FORESTRY SOUTH AFRICA™

21st Annual Report

For the year ended 31st December 2022

FSA 2022 Annual Report

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Organisation Details

Forestry South Africa
(Non-profit Organisation Registration Number – 017-638 NPO)

21st Annual Report for the year ended 31st December 2022

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Bankers Standard Bank of South Africa Ltd

Auditors Rabie Deysel Incorporated
Chartered Accounts (S.A.)
Registered Auditors

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Ronald Heath

Suzanne Blows

Norman Dlamini

Nathi Ndlela

Francois Oberholzer

Precious Singo

Judy Dowsett

Katy Johnson

John Scotcher

List of Office Bearers

As at 31st December 2022

Executive Committee

Mr Themba Vilane (Mondi) (Chairperson)
Mr Andrew Mason (MGG) (Vice-Chairperson)
Ms Busisiwe Mnguni (SGG)
Mr Duane Roothman (SAPPI)
Mr Sean Brown (Merensky)
Ms Itumeleng Langeni (MTO)
Mr Tsepo Monaheng (SAFCOL)
Mr Ferdie Brauckmann (TWK)
Mr Penwell Lunga (PG Bison)
Mr Gerald Stoltz (York Timbers)
Mr Mark Armour (co-opted)
Mr Murray Mason (MGG)
Mr Graeme Freese (MGG)
Mr Danny Knoesen (MGG)
Mr Enoch Maponya (SGG)
Mr Thandokuhle Nxele (SGG)

Large Growers Group

Mr Mark Barnardo (SAPPI)
Mr Ben Pienaar (Mondi)
Mr Renier Ehlers (Merensky)
Mr Jaco Oosthuizen (MTO)
Mr Sibalo Dlamini (SAFCOL)
Mr Pieter Keeve (TWK)
Mr Pieter de Wet (PG Bison)
Mr Kudakwashe Phairah (York Timbers)
Mr Mark Armour (R&B Timbers)
Mr Davron Swift (Amathole)

Medium Growers Group

Mr Andrew Mason (Chairperson)
Mr Heiner Hinze (Vice-Chairperson)
Mr Murray Mason (Vice-Chairperson)
Mr Graeme Freese (Past Chairperson)
Mr Rupert Beneke
Mr Martin Eggers
Mr Hendrik Klopper
Mr Vusi Dladla
Mr David Davidson
Mr Neil Engelbrecht
Mr Juan Freyer
Mr Glynn Hogg
Mr Danny Knoesen
Mr Gerco Serfontein
Mr Harald Niebuhr
Mr Craig Norris
Mr Malcolm Stainbank
Mr James Stegen

Small Growers Group (KwaZulu-Natal)

Ms Busisiwe Mnguni (Chairperson)
Mr Thandokuhle Nxele (Vice-Chairperson)
Mr Samson Nhlabathi
Mr Simeon Cele
Mr Bonginkosi Zondi
Mr Vusumuzi Mfeka
Mr Elliot Nkomo
Mr Sipho Mkhize

Small Growers Group (Limpopo)

Mr Enoch Maponya (Chairperson)
Mr Fhatuwani Netsianda (Vice-Chairperson)
Mr Emmanuel Machaba
Ms Phethani Neluvhola
Mr William Sambo
Mr Colbert Nedzingahe
Mr Solomon Mudzunga

Honorary Life Members

Dr Doug Crowe; Mike Edwards; John More; Werner Weber; Philip Day

Foreword by the Chairperson

Every year we think that things can't get worse than the previous year, but 2022 held its own unique set of domestic and international challenges for our Sector and our country. These were potentially just as damaging to our Sector as Covid-19 was in 2020 and the failed insurrection was in 2021.

Firstly, we had the devastating floods early in the year, which caused major losses for our Sector. In terms of direct losses, the Industry lost hundreds of millions of Rands worth of high-value export forest products in flooded warehouses. Then there were the indirect additional costs (which we are still incurring today) from having to find alternative ways of getting inputs into processing plants, due to the damage caused by the floods to rail networks and roads.

As if our logistics systems weren't under enough strain from the floods, we then watched the steady decline of rail services for general freight and to top it all, the whole economy was brought to a stand-still in October, when Transnet's workforce went on strike, the cost of which was estimated to be well over R1 billion per day to the economy, and the effects of which are still being felt in some of their operations. The reputational damage which this caused in South Africa's international markets and the increased costs of selling goods into those markets, will be felt for many years.

In the international arena, the impacts of Russia's war on Ukraine (aside from the devastation that it has caused to the Ukrainian people themselves) has also affected our Sector and many others around the world, through soaring fuel, fertiliser and tyre costs.

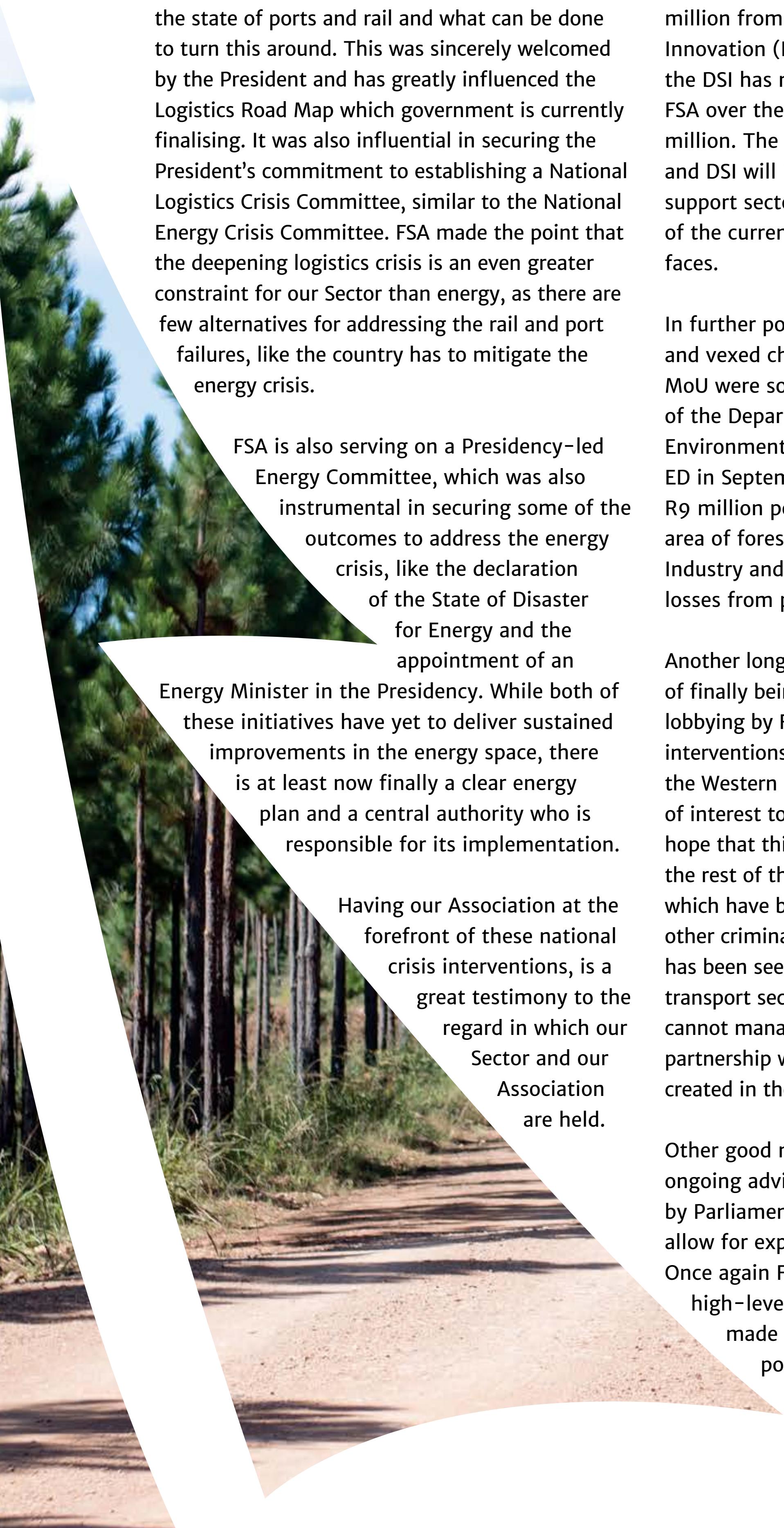
All this being said, there were a number of positive outcomes for our Sector in 2022, most of which were a direct result of the excellent work of Forestry South Africa and some of which were even born out of the transport and energy crises being faced by the country. I have chosen to highlight a few of the most important positive outcomes in this Foreword but more detail on these and others are contained in the body of this report.

On the ports and rail front, our Executive Director (ED) managed to establish regular meetings with the CEO of Transnet and her Top Management team and two task teams working on ports and rail respectively, met throughout the year. Later in the year and as a result of FSA's involvement with the PPGI, they were able to lobby for a special task team to work with Ministers Gordhan, Nxesi and Didiza to bring the Transnet strike to a swift end. FSA's ED and Operations Director met the Ministers every night with other key sectors for two weeks, until the strike was ended. As an outcome of this, FSA's ED was asked by the PPGI, BUSA and B4SA to serve in a Presidency-led task team working on the structural, regulatory and operational reforms, desperately needed to increase the

use and recapitalisation of rail and ports in South Africa. That task team has done excellent work and in April of 2023, met with President Ramaphosa. FSA's ED, supported by the CEOs of FSA's largest members, gave a hard-hitting presentation on the state of ports and rail and what can be done to turn this around. This was sincerely welcomed by the President and has greatly influenced the Logistics Road Map which government is currently finalising. It was also influential in securing the President's commitment to establishing a National Logistics Crisis Committee, similar to the National Energy Crisis Committee. FSA made the point that the deepening logistics crisis is an even greater constraint for our Sector than energy, as there are few alternatives for addressing the rail and port failures, like the country has to mitigate the energy crisis.

FSA is also serving on a Presidency-led Energy Committee, which was also instrumental in securing some of the outcomes to address the energy crisis, like the declaration of the State of Disaster for Energy and the appointment of an Energy Minister in the Presidency. While both of these initiatives have yet to deliver sustained improvements in the energy space, there is at least now finally a clear energy plan and a central authority who is responsible for its implementation.

Having our Association at the forefront of these national crisis interventions, is a great testimony to the regard in which our Sector and our Association are held.



In more positive news, our partnerships with Government grew in 2022 and FSA secured record amounts of funding for research and protection. In a successful third-round bid for Sector Innovation Funding, FSA secured a record R35.2 million from the Department of Science and Innovation (DSI), bringing the total funding which the DSI has made available to our Sector through FSA over the last 7 years, to more than R70 million. The continued co-investment by Industry and DSI will increase our research footprint, support sector competitiveness and address many of the current and future challenges our Sector faces.

In further positive news, the long-outstanding and vexed challenges with the forest protection MoU were sorted out and the Director-General of the Department of Forestry, Fisheries and the Environment (DFFE) signed the MoU with FSA's ED in September. This will bring in an additional R9 million per year for the critically important area of forest protection and will assist the Industry and the country, in reducing our annual losses from pests and diseases.

Another long-standing challenge showed signs of finally being addressed when, after years of lobbying by FSA and with PPGI and Presidency interventions, the very first DFFE plantations in the Western Cape were put out for expressions of interest to the private sector in December. We hope that this signals the start of the process for the rest of the Category B and C State plantations which have been overrun by timber thieves and other criminal syndicates in the same manner as has been seen in the construction, mining and transport sectors. It is very clear that the State cannot manage these assets without some form of partnership with the private sector, just as is being created in the energy and port and rail arenas.

Other good news and consistent with FSA's ongoing advice to members, was the decision by Parliament not to amend the Constitution to allow for expropriation without compensation. Once again FSA was at the forefront of these high-level discussions with the State and made meaningful inputs towards this positive outcome.

Still on the issue of land and of far greater importance than the ongoing but diminishing politicisation of land, has been the practical support that is needed to assist new entrants into Forestry. FSA's Grower Development Programme has grown over the years from assisting our Small-scale growers in company-affiliated schemes, to expanding into securing funding and support to all new entrants, including those who have come into the Sector through land reform initiatives. This year FSA's EXCO approved a plan to significantly strengthen our capacity in this area and to work with government to do feasibility studies ahead of the settlement of claims, provide an expanded suite of settlement models to provide for different scales of claims, develop a crop ownership transfer model that can be used to assist new landowners to eventually own a portion or the entire crop and to use FSA as a "mandate holder" for post-settlement support. This last-mentioned area is critical because of the gap that has been created by the Commission of the Restitution of Land Rights having withdrawn from providing post-settlement support and with neither DFFE nor DALRRD having the capacity to provide this support. It is also the area in which our small-scale growers most regularly express the need for support from Government and Industry. FSA has submitted a proposal to the Presidential Employment Stimulus programme, which will simultaneously provide post-settlement support to land reform beneficiaries and other small-scale timber growers, while taking more unemployed forestry graduates into employment.

The recommendations made by FSA on the diesel rebate were approved by SARS and we should see implementation of the new rebate system during 2023. This will save our Industry more then R100 million per annum on an ongoing basis.

In spite of the fact that had it not been for the logistics and energy crises in 2022, our timber volumes would have been much higher, it is still encouraging to note that our volumes were the highest we have seen since 2018. Should the country succeed in addressing the two biggest challenges we are facing in logistics and energy, this bodes very well for the future of timber growers, especially with the major investments which have been made by our Sector in pulp and paper, particle board, sawmilling and renewable energy.

FSA turned 20 years old in 2022 and it is most gratifying to see how an Association which was born out of collaboration between larger and smaller timber growers, now finds itself being invited to contribute to national dialogues in diverse areas which affect the entire economy like land, human resource development, logistics, crime, energy and research.

This is in large part due to our small team of highly-motivated and skilled staff in FSA, but also because of the support that they receive from our members in the many FSA subject-specific committees, the powerful partnerships which they have formed with the Public Private Growth Initiative, the Presidency itself, many government departments like DALRRD, DSI, DFFE and DWS to name a few, other business bodies and Associations, Councils and Authorities in our Sector and beyond, higher education and research partners and Organised Labour.

I would therefore like to thank our staff in FSA, our members who unselfishly give of themselves and their companies to serve in the many FSA structures and all of the partners whom I have mentioned above, for working so hard and in partnership with one another, for the good of our Sector and our country.

I wish each of you every success and wellbeing for the rest of 2023 and beyond.

Themba Vilane
Chairperson

Internal Forestry South Africa Matters

FSA Staff Matters

The increased capacity for implementation of the Masterplan in the form of the Project Management Office (PMO) in the Department Forestry, Fisheries and the Environment (DFFE) and the support to it from the Public-Private Growth Initiative (PPGI) and Strategy Execution Advisors (SEA), necessitated that Industry also ensured that we are on top of our own deliverables in the Masterplan and that we had focal points per sub-sector for this.

FSA's Research and Protection Director was appointed as FSA's focal point and he has been working with the PMO, PPGI and other Sector associations, to ensure that we all report accurately on progress and that the Masterplan reporting, Key Performance Indicators (KPIs) and other key process matters, like the reporting into the Department of Planning, Monitoring and Evaluation (DPME), stays on course.

This has greatly extended the Executive Director's capacity to be more effective in our engagements with the PPGI, the Ministers of DFFE, DPME and the Presidency, as was seen during the strike action at Transnet where FSA played a critical role in support of business more broadly.

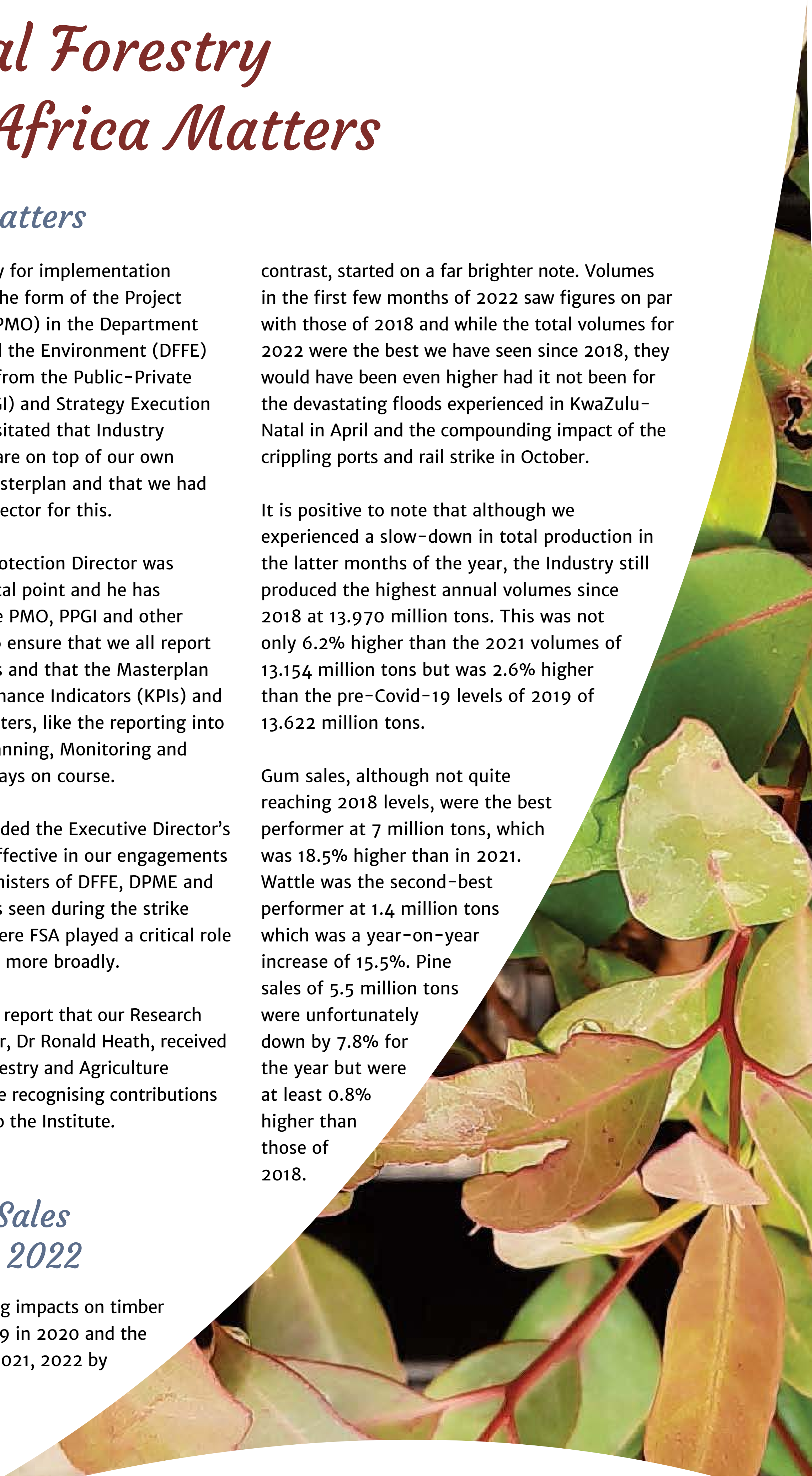
We are also pleased to report that our Research and Protection Director, Dr Ronald Heath, received an award from the Forestry and Agriculture Biotechnology Institute recognising contributions by a person external to the Institute.

FSA Timber Sales Tonnages in 2022

Following the devasting impacts on timber volumes from Covid-19 in 2020 and the failed insurrection in 2021, 2022 by contrast, started on a far brighter note. Volumes in the first few months of 2022 saw figures on par with those of 2018 and while the total volumes for 2022 were the best we have seen since 2018, they would have been even higher had it not been for the devastating floods experienced in KwaZulu-Natal in April and the compounding impact of the crippling ports and rail strike in October.

It is positive to note that although we experienced a slow-down in total production in the latter months of the year, the Industry still produced the highest annual volumes since 2018 at 13.970 million tons. This was not only 6.2% higher than the 2021 volumes of 13.154 million tons but was 2.6% higher than the pre-Covid-19 levels of 2019 of 13.622 million tons.

Gum sales, although not quite reaching 2018 levels, were the best performer at 7 million tons, which was 18.5% higher than in 2021. Wattle was the second-best performer at 1.4 million tons which was a year-on-year increase of 15.5%. Pine sales of 5.5 million tons were unfortunately down by 7.8% for the year but were at least 0.8% higher than those of 2018.



When comparing sales of products in 2022 to those in 2021, pulpwood production was by far the best performer with reported volumes for 2022 at 9.547 million tons, 12% higher compared to 2021 and 2.6% higher compared to the 2019 volumes.

Sawlog volumes for 2022 were unfortunately 6.2% lower compared to 2021 volumes but it is good to see that the production of sawlogs was 0.9% higher compared to the 2019 volumes.

Similarly, mining timber volumes for 2022 were 9.0% lower compared to 2021 volumes but 27.9% higher compared to the 2019 volumes.

Pole sales for 2022 (283 197 tons) were 2.9% higher compared to 2021 volumes but unfortunately 13.7% lower compared to the 2019 volumes.

Reported volumes for "other products" for 2022 at 125 581 tons, were 116.5% higher compared to 2021 volumes of 65 000. This increase was mostly driven by a sharp increase in biofuels and that is a trend that is likely to continue as the EU seeks ways to reduce its dependence on fossil fuels for energy.

FSA Finances 2022

The Audited Financial Statements for the year ending 31 December 2022, will be available on FSA's website (www.forestrysouthafrica.co.za) once ratified by the AGM. The results from the unaudited financial statements as at the end of 2022 are as follows:

Income of R30.084 million was almost exactly on budget (R59 862 less than budgeted).

Operational Expenditure of R15.042 million was R2.476 million more than budgeted for, driven by the EXCO-approved expenditure to fund the support provided by Mr Mohammed Bhabha of the PPGI, as well as the support provided by Strategy Execution Advisors (SEA) to the Masterplan Project Management Office. This expenditure was offset many times over by the massive amounts of sundry income and avoided losses that FSA and our members experienced, in large part as a result of this additional support.

The Industry expenditure of R17.153 million was R651 802 under budget and most of this was due to the late invoicing of research partners.

FSA's Balance Sheet remains healthy with R6.509 million in reserves. It has been most prudent to maintain such healthy reserves, as last year we had to use a significant portion of this to fund the legal challenges and we might need to do the same again in 2023.

FSA Budgets and Funding for 2023

As we return to normal operations post-Covid-19, an above-consumer price index (CPI) increase on the budget compared to that of 2021 was inevitable and was anticipated.

Following inputs by the General Committee, the Executive Committee, at its meeting held on 17 November 2022, approved the following FSA Operational and Industry budgets for the 2023 financial year. The 2023 budget presents a 12.6% increase in the Operational budget to R14.453 million, which is mainly due to the staff benchmarking exercise. The budget also presents a 9.5% increase in the Industry budget to R20.033 million, which is mainly due to contractual increases for research expenditure as well as an above CPI increase to support the significant increase in the TIPWG workload. Member contributions for 2022 will increase by 10.8%.

Of major importance to note against these increases, is the record amount of leveraged and consortium income (R29.061 million) which FSA secured which was a 161% increase on 2022's leveraged funding.

FSA Membership

FSA is delighted to report that we have expanded our member base during the year in review to include Commondale Poles and NTE. FSA looks forward to servicing our new members and to their participation and contribution to our various structures.

After another challenging year we would like to thank all members for their continued support in both financial terms to FSA, as well as for their investment of intellectual capital and time to ensure that the Association was able to function as effectively as we have done. The benefits of having a strong Industry Association like FSA, to act collectively on our members' behalf, were again evident in 2022. FSA was able, during the April floods to successfully remove the damaging export restrictions which had been unilaterally imposed by the State and, again in October to assist members to keep processes and logistics operational during the Transnet strike action.

Benefits Derived from FSA Membership

This report contains many high-level and specific achievements by FSA in supporting our members during the year in review. It should be noted, however, that besides the evident achievements reported on, the more routine activities of the Association also make an immense difference to the businesses of our members. Something as routine as responding to proposed tariff increases or managing the various Industry programmes, save our members hundreds of millions of Rands in costs and avoided losses. FSA continues to serve its members in key areas including:

- Working with Government, Organised Labour, other Business groups and civil society to develop policy and legislation which affects timber growers
- Countering poor policy, legislation and administrative actions which impact negatively on the sustainability of the Sector
- Creating a strong platform for collaborative forestry research and protection
- Leveraging funding from external sources to augment the investment made by the Sector
- Deferring or stopping potential costs before they occur
- Collating and disseminating information critical for timber growers, research partners, civil society, investors and the media on the state and performance of the Sector
- Promoting the Sector domestically and internationally.

Readers are encouraged to read about and share the work that FSA does and the impact that this has on growers' businesses with other timber growers.

FSA Committees

Executive and General Committees

It was a pleasure to return to some form of face-to-face meetings during the year in review, with FSA hosting its Committee meetings in a hybrid format. Although not as desirable as full face-to-face meetings, the meetings were well-attended and offered a great opportunity for networking and sharing of experiences between members.

Executive Committee (EXCO)

There was only one change to the membership of the Committee during the year.

Dr Johan de Graaf (Merensky) was replaced by Mr Sean Brown as Merensky's representative on the EXCO. FSA would like to thank Dr de Graaf for his major contribution over many years to the Industry through FSA, especially in the fields of research and protection and as a long-standing member of the EXCO. The names of the EXCO representatives appear elsewhere in this Report.

General Committee (GENCOM)

There was only one change to the membership of the Committee during the year.

Mr Sean Brown was replaced by Mr Renier Ehlers as Merensky's representative on the General Committee. The names of the GENCOM representatives appear elsewhere in this Report.

Group Committees

The Annual Regional Meetings were held around the country in February and these were hosted as hybrid (in-person and virtual) meetings. It was a pleasure to be able to meet with our members after two years of isolation.

This year we experienced record attendance at these meetings with some meetings having 54 attendees. At the Piet Retief meeting, FSA facilitated a field visit of the Regional Committee members to see PG Bison's expansion of their Piet Retief plant, which is one of the Mega Projects in the PPGI. The attendees were most grateful for the visit and for the additional demand that the expansion will generate for timber. PG Bison are sincerely thanked for hosting FSA.

A list of the members of each of the respective Group Committees is given elsewhere in this Annual Report.

Working Committees, Groups and Task Teams

The number of FSA's Working Committees and Task Teams has been increasing over the years in response to the ever-growing number of challenges being faced by the Industry. Given the fact that FSA has a small staff component, it was essential that for FSA to remain effective and cost-effective, the investment of members' time, experience, expertise and knowledge in actively participating in these structures. This member investment has once again proved to be invaluable.

The above-mentioned structures are convened by FSA, to manage issues related to the environment, transport, human resources, communication, land reform, business development, research, pests and diseases, chemical use, broad-based black economic empowerment, health and safety, forest operations, fire, criminality and climate matters.

In addition to these specific working committees and task teams, FSA's nine regional Group Committees, comprising large, medium and small-scale grower representatives, also provide valuable input and insight to guide the Association. They also serve as collaborative platforms for addressing local issues like timber theft, forest protection, energy and transport matters, among others.

The collective knowledge and inputs provided by the above structures greatly assist FSA's GENCOM and ultimately, the EXCO, to make considered and well-informed decisions on a multitude of pertinent issues to benefit the Industry at large.

Once again, we would like to encourage members to participate in these structures for them to have a voice in determining FSA's position on various issues, as well as getting the maximum benefits from being an FSA member. The current working groups, committees and task teams are listed below:

- Research Advisory Committee
- Fire Committee
- Forestry Baboon Working Group
- *Sirex* Consortium
- Climate Resilience Committee
- Environmental Management Committee
- Land Committee
- Health and Safety Committee
- Forest Operations Committee
- Timber Industry Pesticide Working Group
- Transport Committee
- FSA Pests and Diseases Committee
- Business Development Committee
- FSA Communications Committee
- Training and Skills Development Committee

We would like to sincerely thank all the members of the many FSA committees for their selfless contribution to the work of FSA, which benefits all timber growers and the Forestry Sector value chains.

Other Industry Committees

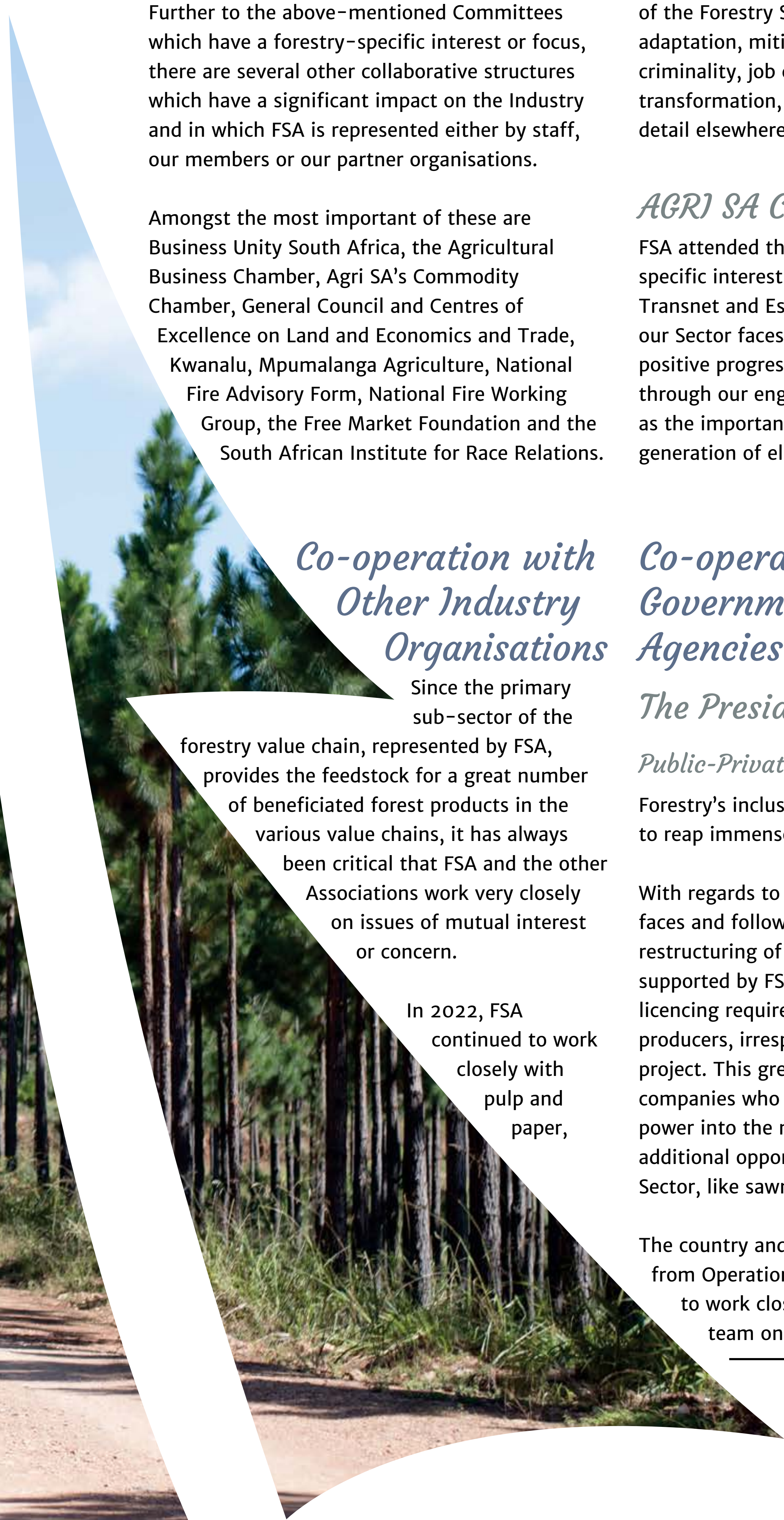
As well as the various internal FSA Committees mentioned, there are several external collaborative partnerships in which FSA is involved and through which we are able to address our members' interests. The most important of these are listed below:

Institute/ Convenor	Committee/Structures
(i): The Institute for Commercial Forestry Research (ICFR)	Board of Control Body of Members
(ii): Nelson Mandela University (NMU Saasveld)	Forestry Advisory Board Higher Certificate Veldfire Management Advisory Board
(iii): Stellenbosch University (SUN)	Forestry Advisory Board
(iv): University of Pretoria (UP)	Tree Protection Co-operative Programme (TPCP) Board of Control Forestry and Agricultural Biotechnology Institute (FABI) External Advisory Board SAFCOL Forestry Chair Board Forest Molecular Genetics (FMG) Steering Committee
(v): Fort Cox Agriculture and Forestry Training Institute	Forestry Advisory Board
(vi): Fibre Processing and Manufacturing (FP&M) SETA	Board Audit Committee
(vii): Provincial Licence Assessment Advisory Committees (LAACs)	Members
(viii): Department of Forestry, Fisheries and the Environment (DFFE)	Masterplan Executive Oversight Committee Masterplan Operational Management Committee 6 Masterplan Focus Groups National Forestry Research Forum Kabelo Trust
(ix): Department of Water and Sanitation (DWS)	Forest Sector Raw Water Tariff Committee National Consultation Raw Water Tariff Committee
(x): Department of Agriculture, Land Reform and Rural Development (DALRRD)	Phytosanitary Risk Forum Polyphagous Shot Hole Borer (PSHB) National Steering Committee
(xi): Water Research Commission	Various Project Reference Groups
(xii): Forest Sector Charter Council	Charter Council Audit and Risk Committee Forest Enterprise Development Task Team
(xiii): The Presidency	Public-Private Growth Initiative (PPGI) Human Resources Development Council (HRDC) Essential Sectors Energy Crisis Committee National Logistics Crisis Committee with BUSA and B4SA Masterplan Steering Committee
(xiv) Other	National Priority Committee for Extortion and Violence at Business Sites Forest Industries Training Providers Association (FITPA) FOREST21 Project Advisory Board

Non-industry Affiliated Committees

Further to the above-mentioned Committees which have a forestry-specific interest or focus, there are several other collaborative structures which have a significant impact on the Industry and in which FSA is represented either by staff, our members or our partner organisations.

Amongst the most important of these are Business Unity South Africa, the Agricultural Business Chamber, Agri SA's Commodity Chamber, General Council and Centres of Excellence on Land and Economics and Trade, Kwanalu, Mpumalanga Agriculture, National Fire Advisory Form, National Fire Working Group, the Free Market Foundation and the South African Institute for Race Relations.



Co-operation with Other Industry Organisations

Since the primary sub-sector of the forestry value chain, represented by FSA, provides the feedstock for a great number of beneficiated forest products in the various value chains, it has always been critical that FSA and the other Associations work very closely on issues of mutual interest or concern.

In 2022, FSA continued to work closely with pulp and paper, sawmilling, treated timber and other sub-sectors and Associations, in numerous areas, like the critically important implementation of the Forestry Sector Masterplan, carbon adaptation, mitigation and Carbon Tax limitation, criminality, job creation, skills development and transformation, all of which are reported on in detail elsewhere in this report.

AGRI SA Commodity Chamber

FSA attended the Agri SA Congress in 2022. Of specific interest to FSA were presentations by Transnet and Eskom, highlighting the challenges our Sector faces. The event reconfirmed the positive progress our Sector has made both through our engagements with Transnet, as well as the importance of our Sector in terms of co-generation of electricity.

Co-operation with Government Departments, Agencies and Programmes

The Presidency

Public-Private Growth Initiative (PPGI)

Forestry's inclusion in the PPGI continued in 2022 to reap immense benefits for the Sector.

With regards to the energy nexus the country faces and following the PPGI's repeated calls for restructuring of the energy sector, which was supported by FSA, the President removed all licencing requirements for independent power producers, irrespective of the size of the power project. This greatly benefitted larger forestry companies who are now able to sell their excess power into the national grid, and it offers additional opportunities for other players in the Sector, like sawmills, to do the same.

The country and our Sector continue to benefit from Operation Vulindlela[1]. FSA has continued to work closely with the Operation Vulindlela team on several areas of key structural

[1]Operation Vulindlela is a joint initiative of the Presidency and National Treasury to accelerate the implementation of structural reforms and support economic recovery.

and policy reforms to open up the economy and these are already having major positive impacts for our Sector in several areas like energy, ports and rail, water and visa reform.

The PPGI similarly has continued to benefit our Sector. During the devastating strike of Transnet in October of the year in review, the PPGI once again created a Strike sub-group of the most affected sectors, including FSA. They secured daily meetings for two weeks with three Ministers, the Top Management of Transnet, and several Transnet Board members, to quantify the impacts on our respective sub-sectors, offer support to mitigate the impact and follow up and report on the process leading up to the eventual resolution of the strike. It was agreed (among business) that we needed to use the catastrophic impacts of the strike to accelerate structural and operational reform in the ownership and management of rail and ports in South Africa, to prevent another devastating strike in the future and to accelerate the desperately needed migration of freight from roads back onto rail and the increase of port flows in South Africa. This led to a smaller group of sectors being formed, in which FSA along with some of Business Unity South Africa (BUSA) and Business for South Africa (B4SA) members were asked to develop proposals for restructuring and improved services in ports and rail.

For the first time in many years, through the PPGI, we were able to secure immediate action from the State against the illegal blockade of the N3 highway in June 2022. Numerous truck drivers were arrested, and the road was re-opened on the same day that the illegal blockade took place.

Another challenge related to transport where the PPGI supported our Sector, was with the challenge we experienced as a result of the floods in KZN in April of the year in review. There was extensive damage to the South Coast rail line, resulting in a total abandonment of using the rail line. There were several meetings held with Transnet who were keen to do the upgrade, however, they pointed out that the line belonged to the Passenger Rail Agency of South Africa (PRASA) and that they would not be able to assist FSA and our members, with regards to this request. FSA did request a meeting with PRASA, but unfortunately failed to get a response, until we were able to get the PPGI and the Presidency to intervene, which led to the President announcing that the line will indeed be recommissioned a full year earlier than had been planned by PRASA and the Department of Transport (DoT). In FSA's most recent engagement with Transnet's Top Management structure, they confirmed that they had been appointed to repair the Illovo bridge section. This will save our members and many other sectors in the southern KZN region hundreds of millions of Rands annually.

Human Resource Development Council

The HRDC in which FSA's Executive Director serves and which was nominally led by the former Deputy President (Mr David Mabuza), was severely hampered by slow uptake and implementation of the recommendations of its subcommittees and postponements of meetings.

It will be interesting to see whether the new Deputy President will be able to inject more meaningful energy and commitment into this committee, which is central to South Africa's prospects for growth and creating employment.

FSA will at that time, assess whether our continued investment of time in this committee is justified.

Department of Forestry, Fisheries and the Environment (DFFE)

The decision by FSA to co-fund the deployment of Mr Mohammed Bhabha from the PPGI to assist in the implementation of the Masterplan and keeping all social partners focussed on their commitments in the PPGI and Masterplan, has been of tremendous value to the Sector in several areas.

Mr Bhabha has been able to work closely with the Presidency, Deputy Minister, and Director-General and the PMO in DFFE, to ensure that the DFFE processes are not further delayed by the

Forestry Branch, which is ultimately responsible for the implementation of the Forestry Sector Masterplan. We have had several engagements with the Project Management Office in DFFE, who have derived immense support from Mr Bhabha and SEA (the service providers who FSA is also currently funding to provide support to the PMO), and we have seen great progress in several areas.

After DFFE transferred six Category B and C plantations to communities without consultation with FSA, we registered our grave concern, as this was contradictory to the State's commitments in the PPGI, the Masterplan and in our meeting with Minister Creecy and Deputy Minister Sotyu in 2020. We approached the PPGI for intervention and this led to direct intervention from the head of Operation Vulindlela in the Presidency, who personally facilitated a full-day workshop in July 2022 on Category B and C plantations and those in the Western Cape. This sent a very strong signal to all involved that the Forestry Sector Masterplan commitments by the State must be met. This workshop achieved several key outcomes, including an agreement that the DFFE would not transfer or lease any more plantations, without there being a strategic partner in place to support the recapitalisation of those assets and that the appointment of the strategic partners would take place in an open and transparent manner, using an agreed set of criteria which FSA proposed and which were subsequently ratified by the State and Organised Labour. It also secured the commitment that the long-outstanding Western Cape plantation lease/s would be finalised by the end of this year (govt year ending March 2023). It was encouraging to note that due to the pressure generated by the Masterplan, with the assistance from individuals like Mr Bhabha (PPGI), Mr Malaza (DFFE PMO), the DG of DFFE, Ms Tshabalala and Mr Rudi Dicks (Operation Vulindlela), DFFE in December of 2022, invited proposals from investors to lease, develop, operate, plan and control forestry business in the Western Cape recommissioned plantations for a maximum period of 50 years. We also appreciate the support of Organised Labour who, along with FSA, continuously requested the prioritisation of these land parcels to be transferred to prevent further job losses and closure of businesses in the affected region.

FSA was very pleased when the Memorandum of Agreement (MoA) pertaining to pests and diseases between DFFE and FSA was signed. FSA and the PPGI used the opportunity presented by the conclusion of SAPPI's R7.7 billion PPGI project at its SAICCOR mill, to leverage greater movement from DFFE on the MoA and the Category B and C plantations (along with others like the South Coast rail line), discussed above. More information on the MoA is provided later in this report.

FSA 2022 Annual General Meeting

The 20th Annual General Meeting was hosted on 6 May in a hybrid format with both in-person as well as virtual attendance available to members. This was the second year the association provided a virtual attendance option due to the Covid-19 pandemic. The meeting was attended in person by 116 people and by 42 people virtually, including our members, our research partners, stakeholders from Government, Non-Governmental Organisations and the media.

The keynote speaker was Dr Azar Jammine from Econometrix. While his presentation presented a somewhat pessimistic outlook on future growth for South Africa, he suggested that this does not need to be the case and that there are things that the country can do and are starting to do, to fix this. He indicated that there seemed to be growing political capital under the Ramaphosa administration, to increase the much-needed structural reforms which the State recognises must be implemented. He was also pleased to note the enormous tax surplus which was achieved in 2022 and said that this could be used to lower the national debt and invest in economic infrastructure. Incidentally, that is exactly what the Minister of Finance did in his budget speech in October, and the gross national debt is now around 71.4% of GDP, down from the 81.6% forecast for the end of 2022.

The meeting's next guest speaker, Mr Ian Bird, who is the logistics lead for the PPGI, presented on the role of private sector participation to optimise South Africa's rail network. His presentation captured all the excellent work being done, including by FSA, to ensure policy alignment and collaboration to improve rail and port efficiencies and to ensure that SA remains competitive.

Mr Mike Edwards, previous Executive Director of FSA, presented a service acknowledgement to Mr Philip Day, in support of his nomination for Honorary Life Membership. Mr Edwards expressed that without any shadow of a doubt that Mr Day has been one of the Forestry Industry's stalwarts for a great many years and an esteemed and respected Industry personality.

In her Chairperson's address, Ms Mnguni stated that it didn't seem possible that 2022 could have been a worse year than 2021, following the devastation caused locally and internationally, by the impacts of Covid-19, but our domestic socio-political situation had its own unique impact on South Africa's economy and our Sector. Ms Mnguni commended the swift action of FSA and our partners in the PPGI, working in close co-operation with the Presidency limiting the impact of the year's challenges including the failed insurrection. She also reiterated how fortunate the Sector is to have such a well-functioning Industry Association to insulate our Sector in difficult times.

A special video had been produced and was aired for the first time in celebrating FSA's 20th Anniversary, and it was very well received. Drs Heath and Johnson, in conjunction with the Communications Team, were acknowledged for the excellent production. A copy of the video is available on the FSA Website www.forestrysouthafrica.co.za. In addition, a special 20th publication was distributed in the meeting bags which were handed out to attendees. All contributors were acknowledged and thanked for their input.

FSA would like to thank all the sponsors of the AGM who were in alphabetical order, ABSA, CPS Seedlings, Ezigro Seedlings, Husqvarna, NCT, PAMSA, Safire, Sunshine Seedlings and TWK.

Forestry Industry Matters

Forest Research and Development

Sector Innovation Fund

FSA was grateful for being able to secure two phases of the Sector Innovation Fund (SIF) from the Department of Science and Innovation (DSI) over the last five years. As the SIF has been the biggest source of public funding towards forestry research, we were concerned when there was uncertainty regarding the continuation of a third phase of SIF funding. We were therefore very pleased when DSI published a call for applications for the third round of SIF late in 2021. FSA applied, and we are delighted to report that we were successful in our application for the third phase of the SIF. Our application secured a record amount of R35 200 000 (thirty-five million, two hundred thousand Rand) over the next 4 years, towards research and development. The funding was initially awarded with several prohibitive requirements but through the excellent work of Dr Heath, FSA was able to negotiate these to a set of requirements that FSA will be able to meet.

FSA's Research Advisory Committee identified the most pressing and key strategic research areas to be addressed. FSA has solicited targeted applications from our research partners and has structured these to optimise inter-disciplinary, as well as inter-institutional research. The overarching areas identified include climate change and resource sustainability, gene-assisted breeding, remote sensing to detect and assess tree stress and precision chemical use in the Sector.

We once again would like to acknowledge the outstanding support from the DSI, and specifically from Ms Sunita Kalan, for ensuring this valuable programme continues and assists our Sector and South Africa to increase our research and development footprint, increase human capacity and remain competitive.

Technology and Human Resources for Industry Programme (THRIP) Funding

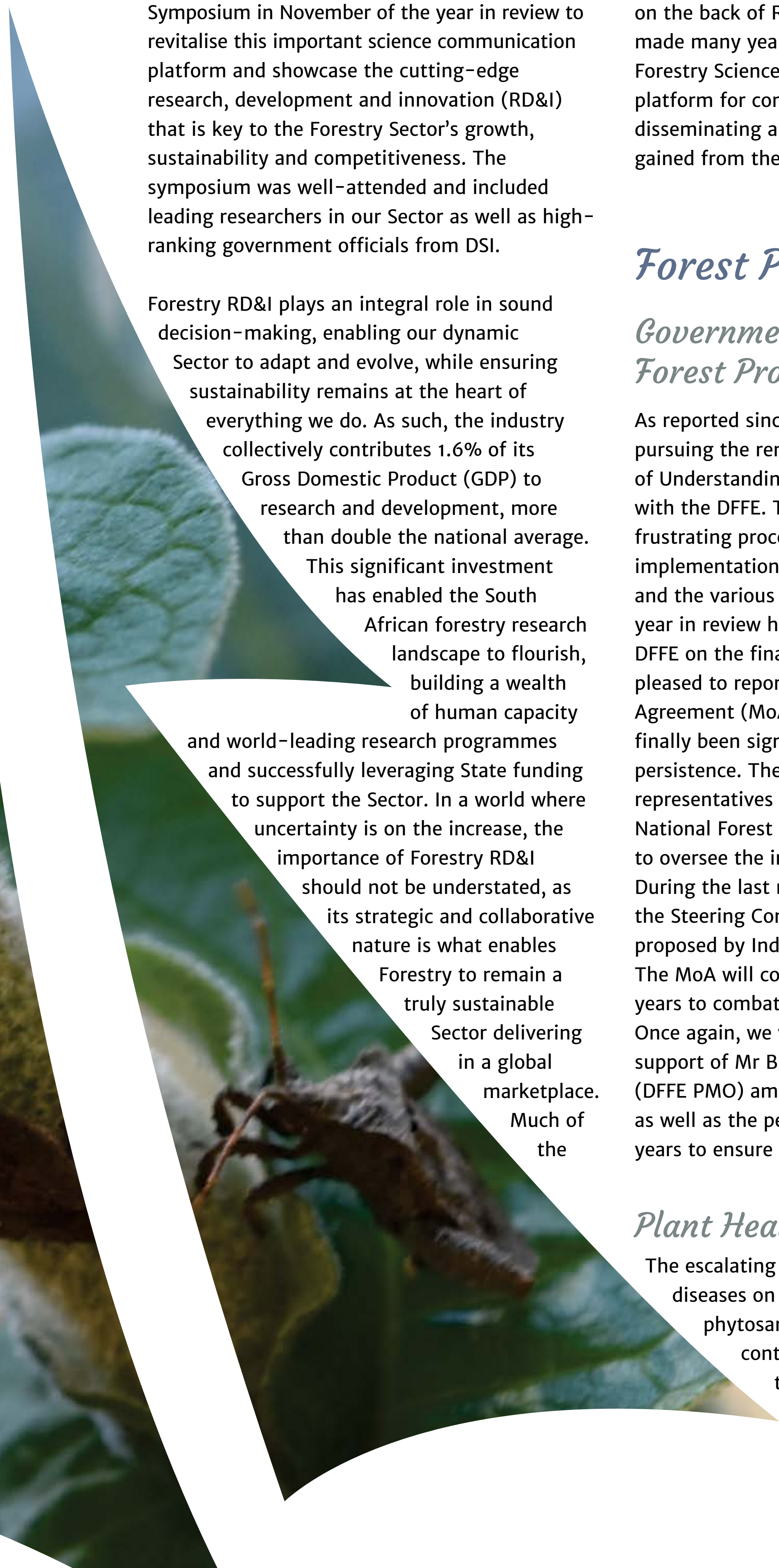
This programme has been a healthy source of public research funding for the Forestry Sector over the years. In the past, our Sector secured approximately R9 million a year through THRIP with some of our research partners receiving numerous THRIP awards. Unfortunately, since the change of the THRIP process when the funding initiative moved from the National Research Foundation (NRF) as implementing agency to the Department of Trade, Industry and Competition (DTIC), our Sector has had variable success with accessing THRIP funding.

After two years of waiting, the DTIC has at long last published a new call for funding. Unfortunately, the new guidelines have excluded FSA from applying for any funding. This is because the guidelines now limit the number of applications/projects per institution to two applications/projects. FSA has advised our research partners that should they be interested in applying for funding, they should approach our members who will be able to apply on their behalf.

Forest Science Symposium

Due to the downscaling of the ICFR, the very important Forest Science Symposium has not been hosted for 5 years. Sector researchers as well as members have expressed the need to revitalise this initiative to promote communication, collaboration and contribute to the Sector research and development agenda setting. To address this gap, FSA and the South African Institute of Forestry relaunched the South African Forestry Science Symposium in November of the year in review to revitalise this important science communication platform and showcase the cutting-edge research, development and innovation (RD&I) that is key to the Forestry Sector's growth, sustainability and competitiveness. The symposium was well-attended and included leading researchers in our Sector as well as high-ranking government officials from DSI.

Forestry RD&I plays an integral role in sound decision-making, enabling our dynamic Sector to adapt and evolve, while ensuring sustainability remains at the heart of everything we do. As such, the industry collectively contributes 1.6% of its Gross Domestic Product (GDP) to research and development, more than double the national average. This significant investment has enabled the South African forestry research landscape to flourish, building a wealth of human capacity and world-leading research programmes and successfully leveraging State funding to support the Sector. In a world where uncertainty is on the increase, the importance of Forestry RD&I should not be understated, as its strategic and collaborative nature is what enables Forestry to remain a truly sustainable Sector delivering in a global marketplace. Much of the major efficiency gains we achieve each year are on the back of R&D investments which were made many years, and even decades, ago. The Forestry Science Symposium provides a valuable platform for communicating, acknowledging, disseminating and implementing the knowledge gained from the investments in Forestry RD&I.



Forest Protection

Government Funding toward Forest Protection

As reported since 2017, FSA has been rigorously pursuing the renewal of the Memorandum of Understanding (MoU) on forest protection with the DFFE. This has been a tedious and frustrating process, but once again, through the implementation of the Forestry Sector Masterplan and the various management structures, the year in review had seen a revitalisation from DFFE on the finalisation of the MoU. We are pleased to report that the Memorandum of Agreement (MoA) between FSA and DFFE has finally been signed after 5 years of continuous persistence. The Steering Committee comprising representatives from DFFE, FSA, TPCP and the National Forest Research Forum was constituted to oversee the implementation of the MoA. During the last month of the year in review, the Steering Committee approved the workplan proposed by Industry and work has commenced. The MoA will contribute R9 million a year for two years to combat the impact of pests and diseases. Once again, we would like to acknowledge the support of Mr Bhabha (PPGI) and Mr Malaza (DFFE PMO) among others, during this process, as well as the persistence of Dr Heath over many years to ensure that the MoA finally materialised.

Plant Health

The escalating impacts of plant pests and diseases on the country's plant health and phytosanitary measures, has led FSA to continuously flag with the State, the capacity shortage of skills in government to address these impacts.

We included it as a major risk in the Forestry Sector Masterplan with specific deliverables to address it and we are happy to report that in October of the year in review, the National Biosecurity Hub was formally launched.

The National Biosecurity Hub which brings government, industry, social partners and the research community together, is an important initiative in support of the Economic Reconstruction and Recovery Plan. It will provide a significant increase in the research capacity currently available to the sanitary and phytosanitary regulatory authorities in South Africa, helping to ensure international trade standards are met. This will be achieved by developing and using information technology to strengthen sanitary and phytosanitary information and surveillance systems and providing the regulators with a biosecurity platform, which will enable coordinated responses and better engagement. FSA is relieved after decades of decline, to see government prioritising research, development and innovation to improve capacity, productivity and biosecurity. The National Biosecurity Hub will benefit our Sectors, where losses to pests and diseases is one of the greatest threats to productivity and economic growth and an increasingly significant trade barrier, for exported forestry and agricultural products. We look forward to supporting this crucial and long-overdue initiative.

Prohibitive Phytosanitary Measures

In September of the year in review, DALRRD published amended phytosanitary measures regarding the export of round logs. The measures required exporters to remove all bark from logs before exporting. This not only increased the operational costs of exporting logs but resulted in timber merchants, who are responsible for the majority of exports, halting the orders of all timber and resulting in millions of Rand in lost sales for our members and in foreign exchange earnings for the country.

FSA immediately approached DALRRD to rescind the notice, as it was scientifically flawed, and it was also not in line with national or international protocols. After persistent engagement by Dr Heath and the threat of legal action on behalf of our members, FSA was successful in getting the department to rescind the notice within two business days and this re-opened the export market. This resulted in at least R3 million a day in avoided losses for our members, which might have otherwise been incurred for weeks and months, had FSA not acted so swiftly and effectively. FSA will continue to address this matter with DALRRD to prevent this from happening again and furthermore, to improve the working relationship with the relevant directorates in this department. The above-mentioned National Bio-security Hub which FSA helped establish will assist in ensuring a more rational, scientific and legal framework to guide similar decisions in the future.

FSA Sirex Consortium

Since the suspension of the National Sirex Control Programme due to lack of state funding, a few of FSA's members formed a consortium to address the constant threat of the Sirex wood wasp. The FSA Sirex Consortium is progressing well and is playing a critical role in maintaining some form of Sirex biological control deployment and monitoring. We are delighted to report that the Consortium grew even more during the year in review, with one of the largest sawtimber producers joining the Consortium. This Consortium has proven critical to some of our members as its activities continue to contribute to meeting requirements by Forest Stewardship Council (FSC) auditors.

The recent breakthrough which FSA made on the Forest Protection MoA between FSA and DFFE, will assist industry to upscale the Sirex programme to a national programme again in 2023.

Fire

The Sector experienced a variable but good fire season during the year in review. The Masterplan, as with several challenges in our Sector, has helped to address some of the constraints and concerns related to fire protection. In the first year of implementation a number of issues saw progress. These included:

- Amendment of the Veld and Forest Fire Act
- Development of a Strategy to support Fire Protection Associations (FPAs)
- Assessment of FPAs through a readiness project
- Establishment of a national fire database
- Training of Chief Fire Officers and Fire Protection Officers.

Unfortunately, the progress regressed during the year in review with DFFE officials once again unilaterally making changes to agreed actions. In some instances, officials were not aware of progress made or actions agreed upon or even what was reported by DFFE in prior reports to the Masterplan organisational structures. We have raised this with the Deputy Minister at the highest level of the Masterplan, and DFFE have committed to better communication and co-ordination within their own department on fire matters.

Progress has been made with the amendment of the Veld and Forest Fire Act. All public consultations of the Portfolio Committee have been concluded and we should finally see the Act amended during 2023.

The Masterplan has also resulted in the initiation of an FPA Readiness Project. This project is aimed at assessing operational readiness, legal compliance, financial viability, business planning, membership of FPAs and to develop comprehensive national norms and standards that support individual FPAs. A key objective is to assist FPAs to build a stronger business case to attract additional members, thus improving long–term sustainability. The assessment process which was co-funded by FSA, has been concluded and the final report has been submitted to the National Fire Advisory Forum.

A matter of grave concern repeatedly raised by FSA for several years, has been the lack of public financial support to FPAs. Once again, the Masterplan has initiated the development of an FPA Support Strategy. The Strategy is aimed at providing a framework for financial, as well as non-financial, support to FPAs and landowners on international boundaries of the Republic of South Africa. The Strategy is premised on risk reduction ahead of disasters rather than the historical approach of suppression and firefighting. Even though significant progress was made in the drafting of the document in the first year of implementation of the Masterplan, year two saw very little movement with the DFFE acknowledging that it will be hard to secure funds to implement the Strategy and that funding needs to be augmented from other sources.

Year one of the implementation of the Masterplan also realised significant progress with the establishment of a National Fire Database. A service provider that is recognised by most FPAs, conservation agencies and various land users was identified. Presentations were made to the National Fire Advisory Forum and the National Fire Working Group. Unfortunately, during the year in review, DFFE opted to investigate the development of their own system at significant costs. FSA will continue to motivate for the implementation of an internationally recognised system accessible to all land users and at as low a cost as possible.

Forestry Baboon Working Group

The Forestry Baboon Working Group has been delivering well on its mandate. Through ongoing coordination and commissioning of research to ensure a sound scientific base for decision making, the Working Group has achieved all goals for the 2022 workplan. One of these goals was the development of a standardised damage census protocol. The developed protocol will ensure comparable data across all affected landowners.

The research funding cycle for the work funded by the Working Group was confirmed by all funders of the Working Group and they have committed to another year's funding.

FSA would like to thank the ICFR who secured government funding through the Research and Technology Fund, managed through the NRF, to further the Working Group's research portfolio at no cost to our members. This funding is based on matching funding to the industry contribution into research and development and has been secured for three years. The funding will be utilised to quantify the financial loss due to damage by baboons, not only as standing trees, but also recovery loss in the processing plant. This work will contribute significantly to understand the impact of the damage caused by baboons throughout the value chain.

Commercial Crimes in the Forestry Sector

It is concerning to note that during the year in review, our members have reported an increase in attempts of extortion, both in plantations and in processing facilities. FSA flagged this as another binding constraint to investment, growth and employment in the Forestry Masterplan, and there has been significant progress since.

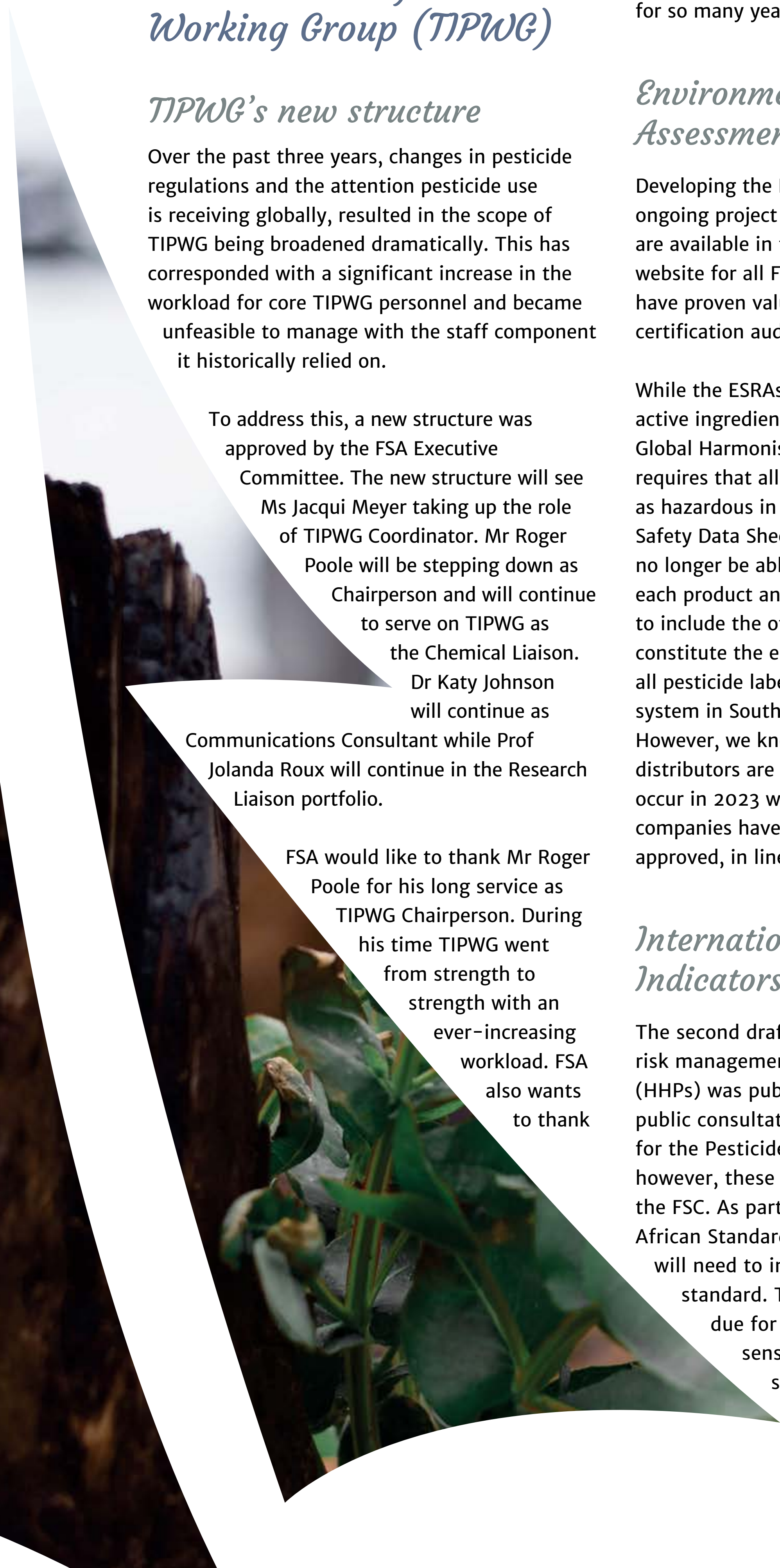
FSA, through Mr Francois Oberholzer, continues to serve on the National Priority Committee for Extortion and Violent Crimes, which FSA was instrumental, through the PPGI, in getting the President to establish. This forum is tackling the scourge of criminal syndicates plaguing the forestry, construction, mining and road transport sectors. It became clear quite quickly that these same criminal and rent-seeking syndicates are also a major cause of the extraordinary collapses in the State-led energy and ports and rail sectors too, and so it has also been used to focus on those sectors.

Following continued pressure through this national structure, South African Police Services (SAPS) structures in Mpumalanga finally agreed to a standing meeting with our Sector. As soon as FSA succeeded in getting the Mpumalanga structure established, the Construction Sector asked to join the initiative, which of course was supported by FSA, as often the same criminal syndicates operate in different sectors. In a reciprocal manner, the Construction Sector in KwaZulu-Natal (KZN) then took the lead to establish the provincial Priority Committee for Extortion and Violent Crimes, using the same approach and structure which FSA had succeeded in putting in place in Mpumalanga and FSA is now also serving in the KZN structure.

In addition to the aforementioned initiatives, FSA and its members are in the process of rejuvenating similar forums in Limpopo, Eastern Cape and Southern KZN.

FSA has established a web-based database for the capturing of crime related incidents. Two of FSA's members have subscribed to the database to date, and we implore all members affected by crime and criminality to subscribe to the database as it provides credible information which will be used by FSA to motivate for additional security forces and measures to further combat criminality in our Sector.

As an additional measure to curb timber theft and related criminality, the Masterplan proposed the implementation of a timber transport permit system. At a meeting held in October, however, members expressed the myriad challenges with implementing such a system and that the majority of forestry companies already have timber tracing or system of delivery in place. It was felt that a permit system would duplicate this process and members have therefore requested that this deliverable be removed from the Masterplan. FSA's previous analysis revealed that while timber theft was sometimes of great impact to smaller operations at a local level and that it is rife in State plantations, that at the national level the reported losses from timber theft by FSA's members, is less than 1%, compared to double-digit annual losses to fires, pests and diseases.



Timber Industry Pesticide Working Group (TIPWG)

TIPWG's new structure

Over the past three years, changes in pesticide regulations and the attention pesticide use is receiving globally, resulted in the scope of TIPWG being broadened dramatically. This has corresponded with a significant increase in the workload for core TIPWG personnel and became unfeasible to manage with the staff component it historically relied on.

To address this, a new structure was approved by the FSA Executive Committee. The new structure will see Ms Jacqui Meyer taking up the role of TIPWG Coordinator. Mr Roger Poole will be stepping down as Chairperson and will continue to serve on TIPWG as the Chemical Liaison. Dr Katy Johnson will continue as Communications Consultant while Prof Jolanda Roux will continue in the Research Liaison portfolio.

FSA would like to thank Mr Roger Poole for his long service as TIPWG Chairperson. During his time TIPWG went from strength to strength with an ever-increasing workload. FSA also wants to thank NCT for making Mr Poole available to lead TIPWG for so many years.

Environmental Social Risk Assessment (ESRAs)

Developing the National ESRAs has been an ongoing project since the start of 2020 and they are available in the Member's area of the TIPWG website for all FSA members. To date the ESRAs have proven valuable for our members during certification audits.

While the ESRAs have been completed on an active ingredient basis, the implementation of the Global Harmonised System (GHS) system, now requires that all chemical components categorised as hazardous in nature, must be listed on the Safety Data Sheet (SDS). This means that we will no longer be able to use the existing ESRAs for each product and they will have to be amended to include the other chemical components which constitute the entire product. The due date for all pesticide labels to be compliant with the GHS system in South Africa was 29 September 2022. However, we know that many manufacturers / distributors are not yet compliant. This will likely occur in 2023 when manufacturing / distribution companies have had their new labels and SDSs approved, in line with the GHS implementation.

International Generic Indicators (IGIs)

The second draft of the FSC IGIs for the use and risk management of highly hazardous pesticides (HHPs) was published on 10 February 2021 for public consultation. The newly developed IGIs for the Pesticide Policy have been approved, however, these have not yet been published by the FSC. As part of the IGI process, the South African Standards Development Group (SDG) will need to incorporate these into the SA standard. The South African standard is also due for a revision and therefore it makes sense to perform these tasks at the same time. South Africa, however, does not currently have a functioning SDG and thus, FSC

South Africa have indicated that they will initiate the process in 2023.

Alternative for Paraquat

With the implementation of the new FSC Pesticide Policy, the use of paraquat is now prohibited. Paraquat has been used for the preparation of tracer belts for firebreaks, a legal obligation the Forestry Industry has as landowners. Fortunately, FSA has been aware of this impending ban for many years and has been working to find suitable alternatives.

Commissioned by TIPWG, Prof Keith Little of Nelson Mandela University (NMU) partnered with an agrochemical company to test various alternatives, with the most promising being a pelargonic acid product. The research that Prof Little was contracted to do has been completed, 10 years of trial and error, and we are happy to report that the registration for pelargonic acid was lodged in August of the year under review.

TIPWG will be submitting an updated letter of support to the Registrar endorsing the need for the registration of the product to ensure it is available in preparation of the 2023 fire season.

Backlog at the Registrar

As mentioned earlier in this report under Plant Health, the State's capacity to deal with plant health in the broadest terms, has diminished drastically over time and has coincided with an increase in threats to plant health and increasing international market requirements in this regard.

This was seen again when TIPWG, through it's relationship with some of the pesticide manufacturers, applied for label extensions as well as attempted to apply for an emergency registration for certain pesticide products at the Registrar's Office. This was unfortunately not successful, in part due to a massive backlog at the Registrar and also due to an apathetic response to the urgency and importance of registering critical chemicals for forestry, agriculture and other key economic sectors. As mentioned earlier, FSA therefore included these challenges in the Masterplan and has already raised the matter with the Deputy Minister of DFFE. In addition to this, FSA has also raised the matter with the PPGI team and has furthermore joined efforts with Agbiz and the Agricultural Inputs Forum (AIF), in addressing the challenges faced with the Registrar collectively. The backlog will continue to be a challenge as the Registrar's priority is now on the label amendment applications to comply with the new GHS labelling system and the renewal of registrations. We are, however, happy to report that through the Masterplan processes, one of FSA's emergency registration requests for tebuconazole for use in nurseries to control *Quambalaria* was approved and the product is now available for use.

Having the emergency registration approved in such a short time period compared to the average processing time and having the chemical available for use has saved our members millions of Rands in avoided losses.

TIPWG-specific Research

All current TIPWG research projects have reached completion with all in the process of being written up. Some of the work has already been published in international peer-reviewed publications. Some of the data produced in these studies has already assisted our members to address concerns and complaints from stakeholders regarding the use of chemicals.

This once again shows the value of the collective approach to research within FSA.

Development of Industry Integrated Pest Management (IPM) Framework

TIPWG was tasked to develop an Industry IPM framework in line with the FSC Pesticide Policy. A conceptual framework has been developed by Dr Katy Johnson and has been approved by TIPWG and the FSA Environmental Committee. This is available on the TIPWG website (www.tipwg.co.za/integrated-pest-management/). The process of developing guidance documents for specific management practices (Fire Breaks, Alien Invasive Species Control, Pest & Disease Management and Preplanting Weed Control) has been initiated and should be completed in the next reporting year.

Information dissemination

Another of TIPWG's valuable contributions to our Sector is the dissemination of information relating to sustainable chemical use. During the year in review, TIPWG managed to publish 11 informative editorials on several platforms. All of these publications came at no cost to our members and included local and regional publications in print as well as digital media.

Environmental and Water Issues

The FSA Environmental Management Committee (EMC) once again played an important role in dealing with numerous key environmental and water issues on behalf of Industry, through its engagements with the relevant Government Departments. These include the Department of Water and Sanitation (DWS), the DFFE and their Provincial counterparts.

FSA extends its gratitude to the members of the EMC and particularly to the Chair, Ms Louise Van Wyk and to FSA's own Environmental Consultant, Dr John Scotcher. We would also like to extend our gratitude to Minister Mchunu of the DWS and to his Director-General, Dr Sean Phillips for their sterling efforts to stem the flow of irrational and irregular legislation and regulation, which has been hampering our Sector and many others, which depend on a functional water administration to support economic growth and job creation.

A summary of all the issues dealt with during the year under review are summarised below.

Water Issues

Stream Flow Reduction Activity (SFRA) Water Use Licence Conditions

As reported in the FSA 2021 Annual Report, FSA and its legal advisors successfully negotiated with the Department of Water and Sanitation (DWS), for the removal of conditions included in water use licences for commercial forestry that were vague, unreasonable, outside the mandate of the DWS, contradictory or un-auditable as well as a significant reduction in the frequency of both internal and external audits. The SFRA Water Use Licence (WUL) template and conditions for compliance to NEW Water use licences (WULs) were implemented by the DWS in September 2021.

During 2022, FSA again successfully concluded discussions with the DWS for the amendment of water use licences issued since 1998 to align these amendments with the agreed format for new water use licences. FSA advised its members of the process to be followed when making an application for an amendment to an existing water use licence, and although the response has been slow, there appears to have been no problems. Some members have been personally assisted in the process.

Existing Lawful Water Use

In 2019, FSA approached the High Court for a declaratory order to resolve years of dispute with DWS over the interpretation of existing lawful water use (ELU) as defined in the National Water Act (No. 36 of 1998).

Our interpretation of an existing lawful water use for a stream flow reduction activity (commercial forestry) was that a plantation needs only to have been in existence during the two-year qualifying period before the National Water Act (NWA) 1998 came into effect, for that plantation to be considered as lawful and thus an existing lawful water use. The DWS interpretation was that afforestation during the two-year qualifying period needed to have been lawfully established during the period between 1972 and the coming into effect of the NWA.

The matter was heard to conclusion in the Cape High Court in February 2021 and judgement was handed down in August 2021. The Court did not award in our favour on the matter of whether plantations in existence within two years of the NWA coming into effect, are deemed to be an existing lawful water use, as FSA and two previous Senior Counsel opinions have contended. Our legal team agreed with our assessment that the Judge has made an error on this important matter in that he has conflated the issues of lawful water use and that of authorisation.

An appeal has been lodged by FSA regarding the Court's findings on existing lawful water use. The appeal was granted in June 2022 and will be heard in the Supreme Court of Appeal in mid-2023.

Genus Exchange

In the same application to the High Court on the above-mentioned matter and as mentioned in previous reports, the High Court found in FSA's favour on the matters of both requiring authorisation to switch genera and the stipulation by DWS that the area under trees must be reduced by 30% when switching from pine to gum.

While the DWS are appealing this judgement, members are reminded that the Court found that growers can switch genera freely without requiring an authorisation to do so and without reducing the area under trees when planting a different genus.

The Judge granted in its entirety all the relief sought on the long-standing issue of Genus Exchange. The Judge stated, *inter alia*, that the State had used the incorrect approach in determining the impact of genus exchange on water and that the actual impact, "is far less severe than assumed by the respondents [the State]".

Revision of the regulations regarding the procedural requirements for water use licence applications and amendments

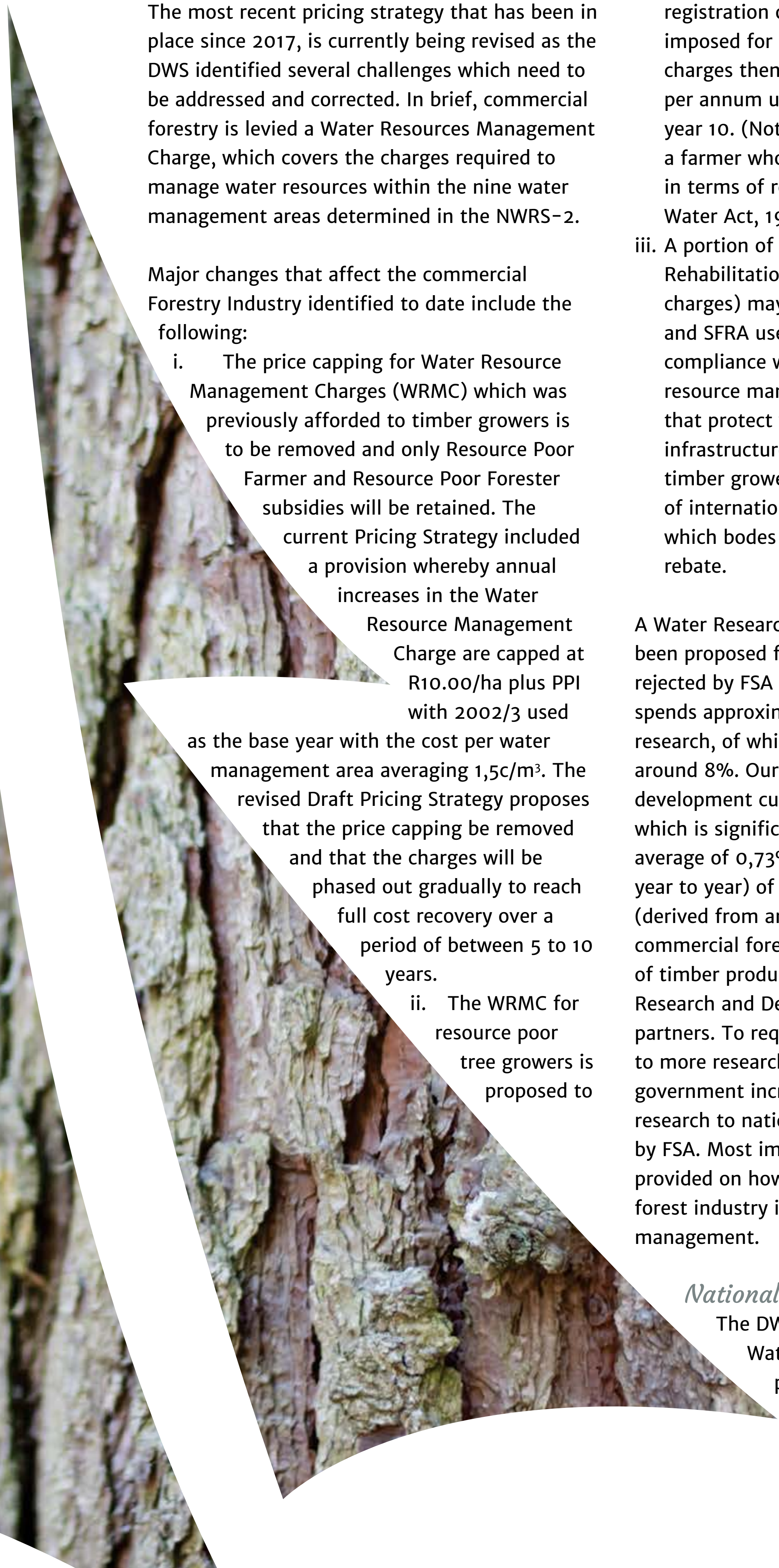
The DWS presented draft revisions of the regulations for applications for water use licences and amendments during the latter half of 2022. Included in these draft proposals is that the DWS will give preference to applications from black people, followed by women and that all applications for certain water uses such as storage of water, abstraction of water and commercial forestry must allocate shares to black people in proportion to set thresholds. In addition, it is proposed that all applications for a water use licence or an amendment to a water use licence must pay a non-refundable application processing fee which is in the region of a 750% increase from the present applications costs.

FSA will submit their comments once the draft revisions are published for stakeholder input.

Re-registration of Water Users

The DWS will shortly be publishing a government gazette which will effectively invite all water users to apply for an amendment to their water use registration certificate, or if not registered, to apply for a registration certificate. It will also allow the applicants to update all their details, including VAT numbers and business registration numbers, which will allow the DWS to use this information for billing purposes. Many of FSA's members are billed incorrectly for their water use and efforts by members to address these incorrect accounts have largely been fruitless.

FSA has been involved in early discussions with the DWS and supports the initiative as being of great value to its members. FSA will communicate with its members when the Gazette is published for public comments.



Water Resource Pricing Strategy

The most recent pricing strategy that has been in place since 2017, is currently being revised as the DWS identified several challenges which need to be addressed and corrected. In brief, commercial forestry is levied a Water Resources Management Charge, which covers the charges required to manage water resources within the nine water management areas determined in the NWRS-2.

Major changes that affect the commercial Forestry Industry identified to date include the following:

i. The price capping for Water Resource Management Charges (WRMC) which was previously afforded to timber growers is to be removed and only Resource Poor Farmer and Resource Poor Forester subsidies will be retained. The current Pricing Strategy included a provision whereby annual increases in the Water Resource Management Charge are capped at R10.00/ha plus PPI with 2002/3 used as the base year with the cost per water management area averaging 1,5c/m^3. The revised Draft Pricing Strategy proposes that the price capping be removed and that the charges will be phased out gradually to reach full cost recovery over a period of between 5 to 10 years.

ii. The WRMC for resource poor tree growers is proposed to be phased in over ten years, from the date of registration of the water use, with no charge imposed for the first five years, and the charges then increasing incrementally at 20% per annum until the full charge is imposed in year 10. (Note: "resource poor farmer" means a farmer who is eligible for financial assistance in terms of regulation 3 (1) of the National Water Act, 1998).

iii. A portion of certain charges (e.g. Ecosystem Rehabilitation and Maintenance Programme charges) may be rebated to Agricultural and SFRA users provided they can prove compliance with those provisions of natural resource management laws and regulations that protect water resources and natural infrastructure. This is good news for most timber growers, as we have the highest rates of international certification in the world, which bodes well for being able to claim the rebate.

A Water Research Commission (WRC) levy has been proposed for commercial forestry. This was rejected by FSA as the forest industry already spends approximately R172 million a year on research, of which government contributes only around 8%. Our investment in research and development currently contributes 1.6% of GDP which is significantly higher than the national average of 0,73%. Roughly 63% (it varies from year to year) of the annual FSA industry budget (derived from annual financial contributions from commercial forest owners based on the volume of timber produced in a budget year), is spent on Research and Development through our research partners. To request the industry to contribute to more research levies until such time as the government increases their investment in forest research to national levels is not supported by FSA. Most importantly no information is provided on how the WRC levy will assist the forest industry in research in sustainable forest management.

National Water Resources Strategy

The DWS issued the draft National Water Resources Strategy 3 for public comment to update the 2013 version during the year in review. FSA submitted their comments and we flagged several areas of concern, including that the draft strategy claims various success stories such as:

i. That rehabilitation of all delineated buffer zones and water courses "should" result in an improvement in water quality as well as an increase in water quantity. No data is provided to substantiate this claim and so it is irresponsible to base a strategy on this.
ii. DWS identified the revision of the FSA Environmental Management Guidelines as one of their successes, whereas FSA has been producing and updating these guidelines voluntarily for over two decades.
iii. During the development of the NWRS-3 a broad range of stakeholders were consulted through a highly inclusive process. Unfortunately, FSA as representative of the affected Sector was not consulted.

The DWS have a Water Allocation Reform (WAR) Strategy dedicated to redressing inequity (race and gender) and poverty eradication. The WAR strategy stipulates national targets which are to be progressively achieved by the year 2024. In terms of these targets, 60% of allocatable water should be in the hands of black people of which half should be in black women's hands. The reasoning behind setting up targets is to ensure that resources are channelled or focused to meeting the objectives of the WAR programme. The WAR Strategy will be implemented using various short and long-term mechanisms in a two-phase approach. *Phase A* will be the review and integration of the institutional arrangement to ensure water allocation is undertaken to account for the external factors such as land reform processes and the land claims. *Phase B* of the Strategy is the development and implementation of the water allocation action plans within the context of Catchment Management Strategy (CMS) where all DWS's internal processes and initiatives are aligned to achieve the targets set for 2024.

Aside from the unrealistic timeframe proposed for achieving these targets, they are also unrealistic in terms of practical application. This is because most land claims which have been settled have seen claimants choosing compensation instead of land restitution or redistribution. This means that the targets are purely idealogically or politically motivated and are devoid of any appreciation of the demographic picture (post land reform) of land ownership or real challenges which black timber growers and other water users are facing, like the lack of post-settlement support and extension, and they certainly won't help to overcome those challenges.

Environmental Matters

The National Environmental Management Act, 2004 (Act No. 10 of 2004): Alien and Invasive Species Regulations: The revised Alien and Invasive Species Regulations came into effect on 1 March 2021 which required the possession of a permit to carry out what is termed a "restricted activity", viz. the possession, growing, transporting, propagating of specimens of any listed alien and invasive species. However, existing plantations were exempt from the requirement to be in a possession of a permit, but only for "specific species". The implications were that any change in species of an existing plantation would require a permit as well as a risk assessment. The inclusion of the term "specific species" was against the submission by FSA who indicated that this approach was not procedurally fair, reasonable and rational, and would be impractical to apply.

FSA subsequently had constructive engagements with the DFFE and were able to secure the removal of any reference to a "specific species" in the definition of an existing plantation, meaning that genera and species could be exchanged without the need for a permit.

The 2021 Code of Good Practice for the Control of Alien and Invasive Species remains a valuable and practical guide for the development of a management plan to control the spread of these species and the fact that FSA voluntarily developed this Code, has assisted us in successfully preventing excessive regulation by the DFFE.

FSA Environmental Guidelines

Revision 4 of the Guidelines was updated and represents a significant achievement on the path towards sustainable forest management.

This detailed guideline is available on the FSA website and assists users to develop and manage plantation forests taking cognisance of the legal requirements and best management practices for all forest activities that may impact on the environment. Due to the complexities of the matters addressed in the Guidelines, FSA identified the need for a simplified and abbreviated version of certain key aspects of the Guidelines in the form of infographics that are referred to as the "Farmer Guidelines". To date the following infographics have been produced:

i. Forest residue management;
ii. Weed control in plantation compartments;
iii. Alien and invasive plant control in natural areas;
iv. Protection of natural plantations;
v. Grazing and burning of grasslands; and
vi. Delineation and protection of watercourses and wetlands from the impacts of forestry operations.

FSA Environmental Management Committee (EMC) Field Visits were implemented for the first time during the year in review. These field visits take place after each EMC meeting and address current matters under discussion in the EMC. These have proven to be invaluable as a learning tool for all environmental managers serving on the EMC. This initiative will continue into 2023.

Draft White Paper on Conservation and Sustainable Use of South Africa's Biodiversity

A draft White Paper on Conservation and Sustainable Use of South Africa's Biodiversity was published for comment on 8 July of the year in review.

The White Paper is aspirational and advocates activities that enhance the well-being of people and nature at the same time. The draft, however, has the potential for significant impacts on the economic, social and environmental future of South Africa. In this regard FSA commented that the Department should be required to undertake a Socio-economic Impact Assessment as provided for by Parliament in their 2015 Version of the Socio-economic Impact Assessment System (SEIAS). The Presidency and the National Treasury have previously expressed their concern about the failure in some cases to understand the full costs of regulations and especially the impact on the economy.

FSA is of the view that the draft has not received the necessary in-depth stakeholder involvement in its development. Nor, as far as we are aware, has the Draft White Paper been through a SEIAS. Given the enormous implications for society, we believe that the White Paper is "fatally flawed".

The White Paper makes reference to "deprivation of property", which FSA have seriously questioned. FSA sought a legal opinion on the implications of the uses of the word "deprivation" which concluded that "[*t*]*he State, through legislation, is, therefore, empowered to introduce regulations on property to achieve the conservation and sustainable use of biodiversity*". FSA questioned how the conclusion that the State can make regulations on the conservation and sustainable use of biodiversity follows from the statement that compensation is only payable if land is expropriated and "*does not refer to the situation where there is only deprivation*". It is not clear if the State is trying to say that by making such regulations, there will be deprivation and as such, landowners will not be compensated. This is premature as a determination would first need to be made whether a landowner's rights are so deprived that in effect their land has been expropriated. Any regulations that the State wants to promulgate "*to achieve the conservation and sustainable use of biodiversity*" must still be reasonable, rational and proportional, and not constitute an arbitrary deprivation.

In so far as it appears that the intention is to promulgate regulations leading to "deprivation" as opposed to expropriation of property rights, without knowing what the contents of the regulations will be and how it will affect the property rights of the landowners/forest owners, FSA is of the view that it is premature to state that the regulations will lead to deprivation as opposed to expropriation, especially if the impact of the regulations on property rights are not known.

This is, however, only a Draft White Paper and has a long way to go before being finalised and FSA will remain fully engaged in the process to limit any potentially negative impacts on the Sector or on timber growers.

FSA Climate Resilience Working Group

The South African government has previously agreed to the voluntary alignment and compliance with the United Nations Framework Convention on Climate Change (UNFCCC) countries Reducing Emissions from Deforestation and Forest Degradation (REDD+), and Intergovernmental Panel on Climate Change (IPCC) initiatives through DFFE. These initiatives necessitate reduction of greenhouse gas (GHG) emissions, mitigation of the causes and effects of past emissions and adaption to climate changes caused through past emissions.

All matters relating to Climate Change, GHG inventories, reporting, verification, just transition to a low carbon economy and carbon tax are dealt with through the FSA Climate Resilient Working Group chaired by Dr Ronald Heath, with Dr John Scotcher representing the Working Group with government, BUSA, NBI and others.

In November of the year in review, the Government of the Arab Republic of Egypt hosted the 275th session of the Conferences of the Party of the United Nations Framework Convention of Climate Change (UNFCCC) (COP 27). While there was little meaningful impact on the plans to reduce greenhouse gas emissions by 1,5 degrees Celsius, it is comforting to know that South Africa's commercial forestry plantations play an important part in South Africa in mitigating the effects of anthropogenic climate change through capture of atmospheric carbon dioxide (CO_2) and storage of carbon (C) in tree biomass, dead organic matter and soil carbon pools. While forestry as a sector has a significant role to play in carbon storage, it is almost a stand-alone sector due to its minimal carbon emissions (less than 2% of the Agriculture, Forestry and Other Land Use (AFOLU) carbon emissions of 10% in South Africa). In terms of total carbon sequestration, and despite the small overall land coverage by forests (plantations and natural forests), over 90% of CO_2 is attributed to forestland, with the remainder being absorbed by grasslands and savannahs.

The National Greenhouse Gas Inventory System (NGHGIS) is the responsibility of the DFFE to manage the climate change obligations under the UNFCCC. The system serves to track emission levels in relation to international pledges, commitments and other reporting obligations. FSA members are required to report annually to the Department, the extent of their own and managed plantations which exceed 100 hectares in extent. FSA encourages our members who qualify to complete the reporting on the NGHGIS. South Africa's NGHGIS for the period 2000 to 2017 was published in August 2021 and shows that emissions have increased by 10,4% over the 17-year period. An increasing trend was found in the Energy, Industrial Processes, Industrial Use (IPPU) and Waste Sectors. It is positive to note the decrease in emissions from AFOLU showed a decline of 56,2% over the last 17 years. However, the baseline data is, in the opinion of FSA, suspect.

The reporting regulations allow processing plants to claim carbon credits from their own or managed plantations of more than 100 ha, as well as additional carbon credits from entities that are outside the direct control of the processing plants. Thus, any person in control of,

or conducting an activity above the threshold of 100 ha of plantation or forest land, must have registered their area of plantations on the South African National Atmospheric Emission Inventory System (NAEIS). The final reporting regulations were published in January 2022 and FSA members have been complying with this legal requirement.

The Carbon Tax Act was amended during 2021 but made little impact on the commercial Forest Sector. The AFOLU and waste sectors will continue to be excluded from paying a carbon tax during the first five-year period largely due to the administrative difficulties in measuring and verifying emissions from this sector.

Like many developing countries, South Africa has the task of balancing the urgent need for a just economic transition and growth, while ensuring environmental resources are sustainably used and consumed and responding to the physical impacts of climate change. A report *"Decarbonising and building climate-resilience for South Africa's Agriculture, Forestry and Other Land Use (AFOLU) sector"* was completed by the NBI, BUSA and the Boston Consulting Group with input from FSA. The AFOLU chapter explores measures and impacts of the transition to a low-carbon, climate resilient AFOLU sector. The report confirms that the South African AFOLU sector is at significant climate risk and requires the development of a climate resilient AFOLU sector. The AFOLU sector accounts for approximately 10% of national emissions, driven by livestock (75%), fertiliser use (18%) and fuel combustion (7%) and adaptation measures in the sector could drive some remission reductions. However, significant emissions remain and to fully de-carbonise the sector, dedicated mitigation levers need to be deployed.

These mitigating measures include greater forestry planting diversity and active forest health monitoring to improve forest carbon storage and resilience to pests, diseases and extreme events. There is, however, a suggestion of decreasing reliance on fossil fuel and its replacement with "green energy".

Prospecting and mining applications in commercial forestry

FSA identified prospecting and mining applications as a serious risk to the Sector. For example, 61.3% (as of 2014) of the surface area of Mpumalanga (which is 6% of the land surface of South Africa), fell under prospecting or mining right applications. Mining involves the removal of large quantities of topsoil essential for cultivation, afforestation and crop production. FSA through its EMC initiated the development of a strategy to deal with this risk at an industry level to address mining applications on commercial forestry land.

Ten strategic interventions identified are:

i. Engage directly with the Department of Mineral Resources and Energy (DMRE)
ii. Engage the Minerals Council of South Africa (MCSA)
iii. Engage with the President of South Africa through the Public-Private Growth Initiative (PPGI)
iv. Distinct approaches to state-owned land and privately held land used for forestry should be followed
v. Develop a "Playbook" consisting of information that can be used by members to object to all applications for mining activities emphasising –
    - Plantations, forests and carbon sequestration/storage

- ◦ Activities of mining may compromise forest certification
- ◦ Replacement of a renewable and sustainably managed land use with a land use that is not sustainable and uses non-renewable resources
- ◦ Environmental impacts and rehabilitation following mining
- ◦ Socio-economic study on the implications of the replacement of plantation forestry by mining activities.

The Strategy was completed and has been endorsed by FSA's EMC. Once approved by the GENCOM and EXCO, it will be implemented during 2023.

Forestry Sector Masterplan

Reference to the Forestry Sector Masterplan is made throughout this report, but of significance for the FSA's Environmental programme is captured under Key Focus Area 6. This Focus Area has identified certain environmental issues that inhibit the Sector's growth and sustainability. These include SFRA water use licences and the associated conditions and environmental impact assessments for water use licence applications. The Masterplan has had a significant impact in removing the inhibitors referred to, and FSA will continue to utilise this avenue to address environmental constraints.

Forest Certification

South African Forest Stewardship Certification (FSC) Standard

The FSC Regional Africa meeting took place in the first week of August of the year in review in Accra, Ghana. Here opportunity was given to engage with the most senior and influential individuals in FSC and discuss topics that are of interest to Africa that need to be prioritised. The key issues for South Africa that were highlighted include:

- The delay in the revision of the National Standard is resulting in critical issues that cannot be addressed, risking non-compliance to the standard.
- FSC did not follow the risk-based approach properly in decision making for the Standard revision previously, and did not consider several recommendations from the Standards Development Group.
- International Generic Indicators (IGIs) for the Pesticide Policy are being delayed once again with the result that a certificate holder member is being audited on a policy that is defunct.

It is a pleasure to report that two FSA members, SAFCOL and Mondi had their full re-assessment FSC certification audit during the period under review which means 25 years of successful certification. This is indeed a wonderful achievement and FSA would like to congratulate these members.

Sustainable African Forestry Assurance Scheme (SAFAS)

The SAFAS has, on a continuous basis, increased its footprint in our Sector. With Sappi and NCT taking the lead and being certified to the SAFAS standard which is endorsed by the Programme for the Endorsement of Forest Certification (PEFC) during 2021, they were joined by Mondi and TWK during 2022.

This achievement is noteworthy as it brings the proportion of FSC and SAFAS certified commercial forest to almost 50% of the total area under plantations in South Africa and will assist further in achieving better responses from both FSC and PEFC, to country-specific challenges.

Land Matters

Expropriation Bill

Although Parliament did not amend the Constitution to allow for expropriation without compensation, Parliament still approved the revised version of the Expropriation Bill towards the end of September of the year in review. While the Bill is a great improvement on the versions which FSA assisted in defeating in 2008 and again in 2015, we nonetheless have several concerns with the Bill and the potential for further over-reach by the State. It is important to note it is not yet an Act until such time as the President assents to it.

Our remaining concerns with the Bill should the President assent to it, it will be examined through challenging the Bill to determine whether both the current provisions (and any future amendments), meet the provisions of the Constitution. We (along with many other sectors) do not believe that it will pass Constitutional scrutiny. If, however, the Constitutional Court finds differently, it is important to note that in each instance where the State decides to use the Bill to expropriate property, that property owners will have recourse to challenge this through the courts, to determine whether the State exercised its powers correctly in terms of the Bill. This is exactly the process which we successfully followed (in support of Agri SA's legal challenges) to defeat the property valuations in the Melmoth and Jakkalsdans cases, and which we are certain will lead to the repeal of the legislation used to make such valuations.

We remind all that the Constitution has always provided for a theoretical scenario in which the State can expropriate land (even under the old Expropriation Act of 1975) and pay nil compensation to the landowner. This is different from expropriation without compensation, which suggests that the State does not have to even consider any compensation.

The new Expropriation Bill, by contrast, compels the State to determine the amount of compensation, regarding several factors. It states that "*The amount of compensation to be paid to an expropriated owner or expropriated holder must be just and equitable reflecting an equitable balance between the public interest and the interests of the expropriated owner or expropriated holder, having regard to all relevant circumstances, including the current use of the property, the history of the acquisition and use of the property, the market value of the property, the extent of direct State investment and subsidy in the acquisition and beneficial capital improvement of the property and the purpose of the expropriation.*" This is very different from expropriation without compensation. It states further that where the State believes that it is just and equitable to pay nil compensation, in addition to considering the above-mentioned factors, the State also must have regard to all relevant circumstances such as:

- Where the land is not being used and the owner's main purpose is not to develop the land or use it to generate income, but to benefit from the appreciation of its market value (this seeks to prevent land being used for money laundering and purely speculation purposes, both of which can have the effect of artificially raising property prices)
- Where an organ of State holds land that it is not using for its core functions (again this is strange as the State does not need to expropriate its own land)
- Where an owner has abandoned the land by failing to exercise control over it
- Where the market value of the land is equivalent to, or less than, the present value of direct State investment or subsidy (this is equivalent to a foreclosure scenario, which the State has rarely, if ever, invoked for fear of taking even more land out of production)
- When the nature or condition of the property poses a health, safety or physical risk to persons or other property.

While most of these conditions sound like reasonable factors to consider, we are still concerned with several provisions of the Bill. One example of this is that while the State removed the controversial reference to custodianship by the State, which we have repeatedly challenged and it indeed provides for owners to challenge the expropriation through the Courts, it also says that such a challenge does not prevent the expropriation from taking place. We believe that this alone is inconsistent with the Constitution and may lead the President to return the Bill to Parliament, as it will deprive the property owner from beneficial use of their property while the Court challenge is in place, which could take years to resolve.

FSA Land Committee

The FSA Land Committee concluded a series of workshops to discuss ways for industry to influence successful land reforms to ensure fibre sustainability. The discussions were centred around pre-settlement, settlement and post-settlement processes. The following proposals, which have been endorsed by the FSA EXCO as an industry position to drive sustainable production under land reforms, are:

- Inclusion of a feasibility study phase in the land restitution process to better inform settlement models and negotiations.
- Documentation of the land restitution process to avoid the huge variations and incoherence in the implementation of the claims settlement process.
- A suite of models to be accepted as appropriate for the Forestry Sector that can be implemented where applicable.
- A crop ownership transfer model that can be used to assist new landowners to eventually own a portion or the entire crop on their land in cases where the State did not purchase the trees together with the land at settlement.
- A mandate holder for post-settlement support in the Forestry Sector considering the gap that has been created by the Commission of the Restitution of Land Rights, formerly known as the Land Claims Commission, withdrawing from post-settlement support while neither DFFE nor DALRRD is fulfilling the role.

We believe these proposals will significantly add to sustainable land reform that will not only benefit the Sector but also the recipients of the land.

Labour Issues

National Minimum Wage

As reported last year, a positive development regarding the minimum wage, or more specifically the determination thereof, signalled the move to a more constructive relationship between the private sector, organised labour and government. In the past, the Department of Employment and Labour (DEL) would publish a wage determination advised by the National Minimum Wage Commission, followed by a call for submissions to be made on the proposed national minimum wage. This has changed to the DEL publishing a call for submissions regarding the planned increase in the national minimum wage. The DEL would then consider all submissions before deciding in respect of the national minimum wage. FSA requested a CPI-linked increase over the next 3 years, to provide some certainty to employers on this important element of their cost structures and requested that a CPI be calculated as an annual average, and not only of the month preceding the determination.

Business Development Matters

Following years of lobbying by FSA, we have finally seen some breakthroughs in State support for timber growers. Below are three sources of State funding which have already started to be accessed by our members or which should soon become available.

Blended Finance

Some of FSA's members have made good strides with the Industrial Development Corporation's (IDC) Agri-industrial Fund during the year in review. Four forestry organisations are concluding their contractual agreements with the IDC and two more are in the pipeline. The IDC estimates to disburse close to R800 million in the next three years on these projects. The IDC has once again approached FSA to support their motivation for additional funds for their Agri-industrial Fund. In

their view, the funds that have been granted to them by DALRRD are not enough. Members of FSA that have benefitted from the IDC's Agri-industrial Fund are encouraged to share their experiences with the FSA Business Development Unit, so that we may further support the IDC's motivation to unlock more funding for forestry businesses.

Landbank

We are happy to report that the Landbank has been boosted by a R3.2 billion blended finance scheme finance instrument. The programme will be implemented over 10 years with DALRRD investing a minimum of R3.2 billion over this period. The funding will be on a blended finance structure which is a combination of a loan and grant. The department and Land Bank have each invested R325 million per annum which will effectively result in the creation of a R650 million fund a year, and it will grow to R1.95 billion by end of Year 3. It is positive to note the bank furthermore reduced its debt by 43% and achieved a clean audit outcome for 2021/22, indicating the bank's renewed sound governance, management controls and processes to enable the successful implementation of the Blended Finance Scheme.

While pure timber farming operations are excluded from this scheme because it is focused on agricultural commodities, as per the Agriculture and Agro-processing Masterplan, small and medium-scale growers who have mixed farming operations can access this funding.

It, along with the IDC fund mentioned above, ensures that our small, medium and large-scale growers are all now able to access development financing for forestry, for the first time since 1994.

Presidential Employment Stimulus 2 & 3 (PES-2, PES-3)

Following two unsuccessful applications to the Presidential Employment Stimulus without clarity, or rather acknowledgement from DFFE on why the last application was not successful, no application was made to this year's PES-3 call.

FSA is, however, currently engaging the Projects Management Office of the Presidency to investigate the possibility of the PES-2 funding part of FSA's Industry-led intervention, to curb the unemployment of forestry graduates. Judging by the merits of the proposal that promotes youth employment, the PES can fund the project outside its normal window of funding. The industry-led intervention is more fully explained in the training and education section of this report.

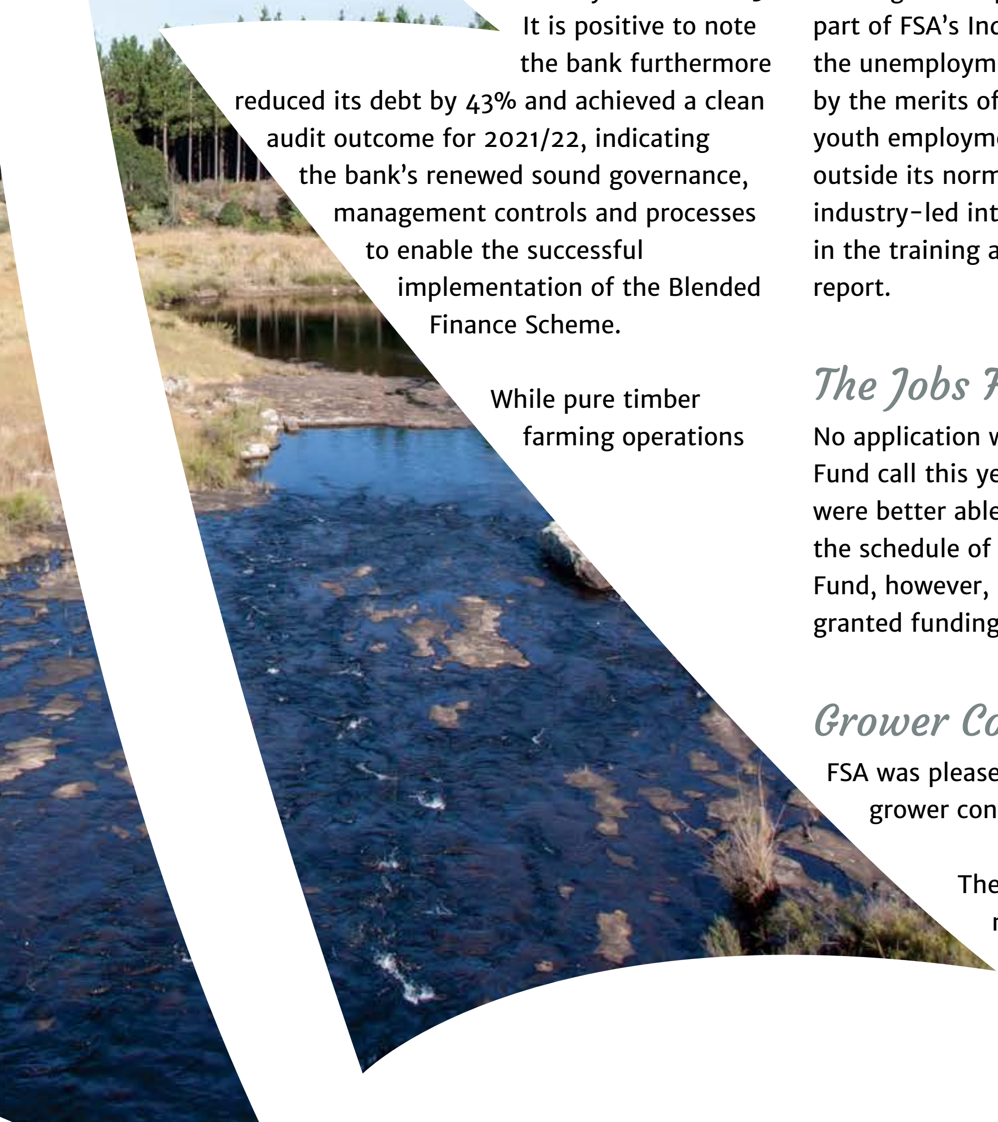
The Jobs Fund

No application was coordinated by FSA to the Jobs Fund call this year, as members advised that they were better able to apply individually. Based on the schedule of funded applications by the Jobs Fund, however, none of the FSA members were granted funding in the last window.

Grower Consultation

FSA was pleased to return to face-to-face grower consultations in most provinces.

The first series of consultation meetings in KZN in all 9 District Committees were in person with



only the Vhembe District Committee in Limpopo consulting virtually. The other two meetings for Capricorn and Mopani were also held face-to-face which was necessary as several changes were made regarding committee members. The second round of KZN and Limpopo Provincial Committees meetings were held virtually.

In July of the year in review, the Limpopo Provincial Committee reviewed its leadership and FSA would like to congratulate Mr Fhatuwani Netsianda who was elected as the new Chairperson. We would like to thank Mr Enoch Maponya for his valuable contributions while serving on the FSA structures for many years. We would also like to congratulate the other committee members for being elected. These are: Deputy Chairperson: Mr William Sambo; Secretary: Mr Emmanuel Machaba and Deputy Secretary: Rose Ramalana. The provincial committee meetings were delayed allowing local committees to undergo reviews. These reviews showed that a total of 85 structures were present in KZN with 79 still active and 6 inactive, hence requiring intervention from FSA to resuscitate them. In Limpopo, of a total of 26 structures only 19 are active. Three-quarters (75%) of the local committees concluded their review in time and the rest were finalised soon thereafter.

During the last set of consultative meetings held, the following key issues were raised:

- Growers welcomed the intensified communication efforts by staff, especially during the difficult lockdown period, the failed insurrection of 2021 and the floods of the year in review.
- Growers acknowledged that they require smart devices to access all the information that FSA is distributing. They are making the necessary efforts to obtain such devices.
- Data availability and internet connectivity are still big problems in some areas forcing many to miss or receive the information late. The inconsistent supply of electricity and frequent blackouts are adding to the frustration as it affects connectivity.
- The District Chairpersons who have been offered a chance to share their stories in the FSA Forestry Focus Magazine really appreciated the opportunity.

Poor or no extension support was again raised as the most critical shortfall facing new growers as the older generation hands over the work to others. Strategic partners and government should be encouraged to support new entrants where possible. The Districts that are mostly affected by this shortfall include eThekwini, Ugu and Zululand. FSA's Land Committee recommendations in this regard, if supported by the State, will address this major challenge.

Growers are still angry about having been left out of government-sponsored Covid-19 relief. There was no specific fund that was dedicated to the Forestry Industry and yet some suffered huge setbacks not being able to perform activities in time during the height of the Covid-19 pandemic. FSA was requested to lobby very hard for disaster relief in case of another disaster including drought, heavy rains, pest damages, etc.

There is a great need to revive the links between Local and District structures to once again allow fresh information to flow in both directions. This will enhance general information dissemination between growers in different structures.

The grower consultation meetings continue to show value for members and FSA thanks our members for making the time to attend these and to guide FSA.

Education and Training

The Fibre Processing and Manufacturing Sector Education Training Authority (FP&M SETA) held a strategic workshop in October of the year in review, where the relevant industries could provide strategic input on how to improve the SETA's service offering. In addition to this process, FSA also submitted a letter to the SETA in August of the year in review with specific proposals to address matters which affect the Forestry Sector. These included the timing of Discretionary Grant applications to better accommodate the financial year ends of members, the timeous processing of such applications, and the alignment of the implementation windows with the academic cycles of Universities and Technical and Vocational Education and Training

(TVET) institutions. FSA furthermore requested that the SETA consider a separate process for special projects which are not linked to the pivotal Annual Training Report (ATR) process to evaluate the skills impact of each project on its merit, and specifically to recognize projects which are rurally based. FSA also requested the SETA consider multi-year funding commitments for those projects that span over more than one year as these will add sustainability to such projects. FSA furthermore expressed its concern with challenges associated with using templates that have not been Gazetted, based on a Department of Higher Education and Training discussion paper, including that the new templates do not meet the requirements of the Protection of Personal Information Act (POPIA).

The SETA replied to FSA but most of the issues which are still of concern to the Sector, remain unresolved. We will therefore engage the SETA further during 2023 to try to resolve these concerns, as it would appear that some other SETAs have put in place mechanisms to accommodate some of these and so we believe that this can also be done in the FP&M SETA.

FSA was approached by BUSA to participate in a study that interrogates work readiness skills which employers need to provide, to increase the employability of young graduates and displaced workers post Covid-19. The study, conducted by Paladin Consulting, addressed workplace readiness programmes currently in place, workplace adaptations because of Covid-19, reskilling and upskilling requirements, programmes and tools for displaced workers to re-enter the economy. This research assessed six priority and high-growth sectors as identified in the Presidential Youth Employment Intervention (PYEI). These included Agriculture, Automotive, Digital, Global Business Services, Installation, Repair and Maintenance and the Social Care Economy. Several FSA members participated in the study and the results will be published in 2023.

FSA-led Training Interventions

Due to the challenges presented by Covid-19 and the associated restrictions, a number of training interventions could not be concluded in 2021. We are, however, pleased to report that all training interventions that had been pending from the previous year were completed in February and March of the year in review. These interventions included the supervisor and fire-fighting training modules.

FSA again applied for funding from the FP&M SETA to implement four projects, however, these had unfortunately not been funded at the time of drafting this report. These interventions include four short-term training courses, namely firefighting (80 learners), supervisor training (30 learners), advanced chainsaw operator (30 learners) and chemical application (15 learners), with a total funding request of R1.1 million.

FSA also applied for funding for one strategic intervention aimed at assisting the unemployed forestry graduates with training for employment and entrepreneurship requiring R6.1 million. We are pleased to report that all the interventions were approved by the FP&M SETA, but they did not allocate the funding due to the over-subscription of the fund. The FP&M SETA will re-assess its funding situation in February 2023. FSA is expecting a favourable result.

Capacity Building for Higher Education in South African Forestry (FOREST21)

The exciting FOREST21 project gained traction during the year under review and caught up with the activities that were delayed by travel restrictions under the Covid-19 restrictions. Student-centred problem-based learning pedagogical approaches to teaching and learning were embraced by FOREST21 and are proving to be very attractive to South African Universities. Student challenges involving Nelson Mandela University (NMU) and Aalto University were undertaken successfully in March. In October, another student challenge involving Hamë University of Applied Sciences (HAMK), NMU, Fort Cox and Tshwane University of Technology (TUT) was held. All other student challenges will be aligned with the curriculum development and forestry entrepreneurship workshops. A call remains open for members of Forestry South Africa to contact Prof Jos Louw (NMU) to contribute to more student challenges.

A series of Problem-Based Learning training sessions for teaching staff were also successfully held in March and April.

In September, the project hosted a climate-smart forestry symposium as part of a week-long workshop at Nelson Mandela University which was well-attended by many industry experts.

Placing of Students in Industry

The placing of forestry students from Nelson Mandela University (NMU) in Industry for their experiential training year, has been a perpetual problem over several years. We are pleased to report, however, that through interventions by the staff of NMU and the support of our members, NMU was able to place all students before the inception of the experiential training.

We would like to congratulate the NMU staff on a job well done and thank FSA members for supporting the process and for hosting students.

Forest Operations Matters

Rail and Ports

Rail and ports continued to present a major challenge for our Sector with significant challenges during the year in review. These challenges have directly and indirectly affected the profitability and sustainability of the Sector. FSA attributed significant energy and time to address these challenges at multiple levels.

FSA met with the Chief Executive of Transnet, Ms Portia Derby, early in the year and agreed on the establishment of forestry rail and task teams, to drive the projects we have and those we have proposed on rail and ports. During our initial engagements with her and her executive team at the end of the first quarter of the year in review, we gave an overview of the Sector's Public-Private Participation (PPP) models to improve rail and port efficiencies in our Sector. FSA presented a Rail Pilot Project that was designed in a phased approach. The first phase looked at the procurement of suitable locomotives from the private sector to deploy into the existing service, operated by Transnet Freight Rail (TFR). The second phase interrogated the transfer of wagons to the private sector, but the service still operated by TFR. The third phase considered full third-party access where private rail operators will use own locomotives and wagons to operate their private service design. Two additional rail projects were also proposed, namely moving coal from the Highveld to mills in KZN, and the resurrection of the Pietermaritzburg cluster of branch lines. After presenting the phased models to Transnet, a task team was established to work on the rail project, consisting of members from Transnet, FSA, FSA member representatives and specialised consultants.

FSA met with the Transnet executive team again in June and October to discuss progress made on the pilot projects. Unfortunately, due to the strategic nature of the Coal Line to Transnet, the third-party access proposal was not accepted in its current form by the Transnet, but they were willing to look at a further permutation of the first two phases. The second rail pilot project that was proposed to Transnet, moving coal from the Highveld to mills in KZN was

temporarily put aside due to the strategic nature of the Coal Line, and FSA will now focus on a PPP model for the Green Arrow, moving timber between Zululand and Umkomaas, as well as the Black Arrow, moving Coal from the Highveld to Ngodwana.

The devastating floods in KZN wreaked havoc on the rail system, with damages bringing numerous lines to a standstill with repairs estimated to take more than a year. During our engagements with Transnet executives, the status and repairs of the South-Coast line was discussed. Transnet subsequently informed FSA that the South-Coast line in fact belonged to PRASA. FSA corresponded with the Chair of PRASA, urging them to expedite the repairs of the line but was unsuccessful as no response was received from PRASA. Due to the urgency of the matter, FSA raised the matter with the Department of Trade, Industry and Competition (DTIC) and PRASA through the African Rail Industry Association (ARIA). Soon after these interventions, we were informed by Transnet that they have been requested to assist in recommissioning of the line and that Transnet Engineering was already involved with the rebuild of the South-Coast line. Studies to determine the extent of the damage to the bridge and foundations are underway and hope to be concluded soon. FSA requested that a small forum be created with representatives from Transnet, PRASA, ARIA, DTIC, FSA and affected members to meet regularly to align and discuss progress. FSA's efforts to expedite the process will save our Sector millions of Rand, and this will apply to all other sectors that rely on this line.

FSA initiated engagements with the Interim Rail Economic Regulator to determine the way forward with the development of a branch line proposal developed by FSA. After our engagements, it was confirmed that the DoT will be involved in the process of awarding concessions on the branch lines. FSA is of the opinion that this is indeed a strategically positive development. It was furthermore confirmed that branch line operators will have access to the mainline to move product from source to destination. The PMB Cluster which includes the Greytown branch line can serve as a pilot project for the concessioning of branch lines. Going forward, FSA will liaise with members and other commodities in the area that can potentially use rail lines, for FSA to proceed with the development of a business case. A concept in this regard has been submitted to the DoT in December of the year in review.

A project proposal drafted by FSA probed the Forestry Industry taking over the maintenance, operation and cleaning of the route and berth associated with Woodchip loading in Richards Bay. A non-disclosure agreement was signed between the various parties, but an industry-based commercial agreement is still needed to regulate the relationship between the parties. Current involvement from the two FSA members to effect repairs and maintenance can only be initiated by a force majeure event.

The National Rail Policy (NRP) was accepted by Parliament in May of the year in review. This Policy has the potential to usher in a new era on the country's rail networks. It aims to create an environment where the private sector invests in rolling stock (locomotives and wagons) to operate on the national rail network which will remain a State-Owned structure. This brings market forces into the efficiencies of the network, decreases supply chain costs and increases the competitiveness of South

Africa. Provisions in the National Rail Policy furthermore opens the entire network to third-party operators, a development which FSA has been exploring and promoting for the past two years. There is significant opportunity for a meaningful road-to-rail strategy, driven by the NRP and the private sector. In addition, this model revitalises the viability of sections of the infrastructure that TFR currently has lost interest in, such as branch lines. Unfortunately, this is merely a policy at this point in time, and Transnet will act on their current mandate until such a time as the policy translates into an act and regulations. The decision to open the railways to private sector operators implies that government as the "owner" of the railway, relinquishes the monopoly status and repositions the railway network to become a "public good" available to all qualified users (as with roads). This requires extensive changes to institutional structures, and the regulatory and operating environment. Similar to Eskom, this could result in TFR being subdivided into five independent entities that would create the environment for private participation. These five entities could be: National Track Ownership and Management Agency; Railway Economic Regulator; Train Operations Coordinating Agency; Railway Technical and Safety Standards Regulator and the Train Operating Companies. The Economic Regulation of the Transport Bill should be prioritized and expedited through the parliamentary process to establish the official body of the Railway Economic Regulator. Until this body is established, transition to Third Party Access will be slow.

In October of the year in review, our Sector, as with the rest of the country, was significantly affected by the strike of unionised Transnet Employees. Rail deliveries of timber and coal ground to a halt, as did container movements out of the port of Durban and other affected ports. Due to the proactive initiatives by two FSA members (NCT and TWK), engaging with Transnet Port Terminals (TPT) to take over the maintenance, operation and cleaning of the route and berth associated with Woodchip loading, loading could fortunately continue at the port of Richards Bay. In addressing the other constraints created by the strike action, FSA canvassed the PPGI to set up a cross-sectoral forum where affected parties could collectively address the strike. Through the PPGI's involvement, the various sectors were able to meet daily with the ministers of the Department of Public Enterprises (DPE), Organised Labour, Organised Agriculture, the Transnet Executive team and Transnet Board members. This structure proved to be invaluable for our Sector, where intervention from organisations involved managed to arrange for vessels to be offloaded that contained chemicals used in the pulping process, as well as delivery of critical coal supplies to mills.

The collaborative network also facilitated interaction with Transnet Board Members and the FSA Operations Director was invited to present to the Transnet Board Members at the end of November, in which presentation he highlighted both the ongoing issues faced by our Industry in terms of port and rail operations, and the port and rail pilot projects which we have been trying to drive through Transnet. It was agreed that a follow-up meeting will be held early in 2023.

Arising from the excellent work done by FSA through our Executive Director and our Operations Director, FSA's Executive Director was nominated by the PPGI, BUSA and B4SA to serve on a Presidency-led task team that has been working on the legislative, regulatory and structural reforms which are urgently required to unblock the challenges the country is experiencing, due to the dramatic decline of rail and port services and infrastructure.

Roads

The floods in November 2021 and April 2022 caused extensive damage to infrastructure in KZN. Numerous roads and bridges were damaged or completely destroyed. FSA as a member of Kwanalu, participated in an initiative to determine which routes were the worst affected and what the extent of the damage was. In addition to this initiative, FSA engaged directly with the Premier and MEC for Transport in KZN to expedite repairs, specifically on the R603 and R74.

FSA also addressed the concern of the speedbumps erected on the R603. The speedbumps force traffic to slow down to a crawl, thereby increasing the travel time to Saiccor significantly and also increasing wear and tear on the vehicles. FSA physically investigated the speedbumps by taking measurement of the structures. It was found that the structures did not comply with the regulations stipulated by the KZN DoT and we subsequently raised our concerns with the relevant authority. We were still awaiting a response at the time of drafting this report.

The boom in commodity prices during the year in review and the underperformance by TFR have seen an exponential growth in road transport into the Richards Bay complex. The influx of trucks into the town led to the municipality closing the R619 that links the N2 at Enseleni with the port, for heavy vehicles. The detour of 38km had a significant impact on the cost of local road haulage. FSA questioned the jurisdiction of the municipality to close a provincial road and addressed our concerns with the KZN DoT, with the assistance of local FSA members. Following an onsite visit by the DoT, the road was immediately opened for Tractor-Trailer configurations and later opened for all traffic. The opening of these routes saved our members from massive additional transport costs.

FSA continues to explore all avenues to have the Performance Based Standards (PBS) Vehicle concept accepted in the South African legislative framework. Through the Forestry Sector Masterplan, it was agreed that DFFE would assist industry resolve identified stumbling blocks that relate to other Government structures. Consequently, FSA submitted support documents to DFFE for their inter-departmental meeting with the DoT. In addition to this process, FSA raised the issue of inclusion of the PBS concept with members of the Portfolio Committee on Transport, where it was agreed that the best route to follow is to get a paragraph referring to High-Capacity Vehicles based on the PBS approach into the TRH11 document (that deals with Abnormal Loads). The process to amend TRH11 can be initiated by a letter from the DoT, confirming that the pilot project has been a success and the DoT is in support of the PBS initiative. FSA is now pursuing such a letter through the DFFE.

FSA participated in an international study conducted by the University of Eastern Finland, relating to the long-distance transport of industrial roundwood in 31 countries. The study looked at maximum gross vehicle combination weights allowed on roads in domestic timber-trucking logistics in different countries, the share of the road transport of total industrial roundwood long-distance transport volumes, the average payloads, transport distances and costs of industrial roundwood long-distance transport. The study showed that:

- South Africa is one of eight countries in the world that achieves a payload over 45 tons
- That the global share of road transport averaged 86.3% of the total industrial roundwood long-distance transport volumes compared to 88% in South Africa
- The average distance of road transport in the participating countries was 119km against 125km in South Africa.
- The average road transport cost was USD 12.40/ton (R203/ton) at the time of the study, compared to R173/ton for conventional trucks in South Africa at the same time.

Diesel Rebate

The envisaged consultations with SARS on the diesel rebate will only be scheduled closer to the implementation date of the new diesel rebate scheme. The implementation date is, at the time of compiling this report, uncertain because it is dependent on the completion of other projects by SARS. The aim is to implement the new rebate scheme in June 2023, but implementation is dependent on the timeous finalisation by SARS of system developments for other projects.

Trespassing Act

FSA made a submission to the Department of Justice and Correctional Services on the Unlawful Entering on Premises Bill. The majority of the submission dealt with irregularities and conflicts in the proposed Bill. For example, the Bill refers to "*request assistance from the <u>authorised</u> member of South African Police Service*". This, in our opinion is problematic since the "*authorised*" SAPS member might not always be available, and we proposed that it should just be amended to only read "*SAPS*". Comments were also made on the ability of SAPS to intervene timeously when a landowner required urgent assistance in a potentially dangerous situation due to the geographical extent of plantation areas. Lastly, FSA also commented on property boundaries and the marking of boundaries, which is in most circumstances not feasible in the Forestry Industry.

Health and Safety

FSA members have expressed their concerns regarding contravention notices they have received from the Department of Employment and Labour (DEL) with regards to infield sanitation, even though excellent policies dealing with the issue are in place.

FSA have made a submission to the DEL, requesting exemption from the sanitation policies as they are not feasible for the Forestry Sector. We have raised the matter with FSA's Labour Consultant, Ms Jahni de Villiers, who in turn raised the matter with BUSA. FSA will continue to engage with all relevant stakeholders to reach a workable solution as exemptions have already been made for other field workers like conservation workers.

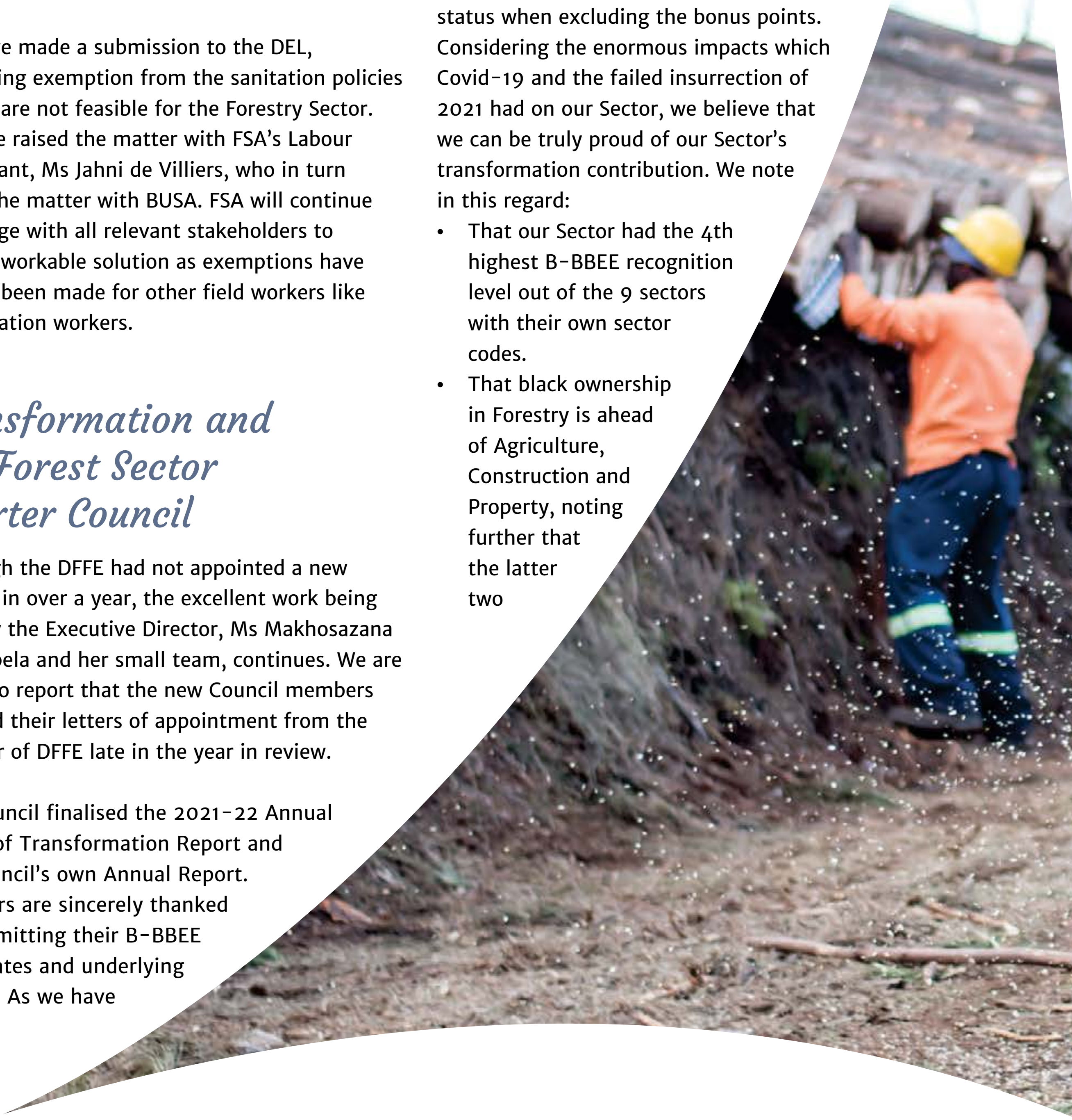
Transformation and the Forest Sector Charter Council

Although the DFFE had not appointed a new Council in over a year, the excellent work being done by the Executive Director, Ms Makhosazana Mavimbela and her small team, continues. We are happy to report that the new Council members received their letters of appointment from the Minister of DFFE late in the year in review.

The Council finalised the 2021-22 Annual Status of Transformation Report and the Council's own Annual Report. Members are sincerely thanked for submitting their B-BBEE certificates and underlying reports. As we have repeatedly stated, our Sector is one of the few sectors of the economy which regularly reports on the status of transformation in our Sector and our performance continues to improve. This makes it a great deal harder for people with ulterior motives, to malign the Sector using anecdotal stories of the lack of transformation, as the objective picture produced annually by the Council, presents a very different picture of the excellent work being done in the Sector, to advance the interests of previously disadvantaged people in the country.

The number of reporting entities improved over 300% from the previous year, from 37 to 113 in the latest report, with all MLEs submitting both the B-BBEE certificates and underlying reports. The Sector also maintained a Level 4 B-BBEE status when excluding the bonus points. Considering the enormous impacts which Covid-19 and the failed insurrection of 2021 had on our Sector, we believe that we can be truly proud of our Sector's transformation contribution. We note in this regard:

- That our Sector had the 4th highest B-BBEE recognition level out of the 9 sectors with their own sector codes.
- That black ownership in Forestry is ahead of Agriculture, Construction and Property, noting further that the latter two



sectors do not have the additional structural challenges which face sectors operating in rural areas, where finding and retaining management talent for example, is especially difficult.

FSA encourages our members to continue to report on B-BBEE and share their 2022/2023 B-BBEE certificate and underlying report, for the compilation of the annual status report of transformation of the Sector for the 2022/23 financial year. FSA has also initiated a process to assist our small-scale growers to submit their affidavits.

Industry Communication & Promotion

Implementation of the new FSA Communication Strategy has delivered significant value to our members. Dr Ronald Heath, FSA's Research and Protection Director, who has taken on the Industry Promotion portfolio, together with Dr Katy Johnson, a private consultant, as well as FSA staff must be commended for the excellent job that they have done in improving the Sector's media and communication profile. This has proven most timely and useful over the last three years as the Sector and the country have faced extremely challenging times relating to Covid-19, the failed insurrection of 2021, the floods and Transnet strike of the year in review. The systems which have been put in place to communicate with members during such crises are also serving us well to communicate other important news like breakthroughs which FSA has been able to make in the last year.

Promotions

A main focus of FSA's promotion initiatives is to promote the exceptional efforts of our members and the Sector as a whole that are not always commonly recognised. During the year under review FSA for the first time presented several webinars. The first of these was entitled "*Science in a Forestry Context – diverse, innovative and driving the Sector forward*". The webinar celebrated the United Nation's International Day of Women and Girls in Science. Held in February of the year in review, the webinar had a dual purpose: (i) to illustrate the broad array of scientific applications driving the Forestry Sector forwards; and (ii) to promote the integral role women play both within forestry science and the Sector. The webinar with its all-female line-up illustrated the integral role women have in driving the Sector forward through scientific endeavour. In doing so, it addressed the often-held misperception that forestry is a male-orientated career path. It also positions women in the Sector as role models for future generations of women and girls to aspire to. The event was attended by almost 300 individuals. These ranged from industry representatives to forestry students, as well as individuals from forestry research institutes, forestry associations, DFFE, as well as several international attendees.

In addition to the above initiative to promote women in the Sector, FSA produced a forty-four-page digital and print publication profiling some of the women working in the Forestry Sector. This publication was produced in celebration of Women's Month. Printed copies were handed out at schools, with the first batch delivered to the five schools *She is Forestry* is supporting, by the Forestry Sector Charter Council Executive, Director Ms Makhosazana Mavimbela. The magazine is testament to the fact that women can be found excelling in every possible position available across the Forestry Sector, from harvesting foresters and sawmill foremen to CEOs and research scientists. There is no forestry position nor occupation that does not benefit from having women serving in those portfolios.

During the year in review, FSA also had an extensive media presence in print media. A campaign promoting the sustainability of the Forestry Sector was launched in the Green Edition of the Financial Mail. An advertorial, along with a thought leadership piece by the Chairperson of FSA's Environmental Management Committee, Ms Louise van Wyk, was published in the Newspaper's Green Edition. FSA was also profiled on their website, with articles being added to this monthly. The initiative included a short video interview with FSA Executive Director about the sustainability of Forestry and its role in a Green Recovery which also profiled on the Financial Mail website. In addition to this FSA featured in the April edition of the Green Economy Journal, with an advertorial promoting the sustainable nature of forestry.

For the first time FSA explored video as a platform to promote our Sector. The first of these were produced to raise awareness about the social, environmental and economic benefits of sustainable forestry and to promote the production and consumption of sustainably managed forest products. The video creates a link between South Africa's sustainably planted forests and the forest products and services the industry provides, as well as the contribution of our Sector to economic sustainability and growth. While the full 3-minute video was launched at FSA's Annual General Meeting, two 40 second trailers were launched in March of the year in review in celebration of the International Day of Forests. The videos achieved international exposure and received tremendous compliments as quoted below:
"*Thank you for sending us two superb video clips, developed by Forestry South Africa. I am sharing the video clips with the regional FAO Forest Communicator Networks (FNCs). These two 40 second clips are bold, impactful and visionary.*"
Kay Montgomery, Africa Forest Communicators Network

"*I absolutely love the videos!! Simple messages, the faces behind...*" Pilar Valbunar, European Forest Communicators Network

Along with the videos produced, FSA managed to secure exposure on broadcast media. Dr Heath, FSA's Research Director appeared in two interviews on national radio while both Dr Heath and FSA's Executive Director, Mr Peter featured in an interview promoting the Sector. The interview included representatives of our sister associations (Mr Dwayne Marx from South Africa Forestry Contractors' Association and Mr Bruce Breedt from South African Wood Preservers' Association) and was featured on international television on Business Day TV.

FSA is very supportive of our youth and frequently collaborates with our forestry youth and students. In doing so we sponsored and coordinated an International Forestry Students' Association (IFSA) South Africa photo competition to celebrate the International Day of Forests. The objective of this initiative was to include the voice of forestry students to the promotion of both forestry and forest products. On social media, forestry students should be viewed as brand ambassadors and competitions like this one massively increases the Sector's reach and engagement by almost tripling FSA's @forestry_explained's reach (2074), compared to an average week (~800) and creating a nine-fold increase in content interactions (1834).

As we collaborated with forestry students, we teamed up with PAMSA to develop the Daily Maverick Kids Pull-out published in March of the year in review in celebration of International Day of Forests. The pull-out celebrated forests, both indigenous and planted, providing information on forestry careers, where forestry plantations can be found in South Africa and information about the forestry museum in Sabie managed by SAFCOL. The advertorial also highlighted the difference between sustainable forestry and deforestation and showcased some of the forest products.

In celebration of Arbor Week, FSA distributed 1 000 pepper bark trees grown by the "*Warburgia* Programme" to schools, traditional healers and leaders in KwaZulu-Natal forestry communities.

Leading the project was FSA's Business Unit Manager, Mr Nathi Ndlela and numerous Small-Scale Grower representatives. In many of these communities, pepper bark trees vanished years ago and while traditional healers know about their properties, they had no access to them. This project will not only ensure that the trees' medicinal properties will be accessible again, but it will also ensure they are sustainably harvested, as infographics explaining alternative ways of harvesting the medicinal properties, other than bark stripping, were also handed out. Providing communities with these trees will also take the pressure off the few wild specimens remaining and aid in the conservation of this incredible tree.

FSA Magazine

The FSA Magazine continues to receive excellent reviews from our members, stakeholders and partners. The issues published during the year under review built upon the success of the previous issue, with higher-than-expected opening and click through rates and positive feedback from both contributors and readers. It is positive to note that many of the articles produced for the magazine have been used by other organisations, for example FOREST21 who reposted all the articles on their website, the International Council of Forest & Paper Association's (ICFPA) quarterly newsletters and the FSC networks.

FSA thanks all our members for their contributions to the magazine. It contributed to making the Magazine an interesting and informative publication that promotes our Sector.

TIP-MAG

FSA released two issues of the Timber Industry Presents Magazine (TIP-MAG) during the year in review. The publication continues to receive huge praise from members of the forestry research community and the Sector in general. TIP-MAG continues to be an excellent platform to communicate high level research to all participants in our Sector as well as broader stakeholders. The publication furthermore is important to promote the value of the research performed and how it contributes to the sustainability and competitiveness of our Sector.

Website

Website traffic continued to grow monthly and was significantly higher in 2022 than in 2021. The data shows that months with promotions, most notably August – Women's Month and Arbor Week – result in the highest website traffic.

Overall, we are incredibly pleased with the progress of the website and the impact which the content we produce on social media and via traditional media platforms, has in driving traffic to the site. In 2023 we aim to work on the website to improve user experience and to better warehouse some of the content, as the website has expanded exponentially since its launch.

Instagram

Instagram remains the only social media where FSA has a presence. During the year in review, 114 posts have been uploaded to the @forestry_explained Instagram account. The posts reached 15 435 individual Instagram account holders and resulted in 53 016 impressions (appearances in the news feeds of others) and 4 644 interactions (people liking or commenting on a post). Furthermore, these posts resulted in 86 click-throughs to the FSA website and 2 333 profile visits. The #ForestryFriday competition resulted in a significant increase in the number of impressions on days the competition was run. The Women's Month promotion produced a huge number of click-throughs to the FSA website and a massive spike in profile visits, illustrating the importance of utilising the Instagram platform in forestry promotions.

Appreciation

We would like to extend our sincerest gratitude to our members, for their continued commitment to the collective efforts of the Industry, both in terms of their financial contributions to FSA and in the investment of their time. As we have mentioned in the past, without the additional investment of members' time and skills in the multitude of structures and processes which FSA has in place, which work on the issues of common concern to timber growers, we would be much less effective and efficient.

We sincerely thank our partners in education and training, research, protection, transformation, environmental management and those in other Associations and Government Departments, whose efforts support the growth and transformation of the Sector.

In particular, the role played by officials in the Presidency and many others in government, in helping to deal with the devastating floods of this year and the equally devastating Transnet strike, is greatly appreciated. Similarly, the enormous effort of our private sector partners and the leadership of the PPGI, proved critical for achieving some of the successes in 2022 and will remain so to help the Sector and the country to overcome the current economic and social challenges which hinder South Africa's growth.

MICHAEL PETER
Executive Director
FORESTRY SOUTH AFRICA
March 2023

FSA Contributors

Small Growers Group (SGG Co-operatives)

Amakhaya	Fhuluphelo	Mhlongomvula	Tshitongwe
Amahlathiwethu	Green Valley	Mkhondo	Ukhalokamsithi
Brooklyn	Imizamoyethu	Msibi	Umzimkhulu GA
Clare	Ingogo	Ntithane	Vezimpilo
Craigburn	Jabulane	Ozwathini	Vhembe Mbofhano
Driehoek	Konanani	Ratombo	Zamokunzima
Donderhoek	Libhaba	Sizabantu	Zaaihoek
Emaphepheni	Mahongwane	Sukumani	
Ezakheni	Masibambaneni	Suzzanahof	
Ezimakade	MATMT	Thathakonke	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