



FY2024/25

***ANNUAL STATUS OF
TRANSFORMATION IN THE FOREST
SECTOR***



EXECUTIVE SUMMARY

The B-BBEE policy and framework is a cornerstone for economic transformation, aiming to address the historical disempowerment and inclusion of black people. This includes enhancing and improving the level of participants and beneficiaries in the forest economy, in particular women, youth, people living in rural areas, and those living with disabilities, etc.

The 2024/25 Annual Status of Transformation report displays the progress achieved in advancing empowerment and inclusion in the forest sector through the obligations and targets committed a decade and a half ago. The 2024/25 report has shown some considerable variable outcomes. Firstly, the number of reporting entities recorded declined substantially from 191 to 158, with the large decline observed within the Exempted Micro Enterprises (EMEs). This is undoubtedly caused by the inconsistencies of some of the reporting entities opting not to report annually. The observation is more evident amongst the EMEs and Qualifying Small Enterprises (QSEs), a concerning pattern also observed in previous years.

The Medium and Large Enterprises (MLEs) maintained the Level 3 B-BBEE recognition for the third consecutive year. Additionally, the QSEs and EMEs also maintained the Level 2 status, respectively, and this is attributable to the fact that most of the QSEs and EMEs were enhanced, achieving either a Level 1 or 2 B-BBEE rating. QSEs also continue to show a comparable trend observed since the introduction of the Enhancement Principle, with more QSEs reporting as enhanced B-BBEE level 2 contributors.

MLEs' performance across the scorecard elements showed exceptional performance under the Socio-Economic Development (SED), with most entities exceeding the target, and Enterprise and Supplier Development (ESD) elements. The MLEs' Ownership slightly improved from the stagnant score of 72% towards the target to 76%. Slight declines were observed under the Skills Development, with the lowest and average score recorded under the Management Control (MC) element. Only six MLEs were downgraded, mainly for not achieving the minimum score on the Ownership element, with five Unenhanced QSEs failing to meet the minimum scores in all the priority elements.

MLEs continue to be disadvantaged by the indicators on Management Control, in particular on the black women indicators. This requires MLEs to acknowledge that they will need to implement this element with purpose and precision. The review and realignment process must also aim to address this persistent structural challenge associated with the lower scores achieved on the Management Control indicators.

Some Unenhanced QSEs achieved even discouraging scores across the five scorecard elements, with the highest level of reporting discrepancy, diluting the exceptional scores

attained by some of the Unenhanced QSEs. The observation may mean that the efforts are non-existent, particularly amongst inconsistent reporters. This outlook is highly discouraged, especially in a landscape where transformation is frequently discussed and sometimes disputed as not delivering the intended objectives. Hence, the suggestion to promote the initiatives of those continuously reporting by sharing their transformation story is substantiated.

In addition, the EMEs displayed likewise performances to previous reporting, with most EMEs achieving either a B-BBEE Level 1 or 2 rating.

The report shows that there is uneven progress on the sub-sector representation across the various businesses. Only the MLEs had a representation of each sub-sector, and the intention to focus on the proportionality is also encouraged. This necessitates the continuous advocacy of B-BBEE compliance and comprehension that transformation is necessary in the forest sector to build a capable economy for growth and inclusion of previously disempowered black people.

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ACRONYMS

B-BBEE	Broad-Based Black Economic Empowerment
BDGs	Black Designated Groups
BNEs	Black New Entrants
BO	Black Ownership
BWO	Black Women Owned
CIPC	Companies and Intellectual Property Commission
COP	Community Outreach Programme
dtic	Department of Trade, Industry and Competition
ED	Enterprise Development
EI	Economic Interest
EMEs	Exempted Micro-Enterprises
EP	Exclusion Principle
ESD	Enterprise and Supplier Development
F-GEP	Forestry Graduate Employment Programme
FSA	Forestry South Africa
FSC	Forest Sector Code
FSCC	Forest Sector Charter Council
FTP	Flow-Through Principle
JSE	Johannesburg Stock Exchange
LAls	Learnerships, Apprenticeships, and Internships
MFTP	Modified Flow-Through Principle
MLEs	Medium and Large Enterprises
NPAT	Net Profit after Tax
PP	Preferential Procurement
QSEs	Qualifying Small Enterprises
SAFCOL	South African Forestry Company Limited
SANAS	South African National Accreditation System
SD	Skills Development
SD	Supplier Development

SED	Socio-Economic Development
SMMEs	Small, Medium and Micro Enterprises
SOEs	State-Owned Enterprises
SONA	State of the Nation Address
VR	Voting Rights

1. INTRODUCTION

For over 15 years, the Forest Sector Charter Council (FSCC) has played a pivotal role in monitoring, evaluating, and facilitating transformation within the forest sector, as mandated by the Amended Broad-Based Black Economic Empowerment (B-BBEE) Act. The FSCC remains committed in monitoring to ensure that transformation objectives are met, fostering inclusivity, and advancing the significant participation of previously disadvantaged black individuals in the forestry value chain. The year 2024 marked the 15th anniversary, which served as a blueprint for calibration and assessing what worked, what did not work, and what could be changed to ensure that the transformation landscape in the forest sector becomes evident. One of the key takeaways was the ambition to augment the statistical findings with quantifiable, evidence-based transformative initiatives that confirm the plausibility and practicability of B-BBEE implementation, directly linking progress to measurable outcomes.

The FSCC's FY2023/28 Strategic Plan outlined the significance of a transformed forest sector underscored by the sector's ambition to achieve an overall B-BBEE Level 2. This outlook is reinforced by the sector's strides over the years, having achieved Level 6 at some stage and now achieving a Level 3. This significant progress has been made possible due to a more pronounced focus, an increased number of reporting entities with improved compliance and implementation, and targeted intervention plans aimed at enhancing compliance, implementation, and reporting. However, the sector still encounters fluctuating response and compliance levels, necessitating continued strategic and progressive interventions.

The 2024/25 annual status of transformation report was compiled using data primarily sourced from B-BBEE verification agencies and directly from companies' submissions and deposited into the FSCC's B-BBEE Online Reporting System. Additionally, the report provides an in-depth assessment of the strides made by the sector towards B-BBEE scorecard compliance and commitments. The report further highlights the performance of the three business categories, being Medium and Large Enterprises (MLEs), Qualifying Small Enterprises (QSEs), and Exempted Micro Enterprises (EMEs), evaluating their transformation progress based on sub-sector activities, business operations, achieved B-BBEE levels, and black ownership profiles.

Analysis of the JSE-listed companies, as well as SAFCOL, is contrasted for assessing progress, as these companies would also receive a reviewed opinion from the B-BBEE Commission.

The observations from the report reflect varying compliance levels across different entities, emphasizing the need for a resolute commitment from all forest enterprises to meet the sector's transformation targets. These disparities in compliance not only present challenges to transformation but also have broader implications on empowerment and the economic landscape of the sector.

2. SECTOR OVERVIEW

2.1 R100 Billion Transformation Fund – a beam of hope for black SMMEs

Economic inequality and limited participation in South Africa's economy remain pressing challenges, with the disparity continuing to widen. According to the Department of Science and Technology (DST) and the National Research Foundation (NRF), (DST-NRF) Research Chair, "conventional approaches alone will not resolve the country's inequality crisis, innovative and out-of-the-box thinking is essential". Broad-Based Black Economic Empowerment remains a crucial policy for addressing inequality, and so are the initiatives intended to support and promote B-BBEE. However, recent developments continue to reinforce the government's commitment to transformation, particularly for the development and growth of small, medium and micro enterprises (SMMEs).

A key highlight from the 2025 State of the Nation Address (SONA) was the announcement of a R100 billion Transformation Fund, aimed at uplifting millions of South African businesses who have historically been excluded from meaningful economic participation. This initiative reaffirms the speech by the Minister of the Department of Trade, Industry, and Competition (the dtic), confirming the advancement of B-BBEE under the Government of National Unity's action planⁱ.

ⁱⁱ<https://www.nrf.ac.za/wp-content/uploads/2021/05/NRF-Science-Matters-Magazine-Vol1-Issue1-Page-4-7.pdf>

2.2 SONA's firm directive prioritising Transformation, Diversity, Equity & Inclusion in alignment with the B-BBEE Policy

Gaps still exist in the economic participation of some black groupings. In his State of the Nation Address (SONA) in February 2025, the President re-emphasized the importance of transformation and the urgent need to continue to create an inclusive and viable economy for all South Africans. The empowerment of black women, youth and persons living with disabilities, in particular, remains the key focus as progress within these groupings still shows

uneven transformative advancement. This directive is evidently consistent with the B-BBEE policy objectives and concept, defending its existence.

The commitment to ensure that the newly signed Public Procurement Act of July 2024 supports and empowers businesses owned by black women, youth and persons living with disabilities must remain resolute. Equally, the opportunity to provide targeted training initiatives that enhance the business acumen of women should not be diluted, as these interventions are essential for driving inclusive economic transformation. This will ensure that genuine empowerment is delivered by the state not only to a few selected, and that the government's obligation to transformation doesn't feel out of reach or remain superficial, which is a fundamental pursuit to economic inclusion and participation.

The National Skills Fund Disabilities Programme aims to empower over 10,000 persons living with disabilities and should also ensure their progression into higher-skilled occupations. This objective aligns with the principles outlined in the Employment Equity Act and its set targets, reinforcing the need for sustainable, upward mobility within the workforce for persons with disabilities. The proposed transformation fund, worth R20 billion over a five-year period to fund black-owned and small business enterprises, should provide a pathway for these groupings to own and control sustainable businesses that will pioneer generational wealth and youth employment.

2.3 Transition from SETA to QCTO Accreditation; Implications for Skills Development

The Sector Education and Training Authority (SETA) accreditation has been replaced by the Quality Council for Trades and Occupations (QCTO) as from 30 June 2024. This was an attempt by the Government to address the misalignment between qualifications and unemployment. The change considered various factors such as sector-specific training and alignment to skills development initiatives and qualifications that will promote long-term employment. It is anticipated that this approach will also have a positive impact in narrowing the obvious skills gap amongst workers.

However, this change has some potential drawbacks. The QCTO introduced the recognition of credits from the completion of a certain module within a stipulated period. It is estimated that one credit can be completed within 10 hours, potentially extending the period a learner can be accredited with a qualification beyond the 12 months typical and average period. This new development may deem the absorption principle ineffective, as companies could face extended waiting periods for learners to complete their qualifications before being eligible for absorption into the mainstream workforce. The change may also necessitate a review and possible adjustment of the current skills development principles to accommodate the new

concept. Without such adjustments, the intended transformation objectives may not be fully realised.

In the context of the forest sector, the new approach may prove impractical, as it disrupts worker productivity due to the extended duration of training programmes. Furthermore, certain trainings necessitate in-field application, involving the use of heavy and specialized machinery that is costly and logistically challenging to relocate to off-site training venues. Predictably, this approach has been met with negative criticism from forestry training facilitators and assessors, suggesting that this method will be counterproductive for the sector's operational efficiency and skills development goals.

ⁱⁱⁱ<https://www.gov.za/SONA2025>

3. RESEARCH OVERVIEW & METHODOLOGY

3.1 Research Objectives

Over 15 years, FSCC has been playing a critical role in monitoring and evaluating transformation within the forest sector, as mandated by the Amended B-BBEE Act. The mandate is fulfilled through a compilation of a comprehensive annual status report that provides a detailed analysis of the sector's progress in achieving its transformation objectives. This report serves both as an accountability measure and as a tool to track the implementation of B-BBEE within the sector.

The report offers in-depth insights into the performance of the forest sector and its various sub-sectors concerning compliance with the B-BBEE scorecard elements. These elements include Ownership, Management Control, Skills Development, Enterprise and Supplier Development, and Socio-Economic Development. By evaluating these key areas, the report provides a clear picture of the sector's commitment to transformation and highlights areas that require further intervention.

Furthermore, the status report is essential for assessing the effectiveness of transformation initiatives and commitments made by industry stakeholders. It not only informs policymakers and regulatory bodies about the sector's progress but also guides industry players in aligning their B-BBEE strategies with national transformation goals. By facilitating transparency and accountability, the FSCC's report supports ongoing efforts to drive meaningful and sustainable transformation within the forest sector.

The FSCC derives its mandate to collect B-BBEE affidavits, certificates, and reports from Section 10(4) of the Amended B-BBEE Act. This mandate requires all entities operating within the commercial forestry sector and the first level of wood processing across the six sub-sectors, namely, Growers, Contractors, Pole Producers, Fibre, Sawmillers, and Charcoal Producers, as defined in the Amended FSC, to submit their B-BBEE compliance reports to the FSCC.

Entities must fulfil this reporting obligation based on their business category, being MLEs, QSEs, and EMEs. The reporting method varies depending on the size and nature of the business, ensuring that all companies operating within the sector contribute to the FSCC's efforts to monitor and track transformation progress effectively.

3.2 Methodology

The 2024/25 Annual Status of Transformation Report was compiled using data sourced primarily from B-BBEE verification agencies and direct company submissions. The following criteria were applied to validate the data:

- Submission of both B-BBEE certificates and in-depth scorecard reports by MLEs and Unenhanced QSEs, verified against the applicable sector code (Amended FSC (40803)).
- Measurement periods and date of issue aligning with FSCC's fiscal year (1st April 2024 – 31st March 2025).
- Submission of a fully completed B-BBEE affidavit or a Companies and Intellectual Property Commission (CIPC) certificate by Enhanced QSEs and all EMEs.
- Alignment of signature dates between the Commissioner of Oaths and the deponent on affidavits.
- Use of the appropriate reporting method, guided by company size and ownership profile, particularly for QSEs.

Data was uploaded into FSCC's B-BBEE online reporting system for validation, data management, and cleaning to enhance accuracy. The system and Microsoft Excel were also used to generate graphs for in-depth analysis. Microsoft Excel was used as a supplementary tool for data recording and visualization. Various graphical representations (bar graphs, line graphs, and pie charts) were used to quantitatively assess and interpret the performance of entities, sub-sectors, and the overall forestry sector.

A comparative analysis of forestry firms listed on the Johannesburg Stock Exchange (JSE) was done to examine their B-BBEE performance and compare it to the conclusions of the B-BBEE Commission's annual report. The B-BBEE Commission report sheds light on compliance trends among forestry-listed companies, as well as their status relative to other economic sectors. The findings help identify strengths and gaps, enabling the development of targeted interventions to enhance B-BBEE compliance and implementation for both listed and non-listed forestry entities.

The South African Forestry Company Limited's (SAFCOL) performance was separately analysed, since it is the only Forestry State-Owned Entity (SOE) reporting to FSCC, and it was confirmed using a tailored scorecard, Statement 004, which exempts SOEs from measuring the Ownership element.

4. RISKS

This section highlights key challenges raised either during stakeholder engagements, whether in the context of advocating for B-BBEE implementation and compliance, or during the B-BBEE reporting phase for compiling the 2024/25 Annual Status of Transformation Report. These challenges provide possible barriers to the successful implementation and reporting of sustainable B-BBEE transformation in the forest industry.

The associated risks are:

- Some large companies showed little to no interest in facilitating FSCC's engagement with their suppliers, citing the Protection of Personal Information Act and the Competition Act as reasons. However, supplier engagement remains a key FSCC resolution, incorporated into the FY2023/28 Strategic Plan to address B-BBEE reporting challenges.
- Non-reporting, inconsistent reporting, poor performance, and non-compliance remain common. Additionally, some companies remain unreceptive to the Community Outreach Programme (COP), which was designed to tackle these issues. There is also a misconception about FSCC's mandate, with some companies mistakenly believing that FSCC seeks to override their internal transformation efforts rather than providing guidance on B-BBEE implementation in line with the Amended FSC.
- A number of entities are facing severe economic difficulties, with some entering business rescue or shutting down. During such periods, cost-cutting measures become a priority, and B-BBEE verification, being a costly process, often falls by the wayside as businesses focus on survival.

- Some companies still do not fully understand that B-BBEE reporting to FSCC is a legislative requirement under the Amended B-BBEE Act. This is a worrying trend considering that B-BBEE in forestry was introduced a decade and a half ago. Welcoming intervention initiatives such as COP could help clarify these obligations and improve compliance. Additionally, FSCC's presence at key industry events such as the International Day of Forests, the Institute for Commercial Forestry Research and Forestry Focus could significantly enhance its visibility, awareness, and stakeholder engagement. These events bring together numerous forestry companies, making them strategic platforms for advocating B-BBEE compliance and fostering a better understanding of FSCC's mandate. This approach aligns with FSCC's FY2023/28 Strategic Plan, reinforcing its commitment to driving transformation in the forestry sector.
- The South African Forestry Company Limited (SAFCOL) was awarded B-BBEE facilitator status on June 18, 2024, by the Department of Trade, Industry and Competition (the dtic). The delay in awarding the facilitator status had ripple effects on companies in which SAFCOL holds shares, as well as those relying on SAFCOL as a supplier of timber resources. Similarly to the delay in readjusting the Completeness Ratio linked to the Charter Undertakings will have an impact on the points reallocation for forestry companies bordering on its intended compliance effect. The government has a critical role in ensuring that the progress made under the Charter Undertakings is effectively implemented within the industry. The Charter Undertakings are integral to the sector's B-BBEE framework, and any failure to meet obligations or inaction by the government risks stalling transformation efforts within the forestry sector.
- There are significant delays in delivering some industry and government undertakings as outlined in Schedule 2 of the Amended FSC, particularly for those recognized in joint scorecard undertakings. This is largely due to a limited understanding of the B-BBEE concept among responsible authorities, which affects their ability to effectively implement, monitor, and report on these commitments. Strengthening awareness and capacity-building efforts within these entities is essential to enhance execution and accountability in fulfilling the charter undertakings.
- The perplexity of the measurement period in line with the verification process poses a potential risk, as some reports, though rarely, are issued based on an incorrect financial year. This highlights the need for regular sanity checks by SANAS, as verification agencies are aware of the critical aspects that must be thoroughly reviewed before undertaking a verification and issuing a report. Additionally, delayed verification conducted beyond the 12-month window is of concern, as some entities miss the reporting window as a result.

This practice is inconsistent with the principles clearly outlined in the Amended Forest Sector Code, specifically under the definition of "Measurement Period". Regular monitoring and compliance with this timeframe are essential to uphold the integrity and accuracy of B-BBEE verification reports, and it is also a qualifying criterion when validating submissions.

5. SECTOR ANALYSIS

In 2024, the FSCC celebrated its 15th anniversary, marking a crucial milestone for reflection and recalibration to chart the path forward towards sustainable transformation in the forest sector. This milestone also reinforced the commitment to accelerating progress towards achieving a Level 2 B-BBEE rating within five years, as outlined in the FSCC's five-year strategic plan. To achieve this goal, FSCC continuously refines its strategies to ensure continued compliance and reporting by forestry companies across the value chain. This is also in line with the requirements of the Amended FSC, which requires all business categories, including EMEs, QSEs, and MLEs, to report on their B-BBEE credentials using proprietary reporting methods, either through a B-BBEE affidavit or certificate, and an in-depth verification report to the FSCC. The information is essential for compiling the annual B-BBEE status report, a core function of the FSCC as prescribed under Section 9(1) of the Amended B-BBEE Act. The report provides critical insights into the industry's progress in driving transformation and achieving meaningful economic inclusion within the forestry value chain.

The forest sector continues to make notable progress, maintaining a Level 3 B-BBEE rating for the third consecutive year. This achievement reflects a dynamic balance of both improvements and setbacks across various transformation elements. Key contributing factors include fluctuations in performance, steady reporting trends outweighing inconsistencies, non-compliance, and the introduction of new reporting entities. Despite these challenges, the sector remains on a trajectory of sustained transformation, reinforcing its commitment to inclusive growth and economic empowerment.

Figure 1 below displays the reporting and submissions trend from the three business categories, MLEs, QSEs, and EMEs, over the three-year reporting period. These submissions provide critical insights into the sector's B-BBEE compliance levels and transformation progress, forming the foundation for the annual status report and a broader analysis of the industry's ongoing transformation efforts.

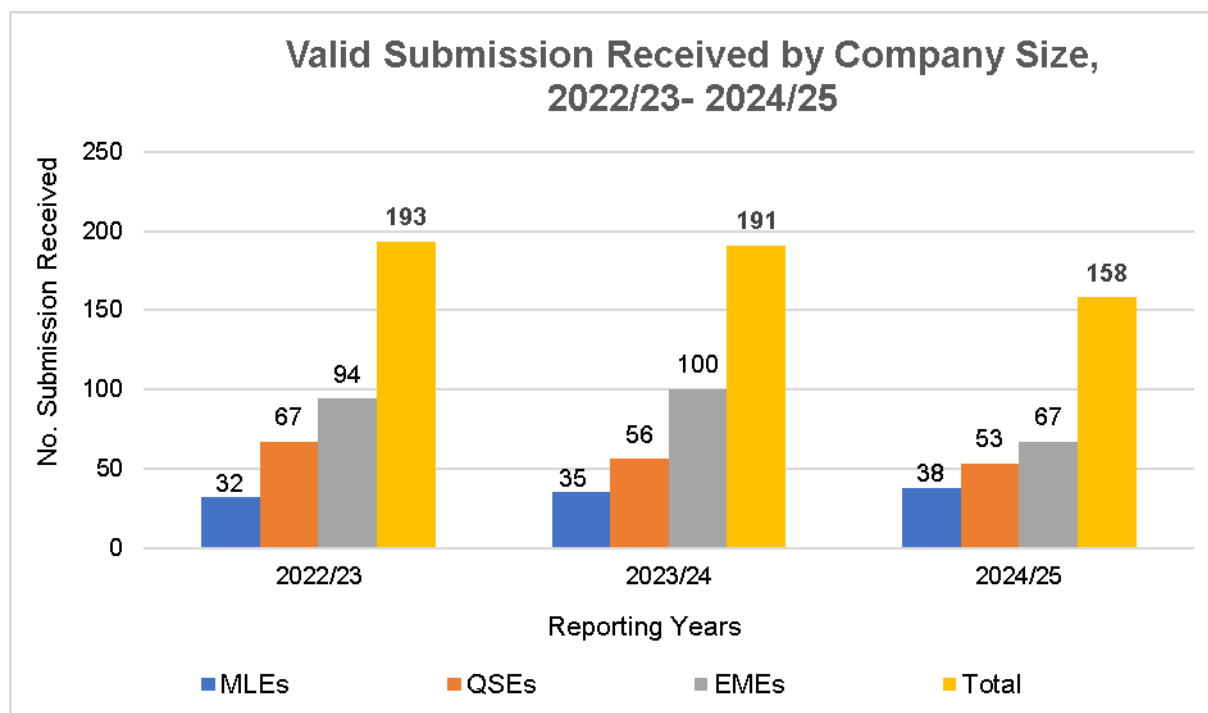


Figure 1: Certificates and affidavits by company size over three reporting years

Figure 1 above illustrates the number of valid B-BBEE submissions received across three reporting years, categorised by company size. In 2022/23, total submissions peaked at 193, with EMEs contributing the most (94 submissions), followed by QSEs (67 submissions) and MLEs (32 submissions). In 2023/24, total submissions slightly decreased to 191, with a marginal increase in EMEs (100 submissions) and MLEs (35 submissions), but a decline in QSEs (56 submissions). The most significant change occurred in 2024/25, when total submissions dropped drastically to 158, representing a 17.3% decrease from the previous year. The decline was particularly severe among EMEs, reflecting a 33% decrease, while QSEs experienced a minor decline of 5.4%. MLE submissions reached a peak of 38, indicating an 8.6% and 18.8% increase compared to the two previous consecutive years.

Several factors could explain the sharp decline in B-BBEE reporting. These factors include reporting reluctance, limited continuous awareness, and understanding of B-BBEE obligations, particularly among small-scale enterprises. Many businesses may not fully recognize the long-term benefits of compliance, such as improved market access from entities that prioritise B-BBEE compliant suppliers, which diminishes their motivation to report. Economic challenges, including rising operational costs and reduced profitability, may also cause enterprises to deprioritize B-BBEE compliance, which directly affects reporting, as survival takes precedence over compliance. Additionally, disillusionment with the perceived benefits of B-BBEE may further dampen reporting enthusiasm, especially if enterprises do not experience tangible returns from their compliance efforts, forgetting that compliance is a regulatory requirement.

Furthermore, these challenges are underscored by the fact that three generic enterprises could not report due to two entering a recession state that led to closure, and another undergoing business rescue. Similar incidents have been reported, particularly during and in the aftermath of the COVID-19 pandemic. These cases highlight the long-lasting economic impact of COVID-19, as many companies continue to struggle to restore operations to their pre-pandemic levels. To possibly reverse this downward trend, targeted awareness programs, simplified reporting procedures, and robust stakeholder support mechanisms are critical. These measures are especially vital for smaller enterprises, which have shown the most significant decline in reporting and are often the most vulnerable to economic shocks and sector-specific challenges.

[ivhttps://www.dffe.gov.za/sites/default/files/reports/research/forestry/annualreport_commercialtimberresources_primaryroundwoodprocessing2019to2020.pdf](https://www.dffe.gov.za/sites/default/files/reports/research/forestry/annualreport_commercialtimberresources_primaryroundwoodprocessing2019to2020.pdf)

The Amended FSC requires all companies operating within the forestry value chain across the six key sub-sectors, Sawmillers, Pole Producers, Growers, Charcoal Producers, Fibre, and Contractors, to comply and report accordingly. Figure 2 below illustrates the total number of B-BBEE report submissions received from each industry sub-sector.

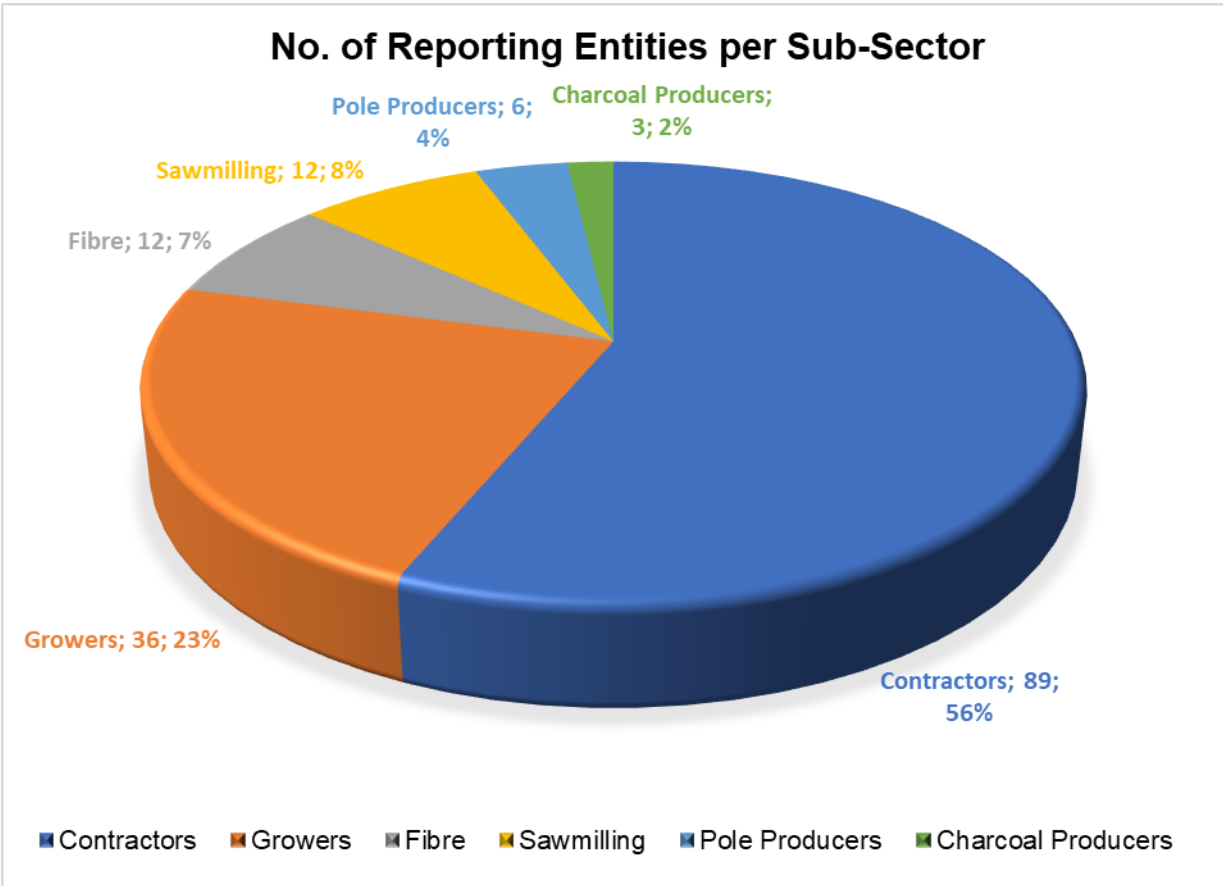


Figure 2: Submission by Sub-sector, 2024/25

As illustrated in Figure 2 above, submissions from Contractors continue to surpass those of other industry sub-sectors, accounting for 56% of the total submissions. The majority of these were submitted by QSEs, followed by EMEs, and then MLEs. Growers represented the second-highest number of submissions at 23%, followed by Sawmillers at 8%, Fibre at 7%, Pole Producers at 4%, and Charcoal Producers contributing the lowest number of submissions at 2%.

While submissions from industry sub-sectors have shown significant improvement since the 2021/22 reporting year, there remains substantial room for growth. The current submissions do not fully reflect the actual number of entities operating within the sector when comparing records from sub-sector associations. Industry associations play a key role in helping to gauge the number of companies in each sub-sector based on their membership affiliations. However, another limitation lies in the unaffiliated companies, whose participation and existence are often unaccounted for in the reporting process.

6. MEDIUM AND LARGE ENTERPRISE (MLEs) ANALYSIS

Medium and Large Enterprises (MLEs), also known as "Generic Entities," are businesses with an annual turnover exceeding R50 million. In the context of Broad-Based Black Economic Empowerment (B-BBEE), MLEs play a pivotal role in advancing economic transformation in South Africa. The generic entities are required to comply with the B-BBEE scorecard, which measures their efforts in compliance with black economic empowerment across five key areas within their business strategy. These include Ownership, MC, SD, ESD, and SED.

Under Section 9 of the Amended B-BBEE Act, MLEs are required to report their compliance status to the FSCC. For B-BBEE compliance, MLEs must undergo an annual verification process, preferably conducted by South African National Accreditation System (SANAS) accredited agencies. This verification process is based on the Amended FSC (Gazette No. 40803) and is used to assess their performance across key B-BBEE elements. The reports submitted by MLEs are crucial in evaluating the overall transformation progress of the forest sector, informing B-BBEE-related government policies, and shaping economic development programs to drive inclusive growth. As key drivers of B-BBEE, MLEs are instrumental in fostering transformation and diversification within South Africa's economic landscape, ensuring meaningful black participation and empowerment within the forestry sector.

Figure 3 below presents a three-year comparison of submissions by MLEs, including SAFCOL, which submitted both valid B-BBEE certificates and reports during this period.

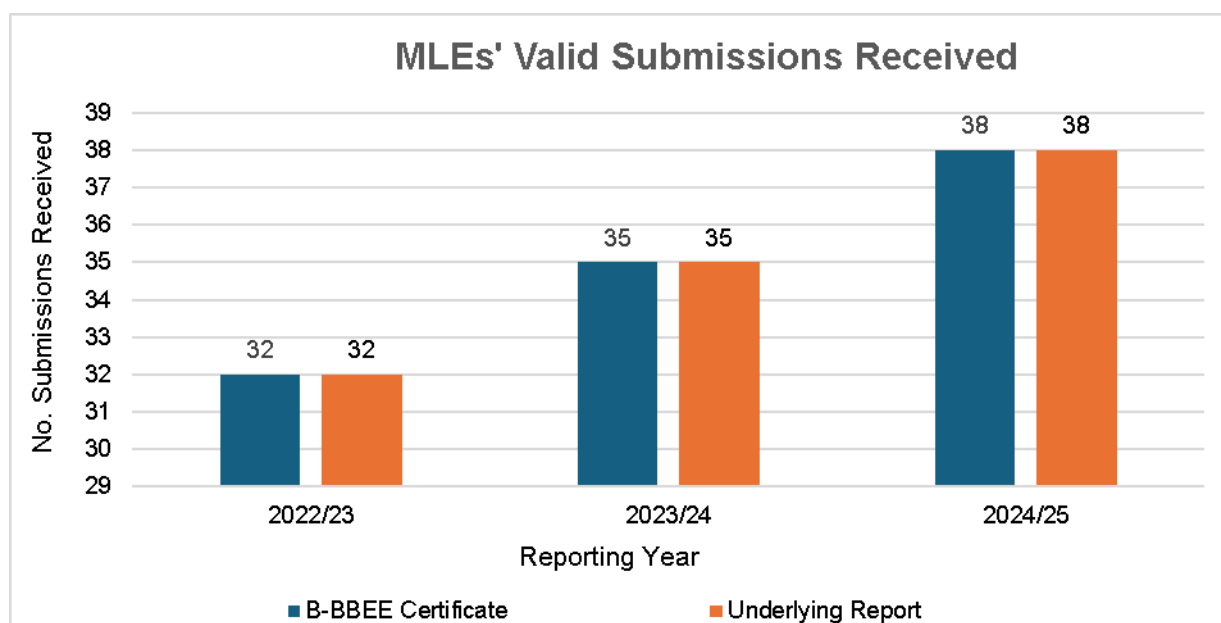


Figure 3: MLEs' Valid Submissions 2024/25

As illustrated in Figure 3 above, MLE submissions peaked at 38, reflecting an 8.8% and 18.8% increase compared to the two preceding reporting years, respectively. Despite this notable improvement, a few entities were unable to report due to delays in initiating the verification process, one as a result of undergoing business rescue, and two others due to complete operational shutdowns. Additionally, three entities had their B-BBEE certificates revoked by the verification agency, as the certificates were issued based on financial periods that exceeded the 12-month threshold at the date of issue. These challenges highlight key areas that require reinforcement during the review of the Amended FSC and in the B-BBEE Act as Amended, particularly to discourage the postponement of verification processes. Furthermore, the proposed Transformation Fund gazetted for public comments by the dtic could serve as a lifeline for businesses facing insolvency, especially those with a credible track record of B-BBEE compliance.

Table 1 below illustrates the levels of consistency, inconsistency, and the emergence of new entities among reporting MLEs over a three-year reporting period.

Reporting Years	Number of Reported Entities	Consistent Entities	Inconsistent Entities	New Entities
Year 2022/23	32	32	N/A	9
Year 2023/24	35	27	N/A	5
Year 2025/24	38	29	6	3

The data presented in Table 1 above shows a steady increase in the number of reported MLEs over the three-year period, rising from 32 entities in 2022/23 to 35 in 2023/24, and reaching 38 in 2024/25. While this upward trend indicates improved compliance to B-BBEE and reporting, the consistency rate has fluctuated. In 2022/23, all 32 reporting entities were consistent, suggesting a high reporting discipline. However, in 2023/24, the number of consistent reporters declined to 27 out of 35, indicating the emergence of reporting gaps. By 2024/25, although the total number of submissions increased to 38, only 29 entities reported consistently, while six were classified as inconsistent reporters. The number of new reporting entities also declined over the years, from nine in 2022/23 to five in 2023/24, and down to three in 2024/25. Two entities that previously reported as QSEs were upgraded to the MLE category in 2023/24 and have now been downgraded from MLE to QSE in 2024/25. This may potentially reflect either market instability or a limited onboarding of new participants, particularly in terms of understanding and meeting B-BBEE reporting requirements.

Many MLEs operate across multiple sub-sectors within the forestry value chain. However, in line with the Amended FSC, entities are required to report under the sub-sector that contributes the highest turnover to their overall operations. Figure 4 below illustrates the distribution of submissions across the respective industry sub-sectors.

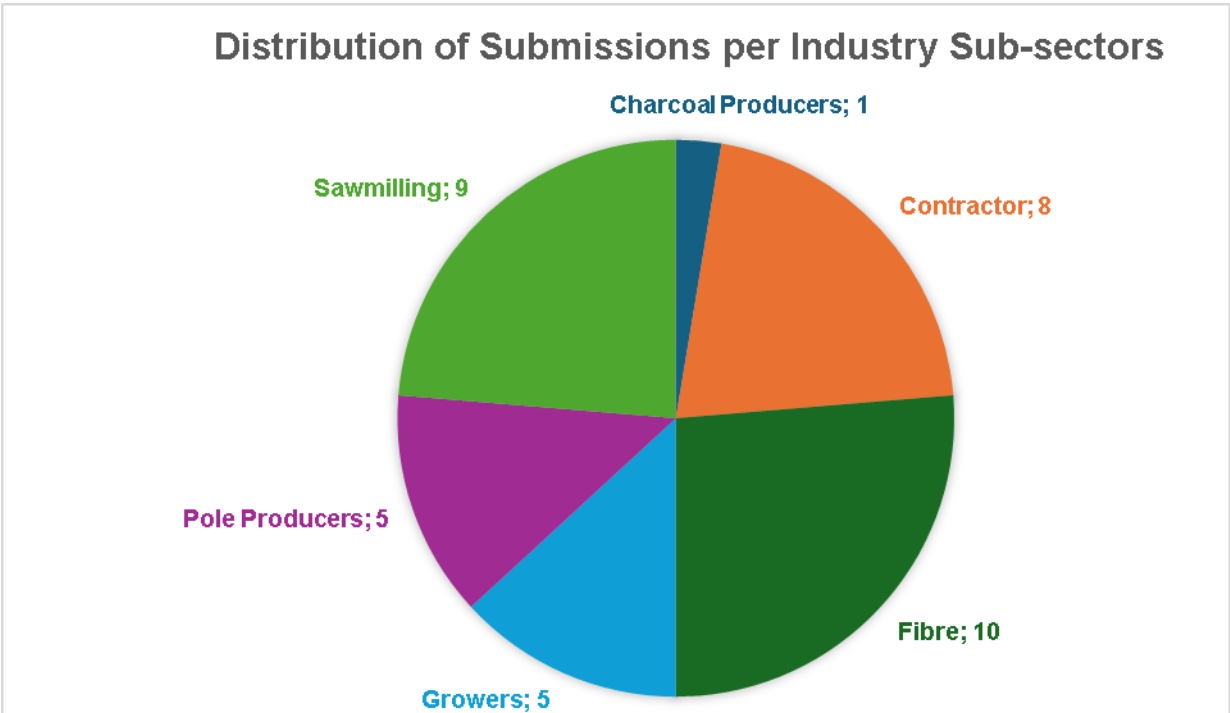


Figure 4: Submissions by MLE per Sub-sector 2024/25

As illustrated in Figure 4 above, the Fibre sub-sector recorded the highest number of submissions at ten, followed by Sawmillers with nine and Contractors recording eight submissions. Pole Producers and Growers each submitted five reports, while Charcoal

Producers recorded the least participation, with only one submission. The minimal reporting from Charcoal Producers may indicate either a limited number of businesses operating in this sub-sector, a lack of willingness to comply, or a poor understanding of the B-BBEE reporting obligations. This poses a challenge in accurately assessing the transformation progress within the sub-sector, as it continues to be underrepresented.

6.1 Ownership In-Depth Analysis

The Ownership element refers to the extent to which black individuals, as defined by B-BBEE legislation, hold a direct shareholding or equivalent stake in a company. It is one of the priority elements, making up 25 points. Measured entities are required to achieve a minimum of 40% on the net value/realization points to avoid being subjected to a level discounting penalty. The Ownership element is assessed based on three key sub-elements, which determine the composition and impact of a company’s ownership structure, including voting rights, economic interest and realization points. Ownership remains a crucial driver of economic transformation, ensuring meaningful participation of black individuals in the forestry sector and the broader economy.

Figure 5 below displays the overall ownership compliance target scores obtained over three reporting periods, from 2022/23 to 2024/25.

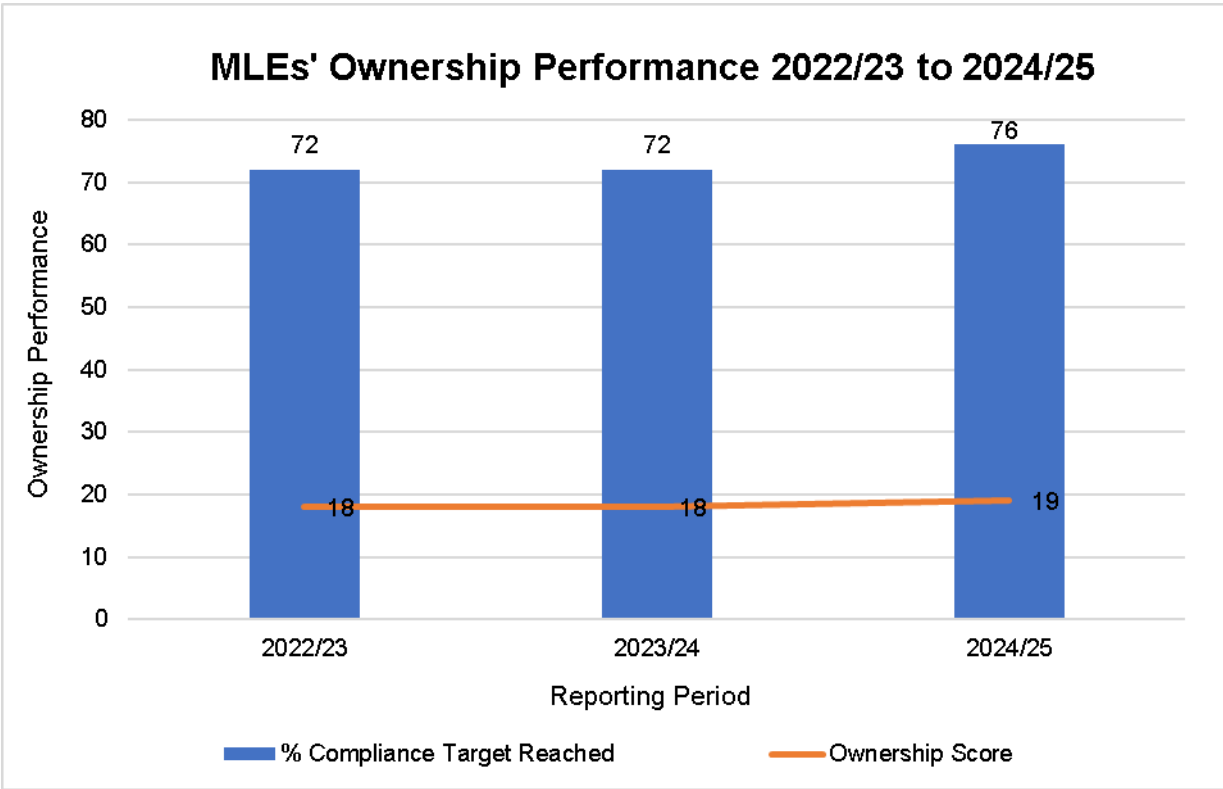


Figure 5: MLEs’ Ownership Performance, 2022/23-2024/25

The comparative analysis shown in Figure 5 indicates that MLEs consistently achieved 72% of the ownership compliance target over the two consecutive reporting periods. The 2024/25 period exhibited a marginal increase to 76% compared to the previous two years. This demonstrates a stable level of compliance with the Ownership element, suggesting that MLEs are maintaining their efforts in transformation initiatives within this area.

Figure 6 below depicts a comparative analysis of ownership performance across the different reporting sub-sectors.

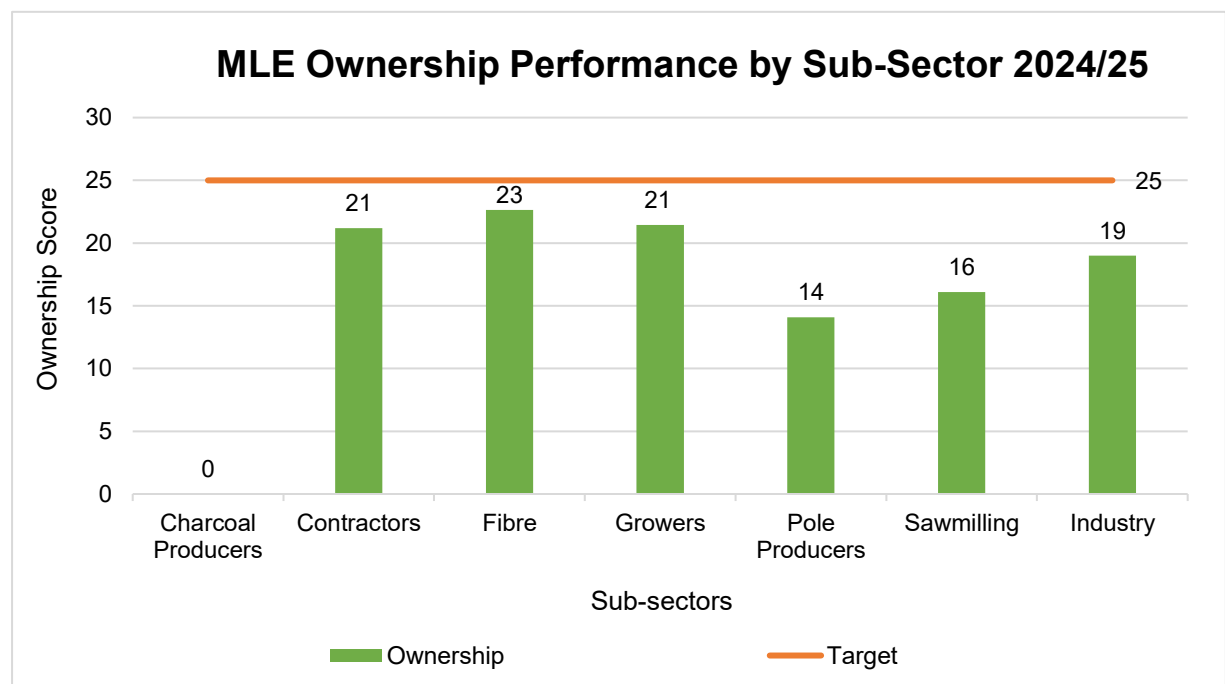


Figure 6: MLEs Ownership Performance by Sub-sector

As illustrated in Figure 6 above, the Fibre sub-sector recorded the highest ownership performance, followed by Contractors and Growers, each achieving above 80% towards the compliance target and exceeding the industry average of 76%. Similarly to the previous year, these were the three best-performing sub-sectors under this element. In contrast, Sawmilling and Pole Producers performed below the industry average, reaching 64% and 56% respectively, showing a slight decline when compared to the previous year. Charcoal Producers recorded no progress, remaining at 0%, which highlights a significant gap in ownership transformation within this sub-sector. This is discouraging considering the last report from the Charcoal sub-sector yielded a comparable result.

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>	17	2	0
<i>Median</i>	34	15	6
<i>Mean</i>	41	18	13
<i>Mode</i>	0	0	0
<i>Q3</i>	52	27	20
<i>Maximum</i>	100	59,4	66,7
<i>Standard Deviation</i>	31	18	17
<i>No. of entities scoring 0% ownership</i>	7	8	14
<i>No. of entities scoring above 0% but below 51% ownership</i>	14	25	21
<i>No. of 51% BO entities</i>	3	1	0
<i>No. of entities scoring above 51% but below 100% ownership</i>	10	3	2
<i>No. of 100% BO entities</i>	3	0	0
<i>Total No. of Measured Entities</i>	37	37	37

Table 2 above illustrates the sector's performance against the established target of 30% black ownership (BO). The sector achieved an average black ownership of 41%, as represented by the mean value, marking a decline of 8.9% from the previous year's performance of 45%. Despite the regression, the average still exceeds the 30% target, indicating sustained progress toward transformation objectives.

In contrast, the average for BWO stood at 18%, indicating a marginal decline from the previous year's 19%. Similarly, Black Designated Groups (BDGs) recorded a slight increase from 12% to 13%. These figures suggest that ongoing disparities in ownership patterns for BWO and BDGs persist, and their economic participation remains limited in the ownership profiles of some companies. On a positive note, the data reflect a generally acceptable level of control held by BO. However, it also highlights minority control for both BWO and BDGs. Notably, no MLE has full control under either the individual or combined ownership categories.

The ownership profile of a measured entity can be determined using two key principles; the Flow-Through Principle (FTP) and the Modified Flow-Through Principle (MFTP). The FTP calculates black ownership by tracing actual ownership percentages through each level of ownership, while MFTP assumes 100% black ownership at the first level of black ownership for more favourable calculations. Additionally, the Exclusion Principle (EP) is applied in multinational companies in cases where certain shareholding categories, such as mandated

investments, government ownership, or specific foreign-held shares, must be excluded from the total equity before calculating black ownership.

The Amended FSC recognises the application of the three principles. However, the Generic Code, 42496, only recognises the FTP. This change is intended to ensure that ownership calculations reflect actual black ownership within the shareholding structure, eliminating distortions within the application of MFTP.

Table 3 below reveals the number of MLEs choosing either of the two applicable principles, and those that need to apply the exclusion principle.

Type of Principle Applied	Flow-Through Principle (FTP)	Modified Flow-Through Principle (MFTP).	Exclusion Principle (EP)
Number of Entities	31	6	2

Approximately 31 out of 37 measured entities, accounting for 84%, applied the FTP, while the remaining six entities (16%) applied the MFTP. In the forest sector, only two entities are multinationals and are also required to apply the EP when determining their ownership score. This preference for the FTP over the MFTP indicates a considerable level of awareness and understanding among measured entities and considerations of the 42496 gazette, which directly relates to ownership calculations.

Table 4: A comparison of Industry Ownership indicator scores between 2022/23 to 2024/25

Indicator	Points Allocated	Average Score FY 2022/23	Average Score FY 2023/24	Average Score FY 2024/25	Compliance Target (%)	Indicator Achieved (%) FY 2022/23	Indicator Achieved (%) FY 2023/24	Indicator Achieved (%) FY 2024/25
VR Black People	4	3.28	3.2	3.2	25+1 Vote	82	80	80
VR Black Women	2	1.6	1.47	1.5	10	80	74	75
EI Black People	4	3.34	3.2	3.3	25	84	80	83
EI Black Women	2	1.52	1.46	1.4	10	76	73	70
EI BDG	3	1.51	1.67	1.9	7	50	56	63
Black New Entrants	2	1.42	1.26	1.4	2	71	63	70
Net Value	8	6.25	6.35	6.4	25%	78	79	80

Voting Rights (VR) refer to the percentage of exercisable voting rights held by Black People (BP) and Black Women (BW) in a company. The shareholders have the authority to vote on key decisions, thereby influencing the company's strategic direction. For B-BBEE compliance, a company should have a minimum shareholding of at least 25% +1 vote held by BP and 10% held by BW. Achieving these targets ensures that black shareholders hold meaningful decision-making powers within the organization, reinforcing transformation and inclusive growth in the sector.

Figure 7 below portrays the averages achieved per sub-sector on the VR for the BP indicator.

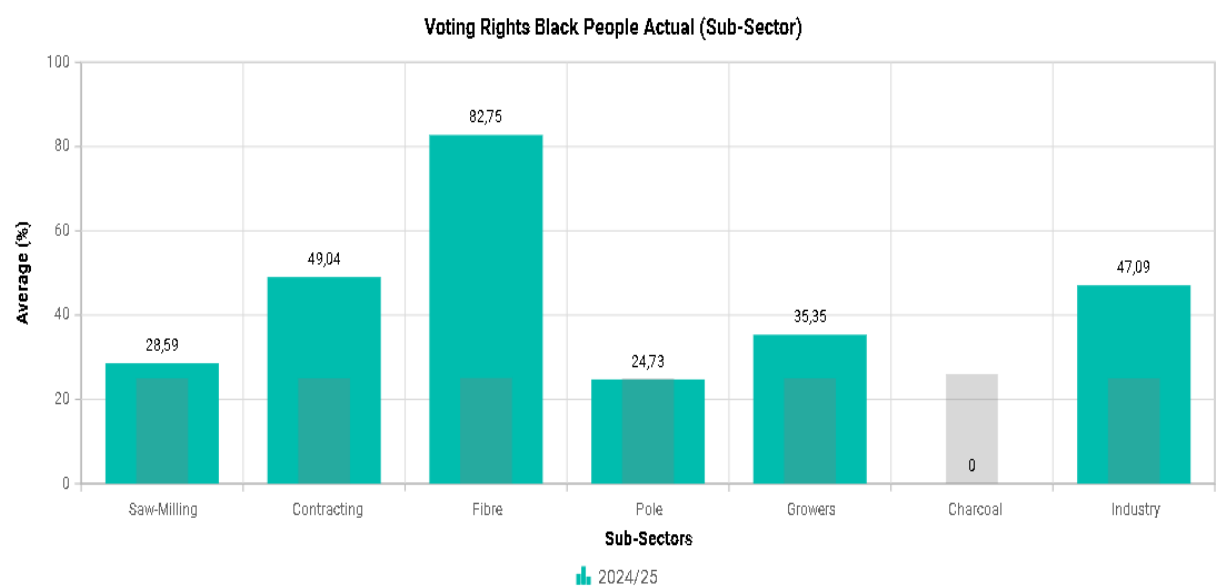


Figure 7: Voting Rights in the Hands of Black People

As shown in the Figure 7 above, only four sub-sectors, including the industry average, exceeded the compliance target of 25%. Notably, the Fibre sub-sector continued to demonstrate exceptional performance, outperforming all other sub-sectors in this indicator, showing a slight improvement of about 3%. The Growers, Pole Producers and Sawmilling also performed exceptionally under this indicator, though their performance reflected a slight decline when compared to the previous reporting year. Charcoal achieved 0% on this target, confirming its poor and discouraging performance.

Figure 8 below displays the performance of the sub-sectors on the Voting Rights (VR) in the hands of Black Women indicator.

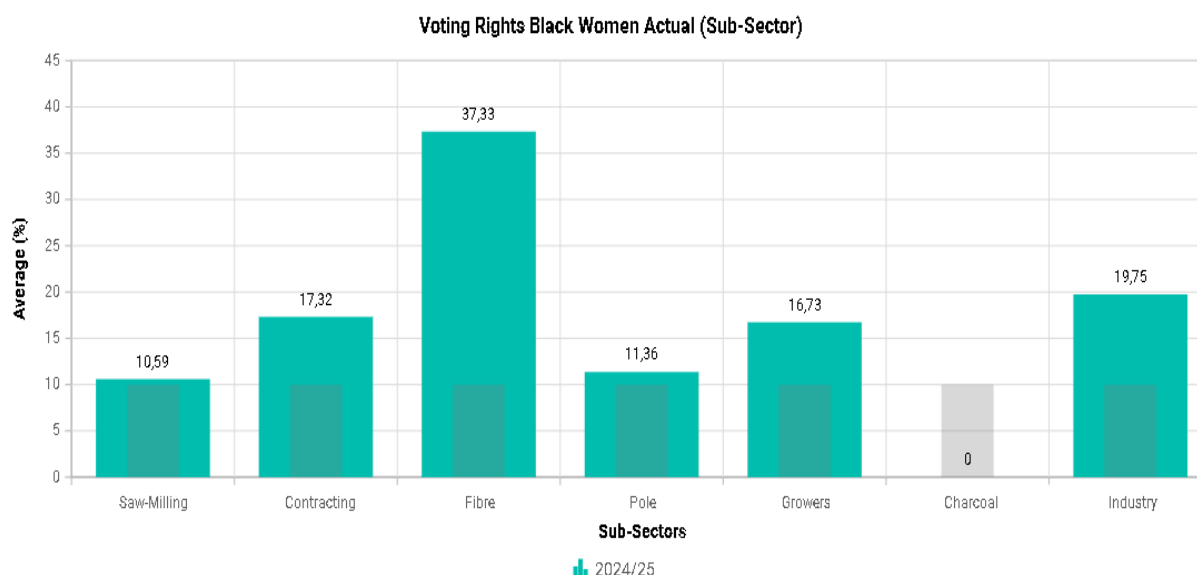


Figure 8: Voting Rights in the Hands of Black Women

Five sub-sectors performed well and surpassed the compliance target of 10%, with the Charcoal Producers recording a performance of 0%. The Fibre sub-sector continued to significantly outperform its counterparts as highlighted in Figure 8 above.

Economic Interest (EI) refers to the portion of profits, dividends, or entitlements to an economic share received by black shareholders in a company. This generally represents their financial stake in the business. The EI ensures equitable economic participation, which enhances meaningful ownership and contributes to sustainable transformation in the sector. For a compliant company, at least 25% of EI should be held by BP, while 10% by BW.

Figure 9 below illustrates the performance of reporting sub-sectors on the Economic Interest for Black People indicator.

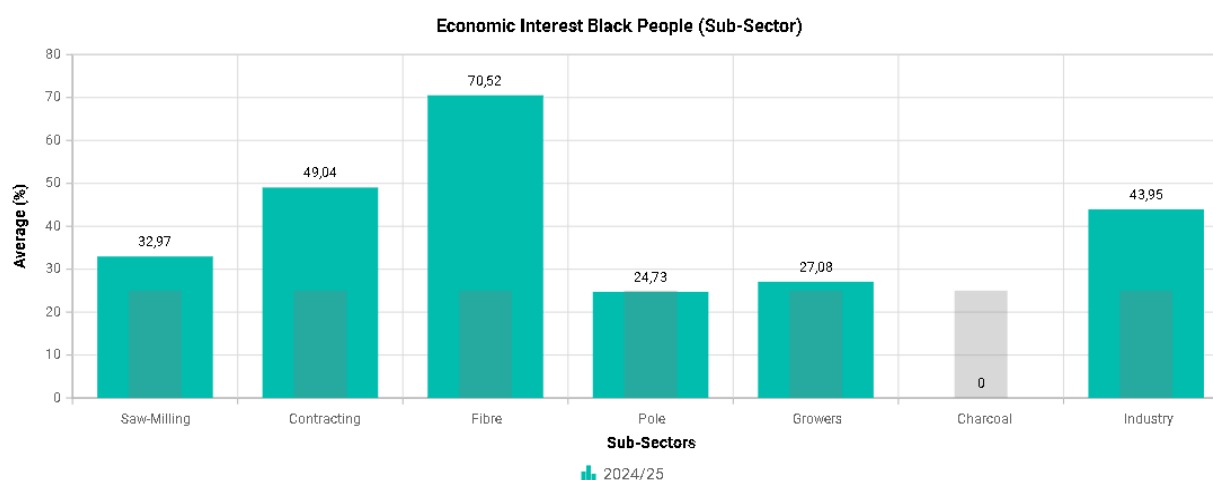


Figure 9: Economic Interests in the Hands of Black People

Four out of six sub-sectors performed exceptionally well, exceeding the compliance target of 25% as illustrated in Figure 9 above. Three of these sub-sectors are the same ones that excelled under the EI indicator and have made substantial contributions to the entire industry's average. While the Pole Producers performed admirably, they attained a score lower than the industry's overall performance. Charcoal Producers recorded substantially lower performance.

Figure 10 below illustrates the performance of the reporting sub-sectors on the Economic Interest (EI) indicator for Black Women.

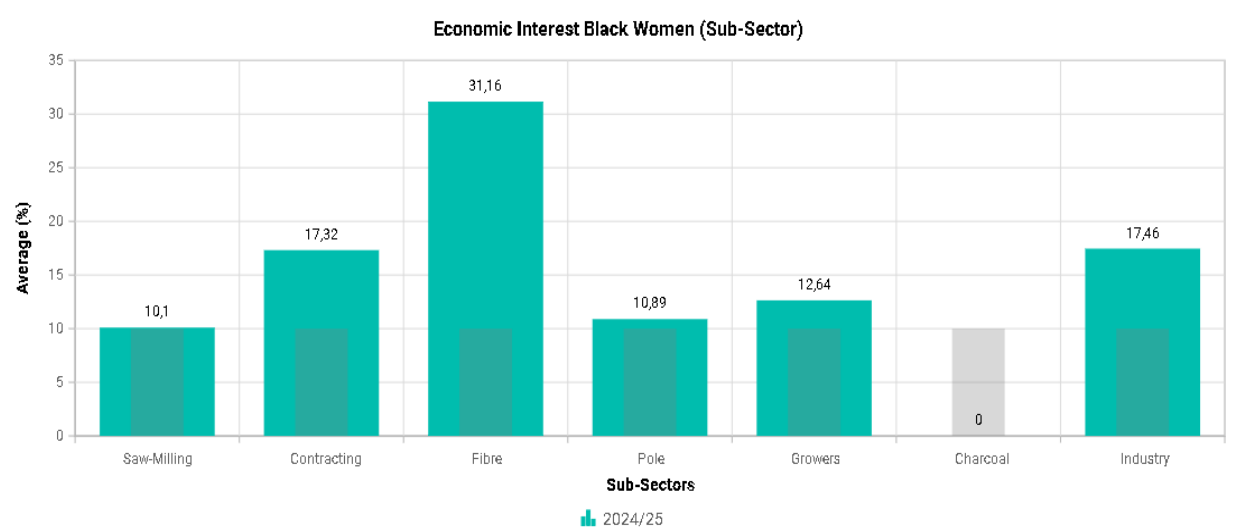


Figure 10: Economic Interests in the Hands of Black Women

As observed in Figure 10 above, the Fibre sub-sector continues to outperform all the reporting sub-sectors, even under this indicator, recording a score triple the target. Four sub-sectors performed above the compliance target of 10%. The Charcoal Producer’s sub-sector maintained a consistent poor performance, showing similar results to those observed in the previous indicators.

Economic Interest can also be held by Black Natural Groupings (BNGs), which include: Black Designated Groupings (BDGs), Broad-Based Ownership Schemes, Co-operatives, and Employee Share Ownership Programs. This broader allocation encourages wider participation of black shareholders, aligning with the "broad-based" principle of the Amended B-BBEE Act. A measured entity must allocate at least 7.5% of EI to these groupings to achieve a maximum score of three points under the Ownership element. The performance of MLEs on the EI in the hands of Black Natural Groups is displayed in Figure 11 below.

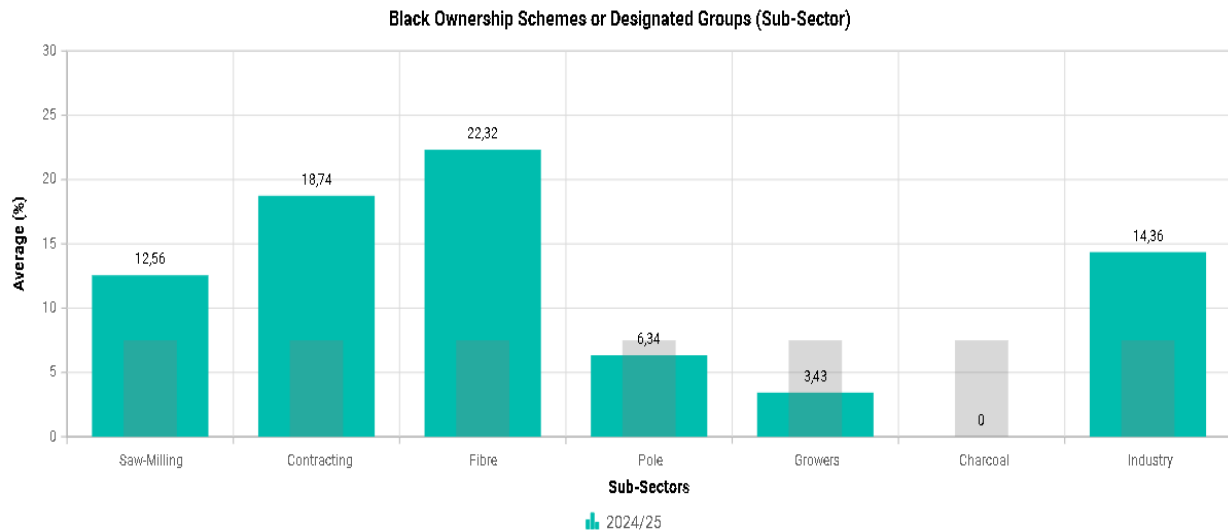


Figure 11: Economic Interest for Black Ownership Schemes or BDGs

Three out of six sub-sectors performed substantially well, surpassing the compliance target of 7.5% and contributing positively to the industry's average as demonstrated in Figure 11 above. In contrast, the Pole Producers sub-sector performed slightly below the target, while the Growers recorded below average. Charcoal Producers, however, attained 0%, indicating poor or no representation of BNGs in this sub-sector.

Black New Entrants refer to black participants who hold rights of ownership in a measured entity and have not held equity instruments in any entity with a total value of more than R50 million before holding the equity instrument in the measured entity. A measured entity that includes new entrants can earn up to two points on the B-BBEE scorecard, provided that it meets the minimum compliance target of 2%. Figure 12 below demonstrates the performance of the reporting sub-sectors on the participation of the BNEs indicator.

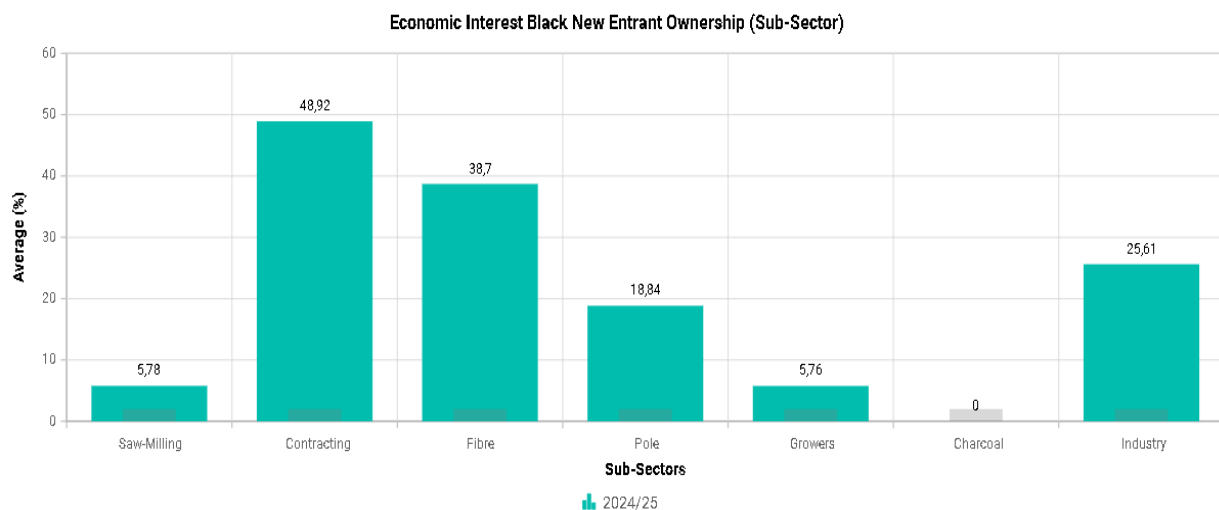


Figure 12: Economic Interest for Black New Entrants

As shown in Figure 12 above, all sub-sectors demonstrated increased participation of BNEs, except for the Charcoal Producers. The Contracting sub-sector recorded the highest level of participation, followed by the Fibre sub-sector, which improved significantly from the previous reporting, and both performed substantially above the industry average.

Net Value refers to the actual financial value of the ownership stake held by black shareholders, excluding any associated debt or liabilities. Measured entities must meet a minimum threshold of 40% of the total weighting points (eight points) to avoid the effect of a discounting principle on their overall B-BBEE level. Figure 13 below displays the average scores of the reporting sub-sectors on the Net Value Points.

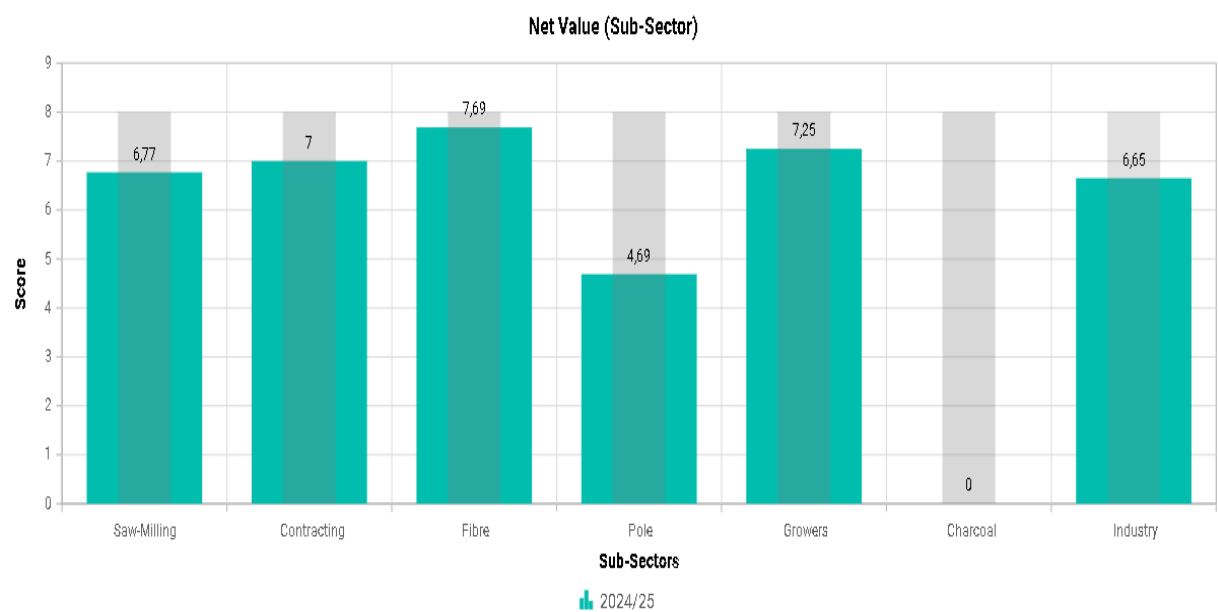


Figure 13: Realisation Points (Net Value Points)

The illustration in Figure 13 above indicates that all sub-sectors scored below eight points on the Net Value indicator. Notably, Fibre, Growers, and Contractors performed relatively well, achieving similar scores within a commendable range. Sawmilling also registered a decent score, followed by Pole Producers. In contrast, Charcoal Producers demonstrated no measurable effort in this indicator, suggesting that this entity was discounted as a result of this.

6.2 Management Control In-Depth Analysis

Management Control (MC) focuses on enhancing the representation of black individuals in management and key decision-making positions within a company. This element assesses how effectively businesses integrate black individuals into top management roles, influencing the company’s overall governance and strategic direction. It makes up a maximum of 19

points on the B-BBEE scorecard. Management Control, just like other elements, is not about compliance, but it is about driving sustainable and meaningful change in the business environment and improving management diversity that can lead to more innovative solutions and better decision-making.

Figure 14 below illustrates the Management Control performance over a three-year reporting period, spanning from 2022/23 to 2024/25.

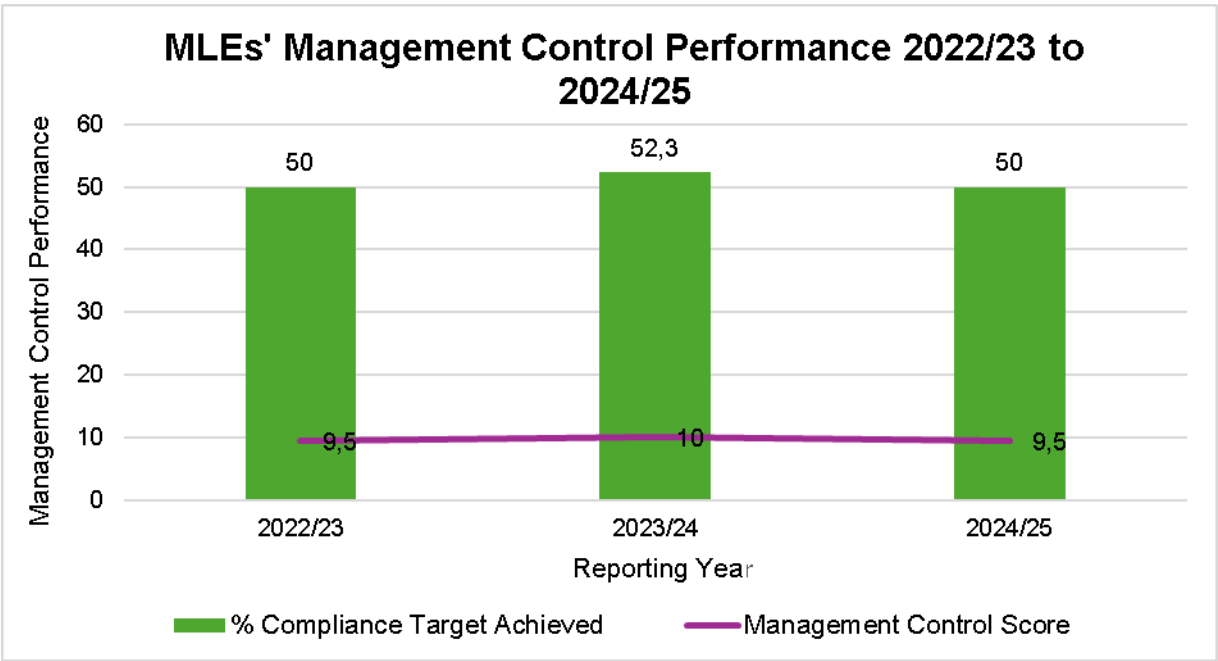


Figure 14: MLE Management Control Performance, 2022/23 – 2024/25

As illustrated in Figure 14 above, MC performance remained consistent over the 2022/23 and 2024/25 reporting periods, with an average of 50%. In contrast, performance peaked in 2023/24 at 52.3%, representing a 4.4% decline when compared to the other two observed periods. The fluctuations in the performance trend can be attributed to the inconsistent performance of MLEs. Management Control remains the element where the sector is lagging in comparison to the other four elements. This indicates that black individuals are still underrepresented in the management structures within the sector. To address this challenge, internal strategies must be aligned accordingly to support the progression of black people into management and executive positions. These should include focused efforts on capacity building, targeted recruitment and retention strategies, as well as the enhancement of mentorship programs. Additionally, it could be anticipated that the Department of Employment and Labour’s proposed employment equity targets will positively influence improved compliance and performance on the Employment Equity Act and MC.

Figure 15 below compares the performance of the sub-sectors against the industry's average.

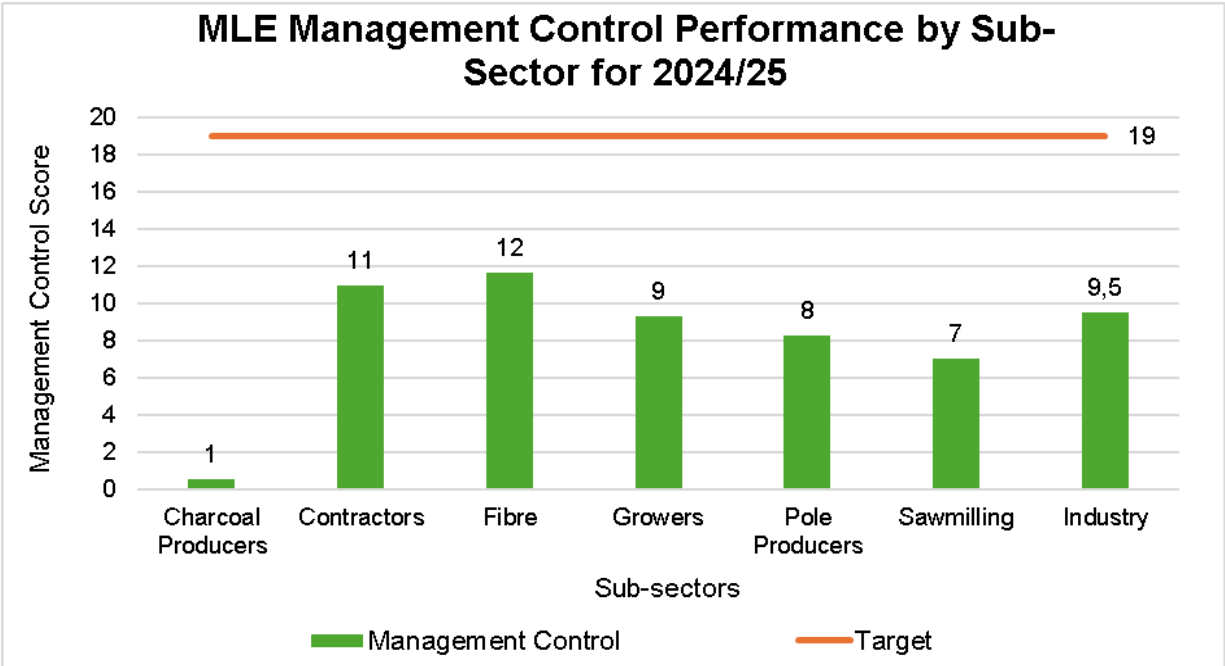


Figure 15: MLE Management Control Performance by Sub-sector, 2024/25

The average scores achieved per sub-sector in the MC element reflect a mix of improvements and declines, as illustrated in Figure 15 above. The Fibre sub-sector maintained its leading position, consistent with the previous year. The Contractors and Growers sub-sectors showed marginal increases, while the Pole Producers and Sawmilling sub-sectors showed declines compared to the previous year. Charcoal Producers remained the lowest-performing sub-sector, indicating continued challenges in this area. Overall, although the industry's average score has slightly declined, there is evidence of effort towards improvement. However, further progress is still needed in increasing the representation of black people and women at management and key decision-making 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 2022/23	Average Score FY 2023/24	Average Score FY 2024/25	Compliance Target (%)	Indicator Achieved (%) FY 2022/23	Indicator Achieved (%) FY 2023/24	Indicator Achieved (%) FY 2024/25
VR Black Board Members	2	1.41	1.50	1.45	50	70.5	75	72.5
VR Black Women Board Members	1	0.46	0.79	0.47	25	46	79	47
Black Executive Board Members	2	0.95	1.32	1.10	50	47.5	66	55
Black Woman Executive Board Members	1	0.22	0.56	0.27	25	22	56	27
Black in Other Executive Management	2	0.91	1.43	0.66	60	45.5	71.5	33
Black Women in Other Executive Management	1	0.41	0.59	0.28	30	41	59	28
Black in Other Executive Directors	4	2.66	2.72	3.47	60	66.5	68	86.8
Black Women in Other Executive Directors	2	0.74	0.35	0.61	30	37	17.5	30.5
Black Senior Management	2	0.59	0.63	0.62	60	29.5	31.5	31
Black Women Senior Management	1	0.21	0.18	0.23	30	21	18	23
Black Middle Management	2	0.97	0.96	0.86	75	48.5	48	43
Black Woman Middle Management	1	0.32	0.28	0.25	38	32	28	25
Black Junior Management	1	0.61	0.64	0.63	88	61	64	63
Black Women Junior Management	1	0.39	0.4	0.38	44	39	40	38
Black Employees Living with Disabilities	2	1.52	1.26	1.30	2	76	63	65

Management Control encourages generic entities to ensure at least 50% representation of black individuals as board members, with a minimum of 25% being black women. These individuals must have exercisable voting rights and the ability to influence key strategic decisions within the company. This element is designed to address the historical under-representation of black individuals in executive and board-level positions, promoting a more inclusive and representative leadership structure in an organization. Figure 16 below illustrates the average scores for the representation of Black Board members across each sub-sector.

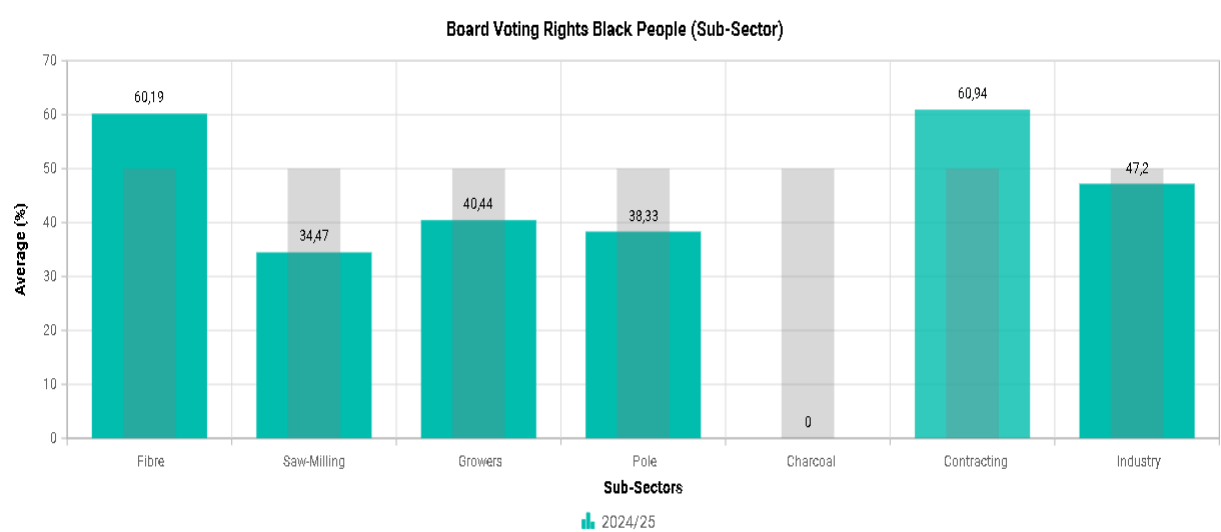


Figure 16: MLE Management Control Black Board Members

Two sub-sectors exceeded the target for this indicator, maintaining an encouraging performance consistent with the previous year, as shown in Figure 16 above. The Contracting sub-sector led as the top performer, followed by Fibre in second place. Growers ranked third, while Pole Producers and Sawmilling showed comparable results, with only slight variance between them. Notably, Growers demonstrated significant progress with a 7% improvement, whereas Sawmilling experienced a sharp decline of 10%, dropping from third position to the second lowest among all sub-sectors when compared to the previous year’s performance. Alarminglly, Charcoal Producers recorded 0%, indicating a complete absence of black representation at the board level.

Figure 17 depicts the involvement of Black Women on boards across each sub-sector.

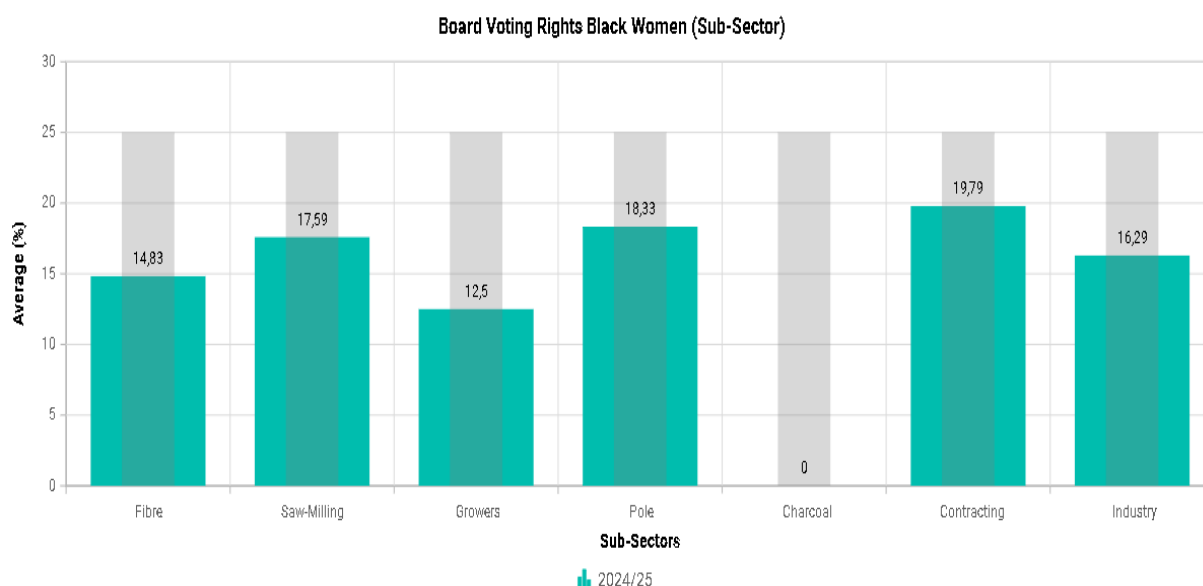


Figure 17: MLE Management Control Black Women on Boards per Sub-sector

As shown in Figure 17, the Contracting sub-sector was the top performer, while Pole Producers ranked second, reflecting consistent progress. However, it is important to note that the performance of Pole Producers declined when compared to the previous year, where they had exceeded the set target. This drop may indicate a potential shift in transformation focus or structural challenges within that sub-sector. Meanwhile, the Fibre sub-sector, which had previously demonstrated exceptional performance well above the target, experienced a significant decline, now reflecting only average results. This notable regression is concerning and may require further investigation.

The Sawmilling showed a good performance, and Growers performed average. While this may reflect consistency, it also suggests limited progress in improving representation. Most concerning is the Charcoal Producers sub-sector, which recorded 0% for this indicator, signifying a complete absence of black women in board-level positions. This stark lack of representation highlights persistent barriers to transformation and inclusion in leadership roles.

The overall performance across all sub-sectors underscores the urgency and relevance of the conducted focused desktop study to explore the underlying reasons for the underrepresentation of women, particularly black women, in management and governance structures. Such a study would present valuable insights toward formulating targeted interventions to address this ongoing disparity.

Figure 18 below demonstrates the average participation rates of Black Executives on boards a cross several sub-sectors.

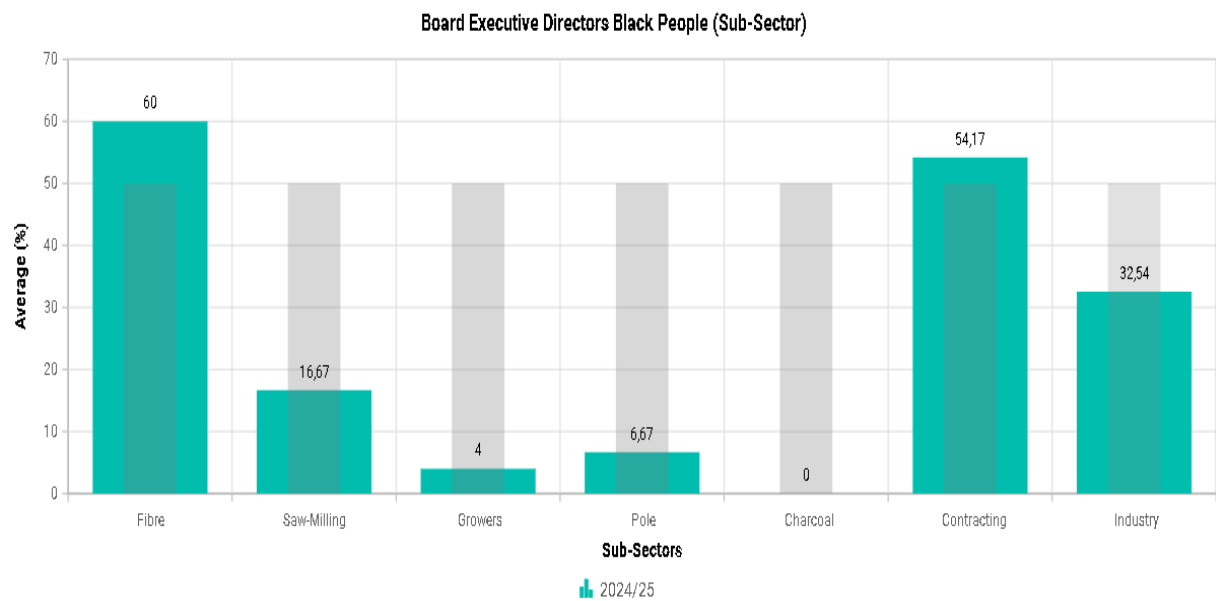


Figure 18: MLE Black Executive Directors participating on boards

As shown in Figure 18 above, the Fibre and Contracting sub-sectors performed exceptionally well, both surpassing the target for Black Executive Directors participating on boards. The Fibre sub-sector led with the highest achievement, followed closely by Contractors. The Sawmilling sub-sector demonstrated some effort toward meeting this indicator, although its performance remained below the set target and thus requires further improvement. Conversely, the Growers, Pole Producers, and Charcoal Producers sub-sectors performed significantly poorly, showing minimal to no progress in advancing Black representation at the executive board level. This underperformance highlights a continued challenge in transforming governance structures and ensuring that executive leadership is reflective of South Africa’s broader demographic profile. Strategic succession planning, leadership development, and inclusive board appointment practices are essential to address these disparities and accelerate transformation at the highest levels of corporate decision-making positions.

Figure 19 below demonstrates the average participation rates of Other Black Women Executives on boards across the industry sub-sectors.

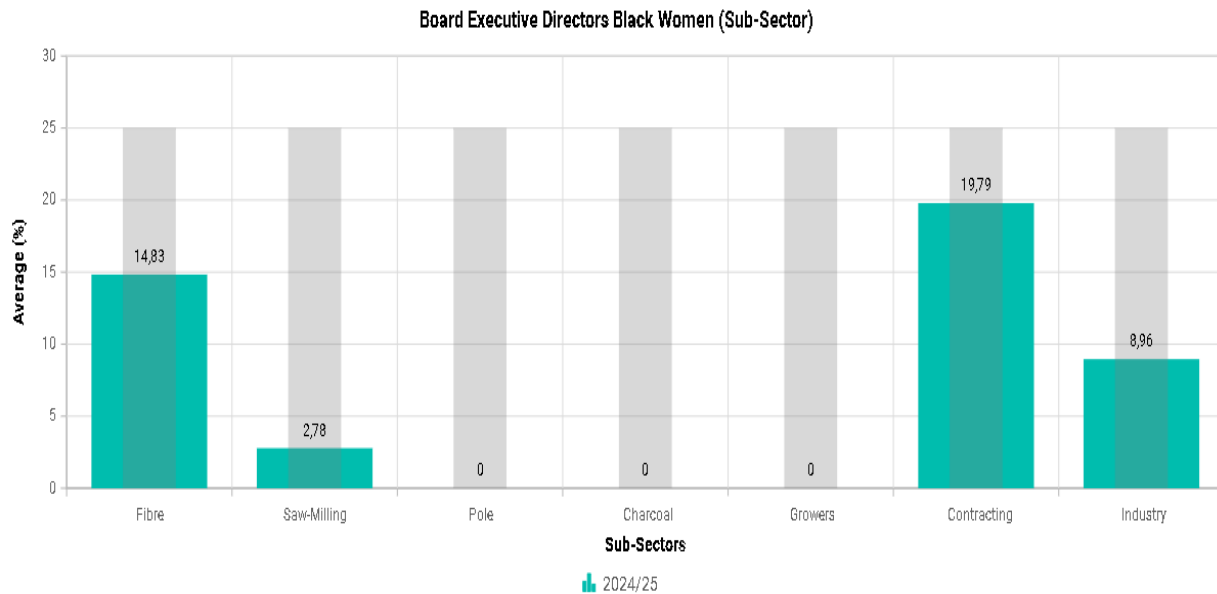


Figure 19: MLE Black Women Executive Directors participating on boards

The illustration in Figure 19 above shows that only two out of the six sub-sectors demonstrated commendable participation of BW Executive Directors on boards. The Contracting sub-sector emerged as the top performer, followed by the Fibre sub-sector, both indicating positive strides toward gender and racial inclusivity at the executive leadership level. However, the Growers, Charcoal Producers, and Pole Producers sub-sectors showed no representation in this indicator, reflecting a lack of effort in advancing Black women into board-level roles.

Other Black Executive Directors refer to individuals entrusted with overseeing and executing a company's strategic direction and day-to-day operations. These positions typically fall within the "C-suite" leadership tier and include roles such as Chief Executive Officer, Chief Financial Officer, and Chief Strategy Officer, among others. It is important to note that black individuals and women who hold these executive positions may or may not form part of the company's board of directors. In instances where a clear distinction between executive directors and senior management does not exist, reporting entities are permitted, under the provisions of the Amended FSC, to consolidate this indicator with the senior management indicator for reporting purposes. Points for both indicators will be consolidated, and the compliance target with the highest weighting will be applied. This ensures that entities are held to the more stringent standard when reporting combined figures, in alignment with the flexibility allowed under the Amended FSC.

The illustration in Figure 20 below provides a comparative view of the sub-sector's performance in promoting black representation at the Other Black Executive Director indicator.

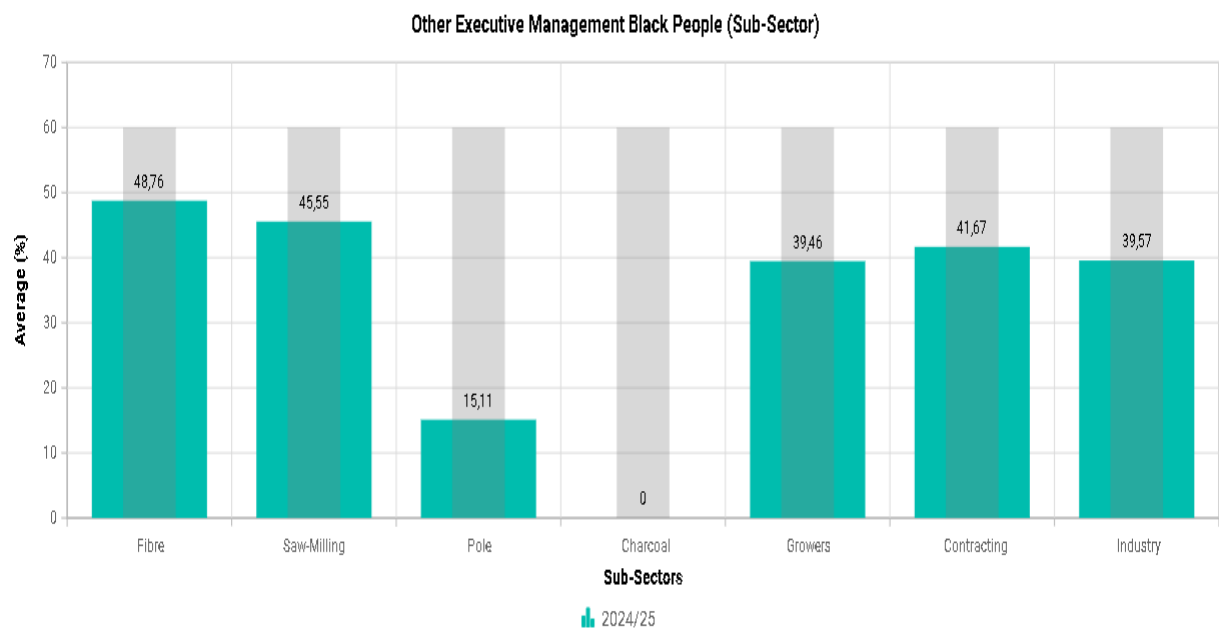


Figure 20: MLE Black Other Executive Management

As depicted in Figure 20 above, the Fibre sub-sector demonstrated outstanding performance on the "Other Black Executive Director" indicator, achieving the highest score across all sub-sectors and reaffirming its continued commitment to executive-level transformation. Both the Sawmilling and Contracting sub-sectors also performed commendably, delivering comparable results that indicate encouraging progress in appointing black individuals to strategic executive roles. The notable improvement in the performance of the Contracting sub-sector is duly acknowledged. In contrast, the Sawmilling sub-sector has experienced a substantial decline compared to its performance in the previous year.

The Growers sub-sector achieved above average; however, it experienced a notable decline compared to its performance in the previous year. This drop may signal a need for renewed focus on strengthening transformation efforts at the executive level. More concerning is the performance of the Pole Producers sub-sector, which showed a significant decline from the previous reporting period, positioning it as the second lowest performing sub-sector on this indicator. Charcoal Producers sub-sector results reflect a complete absence of black representation within Other Executive Management roles. This stark outcome reveals persistent structural barriers and underscores the urgent need for targeted interventions to promote inclusion and transformation within this sub-sector's leadership structures.

The representation and performance of Black Women in Other Executive Management roles are illustrated in Figure 21 below.

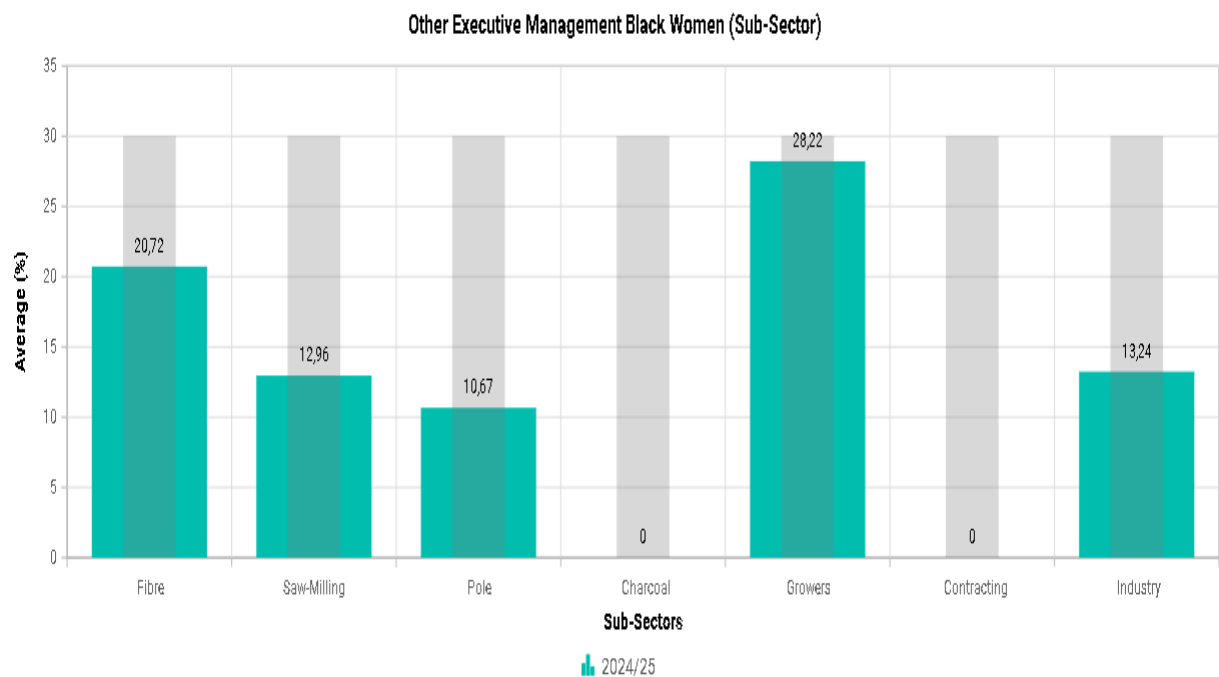


Figure 21: MLE Black Women Other Executive Management

As shown in Figure 21 above, the Growers sub-sector led in the representation of black women in other executive management roles, similarly to the previous year, performing marginally below the designated target and surpassing all other sub-sectors. Fibre followed closely with a commendable performance, reflecting a continued commitment to promoting gender and racial diversity at the executive level. In contrast, the Sawmilling and Pole Producers sub-sectors underperformed, with scores falling well below the average. Both recorded significant declines compared to the previous reporting period, indicating a concerning regression in the advancement of black women into executive roles. The Contractors sub-sector maintained a poor performance, recording 0% for the second consecutive year, signalling a continued lack of progress in this area. Similarly, the Charcoal Producers sub-sector also achieved 0%, further confirming a complete absence of black women in strategic executive positions.

Beyond board representation, MC also evaluates black representation at senior, middle, and junior management levels. Each of these levels plays a critical role in fostering leadership diversity and ensuring an inclusive management structure. The Amended FSC also has an additional requirement for the employment of black individuals with disabilities in office-based roles. This provision is aimed at preventing further marginalization of differently-abled

individuals, promoting broader economic inclusion, and ensuring equitable workplace opportunities.

The performance of MLEs with Black individuals in senior management roles is shown in Figure 22 below.



Figure 22: MLE Black Participation at Senior Management Level

As illustrated in Figure 22 above, and consistent with trends observed in previous reporting periods, the overall performance across all sub-sectors remains relatively poor with regard to the representation of black individuals in senior management roles. Each sub-sector recorded scores significantly below the average benchmark, highlighting a persistent challenge in achieving meaningful transformation at this leadership level. While the Growers sub-sector emerged as the highest performer in this category, its score still fell short of the expected target, reinforcing the general underperformance and the need for focused, sector-specific strategies to improve representation and inclusion in senior management positions.

Figure 23 below displays the representation of Black Women at the Senior Management Level

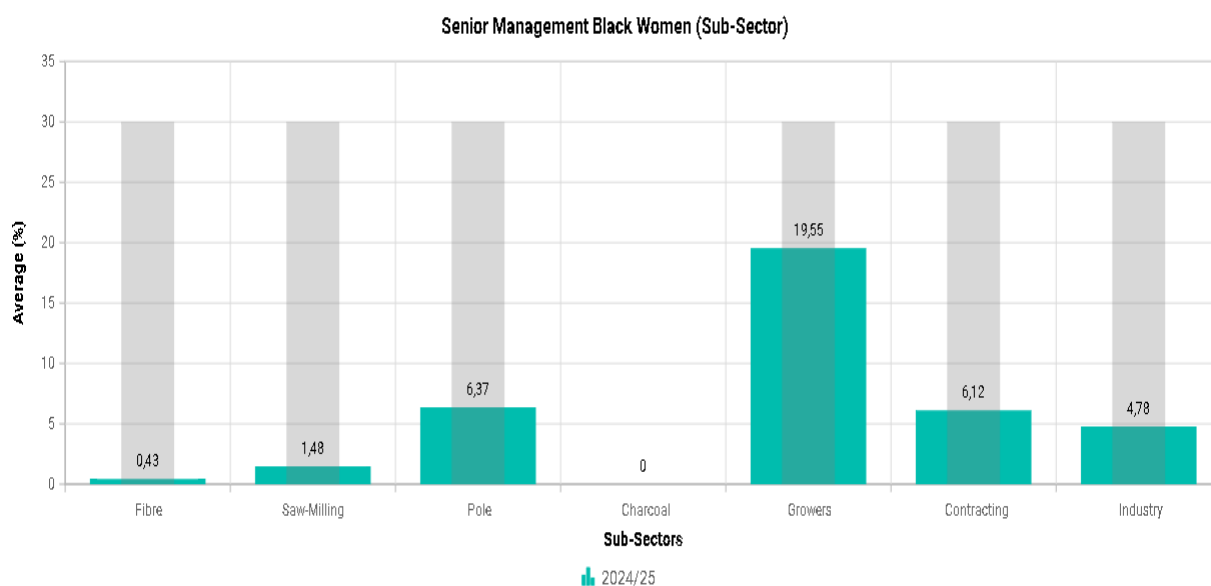


Figure 23: MLE Black Women Participation at Senior Management Level

The performance depicted in Figure 23 closely mirrors the trend observed in Figure 22, highlighting a continued pattern of underrepresentation of black women in senior management roles across the sector. While the Growers sub-sector achieved a commendable score above the average, indicating some level of commitment to advancing diversity at this leadership tier, the remaining sub-sectors performed poorly, with scores falling well below the average. This disparity suggests limited, and in some cases, non-existent efforts within certain sub-sectors to actively promote and support the inclusion of black women in senior management. The results emphasise the need for deliberate and sustained transformation initiatives to address gender and racial imbalances in strategic decision-making roles. These results also mean that the sector will have a marginalised pool for future recruitment into executive management roles.

Figure 24 below demonstrates the sub-sectors' performance towards the target on the Black Middle Management indicator.

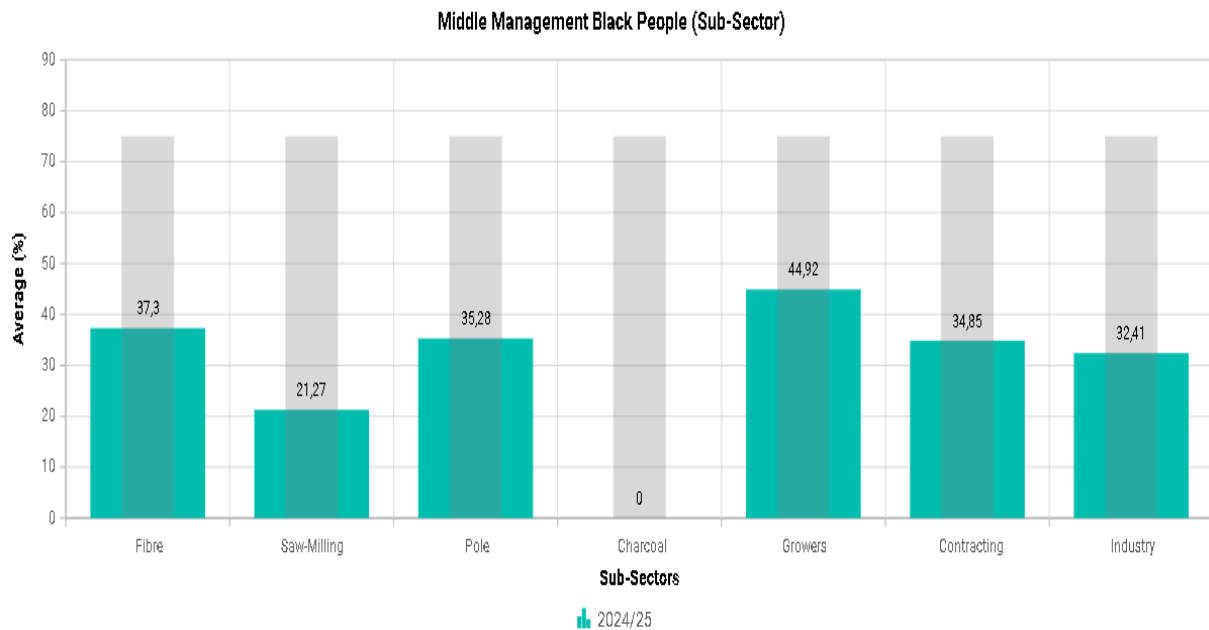


Figure 24: MLE Black Participation at Middle Management Level

The performance illustrated in Figure 24 above indicates that the Growers sub-sector achieved an average score in the representation of black individuals at the middle management level. Fibre, Pole Producers, and Contractors all performed within a similar range, though their scores remained below the sector average, pointing to limited progress in this area. Sawmilling, in particular, showed a notable decline from the previous year's performance, reflecting a concerning downward trend. Most notably, the Charcoal Producers sub-sector demonstrated no measurable effort or progress, recording 0% representation of black individuals at the middle management level.

Figure 25 below shows the representation of Black Women in middle management roles across all subsectors.

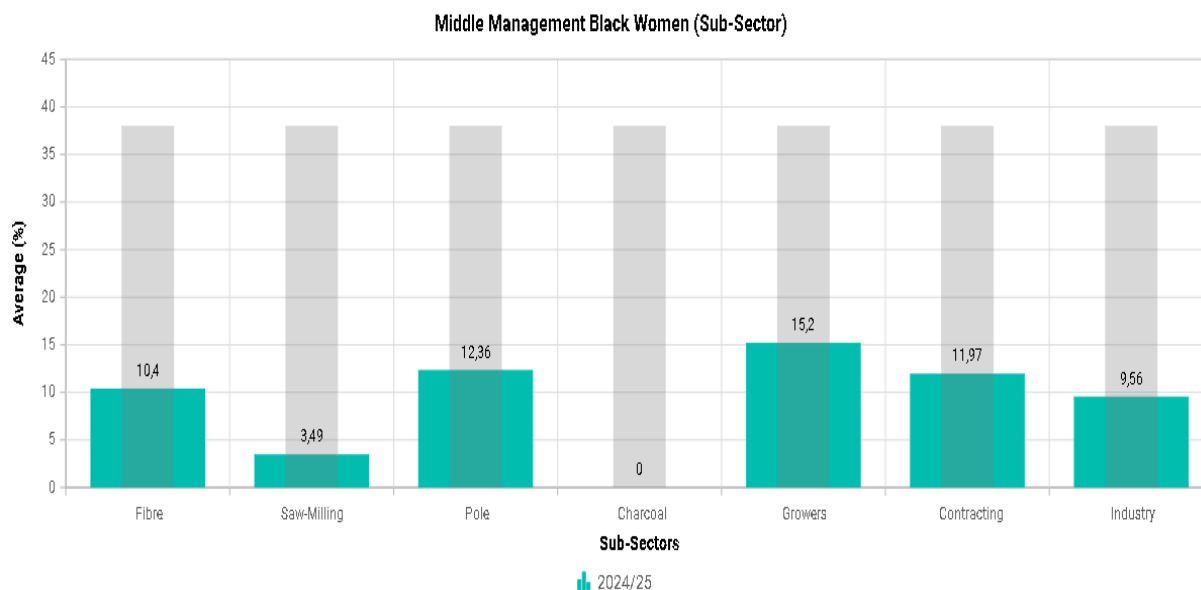


Figure 25: MLE Analysis: Black Women Participation at Middle Management Level

The performance illustrated in Figure 25 above indicates a persistently poor performance across all sub-sectors, closely aligning with the trends observed in the preceding year. Charcoal Producers demonstrated no progress, with zero participation of black women at the middle management level, a critical leadership tier that often serves as a stepping stone to senior and executive roles. This ongoing underrepresentation highlights a systemic gap that requires urgent and deliberate intervention. Improving the participation of black women at the middle management level is essential, as it strengthens the talent pipeline and fosters long-term transformation in leadership structures. To address this, the sector could benefit from supporting and amplifying “She is Forestry SA” initiatives, which have the potential to provide structured support, visibility, and mentorship for women in forestry. Programs like this can create networks that empower women, encourage knowledge exchange, and promote a culture of mentorship, thereby nurturing future leaders and driving gender and racial inclusivity across all levels of management.

Junior Managers are typically individuals who possess both academic and technical qualifications and often enter the workforce through structured graduate programmes, internships, or apprenticeships. These roles serve as critical entry points for individuals who bring theoretical knowledge into practical environments. The intention of this indicator is to support the advancement of black individuals and women at the early stages of their managerial careers, with responsibilities situated below those of middle management.

By focusing on the development of junior managers, this element also reinforces the importance of implementing robust succession planning within organisations. Nurturing talent at this level is essential for building a pipeline of future executives, senior managers, and middle managers. Figure 26 below provides insight into the representation of Black Employees in Junior Management positions across the sector.



Figure 26: MLE Analysis: Black Participation at Junior Management Level

As illustrated in Figure 26 above, none of the sub-sectors achieved the set target for Black representation in junior management. All six sub-sectors performed within a relatively narrow range, with Contracting showing the highest level of representation, closely followed by the Pole Producers. This performance trend reinforces a recurring pattern identified in previous reporting periods: junior management levels tend to have a higher representation of BP compared to middle and senior management levels.

Figure 27 below shows the representation of Black Women Employees occupying Junior Management positions across the sub-sectors.



Figure 27: MLE Black Women Participation at Junior Management Level

As depicted in Figure 27 above, only one of the six sub-sectors reached 50% of the target, reflecting a generally poor performance across the board. While Contractors and Pole Producers demonstrated relatively better results, albeit with a slight decline from their previous year's performance, their achievements remain only marginally acceptable. Other sub-sectors performed significantly below expectations, with Charcoal Producers notably recording a 0% achievement on this indicator.

The continued underperformance across all sub-sectors signals a persistent challenge in developing a strong, diverse pipeline of future leaders, particularly for black female talent. Moreover, the sector remains male-dominated at the junior management level, suggesting a need for more deliberate interventions to improve gender inclusivity and accelerate transformation.

Forestry in-field operations are often physically demanding and generally not conducive to accommodating differently abled individuals. In recognition of this, the MC scorecard encourages companies to create inclusive opportunities by employing persons with disabilities in office-based roles. This approach not only promotes workplace diversity but also helps to prevent further marginalisation of differently abled individuals who already face limited employment prospects. By making reasonable accommodations and expanding inclusive practices beyond the field, the sector can foster a more equitable work environment. The performance of the various sub-sectors on this indicator is illustrated in Figure 28 below.

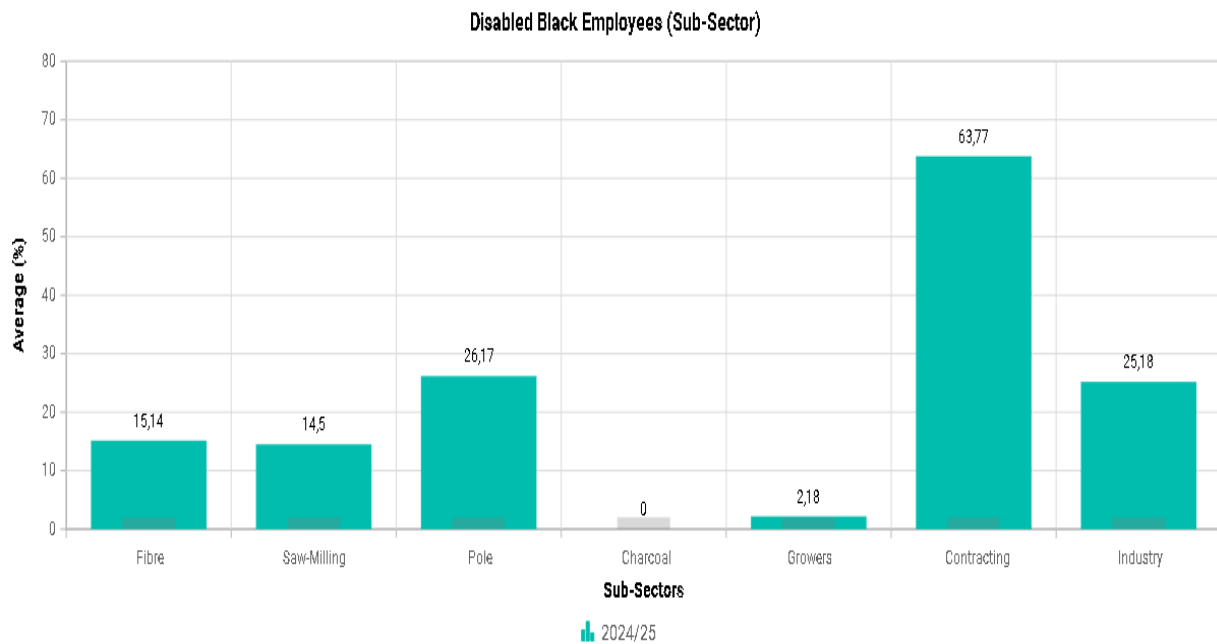


Figure 28: MLE Black Employees with Disabilities

As illustrated in Figure 28 above, the overall sector performance on this indicator is encouraging, with all sub-sectors except Charcoal Producers exceeding the set target. This trend suggests that the sector is increasingly recognizing the importance of fostering inclusivity by accommodating persons with disabilities, particularly in office-based roles. Notably, the Contractors sub-sector outperformed its counterparts, emerging as the highest performer. The Growers sub-sector demonstrated a significant improvement compared to the previous year's performance, progressing from substantially underperforming to exceeding the set targets. This level of commitment is duly acknowledged and commended. In contrast, the Charcoal Producers recorded no participation, which may indicate a concerning lack of inclusiveness and awareness within this sub-sector. This gap underscores the need for targeted transformation efforts and advocacy to ensure that no segment of the sector is left behind in promoting equitable workplace representation.

6.3 Skills Development In-Depth Analysis

Skills Development (SD) is a key element of the B-BBEE scorecard, requiring businesses to invest in training programmes that enhance the skills and capacity of both their workforce and external black individuals. Compliance with the SD, just like other elements, offers companies a dual advantage; it enhances their B-BBEE rating, thereby boosting their market competitiveness while simultaneously supporting South Africa's broader transformation and economic inclusion agenda.

Skills Development is a priority element under the B-BBEE framework, requiring organisations to meet both expenditure thresholds and training targets, particularly for black people, women, youth, and persons with disabilities. This aligns with the national goal of redressing historical imbalances and building an inclusive, capable workforce. By addressing skills shortages and enhancing employability, this element contributes to a more equitable and productive labour market. Furthermore, the principle of absorption supports job creation by ensuring that trained individuals are effectively integrated into the workforce.

The compliance with SD element often aligns and interlinks with and reinforces the impact of several government-led initiatives, including the Expanded Public Works Programme, Youth Employment Service, National Skills Fund, Department of Women, Youth and Persons with Disabilities Strategic Frameworks, and Sector Education and Training Authorities. These programmes are designed to complement the SD requirements in B-BBEE, ensuring that corporate compliance also contributes to national priorities such as reducing youth unemployment, closing the gender gap, and promoting economic participation for persons with disabilities. Furthermore, certain measured entities implement the SD element through some of these initiatives.

The SD is a powerful tool for driving social and economic transformation. It facilitates the progression of black individuals into management roles, ensuring impactful compliance with Management Control requirements. By effectively integrating both elements, companies can foster meaningful transformation and long-term inclusivity in the workforce.

Figure 29 illustrates the performance of MLEs in the Skills Development element across three reporting periods (2022/23 to 2024/25).

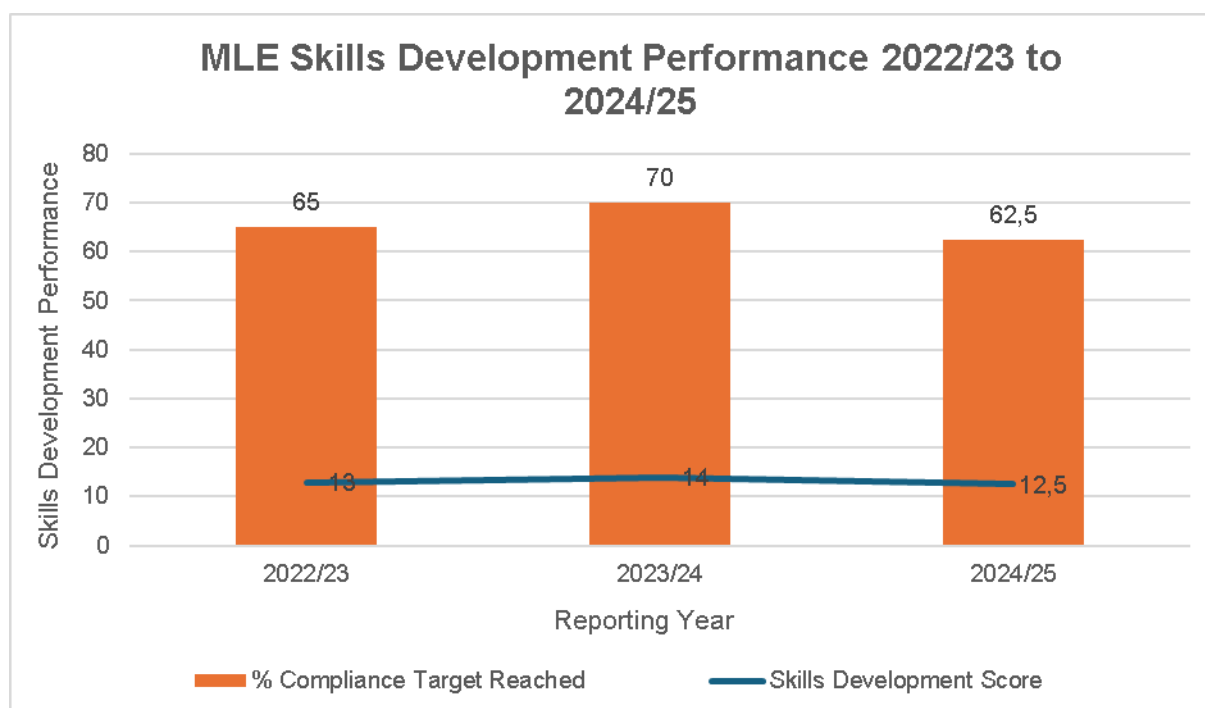


Figure 29: MLE Skills Development Performance, 2021/22 – 2024/25

As shown in Figure 29 above, the compliance improvement achieved the highest compliance rate of 70%, up from 65%, between the 2022/23 and 2023/24 reporting years, corresponding, reflecting a better investment in training efforts within the sector. The compliance dropped to 62,5% in the current reporting year (2024/25), marking the lowest performance in both compliance and score over the three-year period. The decline in SD spending could suggest a depressed economy. Moreover, the decline could also present missed opportunities by the sector to create learnerships, internships, and other training pipelines that could absorb black unemployed youth.

South Africa is facing record-high unemployment, especially among youth aged 15 to 34. Skills Development should counteract this crisis, but current trends show a declining trajectory. In the first quarter of 2015, the official unemployment rate for young people between the ages of 15 and 34 was 36.9%. By the first quarter of 2025, it had climbed to 46.1%, an increase of 9.2 percentage points, insinuating deteriorating prospects for millions of youth in the country. However, according to the Statistical Release (P0211) for Quarterly Labour Force Survey Quarter 1: 2025, it suggests that the employability prospects are better for more skilled youth compared to the unskilled. This signifies the importance of the Skills Development element in enhancing the employability prospects and narrowing the youth unemployment rate. This sector-specific challenge highlights the relevance and importance of the F-GEP, led by Forestry South Africa (FSA), which is designed to enhance the employability of young graduates and ensure that the impact of such initiatives is both visible and meaningful. In this

context, any regression in SD performance may send the wrong message. It is imperative that SD efforts are strengthened and aligned with national priorities to address youth unemployment and drive inclusive economic growth.

^v[The dark picture of youth unemployment in South Africa](#)

^{vi}[P02111stQuarter2025.pdf](#)

Figure 30 below illustrates the average performance of Skills Development across the six sub-sectors for 2024/25

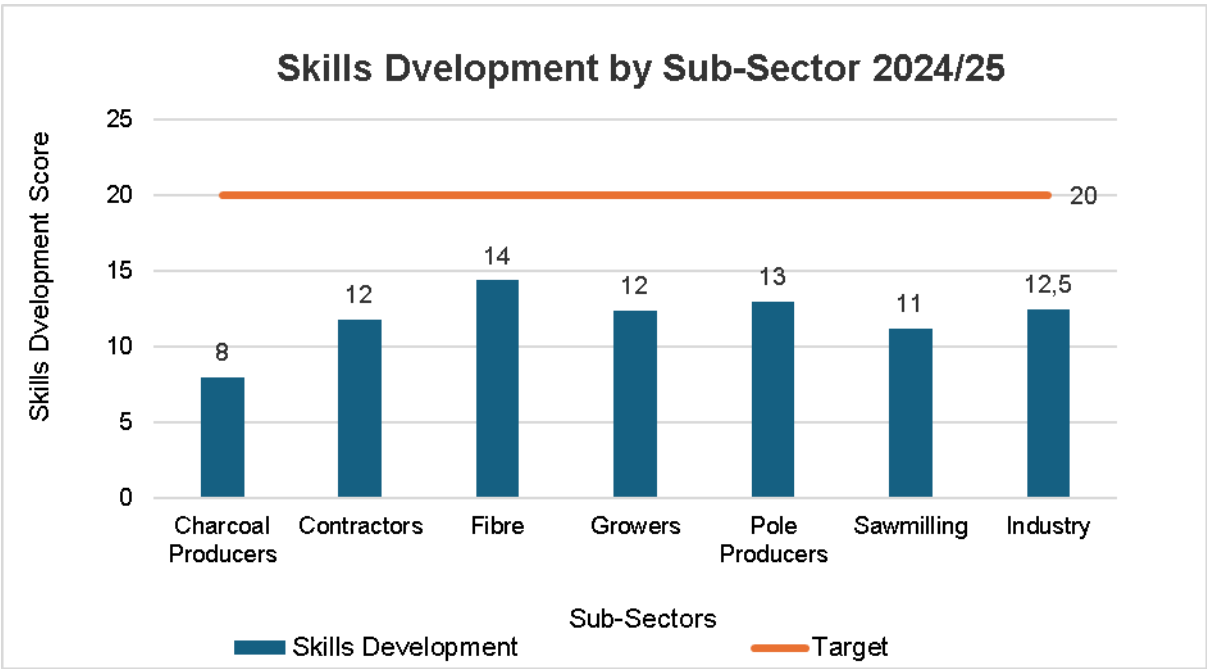


Figure 30: MLE Skills Development Performance per Sub-sector

As shown in Figure 30 above, the Fibre sub-sector outperformed other sub-sectors with a score of 14, followed closely by Pole Producers with 13 points, and both Contractors and Growers achieving 12 points each. The Sawmilling performed averagely, achieving an average of 11, while Charcoal Producers lagged behind, achieving an average of 8, ranking the least performer in this element.

These outcomes reflect the varying degrees of commitment and investment in SD initiatives across sub-sectors and directly influence the overall trends shown in Figure 29. While some sub-sectors made visible contributions to the national SD goals, the regression from previous years' performance across all sub-sectors is a cause for concern. It suggests a weakening focus on training, upskilling, and human capital investment during a time when such efforts are critically needed to address the skills gap that will enhance the employability of the black youth.

The consistently low scores, especially among Charcoal Producers and Sawmillers, point to a need for deliberate, sector-specific interventions. These could include targeted funding support, increased partnerships with the Fibre Processing and Manufacturing (FP&M) SETA, and the implementation of structured learnerships, internships, and mentorship programmes. Moreover, there is a growing need to foster accountability mechanisms and encourage SD compliance, while also promoting awareness on the transformative benefits of B-BBEE SD investment.

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 FY 2022/23	Average Score FY 2023/24	Average Score FY 2024/25	Compliance Target (%)	Indicator Achieved (%) FY 2022/23	Indicator Achieved (%) FY 2023/24	Indicator Achieved (%) FY 2024/25
Skills Development Expenditure- Black People	8	4.69	4.58	4.75	5	59	57.3	59.4
Skills Development Expenditure- Black Employees living with Disabilities	4	2.90	2.90	2.67	0.3	73	73	66.8
Black Employees- LAI	4	3.01	2.96	2.70	2.5	75.3	74	67.5
Black Unemployed Learners- LAI	4	2.59	3.2	2.27	2.5	64.8	80	56.8

The SD element under the Amended FSC requires MLEs to invest meaningfully in the training and development of black people. Specifically, this indicator obliges MLEs to allocate a minimum of 5% of their leviabale amount as defined by the Skills Development Levies Act, towards both internal and external learning programmes that fall within the designated SD learning programme matrix. Figure 31 below illustrates the performance of SD expenditure allocated specifically for Black People, disaggregated by sub-sector. This provides insight into the extent to which each sub-sector has invested in capacity-building and training initiatives aimed at advancing the inclusion and development of black individuals within the forestry value chain.

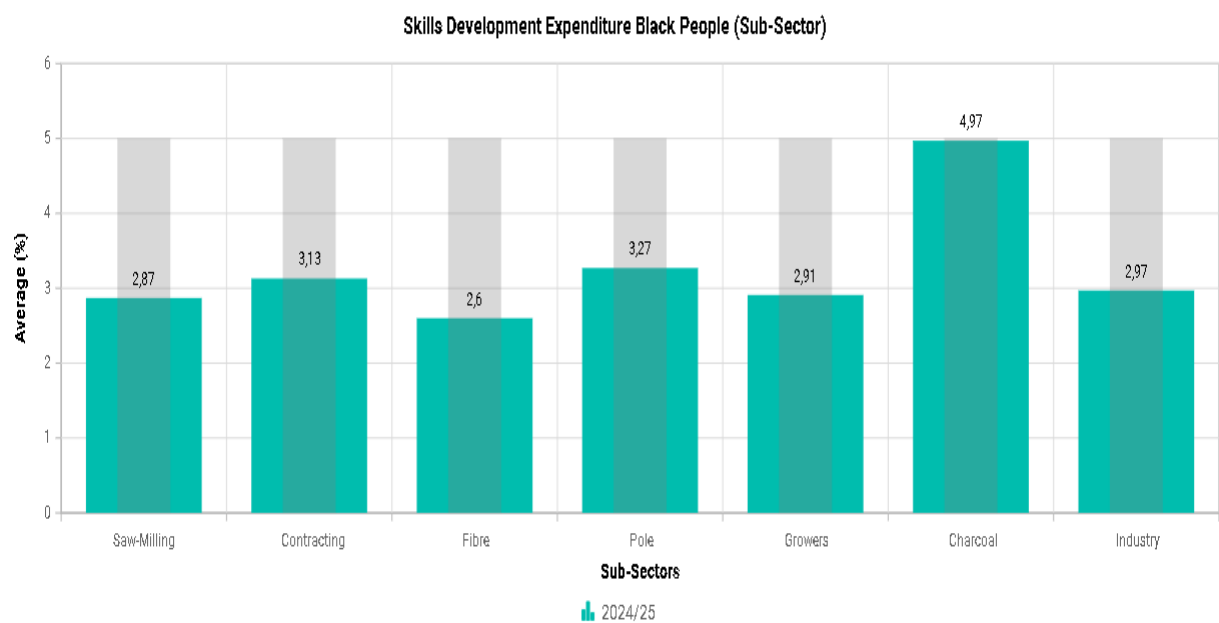


Figure 31: MLE Skills Development Spend on Black People

The illustration presented in Figure 31 reveals a concerning trend in the allocation of Skills Development expenditure towards Black People across the various forestry sub-sectors. Notably, Charcoal Producers demonstrated exceptional performance, significantly outperforming all other sub-sectors in this indicator. Prioritising other indicators is advisable, since it resembles selective compliance, which is highly discouraged. Pole Producers followed with a commendable performance, reflecting a relatively encouraging commitment to capacity-building initiatives.

In contrast, the Fibre, Sawmilling, and Contracting sub-sectors exhibited moderate performance, collectively achieving results around the average standard. The Growers sub-sector performed below average, indicating a lack of meaningful investment in skills development targeted at black individuals within this segment of the industry. These findings suggest an uneven commitment to skills development, particularly in building a skilled,

competitive workforce and a pool of prospective future employees. Such disparities in performance may be attributed to several structural and operational economic constraints, including underinvestment in capacity building, a lack of awareness or technical knowledge regarding qualifying skills development programmes, and weak institutional support mechanisms.

Within the overall skills development expenditure requirements, a minimum of 0.3% of the leviable amount must be specifically earmarked for skills development initiatives targeting black employees living with disabilities. This provision aims to promote inclusive transformation by ensuring that persons with disabilities, who are often doubly marginalised, receive equitable access to training and development opportunities. Figure 32 below illustrates the performance of this indicator across the various sub-sectors, providing a comparative view of the extent to which each sub-sector has fulfilled its obligations in supporting black employees with disabilities.

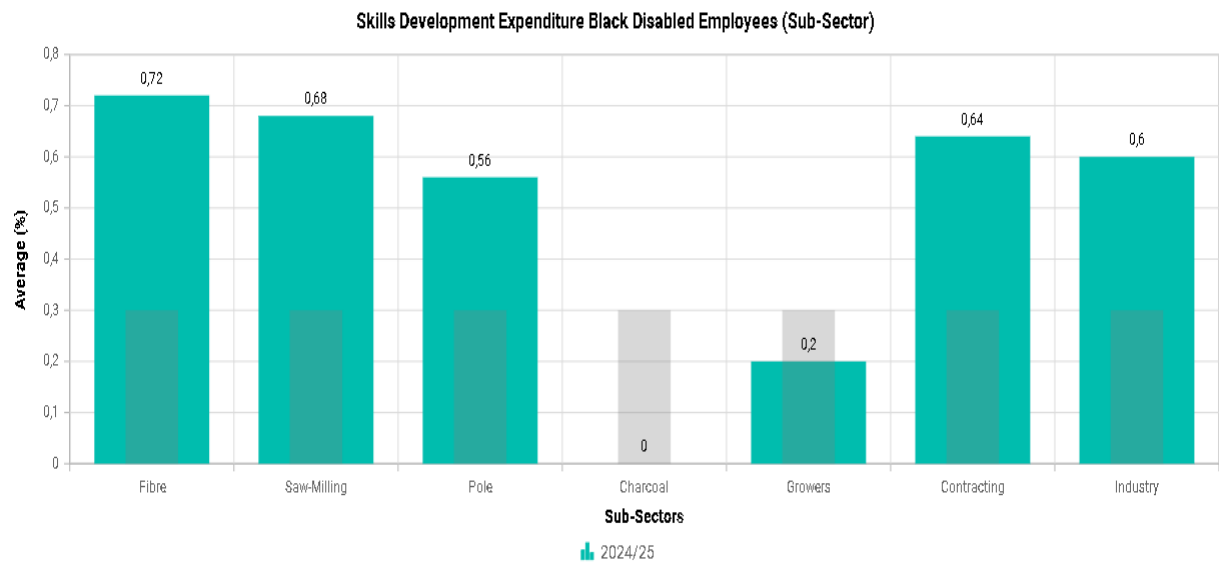


Figure 32: MLE Analysis: Skills Development Spend on Black Employees Living with Disabilities

Figure 32 above highlights an exceptional performance by the Pole Producers, who achieved four times the designated target, positioning them as the highest-performing sub-sector in this indicator. This outstanding performance reflects a deliberate commitment to inclusive transformation. Following the Pole Producers, the Fibre, Sawmilling, and Contracting sub-sectors also met their obligations. While Contractors continued to perform well, the data reveals a notable decline when benchmarked against their previous year’s performance, indicating potential challenges in sustaining the performance in this priority group.

In contrast, the Growers sub-sector exhibited an average performance, yet demonstrated measurable improvement compared to the previous reporting period. This upward trajectory suggests a positive shift towards more inclusive skills development practices. However, the Charcoal Producers underperformed in this indicator, failing to demonstrate adequate investment in the upskilling of black employees living with disabilities. This lack of progress raises concerns regarding the sub-sector’s inclusivity practices and existing gaps.

As part of the Skills Development element, MLEs are required to create and provide support opportunities for black employees and unemployed black people to participate in Learnerships, Apprenticeships, and Internships (LAIs). These programmes are designed to provide structured, practical work experience that enhances the employability of individuals, particularly those who are entering the workforce for the first time or seeking to improve their skills for better employment prospects. The objective of this indicator is to promote inclusive workforce development by bridging the gap between theoretical learning and workplace application, thereby accelerating career readiness and improving long-term employment outcomes for black individuals. Figure 33 below reflects the extent to which each sub-sector has implemented LAI programmes for black unemployed participants.

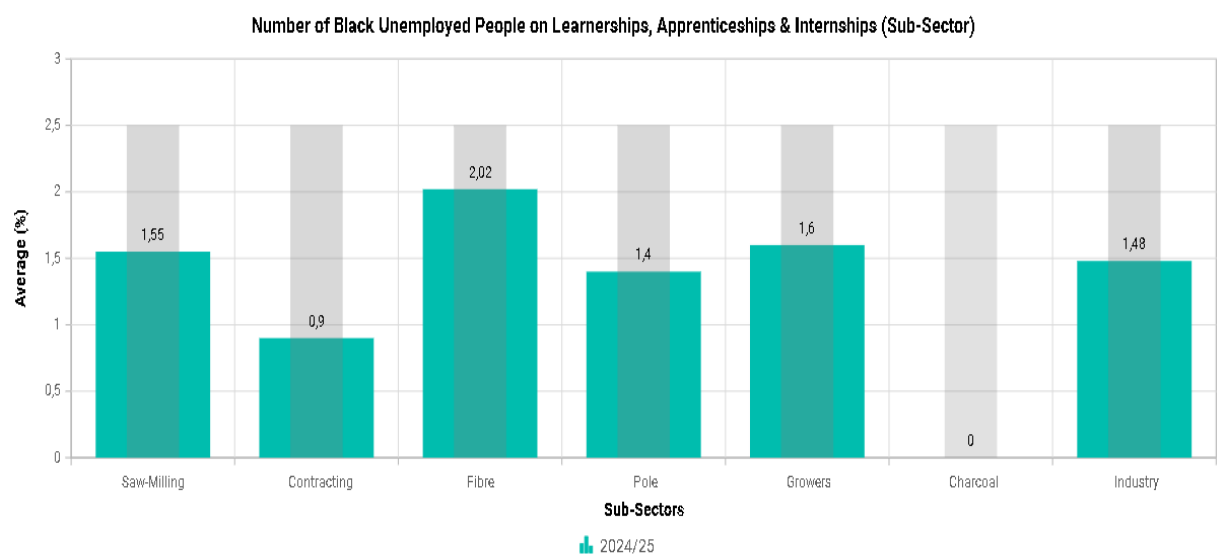


Figure 33: MLE Black Unemployed Participating in Learnerships, Apprenticeships and Internships

Figure 33 illustrates the performance of the sub-sectors in relation to Black Unemployed Employees participating in LAIs. The Fibre sub-sector demonstrated outstanding performance, achieving over 80% of the set target, reflecting a notable improvement from the previous reporting period.

The Pole Producers, Growers, and Sawmilling sub-sectors showed comparable performance levels, although each experienced slight declines relative to their prior year's outcomes. In contrast, the Contracting sub-sector exhibited a significant drop in performance, declining from its previously held top position to the second-lowest performing sub-sector in this reporting cycle. Charcoal Producers, once again, showed no measurable participation or progress under this indicator, indicating a lack of investment or prioritisation of skills development through LAIs within this sub-sector.

Figure 34 illustrates the performance of MLEs across the forest sector in relation to black employees participating in LAIs. This indicator assesses the extent to which companies are investing in the upskilling and career development of their existing black workforce through structured learning programmes.

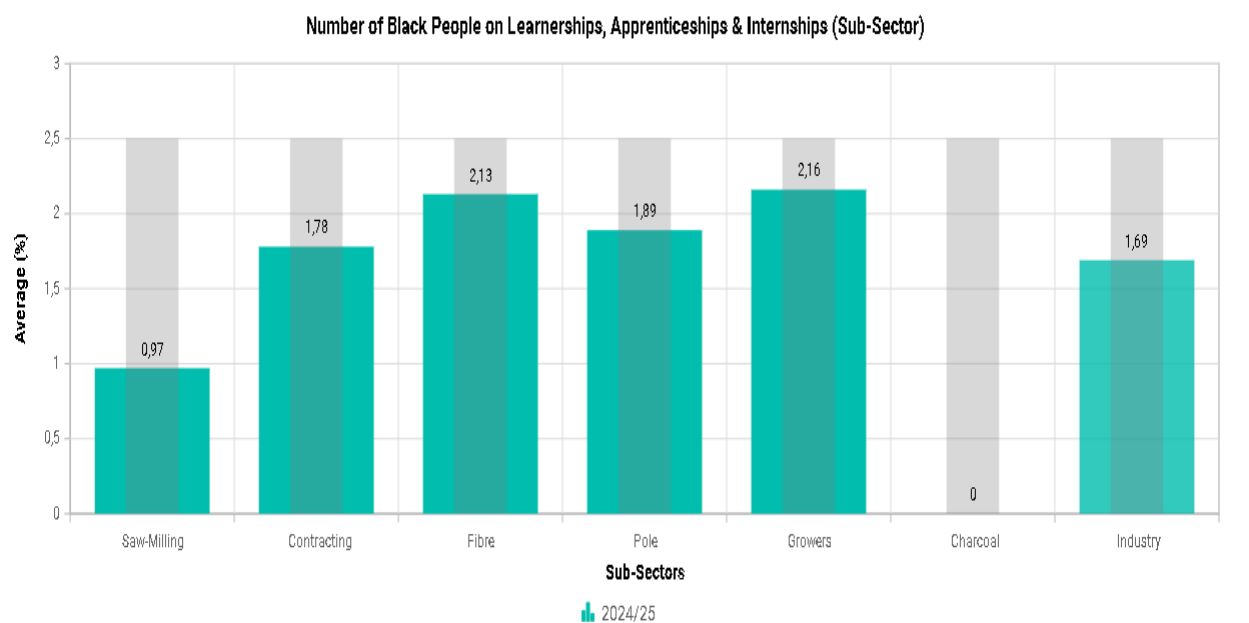


Figure 34: MLE Black Employees Participating in Learnerships, Apprenticeships and Internships

As illustrated in Figure 34, the Pole Producers, Growers, and Fibre sub-sectors demonstrated comparatively commendable performances, each achieving over 80% of the target for LAIs involving black individuals. This suggests a sustained and heightened commitment to practical skills development and workforce inclusion within these sub-sectors. The Contracting sub-sector also exhibited an outstanding performance, albeit with a regression in structured training participation compared to the previous reporting period.

In contrast, the Sawmilling sub-sector experienced a notable decline, performing significantly below its previous year’s level, which may point to a diminished focus on structured learning initiatives or operational challenges in maintaining programme delivery. Of particular concern is the Charcoal Producers sub-sector, which continued to exhibit no measurable participation, raising questions about its alignment with sectoral transformation and skills development imperatives.

Absorption refers to the transition of Black unemployed learners, who have completed structured learning programmes such as internships and learnerships, into permanent or long-term employment. Measured Entities that successfully absorb their learners within the same measurement period are eligible to claim up to five bonus points under the Skills Development element of the B-BBEE scorecard. The extent of points awarded is contingent on the absorption rate, with either full or partial credit granted depending on the proportion of trained learners who are absorbed into employment or enrolled in further learning. It is imperative that employment opportunities are created for all qualifying learners to be eligible for recognition. Figure 35 below presents the absorption performance of reporting MLEs across the various sub-sectors, offering insight into sectoral commitment to long-term transformation and workforce integration.

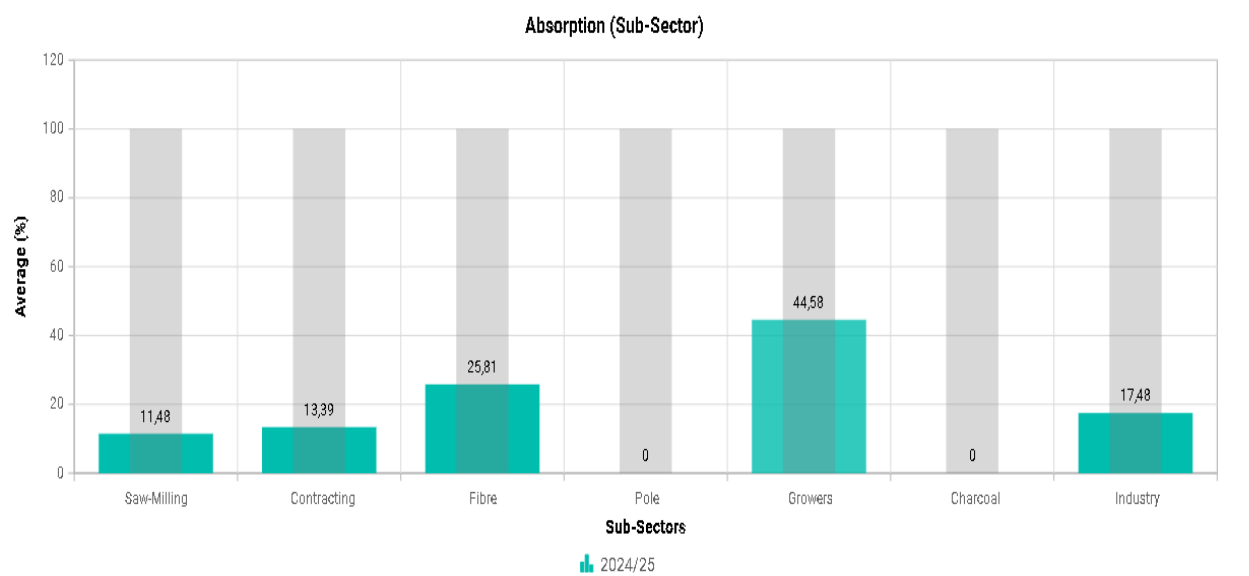


Figure 35: Absorption for Black Learners

As depicted in Figure 35, none of the reporting sub-sectors met the set target for the absorption of Black learners, highlighting a general underperformance across the forestry sector. The Growers sub-sector performed below the average, while both the Fibre and Contractors sub-sectors demonstrated markedly low absorption rates, reflecting limited efforts

to transition trained learners into permanent employment. Of particular concern is the Pole Producers sub-sector, which not only failed to demonstrate measurable performance in this indicator but also exhibited a substantial regression compared to the previous reporting period. Similarly, the Charcoal Producers reported no evidence of absorption efforts.

This trend is particularly alarming when contextualized within South Africa's persistently high national unemployment rate, which stood at 32.9% in early 2024. Compounding this challenge is the growing number of unemployed forestry graduates, currently estimated at 119, of whom approximately six are employed outside the forestry sector. This disparity between graduate output and employment absorption may signal a structural mismatch in the sector's capacity to create sustainable job opportunities.

The establishment of the Forestry Graduate Employment Programme (F-GEP) presents a strategic mechanism through which the overall performance in the SD element can be significantly enhanced. By facilitating structured pathways for the absorption of forestry graduates, F-GEP can serve as a critical enabler in translating training investments into meaningful employment outcomes, thereby addressing persistent skills mismatches and contributing to sectoral transformation.

In addition to improving employment absorption rates, the ESD element offers a largely untapped avenue for youth entrepreneurship, which remains underutilized within the forest sector. Notably, data derived from F-GEP indicates that only one forestry graduate has pursued entrepreneurship through opportunities facilitated under the ESD framework. This suggests limited awareness, access, or support structures to enable graduates to venture into entrepreneurial activities, an area with significant potential to stimulate inclusive growth, foster enterprise development, and enhance value chain diversification.

The Forest21 initiative has played a pivotal role in setting the tone for promoting entrepreneurship within the academic landscape of forestry education. By introducing innovation-driven thinking and entrepreneurial mindsets into higher education curricula, the programme has shifted traditional academic approaches towards more practical, solution-oriented frameworks. This integration of entrepreneurship is critical for nurturing self-reliance, innovation, and job creation among forestry graduates, many of whom face limited formal employment opportunities upon graduation.

Embedding entrepreneurship into forestry education not only equips students with the skills to start and manage their own ventures but also encourages them to identify and respond to value-chain opportunities within the broader forest sector. This shift is particularly relevant in the context of South Africa's high youth unemployment rate and the pressing need for inclusive economic growth. Therefore, Forest21's contribution extends beyond academic reform; it serves as a strategic enabler of transformation, sustainability, and economic resilience in the sector.

6.4 Enterprise and Supplier Development In-Depth Analysis

The Enterprise and Supplier Development (ESD) element is one of the key components of the B-BBEE scorecard, comprising three critical areas: Preferential Procurement (PP), Enterprise Development (ED), and Supplier Development (SD). This element aims to bolster local procurement practices, introduce new market participants, enhance supplier development programs, and provide financial support to black-owned businesses. By incentivising corporates to invest in smaller enterprises and supplier growth, ESD contributes to broad-based economic transformation. As one of the three priority elements, entities must achieve a minimum of 40% compliance in each category, PP, ED, and SD, to avoid a discounting penalty.

Preferential Procurement focuses on prioritizing certain suppliers by purchasing goods and services from businesses that meet specific B-BBEE criteria, as outlined in the scorecard. Enterprise Development aims to establish new enterprises and stimulate economic growth by providing support, mentorship, and financial assistance to SMMEs through qualifying contributions. Supplier Development involves targeted investments in black-owned SMMEs, enhancing their capacity and competitiveness while integrating them into the supply chains of larger entities. Collectively, these components drive inclusive economic growth by fostering sustainable black-owned businesses and expanding market participation. In terms of SD and ED, measured entities are required to contribute a minimum of 2% and 1% of their Net Profit After Tax (NPAT), respectively. These contributions must align with the benefit factor matrix to ensure impactful support to black-owned SMMEs.

Figure 36 demonstrates the average performance of MLEs over a three-year period in terms of their compliance with the ESD target.

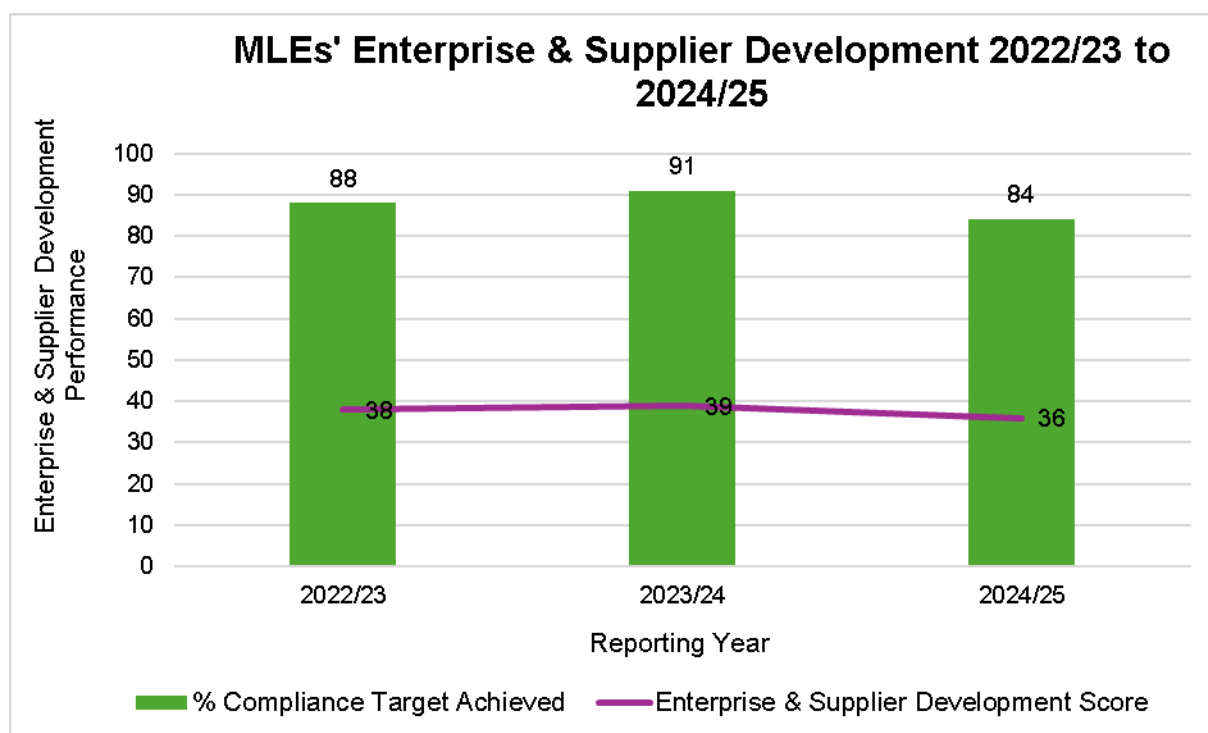


Figure 36: MLEs' Enterprise & Supplier Development Performance, 2022/23–2024/25

In the observation in Figure 36 above, in 2022/23, MLEs achieved 88% towards the targets, and the performance peaked in 2023/24 with a 91% compliance, indicating improved contributions to the development and support of black-owned suppliers and emerging enterprises. However, a noticeable decline was observed in 2024/25, where compliance dropped to 84%. This regression suggests reduced investment in ESD initiatives or shifting priorities within the sector, which is concerning given the central role of ESD in achieving inclusive economic transformation and potential employment creation.

A decline in ESD performance, though the performance is still good, is concerning, as these could be interpreted as the sector is regressing the commitment to meeting the objective of ESD, particularly in a sector that still grapples with transformation challenges, including skewed ownership patterns, limited access to capital for SMMEs, and poor market access for small players such as Charcoal Producers, Growers, etc. Moreover, considering that forestry is strategically positioned to facilitate meeting the Rural Development principle, the regression is unjustified.

The fluctuating suggests that consistent, long-term support is necessary to build resilience among black-owned enterprises in forestry. To counteract this downward trend and align sector performance with the objectives of ESD, the Transformation Fund can play a

substantial role in deepening their ESD commitments through co-investment models and impact-linked financing. Ultimately, sustained and targeted implementation of such initiatives can revive the positive trajectory seen in 2023/24 and ensure that ESD remains a strategic pillar for transforming SMMEs to ensure growth and equity in the forest sector.

Figure 37 illustrates the average performance of several industry sub-sectors relating to ESD expenditure.

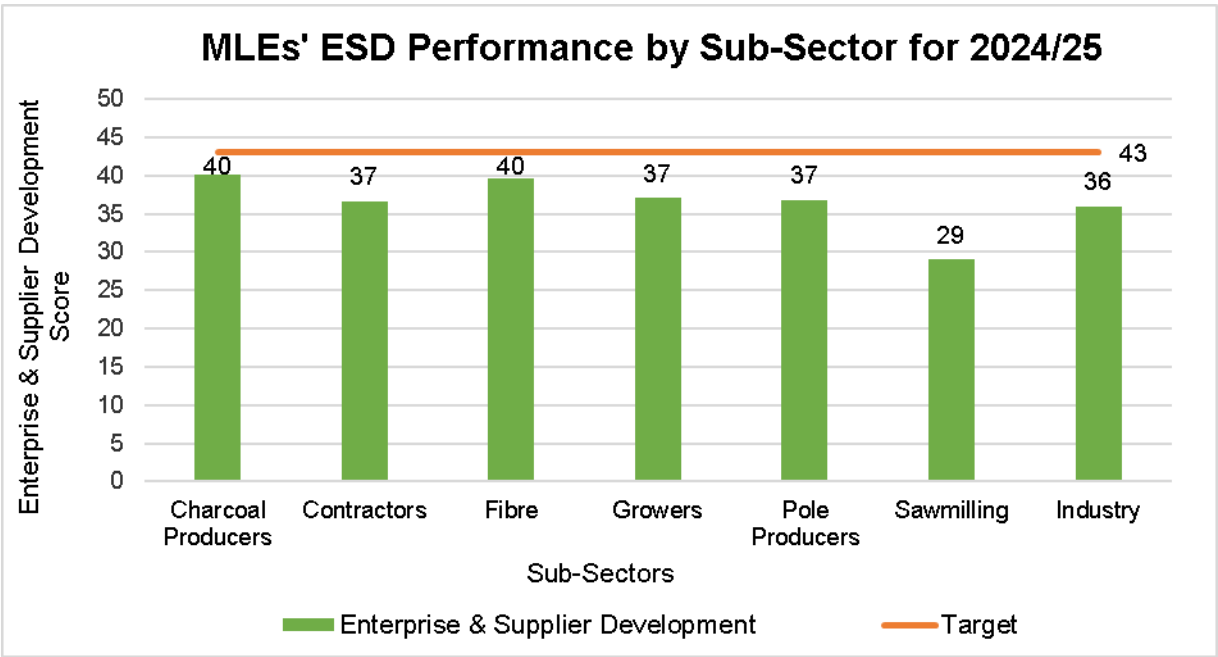


Figure 37: MLEs’ Enterprise and Supplier Development Performance per Sub-sector

As demonstrated in Figure 37 above, all sub-sectors showed good performance; however, none met or exceeded the target. Some sub-sectors performed particularly well, achieving over 80% of the target. The Charcoal Producers and Fiber sub-sectors achieved the highest ESD scores of 40, closely followed by Contractors, Growers, and Pole Producers, each scoring 37. Sawmilling was the average performer among the other reporting sub-sectors, with a score of 29, which is a bit below the target, reflecting a similar trend to the previous year.

The scores suggest a systemic issue in the implementation and prioritization of ESD initiatives. While some sub-sectors are nearing the target, the consistent shortfall across the board implies limited strategic alignment with the B-BBEE goals or insufficient investment. The inadequate performance in Sawmilling is particularly concerning and warrants further sector-specific inquiry, as it may be indicative of structural or financial barriers impeding transformation.

Table 7 below illustrates the performance of MLEs on the indicators of the ESD element over three reporting periods

Indicator	Points Allocated	Average Score FY 2022/23	Average Score FY 2023/24	Average Score FY 2024/25	Compliance Target (%)	Indicator Achieved (%) FY 2022/23	Indicator Achieved (%) FY 2023/24	Indicator Achieved (%) FY 2024/25
PPS All Suppliers	5	4.07	-	4.02	80	81	-	80.4
PPS from QSEs	2	1.49	0.79	1.27	15	75	39.5	63.5
		2.22	1.33	1.39	7.5	-	66.5	69.5
PPS from EMEs	3	8.68	2.11	1,04	15	74	70.3	34.7
		1.74	2.32	2.15	7.5	-	77.3	71.7
PPS from 51% BO	9	1.32	8.64	5.45	40	96	96	60.6
		9.51	8.75	7.39	20	-	97	82.1
PPS from 30% BWO	2	9.74	2	1.33	10	87	100	66.5
		6.41	1.91	1.83	5	-	96	91.5
PPS from 51% BDG	2	0.46	1.22	1.33	2	66	61	66.5
		0.25	1.72	1.53	1	-	86	76.5
SD Contribution	10	9.51	-	8.55	2	95.1	-	85.5
ED Contribution	10	9.74	-	8.9	1	97.4	-	89
ED Contribution	7*	6.41	-	6.40	1	91.6	-	91.4
Sale of Logs EMEs /QSEs	2	0.46	-	0.68	20	23	-	34
Sale of Logs 51% BO/30% BWO	1	0.25	-	0.49	5	25	-	49

Preferential Procurement is a targeted strategy within supply chain management and procurement practices aimed at advancing the economic inclusion of historically disadvantaged groups. This approach prioritizes procurement from empowering suppliers that meet specific B-BBEE compliance criteria, thereby driving transformation through inclusive economic participation. Figure 38 below illustrates the total procurement expenditure directed toward such empowering suppliers across the industry sub-sectors.

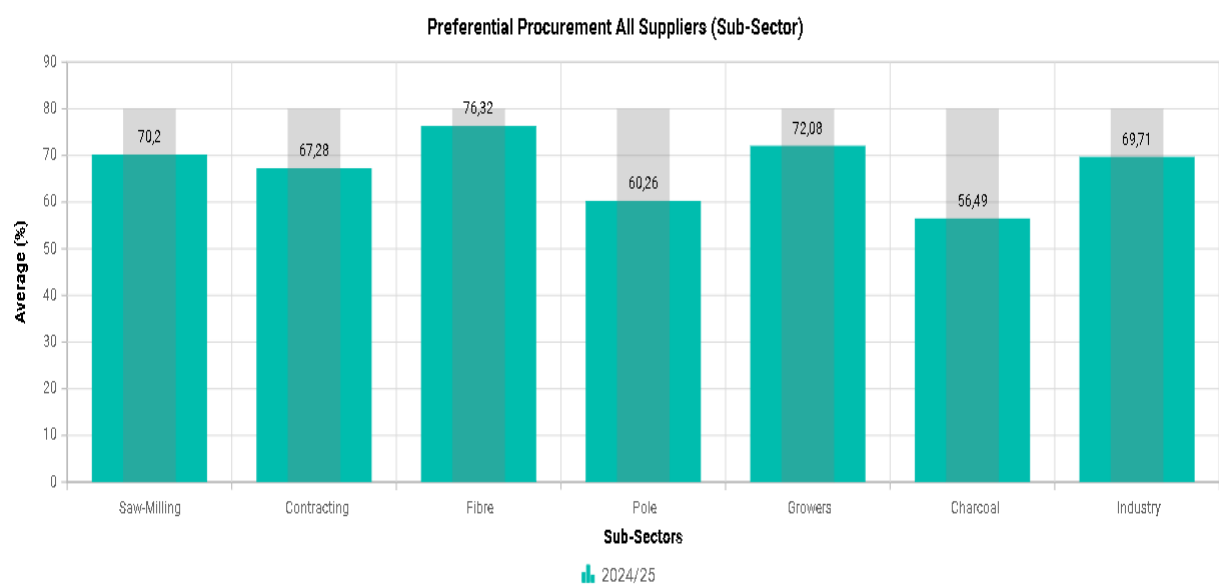


Figure 38: MLE Procurement from all Empowering Suppliers

The illustration in Figure 38 above reveals a generally positive performance across all sub-sectors in terms of procurement spend from empowering suppliers, though variability exists. The Fibre, Growers, and Sawmilling sub-sectors demonstrated exceptional and closely aligned performance levels, demonstrating a resolute and steady dedication to preferred procurement. Contractors and Pole Producers also showed good performances; however, both sub-sectors experienced notable regression when benchmarked against their previous reporting cycle, suggesting a possible decline in procurement planning or engagement with compliant suppliers. Charcoal Producers also performed reasonably; however, inconsistent reporting across the period limits a comprehensive assessment of their progress and effectiveness.

In accordance with the Amended FSC and the sector-specific Principle of Accountability outlined in FSC000, the implementation of scorecard commitments is recognized as a shared responsibility between Industry and Government. This accountability framework is reinforced through the Charter Undertakings and qualified through the Completeness Ratio, which are mechanisms designed to ensure that both parties are held responsible for the transformation objectives. Specifically, MLEs are required to be evaluated on 50% of the total scorecard

targets that fall directly under the responsibility of Industry, for indicators 2.1.2 to 2.1.6. The remaining 50% is attributed to the responsibilities of the Government. In the current reporting period, only 34 out of 37 reporting entities applied the half-target principle correctly, while three exercised full-target, indicating a moderate level of adherence. This highlights the need for continued emphasis on accountability and a clearer understanding of the shared transformation obligations among all stakeholders.

The comparative analysis of MLEs' procurement spend on QSEs by sub-sector (Half Target) is shown in Figure 39 below.

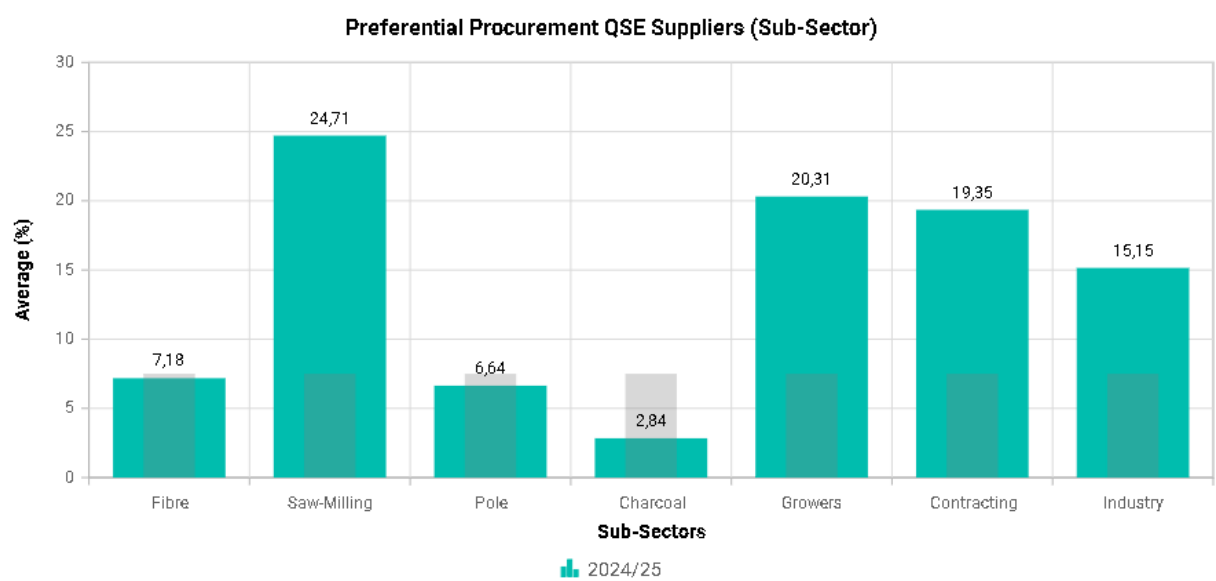


Figure 39: MLEs’ Procurement Spend on QSEs per Sub-sector (Half Target)

The procurement spend from QSEs, as illustrated in Figure 39, reflects an encouraging trend across most sub-sectors. Sawmilling, Growers, and Contractors performed exceptionally well, significantly exceeding the set target and demonstrating a compelling commitment to supporting smaller enterprises. Fibre and Pole Producers also delivered commendable outcomes, although they fell slightly short of the target, indicating near-optimal engagement.

In contrast, the Charcoal Producers sub-sector displayed a notably poor performance in this indicator. This underperformance indicates an urgent necessity for strategic measures to improve procurement from QSEs in this sub-sector. Strengthening awareness, building supplier readiness, and establishing partnerships with QSEs could mitigate this challenge.

Figure 40 below illustrates the comparative study of MLEs' procurement expenditures on QSEs by sub-sector (Full Target).

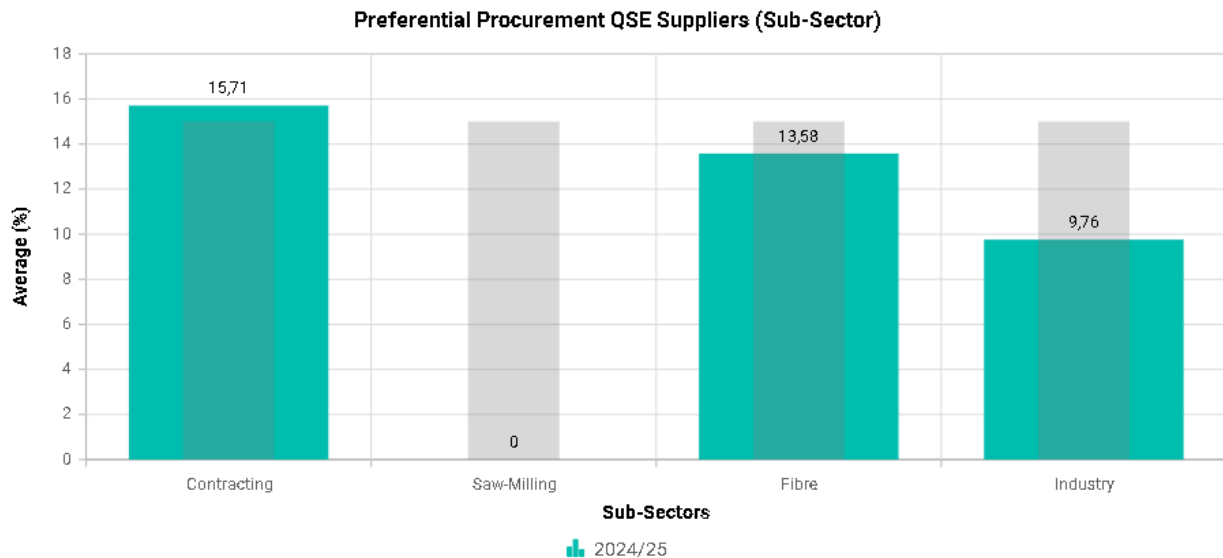


Figure 40: MLEs' Procurement Spend on QSEs per Sub-sector (Full Target)

As illustrated in Figure 40, the procurement performance from QSEs by entities that applied the full target is mixed, yet generally acceptable. The Contractors sub-sector exceeded the set target. The Fibre sub-sector performed reasonably well, falling only marginally short of the target, indicating near-compliance and potential for quick improvement. However, the Sawmilling sub-sector reflected no measurable procurement spend towards QSEs under the full target application, which may suggest a lack of forged partnership or relationship with the suppliers.

Figure 41 illustrates the comparative analysis of MLEs' procurement expenditures on EMEs by sub-sector (Half Target).

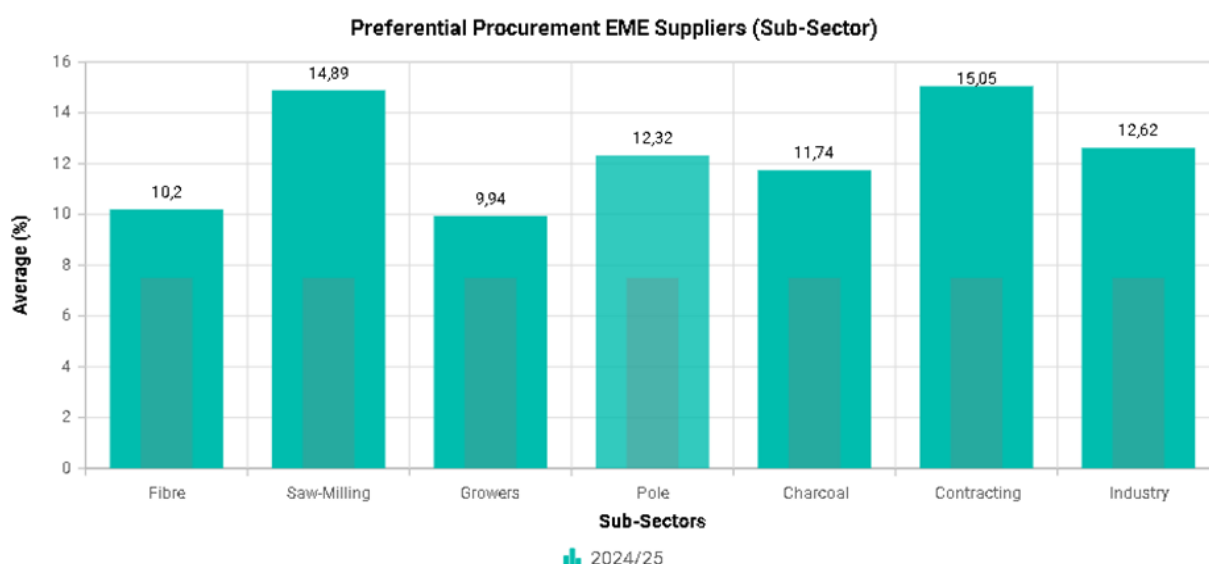


Figure 41: MLEs' Procurement Spend on EMEs per Sub-sector (Half Target)

The illustration in Figure 41 highlights an exceptional performance by the sector in terms of procurement from EMEs. All industry sub-sectors significantly exceeded the set target, reflecting a robust supplier base and a strong commitment to supporting micro-enterprises. While this overperformance is encouraging and indicative of a healthy ecosystem for EMEs within the sector, it may also signal a potential saturation point. The high number of EMEs competing for limited market opportunities could create barriers to sustainability and long-term growth, especially if procurement remains overly concentrated at the micro-enterprise level. To address this, a strategic shift is recommended, with emphasis to be placed on graduating EMEs into QSEs, ensuring upward mobility and enterprise development. The balanced procurement system would promote a more diversified and sustainable supplier landscape across the forestry value chain. Targeted support through ESD programmes and access to finance could be instrumental in enabling this progression.

The comparative analysis of MLEs' EME procurement expenditures by sub-sector (Full Target) is displayed in Figure 42 below.

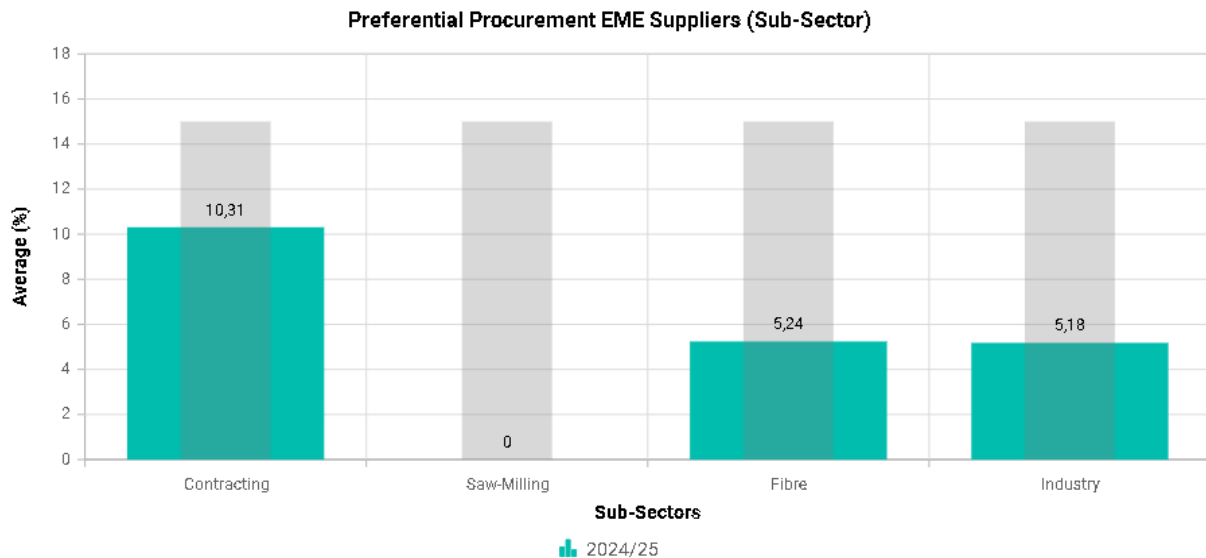


Figure 42: MLEs' Procurement Spend on EMEs per Sub-sector (Full Target)

The performance illustrated in Figure 42 reflects a varied trend among entities that applied the full target for procurement from EMEs. Among the sub-sectors, only the Contractors demonstrated a commendable average performance, emerging as the highest achiever on this indicator. However, despite this relative success, further improvements are encouraged to fully realise the intended impact of EME procurement within the sub-sector. Conversely, the Fibre sub-sector exhibited poor performance, suggesting limited partnership or prioritisation of procurement from EMEs among entities using the full target. Even more concerning is the Sawmilling sub-sector, which showed no measurable participation in this indicator, indicating a critical gap in efforts to integrate EMEs into their supply chains. This pattern raises concerns about the inconsistent application of preferential procurement principles, especially among entities opting for the full targets.

The MLEs' comparison analysis of the procurement expenditure from 51% BO Suppliers by sub-sector (Half Target) is shown in Figure 43 below.

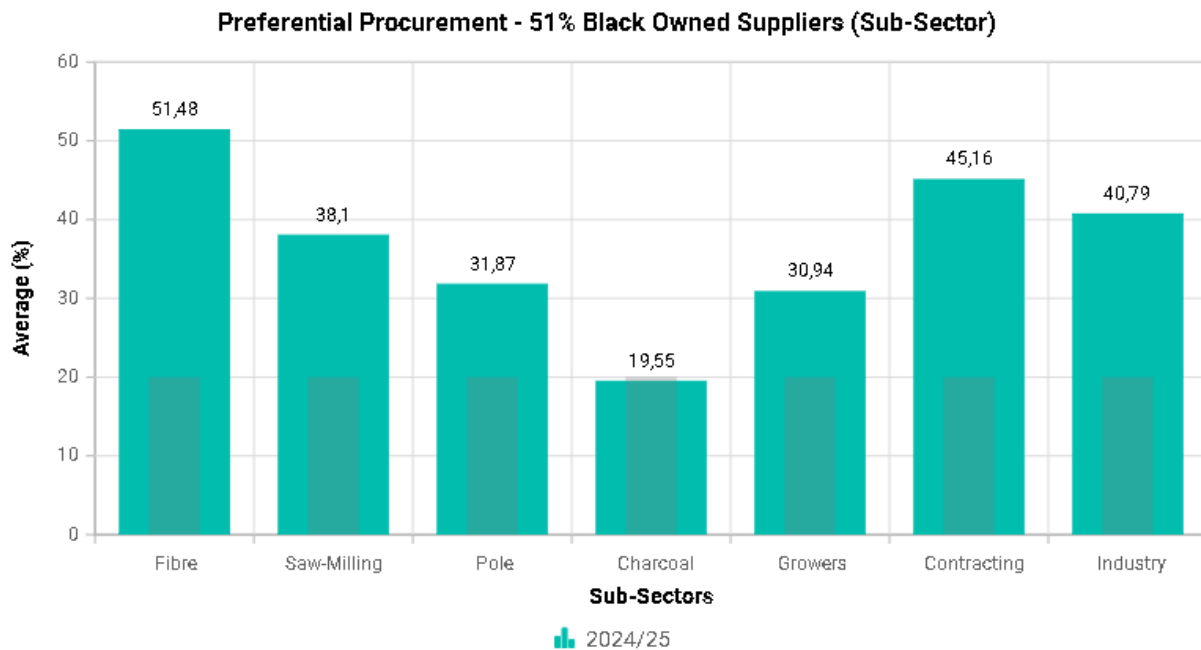


Figure 43: MLEs Procurement Spend from at least 51% BO Suppliers based on the applicable B-BBEE Procurement Recognition Levels (Half Target)

The records illustrated in Figure 43 indicate a robust and commendable performance across all sub-sectors with regard to procurement spend from suppliers that are at least 51% Black-owned. Five out of six sub-sectors exceeded the prescribed target, reflecting a fairly sector-wide commitment to inclusive procurement practices. The Fibre sub-sector emerged as the leading performer, closely followed by the Contractors, with the remaining sub-sectors also demonstrating comparable and good performance levels. Although the Charcoal Producers sub-sector performed marginally below the target, its results remain noteworthy and commendable, particularly in light of prior inconsistencies in reporting and poor performance. This overall positive trend suggests that the forestry sector is making significant strides in supporting black-owned enterprises, which is critical for promoting economic inclusion, diversity and supplier development.

Figure 44 below shows the MLE comparison of the procurement expenditure from 51% BO Suppliers for each sub-sector (Full Target).

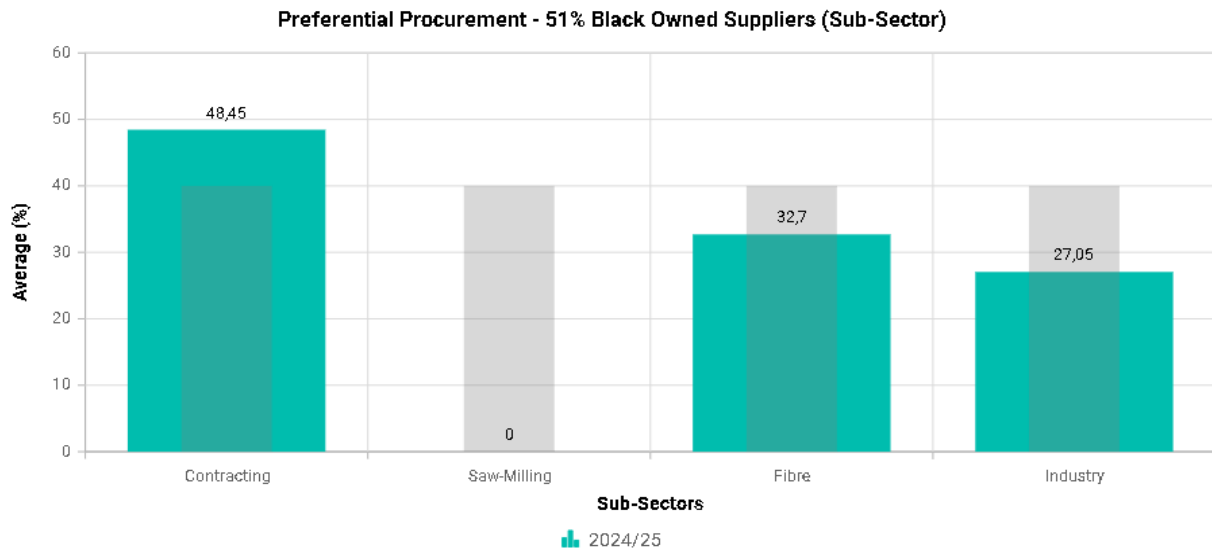


Figure 44: MLEs Procurement Spend from at least 51% BO Suppliers based on the applicable B-BBEE Procurement Recognition Levels (Full Target)

As illustrated in Figure 44, the performance on procurement spend from suppliers that are at least 51% Black-Owned shows a contrasting trend across sub-sectors that applied full-target. The Contractors sub-sector outperformed the other sub-sectors, significantly surpassing the set target. The Fibre sub-sector, while falling below the target, still reflected a commendable level of involvement in supporting black-owned suppliers. In contrast, the Sawmilling sub-sector was poorer and similar to the indicators above, highlighting the need to diversify and broaden its supplier base to ensure greater inclusivity.

Figure 45 below demonstrates MLEs analysis on the procurement spend from 30% BWO Suppliers per sub-sector (Half Target)

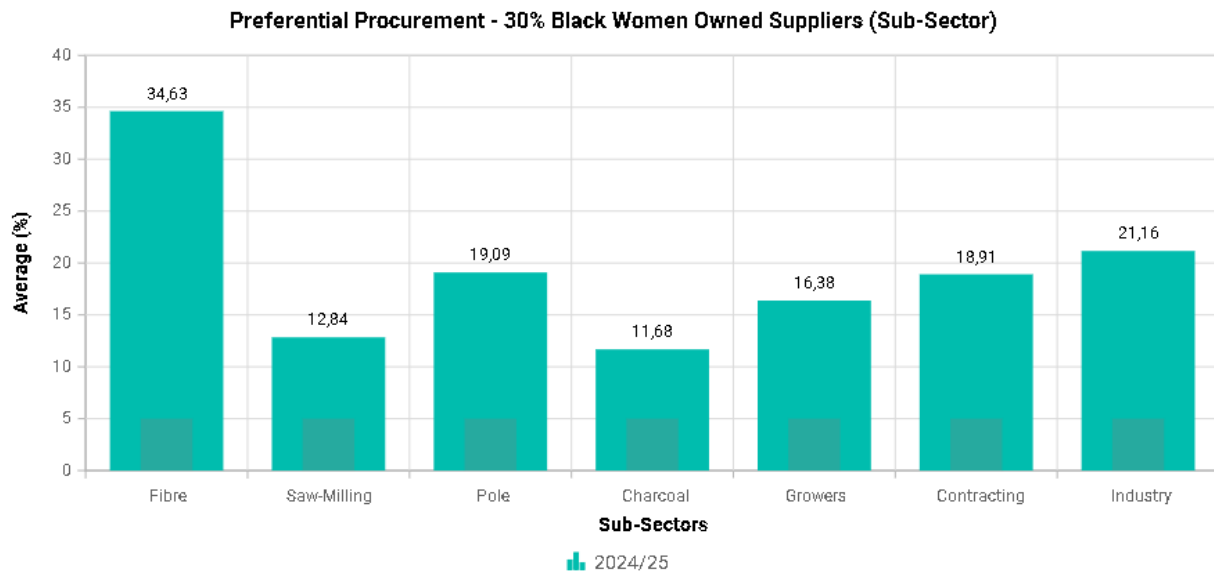


Figure 45: MLEs Procurement Spend from 30% BWO Suppliers based on the applicable B-BBEE Procurement Recognition Levels (Half Target)

Figure 45 illustrates an impressive performance across all sub-sectors with regard to procurement spend from suppliers that are at least 30% Black Women-Owned, with each exceeding the designated target. The Fibre sub-sector maintained its leadership position from the previous reporting period, registering the highest performance, followed by the Pole Producers and Contractors. Despite this convincing overall performance, a year-on-year comparison reveals that most sub-sectors experienced either marginal or significant declines, while those that showed improvements were at a modest scale. Nevertheless, the sector's commitment to promoting inclusive procurement practices, particularly those that empower black women-owned businesses, remains commendable and indicative of progress in addressing historical inequalities within the supply chain.

Figure 46 below illustrates the MLEs analysis of procurement expenditure from 30% BWO Suppliers by sub-sector (Full Target).

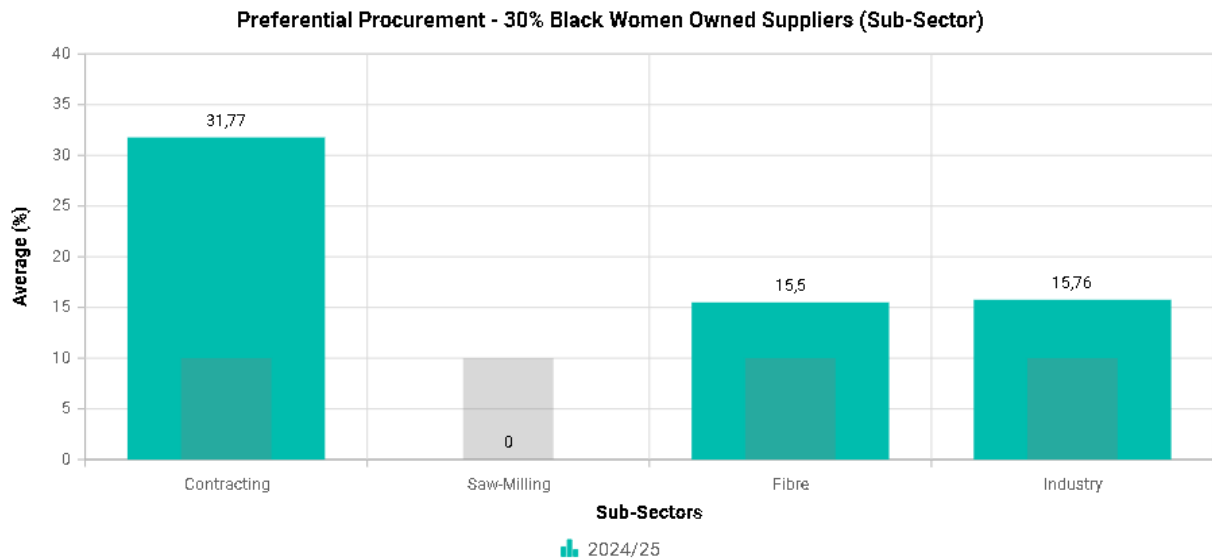


Figure 46: MLEs Procurement Spend from 30% BWO Suppliers based on the applicable B-BBEE Procurement Recognition Levels (Full Target)

As depicted in Figure 46 above, two out of the three sub-sectors that applied the full target for procurement spend from suppliers that are at least 30% BWO exceeded the set target. Contractors recorded the highest performance, followed by the Fibre sub-sector. In contrast, the Sawmilling sub-sector demonstrated no measurable progress on this indicator, highlighting the need to diversify and broaden its supplier base to ensure greater inclusivity.

The MLEs comparative analysis of the procurement expenditure from 51% BO and 51% BDGs per sub-sector (Half Target) is illustrated in Figure 47 below.

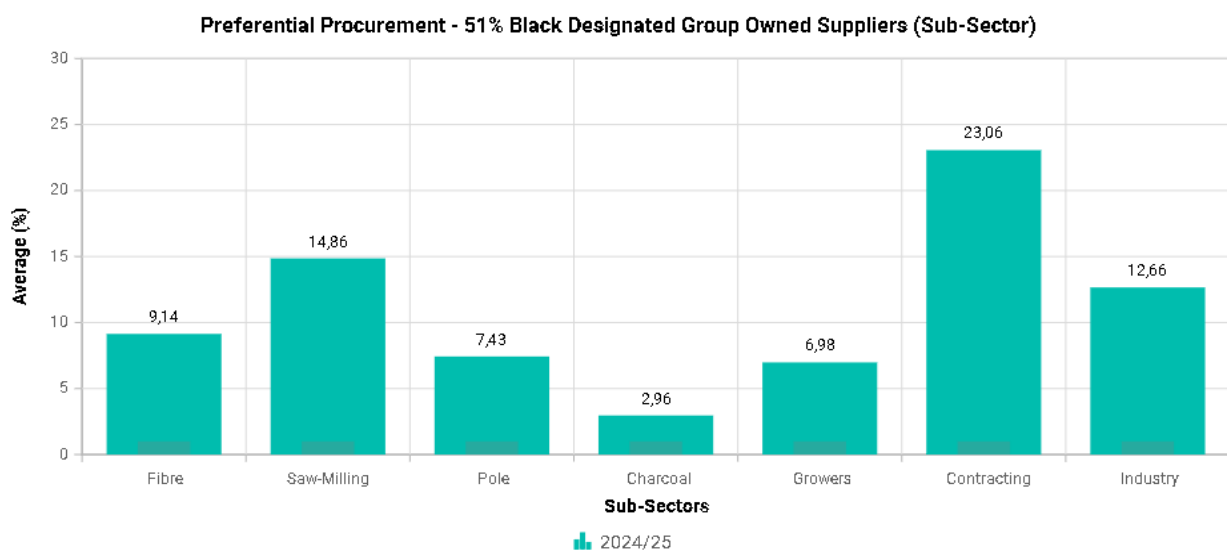


Figure 47: MLEs Procurement Spend from Suppliers that are at least 51% BO and 51% owned by BDGs (Half Target)

The performance illustrated in Figure 47 above closely reflects that of the preceding reporting year, where all sub-sectors substantially exceeded the target for procurement spend from suppliers that are at least 51% Black-owned and 51% owned by BDGs. Contractors maintained the leading position, followed by the Sawmilling sub-sector, while the remaining sub-sectors demonstrated relatively comparable performances. However, it is noteworthy that a general decline in performance was observed across all sub-sectors. While some declines were marginal, others were more pronounced.

Figure 48 below depicts MLEs comparative analysis on the procurement spend from 51% BO and 51% BDGs per sub-sector (Full Target)

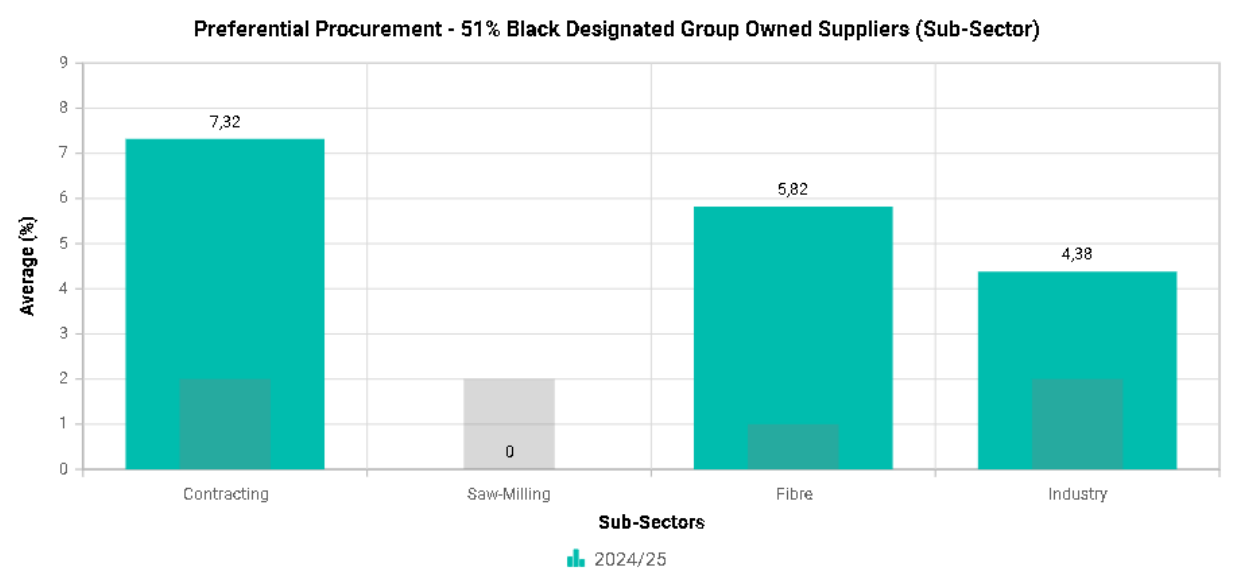


Figure 48: MLEs Procurement Spend from Suppliers that are at least 51% BO and 51% owned by BDGs (Full Target)

The performance illustrated in Figure 48 above demonstrates that the Contractors and Fibre sub-sectors exhibited relatively robust outcomes in procurement spend from suppliers that are at least 51% Black-owned and 51% owned by Black BDGs. Conversely, the Sawmilling sub-sector, similar to other indicators, performed poorly and showed no evidence of meaningful effort or improvement in this area.

Supplier Development is a strategic initiative through which measured entities enhance the capacity and capabilities of their suppliers, fostering mutual growth and sustainability within the value chain. Key activities under SD include technical training, process optimisation, capacity building, and ongoing performance evaluation. As mandated by the Amended FSC, generic enterprises are required to allocate a minimum of 2% of their NPAT towards qualifying

Supplier Development contributions. Figure 49 presents a comparative analysis of SD contributions across the various sub-sectors among MLEs, illustrating the extent to which each sub-sector aligns with the sectoral transformation objectives.

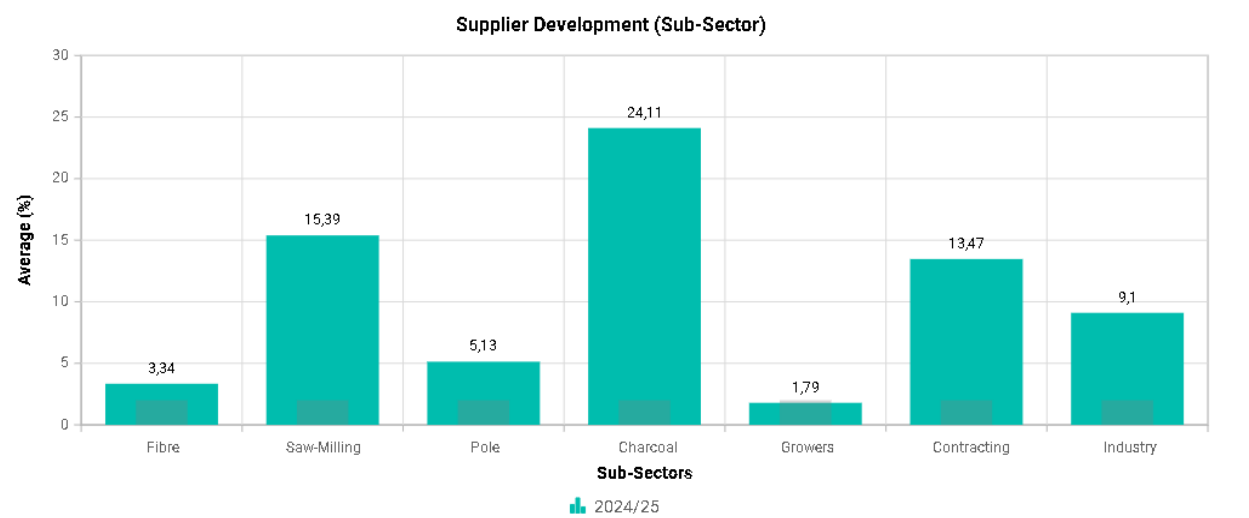


Figure 49: MLEs Annual Value of all Qualifying SD Contributions made by the Measured Entity as a % of the Target

The performance illustrated in Figure 49 reflects a notably positive trend in SD contributions across the forestry sector. Five out of six sub-sectors exceeded the threshold required, demonstrating a concentrated commitment to capacitating and empowering suppliers. Remarkably, the Charcoal Producers sub-sector recorded the highest contribution level, followed closely by the Sawmilling and Contractors sub-sectors. While the Growers sub-sector did not meet the set target, their performance remains commendable. The year-on-year comparison suggests an overall improvement in SD contributions, which may indicate a growing awareness and prioritisation of inclusive procurement and supplier development practices within the sector. This enhanced performance has significant implications for the long-term sustainability and competitiveness of the sector’s supplier base. Effective SD investments can lead to improved supplier performance, market access, and operational resilience, especially for emerging enterprises and black-owned businesses.

Enterprise Development encompasses targeted initiatives designed to support, nurture, and grow emerging black-owned enterprises, with the ultimate goal of fostering inclusive economic participation and sustainable entrepreneurship. In alignment with the Amended FSC, generic entities are required to allocate a minimum of 1% of their NPAT towards qualifying ED contributions. Figure 50 presents a comparative analysis of ED spending across different sub-sectors, reflecting the degree of alignment by MLEs with the sector’s transformation objectives.

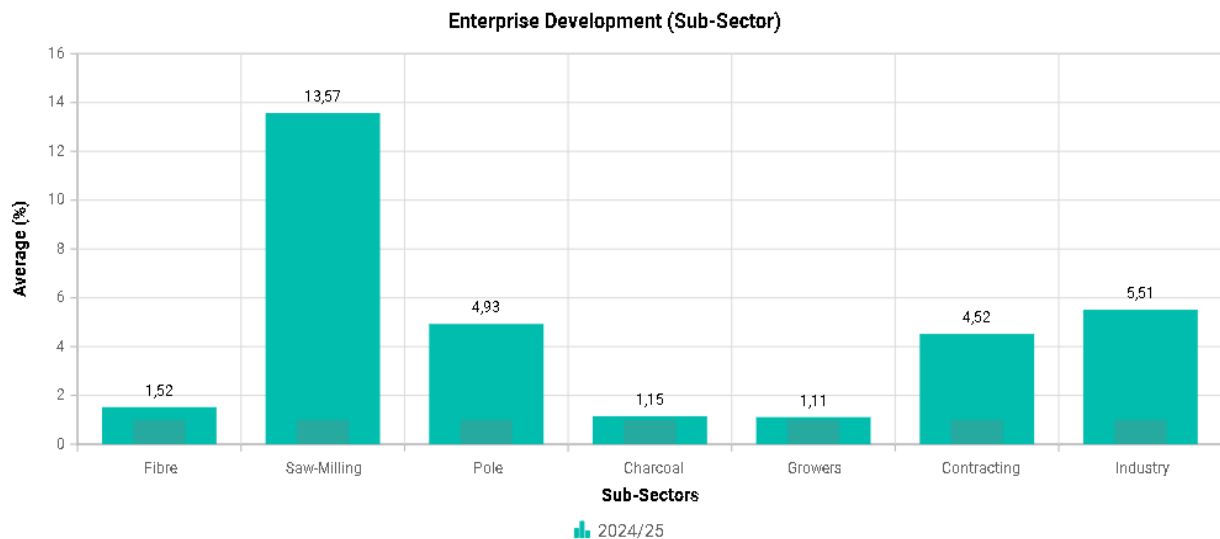


Figure 50: MLEs Annual Value of all Qualifying ED Contributions made by the Measured Entity as a % of the Target

The analysis presented in Figure 50 indicates a consistently positive trend across all sub-sectors regarding ED contributions, with each sub-sector exceeding the minimum target. Sawmilling and Pole Producers emerged as notable performers. The Sawmilling sub-sector demonstrated a significant increase in its ED contributions compared to the previous reporting period, while the Pole Producers maintained an encouraging performance with a marginal improvement. The remaining sub-sectors achieved outcomes slightly above the target, reflecting stable and commendable performance across the board. The overall performance not only mirrors that of the previous year but also signals ongoing sectoral commitment to fostering inclusive growth. By investing in the development of emerging black-owned enterprises, the sector is actively working to broaden participation, diversify the supplier base, and stimulate the integration of new entrants into the forestry value chain, an essential step toward long-term socio-economic transformation.

The Amended FSC imposes responsibility on measured entities operating within the Growers and Sawmilling sub-sectors to prioritise the sale of logs and sawtimber to QSEs and EMEs. This obligation is directly linked to the B-BBEE procurement recognition levels of the purchasing entities, thereby reinforcing the transformation objectives of inclusive participation in the forestry value chain. Figure 51 below provides insight into the extent to which the Growers and Sawmilling sub-sectors are facilitating market inclusivity through targeted log and sawtimber distribution.

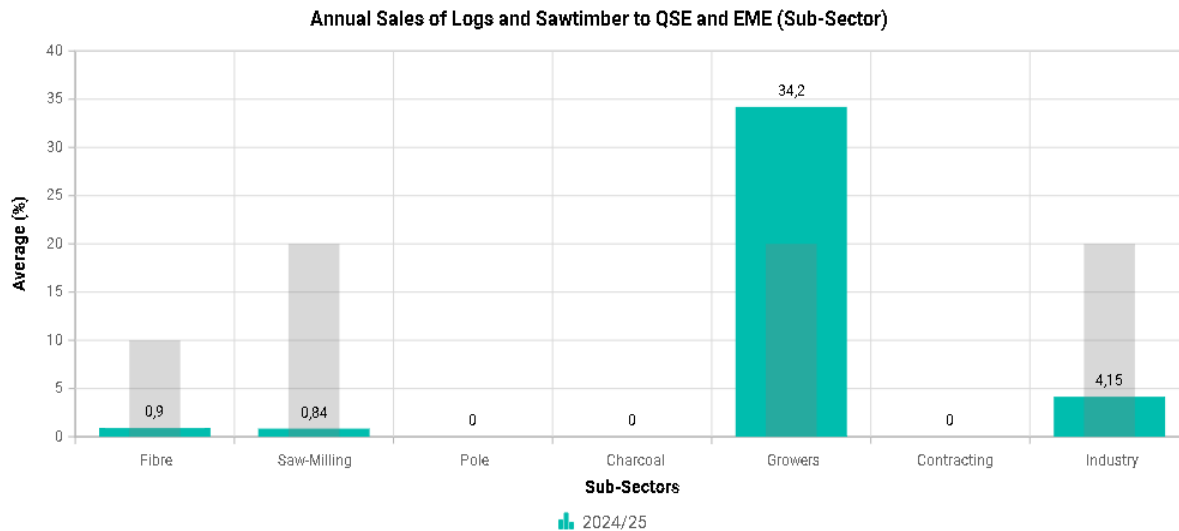


Figure 51: MLEs Growers & Sawmilling Sales of Logs & Sawtimber to QSEs & EMEs

Based on the performance illustrated in Figure 51 above, the Growers sub-sector demonstrated a commendable level of compliance, having surpassed the target for the sale of logs and sawtimber to QSEs and EMEs. This performance reflects a significant and strategic commitment by the sub-sector to support SMMEs, particularly those that are black-owned, in line with the transformation objectives of the Amended FSC. By facilitating access to essential raw materials such as logs and sawtimber, the Growers are enabling the operational capacity and competitiveness of black emerging and existing enterprises within the value chain, ensuring their development and sustainability within the sector.

The Sawmilling sub-sector displayed minimal efforts, though there was a slight improvement compared to the previous period, when no efforts were observed. This continued underperformance may indicate that there are significant barriers preventing the sub-sector from fully meeting these requirements, warranting further investigation to identify and address the underlying causes. The following challenges have previously been cited by some Sawmillers, though additional engagements are necessary to determine whether these constraints remain prevalent:

- A key issue raised is the difficulty in identifying and accessing EMEs and QSEs to whom logs and sawtimber can be sold.
- Many Sawmillers operate exclusively as processors and do not participate in timber growing activities. This structural limitation restricts their ability to control supply chains, thereby making it challenging to reserve volumes for EME and QSE sales.

Additionally, the Amended FSC imposes further requirements similar to the above to prioritise sales of logs and sawtimber 51% BO or 30% BWO entities, irrespective of their B-BBEE levels achieved. Figure 52 below illustrates the sub-sectors' performances in meeting the obligation on the sales of logs and sawtimber to 51% BO or 30% BWO.

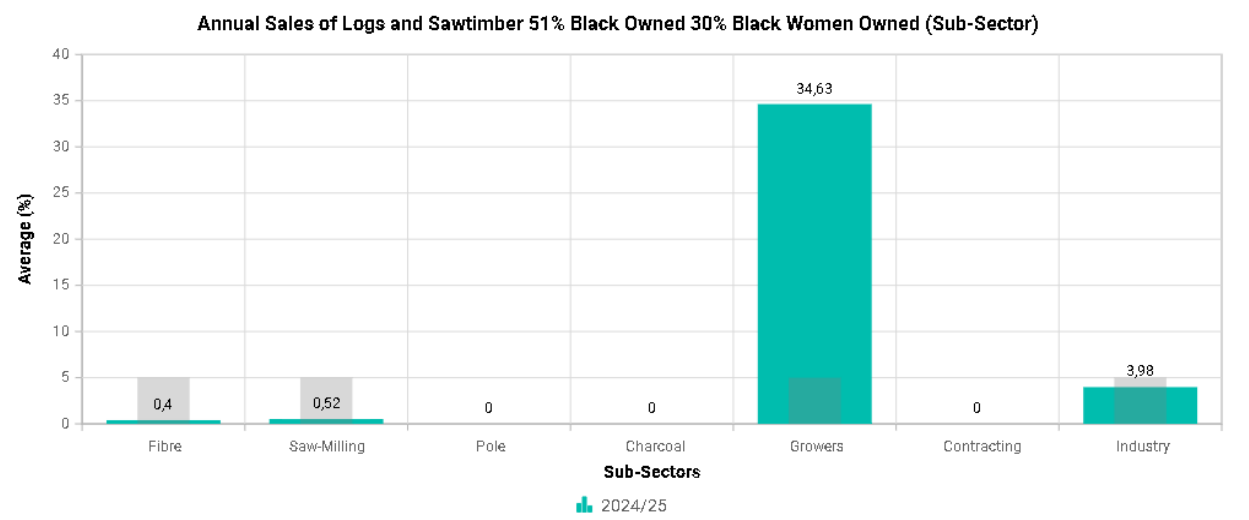


Figure 52: MLEs Growers & Sawmilling Sales of Logs & Sawtimber to 51% BO or 30% BWO

As illustrated in Figure 52 above, the performance shows a comparable trend to that observed in Figure 51. The Growers sub-sector once again exceeded the set target, demonstrating a strong and consistent commitment to advancing transformation objectives through preferential sales of logs and sawtimber to 51% BO or 30% BWO enterprises. In contrast, the Sawmilling sub-sector, while still performing below the target, showed an improvement compared to its previous year's performance, where there was no measurable effort recorded. This improvement is a positive indication of growing alignment with the Amended FSC requirements. However, it is imperative that this momentum is strengthened and supported by deliberate interventions.

6.5 Socio-Economic Development In-Depth Analysis

Socio-Economic Development (SED) contributions include monetary or non-monetary support provided to individuals, groups, or communities. For full recognition under the Amended B-BBEE Act, at least 75% of the beneficiaries must be classified as black people; otherwise, only the portion benefiting black people will be recognized on a pro-rata basis. The Amended FSC mandates that measured entities contribute 1% of their NPAT towards SED initiatives that generate economic benefits and promote sustainable development.

In the forestry sector, operations are often located in underdeveloped areas with limited economic activities and amenities. In many cases, forestry serves as the primary economic driver, functioning as a surrogate municipality by providing critical services and infrastructure. Through SED initiatives, the forestry sector plays a vital role in improving access to essential amenities, thereby enhancing livelihoods and well-being, particularly in disadvantaged communities.

The comparative performance of MLEs on the Socio-Economic Development over a three-year reporting period is displayed in Figure 53 below.

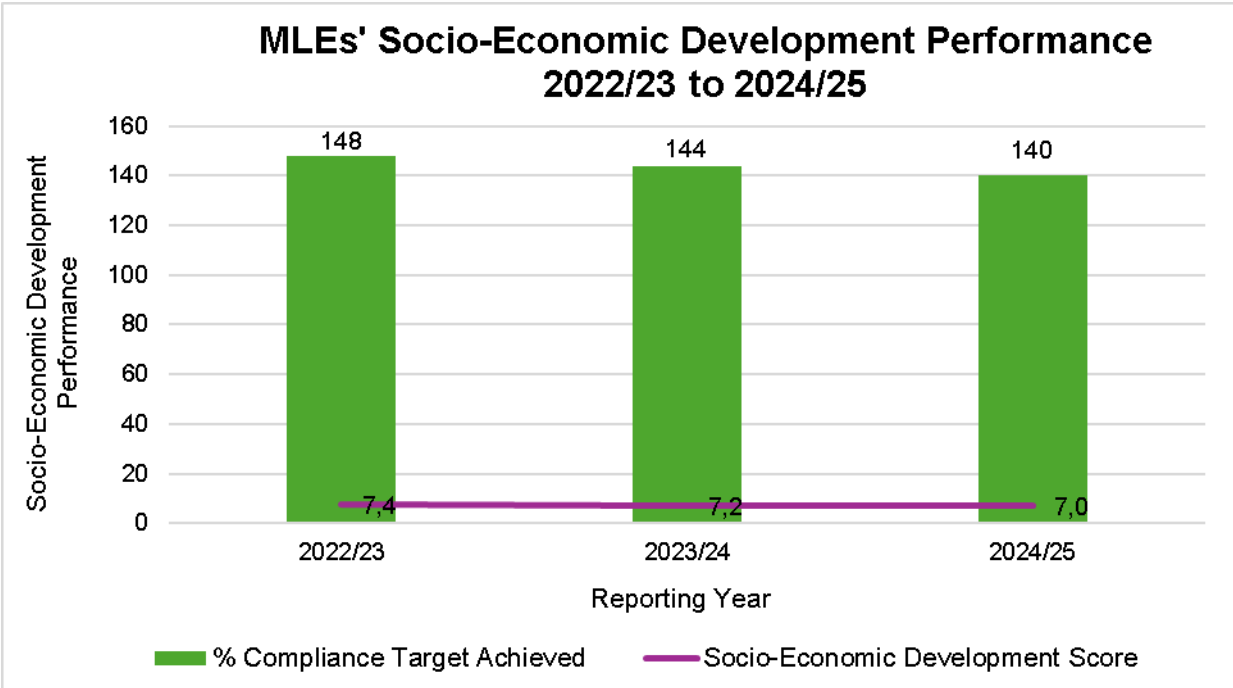


Figure 53: MLEs’ Socio-Economic Development Performance, 2022/23–2024/25

Medium and Large Enterprises continue to demonstrate exceptional performance under this element, achieving an impressive average score of 140% in the current reporting year. While this reflects a slight decline from the 144% recorded in 2023/24 and 148% in 2022/23, it still represents an encouraging achievement, especially when considering that these scores include bonus points, as depicted in Figure 53 above.

The marginal 2.8% decrease between the 2023/24 and 2024/25 reporting periods can largely be attributed to reduced or, in some cases, no SED contributions from a few reporting entities (8%). Despite this minor downturn, the overall trajectory remains highly positive. The consistently high scores highlight MLEs’ continued commitment to investing in initiatives that uplift forestry-dependent communities, indicating that transformation and empowerment remain central to their operational ethos.

These contributions reflect a broader strategic intention to drive inclusive development, enhance local livelihoods, and address historical socio-economic disparities. The sustained performance over the years confirms that MLEs are playing a meaningful role in advancing socio-economic growth, particularly in rural and under-resourced areas linked to the forestry value chain.

Figure 54 below contrasts the performance of the six industry sub-sectors regarding the SED initiatives.

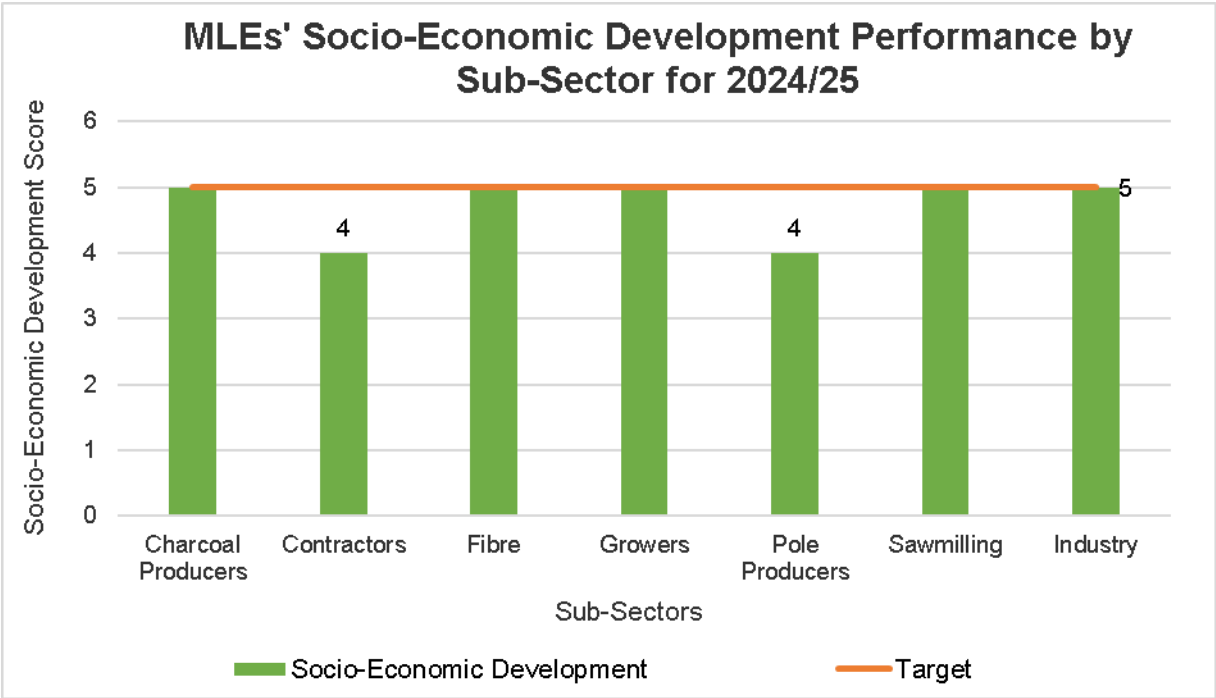


Figure 54: MLE Socio-Economic Development Performance per Sub-sector

As depicted in Figure 54 above, four out of the six sub-sectors successfully met the target for SED contributions, while the remaining two achieved approximately 80% of the target, still reflecting a commendable performance. Encouragingly, three of the four sub-sectors that attained the target, namely Growers, Fibre, and Sawmilling, also achieved the target in the previous reporting year. This consistent level of achievement across sub-sectors underscores the forestry sector’s collective commitment to socio-economic upliftment.

In order to meet the requirements of the SED element, MLEs are expected to contribute a minimum of 1% of their NPAT towards SED initiatives. These contributions aim to uplift and support forestry-dependent communities through targeted developmental programs. The FSCC has observed, through various reports including the FSA’s Corporate Social Investment report, that some companies implement impactful initiatives that align with SED objectives, although these are not always formally recognised as such. For example, some companies

invest in external skilling and capacity-building projects, which, although originally classified under SD, often yield long-term socio-economic benefits for surrounding communities. Additionally, this testimonial highlights that B-BBEE elements and initiatives can be interconnected and hold the potential to address deep-rooted socio-economic challenges within forestry-dependent communities.

Figure 55 below illustrates the SED expenditure performance of MLEs across the various sub-sectors within the forestry industry, highlighting the extent to which each sub-sector aligns with this benchmark and contributes to broader transformation and community development goals.

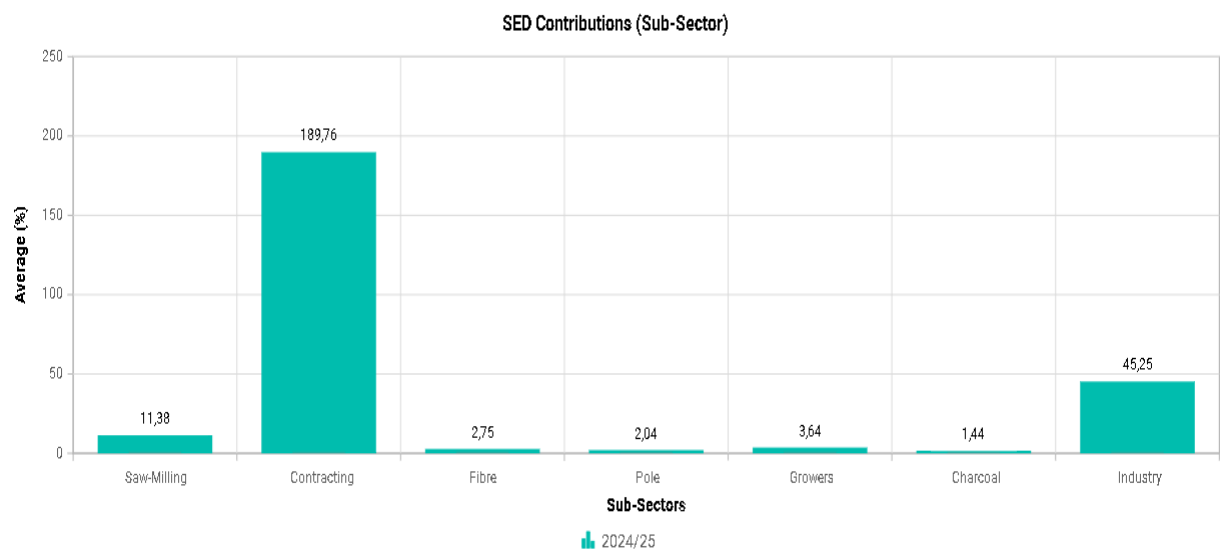


Figure 55: MLEs Analysis: Socio-Economic Development Contributions as a % of NPAT

Encouragingly, all sub-sectors surpassed the 1% NPAT target for SED expenditure, reflecting outstanding performance in this indicator, as illustrated in Figure 55 above. The Contractors sub-sector notably led the way, followed by Sawmilling, recording the highest levels of SED spending. Growers, Fibre and Pole Producers performed relatively well within the comparable range. Interestingly, Charcoal Producers demonstrated good performance in this element alone, which indicates a selective approach to B-BBEE implementation by some companies.

The varying levels of achievement across sub-sectors highlight that certain entities are going beyond the minimum compliance thresholds, signaling a genuine commitment to transformation and rural upliftment. These contributions directly support the "Rural Development" principle outlined in the Amended FSC, underscoring the sector’s continued dedication to improving the livelihoods of forestry-dependent communities through sustained and meaningful investment.

While this indicator may appear to be a relatively accessible or "low-hanging fruit" within the B-BBEE framework, the forestry sector is encouraged to pursue a more balanced and integrated approach to transformation across all elements. A consolidated implementation effort is essential to ensure the sector's transformation agenda is both inclusive and impactful.

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

Public companies listed on the Johannesburg Stock Exchange (JSE) must submit a compliance report, as required under Section 13G(2) of the Act. This report must be filed with the B-BBEE Commission annually, either within 30 days of the approval of the audited financial statements and annual report or within 90 days after the end of the financial year. In addition, Section 13G(2) requires JSE entities listed to undergo a B-BBEE verification process conducted by a verification agency accredited by the SANAS. The verified results must be disclosed to the B-BBEE Commission using the prescribed reporting format. Failure to comply with this statutory obligation constitutes an offence under the provisions of the B-BBEE Act as Amended.

In the forest sector, four JSE-listed entities and one state-owned entity are required to meet the aforementioned reporting obligations. However, this does not exempt them from their separate obligation to report to the FSCC, as mandated by the Amended B-BBEE Act. This highlights the importance of complying with the reporting requirements of both institutions to ensure full adherence to the Act.

Figure 56 below displays the scorecard performance of the four forestry JSE-listed companies, which are represented by numbers, "1 to 4".

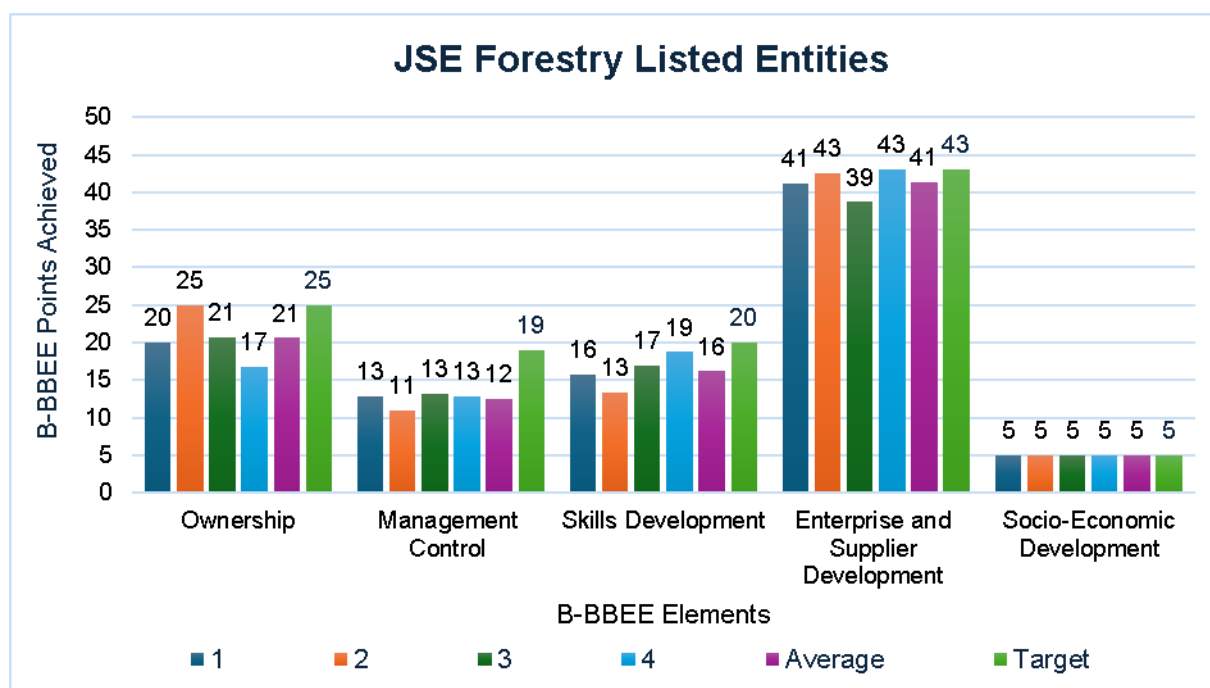


Figure 56: Forestry JSE Listed entities for 2024/25 reporting period

All JSE-listed forestry entities have maintained a commendable track record in achieving high B-BBEE ratings, consistently attaining Level 1 B-BBEE recognition over consecutive years. This sustained trend is supported by the robust performance patterns illustrated in Figure 56. However, a deeper analysis reveals varying levels of achievement across individual B-BBEE elements, indicating areas of strength and those requiring focused improvement.

Ownership performance remains a key differentiator. Of the four listed entities, only one met the Ownership element target, repeating its success from the previous year, while the remaining three failed to meet the standard, with the lowest-performing entity achieving approximately 68% of the target. Given the duration over which B-BBEE has been implemented, it is reasonable to expect that companies demonstrating consistent participation and compliance would have progressively aligned with the set targets.

In the MC element, performance was relatively stable. Three entities reached approximately 68% of the target, while the fourth demonstrated an average performance. Notably, entities "3" and "4" showed improvement compared to the previous year, whereas entities "1" and "2" maintained their previous scores. This reflects gradual but positive progress in transforming leadership structures within these organizations.

Performance in the SD element was encouraging across the board. All four entities performed well, with the lowest-achieving entity reaching 65% of the target, while the highest achieved 95%. Three entities improved on their previous year's performance, indicating a strategic and

upward trajectory in skills investment. The fourth entity maintained its prior performance, reflecting consistency in implementation.

The ESD results were also exceptional. Two entities met the full ESD target, while the other two exceeded 90% of the benchmark. Similarly, in the SED element, all entities demonstrated well-structured and impactful implementation, suggesting an integrated approach in these elements.

Overall, while JSE-listed forestry companies continue to excel in achieving high B-BBEE levels, the analysis reveals that performance varies across specific elements. This reinforces the importance of a holistic and balanced implementation strategy that drives transformation across all pillars, not just those perceived as more accessible or easier to achieve. The upward trends in elements, such as SD, ESD and SED, highlight a progressive shift toward inclusive and sustainable empowerment practices. The uneven progress in Ownership and MC reflects the broader sectoral challenges highlighted in the B-BBEE Commission's benchmarking report 2019/2020. However, the 2023/2024 B-BBEE Commission reports indicate a decline in overall Black ownership, which decreased to 57% in the 2023/24 financial year. In contrast, black women's ownership demonstrated notable improvement, increasing from 20% to 37%, reflecting meaningful progress in advancing gender inclusivity within ownership structures. The Commission has emphasised the importance of equitable progress across all elements to avoid the emergence of a "tick-box" approach and ensure that transformation is both broad-based and substantive. Aligning with this national benchmarking perspective, the forest companies should continue to refine their strategies to deliver more holistic and impactful transformation outcomes.

vii [2023-2024-ANALYSIS-OF-MAJOR-B-BBEE-TRANSACTION-Final-Reprot.pdf](#)

8. SOUTH AFRICAN FORESTRY COMPANY SOC LIMITED (SAFCOL)

The South African Forestry Company SOC Limited (SAFCOL) is a state-owned entity (SOE) operating under the Department of Planning, Monitoring, and Evaluation. All spheres of government, public entities, and organs of state are required to submit their audited annual financial statements and annual reports, as mandated by Section 13G(1) of the B-BBEE Act, to the B-BBEE Commission annually. This submission must be made within 30 days of the approval of these audited financial statements and reports.

On 18 June 2024, SAFCOL was officially granted B-BBEE Facilitator Status, which confers upon it a Black Ownership profile for B-BBEE purposes. This designation is intended to benefit

not only SAFCOL but also entities that procure goods or services from SAFCOL, as well as companies in which SAFCOL holds equity interests, by allowing them to recognise SAFCOL's black ownership credentials in their own B-BBEE scoring.

Established in 1992 under the Management of State Forests Act No. 128 of 1992, SAFCOL's mandate is to conduct forestry business, including timber harvesting, timber processing, and related activities, both domestically and internationally. Its operations span across Limpopo, Mpumalanga and KwaZulu-Natal in South Africa, as well as the southern half of Mozambique, covering Manica and Sofala provinces. In South Africa, SAFCOL manages approximately 1.2 million hectares of state-owned land, balancing commercial viability with socio-economic development.

SAFCOL is evaluated under Statement 004, a specialized scorecard designed for SOEs to assess their compliance with the B-BBEE Act. This exempts SOEs from being assessed on the ownership element, with the ownership points instead being proportionally distributed across the remaining four elements of the scorecard. Figure 57 below depicts SAFCOL's performance over the last three reporting years, emphasizing its adherence to B-BBEE regulations across multiple scorecard components

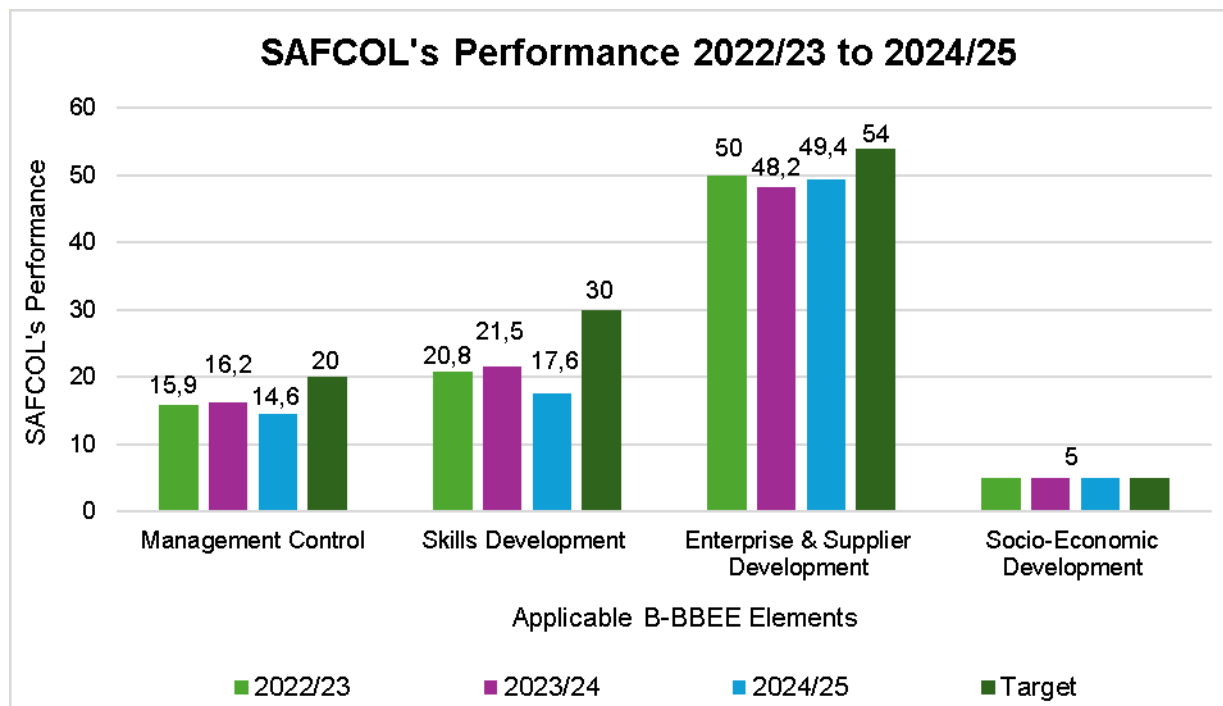


Figure 57: SAFCOL's three-year performance

The South African Forestry Company SOC Limited has consistently demonstrated an excellent performance in its B-BBEE compliance, as reflected in Figure 57 above. The entity proudly maintained a Level 2 B-BBEE rating for the current year, an impressive achievement

that signifies SAFCOL's ongoing commitment to transformation. However, while the overall rating remains high, there are areas that require renewed focus and strategic action.

Management Control and SD performance indicators show a decline compared to the two preceding years. Although the current SD performance still falls within the average range, the reduction is a cause for concern, particularly given the increasing urgency to drive inclusive economic participation. The declining trend in MC also highlights the need to enhance the representation of black people at board level, and to increase investment in the training and employment of black people living with disabilities.

The South African Forestry Company SOC Limited's persistent inability to absorb its learners into permanent employment has been a recurring concern observed over multiple years, raising critical questions about the sustainability and effectiveness of its skills development and youth empowerment initiatives. This shortfall is particularly significant in light of South Africa's youth unemployment crisis, which currently exceeds 44% in 2025. This stark reality calls for urgent intervention from both the public and private sectors. While B-BBEE policies have evolved to include key vulnerable groups such as women, persons with disabilities, and rural communities, true economic inclusion remains inconsistent.

Within the forestry sector, the challenge is acute. An estimated 119 unemployed forestry graduates are actively seeking work. The South African Forestry Company SOC Limited is strategically positioned to make a meaningful impact by participating in the F-GEP, an initiative led by FSA. The programme is designed to equip forestry graduates with relevant workplace experience, enhancing their employability and potential for long-term integration into the sector. SAFCOL's involvement would not only improve its SD performance, especially under the absorption indicator, but also align its transformation efforts with broader societal development goals.

Despite the challenges in MC and SD, SAFCOL continues to excel in ESD and SED. The entity achieved 90% of its ESD target and 100% of its SED target in the current reporting year. These results reflect a convincing commitment to rural economic empowerment, enterprise development, and impactful community-based initiatives, outcomes supported by SAFCOL's strategic rural presence.

Given SAFCOL's consistently high performance and transformational outlook, the prospect of being accredited as a B-BBEE Facilitator could further elevate the entity's influence in the

sector. Such accreditation would not only unlock new business opportunities, particularly with public-private partnerships and state entities, but also reinforce SAFCOL's role as a catalyst for inclusive growth and sustainable development in the forestry industry.

viii <https://capeargus.co.za/weekend-argus/news/2025-05-02-south-africas-job-crisis-youth-unemployment-bee-debate-and-the-fight-for-real-inclusion/>

9. QUALIFYING SMALL ENTERPRISES (QSEs) ANALYSIS

Qualifying Small Enterprises (QSEs) are entities or businesses that have an annual turnover of between R10 and R50 million. These entities can be classified as either Enhanced or Unenhanced based on their black ownership level. Enhanced QSEs are those that are majority black-owned, controlling above 50% to 100% and are exempted from undergoing the verification process. As a result, they are awarded automatic B-BBEE levels. QSEs that are 100% black-owned are recognized as Level 1, while those that have at least 51% and above black-ownership profile are recognized as Level 2. Enhanced QSEs similar to EMEs are only required to supply a B-BBEE affidavit or B-BBEE certificate from the CIPC confirming their B-BBEE credentials, including the annual turnover qualifying them as QSEs, as well as the black-ownership profile.

In contrast, Unenhanced QSEs are minority black-owned and are assessed and validated on all five B-BBEE scorecard elements annually as outlined in Statement FSC600 by verification agencies.

As a legal obligation, all QSEs operating in the forest sector are required to report annually to the FSCC on their B-BBEE credentials. Figure 58 below compares submissions received from QSEs over the last three years.

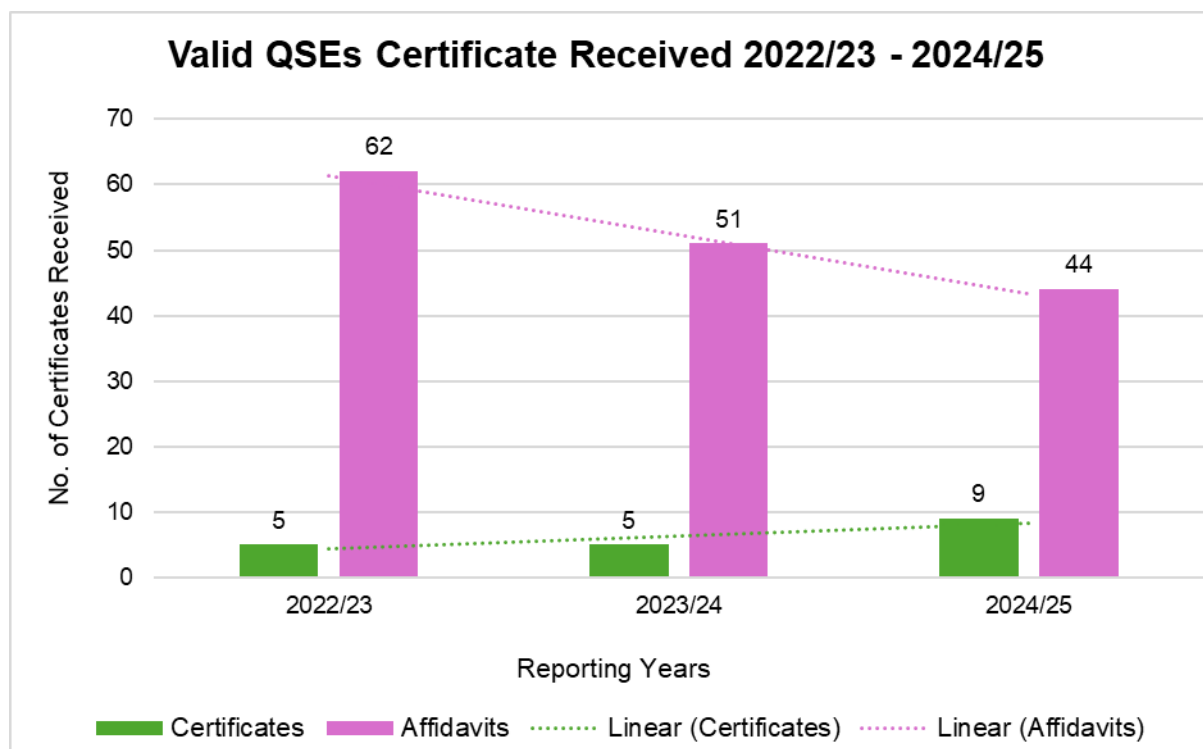


Figure 58: Valid QSEs Certificate submissions, 2022/23–2024/25

Figure 58 above shows that QSEs’ submissions decreased from 56 to 53 in the current reporting year, representing a 5.4% decline from the 2023/24 reporting year. While the decline is noticeable between the last three years, it is concerning as the expectation is that there are a number of entities operating as QSEs in the forest sector, both as Enhanced and Unenhanced, and particularly as contractors. Hence, the expectation would be to see the reporting numbers improving in line with the 15-year length of time since B-BBEE was introduced in the forest sector.

The number of Unenhanced QSEs reported showed an upward trend, which may qualify the statement suggesting that there are a number of Unenhanced QSEs in the sector who may sometimes report when they choose to. This is, however, inconsistent with the reporting principles and shows non-compliance with the B-BBEE as Amended.

The trends highlighted for both Enhanced and Unenhanced QSEs confirm the prevalence of inconsistent reporting, underscoring the need for policy changes to address non-compliance with a consideration of a consequence principle. Furthermore, this observation justifies the need to engage each sub-sector so as to have a holistic view of the representation while addressing the proportionality as reflected from the 15th anniversary celebrations.

Affidavit submissions continue to exceed certificate submissions, though also showing obvious declines, reflecting the higher number of Enhanced QSEs compared to Unenhanced

QSEs, as also displayed in Figure 58 above. It is also against this background that the reporting element should be considered in the review as a means of addressing consistency, and also the obligation to report.

Figure 59 illustrates the distribution of B-BBEE level achieved by both Enhanced and Unenhanced QSEs.

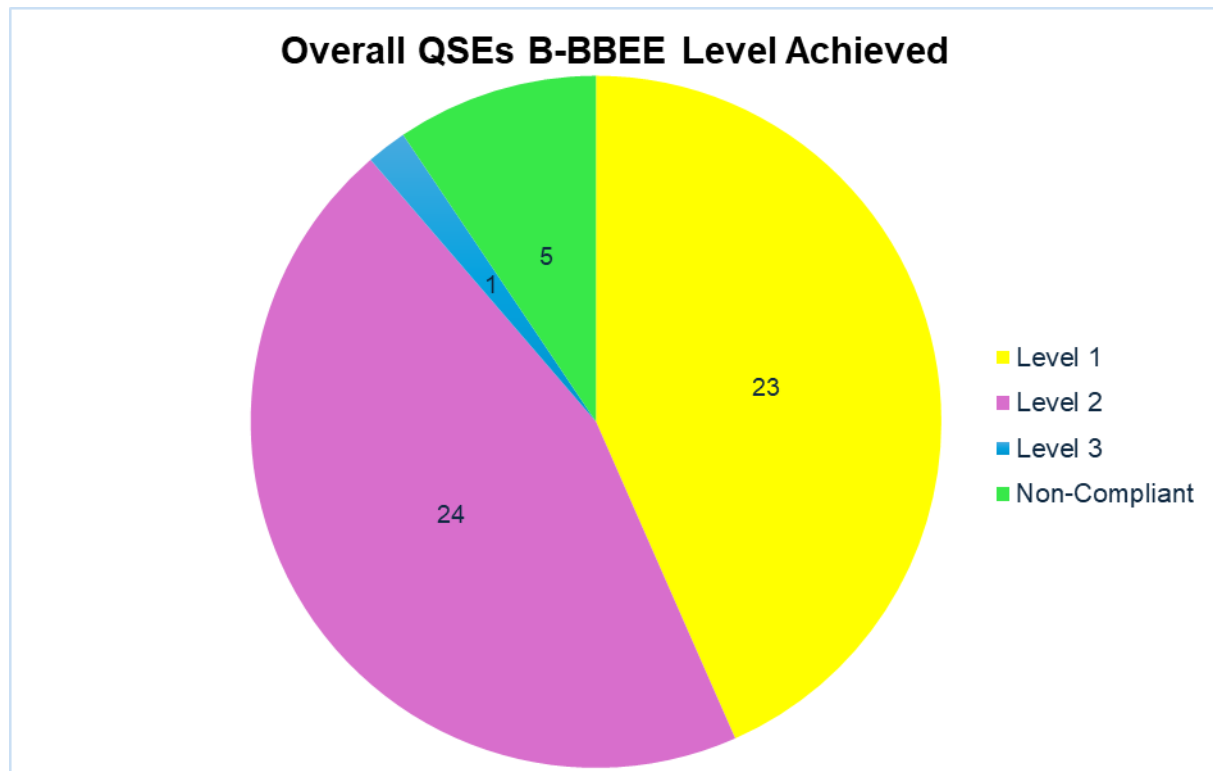


Figure 59: QSEs B-BBEE Level Achieved

Observing from Figure 59 above, 47 of 53 (88%) of the QSEs' submissions achieved a Level 1 or 2 B-BBEE compliance level. In simpler terms, 43% of the QSEs achieved a Level 1, and 45% of the submissions achieved a Level 2 B-BBEE status through the enhancement principle. This indicates that the enhancement principle is a significant facilitator for achieving higher B-BBEE levels. Out of the remaining 12%, 2% achieved a Level 3, with the remaining achieving a non-compliant B-BBEE status. The non-compliant QSEs may need to focus on improving their B-BBEE performance across the five scorecard elements, as their results showed poor performance. By addressing these areas, these entities cannot only work towards achieving a higher B-BBEE recognition level but will also prove to be compliant as legally required.

As reported in the previous year, there is still an obvious reporting discrepancy between Enhanced and Unenhanced QSEs, with most reports and affidavits received from Enhanced

QSEs. This necessitates an urgent review of this principle, as the observation suggests that there could be a miscalculation of its intentions. This also means the ballooned number of Enhanced QSEs are completely absolved from complying with the B-BBEE principles, with a large number of Enhanced QSEs opting not to report at all. It would be recommended that strict interventions must be pursued to curb these observations, possibly in the upcoming review of the Amended FSC. Similarly to MLEs, QSEs are also categorised based on the area of operation as detailed in the scope of application in the Amended FSC.

Figure 60 below illustrates the distribution of valid B-BEEE certificates and affidavits among QSEs across the applicable six sub-sectors of the forestry value chain, providing insights into the transformation progress within each other.

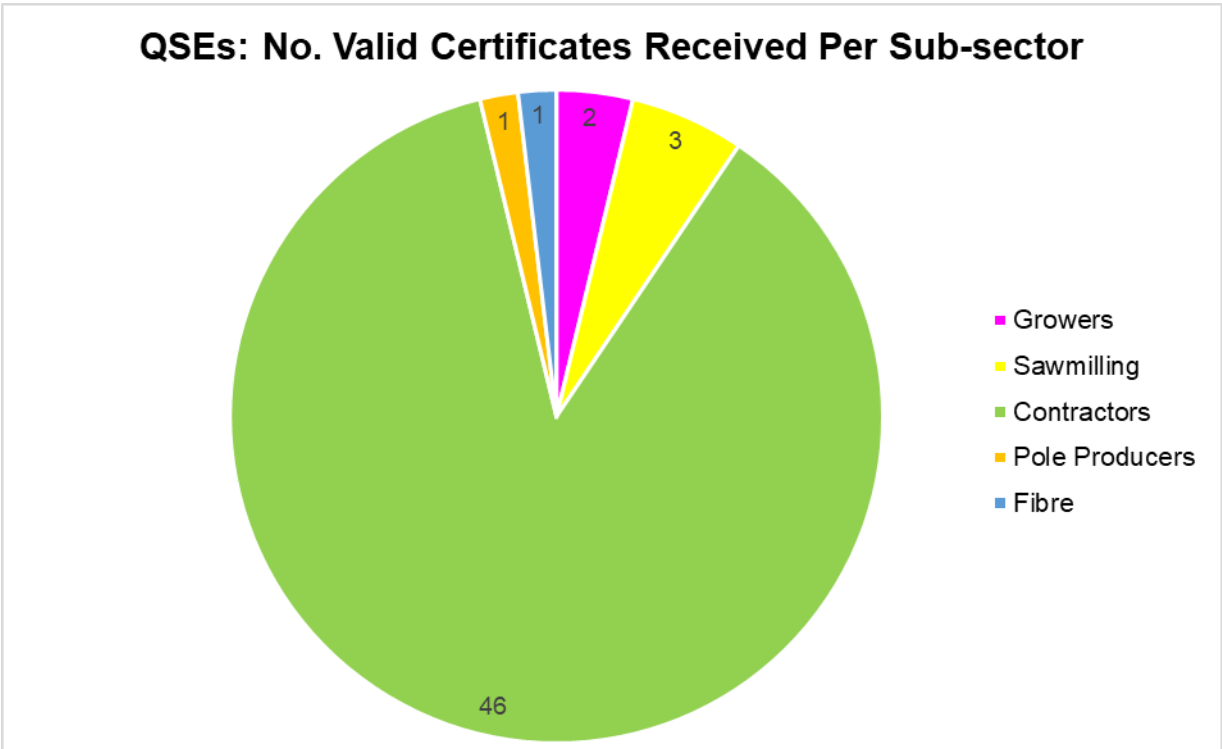


Figure 60: QSEs certificate and affidavit submissions by sub-sectors

Figure 60 above shows an irregular distribution of valid certificates across the six sub-sectors in the forest sector. As observed also in the previous reporting period, Contractors dominate the submissions with a representation of about 87%, proving again their high level of compliance. While the reason behind this may not be obvious, considering that the planned meetings to educate forestry companies through each company’s forum have not had a positive uptake, the likelihood of companies demanding B-BBEE credentials from contractors as their suppliers could suffice.

The Sawmilling (5%) and Growers (4%) each had the least representation, and so were the Fibre and Pole Producers (2% each) sub-sectors. Interestingly was the representation from growers amongst QSEs had been absent over time and could be attributable to the intensive meetings with growers where the element of reporting is always emphasized.

Notably, no submission was received from the Charcoal Producers sub-sector even in this reporting period, an observation that is consistent with the previous year. The preferred option to engage directly with forestry associations through their regional meeting is therefore justified, and possibly it will yield the anticipated compliance and reporting outcome numbers.

9.1 Ownership In-Depth Analysis

Ownership measures the percentage of shareholding of black people controlling a new or established business. It is a compulsory priority element for Unenhanced QSEs, suggesting that discounting by one B-BBEE level will be effected if the minimum 40% is not achieved on the net value points. The 25 weighting points allocated under this element are distributed across six indicators, namely: voting rights, economic interests held in the hands of black people, women, BDGs, or new entrants, and net value points. Unlike MLEs, no bonus points are allocated for Unenhanced QSEs.

Figure 61 below shows the QSEs' average performance on the Ownership element over a three-year period.

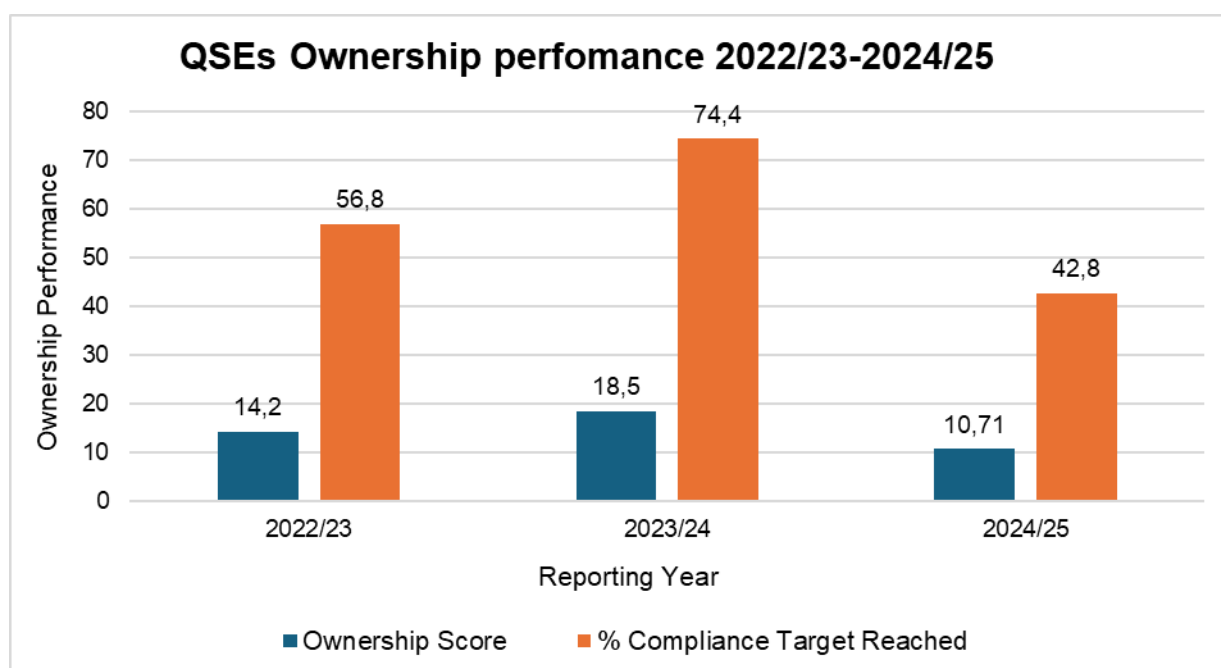


Figure 61: QSEs Ownership Performance, 2022/23-2024/25

In the reporting year 2024/25, Unenhanced QSEs performed very poorly, achieving an average of 10.71 points as shown in Figure 61 above. Only four entities achieved 80-100% compliance, and the overall performance dropped to 42.8%. This represents a substantial decline when compared to the previous years. The poor performance is exacerbated by a lack of exercisable voting rights and economic interests in the hands of black people in the other five entities. The performance also highlighted the limited control and influence in decision-making of beneficiaries in these entities.

Figure 62 below shows the QSEs average across the six Ownership indicators against the weighing points allocated to each indicator.

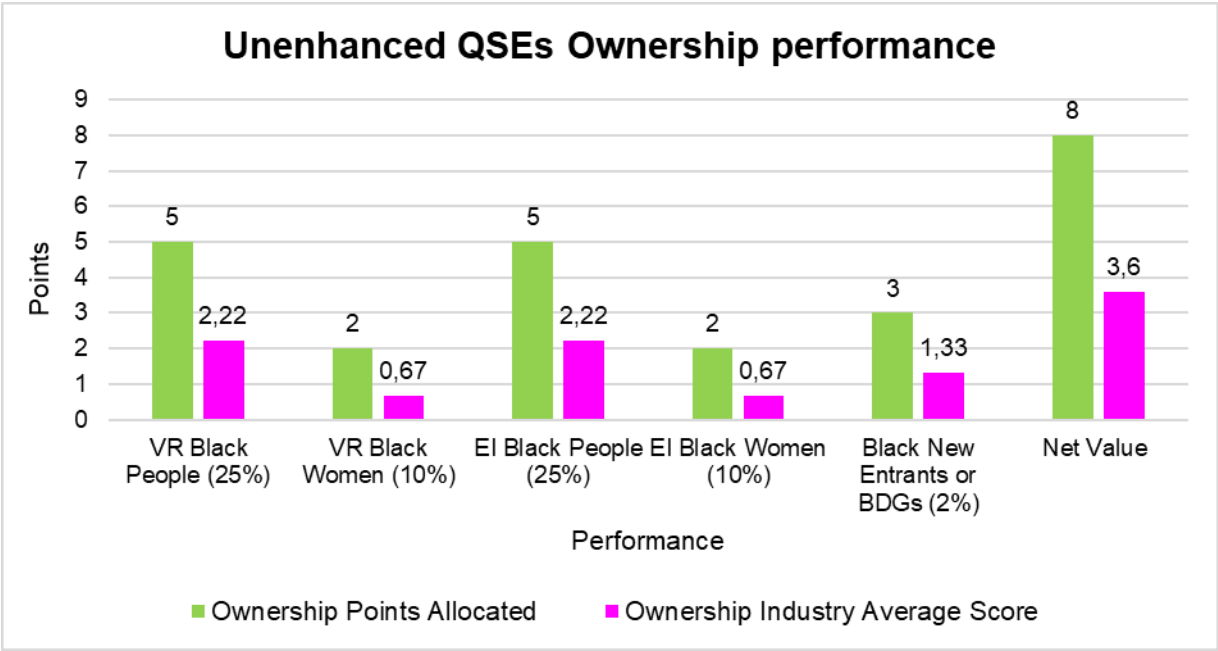


Figure 62: Ownership industry average performance per indicator

Seemingly, the average scores achieved by Unenhanced QSEs were lower across the Ownership indicators as displayed in Figure 62 above. The scores were even lower on the black women indicators. The discouraging score on the Net Value Points confirms that most of the Unenhanced QSEs were downgraded as a result, suggesting the urgent need to implement this element progressively.

In-depth Analysis: Average Voting Rights of Black People

The indicator "voting rights held by Black People" measures the percentage of voting rights within Unenhanced QSEs controlled by Black individuals, assessing their control and influence within these enterprises. Shareholders with voting rights qualify to vote in a boardroom where decisions of influence are taken. The performance of Unenhanced QSEs based on their operating sub-sectors on voting rights held by black people is presented in the corresponding

Figure 63 below displays the Unenhanced QSE performance on the voting rights in the hands of Black People.

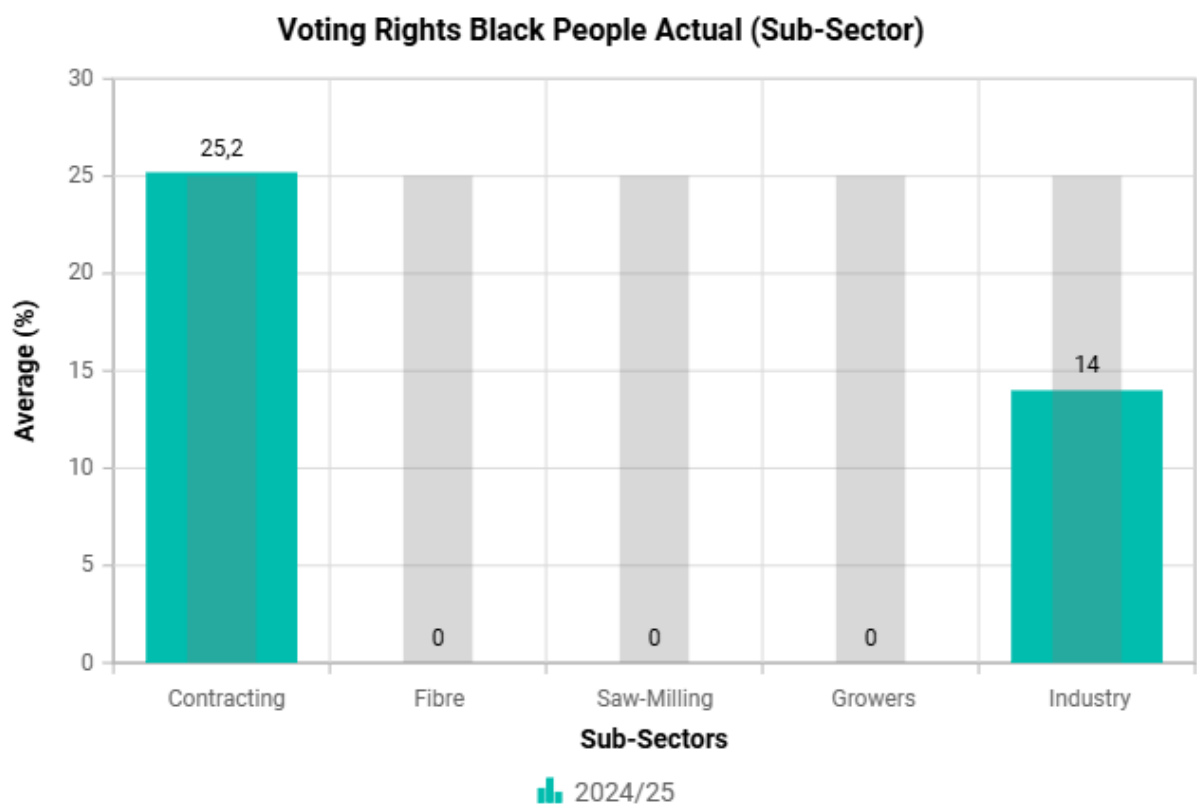


Figure 63: QSEs Voting Rights in the hands of Black People

The compliance target of voting rights in the hands of black people is 25% + 1 vote. As shown in Figure 63 above, only the Contracting sub-sector exceeded the target with an average performance of 25.2% and thus improving the industry’s overall performance. In contrast, the Fibre, Sawmilling, and Growers sub-sectors performed poorly on this target, achieving a 0%. The observation on the performance of these sub-sectors in this indicator corresponds with the previous year's report. The discouraging absence of submissions from the pole producers and charcoal sub-sectors suggests non-compliance and inadequate reporting from Unenhanced QSEs in these sectors.

The performance of Unenhanced QSEs regarding voting rights held by black women is crucial in understanding the distribution of power and decision-making authority. Figure 64 below shows the Unenhanced QSEs performance on the voting rights held by Black Women indicators.

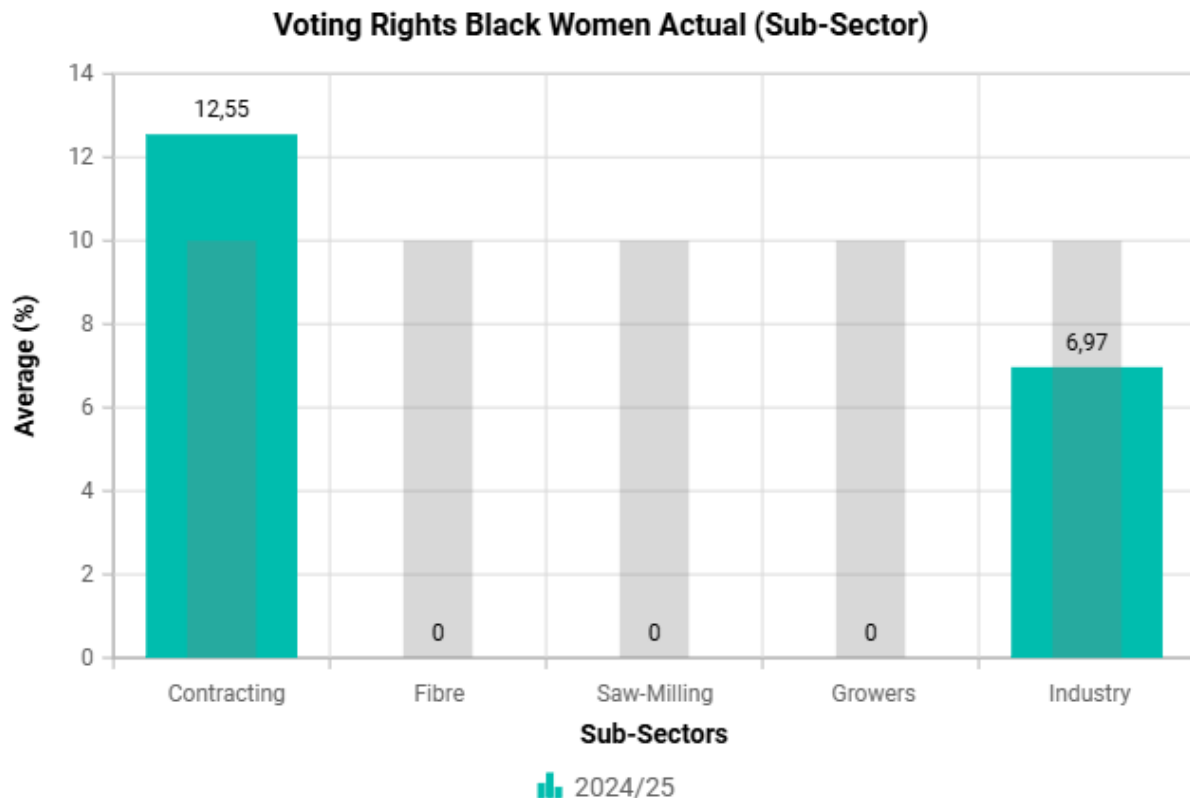


Figure 64: QSEs Voting Rights in the hands of Black Women

Similarly to last year's report, the Contracting sub-sector outperformed all the other reporting sub-sectors demonstrating its extensive commitment to B-BBEE. It has also surpassed the industry average of 6.97% as displayed in Figure 64. The remaining three reporting sub-sectors, being the Fibre, Saw-milling, and Growers' sub-sectors, scored 0% just like in the voting rights for black people, indicating a significant absence of black women shareholders in these entities. This discrepancy highlights a pressing need for the dilution of ownership profile to include BW.

The economic interest indicator is allocated 25% for black people and 10% for black women. The economic interest indicator measures the extent to which black people are entitled to receive economic benefits within an enterprise. This includes rights to dividends, capital gains, and other related financial benefits. By assessing this indicator, stakeholders can gain insight into the level of economic empowerment and participation of black people within the enterprise. The performance of Unenhanced QSEs on this indicator is crucial in understanding the distribution of economic benefits and identifying areas for improvement. Figure 65 below shows the economic interests held by black people.

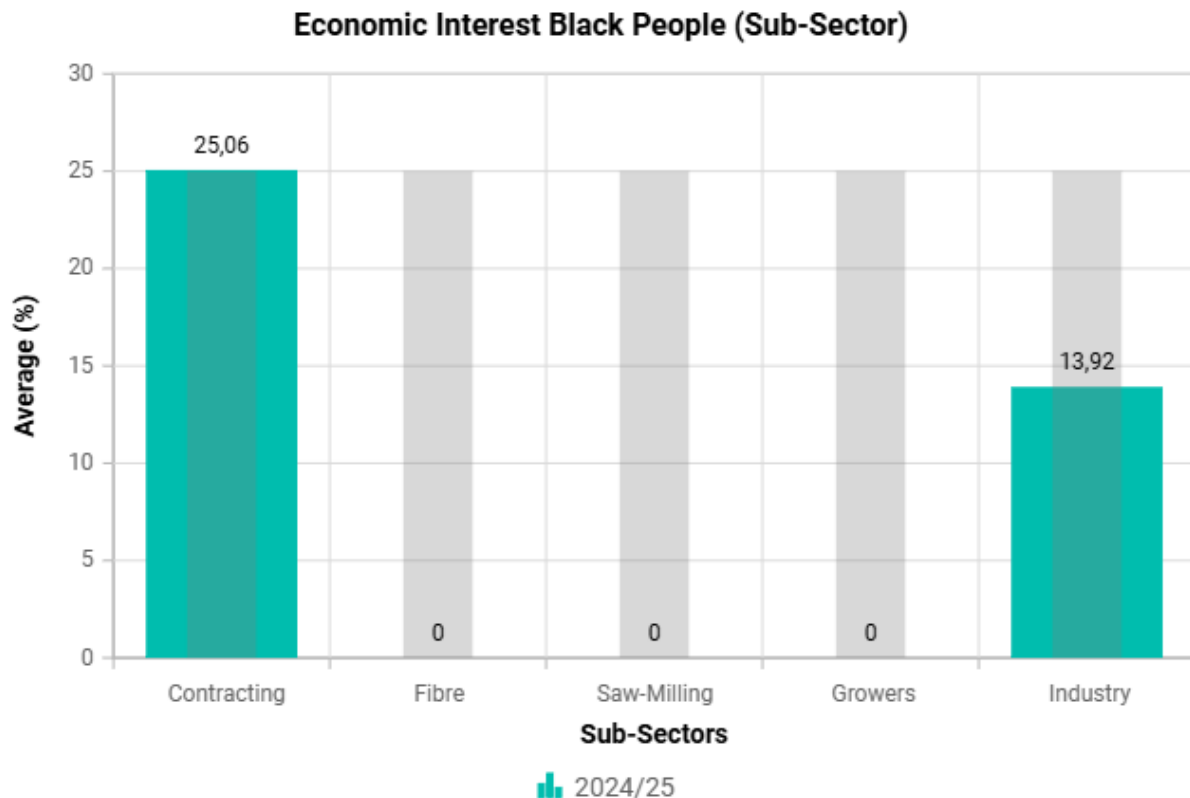


Figure 65: QSEs Average Economic Interest in the hands of black people

As depicted in Figure 65 above, only the Contracting sub-sector performed exceptionally under this indicator, exceeding both the target and the industry's overall performance and recording 25.06%. This indicates that BP in the Contracting sub-sector has had a significant entitlement to economic benefits such as dividends and capital gains within their respective enterprises.

In comparison, the other three reporting sub-sectors regressed the industry's performance due to their discouraging scores, highlighting a significant gap in the economic empowerment of black people within these sub-sectors. This lack of participation underscores the need for targeted interventions to support these sub-sectors in meeting the Ownership obligation.

The BW's EI indicator assesses the rights of black women to economic benefits, just like it would for black people. This indicator provides insight into the level of economic empowerment and participation of black women within an organization. By evaluating this indicator, stakeholders can identify areas for improvement and develop strategies to promote greater economic inclusion and participation of black women. Figure 66 below shows the

Unenhanced QSEs performance on the economic interests in the hands of black people across sub-sectors.

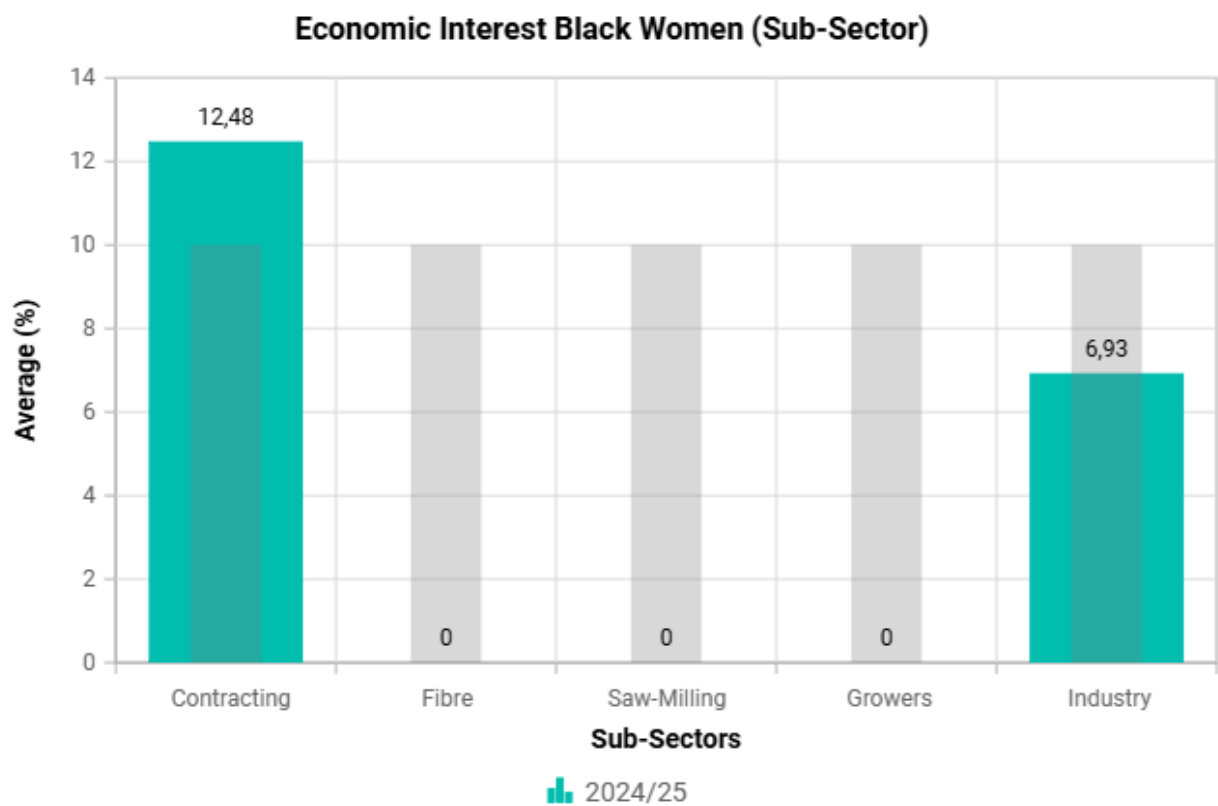


Figure 66: QSEs Average Economic Interest in the hands of Black Women

As shown in Figure 66, the Contracting sub-sector’s performance continues to outshine all the other reporting sub-sectors, even in this indicator, surpassing the compliance target (10%) with an average achievement of 12.48%. Notably, this average performance exceeds the industry average of 6.93%, highlighting the Contracting sub-sector's commitment to empowering Black Women through economic participation.

The performance of the other three reporting sub-sectors is worrying, as this has been observed in the other three indicators above. This obvious disproportion underscores the absence of black women in the ownership structures of these entities, indicating a significant gap in the economic participation of BW. This lack of participation highlights the need for targeted support and interventions to ensure these sub-sectors meet their B-BBEE obligations and promote greater gender inclusivity and control.

Unlike MLEs, the third EI indicator for Unenhanced QSEs allows them to choose between BNEs, Black Designated Groupings (BDGs) or the economic interest can be held by both

groups. This flexibility allows entities to optimize their B-BBEE score based on their ownership structure and available points, providing an opportunity for strategic planning and compliance.

As mentioned in the previous year, BNEs refer to black South African individuals who have not previously had ownership in other companies exceeding a certain threshold, whilst BDGs refers to a group of individuals represented by either black women, youth, people living with disabilities, people living in rural or underdeveloped areas and military veterans. These designations are critical in promoting the broadness and distribution of economic empowerment. Figure 67 below displays the performance of Unenhanced QSEs based on the economic interest held by either BNEs and BDGs or both.

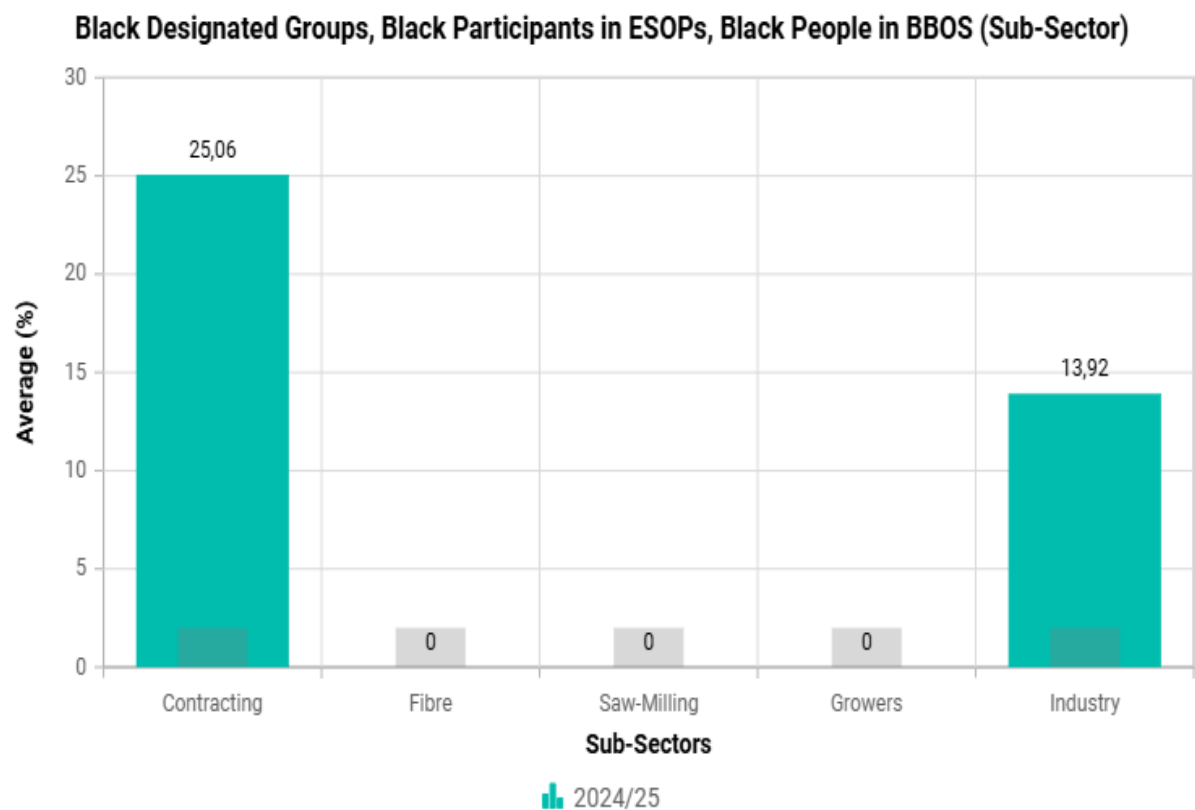


Figure 67: QSEs Economic interest in the hands of BDGs or BNEs

Similarly to the above indicators, the Contracting sub-sector performed remarkably, with the other remaining sub-sectors’ performance in contrast, as depicted in Figure 67 above. Despite the industry’s target being met, the results would have been more impressive if all sub-sectors had contributed meaningfully to this indicator, and this is an indication that the lack of contribution from the other sub-sectors impacts the overall industry performance.

Considering that the Ownership element is a compulsory priority element, Unenhanced QSEs are required to achieve a minimum of 40% on the Net Value indicator points. Failure to achieve this target will result in the downgrading by one level of the reporting entity in alignment with the discounting principle, negatively impacting the overall B-BBEE level. Figure 68 below demonstrates the performance of reporting Unenhanced QSEs against the Net Value indicator.

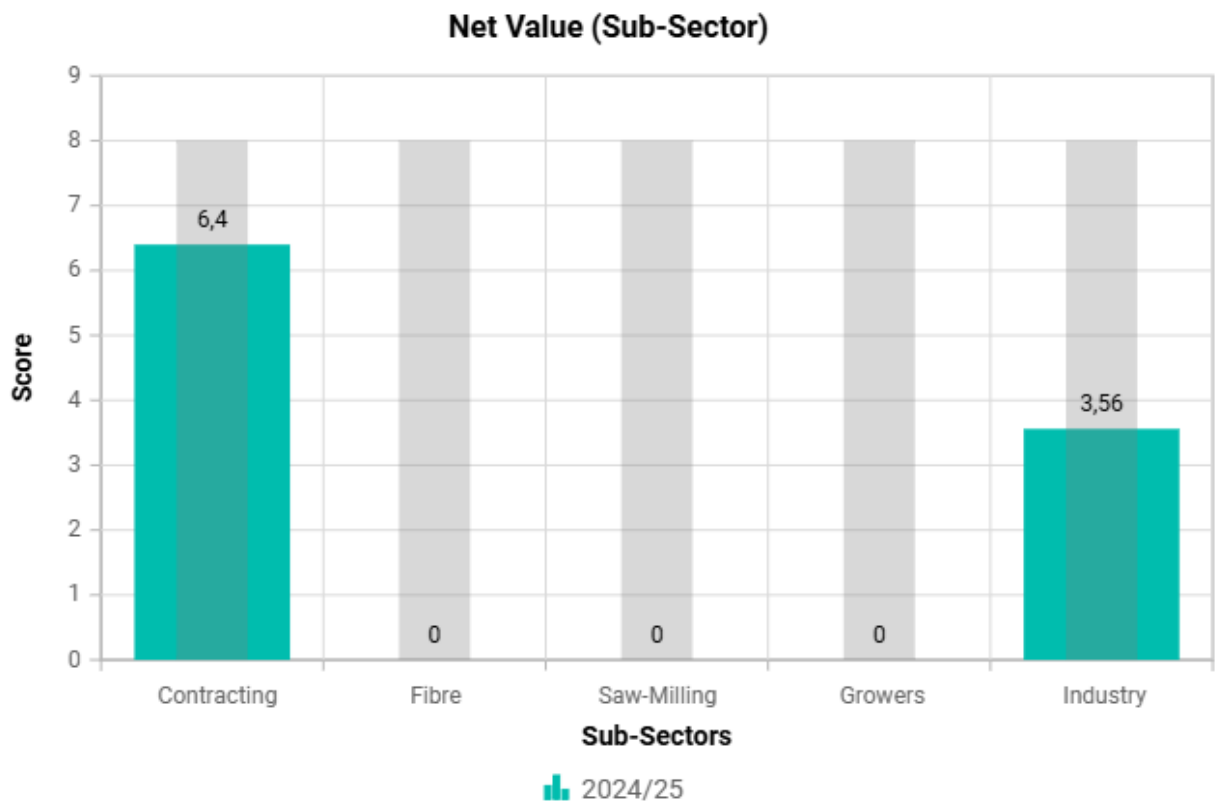


Figure 68: QSEs Net Value – Priority indicator

As illustrated in Figure 68 above, the Contracting sub-sector significantly outperformed the other sub-sectors, with the remaining three performing poorly on this indicator. The lack of contribution from these sub-sectors significantly impacted the overall industry performance even more, and as a result, the industry achieved an average of 3.56 points, which is below the 8 scores compliance target. Entities with such very low scores are encouraged to prioritise this indicator also, as this is where discounting is applied.

9.2 Management Control In-Depth Analysis

The Management Control element assesses the representation of and participation of black people in executive, leadership, and other key decision-making positions within a company. It

promotes transformation and diversity in leadership structures, ensuring that black individuals, including black women, are adequately represented in the management structures. Their inclusion in such structures empowers them to contribute meaningfully to the company's strategic direction. The indicators include the representation of BP and BW at executive, senior, middle and junior management levels. 15 points are allocated across these indicators in this element. Figure 69 below compares the Unenhanced QSEs Management Control performance for the three reporting years, 2022/23 to 2024/25.

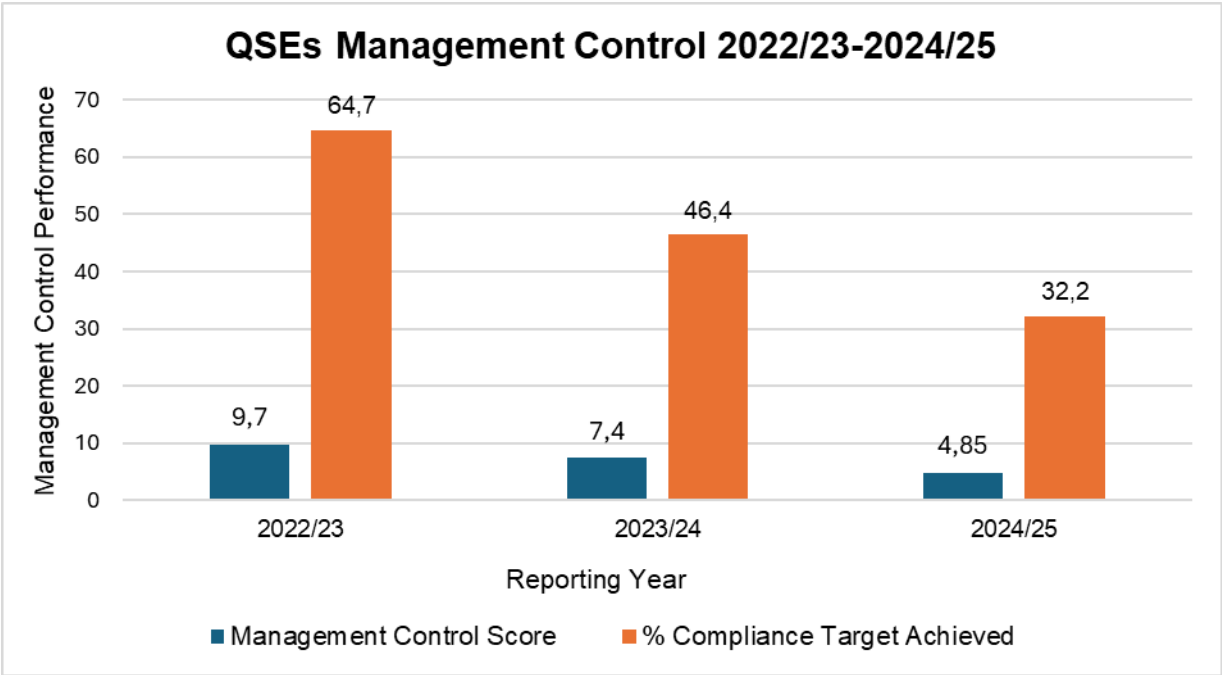


Figure 69: QSEs Management Control performance, 2022/23–2024/25

The performance of Unenhanced QSEs in the Management Control shows a concerning trend, with a significant decline in average scores over the years in comparison. Out of the nine entities, four achieved the target, with the remaining five attaining very low scores. This poor performance may suggest that entities are putting minimal effort into achieving sufficient representation of black people, particularly black women. This underrepresentation also confirms the lack of diversity and inclusivity in management structures.

Figure 70 below shows the Unenhanced QSEs average across the Management Control indicators against the weighing points allocated to each indicator.

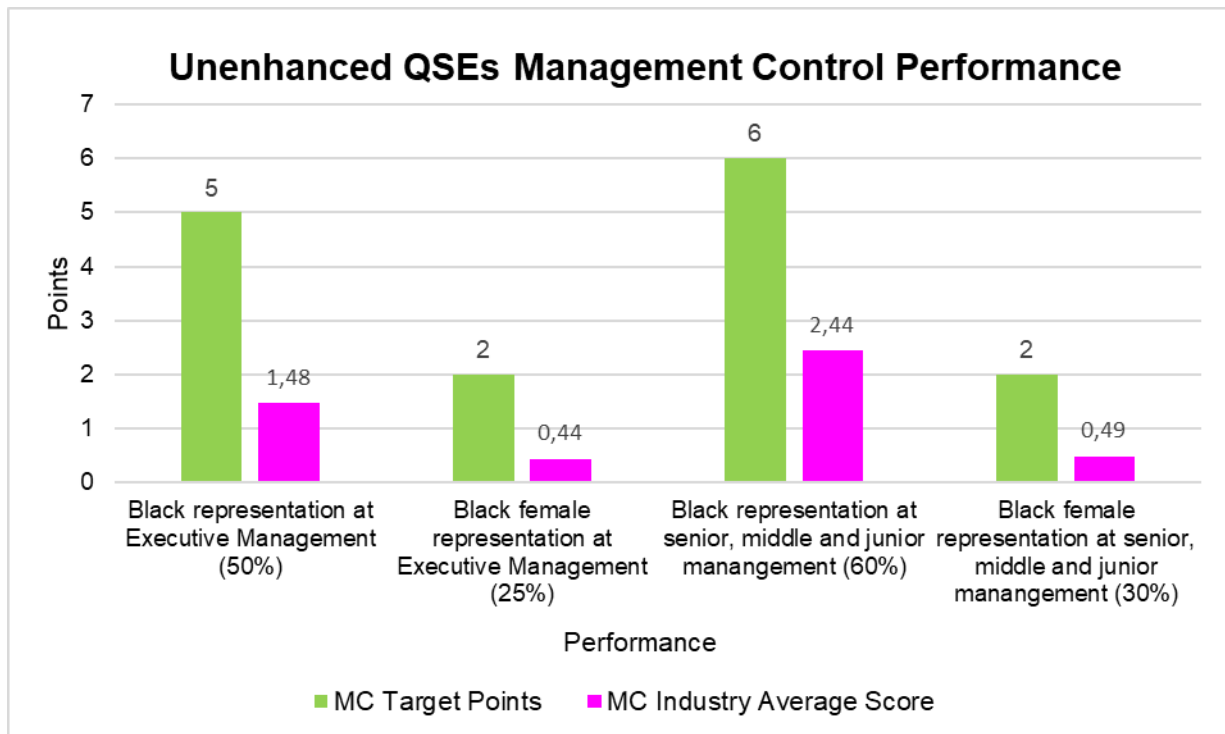


Figure 70: QSEs Management Control performance per indicator

Figure 70 above shows the performance of Unenhanced QSEs in the Management Control indicators, and as shown, the performance is very discouraging, with black representation in leadership positions being alarmingly low. This poor performance in all these indicators implies an urgent need for Unenhanced QSEs to consider exploring some initiatives to address the imbalance across the management structures, or else the status quo will continue to persist.

Figure 71 below shows the performance of Unenhanced QSEs in the representation of Black People in Executive Management positions.

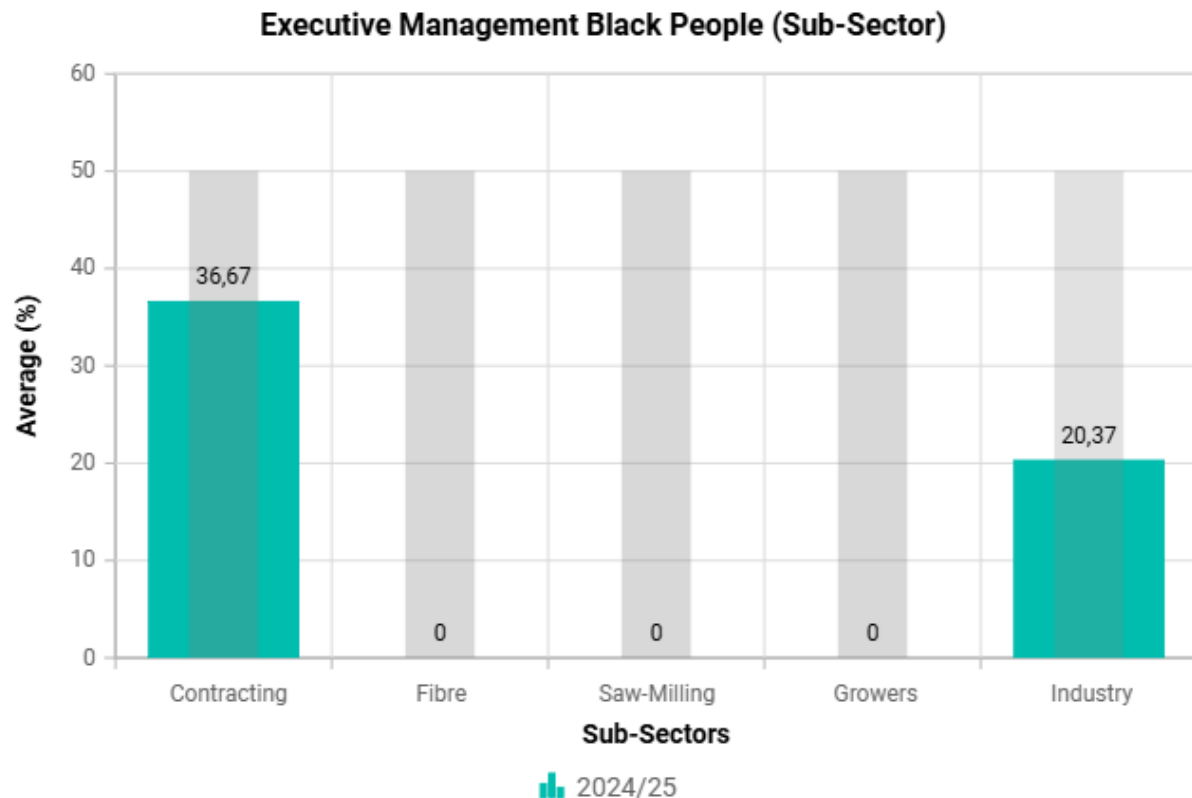


Figure 71: Black representation at Executive Management in Unenhanced QSEs

The data in Figure 71 above shows the sub-sectors' performance in black people's representation in executive management amongst Unenhanced QSEs. Similarly to the performance observed in the Ownership indicators, only the Contracting sub-sector performed well, with the other remaining sub-sectors' performance, in contrast, resulting in an even poorer average of 20.37%. This continuous observed trend is highly discouraged as each element has transformative intentions, which should be achieved by good performance.

Figure 72 below depicts the performance of the Unenhanced QSEs on the participation of Black Women in Executive Management positions.

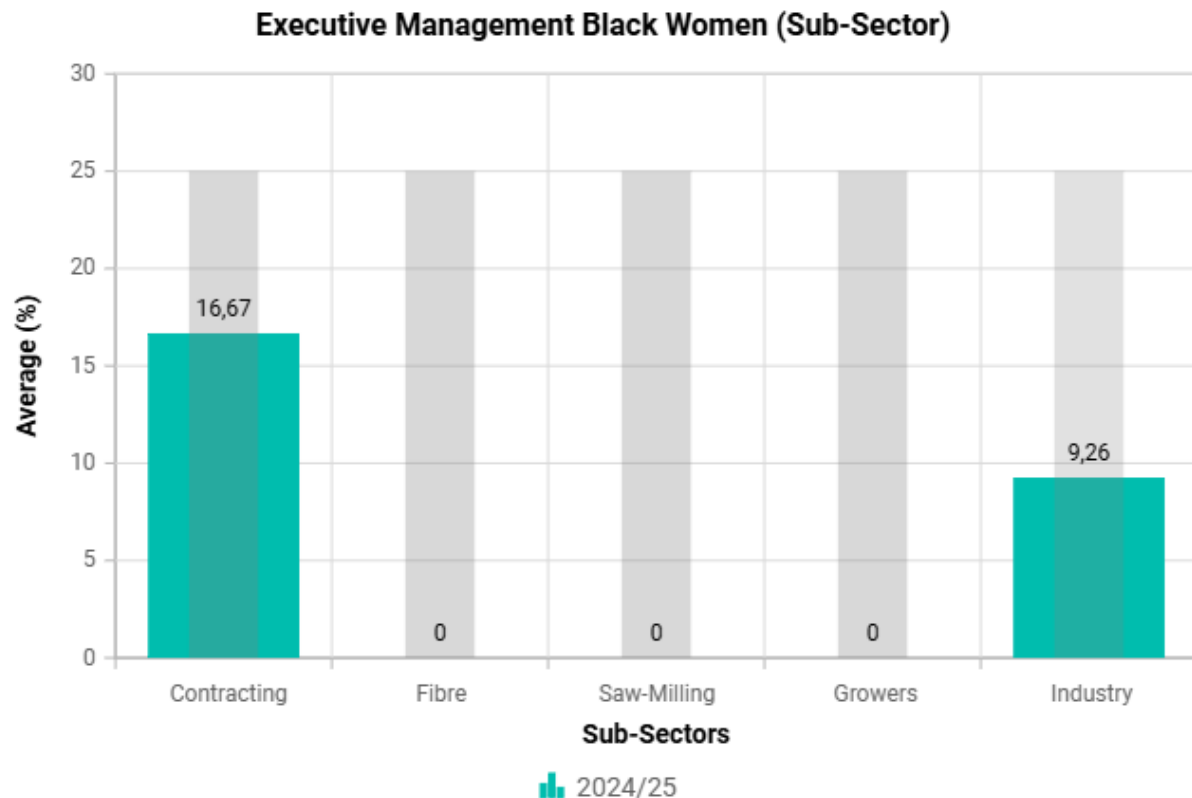


Figure 72: Black Women's Representation at Executive Management in Unenhanced QSEs

The Unenhanced QSEs performance in the black women's presentation at executive management varied across sub-sectors as illustrated in Figure 72 above. The Contractors sub-sector continued to outshine the other three reporting sub-sectors. This observation continues to mirror the minimal representation of BW in executive management.

The performance of the Unenhanced QSEs on the Junior, Middle, and Senior Management positions is displayed in Figure 73 below.

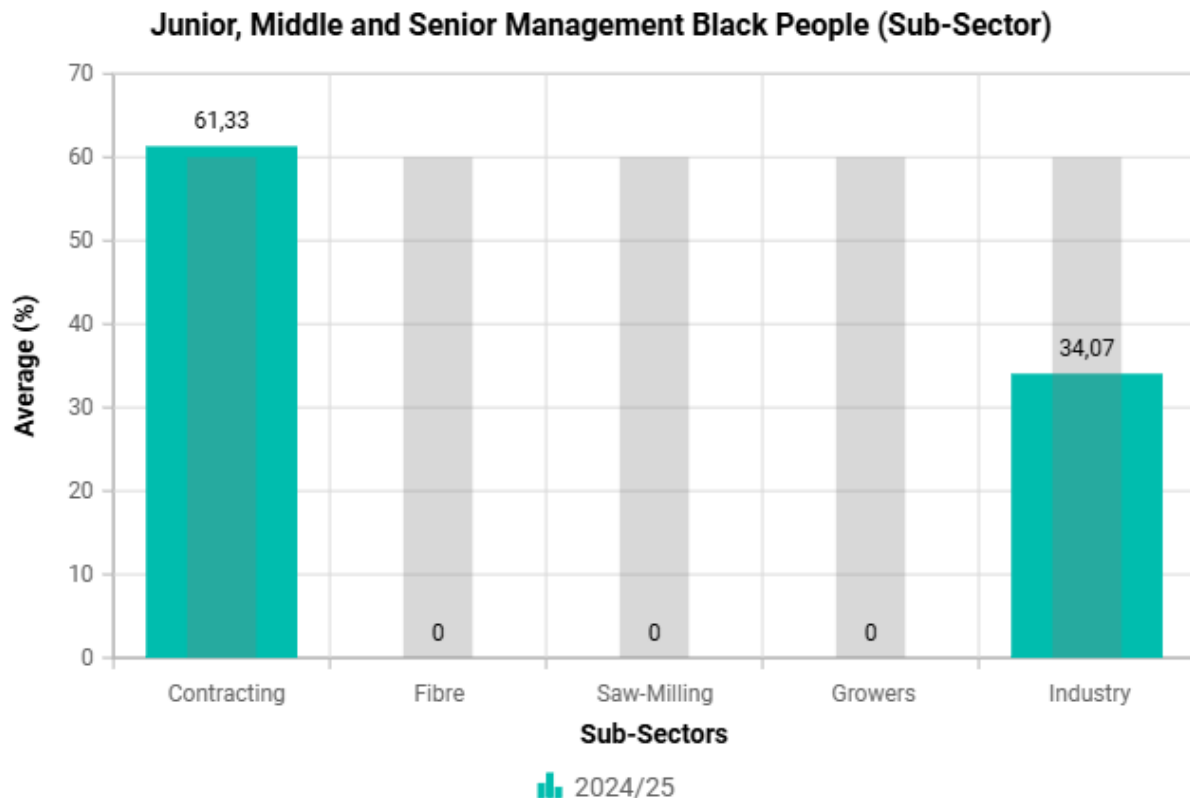


Figure 73: Unenhanced QSEs participation of black people in Senior, Middle and Junior management levels

Statement 602 requires Unenhanced QSEs to include BP and BW across the three management levels, with all three measured under one measurement indicator. This means an unenhanced entity that scores 0 under these indicators has no BP or BW occupying any of these management categories. As shown in Figure 73 above, the industry's performance on black people's representation in senior, middle, and junior management levels varies across sub-sectors. The Contracting sub-sector demonstrated a high representation of black people in this indicator, narrowly surpassing the 60% compliance target by achieving 60.33%. This suggests that the sub-sector has made a significant effort in promoting diversity and inclusion in its leadership ranks. On the other hand, the other three remaining sub-sectors did not make any progress, reporting 0% against the compliance target. This indicates a significant gap in representation and diversity in these sub-sectors. This underperformance raises concerns and the need for targeted initiatives and support to address the differences and gaps in representation across the sub-sectors.

Figure 74 below shows Unenhanced QSEs performance on the participation of Black Women in Junior, Middle and Senior Management positions.

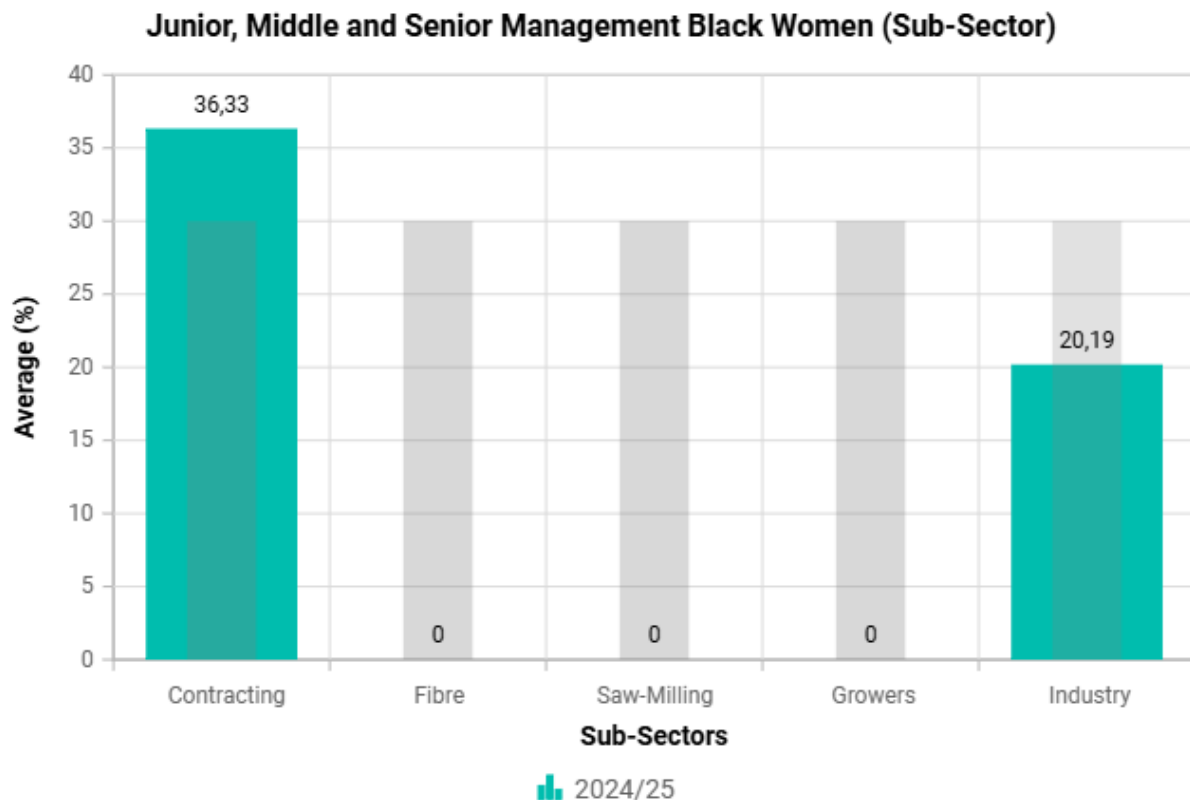


Figure 74: Unenhanced QSEs participation of black women in senior, middle and junior management levels

Figure 74 shows the Unenhanced QSEs progress in promoting BW representation in senior, middle and junior management positions. Similarly, the Contracting sub-sector exceeded the compliance target, surpassing the 30% compliance target by achieving 36.33%. This achievement showcases the sub-sector's clear commitment to empowering and advancing BW in leadership roles. The remaining sub-sectors fell short and achieved a very poor score of 0%. This lack of representation highlights a pressing need for these sub-sectors to prioritise diversity and inclusion initiatives. The lack of reporting from the other two sub-sectors adds to the uncertainty, making it difficult to gauge the industry's overall progress.

9.3 Skills Development In-Depth Analysis

The Skills Development element scorecard assesses an organisation's investment in developing the skills of its black people, particularly those from designated groups. This element comprises of four indicators, each with allocated target points. The indicators include: Skills Development Expenditure on learning programs for Black People as a percentage of the

leviable amount (15 points), for BW (7 points), and for black employees living with disabilities (3 points), and bonus points for the number of BP absorbed by either the measured entity or industry at the end of the learning program (5 points). This element has a total of 30 points allocated to it.

The leviable amount refers to the skills development levy paid by the organisation, which is typically a percentage of its payroll. The Skills Development Levies Act requires employers to pay a skills development levy, which is used to fund skills development and training initiatives. Companies investing in skills development initiatives contribute to the broader goal of economic transformation and empowerment. Entities can invest in various learning programs specified in the Learning Programmes Matrix, such as Learnerships, Apprenticeships, Internships, Vocational work, skills programs, and other recognised qualifications and skills development initiatives. Unenhanced QSEs choosing the Skills Development element as their second priority element will have to score 40% towards the total points in order to avoid being downgraded by a level.

Figure 75 below shows a comparison of the Unenhanced QSEs Skills Development performance for the three reporting years, 2022/23 and 2024/25.

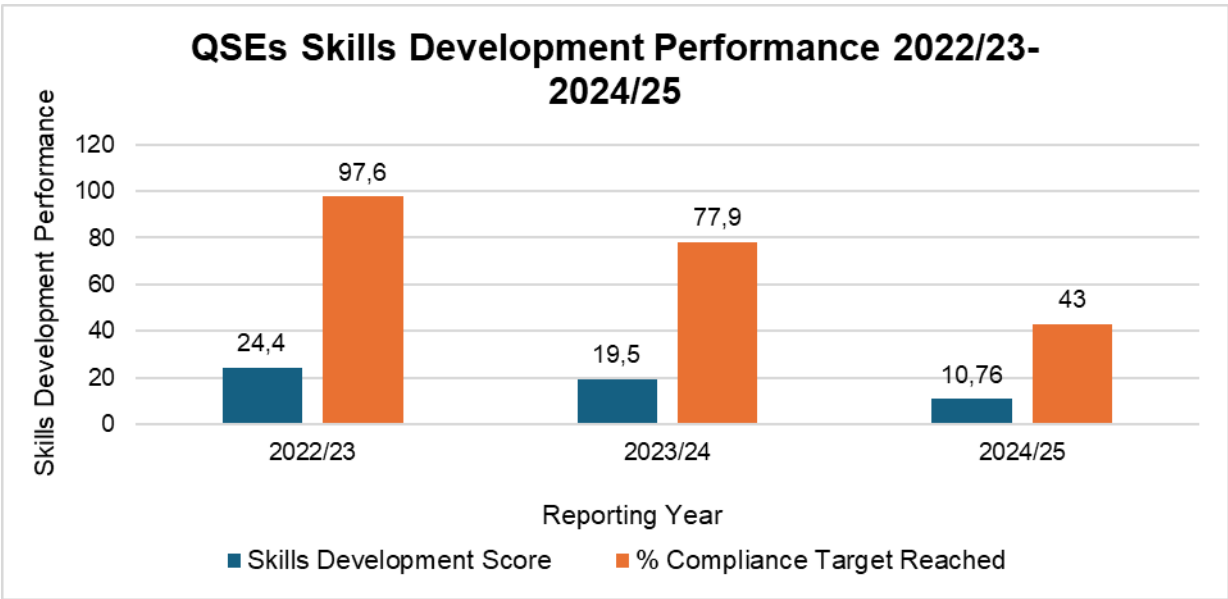


Figure 75: QSEs Skills Development performance, 2022/23-2024/25

Figure 75 above shows the performance of Unenhanced QSEs in the Skills Development, comparing it over the last three reporting years. The analysis shows that Unenhanced QSEs achieved an average of about 11 points out of the 25 points allocated in this element for the year 2024/25. This performance depicts a significant decline of 35% when compared to the

previous year’s performance. The decline is a result of poor performance in this element by some of the Unenhanced QSEs, with only four out of the nine entities performing exceptionally well. This is concerning as the good efforts are diluted by the poor scores achieved by the majority of the Unenhanced QSEs.

Figure 76 below shows the overall performance of Unenhanced QSEs on the Skills Development indicators against the allocated weighting points.

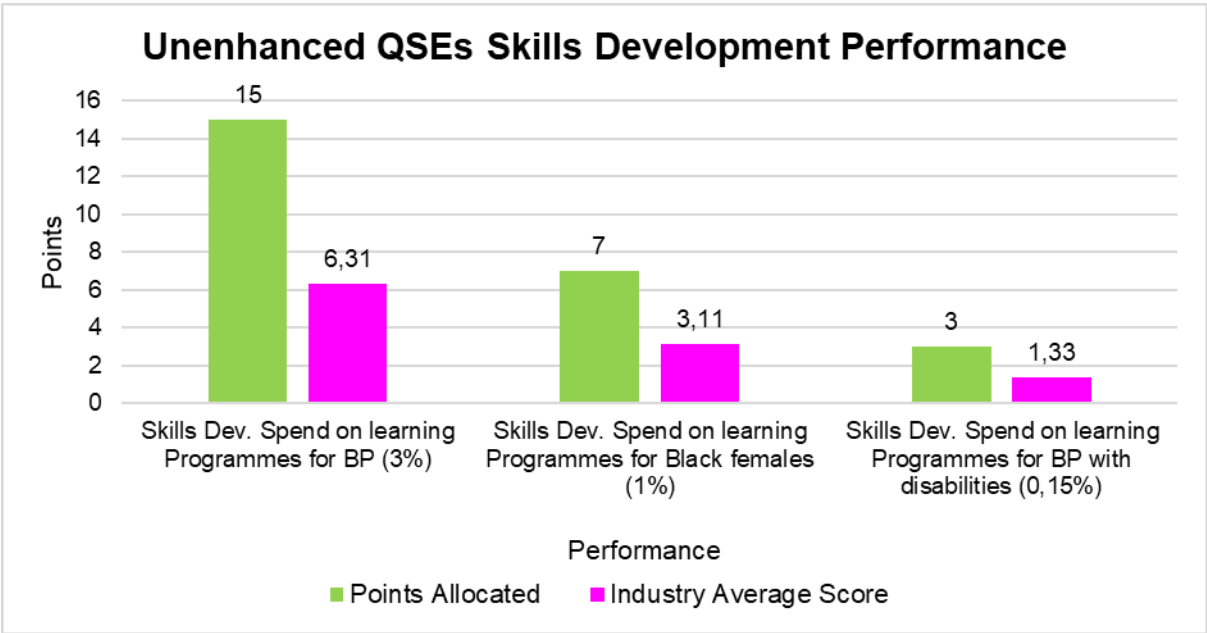


Figure 76: QSEs Skills Development Performance per Indicator

As demonstrated in Figure 76 above, the Unenhanced QSEs performed poorly in all the indicators, demonstrating the impact of the minimal commitment from some of these entities. This is also concerning when considering the high level of unemployment, with reports suggesting that the lack of required skills is also one of the contributing factors to this crisis.

Figure 77 below illustrates the skills development for Black People invested by the reporting Unenhanced QSEs.

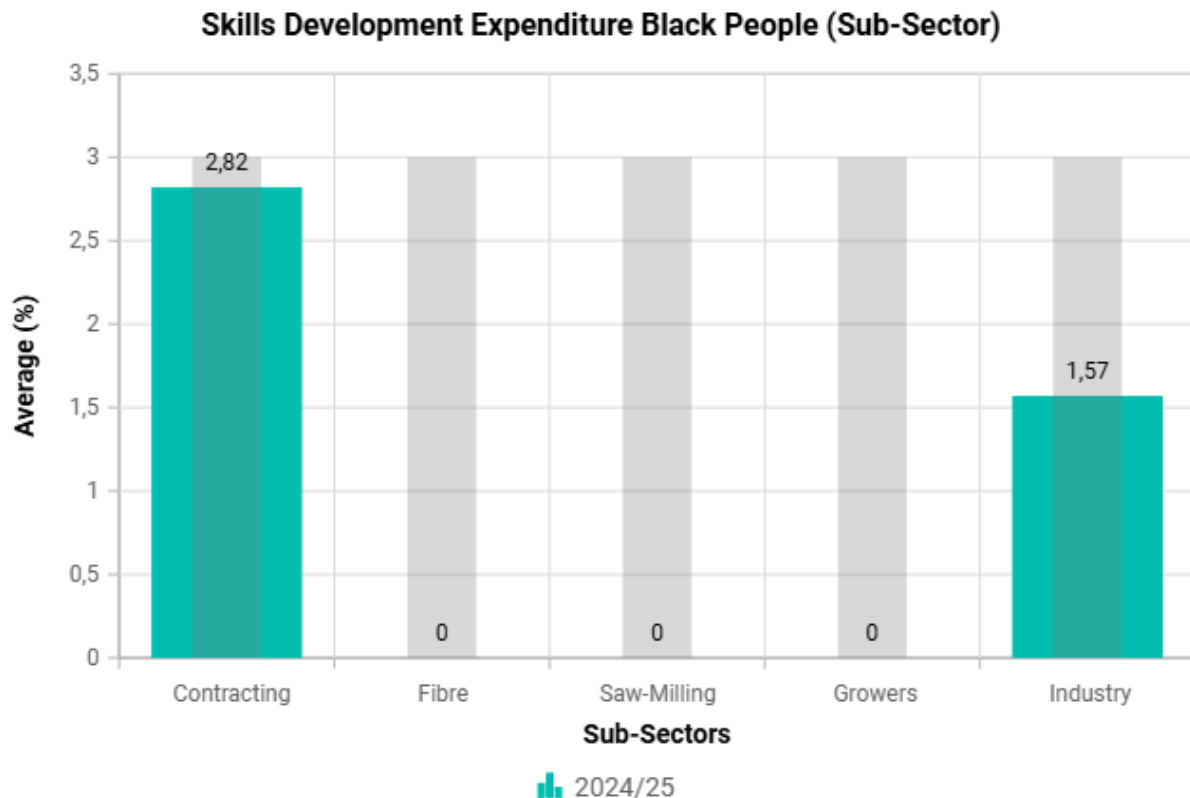


Figure 77: QSEs Skills Development Spend on Black People

The data in Figure 77 above shows the Unenhanced QSE's performance in skills development expenditure for BP invested assessed across the reporting sub-sectors. Similarly to the performance observed in the other two elements above, only the Contracting sub-sector performed outstandingly in this element, with the other remaining sub-sectors' performance in contrast, as displayed in Figure 77 above. The lack of contribution from these sub-sectors significantly impacted the overall industry performance, resulting in an average of 1.57%, which is below the 3% compliance target. The implementation of this indicator is highly encouraged to curb the unemployment crisis.

Figure 78 below illustrates the skills development performance for Black Women invested by the reporting Unenhanced QSEs.

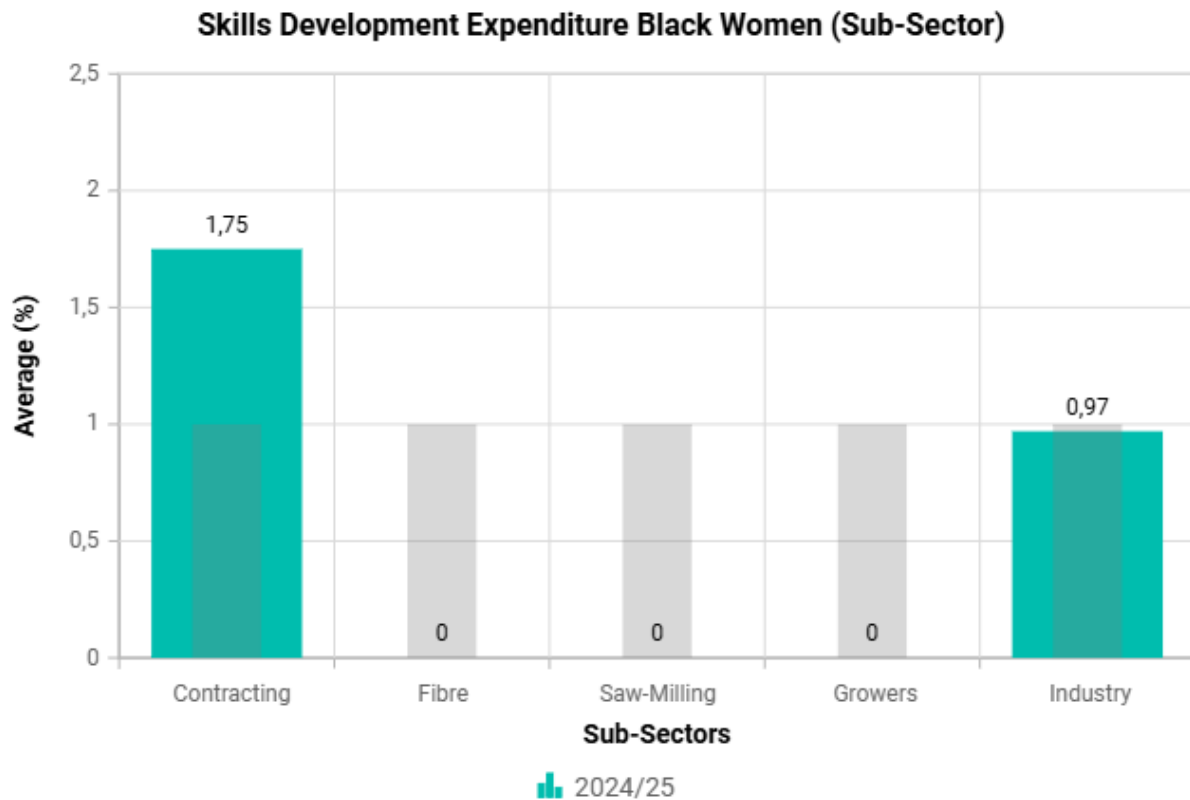


Figure 78: QSEs Skills Development Spend on Black Women

The Unenhanced QSE's skills development expenditure for BW shows a similar performance trend to the indicator above across sub-sectors. Notably, the Contracting sub-sector continued to outperform the other reporting subsectors, achieving 1.75% and exceeding the 1% compliance target as portrayed in Figure 78 above. The other sub-sectors recorded a 0% score, which had a negative effect on the industry's overall performance, reaching an average of 0.97%, which is below the 1% target.

Figure 79 below illustrates the analysis for Skills Development Expenditure for Black Employees living with disabilities across the six sub-sectors

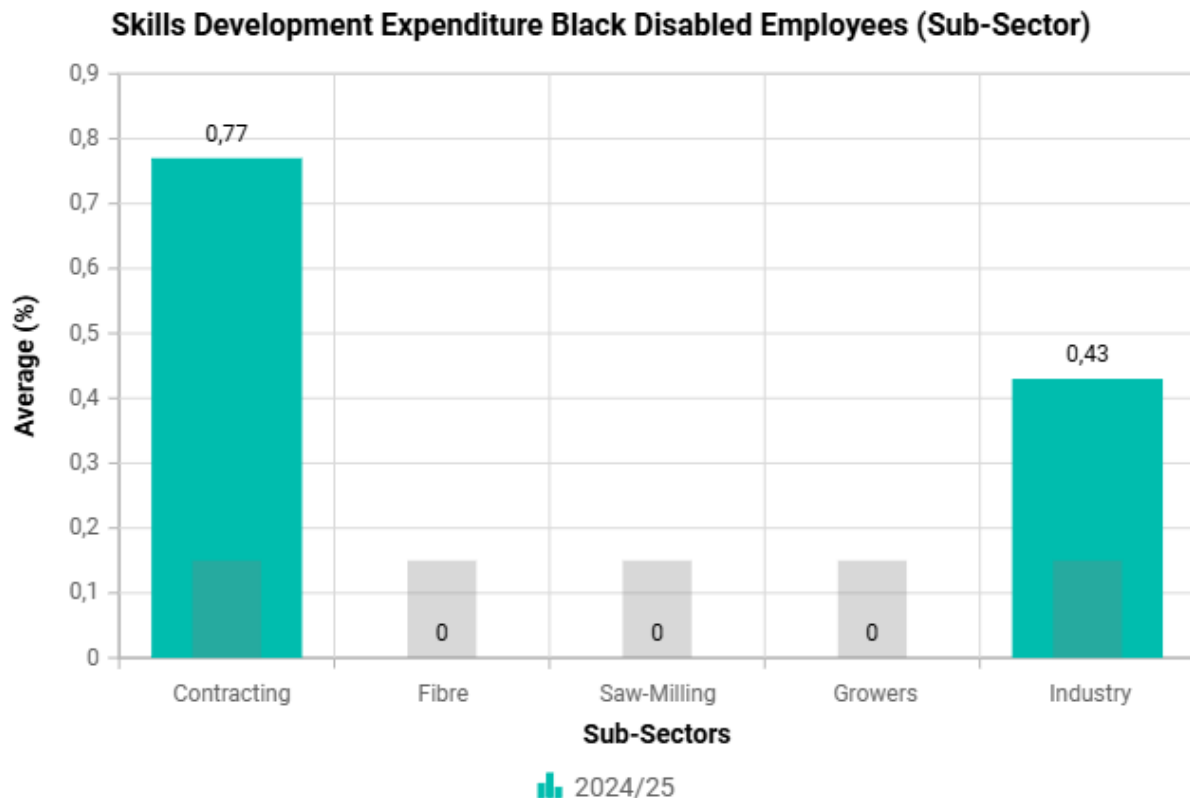


Figure 79: QSEs Skills Development Spend on Black People with disabilities

Figure 79 above demonstrates the performance of the Unenhanced QSEs expenditure on black people living with disabilities. Similarly to the above indicators, the Contracting sub-sector continues to show exceptional performance by achieving 0.77% and exceeding the target of 0.15% when compared to the other sub-sectors, whose performance was poorer. The poor performance from some of the reported entities on this indicator could be a result of either employees or entities not being fully acquainted about the Disability Act or the lack of disclosures from those qualifying.

9.4 Enterprise and Supplier Development In-Depth Analysis

The Enterprise and Supplier Development (ESD) element is one of the three priority elements with 30 weighing points, excluding the bonus points. It assesses the company's contribution to the development of black-owned and controlled enterprises, as well as the support for diversity and inclusion across the supply chain. The QSEs ESD element has fewer indicators compared to the MLEs, though all are inclusive of PP, SD and ED. An Unenhanced QSE choosing ESD as the other priority element over Skills Development will have to achieve 40% in all three ESD categories to avoid being discounted.

Figure 80 below shows the performance on the Unenhanced QSEs across the four ESD indicators.

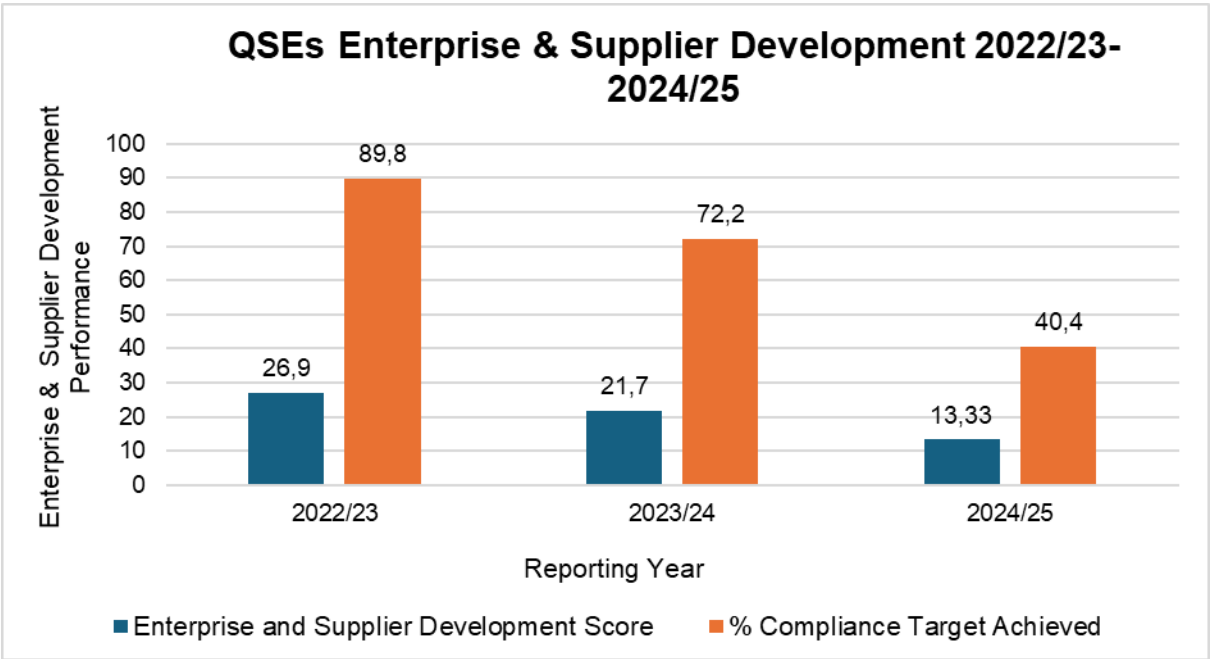


Figure 80: QSEs Enterprise and Supplier Development, 2022/23-2024/25

As shown in Figure 80 above, the ESD achieved an average of about 13 points, which translates to about 40% of the target in the year under review. In comparison to the past two reporting years, there is a noticeable decline in the ESD average performance. Out of the nine Unenhanced QSEs, only five attained an outstanding performance on this element, achieving 100% of the allocated score.

Figure 81 below shows the overall performance of Unenhanced QSEs on the ESD indicators against the allocated weighting points.

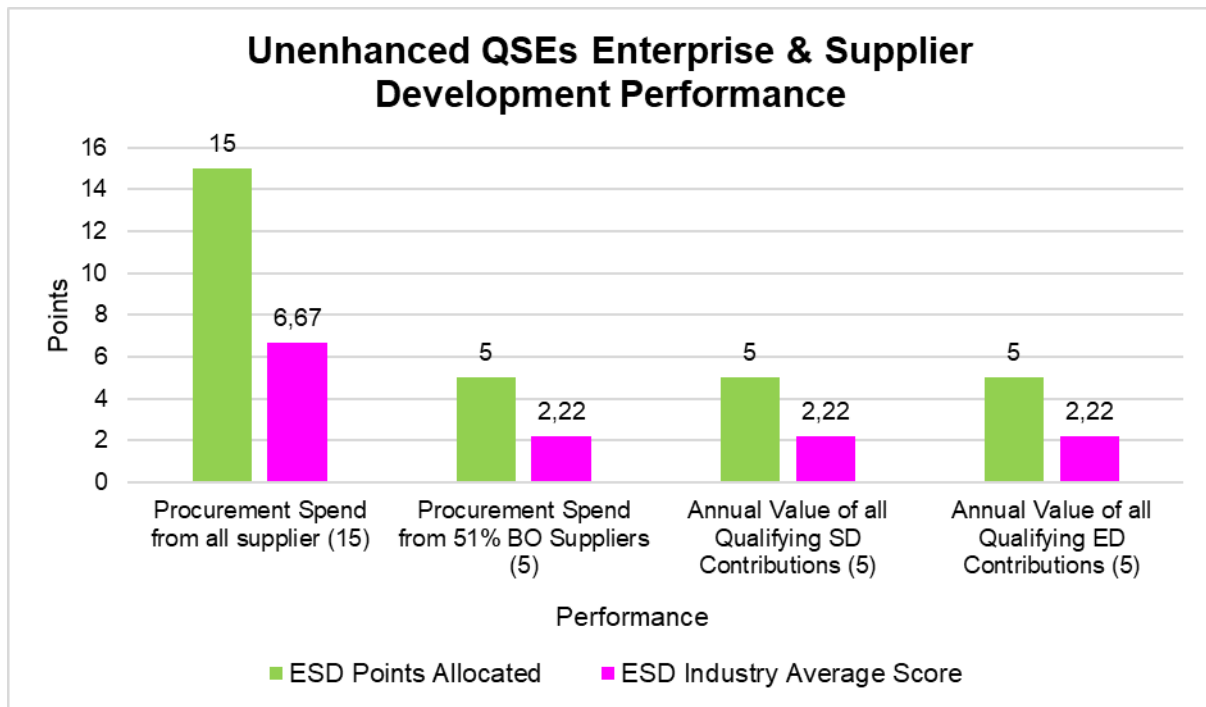


Figure 81: QSEs Enterprise and Supplier Development Performance per Indicator

Unenhanced QSEs also performed poorly across the ESD indicators, as shown in Figure 81 above, scoring even less than 50% towards the allocated points. This performance shows a downward trend when compared to the previous year, which may mean that some Unenhanced QSEs were not prioritising this element. The decline highlights a decrease in the efforts of companies in developing and empowering other small and black-owned businesses when compared to previous years.

Figure 82 below illustrates the contribution of Unenhanced QSEs expenditure from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.

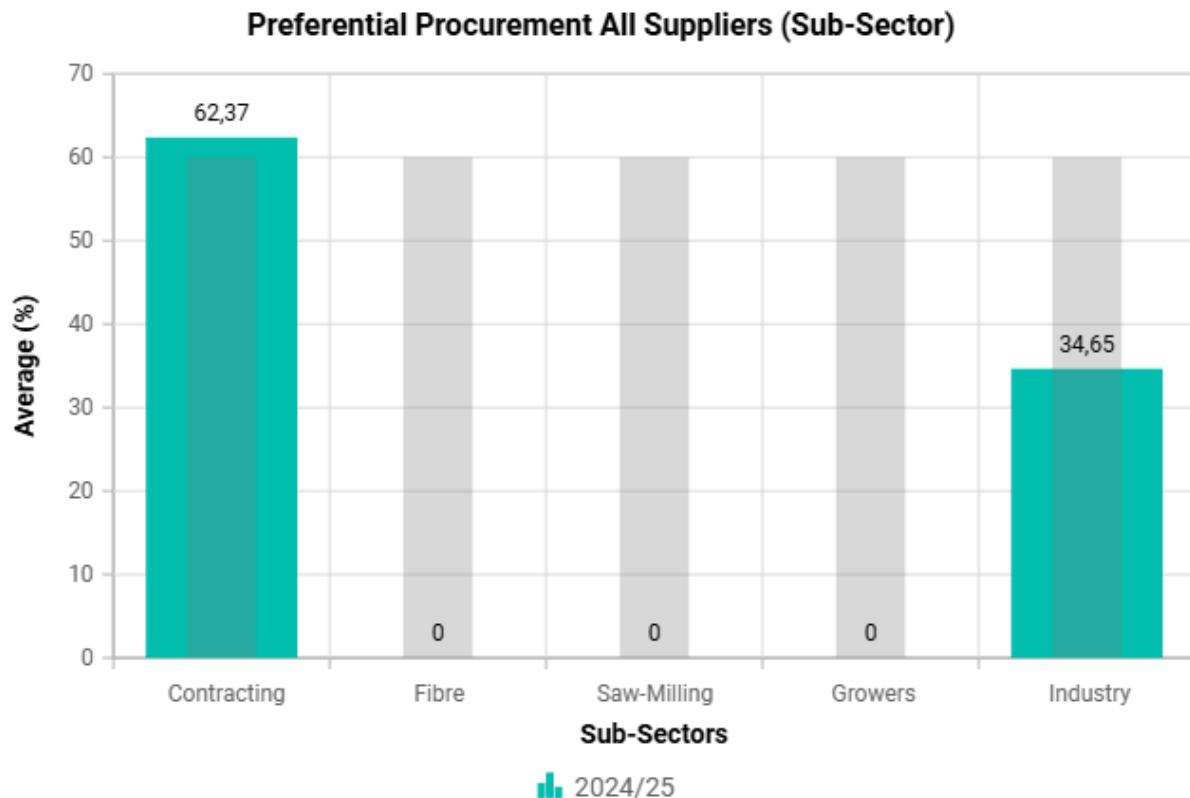


Figure 82: Unenhanced QSEs B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Level

The Unenhanced QSEs performance in procurement spend from the empowering suppliers indicator varied significantly across the sub-sectors, as shown in Figure 82 above. While the Contracting sub-sector demonstrated high performance, exceeding the target of 60% with an average of 62.37, the Fibre, Saw-milling, and Growers did not procure from empowering suppliers; hence, their poor score was recorded. It is evident that the poor scores have a negative influence on the overall industry score, underscoring the need for improved performance and reporting across all sub-sectors to achieve meaningful preferential procurement objectives. The discrepancies in performance across sub-sectors suggest that some sub-sectors within the forestry sector are making an effort in procuring from empowering suppliers, while others are lagging behind. The Contractor sub-sector's success demonstrates that the target is realistic and achievable, and this could serve as a benchmark for other sub-sectors. However, the lack of data from the other sub-sectors raises concerns about compliance and accountability, as meaningful transformation can be fully realised if all sub-sectors prioritise compliance with all indicators and ensure consistent reporting.

Figure 83 below demonstrates the Unenhanced QSEs expenditure from all Empowering Suppliers that are at least 51% black-owned.

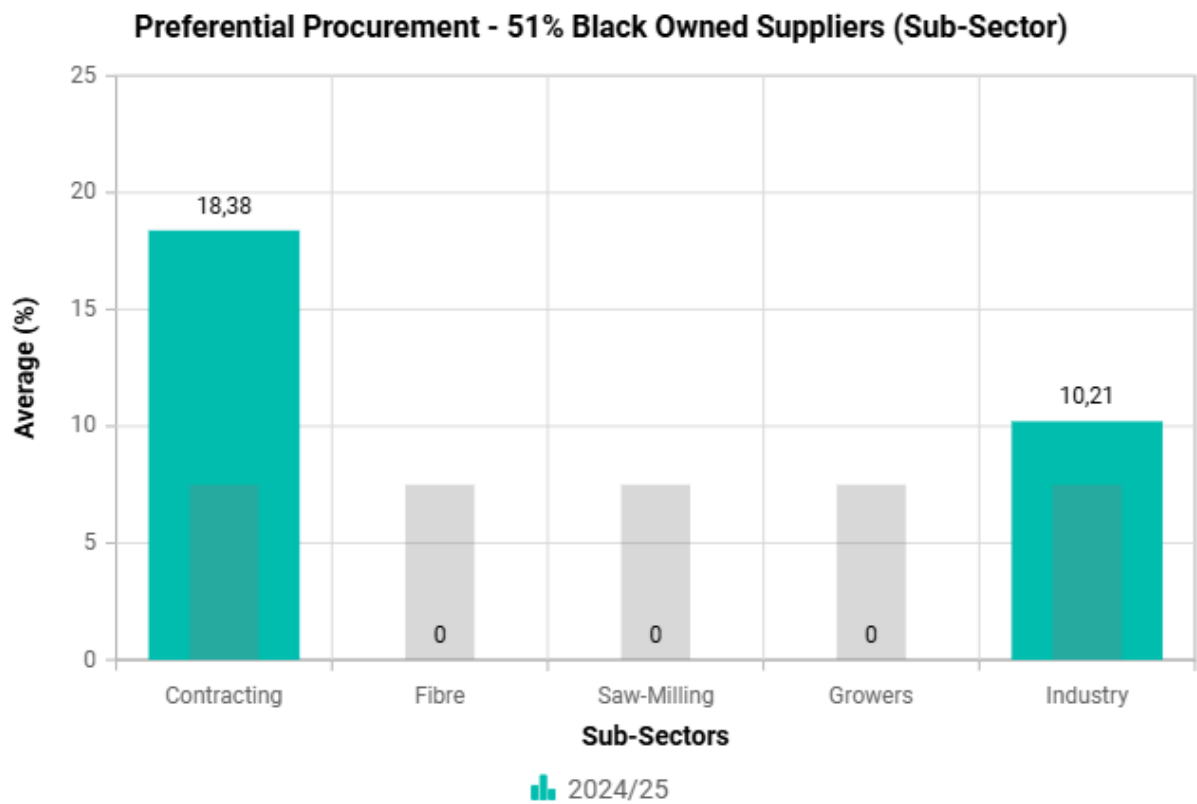


Figure 83: Unenhanced QSEs B-BBEE Procurement Spend from all Empowering Suppliers that are at least 51% black-owned based on the B-BBEE Procurement Recognition Level

The Unenhanced QSEs overall performance on B-BBEE procurement spend from 51% black-owned empowering suppliers was optimistic, as shown in Figure 83 above. However, this achievement was largely driven by the Contractor sub-sector's commendable performance of 18.38%. In contrast and similar to the indicator above, the Fibre, Saw-milling and Growers showed no progress. Despite the industry's target being met, the results would have been more impressive if all sub-sectors had contributed meaningfully to this indicator. The uneven performance across sub-sectors highlights the need for more consistent and widespread efforts to support black-owned suppliers across the entire industry.

Figure 84 below shows the performance of Unenhanced QSEs on all qualifying Supplier Development contributions as a percentage of the target (1% of the

NPAT).

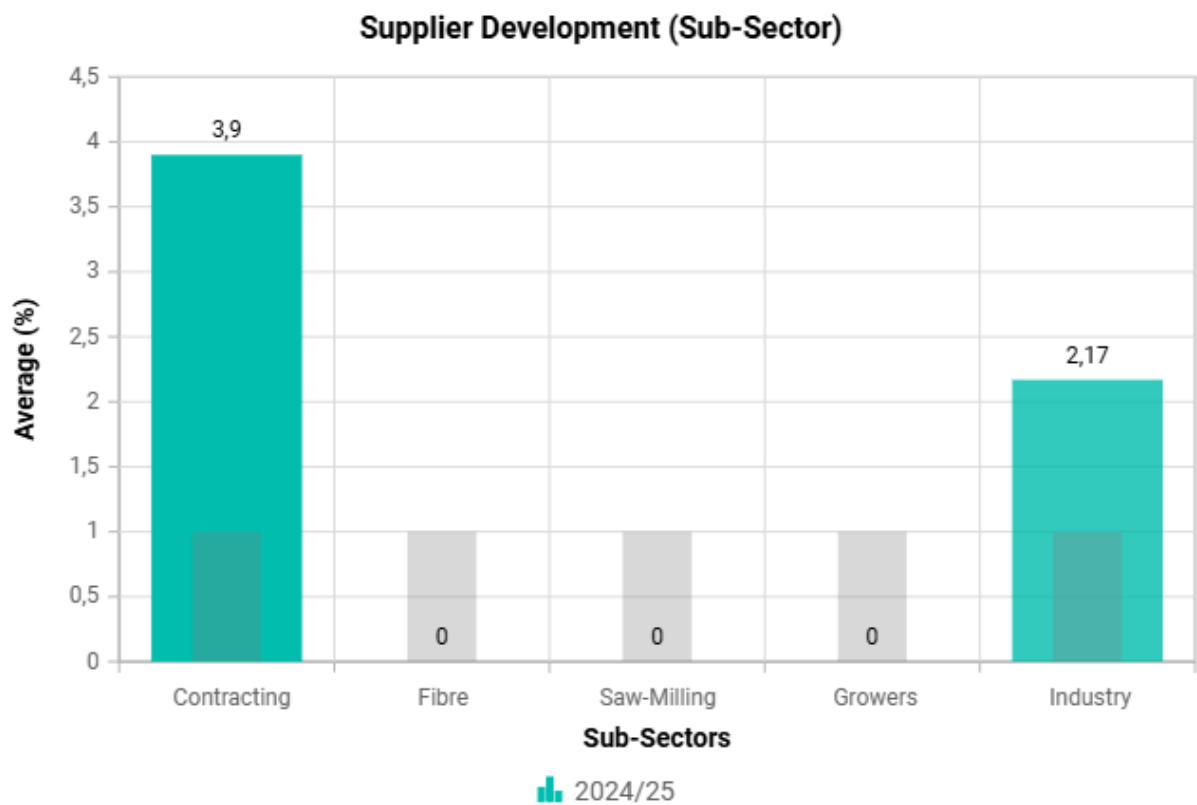


Figure 84: Unenhanced QSEs Supplier Development Contributions

The insights into the performance of different sub-sectors within the Supplier Development target are displayed in Figure 84 above. The Contracting sub-sector continues to show incomparable performance, exceeding the target with an attainment of 3.9%. This observation has positively influenced the average industry’s score. Similarly to the above indicator, the Fibre, Sawmilling and Growers’ sub-sectors did not make any contribution, highlighting a substantial area for improvement, and that good scores from all sub-sectors would have further resulted in a better average score for the industry.

Figure 85 below illustrates the scores of Unenhanced QSEs on all qualifying Enterprise Development contributions as a percentage of the target (1% of the NPAT).

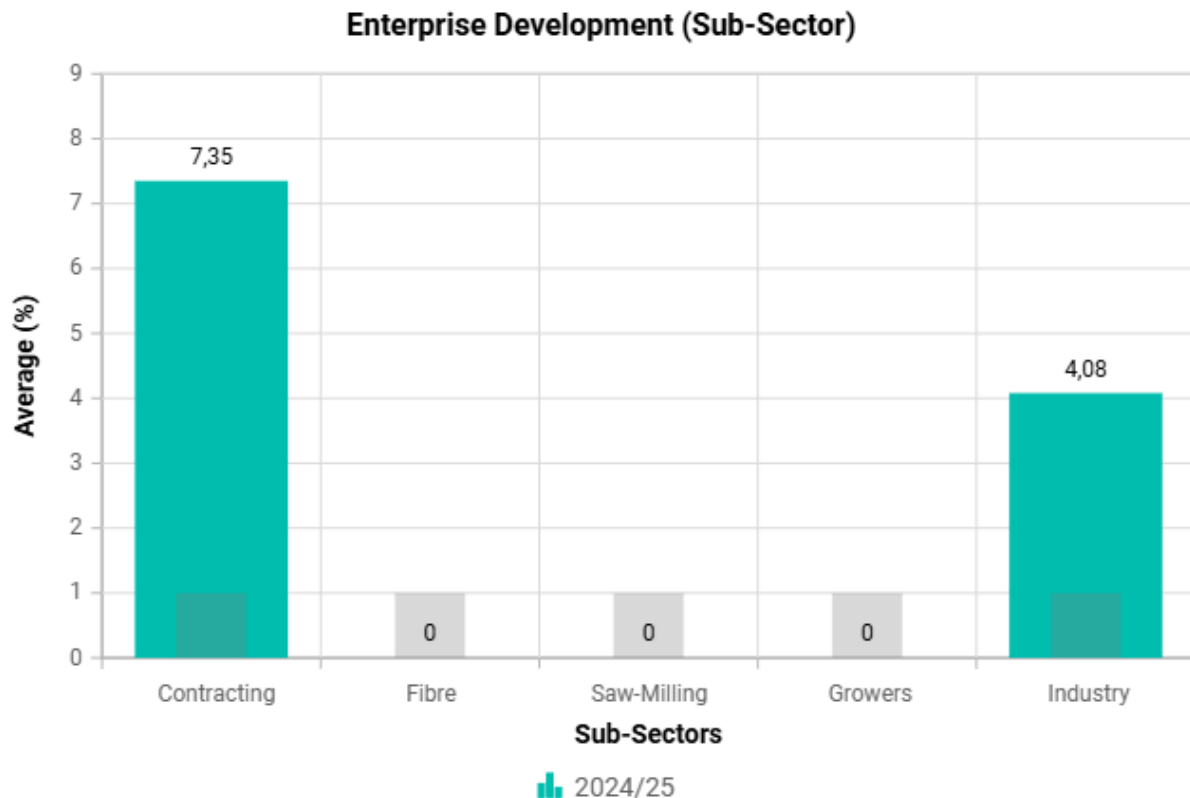


Figure 85: Unenhanced QSEs Enterprise Development Contributions

The Contracting sub-sector was the leading performer, exceeding the target by attaining more than 7% as highlighted in Figure 85 above. This indicates promising strides in supporting the development of new and emerging entities within this sub-sector, whose establishment is key for job creation and economic growth. The remaining reporting sub-sectors showed discouraging attempts in implementing this indicator, achieving 0%. This is no doubt an indicator that the focus of these poor-performing entities is not coherent with the national priorities of creating sustainable small businesses.

9.5 Socio-Economic Development In-Depth Analysis

The Socio-Economic Development (SED) element measures an entity's contributions to socio-economic development initiatives such as education, health and community development projects. This contribution can be in the form of financial or non-financial donations. Unenhanced QSEs are expected to demonstrate their commitment to socio-economic development by investing in initiatives that benefit at least 75% black people, particularly those from disadvantaged communities where there is a forestry footprint. Likewise, to MLEs, companies regarded as Unenhanced QSEs must spend at least 1% of their net profit after tax in order to be awarded the 5 weighing points. SED initiatives must have a long-term economic

benefit and significant impact on the lives of individuals and communities by addressing social and economic inequalities, promoting both economic growth and inclusion.

Figure 86 below shows the performance of Unenhanced QSEs across the past three years, 2022/23 to 2024/25

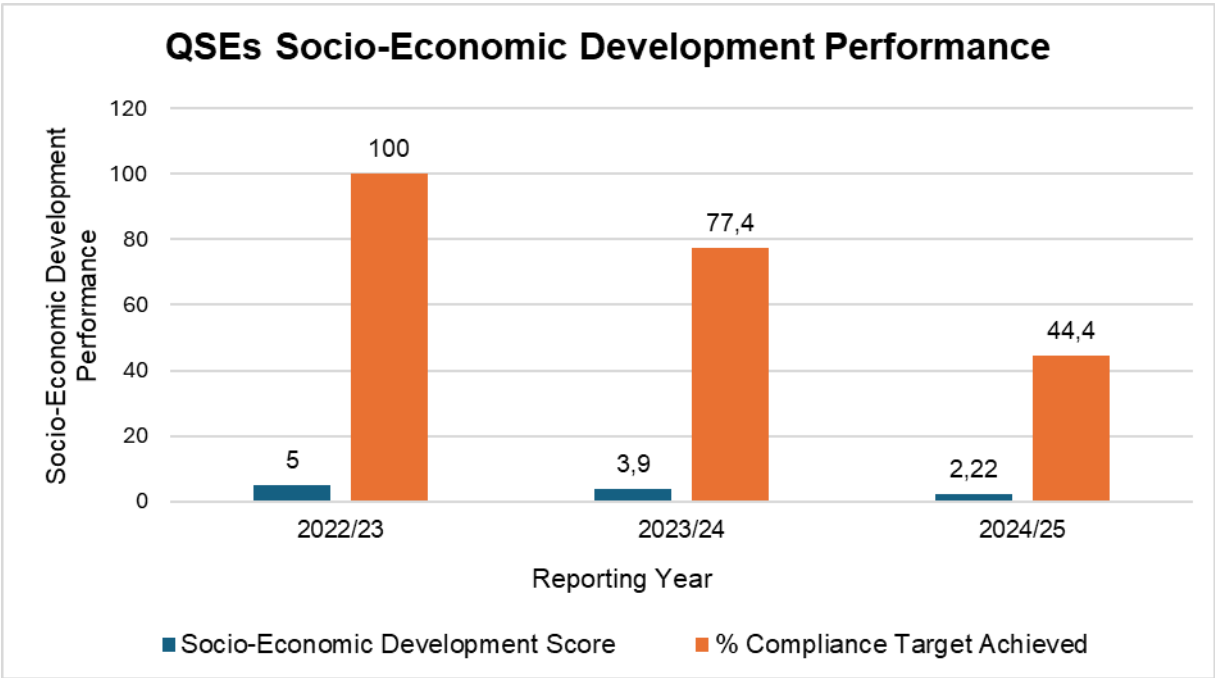


Figure 86: QSEs Socio-Economic Development, 2022/23–2024/25

The performance of the Unenhanced QSEs over the past three years shows a substantial declining trend as displayed in Figure 86 above. In 2022/23, QSEs achieved a score of 5 points, successfully meeting 100% of the compliance target, as this is a legal requirement. However, their performance declined in 2023/24 and continued to decline in the year under review by scoring 2.22 points and achieving 44.4% of the compliance target. The underperformance of some of the entities has a dilution effect on the overall score.

Figure 87 below shows the overall performance of the Unenhanced QSEs on the SED element.

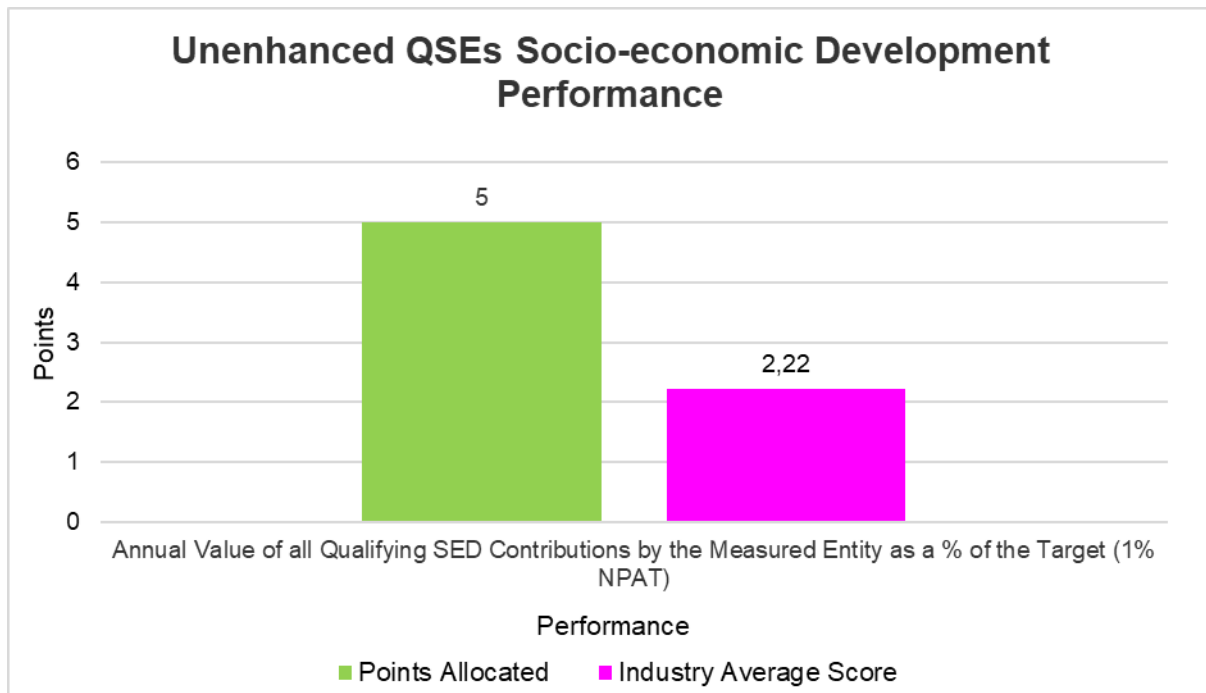


Figure 87: QSEs Socio-Economic Development Performance

In contrast to previous years, and as shown in Figure 87 above, Unenhanced QSEs performed marginally and below target for SED, achieving 2.22 points out of the target of 5 points in the year under review. This poor performance is even in divergence from the performance of MLEs, as often as not, entities from the various categories would outshine in this element. Notably, some Unenhanced QSEs had no spend on this element, a demonstration of their limited and discouraging contribution towards the SED initiatives in particular for communities that surround their areas of operations.

Figure 88 below displays the SED performance for Unenhanced QSEs on qualifying SED contributions as a percentage of the target (1% of the NPAT).

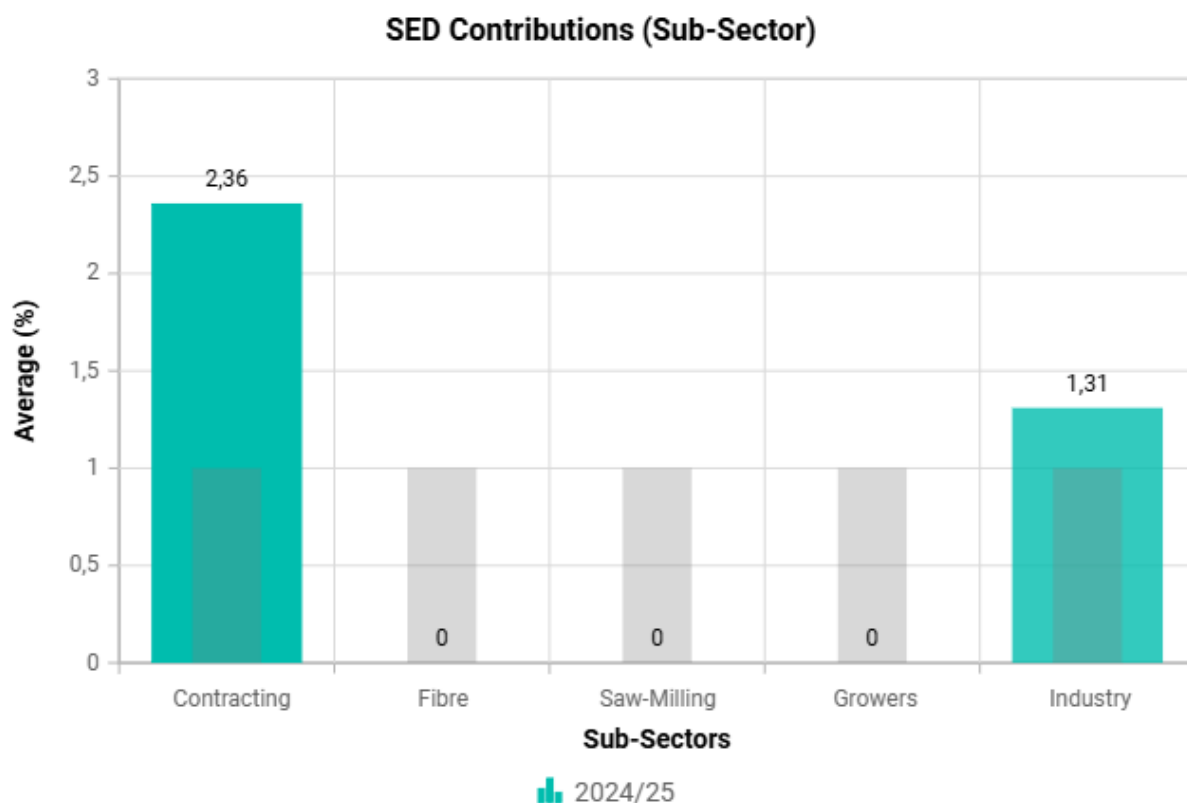


Figure 88: Unenhanced QSEs Socio-Economic Development contribution across sub-sectors

Figure 88 above provides insights into the performance of the reporting sub-sectors within the SED element. The Contracting sub-sector has shown an outstanding performance by achieving 2.36% and exceeding the target of 1% when compared to the other sub-sectors, whose performance was poorer. This suggests that while there is room for improvement, more particularly from the other sub-sectors, the contribution from the Contractors sub-sector made a positive impact on the industry's overall score.

Table 8 below illustrates a statistical breakdown of direct black people and black women ownership in QSEs.

	<i>Black People</i>	<i>Black Women</i>	<i>Black Designated Groups</i>
<i>Minimum</i>	0	0	0
Q1	51	0	0

<i>Median</i>	55	0	
<i>Mean</i>	66,07	13,18	24,26
<i>Mode</i>	100	0	0
<i>Q3</i>	100	15,50	51
<i>Maximum</i>	100	100	100
<i>Standard Deviation</i>	33	24,73	38,65
<i>No. of entities scoring 0% ownership</i>	5	34	36
<i>No. of entities scoring above 0% but below 51% ownership</i>	4	13	3
<i>No. of 51% BO entities</i>	17	1	3
<i>No. of entities scoring above 51% but below 100% ownership</i>	6	3	2
<i>No. of 100% BO entities</i>	21	2	9
<i>Total No. of Measured Entities</i>	53	53	53

Table 8 above illustrates the black ownership profile among the 53 QSEs that reported for the year in review, 2024/25. The averages for black people, black women and black designated groups are 66.07%, 13.18% and 24.26%, respectively, showing slight declines from the previous year recordings. Out of the 53 entities that reported, 21 of the entities reported are 100% black owned with very few having this profile under black women and designated groupings. As reported previously, the number of entities having 0 or less than 50% ownership seems to be more prominent amongst the black women and designated groupings, a trend confirming the continuous participation disparity of these beneficiaries.

10. EXEMPTED MICRO ENTERPRISES (EMEs) ANALYSIS

Exempted Micro Enterprises (EMEs) are those entities that are characterised by their small business size, with an annual turnover of up to R10 million. Correspondingly to the QSEs, EMEs are also categorised into two: Enhanced and Unenhanced. However, both Enhanced and Unenhanced EMEs are exempted from undergoing the verification process. Instead, EMEs are simply required to submit a B-BBEE affidavit or B-BBEE certificate from the CIPC to confirm their B-BBEE status. This streamlined approach reduces the administrative burden on small businesses, allowing them to focus on their core operations for growth. As a result, they are awarded an automatic B-BBEE level based on the black ownership profiles. EMEs that are 100% black-owned are recognized as Level 1, while those that have at least 51% to 99% black-ownership profile are recognized as Level 2, and those that are below 51% black owned are regarded as Level 4 contributors.

Figure 89 below compares the submissions of EMEs' affidavits for the past three years: 2022/23 to 2024/25.

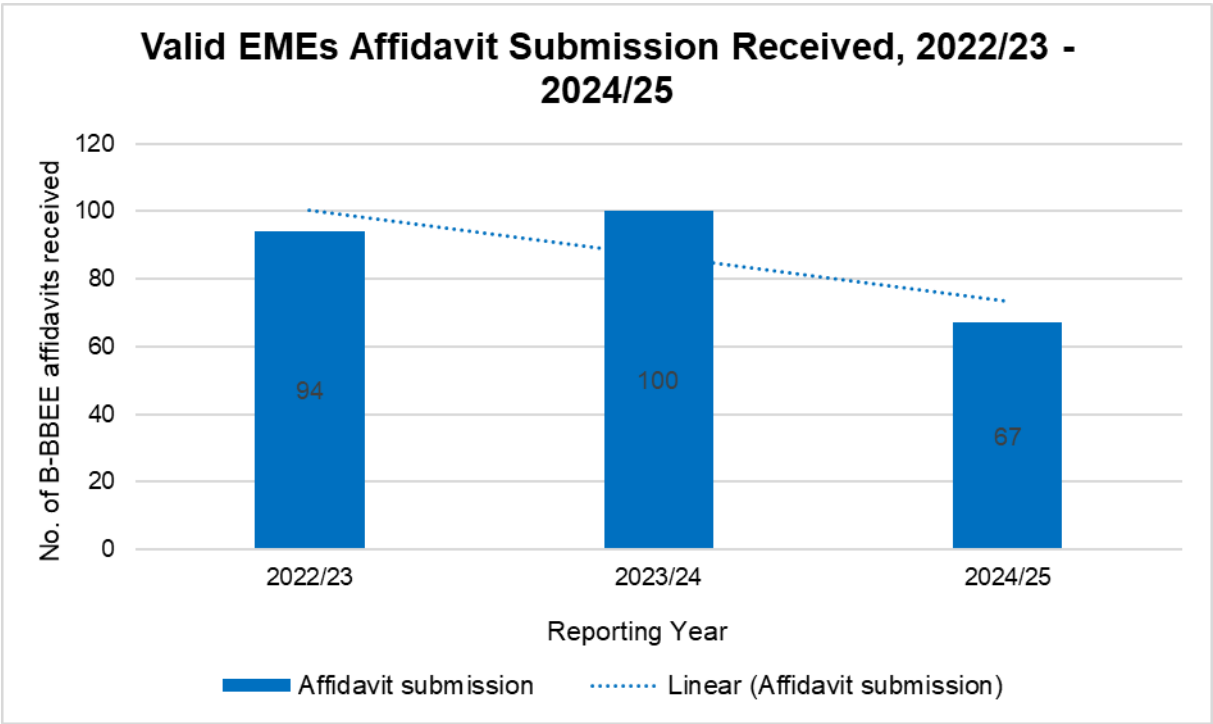


Figure 89: Submissions of EMEs' affidavits from 2022/23-2024/25

Figure 89 above shows that the number of entities submitting affidavits have fluctuated radially over the past three years. In 2022/23, 94 entities submitted their B-BBEE affidavits, which increased to 100 entities in 2023/24. However, there was a significant drop in 2024/25, with only 67 entities submitting their affidavits. This decline is notable, representing a substantial decrease from the previous year's peak. However, the subsequent decrease to 67 entities raises concerns, which may be construed as insubordination to B-BBEE compliance and reporting. The decline in affidavit submissions might have implications for the industry, potentially affecting representation, accountability, and the ability to track the transformation progress amongst the benefiting businesses. In order to better understand the reasons behind the decline, further analysis would be necessary to identify the underlying causes and encourage more entities to report on their B-BBEE profiles. Furthermore, the suggestion for larger entities to submit their supplier credentials might be substantive to such observations.

As already mentioned, EMEs can only achieve a Level 1, 2, or 4 B-BBEE rating. Figure 90 below shows the B-BBEE levels achieved by EMEs in the 2024/25 year.

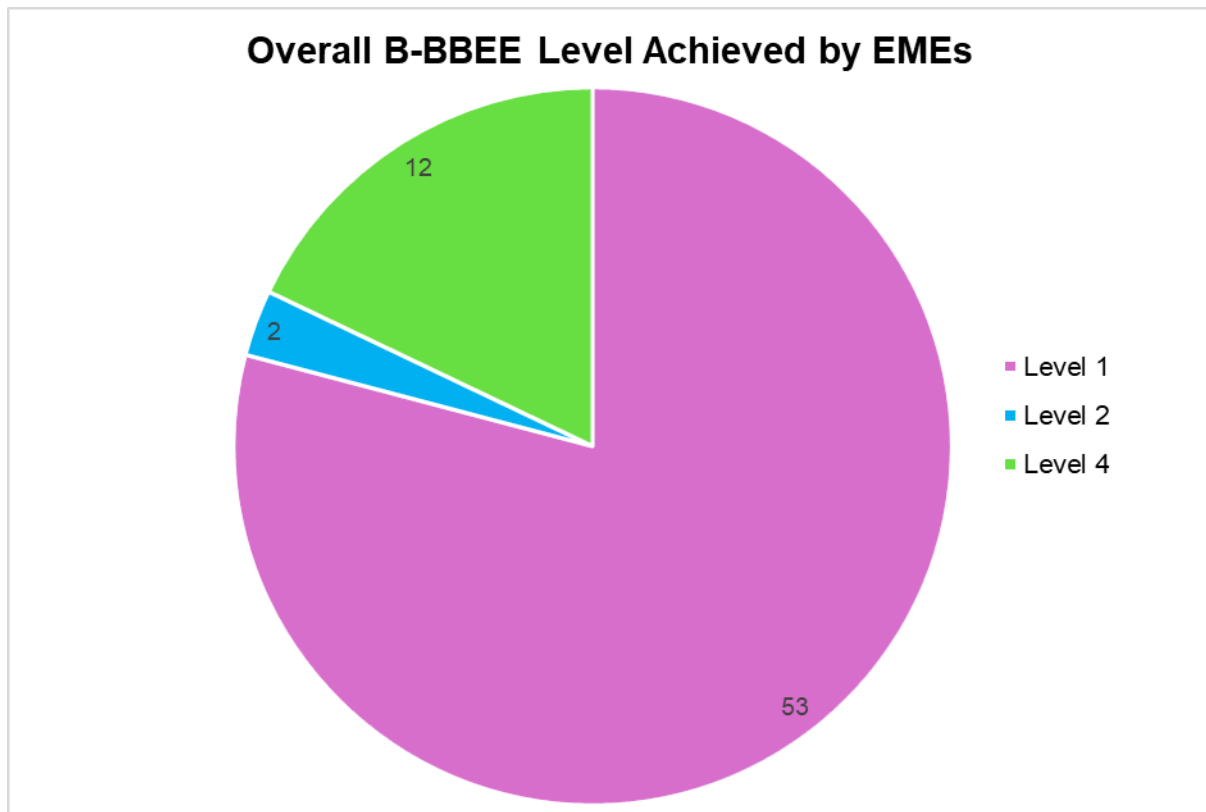


Figure 90: B-BBEE Levels Achieved by EMEs

The B-BBEE levels of the 67 entities that reported show that 53 entities (79%) are 100% black-owned, achieving a Level 1 B-BBEE status. This indicates an inspiring presence of black-owned businesses and a high level of economic empowerment, and also suggests that nearly eight out of every 10 entities are owned and controlled by black individuals. Furthermore, two entities (3%) have achieved Level 2 status, with 51-99% black ownership. While they are not fully 100% black-owned, these entities still demonstrate a promising level of black ownership and empowerment. The remaining 12 entities (18%) achieved a Level 4 rating. It is evident that there are more black controlled EMEs than QSEs, suggesting that black people are still operating as emerging forest business owners or are operating on a small scale. The progressive outlook would be to see these businesses transitioning into the QSEs and MLEs landscape and creating the jobs that are urgently needed.

The reporting EMEs are then categorised into the different sub-sectors. This analysis is meant to show the distribution of these EMEs. Figure 91 below demonstrates the valid EMEs affidavits submission per sub-sector.

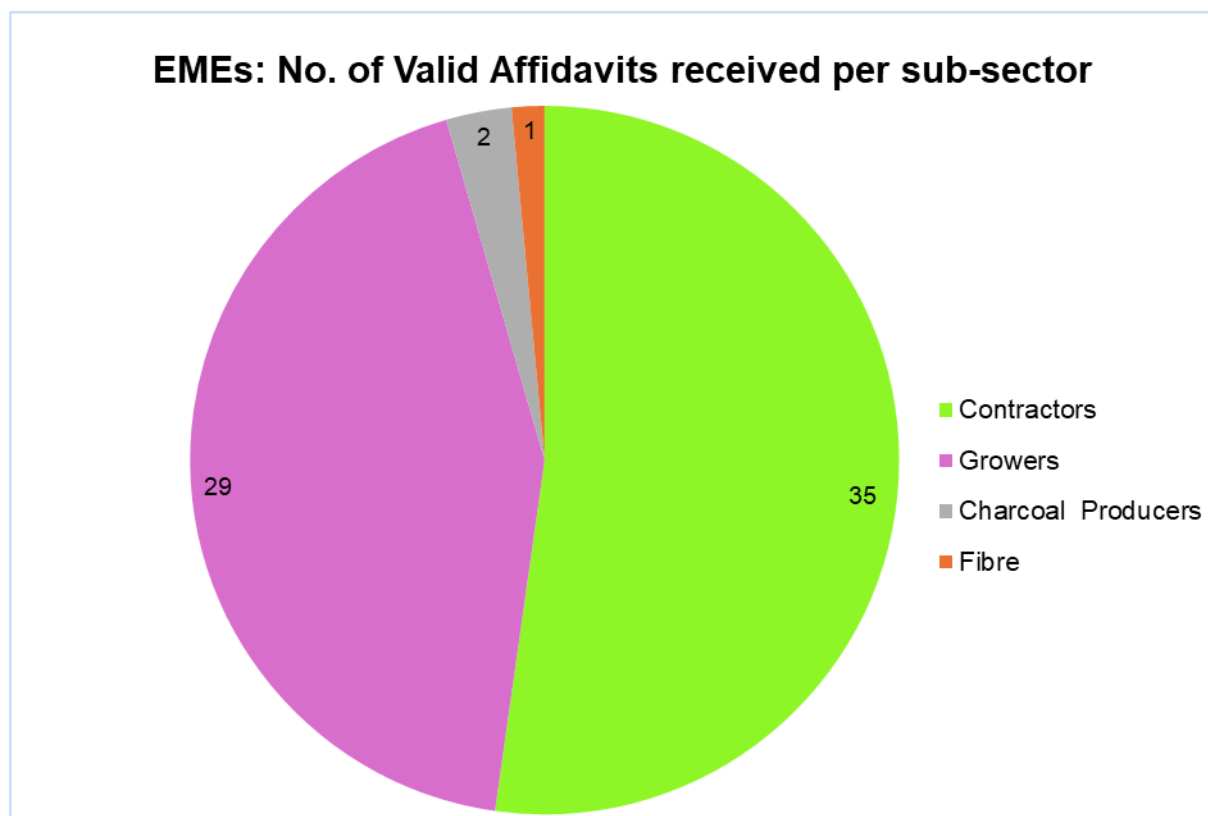


Figure 91: Valid EMEs submission per sub-sector

As shown in Figure 91 above, the EMEs industry's reporting is diverse, with fewer (four in total) sub-sectors participating, unlike last year, where all sub-sectors reported. The majority of the affidavits were received from the Contracting sub-sector, with 35 (52%) entities submitting, followed closely by the Growers' sub-sector with 29 (43%) entities reporting. The Charcoal sub-sector had a relatively small number of reports, with 2 (3%) entities submitting, while the Fibre sub-sector had only 1 (2%) entity reporting. Notably, the Saw-milling and Pole producers' sub-sectors did not submit any report. This difference in reporting could be a result of various factors which also include the inconsistent reporting.

Table 9 below illustrates a statistical breakdown of direct black people and black women ownership in EMEs.

	<i>Black People</i>	<i>Black Women</i>	<i>Black Designated Groups</i>
<i>Minimum</i>	0	0	0
<i>Q1</i>	100	0	0
<i>Median</i>	100	0	100
<i>Mean</i>	80,63	31,36	65,67
<i>Mode</i>	100	0	65,15
<i>Q3</i>	100	50	64,61
<i>Maximum</i>	100	100	64,61
<i>Standard Deviation</i>	38,86	32,29	64,61
<i>No. of entities scoring 0% ownership</i>	12	30	23
<i>No. of entities scoring above 0% but below 51% ownership</i>	0	28	0
<i>No. of 51% BO entities</i>	2	0	0
<i>No. of entities scoring above 51% but below 100% ownership</i>	0	4	0
<i>No. of 100% BO entities</i>	53	5	44
<i>Total No. of Measured Entities</i>	67	67	67

Table 9 above shows the ownership statistical profile among the EMEs for black people, black women and black designated groups. As shown in Table 9 above, the average for black people ownership is at 80.63%, black women ownership with 31.36%, and black designated groups with 65.67%, which, when compared to QSEs, depicts an encouraging participation of these black groupings amongst EMEs. These averages also show an upward trend when contrasted to the averages of the previous reporting period. More EMEs also recorded a 100% ownership profile, with a few of these reporting as black women and designated groups. The analysis further indicates that the majority of the reported entities are owned and managed by black people, and this is an indication of improved inclusivity and equity in the forestry sector.

11. CONCLUSION AND RECOMMENDATIONS

Since the gazetting of the Forest Sector Code, amended in 2017, the core objective was to address the challenges of the past associated with inclusion, diversity and equity to achieve Broad-Based Black Economic Empowerment (B-BBEE) and transformation imperatives and objectives in the Forest Sector. The combined collaborative efforts that resulted in the negotiated sector targets were certainly meant to ensure that a systematic and impactful change in the B-BBEE ecosystem is realised. Similarly to the previous year, the Online

Reporting System was used to gather, validate and present the performance trends depicted in the FY2024/25 Annual Status of Transformation report.

In the year under review, the total number of reporting entities was 158, showing a significant decline from the 191 recorded previously. The concerning decline was more pronounced amongst Exempted Micro Enterprises, which are mostly regarded as the beneficiaries of B-BBEE and immediate suppliers of the generic and medium-sized businesses. Typically, the dwindling observation may mean that the sector is not prioritising their strategic integration and evolution that will create lasting value and meaningful contribution to the economy. Furthermore, EMEs may be construed as a sub-category that does not prioritise reporting, suggesting a need to consider other alternatives and interventions to enhance and promote reporting amongst such entities. One of the obvious considerations is for larger corporates to also play an active role in encouraging and ensuring their suppliers report accordingly.

In contrast, MLEs showed a slight upward trend in terms of reporting numbers, suggesting that there could be more MLEs operating in the sector, with some choosing not to comply and report accordingly. Also, this could be a result of some of the QSEs progressing upward into the MLE business category, an observation that is mostly encouraged as it aligns with the principles of both inclusion and growing together. In addition, most reporting QSEs were enhanced, with a few reporting as unenhanced, though the number of unenhanced also improved slightly in the year under review. Some of these Unenhanced QSEs were downgraded from being MLEs, possibly due to the stressed economic patterns. It is therefore on record that consistent and annual compliance and reporting are a requirement, as clearly defined in the B-BBEE Act, as Amended, and a standard obligation that is valuable in providing crucial insights for appraising the transformative trends and pathways.

The reporting entities per sub-sector also showed varying outcomes, confirming the existing concentration patterns of business operations in the Forest Sector. Most reports were received from the Contractors and Growers sub-sectors, with most contractors operating either as QSEs or EMEs and Growers represented mostly in the EME category. Only MLEs had a representation of all the reporting sub-sectors. Charcoal, Pole and the Sawmilling sub-sectors continued to have either the least or no submissions at all. This disproportionate observation is concerning as it potentially dilutes the conclusions drawn from the achieved performances. Also, this scenario may continue to encourage inconsistent and non-reporting, hence the suggestion to consider consequences for non-reporting is substantiated. Moreover, it is anticipated that the planned engagements with representative industry Associations to

address the proportionality and consistency challenges, also an outcome matter from the 15th year reflection, will be valuable.

A majority of MLEs continued to achieve a B-BBEE Level 1, and so were Enhanced QSEs and EMEs. Similarly to the last reporting year, very few MLEs achieved lower levels than the preferred Level 4, a contrast observation from some of the Unenhanced QSEs, who received disappointing levels. The observation from the Unenhanced QSEs in exchange for the desired outcome presents an opportunity for the interrogation of the Enhancement Principle in terms of applicability, practicality and desired consequence. The observation on the B-BBEE levels suggests that the Forest Sector has a reasonable number of compliant entities, confirming that the targets are achievable and should be a game changer for long-term sustainability and economic inclusion. It is also proving that B-BBEE implementation or execution cannot be incessantly justified as a challenge.

MLEs' persistent performance on some of the scorecard elements was fulfilling with the in-depth analysis on each sub-sector, providing even more insights and assumed compliance preferences. Exceptional performance was recorded in SED, ESD, and Ownership, with average performance observed under the SD and MC elements. In comparison, the unenhanced QSEs showed that the new and some of the inconsistent reporters achieved very discouraging scores, pulling the overall averages to below half the target. Two of the Unenhanced QSEs were downgraded from being MLEs in the previous reporting year, and while still consistent, achieved exceptional scores across the scorecard elements.

Further analysis shows that only some sub-sectors performed poorly on some elements and selectively achieved minimum scores on other elements. This is undoubtedly an indication that the focus is short-term, undermining the long-term goals of B-BBEE compliance and transformation. As a sequel, more concerted efforts are required from entities showing such trends across the different sub-sectors and business categories. Selective performance should be highly opposed and requires intensified interrogation in the review and realignment process, prioritised for the 2025/26 financial year.

The persistent performance recorded in Management Control showed a slow climb, with some sub-sectors, particularly amongst the MLEs and unenhanced QSEs, achieving poor scores across the indicators, with continuous under performance on the indicators for Black Women in both executive and management structures. These findings continue to depict an unfavorable illustration, which may mean the recruitment and succession strategies have been

selective and conservative over the last 15 years. It is, however, anticipated that the She is Forestry SA initiative will continue to serve as a facilitator for women's inclusion, with the 2025 webinar planned and themed around mentorship. In addition, the desktop research on the benefits of women's inclusion in both management and executive structures has presented deliberate options to be considered, which the forest sector can begin to explore and benefit from. These include (not limited to):

- Policy reforms that set intentional recruitment strategies and targets engraving a culture of equality and inclusion to support women's inclusion.
- Mentorship and support programmes for women that set clear guidelines and pathways for professional development into leadership roles.
- A change in organizational culture that fosters a mindset shift from conservative and biased recruitment, work-life balance, accommodating family responsibilities, and transparency in reporting exploitation, etc.
- An award system that ensures equal pay and recognition for exceptional women leaders and managers.

The reflection from the 15th anniversary also brought a renewed sense of focus, calling for a shift from compliance to impact reporting on the scorecard implementation. For example, and in this context, it is recommended that the integration of small businesses, in particular benefiting from the scorecard elements such as ESD, etc., builds businesses that are not just surviving but evolving into impactful contributors to the economy and employment creation.

This approach is further justified by the resolution of the FSCC to gather qualitative insights, augmenting the quantitative records that will ensure a comprehensive understanding of the associated impact and outlook from the scorecard implementation in the forest sector. The approach should submissively consider the principles coded in the Amended Forest Sector Code, such as rural development, economic growth, inclusiveness, sustainability, etc. It is also recommended that this approach be applied objectively and, in a manner that will serve as a benchmark for all entities striving to achieve the B-BBEE targets in a more meaningful way.

In conclusion, MLEs maintained a Level 3 B-BBEE status, with the QSEs and EMEs also maintaining their Level 2, with a majority of MLEs attaining the bonus points. SAFCOL also as the only state-owned entity, preserved their level 2 B-BBEE status, achieving good scores across the three elements and a slightly lower score on Skills Development. The results are a demonstration that the forest sector is on the right trajectory to achieve meaningful transformation. The last gain that must be sought beyond these levels and targets achieved is

guaranteed focus and effort on the real benefits that will be visible to the beneficiaries and or small businesses, and the impact of the employed initiatives in changing people's lives. Adversely, if there are no changes in these sectors' efforts, also on some of the elements such as Management Control, it is most likely that the sector's B-BBEE reporting will be regarded as just another item on a compliance checklist. As such, this should be a constant reminder that meaningful transformation is not only about policy but about strengthening the partnerships that drive long-term, impactful and sustainable change.

ⁱhttps://www.dffe.gov.za/sites/default/files/reports/research/forestry/annualreport_commercialtimberresources_primaryroundwoodprocessing2019to2020.pdf

ⁱⁱhttps://www.dffe.gov.za/sites/default/files/reports/research/forestry/annualreport_commercialtimberresources_primaryroundwoodprocessing2019to2020.pdf

ⁱⁱⁱ<https://www.gov.za/SONA2025>

^{iv}[The dark picture of youth unemployment in South Africa](#)

^v[P02111stQuarter2025.pdf](#)

^v [2023-2024-ANALYSIS-OF-MAJOR-B-BBEE-TRANSACTION-Final-Reprot.pdf](#)

^{vi}<https://capeargus.co.za/weekend-argus/news/2025-05-02-south-africas-job-crisis-youth-unemployment-bee-debate-and-the-fight-for-real-inclusion/>