

THE MAKANA WINDS OF CHANGE COMMUNITY TRUST IT515/2012

INFORMATION PACKAGE



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This document provides a high level summary of the “Makana Winds of Change Community Trust”.

List of definitions:

BBBEE Hold Co	means “Makana Winds of Change BBBEE Co (RF) (Pty) Ltd” which owns 26% shares in the Project Company.
Dividends	means the sum of money that is paid by the Project Company to its shareholders out of its profits.
Equity	means the value of shares issued by the Project Company.
Local Communities	means a community or communities in the Republic of South Africa: a. in one or more residential areas or villages within 50 km from the project; and b. in the event that there are no residential areas or villages within 50 km from the project, in the nearest residential areas or villages to the project.
Project Company	means “Waainek Wind Power (Pty) Ltd”, which is the entity that owns and operates the wind farm.
Shares	refers to the portion of shareholding into which the Project Company’s capital is divided, entitling the shareholder to a proportion of the profits.
Socio-Economic Development	means the initiatives carried out by the Trust towards broad social and economic advancement of Black People in underdeveloped communities, which includes, without limitation, initiatives focusing on education, healthcare and programme(s), infrastructure development, enterprise creation within communities, reconstruction of underdeveloped areas, community training and skills development.

1. Introduction:

The Makana Winds of Change Community Trust (“the Trust”) is a 100% shareholder of Makana Winds of Change BBBEE Co (RF) (Pty) Ltd (“the BBBEE Co”), which is a 26% shareholder in Waainek Wind Power (Pty) Ltd.

Waainek Wind Power (Pty) Ltd is the Project Company which owns and operates the Waainek wind farm.

The Waainek wind farm is situated 6km South-West of Grahamstown within the Makana Municipality in the Eastern Cape, and became operational in January 2016.

Further details about the Facility can be found at <http://www.innowind.com/waainek/>

2. Makana Winds of Change Community Trust Loans

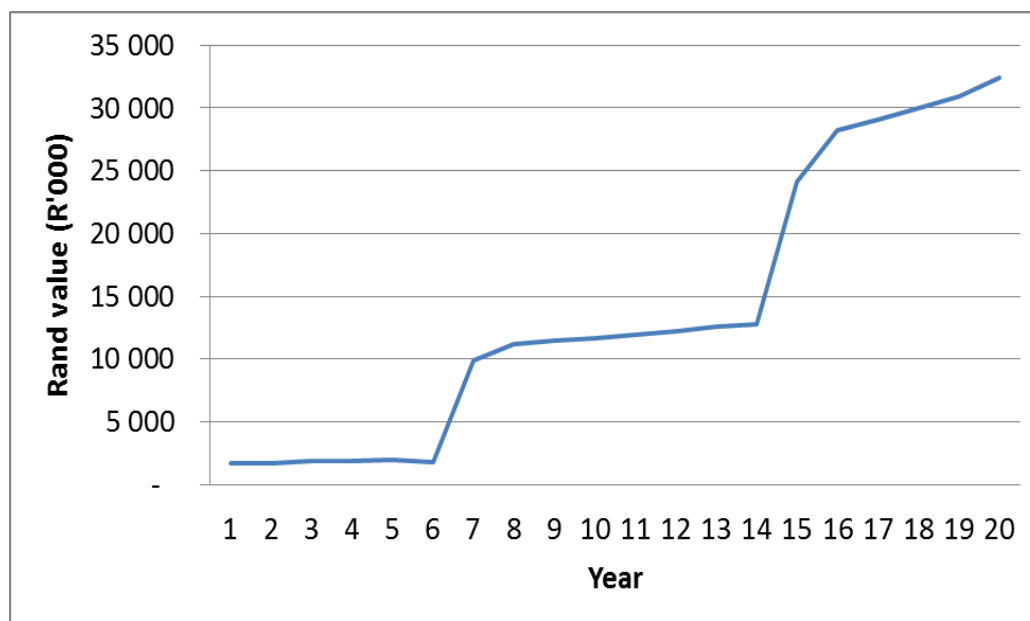
The cost of the shares owned by the Trust, through the BBBEE Co, in the Project Company is worth around R31.2 million (equity participation). It is important to note that the Trust obtained this expensive equity participation at **no cost, thanks to a loan** provided by the Industrial Development Corporation (IDC), enabling the Trust to purchase for its shares in the Project Company.

The BBBE Company is required to ensure that the IDC loan is **fully repaid** before full dividends can reach the Trust and be used for Socio-Economic Development within the Local Communities.

3. Trust Funds

Depending on the efficiency of the wind farm and the wind regime over the operation period, it is anticipated that the loan will be repaid by year 16 of operations. During the loan repayment period, trickle dividends will accrue to the Trust in order to allow for Socio-Economic Development initiatives to be funded, while the majority of the dividends are used to repay the loan to the IDC.

An indicative profile of the flow of dividends to the Trust is illustrated below.



4. The Board of Trustees

The affairs of the Trust will be managed by the Board of Trustees (BoT) which will consist of a maximum of 6 (six) Trustees comprising the following:

- A. 1 (one) Beneficiary Trustee nominated and appointed by the Beneficiaries, provided that this Trustee satisfies the prescribed minimum eligibility criteria, and achieves the highest score against such criteria;
- B. 1 (one) Trustee nominated and appointed by the Project Company;
- C. 1 (one) Trustee nominated and appointed by IDC; and
- D. 3 (three) Independent Trustees nominated and appointed by the Project Company.

The Trustee appointed by the Project Company is appointed by the Board of Directors of the Project Company.

The Beneficiary Trustee will be nominated by the beneficiaries following a public consultation process undertaken by an independent service provider. The community trustee needs to be an individual nominated by the community who lives within the 50 km radius of the project. The nominated candidates will then be rated by the independent consultant, according to a strict score card of which the shortlist of highest scoring nominees will be put forward to the beneficiaries for election. The candidate with the highest score will be elected by the beneficiaries, regardless of the area that the Beneficiary Trustee comes from as long as it is within the 50 km Radius.

The scorecard that is used to rate candidates, to select the most suitable Beneficiary Trustee representative, includes the following criteria:

- at least have obtained a degree or equivalent qualification and have in-depth knowledge or practical knowledge of business management or structuring and community development;
- have in-depth financial background in order to read or interpret the financial statements / results of both the Project Company and the Trust;
- have deeper understanding of community development aspects;
- no criminal records;
- be of sound mind;
- have the ability to communicate with all levels of community structures;
- not occupying any political office / office bearer e.g. Ministers or MECs or Councillors or public officials;
- prior experience on a board or committee to assist the appointee in operating in a complex and demanding board and committee environment;
- demonstrate prior exposure to a board whether through association or company or trusts where regular formal board meetings were held;
- understanding of Corporate Governance and applicable legislation governing Boards of Directors or Trustees e.g. Companies Act or Trust Property Control Act or King III;
- a track record of being able to work co-operatively with others and to provide leadership in a group setting;
- an ability to exercise sound judgement and to problem solve in the execution of their fiduciary responsibilities;
- a high standard of personal values and ethics and an ability to respect the confidentiality of the BoT's deliberations;
- an ability to effectively communicate orally and provide feedback to all stakeholders involved i.e. beneficiary communities;
- being prepared to fulfil the time commitments necessary to attend to the duties required of a trustee especially attending BoT and community meetings to feed back;
- being familiar with Community Development Initiatives and capacity to guide the Local Community selected by the BoT as a Beneficiary to prioritise proper plans that will be beneficial to all Beneficiary communities;
- being committed to receive the training and continuing education required to be an effective Trustee.

The independent trustees are independent by nature and cannot be people who live within the 50 km radius. There will be no community nomination process to appoint these Independent Trustees as they do not come from the local community. The Project Company will source CV's and will use the same scorecard as for the Beneficiary Trustee to rate, interview and select the most suitable Independent Trustees.

Trustees will not be remunerated for their services to the trust, they will simply be reimbursed for their out of pocket expenses for the costs incurred in the fulfilment of their duties. The BoT will be set-up to comply with

the BBBEE Act, where 50% of the BoT will be independent trustees, 50% of the Trustees will be Black People and at least 25% will be Black Women.

The Trust will fund Socio-Economic Development projects which have successfully been selected by the BoT to receive funds in order to implement projects that will deliver socio-economic benefits to the Local Community. The criteria for allocating Trust funds to Socio-Economic Development projects will be determined by the BoT, once it has been formalized.

The BoT will, in consultation with the beneficiaries, identify which type of Socio-Economic Development projects are to be prioritised to receive Trust funds.

In preparation for identifying which Socio-Economic Development projects will benefit from the Trust funds, the BoT will first identify the needs of the local communities and screen all the existing Community based organisations with the assistance of local community representatives, as well as through the use of external consultants, calls for community projects, and recommendations of external experts, the ultimate decision being at the discretion of the BoT.