



**FOREST SECTOR
CHARTER COUNCIL**

ANNUAL STATUS OF TRANSFORMATION IN THE FOREST SECTOR

FY2023/24



EXECUTIVE SUMMARY

2023, marked a two-decade anniversary since the concept of Broad-Based Black Economic Empowerment (B-BBEE) was legalized through the Amended B-BBEE Act, aimed at addressing economic imbalances and inequities. The forest sector, among many others, committed to the B-BBEE programme through the promulgation of the Amended Forest Sector Code (FSC) in 2017. Medium and Large Enterprises (MLEs), Qualifying Small Enterprises (QSEs), as well as Exempted Micro Enterprises (EMEs) operating within the forest sector, are mandated to annually report their B-BBEE credentials to the Forest Sector Charter Council (FSCC), fulfilling the requirements of section 13G of the Amended B-BBEE Act.

In the fiscal year 2023/24, a total of 191 entities reported, demonstrating consistent representation, with a larger fraction of the reporting entities being EMEs. There were also new reporting enterprises, particularly among MLEs and EMEs. Notably, there was a significant representation of new small-scale Growers in the EME category, which has been absent or minimal in previous years. This increase is attributed to the partnership between the FSCC and FSA, as well as the seedling support provided to small Growers by the FSCC.

Despite the new submissions recorded, the observed fluctuations in terms of reporting entities, with some opting not to report as required, particularly among EMEs and QSEs, and to a lesser extent among MLEs, show a concerning trend that needs sincere attention. This scenario presents a potential risk that could undermine the efforts of B-BBEE in the sector and may contribute to destabilizing progress. Addressing these inconsistencies and ensuring consistent reporting across all categories is crucial for maintaining transparency and achieving meaningful transformation goals in the forest sector.

In the year under review, the mode for MLEs was a B-BBEE level 1, with most of these entities recognized as the most dependable. Encouragingly, most of the new MLEs also achieved a level 1 B-BBEE status, validating the suggestion to further investigate their reporting history. Levels 2, 3, and 4 B-BBEE ratings were achieved by more MLEs compared to the higher levels. Only four MLEs improved their B-BBEE level compared to seven in the previous period. This indicates a mixed trend in improvement among MLEs in terms of their B-BBEE ratings.

Medium and Large Enterprises recorded remarkable scores in Socio-Economic Development (SED), Enterprise and Supplier Development (ESD), Ownership, and Skills Development (SD) elements, with Skills Development showing the largest improvement in the average score

achieved. In the Management Control (MC) element, an average score of just above 50% was attained, similar to the trend observed in the last reporting year. This improvement is highly commendable, considering the sector's historically poor performance in this element. Only six MLEs were downgraded due to their failure to achieve the 40% minimum score on the priority elements, with most affected by the Ownership element. This highlights the critical importance of achieving compliance across all elements to maintain B-BBEE status and avoid downgrade.

Similarly to the last report, most of the reporting QSEs were enhanced, automatically achieving a level 2 B-BBEE rating. This reflects that their black ownership profile is at least 51% and above, but less than 100%. Only four out of the six sub-sectors reported under the QSE category, with most submissions coming from the Contractors sub-sector. Therefore, efforts to encourage reporting from other sub-sectors in this category need to be intensified.

The five reported Unenhanced QSEs achieved good to exceptional scores in SD, SED, ESD, and Ownership, which showed the greatest improvement. However, the average score attained in MC showed a decline. The observation is that many of the Unenhanced QSEs, especially those that are family-owned, struggle with Ownership and Management Control elements.

Only one Unenhanced QSE was downgraded, which is an improvement compared to previous periods where there were more downgrades. This suggests that efforts to support and improve the compliance of Unenhanced QSEs, particularly in areas like Ownership and MC, are showing some positive impact.

A majority of EMEs were also enhanced, achieving either a level 1 or level 2 B-BBEE rating. The mode was level 1, indicating that the profile of black ownership among EMEs is higher than that of QSEs. This trend suggests a stronger commitment to black ownership within the smaller enterprises in the forest sector.

The conversation with industry captains also reflected on the level 3 achieved in the previous year, with some concerns about whether the sector would maintain, improve, or receive a downgraded level. Remarkably, the sector maintained the level 3 B-BBEE rating in the year under review. Encouragingly, the QSEs and EMEs also maintained their overall level 2 ratings. Notably, very few reporting entities from both the MLEs and the Unenhanced QSEs achieved a level lower than level 4, with some entities even improving their overall B-BBEE levels. Most entities in the MLE category also achieved the bonus points allocated, providing a more accurate reflection of their actual spending or points received through an in-depth

analysis inclusive of the bonus points. SAFCOL's performance was also remarkable, showing that it maintained a level 2 B-BBEE rating, further contributing to the sector's overall positive performance.

These observations are promising. The review, as suggested in the Marketing Strategy, is to align the reporting numbers to the timber production fractions in order to confirm the level of reporting is validated. This alignment will ensure a more accurate representation of the sector's performance and help in identifying areas for improvement.

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1. INTRODUCTION

The year 2023 marked the 20th anniversary of the B-BBEE programme governed by the B-BBEE Act as Amended. The Act clearly defines the objectives projected to advance the economic transformation and participation of previously disadvantaged Black People in the mainstream economy. Notably, the differing compliance responses reinforce the need for a more pronounced focus to ensure that all forest enterprises are actively striving to achieve the defined B-BBEE targets and goals. The aforementioned factors, in addition to possibly hampering and delaying transformation, will influence empowerment and the economic landscape. Therefore, the overarching emphasis should be on the effective implementation and monitoring of the B-BBEE Scorecard, coupled with a polished focus on all five scorecard elements, job creation, and procurement practices premised on equity, diversity and inclusivity principles. Increased collaboration amongst forestry stakeholders is a must. This would be validated by a shift from transactional to transformational and evidence based B-BBEE implementation and that the intended benefits are far-reaching to the targeted black beneficiaries and sustainably making an economic improvement to their livelihoods.

In the revised FY2023/28 Strategic Plan, the significance of a transformed forest sector achieving a sector target of an overall B-BBEE level 2 is highly anticipated. The 2023/24 Annual Status of Transformation Report partially profiled using the FSCC's B-BBEE online reporting system assessed and demonstrated the strides of the forest sector towards the B-BBEE scorecard compliance and commitments. The report shows the performance of the three business categories namely MLEs, QSEs, and EMEs in terms of sub-sector, business of operation, B-BBEE levels achieved as well as the black ownership profile performances.

Further analysis indicates the MLEs and Unenhanced QSEs scorecard elements and indicators performance and the sector's performance towards specific principles including the completeness ratio, supplier development beneficiary status concept, etc. The discounting principle is used to determine the MLEs and Unenhanced QSEs' compliance with priority elements. In the case of Unenhanced QSEs where they have the prerogative to comply with the two priority elements, this helps to gauge the most and least preferred, prompting further interrogation. The compliance of MLEs operating in the Sawmilling and Growers' sub-sectors, specific ESD indicators on the sale of sawlogs to small entities is also evaluated and profiled in the Forestry Masterplan. Through this indicators assessment, it should be possible to measure the growth and transformation factor of the small companies' support received from the larger entities. Additionally, a contrasting view of the Johannesburg Stock Exchange (JSE)

listed forestry companies against the B-BBEE Commission report is detailed. A synopsis of the SAFCOL's performance in compliance with Statement 004, is also incorporated.

2. SECTOR OVERVIEW

2.1 Critique campaigns pose a threat to B-BBEE, deeming it ineffective

Critique campaigns can significantly influence the strategic directions of the Broad-Based Black Economic Empowerment (BBBEE). Instead of advocating for the transformative B-BBEE implementation or adjustments to amplify the policy's influence, these campaigns usually demand its abolishment. The critics contend that the policy is excessively bureaucratic, erects perverse incentives, and fails to meet its intended outcomes of redressing economic inequality. Furthermore, the contention also highlighted the consistently escalating Gini coefficient and poverty ratios in South Africa, despite the existence of the B-BBEE and Employment Equity Act (EEA)ⁱ.

Notwithstanding the above criticism, it is worth recognizing that the B-BBEE Act and the EEA are remedial legislation with a long-standing history of over two decades, their influence should be extensively conspicuous by now, evoking no questions on their efficacy. In addition, to ensure that this legislation achieve its transformational objectives, its bureaucratic shortcomings must be addressed which includes, among others, removal of discretionary compliance and skewed implementation which encourages focusing only on the ownership element to the detriment of the "Broad-based empowerment principles. This is evidenced by the fact that some organizations display a lack of enthusiasm towards this policy, thus undermining its execution and effectiveness, and enforcement scarcity leads to its significant downfall. Despite this, it is essential not to ignore the success stories of B-BBEE. These pieces of legislation (i.e., B-BBEE Act and EEA) have a sustainable economic potential, and realistically, a focus should be on enhancing the policies where required to magnify their beneficial impact.

2.2 B-BBEE Commission on clamping fronting practices

In 2023, the 20th anniversary of the amalgamation of the B-BBEE Act, now amended as Act 46 of 2013, was marked. This amended Act clearly outlines the guiding principles and mandates of the B-BBEE Commission, which includes investigating and prosecuting cases of B-BBEE misrepresentation at both individual and company levels.

The 2023 report from the B-BBEE Commission highlighted a concerning trend, with 1,273 recorded cases, 85% of which involved fronting practices. This raises significant concerns that

B-BBEE implementation may not be serving its intended purpose of empowering Black beneficiaries, potentially undermining transformation efforts while misleading stakeholders about the impact of B-BBEE initiatives.

The fronting practices by some entities, highlighted by the B-BBEE Commission, threaten to negate transformational objectives. Therefore, the B-BBEE Commission's recommendation to strengthen legislation for prosecuting and penalizing businesses and individuals engaged in fronting practices is justified. Companies are urged to actively embrace transformational goals to effectively realize the benefits of B-BBEE initiativesⁱⁱ.

2.3 Department of Water and Sanitation's National Water Act Amendment Bill and proposed Water-Use Licence regulations

On May 19, 2023, the Department of Water and Sanitation (DWS) proposed new licensing regulations aimed at addressing historical inequities by incorporating Black shareholding into water use allocations. These regulations specified minimum Black shareholding requirements of 25%, 50%, or 75% based on the volume of water abstracted, stored, or the area covered. However, these proposals faced significant opposition from various industries, including forestry, leading to the suspension of these changes.

Specifically, the forestry sector expressed concerns about the regulations' divergence from the B-BBEE Act and the Amended FSC, which already set out negotiated targets for Black and women ownership aimed at fostering meaningful empowerment within the industry. The sector argued that such regulatory changes should involve objective negotiations with stakeholders to prevent resistance, which often amplifies opposition to B-BBEE policies and related programmes.

2.4 Anticipated positive impact of EE sectoral targets on the B-BBEE compliance (Management Control)

The proposed changes in employment equity sectoral targets represent a significant shift in the EEA and are anticipated to have a major positive impact on the B-BBEE strategy, particularly on the Management Control element. Announced by the Department of Employment and Labor (DoEL), these flexible targets were published on February 1, 2024, in preparation for the commencement of Section 15A of the Employment Equity Amendment Act No. 4 of 2022 ('the Amendment Act')ⁱⁱⁱ.

Management Control, intended to accelerate the participation of black people and women in management structures, has traditionally been a challenging element for most economic

sectors. This struggle dates back to the inception of B-BBEE in 2003 and persists even after the amendment of the Act, a trend observed in the forest sector. The Commission for Employment Equity report confirms that the management structures of most companies in South Africa remain racially and gender-skewed.

Thus, the directive from the FSCC to encourage companies to intentionally drive and genuinely desire gender diversity and inclusion is justified. This approach underscores that achieving diversity and inclusion is not merely about compliance but about fostering a more equitable and representative workforce^{iv}.

3. RESEARCH OVERVIEW & METHODOLOGY

3.1 Research Objectives

The FSCC plays a crucial role in overseeing the transformation efforts within the forest sector in accordance with the Amended B-BBEE Act. The annual status of transformation report compiled by the FSCC serves as a comprehensive assessment of the sector's progress in implementing the B-BBEE scorecard elements. The report aims to provide a detailed analysis of the advancements made by reporting entities operating within the forest sector. This includes examining various aspects of the B-BBEE scorecard elements, including Ownership, Management Control, Skills Development, Enterprise and Supplier Development, as well as Socio-Economic Development initiatives. Ultimately, the annual status of transformation report serves as a valuable tool for stakeholders, including government entities, industry players and communities, to monitor progress and drive meaningful transformation within the forest sector.

The Amended FSC applies to all entities operating in commercial forestry and first-level processing of wood products, and across the six main sub-sectors including Growers, Contractors, Fibre, Sawmilling, Pole Producers and Charcoal Producers. This sector code is an overarching framework that guides the implementation of B-BBEE in the forest sector. All measured entities across different business categories namely; MLEs, QSEs and EMEs are required to report to FSCC on their B-BBEE credentials in fulfillment of section 13G of the Amended B-BBEE Act.

3.2 Methodology

The data sources for the year under review included; Mpowered Business Solutions' Beagle database, B-BBEE Wise Certificate Manager, direct submissions from the measured entities, Verification Professionals (VPs), and the forestry industry-organized associations on behalf of

the entities. This diverse array of data sources suggests a thorough and inclusive approach to capturing information for analysis and reliable reporting.

In terms of data validation, the following aspects were guaranteed, and in cases where the following requirements were not observed, the entity was disqualified.

- Submission of both B-BBEE certificates and in-depth scorecard reports by MLEs and Unenhanced QSEs verified using the Amended FSC (40803).
- A full completed submission of either an affidavit or a Companies and Intellectual Property Commission (CIPC) certificate by Enhanced QSEs and all EMEs.
- The measurement period and date of issue coinciding with FSCC's fiscal year (1st April 2023 of the past year to the 31st March 2024).
- The correspondence of dates between the Commissioner of Oaths and the deponent's signature on the affidavit.
- Applicable reporting method by Unenhanced QSEs.

The FSCC's online reporting system was used for uploading, cleaning, managing, transforming, and interpreting MLEs and Unenhanced QSEs data, while the Microsoft Excel spreadsheet was used for similar processes, but for EMEs data. The data were then presented in various appropriate graphs such as bar graphs, line graphs, and pie charts. These were used for further qualitative and quantitative interpretation and examination to conclude the performance of entities, sub-sectors, and the overall sector.

A comparable analysis of the Johannesburg Stock Exchange (JSE) listed Forestry entities was conducted to compare findings drawn from the B-BBEE Commission's annual report. The discrepancies or similarities between the B-BBEE Commission's and FSCC's findings provide valuable insights into B-BBEE compliance within the forestry sector, highlighting areas for strength and weakness.

The South African Forestry Company Limited's (SAFCOL) performance was assessed independently since it is the sole Forestry State-Owned Entity (SOE) reporting to FSCC, and it was verified using a customized scorecard, Statement 004, which exempts measurement of the Ownership element for SOEs.

4. RISKS

This section describes some of the hurdles that arose during stakeholder engagements, either lobbying for B-BBEE implementation or gathering B-BBEE data for the drafting of the 2023-24 annual status of transformation report. These challenges are primarily possible obstacles to

the effective implementation and reporting on the status quo of sustainable transformative B-BBEE in the forest sector.

The associated risks are:

- There is an alarming concern over the cost of B-BBEE implementation and the associated cost of the B-BBEE verification process. This issue is more prevalent in the Unenhanced QSEs and Generic Entities, resulting in non-compliance and inconsistent reporting. Among other limitations of the Act, B-BBEE compliance is not a legislative requirement because there are no punitive measures for failing to embrace broad-based transformation or for having a low B-BBEE score. This necessitates a change in the B-BBEE legal framework as this deprives the country of the maximum benefits of the Act.
- There is a reported tendency of some Unenhanced QSEs to fragment the business into multiple businesses to keep them within the threshold that allows fragmented entities to fall within thresholds that make compliance easier or less costly. While other reasons for fragmenting may exist, however, this approach should carefully ensure that it aligns with the broader objectives of B-BBEE and doesn't inadvertently dilute its intended impact.
- The representation in terms of reporting across all the six sub-sectors is still not meeting the expectations of FSCC especially when there has been an indication that there are a more significant number of entities operating in the sector both formally and informally. This suggests a need for concerted effort from the industry associations to address B-BBEE compliance and reporting. Additionally, this justifies the proposed changes to the Amended FSC to have companies also report for their suppliers, as this requirement does not exist currently, and therefore, companies do not have a legal mandate to report for their suppliers.
- Consistent low performance by entities is still a challenge. This could either be a result of the implementation of unacknowledged contributions or a lack of enthusiasm in the B-BBEE programme. Entities are encouraged to use the Amended FSC as a guide for the implementation of recognizable B-BBEE contributions.
- Delays in delivering industry and government undertakings as defined in Schedule 2 of the Amended FSC, especially for those recognized in the joint scorecard undertakings. This is largely influenced by a low understanding of the B-BBEE concept among the responsible authorities, which potentially impacts their effectiveness in carrying out the charter undertakings and reporting responsibilities.

- Delays in the accreditation of the South African Forestry Company Limited (SAFCOL) as a B-BBEE facilitator by the Department of Trade, Industry and Competition (the dtic) has ripple effects, particularly on sawmillers in the Mpumalanga, KwaZulu-Natal and Limpopo regions. Since SAFCOL plays a crucial role in facilitating B-BBEE compliance, its accreditation delays can impede the ability of sawmillers to meet the requirements of the Preferential Procurement sub-element within the ESD element.
- The B-BBEE affidavit users are not completing the form in full, leaving out some important information that compromises the validity of the affidavit, necessitating a need to educate the users on how to fill an affidavit, as this has a cascading effect on the measured entity using the affidavit users as suppliers. The verification professionals can dispute the compliance of measured entity suppliers if their B-BBEE affidavits are not completed in full or if there are discrepancies, leading to further in-depth investigations that also compromise the measured entity.
- The comprehension of the Council's mandate and its contribution to the forestry industry in terms of driving sustainable transformation and reporting requirements to satisfy is still not well understood by a number of entities, suggesting more visibility by the Council on events such as Forest21, International Day of Forests, Focus On Forestry, etc, where many forestry companies often gather, could be an effective strategy to increase awareness and understanding among relevant stakeholders. By actively engaging with industry players during such events, the Council can clarify its role and ensure that reporting requirements are well understood. This kind of visibility can foster collaboration and drive the sustainable transformation needed in the forestry industry.
- Inconsistent reporting and non-compliance remain a major concern across all business categories. Companies are confronted with recognizing the value of yearly reporting and associating the direct advantages of reporting with compliance with the Amended B-BBEE Act.
- As per the Council's strategic plan, the Council pledged to drive meaningful transformation in the forest sector, with other prime focuses being to amplify the FSCC's footprint in terms of visibility and remaining impactful and encouraging B-BBEE implementation and reporting through one of its projects, Community Outreach Programme (COP). This initiative was partially successful since some entities declined or did not respond to invitations to interact with the Council.

- The Council commissioned research on the ESD element in the fiscal year 2022/23, which was deferred to 2023/24 due to a low response rate from the targeted audience. While the research was unsuccessful, as a majority of the—entities did not respond to the questionnaire, the observation will still be used to provide valuable insights into the element and inform areas to be considered for future changes in the Amended FSC, despite the incomplete data and potential skewness in results due to non-responses. It was anticipated that the research findings would present the numbers of ESD beneficiaries, and an estimate of the spend to justify the scoring, to which is not presented in the scorecard.

5. SECTOR ANALYSIS

Section 10(4) of the amended B-BBEE Act mandates entities operating in a sector with a Sector Code to annually verify and report to the Sector Council on B-BBEE credentials using the applicable specific Sector Code. In the forest sector, the Amended FSC applies, with gazette number 40803. This requirement applies to forestry enterprises operating in various business categories including MLEs, QSEs, and EMEs. They must submit both certificates and reports and/or affidavits, depending on the scale of operation. These submissions primarily serve to draft the status report, which upholds the core mandate of the FSCC as delineated in section 9(1) of the amended B-BBEE Act.

The sector maintained a level 3 B-BBEE status in the year under review, matching the level achieved in the previous year. This stability can be attributed to several factors such as more consistent reporting from entities, enhanced performance in achieving B-BBEE targets, and the incorporation of new reporting entities. This accomplishment aligns with the strategic objectives outlined in the FSCC's plan, aiming to achieve a level 2 B-BBEE status within five years of the strategic plan's implementation. This is a notable achievement dating back to the performance of a level 6 B-BBEE status in the 2027/18 fiscal year. It is a testament to the sector's dedication to transformation. Furthermore, this signifies a substantial milestone for FSCC in objectively measuring and reporting on the sector's transformation trajectories.

In the year under review, a total of 191 valid submissions were received across three business categories of MLEs, QSEs, and EMEs for the 2023/24 reporting year, as shown in figure 1 below. The current submissions record the second-highest number of submissions received since the gazetting of the Amended FSC in 2014 and the repealed Code in 2009.

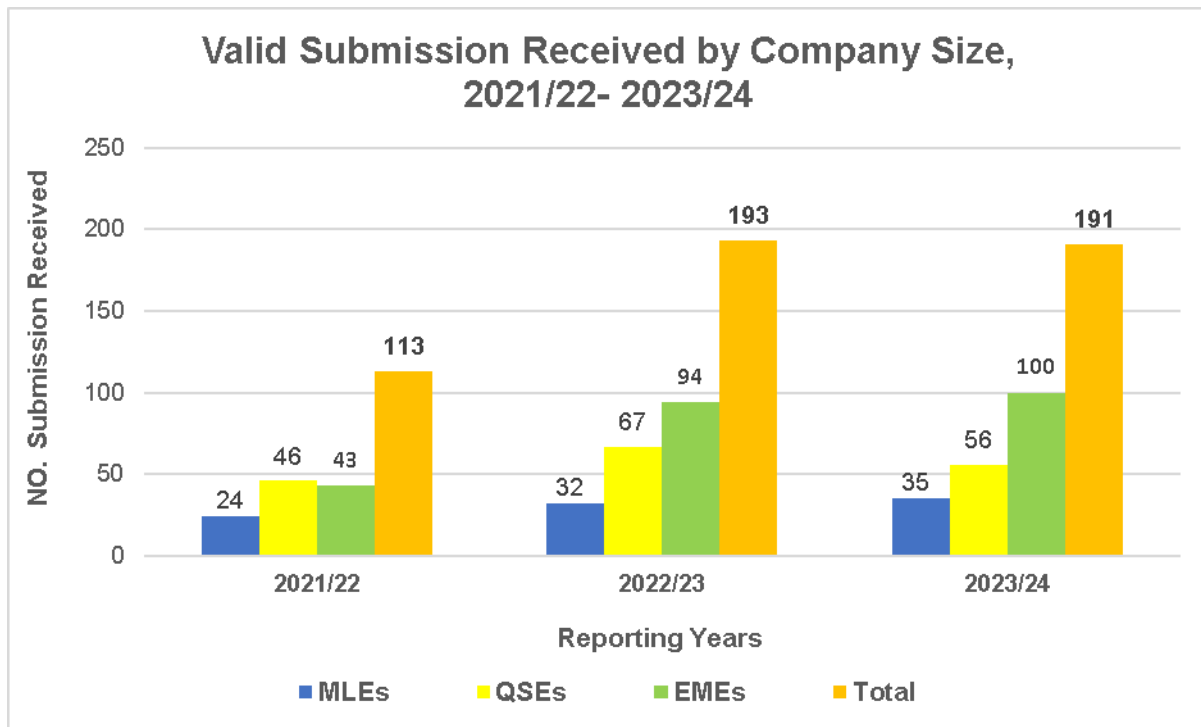


Figure 1: Certificates and affidavits by company size over three reporting years

As depicted in the figure above, in the 2023/24 total submissions, EMEs constitute the majority at about 53% (100), with QSEs at 29% (56), and MLEs at 18% (34). While the submissions from MLEs and EMEs increased, approximately 54 EMEs and six MLEs failed to report for the current year, marking the increase as primarily due to new reporting entities. The decline in QSE submissions resulted from roughly 40 QSEs not reporting. These statistics, sourced from FSCC’s active database, indicate that non-reporting continues to be a significant issue. They also support the proposal to the Amended FSC for MLEs and QSEs to provide reports for their suppliers or Contractors within forestry and its value chain.

The current total number of submissions was achieved through various measures, including a heightened collecting approach, discussions and interactions with stakeholders such as the Association Of B-BBEE Professionals (ABP) and South African National Accreditation System (SANAS), and support from organized industry associations. Despite the increased number of unreported entities, the current submission remains satisfactory and indicates the entities' commitment to transformation in the sector while also fulfilling the FSCC's mandate of profiling status reports.

The Amended FSC applies to all companies operating within forestry and its value chain working. The six sub-sectors include Contractors, Fiber, Growers, Sawmilling, Pole Producers and Charcoal Producers. One of the proposed revisions to the Amended FSC, which has yet to be gazetted, is to allow the inclusion of other Fibre sub-sector processing activities such as

lignin, recycling, and energy and fuel production. Figure 2 below depicts the overall number of reporting entities by sub-sector.

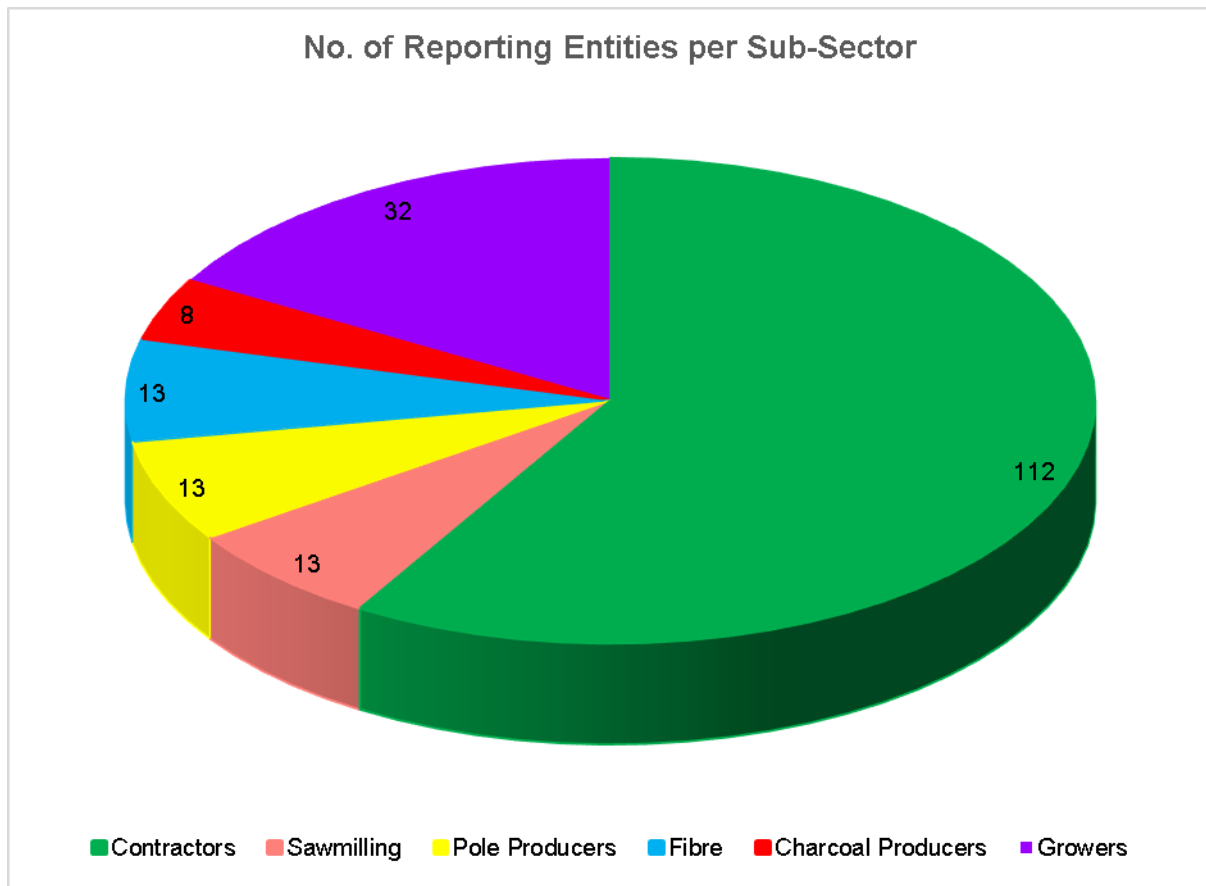


Figure 2: Submission by Sub-sector, 2023/24

As shown in figure 2 above, the submissions represent all six sub-sectors. Overall, Contractors constitute the majority of submissions (112), with most of these submissions coming from EMEs and QSEs, and only a few from MLEs. This is because many of the larger companies (MLEs) outsource some of their operations to smaller companies (EMEs and QSEs). Growers marked the second-highest number of submissions (32). Sawmilling, Fibre, and Pole Producers had equal representation (13), while Charcoal Producers had the least representation (8), with submissions only coming from EMEs.

6. MEDIUM AND LARGE ENTERPRISE (MLEs) ANALYSIS

In terms of B-BBEE, Medium and Large Enterprises (MLEs) are enterprises with a turnover above R50 million per annum. Considering their revenue, they are mandated with the biggest responsibility of transforming the sector through undertaking sustainable initiatives and creating more sustainable businesses. They are often involved in key economic sectors and

are major contributors to the country's Gross Domestic Product (GDP). In terms of the Amended FSC, MLEs are obligated to comply with the five scorecard elements intended to bring about more black participants in terms of owning and controlling businesses. Additionally, the scorecard compliance encourages MLEs to undertake initiatives for capacity enhancement through skills development, employ and promote black people into management positions, and implement sector-specific initiatives to support social and economic investment that will benefit the surrounding communities and beneficiaries.

Based on the financial years, all MLEs operating in the forest sector are required to submit both their annual verified B-BBEE certificates and reports to the FSCC. These reports must be verified using the Amended FSC and must be accredited by B-BBEE verification professionals. The reports are further qualified by the measurement period which should be aligned to the FSCC's financial period.

In the year under review, 35 MLEs, including SAFCOL, submitted both their valid certificates and reports, as shown in figure 3 below.

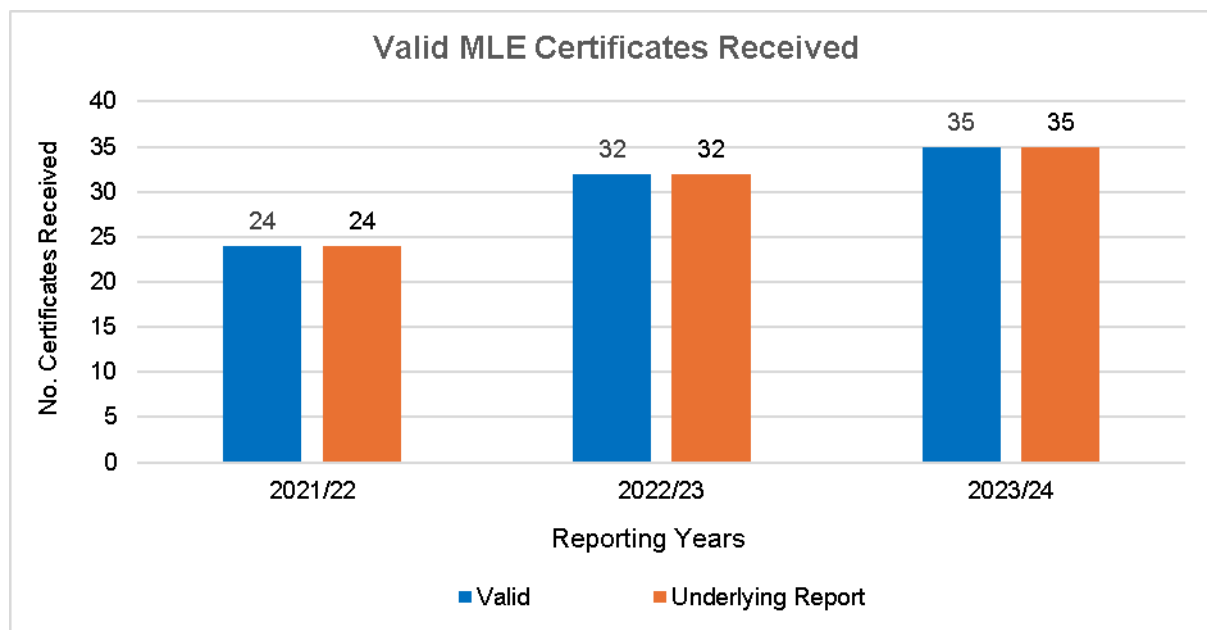


Figure 3: Valid MLE Certificate submissions 2023/24

Figure 3 above shows an insignificant increase from the previous year, where only 32 MLEs reported. Notably, this is the highest level of discrepancies recorded in the year, as six MLEs did not report, with one MLE opting to change its date of issue. Five new MLEs reported for the year, and three others advanced from QSEs to MLEs. An additional three reported this year but did not report in the previous year. This would mean that the total number of reporting MLEs for the year is 41. This oscillating trend in consistent and inconsistent submissions may

need further interrogation, as it might be either highlighting a heightened commitment among some MLEs or some MLEs choosing to report when it suits them.

Table 1 below illustrates the level of consistency amongst reporting MLEs and compares it over a 3-year reporting period.

Years	Number of entities	Consistent entities	New entities
Year 2021/22	24	20	4
Year 2022/23	32	23	9
Year 2023/24	35	27	5

In the data presented in Table 1 above, it is evident that while the number of consistent reporting MLEs shows an increase, some MLEs did not report in previous years. This observation suggests that the number of inconsistent reporting MLEs may significantly increase in the next reporting year. It would be useful to examine the new reporting entities concerning their compliance history, as some entities fail to submit their reports as required by the Amended B-BBEE Act due to either poor compliance or non-compliance status. It is important to note that three entities, previously classified as QSEs, have advanced to the MLE category and thus are not considered new reporting entities.

In the forest sector, some MLEs operate across multiple sub-sectors. Consequently, these MLEs are required to report based on the activity where they achieve the highest turnover, as stipulated in the Amended FSC. Figure 4 below illustrates the distribution of reporting MLEs across the representative sub-sectors.

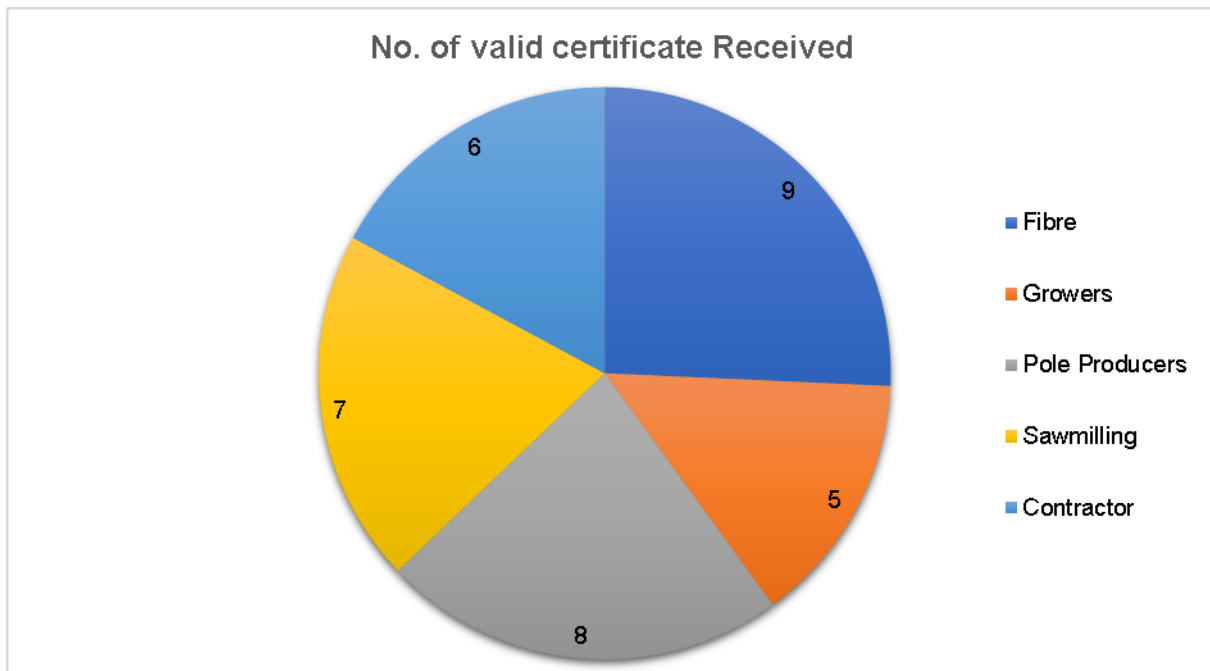


Figure 4: Certificate submissions by MLE per Sub-sector 2023/24

As demonstrated in figure 4 above, the certificates received this year were distributed among five sub-sectors, with no submissions from the Charcoal Producers sub-sector. This trend trails previous reporting years where the Charcoal Producers sub-sector was not represented. Only in the last reporting period of 2022/23 that one MLE from this sub-sector reported.

The highest number of submissions were received from the Fibre sub-sector, with nine submissions, reflecting an increase due to new entries. Similar to the previous year, the number of submissions from the Contractors (six), Growers (five), and Pole Producers (six) sub-sectors remained unchanged. The Sawmilling sub-sector, however, saw a slight decline, with a total of seven submissions, down by one from the previous year.

The B-BBEE scores are aggregated and validated against the level that can be attained. Reporting entities can achieve a B-BBEE level ranging from 1 to 8, with an additional non-compliant status. As part of most government departments' empowerment strategies and in compliance with section 13G, MLEs achieving a level 4 and upwards are preferred when awarding tenders, licenses, grants, etc. The B-BBEE levels achieved by the reporting MLEs are displayed in figure 5 below.

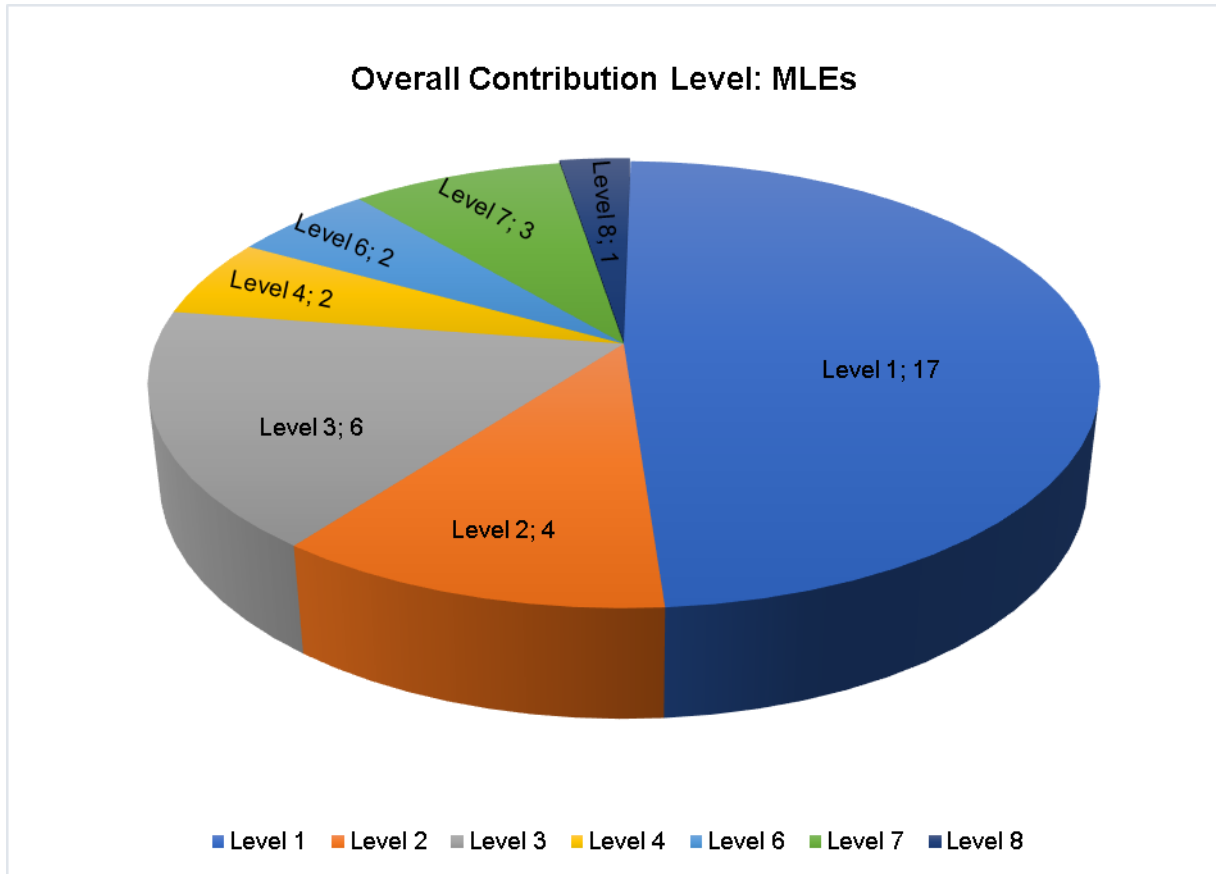


Figure 5: Number of submissions per B-BBEE level

Seventeen (49%) reporting entities achieved the highest level, level 1, showing a slight increase from 13 in the previous year, as illustrated in figure 5 above. These entities are mostly recognised as the most reliable reporting entities, likely due to their adaptation to transformative strategies or identification of the most practical and effective strategies to implement B-BBEE.

Four MLEs (11%) achieved level 2, and six (17%) scored level 3, both showing an increase. The lowest number of B-BBEE levels were recorded in levels 4, 6, 7, and 8. Further analysis shows that most of the new and upgraded entities achieved better levels, with only one receiving an unimpressive score. This justifies the suggestion to understand the reporting history and establishment of these new reporting entities.

6.1 Ownership In-Depth Analysis

The Ownership element intended to assess the ownership proportion held in the hands of black people and women in existing and newly established companies. It is one of the three priority elements, requiring entities to get at least 40% of the net value points to avoid being discounted by a level. The ownership element has indicators that facilitate viable economic

participation of black people and women through equity by acquiring shareholding or sale of assets. These indicators are voting rights and economic interest which could also be recognised through the different groups, such as Broad-Based Ownership Schemes (BBOS), Cooperatives, Trusts, and Employee Share Ownership Programmes (ESOPs).

Figure 6 below portrays the overall ownership compliance target score achieved over three reporting periods from 2021/22 to 2023/24.

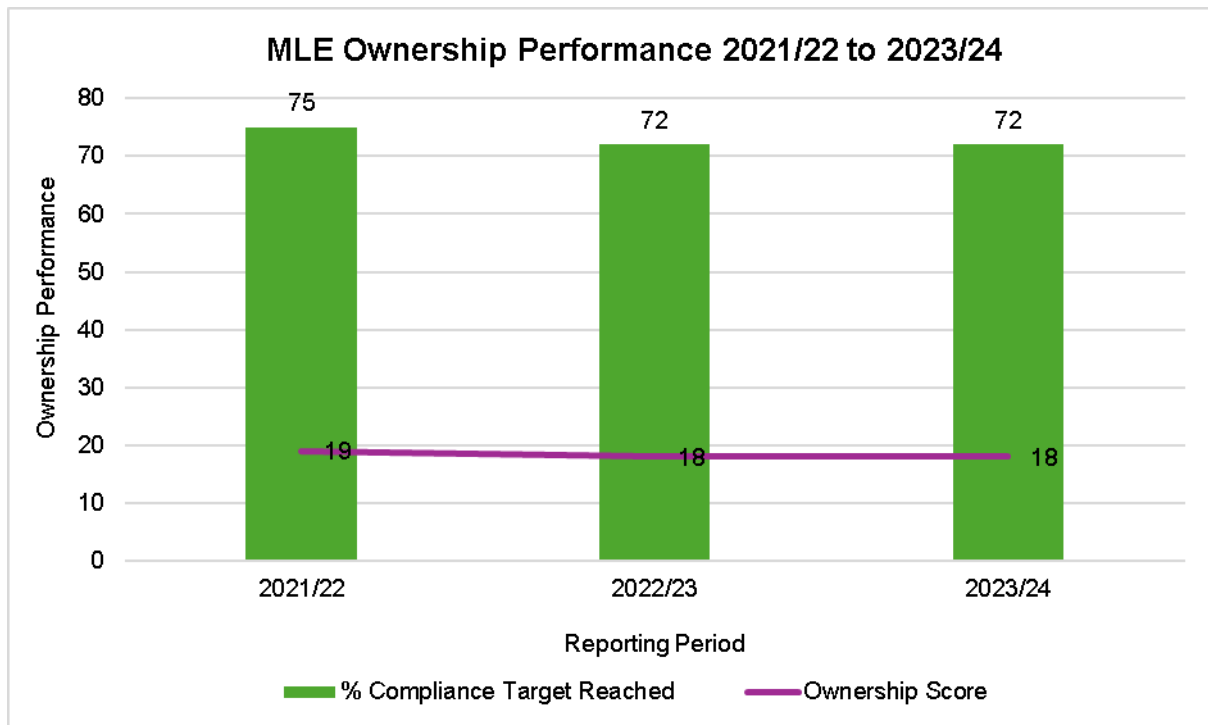


Figure 6: MLE Ownership Performance, 2021/22- 2023/24

In comparison to the previous reporting period, MLEs maintained a 72% average towards the target in 2023/24, showing a decline from the 75% achieved in 2021/22, as shown in figure 6 above. Some MLEs achieved a zero score, both from consistent and inconsistent reporting MLEs, resulting in their downgrading. Further analysis shows that 26 (76%) MLEs scored above the industry average, while the remaining eight (24%) scored below average. Encouragingly, most of the new reporting entities and those that upgraded achieved very encouraging scores on this element.

Table 2 below shows a statistical breakdown of direct black people and women ownership for the reporting MLEs.

	<i>Black People</i>	<i>Black Women</i>	<i>Black Designated Groups</i>
<i>Minimum</i>	0	0	0
<i>Q1</i>	18	0,8	0
<i>Median</i>	43	17	5
<i>Mean</i>	45	19	12
<i>Mode</i>	0	0	0
<i>Q3</i>	73	30	17
<i>Maximum</i>	100	55	66
<i>Standard Deviation</i>	34	16	17
<i>No. of entities scoring 0% ownership</i>	7	8	17
<i>No. of entities scoring above 0% but below 51% ownership</i>	14	25	17
<i>No. of 51% BO entities</i>	3	1	0
<i>No. of entities scoring above 51% but below 100% ownership</i>	8	1	1
<i>No. of 100% BO entities</i>	4	0	0
<i>Total No. of Measured Entities</i>	34	34	

Table 2 above reflects the performance against the sector's set target of 30% black ownership (BO). The recorded average for black ownership was 45%, showing an improvement from the previous year as displayed in the mean value and exceeding the 30% target.

However, the average for black women ownership (BWO) was lower at 19%, though an improvement from the previous reporting with an even lower target achieved for the black designated groups (BDGs). This still confirms that MLEs are facing challenges in achieving at least a 30% black women ownership profile. This places additional pressure on preferential procurement scorecards of MLEs, as they are required to allocate at least 10% of their procurement spend to businesses with 30% black women ownership.

The data suggests that MLEs are predominantly controlled by black people (BP) and have minority black women ownership, as indicated by the larger median and mean values for black people compared to black women. None of the MLEs surveyed are entirely controlled by either black women or black designated groups.

The total weighting points allocated for the ownership element is 25. MLEs can achieve bonus points if they meet the set targets on certain indicators within the ownership element. The detailed ownership analysis per reporting sub-sector is illustrated in figure 7 below.

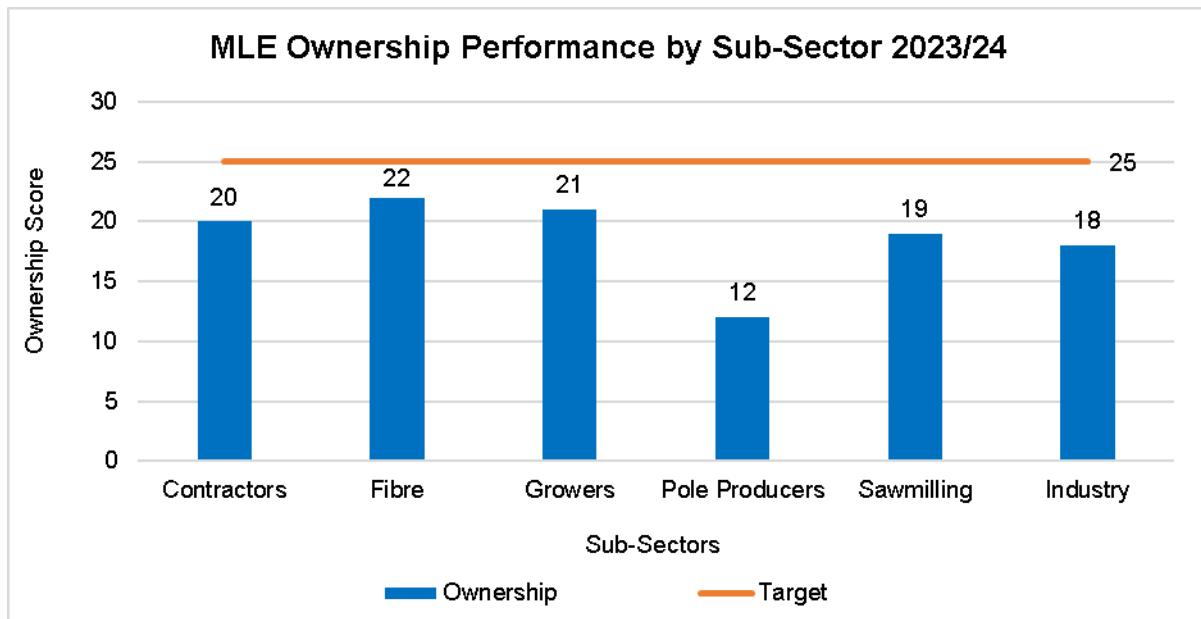


Figure 7: MLE Ownership Performance by Sub-sector

Unlike in the previous year, only five sub-sectors were represented, except the Charcoal Producers sub-sector. All five reporting sub-sectors achieved good scores, exceeding 50% of the target. All the reporting sub-sectors achieved encouraging scores exceeding the industry average, except for the Pole Producers sub-sector, as displayed in figure 7 above.

Notably, the good scores achieved in the four sub-sectors show improvements compared to the previous year. The sub-sectors that showed the greatest improvement are the Fibre and Growers sub-sectors, recording 22 and 21 points, respectively. The Pole Producers sub-sector exhibited a similar performance trend compared to the last reporting period and was the only sub-sector that experienced a decline in average scores.

Table 3: A comparison of Industry Ownership indicator scores between 2021/22 to 2023/24

Indicator	Points Allocated	Average Score FY 2021/22	Average Score FY 2022/23	Average Score FY 2023/24	Compliance Target (%)	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23	Indicator Achieved (%) FY 2021/22
VR Black People	4	3.37	3.28	3.2	25+1 Vote	84	82	80
VR Black Women	2	1.56	1.6	1.47	10	78	80	74
EI Black People	4	3.23	3.34	3.2	25	81	84	80
EI Black Women	2	1.55	1.52	1.46	10	78	76	73
EI BDG	3	1.26	1.51	1.67	7	42	50	56
Black New Entrants	2	0.95	1.42	1.26	2	48	71	63
Net Value	8	6.33	6.25	6.35	-	79	78	79

Voting rights refer to the level of voting rights attached to the shares held by Black People (BP) and Black Women (BW), which are independently exercised by those black shareholders. A compliant MLE should have 25% + 1 shareholding in the hands of BP, while BW should hold 10% of the shares. Black People and BW with voting rights are entitled to participate in the strategic decision-making processes of the company in which they have acquired shares. Figure 8 below portrays the averages achieved per sub-sector on the VR for BP indicators.

In-depth Analysis: Voting Rights of Black People

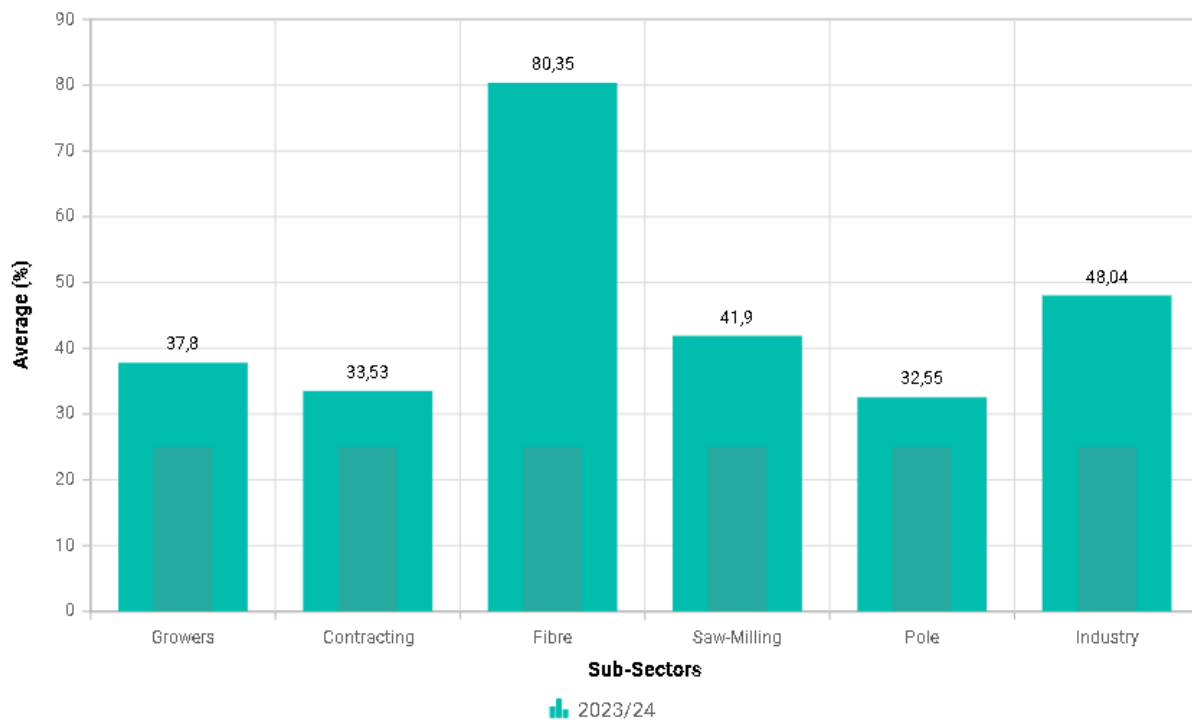


Figure 8: Voting Rights in the Hands of Black People

Remarkably all the sub-sectors recorded good scores achieving more than the compliance target of 25.1%. The Fibre- sub-sector achieved an exceptional score and this score is validated by the highest scores achieved by most of the reporting entities in this sub-sector as displayed in figure 8 above.

The compliance target for voting rights in the hands of Black Women is lower when compared to the VR for Black People indicator and is allocated two weighting points. Figure 9 below displays the performance of the sub-sectors on the Voting Rights (VR) in the hands of Black Women indicator.

In-depth Analysis: Voting Rights in the Hands of Black Women

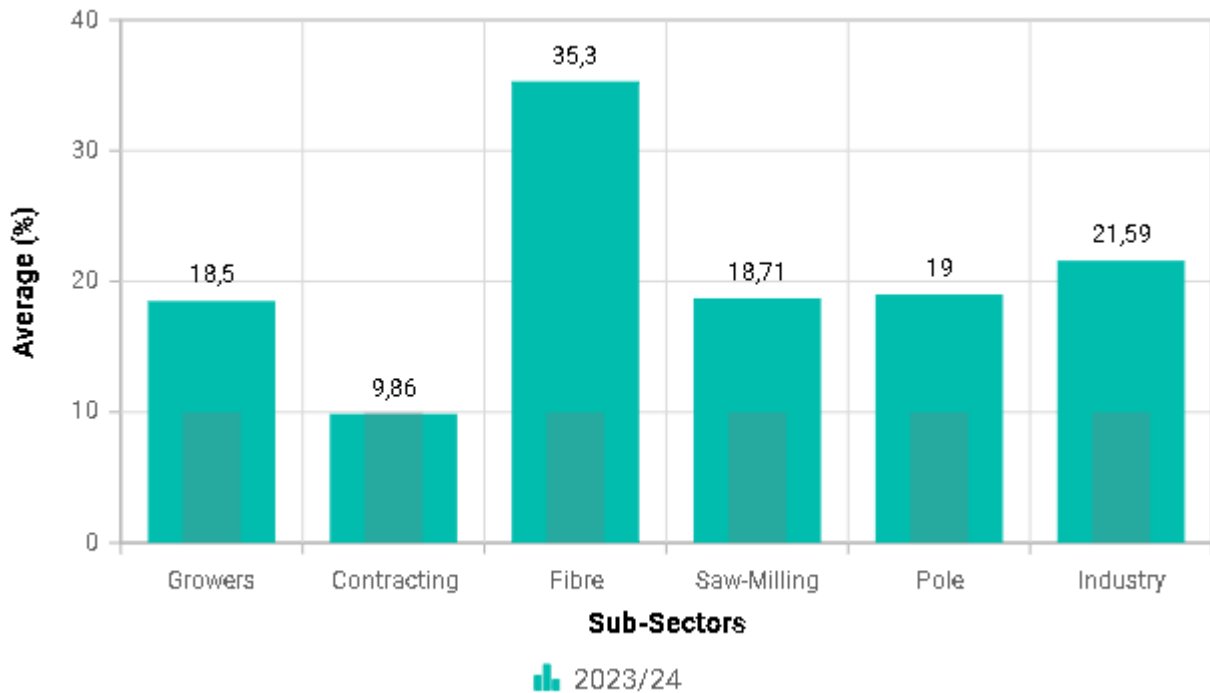


Figure 9: Voting Rights in the Hands of Black Women

The scores attained indicate that all sub-sectors achieved good to exceptional results, with the Fibre sub-sector's score far exceeding the industry average. Conversely, the Contractors' sub-sector received a comparatively low score when measured against both the other sub-sectors and the industry average as shown in figure 9 above.

Black People can receive financial benefits from assets, such as dividends, profits, or capital gains. This financial gain is referred to as Economic Interest (EI). A compliance target of 25% is set for the EI indicator for Black People (BP), with 4 points allocated for achieving this target. Figure 10 below illustrates the performance of reporting sub-sectors on the Economic Interest (EI) for Black People indicator.

In-depth Analysis: Economic Interests in the Hands of Black People

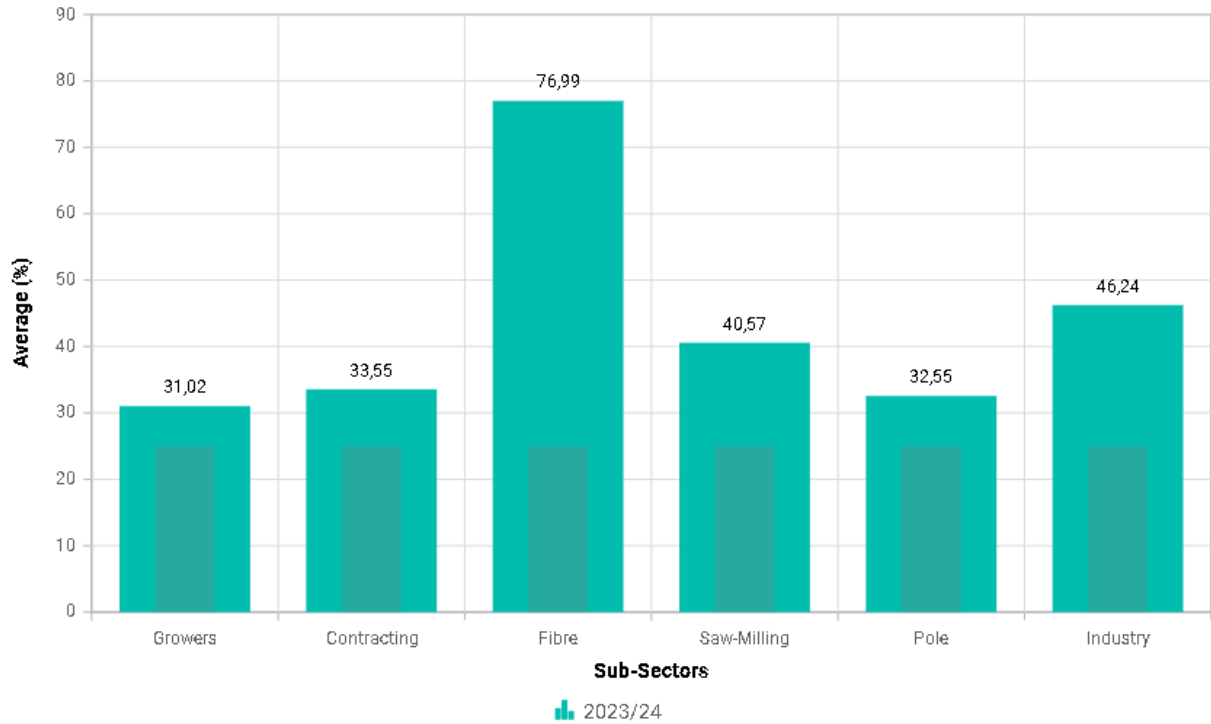


Figure 10: Economic Interests in the Hands of Black People

As displayed in figure 10 above, the performance shows a similar trend to the Voting Rights for Black People indicator, with all sub-sectors exceeding the 25% compliance target. The Fibre sub-sector is the only one that outperformed all the other sub-sectors and achieved a score above the industry average

Figure 11 below demonstrates the performance of reporting sub-sectors on the Economic Interest (EI) for Black Women indicator.

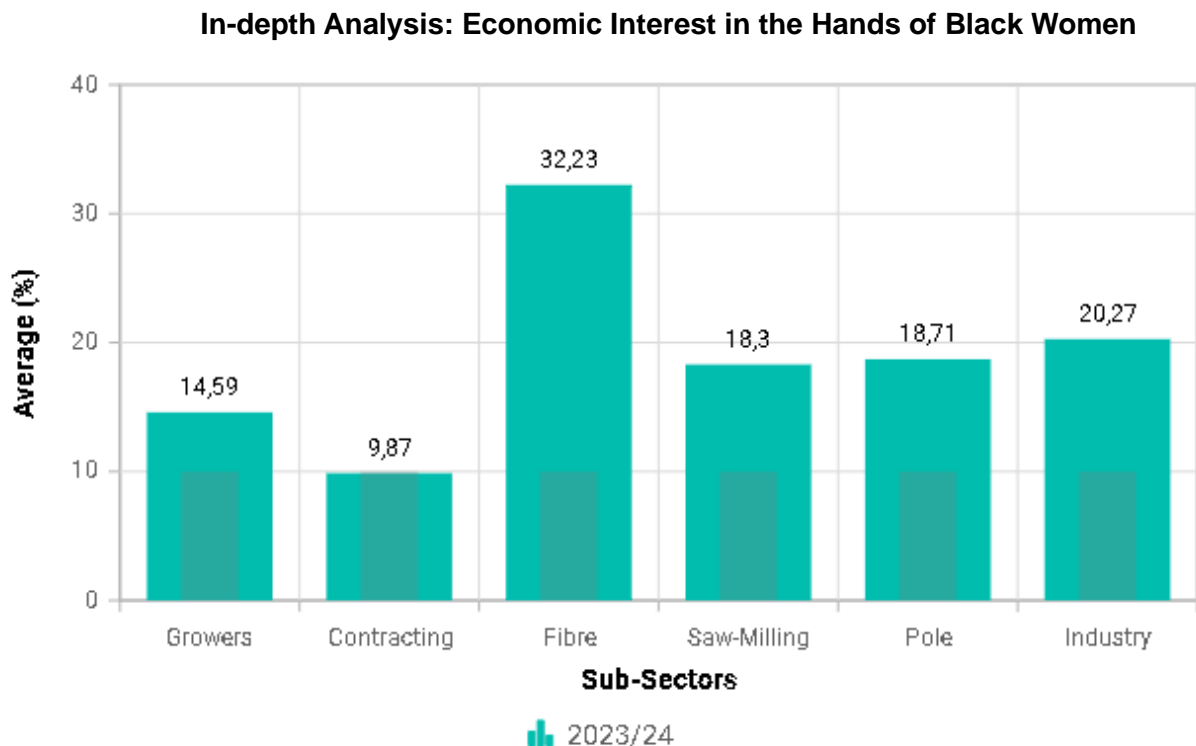


Figure 11: Economic Interests in the Hands of Black Women

As observed in figure 11 above, all sub-sectors achieved good to exceptional scores, except for the Contractors, who performed modestly below the target. The Fibre sub-sector outperformed all other sub-sectors and exceeded the industry average.

One of the principles of transformation is "Broad-Based." This principle supports a wider range of recipients in terms of scorecard opportunities. The Black Natural Groupings include Black Designated Groups (BDS), Employee Share Ownership Programmes (ESOPs), Broad-Based Ownership Schemes (BBOS), and Co-operatives. A reporting entity can earn a maximum of 3 points under this indicator. Bonus points are also awarded to an entity if it achieves the target for one of the listed groupings under this indicator. The performance of MLEs on the EI in the hands of Black Natural Groups is displayed in figure 12 below.

In-depth Analysis: Economic Interest in the Hands of Black Natural Groups

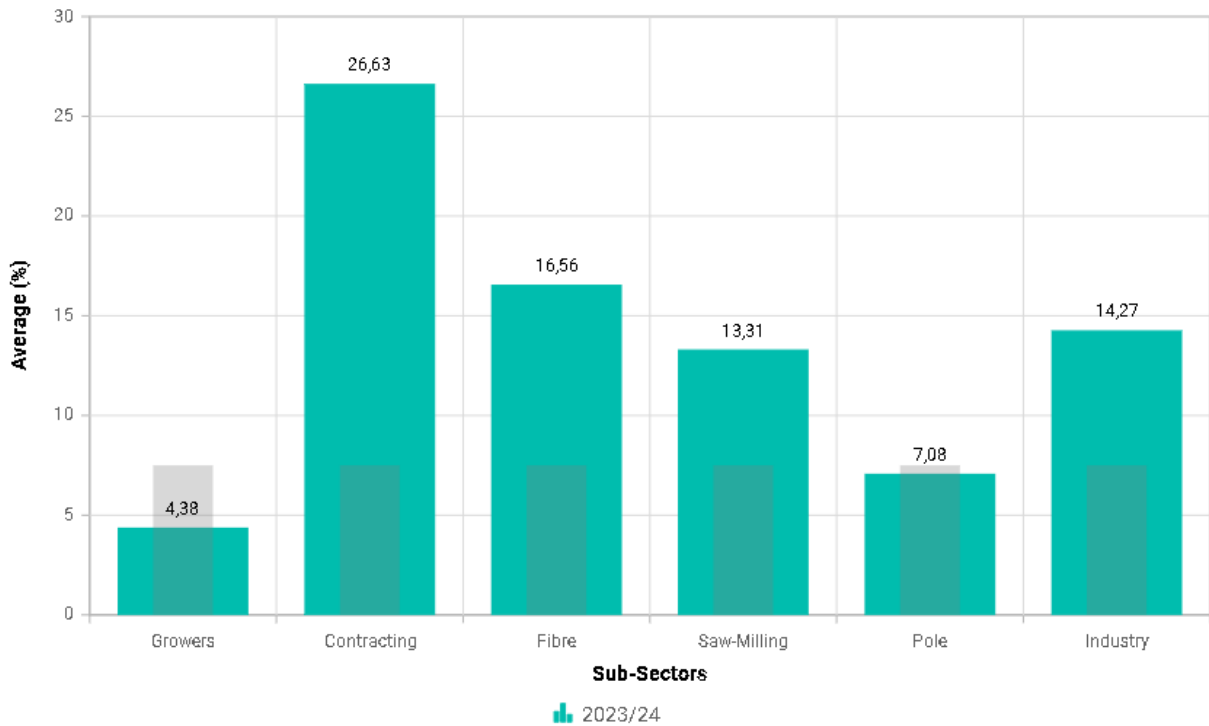


Figure 12: Economic Interest for Black Ownership Schemes or BDGs

As shown in figure 12 above, the industry achieved an average of 14.3%, which is almost double the compliance target of 7.5%. Only the Growers sub-sector performed poorly on this indicator, falling significantly below the target. Conversely, the Contractors' sub-sector was the best-performing sub-sector, exceeding both the averages of the other sub-sectors and the industry's average target score.

New Black Entrants are defined as participants who hold rights of ownership in a measured entity and who, prior to holding the equity instrument, have not held equity instruments with a total value exceeding R50 million. The compliance target for MLEs under this indicator is 2%. If an entity achieves this target, it will be awarded 2 weighting points. The performance of MLEs on the EI for Black New Entrants is presented in figure 13 below.

In-depth Analysis: Economic Interest for Black New Entrants

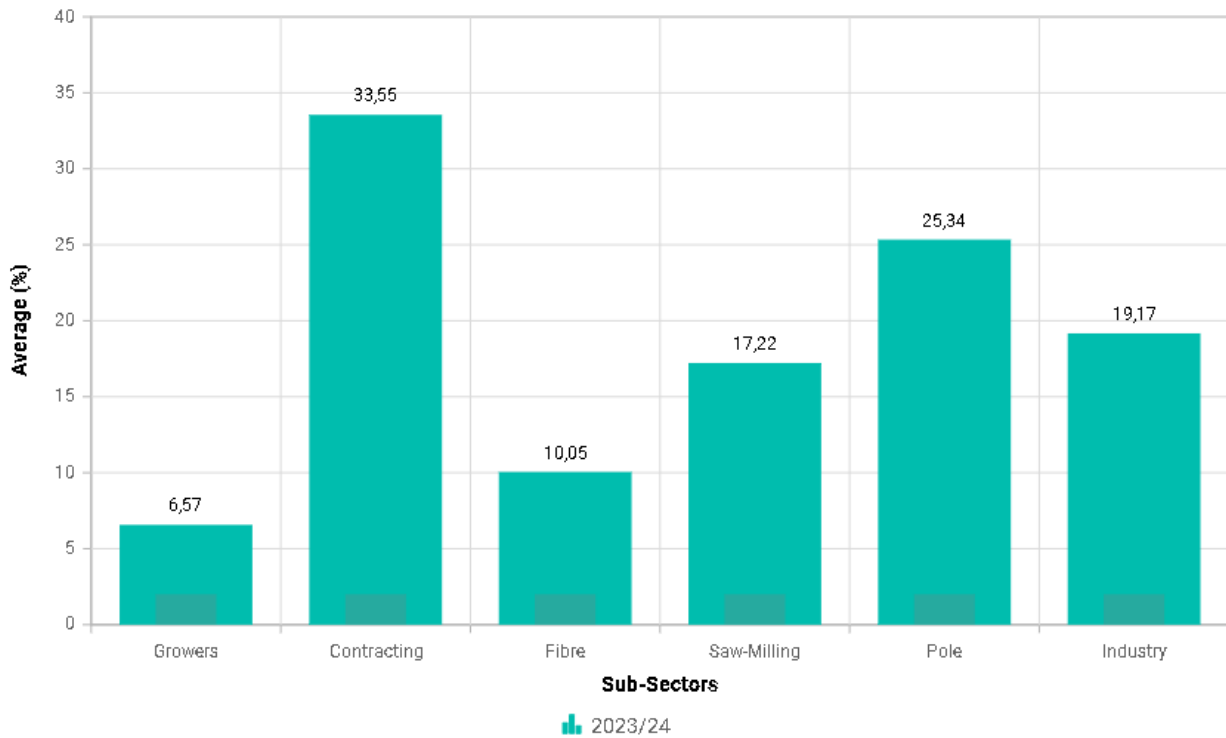


Figure 13: Economic Interest for Black New Entrants

Figure 13 above illustrates the performances of MLEs per sub-sector on the Economic Interest in the hands of Black New Entrants indicator. All reporting sub-sectors exceeded the target, with Growers recording the lowest score. The Contractors and Pole Producers sub-sectors were the only two to have surpassed the industry’s overall average.

Medium and Large Enterprises can score 8 points on the Net Value indicator and avoid a downgrade if they score at least 40% of the total points. In the year under review, an MLE that sold equity in 2017/18 would have an unencumbered 80% of the debt. Figure 14 below displays the average scores of the reporting sub-sectors on the Net Value Points.

In-depth Analysis: Net Value Points

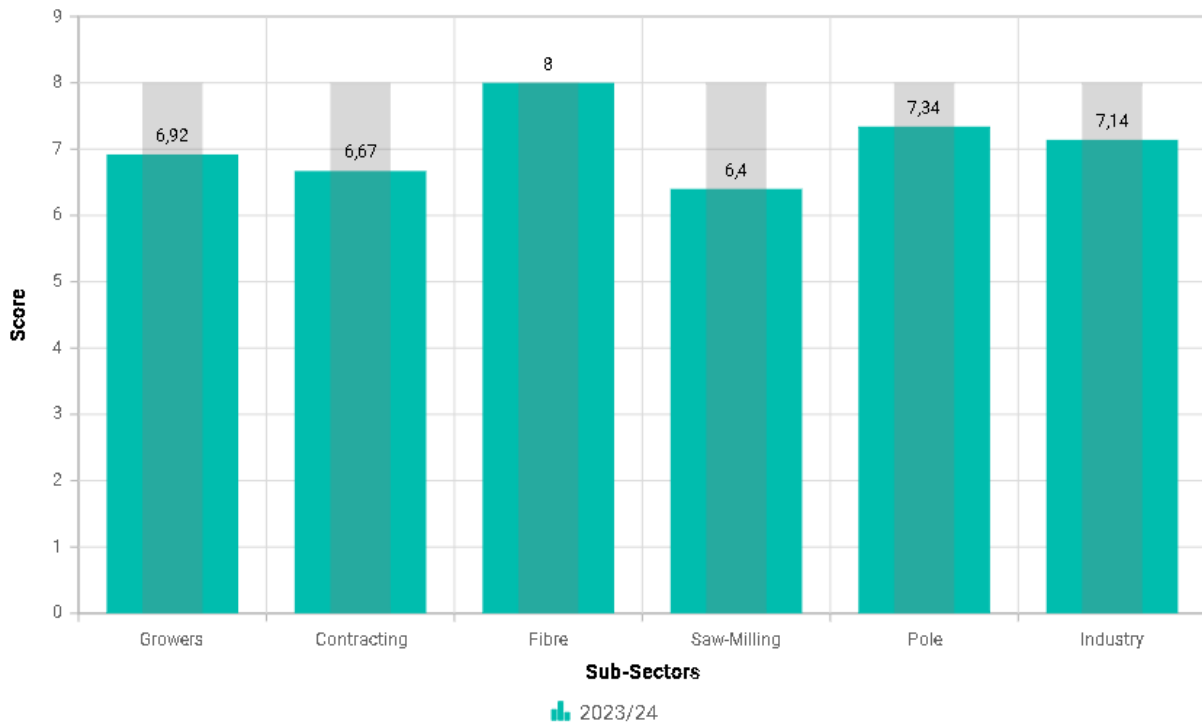


Figure 14: Realisation Points (Net Value Points)

All sub-sectors performed well in this indicator, with the Fibre sub-sector attaining the score as displayed in figure 14 above. While the Sawmilling, Contractors, and Growers sub-sectors achieved good scores, their average scores were below the industry average. Notably, the Sawmilling sub-sector performed the lowest, yet none of the MLEs within the Sawmilling sub-sector were downgraded due to the Ownership element.

The Amended FSC recognises three types of principles under the ownership element which could assist a company in amplifying its ownership score. The principles are the Flow-Through Principle (FTP), Modified Flow-Through Principle (MFTP) and Exclusion Principle (EP). However, in the Generic Codes, ownership is only recognised through the FTP, an amendment that was adopted for the Amended FSC, but not yet gazetted. In the Ownership element, ownership deals are evaluated through the FTP, MFTP, or EP. The application of these principles remains flexible for the forest sector.

Table 4 below reveals the number of MLEs choosing any of the three applicable principles.

Applicable Principles	Black Ownership through Flow-Through Principle (FTP)	Black Ownership through Modified Flow-Through Principle (MFTP)	Exclusion Principle (EP)
Number of Companies	30	4	0

Thirty (88%) MLEs' ownership score was confirmed through the FTP, with the remaining 4 (12%) preferring the MFTP, as shown in Table 4 above. This trend mirrors previous years, indicating a solid understanding of the FTP and why is preferred.

6.2 Management Control In-Depth Analysis

The Management Control (MC) element aims to ensure equitable representation of Black People (BP) and Black Women (BW) across executive and non-executive roles, including board positions. MLEs are expected to meet specific targets for BP and BW across 13 indicators within this element, which collectively are allocated 19 points. Compliance targets for these indicators typically range from 30% to 88%, indicating that companies can enhance their performance in this element by increasing the representation of BP and BW in leadership positions. Additionally, MLEs can earn up to 2 points by employing Black people living with disabilities in office-based operations, provided they meet the 2% compliance target for this indicator.

The Management Control performance over a three-year reporting period from 2021/22 to 2023/24 is represented in figure 15 below.

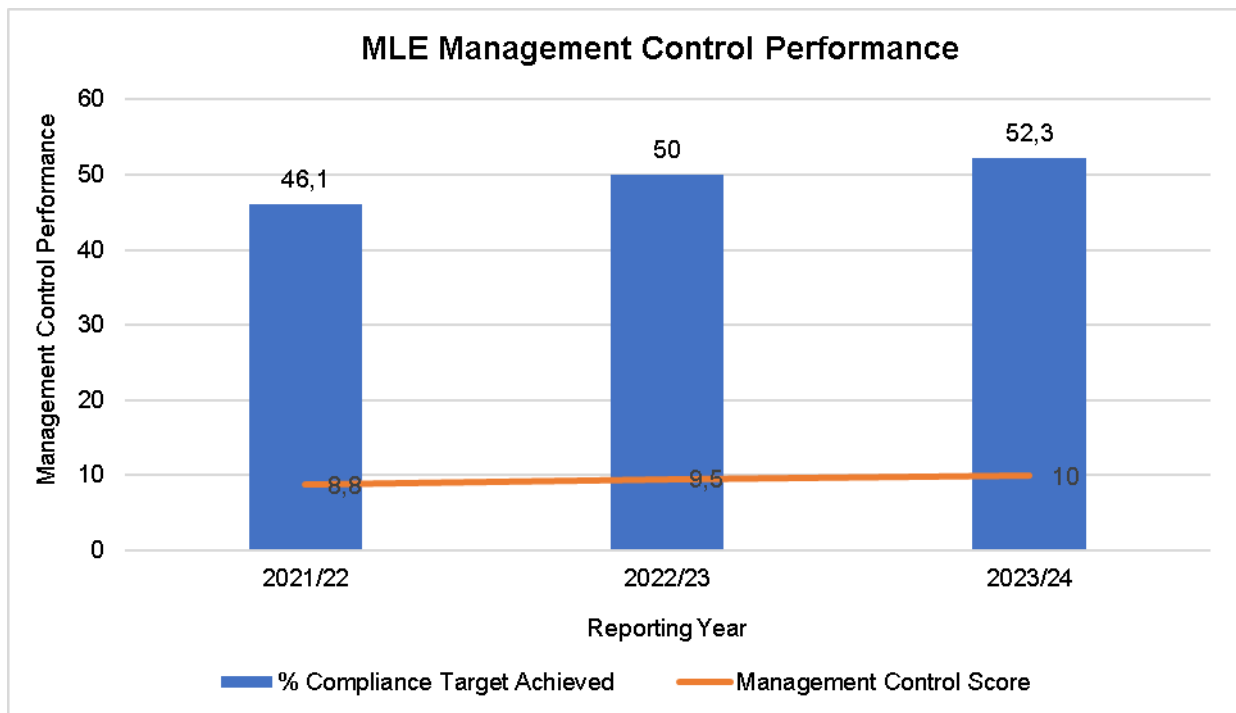


Figure 15: MLE Management Control Performance, 2021/22 – 2023/24

As reflected in figure 15 above, there has been a gradual improvement in the average score achieved over the past three years within the MC element. This improvement, although modest at about 5%, is noteworthy, particularly since it has been observed consistently over the last two years. The current average score also exceeds 50% of the target, a milestone reached only in the previous reporting period of 2022/23. This upward trend in scores could be attributed to improved performances by some MLEs in fulfilling the MC element's requirements. Additionally, sector consultations conducted by the DoEL regarding proposed employment equity targets may have also contributed positively. The overall improvement suggests that the sector is making compliance strides towards achieving better scores in this critical element of B-BBEE.

Figure 16 below compares the performance of the sub-sectors against the industry's average.

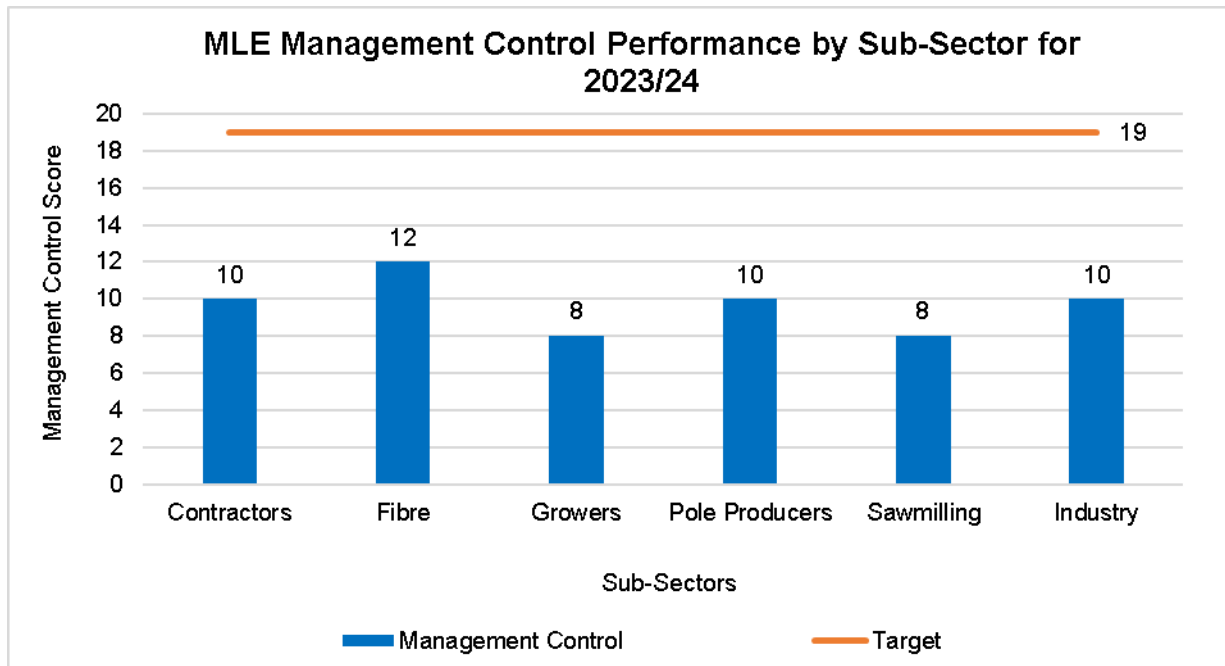


Figure 16: MLE Management Control Performance by Sub-sector, 2023/24

The average scores achieved per sub-sector in the MC element indicate a combination of improvements and declines as portrayed in figure 16 above. Among the sub-sectors, Fibre, Contractors, and Pole Producers showed significant improvements compared to their scores from the previous year, with Fibre leading as the top performer. Sawmilling maintained its average score, while the Growers sub-sector experienced a slight decline. Overall, the industry's average score also showed a slight improvement, suggesting efforts within the sector to address previous shortcomings in this element. These improvements reflect ongoing initiatives aimed at enhancing governance structures and achieving better representation of BP and BW across management and executive levels.

Table 5 below compares the performance of reporting MLEs on each of the Management Control indicators over three years.

Indicator	Points Allocated	Average Score FY 2021/22	Average Score FY 2022/23	Average Score FY 2023/24	Compliance Target (%)	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23	Indicator Achieved (%) FY 2023/24
VR BB Members	2	1.13	1.41	1.50	50	57	70.93	75.1
VR BWB Members	1	0.32	0.46	0.79	25	32	46.36	79
BE Board Members	2	0.65	0.95	1.32	50	33	47.41	66
BWEB Members	1	0.17	0.22	0.56	25	17	21.94	56
BOED	2	-	0.91	1,43	60	-	46	71.5
BOWED	1	-	0.41	0.59	30	-	41	59
BOED	4	-	2.66	2,72	60	-	66,50	40,81
BOWED	2	-	0.74	0,35	30	-	37	10,44
BSM	2	0.44	0.59	0.63	60	22	30	19
BSWM	1	0.13	0.21	0.18	30	13	21	5,5
BMM	2	1.02	0.97	0.96	75	51	48.05	48
BWMM	1	0.30	0.32	0.28	38	33	24	28
BJM	1	0.63	0.61	0.64	88	63	60.60	64
BWJM	1	0.38	0.39	0.4	44	38	38.82	40
Black Employees living with Disabilities	2	1.22	1.52	1.26	2	60,83	76.19	63

MLEs continue to have a good representation of BP and BW board members, which justifies the improved scores in these indicators as shown in table 5 above. However, while there has been some improvement in the representation of Black People and Women in Other Executive Management positions, the indicators for black women remain low. This highlights the ongoing male dominance in the forest sector's C-suite and executive management roles, indicating a need for increased efforts to promote women into these positions.

The only encouraging score in lower management positions was for black junior managers. Unfortunately, the performance in the lower management categories showed discouraging declines, with the worst scores observed in the senior management indicators. This is a stark contrast to the previous report, which showed some improvements in senior management indicators. This negative trend will continue to hinder the sector's performance in these areas, underscoring the need for best practices and research to understand the underlying reasons for these performances, particularly regarding women's representation.

The Management Control element encourages MLEs to have a 50% representation of non-executive black board members and 25% representation of women members with full voting rights. This policy aims to reverse the trend of skewed or absent representation of BP and BW on boards. These targets were negotiated to ensure equitable representation of BP and BW on boards, facilitating fair voting processes. Often, companies would focus more on employing non-executive managers without ensuring their participation at the board level. The average scores for the representation of Black Board members attained by each sub-sector are reflected in figure 17 below.

In-depth Analysis: Black Board Members

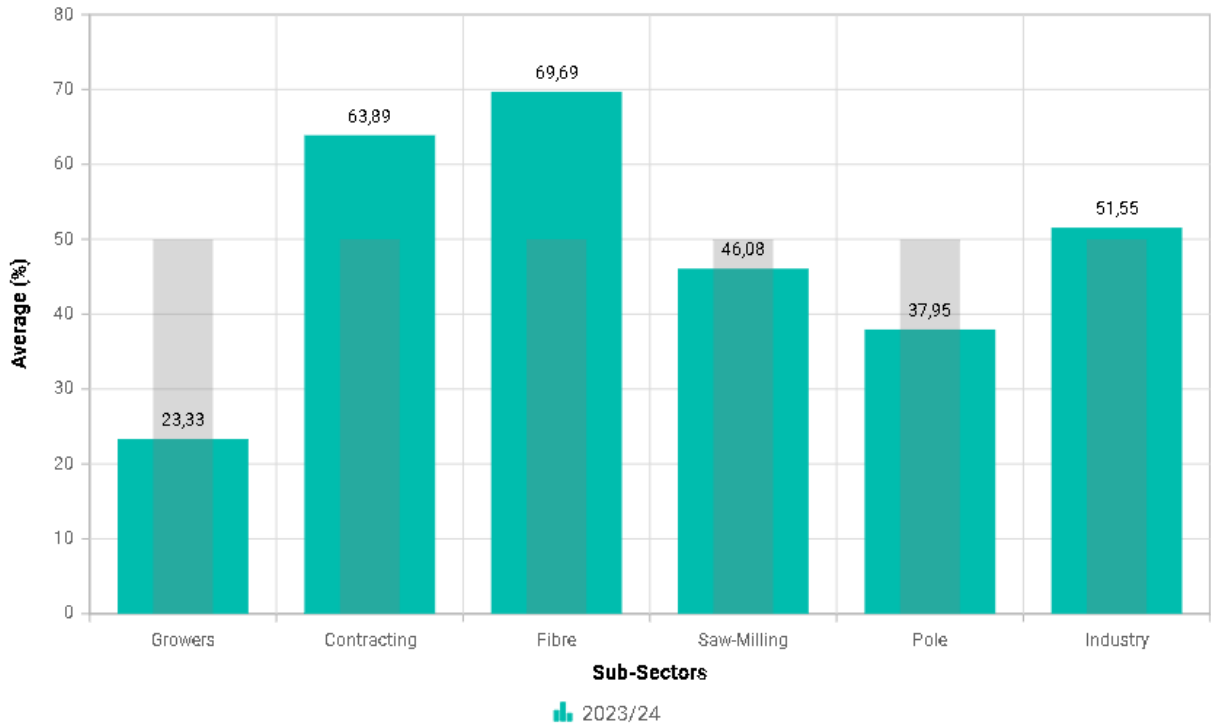


Figure 17: MLE Management Control -Black Board Members

Four of the reporting sub-sectors performed well on this indicator, with the Growers achieving the lowest score, falling below the industry average. This trend was also observed in the previous year, indicating that most MLE Growers have a skewed representation of black board members. While the Sawmilling sub-sector attained an exceptional score, the Fibre and Contractors sub-sectors are the only two that outperformed the industry average, as shown in figure 17 above. The strong performance of these sub-sectors is justified by the fact that a majority of the MLEs achieving the target are from these sub-sectors. Growers could potentially learn from these companies to improve their performance on this indicator.

Figure 18 portrays displays the participation of Black Women on boards in each sub-sector.

In-depth Analysis: Black Women Board Members

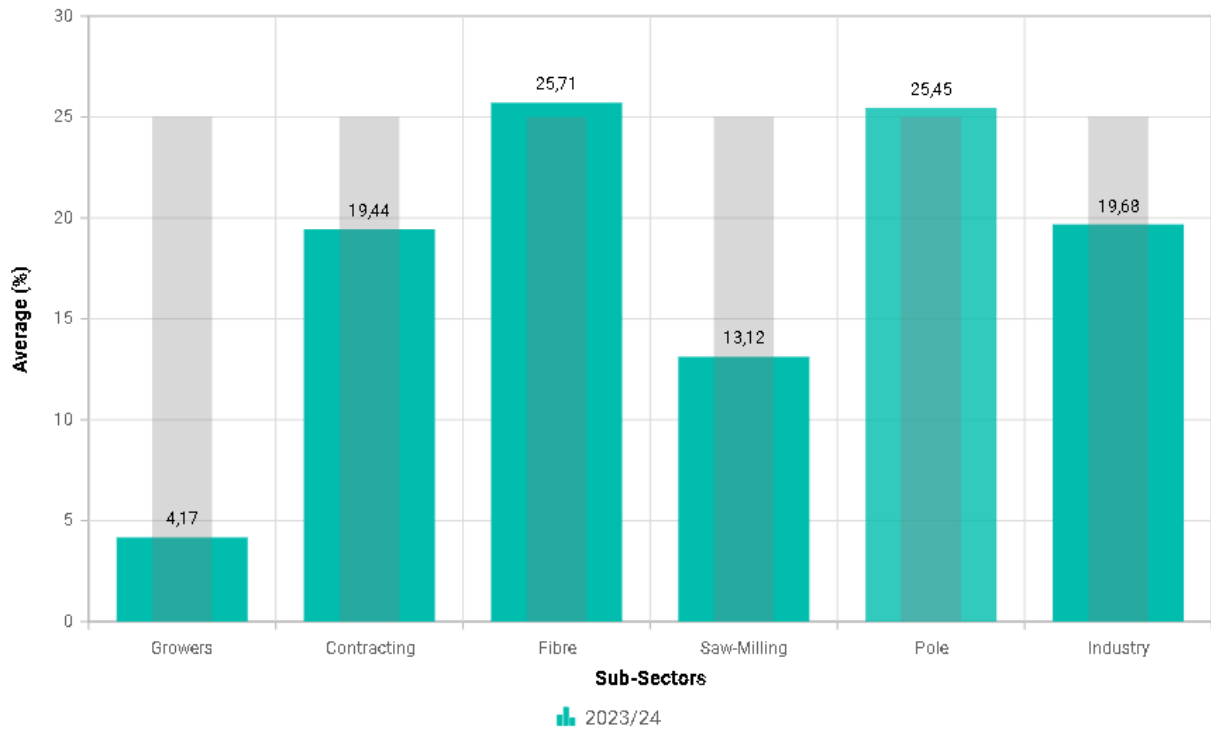


Figure 18: MLE Management Control -Women on Boards per Sub-sector

As shown in figure 18 above, the participation of women on boards is as crucial as the promotion of black women in executive and management positions. Although the target for women board members is lower compared to the target for black non-executives, some MLEs still find this indicator challenging. The industry achieved 19.7%, accounting for about 79% of the target. The Pole Producers, Fibre, and Contractors sub-sectors performed well on this indicator. In contrast to the BP indicator, the Sawmilling sub-sector only performed averagely. The Growers sub-sector was the least performing on this indicator, a trend also observed in the previous year, confirming its difficulty in implementing this measure. This observation is concerning as it may be perceived as a deliberate attempt to exclude women from board structures.

The achieved averages per sub-sector on the Black Executives participating on boards are shown in figure 19 below.

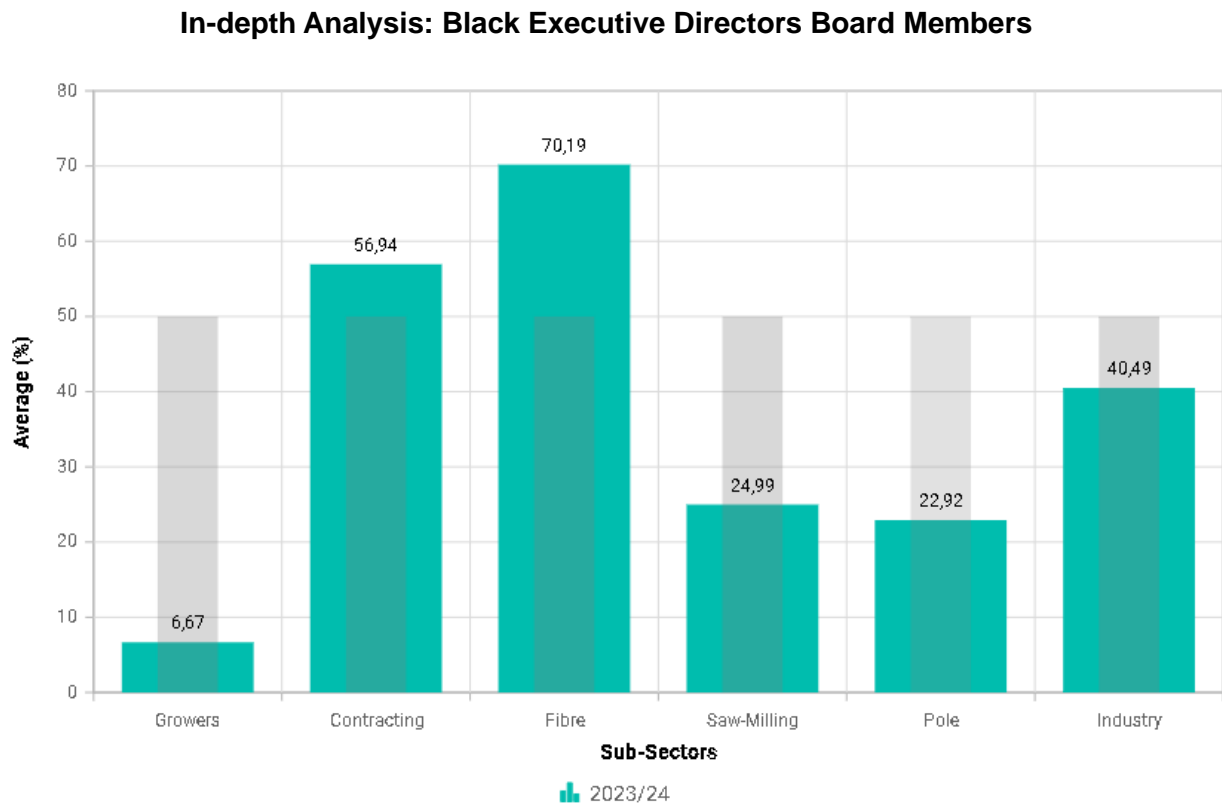


Figure 19: MLE Black Executive Directors participating on boards

The performance trend displayed in figure 19 above mirrors the previous year's pattern, with the sector achieving a notable score of 40.1% out of the 50% compliance target. The Contractors and Fibre sub-sectors continued to outperform the other three sub-sectors, exceeding both the target and the industry's average. The Sawmilling sub-sector achieved 50% of the compliance target, while the Pole Producers sub-sector fell slightly below 50%. The Growers performed poorly, with most receiving very low scores in this indicator.

Figure 20 below displays the achieved scores per sub-sector on the Black Women Executives participating on boards.

In-depth Analysis: Black Women Executive Directors Board Members

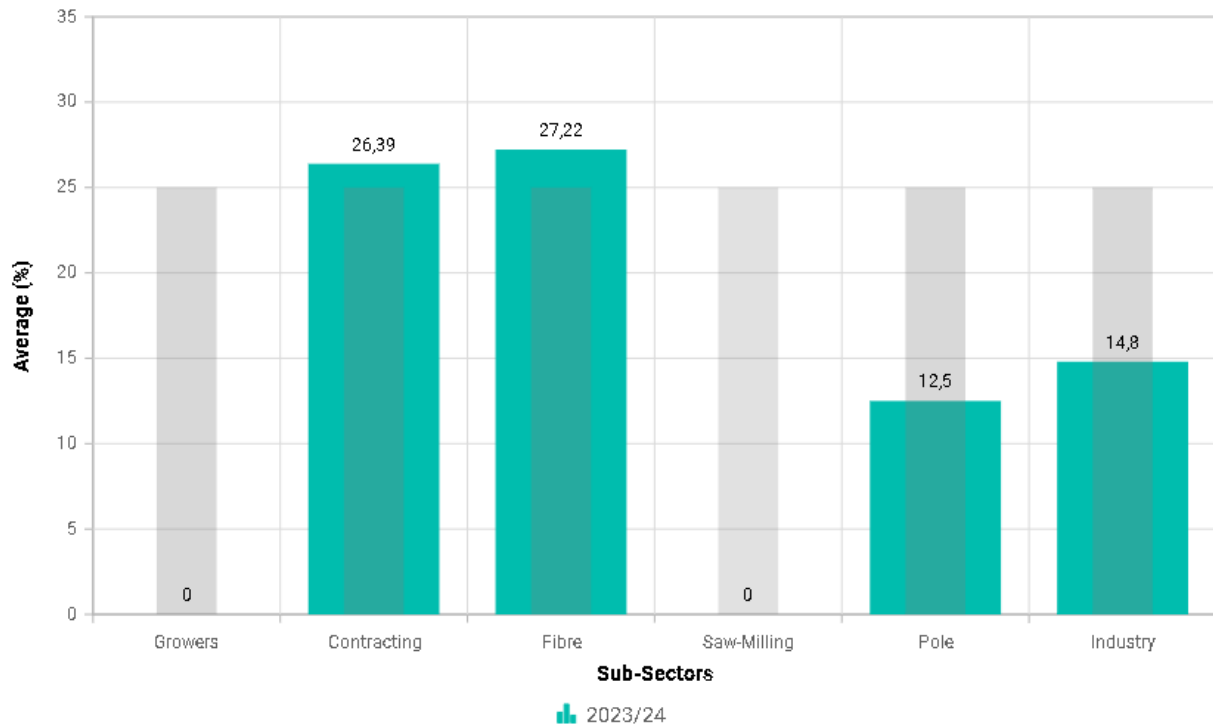


Figure 20: MLE Black Women Executive Directors participating on boards

MLEs continue to face challenges in ensuring BW executive directors participate on boards, as evidenced by the low industry average score shown in figure 20 above. Only the Fibre and Contractors sub-sectors performed exceptionally well on this indicator, surpassing both the 25% compliance target and the industry average, a trend consistent with the previous year. The Pole Producers sub-sector achieved 50% towards the target, while the Growers and Sawmilling sub-sectors recorded a discouraging 0% towards the target. This poor performance should be highly discouraged, as all economic sectors should intensify efforts to include more women executives on boards. The lack of progress in these sub-sectors portrays their efforts as non-affirmative, contradictory, and resistant to the current push for a more diverse and inclusive culture that supports women's empowerment.

Other Black Executive Directors are regarded as the executives tasked with managing the strategic operations and vision of a company. Often referred to as the "C-suite," these positions include roles such as Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Strategy Officer (CSO). Black people and women occupying these positions may or

may not participate in the board structure of a company. Reporting entities can combine this indicator with the senior management indicator if there is no distinction between the two, a condition permissible in the Amended FSC. The recorded average scores of the sub-sectors on the Other Black Executive Director indicator, with a compliance target of 60%, are illustrated below in figure 21.

In-depth Analysis: Black Other Executive Management

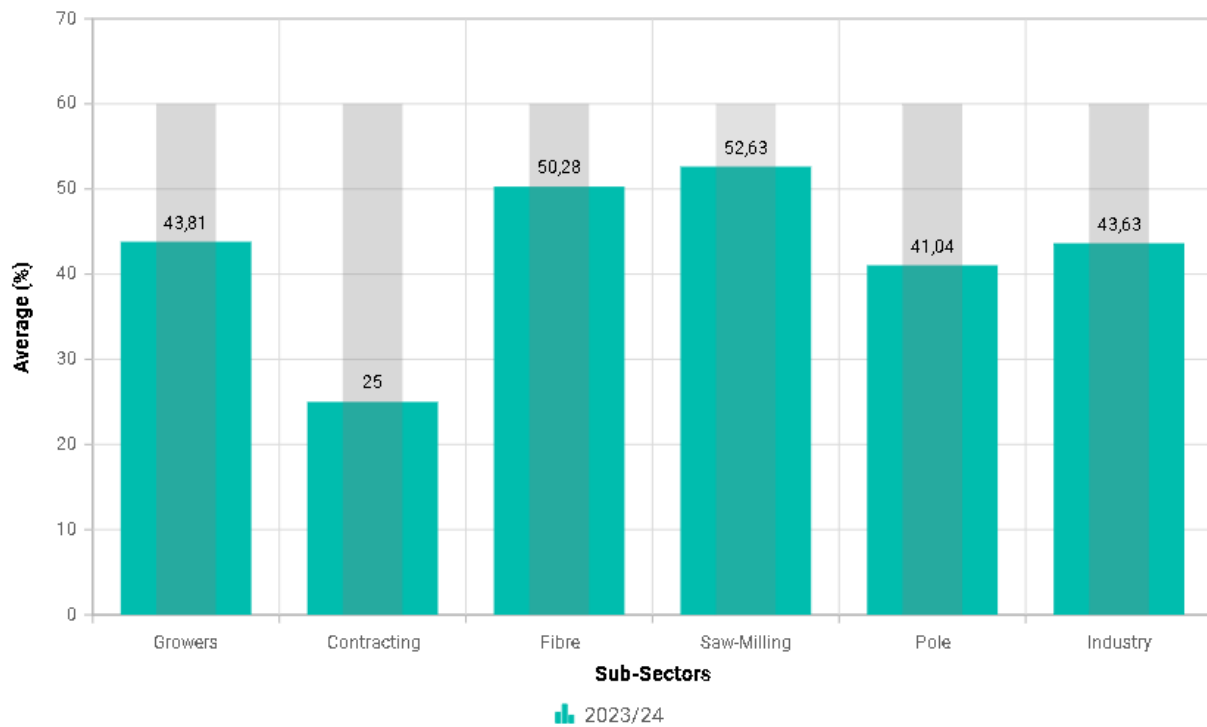


Figure 21: MLE Black Other Executive Management

Four of the reporting sub-sectors, namely Sawmilling, Fibre, Growers, and Pole Producers performed exceptionally well in this indicator as highlighted in figure 21 above. Only the Contracting sub-sector attained a lower score, below 50% and the industry’s average, showing a discouraging performance compared to the board participation indicators. Considering the performance of Growers in the board participation of Black and Women indicators, they may need to consider promoting their executives to the board to improve their below-average performance.

The performance of Black Women in Other Executive Management is demonstrated in figure 22 below.

In-depth Analysis: Black Women Other Executive Management

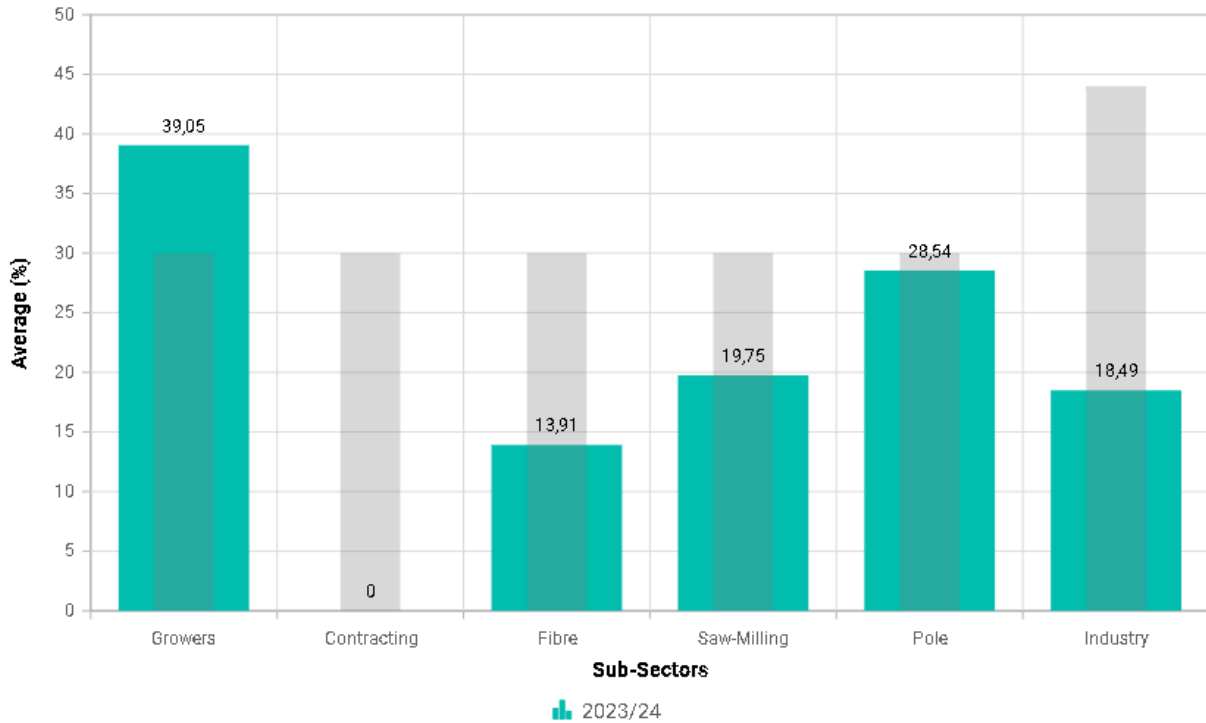


Figure 22: MLE Black Women Other Executive Management

Figure 22 above highlights the performance of sub-sectors on the Black Women Other Executive Management indicator shows a different trend compared to the representation of Black People in this executive category. The set target for this indicator is 30%. Only the Growers and Pole Producers sub-sectors outperformed the others, with Growers exceeding both the compliance target of 30% and the industry’s average. Growers seem to find it easy to implement this indicator as, even in previous reports, they recorded an encouraging score. The Sawmilling sub-sector obtained a good score, and Fibre performed just below average. Conversely, the Contractors’ sub-sector achieved a poor score on this indicator, similar to their performance on other related indicators.

This observation continues to confirm that the forest sector has very few black women occupying executive positions. This result will further disqualify the sector in terms of the newly proposed employment equity targets. The proposed research on the benefits of having women in management and board positions is anticipated to bring about solutions to assist the sector in improving this discouraging performance.

The EEA and the Amended FSC have set targets to address the inequitable representation of BP and BW in different management positions. These management positions refer to the Senior, Middle, and Junior categories and should be clearly defined in the succession plans of most companies. The defining factors for these positions include salaries relative to other employees occupying the positions, job description, level of authority or responsibility, and the chain of reporting.

The Senior Management indicator is potentially considered to be just below the top executive management structure. An official occupying this position is most likely being groomed for promotion into the executive management portfolio. In the case of forestry, people occupying these positions may be plantation or estate managers, etc. Figure 23 below demonstrates the performance of the MLEs that have black people occupying senior management positions, noting that some companies exclude this indicator from their scorecard.

In-depth Analysis: Black Employees in Senior Management

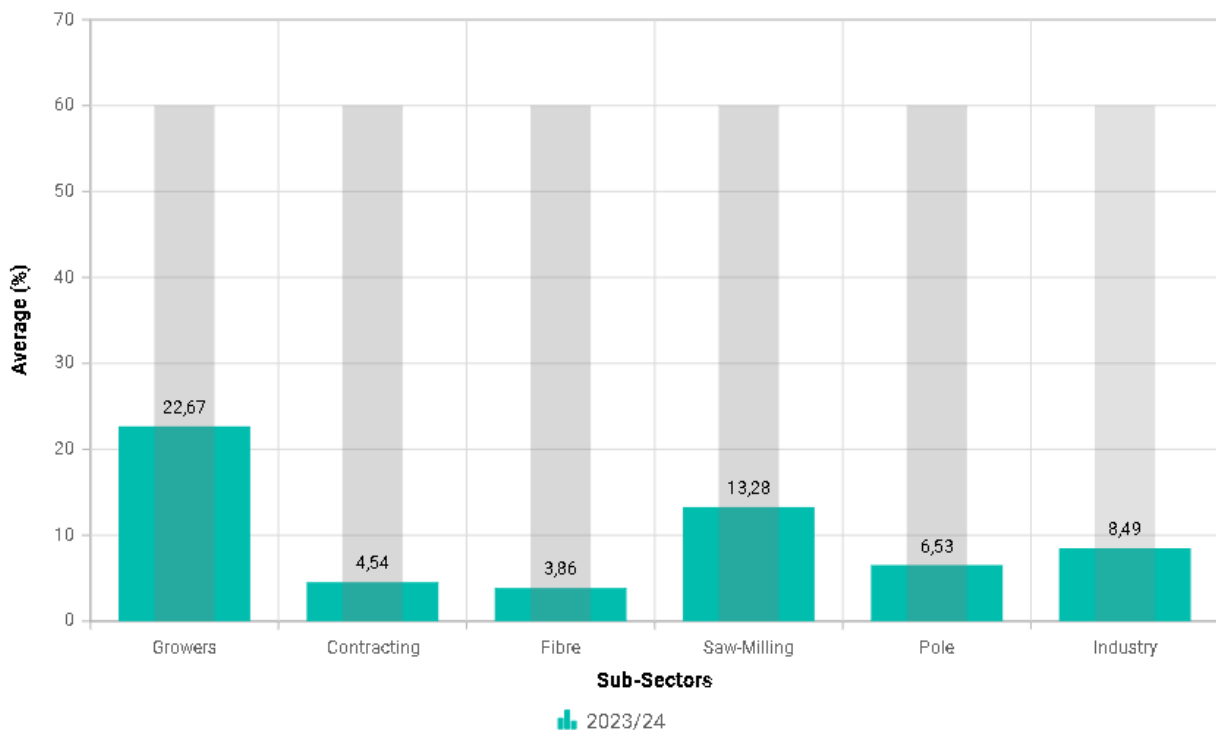


Figure 23: MLE Black Participation at Senior Management level

An MLE is required to have 60% of Senior managers represented by Black People. As shown in figure 23 above, all the sub-sectors performed poorly on this indicator, an observation that has also been recorded in previous reports. This is one area in which the sector continues to record extremely poor scores, presenting a doubtful or unimpressive outlook. The continuous

performance may validate that the sector is not making the effort required to promote black people into this management category.

Figure 24 below shows the representation of Black Women at the Senior Management level

In-depth Analysis: Black Women Employees in Senior Management

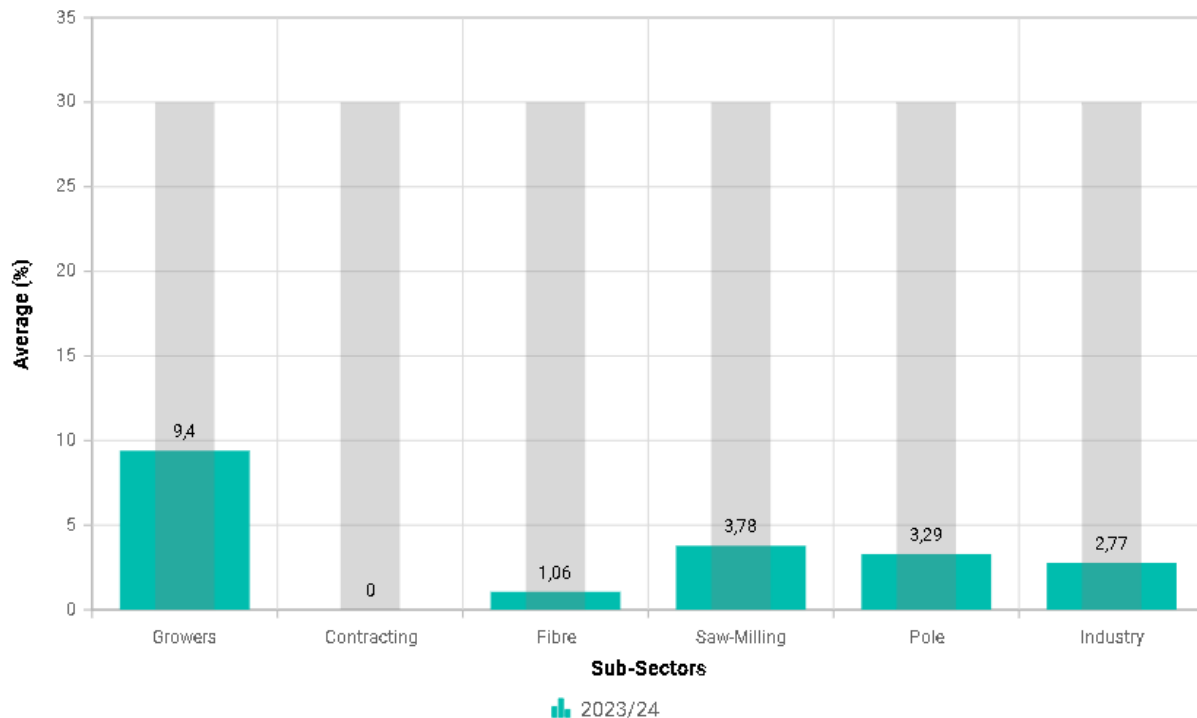


Figure 24: MLE Black Women Participation at Senior Management level

The representation of Black Women in senior management positions continues to exhibit unacceptable and poor prospects, as illustrated in figure 24 above. Similarly, the scores for the Black Senior Management indicator across all sub-sectors were unconvincing, with performance showing a decline. The reasons behind this highly discouraging performance should be rigorously examined, including considerations of the sector's rural-based nature possibly contributing to these outcomes. The sector must significantly intensify its efforts towards this target to effect meaningful change.

Middle managers typically have responsibilities that are less extensive compared to senior managers. These roles are often filled by professionally qualified and experienced specialists such as foresters, project managers, and others. Middle managers frequently act on behalf of senior managers and report directly to them, preparing themselves for potential future promotions within the organization.

Figure 25 below demonstrates the sub-sectors' performance towards the target on the Black Middle Management indicator.

In-depth Analysis: Black Employees in Middle Management

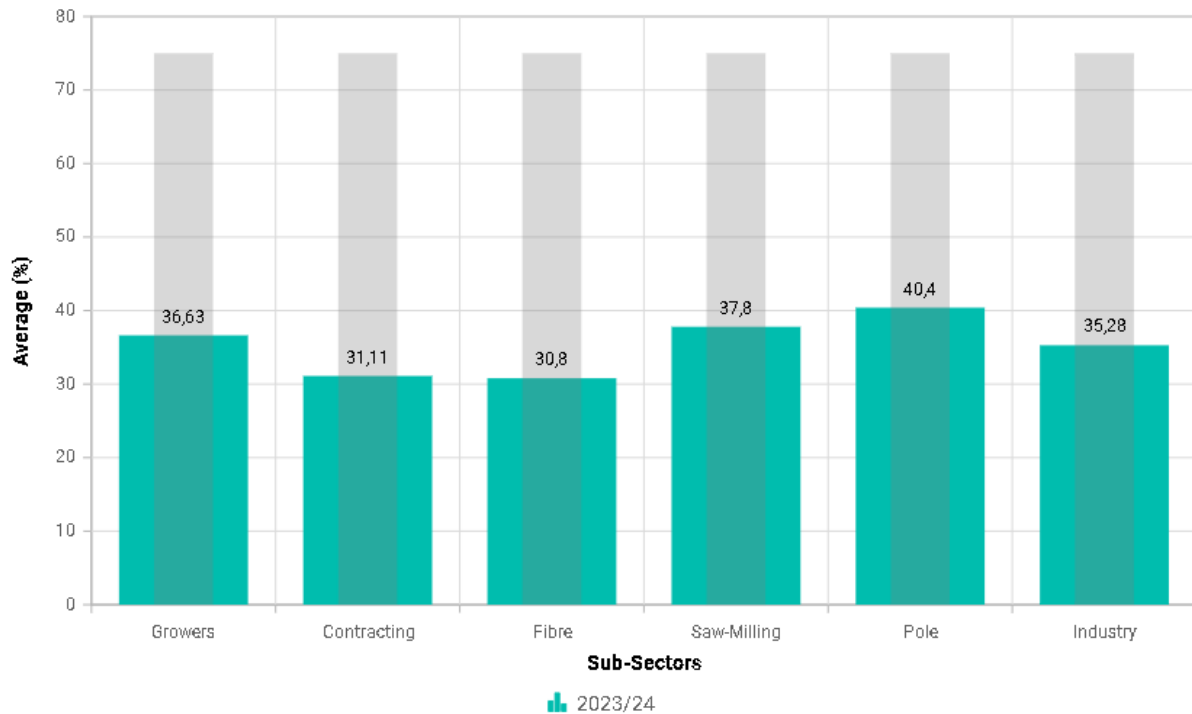


Figure 25: MLE Black Participation at Middle Management level

The compliance target for black middle managers is set at 75%, slightly higher than that for senior managers. As illustrated in figure 25 above, the performance of sub-sectors on this indicator showed improvement compared to the senior management indicator. Only the Pole Producers and Sawmilling sub-sectors achieved slightly above 50% of the target. Historically, the Pole Producers sub-sector has consistently performed well in this indicator, maintaining its reputation as the best-performing sub-sector in the year under review. However, the Growers, Contractors, and Fibre sub-sectors recorded lower scores and failed to achieve at least 50% of the target. This indicates a need for these sub-sectors to enhance their efforts in promoting black representation in middle management positions.

The representation of Black Women in Middle Management positions across the sub-sectors is displayed in figure 26 below.

In-depth Analysis: Black Women Employees in Middle Management

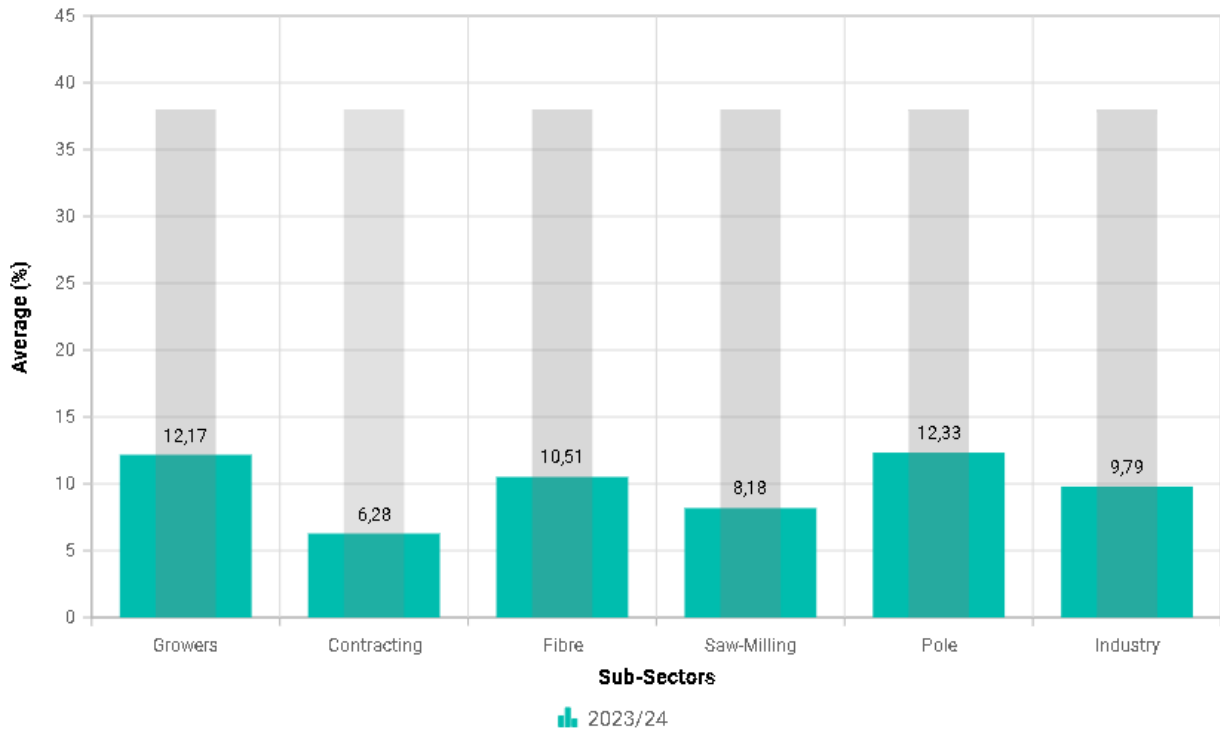


Figure 26: MLE Analysis: Black Women Participation at Middle Management level

Figure 26 above portrays the compliance target for this indicator is set at 38%. Unfortunately, all reporting sub-sectors fell short of achieving convincing scores, resulting in a very low industry average. This underscores the persistent challenge of promoting women to middle management positions within the forest sector. The sector's poor performance in this regard highlights the need for proactive measures to increase the representation of BW in middle management roles. Improving this indicator is crucial as it can positively impact the pipeline for women advancing to senior and executive positions. Initiatives like "She is Forestry SA," which enjoys strong industry support, should be leveraged to foster broader opportunities for women in these critical roles.

The Junior Management indicators set the highest compliance targets among the Management Control indicators, with targets of 88% for Black People and 44% for Black Women respectively. Junior Managers typically consist of academically and technically qualified personnel, often starting as trainees or apprentices due to their theoretical expertise. This indicator aims to foster the development of entry-level Black and Women managers whose responsibilities are below those of middle managers. Effective implementation of succession plans is expected to nurture potential future executives, senior managers, and middle managers from this pool. Figure 27 below illustrates the representation of Black employees in Junior Management roles.

In-depth Analysis: Black Employees in Junior Management

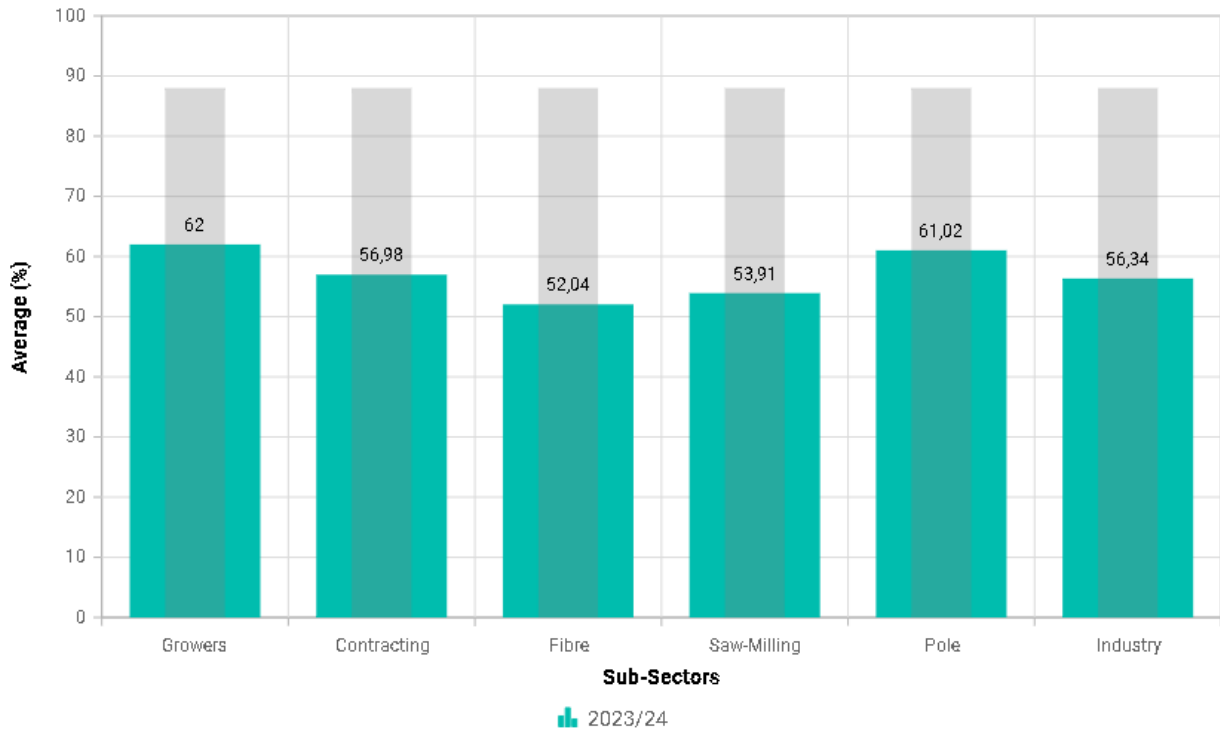


Figure 27: MLE Analysis: Black Participation at Junior Management level

As observed in figure 27 above, the representation of BP in Junior Management positions shows a promising trend compared to middle and senior management categories. While none of the sub-sectors met the target, all five showed improved scores on this indicator, with Growers and Pole Producers leading the pack. This performance underscores the forest sector's predominance of male junior managers, echoing findings from other reports that highlight higher representation of BP in Junior Management compared to other management levels. This reinforces the sector's male-dominated nature and emphasizes the need for initiatives to promote and hire more black women, supported by the encouraging performance of other Black People indicators within the Management Control element.

Figure 28 below shows the representation of black women employees occupying Junior Management positions across the sub-sectors.

In-depth Analysis: Black Women Employees in Junior Management

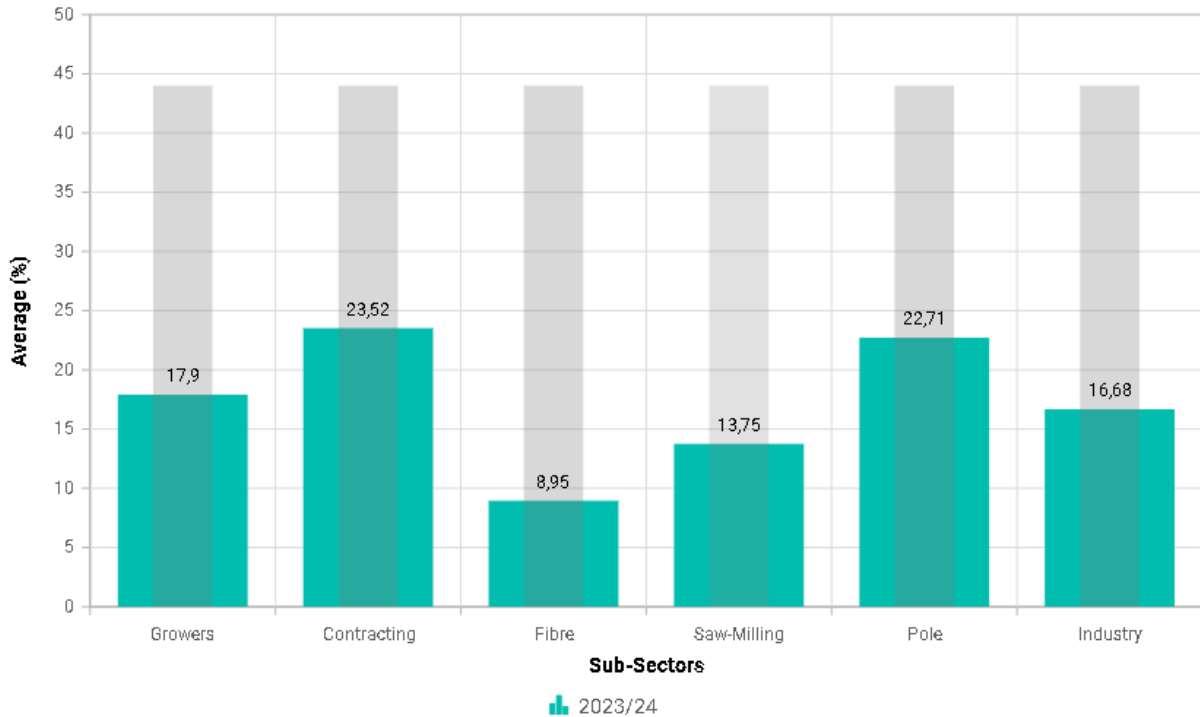


Figure 28: MLE Black Women Participation at Junior Management level

The compliance target for BW in Junior Management positions is 44%. As depicted in figure 28 above, none of the reporting sub-sectors achieved a score of 50% or higher towards this target, reflecting poor performance across the board. This performance shortfall likely extends to the BW indicators in other management categories. MLEs are strongly encouraged to increase the employment of Black women in junior management roles to expand the pool of candidates for future promotions. Failing to address this issue could perpetuate the current status quo for years to come.

The Management Control element emphasizes the importance of employing and recognizing Black Employees Living with Disabilities in office-based operations to promote diversity. With a compliance target of 2% as a percentage of all employees, this indicator has the lowest achievable target among the MC indicators and across other scorecard elements. The performance of sub-sectors on this indicator is illustrated in figure 29 below.

In-depth Analysis: Black Employees with Disabilities

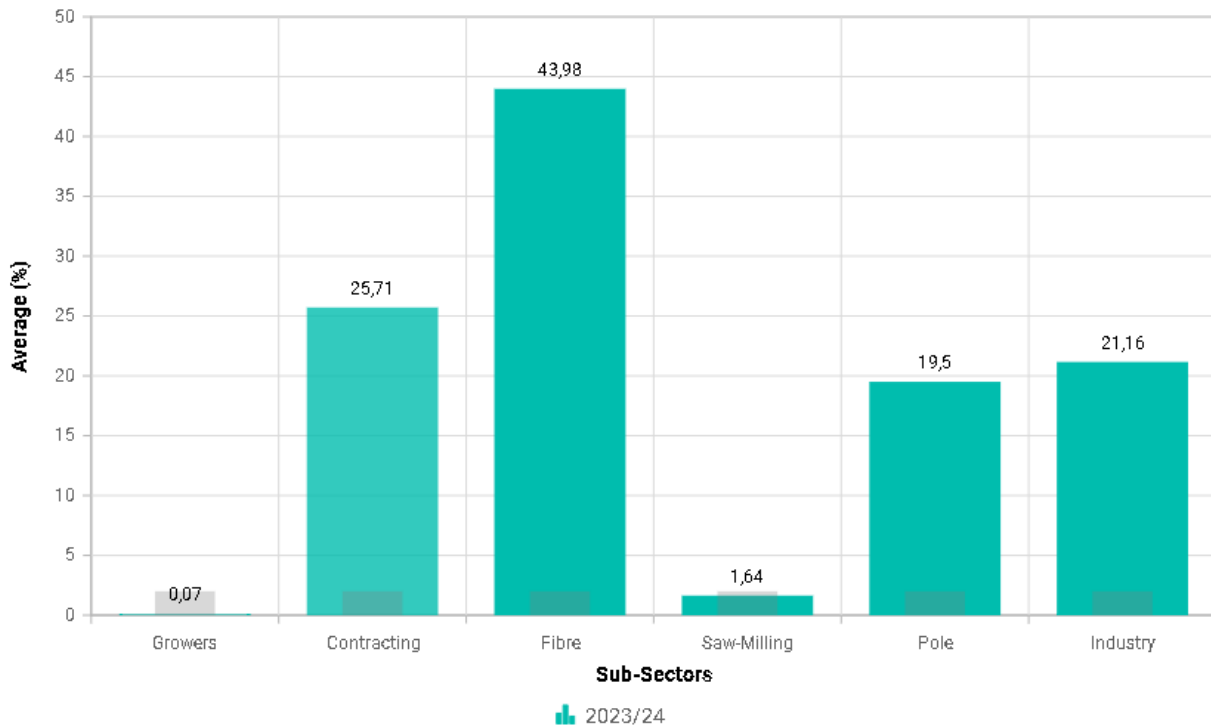


Figure 29: MLE Disabled Employees

The industry is improving its performance on this indicator, with each year showing promising advancements, as illustrated in figure 29 above. The Fibre sub-sector stood out with exceptional performance on this indicator, followed by the Contractors and Pole Producers sub-sectors. The Sawmilling sub-sector achieved a good score but fell below the industry average. However, the Growers sub-sector attained an unsatisfactory score on this indicator.

6.3 Skills Development In-Depth Analysis

The Skills Development (SD) element is one of the priority elements allocated 20 weighting points. It is one of the three priority elements, requiring MLEs to achieve a minimum of eight of the total 20 points allocated. An MLE is encouraged to implement tailored training programmes that align with its business needs. The SD element is meant to develop key competencies required to enhance the skills base and promote the creation of decent jobs. Figure 30 below compares the SD average performances over a three-reporting period.

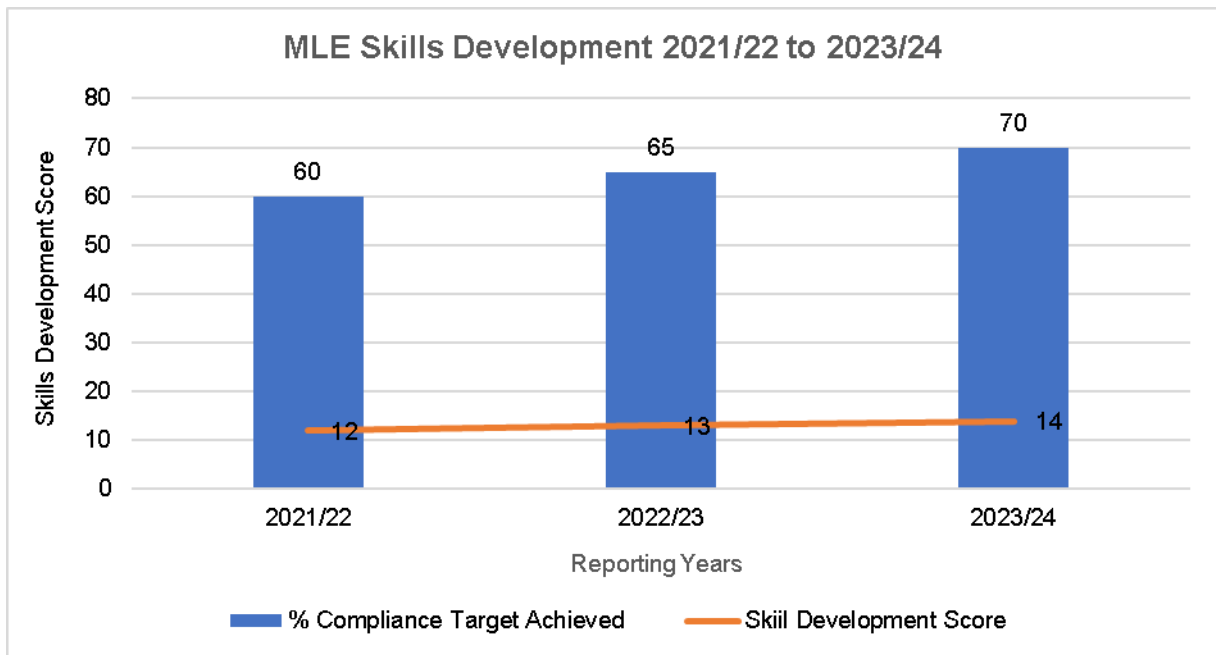


Figure 30: MLE Skills Development Performance, 2021/22 – 2023/24

In the current reporting period, MLEs achieved an encouraging 70% towards the compliance target on SD. This marks a 7% increase compared to the previous score, as shown in figure 30 above. The improvement in SD indicates that some MLEs' performance in this area is on an upward trend, possibly due to adjustments made in their recognized skills development strategies and initiatives.

Figure 31 below illustrates the average performance of the six sub-sectors compared to the industry.

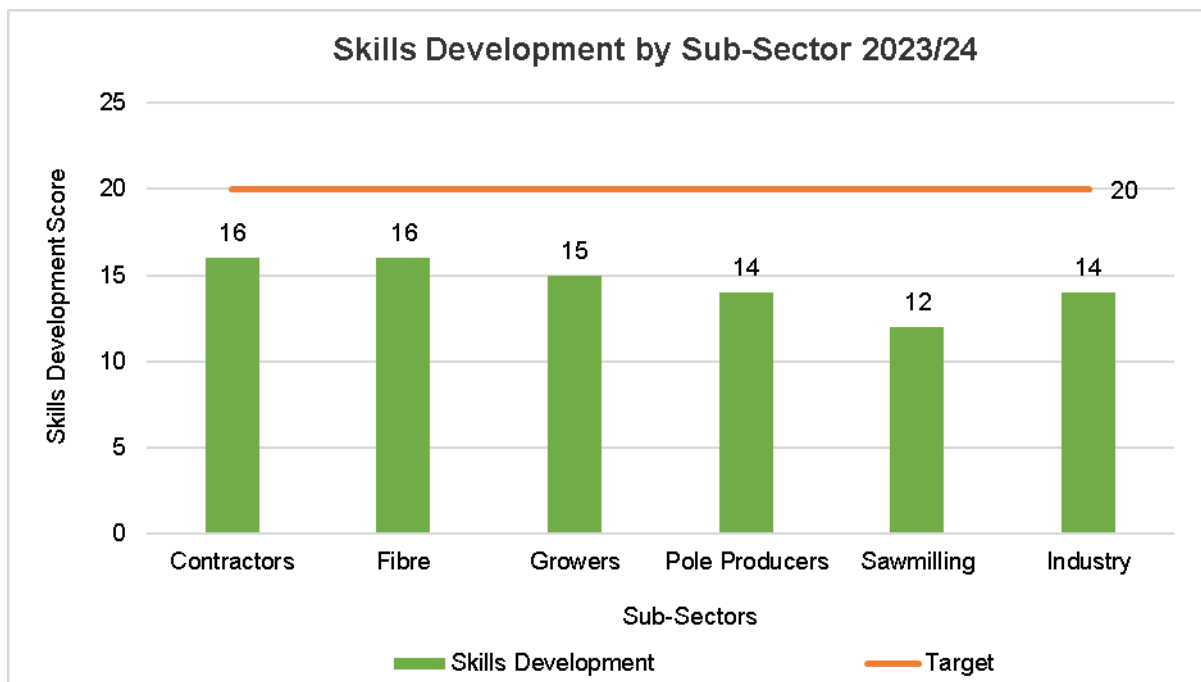


Figure 31: MLE Skills Development Performance per Sub-sector

As shown in figure 31, the Contractors, Fibre, and Growers sub-sectors have achieved exceptional scores, all surpassing the industry average. The Pole Producers sub-sector has performed similarly to the industry, maintaining consistency with the previous year. However, the Sawmilling sub-sector, while achieving a good score, has a lower average compared to the other reporting sub-sectors and the industry. These positive scores are encouraging and show an upward trend compared to the previous year.

In terms of SD, a proportion of the leviable amount must be allocated for both Black People and Black Employees Living with Disabilities. This amount should be spent on legitimate expenses related to learning programs and initiatives specified in the learning matrix. Entities are also required to offer learnerships, apprenticeships, and internships for both black employees and unemployed learners. The expenditure on Skills Development must be supported by invoices or appropriate internal accounting records, ensuring alignment with the key measurement principles of the SD element as detailed in the Amended FSC.

Table 6 below presents the performance of MLEs on the four indicators of the Skills Development element over three reporting periods.

Indicator	Points Allocated	Average Score FY2021/22	Average Score FY2022/23	Average Score FY2023/24	Compliance Target (%)	Indicator Achieved (%) FY 2021/22	Indicator Achieved (%) FY 2022/23	Indicator Achieved (%) FY 2023/24
Skills Development Expenditure- Black People	8	4.51	4.69	4.58	5	56	59	57,2
Skills Development Expenditure- Black Employees living with Disabilities	4	2.31	2.90	2.90	0.3	58	73	73
Black Employees- LAI	4	2.47	3.01	2.96	2.5	62	75	74
Black Unemployed Learners- LAI	4	2.70	2.59	3.2	2.5	68	67	80

The scores on the SD indicators have shown both increases and some insignificant declines. The most encouraging increase was observed in the skills spend for black employees living with disabilities, while there was a maintained score under the indicator for black unemployed learners participating in Learnership, Apprenticeship, and Internships (LAI). It would be rewarding to see most of these unemployed learners eventually absorbed through the absorption principle, which would further validate the effectiveness of these developmental initiatives.

The MLEs play a pivotal role in nurturing essential skills within the labour-intensive forest sector, often through in-house training initiatives. These training efforts must adhere to the training matrix, which outlines the detailed training programs required. MLEs are mandated to allocate 5% of the leviable amount for both internal and external training purposes, with an additional 0.3% earmarked specifically for skills development expenditure targeting Black Employees living with Disabilities. This structured approach ensures that investments in skills development are directed towards both general workforce enhancement and targeted support for underrepresented groups within the sector. Figure 32 below shows the performance of the skills development expenditure allocated for Black People per sub-sector.

In-depth Analysis: Skills Development Expenditure on Black Employees

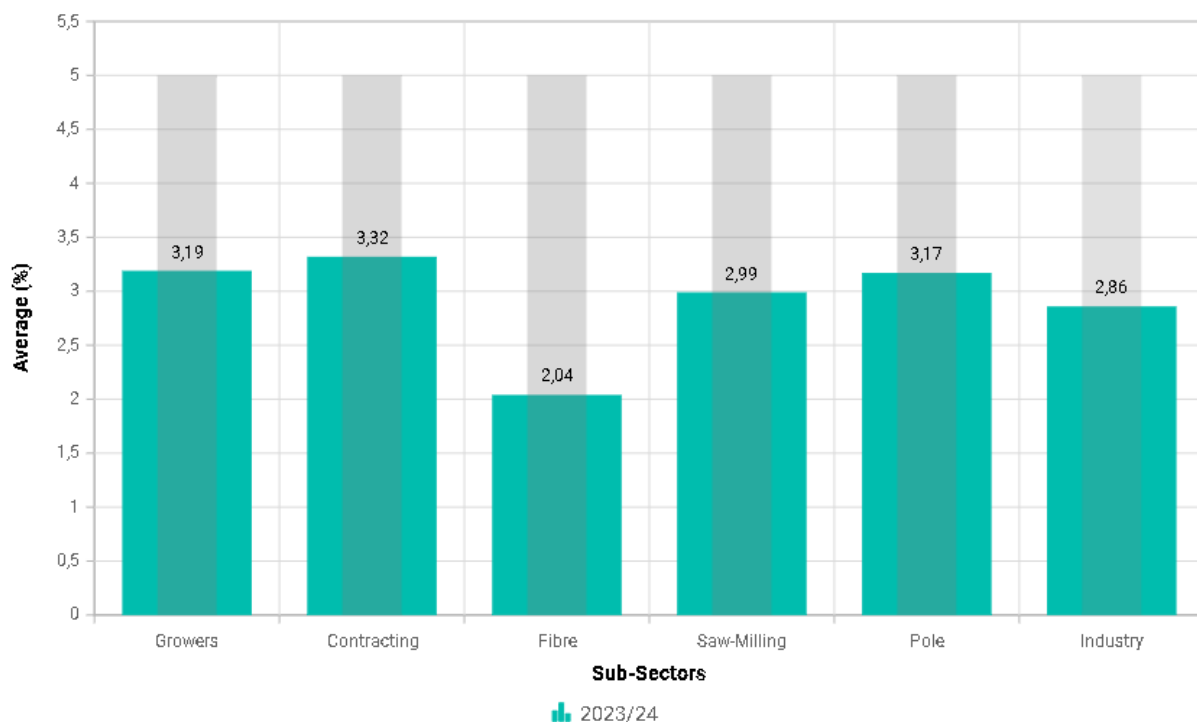


Figure 32: MLE Skills Development Spend on Black People

The performance of the reporting sub-sectors, illustrated in figure 32 above, indicates that the Contractors, Growers, Pole Producers, and Sawmilling sub-sectors achieved average scores

and outperformed the overall industry average. However, the Fibre sub-sector achieved a lower score and performed poorly on this indicator. This particular indicator is consistently challenging for MLEs, often resulting in lower scores relative to the target.

The skilling of black people living with disabilities is also prioritised in the SD element. This is to ensure that their development translates to their empowerment in terms of skills upgrades and future promotions. MLEs are likely to achieve this target if they have black employees living with disabilities as per the dictates of the employment equity requirements of the Management Control element. Figure 33 below illustrates the performance of the skills development expenditure allocated for Black Employees living with Disabilities per sub-sector. rewrite and rephrase.

In-depth Analysis: Skills Development Expenditure on Black Employees Living with Disabilities

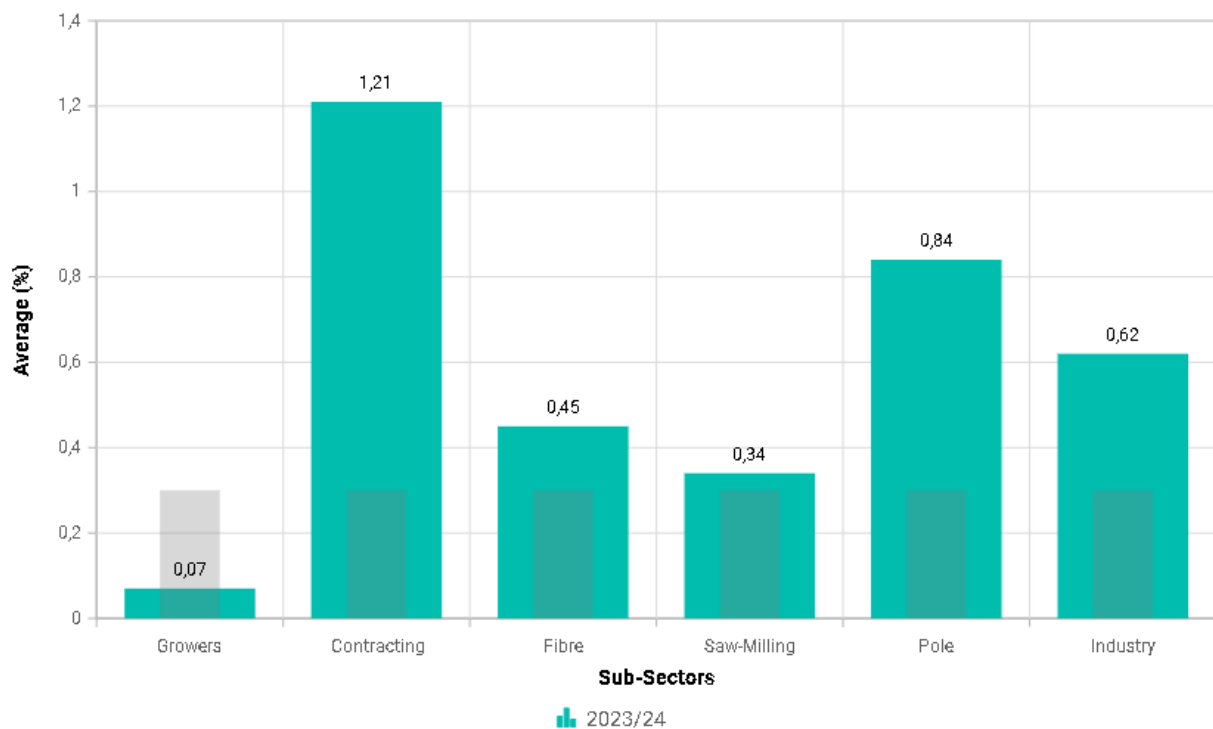


Figure 33: MLE Analysis: Skills Development Spend on Black Employees Living with Disabilities

As depicted in figure 33 above, Contractors excelled significantly, surpassing both the target and their counterparts. Following the Pole Producers, Fibre, and Sawmilling sub-sectors, each showing competitive performance. However, Growers performed notably below both the industry and their competitors' averages.

Learnerships, apprenticeships, and internships are crucial for skill development in workplaces. Entities subject to measurement should prioritize and facilitate vocational, technical, and academic learning programs that include professional placements, work-integrated learning, apprenticeships, and learnerships. These structured initiatives are designed to address skills gaps effectively. The duration of these training programs varies, typically ranging from twelve months to three years, depending on whether it's a learnership, apprenticeship, or internship. Figure 34 below reveals the average scores of the reporting sub-sectors achieved on black employees participating in learnership, apprenticeship and internship programmes indicator.

In-depth Analysis: Learnership, Apprenticeship and Internships for Black Employees

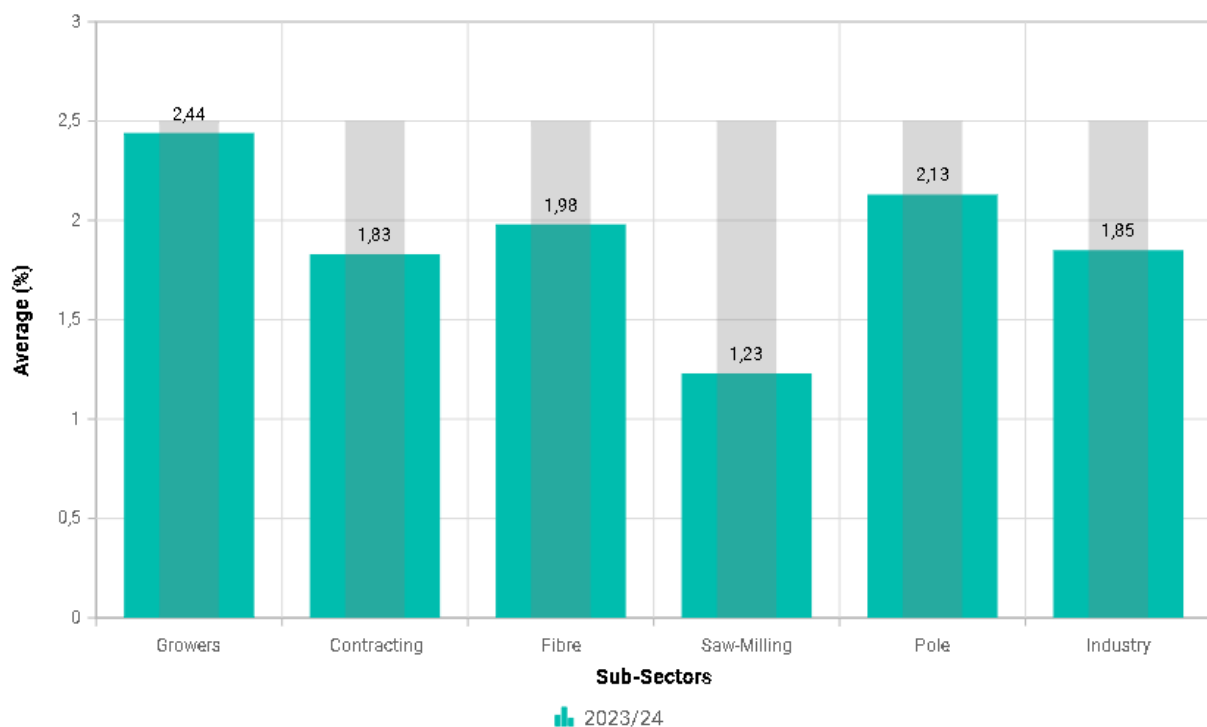


Figure 34: MLE Black Employees Participating in Learnerships, Apprenticeships and Internships

All sub-sectors, except for the Sawmilling sub-sector, achieved good scores, albeit falling below the target. The Growers and Pole Producers emerged as the best-performing sub-sectors, a trend consistent with previous observations shown in figure 34 above. The Fibre and Contractors sub-sectors also achieved satisfactory scores, performing comparably to the industry average. MLEs in the Sawmilling sub-sector are encouraged to enhance their performance, as their average score significantly lags behind the industry standard.

Figure 35 below presents the Black Unemployed Learners Participating in Learnerships, Apprenticeships and Internships.

In-depth Analysis: Learnership, Apprenticeship and Internships for Black Unemployed

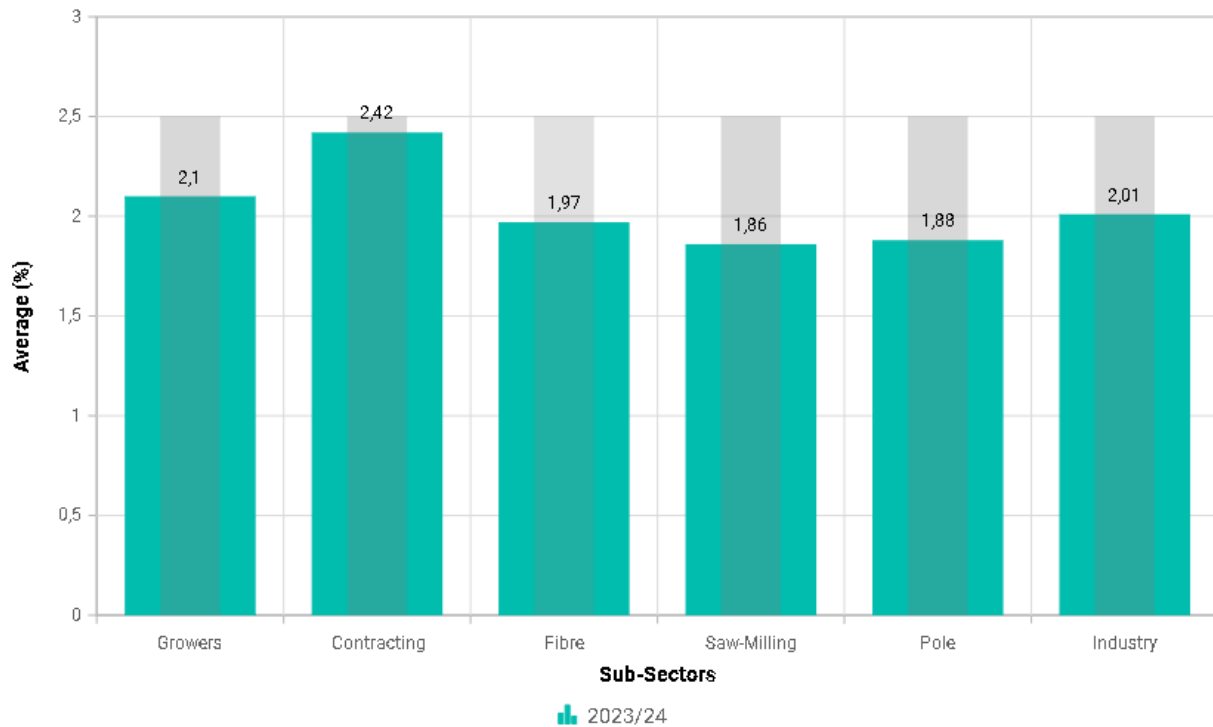


Figure 35: MLE Black Unemployed Participating in Learnerships, Apprenticeships and Internships

As depicted in figure 37 above, all sub-sectors performed notably well, albeit below the target. Contractors achieved the highest performance, followed by Growers, while the other sub-sectors performed similarly, slightly below the industry average.

Absorption refers to the process of transitioning Black Unemployed learners from learning programs like internships and learnerships into permanent employment. MLEs that create jobs within the measurement period for this group are eligible for up to five bonus points. Depending on the absorption rate, an entity can claim full or partial credit for successful absorptions, provided it creates employment opportunities for all trained learners. The absorption rates of reporting MLEs from various sub-sectors are illustrated in figure 36 below.

In-depth Analysis: Black Absorbed

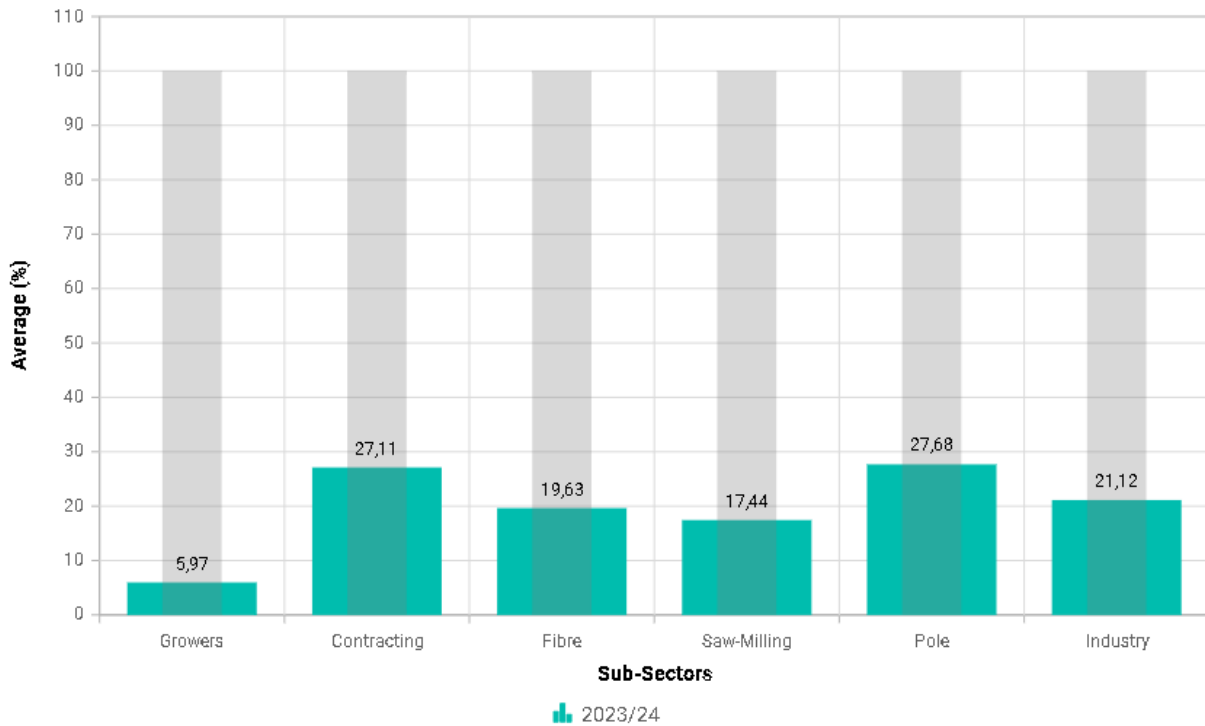


Figure 36: MLEs Absorption for Black Learners

As depicted in figure 36 above, none of the sub-sectors achieved the target for the absorption of black learners, indicating poor performance across the board. There is a clear need for improved efforts in this area to transition trained learners into permanent employment roles effectively. This improvement supports skilled workforce development, enhances the sector's compliance with employment equity goals, and contributes to broader socio-economic empowerment. Efforts should focus on implementing strategies that facilitate smoother transitions from training programs to sustainable employment opportunities within the forestry sector.

6.4 Enterprise and Supplier Development In-Depth Analysis

The Enterprise and Supplier Development (ESD) element aims to reinforce local procurement, augment local supplier development programs, generate new role players, and escalate financial support towards black entities. The ESD element is a fusion of three sub-elements: Preferential Procurement (PP), Supplier Development (SD), and Enterprise Development (ED). It stands as one of the three priority elements of the B-BBEE Scorecard. This suggests that generic entities should achieve a threshold of 40% on each sub-element to avoid the

discounting principle. Measured entities are obligated to offer qualifying SD contributions equivalent to 2% of the entities' Net Profit After Tax (NPAT), and 1% of NPAT for qualifying ED contributions (investments undertaken on businesses beyond their supply chain) to earn the entire SD and ED points on their B-BBEE scorecard. Preferential Procurement enhances the procurement of goods and services and encourages participation from specific groups, for example, Small, Medium and Micro Enterprises (SMMEs), black-owned enterprises, and enterprises owned by black women and BGDs in procurement processes.

Figure 37 shows the average ESD performance of reporting entities during three reporting periods.

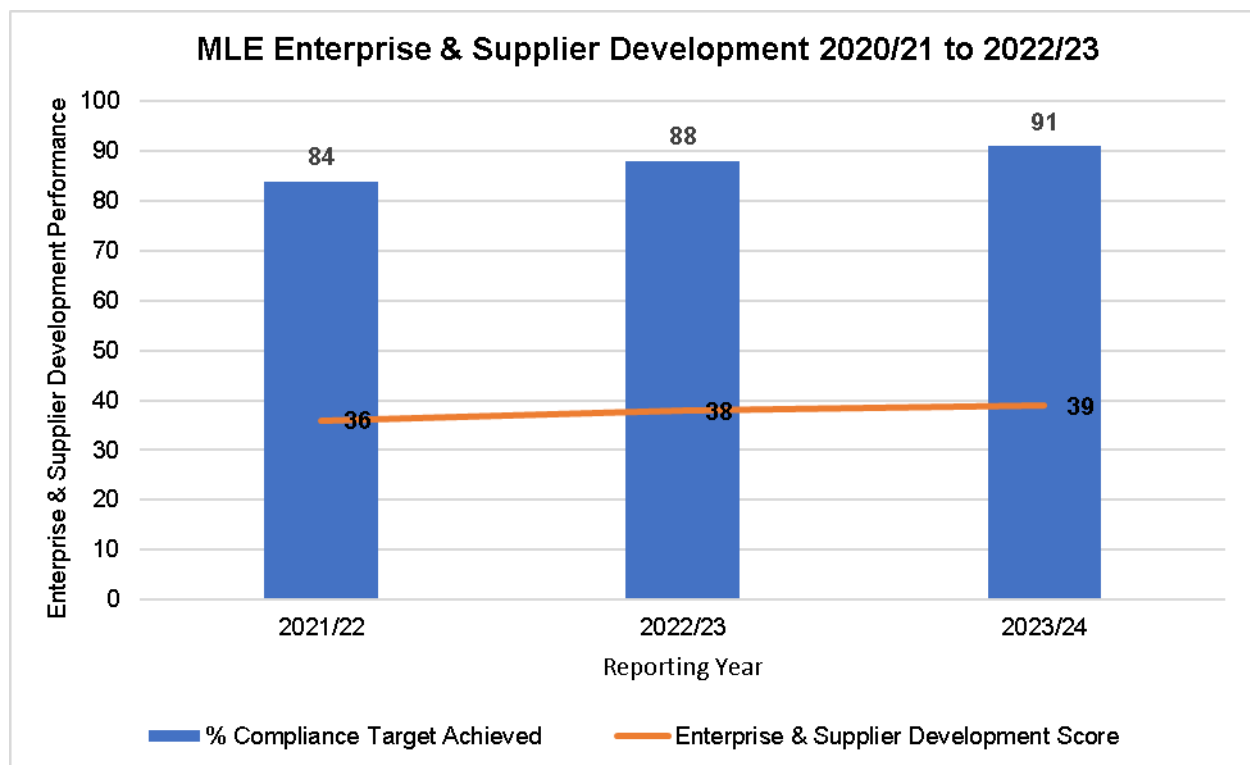


Figure 37: MLE Enterprise & Supplier Development Performance, 2021/22 – 2023/24

The *current* reporting year's performance of 80.3% indicates a modest improvement of 3.6% compared to the previous year's performance of 77.5% as shown in figure 37 above. However, it represents a significant increase of 10% when compared to the 2021/22 performance. Generally, the ESD element remains one of the strong areas for the industry. This success can be attributed to the unique positioning of forestry companies in regions where they often dominate the local economy. Their extensive operations enable them to support and foster the growth of existing, new, and emerging businesses effectively.

Figure 38 shows the average performance of different industry sub-sectors on the ESD spend.

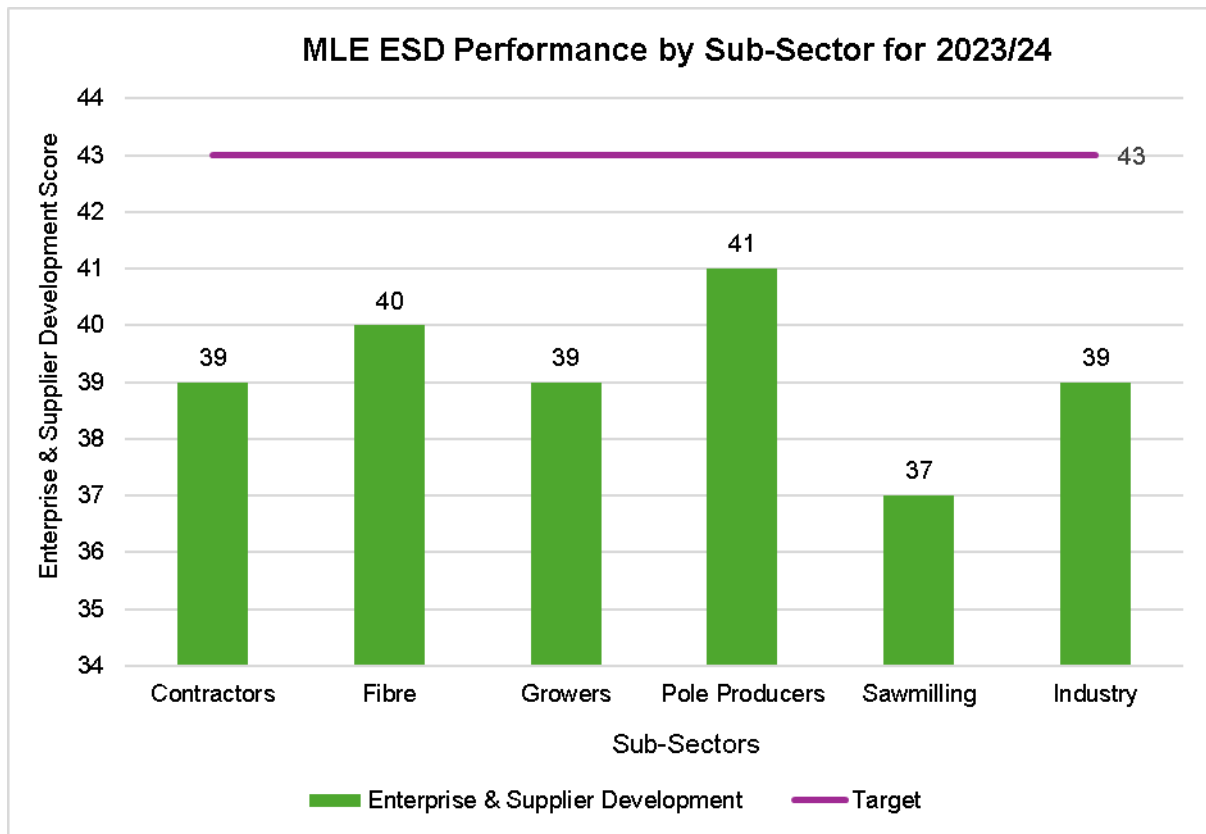


Figure 38: MLE Enterprise and Supplier Development Performance per Sub-sector

As demonstrated in figure 38 above, the Pole Producers and Fibre sub-sectors are the top performers in ESD, achieving 41% and 40%, respectively, setting benchmarks for the industry. Contractors and Growers achieved a competitive stance of 39% with comparable performance levels. The Sawmilling (37%) sub-sector performed modestly below the industry average of 39%. While not drastically underperforming, it lags behind the other sub-sectors, suggesting room for improvement in their ESD efforts. Overall, the industry shows a range of performance levels, with leading sub-sectors and those whose performance needs development.

Preferential procurement is a strategic approach implemented in the procurement processes and supply chain management that aims to promote the participation of historically disadvantaged or preferred groups in economic activities guided by the Amended B-BBEE Act in the ESD scorecard element. Figure 39 below demonstrates the procurement spend from all empowering suppliers.

In-depth Analysis: Procurement Performance from all Empowering Suppliers

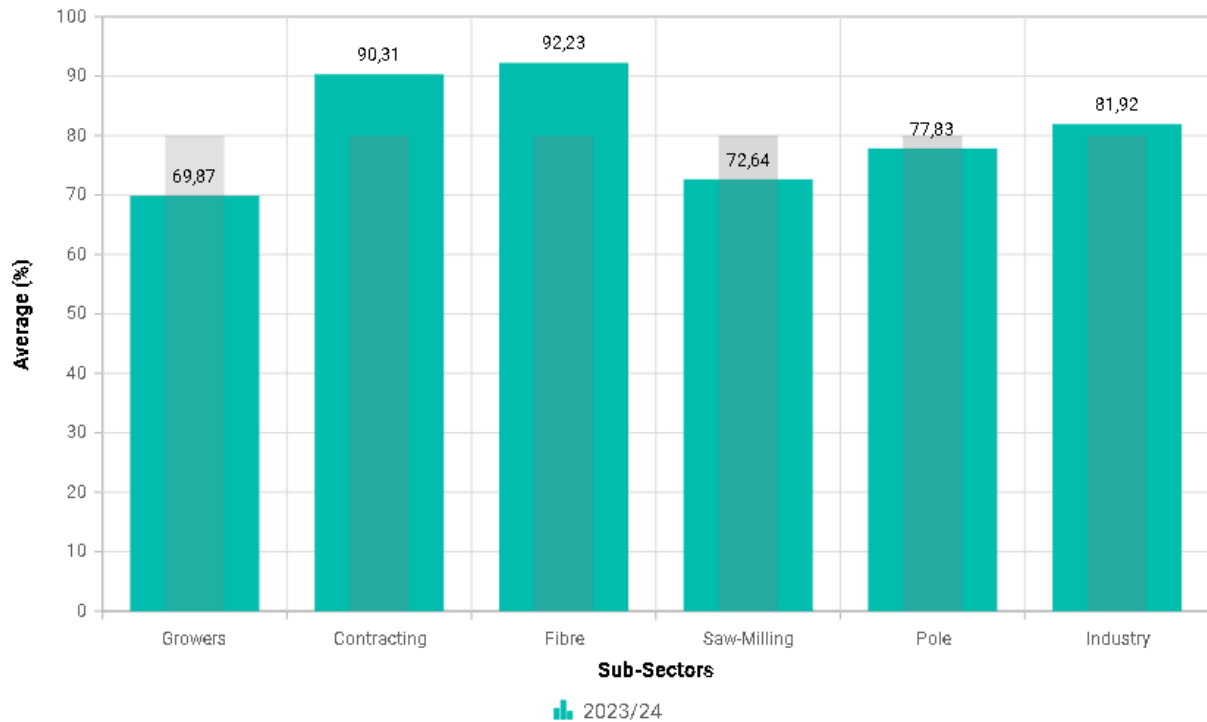


Figure 39: MLE Procurement from all Empowering Suppliers

As depicted in figure 39 above, the Fibre and Contractors sub-sectors excelled by surpassing the target on procurement from all empowering suppliers, demonstrating exceptional performance. However, the remaining sub-sectors, while falling short of the target, still showed commendable performance. This indicates overall progress in efforts toward procurement from empowering suppliers across the forestry industry sub-sectors.

Figure 40 below illustrates the preferential procurement performance amongst various target groups.

In-depth Analysis: B-BBEE Preferential Procurement Performance amongst various Target Groupings

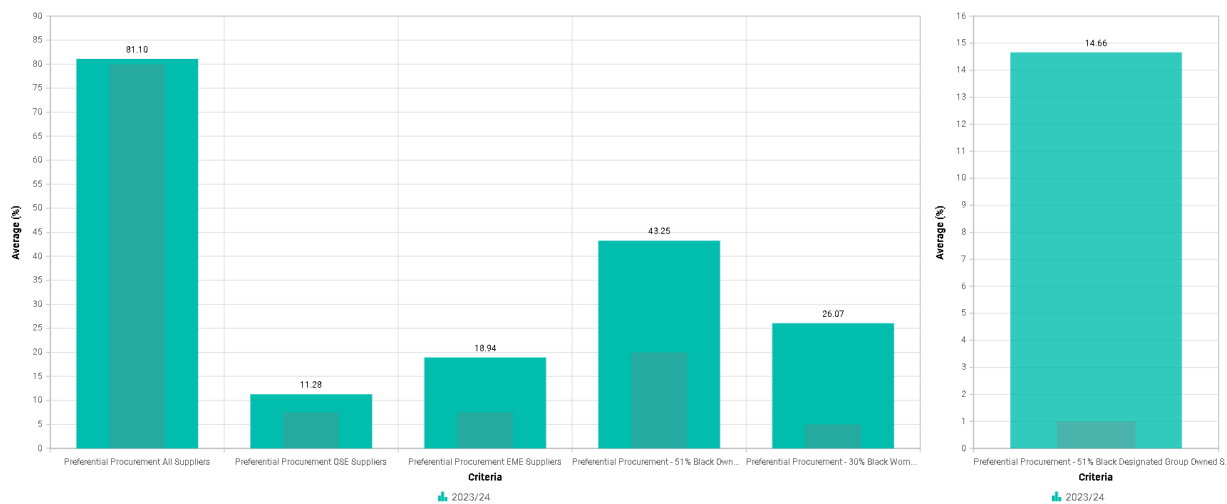


Figure 40: MLE Procurement Performance amongst various Target Groupings

As shown in figure 40 above, the sector has successfully met its targets for preferential procurement across various target groupings. It excelled in procurement from suppliers that at least 51% BO, 30% BWO and 51% BDGs. This suggests that companies' procurement practices are well-aligned with the preferential procurement targets, particularly in supporting businesses owned by black individuals, black women, BDGs, and other observed groupings.

The Amended FSC includes joint scorecard undertakings aimed at improving access to funding and financial services for emerging black entrepreneurs, speeding up the authorization processes for afforestation and paper and Sawmilling facilities, and obtaining water use licenses. Additionally, leveraging state forest assets is also a key undertaking. These measures are designed to hold both government departments and industry accountable for creating an environment conducive to B-BBEE implementation and achieving its objectives.

These undertakings significantly impact the preferential procurement scorecard. Since the targets for these undertakings are currently unmet, the completeness ratio remains at zero percent. As a result, generic entities have the discretion to either apply full or half targets on their procurement spend from QSEs and EMEs indicators until the targets are met. This flexibility allows for adjustments in procurement practices in response to the progress of meeting the charter undertakings.

Figure 41 below depicts MLEs comparative analysis on Procurement Spend on QSEs and EMEs per sub-sector (Half Target)

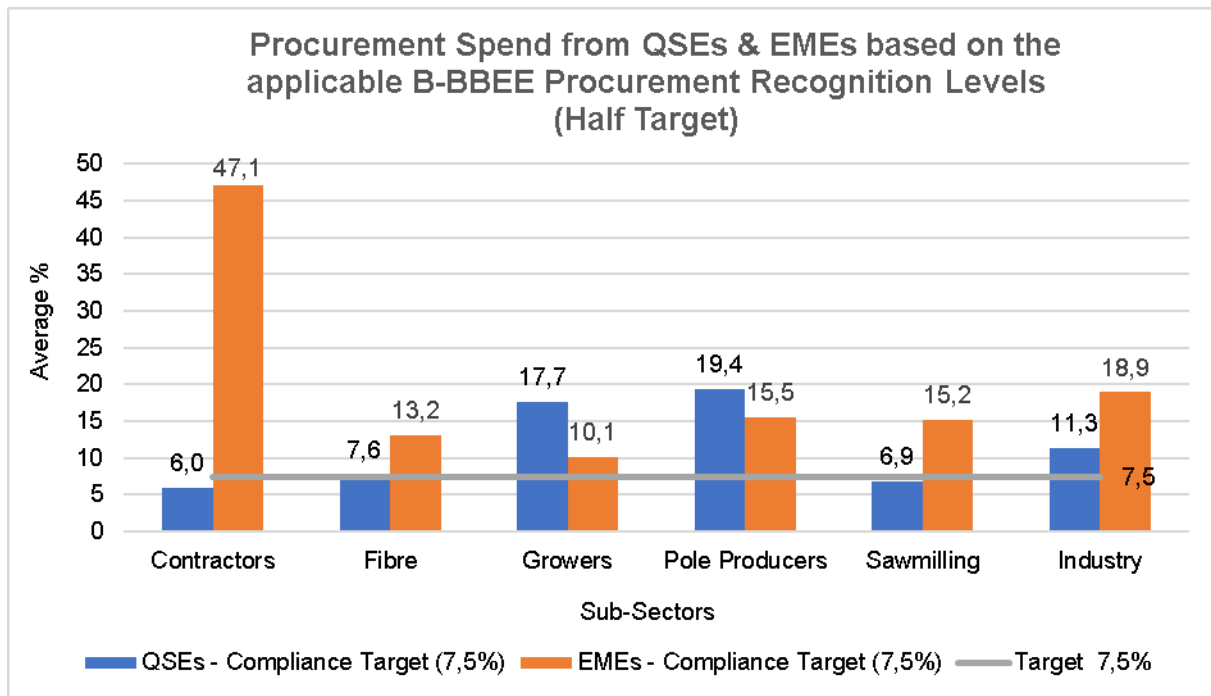


Figure 41: MLE Procurement Spend on QSEs & EMEs per Sub-sector (Half Target)

As shown in figure 41 above, the majority of the sub-sectors have exceeded the procurement targets for QSEs and EMEs. However, the Contractors and Sawmilling sub-sectors performed modestly below the target and the industry average on procurement from EMEs. The trend indicates greater support for EMEs compared to QSEs, which could be attributed to market conditions favoring EMEs or their abundance relative to QSEs in the sector.

In the current reporting period, a significant majority (97%) of the entities (33 out of 34) opted to use half targets rather than full targets. This preference might stem from reasons such as easier achievement or strategic decisions to meet compliance requirements with reduced effort. However, the inclination towards half targets may affect these companies' long-term compliance with Preferential Procurement (PP), especially when charter undertakings are met. This trend would necessitate significant adjustments from these companies to ensure sustained compliance.

Figure 42 below illustrates the MLE comparative analysis on the procurement spend from 51% BO Suppliers per sub-sector (Half Target).

Procurement Spend from at least 51% BO Suppliers based on the applicable B-BBEE Procurement Recognition Levels

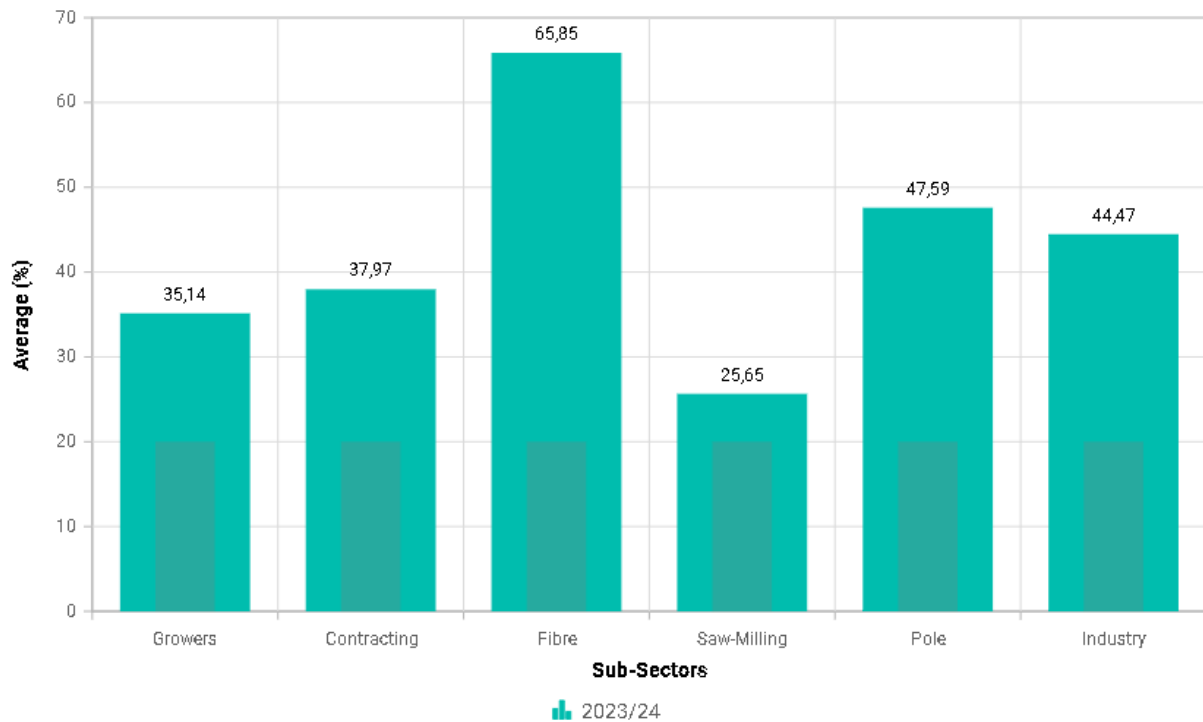


Figure 42: MLE Procurement Spend from at least 51% BO Suppliers based on the applicable B-BBEE Procurement Recognition Levels

As revealed in figure 42 above, the trend in the performance of procurement spend from at least 51% black-owned suppliers shows that all sub-sectors are performing substantially well, consistently attaining above the target. Among these, the Fibre sub-sector marks the highest performer, followed by Pole Producers. Both Growers and Contracting sub-sectors achieved within the same range, while Sawmilling is the lowest performer in this context. This positive trend highlights the industry's overall commitment to supporting at least 51% black-owned suppliers, with some varied efforts in performance across different sub-sectors.

Figure 43 below demonstrates MLE analysis on the procurement spend from 30% BWO Suppliers per sub-sector (Half Target)

Procurement Spend from 30% BWO Suppliers based on the applicable B-BBEE Procurement Recognition Levels

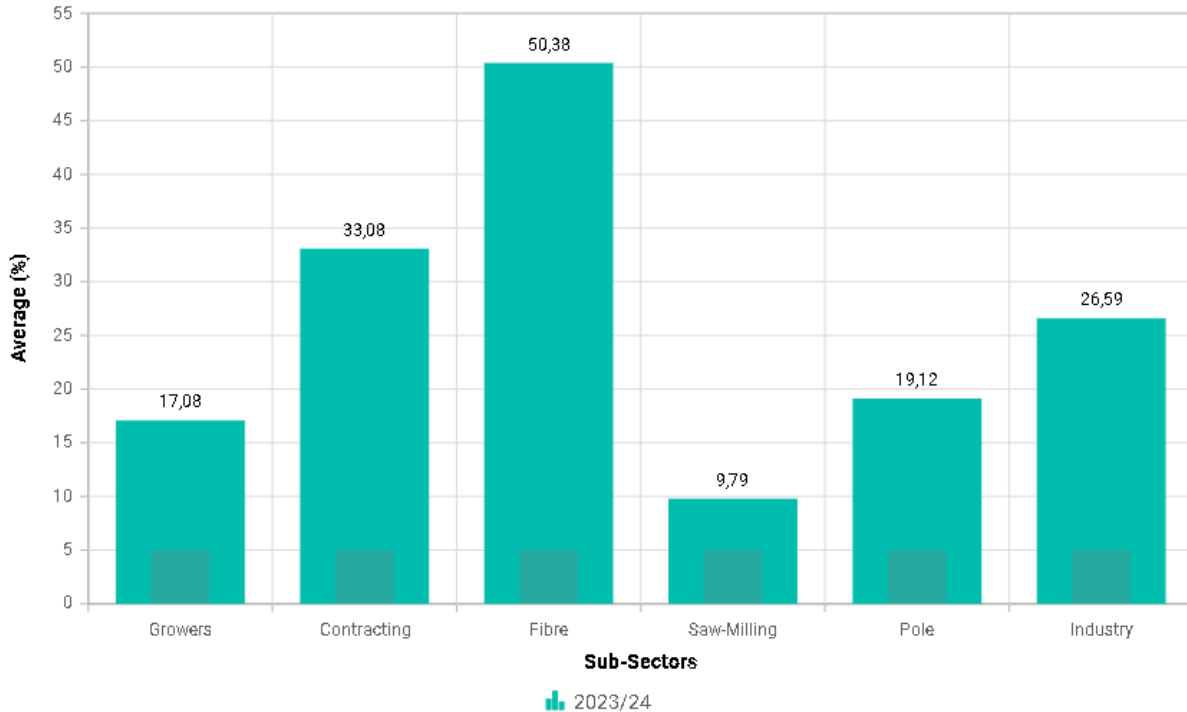


Figure 43: MLE Procurement Spend from 30% BWO Suppliers based on the applicable B-BBEE Procurement Recognition Levels

As demonstrated in figure 43 above, the Fibre sub-sector marks the highest performance in exceeding the target, followed by Contractors. Pole Producers and Growers performed within the same range, while Sawmilling marks the lowest-performing sub-sector. Despite the variation, all sub-sectors performed above the target, indicating the industry’s strong efforts in supporting at least 30% black women-owned businesses in the sector.

Figure 44 below depicts MLE comparative analysis on the procurement spend from 51% BO and 51% BDGs per sub-sector (Half Target)

Procurement Spend from Suppliers that are at least 51% BO and 51% owned by BDGs

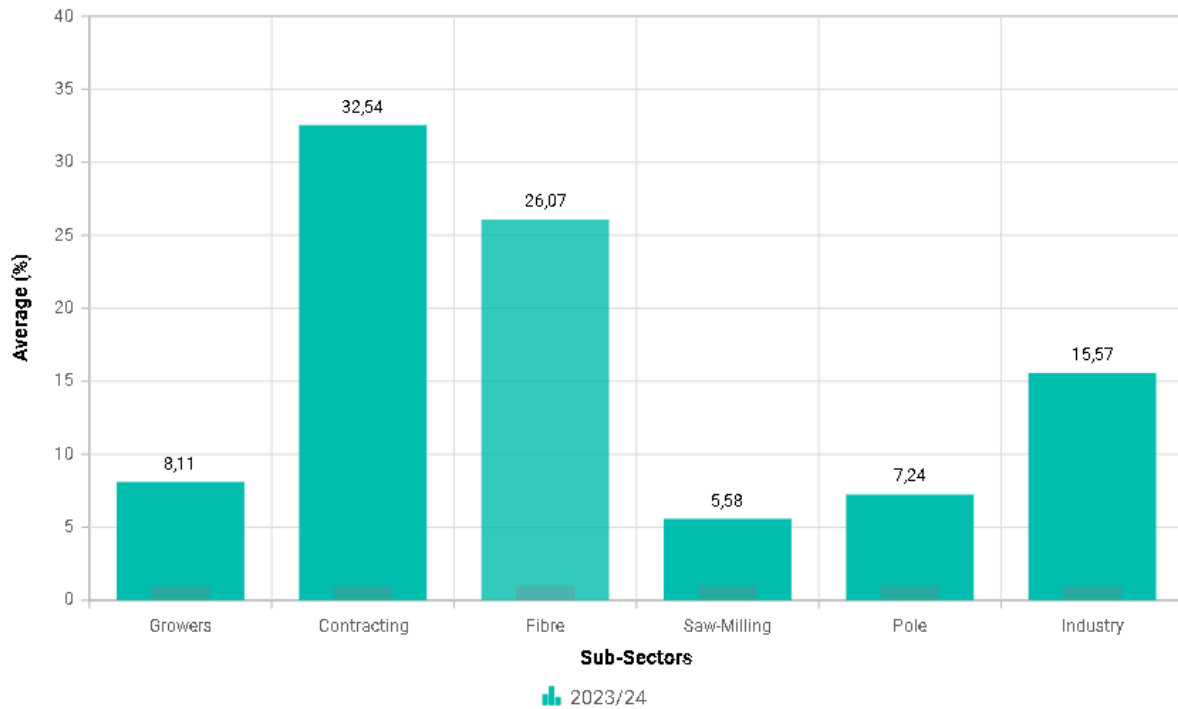


Figure 44: MLE Procurement Spend from Suppliers that are at least 51% BO and 51% owned by BDGs

As indicated in figure 44 above, the contractor sub-sector ranked highest in supporting suppliers (at least 51% black-owned and 51% owned BDGs), followed by the Fibre. Growers, Pole Producers, and Sawmilling performed within the same range but below the industry’s average. However, all sub-sectors exceeded the target. This accomplishment reflects a strong commitment to inclusive procurement strategies across the industry. Moreover, the overall performance on the PP scorecard sets a strong precedent for continued and improved efforts in the future.

In addition, in the current reporting period, only 3% (one entity out of 34) used the full targets on the PP scorecard, despite having the discretion to use half targets. Consequently, the comparative analysis was ignored due to the insufficient number of entities preferring full targets. The overall performance of the measured entity is commendable, though improvement is recommended in procurement from QSEs and suppliers that are at least 51% black-owned and 51% owned by BDGs.

Continuous assessment on full targets is recommended, as this prepares the entities for the time when the joint scorecard undertakings will be met and the completeness ratio would be 0%, at which point measurement on full targets would be required. This proactive approach ensures that entities are well-prepared for future compliance requirements and can maintain strong performance metrics.

Supplier Development (SD) refers strategic approach where measured entities improve the capacity and capabilities of their suppliers for mutual benefit. This involves activities such as training, process improvement, capacity building, and performance monitoring. The Amended FSC requires generic entities to spend at least 2% of their NPAT on qualifying SD contributions. Figure 45 below depicts MLE comparative analysis on Supplier Development contributions per sub-sector

Annual Value of all Qualifying SD Contributions made by the Measured Entity as a % of the Target

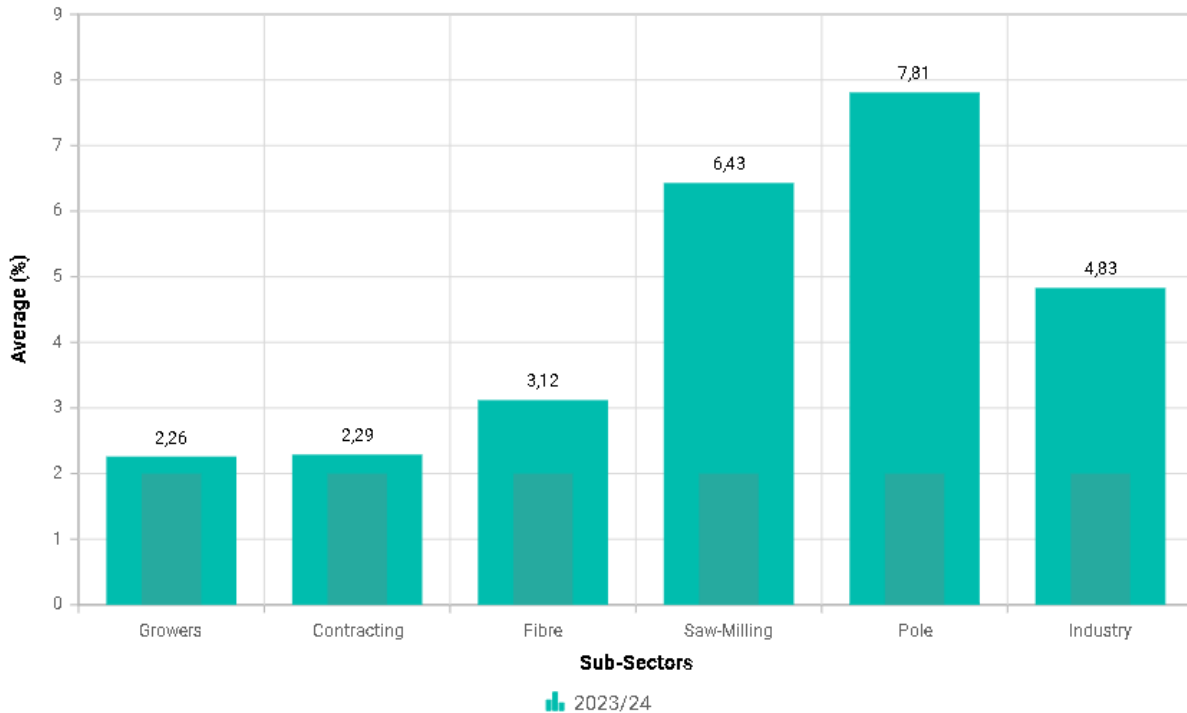


Figure 45: MLE Annual Value of all Qualifying SD Contributions made by the Measured Entity as a % of the Target

As shown in figure 45 above, all sub-sectors surpassed the target, with Pole Producers and Sawmilling leading significantly. Pole Producers achieved an average performance of 7.8%, while Sawmilling reached 6.4%. The remaining sub-sectors also exceeded their targets, although their performance was more modest and fell below the industry average. Overall, this

performance indicates a positive outlook for the industry's contribution to improving the capacity and capabilities of black suppliers and also enhancing their participation in the sector.

Enterprise Development (ED) refers to initiatives aimed at supporting and developing new and emerging black-owned enterprises. The Amended FSC obligates the generic entities to spend at least 1% of their NPAT on qualifying ED contributions. The SD spend by MLEs across the sub-sectors is displayed in figure 46 below.

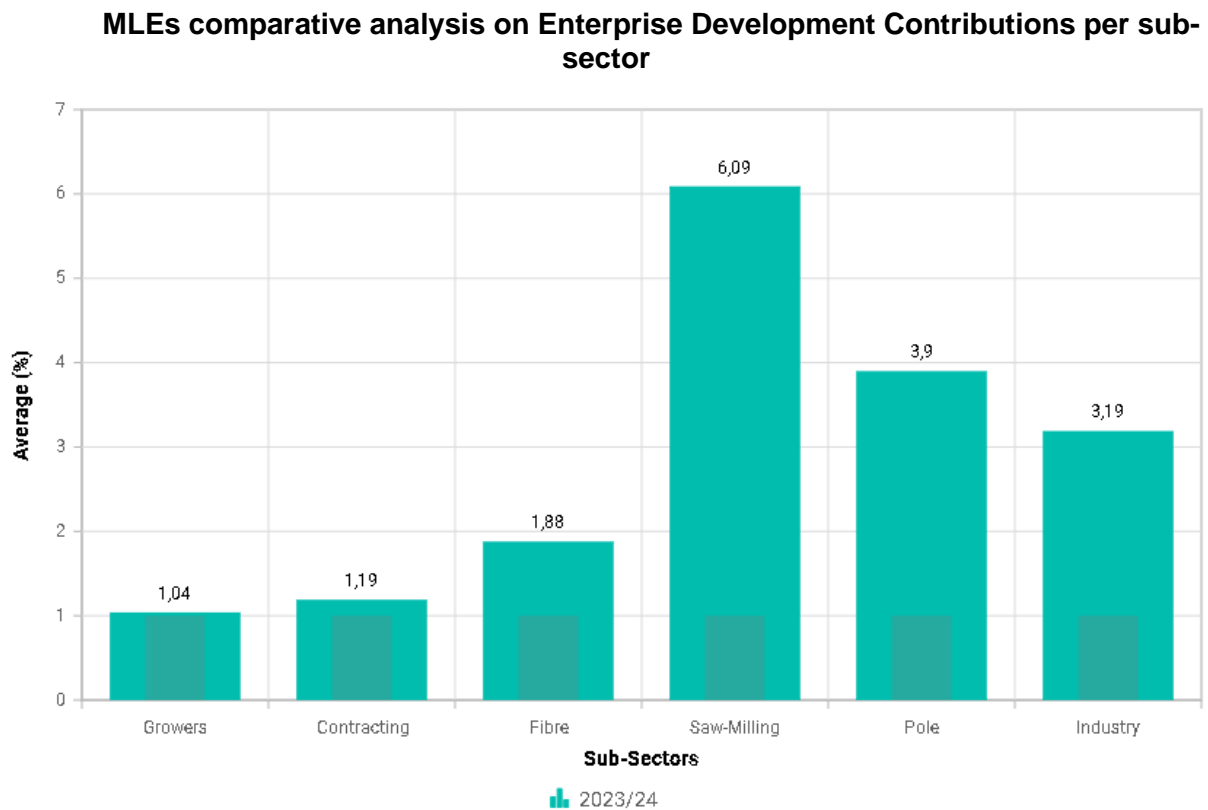


Figure 46: MLE Annual Value of all Qualifying ED Contributions made by the Measured Entity as a % of the Target

The analysis from figure 46 above reveals a consistent trend across all sub-sectors, with each surpassing the targets. Notably, Sawmilling and Pole Producers stand out with significant achievements, achieving 6.1% and 3.9%, respectively. While the remaining sub-sectors also exceeded the target, their performance was less pronounced and fell below the industry average. This overall industry performance reflects robust engagement and the evident collective efforts of all sub-sectors aimed at increasing diversity and integrating new black participants into the sector's market.

The Amended FSC obligates the measured entities operating as Growers and Sawmilling sub-sectors 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 figure 47 below.

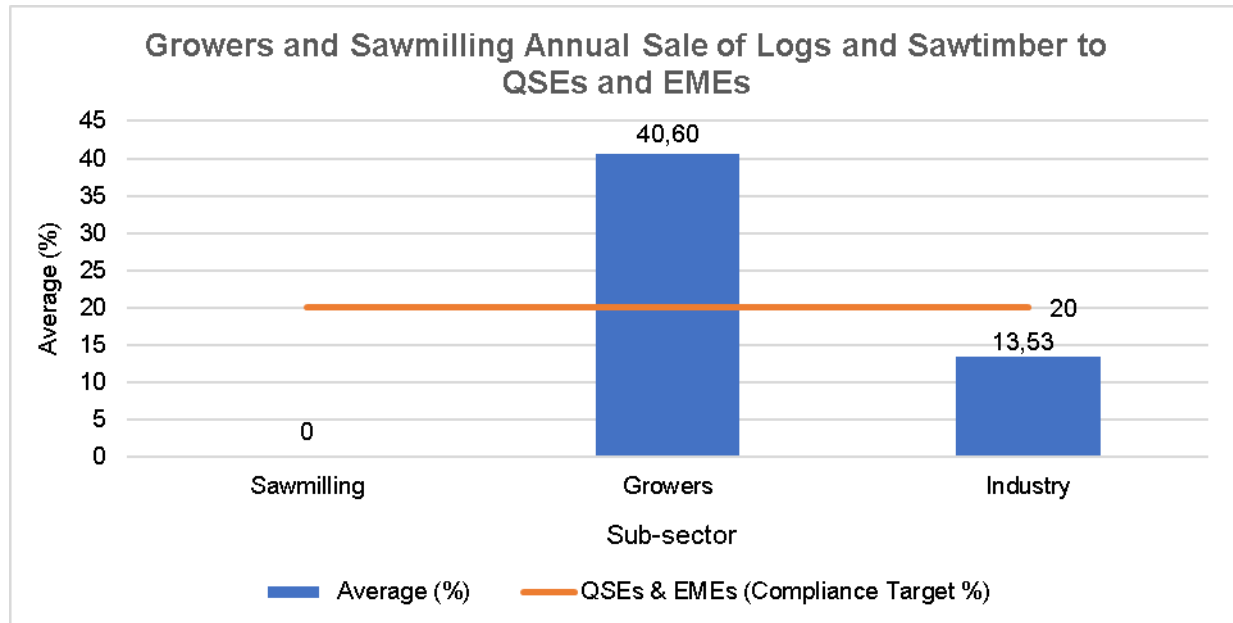


Figure 47: MLE Growers & Sawmilling Sales of Logs & Sawtimber to QSEs & EMEs

Based on the performance illustrated in Figure 47 above, the Growers sub-sector performed commendably well and has surpassed the target. This performance demonstrates significant efforts to support SMMEs through the sales of logs and sawtimber, ensuring their growth and development within the sector. Although the sub-sector's overall performance was good, some entities did not make any efforts to achieve the target, while some significantly exceeded the target. Generally, some Growers did not struggle to meet the target, which necessitates further investigation to understand the underlying issues faced by the entities that are struggling.

In contrast, the Sawmilling sub-sector performed substantially lower, achieving only 0% of the target and significantly lagging behind industry and counterparts averages. This performance highlights a notable lack of progress in meeting the criterion, suggesting either insufficient efforts or significant challenges that need to be addressed, as was also observed in the previous reports. Understanding the underlying reasons for this poor performance is crucial for identifying potential areas of improvement and developing strategies to enhance support for this sub-sector.

Based on interactions with certain sawmillers, the following reasons were cited:

- Lack of access to EMEs and QSEs: Sawmillers struggle to find EMEs and QSEs to whom they can sell logs and sawtimber.
- Operational limitations: Some entities operate solely as sawmillers and do not engage in growing activities. This makes it difficult for them to meet the criterion as they rely on growers for the supply of timber resources. They can only sell the surplus of their demand, and it becomes uneconomical if they need to buy and sell timber to QSEs, EMEs, and 51% BO or 30% BWO.

In addition to the aforementioned requirement, they are required to sell logs and sawtimber to 51% BO or 30% BWO entities, irrespective of their B-BBEE levels achieved. Figure 48 below establishes the sale of logs and sawtimber to 51% BO or 30% BWO.

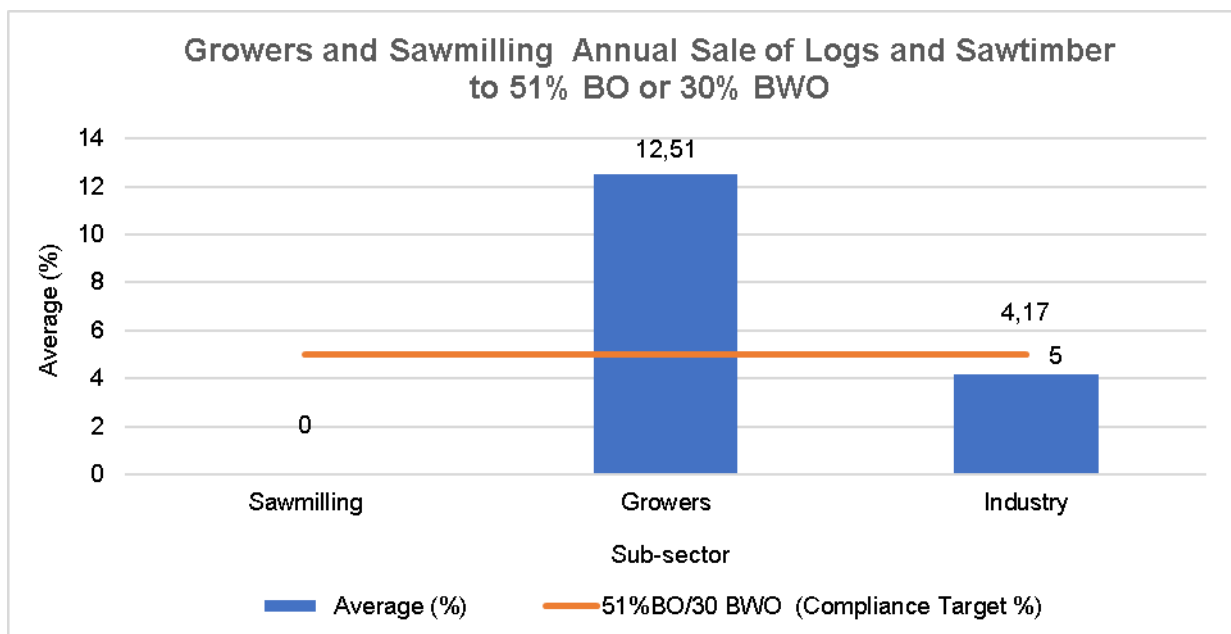


Figure 48: MLE Growers & Sawmilling Sales of Logs & Sawtimber to 51% BO or 30% BWO

As displayed in figure 48 above, a similar trend is observed in figure 47, where the Growers sub-sector exceeds the target and performs substantially better than the Sawmilling sub-sector, which achieved 0% towards the target. This good performance by the Growers' sub-sector reflects a concerted effort to enhance participation and support for black-owned businesses within the forestry sector. Conversely, the poor performance of the Sawmilling sub-sector, along with some underperforming entities within the Growers' sub-sector, suggests the need for targeted intervention to understand and address the structural challenges preventing them from meeting this criterion.

6.5 Socio-Economic Development In-Depth Analysis

Socio-Economic Development (SED) is defined in the Amended FSC as monetary or non-monetary contributions implemented for communities, natural persons, or groups of natural persons, where at least 75% of the beneficiaries are black people. The Amended FSC aims to promote socio-economic development within communities, particularly focusing on benefiting black individuals. This requires measured entities to spend a minimum of 1% of their NPAT towards development contributions for B-BBEE beneficiaries seeking to ensure sustainable economic benefits for these communities. Given that forestry often operates in rural areas with limited economic opportunities, it can serve as a strategic avenue for meeting these requirements while also advancing rural development objectives. Additionally, its strategic position also makes it and its value chain one of the primary economic drivers, if not the sole one, in provinces where it predominantly occurs. In addition to the 1% NPAT, the Amended FSC offers an incentive of three bonus points for measured entities that achieve over and above the minimum required.

The comparative performance of MLEs on the Socio-Economic Development over a three-year reporting period is displayed in figure 49 below.

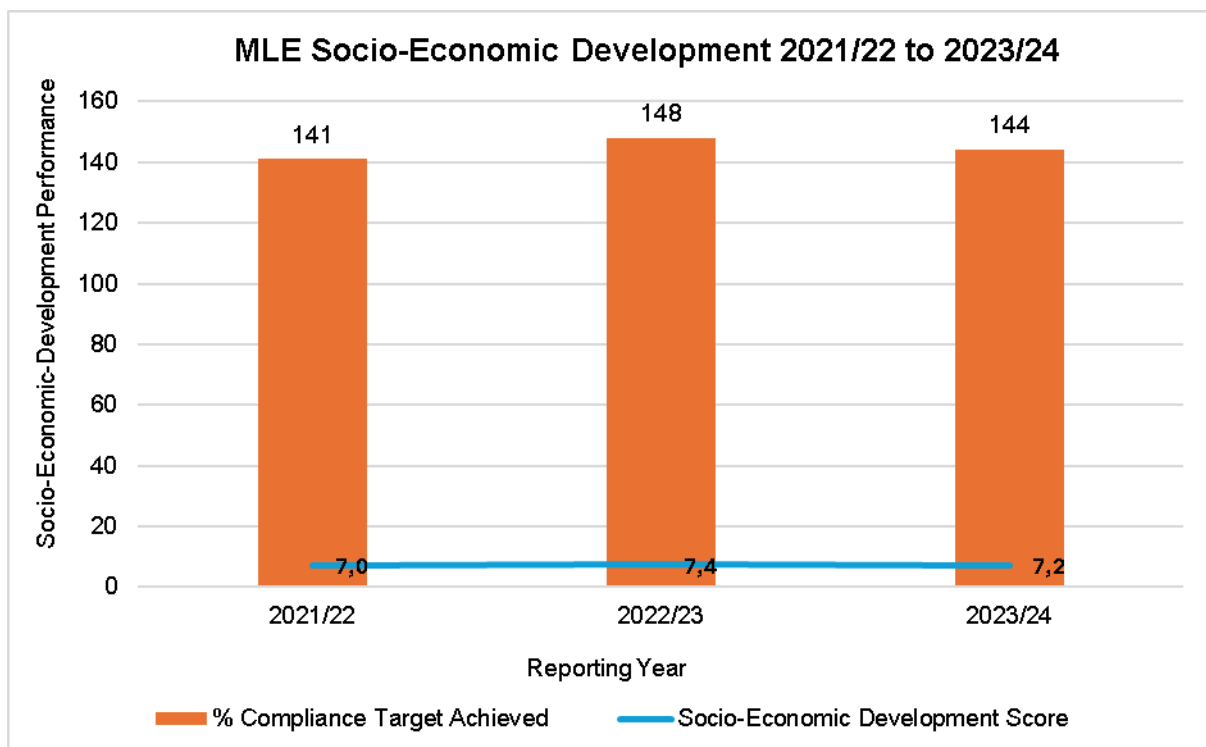


Figure 49: MLE Socio-Economic Development Performance, 2021/22 – 2023/24

MLEs continue to excel in this element, achieving an average of 144% this year compared to 148% in 2022/23 and 141% in 2021/22, including bonus points as shown in figure 49 above. The slight decline of 2.7% between the 2022/23 and 2023/24 reporting years is mainly due to reduced SED contributions from certain entities. The 2.13% increase between the 2021/22 and 2023/24 reporting years resulted from MLEs being highly engaged in SED activities and the improved number of reporting entities. MLEs have demonstrated commendable performance in SED initiatives over the past three years. The slight year-on-year variations do not overshadow the overall trend of improvement and strong commitment. This trend is a positive indicator of the MLEs' dedication to fostering socio-economic growth and supporting communities dependent on forestry for their livelihoods.

Figure 50 below compares the six industry sub-sectors' performance on the SED initiatives

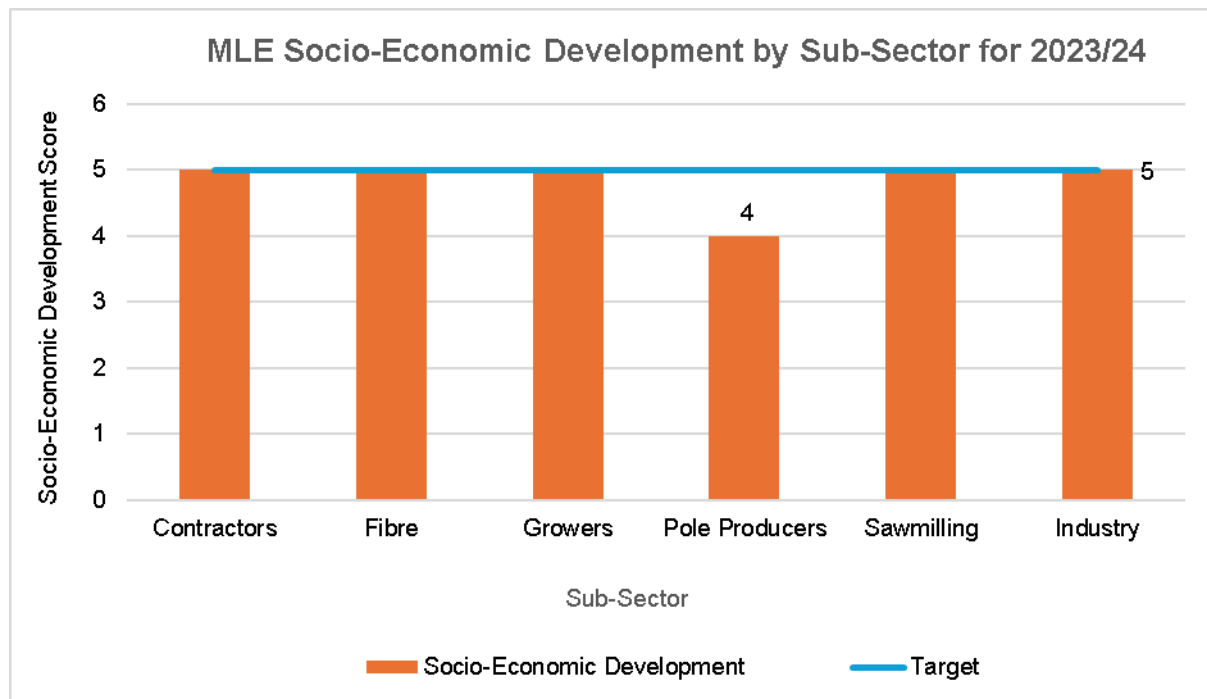


Figure 50: MLE Socio-Economic Development Performance per Sub-sector

The four sub-sectors; Contractors, Fibre, Growers, and Sawmilling successfully achieved their targets, as depicted in figure 50 above. Pole Producers, although performing slightly below the industry average, still marked a commendable performance with attainment of approximately 80% toward the target. This consistent performance highlights the sustained excellence of MLEs in the SED element.

MLEs must spend at least 1% of their NPAT on SED initiatives Figure 51 below shows how reporting entities fare in terms of SED expenditure.

In-depth Analysis: Annual Value of all Qualifying Socio-Economic Development Contributions

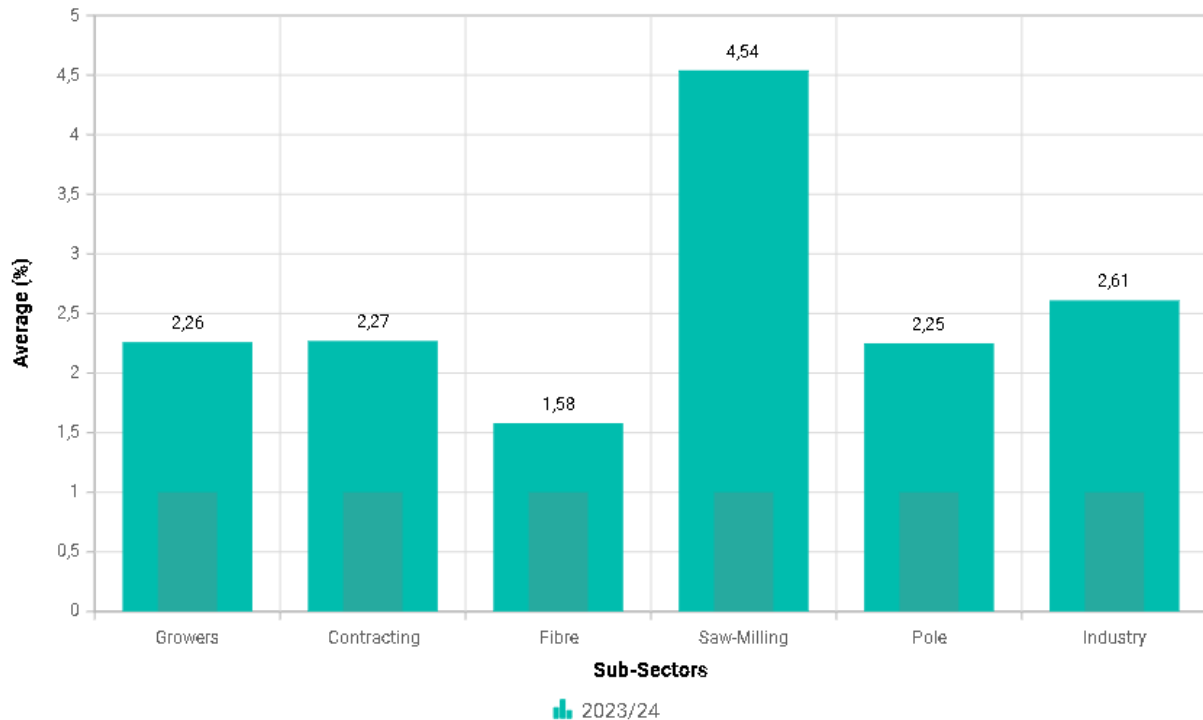


Figure 51: MLE Analysis: Socio-Economic Development Contributions as a % of NPAT

As shown in figure 51 above, the Sawmilling sub-sector marks the highest with an average performance of 4.5% on the SED initiative, followed by Growers, Contractors, and Pole Producers coming as rivals with an average performance of 2.3%. Meanwhile, the Fibre sub-sector, with an average performance of 1.6%, lags behind the industry’s overall average of 2.6%. The data suggests a disparity in performance across different sub-sectors, with significant room for improvement, particularly in the Fibre sub-sector.

7. JSE LISTED COMPANIES ANALYSIS COMPARISON AND BENCHMARKING TO B-BBEE COMMISSION REPORT

All Johannesburg Stock Exchange (JSE) listed companies and State-Owned Entities (SOEs) and compelled to report to the B-BBEE Commission in compliance with Section 13G (2) of the Amended B-BBEE Act. The B-BBEE Act also compels such entities to submit their compliance reports within 30 days of the approval of their audited financial statements or within 90 days after the end of the financial year. These reporting obligations to the B-BBEE Commission do

not absolve the requirement for these entities to also report to the FSCC. Compliance with both sets of reporting requirements is necessary for JSE-listed entities operating within the forest sector. Figure 52 below displays the scorecard performance of the four forestry JSE-listed companies which are represented by numbers, “1 to 4”.

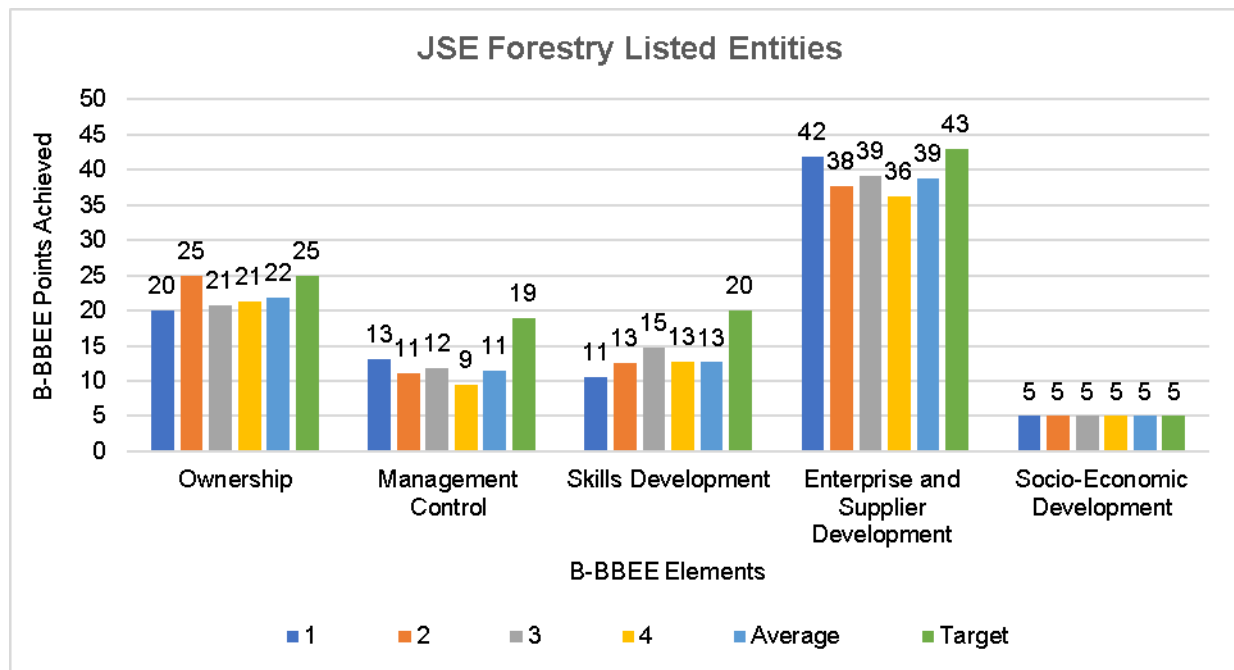


Figure 52: Forestry JSE Listed entities for 2023/24 reporting period

As portrayed in figure 52 above, all four forestry JSE-listed companies have shown encouraging performance across the five scorecard elements, with each achieving a level 1 B-BBEE rating. There was an increase in the average scores across all four companies in four out of the five scorecard elements. Only one MLE achieved the target in the Ownership element, suggesting challenges in meeting ownership targets. All four companies achieved the target in the SED element, indicating effective contributions to socio-economic development. None of the MLEs attained the target in these elements, highlighting areas for improvement in SD, ESD, and MC.

In the SD and MC elements, where challenges in meeting targets are evident, only one MLE excelled in SD, surpassing both industry and rivals. Another MLE achieved parity with the industry but surpassed the other two rivals. The remaining two MLEs performed below industry standards in SD. In MC, all MLEs achieved scores within a similar range, albeit lower than the industry average, indicating an improvement in performance across this element. Overall, the forestry JSE-listed companies have demonstrated commendable performance and are recognized as reliable and among the best-performing entities in their sector.

8. SOUTH AFRICAN FORESTRY COMPANY SOC LIMITED (SAFCOL)

The South African Forestry Company SOC Limited (SAFCOL) is a state-owned enterprise under the Department of Public Enterprises (DPE), established in 1992 under the Management of State Forests Act, No. 128 of 1992 (MSFA). SAFCOL has a dual mandate of commercial viability and socio-economic development including operating commercial forestry businesses and delivering effective returns to its shareholders while contributing to economic development, particularly in rural areas.

SAFCOL operates across various regions in South Africa, including Mpumalanga, KwaZulu-Natal, and Limpopo, managing over 1.2 million hectares of state-owned land. Its main business activities encompass the production of sawtimber, pulpwood, and wood chips, along with the management of wildlife and biodiversity conservation in state-owned forests. SAFCOL is recognized as the largest producer and supplier of saw logs in South Africa, with more than a hundred entities relying solely on SAFCOL for timber resources.

In terms of the B-BBEE Act as Amended, SAFCOL is required to report to FSCC and the B-BBEE Commission. It is evaluated using Statement 004, which is a specialized scorecard for state-owned entities. This scorecard exempts SAFCOL from being assessed on the Ownership element. Figure 53 below demonstrates SAFCOL's performance over the last three-year reporting period, highlighting its adherence to the B-BBEE requirements and its progress in various elements of the scorecard.

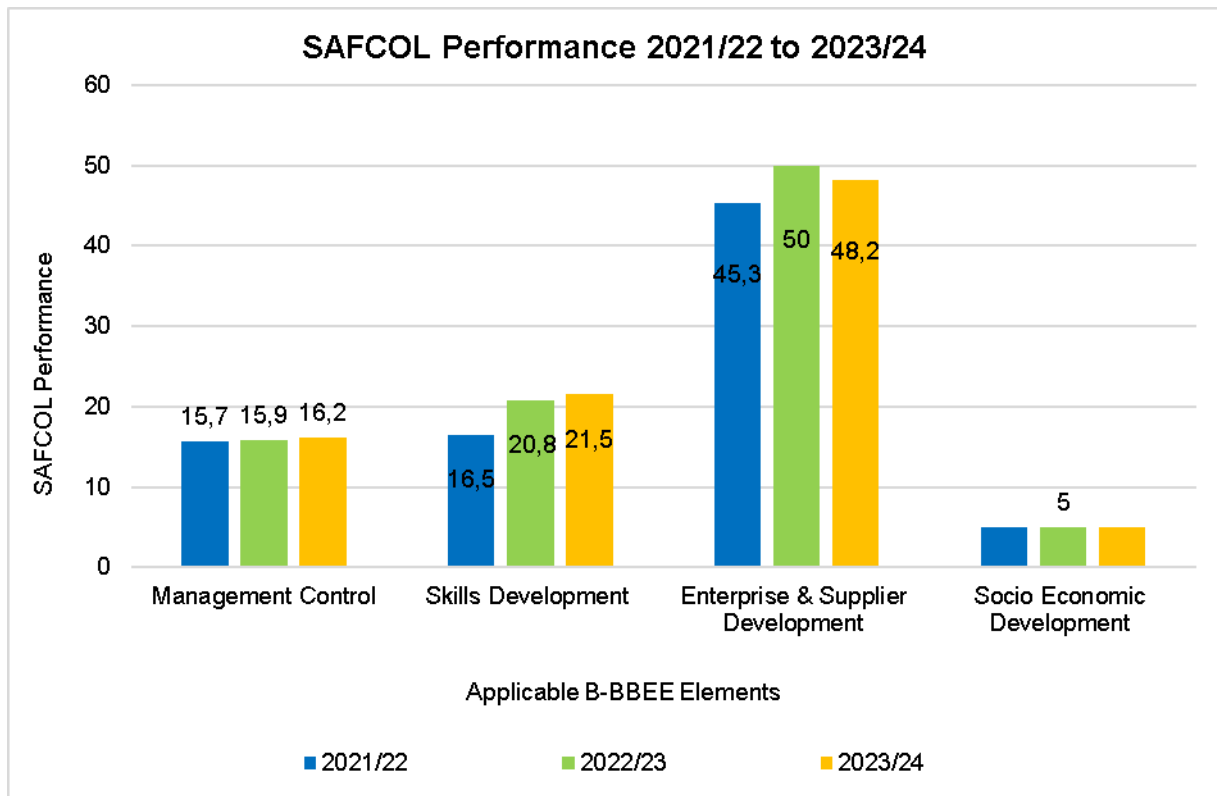


Figure 53: SAFCOL's 3-year performance

Figure 53 above compares SAFCOL's performance between the 2021/22 to 2023/24 reporting periods. SAFCOL achieved exceptional scores in all four elements, with improvements recorded in the Management Control and Skills Development elements when compared to the previous years. Encouragingly, a good score was achieved on senior management indicators, in particular on black women, and optimistically, this would translate to future promotions in the executive management portfolio. However, SAFCOL continues to be compromised by the low representation of black women on the board and in other executive positions.

SAFCOL's improved score on the Skills Development element is justified by the good scores achieved in all four indicators. This confirms SAFCOL's firm approach to skills development and learning initiatives such as bursaries, learnerships, apprenticeships, mentorships, and other short-term skills programs intended for their workforce and neighboring communities. As observed in the previous reporting years, SAFCOL could not create employment for its unemployed learners, though it was very instrumental in the Forest21 student challenge hosted in Mpumalanga in February 2024, intended to explore entrepreneurship opportunities.

SAFCOL's transformation plans have placed much emphasis on the creation of more black-owned entities and suppliers. As a sequel, the encouraging score achieved on the Enterprise and Supplier Development element is therefore a justification for the firm approach to rural

economic and enterprise development initiatives. SAFCOL's operations are strategically located in rural areas where economic and transformative opportunities are rare. SAFCOL maintained its incomparable performance on the SED element, as justified by the spending exceeding the allocated 1% on the net profit after tax (NPAT).

SAFCOL maintained an encouraging level 2 B-BBEE rating, confirming its stable strategic priorities for transformation and B-BBEE. The continuous low scores achieved on some of the indicators for women, in particular on the board and in executive positions, require more concerted efforts, which may be viewed as SAFCOL's failure to act and improve on these indicators. In conclusion, SAFCOL's exceptional performance not only proves their effective' transformative strategies towards achieving meaningful B-BBEE implementation but also validates the need to accredit SAFCOL as a B-BBEE Facilitator.

9. QUALIFYING SMALL ENTERPRISES (QSES) ANALYSIS

Qualifying Small Enterprises (QSEs) are entities with yearly revenues ranging from R10 million to R50 million. QSEs can be classified as either enhanced or unenhanced based on their black ownership profile. Enhanced QSEs are those whose majority ownership is held by black people, 51% to 100% black-owned, while the unenhanced QSEs are the inverse of the enhanced QSEs. The entity's B-BBEE implementation and reporting approach is determined by its ownership profile. Unenhanced QSEs, similarly to Generic Entities, are validated on the implementation of all five scorecard B-BBEE elements annually by the verification agencies. Their evaluation is based on the QSEs' specialized scorecard under the statement FSC600, which is a compressed version of the generic entities' scorecard. Enhanced QSEs can either assume an automatic level 1 if they are 100% black-owned or a level 2 B-BEE recognition if at least 51% black-owned, exempting them from a verification process. They are therefore required to supply the B-BBEE affidavit or CIPC certificate confirming their B-BBEE credentials, such as total yearly earnings and black ownership profile.

All entities are still enjoying the automatic recognition of empowering supplier status owing to the indefinite suspension of the criteria by the dtic. This applies to all valid BEE verification certificates for Unenhanced QSEs and Generic Enterprises, EMEs and Enhanced QSEs sworn affidavits and the CIPC certificates issued on or after the 1st of May 2016. When entities comply with South African legislation and regulatory obligations such as the Skills Development Act, Skills Development Levies, Employment Equity, and Income Tax Act, they are termed empowering suppliers. While this announcement provided a sigh of relief to

entities that had been struggling to meet the requirements for empowering suppliers as defined in Section 3.2 of the Amended B-BBEE Act, entities should start making the necessary changes to ensure that they retain empowering supplier status once this period of leeway comes to an end.

Currently, Unenhanced QSEs and Generic Enterprises have the prerogative to choose the preferred method of measuring the ownership rights in the entity. However, once the proposed revisions to the Amended FSC have been gazetted, black ownership will be recognized under the FTP rather than the MFTP. This provides actual acknowledgment of black ownership in terms of shares in any ownership transactions. Unenhanced QSEs are encouraged to apply the FTP in preparation of the adjustments which will do away with the flexibility in the measurement of ownership rights. Figure 54 below shows the QSEs' submissions over three years.

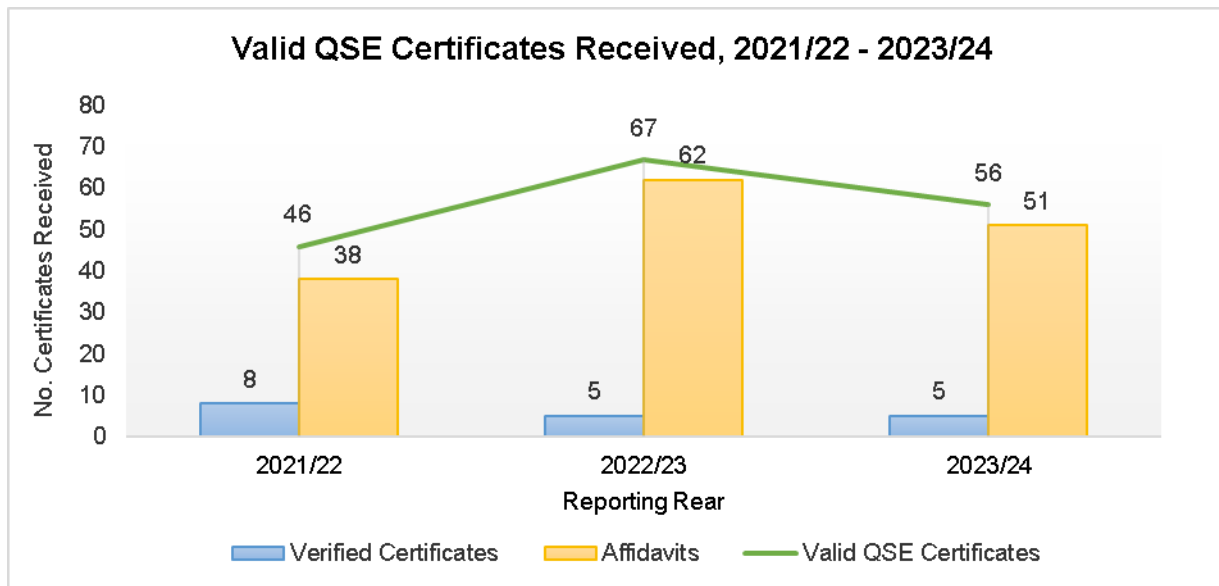


Figure 54: Valid QSE Certificate Submissions, 2021/22 – 2023/24

Figure 54 above demonstrates that QSE submissions declined to 56 in the current reporting year, marking a 16.4% decline from 2022/23. The decrease is primarily due to non-reporting and non-compliance by QSEs, notably from the Unenhanced QSEs, as revealed in the three-year comparison. Submission by affidavits, outnumbers certificate submissions, as there are more Enhanced QSEs than Unenhanced QSEs. This trend, suggests that inconsistent reporting remains prevalent, requiring policy framework changes to incorporate punitive measures for inconsistent reporting and non-compliance. This also supports the suggestion in the proposed amendments to the Amended FSC intended to enforce a legal obligation on medium and large entities to report for their suppliers on B-BBEE. Additionally, the sector forum proposed to the SANAS to request SANAS accredited VPs to submit the B-BBEE

credentials for companies they have verified to the relevant economic sector councils in an attempt to address inconsistent reporting. However, the Protection of Personal Information Act is generally cited as a limitation to this option.

Figure 55 shows the distribution level attained by QSEs using valid certificates and affidavits received.

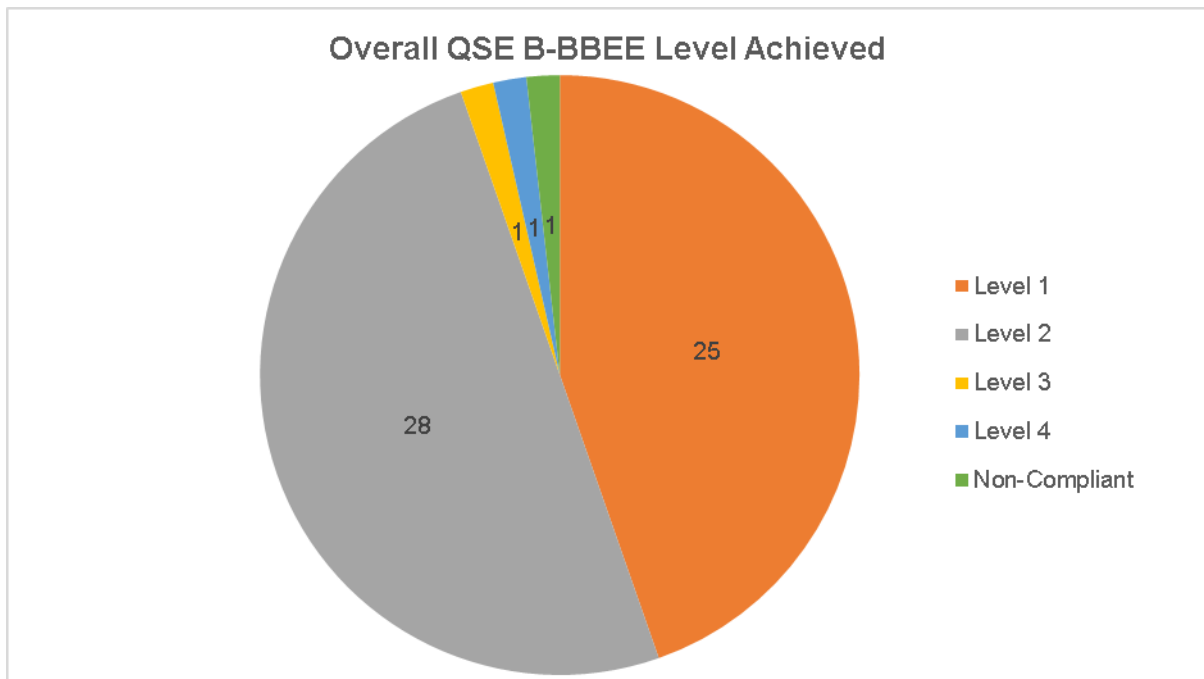


Figure 55: QSE B-BBEE Level Achieved

The analysis of the QSE submissions reveals significant insights into the B-BBEE compliance levels of the reported entities as shown in figure 55 above. Out of a total of 56 QSE submissions, 25 (45%) achieved a B-BBEE recognition of level 1, and 28 (50%) achieved level 2, with the remaining 3 (5%) entities achieving levels 3, 4, and non-compliant status. A notable 99% of these QSEs achieved level 1 and 2 B-BBEE status through the enhancement principle, which applies exclusively to majority black-owned entities (Enhanced QSEs). This indicates that the enhancement principle is a significant facilitator for achieving higher B-BBEE levels. In contrast, only 1% of Unenhanced QSEs have undergone a verification process to substantiate their B-BBEE status. This data highlights several critical challenges faced by Unenhanced QSEs including;

- Non-Reporting: Many Unenhanced QSEs do not report their B-BBEE status, leading to a lack of data and transparency, and compromising the reliability and trustworthiness of the status report.

- Poor Performance: Unenhanced QSEs generally perform poorly in meeting the requirements for higher B-BBEE levels.
- Non-Compliance: There is a significant struggle with compliance among these enterprises.

The fact that some companies submitted a Non-Compliant status is particularly noteworthy. This is often avoided due to the misconception of potential negative implications for business opportunities and partnerships and is deemed embarrassing. Therefore, the submission of a Non-Compliant status often highlights compliance challenges or no efforts toward transformation by a measured entity.

The findings underscore a high level of compliance among Enhanced QSEs, facilitated by the enhancement principle, while Unenhanced QSEs lag significantly in both compliance and reporting. This disparity reinforces the necessity for targeted interventions, such as COP, to support Unenhanced QSEs in overcoming their compliance challenges. These interventions are essential to bridge the gap and foster a more inclusive and compliant business environment for all QSEs.

The below figure 56 shows a distribution of QSEs' valid certificates and affidavits received across the six sub-sectors of the forestry value chain.

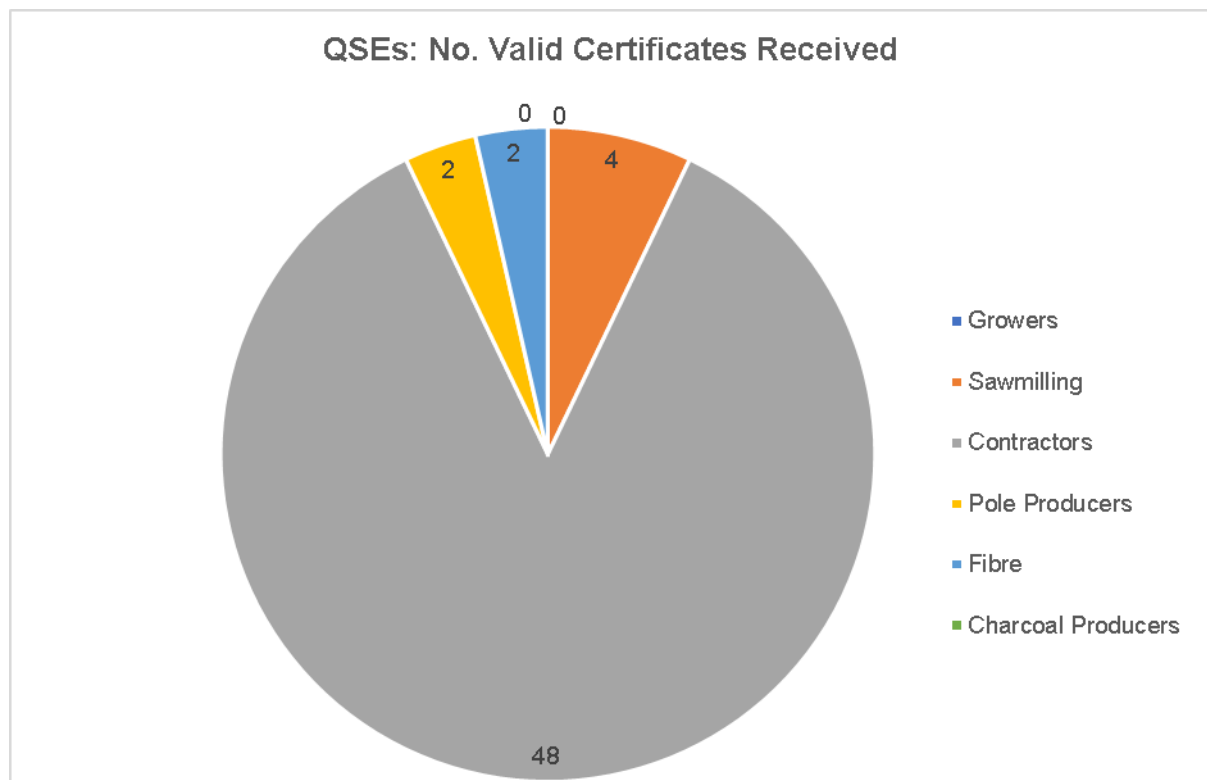


Figure 56: QSE Certificate submissions by Sub-sector

Based on the description provided for figure 56 below, the distribution of valid certificates and affidavits across the six sub-sectors in the forest sector is highly uneven. The Contractors constitute the majority of the submissions, Sawmilling marking the second-largest number of submissions, with Fibre and Pole Producers having an equal number of submissions. No submissions were received from Growers and Charcoal Producers. The contractor sub-sector has a relatively high submission rate, indicating possibly better compliance or higher engagement with the FSCC's initiatives. This necessitates the emulation of similar strategies on the least and not represented sub-sectors, validating the FSCC's strategic objective of maintaining continual interaction with forestry companies facilitated by organized industry associations or larger companies. The strategic engagement and tailored approaches would guarantee improved compliance and reporting across all sub-sectors in the forest sector.

9.1 Ownership In-Depth Analysis

The Ownership element measures the extent to which increased ownership and control of businesses is held by black individuals, including through equity ownership and participation in decision-making processes. It is one of the three priority elements of the B-BBEE. This suggests that entities are required to meet a 40% threshold in all the priority elements to avoid having their overall B-BBEE score penalized by one level through a discounting principle. A discounting principle is a penalty measure attached to the priority elements, however, its application varies between QSEs and MLEs. The QSEs are required to fulfill the threshold of two priority elements, with Ownership being a mandatory element, and the entity may comply with either Skills Development or ESD. The ownership scorecard has 25 weighting points, with no bonus points, and measures the following indicators in a measured entity; voting rights, economic interests held in the hands of black people, women, Black Designated Groupings (BDGs), or new entrants and realization points.

Figure 57 below compares the Ownership performance between the 2 reporting years, 2022/23 and 2023/24 against the weighting points.

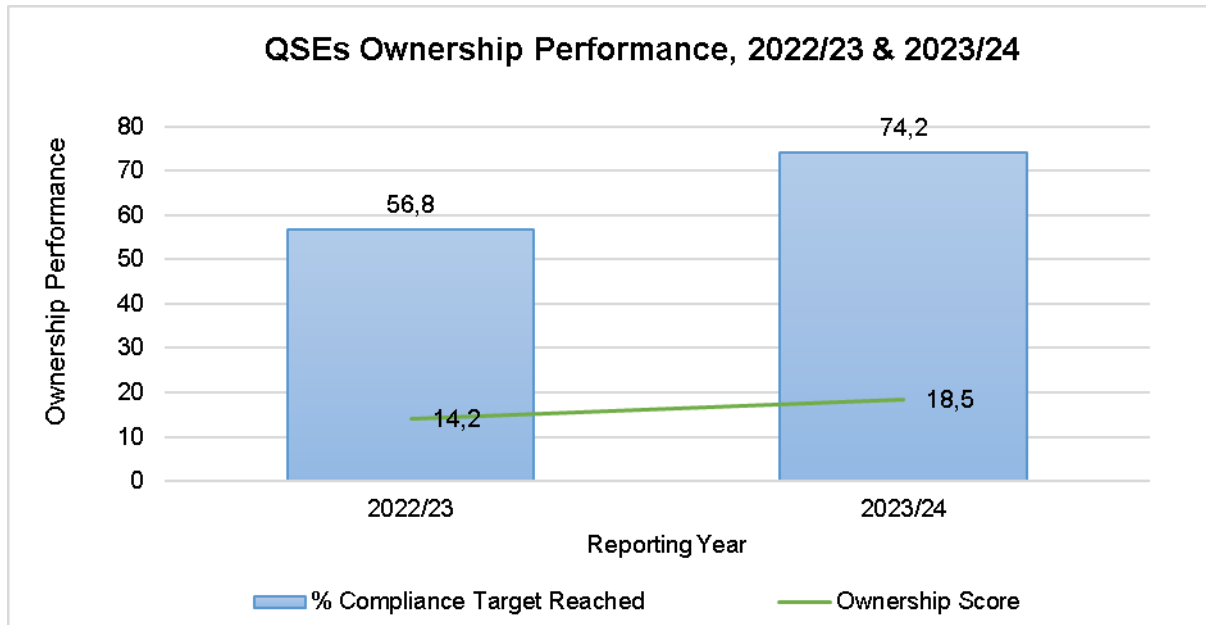


Figure 57: QSE Ownership Performance, 2022/23 & 2023/24

The analysis of figure 57 above reveals that the average performance of Unenhanced QSEs in the Ownership element has seen a notable improvement in the current year compared to the previous year, with the number of submissions remaining constant across both years. The 30% increase can be largely attributed to two main factors: a higher number of entities achieving the targets and enhanced performance among those that did not meet the targets, relative to the preceding year. These trends underscore the commitment of Unenhanced QSEs to meeting the ownership targets, reflecting their dedication and improved efforts.

Table 7: Statistical Breakdown of Direct Black and Black Women Ownership in QSEs

	Black People	Black Women	Black Designated Groups
<i>Minimum</i>	0	0	0
<i>Q1</i>	51	0	0
<i>Median</i>	57,29	0	0
<i>Mean</i>	69,67	13,64	25,15
<i>Mode</i>	100	0	0
<i>Q3</i>	100	15.5	51
<i>Maximum</i>	100	100	100
<i>Standard Deviation</i>	27,88	24,80	38,20
<i>Entities scoring 0% Ownership</i>	1	36	36
<i>Entities scoring above 0% but below 51% Ownership</i>	4	15	4
<i>Entities scoring 51% Ownership</i>	20	1	3
<i>Entities scoring above 51% but below 100%</i>	8	2	4
<i>Entities scoring 100% Ownership</i>	23	2	9
Total number of entities	56	56	56

Table 7 above outlines the ownership arrangements of QSEs among B-BBEE beneficiaries, focusing on Black People, Black Women, and BDGs. In the current year, there was a notable increase in the involvement of Black Women and BDGs in the sector, as indicated by the rise in their ownership averages. Specifically, the average ownership for Black Women increased from 11.0 to 13.6, and for BDGs, it rose from 18.5 to 25.2. Meanwhile, the average ownership for Black People remained consistent with the previous year at 67.7.

Despite these improvements, the averages for Black Women and BDGs still lag significantly, indicating that their participation in the sector remains insufficient. This underscores the need for targeted investments and support to strengthen the presence and growth of businesses

owned by these groups. Ensuring robust participation from Black Women and BDGs is crucial for achieving broader economic empowerment and equity within the sector.

The QSE's Ownership scorecard is made up of six indicators typically used to measure Ownership performance. The QSE's Ownership scorecard consists of six indicators commonly used to assess ownership performance. Figure 58 below depicts the QSEs' average Ownership performance against each indicator, as well as the weighting points assigned to each.

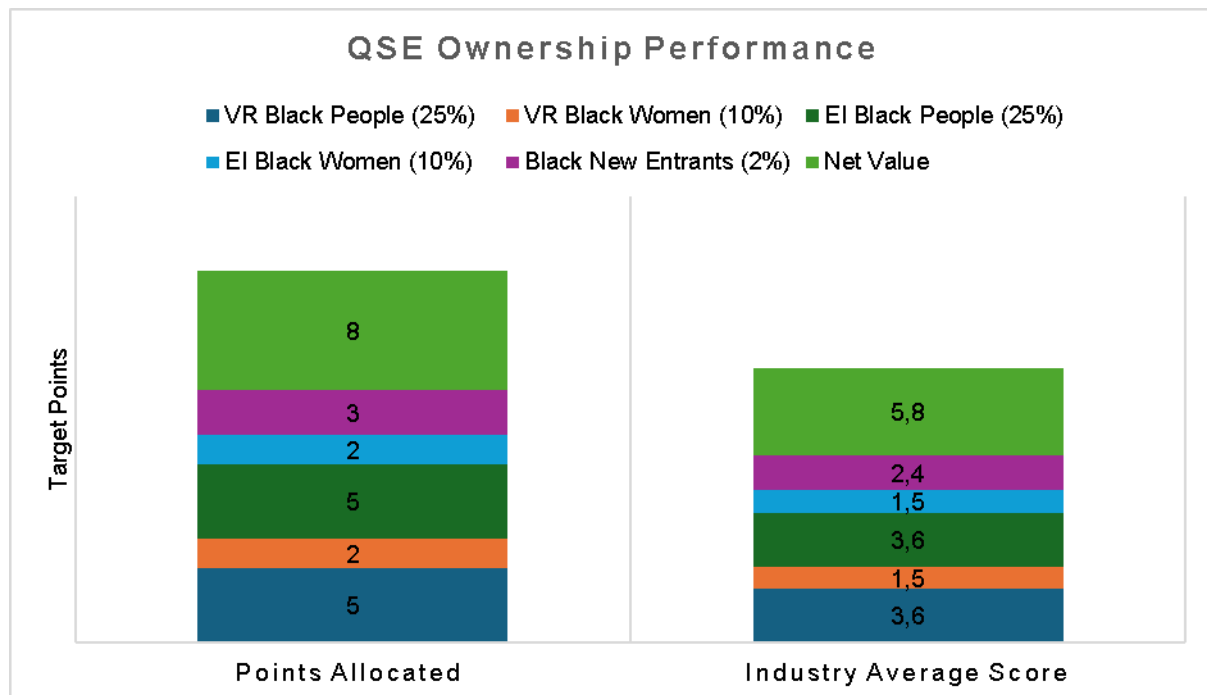


Figure 58: QSE Ownership Average Performance per Indicator

As indicated in figure 58 above, the performance of Unenhanced QSEs' per indicator reveals a minimum average performance of 72% towards the targets. This suggests that the measured entities are generally performing well. This commendable performance is largely attributed to the Ownership element being a compulsory priority element. To avoid the discounting principle, the entities must achieve at least 40% on the net value indicator. Notably, only one out of five entities faced discounting due to failing to meet this threshold.

Voting Rights held by Black People refers to the percentage of voting rights within the Unenhanced QSEs that Black People hold. In contrast, Economic Interest relates to the rights of black people entitled to receive dividends, capital gains, and other economic benefits from ownership in a business. These indicators assess how much control, influence and economic benefits Black People have within the enterprise. Figure 59 below displays the Unenhanced

QSEs' performance on the voting rights and economic interest held in the hands of Black People indicators.

In-depth Analysis: Voting Rights & Economic Interest of Black People

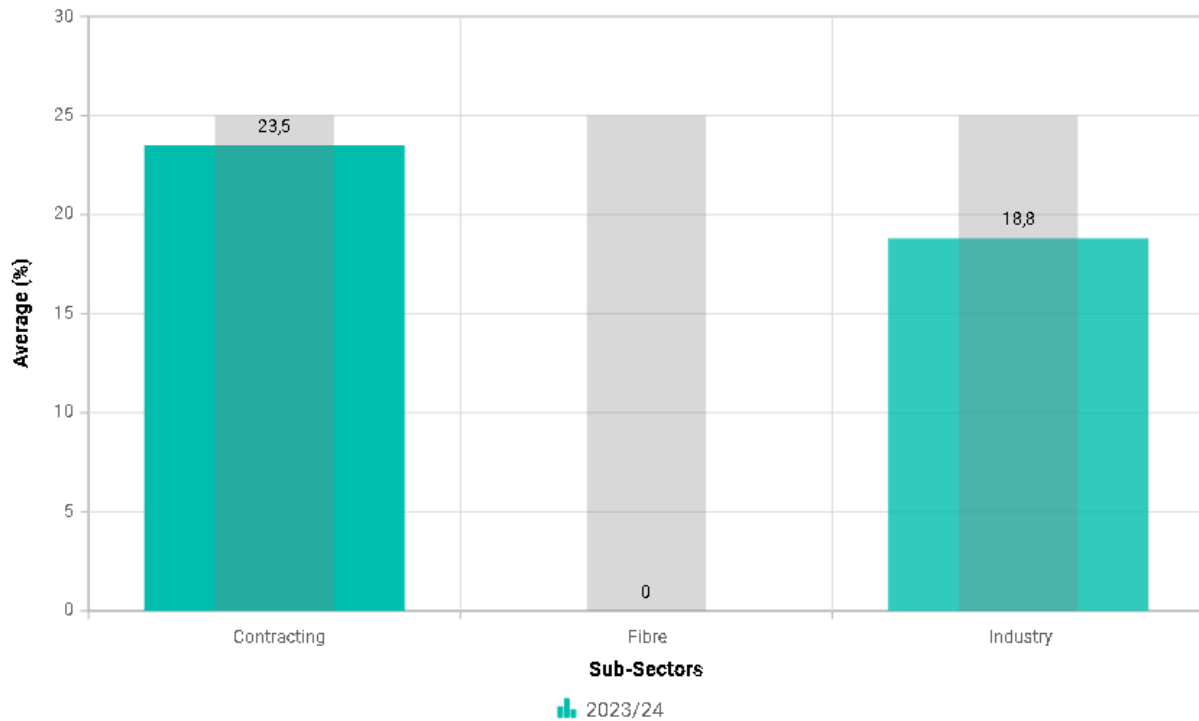


Figure 59: QES Voting Rights & Economic Interest in the Hands of Black People

As illustrated in figure 59 above, the Contracting sub-sector has achieved an average of 23.5% towards the target on the voting rights and economic interest of Black People. The Fibre sub-sector achieved 0% towards the target, performing substantially below the industry average performance. The lack of representation from other sub-sectors indicates non-compliance and a lack of reporting from Unenhanced QSEs operating within those sub-sectors.

Black Women's Voting Rights refers to the proportion of voting rights possessed by Black Women in Unenhanced QSEs. Economic interest refers to black women's rights to profits, capital gains, and other financial benefits derived from company ownership. These indicators measure the power, influence, and economic benefits Black Women have in the organization. Figure 60 below depicts the Unenhanced QSEs' performance on the voting rights and economic interest held by Black Women indicators.

In-depth Analysis: Voting Rights & Economic Interest of Black Women

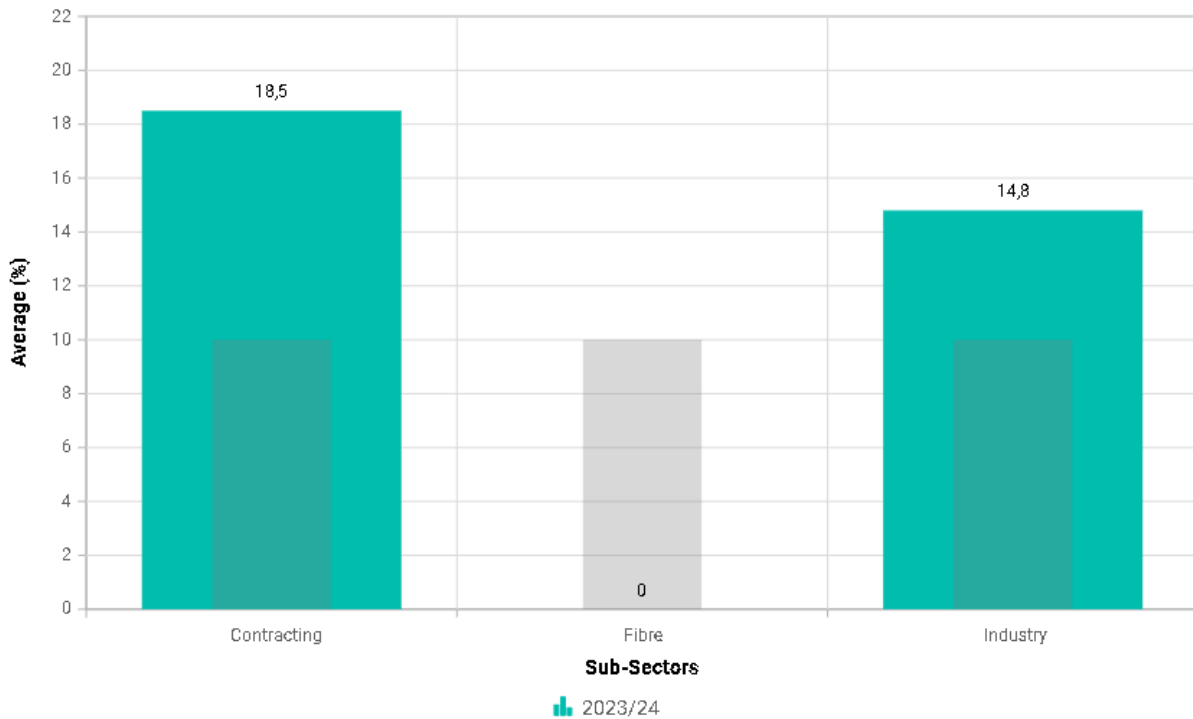


Figure 60: QES Voting Rights & Economic Interest in the Hands of Black Women

As illustrated in figure 60 above, the Contracting sub-sector exceeded the compliance target, achieving an average of 18.5%. This average performance outperformed the industry average of 14.8%. The Fibre sub-sector achieved 0%, highlighting the absence of participation of Black Women in the entity's ownership structure. The Fibre sub-sectors' compliance rate is concerning, it may also indicate significant barriers or a lack of efforts toward meeting compliance targets.

The Unenhanced QSEs can choose whether the economic interest is held by Black New Entrants (BNEs), Black Designated Groupings (BDGs), or a combination of both. This flexibility allows the entity to optimize its B-BBEE score based on its ownership structure and the available options. The BNEs refer to individuals who are black South Africans and who have not previously had ownership in other companies exceeding a certain threshold. In contrast, BDGs are various groups such as black women, black youth, black people with disabilities, black people living in rural, underdeveloped areas, and black military veterans. Figure 61 below presumably shows the performance of Unenhanced QSEs based on the economic interest held by both BNEs and BDGs.

In-depth Analysis: Economic Interest of BNEs or BDGs

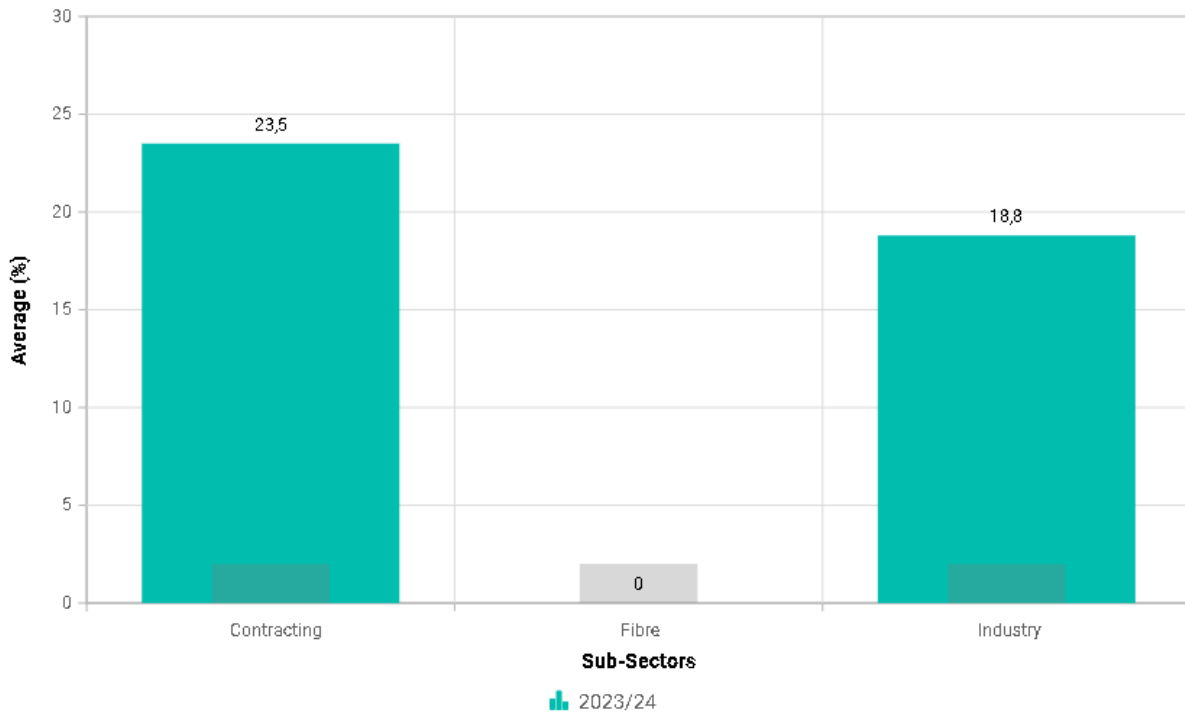


Figure 61: QES Economic interest in the hands of BDGs or BNEs

Figure 61 above shows that the Contactors outperformed the Fibre sub-sector, achieving an average performance of 23.5% towards the target, performing above the industry's average performance of 14.8%. This underscores a heightened commitment and success in integrating BNEs or BDGs into the economic structure. The Fibre sub-sector achieved 0%, indicating no participation from either of the observed groupings and impacting the overall industry performance.

Unenhanced QSEs must achieve at least 40% on the Net Value indicator under the Ownership element as the compulsory priority element to evade the discount principle, which negatively impacts their overall B-BBEE score. The performance of the Net Value indicator by Unenhanced QSEs is presented in figure 62 below.

In-depth Analysis: Realisation Points: Net Value

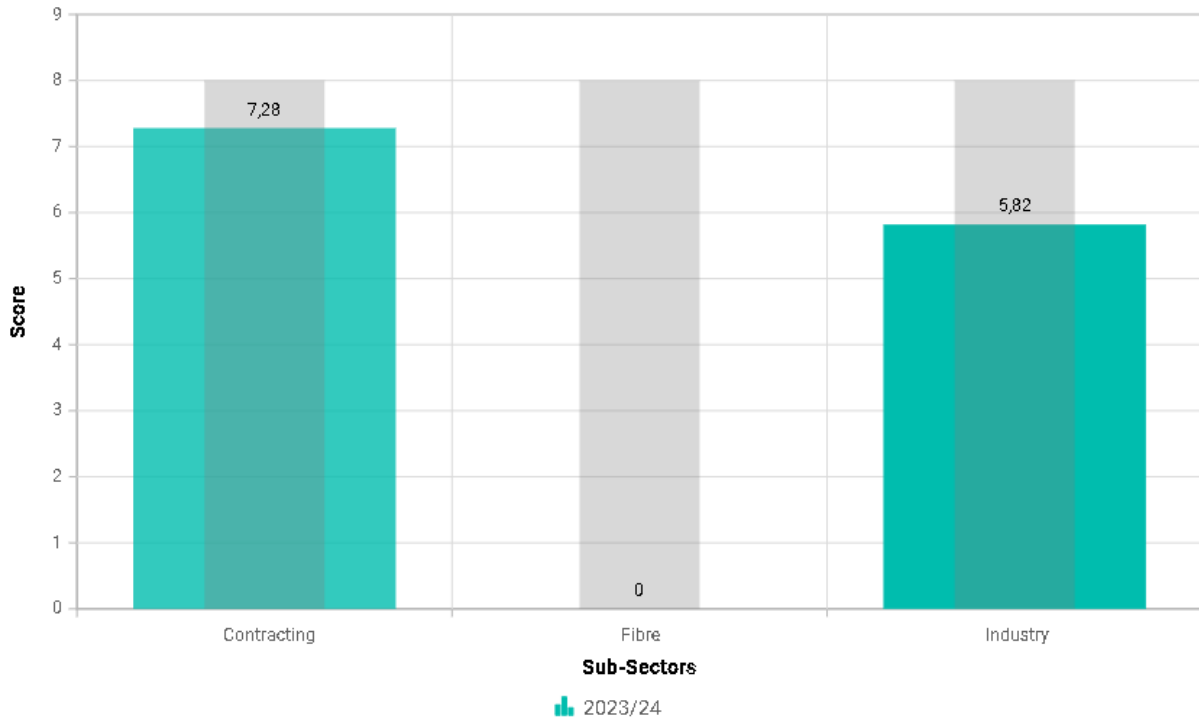


Figure 62: QSE Net Value – Priority indicator

As depicted in figure 62 above, the Contractors' sub-sector performed slightly below the target, achieving 7.3% of the goal. In stark contrast, the Fibre sub-sector performed extremely poorly, reaching 0% of the target. Consequently, the industry average settled at 5.8%.

9.2 Management Control In-Depth Analysis

Management Control promotes the representation of black individuals at different levels of management positions within a measured entity, ensuring that control and decision-making roles are inclusive and diverse. This element adds 15 points to the scorecard and is based on the number of black people and women in a company's management structure as a percentage of all employees. Unlike MLEs, the QSE Management Control scorecard does not require black persons to serve on the board, which might be attributed to QSEs' very modest company size, which does not justify the establishment of the board. In most QSEs, top management consists of directors and executives with strategic decision-making responsibilities.

Figure 63 below compares the performance of the two reporting years, 2022/23 and 2023/24, to the weighting points of the Management Control element.

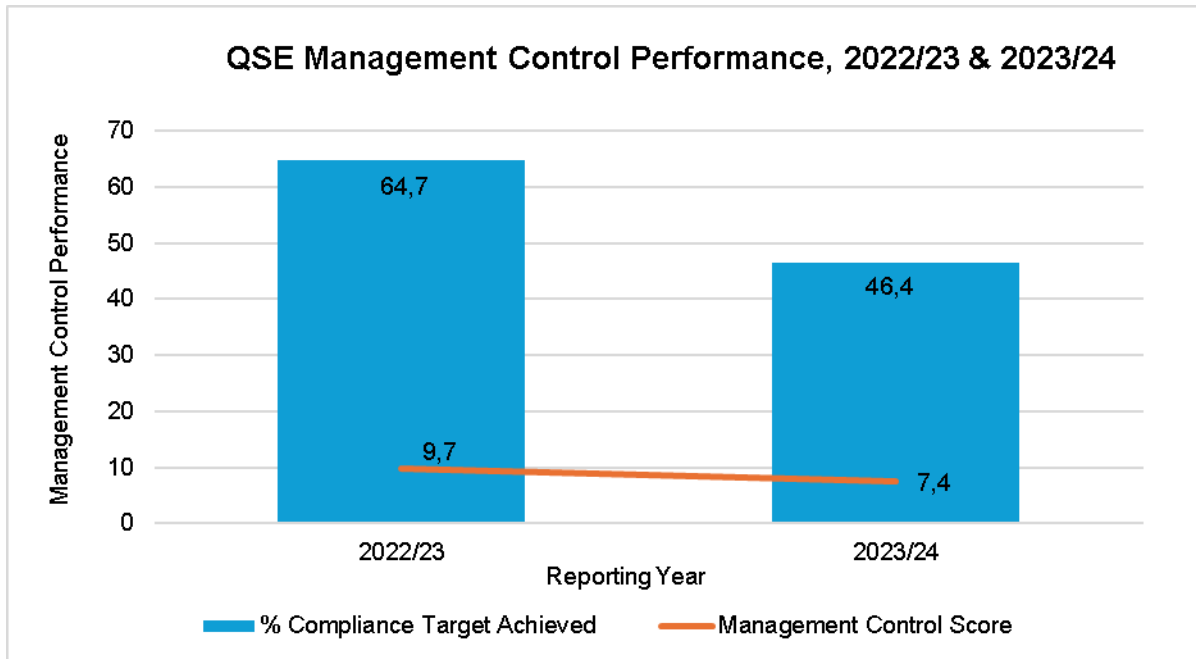


Figure 63: QSE Management Control performance, 2022/23 & 2023/24

As demonstrated in figure 63 above, the average performance of Unenhanced QSEs showed a 28% decline when comparing the performances of the two reporting years. This significant decline resulted from the poor individual performance of some of the measured entities, with only two out of five achieving commendable scores. This performance trend is not surprising, as compliance with Management Control proved to be the most challenging for some entities, causing this element to lag compared to the other four elements. This is concerning, as there seem to be no effective actions from the compliance perspective of the measured entities. On a positive note, the amendments to the EEA Bill of 2020 by the DoEL could potentially have a positive influence in terms of enforcing compliance with Management Control, assuming that Unenhanced QSEs fall within the designated employers' threshold.

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 which is used to measure the representation of black people in various management levels. Figure 64 below compares the averages of Unenhanced QSEs on the Management Control indicators against the allocated weighting points.

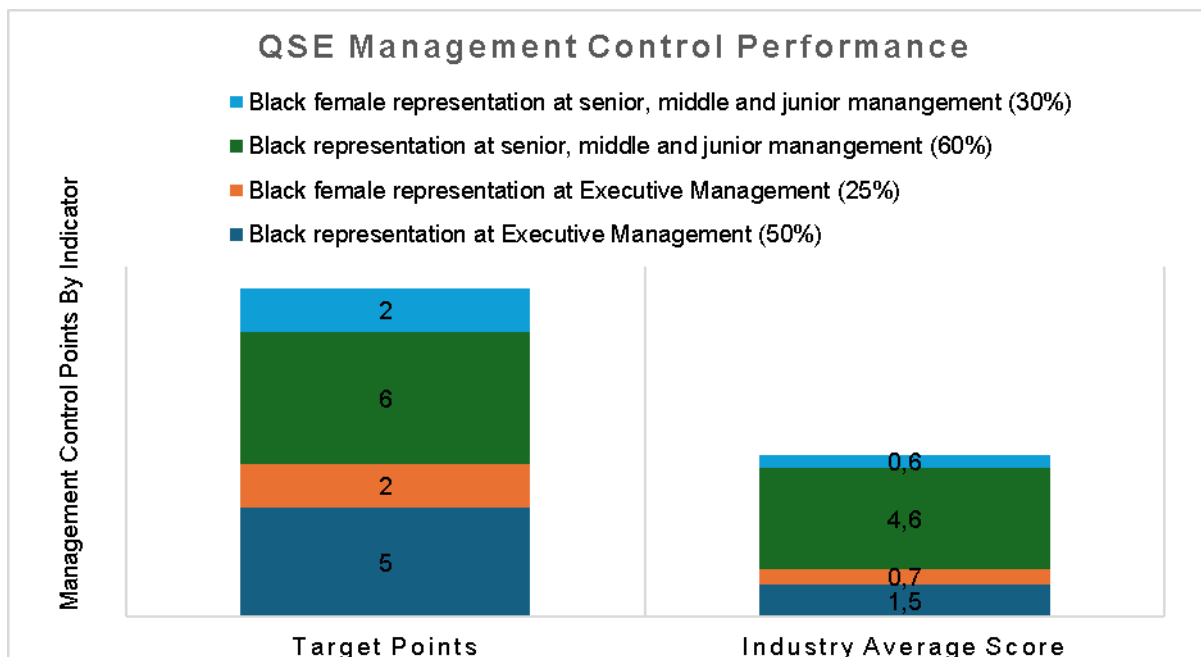


Figure 64: QSE Management Control Average Performance per Indicator

Figure 64 above indicates a poor performance by Unenhanced QSEs in meeting targets for the representation of black females in senior, middle, and junior management roles, as well as black people and females in executive management roles, with these groups achieving a minimum average performance of 30% towards the targets. In contrast, there is commendable performance regarding the representation of black people in senior, middle, and junior management roles, with an average performance of 77% towards the targets.

This disparity suggests a high saturation of black people in three levels of management roles, while other demographic groups, specifically black females in executive and three levels of management positions are significantly underrepresented. This pattern implies that the entities' employment strategies may be prioritizing certain gender and race over others.

It is recommended that entities develop succession plans specifically aimed at increasing gender and race diversity in management levels where black people and females are currently underrepresented. This strategy would help create a more equitable and inclusive workplace by ensuring a broader representation across all management levels.

Figure 65 below illustrates the participation rates of black people in executive management positions within Unenhanced QSEs. The data highlights the degree of diversity achieved in this role, providing insight into the effectiveness of recruitment strategies to enhance representation.

In-depth Analysis: Black People in Executive Management

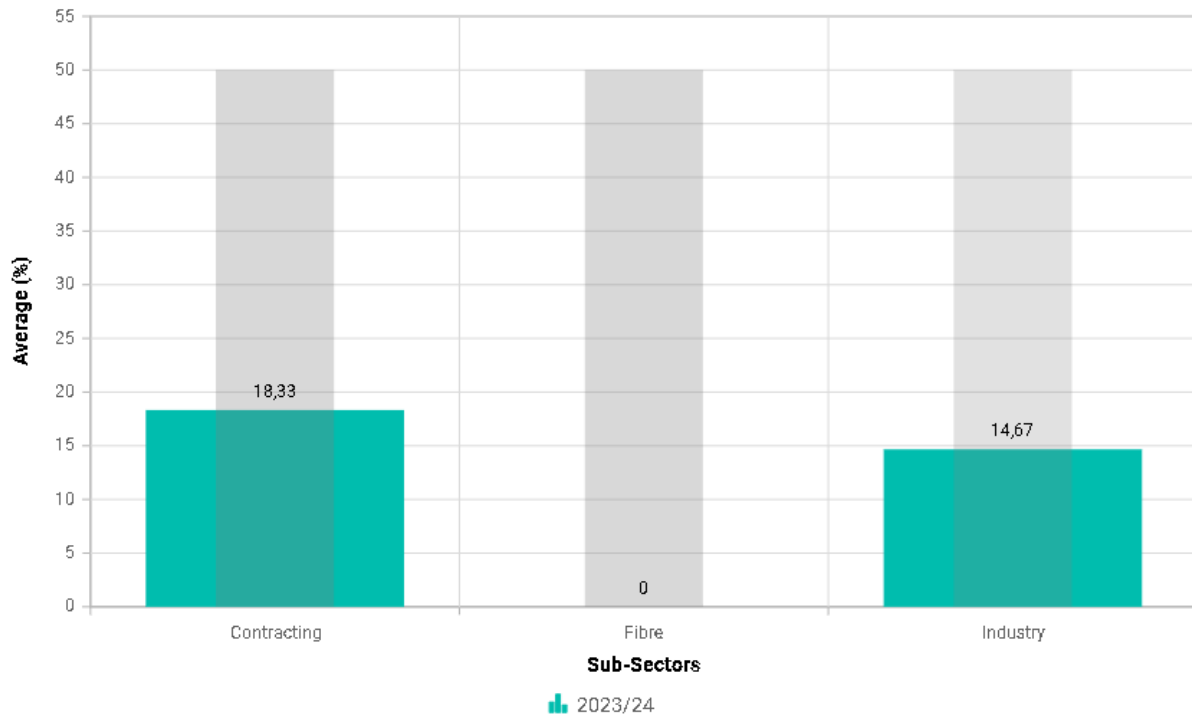


Figure 65: QSE Participation of BP in the Executive Management

As shown in figure 65 above, the contract sub-sector reveals concerning participation of black people in executive management roles of 18.3% towards the target, insinuating the insufficient involvement of black people in the observed role. In contrast, the Fibre sub-sector has shown a significantly low performance (0%) when compared to both industry and contractor averages.

Figure 66 below depicts women's participation rates in executive management roles within Unenhanced QSEs. The analysis displays the level of diversity attained in this role, shedding evidence on the efficacy of Unenhanced QSEs' recruiting techniques to improve the representation of black women in executive management roles.

In-depth Analysis: Black Women in Executive Management

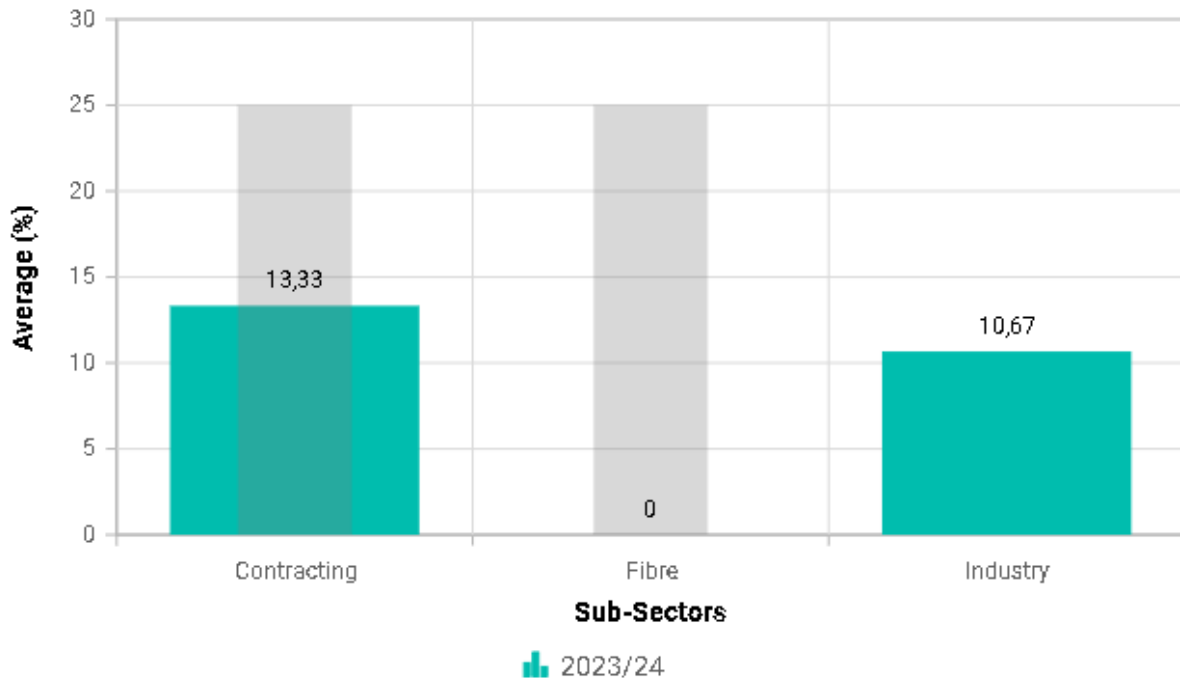


Figure 66: QSE Participation of BW in the Executive Management

The analysis of figure 66 above reveals notable disparities in the representation and performance of the observed sub-sectors. The contractor sub-sector shows an average performance of 13.3% on the representation of black women in executive management roles, while Fibre reveals a concerning underrepresentation of black women in executive management roles, achieving 0%. These performances could suggest systemic barriers to entry and advancement for both black people and women professionals within these sub-sectors.

The participation of black people in all three levels of management within Unenhanced QSEs is presented in figure 67 below.

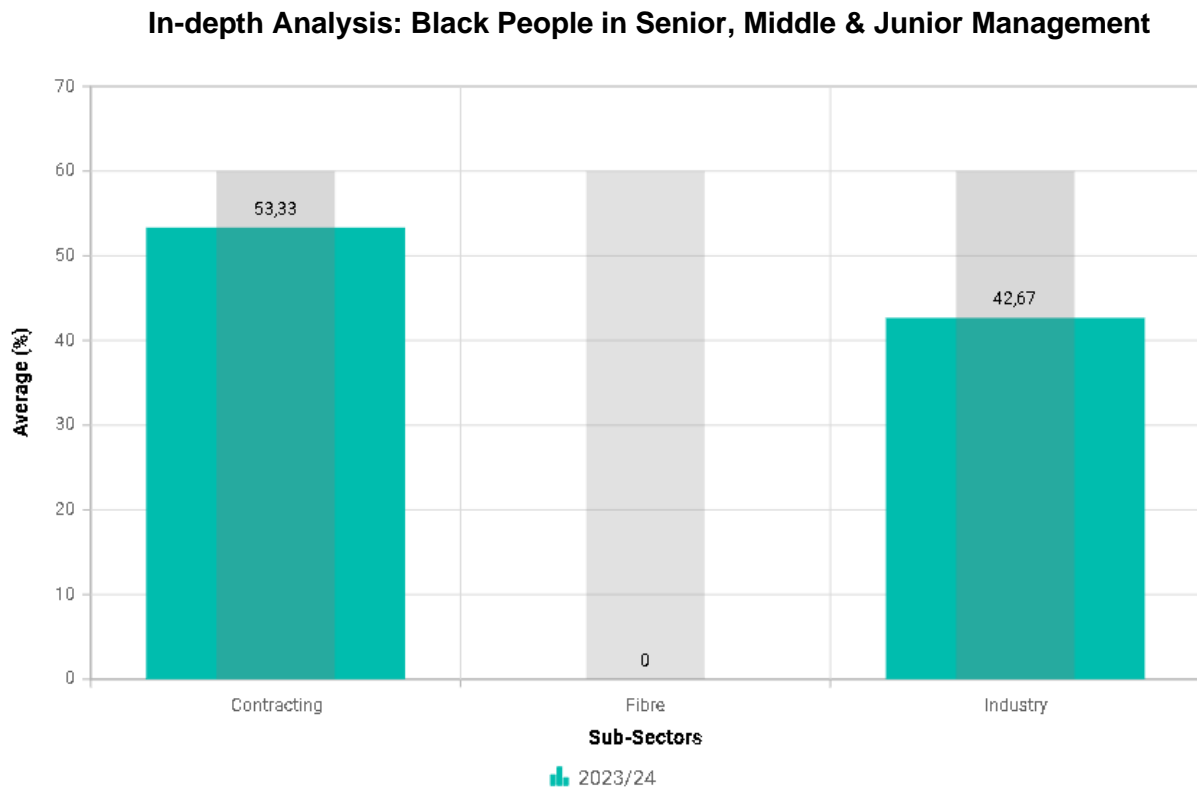


Figure 67: QSE Representation of BP in Senior, Middle and Junior Management levels

As displayed in figure 67 above, the Contracting sub-sector demonstrated a commendable achievement, attaining 53.3% towards the target. This indicates strong efforts and significant progress in meeting the sector's transformation and inclusion objectives. In contrast, the Fibre sub-sector achieved 0%, contributing nothing to the overall industry performance. This lack of contribution suggests a notable deficiency in efforts to promote diversity and inclusion within their management structure, which is crucial for aligning with the sector's transformation imperatives.

The participation of black women in all three levels of management within Unenhanced QSEs is presented in figure 68 below.

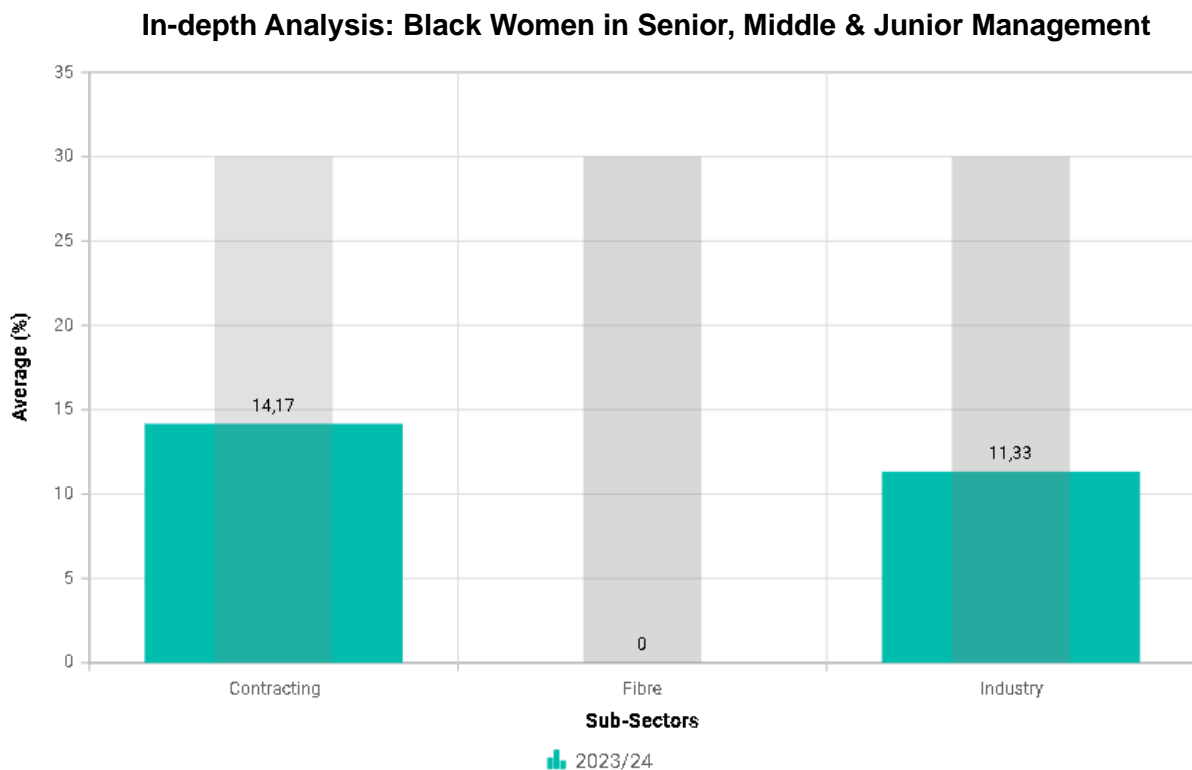


Figure 68: QSE Representation of BW in Senior, Middle and Junior Management levels

Figure 68 above highlights the significant underrepresentation of black women in management roles within the Contracting sub-sector and the complete absence of women in the Fibre sub-sector. Specifically, black women's participation in Senior, Middle, and Junior Management levels within the Contracting sub-sector stands at 14.2%, while their presence in the Fibre sub-sector is non-existent (0%). These figures corroborate the FSCC's decision, underscoring the need to investigate and address the systemic barriers hindering women's entry and advancement in the forest sector. This data calls for focused efforts to promote inclusivity and gender diversity in management positions across these sub-sectors and the sector as a whole.

The Unenhanced QSEs Management Control scorecard does not distinguish the three levels of management which fail to offer detailed insights into the composition of the achieved scores for this indicator. This limits the ability to understand the contributions and performance of individual management levels, hindering more granular analysis and targeted improvements.

9.3 Skills Development In-Depth Analysis

Skills Development supports the training and development of black individuals within the company as a percentage of the company's leviable amount, with a focus on building relevant skills and competencies to enhance their participation and advancement in terms of career path in the company. The term leviable amount is defined in the Skills Development Levies Act as the total amount of remuneration, payable by an employer to its employees during any month, as determined per the provisions of the fourth schedule to the Income Tax Act to determine the employer's ability for any employees tax in terms of that Schedule, whether or not such employer is liable to deduct employees tax^v. Skills Development is one of the three priority elements, and if an entity chooses to comply with it over the Enterprise and Supply Development elements, it must meet the 40% threshold on total weighting points excluding bonus points to avoid being downgraded by a level.

Measured entities are expected to contribute to the Skills Development Levy, develop Workplace Skills Plans (WSP) and Annual Training Reports (ATR), and connect skills development programs with B-BBEE requirements to comply with B-BBEE and related Acts, such as the Skills Development Levy Act and the Skills Development Act. The WSP and ATR reports are submitted to Fibre Processing and Manufacturing (FP&M) SETA by 30 April each year. This report will help to establish whether training was done or is in the process of being done, and both the WSP and ATR include a section which is for PIVOTAL (Professional, Vocational, Technical, and Academic Learning) reports. These strategic objectives are key in addressing skills gaps, promoting training and development, providing opportunities for employees to acquire new skills, and ultimately addressing the surge of the unemployment rate^{vi}.

Figure 69 below compares Unenhanced QSEs Skills Development performance between the two reporting years, 2022/23 and 2023/24.

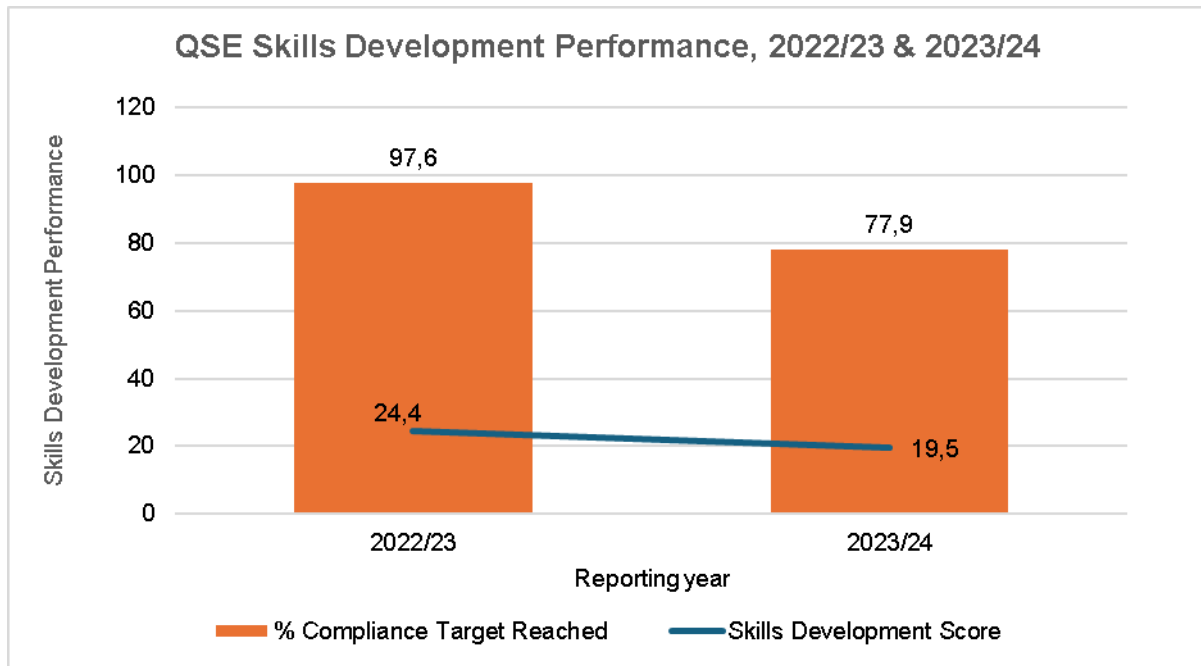


Figure 69: QSE Skills Development performance, 2022/23 & 2023/24

Based on the data shown in figure 69 above, Unenhanced QSEs performed exceptionally well. However, there was a noticeable decline in their performance, dropping by 20.2% from 97.6% in the previous year to 77.9% in the current year. This decline is primarily due to the reduced performance of some individual companies, which has negatively impacted the overall performance.

The Unenhanced QSEs Skills Development scorecard includes three indicators: the expenditure on learning programmes indicated in the learning programme matrix for black people, women, and people with disabilities as a proportion of the leviable amount. Figure 70 displays the overall performance of Unenhanced QSEs on the Skills Development matrix versus the assigned weighting points.

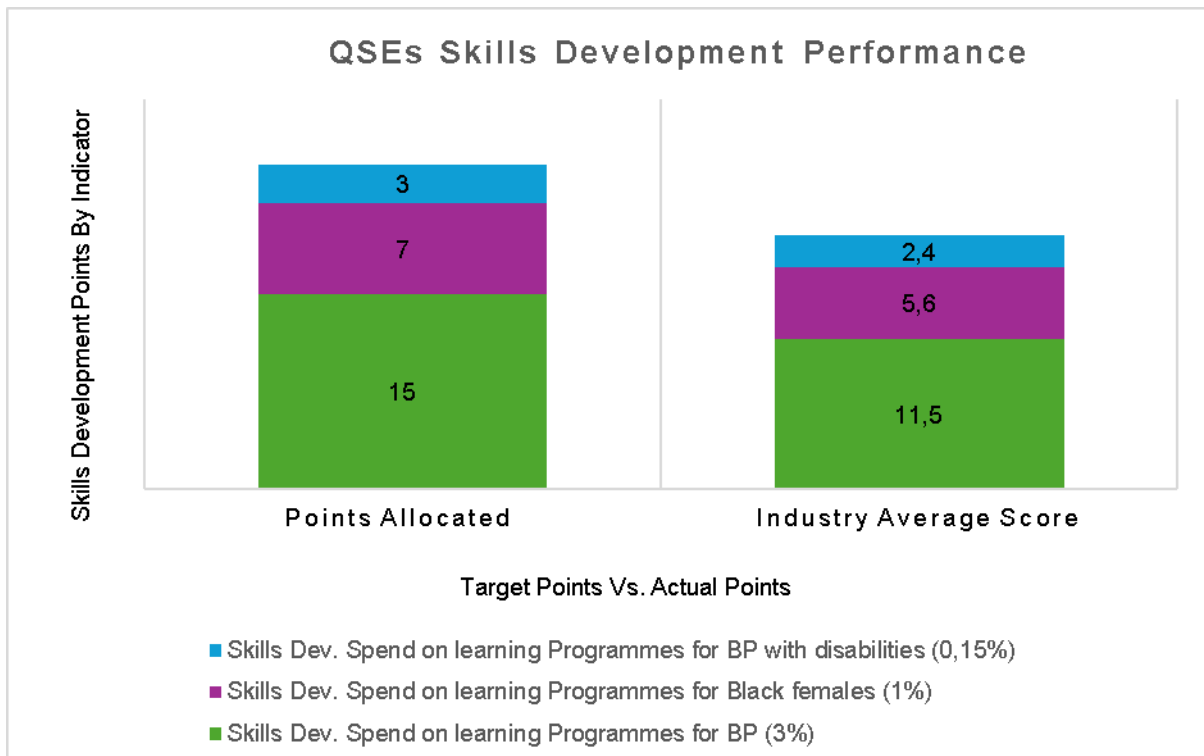


Figure 70: QSE Skills Development Average Performance per Indicator

As shown in figure 70 above, Unenhanced QSEs demonstrated exceptional performance across all observed indicators. An average achievement of 80% was recorded for skilling black people and women, while a 76% success rate was noted for learning programmes targeting black people with disabilities.

Figure 71 below shows the Skills Development Expenditure for Black People undertaken by Unenhanced QSEs.

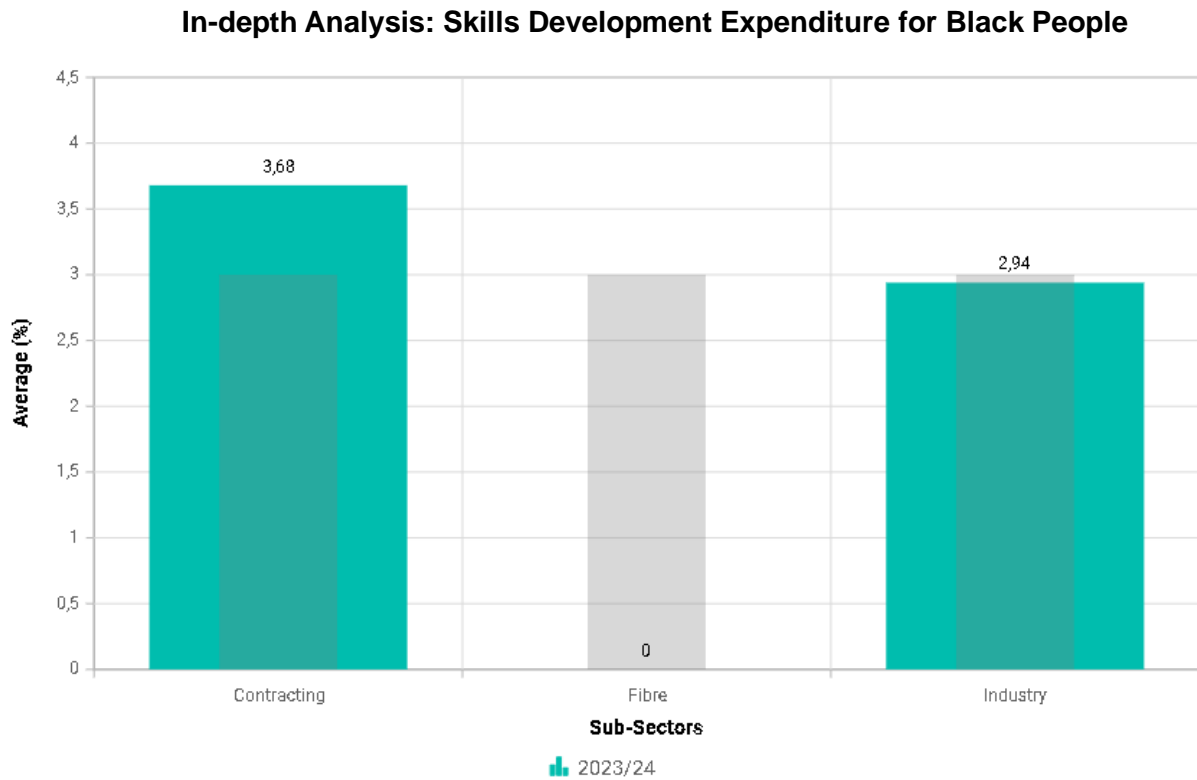


Figure 71: QSE Skills Development spend on Black People

In the scenario depicted by figure 71 above, the Contracting sub-sector achieved 3.7% in skills development expenditure for black people, surpassing the target. In contrast, the Fibre sub-sector attained 0%, not contributing to this goal. Consequently, these results caused the industry's average skills development expenditure for black people to fall slightly below the target at 2.9%.

The Skills Development Expenditure for Black Women undertaken by Unenhanced QSEs is presented below in figure 72.

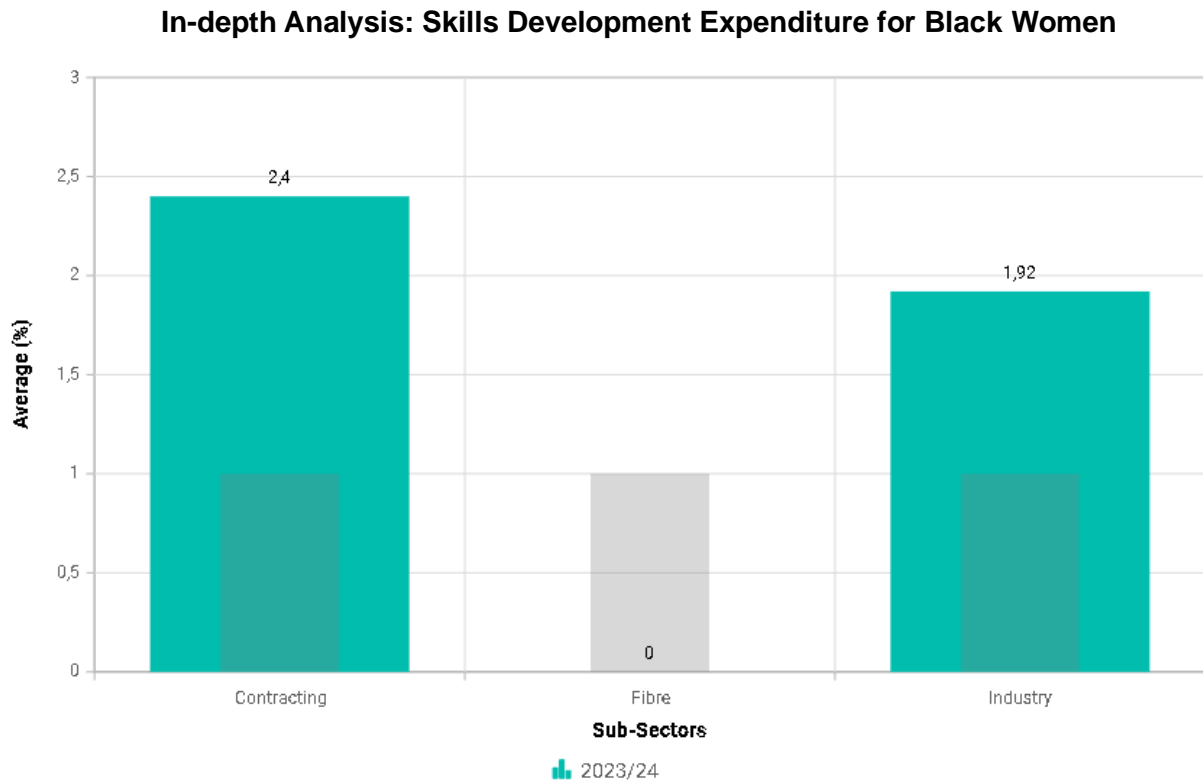


Figure 72: QSE Skills Development spend on Black Women

Figure 72 above highlights significant disparities in skills development expenditure for black women across different sub-sectors. The Contracting sub-sector performed exceptionally well, achieving 2.1% in skills development expenditure for black women, exceeding the target. This impressive performance contributed to an excellent industry average of 1.9%. In contrast, the Fibre sub-sector failed to make any progress towards this target, with a reported 0% expenditure. This indicates a lack of commitment and investment in skills development for black women within the Fibre sub-sector.

The Skills Development Expenditure for Black People with Disabilities undertaken by Unenhanced QSEs is presented in figure 73 below.

In-depth Analysis: Skills Development Expenditure on black people with disabilities

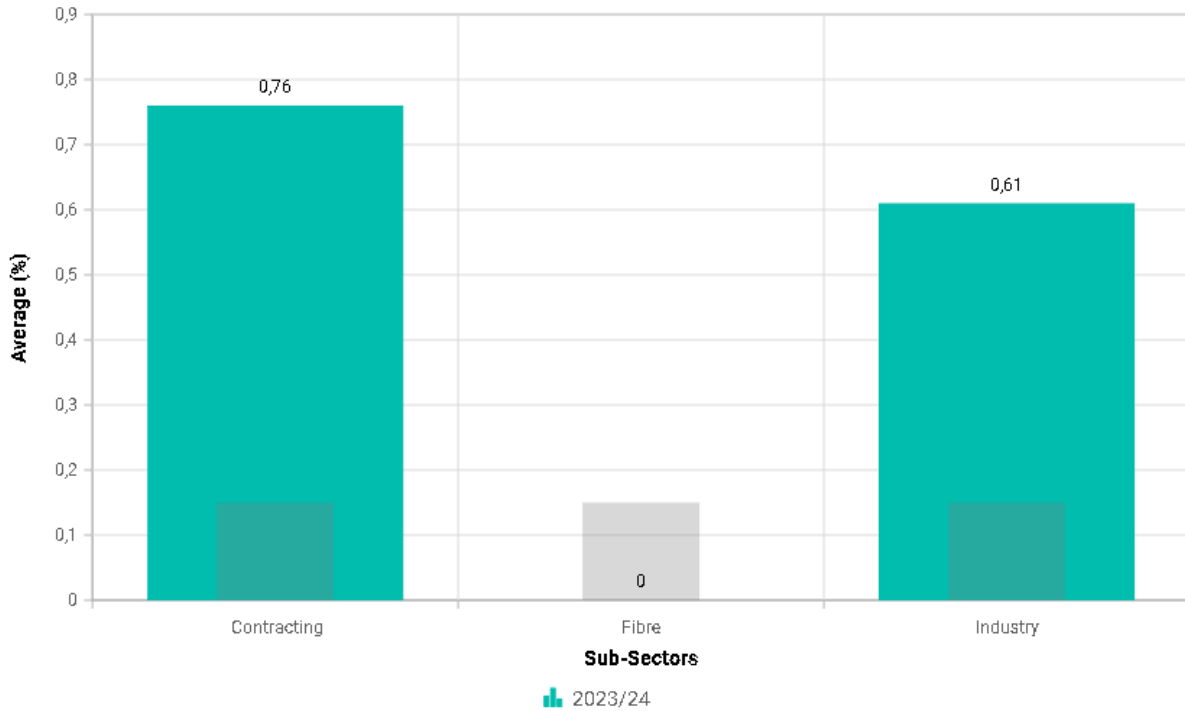


Figure 73: QSE Skills Development spend on Black People with Disabilities

The data in figure 73 above reveals significant differences in investment in skills development for black people with disabilities across the observed sub-sectors. Notably, the Contracting sub-sector has demonstrated a commendable performance, achieving an investment proportion of 0.8%, surpassing the target for this initiative. This performance in the Contracting sub-sector has positively influenced the overall industry average, elevating it to 0.6%, thereby also exceeding the target. In comparison, the Fibre sub-sector has reported no expenditure toward this goal, maintaining a 0%. This lack of progress highlights a considerable disparity in efforts and outcomes between the observed sub-sectors within the industry.

9.4 Enterprise and Supplier Development In-Depth Analysis

Enterprise and Supplier Development (ESD) is an amalgamation of three elements including; Preferential Procurement (PP), Supplier Development (SD) and Enterprise Development (ED) It is one of the three priority elements with the highest weighting points (30) on the B-BBEE

scorecard. In terms of the QSEs scorecard, measured entities preferring to comply with ESD as a priority element over Skills Development must achieve a 40% threshold on each of the following sub-elements; PP, SD and ED (excluding bonus points) to avoid the effect of discounting principle on their overall B-BBEE score. This element supports the creation, growth and sustainability of black-owned enterprises, as well as promoting the inclusion of black-owned suppliers within the industry's value chain. In light of the woeful South African economic performance due to the negative impact of the COVID-19 pandemic and its aftermath, the 2021 June unrest, and a surge of power shortage on business functions, effective implementation of this element could play a significant role in resuscitating the dwindling economic state through entrepreneurship and job creation.

Figure 74 below contrasts Unenhanced QSEs' performance on the overall ESD element for two reporting years, 2022/23 and 2023/24.

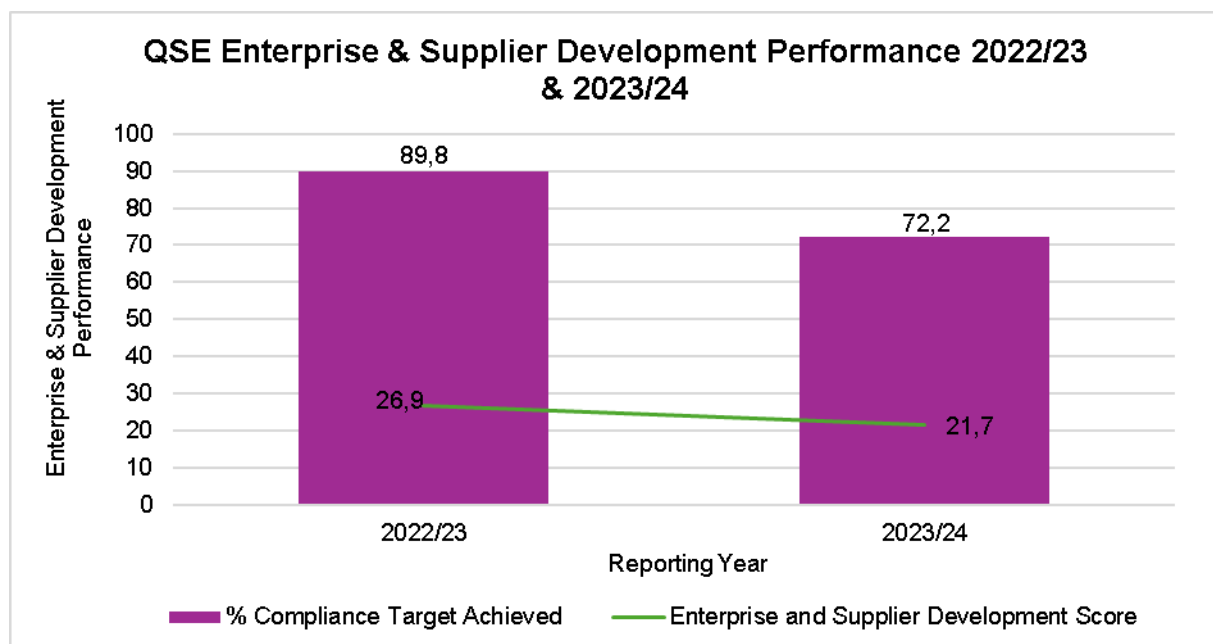


Figure 74: QSE Enterprise and Supplier Development, 2022/23 & 2023/24

Unenhanced QSEs achieved a performance rate of 72.2%, which, despite being a notable accomplishment, represents a 19.6% decrease compared to the preceding average performance of 89.8%, as illustrated in figure 74 above. This decline is attributed to the reduction in ESD spending by certain entities.

Figure 75 below depicts Unenhanced QSEs' total average performance on the ESD indicators in comparison to the given weighting points.

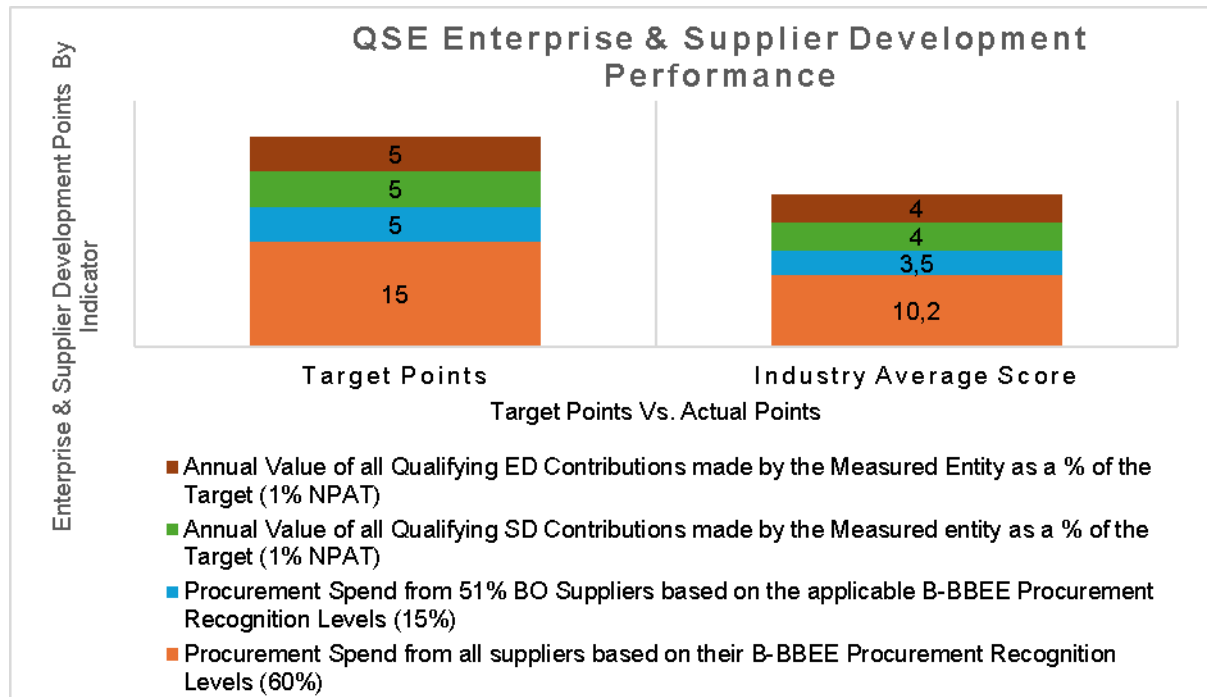


Figure 75: QSE Enterprise & Supplier Development Performance on each indicator

The performance of the unenhanced QSEs is commendable, with a minimum average achievement of 67.9% towards the target as shown in figure 75 above. This demonstrates significant efforts towards meeting the goals of the ESD element. However, there is room for improvement, particularly in the areas of procurement from all empowering suppliers and specifically from those that are at least 51% black-owned. Focusing on these indicators will enhance the overall impact and effectiveness of the ESD element, driving further progress toward inclusive economic growth.

Preferential Procurement (PP) is a framework within the ESD element designed to encourage government departments, public entities, state-owned enterprises, and privately owned measured entities to procure goods and services from previously disadvantaged black-owned businesses. This initiative aims to promote economic inclusion and growth by supporting black-owned enterprises, thereby addressing historical inequalities and fostering a more diverse and equitable economy. In the context of the ESD QSEs' scorecard, the entities above must procure goods and services from empowering suppliers based on their B-BBEE recognition levels and at least 51% black-owned suppliers. Additionally, QSEs can earn an

incentive in the form of one bonus point if they procure from suppliers that are at least 51% black-owned and fall within the BDGs category. This incentive encourages QSEs to actively seek and support suppliers that contribute to the broader objectives of economic empowerment and inclusivity.

Figure 76 below demonstrates the impact of Unenhanced QSEs on procurement expenditure from all empowering suppliers based on the B-BBEE procurement recognition levels indicator.

In-depth Analysis: Procurement Spend from all Suppliers based on their Procurement Recognition Level

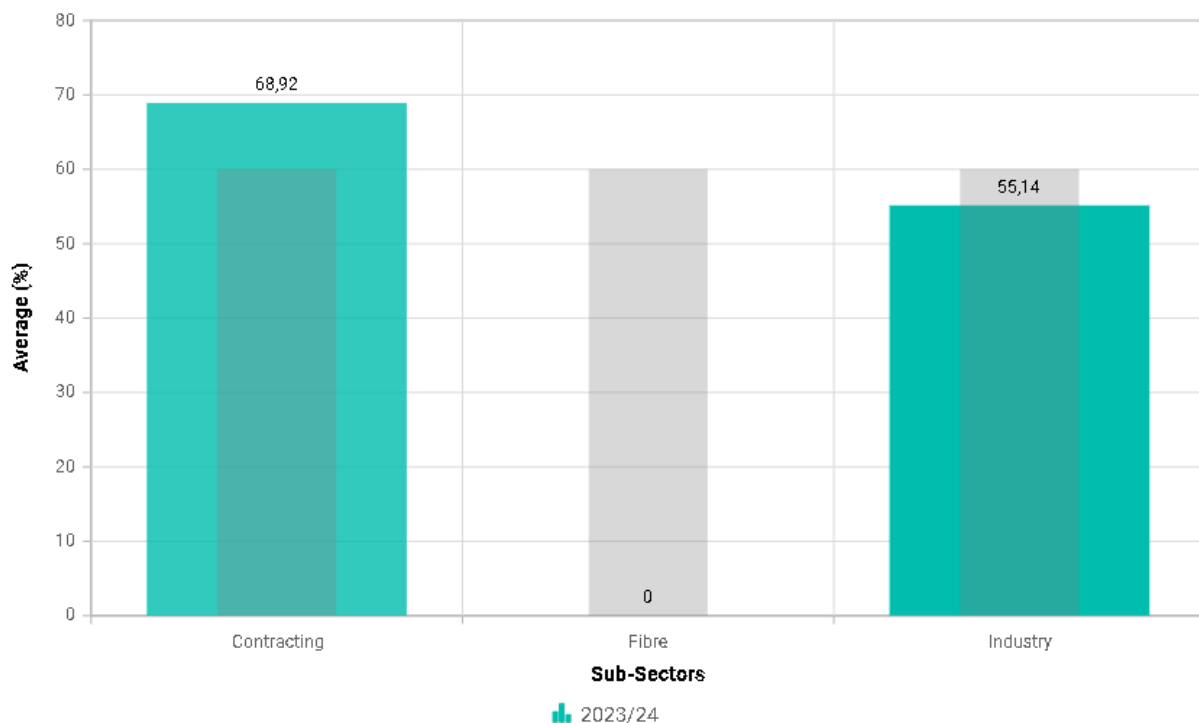


Figure 76: QSE Procurement spend on all suppliers based on their Recognition Levels

Figure 76 above highlights significant disparities in the performance of different sub-sectors within Unenhanced QSEs regarding their procurement from suppliers meeting the PP criteria. The Contracting sub-sector performed exceptionally well, surpassing the target with an achievement of 68.9%, while the Fibre sub-sector has shown significant room for improvement, following their 0% achievement towards the target. This good performance underscores the effectiveness of Unenhanced QSEs in directing their procurement spending towards suppliers that meet B-BBEE criteria, showcasing their contribution to promoting inclusive economic growth. Notwithstanding the outstanding performance of the Contracting sub-sector, the overall industry average in this indicator landed at 55.1%, which is below the

target. This average is influenced by the poor performance of certain entities, such as those within the Fibre sub-sector, which underscores the uneven progress across different sub-sectors of the industry.

Figure 77 below presents the performance of Unenhanced QSEs on the procurement spend from empowering suppliers that are at least 51% black-owned.

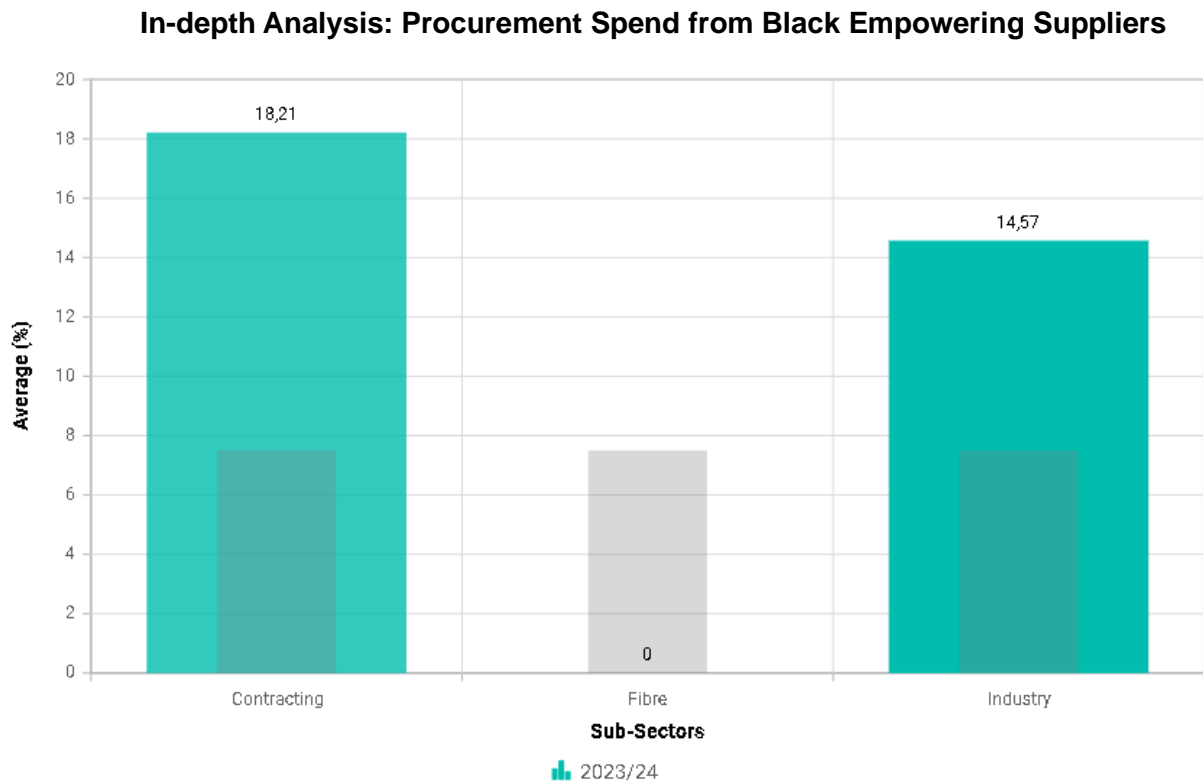


Figure 77: QSE Procurement spend on all suppliers based on their Recognition Levels

Figure 77 above provides insights into the performance of different sub-sectors within the procurement targets. The Contracting sub-sector has shown exceptional performance by exceeding the target with an attainment of 18.2%. The high achievement reflects effective practices in promoting inclusive economic growth. In contrast, the Fibre sub-sector showed no commitment and achieved 0% towards the target. The industry average exceeded the objective and attained 14.6%; this average takes into account the excellent performance of Contracting.

Supplier Development (SD) refers to initiatives and efforts aimed at enhancing the capabilities, capacities, and sustainability of suppliers within a supply chain. As defined in the Amended FSC, Unenhanced QSEs must spend at least 1% of their net profit after tax (NPAT) on all

qualifying SD contributions, which are regulated by the ESD benefit factor matrix. The SD contributions can either be financial or non-financial which are essential components of effective SD strategies.

Figure 78 underneath presents the performance of Unenhanced QSEs on all qualifying SD contributions as a percentage of the target (1% of the NPAT).

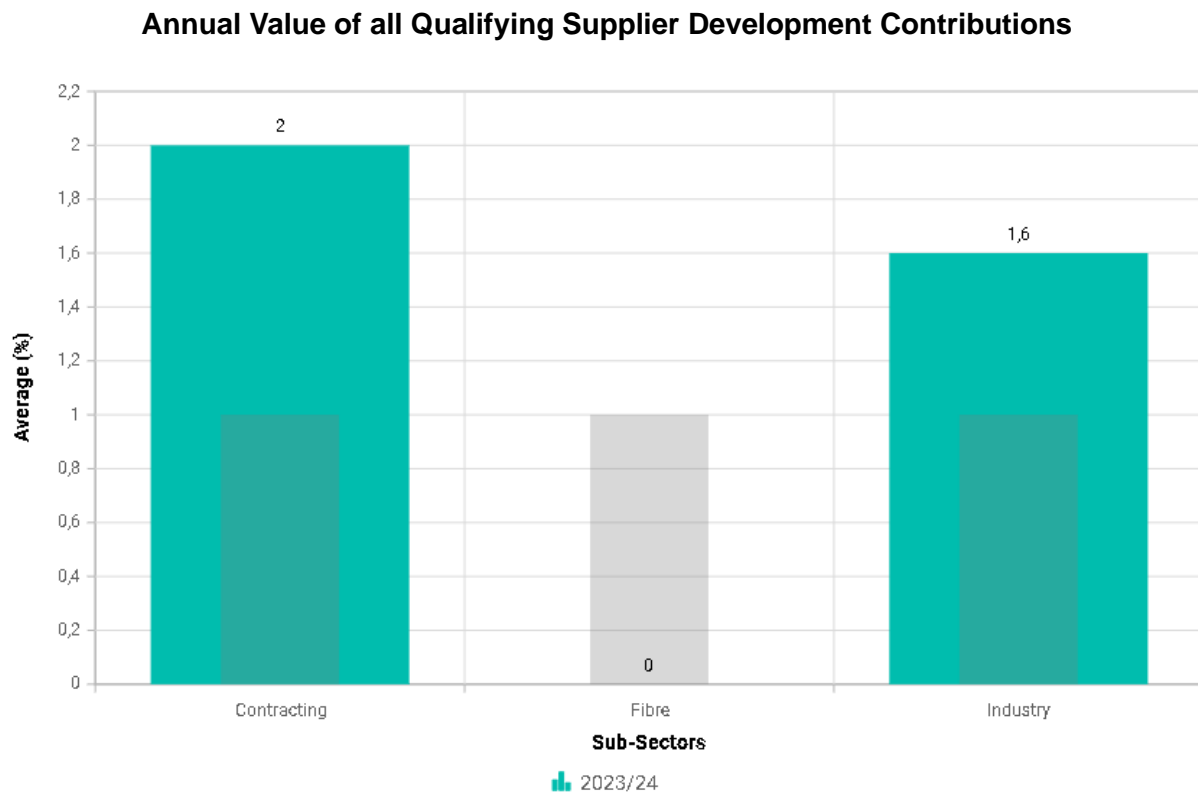


Figure 78: QSE Supplier Development Contributions

Figure 78 above depicts an excellent performance by the Contracting sub-sector, surpassing the target with an achievement of 2%. In contrast, the Fibre sub-sector showed no efforts towards attaining the target, achieving 0%. This highlights a significant area for improvement within the Fibre sub-sector. The industry average surpassed the target, influenced by the exceptional performance of the Contracting sub-sector, however, addressing the disparities between sub-sectors is essential for achieving balanced and inclusive economic growth.

Enterprise Development (ED) is a strategic initiative aimed at fostering the growth and sustainability of small, micro and medium-sized enterprises (SMMEs), particularly those owned by historically disadvantaged individuals. As prescribed in the Amended FSC, Unenhanced QSEs are obligated to spend at least 1% of their net profit after tax (NPAT) on all

qualifying ED contributions outlined in the ESD benefit factor matrix. It involves providing financial and non-financial support to new and emerging enterprises to help them overcome economic barriers to growth and become more competitive in the marketplace.

Figure 79 beneath illustrates the Unenhanced QSEs' performance on all qualifying ED contributions as a percentage of the target (1% of the NPAT).

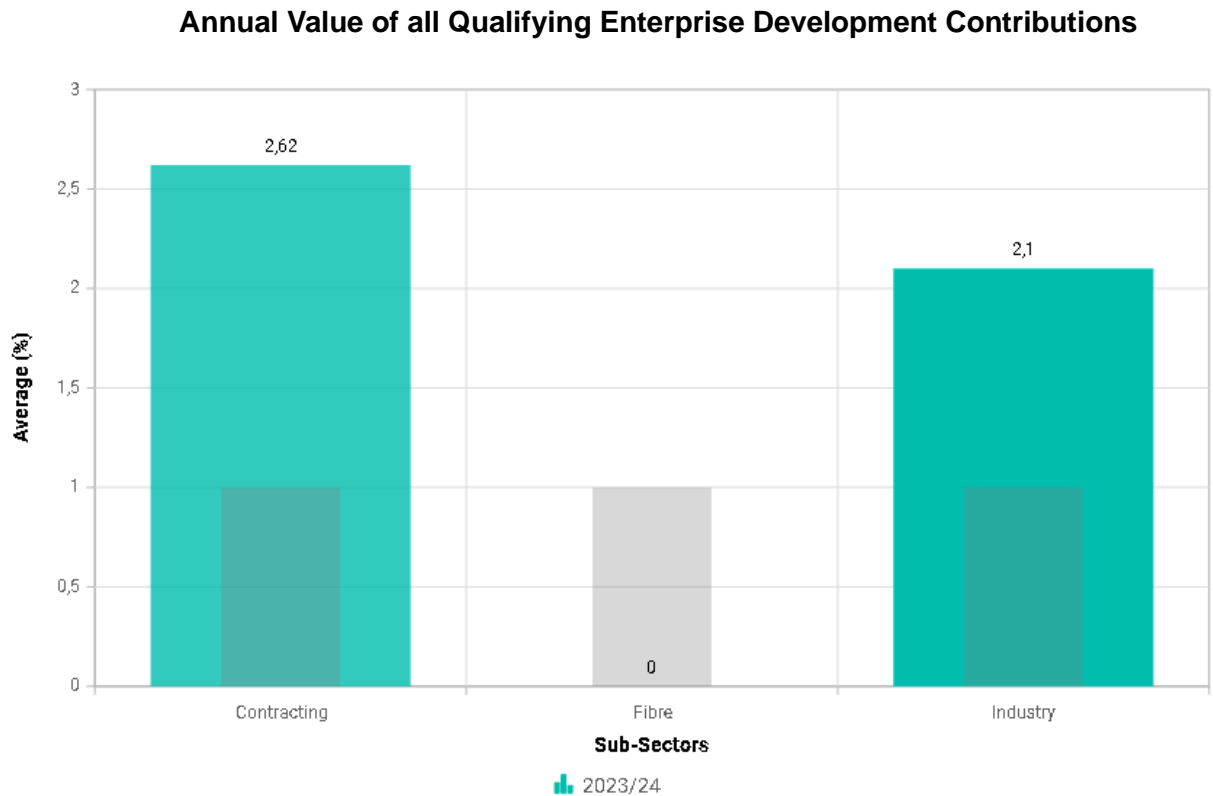


Figure 79: QSE Enterprise Development Contributions

The Contracting sub-sector demonstrated exceptional performance, exceeding the target by attaining 2.6% as highlighted in figure 79 above. This indicates significant strides in supporting the development of new and emerging enterprises within this sub-sector. The Fibre sub-sector showed no attempts to meet the target, achieving 0%, highlighting a substantial area for improvement. The industry average exceeded the target, achieving 2.1%, substantially influenced by the exceptional contributions from the Contracting sub-sector. The discrepancies in sub-sector performance reflect a lack of concerted efforts to foster the growth and sustainability of SMMEs, as well as diversify the sector's marketplace.

9.5 Socio-Economic Development In-Depth Analysis

Socio-Economic Development (SED) fosters initiatives that contribute to the socio-economic development of black communities, including through investments in education, healthcare, and other community development programs. The SED contributions can be monetary or non-monetary of which at least 75% of the beneficiaries must be black people as defined in the Amended B-BBEE Act. Unenhanced QSEs are required to spend at least 1% of their NPAT on SED contributions with a sustained economic benefit. The Amended FSC has rural development targets which are implemented through the ESD and SED elements to address the rural development targets to ensure maximum impacts in terms of empowering and uplifting a standard of living in the rural and underdeveloped areas where forestry has a footprint.

Figure 80 beneath shows a comparison between the performance of Unenhanced QSEs in two different reporting years, 2022/23 and 2023/24, against the weighting point of the SED element.

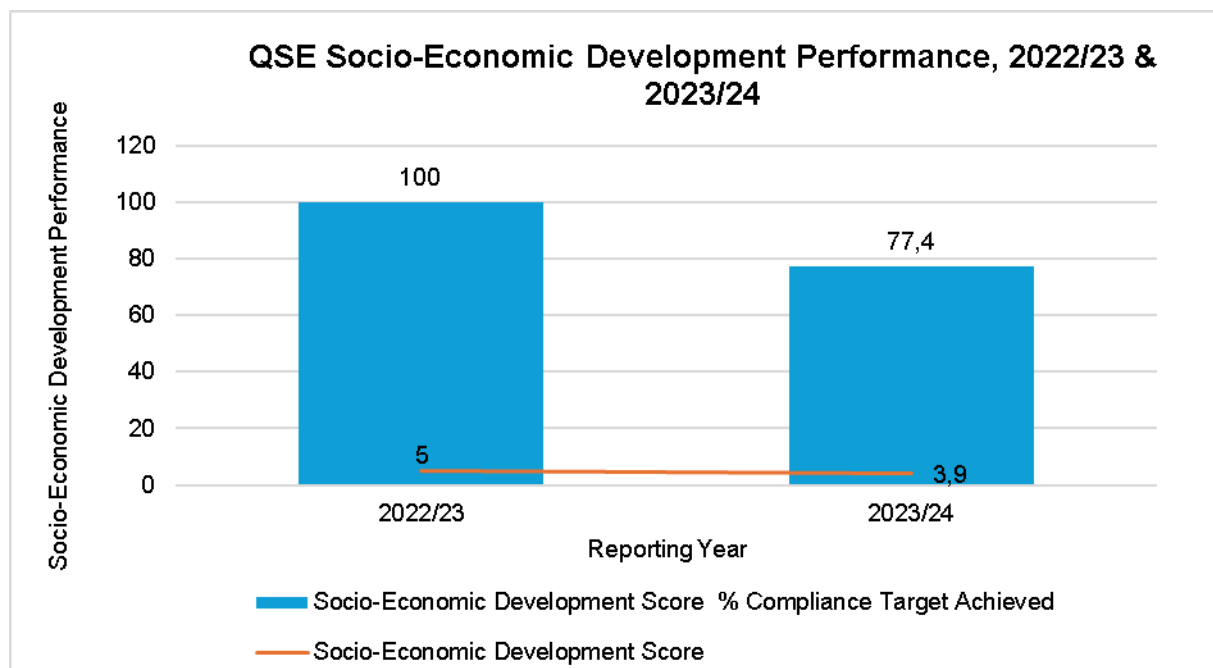


Figure 80: QSE Socio-Economic Development, 2022/23 & 2023/24

As illustrated in figure 80 above, the Unenhanced QSEs achieved a performance of 77.4%, which is still quite impressive. However, there was a decrease of 22.6% compared to the previous year's performance. This decline could be attributed to the underperformance of certain entities within this element.

Figure 81 underneath compares the SED indicator score with the overall SED performance by Unenhanced QSEs.

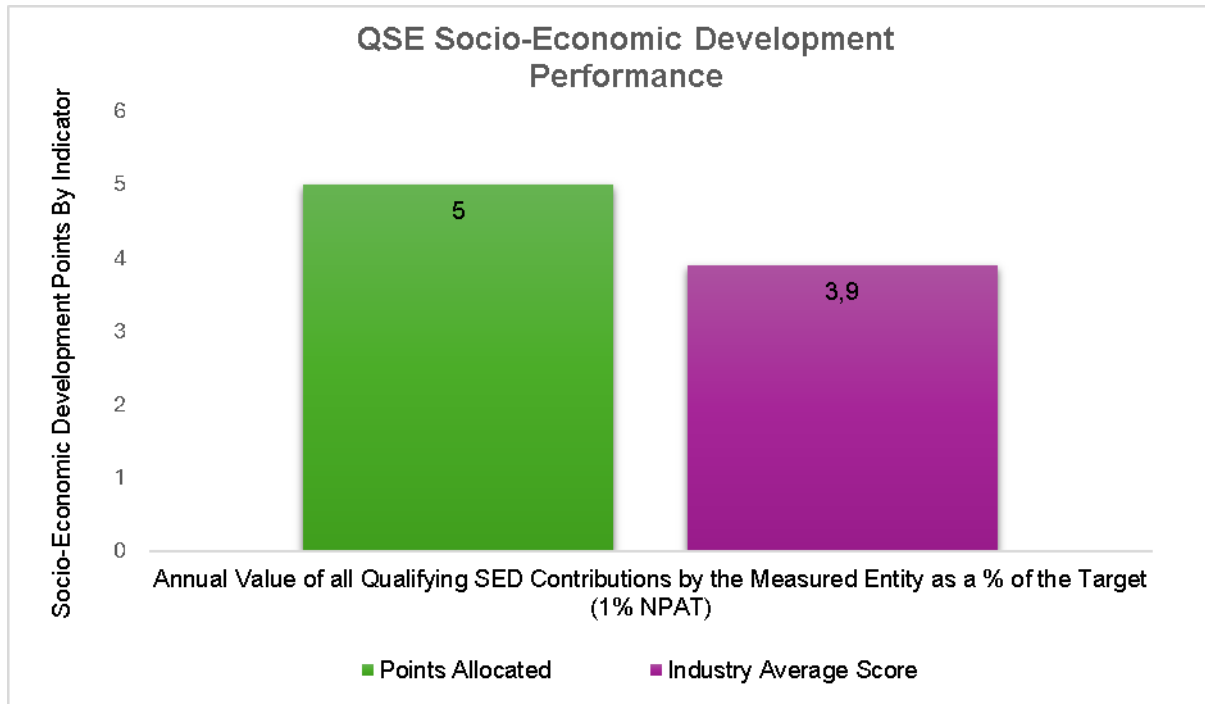


Figure 81: QSE Socio-Economic Development Average Performance per Indicator

Unenhanced QSEs performed outstandingly, with an average performance of 78% toward the target on the SED indicator as shown in figure 81. This exceptional performance suggests a strong commitment by Unenhanced QSEs to social and economic development initiatives for communities surrounding their operational areas.

Figure 82 below displays the SED performance for unenhanced QSEs on qualifying SED contributions as a percentage of the target (1% of the NPAT).

In-depth Analysis: Annual Value of all Qualifying Socio-Economic Development Contributions

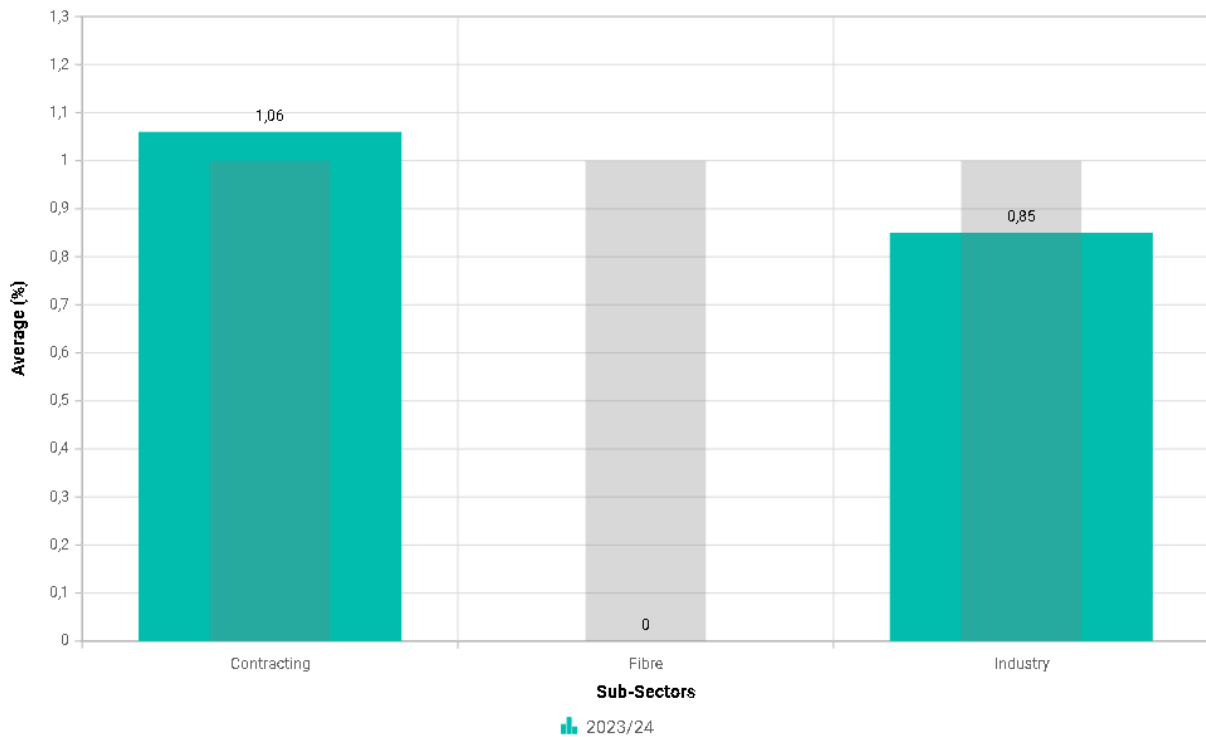


Figure 82: QSE Socio-Economic Development Contributions

Figure 82 above indicates that the Contracting sub-sector performed significantly well, slightly exceeding the target with an achievement of 1.1%. In comparison, the Fibre sub-sector did not meet the target, achieving 0%. This disparity occurred despite some entities reducing or making no investments in their SED contributions. As a result, the industry average fell below the target, landing at 0.9%. Consistent investment in SED contributions is critical for both achieving industry targets and supporting the livelihoods of impoverished communities. Therefore, entities should prioritize SED contributions not only to meet industry benchmarks but also to ensure positive socio-economic impacts on the communities that rely on these initiatives.

10. EXEMPTED MICRO ENTERPRISES (EMEs) ANALYSIS

Exempted Micro Enterprises (EMEs) are entities having annual revenues of less than R10 million. They are excluded from acquiring a B-BBEE verification certificate and automatically assume a level 4 B-BBEE recognition status. EMEs and QSEs could qualify for higher B-BBEE status levels, depending on their black ownership: An EME or QSE with 100% black ownership qualifies at a level 1, while those with at least 51% black ownership qualifies at a level 2 using enhancement principle. In terms of reporting, they are required to report using a B-BBEE 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 optimize their B-BBEE recognition level. Generally, this is applicable when EMEs wish to endeavor into other economic avenues or when tendering for a contract where a B-BBEE certificate is most preferred over an affidavit.

Figure 83 below shows the number of valid EME affidavits received in the year under review in comparison with the two preceding years, 2021/22 and 2022/23.

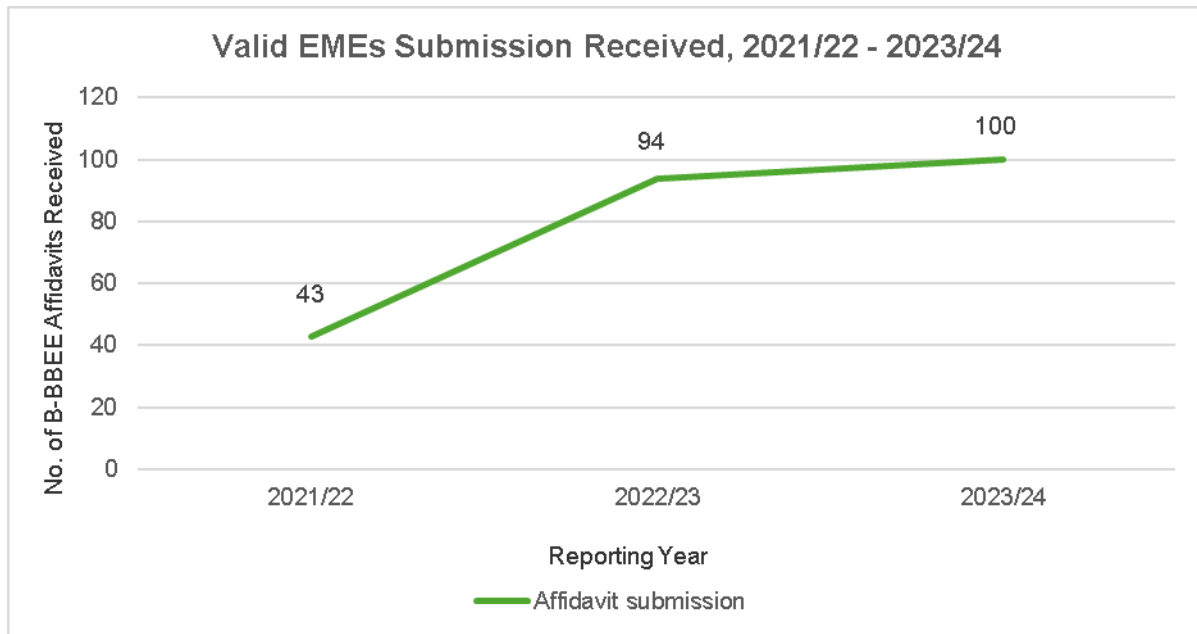


Figure 83: Valid EME Certificate Submissions, 2021/22 – 2023/24

Figure 83 above shows that EME submissions grew modestly in the year under review compared to 2022/23 and more significantly to the 2021/22 reporting year. The B-BBEE affidavit attracted the most submissions (86), while 14 were submitted through the CPIC certificates. This proves the emphasis on the use of affidavits for reporting over CPIC certificates is understood. The EMEs are urged to utilize the FSCC affidavit because it provides additional information about the measured entity that is required to mobilize support from MLEs as they are the beneficiaries of the ESD element.

The EMEs demonstrated increased comprehension of B-BBEE reporting requirements, as no submissions were disqualified during this current evaluation year. The EMEs are advised to fill affidavits in their entirety to avoid jeopardizing the document's validity and having the company declared non-compliant. This has a variety of cascading repercussions for the entity that utilizes EMEs as suppliers because once the affidavit is declared null and invalid by the verification agency cannot be counted in the ESD element.

Figure 84 below illustrates the overall B-BBEE levels achieved by reporting EMEs in the year 2023/24.

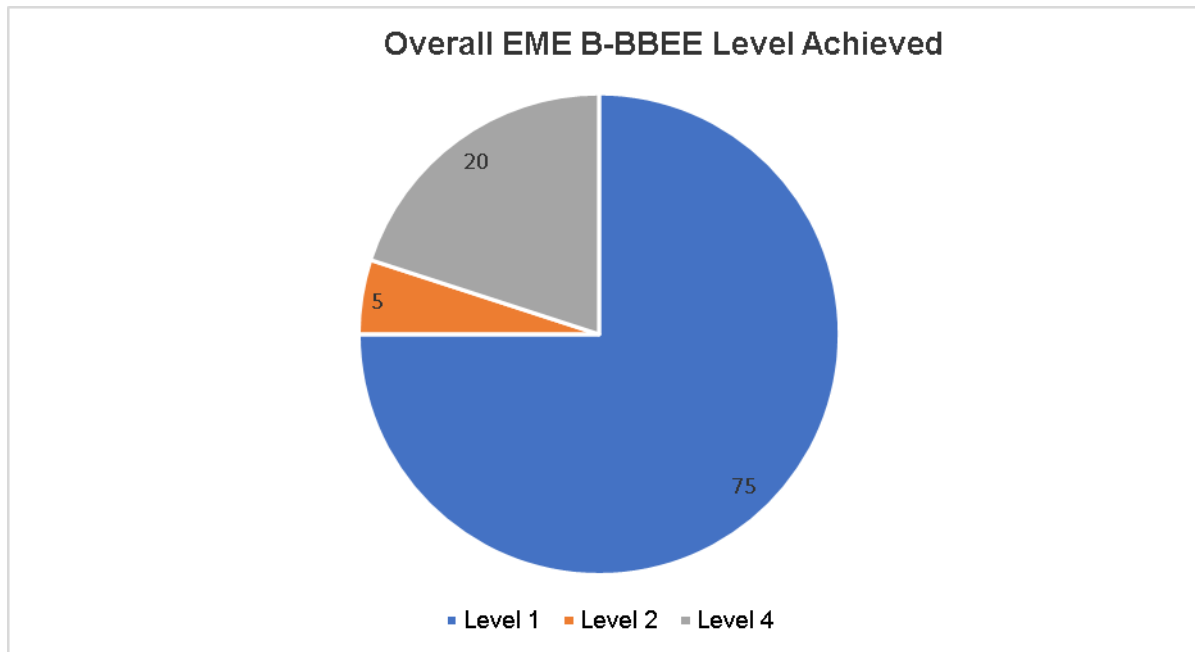


Figure 84: EME B-BBEE Level Achieved

Figure 84 above shows that 75% of EME submissions were from Enhanced Level 1, 20% from Unenhanced Level 4, and just 5% from Enhanced Level 2 EMEs. A similar pattern was found in the preceding reporting year, indicating that many EMEs in the sector are 100% black-owned (Enhanced, level 1), followed by non-black-owned entities (Unenhanced, level 4), with fewer being majority black-owned (Enhanced, level 2). However, this may also indicate a lack of reporting by predominantly black-owned businesses (Enhanced, level 2).

A concentration of 100% black-owned enterprises suggests a significant transformation in the ownership structure of forestry companies. Additionally, it demonstrates the ESD element's favorable influence on the creation and development of black-owned businesses. This suggests that ownership within the sector has become more diverse towards black individuals or entities, aligning with the objectives of B-BBEE. The EMEs retained their aggregated level 2 B-BBEE rating from the previous year, with a minor increase in submissions.

Figure 85 underneath illustrates the submission of EMEs functioning in six sub-sectors of the forest sector.

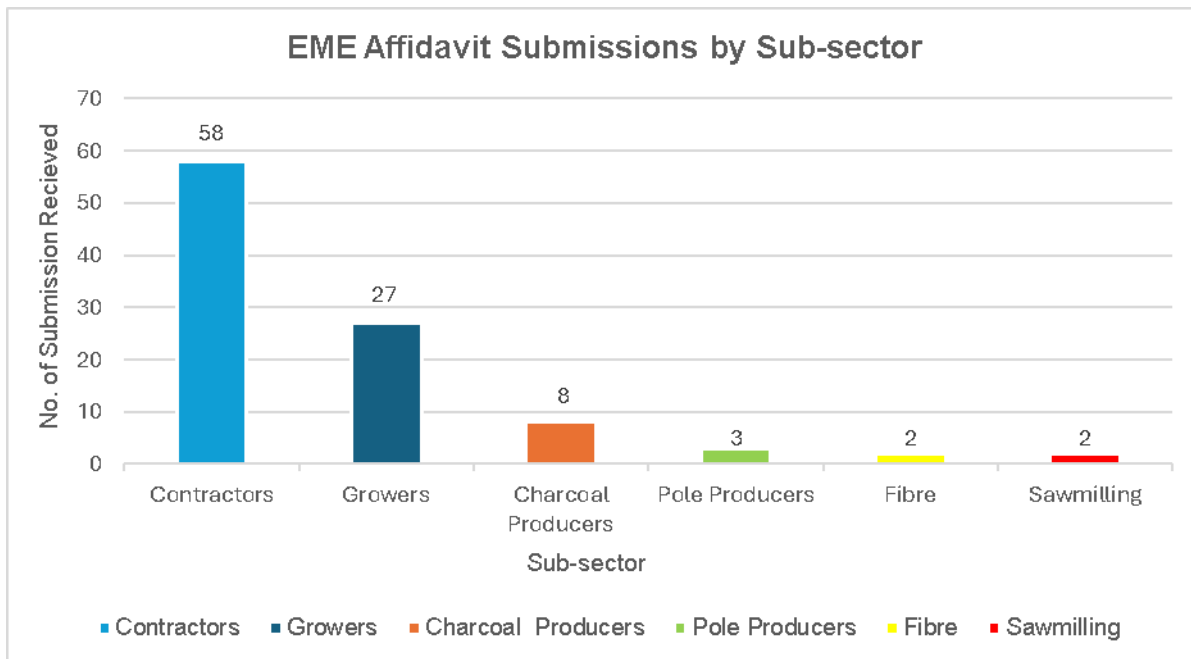


Figure 85: EME Submission by Sub-sector

In the EMEs category, six sub-sectors are represented by submissions, as illustrated in figure 85 above, as opposed to QSEs. The Contractors sub-sector attracted the highest number of submissions, albeit a significant decrease was observed. The second-highest number of submissions came from the Growers' sub-sector, which may be ascribed to FSCC attending Forestry South Africa's small-scale timber Growers' meetings and providing seedling support to Limpopo small-scale timber Growers where B-BBEE submission was a condition for support. Charcoal Producers had the third greatest number of submissions while Sawmilling, Fibre, and Pole Producers' sub-sectors had the fewest.

While it is encouraging to observe companies operating within the six sub-sectors represented and meeting the reporting requirements as outlined in the scope of application in the Amended FSC, their submissions are still not meeting the desired level. Many factors contribute to this, including an undetermined number of entities operating in the sector, unwillingness of entities to report, lack of enthusiasm in transformation matters, etc. This places a duty on the FSCC to increase its visibility, search, and engagement of businesses participating in the sector, as there is evidence of a high number of organizations involved in the sector.

Table 8: 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>	92,5	0	0
<i>Median</i>	100	31,5	100
<i>Mean</i>	77,74	39,58	56,94
<i>Mode</i>	100	0	100
<i>Q3</i>	100	100	100
<i>Maximum</i>	100	100	100
<i>Standard Deviation</i>	40,32	42,87	49,10
<i>Entities scoring 0% Ownership</i>	20	48	42
<i>Entities scoring above 0% but below 51% Ownership</i>	0	15	1
<i>Entities scoring 51% Ownership</i>	4	0	0
<i>Entities scoring above 51% but below 100% Ownership</i>	1	11	2
<i>Entities scoring 100% Ownership</i>	75	26	55
Total number of entities	100	100	100

Table 8 above details the ownership structures of EMEs among B-BBEE beneficiaries, which include Black People, Black Women, and Black Designated Groups (BDGs). During the year under review, there was a marked increase in averages, indicating heightened involvement from all B-BBEE beneficiary groups in the sector. Averages for Black people rose from 59.5 to 77.7, for Black women and BDGs from 22.8 to 39.6, and from 26.2 to 56.9 respectively, in comparison to the 2022/23 status report. Additional analysis suggests that the average for Black people leans rightwards, signifying robust participation from this group, a normal distribution in the BDGs average, whereas the Black women's average is skewed leftwards, revealing inadequate participation from this group within the sector. Given the strategic impetus according to the Forestry Sector Masterplan and FSCC's strategic plan perspective,

there is a pressing requirement to prioritize bolstering the involvement of this group and BGGs through backing and investment in businesses owned by these cohorts.

11. CONCLUSION AND RECOMMENDATIONS

In the year under review, the analysis of MLEs and Unenhanced QSEs was based on both the conservative method and the newly established Online Reporting System. The FSCC has established an online reporting system to ensure accurate data collection, analysis, and data reporting. Moreover, this was also to simplify the reporting process and provide measured entities with an alternative for the reporting process. Enhanced use of the reporting system is highly recommended due to its efficiency.

The highest compliance target achieved in each of the indicators was recorded and the average of the sub-sectors was realized. This was done to record the actual targets and draw as much information for a more plausible inference and conclusion on each reporting sub-sector's performance. The anticipated reaction from reporting MLEs will be to gauge their performance against the actual target achieved. This scenario seems favorable as it accommodates best-performing entities while also addressing the poor performance as poorly performing entities will have to mirror their low scores against actual averages achieved.

MLEs' continued reporting was promising, though only five of the total six sub-sectors were represented. The Charcoal Producers sub-sector was not represented, despite a few submissions recorded in the last reporting period. Fortunately, the FSCC has identified the association representing the Charcoal Producers. It is necessary to intensify interactions with this forum to ensure better representation and compliance from the Charcoal Producers sub-sector.

MLEs presented variations in the level of consistent and inconsistent reporters. There are worrying trends showing that some MLEs opted not to report in the year under review. This suggests that the level of inconsistency will always exist as long as the Measurement Period defined in the Amended FSC is not fully comprehended. It is anticipated that the newly commissioned Online Reporting System will greatly assist in addressing this issue, as it is expected to send reminders to companies whose certificates are about to expire or have expired. Additionally, it is recommended that all MLEs update the Council on any changes relating to officials responsible for B-BBEE administration to facilitate easier engagement. Furthermore, MLEs should pay more attention to the expiry date of their B-BBEE certificates,

as this date remains fixed regardless of any re-issued certificates and reports. This diligence will help ensure timely reporting and compliance, reducing the inconsistency in submissions.

The consequence principle, designed to encourage MLEs to achieve minimum scores on the priority elements, was applied. Six MLEs were discounted, mainly due to the Ownership element, which mirrors the observation from the previous year. Most of the reporting MLEs, particularly those regarded as reliable, including the new ones, achieved a B-BBEE level 1, confirming the mode of B-BBEE level 1 for this reporting period.

Interestingly, some MLEs experienced a level upgrade, reinforcing the need for MLEs to undergo an annual verification process. This process is essential to assess the level of B-BBEE implementation and to explore other interventions that could improve low scores. Regular verification helps identify areas needing improvement and ensures that MLEs remain compliant and competitive.

Very few MLEs achieved a level higher than a level 4 B-BBEE rating, which may indicate that compliance is becoming a business norm among MLEs. Under the current arrangement, entities receiving a rating lower than level 4 would be disqualified from obtaining incentives from government departments. Therefore, the proposal for such entities to improve their level to at least level 4 is valid and crucial. This improvement would not only ensure continued eligibility for government incentives but also demonstrate a stronger commitment to B-BBEE principles.

Good to exceptional scores were recorded in four of the scorecard elements: Socio-Economic Development, Enterprise and Supplier Development, Ownership, and Skills Development. MLEs' average performance in Management Control showed a slight improvement, an accolade worth acknowledging. Some MLEs recorded good scores in this element, which may indicate that succession plans are becoming effective.

However, the continuous low scores recorded under the women indicators, especially in senior management, are discouraging. This issue was discussed with industry Captains, who suggested exploring and tailoring interventions to change this narrative. Prioritizing these suggestions is crucial, as the sector will otherwise continue to be seen as unintentional in addressing women's inclusion and diversity matters. This poor performance undermines efforts and initiatives like She Is Forestry SA, which has received exceptional reception from

the sector. To truly support and promote gender diversity, the sector must take concrete steps to improve women's representation and performance in key roles.

The SD element continued to show an upward trend, validating the transformation imperative to improve on this priority element. These improvements were driven mostly by the better scores on some of the skills development indicators. Consequently, only one MLE was discounted due to the Skills Development element. The performance of the ESD and SED elements also showed an impressive trend, qualifying these two as the sector's best-performing elements. The conclusion drawn from the few responding MLEs on the ESD research indicates that the sector spends millions on ESD, providing mostly grants and loans to supplier and enterprise development beneficiaries. Hence, the long-awaited blended finance initiative reinforced by the Department of Forestry, Fisheries, and the Environment through the Forestry Sector Masterplan is highly recognized. This positive trend highlights the sector's commitment to fostering development and transformation, demonstrating the impact of strategic investments in skills and enterprise development. Continued focus on these areas will further solidify the sector's progress and enhance its contribution to broader economic and social goals.

Growers, unlike Sawmillers, find it challenging to comply with the sale of logs indicators in the ED sub-element, a reversal of the previous trend where Growers performed better. This could be attributed to the enhanced performance of MLEs operating within the Sawmilling compared to the Growers' sub-sector. This discrepancy will continue to compromise the Growers' sub-sector. Therefore, immediate compliance with this requirement, as well as efforts to improve the reporting numbers of Growers, is recommended. Addressing these challenges will ensure a more balanced representation and compliance across sub-sectors, fostering equitable development and support within the forestry industry.

Both QSEs and EMEs performed well. This indicates resilience in maintaining competitive compliance levels, but the decline in reporting numbers amongst the QSEs and EMEs is concerning and could affect the sector's ability to measure transformation pathways accurately. The decline in reporting undermines the effective measurement of transformation within the sector, particularly impacting the ability to assess the growth and development of SMMEs. In addition, this fluctuation in reporting sends a problematic precedent and could hinder efforts to quantify the number of SMMEs operating within the sector and or established as a result of B-BBEE.

Continuous engagement with SMMEs through the industry and/or industry association collaboration will be prioritized to reinforce the understanding of the B-BBEE concept and understand and address their reporting challenges. Moreover, targeted interventions guided by tailored specific needs of the entities as per the Community Outreach Programmes (COP) objectives will also be prioritized to guarantee entities' support in meeting compliance requirements. Such continuous engagements are crucial to identifying and mitigating barriers to compliance and reporting, and potentially demystifying misconceptions about the use of reporting

Strategic initiatives by industry associations to enhance reporting among their members have been effective and are highly acknowledged, and such collaboration has bolstered the reporting of some association members. It is anticipated that some associations that are less or not represented would be inspired by the efforts of other associations and encourage their entities to adopt similar approaches. These efforts support the transformation imperatives of the sector.

Additionally, other major successes were some Unenhanced QSEs advancing to the MLE threshold and EMEs to QSE status, signifying a positive transformation factor and economic growth within the sector. The high level of compliance among EMEs and Enhanced QSEs, driven by the enhancement principle, is acknowledged. In contrast, Unenhanced QSEs lag significantly in both compliance and reporting. This disparity indicates the need for targeted interventions to support Unenhanced QSEs in overcoming compliance challenges.

A majority of MLEs obtained bonus points in some or all of the elements. In conclusion, MLEs maintained an encouraging level 3 B-BBEE rating, which was anticipated given the potential implications of a level downgrade on the sector's efforts. Despite a significant decline in the reporting of QSEs and EMEs compared to the previous year, both maintained a level 2 B-BBEE status. Several factors likely influenced this performance. Firstly, the intentional engagement efforts by the FSCC with stakeholders, particularly industry leaders, played a crucial role. Secondly, the effective implementation of the Forestry Sector Masterplan and the strong relationship between the FSCC, the sector, and government departments contributed significantly. These efforts underscore the positive outcomes of MLEs' implementation of transformative B-BBEE practices. Continued collaboration and strategic initiatives will be essential to sustain and further enhance these achievements, ensuring ongoing compliance, development, and transformation within the forestry sector.

ⁱ <https://www.msn.com/en-za/news/other/an-actions-a-government-would-scrap-b-bbee-policy-says-mashaba/ar-BB1loXRJ>

ii <https://www.bee.co.za/post/bee-commission-is-coming-after-these-businesses-in-south-africa>

iii [Employment Equity Sectoral Targets: Impact on Your BEE & EE Strategy \(transcend.co.za\)](#)

iv [Management Control in B-BBEE : 7 Ways to Apply it to Your Business | Create Infinity](#)

v <https://diversifi.co.za/2020/06/24/skills-development-expenditure-target-b-bbee/#:~:text=The%20term%20leviable%20amount%20is%20defined%20in%20the,liable%20to%20deduct%20or%20withhold%20such%20employees%20tax.>

vi <https://www.bee123.co.za/the-golden-thread-aligning-b-bbee-employment-equity-and-skills-development-for-inclusive-economic-growth/>