



# *AdvanceNet Pty Ltd Preferential Procurement Policy*

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## Definitions

<b>BEE Certificate:</b>	A certificate issued by BEE Verification Agent validating a supplier's BEE Status.
<b>BEE Level:</b>	A Broad based BEE score as defined in the Codes of Good Practice and validated by a current BEE Certificate or according to the provisions of the Codes of Good Practice.
<b>BEE Status:</b>	An entity's BEE Level or Black Empowered status expressed in terms of the Codes of Good Practice.
<b>BEE Supplier:</b>	Means any supplier who is acceptable to AdvanceNet (Pty) Ltd and who has proved their BEE Status to the satisfaction of AdvanceNet (Pty) Ltd.
<b>BEE Verification Agency</b>	An agent who is a member of the BEE Industry Body ABVA and / or is accredited by the Government Agency SANAS and appointed by any entity to evaluate its BEE status.
<b>BEE:</b>	Black Economic Empowerment
<b>Black Empowered:</b>	Any organisation that is owned at least 50% by Black people or 30% by Black women.
<b>Black:</b>	Has the meaning defined in the BEE Act of 2003 (South African Africans, Coloureds and Indians) as qualified by the Codes of Good Practice. It also includes similarly qualified South African Chinese. Naturalized South Africans must have been naturalized prior to 1994.
<b>Codes of Good Practice:</b>	BEE Legislation No. 29617 Gazetted on 9 <sup>th</sup> February, 2007 under Section 9(1) of the Broad-based Economic Empowerment Act, 2003
<b>EME:</b>	An Exempt Micro Enterprise as defined in the Codes of Good Practice. (A supplier with an annual turnover of less than R5m validated as such by a certificate from an accountant, an accredited BEE Verification Agent or an auditor).
<b>Front or Fronting:</b>	A term to denote any situation where black ownership structures are an artificial construction that does not reflect true ownership control by the black people concerned.



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<b>QSE:</b>	A Qualified Small Enterprise as defined in the Codes of Good Practice (A supplier with an annual turnover of less than R35m validated as such by a current BEE Certificate).
<b>Preferential Procurement:</b>	Means purchasing from BEE Suppliers wherever possible.



## ***Purpose***

- AdvanceNet (Pty) Ltd's Preferential Procurement Policy is in support of AdvanceNet (Pty) Ltd's overall commitment to the transformation of the South African economy through black economic empowerment ("BEE") as laid out in AdvanceNet (Pty) Ltd's BEE Policy.
- AdvanceNet (Pty) Ltd's Preferential Procurement Policy is the basis of its Preferential Procurement planning and implementation and is expressed and measured in the terms of Code 500 of the Codes of Good Practice.

## ***Objectives***

- The primary objectives of AdvanceNet (Pty) Ltd's Preferential Procurement Policy are to:
  - Validate AdvanceNet (Pty) Ltd's commitment to Preferential Procurement
  - Achieve compliancy with Code 500 of the Codes of Good Practice.
  - Encourage AdvanceNet (Pty) Ltd's current non BEE suppliers to become BEE compliant
  - Support AdvanceNet (Pty) Ltd's overall procurement policy, practices and techniques.

## ***Scope***

AdvanceNet (Pty) Ltd's Preferential Procurement Policy applies to all divisions and Departments within AdvanceNet (Pty) Ltd.

## ***Preferential Procurement Commitments***

- AdvanceNet (Pty) Ltd will adopt a supportive culture when engaging and/or doing business with Black Empowered, EME or QSE suppliers.
- AdvanceNet (Pty) Ltd will promote an open, fair, consistent, competitive, cost-effective and transparent procurement process.
- AdvanceNet (Pty) Ltd will make every procurement opportunity a BEE procurement opportunity and will adopt the spirit of BEE in its procurement activities.
- AdvanceNet (Pty) Ltd will not compromise on health, safety, commercial, quality and service standards.
- AdvanceNet (Pty) Ltd's Executives are committed to the direction given in this policy.

## ***Criteria for Evaluating Suppliers***

- AdvanceNet (Pty) Ltd will use generic criteria for evaluating and awarding business. These criteria include but are not restricted to: commercial, administrative performance, delivery and cycle time, responsiveness, business management, quality, safety and environment and the highest standards of corporate governance and technology. In addition the following hierarchy will be a guide in sourcing products and services:
  - Procurement from existing compulsory contracts
  - Procurement from within existing AdvanceNet (Pty) Ltd divisions or subsidiaries
  - Procurement from Suppliers ranked on their BEE level as defined in the Codes of Good Practice. BEE Level 1 being the highest and BEE Level 8 the lowest ranking.
  - Procurement from Suppliers who qualify under other criteria contained in Code 500 of the Codes of Good practice. This includes QSE, EME and Black Empowered entities.
  - Procurement from other South African manufacturers
  - Imports from overseas suppliers where products are not available locally.
- BEE Suppliers must be price competitive. AdvanceNet (Pty) Ltd does not intend to pay a premium to acquire products or services from a BEE Supplier.
- A current supplier's or potential supplier's BEE status will be evaluated based on a BEE Certificate issued by a BEE Verification Agency or by such other documentation specified in the Codes of Good Practice.
- AdvanceNet (Pty) Ltd intends to tighten the criteria for qualification as a BEE Supplier over time to meet its increasing Preferential Procurement targets

- Where a supplier has no BEE Status (See Section 8) AdvanceNet (Pty) Ltd will seek to find alternative sources of supply.

## ***Supporting Black Suppliers***

- The following development assistance may be offered to BEE suppliers at AdvanceNet (Pty) Ltd's discretion for the purpose of establishing long term relationships and a credible BEE supplier base:
  - **Price Preference**

If all other requirements are met, AdvanceNet (Pty) Ltd will consider price preference when comparing quotations as defined in the enquiry. Such preference may be in the form of a price matching clause stated in the enquiry or a percentage
  - **Designated Spend**

Where appropriate, designated spend areas may be set in part or in whole for the exclusive participation of BEE Suppliers based on specific criteria.
  - **Payment Cycles**

Where appropriate, a short payment cycle will be granted after receipt of a valid invoice and proof of delivery or applicable documentation. Where the normal payment cycle is 30 days from date of invoice, shorter payment cycles of less than 15 days will apply to Category A and Category B Enterprise Development beneficiaries as stated in the Codes of Good Practice. A register of these beneficiaries and the accumulated procurement spend will be maintained and kept on file with this policy.
  - **Skills and Technology Transfer**

Upon request, training may be given in areas such as finance, quality improvement and technical enhancement.
- BEE Suppliers' performance will be reviewed during the contract or supply period. Any development assistance provided will be for an agreed period, after which the supplier should be capable of doing business with minimum assistance.

## ***BEE Status***

- A supplier will be able to qualify as a BEE Supplier if the following criteria are met:
  - The supplier has a current BEE Certificate or is Black Empowered and obtains a BEE Certificate within three months of the supply contract being signed.
  - The supplier has the potential and capacity to satisfy AdvanceNet (Pty) Ltd's business requirements.
- Suppliers must comply with the following procedure to be considered as a BEE Supplier:
  - The supplier shall complete, sign and submit the standard AdvanceNet (Pty) Ltd Supplier application form(s) relevant to the service or product being offered.
  - The supplier shall submit proof via a BEE Certificate or such other documentation specified in the Codes of Good Practice
- A BEE Supplier's validity assumes that there is no substantial change in the information submitted in the application. In the event of the supplier losing or obtaining a lower BEE status, AdvanceNet (Pty) Ltd should be informed in writing within seven working days.
- To remain qualified as a BEE supplier, the supplier is required to submit a new BEE certificate immediately upon the expiry of the existing BEE certificate or at the latest within two months thereafter.
- A supplier may lose its BEE Supplier status if the supplier has:
  - changed to the extent that it no longer qualifies as a BEE Supplier as defined herein.
  - failed to submit a BEE Certificate within the two months of the expiry of the previous BEE Certificate.
  - been found to be a Front.

## ***Preferential Procurement Targets***

- AdvanceNet (Pty) Ltd will endeavor to achieve Preferential Procurement targets based on the Code 500 of the Codes of Good Practice. In calculating and reporting the percentage of Preferential Procurement spend, the targets, provisions and formulas in Code 500 of the Codes of Good Practice will be used.
- AdvanceNet (Pty) Ltd's Preferential Procurement spend will be recorded and reported quarterly in order to track target value compliance.