



INTEGRATED REPORT 2020/21

GROWTH THROUGH
EXCELLENCE, EXPANSION AND
PARTNERSHIPS.

SAFCOL

Presentation to the Portfolio Committee on Public Enterprises

01 December 2021

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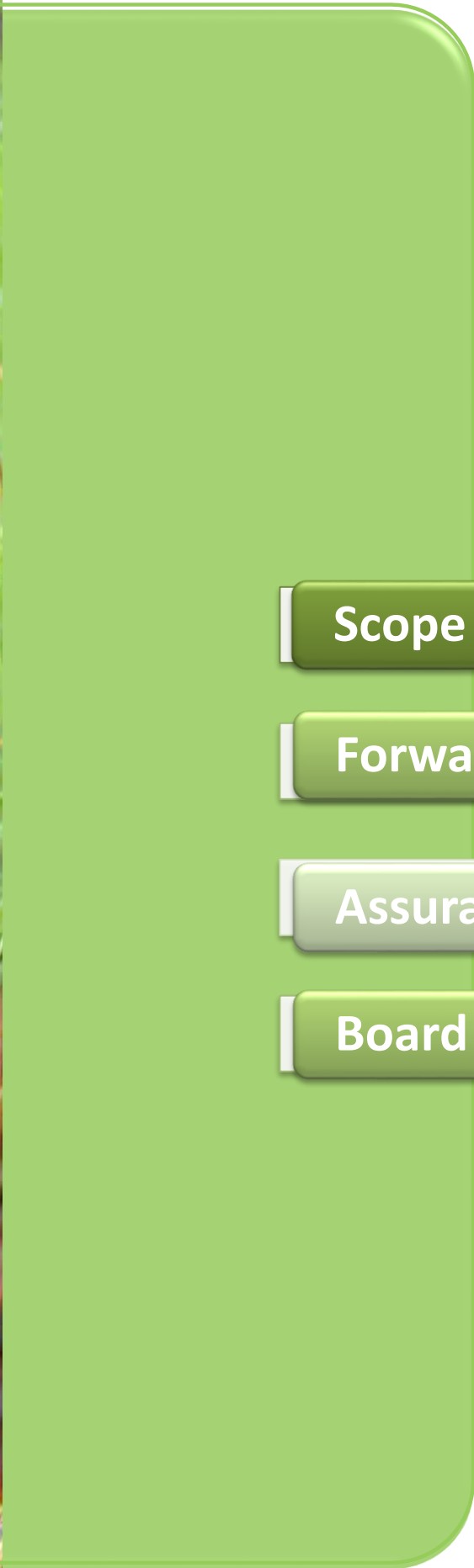
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BUILDING OUR
SUCCESS THROUGH
TRANSFORMATION,
INNOVATION AND
MUTUALLY BENEFICIAL
PARTNERSHIPS

Improving operational performance 35
IFLOM operations performance 35

66

1. The Report



Scope and Forward-looking statements

Scope

This report presents the financial, technical, operational, social and environmental performance of the Company for the 2020/21 financial year (1 April 2020 to 31 March 2021).

The information contained herein refers to the performance of SAFCOL, which includes the Forest Stewardship Council® (FSC®) certified Komatiland Forest SOC Limited (KLF) (FSC® – C013832 – Forest Management and FSC® – C007806 Chain of Custody and its subsidiary operations of indústrias Florestais de Manica SARL (IFLOMA) based in Mozambique.

Forward-looking statements

This report may contain certain forward-looking statements that are neither reported financial results nor based on historical fact, but constitute current expectations based on reasonable assumptions, data or methods, and are not a guarantee of future results. These forward-looking statements, by their nature are subject to significant known or unknown risks and uncertainties.

Icons used in the report

-  **Financial capital**
-  **Manufactured capital**
-  **Relationship capital**
-  **Natural capital**
-  **Human capital**
-  **Intellectual capital**
-  **Social capital**



SUSTAINABLE DEVELOPMENT GOALS

Navigation icons



This icon refers to more detailed information in this report.



This icon refers to information on our website.



This icon refers to our glossary on pages 140 and 141.

Assurance providers and Board responsibility and approval

Assurance Providers

SAFCOL's assurance is provided to the Board of Directors by management, and internal and external assurance providers that include the:

- Risk, compliance, and safety, health, environmental and quality (SHEQ) functions
- Internal audit function
- Independent Broad-Based Black Economic Empowerment (B-BBEE) verification agencies
- FSC® Certification
- Auditor-General of South Africa (AGSA).

Board responsibility and approval

The Board is accountable for the integrity and completeness of the integrated report and any supplementary information, and is supported by various Board committees.

The Board approved the FY 2020/21 integrated report and annual financial statements on 20 September 2021, after having considered the completeness of the material items dealt with, the reliability of information presented and the assurance process followed.

Icons used in the report



SUSTAINABLE DEVELOPMENT GOALS

Navigation icons



This icon refers to more detailed information in this report.



This icon refers to information on our website.



This icon refers to our glossary on pages 140 and 141.

2.The Company



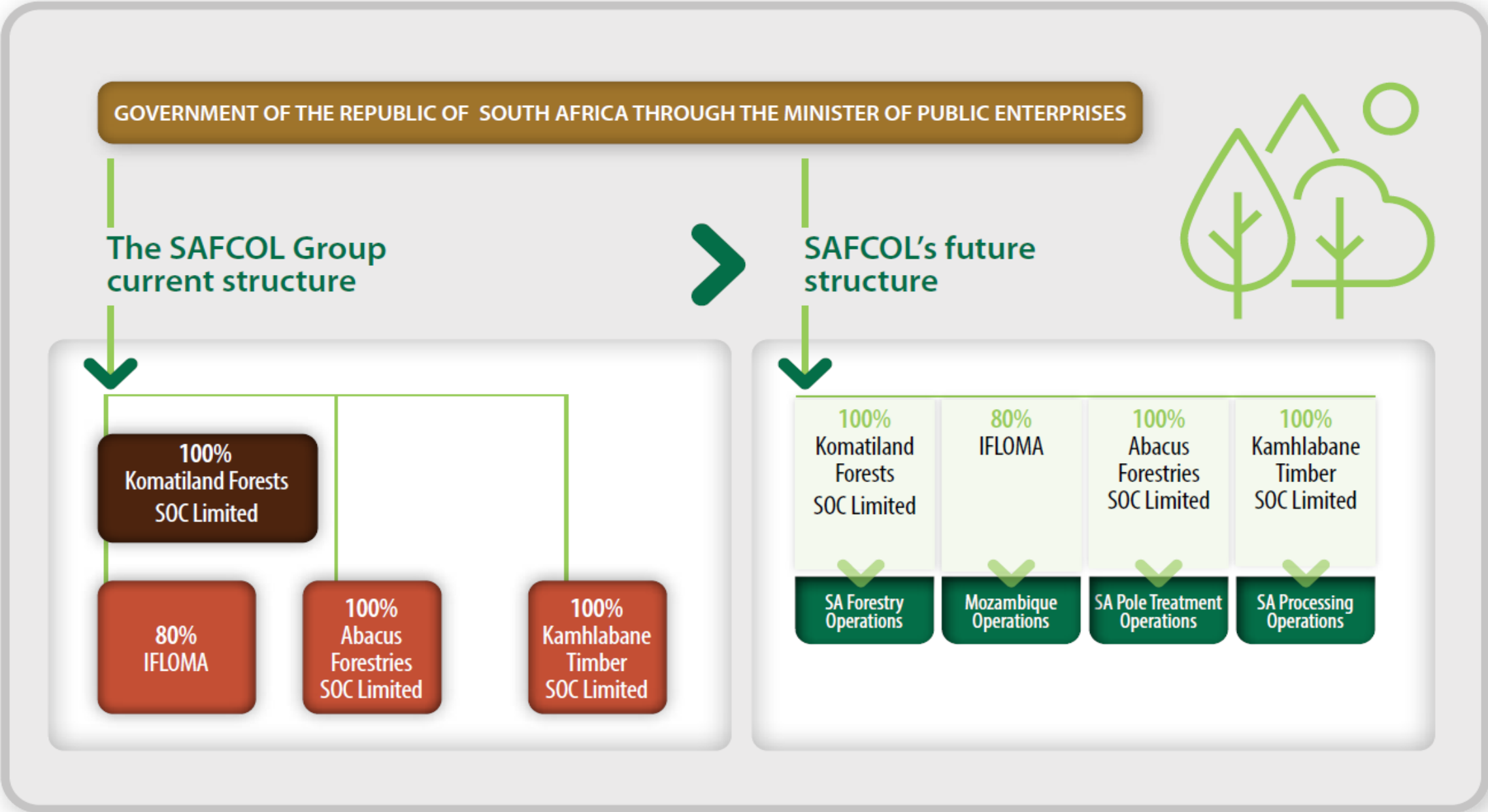
Organisational Group Structure

Associated Minority Companies

Our Values

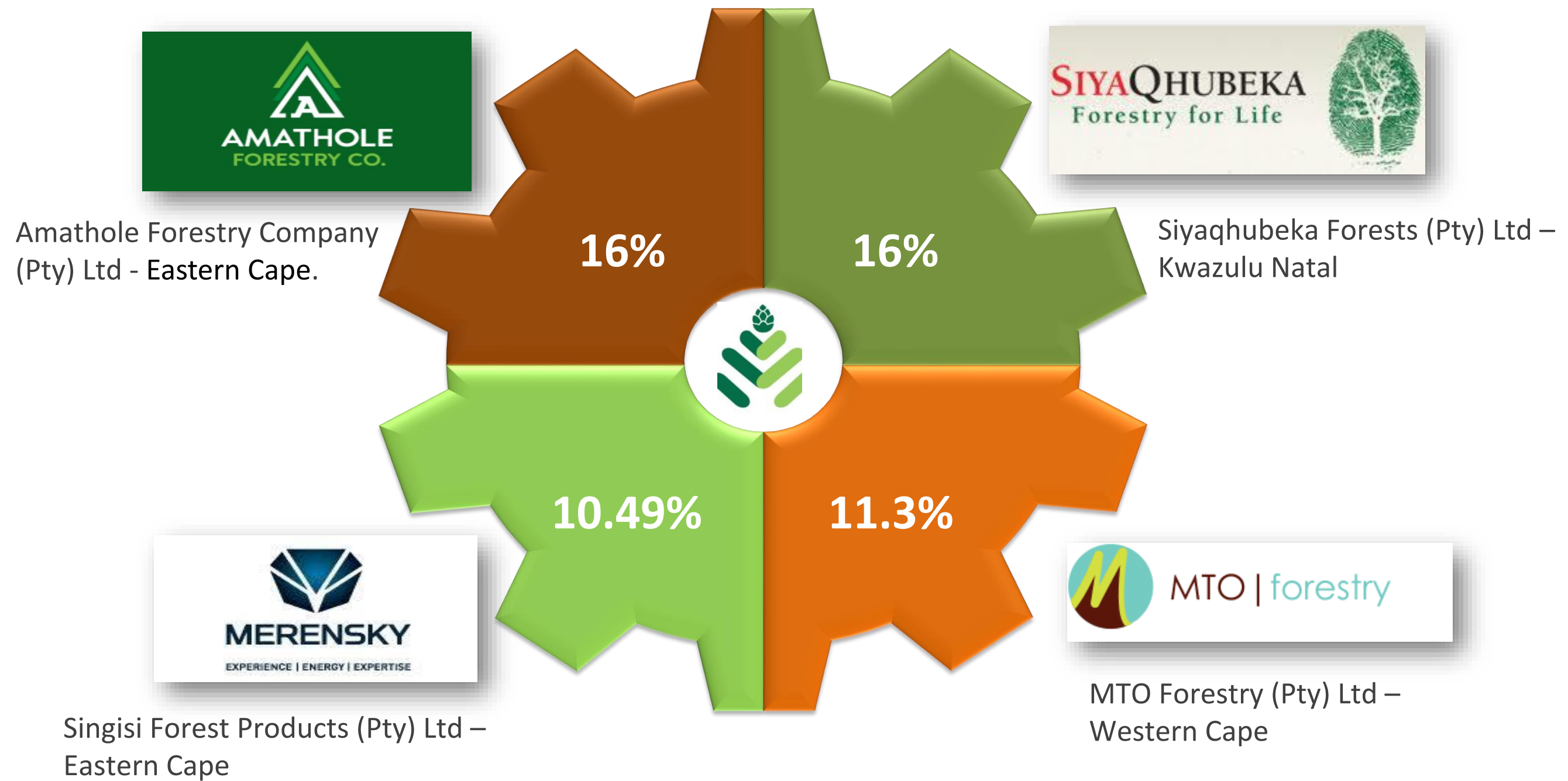
ORGANISATIONAL GROUP STRUCTURE

SAFCOL was established in 1992 under the Management of State Forests Act, No 128 of 1992 (MSFA). In terms of section 3 of the MSFA, SAFCOL’s objective is ‘the development in the long-term of the forestry industry according to accepted commercial management practice’.



- The process of incorporating IFLOMA as an entity which reports directly to SAFCOL is underway.
- Progress is at an advanced stage, with the repositioning of IFLOMA approved, subject to the receipt of written confirmation from the Mozambican tax authority that the repositioning would not trigger any adverse tax effect in Mozambique.

ASSOCIATED MINORITY COMPANIES



OUR VALUES

TOGETHER WE GROW

Our strategy, underpinned by our values, furthers our commitment to commercial, social and environmental sustainability.

Passionate

Honesty and integrity

Customer satisfaction

Respect

Excellence and innovation

Our values

We are passionate about forests and our communities

We conduct ourselves with honesty and integrity

We strive for customer satisfaction

We respect and value our employees

We strive for excellence and innovation in our business



Mission

- Growing our business in the forestry value chain,
- Maximising stakeholder value through strategic partnerships
- Facilitating sustainable economic transformation of the forestry industry and thereby uplifting communities, and
- Maintaining practices that are economically viable, environmentally acceptable and socially beneficial.

3. Operations



Our Operations

Where we Operate

Highlights, Lowlights and Challenges



WHERE WE OPERATE

An overview of SAFCOL’s operations is depicted below. This provides details of regionalised operations, including plantation locations and sizes.



OUR OPERATIONS

Area of operation	Total area (ha)	Plantable area (ha)	Planted area (ha)	Temporarily unplanted (ha)	Still plantable (ha)	Conservation (ha)
South Africa	189 747	120 644	116 695	3 949	—	69 103
Mozambique	101 114	17 385	16 275	1 110	28 581	55 147
Total SAFCOL	290 861	138 029	132 970	5 059	28 581	124 250

- SAFCOL conducts its business through the sustainable management of plantation forests and other assets.
- Revenue is generated from the sale of logs and lumber, as well as other non-timber-related products and services. KLF is the main operating entity and generator of revenue within SAFCOL and manages 15 prime timber plantation assets in Mpumalanga, Limpopo and KwaZulu-Natal. KLF’s commercial and non-commercial operations cover a land area of 189 747 ha.

DISTRICT SNAPSHOT

Genus:
Pine and Eucalyptus
Plantations:
Rotanda, Bandula, Penhalonga and Mavonde plantations
Area:
Manica district and Sussundenga District in Manica province
Size:
31% of total area under management



IFLOMA MUANZA DISTRICT SNAPSHOT

Genus:
Eucalyptus
Plantations:
Galinha
Area:
Muanza District
Size:
69% of total area under management

NORTHERN REGION SNAPSHOT

Genus:
Pine and Eucalyptus
Plantations:
Entabeni, Woodbush, Blyde, Wilgeboom
Area:
Graskop to Limpopo (Tzaneen, Vhembe District)
Size:
25% of total area under management

CENTRAL REGION SNAPSHOT

Genus:
Predominantly Pine and Eucalyptus
Plantations:
Tweefontein, Bergvliet, Brooklands, Witklip, Uitsoek
Area:
Graskop, Sabie, Hazyview, Lydenburg (Mashishing)
Size:
37% of total area under management

HIGHVELD REGION SNAPSHOT

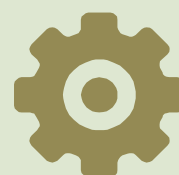
Genus:
Pine, Eucalyptus and Wattle
Plantations:
Berlin, Belfast, Nelshoogte, Jessievale, Roburnia, Ngome
Area:
Mpumalanga Highveld around Ermelo, Belfast, Kaapschehoop, Barberton, Warburton as well as Nongoma in KwaZulu-Natal
Size:
38% of total area under management

OPERATIONAL HIGHLIGHTS, CHALLENGES AND LOWLIGHTS



Highlights

- Commissioning of a FRAME SAW LINE at Timbadola Sawmill
- COST MANAGEMENT initiatives bore fruit
- IFLOMA ACHIEVED operational targets
- Maintained the FSC® certification for the 24TH SUCCESSIVE YEAR



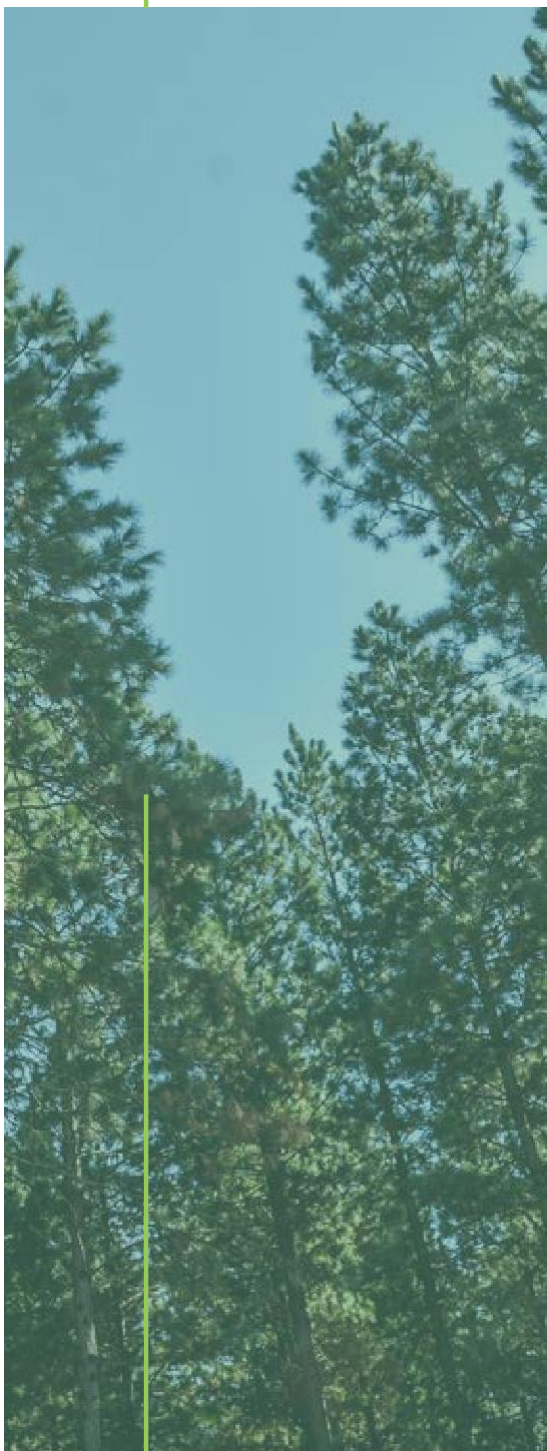
Challenges

- The Covid-19 hard lockdown and the changes in operations that accompanied the pandemic to ensure a safe working environment.
- Termination of the custom cut contract that equated into reduced lumber sales.



Lowlights

- Operations did not meet two of the agreed Shareholder’s Compact KPIs, namely:
 - TUP – South Africa. The target of 3% was missed by 0.3% mainly due to the accelerated clear-fell operations to accommodate increased sales.
 - The increase in plantable commercial forest area at Manica. Pre-establishment and establishment activities were severely impacted by torrential rains and the damage to the road network causing accessibility problems



4. Shareholder's Compact Performance



FY 2020/21 Spotlight

Strategic Context

Board of Directors

Executive Committee

Stakeholder Universe and Engagements

FY 2020/21 SPOTLIGHT



Highlights



12% revenue growth amidst tough conditions, e.g. Covid-19



Healthy balance sheet and cash position maintained



TUP* Mozambique target exceeded



Improvement in Shareholder's Compact performance



Maintained safety, health and environmental performance and culture



FSC® certification achieved for the 24th consecutive year



Electronic performance management system launched



Implementation of a proactive community engagement model



Successful legal and law enforcement actions to address timber theft and other criminal activities

Challenges being attended to

- Cost structure and profitability at Timbadola
- Implementation of strategic projects
- Modernisation of forestry operations through mechanisation and automation
- Timber theft and other crime
- Replacement of the enterprise resource planning system

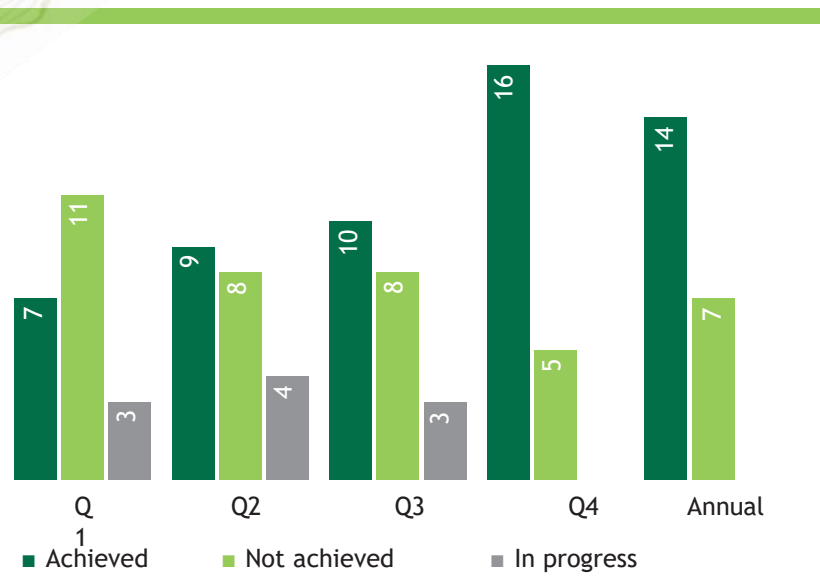
Lowlights

- B-BBEE level from Level 3 to Level 4
- Revenue per head and EBITDA not achieved
- TUP* South Africa not achieved

* Temporarily Unplanned Percentage

PERFORMANCE AGAINST SHAREHOLDER'S COMPACT












- The AGSA conducts the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion.
- The audit conclusion on the performance against pre-determined objectives is included in the report to management, with no material findings on the reported performance information.
- The SAFCOL Group's performance was measured by 21 KPIs for FY 2020/21, 14 of which were achieved. This equates to an achievement of 67% against target, which is higher than the 56% target achieved in FY 2019/20.



COMPARISON OF QUARTERLY AND ANNUAL PERFORMANCE INFORMATION FOR 2020/21

For SAFCOL to achieve its 50:50 strategy it has set itself four strategic goals, which include an explicit separation of financial sustainability from organisational enablement and the introduction of governance excellence. The strategic goals, objectives and their updated objective statements, as seen in table below, are:

- Organisational enablement;
- Operational excellence;
- Growth and business development; and
- Stakeholder and economic transformation.

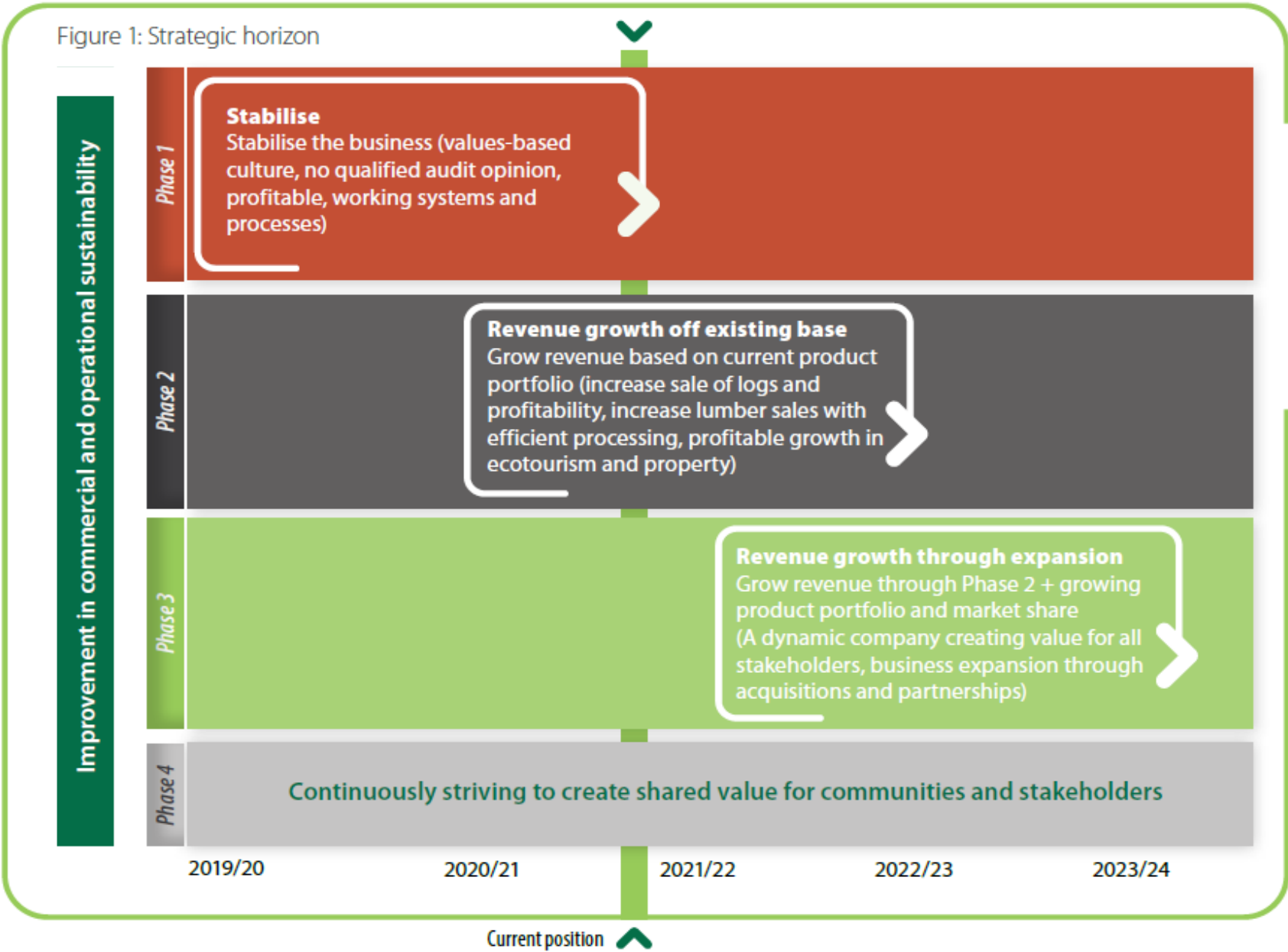
Strategic goals	Strategic objectives	Alignment with SDGs and NDP
Organisational enablement	Develop and implement an appropriate operating model inclusive of development and optimisation of the business; structural and operating alignment between functions; and system specifications	 
Operational excellence	<ul style="list-style-type: none">• Adopt appropriate processing technologies to reduce cost and maximise value addition• Increase biological asset value	 
Growth and business development	<ul style="list-style-type: none">• Improve business development and market intelligence capabilities to extract maximum value from products• Invest in R&D for new products and optimise product portfolio across the value chain• Increase market share through strategic acquisitions and partnerships (horizontal and vertical opportunities)	 
Stakeholder and economic transformation	<ul style="list-style-type: none">• Create shared value initiatives with a focus on:<ul style="list-style-type: none">– Industry transformation– Local community economic development• Create sustainable value for shareholders	    



Strategic horizon



SAFCOL’s work to improve its financial and operational sustainability and develop South Africa and communities neighbouring its operations will be delivered in four phases, namely stabilisation; revenue growth off existing base; revenue growth through expansion; and the continuous creation of shared value for communities and stakeholders.





Mr Mpho Makwana (51)
(Chairperson)
B Admin Honours (Public Administration), Bachelor of Administration, Executive Development Programme, Postgraduate Diploma in Retail Studies
Leadership, corporate strategy, public administration, energy, banking and financial services, sales and marketing, transformation, public policy, steel industry, manufacturing and pharmaceutical



OT Monaheng (57)
Chief Executive Officer
Electronic Engineer
MBA (General, IT and Marketing), BSc (Electronic Engineering), BSc (Physics and Mathematics) Ed
Business leadership, International business, and Technical leadership, Electronic and telecommunications engineering, Programme management, project management, Business development, Strategy development, Aerospace and Defence industries



J Maruma (37)
Acting Chief Financial Officer
CA(SA)
MBA candidate, CA(SA), CTA, B.Com (Hons) Banking, B.Com: Banking
International Financial Reporting Standards, Basel II, Corporate Governance, New Companies Act, Treasury Regulations, Sustainability Reporting, Integrated Reporting, Social and Ethics, Information Technology



N Balton (59)
MSc (Public Policy and Management), Bachelor of Education (BEd), Bachelor of Arts (Education)
Leadership, public policy, financial management, research, politics, education



J Yawitch (64)
MSc (Agricultural Development), MA (Development Studies), BA honours, BA
Agriculture, development studies, leadership, public policy, climate change/environment sustainability, land tenure and reform



Y Pillay (38)
Postgraduate Diploma in General Management, Bachelor of Social Science (Political Science and Economics), Certificate in Cybersecurity, MBA (Master of Business Administration)
Strategy, communications, change management, research, and governance, transport and logistics management, development finance



ZP Zatu (38)
Msc Corporate Finance, B.Com, Higher Diploma in Accountancy, CA(SA)
Accounting, financial management, audit and risk management



Adv L Mokgatle (66)
LLB, Admitted Advocate of the High Court of South Africa
Legal, strategy, project planning and management, negotiation, community development, arts, culture, networking, environment and sustainable development, research, economics, change management, policy analysis, risk management, organisational development, stakeholder management



F Baleni (61)
BA (Social Development Studies), Diploma: Political Science and Trade Unionism
Commercial, risk, governance and compliance, health and safety, government relations, education and training, collective bargaining processes, stakeholder management



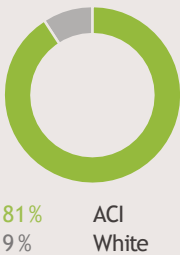
L Malema (50)
LLB, B.Proc, Admitted Attorney of the High Court of South Africa
Corporate governance, legal, compliance, stakeholder management, education, training and leadership



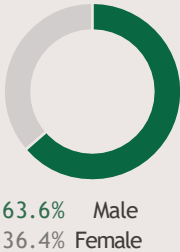
B Hanise (39)
B.Com, B.Com Honours, Postgraduate Certificate in Accounting, CA(SA)
Accounting, audit, turnaround and business rescue, risk management

- Human Resources and Remunerations Committee
 - Finance, Investments and Transactions Committee
 - Audit and Risk Committee
 - Safety, Health, Environment and Quality Committee
 - Social and Ethics Committee
- Corresponding colour bar denotes head of committee

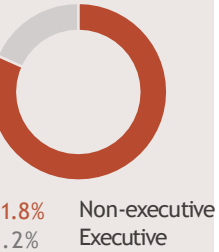
Racial diversity



Gender diversity



Director classification



EXECUTIVE COMMITTEE



OT Monaheng (57)

Chief Executive Officer
Electronic Engineer

MBA (General, IT and Marketing), BSc (Electronic Engineering), BSc (Physics and Mathematics) Ed

Business leadership, International business, and Technical leadership, Electronic and telecommunications engineering, Programme management, project management, Business development, Strategy development, Aerospace and Defence industries

1 December 2017



J Maruma (37)

Acting Chief Financial Officer
CA(SA)

MBA candidate, CA(SA), CTA, B.Com (Hons) Banking, B.Com: Banking

International Financial Reporting Standards, Basel II, Corporate Governance, New Companies Act, Treasury Regulations, Sustainability Reporting, Integrated Reporting, Social and Ethics, Information Technology

1 April 2020 to 31 March 2021



V Harichund (46)

Executive: Strategy and Commercial
Chemical Engineer, Strategy Consultant

Master of Business Leadership, BSc Engineering (Chemical), Executive Development Programme (EDP), Master in Strategy Execution - Balanced Scorecard (Certified Training), Advanced Program in Customer Centricity and Digital Transformation

Strategic Planning, Africa Market Entry and Strategy, Balanced Scorecard, Business Development and Sales, Marketing and Communications, Business Transformation, Chemical Engineering Design, Development of Digital Twins, Customer Leadership and Sales Impact, Project Management, Customer Relationship Management, Market and Competitor Intelligence, IT Software Management

1 July 2020



SMpontshana (42)

Executive: Legal Services
Admitted Attorney

LLM (Commercial Law), LLB, Admitted Attorney

Business leadership, Commercial Law, Public Law, Corporate Governance, due diligence assessment, establishment business relationships and business structures

1 June 2018



T Sathenkge (42)

Acting Executive: Strategy and Commercial

MBA, Management Development Programme (MDP), ND Information Technology

Leadership in ICT, System implementation and Support, Project Management, ICT Infrastructure Management, Stakeholder Management, ICT Strategy, Managing inter-Africa teams

1 April 2020 to 30 June 2020



S Mathe (41)

Acting Chief Risk Officer
Attorney

LLB, Advanced Diploma (Business Management/Enterprise-wide Risk Management), GIBS Management Development Programme, Admitted Attorney of the High Court of South Africa

Enterprise-wide Risk Management, Compliance Management, Insurance, Forensic and Legal

1 April 2020 to 31 May 2020



D Motseko (48)

Executive: Human Capital
Registered Psychometrist

Master's in business leadership, Bachelor of Social Sciences (Honours) in Industrial Psychology, Bachelor of Social Sciences (Degree) in Industrial Psychology, Advanced Programme in Organisational Development

Leadership development, Strategy development Organisational Design principles and development, Employee Performance improvement, HR Policy, Process and Systems Design, Change Management, Workforce Planning and Development, HC Due Diligence, EVP, Employee Relations and Diversity, Talent Acquisition, Learning and development, Job Evaluations, Climate and Culture surveys, Succession Planning and Talent Management, Psychometrics assessments, Stakeholder Management

2 January 2018



SDlamini (54)

Chief Operating Officer
Registered Professional Chemical Engineer

Master's Degree: Engineering Management, BSc: Chemical Engineering, BSc: Chemistry and Biology, Leadership Development Program, Registered Professional Engineer (PrEng)

Project Management, General Engineering Management including operations and maintenance

5 October 2020



C Marais (49)

Chief Risk Officer
Certified Director (IoDSA Cert. Dir.), Certified Risk Management Professional (IRMSA CRM Prof)

MBA, B.Iuris

Governance, Risk Management, Ethics, Compliance, Insurance, Legal

1 June 2020



LN Rapoo (44)

Chief Audit Executive
Certified Internal Auditor

B.Com. Accounting Sciences, Certified Internal Auditor (CIA)

Governance, Enterprise Risk Management, Internal Audit, Forensic Audit, ICT Audit

1 June 2020



N Mashego (34)

Acting Chief Audit Executive
Internal Auditor

B-Tech (Internal Auditing), Certified Internal Auditor, Postgraduate Diploma (Business Administration)

Internal Audit, Risk Management, Governance, Policy Development and Review, Strategic Planning, Monitoring and Evaluation, Service Management and Delivery Revenue and Financial Management Business Administration Project Management

1 April 2020 to 31 May 2020



T Moloi (37)

Acting Chief Operating Officer
Forester

BSc (Forestry), MSc (forest Science), Senior management programme (SMP), Management development programme (MDP), Accelerated development programme (ADP)

Forestry and sawmilling experience, general management and leadership

1 April 2020 to 30 September 2020





STAKEHOLDER UNIVERSE AND ENGAGEMENTS




Stakeholder engagements





Stakeholder group	Stakeholder	Communication message or area of interest	Key engagement issues	Outcomes
Government of the Republic of South Africa and agencies 	Mpumalanga Department of Economic Development, Finance and Tourism	Economic recovery plan	Establishment of Eucalyptus oil processing plant and pallet manufacturing plant	The Mpumalanga provincial government is willing to collaborate with SAFCOL as both projects are aligned to the province's economic recovery plan
	Mpumalanga Economic Growth Agency (MEGA)	Facilitation of access to funding of orders for customers	Funding opportunities for black-owned saw millers and existing silviculture service providers	MEGA is eager to support SAFCOL's service providers and customers
	Department of Health, Thaba Chweu Municipality, Graskop community	Partnership opportunities to improve the healthcare facilities for employees and communities Official handover of Glory Hill Clinic - plenary meeting	Offering healthcare services to employees and community members Official handover of Glory Hill	New clinic handed over to the Department of Health
	Small Enterprise Development Agency (SEDA) (Mpumalanga)	Supplier Development - Township and Rural Enterprise Programme	Presentation on SEDA's business development support programme for black women-owned and PWD enterprises	PWD and black women-owned enterprises were encouraged to participate in SEDA's programme in order to grow and sustain their businesses
	South African Revenue Service (SARS)	Supplier Development - Corporate Tax Compliance	Presenting the importance of business to comply with tax and VAT registration	The enterprises to increase level of compliance and access business opportunities with state institutions
	Small Enterprise Finance Agency (Mpumalanga)	Funding opportunities for women-owned and PWD entities.	Funding opportunities for black women-owned and PWD	Facilitation of access to funding for women-owned and PWD enterprises
	Planning and Economic Development, Gert Sibande District Municipality	Discuss SAFCOL management of municipal plantations	Options possible for partnership	Parties agreed to conclude an MOU to explore implementation of the collaboration
	Competition Commission, Department of Trade, Industry and Competition (DTIC) and DPE	Competition Commission presenting Forestry Impact Assessment Report (Processing) SAFCOL updating the Commission on the fair and competitive distribution of logs to customers	SAFCOL supported the report and Competition Commission supported the SAFCOL strategy of commercial growth and industry transformation	Alignment with key stakeholder
Parliament 	Public Enterprises Portfolio Committee and DPE	Updating key stakeholder of the business performance	Update on the implementation of the turnaround plan and diversification programme	SAFCOL's efforts to diversify the forestry industry while driving an economically viable business has been recognised
	Parliament Portfolio Committee	Business update	Briefing by SAFCOL on the annual report and financial statements for 2019/20	Successful presentation of the unqualified results and improved governance by SAFCOL

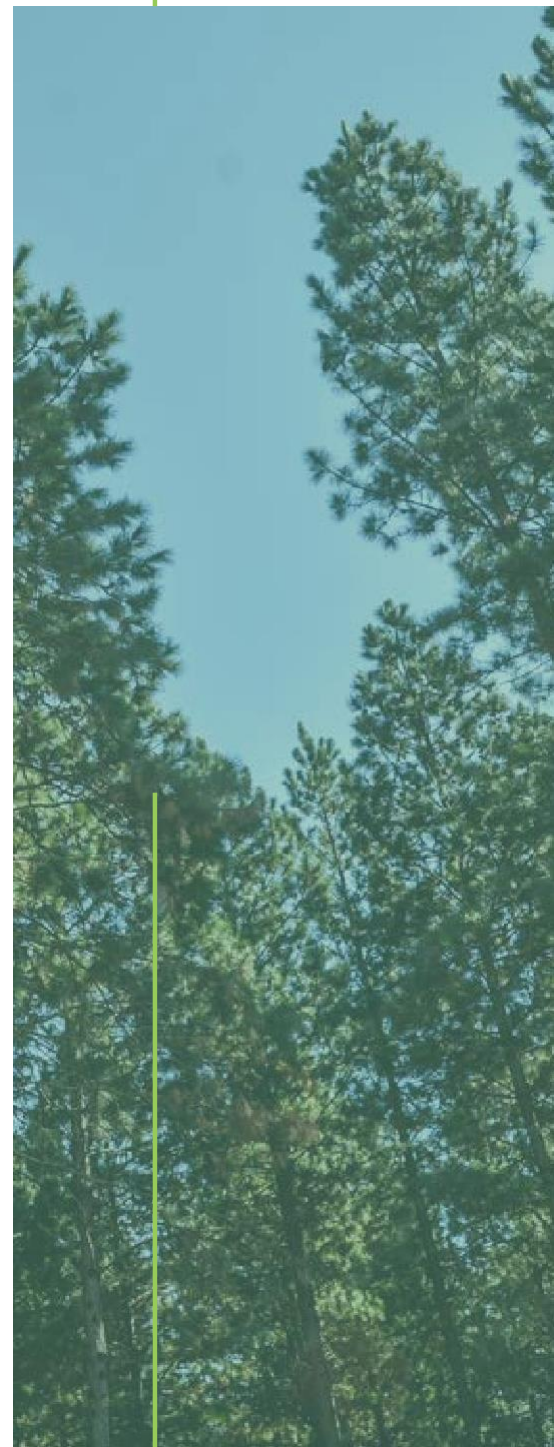
STAKEHOLDER ENGAGEMENTS

Stakeholder group	Stakeholder	Communication message or area of interest	Key engagement issues	Outcomes
DPE 	DPE Minister and Deputy Minister	Impact of economic downgrade on SOCs SOCs' contribution to the country's fight against Covid-19	Urgent response to the economic challenge posed by the Covid-19 pandemic	Pledged availability of places for quarantine if required The Company could produce masks and sanitisers
	DPE Director-General (DG) and Deputy DG (DDG) and DTIC officials	York Timbers closure of its two sawmills (Driekop and Nicholson & Mullin) in Mpumalanga and retrenchment of over 400 employees	Retrenchment and sawmill closure in the forestry industry	Aligned on the business continuity position to take with York Timbers so that York can avert section 189
	Deputy Minister	Shareholder kept abreast of business issues	Business strategy implementation and performance update	Alignment between Deputy Minister and SAFCOL Board of Directors
	Minister of Public Enterprises Minister of Public Works and Infrastructure	Priority infrastructure projects from SOCs	Engagement with SOCs Board Chairpersons and CEOs regarding SA Infrastructure Investment Plan	Access to funding for SAFCOL infrastructure projects
	Minister, Deputy Minister and Chairpersons and CEOs of SOCs	Meeting with SOCs to discuss the role on the Covid-19 pandemic vaccination and distribution	Covid-19 pandemic vaccination	SAFCOL committed to support government project of vaccination within its communities and employees
	Minister, Deputy Minister and DPE officials	Compliance and alignment with the Shareholder's Compact	Annual General Meeting (AGM)	Successful tabling of SAFCOL's performance and other AGM matters to the Shareholder
Customers and Competitors 	ELS Timber	Business lockdown challenges	Covid-19 lockdown challenges to business	Customer challenges and payment plan
	Tzaneng Treated Timbers	Business challenges	Improved relationship with customer and product supply contract	Elimination of barriers and multi-year contracts
	John Wright Veneers (JWV)	Current custom-cut business performance and challenges.	The future of the custom-cut relationship	Improved working relationship. Confirmation by JWV to invest in modern technology to improve efficiency
	MTO	Areas of collaboration and improved service of log supply contract	Alignment achieved with MTO management	Improved working relationship and increase in future revenue
Organised labour 	Union leadership	The negative impact of the economic downturn, Covid-19 and national lockdown on the business. This impact affects the salary increase negotiation	The negative impact of the economic downturn, Covid-19 and national lockdown on the business. This impact affects the salary increase negotiation	Organised labour and management was aligned on the impact of economic downturn and the national lockdown has on the business
Forestry industry 	Strategy consultants and the forestry industry leadership	SAFCOL participation in the development of the Forestry Masterplan	The development of the Forestry Masterplan Working Group	Achieve growth and transformation of the forestry industry through participation in the development of the Forestry Masterplan
	Sawmilling South Africa	Sawmilling SA members developing strategy to offer alternative social housing solutions in response to Covid-19 impact	Collaboration with industry to market capabilities and products to government departments	Proposals to be delivered to departments of Human Settlements and Cooperative Governance
	Forestry South Africa (FSA)	FSA Executive Committee meeting	FSA presenting the forestry industry as essential and its importance to the economy to the national Command Council	Opening of business during Alert Level 4

Stakeholder group	Stakeholder	Communication message or area of interest	Key engagement issues	Outcomes
Government of the Republic of South Africa 	DEFF, Deputy Minister of DEFF and senior department leadership	Introductory meeting with Deputy Minister of DEFF and category A tenants' CEOs	Presentation of SAFCOL and its business to Deputy Minister	Alignment with the department as a key stakeholder
	DPE DG and DDG and DTIC officials	York Timbers closure of its two sawmills (Driekop and Nicholson & Mullin) in Mpumalanga and retrenchment of over 400 employees	Alignment on the business continuity position to take with York Timbers so that York can avert section 189	Avert loss of two customer sawmills. Agreed and concluded to contract with York for supply of logs. Retrenchments in York were averted. Business continues
	AGSA, KLF and SAFCOL Auditors	Discussion of the letter communicating implementation of the amendments to the Public Audit Act, No 25 of 2004 - Presentation of the Material Irregularity process	Presentation of the Material Irregularity process	Alignment with AGSA. Understanding of Material Irregularity and implications thereof An improvement in controls resulting SAFCOL receiving an unqualified audit
	Competition Commissioner and officials from DTIC DPE DG and DDG invited	Competition Commission presenting Forestry Impact Assessment Report (Processing) SAFCOL updating the Commission of the fair and competitive distribution of logs to customers	Forestry Impact Assessment Report (Processing) Fair and competitive distribution of logs to customers	SAFCOL supported the report and Competition Commission supported SAFCOL strategy of commercial growth and industry transformation
	DTIC DDG	SAFCOL's B-BBEE facilitator's status application and DTI support to develop and transform forestry processing industry	SAFCOL's B-BBEE facilitator's status application and DTI support to develop and transform forestry processing industry	Appointed a workgroup (DTIC and SAFCOL) to identify and execute processing SMME projects Expand the processing capacity in the country and hence increase customer base
	Department of Human Settlement, Water and Sanitation (DHSWS) and South African Housing and Infrastructure Fund (SAHIF)	Presentation of proposed modern timber building solutions and alternative social housing solutions	Positioned alternative housing solutions with DHSWS and SAHIF for collaboration Developing new market for timber products	Appoint a joint project team (SAFCOL and SAHIF) to develop the collaboration model
	South African Police Service (SAPS) (Mpumalanga)	Timber theft	To stop illegal harvesting and the resultant loss of revenue	A working group to work on stopping the theft was established between SAFCOL representative and SAPS officers
	Mpumalanga Department of Finance, Economic Development and Tourism (DFEDT) and the CSIR	Positive socio-economic impact on the community	Meeting with DFEDT to discuss sustainable solution for Mgadzenicommunity and wood beneficiation projects in Sabie	Community stopped timber theft Engaged the community on potential development projects Agreement on positive socio-economic impact projects

STAKEHOLDER ENGAGEMENTS

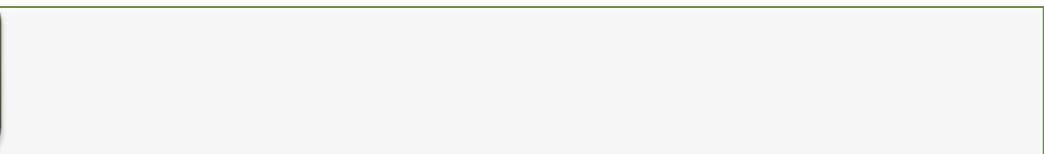
Stakeholder group	Stakeholder	Communication message or area of interest	Key engagement issues	Outcomes
International stakeholders and strategic partners 	Southern Palace Group	Exporting opportunities	New international markets	Improved revenue from new markets
	Democratic People's Republic of Korea (DPRK)	Development of new customers	Introduction of the Ambassador to discuss projects for collaboration	A draft MOU is under review by DPRK to support in the re-establishment of the forestry plantations in DPRK thorough a collaboration, research funding and partnerships
	Embassy of Qatar	Revenue growth and strategy implementation	Supply of timber to Qatar and financing of strategic projects	Agreement on market links as soon as SAFCOL has volumes of processed timber to supply
	Department of International Relations and Cooperation (DIRCO) and United Nations	Inter-departmental meeting on second draft SA-UN Sustainable Development Cooperation Framework (UNSDCF)	Alignment with key stakeholders	Ongoing plans to expand market share for SAFCOL to international markets
Employees	All SAFCOL employees	Covid-19 safety awareness	Covid-19 safety guidelines and compliance	Ongoing awareness in line with the movement of the pandemic to keep employees safe and aware
Media  	SABC News GPS News Rise FM Mpumalanga News Forestry SA Wood SA Phalaphala FM Capricorn FM	Profiling SAFCOL	Positive publicity for SAFCOL	Ongoing activity with positive outcomes
	Entabeni land claimants and beneficiaries adjacent communities	Land	Identification and facilitation of strategic projects Discussions on governance and reporting channels	Registration of a formal collaborative programme Appointment of a programme work group with representatives Identification of three strategic projects Finalisation of terms of reference for working group Sign-off of the collaboration partnership agreement in February 2021
Land claimants and communities 	Makhubu Family (land claimants)	Land beneficiaries	Collaborative initiatives that will enable the community to derive value	A Makhubu task team was established to implement strategic projects that will add value to the community SAFCOL's Proactive Community Engagement Model guides the task team's work
	Mmamahlola community (land claimants)	Land beneficiaries	Engagement on various collaboration initiatives to be considered between SAFCOL and the CPA	SAFCOL, DEFF and DARDLR continued to engage with the community to collaborate on projects
	Makgoba community	Forest Sector Charter Council (FSCC) and SAFCOL dealing with issues raised by the Makgoba Community	Working relationship with the Joint Community Forum and economic partnership with community	SAFCOL workshopped the solutions to the issues raised by community to the satisfaction of the FSCC and the community



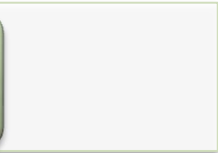
5. Risk Management



Risk Management



Health and Safety



RISK MANAGEMENT



Risk appetite and risk management frameworks are closely aligned to our strategy.

We have continued to improve our risk management efforts by developing and strengthening our risk intelligence map, risk appetite framework, risk profile, business continuity plans and our risk financing arrangements. All risks are within SAFCOL's approved risk tolerance level.

Health and safety spotlight

HIGHLIGHTS



Zero fatalities



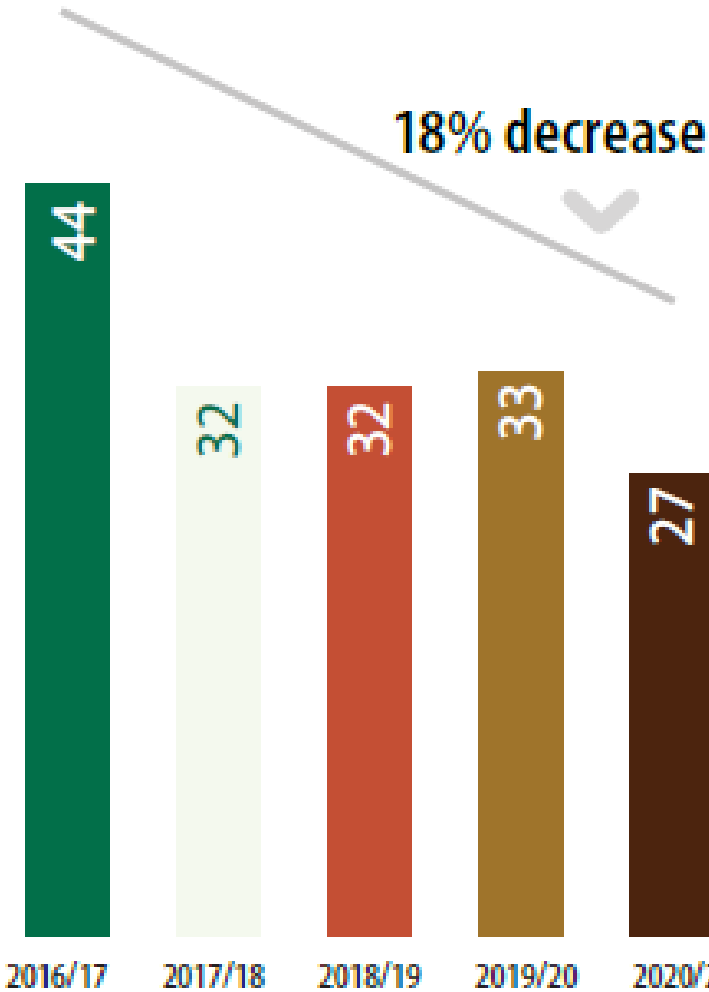
DIFR significantly below our Shareholder's Compact target



Effective response to Covid-19 pandemic, with rapid establishment of effective processes and protocols



Maintained a culture of safety compliance and safe behaviours across our organisation



DISABLING INJURIES: SAFCOL EMPLOYEES BY FINANCIAL YEAR

- For the second time in the past 10 years, we achieved a fatality-free year in 2020/21, and for the fourth consecutive year we maintained a disabling injury frequency rate (DIFR) significantly below our Shareholder's Compact target.
- Over the past five years we have recorded a steady reduction in the number of employees sustaining disabling injuries in the workplace.



Compliance with regulations issued under Disaster Management Act due to Covid-19 pandemic, including:

- A Covid-19 Compliance Officer and site Compliance Coordinators were appointed
- A workplace readiness plan was implemented
- A detailed Covid-19 risk assessment was conducted and mitigation plans were implemented
- Engagement with organised labour on our initiatives to keep employees safe took place
- Weekly communication took place with all our employees to keep them focused on the need for Covid-19 vigilance and compliance to protect themselves, their families and SAFCOL
- Procurement of Covid-19 personal protective equipment was centralised and monitored for compliance purposes

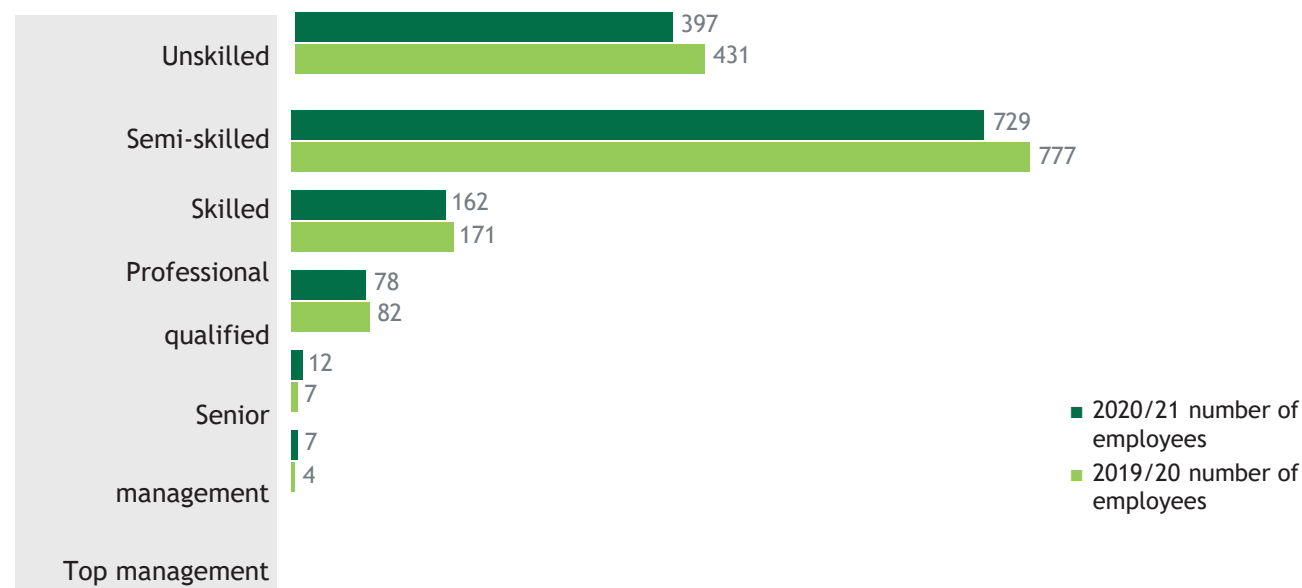
6. Human Capital Management



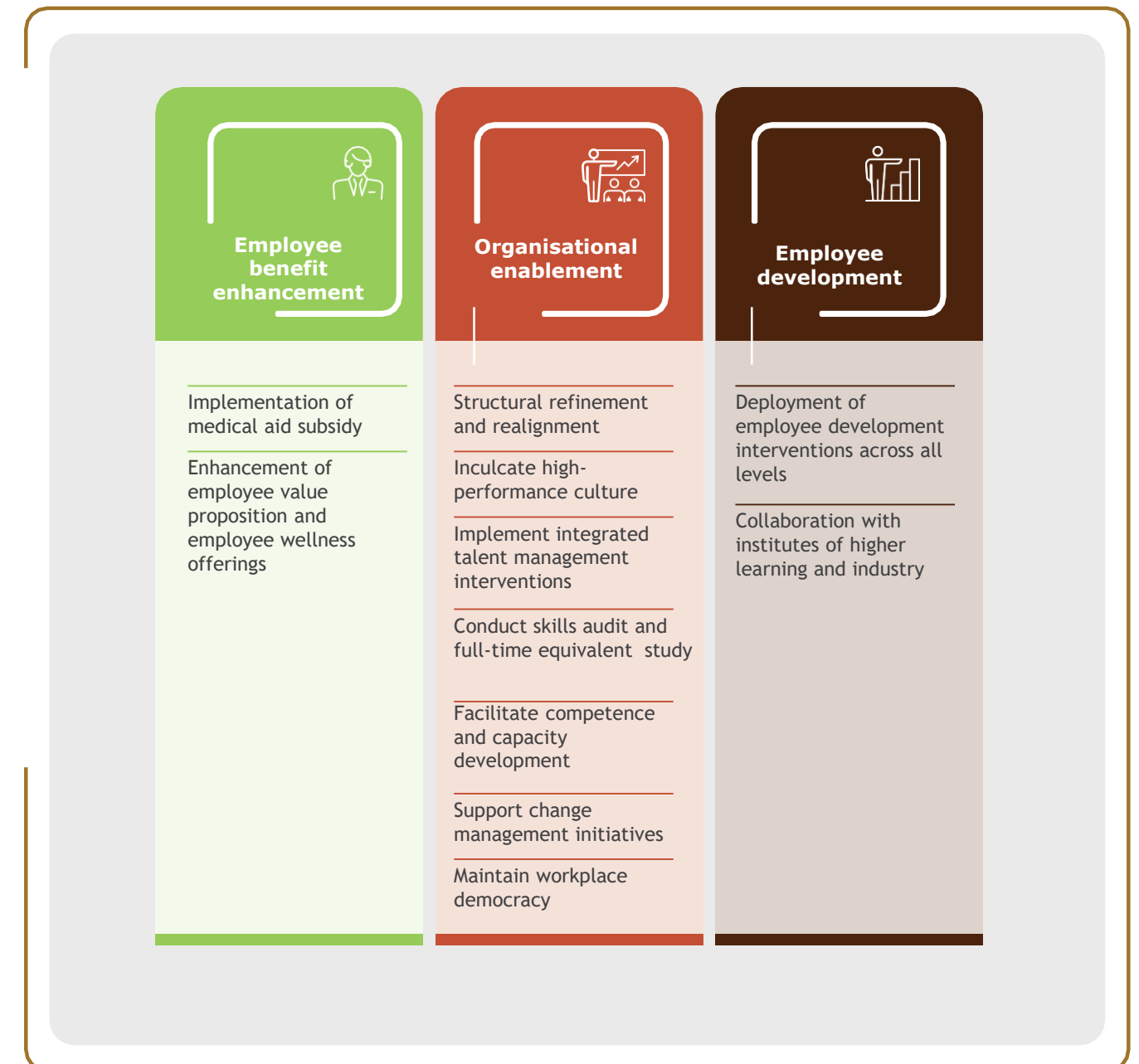
The Employees

Skills Development

THE EMPLOYEES



HEADCOUNTS FY 2020/21 COMPARED TO FY 2019/20



Our people, our talent, our future

- SAFCOL believes that employees have an important role to play in delivering exceptional customer service.
- During the year under review, Human Capital, in partnership with business, continued to ensure effective collaboration of employees across the Group through organisational and structural review and realignment and design

SKILLS DEVELOPMENT SPOTLIGHT

Highlights



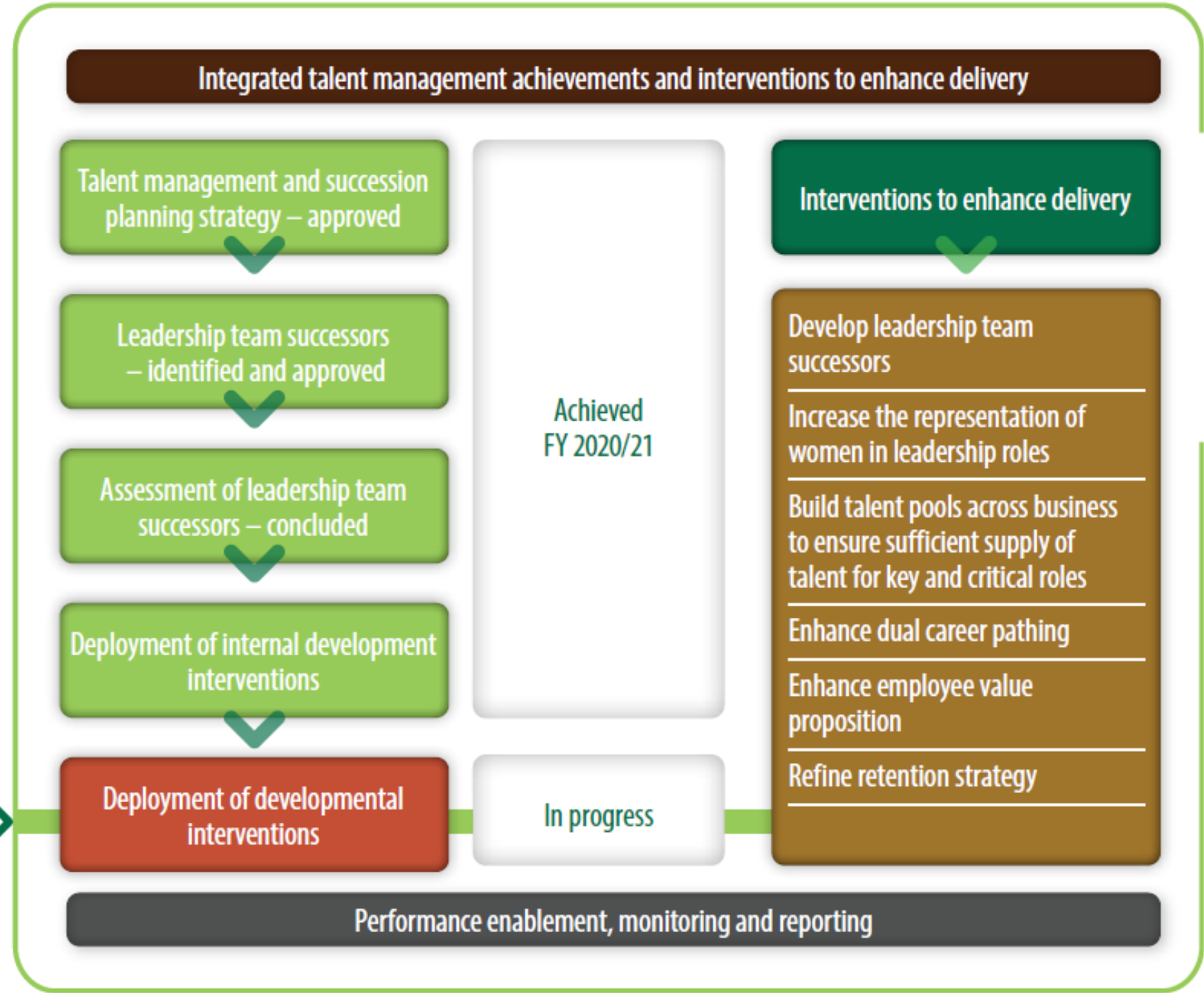
- **R13m invested** in training and development to capacitate employees and drive internal career advancement
- **2 343 beneficiaries** trained on forestry-specific short skills programmes, of whom 1 870 were contractors
- **103 sector-specific learnerships** implemented targeting rural communities within operations
- **25 apprentices** participated in the artisan programme, which includes diesel mechanics, millwrights and boilermakers
- **89 bursars funded** in line with SAFCOL's critical and scarce skills
- **25 interns placed** for workplace experiential learning

Challenges being attended to

- The sector-specific learnerships' curriculum interrupted due to national lockdown regulations
- Limited representation from designated groups on learnerships (i.e. Indians and coloureds)

Future outlook

- Provision of training in line with SAFCOL's critical, scarce and future business skills requirements
- Leadership development programmes
- Partnership with NYDA and other industry players for entrepreneurship and life skills training
- Upskilling and reskilling of operations personnel for mechanisation
- Extension of scope with SETAs and maintain Quality Management System (QMS) for SAFCOL training centre (Platorand)




7. Social Capital

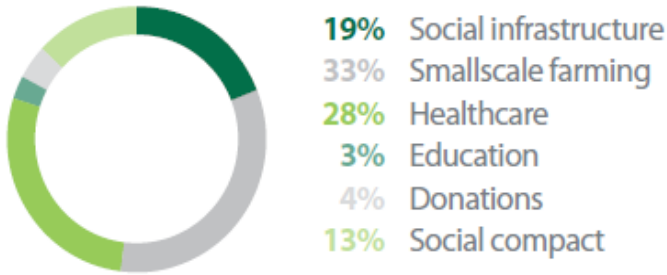


Social Capital Highlights, Challenges and Lowlights	
Corporate Social Investment	
Enterprise and Supplier Development	
Agroforestry Projects	

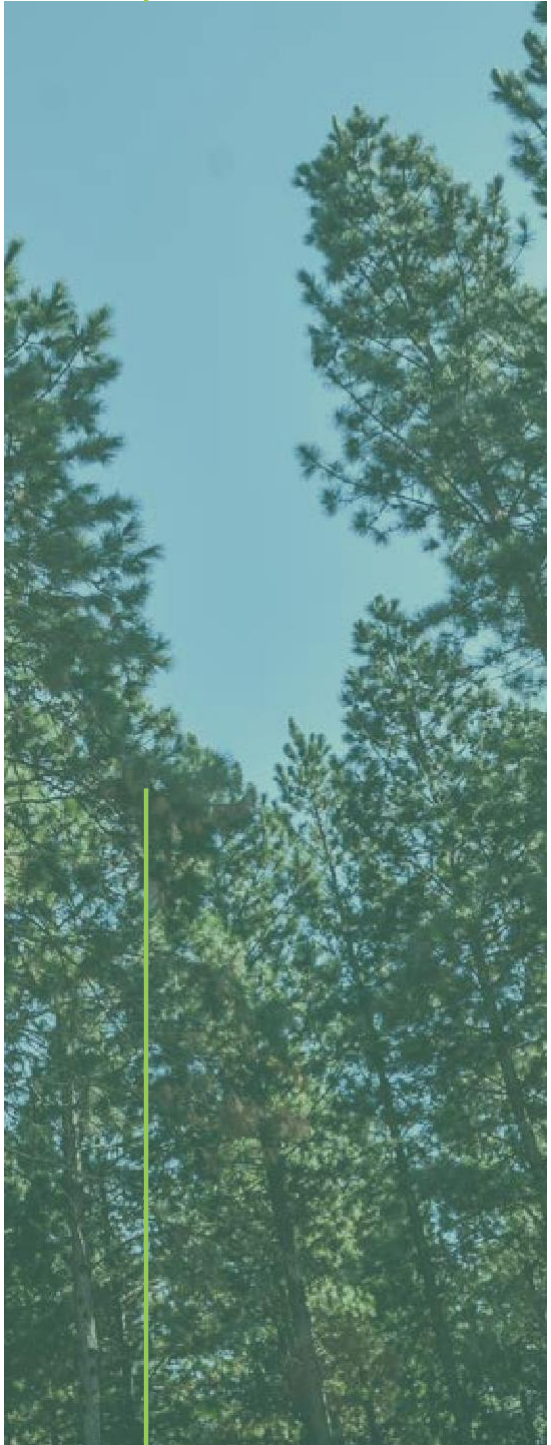
SOCIAL CAPITAL HIGHLIGHTS, CHALLENGES AND LOWLIGHTS

 <h2>Highlights</h2>	<ul style="list-style-type: none"> Facilitated training for a total of 84 black-owned emerging and aspiring forestry companies in the completion of their theoretical pesticide control operator(PCO) training More than 16 000 community members impacted by CSI Projects over the past five years
 <h2>Challenges</h2>	<ul style="list-style-type: none"> Covid-19 lockdown restrictions affected the execution of some CSI and ESD programmes
 <h2>Lowlights</h2>	<ul style="list-style-type: none"> SAFCOL B-BBEE rating dropped from level 3 to Level 4

- In 2020/21 we invested in priority high impact CSI projects. While the number of projects supported has reduced over the past five years, the impact of the projects on the lives of their beneficiaries has been substantial.
- More than 16 000 community members were impacted by these projects.



: CSI spend composition



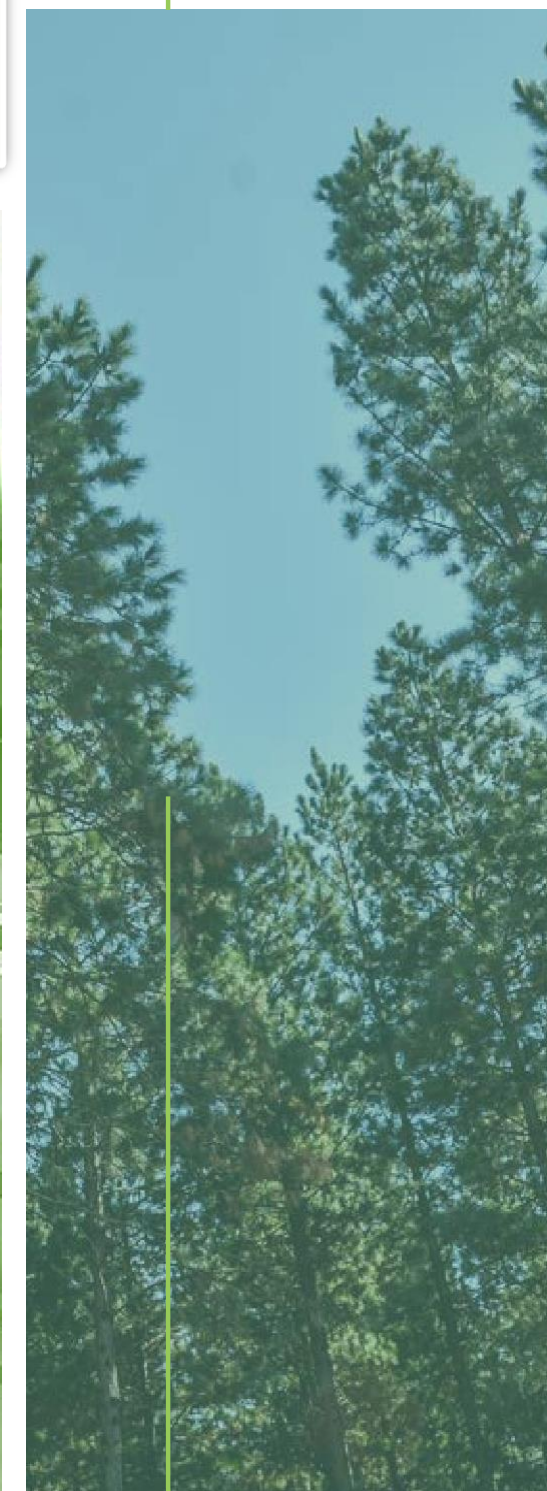
CORPORATE SOCIAL INVESTMENT

GRASKOP CLINIC

1. A state-of-the-art clinic built at Graskop town, Mpumalanga Province, was completed as the result of a partnership between SAFCOL, the Department of Health, Thaba Chweu Municipality and Tzaneng Treated Timbers.
2. The facility provides quality primary-healthcare services to more than 1 500 visitors monthly.



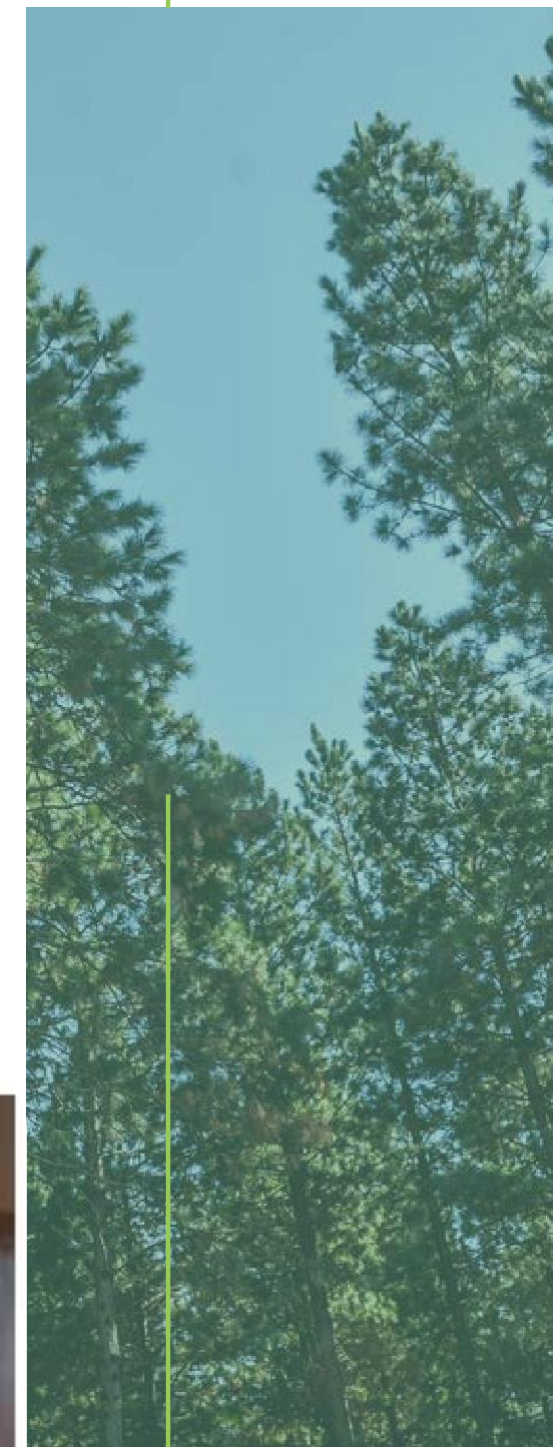
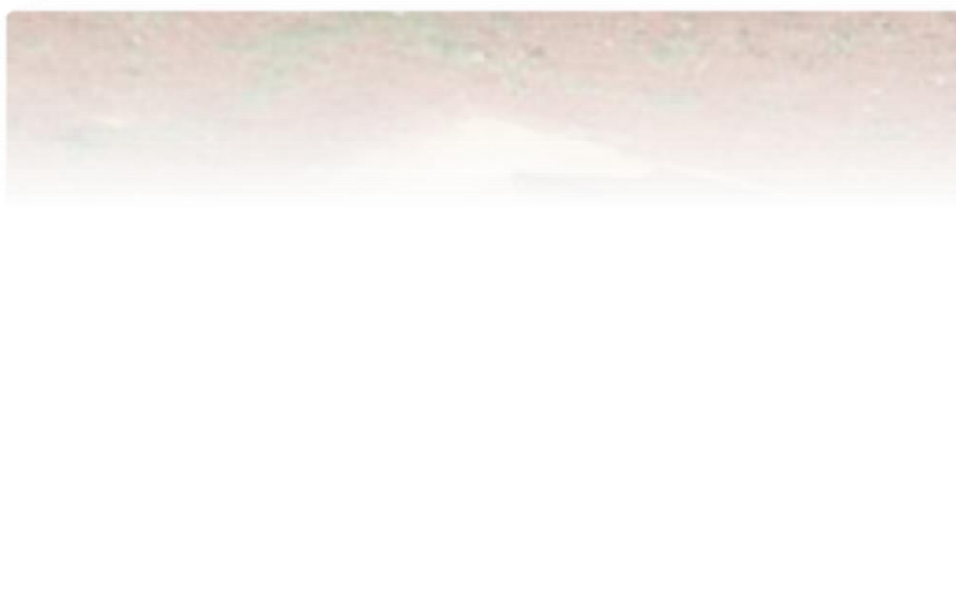
Glory Hill Clinic



CORPORATE SOCIAL INVESTMENT

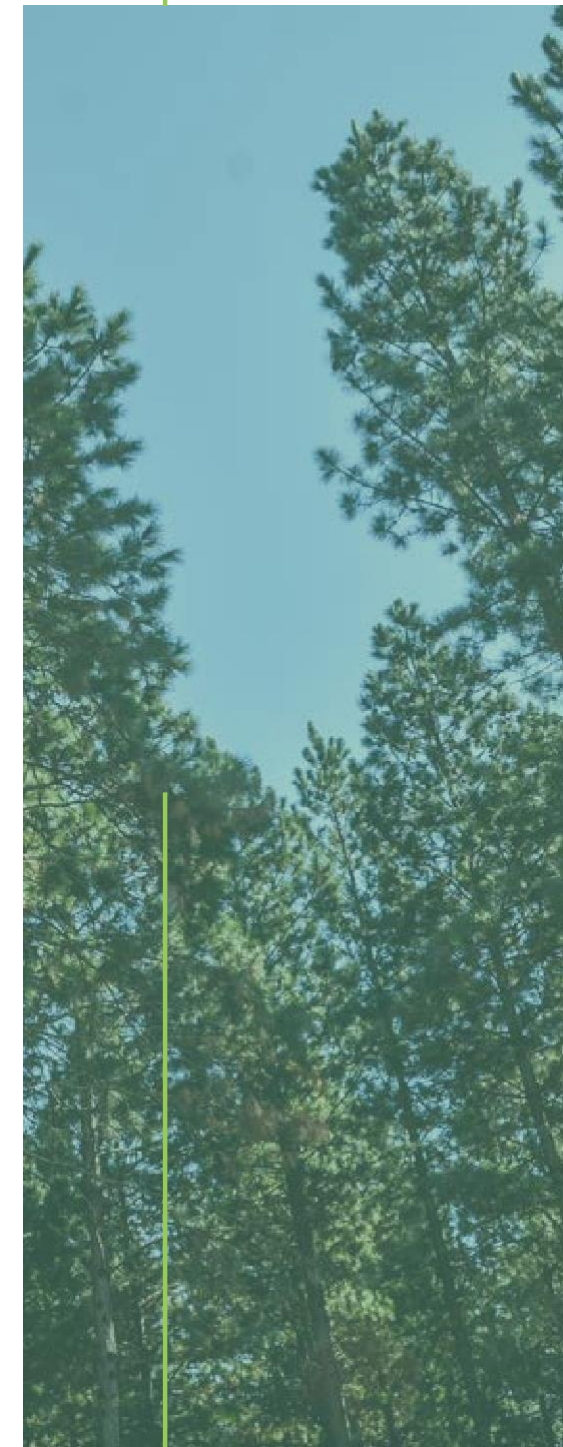
BOGOGO SIYABANAKEKELA CENTRE

- SAFCOL provides social protection services aligned to government's efforts to forge partnerships with vulnerable individuals, groups and communities in an effort to assist them to become capable and active participants in the development of their societies.
- The centres built through the social infrastructure programme support initiatives focused on food relief through establishing gardens, capacity building, and response to social distress.



ENTERPRISE SUPPLIER DEVELOPMENT

- SAFCOL is committed to transforming the forestry industry by ensuring that Black people, youth, people with disabilities and women participate in the economy and in the process of creating jobs.
- The Company facilitated training for 84 black-owned emerging and aspiring forestry companies in the completion of their theoretical PCO training in various areas. This is to address the shortages of qualified silviculture contractors in the communities adjacent to SAFCOL operations.
- Internal and external mentorship programmes for silviculture and gardening contractors were initiated in all operational regions.
- United Nations Industrial Development Organisation continues to collaborate with SAFCOL on the development of small businesses. Forestry tools for silviculture contractors were supplied.
- The company has conducted PCO training for 54 black-owned companies based in Vhembe and Mopani districts.

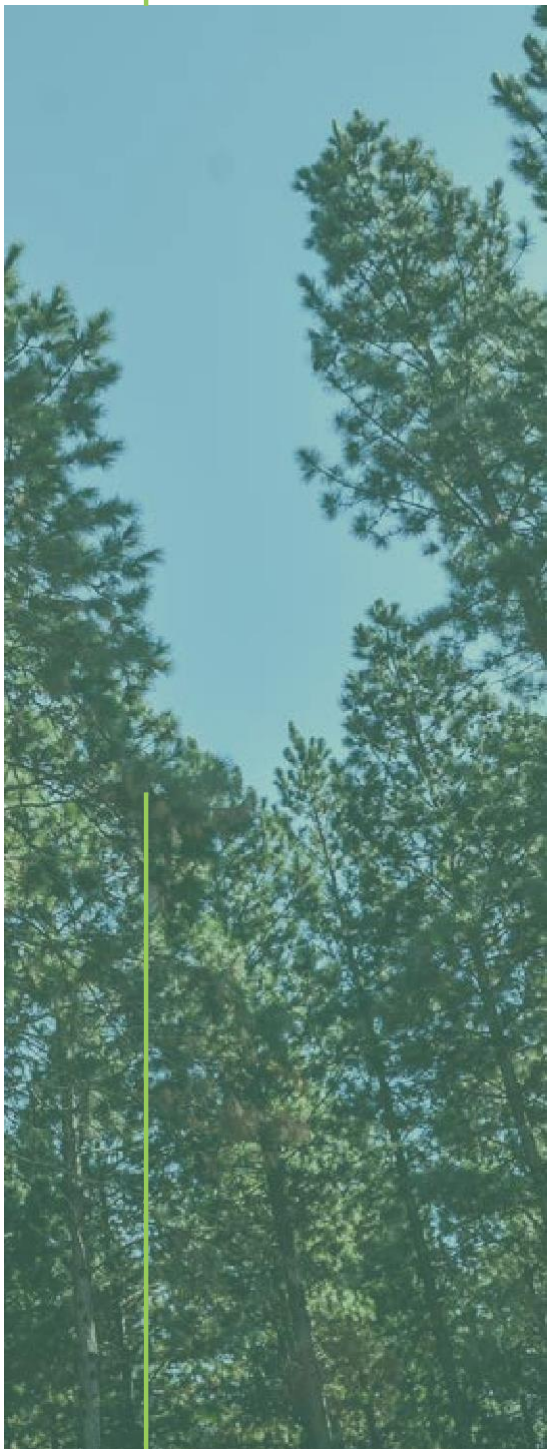


LIMPUMA CO-OPERATIVE: The Limpuma Co-operative is a black-youth-owned furniture manufacturing co-operative established in 2015. The cooperative was founded by 18 young people from villages in Limpopo and Mpumalanga – hence the name – and was formally registered in 2015. The founders had taken part in a SAFCOL learnership programme at Timbadola Sawmill, and the co-operative was enrolled in SAFCOL's enterprise incubation programme for four years.

AGROFORESTRY PROJECTS

- Agriculture plays a critical role in reducing poverty and creating sustainable jobs for the local community.
- The Covid-19 pandemic has brought a new appreciation of the pivotal role that South Africa’s agriculture sector plays in the provision of healthy, sufficient and affordable food for the local communities. SAFCOL has supported 11 small-scale farmers by supplying seedlings, fertilisers, garden tools, farming equipment and mentorship.
- In total, 106 jobs were sustained via the agroforestry projects.

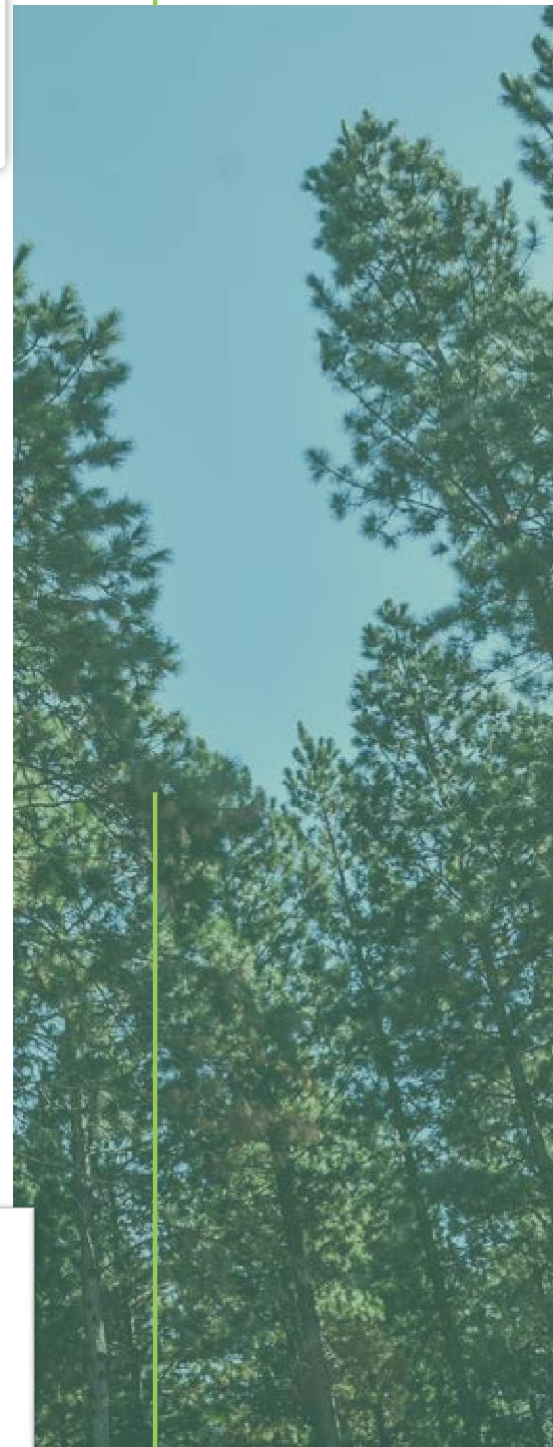
Project	Progress in FY 2020/21
Hlabekisa smallscale farming	A project aimed at reducing poverty and creating jobs for the local community living outside the Graskop town yielded fruit. During the second quarter, more than 2 700 kg of maize was harvested and sold to the local market. This project created sustainable jobs for 31 women who were previously unemployed.
Simile Agroforestry Project	Farming tools and seedlings were issued to beneficiaries who are planting vegetables within Tweefontein’s compartments.
Khuphukani Women Co-operative	A group of women farming close to SAFCOL’s Jessievale Plantation have harvested and sold over 35 tonnes of cabbages to the local market. This project has created 25 jobs and improved the livelihoods within their families and community.
Main Force Co-operative	<p>This small-scale farming project is located in the deep rural areas of Dundonald close to Jessievale Plantation in the Mpumalanga province. A group of five project members are planting a variety of vegetable crops. In the quarter under review, the beneficiaries were assisted with land preparation, vegetable seedlings, garden tools, water supply and personal protective clothing.</p> <p>Main Force Co-operative is owned by five women located in the deep rural area of Mpumalanga province close to SAFCOL’s Jessievale Plantation.</p>
Sidlasonke Co-operative	Sidlasonke Co-operative is located at Makhambane village close to SAFCOL’s Palmridge research centre. Five hectares have been planted with a variety of vegetables. The demand for locally produced vegetables increased during lockdown, which enabled the co-operative to supply to local supermarkets.



AGROFORESTRY PROJECTS (Cont.)

KHUPHUKANI WOMEN AGRICULTURAL CO-OPERATIVE PROJECT

- Supporting the development of small-scale farmers is key in promoting economic growth, reducing poverty, and improving food security in South Africa.
- SAFCOL has supported the Khuphukani Women Agricultural Co-operative in meeting its objectives by assisting the community to produce vegetables in a sustainable manner.





8. Financials

Highlight and Challenges

Audit Opinion

Financial Performance

Forward looking

FINANCIAL HIGHLIGHTS AND CHALLENGES



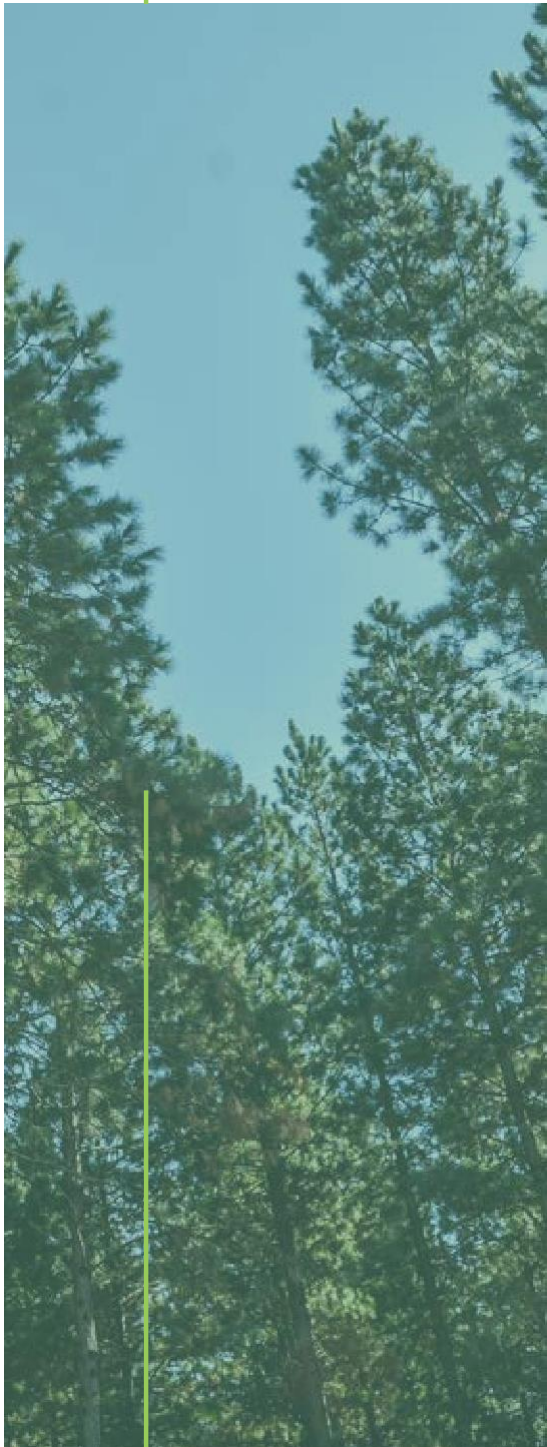
Highlights

- Growth in cash balance R252m last year to R336m this year
- Revenue growth of 12% year on year to R921m
- Total operating costs 25% below budget
- Unqualified audit achieved



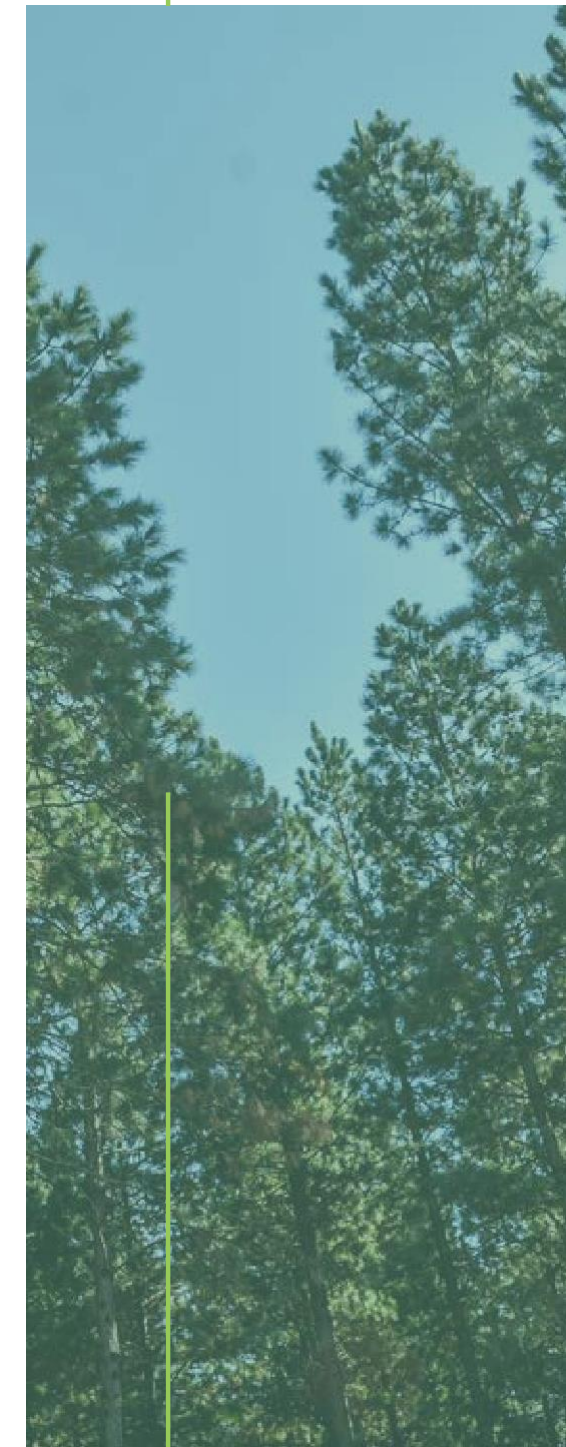
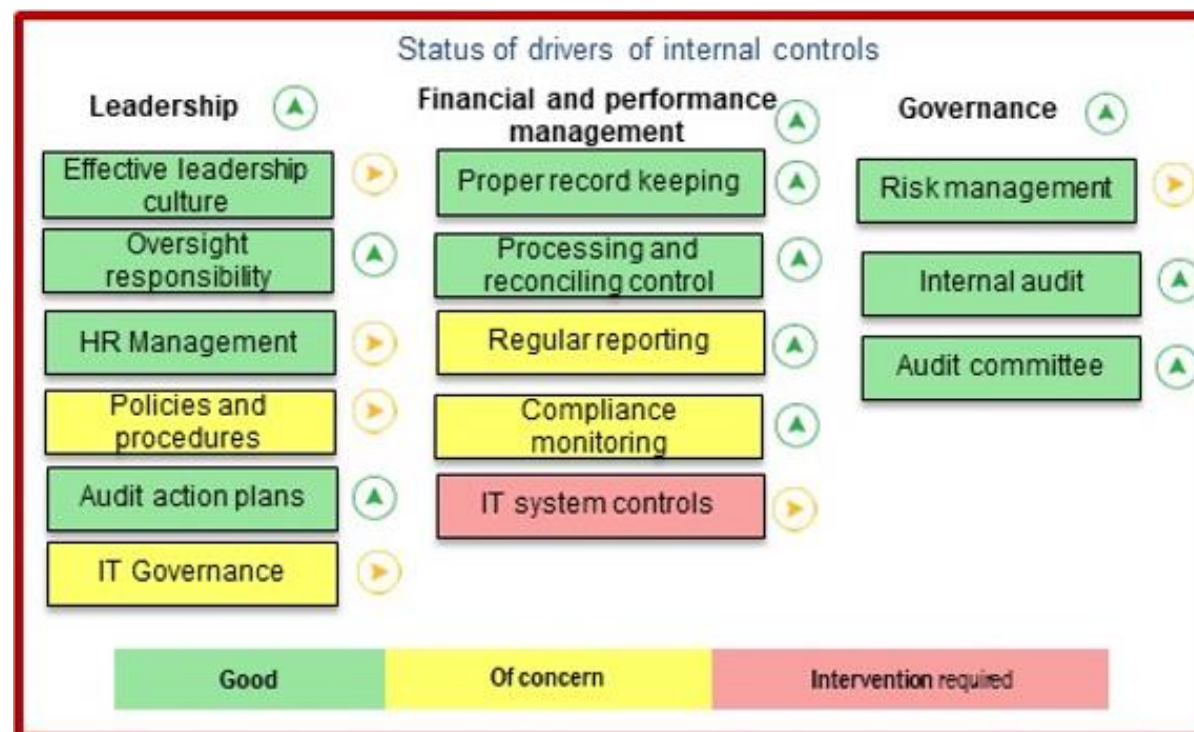
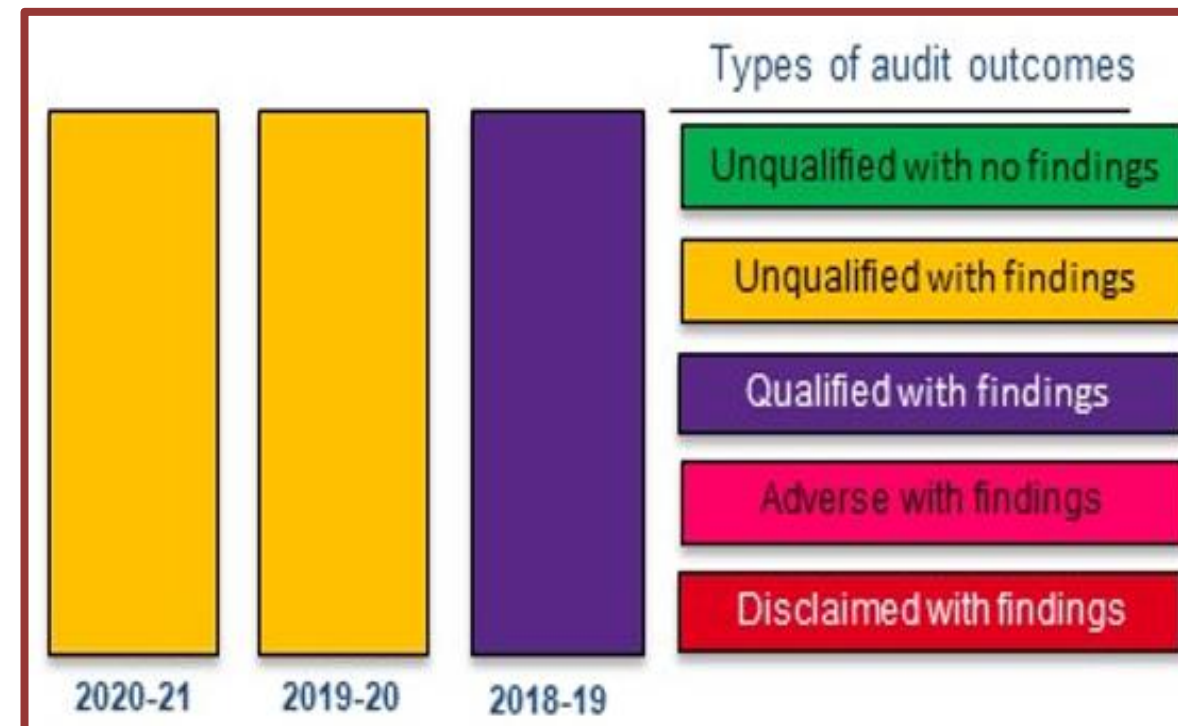
Challenges

- Loss incurred of R45m for the year
- EBITDA margin target missed by 10%
- Irregular expenditure of R8.7m



AUDIT OPINION

1. The AG audit opinion on the SAFCOL Group AFS was maintained at Unqualified opinion with findings for the second year.
2. The drivers of internal controls have all been assessed and improved since FY 19/20. The number of findings also significantly reduced from the prior year.
3. The AG could not identify any Irregular Expenditure which SAFCOL had not already disclosed.
4. AG assessed the overall financial viability of the group as “Good”.
5. ICT systems controls are receiving a focused attention. The CIO has been appointed.



FINANCIAL PERFORMANCE (I/S)

The FY2021 financial performance demonstrates the success of the turnaround strategy:



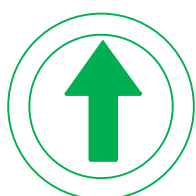
Revenue increased by 12%



Operating Profit of R40m.



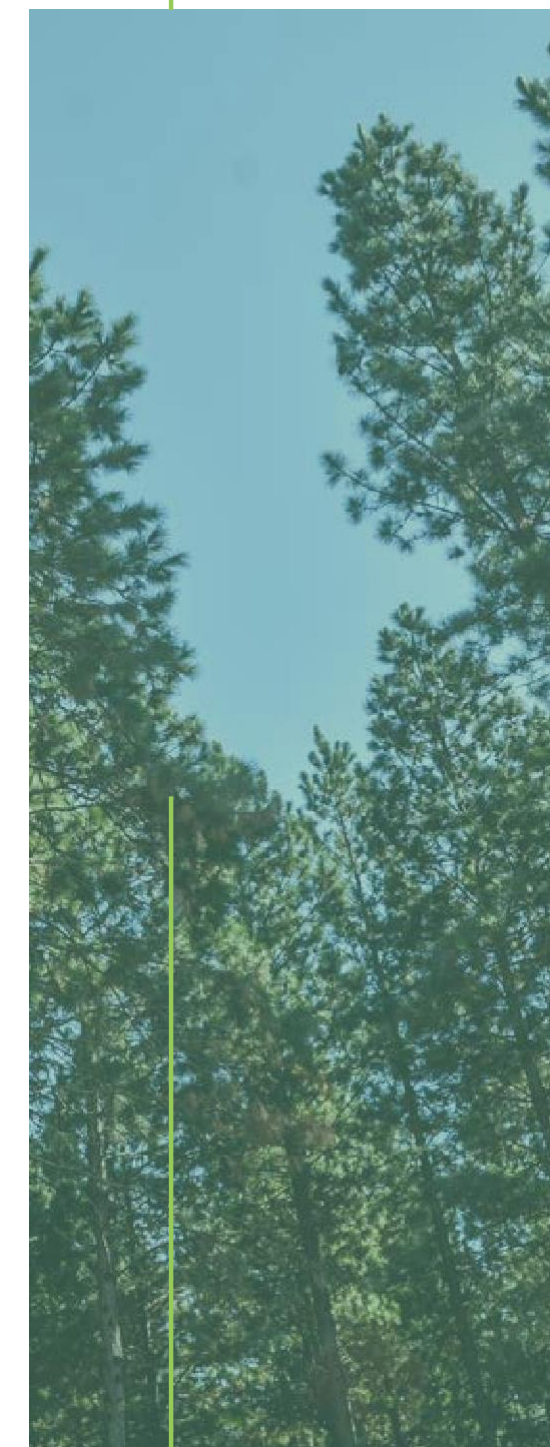
Loss after tax reduced by 32%



ROE improved from -2.1% to -1.4%

Statement of Profit or Loss and Comprehensive Income

	Note(s)	Group	
		2021	2020
		R '000	Restated ^a R '000
Revenue	25	920 817	824 318
Cost of sales	26	(840 015)	(819 882)
Gross Profit / (Loss)		80 802	4 436
Other operating income	27	40 240	6 167
Fair value gain on biological assets	28	852 453	903 440
Other operating expenses	30	(912 847)	(901 513)
Allowance for bad debts	30	(20 959)	(26 344)
Operating Profit/ (Loss)		39 689	(13 814)
Investment income	31	5 605	7 146
Finance costs	32		
Lease Finance Costs		(150 149)	(223 661)
Other Finance Costs		(32)	(1 795)
Profit/(Loss) before taxation		(104 887)	(232 124)
Taxation	34	60 065	165 789
Profit/(Loss) for the year		(44 822)	(66 335)



FINANCIAL PERFORMANCE (C/F)

Cash Flow for the Group improved in FY 2021



Closing cash increased by 33% compared to prior year



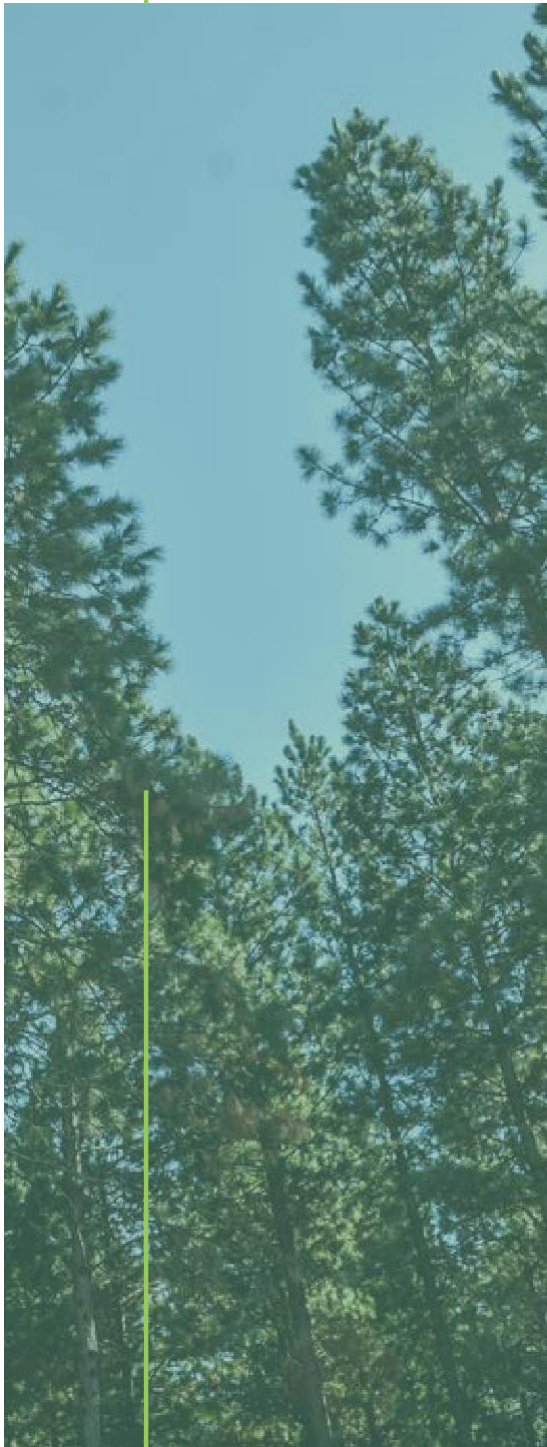
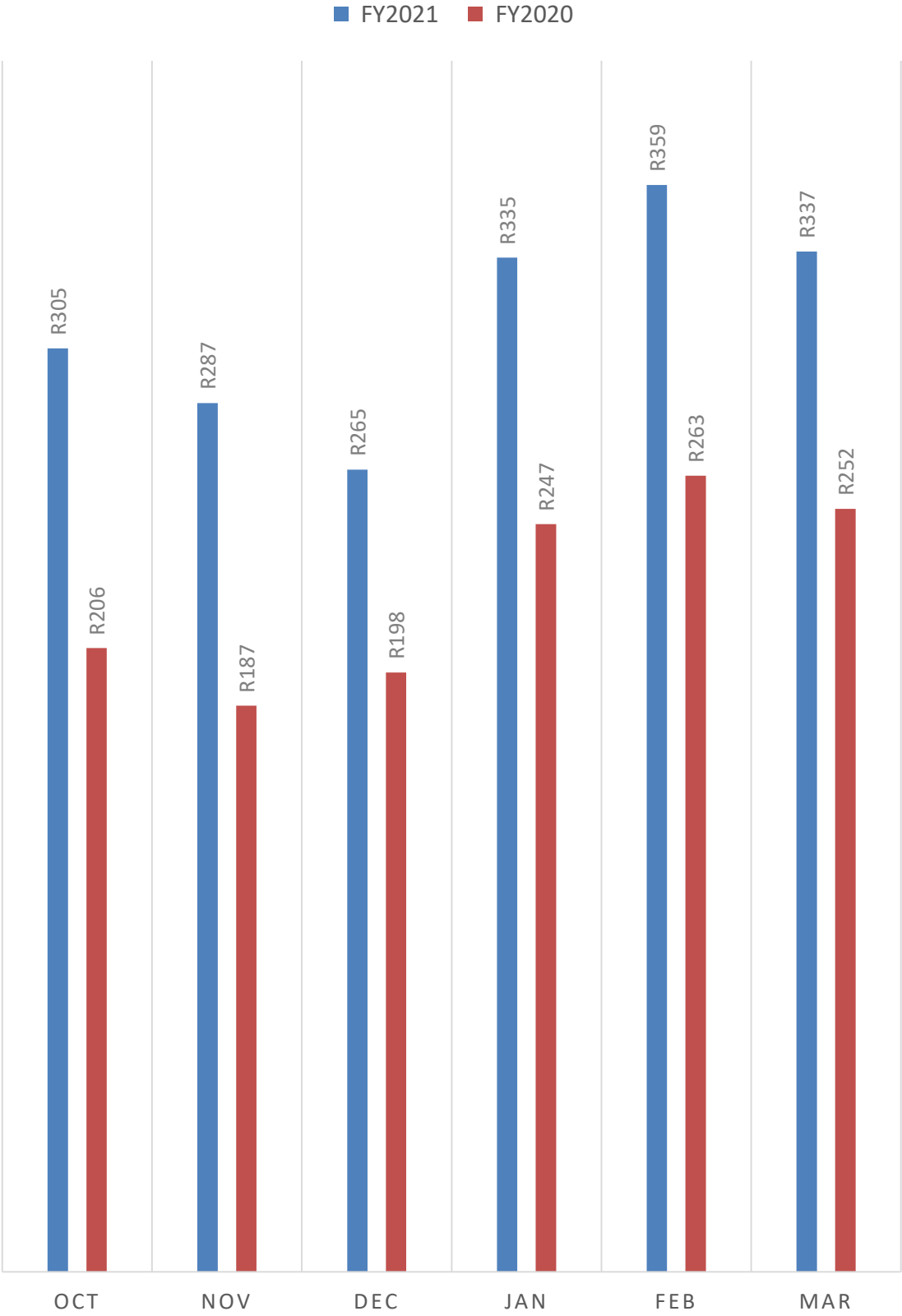
Cash remained above internal target of R250m.



Cash ratio at year-end was 0.8:1 (internal target is 0.5:1)



Cash reserves will be used to fund strategic projects



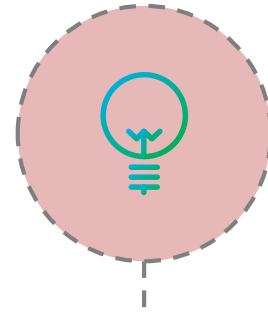
9. Forward Looking



50:50 Strategy Implementation

ROE Growth

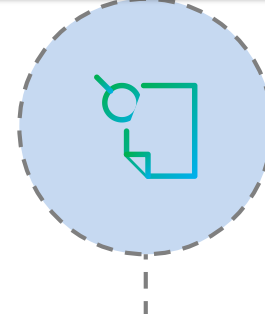
FORWARD LOOKING: 50:50 STRATEGY IMPLEMENTATION



Current State: FY2021/22

1. Revenue from logs = R821 million
2. Revenue from other = R296 million
3. Total revenue = R1 117 million
4. Net Profit = R46 million
5. Reduce liabilities = Payment of DFFE lease fees.

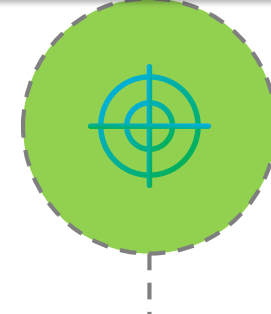
1. Continuously manage the risk of non-achievement
2. Implementation of strategic projects.
3. Culture of asset protection and high performance
4. 1 022 employees vaccinated => 57%



Strategy Implementation

1. Timbadola: Profit Margin 3%
2. Processing partnerships
3. Pole treatment partnership
4. CHP partnership
5. Bioenergy partnerships

1. Vaccination of 90% of employees
2. Strong project management capability.
3. ICT system modernization
4. Strengthen collaborations with communities.
5. Management of some DFFE plantations



Future State: FY2023/24

1. Revenue from logs = R909 million
2. Revenue from other = R909 million
3. Total Revenue = R1 819 million
4. Net Profit = R162 million

1. Risk of Covid-19 mitigated
2. IFLOMA paying KLF loan
3. Mechanised harvesting operations
4. Modern, reliable and efficient ICT system implemented
5. Culture of innovation and excellence

FORWARD LOOKING: ROE Growth

Grow ROE from -1.4% (FY2021) to 3.4% (FY2024), by –

1. Diversifying revenue streams to include beneficiated products and continuing to manage costs within budget so as to grow Net Profit Margin
2. More productive application of asset base through investment in technology to improve Asset Turnover
3. Taking on strategic projects with IRRs above the SAFCOL hurdle rate to add value to the shareholder return.





Thank you