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**AMENDED CODES OF GOOD PRACTICE
FOR
BROAD-BASED BLACK ECONOMIC EMPOWERMENT
YOUTH EMPLOYMENT SERVICE INITIATIVE**

28 FEBRUARY 2019



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LEGISLATIVE FRAMEWORK

LEGISLATIVE FRAMEWORK

- The Framework for Broad-Based Black Economic Empowerment (B-BBEE) has the following pieces of Legislation:
 - B-BBEE Act 53 of 2003 as Amended by Act 46 of 2013
 - B-BBEE Regulations
 - Threshold for Major B-BBEE Transactions
 - Amended B-BBEE Codes of Good Practice
 - Sector Codes of Good Practice
 - The B-BBEE Strategy
 - Draft Statement 005 of 2017
 - Draft Statement 000 and 300 of 2018
 - Draft Statement 400 and Schedule 1 of 2018
 - Y.E.S Initiative Gazette and Practice Note



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INSTITUTIONS WITHIN B-BBEE LEGISLATION

INSTITUTIONS

- The Institutions within B-BBEE Legislation are as follows:
 - B-BBEE Policy Unit – The Minister of Trade and Industry
 - B-BBEE Commission
 - B-BBEE Advisory Council
 - Sector Codes of Good Practice Councils
 - South African National Accreditation System (SANAS)



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RATIONALE

RATIONALE

- Youth Unemployment is one of the largest challenges the world faces, with the challenge particularly high in South Africa
- On **29 March 2018** the Minister of Trade and Industry gazetted the Draft Amendments to Statement 000 and 300 which included the Youth Employment Service (Y.E.S) Initiative for 60 Day Public Commentary – **Ended 29 May 2018**
- Analysis of Commentary took place
- On **28 August 2018**, the Y.E.S Initiative was gazetted for implementation
- On **12 October 2018**, the Y.E.S Initiative Practice Note was gazetted for implementation



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Y.E.S INITIATIVE

Y.E.S INITIATIVE GAZETTE

- **The Youth Employment Service (Y.E.S) – Background and Qualification:**
 - The Youth Employment Service (Y.E.S) Initiative is to provide for, and institute, B-BBEE Recognition for Y.E.S Measured Entities for Job Creation.
- **For Generic Entities:**
 - Sub-minimum is 40% or Average of 50% for Priority Elements
- **For QSE Entities:**
 - Sub-minimum is 40% or Average of 40% for Two Priority Elements with Ownership being mandatory
- EMEs have no sub-minimum eligibility requirements
- Y.E.S Entities need to maintain or improve the B-BBEE Status Level from the prior year



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Y.E.S INITIATIVE

Y.E.S INITIATIVE GAZETTE

• THE Y.E.S TARGETS:

• Generic Entities:

• Targets for Generic Entities will be the Higher between (i), (ii) and (iii) below:

- (i) 1.5% of the Y.E.S entity's headcount in the preceding year; **OR**
- (ii) 1.5% of the Y.E.S entity's average Net Profit After Tax (NPAT) from South African operations in the immediately preceding three years, converted to a Headcount Number by dividing that NPAT number by R55,000; **OR**
- (iii) a target as determined in Table 1 - Annexure A (Total Revenue).

• **QSEs and EMEs:** These entities target per annum are based on Headcount numbers as determined in Table 2 - Annexure B

• The new jobs must be created in addition to existing headcount

• Entities may not replace existing positions with new positions

• Where entities are unable to create a sufficient number of new jobs within the entity to meet their targets, they may sponsor new jobs to be placed in EMEs or QSEs. The sponsored positions will contribute to meeting the Y.E.S entity's target



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Y.E.S INITIATIVE

Y.E.S INITIATIVE GAZETTE

- **Eligible Employees for the Y.E.S Initiative:**
- Are between the ages of 18 and 35; and
- Meet the definition of “Black People” as defined in the Broad-Based Black Economic Empowerment Act 53 of 2003 as amended by Act 46 of 2013



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Y.E.S INITIATIVE

Y.E.S INITIATIVE GAZETTE

- B-BBEE Recognition for Y.E.S Entities:**

<u>B-BBEE RECOGNITION</u>	
<u>Achieve Y.E.S Target and 2.5 % Absorption</u>	<u>Move 1 B-BBEE Recognition Level up on the Scorecard</u>
<u>Achieve 1.5 x Y.E.S Target and 5% Absorption</u>	<u>Move 1 B-BBEE Recognition Level up on the Scorecard + 3 Bonus Points to the overall Scorecard</u>
<u>Double Y.E.S Target and 5 % Absorption</u>	<u>Move 2 B-BBEE Recognition Levels up on the Scorecard</u>



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Y.E.S INITIATIVE

Y.E.S INITIATIVE GAZETTE

- **Informal Skills Development Spend for the Y.E.S Initiative:**
- Informal Skills Development expenditure for Y.E.S employees will be recognised during the Verification Process of the Skills Development element under Amended Code Series 300, Statement 300. Entities will be able to claim up to **50%** of their Skills Development Spend as Informal Training (Category F and G of the Skills Development Matrix) against the Skills Development Scorecard.



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Y.E.S INITIATIVE

Y.E.S INITIATIVE PRACTICE NOTE

GENERAL PRINCIPLES:

- Determine that the Practice Note is Applicable to Entities falling under a Specific Sector Code of Good Practice issued under Section 9 (1) of The Act.
- Y.E.S Measured Entities will need to register with the Y.E.S Non-Profit Company
- Y.ES Measured entities need to maintain the previous B-BBEE Status Level before participating in Y.E.S (I.E Level 4, Level 5 etc.).
- Flexible participation within the Y.E.S Initiative for the first year
- The Work Place Experience for Eligible Employees needs to cover a full 12-month period. In the event where the Eligible Employee does not complete a full 12-month period due to unforeseen circumstances, the Y.E.S Measured Entity needs to ensure that at least Eight (8) full months have been completed in order to be eligible for B-BBEE Recognition. (One Month Time Period for Replacement)



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Y.E.S INITIATIVE

Y.E.S INITIATIVE PRACTICE NOTE

GENERAL PRINCIPLES:

- Absorption can only take place after the 12-month completion of the work place experience and the target is based on the Y.E.S Targets for Y.E.S Measured Entities
- The 12-month workplace experience is not a Learnership, Internship or Apprenticeship programme.
- EMEs and at least 51% Black Owned or more QSEs that participate within the Y.E.S Initiative will be verified against the Qualifying Small Enterprise Scorecard and the B-BBEE Certificate will be issued by an Accredited SANAS B-BBEE Verification Agency



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Y.E.S INITIATIVE

Y.E.S INITIATIVE PRACTICE NOTE

CALCULATION OF SUB-MINIMUMS:

GENERIC ENTERPRISES (40% SUB-MINIMUMS ON PRIORITY ELEMENTS):

- **Ownership (Net Value)** = 8 Points x 40% = 3.2 Points need to be achieved
- **Skills Development** = 20 Points x 40% = 8 Points need to be achieved
- **Enterprise and Supplier Development:**
 - **Preferential Procurement** = 25 Points x 40% = 10 Points need to be achieved
 - **Supplier Development** = 10 Points x 40% = 4 Points need to be achieved
 - **Enterprise Development** = 5 Points x 40% = 2 Points need to be achieved

GENERIC ENTERPRISES (50% AVERAGE OF SUB-MINIMUMS ON PRIORITY ELEMENTS – SPECIFIC TO Y.E.S INITIATIVE ONLY):

- **Ownership (Net Value)** = 8 Points + **Skills Development** = 20 Points + **Enterprise and Supplier Development** = 40 Points = **68 Points**
- **68 Points x 50% = 34 Points** needs to be achieved in Total in order for the Y.E.S Measured Entity to participate



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Y.E.S INITIATIVE

Y.E.S INITIATIVE PRACTICE NOTE

CALCULATION OF SUB-MINIMUMS:

QUALIFYING SMALL ENTERPRISES (40% SUB-MINIMUMS ON PRIORITY ELEMENTS):

- **Ownership (Mandatory) (Net Value)** = 8 Points x 40% = 3.2 Points need to be achieved
- **Skills Development** = 25 Points x 40% = 10 Points need to be achieved
- OR
- **Enterprise and Supplier Development:**
 - **Preferential Procurement** = 20 Points x 40% = 8 Points need to be achieved
 - **Supplier Development** = 5 Points x 40% = 2 Points need to be achieved
 - **Enterprise Development** = 5 Points x 40% = 2 Points need to be achieved

QUALIFYING SMALL ENTERPRISES (40% AVERAGE OF SUB-MINIMUMS ON PRIORITY ELEMENTS - SPECIFIC TO Y.E.S INITIATIVE ONLY):

- **Ownership (Net Value)** = 8 Points + **Skills Development** = 25 Points = 33 Points x 40% = 13,20 Points needs to be achieved in Total in order for the Y.E.S Measured Entity to participate
- OR
- **Ownership (Net Value)** = 8 Points + **Enterprise and Supplier Development** = 30 Points = **38 Points** x 40% = 15,20 Points needs to be achieved in Total in order for the Y.E.S Measured Entity to participate



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Y.E.S INITIATIVE

Y.E.S INITIATIVE PRACTICE NOTE

CALCULATION OF Y.E.S TARGETS

GENERIC ENTITIES:

Targets per annum for Generic Entities will be the Higher between (i), (ii) and (iii) below:

- 1.5% of the Y.E.S Measured Entity's headcount in the preceding year - ***This is based on the last day of the Financial Year End that has been used for Measurement for B-BBEE Verification; OR***
- 1.5% of the Y.E.S Measured Entity's average Net Profit After Tax (NPAT) from South African operations in the immediately preceding three years, converted to a headcount number by dividing that NPAT number by R55,000 - ***This is linked to the Financial Year End of the Entity that is used for Measurement for B-BBEE Verification; OR***
- A target as determined in Table 1 - Annexure A – ***As per gazette 41866 relates to the Total Revenue for the latest completed Financial Year End***



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Y.E.S INITIATIVE

Y.E.S INITIATIVE PRACTICE NOTE

B-BBEE VERIFICATION REQUIREMENTS FOR THE Y.E.S INITIATIVE

- B-BBEE Verification Agencies will be assessed by the SANAS at Assessment stages in terms of the verification of the Y.E.S Initiative within Y.E.S Measured Entities.

For Overall Y.E.S B-BBEE Verification Requirements, the following will be required but not limited to:

- Confirmation of Registration and Placement start date with the Y.E.S Non-Profit Company
- Previous B-BBEE Certificate and Report (Where applicable)
- Proof of non-displacement of current B-BBEE Initiatives and maintenance of B-BBEE Status Levels
- Signed Annual / Audited Financial Statements for the last 3 Years to calculate the NPAT Targets



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Y.E.S INITIATIVE PRACTICE NOTE

B-BBEE VERIFICATION REQUIREMENTS FOR THE Y.E.S INITIATIVE

For Y.E.S B-BBEE Verification Requirements Linked to Employment, the following will be required by the B-BBEE Verification Agency but not limited to:

- EEA2 Report (where applicable)
- EEA4 Report (where applicable)
- Proof of submission of EEA2 & EEA4 Report to Department of Labour (where applicable)
- Employee list as at Measurement Date - To Calculate Headcount Targets
- Payroll report closest to Measurement Date - To Calculate Headcount Targets
- Samples of Certified copies of IDs of Black Youth that have been appointed
- EEA1 and doctors report for disabled Black Youth (If applicable)
- Samples of Signed Employee / Workplace contracts
- Samples of Interviews
- Samples of Payslips



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Y.E.S INITIATIVE PRACTICE NOTE

B-BBEE VERIFICATION REQUIREMENTS FOR THE Y.E.S INITIATIVE

For Y.E.S B-BBEE Verification Requirements Linked to Skills Development by the B-BBEE Verification Agency, the following will be required but not limited to:

- EMP201s for the Measurement Period
- WSP and ATR-Report and Pivotal Report and confirmation of submission
- Skills Development Expenditure list for Measurement Period / Categorised according to Skills Development Matrix
- Samples of Proof of attendance
- Samples of Certified copies of IDs
- Source documents such as invoices, receipts etc.
- EEA1 declaration, doctors report, employment contract for disabled employees
- Samples of Interviews



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SECTOR CODES

B-BBEE FOR SECTOR CODES STATUS OF ALIGNMENT

- **Gazetted B-BBEE Sector Codes:**
 - Tourism B-BBEE Sector Code
 - Information and Communication Technology (ICT) B-BBEE Sector Code
 - Marketing, Advertising and Communication (MAC) B-BBEE Sector Code
 - Forestry B-BBEE Sector Code
 - Property B-BBEE Sector Code
 - Agri B-BBEE Sector Code
 - Financial Services B-BBEE Sector Code
 - Construction B-BBEE Sector Code
 - Defence B-BBEE Sector Code
- **B-BBEE Sector Codes being analysed:**
 - Transport B-BBEE Sector Code
- **B-BBEE Sector Codes busy with alignment:**
 - Chartered Accountancy B-BBEE Sector Code
- **Proposed B-BBEE Sector Codes:**
 - Petroleum and Liquid Fuels Sector Code



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THANK YOU

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QUESTIONS

QUESTIONS AND DISCUSSION