GENERAL NOTICE

NOTICE 111 OF 2007

DEPARTMENT OF TRADE AND INDUSTRY

CONSTRUCTION SECTOR CHARTER ON BLACK ECONOMIC EMPOWERMENT

- I, Mandisi Mpahlwa, Minister of Trade and Industry, hereby-
- a) Issue the following Construction Sector Charter under Section 12 of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- b) Determine that this charter will come into operation on the date of this publication.

MANDISI MPAHLWA

MINISTER OF TRADE AND INDUSTRY

DATE: 09-02-2007

Construction Sector Broad-Based Black Economic Empowerment Charter Version 6 (Final)

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1 PREAMBLE

- 1.1 Despite significant progress since the establishment of a democratic government in 1994, South African society is characterised by racially based income and social service inequalities. Consequently the vast majority of South Africans remain excluded from ownership, control and management of productive assets and from access to training in strategic skills.
- 1.2 This is not only unjust, but inhibits South Africa's ability *to* achieve its full economic potential.

1.3 Noting that:

- 1.3.1 The Constitution of the Republic of South Africa, Act 108 of 1996, in inter alia section 9 on equality (and unfair discrimination) in the Bill of Rights, states the imperative of redressing historical and social inequalities; and
- 1.3.2 The Broad-Based Black Economic Empowerment Act (No. 53 of 2003) establishes a legislative framework for the promotion of BBBEE, provides for the gazetting of transformation charters and empowers the Minister of Trade and Industry to issue codes of good practice;
- 1.4 The construction sector believes that positive and proactive response through the implementation of a Transformation Charter would address inequalities in the sector, unlock the sector's potential and enhance its growth.
- 1.5 We, the parties to this charter, therefore commit to actively promote a vibrant, transformed and competitive construction sector that provides adequate services to the domestic economy, reflects the South African nation as a whole, and contributes to the establishment of an equitable society.
- 1.6 The Construction Sector Transformation Charter:
 - 1.6.1 Constitutes a shared approach reflecting targets that are visionary and contain significant stretch to facilitate the rapid transformation of the construction sector, which all sector stakeholders hold, and establishes the principles upon which BBBEE should be implemented in the sector;
 - 1.6.2 Establishes targets and qualitative responsibilities in respect of each principle;
 - 1.6.3 Lays the basis for the development of a Code of Good Practice for the construction sector, as envisioned in the BBBEE Act;
 - 1.6.4 Applies to all stakeholders within the sector; and

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1.6.5 Takes cognisance of differences between Contractors and Built Environment Professionals

2 THE CHALLENGES FACING THE CONSTRUCTION SECTOR

- 2.1 The construction sector, which consists of different disciplines with a proliferated client and supplier base, performs an indispensable role in the economy of South Africa and increasingly of the SADC region as a whole.
- 2.2 Over the past two decades the sector has experienced declining investment and increasing demand volatility, combined with an unstable employment environment. The sector growth trajectory is currently on an upward trend with expansion closely linked to new investment. It can therefore be a stimulus for development and job creation in the economy. These prospects present a considerable challenge to the construction sector to increase capacity and double output over the next decade.
- 2.3 The private sector has inadequately addressed BBBEE, generally implementing limited aspects in response to government tender requirements. Furthermore, the inconsistent interpretation of preferential procurement policy by client bodies has led to increased levels of legal uncertainty in enterprises and a narrow focus on equity ownership.
- 2.4 Save for a limited number of equity transactions, to date the sector continues to reflect vast inequalities in ownership, with little transformation having taken place.
- 2.5 Black participation is principally through micro and small businesses where there are also low levels of sustainability. There is little penetration of black enterprises in those components of the sector that are more capital and knowledge intensive. This situation is exacerbated by the absence of adequate financial and other support mechanisms for SMMEs and the sector's inbuilt bias towards urban centres of development.
- 2.6 There are limited numbers of black people, especially black women, in controlling positions, managerial positions and in the specialised professions in the larger enterprises in the sector.
- 2.7 There is a depleted skills base due to a number of factors including the disconnection of academia from the needs of the sector, the sector's lack of appeal as a career choice, the low numbers of school leavers with adequate grades in Mathematics and Science, low salaries and poor prospects for career advancement.

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- 2.8 Exacerbating this problem is the inadequate investment in skills development across all levels in the sector, despite sufficient funding available from the Construction Education and Training Authority (CETA). Specific deficiencies include inadequate recognition of prior learning and low ievels of workplace training.
- 2.9 This, together with inadequate working conditions, has created an environment of low productivity. Without decisive intervention from the sector, the disparity in black/white participation is likely to continue.
- 2.10 The public sector is a major client, whose lack of capacity in many areas and consequent inability to spend budgets has a profound impact on the sector.
- 2.11 The response by larger contractors to perceived labour market rigidity has resulted in a proliferation of labour-only sub-contractors and many of these are not compliant with labour and health and safety regulations. Labour-only sub-contractors also have reduced access to training and development to enable their growth and advancement.
- 2.12 Working conditions on some construction sites are unacceptably low; including factors such as extended periods away from home, long hours, unsafe working environments and inadequate housing arrangements.
- 2.13 There is a proliferation of construction sector associations, which creates inefficiencies and hampers the development of partnerships and the private sector's ability to communicate amongst themselves, with government and other stakeholders.

3 OBJECTIVES OF THE CHARTER

- 3.1 The charter provides a framework for the construction sector to address BBBEE, enhance capacity and increase the productivity of the sector to meet world best practice.
- 3.2 The charter aims to:
 - 3.2.1 Achieve a substantial change in the racial and gender composition of ownership, control, and management in the sector;
 - 3.2.2 Promote the effective advancement of employment equity in the sector and adherence to principles of non-racialism and non-sexism;
 - 3.2.3 Provide to the construction sector the first quantitative method for monitoring and evaluating the progress of an enterprise towards BBBEE and thereby contribute to ending the malpractice of fronting;

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- 3.2.4 Expand the employment potential and absorption capacity of the sector using labour-intensive approaches where economically feasible and possible;
- 3.2.5 Address skills development in a manner that accelerates the advancement of black people, black women and designated groups with a particular emphasis on learnerships, technical and management training,
- 3.2.6 Increase the procurement of goods and services from BBBEE enterprises and standardise preferential procurement methodology;
- 3.2.7 Enhance entrepreneurial development and promote the sustainable growth of micro, medium and small BBBEE enterprises;
- 3.2.8 Devise mechanisms to bring about the formalisation of labour-only contractors, ensure that they participate in training and abide by all relevant legislation and regulation aimed at protecting their rights, improving workplace conditions and the safety of labour;
- 3.2.9 Encourage adherence to triple bottom-line accountability and fair labour practices, through employment equity, skills development and CSI interventions:
- 3.2.10 Improve the capacity of the public sector to deliver, by promoting greater partnership with government in developmental initiatives, especially in under-resourcedareas, as enhanced delivery by the public sector will play a crucial role in facilitating growth of the sector; and
- 3.2.11 Lay the foundations for the integration of construction sector associations to create efficiency promote a shared vision and enhance the sector's ability to communicate with government and other stakeholders.
- 3.3 **As** the targets are visionary and contain a lot of "stretch" it is imperative that all stakeholders within the industry have efficient communication channels to work effectively together.
- 3.4 In addition, companies will need to be able to expand their business in order to achieve the targets and the construction sector must therefore develop the necessary capacity to facilitate this. Government delivery will play a crucial role in facilitating this growth.

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4 APPLICATION AND REPORTING

- **4.1** This charter applies to all enterprises that are involved in the creation, expansion, and/or maintenance of fixed assets related to residential or non-residential buildings, infrastructure, or any other form of construction works in South Africa.
- 4.2 If within the registered construction enterprise over sixty percent of its core activities are in construction, the enterprise will be required to report on all the activities, provided those are not located within a separate business unit or subsidiary. If the latter is the case then the principles of the Codes of Good Practice of the relevant sector code, will apply.
- 4.3 The Construction Charter Council will be established to oversee and monitor the implementation of the charter. It shall be a representative structure comprised of all stakeholders in the sector, supported by staff that has significant direct experience in the construction industry. It will act with executive capacity and provide the necessary links to relevant government institutions such as CIDB, NHBRC, IDT, DTi and verification agencies.
- 4.4 Each enterprise will submit an independently audited report from an accredited verification agency annually to the sector Charter Council. The report, which will be publicly accessible, must contain the enterprise's scorecard and an account of progress in achieving the qualitative undertakings outlined in this charter.
- 4.5 The first annual report will be for the year ending 31 December 2006, and must be submitted to the Charter Council by 31 March 2007. Thereafter each enterprise will report as at 31 December each year and submit the report by 31 March of the following year.
- **4.6** During the transitional phase enterprises will be measured using the relevant guidance rule provided by the IMC.
- 4.7 The Charter Council should evaluate the targets and other mechanisms contained in the charter after three years and take appropriate action. The cumulative progress of the sector, captured through performance on the scorecard, will be used as the yardstick for the evaluation.
- **4.8** A comprehensive review of the impact of the charter will be undertaken after seven years.
- **4.9** All the provisions of the charter are to be achieved in a manner consistent with sound business and governance practice.
- **4.10** Differences relating to type of enterprise are accommodated in the application of the scorecard.

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- 4.11 All micro enterprises are exempt from the requirement to have a BBBEE verification certificate and will be allocated a BBBEE status of Level 4 and will receive recognition as per the BBBEE Status table contained in the Charter.
- 4.12 Small enterprises will be measured on a simplified basis, scoring out of 70 on the construction scorecard and will receive the recognition indicated in the BBBEE Status table contained in this Charter, as per the principles contained in the DTi codes to promote small enterprises.
- 4.13 All construction sector enterprises claiming exemptions from any provision of the charter, must submit to the Charter Council evidence supporting the exemption, together with the annual BBBEE report.

5 ELEMENTS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The stakeholders commit to attain the objectives outlined in the respective elements listed below by applying the methods, mechanisms and principles agreed.

5.1 OWNERSHIP

- 5.1.1 The construction sector will base its measurement of ownership on the provisions of the DTi Code of Good Practice, Code 100 Statement 100 and the following:
 - o The definition of excluded equity will include pension funds and collective investment schemes and will flow down through the organisation irrespective of the level at which ownership is measured;
 - o Ownership related to broad based ownership will be viewed as unencumbered.
- 5.1.2 To date the sector continues to reflect vast inequalities in ownership, with black participation primarily at the micro and small business level. Consequently, the Charter aims to achieve a substantial change in the racial and gender composition of ownership.
- 5.1.3 Enterprises in the construction sector therefore commit to achieve the following ownership targets by Dec 2013 (in seven years):
 - 30% economic interest held by black people and 30% participation by black people in voting rights;
 - 10% economic interest held by black women and 10% participation by black women in voting rights;

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- 10% (5% for BEPs) economic interest held by black broad based groups and or black designated groups, specifically black employees.
- 5.1.4 All construction sector enterprises are bound by the ownership requirements of this charter except as specified elsewhere in this document.
- 5.1.5 If, in terms of a global policy to which a local multinational enterprise is subject, it is prevented from accommodating local ownership participation, those enterprises will be entitled to apply to the Minister of Trade and Industry and the Minister of Public Works for the recognition of equity equivalents. The Construction Charter Council will submit recommendations on what these equity equivalents should encompass to the Minister of Trade and Industry.

5.2 CONTROL

- 5.2.1 Black people and black women in particular continue to be underrepresented at board level and in executive management in the sector
- 5.2.2 Enterprises in the sector therefore commit to achieve the following targets by:
- 5.2.2.1 Dec 2013 (in seven years):
 - o 40% black people at board level;
 - 20% black women at board level;
- 5.2.2.2 Dec 2010 (in four years) and Dec 2013 (in seven years) respectively:
 - 25%/40% black people at executive management level;
 - o 10%/16% black women at executive management level.

5.3 EMPLOYMENT EQUITY

- 5.3.1 Notwithstanding the Employment Equity Act, racial and gender representivity in the sector, especially in the various management categories, remains symptomatic of apartheid discriminatory policies.
- 5.3.2 Consequently, enterprises in the sector commit to achieve the following targets by:
- 5.3.2.1 Dec 2010 (in four years) and Dec 2013 (in seven years) respectively:
 - o 25%/40% black people in Senior Management;
 - 10%/16% black women in Senior Management;
 - 30%/40% black people in Middle Management;
 - 12%/16% black women in Middle Management;

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- For BEPs a single combination target as follows:
 - o 30%/40% black people at all management levels;
 - o 12%/16% black women at all management levels;
- 5.3.2.2 Enterprises in the sector commit to achieve the following targets by Dec 2013 (in seven years):
 - o 65% black people in Junior Management; and
 - o 27% black women in Junior Management.
 - 5.3.3 The parties to the charter undertake to promote non-racial, gender sensitive workplaces, which provide decent work, observe fair labour practices, respect environmental sustainability and enhance cultural diversity.
 - 5.3.4 Enterprises in the sector will submit their employment equity plans and certificates of compliance, with their annual BBBEE reports. Non-compliance with the statutory and administrative requirements of the Employment Equity Act 55 of 1998 will result in a zero score for employment equity.

5.4 **SKILLS** DEVELOPMENT

- 5.4.1 The construction sector consists of a large low-skilled labour force and limited numbers of highly skilled professionals, which are in short supply. Despite this, enterprises are not adequately investing in skills development.
- **5.4.2** Consequently, enterprises in the sector commit to achieve the following targets:
 - o 1.5% of payroll per annum on skills development;
 - o 70% of total skills development spend on black people;
 - 25% of skills development spend on black people spent on black women:
 - 25% of skills development spend on black people spent on black management;
 - 20% of skills development spend on black management spend on black women management;
 - 2.5% (1.5% for BEPs) of employees on learnerships calculated as a rolling 12 month average;
 - 70% of Total learnerships on black people;
 - o 35% of Learnerships on black people must be black women; and

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- o 30% of Learnerships on black people must be from designated groups
- 0.3% of payroll on bursary expenditure on black students.
- **5.4.3** In addition to meeting the above targets, enterprises in the sector will:
 - Implement an approved and verified mentorship programme; and
 - Comply with the Skills Development Act and include proof of submission of a work place skills plan and implementation report in the annual BBBEE report. Non-compliance with the requirements of the Act will result in a zero score for skills development; and
- 5.4.4 The Charter Council should monitor the development of the relevant unit standards for learnerships and revise the relevant targets after 3 years if the appropriate standards have not been developed timeously by the relevant SETA:
- 5.4.5 In its efforts to address skills development comprehensively and to improve the institutional framework, the sector undertakes to:
 - o Promote awareness of career opportunities in the construction sector and provide educational/career guidance aimed at increasing the success rate of students in the construction fields through access to experiential training opportunities and other interventions.
 - Establish ordered interaction between the sector, the relevant SETA
 and tertiary institutions to foster appropriate skills transfer and facilitate
 the accreditation of various workplace skills training initiatives.
 - Increase the level of retention through effective workplace training, career path development and effective succession planning.
 - o Through the Charter Council, develop a mechanism to certify in-house training and recognition of prior learning of employees where the enterprise is not a certified training provider. This will enable workers to receive certification for the various levels of the particular trade or trades in which they work thereby enhancing their mobility in the sector and the possibility of attracting rates-of-pay commensurate with their abilities.

5.5 PROCUREMENT

5.5.1 To date the sector has not effectively implemented preferential procurement practices.

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- 5.5.2 In addition to the exclusions noted in the definition of procurement, the **BEPs** will be permitted to exclude restricted specialist services and current facility rental contracts. This relaxation will be for contracts signed before the 1st of November 2005 and will be for a maximum period of the current contracts and will exclude any extended and or altered contract conditions. The BEPs will make every effort to influence transformation in the supplier prior *to* the completion of the current contract period.
- **5.5.3** Enterprises in the sector therefore commit to achieve a weighted target of procurement spend from BBBEE suppliers of 70% by Dec 2013 (in seven years):
- **5.5.4** In addition to the targets the parties to the charter undertake to:
 - Develop and implement targeted procurement policies, including promoting accessibility of tendering opportunities, early payment cycles and other supply side interventions for micro and small enterprises;
 - o Implement mechanisms to counter fronting and the abuse of targeting arrangements;
 - o Promote compliance to the Broad Based Black Economic Empowerment Act amongst their suppliers by assessing the supplier in terms of their relevant sector charters where these exist as codes of good practice and in terms of the generic scorecard where they do not; and
 - o Enhance benefits to local communities, target, where appropriate, procurement from local enterprises, specifically micro and small enterprises with black ownership exceeding 50%.
- **5.5.5** Procurement from suppliers of goods and services should be measured against the following matrix:

BBBEE	Qualification	Weighting
Status		Recognition
1	≥ 100 points (or percentage relevant to small)	135%
2	≥ 85 but < 100	.125%
3	≥ 75 but < 85	110%
4	2 65 but < 75 or any micro enterprises	100%
5	2 55 but < 65	80%
ĝ	≥ 45 but < 5 8	60%
.7	2 40 but 4 · 5	50%
횽	≥ 30 but < 40	.10%
9	< 3(0%

Where any enterprise is in excess of 50% owned by black people, the BBBEE status of that enterprise will be at the level immediately above the level at whichits actual score is evaluated.

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5.6 ENTERPRISE DEVELOPMENT

- 5.6.1 Numerous micro and small businesses enter the sector. However, many of these are unable to sustain business operations beyond their first year.
- 5.6.2 Some organisations have set up supplier or service provider development initiatives, which include guiding, mentoring, coaching, tendering, tender advice and in some cases direct investment into SMME's.
- 5.6.3 Through enterprise development the charter aims to establish a framework for co-ordinated development of micro, small and medium enterprises to ensure higher levels of sustainability and increased levels of black ownership in the sector. Enterprise development should also support the development of women owned and managed businesses.
- 5.6.4 The enterprise development programmes' should include the following:
 - o Management and labour skills transfer;
 - o Establishment of administrative systems;
 - Establishment of cost control systems;
 - o Planning, tendering and programming skills transfer;
 - Business skills transfer with emphasis on entrepreneurial and negotiation skills;
 - Technical skills transfer with emphasis on innovation;
 - o Legal compliance skills transfer;
 - o Procurement skills transfer;
 - Assistance in establishing credit rating/history;
 - o Assistance in establishing financial and loan capacity/history;
 - o Contractual knowledge transfer; and
 - A champion for enterprise development.
- 5.6.5 Enterprises in the sector will target a percentage of total annual turnover of the developing organisation as a percentage of total annual turnover of the established organisation of 5% by Dec 2013 (in seven years)

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- 5.6.6 The sustainability and operational independence of the enterprises being developed will be measured over time against a range of indicators, which provide an assessment of the enterprise's growth as a result of the enterprise development programme. These include: annual turnover, growth in cost of employment total value of assets, tax and regulatory compliance and improvement in ability to access credit facilities.
- 5.6.7 Enterprises in the sector will prioritise the development of enterprises participating in the construction sector, as well as those that undertake similar activities to themselves and in the fields where they have experienced and expert personnel. Consequently, the following target categories can be identified:
 - Category 1: Suppliers suppliers of construction equipment, construction materials, hired plant/machinery and formwork and the like e.g. stationary, cleaning materials, electronic equipment etc.
 - Category 2: Professional service providers auditing and financial service providers, legal services, services in the built environment professionals (architects, environmental consultants, engineering consultants, quantity surveyors, town planners, land surveyors, geologists, material testing laboratories and other specialist consultants etc).
 - Category 3: Built environment service providers contractors, (building, interior decorators, painting, civil, mechanical, electrical, electronic) specialist sub contractors. (Geotech, piling, asphalt, landscaping, fencing)
 - Category 4: Outsourcing and possible privatisation of certain functions that are still being done within the established or parent organization such as: internal bus transport services, internal construction and maintenance units.
- 5.6.8 Companies that are currently mentoring other organisations will be able to transfer these organisations to the new framework if so desired. The history of mentorship in these instances can be evaluated in strict accordance with the set criteria and a credit recorded for the work done up to the start of the first reporting period by the mentor company.

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5.7 CORPORATE SOCIAL INVESTMENT (CSI)

- 5.7.1 The construction sector has the opportunity to significantly increase the amount and effectiveness of CSI in the industry.
- 5.7.2 The parties to this charter commit to utilising the resources at their disposal to initiate and contribute to CSI projects and registered development oriented NGO's that primarily benefit black people and that promote development in under resourced areas.
- 5.7.3 Each enterprise will achieve a target of 0.25% by Dec 2013 (in seven years) of annual payroll on CSI, which will be split between general CSI and sector specific projects.
- 5.7.4 The CSI spend in any corporation will flow through from holding company to operational companies or from operational companies to the holding company on a see through basis.
- 5.7.5 The Charter Council will set guidelines on the definition and measurement of sector specific projects.
- 5.7.6 Sector specific projects could include but are not limited to:
 - Social infrastructure development in areas where large construction projects are taking place;
 - o Labour intensive construction methods;
 - Promotion of and support for the development of women across the sector;
 - Support to a Construction Advice Centre;
 - Support the construction of clinics, schools and lower income/affordable housing where appropriate;
 - o Sector-focused education and training: support for education and training to increase the participation of black people in the sector; and
 - o Capacity building support for Local Authorities
- 5.7.7 General CSI projects may include but will not be limited to:
 - Community education and training: support for community education facilities, community training, skills development for unemployed, adult basic education and training in communities;
 - Support of sector specific career guidance and maths and science initiatives in schools:

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- Contributions to and participation in development support initiatives;
- Development programmes for youth and other target groups;
- Environment: support of conservation projects, community clean up projects, food garden initiatives;
- Arts & Culture: support of development programmes, development of new talent:
- Health: support of community clinics, health programmes in the community;
- Sport: support of development programmes; and
- o HIV and AIDS programmes
- 5.7.8 In the planning of CSI projects, to optimise assistance, the parties undertake to:
 - Consult with beneficiary communities to ensure that their developmental needs will be met;
 - Seek industry and government partnerships;
 - Support projects in communities where construction activity is taking place; and
 - Ensure the negative environmental impacts of construction activities are minimised.

6 REGULATORY ISSUES

6.1 The parties to the charter commit work with the Charter Council to review and provide comment on an ongoing basis on any legislation, policy and standards, which may have a direct impact on the empowerment outcomes of the charter.

7 THE SCORECARD

- 7.1 The scorecard provides an objective and broad-based set of measurement indicators for purposes of measuring BBBEE progress in and between construction enterprises, in different sub-sectors and in the construction sector as a whole.
- **7.2** In its entirety the scorecard and all inputs and elements captured in the scorecard pertains to South African operations.

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- 7.3 Calculations will be consistent with the application of the flow-through and modified flow-through as well as control principles as contemplated in the DTi Code of Good Practice.
- 7.4 The flow-through from holding company to operational companies or divisions must be carefully considered for every element of the scorecard. This will allow for a score at operational level to be supplemented with a score from the holding company e.g. CSI.
- 7.5 The scorecard contains the following:
 - 7.5.1 Elements: The core elements of the charter, derived form the BBBEE Act and Codes of Good Practice issued in terms of the Act:
 - 7.5.2 Indicators: The area of measurement pertaining to an element of BBBEE;
 - 7.5.3 Weightings: A number on the scorecard against which an enterprise's performance in terms of a particular target will be calculated; and
 - 7.5.4 Targets: Quantifiable measurement of transformational initiatives;
- 7.6 The scorecard score will for public sector related procurement, directly determine the preferred points obtained out of the potential 10 or 20 in the 90/10 or 80/20 in the preferential procurement evaluation in accordance with the requirements of the preferential procurement regulations, 2001 pertaining to the PPPFA: no 5 of 2000 as amended.
- 7.7 The BBBEE status of a construction sector enterprise, after calculating its score in terms of this scorecard, will be classified in terms of the following:
 - 7.7.1 "Level 1" contributor Total score of 100% and above;
 - 7.7.2 "Level 2" contributor Total score of 85% and above but less than 100%;
 - 7.7.3 "Level 3" contributor Total score of 75% and above but less than 85%;
 - 7.7.4 "Level 4" contributor Total score of 65% and above but less than 75%;
 - 7.7.5 "Level 5" contributor Total score of 55% and above but less than 65%;
 - 7.7.6 "Level 6" contributor Total score of 45% and above but less than 55%;
 - 7.7.7 "Level 7" contributor Total score of 40% and above but less than 45%;
 - 7.7.8 "Level 8" contributor Total score of 30% and above but less than 40%:
 - 7.7.9 "Level 9" contributor Total score less than 30%.
- 7.8 Where any enterprise is in excess of 50% owned by black people, the BBBEE Status of that Enterprise will be at the level immediately above the level at which its actual score is evaluated.

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- 7.9 In the scorecard the following provision has been made for target and weighting variations to accommodate the differences between the contracting and built environment professional fraternities. The variations for the BEPs are as follows:
 - o A single combination target for black people and black women on management (employment equity);
 - A target of 5% relating to economic interest to which designated groups are entitled (ownership);
 - o A target of 1.5% for learnerships a percentage of employees (skills development);
 - o The weighting for Skills Development will be 20 with sub-weightings adjusted on a pro-rata basis and the weighting for Enterprise Development will be 10 with sub-weightings as indicated in brackets in the scorecard.

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	THE CONSTRUCTION SECTOR SC			
		WEIGHTING	TARGET 4/7 YEAR"	TARGET VARIATI ONS
OWNERSHIP		25		
Voting rights	Voting rights in the hands of black people	4	30	
	Voting rights in the hands of black women	2	10	
Economic interest	Economic interest to which black people are entitled	5	30	
	Economic interest to which black women are entitled	4	10	
	Economic interest to which black broad based and or black designated groups, specifically employees, are entitled	5	10 No	5
Realisation points	Ownership fulfilment	1	restrictions 39strictions	
	Net equity value (In accordance with code 100 of DTI Code of Good Practice)	6		
CONTROL		10		
Board	Members of the board who are black people as % of board		40	
	Members of the board who are black women as % of board	1.5	20	
Executive Management	Executive Managementwho are black people as % of Executive Management	3.5	25/40	
	Executive Management who are black women as % of Executive Management	1.5	10/16	
EMPLOYMENT EQUITY		10		
	Black Senior Management as % of total senior management	_	25/40	
	Black women in Senior Management as % of total senior management	1.5	10/16	
Middle Management	Black middle management as % of total mid management	2	30/40	
	Black women in middle management as % of total mid management	15	12/16	
Junior Management	Black junior management as % of total junior management	2	65	
	Black women in junior management as % of total junior management	1	27	
BEPs - AIIManagement	Black people at all management levels	6	30/40	
	Black women at all management levels	4	12/16	
SKILLS DEVELOPMENT		15 (BEPs 20)		
Training costs	Direct training cost as a % of payroll	2	1.5	+

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1	% of above on black people			
1	1	2	1.70	
1	% of spend on black people spent on black wome	-	70	
	black people spent on black wome	n 1		
1	9/ 25	" 1	25	
1	% of spend on black people spent on black management			- 1
1	management stack people spent on black	1	25	
1		1	25	
	% of spend on black management spent on black women management	1	I	ı
1	woman sperid on black management spent on black			1
	women management	0.5	20	
Learnerships		- 1	1 20	- 1
	Learnerships as a % of employees	1	1	- {
1	or employees	1		- 1
i	Plant	11	2.5	1.5
1	Black learnership positions as % of total learnerships		1	1.5
	learnerships	1.5	70	
		1	/0	
	Black women learnership positions as % of black learnerships	1		- 1
	learnership positions as % of black			1
	real tiersnips	1	35	
		1.	1 33	i i
	Learnerships for black in	1		- 1
	Learnerships for black designated groups as % of black learnerships			- [
	black learnerships 5 1 1 1 0 10	1	30	
Bursaries		1	1	1
	Bursary expenditure on black students, as % of payroll *	1		ł
	payroll * payroll *	2		_1
Mark		-	0.3	
Mentorship	Implement	1		1
	Implementation of an approved and verified mentorship programme		1	1
PROCUREMENT	mentorship programme	2	Yes	
- CICEMICIA!		1	162	1
	Total weighted procurement on BBBEE-accredited companies (measured as per the table.	20		1
	Total weighted procurement on BRREE page 19	20		
	companies (measured as per the table in the charter) as a % of progressions.		70	
	charter) as a % of procurement	1	/ 0	i '
MTERRA	- Procurement			
NTERPRISE				
EVELOPMENT				
		15		
	Input	(BEPs 10)		
	Total T.	5 (5)	Yes/No	
	Total Turnover Ratio			
		5 (2.5)	5	
	Output	,	10	
CIDI		5 (2 E)		
SIDUAL		5 (2.5)	Annual GDP	
			Growth	
V	CSI as a percentage of payroll	5	T	
rear targets are applica	CSI as a percentage of payroll able up to 31/12/2010 thereafter the targets revert to the se			
	up to 31/12/2010 thereafter the targets		0.25%	
	the largets revent to the so			

8 DEFINITIONS

Acceptable Valuation Standard	Valuation of an asset, an Economic Interest, an Enterprise or any other instrument or right relevant to measurement under Statement 100 of the Codes. All such valuations shall be undertaken in accordance with normal valuation methodologies that represent standard market
	practice:
Accredited Veritication Agencies	Enterprises that have been accredited by SANAS on behalf of the dti to provide an independent opinion on the broad-based economic emoowerment status of enterprises.
Associated Enterprise	Means any enterprise other than the measured enterprise with which the measured enterprise has concluded a qualifying transaction.
BBBEE Enterprises	Enterprises whose BBBEE score in terms of a sector scorecard which has been issued as a code of practice or in terms of fhe dti's generic scorecard has been verified by an accredited verification aaency.
BEP	Built in environment professionals which includes quantity surveyors, consultina enaineers, architects. town planners, etc.
Black Aged People	Black people who are also aged people as defined in the Aged Persons Act 81 of 1967, as amended or substituted;
Black Designated Groups	Black workers, black unemployed people, black youth, black aged people, black disabled people and black people living in rural areas
Black Disabled People	Black people who also satisfy the criteria in the definition of 'persons with disabilities' set forth in paragraph 5.1 of the "code of good practice on the employment of people with disabilities" (as amended or substituted from time to time) issued in terms of section 54(1)(a) of the Employment Equity Act;
Black Unemployed People	Black people who are unemployed, are not attending or are not required by law to attend an educational institution and who are not awaiting admission to an educational institution.
Black Women	Black people who are women.
Black Workers	Black people who are also employees as defined in the Employment Equity Act but specifically excludes senior managerial staff as contemplated in section 78 of the Labour Relations Act 66 of 1995 as amended or substituted:
Black Youth	Black persons who are also youth as defined in the National Youth CommissionAct 19 of 1996, as amended orsubstituted;
Black New Entrant	A black participant(s) (which includes without limitation, black participants in broad-based ownership schemes) holding in aggregate in excess of 5% of the total vofing rights and economic interest in a measured enterprises who has not, prior to their acquisition of their equity interest in a measured enterprise, concluded similar transactions in respect of any other enterprise, which in aggregate have a cumulative value of R20 million measured in accordance with an acceotable valuation standard.
Black People	Africans, Coloureds and Indians in terms of the BBBEE Act, 53 of 2003 and read in conjunction with the definition in the code of good practice issued by the DTi, which limits the definition to natural persons who are citizens of the Republic of South Africa by birth or by descent as well as natural persons who acquired citizenship by naturalisation prior to the commencement of the Interim Constitution

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Broad-based Black	The economic empowerment of all black people including women,
Economic Empowerment	workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to -
	Increasing the number of black people that manage, own and control enterprises and productive assets;
	Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
	Targeted procurement; and investment in enterprises that are owned or managed by black people;
	Human resources and skills development;
	Achieving equitable representation in all occupational categories and levels in the workforce;
	Facilitating the provision of additional skills to black employees at all levels in the workforce.
Broad-based ownership scheme	A juristic person, a trust or a common law association of persons constituted with the view to facilitating the participation of specified natural persons in the benefit flowing from the ownership by that scheme or it fiduciaries of an Equity Interest in an Enterprises(s). In relation to this definition, the following additional definitions of Ownership Scheme are provided:
	Distribution Scheme means a Broad-Based Ownership Scheme whereby a broad base of natural person (such as a community or a broad-based group of natural persons including, without limitation,
	black women and black designated groups) are intended to received distributions from the Scheme payable from Economic Interest received by the scheme or the fiduciaries of the scheme; and
	"Benefit Scheme" means a Broad-Based Ownership Scheme whereby a broad base of more than 50 natural persons (such as a community or a broad-based group of natural persons including, without limitation black women and black designated groups) are intended to benefit from Economic Interest received by the scheme or the fiduciaries of the scheme without their actually receiving distributions payable from such Economic Interest.
Bursary expenditure	All expenditure including peripheral and residential costs related to internal bursaries where the enterprise enters into a contractual employment relationship with the learner/student. All other bursaries will be counted under CSI.
CETA	Construction Education and Training Authority
Construction Sector	All enterprises that are involved in the expansion/creation and/or maintenance of fixed assets related to residential or non-residential buildings, infrastructure, or any other fonn of construction works in South Africa. This includes, but is not limited to: residential and non-residentialbuilding contractors and built environment consultants.
Contractor	Any natural or legal person whose tender has been accepted by the enterprise.
Corporate Social Investment	CSI projects are those that are aimed primarily at black groups, communities and individuals that contribute towardstransformation and have a strong developmental approach,
Control Principle	Notwithstanding the provision (2)(as specified in Code 100 of the DTi Code of Good Practice) under the modified flow-through principle, in certain specified circumstances and only in relation to the exercisable voting rights, this following controlprinciple shall be read in conjunction with the flow-throughprinciple: Where upon examination, a chain of

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	ownership as contemplated in (2) (as specified in Code 700 of the DTi Code of Good Practice) under the modified flow-throughprinciple, reveals that the ultimate black participants in a measured enterprise, are entitled to exercise a sufficient number of exercisable voting rights so as to retain control across one or more juristic person in that chain, the measured enterprise will be entitled to treat each such black majority controlledjuristic person other than the juristic person most approximate to the ultimate black participants as if those black majority controlledjuristic persons were juristic persons in which black people held 700% of the exercisable votinu rights.
Deemed Participant	A natural person member, shareholder, beneficiary or other natural person entitled to receive a distribution or a benefit from a Broad-Based Ownership Scheme or a trust. The terms "distribution" and "benefit" are to be interpreted with reference to the definitions provided in respect of Broad-Based Ownership Schemes.
Direct Training Cost	The direct cost, excluding peripheral costs, incurred by a company for accredited or sector acknowledged training and development including costs related to learnerships and bursaries and excluding the skills levy as per the skills development legislation.
Disabled person	An individual who has a disability and as a result suffers from loss or limitation of opportunity to take part equally with others or to contribute in equivalent measure to such opportunity, in the context of any activity relating to the execution of a Contract or the services to be provided there under.
Economic Interest	A Participant's Claim against a Measured Enterprise which represents his/her return on his/her ownership in that Measured Enterprise as recognised using the Flow-Through and Modified Flow-Through Principles, provided that: (a) to the extent that the provisions of paragraphs 9 – 13 (as specified in Code 100 of the DTi Code of Good Practice) provide further definition as to the nature of an Economic Interest in an Enterprise other than a company having share capital, those provisions must be read in conjunction with this definition in relation to such Enterprises; and (b) a Participant's entitlement to receive any payment or part payment on his/her Participant's Claim from the Measured Enterprise that is not in the nature of a return on his/her ownership in that Measured Enterprise, will be treated as an Economic Interest if such payment is not arms-length, is not market related, is male fide, is without a commercial rationale and/or is intended to achieve a circumvention of the provisions of this Statement or the objectives of the Act
Element	The measurable quantitative or qualitative elements of BEE compliance specified in Code 000, Statement 000 of the DTi Codes of Good Practice
Enterprise	The person(s) conducting a business, trade or profession in the Republic of South Africa and specifically includes, without limitation, any form of co-operative society;
Equity Interest	The collective term referring to the entitlement of a Participant to receive Economic Interest and to exercise Voting Rights in an Enterprise provided that, to the extent that the provisions of paragraphs 9-13 (as specified in Code 100 of the DTi Code of Good Practice) provide further definition as to the nature of an Equity Interest in an Enterprise other than a company having share capital, those provisions should be read in conjunction with this definition in relation to such Enterprises:

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Exercisable Voting Right	A Voting Right of a Participant that is fully exercisable without any limitation upon that right. For the avoidance of uncertainty, where a black Participant having a Voting Right in a Measured Enterprise is: (a) not permitted to exercise that Voting Right by reason of some condition or circumstance relating to the terms upon which that Participant's acquisition of the Equity Interest to which the Voting Rights attach was financed or to the provisions of any agreement concluded between the Participants in the Measured Enterprise, that Participant shall be deemed for the purposes of measurement under this Statement to have no Exercisable Voting Rights; and (b) prohibited from appointing directors (or similar owner appointed management) to the Enterprise in whichhe/she enjoys his/her Voting Rights in number, pro rata to his/her entitlement to Voting Rights, that Participant shall be deemed for the purposes of measurement under this Statement to have no Exercisable Voting Rights;
Effective Date	The first day of January 2006.
Employment Equity	As defined in the Employment Equity Act (1998) means to promote equal opportunity and fair treatment in employment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels of the workforce. It obliges employers with over 50 employees to prepare Employment Equity plans and report on a yearly or bi-yearly
	basis to the Department of Labour (DoL).
Enterprise	Person(s) conducting a business, trade orprofession in the Republic of South Africa, which is recognised in terms of the laws of the Republic, whether or not such enterprise is incorporated.
Enterprise Development	The development of black owned enterprises (i.e. 50% plus one share) through investment, mentoring, skills development, systems transfer.
Flow-through	The principle which determines the entitlement of black people, black
Principle	women and black designatedgroups to exercise voting rights in an enterprise or to share in the economic interest of an enterprise. Regard is had solely to voting rights and/or economic interest to which black people, black women and black designated groups (as the case may be) who are natural persons are entitled. In cases where an entitlement to voting rights and/or economic interest is held by juristic persons, regard will be had to voting rights and/or economic interest to which black people, black women and black designated groups (as the case may be) who are natural persons, are entitled, in that juristic person. The same principle will apply throughout the chain of ownership by juristic persons, until such time as that chain terminates in a natural person who is a black person, or who represents black women or black designated groups (as the case may be). The natural black person(s) shall be entitled to such voting rights and/or economic interest.
Fronting	Any entity, mechanism or structure established in order to circumvent the BEE requirements as required under various policy instruments. Fronting structures generally claim a higher BEE status than the actual substantive economic benefits flowing to black beneficiaries would suggest.
Generic Scorecard	The balanced BEE scorecard included in Code 000 Statement 000 of the DTi Codes of Good Practice

Joint Venture	Joint ventures are, normally, unincorporated bodies, regarded in law as partnerships in which the partners arejointly and severally liable for the acts, neglects and omissions of the partnership. A joint venture is a venture normally formed ad-hoc for a specific project, in which two or more parties share the obligations, risks and rewards.
Leamership	As defined in the Skills Development Act, a structured learning component which includes practical work experience of a specified nature and duration and which leads to a qualification registered by the South African Qualifications Authority and related to an occupation; and would be registered with fhe Director-Generalin the prescribed manner.
Management	Executive management includes the CE, CEO, MD, CFO, executive directors and those managers who have a signiticant leadership role in the enterprise, have control overday-to-day operations, have decision-making powers and report directly to the Chief Executive Officer, Managing Director and/or equivalent or the Board of Directors; Senior Management are the heads of major functions not represented on the main board and within executive management and who are responsible for programming decisions; Middle Management are the professionally qualified and experienced specialisfs in an enterprise who are responsible for interpretive decisions; Junior Management are the skilled, technical academically qualified employees, supervisors, foremen and superintendents, who make routine and process decisions.
Measured Enterprise	An Enterprise subject to measurement under this Charter,
Mentorship	The process of assisting others to gain further knowledge, experience and skills; it is an activity that can be successfully used where senior employees develop people within a company to enhance their job development.
Modified Flow- Through Principle	A measured enterprise will be awarded points in the scorecard through the holding of an equity interest by black people in the measured enterprise and through the holding of equify interest by black people in an associated enterprise with which the measured enterprise has concluded a qualifying transaction. Voting rights and economic interest held by black people are only measurable if their ownership is linked to the ownership of the instrument/or rights to which they attach. Accordingly, where a black person owns a voting right and economic interest but does not own the share to which such voting right and economic interest attach in a company with shareholding, those voting rights and economic interest shall not be measured. Nofwithstandingthe provisions of (2)(as specified in Code 700 of the DTi Code of Good Practice) above, in certain specified circumstances and only in relation to economic interest, the modified flow-through principle shall be read in conjunction with fhe flow-through principle: Where in a chain of ownership as contemplated in (1)(as specified in Code 700 of the DTi Code of Good Practice) above, there is interposed between a measured enterprise and its ultimate black participants one or morejuristic persons in which the natural persons enjoy an entitlement to economic interest which is in excess of 50% of the total entitlement conomic interest in that juristic person(s), the measured enterprise will be entitled to treat one black majority owned juristic person in that chain as being ajurisfic person in which 100% of the economic interest accrues to black people. With regard to this modified flow-through principle, and for a period of 5 years (or such

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	longer period as may be specified in regulations issued in terms of section 14 of the Act) following the later occurring of the date of commencement of a transaction in terms of which black ownership has been introduced into the measured enterprise and the date of commencement date of Statement 100 (DTi Code 100), the modified flow through principle shall apply to all measured enterprises.
Net Equify Value	Equity interest that actually vests in the hands of participants after debt or other financial instruments have been paid off and as per the calculation in Code 100, statement 100, paragraph 32 of the DTi Codes of Good Practice.
Operational Company	Includes all subsidiaries or associate companies as defined in the Companies Acf.
Ownership	Ownership of an equity interest in an enterprise.
Ownership Fulfillment	The situation where a black Participant has been completely released fmm all third party legal or commercial rights designed to reserve to any third person or to withhold, defer or restrict the enjoyment by that Participant of the benefits of that Economic Interest, whether generally, or specifically, or for a fixed period, or until or upon the occurrence of some event. For the avoidance of uncertainty: (I) a "thirdparty legal or commercial right" shall be limited to rights created primarily as a means to secure for a lender payment of a loan or similar/equivalent financing arrangement advanced to the Participant for the purposes of acquiring an instrument to which the effected Economic Interest attaches; (2) where no such third party legal or commercial rights exist, black Participants will be deemed to be completely released from any such rights; and (3) a third party right against an Enterprise between the Measured Enterprise and the ultimate black Participant, and which was created primarily as a means to secure payment of a debt arising from the acquisition of the instrument through which the ultimate black Participant's interest in the Measured Enterprise is achieved, shall be
Participant	deemed to be a third party right against that black Participant, Means a natural person having an Equity Interest in an Enterprise
Payroll	
rayion	All expenditure related to compensation of employees taxed in South Africa, including temporary employees and contract workers.
Procurement	All expenditure on suppliers for goods and services, including capital expenditure and excluding procurement on items where there is no local supplier, where the supplier is a state-owned utility, where the expenditure is on municipal rates and taxes or part of payroll.
Provisional Verification	Verifications during the transitional phase based on ownership, control, employment equity, skills development and corporate social investment elements of the scorecard expressed as a % ratio out of a total of 65.
Public Private Partnership(PPPs)	Widely used to implement national and provincial government's infrastructure and service delivery commitments. Regulated by the relevant Treasury(currently, the National Treasury)in terms of Treasury Regulation 16 to the Public Finance Management Act PFMA).
Qualifying transaction	Means a sale of business and/or assets from a measured enterprise to and associated enterprise. A qualifying transaction shall not be included under the enterprise development element of the generic scorecard. In addition, in order for such a transaction to be regarded as a qualifying transaction, it must comply with the following requirements: the qualifying transaction must ultimately result in the creation of

Realization Points Restricted Specialist Services	sustainable businesses and/or business opportunities for black people and in the transfer of specialized skills and/or productive capacity to black people; and he associated enterprise arising from the qualifying transaction must be a fully fledged enterprise in its own right and, as such, should at a ninimum; have no unreasonable limitations imposed upon it in relation to the identity of its clients and/or customers; and have clients/customers and suppliers other than the enterprise with which the qualifying transaction was undertaken; and have no operational outsourcing arrangements with the initiating enterprise, which were not concluded at arms-lengthon a fair and reasonable basis. The sum of the Ownership Fulfilment point and the Net Equity interest points as referred to in the ownership scorecard. Services imposed or where there are no alternative and comparable services or service providers available locally in this sector.				
Services		,- ,- ,-		,	
0574					
SETA					
Size Variation	Size	Average annu	ual turnover	Number of e	mployees
		Contracting	BEPs	Contracting	<i>BEP</i> s
	Micro	< RIm	< R300 000	5	2
	Small	RI,Im= -12m-	R300 001- R3m	6-60	3-9
	Medium	R12,1m – R60m	R3,1m = 36m	61-300	10-100
	Large A	R60,I m = 500m	R36, Im - 60m	> 300	> 100
	Large B	R500,1 m = 1000m	R60,1 m - 120m		
	Large "C"	R1000, I m = 2000m	R120,1 m= 200m		
	"Large"	>2000m	>200m		
Size Variation		1		1	
Skills Development (training)	The transfer or gaining of technical knowledge, related skills, values and attitudes in order to develop proficiency and to develop a person's natural aptitudes and other abilities to improve his/her capabilities as a worker. Training, which generally takes place outside formal educational institutions, is more often than not directed towards the needs of a specific employer or group of employers.				
SMME			roenterprises. Se		
SO€	State-owned enterprise, an enterpriseoften a corporation owned by				on owned by

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	government.
Superannuation scheme	A 'providentfund", a "pensionfund and a "retirement annuity fund as defined in Schedule 2 of the Tax Act 58 of 1962.
Supplier	A statutorily registered enterprise or individual who has the capacity to deliver goods and/or services required in the time frames required.
Target	The Targets attributed to the various criteria in the scorecard.
Transformational infrastmcture	Such infrastructure projects in transport; telecommunications; water, waste water and solid waste; energy; social infrastructure such as access to parks, health, education, and correctional services facilities and municipal infrastructure and services.
TransitionalPhase	The period between the effective date, January 2006 and the end of the first reporting period (31 December 2006).
Triple bottom line	A business concept that refers to corporate attainment of balanced and integrated economic, social and environmental performance.
Vottimg rightts	The votes attaching to an instrument owned by a black Participant or held on behalf of a black Participant that may be exercised at a general meeting of the shareholders of a company having share capital or any similar rights in any other form of Enterprise, measured in accordance with the Flow-Through Principle or the Control Principle, provided that: (a) to the extent that the provisions of paragraphs 9 = 13 (as per Code of Good Practice issued by the DTi) provide further definition as to the nature of Voting Rights in an Enterprise other than a company having share capital, those provisions should be read in conjunction with this definition in relation to such Enterprises; and (b) Voting Rights exercised on behalf of a Participant by another natural person who acts in a fiduciary capacity or in terns of a specific
Weighting	mandate or proxy shall be deemed to be exercised by that Participant. Means the weighting attributed to various Elements in the Scorecard

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Signature:	Notice Description of Public Works
Operation:	National Department of Public Works
Name:	National Department of Public Works SAN BIBLIAN BI Minister Sigcan
Signature:	(12
Operation:	African Builders Association
Name:	SAM SIBIJA
Name.	
Signature:	Legon Thortmann
Operation:	The Association of South African Quantity Surveyors
Name:	EGON WORTMANN
Signature:	
Operation:	Electrical Contracts & Association South Africa.
Name:	Brand Abd 20/
ramo.	11/1/
Signature:	MM /IST
Operation:	Master Builders of South Africa
Name:	SEAR MORATT
Signature:	
Operation:	National Association of Black Contra ots and Allied Trades
Name:	SAM MORELLINE
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Signature:	
Operation:	National Federation for the Building Industry
Name:	Ante MBETSE.
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Operation:	The South African Association of Consulting Engineers
Name:	Webster NU-1
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Signature:	Maria
Operation:	South African Black Technical and Allied Careers Organisation
Name:	FAM KGOLF
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Certified a true copy of the original
Signature
Construction Charter
Date

Signature: Operation: South African Federation for Civil Engineering Contractors Name: MACDONARD Signature: Operation: South African Institute of Architects Name: Signature: Operation: Name: Signature: Operation: en in Construction Name: Signature: Operation: Women for Housing Name: Signature: Operation: National Union of Mineworkers Name: Signature: Operation: Building Construction & Affled Workers Union

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