



# PORTFOLIO COMMITTEE PRESENTATION

28 November 2017



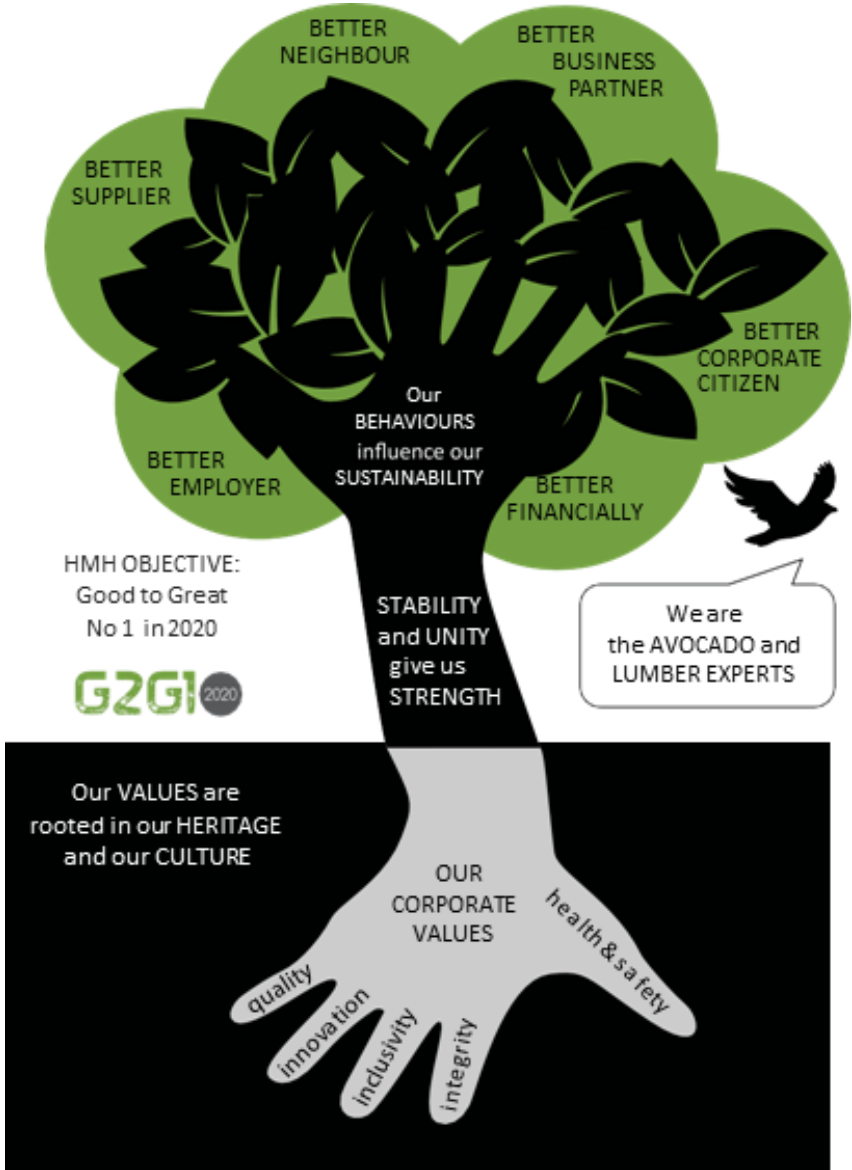
# SINGISI FOREST PRODUCTS (SFP)

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# HMH (Hans Merensky Holdings) GROUP VALUES



# MERENSKY TIMBER GROUP VALUES

## HEALTH & SAFETY

We are committed to putting health and safety first, creating a safe, productive and rewarding work environment.

## INTEGRITY

Demonstrating honesty, truthfulness, reliability and trustworthiness in all we do is key to maintaining an ethical organisation.

## INCLUSIVITY

Respect, fairness and a no-tolerance approach to discrimination are what make HMH a positive place to work.

## INNOVATION

Our innovation is driven by our desire to be as competitive, efficient, productive and creative as possible.

## QUALITY

We strive for excellence by delivering high-quality products and services, in order to consistently exceed customer expectations.

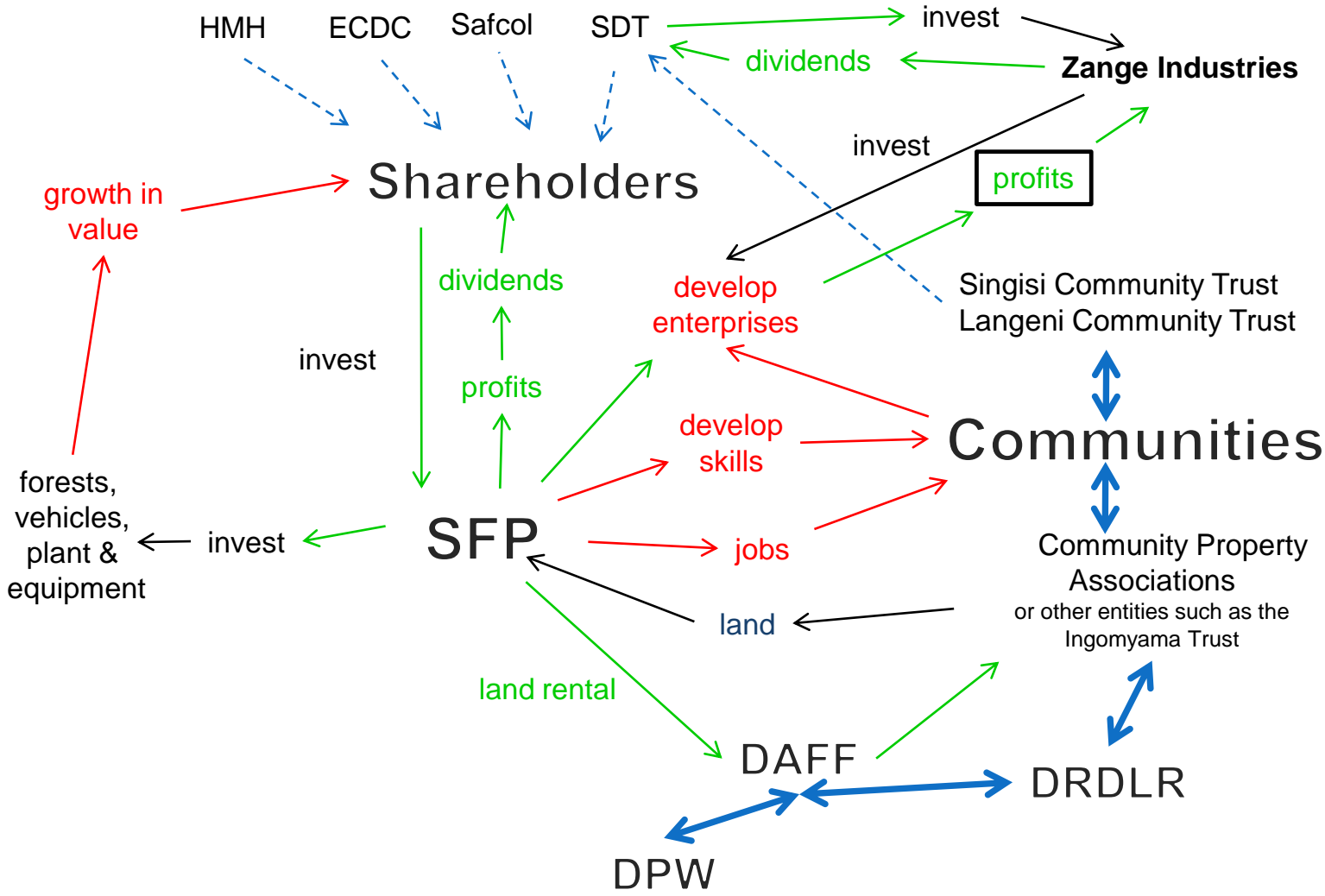
## SINGISI FOREST PRODUCTS (SFP)

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As a subsidiary of Merensky Timber, SFP makes a contribution in the areas that it operates, making a difference since inception, by:

- Taking the lead in Rural Economic Transformation;
- Creating jobs;
- Planting more trees and increasing it's planted area;
- Recapitalising the saw mills with new technology and equipment;
- Continuing to pay rental to DAFF;
- Assisting with the land claims process;
- Providing Socio Economic Development within communities; and
- Supporting Enterprise Development and Supplier Development.

# SFP STAKEHOLDER RELATIONSHIPS



## SINGISI FOREST PRODUCTS (SFP)

- Subsidiary of Merensky Timber (Pty) Ltd and part of the HMH group;
- Under the “Merensky” brand;
- Saw-log plantation value-add process includes:
  - Harvesting;
  - Transport of saw-logs;
  - Replanting of trees;
  - Trimming of lower branches (pruning) to produce quality saw-logs; and
  - Reducing planting density to encourage growth (thinning).

## SINGISI FOREST PRODUCTS (SFP)

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Saw-mill value-add process includes:

- Sawing of logs to sawn-boards;
- Drying of sawn-boards;
- Sawing and planing of kiln-dried sawn-boards;
- Bundling of finished sawn-boards; and
- Delivery to customer.



# SINGISI FOREST PRODUCTS (SFP) HISTORY

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- 2000: State forestry asset making losses;
- Plantations in disrepair, big unplanted areas (TUP), pruning (trimming) and thinning delays;
- Saw mills rundown, high maintenance costs, frequent breakdowns;
- 2001: Privatisation of forestry assets;
  - Plantations and mill equipment bought from SAFCOL/DAFF;
  - DRDLR and DPW land with afforestation rights leased by SFP; and
  - SFP inclusive Share-Equity Enterprise Model created.

## SFP HISTORY

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Majority shareholder decision to include community in original SFP inclusive Share-Equity Enterprise structure (2001):

- HMH (50.4%);
- ECDC (14.6%);
- SAFCOL (25%); and
- SDT community structure (10%).

## SFP BACKGROUND

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- SFP produces lumber from own sawlog plantations and sawmills;
- SA lumber market comprises mainly sawn boards with enough strength to be used in roof construction;
- These sawn boards can only be obtained from mature trees of 20 to 30 years old; and
- Trees must be trimmed (pruned) and thinned during life-cycle to produce suitable saw-logs.

## SFP BACKGROUND

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- Investment required of some R24 000/ha over 25 years before harvesting (excl. infrastructure investment and fire fighting);
- Trees replanted by SFP since inception (2001) have not been harvested yet; and
- Investment in replanting: about R345 million.

# SFP FORESTRY RESOURCE VALUE

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- SFP Forestry is a renewable but strategic resource;
- Replacement would require massive investment (similar to infrastructure investment);
- New plantations high barrier to entry:
  - EIA;
  - Water licenses;
  - Planting permits; and
  - Competing agriculture/population growth.

# JOB RETENTION AND CREATION

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- All SACOL and DAFF jobs retained in commercial operations at time of purchase of plantations in 2001 (condition of lease): about 1700 permanent jobs;
- Jobs retained at continued Singisi sawmill operations (shareholder decision): 386 permanent jobs;
- Potential mechanisation in recapitalisation project could have resulted in 1000 job losses.

## JOB RETENTION AND CREATION

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- Total employment in 2017: 2 326 permanent jobs;
- Jobs created since 2001: about 620 permanent jobs;
- Remuneration is about 8% higher than industry average.

## COST OF JOB RETENTION

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### Investment in forest sustainability:

- Unplanted areas (TUP) in 2001: 13.4%;
- Unplanted areas (TUP) in 2017: 4.8%;
- Investment to reduce unplanted area about R41 million;
- Investment in forestry fire risk (2001 to 2017) about R351 million; and
- Investment in roads (2001 to 2017) about R227 million.



## COST OF JOB RETENTION

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Investments to upgrade processing facilities in order to retain jobs and stop loss making activities:

- Recapitalisation investment of R417 million since 2001 by majority shareholder (HMH) in Langeni, Weza and Singisi sawmills as well as new Optimizing Drymill (OD) in Johannesburg;
- Majority was spent on upgrades at Weza sawmill and the new OD during 2015 and 2016

## COST OF JOB RETENTION

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Although Tweefontein Sawmill (Sabie) was not part of SFP, it was part of the Merensky Group:

- After extended negotiation of 18 months, SAFCOL continued to increase log prices which resulted in losses of R2.5 million/month and the Tweefontein Sawmill had to be closed down with job losses of about 1 000 in 2009.

## SFP LAND CLAIMS SUPPORT

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- Participation in process and workshops with DRDLR and DAFF;
- 8 Eastern Cape land claims settled in 2017 with support from SFP ; and
- Continued assistance and facilitation provided to CPA's to lodge claims.

## SFP RENTAL PAYMENTS

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- Lease payments to DAFF since 2001: about R128 million, currently ca R10 million pa;
- Payments by DAFF to CPA's since 2011: about R11.5 million.

## SINGILANGA DIRECTORATE TRUST (SDT)

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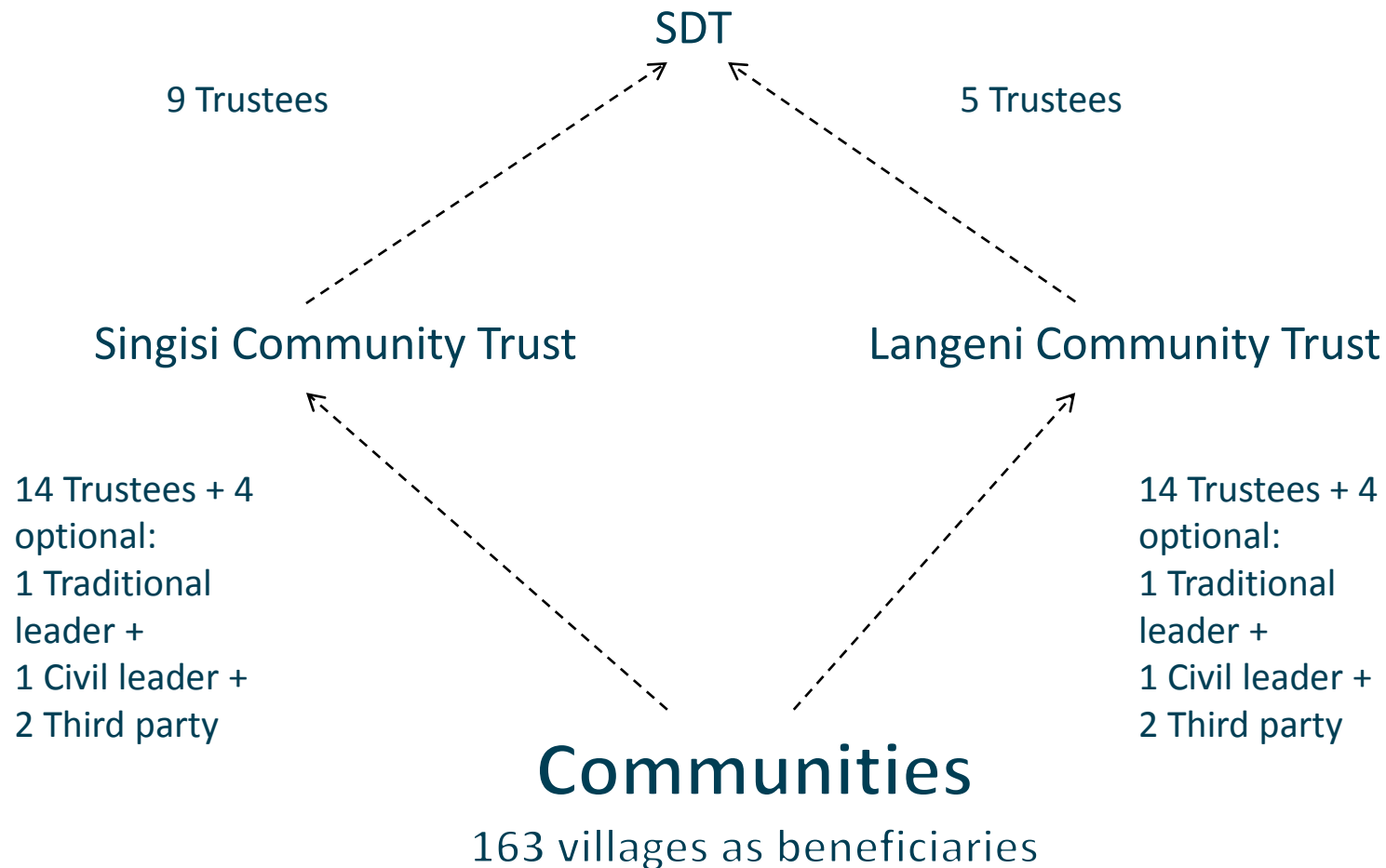
- 2001, founded by the shareholders of SFP (ECDC, NEF/SAFCOL, HMH), land owners (DPW, DLA/ DRDLR) and DAFF;
- Governed by a Trust deed formulated by the founders, under jurisdiction of Master of High Court;
- Rights of dispossessed land owners entrenched in trust deed;
- Trustees are nominated and elected by community at large at AGM open to all beneficiaries of the trust;

## SINGILANGA DIRECTORATE TRUST (SDT)

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- Beneficiaries inclusive of all structures and families which can benefit or influence the commercial forestry business model;
- Benefits (dividends) channelled to community controlled projects or investments; and
- Dividends to be used for specific purposes, and 5% for admin.

# SINGILANGA DIRECTORATE TRUST (SDT)



## SINGILANGA DIRECTORATE TRUST (SDT)

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- 2001: received 10% shareholding for free, valued at NAV of R14 million (shareholder decision);
- 2017: 5.05% shareholding at NAV value R39 million (following share dilution after recapitalisation by HMH);
- Proposal: ECDC shares and SAFCOL shares to be transferred to SDT; and
- Dividends paid to SDT 2002 to 2006: about R2.3 million.



## SFP SUPPORT TO SHAREHOLDING TRUSTS

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- SDT financial support (shareholder decision): about R300 000 per annum;
- SDT bursaries contribution and administration (shareholder decision) about R200 000 per annum;
- Training (directors' decision); and
- Administrative support (directors' decision).

## SDT INVESTMENTS

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- Zange Industries (Pty) Ltd: 100% subsidiary owned by SDT;
- Zange shareholding in: Log transport supply contract; and
- Zange shareholding in: Security service provider.

## SDT COMMUNICATION CHANNELS

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- SDT's Director and observers attend SFP Board meetings and receive information from Board Reports;
- SDT's Director and observers share general information from BoD meetings with SDT Trustees;
- SDT Trustees share information with LCT and SDT Trustees; and
- LCT and SCT trustees share information with beneficiaries (communities).

## SFP BBBEE STATUS

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### BBBEE and Forestry Sector Charter Council CODES

- Based on 12/06/2009 codes, in 2010 a level 6 was achieved and increased to level 4 by 2015 and 2016;
- With the introduction of new codes on 21/04/2017, SFP was non compliant in 2016; and achieved level 8 in 2017.

# SFP COMMUNITY DEVELOPMENT

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Eight full time staff involved in:

- Community engagements; and
- Community projects.

## SFP COMMUNITY RELATED ENGAGEMENTS

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- Community matters:
  - 28 x Liaison meetings (in accordance with Clause 34 of SFP lease);
  - Meetings with community leaders; and
  - Meetings with CPA's.
- Leasehold matters: Quarterly DAFF status meetings, annual DAFF tenant meetings, quarterly DAFF RCC meetings.

## SFP COMMUNITY PROJECTS

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Projects over the past 18 months:

- Education support;
- Experiential learning and sports for schools;
- Community training;
- Health;
- Enterprise development;
- Food Security;
- Recreation;
- Events and Celebrations;
- Community Leader Support; and
- Support of Government initiatives.

# SFP COMMUNITY PROJECTS

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Education support typically includes:

- Repairs to infrastructure and buildings, and the provision of furniture;
- Provision of learning materials; and
- Provision of playground equipment.



# SFP COMMUNITY PROJECTS

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## Education support of

- Early learning facilities which include:
  - Weza Crèche;
  - Langelihle Crèche;
  - Zithulele Crèche;
  - St Theresa's Crèche;
  - Siyacheba Crèche;
  - Ntaba Crèche;
  - Nomzamo Crèche;
  - Gqumeni Community Crèche;
  - Esinako Crèche;
  - Zithulele Crèche; and
  - Ngunjini Crèche.

# SFP COMMUNITY PROJECTS

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## Education support of

- Schools which include:
  - Jumba High School;
  - Give Hope Public School;
  - Singisi Comprehensive High School;
  - Singisi Junior Secondary School;
  - Langelihle Junior Secondary School;
  - Mphikwa Primary School;
  - Mkhoba Primary School;
  - Marsh Mount Primary School;
  - Ikhwezi Lamachi Primary School;
  - Jens Primary School;
  - Princess Nokwenza Secondary School; and
  - Mpafana Junior Secondary School.

# SFP COMMUNITY PROJECTS

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## Education support of

- Two high Schools, two junior schools and two of the crèches are located on SFP properties;
- No rent is collected and the buildings are maintained by SFP.

# SFP COMMUNITY PROJECTS

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## Education support of projects

- Schools Environmental Education Programme (S.E.E.P)  
The DEDEAT awarded SFP the Umsizi Award for the best company supporting the integration of Environmental Education into the school curriculum, in the UGU District, which consists of 12 local municipalities
- Refuse Bins Project  
Refuse bins were made and donated to the Ntaba Primary; Give Hope; Mkhoba Primary schools which are part of the S.E.E.P
- Harding Schools Water Project  
Water tanks were erected at Mpikwa Primary and Ikhwezi Lamachi Primary Schools to provide secure water sources for the learners

# SFP COMMUNITY PROJECTS

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## Education support

- Jumba High School Desk Project  
Some 140 school desks had been vandalised and were unusable. There was no budget for repairs or replacement and as result three classrooms were dysfunctional. On request from Chief Jumba, these were refurbished by the Langeni Saw-mill carpenters.
- Food security awareness program  
Vegetable seedlings are grown at a nursery by SFP agriculture-interns and are donated to the schools in the program, who then plant them in the school vegetable gardens. In addition, garden implements, seed and watering cans to all of the schools were provided.

# SFP COMMUNITY PROJECTS

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## Experiential learning for schools

- Food security awareness program  
Vegetable seedlings are grown at in a nursery by SFP agriculture-interns and are donated to the schools in the program, who then plant them in the school vegetable gardens. In addition, garden implements, seed and watering cans to all of the schools were provided. A number of in-house competitions to motivate learners were also supported.
- Fire Prevention Association (FPA) Open Days  
SFP supports the local FPA and participates in its open days in Harding. Working together with “Working on Fire” (W.O.F) it provided fire awareness training for learners and a display by the firefighting teams.
- SeaWorld Outreach Programme  
A science outreach programme was hosted by SFP at the Weza sawmill. One hundred and fifty pupils from local schools attended the workshop and watched biological demonstrations by the Sharks Board.

# SFP COMMUNITY PROJECTS

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## Experiential learning for schools

- Sawmill tours  
Eleven school groups and some 500 learners were provided with guided tours of the SFP saw-mills.
- Plantation tours  
Twelve high schools and some 300 learners were taken on a guided tour of the Matiwane forests.
- World Earth Day  
Pupils from eleven local community schools were taken on a day-excursion of the Ingeli Indigenous Forests in celebration of World Earth Day.
- International Forestry Students Symposium  
More than 130 international forestry students from all over the world attended the International Forestry Students Symposium, which was held in South Africa this year, visited Weza saw-mill where they were hosted for lunch and taken on a tour of the processing facilities and plantations.

# SFP COMMUNITY PROJECTS

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## Community training

- Bi-monthly training engagements with community groups including community forums and schools. These include topics like:
  - HIV/Aids awareness;
  - fire prevention and awareness;
  - basic firefighting techniques;
  - vocational guidance;
  - care and protection of indigenous forests;
  - value of trees; and
  - grazing policy in forestry areas.
  
- More than 120 groups and about 4 000 community members are engaged with every year.



# SFP COMMUNITY PROJECTS

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## Community training

- National Veld and Forest Fire Act (NVFFA) Workshops  
Three workshops in conjunction with DAFF and W.O.F, with the Mpendle, Tarrs Valley and Madzikane communities. Some ninety delegates from the local communities attended the workshops.
- Internships and Artisan programs
  - Every year SFP awards internships and apprenticeships. These learners are employed where ever possible once their training is completed;
  - In 2017, 29 internships were awarded and three interns were recruited; and
  - 30 apprentices were provided with the opportunity for training and eight apprentices completed the course. Four apprentices were employed by SFP.

# SFP COMMUNITY PROJECTS

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## Health

- Four clinics operating from SFP premises, are supported and maintained by SFP at its own cost and no rent is collected;
- These clinics are managed by government employees and serve all the surrounding communities. The majority of the nursing staff employed at these clinics are also housed, free of charge, by SFP;
- Additional support includes provision of additional facilities and transportation of medicine.

	<b>Daily Consults</b>	<b>Staff Compliment</b>
Weza Clinic	85	13 nursing staff, 3 security guards
Singisi Clinic	105	13 nursing staff
Langeni Clinic	90	12 nursing staff
Mhlahlane Clinic	15	6 nursing staff

# SFP COMMUNITY PROJECTS

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## Health

- Other health service support
  - A consulting room used by the government primary health services mobile-clinic was constructed in the Driefontein community. Health care services from the mobile clinic, were previously provided in full view of the public and other patients. This facility now allows for this health service in a private, dignified manner.
  - Extensive shelving was erected in the dispensary of the Upper Mjika Clinic near Langeni sawmill.

# SFP COMMUNITY PROJECTS

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## Enterprise development

- SMME Workshop

Three SMME workshops completed at Weza in conjunction with Small Enterprise Development Association (S.E.D.A.) and Department of Economic Development Environmental Affairs and Tourism (DEDEAT). A total of about 90 delegates attended. Following these workshops, ten SMME's also attended a five-day business management course.
- Vusisizwe Tree Nursery Primary Co-operative Limited (VTN)

SFP contracted VTN to produce and supply 100 000 eucalyptus seedlings. SFP also assists with the implementation of quality standards and quality checks.
- Support to Local Hawkers

A local municipality requested SFP to assist the hawkers who were infringing the municipal by-laws by displaying their goods on the pavements. Some 30 tables were made and provided, successfully relieving the congestion on the pavements.

# SFP COMMUNITY PROJECTS

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## Enterprise development

- Sivile Woodwork Project

A project to provide basic skills in woodwork and the use of hand and power tools has been initiated in conjunction with Sivile, a charity organisation. In a pilot project, ten unemployed youth were sponsored for a 15-day training course at Ithemba lethu Training Center in Kokstad. Two further business modules will be added to this project with the intention to encourage groups to form EME's. SFP has also provided lumber, work benches and power tools to the project. DOE and Skills Development Fund Support has been requested.

# SFP COMMUNITY PROJECTS

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## Enterprise development

- Medicinal Plant Nursery

A medicinal plant nursery and a medicinal plant garden has been established at Weza sawmill. The intention is to relieve the exploitation and illegal harvesting of these plants from Indigenous forests in the SFP lease area and develop channels for sale of the plant material. Entrepreneurs will be encouraged to participate.

- Ncana Woodwork Project

Off-cuts of lumber are supplied to a BBEE Entrepreneur who is producing a number of small wooden products.

- Beekeeping Project

At Matiwane the beekeeping project currently consists of 2 200 hives of which 200 belong directly to a local community co-operative. The bee-boxes are manufactured by the SFP and provided to the community. Community bee-spotters are rewarded for reporting wild bee hives which are then captured.

# SFP COMMUNITY PROJECTS

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## Enterprise development

- Digital TV Transfer Technicians  
On request from the community, the training of 11 entrepreneurs to support the government's digital television transfer programme in rural areas was sponsored.
- Entrepreneurial Skills Training  
SFP hosted fifteen unemployed youth from local communities, adjacent to SFP plantations. They received entrepreneurial skills training for a period of 10 days. The main objective was to equip the learners with the skills and knowledge to start and manage a formal or informal business.
- Eco-Tourism Project  
An eco-tourism project around the indigenous forests at Ingeli and Xumeni near Donnybrook has commenced. Hiking trails and a mountain bike trail have been established and linked with other eco-tourism projects in the area. Agricultural learnership students were used to develop this project.

# SFP COMMUNITY PROJECTS

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## Food Security

### ▪ Community Agriculture

- The three existing village orange orchards continue to be expanded. Additional trees were planted in the St Paul (50), Moyeni (50) and Mhlahlane (100) communities. New village orange orchards were also established in the KwaMemela and KwaJali communities and a peach orchard was established in the Impendle community;
- A vegetable project was established at the Kambi 20 community with some 14 000 cabbage seedlings being provided; and
- Other long-term agricultural crops like avocados are being considered.



# SFP COMMUNITY PROJECTS

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## Recreation

- Sports Tournaments
  - Prizes for an Easter soccer tournament at Emakhuzeni near Bulwer were provided. Seven teams in the woman's division and eight teams in the men's division participated;
  - The Matiwane sports tournament at Langeni Sawmill, was jointly hosted by SFP and a service provider. Fourteen soccer teams and nine netball teams competed;
  - The annual SFP divisional sports tournament was held at the Singisi Sawmill Village sports fields. The competition included soccer and netball teams. Teams from the surrounding communities as well as employees from SFP sawmill and forestry divisions participated;
  - Soccer and netball kits were provided to the Gqumeni community for their youth tournament;

# SFP COMMUNITY PROJECTS

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## Recreation

- Sports Tournaments
  - Soccer kit was provided for the Ngunjini community\_soccer tournament.

# SFP COMMUNITY PROJECTS

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## Events and Celebrations

Annual events are sponsored, supported by donations or hosted by SFP and examples include:

- Youth Day
  - A woman's netball tournament at the Nkwezela Village near Bulwer and a soccer tournament at the Mhlakulo Village near Mthatha.
  - A cultural maskandi talent show involving traditional dancers and singers from all over the Transkei Region was hosted at the Langeni Sawmill Village. The event was covered by UCR Radio Station.
  - Six local schools were hosted at the SFP Youth Day games, which included soccer and netball tournaments;
- Heritage Day

A traditional dancing competition held at Macala Gwala Tribal Authority Hall in Nkwezela Village near Bulwer. About 2 000 members of the community attended this celebration.

# SFP COMMUNITY PROJECTS

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## Events and Celebrations

- Arbour Week

The planting of fruit trees and indigenous trees in surrounding communities, schools, crèches and public amenities such as clinics and tribal authority offices;

- World AIDS Day

- At the event held at the Ngunjini community, members were encouraged by the guest speakers to be faithful to their partners, practice safe sex and establish their HIV and AIDS status.
- Similar events and talks were also held at the Gqogqora community near Mthatha;

# SFP COMMUNITY PROJECTS

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## Events and Celebrations

- Women's Day

Women's day celebration was held the Makaula Great Place at Baziya Village. The guest speaker at the occasion was Lieutenant General L. Ntshinga, the Provincial Commissioner of the S.A. Police for the Eastern Cape who encouraged woman to play a leadership role in and beyond the family environment;

- Umcimbi Wezintombi Celebration

This involved some 1 000 young maidens from Harry Gwala District. The purpose of the celebration was to make the young ladies aware of the role women play in their culture and to prepare them for womanhood.

# SFP COMMUNITY PROJECTS

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## Support for community leaders

- Assist the communities with in the maintenance of areas between communities and plantations;
- Fire beaters and water spray-knapsacks were donated to all communities in close proximity of forestry operations for community fire-fighting operations;
- A tent was donated to the Kwajali community for traditional leader's meetings;
- Wooden benches were donated to the Mvubukazi, Cancele and Mahawini communities and the Nonginqa Community's Great Place;
- The KwaMemela Tribal Authority offices at Donnybrook were repaired and painted inside and out, wooden benches were also donated;

# SFP COMMUNITY PROJECTS

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## Support for community leaders

- The Kambi 20 community water project provided water supply to a village, without ready access to water, by gravity feeding water some 2.5 km to storage tanks;
- Catering supplies were provided to the:
  - KwaFodo community for their annual young women's leadership workshop;
  - Sweetwater community for a cultural heritage celebration; KwaJali community Imbizo;
  - Traditional dancing ceremony hosted by Khalazome Dance group for the elderly; and
  - Malenge Tribal Authority for the harvest ceremony blessing.

# SFP COMMUNITY PROJECTS

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## Support of Government initiatives

- Soccer kit and trophies were provided to SA Police Service at Gowan Lea for the youth crime prevention event at the KwaSenti community;
- The Ibisi crime prevention campaign, which included a soccer and netball tournament was sponsored. SAPS Narcotics Unit engaged with the youth, discussing drug and alcohol abuse and the consequences of crime on their future;
- A meeting between DRDLR (Pietermaritzburg) and a new CPA was hosted at the Wesa sawmill;



# SFP COMMUNITY PROJECTS

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## Support of Government initiatives

- An illegal hunting and poaching workshop, which involved local communities, Harding Farmers Association, S.A. Police, Ezemvelo KZN Wild Life and DAFF IFM was hosted at the Weza sawmill;
- The DAFF NVFFA workshop, which involved all the Local Traditional Leaders in the area was hosted at the Weza sawmill;
- A beast was donated to the land claims settlement ceremony that was held by the National Land Claims Commissioner at Mthatha; and
- Diesel fuel was provided to the DAFF IFM Unit to clear the Xumeni Indigenous Forest hiking trail at DonnyBrook;

# SFP COMMUNITY PROJECTS

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## Support of Government initiatives

- SFP continues to support the successful Working on Fire initiative. Devastating fires in the Matiwane forests, caused mainly by arson, resulted in a requirement to purchase some 30% of log volume from other plantation owners. SFP will initiate an Imbiso in 2018 with stakeholders to discuss the negative effects of arson on the sustainability of jobs and investment and seek to find co-operation and commitment from stakeholders.

# SFP SUMMARY

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## In Conclusion

- While the effect of the market down-turn in 2009 and the series of labour strikes and arson attacks have negatively affected business performance, the recapitalisation projects are showing signs of creating improved results
- SFP remains committed to maintaining a sustainable business model, which will continue to support transformation and job retention in rural communities



Thank you

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