

The Amended Forest Sector Code (Forest Sector Code) was gazetted on 21st April 2017 Gazette Number 40803. It came into effect with no transition period. In other words, all certificates issued on this Sector Code are from the date of publication.

Although Forestry contributes modestly to South Africa's GDP, it is a key driver for the development of South Africa's local economies. This particularly applies in rural areas where poverty is compounded by a lack of employment opportunities.

The bulk of South Africa's forestry plantations is located in Mpumalanga, followed closely by KwaZulu-Natal. Others are spread across the Eastern Cape, Limpopo and the Western Cape. Pine and eucalyptus are the predominant species in the South African forestry industry. The plantation forests of South Africa use just 3% of the country's total water resources. Irrigation is not utilised in forest plantation management. Therefore, it is vital that rainfall is more than 750mm per annum to sustain the commercial forestry industry.

The sector is under continued pressure despite high demand. Given the limitations of natural resources, the forestry industry is tightly regulated, particularly relating to the environmental impact of forestry activities. Therefore, serious focus is placed on responsible forestry operations and how forestry activities contribute to the economic viability of local communities and Transformation alike¹.

Amended Forest Sector Code



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Scope of Application

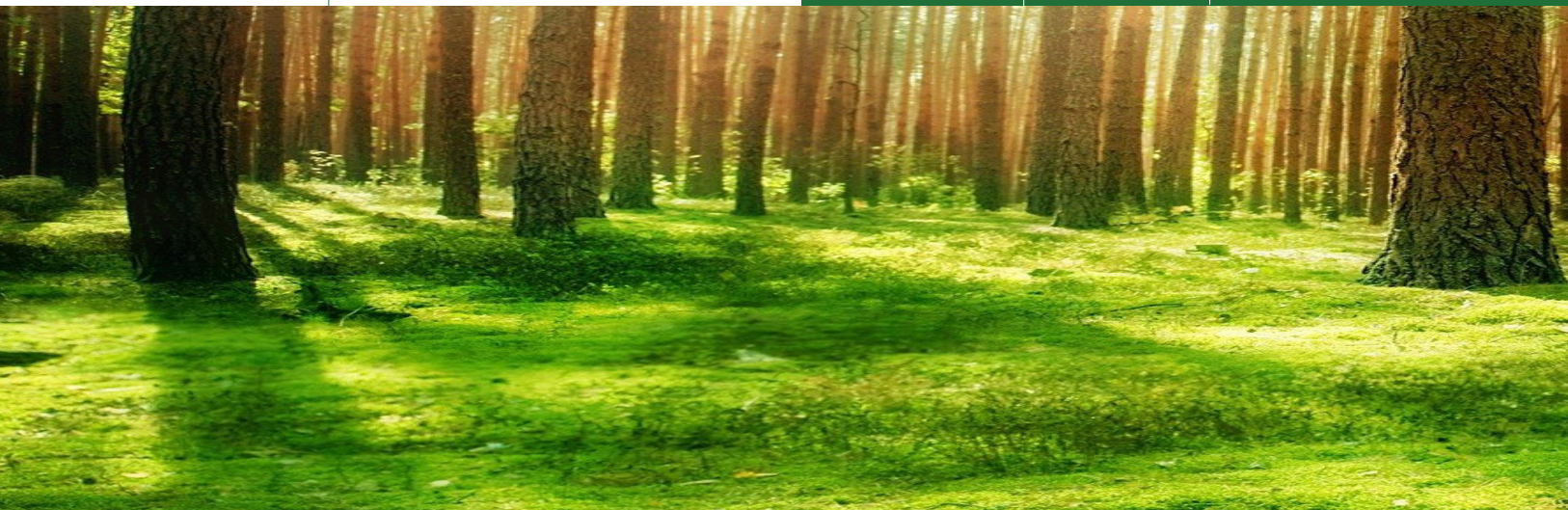
The Forest Sector Code applies to all organisations operating in commercial forestry and first level processing of wood products. This includes the following sub-sectors:

Growers	Plantations, nurseries and indigenous forests;
Contracting	Forestry contractors in silviculture, harvesting, fire-fighting and other contracting services not covered by another sector code;
Fibre	Pulp, paper, paperboard, timber board product, wood-chip and wattle bark manufacturers;
Saw-milling	Industrial, structural and mining timber sawmills as well as match manufacturers;
Pole sub-sector	Pole manufactures; and
Charcoal sub-sector	Charcoal producers.

Qualification Threshold

These qualification thresholds do not change from that of the Amended Codes:

Exempt Micro Enterprise (EME)	Annual turnover of less than R10m.	Only an affidavit required to confirm turnover and 'Black' shareholding.
Qualifying Small Enterprise (QSE)	Annual turnover between R10m and R50m.	Only an Affidavit for organisations with more than 51% 'Black' Ownership to confirm turnover and 'Black' shareholding. Organisations with less than 51% 'Black' Ownership must provide a SANAS accredited B-BBEE Certificate.
Generic Enterprise	Annual turnover above R50m.	Must provide a SANAS accredited B-BBEE Certificate.



Forest Sector Code Scorecard

	Generic Scorecard		Qualifying Small Enterprise Scorecard	
	Weighting Points	Bonus Points	Weighting Points	Bonus Points
Ownership	25	12	25	-
Management Control	19	-	15	-
Skills Development	20	5	25	5
Enterprise and Supplier Development				
> Preferential Procurement	23	2	20	1
> Enterprise Development	10	4	5	2
> Supplier Development	10		5	
Socio-Economic Development	5	3	5	-
TOTAL	112	26	100	8

The Employment Equity element has been absorbed into Management Control. There are three identified Priority Elements that mirror the Amended Codes with allocated sub-minimum requirements, namely:

Priority Element	Sub-minimum requirements
Ownership	40% of the Net Value points.
Skills Development	40% of the total points available, excluding Bonus Points.
Enterprise and Supplier Development	<ul style="list-style-type: none"> > 40% of the Preferential Procurement points available; > 40% of the Supplier Development points available; and > 40% of the Enterprise Development points available, excluding Bonus Points.

Ownership

The requirement for Ownership held by Broad-Based Ownership Schemes (BBOS), Employee Share Ownership Schemes (ESOP) and 'Black' Designated Groups (BDG) is 7.5%, in contrast to the 3% required for the same amount of Weighting Points.

There are four Bonus Points allocated as follows:

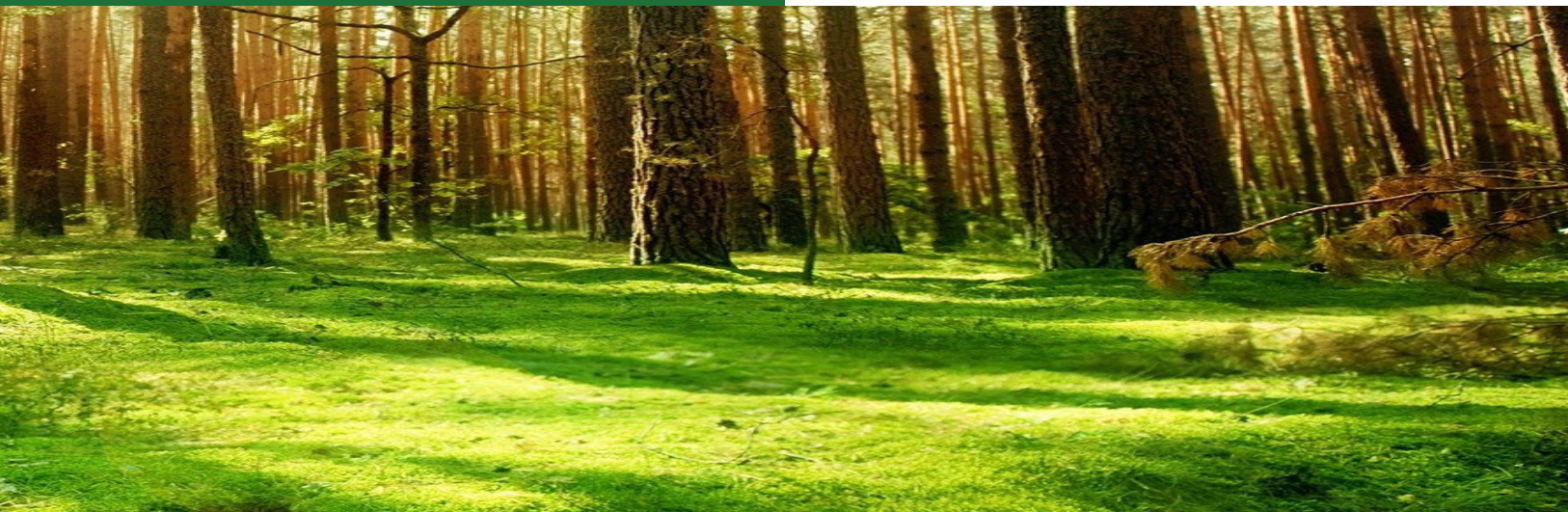
- > The economic interest held by communities in the area which an organisation operates - 2.5% over and above the 7.5% requirement.
- > The economic interest held by 'Black' Employees - 2.5% over and above the 7.5% requirement.
- > Economic interest in the hands of 'Black' People – 5% over and above the 25%.
- > Economic interest in the hands of 'Black' Women – 5% over and above the 10%.

Skills Development

The overall target for Skills Development spend on 'Black' People is 5% in contrast to the 6% in the Amended Codes. The Sector Code specifically states that the 5% compliance target for the total spend on 'Black' People, as well as 'Black' People with disabilities, may include external training spend for people not employed by the organisation. Points are only recognised for an unemployed Learner that participates in a learnership, an apprenticeship or internship programme that is paid for by the organisation.

Mandatory Training

Sectoral mandatory training may not in aggregate contribute more than 60% of the total spend. This will only be recognised on training deemed as core or critical skills by the Charter Council in consultation with the SETA. The Charter Council will from time-to-time publish a list of mandatory training that may be regarded as core or critical skills.



Schedule 2 and 3 of the Forest Sector Code catalogues commitments made by Government to facilitate the transfer of Rights of Ownership in the sector. Some of them were not yet implemented at the time of gazetting. However, in the interim it has been agreed that, subject to provisos contained in paragraph 6.3 of Schedule 2, that recognition will be given for attaining 5% 'Black' Women Ownership as laid out below.

- > Economic Interest of 'Black' People.
- > Economic Interest of 'Black' Women.
- > Voting Rights of 'Black' People.
- > Voting Rights of 'Black' Women.
- > Full Net Value for the 5%.

The Forest Sector Charter Council (Charter Council) will publish a notice once the outstanding commitments are finalised.

Management Control

The Management Control scorecard does not differ from the Amended Codes. The same applies to EAP targets. This, however, excludes the 'Black' People with disabilities employee indicator.

Foreign Service Providers

Operational training on machinery unique to the Forest Sector, that is not locally available is allowed. However, this is providing the training meets the criteria in the Learning Programme Matrix. This applies whether or not a foreign service provider is accredited, registered, or formally approved by a statutory occupational or professional body.

Enterprise and Supplier Development

Preferential Procurement

- > EME – There are 3 points allocated in contrast to the 4 available in the Amended Codes.
- > QSE – There are 2 points allocated in contrast to the 3 available in the Amended Codes.
- > 30% 'Black' Woman Ownership - The target has been set at 10% compared to the 12% target in the Amended Codes. The same applies to the Weighting Points that are 2 compared to the 4 available in the Amended Codes.



- > Bonus Points - 2 points are available for 'Compliance with Industry Codes of Contracting. However, this is providing an organisation has achieved at least 9.2 points aggregate for the remainder of the Preferential Procurement scorecard.

Imports

The Sector Codes state explicitly that exclusion of imported goods – barring capital goods and components - from the procurement spend calculation depends on an Enterprise and Supplier Development Plan being developed. It is not necessary for this plan to relate to specific goods or services that are imported.

Adjustment of targets for paragraphs 2.1.2 to 2.1.6 of the Preferential Procurement section of the scorecard:

The Sector has agreed that 50% of the targets in the Procurement Scorecard indicators for Preferential Procurement from QSE's, EME's, 51% 'Black' Owned, 30% 'Black' Women owned and 51% 'Black' Designated Owned suppliers is the direct responsibility of the sector – it can never be less than this.

The remaining 50% depends on Government's ability to perform in terms of its commitments, as per Schedule 2 and 3, as follows:

- ① Paragraphs 6.1(b) and (d) of Schedule 2: "Access to funds and financial services for emerging 'Black' entrepreneurs";
- ② Paragraph 6.3 of Schedule 2: "Expedite the authorisation process for afforestation & paper and saw-milling facilities", read together with "Streamline and expedite afforestation licensing procedures" in Schedule 3,
- ③ Leveraging of State forest assets (Paragraph 2.3 of Schedule 2).

Government's 50% target must thus be adjusted annually using a completeness ratio, which refers to the completeness of achieving the above three mentioned commitments.

Government will submit an annual report to the Charter Council, in which an Independent Competent person will report on the progress of Government. The Charter Council must agree on a formula for determining the completeness ratio. Until this happens, the target is treated as zero.

The adjusted targets will be applicable to the measurement period that commences after the publication of the adjusted targets for that year.

By way of example:

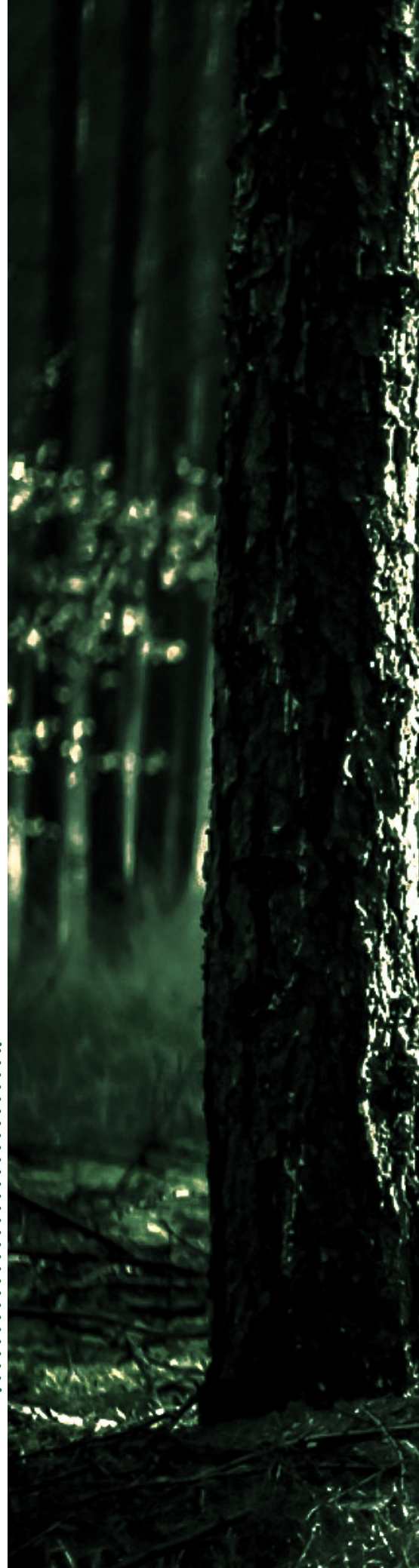
Point 2.1.2 of the Preferential Procurement scorecard relating to QSEs whereby the target is set at 15%.

> 7.5% is the Industry target.

> 7.5% is Government's target. This is the percentage that will be multiplied by the completeness ratio.

If the outcome indicates that Government has only met 80% of its commitments, the ratio outcome will be 0.8. The calculation would be $7.5\% \times 0.8 = 6\%$.

The target is then $7.5\% + 6\%$, giving a total target of 13.5%.



Enterprise Development

The allocated Weighting Points for Enterprise Development is set at 10 for meeting the target of 1% NPAT, compared to the 5 Weighting Points available in the Amended Codes.

There are separate indicators for organisations that are categorised as Growers and Saw-millers:

- > The annual sale of logs and saw timber - as a percentage of total sales in terms of tonnage
 - to QSEs and EMEs depending on their B-BBEE Procurement Recognition Level.
- > The annual sale of logs and saw timber - as a percentage of total sales in terms of tonnage
 - regardless of B-BBEE level, that is either 51% 'Black'-owned or 30% 'Black' Women-owned.

Bonus Points

A total of 4 Bonus Points are available. Meeting the following four criteria will allow for 1 Bonus Point per requirement.

- > The graduation of an Enterprise Development Beneficiary.
- > Jobs created within the entity of the Enterprise Development Beneficiary.
- > The annual value of Supplier Development and/or Enterprise Development sector approved contributions in partnership with Government. The target is 0.5% of Net Profit After Tax (NPAT). A Bonus Point is allocated over and above the 3% of NPAT of the combined Enterprise and Supplier Development (ESD) target.
- > The annual value of Supplier and/or Enterprise Development Contributions to 30% 'Black' Women-owned QSEs and EMEs. The target is 0.5% of (NPAT). A Bonus Point is allocated over and above the 3% of NPAT of the combined ESD target.

Supplier Development

The allocated Weighting Points for Supplier Development is set at 10 for meeting the target of 2% NPAT.

A benefit added to this Sector Code is that portions of qualifying annual Enterprise Development and Supplier Development Contributions, that exceed the set targets, may be carried forward to the following Measurement Period. However, this can only be carried forward once.

Socio-Economic Development

As per the Amended Codes, the target is 1% NPAT and 5 Weighting Points. There are 3 possible Bonus Points available for Sector-Specific Contributions or Qualifying Socio-Economic Contributions more than the 1% target. The target to achieve the full 3 Bonus Points is 1.75% of NPAT. Any contributions that exceed 1.75% NPAT may be carried forward to the following measurement period. However, this can only be carried over once.

“The sector is under pressure despite high demand.”