

**AIRPORTS COMPANY SOUTH AFRICA
CAPE TOWN INTERNATIONAL AIRPORT
VORP Modular Offices in Package 2**

**TRANSFORMATION FRAMEWORK: CONSTRUCTION AND COMMISSIONING
PHASE**

1.0 Introduction

The Transformation Framework as set out in this document is to be implemented on the Valet Operations Relocation Project. This document sets out the Transformation framework for the implementation of B-BBEE prescripts as defined in ACSA's Transformation Policy. Given the scope of the VORP project, the project provides some opportunities for Enterprise and Supplier Development (ESD) and Local Employment deliverables on the procurement, construction and commissioning phases.

The Transformation Framework sets out the following;

- Scope and focus of the intended Transformation Impact
- Specific Transformation Objectives
- Weighting of Transformation deliverables
- Transformation Contract Participation Targets
- Implementation Strategy
- Monitoring, Verification and Reporting Protocols
- Governance Structure

This document is to be included in all Contract documentation and read together with specific Transformation Contract Specifications and related items contained in the schedule of quantities.

This framework serves as a guide within the current applicable regulatory framework, as defined in ACSA's Transformation Policy, for implementation of procurement protocols and sourcing strategies to achieve the specified Transformation objectives and targets contained herein.

The framework covers the implementation of achieving Transformation targets through;

- Conducting Transformation Impact Assessments (TrsIA) to maximise contract participation goals (CPG) for all designated Transformation deliverables,

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- implementation of Transformation Sourcing and Procurement protocols,
- implementing a Transformation Management System (TMS) to monitor, verify compliance with Transformation Specifications,
- Providing for an 'early warning system' with TMS to manage impacts of change of scope and specification.
- Including in procurement and contract documentation Transformation specifications identifying and quantifying the Transformation deliverables for all designated groups.
- Including in procurement and contract documentation descriptions in the schedule of quantities for the pricing of Transformation deliverables and CPG targets.
- Providing in procurement and contract documentation penalties for non-compliance of Transformation specification CPG targets.

2.0 Transformation Objectives

The Transformation objective is to apply the fundamental principles, objectives and interpretive provisions of the current Broad-Based Black Economic (B-BBEE) Act's and apply the current provisions of the preferential policy framework act within a framework of the PFMA. This is achieved through the implementation of the construction of the CTIA-VORP Project by broadening opportunities for the designated groups to contract participation by giving specific weighting to priority elements. The Transformation objectives need to be given effect through detailed planning and accurately estimated costs of provisions for services, works or goods. Implementation of ACSA's accelerated transformation needs to broadly adhere to the following legislation and codes;

- Broad-Based Black Economic Empowerment Act 53 of 2003, as well as the amendment Act 46 of 2013;
- **Amended Codes of Good Practice of 2013 (ACoGP);**
- Constitution of the Republic of South Africa , 1996;
- **Integrated Transport Sector Codes of 2009, as well as the draft aligned Integrated Transport Sector Code of 2015;**
- **Amended Construction Sector Code: Notice 931 of 2017**
- Public Finance Management Act No 1 of 1999 Government Gazette 38735 dated 30 April, 2015
- Companies Act 71 of 2008;
- Airports Company Act 44 of 1993;
- National Land Transport Act 5 of 2009;
- Civil Aviation Act 13 of 2009;
- Employment Equity Amendment Act 16 of 2014;

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- Skills Development Act 97 of 1998;
- Skills Development Levies Act 9 of 1999;
- **Preferential Procurement Policy Framework Act 5 of 2000** and
- The Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000 and
- King III Code on Governance of 2009
- Promotion of Administration Justice Act 3 of 2000

DEFINITIONS commonly used in this Transformation Framework Document

B-BBEE means;

broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act^[1]

B-BBEE status level of contributor means;

the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act^[1]

proof of B-BBEE status level of contributor means;

(a) the B-BBEE status level certificate issued by an authorised body or person; ^[1]

(b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or ^[1]

(c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act; ^[1]

Black designated groups have the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; “black people” has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act; ^[1]

Broad-Based Black Economic Empowerment Act means

the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); ^[1]

Designated group means;

(a) black designated groups; ^[1]

(b) black people; ^[1]

(c) women; ^[1]

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- (d) people with disabilities; or [L]
[SEP]
(e) small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 [L]
[SEP] (Act No. 102 of 1996); [L]
[SEP]

EME means;

an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; [L]
[SEP]

QSE means;

a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; [L]
[SEP]

Designated Labour means;

Unemployed persons, employed by the Contractor in the performance of the Contract, who are defined as the designated group in the Contract and permanently reside in the targeted area or who are recognized as being residents of the targeted area on the basis of identification and association with and recognition by the residents of the targeted area.

Contract Participation Goal (CPG)

Amount equal to:

- The value of works, goods, services for which the contractor engaged as a Prime contractor.
- The wages and allowances for which the contractor contracts to engage targeted labour; and
- The value supplies; services and works for which the contractor contracts targeted enterprises in the performance of the contract;

ACSA Transformation Policy provides the following Principles for Enterprise and Supplier Development;

- ACSA shall at all time, as far as practicable, procure both discretionary, non-discretionary goods and services and letting of assets from empowering suppliers who have valid BEE scorecards from accredited agencies as directed by the Department of Trade and Industry (DTI);

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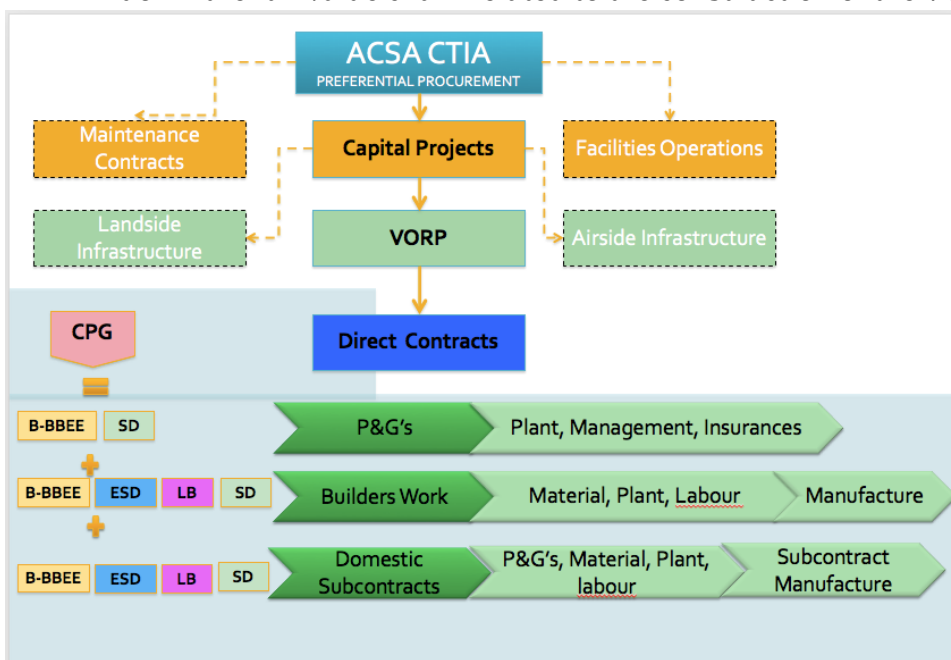
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- All enterprise and supplier development initiatives will be implemented with the intention of assisting, accelerating the development and sustainability of qualifying black owned and black woman owned enterprises through monetary and non- monetary contributions in line with the Annexe 400 B of the ESD benefit factor matrix as per Statement 400 of the ACoGP by and not limited to the following:-
 - Increasing the extent to which disadvantaged communities, employees and companies own and manage existing and new enterprises and increasing their access to the company’s business and economic activities, infrastructure and skills training and
 - Increasing the extent to which black women own and manage existing and new enterprises and increasing their access to the company’s business and economic activities, infrastructure and skills training.
 - The Supply Chain Management Policy – P010 001P shall be implemented with the main objective of achieving the targets of the Draft Integrated Transport Sector Codes and ACoGP;
 - The company shall boost skills transfer, job creation, productivity and financial capacity of qualifying EMEs and QSEs;
 - Overall preference and attention shall be given to qualifying black businesses in the awarding of tenders, potential business and upon them meeting the key set preferential procurement policy, procedures and requirements of the company in line with PPPFA, Draft Transport Sector Codes and ACoGP;
 - Maintenance of proper preferential procurement records, procedures and controls in line with all applicable legislation especially the PFMA Act.

3.0 Transformation Scope

The scope of the project can be broadly defined in terms of all Construction and Commissioning related works, goods and services activities by breaking down the full value chain related to the construction of the VORP modular



office Project into discreet packages for the purposes of identifying

Transformation opportunities over the full value chain.
The diagram illustrates breaking down the VORP Contract;
Transformation deliverables are to comply with specific targets, contract specification and reporting requirements and the scope includes achieving;

- B-BBEE objectives,
 - Enterprise and Supplier Development for designated groups,
 - Job creation for designated groups (unemployed women & youth) and
 - Provide experiential work opportunities towards a technical qualification for designated persons
- Designated Groups include the following categories;
- Minimum 51% Black owned with a Recognition Level 1 to 4
 - Minimum 51% Black owned QSE and EME's on the applicable B-BBEE Procurement Recognition Level
 - Minimum 51% black women owned based on B-BBEE Procurement Recognition Level
 - Unemployed youth as defined in the National Youth Commission Act of 1996
 - Unemployed Black Women
 - Tertiary Students requiring experiential work opportunities towards a technical qualification in the built environment.

The Transformation Framework provides for Transformation deliverables through the performance of the Construction Contract (s) and includes, but is not limited to the following;

- Principal (Main) Building Contract
- Sub-Contracts to the Principal Building Contract
- Including domestic and selected Sub Contracts
- Direct Contracts such as Fixtures Fittings & Equipment (FF&E) and any specialized operating systems (OS&E).
- Procurement of goods in the form of plant and materials
- Hiring of construction plant
- Employment of personnel and labour
- Any other construction related activity in the construction value chain of the provision of services, works or goods

4.0 Geographic Impact

Priority and specific area weightings will be applied to the following specified target categories.

Area 1 – The Geographical areas located within the boundaries of the Cape Metropole

Area 2 - The Geographical areas, excluding target area 1, located within the Western Cape Province

Area 3 - The Geographical areas, excluding target area 1&2, located within South Africa

5.0 Transformation Contract Participation Targets

The following Transformation targets will be applicable and measured in terms of contract participation as percentages of the Contract value;

5.1 Overall Transformation CPG (including Direct Contracts)

A minimum Empowerment **Contract Participation Goal (CPG) of 51% at a Prime (Main) Contract level is required.**

The total empowerment CPG is to be made up of the aggregate of the following categories;

1. By virtue of the Main Contractors B-BBEE status (Method 1)
2. By awarding Subcontracts to specified Designated Groups (Method 2)
3. By awarding contracts to Designated Enterprise Suppliers, Manufacturers and Service Providers (Method 3)
4. By employing labour from the Designated Group (Method 4)
5. By providing experiential work opportunities towards a technical qualification for designated persons (Method 5)

The following Minimum CPG targets to be achieved in each category.

5.2 B-BBEE participation at a Prime Contractor Level (Method 1)

Contractor to have a minimum Recognition Level 2 from one of the following Designated Groups.

- Minimum 51% Black owned Enterprise
- Minimum 51% Black owned QSE and EME's Enterprise

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- Minimum 51% black women owned Enterprise

Should Contractor qualify as a recognition between Level 1-2 on the Generic Score card then CPG measured in terms of the works not including method 2,3 &4 is set at a minimum of **16%**.

5.3 B-BBEE participation at a Sub-Contract Level (Method 2) and Supply & Manufacture Level (Method 3)

Together Target a minimum CPG of **30%** from one or more of the following Designated Groups.

- Minimum 51% Black owned Enterprise
- Minimum 51% Black owned QSE and EME's Enterprise
- Minimum 51% black women owned Enterprise

5.4 Employment (Job) Creation (Method 4)

Designated employment for labour priority categories such as black women and youth will be credited to increase the overall CPG and is set at a minimum of **5%**.

5.5 Skills Development & Training (Method 5)

Given the 8week duration of the contract method 5 will not be a requirement.

5.6 Enterprise Development (ED)

Preferential Procurement of Qualifying Enterprises during construction must achieve the following:

- of which minimum - 45% of Contract Value for Qualifying Enterprises at sub-contract level, material supply manufacturing, and services level

5.7 Compliance

The Contractor is to produce contract participation goal implementation plan within 5 working days of being instructed to do so and if no such instruction is given, these plans shall be submitted before the submission of the first claim for payment.

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The Contractor shall submit completed targeted enterprise declaration affidavits together where relevant with letters of undertaking to act as subcontractors/suppliers /manufacturers /service providers in respect of each and every designated enterprise whose contribution shall be counted towards the contract participation goal. These documents shall be submitted before the submission of the first payment claim or as otherwise agreed.

The Contractor shall enter into written contracts with all the designated enterprises cited in the contract participation goal plan and shall as soon as is practicable furnish the Principal Agent with copies of such agreements and the written acceptance thereof.

The Contractor in respect of target labour shall enter into written contracts with all individuals classed as designated labour and during the performance of the contract furnish the Principal Agent with copies or proformas of all contracts entered into.

The Contractor shall submit all documentation required timeously and together with a programme of activities, a schedule which indicates clearly the expected commencement and completion of work and services to be performed by all the designated enterprises engaged on the contract for the purposes of securing credits towards the contract participation goal. The Contractor shall update this schedule whenever a change in date occurs.

The Contractor shall assume responsibility for the compilation and maintenance of comprehensive records detailing each designated enterprise progress during the construction duration, starting from the award of a contract to a BEE until the successful completion of the work or termination of the contract.

The Contractor's participation performance will be measured monthly in order to monitor the extent to which he is striving to reach the Contract Participation Goal (CPG) proposed in his tender.

The Contractor shall prepare and attach to his claim for payment, in a form approved by the Principal Agent, the following:



- A brief report which describes the commercially useful functions performed by the designated enterprises in the performance of the contract, both over the interim period and on a cumulative basis;
- A schedule reflecting the estimated total value of the contracts, the cumulative value of the contracts and the value of supplies provided, or work and services performed (or both) over the period for which payment is claimed in respect of each and every targeted enterprise performing commercially useful functions;
- A schedule which lists the names, identity numbers, gender, trade/occupation, period of employment, employment number and the like, as directed by the employer's representative, together with the respective wage rates and allowances payable in respect of designated labour, including the monetary value of wages and allowances paid both on a cumulative basis and over the period for which payment is claimed; and
- A schedule of wages and allowances paid to all employees, indicating the status of such employees, where the contractor fulfills his contract participation goal obligations by virtue of his targeted enterprise status as a prime contractor.

Reporting forms shall accompany the Contractor's monthly claim presented to the Quantity Surveyor for payment of certified completed work. Failure to adhere to his requirements shall result in the delay of any payment due until the Principal Agent confirms that the forms have been received.

Should random inspection conducted by the Employer's Representative on targeted enterprise activities indicate that such enterprises are not performing in accordance with the requirements of this provisions, the Contractor shall provide separate weekly resource returns and any other relevant information in respect of such targeted enterprises in a format approved by the Employer's Representative.

The Employer's representative shall certify the value of the credits counted towards the Contractor participation goal whenever a claim for payment is issued to the Principal Agent, and shall notify the Contractor of this amount.

The Contractor shall, upon completion of each individual targeted enterprise's contract, issue a completion certificate and certify the amount paid to such targeted enterprises. He shall submit the certificates, counter-

certified by the relevant targeted enterprise, to the Principal Agent for record-keeping purposes. The Contractor shall furnish reasons to the Engineer and Employer whenever it is not possible to obtain such counter certification.

The Contractor shall, upon termination of the services of the individuals classed as designated labour engaged in activities relating to the performance of the contract, certify the amount paid to such individuals and submit the certificate, counter-certified by the relevant individual, to the Principle Agent record keeping purposes.

5.8 Sanctions

In the event that the Contractor fails to substantiate that any failure to achieve each individual Contract Participation Goal (CPG) relating to the tendered target goal was due to quantitative under runs, the elimination of items or any other reason beyond the Contractor's control which may be acceptable to the Employer, the Contractor shall pay to the Employer penalties (P) in an amount determined in accordance with the following formula :

$$P = \frac{0,50 \times (D - Do)}{100} \times N_A$$

where D = tender minimum Contract Participation Goal (CPG) percentage set by CTICC.

Do = the Contract Participation Goal (CGP) which the Employer's Representative, based on the credits

Passed, certifies as being achieved upon completion of the Contract.

N_A = Net Amount

P = Rand value of penalty payable

6.0 Transformation Implementation Strategy

The Transformation strategy during the construction and commissioning phases of the project is to apply preferential procurement and to broaden

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the extent of B-BBEE to achieve various Enterprise Development deliverables as set out in this Transformation framework. Implementation will occur through the following instruments applicable to all Direct Contracts, Principal Contracts and Selected-Subcontract's ;

- 1.0 Preferential Procurement in compliance with the principles and requirements of the Act.

Tenders will be adjudicated on the basis of functionality, preference points and price. Preference points will be determined based on the Tenderer's B-BBEE recognition level status.

The tender documentation will require various returnable forms related to proof of B-BBEE status in order to be deemed responsive.

- 2.0 Further the Contract documents will contain Transformation specifications detailing the Transformation deliverables and contractual requirements in respect of each deliverable. The specified items will be measurable, and non-performance will be subjected to a specified monetary value penalty.
- 3.0 The Contractor will be required to report on progress in terms of the specified Transformation deliverables

The Construction Project is broadly divided into the following

- Building Works performed by the Principal Building Contractor including the Contractors Preliminaries and General.
 - The Transformation CPG will be measured in terms of the Principal B-BBEE status and targeted CPG deliverables and based on the value of the Principle Contractors own works.
- Measured items forming part of the Principal Contract that will be subcontracted as a domestic sub-contract.
 - The Transformation CPG will be measured in terms of each sub-contractors B-BBEE status and target CPG deliverables and based on the contract value of each subcontract package.

- Provisional sum items forming part of the Principal Contract that will be subcontracted as a selected sub-contract.
 - The Transformation CPG will be measured in terms of each sub-contractors B-BBEE status and ED deliverables and based on the contract value of each subcontract package.
- Direct contracts relate to those items procured directly by the Client and not through the Principal (Main) Contract with reference specifically to items such as Fittings, Fixtures and Equipment (FF&E) and Operating Systems and Equipment (OS&E) that are required to operationalize a building.
 - This framework and CPG targets would equally apply to procurement of FF&E & OS&E items.

The strategy is to break down the Contract into its natural components and apply the Transformation deliverables to each package through specifications in contract and subcontract documentation devolving the responsibility for performance through the value chain.

Critical to this strategy is to correctly describe deliverables and targets in a manner that is realistic in its expectation of a successful outcome and is based on reliable data on the capacity within the industry to respond.

Current best practice calls for proper and detailed planning as well as proper monitoring and management of Transformation deliverables as is the case with any other building works component.

The works will be contracted within the CIDB framework within which Contractual forms such as JBCC Principal Building and Selected Contracts apply as well as Preferential Procurement processes and procedures through specifications for Enterprise Development deliverables.

7.0 Monitoring, Verification and Reporting Protocols

The modalities for Monitoring, Verification and Reporting on Transformation CPG deliverables will be contained in a Transformation Impact Assessment and Management System (TIAMS). ACSA (The Employer) will appoint a Service Provider (Transformation Manager) to monitor and verify progress with respect to compliance with the Transformation Framework and all the CPG deliverables.

7.1 Monitoring

The ACSA appointed Transformation Manager (EM) will be required to manage compliance of the Transformation CPG requirements, monitor progress, verify integrity of information provided and report on a monthly basis.

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The Main Contractor will be required to report to the EM in compliance of the Transformation CPG requirements in respect of services, goods or works in the prescribed format and oversee the implementation of the deliverables by allocating the required resources.

In respect of Direct Contracts (specifically FF&E & OS&E) the EM will report directly to the ACSA appointed Principal Agent and the EM will be required to manage compliance of the Transformation CPG requirements in respect of services, goods or works and oversee the implementation of the deliverables

7.2 Verification

The Verification of the integrity of the information to be supplied to the Principal Agent (Project Manager) forming part of monthly payment certificates, needs to be conducted by the Transformation Manager appointed by ACSA.

The role of the verification service provider would be to collate the Transformation progress information into a report in the specified format and verify that the content of the report was checked and is correct.

7.3 Reporting

Reports are to be collated in the format set out in the contract specifications. The reports need to be backed up by the required documentation as set out in the contract specifications and independently verified by the Transformation Manager. The verified Transformation CPG progress report will be submitted on a monthly basis together with the monthly Contractors request for payment.

A payment certificate will only be issued if accompanied by a Transformation CPG progress report. The Principal Agent will have the right to withhold payment commensurate with the provisions of the Contract should progress not be in-line with the overall progress of the project. A provision will be made for penalties associated with non-compliance with Contract conditions related to achieving the minimum specified Transformation CPG. Penalties are directly related to the difference between the value of the specified CPG and the value achieved at the end of the

Contract. The Contractor will be given opportunity to rectify the situation should interim reports indicate that there is a risk of not achieving the Targets

8.0 Governance Structure

The governance structure is set out as follows;

- Principal Contracting Party to send to the Principal Agent/Project Manager monthly Transformation Progress/Compliance Report certified by the Transformation Manager.
- The Principal Agent to issue a Certificate of Compliance and address any default by withholding payment by means of the monthly Payment Certificate.
- Penalties if applicable will be applied in the Final Certificate.
- The Project Manager will integrate the Transformation Progress Report into the Project Managers monthly progress report and will refer to any remedial measures being undertaken should it be relevant.



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