GN 873 of 12 June 2009: Codes of Good Practice on Broad-Based Black Economic Empowerment (*Government Gazette* No. 32320)

DEPARTMENT OF TRADE AND INDUSTRY

Whereas I, **Mandisi Mpahlwa,** Minister of Trade and Industry:

(*a*) Having issued a DRAFT FOREST SECTOR CHARTER for public comments in terms of **Section 9 (5)** of the Broad-Based Black Economic Empowerment (Act No. 53 of 2003) on the **5th December 2008** in terms of which;

(*b*) the public and interested persons were invited to comment on the draft Sector Charter within a period of ***60 days*** from the date on which the Draft Sector having been published;

(*c*) Now publish the FOREST SECTOR CHARTER as a SECTOR CODE on black economic empowerment in terms of Section 9 (1) of the BBBEE Act, 53 of 2003.

This notice is effective from the date of publishing and means that the FOREST SECTOR CODE is binding on all stakeholders operating in the Forest Sector.

(**Signed**)

MANDISI MPAHLWA

MINISTER OF TRADE AND INDUSTRY

DATE: 04-05-2009

FOREST SECTOR CODE

GAZETTED IN TERMS OF SECTION 9 (1) OF THE BBBEE ACT 53 OF 2003

MAY 2009

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1 Preamble

We, the parties to this Charter, are fully committed to working collectively to ensure that the opportunities and benefits of the Forest Sector are extended to black South Africans previously excluded from meaningful participation in the Sector. In doing so, we recognise that:

. Our sector is still largely white and male dominated and characterised by large disparities in access to opportunities and benefits for black people, especially black women.

- Growth and prosperity in the South African economy and the Forest Sector cannot be realised without meaningful participation of black South Africans, including black women, youth and the rural poor in economic life.
- We have the moral and constitutional obligation to reverse the legacy of inequality in the sector, as well as an obligation to our shareholders and employees to support sustainable growth through transformation in the sector.
- The Forest Sector has specific challenges that need to be addressed in an integrated manner to ensure sustainable equity and growth in the sector.

The Forest Sector believes that a positive and proactive response through the implementation of a Transformation Charter will address inequalities in the sector, unlock the sector's potential and enhance its growth.

The Forest Sector also confirms its role as a high growth potential sector of the economy, which should contribute substantially to the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) that is set to drive the economy to a higher rate of growth that will optimise broad-based impact.

We hereby commit ourselves to:

- The objectives of the Broad-based Black Economic Empowerment Act No. 53 of 2003 (B-BBEE Act)
- The principles of sustainable forest management, in particular the principle of advancing persons disadvantaged by unfair discrimination, contained in the National Forests Act No. 84 of 1998 (NFA).
- The principles contained in other legislation aimed at addressing the imbalances brought about by the economic legacy of Apartheid.
- The principles contained in labour legislation aimed at protecting the rights of forest workers, and improving the wages and working conditions of those workers negatively impacted upon by outsourcing and casualisation.
- An integrated strategy for transformation and growth in the Forest Sector based on the framework, targets and undertakings outlined in this Charter.
- Working through partnership initiatives involving industry, government, labour and communities in implementing this Charter.

We therefore provide the following framework, targets and undertakings for transformation of the Forest Sector that will promote broad-based black economic empowerment.

2 Scope of application

This Charter applies to all enterprises involved with commercial forestry and first level processing of wood products. This covers the following sub-sectors:

(*a*) Growers sub-sector (plantations, nurseries and indigenous forests)

(*b*) Contracting sub-sector (forestry contractors in silviculture, harvesting, fire-fighting services and other forestry contracting services that are not covered by their own Sector Charters)

(*c*) Fibre sub-sector (pulp, paper, paperboard, timber board product, woodchip and wattle bark manufactures)

(*d*) Sawmilling sub-sector (industrial, structural and mining timber sawmills and match producers)

(*e*) Pole sub-sector (pole treatment plants)

(*f*) Charcoal sub-sector (charcoal producers)

Non-timber forest product enterprises such as those involved in honey production, harvesting of mushrooms and medicinal plant, as well as forestry based tourism enterprises are not directly covered by the Charter, as they are included in other sector charters. However, because forestry growers license these activities, non-timber forest product enterprise will be impacted on and benefit from the agreements reached within the Forest Sector Charter.

3 Interpretations

Expressions, definitions and qualifications used in the Charter have the meaning assigned to them in the Codes of Good Practice gazetted under section 9 (1) of the Broad-based Black Economic Empowerment Act of 2003, unless otherwise specified hereunder.

Industry	Collective term for enterprises that operate within the Forest Sector as outlined in par. 2 of the Charter
Industry Codes of Conduct	Codes of Conduct provided for under par. 12.2 of the Charter
Industry Specific Contributions	An enterprise's contribution to industry specific initiatives as identified in par. 11.8 of this Charter for the sub-sector in which the enterprise operates. Such contributions are extraneous to the measured entity's regular business activities and do not form part of any legal obligation upon the enterprise.
Ownership Bonus Points	The formula used to calculate Ownership Bonus Points as defined in Annexe C par. 6 of Code 100 Statement 100 also applies to the calculation of the Bonus Points under indicator 1.10 and 1.11 of the Scorecard for Medium and Large Forest Enterprises as outlined in table 1 of this Charter.
Realisation points for Net Equity Interest	As defined in Annexe C par. 4 of Code 100 Statement 100, provided that for enterprises in the grower sub-sector the graduation factor of the compliance target is based on full payment in equal trances over the crop rotation cycle for the timber crop grown by the enterprise, by applying the following formula: C=N/Rx100% Where C is the graduation factor; N is the year after the effective date being measured; R is the crop rotation period in years

Further background information and explanatory notes on the Charter are contained in the Companion to the Charter. The Companion document does not form part of the Charter agreement unless particular reference is made to this in the Charter.

The acronyms used in the Charter shall have the following meanings:

ABET	Adult Basic Education and Training
ASGI-SA	Accelerated and Shared Growth Initiative for South Africa
B-BBEE	Broad-Based Black Economic Empowerment
CRLR	Commission on Restitution of Land Rights
DLA	Department of Land Affairs
DoA	Department of Agriculture
DTI	Department of Trade and Industry
DWAF	Department of Water Affairs and Forestry
DPE	Department of Public Enterprise
EAP	Economically Active Population
EME's	Exempted Micro-Enterprises
FIETA	Forest Industries Education and Training Authority
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
ITAC	International Trade Administration Commission
NFA	National Forests Act No. 84 of 1998
NPAT	Net Profit after Tax
NSDS	National Skills Development Strategy
NSF	National Skills Fund
PGDS	Provincial Growth and Development Strategy
QSE's	Qualifying Small Enterprises
R&D	Research and Development
SAFCOL	South African Forestry Company Ltd
SAQA	South African Qualifications Authority
SALGA	South African Local Government Association
SAUPA	South African Utility Pole Associations
SMME	Small, medium and micro enterprise
SSP	Sector Skills Plan
WfW	Working for Water Programme

4 Objectives

The main objective of this Charter is to promote Broad-based Black Economic Empowerment in the Forest Sector by undertaking the following:

(*a*) Promoting investment programmes that lead to sustainable B-BBEE-driven growth and development of the Forest Sector and meaningful participation of black people in the entire forestry value chain.

(*b*) Achieving sustainable change in the racial and gender composition of ownership, management and control structures and in the skilled positions of existing and new forest enterprises.

(*c*) Increasing the extent to which black women and men, workers, cooperatives and other collective enterprises own and manage existing and new forest enterprises and increasing their access to economic activities, infrastructure and skills training.

(*d*) Nurturing new black-owned and/or black-managed enterprises to undertake new forms of economic and value-adding activities in the Forest Sector.

(*e*) Using the forest industry as a catalyst for empowering rural and local black communities to access economic activities, land, infrastructure, ownership and skills.

(*f*) Promoting sustainable employment and contracting practices in the Forest Sector.

(*g*) Promoting access to finance for Broad-based Black Economic Empowerment in the Forest Sector.

(*h*) Promoting equitable representation in industry structures and equitable access to forestry support systems.

(*i*) Providing an enabling environment for transparency, fairness and consistency when measuring and adjudicating on matters related to B-BBEE in the Forest Sector.

5 Key principles

5.1. B-BBEE is Broad-based

Sector Transformation needs to be broad-based both in terms of:

. The spectrum of black people (including women, workers, youth, people with disabilities, and those living in rural areas) that benefit from the transformation process; and

. The set of instruments to be used to achieve the empowerment objectives (ownership, management control, human resources and skills development, employment equity, preferential procurement, enterprise development, social investment and other industry specific initiatives).

5.2. B-BBEE is an Inclusive Process

Sector transformation needs to be an inclusive process with the participation and commitment of all stakeholders in the sector, including all enterprises, whether large or small, both management and labour that operate within the sector, as well as community groups and relevant government departments that interface with the sector. Inclusiveness is required both in relation to the formulation of the Charter and its implementation.

5.3. B-BBEE and Economic Growth

The scope and sustainability of B-BBEE will depend in large measure on growth in the sector and visa versa. Being exposed to global markets, the sector needs to maintain its competitiveness and profitability to secure long-term sustainable growth. Growth linked transformation needs to provide for the expansion of the country's limited plantation resource, increased productivity, value-adding and SMME development in making B-BBEE work for the poor.

5.4. B-BBEE and Partnerships

The successful implementation of B-BBEE in the Forest Sector requires partnerships at different levels:

. Between different sub-sectors because of vertical integration and horizontal interdependence between different operators in the value chain.

. Between large corporate and small-scale enterprises that operate in the sector: their joint effort is needed to deal successfully with many of the challenges facing the sector and to secure the transfer of skills and mentorship support to empower black owned enterprises to be able to succeed and thrive in the competitive business environment.

. Between the industry (with its managerial and technical skills as well as financial resources) and government (that contributes resources and controls the policy and regulatory environment in which the industry operates).

. Between industry and local/rural communities: these communities should both benefit from B-BBEE and

impact on the socio-economic context in which the forest enterprises operate.

5.5. B-BBEE and Good Governance

Good governance must underpin B-BBEE. All participants in the sector (management, labour, communities and government) need to adhere to the highest standards of good corporate governance to improve the quality and transparency of business in the sector. Good governance includes being compliant with legislation, following due process, applying fair labour practices, being socially responsible and applying environmentally sustainable business practices. Fronting as a disguise for B-BBEE will not be acceptable and will be dealt with in accordance with the DTI guidelines.

5.6. Shared Vision for the Industry

All role players need to commit to a shared vision for the forest industry and seek win-win approaches to tackling the transformation challenges arising. This needs to be underpinned by a common understanding of the challenges facing the sector and its sub-sectors, and a commitment to implement the strategies and instruments for sustainable growth and broad-based empowerment throughout the forestry value chain. This Charter represents the sector stakeholders' shared vision for broad-based empowerment with growth for the Forest Sector, namely:

. An inclusive and equitable Forest Sector in which black women and men fully participate.

. A Forest Sector that is characterised by sustainable use of resources, sustainable growth, international competitiveness and profitability for all its participants.

. A Forest Sector that contributes meaningfully to poverty eradication, job creation, rural development and economic value-adding activities in the country.

6 Sector Challenges

The following key challenges will be addressed to ensure equity with growth in the Forest Sector:

. Increased local supply of roundwood to underpin sustainability and growth throughout the forestry value chain. A key requirement here is to increase land available for forestry.

. Sustainable supply and better utilisation of the country's limited sawlog resources.

. Increased local beneficiation in and through the fibre production sub-sector.

. Greater equity in the entire value chain of forestry.

. Greater empowerment and profitability of existing small scale forest enterprises.

. Linking forestry as a rural based industry with poverty eradication and local economic development.

7 B-BBEE Scorecard for the Forest Sector

7.1 Application of the Scorecard

The indicators, weighing and targets set out in the scorecard presented in Table 1 have been designed to meet the sector-specific requirements for forest enterprises to support B-BBEE.

The scorecard applies to all enterprises in the Forest Sector, subject to the following exemptions and qualifications:

(*a*) If a measured enterprise operates in more than one sector, the enterprise will be required to report on all its activities in terms of the scorecard for the sector in which majority of its core activities (measured in terms of turnover) are located. Provided that where the activities of a measured entity are located within separate trading business or operating units, the entity shall be entitled to report separately on those activities according to the relevant scorecard for that activity, subject to the requirements outlined in the Codes of Good Practice.

(*b*) Forest enterprises that are deemed to be "Exempted Micro-Enterprises" (EME's) qualify for BEE compliance exemption, provided they meet the requirements of non-circumvention as outlined in Statement 001 of the Codes of Good Practice. These enterprises have a deemed BEE recognition level provided four in Statement 000. Although EME's are exempted from the scorecard requirements, they must comply with the Industry Codes of Conduct provided for under this Charter and also are encouraged to support transformation. When enterprises submit proof of their EME-status, they shall sign a commitment of compliance with the Industry Codes of Conduct. Failure to do so or to comply with Industry Codes of Conduct will result in a downgrading of their BEE recognition level.

(*c*) Enterprises that are deemed to be "Qualifying Small Enterprises" (QSE's) are subject to the requirements of the Qualifying Small Enterprise Scorecard as presented in Table 2. The requirements for applying the

scorecard are detailed in Statement 000 of the Codes of Good Practice.

(*d*) Statement 102 of the Codes of Good Practice that deals with the recognition of the sale of assets and Statement 103 of the Codes of Good Practice that deals with the recognition of ownership contributions made by Multinational Companies will apply to the Forest Sector.

(*e*) Measured entities receive points on the Employment Equity element of the Scorecard only if they are in compliance with the Industry Codes of Conduct for employment practices as outlined in par. 12.2 (*d*) of this Charter.

(*f*) The scorecard targets and weightings provided for in this Charter will apply from the date that the Charter has been gazetted as a Sector Code in terms of section 9 of the Broad-based Black Economic Empowerment Act of 2003, and will remain in force until substituted or repealed.

7.2 Instruments to Support B-BBEE Targets

The implementation of the B-BBEE targets for the Forest Sector requires the application of a set of business, training, financial, regulatory and institutional support instruments. Many of these instruments are already in place, while some need to be established or strengthened under the Charter. The additional instruments identified and agreed to under the framework of this Charter are outlined in the relevant sections below.

8 Ownership

8.1 Sector Targets

The sector aims to attain a weighted black ownership profile of 30% for the industry as a whole within 10-years. The industry and government are committed to working together in pursuing this target, inter alia, as follows:

(*a*) The transfer of equity ownership and sale of business assets to achieve 25% ownership by black people in existing forest enterprises. A bonus point incentive to further increase this target to 30% has been set for medium and large forest enterprises.

(*b*) The restructuring of state forest assets to support black ownership in the forestry subsector and, through log supply, in the forest product sectors.

(*c*) The entrance of significant numbers of new black owned enterprises into the sector through enterprise development support initiatives by industry and government. This includes opportunities for new afforestation on land already owned by black people as well as growth in black owned forestry value adding enterprises.

The sector commits to attaining greater gender parity in ownership of forest enterprises and targets 10% ownership by black women in existing enterprises. For medium and large enterprises, a bonus point incentive has been included to further increase this target to 15%. Special attention will also be given by industry and government to enterprise development support for women in the Forest Sector.

The sector commits to ensuring that black ownership in the Forest Sector is truly broad-based. For medium and large enterprises, a higher target and weighting has been set for ownership by black employees, designated groups and participants in broad-based ownership schemes than those provided for in the national Codes of Good Practice on Ownership.

8.2 Additional Instruments

8.2.1 Funding facility for B-BBEE transactions

Access to funding is required to finance BEE transactions involving both the sale of ownership equity and business assets in existing enterprises. The mechanisms used by corporate companies to fund large-scale empowerment deals are well known and the greatest challenge lies with finding the appropriate funding mechanisms to meet the sector-specific requirements to fund empowerment transactions for smaller enterprises. The initiatives to be undertaken in this regard are outlined in par. 13.2.1 below.

8.2.2 Restructuring of State forest assets

(*a*) Government, through DPE, will ensure that the transaction structure in the sale of Komati Land Forests will facilitate and encourage economic empowerment, taking into account the surrounding communities.

(*b*) Government, through DWAF, undertakes to restructure the remaining (Category B and C) state forest plantations still under the jurisdiction of the Department of Water Affairs and Forestry in accordance with the pro-poor development agenda of the government, and ensure that opportunities are opened to the broad-based black group this charter seeks to empower.

A plan for the restructuring of these plantations will be operational within one year of the signing of the Charter.

9 Management Control

9.1 Sector Targets

Industry aligns itself with the national Codes of Good Practice on management control by committing to substantially increasing the number of black people, including black women, exercising management control over the forest industry. The industry as a whole is working from a low base and a concerted effort will be made by all sector role players in promoting the image of the Forest Sector, succession planning, implementing skills development programmes and recruiting suitable management staff, which are necessary to achieve these targets.

10 Employment Equity

10.1 Sector Targets

The Industry aligns itself with the national Codes of Good Practice on Employment Equity by committing to substantially increasing the number of black people, including black women, in management as well as professional and technically skilled positions in forest enterprises. The industry as a whole is working from a low base in all employment categories other than in the skilled technical, junior management and supervisory levels.

A concerted effort will be made by all sector role players in promoting the image of the Forest Sector, succession planning, implementing skills development programmes and recruiting suitable management staff, which are necessary to achieve these targets.

In addition to the employment equity targets, Forest Sector enterprises will report to the Charter Council on interventions undertaken to improve working conditions in the Forest Sector. Industry Codes of Conduct will be established for this purpose as outlined in par. 12.2.1 (*d*) below.

11 Skills Development

11.1 Sector Targets

Skills development is critical in underpinning the management control and employment equity targets. Therefore, industry aligns itself with the national Codes of Good Practice on skills development by committing to spend 3% of its payroll on learning programmes for black employees. This is over and above the 1% spent on the skills levy. At least half of this will be spent on skills development for black women and a portion will also be set aside to skill disabled employees. The industry commits to ensuring that 5% of employees are black participants in in-service training programmes.

Industry is committed to ensuring that the aforementioned skills development targets are achieved within 3 years of the signing of the Charter, so as to ensure that an early foundation is laid for reaching the management control and employment equity targets.

11.2 Additional Instruments

11.2.1 Sector Skills Plan (SSP) for the Forest Sector

Meeting the targets outlined in this Charter requires a concerted and coordinated effort involving different role players in government (Departments of Labour & Water Affairs and Forestry), statutory bodies (Forest Education and Training Authority - FIETA and the South African Qualifications Authority - SAQA), industry and labour in addressing the bottlenecks in the delivery of accredited skills. This includes steps to ensure the effective utilisation of available skills development and training resources.

To this end:

(*a*) Government, industry and labour, through FIETA and its Forestry, Paper and Pulp and Timber Chambers, jointly undertake to develop and implement a Sector Skills Plan for the Forest Sector that:

a. Includes targets and timelines to:

- ? Strengthen the national framework for skills development.
- ? Strengthen sector capacity for skills development delivery.
- ? Promote skills development opportunities for youth, women and new entrants in the Forest Sector.
- ? Empower beneficiaries of the land reform process to sustainably develop and manage forest enterprises.

b. Is based on a clearly defined transformation and growth strategy for the Forest Sector.

c. Links with the various provincial government's Provincial Growth and Development Strategies (PGDS) and National Skills Fund (NSF) funded projects supporting the PGDS.

d. Presents programmes and mechanisms through which enterprises can spend the additional skills development spend provided for in this Charter.

e. Identify specific skills development projects for which business plans will be developed and submitted to the NSF for funding.

This measure will be operational within one year of the signing of the Charter.

(*b*) Government, through DWAF, undertakes to fully participate as a contributing stakeholder in all FIETA activities. This measure will be operational within six months of the effective date of the Charter.

(*c*) Government through the Department of Labour undertakes to ensure that when the 2005-2010 National Skills Development Strategy (NSDS) is updated, special attention is given to skills development requirements to support B-BBEE sector targets for the South African economy.

12 Preferential Procurement

12.1 Sector Targets

The industry is committed to preferential procurement spend that will widen market access for black enterprises and improve the working conditions and sustainability of suppliers. Industry aligns itself with national Codes of Good Practice on preferential procurement, and enterprises will also report to the Charter Council on interventions undertaken to improve contracting conditions for suppliers as it relates to the:

(*a*) Forestry contractors industry;

(*b*) Charcoal industry; and

(*c*) Small growers contracting schemes.

12.2 Additional Instruments

12.2.1 Industry Codes of Conduct for the Forest Sector

To ensure equitable and sustainable contracting and employment practices in the Forest Sector, industry (through its representative associations), in consultation with labour, undertakes to establish Industry Codes of Conduct for the Forest Sector that will cover the following elements:

(*a*) Codes for forestry contracting: These Codes will control and direct the relationship between contracting companies and contractors, and between contractors and subcontractors. The Codes will provide for larger and longer-term contracts enabling contractors to improve margins and invest in their businesses and staff. It will also provide for transparent and accessible tendering systems and fair pricing that will support good governance and fair labour practices.

(*b*) Codes for emerging forest grower schemes: These Codes will control and direct contracts with emerging growers in company-affiliated schemes. The Codes will ensure transparency in the costing of support services and market related pricing arrangements for timber that will support sustainable business practices, good governance and fair labour practices.

(*c*) Codes for charcoal contracting: These Codes will control and direct the relationship between small black charcoal producers and the brand name producers and industrial users of charcoal. The Codes will provide for partnership ventures between small scale suppliers and large scale buyers of charcoal and a fair, transparent and stable pricing system that will support sustainable business practices, good governance and fair labour practices.

(*d*) Codes for employment practices: These Codes will give practical effect and weight to fair labour practices as provided for under the Basic Conditions of Employment Act, 1997, and other labour legislation as it applies to employees, including contract workers, in the forest sector. Government also undertakes to ensure that enterprises that procure timber and other forest products from state forests shall sign a commitment of compliance with these Codes. Failure to do so or to comply with these Codes will disqualify enterprises from procuring state timber and other forest products.

This measure will be operational within one year of the signing of the Charter.

13 Enterprise Development

13.1 Sector Targets

The development of sustainable black-owned and black women owned enterprises is critical in promoting equity with growth in the sector. The important role of SMME development in underpinning economic growth and ensuring that black economic empowerment is broad-based, will be emphasised in this regard.

The industry aligns itself with National Codes of Good Practice on enterprise development. The scorecard also provides three bonus points for additional enterprise development spend to support sector specific initiatives in enterprise development. This is further outlined in paragraph 15.1 of the Charter. Special attention will be given to targeting women and rural communities in enterprise development support.

Shortages in log and sawtimber supplies enable forest enterprises to leverage B-BBEE through the sale of these products to BEE enterprises. For this reason, points have been re-allocated to support the sale of logs and sawtimber to BEE compliant and black owned enterprises.

13.2 Additional Instruments

13.2.1 Access to funds and financial services for emerging black entrepreneurs

New afforestation and forest enterprise development requires capital investment and access to financial services. To this end:

Industry undertakes to:

(*a*) Support the development and implementation of a diversity of enterprise ownership and financing models.

(*b*) Through its representative associations, negotiate framework agreements with banks and other private sector funding agencies that meet the particular funding requirements of the sector. Government will use its influence to assist the industry in this regard.

(*c*) Through its representative associations, promote the development of accessible and cost-effective fire insurance schemes for emerging growers.

Government, through DWAF, undertakes to:

(*d*) Initiate a process, with timeframes, for negotiating with the Department of Land Affairs (DLA), Department of Agriculture (DoA), Land Bank, Industrial Development Corporation (IDC) and other public funding and donor institutions the establishment of framework agreements to access funding facilities available within these institutions.

(*e*) Implement, after consultation with Treasury, the establishment of a Forest Enterprise Development Fund that provides for:

a. A Forestry Grant aimed at increasing the tempo of forest enterprise development, particularly given the long timeframes involved in growing trees; and

b. Seed funding for the development of fire insurance schemes for emerging growers, where the ownership of such schemes vest with the participants.

DWAF will also facilitate framework agreements with existing enterprise development agencies for the implementation of such a fund.

These measures will be operational within one year of the signing of the Charter.

13.2.2 Capacity building and business support for emerging black entrepreneurs

Access to community facilitation services, extension support and training services needs to be improved to enable emerging enterprises and new entrants to decide on, plan and implement afforestation and enterprise development projects. To this end:

Industry undertakes to:

(*a*) Through cooperatives and companies, continue its key role in providing services linked to the supply of raw material and services, and as part of their commitment to enterprise development.

Government, through DWAF, and in consultation with Industry undertakes to:

(*b*) Provide forest enterprise development support services to small, micro and medium enterprises throughout the forestry value chain.

An implementation plan with service delivery agreements and funding mechanisms will be in place for three key forestry areas in the country within 18 months of the signing of the Charter.

13.2.3 Expedite the authorisation process for afforestation & paper and sawmilling facilities

The successful implementation of the Forest Sector Charter requires an afforestation authorisation process that is accessible and affordable to new entrants to the forestry industry. B-BBEE in the fibre-processing sub-sector also depends on the expeditious processing of applications for water use licences.

To this end Government, through DWAF, undertakes to implement a co-operative governance initiative between authorising government departments and levels of government that aims to:

(*a*) Streamline and expedite afforestation licensing procedures to facilitate the establishment of a minimum of 100

000ha net increase in planted area over ten years, based on a target average of 10 000ha per annum, while at the same time ensuring that forestry's water use is considered and weighted fully against competing proponents for water allocation in licensing decisions. The measures to be implemented are detailed in the Companion to the Charter (refer to Annexure A).

This measure will be operational within one year of the signing of the Charter.

(*b*) Publish procedures for mill licensing applications and authorisations that will indicate what information is required to make a decision on issuing a licence and the time frames in which they will make those decisions. This will include developing sector-specific guidelines for the compilation of information in support of water use licence applications by paper and pulp mills.

This measure will be operational within six months of the signing of the Charter.

(*c*) Apply the licensing and permit system under the National Water Act of 1998 and the National Forests Act of 1998 to promote the objectives of this Charter, as provided for under these Acts. Preferences will be given to enterprises that comply with the B-BBEE Forest Sector Scorecard. Guidelines will be issued by DWAF in this regard.

This measure will be operational from the effective date of the Charter.

13.2.4 Securing land rights and land holding structures for new afforestation and the restructuring of State forest assets

The implementation of B-BBEE through (1) new afforestation on communal land and (2) the transfer of ownership and lease rentals on state forest plantations to be transferred in ownership to communities, require the confirmation of tenure rights and the establishment of institutional structures to undertake and manage forestry projects. This must be implemented within the framework of the Interim Protection of Informal Land Rights Act (Act 31 of 1996) and Communal Land Rights Act (Act 11 of 2004)1. Arrangements are also necessary to ensure the continued use of existing state forest land for timber production.

To this end Government undertakes to implement a cooperative governance initiative involving the Department's of Land Affairs & Water Affairs and Forestry, as well as Provincial and Municipal Governments to:

(*a*) Establish a Memorandum of Understanding between parties to ensure the continued and sustainable use of existing state plantation areas for timber production, and to provide for post-settlement support to the new owners of such land. This measure will be operational within one year of the signing of the Charter.

(*b*) Ensure that the necessary legislative framework, budget and programme is established to enable communities to confirm their tenure rights and establish land holding structures for the transfer of existing state forest land and communal land earmarked for afforestation. This measure will be operational within one year of the signing of the Charter.

(*c*) The programme will secure tenure rights and establish land-holding structures for 50% of all new afforestation projects in the Eastern Cape and 90% of all state forest land transfers within 5 years of the signing of the Charter.

13.2.5 Small grower certification

Small grower certification is important to improve access to markets for emerging black growers.

To this end, the forestry industry (through its representative structures) and Government (through DWAF) undertake to continue to develop and implement appropriate forestry certification methodologies for emerging growers.

This measure will be operational within 18 months of the signing of the Charter.

13.2.6 Access to raw material supply for small scale charcoal production and domestic fuelwood

Continued access to raw material supply is necessary to ensure sustainability of small-scale charcoal production. It is recognised that the Working for Water (WfW) Programme has an important role to play in supporting access to raw material through the removal of invasive alien plants and in creating black enterprise development opportunities associated therewith. At the same time, many poor rural communities in energy poor areas of the country are reliant on alien species for the bulk of their fuelwood needs.

Therefore, Government, through DWAF, undertakes to:

(*a*) Implement the WfW programme under policies that will ensure a sustainable, albeit reduced, supply of plant material for fuelwood and charcoal production.

(*b*) Disseminate information on the availability of raw material sources as an initiative under the WfW programme.

(*c*) Promote the development of B-BBEE enterprises linked to the utilisation of wood products from the clearing of invasive alien trees.

(*d*) Supporting additional enterprise development opportunities based on the effective and sustainable utilization of invasive alien species. This will be done by developing alternative forest products from such species and developing the business case for such projects.

(*e*) Implement a programme aimed at transforming selected accessible (dense) stands of invasive alien trees to managed woodlots in order to improve the productive potential of land.

These measures will be operational within one year of the signing of the Charter.

Footnotes

1 Some of the land claims on State forest land are to be dealt with in terms of the Restitution of Land Rights Act. Instruments to deal with these restitution claims are discussed in par. 15.2.7 below.

14 Socio-economic Development

14.1 Sector Targets

Most forest enterprises are located in rural areas where the majority of the country's poor live. The Forest Sector is well placed to advance B-BBEE by undertaking socio-economic development initiatives that benefit local communities. This entails the provision of services and amenities to the rural poor, such as housing provision for workers and their families, support to health and HIV/AIDS programmes, provision of community education facilities, environmental conservation programmes, community training in fire prevention and conservation, and support with rural road maintenance. The industry is also aware of the important role of forests in providing livelihood opportunities for poor rural households and commits to ensuring regulated access to non-commercial forest products such as firewood, building poles, medicinal plants and edible fruits by local communities.

Industry is committed to continued support in these areas and to spending at least 1% of Net Profit after Tax on socio-economic development. The scorecard also provides for three bonus points for additional socio-economic development spend to support sector specific initiatives on enterprise development. This is further outlined in the following paragraph.

15 Industry Specific Initiatives

15.1 Sector Targets

The industry commits to apply enterprise and socio-economic development spend in such a way that it strengthens the positive role of the sector in contributing to economic growth and employment creation and in supporting rural and local development. Additional bonus points are provided as incentives to increase spend on sector-specific enterprise development and socio-economic development initiatives by an additional 0.75% of Net Profit after Tax. This will be applied as follows:

(*a*) To support, encourage and nurture emerging black enterprises that will contribute to

a. increased timber supply; and

b. beneficiation in the forestry value chain, including non-timber forest products.

(*b*) To improve the living conditions and livelihood opportunities for the rural poor, including Forest Sector workers and their families, in forestry areas.

The Charter Council will develop guidelines for the implementation of these targets.

15.2 Additional Instruments

The scope and sustainability of B-BBEE in the forest industry will depend in large measure on growth in the sector and the optimal use of the country's limited timber resources. Sector stakeholders commit to implementing the following additional instrument in meeting these requirements.

15.2.1 Integrated planning for Forest Sector development

To secure broad-based support for the development of the sector, it is necessary that opportunities for the forest development are incorporated into the national, provincial and municipal plans.

Steps are underway to develop a sector growth strategy and action plan for the forestry, pulp and paper and furniture industries in South Africa. This forms part of the National Industrial Policy Framework and the Industrial Policy Action Plan for the country. The sector growth strategy and action plan needs to be completed to support the implementation of this Charter.

Steps have also been taken to ensure that Forest Sector development initiatives are included in Provincial Growth and Development Strategies (PGDS's) and Municipal Integrated Development Plans (IDP's) for forestry regions in the country. However, more work has to be done to ensure that this is done for all forestry regions and that Forest

Sector inputs are continually updated.

To this end:

(*a*) Government, through the DTI and DWAF, undertake to finalise and implement the sector growth strategy and action plan for the forestry, pulp and paper and furniture industries.

This measure will be in place within 6 months of the signing of the Charter.

(*b*) Government, through DWAF, undertakes to ensure that forest development needs and opportunities are adequately incorporated in provincial and municipal planning processes, namely Provincial Growth and Development Strategies and Municipal Integrated Development Plans (with budgets), for all forestry regions of the country.

This measure will be in place within 1 year of the signing of the Charter.

(*c*) Industry, in turn, undertakes to participate in provincial and municipal planning processes through the Department of Trade and Industry supported Regional Industry Strategies and Wood Clusters initiative.

This measure will be in place in the Eastern Cape, KwaZulu-Natal and Limpopo within two years of the signing of the Charter and in other key forestry areas within three years thereafter.

15.2.2 Sawlog growing strategy and programme for South Africa

The country is facing severe shortages in sawlogs and measures are required to ensure a sustained and increased production of sawlogs.

To this end Government, through DWAF, and the industry will work together in developing and implementing a sawlog growing strategy and programme, the details of which are included in the Companion to the Charter (refer to Annexure A). This measure will be in place within one year of the signing of the Charter.

15.2.3 Forest protection services

To help offset supply shortages it is not only imperative to expand the plantation area, but also to reduce the currently escalating losses being experienced through fires, pests and disease.

To this end the Government, through DWAF, and the Industry undertake to implement integrated strategies to:

(*a*) Manage, control, reduce and where possible eradicate the threats and infestation levels of pests and diseases in timber plantations.

(*b*) Manage, control and reduce the risks posed to forests through the incidence of fires.

The requirements of these strategies are detailed in the Companion to the Charter (refer to Annexure A) and these measures are to be in place within 1 year of the signing of the Charter.

15.2.4 Transport infrastructure development in support of forestry

Transport of timber to markets represents a large cost component in timber production. Poor rail and rural road infrastructure within and to many forestry areas of the country negatively impact on the profitability of emerging grower operations.

To this end Government, through DWAF, undertakes to:

(*a*) Ensure that forestry development needs and opportunities are adequately incorporated in provincial and municipal planning processes (refer to par. 15.2.1 above).

(*b*) Work with the forest industry in defining the transport infrastructure needs for forest development, for inclusion in the relevant Provincial Freight Transport Plans and Local Integrated Transport Plans for municipalities.

This measure will be in place for the Eastern Cape, KwaZulu-Natal and Limpopo within two years of the effective date of the Charter and for other key forestry areas within three years thereafter.

Industry, in turn, undertakes to:

(*c*) Actively participate in provincial Freight Task Groups and Corridor Freight Committees to ensure that the transport needs of the forest industry receive the required attention from stakeholders and decision-makers in the transport sector.

(*d*) Work through the Department of Trade and Industry supported Regional Industry Strategies and Wood Clusters initiative in developing road infrastructure and the development of business plans for key forest areas in the country.

This measure will be in place in the Eastern Cape, KwaZulu-Natal and Limpopo within two years of the effective date of the Charter and in other key forestry areas within three years thereafter.

15.2.5 Anti-dumping measures

The paper industry worldwide has surplus production capacity in many grades of paper, and many producers resort to selling their surplus production in foreign markets at prices significantly lower than in their domestic markets. This can and has caused local producers to go out of business. South Africa has anti-dumping procedures in line with international agreements, but the application of these procedures has proven to be cumbersome and slow. This is a constraint to black enterprise development in the fibre sub-sector.

Therefore, Government undertakes to request the ITAC to commit to do more, within its legal constraints, to provide greater protection for South African producers from foreign dumpers.

15.2.6 Strategy and programme for Forest Sector R&D in South Africa

Greater attention needs to be given to Forest Sector innovation, research and development to ensure that the sector has access to information, appropriate technology and innovation to support B-BBEE and enterprise development.

To this end Government, through DWAF, undertakes to drive the process to develop a Forest Sector research and development strategy with clearly outlined responsibilities, funding mechanisms and timelines.

This measure will be operational within six months of the effective date of the Charter.

15.2.7 Expediting restitution claims on forest land

The completion of the restitution process will facilitate the transfer of a substantial portion of state and private forestry land to previously disadvantaged communities and will bring greater stability to the forest industry. In the interest of the economy steps need to be taken to ensure the continued and sustainable use of such plantation areas for timber production.

To this end:

Government, through DWAF, and other sector stakeholders undertake to:

(*a*) Work together with the Commission on Restitution of Land Rights (CRLR) in developing a national framework for the settlement of land claims to ensure the continued and sustainable use of existing plantation areas for timber production, and to provide for post-settlement support to the new owners of such land.

CRLR undertakes to:

(*b*) Expedite the settlement of land claims on forest land, with 90% of all land claims settled within 5 years of the signing of the Charter.

15.2.8 Industry structures

Well functioning structures that represent and work on behalf of the various interest groups within the forest industry are required for sustainable transformation and growth in the sector.

To this end:

All sub-sectors of the forest industry undertake to:

(*a*) Strengthen sub-sector organisations where they exist to increase representivity, effectively lobby on behalf of members, facilitate access to support services particularly for small and emerging enterprises.

(*b*) Establish sub-sector organisations where there are none.

(*c*) Enhance co-operation between the sub-sector organisations.

(*d*) Respect and promote the right of all workers to join organisations of their choice and to create an enabling environment for the establishment and growth of worker organisations.

Trade Unions undertake to:

(*e*) Improve levels of organisation and representation of workers throughout the sector. In particular, they undertake to find appropriate and effective ways to organise forestry workers in the context of widespread casualisation and outsourcing.

These measures will be operational within two years of the signing of the Charter.

15.2.9 Review of levying of property rates in forest areas

The levying of property rates by municipalities on forestry areas where the imposition of such rates is not clearly justified (for example, where no viable alternative land use exists or where the services rendered to the forestry operation do not justify the rates) severely compromises the economics of growing timber.

DWAF undertakes to engage with SALGA and municipalities in an attempt to provide relief from property rates where this negatively impacts on the sustainability of timber growing.

This measure will be operational within two years of the signing of the Charter.

16 Institutional Arrangements

16.1 Charter Council

The Forest Sector Charter Council ("the Council") was established to oversee and facilitate the implementation of the Charter. The functions, composition, constitution and funding arrangements for the Council are specified in the Companion to the Charter (refer to Annexure A).

16.2 Progress Reports and Review

(*a*) Each measured enterprise will submit a verified compliance report, subject to the requirements outlined in the Codes of Good Practice, annually to the Council. The report, which will be publicly accessible, and must contain the enterprise's scorecard and an account of progress in achieving the undertakings outlined for enterprises in this Charter.

(*b*) The Council shall report annually to the Minister of Trade and Industry, the BEE Advisory Council and the Minister of Water Affairs and Forestry on progress made by the Forest Sector in implementing the Charter.

(*c*) After three years of implementation, the Council shall undertake a comprehensive review of the Charter to identify any shortcomings in the strategy, scorecard and instruments in meeting the objectives outlined for the Charter, and to assess if there is a material change in circumstances that requires adjustments to the Charter.

(*d*) The Council shall conduct further reviews at intervals to be determined by the Council after consultation with the BEE Advisory Council and key stakeholders in the sector.

(*e*) The Council will undertake a final review at the end of tenth year of implementation to determine the impact that the Charter has had on transformation and growth in the Forest Sector and to propose what steps might be required beyond the lifespan of the scorecard targets.

17 Signatories to the Charter

We the undersigned:

. Representative organisations of major stakeholders and stakeholder groups in the Forest sub-sectors;

. Major non-affiliated enterprises in the various Forest Sub-Sectors, and

. Persons having been mandated to sign the Charter on behalf of non-affiliated stakeholder groups at regional meetings,

And having participated in the process of developing this Charter, hereby adopt the Charter and commit ourselves to the implementation of the Charter within the timeframes jointly agreed upon and set out in this Charter.

GROWERS SUB-SECTOR:

FSA (Signed)

FORESTRY CONTRACTORS

(Signed)

SAFCA (Signed) Amahlathi Entrepreneurs Forum

FIBRE SUB SECTOR

(Signed) (Signed)

PAMSA PG Bison

Masonite Sonae Nova Board

(Signed)

Chipboard Industries NCT

NTE Ltd (Signed) Union Co-op

TWK Magna Board

SAWMILLING SUB-SECTOR

(Signed) (Signed)

Sawmilling South Africa Global Forest Products

(Signed)

Hans Merensky Lion Match (Signed)

(Signed)

SAFCOL Yorkcor (Signed)
(Signed)
Cape Timber Resources
POLE PRODUCTION SUB-SECTOR
(Signed) (Signed)
(Signed)
SAWPA SAUPA (South African Utility Pole Associations)
CHARCOAL PRODUCTION SUB-SECTOR
Suiderland Charka Ltd E&C Charcoal
(Signed)
Braai and Barbeque International
GOVERNMENT
(Signed) (Signed)
Department of Water Affairs and Forestry Department of Land Affairs
Department of Labour Department of Agriculture
Department of Public Enterprises Department of Environmental Affairs and Tourism
LABOUR
(Signed)
FAWU CEPPWAWU (Signed)
STATUTORY BODIES
(Signed)
FIETA (Signed) National Skills Authority
(Signed)
Commission on Restitution of Land Rights National Forests Advisory Council
SANPARKS

Table 1:
SCORECARD FOR MEDIUM AND LARGE FOREST ENTERPRISES

INDICATORS	**WEIGHTINGS (W) & TARGETS (T)**			
	Forest Sector		**Sub-sector specific deviations**	
	W	**T**	**W**	**T**
1. Ownership2	**20**			
1.1 Exercisable voting rights in the Enterprise in the hands of black people	3	25% + 1		
1.2 Exercisable voting rights in the Enterprise in the hands of black women	2	10%		
1.3 Economic interest of black people in the Enterprise	3	25%		
1.4 Economic interest of black women in the Enterprise	2	10%		
1.5 Economic interest of the following natural people in the Enterprise: ? Black designated groups; ? Black Participants in Employee Ownership Schemes; ? Black beneficiaries of Broad-based Ownership Schemes; or ? Black Participants in Cooperatives	2	7.5%		
1.6 Realisation points for ownership fulfilment (refer to par. 10.1 of Code 100 Statement 100)	1	Yes		
1.7 Realisation points for net equity interest (refer to Annexe C par. 4 of Code 100 Statement 100)	7	Yes3		

1.8 Bonus points for involvement in the ownership of the enterprise by black participants: ? *In Employee Ownership Schemes;* ? *Of Broad-based Ownership Schemes; or* ? *Of Cooperatives*	*1*	*10%*		
1.9 Bonus points for involvement in the ownership of the enterprise by black new entrants	*2*	*10%*		
1.10 Bonus point for achieving a higher target for indicator 1.3	*1*	*30%*		
1.11 Bonus point for achieving a higher target for indicator 1.4	*1*	*15%*		
2. Management Control	**10**			
2.1 Exercisable Voting Rights held by black Board members using the Adjusted Recognition for Gender	3	50%		
2.2 Black Executive Directors using the Adjusted Recognition for Gender	2	50%		
2.3 Black Senior Top Management using the Adjusted Recognition for Gender	3	40%		
2.4 Black Other Top Management using the Adjusted Recognition for Gender	2	40%		
2.5 Bonus point for black Independent Non-Executive Board Members	-	-		
3. Employment Equity	**15**	Years 0-5* Years 6-10**		
3.1 Black employees with disabilities as a percentage of all employees using the Adjusted Recognition for Gender	2	2%* 3%**		
3.2 Black employees in Senior Management as a percentage of all employees using the Adjusted Recognition for Gender	5	43%* 60%**		
3.3 Black employees in Middle Management as a percentage of all employees using the Adjusted Recognition for Gender	4	63%* 75%**		
3.4 Black employees in Junior Management as a percentage of all employees using the Adjusted Recognition for Gender	4	68%* 80%**		
3.5 Bonus points for meeting or exceeding the EAP targets in each category under 3.1 to 3.4	*34*	*Yes*		
4. Skills Development	**15**			
4.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees as a percentage of Leviable Amount using the Adjusted Recognition for Gender	6	3%		
4.2 Skills Development expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of Leviable Amount using the Adjusted Recognition for Gender	3	0.3%		
4.3 Number of black employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees using the Adjusted Recognition for Gender	6	5%		
5. Preferential Procurement	**20**	Years 0-5* Years 6-10**	All enterprises engaged in contracting schemes	

5.1 B-BBEE Procurement Spend from all Supplies based on their B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12	50%* 70%**	10	
5.2 B-BBEE Procurement Spend from Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	10%* 15%**		
5.3 B-BBEE procurement spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend: 5.3.1 Suppliers that are 50% black owned (3 out of 5 points); and 5.3.2 Suppliers that are 30% black women owned (2 out of 5 points).	5	15%* 20%**	4	
5.4 Compliance with Industry Codes of Conduct on contracting in the Forest Sector			3	Yes
6. Enterprise Development	**15**		Growers & Sawmillers	
6.1 Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	15	3% of NPAT	12	
6.2 Annual sales of logs and sawtimber (as a percentage of total sales in terms of tonnage) to enterprises based on their B-BBBEE Procurement Recognition Levels	-	-	2	20%
6.3 Annual sale of logs and sawtimber (as a percentage of total sales in terms of tonnage) to enterprises (regardless of their B-BBEE Procurement Recognition Level) that are: ? 50% black owned; or ? 30% black women owned	-	-	1	5%
7. Socio-economic Development	**5**			
7.1 Average annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the	5	1% of NPAT		
target				
7.2 Bonus point for additional Contributions made by the Measured Entity to Sector Specific Initiatives on Enterprise Development (indicator 6.1) or Socio-economic Development (indicator 7.1) (I bonus for every 0.25% of NPAT)	*3*	*0.75% of NPAT*		

Footnotes

2 Including the recognition of Ownership Contributions arising from Qualifying Ownership Transactions and recognition of Equity Equivalents for Multinationals

3 Compliance target for growers is based on full payment in equal trances over the crop rotation cycle, and not a ten-year repayment period that applies to the rest of the sector.

4 Subject to clarification of the definition in the Codes of Good Practice

Table 2:
SCORECARD FOR QUALIFYING SMALL FOREST ENTERPRISES

The following was agreed for by the industry:

Government and the Industry through the Forestry Charter Council undertake to commission research to determine the appropriate threshold for qualifying small enterprises (QSEs). A decision to include the threshold will be determined a review process which is expected in two to three years after gazetting of this Charter.

	WEIGHTINGS (W) & TARGETS (T)	
		Sub-

INDICATORS	Forest Sector		sector specific deviations	
	W	T	W	T
1. Ownership5	**25**			
1.1 Exercisable Voting Rights in the Enterprise in the hands of black people	6	25% + 1		
1.2 Economic Interest of black people in the Enterprise	9	25%		
1.3 Realisation points for ownership fulfilment (par. 2.3 of Code 800 Statement 801)	1	Yes		
1.4 Realisation points for net equity interest (par. 2.3 of Code 800 Statement 801)	9	Yes6		
1.5 Bonus points for involvement in the ownership of the enterprise by black women	2	*10%*		
1.6 Bonus points for involvement in the ownership of the enterprise by black participants in: ? *Employee Ownership Schemes;* ? *Broad-based Ownership Schemes; or* ? *Cooperatives*	*1*	*10%*		
2. Management Control	**25**			
2.1 Black representation at Top Management level	25	50.1 %		
2.2 Bonus points for black women representation at Top Management level	2	25%		
3. Employment Equity	**25**	Years 0-5* Years 6-10**		
3.1 Black employees of the Measured Entity who are Management as a percentage of all Management using the Adjusted Recognition for Gender	13	40%* 60%**		
3.2 Black employees of the Measured Entity as percentage of all employees using the Adjusted Recognition for Gender	7	60%* 70%**		
3.3 Compliance with Industry Codes of Conduct on employment in the Forest Sector	5	Yes		
3.4 Bonus points for meeting or exceeding the EAP targets in each category under 3.1 and 3.2	27	*Yes*		
4. Skills Development	**25**			
4.1 Skills Development spend on Learning Programmes for black employees as percentage of Leviable Amount using the Adjusted Recognition for Gender	25	2%		
5. Preferential Procurement	**25**	Years 0-5* Years 6-10**	All enterprises engaged in contracting schemes	
5.1 B-BBEE Procurement Spend from all Supplies based on their B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	25	40%* 50%**	20	
5.2 Compliance with Industry Codes of Conduct on contracting in the			5	Yes
Forest Sector				
6. Enterprise Development	25		Growers & sawmillers	
6.1 Average annual value of all Enterprise Development Contributions made by the Measured Entity as a percentage of the target	25	2% of NPAT	20	
6.2 Annual sales of logs and sawtimber (as a				

percentage of total sales in terms of tonnage) to enterprises based on their B-BBEE Procurement Recognition Levels	-	-	3	20%
6.3 Annual sale of logs and sawtimber (as a percentage of total sales in terms of tonnage) to enterprises (regardless of their B-BBEE Procurement Recognition Level) that are: ? 50% black owned; or ? 30% black women owned	-	-	2	5%
7. Socio-economic Development	25			
7.1 Average annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target	25	1% of NPAT		
7.2 Bonus point for additional Qualifying Contributions made by the Measured Entity to Sector Specific Initiatives on Enterprise Development (indicator 6.1) or Socio-economic Development (indicator 7.1) (I bonus for every 0.25% of NPAT)	*3*	0.75% *of NPAT*		

Footnotes

5 Including the recognition of Ownership Contributions arising from Qualifying Ownership Transactions

6 Compliance target for growers is based on full payment in equal trances over the crop rotation cycle, and not a ten-year repayment period that applies to the rest of the sector.

7 Subject to clarification of the definition in the Codes of Good Practice

Annexure A:
EXTRACT FROM THE COMPANION TO THE CHARTER LISTING DETAILED UNDERTAKINGS IN THE CHARTER

Streamline and expedite afforestation licensing procedures

Par. 13.2.3 (*a*) of the Charter contains the undertaking to streamline and expedite afforestation licensing procedures to facilitate the establishment of a minimum of 100 000ha net increase in planted area over ten years, based on a target average of 10 000ha per annum, while at the same time ensuring that forestry's water use is considered and weighted fully against competing proponents for water allocation in licensing decisions. This will comprise the following measures:

(*a*) Create an enabling regulatory environment that renders the costs of the water use licence application process affordable to emerging growers.

(*b*) Support and advise emerging growers in the water licensing application process, in compliance with environmental and other afforestation authorisation requirements.

(*c*) Take steps to ensure that legislative and regulatory requirements do not result in forestry and the planting of trees for commercial and subsistence use being disadvantaged in relation to other forms of land use.

(*d*) Ensure that all applications for afforestation are processed expeditiously by developing a Memorandum of Understanding (MoU) with and ratified by other pertinent authorising regulatory authorities. The MoU should ensure strict enforcement of the Stream Flow Reduction Activity (SFRA) application procedures and adherence by all participating parties to the laid down time frames prescribed for relevant interventions, such as inspecting sites, receiving and attending to comments, and processing applications.

(*e*) Implement a proactive approach to forestry development in areas that have substantial opportunities for afforestation, namely a co-operative government initiative to authorise swift afforestation licensing in areas that have been identified and demarcated as being suitable for afforestation in the Eastern Cape and KwaZulu-Natal. This will be provided for in the Memorandum of Understanding referred to in par (*d*) above.

(*f*) Develop a protocol to be included in the Memorandum of Understanding referred to in par. (*d*) above to facilitate lawful conversion of tree genus or species, specified as a permit or licence condition, where this change should be informed by forestry practice or economics. The key principle governing such change will be the water use condition of the applicable authorisation.

(*g*) Make provision for water use by subsistence and homestead woodlots by providing for the consideration of a Schedule 1 provision and/or General Authorisation for such small-scale woodlots.

(*h*) Facilitate the transfer or trade of a water use allocation or existing lawful use of water, and the issuing of licences in the event of conversion of a land use from irrigated cropping (including sugarcane) to timber plantations.

(*i*) Allow water use by dryland sugarcane to be allocated to timber plantations, based on an equitable water use exchange ratio for these crops, provided that such dryland sugarcane has been an existing land use practice for at least five years, and that this does not compromise the availability of water to the Reserve and other lawful water users.

(*j*) Allow the water use attributed to wattle, pine and eucalyptus jungles that are rehabilitated or converted and correctly managed as commercial timber plantations, to be allocated through an SFRA water use licence to such timber plantations. General Authorisations will be considered in catchments where there is sufficient available water to allow such conversion.

(*k*) Develop an efficient and effective framework to authorise the re-allocation of water, where timber as an existing lawful water use in a riparian zone is excised, to alternative plantation areas within the same quaternary catchments or elsewhere within the wider catchment.

(*l*) Ensure that emerging timber growers who have lawfully licensed timber plantations are included in DWAF's definition of "resource poor farmers" and subject to the same benefits as others so classified.

Sawlog growing strategy and programme for South Africa

Par. 15.2.2 of the Charter contains the undertaking to develop a sawlog growing strategy and programme. This strategy and programme will include the following measures:

(*a*) Ensure that emerging timber growers who have lawfully licensed timber plantations are included in DWAF's definition of "resource poor farmers" and subject to the same benefits as others so classified.

(*b*) Review the State Forest Exit Strategy in Southern and Western Cape.

(*c*) Create incentives for emerging black growers to invest in long rotation sawtimber crops.

(*d*) Develop government conditions on lease of state forestland to ensure the continued production of sawlogs.

(*e*) Promote greater investment by the sawmilling industry in raw material supply.

(*f*) Create land dedication schemes for long rotation crops linked to, inter alia, tax incentives.

(*g*) Develop sector programmes involving government and the industry to combat softwood plantation losses.

(*h*) Develop appropriate species selection, growing and harvesting strategies that meet the structured market requirements for a diversity of saw-timber products in the country.

Forest protection services

Par. 15.2.3 of the Charter contains the undertaking to develop a forest protection strategy to reduce the currently escalating losses being experienced through fires, pest and disease. This strategy and programme will include the following measures:

(*a*) Pests and diseases

a. Government, through DWAF, and the Industry undertake to:

b. Profile pest and disease issues as a Government priority.

c. Compile a risk analysis of the current and potential threats facing timber plantations and to make recommendations as to the best way to mitigate these.

d. Develop and agree upon an integrated strategy to implement the recommendations, including providing for increased levels of support through infrastructure, human resource capacity and funding.

e. Prioritise pest and disease research aspects in the Forest Sector R&D strategy.

f. Negotiate with the National Department of Agriculture to expedite the procedures for importation of Biological Control Agents to assist in the control of pest and disease outbreaks.

g. Enhance phytosanitory monitoring and control at ports of entry into South Africa.

h. Enhance public awareness about the threats posed by forest pest and diseases.

(*b*) Forest fires

Government, through DWAF, undertakes to:

a. Ensure that policies and strategies are in place to ensure compliance by land owners with the provisions of the National Veld and Forest Fire Act, 1998 (Act No. 101 of 1998) as amended.

b. Ensure that capacity exists to enforce the provisions of the NVFFA.

c. Ensure that measures are in place to encourage enrolment and participation in Fire Protection

Associations.

d. Encourage the provision of resources to Fire Protection Associations, particularly those servicing communal areas, to enable them to provide improved levels of service.

e. Assist Industry through the provision of 'seed funding' to implement emerging grower fire insurance cover as outlined in par. 13.2.5 of the Charter.

f. Implement, on an ongoing basis, National Fire Awareness campaigns with particular emphasis on high fire risk areas.

g. Support resource-poor Fire Protection Associations.

h. Enhance capacity of Working on Fire programme to fight veld and forest fires.

Industry, in turn, undertakes to:

i. Increase enrolment and participation in Fire Protection Associations.

j. Increase collective support of equipment, personnel and training for Fire Protection Associations.

k. Enhance cooperation and support to the Working on Fire programme.

l. Provide access to fire fighting training for emerging growers.

m. Implement an emerging grower fire insurance scheme as outlined in par. 13.2.5 of the Charter.

n. Implement fire awareness programmes in forest areas.

Charter Council

Par. 16.1 of the Charter contains the undertaking to establish a Forest Sector Charter Council that will oversee and facilitate the implementation of the Charter. The functions, composition, constitution and funding arrangements for the Council are outlined hereunder:

(*a*) Functions

a. Monitor the implementation of the Charter and review the Charter as outlined in par. 16.2 of the Charter.

b. Provide interpretation and guidance with respect to the Charter.

c. Facilitate the communication and popularisation of the Charter.

d. Facilitate cross-industry and government negotiations to promote the application and implementation of the Charter.

e. Provide guidance on sector-specific matters affecting B-BBEE in entities within the Sector.

f. Share information with the national monitoring mechanism and approved accreditation agencies that are relevant to the Sector.

g. Issue guidelines for sector-specific enterprise development and socio-economic development contributions under the Scorecard.

(*b*) Composition

a. The Council shall consist of 19 members, with the following composition:

? A Chairperson, who shall be an independent person, appointed by the Minister of Water Affairs and Forestry in consultation with stakeholder constituencies.

? A Chief Executive Officer, who shall be responsible for the daily administration and operations of the Council and serve on the Council in an *ex-officio* capacity.

? Nine (9) members representing industry, appointed from the various subsectors in the Forest Sector.

? Two (2) members representing organised labour.

? Three (3) members representing broader stakeholders assigned by the Minister of Water Affairs and Forestry in consultation with the stakeholder constituencies.

? Three (3) members representing government, one each from the Departments of Water Affairs and Forestry, Trade and Industry, and Land Affairs.

b. The composition of the Council shall fairly reflect the stakeholders in the Sector and be racially and gender representative.

c. The terms of office for members of the Council shall be 3 years, and members shall be eligible for re-appointment.

d. The Chief Executive Officer shall be appointed jointly by the parties that fund the Charter Council as outlined in par. (*d*) below.

e. The Chief Executive Officers shall make other staff appointments.

(*c*) Constitution

a. The Council shall be guided by the following five basic principles: o Transparency

? Fairness

? Corporate Governance

? Consultation and inclusivity

? Socio-economic transformation

b. Decisions of the Council shall be taken on a consensus basis. If on any issue the Council is unable to achieve consensus, there will be a dispute breaking mechanism as specified in the Constitution referred to in par. e. below.

c. The Council may create sub-committees to deal with specific matters as and when required.

d. The Council may co-opt experts to serve on or advise sub-committees as contemplated above.

e. A Constitution of the Council shall be tabled for adoption at the first meeting of the Council and must be adopted by a two-third majority within 60 working days after the gazetting of this Charter.

f. The Council may amend the Constitution of the Council from time to time.

g. The Council shall, in consultation with the BEE Advisory Council and by resolution, formulate rules to further regulate its proceedings.

(*d*) Funding

a. The Forest Industry and Government shall fund the Council jointly, with Government contributing 60% and Industry 40% of the budget requirements.

b. The funding arrangement as outlined in par. a. above is subject to agreement between these parties on the initial budget requirements for the Council and an annual escalation of the budget based on the South African Consumer Price Index, unless otherwise agreed to by the parties.

c. The Council shall prepare an annual business plan that will include a budget for the work of the Council.