

Empowerment & the Private Sector

Source: Barloworld Website

By: Barloworld

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Website:

<http://www.barloworld.com/content/sustainability/beepolicy.asp?section=sustain>

1. Barloworld

Bee Policy

Black economic empowerment (BEE) in South Africa

Barloworld's BEE policy has been in place for four years. This policy is translated into shorter-term objectives aligned to Barloworld's five-year strategic planning horizon.

Barloworld's operations in South Africa comply with the letter and spirit of broad-based black economic empowerment through the implementation of its BEE policy.

Direct empowerment

Black employees and previously disadvantaged communities should have an equity stake in our South African business interests. Our target for historically disadvantaged South Africans (HDSAs) ownership is an effective 25.1% over the value of South African assets. We do, and will continue to participate in joint ventures and other commercial arrangements with black enterprises.

In South Africa Barloworld will:

- finalise an appropriate BEE structure for the Barloworld group that recognises the leadership role that Barloworld needs to assume, in terms of transformation of the South African economy, ensuring BEE delivers long-term shareholder benefits;
- promote initiatives aimed at progressing broad-based black economic empowerment (BBBEE);
- identify and pursue BEE opportunities at all levels to either unlock value for the business or preserve current value into the future;
- choose BEE partners, where possible, who have both a broad-based ownership structure and can play an appropriate value-adding role in our businesses;
- promote the productive and sustainable participation of black enterprises and black people in Barloworld; and

- ensure that joint ventures or partnership arrangements are meaningfully structured with equitable division of the risks and rewards to each party.

Management.

As an international organisation, Barloworld Limited's board must reflect the international nature and composition of its various business units and the geographic regions in which it operates.

Likewise, management structures of our regional business units must reflect the demographics of the societies in which we operate. In South Africa and other African regions, targets are in place in all business units to ensure that this objective is achieved.

Indirect empowerment

Through our South African operations' procurement initiatives (Barloworld black economic empowerment through preferential procurement) Barloworld aims to:

- set affirmative procurement targets;
- increase its procurement from enterprises that have made significant progress in the area of BEE and are rated as good or satisfactory contributors to BEE, based on the South African Department of Trade and Industry (DTI) balanced scorecard;
- reduce the cost of goods and services we purchase; and
- monitor and report on our procurement performance.

In conjunction with company-wide procurement initiatives, each business is required to actively pursue BEE procurement initiatives. Barloworld uses DTI approved, independent rating agencies to rate Barloworld's key suppliers' empowerment status.

We focus on enterprise development as a means of increasing our HDSA supplier and customer base. As evidence of this commitment we launched Barloworld Siyakhula and other initiatives.

Strategic objective

It is our intention to ensure our South African business units achieve a Level 5 rating by end 2008 and Level 4 rating by end 2009 in terms of the BBBEE codes of best practice. BBBEE compliance is expressed in terms of eight recognition levels. These are:

- Level 1 contributor (BEE recognition level: 135%)
- Level 2 contributor (BEE recognition level: 125%)
- Level 3 contributor (BEE recognition level: 110%)
- Level 4 contributor (BEE recognition level: 100%)
- Level 5 contributor (BEE recognition level: 80%)
- Level 6 contributor (BEE recognition level: 60%)
- Level 7 contributor (BEE recognition level: 50%)
- Level 8 contributor (BEE recognition level: 10%)
- Non-compliant contributor (BEE recognition level: 0%).

Level 4 is considered fully compliant with the codes on BBBEE. Being at Level 4 allows companies that procure from you to claim 100% of the procurement spend, thus assisting them with the procurement elements of the scorecard.

Performance in empowerment related areas during 2006.

Direct empowerment.

New equity transactions in 2006. Barloworld Motor Franchises (South Africa) has been awarded a Level 6 BEE rating on the basis of the BBBEE Codes of Good Practice that were released at the end of 2005.

Previous significant equity transactions, all of which are progressing well, include the following:

- In 2005, a 25% stake in our Logistics Africa business was sold to the Letsema Consortium, led by Mr Isaac Shongwe. Letsema paid R118 million for its stake and Mr Shongwe has taken an executive position in the company. His track record in the logistics industry has helped him to integrate immediately into the management of the logistics business;
- NMI-DSM joint venture in KwaZulu-Natal operates the flagship DaimlerChrysler brand campus representing the brand centres for:
 - Mercedes-Benz, Car Group
 - Chrysler/Jeep
 - Mitsubishi Motors
- This joint venture has set the benchmark for BEE deals in the motor retail industry; and Afripack is operating well under Nozala Investments, who purchased 75% of the business. The company continues to meet its profit and growth forecasts, and Nozala has repaid the vendor loan to PPC one year early in October 2006.

Board composition.

We continue to make progress in this area with Mrs S Mkhabela being appointed to the board as an independent non-executive director during the year.

Human resources development.

All of our South African businesses have employment equity plans, which have been agreed with our various employee representative organisations and have been lodged with the Department of Labour. These are also monitored at divisional board level. Comprehensive internal training programmes are in place at all levels.

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http://www.engen.co.za/home/server/about_engen/bee/default.asp

Black Economic Empowerment

At Engen, black economic empowerment (BEE) is embraced as a value creating strategy, designed to create realistic, meaningful and enduring and sustainable partnerships with those previously denied them.

Engen's BEE is thus a value creation driven strategy as this is the strongest possible motivation in a value-based company and we believe the only truly sustainable reason for implementing a BEE strategy. We welcome the move away from the narrow based BEE assessment model based on black ownership only to the more comprehensive and inclusive Broad Based BEE model espoused in the "Codes of Good Practice" for BEE. Our BEE strategy remains focused on; capacity building, job creation and economic growth. There are five main focus areas:

- Shareholding and equity participation – with focus on seeking value added partnerships and making the shareholder base representative
- Employees - with focus on employment equity, capacity building, training and skills development
- Dealers - with focus on training, entrepreneurship and broadening the dealer mix
- Business Partners - with focus on value creating opportunities for our suppliers and other business partners
- The wider community - with focus on nation building.

The first major achievement in the area of shareholding and equity participation was the purchase in late-1999 of 20% of Engen by [Worldwide African Investment Holdings \(Pty\) Ltd.](#)

Employees enjoy an integrated yet rigorous programme of capacity building with long-term sustainability. Policies and procedures have been documented, approved and implemented to ensure this. Engen's ultimate goal is that the company's employee profile will match the economically active national demographic profile.

Retail dealerships represent ownership in the company's core business. A strategy with a focus on transforming the demographic profile, entrepreneurship and training has been implemented and we have set ourselves ambitious targets. Engen dealerships owned by Black people was standing at 33% in 2003, this had grown to 35%. This represents well over 400 sites across our entire portfolio of dealerships, owned and operated by black people.

The target for 2008 is 40% and soon after that, over half of Engen's dealerships will be HDSA-owned.

In keeping with its partnership philosophy, Engen's strategy has been to supply Black Oil Companies on a competitive economic transaction basis. Companies serviced since 1998 include Zenex, Tepco and Afric Oil.

In selecting business partners and suppliers, Engen gives preference to those who who comply with the criterion as set out in the Broad Based BEE "Codes of Good Practice" , but in line with the Liquid Fuels Charter, we further give preference to those who have 50% plus one share HDSA ownership. Ideally, shareholders will be taking an active part in the running of the business and ensuring that there is a transfer of skills to black employees. Where possible, preference is given to companies that satisfy the above criteria and are also Small, Medium and Micro Enterprises (SMEs).

Engen's BEE Procurement Programme was initiated in August 1997 and since then, the company has shown growth in the value of business done with BEE companies every year. In the last financial year we have reached a significant milestone in that we now purchase more from BEEs (more than 50%) than we do from traditional white owned businesses.

Engen is a signatory to the "Charter for the South African Petroleum and Liquid Fuels Industry On Empowering Historically Disadvantaged South Africans in the Petroleum and Liquid Fuels Industry" which was signed by all the petroleum companies and the Department of Minerals and Energy in November 2000.

Engen's commitment to the Charter underpins all its activities and ensures that the company continues to lead the industry in delivering sustainable value-creating opportunities for HDSAs. Engen has already put the necessary steps in place to ensure that it meets the 25% target stated in the Oil Industry Charter signed with government.

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