



BEE and Affirmative Procurement Policy

A Real Commitment to Transformation

The Tower Group is committed to the Black Economic Empowerment (BEE) process in South Africa and is fully supportive of the government's transformation objectives.

The Tower Group is committed to:

- Addressing inequalities in the company due to the historical, economic and political situation in South Africa.
- Creating an environment free of discrimination.
- Eliminating practices perceived as discriminatory.
- Removing barriers.
- Actively appointing and developing individuals with potential, at all levels in all designated groups.

The impetus for black economic empowerment (BEE) in our group originates largely from our approach to doing business in South Africa. Restructuring and innovation also plays a part in our policy. The transformation of the South African economy where BEE and Affirmative Procurement plays a vital role is something the Tower Group is intimately involved with and welcomes.

This policy relates to the appointment of Professional Vendors / Service Providers by setting general principles and procedures for their selection and appointment. The policy contains our Affirmative Procurement Policy and establishes rules and guidelines for such appointments.

The Tower Group's affirmative procurement policy is a strategic initiative, which enjoys the support and commitment of all the group's executives. The policy is practiced across the group to give opportunities to SMME or emergent black suppliers and to transform the demographics of the Tower Group's supplier profile.

With over 50 third-party suppliers, the Tower Group has undertaken an information-sharing process to ensure that our traditionally preferred suppliers are supportive of our affirmative procurement policy objectives.

The Tower Group's procurement policy includes a stated commitment to include spend targets where appropriate. Fronting will not be tolerated. Ownership of suppliers will be verified by review of legal ownership documents, telephonic monitoring, site visits and

other methods available to ensure that participating vendor businesses are eligible in terms of our policies.

Responsibility for this policy rests with the directors, assisted by the Branch and Divisional managers, together with branch / divisional representatives.

BEE Implementation Strategy

As a practical and implementable extension of our commitment, the Tower Group has taken proactive steps to ensure that our Group adopts and implements an achievable BEE strategy and in this regard is well underway with a process aimed at fulfilling all the necessary requirements for full BEE compliance.

The Tower Group is well underway in implementing its BEE strategy, which addresses the following imperatives:

- Equity
- Affirmative procurement
- Employment equity
- Corporate Social Investment

Equity

A meaningful black participation in the economic success of the Tower Group and in decision making at the highest levels is very important to us. To this end 26% of the Tower Group is already owned by black persons. The company will in future review its BE shareholding with a view to increasing this over time.

Affirmative procurement

We are in the process of reviewing our affirmative procurement policy to ensure we proactively employ the services of empowered companies. Currently the company is reviewing all suppliers to ascertain their BEE status and we are endeavouring to ensure that at least 25% of our discretionary procurement is given to empowered companies.

The Tower Group requires all discretionary preferred suppliers to complete a BEE Questionnaire, whether they meet with the outlined requirements for BEE or not. Empowerdex, the economic empowerment rating agency, can provide us with a standardised measure of economic empowerment ratings. Such a BEE rating will provide an independent opinion of the economic status of entities and allow these entities to measure the impact and effect of various economic empowerment initiatives they have implemented.

Employment Equity

As a responsible employer, the strategic objective of the company is to have individuals from designated groups represented in all positions of skill and responsibility. The Tower Group has for some time embraced employment equity and our Employment Equity

plans are submitted to the Department of Labour as required. We will continue to actively target appropriately qualified previously disadvantaged individuals (PDI) to ensure a representative staff representation is achieved and maintained.

Currently, the Tower Group's employment equity staff representation is 42% at all responsibility levels in the organization, ensuring that in all areas of the company we are creating sustainable practices to help drive and support the company.

Corporate Social Investment

The Tower Group is focused on good corporate citizenship and empowerment. Central to this focus is the desire to be a part of creating economic stability and growth within South Africa.

With this in mind, the Tower Group has for a number of years supported Khulisa, an NGO involved in community projects and crime prevention throughout South Africa as well as the Endangered Wildlife Trust.

As a small company the Tower Group has limited capacity for incubation of BEE start-up ventures but we continue to support the concept of growth and innovation in smaller South African companies. We continually strive to remove any barriers to entry, the creation of an environment of networking and information sharing, and assisting such companies to showcase their capabilities, attract investment and customers - while giving them support on all aspects of their market penetration wherever we are able to.

In addition to our involvement in these initiatives, the Tower Group has also been involved in HIV/Aids awareness and has developed innovative policies in this regard.

Affirmative Procurement Details

The policy is structured to achieve the following two principle objectives:-

- The policy encourages **capacity building** and **skills transfer**.
- The policy is consistent with other national policies and practices and embraces BEE legislation.

Target Groups

The primary target groups are:

Affirmative Vendors / Service Providers

A legal entity which is at least 26% **owned and controlled** by those Previously Disadvantage Individuals (PDI's) i.e. those persons historically classified as Africans, Coloureds and Indians.

Women Equity Ownership

Professional Service Providers which are partially or wholly owned by women.

Operational Principles

Vendors who qualify as one of the target groups and / or who employ individuals from the PDI population groups will be given preference to companies that do not meet the specified criteria.

Specific Affirmative Procurement Principles:

- BEE vendors / service providers will not be treated differently than the norm with regard to quality, price, expected service level or delivery, safety standards, environmental impact or any other commercial or technical requirements. The current Tower Group Systems general procurement policies and procedures will therefore apply.
- Payment will be processed within 30 days for BEE Accredited Enterprises.
- Support for small black suppliers may include setting aside for black suppliers only, certain tenders in part or whole. For these categories of spend other business entities will be unable to tender. For other spend categories, where set-aside has not been applied, preference will be given to BEE suppliers commensurate with their BEE status.
- In order to supplement the above-mentioned approaches to promoting BEE procurement, the following additional mechanisms may be used:
 - Indirect black vendor / service provider procurement where the principal contractor / supplier will be required to procure a stated percentage of the contract value from Tower Group preferred or approved BEE suppliers.
 - Joint venture arrangements as a condition of tender where the value awarded to a BEE joint venture partner will equate to the effort required.
- When applying for registration as BEE vendor / service provider, suppliers must provide a statement of their ownership and control. The Tower Group reserves at all times the right to verify the BEE status of a vendor / service provider.
- Any vendor / service provider or potential vendor / service provider that misrepresents their organisation in terms of BEE status will be penalised by deregistration as a vendor / service provider to the Tower Group. Directors or owners of businesses which have been deregistered will be de-listed and the Tower Group may refuse to conduct any new businesses with them as supplier.

Risk Management

Various mechanisms are built into the Tower Group Affirmative Procurement Policy Framework to minimise any risk exposure to the company and the Vendors / Service Providers.

The risk of awarding large contracts to small vendor companies is addressed by linking contract value with the relevant capacity, and utilising this as criteria in the selection process.

The policy has specific conditions for a code of conduct and remedy procedures for Vendors / Service Providers that act unprofessionally and or transgress the principles of the Policy.

Review

It is intended that a review panel comprising the directors and the Finance Department will, at intervals of approximately one year or as circumstances dictate, assess the effectiveness of the Tower Group Affirmative Procurement Policy in order to determine whether it is achieving its aims and objectives.