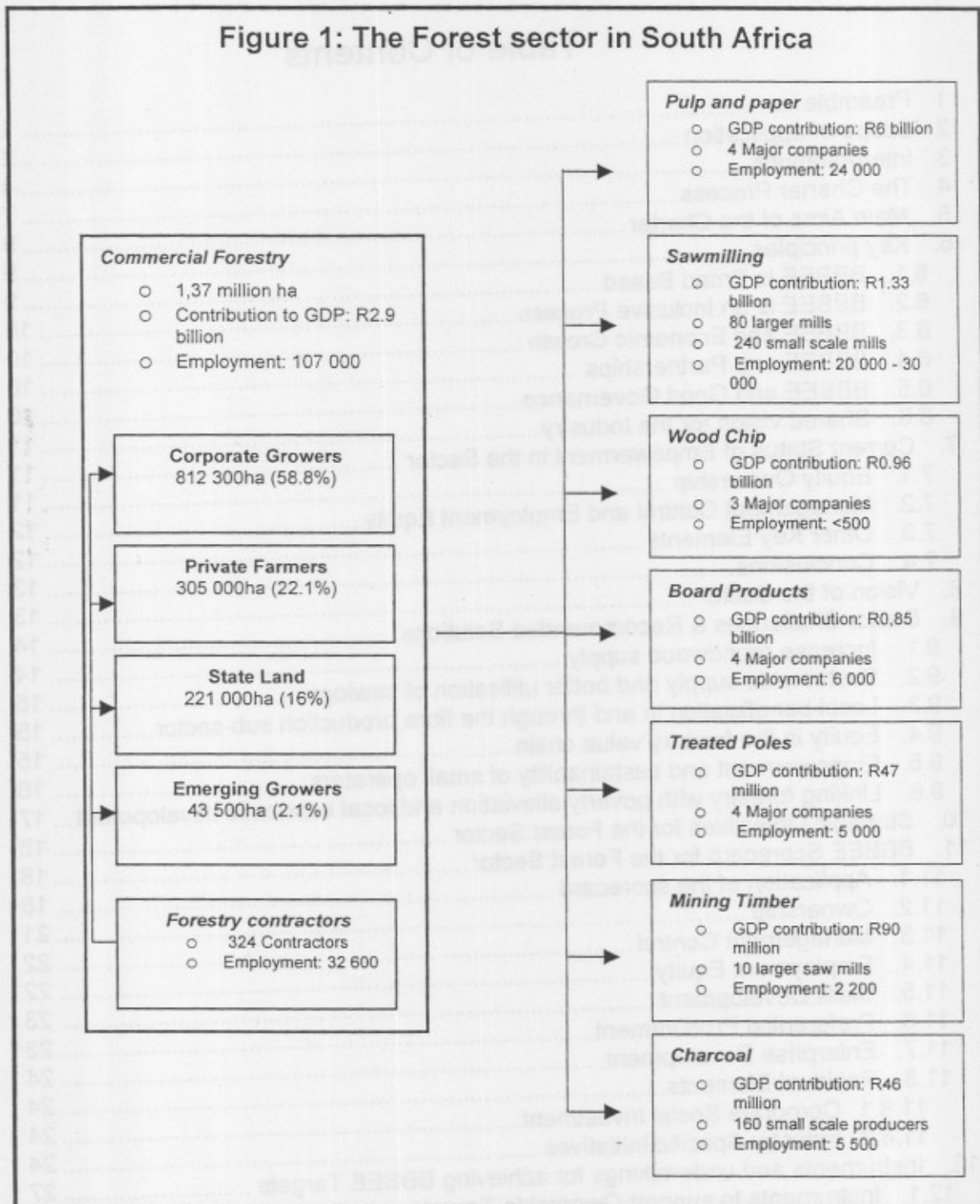


Figure 1: The Forest sector in South Africa



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## 1 Preamble

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

- Our sector is still largely white-dominated and male-owned and characterised by large disparities in access to opportunities and benefits for black people, especially black women.
- Growth and prosperity in the South African economy and the Forest Sector cannot be realised without meaningful participation of the majority of black South Africans, including black women, youth and the rural poor in economic life.
- We have the moral and constitutional obligation to reverse the legacy of inequality in the sector, as well as an obligation to our shareholders and employees to support sustainable growth through transformation in the sector.
- The forest sector has specific challenges that need to be addressed in an integrated manner to ensure sustainable equity and growth in the sector.

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

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

We hereby commit ourselves to:

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

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

## 2 Scope of application

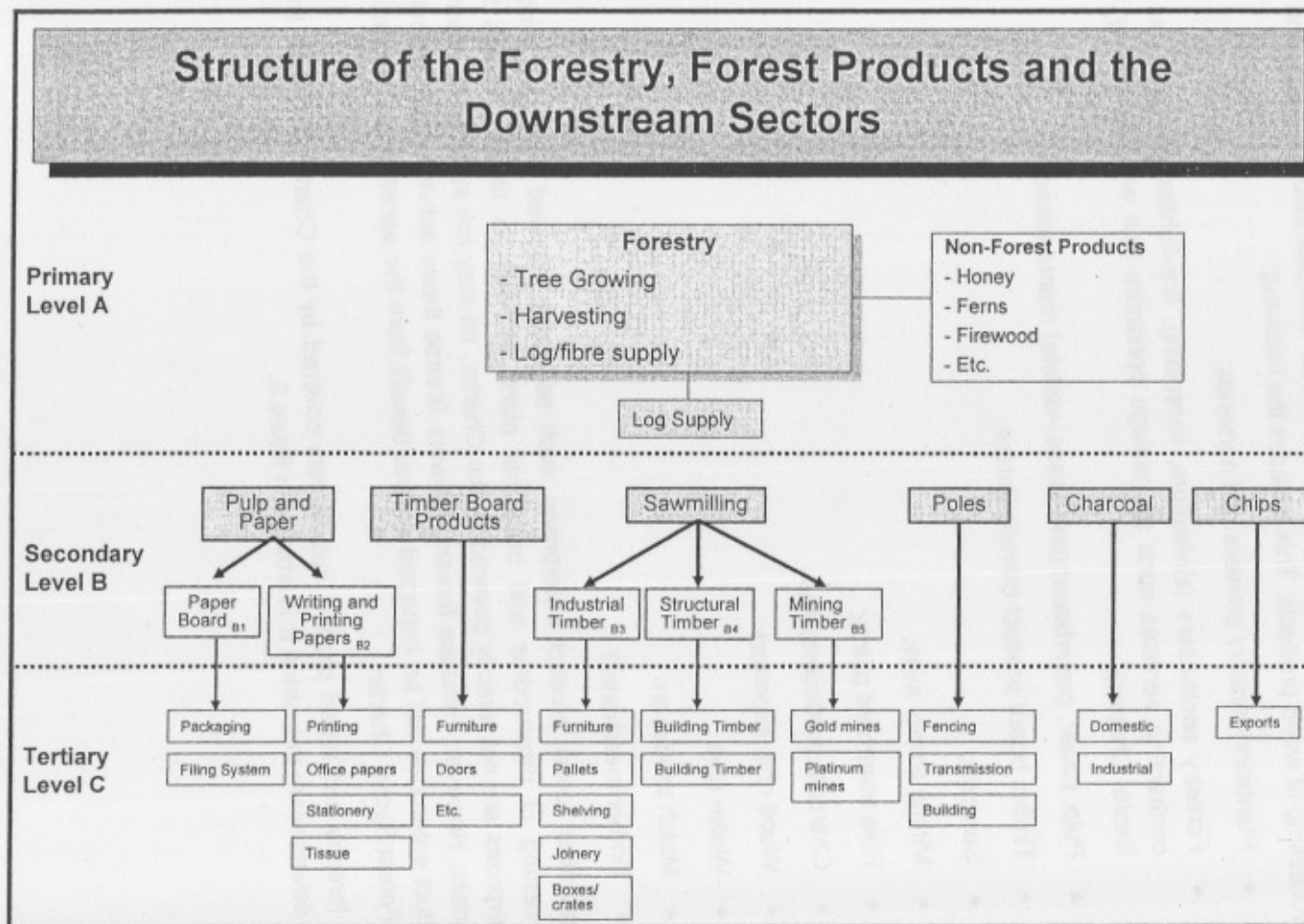
This Charter applies to all enterprises involved with plantation forestry and first level processing of wood products. This includes the following:

- Plantation forestry growers and nurseries;
- Forestry contractors (silviculture, harvesting, fire-fighting services, but excludes contracting services such as haulage operators that are covered by their own Sector Charter),
- Pulp, paper, paperboard (and tissue –delete) manufacturers;
- Timber board product manufacturers;
- Sawmills;
- Mining timber mills;
- Pole treatment plants;
- Charcoal producers; and
- Wood chip exporters
- Wattle bark
- Match producers
- Timber merchants?

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

The forestry and forest product sub-sectors covered by the Charter and their linkages with downstream industries is illustrated in figure 2.

Figure 2.



### 3 Interpretations

Any person applying this Charter must interpret its provision in accordance with the meanings contained in the BBBEE Act and the Codes of Good Practice that have been issued in terms of this Act.

For the purpose of interpretation the following terms apply:

(still to be finalised)

Accredited Verification Agencies	BEE Verification Agencies that have been accredited by SANAS in terms of the Code 000 Statement 020 to provide an independent opinion on the broad-based economic empowerment status of enterprise
BEE procurement recognition levels	
Beneficiary Entity	As defined in Code 600 Statement 600
Black Designated Groups	Black designated groups include workers; unemployed people; youth; aged; people with disabilities; and people living in rural areas
Black Disabled People	Black people who satisfy the criteria in the definition of 'persons with disabilities' set out in par. 5.1 of the "code of good practice on the employment of people with disabilities" (as amended or substituted from time to time) issued in terms of section 54(1)(a) of the Employment Equity Act
Black Unemployed	Black people who are unemployed, are not attending an educational institution, or are not awaiting admission to an educational institution
Code of Good Practice	Two types of codes are referred to in this Charter. 1. A set of voluntary industry codes setting out best practice for employment and contracting within the sector. 2. Codes of Good Practice issued in terms of s. 9 of the Broad Based Black Economic Empowerment Act, Act no. 53 of 2003. The codes of good practice on BBBEE provide a standard framework for the measurement of BBBEE across all sectors.
Corporate Social Investment contributions	An enterprise's contribution to society and community that are extraneous to its regular business activities and does not form part of any legal obligation upon the enterprise (full definition in Code 600 Statement 600)
Critical skills	Those skills identified by each SETA in accordance with National Skills Development Strategy. The critical skills for each measured entity will be determined by reference to the critical skills identified by the relevant SETA.
Core skills	Skills that are related to: value adding activities of the measured entity in line with its core business; any areas of work that cannot be outsourced; within the production/operational component of the value chain, not including supply-side, services or downstream operations.

Distribution schemes	
Employment schemes	
Enterprise	A natural or juristic person, or any form of co-operative, conducting a business, trade or profession in the Republic of South Africa as defined in Code 1000 Statement 1000
Enterprise development contributions	The monetary value of monetary or non-monetary contributions initiated and implemented by Measured Entities in favour of Beneficiary Entities with the specific objective of assisting and/or accelerating the development, sustainability and ultimate financial and operational independence of such Beneficiary Entities through the expansion of those Beneficiary Entities' financial and/or operating capacity (full definition in Code 600 Statement 600)
Equity interest	Collective term referring to the entitlement of a participant to receive economic interest and to exercise voting rights in an enterprise. Specifically excluded from the definition is an instrument created as a means to pay off a debt. (full definition in Code 100 Statement 100)
Exempted Micro Enterprises	Forest enterprises that have a total annual turnover of less than R1.5 million
Exercisable voting rights	A voting right of a participant that is fully exercisable without any limitation on the right.
Fibre	Raw material derived from wood used to make paper. Fibre sub-sector refers to the pulp and paper industry.
Fronting	Any practice or initiative in contravention of or against the spirit of any law, provision, process, system, policy, practice, directive, order or any other term or condition pertaining to BEE under the Codes of Good Practice.
Industry Specific Contributions	An enterprise's contribution to industry specific initiatives as identified in par. 11.8 of this Charter for the sub-sector in which the enterprise operates. Such contributions are extraneous to the measured entity's regular business activities and do not form part of any legal obligation upon the enterprise. (full definition in Code 600 Statement 600)
Learnerships	Skills development programmes approved by the relevant SETA and which are accredited in terms of the National Qualifications Framework.
Senior management	As per the EEA9 form issued as a regulation under the Employment Equity Act
Middle management	Includes professionally qualified, experienced specialists and mid management, as per the EEA9 form issued as a regulation under the Employment Equity Act
Junior management	Includes skilled technical and academically qualified workers, junior managers, supervisors, foremen and superintendent as per EEA9 form issued as a regulation under the Employment Equity Act



Measured Entities	An enterprise as well as any organ of State subject to measurement under Codes issued in terms of the BBBEE Act.
Non-recoverable contributions	The monetary value of contributions made by the Measured Entity in the form of grants, donations, discounts and other similar quantifiable benefits which are not recoverable by the Measured Entity
Non-timber Forest Products (NTFP)	Products other than commercial timber obtained from forests including firewood, medicinal plants, wild fruits, honey and mushrooms.
Public Entity	Entities whole owned by organs of state and organs of state themselves
Qualifying Residual Contributions	The monetary or non-monetary contributions initiated and implemented in favour of contribution beneficiaries by a measured entity with the objective of facilitating their access to the economy. Includes both Corporate Social Investment and Industry Specific Contributions.
Qualifying Small Enterprises (QSE's)	Forest enterprises with a total annual turnover of R1.5 million or more, but less than R50 million for the fibre sub-sector and R10 million for all other forest sub-sectors.
Realisation points for ownership fulfilment	The sum of Ownership Fulfilment points and Net Equity Value points referred to in the ownership scorecard para 7.
Recoverable Contributions	The monetary value of contribution made by the Measured Entity to the Beneficiary Entity that must be repaid or returned to the Measured Entity upon the happening of a specified event
Scarce skills	
Yield Enhancement Guidelines	

#### Acronyms

ABET	Adult Basic Education and Training
SETA	Sector Education and Training Authority
SAQA	South African Qualifications Authority
DWAF	Department of Water Affairs and Forestry
DoL	Department of Labour
DoE	Department of Education
DTI	Department of Trade and Industry
FIETA	Forest Industry Education and training Authority
EE	Employment Equity
BBBEE	Broad Based Black Economic Empowerment
SGB	Standards Generating Body
NSF	National Skills Fund
MOU	Memorandum of Understanding

#### 4 The Charter Process

Launch	18 April 2005
<p>Minister Sonjica officially launched the Charter at an indaba held in Midrand. Stakeholders present agreed to develop a BBBEE Charter, and to establish a steering committee assisted by Working Groups to drive the process. The Minister accepted nominations and appointed Steering Committee.</p>	
Working Groups 1 <sup>st</sup> Tasks	June-November 2005
<p>The Steering Committee established 4 sub-sector Working Groups: Growers; Contractors; Sawmillers; and Charcoal and Pole producers; and a group to examine the sector delineation. The first tasks assigned to the sub-sector working groups</p> <ul style="list-style-type: none"> <li>• Develop a charter vision for the sub-sector</li> <li>• Identify key principles to guide the charter</li> <li>• Determine the current status of empowerment in the sub-sector</li> <li>• Determine the challenges facing the sub-sector and recommended solutions:</li> </ul>	
Regional public consultation	September 2005
<p>The findings of the Working Groups were presented at regional public consultation meetings in East London, Durban and Nelspruit. Inputs received from stakeholders were used by the Working Groups to update their submissions</p>	
Draft Charter – preliminary sections	
<p>The WG submissions formed the basis for the drafting of the preliminary sections of the draft Charter, with the Steering Committee playing an oversight role</p>	
Working Groups 2 <sup>nd</sup> Tasks	October/November 2005
<p>The Delineation Working Group recommended a 5<sup>th</sup> Working Group be established for the pulp, paper and timber board sub-sector: The Fibre Working Group. The Steering Committee developed guidelines for development of scorecards by each sub-sector Working Group. WG tasked with:</p> <ul style="list-style-type: none"> <li>• Developing scorecards for their sub-sector</li> <li>• Identifying instruments required for achieving the scorecards</li> </ul>	
Regional public consultation – 2 <sup>nd</sup> round	November/December 2005
<p>A second round of regional public consultation meetings held to review the draft scorecards and instruments. Inputs received used to update the Working Group submissions, which were then used as a basis for compiling the remaining sections of the Draft Charter</p>	
First Conveners Retreat	January 2006
<p>Conveners of the Steering Committee and working groups meet to cross-check sub-sector scorecards, and develop TOR for task teams to examine cross-cutting instruments to support the achievement of scorecard indicators</p>	