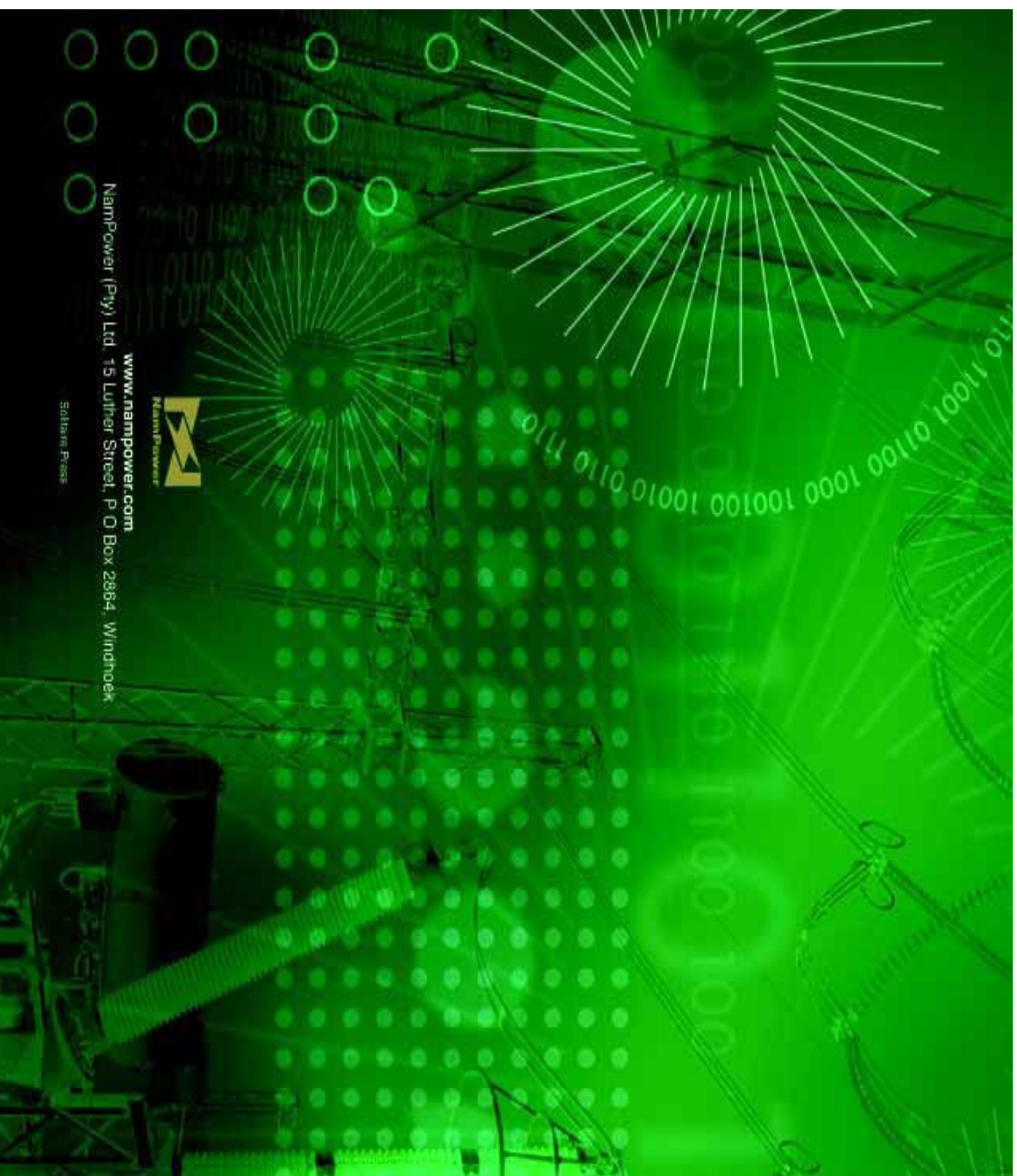


# **NamPower Black Economic Empowerment Policy**



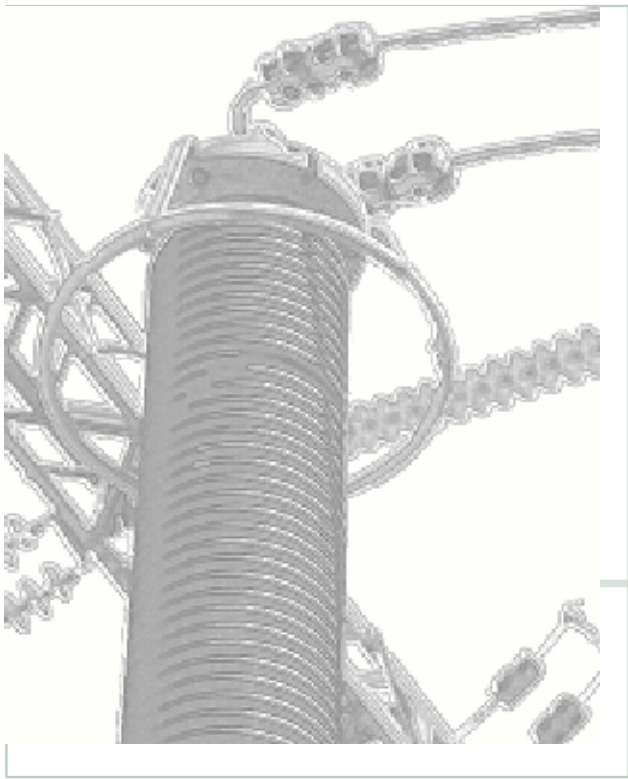
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South Africa

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## Managing Director's Message

Namibia Power Corporation (Pty) Ltd (NamPower) is a 100% state owned company run on business principles. Our main business is electricity Generation, Transmission and Energy Trading. We are also involved in Distribution through shareholding in the Regional Electricity Distribution companies (RED'S).



Dr. Leake S. Hangala

Like any business-orientated entity, we are committed to creating and maximising value for our shareholder, the Government, and by extension, the people of the Republic of Namibia. We strive to meet the expectations of all our stakeholders.

In our quest to conduct our business and to ensure equitable distribution of our financial resources in the country in the most efficient and transparent manner, our Board of Directors has approved the NamPower Black Economic Empowerment Policy.

We at NamPower believe that as long as the majority of our people are excluded from the mainstream economic activities, poverty and other social evils will prevail and there will be no real emancipation, both political and economic, of the previously disadvantaged Namibians.

Development in any form can only thrive once the people feel they have a stake and a meaningful portion in the economy of their country. The NamPower Black Economic Empowerment Policy strives to address the existing economic inequities in our society, by encouraging participation of enterprises, whether small, medium or large, owned or operated by previously disadvantaged Namibians, in the procurement and supply of goods and services to NamPower. The Policy further strives to make business with NamPower consistent, predictable and fair. This Policy will set out criteria and implementation procedures that will guide our procurement system.

**This document is a result of extensive consultation with and input from various stakeholders of NamPower such as the NamPower Board of Directors and the NamPower branch of the Mine Workers' Union of Namibia (MUN). I would therefore like to thank all those who contributed to this Policy.**





NamPower expects its employees to behave ethically. In order to assist its employees, NamPower has the NamPower Code of Ethics, which sets out guidelines for ethical behaviour in the workplace. In addition, NamPower subscribes to Corporate Governance principles as outlined in the King II Report. Prospective suppliers should take note that it is an offence to bribe or attempt to bribe a NamPower employee.

If your company shares our aspirations, as set out above, we welcome the opportunity to establish mutually beneficial business relations.



**Dr. Leake S Hangala**

**Managing Director  
NamPower (PTY) Ltd**

12 May 2004

**Date**



## 1. Glossary of Terms

The following abbreviations and terms shall be used in this Policy as defined below:

- BEE Black Economic Empowerment
- JVs Joint Ventures
- WOVs Women-owned Ventures
- PD Previously Disadvantaged
- PDNs Previously Disadvantaged Namibians. This refers to the categories as defined in the Affirmative Action (Employment) Act No 29 of 1998





## 2. Policy Statement

The NamPower BEE Policy is a result of NamPower's resolve to redress historical socio-economic inequalities created by the apartheid system. The economic empowerment of Previously Disadvantaged Namibians (PDNs) is a business imperative earmarked at bringing stability and economic equity in our society, which has been polarised along racial lines.

NamPower's BEE Policy aims at maximising purchases from Black Economic Empowerment Suppliers (BEEs), be they large, medium or small. The Policy further aims to promote entrepreneurship in Previously Disadvantaged (PD) communities and to give PD businesses access to the mainstream of business opportunity.

Although termed the NamPower Black Economic Empowerment Policy, this policy is by no means intended to target black Namibians only, on the contrary, its beneficiaries are all PDNs.

While supporting PD suppliers in any sector of the economy, NamPower will concentrate its black economic empowerment efforts on businesses which have a broad-based empowerment shareholding and also those enterprises, of which the products and services tie in with NamPower's range of business activities.

The primary task of the procurement function in NamPower is to find reliable and cost effective suppliers for the enterprise. In the same vein, NamPower is resolute in doing business with those entities, which like us, are seriously addressing economic imbalances in our society.

The NamPower Board and its senior managers collectively and as individuals are fully committed to the directives given in this Policy. Management (the Managing Director and General Managers), and the NamPower Tender Board will set targets for purchases from PD suppliers and oversee the Policy implementation in each NamPower Business Unit, Subsidiary and Joint Venture, to ensure compliance to the NamPower BEE Policy. Management will ensure that those involved in the implementation of this Policy have the needed human, financial and other resources to carry out their functions effectively. The success of the NamPower BEE Policy is of paramount importance to the Board, Management and Staff of NamPower.



### 3. Policy Objectives



Over and above the objectives stipulated below, the mission of the NamPower BEE Policy is that of redistributing financial resources in order to reduce the economic imbalances in our society.

- The central objective of the NamPower BEE Policy is to accelerate the economic integration of all our people.
- This Policy shall uphold the principle of economic empowerment of PDNs, as spearheaded by the NamPower Management and approved by the NamPower Board of Directors.
- This Policy will be implemented in such a way that in all our transactions the quality of products and services is not compromised.
- NamPower will generally not conduct business with a company which does not benefit PDNs, either in

terms of equity or management and control of a business, **except in exceptional cases when the required product, service or expertise is not offered by the PD supplier.**

- Through this Policy, the implementation of which must be broad-based, we aim to encourage the formation of local and regional consortiums and joint ventures, which will draw previously disadvantaged Namibians into the mainstream economy of our country.

Further, the Policy aims:

- To support Namibia's National Development Programme.
- To address imbalances left by the apartheid system, by enabling previously disadvantaged Namibians to own, manage, share and develop the country's economic resources.
- To encourage meaningful participation in the country's economy, by previously disadvantaged Namibians, in order for them to develop and attain prosperity.
- To foster job creation, rural development, poverty alleviation and skills development, to enable the previously disadvantaged citizens to make a meaningful contribution to the economic growth of our country.





## Definition of Key Terms

### 4.1 Black Economic Empowerment (BEE)

#### General definition of Black Economic Empowerment:

*Black Economic Empowerment is generally defined as an integrated and broad-based socio-economic process aimed at redressing the inequities created by the past discriminatory system, within the context of the country's National Development Programme. It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management, control and development of Namibia's financial and economic resources to the majority of its citizens, to meaningfully reflect the demographics of Namibia. It seeks to ensure broader and meaningful participation in the economy by PDNs in order to achieve sustainable development and prosperity for all Namibians. BEE should and must be broad-based to accelerate the economic empowerment of previously disadvantaged sections of our society.*

### 4.2 BEE Enterprises

A business entity shall be considered to be a Black Economic Empowerment one if it displays one or more of the following characteristics:

#### 4.2.1 Ownership and Control by the PDNs: At least 50.1% ownership in business entities.

Business entities can be defined as:

- Companies (both public and private)
- Close Corporations
- Partnerships
- Joint Ventures
- Sole Proprietorships
- Trusts

### **Proof of Previously Disadvantaged Ownership/control**

NamPower requires a 50.1% Previously Disadvantaged shareholding for a business entity to qualify as being owned and controlled by PDNs.

In addition, a supplier must meet the following criteria:

- Previously Disadvantaged Namibians must own one half of the issued voting share capital of the firm.
- Previously Disadvantaged Namibians should control at least one half of the maximum number of votes that may be cast at an Annual General Meeting (AGM) of the firm.
- If the firm is a trust, PDNs should control at least half of the votes of trustees or should appoint half the trustees, or appoint or change the beneficiaries of the trust.
- In the case of a close corporation, PDNs should own at least half of the members' interest or control at least half of the members' votes.
- Previously Disadvantaged Namibians must be in a position to materially influence the policy of the firm.

#### **4.2.2 Joint ventures and consortiums in which PDNs have a shareholding.**

PDNs can form joint ventures or consortiums with either Previously Advantaged Namibians or with foreign investors. NamPower considers 15% equity in a joint venture or consortium, as the acceptable minimum equity by previously disadvantaged Namibians.

Joint ventures conforming to the following requirements may be formed with Black Economic Empowerment Suppliers:

- An approved contractual relationship is established.
- The PD Supplier performs duties with its own resources *and management*.

## 5. Black Economic Empowerment (BEE) Governance

The NamPower Black Economic Empowerment Policy forms part of the NamPower Tender and Procurement Policy.

The NamPower BEE Committee will monitor and evaluate procurement with BEE enterprises, in line with the provisions of both the NamPower Tender and Procurement Policy and the NamPower BEE Policy.

### 5.1 Scope of Duties

The NamPower BEE Committee shall:

- carry out its functions in line with the stipulations of this Policy, and report to the Management Committee and the NamPower Tender Board;
- evaluate BEE procurement in the NamPower Group to ensure compliance with the NamPower BEE Policy;
- monitor purchases from BEE suppliers against targets set to ensure that policy objectives are met; and
- accept and recognise that the success of the BEE Policy constitutes an important part of the success of the National Development Programme.

### 5.2 Performance Measurement and Reporting

The NamPower BEE Committee will ensure that Black Economic Empowerment procurement is included in the performance agreements of all affected personnel (procurement and operational).





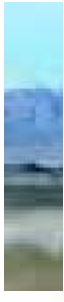
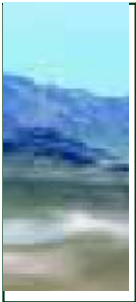
Performance measurement and reporting requirements, as set out in the NamPower Tender and Procurement Policy and in directives from Management, will be adhered to. To ensure effective communication, the flow of information and reports will be coordinated by the respective Business Units, in conjunction with the NamPower BEE Committee.

*Key Performance Indicators for BEE Procurement in NamPower will be:*

- (a) an amount spent on goods and/or services procured from Black Economic Empowerment Suppliers;
- (b) total expenditure on BEE;
- (c) the ratio between expenditure on the BEE programme and the amount spent procuring goods or services from BEE suppliers. A decreasing ratio over time would indicate good performance; and
- (d) the percentage of Black Economic Empowerment supplier repeat contracts.

**5.3 Stakeholder Communication**

Progress and performance in respect of the BEE procurement programme will be communicated to the relevant stakeholders (Board and Management) – on a quarterly basis.



## 6. BEE Procurement Framework

### 6.1 Procurement requirements

- Black Economic Empowerment suppliers will not be given preferential treatment with regard to quality, price, expected service level or delivery, or any other commercial or technical requirements.
- NamPower is committed to cost efficiency. Notwithstanding our commitment to advancing economic empowerment of the Previously Disadvantaged, BEE procurement should not increase the cost of doing business for NamPower. NamPower therefore reserves the right to procure goods and services from the most cost effective sources, which may be the manufacturers or sources of such goods and services and which may or may not be BEE suppliers.
- Certain tenders may be targeted at BEE enterprises only.
- In order to boost the SMEs growth, some tenders may be negotiated with SMEs by the NamPower Tender Board.
- In the event where BEE enterprises cannot provide the required goods or services, NamPower reserves the right to approach any NamPower approved supplier to provide the balance of such goods or services.

### 6.2 Registration

All business entities that want to do business with NamPower should be registered as suppliers with NamPower. The onus is on suppliers to prove that in their provision of goods and services to NamPower, Previously Disadvantaged Namibians will benefit.

### 6.3 Preference Rating

- A maximum of 10% preferences shall be granted to qualifying tenderers: 3 % for Namibian incorporation and ownership, and 7 % for (BEE previously disadvantaged Namibians and Women or Physically Challenged Empowerment). The BEE related preferences are outlined in the BEE Score Card.



- Rating will be recorded in the Supplier/Customer Management System (S/CMS).
- The rating will be updated every time a supplier tenders.

#### **6.4 Reporting**

Purchases from and services rendered by BEE enterprises will be recorded as such and will be reported on a quarterly basis to the relevant stakeholders, by the Procurement Section of NamPower.



## 7. Qualification of BEE Suppliers

Qualification is the process which all suppliers, small, medium or large and BEE or not, must undergo to qualify for the supply of particular categories of goods or services, in the event when tendering is limited to a list of previously qualified suppliers.

This will be done in terms of the NamPower BEE Policy and the NamPower Tender and Procurement Policy. Qualification is limited to the categories specified during the qualification process, and is not a blanket approval of the suppliers to supply anything and everything to NamPower.

The NamPower Business Units and subsidiaries are responsible for:

- Administering the supplier qualification process for the supply of goods and services within their respective areas.
- Recommending suppliers to the Finance Business Unit for acceptance as NamPower approved suppliers.
- Ensuring that specialist functions assist in qualifying suppliers within their fields of expertise.

In addition, all relevant employers must submit valid certificates of Compliance with the Affirmative Action Act No 29 of 1998.



## 8. BEE Supplier Score Card

The tendering system is NamPower’s main buying and selling mechanism. It’s objective is to ensure equal participation by qualifying business entities in the economy of the country.

The following scorecard shall apply when tenders are evaluated:

	CRITERIA	Preference (%)
1	Previously Disadvantaged Shareholding (PDN)	
	15 % - 25 % PDN ownership	2
	25.1 % - 50% PDN ownership	3
	50.1 – 100 % PDN ownership	5
2.	Women and/or Physically Challenged Empowerment	
	25 % - 50 Women and/or Physically Challenged Empowerment	1
	50.1% - 100 % Women and/or Physically Challenged Empowerment	2
	MAXIMUM SCORE	7%



## 9. Penalties



Any supplier or potential supplier that misrepresents the facts in order to gain some advantage using NamPower's BEE Policy will be penalized by deregistration as a supplier to NamPower, and NamPower may take appropriate legal actions against such a supplier.

Directors or owners of businesses which have been deregistered, will be listed and NamPower may refuse to register any new companies in which they have a stake as suppliers.





