

Association of B-BBEE Professionals

B-BBEE CODES OF GOOD PRACTICE

Thursday, 14th February 2019

11h00 – 13h00

WEBINAR

Association of B-BBEE Professionals

Webinar Training Session

B-BBEE CODES OF GOOD PRACTICE

Contributors

Compilers

NAME	ORGANIZATION
Mrs. Julia Nzimande	ABP

B-BBEE CODES OF GOOD PRACTICE Training



11h00 – 11h30	Logging onto webinar	All
11h30 – 11h35	Welcome and Introduction	Mrs. Julia Nzimande (Presenter)
11h35 – 12h30	B-BBEE Codes of Good Practice	Mrs. Julia Nzimande (Presenter)
12h30 – 13h00	Questions	All

INTRODUCTION



The Association of B-BBEE Professionals (ABP) is a dedicated Professional Body for the BEE Verification Professionals; Consultants and Practitioners.

We are pleased to bring you a Webinar (2 CPD) covering:

Who should attend?

- Verification Professionals
- Consulting Professionals
- Practicing Professionals
- Transformation Managers

EXCLUSIONS

- No drafts to be discussed; e.g.
 - Verification Manual
 - Draft Sector Codes
 - Draft Clarification Notes

Verification Principles

- The fundamental principle is: **substance takes precedence over legal form.**
- In interpreting the provisions of the Codes, **any reasonable interpretation** consistent with the **objectives of the Act and the B-BBEE Strategy** must take precedence.
- The basis of measuring is compliance status **at the time of measurement.**
- Any **misrepresentation** or attempt to misrepresent any enterprise's true B-BBEE Status may lead to **the disqualification of the entire scorecard** of that enterprise and is an **offence** to the new Act.
- Any representation made by an Entity about its B-BBEE compliance **must be supported by suitable evidence** or documentation.
- The **use of the Verification Manual** is prescribed and shall be used by Verification Agencies when performing a B-BBEE verification.
- Any Verification Agent who issues a Verification Certificate **without** applying the Guidelines set out in **the Verification Manual** shall be **guilty of unprofessional conduct 'dti'** may recommend that he lose his Accreditation with SANAS and the new BEE Act explicitly makes this an offence.

OVERALL TABLE OF CONTENTS



Introduction

Exclusions

1. B-BBEE Amendment Act 46 of 2013

History; Key Changes; Key Definitions; Offences and Penalties

2. Key Framework Matters

2.1 Priority Elements

2.2 Recognition Levels + Qualification Criteria

2.3 Overall Scorecard

2.4 Discounting Principle

3. Elements

- Scorecards
- Key Issues
- Key Calculations
- Documentary Evidence Checklists

BROAD-BASED BLACK
ECONOMIC
EMPOWERMENT
AMENDMENT ACT 46 OF
2013

B-BBEE Strategy/Policy Development History

	B-BBEE Commission Report 1998
	B-BBEE Strategy 2003
	B-BBEE Act No. 53 of 2003
	Codes of Good Practice 2007
	Amended – B-BBEE Bill 2012
	Revised B-BBEE Codes 2012
	Amended B-BBEE Codes 2013 (1 st Phase)
	B-BBEE Amendment Act 2013
	Amended B-BBEE Codes 2014 (2015) (2 nd Phase)

- Established in terms of the **Broad-Based Black Empowerment Economic Act, 2003.**
- **BEE Codes of Good Practice**
 - Gazetted February 2007
 - BEE becomes **B-BBEE**
 - 7 Broad-Based BEE elements
 - Scorecard out of 100
- **Revised BEE Codes** (phase 1)
 - Gazetted 11 October 2013
 - 5 Broad-Based BEE elements
 - Generic Scorecard out of 109
- **2nd Phase Revisions**
 - Gazetted 6 May 2015
 - QSE Scorecard;
 - Scorecard for Specialised Entities;
 - Sector Charter development guidelines;
 - Equity Equivalents for Multinational guidelines;
 - Recognition for Sale of Assets guidelines.

Sector Codes

- All Sector Codes amended and now aligned with the Revised Codes
- 1. **Tourism Codes** Gazette November 2015
- 2. **Media Advertising and Communications (MAC)** Gazette May 2015
- 3. **ICT Codes** Gazette November 2016
- 4. **Forest Codes** Gazette April 2017
- 5. **Property Codes** Gazette June 2017
- 6. **Financial Sector Codes** Gazette December 2017
- 7. **AgriBEE Sector Codes** Gazette December 2017
- 8. **Construction Sector Codes** Gazette December 2017

Draft:

- 1. **Transport Sector Charter**
- 2. **Chartered Accountant Sector Charter- Repealed in February 2016**

- **Mining Charter – DMR** **Defence Sector Charter (new)**

KEY DEFINITIONS & PRINCIPLES

Beneficiaries

“Black People” –

1. African, Indian and Coloured people; and
2. Who are citizens of South Africa by:
 - birth, or
 - descent ,or
 - naturalization
 - Prior to 27 April 1994;

The Amended B-BBEE Act Legislative Changes



- Principal legislation governing BEE, Signed into force October 2014
1. the creation of ‘**B-BBEE Fronting**’ as a **criminal offence** ;
 - **S 13 O(2):** *...any procurement officer or official of an organ of state or public entity who becomes aware of fronting and fails to report is guilty of an offence.*
 - *Penalty ..a fine or imprisonment less than 12 month or both fine and imprisonment.*
 2. the establishment of the **B-BBEE Commission**, the purpose of which is inter alia, to promote good governance, track and monitor BEE compliancy and investigate Fronting.
 3. **Trumping Provision** – B-BBEE Act trumps all other BEE related legislation

KEY DEFINITIONS & PRINCIPLES

- **section 10**

“Every organ of state must take into account any relevant code of good practice in terms of this Act;

- **section 9**

Minister may allow **organs of state and public entities to set criteria** for procurement & other economic activities **that exceed** those set out in the codes;

- **An enterprise in a sector with an issued sector code may only be measured for B-BBEE compliance in line with that code;**

- **Section 13F**

- **Enterprises are required to report annually on B-BBEE compliance to sector councils and BEE Commission**

Application

Section 10 of BEE Act

- Every organ of State & Public entity **must apply any relevant Code of Good Practice when:**
 - Determining **qualification criteria** for the issuing of:
 - **licences, concessions** or other **authorisations** iro
 - **economic activity** in terms of **any law**;
 - Developing and implementing a **preferential procurement policy**;
 - Determining **qualification criteria** for the **sale of state owned enterprises**;
 - Developing **criteria** for entering into **partnerships with the private sector**; and
 - Determining **criteria** for awarding **incentives, grants & investment schemes** to support BEE.

The B-BBEE Amendment Act



- **B-BBEE Commission**
- Operational since 1 April 2016
- Mandate -promote good governance, track and monitor BEE compliancy and investigate Fronting.

Section 13F:

1. Functions of the B-BBEE Commission to oversee and promote the adherence with the B-BBEE
2. To receive reports concerning B-BBEE compliance from private and public sector
3. To maintain a registry of major B-BBEE transactions, above a threshold determined by the Minister. R25mln or above

The B-BBEE Amendment Act

- 2. Requirement to report on B-BBEE
- The following **MUST** report on their B-BBEE Compliance,
- **Section 13 G :**
 1. **All Spheres of government** – (PFMA requirement)
 2. JSE Listed Companies
 3. SETAs
 4. **“Section 13G. ... (1)** All spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports required under the Public Finance Management Act, 1999 (Act No. 1 of 1999)

The Amended B-BBEE Act Regulations



Regulations deal with the form and manner of compliance and reporting with the Act

- The Regulations were firstly published in February 2016 and Interested persons may submit written comments not later than thirty (30) days from the date of publication.
- The Regulations were gazette on 6 June 2016

The Amended B-BBEE Act Regulations



Section 12 (1)

FORM B-BBEE 1 must be based on verified information, reflecting the state of compliance in respect of the following elements: -

- (i) ownership;
- (ii) management control;
- (iii) skills development;
- (iv) enterprise and supplier development;
- (v) socio-economic development;
- (vi) any other sector specific element, and

reflect how each element contributes to the outcome of the scorecard in terms of the Codes of Good Practice.

The Amended B-BBEE Act Regulations



Submission requirements

1. Form BBBEE-1
2. **Verified BBBEE Certificate**
3. Annual Financial Statement and
4. Annual Report

OFFENCES, PENALTIES & PROHIBITIONS

The following are considered as offences

- **Knowingly providing false information to the Commission**
(see proposed definition of “knowingly”)
- **Misrepresenting the B-BBEE status** of an enterprise
- Providing false information or **misrepresenting information to a B-BBEE verification professional** in order to secure a particular B-BBEE status
- Providing false information or **misrepresenting information relevant to assessing the B-BBEE status of an enterprise, to any organ of state or public entity**
- Engaging in a ‘**fronting practice**’ (as defined in s1)
- **Failing to report an offence by verification professionals, procurement officers or other officials of an organ of state or public entity)**

Subsection 1 Penalty (Knowingly committing an offence)

Maximum penalty 10 years imprisonment (and/or a fine),

If the offender is not a natural person, **maximum fine of 10% of its annual turnover**

Subsection 2 Penalty (offence relating to the Commission, or for a failure to report):

Maximum penalty is 1 year imprisonment (and/or a fine)



ABP

Association of B-BBEE Professionals

Credible. Professional. Consistent.

KEY
FRAMEWORK
MATTERS

Turnover thresholds

- BEE works differently depending on the turnover/allocated budget of one's entity

Entity Type	Original 2007 Codes Threshold	Revised 2013 Codes Threshold
EME (Exempted Micro Enterprise)	Below R5 million	Below R10 million
QSE (Qualifying Small Enterprise)	R5 million- R35 million	R10 million- R50 million
Generic	Above R35 million	Above R50 million

Exempted Micro Enterprises-

- EMEs do not have to take any measures for BEE (they are exempt)

Original Codes		Revised Codes	
Turnover Threshold	Below R5 million	Turnover Threshold	Below R10 million
Less than 50% Black Ownership	Level 4	Less than 51% Black Ownership	Level 4
50%-100% Black Ownership	Level 3	51%-99% Black Ownership	Level 2
		100% Black Ownership	Level 1

- Start-ups (first 12 months) – deemed EMEs, unless government tenders.

Exempted Micro Enterprises- “|



Persons authorized to issue EME Certificates:

Revised Codes

1. Sworn Affidavit (self issued)
2. CIPC - (Companies and Intellectual Property Commission)

NO LONGER:

As was allowed under the 2007 Codes

1. Auditor
2. Accounting Officer
3. Accredited Verification Agency

QSEs Exemption

QSE Scorecard exemption:

- 51%-99% black owned – level 2
- 100% black owned – level 1

- Certificate via Sworn Affidavit

Empowering Supplier



- All Suppliers must be Empowering Suppliers to score points
- Notice Nov 2016- all Certificates deemed Empowering Supplier,
- ***“Any Entity measured on or after 1 May 2016 will automatically be recognized as an Empowering Supplier until a further notice is issued. “***

Empowering Supplier

1. Local Procurement

- At least 25% of cost of sales must be procured from local producers or local suppliers in SA

2. Job creation and retention

- 50% of jobs created must be for Black people
- provided that the number of Black employees since the immediate prior verified B-BBEE Measurement is maintained.

3. Local Production

- At least 25% of manufacturing, production, packaging, beneficiation etc must be local

4. 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

5. Labour Costs (services industry only) (NEW*)

- At least 85% of labour costs should be paid to South African employees by service industry entities.

THE 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	

RECOGNITION LEVEL / QUALIFICATION CRITERIA

BBBEE Status	Qualification		BBBEE Procurement Recognition Level
	Old	New	
Level One	>/=100	>/=100	135%
Level Two	85 – 100	*95 - 100	125%
Level three	75 – 85	90 – 95	110%
Level Four	65 – 75	*80 – 90	100%
Level Five	55 – 65	75 – 80	80%
Level Six	45 – 55	70 – 75	60%
Level Seven	40 – 45	55 – 70	50%
Level Eight	30 - 40	*40 – 55	10%
Non-compliant	*Less than 30	*Less than 40	0%

QUALIFYING SMALL ENTERPRISE SCORECARD

Element	Weighting	Compliance Target
Ownership	25 points	25% + 1 vote
Management control	15 points	(50% to 60%)
Skills Development	25 points	3% of payroll
Enterprise and Supplier Development	30 points	PP = 60% SD = 1% (NPAT) ED = 1% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
TOTAL	100 points	

DISCOUNTING PRINCIPLE

- **Introduction of Priority Elements:**
 - Ownership (O)
 - Skills Development (SD)
 - Enterprise & Supplier Development (ESD)
- **Discounting of BBBEE status by 1 level if non-compliant**
- On non-compliance with **threshold requirements** for any above elements:
 - O** - 40% of Annual NET Value points
 - SD** - 40% of the points
 - ESD** – 40% of the target set out in
 - 2.1.1- Procurement**
 - 2.1.2 - Supplier Development**
 - 2.2.2 - Enterprise & Supplier Development**

DISCOUNTING PRINCIPLE EXAMPLE

*In the **above** example, the following scores were attained per element:*

	Ownership	Skills Development	Preferential Procurement	Supplier Development	Enterprise Development
Target	8	20	25	10	5
40% of Target (=minimum required not to be discounted)	3.2	8.00	10	4	2
ME score	8	12,84	9,98	10,00	5,00
Has the subminimum (40%) been met?	Yes	Yes	No	Yes	Yes
Overall Compliance Status with Sub- minimum rule	Non-compliant				
Discounting Applicable?	Yes				

The B-BBEE CODES

1. OWNERSHIP

Ownership

The Ownership element measures equity held by black people.

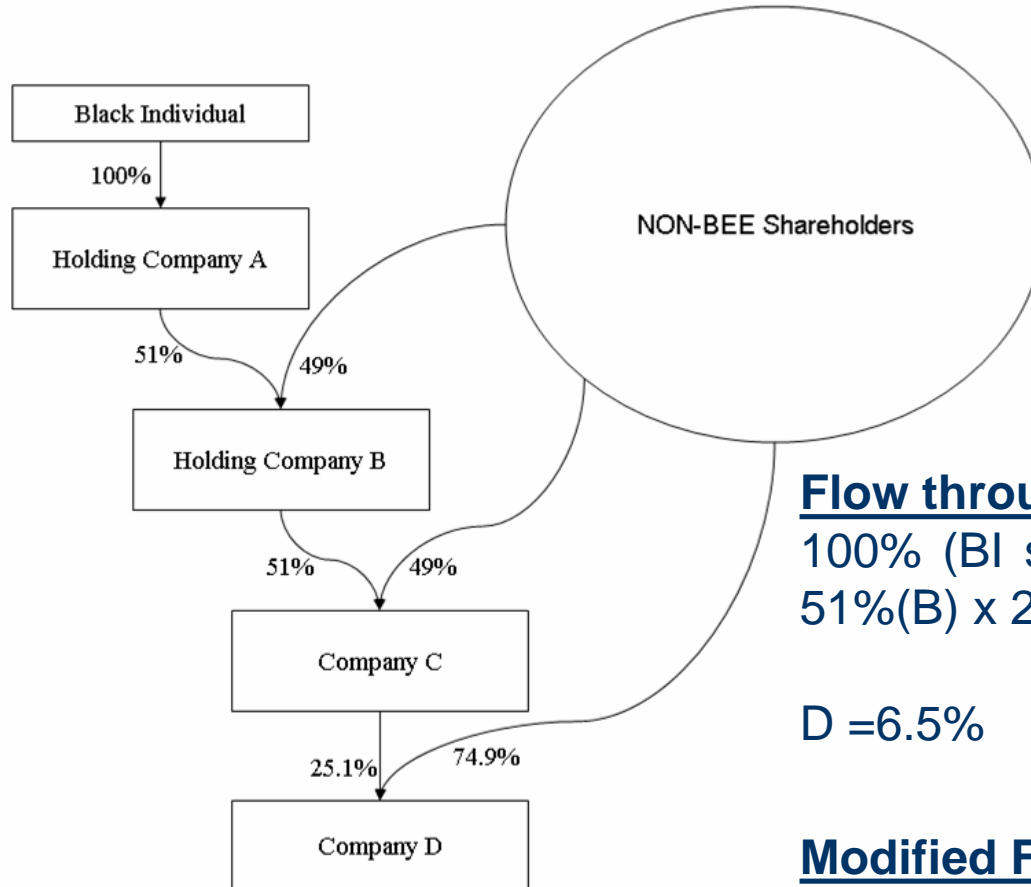
- The 3 subcategories in terms of which ownership is assessed are:
 1. **Voting Rights**
 2. **Economic Interest**
 3. **Realisation Points***

Ownership

OWNERSHIP		Weighting Points	Compliance Target
Voting Rights	Exercisable Voting Rights in the Entity in the hands of Black people	4	25% + 1 Vote
	Exercisable Voting Rights in the Entity in the hands of Black women	2	10%
Economic Interest	Economic Interest in the Entity to which Black People are Entitled	4	25%
	Economic Interest in the Entity to which Black women are entitled	2	10%
	Economic Interest of any of the following Black Natural People in the Measured Entity 1. Black Designated groups; 2. Black participants in Employee Share Ownership Programmes; 3. Black People in Broad based Ownership Schemes; 4. Black Participants in Co-operatives	3	3%
	New Entrants	2	2%
Realisation Points	Net Value	8	Refer to Annexure C
Total		25	

Flow Through and Modified Flow through principle

Application of Modified flow-through principle
<p>HOLDING CO. A 100% Black Ownership (Normal flow-through)</p> <p>100% Black Ownership (Modified Flow-through)</p>
<p>HOLDING CO. B 51% Black Ownership (Normal flow-through)</p> <p>100% Black Ownership (Modified Flow-through)</p>
<p>COMPANY. C 26% Black Ownership (Normal flow-through)</p> <p>51% Black Ownership (Modified Flow-through)</p>
<p>COMPANY. D 6.5% Black Ownership (Normal flow-through)</p> <p>12.8% Black Ownership (Modified Flow-through)</p>



Flow through

$100\% \text{ (BI s/h)} \times 51\% \text{ (A)} \times 51\% \text{ (B)} \times 25.1\% \text{ (C)}$

$D = 6.5\%$

Modified Flow Through

$100\% \text{ (BI s/h)} \times 100\% \text{ (A)} \times 51\% \text{ (B)} \times 25.1\% \text{ (C)}$

$D = 12.8\%$

Net Value Calculation

Year	Target
Year 1	10% of the Target
Year 2	20% of the Target
Year 3-4	40% of the Target
Year 5-6	60% of the Target
Year 7-8	80% of the Target
Year 9-10	100% of the Target

Realisation Points

- Priority Element
- Subminimum 40%
- ie **3.2 out of 8** points

Golden Number =10%

(minimum black equity to avoid discounting)

CALCULATION

FORMULA 'A'

(Black Equity benchmarked against Ownership Target)

FORMULA 'B'

(Unencumbered Black Equity benchmarked against Ownership Fulfilment Table)

Apply lower score of the two

OWNERSHIP KEY ISSUES

- Increased the **Weighting** of the scorecard from **20 to 25** points
- **Introduced discounting** if threshold not met of **40% on Net Value** annual targets
 - **Ownership is one of the priority elements**
 - (If threshold not achieved entity will still score whatever actual points achieved BUT the overall score will be discounted)
- **Consolidated ownership fulfilment and net value** points
 - (previously separate points)
- May only choose either **MFT or Exclusion** Principle; not both
- **Modified flow through may only be applied once** in the entire structure, and not once in every chain of ownership
- Enhanced the **Private Equity** provisions
 - to help bolster black ownership and management thereof
- Enhanced the **Equity Equivalent** provisions
 - To introduce more flexibility and align with National Imperatives
- **Only South African** based regulated investments qualify as **Mandated Investments**
- **Sale of assets – Once empowered always empowered** if meeting criteria – sale of **separately identifiable** related business: **assets, business or equity instrument.**

OWNERSHIP KEY ISSUES CONTINUED

- The element does not incorporate bonus points (previous bonus point areas, being New Entrants and Marginalised Participants have been elevated to actual point areas)
- New entrants threshold increased from R20 million to R50 million
- Discretionary family trusts are now permitted.
There is still no discretion permitted on Broad Based schemes
- Broad-Based Ownership Schemes
 - Ministerial Technical Task Team set up to:
 - Explore the appropriate balance between active and passive ownership.
 - Table recommendations in that regard.
 - Recommendations to be used to make further pronouncements or amendments to the ownership scorecard

2. MANAGEMENT CONTROL

Management Control

- Assesses Staff Demographics
- At date of **AUDIT**
- Consolidates Management Control and Employment Equity into a single element
- **19 points**
- **Categories:**
 - Board Participation
 - Other Executive Management
 - Senior Management
 - Middle Management
 - Junior Management*
 - Disabled Employees

Management Control

- **Race Sub-groups**
 - Ensure employment in line with population demographics
- **Categories:**
 1. African Male
 2. African Female
 3. Coloured Male
 4. Coloured Female
 5. Indian Male
 6. Indian Female
- **Sub-race group assessment:**
 - Senior Management
 - Middle Management
 - Junior Management
- The compliance target are broken down using the EAP percentages.

Management Control Scorecard

		NEW GENERIC	
Management Control:		Weighting points:	Target:
Board participation:			
	Exercisable Voting Rights of Black Board members	2	50.00%
	Exercisable Voting Rights of Black Female Board members as a percentage of all Board	1	25.00%
	Exercisable Voting Rights of Executive Black Board members as a percentage of all such employees	2	50.00%
	Exercisable Voting Rights of Executive Black Female Board members as a percentage of all such employees	1	25.00%
Top Management:			
	Black Executive Management as a percentage of all such employees	2	60.00%
	Black female Executive Management as a percentage of all such employees	1	30.00%

MC Scorecard Cont.

Senior Management:			
	Black employees in Senior Management as a percentage of all such employees	2	60.00%
	Black female employees in Senior Management as a percentage of all such employees	1	30.00%
Middle Management:			
	Black employees in professionally qualified and experienced specialists and md-management as a percentage of all such employees	2	75%
	Black female employees in professionally qualified and experienced specialists and md-management as a percentage of all such employees	1	38%
Junior Management:			
	Black employees in Junior Management as a percentage of all such employees	1	88%
	Black female employees in Junior Management as a percentage of all such employees	1	44%
Disabled Employees:			
	Black disabled Employees as a percentage of all employees	2	2%
	TOTAL Points	19.00	

3. SKILLS DEVELOPMENT

Skills Development

The Skills Development element is designed to improve the skills set of black People (previously employees)

MONETARY

1. Skills and Training Expenditure

1. All black People (6% of wages)
2. Disabled black Employees (0.3% of wages)

HEADCOUNT

1. Learnerships, Apprenticeships and Internships (LAIs)

- LAIs -2.5% of staff

2. Unemployed People Training (any training intervention in the Learning Program Matrix)

2.5% of staff

- **Bonus (5 points)** - Absorption of LAIs

Skills Development

Mandatory Sectorial Training

- Excluded from points scoring

Legislative Compliance

Measured entities will only score points towards skills development if:

- It has produced a Seta approved:
 - Workplace Skills Plan
 - Training Report
 - Pivotal Report
- Has implemented a Priority Skills programme for employees generally, and more specifically for black people.
- **BONUS POINTS** for absorption - This measures the organisation's ability to secure permanent or long term contract employment for the learner(s) or to assist the learner(s) proceed with further education and training

Skills Development

- **Race Sub-groups Distinctions**
- **Priority Element**
 - Subminimum 40% of total (bonus excluded)
 - ie **8 out of 20** points
- **Other 2013 Changes**
 - Adjusted Recognition for Gender removed
- **Types of qualifying training expenditure**
 - **Learning Programme Matrix**
 - Categories 'A'-'G'

Skills development

Expenditure Type	Limitations	
	Old	Revised
External Training Formal	None	None
External Training Informal	None	15%
Internal training	15%	
Ancillary costs related to training	None	15%
General costs related to training	None	
Costs related to employing skills facilitators and staff	None	None
LAls- Costs and Salaries/Stipends	None	None
Scholarships and Bursaries	None	None

Skills Development Scorecard

Skills Development:		Weighting points:	Target:
	Skills Development Expenditure Learning Programmes specified in the learning Programmes Matrix for black people as a percentage of leviabile Amount	8	6%
	Skills Development Expenditure Learning Programmes specified in the learning Programmes Matrix for black employees with disabilities as a percentage of leviabile Amount	4	0.3%
Learnerships Apprenticeships and Internship			
	Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	4	2.5%
	Number of unemployed black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	4	2.5%
BONUS			
	Number of black people absorbed by industry at the end of the learnership programme	5	100.0%
TOTAL incl bonus points		25	
TOTAL ex bonuses		20	

4. Enterprise and Supplier Development (ESD) Scorecard



- Consolidates Preferential Procurement and Enterprise Development into a single element
- 3 sub-elements:
 - **1. Preferential Procurement**
 - **2. Enterprise Development**
 - **3. Supplier Development**
- Generic ESD element consists of **42 points of which Preferential procurement without bonus is 25 points.**
- **Priority Element**
 - Subminimum 40% of Preferential Procurement (bonus excluded)

i.e. 6 out of 25 points

Enterprise and Supplier Development



ABP

Association of B-BBEE Professionals

Credible. Professional. Consistent.

Supplier Type	2007 Codes		2013 Codes	
	Points	Target	Points	Target
All Suppliers	12	70%	5	80%
EME Suppliers	3	15%	4	15%
QSE Suppliers			3	15%
51% Black Owned Suppliers <small>(Old Codes 50%)</small>	3	12%	9	40%
30% Black Female Owned Suppliers	2	8%	4	12%

ESD Scorecard

ENTERPRISE AND SUPPLIER DEVELOPMENT		Weighting Points	Compliance Targets
Preferential Procurement	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%
	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%
	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%
	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%
	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%
	Bonus Points - B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned	2	2%

Preferential Procurement

STEP 1-

Calculate Total Measured Procurement Spend

- Benchmark/target denominator figure
- “Inclusions” less “Exclusions”

Preferential Procurement

Total Measured Procurement Spend

(+) Inclusions	(-) Exclusions
Cost of sales	Taxes
Operational expenditure	Salaries & Wages
Capital expenditure	Depreciation
Inter company expenses	Excludable Imports
Finance costs	Enterprise & Supplier Development Spend
	Third party pass through procurement
	Loss on Sale of Assets
	Foreign Exchange loss
(=) Total Measured Procurement Spend	

Preferential Procurement

Imports

1. Imports can be excluded where there is no local production by:
 - i. Brand; or
 - ii. Technical Specification

Revised Codes

2. Designated Sectors imports cannot be excluded:

- rail rolling stock;
- steel power pylons;
- bus bodies;
- canned/processed vegetables;
- textiles, clothing, leather and footwear;
- pharmaceutical products;
- set top boxes for television digital migration,
- office and school furniture products;
- components of the solar water heaters;
- power and telecommunication cables.

3. Enterprise and Supplier Development Plan for imports

Preferential Procurement

STEP 2-

Calculate Attributable BEE spend per each Supplier

- Annual Expenditure
- BEE Status Level*
- BEE Category- EME/QSE/Generic*
- 51% black owned*
- 30% black female owned*
- Designated Group
- Enhanced Recognition
- Empowering Supplier

*Information will appear on certificate

Preferential Procurement



Enhancement Recognition –Revised Codes

1. Supplier Development Beneficiaries with a 3 year contract
2. 51% black owned EME or QSEs with a 3 year contract (non- Supplier Development beneficiaries)
3. First time black owned Suppliers

x 1.2 multiplier

Preferential Procurement



STEP 3-

- Aggregate BEE spend per each Supplier
- Select subcategories*
- Calculate score relative to Benchmark/target figure

Preferential Procurement

Expired Certificates

- Expired Certificates can still be utilised if they were valid during the Verification Period of the measured entity
- Latest certificate can always be used

Empowering Supplier

- All Suppliers must be Empowering Suppliers to score points

Notice Nov 2016- all Certificates deemed Empowering Supplier

“Any Entity measured on or after 1 May 2016 will automatically be recognized as an Empowering Supplier until a further notice is issued. “

ESD Scorecard



Supplier Development					
	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of a target	10	2% of NPAT	15	2% of NPAT, 0.2% Annual Revenue/Allocated budget/Gross receipts/Discretionary

ESD Scorecard

Enterprise Development:		NEW GENERIC		SPECIALISED	
		Weighting points:	Target:	Weighting points:	Target:
	Annual value of all Enterprise Development Contributions and Sector specific programmes made by the Measured Entity as a percentage of target	5	1% of NPAT	5	1% of NPAT/0.1% Annual revenue/Allocated budget/Gross receipts/Discretionary
Bonus Points:					
	Bonus points for graduation of one or more Enterprise development beneficiaries to graduate to the Supplier Development level	1		1	
	Bonus points for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	1		1	
TOTAL incl bonus points		7		7	
TOTAL excluding bonuses		5		5	

- **Supplier Development**
 - 10 points
 - 2% of NPAT or
 - 40% Subminimum - 4 out of 10 points

- **Enterprise Development**
 - 5 points
 - 1% of NPAT
 - 40% Subminimum - 2 out of 5 points

- **Bonus points:**
 1. ESD beneficiary to supplier graduation (1 point)
 2. ESD beneficiary job creation (1 point)

Qualifying contributions:

- Monetary or non-monetary
- Recoverable or non-recoverable

Examples

- COD payments (15%)
- Exceptional Discounts
- Free products/services
- Human Resource Contributions
- Investments
- Loans
- Grants

BE CREATIVE

- The **Benefit Factor matrix** will determine the claimable percentage
- **Required Evidence**
 - BEE Certificate
 - ESD Agreement (signed prior to date of benefit)

5. Socio Economic Development (ESD) Scorecard

Socio Economic Development

- Socio Economic Development seeks to encourage initiatives that enhance the ability of black people who remain nonparticipants in the economic mainstream to be included in participating in the economy in a sustainable manner.
- **Revised Codes**
- Greater emphasis on contributions that facilitate sustainable participation in the mainstream economy

Socio Economic Development

- Grassroots development
- **Beneficiaries:**
- Black individuals
- Grouping - charitable donations:
 - Where more than 75% of the beneficiary group are black, the full value of the contributions will be recognizable.
 - • Where less than 75% of the beneficiary group are black, the
 - pro-rata recognition.
- Revised Codes- Greater emphasis on contributions that facilitate sustainable participation in the mainstream economy

Socio Economic Development

- **Target**
 - 1 % of NPAT
 - 5 Points
- The **Benefit Factor matrix** will determine the claimable percentage

Socio Economic Development

SOCIO-ECONOMIC DEVELOPMENT		Weighting Points	Compliance Target
Socio-Economic Development	Annual value of all Socio-Economic Development Contributions and Qualifying Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target.	5	1% of NPAT
Total		5	

We **Thank You** for attending the ABP Amended Codes Training Session on B-BBEE Codes of Good Practice and look forward to seeing you at our forthcoming sessions

Y.E.S Initiative workshop
Thursday 28th February 2019

Main presentation from the
Department of Trade and Industry
Mr Yuneal Padayachy

Webinar 7 March 2019

Ownership Element of Codes

Office
E-mail
Website

(010) 003-7768
info@abp.org.za
www.abp.org.za