



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

AMENDED CODES OF GOOD PRACTICE



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CONSTITUTIONAL MANDATE FOR B-BBEE

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”

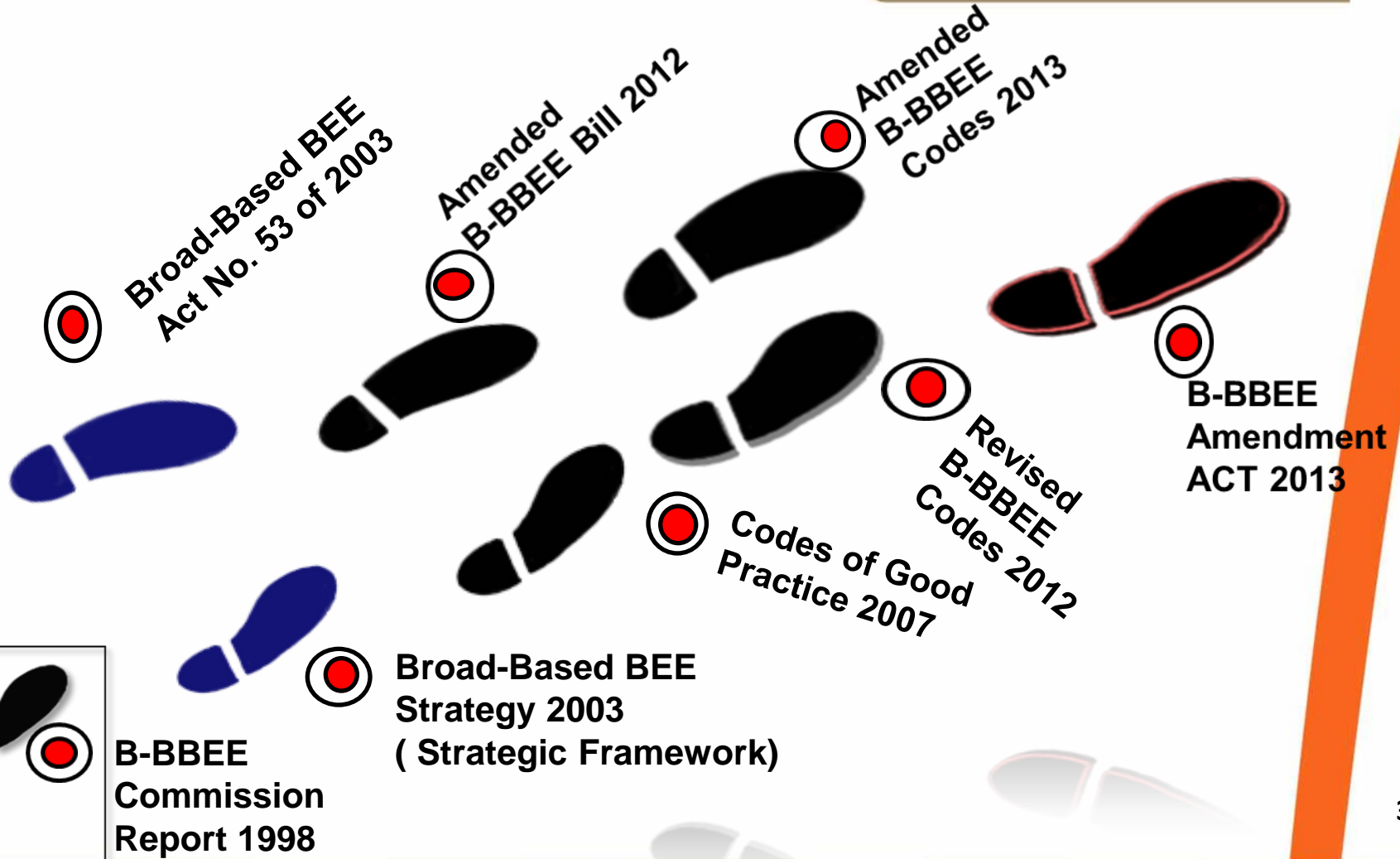




the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

B-BBEE IMPLEMENTATION FRAMEWORK

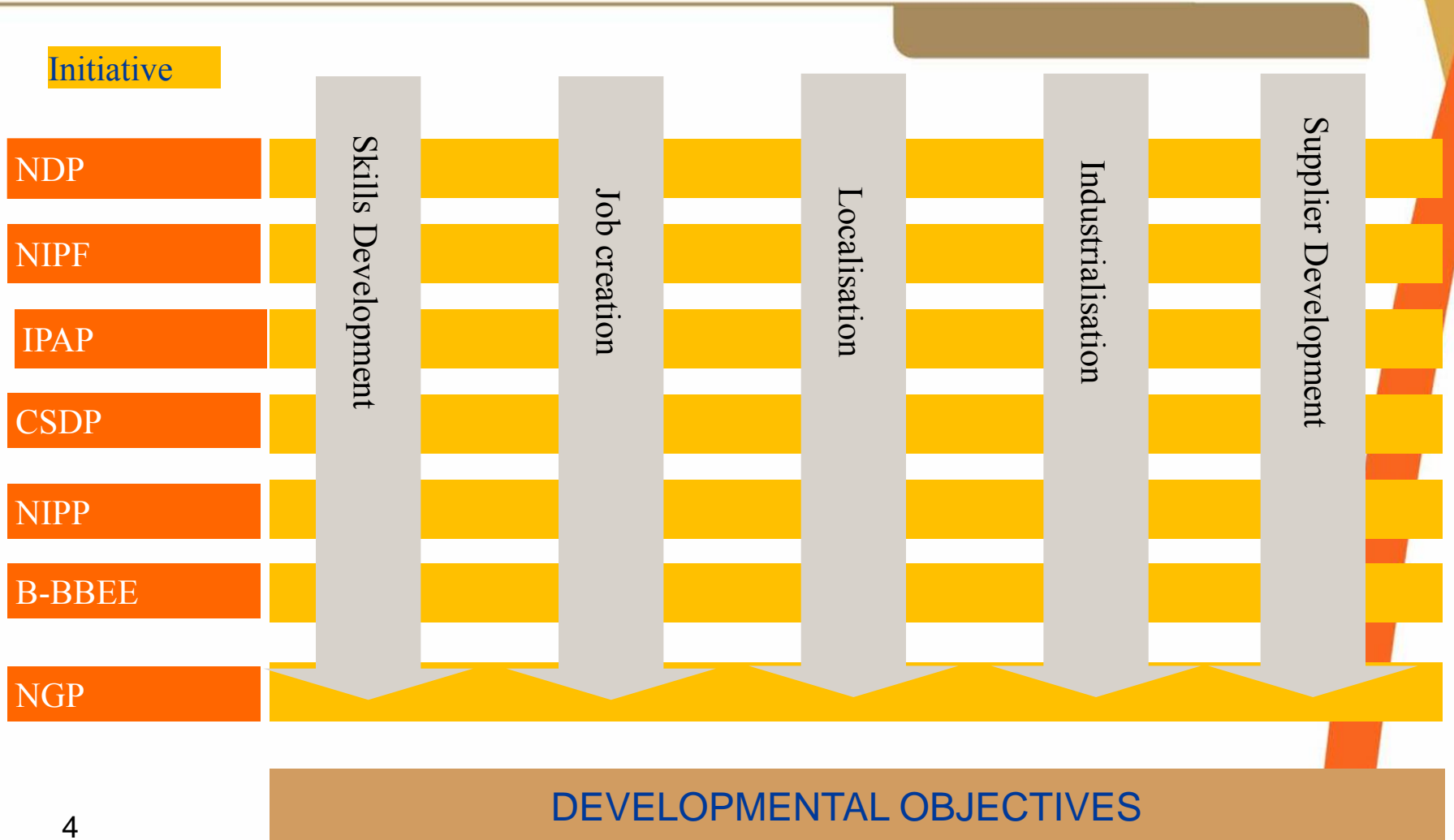




the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

USHERING IN A NEW ERA OF EMPOWERMENT





the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 000 : KEY PRINCIPLES

Key Principles	Description	Implication
Priority Element	Ownership, Skills Development and Enterprise and Supplier Development have 40 % subminimum	<ul style="list-style-type: none">• QSEs to comply with at least two of the priority elements• Ownership is compulsory and either Enterprise and Supplier Dev. or Skills Development;• Large entities to comply with all priority elements• Non-compliance of the thresholds in priority elements, the overall Score will be discounted by one (1) level down
Enhanced Recognition Status (ERS)	Enhanced the recognition status of Black Exempted Micro Enterprises (EME) and Qualifying Small Enterprises (QSE)	<ul style="list-style-type: none">• EME to obtain a sworn affidavits• Black Owned QSE only required to obtain a sworn affidavits



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 000 : KEY PRINCIPLES

Key Principles	Description	Implication
Adjusted Threshold	EME : Annual Total Revenue up to R10 million QSE: Annual Total Revenue R10 million - R50 million Large entities: Annual Total Revenue of R50 million and above	Companies that are expected to comply with the generic scorecard represents 2% of all active fillers. SOURCE: SARS 2012



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

AMENDED 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%



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 000 : AMENDED GENERIC SCORECARD

Element	Weighting	Compliance Target
Ownership	25 points	25% + 1 vote
Management control	19 points	(50% to 88%)
Skills Development	20 points	6% of payroll
Enterprise and Supplier Development	40 points	PP = 80% SD = 2% (NPAT) ED = 1% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
TOTAL	109 points	



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 100 : OWNERSHIP





the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

OWNERSHIP

KEY PRINCIPLES

Ownership measurement:

- Designated groups incorporated into the main points of the scorecard

Net Value –

A tool that measures monetary value in the hands of black people

A measured entity is required to achieve a minimum of 40% on Net Value points (8 Points) to avoid discounting

The calculation of the NAV is linked to the Time Based Graduation Factor e.g. say a target of 10% NAV in the first year of the transaction; 20% NAV in the second year etc



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

OWNERSHIP

KEY PRINCIPLES

Private Equity Funds

- **A Measured Entity may treat any of its Ownership arising from a Private Equity Fund as if that Ownership were held by Black people, where the Private Equity Fund meets the following criteria:**
 - **At least 51% of any of the private equity managers exercisable voting rights must be held by black people**
 - **At least 51% of the private equity Funds executive Management and Senior Management must be held by black people**
 - **At least 51% of the profits made by the Private Equity Fund Manager after realising any investment made by it, must by written agreement, accrue to black people.**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

OWNERSHIP

KEY PRINCIPLES

Family Trusts

- Only the Trustees must have discretion on the terms of the trust

New Entrants

- Increased from R20 mil to R50 mil
- New Entrants form part of the main points of the scorecard

Implications

- Encourage entities to include new entrepreneurs/participants in Ownership transactions so to broaden the base.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

OWNERSHIP

KEY PRINCIPLES

Mandated Investments

- Mandated Investments may be excluded to a maximum percentage of 40%
- A Measured Entity applying the Exclusion Principle to Mandated Investments cannot benefit from the Modified Flow-Through Principle.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 100 : THE GENERIC OWNERSHIP SCORECARD

B-BBEE Element	Indicator	Description	Weighting Points	Compliance Target
Ownership	1.1 Voting Rights	1.1.1 Exercisable Voting Rights in the Entity in the hands of Black people	4	25%+ 1 Vote
		1.1.2 Exercisable Voting Rights in the Entity in the hands of Black women	2	10%
	1.2 Economic Interest	1.2.1 Economic Interest in the Entity to which Black people are entitled	4	25%
		1.2.2 Economic Interest in the Entity to which Black women are entitled	2	10%
		1.2.3 Economic Interest of any of the following Black natural people in the Measured Entity		
		2.2.3.1 Black designated groups;	3	3%
		2.2.3.2 Black participants in Employee Share Ownership Programmes;		
		2.2.3.3 Black people in Broad-based Ownership Schemes;		
	2.2.3.4 Black participants in Co-operatives			
	1.2.4 New Entrants	2	2%	
1.3 Realisation Points	1.3.1 Net Value	8	Refer to Annexe C	



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 200: MANAGEMENT CONTROL





the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

MANAGEMENT CONTROL

KEY PRINCIPLES

□ Key principles

- **Merged Management Control and Employment Equity elements**
- **Measures participation of Black people in management positions of Entities**
- **Executive Management positions include the following: Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other Executive Managers that serve on the Board of Directors.**
- **Other Executive Management positions include all executive management that do not serve on the board, such as human resource executive, transformation executive and other people holding similar positions.**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

MANAGEMENT CONTROL

KEY PRINCIPLES

□ Key principles

- In determining a Measured Entity's score, the targets should be further broken down into specific criteria according to the different race sub-groups within the definition of black in accordance with the Employment Equity Act.
- Entities operating in more than one Province will use the National EAP as per the Employment Equity Regulations
- If a Measure Entity does not distinguish between Other Executive Management and Senior Management then Executive Management is measurable as a single indicator
- A measured must use the current payroll data in calculating its score under Management Control scorecards



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 200 : THE GENERIC MANAGEMENT CONTROL SCORECARD

Measurement Category & Criteria	Weighting points	Compliance targets
2.1 Board participation:		
2.1.1 Exercisable voting rights of black board 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 Black Executive directors as a percentage of all executive directors	2	50%
2.1.4 Black female Executive directors as a percentage of all executive directors	1	25%



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 200 : THE GENERIC MANAGEMENT CONTROL SCORECARD continued

Measurement Category & Criteria	Weighting points	Compliance targets
2.2 Other Executive Management:		
2.2.1 Black Executive Management as a percentage of all executive directors	2	60%
2.2.2 Black female Executive Management as a percentage of all executive directors	1	30%
2.3 Senior Management		
2.3.1 Black employees in Senior Management as a percentage of all senior management	2	60%
2.3.2 Black female employees in Senior Management as a percentage of all senior management	1	30%



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 200 : THE GENERIC MANAGEMENT CONTROL SCORECARD continued.....

Measurement Category & Criteria	Weighting points	Compliance targets
2.4 Middle Management		
2.4.1 Black employees in Middle Management as a percentage of all middle management	2	75%
2.4.2 Black female employees in Middle Management as a percentage of all middle management	1	38%
2.5 Junior Management		
2.5.1 Black employees in Junior Management as a percentage of all junior management	1	88%
2.5.2 Black female employees in Junior Management as a percentage of all junior management	1	44%
2.6 Employees with disabilities		
2.6.1 Black employees with disabilities as a percentage of all employees	2	2%



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 300: SKILLS DEVELOPMENT





SKILLS DEVELOPMENT

KEY PRINCIPLES

- ❑ The principle of EAP is applicable in the Skills Development as per the Management Control Element;
- ❑ **KEY MEASUREMENT PRINCIPLES**
 - ❑ In order for the Measured Entity to receive points on the Skills Development Element
 - ❑ Workplace Skills Plan, an Annual Training Report and Pivotal Report which are SETA approved; and
 - ❑ Implementation of Priority Skills programme generally, and more specifically for black people.
 - ❑ The 6 % compliance target includes external training expenditure for unemployed black people.
 - ❑ A trainee tracking tool has to be developed in order for the Measured Entity to score for absorption category
 - ❑ If less than 100% of the trainees are absorbed the percentage achieved or absorbed will be recognised.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

SKILLS DEVELOPMENT

KEY PRINCIPLES

❑ SUBMINIMUM AND DISCOUNTING PRINCIPLE

- ❑ A Measured Entity must achieve a minimum of 40% of the overall points set in the Skills Development Element
- ❑ Non-compliance to the threshold targets will result in the overall achieved BBEE status level being discounted

❑ SKILLS DEVELOPMENT EXPENDITURE

- ❑ includes any legitimate expenses incurred for any Learning Programme offered by a Measured Entity to its employees evidenced by an invoice or appropriate internal accounting record.
- ❑ arising from Informal and workplace Learning Programmes or from Category F and G Learning Programmes under the Learning Programmes Matrix cannot represent more than 15% of the total value of Skills Development Expenditure.
- ❑ legitimate training costs such as accommodation and catering cannot exceed 15% of the total value of Skills Development Expenditure



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 300: THE GENERIC SKILLS DEVELOPMENT SCORECARD

Category	Skills Development Element	Weighting points	Compliance Target
2.1.1	Skills Development Expenditure on any programme specified in the Learning Programme Matrix for black people as a percentage of the Leviable Amount		
1.1.1.1	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviable Amount.	8	6 %
1.1.1.2	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviable Amount.	4	0.3%
1.1.2	Learnerships, Apprenticeships, and Internships		
1.1.2.1	Number of black people participating in Learnerships, Apprenticeships and internships as a percentage of total employees	4	2.5%
1.1.2.2	Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees	4	2.5%
Bonus points:			
2.1.3	Number of black people absorbed by the Measured and Industry Entity at the end of the Learnerships programme	5	100%



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CODE 400: ENTERPRISE AND SUPPLIER DEVELOPMENT(ESD)





the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT

KEY PRINCIPLES

- **Merged Preferential Procurement and Enterprise Development elements and introduced Supplier Development category**
- **The aim is to strengthen local procurement from B-BBEE compliance suppliers through ensuring value adding manufacturing and enhancing local supplier development programmes.**
- **A Measured Entity must achieve a minimum of 40% of each of the targets of the following categories in the scorecard:**
 - **Preferential Procurement;**
 - **Supplier Development ;and**
 - **Enterprise Development.**
- **Failure to achieve the 40% of any of the category will result in the overall achieved B-BBEE status level being discounted.**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT

ED & SD Contributions

- **Beneficiaries of Supplier Development and Enterprise Development contributions:**
 - **EMEs or QSEs which are at least 51% black owned or at least 51% black women owned.**
- **Qualifying Enterprise and Supplier Development Contributions of any Measured Entity are recognisable on an annual basis.**
- **Contributions, programmes or initiatives that span over multiple years, the total contribution amount must be divided by the number of years, and the average per year is then to be utilised for the annual contribution**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT

EMPOWERING SUPPLIER

- **An Empowering Supplier is a B-BBEE compliant entity:**
 - **good citizen South African entity,**
 - **comply with all regulatory requirements of the country and**
 - **meet at least three if it is a large enterprise or one if it is a QSE of the following:**
 - (a) At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local supplier in SA, for service industry labour cost are included but capped to 15%.**
 - (b) Job creation – 50% of jobs created are for Black people provided that the number of Black employees since the immediate prior verified B-BBEE Measurement is maintained.**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT

EMPOWERING SUPPLIER

- **Definition Cont...**
 - (c) **At least 25% transformation of raw material/beneficiation which include local manufacturing, production and/or assembly, and/or packaging.**
 - (d) **Skills transfer - at least spend 12 days per annum of productivity deployed in assisting Black EMEs and QSEs beneficiaries to increase their operation or financial capacity.**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT

EMPOWERING SUPPLIER

- **EMEs and Start-Ups are automatically recognised as Empowering Suppliers.**
- **If a Measured Entity procures goods and services from a supplier that is:**
 - **A recipient of supplier development contributions from a Measured Entity has a minimum 3 year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2;**
 - **A black owned QSE or EME which is not a supplier development beneficiary but that has a minimum 3 year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2;**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

EXCLUSIONS FROM TOTAL MEASURED PROCUREMENT SPEND

Exclusions of Imports from TMPS :

- **Imported capital goods or components :**
 - **There is no existing local production and**
 - **promotes further value added production in SA**
- **Imported goods and service other than the above listed if-**
 - **Brand different to the locally produced**
 - **Different technical specifications**
- **The exclusion of imports listed above are subject to the entity having developed and implemented an Enterprise Development and Supplier Development plan for imported goods and services. This plan should include:**
 - **Clear objectives**
 - **Priority interventions**
 - **Key performance indicators; and**
 - **A concise implementation plan with clearly articulated milestones**
- **The imports provisions do not apply to the designated sectors and products for local production.**



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT

DESIGNATED SECTORS

Sectors Already Designated	Minimum Local Content Thresholds
Description	
1. Rail Rolling Stock	65%
2. Steel Power Pylons	100%
3. Bus Bodies	80%
4. Canned/Processed Vegetables	80%
5. Textile, Clothing, Leather and Footwear Sector	100%
6. Pharmaceutical Products	
- Oral Solid Dosage Tender	70%
- Family Planning Tender	90%
7. Set-top Boxes	30%
8. Furniture Products	
- Office furniture	85%
- School furniture	100%
- Base and Mattress	90%
9. Solar Water Heater Components	70%
10. Electrical and telecom cables	90%



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT – CODE 400

Criteria	Weighting points	Compliance targets
2.1 PREFERENTIAL PROCUREMENT		
2.1.1 B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	80%
2.1.2 B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	15%
2.1.3 B-BBEE Procurement Spend from all Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15%
2.1.4 B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	9	40%
2.1.5 B-BBEE Procurement Spend from Empowering Suppliers that are at least 30% black women owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	12%



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT – CODE 400

Criteria	Weighting points	Compliance targets
BONUS POINTS		
B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned.	2	2%
2.2 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



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

ENTERPRISE AND SUPPLIER DEVELOPMENT – CODE 400

Criteria	Weighting points	Compliance targets
2.3 ENTERPRISE DEVELOPMENT		
2.3.1 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
2.4 Bonus Points		
2.4.1 Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level.	1	
2.4.2 Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity.	1	



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

NEW TRAJECTORY FOR B-BBEE

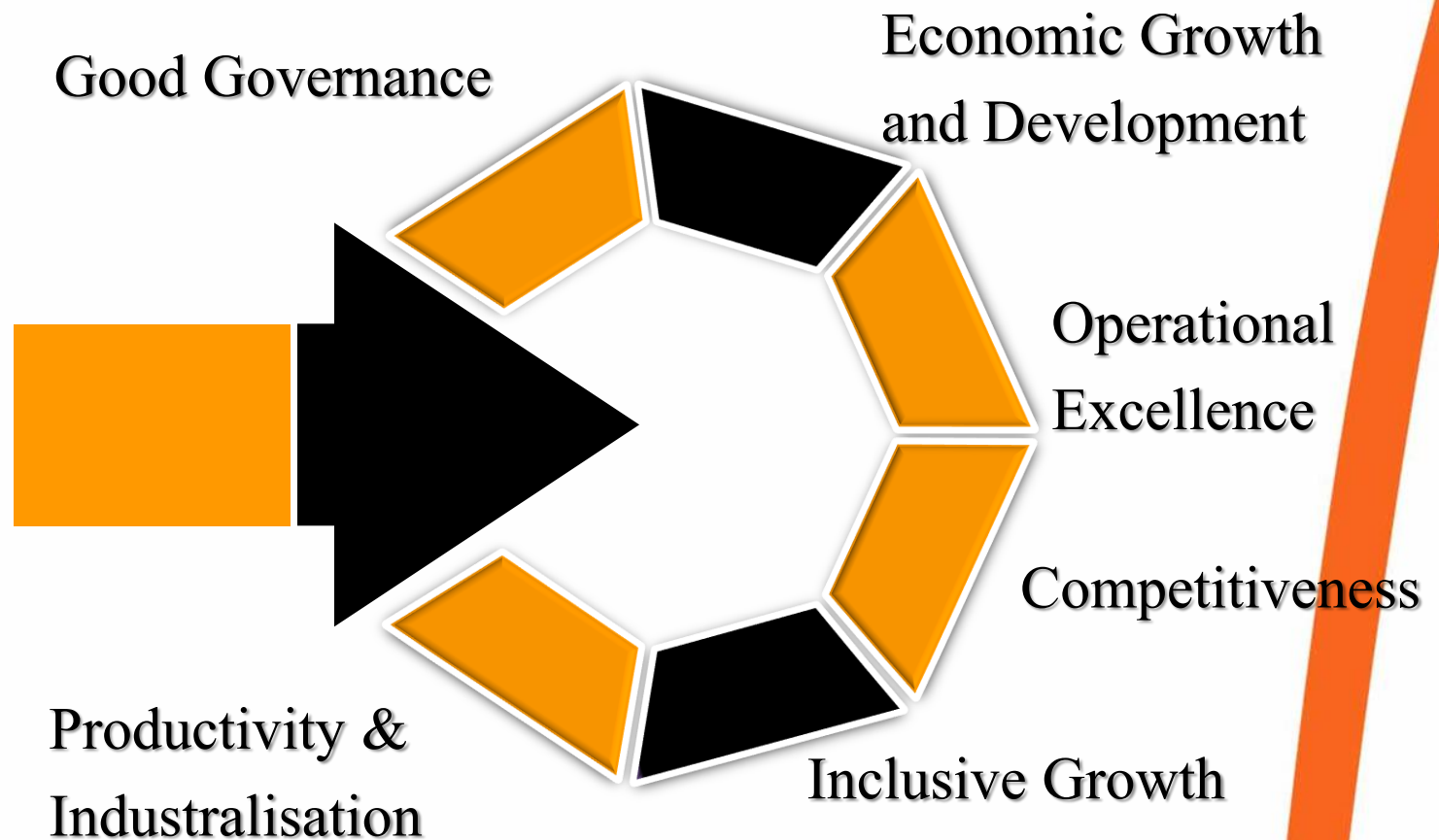
- ❑ Change SA culture to be supportive of entrepreneurship and diversification of value chains;
- ❑ Concerted effort in linking B-BBEE with other government economic development strategies such as Industrial Policy , Competitive Supplier Development Programme , New Growth Path , etc. (the real economy);
- ❑ 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; and
- ❑ Symbiotic relationship between the public and the private sector and amongst private sector players , and large and small enterprises to unlock opportunities.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

RE-ORIENTATION OF B-BBEE





the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

WAYFORWARD

- ❑ Old codes are still applicable until end of the elective transitional period
- ❑ Outstanding statements that are being finalised:
 - QSE scorecard;
 - Statements 102 and 103 ;
 - Specialised scorecard;
 - Statement 003 (Sector Charters);
 - Statement 005 (Verification Framework); and
 - Technical Guide
- ❑ Sector Charters Councils alignment of Sector Codes to the Amended Codes



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

THANK YOU



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

QUESTIONS AND DISCUSSION