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**AMENDED BROAD-BASED BLACK
ECONOMIC
EMPOWERMENT
CODES OF GOOD PRACTICE
OCTOBER 2012**



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CONSTITUTIONAL MANDATE

Section 9 of the Bill of Rights

“Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons disadvantaged by unfair discrimination may be taken”

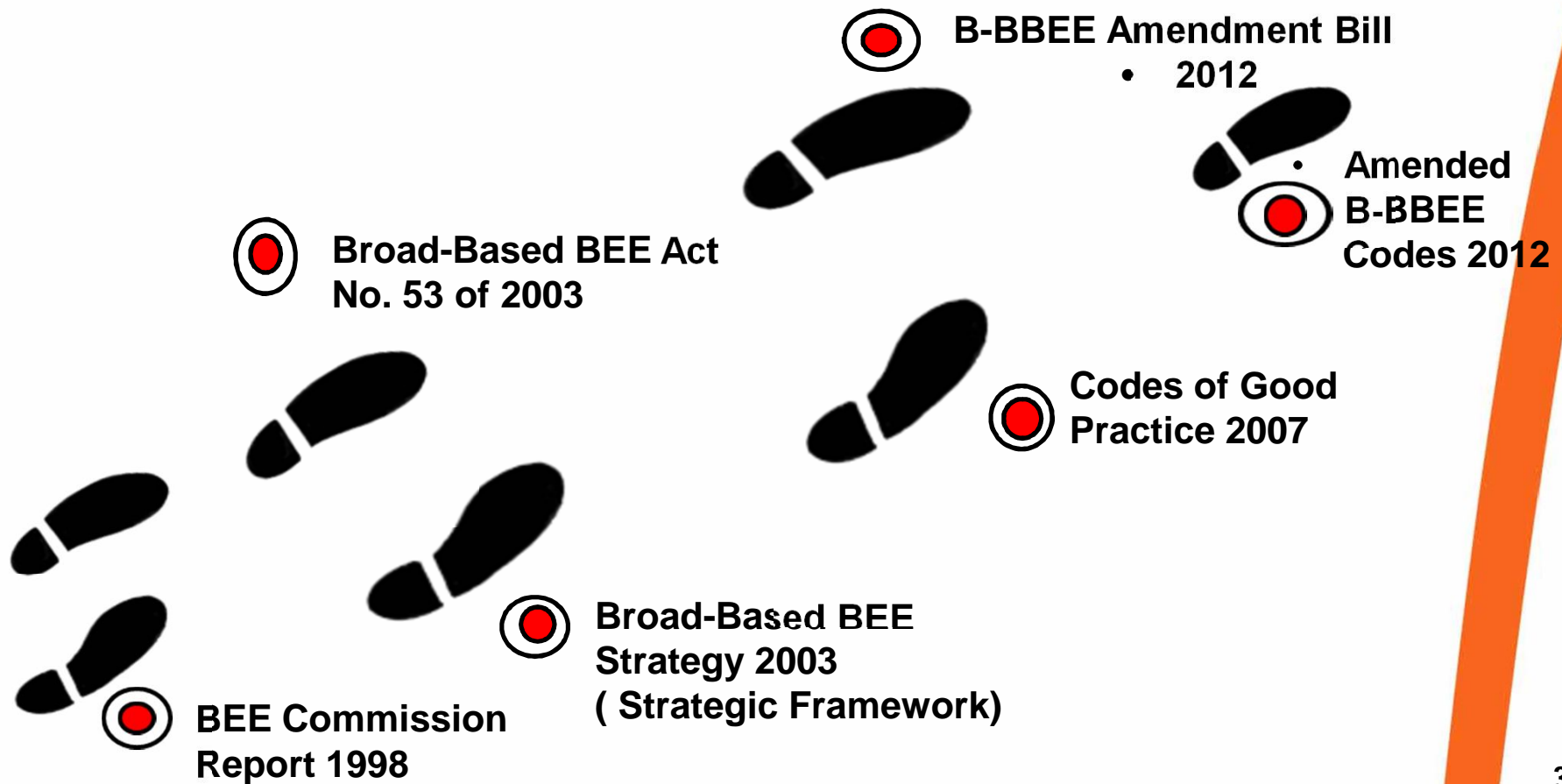




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B-BBEE IMPLEMENTATION FRAMEWORK

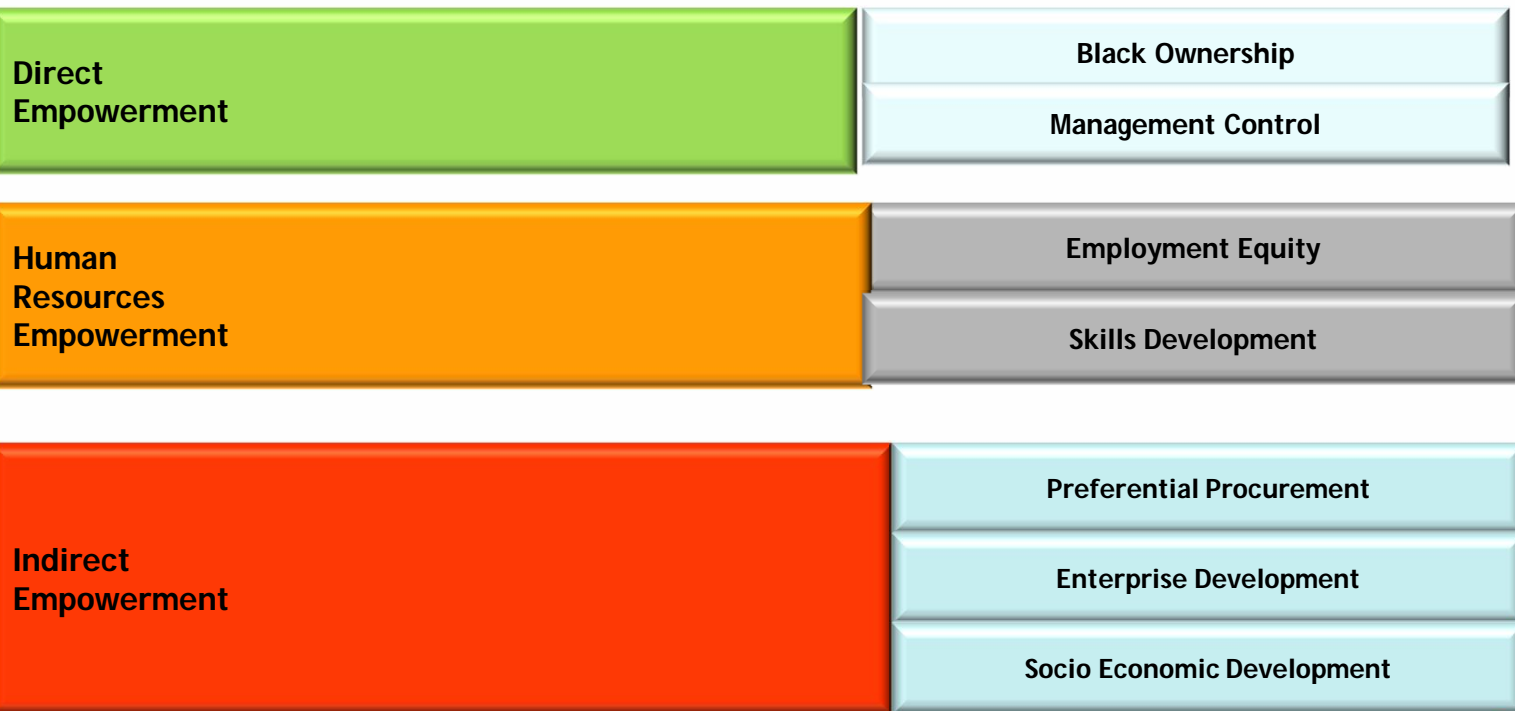




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BROAD BASED POLICY OBJECTIVES

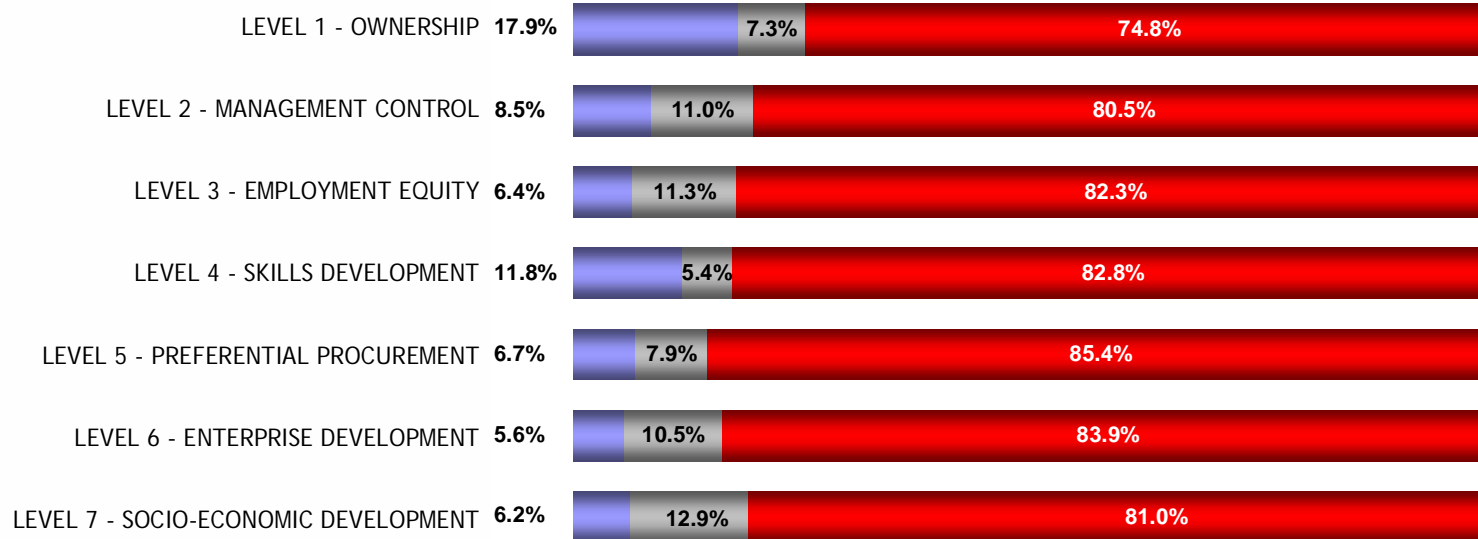




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2007 BASELINE STUDY



■ Excellent Compliance (>=100%)
■ Partial Compliance (>0 <100%)
■ No Compliance (0%)

Source: Consulta Research



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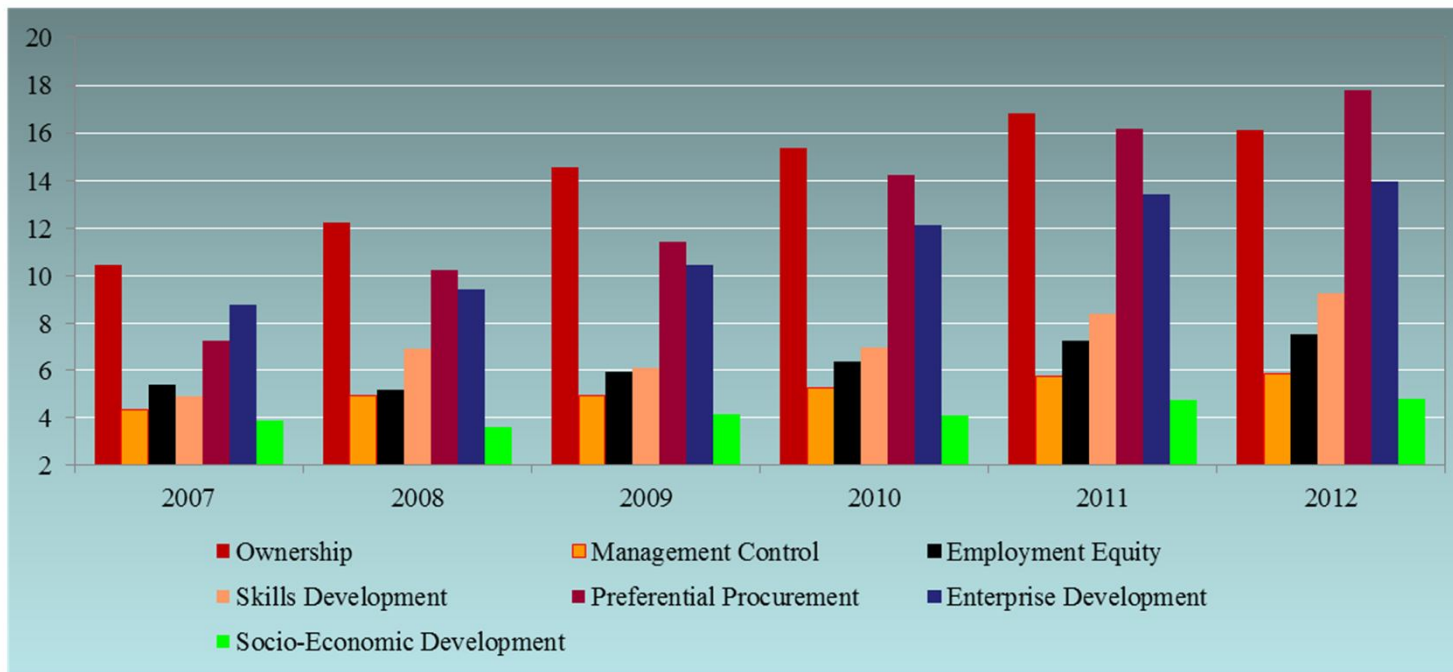




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PROGRESS SINCE 2007



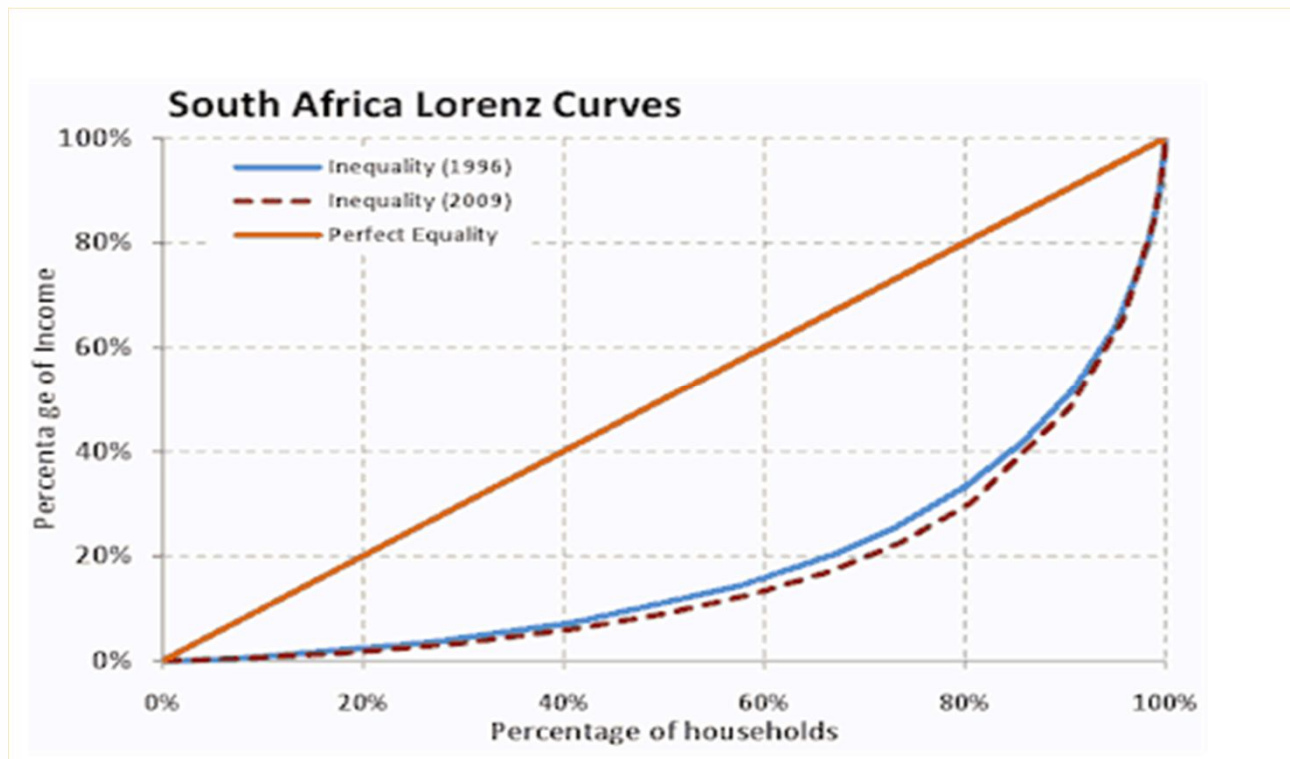
Data Source: Empowerdex



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STATE OF INEQUALITY





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USHERING IN A NEW ERA OF EMPOWERMENT

Initiative

ASGI-SA

NIPF

IPAP

CSDP

NIPP

B-BBEE

NGP

Skills Development

Job creation

Localisation

Industrialisation

Supplier Development

DEVELOPMENTAL OBJECTIVES



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AMENDED GENERIC PRINCIPLES

- The Generic scorecard adjusted in accordance with **government key priorities**
- 5 Scorecard elements, total points** increased from **100 to 105**. **Broad based groups** elevated into the main Ownership scorecard
- All companies except **Exempted Micro Enterprises** to comply with **all elements**
- Scorecard points & Qualification criteria** for awarding of B-BBEE status levels adjusted
- Enhanced the recognition status of **black owned EMEs and QSEs**





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- ❑ Employment Equity and Management Control merged into one element:
Management Control (MC)

- ❑ Preferential Procurement and Enterprise Development merged into one element : **Enterprise and Supplier Development (ESD)**

- ❑ Introduced **minimum requirements for priority elements**: Ownership, Skills Development, and Enterprise and Supplier Development



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- ❑ All measured entities to comply with **priority elements** under the following conditions:
 - ❑ QSEs to comply with **at least two** of the priority elements
 - ❑ Ownership **is compulsory** and either
 - ❑ ESD or Skills Development;
 - ❑ Large entities to comply with **all priority elements** ;
- ❑ Entities **who do not meet the thresholds** in priority elements, the overall Score will be **discounted** as follows:
 - ❑ Large entities score : **two (2) levels down**
 - ❑ QSE score : **one (1) level down**



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- An **EME** that is **100% owned by black people** qualifies as a **level 1 contributor**;
- An **EME** that is more than **50% owned by black people** qualifies as a **level 2 contributor**;
- Early payment is applicable to **Exempted Micro Enterprises** and **QSEs that are more than 50% black owned**.
 - maximum points that can be scored is **15% of 15 points** under Enterprise & supplier development



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- ❑ The thresholds for Exempted Micro Enterprises and Qualifying Small Enterprises have been adjusted as follows:
 - EME increased from **R5 million to R10 million**
 - QSE: **R5 million -R35 million to R10 million - R50 million**
 - Large entities: **R50 million and above**



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ECONOMIC IMPACT of THE THRESHOLDS

SIZE OF THE COMPANY	NO	%	BEE compliance
Survivalists, Micro and Very Small (EME's)	878 032	95 %	No compliance
QSE (R 10 m to R 50 m)	34 118	3%	Relaxed compliance
Large (More than R 50 m)	11 871	2%	Full Compliance

SOURCE: SARS 2012

- Above companies include only current active filers/ economically active companies totaling 924 021

- Up to 95% of all economically active companies have been exempted from B-BBEE compliance

- Companies that are expected to comply with the generic scorecard represents 2% of all active fillers.



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REVISED SCORECARD

Element	Code series	Revised Weighting
Ownership	100	25 points
Management Control(MC)	200	15 points
Skills Development(SD)	300	20 points
Enterprise & Supplier Development(ESD)	400	40 points
Socio-economic development(SED)	500	5 points
TOTAL		105 POINTS



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REVISED B-BBEE RECOGNITION LEVELS

B-BBEE Status	Current Qualification	New Qualification	B-BBEE recognition level
Level One Contributor	≥100 points on the Generic Scorecard	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	≥95 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥75 but <85 on the Generic Scorecard	≥90 but <95 on the Generic Scorecard	110%
Level Four Contributor	≥65 but <75 on the Generic Scorecard	≥80 but <90 on the Generic Scorecard	100%
Level Five Contributor	≥55 but <65 on the Generic Scorecard	≥75 but <80 on the Generic Scorecard	80%
Level Six Contributor	≥45 but <55 on the Generic Scorecard	≥70 but <75 on the Generic Scorecard	60%
Level Seven Contributor	≥40 but <45 on the Generic Scorecard	≥55 but <70 on the Generic Scorecard	50%
Level Eight Contributor	≥30 but <40 on the Generic Scorecard	≥40 but <55 on the Generic Scorecard	10%
Non-Compliant Contributor	<30 on the Generic Scorecard	<40 on the Generic Scorecard	0%



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ownership





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BLACK ECONOMIC EMPOWERMENT

- Increased the weighting of the Ownership scorecard from **20 to 25** points
- New entrants have been incorporated into the main points of the Ownership Scorecard and increased from **R20 million to R50 million**
- An entity must achieve a threshold of 40% on Net Value annual targets to avoid discounting of its overall score
 - If the threshold is not achieved the entity will still score whatever actual points it achieved on ownership BUT the overall score will be discounted
- Consolidated ownership fulfilment and net value points
- Enhanced the Private Equity provisions



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OWNERSHIP SCORECARD

BEE Element	Indicator	Description	Weighting Points	Compliance Target
Ownership	Voting Rights	Exercisable Voting Rights in the Enterprise in the hands of black people	4	25%+ 1 Vote
		Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%
	Economic Interest	Economic Interest in the Enterprise to which black people are entitled	4	25%
		Economic Interest in the Enterprise to which black women are entitled	2	10%



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OWNERSHIP

Ownership Scorecard				
BEE Element	Indicator	Description	Weighting Points	Compliance Target
	<i>Economic Interest in the hands the following Designated Groups in the enterprise</i>			
Ownership	<i>Economic Interest</i>	- Black designated groups; - Black participants in employee share ownership plans (ESOP); - Black beneficiaries of broad based ownership schemes; - Black participants in cooperatives.	3	3%
		- New Entrants	2	2%
	<i>Realisation Points</i>	- Net Value	8	
		Total Score	25	



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MANAGEMENT CONTROL

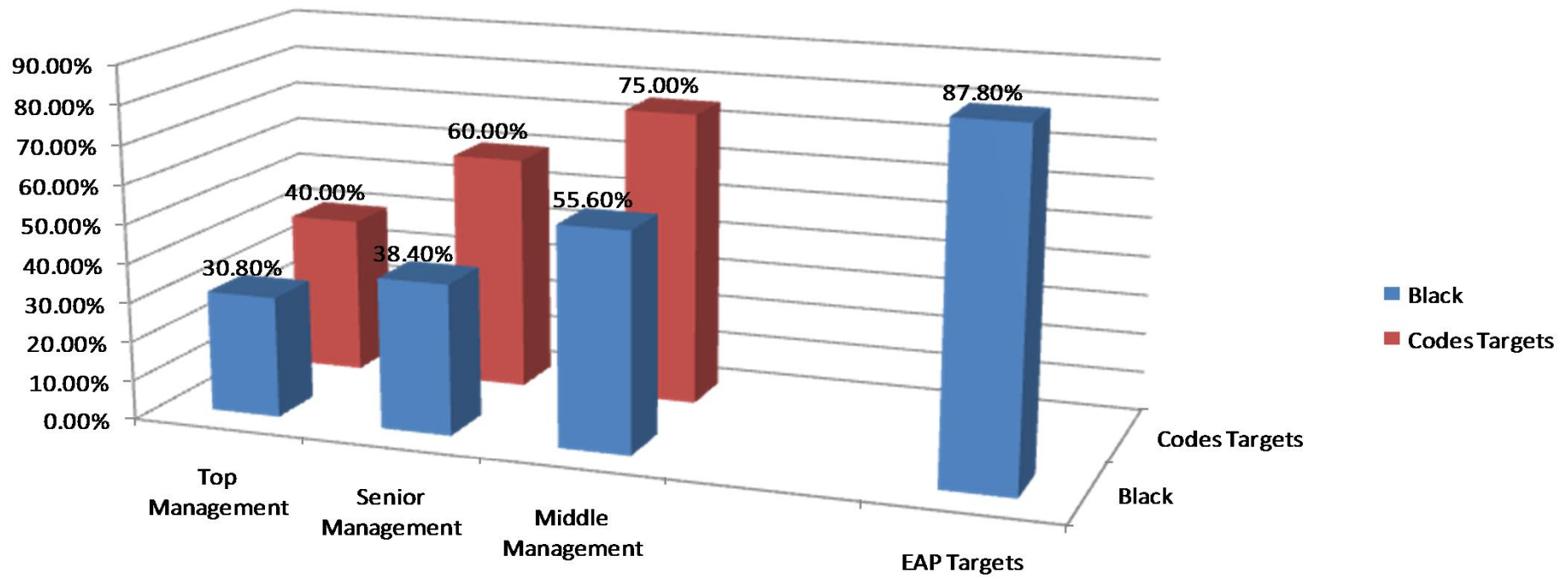




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MANAGEMENT CONTROL



Source: 2012 Employment Equity Commission Report



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- ❑ The merged Management Control includes Senior Management and Middle Management from the Employment Equity element
- ❑ The compliance targets for Management Control were aligned to the Commission for Employment Equity report
- ❑ Junior level category taken out



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MANAGEMENT CONTROL

Measurement Category & Criteria	Weighting points	Compliance targets
2.1 Board Participation:		
2.1.1 Exercisable voting rights of Black members as a percentage of all Board members	2	50%
2.1.2 Exercisable voting rights of Black female board members as a percentage of all Board members	1	25%
2.1.3 Exercisable voting rights of Executive Black Members of the Board as a percentage of all such employees	2	50%
2.1.4 Exercisable voting rights of Executive Black female Members of the Board as a percentage of all such employees	1	25%
2.2 Top Management:		
2.2.1 Black Top Management as a percentage of all such employees	2	50%
2.2.2 Black female Top Management as a percentage of all such employees	1	25%
2.3 Senior Management:		
2.3.1 Black employees in Senior Management as a percentage of all such employees	1	60%
2.3.2 Black female employees in Senior Management as a percentage of all such employees	1	30%



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MANAGEMENT CONTROL

Measurement Category & Criteria	Weighting points	Compliance targets
2.4 Middle Management:		
2.4.1 Black employees in professionally qualified and experienced specialists and mid-management as a percentage of all such employees	1	75%
2.4.2 Black female employees in professionally qualified and experienced specialists and mid-management as a percentage of all such employees	1	38%
2.5 Disabled Employees:		
2.5.1 Black Disabled Employees as a percentage of all employees	2	2%



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SKILLS DEVELOPMENT





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- Broadened the learnership sub-element to include apprenticeships and internships
- Revised the learnership matrix to only give recognition for targeted training
- Training initiatives broadened to encompass the unemployed (outward focused)
- Introduced learners absorption target
- Compliance targets are based on Economically Active Population demographic representation of black people as defined
- Introduced a 40% threshold as a requirement
- If the threshold is not achieved the entity will still score whatever actual points it achieved on Skills BUT the overall score will be discounted



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SKILLS DEVELOPMENT

Criteria	Weighting points	Compliance target
1.1 Skills Development Expenditure on any program specified in the Learning Programme Matrix for black people as a percentage of Leivable Amount		
1.1.1. Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leivable Amount	8	6%
1.1.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people with disabilities as a percentage of Leivable Amount	4	0.3%
1.2 Learnerships, Apprenticeships and Internships:		
1.2.1 Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	4	2.5%
1.2.2. Number of unemployed black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	4	2.5%



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SKILLS DEVELOPMENT

Criteria	Weighting points	Compliance target
BONUS		
1.3 Learners Absorption:		
1.3.1 Number of black people absorbed by the industry at the end of the learnership programme	5	100%



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ENTERPRISE AND SUPPLIER DEVELOPMENT(ESD)





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ESD ELEMENT

- Preferential Procurement and Enterprise Development were merged
- The weighting POINTS set at 40
- Introduced a 40% minimum compliance target as a requirement (for 2.1.1; 2.2.1; and 2.2.2)
- Increased targets for > 50% black owned companies and >30% black women owned companies to 40% and 12 % respectively



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ESD ELEMENT

- Enhanced recognition for procurement from new enterprises, and procurement from black QSEs and EMEs for a 3 year period
- Reduced the weighting for all suppliers based on the B-BBEE procurement recognition levels as non-compliant contributors also benefited
- Expanded the scorecard to distinguish between enterprise development contributions and supplier development contributions
- General Principles section to outline alignment between enterprise and supplier development initiatives with the supply chains of Measured Entities and broader government objectives



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ESD ELEMENT

- Provided a list of qualifying monetary and non-monetary contributions
- Redefined Supplier Development beneficiaries to only include black owned and black women owned QSEs and EMEs
- Adjusted the benefit factor matrix and limited the recognisable amount for shorter payment periods to the cost of acquiring short term funding
- All suppliers are required to be value-adding suppliers to be awarded points on the scorecard



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ESD SCORECARD

Criteria	Weighting points	Compliance target
2.1 Preferential Procurement		
2.1.1 B-BBEE Procurement Spend from all Value-Adding Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	8	80%
2.1.1.1 B-BBEE Procurement Spend from Value-Adding Suppliers who are Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	30%
2.1.1.2 B-BBEE Procurement Spend from Value-Adding suppliers that are 50% black owned	9	40%
2.1.1.3 B-BBEE Procurement Spend from Value-Adding suppliers that are 30% black women-owned	4	12%
2.2 Enterprise and Supplier Development		
2.2.1 annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target.	10	2% of NPAT
2.2.2 Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.	5	1% of NPAT



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ESD SCORECARD

Criteria	Weighting points	Compliance target
2.3 Bonus		
2.3.1 Bonus points for the following (during the measured period)	3	
2.3.1.1 New venture creation (to become a value-adding supplier)	1	
2.3.1.3. Graduation from ED to SD	1	
2.3.1.2. Jobs created by under 2.2.1 and 2.2.2	1	



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SOCIO-ECONOMIC DEVELOPMENT





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SOCIO-ECONOMIC DEVELOPMENT



- ❑ Initiatives that are generic and sector specific that facilitate income generating activities for targeted beneficiaries
- ❑ Programme that creates sustainable access to the economy for its beneficiaries.
- ❑ Improvement of capacity to work, including self employment, by provision of training and /or mentoring of beneficiaries to assist them to improve their employability.



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NEW DIRECTION

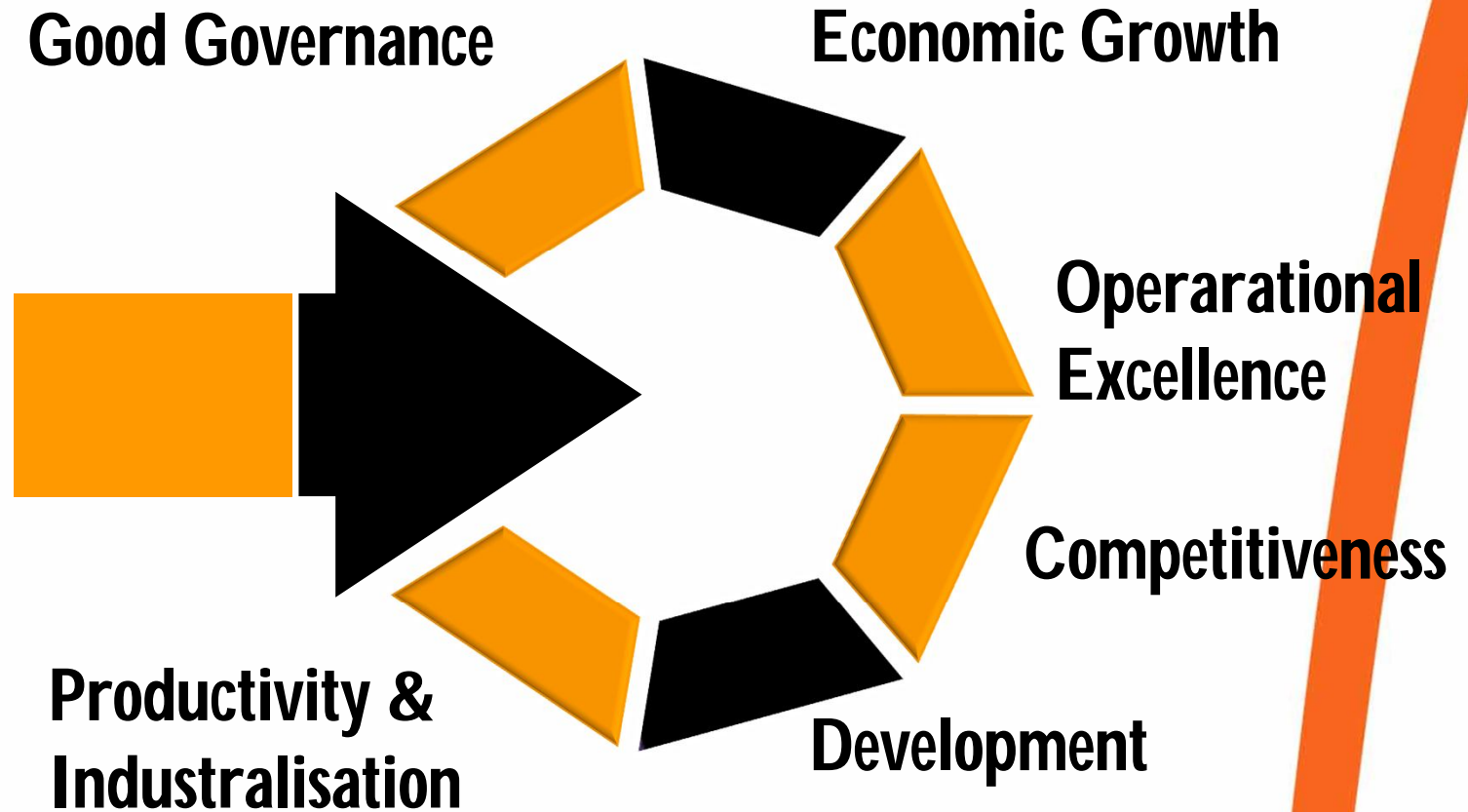
- Change SA culture to be supportive of entrepreneurship and diversification of value chains
- Concerted effort in linking B-BBEE with other government economic development strategies such as IPAP, CSDP, New Growth Path , etc. (the real economy)
- Empowerment efforts should result in the promotion of a culture of venturing into new territories, operational excellence and risk taking
- Focus on businesses and industries that result in significant job creation and addressing socio economic challenges
- Symbiotic relationship between the public and the private sector and amongst private sector players , and large and small enterprises to unlock opportunities



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RE-ORIENTATION OF B-BBEE





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Thank You!