

	<b>Supplier Development, Localisation and Industrialisation Strategy</b>	Template Identifier	240-43921804	Rev	6
		Document Identifier	240-148918142	Rev	2
		Effective Date	01 September 2019		
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<b>Business Unit</b>	Eskom Medupi Power Station – Group Capital Division
<b>Description/ Scope of Work</b>	Provision of Delivery Partner (DP) for Medupi Power Station Flue Gas Desulphurisation Retrofit Project.
<b>Duration of the Project</b>	Please confirm
<b>Acceptable Amount</b>	As per Contract
<b>Name of Buyer</b>	Cyril Ntshonga

## 1. Purpose of the Project

The objective of the FGD project is to ensure compliance with the minimum emission standards for SO<sub>2</sub> set out in the National Air Quality Act 39 of 2004. The Works must achieve an SO<sub>2</sub> emissions guarantee limit of 400 mg/Nm<sup>3</sup> (dry, 10% O<sub>2</sub>).

The DP's role will encompass the Owners Engineer, which is a team of technical experts required for effective execution and supervision of the project; and the DP role will provide the option for the appointment of the FIDIC Engineer (FE), who will be the delegated Contract Manager for the EPC contract on behalf of Eskom.

The purpose of this document is to develop the Supplier Development, Localisation and Industrialisation (SDL&I) strategy in line with the Scope of Work required for the DP to succeed in its role, providing engineering and project management services to the Employer for the proposed engineering, procurement and construction (EPC) FGD retrofit project at Medupi Power Station.

## 2. Introduction and SDL&I Context:

Eskom, as a State-Owned Entity is aligned with the Government's Development and Growth initiatives. It has committed itself to local development initiatives with the aim of increasing the competitiveness, capacity, and capability of its local supply base as well as support government's goals of shared growth, employment creation, poverty reduction and skills development. Although managed by different Government departments, all local development programs have the following overlapping objectives:

- Skills Development,
- Supplier/Enterprise Development,
- Job Creation and Employment,
- Localisation (procurement of RSA manufacturers goods and services),
- Industrialisation (investment in manufacturing plant) through National Industrial Participation Programme (NIPP), and
- Transformation through Broad-Based Black Economic Empowerment requirements.

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The Supplier Development, Localisation and Industrialisation (SDL&I)'s mandate is to achieve maximum and sustainable local development impact through leveraging Eskom's procurement spend in a manner that allows flexibility within the business to accommodate government local development initiatives and policies.

### 3. Supplier Development, Localisation and Industrialisation's approach to Deliver Partner's services acquisition

This is the first of its kind project in South Africa, so there has not been any South African Engineering firm with such expertise and experience. Therefore, the approach is to open the market/tender to multinational engineering firms to tender/bid. The objective will be to ensure that there will be sharing of expertise with South Africans through both sub-consulting and skills development.

Therefore, if the winning bidder is an international engineering firm, it will be expected to mentor a South African engineering firm of their choice. If the winning bidder is a South African engineering firm, it is expected to mentor a small emerging consulting firm that is Black Owned. Either firm would also be expected to develop skills These SDL&I undertakings will be as follows, covering different scenarios:

#### 3.1. B-BBEE Evaluation: Preference Point Scoring System

Although the South African FGD Systems' market is limited, it is however critical to give those South African firms that are compliant with the B-BBEE Codes of Good Practice a head start as envisaged by the Preferential Procurement Policy Framework Act and Section 217 (2) of the Constitution of the Republic of South Africa Act 108 of 1996. The 90/10 preference point system for acquisition of goods or services will be used.

B-BBEE Status Level of Contributor	Number of points (90/10 system)
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

To claim preference points as specific goals, a tenderer must submit the following documentation:

- Valid B-BBEE certificate issued by a SANAS accredited verification agency / sworn affidavit /CIPC affidavit.

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- Proof of ownership (CIPS documentation) and breakdown of Shareholding information
- Certified ID copies of shareholder(s)
- Proof of Disability (where applicable).

A tenderer failing to documentation for the allocation of preference points will not be disqualified but will only score point out of 90/80 for price and scores ZERO (0) points out of 10/20 for specific goals.

A tenderer may not be awarded points for specific goals if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for. If the Tenderer did not submit a valid B-BBEE Certificate during the Tender close, it will be required to submit it before the contract may be awarded to it, if it the highest scoring Tenderer.

**3.2. Objective Criteria** - May change award from the highest ranked tenderer to another tenderer in accordance with the requirements of the PPPFA [clause 2(1)(f)]. The following requirements may result in the Tenderer being considered non-response if it does not commit to the implementation of the below listed requirements:

**(a) Supplier Development (Mentorship/Coaching and Sub-Consulting)**

<b>Supplier Development, Localisation and Industrialisation's Bid's Requirements:</b>		
<b>Bidder</b>	<b>Bid Requirements</b>	<b>Condition for Contract Award</b>
Non-South African Firm	Commits to mentor/coach and sub-consult at least 25% to a South African Firm, preference will be given to those firms that are at least 51% owned by Historically Disadvantaged Individuals (HDI)	Yes
South African Firm	Commits to mentor/coach and sub-consult at least 25% to a South African Firm owned by are at least 51% owned by Historically Disadvantaged Individuals (HDI)	Yes

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**(b) Skills Development (Professional's Development Programme)**

Qualification	Number	Entry Level	Output
Project Management	10	National Diploma/Degree in Engineering (any Discipline) and Construction experience	SACPCMP Registration and FIDIC Suite of Contracts Competency
Professional Engineer	8	B-Engineering Degree and Project experience	ECSA Registration and FIDIC Suite of Contracts Competency
Professional Technologist or Technician	7	National Diploma/Degree in Engineering (any Discipline) and Construction experience	ECSA Registration and FIDIC Suite of Contracts Competency
Construction Safety Officer	5	Degree/ Advanced Diploma or relevant Qualification in Safety Management and Construction experience	SACPCMP Registration and FIDIC Suite of Contracts Competency
Quality Auditors/ Assessors	5	Degree/Advanced Diploma or relevant Qualification in Quality Management and Construction experience	IRCA and SAATCA Registration and FIDIC Suite of Contracts Competency
Environmentalist	5	Degree/Advanced Diploma: Environmental Science or Management	South African Council of Natural Scientist Professionals (SACNASP) Registration and FIDIC Suite of Contracts Competency
Quantity Surveyors	10	Degree/Advanced Diploma Quantity Survey and Construction experience	South African Council for Quantity Surveying Profession (SACQSP) and FIDC Suite of Contracts Competency.
<b>TOTAL</b>	<b>50</b>		

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**Skills Development beneficiaries shall be South Africans, preferably from Limpopo Province and reflective of the population demographics of the country.**

### **3.4. National Industrial Participation Programme:**

Eskom is required to inform the tenderers of this requirement. NIPP will only be applicable for contracts with a foreign component or content of USD 5 million or more.

“NIPP is a programme that seeks to leverage economic benefits and support the development of South African industry by effectively using the instrument of government procurement. The NIPP programme is mandatory for all government and parastatal purchases or lease contracts (goods and services) with an imported content equal to or exceeding USD 5 million.

“The programme targets South African and foreign industries, enterprises, and suppliers of goods and services to government/parastatals, where the imported content of such goods and services equals to or exceeds USD 5 million. The first customer of NIPP is the South African industry that benefits through the NIPP business plans, which, when implemented, generate new or additional business activities through one or more of the following: investment, export opportunities, job creation, increased local sales, SMME and BEE promotion, R&D, and technology transfer. “Companies with an NIPP obligation must sign this obligation agreement with the Department of Trade, Industry and Competition (dtic) before the contract with Eskom Holdings SOC Ltd, as a purchasing entity, is signed. The obligation agreement governs the relationship between the dtic and the supplier. It defines the NIPP obligation value(s), requirements to fulfil the NIPP obligation, performance milestones, performance monitoring processes, and the NIPP credit allocation criteria.

“All tenders with an import content that is equal to or exceeds the threshold of USD 5 million compels the winning bidder to negotiate and enter into a NIPP obligation agreement with the dtic before signing the contract with Eskom.”

## **4. Contractual Requirements:**

### **4.1. Maintain and/or improve B-BBEE Status:**

Awarded Consultant is expected to maintain or improve their B-BBEE Recognition Level for the duration of the contract and the foreign company will be expected to comply with South African Law once it has been awarded the Contract.

### **4.2. Corporate Social Investment (CSI)**

The Consultant will be expected to spend at least One Percent (5) % of the Contract Value on CSI initiatives, within the Lephalale Local Municipality Area, that would be agreed upon with Eskom. Once awarded the contract, the Contractor will be expected to either match or exceed the

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CSI value as this 5% requirement is paid by Eskom and the Contract would have included its overheads/management fee.

## 5. Reporting and Monitoring:

SDL&I or the Eskom agent will monitor the meeting of the SDL&I targets in the contract. SDL&I collates SDL&I commitments by contractors and suppliers as stated in their contracts with Eskom. A minimum of 1.5% penalty shall be invoked should a contractor/supplier fail to meet its contractual obligations in terms of the SDL&I targets.

The SDL&I will be managed as follows:

- The winning Bidder shall complete and submit the SDL&I Implementation Schedule within 60 days of contract award,
- This SDL&I Implementation Schedule will be used as a reference document for monitoring, measuring, and reporting on the Contractor's progress in delivering on their stated SDL&I commitments,
- The Contractor shall, on a quarterly basis, submit a report to Eskom in accordance with Quarterly Reporting Template on their compliance with the SDL&I obligations described above,
- Eskom shall review the SDL&I reports submitted by the Contractor within 30 (thirty) days of receipt of the reports and notify the supplier on its performance progress,
- Upon notification by Eskom that the supplier is not meeting its SDL&I obligations, the Contractor shall be required to implement corrective measures to meet those SDL&I obligations before the commencement of the following report.

Compiled by:



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Group Capital Division (GCD)

Date: 14 July 2023

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