

SAFCOL making great strides in socio-economic and enterprise development

Presentation to Select Committee on Department of Public Enterprises and Communication
February 2024



SAFCOL is an integrated forestry business operating in South Africa and Mozambique

Government of the
Republic of South Africa
through the Minister of Public Enterprises



- Established in 1992, under the Management of State Forests Act (MSFA) No. 128 of 1992.
- Development in the long term of the forestry industry according to accepted commercial management practice.
- Dual mandate: Commercial viability + Socio-economic development



Komatiland Forests SOC Limited (RSA)



Kamhlabane Timber SOC Limited (RSA)



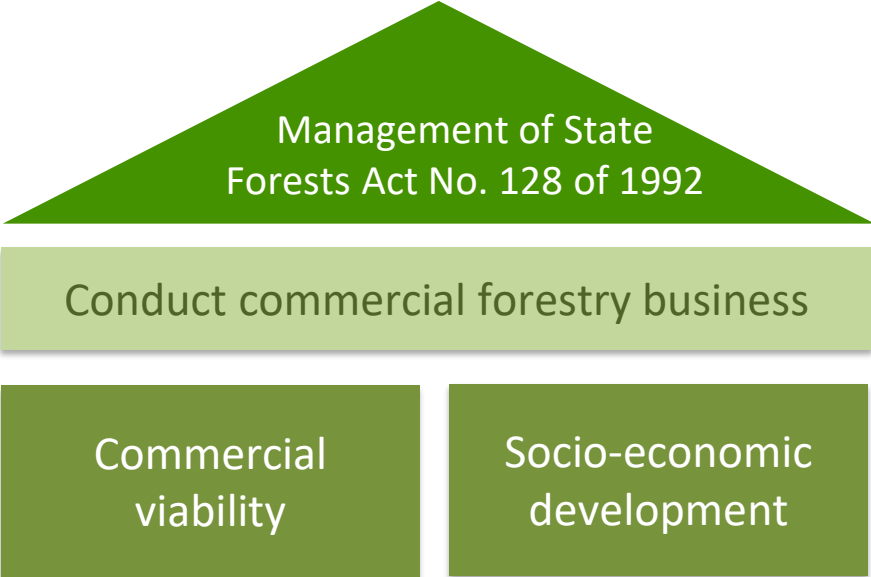
Abacus Forestries SOC Limited (RSA)



IFLOMA (Mozambique)



Established under the Management of State Forests Act, SAFCOL has a dual mandate of commercial viability and socio-economic development

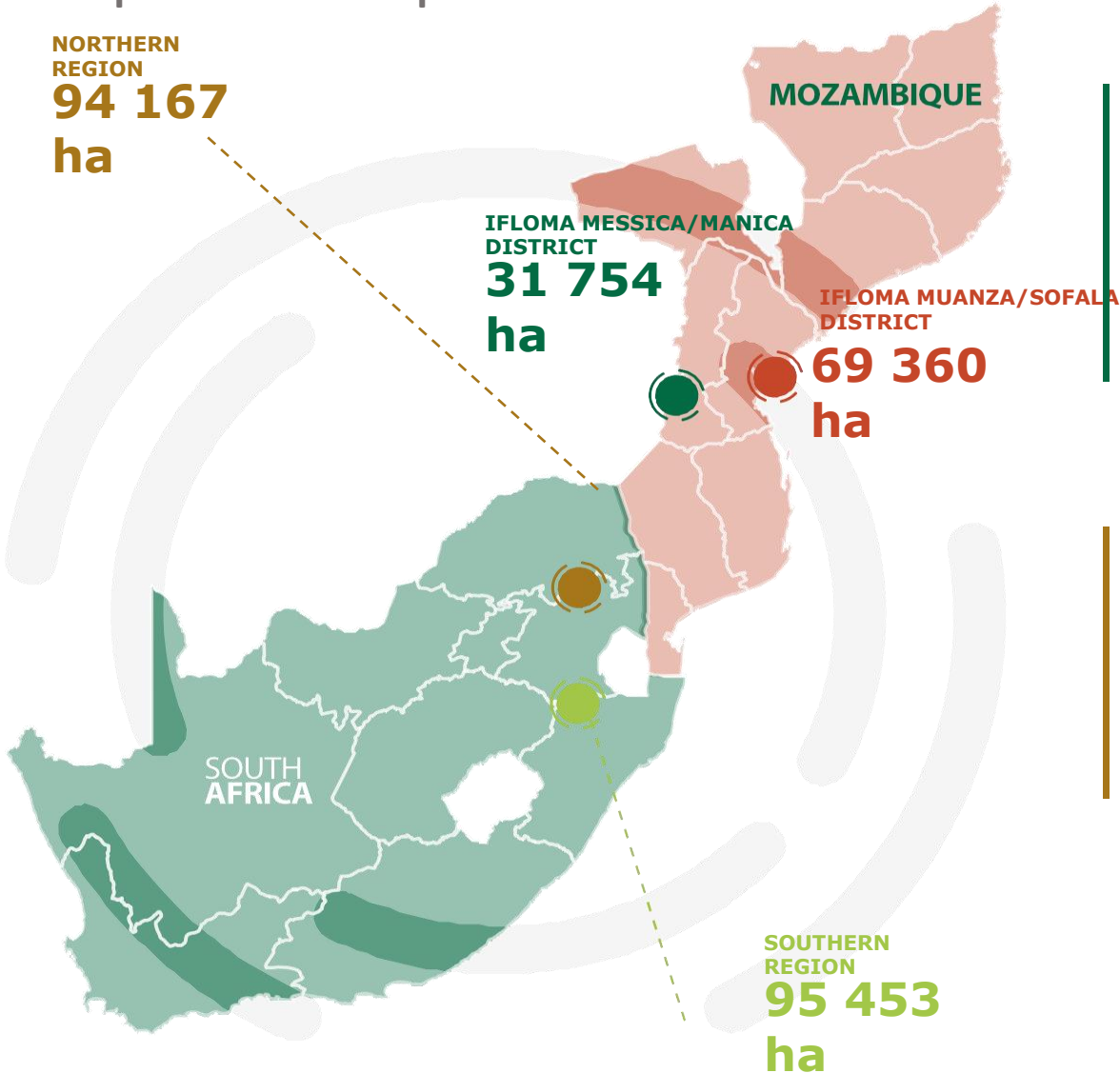


Mandate 



In SA, we manage forestry assets in Mpumalanga, Limpopo and KZN. In Mozambique we are in Manica and Sofala districts

Our plantations footprint



Mozambique (total area under management 101 114 ha)

IFLOMA MESSICA/MANICA DISTRICT

GENUS: Pine and Eucalyptus
PLANTATIONS: Rotanda, Bandula, Penhalonga and Mavonde plantations
AREA: Manica district and Sussundenga District in Manica province
SIZE: 31 754 ha of total area under management

IFLOMA MUANZA/SOFALA DISTRICT

GENUS: Eucalyptus
PLANTATIONS: Galinha
AREA: Muanza District
SIZE: 69 360 ha of total area under management, of which 5.3% is planted now

South Africa (total area under management 189 747 ha)

NORTHERN REGION

GENUS: Pine and Eucalyptus
PLANTATIONS: Entabeni, Woodbush, Blyde, Wilgeboom, Tweefontein, Bergvliet and Witklip
AREA: Sabie to Limpopo (Tzaneen, Vhembe District)
SIZE: 94 167 ha of total area under management

SOUTHERN REGION

GENUS: Pine, Eucalyptus and Wattle
PLANTATIONS: Berlin, Belfast, Nelshoogte, Jessievale, Roburnia, Ngome, Brooklands and Uitsoek
AREA: Mpumalanga Highveld around Amsterdam, Warburton, Belfast, Kaapschehoop, Barberton, Lydenburg, Mbombela as well as Nongoma in KwaZulu-Natal

KLF is the main operating entity in SA, conducting business through sustainable management of plantation forests, timber processing and eco-tourism

PLANTATIONS	TIMBER PROCESSING	ECOTOURISM
<p>SAFCOL through KLF is the third largest forestry company in South Africa and state state-owned</p> <p>KLF South Africa operations have maintained the Forest Stewardship Council © certification for the 24th consecutive year.</p> <p>This testifies to the sustainable forests management in a social and environmental responsible manner.</p>	<p>SAFCOL currently processes approximately 20% of roundlogs through the Timbadola sawmill.</p> <p>Timbadola Sawmill is a softwood processing facility located in Limpopo province, near Thohoyandou.</p> <p>Additional processing capacity is derived through outsourced processing agreements and initiatives.</p>	<p>Within the ecotourism business unit SAFCOL manages:</p> <ul style="list-style-type: none"> • Hiking trails and facilities, • Picnic sites • Some of the main waterfall attractions on the Panorama Route in Mpumalanga, and Debengeni waterfall in Limpopo • Lakenvlei Forest Lodge • Sabie Forestry Museum.

Revenue is generated from the sale of logs and lumber, as well as other non-timber- related products and services

The company has sustained upward trend in performance

Company results – FY2022/23 (audited)

Revenue:
R1.2 bn

Cash:
R334 mn

Operating profit:
R583 mn

Profit after tax:
R231 mn

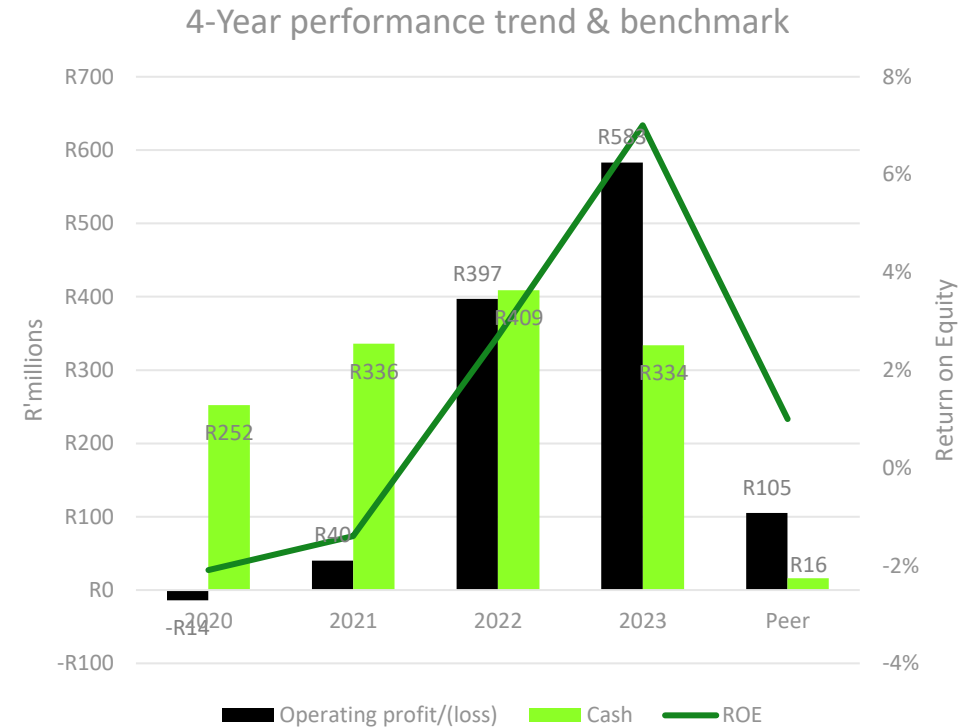
RoE:
8.4%

Bio-asset:
R4.6 bn

FSC certification:
26yrs in a
row

SHC:
82%

BBBEE:
Level 2
two years in a
row



- Unqualified audit opinion (3y in a row)
- No government funding/guarantees



Social compacts formalise the mutual beneficial relationship between SAFCOL and adjacent communities

NAME OF CLUSTER	LOCAL MUNICIPALITY	DISTRICT MUNICIPALITY
Redhill	Chief Albert Luthuli (CALM)	Gert Sibande
Blairmore	Chief Albert Luthuli (CALM)	Gert Sibande
Mantjolo	Chief Albert Luthuli (CALM)	Gert Sibande
Roburnia	Mkhondo	Gert Sibande
Berlin	Mbombela	Ehlanzeni
Emjindini	Mbombela	Ehlanzeni
Mapulana	Thaba Cheuw	Ehlanzeni
Hebron	Bushbuckridge	Ehlanzeni
Greater Tzaneen	Greater Tzaneen	Mopani
Mamahlola	Maruleng	Mopani
Tshivhase	Thulamela Municipality	Vhembe
Lutanandwa	Makhado Municipality	Vhembe
Ngome	Abaqulusi	Zululand
PalmRidge	Mtubatuba	Umkhanyakude

Mutual benefits of signing social compacts

Assistance in protecting the biological assets

Establishing partnerships

Alignment and identification of projects and plans

Ensure socio-economic benefits to communities

SAFCOL's diverse projects uplift communities through education, health, agriculture, and business development support.

Supplier Development Support:

- Multiple projects involve Supplier Development Support through Short Learning Programs with the University of Mpumalanga, indicating a focus on developing local businesses and entrepreneurs.

Forestry Mentorship:

- Several projects in Mpumalanga and KwaZulu Natal focus on Forestry Mentorship, supporting businesses with mentorship programs. The budget for mentorship support is consistent across different projects.

Enterprise Development Support:

- Some projects focus on Enterprise Development Support, indicating a commitment to fostering economic growth in specific sectors.

Agricultural Projects:

- Agricultural projects, including agroforestry and beekeeping, are present in Mpumalanga and Limpopo, showcasing a commitment to supporting sustainable agricultural practices.

Social Infrastructure

- The projects are spread across various municipalities and provinces, contributing to a more comprehensive and regionally balanced development approach.
- The community development projects cover a wide range of sectors, including education, health, agriculture, and showcasing a diversified approach to upliftment.
- The projects include a variety of types, such as construction (footbridges, clinic, adult center), agriculture-related projects (agroforestry, beekeeping), and supplier development support.

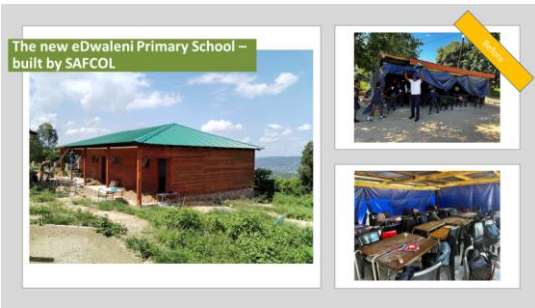
SAFCOL drives meaningful transformation through community upliftment projects supporting Sustainable Development Goals (SDGs)

eDwaleni Primary School

Msogwaba Disability Centre

Glory Hill Clinic - Graskop

Agroforestry



Ensure inclusive and equitable quality education and promote lifelong learning opportunities



Reduce inequality within and among countries



Ensure healthy lives and promote well-being for all at all ages



End poverty in all its forms everywhere



Make cities and human settlements inclusive, safe, resilient and sustainable



End hunger, achieve food security and improved nutrition, and promote sustainable

SAFCOL invests in community growth via infrastructure, agroforestry, and SMME support for sustainable development.



CORPORATE SOCIAL INVESTMENT (CSI)

- Nine footbridges constructed at Gert Sibande District municipality and Vhembe
- Seven ECD Centres were constructed across three provinces (Limpopo, Mpumalanga, and KwaZulu Natal).
- Eight multi-purpose centres (including skills development centres) were constructed in the three provinces (Mpumalanga, Limpopo and KwaZulu Natal)
- A school library was renovated, and equipped with new shelves (Mpumalanga)
- Three school classrooms were constructed in Mpumalanga.
- A clinic was constructed for the Graskop community in Mpumalanga.
- Renovation of a victim care centre (Graskop SAPS) and a school admin block in Mpumalanga and KwaZulu Natal.



AGROFORESTRY PROJECTS

- Thirteen small-scale farmers supported with seedlings, fertilizers, and garden tools
- 106 job opportunities created and sustained
- 1375 indigenous trees and fruit trees planted at various households, communities, and government institutions

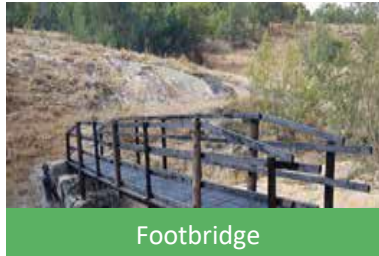


ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)

- 102 SMMEs received non-financial support which includes technical and business skills; business equipment and tools (including furniture making and forestry tools)
- 46 Silviculture contractors were enrolled for Short learning programme with UMP (University of MP)
- External mentoring programme conducted for silviculture contractors and the bee-keeping cooperative
- Some SMME's who graduated from the mentorship programme appointed as Silviculture contractors - thus creating jobs for local communities



Msogwaba Disability Centre



Footbridge



Shandzha Skills Development Centre

Timber footbridges enhance rural connectivity, are cost-effective, quickly built, and environmentally friendly

Lochiel – Chief Luthuli
Municipality (Mpumalanga)



Oshoek
Chief Luthuli Municipality
(Mpumalanga)



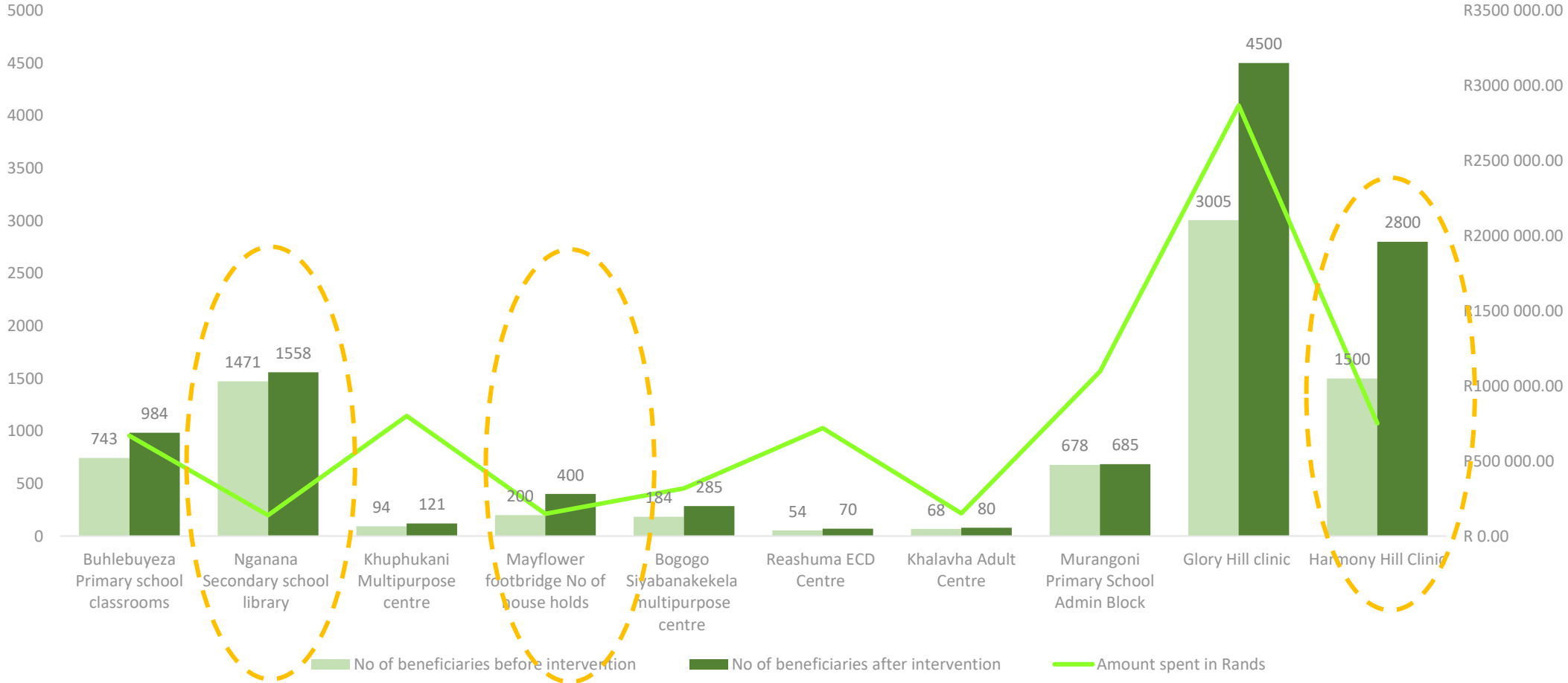
Benefits of timber footbridges

- **Improved Accessibility:** Timber frame footbridges provide vital and safe connections for rural communities, facilitating access to essential services such as schools, markets, and healthcare facilities.
- **Cost-Effective Construction:** Timber is often more economical and readily available locally, making the construction of footbridges more affordable for rural areas.
- **Quick to Build:** Timber bridges can be constructed relatively quickly, minimizing disruption and providing immediate benefits to the community.
- **Eco-Friendly:** Timber is a renewable resource that, when sourced sustainably, has a lower environmental impact than steel or concrete, aligning with rural communities' dependence on and respect for natural resources.

Although the investment may be low on most of SAFCOL's projects, the impact is high (i.t.o # number of beneficiaries impacted)

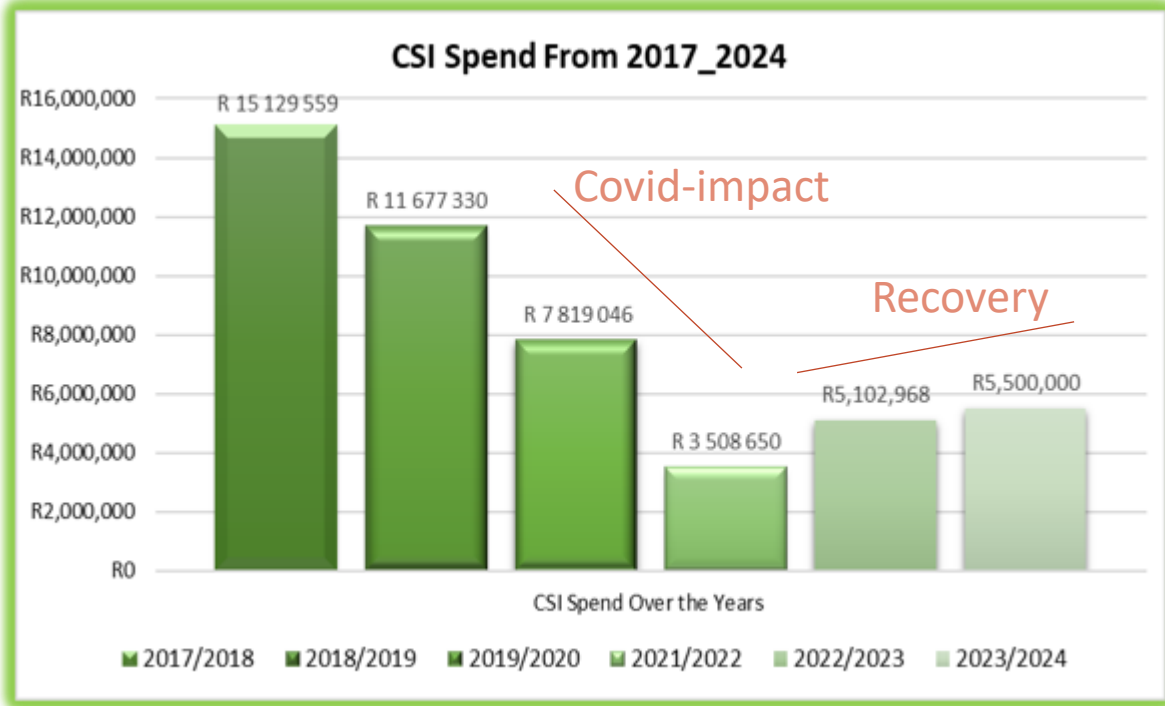
Number of beneficiaries

Amount spent



The highlighted projects had relatively low investments, but impacted many beneficiaries

While the CSI spend has declined over the years as a result of economic challenges, the impact remains significant for the adjacent communities



Vondo footbridge - Limpopo



Matsila Arts & Crafts(Limpopo)



Sukumani Youth Centre (Mpumalanga)



Umjindini ECD Centre (Mpumalanga)



Maguada Hall (Limpopo)

SAFCOL is actively managing operational challenges due to extensive unresolved land claims and related legal and illegal disruptions, affecting nearly 60% of its plantations

SAFCOL ensures the commercial sustainability and continuity of its business as set out in section 3 of the Management of State Forest Act (MSFA).

SAFCOL leases the state forest land from the Department of Environment, Forestry and Fisheries (DFFE).

The Department of Agriculture, Land Reform and Rural Development (DALRRD) plays a pivotal role in the management and resolution of land claims affecting SAFCOL.

SAFCOL operates its forestry business on land parcels declared as state forest land in terms of the National Forest Act.

Approximately 57% of SAFCOL's plantations are affected by land claims, in Limpopo, Mpumalanga and KZN.

Restructuring and other changes in DALRRD and DFFE mandates have negatively impacted the land claim process. SAFCOL does not have a mandate to negotiate land claims.

Legal disputes between RLCC and Communities, adjudicated by the land claims court. SAFCOL (cited as a respondent) submitted a notice to abide by the court's judgement

Legal structures (CPAs) in communities are not always functioning effectively, negatively impacting SAFCOL's ability to engage with community representatives to enable collaboration.

Market supply of softwood saw logs and other timber products may be under threat if communities don't opt for SAFCOL as a partner, post transfer of the claimed land.

SAFCOL have received threats from communities due to unresolved land claims.

Illegal activities taking place at SAFCOL plantations: invasion and occupation of land; mining, harvesting of logs, illegal grazing, etc.

SAFCOL fosters community partnership for shared value and sustainability to optimally involve land claimants and adjacent communities

1. SAFCOL is implementing its pro-active community engagement and post-settlement business models to optimally involve land claimants and adjacent communities across its value chain for mutual and sustainable benefit.
2. The Company collaborates on projects that will enable communities to derive value from the land leased by SAFCOL. The following are some of the interventions:
 - **Establish and support Black owned SMMEs** that will provide services to SAFCOL, through the Enterprise and Supplier Development (ESD) incubation program;
 - **Provide procurement opportunities for land claimants** within the supply chain through the Preferential Procurement Policy Framework Act (PPPFA);
 - **Participate in non-forestry projects on unplanted land**, subject to legal and FSC requirements (e.g. vegetables, mushrooms, bee-keeping).
 - **Commercial partnerships in the forestry value chain** (e.g. mobile sawmill)

Based on optimal involvement of communities in all stages of SAFCOL's value chain, in a strategic partnership approach. The aim of the approach is to collaborate on projects that will enable the CPA derive value from the land owned by the community and leased by SAFCOL

Progress is actively tracked on outstanding land claims and projects

Region		Update
1	Entabeni - Limpopo	RLCC is in process of remapping boundaries of claimed land to resolve dispute and finalise claim Awarded a logistics sub-contract
2	Kaapschehoop - Mpumalanga	Sec42D approved; legal entity registered (CPA) . Transfer of title deed awaited. Negotiation for lease agreement has commenced
3	Mamahlola - Limpopo	Monthly rental payments on track. Silviculture contract implemented
4	Ngwaritsi - Mpumalanga	Sec42D approved; legal entity registered (Trust) . Transfer of title deed awaited. Negotiation for lease agreement has commenced
5	Makhubu - Mpumalanga	Section 42D approved; legal entity established. Transfer of title deed awaited. Negotiation for lease agreement has commenced
6	Ntendeka – KZN	RLCC is conducting further verification to confirm legitimacy of claimants Land valuation conducted, and negotiations on the sale of land will commence soon



The company is presented with numerous opportunities that will empower it to tackle forthcoming challenges.

Opportunities

Challenges

Opportunities outweigh the challenges – Strategy is in place to address the challenges

A. 57% of land under claim:

- Partnership model with claimants developed and engaged land claimant communities
- Post settlement business model developed and implemented for first land claimant community that received land (Mamahlola) – land lease

B. 50% of tree yield improved to 95%:

- Grow SAFCOL revenue
- Strategic Partnerships for advanced processing (beneficiation).
- Attraction of FDI in processing companies (energy and biochemicals).
- Partnership with communities for economic prosperity and sustainable participation in the value chain
- Transformation of forestry sector and creation of jobs in the value chain.

C. Sustainability: contribution to reversal of Climate Change:

- SAFCOL operates on 189 000 hectares and 121 000 hectares are plantable; we require more land from DFFE to grow business, support industry and communities.

A. Finalisation of land claims by the Department of Land Reform and Rural Development (DALRRD)

- The process is too slow

B. Timber theft

- Destruction of national assets through crime

C. Climate change

- Wildfires

D. Aging technology and equipment

- Capital Investment

E. Access to more plantations

- Manage Department of Forestry, Fisheries and the Environment(DFFE) and Municipalities plantations



Thank you