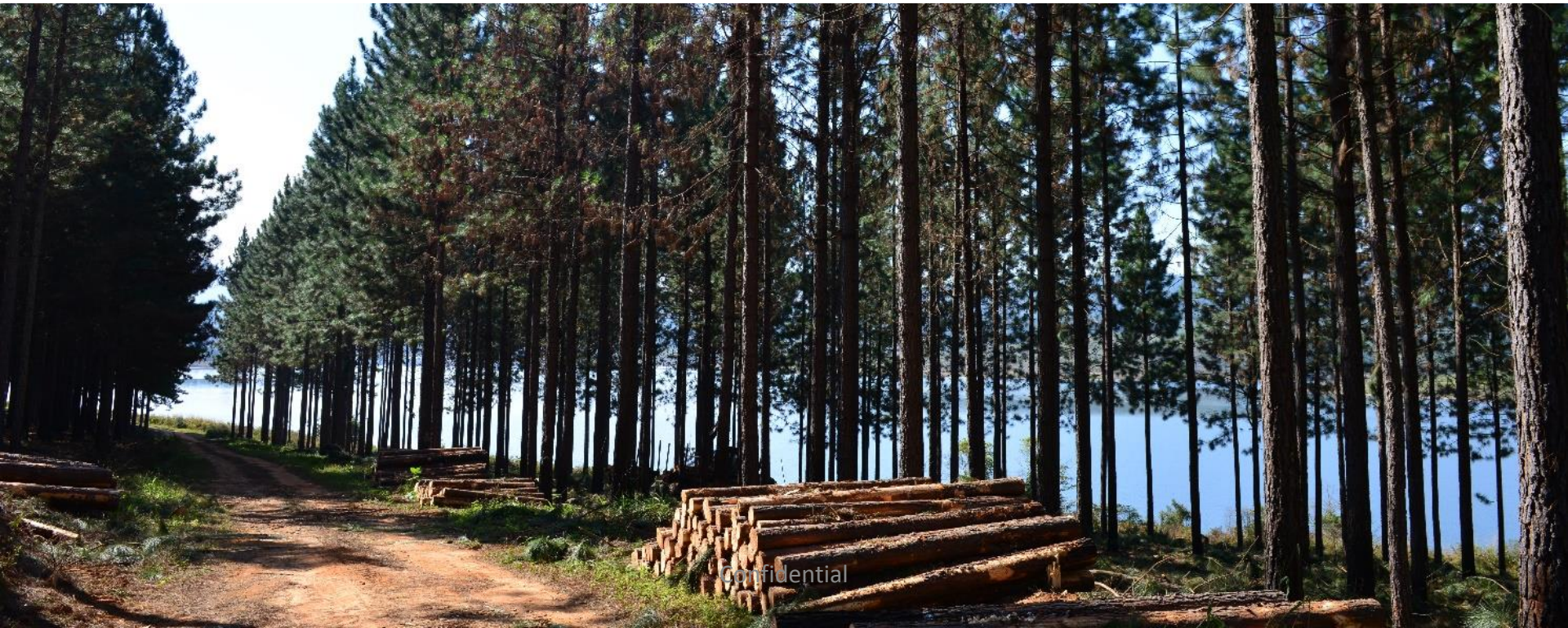




NA-PCPE: SAFCOL Performance Targets for 2018/19 FY



PRESENTATION OUTLINE

1. Background
2. Strategic Objectives and Drivers
3. Key Performance Indicators (KPI's)





BACKGROUND

BACKGROUND

- SAFCOL conducts its primary business within the forestry industry;
- The Group comprises of:
 - a) Komatiland Forests SOC Ltd (KLF), a 100% subsidiary of SAFCOL, which has its own subsidiary as Indústrias Florestais de Manica (IFLOMA) in Mozambique.
 - b) Abacus Forests SOC Ltd, a 100% subsidiary of SAFCOL.
 - c) Kamhlabane Timber SOC Ltd, a 100% subsidiary of SAFCOL.
- SAFCOL internally processes about 25% of its sawlogs, with 75% sold on the open market;
- SAFCOL leases land from the Government on which the plantations are established, and approximately 57% of the land on which SAFCOL operates is subject to land restitution claims;
- KLF is the main operating entity and generator of income within SAFCOL and manages the plantation forestry operations;
- It manages 189 760 hectares of forestry in Mpumalanga, Limpopo and Kwa-Zulu Natal provinces;
- KLF holds 80% of the shareholding in IFLOMA, the forestry business in Mozambique; and
- SAFCOL's plantations in South Africa are certified by the Forest Stewardship Council (FSC) according to sustainable forest management practices, which is defined by FSC as being *environmentally appropriate, socially beneficial, and economically viable.*

BACKGROUND

The core foundation of SAFCOL's Strategy is based on:

- Driving **organisational efficiencies** and turnaround;
- **Collaboration with industry** in areas such as fire-fighting, security, weed control and skills development;
- SAFCOL also intends to **integrate horizontally** by potentially accessing other plantations such as the category B&C plantations that are currently managed by the Department of Agriculture, Forestry and Fisheries (DAFF);
- **Reviewing the organisation's harvesting policies** in order to potentially increase volumes;
- **Increasing processing capacity** by investing in the upgrade and modernisation of the Timbadola sawmill;
- A concerted effort will be made in **creating a wood culture** in South Africa;
- As part of **vertical integration**, developing new products such as timber-frame structures, poles and engineered wood to extract maximum value from its logs. Vertical integration also includes potential collaboration with other players;
- **Increasing capacity** in the organisation. This includes a focus on business development, marketing and sales;
- Driving rural economic development and **enterprise development**;
- Effectively utilising SAFCOL's abundant forestry assets to grow its **eco-tourism business** to its maximum benefit; and
- SAFCOL intends to utilise its capabilities to provide **forestry management services** locally and in other countries.





SAFCOL'S STRATEGIC OBJECTIVES AND DRIVERS

STRATEGIC OBJECTIVES

Growth and new markets

Business development and growth

Grow current market share

Diversify products and services

Diversification into new markets

Horizontal & Vertical integration

Financial sustainability

Revenue growth

Financial management

Increase operating profit

Operational Excellence

Establish cutting-edge processing facilities

Continuous improvement of silviculture and harvesting practices

Support all business processes with RESEARCH AND DEVELOPMENT

Develop consultancy and advisory services

Rural development

Be a catalyst in rural economic development

To lead in environmentally sustainable forestry

STRATEGIC DRIVERS

Financial sustainability

- Revenue growth
- Cost control
- Profitability

Cutting-edge operations & processes

- Modernisation and optimisation
- Efficiency
- Broaden research and development capability
- Quality, standards, health and safety
- Effective contract and risk management
- Environmental stewardship

Human Capital

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

Satisfied customers and stakeholders

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

Transformation

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



KEY PERFORMANCE INDICATORS

AS CONTRACTED IN THE SHAREHOLDER COMPACT

KEY PERFORMANCE INDICATORS

FOCUS IS ON THE FOLLOWING ELEMENTS OF STRATEGIC INTENT:

1. Financial Sustainability.
2. Operational Excellence.
3. Capital Expenditure Programmes.
4. Strategic Initiatives and/or Industrialisation.
5. Socio Economic Deliverables.



KEY PERFORMANCE INDICATORS

- Financial Sustainability Annual Targets

Element of Strategic Intent	(KPA	KPI	Annual Target		
			2018/2019	2019/2020	2020/2021
Financial sustainability	Financial return	EBITDA / Revenue [%]	5%	5%	5%
		Revenue growth [%]	2%	5%	5%
		Overhead / Expenditure reduction [%]	5%	5%	5%
	Credit worthiness	Cash Interest Cover	1	1	1
	Working capital management	Current Ratio	<3.5	<3.5	<3.5
		Cash Ratio	1	1	1
		Debtor's Days	60	60	60
		Creditor's Days	30	30	30
		Inventory Days	40	40	40

KEY PERFORMANCE INDICATORS

- Financial Sustainability Quarterly Targets

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target	Quarterly Target			
				2018/2019	1st	2nd	3rd	4th
Financial sustainability	Financial return	EBITDA / Revenue [%]	Quarterly	5%	1%	2%	3%	5%
		Revenue growth [%]	Quarterly	2%	2%	2%	2%	2%
		Overhead / Expenditure reduction [%]	Quarterly	5%	5%	5%	5%	5%
	Credit worthiness	Cash Interest Cover	Quarterly	1	1	1	1	1
	Working capital management	Current Ratio	Quarterly	<3.5	<3.5	<3.5	<3.5	<3.5
		Cash Ratio	Quarterly	1	1	1	1	1
		Debtor's Days	Quarterly	60	60	60	60	60
		Creditor's Days	Quarterly	30	30	30	30	30
		Inventory Days	Quarterly	40	40	40	40	40

KEY PERFORMANCE INDICATORS

- Operational Excellence Annual Targets

Element of Strategic Intent	(KPA)	(KPI)	Annual Target		
			2018/2019	2019/2020	2020/2021
Operational excellence	Area of forest under management	Total Gross Stocked Area			
		South Africa: maintain plantable area [ha]	120 500 ha	120 300 ha	120 100 ha
		Mozambique: maintain current plantable area (Manica) [ha]	16 080 ha	16 080 ha	16 030 ha
		Temporarily Unplanted Area (TUP) %			
		South Africa: TUP	3%	3%	3%
		Mozambique current operations: TUP	5%	4%	3%
		Expansion of planted area			
		Mozambique: new establishment (Sofala) [ha]	2 000 ha	3 000 ha	4 000 ha
		Forest Stewardship Council Certification			
		% of total forest area in SA fully certified to FSC or PEFC standard and submission of annual FSC report	100%	100%	100%

KEY PERFORMANCE INDICATORS

- Operational Excellence Annual Targets

Element of Strategic Intent	(KPA)	(KPI)	Annual Target		
			2018/2019	2019/2020	2020/2021
Operational excellence	Timber processing	Intake Volume – SA Operations			
		Timbadola Sawmill	40 000m ³	140 000m ³	140 000m ³
		Additional sawmill processing	50 000m ³	50 000m ³	50 000m ³
		Intake Volume – Mozambique Operations			
		Mozambique IFLOMA processing	10 000m ³	15 000m ³	30 000m ³
		Lumber Sales – SA Operations			
		Lumber volume sold	43 000m ³	90 800m ³	90 800m ³
		SA lumber market share	3%	6%	6%
	Focus on safety	Fatalities Index	0	0	0
		Disabling injury frequency rate (DIFR)	1.8	1.6	1.4

KEY PERFORMANCE INDICATORS

- Operational Excellence Quarterly Targets

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	Quarterly Target			
					1st	2nd	3rd	4th
Operational excellence	Area of forest under management	Total Gross Stocked Area: South Africa						
		South Africa: maintain plantable area [ha]	Quarterly	120 500ha	120 500ha	120 500ha	120 500ha	120 500ha
		Total Gross Stocked Area: Mozambique						
		Mozambique: maintain current plantable area (Manica) [ha]	Quarterly	16 080ha	16 080ha	16 080ha	16 080ha	16 080ha
		Temporarily Unplanted Area (TUP) %						
		South Africa: TUP	Quarterly	3%	3%	3%	3%	3%
		Mozambique current operations: TUP	Quarterly	5%	5%	5%	5%	5%
		Expansion of Planted Area						
		Mozambique: new establishment (Sofala) [ha]	Quarterly	2 000 ha	750	750	750	2 000
		Forest Stewardship Council Certification						
% of total forest area in SA fully certified to FSC or PEFC standard and submission of annual FSC report	Quarterly	100%	100%	100%	100%	100%		



KEY PERFORMANCE INDICATORS

- Operational Excellence Quarterly Targets

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target	Quarterly Target			
				2018/2019	1st	2nd	3rd	4th
Operational excellence	Timber processing	Intake Volume – South African Operations						
		Timbadola Sawmill	Quarterly	40 000m ³	30 000	10 000	0	0
		Additional sawmill processing	Quarterly	50 000m ³	12 712	13 347	11 653	12 288
		Intake Volume – Mozambique Operations						
		Mozambique IFLOMA Processing	Quarterly	10 000m ³	2 542	2 669	2 331	2 458
		Lumber Sales – SA Operations						
		Lumber Volume sold	Quarterly	43 000m ³	7706	11 174	5827	6144
	SA Lumber Market Share	Quarterly	3%	3.0%	3.0%	3.0%	3.0%	
	Focus on safety	Fatalities Index	Quarterly	0	0	0	0	0
		DIFR	Quarterly	1.8	1.8	1.8	1.8	1.8

KEY PERFORMANCE INDICATORS

- Capital Expenditure Programmes Annual Targets

Element of Strategic Intent	KPA	KPI	Annual Target		
			2018/2019	2019/2020	2020/2021
Capital expenditure programmes	Vertical integration	Timbadola upgrade	Strategy finalised; relevant processes and implementation plan development and approvals concluded	Approved strategy implemented	Approved strategy implemented

- Capital Expenditure Programmes Quarterly Targets

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	Quarterly Target			
					1st	2nd	3rd	4th
Capital expenditure programmes	Vertical integration	Timbadola upgrade	Quarterly	Strategy finalised; relevant processes and implementation plan development and approvals concluded	Service provider appointed to update studies and design plant; implementation schedule developed; and PFMA application developed	Detailed plant design and implementation plan developed, including initiation of required approval processes	Approvals concluded (except EIA, if required) and procurement commenced	Implementation of the upgrade project continues

KEY PERFORMANCE INDICATORS

Strategic Initiatives and/or Industrialisation Annual Targets

Element of Strategic Intent	KPA	KPI	Annual Target		
			2018/2019	2019/2020	2020/2021
Strategic initiatives and/or industrialisation	Vertical integration	Participation in the Sabie Techno Park initiative of the Mpumalanga Provincial Government (including timber value addition such as pole treatment, timber-frame plant and other timber value-adding activities); expansion of sawmill processing capacity in Sabie through various means (e.g. partnerships.)	Implementation plan developed; agreements and approvals drafted and submitted	Implementation of approved implementation schedule commenced	Approved business opportunities operationalised
		Industrialise production of timber-framed structures	Target markets expanded and required additional capacity identified based on market demand and business case viability	Implementation plan further rolled out to interested provinces based on market demand and business case viability	Industrialise production of timber framed structures
		Pole manufacturing plant	Pole manufacturing capacity implemented and operationalised		
		DAFF plantation areas	Strategic Implementation Plan approved	Approved strategic plan implemented	Approved strategic plan implemented
	IFLOMA	Consider and approve options to improve IFLOMA profitability (Manica)	Approved strategic plan implemented		
	Business development expansion	SAFCOL Africa strategy	Detailed plan developed	Strategy in identified country piloted	Strategy expanded to other countries, where feasible

KEY PERFORMANCE INDICATORS

Strategic Initiatives and/or Industrialisation Quarterly Targets

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	1st	Quarterly Target			
						2 nd	3rd	4th	
Strategic initiatives and/or industrialisation	Vertical integration	Participation in the Sabie Techno Park initiative of the Mpumalanga Provincial Government (including timber value addition such as pole treatment, timber-frame plant and other timber value-adding activities); expansion of sawmill processing capacity in Sabie through various means (e.g. partnerships, etc.)	Quarterly	Implementation plan developed; agreements and approvals drafted and submitted	Timber-frame and pole treatment as per below. Identify other potential activities and appoint service providers.	Complete studies and implementation plans and submit for approval	Commence relevant procurement and approval processes	Finalise implementation plan, agreements and submissions for approval	
		Industrialise production of timber-framed structures	Quarterly	Target markets expanded and required additional capacity identified based on market demand and business case viability	1 st Draft of market study completed; Service provider appointed for plant and equipment design, implementation plan	Approvals concluded (excl. EIA); procurement processes for construction of plant commence	Commence plant construction; procure equipment	Operationalise plant (dependent on lead time of plant and equipment)	
		Pole manufacturing plant	Quarterly	Pole manufacturing capacity implemented and operationalised	Appoint service provider to assess market, potential options and develop implementation plan and detailed plant design	Proposal for approval of preferred option for pole treatment plant submitted and required approvals initiated	Relevant procurement and construction processes commenced	Pole plant operationalised	
		DAFF plantation areas	Quarterly	Strategic Implementation Plan approved	Principle agreement between parties	Phasing, approach and detailed plans developed	Assessment performed on assets	Strategic implementation plan developed and approved	

KEY PERFORMANCE INDICATORS

Strategic Initiatives and/or Industrialisation Quarterly Targets

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	Quarterly Target			
					1st	2 nd	3rd	4th
Strategic initiatives and/or industrialisation	IFLOMA	Consider and approve options to improve IFLOMA profitability (Manica)	Quarterly	Approved strategic plan implemented	Strategy approved by IFLOMA Board	Business Plan developed and approved by IFLOMA Board	Short term priorities identified and action plans developed	Measure, adjust and implement accordingly
	IFLOMA Sofala	Finalise bankable feasibility study for IFLOMA Sofala	Quarterly	Implementation plan developed and first phase of implementation commenced	Appoint service provider to update bankable feasibility study	Submit a board approved PFMA application.	Implementation plan developed and investor options evaluated	Implement most feasible option
	Business development expansion	SAFCOL Africa strategy	Quarterly	Detailed plan developed	Service provider appointed to develop strategy	Draft strategy developed	Final strategy and implementation plan approved	Detailed plans developed from approved strategy and implementation plan

KEY PERFORMANCE INDICATORS

Socio-Economic Deliverables Annual Targets (Skills Development)

Element of Strategic Intent	KPA	KPI	Annual Target		
			2018/2019	2019/2020	2020/2021
	SOCIAL IMPACT	Improve HC transformation on the following programmes and ensure skills development objectives are met, as follows			
Socio-economic deliverables	Skills development	Learner intake – target number of new entrants in FY			
		Number of apprenticeship trainees	25	25	25
		Number of Forestry, Wood technology, Engineering and Industry-related bursaries	21	35	30
		Number of internships	35	37	40
		Number of sector specific scarce and critical skills learnerships, e.g. Forestry, Processing and Industry-related	110	115	120
		Learnerships - Semi-Skilled and Skilled Workers			
		Percentage of training spend (including 1% levy) amount	6%	6%	6%

KEY PERFORMANCE INDICATORS

Socio-Economic Deliverables Quarterly Targets (Skills Development)

Element of KPA	KPI	Reporting Period	Annual Target	1st	2 nd	3rd	4th	
Strategic Intent			2018/2019					
Socio-economic deliverables	Skills development	Learner intake – target number of new entrants in FY						
		Number of apprenticeship trainees	Quarterly	25	25	25	25	25
		Number of Forestry, Wood technology, Engineering and Industry-related bursaries	Quarterly	21	0	0	21	0
		Number of internships	Quarterly	35	0	0	35	0
		Number of sector specific scarce and critical skills learnerships, e.g. Forestry, Processing and Industry-related	Quarterly	110	20	0	0	90
		Semi-Skilled and Skilled Workers Learnerships						
		Percentage of training spend (including 1% levy) amount	Quarterly	6	6	6	6	6

KEY PERFORMANCE INDICATORS

Socio-Economic Deliverables Quarterly Targets (Transformation)

Element of Strategic Intent	KPA	KPI	Annual Target			
			2018/2019	2019/2020	2020/2021	
	Economic Impact					
Socio-economic deliverables	CSI	Rand Value	Total CSI budget for CSI projects/initiatives	R11 500 000	R13 000 000	R13 845 000
		Number of indirect jobs created through CSI and other		100	100	100
		Number of direct jobs created	Permanent	32	32	32
			Contract	6	6	6
	ESD	Expenditure on supplier development		R2 558 792	R2 763 495	R2 943 122
		Expenditure on ED		R2 485 780	R2 684 642	R2 859 143
		Number of rural black owned enterprise businesses established		3	3	3
		Number of rural black owned supplier businesses established		4	4	4
		Assessment and development of implementation plan for Agroforestry business		Agroforestry projects with five communities	Agroforestry projects with seven communities	Agroforestry projects with seven communities

KEY PERFORMANCE INDICATORS

Socio-Economic Deliverables Quarterly Targets (Transformation)

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	1st	2 nd	3 rd	4 th	
Socio-economic deliverables	CSI	Economic Impact							
		Rand value	Total CSI budget for CSI projects/initiatives	Quarterly	R11 500 000	R575 000	R3 450 000	R2 875 000	R4 600 000
		Number of indirect jobs created through CSI and other		Quarterly	100	10	30	20	40
		Number of direct jobs created	Permanent	Quarterly	32	3	9	6	12
			Contract	Quarterly	6	1	2	1	2
		Expenditure on supplier Development		Quarterly	R2 558 792	R255 879	R767 638	R511 758	R1 023 517
		Expenditure on ED		Quarterly	R2 485 780	R248 578	R745 734	R497 156	R994 312
		Number of rural black owned enterprise businesses established		Quarterly	3	1	1	1	0
		Number of rural black owned supplier businesses established		Quarterly	4	1	1	1	1
		Assessment and development of implementation plan for Agroforestry business		Quarterly	Agroforestry projects with five communities	1	2	1	1

KEY PERFORMANCE INDICATORS

Socio-Economic Deliverables Annual Targets (Employment Equity)

Element of Strategic Intent	KPA	KPI	Annual Target		
			2018/2019	2019/2020	2020/2021
Economic Impact					
Socio-economic deliverables	Job creation	EE targets in line with the EE Plan			
		Percentage of Total Black Top and Senior Managers	79%	79%	79%
		Percentage of Total Black Female Top and Senior Managers	36%	36%	36%
		Percentage of Total Black Middle Managers	69%	69%	69%
		Percentage of Total Black Female Middle Managers	30%	30%	30%
		Percentage of Black employees with a disability	2%	2%	2%

Socio-Economic Deliverables Quarterly Targets (Employment Equity)

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	Quarterly Target			
					1st	2nd	3rd	4th
Economic Impact								
Socio-economic deliverables	Job creation	EE targets in line with the EE Plan						
		Percentage of Total Black Top and Senior Managers	Quarterly	79%	73%	73%	73%	73%
		Percentage of Total Black Female Top and Senior Managers	Quarterly	36%	33%	33%	33%	33%
		Percentage of Total Black Middle Managers	Quarterly	69%	76%	76%	76%	76%
		Percentage of Total Black Female Middle Managers	Quarterly	30%	34%	34%	34%	34%
		Percentage of Black employees with a disability	Quarterly	2%	2%	2%	2%	2%

KEY PERFORMANCE INDICATORS

Socio-Economic Deliverables Annual Targets (Supply Chain Management)

Element of Strategic Intent	KPA	KPI	Annual Target		
			2018/2019	2019/2020	2020/2021
Socio-economic deliverables	Procurement	Economic Impact			
		B-BBEE Procurement Recognition Level	2	2	2
		Percentage spent on local content	85%	85%	85%
		Percentage of B-BBEE spent on QSEs	40%	40%	40%
		Percentage of B-BBEE spent on EMEs	30%	30%	30%
		Percentage spent on Black Women Owned Suppliers	44%	44%	44%
		Percentage spent on Youth Owned Suppliers	5%	5%	5%
		Percentage spent on Disabled Owned Suppliers	1%	2%	2%

Socio-Economic Deliverables Quarterly Targets (Supply Chain Management)

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	Quarterly Target			
					1st	2nd	3rd	4th
Socio-economic deliverables	Procurement	Economic Impact						
		B-BBEE Procurement Recognition Level	Annual	2	Annual Target	Annual Target	Annual Target	2
		Percentage spent on local content	Quarterly	85%	20%	40%	60%	85%
		Percentage of B-BBEE spent on QSEs	Quarterly	40%	10%	20%	30%	40%
		Percentage of B-BBEE spent on EMEs	Quarterly	30%	8%	15%	23%	30%
		Percentage spent on Black Women Owned Suppliers	Quarterly	44%	10%	20%	30%	44%
		Percentage spent on Youth Owned Suppliers	Quarterly	5%	1%	3%	4%	5%
		Percentage spent on Disabled Owned Suppliers	Quarterly	1%	1%	1%	1%	1%

KEY PERFORMANCE INDICATORS

Socio-Economic Deliverables Annual Targets (SHEQ)

Element of Strategic Intent	KPA	KPI	Annual Target		
			2018/2019	2019/2020	2020/2021
Socio-economic deliverables	Climate Change Response	Implementation of the approved Climate Change Response plan	Implementation of the approved plan	Implementation of the approved plan	Implementation of the approved plan
	Emission Reduction and Resources efficiency	Baseline on: Emissions; Water consumption; Electricity consumption; and Fuel consumption measured	Implementation of the approved plan	Implementation of the approved plan	Implementation of the approved plan

Socio-Economic Deliverables Quarterly Targets (SHEQ)

Element of Strategic Intent	KPA	KPI	Reporting Period	Annual Target 2018/2019	Quarterly Target			
					1st	2 nd	3rd	4th
Socio-economic deliverables	Climate Change Response	Implementation of the approved Climate Change Response Plan	Quarterly	Implementation of the approved plan	Implementation of resource-saving quick wins; Education and awareness building, including communities	External specialist's assessment of current status of climate change activities at SAFCOL. Quantify contributions and sequestration opportunities.	Update existing policies and plans, in line with findings of external assessment done in Q2	Identify and commence climate change related community projects (e.g. food security – fruit trees)
	Emission reduction and resources efficiency	Baseline on: emissions; Water consumption; Electricity consumption; and Fuel consumption measured	Quarterly	Implementation of the approved plan	Continuous measurement of water, fuel and electricity consumption at Timbadola	Analysis of resource consumption trends at Timbadola; Identify opportunities for reduction in consumption (if any)	Implement initiatives to reduce resource consumption at Timbadola, where identified. Link to Climate Change Response Plan	Absorption into the Climate Change Response Plan, since all further activities are linked to it and contained therein



THANK YOU