

B-BBEE Update: Amendment Act, Amended Codes, Y.E.S Initiative, Practise Note and other recent pronouncements

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Focus Areas:

- **Context and key issues - Brief history of B-BBEE**
- **On-site Assessments wef 1 April 2022**
- **Practice Note B-BBEE Rules for Discretionary Collective Enterprises**
- **Y.E.S Initiative**
- **B-BBEE Act Amendment**
- **31 May 2019 Amended Codes of Good Practice**

Context and key issues

B-BBEE history

- **Strategy document** for B-BBEE - March 2003
- The Broad-Based Black Economic Empowerment **Act 2003** (Act 53 of 2003), effective 6 January 2004
- **Draft Codes** of Good Practice, **2004**
- **Draft amended Codes** of Good Practice, **2005**
- **Codes of Good Practice** on Broad-Based Black Economic Empowerment, **9 February 2007** (Gazette 29617)
- **Interpretive Guide**, 2007
- **Amended Codes** of Good Practice, **11 October 2013** (Gazette 36928)

B-BBEE history

- Additional Code Series and Clarification Notices May 2015
- 8 new and amended **Sector Codes 2015 – 2017**
- Draft Transport Sector Code – February 2016
- **Statement 000 Youth Employment Service Initiative -28 August 2018 Gazette 41866**
- **Defense Sector Code, 12 April 2019**
- Draft Chartered Accountancy Profession Sector Code – 26 April 2019
- Second Draft Legal Sector Code, 1 February 2021
- B-BBEE Commission Practice Guide 01 of 2019: B-BBEE Requirements for Multinational Corporations
- B-BBEE Commission Practice Guide 01 of 2018: Determining the Validity of a B-BBEE Verification Certificate, B-BBEE Certificate and Sworn Affidavit.

B-BBEE history

- Extension of Transition Period, Notice 226 of 2014
- **Amendment to B-BBEE Act** -18 March 2014
- Additional Code Series and Clarification Notices May 2015
- 8 new and amended **Sector Codes 2015 – 2017**
- Draft Transport Sector Code – February 2016
- Draft Chartered Accountancy Profession Sector Code – 26 April 2019
- **Statement 000 Youth Employment Service Initiative** -28 August 2018 Gazette 41866

B-BBEE history

- No. 42496 Government Gazette, 31 May 2019 **Notice 303 of 2019** **Schedule 1** (*Definitions*) of the Amended Codes of Good Practice
- No. 42496 Government Gazette, 31 May 2019 **Notice 304 of 2019** **Amended Code Series 400** (Procurement, Enterprise and Supplier Development), **Statement 400**
- No. 42496 Government Gazette, 31 May 2019 **Notice 305 of 2019** **Amended Code Series 300** (Skills Development), **Statement 300**
- No. 42496 Government Gazette, 31 May 2019 **Notice 306 of 2019** **Amended Code Series 000** (EME, SME, Generic Scorecard and Recognition Levels), **Statement 000**



COVID-19: remote on-site assessments ends 31 March 2022

A remote assessment is defined as an assessment of the physical location or virtual site of a conformity assessment body, using electronic means.

An interim measure was put in place by SANAS to continue verification by implementing the remote assessment technique in early 2020.

Verification/Rating Agencies are required to follow the requirements of R47-03 Clause 18.1 as from **1st April 2022**, i.e. required to conduct physical on-site verification as from 1 April 2022.

Be prepared for this change.

Discretionary Collective Enterprises

dti Practice Note

Rules for Discretionary Collective Enterprises

Government Gazette 44591
dated 18 May 2021

Collective Enterprises

Clarity on how ownership by “Collective Enterprises” should be interpreted under the B-BBEE Codes of Good Practice, includes entities such as:

- BBOS
- ESOPs
- Trade Unions
- Investment Holding Companies that are BBOSs
- NPCs
- Trusts
- juristic persons

Collective Enterprises

The Practice Note provides clarification on:

- qualification of minors in Ownership calculations;
- distributions can be in cash or kind and can be claimed under Economic Interest on the Ownership scorecard;
- discretion to be applied by the Fiduciaries on the value or portion distributions provided aligned to the constitution of the scheme;
- allowing for Voting Rights to be measured through the Fiduciaries voting.

Collective Enterprises

Rules for discretionary collective enterprises

- BBOS
- ESOPs
- Trade Unions
- Investment Holding Companies that are BBOSs
- NPCs
- Trusts
- juristic persons

Fiduciaries are able to decide on the disbursement of the fund

Collective Enterprises

Government advocates and promotes that the implementation of Broad Based Black Economic Empowerment (B-BBEE) legislation should *ensure broad participation* as well as meaningful participation of black people in the mainstream economy.

An ideal B-BBEE ownership transaction should empower black people, black women, black designated groups, black participants in an ESOP, BBOS and Co-operatives.

Should empower and be inclusive of entrepreneurs and investors, SMMEs and suppliers, employees, communities as well as other marginalised groups.

Collective Enterprises

Constitution of the scheme must define the participants and the proportion of their claim to receive distributions.

‘Defined class of natural person’ satisfies the requirement for identification.

Black people are entitled to participate in measured entities on an indirect basis.

Collective Enterprises

Sections 2(c), (e) and (f) of the Act, which talks to **broad-based** and meaningful ownership in the economy by black people, communities and workers, identifying a natural class of persons to benefit from the scheme as opposed to a list of individuals with vested rights against the income and capital of the scheme.

Collective Enterprises

Individuals that might form part of that defined class of natural persons do not have a similar vested right.

The individuals merely have what is commonly referred to as a '*spes*' or hope to participate in income and capital but not a vested right to it.

As long as the scheme does not provide for a discretion to the fiduciaries to distribute less than that fixed percentage to beneficiaries who are members of the 'defined class of natural person' - the requirement that the fiduciaries may have 'no' discretion in relation to these terms are also met.

“Beneficiaries” definition example

"Beneficiaries" means, with the respect to the income and/or capital of the Trust, persons who are only Black People, or any charitable organisation, community based organisation, voluntary association, trust, company, established for the benefit of any beneficiary.

Provided that:

- a) any such beneficiary shall qualify as a Black Person (where Black Persons are defined as Black People in terms of the B-BBEE Act), and
- b) 70 % (SEVENTY PERCENT) of said beneficiaries are Black women.

Collective Enterprises

...if an individual at one point in time was selected to partake in a distribution of the scheme, that it not necessarily entitles that individual to partake in future distributions.

Only Black People Participants attract recognition on the ownership scorecard, the Codes places no restrictions on the nature of Participants.

Minors, for example, are not restricted from being Participants or beneficiaries in any way whether as part of a defined class of natural persons or individually.

Collective Enterprises

Whether distributions are made or not has no bearing on whether or not Economic Interest may be claimed in terms of the Codes.

Economic Interest attaches to the **right** to receive dividends or a **similar right** and not to the distribution itself.

The rules in the Codes that require the financial reports of Collective Enterprises to be presented to Participants at an annual general meeting but does not mean that all will attend or that attendance of all Participants is a requisite for the Collective Enterprise to comply.

Collective Enterprises

The terms of a constitution, memorandum of incorporation (MOI) or the trust deed *need to have a clearly defined objective and may provide for a discretion to the fiduciaries to distribute*, in their sole and unfettered discretion, such portions of the scheme's income and capital as they deem fit from time to time to some members of a defined class of natural persons to the exclusion of others.

Notwithstanding the Rules for ESOPs, Trusts and BBOSs (e.g. that at least 85% of the value of benefits allocated must accrue to Black People, 50% of the fiduciaries must be independent, 50% of the fiduciaries must be Black people and 25% must be black women).

Collective Enterprises

Where a discretion or a partial discretion exists, the race and gender composition of Rights of Ownership that flow through must be determined with reference to the wording of the constitution, MOI or trust deed.

This will serve as a written record to those facts it is clear on, thereby satisfying the requirement for identification.

Collective Enterprises

- where the determination of race and gender of Participants are not practically determinable from a pure reading of the trust deed, reliance may be placed on an *independent competent person's report* estimating the rights of ownership that flows through the scheme. Such report may have regard to :
 - ad hoc distributions to Participants of income and capital during the Measurement Period;
 - official estimating records such as publicly available municipal records, university or school enrolment records and the South African census reports;

Collective Enterprises

- where the determination of race and gender of Participants are indeterminable notwithstanding the mechanisms provided, the Participants must be regarded as non-black.

Collective Enterprises

Participants in Collective Enterprises with these discretionary terms seldom have the right to vote at general meetings of the scheme.

Their rights are represented by the fiduciaries who make decisions for and on their behalf.

For the avoidance of doubt, where the right of Participants to vote at general meetings of the Collective Enterprise are expressly provided for, the Voting Rights will also be attributed the race and gender of the Participants.

Collective Enterprises

Where a measured entity is called upon to report on its B-BBEE compliance to the B-BBEE Commission in terms of section 13(G) of the Act.

In such cases the measured entity will be required to report only on the participation of “black people” but not the other categories, it must do so in line with the information that the Collective Enterprises are able to produce.

A Measured Entity which is unable to produce verified information requested cannot, however, be compelled to do so, and therefore cannot be considered as non-compliant with the requirements of Annexure 100 B-D.

Youth Employment Service (Y.E.S) Initiative

Youth Employment Service

Government Gazette No. 41866, 28 August 2018

Amended Code Series 000: Framework for Measuring Broad-Based Black Economic Empowerment.

Statement 000: Youth Employment Service

Youth Employment Service

The Youth Employment Service Initiative within Code Series 000, Statement 000 of the Amended Codes of Good Practice in terms of Section 9(1) of the Broad-Based Black Economic Empowerment Amendment Act 2003, (Act No. 53 of 2003) **gazetted 28 August 2018 for implementation with immediate effect.**

Youth Employment Service

The Y.E.S initiative is to provide for, and institute, B-BBEE Recognition for Y.E.S Eligible Measured Entities and qualification criteria applicable to the B-BBEE Recognition for Job Creation.

Youth Employment Service

There are four qualifications for registration for Y.E.S initiative:

1. Generic entities: achieve at least the 40% sub-minimum under each of the priority elements; alternatively, Generic entities must achieve an average of 50% across the three priority elements;
2. QSEs must achieve at least 40% in two of the three priority elements, with Ownership being one of the two elements; alternatively, QSEs must achieve an average score of 40% across two priority elements with Ownership being one of the two elements;
3. EMEs have no sub-minimum eligibility requirements;
4. Y.E.S entities must maintain or improve the B-BBEE Status Level obtained in the prior year before participating in the Y.E.S.

Youth Employment Service

1. Generic Entities

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

- i. 1.5% of the Y.E.S Measured Entity's headcount in the preceding year;
OR
- ii. 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 R55000;
OR
- iii. A target as determined in Table 1 – Annexure A.

Youth Employment Service

Calculation of NPAT example:

For example, if Company A has an average NPAT of R500m over the past three financial years, their Y.E.S target will be set by converting R7.5m (1.5% of R500m NPAT) to a headcount number of 137 employees ($R7\ 500\ 000 / R55\ 000$).

Youth Employment Service

Head count vs NPAT example:

For example, if Company B employs 10 000 employees and has an average NPAT of R100m, the target calculation would be as follows:

Target based on NPAT: $1.5\% \text{ of R100m} / \text{R55 000} = 28 \text{ employees}$

Target based on headcount: $1.5\% \text{ of } 10\,000 = 150 \text{ employees}$

In this case Company B's new position target would be 1.5% of headcount – or 150 employees – as their NPAT target equates to less than 1.5% of their headcount.

Youth Employment Service

2. QSEs and EMEs

These entities targets per annum are based on headcount numbers as determined in Table 2 – Annexure B.

Youth Employment Service

Table 1 – Annexure A: Generic Entities

Total Revenue Band (Rm)	Minimum Black Youth Jobs
50 - 75	6
75 - 99	7
100 -149	8
150 - 199	9
200 - 249	10
250 - 299	11
300 - 349	12
350 - 399	13
400 - 449	14
450 - 500+	15

Youth Employment Service

Table 2 – Annexure B: EME/QSE Headcount Targets

EME/QSE Headcount	Y.E.S Youth Target	EME/QSE Headcount	Y.E.S Youth Target
1 - 19	1	180 - 199	10
20 - 39	2	200 - 219	11
40 - 59	3	220 - 239	12
60 - 79	4	240 - 259	13
80 - 99	5	260 - 279	14
100 - 119	6	280 - 299	15
120 - 139	7	300 - 319	16
140 - 159	8	320 - 339	17
160 - 179	9	340 - 359	18

Youth Employment Service

Table 2 – Annexure B: EME/QSE Headcount Targets cont...

EME/QSE Headcount	Y.E.S Youth Target	EME/QSE Headcount	Y.E.S Youth Target
360 - 379	19	540 - 559	28
380 - 399	20	560 - 579	29
400 - 419	21	580 - 599	30
420 - 439	22	600 - 619	31
440 - 459	23	620 - 639	32
460 - 479	24	640 - 659	33
480 - 499	25	660 - 679	34
500 - 519	26	680 - 699	35
520 - 539	27	700 - 719	36
		720 - 739	37

Youth Employment Service

Eligible Employees

Only employees who meet the below criteria are eligible for participation under the Y.E.S Initiative:

- Are between the ages of 18 and 35;
- 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.

Youth Employment Service

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

Youth Employment Service

- Y.E.S Measured Entities engaging eligible employees in new positions are subject to South African legislation governing basic conditions of employment and working conditions;
- Y.E.S Measured Entities are required to sign fixed term or temporary employment contracts with all eligible employees filling new positions within their Entity. These new positions must have a 12-month fulltime work experience paid for by the Entity;
- Y.E.S Measured Entities must commit to ensuring a quality work experience is provided to the eligible employee insofar as the entity is able to provide it;

Youth Employment Service

- Clear communication must be provided to the employee should the contract not be renewed or extended into permanent placement;
- The new jobs must be created in addition to existing headcount. Y.E.S Measured Entities may not replace existing positions with new positions; and
- Where Y.E.S Measured 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 Measured Entity's target.

Youth Employment Service

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;
- Y.E.S Measured 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.

B-BBEE Amendment Act, 2013

Background to the Amendment Act

- Align the Codes of Good Practice and the Act.
- Setting up of the B-BBEE commission - monitor and evaluate the implementation of B-BBEE.
- Introduction of offences, penalties and prohibitions to address non-compliance and circumvention.
- Introduction of concept of B-BBEE verification professional.
- Extend the minister's powers to make regulations.
- Organs of state and public entities will be able to set criteria for procurement that exceed those set out in the codes.
- Sector codes will continue to take precedence in terms of B-BBEE compliance.
- Tighter reporting requirements. All businesses will have to report to their sector councils on an annual basis regarding compliance.

Status of Codes of Good Practice

Every organ of state and public entity must apply any relevant Code of Good Practice issued in terms of this Act:

- determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of 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 the awarding of incentives, grants and investment schemes in support of broad-based black economic empowerment.

Status of Codes of Good Practice (Cont.)

- The Minister may, after consultation with the relevant organ of state or public entity, exempt the organ of state or public entity ... or allow a deviation therefrom if particular **objectively verifiable facts or circumstances applicable to the organ of state or public entity necessitate an exemption or deviation.**
- The Minister must **publish the notice of exemption or deviation in the Gazette.**

Section 13G of the Amended Act reporting obligations:

- All public entities and organs of state must annually report on their compliance with B-BBEE in their audited annual financial statements and annual reports.
- All companies listed on the JSE, must report on their compliance in terms of B-BBEE, to the newly introduced B-BBEE Commission. The format of reporting is yet to be prescribed but given the requirement on public entities to do so in their annual reports one can expect a similar requirement on JSE listed companies.
- All SETAs must report to the Commission on skills development spending and programmes.

Punitive measures

Criminalises several offences - penalties of up to 10 years imprisonment and up to 10% of the annual revenue of the business involved or both.

Any person convicted of an offence in terms of the Amended Act may not for 10 years contract or transact any business with any organ of state or public entity. Also entered into a register of tender defaulters.

Amended Act expressly provides that it is an offence to knowingly:

- misrepresent or attempt to misrepresent the B-BBEE status of an enterprise;
- provide false information to or misrepresent information to a B-BBEE verification professional;
- provide false information to or misrepresent information to a public entity or organ of state;
- engage in fronting practice.

Commentary

- The term 'knowingly' does not mean that the individual involved had intent to defraud or misrepresent.
- If the misrepresentation happened negligently it would be sufficient to trigger the criminal offence that attracts the penalties referred to above.
- Places a significant onus on measured entities and verification professionals alike to ensure that the risk of misrepresentation is appropriately mitigated.

So what has changed?

Certain Scorecard weightings and points have been altered

-  Skills Development
-  Supplier and Enterprise Development (Procurement)

Certain **General Principles** have been altered

Certain **definitions** have been added, refined and clarified

So what has not changed?

Currently the scorecard changes do not affect QSEs and Sector Codes

BUT ...

the changed interpretations and definitions will apply in so far as they relate to the QSE scorecard.

Existing Sector Codes unaffected – but watch this space.

So what has not changed?

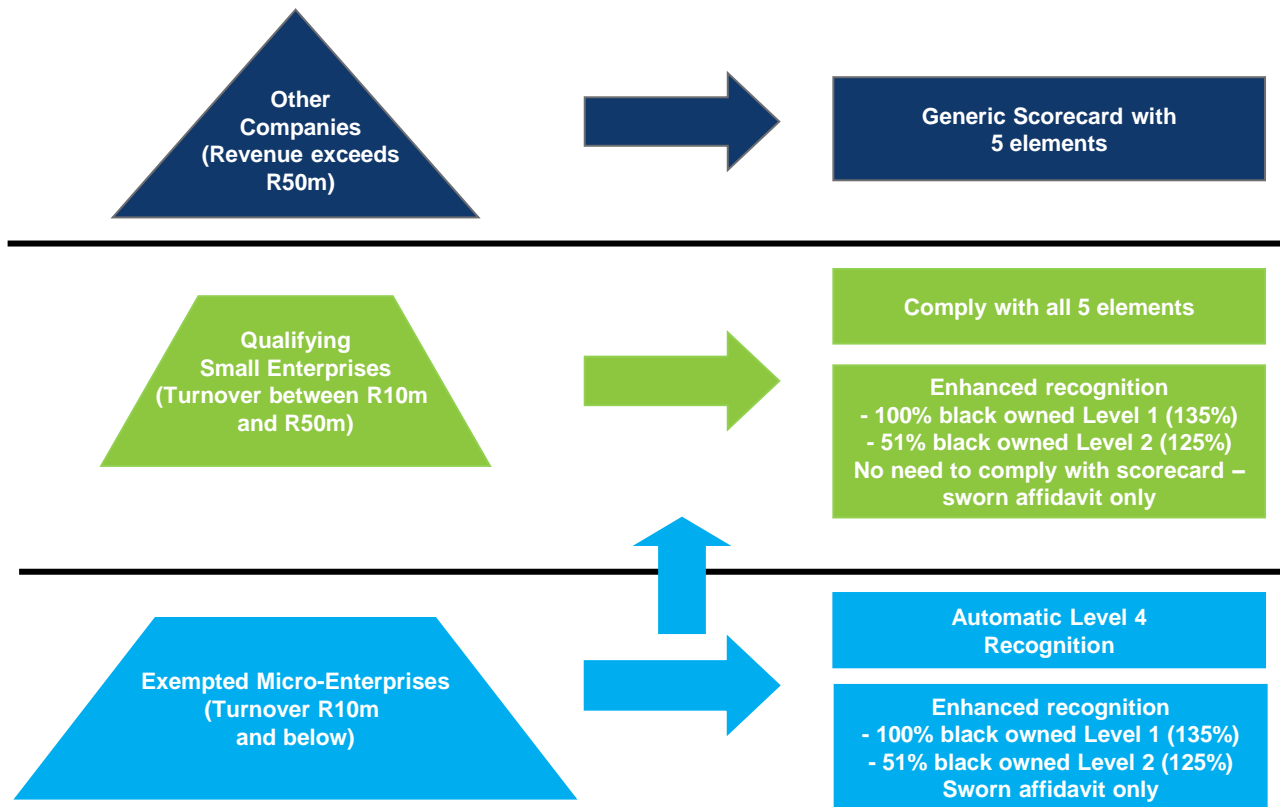
According to the Gazette these changes need to be implemented within six (6) months from 31 May 2019.

Commencement date should be the financial year starting on or after the implementation date (in this case 1 December 2019), **BUT**?

B-BBEE recognition level

B-BBEE Status	Qualification Points	B-BBEE Recognition Level
Level 1 Contributor	≥ 100	135%
Level 2 Contributor	≥ 95 but < 100	125%
Level 3 Contributor	≥ 90 but < 95	110%
Level 4 Contributor	≥ 80 but < 90	100%
Level 5 Contributor	≥ 75 but < 80	80%
Level 6 Contributor	≥ 70 but < 75	60%
Level 7 Contributor	≥ 55 but < 70	50%
Level 8 Contributor	≥ 40 but < 55	10%
Non-Compliant Contributor	< 40	0%

3 B-BBEE Categories



Exempted Micro-Enterprise (EME)

- Annual Total Revenue of **R10 million or less**
- Deemed to have a B-BBEE Status of “**Level Four Contributor**” having a B-BBEE recognition level of 100%
- Enhanced B-BBEE recognition:

EME which is 100% Black owned qualifies for elevation to “Level One Contributor” – B-BBEE recognition level of 135%

EME which is at least 51% Black owned qualifies for elevation to “Level Two Contributor” – B-BBEE recognition level of 125%

- EME is only required to obtain a sworn affidavit on an annual basis, confirming **Annual Total Revenue of R10 million or less; and Level of Black ownership.**

Start-Up Enterprises

Start-Up Enterprise are measured as an Exempted Micro-Enterprise.

Priority elements, sub-minimum and discounting principle

Ownership:

Sub-minimum of 40% of Net Value (40% of the 8 points) based on the Time-Based Graduation Factor.

Skills Development:

Sub-minimum of 40% of the total weighting points.

Enterprise and Supplier Development:

Sub-minimum of 40% for each of the three categories:

- **preferential procurement**
- **supplier development**
- **enterprise development.**

Compliance to priority elements

Large Enterprise is required to comply with **all 3 Priority Elements**.

Qualifying Small Enterprise (**QSE**) is required to comply with **Ownership** as a compulsory element, **and** Skills Development **or** Enterprise and Supplier Development.

Codes 100 – 500 : Generic

Overview of Elements: Total points 120 (111 plus 9 bonus)

Element	Points	Reference Code
Ownership	25	100
Management Control	15 (19)	200
Skills Development	20 + 5	300
Enterprise and Supplier Development	42 + 4	400
Socio-Economic Development	5	500

Statement 300



Skills Development



Statement 300:

The general principles for measuring Skills Development

Total number of Points has been **retained at 25**, BUT...

Changes include addition of **new criteria category - bursaries**, removal of **Unemployed Learner** category and changes in **points allocated**.

Measurement category under Learnerships, Apprenticeships and Internships **Number of Black Unemployed** People Participating in Training has been **removed** completely – previously 4 points.



Statement 300: Skills Development

Skills Development:

Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leivable Amount retained, but **number of points reduced** from 8 to 6, compliance **target reduced to 3.5%.**

In effect the compliance of 6% of the Leivable amount is retained but split over two Categories.



Statement 300: Skills Development

Scorecard changes:

Inserted entirely new Category of spend added - Skills Development Expenditure on **Bursaries** for **Black Students** at **Higher Education Institutions** for **4** weighting **points** with an expenditure compliance **target of 2.5%** of the so-called **Leviable amount**.

Application of **demographic targets** now also includes **Bursaries**; formulas are unchanged.

May not claim same spend under Skills Development Spend and Bursaries (**no double counting**).





Statement 300: Skills Development

In the category **Learnerships, Apprenticeships, and Internships** the compliance target increased to **5% of total employees (previously 2.5%)**.

Number of **Weighting Points** increased to **6 (previously 4)**.

A 100% increase in the Compliance Target but a 50% increase in the number of Points!





Statement 300: Skills Development

Skills Development criteria	Weighting points	Compliance targets
Skills development expenditure on any programme specified in the learning programme matrix for black people as a percentage of the leviable amount		
Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviable Amount	6 (was 8)	3.5% (was 6%)
Skills development expenditure on bursaries for black students at higher education institutions	4	2.5%
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%



Statement 300: Skills Development

Skills Development criteria

(Continued)

Learnerships, Apprenticeships and Internships

Number of black people participating in **learnerships, apprenticeships and internships** as a **percentage of total employees**

6

5%

~~Number of black unemployed people participating in training specified in the Learning Programme Matrix as a **percentage of number of employees**~~

~~4.0 removed~~

~~2.5% removed~~

Bonus points:

Number of black people **absorbed by the Measured and Industry Entity** at the end of the Learnerships programme

5

100%



Statement 300: Skills Development

Key measurement changes:

- The 3.5% compliance target under Skills Development Expenditure includes **External Training Expenditure for Unemployed Black People**.
- A Measured Entity must achieve a minimum of 40% of the total weighting points **excluding bonus points (40% of the 20 points)**.



Statement 300: Skills Development

Key measurement changes:

- Legitimate training costs such as accommodation, catering, travelling and cost of employing **a Skills Development facilitator or a training manager** (non-exhaustive) **cannot exceed more than 15% of the total value of Skills Development Expenditure.**
- **Category F & G now capped at 25% - previously 15%.**





Statement 300: Skills Development

Key measurement changes:

- **Salaries or wages** paid to an employee participating as a learner in any Learning Programme constitute Skills Development Expenditure if the Learning Programme is a Learnership, Internship and Apprenticeship (Category B, C and D) of the **Learning Programme Matrix** or **a stipend linked to a bursary programme** relating to the bursaries for Black Students at Higher Education Institutions.
- Effectively **now Category A, B, C and D.**



Statement 300: Skills Development

Category A Programmes: Bursaries or scholarships

- Narrative Description: **Institution based theoretical instruction** alone. Formally assessed by educational institutions established by or registered with the Department of Basic Education or the Department of Higher Education & Training.
- Delivery Mode: **Institutional instruction**.





Statement 300: Skills Development

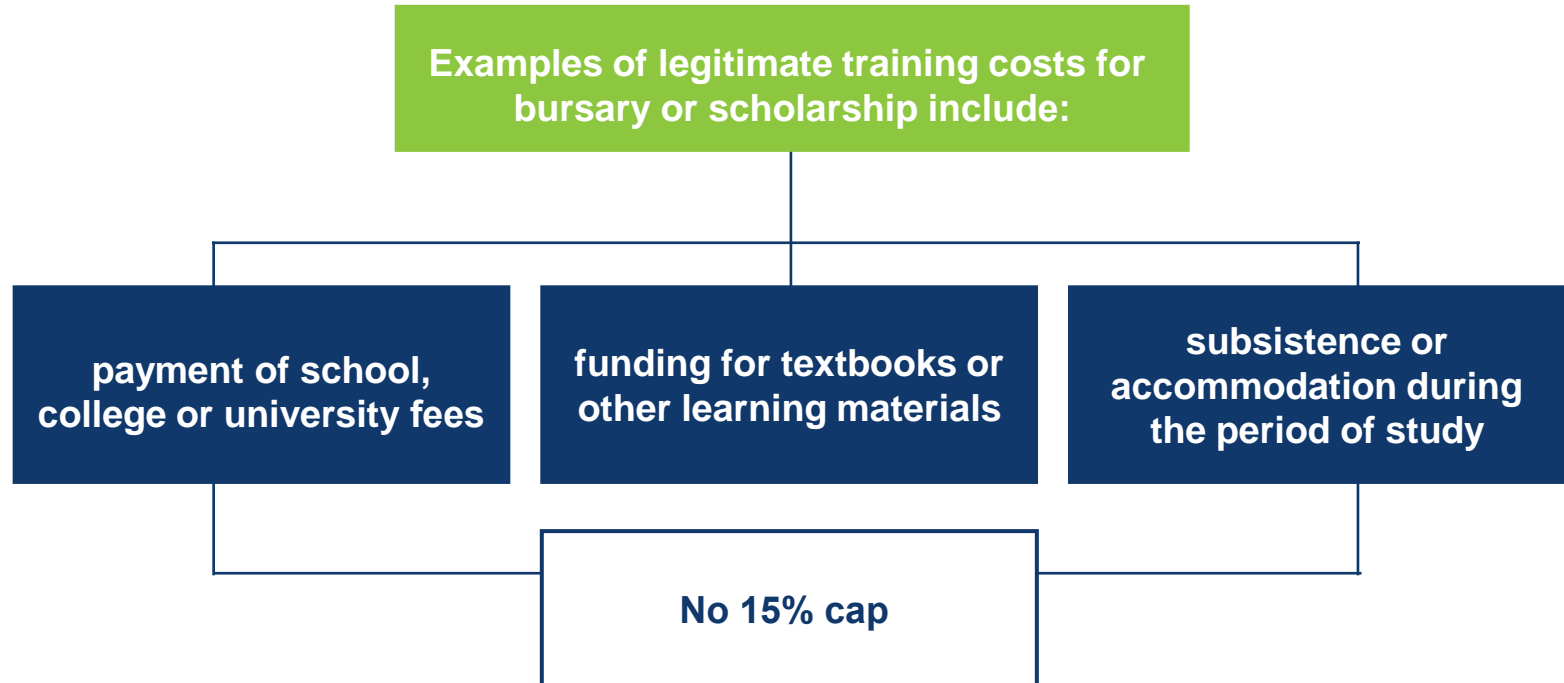
Category A Programmes: Bursaries or scholarships

- Learning Site: Institutions such as **universities and colleges, schools and ABET** providers.
- Learning Achievement: Recognised theoretical knowledge resulting in the achievement of a degree, **diploma or certificate** issued by an **accredited or registered formal institution of learning**.





Statement 300: Skills Development



Learning programmes matrix

Category / Programme	Narrative Description	Delivery Mode	Learning Site	Learning Achievement
Category A Bursaries or scholarships	Institution-based theoretical instruction alone – formally assessed by educational Institutions established by or registered with Department of Basic Education or the Department of Higher Education & Training	Institutional instruction	Institutions such as universities and colleges, schools, ABET providers	Recognised theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning
Category B Internships	Institution-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through the institution	Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment	Institutions such as universities and colleges, schools, ABET providers and workplace	Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning

Learning programmes matrix (Cont.)

Category / Programme	Narrative Description	Delivery Mode	Learning Site	Learning Achievement
Category C Learnerships	Recognised or registered structured experiential learning in the workplace that is required after the achievement of a qualification – formally assessed by a statutory occupational or professional body	Structured learning in the workplace with mentoring or coaching	Workplace	Occupational or professional knowledge and experience formally recognised through registration or licensing
Category D Learnerships or Apprenticeships	Occupationally-directed instructional and work-based learning programme that requires a formal contract – formally assessed by an accredited body	Institutional instruction together with structured, supervised experiential learning in the workplace	Institution and workplace	Theoretical knowledge and workplace learning, resulting in the achievement of a South African Qualifications Authority registered qualification, a certificate or other similar occupational or professional qualification issued by an accredited or registered formal institution of learning

Learning programmes matrix (Cont.)

Category / Programme	Narrative Description	Delivery Mode	Learning Site	Learning Achievement
Category E Work-integrated learning	Occupationally-directed instructional and work-based learning programme that does not require a formal contract – formally assessment by an accredited body	Structured, supervised experiential learning in the workplace which may include some institutional Instruction	Workplace, institutional as well as ABET providers	Credits awarded for registered unit standards , continued professional development, improved performance or skills (e.g. evidence of outputs based on Performance Development Programme)
Category F Informal training	Occupationally-directed informal instructional programmes	Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses	Institutions, conferences and meetings	Continuing professional development, attendance certificates and credits against registered unit standards (in some instances)

Statement 400



Enterprise and Supplier Development



Statement 400: Enterprise and Supplier Development 46 points (was 44)

Two (2) additional weighting points for Preferential Procurement - total points **46** (previously 44).

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 **increased to 11 points** (previously 9) with the **compliance target increased to 50%** (previously 40%).





Statement 400: Enterprise and Supplier Development 46 points (was 44)

Enterprise and supplier development criteria	Weighting points	Compliance target
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	11 (was 9)	50% (was 40%)
Continued/...		



Statement 400: Enterprise and Supplier Development 46 points (was 44)

Enterprise and supplier development criteria	Weighting points	Compliance target
Preferential procurement (continued)		
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%



Statement 400: Enterprise and Supplier Development 46 points (was 44)

Enterprise and supplier development criteria	Weighting points	Compliance target
Supplier development		
Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	10	2% of NPAT
Enterprise development		
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
Bonus points:		
Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level	1	
Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	1	



Statement 400: Enterprise and Supplier Development - Key measurement changes

Beneficiaries of Supplier Development or Enterprise Development are **EMEs**, **QSEs** or Generic (proviso) Entities which are at least **51% Black Owned** or 51% Black Women Owned utilizing the **flow through principle**.

However, for **Generic** Entities, at the **first instance** of receiving assistance from the Measured Entity, it was identified that such **suppliers were EMEs or QSEs**.

This recognition for Generic Entities will **only be allowed for 5 years from the first time of receiving assistance** from the Measured Entity.



Statement 400: Enterprise and Supplier Development - Key measurement changes

Multiplier of 1.2 recognition boost for purchasing from **51%** 'Black'-owned suppliers (first time suppliers removed).

Guarantees in the Benefit Factor Matrix amended - **50%** of guarantees provided on behalf of a Beneficiary can now be claimed (3% previously).

A **Supplier Development Beneficiary** is a part of the **Measured Entity's supply chain**, whereas an Enterprise Development Beneficiary is not.



Statement 400: Enterprise and Supplier Development - key measurement changes

Rules relating to NPAT usage:

Supplier Development (SD) and Enterprise Development (ED) Contributions recognised as a percentage of annual Net Profit After Tax (NPAT). The NPAT or 5 average target applies unless:

- Company does not make a profit in the measurement year or on average over the last five years. (Sector Codes do sometimes vary – 3 years)
- Established NPAT amount and compare to 5 year annual average and industry norms



Statement 400: Enterprise and Supplier Development - key measurement changes

Rules relating to NPAT usage:

- If Net profit margin less than a quarter of the Industry Norm – then use the calculated quarter of the Industry Norm .

The industry norm is calculated as follows: ✓

Table 9 Stats SA publication P0044 March 2021 - Community, social and personal services industry (excluding government and educational institutions) ✓

	Table 9 March 2021 ✓	Stats SA Publication P0044 - Table 9 - Community, social and personal services industry ✓
Profit before Tax - Per Table	R 7 377 ✓	Agreed to Stats SA P0044 Publication ✓
Tax - Per Table	R 816 ✓	Agreed to Stats SA P0044 Publication ✓
NPAT	R 6 561	
Turnover - Per Table	R 69 286 ✓	Agreed to Stats SA P0044 Publication ✓
NPAT%	9.469%	
One quarter thereof	2.367%	
Turnover - Per Client AFS	R 129 631 999 ✓	Agreed to ME's AFS ✓
	<R1.10	
Indicative NPAT	(B) 3 068 858 ✓	
SD Target	R 61 377	N/A Actual NPAT used ✓
ED Target	R 30 689	N/A Actual NPAT used ✓

- If the Turnover is to be used, the target will be set at:
1% (ED) or 2% (SD) x Indicative Profit Margin (NPAT/Turnover) x Turnover.

The industry norm is calculated as follows: ✓

Table 9 Stats SA publication P0044 March 2021 - Community, social and personal services industry (excluding government and educational institutions) ✓

Profit before Tax - Per Table

Tax - Per Table

NPAT

Turnover - Per Table

NPAT%

One quarter thereof

Turnover - Per Client AFS

Indicative NPAT

SD Target

ED Target

Table 9 ✓ March 2021	
R	✓ 7 377
R	✓ 816
R	6 561
R	✓ 69 286
	9.469%
	2.367%
R	✓ 129 631 999
	<F1.10
R	(B) ✓ 3 068 858
R	61 377
R	30 689

Stats SA Publication P0044 - Table 9 - Community, social and personal services industry

Agreed to Stats SA P0044 Publication ✓

Agreed to Stats SA P0044 Publication ✓

Agreed to Stats SA P0044 Publication ✓

Agreed to ME's AFS ✓

N/A Actual NPAT used ✓

N/A Actual NPAT used ✓



Enterprise and supplier development 'Benefit Factor Matrix'

Qualifying contribution type	Contribution amount	Benefit factor
Grant and related contributions		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting Enterprise Development and Supplier Development	Verifiable Cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting Enterprise Development and Supplier Development	Discount Amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting Enterprise Development and Supplier Development (including people appointed in Enterprise Development and Supplier Development)	Verifiable Costs (including both monetary and non-monetary)	70%
		Continued/...



Enterprise and supplier development 'Benefit Factor Matrix'

Qualifying contribution type	Contribution amount	Benefit factor
(Continued)		
Loans and related contributions		
Interest-free loan with no security requirements supporting Enterprise Development and Supplier Development	Outstanding loan amount	70%
Standard loan to Enterprise Development and Supplier Development beneficiaries	Outstanding loan amount	50%
Guarantees provided on behalf of a Beneficiary entity	Guarantee amount	50% (was 3%)
Lower interest rate	Outstanding loan amount	Prime rate – actual rate
		Continued/...



Enterprise and supplier development 'Benefit Factor Matrix' (Cont.)

Qualifying contribution type	Contribution amount	Benefit factor
(Continued)		
Equity investments and related contributions		
Minority investment in Enterprise Development and Supplier Development Beneficiaries	Investment amount	70%
Enterprise Development and Supplier Development investment with lower dividend to financier	Investment amount	Dividend rate of ordinary shareholders – actual dividend rate of contributor
Continued/...		



Enterprise and supplier development 'Benefit Factor Matrix'

Qualifying contribution type	Contribution amount	Benefit factor
(Continued)		
Contributions made in the form of human resource capacity		
Professional services rendered at no cost and supporting Enterprise Development and Supplier Development	Commercial hourly rate of professional	60%
Professional services rendered at a discount and supporting Enterprise Development and Supplier Development	Value of discount based on commercial hourly rate of professional	60%
Time of employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	60%
Continued/...		



Enterprise and supplier development 'Benefit Factor Matrix'

Qualifying contribution type	Contribution amount	Benefit factor
(Continued)		
Other contributions		
Shorter payment periods	Percentage of invoiced amount multiplied by 15% (being an approximation of the cost of short term funding)	Percentage being 15 days less the number of days from invoice to payment – maximum points that can be scored is 15% of 10 points

Statement 000



General Principles and the Generic Scorecard

Statement 000:

General principles and the generic scorecard

Measurement of Unincorporated Joint Ventures:

- Unincorporated JVs required to compile a consolidated verification certificate (CVC). A CVC **consolidates the verified compliance data of JV partners** as if they were a single Measured Entity.
- Consolidation of compliance data based on **weighting in the JV agreement** relevant to the specific JV. If two companies enter into an Unincorporated JV their **respective scores**, based on the relevant Codes, are **weighted** according to their **proportionate share** in the **JV** and **added together** - combined score out of 100.

Statement 000:

General principles and the generic scorecard

Measurement of Unincorporated Joint Ventures:

- Should a company qualify in terms of the Qualifying Small Enterprise Scorecard its B-BBEE score out of 100 must be used to calculate the consolidated score.
- **51%** Black Owned **EMEs and QSEs** qualify for a score of **95 points**.
- **100%** Black Owned **EMEs and QSEs** will qualify for a score of **100 points**.
- **EMEs without 51% or 100% Black Ownership** qualify for a score of **85 points**.

Statement 000:

General principles and the generic scorecard

Measurement of Unincorporated Joint Ventures:

- Notwithstanding the B-BBEE Status Level attributed to the JV in terms of the above mechanism, the **black ownership** of the respective partners may be **flowed through** to the JV in proportion to the respective **JV partners' economic interest** and **voting rights** in the **JV** as determined by the JV **agreement**.
- The JV B-BBEE Certificate is **valid for 12 months** and **only applicable to a specific project**.

Statement 000:

General principles and the generic scorecard

Discounting Principal Effect

- The **discounted level** will be **recorded** and be the applicable **status level** for that Measured Entity.

Eligibility as a Qualifying Small Enterprise (QSE)

- Even if a **black-owned QSE** qualifies for enhanced B-BBEE recognition level it may be measured in terms of the **QSE scorecard**, should it so choose.

Eligibility as a Generic Enterprise

- Confirms an enterprise with annual Total Revenue of R50 Million and more qualifies as a Large Enterprise.

Interpretation and definitions

Interpretation and definitions

“Absorption” means a measure of the Measured Entity’s ability to successfully secure a **long-term contract of employment** for the Employee, Learner, Intern or Apprentice.

“Long-term contract of employment” means a legal agreement between an individual and an entity that this **individual would work for until his or her mandatory date of retirement.**

Interpretation and definitions

“Current Equity Interest Date” (Time Apportionment rule) means the later occurring of the date of commencement of statement 100 and the **date** upon which the transaction undertaken by the Measured Entity in order to achieve **black rights of ownership**, became **effective and unconditional**.

“Critical Skills” means those skills identified as being critical by the **relevant** SETA – previously any SETA.

Interpretation and definitions

“Apprenticeship” means an agreement between an apprentice and an employer for a set period of time during which the apprentice works and receives training in the workplace (definition inserted).

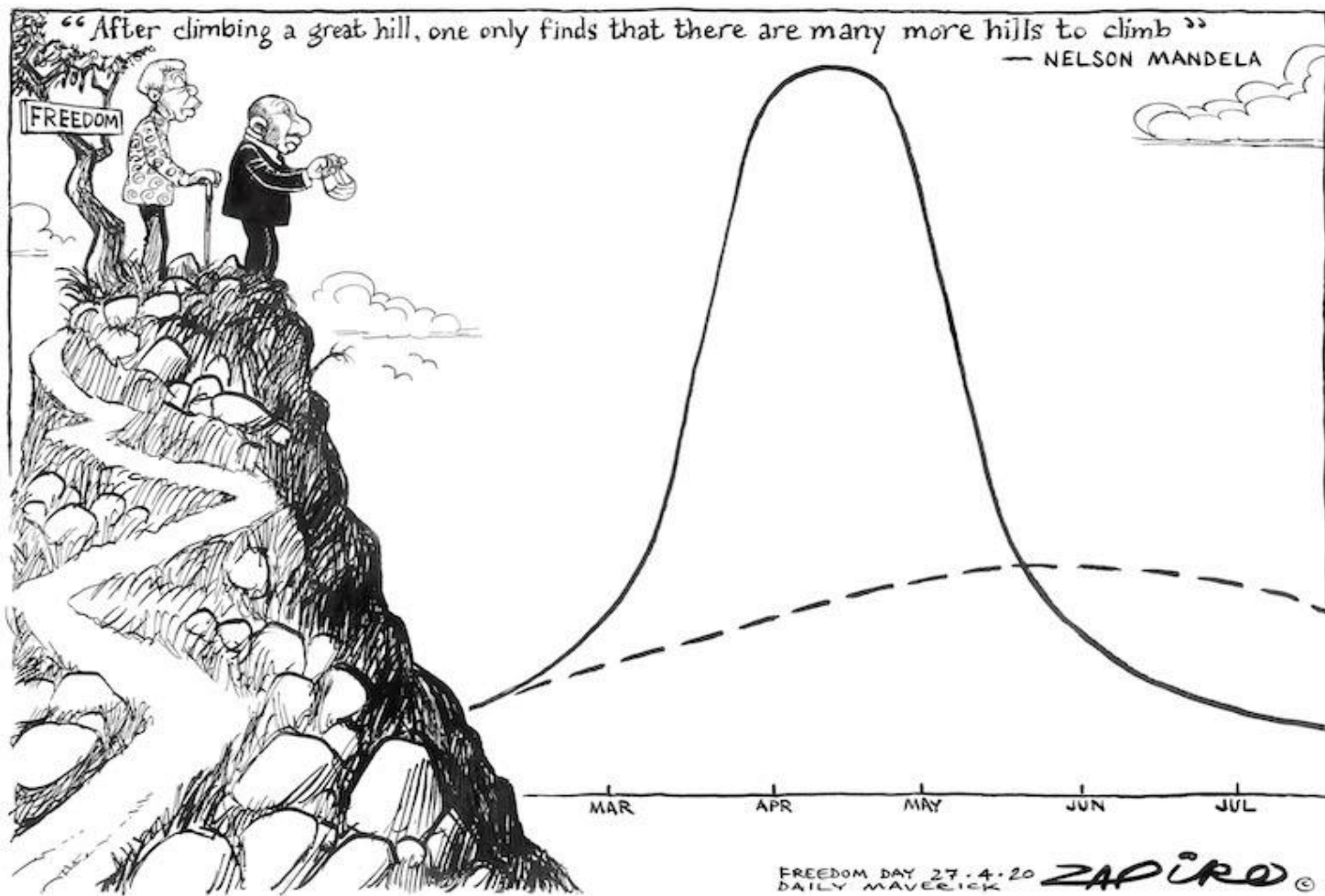
“Designated Group Supplier” means supplier to Measured Entity that is at least **51%** owned by one or more categories of ownership within its structure **(Black Unemployed, Youth, Disabled people, Living in Rural and Under-developed areas and Military Veterans** (definition inserted).

Interpretation and definitions

“30% Black Women Owned” means an Entity in which: Black women hold at least 30% of the exercisable voting rights, economic and has earned all the points for Net Value under statement 100. (Previous confusing as it meant more than 30%.)

“Qualifying ESD Contributions” amends qualification of beneficiaries to 51% Black Owned or Black Women owned QSEs or EMEs. (Previously it included 30% Black Women owned entities.)

COVID-19 impact and response





COVID-19: remote on-site assessments ends 31 March 2022

A remote assessment is defined as an assessment of the physical location or virtual site of a conformity assessment body, using electronic means.

An interim measure was put in place by SANAS to continue verification by implementing the remote assessment technique in early 2020.

Verification/Rating Agencies are required to follow the requirements of R47-03 Clause 18.1 as from **1st April 2022**, i.e. required to conduct physical on-site verification as from 1 April 2022.

Be prepared for this change.

So how have we responded ?

Certain Scorecard weightings and points have been altered



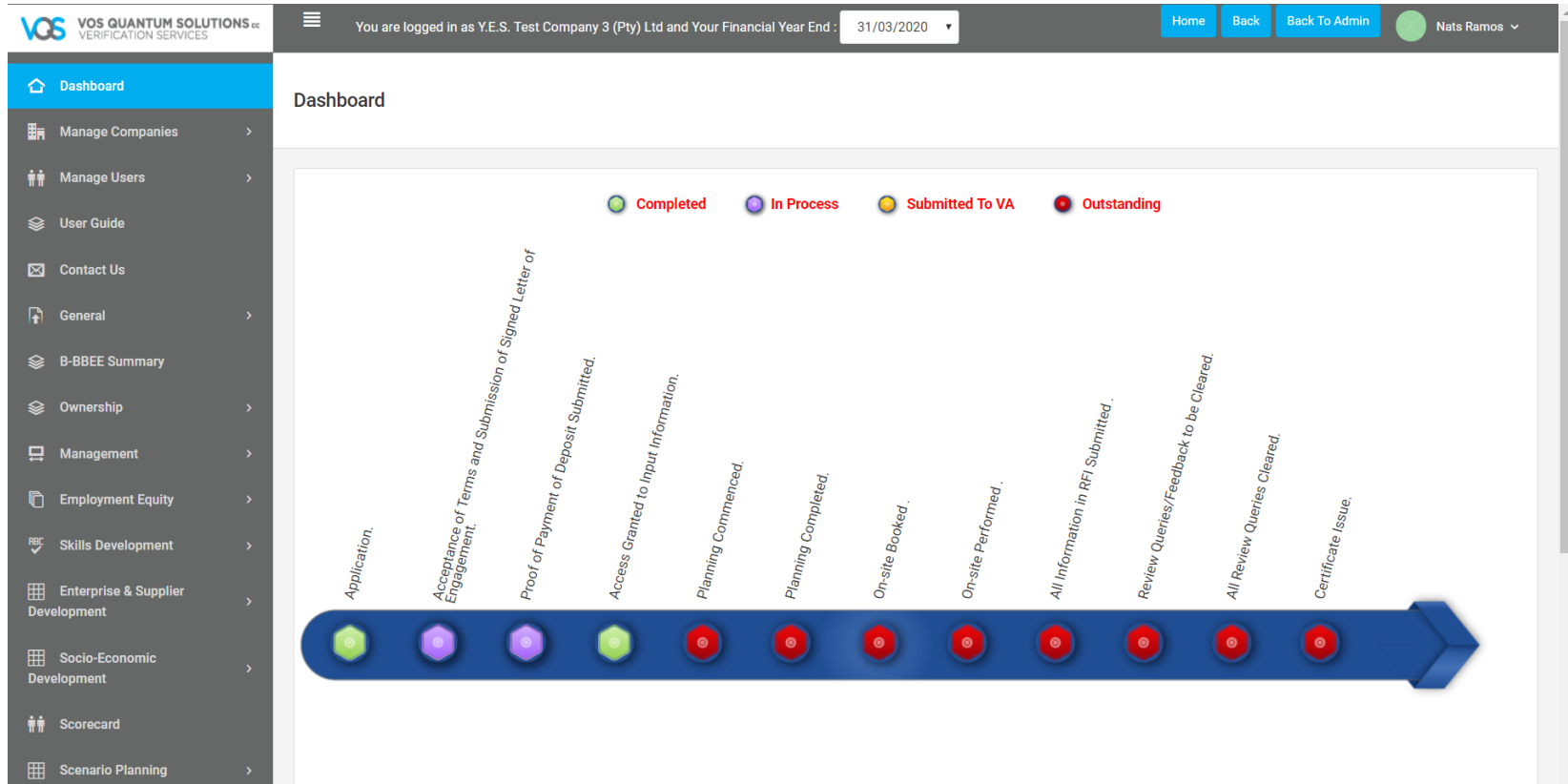
Verification Online Management and Document Control System (VOS)



Paperless verification methodology introduced

Launched VOS April 2020 – clients delighted and more than 60 large multinational and national listed entities and subsidiaries verifications completed, and Certificates & Scorecards issued during lockdown.

Verification Online Management and Document Control System (VOS)



Verification Online Management and Document Control System (VOS)

Features of the VOS system include:

- emphasis placed on the submission, tracking and management of necessary electronic documentation from multiple sources, in a secure operating environment
- particularly useful tool during this time of lockdown, promoting efficient and effective remote operations
- enables all people involved in verification process to work remotely
- progress tracking control and provides a secure platform for document and information exchanges
- facilitates uploading of claim schedules, general supporting and sampled documents

Features of the VOS system (cont)

- enables designated persons involved in the verification process to **dynamically manage, track and monitor** the verification process
- **interactive exchanges** between the client scorecard element champion and the analyst
- adds significant value from a **communication and accountability** perspective

While system created specifically to accommodate the provisions of the General Amended Codes, it is suitable as a **process management tool for all Sector Codes.**

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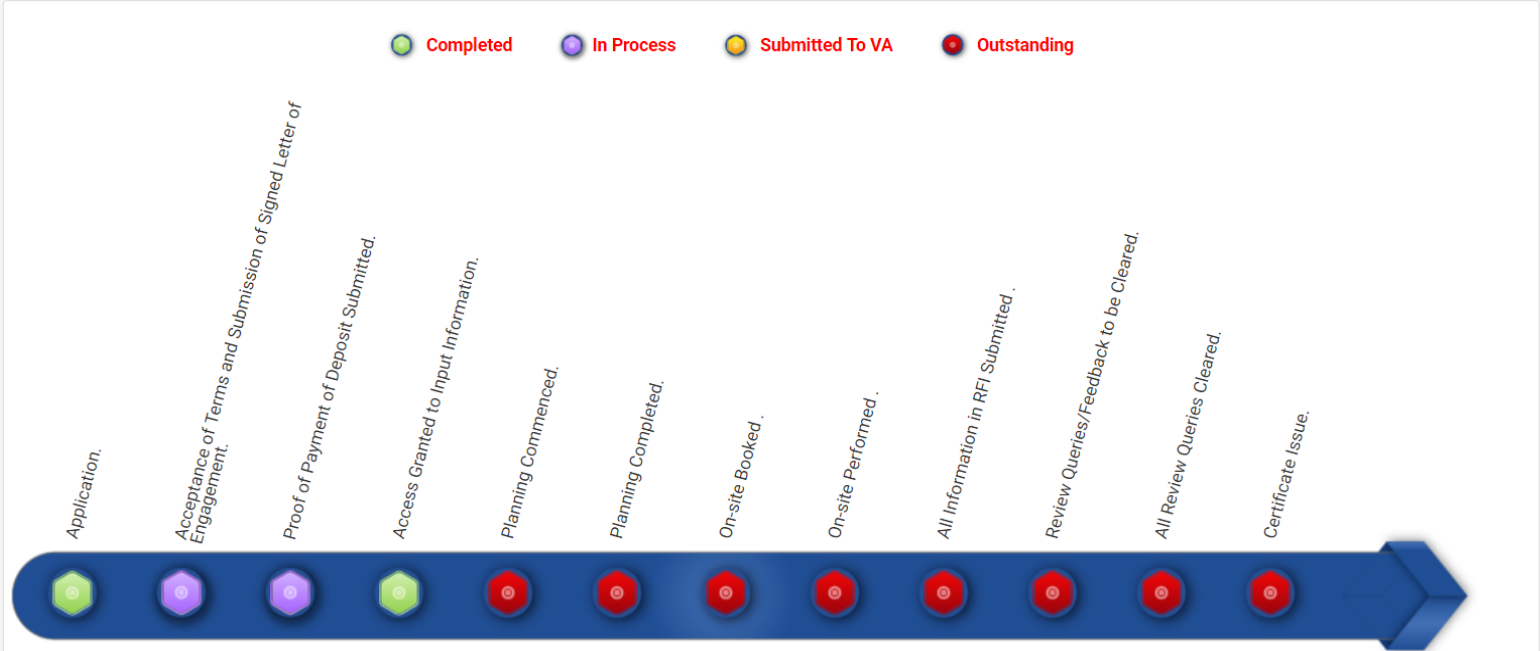
Enterprise & Supplier Development >

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Scorecard

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Detailed Client Scorecard

VQS

VOS QUANTUM SOLUTIONS cc
VERIFICATION SERVICES

You are logged in as Y.E.S. Test Company 3 (Pty) Ltd and Your Financial Year End : 31/03/2020

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Scorecard

Scenario Planning

Targets

Scorecard

ExportPrint PDF

Generic Scorecard	Score	Compliance Target	Target Score	Element Score
Ownership				
Voting Rights	2.03	25.00%	4.00	15.24
Women Voting Rights	0.94	10.00%	2.00	
Economic Interest	2.11	25.00%	4.00	
Women Economic Interest	0.94	10.00%	2.00	
Broad Based	3.00	3.00%	3.00	
Net Value	4.22	0.00	8.00	
New Entrant	2.00	2.00%	2.00	
Management				
Board Representation - Black	2.00	50.00%	2.00	13.19
Board Representation - Black Females	1.00	25.00%	1.00	
Black Executive Directors	1.60	50.00%	2.00	
Black Executive Directors - Females	0.80	25.00%	1.00	
Black Executive Management	1.11	60.00%	2.00	
Black Executive Management - Females	0.56	30.00%	1.00	
Black senior management	1.35	60.00	2.00	

B-BBEE required documentation for verification

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

General

- Latest Annual Financial Statements
- General Ledger / Trial Balance (management accounts) for the 12 month period of the latest Annual Financial Statements (if unaudited)
- If latest Annual Financial Statements are not yet available:
 - Signed off management accounts for the last financial year
 - Annual Financial Statements for the prior financial year

Required documentation for B-BBEE Verification (cont.)

Generic Enterprise (Annual Turnover over R50 million)

Ownership (only if there is black ownership in the entity)

- Completed ownership schedule
- Valuation of the entity
- If the ownership structure is complex, provide full details
- Registration documentation of the entity
- Share certificates (if applicable)
- Certified copies of all members/partners/shareholders identity documents or passports
- Financing/Loan agreements

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Ownership (only if there is black ownership in the entity)

- Agreement of Sale for the purchase of shares/members interest
- Shareholders/partners/association agreements
- Proof of outstanding amount of loan for acquisition of equity (e.g. confirmation from bank)
- If the equity is held by a trust: trust deed and certified copies of the beneficiaries' identity documents or passports
- Black ownership information for any corporate investors

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Management Control

- Completed executive and S,M,J management schedule
- Organogram of the entity
- COR39 / CK2 and CK2A
- Certified copies of all Top Managers' identity documents or passports must be available for sampling
- Latest Employment Equity report filed with the Department of Labour (if applicable)
- Have all managers' contracts/files available for sampling
- Copy of most recent payroll
- Certified copies of all Managers' and employees' identity documents or passports must be available for sampling

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Skills Development

- Completed skills development schedule
- Tax clearance certificate reflecting Skills Development Levy
- Copy of Workplace Skills Plan and Annual training report and Pivotal report which are SETA approved
- Proof of WSP/ATR approval from the SETA
- Implementation of Priority Skills programme generally, and more specifically for black people
- Skills Development Levy returns (EMP201) for the 12 month period of the latest Annual Financial Statements/management accounts.

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Skills Development

- Certified copies of identity documents of black employees who benefit from skills development spend must be available for sampling
- Copies of learnership contracts (if applicable) must be available for sampling
- Have all invoices/proof of payments/learnership agreements available for sampling

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Enterprise and Supplier Development

- Completed preferential procurement, enterprise development and supplier development schedule
- Copies of B-BBEE verification certificates from suppliers must be available for sampling
- Copies of invoice listings in Excel format for sampling
- Have all invoices from suppliers available for sampling
- Copies of imports listing in Excel format as well as a letter stating why it is necessary to import

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Enterprise and Supplier Development

- The Excel imports listing should specify capital and non-capital imported procurement, and split the total value for capital vs non-capital imports
- Based on the value of non-capital imports, we will need the ED/SD plan, as well as proof of implementation to support local qualifying Empowering Suppliers that locally manufacture goods and services that are otherwise normally imported. The plan does not need to relate to specific goods or services imported, but should include:
 - Clear Objectives
 - Priority Interventions
 - Key Performance Indicators, and
 - A concise implementation plan with clearly articulated milestones

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Enterprise and Supplier Development

- Where specific goods/services are not produced or supplied locally, please include all motivations and reasoning with your plan. If this plan is not supplied, we cannot exclude the value of non-capital import items from the TMPS
- Completed enterprise/supplier development beneficiary confirmation letters and agreements
- Copies of B-BBEE certificates from enterprise/supplier development beneficiaries/evidence of their B-BBEE status and black ownership
- Have all invoices/proof of contributions available for sampling
- Confirmation from beneficiaries regarding job creation (Bonus point)
- Confirmation regarding supplier graduation (Bonus point)

Required documentation for B-BBEE Verification

Generic Enterprise (Annual Turnover over R50 million)

Socio-Economic Development

- Completed socio-economic development schedule
- Confirmation from socio-economic development beneficiaries confirming their percentage of black beneficiaries and your contribution
- Independent competent person's report confirming percentages of black beneficiaries
- Have all invoices/proof of contributions available for sampling

General Codes:

Element scorecard principles, criteria

Statement 100



Ownership

Code 100 : Ownership scorecard

Category	Ownership criteria	Weighting points	Compliance target
Voting Rights	a) Exercisable Voting Rights in the Enterprise in the hands of black people	4	25% + 1 vote
	b) Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%
Economic Interest	c) Economic Interest in the Enterprise to which black people are entitled	4	25%
	d) Economic Interest in the Enterprise to which black women are entitled	2	10%
	e) Economic Interest of any of the following black natural people in the Measured Entity: black designated groups black participants Employee Share Ownership Programmes black people in Broad-Based Ownership Schemes black participants in Co-operatives	3	3%
	f) New Entrants	2	2%
Realisation Points	Net Value	8	Refer to Annexe C

General principles

Black people may hold their rights of Ownership in a Measured Entity as direct Participants or as Participants through some form of Entity such as:

- a Company as defined in the Companies Act of 2008 (as amended)
- a Close Corporation
- a Co-operative
- a Trust
- a Broad-Based Ownership Scheme
- an Employee Share Ownership Programme
- a partnership or other association of natural persons, and
- any form of juristic person recognised under South African law.

Definitions

“Black Designated Groups”	<ul style="list-style-type: none">a) unemployed black people not attending and not required by law to attend an educational institution and not awaiting admission to an educational institution;b) black people who are youth as defined in the National Youth Commission Act of 1996;c) black people who are persons with disabilities as defined in the Code of Good Practice on employment of people with disabilities issued under the Employment Equity Act;d) black people living in rural and under-developed areas;e) black military veterans who qualify to be called military veterans in terms of the Military Veterans Act 18 of 2011.
“Black New Entrants”	Black participants who hold rights of ownership in a Measured Entity and who, before holding the Equity Instrument in the Measured Entity, have not held equity instruments in other Entities which has a total value of more than R50,000,000.

Flow-Through and Modified Flow-Through Principles

As a general principle, when measuring the rights of ownership of any category of black people in an entity, only rights held by **natural persons** are relevant.

In determining the entitlement of any category of black people to share in the economic interest of or to exercise voting rights in an entity, the test is the **economic interest and voting rights which black people, who are natural persons, are entitled to**. The same principle will apply across every tier of ownership in a multi-tiered chain of ownership by juristic persons, until that chain ends in a natural person who is a black person holding the rights of ownership. This is termed the “**Flow-Through Principle**”.

Flow-Through and Modified Flow-Through Principles

Calculating the Flow-Through Principle across one or more intervening juristic persons entails multiplying the percentage of the black participant's rights of ownership in the juristic persons through which those rights pass by the percentage rights of ownership of each of those juristic persons successively to the Measured Entity.

Flow-Through and Modified Flow-Through Principles

There is an exception - the “**Modified Flow-Through Principle**” which applies to any BEE owned or controlled company in the ownership of the Measured Entity where in the chain of ownership, black people have a flow-through level of participation of **at least 51 per cent**. Then **only once in the entire ownership structure of the measured entity may such black participation be treated as if it were 100 per cent black** *in calculating Exercisable Voting Rights in the entity in the hands of black people and the Economic Interest of black people in the entity. In all other instances, the Flow-Through Principle applies.*

Priority elements, sub-minimum and discounting principle

Ownership:

Sub-minimum of 40% of Net Value
(40% of the 8 points) based on
the Time-Based Graduation Factor.



Statement 200



Management control

Code 200 : Management Control scorecard

Category	Management control criteria	Weighting points	Compliance target
Board Participation	a. Exercisable Voting Rights of black board members as a percentage of all board members	2	50%
	b. Exercisable Voting Rights of black female board members as a percentage of all board members	1	25%
	c. Black executive directors as a percentage of all executive directors	2	50%
	d. Black female executive directors as a percentage of all executive directors	1	25%
Other Executive Management	a. Black executive management as a percentage of all executive management	2	60%
	b. Black female executive management as a percentage of all executive management	1	30%
Senior Management	a. Black employees in senior management as a percentage of all senior management	2	60%
	b. Black female employees in senior management as a percentage of all senior management	1	30%

General principles

Executive Management positions include the following:



B-BBEE amendments iro EAP

- Complex formulas have been introduced for the measurement of senior management, middle management and junior management indicators.
- The demographic representation of black people, using adjusted Economically Active Population statistics for each specific black race group - African Male, African Female, Coloured Male, Coloured Female, Indian Male and Indian Female.

Code 200 : Management Control scorecard

Continued ...

Category	Management Control criteria	Weighting points	Compliance target
Middle Management	a. Black employees in middle management as a percentage of all middle management	2	75%
	a. Black female employees in middle management as a percentage of all middle management	1	38%
Junior Management	a. Black employees in junior management as a percentage of all junior management	1	88%
	a. Black female employees in junior management as a percentage of all junior management	1	44%
Employees with disabilities	a. Black employees with disabilities as a percentage of all employees	2	2%

Management Control

The EAP Statistics are reported on the following race groups:

Statistic	African male	African female	Coloured male	Coloured female	Indian male	Indian female	White male	White female
Abbreviation	AM	AF	CM	CF	IM	IF	WM	WF

Statement 500



Socio-Economic Development contributions

Code 500 : Socio-Economic Development

Criteria	Weighting points	Compliance target
Annual value of all Socio-Economic Development contributions by the Measured Entity as a percentage of the target	5	1% of NPAT

Socio-Economic Development

SED contributions consist of monetary and non-monetary contributions made to qualifying black beneficiaries.

SED contributions recognisable annually and need to be quantifiable as a monetary value using a Standard Valuation Method.

Socio-Economic Development

No portion of the value of any SED contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.

The full value of SED contributions made to beneficiaries is recognisable if at least 75 per cent of the value directly benefits black people. Where less than 75 per cent then the percentage value that benefits black people is recognisable.

Socio-Economic Development

Qualifying Socio-Economic Development Contributions include:

- Development programmes for women, youth, people with disabilities, people living in rural areas
- Healthcare and HIV/Aids programmes
- Support for education programmes, resources and materials at primary, secondary and tertiary education level, bursaries and scholarships
- Training in communities, skills development for unemployed people and adult basic education (ABET)
- Arts, culture and sporting development programmes.

Socio-Economic Development

Approved Socio-Economic Development projects include:

- Environmental conservation, awareness, education and waste management
- Infrastructural development, enterprise creation or reconstruction in underdeveloped areas, rural communities or geographic areas identified in the government's integrated sustainable rural development or urban renewal programmes
- New projects promoting beneficiation.

Socio-Economic Development

Forms of Socio-Economic Development Contributions by an entity to qualifying beneficiaries include:

- Grant contributions
- Guarantees or security provided
- Direct costs incurred in assisting beneficiaries
- Overhead costs which are directly attributable
- Developmental capital advanced to communities
- Preferential terms granted for supply of goods or services to beneficiary communities
- Payments made to third parties to perform socio-economic development on the enterprise's behalf
- Provision of training or mentoring to beneficiary communities
- Maintenance by the enterprise of a socio-economic development unit which focuses only on support of beneficiaries and beneficiary communities. These amounts are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the enterprise in carrying out such initiatives.

Socio-Economic Development

A clear justification must support any claim for time costs incurred, and must be commensurate with the seniority and expertise of the trainer or mentor.

Only on the portion of salaries and wages attributable to time spent by the staff, and the other expenses related to promoting and implementing socio-economic development constitute contributions may be claimed.



Socio-Economic Development benefit matrix

A clear justification must support any claim for time costs incurred, and must be commensurate with the seniority and expertise of the trainer or mentor.

Only on the portion of salaries and wages attributable to time spent by the staff, and the other expenses related to promoting and implementing socio-economic development constitute contributions may be claimed.

Qualifying contribution type	Contribution Amount	Benefit Factor
Grant and Related Contributions		
Grant Contribution	Full Grant Amount	100%
Direct Cost incurred in supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Verifiable Cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Discount Amount (in addition to normal business discount)	100%
Overhead Costs incurred in supporting socio-economic development, sector specific initiatives or Approved Socio- Economic Development Contributions	Verifiable Costs (including both monetary and non-monetary)	80%

Socio-Economic Development benefit matrix

Qualifying contribution type	Contribution Amount	Benefit Factor
(Continued)		
Contributions made in the form of human resource capacity		
Professional services rendered at no cost supporting socio- economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Commercial hourly rate of professional	80%
Professional services rendered at a discount supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Value of discount based on commercial hourly rate of professional	80%
Time of employees productively deployed in assisting beneficiaries and supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Monthly salary divided by 160	80%

Qualifying Small Enterprise (QSE)

Qualifying Small Enterprise (QSE)

- Annual Total Revenue of between **R10 million and R50 million** qualifies as a Qualifying Small Enterprise
- QSE must comply with all of **5 elements** of B-BBEE
- enhanced B-BBEE recognition level for QSE:
 - 100% Black owned qualifies for a Level One Contributor and B-BBEE recognition level of 135%
 - 51% Black owned qualifies for Level Two Contributor and B-BBEE recognition level of 125%
- QSE is only required to obtain a sworn affidavit on an annual basis, confirming
 - Annual Total Revenue of R50 million or less; and
 - Level of Black ownership.

Qualifying Small Enterprise scorecard

Element	Weighting	Code Series 600
Ownership	25 points	601
Management Control	15 points	602
Skills Development	25 points + 5 *	603
Enterprise and Supplier Development	30 points + 2 *	604
Socio-Economic Development	5 points	605

Statement 601

Ownership for QSE

Statement 601: Ownership for QSE

QSE ownership scorecard

Category and Ownership Indicator	Weighting points	Compliance targets
Voting rights:		
Exercisable Voting Rights in the Enterprise in the hands of black people	5	25% + 1 vote
Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%

Statement 601: Ownership for QSE

QSE ownership scorecard (cont.)

Category and ownership indicator	Weighting Points	Compliance Targets
Economic interest:		
Economic interest of black people in the enterprise	5	25%
Economic interest of black women in the enterprise	2	10%
New entrants or black designated groups	3	2%
Realisation points:		
Net value	8	Refer to annex 100 (E)

Statement 601: Ownership for QSE Key measurement principles and sub-minimum requirements

- General principles.
- Key Measurement Principles, sub-minimum requirements, any interpretation or calculation of a QSE score for ownership must be made in accordance with statement 100.



Statement 602

Management Control for QSE

Statement 602: Management Control for QSE

QSE Management Control scorecard

The following table represents the indicators and method for calculating a score for management control under this statement:

Management Control criteria	Weighting Points	Compliance Targets
Executive management		
Black representation at executive management	5	50%
Black female representation at executive management	2	25%
Senior, middle and junior management		
Black representation at senior, middle and junior management	6	60%
Black female representation at senior, middle and junior management	2	30%

Statement 602: Management Control for QSE key measurement principles

- For the purpose of QSE scorecard, executive management include other executive management as described under the general principles of statement 200.
- The demographic representation of black people as defined in the Regulations of Employment Equity Act and Commission on Employment Equity report are not applicable to the QSE Scorecard.
- A measured entity must use the current payroll data in calculating its score under the management control scorecard.

Statement 603

Skills Development for QSE

Statement 603: Skills Development for QSE

QSE Skills Development scorecard

The following table represents the indicators and methods for calculating a score under this statement.

Skills Development element	Weighting points	Compliance targets
Skills development expenditure on learning programmes specified in the learning programme matrix for black people as a percentage of leviabale amount	15	3%
Skills development expenditure on learning programmes specified in the learning programme matrix for black female as a percentage of leviabale amount	7	1%
Skills development expenditure on learning programmes specified in the learning programme matrix for black people with disabilities as a percentage of leviabale amount	3	0,15%
Bonus points:		
Number of black people absorbed by the measured entity and industry at the end of the learning programme	5	100%

Statement 603: Skills Development for QSE Key measurement principles and sub-minimum requirements

- Sub-minimum requirements and Discounting principle under Statement 300 are applicable to this statement.
- The demographic representation of black people as defined in the Regulations of Employment Equity Act and Commission on Employment Equity report are **not applicable** to the QSE Scorecard.
- **The following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development scorecard (where applicable):**
 - Workplace Skills Plan, an Annual Training Report and Pivotal Report which are SETA approved;
 - implementation of Priority Skills programme generally, and more specifically for black people;
 - the learning programme matrix under code series 300 is applicable to this statement.

Statement 604

Enterprise and Supplier Development for QSE

Statement 604: Enterprise and Supplier Development

QSE scorecard

Enterprise and Supplier Development criteria	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	15	60%
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	5	15%
Bonus points:		
B-BBEE Procurement Spend from Designated Group suppliers that are at least 51% black owned based on the B-BBEE recognition level	1	1%

Statement 604: Enterprise and Supplier Development

QSE scorecard

Enterprise and Supplier Development criteria	Weighting points	Compliance targets
Supplier development		
Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT
Enterprise development		
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
Bonus points:		
Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level	1	
Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the measured entity	1	

Statement 604: Enterprise and Supplier Development

QSE scorecard - Key measurement principles and sub-minimum requirements

- Key Measurement Principles and sub-minimum requirements under statement 400 are applicable to this statement.
- **In calculating the compliance of a measured entity the following Net Profit After Tax (NPAT) target applies unless:**
 - the company does not make a profit in the last year or on average over the last five years;
 - the net profit margin is less than a quarter of the norm in the industry.

Statement 604: Enterprise and Supplier Development QSE scorecard - Key measurement principles and sub-minimum requirements

- **If the turnover is to be used, the target will be set at:**
 - 1% x indicative profit margin (NPAT/Turnover) x turnover;
 - Indicative profit margin is the profit margin in the last year where the company's profit margin is at least one quarter of the industry norm.
- Any interpretation or calculation of a QSE's score for Enterprise and Supplier Development must be made in accordance with statement 400.

Enterprise and Supplier Development

'Benefit Factor Matrix'

Qualifying contribution type	Contribution amount	Benefit factor
Grant and related contributions		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting Enterprise Development	Verifiable Cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting Enterprise Development	Discount Amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting Enterprise Development (including people appointed in Enterprise Development)	Verifiable Costs (including both monetary and non-monetary)	80%

Enterprise and Supplier Development

'Benefit Factor Matrix' (cont.)

Qualifying contribution type	Contribution amount	Benefit factor
Loans and related contributions		
Interest-free loan with no security requirements supporting Enterprise Development	Outstanding loan amount	100%
Standard loan to Black Owned EME and QSEs	Outstanding loan amount	70%
Standard loan provided to other Beneficiary Enterprises	Outstanding loan amount	60%
Guarantees provided on behalf of a Beneficiary entity	Guarantee amount	3%
Lower interest rate	Outstanding loan amount	Prime rate – actual rate

Enterprise and Supplier Development

'Benefit Factor Matrix' (cont.)

Qualifying contribution type	Contribution amount	Benefit factor
Equity investments and related contributions		
Minority investment in Black Owned EME and QSEs	Investment amount	100%
Minority investment in Other Beneficiary Enterprises	Investment amount	80%
Enterprise Development investment with lower dividend to financier	Investment amount	Dividend rate of ordinary shareholders – actual dividend rate of contributor

Enterprise and Supplier Development

'Benefit Factor Matrix' (cont.)

Qualifying contribution type	Contribution amount	Benefit factor
Contributions made in the form of human resource capacity		
Professional services rendered at no cost and supporting Enterprise Development	Commercial hourly rate of professional	80%
Professional services rendered at a discount and supporting Enterprise Development	Value of discount based on commercial hourly rate of professional	80%
Time of employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	80%

Enterprise and Supplier Development

'Benefit Factor Matrix' (cont.)

Qualifying contribution type	Contribution amount	Benefit factor
Other contributions		
Shorter payment periods for 1.1.2 of this statement (Supplier Development)	Percentage of invoiced amount multiplied by 15% (being an approximation of the cost of short term funding)	Percentage being 15 days less the number of days from invoice to payment – maximum points that can be scored is 15% of 10 points

Statement 605

Socio-Economic Development contributions for QSE

Statement 605: Socio-Economic Development (SED) contributions for QSE

- **In calculating the compliance of a Measured Entity the following Net Profit After Tax (NPAT) target applies unless:**
 - the company does not make a profit in the last year or on average over the last five years;
 - the net profit margin is less than a quarter of the norm in the industry.
- **If the Turnover is to be used, the target will be set at:**
 - $1\% \times \text{Indicative Profit Margin (NPAT / Turnover)} \times \text{Turnover}.$

Statement 605: Socio-Economic Development (SED) contributions for QSE

The following table represents the criteria and method used for deriving a score for socio-economic development under this statement:

Socio-Economic Development criteria	Weighting points	Compliance targets
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

Statement 605: Socio-Economic Development (SED) contributions for QSE - Key measurement principles

- Measured Entities receive recognition for any Qualifying Contributions that are quantifiable as a monetary value using a Standard Valuation Method.
- Socio-Economic Development Qualifying Contributions of any Measured Entity are recognisable annually.
- No portion of the value of any Qualifying Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.

Statement 605: Socio-Economic Development (SED) contributions for QSE - Key measurement principles

- Payments made by the Measured Entity to third parties to perform social development on the Measured Entity's behalf may constitute a SED Contribution.
- The recognition of SED Contributions must be determined in accordance with code 500.

Questions ...



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SANAS Technical Signatory