

Broad Based Black Economic Empowerment Plan and Code of Good practice for **Keech Furnace Technologies cc**

Member Message

Keech Furnace Technologies cc acknowledges the importance of Broad-Based Black Economic Empowerment in both the transformation of South Africa and long term shareholder benefits. **Keech Furnace Technologies cc** is proud of its achievements to date which started as a pioneer in 1980 with the introduction of affordable services, ensuring a safer workplace and our Code of Good Practice embodies our desire to remain in the forefront of change in South Africa. This Code of Good practice aims to communicate our targets and maps out our path over the next 10 years. I am privileged to commit **Keech Furnace Technologies cc** to it.

Member
Thelma Madhlaba

Approach

This Code of Good practice is a dynamic document, which will be adjusted in line with the changing imperatives of Black Economic Empowerment (BEE) policy strategy and legislation. Its **Keech Furnace Technologies cc** objective to communicate targets and measure the achievement of the targets set.

This Code of Good practice is not a legally binding document. It is however the intention to **Keech Furnace Technologies cc** explore the possibilities and implications for the Company of registering the Code of Good practice as an enterprise Code of Good practice with the Department of Trade and Industry (DTI).

The Code of Good practice timeframe is to 2018; however, internally this will be translated into short-term objectives aligned to **Keech Furnace Technologies cc** strategic planning horizon, which will be reviewed and audited by CenFed BEE Verification Agency on an annual basis as part of the strategic planning process.

Preamble

On 22 February 2011, committed himself to the development of a broad-based BEE Code of Good practice.

The Code of Good practice was developed noting that:

- Despite significant progress since the establishment of a democratic government in 1994, South African society remains characterized by racially based socio-economic disparities.

- BEE is a mechanism aimed at addressing inequalities and mobilizing the energy of South Africans. It will contribute towards sustained economic growth, development and social transformation in South Africa.

BEE is viewed by government as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and will bring about significant increases in the numbers of black people that manage, own and control the country's economy.

Keech Furnace Technologies cc management and staff acknowledges the importance of BEE in the need for transformation of South Africa and has adopted a broad-based strategy that will secure and potentially increase **Keech Furnace Technologies cc** competitive advantage into the future, **Keech Furnace Technologies cc** has adopted a scorecard approach with a 5 factor enabling framework, based broadly on the DTI approach, in order to both set objectives and track progress, an annual audit by CenFed BEE Verification Agency will monitor and certify the progress made.

The factors with their applicable weightings are:

BEE	Factor	Corporate Points	Qualifying Small Points
1.	Ownership	20	20
2.	Management and Control	10	20
3.	Employment Equity	10	20
4.	Affirmative Procurement	20	20

5.	Skills Development	20	20
6.	Enterprise Development	10	20
7.	Residual	10	20
			5, 6, 7 points can be selected

Keech Furnace Technologies cc has developed an internal scorecard against which BEE contribution can be measured. It is the intention, however, to use CenFed BEE Verification Agency to provide an independent assessment of **Keech Furnace Technologies cc** and its major suppliers.

Interpretation

The provisions of this statement must be interpreted in a manner that is consistent with the objectives of the Act and those set out below:

The objectives of this statement are:

to specify interpretative principles of BEE;

to provide further clarity as to the organisation of the Codes in respect of BBBEE;

to specify the Elements of broad-based black economic empowerment to be measured in the **MICRO EXCEMPTED** Scorecard;

to specify the **MICRO EXCEMPTED** Scorecard;

to provide clarification on the application of the **MICRO EXCEMPTED** Scorecard

to determine the treatment of micro enterprises for the purposes of BEE

to make provision for a transitional period before the mandatory use of the BBBEE Scorecard commences;

to define the duration for the applicability of the Codes; and

to determine the types of enterprise eligible to be classified as BBBEE

The fundamental principle of measurement of BEE compliance is that substance takes precedence over legal form.

It is a fundamental principle of the Codes that all measurement of BEE initiatives is based on the actual level of BEE compliance at the date of measurement.

If an enterprise misrepresents, or attempts to misrepresent, the true BEE Status of the enterprise with a false or unjustifiably favourable status, the entire BEE scorecard for that enterprise will be disqualified.

Any representation made by an enterprise with respect to BEE compliance must be capable of being supported by appropriate evidence or documentation.

If an enterprise fails to provide evidence or documentation supporting a representation with respect to BEE compliance, the enterprise must not be awarded any points relating to that representation.

In instances where Enterprises, which split, separate or divide themselves with the intention of making the newly divided Enterprise(s) eligible for BEE compliance exemption as an Exempted Micro Enterprise or eligible for measurement under the Qualifying Small Business Scorecard, those initiatives may be regarded as an attempt at circumvention and fronting

Verification agencies must report to the Minister any apparent attempt at circumventing the Act.

Challenges Facing Company Business

Keech Furnace Technologies cc, like other companies, faces the challenges of producing more cost effectively and delivering superb service to its Customers in the face of growing global competition, through committed and competent Staff. BEE is a mechanism that can assist the South African businesses in this regard and should be seen in this context.

The diversity that BEE brings to Companies introduces a creativity component that will assist in the reduction of risk associated with business decision-making.

Application of the Code of Good practice

This Code of Good practice belongs to **Keech Furnace Technologies cc**.

The targets in this Code of Good practice will be applied from **22 February 2011** until **2018**.

Progress against the targets will be tracked and recorded quarterly, reviewing the ongoing applicability of such targets and will be audited by CenFed BEE Verification Agency.

Keech Furnace Technologies cc acknowledges that the principles contained in the Code of Good practice will be relevant beyond **2018**.

Ownership

Keech Furnace Technologies cc will increase the number of black people who not only have ownership of equity in the Company group but can via their ownership, contribute to the sustainable competitive advantage of the Company, and will give preference to broad-based organizations where practically possible.

Keech Furnace Technologies cc is to be regarded as a **(LEVEL OF CONTRIBUTION)** to Black Empowered Companies, from a BEE Perspective, as measured by CenFed

Keech Furnace Technologies cc acknowledges the complexity around ownership measurement and will take its lead from best practice.

When structuring ownership transactions **Keech Furnace Technologies cc** will look to mechanisms that balance the businesses need for sustainable black ownership and the requirement of black ownership to unlock appropriate value from their investment.

Keech Furnace Technologies cc will recognize indirect ownership by black companies, black empowered companies and black shareholdings in assessing overall black ownership credentials. It acknowledges that indirect ownership comes with limited Management and Control and therefore does not classify ownership in the same terms as direct ownership. **Keech Furnace Technologies cc** will take its lead from best practice in measuring indirect ownership.

Keech Furnace Technologies cc will:

- Maintain an appropriate BEE structure for **Keech Furnace Technologies cc** that balances the leader-Ship role that the Company needs to assume as one of South Africa's major suppliers of **Keech Furnace Technologies cc** in terms of transformation of our economy with the commercial obligation to the shareholders, acknowledging that BEE will provide long-term shareholder benefits.
- Identify and pursue BEE opportunities at an appropriate level that will either unlock value for **Keech Furnace Technologies cc** or preserve current value into the future.
- Choose BEE partners who, where practically possible, have both a Broad Based ownership structure and can play an appropriate value-adding role in **Keech Furnace Technologies cc**

The principles of BEE transactions:

- BEE ownership initiatives should be aimed at promoting the productive and sustainable Participation of black companies and black people in **Keech Furnace Technologies cc**
- Ownership will be particularly encouraged if it adds value to the Company / divisions Involved and includes meaningful participation in management and control.
- The funding structures should facilitate the transfer of full economic interest to the BEE partner and longer-term shareholder-type relationships, as opposed to short-term portfolio investments (especially where the transaction has been facilitated).
- The retention of the shareholding as a BEE share should be promoted to the greatest extent possible.
- Initiatives aimed at progressing in the area of broad-based BEE will be promoted.
- Joint ventures or partnership arrangements should be meaningfully structured with equitable portions of the responsibility and benefit to each party.

- BEE ownership initiatives will be aimed at improving the competitive advantage of the Company

Management and Control

Keech Furnace Technologies cc will focus on increasing the number of black people in positions that have authority and power to manage the company's assets, determine policy and the direction of business operations. This would include certain key corporate positions that participate in decision-making at board and executive management level.

The Company will strive to achieve the following targets by **2018**.

Management Grouping	% Black Current (YEAR JOINED)	% Black Target (END OF TIMEFRAME)

Affirmative Procurement

Keech Furnace Technologies cc will implement a targeted procurement strategy to increase its procurement from companies that have made significant progress in the area of BEE and are rated as **(LEVEL OF CONTRIBUTION)** to BEE based on a broad-based evaluation methodology.

Keech Furnace Technologies cc target of purchasing from BEE compliant vendors will be between 80% and 100% of the value of Companies core procurement by **2018**.

Should a supplier's business not be run on sound and sustainable business practices, its BEE credentials will be discounted, irrespective of its BEE rating.

In procuring products and services from a BEE Enterprise **Keech Furnace Technologies cc** will take a broad-based assessment approach and will not focus on Management and control. It will however require the vendor to start addressing Ownership and the other legs as it grows.

Keech Furnace Technologies cc will also focus on Enterprise Development as a means to increasing its Empowerment supplier base where appropriate. In this regard, it will:

- Actively support existing businesses and the creation of new businesses that are owned by black people and encourage these new suppliers and existing suppliers to improve their broad-based BEE credentials, through the leverage it has on its suppliers.
- Assist in the creation of new businesses by facilitating access to finance and skills Transfer, where appropriate.
- Provide support to BEE Enterprises to enable them to benefit from targeted procurement programs. Such support will include programs designed to assist BEE Enterprises in tendering for business, setting aside areas of procurement reserved or preferred for BEE Enterprises only.

Keech Furnace Technologies cc will:

- Actively pursue purchases from BEE compliant companies in terms of a DTI accredited Rating by SANAS as a division of the DTI
- Increase the level of tracking with the roll out of the BEE verification Act and or system in the medium term. Encourage existing suppliers to address BEE and become BEE compliant.
- Report on all spends in terms of the categories that fall within the definition of BEE compliancy.

It is the intention to use the DTI Approved, independent rating done by CenFed BEE Verification Agency to rate the Companies key suppliers' empowerment status.

Employment Equity

Disparities in the South African workplace resulting from past discriminatory practices and laws are not only unjust, but also have direct negative implication for economic efficiency, competitiveness and productivity. It is

therefore in the country's long-term national interests that a broad-based and diverse pool of skills is developed for the sector to unleash the potential of all South Africans.

Consequently, **Keech Furnace Technologies cc** undertakes to continually redress the inequalities present with regards to race, gender and disability in its employee base and to accelerate the normalisation of this position through structured skills development programs and the injection of talent, through its ongoing commitment to:

- Ensuring that its workforce represents South African demographics in terms of race, gender and disability at all levels and that structured development plans are in place to achieve this.
- Actively driving internal promotion opportunities through structured development programs and career planning.
- Encouraging the recruitment of black talent into Incentive and rewarding senior divisional managers to achieve the targets set.

The Employment Equity and Skills Development Committees will assess and define policies to address the employment of people with disabilities. **Keech Furnace Technologies cc** commits to ensuring that, where practically possible, its site is adapted to accommodate people with disabilities.

Skills Development

Keech Furnace Technologies cc acknowledges the involvement of black people in operational, professional and executive decision making as a critical aspect of BEE and will accelerate this process via a focused skills development programs.

Employment Equity and Skills Development committees exist at all operation to drive skills development at an operational level.

Keech Furnace Technologies cc classifies its skills development into the following broad categories:

Leadership Development		% Representation
Management Development Program		0% Black
The program focuses on leadership development of high potentials at a senior operational management level.		
Tomorrow's Leader Program (TOM)		0% black
The program focuses on skilled staffs that have the potential to fill an operational management role.		
Skills Development Program (SDP)		0% black
The program focuses on developing skilled employees with Leadership potential who may not have had the educational Opportunities in the past		
Graduate Development Program (GDP)		0% black
The program runs for 2 years and focuses on introducing New graduates to the Company		0% black women

Bursaries and Grants		% Representation
Bursary Scheme and Tertiary Grants		0% Black
Draws bursars, in appropriate fields, with an emphasis on schools and communities, to provide a feed into the Graduate Development Program.		0% black women

Technical and Operational	Target	% Representation
Learnerships	0% of Payroll	0% black
The program covers technical trades Involved in the company's industry.		
Technical and Operational Training	0% of Payroll	0% black
Covers the technical skills required to Run Inspections		
Support Training	0% of Payroll	0% black
Training outside of operational		

Residual Element & Enterprise Development)

Keech Furnace Technologies cc acknowledges Corporate Social Investment (CSI) as an important component of its corporate citizenship. It will take a developmental and transformational approach to Initiatives that are linked to the upliftment of South Africa's youth in the areas of education, health and welfare and environment.

The Company is to set aside 3% of its profit after tax for CSI in South Africa, focusing the spend on projects and initiatives that can be replicated with other communities either with support from funding from the Company or other donors.

The underlying principle is that the majority of the CSI spend goes toward the intended purpose and not on administration costs.

The focus areas for CSI spend will vary over the Code of Good practice timeframe, however those identified to date are:

- Collaborating with selected schools in industrial areas that provide education for black communities that have a leadership structure that is committed to and has demonstrated its desire to provide superior education to their learners.
- Continuing with the fundamental sponsorship of PATSAAD's (Pigeons Against Teenage Sex Alcohol Abuse and Satanism)
- Providing the funding for the launch of PATSAADs Project in conjunction with The World Wildlife Fund, aimed at educating the youth on relevant environmental Issues and how they can 'make a difference' on their environment.
- Supporting organizations that are aligned to the objectives contained within this code of Good practice.
- Patsaads is part of the Lets Play drive of M-net

Implementation

Besides Ownership, which is a shareholder issue, an independent, non-executive manager will be appointed to chair a sub-committee to review progress made.

The Executive Member of **Keech Furnace Technologies cc** has been appointed to manage and coordinate the BEE process for the Company.

Each division will submit a scorecard biannually, commencing **22 February 2011**, reporting on its progress against targets and adherence to the Code of Good practice.

Employment Equity and Skills Development Committees have been established to specifically focus on the Employment Equity targets and the achievement thereof.

Delivery on the Code of Good practice objectives will be set as a key performance area for senior staff, particularly in areas under their influence, e.g. Employment Equity.

The Scorecard

The scorecard provides a broad-based set of measurement indicators for measuring BEE progress. It is applied by The Chamber Of Commerce & Industry East Rand and will act as a guide and scorecard to divisions and suppliers. Specific terms used are defined in the scorecard explanation and practical examples have been included.

The total score achieved, indicated as a percentage, was rated according to the following scale:

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥75 but <85 on the Generic Scorecard	110%
Level Four Contributor	≥65 but <75 on the Generic Scorecard	100%
Level Five Contributor	≥55 but <65 on the Generic Scorecard	80%
Level Six Contributor	≥45 but <55 on the Generic Scorecard	60%
Level Seven Contributor	≥40 but <45 on the Generic Scorecard	50%

Level Eight Contributor	≥30 but <40 on the Generic Scorecard	10%
Limited Compliant Contributor	<30 on the Generic Scorecard	0%

The Company will strive to be classified as a Level One Contributor by 2018 and preference in Procurement will be given to suppliers that fall into the higher levels, based on the same Broad-Based evaluation methodology of other companies.