities in the 2021/22 reporting period. Furthermore, 16 (52%) MLEs achieved 50% or more but less than 100% towards the target with only 4 (13%) entities achieving less than 50% in the current reporting period.

MLEs are also required to procure goods and services from QSEs and EMEs. These entities render various forestry-related goods and services such as security and cleaning services, silviculture activities, harvesting and fire management, and many more. The contracting practice allows MLEs to support local businesses, promote sustainable practices and ensure responsible sourcing of forest products or services. Considering that the Completeness Ratio is still at 100%, suggesting that none of the joint undertakings have been fully implemented,

MLEs can choose to be rated on half of the compliance targets on five of the preferential procurement indicators.

Table 31 below demonstrates the performance of sub-sectors on the procurement spend from QSEs that were verified on half of the compliance target.

Table 31: MLE Analysis: Procurement Spend on QSEs per sub-sector (Half points)

Procurement Spend from Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	7.5	2	2	0.5	0	0	1	1
Contractors	7.5	3.3	2	0.9	2	0	3	5
Fibre	7.5	7.5	2	2	3	0	0	3
Growers	7.5	7.5	2	2	2	2	0	4
Pole Producers	7.5	6.2	2	1.7	4	0	1	5
Sawmilling	7.5	4.4	2	1.2	3	0	4	7
Total	7.5	5.1	2	1.4	14	2	9	25

Fibre and Growers were best-performing, achieving the compliance target, with Pole Producers recording a good score and Sawmilling achieving more than 50% towards the compliance target. The least performing sub-sectors were Charcoal Producers and Contractors, both achieving less than 50% towards the target. Out of the 25 MLEs that used half the compliance target on this indicator, a majority of the MLEs (14, (56%)) achieved the compliance target in 2022/23 as compared to 8 (32%) MLEs in 2021/22. The other 2 (8%) MLEs achieved above 50% but below 100% of the compliance target, with the remaining 9 (36%) attaining less than 50% or 0% in the current reporting year.

The procurement spend from QSEs for sub-sectors that used full compliance target is shown in table 32 below.

Table 32: MLE Analysis: Procurement Spend on QSEs per sub-sector (Full points)

Procurement Spend from Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Contractors	15	8.5	2	1.1	0	1	0	1
Fibre	15	8.1	2	1.1	0	1	3	4
Sawmilling	15	9.1	2	1.2	0	1	0	1
Total	15	8.6	2	1.1	0	3	3	6

MLEs seem to be challenged by this indicator as observed in the overall scores recorded for each sub-sector. The observed performance is validated by that none of the reporting entities in these sub-sectors achieved the target, with only 3 each (50%) either achieving more than 50%, and less than 50% towards the compliance target respectively.

Table 33 below illustrates procurement spend from EMEs for the sub-sector that used half compliance target.

Table 33: MLE Analysis: Procurement Spend on EMEs per sub-sector (Half Points)

Procurement Spend from Exempt Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	7.5	7.5	3	3	1	0	0	1
Contractors	7.5	4.5	3	1.8	2	1	2	5
Fibre	7.5	5.8	3	2.3	1	2	0	3
Growers	7.5	5.8	3	2.3	3	1	0	4
Pole Producers	7.5	7.5	3	3	5	0	0	5
Sawmilling	7.5	6.7	3	2.7	5	1	1	7
Total	7.5	6.3	3	2.5	17	5	3	25

The Charcoal Producers and Pole Producers outperformed all other sub-sectors. The other remaining sub-sectors also achieved good scores, suggesting that EMEs are supported in the sector. It would be interesting to even validate the goods and services procured from this grouping as their sustainability is highly dependent from the support of the larger companies in most times. As also shown in table 33, more MLEs, (17, 68%) achieved the compliance target on this indicator with very few obtaining average and poor scores.

Table 34 below illustrates procurement spend by MLEs from EMEs that used full compliance targets.

Table 34: MLE Analysis: Procurement Spend from EMEs per sub-sector (full Points)

Procurement Spend from Exempt Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Contractors	15	15	3	3.1	1	0	0	1
Fibre	15	8.6	3	1.7	1	1	2	4
Sawmilling	15	0.3	3	0.1	0	0	1	6
Total	15	8	3	1.6	2	1	3	25

The Contractor's sub-sector out performed the other two sub-sectors achieving the target, with Fibre fairly performing. The Sawmilling poorly performed on this indicator suggesting the need to create these type of businesses through the enterprise development spend.

MLEs are also expected to procure from 51% Black-Owned (BO) and 30% Black Women-Owned (BWO) businesses as a means to diversify their supply chain. The performance on the procurement spend from 51% BO Suppliers for the 6 sub-sectors that used half the compliance target is displayed in table 35 below.

Table 35: MLE Analysis: Procurement Spend from 51% BO Suppliers per sub-sector (Half Points)

Procurement Spend from 51% BO Suppliers based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	20	16	9	7.2	0	1	0	1
Contractors	20	20	9	9	5	0	0	5
Fibre	20	19.6	9	8.8	2	1	0	3
Growers	20	19.6	9	8.8	2	2	0	4
Pole Producers	20	20	9	9	5	0	0	5
Sawmilling	20	16.5	9	7.4	3	3	1	7
Total	20	18.6	9	8.4	17	7	1	25

All the sub-sectors performed exceptionally on this indicator, with Contractors and Pole Producers attaining the target as displayed in table 35 above. This may suggest that these would be the same Enhanced QSEs achieving a level 2 as a result of having 51% black ownership.

The procurement spend from 51% BO Suppliers in each sub-sector based on the full compliance target is presented in table 36 below.

Table 36: MLE Analysis: Procurement Spend from 51% BO Suppliers per sub-sector (Half Points)

Procurement Spend from 51% BO Suppliers based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Contractors	40	40	9	9	1	0	0	1
Fibre	40	37.5	9	8.4	2	2	0	4
Sawmilling	40	20.4	9	4.6	0	1	0	1
Total	40	32.6	9	7.3	3	3	0	6

The Contractors and Fibre sub-sectors found this indicator easy to implement as validated by the exceptional scores achieved as reflected in table 36 above. An average score was

recorded in the Sawmilling sub-sector. None of the reporting MLEs recorded scores below 50% or 0% towards the target.

MLEs are also obligated to procure from 30% BWO suppliers. An announcement was made by the President calling for the extensive support of women-owned businesses and even reinforcing a 40% target of all government procurement for women-owned businesses. Table 37 displays the procurement of MLEs from 30% BWO across all sub-sectors and based on the half compliance target.

Table 37: MLE Analysis: Procurement Spend from 30% BWO Suppliers per sub-sector (Half points)

Procurement Spend from 30% BWO Suppliers based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	5	5	2	2	1	0	0	1
Contractors	5	4.4	2	1.7	4	0	1	5
Fibre	5	3.3	2	1.3	2	0	1	3
Growers	5	5	2	2	4	0	0	4
Pole Producers	5	5	2	2	5	0	0	5
Sawmilling	5	3.8	2	1.5	4	2	1	7
Total	5	4.4	2	1.8	20	2	3	25

All sub-sectors achieved good scores on this indicator with the Growers, Charcoal and Pole Producers outperforming them all. A majority of the MLEs also (80%) achieved the target justifying the good scores obtained as demonstrated in table 37 above.

MLEs are required to procure from 30% BWO business across all sub-sectors based on the full compliance target as portrayed in table 38 below.

Table 38: MLE Analysis: Procurement Spend from 30% BWO Suppliers per sub-sector.

Procurement Spend from 30% BWO Suppliers based on the applicable B-BBEE Procurement Recognition Levels								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Contractors	10	3.2	2	0.6	0	0	1	1
Fibre	10	9.7	2	1.9	3	1	0	4
Sawmilling	10	10	2	2	1	0	0	1
Total	10	7.6	2	1.5	4	1	1	6

Remarkable performance was recorded in 2 (Sawmilling and Fibre) of the three sub-sectors with the Contractors poorly performing on this indicator. This is 1 of the few indicators that Contractors found challenging to implement. Possible reasons could be associated to that they are service providers for the outsourced operations and may not find it easy to procure equipment from black women owned suppliers in particular the large equipment which are often procured externally. A total of 4 (67%) MLEs achieved the compliance target out of the 6 entities that used the full compliance target, as compared to 1 (50%) in 2021/22.

Black Designated Groups (BDGs) are also preferred suppliers as espoused in the PP scorecard. The support of BDGs is highly encouraged as it realises the broadness nature of the B-BBEE policy. Table 39 demonstrates procurement spend from 51% BO and 51% BDGs from across sub-sectors based on half compliance target.

Table 39: MLE Analysis: Procurement Spend from 51% BO and 51% BDGs per sub-sector Half Points)

Procurement Spend from Suppliers that are at least 51% BO and 51% Owned by BDG								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	1	1	2	2	1	0	0	1
Contractors	1	0.6	2	1.2	2	1	2	5
Fibre	1	0.7	2	1.4	2	0	1	3
Growers	1	0.6	2	1.2	2	0	2	4
Pole Producers	1	0.5	2	1.1	1	2	2	5
Sawmilling	1	0.8	2	1.6	5	1	1	7
Total	1	0.7	2	1.4	13	4	8	25

Good to average scores were achieved, with the Charcoal Producers being the only sub-sector achieving the target. Other sub-sectors that performed well also on this indicator were Sawmilling and Fibre as demonstrated in table 39 above. The remaining sub-sectors obtained an average score towards the target. Thirteen (52%) MLEs achieved the compliance target, while another 8 (32%) poorly performed, attaining below 50% or 0%.

Table 40 shows the procurement spend from 51% BO and 51% BDGs from across sub-sectors based on full compliance target.

Table 40: MLE Analysis: Procurement Spend from 51% BO and 51% BDG per sub-sector Full Points)

Procurement Spend from Suppliers that are at least 51% BO and 51% Owned by BDG								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/ 0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Contractors	2	1.2	2	1.2	0	1	0	1
Fibre	2	2	2	2	4	0	0	4
Sawmilling	2	0	2	0	0	0	1	1
Total	2	1.1	2	1.1	4	1	1	6

Only the Fibre sub-sector achieved the compliance target, followed by the Contractors achieving a good score as shown in the table 40 above. All the MLEs in the Fibre sub-sector achieved the target. MLEs from the Sawmilling sub-sector performed poorly on this indicator hence the 0 score attained.

In order for a measured entity to implement Supplier Development (SD) and Enterprise Development (ED), it must assess and identify the needs of the beneficiary or benefitting entity and enter into an ED or SD agreement with either of the two. The agreement must clearly indicate the support that will be provided and should be aligned with the objectives of economic inclusion and participation.

MLEs are encouraged to develop new enterprises through ED which can be their future suppliers to ensure their sustainability and growth. An ED beneficiary is not part of the supply chain yet the SD is a registered supplier of the measured entity.

The objective of SD is to support local procurement and bring about a diverse and inclusive supply chain. An MLE can only achieve full points under this indicator if it spends 2% Net Profit After Tax (NPAT) on SD initiatives. The SD spend by MLEs across the sub-sectors is displayed in table 41 below.

Table 41: MLE Analysis: Supplier Development Contributions per Sub-sector

Annual Value of all Qualifying SD Contributions made by the Measured entity as a % of the Target								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	2	2	10	10	1	0	0	1
Contractors	2	1.9	10	9.4	4	2	0	6
Fibre	2	1.9	10	9.5	5	2	0	7
Growers	2	1.9	10	9.4	3	1	0	4
Pole Producers	2	2	10	10	4	1	0	5
Sawmilling	2	1.9	10	9.3	6	2	0	8
Total	2	1.9	10	9.6	23	8	0	31

All 6 sub-sectors performed outstandingly in this indicator as displayed in table 41 above. The encouraging performance in this indicator is even substantiated by the majority of MLEs performing exceptionally with none of them scoring below 50% or 0% towards the target. This seems to be one of the ESD indicators where MLEs find it easy to implement. It would be even enlightening to get an in-depth analysis of the total spend, the type of contributions and the impact of this performance on rural economic development. Possibly the deferred commissioned research on the ESD element would have unpacked this performance which could be also benchmarked against the observations detailed in the ESD report released by the B-BBEE Commission.

The ED sub-element is intended at creating new and sustainable businesses that have a potential to create other jobs. An MLE is required to spend 1% of NPAT towards ED contributions to get the 10 points with the exception of MLEs operating in the Growers and Sawmilling sub-sectors. Such entities can only achieve 7 points for spending the 1% NPAT with the other 3 points attainable when selling logs to QSEs and EMEs and 51% BO or 30% BWO enterprises. The ED spend by MLEs across the sub-sectors is displayed in table 42 below.

Table 42: MLE Analysis: Enterprise Development Contributions per Sub-sector

Annual Value of all Qualifying ED Contributions made by the Measured Entity as a % of the Target								
Sub-sectors	Compliance		Weighting Points		#s Target achieved	#s >50% <100%	#s <50/0%	Total
	Target (%)	Averaged (%)	Target	Achieved				
Charcoal Producers	1	1	10	10	0	0	1	1
Contractors	1	0.9	10	9.2	4	2	0	6
Fibre	1	0.9	10	9.2	6	1	0	7
Growers	1	0.8	7	5.7	2	1	1	4
Pole Producers	1	1	10	10	5	0	0	5
Sawmilling	1	1	7	6.9	7	1	0	8
Total	1	0.9	10	8.5	24	5	2	31

Table 42 presented below showcases the annual value of all qualifying ED contributions for 31 reported entities. All the sub-sectors attained exceptionally scores with Charcoal and Pole Producers achieving the compliance target. There were 24 MLEs (77%) that achieved the compliance target in 2022/23 as compared to 16 MLEs in 2021/22. The other 5 (16%) entities achieved 50% or more but less than 100% towards the compliance target, with the remaining 2 MLEs (6%) poorly.

Growers and Sawmilling categorised as MLEs under Enterprise Development (ED) are obligated to sell logs and sawtimber to QSEs and EMEs based on their B-BBEE Procurement Recognition Levels. The sale of logs to QSEs and EMEs is illustrated in table 43 below.

Table 43: Sales of Logs for Growers and Sawmilling to QSEs and EMEs

Sale of Logs to QSEs and EMEs					
Sub-sectors	Entities	Compliance (%)		Weighting Points	
		Target	Achieved	Target	Achieved
Growers	A	20	20	2	2
	B	20	20	2	2
	C	20	0	2	0
	D	20	16.3	2	1.63
Sawmilling	A	20	0	2	0
	B	20	0	2	0
	C	20	0	2	0
	D	20	0	2	0
	E	20	0	2	0
	F	20	0	2	0
	G	20	0	2	0
	H	20	0	2	0

None of the 8 entities within the Sawmilling sub-sector sold logs or sawtimber to both QSEs and EMEs. Out of the 4 reported Growers, only 3 (37.5%) successfully sold logs or sawtimber to both QSEs and EMEs as shown in table 33 above. Growers find it relatively easy to meet this requirement in contrast to Sawmilling sub-sector since none of them obtained points on these indicators. This may suggest that these entities may be struggling to sell timber resources to QSEs and EMEs within the Pole Producers and Sawmilling sub-sectors that use timber resources as the primary raw materials. These may be attributed to the following reasons; geographical location, fewer MLEs that are reporting as Growers and Sawmilling compared to a high number of QSEs and EMEs. Moreover, it is unlikely that entities within the Sawmilling sub-sector will supply other Sawmillers because they are also dependent on the same timber for production unless there is excess timber to sell. In such cases, one would expect that these are the entities that grow the timber themselves. This means that companies within the Sawmilling sub-sector can only rely on Growers to supply them with timber. However, based on anecdotal evidence, it appears that the majority of entities reporting as Growers' sub-sector have also their own Sawmills to supply some of the timber. These

observations may be justified by the good performance of Growers and poor performance of Sawmilling sub-sector as reflected in tables 43 (above) and 44 (below). Due to some of the reasons highlighted above, this does not exempt the MLEs either reporting as Growers or Sawmillers from complying with these indicators.

Additionally, they are required to sell to 51% BO or 30% BWO entities, irrespective of their B-BBEE Levels. Table 44 below demonstrates the sale of Logs to 51% BO or 30% BWO. The same Growers that sold logs or sawtimber to QSEs or EMEs also sold to 51% BO or 30% BWO and also achieved the compliance target on this indicator.

Table 44: Sales of Logs for Growers and Sawmilling to 51% BO or 30% BWO

Sale of Logs to 51%BO or 30%BWO					
Sub-sectors	Entities	Compliance (%)		Weighting Points	
		Target	Achieved	Target	Achieved
Growers	A	5	5	1	1
	B	5	5	1	1
	C	5	0	1	0
	D	5	5	1	1
Sawmilling	A	5	0	1	0
	B	5	0	1	0
	C	5	0	1	0
	D	5	0	1	0
	E	5	0	1	0
	F	5	0	1	0
	G	5	0	1	0
	H	5	0	1	0

Under ED, MLEs are incentivised with bonus points for the graduation of ED to SD, creation of direct job opportunities, SD and ED contributions in partnership with government and ED contributions made to 30% BWO QSEs and EMEs. A total of 8 MLEs achieved the bonus point for successfully graduating one or more entities from ED beneficiaries to SD. This represents a decrease when compared to the previous reporting period, where 10 entities achieved the bonus point under this indicator.

Sixteen MLEs created direct jobs opportunity as a result of qualifying SD and ED contributions, showing an improvement when compared to the previous reporting year, as only 4 entities attained the bonus point in this indicator. Only 2 entities partnered with the government

showing an insignificant decline compared to the 1 that achieved the bonus points in the indicator previously. Comparatively, the same number (15) of MLEs achieved the bonus point on this SD and/or ED to 30% BWO QSEs and EMEs indicator even for this reporting period.

4.1.5 Socio-Economic Development

The Socio-Economic Development (SED) element is one of the five elements of the B-BBEE intended to facilitate and advance black economic empowerment. SED promotes the implementation of sustainable social and economic development initiatives including healthcare programs, housing, water and sanitation, food security, etc. MLEs can choose to make either monetary or non-monetary contributions towards SED initiatives which should all account for the allocated 1% spend of the Net Profit After Tax (NPAT). These contributions must facilitate long-term access to the economy or income-generating activities for the targeted beneficiaries. An MLE's contributions towards SED should benefit 75% of black beneficiaries. Entities that invest in SED contributions not only contribute to the development of communities but also benefit from enhanced brand reputation and social license to operate.

The comparative performance of MLEs over a 3-year reporting period is displayed in figure 20 below.

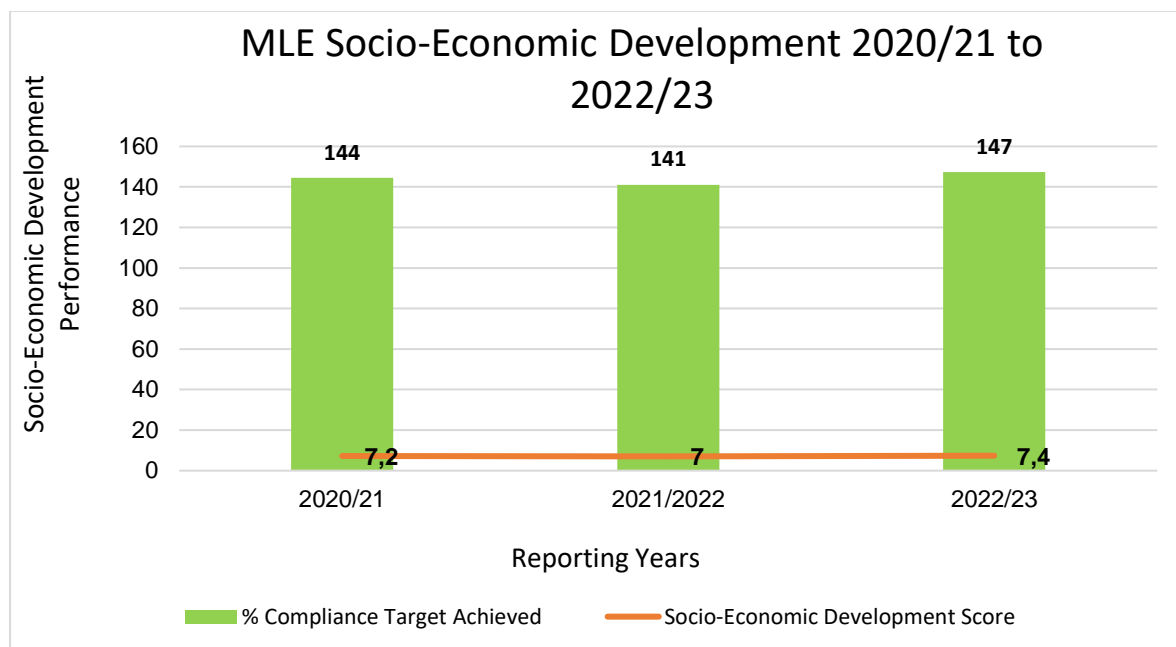


Figure 20: Socio-Economic Development Performance, 2020/21 – 2022/23

MLEs continued to outshine in this element achieving an average of 146% as compared to 141% in 2021/22 when including the bonus points, as demonstrated in figure 20 above. The achieved score shows a performance increase of about 4% when compared to the 2021/22

achieved score. The continuous exceptional performance demonstrates the continued commitment from MLEs towards SED initiatives and their comprehension of its impact to social upliftment in particular in the rural areas where most forest operations are located and economic opportunities are minimal.

Figure 21 below compares the SED performance amongst the reporting sub-sectors.

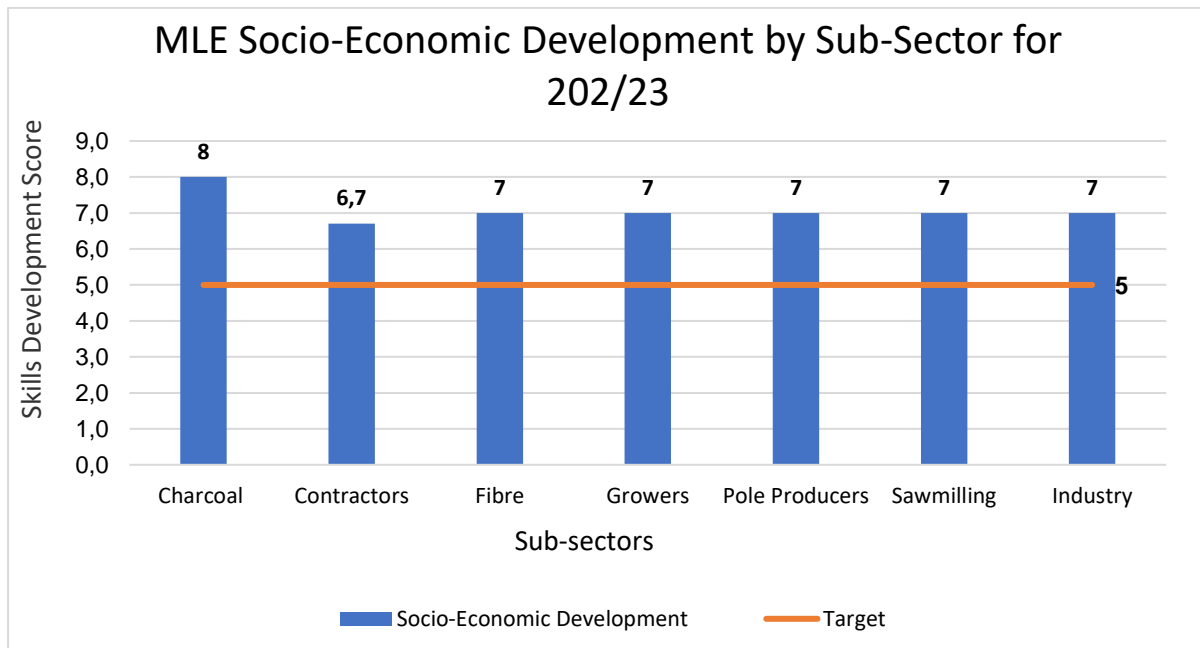


Figure 21: Socio-Economic Development Performance per Sub-sector

MLEs continues to outperform in SED when compared to the other four elements, with or without the bonus points. All the reporting sub-sectors performed exceptionally well and exceeded the target as reflected in figure 21 above. This was expected as most MLEs achieved even the bonus points allocated in this element.

MLEs are required to spend 1% of Net Profit After Tax (NPAT) towards SED contributions. Figure 22 below shows the performance of reporting entities in terms of the expenditure on SED.

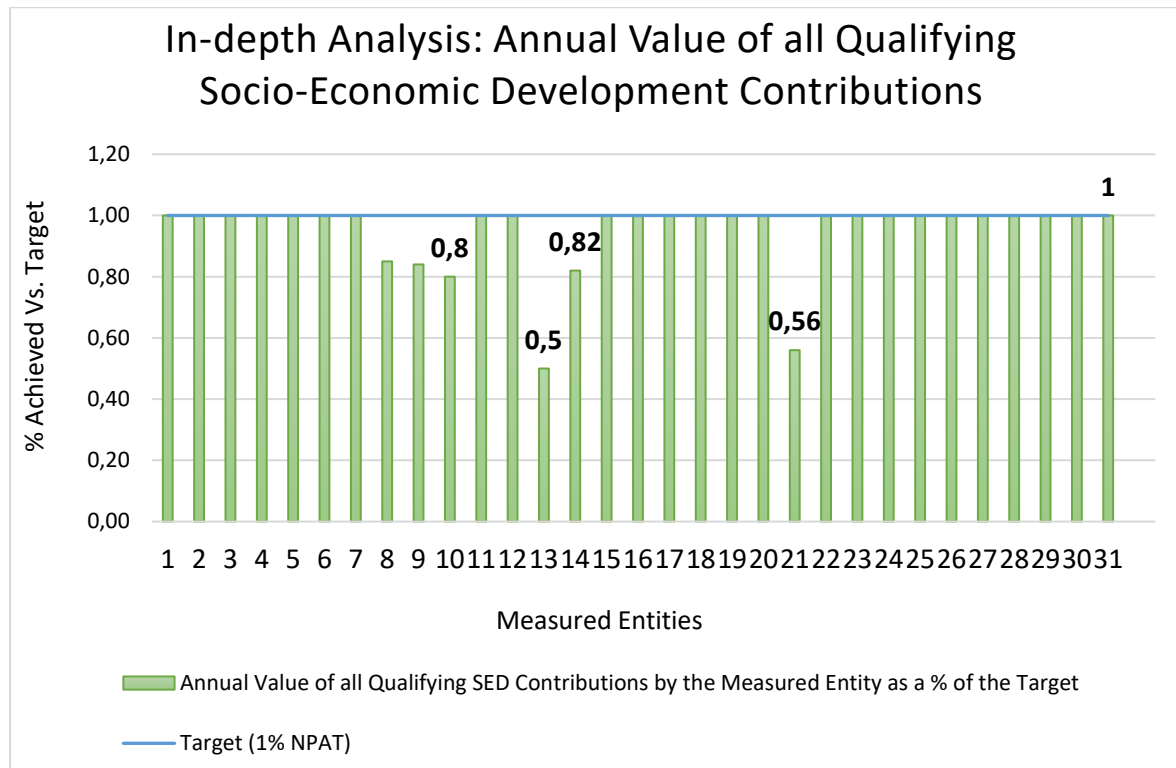


Figure 22: MLE Analysis: Socio-Economic Development Contributions as a % of NPAT

Twenty-five MLEs (81%) achieved the compliance target of 1% of NPAT, showing an upward trend in the number of MLE outperforming in this element and proving that MLEs find this element easy to implement.

4.1.6 FORESTRY JSE LISTED COMPANIES ANALYSIS

Section 13G (2) of the Broad-Based Black Economic Empowerment (B-BBEE) Act as Amended, mandates all Johannesburg Stock Exchange (JSE) listed companies and State-Owned Entities (SOEs) to report to the B-BBEE Commission. The B-BBEE compliance reports must be submitted within 30 days of the approval of their audited financial statements and their annual report or 90 days after the end of the financial year. This requirement seems to be fully comprehended by the four known forest-listed companies and expectedly so as these are recognised as the most reliable and in having a bigger role in so far, reporting on B-BBEE and its intended initiatives is concerned.

Figure 23 below displays the performance of the four forest JSE listed companies.

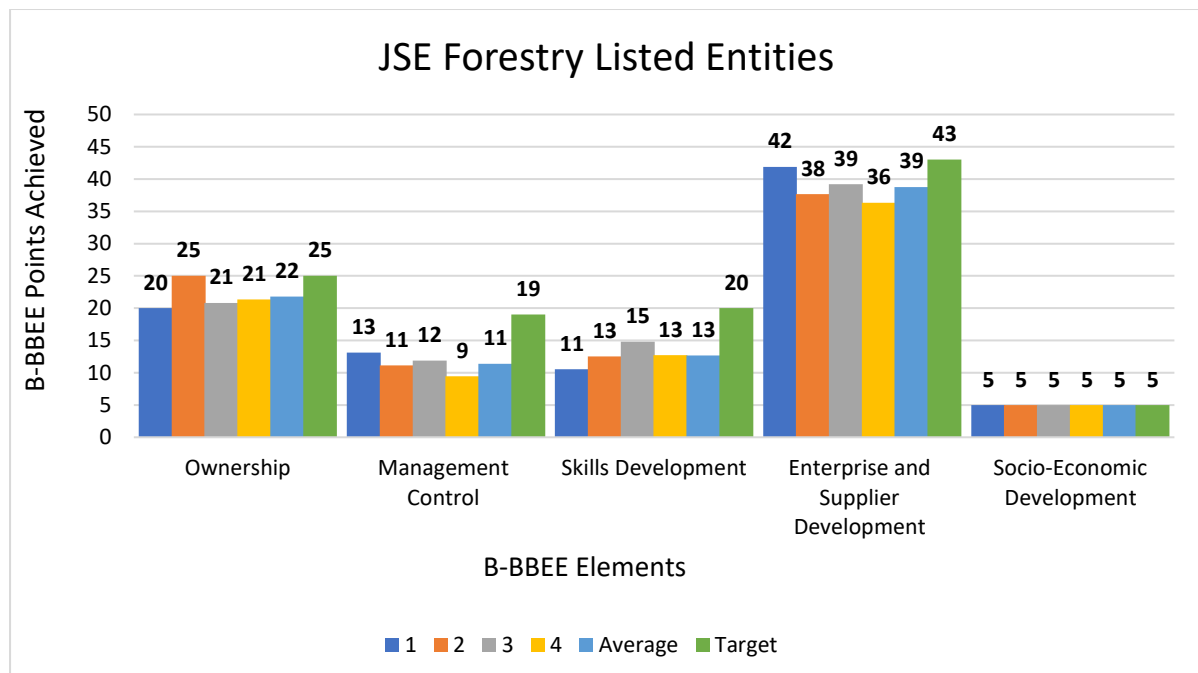


Figure 23: Forestry JSE Listed entities for 2022/23 reporting period

The forestry JSE listed companies showed to be resilient towards their B-BBEE commitment. The averaged scores achieved showed improvements in the Ownership, Management Control (MC) and Enterprise and Supplier Development (ESD) elements. Similar average scores for Socio-Economic Development (SED) and Skills Development (SD) were maintained. Only 1 MLE achieved the target on the Ownership element.

Further analysis shows that 2 entities maintained their overall score on the Ownership element with the two remaining, each recording either an improved or decreased score. This trend was observed also for the MC element. Only 3 of the 4 Companies improved their average score on the SD element. The ESD trend differed also with 2 recording improvements and the remaining showing slight declines. The forestry listed companies continue to excel in the B-BBEE confirming their commitment to the entire programme. The performance of these MLEs is of significance and will be interrogated against the performance reflected in the B-BBEE Commission report, once the report is finalised.

4.1.7 SOUTH AFRICAN FORESTRY COMPANY LIMITED (SAFCOL) ANALYSIS

South African Forestry Company Limited, commonly known as SAFCOL, is a State-Owned enterprise that operates in the forestry industry in South Africa. Established in 1992. SAFCOL

is responsible for the management and development of state-owned forests and plantations and the production of various forest products.

SAFCOL operates in various regions across South Africa, including Mpumalanga, KwaZulu-Natal, and Limpopo, and manages more than 1.2 million hectares of state-owned land. The company's primary focus is on sustainable forest management, which involves balancing the economic, social and environmental aspects of forestry. The main business activities of SAFCOL include the production of sawtimber, pulpwood, and wood chips, as well as the management of wildlife and biodiversity conservation in state-owned forests. SAFCOL is also the biggest producer and supplier of saw logs in South Africa.

SAFCOL reports to the FSCC and has to also report its B-BBEE performance to the B-BBEE Commission in compliance with Section 13G (2) of the B-BBEE. SAFCOL's B-BBEE credential is verified through Statement 004, a specialised scorecard for state-owned entities, which exempts these entities from being verified on the Ownership element. Figure 24 illustrates SAFCOL's performance over a three-year reporting period.

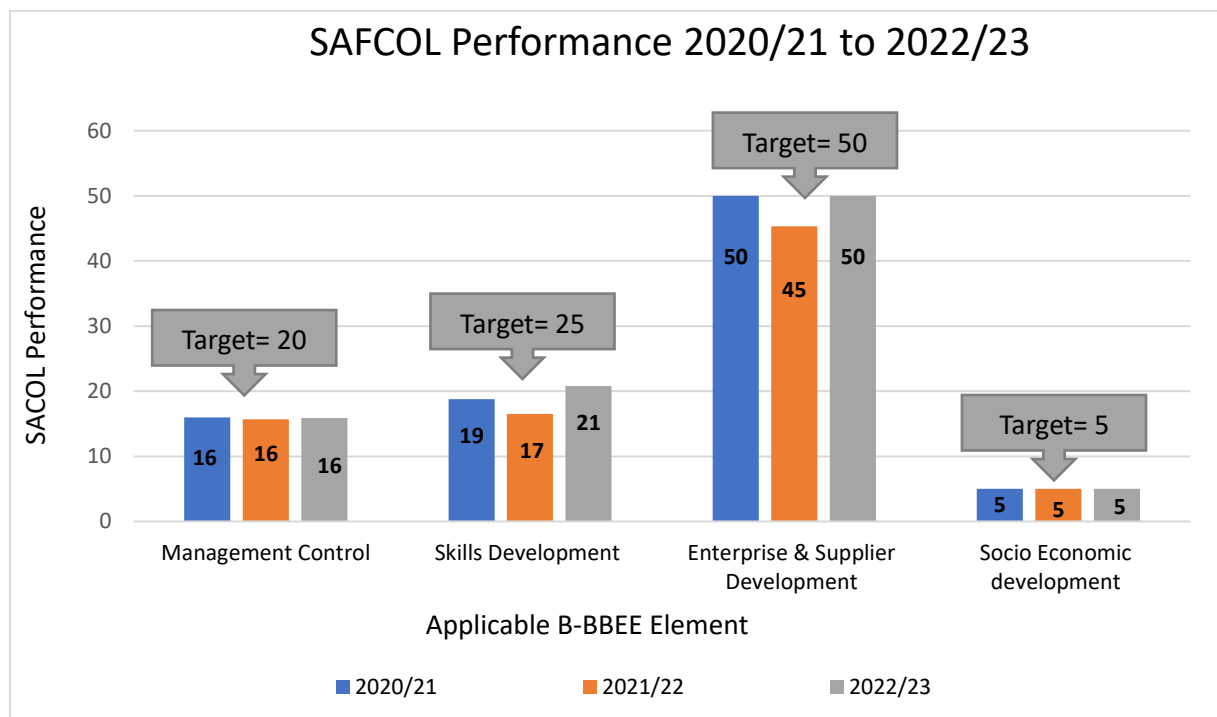


Figure 24: SAFCOL Performance, 2020/21 – 2022/23

As shown in figure 24 above a slight increase in Management Control was observed from the 2022/23 reporting period. The increase was as result of the improved scores achieved in some of the lower management indicators such and Junior and Middle Management. SAFCOL is

further disadvantaged by the low representation of women in Senior Management which could possibly affect its ability to promote women into Executive and Board positions.

SAFCOL's key strategic priority is to invest in learning and development under Skills Development (SD). SAFCOL trains employees to equip them for their workplace roles and also communities adjacent to their operations to reduce poverty and unemployment. As recorded in SAFCOL's annual report, most of the skills development initiatives include bursaries, learnership, apprenticeship, mentorship and other short skills programmes which are mostly recognised in the learning matrix.

SAFCOL's SD performance has shown the highest score of 21 in the year under review when compared to the two previous years as shown in figure 24 above. This is attributable to SAFCOL's improved scores in all four SD indicators, with the most significant improvement recorded on the skills development expenditure.

Similarly, to the previous year, SAFCOL could not create employment for its unemployed learners. While the rationale for this performance may not have been explored, chances are, the strained economy could be a contributing factor.

SAFCOL just like most larger companies, is required to support and develop a diverse set of suppliers through the Enterprise and Supplier Development (ESD) element and hence justifying the highest score on this element. In 2022 SAFCOL's integrated report provided a wide range of procurement opportunities from a supply of machinery to contracting services within the silviculture, harvesting operations, etc².

SAFCOL achieved full points on each indicator of the ESD element recording the largest improvement on the procurement from QSE suppliers' indicator. The achievement on the ESD element is consistent and a confirmation of SAFCOL's influential drive towards rural economic development and the inclusion of new black suppliers and enterprises in their value chain initiatives.

SAFCOL's operations are strategically located in rural areas where economic and transformative opportunities are minimal. SAFCOL maintained its incomparable performance on the SED element as justified by the spend exceeding the allocated 1% on the Net Profit after Tax (NPAT).

In conclusion, SAFCOL achieved a level 2 B-BBEE rating which shows an encouraging improvement from a level 4. SAFCOL continues to prioritise transformation in their strategy as

² 2021/22 SAFCOL Integrated Report

confirmed by the improved B-BBEE level attained and scores recorded in some of the indicators. The continuous low scores achieved on some of the indicators for women in particular on the senior management and board participation require urgent attention. Such scores will further disadvantage SAFCOL in relation to the proposed employment equity targets as espoused in the amendments to the Employment Equity Act.

The declaration proposing the non-requirement for state-owned enterprises to comply with B-BBEE Act as Amended in their procurement practices might have been unfortunate. However, SAFCOL's achievement especially on the ESD and SED elements justifies the requirement for having such targets in support of meaningful inclusion of the previously disadvantaged black people into the forest economy. The overall performance of SAFCOL proves beyond doubt that concerted efforts are not only channelled towards improved scores or levels but also on achieving sustainable and meaningful transformation.

5.1 SECTOR ANALYSIS: QUALIFYING SMALL ENTERPRISES (QSEs) PRINCIPLES, UNENHANCED QSES, ENHANCED QSES

Qualifying Small Enterprises (QSEs) are entities with an annual turnover of between R10 million to R50 million. QSEs can either be Enhanced or Unenhanced and this qualification is determined by the black ownership profile. Unenhanced QSEs similarly to MLEs, are verified on an annual basis by the verification agencies on all five scorecard B-BBEE elements. However, they are measured on the QSEs' specialised scorecard under the statement FSC600. In terms of reporting, Enhanced QSEs are entities that are either 100% black ownership or at least 51% black ownership and qualify for automatic level 1 or 2 B-BBEE recognition respectively. Therefore, they do not have to undergo a verification process and only need to supply the affidavit or Companies and Intellectual Property Commission (CIPC) certificate confirming their B-BBEE credentials such as; total annual revenue and level of black ownership. All QSEs qualify for automatic recognition of empowering supplier status as per indefinite suspension of the criteria by the Department of Trade, Industry and Competition (dtic). In the proposed changes to the Amended FSC (still to be gazetted), the measurement of the QSEs' ownership will now recognise black ownership through the Flow-Through Principle, not the Modified Flow-Through Principle. This gives an actual recognition of black ownership in terms of shareholding in any ownership deals.

In the current reporting year, FSCC received 67 submissions from both Enhanced and Unenhanced QSEs. Approximately, 62 QSEs were Enhanced, with 28 and 34 achieving level 1 and 2 B-BBEE recognition respectively. Only 5 were Unenhanced QSEs and submitted both B-BBEE certificates and underlying reports. The submission of both B-BBEE certificates and underlying reports assist in the; comparative analysis of the QSEs' submissions and gauging the performance of QSEs in terms of B-BBEE implementation and assessing if the implementation justifies future adjustment on the QSE specialised scorecard. In the year under review, at least 6 affidavits were disqualified due to incorrect submissions, as the entities used an affidavit instead of a verified scorecard. This reporting method is only applicable to Enhanced entities, not Unenhanced entities. One certificate was disqualified due to the incorrect verification standard/applicable code used as opposed to the Amended FSC with a gazette number 40803. The Amended FSC applies to all entities operating within the commercial forestry and first-level processing of wood products and constitutes of the following subsectors; Growers, Contracting, Pole Producers, Charcoal Producers, Fibre and Sawmilling. The code serves as a guideline for the implementation of B-BBEE in the forest sector, and entities falling within the scope are to be measured in compliance with the Amended FSC.

Figure 25 shows the trend in the number of reporting QSEs within the three reporting years. 2020/21 to 2022/23.

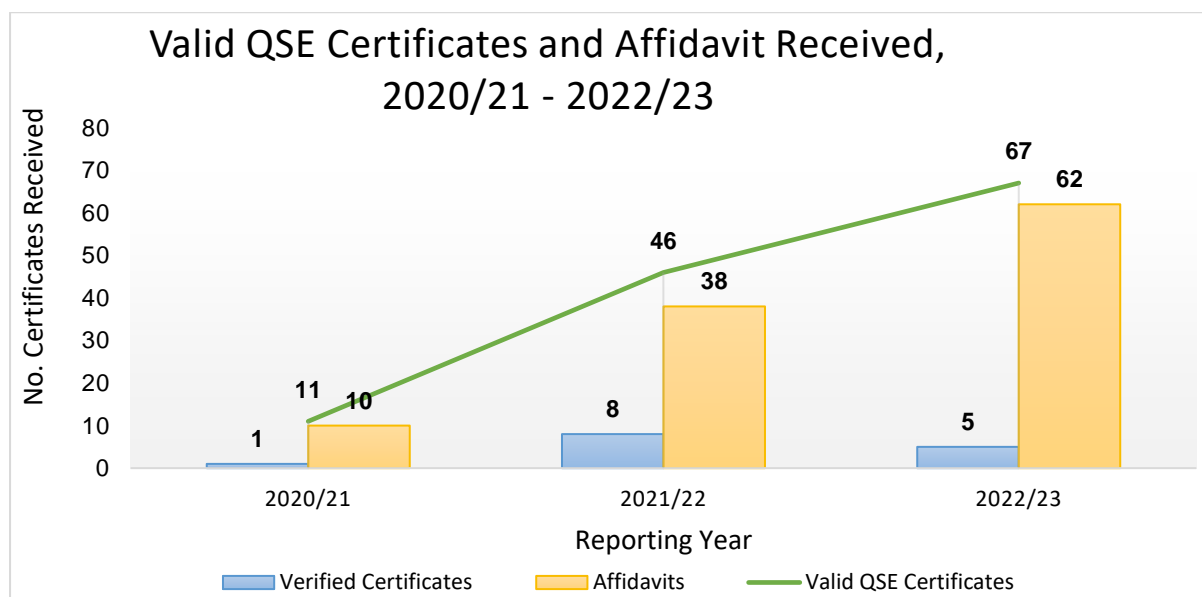


Figure 25: Valid QSE Certificate Submissions, 2020/21 – 2022/23

A significant increase in the number of submissions in the year under review was derived from affidavits compared to certificate submissions as displayed in figure 25 above. A number of variables may be contributing factors to the increase, ranging from the relationship the Council has with the Organised industry associations as well as the intensified FSCC’s programmes intended at advocating for B-BBEE implementation and reporting in the sector. The 2022/23 reporting year shows a substantial increase in the number of submissions from Enhanced QSEs compared to the two preceding years.

The current year also shows a decline in the number of submissions from Unenhanced QSEs when compared to the 2021/22 reporting year, but an increase from the 2020/21 reporting year. From this trend, it can be deduced that there is a high level of inconsistent reporting. This insinuates a revision in the B-BBEE Act as Amended to place consequence actions enforceable to deal with inconsistent reporting. This further justifies the suggestion in the amendments to the Amended FSC intended at getting the affidavits and or certificates of the suppliers directly from the larger companies. Additionally, the request to Verification Professionals/Agencies to assist in submitting or encouraging companies that have been verified to submit to the Council should be supported.

Based on this observation, the projection shows that there are more Enhanced QSEs than Unenhanced QSEs. Further interrogation shows that there are a considerable number of

Unenhanced QSEs operating within the sector across all the 6 sub-sectors but reporting and/or undergoing a verification process is not primarily a priority, thus contributing to the reduced number of certificate submissions.

The below figure 26 shows a distribution of QSEs' valid certificates and affidavits achieved across the 4 sub-sectors in the forest sector.

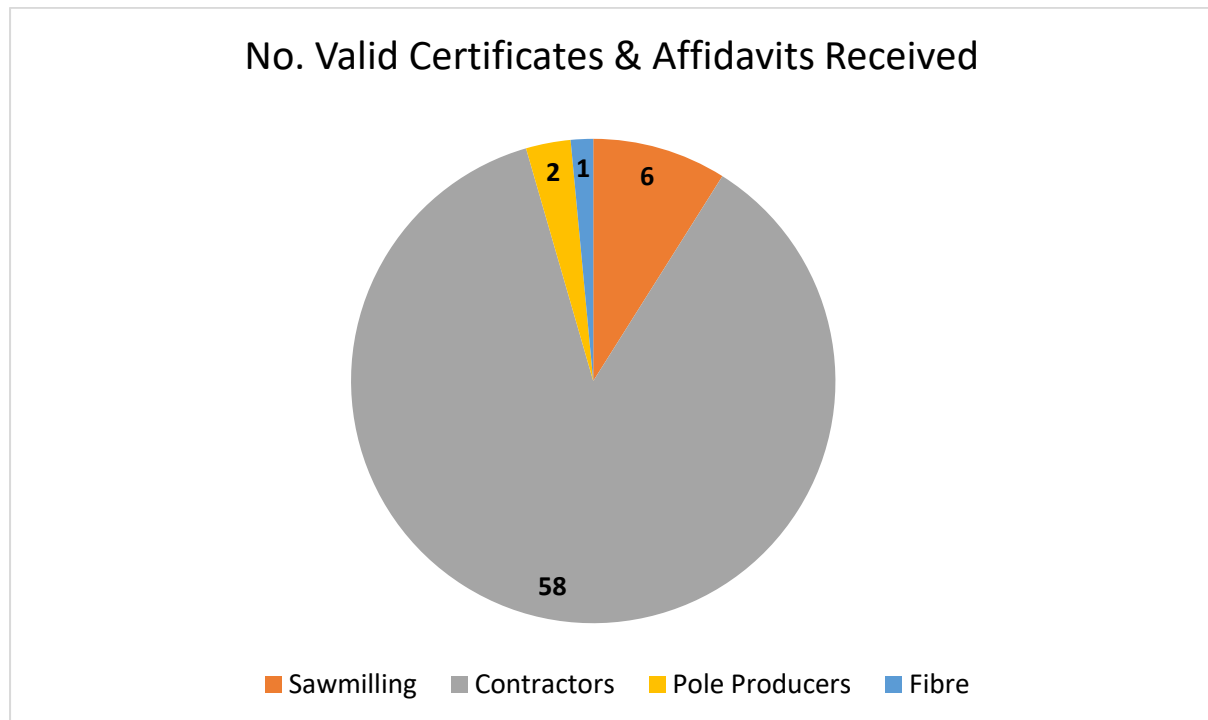


Figure 26: QSE Certificate submissions by Sub-Sector

Figure 26 above shows that a majority of QSEs submissions come from the Contracting, followed by the Sawmilling, with less representation in the Pole Producers and Fibre sub-sector respectively. No QSEs submissions were received from the Charcoal Producers and Growers sub-sectors despite a considerable amount of effort to get reports from entities operating in these 2 sub-sectors. The low submissions tendency in other sub-sectors has been observed in a number of reporting years, suggesting that FSCC needs to intensify the search and engagement of QSEs operating in either non-represented or least presented sub-sectors. It also appears that more entities are belonging to the Contracting sub-sector compared to the other 5 sub-sectors, thus substantiating their dominance every year in terms of submissions. Generally, QSEs in the Contracting sub-sector are in most cases providing services to larger companies within silviculture, fire protection, forest management harvesting and transportation. Those that are in Fibre are involved in the manufacturing of wooden products such as pallets. QSEs in the Sawmilling are more involved in the processing of timber. Pole

Producers in the production and treatment of poles, Growers in growing of tree crops and Charcoal Producers in the production of charcoal from wood materials.

Figure 27 below shows the QSEs' B-BBEE level achieved among the reporting QSEs. Similarly, with MLEs, Unenhanced QSEs can achieve a B-BBEE score ranging between level 1 to 8 and a non-compliance status depending on the scores achieved in the scorecard.

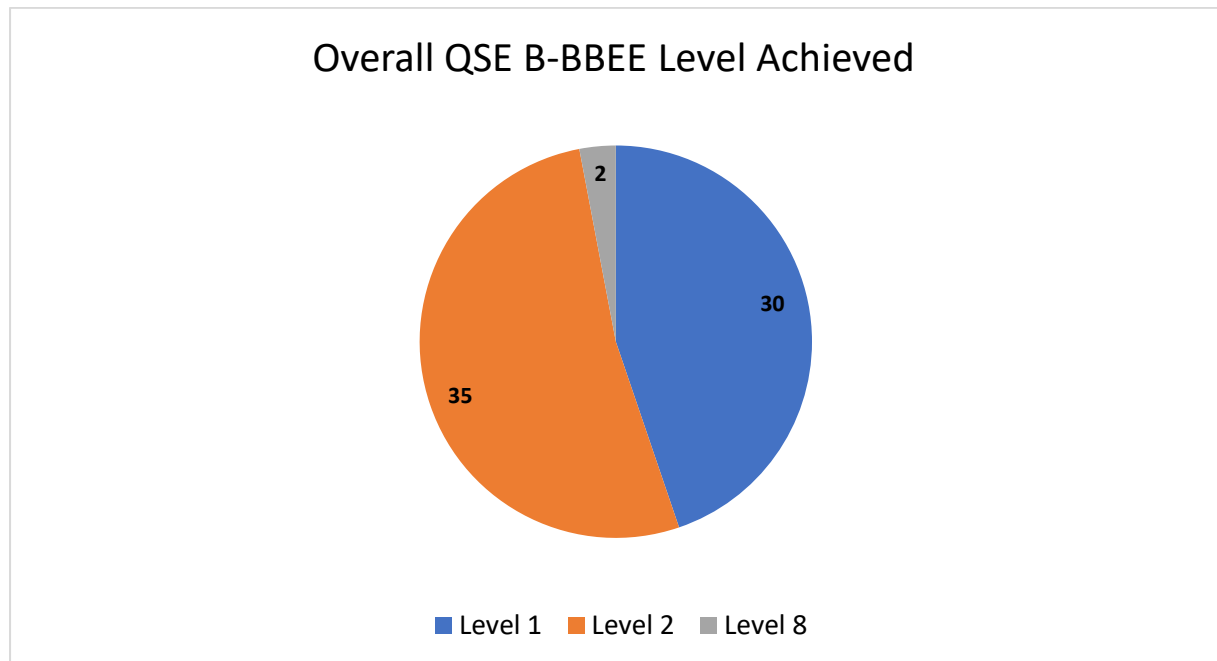


Figure 27: QSE B-BBEE Level Achieved

Out of a total of 67 valid submissions received, 30 (45%) achieved a B-BBEE recognition of level 1, 35 (52%) achieved a level 2, with the remaining 2 (3%) entities achieving a level 8 as shown in figure 27 above. About 93% of QSEs achieved a level 1 and 2 B-BBEE status through the enhancement principle, which is only applicable to majority black-owned entities (Enhanced QSEs). The remaining 7% are Unenhanced QSEs and have undergone a verification process to substantiate their B-BBEE status. The dominance in level 1 and 2 B-BBEE statuses highlights the effectiveness of the enhancement principle implying that many of the reporting entities are majority black-owned. On average, QSEs maintained a level 2 B-BBEE status, performing equally with the preceding year, although the submissions increased substantially.

OWNERSHIP IN-DEPTH ANALYSIS

The Ownership element measures the extent to which ownership is held in the hands of Black People and Women in a measured entity and is calculated as a percentage score of the total

shareholding. Ownership is one of 3 priority elements on the QSEs B-BBEE scorecard. This implies that QSEs are required to meet the sub-minimum of 40% in all the priority elements to evade the effect of discounting principle. However, the application of compliance to priority elements slightly varies between QSEs and MLEs. The QSEs are obliged to comply with 2 priority elements, with Ownership being a compulsory element, net value and can either choose to comply with Skills Development (SD) or Enterprise and Supplier Development (ESD). For the ownership element, QSEs need to meet 40% of the 8 weighting points on the realisation points to avoid discounting. The ownership scorecard has 25 weighting points, with no bonus points. It measures the following indicators; Voting Rights, Economic Interests held in the hands of Black People, Women, Black Designated Groups (BDGs) or New Entrants and Realisation (Net Value) points. This proves that the measurement criteria for QSEs are less onerous when compared to generic entities.

Figure 28 below compares the Ownership performance between the 2 reporting years, 2021/22 and 2022/23 against the weighting points.

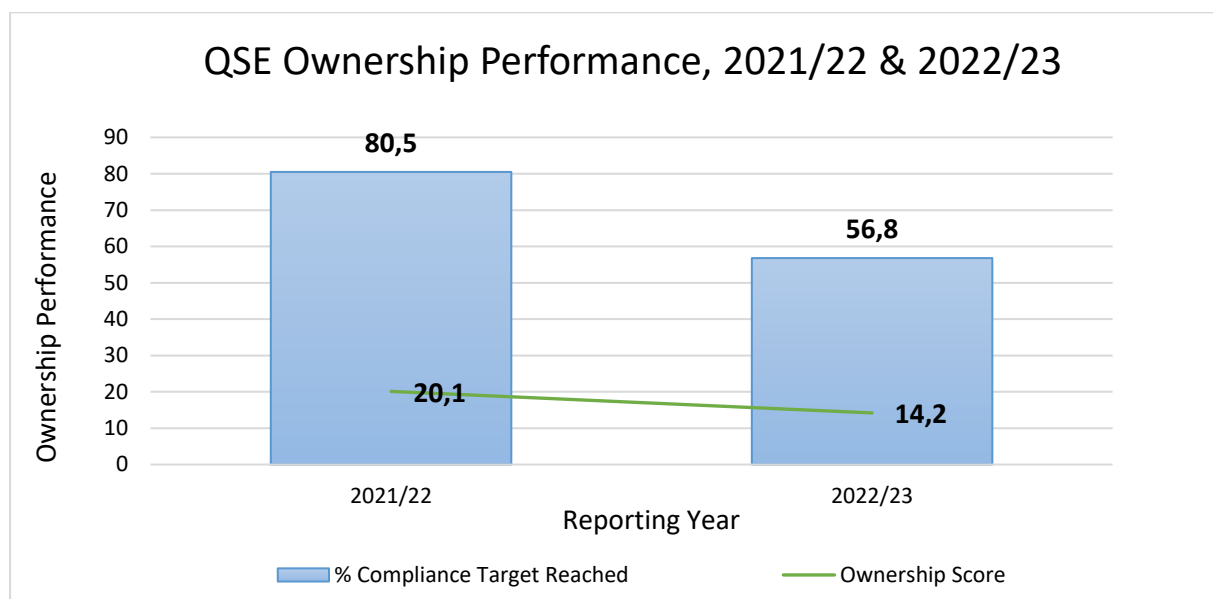


Figure 28: QSE Ownership Performance, 2021/22 & 2022/23

In the year under review, the QSEs showed an average performance achieving a score of 14.2, accounting for approximately 56.8% towards the target as show in figure 28 above. The current year’s performance showed a significant decline of 29% when compared to the previous year’s performance. The decline in Ownership performance could be a result of the reduced number of Unenhanced QSEs’ submissions and poor performance on the Ownership element by some of the Unenhanced QSEs. Two (40%) out of 5 entities are considered inconsistent reporters by virtue of not having reported in the previous years. There is a growing

propensity for inconsistent reporting amongst this grouping which also highlights a certain degree of reluctance to report, suggesting further cross-examination and even necessitating the need to explore enforceable non-reporting consequences.

Table 45: Statistical Breakdown of Direct Black and Black Women Ownership in QSE

	Black People	Black Women	Black Designated Groups
<i>Minimum</i>	0	0	0
<i>Q1</i>	51	0	0
<i>Median</i>	100	0	
<i>Mean</i>	69.74	10.96	18.50
<i>Mode</i>	100	0	0
<i>Q3</i>	100	12.85	30
<i>Maximum</i>	100	100	100
<i>Standard Deviation</i>	27.68	22.05	33.66
<i>Entities scoring 0% ownership</i>	2	48	49
<i>Entities scoring above 0% but below 51% ownership</i>	3	12	2
<i>Entities scoring 51% ownership</i>	26	4	4
<i>Entities scoring above 51% but below 100%</i>	8	2	5
<i>Entities scoring 100% ownership</i>	28	1	7
<i>Total number of entities</i>	67	67	67

Table 45 above summarises the composition of QSEs' ownership structures across the B-BBEE beneficiary groupings including Black People, Black Women and Black Designated Groups (BDGs). The QSEs' black ownership average shows a slight increase of 69.74 from 63.56 in the preceding year. Ownership by black women accounts for an average of 10.96 indicating a slight decrease from 12.25 in the previous year. Another slight increase was observed in the average Ownership by the BDGs from 16.45 in the previous year to 18.50 in the current year. Further analysis indicates a normal distribution in the black ownership

average, while the distribution of black women and BDGs averages are skewed to the left indicating inadequate participation of black women and BGD in the sector despite the slight increases observed. Through the ESD element, MLEs and Unenhanced QSEs are encouraged to create business opportunities intended at increasing the participation of black women and BDGs to avoid further marginalization of these categories from participating in the economic mainstream.

The QSE's Ownership scorecard has 6 indicators as depicted in figure 29 below. Figure 29 shows the QSEs' Ownership performance averages against each ownership indicator with the respective allocated weighting points.

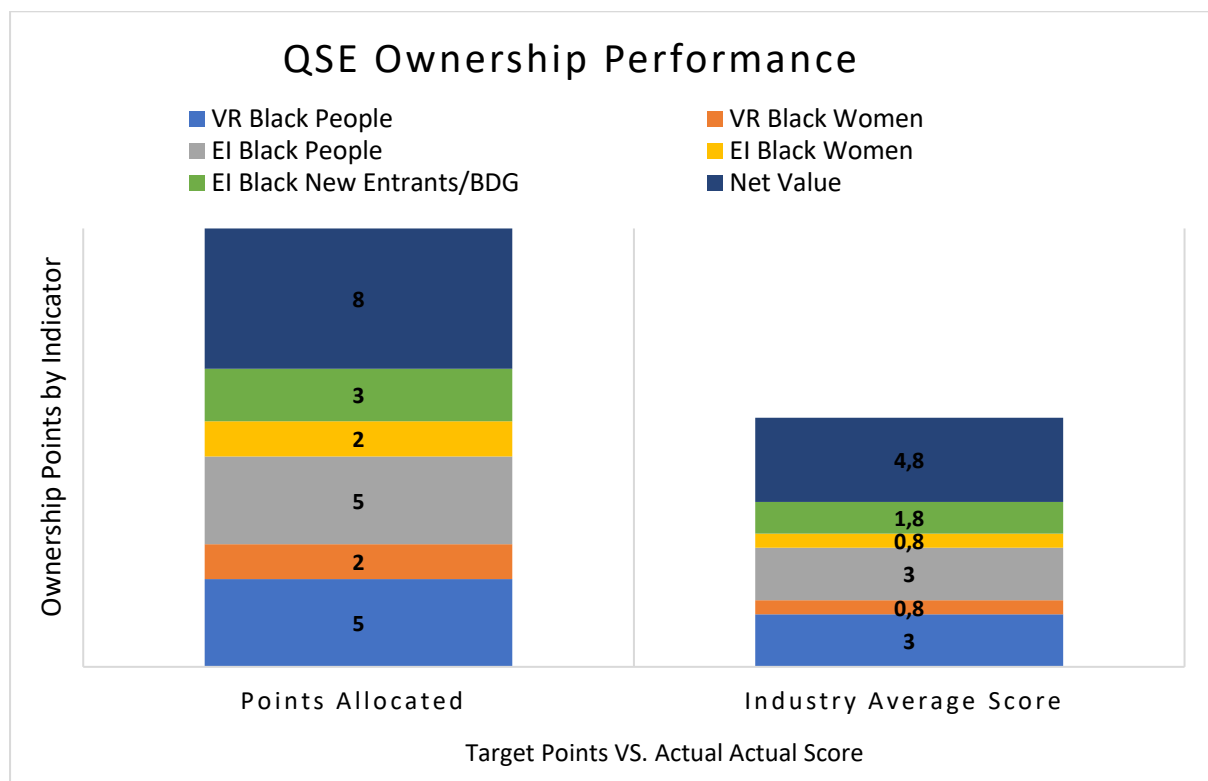


Figure 29: QSE Ownership Performance on each Indicator

As shown in figure 29 above, the overall QSEs' performance per indicator indicates that Unenhanced QSEs performed averagely, achieving a maximum average of 60% in the following indicators; Voting Rights of Black People, the Economic Interest of Black People, Black New Entrants or BDGs and the Net Value. A 40% average was observed in the indicator; voting rights and economic interest of Black Women. Out of 5 entities, 2 performed poorly across the 6 Ownership element indicators, resulting in both being discounted due to failing to meet a 40% sub-minimum under the net value indicator. As alluded to in the previous section, the discounting of such entities would be obvious as Ownership is not just a priority element but a compulsory priority element.

Black People owning equity shares in the unenhanced QSEs are entitled to exercisable voting rights within the entity. Their shareholding could be acquired through the sale of shares or the sale of assets. Figure 30 below displays the Unenhanced QSE performance on the voting rights held in the hands of Black People and Black Women indicators.

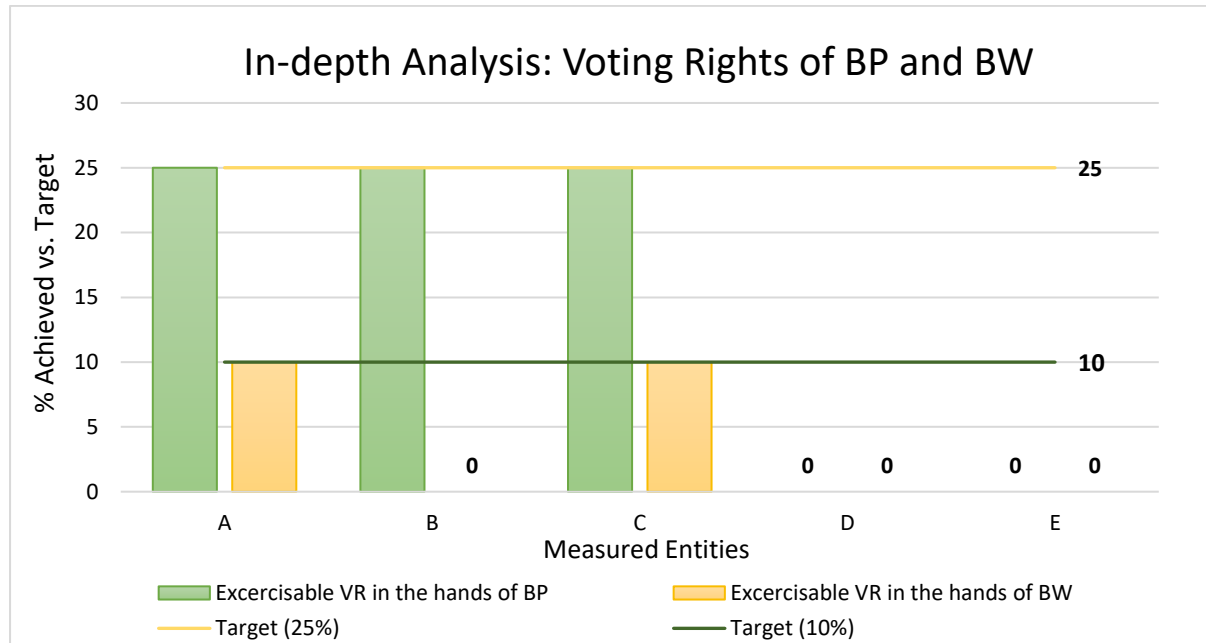


Figure 30: QES analysis: Voting rights in the hands of Black People

The performance is based on the comparative analysis of the 5 Unenhanced QSEs' performance on voting rights held in both the hands of Black People and Women indicators shown figure 30 above. Two (40%) out of 5 entities achieved the target on both indicators, with 1 entity achieving the target only on voting rights for Black People and achieving 0% on voting rights for Black Women. The remaining 2 entities achieved 0% for both indicators, highlighting the inactive participation of Black People in the entity's ownership structure. The observation substantiates further interrogation to understand the reason for a lack of black representation in the entity's ownership structure. However, assumptions may suggest that the entities are family-owned as they generally struggle with the Ownership element which requires the dilution and inclusion of Black People in the ownership structure.

The economic interest in Unenhanced QSEs confirms the percentage entitled to black shareholders' return on ownership such as the rights to receive declared dividends, capital gains and profit in the measured entity. Figure 31 indicates the performance of the Unenhanced QSEs on the economic interest held in the hands of Black People and Women indicators.

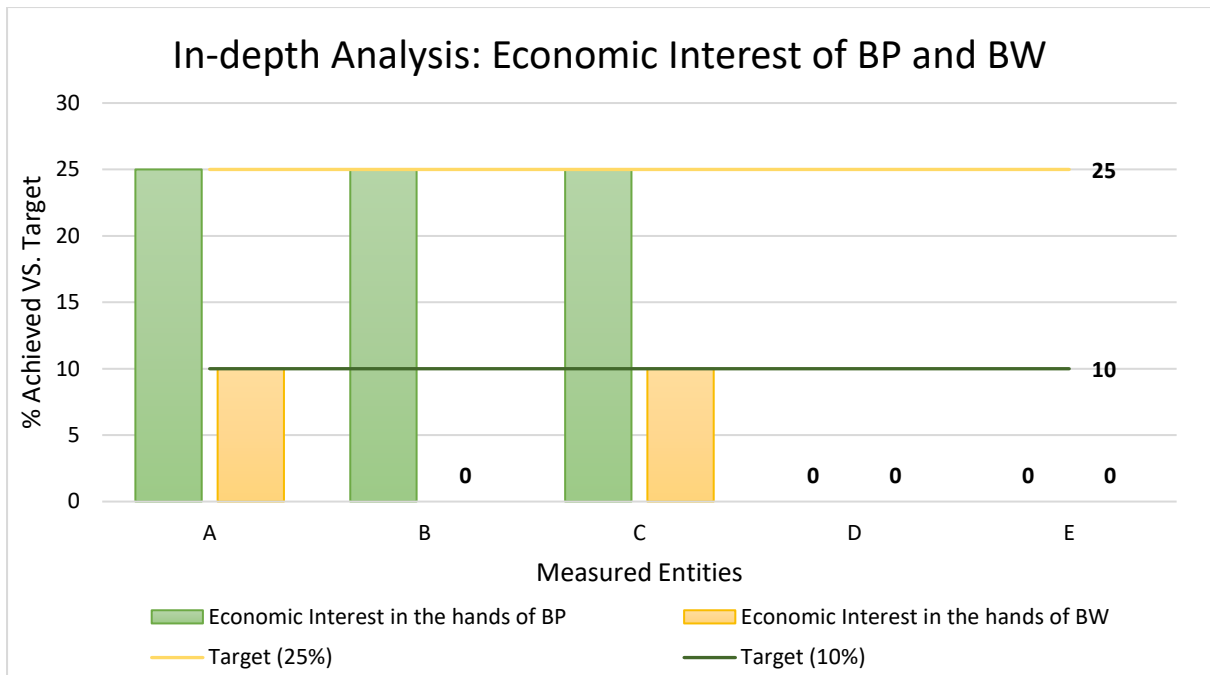


Figure 31: QES analysis: Economic interest in the hands of Black People

As portrayed in figure 31 above, the Unenhanced QSEs' performance on economic interest indicators shows a similar trend as observed in the voting rights indicator in figure 30. Equivalent results are expected because there is a correlation between the 2 indicators. The evidence further shows that there are only 2 entities out of 5 that met the target on both indicators, confirming that the black shareholders received declared dividends. In 1 Unenhanced QSE, only Black People received the declared dividend, and no dividends were declared for Black Women, whereas, in the remaining 2 Unenhanced QSEs, no declared dividends were received by Black People and Women.

The Unenhanced QSE economic interest can also be held in the hands of either Black New Entrants or Black Designated Groupings (BDGs) enabling the measured entity to choose between the two. Figure 32 below illustrates the performance of Unenhanced QSEs on the economic interest held in the hands of either Black New Entrants or BDGs indicator or both.

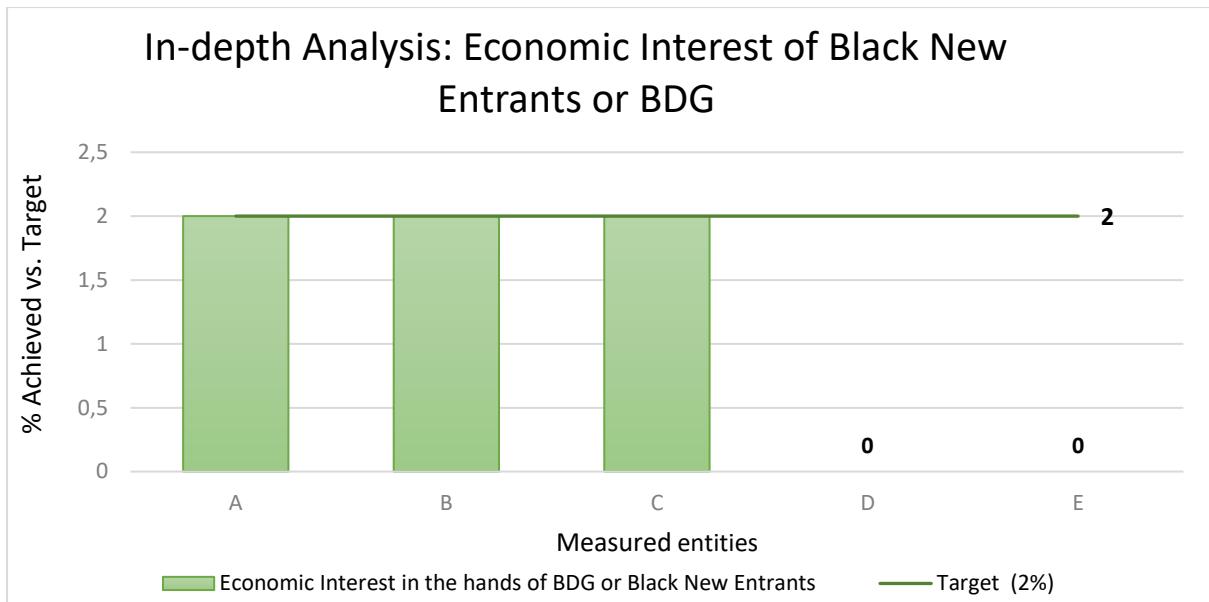


Figure 32: QES analysis: Economic interest in the hands of BDGs or black new entrants

Figure 32 above depicts that only 3 (60%) out of 5 entities achieved the target on the economic interest held in the hands of either Black New Entrants or BDGs indicator, with the remaining 2 entities achieving 0%. The 3 entities that achieved the target, achieved over and above the target, confirming their commitment to bringing diversity and new role players in the sector. Further interrogation of the data confirms that all the beneficiaries of this indicator are black new entrants because the entities' scored 0% on ownership by BDGs. This suggests that future priorities on this indicator should be placed on BDGs to ensure broadness in terms of the entities' ownership structure and in support of one of the Amended FSC's principles.

As per the prescripts of the QSE's scorecard, Unenhanced QSEs equally with MLEs are required to meet the 40% on the Net Value indicator under the Ownership element to evade the effect of the discount principle. This is deemed as a consequence principle as well. The performance on the Net Value indicator for all reporting Unenhanced QSEs is presented in figure 33 below.

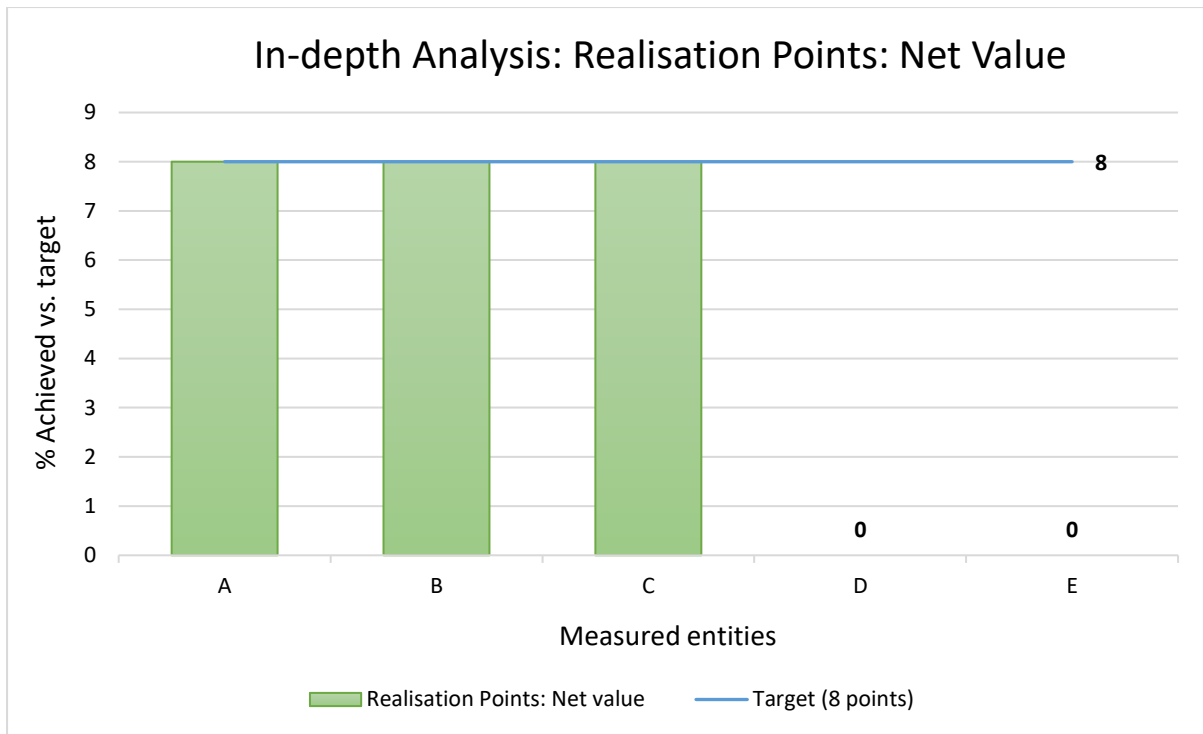


Figure 33: QSE analysis: Net Value – Priority indicator

As portrayed in figure 33 above, 3 (60%) out of 5 entities achieved the target under the Net Value indicator, with the remaining 2 entities achieving 0% under this indicator. This led to their overall B-BBEE recognition level being dropped by a level down because of the effect of discounting principle.

MANAGEMENT CONTROL IN-DEPTH ANALYSIS

Management Control is an element within B-BBEE envisioned at addressing certain inequalities on black management, their control and decision-making within the measured entity. The element looks at the representation of black people within the organisational hierarchy including executive management and the other three levels of management; Senior, Middle and Junior Management. In most Unenhanced QSEs, the top management would be the directors and executives who would have the strategic decision powers. Unlike with MLEs, the QSE Management Control scorecard has no requirements for black people to participate on boards, and this may be due to the small-sized business nature of QSEs, which does not warrant the existence of a board.

Figure 34 below illustrates the performance of the two reporting years, 2021/22 and 2022/23 against the weighting points of the Management Control element.

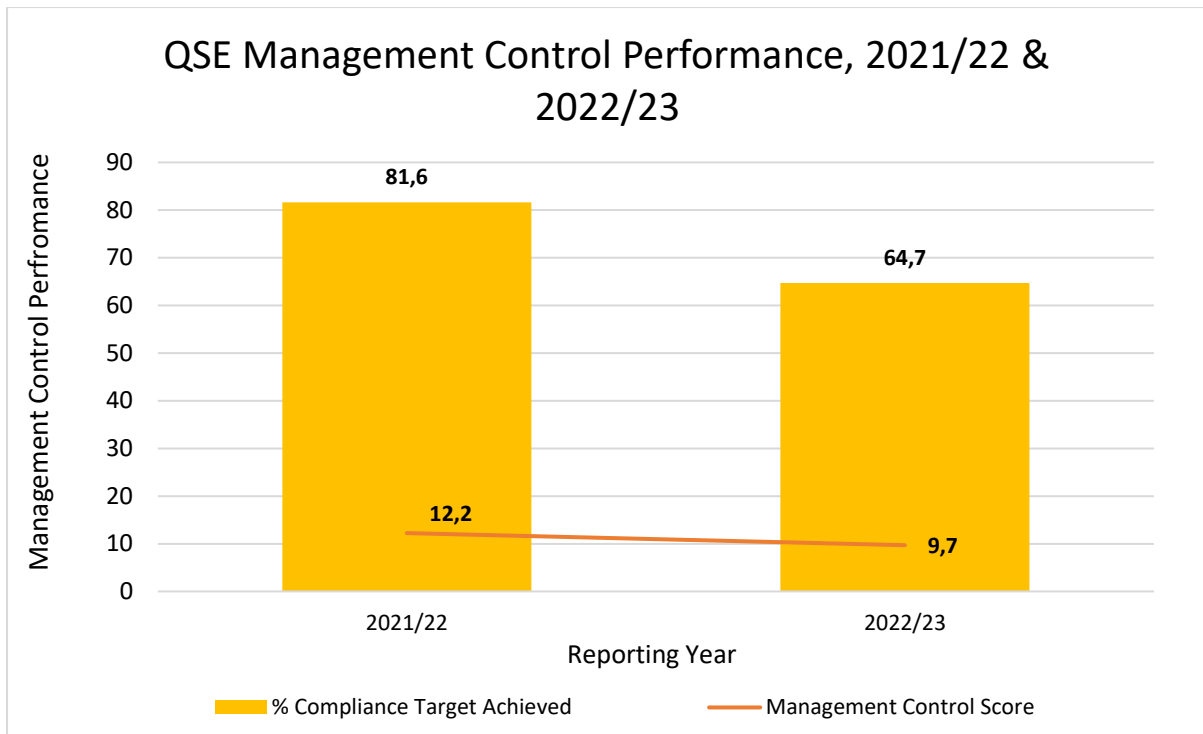


Figure 34: QSE Management Control performance, 2021/22 & 2022/23

Unenhanced QSEs demonstrated an average performance of 64.7% on Management Control when compared to the 81.6% achieved in the 2021/22 reporting year, showing a 21% decline, as shown in figure 34 above. Management Control element continues to lag when compared to the other four elements and this is a worrying trend. Often than not, reasons suggesting the migration of potential skilled beneficiaries to urban and high-paying jobs seem to be the major cause. Even though the transformational policies have remained active for many years, seemingly, self-correcting remains a challenge for some Unenhanced QSEs, as there have not been any radical changes in terms of improved compliance specifically in Management Control. Therefore, conscious interventions needed to be put in place, substantiating the decision made by the Department of Employment and Labour (DOEL)’s amendments to the Employment Equity Act (EEA) Bill of 2020 to the Cabinet which will regulate most economic sectors’ specific employment and management targets. This act will potentially address the gross under-representation of black people, women and persons living with disabilities. It can be anticipated that the amendments to EEA and the Employment Equity Plans will have a direct influence on the Management Control element in terms of improving compliance and representation of black people.

The Unenhanced QSEs Management Control scorecard has four indicators including; Black People in Executive Management and the other three management levels; Senior, Middle and Junior Management. In principle, an QSE falling in this category may not necessarily

differentiate between the lower management categories. Figure 35 below compares the averages of Unenhanced QSEs on the Management Control indicators against the allocated weighting points.

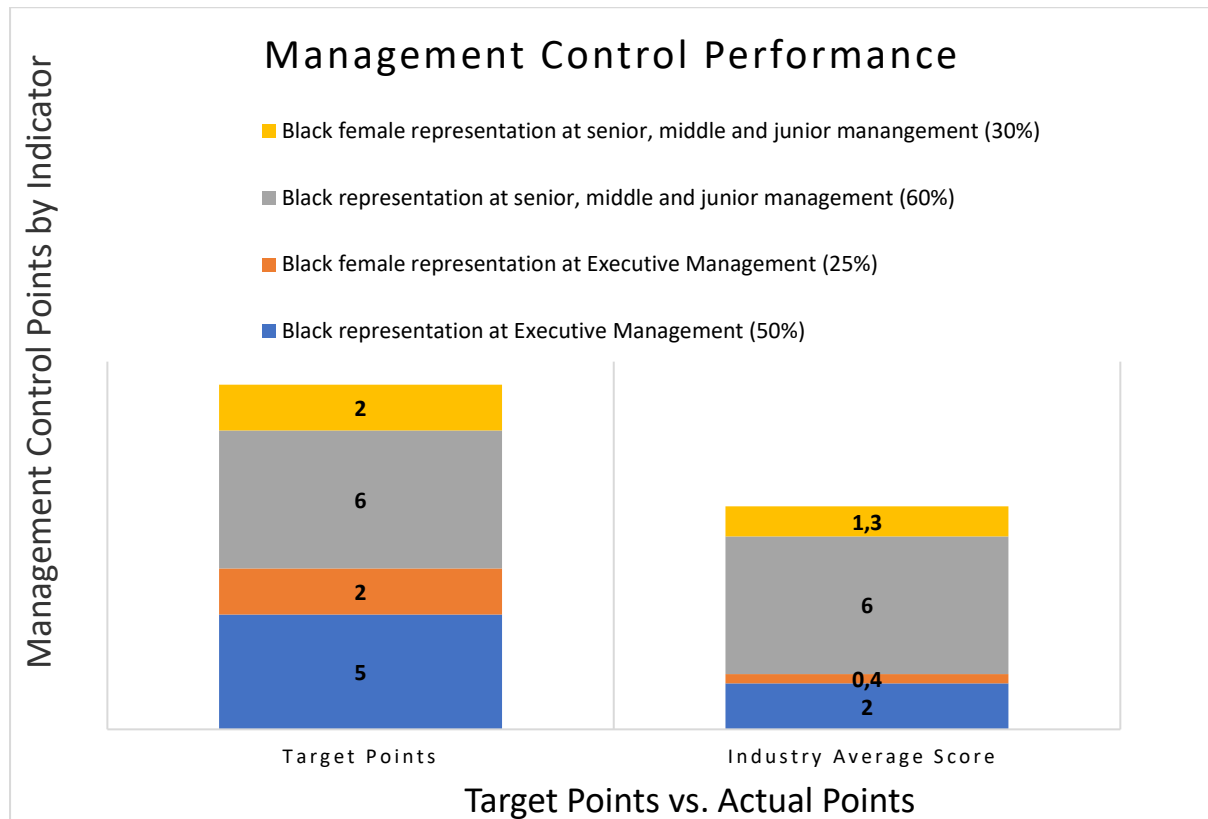


Figure 35: QSE Management Control Performance

The Unenhanced QSEs performed exceptionally well, achieving the target on the black representation at the Senior, Middle and Junior indicator, as demonstrated in figure 35 above. An average performance of 65% was observed in the black female representation at Senior, Middle and Junior Management indicator, with a significantly low performance of 40% and 20% observed in the black women representation at executive management respectively. The low performance on these indicators suggests that the Unenhanced QSEs should develop mentorship programs and succession plans that will increase gender and race diversity in executive management categories and increase the growth and promotion of black people and women. The observation suggests that there is a high saturation of Black People and Women in Senior, Middle and Junior Management levels compared to other indicators, highlighting the insufficiencies in the entity's succession plans if they have any in terms of developing black people and women to occupy executive management positions. Another possibility could be that the implemented succession plans do not produce the desired outcomes.

Unenhanced QSEs are also expected to promote black people and women into executive positions. Comparably, the targets for these indicators are lower due to the enclosed employment structure of most QSEs. Figure 36 below shows the performance of the Unenhanced QSEs on the participation of Black People and Women in Executive Management positions.

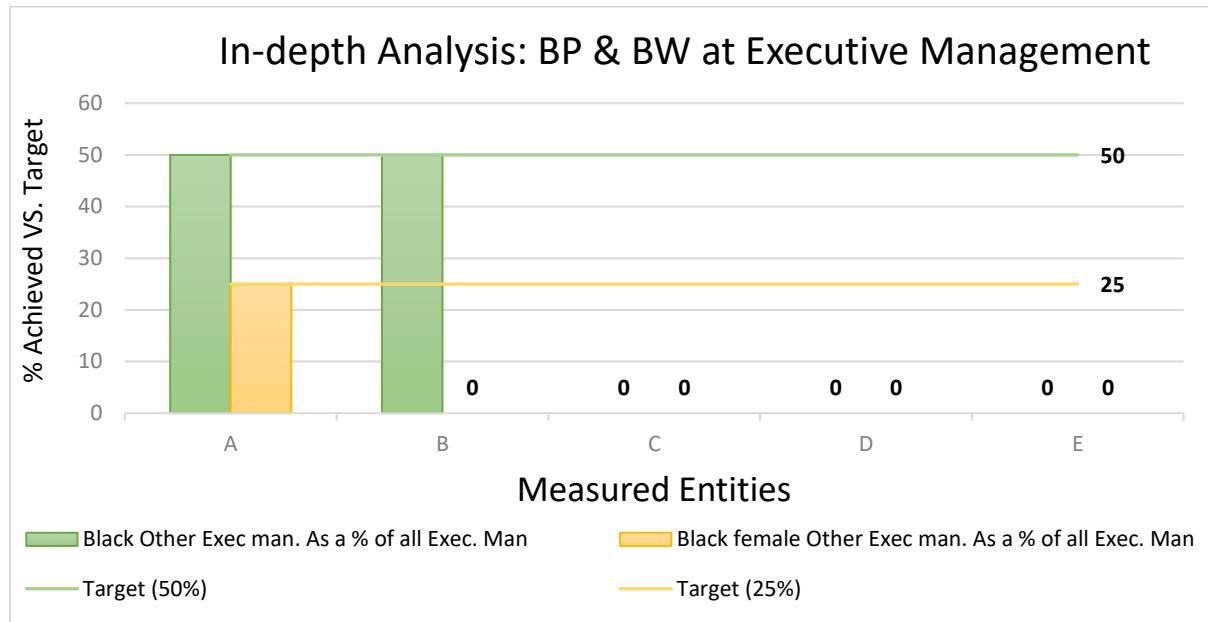


Figure 36: QSE Analysis: Participation of BP and BW in the Executive Management

As shown in figure 36 above, the trend in the participation of Black People and Women in executive management is quite disturbing, indicating the insufficient participation of Black People and Women in such positions. Only 1 (20%) out of 5 (80%) Unenhanced QSEs achieved the target on both indicators, with another entity achieving the target only on the participation of Black People and achieving 0% on the participation of Black Women in Executive Management. The 3 (60%) remaining entities achieved 0% on both indicators confirming that they do not have any Black People and Women in executive management positions. A succession plan aimed at increasing diversity at the executive management level is highly recommended to address the under-representation of Black People and Women in these indicators, in particular for the poor-performing Unenhanced QSEs. If such a performance continues, it might mean the efforts of other companies in bringing about diversity and inclusion are compromised.

The QSE scorecard does not differentiate between the three levels of management; Senior, Middle and Junior, and therefore, a measured entity could either be represented by one of them or a combination of the two or three. The achieved scores amongst the five Unenhanced QSEs on the Senior, Middle and Junior Management positions are indicated in figure 37 below.

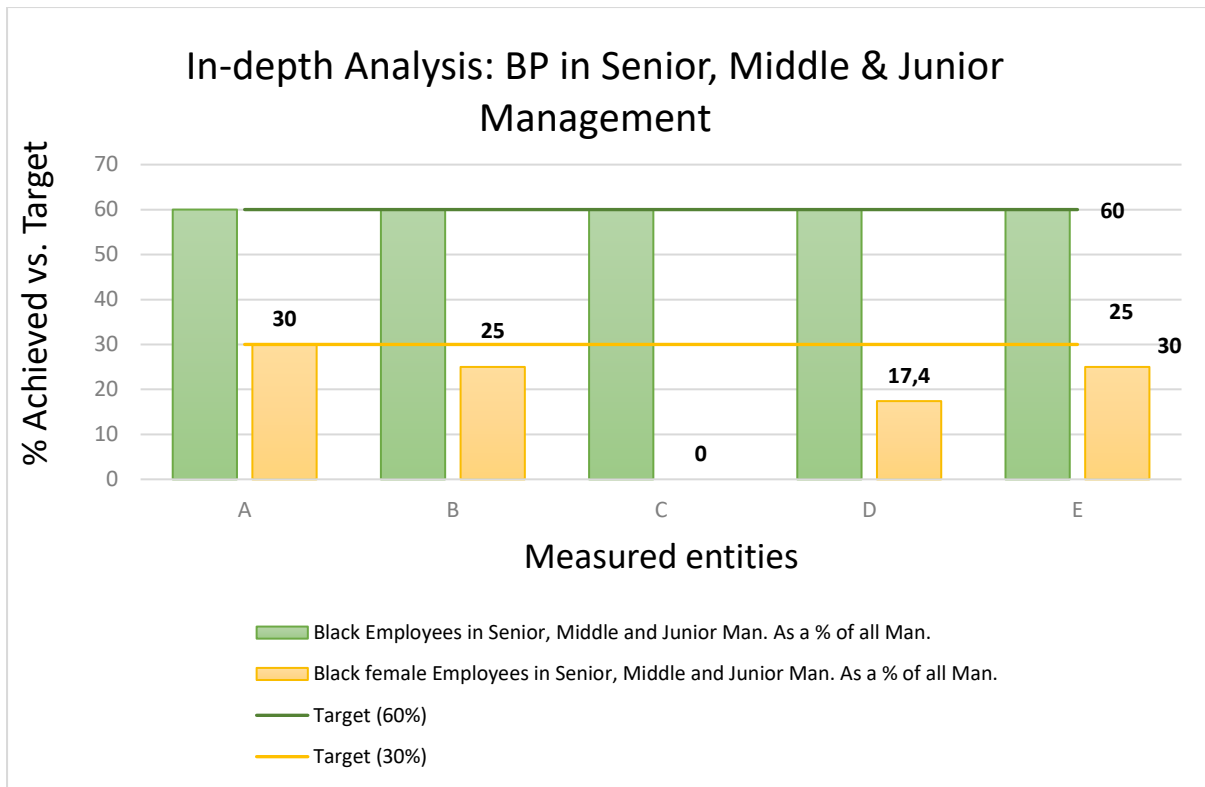


Figure 37: Representation of BP and BW in Senior, Middle and Junior Management levels

Figure 37 above shows the exceptional participation of black employees on all levels of management, with all 5 Unenhanced QSEs achieving the target. On the Black Women indicator, only 1 (20%) out of the 5 entities achieved the target, with 2 (40%) entities achieving above 80% towards the target, and the other 1 (20%) achieving just above 50% toward the target. The remaining entity achieved 0% on Black Women employees under this indicator. The observation shows a different trend when compared to the indicators for women in Senior, Middle and Junior as well Executive Management positions. This validates the need to focus on developing and promoting more black women employees on the three levels of management. Additionally, the expected enactment of the proposed targets to the Employment EquiA is awaited to bring about substantial changes in the compliance of the Management Control scorecard and enhance promotions and employment of Black People and women in Executive and Management positions.

SKILLS DEVELOPMENT IN-DEPTH ANALYSIS

The Skills Development element measures the recognisable skills development expenditure provided towards training programmes for black people by each company as a percentage of the company's leviable amount. The leviable amount is defined in the Fourth Schedule of the Skills Development Act (SDA) as the total amount of remuneration payable by an employer to the employees. In the QSEs scorecard, Skills Development is one of the three priority elements. Should an entity prefer to comply with it over the Enterprise and Supply Development element, then the entity is required to meet the 40% sub-minimum on the total weighting points excluding the bonus points to avoid being downgraded by a level.

Figure 38 compares the Unenhanced QSEs Skills Development performance for the two reporting years, 2021/22 and 2022/23.

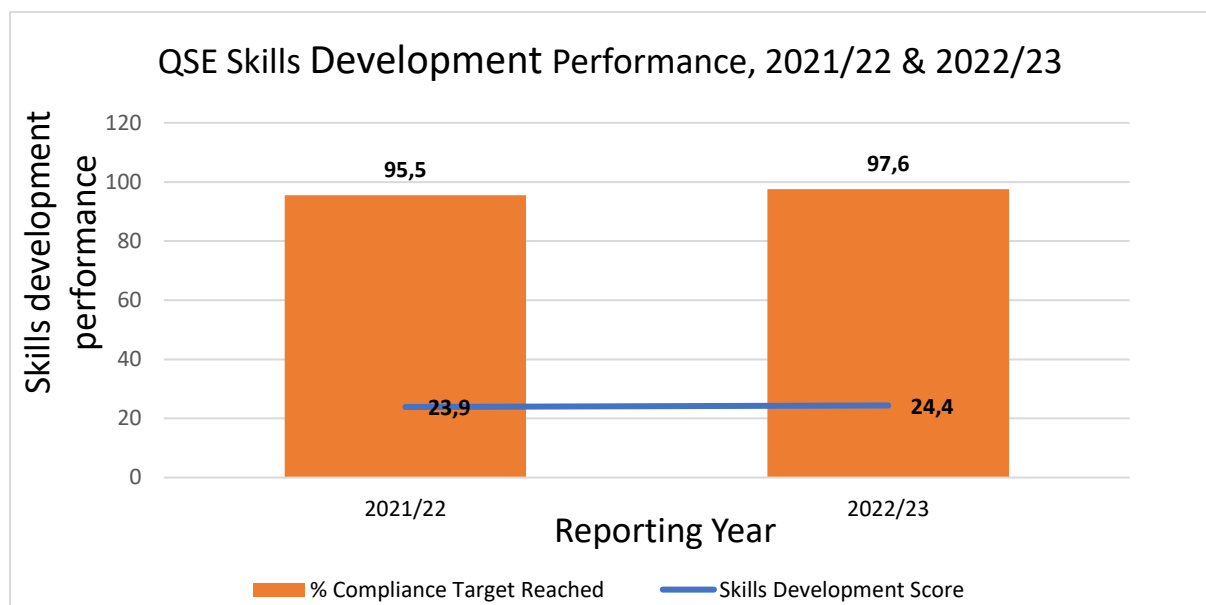


Figure 38: QSE Skills Development performance, 2021/22 & 2022/23

As shown in figure 38 above, Unenhanced QSEs performed exceptionally well on Skills Development achieving an average of 24.4 translating to a 97.6% achievement. This confirms that all the reporting Unenhanced QSEs are finding it easy to implement this element, even when considering the good score achieved in the previous year, hence none of the entities were discounted because of Skills Development.

The QSE Skills Development scorecard has three indicators, which are the expenditure on learning programmes specified in the learning programmes matrix for Black People, Women and People with Disabilities as a percentage of the leviable amount. Figure 39 below shows

the overall performance of Unenhanced QSEs on the Skills Development indicators against the allocated weighting points.

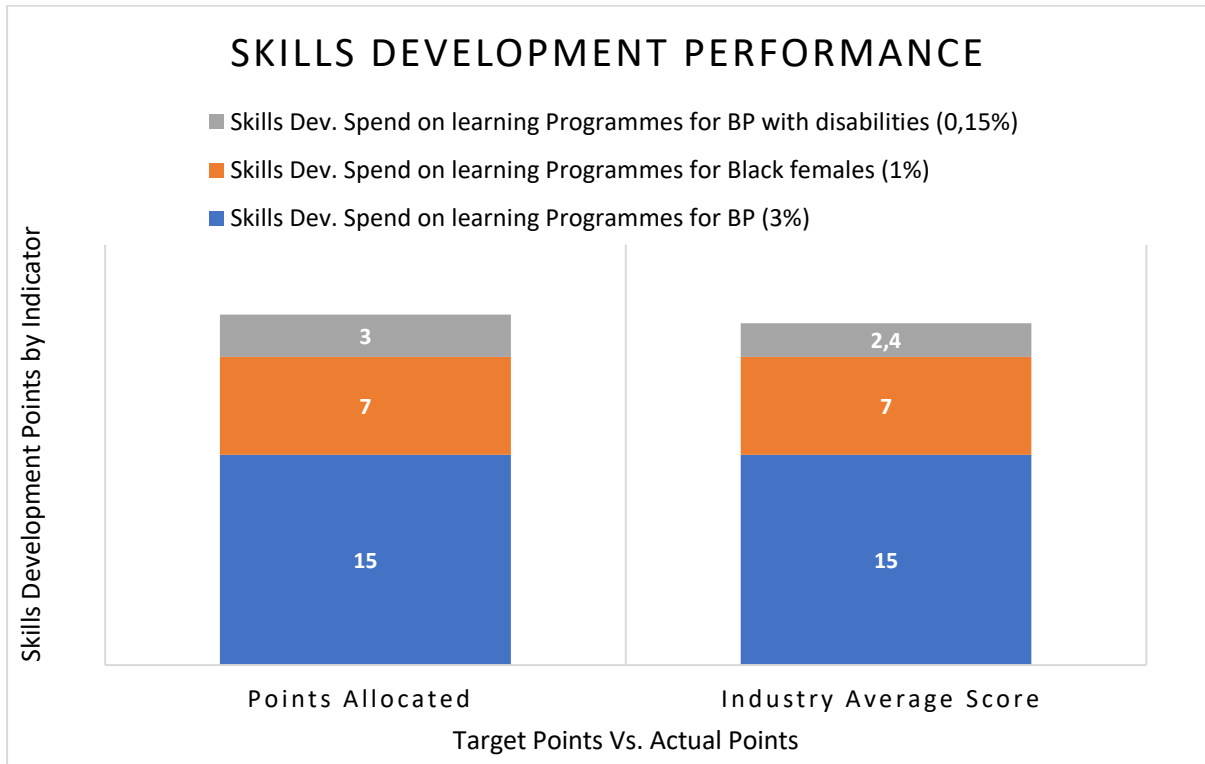


Figure 39: QSE Skills Development Performance

The Unenhanced QSEs performed remarkably well also on all the Skills Development element indicators as shown in figure 39 above. The analysis shows that Unenhanced QSEs achieved an average of 100% on the skills spend for Black People and Black Women indicators, and 80% was achieved on the skills spend for People with Disabilities. The good performance observed in this element demonstrates commitment from Unenhanced QSEs in terms of capacitating black people as per the prescripts of the QSEs Skills Development scorecard. Moreover, it is expected that the effects of internal staff training should influence the potential promotion of black employees to management positions in the Management Control especially where the under-participation of black people is largely observed.

Figure 40 below shows the performance of the reporting Unenhanced QSEs' expenditure on learning programmes specified in the learning programmes matrix for Black People and Women as a percentage of the leviable amount.

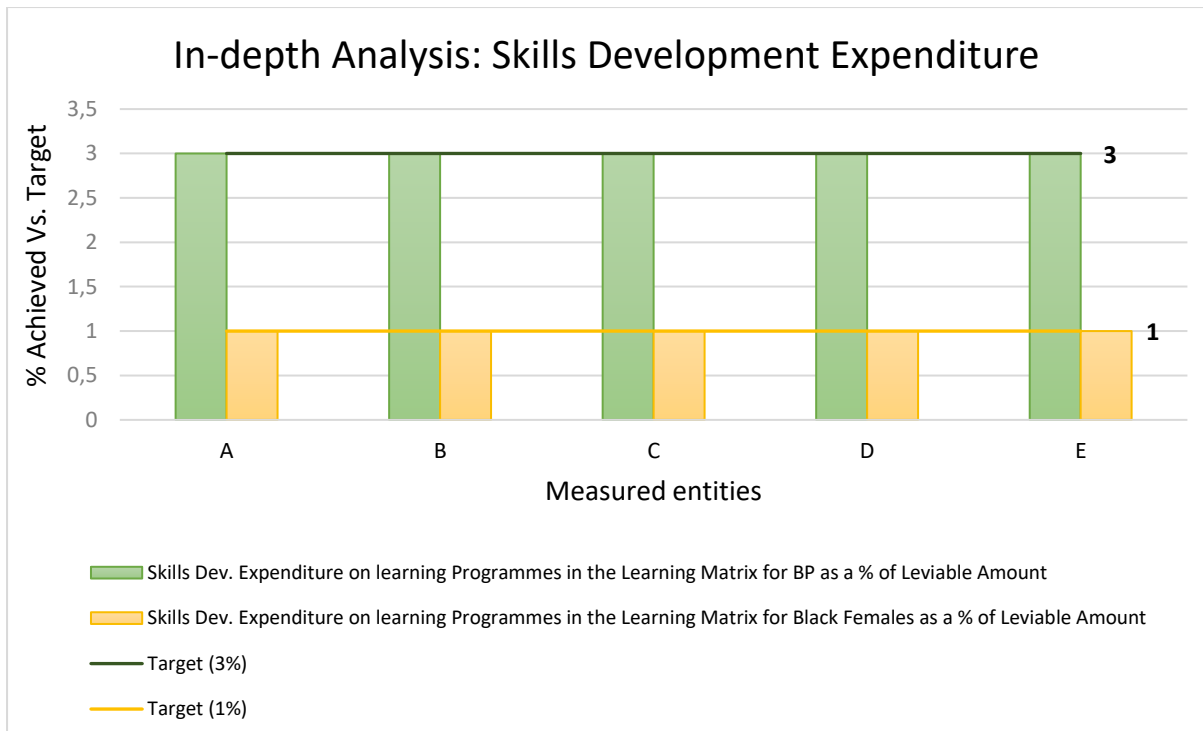


Figure 40: QSE Analysis: Skills Development spend on Black People and Black Females

All the reporting entities performed significantly well, achieving over and above the compliance target on Skills Development expenditure on learning programmes for both Black People and Women as illustrated in figure 40 above. Prioritising employees' growth and development is very key and is most likely to attract and retain top talent, which can provide a competitive advantage in the job market while keeping the entity competitive.

Figure 41 below demonstrates the performance of the Unenhanced QSEs' expenditure on learning programmes specified in the learning programmes matrix for Black People living with Disabilities as a percentage of the leviabale amount.

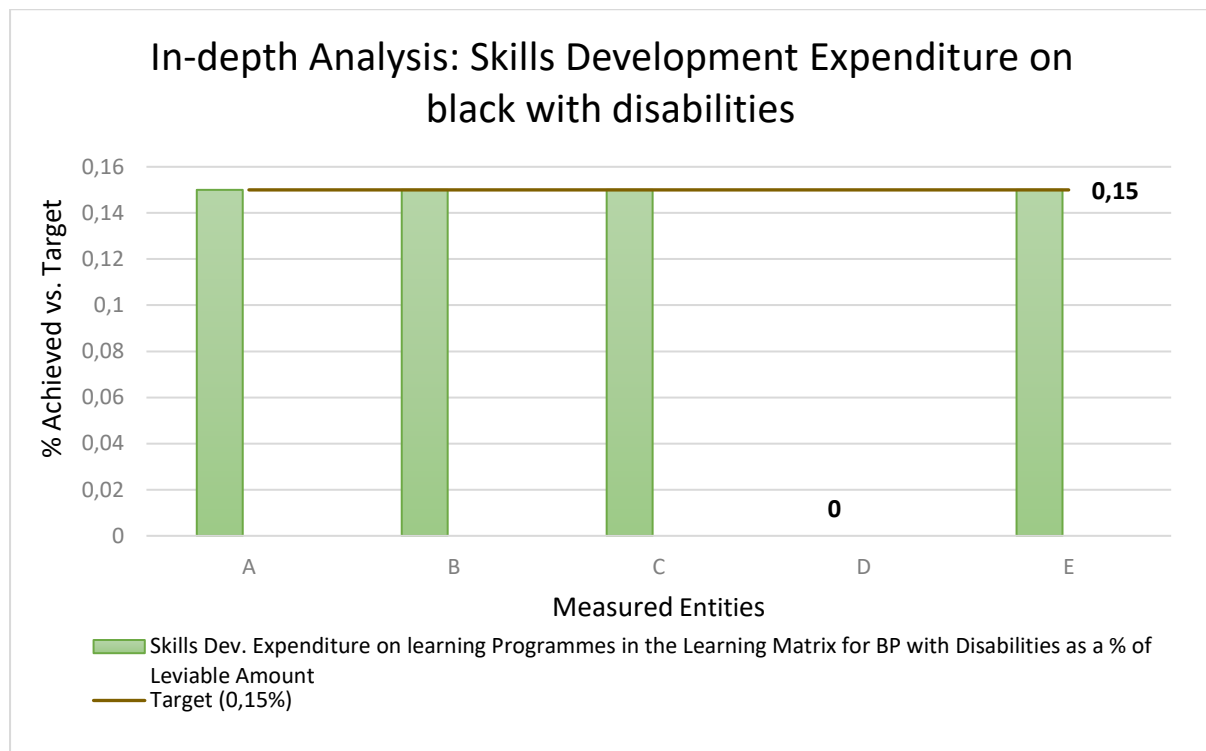


Figure 41: QSE Analysis: Skills Development spend on Black People with Disabilities

As displayed in figure 41 above, 4 (80%) out of 5 entities performed outstandingly achieving the compliance target with the remaining 1 (20%) performing poorly on the indicator. Possibly, this could be a confirmation that the entity has no Black People living with Disabilities or that employees are uncomfortable declaring their disability status fearing losing their jobs as a result, or could be that there is insufficient knowledge of what qualifies as a disability in terms of the Disability Act.

South Africa's unemployment rate surged to 34.4% in the second quarter of 2023, with the youth being the most affected group, as they continue to be disadvantaged in the labour market. This suggests an aggressive drive for the creation of employment opportunities. Skills Development through the absorption indicator and entrepreneurship can play a massive role in curbing the unemployment plight in the country, possibly with a growing economy.

It is even more worrying that the most disadvantaged are the younger generation who should be skilled and be given job opportunities. The Unenhanced QSEs are encouraged to create job opportunities for black people through the absorption indicator in the Skills Development element. Five bonus points are awarded for the creation of employment through the absorption

principle given that the measured entity employs the learners at the culmination of a learning programme prescribed in the learning programme matrix. However, unlike with MLEs, Unenhanced QSEs can claim the bonus points even if they have not directly created job opportunities for the learners, but other entities within the industry have. The Unenhanced QSEs performance for the absorption indicator is shown in figure 42 below.

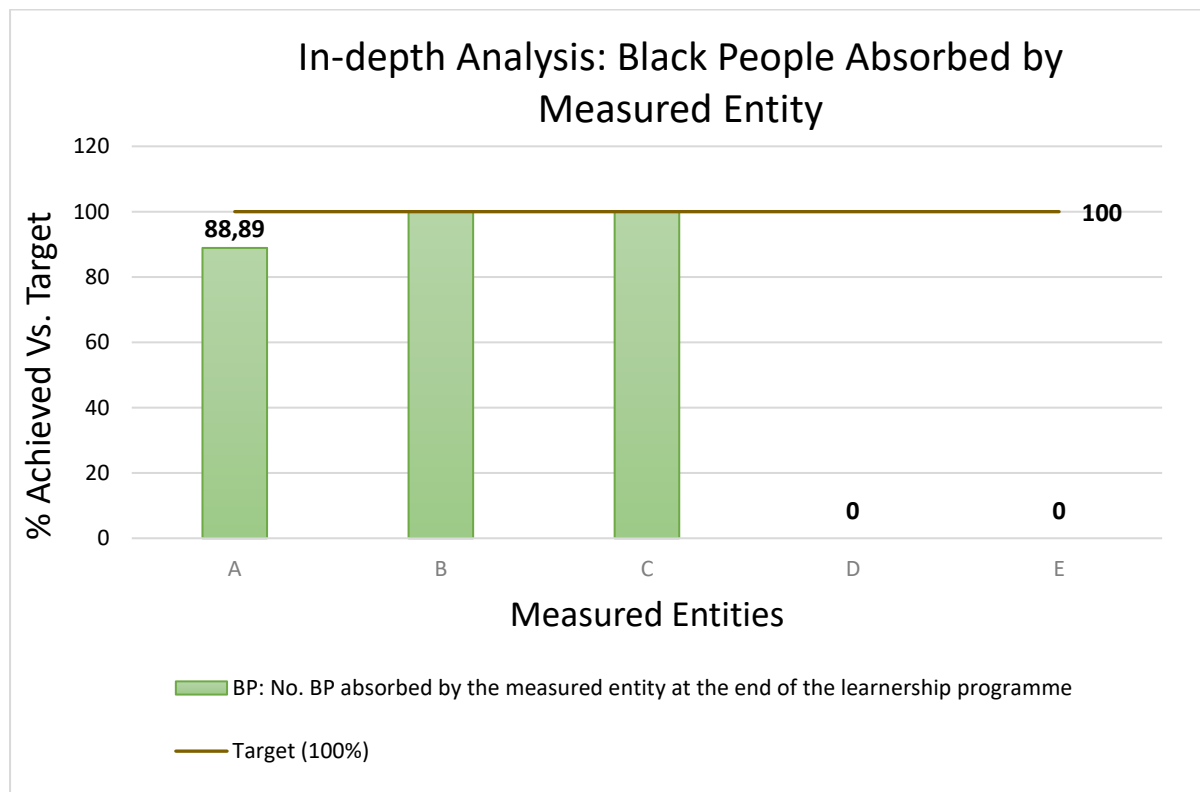


Figure 42: QSE Analysis: Absorption of Black people

Two (20%) out of 5 Unenhanced QSEs absorbed all the learners, with 1 (20%) entity absorbing 89% of their learners, as portrayed in figure 42 above. The remaining 2 (40%) entities did not have their learners absorbed by either themselves or other entities in the industry. Based on the evidence, it can be assumed that all skills spend for these entities were internal training not external, hence no absorption was made. This is understandable, due to the size of the QSEs, as the option for absorption will not always be feasible, hence the flexibility on the absorption condition to allow other entities with the capacity to absorb the learners recruited in learning programmes.

ENTERPRISE AND SUPPLIER DEVELOPMENT IN-DEPTH ANALYSIS

Enterprise and Supplier Development (ESD) is made up of a combination of three sub-elements namely; Preferential Procurement (PP), Supplier Development (SD) and Enterprise

Development (ED). It is one of the three priority elements with the most weighting points (30) in the B-BBEE scorecard. In terms of the QSEs scorecard, when a measured entity prefers to comply with ESD as a priority element over Skills Development, it will be required to achieve sub-minimum requirements of 40% on each of the following categories; PP, SD and ED (excluding bonus points). Enterprise and Supplier Development is aimed at strengthening local procurement, enhancing local supplier development and increasing access to both financial and non-financial support for black-owned and controlled businesses. Given the current economic state and the unfortunate closure of some businesses, which resulted in job losses due to Covid-19 and its aftermath, the ESD element can resuscitate and grow both the rural and South African economies and can assist in creating new and sustainable businesses and jobs.

Figure 43 below demonstrates a comparison of Unenhanced QSEs performance on the overall ESD element for two reporting years, 2021/22 and 2022/23.

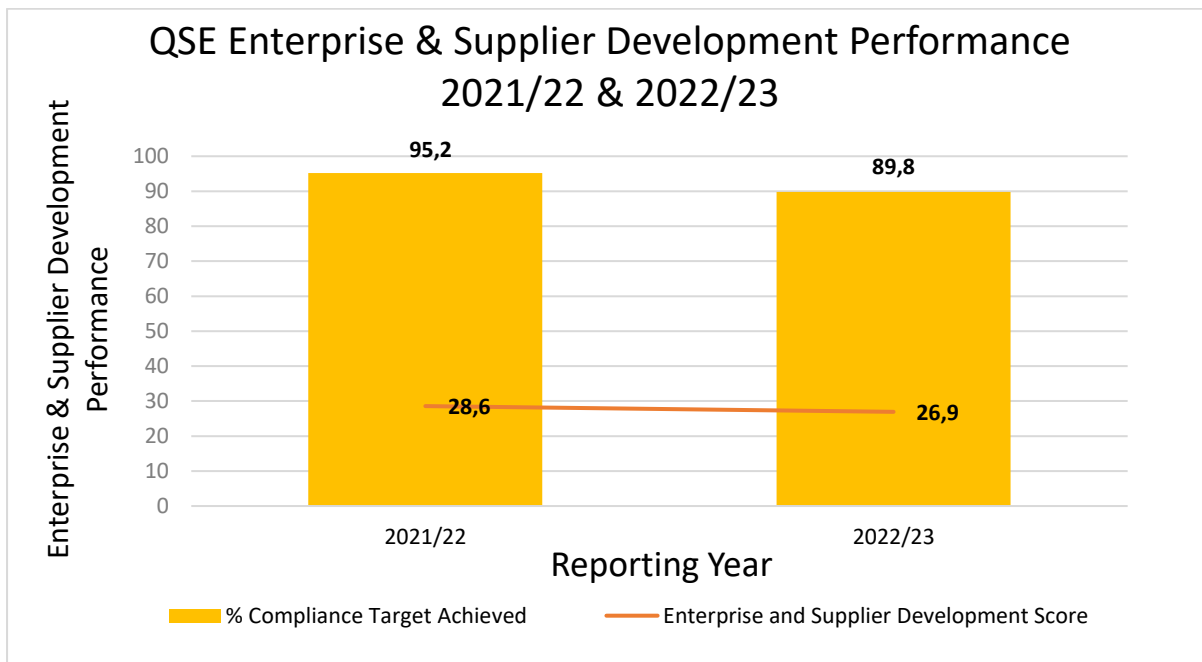


Figure 43: QSE Enterprise and Supplier Development, 2021/22 & 2022/23

In the current year, the average ESD performance achieved is 26.9 which accounts for 89.8% of the target as demonstrated in figure 43 above. There is a decline of 6% in the ESD average performance when comparing the two reporting years. About 4 (80%) of Unenhanced QSEs showed an outstanding performance on the ESD element.

The ESD element for Unenhanced QSEs has four indicators as depicted in figure 44 below. Figure 44 shows the overall performance of Unenhanced QSEs on the ESD indicators against the allocated weighting points.

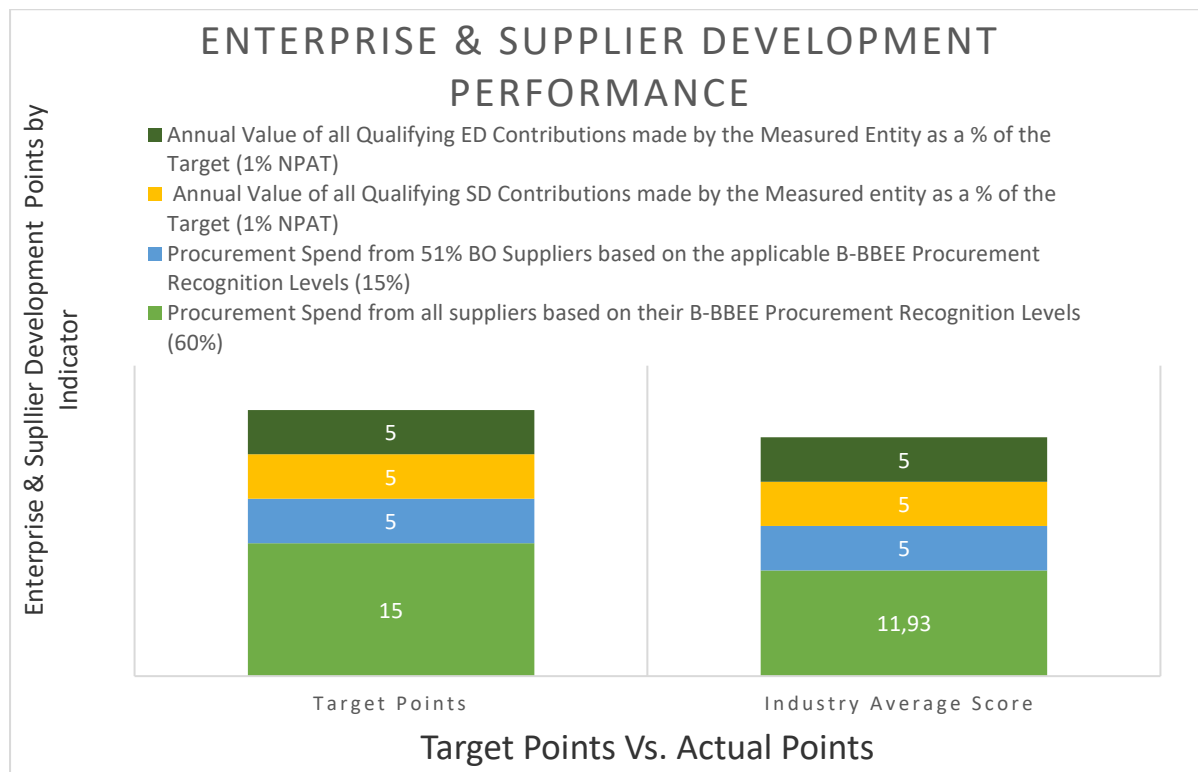


Figure 44: QSE Enterprise and Supplier Development Performance on each indicator

The average achieved on each indicator shows an outstanding performance as reflected in figure 44 above. Further analysis shows that Unenhanced QSEs achieved an average of 100% on the qualifying ED and SD contributions and procurement spend on the 51% black-owned suppliers' indicators. The least performance was observed in the procurement spend from all suppliers' indicator, achieving an average of 79.5% towards the target.

Preferential Procurement (PP) encourages government departments, public entities, state-owned entities and measured entities to buy goods and services from previously disadvantaged black-owned businesses. In terms of the ESD QSEs' scorecard, they are required to procure from empowering suppliers based on their B-BBEE recognition levels and at least 51% black-owned suppliers. There is also an incentive of one bonus point for an Unenhanced QSEs that procures from suppliers that are at least 51% black-owned and falling within the Black Designated Groups (BDGs) category.

Figure 45 below shows the performance of Unenhanced QSEs on the procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels indicator.

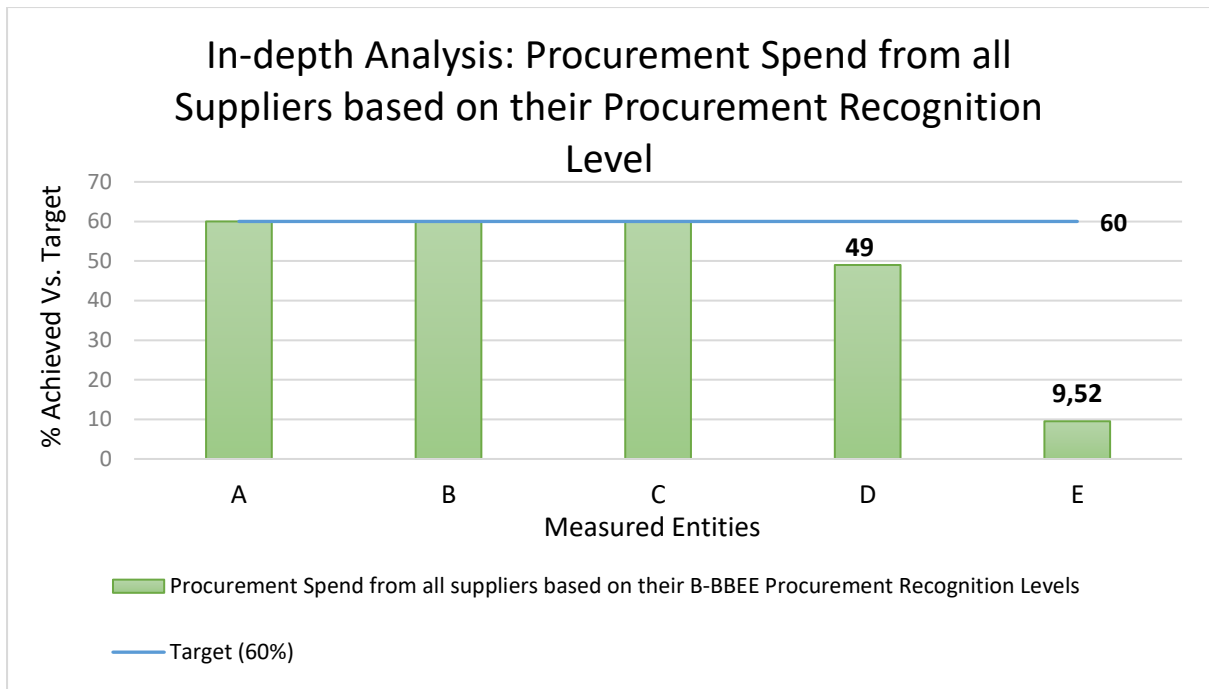


Figure 45: QSE Analysis: Procurement spend on all suppliers based on their recognition levels

Three (60%) out of 5 Unenhanced QSEs achieved beyond the compliance target (60%) for procuring from all suppliers based on their B-BBEE recognition levels. As shown in figure 45 above, 1 entity achieved 81.7%, while the remaining entity achieved 15.9% toward the target under the observed indicator, demonstrating poor performance. The least performed entity failed to meet the 40% sub-minimum in the PP category, and hence was discounted as a result.

Figure 46 below presents the scores Unenhanced QSEs on the procurement spend from empowering suppliers that are at least 51% Black Owned.

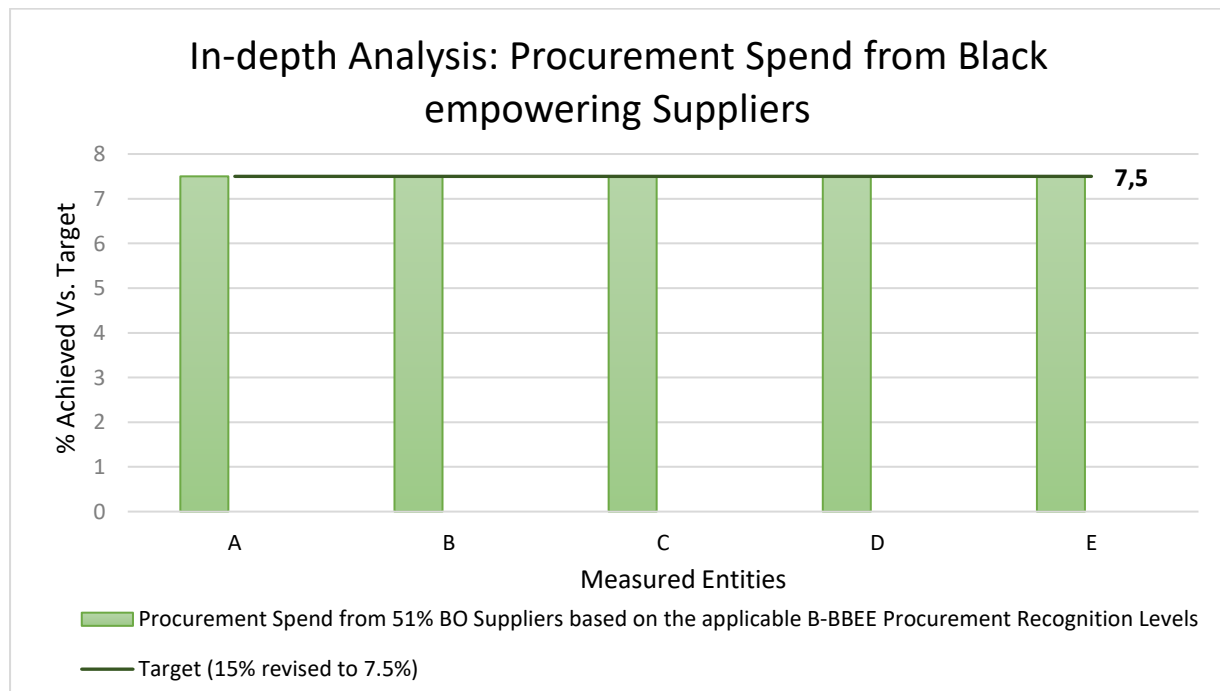


Figure 46: QSE Analysis: Procurement spend on all suppliers based on their recognition levels

All 5 reporting Unenhanced QSEs demonstrated outstanding performance, achieving over and above the compliance target under the procurement spend from empowering suppliers that are at least 51% black-owned as indicated in figure 46 above. Supporting such entities contribute to supplier development and enhances the entity’s procurement score, but also contribute to the sustainability of the supported entities, which ultimately validates the objective of B-BBEE.

Additionally, under the PP category, Unenhanced QSEs are awarded a bonus point for procuring from designated group suppliers that are at least 51% black-owned and with a better B-BBEE recognition level. Based on this indicator, only 3 (60%) out of 5 entities received the bonus point with the remaining entities not receiving the bonus point. Unenhanced QSEs are encouraged to support the designated group suppliers around the area of their operations to ensure broadness as espoused in the Amended FSC.

Supplier Development (SD) as per the prescripts of the Amended FSC and B-BBEE Act means sourcing goods and services from black-owned suppliers. Unenhanced QSEs are required to spend at least 1% of their net profit after tax (NPAT) on all qualifying supplier development contributions. The SD contributions are made to entities that are already part of the entity’s supplier chain. The SD contributions can either be in the form of monetary (e.g.,

loans/grants) or non-monetary (e.g., mentorship) guided by the enterprise development and supplier development benefit factor matrix.

Figure 47 below presents the performance of Unenhanced QSEs on all qualifying Supplier Development (SD) contributions as a percentage of the target (1% of the NPAT).

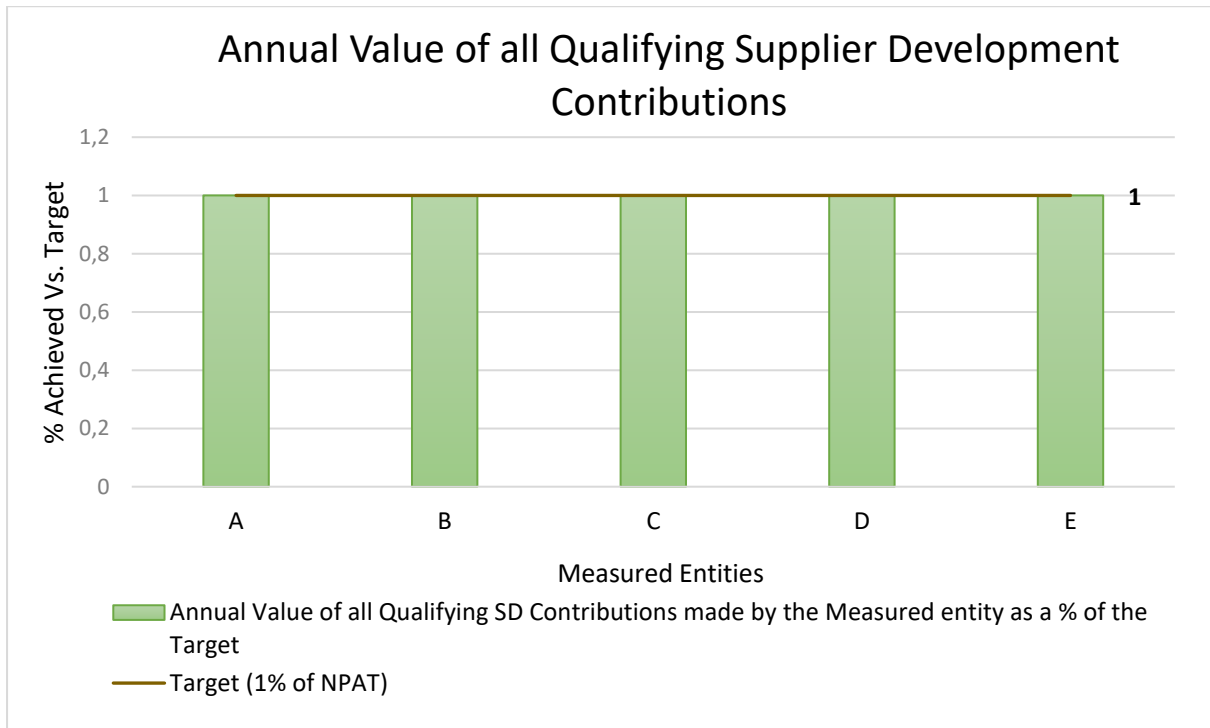


Figure 47: QSE Analysis: Supplier Development Contributions

As depicted in figure 47 above, all Unenhanced QSEs achieved the compliance target on the SD contributions and met the 40% sub-minimum on the SD category. The outstanding performance confirms the Unenhanced QSEs' commitment to supporting black-owned businesses within their supply chain.

Enterprise Development (ED) promotes economic growth through entrepreneurship opportunities and job creation. This is intended at bringing new role players into the market to create a sustainable pool of potential black suppliers. Unenhanced QSEs are required to spend at least 1% of their NPAT on all qualifying enterprise development contributions. The ED contributions are made to entities that are not part of the entity's supplier chain but developed to become part of the entity's supply chain. This has the following two-fold benefits to the entity; gaining dependable future suppliers and can also earn preferential procurement points from procuring from the developed suppliers and gaining bonus points for graduating the beneficiary into a supplier. The ED contributions can either be in the form of monetary

(e.g., loans/grants) or non-monetary (e.g., mentorship) also guided by the enterprise development and supplier development benefit factor matrix.

Figure 48 below illustrates the scores of Unenhanced QSEs on all qualifying Enterprise Development contributions as a percentage of the target (1% of the NPAT).

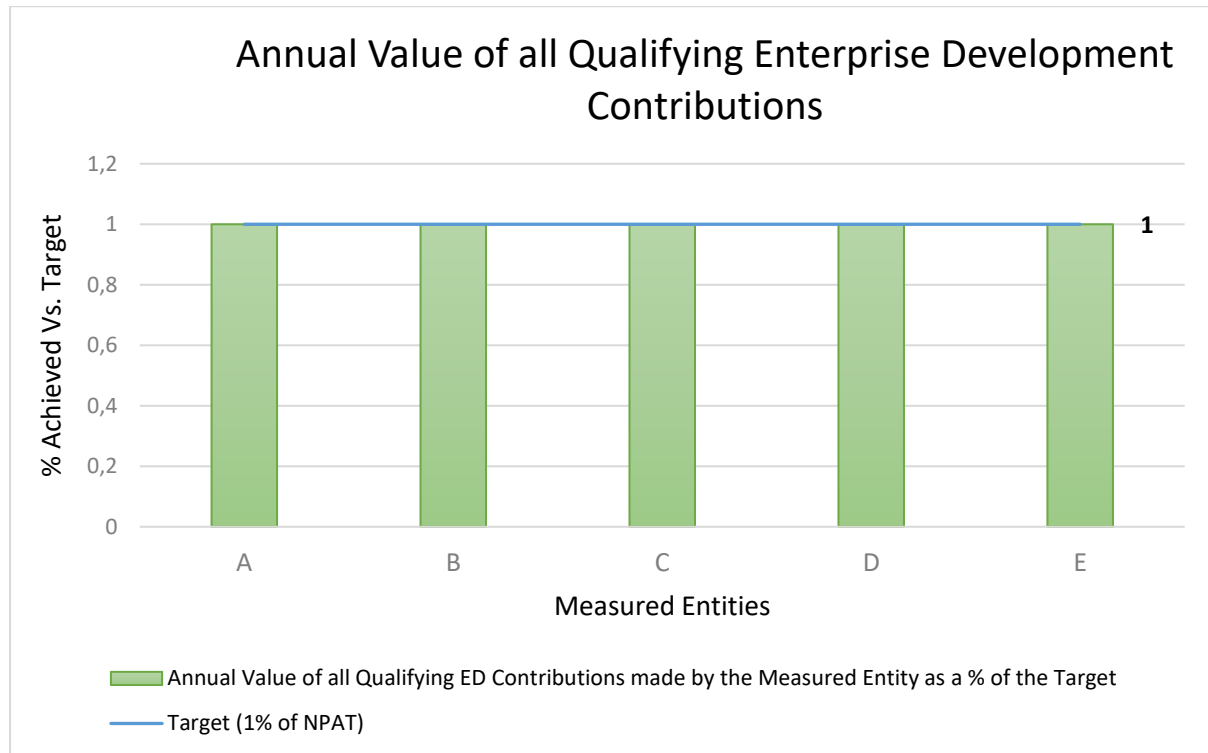


Figure 48: QSE Analysis: Enterprise Development Contributions

As illustrated in figure 48 above, all Unenhanced QSEs achieved the compliance target on the ED contributions and met the 40% sub-minimum on the ED category. This highlights the significant role Unenhanced QSEs play in terms of establishing new role players in the market. Additionally, in terms of bonus point, none of the reporting entities graduated their ED beneficiaries to the SD level. Only 1 (20%) out of 5 entities received a bonus point for creating one or more jobs directly as a result of SD and ED initiatives. Unenhanced QSEs are encouraged to graduate their ED beneficiaries to the SD level to ensure the sustainability of the developed beneficiaries and suppliers.

SOCIO-ECONOMIC DEVELOPMENT IN-DEPTH ANALYSIS

Socio-Economic Development (SED) contributions are any monetary or non-monetary contributions implemented for individuals or communities, where at least 75% of the beneficiaries must be black people. Unenhanced QSEs are required to spend at least 1% of their net profit after tax (NPAT) on SED contributions with a sustained economic benefit. The Amended FSC has rural development targets, which are met through ESD and SED elements to ensure maximum impacts in terms of empowering and uplifting standard of living in the rural and underdeveloped areas where forestry occurs. Moreover, this also discourages urban migration, whereby rural people relocate to urban areas in search of better livelihoods.

Figure 49 below compares performance of Unenhanced QSEs in the two reporting years, 2021/22 and 2022/23 against the weighting point of the SED element.

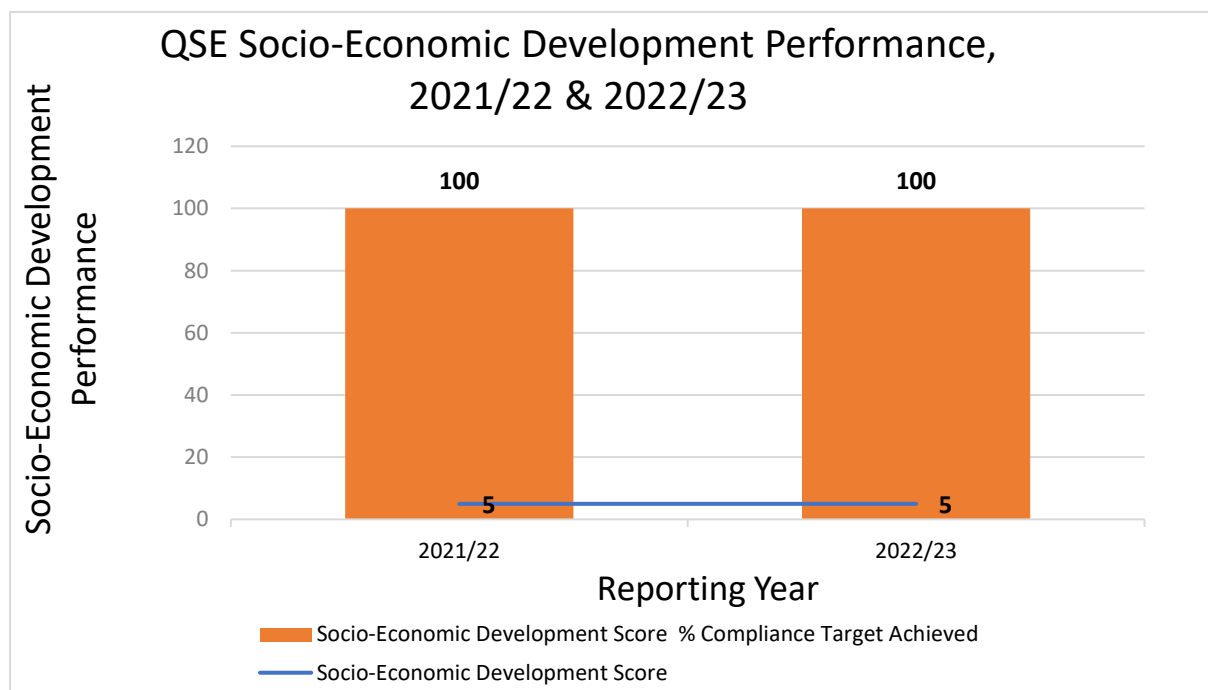


Figure 49: QSE Socio-Economic Development, 2021/22 & 2022/23

As shown in figure 49 above, Unenhanced QSEs performed exceptionally for the two reporting years under the SED element, achieving a 100% target. The SED score is one of the highest in terms of average performance achieved by Unenhanced QSEs.

Figure 50 below compares the SED indicator score against the overall SED performance by Unenhanced QSEs.

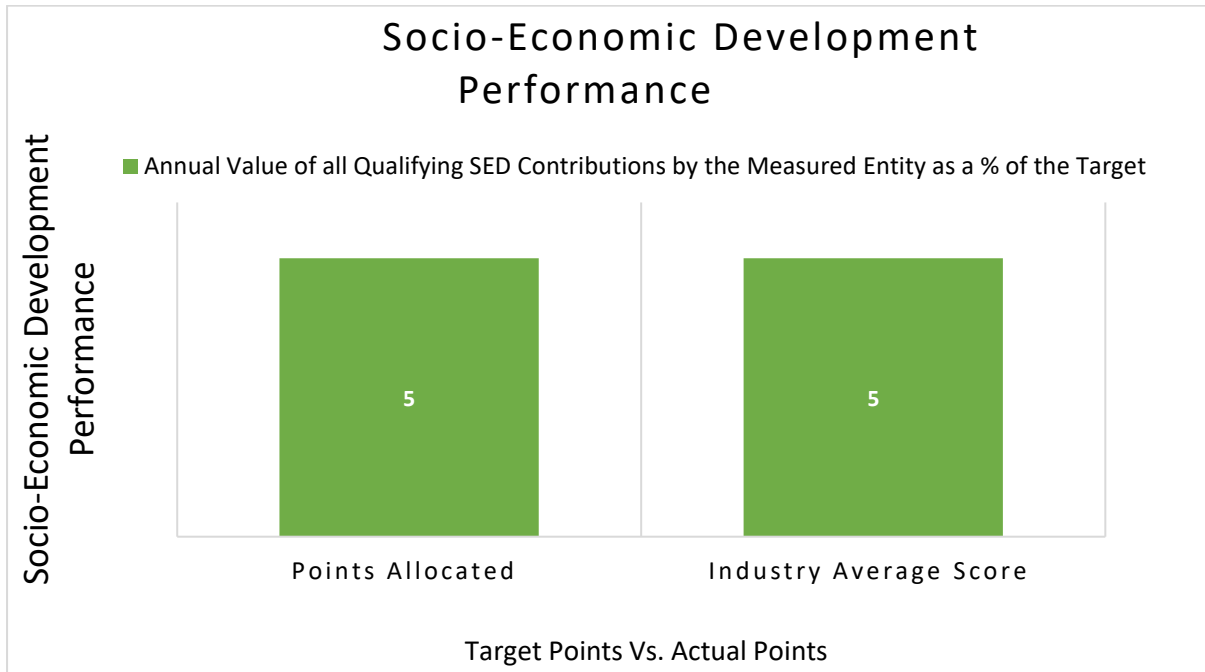


Figure 50: QSE Socio-Economic Development Performance

The average achieved on the SED indicator shows an outstanding performance as observed in figure 50 above. Further analysis shows that all Unenhanced QSEs achieved the target, translating to an average of 100% on the qualifying SED contributions. The outstanding performance indicates the QSEs' commitment in terms of bringing social and economic development initiatives to communities near and around their area of operation.

Figure 51 below displays the SED performance for Unenhanced QSEs on qualifying SED contributions as a percentage of the target (1% of the NPAT).

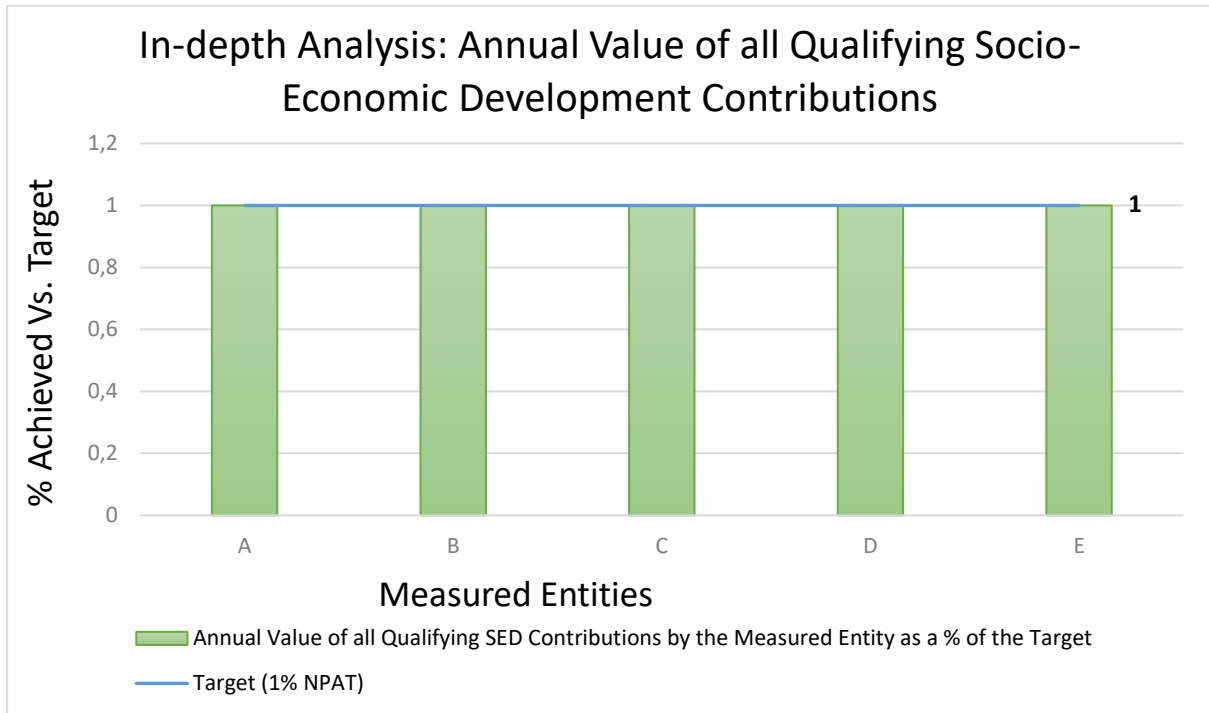


Figure 51: QSE Analysis: Socio-Economic Development Contributions

All Unenhanced QSEs entities achieved the compliance target and even spent over and above the 1% NPAT on SED contributions as presented in figure 51 above. The SED appears to be easily achievable for Unenhanced QSEs. A similar trend was also observed in previous years and for the MLEs. This is a confirmation that most of the entities in the sector are not challenged by this element, possibly because there are many socio-economic challenges in the rural areas, thus making the SED element easy to implement.

5.2 SECTOR ANALYSIS: EXEMPTED MICRO ENTERPRISES (EMES)

Exempted Micro Enterprises (EMEs) are entities with a turnover of up to R10 million per annum. They are exempted from obtaining a B-BBEE verification certificate and automatically qualify for a level 4 B-BBEE recognition. However, EMEs can be elevated to level 1 or 2 B-BBEE contributors through the Enhancement Principle similar to Enhanced QSEs. This principle only applies to EMEs that are major black-owned, commonly referred to as Enhanced EMEs. Exempted Micro Enterprises that are either 100 or 51% black-owned qualify for level 1 and 2 B-BBEE recognition respectively. In terms of reporting, since all EMEs are exempted from reporting on the B-BBEE scorecard, they are therefore required to report using an affidavit or CIPC certificate confirming their B-BBEE credentials including; the total annual revenue and the level of black ownership. However, EMEs can also be verified on the QSE scorecard should they wish to maximise their B-BBEE recognition level. This would be applicable when EMEs wish to endeavour into other economic avenues or when tendering for a contract where a B-BBEE certificate is most preferred over an affidavit and a better level other than 4 is required.

In addition, whilst other business categories such as QSEs will have to confirm their empowering supplier status, EMEs were automatically considered empowering suppliers even before the criteria was suspended indefinitely by dtic. As a result, all entities now enjoy automatic recognition of empowering supplier status. This applies to all valid BEE verification certificates, EMEs and QSEs sworn affidavits and the CIPC certificates issued on or after the 1st of May 2016³. For an entity to be considered empowering suppliers, it must comply with South African laws and regulatory requirements including but not limited to; Skills Development Act, Employment Equity Act, Skills Development Levies Act, tax compliance, etc.

³ What Qualifies an Entity as an "Empowering Supplier"? - Cenfed BBBEE Agency

Figure 52 below shows the number of valid EME affidavits received in the year under review in comparison with the two preceding years, 2020/21 and 2021/22.

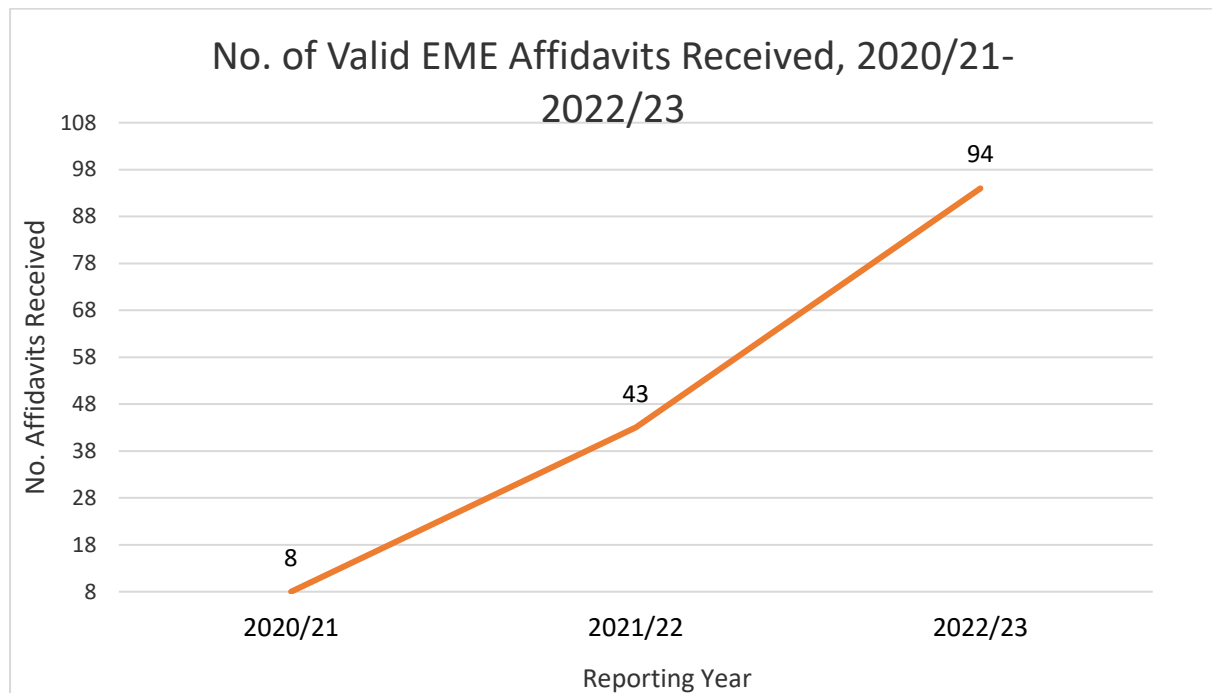


Figure 52: Valid EME Certificate Submissions, 2020/21 – 2022/23

In the year under review, EME submissions increased considerably when compared to the two previous reporting years as shown in figure 52 above. Out of the 94 submissions received, 88 (94%) entities reported using affidavits, whilst the remaining 6 (6%) submitted CIPC certificates. Exempted Micro Enterprises equal to the QSEs are encouraged to report using the FSCC B-BBEE affidavits because of the additional requirement to indicate the Enterprise Development Beneficiary (EDB) status. This confirmation is of key significance as it assesses the level of MLEs' commitment to assisting entities falling within the categories of small medium and micro enterprises (SMMEs) as main beneficiaries of the Enterprise and Supplier Development (ESD) element.

In the year under review, no disqualification of submissions was observed, validating the improved level of understanding by EMEs on the B-BBEE reporting requirements. This may also suggest that there is an intense drive from larger and medium-sized reporting entities to ensure reliable reporting from their suppliers as this has a cascading effect on their overall B-BBEE recognition level for procurement points. However, it is also worth intensifying the awareness level amongst this grouping as they are more susceptible to fronting practices.

Figure 53 below illustrates the overall B-BBEE levels achieved by reporting EMEs in the year 2022/23.

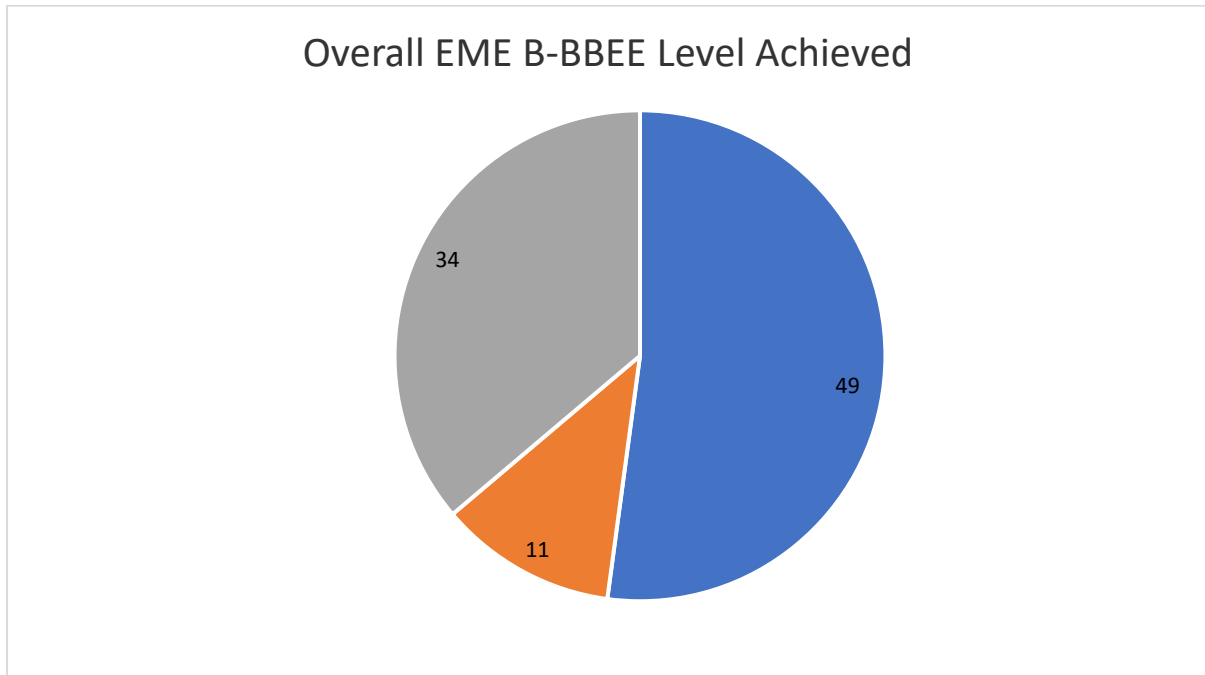


Figure 53: EME B-BBEE Level Achieved

A majority (52%) of EMEs' submissions received were from Enhanced Level 1, followed by Unenhanced Level 4 (36%), with the least submission received from Enhanced Level 2 EMEs (12%) as demonstrated in figure 53 above. A similar trend was observed in the previous reporting year, indicating that many EMEs operating in the sector are 100% BO and Unenhanced Level 4. Fewer submissions from the Enhanced Level 2 EMEs may indicate that there are fewer entities that are at least 51% and above black owned but below 100%. This suggests a need for the creation and development of at least 51% and above black-owned EMEs. The EMEs maintained an aggregated Level 2 B-BBEE status similar to the previous year.

Figure 54 below depicts the EMEs' operating across the six sub-sectors within the forest sector.

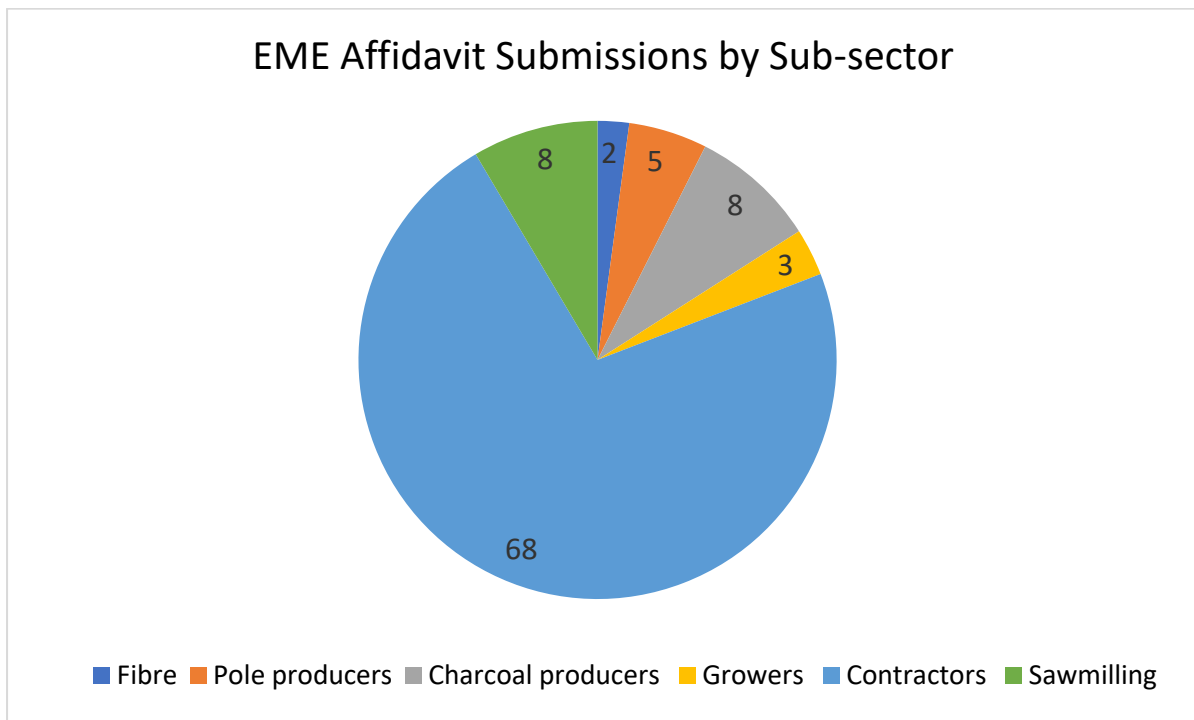


Figure 54: EME Certificate Submission by Sub-Sector

As revealed in figure 54 above, for the first time all six sub-sectors were represented in terms of submissions in the EMEs category as compared to QSEs. A majority of submitted entities are involved in the Contracting sub-sector, with the second highest recordings observed in the Charcoal Producers and Sawmilling sub-sectors. Very few submissions were received from Pole Producers and Growers, with the least received from the Fibre sub-sector.

Although the submissions of the other five sub-sectors are not at a satisfactory level, it is encouraging to see all the sub-sectors represented substantiating their inclusion and expectations of reporting as detailed in the scope of application in the Amended FSC. This poses an obligation to FSCC to intensify the search and engagement of entities operating in the least represented sub-sectors for improved submissions and better representation. Justifiably so, this undertaking is also confirmed by the receipt of submissions from the Charcoal Producers' sub-sector whose interaction was prioritised through the Council's Knowledge Sharing program. Through this program, some of the informal Charcoal Producers were oriented on the prescripts of B-BBEE implementation in the sector, the opportunities presented with an emphasis on the reporting requirement and the importance of the FSCC's affidavit. In the previous reporting year, only the following three sub-sectors were represented; Contracting, Sawmilling and Pole Producers.

Table 46: Statistical Breakdown of Direct Black and Black Women Ownership in EMEs

	Black People	Black Women	Black Designated Groups
<i>Minimum</i>	0	0	0
<i>Q1</i>	0	0	0
<i>Median</i>	100	0	0
<i>Mean</i>	59.52	22.82	26.16
<i>Mode</i>	100	0	0
<i>Q3</i>	100	49.75	87.75
<i>Maximum</i>	100	100	100
<i>Standard Deviation</i>	46.17	38.11	43.79
<i>Entities scoring 0% ownership</i>	32	64	68
<i>Entities scoring above 0% but below 51% ownership</i>	4	11	0
<i>Entities scoring 51% ownership</i>	6	1	1
<i>Entities scoring above 51% but below 100%</i>	3	3	1
<i>Entities scoring 100% ownership</i>	49	15	24
<i>Total number of entities</i>	94	94	94

Table 46 above summarises the composition of EMEs' ownership structures across the B-BBEE beneficiary groupings including Black People, Black Women and Black Designated Groups (BDGs). When comparing the EMEs' ownership composition of the two reporting years, 2021/22 and 2022/23, EME ownership showed an insignificant increase in the black ownership average from 54.07 to 59.52, with a notable increase in black women and BDGs from 8.07 to 22.82 and 12.81 to 26.16 respectively. Further analysis indicates a normal distribution in black ownership average, while the black women and BDGs are skewed to the left, indicating insufficient participation of black women and BDGs in the sector. Through the ESD element, MLEs and Unenhanced QSEs are encouraged to create business opportunities

intended at increasing the participation of black women and BDGs to avoid further marginalisation of these categories from participating in the economic mainstream.

6. CONCLUSION AND RECOMMENDATIONS

The Forest Sector continued to show some resilience as far as compliance with and reporting on the progress made on the scorecard pillars. The level of consistency in terms of submissions from MLEs is encouraging, showing an increase from twenty-four to a reassuring thirty-two MLEs. Remarkably, was also the seamless submission of both the reports and the certificates from all the reporting MLEs making it easy to undertake the in-depth analysis. This could be attributable to the relationship the FSCC has with the established industry Associations as well as the institutions such as SANAS and ABP who have been encouraging their members to report to the FSCC as required. Recognition also is given to some of the MLEs whose intention to report and implement B-BBEE is recognisable and proven to be meaningful.

In the year under review, MLEs' continued reporting was promising, with all sub-sectors represented as reflected in the scope of application in the Amended Forest Sector Code (FSC), though very few submissions were received from the Charcoal sub-sector. The few reports received from the Charcoal sub-sector validate either the need for the establishment of an organised Charcoal Association or the need to intensify interactions with already existing forums representing this sub-sector.

Consistent reporting from MLEs also displayed progress when compared to the previous years. This observation correlates to the comprehension of the Measurement Period as also defined in the Amended FSC. It is recommended that all MLEs' verification be undertaken in accordance with the "Measurement Period" to avoid some reporting years being omitted.

Only 6 MLEs were downgraded, as a consequence of not achieving the minimum target on the Priority elements. Even though the number of discounted MLEs increased in the year under review, none were discounted because of all three elements at once. The MLEs were either discounted as a result of not achieving the minimum target on one or two of the priority elements proving the effectiveness of the Discounting Principle for those entities who comply with the B-BBEE Act as Amended and report annually on the Forest scorecard.

The mode for the reporting MLEs was a B-BBEE level 1 suggesting an improved number of MLEs achieving this level score, particularly amongst the reliable reporting entities. The observation reinforces the requirement for MLEs to annually undergo a verification process to assess the level of B-BBEE implementation and authenticate the effectiveness of the applied

B-BBEE strategy in each of these entities. Very few MLEs achieved a level higher than a level 4 B-BBEE rating. It is recommended that such entities' focus should be on achieving a level 4 or better in cases where the plan is to do business with the government in the future.

MLEs continued to attain good to exceptional scores in four elements with an average performance recorded in Management Control. While there were some declines in the averages realized in the Ownership element, MLEs improved on some of the indicators including the Economic Interest on Black Designated Groupings (BDGs). Previously this was one of the ownership indicators MLEs found most challenging. The improvement may mean MLEs would in the future be able to achieve the target and may claim bonus points for exceeding the target on this indicator. As per the Amended FSC, this condition is subject to the application for a water use license, (currently being the only requirement and pending the approval of other obligations detailed in the amendments to the Amended FSC that have been submitted and being processed, by the dtic).

This was the first time that the sector achieved a 50% target towards the Management Control element. Some MLEs performed poorly on most Women indicators. This observation is discouraging and may be misrepresenting the efforts and compromising the broad-base principle of B-BBEE. Initiatives such as the "She is Forestry SA" should be used as a platform for the sector to leverage and launch a more receptive approach to women's participation and inclusion. Moreso, the sector needs to be aggressive in its approach to identifying potential women, training, and mentoring them for management positions. This approach should be aligned to the succession plan either being implemented or to be implemented, particularly now that the EEA targets are being assessed for the final gazette and set to be implemented in September 2023.

The Skills Development element showed the biggest improvement when compared to other elements. Comparatively, the better score was driven by the improved scores on the skills development spent on learning programmes indicators. This proves that most MLEs are recovering well from the pandemic and are now finding it easier to implement skills development programmes and initiatives, despite the fragile economy. Notably, few MLEs only achieved the eight points allocated to one indicator. This may suggest that this indicator is the priority. It may also be misinterpreted as a transactional directive rather than a transformational effort and such must be avoided.

MLEs continued to outperform in the ESD and SED element, a trend observed also in the previous reporting years. Often than not, the lack of records in terms of the number of initiatives and beneficiaries substantiating this performance is usually interrogated, though such

information is neither detailed nor required in the scorecard report. The commissioned and deferred study on the ESD element could assist in justifying the performance and highlighting the initiatives undertaken to support the performance.

Of concern is also the continuous challenge particularly observed amongst MLE Sawmillers with the sale of logs indicators in the ED sub-element. Seemingly some Growers are finding it easy to sell logs to the beneficiaries as defined in the scorecard. Sawmillers are encouraged to comprehend this requirement and comply accordingly. Possibly Sawmillers can also partner with Government on the recapitalization of the Category B & Cs and use them for such empowerment processes.

More MLEs obtained bonus points also in the three elements proving that they are exceedingly achieving some of the targets.

There has also been a significant increase in the number of submissions both from QSEs and EMEs, despite the fact that inconsistent reporting is still a challenge. The increase may suggest the following indications; smaller entities are beginning to comprehend their legal mandate in terms of reporting to FSCC as prescribed in section 10(4) of the Amended B-BBEE Act, their contributions to driving transformation in the sector and the value add linked to their economic development and growth. There is however a need to address the inconsistent reporting amongst the QSEs and EMEs. Probably, the suggested intensified Community Outreach Programme preferring meetings with organized company forums is justified, and the direct interactions with sub-sectors such as the charcoal Producers. Pending the determination of the suggestion in the amendments to the Amended FSC to compel MLEs and Unenhanced QSEs to submit their suppliers' credentials would also assist to address the challenge.

Both QSEs and EMEs maintained a level 2 B-BBEE status as the previous reporting year. There have been inspiring developments in these business categories, including some QSE advancing to MLE and EMEs to QSEs business categories respectively. This may prove the sector's commitment to one of its adopted principles of supporting economic growth as prescribed in the Amended FSC. However, some insignificant reversions occurred, with some entities regressing from QSE to EME, which may be attributable to the harsh economic environment, aggravated by the unfortunate long hours of load shedding.

In terms of the overall performance of Unenhanced QSEs on the scorecard elements, there has been an improvement in Skills Development and Enterprise and Supplier Development. Unfortunately, the research commissioned for the ESD element to further interrogate performance could not be finalised at the time of drafting this report, as this could have

enhanced in assessing the performance and justifying the preferred contribution type and spending and gauging the beneficiaries in terms of the ESD indicators.

The performance observed on the SED was exceptional and equal to the previous reporting year. Generally, Unenhanced QSEs do not struggle to implement this element. Unlike in MLEs, Ownership was the worst performing element achieving 57% of the target, while Management Control achieved an average of 65%, decreasing from 81% and 82% respectively in the preceding year. This decline is attributed to the poor performance of some entities in these two elements.

The results of Management Control show some similarities to the findings of the Commission for Employment Equity report which were also referenced in the 2022 Sanlam Gauge report. The findings of the latest Commission for Employment Equity workplace transformation report reported that more than a quarter of private-sector employers are not investing in meaningful training and development to facilitate promotions in the workplace. Additionally, the report suggests that more than 20% of the entities do not have clear succession plans for the advancement of African, Coloured and female employees to top, senior and Senior Management levels. ⁴This observation will no doubt have a negative impact on the performance of the Management control element. The employment equity quotas suggested to address the inequities in management positions are therefore justified.

There are still other prevalent challenges with submissions from QSEs and EMEs observed during the collection period. Besides the inconsistent reporting as alluded to above, entities from these categories were not voluntarily submitting their reports or affidavit. Some of the entities' contact persons were not responding to the email submissions request and the lack of online presence made the collection of the certificates or affidavits even more cumbersome.

Consistent reporting and cooperation from QSEs and EMEs are therefore highly recommended. These entities contribute in so many ways as their assessment in terms of growth, sustainability and creation of other new jobs is of key significance in the sector. Additionally, if a majority would report on a yearly basis to the FSCC as per the requirement of the B-BBEE Act as Amended, then the FSCC would be able to engage easily and comprehensively on transformative matters. This for sure would also enable the FSCC to

⁴ [sanlam-gauge-campaign-digital-report.pdf](#)

propose other indicators and initiatives to facilitate their continuous, expressive inclusion and participation in the forest economy.

Further observation on the submissions, indicates that there are more Enhanced Level 2 QSEs compared to EMEs, suggesting some interrogation to understand the influences leading to an increased partnership between non-B-BBEE beneficiaries and beneficiaries amongst QSEs. This outlook may also be seen as a positive indication in cases where this setup is more about meaningful partnerships and in good faith to facilitate the transfer of skills mostly associated with running a business efficiently. However, there are still indications that the increased partnership could be a resort to evade the cost of verification, as the use of a B-BBEE affidavit is a relatively cheaper method to substantiating an entity's compliance and is only applicable to majority Black Owned QSEs. Encouragingly, some larger companies would verify the ownership authenticity of their suppliers such as contractors' submissions to curb possible fronting practices. It is prudent that companies take on the same model if not already implemented, this will facilitate the collective efforts of accelerating transformation and empowerment through accurate and meaningful measures of progress.

In conclusion, MLEs improved from a level 4 to a commendable and promising level 3 B-BBEE rating, a new record since the gazetting of the Forest Sector Code (both repealed and amended). Both QSEs and EMEs maintained a level 2 score. A number of drivers could be associated with the confidence the sector has in the FSCC, the visibility of the FSCC, and the relationship between the FSCC and the entire sector which has been strengthened through the organized industry associations and government. The efforts of some of the reporting entities across the business categories in implementing B-BBEE are also worth acknowledging. Hopefully, these levels achieved will be maintained if not improved.