



SAFCOL INTEGRATED REPORT 2016/17
PRESENTATION TO PORTFOLIO COMMITTEE ON PUBLIC
ENTERPRISES
JANUARY 2018

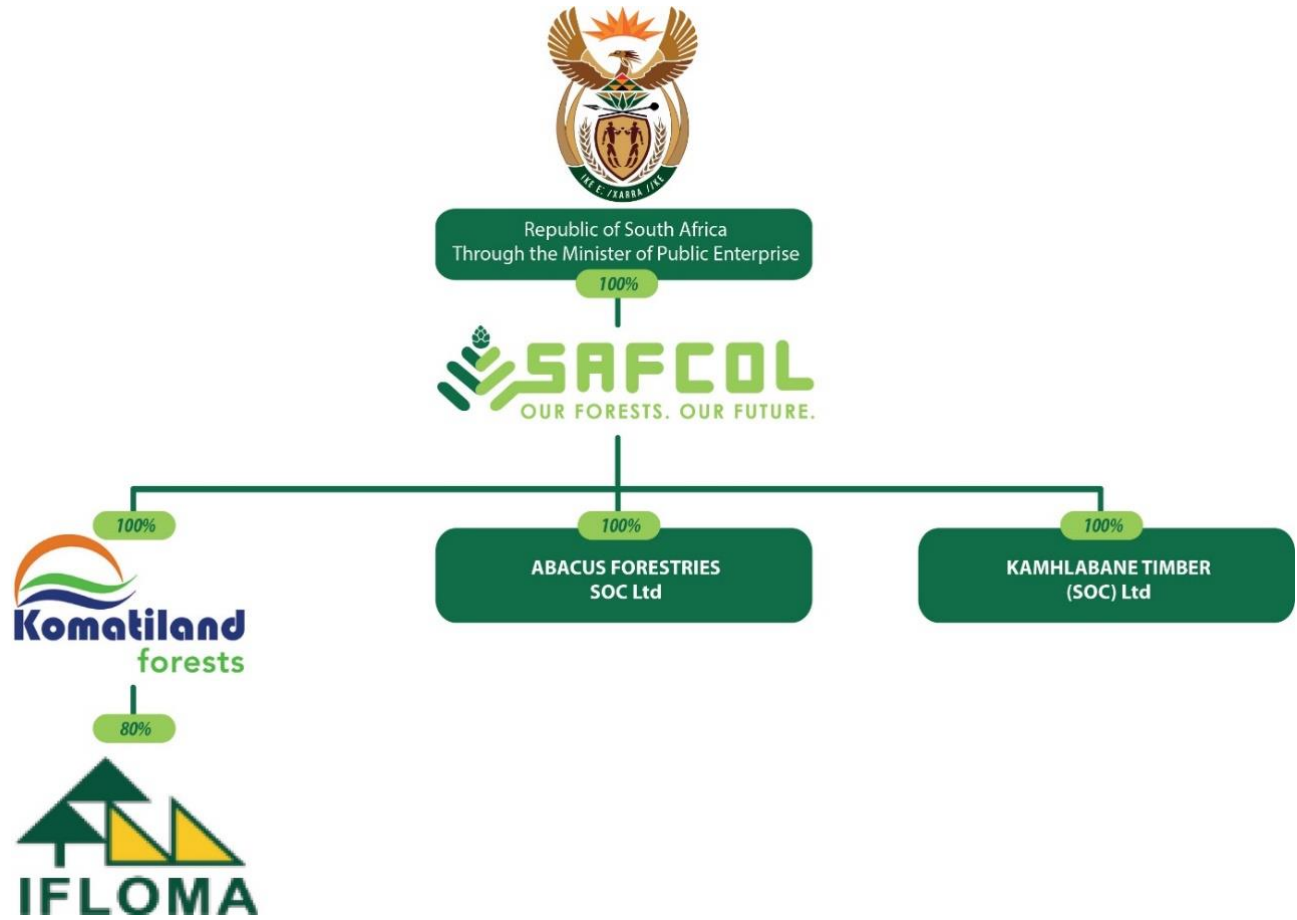


PRESENTATION OUTLINE

- **Overview of SAFCOL**
 - Mandate of SAFCOL
 - Vision, Mission and Core Values
 - SAFCOL Group Structure
 - Strategic Objectives and Drivers
 - Where SAFCOL Operates
- **SAFCOL as an Enabler**
- **Highlights**
 - Financial Highlights
 - Operational Highlights
 - Human Resource Highlights
 - Socio Economic Development Highlights
- **Lowlights**
- **Shareholder's Compact Matrix**
- **Concluding Remarks**



OVERVIEW OF SAFCOL



OVERVIEW OF SAFCOL

- The South African Forestry Company (SOC) Ltd, referred to as SAFCOL, was established as a State-Owned Company in 1992 under the Management of State Forest Act of 1992 for the management and control of State Forests;
- The SAFCOL Group comprises of the following entities:
 - Komatiland Forests (KLF);
 - IFLOMA in Mozambique;
 - Abacus; and
 - Kamhlabane.
- KLF is the main operating entity and generator of income within SAFCOL and manages the forests and processing operations;
- SAFCOL supplies the market with timber logs and processed lumber, which is primarily used for structural construction including roof trusses, as well as for industrial applications, pallets and packaging.

OVERVIEW OF SAFCOL

Objects of Company

“The objects of the Company are the development in the long term of the forestry industry according to accepted commercial management practice.”

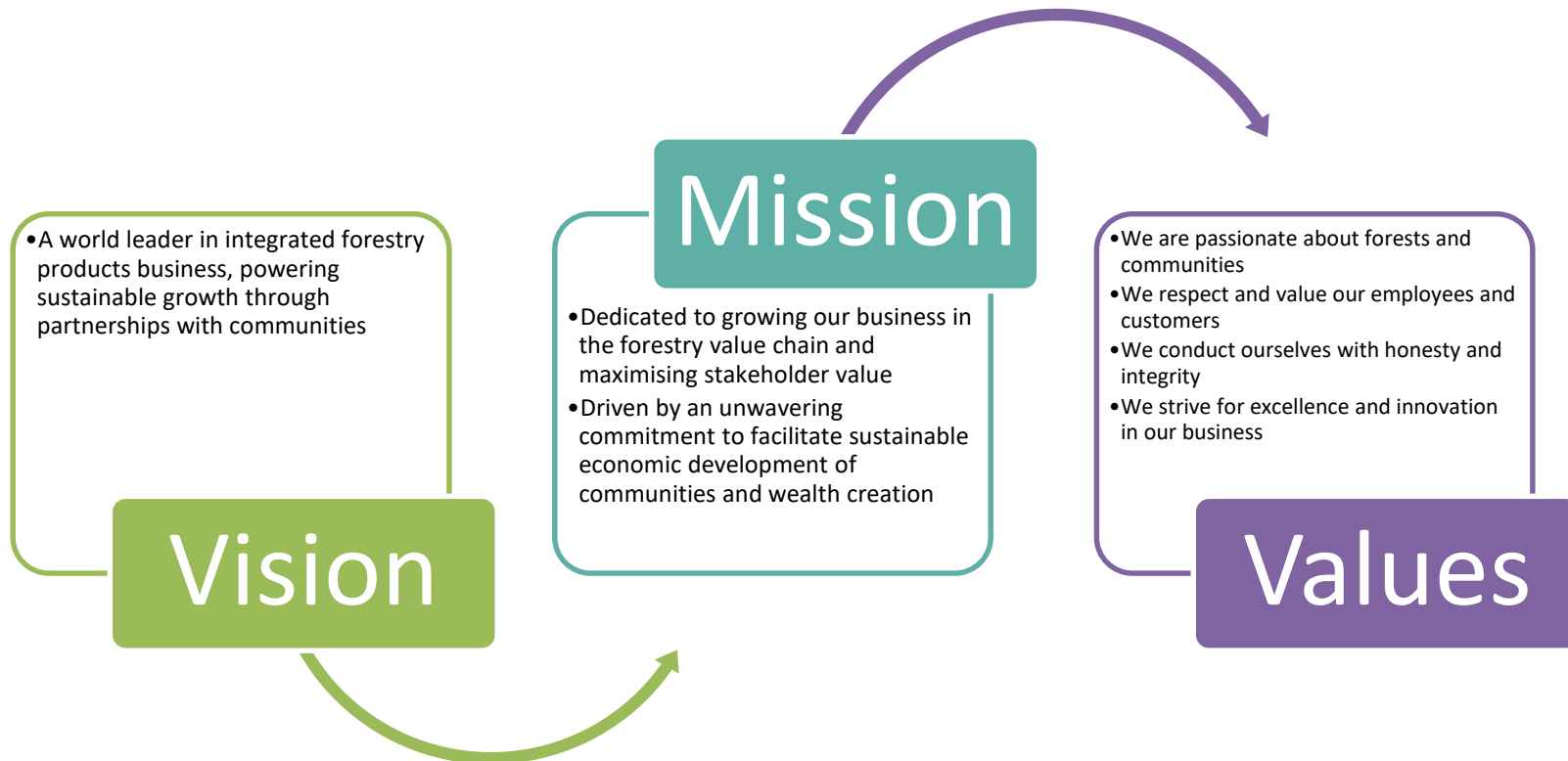
– *Management of State Forests Act,
Section 3 (Act 128 of 1992)*

Mandate

“To conduct forestry business, which includes timber harvesting, timber processing and related activities, both domestically and internationally.”

OVERVIEW OF SAFCOL

Vision, Mission and Core Values



STRATEGIC OBJECTIVES

Growth and new markets

Business development and growth

Grow current market share

Diversify products and services

Diversify into new markets

Horizontal & vertical integration

Financial sustainability

Revenue growth

Financial management

Operating profit growth

Operational excellence

Establish cutting-edge processing facilities

Continuous improvement of silviculture and harvesting practices

Support all business operations with R&D

Develop consultancy and advisory services

Rural development

Be a catalyst in rural economic development

To lead in environmentally sustainable forestry

STRATEGIC DRIVERS

Financial sustainability

- Revenue growth
- Cost control
- Profitability
- Liquidity

Cutting-edge operations and processes

- Modernisation and optimisation
- Efficiency
- Broaden Research and Development (R&D) capability
- Quality, standards, health and safety
- Effective contract and risk management
- Environmental stewardship

Human Capital

- Appropriately skilled and diversified work force
- Skills retention and reward
- High performance culture
- Succession planning
- Employer of choice

Satisfied customers and stakeholders

- Stakeholders engagement
- Supplier and service provider of choice
- Preferred partner

Transformation

- Catalyst to drive transformation in the forestry industry
- Sustainable community development initiatives
- Establishing sustainable enterprises and suppliers within SAFCOL's value chain

WHERE SAFCOL OPERATES

- Operations in South Africa and Mozambique, mainly in rural areas;
- SAFCOL conducts its primary business within the plantation forestry industry through the management of 15 plantations in Mpumalanga, Limpopo and KwaZulu-Natal; Revenue is mainly generated from log (e.g. sawlogs, poles, mining timber, pulp) and sawn timber (lumber) sales;
- Indústrias Florestais de Manica, SARL (IFLOMA) is a Mozambique-based Public Limited Liability Company established in the 1980's as a government initiative, with 80 percent of the share capital sold to KLF in 2004. The remaining 20 percent of shares are held by the Instituto de Gestão das Participações do Estado (IGEPE), Mozambique's State Shareholding Management Institute;
- Plantations in South Africa are segmented into three Regions
 - Highveld (KwaZulu-Natal and Mpumalanga);
 - Central (Mpumalanga) and
 - North (Limpopo and Mpumalanga).
- SAFCOL manages a total combined area of 272 307 ha in South Africa and Mozambique.

WHERE SAFCOL OPERATES

IFLOMA MESSICA DISTRICT Snapshot

Genus : Pine and Gum
 Plantations : Rotanda, Bandula, Penhalonga and Mavonde plantations
 Area : Manica district and Sussundenga District in Manica Province
 Size : 49% of Total Area Under Management

IFLOMA MUANZA DISTRICT Snapshot

Genus : Gum
 Plantations : Galinha
 Area : Muanza district
 Size : 50% of Total Area Under Management of which 1.1% is planted

Northern District Snapshot

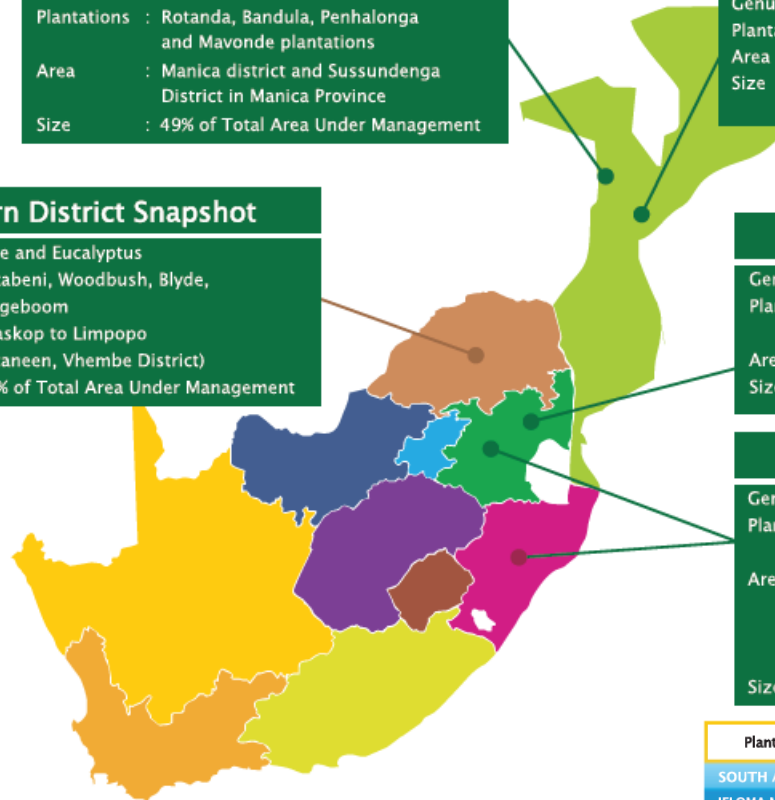
Genus : Pine and Eucalyptus
 Plantations : Entabeni, Woodbush, Blyde, Wilgeboom
 Area : Graskop to Limpopo (Tzaneen, Vhembe District)
 Size : 25% of Total Area Under Management

Central District Snapshot

Genus : Pine and Eucalyptus
 Plantations : Tweefontein, Bergvliet, Brooklands, Witklip, Uitsoek
 Area : Graskop, Sabie, Hazyview, Lydenburg
 Size : 37% of Total Area Under Management

Highveld District Snapshot

Genus : Pine, Eucalyptus and Wattle
 Plantations : Berlin, Belfast, Nelshoogte, Jessievale, Roburnia, Ngome
 Area : Mpumalanga Highveld around Ermelo, Belfast, Kaapschehoop, Barberton, Warburton, as well as Nongoma in KwaZulu-Natal
 Size : 38% of Total Area Under Management



93% of our plantations are Pine Forests with the rest made up from wattle and eucalyptus

Plantation	Total Area	Plantable Area	Planted Area	TU Area	Conservation
SOUTH AFRICA	189 760	121 585	118 796	2 789	68 175
IFLOMA MESSICA	31 754	16 275	14 926	1 348	15 479
IFLOMA MUANZA	50 793	29 827	331	41	20 966
TOTAL IFLOMA	82 547	46 102	15 258	1 389	36 445
TOTAL	272 307	167 687	134 054	4 178	104 620

62%	49%	2%	38%
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TU - Temporarily Unplanted Area - plantable area which has been harvested, but awaits the rainy planting season to be replanted.
 Conservation Area - area which is not commercially planted, but consists of natural forests, wetlands, grasslands and water courses.



SAFCOL AS AN ENABLER



SAFCOL AS AN ENABLER

Industry

- Providing consistent supply of high quality sawlogs to the industry;
- Our investment in R&D has led to supply of genetically improved seed which has been positively accepted by the industry; and
- Participating in the detection and prevention of fires for the benefit of the industry.

Communities

- Established two additional youth manufacturing cooperatives;
- Electrification of Ngome Primary School;
- Wi-fi pilot project and donation of 10 computers to Evane Primary School and 20 computers to Mathangetshitshi High School; and
- Built timber-frame structures for various communities.

Customer

- Assisted in driving transformation in the industry by giving up to 5% discount on log price to B-BBEE qualifying customers; and
- SAFCOL contributed over R18 000 000 through this discount initiative to encourage transformation in the Forestry/Sawmilling industry. This further encouraged sawmillers to do business with black owned entities in order to improve their B-BBEE level.

Supplier

- Incubation of nine, 100% black owned Silviculture Contractors – provided training and purchased tools, trained approximately 90 employees of suppliers;
- Incubation of furniture manufacturing contractors – supplied contractors with equipment, tools and materials; and
- Spend on enterprise and supplier development was R4 457 125 million.





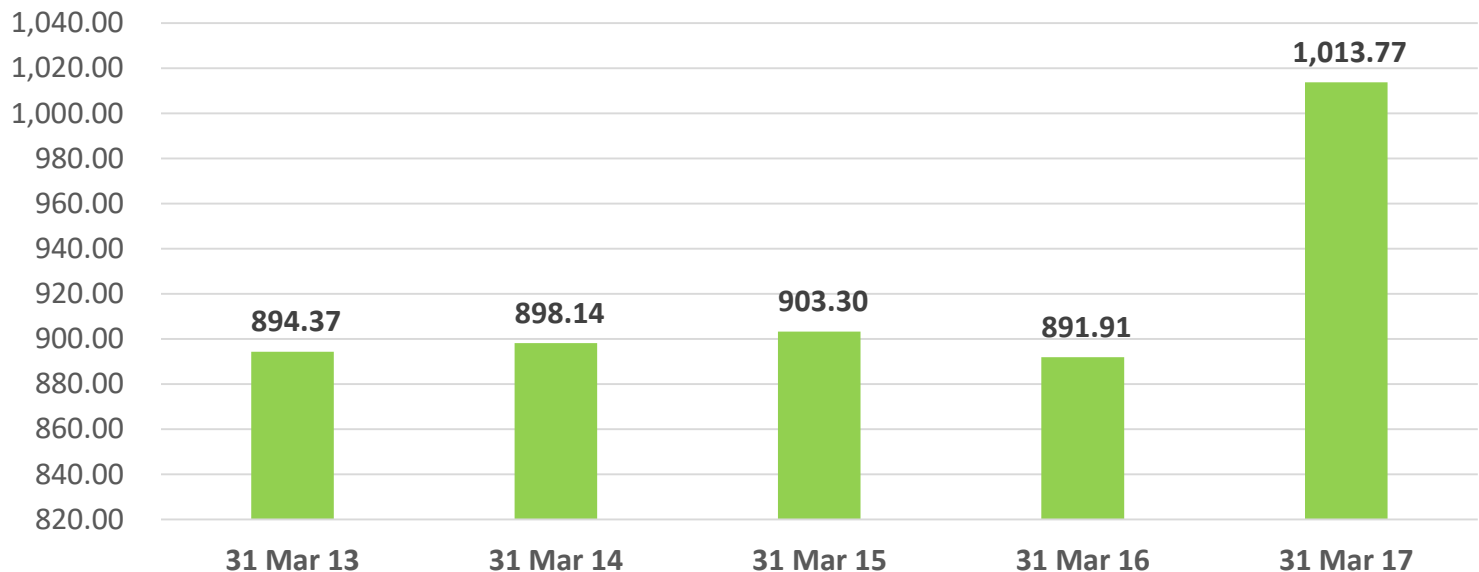
HIGHLIGHTS



Financial Highlights

REVENUE (RM*)

Revenue increased to R1 013.77 bn in 2016/17, attributable mainly to log revenue targets achieved due to increased ad-hoc sales.

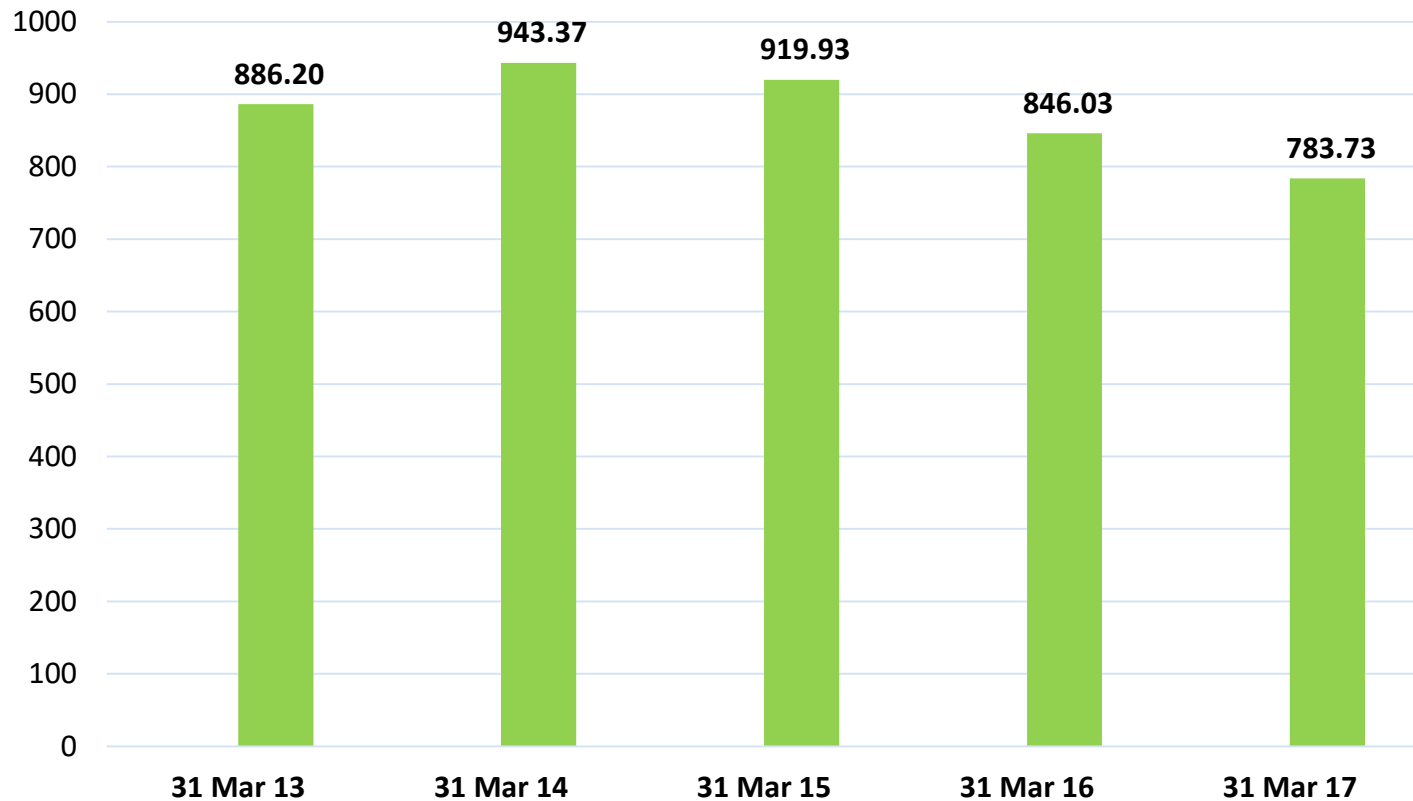


* Graph is represented in Rand/Million

Confidential

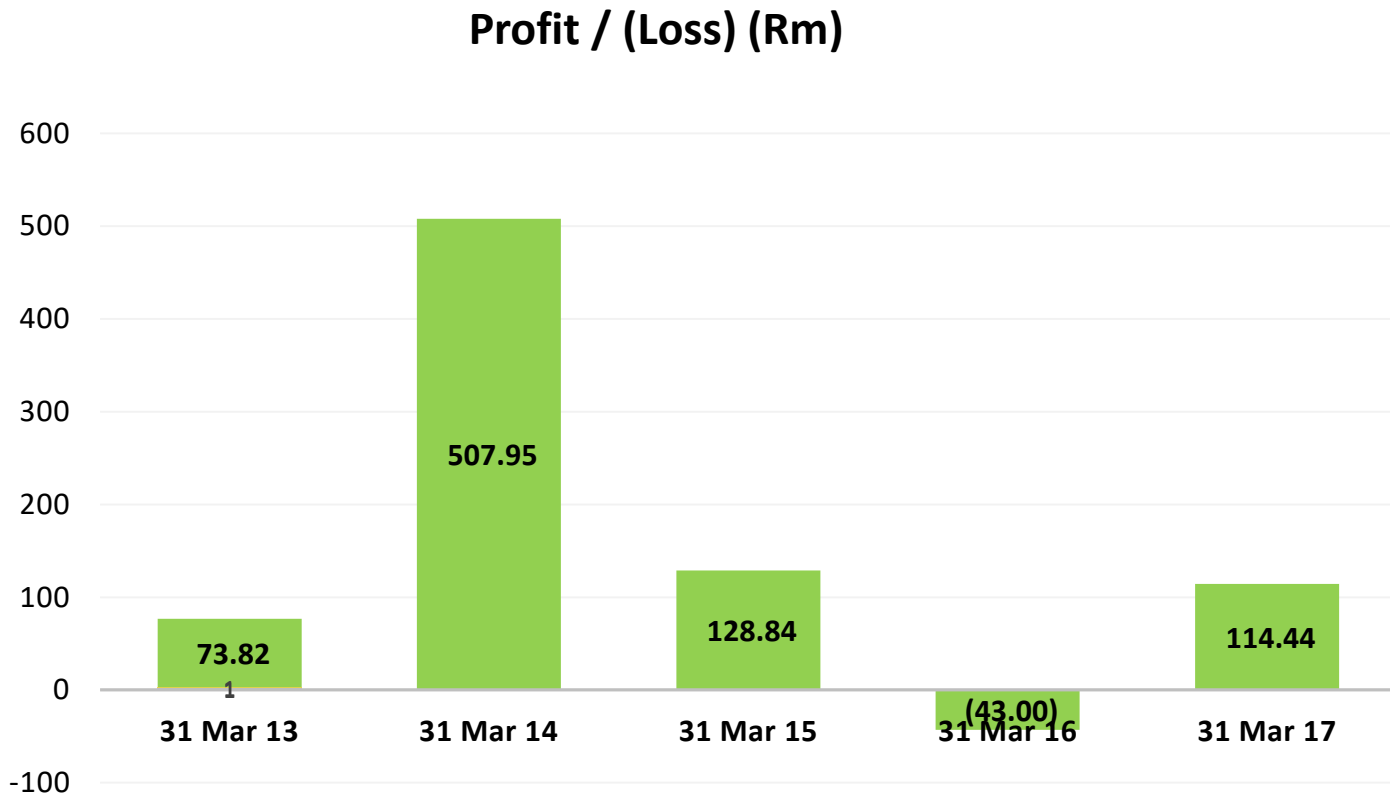
OPERATING COSTS (RM)

Operating Costs decreased by 7.4% compared to Prior Year.



5 YEAR TRENDS: PROFIT

SAFCOL posted a net profit of R114.44m in 2016/17 from a net loss of R43m in 2015/16.



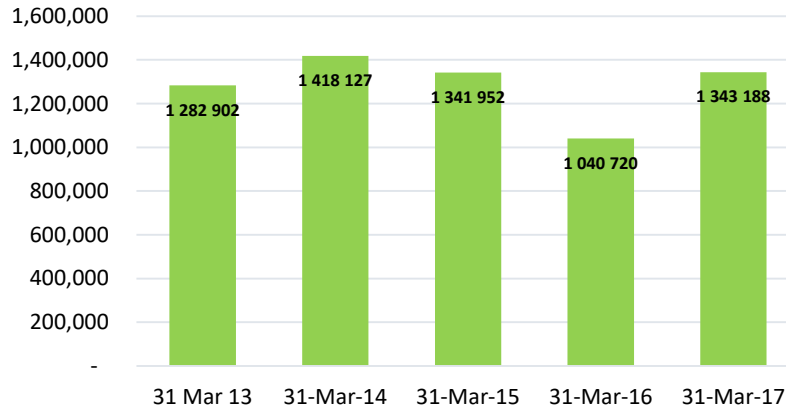
FINANCIAL POSITION

FINANCIAL POSITION OVERVIEW (Rm)

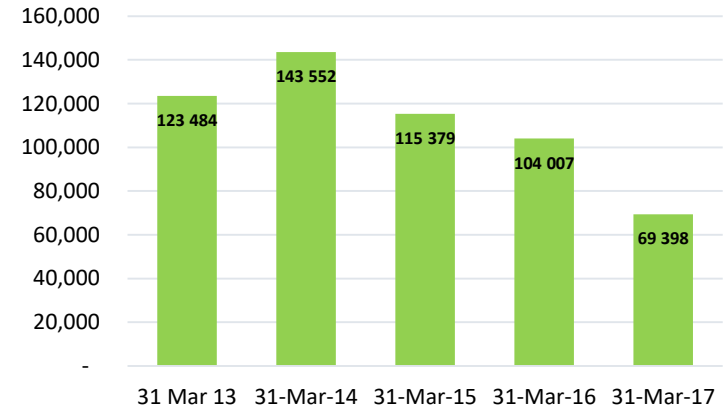
Description	YTD actuals 31 Mar 17	YTD actuals 31 Mar 16	Actual vs Prior Year Variance %
Total non-current assets	3 810.58	3 909.08	-2.5%
Total current assets	927.44	781.32	18.7%
Total assets	4 738.02	4 690.40	1.0%
Equity	3 346.08	3 267.42	2.4%
Total non-current liabilities	1 146.05	1 166.78	1.8%
Total current liabilities	245.90	256.20	4.0%
Total equity and liabilities	4 738.02	4 690.40	-1.0%

5 YEAR TRENDS: SALES – VOLUME & REVENUE

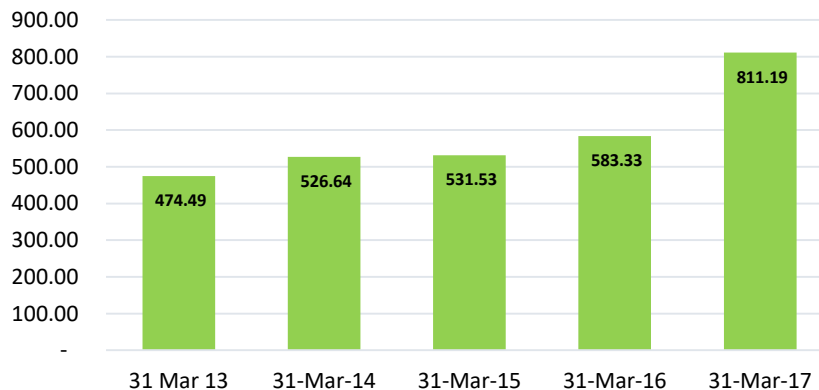
Log Volumes (m3)



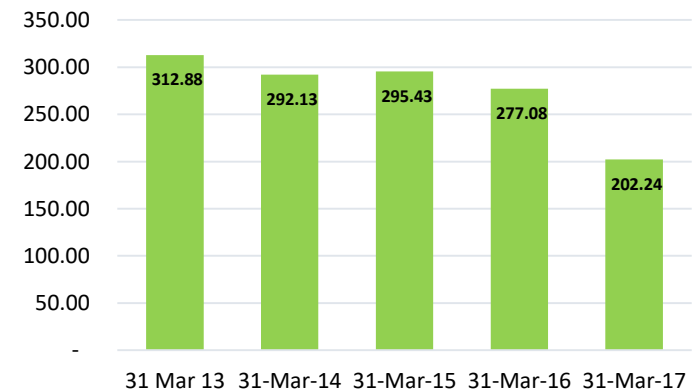
Lumber Volumes (m3)



Total Sales Logs (Rm)



Total Sales Lumber (Rm)



A photograph of a dense forest with tall, slender trees. The ground is covered in a mix of green grass and brown, dried-out vegetation. The text "Operational Highlights" is overlaid in white on the left side of the image.

Operational Highlights

OPERATIONAL HIGHLIGHTS

- KLF maintained 100% Forest Stewardship Council (FSC®) certification in South Africa as at 31 March 2017;
- KLF subsidiary has been 100% FSC® certified for 19 years – the first organisation in Africa and second globally to be 100% FSC® certified;
- Timbadola sawmill was awarded the Productivity SA Award for the Public-Sector company with the most improved productivity (this can be attributed to concerted efforts resulting in improved quality, delivery times, average selling price and operational expenses at the sawmill);
- Eucalyptus log sales volume and revenue targets were met for the first time;
- Total log sales increased by 23% when compared to the Prior Year; and
- Maintained Temporary Unplanted Area below 3%.

SAWMILLS

Timbadola Sawmill

- KLF owns and operates the Timbadola Sawmill, a softwood processing sawmill located in Limpopo;
- Timbadola Sawmill processes ranges from 70,000m³ - 130,000m³ of log per financial year; and
- Future plans: Upgrade Timbadola Sawmill.

Objectives of the Timbadola Upgrade:

- Leverage on industry technological advancements;
- Increase processing capacity for all available raw material in the area;
- Improving raw material and operational efficiencies;
- Reducing unit production costs to be more competitive and profitable;
- Producing high-value lumber products to reduce availability of competing low-value products; and
- Increasing high-skilled employment opportunities in the rural area.

Custom-Cut

- Custom-cut operation started the new financial year with a better-than-budgeted performance; and
- Raw material quality has improved and the sawmill returned to required operational levels.

Objectives of Custom Cut Processing Operations are as follows:

- To extract maximum lumber value from this highly priced valuable timber resource;
- To demonstrate the value for KLF in preparing the logs for the industry;
- Custom-cut is processing these logs into high quality, kiln dried lumber exclusively for KLF.

RESEARCH AND DEVELOPMENT

- SAFCOL has a state-of-the-art research centre on the Tweefontein plantation outside Sabie, operated by eight full-time scientists and three technicians;
- The Centre conducts research on:
 - Silviculture practices;
 - Pest and diseases tolerance;
 - Genetic improvements;
 - Growth and yield modelling; and
 - Engineered wood products.
- Established nurseries produced more than 10 million seedlings and cuttings per year. It supplies all plantations operated by KLF, thereby ensuring sustainable feedstock for all plantations as well as sales of seeds to the forestry sector.



Human Resources Highlights

HUMAN RESOURCES HIGHLIGHTS

- SAFCOL had 2 283 employees at the end of the year under review;
- Mentorship and Coaching Programme for Women in Forestry;
- SAFCOL has 65 Foresters (91% Black, 40% Women and 31% Youth);
- 103 Forestry and Processing Learnerships awarded;
- 15 Apprentices appointed;
- 43 learners trained on the construction of timber-frame structures;
- 12 SAFCOL Bursars concluded their studies (Post Graduate Qualifications in Forestry and Wood Science); and
- Awarded a total of 37 bursaries to students and employees for further training.



PLATORAND TRAINING CENTRE

- Platorand Training Centre provides training to employees, contractors and communities adjacent to operations;
- The training centre is accredited with the Fibre Processing and Manufacturing (FP&M) Seta and the Media, Information and Communication Technology (MICT) Seta;
- Currently, twenty (20) Learning and Development Forestry technical short skills programmes are accredited with the FP&M Seta;
- All Information and Communication Technology (ICT) Microsoft office programmes are unit standard based and registered with the MICT Seta;
- Furthermore, the training centre is registered as an Independent Examination Board (IEB) exam centre and is an approved exam centre of the Nelson Mandela Metropolitan University (NMMU);
- During 2017/18, a feasibility study will be conducted to determine the possibility to position the training centre as an Academy to provide a broad range of skills to support forestry industrialisation and other strategic objectives; and
- The long term goal of Platorand is to contribute skills to the forestry and related industry, generate revenue and operate as a profit centre for SAFCOL.

KEY ACTIVITIES OF PLATORAND TRAINING CENTRE

Focus Area	Programmes
Forestry technical training	Harvesting, Silviculture, Fire Fighting, SHEQ, Driver Operator.
Learnerships	General Education and Training Certificate (GETC)–Forestry, Silviculture, Processing, Furniture making, Timber frame structure and End user computing.
Apprenticeship training	Millwright, Diesel, Electrical, Fitter and Boilermakers.
Processing technical training	Board Grading, Stacking, Finger Jointing, Drying, Boiler Operation and Identification of defects.
Information and Communication Technology (ICT) training	Microsoft Word, Microsoft Excel, Microsoft PowerPoint, Microsoft Access, Microsoft Outlook, Internet Explorer, Virtual Instrument Player (VIP), JD Edwards Oracle System (JDE) and Drumblade Maintenance and Safety (DMS).
Community training	Entrepreneurship, Horticulture, Fire Fighting, Adult Education and Training (AET), ICT, Sewing and Beading, Environmental Awareness.
Bursaries	Aligned to strategy, Forestry, Wood Science, Wood Technology, Construction/Structural Engineering, Agroforestry, Eco/Agro – Tourism and Human Capital Management (HCM).
Interns	Finance, HCM, Internal Audit, Communication and Marketing, Forestry, Supply Chain Management (SCM), Learning and Development (L&D) and Projects.
External skills program	Aligned to IDP; Finance, Specialised technical skills, soft skills, MDP, report writing and Mandatory Sectorial Training.





Socio-Economic Development Highlights

SOCIO ECONOMIC DEVELOPMENT HIGHLIGHTS

SAFCOL has 13 signed social compacts with communities and land claimants adjacent to operations:

1. **Redhill Cluster** – Albert Luthuli District, Jessievale plantation.
2. **Blairemore Cluster** – Albert Luthuli District, Blairemore plantation.
3. **Roburnia Cluster** – Mkhondo District, Roburnia plantation.
4. **Mphephu Entabeni Cluster** – Makhado and Thulamela Districts, Entabeni plantation.
5. **Tshivhase Cluster** - Thulamela District, Thathe Vondo, Entabeni plantation.
6. **Mantjolo Cluster** – Albert Luthuli District, Nelshoogte plantation.
7. **Ngome Cluster** – Ngome plantation.
8. **Palm Ridge Cluster** – KwaZulu Natal, covering two communities adjacent to the seed orchard.
9. **Berlin Cluster** – Mbombela Municipality, Berlin plantation.
10. **Hebron Cluster** – Bushbuckridge Municipality, Wilgeboom and Bergvliet plantations.
11. **Mapulana Cluster** – Tweefontein, Blyde and Morgenzon plantations.
12. **Greater Tzaneen Cluster** – Woodbush plantation.
13. **Emakhazeni Cluster** – Belfast plantation.

SOCIO ECONOMIC DEVELOPMENT HIGHLIGHTS

- Connected the rural communities around Evane Primary School, Mathangetshitshi High School, Prince Somcuba Primary School and Ngome Primary School by installing a Wireless Internet pilot programme through SAFCOL's Wide Area Network (WAN) infrastructure;
- SAFCOL donated 10 computers and workstations to Evane Primary School;
- SAFCOL donated 20 computers to Mathangetshitshi High School and provided free Internet access through its established (WAN) across of SAFCOL operations;
- Spent 6.76% of net profit after tax on social and economic development against the Forestry Charter's target of 1%;
- Fire awareness programmes for schools conducted in all three provinces where SAFCOL operates;
- Established two additional youth manufacturing cooperatives;
- Electrification of Ngome Primary School; and
- Built timber-frame structures for various communities.

SOCIO ECONOMIC DEVELOPMENT HIGHLIGHTS

Timber Frame Structures

Tsolobolo Early
Childhood Development (ECD) Centre



Vriesland Primary School Kitchen



Marongwane Primary School Kitchen



SOCIO ECONOMIC DEVELOPMENT HIGHLIGHTS

Ablution Blocks

Modjadji ECD Centre



Phuthaditjhaba ECD Centre



Boreholes in Limpopo and KZN

Khalavha Borehole



Prince Somcuba





Lowlights

ADDRESSING LOWLIGHTS

Lowlights	Addressing Lowlights
<ul style="list-style-type: none"> Loss of three lives (Two Chainsaw Operators and one Logger Operator). 	<ul style="list-style-type: none"> Increased supervision and pro-active inspection criteria; Increased focus on safety awareness, safety management and additional awareness to employees on importance of compliance to safety regulations and procedures; Strict application of stringent consequence management in collaboration with the Union for non compliance to safety regulations and procedures; and Plan for investment in increased mechanisation with no impact on employment.
<ul style="list-style-type: none"> The Qualified Audit opinion was based on incompleteness of Irregular Expenditure disclosed in the Financial Statements. 	<ul style="list-style-type: none"> Update irregular expenditure register; Policy on Irregular, Fruitless and Wasteful Expenditure developed; and Audit trackers in place and progress verified by internal audit.
<ul style="list-style-type: none"> Reported achievements on Socio Economic Transformation of the Performance Management Targets was not supported by appropriate audit evidence. 	<ul style="list-style-type: none"> Technical Indicator Descriptors developed and agreed upon with the Auditor General; and Subsequent Reporting adheres to the Technical Indicator Descriptors.



ADDRESSING LOWLIGHTS

Lowlights	Addressing Lowlights
<ul style="list-style-type: none"> • Internal Control Deficiencies identified include lack of policies and procedures to support the figures reported. 	<ul style="list-style-type: none"> • Quality Management has been prioritised and Quality Assurance Resource appointed; • Audit Trackers put in place to monitor progress; • Unlocking of modules in the ERP, the process underway; and • Policies and procedures to be developed where they do not exist and updated where required.
<ul style="list-style-type: none"> • Supply Chain Management (SCM) challenges. <ul style="list-style-type: none"> – Risk management deficiency due to transition from decentralised model to centralised model; and – The Auditor General had findings regarding vacant strategic posts within Supply Chain Management area. However appointments took place to capacitate SCM division during the reported financial year. 	<ul style="list-style-type: none"> • Review Delegation of Authority (DoA); • Review of Supply Chain Management Policy; • Capacitation of the Supply Chain Management Department; • Demand Management; • Deviations; • Contracts Management; • Bid Committees; • Implement Training initiatives across the business; and • Change Management.

ADDRESSING LOWLIGHTS

Lowlights	Addressing Lowlights
<ul style="list-style-type: none"> • Sustainable Forest Management and Expansion relates to IFLOMA performance: <ul style="list-style-type: none"> - Missed planting targets; and - Missed employment targets in IFLOMA II. 	<ul style="list-style-type: none"> • Commenced with the planting towards meeting the set targets; • Commenced with extending operations in IFLOMA II which has led to drastic increase in employment figures; • Approval of budget and resources; and • Engagements with potential partners for IFLOMA II.
<ul style="list-style-type: none"> • Timber Processing. <ul style="list-style-type: none"> - Non appointment of Transport Service Provider; and - Contract Management deficiencies. 	<ul style="list-style-type: none"> • Logs were sourced from Plantations closer to processing facility to reduce negative impact; • Purchased one truck; • Revised Significance and Materiality Framework; • Contract Management deficiencies are being addressed; and • Transport service provider has been appointed.



ADDRESSING LOWLIGHTS

Lowlights	Addressing Lowlights
<ul style="list-style-type: none">• Strategy Implementation:<ul style="list-style-type: none">- Timbadola Upgrade: - Sabie Complex: - Industrialise production of Timber Frame Structures:	<ul style="list-style-type: none">• Phased upgrade approach being presented to Board in January 2018, informed by return on investment and continuity in operations without shutting down. • Feasibility study to be presented in alignment to Mpumalanga Sabie Technopark within the current financial year; and• Initiated commitment discussions with potential investors as well as formalising relationship with Mpumalanga Provincial Government. • Informed by SAFCOL's Forestry Industrialisation role, the Forestry Industrialisation Conference (FIC2017) was held on 4 and 5 October 2017, which has assisted in a first step to drive Forestry Industrialisation; and• FIC2017 generated interests to explore available timber frame solutions in terms of scale, potential customers and collaborations; and• Forestry Industrialisation National Task Team.



Shareholder's Compact Matrix

2016/17 SHAREHOLDER'S COMPACT MATRIX

Key elements of strategic intent covered in the compact score card, with their respective weightings out of a total score of 100, are the following:

KEY ELEMENTS OF STRATEGIC INTENT	WEIGHTINGS %	2016/17 ACHIEVEMENT %
Financial and Commercial Sustainability	30	26.25
Sustainable Forest Management and Expansion	30	8.18
Strategy Implementation	10	2.5
Socio-Economic Development	30	17.78
Total	100	54.7

2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Financial and Commercial Sustainability (30)	Financial Returns	EBITDA / Revenue [%]	-17.2	17.1%	3.5%	26.25 30
		Return on equity Excluding fair Value movements and translation Gains (losses)	-1.3	3.5 %	1.5%	
		Revenue growth [%]	N/A	13.7 %	5%	
	Creditworthiness	Cash Interest Cover	-15.0	19.7	1.5	
	Working Capital Management	Current Ratio	1.7	2.2	≤3.5	
		Cash Ratio	0.8	1.0	1.5	
		Debtor's days	N/A	37	80	
		Inventory days	N/A	33	40	

2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Sustainable Forest Management and Expansion (30)	Area of forest under management	Total gross stocked area				8.18 30
		Maintain Planted Area In SA [ha]	121 637	121 486	121 000	
		Mozambique: Current Plantable Area IFLOMA 1 [ha]	16 273	16 275	16 233	
		Expansion of planted area				
		Mozambique: New Establishment IFLOMA [ha] (Sofala)	52.53	121	2 000	
		FSC® Certification				
		Total forest area in SA fully certified to FSC® Or PEFC standard [%]	100%	100%	100%	
	Timber Processing	South African Operations				
		Timbadola Intake [m3]	131 179	76 109	130 000	
		Total Lumber Volume Sold [m3]	N/A	69 397	129 175	
		Lumber Market Share [%]	N/A	4%	8%	
		Custom Cut				
		Ringkink Intake [m3]	82 933	29 075	100 000	
		JWV Intake [m3]		31 264	50 000	
Fatalities index	Fatalities index	3	3	0		
	DIFR Index	2.4	2.2	1.8		



2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Year 2015/16 Actual	Full Year 2016/17 Actual	Full Year 2016/17 Target	Score
Strategy Implementation (10)	Vertical Integration	Timbadola Upgrade	N/A	Appointment of advisors underway for tender to be issued	Q1: Submit to Shareholder a Board Approved implementation Plan Q2: Finalise co-generation plant pre-feasibility study.	2.5 10
				The PFMA application is subject to tender	Q4: Submit to Shareholder a Board Approved PFMA Application with Funding plan.	
		Establishment of The Sabie complex (sawmill, plywood and co-generation plants).	N/A	Revised strategy Includes this activity under medium- to long-term deliverable.	Submit to Shareholder a Board Approved Sabie complex project implementation plan.	
		Creation of furniture manufacturing Business .	Limpuma Furniture Cooperative established.	SAFCOL has established two Additional furniture Manufacturing businesses Based in KZN and Mpumalanga.	Create two furniture manufacturing businesses with a partner.	
		Industrialise production process of timber-framed structures.	Professional Engagement with COENG Consulting and Construction Engineers.	Request for Information (RFI) issued to test the SA market for manufacturing Equipment for closed timber Frame panels; no responses received.	Create one industrial zone For timber- framed structures.	

2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Strategy Implementation (10)	Horizontal Integration	Assessment and development of implementation plan towards Agroforestry business	One project identified and implemented In Limpopo.	Signed a contract with Makhontjwa co-operative for the Beekeeping project at Bergvliet plantation.	Sign a contract with a partner to start agroforestry projects around communities.	
	IFLOMA	Consider and Approve options to improve IFLOMA Profitability	N/A	Members of the project team, together with DPE representatives, visited the operations to assess short-term opportunities and actions required to operationalize the business. IFLOMA taken out of "care and maintenance" and various operational activities recommenced.	Submit to shareholder A Board approved Turnaround and investment plan by Q1	

2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area			Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Socio-Economic Transformation (30)	B-BBEE Elements							
	Skills development	Scarce and Critical Skills	Internships, Learnerships, Bursaries and Artisans	Total number Interns & Graduate Trainees	29	27	25	<u>17.78</u> 30
				Total number Of Artisans trainees	10	15	15	
				Engineering students	5	6	5	
				Number of Sector Specific Trainees: Forestry and Processing Learnerships	85	103	103	
				Foresters And Wood Technologists	13	15	12	
Training spend as percentage of Total Training spend against Employees Cost Inclusive of 1% Skills Levy	5.0% (R16 709 862)	5.46% (R18 010 235)	6% (R19 800 000)					

2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area		Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Socio-Economic Transformation	B-BBEE Elements						
	Employment equity	Job Creation	Employment Created	Total Direct Jobs	N/A	4 116	2 898
				Total Number of Black Employees [%]	N/A	96%	81%
	Employment equity	Job Creation	Senior Managers	Total Senior Management	52 Black Management Employees	31	29
				Black Senior Managers [%]		57%	60%
				Black Female Senior Managers [%]		16%	30%
	Employment equity	Job Creation	Middle Managers	Total Middle Management Personnel	18 Black Female Management Employees	54	105
				Black Middle Managers		70%	72%
				Black Female Middle Managers		30%	22%

2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Socio-Economic Transformation	B-BBEE Elements					
	Employment equity	Job Creation	Acceptable Percentage of Black employees with Disabilities	15 Black Employees with Disabilities	0.88%	2%
			Total Number of Employees with Disabilities		18	22
			Percentage of Black Employees with Disability		83%	82%
	Enterprise and Supplier Development (ESD)	Preferential Procurement	B---BBEE Procurement Recognition Level	2	2	5
			B-BBEE Total Procurement Spend	N/A	R457 256 545	R802 738 966
			Local Content	81%	50%	55%
			B-BBEE Spend on SMME (QSE & EME)	96%	35%	37.20%
		B-BBEE spend on marginalised groups	Black Women Owned Suppliers	96% Procurement spend on marginalised Groups	14%	8%
			Youth Owned Suppliers		2%	3%
			Disabled Owned Suppliers		0.18%	1%

2016/17 SHAREHOLDER'S COMPACT MATRIX

Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Socio-Economic Transformation	B-BBEE Elements					
	Enterprise and Supplier Development (ESD)	Supplier Development Spend	Spend	N/A	R2 322 223	R2 320 900
		Enterprise Development Spend	Spend	R1 910 259	R2 134 902	R2 130 229
	Socio-Economic Development	Corporate Social Investment	Spend	R7 530 572	R7 697 405	R1 866 102

CONCLUDING REMARKS

- Business diversification - evolving SAFCOL's business approach towards horizontal and vertical integration;
- Role of SAFCOL in Forestry Industrialisation and Transformation;
- Forestry to be declared a strategic asset for economic growth;
- SAFCOL's position as a key state asset for Africa Strategy; and
- Develop communities to take full advantage of participation in the broader forestry value chain to advance socio-economic transformation.



THANK YOU