

19 November 2021

Dear Customer

Duferco Steel Processing: B-BBEE Status

DSP's latest B-BBEE certificate expired 11 June 2021, which had a level 8 compliance. However, DSP is currently non-compliant due to the current nature of the company itself and will therefore not go through a verification process at this stage. DSP is very committed to comply soon with the help of Shareholders and Consultants.

The two main areas of intervention:

1. OWNERSHIP

DSP is 50% owned by DITH (international company) and IDC (SOE), scoring zero on ownership. With ownership being a priority element under the new code, DSP will be downgraded 1 level along with the zero score on this element.

DSP is looking to its shareholders to assist in this element.

2. PREFERENTIAL PROCUREMENT

Preferential Procurement forms part of the Supplier and Enterprise Development Element, which is also a priority Element under the new code.

85% Of the total procurement expenditure of DSP is for HRC purchases. AMSA is the only local supplier of HRC; the other alternative remaining is importing. DSP had a supply agreement in place with AMSA for the supply of HRC which expired in May 2020. Shortly before the expiration of the supply agreement, Saldanha Steel situated a mere 3km from DSP were closed down. Subsequently AMSA has been reluctant to agree to a new supply agreement considering the cost of transporting HRC from their Vanderbijlpark plant to Saldanha.

This is forcing DSP to import HRC, which cannot be excluded from our TMPS (Total measured Procurement Spend) under the rules of the B-BBEE code.

Currently DSP will remain non-compliant in the short term.

Customers will be kept informed of any changes pertaining to our compliance level.

Kind regards

A handwritten signature in black ink, appearing to read 'Ilze Venter'. The signature is fluid and cursive, with a prominent initial 'I'.

Ilze Venter.
Cost and Compliance.