

TRANSFORMATION POLICY

Introduction

The objective of this document is to reflect the present situation of Numeral over a specific period for the business to become BEE compliant.

The business currently falls within the scope of the Exempt Micro Enterprise (EME) scorecard as contemplated in the Code of Good Practice and the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).

Since the Business is currently seen as an Exempt Micro Enterprise, and therefore has been accepted as a Level 4 BEE compliant business on the scorecard, the Company wishes to develop a BEE Plan of its own to indicate its willingness to be considered a BEE contributor.

The objective in doing so is to ensure equality across all previously disadvantaged groups and to eradicate any potential discriminatory situations that may occur.

Definitions

- “BUSINESS” shall include the particular business to be assessed irrespective of the relevant business form (e.g. partnership, Close Corporation, etc.).
- “the Act” means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
- “BEE” means Broad Based Black Economic Empowerment.

- “BEE Commission” means the commission established in May 1998 under the auspices of the Black Business Council, entrusted with the objective of researching and reporting on BEE in South Africa.
- “Black-empowered enterprise” means an enterprise that is at least 25,1% black-owned and where there is substantial management control.
- “Black-owned enterprise” means an enterprise that is 50,1% black-owned and where there is substantial management control.
- “Black people” is a generic term for African, Colored, Asian and Indian citizens of the Republic of South Africa.
- “Broad based BEE” means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies.
- “Code” means the Codes of Good Practice published by the Department of Trade and Industry specifying government’s approach in the measurement of BEE compliance.
- “Control of enterprises and assets” means equity ownership where the relevant person assumes liability for risk and profit and has corresponding voting rights and economical interest.
- “Contributor to BEE” means the level of contribution according to the relevant Broad Based Black Economic Empowerment scorecard, namely:
 - Level 1 Contributor > 100 on relevant BBBEE Scorecard;
 - Level 2 Contributor > 85 but < 100 on relevant BBBEE Scorecard;
 - Level 3 Contributor > 75 but < 85 on relevant BBBEE Scorecard;
 - Level 4 Contributor > 65 but < 75 on relevant BBBEE Scorecard;

- Level 5 Contributor > 55 but < 65 on relevant BBBEE Scorecard;
 - Level 6 Contributor > 45 but < 55 on relevant BBBEE Scorecard;
 - Level 7 Contributor > 40 but < 45 on relevant BBBEE Scorecard;
 - Level 8 Contributor > 30 but < 40 on relevant BBBEE Scorecard;
 - Non-compliant Contributor < 30 on the relevant BBBEE Scorecard.
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- “Conversion factor” enables a business to reflect progress made against the specific black economic empowerment targets set by the enterprise.
 - “Employment equity” refers to the achievement of an equitable representation of black people in all occupations and at all levels of an enterprise over a period of time, including at an operational, professional and executive level.
 - “Enterprise development” refers to cumulative contributions made by a measured entity as a percentage of the earnings before tax and depreciation to designated entities with acceptable Black Economic Empowerment contributor status.
 - “Fronting” means any practices or initiatives which are in contravention of or against the spirit of any law, provision, rule, procedure, process, system, policy, practice, directive, order or any other term or condition pertaining to black economic empowerment under the codes.
 - “Human resource development” refers to the transfer of skills, generally, and advanced professional skills, in particular core and critical skills.
 - “Indirect empowerment” refers to mechanisms short of black ownership and control that serve the objectives of black economic empowerment.
 - “Ownership” means equity ownership where the relevant person assumes liability for risk and profit and has corresponding voting rights and economical interest.

- “Preferential procurement” means the procurement of goods or services by the State and the private sector from an enterprise with a sufficient Broad Based Black Economic Empowerment status, i.e. a rating of 30% and above.
- “Superior Contributor” is a level one to four contributor.
- “Transformation charter” refers to the policy instruments, as developed by various industry sectors, which serve as a framework for promoting the empowerment of blacks in the South African economy as referred to in section 12 of the Act.

Legislative framework

- Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003).
- Employment Equity Act, 1998 (Act No. 55 of 1998).
- Skills Development Act, 1998 (Act No. 97 of 1998).
- Skills Development Levies Act, 1999 (Act No. 9 of 1999).
- Preferential Procurement Act. 2000 (Act No. 5 of 2000).
- Code of Good Practice in terms of section 9 and 10 of the Act.

Guidance

This plan was drafted with the following as guide:

- The BEE Commission Report as published by the BEE Commission in 2001.
- The King Report on Corporate Governance.
- Already developed Transformation and Sectoral Charters, although not directly applicable to the business.
- Broad-Based Black Economic Empowerment Strategic Framework.
- Draft Codes of Good Practice as published by the Department of Trade and Industry.

Objectives

The main objectives of this BEE Plan are:

- To increase the number of black people, including black women and other vulnerable groups such as those with disabilities, workers and the youth, who directly own and control private enterprises;
- To eliminate and discourage the practice of token ownership on the part of blacks and whites alike, otherwise commonly referred to as fronting; and
- To encourage BEE compliance of the business' suppliers.

Aim of empowerment: equity management and control

Empowerment goodwill

It has been submitted that the inclusion of previously disadvantaged individuals in the equity ownership of a business should be regarded as a valuable contribution to a new partnership.

Employee share ownership programmes

It has been submitted that it is imperative for black employees to play a substantial and meaningful role in equity ownership in the enterprises that employ them.

Direct empowerment and control empowerment

Equity ownership

The business at present has the following members:

Membership Interest	Beneficial holding		
(including beneficial owner if held through nominee)	Race and gender	Class of shares	Membership interest
Numeral	White owned	Ordinary	94.97%
Aluma PE1	White owned	Ordinary	5.03%

Target and rate

1. The business is an Exempt Micro Enterprise and currently has 0% Membership interest in Black Hands. The business aims to increase this membership interest to 5% in the next five years.
2. The business is an Exempt Micro Enterprise and has no black members with equal exercisable voting rights and entitlement to economic interest. The aim is to obtain at least one black member within the next 5 years.

Human resource development

Employment equity

Aim of employment equity:

- To align employment equity targets with skills development programmes and objectives.
- To embark on a diversity management programme for all employees at all levels.
- To focus specifically on the participation of black people, including black women, in the first-line decision-making process.
- To ensure that black people, including black women, participate at all levels of management of the business, especially at operational level.

Present situation

Occupation Level	% Black males	% Black females
Middle Management	No employees	No employees
Managers & Controllers	No employees	No employees
Supervisors	100%	No employees
Professionals	No employees	No employees
Technicians & associate professionals	No employees	No employees

Clerical / Admin staff	33.33%	33.33%
Service workers & Sales Staff	23.33%	20%
Plant & machine operators and assemblers	No employees	No employees
Labourers	No employees	No employees
Cleaners / elementary occupations	No employees	No employees

Black Employees represent 56.67% of total Workforce. Black Female employees represent 30% of total Workforce.

Targets and rate

The business aims to increase and maintain the percentage of Africans employed at the various occupational levels to ensure that black employees are 60% of the total employees of the business and black women are 35% of the total employees of the business.

*The business is not a designated employer as contemplated in the Employment Equity Act. The employment targets and training envisaged in this plan will therefore form the basis for the business's future employment and training policy and will be aligned with Skills Development Plan.

Skills development

Objectives

- To develop black people sufficiently to increase the number of blacks, including black women, the youth and black people with disabilities, at management, technical and specialist levels.
- To develop those black people already on the above levels sufficiently to manage and operate sustainable businesses of their own.

Present position

The business has done internal training which is not verifiable. The Business has recently put plans in place to register with the SETA's so that external training may be applied.

Targets and rate

The business is committed to increasing training provided to black staff members within the next two years.

Indirect empowerment

Enterprise development

The business acknowledges that, due to a lack of 1) Start-up capital, 2) Operational capital, 3) Access to support infrastructure, 4) Shortage of management skills, black SME'S are often unable to fund and/or sustain their operations in the long term.

Objectives of enterprise development

To support and encourage the development of enterprises with sufficient black ownership and/or contributor status by means of infrastructural and operational support.

Present position

The business does not have any Enterprise Development in place.

Targets and rate

1. The business as an Exempt Micro Enterprise has opted not to include enterprise development as a discipline at this point in time.

Preferential procurement

Objective

- To increase the amount of money spent on procurement from BEE-compliant enterprises and those that score at least 30% on the relevant BEE scorecard as well as the on procurement from so called micro-enterprises.
- Procurement from the above enterprises will ensure that the ripple effect of affirmative procurement is realized throughout the economy.

Present status and targets

In order for the business to be BEE compliant, the suppliers of the business are urged to become BEE compliant themselves and to have themselves independently rated.

The business is aware of its legal obligation to satisfy itself that those suppliers claiming to be BEE compliant are indeed compliant.

The business will therefore accept only independent ratings as proof of BEE status and could insist on a fronting scorecard and a second rating by another rating agency should any fronting be suspected (see definitions).

Targets and rate:

The business is committed to achieving the target that at least 30% in value of its procurement is from suppliers with an acceptable BEE contributor status.

For purposes of procurement, the following suppliers will be excluded from the procurement targets as indicated above:

- lawful tax or levies imposed by an organ of state or person duly authorized
- salaries, wages and contributions to provident and pension funds
- directors emoluments

- loans to associated enterprises
- investments or loans qualifying for recognition under enterprise development or residual

Conclusion

This BEE Plan has been compiled with the objective of guiding the business towards BEE compliance and to encourage other businesses to do the same. The business sets as overall target to endeavour to become a superior contributor within 5 to 6 years.