

PREFERENTIAL PROCUREMENT POLICY

for Oracle Corporation (South Africa) (Pty) Ltd

1. Introduction

In a constantly-changing and more globally-competitive market, countries need to ensure that their economies are growing consistently. This is possible where individual companies within the economy are growing. In the South African context, there is need for sustainable transformation that adds value to our businesses and adds to the bottom line. Aside from the growth imperative for transformation to succeed, we also cannot ignore the moral and social reasons for empowerment to succeed.

This policy documents outlines Oracle South Africa's Preferential Procurement Policy and is aligned with the following legislative instruments:

- Constitution of the Republic of South Africa
- BEE Act 53 of 2003 as amended
- Oracle South Africa's Broad-Based Black Economic Empowerment (B-BBEE) Policy
- The Department of Trade & Industry (DTI's) B-BBEE Generic Codes of Good Practice (CoGP)
- The Department of Trade & Industry (DTI's) Information and Communication Technology (ICT) Sector Code

2. Purpose of this Policy

This policy is aimed at setting procurement guidelines for Oracle Corporation South Africa (Oracle SA) and to outline a process to support and document procurement decisions to ensure implementation of our preferential procurement programme.

It is the policy of Oracle SA to promote Broad-Based Black Economic Empowerment (B-BBEE) by encouraging increased participation of black business people, particularly women and people with disabilities in procurement activities.

In pursuit of this objective, Oracle SA will provide for fair and equitable treatment of suppliers involved in procurement with Oracle SA. Therefore all suppliers shall be treated in a fair manner within the framework of this policy unless business dictates otherwise.

The objectives of this policy are to:

- To enhance Oracle SA's procurement status by encouraging suppliers to become contributors to B-BBEE and to improve their own contribution levels.
- Increase the rand value of procurement-spend towards BEE Enterprises;
- Increase the number of BEE Enterprises participating in Oracle SA's procurement activities.

3. Definitions and Acronyms

All definitions and acronyms shall be deemed to be as per the DTI's ICT Sector Code and/or B-BBEE Codes of Good Practice released on the 9th February 2007. For simplicity and relevance to procurement the following definitions are highlighted:

Exempted Micro Enterprise (EME)

Shall mean any enterprise with annual total revenue of R5 million or less, which shall be deemed to have BBBEE status of "Level Four Contributor" having B-BBEE procurement recognition of 100%.

Qualifying Small Enterprise (QSE)

Shall mean any enterprise with annual total revenue of between R5 million and R35 million, which shall select any four of the seven elements of the B-BBEE scorecard for the purpose of measurement under the QSE scorecard contained in code 800 of CoGP.

Generic/Large/Standard Enterprise

Shall mean, any enterprise with annual revenue of above R35 million, which shall measure all the seven elements of the B-BBEE scorecard.

Preferential Procurement

The sourcing of content, goods and services from Black South African persons (as defined by the Department of Labour) who were disadvantaged by unfair discrimination on the basis of race, gender or disability amongst other things, with a view to equalizing market accessibility for them.

Eligible Procurement

Means all expenditure to acquire goods and/or services including capital expenditure, but excluding procurement spending where there is a natural monopoly, where there is no local supplier or procurement of items where the supplier is imposed in terms of a global policy for technical (but specifically not commercial) reasons, or inter-entity charges for services rendered by other members of the group, or expenditure classes e.g. salaries and wages.

4. Strategic Interventions

Oracle SA will employ strategies to ensure the attainment of the objectives of this policy. Some of these are: -

- A database of BEE Enterprises shall be established and maintained;
- Encourage the establishment of value-adding joint ventures between traditional suppliers and BEE Enterprises which give the latter access to the latest skills and technologies;
- Applying preference to BEE enterprises and enterprises that promote B-BBEE in the procurement activities of Oracle SA;
- To alleviate cash flow pressures experienced by smaller suppliers, Oracle SA shall upon receipt of all relevant documentation endeavor to pay Black Owned, Black Empowered and Black Engendered EME and QSE suppliers within 15 days of receipt of invoice as opposed to the standard payment terms of 30 days.

5. Preferential Procurement

In terms of activities in the Preferential Procurement element of the scorecard, Oracle SA will calculate its score based on Code series 500 of the ICT Sector Code.

All suppliers to Oracle SA are required to submit evidence to Oracle to confirm their BEE status.

For **Large** Enterprises and **QSE's** this shall be in the form of a valid BEE Certificate produced by a SANAS approved Verification Agency. For an **EME** sufficient evidence of qualification is an auditor's certificate or similar certificate issued by an accounting officer or verification agency.

BBBEE Status

Based on the overall performance of an enterprise using the scorecard, it receives one of the following BBBEE statuses:

BBBEE Status	Qualification	BEE Procurement Recognition level
Level One Contributor	>100 points	135%
Level Two Contributor	>85 but<100 points	125%
Level Three Contributor	>75 but<85 points	110%
Level Four Contributor	>65 but<75 points	100%
Level Five Contributor	>55 but<65 points	80%
Level Six Contributor	>45 but<55 points	60%
Level Seven Contributor	>40 but<45 points	50%
Level Eight Contributor	>30 but<40 points	10%
Non Compliant Contributor	<30 points	0%

Value-Adding Supplier/Enterprise

A Value-Adding Supplier (VAS) means an entity registered as a vendor under the Value-Added Tax of 1991 whose Net Profit Before Tax summed with its Total Labour Cost exceeds 25% of the value of its Total Revenue.

A supplier with a VAS status will result in a 1.25 uplift for Oracles procurement reporting purposes.

Where Oracle SA procures from a Black Owned, Black Engendered and/or a QSE or EME supplier, the relevant uplifts according to the ICT Sector Code shall be applied for reporting purposes.

6. Responsibility, Measurement and Reporting

- The responsibility for the implementation of this policy rests with the Financial Director and Transformation Director.
- Each existing supplier and/or potential supplier will be required to submit proof of their BEE status and it is the responsibility of the supplier to ensure that this information is up to date.
- Procurement Spend in terms of this policy will be measured annually in line with Oracle SA's financial year.
- All Oracle employees who engage directly with suppliers are required to abide by this policy.