

FY2025/26 Annual Status of Transformation in the Forest Sector Summary

The Forest Sector Charter Council (FSCC) continues to drive and monitor transformation in South Africa's forestry sector, as mandated by the Broad-Based Black Economic Empowerment (B-BBEE) Act, as Amended. The FY2025/26 Annual Status of Transformation Report (the Status Report) draws on verified data to evaluate B-BBEE performance across Medium and Large Enterprise (MLEs), Qualifying Small Enterprises (QSEs) and Exempted Micro Enterprises (EMEs). The sector improved its overall B-BBEE Contributor status from Level 3 to Level 2 during the period, alongside a marked recovery in reporting participation. The report nonetheless highlights persistent challenges, chief among them a deepening three-year decline in Management Control performance, the continued inconsistency in reporting among smaller enterprises and the under reporting of the Charcoal sub-sector, underscoring the need for sustained, targeted intervention across the value chain.

Sector Overview

Two regulatory developments framed the 2025/26 reporting period:

Firstly, the Department of Employment and Labour (DoEL) gazetted the revised Employment Equity Regulations in April 2025, following the Employment Equity Amendment Act of 2022, introducing sector-specific numerical targets for the first time which is expected to sharpen the focus on MC performance. Second, in February 2026 the Department of Trade, Industry and Competition (dtic) convened Sector Charter Councils to reposition B-BBEE sector codes as oversight mechanisms capable of driving measurable, impact-orientated transformation rather than compliance-only outcomes, an engagement that also touched on proposals to enhance B-BBEE rules.

Against a public narrative that frequently questions B-BBEE's effectiveness, findings presented at the B-BBEE Commission's November strategy session offered evidence of genuine progress where the framework is implemented with intention and integrity. This reinforced the dtic's broader call to shift from only reporting narrative compliance towards documented, measurable impact, a shift FSCC has sought to consider based on dtic's guidance.

Transformation Reporting Overview

Research Objectives

The Status Report provides an evidence-based assessment of transformation within the forestry sector, evaluating performance across B-BBEE scorecard: Ownership, Management Control (MC), Skills Development (SD), Enterprise and Supplier Development (ESD) and Socio-Economic Development (SED), for MLEs and Unenhanced QSEs as well as the affidavits received from Enhanced QSEs and EMEs. Beyond the scorecard performance, the report examines key transformation drivers including the

discounting principle effected on the priority elements and ownership determination principles, providing a comparative view of JSE-listed forestry companies and of the South African Forestry Company SOC Limited (SAFCOL), the sector's sole state-owned entity, assessed under Statement 004.

Methodology

FSCC sourced data for the 2025/26 cycle on a voluntary basis directly from measured entities and Verification Agencies (VAs), and validated it against certification and scorecard validity, applicable turnover thresholds, measurement-period compliance (1 April 2025 to 31 March 2026) and, for Enhanced QSEs and EMEs, correctly completed affidavits or CIPC certificates. FSCC captured all data through its B-BBEE Online Reporting Systems, introduced in this cycle to strengthen validation and auditing, and used Microsoft Excel for further analysis and visualisation. The report benchmarked JSE-listed entities against B-BBEE Commission findings, while assessing SAFCOL separately using its tailored Statement 004 scorecard.

Risks

FSCC identified several risks to the integrity of B-BBEE implementation and reporting during the cycle. The absence of a legal framework, recording impact as an outcome of B-BBEE risks continues to discourage genuine compliance, while selective adherence to scorecard elements undermines comprehensive implementation. Enforcement of Section 13G by government departments awarding concessions, including to small entities, remains inconsistent; while fronting continues to threaten the framework's integrity by masking genuine compliance. No response from entities, whether to submission requests or community outreach programmes remains a significant obstacle, as does reluctance among some companies to share in-depth reports, occasionally citing confidentiality concerns that are not consistent with Section 10 of the B-BBEE Act as Amended. A further recurring misunderstanding is the expectation that reporting obligations should be tied to direct or financial benefit, rather than being a standalone legal requirement.

Sector Analysis

Under Section 10(4) of the Amended B-BBEE Act, all entities operating within a sector governed by a sector code must report annually to the relevant sector Council and in this case being the FSCC. Valid B-BBEE submission across all company sizes fluctuated over the past three reporting periods, declining from 191 in 2023/24 to 158 in 2024/25, before recovering strongly to 206 in 2025/26, a pattern the report attributes to FSCC's awareness interventions and to direct requests from VAs through the South African National Accreditation System (SANAS).

This recovery was not evenly distributed. MLEs demonstrated a steady upward trend, rising from 35 to 47 submissions over the three years. QSE remained comparatively

stable but stagnant, edging from 53 to 56. EMEs were by far the most volatile category, falling from 100 in 2023/24 to 67 in 2024/25 before rebounding to 103 in 2025/26, the highest EME total across the period. This volatility at the smaller end of the value chain continues to constrain the completeness and reliability of this sector-wide transformation measurement, even as larger entities maintain consistent compliance.

Across all company sizes, sub-sector participation remains highly uneven. Contractors account for 104 of the 206 total submissions (50%), followed by Sawmilling accounting for 35 submissions (17%), the Growers totalling 30 submissions (15%). While Pole Producer totalled 22 submissions (11%), Fibre with 10 submissions (5%) and Charcoal Producers with 5 submissions (2%) remain the most under-represented sub-sectors. The concentration with Contracting reflects both the sub-sector's abundance and the outsourcing of operations by larger primary producers, while the persistent under-representation of Charcoal Producers, Pole Producers and Fibre continues to limit the granularity of sub-sector level transformation assessment.

Medium and Large Enterprises (MLEs) Analysis

MLEs, businesses with an annual turnover above R50 million, carry significant responsibility for driving sector transformation given the scale of their operations and investment. Valid MLE submissions include certificates and accompanying scorecard reports, rose from 35 in 2023/24 to 38 in 2024/25 and to 47 in 2025/26, a three-year high. Approximately five entities did not report this cycle: verification delays two with otherwise consistent reporting histories, while three with more fluctuating histories simply did not respond to reporting requests.

Reporting consistency also improved. Of the 47 MLEs reporting in 2025/26, 36 were consistent reporters (up from 29 the previous year), five were new entrants, and six had evolved from smaller categories; notably, FSCC recorded no inconsistent reporters this cycle. Contractors and Pole Producers led sub-sector representation and both grew compared with the prior period, while Sawmilling and Fibre recorded similar submission counts but both declined slightly. Growers and Charcoal Producers held steady, though a single entity continued to represent Charcoal Producers, limiting meaningful sub-sector-level assessment.

Ownership

Ownership carries 25 weighting points and is one of three priority elements, meaning MLEs must achieve at least 40% of the Net Value (Realisation) points to avoid a discounting penalty. Sector-wide Ownership compliance held at 76% in 2025/26, unchanged from 2024/25, with the average score similarly flat at 19 of 25 points, indicating that MLEs are broadly have maintained established ownership structures.

Performance varied considerably by sub-sector against the 25-point benchmark: Growers led at 23 points, followed by Contractors and Fibre at 22 points each, Sawmilling

at 18 and Pole Producers at 10. Charcoal Producers recorded the lowest score, repeating the previous year's result, although it should be noted that as this is based on a single submission it is hard to tell if it is reflective of the entire sector's approach to Ownership. Average black ownership across MLEs stood at 41%, well above the 30% sector target, but ownership by black women fell to 17% (down 5.6% year-on-year) and while black designated group (BDG) ownership rose to 15% both figures remaining substantially below equitable participation levels.

Indicator Insights

Voting Rights (VR) held by black people averaged 83% of the applicable target in 2025/26 (up from 80%), while VR held by black women declined to 70% of the target (from 75%). Economic Interest (EI) held by black people held steady at 83% of the target, while EI held by black women remained steady at 70%. EI held by BDG or Broad-Based Ownership Schemes (BOS) also remained stable at 60% and EI for Black New Entrants (BNE) held at 70%. Net Value performance, the indicator most closely tied to discounting risk, remained at 80% of the target, unchanged from 2024/25.

At sub-sector level, Fibre recorded the strongest VR performance for black people (81.77% against a 25% target) and for black women (36.04% against a 10% target), while Pole Producers lagged on both measures. EI held by black people was led by Contracting (76.92%) and Fibre (66%), while EI held by black women was led by Fibre (26.43%) and Sawmilling (21.88%). Economic interest held by BDGs was strongest in Contracting (22.99%) and weakest in Charcoal Producers (0%), while BNE participation was led decisively by Contracting (43.58%), well above the industry average of 24.11%. Net Value performance exceeded target in only two sub-sectors, Fibre (10.98 points) and Contractors (9.67 points), underlining that discounting risk on this indicator remains concentrated in the remaining four sub-sectors.

On Ownership determination methodology, 41 of 46 MLEs (80%) applied the Flow-Through Principle (FTP), with five applying the Modified Flow-Through Principle (MFTP) and two multinational entities applying the Exclusion Principle. This strong preference for FTP is consistent with proposed FSC amendments that would make FTP mandatory, ensuring that the methodology traces ownership levels accurately rather than potentially inflated through MFTP.

Management Control (MC)

MC assesses the representation of black people, and black women specifically, across board, executive, senior, middle, and junior management, along with the inclusion of differently abled employees in office-based operations. It remains the sector's most persistently weak element and continues a three-year downward trend, with the percentage of compliance targets achieved falling from 52.3% in 2023/23 to 50% in 2024/25 and 47% in 2025/26. The FSCC notes that this decline lends weight to the DoEL's

new sectoral EE targets and reinforces its own ongoing research into structural barriers to women's workplace inclusion.

Only Fibre (63%) and Contractors (53%) performed credibly against the sub-sector average, broadly consistent with the previous year. Charcoal Producers recorded a discouraging 5% representation across the board, executive and all management levels, reflecting a near-total absence of transformation at leadership level in that company, and potentially the sub-sector.

Board, Executive and Management Representation

Against a target of at least 50% black board representation (of which 25% should be black women), overall black board representation reached 67% of target in 2025/26 (down from 72.5%), while black women's board representation reached 49% of target (up marginally from 47%). This gap widened further at other levels: black executive directors reached 93% of target (up from 86.8%) yet black women executive directors reached only 22% of target (down from 30.5%). A comparison of overall black board representation against black women's board representation shows that most sub-sectors, aside from Charcoal Producers, sit reasonably close to the general target, while representation of black women lags well behind at every level, indicating that racial representation is progressing considerably faster than intersectional inclusion of black women.

Representation at senior, middle and junior management levels remaining the weakest area overall: black senior management reached only 29% of the target, black middle management 47% and black junior management just 62%. Corresponding figures for black women were lower still at each level. Growers and Contracting performed relatively better at junior management level; the remaining sub-sectors recorded far lower scores. A notable bright spot was the employment of differently abled black employees, where the sector substantially improved performance achieving 71% towards the indicator, (up from 65%), led by Contracting, although this reflects the relative ease of accommodating office-based roles compared with physically demanding field operations.

FSCC's ongoing research into barriers facing women in the forestry workforce, informed by initiatives such as She Is Forestry SA, points to the need for intentional succession planning, mentorship and leadership development, particularly given that graduate pipelines (evidenced by rising female enrolment in forestry-related higher education) are not yet translating into proportional gains at senior levels.

Skills Development (SD)

SD requires targeted investment in the training and capacity building of black employees and external beneficiaries, and is a priority element carrying defined expenditure and training thresholds. Sector-wide SD compliance recovered fully in 2025/26, returning to 70% of the target achieved in 2023/24, after falling to 60% in 2024/25. Contractors, Fibre and Growers sub-sectors scored 75% of the target (15 of 20 points), while Pole Producers

(13) and Charcoal Producers (12) trailed the industry averages of 14 points, with Sawmilling recording the lowest score at 11.

Expenditure and Learning Participation

Expenditure on SD for black people reached 61% of target (up from 59.4%), with no sub-sector meeting the prescribed minimum. Charcoal Producers recorded the strongest relative performance despite falling marginally short, whilst Sawmilling and Fibre recorded the lowest expenditure levels (2.9 and 2.8 respectively). Expenditure on Skills Development for black employees living with disabilities improved to 75% of the target (from 66.8%), and participation of black employees in Learnerships, Apprenticeships and Internships (LAIs) reached 73% of the target, with the Fibre and Grower sub-sectors being the strongest performers and Charcoal Producers again recording no participation. Participation of black unemployed learners in LAIs recovered to 65% of the target (from 56.8% the prior year, though still below the 80% recorded in 2023/24).

Absorption

Absorption, referring to the successful placement of black unemployed learners into sustained employment after completing structured learning programmes, remains critically weak sector-wide, with every sub-sector performing well below the target. Pole Producers recorded the highest absorption rate, still substantially below the target, followed by Fibre and Growers, while Contracting and Sawmilling were among the weakest performers, and Charcoal Producers recorded no absorption at all. This is a particular concern in the context of the persistently high percentage of youth unemployment, which reached 36.9% among 15–34-year-olds in 2025. Forestry South Africa's Forestry Graduate Employment Programme (F-GEP) continues to provide a complementary, internship and entrepreneurship-oriented pathway into the sector for unemployed graduates. Looking ahead, expanding the pool of work-ready talent available to entities through broader integration of absorption strategies, across the sector, remains a priority for FSCC.

Enterprise and Supplier Development (ESD)

ESD builds capacity of suitability and competitiveness of black-owned Small Micro and Medium Enterprises (SMMEs), integrating them into established forestry value chains. Sector-wide ESD target compliance continued to decline (91% in 2023/24 to 84% in 2024/25 and 81% in 2025/26), with the average score falling from 39 to 36 and then 35 points. This trend, while still reflecting broadly sturdy compliance above 80%, may point to reduced financial contributions or structural inefficiencies in translating ESD spend into sustainable SMME outcomes. The latter being a challenge documented in wider South African ESD literature.

Fibre and Growers led sub-sector ESD performance, followed by Contractors and Charcoal Producers, while Pole Producers and Sawmilling recorded the lowest scores, both below the industry average of 36 points against a 43-point target.

Preferential Procurement

Preferential procurement from all suppliers showed encouraging progress, with Fibre leading the sub-sector scores (79.76 out of 80), Growers (75.26), Charcoal Producers (73.96), Contracting (68.18) and Sawmilling (48.02).

When considering the sector's procurement spends directed specifically to QSE suppliers, the Contracting sub-sector substantially exceeded transformation targets and outperformed all peers. In contrast, procurement from EME suppliers had the Grower sub-sector scoring highest (roughly triple the compliance benchmark) and Charcoal Producers (roughly double). Procurement from suppliers at least 51% black-owned exceeded target in five of six sub-sectors, led by Fibre with Sawmilling the sole sub-sector to fall short. Procurement from suppliers at least 30% black-women-owned exceeded target across all six sub-sectors, led by Fibre by a wide margin, reflecting effective implementation of this indicator sector wide. Procurement from suppliers at least 51% owned by BDGs was led by Contracting and Fibre with Sawmilling performing lower when compared to the other sub-sectors.

Supplier and Enterprise Development

Supplier Development contributions, which require entities to allocate 2% of NPAT towards supporting SMMEs already within their supply chains, generally exceeded targets across the sector, as did Enterprise Development contributions (1% of NPAT), which support the establishment and growth of new black-owned enterprises. Performance on the sale of logs and sawtimber to EMEs and QSEs, and to 51% black-owned or 30% black-women-owned entities specifically, remained comparatively weak reflecting the limited vertical integration opportunities available to smaller players in their part of the value chain.

Socio-Economic Development

SED encompasses monetary and non-monetary contributions to uplift individuals and communities, with entities required to allocate 1% NPAT, ensuring at least 75% of beneficiaries are black people for full recognition. SED remains a clear strength for the sector, though scores softened slightly for the second consecutive year, from 144 in 2023/24 to 140 in 2024/25 (down 2.8%) and 136 in 2025/26 (down a further 2.9%). Given the forestry sector's predominantly rural footprint, SED continues to play an important role in supplementing local government capacity around education, healthcare and community infrastructure etc.

Four of the six sub-sectors met the SED target outright, with the remaining two contributing approximately 80% of the target. Contractors improved markedly, from 80% to 100% compliance, while Sawmilling declined to 80% and Poles held a steady also at 80%. Encouragingly, all six sub-sectors exceeded the 1% NPAT expenditure requirement, reinforcing that while SED is sometimes regarded as a comparatively easy element to satisfy, the sector continues to invest meaningfully and consistently above the prescribed benchmark, in line with the purpose of the Rural Development principle.

Johannesburg Stock Exchange (JSE) Listed Companies

Four JSE-listed forestry entities are subject to Section 13G (2) reporting to the B-BBEE Commission, in addition to their separate obligation to report to the FSCC. All four maintained Level 1 B-BBEE status throughout 2025/26 reflecting sustained overall compliance despite performance varying notably by element. On Ownership, only one entity achieved full target attainment, with the remaining three ranging from approximately 80% to 92%. MC performance was moderate across all four entities, ranging from approximately 58% to 68% pointing to structural constraints in translating succession and talent pipelines into improved leadership representation. While JSE-listed forestry entities recorded good scores in SD, three of the four entities did show some declines ranging from 6.3% to 23.5%, and only one entity maintained a strong result (approximately 95% of the target). In contrast, ESD and SED performance was consistently strong across all four listed entities, with SED in particular reflecting the highest achievement levels, underscoring an embedded corporate commitment to socio-economic investment around forestry operations.

South African Forestry Company SOC Limited (SAFCOL)

SAFCOL, the sector's sole state-owned entity, operates under the Department of Forestry Fisheries and the Environment (DFFE) and manages approximately 187 000 hectares of state land in Limpopo, Mpumalanga and KwaZulu-Natal, as well as operations in Mozambique. As such, SAFCOL directly and indirectly employs around 5 000 people and supports roughly 20 000 lives in surrounding communities. As a state-owned entity, SAFCOL is assessed under the specialised Statement 004 scorecard, which exempts it from the Ownership element and redistributes those points across the remaining four elements.

SAFCOL improved its B-BBEE status from Level 2 and Level 1 in 2025/26, reflecting a generally robust improvement over the three-year performance trend. MC showed variable but generally positive movement, with SAFCOL recording improvements of 18.5% and 6.8% in the two preceding years. It should however be noted that fluctuating representation of black women in executive and senior roles continues to be a constraint. SD presented an encouraging upward trend when compared to the previous year though a decline of about 8.25% below 2023/24 figures. However, there is an ongoing challenge of limited absorption of trained individuals into permanent roles, which has been

compounded by slow economic growth and organisation restructuring. Set against a backdrop of youth unemployment reaching approximately 46.1% in the first quarter of 2025, SAFCOL is also encouraged to improve its limited absorption profile. ESD and SED performance was a clear strength with SAFCOL achieving 100% compliance on both elements in the current year, reflecting its sustained rural development role.

MLEs in Summary

MLEs improved their overall B-BBEE status from Level 3 to Level 2 in 2025/26, supported by stable Ownership performance, a full recovery in SD and consistently strong SED contributions. The continuing three-year decline in MC, a gradual softening in ESD, and the near-total non-participation of the Charcoal sub-sector across almost every element remain the category's principal constraints. Sub-sector performance also diverged, with Charcoal Producers and elements of Pole Producer and Sawmilling continuing to show limited progress, while other sub-sectors, particularly Contracting Fibre and Growers, recorded consistently good results across several indicators, a pattern that may partly reflect that these are also among the more consistent reporting sub-sectors.

Qualifying Small Enterprises (QSEs) Analysis

QSEs, with annual turnovers between R10 million and R50 million, are differentiated into Enhanced QSEs (51% or more black ownership, exempt from verification and awarded automatic B-BBEE levels) and Unenhanced QSEs (less than 51% black ownership, requiring full verification across all five scorecard elements under Statement FSC600). A notable development this reporting cycle was the introduction of the FSCC Online Reporting System, through which Enhanced QSEs now generate affidavits directly and Unenhanced QSEs uploaded verified certificates, with the expected phasing out of manual submission channels.

QSE submissions rose modestly from 53 to 56 in 2025/26. Certificate submissions from Unenhanced QSEs increased from 9 to 13, a positive signal for verified reporting, while affidavit submissions from Enhanced QSEs slipped from 44 to 43 following the exit of four contracting entities whose contracts ended or were terminated during the year (illustrating the sensitivity of QSE sustainability, particularly amongst contractors). Contractors continued to dominate submissions accounting for 45 of 56 (80%), followed by Growers with five submission (9%), Sawmilling with four submissions (7%) and Fibre with two submissions (4%). FSCC received no submissions from the Charcoal sub-sector or Pole Producers, consistent with the previous year.

Of the 56 QSEs reporting, 25 (45%) achieved Level 1 and 23 (41%) achieved Level 2, meaning 86% attained one of the top two B-BBEE recognition levels, a distribution driven substantially by the enhancement principle. A further entity (2%) achieved Level 3, and classifying seven entities (12%) as non-compliant. The continued concentration of affidavit-based Enhanced QSE reporting, relative to fewer fully verified Unenhanced

QSEs, raises ongoing questions about the depth of scrutiny applied within this category and the need for closer monitoring as the Online Reporting System is rolled out.

Ownership

For Unenhanced QSEs, Ownership is a mandatory priority element carrying 25 points across six indicators; failure to reach 40% of the Net Value target triggers a one-level discount, a similar application approach to the MLEs. The average Ownership score improved marginally from 10.71 to 11.54 in 2025/26, but overall performance remains low and highly polarised. Of the 13 Unenhanced QSEs reporting, only six achieved full compliance, while seven scored 0%, sharply pulling down the category average. This split suggests that meeting Ownership targets is achievable with deliberate effort, but that a substantial minority of entities are making no visible progress at all.

Across the six Ownership indicators, performance remains below 50% of available points in every case: voting rights and economic interest for black people each average 1.92 of 5 available points (38%), while the same indicators for black women average just 0.77 of 2 available points (39%). Performance on BDGs and new entrants declined to 1.15 of 3 available points, and Net Value, the indicator most closely tied to discounting risk, fell to 3.1 of 8 available points (39%). Contracting remained the only sub-sector consistently meeting Ownership targets, achieving 25.28% on VR for black people (against a 25%+1 vote threshold) and 12.57% for black women, while Fibre and Growers recorded no progress on these measures and no submissions were received from Charcoal Producers, Pole Producers or Sawmilling within the Unenhanced QSE category as already mentioned.

Taken across all 56 reporting QSEs (Enhanced and Unenhanced combined), average black ownership stood at 61.53%, with 22 entities fully black owned. Black women ownership averaged just 12.61% with 36 of 56 entities recording 0% black women ownership and BDG ownership averaged 28.63% with 32 entities recording 0%. This distribution continues to demonstrate markedly uneven ownership transformation, particularly regarding black women and designated groups, across the QSE category.

Management Control (MC)

MC among Unenhanced QSEs showed a modest recovery, rising from 4.85 to 5.65 of the 15 available points, though this remains a poor result overall and continues a discouraging multi-year pattern. Across the four MC indicators, average performance remained discouragingly low and far off even to a 50% of target in every case. Contracting remained the only sub-sector with entities meeting executive-level target, though even here performance for black representation at executive level declined from 36.67% to 26.67% and representation of black women at executive level improved slightly, from 16.67% to 17.50%. Elsewhere, representation of black people across senior, middle and junior management improved to an industry average of 38.24% (from a lower base), aided by a notable improvement from Growers (28.33%, up from no prior progress), while

Contracting's own performance at these levels declined from 60.33% to 51.52%. For black women specifically, Growers recorded the strongest result at 21.67%, with Contracting declining to 17.02%. Unlike the previous reporting period, no sub-sector met the 30% compliance target for black women representation across these management levels in 2025/26.

Skills Development (SD)

Unenhanced QSEs recorded an overall SD recovery to approximately 50% of the available points in 2025/26, following the prior year's decline. This headline recovery, however, masks a further weakening at indicator level with all three core SD indicators falling below 40% of their respective targets. This shows a regression on the previous year that reflects continued insufficient investment by several entities, particularly given persistently high broader unemployment (32.9%) and youth unemployment (48.3%) in South Africa. The Contracting sub-sector again drove SD expenditure on black people, black women and black employees living with disabilities, with Growers showing a small but notable improvement from a previous base of zero contribution across two of these indicators.

Enterprise and Supplier Development (ESD)

ESD, a priority element for Unenhanced QSEs also carrying 30 points (excluding bonus points) across Preferential Procurement, Supplier Development and Enterprise Development, recovered to 14.37 points (47.9%) in 2025/26, up from around 40% of target in 2024/25 but still well below the 2023/24 high. Performance across all four underlying ESD indicators remained below 50% of available points, continuing the pattern seen the previous year. Contracting remained responsible for almost all positive performance, recording the strongest results in procurement from empowering suppliers generally, from 51% black-owned suppliers specifically, and in supplier development and enterprise development contributions, in each case substantially exceeding target. Growers showed encouraging, if modest, improvements across several of these indicators from a previously negligible base, while the remaining sub-sectors continued to make no contribution to the overall performance.

Socio-Economic Development (SED)

SED performance among Unenhanced QSEs improved slightly in 2025/26 to just above 50% of the 5-point target, following a decline over the preceding years. As with other ESD-related indicators, the Contractor sub-sector drove performance, with Growers again showing improvement from a previous zero contribution resulting in the overall industry average exceeding the 1% NPAT compliance benchmark on the strength of these two sub-sectors, while performance by the Fibre sub-sector remaining absent.

QSEs in Summary

The Contracting sub-sector continues to carry QSE performance in 2025/26 across every scorecard element, a pattern consistent with contracting's dominance of overall QSE

submissions. Unenhanced QSEs remain the weakest-performing category sector-wide, with poor and polarised results on Ownership and continued underperformance on MC despite modest recovery. The growing concentration of Enhanced, affidavit-based QSEs relative to fully verified Unenhanced QSEs continues to raise questions about the depth of scrutiny applied within this category. The FSCC's new Online Reporting System alongside continued advocacy and support targeted at QSEs outside the Contracting sub-sector, is expected to be an important lever for improving both participation and performance over coming cycles.

Exempted Micro Enterprises (EMEs) Analysis

B-BBEE verification is not required from EMEs, business with an annual turnover not exceeding R10 million, which instead receive automatic recognition levels based on their black ownership provide: Level 1 -100% black ownership, Level 2 for 51-99% and Level 4 for less than 51%. The FSCC Online Reporting Systems is a requirement for submissions, a transition expected to strengthen compliance monitoring once mandated following the gazetting of the amendments to the Code.

EME affidavit submissions recovered strongly to 103 in 2025/26, the highest total across the three-year period and up sharply from 67 in 2024/25, slightly exceeding the 100-submission recorded in 2023/24. This recovery reflects improved participation in the reporting process, with the FSCC noting that early uptake of the Online Reporting System, while still limited, marks the beginning of a shift toward more effective digital reporting.

Of the 103 reporting EMEs, 86 (83%) achieved Level 1 B-BBEE status, confirming that most of these enterprises are fully black owned, a further three entities achieved Level 2 and 14 entities received as Level 4 contribution. Average black ownership across reporting EMEs stood at 84.98%, with black women's ownership at 37.23%, notably higher than the equivalent figures for QSEs (12.61%) and MLEs (17%), and black designated group ownership at 70.11%. In total, 86 entities were 100% black owned, 28 were 100% black women owned, and 71 were 100% owned by black designated groups, reflecting a strong underlying empowerment profile among the sector's smallest enterprises.

For the first time, this year EMEs reporting reflects participation across all six forestry sub-sectors. Contractors recorded the highest level of participation across all six forestry sub-sectors followed by Sawmillers, Growers and Pole Producers, sub-sectors that had no EME representation in prior cycle, an improvement the FSCC attributes to its partnership with DFFE and Forestry South Africa. Fibre and Charcoal Producers recorded the least participation, with Fibre's large-scale operational nature expected to continue limiting participation from smaller entities in that sub-sector, through the recent inclusion of the recycling segment under FSC amendments may support further gains.

EMEs in Summary

EMEs improved their overall B-BBEE status to Level 1 in 2025/26, underpinned by a strong recovery in reporting participation and a consistently high black ownership profile. The extension of reporting to all six sub-sectors for the first time, particularly the inclusion of Sawmillers and Pole Producers, represents a meaningful improvement in the representativeness of this category, though Fibre and Charcoal Producers remain areas requiring continued, targeted outreach.

Conclusion and Recommendations

The FY2025/26 Status Report reflects a sector that has made encouraging progress on several fronts while continuing to face structural, deep-rooted challenges on others. Reporting participation increased by approximately 30% from 158 to 206 entities, driven principally by a strong EME recovery and continued MLE growth, while QSE participation remains comparatively stagnant. Sub-sector representation also improved, notably with small-scale Sawmillers reporting as EMEs for the first time, though Charcoal Producers remained the least represented sub-sector across all three categories, continuing to constrain the completeness of sector-wide transformation assessment. Inconsistent reporting among QSEs and EMEs remains a broader concern, one the anticipated mandatory rollout of the FSCC Online Reporting System is expected to help address.

The sector achieved an overall Level 2 B-BBEE Contributor status in 2025/26, up from Level 3, based on the aggregate performance of reporting MLEs. QSEs achieved an overall Level 2 status and EMEs a Level 1 status, both improvements on the previous cycle, aided by the consistently stronger performance of Enhanced entities relative to their Unenhanced counterparts. MLEs performed strongly on Ownership, SD, ESD and SED, though the continued decline in ESD and evidence of selective compliance among some entities remains areas requiring attention.

MC remains the sectors poorest-performing element and the report's central concern, extending a three-year downward trend and reflecting persistent under-representation of black people, and especially black women, at board, executive and senior management levels. With representation being comparatively stronger at junior and middle management, indicating leadership pipeline that narrows sharply all the way up. The limited absorption of trainees into permanent employment following SD interventions is a related structural weakness suggesting that training outputs are not yet translating consistently into sustainable employment or leadership pathways. This year, applied discounting to several MLEs and Unenhanced QSEs continued for failure to meet priority thresholds, reinforcing that to achieve meaningful transformation full compliance with B-BBEE frameworks is required particularly on the priority elements.

The FSCC's recommendations for the year ahead centre on four areas. First, continuing to strengthen the awareness programmes, compliance support and evidence-based

interventions, with particular attention to improving reporting consistency among QSEs and EMEs and broadening participation across under-represented sub-sectors, especially Charcoal Producers. Second, measured entities should implement deliberate, measurable interventions including succession planning, mentorship and leadership development to improve board and executive level representation of black women and designated groups specifically, rather than relying on broader racial representational gains to close this gap particularly because there are very few entities achieving at least 50% of the target on Management Control. Third, entities should strengthen the alignment between SD and workforce planning, activity monitoring beneficiary absorption rates as core measures of the element's long-term effectiveness rather than training output alone. Fourth, continued government enforcement of Section 10 of the B-BBEE Act, ensuring the meaningful consideration of B-BBEE compliance in the awarding of licences, concessions and procurement opportunities, together with the planned mandatory rollout of the Online Reporting System, will be important levers for sustaining this year's gains.

Overall, the sector's improvement to Level 2 B-BBEE Contributor status demonstrates that sustained international implementation can deliver measurable results. Realising the sector's long-term transformation ambitions will nonetheless require moving decisively beyond compliance-driven approaches, particularly on MC, the absorption of SD beneficiaries and embedding transformation as a strategic business imperative across every enterprise category and sub-sector within the forestry value chain.