



SAFCOL BRIEFING TO NCOP SELECT COMMITTEE

23 November 2016



Company Structure



Republic of South Africa through the
Minister of Public Enterprises

100%



100%



80%



100%

Abacus Forestries
SOC Ltd

100%

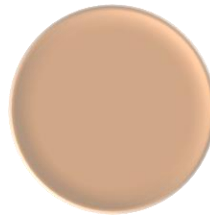
Kamhlabane Timber
SOC Ltd



Overview of SAFCOL Business



SAFCOL conducts its primary business within the commercial plantation forestry industry through the management of 15 prime softwood saw-log plantation assets in Mpumalanga, Limpopo and KwaZulu-Natal, covering a land area of 187 320 hectares. Revenue is generated from the sale of forest products, sawn timber and value added products.



KLF owns and operates the Timbadola Sawmill, a softwood processing sawmill located in Limpopo, and manages a custom-cut arrangement.



IFLOMA is a Mozambique-based public limited liability Company, which was established in the 1980s as a government initiative, of which 80 percent of the share capital was sold to KLF in 2004, with the remaining 20 percent of shares being held by IGEPE, Mozambique's State Shareholding Management Institute. The total landholding of IFLOMA I is 31 754 ha, of which 16 178 ha is plantable, and IFLOMA II is 69 000 ha of which 45 000 ha is plantable.



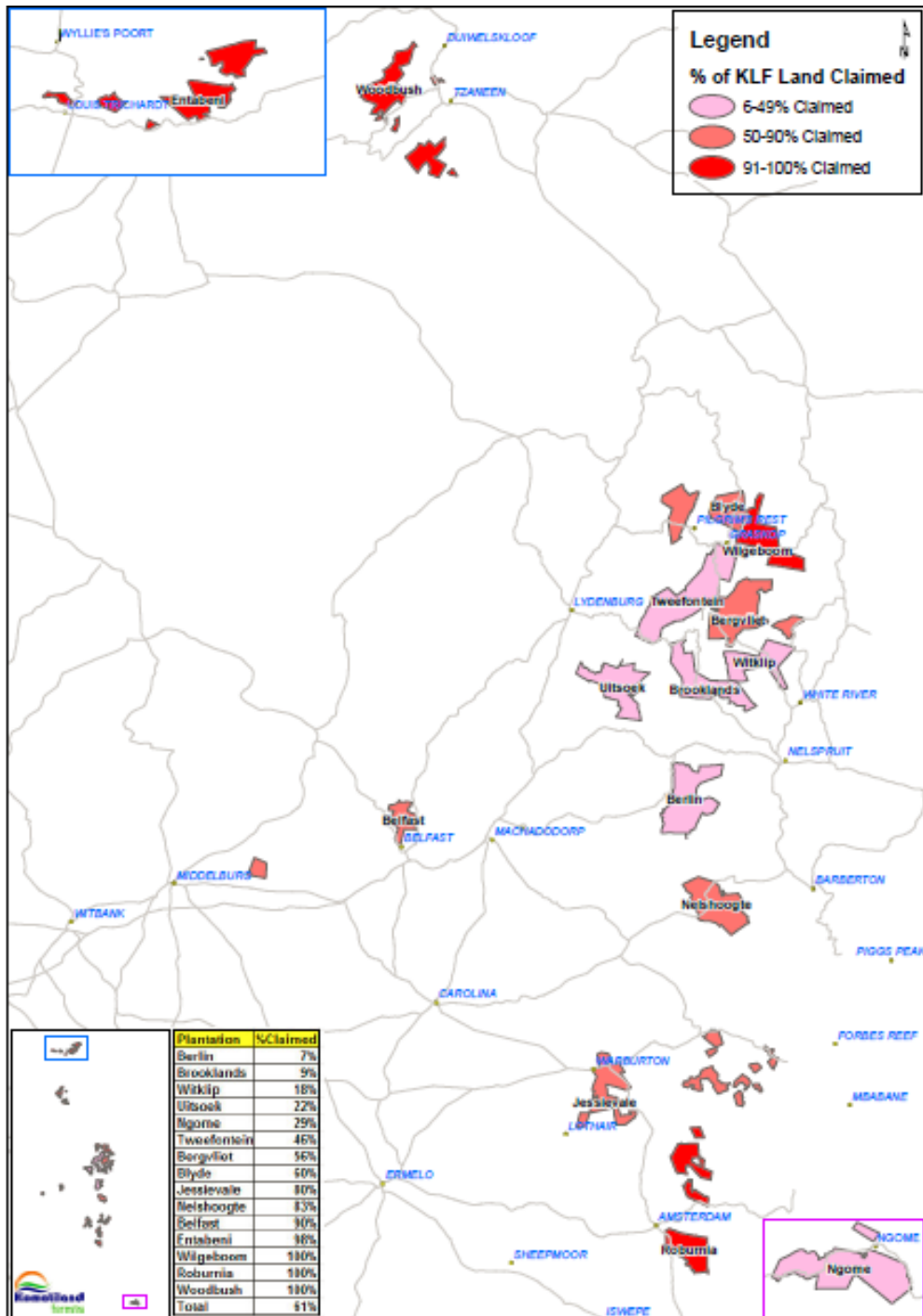
SAFCOL operates mainly in rural areas and provides opportunities for economic development and participation for local communities. Approximately 61% of the land area is under land claim, in which SAFCOL is actively involved, while also supporting land claimants and other community members in other initiatives.



LAND CLAIMS



Land Claims distribution in SAFCOL



LAND CLAIMS – STATUS SUMMARY

Province / Status	Number Claimants	Estimated Area (ha) *
Mpumalanga	20	67 507
Investigation	16	50 112
Negotiation	4	17 395
Limpopo	23	32 459
Investigation	2	823
Negotiation	18	24 237
Settlement	3	7 398
KZN	1	6 013
Negotiation	1	6 013
Grand Total	44	105 978

Summary of Settlement Stages:

Investigation of Claims

Gazetting of Claims

Negotiation & Stakeholder Facilitation

Formation of Legal Entities

Settlement and Transfer

** Area reported may not be accurate as some claims have not been investigated and confirmed*

LAND CLAIMS – SETTLEMENT MODEL

- Lease-back settlement model was developed in line with general forestry industry approach
- The Shareholder and Board requested management to review the lease back and partnership models to contribute to the improvement of community livelihoods and continuation of forestry operations
- SAFCOL is currently revising the model according to following principles:
 - Inclusion of communities and land claimants in business operations' value chain
 - Integration of CSI and ED initiatives for communities within the forestry value chain
- Relevant stakeholders will be engaged



SAFCOL DUE DILIGENCE EXERCISE AND INVESTIGATIONS

FORENSIC INVESTIGATION BACKGROUND

- Towards the end of 2015, the SAFCOL Board requested a Due Diligence to be conducted due to the following reasons:
 - Some previous and existing investigations had not resulted in criminal proceedings or the implementation of recommendations;
 - The Board was uncomfortable with information provided by the Executives in order to make critical business decisions; and
 - A review of internal controls of the company.
- To this end, the Board appointed 2RM with the following scope:
 - Evaluate all current and previous investigations and evidence, and propose and action further recommendations;
 - Review internal controls;
 - Conduct an asset verification;
 - Evaluate the state of SAFCOL;
 - Verification of all employees; and
 - Assist with drafting affidavits, evidence and proposed charges to be handed over to the Hawks and the NPA.



VALUE ADDITION FROM 2RM INVESTIGATION

The investigation provided findings resulting in the following business activities or improvements:

- Asset review – useful life, valuation and accuracy
- Fire claims assessment performed
- Minimum qualifications of employees reviewed
- Discontinuation of B-BBEE log sales discounts
- Improvement in the control environment

SUMMARY OF INVESTIGATIONS AGAINST SAFCOL EXECUTIVES & SENIOR MANAGEMENT AND OTHERS

No of SAPS cases	Level	No of individuals	No of dismissals & resignations	Type of alleged misconduct and/or criminal offenses reported
13 Criminal Cases opened:	Previous Executives since 2011	7	<ul style="list-style-type: none"> - 7 resigned - 0 dismissed 	<ul style="list-style-type: none"> - Irregularities with the appointment of a service providers and/or appointment of service providers not in line with SAFCOL's Procurement Policies & Procedures - Non-Compliance with the PFMA Act 1 of 1999, - Fraud - Non-Compliance with internal policies - Criminal Charge relating to PFMA Exceeded mandate in failing to approach the SAFCOL Board in respect of the overspend Financial misconduct - Failure to comply with the Fiduciary Duties - Irregular appointment of an independent contractor - Corruption - Gross Misconduct - Gross Dishonesty - Financial misconduct - Unethical conduct - Unauthorised disclosure of company information
SAPS Pretoria, Brooklyn 445/8/2016 446/8/2016 447/8/2016 448/8/2016 449/8/2016 450/8/2016	Senior Management	12	<ul style="list-style-type: none"> - 6 resigned (3 employees were charged) - 2 dismissed - 4 currently employed, 2 matters have been resolved and 2 matters in progress. 	
SAPS, Nelspruit 456/8/2016 457/8/2016	Other employees	18	<ul style="list-style-type: none"> - 8 resigned - 5 dismissed - 5 currently employed of which all matters were resolved in the internal process 	
SAPS, Sabie 39/8/2016 40/8/2016 41/8/2016 42/8/2016				
SAPS, Belfast 84/8/2016				



FEEDBACK?



THANK YOU!