FORESTRY SOUTH AFRICA™

20TH ANNUAL REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2021

ORGANISATION DETAILS

FORESTRY SOUTH AFRICA

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

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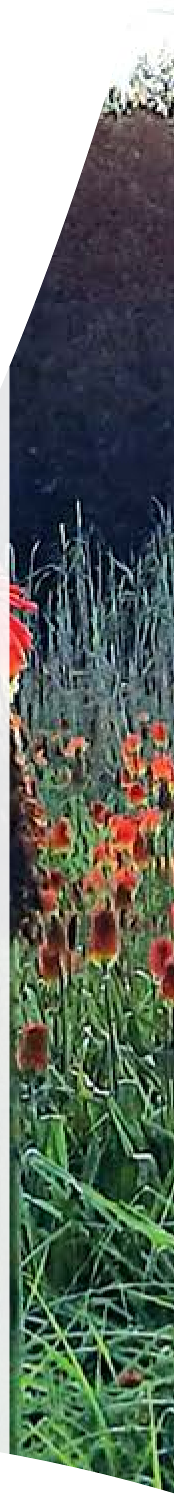

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Ronald Heath – Research & Protection Director
Suzanne Blows – Financial Manager
Precious Singo – Office Assistant

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Nathi Ndlela – Development Manager
Judy Dowsett – Office Manager

Website Address	www.forestrysouthafrica.co.za
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Photograph Credits:	Roger Poole, NCT Forestry – Covers, p32 and p33, p34 and p35 Forest Molecular Genetics Programme (FMGP)– p6 and p7 Francois Oberholzer – p30 and p31 www.forestrysouthafrica.co.za

FSA 2021 ANNUAL REPORT

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LIST OF OFFICE BEARERS

As at 31st December 2021

Executive Committee
Ms Busisiwe Mnguni (SGG) (Chairperson)
Mr Themba Vilane (Mondi) (Vice-Chairperson
Mr Duane Roothman (SAPPI)
Dr Johan de Graaf (Dr)(Merensky)
Ms Itumeleng Langeni (Ms) (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 Andrew Mason (MGG)
Mr Graeme Freese (MGG)
Mr Danny Knoesen (MGG)
Mr Enoch Maponya (SGG)
Mr Thandokuhle Nxele (SGG)

**Replaces Mr Piet van Zyl who passed away July 2021*

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

Large Growers Group
Mr Mark Barnardo (SAPPI)
Mr Ben Pienaar (Mondi)
Mr Sean Brown (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)

Honorary Life Members
Dr Doug Crowe
Mr Mike Edwards
Mr John More
Mr Werner Weber

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

(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

FOREWORD BY THE CHAIRPERSON

It didn't seem possible that 2021 could have been a worse year than 2020, 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 on our Sector.

Given the revelations from the Zondo Commission of Enquiry's 969 pages of reports on the systemically corrupt and criminal manner in which Jacob Zuma and his associates mismanaged and looted the country, it should have come as little surprise that when he was eventually convicted and sentenced to serve some time in prison, that neither he nor his supporters would respect the decision. The tragic deaths of at least 337 people and the disgusting displays of widescale sabotage, destruction and looting during the failed insurrection in July, which was reportedly instigated by the supporters of the convicted criminal and former President of our country, had a most-devastating impact on the country. The commercial property sector suffered devastating losses of over R50 billion in KZN, Gauteng and Mpumalanga, to the extent that insurance premiums have gone up by up to 1725% for certain items like heavy commercial vehicles. Our Industry was also badly affected, as most of our plantations and processing capacity (by value of outputs) are in KZN and Mpumalanga. FSA calculated that the impact on our Sector was around R656 million in physical damages and in lost production. Had it not been for the failed insurrection, South Africa's forestry Industry was on track to have our best year since 2018 in terms of timber volumes.

Nonetheless, due to the swift action of FSA and our partners in the Public Private Growth Initiative, working in close co-operation with the Presidency, the insurrection was thwarted. In spite of the fact that the failed insurrection cost our Industry 13.5% of our anticipated volumes for the year, it is still positive to note that our volume for the year of 13,153 million tons, was around 1,514 million tons (13.0%) up on the 2020 volume.

Because of the early action from FSA during the failed insurrection, as they did during at the start of the Covid-19 crisis in 2020, FSA along with other affected sectors, was able to convince the Presidency to deploy the SANDF within three days from the start of the crisis. There were other forms of support and relief for our Sector which FSA was able to secure which are reported on in more detail in this report, but the failed insurrection demonstrated once again how fortunate we are to have such a well-functioning Industry Association to insulate our Sector in difficult times.

FSA's successes in 2021 were not only confined to damage control during the failed insurrection. There were many other major achievements for our Sector which are reported on in this Annual Report, like the massive relief which FSA secured for our Sector in the form of the diesel rebate changes, for which FSA has continued to fight for the last decade. Other critical achievements were increasing our membership to well over 95% of timber growers by volume, scale and race in South Africa, securing access to very substantial State funding to support black participants in Forestry, for the first time in the history of the democratic era in South Africa, helping to establish and being represented on the National Priority Committee for Extortion and Violence at Business Sites, securing High Court judgements in Industry's favour, on the long-standing and critical issues of Genus Exchange and the protection of water use rights against arbitrary expropriation and helping to shape and secure the landmark outcomes on expropriation of land and property rights.

There are many other successes in almost every area of FSA's work which are reported in this Annual Report and I would like to extend my thanks and that of the entire FSA Executive Committee and membership of FSA to our Executive Director, Mike Peter and our entire team of dedicated Staff, for once again finding ways to protect, grow and promote the interests of each and every single timber grower and the forestry value chains in South Africa.

BUSISIWE MNGUNI
Chairperson
FORESTRY SOUTH AFRICA

INTERNAL FORESTRY SOUTH AFRICA MATTERS

FSA STAFF MATTERS

FSA was mandated two years ago to appoint someone to handle the environmental portfolio. An analysis of the portfolio and the capacity of the EMC, which has grown significantly in the number of members serving in the EMC and the knowledge and experience they provide, suggest that there is no need for a full-time staff member at this time. For this reason, it was decided that we would continue to rely on the EMC for most environmental matters and contract in those services which are outside of the scope or expertise of the EMC and our existing Staff.

FSA TIMBER SALES TONNAGES IN 2021

2021 started on a far brighter note, despite Covid-19 not abating as many had hoped. The first six months of 2021 saw figures on par with 2018 and total volumes for 2021 that were comparable to those of pre-Covid-19 were predicted. Unfortunately, no one could have forecast the insurrection or the devastating impact it had on our Sector, which was clearly illustrated by the drop in timber volumes during July and August. Thankfully, September and October's volumes had recovered well, once more demonstrating the resilience and determination of people and businesses in our Sector.

Although total timber sales for the year under review of 13 153 540 tons was 13.5% (2 046 460 tons) lower than the anticipated sales of 15.2 million tons, it is positive to note that it was 13.0% (1 514 000 tons) up on the 2020 sales. The 2021 tonnage was close to the pre-Covid volume in 2019 of 13 622 400 tons.

When comparing genera, it is clear that Pine and Wattle were the major contributors to the year-on-year increase in timber volumes. *Eucalyptus* sales of 6.07 million tons were up 4.6% (265 700 tons) while wattle sales of 1.22 million tons were up 15.7% (165 150 tons). Pine was the best performing year on year and softwood sales of 5.87 million tons were up 22.6% (1 083 160 tons).

When comparing sales of product in 2021 to those in 2022, mining timber was by far the best performer with a 58% (92 700 tons) increase year-on-year. Sawlogs also showed an excellent increase of 29.7% (923 000 tons). Pole sales increased by 12% (27 6000 tons) while pulpwood sales increased by 5.6% (451 tons).

Had it not been for FSA's intervention during the failed insurrection to persuade Government to open key transport routes and deploy national resources, losses would have been much greater.

FSA MEMBERSHIP

FSA is very happy to report that we expanded our membership base during 2021. Three new entities have confirmed their membership with FSA, namely Normandien Farms (trading as Tekwani Sawmills), AC Whitcher and Allandale Timbers.

FSA welcomes these members to the Association and we look forward to serving them both in our Industry-led initiatives and through those of our implementing partners.

After another challenging year we would like to thank all our members for their continued support of the Association, both in financial terms and for the investment of their intellectual capital and time, to ensure that the Association is able to function effectively. The benefits of having a strong Industry Association like FSA, to act collectively on our members' behalf, was again evident in 2021, when FSA was able to protect the vast majority of forestry businesses and jobs during the failed insurrection as we were able to do with the ongoing Covid-19 restrictions.

Benefits Derived from FSA Membership

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

- Lobbying platform
- Collective research and protection platforms
- Leveraging of funding from external sources
- Deferring or stopping potential costs before they occurred
- Communication platform.

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

FSA COMMITTEES

Executive and General Committees

Due to ongoing Covid lockdown regulations, FSA continued to host both meetings of the General and Executive Committees, via virtual platforms. Although not as desirable as face-to-face meetings, the meetings were still well-attended and resulted in significant cost savings.

Executive Committee

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

Mr Piet van Zyl (York Timbers) sadly passed away in July 2021, due to Covid-19. FSA would like to acknowledge the valuable contributions made by Mr van Zyl, not only to FSA but also to the Industry at large. We extend our sincerest condolences to Mr van Zyl's family, colleagues and friends for this great loss. Mr Gerald Stolz has replaced Mr van Zyl as York's representative on the EXCO.

As at 31 December 2021, the EXCO comprised 18 members – Large-Scale Growers (9), Medium-Scale Growers (5) and Small-Scale Growers (3). The names of these representatives appear elsewhere in this Report.

Group Committees

Due to ongoing lockdown regulations, FSA planned for all nine Annual Regional Meetings of the Group Committees, to be held via virtual platforms. Unfortunately, due to connectivity issues in some regions, the Eastern Mpumalanga meeting was combined with the Piet Retief/Lothair meeting and the Zululand meeting was combined with the Eston/Mid-Illovo/Richmond/Ixopo meeting. Hosting the meetings via virtual platforms, however, still facilitated very encouraging participation by members, with FSA members of all scales being well-represented at these meetings.

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

Working Committees, Groups & Task Teams

The number of FSA's Working Committees and Task Teams (see below) have been increasing over the years in response to the ever-growing number of challenges being faced by the Industry. Given FSA's small staff complement, it is essential to remain cost effective, members continue to invest their time, experience, expertise and knowledge in these structures.

The structures in FSA address key areas like logistics, research, pests and diseases, forest operations, fire, crime, human resources, land reform, business development, broad-based black economic empowerment, health and safety, environmental management (including climate change) and communication.

In addition to these specific working committees and task teams, FSA is also supported by our nine regional Group Committees, comprising large, medium and small-scale grower representatives and which are situated in all of our main timber growing provinces.

All of these structures provide invaluable guidance to the GENCOM and the EXCO, for making well-informed decisions for the benefit the entire Industry. We encourage members to participate in these structures in order for them to provide FSA with the best insights on key focus areas.

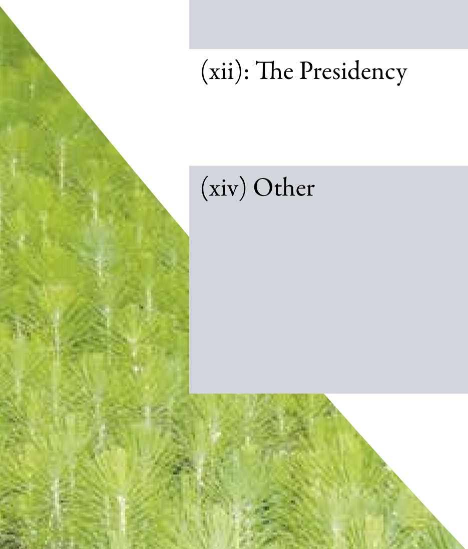
The current working groups, committees and task teams are listed below:

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

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): ICFR	Board of Control Body of Members
(ii): NMU (Saasveld)	Forestry Advisory Board Higher Certificate Veldfire Management Advisory Board
(iii): Stellenbosch University	Forestry Advisory Board
(iv): University of Pretoria	TPCP Board of Control FABI External Advisory Board SAFCOL Forestry Chair Board FMG Steering Committee
(v): Fort Cox	Forestry Advisory Board
(vi): FP&M SETA	Board Audit Committee
(vii): Provincial LAACs	Members
(vii): DFFE	Masterplan Executive Oversight Committee Operational Management Committee Project Management Oversight Committee 6 Masterplan Focus Groups National Forestry Research Forum Kabelo Trust
(ix): DWS	Forest Sector Raw Water Tariff Committee National Consultation Raw Water Tariff Committee
(x): DARDLR	Phytosanitary Risk Forum 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
(xii): The Presidency	Public Private Growth Initiative (PPGI) Human Resources Development Council (HRDC)
(xiv) Other	National Priority Committee for Extortion and Violence at Business Sites Forest Industries Training Providers Association (FITPA) African Rail Industry Association (ARIA) FOREST21 Project Advisory Board



NON-INDUSTRY AFFILIATED COMMITTEES

Further to the abovementioned Committees which have a forestry-specific interest or focus, there are several other collaborative structures which have 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, Working for Water, Working for Wetlands and Working on Fire Programmes, National Fire Advisory Form, National Fire Working Group, the Free Market Foundation and the South African Institute for Race Relations.

FSA is most grateful to all of our members and member companies who support the Association through making their time and expertise available to serve in and enrich the work of the many important structures mentioned above.

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 2021, beyond dealing with the Global Pandemic, FSA worked closely with pulp and paper, sawmilling, treated timber and other sub-sectors and Associations, in numerous areas. Chief among these were on the implementation of the Forestry Sector Masterplan, working together to ensure a sustainable and enabling regulatory environment to deal with South Africa's commitments to reducing Green House Gas emissions, working together to minimise the impacts of the Carbon Tax on the various sub-sectors and criminality, all of which issues are also reported on elsewhere in this report.

CO-OPERATION WITH GOVERNMENT DEPARTMENTS, AGENCIES AND PROGRAMMES

The Presidency

Public Private Growth Initiative

Forestry's inclusion in the Public Private Growth Initiative continued in 2021, to reap massive benefits for the Sector.

Since its inception, our Sector and the country have seen several positive impacts which the PPGI has made.

The sudden and tragic passing from Covid-19 of Dr Johan van Zyl, came as a massive blow to all involved in the PPGI. Dr van Zyl, along with Dr Roelf Meyer (who addressed FSA's AGM in 2021), were the chief architects of the PPGI. Should the PPGI continue to serve as a catalyst for change and growth in South Africa's socio-economic trajectory, it will be a fitting and lasting tribute to Dr van Zyl's enormous and patriotic contribution to the country.

We are pleased to report that the PPGI has secured Mr Jacko Maree to take over the leadership of the PPGI for the private sector. Mr Maree enjoys national and international recognition at the highest levels of the private sector and government and was appointed as President Ramaphosa's Special Investment Envoy. We look forward to working with Mr Maree as the private sector PPGI lead and believe he will continue to build on the legacy created by the late Dr van Zyl and Dr Roelf Meyer.

While the planned meeting with the President in July was postponed due to the failed insurrection, the Presidency has committed to securing a new date as a matter of urgency. FSA was once again asked to be the trial sector for capturing our PPGI progress and challenges in the new online dashboard, which will be used by the Presidency and the private sector to track progress and challenges across all PPGI sectors and government departments.

The successes which the PPGI has helped FSA achieve are discussed in more detail in various parts of this report.

Failed insurrection

As mentioned above, our inclusion in the PPGI once again served the Industry well, during the failed insurrection that was reportedly planned and executed by the supporters of the convicted criminal and former President of South Africa, Jacob Zuma, following his incarceration. As we did when we established the Essential Sectors Forum out of the broader PPGI sectors, at the start of the Covid-19 pandemic, FSA and several other affected sectors, established a Sectors Unrest Crisis Forum, to respond to the failed insurrection in July in KZN and Gauteng. Through this Forum FSA was able to provide information on our Sector's losses (physical and in terms of lost production), which along with that of other sectors, was used to influence the Presidency to deploy the SANDF within three days from the start of the crisis.

The same Forum was responsible, three days later, for securing the re-opening of national and provincial roads and the amendment of the regulations on dispensing fuel into portable containers which was hampering our Sector's operations and fire-fighting in particular. We also successfully lobbied for the State to ensure sufficient SASRIA liquidity to deal with the massive quantum of claims that would follow and for the extension of the TERS support for businesses to support the retention of jobs.

Human Resource Development Council

FSA continues to serve in the HRDC which is led by the Deputy President of South Africa. At its last meeting in September of 2021, a review of the last ten years of implementation of South Africa's HRDC Strategy was presented. The review showed that foundational learning in the country is weak, there are mismatches between skills supply and demand, the skills development system is not performing as desired, the TVET sector is not attracting the best candidates nor lecturers and there is inadequate preparation for 4IR-required skills. To address these HRD shortcomings in the country the HRDC has adopted the following strategies:

Programme one – Foundational Education – The priorities in this programme are focused on expanding the institutional delivery mechanism for Early Childhood Development and Teacher Training, to achieve professional standards in Science Technology Engineering and Maths (STEM).

Programme two – Tertiary Vocational Education and Training (TVET) and the rest of the college system – The priorities are improving teaching capacity within TVET's, particularly as it relates to industry experience and creating learning pathways that accommodate the needs of employed learners.

Programme three – Higher Education and Training, Research and Innovation – The priorities are research that has a societal impact, addressing the learner debt issue, the creation of innovation hubs and the promotion of research through incentives.

Programme four – Skills for a transformed society and economy – The priorities are SMME and Co-operatives development, improving social compacts between the education and training providers, employers, unions and others and improving the quality and relevance of training.

Programme five – Development of a capable State – The priorities are to engage with the Department of Public Service and Administration on the strategy and to second skills from the private to public sector, to remain in the forefront of best practice and technology.

A final recommendation was to consider having new programmes in the HRD Strategy, that will focus on unemployable graduates and the more than 500 000 learners who dropped out of education and training due to the impacts of Covid-19. This is a priority for the country as it will otherwise add massively to the already extremely high number of people who are not in employment, education or training in South Africa.

Department of Forestry, Fisheries and the Environment (DFFE)

Following FSA's approaches to the Presidency concerning the slow progress from DFFE in rolling out the Forestry Sector Masterplan (https://www.forestrysouthafrica.co.za/wp-content/uploads/2020/10/Forestry-Masterplan_FINAL.pdf) as per the Cabinet-approved implementation plan, we were pleased to note renewed effort from DFFE to convene the six Focus Area working groups, the Operational Management Committee (Opscom) and the Executive Oversight Committee, chaired by the Deputy Minister. FSA also had a most productive meeting with the newly appointed Director-General in

which she committed to maintain the schedule of meetings of the Masterplan structures.

Although progress on the agreed targets in the Masterplan is reported on in more detail elsewhere in this report under the specific business units, it is important to note, as confirmed by Dr Roelf Meyer during our AGM in May 2021, that the PPGI and our relationship with the most senior people in government, continues to produce much better results than we have had for more than a decade. It is also encouraging (for our Sector) to note that both the Deputy Minister and the PPGI leadership team, regard our Sector as being one of the most advanced in terms of implementation on our Masterplan.

Regrettably, most of the critical constraints to growth, employment and transformation of the Sector in the Masterplan, like the recapitalisation of degraded State plantations and the protection of existing plantations, fall under the direct management of the DFFE. While the DFFE have done a good job of getting the Masterplan processes in place, we have sadly seen very little new movement in the abovementioned areas, which are the most critical for supporting the massive investments already made by the Industry, supporting the further planned investments, creating the majority of new jobs in the Sector and supporting increased transformation in the Sector.

Regrettably, the DFFE has still not managed, for the last four years, to appoint a Deputy Director-General for Forestry, despite repeated assurances to FSA that the appointment is a priority for the Department.

FSA 2020 ANNUAL GENERAL MEETING

The 19th Annual General Meeting was hosted virtually on 6 May 2021. This was the second year the association had to host the event as a virtual meeting due to the pandemic. The meeting was attended by 116 people including our members, our research partners, stakeholders from Government, Non-Governmental Organisations and the media.

FSA was privileged to be addressed by Mr Roelf Meyer during his keynote address, where he expressed the valuable role vibrant and active associations, such as FSA, have played in forging strong partnerships between Industry and Government within the PPGI framework. Mr Meyer also expressed his gratitude to the Forestry Sector for their commitment to the PPGI and contributing to South Africa's wellbeing. In his vote of thanks, FSA Chairperson, Mr Andrew Mason, stressed the Forestry Sector's commitment to this continued constructive partnership between Industry and Government, through the PPGI framework moving forward and trusted that the same commitment would be forthcoming from Government.

The meeting's second guest speaker, Mr Steven Germishuizen, General Manager of Sustainable African Forestry Assurance Scheme (SAFAS) provided an informative and well-received overview of SAFAS and its international endorsement body, the Programme for Endorsement of Forest Certification (PEFC).

The AGM included a heartfelt acknowledgement by Mr Mike Edwards, previous Executive Director of FSA (and the former Forest Owners Association), to a stalwart of the Industry, Mr Roger Godsmark. Roger, who officially retired in 2020, was acknowledged for the years of passion, service and dedication he has given to the Forestry Sector over the past 35 years. Mr Edwards' praise and thanks for the impact Roger has had in shaping our Sector was echoed in the sentiments of AGM participants who posted messages of appreciation and best wishes to Roger using the meeting's messaging board.

In his Chairperson's address, Mr Mason devoted a significant amount of attention to the impact of the pandemic on the Forestry Industry and the extraordinary success of FSA in protecting most of the Industry during the pandemic. He expressed sincere gratitude to the FSA staff for saving the Industry from what could have been a much more disastrous outcome during the lockdown in 2020 and the start of 2021 and for the massive communication effort during the crisis and since that time. Members of FSA, as well as those of other associations and even other Sectors, relied heavily on the communications which FSA was putting out and encouraged all members and their staff to join FSA's Telegram broadcast channel. Finally, Mr Mason wished all our growers and partners in the public and private sectors the very best outcomes for the rest of 2021 and beyond, as we look forward to a time of greatly improved economic and social outcomes for both our Industry, and the country as a whole.

FORESTRY INDUSTRY MATTERS

FOREST RESEARCH AND DEVELOPMENT

Sector Innovation Fund

The second phase of the Sector Innovation Funds (SIF) concluded during the year in review. The fund, managed by the Department Science and Innovation (DSI) allocated FSA a total of R11 million for the period 2019-2021. Through this fund, FSA was able to support 13 projects with the subjects of study ranging from pest and disease management, genetic assisted breeding, climate change, growth and yield modelling, forest operations, fire management, sustainable use of chemicals and factors influencing wattle bark characteristics. FSA would like to thank our research partners for delivering work to the highest standard enabling FSA to over-achieve on the majority of the commitments as agreed with DSI. FSA members are thanked for supporting the initiative and contributing R8.5 million in co-funding over the three-year period.

As the Sector Innovation Fund has been the biggest source of public funding towards forestry research, we were obviously concerned when there was uncertainty regarding the continuation of a third phase if SIF funding. We were very pleased when DSI published a call for applications for the third round of SIF late in the year under review. FSA has submitted an application, and at the time of writing this report we are delighted to announce that the DSI has awarded a record R35.2 million to FSA to support Forestry Research Development and Innovation in the Sector. This means that over the last seven years, FSA has managed to leverage over R70 million from the DSI alone, against Industry's own RDI investments. During a time when public funding has been reprioritised to address the challenges caused by the pandemic, we would like to sincerely congratulate and thank the DSI for securing funding for the third phase of SIF.

Technology and Human Resources for Industry Programme (THRIP) Funding

The Technology and Human Resources for Industry Programme (THRIP) has been a healthy source of public research funding to 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 Forum (NRF) as implementing agency to the Department of Trade, Industry and Competition (DTIC), our Sector has had variable success with accessing THRIP funding. As reported elsewhere in this report, once again the Forestry Sector Masterplan implementation resulted in interventions. Some of these interventions was a mediated engagement between FSA and the DTIC. Unfortunately, none of the commitments made by DTIC have been realised to date and accessing THRIP funding remains a challenge for our sector. FSA will continue to pursue this matter through the Masterplan and PPGI.

Government Funding

FSA has been cognisant of the fact that we need to be agile and resilient in addressing the declining public funding toward forestry research and development. In addressing this constraint, FSA has actively been exploring collaborations with other agricultural sectors that face similar challenges our Sector does with regard to research and protection. In this regard, FSA, collectively with Grain SA, applied for funding to the Department of Science and Innovation (DSI) Agriculture Bio-Economy Innovation Partnership Programme. The main aim of this funding is to advance the Biosecurity Platform at the Forestry and Agriculture Biotechnology Institute (FABI) at Pretoria University in collaboration with the Institute for Commercial Forestry Research (ICFR). After FSA established this initiative through Platform funding at the TPCP, it performed above expectations and has now been recognised under Focus Area 1 of the Forestry Sector Masterplan as a national biosecurity platform. FSA in partnership with Grain SA are happy to report that we were successful in our application and have been awarded R1 million. In addition to the funding secured from DSI, Grain SA have also been contributing significant financial support to this Platform. FSA would like to acknowledge Grain SA and in particular, Dr Marinda Visser, in this exciting collaboration and look forward to a long and fruitful partnership.

FOREST PROTECTION

Government Funding toward Forest Protection

As reported since 2017, FSA have 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 through the various management structures, we have seen a revitalisation from DFFE on the finalisation of the MoU. After several engagements with the DFFE, it has been confirmed that the Legal Advisors for DFFE have endorsed the agreement. It has, however, come to light that the Forestry Management Branch had not included the funding for the MoU as a Standard Chart of Accounts Item and had to request National Treasury for approval. At the time of compiling this report, DFFE had indicated that a submission had been made to National Treasury and they were awaiting feedback.

FSA was hopeful the MoU would be signed in the year under review as committed by Minister Creecy in February 2020 and subsequently by Deputy Minister Sotyu. Unfortunately, at the time of compiling this report, the MoU that will result in R9 million allocated to FSA for Forest Protection a year for five years had not been forthcoming.

FSA *Sirex* Consortium

Since the suspension of the National *Sirex* Control Programme due to the inability of the State to finalise the forest protection MoU, FSA facilitated the formation of a private sector consortium to address the ongoing 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* control and monitoring. We anticipated that the consortium would grow even more during the year under review, but unfortunately the constrained economic climate has made it difficult for all interested and affected members to join the Consortium. This Consortium has proven critical to our members as its activities continue to contribute to meeting requirements by FSC auditors. This makes the finalisation of the protection MoU between FSA and DFFE even more critical, as it will assist industry to upscale the *Sirex* programme once again, into a national programme during 2022.

Fire

The sector experienced a variable, but overall good, fire season during the year in review. It is positive to report that the implementation of the Forestry Sector Masterplan resulted in progress on a number of challenges and concerns related to mitigating the impact of fire on our Sector and the country as whole.

The first of these was progress with the amendments to the National Veld and Fire Act. The Amendment Bill was presented to Economic Sectors, Investment, Employment and Infrastructure Development Cluster (EISEID) in June 2021 and was subsequently tabled at the Cabinet Committee in September 2021, where the Amendment was recommended to Cabinet for approval. We are happy to report that Cabinet had approved the amendments and recommended the Bill to be tabled in Parliament for approval. This process has been long overdue and has been ongoing for more than 10 years.

The Masterplan has also resulted the initiation of an FPA Readiness Project. This project will, as far as possible, audit not only operational readiness and legal compliance, but items relating to sustainability, financial viability, business planning and membership, with the overarching goal of building comprehensive national norms and standards that support individual FPA's in their future self–assessment and sustainable business operations. The process will be one of co-creation and capacity building, and not punitive. A project objective is to assist FPAs to build a stronger business case, attracting members, thus improving long-term sustainable functioning based on a reliable, measurable and transparent standard.

A matter of contention for a number of years has been the lack of public financial support to FPA's. 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 informed by the modern science and concepts of disaster management, which concentrate more on disaster risk reduction, than the historical approach, which focussed almost exclusively on suppression and firefighting, although these will obviously remain critical in the management of fire.

Forestry Baboon Working Group

The Forestry Baboon Working Group has been delivering well on its mandate. Through coordination and commissioning research to ensure a sound scientific base for decision making, the Working Group has achieved all goals for the 2021 workplan. One of these goals is the development of a standardised damage census protocol that will ensure comparable data across all affected landowners.

The research funding cycle for the work funded by the Working Group ended at the end of the year under review and was reviewed by the Working Group. We are glad to report that all the funders of the Working Group have committed to another three-year funding cycle. FSA would also like to congratulate the ICFR who had 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 R&D and has also been secured for three years.

New Pest Reports

For the first time in several years, we unfortunately report confirmation of four new pests and diseases affecting our Sector. These are:

Phytophthora insolita

Phytophthora insolita was identified from samples sent from a nursery. The identification was based on sequence data and confirmed with phylogenetic analysis. *Phytophthora insolita* was first described from soil in a citrus orchard in Taiwan in 1979 and it has since been reported in the USA. It is reported to cause foliar necrotic lesions and twig die-back on *Rhododendron* sp. and infects apple and cucumber when inoculated. A fact sheet can be accessed at: http://idtools.org/id/phytophthora/factsheet.php?name=7962 .

The next step will be to investigate the prevalence of this species within the specific nursery in which it was detected and its possible presence in other nurseries. It would also be valuable to conduct pathogenicity trials and to compare pathogenicity with that of other *Phytophthora* species associated with *Eucalyptus* (e.g. *P. alticola*).

Parvosmorbus like sp. nov.

A novel fungus in the family *Chryphonectriaceae*, associated with cankers of *Corymbia henryi*, *Eucalyptus grandis* x *urophylla* and *E. grandis* in the Mtubatuba area was identified during the year in review. The species is most closely related to *Parvosmorbus eucalypti.* The genus *Parvosmorbus* was recently established to accommodate two new species described from cankers of *Eucalyptus urophylla* and *E. urophylla* x *grandis* hybrids in China. The TPCP along with FSA members will be carrying out surveys of the affected compartments to gather information on the extent and severity of the symptoms, and to collect additional samples. The symptoms appear to be consistent with (and likely indistinguishable from) those known for *Chrysoporthe austroafricana,* with stem cankers often present at the base of trees. Trials will be set up to evaluate the pathogenicity of this fungus, to better understand the importance of this new report to our members.

Cinara pinivora (Giant conifer aphid)

This aphid species has been confirmed from the Limpopo and KwaZulu-Natal provinces. It is suspected that this species may have been present in the pine growing areas for some time already but assumed to be *Cinara cronartii* (black pine aphid), which was first reported in South Africa in 1974, and for which a successful biological control agent was released.

Cinara pinivora is native to North America but became invasive in a number of countries including Brazil, Kenya and Malawi. It has been reported on various pine species including *Pinus taeda*, *P. elliotti* and *P. patula*.

Essigella californica (Monterey pine aphid)

This aphid was confirmed from Mpumalanga. As with *C. pinivora*, it is possible that this aphid species has been present in South Africa for some years but assumed to be the grey pine needle aphid (*Eulachnus rileyi*) which was first reported in South Africa in 1980. *Essigella californica* is native to North America but is an invasive pest in many countries including Australia, New Zealand, Brazil and in Europe. It has been reported on various pine species including *P. radiata*, *P. elliottii* and *P. patula*.

For both the aphid species, further investigation will be required to gather information on the geographic and host distribution of these aphids in South Africa, investigate whether any natural enemies (biological control) are present, and assess the damage to the pine hosts.

Commercial Crimes in the Forestry Sector

Theft and general criminality have increasingly been affecting our members. FSA has been tending to this challenge over the last few years with some levels of success.

Once again, in this regard, our Sector has seen the positive impact of our inclusion in the PPGI as well as the implementation of our Sector Masterplan. Both these initiatives had a hand in the establishment of the National Priority Committee for Extortion and Violence at Business Sites to deal with the increasing incidents of extortion and violence experienced by our members. FSA is proud to be a standing member of the National Committee which comprises of affected State-Owned Enterprises and the relevant sections of the Justice, Crime Prevention and Security Clusters. The National Committee has led to the establishment of provincial Committees and FSA is also represented on the KZN Priority Committee for Extortion and Violence at Business Sites. We are also working with Business Against Crime SA to establish a Mpumalanga Committee. It is furthermore positive to report the establishment of a website by Business Against Crime South

Africa where incidents of extortion and violent crimes can be reported. The incidents reported on this website is a standing matter for discussion during National Committee meetings.

Parallel to the above reported structures and processes, FSA had engaged with the head of Organised Crime in KZN to request assistance with incidents of extortion experienced by our members in the province, and to discuss poor service from the SAPS in certain areas. This engagement was followed by a meeting late in December with the Detective Head in KZN to discuss progress, as well as exploring opportunities to ensure that the Forestry Industry is properly represented.

FSA furthermore initiated a process to improve the reporting of Forestry-specific data regarding crime and criminality. This, also a deliverable under Focus Area 4 (Illegal timber and crime-related activities) of the Forestry Sector Masterplan, has seen FSA partnering with a service provider, SYW, to develop a database for the Forestry Sector where commercial crimes can be reported, and where reports can be generated to be used in discussion with the various provincial and national structures.

Finally, FSA is also working with service providers to develop a permit system for the transport of logs in the Forestry Sector to minimise the trade in illegally harvested timber. By addressing crime and criminality experienced by our members through these various channels simultaneously, we have for the first time in years, seen constructive progress and a positive impact in addressing this challenge.

TIMBER INDUSTRY PESTICIDE WORKING GROUP (TIPWG)

TIPWG's New Structure

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

To address this, a new structure was approved by the FSA Executive Committee in May 2021. The new structure will see Roger Poole continuing as Chairperson. He has graciously agreed to continue in this portfolio until an appropriate replacement has been elected. Ms Jacqui Meyer will continue in the portfolio of TIPWG Secretariate while Dr Katy Johnson will continue as Communications Consultant. New appointments in the approved TIPWG structure are Prof Jolanda Roux as Research Liaison and Mr Gerrit Marais as FSC Liaison.

FSC Pesticide Policy

Environmental Social Risk Assessment (ESRA's)

Developing the National ESRA has been an ongoing project since the start of 2020. The initial year involved National ESRA development followed by various reviews. In November 2020, the National ESRA hit its first stumbling block with the development of training material for the implementation of South Africa's National ESRA. During this examination of the National ESRA, gaps in the document were found. These gaps are in the process of being closed, with priority being placed on the active ingredients in most demand within our Sector.

Currently, various ESRA's have been amended and are currently ready for review. Once the reviews have been completed, TIPWG will roll out the changes made to all other active ingredients. This will inevitably result in some major changes but will ensure that the National ESRA document is robust.

These changes should not hinder any certificate holders undergoing FSC audits and we hope that with each consecutive audit we can strengthen the National ESRA document and its implementation.

FSA implores our members to engage with TIPWG and communicate any audit findings which may be of use. As yet, we have had no feedback specifically with regard to the ESRA's from those who have been audited but we expect that this is because the auditors are also still coming to grips with the new policy.

International Generic Indicators (IGI's)

The second draft of the FSC IGI's for the use and risk management of highly hazardous pesticides (HHPs) was published on 10 February 2021 for public consultation. With the publishing of the new FSC Pesticide Policy, the IGI's needed to be updated to include the newly published FSC pesticide policy. There is a stronger focus on Integrated Pest Management (IPM) programmes, with detailed specifications which need to be included, including more detailed records concerning any pesticide application as well as biomonitoring.

In the first draft of the FSC IGIs, FSA were surprised to see the inclusion of indicators for listed hazard groups as per the policy. Essentially, the draft IGI's proposed a set of "control measures" for each hazard group which we felt should come out of an ESRA and should not be included in the IGI's. This feedback was provided to the FSC by FSA and our members, in the first round of consultation, but unfortunately, they were still included in the second draft. In addition to this feedback through the consultation process, TIPWG and various South African companies added their voice to a letter from FSA's counterparts in Brazil, which they presented to the FSC and which reiterated our stance in this regard. The FSC heeded our inputs and we were pleased to see many of the aspects that were challenged in the proposed IGI's, were removed. The IGI working group has submitted the final version of the IGI's to the FSC Performance and Standards Unit (PSU) for approval. Once the PSU has approved the IGI's, they will be submitted to the FSC Board of Directors. It is expected that the final version will be published in March / April 2022.

Globally Harmonised System Implementation in South Africa

On 29 March 2021, the Minister of the Department of Employment and Labour published the long-awaited new Regulations of Hazardous Chemical Agents, aligning the South African Occupational Health and Safety Act 85 of 1993 with the Globally Harmonised System of Classification and Labelling of Chemicals (GHS). The regulations impose obligations on employers who carry out work that may expose employees to hazardous chemical agents, as well as the manufacturers and distributors of these agents. The main consideration for the employer is that workers have the right to know and understand the hazardous chemicals they are using and how to work with them safely.

The manufacture, distribution and use of chemicals is a global industry that is governed by different regulatory systems worldwide. As a result, the same chemical agent can be labelled and even classified differently. The GHS replaces the assortment of hazardous material classification and labelling schemes previously used and provides a clear chemical classification and labelling system that is updated and maintained internationally.

By and large, the forestry industry won't be greatly affected by the new regulations, but it is important to be aware of them. The implementation of GHS in South Africa has already affected some legislation (Occupational Health and Safety Act, 1993 and Regulations for Hazardous Chemical Agents, 2021) and is likely to affect others. Employers will need to be aware of new labels, as they are introduced, and may need to adjust PPE and training based on this.

Roger Poole (Chairperson) and Jacqui Meyer (TIPWG Secretariat) both attended training on GHS implementation in South Africa, so that we are able to keep our members properly informed of any further changes as these unfold.

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. TIPWG has been working towards finding a solution and they commissioned Prof Keith Little of Nelson Mandela University (NMU) to partner with a company to test various alternatives, the most promising of which is a pelargonic acid product.

The trials were being assessed late in the year under review, and once completed, with the assistance of DFFE and CropLife, an emergency registration will be applied for to ensure the availability of a new product for utilisation by our members in the 2022 fire season preparations.

Backlog at the Registrar Office

TIPWG though it's relationship with some of the pesticide manufactures has applied for label extensions as well as applying for emergency registration of certain pesticide products at the Registrar's Office.

Unfortunately, this has not materialised due to staff shortages and the lack of experience of the current staff members working in this unit. To support TIPWG's efforts, FSA have included these challenges in the Masterplan and have already raised the matter with the Deputy Minister of DFFE at the last Masterplan Executive Oversight Committee meeting. 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, as the Agricultural Sector have over 3000 outstanding applications.

TIPWIG Specific Research

All current TIPWG research projects are reaching completion with some in the process of being written up. These projects are:

(i) Risk modelling

During completion of this study, it was revealed that data set analysis was a greater task than had been initially anticipated. This task is now in the final stages of completion. The herbicide survey which formed part of this project has already been published in an internationally accredited journal (Australian Forestry – https://www.tandfonline.com/doi/full/10.1080/00049158.2021.1935127)

(ii) TIPWG/Seedling Growers Association of South Africa (SGASA) collaboration

This project has been completed and the MSc student, Ilke Opperman, is currently writing up the results of work done on the fungicides. The data collected during this project has been used in the application for an emergency registration of tebuconazole, an active ingredient to control a dramatic increase in *Quambalaria* infestations that has caused severe losses in nurseries in our sector. The insecticide work of this study is still to be completed as trials could not be concluded due to the unavailability of pest populations.

(iii) TIPWG/New Zealand collaboration

PhD student, Noxolo Ndlovu, has completed the field testing and sampling component of this project and is in the process of writing up the research chapters of her thesis. Once completed, the data will assist in quantifying pesticide risk and will assist our sector with FSC engagement.

Development of Industry Integrated Pest Management (IPM) Framework

TIPWG were tasked to develop an Industry IPM framework in line with FSC Pesticide Policy. A conceptual framework has been developed by Dr Katy Johnson and has been approved by TIPWG and the FSA Environmental Committee. The process of developing guidance documents for specific management practices (Firebreaks, Alien Invasive Species control, Pest & Disease management and Pre-planting Weed Control) has been initiated. It should be noted that after the framework was developed, the UK IPM framework was released and supports the approach taken by TIPWG in the development of the SA framework. The IPM Framework will be finalised in the first half of 2022.

Information Dissemination

One of TIPWG's valuable contributions to our Sector and our members is the dissemination of information relating to sustainable chemical use. The first example of this is the development of Standard Operating Procedures (SOP's) relating to chemical use. During the year in review, a number of SOP's had been developed with a number in development. These are:

i. Read the Approved Pesticide List – an introduction to how to use the TIPWG Approved Pesticide List. (https://www.tipwg.co.za/wp-content/uploads/2017/11/SOP-APL-FINAL-1.pdf)
ii. Storage – Updated in light of recent developments with chemical storage requirements https://www.tipwg.co.za/standard-operating-procedures/transport-and-storage/#Storage;
iii. Alien Invasive Species (AIS) is currently being reviewed;
iv. Rodent Control (https://www.tipwg.co.za/wp-content/uploads/2019/06/Rodents-Poster.pdf);
v. IPM Weed Control (https://www.tipwg.co.za/wp-content/uploads/2021/05/Bug-weed-Poster-v2.pdf);
vi. Calibration of application equipment (https://www.tipwg.co.za/standard-operating-procedures/handling-and-application/); and
vii. Use of Drones.

Along with the SOP's produced and being produced, TIPWG produced several infographics. These include a "Legislation infographic" which was updated in line with changes to the FSC pesticide policy and the inclusion of SANS regulations and secondly a "Bugweed infographic" that was updated to include new research findings.

As of August of the year under review, the TIPWG newsletter was incorporated into the FSA

Magazine, with two TIPWG feature articles produced by the TIPWG team included in every issue. This decision was made based on the wider distribution of the FSA Magazine compared to the TIPWG newsletter, enabling TIPWG articles to reach more people. TIPWIG also successfully communicated valuable information on various external platforms. These include news platforms of some of our members as well as international forestry-related 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 Department of Forestry, Fisheries and the Environment (DFFE) and their Provincial counterparts.

FSA extends its gratitude to all of the members of the EMC and to our Environmental Consultant, Dr John Scotcher for their diligent focus on the multitude of key environmental matters affecting our Industry. We would like to particularly thank the outgoing Chair, Dr David Everard (SAPPI), who retired in May 2021, having served as one of the longest-standing Chairs of any FSA Committee. Dr Everard contributed immensely over many years, to the development and promotion of sustainable forest management in South Africa.

The EMC's new Chairperson Ms Louise van Wyk (Sappi), is sincerely thanked for her willingness to take on this role.

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 (WUL) Conditions

Over the last two decades, FSA has negotiated with the Department of Water and Sanitation (DWS) on the inclusion of many of the General Conditions and Stream Flow Reduction Activity (SFRA) Conditions in Water Use Licences that were vague, unreasonable, outside the mandate of the DWS, contradictory, un-auditable or not a condition at all. FSA successfully reached an agreement with the DWS in 2020 which reduced the number of conditions and frequency of audits significantly for a SFRA WUL for new plantations that were to be established from 1 April 2020. Following further setbacks caused by the DWS in 2021, we were once again able to effect the change of twenty "General Conditions" into "Provisions" leaving only eleven "General Conditions" (previously thirty-one). The SFRA Specific Conditions were also extensively revised and further reduced to only six.

The agreement on the above between DWS and FSA signalled significant improvement in the relationship between the department and our Sector and once again exhibited the constructive impact of the PPGI and Masterplan. The next step in this process was to agree on a new SFRA WUL template for existing WULs.

To this end, FSA had drafted a replacement SFRA WUL template for existing WULs which was submitted to the DWS in December 2021 for the department's consideration to replace existing WULs issued from October 1998 until 1 September 2021. Unfortunately, DWS responded that the draft template would not be considered as they deemed the SRFA WUL template to be finalised and implemented. This was once again another setback caused by the DWS but at the time of writing this report, FSA had instituted a process which is agreed to by the DWS, to support growers who wish to have their the existing WUL amended/re-issued. Members are encouraged to approach FSA's Environmental Consultant, Dr John Scotcher, for assistance in this regard.

Existing Lawful Water Use

As previously reported, FSA approached the High Court for a declaratory order to resolve years of dispute with DWS over the proper interpretation of existing lawful water use (ELU). Our interpretation of an ELU for a stream flow reduction activity (afforestation) was that a plantation need only to have been in existence during the two-year qualifying period before the National Water Act, 1998 (NWA) came into effect, for that plantation to be considered as lawful and thus an existing lawful water use. The matter was heard to conclusion in the Cape High Court from 15 to 25 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. FSA's opinion, supported by that of our legal team is that the Judge had erred in this part of his judgement by conflating the issues of lawful water use and that of authorisation. An appeal was lodged by FSA with regard to the Judges findings on existing lawful water use and at the time of writing this report, we were awaiting a date from the Supreme Court of Appeal for the matter to be heard.

Genus Exchange

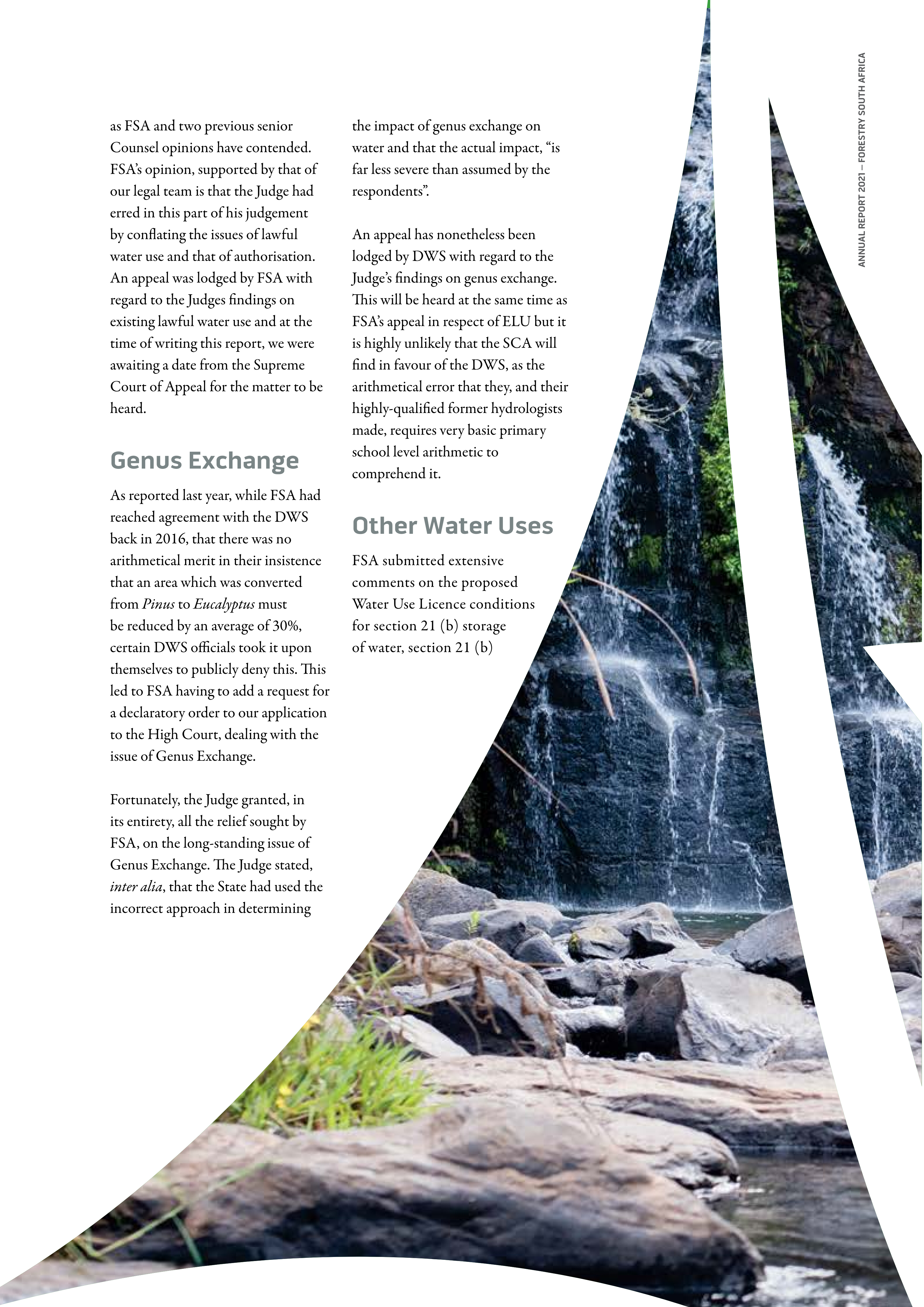
As reported last year, while FSA had reached agreement with the DWS back in 2016, that there was no arithmetical merit in their insistence that an area which was converted from *Pinus* to *Eucalyptus* must be reduced by an average of 30%, certain DWS officials took it upon themselves to publicly deny this. This led to FSA having to add a request for a declaratory order to our application to the High Court, dealing with the issue of Genus Exchange.

Fortunately, the Judge granted, in its entirety, all the relief sought by FSA, 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".

An appeal has nonetheless been lodged by DWS with regard to the Judge's findings on genus exchange. This will be heard at the same time as FSA's appeal in respect of ELU but it is highly unlikely that the SCA will find in favour of the DWS, as the arithmetical error that they, and their highly-qualified former hydrologists made, requires very basic primary school level arithmetic to comprehend it.

Other Water Uses

FSA submitted extensive comments on the proposed Water Use Licence conditions for section 21 (b) storage of water, section 21 (b)



impeding or diverting the flow of water in a watercourse and section 21 (i) altering the bed, banks, course or characteristic of a watercourse. These conditions have now been developed by the DWS based on the SFRA WUL template developed by FSA, which bodes well for the Sector, when engaging in any of the above-mentioned activities.

National Environmental Management: Biodiversity Act

The National Environmental Management Act: Alien and Invasive Species Regulations

The revised Alien and Invasive Species Regulations were published on 18 August 2020 and came into effect on 1 March 2021.

After considerable deliberation between FSA and the DFFE, the latter have agreed that including the "specific species" in the definitions above makes no sense and will not be applied by the officials. FSA obtained a legal opinion in this regard, and it is our contention that the law will need to be amended.

For the moment though, we are relying on the DFFE interpretation. FSA revised the Code of Good Practice for the Control of Alien and Invasive Species to address the new regulations and this is available on the FSA website (https://www.forestrysouthafrica.co.za/wp-content/uploads/2022/02/FSA-Code-of-Good-Practice-AIS-Revised-November-2021-FINAL.pdf).

FSA Environmental Guidelines

The FSA Environmental Guidelines were updated by the EMC Editorial Committee during the year in review. This, the Fourth Revision, represents a significant achievement on the path towards sustainable forest management. This valuable document, available on the FSA website (https://www.forestrysouthafrica.co.za/2021-environmental-guidelines/), assists users to develop and manage plantation forests guided by the legal requirements and best management practices for all forest activities that may impact on the environment.

The 2021 version includes a section on rehabilitation of land, an update on the new Alien and Invasive Species Regulation as well as a revision of the Greenhous Gas (GHG) reporting regulations.

Soil Conservation Working Group

A Soil Conservation Working Group under the auspices of the FSA Environmental Management Committee was established in 2021 and will consist of representatives of the EMC, specialists and higher education institutions. The motivation for the establishment of this Working Group was the increasing concern around soil loss, sustainable soil management, sedimentation in streams from forestry operations and operational procedures or climatic conditions that exacerbate soil loss. The increased attention to soil conservation as a condition in a SFRA water use licence, and the impact of forestry operations resulting in the sedimentation of streams, makes it critical to understand the tools available to measure, monitor and manage this impact.

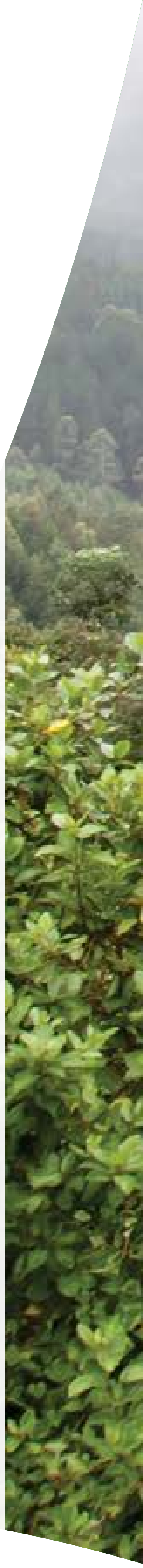
A proposal has been developed that will first determine the baseline information available on mitigating soil impacts in connection with forest management through an intensive literature review and second, a survey of the state of knowledge amongst local practitioners and foresters.

United Nations Framework Convention on Climate Change

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 Inter-governmental Panel on Climate Change (IPCC) initiatives, through the 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 and have the potential to impact our Sector.

Over and above the possible impact of this Convention, commercial forestry plantations play an important role 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.

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 grassland and savannah. This positions the Forestry Sector as a major contributor to our country's efforts in combating climate change, especially keeping in mind our Sector's minimal contribution to carbon emissions.

FSA is very cognisant of the possible impact the various national and international commitments and conventions could have on our Sector and are actively monitoring and addressing these through the various FSA structures in collaboration with our sister associations representing various sub-sectors of the value chain.

National Greenhouse Gas Inventory and Carbon Tax Act

The National Greenhouse Gas Inventory System (NGHGIS) is the responsibility of the Department of Forestry, Fisheries and the Environment 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, a threshold negotiated by FSA.

South Africa's National GHG Inventory Report 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 and Industrial Use (IPPU) and waste sectors.

It is positive to note the decrease in emissions from AFOLU (Agriculture Forestry and Other Land Use) which showed a decline of 56,2% over the last 17 years. This augers well for the Sector which still faces the potential threat of the carbon tax in 2024. These trends do, however, support FSA's ongoing efforts to secure a complete suspension of the carbon tax for the AFOLU sector.

National Green House Gas Reporting Regulations

The purpose of these regulations is for the DFFE to gather information from businesses to assist South Africa update and maintain a National Greenhouse Gas Inventory as required in terms of the National Environmental Management: Air Quality Act. These reporting regulations allow processing plants to claim carbon credits from their own or managed plantations in excess of 100ha 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 100ha of plantation or forest land, must have registered their area of plantations on the South African National Atmospheric Emission Inventory System (NAEIS). The reporting guidelines negotiated by FSA with the Department for the Forestry Sector were published in early December 2020. They remain unpublished as of December 2021.

At the time of writing of this report National Treasury had expressed the view that the regulations should only allow processors the ability to claim carbon tax discounts from timber which they sourced from their own operations. The reason for this is that they are of the view that it will be difficult and expensive for NT to verify that the source of the timber is from sustainably managed plantations, if it is bought from third-party suppliers. FSA is working with PAMSA and SSA to try to convince NT that almost all timber produced in South Africa is independently audited to demonstrate its sustainability and that growers will also report on their changes in plantation area annually, which will make the system of verification very simple. We are also exploring the possibility (PAMSA's clever suggestion) of NT accepting that "own operations" should include third-party suppliers of timber, as NT use that expanded definition for holding processors accountable for the life-cycle of their products, even once they have been sold into domestic markets and in fact, all the way to where the products are either re-cycled or end up in landfill sites.

National Business Initiative – Just Transition

South Africa is extremely vulnerable to the physical risk of climate change and the transition risk presented by a rapid global trend to a zero-carbon future by 2050. There is an urgent need to cut greenhouse gas emissions significantly to mitigate the worst impacts of climate change globally. We also need to consider green industrialisation as an opportunity to address South Africa's economic stagnation and to respond to the global economic crisis triggered by the Covid-19 Pandemic. To enable our economic recovery, ensure long term competitiveness and social resilience in the face of future climate and transition risk, South Africa identified the need for a Just Transition Plan to avoid getting left behind and ensure a responsible and sustainable transition.

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 produced and consumed, while also responding to the physical impacts of climate change. During the year in review a study led by the National Business Initiative (NBI), Business Unity South Africa (BUSA) and the Boston Consulting Group entitled "Decarbonising and building climate-resilience for South Africa's Agriculture, Forestry and Other Land Use (AFOLU) sector" in which FSA's Executive Director, Research and Protection Director and FSA Environmental Consultant participated, was completed.

FSA successfully lobbied against the idea that standing plantations were a potential source of carbon offsets for other major emitters, based on the much higher economic and social (including jobs) returns to the country from using our plantations to support the many value-adding forest products value chains. As a result, the chapter on AFOLU focussed more on the need for the Sector to adapt to climate changes, than to use it to mitigate it.

The Agriculture, Forestry and Other Land Use (AFOLU) chapter explores the 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 key findings for the AFOLU sector are, as far as specific forestry matters are concerned, as follows:

i. Global climate change could impact South Africa significantly. In low to moderate mitigation scenarios, SA's on-land temperatures could rise by 2-4^{0}C by 2050 while average rainfall could decrease by 60mm in most of the eastern and northern regions of the country.
ii. On a farm level, adaptation measures, such as climate-species matching and fire and pest prevention systems can build resilience, production-efficiency and reduce emissions per unit produced. Plantation accessible climate change monitoring will be critical to ensure climate resilience.
iii. To enable effective plantation adaptation, it will be critical to build more capacity among farmers and growers and improve and expand agricultural and forestry extension services, and a doubling of AFOLU-related Research and Development spending in line with the National Development Plan Targets.
iv. The AFOLU sector accounts for approximately 10% of national emissions, driven by livestock (75%), fertiliser use (18%) and fuel combustion (7%).
v. Greater forestry planting diversity and active forest health monitoring will improve forest carbon storage and resilience to pests, diseases and extreme events.

FSA Climate Resilience Working Group

Given the complexity involved in implementing Government's commitments to a low carbon economy and that the main focus should be on adaptation by our Sector, FSA established a Climate

Change Resilience Working Group, which was chaired by Dr Ronald Heath (FSA Director: Research and Protection) with our Environmental Consultant, Dr John Scotcher serving as the liaison person between FSA, Business Unity South Africa and the Department of Environmental Affairs (Air Quality Directorate). The Working Group will also be the focal point to engage with our sister associations on matters regarding climate change.

Forest Certification

Forest Stewardship Council National Forest Stewardship Standard for South Africa

There were no significant changes to the FSC National Forest Stewardship Standard for South Africa during 2021, but the implementation of the Forestry Stewardship Council® (FSC) Pesticide Policy remains a concern. No formal training of Certification Body (CB) auditors has taken place, nor has any other training been developed for implementation of the policy on plantations, resulting in verification of the implementation of the policy being limited, when members were audited. This should change once auditors are trained.

The introduction of the FSC International Generic Indicators (IGI's) will further complicate implementation in the 2022-year cycle. More detail on the IGI's are reported under TIPWG.

Feedback was provided to FSC regarding the FSC Draft interpretation on the National Forest Stewardship Standard (NFSS) for South Africa on Indicator 2.3.10, viz., "Where worker accommodation is provided on the FMU (Forest Management Unit), it complies with the minimum requirements outlined in Annex 5 in the NFSS". In the response sent to FSC by FSA, differentiation was made, and guidance given, between housing standards that are normative and which standards are to be considered as part of improvement plans to achieve compliance to the housing standard.

No decision on the proposed amendments has yet been received from the FSC at the time of compiling the report.

Sustainable African Forestry Assurance Scheme (SAFAS)

The year under review started with the successful acquisition of the Programmes for the Endorsement of Forest Certification (PEFC) by FSA member Sappi. Towards the end of the year four NCT farms also received PEFC certification for Forest Management. Sappi and NCT are now certified to both the FSC and the PEFC.

Additional members have indicated that they wish to pursue the PEFC SAFAS standard in 2022. The implementation of this scheme, supported by FSA over the last few years, is very encouraging and will offer small and medium scale growers with new market opportunities.

Amendments to the original Housing Standards of the SAFAS Forest Management Standard have been approved by PEFC. Previously the Housing Standard was the same as that of FSC.

Both the NFSS for SA (FSC) and SAFAS (PEFC) reviewed these standards due to difficulties in consistent implementation by certificate holders. SAFAS has gone the route of differentiating between new and existing houses and developing a set of different standards for each of these scenarios. The new standard can now be implemented, based on what is applicable to the certificate holder.

LAND MATTERS

Constitutional Amendment to Allow Expropriation Without Compensation

As FSA predicted four years ago, the National Assembly failed to pass the amendment to Section 25 of the Constitution to allow for expropriation without compensation. The ANC failed to muster the required two-thirds majority, as neither the DA nor the EFF supported the amendment. Some opposing the amendment reiterated that there is no need to amend Section

25 and that this bill falls short of the provisions in the Bill of Rights.

As reported by FSA on numerous occasions, a chasm between the EFF and ANC on which form the amendment should take, was apparent from the start of the process. It was clear that the writing was on the wall for the Bill in May this year. Even though President Cyril Ramaphosa distanced himself from state custodianship, the ANC included a provision to place some land in state custodianship – which is in the bill adopted by the committee. This did not appease the EFF as the EFF still stated that all land should be in State custody. Interestingly, the ANC caucus, in an unusual step, issued a communiqué on its position ahead of the debate, perhaps anticipating the outcome of the vote. The ANC stated that the debate is part of a continuum and not an event.

While the vote resulted in increased polarisation between the ANC and EFF, it provided a major boost to domestic and international investor confidence, as well as to that of existing land and property holders' rights.

FSA has always supported the need for land reform and will continue to do so using legislation and practices which are just and equitable. We believe that the result of the vote signals a return to responsible governance and the assurance of property rights in South Africa.

Expropriation Bill

Once again as FSA has held for several years, the Expropriation Bill, while still being discussed in public consultations around the country, is both losing public support and more importantly, is unlikely to be tabled until such time as the Constitutional amendment is passed. As mentioned above, this has not happened and so we do not expect the Expropriation Bill to be re-introduced for some time again. If, and when it is tabled again, it will need to be further amended to remove any provisions which seek to provide a mechanism for sinister forms of State custodianship, which could be used to subvert the Constitution.

While this will indeed be further good news for the Industry, members are reminded that most of the contents of the Bill were actually acceptable to FSA, as they presented no risk to commercial forestry operations. Nonetheless, seeing this Bill scrapped altogether will still boost domestic and international investor confidence, as it would reduce the risk of future administrations, using it as a basis to start more aggressive erosion of property rights.

Property Valuations

The continuation of the crucial Jakkalsdans Court case concerning property valuations, which is being led by Agri SA with financial support from FSA, was heard in May. Once again (as happened during the initial hearing in 2020) the proceedings suggested that the Court was not receptive to the arguments made by the State on valuation methodologies used by the Valuer-General, to determine land values. While we await judgement from the Court, it is unlikely that they will find in favour of the State.

On 11 February 2022, the Land Claims Court ruled against the Minister of DRDLR in the Jakkalsdans matter and held that the State should offer landowners full market value for their land if no other factors, as stipulated in Section 25(3) of the Constitution, apply.

This is another major victory for property rights in South Africa and one which FSA has been contesting independently and in conjunction with Agri SA for the past five years and again, along with the unsuccessful attempt to amend the Constitution, signals a further return to more responsible governance and the assurance of land and property rights in South Africa.

FSA Land Committee

The FSA Land Committee prioritised items into their short to medium-term lobby agenda. The Committee has prioritised the following as reported below.

Settled land claims in forestry

Responding to the request by the FSA Executive Committee, the FSA Land Committee quantified the magnitude of land reform in the Sector to use as a basis for discussions and initiatives on this matter. Approximately 243 000 ha of timberlands have changed ownership through the Land Restitution process in South Africa. This, representing 20% of the total afforested area in South Africa, not only shows the sector's commitment to land restitution, but warrants the attention of industry to influence successful land reforms to ensure fibre sustainability. This figure was derived from a survey among members and using records from the Provincial Departments dealing with Land Reform. The data captured further describes using parameters including geographic location, production, employment figures, etc. The exercise also sought to estimate whether the information collected about the specific land holdings was adequate and appropriate to facilitate the design of support mechanisms for these new entrants.

A summary of land reform in the South African Forestry sector is available on our website (https://www.forestrysouthafrica.co.za/wp-content/uploads/2022/01/Land-claims-in-Forestry-2021-Norman-Dlamini.pdf).

The Land Committee has scheduled a workshop to reconcile the needs and expectations of land claim beneficiaries (new landowners) with those of the Forestry Industry, to assist the Industry to understand and mitigate any potential impacts, including through the provision of post-settlement support. Partners in Agri Land Solutions (PALS) has agreed to facilitate the workshop to be held early in 2022. The outcomes of the workshop will assist the industry to be proactive in leading the discussions and design of effective post-settlement support, that will promote the Sector's and beneficiaries' interests, rather than waiting for Government to lead on this, as their track record in this regard has been abysmal.

Settlement models

The FSA Land Committee attended a workshop hosted by DALRRD in Mbombela, Mpumalanga on 4th March 2021. The workshop, according to the invitation letter, was to test the implementation of the settlement models and related tools in a real-life setting and subsequently refine the developed models based on 'real-life' learnings from the pilot. The workshop furthermore intended to ensure that the settlement models contain relevant components and the correct level of detail to enable the Commission on Restitution of Land Rights (CRLR) to settle land claims, and to continue the involvement of the sector stakeholders in claim settlements. Unfortunately, the workshop ended up being a presentation about one model that is used in one of settled land claim and thus failed to achieve any of its stated objectives. *(At the time of drafting this report, FSA was still waiting for the summary report of that workshop from DALRRD in order for FSA, through its Land Committee, to confirm our understanding of the outcomes of the meeting. In its last meeting of March 2021, the FSA Land Committee resolved that there is still a need to meet the National office of DALRRD and the CRLR to get their understanding of the proposed settlement models. FSA unsuccessfully tried to secure a meeting date with CRLR and DALRRD and will escalate these discussions to the Forestry Sector Masterplan process where the Land Reform and Rural Development Branch of DALRRD is represented.)*

Members can be assured, as we have repeatedly done in the past when the State has attempted to impose new models for land restitution that we will not entertain any amendment to the proven models which FSA developed and which were approved by the erstwhile Minister of Land Affairs, unless the State can prove that better models exist and have been used in other sectors. This is unlikely, as to date our models are generally recognised by the State to have been far more effective in providing ongoing benefits to beneficiaries, the Industry and the State, than the models and outcomes seen in any other sector.

Kabelo Trust

The extended period between the end of terms of the previous Board of Trustees and the formalisation of the new Board of Trustees derailed the work of the trust, understandably causing some anxiety and frustration among the stakeholders. As a result, there are two cases against the Minister and the Trust which are pending in the courts.

It was, however, positive to report that progress by the new Board of Trustees shows promise in resolving several of the contentious issues and prevent similar challenges from occurring again. The Kabelo Trust is in the process of concluding processes to appoint administrative support staff who will assist the secretariat of the Trust, as well as Project Management who will assist beneficiary communities to draft feasible requests for funding. The two afore-mentioned processes have been bedevilled in the past, by extraordinarily inefficient State procurement processes and failures by key staff in the DFFE to participate in the processes.

This along with several other actions like the development of templates for funding requests, guiding the communities and the adjudicating team, proper scheduling of meetings and processes etc, will align all relevant activities and shorten the time between making a request and receiving a response from the trust.

Furthermore, the Trust has made a principle decision not to receive and keep monies that were received from the rental of any other plantation except State plantations, in line with the statutes that established the Trust. This position will accelerate the discussion between the department (DFFE) and communities that have received their full ownership rights to claimed land. This decision was based on the fact that from the day on which claimant communities receive

the full right of land ownership, the plantations cease to be the property of the State and hence the Trust, by law, cannot collect and keep such rentals on their behalf.

LABOUR ISSUES

National Minimum Wage

During the year in review, the national minimum wage effectively increased by 16.1% from R18.67/hr to R21.69/hr for forestry and farm workers, arising from an inflation-linked 4.5% increase in the national minimum wage from R20.76 to R21.69 but also from the termination of the special dispensation for farm and forestry workers. Preceding these amendments, FSA made a comprehensive submission in December of 2020, highlighting among other issues, the repeated above-inflation increases in wages that the industry has experienced since 2012. This unfortunately did not prevent the developments regarding national minimum wage during the year in review.

FSA fully supports the national minimum wage but is of the opinion that it was irresponsible to suspend the special dispensation for farm and forestry workers during a year when our country is currently experiencing a financial recovery from the associated impact of the pandemic. It has been widely acknowledged that the primary producing sectors will contribute significantly to the country's recovery, and the implication of the above reported increases could significantly reduce the contribution of these sectors.

It was thus positive to note developments on the national minimum wage for 2022. The approach of the State for the first time in years, signalled a move to a closer and 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. In September 2021 a call was made for submissions regarding the planned increase in the national minimum wage. The DEL would then consider all submissions before making a determination in respect of the national minimum wage. FSA proposed a CPI linked increase over the next 3 years, to provide some certainty and stability to employers on this important element of their cost structures. With wage increases since 2012 annually being above inflation, compounded by the suspension of the special dispensation for farm and forestry workers during the year under review, the industry needed a reprieve from the burgeoning cost of labour.

We are pleased to report that the DEL heeded the calls of Industry and announced that the NMW would increase on 1 March 2022 by 6.9% (CPI+1%). The new minimum wage increased from R21.69/hr to R23.19/hr.

Employment Equity Amendment Bill

During February of the year under review, various stakeholders from the Agriculture, Forestry and Fisheries Sectors and Commissioners from the Department of Employment and Labour (DEL), engaged in a consultation to discuss the Employment Equity Amendment Bill tabled in July 2020.

During these engagements, FSA expressed the need to engage with each subsector to collectively come up with meaningful and realistic, sector-specific targets which are also scale-specific, as per our Sector Transformation Codes. FSA subsequently submitted the Forestry Sector Code to DEL for their review. In response, DEL sent a list to FSA of the companies that successfully submitted Employment Equity (EE) Reports in 2020. It is unfortunate to note that several FSA's members were not on that list reporting under Manufacturing. FSA subsequently engaged with our sister associations (PAMSA, SAWPA, SSA and SAFCA) to conduct an industry-wide survey to determine the status of employment equity in the various subsectors. This data was used as a base to draft sector-specific targets as FSA is concerned that blanket targets will simply not work for our industry, as it would not address the complexity within the Sector. The results of the survey were included in a submission by FSA to DEL in May of the year under review with FSA subsequently approached again in October 2021 to participate in further engagements on the submission of proposed EE targets from the Forestry Sector. This matter had not been finalised when compiling this report.

BUSINESS DEVELOPMENT MATTERS

Landbank

The Blended Finance Scheme of the Landbank was revived early in 2021, and FSA assisted a community trust with their application, in the hope of drawing lessons from this process to share with the entire small-scale grower sub-sector. The financial support provided by the Landbank seemed to be appropriate for ongoing land reform type of projects but unfortunately the bank has not considered any new clients since April 2020 and its liquidity is not looking good.

In the last few months of 2020, the bank made several presentations to Parliamentary Portfolio Committees and National Treasury to lobby for support to avert its liquidity crisis because it could not service its debtors in the long-term, placing growing concern on the status of the Landbank and food security in general. Agri SA called on National Treasury to consider supporting the Landbank's request of R18 billion over 5 years to ensure the bank's sustainability.

Unfortunately, the Land Bank's liquidity challenges remained unresolved, and they were therefore not able to support any of the new forestry applications at the time of writing this report.

Presidential Employment Stimulus 2 (PES-2)

After being prompted by the PPGI leadership, FSA again submitted a combined application in April of the year under review in partnership with DFFE and the IDC to the value of R577 million with FSA's portion of the application, totalling R176 million. Following our application, we experienced some anxiety regarding the availability of the funds, due to the possibility of it being reprioritised to address the economic impact of the pandemic, as well as the failed insurrection.

At the end of 2021, DFFE still maintained that they had not received an official response from National Treasury. It was regrettable to find out therefore, from engaging with officials in the Presidency, that the joint application was not supported because DFFE had been awarded close to R2 billion in the previous round of the PES but had failed to disperse most of the funds. This resulted in DFFE having to return a substantial portion of the funding to National Treasury. DFFE therefore (and by association FSA too) were not considered for funding. This was the second time that FSA's application for development funding had been compromised by DFFE, the first application being de-prioritised at the request of Minister Creecy, so that DFFE could secure the R2 billion, which they then failed to disperse.

The merits of our application, however, were acknowledged by the Presidency and they encouraged us to apply for the third round of the PES, which we will certainly do, and we will do so independently of the DFFE.

Industry Corporate Social Investment (CSI) Narrative

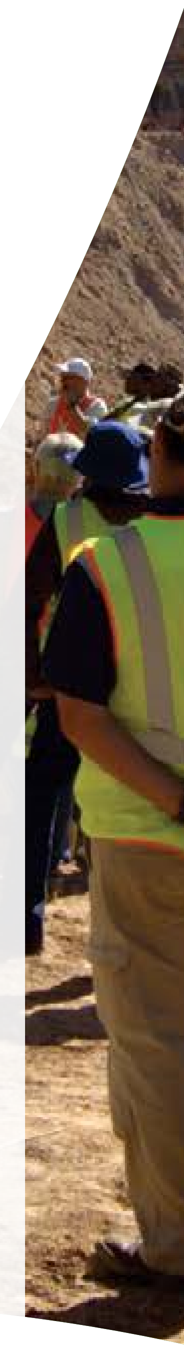
Following on from the first two volumes on Industry CSI investment published in 2019, FSA completed a 72-page exposé documenting leading examples of the Industry's extensive CSI activities. This publication showcased excellent examples of the forestry industry's social investment in South Africa. In addition to the traditional focus areas of the narrative (Education, Health & Welfare, Community engagement & upliftment, Food security, Enterprise & Supplier Development, Community infrastructure, Environment and Recreation) the industry added a ninth area, Disaster Relief. The was included to showcase the Industry's initiatives in response to the Covid-19 pandemic and the failed insurrection experienced, mainly in the KwaZulu-Natal and Gauteng Provinces of South Africa in July.

Members are encouraged to read this document as it provides irrefutable evidence of our Sector's meaningful and valuable contribution to transformation and social development in South Africa, which is so often reduced by opportunists, to only what percentage of an entity is under black ownership and how many black people are in top management positions. These metrics are important in themselves, but the myopic focus on them alone, deflects from the myriad other ways in which individuals and communities in rural areas benefit from the support of timber growers in South Africa.

FSA would like to thank and congratulate all the contributors, as well as Dr Katy Johnson, for producing such a wonderful publication which is available on our website (https://www.forestrysouthafrica.co.za/corporate-social-investment/).

New Afforestation

In support of the new afforestation sub-focus area of the Focus Area 1 of the Sector Masterplan (Expansion of the primary resource, protection and maintenance), the Business Development Committee reinitiated engagements with various partners (DFFE – Forestry Management, DFFE – Natural Resource Management, South African Local Government Association, KZN Cooperative Governance and Traditional Affairs & ICFR) to refocus programmes aimed at eradicating invasive alien species. This revives the industry's participation in the Green Business Value Chain programme that was proposed by the then Department of Environmental Affairs (DEA) a few years ago. The aim of this initiative is to: (i) re-focus the Department's programme into areas of interest to the forestry industry, (ii) utilise the funds allocated to these programmes in clearing areas to release water for afforestation, and (iii) hopefully convert jungles, or portions of which are situated in forestry-suitable sites, into sustainably managed plantations.



Small-Scale Grower Certification

In support of Deliverable 6 of Focus Area 2 of the Forestry Sector Masterplan (Transformation – Certification of small-scale forestry operators), the Business Development Committee engaged with various partners to take

advantage of two ongoing PhD research projects at Nelson Mandela University and Pretoria University, addressing certification of small-scale growers. The aim of this initiative is to deliver an appropriate and achievable forestry certification system for small-scale forestry operators.

The FSA Environmental Management Committee played a critical role in this process to date and are acknowledged for their contributions which resulted in the conceptualisation of the initiative and setting of quarterly targets as required by the Masterplan Implementation.

Grower Consultation

Grower consultation is the main method by which FSA discusses critical matters with growers, communicates successes and challenges on assignments that were commissioned by the growers and generally communicates industry news. The consultations consist of a series of nine Annual Regional Meetings throughout the country, followed by additional district and provincial meetings with our small-scale growers.

Challenges with connectivity in some areas continued to affect grower consultations in 2021 as most of the meetings had been scheduled as online virtual meetings. Restrictions on travel and meetings also posed a great communication challenge, as most growers were not allowed to meet in their usual venues for the better part of 2021. To improve communication with growers, all FSA communications distributed on the FSA Telegram Channel and WhatsApp Group, were translated to isiZulu and subsequently distributed on WhatsApp and bulk SMS to small-scale timber growers.

The time and effort given by members of District and Provincial structures, in learning how to use Microsoft Teams, Zoom and other platforms, is appreciated. It allowed FSA to continue to serve our members optimally even though observed participation was not as good as desired due to very poor internet connectivity in many areas. FSA was fortunate to host a few physical meetings in Zululand, uMzinyathi, UGU and iLembe districts. Unfortunately, the other districts were not able to host face to face meetings either because of unsuitable venues due to lockdown regulations or the facilities were not yet open to visitors. Unfortunately, the yearly Fire Awareness Campaigns that were usually held in partnership with local Working on Fire (WoF) teams were not possible this year due to the restrictions that were imposed on meetings and travelling, by Covid-19.

In addition to the grower consultations, all three of our Small-Scale Grower Group (SGG) Regional Chairpersons took the opportunity to share their views and knowledge in the FSA Magazine. This allowed their experiences to be shared much wider than was possible solely through the grower consultations. All three of the publications are available for downloads on the FSA website. We look forward to seeing greater uptake of this form of communication from our SSG reps, including from the District Chairpersons.

EDUCATION AND TRAINING

FSA was approached by one of our members to assist with the development of a skills programme for Chainsaw Mechanics. The request was presented to the Training and Education Committee who supported the initiative. FSA and its members subsequently engaged with SAFCA on the matter whereafter the project was formally supported. FSA will collaborate with Ms Pam Naidoo from SAFCA and draft a proposal to the FP&M SETA.

As reported elsewhere in this report, the Forestry Sector Masterplan has resulted in progress in a number of critical areas affecting our Sector. One of the deliverables that was prioritised under Focus Area 5 (Research, Development & Innovation, Human Resource Development and Skills) of the Forestry Sector Masterplan, is to conduct a skills audit to determine skills gaps and redundant skills on processing and production forestry, and to identify clear career paths and training programmes for lesser-skilled workers to fill higher level positions. FSA is collaborating with the FP&M SETA and organised labour in this regard and has initiated the identification and appointment of a service provider to conduct this study.

FSA-led Training Interventions

We are happy to report that all 60 learners who participated in the Advanced Chainsaw Training Course, successfully completed the course. The initiative was unfortunately interrupted a few times due to positive Covid-19 cases being confirmed. The failed insurrection added further interruptions. In spite of these major challenges, the trainees persevered and succeeded in completing the course. Similarly, 30 learners successfully completed the Supervisor Training Course. The

Firefighting Training also progressed well and is expected to be completed in March 2022. Although the impacts of Covid on the course slowed the progress, the proper scheduling of the training interventions in a staggered fashion, by FSA's Development Manager, Mr Nathi Ndlela, ensured that the correct health protocols were observed in all training.

FSA's Business Development Unit also facilitated follow-up training on operating the small-scale timber winch which was completed in Richmond at Inkanyezi Community in November of the year under review. Operators from the two villages in KZN (Inkanyezi & Ozwathini) convened at the Inkanyezi community plantation for the training.

The uploading of assessment and moderation documents to the FP&M SETA's system was underway at the time of drafting this report.

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

The FOREST21 project which FSA coordinated to successfully secure a €1 million Grant from the Erasmus+ Programme was launched (virtually) on 14 April 2021. Ministers, senior government officials, academics and industry leaders from South Africa, Finland and Norway attended the launch and expressed their support and excitement for this collaborative project that hopes to contribute to forestry curricula development in South Africa's higher education institutions (HEI).

Mr Norman Dlamini managed a team of local coordinators that included Dr Brand Wessels (Stellenbosch University), Dr Phillip Tshidzumba (Fort Cox Agriculture & Forestry Training Institute), Prof Jos Louw (Nelson Mandela University), Prof Peter Adesoye (University of Venda), Prof Puffy Soundy (Tshwane University of Technology), Dr Eija Laitinen (Häme University of Applied Sciences), Dr Subra Riina (Aalto University) and Prof Vladimir Naumov (Inland Norway University of Applied Sciences), who are responsible for the implementation of the programme.

The project, which seeks to mainstream climate change and forestry entrepreneurship into the forestry curricula in South Africa, and to improve teaching and learning by introducing a problem-based learning ecosystem, has been progressing well. Naturally, a large amount of rescheduling had to be done to accommodate the restrictions on travel caused by Covid-19. The Project Advisory Board (PAB) was established, fully constituted and met for the first time on 4th October 2021. Dr Kaluke Mawila of Nelson Mandela University was chosen as the inaugural chairperson of the Board. In November, FOREST21 coordinators met associate partners to finalise the design of the student cases.

Members of FSA are applauded for supporting Prof Jos Louw (NMU) and Ben du Toit (SU) in this process.

OTHER TRAINING MATTERS

Business Management and Fire Management Courses: FSA extended an invitation to growers and contractors to attend two short courses on Business Management and Fire Management. The courses, sponsored by the FP&M SETA, were conducted by well-known industry figures, the late Dr Jaap Steenkamp and Mr Ben Potgieter under the banner of CMO.

Class numbers were limited to 20 learners over seven venues, allocating seats on a first-come-first-serve basis. The courses were held in Tzaneen (Westfalia HM Training centre), Sabie (Platorand), Piet Retief (FFA), KwaMbonambi (Sappi Training Centre), Pietermaritzburg (Stihl Boardroom), Tsitsikamma (Witels, Die Stal) and Knysna (Concordia Centre). FSA would like to express our gratitude to all for making these venues available for the courses.

Placing of Students in Industry: The placing of forestry students in Industry for their experiential training year, which has been a problem over several years, remained so during the year under review, with Nelson Mandela University (NMU) experiencing significant challenges in this regard. Even though NMU has been able to secure funding for stipends for the students through the FP&M SETA, the financial situation of many of our members who generously take on these students, has become more dire. These challenges escalated considerably during the year in review due to the added impact of the Covid-19 pandemic and the resultant negative financial impact on the Sector. In spite of this and following FSA's approaches to our members, we and NMU were most grateful that the students were able to be placed for their experiential year

FSA asked members who were in a position to do so, to consider hosting students for their experiential training. This is crucially important as students must have successfully passed their practical year, for them to receive a qualification at the end of their studies.

The Academic Institutions and FP&M SETA are commended for securing funding to support the students during their experiential training.

TRANSPORT ISSUES

Rail transport

Following the establishment of the PPGI Logistics Leads to address cross-sectorial challenges, a collective including FSA, Agbiz and the Citrus Growers Association, engaged with the African Rail Industry Association (ARIA). ARIA encouraged the sectors to review their commodity flows for possible Third-Party Access pilot projects. Subsequent to this engagement, FSA and its members reliant on rail, along with PPGI Logistics Leads met with ARIA where a two-pronged approach was agreed upon. This included (i) Investigating the possibility of pilot project(s) to allow Third Party Access to increase rail capacity, and (ii) Stabilising current rail performance.

During a meeting between ARIA and the Director General of the Department of Public Enterprises in September 2021 to present Third Party Access, ARIA presented the timber volumes currently moving on road that FSA and its members believe should be moving on rail as a pilot project to supplement the existing capacity from Transnet. The Director General was exceptionally receptive to the proposal and confirmed that the DPE would support it as the shareholder of Transnet, if the project proved workable and added value to both Industry and Transnet. FSA believes that the timber industry is well-positioned to present a successful third-party access model to Transfreight Rail, since timber was not a strategic customer such as coal and iron ore. *At the time of compiling this report, FSA members were in discussions with ARIA to look at the feasibility of pilot projects and FSA has already submitted proposals in this regard to Transnet's CEO, with a meeting scheduled for 28 April 2022.*

With regards to stabilising the current rail performance, FSA has been working with the PPGI Logistics Leads to develop a Service Level Agreement (SLA) between the Forestry Sector and Transnet. The purpose of such a SLA is to set out the nature and extent of the Transport Services to be provided by Transnet Freight Rail (TFR) in terms of a Main Agreement, and refers to service levels and requirements to be achieved by the parties as well as the corresponding obligations of the parties. Such a SLA is currently in place between the Export Coal Industry and TFR and works with reasonable success. Three task teams, comprising of industry and TFR representatives, were formed in 2020 to deal with specific rail issues. These task teams continued to operate into 2021, but unfortunately were interrupted in October 2021 when over 1 500 Transnet employees took voluntary severance packages, among others the chairpersons of the task teams. FSA endeavours to ensure the resuscitation of these task teams and their continued efforts during 2022.

Road transport

Similar to rail issues reported above, FSA is working closely with the PPGI Logistics Leads to get the Performance Based Standards (PBS) Vehicle concept accepted in the South African legislative framework. The CSIR submitted the results of the PBS Pilot Project to the Department of Transport (DoT) in October 2020, followed by a presentation in March of the year under review, to request the formalization of the PBS concept. No response has been forthcoming from the DoT and FSA has raised the matter with the PPGI for intervention.

To address the deadlock in the application of PBS Permits in Mpumalanga, FSA participated in a meeting with the Deputy Minister of Transport, the Mpumalanga Department of Community Safety, Security & Liaison, the Mpumalanga Department of Public Works, Roads & Transport, the Minerals Council and various interest groups. The deadlock is a result of the PBS Pilot Project coming to an end without clear direction from the DoT as to the way forward. It was positive to note that the Deputy Minister and the relevant Deputy Director-General of the DoT, undertook to speed up the acceptance of the PBS initiative which will be beneficial for our members in the affected areas. FSA also committed to work with Provincial DoT's to get PBS applications approved.

Ports

During the year in review, our sector faced a number of challenges with regard to ports. Once again, our Sector is fortunate to have our Sector Masterplan in place and being implemented as several key inhibitors relating to ports are captured under Focus Area 6 of the Forestry Sector Masterplan. *As mentioned above, at the time of compiling this report, FSA had submitted proposals concerning ports to the CEO of Transnet and had secured a meeting with her on 28 April 2022.*

FOREST OPERATIONS MATTERS

Forest Valuation

As reported previously, FSA has been in the process of developing Forest Valuation Guidelines due to requests from members and government. In this regard, FSA has been working with various industry stakeholders to develop a Forest Valuation Guideline that is suited for the South African Forestry Sector. A Working Group has reviewed the first draft, which is based on the combined New Zealand/Australian

Valuation Standard and will continue to formulate and finalise a South African focussed guideline in 2022.

Health and Safety

The FSA Health and Safety Committee remained central in preventing and mitigating the spread of Covid-19.

During the year in review, they disseminated the Continuous Professional Development (CPD) accredited online training courses, offered by the National Institute for Occupational Health, information on the registration of frontline workers for Covid vaccines and behavioural change training videos.

Roads

Following a review of the South African Forestry Roads Handbook by the FSA Operations Working Group, it became evident that the handbook required an update. The need for a review of this thematic area was endorsed by the FSA Environmental Management Committee who highlighted the importance of roads, both for sustainable forest management and the potential silting of water resources, which has also been receiving attention in the conditions linked to water use licences. The Working Group will establish a sub-committee in 2022, comprising of members from the various companies to review the document.

Fuel containers

During the failed insurrection in July, the prohibited use of fuel containers other than the SABS -approved (SANS 1176 2010) containers, created major challenges for our members. This was due to the fact that a number of our members utilise products on the market such as chainsaw fuel containers that carry the European standard (UN 1202, 1203 & 1223), sold by reputable companies. This resulted in several members experiencing problems when attempting to refuel these "foreign" containers, which was hampering fire-fighting and felling operations, among others. Fortunately, FSA was quickly (within three days) able to obtain an amendment to the emergency regulations, which allowed us to fill Industry utilised containers.

Since that time, FSA has engaged with the SABS on two options to resolve the ongoing issue of alignment between the international and domestic standards as follows. The first is to amend the legislation to also recognise the European standard, or alternatively the European standard as the South African National Standard (SANS). Both these options will require the establishment of a national committee which is being pursued currently.

Diesel Rebate

As reported in previous years, FSA has been continually engaging with SARS to ensure the diesel refund system is more inclusive and appropriate for our members. Through our numerous submissions and engagements with SARS since 2016, we are delighted to report that most of our requests were finally implemented.

A new refund system will be announced, on a date to be determined, that will separate the system from the VAT administration system. Diesel refund users will therefore not have to be registered for VAT. Current entities which claim through the VAT system will have to register separately with the standalone system. In the interim, the smaller producers below the threshold for compulsory VAT registration, may voluntarily register to access the diesel refund scheme.

The most notable points for which we have been fighting for years and which emanated from our meeting with SARS were:

Forest Protection: SARS confirmed that both the prevention of (preparation of fire breaks etc) and the fighting of fires, would now qualify for the rebate.

SMME's: SARS have adapted the provision for small-scale sugarcane farmers in the current legislation to include Small-scale Timber Growers (SSGs) in Forestry. This is a voluntary arrangement between the small-scale growers and mills, where the mills are registered as users and can process collective refund applications as an agent, on behalf of the small-scale growers. FSA proposed that the threshold for SSGs should align with that of Exempted Micro Enterprises, as per the Forestry Charter Code, which is R10 million. SARS supported this rationale and requested a formal submission from FSA to propose this higher threshold.

Return trips of specialised haulage vehicles: These are now included as a qualifying activity which was an enormous concession for which we have been fighting as long-haul costs are one of the biggest costs for timber growers.

Wet contractors: Will be accommodated in future and can register and claim in their own right.

Equipment and Vehicles: FSA was successful in having additional equipment listed to perform qualifying activities, such as forwarders and timber loaders. Simplified logbook templates will be provided in new legislation, which still needs to be developed in consultation with the industry.

Labour Carriers: SARS was initially of the view that there is an equity issue relating to *bona fide* transport businesses like bus services, which also move people but do not qualify for diesel refunds. FSA argued that this comparison wasn't appropriate since the purpose of the refund is to compensate users like timber growers, who don't primarily use public roads and to increase South Africa's export competitiveness. Both of these criteria apply fully in the transportation of labour in forestry and neither of them apply in the main, to the transportation of other people on buses, which generally use public roads and whose economic activities are not especially related to increasing the country's export competitiveness. SARS indicated in the meeting that while they can see the logic of FSA's position, that we would have to approach National Treasury on this, as they have the mandate to determine the policy scope of the review of the diesel refund system. FSA has drafted a submission to NT in this regard.

Request to separate Forestry from Agriculture: While FSA was mandated by members to request SARS to separate Forestry from Agriculture, so that we could get special recognition for things like specialised forestry equipment, SARS stated that most forestry sector respondents indicated a preference to stay under a single dispensation for Agriculture and Forestry. This was because most of our members have both agricultural and forestry operations. FSA supported SARS's reasoning since they have committed to providing separate recognition for Forestry-listed activities and vehicles, so the need for a separate dispensation is no longer required, and it will also reduce the administrative burden on members, having a single dispensation for both sectors.

It is estimated that the above-mentioned concessions, which FSA secured from SARS, will save the Industry in the order of wwR100 million per annum and this figure will rise further, should we succeed in overcoming the last remaining challenge of labour carriers. This has been a 10-year battle for FSA, so having SARS finally make these significant concessions, has demonstrated the value of staying the course on important issues, which affect the profitability and competitiveness of our members.

TRANSFORMATION AND THE FOREST SECTOR CHARTER COUNCIL

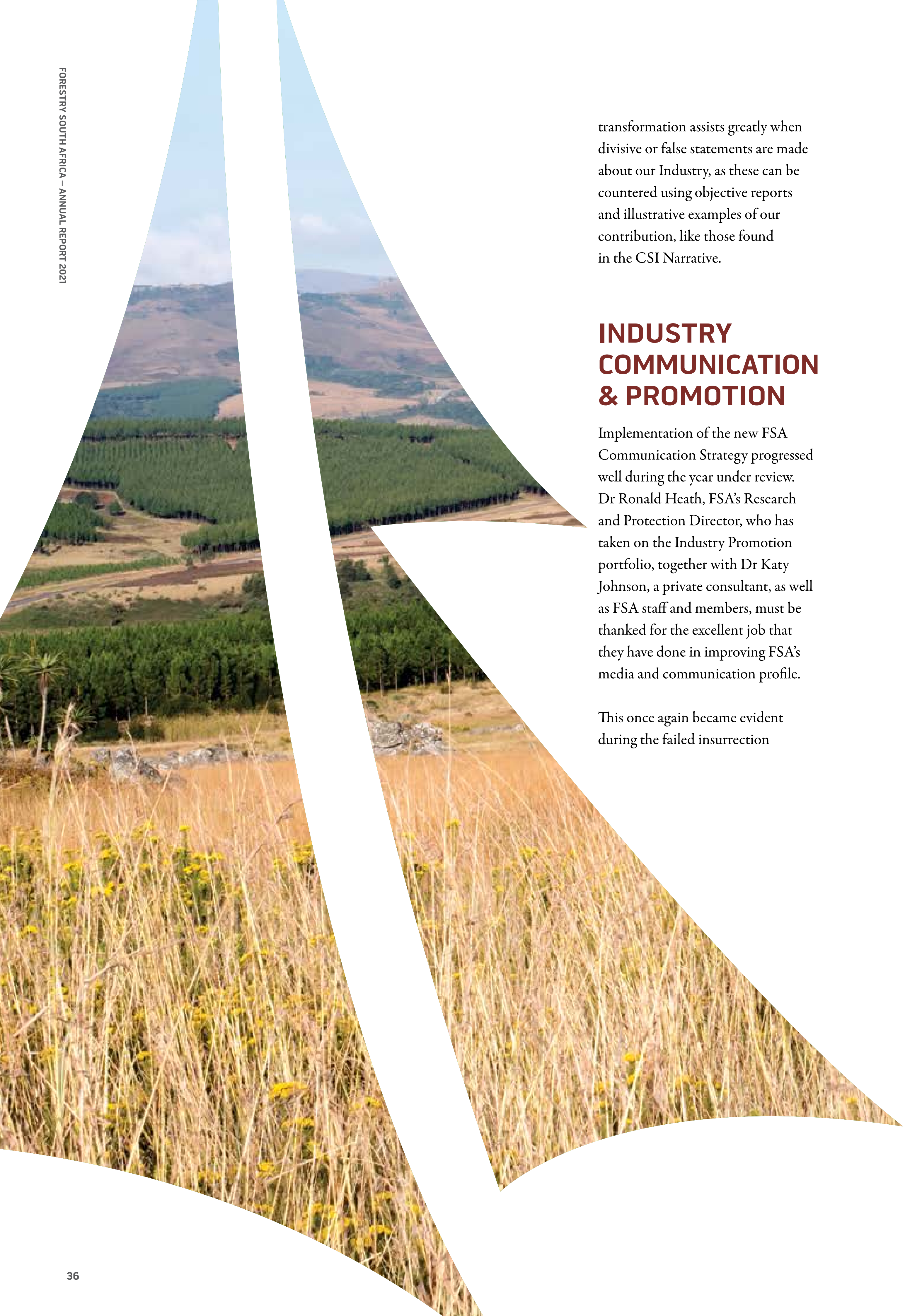
We sadly lost the Chairperson of our Forest Sector Charter Council, Dr Diphoko Mahango, who had chaired the Council for the last five years. Dr Mahango was passionate about holding all parties, and the State in particular (given their ongoing lapses over so many years), to account for their commitments in the Forests Sector Code.

As reported previously, the Forest Sector Charter Council (FSCC) is one of the few Council's that consistently produces a transformation status report. The 14th report for the 2020/21 financial year has been made available and the sector once again achieved a Level 4 B-BBEE Status even under harsh economic conditions, worsened by the Covid-19 pandemic. This is a truly remarkable achievement, given the unilateral changes made to the structure and targets of the scorecard during the Zuma-administration, which initially caused the Sector (along with many other sectors too) to drop to level 6. Industry can be very proud of our transformation performance, especially given the many structural challenges which remain in the Sector and which have either not been addressed by the State, or are simply overlooked when assessing progress on transformation.

Following the failures by the DTIC to respond to our requests for a modified BBBEE scorecard to accommodate reporting under State of Disaster conditions, the FSCC drafted a Schedule 4 detailing measurement criteria for B-BBEE in the Forest Sector, during a State of Disaster. The Schedule 4 has been supported for gazetting by the Department of Trade, Industry and Competition (DTIC) and members of FSA will be notified once it is gazetted under section 9(5) of the B-BBEE Act, allowing for public comments. The FSCC has expressed their gratitude to the Forestry Sector and are encouraged that our members still prioritised B-BBEE even under such unconducive economic times.

We are most fortunate to have a functioning Council under the excellent management of its Executive Director, Ms Makhosazana Mavimbela and she, along with all the sub-sector representatives from our member companies, are sincerely thanked for their continued work in addressing the transformation challenges for our Sector and country.

FSA implores members to report on B-BBEE and share their 2021/2022 B-BBEE certificate and underlying report with the FSCC, for the compilation of the next annual status report for the sector for 2022. This along with other important narrative reports, like the CSI report referred to elsewhere in the report, provide valuable and objective measures of the true status of transformation in our Sector, which is vastly better than in many other sectors and from how some politicians choose to portray the Industry. Having independently-audited performance reports on



transformation assists greatly when divisive or false statements are made about our Industry, as these can be countered using objective reports and illustrative examples of our contribution, like those found in the CSI Narrative.

INDUSTRY COMMUNICATION & PROMOTION

Implementation of the new FSA Communication Strategy progressed well during the year under review. 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 and members, must be thanked for the excellent job that they have done in improving FSA's media and communication profile.

This once again became evident during the failed insurrection when FSA established a disaster management webpage to house and share key information, which was distributed on the FSA Telegram Channel. We also produced an infographic to illustrate the impact the civil unrest in South Africa had on the sector. Subsequently, the information generated has been used by Government departments to address the resulting impact of the civil unrest.

Promotions

One of the main focus areas of FSA's communication and promotion initiatives is to showcase the exceptional efforts of our members and the Sector more broadly, which are not always well-recognised.

In celebration of the International day of Biological Diversity, FSA produced an infographic that showcases the myriad ways biodiversity is being conserved within the forestry landscape. Research and biodiversity-focussed programmes being conducted by FSA members was used to illustrate the Industry's enormous contribution to the conservation of biological diversity. As was seen with the plantation industry's grasslands, during the Grasslands Programme of the UNDP-GEF-SANBI, our indigenous forests and the biological corridors which they provide for bio-diversity, are among the best conserved in the country. The infographic and article were republished in the International Council of Forest & Paper Associations (ICFPA) quarterly newsletter.

In August, FSA also celebrated women at the forefront of forestry. A series of 11 interviews were conducted with women from across the forestry sector and its value chains, who are leaders in their respective fields. The interviews included women in research, small-scale grower representatives, mechanical engineers, chairs of FSA working groups, transformation and sustainable development. The interviews were collated into a single interactive infographic (https://www.forestrysouthafrica.co.za/women-in-forestry-infographic-final/), that showcased the integral role women now play in the Sector.

In addition to the aforementioned campaign, a month-long Instagram campaign featured 35 women from across the industry, from heavy machine operators to office staff and researchers. In addition to this initiative, FSA played a major role in the "*She Is Forestry: Women in Forestry Webinar*". Communication Consultant, Dr Katy Johnson, was tasked with organising the webinar and was the facilitator on the day. We would also like to acknowledge Messrs Norman Dlamini and Nathi Ndlela for their contribution to making the event a success. FSA will continue to support this important initiative in the future.

In support of Arbor Week, FSA published an infographic celebrating the Champion Trees and magnificent tree specimens found within the forestry landscape. Eight FSA members participated, submitting contributions which were compiled into an interactive infographic where viewers could click on each specimen to find out more about it. This not only celebrated trees in general, but also promoted the diverse nature of the forestry sector.

In addition to the abovementioned promotional initiatives performed during the year in review, two infographics previously developed by FSA were published in local forestry related media. These infographics were "*Why Choose Wood*" (https://www.forestrysouthafrica.co.za/info-graphics/end-products-page/why-choose-wood/027-why-choose-wood-print/) and "*Getting to know SA Forests*" (https://www.forestrysouthafrica.co.za/info-graphics/homepage/getting-to-know-south-africas-forests/). The free publication of these infographics not only extends our media exposure, but once again comes at no cost to our members.

FSA Magazine

The FSA Magazine continues to receive excellent reviews from our members, stakeholders and partners, with excellent opening and click through rates and positive feedback from readers. Many of the articles produced for the magazine have been used by other organisations, for example FOREST21 (reported on elsewhere in this report), who reposted all the articles on their projects on their website. Many have also featured in the ICFPA quarterly newsletter.

Issue Four was released at the end of September, as we moved the magazine from bi-monthly to quarterly publication.

TIP-MAG

Issue three of the Timber Industry Presents Magazine (TIP-MAG) was released in July of the year under review. This release resulted in a 20% increase in website traffic in July compared with June. The issue received 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.

Website

Website traffic continued to increase on a month-on-month basis throughout the year under review compared to 2020. The months with promotions, most notably August – Women's Month and Arbor Week – resulted in significantly higher website traffic.

The impact of the web team's Search Engine Optimisation efforts can be seen with increasingly high hits. Overall, we are incredibly pleased with the progress of the website and the impact that the content we produce, on social media and via traditional media platforms has, in driving traffic to the site. We will continue to build on this into 2022.

Core forestry documents, available on the front end of the website, including the Forestry Masterplan (reported on elsewhere in this report), Careers in Forestry and the Recreational map activities, are constantly in the download top ten. Forestry Explained case studies and infographics providing forestry overviews and illustrative points are also popular downloads.

Instagram

During the period under review, 171 posts had been uploaded to the @forestry_explained Instagram account. The posts reached 25 838 individual Instagram account holders resulting in 76 725 impressions (appearances in the news feeds of others) and produced 63 click-throughs to the www.forestrysouthafrica.co.za website resulting in 1 693 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 www.forestrysouthafrica.co.za website and a substantial spike in profile visits, illustrating the importance of utilising the Instagram platform in forestry promotions.

Media exposure

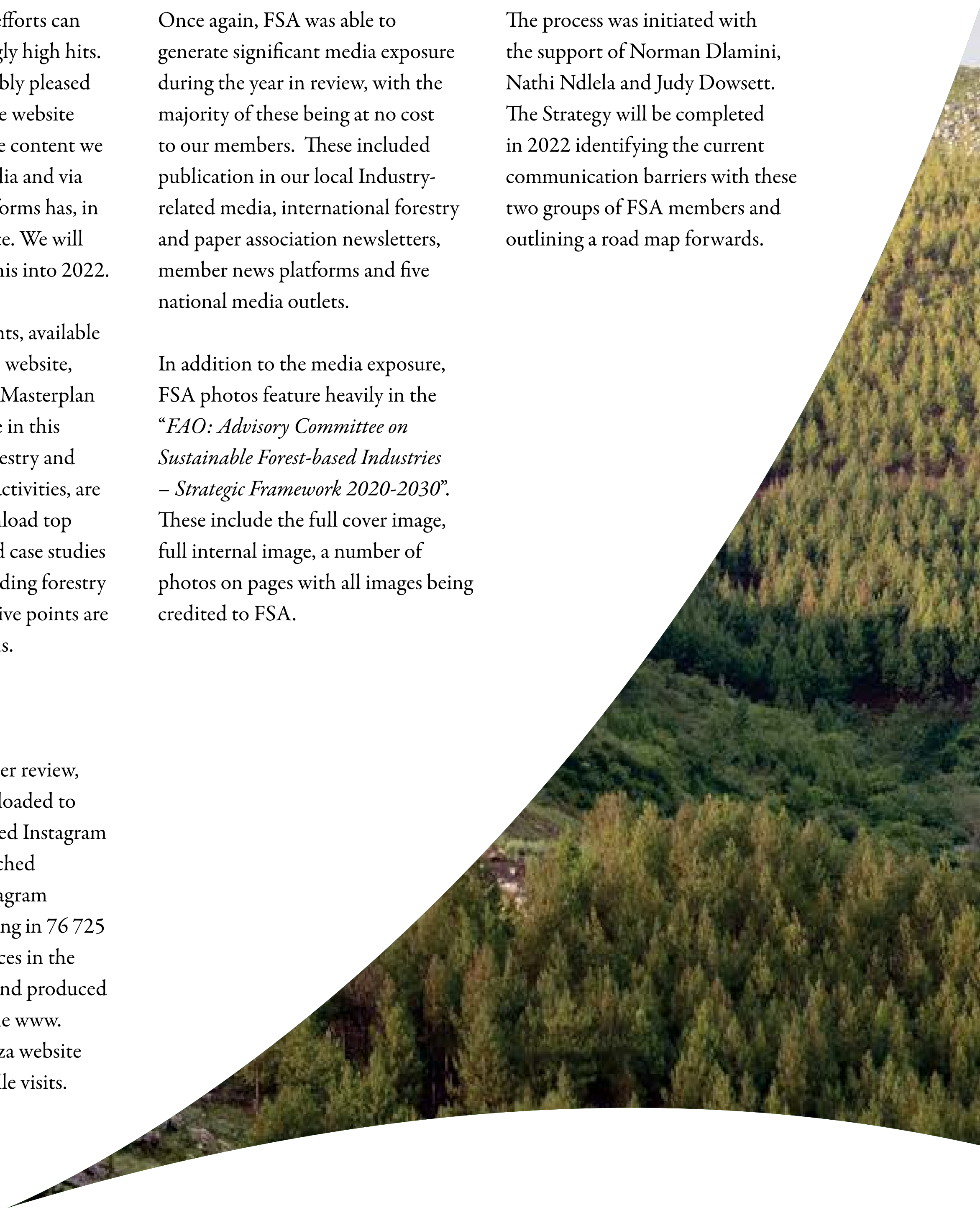
Once again, FSA was able to generate significant media exposure during the year in review, with the majority of these being at no cost to our members. These included publication in our local Industry-related media, international forestry and paper association newsletters, member news platforms and five national media outlets.

In addition to the media exposure, FSA photos feature heavily in the "*FAO: Advisory Committee on Sustainable Forest-based Industries – Strategic Framework 2020-2030*". These include the full cover image, full internal image, a number of photos on pages with all images being credited to FSA.

Small-and Medium-scale Grower Communications Plan

Since the development of the FSA Promotion and Communication Strategy in 2019, FSA identified the need for a specialised Small- and Medium-scale Grower Communication Strategy. This was mainly due to the language diversity and communication platforms available to growers.

The process was initiated with the support of Norman Dlamini, Nathi Ndlela and Judy Dowsett. The Strategy will be completed in 2022 identifying the current communication barriers with these two groups of FSA members and outlining a road map forwards.



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, proved critical in 2020, in managing the Covid-19 crisis. Similarly, the enormous effort of our private sector partners and the leadership of the PPGI, proved critical for navigating the Sector and country through the impacts of the Crisis and will remain critical in growing the country and Sector into the future.

MICHAEL PETER
Executive Director
FORESTRY SOUTH AFRICA
March 2022

FINANCES

FSA FINANCIAL STATEMENTS 2021

The Audited Financial Statements for the year ended 31 December 2021, will be available on the Association's website (www.forestrysouthafrica.co.za) once ratified by the AGM.

FSA's Income of R28.073 million was slightly under budget (R371 000) but this was entirely due to the failure by DFFE to finalise the MoU with FSA last year. The Operational Expenditure of R11.822 million was slightly over budget (R114 000) which was mainly due to the HR Committee awarding a gratuity to the Staff who were involved in limiting the impact of the failed insurrection in July. The Industry expenditure of R22.041 million was R569 000 under budget and most of this was due to the limitations caused by the repeated Covid-19 lockdown regulations.

FSA's Balance sheet remained healthy with R7.541 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 will need to do the same again in 2022.

FSA BUDGET 2022

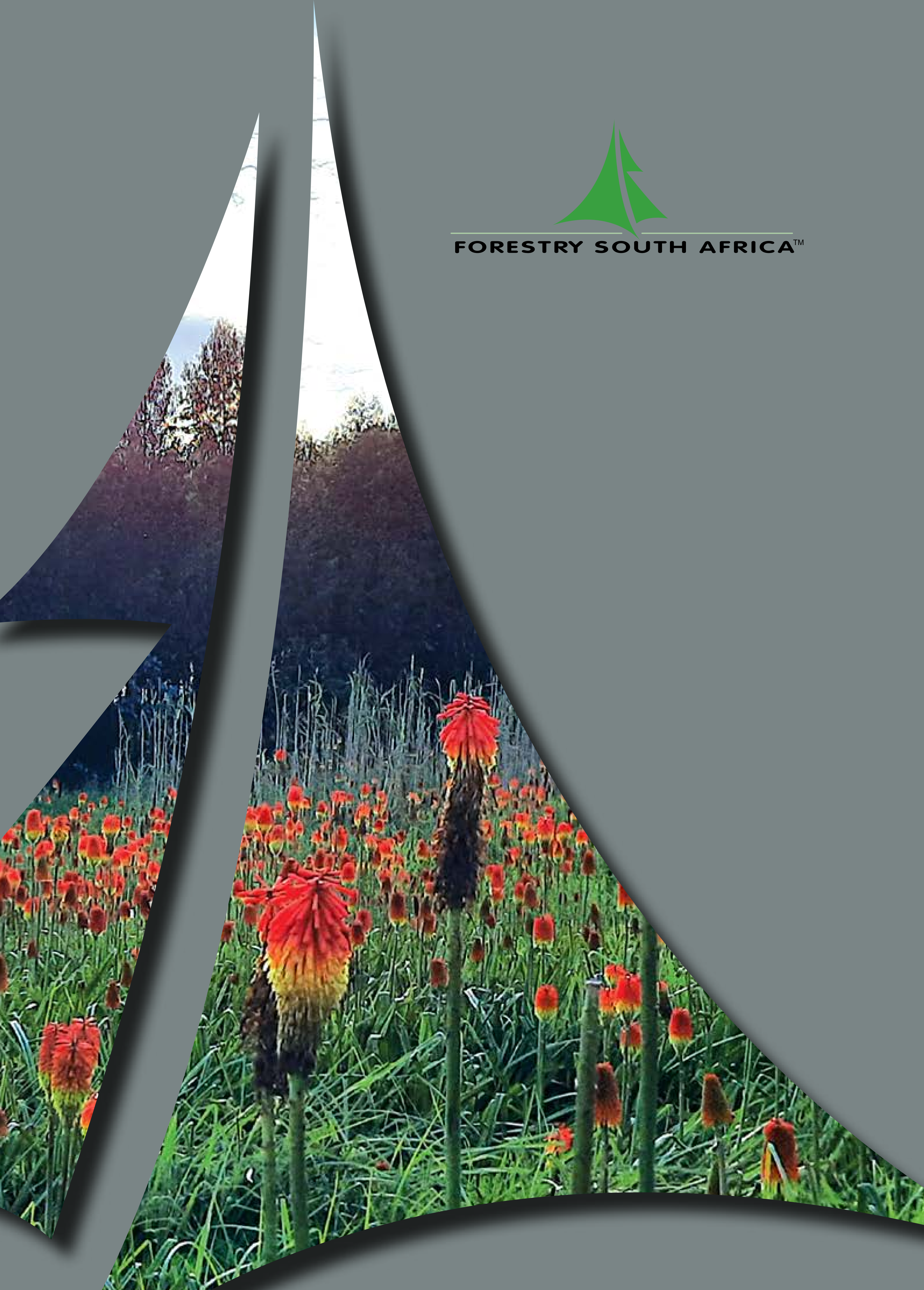
Following inputs from the General Committee, the Executive Committee at its meeting held on 18 November 2021 decided that FSA's Operational Budget be increased by 2.3% to R12.390 million and that the Industry Budget be increased by 8.7% to R18.294 million. This resulted in a Total Combined Budget of R30.685 million, which translated into a 4.5% increase in member contributions, which was below inflation. It was noted that this was the second below-inflation increase in a row, with the 2020 budget actually decreasing in real terms by 10%.

In terms of funding the appeal process for the water-related Court applications, the EXCO also resolved that FSA could raise half the required funds from reserves and the other half from a special levy.

FSA CONTRIBUTORS

SMALL GROWERS GROUP (SGG Co-operatives)

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



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