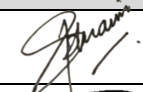
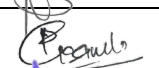
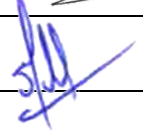
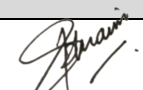


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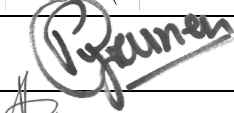
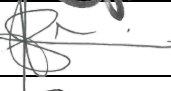
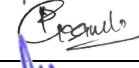
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1. Definitions and Acronyms

- 1.1. **Accreditation Body:** means the South African National Accreditation System or any other Entity appointed by the Minister from Trade and Industry from time to time:
- 1.1.1. To accredit Verification Agencies; and
- 1.1.2. To develop, maintain and enforce the Verification Standards.
- 1.2. **Black People:** is a generic term which means Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent; or who became citizens of the Republic of South Africa by naturalisation:
- 1.2.1. Before 27 April 1994; or
- 1.2.2. On or after 27 April 1994, but who would have been entitled to acquire citizenship by naturalisation prior to that date.
- 1.3. **B-BBEE Compliant Company** means a company with a minimum B-BBEE level 4 status in terms of the Department of Trade and Industry's Broad Based Black Economic Empowerment Codes of Good Practice and minimum 25% +1 vote ownership by Historically Disadvantaged Persons.
- 1.4. **B-BBEE Enterprise:** an enterprise whose B-BBEE score, in terms of a sector scorecard which has been issued as a code of practice or in terms of the DTIs generic scorecard, has been verified by an accredited verification agency.
- 1.5. **B-BBEE Scorecard:** according to the DTI, a scorecard for the measurement of broad-based black economic empowerment for a particular enterprise as set out in a Charter or the DTI Codes of Good Practice.
- 1.6. **BEE shareholding:** refers to the shares held by BEE entrepreneur(s), host communities and qualifying employees
- 1.7. **Broad-Based Black Economic Empowerment (B-BBEE):** means the viable economic empowerment of all black people in particular women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:
- 1.7.1. increasing the number of black people that manage, own and control enterprises and productive assets;
- 1.7.2. facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- 1.7.3. human resource and skills development;
- 1.7.4. achieving equitable representation in all occupational categories and levels in the workforce;
- 1.7.5. preferential procurement from enterprises that are owned or managed by black people; and
- 1.7.6. investment in enterprises that are owned and managed by black people.
- 1.8. **Codes of Good Practice** means the Codes of Good Practice on Broad Based Black Economic Empowerment issued under section 9 of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003, as amended by Act 46 Of 2013.

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1.9. **Empowering Supplier:** means within the context of B-BBEE, a B-BBEE compliant entity, which is a good corporate citizen, that complies with all South African laws and regulatory requirements and should meet at least three if it is a large enterprise, or one if it is a QSE of the following criteria:

1.9.1. (a) At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local suppliers in SA. (For service industry labour cost are included but capped to 15%.)

1.9.2. (b) Job creation – 50% of jobs created are for Black people provided that the number of Black employees since the immediate prior verified B-BBEE Measurement is maintained.

1.9.3. (c) At least 25% transformation of raw material/beneficiation, which includes local manufacturing, production and/or assembly, and/or packaging, or at least 85% of labour costs paid to South African employees by service industry organisations.

1.9.4. (d) Skills transfer - at least spend 12 days per annum of productivity deployed in assisting Black EMEs and QSEs beneficiaries to increase their operational or financial capacity.

1.10. **Enterprise and Supplier Development:** the process of assisting and accelerating the development of the operational and financial capacity of enterprises that contributes towards broad-based B-BBEE. The targeted primary beneficiaries of enterprise development are the small and micro enterprises owned by black people. The measures range from direct financial assistance to non-monetary support.

1.11. **Entity:** means a natural or a juristic person conducting a business, trade or profession in the Republic of South Africa.

1.12. **Exempted Micro Enterprise:** an entity with an annual turnover of less than R10 (ten) million.

1.13. **Fronting:** 'A fronting practice' means a transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives of the BBEE Amendment Act, 2013 or the implementation of any of the provisions of the Act, including but not limited to practices in connection with a B-BBEE initiative—

1.13.1. (a) in terms of which black persons who are appointed to an enterprise are discouraged or inhibited from substantially participating in the core activities of that enterprise;

1.13.2. (b) in terms of which the economic benefits received as a result of the broad-based black economic empowerment status of an enterprise do not flow to black people in the ratio specified in the relevant legal documentation;

1.13.3. (c) involving the conclusion of a legal relationship with a black person for the purpose of that enterprise achieving a certain level of broad-based black economic empowerment compliance without granting that black person the economic benefits that would reasonably be expected to be associated with the status or position held by that black person; or

1.13.4. (d) involving the conclusion of an agreement with another enterprise in order to achieve or enhance broad-based black economic empowerment status in circumstances in which—

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(i) there are significant limitations, whether implicit or explicit, on the identity of suppliers, service providers, clients or customers;

(ii) the maintenance of business operations is reasonably considered to be improbable, having regard to the resources available;

(iii) the terms and conditions were not negotiated at arm's length and on a fair and reasonable basis;

1.14. Historically Disadvantaged Person means (a) any person, category of persons, or community disadvantaged by unfair discrimination before 27 April 2014; (b) any association a majority of whose members are persons contemplated in paragraph (a); and (c) any juristic person other than an association, in which persons contemplated in paragraph (a) own and control a majority of the issued capital or members' interest and are able to control a majority of the members' votes.

1.15. Unincorporated Joint Ventures: means a joint venture between two or more Measured Entities effected by agreement without incorporation.

1.16. Measured Entity: means the Entity subject to measurement under the codes of good practice

1.17. Primary Focus Area (PFA): refers to the black communities in the immediate vicinity of Black Mountain Mining (Pty)Ltd.'s mining operations or communities identified for this purpose. In the context of this Preferential Procurement Policy black owned companies in the PFA will be specifically targeted for supplier development interventions to enable them to become part of Black Mountain Mining (Pty) Ltd.'s supply chain.

1.18. Preferential Procurement: (as defined by the DTI) means specific procurement policies, which target procurement of commercial goods and services from Empowering Suppliers as a percentage of total procurement.

1.19. QSE: a qualifying small enterprise that qualifies for measurement under the QSE scorecard with a turnover of between R10 and R50 million.

1.20. Small Medium and Micro Enterprise (SMME): any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, as classified in the Schedule of the National Small Business Act.

1.21. Specialised goods and service: means Goods and Services performed/delivered by someone that requires technical specialized qualification to do the job or requires a legal appointment as per DMRE

1.22. Supplier Development Contributions: means monetary or non-monetary contributions carried out for the benefit of value-adding suppliers to the Measured Entity, with the objective of contributing to the development, sustainability and financial and operational independence of those beneficiaries:

1.22.1. Supplier Development Contributions suppliers are Exempted Micro- Enterprises or Qualifying Small Enterprises which are at least 51% black owned or at least 51% black women owned;

1.23. Total Measured Procurement Spend (TMPS): means Total Measured Procurement Spend as described through a list of inclusions and exclusions in the annexure (Annexure A) as per BBBEE codes of good practice

1.24. Ring Fencing: means the selection and setting aside of certain opportunities for a particular value, either predetermined or not, for the exclusive engagement for Local Suppliers that are in the PFA

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1.25. Acronyms

Acronym	Description
<i>B-BBEE</i>	Broad Based Black Economic Empowerment
<i>BMM</i>	Black Mountain Mining (Pty) Ltd (including Deeps, Swartberg and Gamsberg Mines and related business)
<i>CCO</i>	Chief Commercial Officer
<i>CFO</i>	Chief Financial Officer
<i>CSI</i>	Corporate Social Investment
<i>DMRE</i>	Department of Mineral Resources and Energy
<i>DTI</i>	Department of Trade and Industry
<i>ESD</i>	Enterprise and Supplier Development
<i>HDP</i>	Historically Disadvantaged Persons refers to any person, category or persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation
<i>JV</i>	Unincorporated Joint Venture
<i>KMLM</i>	Khâi-Ma Local Municipality
<i>KPI</i>	Key Performance Indicator
<i>LBSME</i>	Local Black SME
<i>MPRDA</i>	Mineral and Petroleum Resources Development Act No. 28 of 2002
<i>NKLM</i>	Nama Khoi Local Municipality
<i>PFA</i>	Primary Focus Area
<i>PPP</i>	Preferential Procurement Policy
<i>PPPFA</i>	Preferential Procurement Policy Framework Act No. 5 of 2000
<i>SANAS</i>	South African National Accreditation System
<i>SLP</i>	Social and Labour Plan

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2. Purpose

- 2.1. The purpose of this Integrated Preferential Procurement, Enterprise and Supplier Development Policy is to enable BMM to drive consistency in the implementation of preferential procurement and enterprise and supplier development in its business, giving effect to the relevant Mining Charter and Broad-Based Black Economic Empowerment (B-BBEE) objectives in this regard.
- 2.2. This Policy, while enabling meaningful economic participation of HDSA's, Women and Youth, does not deviate from suppliers being expected to meet quality, pricing, service and health and safety standards.
- 2.3. This Policy must be read in conjunction with Black Mountain Mining (Pty) Ltd.'s Procurement Policy. And is applicable for procurement of both core and non-core goods and services.

3. Objectives

- 3.1. The objectives of the Policy are:
 - 3.1.1. To enable the preference of national, local, women and youth black suppliers for services and goods.
 - 3.1.2. To enable the support and development of local black enterprises and suppliers.
 - 3.1.3. To ensure that Preferential Procurement, Enterprise and Supplier Development implementation guidelines as set out in the relevant Mining Charter are adhered to.

4. Guiding Principles

- 4.1. In executing the Policy, the following principles shall apply:
 - 4.1.1. Commitment to Safety, Health and the Environment; and
 - 4.1.2. Value for money and efficient service delivery;
 - 4.1.3. Open and effective competition;
 - 4.1.4. Adherence to ethical principles and behaviour;
 - 4.1.5. Accountability and reporting;
 - 4.1.6. Transparency and good governance;
 - 4.1.7. Uniform application;
 - 4.1.8. The Mining Charter, B-BBEE and other socio-economic objectives

5. Scope

- 5.1. This Preferential Procurement Policy applies to all measured procurement spend undertaken by BMM. Each purchase, no matter what the value, must take cognisance of the B-BBEE commitments of BMM and apply this Policy.

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6. Supplier Database

- 6.1. BMM will develop and utilise a centralised database of suppliers which includes the B-BBEE status of each and every supplier.
- 6.2. Vendor information supplied to be recorded into the central supplier database will be verified as far as applicable in line with available systems
- 6.3. All suppliers' B-BBEE status must be measured in accordance with one of the Department of Trade and Industry ('the DTI') scorecards, whichever is applicable to the supplier:
- 6.4. Special attention must be paid to, and records kept of, the percentage black ownership, women ownership and youth ownership of an enterprise, as well as its annual turnover.
- 6.5. Every supplier on the database will be required to submit updated confirmation of their B-BBEE status annually upon or prior to the expiry of the same.
- 6.6. Every supplier on the database will be required to submit updated compliance documents annually upon or prior to the expiry of the same in accordance with the Preferential Procurement Policy
- 6.7. Furthermore, it may be necessary from time to time for BMM to undertake site visits of suppliers who have been awarded Tenders/RFQ, particularly where additional contract participation goals have been incorporated.
- 6.8. Existing suppliers must be made aware, via appropriate communication channels, of BMM's Preferential Policy and efforts made to encourage these suppliers to embark on B-BBEE initiatives. Support, where necessary, may be given to the suppliers on how to go about improving B-BBEE.

7. Request for Information/Request for Quotation/ Request for Proposal

- 7.1. All procurement opportunities (Tenders/RFP/RFQ/RFI) will be published on appropriate channels/medium that are widely accessible to LBSMEs.

8. Tender/Request for Quotation Specifications

- 8.1. All contracts with a value of more than R200 000 (two hundred thousand rand) and longer than 6 months in duration will be put out to Tender/RFQ, except in instances where only a single source exists for the specific requirement. Specialised services will be required to be fully compliant with the law and or qualifications.
- 8.2. A simple template will be adopted to ensure that Tender and RFQ specifications are spelt out clearly and simply to give suppliers the opportunity to present proposals or tenders adequately.
- 8.3. Technical specifications will be reviewed to ensure that they are for functional requirements and sufficiently explanatory so as not to result in the exclusion of certain suppliers especially those who are unfamiliar with procurement processes. Where possible site visits and briefing sessions will be arranged to provide clarity of scope.
- 8.4. Tenders/RFQ's will clearly state that bidders fulfilling specific B-BBEE requirements will be preferentially treated.

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9. Sub-contracting

For Tenders/RFQ's requiring large or expert companies to respond, B-BBEE and small business development imperatives will be built into the tender specifications, including:

- 9.1. Sub-contracting to business partners where practically possible in the agreed PFA for the contract.
- 9.2. An indication of the way the project will benefit targeted investment or community development initiatives.
- 9.3. Subcontractor relationship needs to be declared at bidding stage so that BMM can have the opportunity to assess BBBEE compliance of the subcontractor
- 9.4. BBBEE non-compliant subcontractors shall not be permitted
- 9.5. Tender specifications shall request the bidder to clearly indicate parts of the deliverables that will be subcontracted, the value and name of the entity to be subcontracted. Relevant company documents (as per supplier information required) of the subcontracted company need to be submitted.

10. Ring Fencing

- 10.1. BMM will ring fence procurement opportunities exclusively for participation of LBSME.
 - 10.1.1. Ring Fencing opportunities shall:
 - 10.1.1.1. enhance or contribute to BMM achieving its vision for transformation, BBBEE and Charter Procurement Targets;
 - 10.1.1.2. be sizable and significant to demonstrate meaningful economic participation for the LBSME;
 - 10.1.1.3. only be open for bidding and participation to Local Suppliers, exclusively, and not open to suppliers outside of the PFA.
 - 10.1.2. The role of ESD programmes will be to aid and provide support to LBSME on accessing the ring fenced and non-ring fenced (other) opportunities by delivering pre and post tender support
 - 10.1.3. Unjustified price premium and sub-standard services and goods will **NOT** be accepted and considered as a support mechanism for Local and HDP suppliers. BMM will rather provide support interventions to LBSME suppliers. Appendix B provides examples of support which will be provided through the ESD programmes

11. Adjudication

- 11.1. All suppliers must be evaluated on B-BBEE compliance. In order to give preference to B-BBEE enterprises, proposals from quoting and tendering suppliers will be evaluated on a point-scoring system as follows:
 - 11.1.1. For values between R200 000 (two hundred thousand rand) and R500 000 (Five hundred thousand rand) the 70/30 (seventy/thirty) preference point system must be used, where the 70 (seventy) equals price and technical considerations and the 30 (thirty) is allocated for B-BBEE status. Scoring applicable as per below table.

BEE Level	Score	HDSA (110%)	Women (120%)	Youth (120%)	26-51% (100%)
1	20	22	24	24	20
2	18	20	22	22	18
3	14	15	17	17	14

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4	12	13	14	14	12
5	8	0	0	0	0
6	6	0	0	0	0
7	4	0	0	0	0
8	2	0	0	0	0
Non-Compliant	0	0	0	0	0

Location	
Local (Khai Ma)	6
Namakwa region	5
Northern Cape	4
National	2
International	0

70 % price

30% BEE and Locality

Price formula

Score out of 70

$$PS = 70 \left(1 - \frac{PP - LP}{LP} \right)$$

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11.1.2. For values between R500 000 (one hundred thousand rand) and R1 000 000 (One million rand) the 80/20 (eighty/twenty) preference point system must be used, where the 80 (eighty) equals price and technical considerations and the 20 (twenty) is allocated for B-BBEE status. Scoring applicable as per below table.

BEE Level	Score	HDSA (110%)	Women (120%)	Youth (120%)	26-51% (100%)
1	12	13	14	14	12
2	10	11	12	12	10
3	8	9	10	10	8
4	6	7	7	7	6
5	4	0	0	0	0
6	3	0	0	0	0
7	0	0	0	0	0
8	0	0	0	0	0
Non-Compliant	0	0	0	0	0

Location	
Local (Khai Ma)	6
Namakwa region	5
Northern Cape	4
National	2
International	0

80 % price

20% BEE and Locality

Price formula

Score out of 80

$$PS = 80(1 - \frac{PP - LP}{LP})$$

11.2. For values exceeding R1 000 000 (one million rand) the 90/10 (ninety/ten) preference point system must be used, where the 90 (ninety) equals price and technical considerations and the 10 (ten) is allocated for B-BBEE status. Scoring applicable as per below table.

BEE Level	Score	HDSA (110%)	Women (120%)	Youth (120%)	26-51% (100%)
1	12	13	14	14	12
2	10	11	12	12	10
3	8	9	10	10	8
4	6	7	7	7	6
5	4	0	0	0	0
6	3	0	0	0	0
7	0	0	0	0	0
8	0	0	0	0	0
NC	0	0	0	0	0

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Location	
Local (Khai Ma)	6
Namakwa region	5
Northern Cape	4
National	2
International	0

90 % price

10% BEE and Locality (Score divide by 2)

Price formula

Score out of 90

$$PS = 90 \left(1 - \frac{PP - LP}{LP} \right)$$

- 11.3. Where tenders /RFQ's are for goods and services targeted for black owned companies in the PFA, the points allocated for B-BBEE status will not refer to the supplier's B-BBEE scorecard but refer to the degree of black ownership and location within the PFA.
- 11.4. Price matching: BMM will afford relevant black owned tenderers within the PFA the opportunity to match the price bid by the lowest short-listed bidder in order to be awarded a contract. This intervention may only be used in cases where the only inhibiting factor to the PFA bidder being awarded the contract is price.
- 11.5. In cases where there are suitably qualified PFA companies, who lack the capacity to carry out the total contract, unbundling of goods/services will be undertaken and the opportunity awarded between a number of small suppliers to supply goods and services. Or other instruments may be adopted to make sure the suitably qualified PFA does not lose the opportunity.
- 11.6. Information about black owned PFA suppliers in the BMM database will be disseminated to existing suppliers looking for joint venture partners.
- 11.7. The Procurement team is responsible for ensuring that the tender approved is the one with the highest points scored, taking into consideration the LBSME participation, except in cases where the tenderer qualifies for 0 (zero) B-BBEE points (Level 9). It is the policy of BMM not to procure from or award contracts to these non-compliant suppliers.
- 11.8. The B-BBEE evaluation process must be performed by a B-BBEE specialist member within Procurement team
- 11.9. Companies suspected of fronting will be investigated and if validated, will be reported to the BBBEE commission and the South African Police Service,

12. Procurement Targets

- 12.1. BMM shall make efforts to ensure that they substantially increase spend on B-BBEE companies and in particular LBSME, HDP, women and youth owned suppliers.
- 12.2. Consequently, BMM will target as follows from B-BBEE compliant companies:
- 12.2.1. For services 80% of total measured procurement spend (TMPS);

ELEMENT	MEASURE	TARGET	Baseline 2019	Year 1	Year 2	Year 3	Year 4	Year 5
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80% Services	50% of total services budget must be spent on services supplied by Historically Disadvantaged Persons (i.e. 50+1%)	50%	UNKNOWN	43,75%	50,00%			
	15% of total services budget must be spent on services supplied by women owned and controlled companies (i.e. 50 + 1 % Women)	15%	UNKNOWN	13,15%	15,00%			
	5% of total services budget must be spent on services supplied by youth owned and controlled companies (i.e. 50 + 1% Youth)	5%	UNKNOWN	4,35%	5,00%			
	10% of total services budget must be spent on services supplied by a BEE compliant company (i.e. 26% Black)	10%	UNKNOWN	8,75%	10,00%			
Total Procurement Score Target (PRESCRIBED MINIMUM)			0,00%	70,00%	80,00%	80,00%	80,00%	80,00%

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12.2.2. For mining goods 70% of total measured procurement spend (TMPS) with a 60% local content. A verification certificate will be required in accordance with the Mining Charter 3 implementation guidelines

ELEMENT	MEASURE	TARGET	Baseline 2019	Year 1	Year 2	Year 3	Year 4	Year 5
	21% of total mining goods procurement budget must be spent on South African manufactured goods produced by Historically Disadvantaged Persons owned and controlled company (i.e. 50+1%)	21%	UNKNOWN	3,00%	6,00%	10,50%	15,00%	21,00%
	5% of total mining goods procurement budget must be spent on South African manufactured goods produced by women owned and controlled company or youth owned and controlled company (i.e. 50 + 1% Women or Youth)	5%	0,00%	0,71%	1,45%	2,50%	3,57%	5,00%
	44% of total mining goods procurement budget must be spent on South African manufactured goods produced by BEE compliant company (i.e. 26% Black)	44%	UNKNOWN	6,29%	12,55%	22,00%	31,43%	44,00%

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		0,00%	10,00%	20,00%	35,00%	50,00%	70,00%
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12.2.3. For Research and Development 70% of the total budget of Research and Development must be spent on South African companies

12.2.4. For Sample Analysis 100% of the spend must be in South Africa entities

12.2.5. The achievement of these targets will be included in the performance contracts of management in procurement and management in end user departments, who will therefore be expected to ensure that they are conversant with them and apply them accordingly.

13. Exceptions

13.1. In the event that the end user wishes to appoint a supplier that does not meet the minimum requirements of this Policy, the following shall apply:

- a) A written motivation shall be provided to the Chief commercial officer for sign off
- b) The written motivation to use that supplier shall be provided to the Chief Financial Officer
- c) Included in the motivation must be a plan (B-BBEE improvement Plan), on how the supplier wishes to improve their B-BBEE Status to the minimum acceptable requirements within an acceptable time frame.

13.2. The approved motivation shall be monitored jointly with contract management for compliance to the agreed implementation milestones.

14. Enterprise and Supplier Development

14.1. Within the context of Preferential Procurement as described in the BMM Preferential Procurement Policy, BMM is committed to unlocking and advancing the participation of qualifying LBSMEs into the Company's supply chain as well as developing qualifying LBSMEs to become self-sustainable and successful businesses. In the context of Enterprise and Supplier Development, BMM strives to:

- 14.1.1. Identify, develop and support LBSME growth through providing business development, market linkages and access to finance opportunities.
- 14.1.2. Develop LBSMEs to be self-sustainable in different sectors and to support the BMM preferential procurement objectives outlined in this policy
- 14.1.3. Promote an entrepreneurial culture and education within the local communities;
- 14.1.4. Support the formation of project collaboration structures with LBSME.
- 14.1.5. Promote job creation through the ESD initiatives within the mine's local communities.

14.2. Financial and non- financial activities aimed at ESD must be quantifiable in monetary terms

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14.3. Qualifying Beneficiaries of the ESD Programme

Qualifying Beneficiaries/ Participants of the ESD Programme will be:

14.3.1. SMMEs based within the PFA

14.3.2. SMMEs with following ownership levels:

- a) Youth Owned
- b) Women Owned
- c) Historical Disadvantage Persons

14.3.3. The above categories of SMMEs will be Exempted Micro Enterprises (EME) with a turnover less than R10 Million, Qualifying Small Enterprise (QSE) with a turnover more than R10 Million and less than R50 Million.

14.3.4. Are Bona-fide residents (verifiable local addresses) of the PFA.

14.4 Enterprise Development Focus

14.4.1 Focus will be on all activities, financial and non-financial contributions and support to qualifying SMMEs within the identified focus areas to contribute to and accelerate their sustainability, financial and operational independence or to enter the BMM Supply Chain.

14.4.1.1 For procurement readiness/preparation to enter BMM's Supply chain, selection of the beneficiaries to the ED programmes will be aligned to procurement opportunities as per demand analysis

14.4.1.2 Selection of other SMME's not linked to BMM supply chain shall be based on viable business opportunities/potential opportunities

14.4.2 An Enterprise Development plan shall be developed for each beneficiary on the programme in accordance with BBBEE codes, an Enterprise Development Plan to be set out with:

- a. Clear Objectives;
- b. Priority interventions;
- c. Key performance indicators; and
- d. A concise implementation plan with clearly articulated milestones.

14.4.3 All Enterprise Development beneficiaries will enter into an agreement with the Company for participation in any ED initiative.

14.5 Supplier Development Focus

14.5.1 Focus will be on all activities, financial and non –financial contributions and support to qualifying SMMEs within the mine's supply chain to increase the mine's preferential procurement spend.

14.5.2 Supplier Development interventions will focus on the growth and advancement of existing qualifying SMMEs within the supply chain to become competitive and sustainable to increase the mine's preferential procurement spend.

14.5.3 A supplier development plan shall be developed for each supplier on the programme in accordance with B-BBEE codes, a Supplier Development Plan to be set out with:

- a) Clear Objectives;
- b) Priority interventions;
- c) Key performance indicators; and
- d) A concise implementation plan with clearly articulated milestones

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14.5.4 All SD beneficiaries will enter into a development agreement with the mine for the duration of the commercial agreement. Commercial agreement for SD beneficiaries needs to have a 5-year duration.

14.6 BMM may offset Supplier Development spend against procurement spend as follows:

- 30% of their procurement obligation for mining goods.
- 10% of their procurement obligation for services.

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15. Responsibility and Accountability

	R	A
Policy implementation- Preferential procurement	Commercial Manager - BMM	CCO - VZI
Policy implementation- ESD	Commercial Manager - BMM	CCO - VZI
Measuring the implementation	Commercial Manager - BMM	CCO - VZI

16. Budget

16.1. Each operation will make financial provision for ESD obligation based on the final commitments outlined in the Social and Labour Plan, Mining Charter and CSR available budget.

17. Stakeholders

The following are the persons and entities that will play a key role in the implementation of the policy and therefore the key stakeholders:

17.1. BMM Executive Committee (Exco)

- 17.1.1. Be the custodian of the Preferential Procurement Policy.
- 17.1.2. Ensure that B-BBEE verification and monitoring is being implemented throughout BMM;
- 17.1.3. Review progress in the implementation of preferential procurement and in meeting the set targets;
- 17.1.4. Amend the Procurement Policy and/or targets where necessary
- 17.1.5. Show commitment and support for the process; and
- 17.1.6. Communicate the company's progress in meeting preferential procurement targets.

17.2. Commercial Department

- 17.2.1. Assess and evaluate the B-BBEE status of enterprises before they are invited to tender for business opportunities;
- 17.2.2. Maintain a vendor database with accreditations;
- 17.2.3. Provide internal customers with a list of B-BBEE vendors that have been verified as such;
- 17.2.4. Invite existing- and potential LBSMEs to apply for registration on the BMM supplier database;
- 17.2.5. Approve that procedure documents are in line with Policy;
 - a) Ensure that the Preferential Procurement Policy is widely publicised within BMM.
 - b) Promote linkages and assist in mediation between suppliers and internal customers;
 - c) Coordinate internal and external preferential procurement training and development;
 - d) Recommend, manage and implement B-BBEE supply side interventions; and
 - e) Oversee the Implementation of the Preferential Procurement Policy.

17.3. End users

- 17.3.1. Provide input into the categorisation of spend
- 17.3.2. Provide detailed and easy to understand functional and technical specifications for goods and services they require

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17.3.3. Provide performance feedback of suppliers to supplier performance management and supplier development

17.4. Enterprise Supplier Development Team

17.4.1. Oversee and coordinate Enterprise Development programmes

17.4.2. Provide Enterprise Development progress reporting

17.5. Local Black owned companies and support Organisations

17.5.1. Participate in Supplier and Enterprise Development Programmes

17.5.2. Participate in procurement processes and initiatives

17.6. Mainstream Suppliers

17.6.1. Participate in BMM's local supplier development programmes through; subcontracting, joint-venturing and other local-supplier skills development programmes.

18. Supplier Performance

18.1. Supplier performance will be monitored and managed by BMM in terms of each contract and in alignment with the Procurement policy

18.2. All issues relating to performance will be reported to the Commercial department and Supplier development

18.3. Monitoring Suppliers' performance will ensure that BMM award more/new contracts to companies who are performing satisfactorily in supplying goods or services to BMM as well as expert companies that are meeting Supplier development and skills transfer requirements.

19. Monitoring and Reporting

19.1. BMM shall monitor the effective implementation of this Policy.

19.2. BMM shall monitor and compile monthly reports on preferential procurement.

19.3. The Commercial department is responsible for:

19.3.1. Keeping full and proper records of preferential procurement affairs.

19.3.1.1. Reporting on a monthly basis on B-BBEE Spend.

19.3.1.2. Preparing a full preferential procurement report on an annual basis to be included in the reporting to Department of Mineral Resources.

20. Review of Policy

20.1. The Integrated Preferential Procurement Policy and ESD shall be reviewed every 2 years or should there be changes to legislation within those 2 years.

20.2. The reviews will take into consideration revisions to the Codes of Good Practice and the Charter for the South African Mining and Minerals Industry.

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Annexure A: Total Measured Procurement Spend as per Amended Codes of Good Practice 2013

SECTION 5 TOTAL MEASURED PROCUREMENT SPEND

The following procurement is measurable within Total Measured Procurement Spend:

- 5.1 Cost of sales: all goods and services procured that comprise the cost of the sales of the Measured Entity;
- 5.2 Operational expenditure: all goods and services procured that comprise the operational expenditure of the Measured Entity;
- 5.3 Capital expenditure: all capital expenditure incurred by the Measured Entity;
- 5.4 Public sector procurement:
 - 5.4.1 all goods and services procured from organs of state and public entities. Despite this, procurement by a Measured Entity from a local government authority, which is a reseller of that service, is measurable at the BBBEE Recognition Level of the primary Supplier of the service; and
 - 5.4.2 in any event, any procurement of any goods or services from any organ of state or public entity that enjoys a statutory or regulated monopoly in the supply of such goods or services, is excluded;
- 5.5 Monopolistic procurement: all goods and services procured from suppliers that enjoy a monopolistic position;
- 5.6 Third-party procurement: all procurement for a third-party or a client, where the cost of that procurement is an expense recorded in the Measured Entity's annual financial statements;
- 5.7 Labour brokers and independent contractors: any procurement of the Measured Entity which is Outsourced Labour Expenditure;
- 5.8 Pension and medical aid contributions: payments made to any post retirement funding scheme or to a medical aid or similar medical insurer by a Measured Entity for its employees, excluding any portions of such payments which are a contribution to a capital investment of the employee. The scheme or insurer must issue a certificate dividing payment between the capital investment portion and the balance to establish the amount that is measurable within Total Measured Procurement Spend;
- 5.9 Trade commission's: any commission or similar payments payable by a Measured Entity to any other person pursuant to the business or trade of the Measured Entity;
- 5.10 Empowerment related expenditure: all goods and services procured in carrying out BBBEE. The Total Measured Procurement Spend does not include the actual contribution portion recognised under section 2.2 and 2.3 of Amended Codes of Good Practice 2013 statement 400 or Code series 500 but does include any expenditure incurred in facilitating those contributions;
- 5.11 Imports: all goods and services that are imported or procured from a Trade and Industry non-South African source; and
- 5.12 Intra-group procurement: all goods and services procured from subsidiaries or holding companies of the Measured Entity (BBBEE credentials of the entity supplying goods and/or services must be confirmed by way of a valid BBBEE certificate).

6 EXCLUSIONS FROM TOTAL MEASURED PROCUREMENT SPEND

The following list provides permissible exclusions from Total Measured Procurement Spend recognisable in terms of paragraph 5:

- 6.1 Taxation: any amount payable to any person which represents a lawful tax or levy imposed by an organ of state authorised to impose such tax or levy, including rates imposed by a municipality or other local government;

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6.2 Salaries, wages, remunerations, and emoluments: any amount payable to an employee as an element of their salary or wage and any emolument or similar payment paid to a director of a Measured Entity;

6.3 Pass-through third-party procurement: all procurement for a third-party or a client that is recorded as an expense in the third-party or client's annual financial statements but is not recorded as such in the Measured Entity's annual financial statements;

6.4 Empowerment related procurement:

6.4.1 Investments in or loans to an Associated Enterprise;

6.4.2 Investments, loans or donations qualifying for recognition under any statement under Code series 400 or 500;

6.5 Imports: the following imported goods and services:

6.5.1 imported capital goods or components for value-added production in South Africa provided that:

6.5.1.1 there is no existing local production of such capital goods or components; and

6.5.1.2 importing those capital goods or components promotes further value-added production within South Africa;

6.5.2 imported goods and services other than those listed in paragraph 6.5.1 if there is no local production of those goods or services including, but not limited to, imported goods or services that –

6.5.2.1 carry a brand different to the locally produced goods or services; or

6.5.2.2 have different technical specifications to the locally produced goods or services.

6.5.3 The exclusion of imports listed under

6.5.2 are subject to them having developed and implemented an Enterprise Development and Supplier Development plan for imported goods and services. This plan should include:

6.5.3.1 Clear objectives

6.5.3.2 Priority interventions

6.5.3.3 Key performance indicators; and

6.5.3.4 A concise implementation plan with clearly articulated milestones

6.5.4 The Department of Trade and Industry will from time to time consult with the industry and issue practice notes with regard to the provisions on import exclusion.

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Annexure B: ESD Qualifying Contribution types as per Amended Codes of Good Practice 2013

SECTION 9 Enterprise DEVELOPMENT and SUPPLIER DEVELOPMENT CONTRIBUTIONS

9.1 The following is a non-exhaustive list of Enterprise Development and Supplier Development Contributions:

- 9.1.1 investments in beneficiary entities;
- 9.1.2 loans made to beneficiary entities;
- 9.1.3 guarantees given or security provided on behalf of beneficiaries;
- 9.1.4 credit facilities made available to beneficiary entities;
- 9.1.5 grant Contributions to beneficiary entities;
- 9.1.6 direct costs incurred by a Measured Entity in assisting and hastening development of beneficiary entities;
- 9.1.7 overhead costs of a Measured Entity directly attributable to Enterprise Development and Supplier Development Contributions;
- 9.1.8 preferential credit terms granted by a Measured Entity to beneficiary entities;
- 9.1.9 preferential terms granted by a Measured Entity in respect of its supply of goods or services to beneficiary entities;
- 9.1.10 contributions made to settling service costs relating to the operational or financial capacity or efficiency levels of beneficiary entities;
- 9.1.11 discounts given to beneficiary entities in relation to the acquisition and maintenance costs associated with the grant to those beneficiary entities of franchise, licence, agency, distribution or other similar business rights;
- 9.1.12 the creation or development of capacity and expertise for beneficiary entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa is provided for in Government's economic growth and local supplier development policies and initiatives;
- 9.1.13 facilitating access to credit for beneficiary entities without access to similar credit facilities through traditional means owing to a lack of credit history, high-risk or lack of collateral;
- 9.1.14 provision of training or mentoring by suitably qualified entities or individuals to beneficiary entities which will assist the beneficiary entities to increase their operational or financial capacity; and
- 9.1.15 the maintenance by the Measured Entity of an Enterprise Development and Supplier Development unit which focuses exclusively on support of beneficiary entities or candidate beneficiary entities.
- 9.1.16 new projects promoting beneficiation by the Measured Entity for the benefit of Enterprise Development and Supplier Development Beneficiaries.
- 9.1.17 provision of preferential credit facilities to a beneficiary entity by a Measured Entity may constitute an Enterprise Development and Supplier Development Contribution. Examples of such contributions include without limitation:
- 9.1.18 provision of finance to beneficiary entities at lower than commercial rates of interest;
- 9.1.19 relaxed security requirements or absence of security requirements for beneficiary entities unable to provide security for loans; and
- 9.1.20 settlement of accounts with beneficiary entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 15 days;
- 9.1.21 providing training or mentoring to beneficiary communities by a Measured Entity. (Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification, commensurate with the seniority and expertise of the trainer or mentor, must support any claim for time costs incurred).

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9.1.22 maintaining an Enterprise Development and Supplier Development by the Measured Entity. (Only that portion of salaries and wages attributable to time spent by the staff in, and the other expenses related to, promoting or implementing Enterprise Development and Supplier Development constitute contributions.)

9.1.23 Payments made by the Measured Entity to suitably qualified and experienced third parties to perform Enterprise Development and Supplier Development on the Measured Entity's behalf.

10 MONETARY AND NON-MONETARY CONTRIBUTIONS

10.1 Subject always to the definition of Qualifying Enterprise Development and Supplier Development Contributions, the following monetary/nonmonetary contributions will, without limitation, be considered:

10.1.1 the provision of seed or development capital;

10.1.2 contributions made towards the settlement of the cost of services relating to the operational or financial capacity and/or efficiency levels of a Qualifying Enterprise Development and Supplier Development Beneficiary including, without limitation:

10.1.2.1 professional and consulting services;

10.1.2.2 licensing and/or registration fees;

10.1.2.3 industry specific levies and/or other such fees; and

10.1.2.4 IT services;

10.1.3 subject to paragraph 10.1, creation or development of capacity and expertise for Beneficiary Entities required to manufacture or produce goods and/or services previously not manufactured, produced or provided in the Republic of South Africa;

10.1.4 subject to paragraph 10.2, provision of preferential credit facilities;

10.1.5 subject to paragraph 10.1, facilitation of access to credit for Beneficiary Entities unable to access similar credit facilities through traditional means owing to a lack of credit history, high risk and/or lack of collateral;

10.1.6 subject to paragraph 10.3, provision of training and/or mentoring to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational and/or financial capacity; and

10.1.7 subject to paragraph 10.4, the maintenance by the Measured Entity of an Enterprise Development and Supplier Development unit which focuses exclusively on support of Beneficiary Entities or candidate Beneficiary Entities.

10.2 The creation and/or development of the capacity of Beneficiary Entities which will enable them to manufacture and produce goods and/or provide services previously not available in the Republic of South Africa, may constitute a Qualifying Enterprise Development and Supplier Development Contribution, and will be measured as the rand value of monetary contributions made as well as investments into, loans made to, or guarantees given to Beneficiary Entities

10.3 Provision of preferential credit facilities to a Beneficiary Entity by a Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Examples of such contributions include without limitation:

10.3.1 provision of finance to Beneficiary Entities at rates of interest below the applicable rate. Such contributions will be measured as the value of the differential between the actual interest rate provided to the Beneficiary Entity and the applicable rate;

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10.3.2 relaxed security requirements or absence of security requirements for Beneficiary Entities unable to provide security for loans. Such contributions shall be measured as being 3% (three percent) of any positive differential between the initial capital value of the loan and the value of security taken;

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