

## **PREFERENTIAL PROCUREMENT POLICY**

### **1 BACKGROUND**

- In accordance with Government's Department of Trade and Industry's Economic Transformation Strategy for Broad-based Black Economic Empowerment (BEE) initiatives and
- In accordance with Aerosud's stated policy to fully support the BEE strategy and objectives

Aerosud has implemented a Preferential Procurement Policy which will comply with the BEE in order to bring about a significant upliftment of Black Enterprises and reduce and ultimately eliminate business inequalities and empower an increasing number of previously disadvantaged individuals to participate and compete successfully in both the local as well as the international markets.

### **2 STRATEGY**

It is Aerosud's strategy to:

- Research the South African market to identify BEE Suppliers who can offer goods and services required by Aerosud
- Establish and maintain a standard and documented process for tender and quote submissions to Aerosud
- Evaluate such submitted tenders and quotes in a transparent and open manner in accordance with professional business practices and ethics

### **3 EVALUATION OF TENDERS AND QUOTES**

In order to fairly and equitably designate our requirements to BEE enterprises, Aerosud has two (2) Procurement processes, namely, the procurement of;

- 3.1 Aircraft related materials, details, consumables and other.
- 3.2 Non-Aircraft related materials, items, consumables and services.

#### **3.1 Aircraft related materials, details, consumables and other.**

Potential suppliers shall be evaluated in accordance with the following criteria:

- 3.1.1 Is the Supplier's product approved by the Original Equipment Manufacturer (OEM)?
- 3.1.2 Are the Supplier's processes approved by the Original Equipment Manufacturer (OEM)?
- 3.1.3 Is the supplier EN9120 compliant?

Enterprises whose answers to all three (3) questions are in the affirmative and documentary proof thereof is available, will proceed to the BEE Equity weighting evaluation as set out in Paragraph 4.

### **4 WEIGHTING OF TENDERS AND QUOTES**

Providing that the answers are demonstrated to be in the affirmative for all 3 questions in Paragraph 3.1 above, the evaluation of both Paragraph 3.1 potential suppliers and

Paragraph 3.2 potential suppliers will be as follows:

4.1 BEE Equity weighting

4.1.1 The weighting will be as follows:

	Detail	Actual	Target %	Weighting	Co. Score	TOTAL
<b>1. DIRECT EMPOWERMENT SCORE</b>						
Equity Ownership	% Share of Economic Benefits		25.00%	20.00%		
Control	% Black Persons in Executive Management and/or Executive Board and Board Committees					3
	Board		25.00%	5.00%		
	Executive Management		25.00%	5.00%		
<b>2. HR DEVELOPMENT AND EMPLOYMENT EQUITY SCORE</b>						
Employment Equity	Weighted Employment Equity Analysis					
	Senior Management		20.00%	5.00%		
	Mid-Management		25.00%	5.00%		
	Junior Management		10.00%	8.00%		
Skills Development	Skills Development Expenditure as a portion of Total Payroll		5.00%	12.00%		30.00%
<b>3. INDIRECT EMPOWERMENT SCORE</b>						
Preferential Procurement	Procurement from Black-owned and Empowered Enterprises as a Proportion of Total Procurement		20.00%	20.00%		
Enterprise Development	Investment in Black-owned and Empowered Enterprises as a Proportion of Turnover		0.50%	10.00%		30.00%
<b>4. CORPORATE / SOCIAL RESPONSIBILITY</b>						
Investment	Investment per Annum Regarding HDI / BEE Development Programmes		3.00%	10.00%		10.00%
<b>TOTAL OF EQUITY WEIGHTING</b>						<b>100.00%</b>

4.1.2 Attestation of BEE Status

Suppliers who claim BEE status shall provide to Aerosud audited statements of their ownership or control which will be used in the assessment of their tenders or quotes.

4.1.3 Changes to Supplier's BEE Status

Suppliers whose BEE status changes during the time that they are on the Preferential Supplier's List, such changes must be divulged to Aerosud within 30 calendar days of

such change having taken place. In such cases, Aerosud shall re-evaluate the supplier's status in line with the criteria in Paragraph 4.

4.2 Evaluation Methodology

- 4.2.1 The maximum BEE Equity Weighting will make up 15%
- 4.2.2 Price will make up 50%
- 4.2.3 Delivery Lead time will make up 25%
- 4.2.4 Supplier Delivery and Quality Evaluation 10% \* See Note below

\* NOTE: All Suppliers are continuously evaluated on timeous delivery performance and also for quality performance as set out below:

NON-CONFORMANCE	PENALTY
<b>Delivery &gt;10 days early or &gt;3 days late compared to the delivery date on the Purchase Order</b>	<b>Less 1% per non-conformance over a moving six (6) month period</b>
<b>Quality (Quantity, Quality Control assessment / Conformance to specifications, damage, documentation)</b>	<b>Less 1.5% per delivery non-conformance over a moving six (6) month period</b>

Should any supplier exceed a total penalty of 5% in any 6 month period, that supplier shall be removed from the Preferential Supplier list and will have to be re-evaluated by the Procurement management in accordance with Paragraph 5.

**5 ANNUAL RE-EVALUATION**

Once a supplier has been evaluated in accordance with the abovementioned methodology, and providing that the supplier's delivery and quality evaluation remains above 5% at all times (i.e. the non-conformance penalties are never more than 5%), that supplier shall remain on the supplier's Preferential List for the calendar year.

Should any supplier be removed from the Preferential Supplier's List, excepting those removed under the conditions of Paragraph 6 below, there will be a supplier's re-evaluation process each year commencing October of each year and ending before 31 December for consideration for inclusion onto the Preferential Suppliers list for the following calendar year.

**6 DISQUALIFICATION**

Any supplier found guilty of the following shall be immediately disqualified from the Suppliers Preferential List and shall not be considered for further evaluation:

- 6.1 Bribery
- 6.2 Corruption
- 6.3 Dishonesty
- 6.4 Illegal business activities
- 6.5 Guilt relating to any criminal charge for any business owner or Board member of that body