



Supplier Development Localisation and Industrialisation Undertaking
for
Purchase and beneficiate BMS Coal ash at Various Eskom Power Stations

SUPPLIER DEVELOPMENT LOCALISATION AND INDUSTRIALISATION (SDL&I) TARGETS

1. OBJECTIVE CRITERIA – Local Content and Local-to-site beneficiation

Eskom is using this disposal opportunity to promote socio-economic transformation, empowerment of small enterprises, rural and township enterprises, designated groups and promotion of local industrial development. It is against this background, therefore that Eskom reserves the right to award the contract to an off-taker on the basis of its commitment to Transformation - B-BBEE Improvement or Retention, Preferential Procurement, contribution to Enterprise Development and incubation, Skills Development, Socio-Economic Development and Job Creation in favour of designated groups whilst prioritizing beneficiaries residing within the Local Municipalities where the ash disposal will take place,

1.1. Supplier Development Localisation & Industrialisation Matrix

The SDL&I Matrix is not an evaluation criterion, however the successful off-taker is under obligation to submit proposals before it is eligible for award.

This contract seeks to achieve the following objectives in line with the B-BBEE Act as amended:

- a) Transformation – BBBEE Retention/ Improvement;
- b) Preferential Procurement (BO, BWO, EME, QSE);
- c) Enterprise Development and Incubation;
- d) Skills development for the currently unemployed local to site communities;
- e) Socio-Economic Development; and
- f) Job creation for currently unemployed local to site communities.

1.2. Transformation – BBBEE Retention/ Improvement

Transformation remains an area of focus, where Eskom continuously strives to align itself with national transformation imperatives to unlock growth, drive industrialisation, create employment and contribute to skills development.

Eskom encourages its suppliers to constantly strive to improve their B-BBEE rating. Whereas Respondents will be allocated points in terms of a preference point system based on its B-BBEE scorecard, Eskom also requests that Respondents submit B-BBEE improvement plan.

Respondents are therefore requested to indicate the extent to which they will maintain (only if the Respondent is a Level 1) or improve their B-BBEE status over the contract period. Respondents are requested to submit their B-BBEE Improvement Plan as an essential document with their bid.

1.3. Preferential Procurement

In line with the Enterprise and Supplier Development Element of the DTI Codes of Good Practice, the successful off-taker shall on an annual basis procure goods and services as follows:

- 40% of the Total Measured Procurement Spend (TMPS) from businesses that are at least 51% owned by black people;
- 12% of the TMPS from businesses that are at least 51% owned by black women;
- 15% of the TMPS from businesses that are owned by Exempted Micro Enterprises; and
- 15% of the TMPS from businesses that are owned by Qualifying Small Enterprises;

To ensure stability in Eskom's areas of operation, preference will be given to black owned EMEs or QSEs within the Local Municipalities where the product will be off-taken. In selecting procurement beneficiaries, the successful off-taker shall submit a fair and transparent selection criteria / process to Eskom for approval before execution.

The successful off-taker shall not procure any portion of the commitment above from its subsidiary or related businesses/companies as this shall be interpreted as procuring with itself. The successful off-taker may only enter into a procurement agreement with Eskom's prior approval.

1.4. Enterprise Development and Incubation

In line with the DTI Codes of Good Practice as amended, 3% of the annual Net Profit After Tax (NPAT) shall be utilised for the sustainability of Small to Medium sized Enterprises through Enterprise Development and Supplier Development Contribution.

The successful off-taker shall contribute to the creation or development of capacity and expertise for local businesses needed to produce services previously not provided in the Republic of South Africa as provided for in Government's economic growth and local supplier development policies and initiatives through the following:

- a. Set up a minimum of three (3) ash beneficiation Exempted Micro Enterprises wholly owned and controlled by Black people living in rural or underdeveloped areas or townships within Local Municipalities where the product will be off-taken;
- b. Ensure that the three EMEs have the capacity to provide ash beneficiation services to potential clients;
- c. Provide support and access for the three EMEs to its global market presence for ash beneficiation;
- d. Provide and carry out a skills development programme which will include the development of technical skills of the personnel of the three EMEs in the ash beneficiation sector.

Most Eskom power stations have experienced production shutdown in the past due to community protests, the main cited reasons were employment and business opportunities that are not offered to local communities.

Experience has taught Eskom that most communities might not have the right skills (technical know-how, marketing and financial) and resources to setup and run successful business. This presents an opportunity for the successful off-taker to incubate local to site businesses for a set period.

The main functions of the incubation will be to:

- Handhold communities from registration of company to setting up of basic ash application plants for various products.
- Establish collaboration with universities and make sure research content is accessible to community companies freely.
- Offer hands-on training in the technical space through established companies, leadership and business management training.
- Establish relationship with equipment manufacturers, relevant industry associations and other industry players.
- In the beginning the focus will be on basic products. Later on new applications and roll-out the new products into the existing communities' projects taking into considerations all the national policies and legislation promoting the use of ash.

Communities will realise the following benefits from the incubation programme:

- Incubation will give support and mentorship to inexperienced entrepreneurs.
- It will create a platform where communities can learn and support one another.
- The incubators will give communities access to business networks such as industry players and manufacturers.
- For a set period, the incubators will manage and transfer the skill to manage the mundane day-to-day administration for the community projects. This will allow the community to focus on their core business

The successful off-taker will be expected to ensure 40% of its total measurable procurement spend goes to black-owned local to site businesses. Local to site refers to beneficiaries residing within the Mpumalanga Province.

1.5. Skills Development

Considering the overall budget, duration of the contract, opportunities for growth in this industry and the industries annual contribution to skills development levies, the successful off-taker is obliged to develop skills through a four year engineering degree bursary offer not exceeding R500 000.00 per student over a four (4) year at a registered and accredited

South African university. The budget to be assigned to fund the bursaries will be aligned to the skills development element of the DTI Codes of Good Practice.

Reporting

The successful off-taker will be required to submit a plan to Eskom for approval as part of the implementation schedule, which sets out the following in detail:

- Details of South African university including year of study and full time programme;

1.6. Socio-Economic Development

The successful off-taker shall spend 1% of its annual NPAT to fund the CSI initiative(s) aimed at empowering black communities residing within the 40 kilometre radius of the Power Station. If the 1% of its annual NPAT is not utilised, the successful off-taker shall pay this money to Eskom as revenue.

1.7. Job Creation

To be completed by the successful off-taker

| | |
|--|--|
| Number of jobs to be <u>created</u> as a direct result of this contract | |
| Number of jobs to be <u>retained</u> as a direct result of this contract | |

- The successful off-taker must indicate in the table above the number of jobs to be created and / or retained as a direct result of this contract.
- Based on the market research South Africa has sufficient resources with potential to participate in this maintenance contract through job creation for the duration of the contract. Preference will be given to South Africans in the execution of the works.
- The successful off-taker is obliged to utilize this contract to promote localization through job creation by providing advanced, hands-on training and maintenance practice to plant engineers, technicians and other resources from South Africa.
- The expectation will be that the successful off-taker has a core team, which will be made up of specialised skills that may not be sourced in the areas surrounding the site. It will be required that at least **50%** of all semi-skilled and **100%** of all unskilled labour that will be utilised in executing the works, will be within Local Municipality where the product will be off-taken.



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2. Monitoring and reporting of SDL&I commitments

- a. The successful off-taker shall on a quarterly basis submit a report to Eskom in accordance with the SDL&I Data Collection Template on its compliance with the SDL&I obligations.
- b. Eskom shall review the quarterly report submitted by the successful off-taker within 60 (sixty) days of receipt of the reports and notify the successful off-taker in writing if its SDL&I obligations have not been met.
- c. Upon notification by Eskom that the successful off-taker has not met its SDL&I obligations, The successful off-taker shall be required to implement corrective measures to meet those SDL&I obligations before the commencement of the following quarter, failing which the SDL&I penalty clause shall be invoked.

3. SDL&I Penalty

- a. Eskom will apply a penalty of 2.5% of the annual NPAT amount for the successful off-taker's failure to meet SDL&I obligations during that period.

Every contract shall be accompanied by the SDL&I implementation schedule which must be completed by the successful off-taker and returned to the SDL&I representative for acceptance **before** contract award. This will be used as a reference document for monitoring, measuring and reporting on the supplier's progress in delivering on successful off-taker stated SDL&I commitments.

Signed _____ Date _____

Name _____ Position _____

Company
Name _____