



5 December 2017

RE: Accurate completion of BEE affidavit for Steam Generation Africa (Pty) Ltd with company registration number 2003/006480/07

Background and Scope

Steam Generation Africa (Pty) Ltd engaged Simanye Consulting in 2017 to conduct an assessment and assist them in accurately completing their BEE affidavit and retaining their supporting documents on file.

Note that our opinion is based on the requirements of the Amended Codes of Good Practice (COGP) gazetted 13 October 2013 and on the supporting documents received for assessing ownership, confirming revenue and confirming the achievement of the Empowering Supplier Status. . Simanye Consulting are experts in B-BBEE and have over 10 years of experience within the industry, working with companies across all sectors and of all sizes, including listed and multinational companies. Note that this letter serves to provide an independent opinion to the entity mentioned above and is not provided under either IRBA or SANAS as Simanye Consulting is neither a Registered BEE Auditor nor a Verification Agent.

Enhanced recognition for QSEs and EMEs under the Amended Codes

An Exempt Micro Enterprise (EME) or Qualifying Small Enterprise (QSE) with at least 51% black ownership obtains an automatic Level 2 BEE status and has a BEE recognition of 125%. An EME or QSE with 100% black ownership obtains an automatic Level 1 BEE status and has BEE recognition of 135%. In the event that a QSE or EME entity which is measured on the Adjusted Scorecard has 51%-74.99% black beneficiaries it will be a Level 2, or if the beneficiaries are 75% or more, it will achieve a Level 1.

Requirements for achieving enhanced recognition as a measured entity

An EME is defined by the COGP as an entity with an annual revenue of R10 million or less. A Qualifying Small Enterprises (QSE) is an entity with an annual revenue between R10 million and R50 million.

The definition of a 51% Black Owned entity is an entity in which black people hold at least 51% of the exercisable voting rights and 51% of the economic interest as well as the full net value points, as determined under Statement 100 of Code 100.

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Empowering Supplier Status

In order for BEE certificates to have any market value, a measured entity needs to be an Empowering Supplier. Start-up companies and EMEs are automatically deemed to be Empowering Suppliers. QSEs are required to meet the Empowering Supplier requirements.

The COGP define a QSE Empowering Supplier as follows:

An “Empowering Supplier” is a B-BBEE compliant entity, which is a good citizen South African entity, compliant with all regulatory requirements of the country and should meet at least one , of the following criteria:

- a) At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local supplier in SA, for service industry labour cost are included but capped to 15%.
- b) Job creation – 50% of jobs created are for Black people provided that the number of Black employees since the immediate prior verified B-BBEE Measurement is maintained.
- c) At least 25% transformation of raw material/beneficiation which include local manufacturing, production and/or assembly, and/or packaging.
- d) Skills transfer – at least spend 12 days per annum of productivity deployed in assisting Black EME and QSE beneficiaries to increase their operation or financial capacity.
- e) At least 85% of labour costs should be paid to South African employees by service industries

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Findings

We have reviewed the information provided and the supporting documents with respect to the validity of the revenue confirmation as at the 31st of October 2017, as well the black beneficiaries percentage in the above mentioned company as at date of this report.

The review and custody of supporting documents is performed solely to assist in completing the affidavit as follows:

- 1. EME/QSE status: We obtained and reviewed the revenue (turnover) for Steam Generation Africa (Pty) Ltd as at the 31st of October 2017 prepared by Andre L Pienaar and we found that the revenue reflected was between R 10 million and R50 million.**

Conclusions

It is therefore our opinion that Steam Generation Africa (Pty) Ltd is a Level 2 QSE with 125% Procurement recognition and Empowering Supplier criteria is automatically met by the enterprise, as defined by the COGP at the date of this report.

If there is anything else which you require regarding the BEE status and transformation initiatives of Steam Generation Africa (Pty) Ltd, please feel free to contact me on 010 595 2370.

Yours faithfully,

Thomas Erumeda (ACCA)

Audit Manager

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About Simanye

Simanye Consulting is a niche advisory business specializing in the design and implementation of integrated sustainable development strategies, including local economic development, corporate social responsibility, Black Economic Empowerment. We are focused on creating real transformation and sustainable socio-economic development through a strong business case for such activities, which allows our clients to benefit the economies in which they operate while also positively impacting its bottom-line in the long-term.

We have extensive experience across a range of sectors in sustainable development, economic development, BEE, local procurement, supplier development, enterprise development and undertaking global research. Our clients range from large listed and unlisted South African corporations to multinational companies, and we have developed a particular expertise in mining.

We firmly believe that current global – as well as South Africa-specific – pressures make social, environmental and other sustainable development considerations an operational necessity for companies that wish to be prosperous in the long term. However, the complexity inherent in the policies and legislation can lead to a lack of proper implementation and a compliance-only focus, reducing value and impact. We help companies to understand these complexities and develop strategies that work for them.

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