



Parliament of the Republic of South Africa

Presentation to Portfolio Committee on Public Enterprises

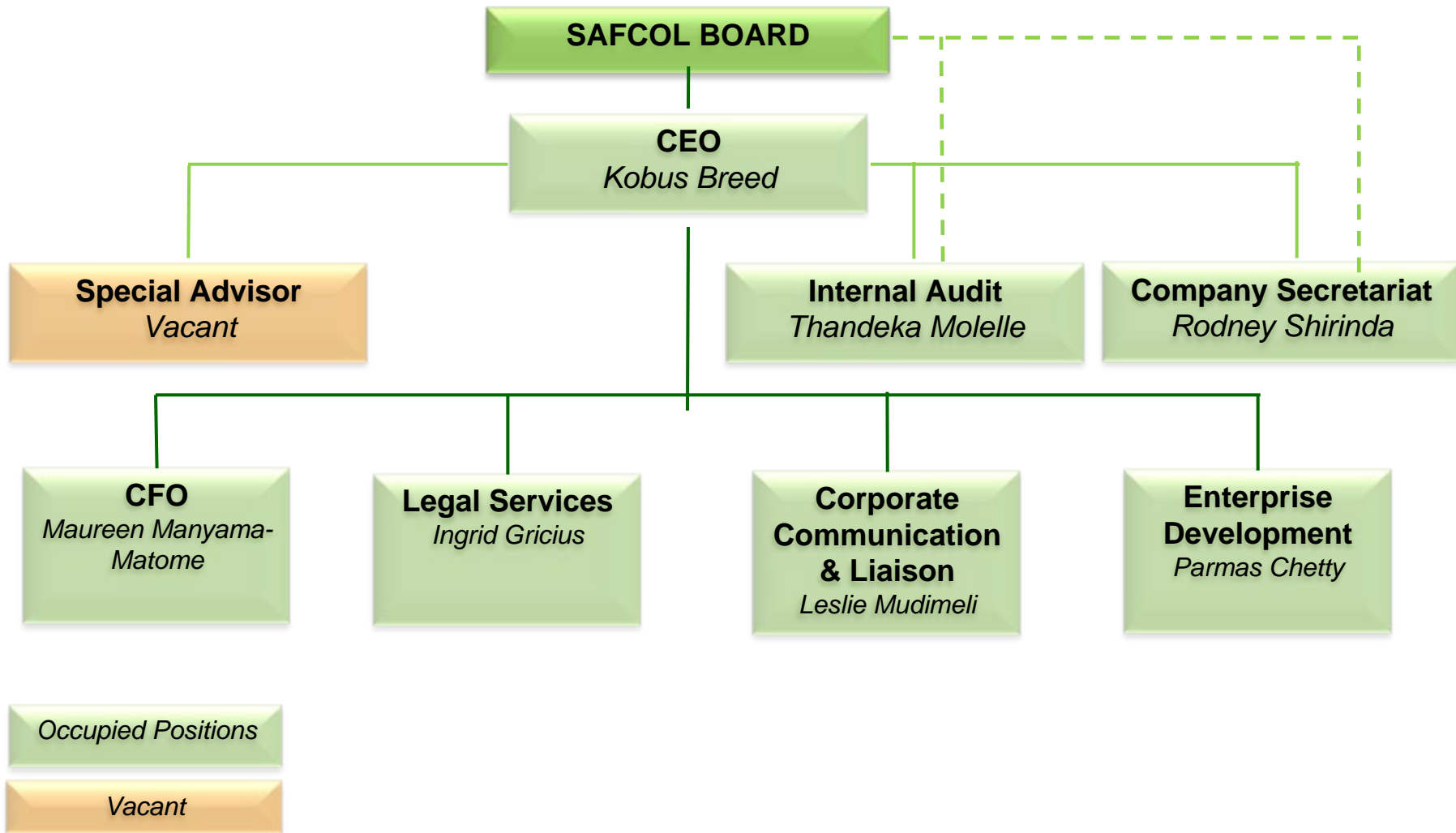
19 March 2010

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Human Capital (SAFCOL Group)*

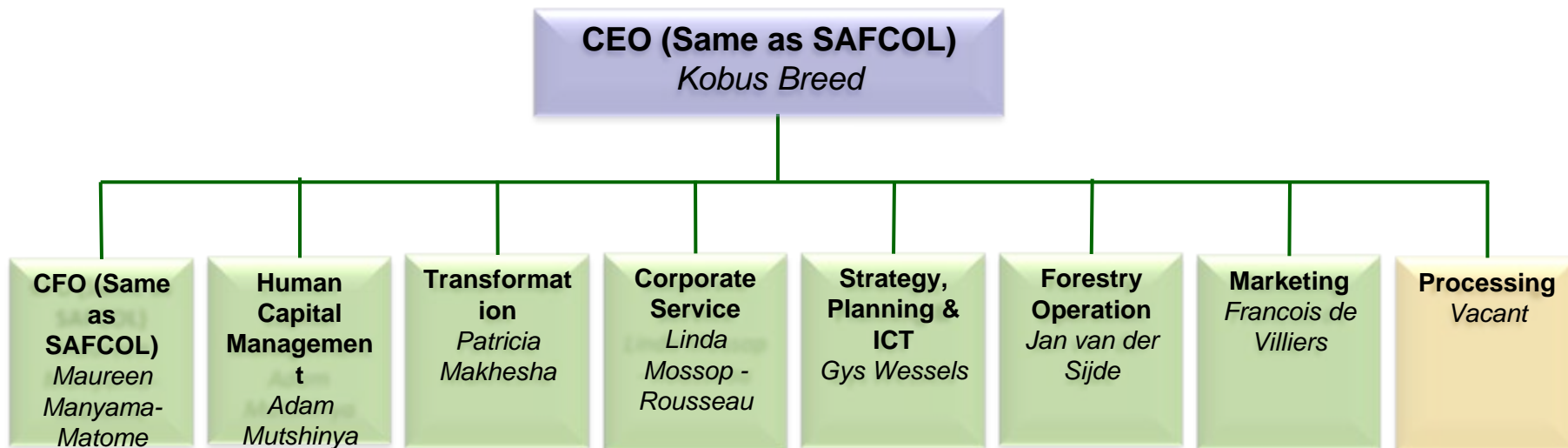
PURPOSE

To provide information to the portfolio committee on public enterprises as requested by honourable members of the committee.

Holding Company Structure: SAFCOL



Operational structure of subsidiary: Komatiland Forests



Executive Board Member

Occupied Positions

Vacant

Gender & Race Breakdown at executive level

	Male				Sub-total	Female				Sub-total	Total
	B	C	I	W		B	C	I	W		
2008	2	-	-	5	7	0	-	-	2	2	9
	22,22%	0%	0%	55,55%	77,77%	0%	0%	0%	22,22%	22,22%	100%
2009	2	-	1	4	7	2	-	-	2	4	11
	18,18%	0%	9,09%	36,36%	63,63%	18,18%	0%	0%	18,18%	36,36%	100%
2010	2	-	1	4	7	2	-	-	2	4	11
	18,18%	0%	9,09%	36,36%	63,63%	18,18%	0%	0%	18,18%	36,36%	100%

Employee Turn over at Executive level

- Over the past three years, **only two executives** left the services of SAFCOL, one white male (2008) and one black female (2009). The individuals have since been replaced.

SAFCOL's Executive Turnover statistics since 2008.

Total number of Senior Executive	11
Number of Executives who left SAFCOL since 2008	2
Exit Percentage	18%

Status and filling of Vacancies for Executives

- There is currently **one vacant position at executive level**, Senior Executive : Processing. Operational requirements dictates the filling of existing vacant positions. Shareholder's decision on vertical integration will be key in making a decision for the filling of this particular position.
- Due recruitment processes followed in filling the existing vacant positions.

Succession planning at Executive level

- The five year human capital strategy which was implemented effectively from 2009 makes provision for **talent management and succession planning within SAFCOL**. There is one executive position within the forestry operations for which a successor has been indentified.
- Rolling out of the talent management strategy is in progress, in particular the formation of governance structures and committees is in the process of being established.

SAFCOL Remuneration Principles

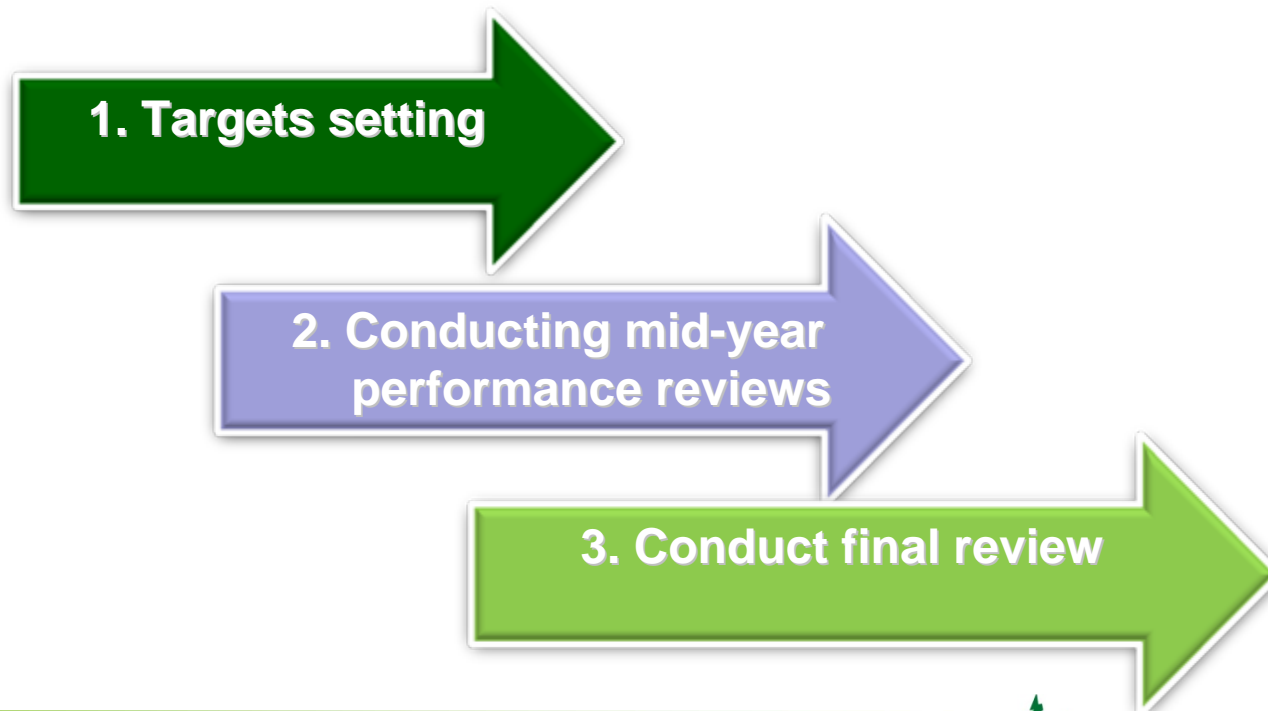
- **COMPETITIVE PAY LEVELS:** The Company is committed to ensure external equity by establishing salary structures linked to incentives that are competitive relative to the relevant target markets.
- **PAY FOR PERFORMANCE:** Reward practices shall remunerate employees for real outputs, demonstrated competencies and the actual contribution made to the business.
- **INTERNAL EQUITY:** Remuneration differentiation amongst employees will be based on criteria that are fair and objective.
- **COST MANAGEMENT:** The Company will manage remuneration levels and the total cost of employment, within the scope of the HR policies and proper management practices.
- **BENEFIT FLEXIBILITY:** Provisions should enable structuring of Total Guaranteed Packages (where applicable) in terms of best practices, and individual employee preferences, always bearing in mind legal compliance and good Corporate Governance.
- **TOTAL POTENTIAL REMUNERATION:** Ensuring the correct remuneration levels and mix in terms of guaranteed and variable pay as well as proper integration of these elements of reward.
- **JOB BENCHMARKING:** Job Grading structures shall be maintained in terms of proper job evaluation processes, which will enable equitable internal and external comparisons.
- **FUNDING:** New initiatives should, to a large extent, be self-funding (e.g. variable/incentive payments).

SAFCOL Rewards model



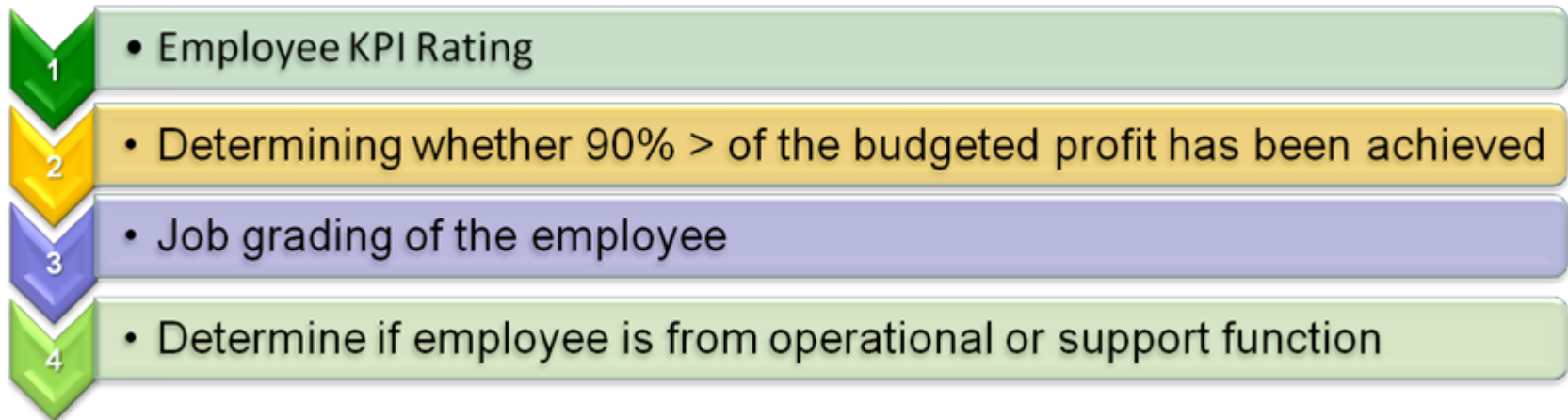
Performance Management of Executives

- The remuneration policy of SAFCOL makes provision for a performance based bonus scheme as part of variable pay rewarding employees where the company achieved set profit targets as well as outstanding individual performance on the key performance indicators (KPI). **The following process is followed annually:**



Performance Management of Executives

- The payments for the performance bonuses for both management and administrative staff are calculated based on four sets of criteria as per Policy. **Following are the set criteria for calculating performance bonuses:**



- CEO receives KPI's from the Board which are cascaded down and form part of the Executive KPI's.

Executive Remuneration

- SAFCOL uses Patterson Grading.
- Senior Executives are both at E and F bands.
- Guaranteed pay (Cost to company basis).

Table Showing Remuneration Ranges of SAFCOL Senior Executives

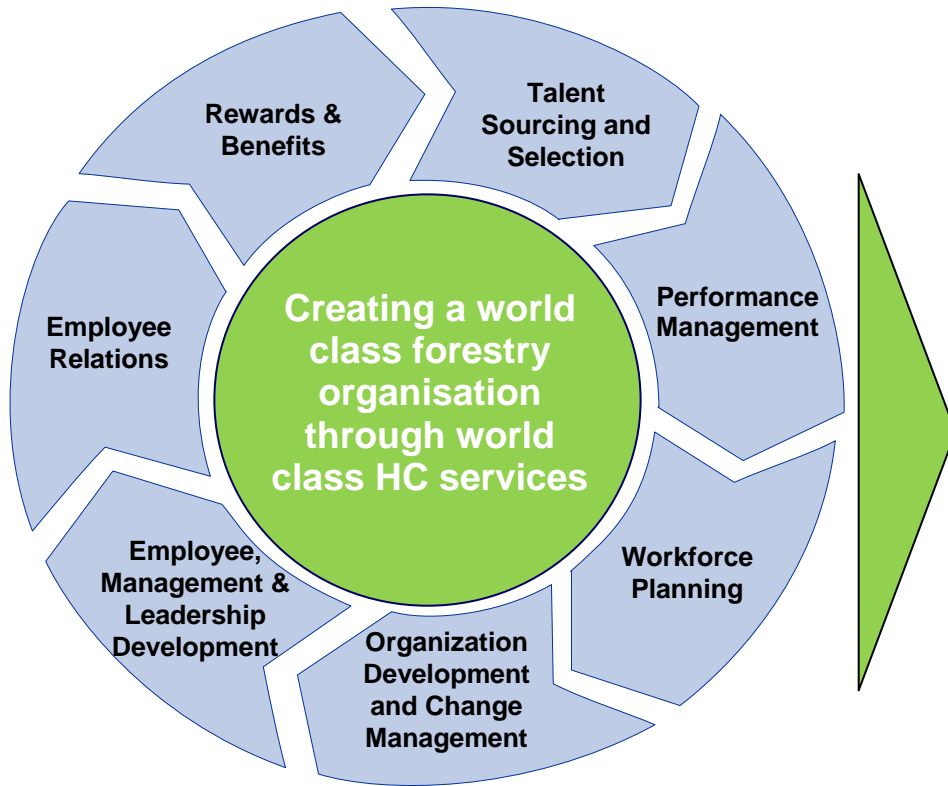
Patterson Grading Bands	Ranges per Quartile		
	Lower (R'000)	Quartile Median (R'000)	Upper (R'000)
F –Band	R 1 326	R 1 609	R 2 208
E –Band	R 1 066	R1 554	R 2 125

Note: The table above exclude the remuneration of CEO and CFO, their respective remuneration is determined in line with DPE guidelines on remuneration of executive directors.

Board Remuneration and implementation of DPE guidelines

- SAFCOL is regarded as a category B entity in terms of the DPE remuneration guidelines and the Non Executive Directors (NED's) are remunerated at a median as reflected in the guidelines. Approvals on the remuneration of NED's at a median was given by the previous Minister in a letter dated 13 September 2008.
- SAFCOL continues to comply with DPE guidelines on the remuneration of its Non-Executive directors.

Talent Management as part of Human Capital Strategy



Return on Investment to SAFCOL/KLF

- 1 Significant **improvement in productivity** (better performance management, reduced absenteeism, sick leave, leadership time spend on HR issues)
- 2 Improvement in **retention and motivation of critical talent**
- 3 Increase in internal **supply of business critical talent** in line with BBBEE targets
- 4 Improvement in **management and leadership capability** to sustain the organisation and drive growth objectives
- 5 Increased **return on management time** due to standardised people management practices and improved management capabilities on level 1 -3
- 6 Increased **employee engagement** due to improvement in organisational climate and living agreed core values
- 7 Reduced **employee risks** related to inconsistent labour practices (low industrial actions and CCMA cases)
- 8 Optimal HC headcount and **operating costs** through HC technology improvements
- 9 Achievement of “**Employer of Choice**” status (attractiveness of SAFCOL to investors)

Talent Management and Organisational Development : Process

Service Component	Description
Talent Management	
Workforce planning	<ul style="list-style-type: none"> Services to forecast and plan for current and future staffing needs, including optimal staffing levels in line with business needs and transformation targets, etc.
Job profiling and competency design	<ul style="list-style-type: none"> Services to develop and continuously align job profiles in line with business and divisional mandates, and designing and implementing competency models for all levels in SAFCOL/KLF (Managerial, Leadership, Functional, and Technical competency models).
Talent identification	<ul style="list-style-type: none"> Services to define critical talent and identify high potential and high performing talent in the organisation and in the divisions
Succession management	<ul style="list-style-type: none"> Services to identify high potential candidates to meet short-term and long-term business needs, including the identification of successors for key executive and technical roles, creation of developmental programs for identified successors etc.
Talent retention	<ul style="list-style-type: none"> Services to identify retention risks and putting in place measures to proactively address attrition of critical talent.
Employer branding	<ul style="list-style-type: none"> Services relating to the development of employment value proposition for different talent segments. This will also include the development of SAFCOL /KLF employment brand.
Career management	<ul style="list-style-type: none"> Services to create and manage career development programs, including providing support to managers and employees on the use and application of career management programs and tools
Mentoring and coaching	<ul style="list-style-type: none"> Services to guide and mentor employees regarding on-the-job performance, expectations and career options or opportunities

Talent management governance structures and committees

Committee	Mandate	Attendees	Frequency
Group Talent Management Committee	<ul style="list-style-type: none"> • Provide input into talent strategy to ensure alignment with business objectives • Sign off on the talent management strategy and investment requirements • Review business priorities and challenges and identify implication for people capacity • Review organisational and talent capacity in line with business priorities • Review and sign off on Critical Talent Segments and key talent • Manages the Executive (about 50 executives and senior managers 'roles across the SAFCOL group) and Inter-group Talent pools (focusing specifically on critical talent segments) • Approve succession plans for Executive Talent Pool members (excluding the CEO) and make decisions on their readiness 	<ol style="list-style-type: none"> 1. Chaired by CEO 2. All EXCO Members 3. SM OD and Talent (Secretariat) 	Bi Annually
Area/Operations Talent Committees, i.e. • Processing • Forestry • Head Office	<ul style="list-style-type: none"> • Focuses on Divisional Talent • Provide input into Talent Management Forum • Discuss and approve Succession plans for levels below D • Agree on Development plans of identified successors • Track development of identified successors • Agree on readiness on identified successors in levels below D 	<ol style="list-style-type: none"> 1. Chaired by a Senior Executives 2. Area Managers and in Forestry 3. Senior Managers in Processing 4. Senior Managers in Head Office 5. SM Human Capital Operations 6. Senior Specialist Talent % Assessment 	Bi Annually

Attainment of objectives as per Shareholder's compact

- Regarding the 2007/8 shareholders' compact agreed to and signed between SAFCOL and DPE, SAFCOL has in principle complied and implemented the objectives agreed to in the compact, except for the successful privatization of Komatiland Forests (Pty) Ltd and winding up of SAFCOL due to an instruction to put on hold the privatization process from the then Minister of Public Enterprises, Minister Erwin on 13 May 2008.
- SAFCOL has in the past years attained all set objectives as per shareholder's compact, unless if such objectives are waived in agreement by both parties.

KEY PERFORMANCE AREAS FOR SAFCOL 2009/10

Element of Strategic Intent	Key Performance Area	Proposed KPI	5 Year Target	2009/10
Short and Long Term Financial and Commercial Sustainability	Financial Returns	Return on equity excluding fair value movements and translation gains (losses)	10%	10%
		Return on equity including fair value movements and translation gains (losses)	10%	10%
	Creditworthiness	Credit Rating	Investment Grade	Investment Grade
		Gearing ratio	<50%	<50%
		Cash Ratio	>1	>1
Sustainable forest management	Area of forest under management	Total gross stocked area	124,000ha	124,000ha
		Area under saw log management objectives	100,000ha	100,000ha
	Area of forest under management which is fully certified to FSC or PEFC standard	% of total forest area in South Africa	100%	100%
		% of total forest area in Mozambique	100%	0%

KEY PERFORMANCE AREAS FOR SAFCOL

2009/10

Element of Strategic Intent	Key Performance Area	Proposed KPI	5 Year Target	2009/10
Enhanced Developmental Contribution	Achievement of charter transformation objectives	BBBEE Contributor Level	2	3
		CSI Spend Per Annum	>1% of NPAT excluding FVA p.a.	>1% of NPAT excluding FVA p.a.
	Enterprise Development	No of medium sized business created by March 2014	3	3 Enterprise Development Opportunities Identified
	Market access to SMEs and new entrants	% volume of roundwood sales sold by a price competitive sales process under fixed duration contracts and in accordance with revised marketing policy	100%	42.5%
	Social compact implementation	% of community groupings with signed social compacts	100%	33%

THANK YOU

Our mission is driven by an unwavering commitment to facilitate sustainable economic empowerment of communities and alleviation of poverty through:

- Implementing needs-driven interventions**
- Becoming a partner of choice for land claimants**