

BBBEE TOUR 2014

De Maastoren, Rotterdam



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Tuesday 9 Sept 2014



Deloitte.

BBBEE TOUR 2014


De Maastoren, Rotterdam

- INTRODUCTION & PURPOSE
- AMENDED B-BBEE CODES
- Q & A

INTRODUCTION & PURPOSE

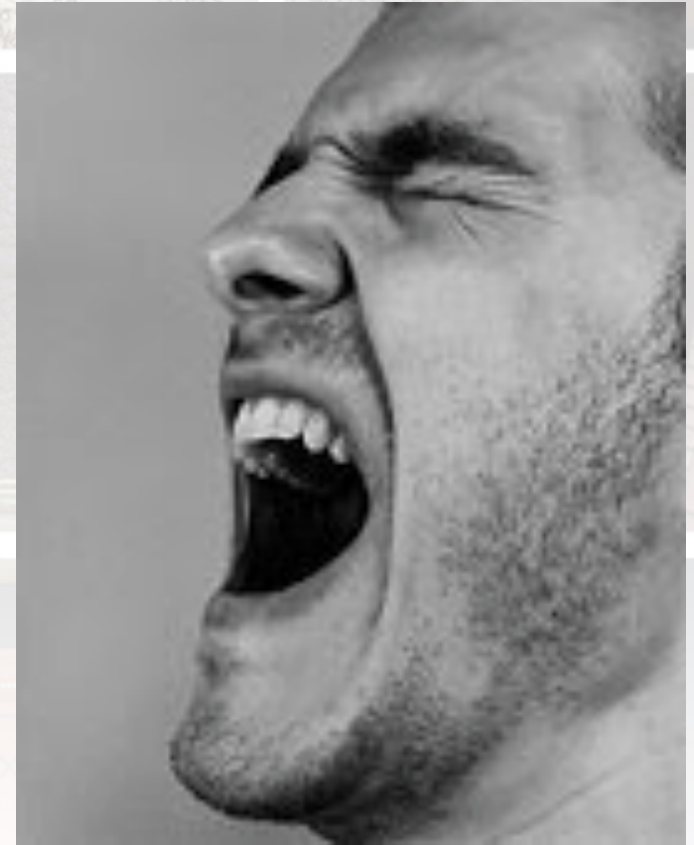
- 
- Partner with SA black entrepreneurs
 - Take advantage of BEE opportunities
 - Let them implement BEE programmes for you
 - Benefit from the value-chain

INTRODUCTION & PURPOSE

- 
- All successful BEE initiatives have non-beneficiary persons/entities
 - A non-beneficiary person/entity must benefit in the value chain
 - I am here to show you how you can benefit and take advantage of BEE opportunities

INTRODUCTION & PURPOSE

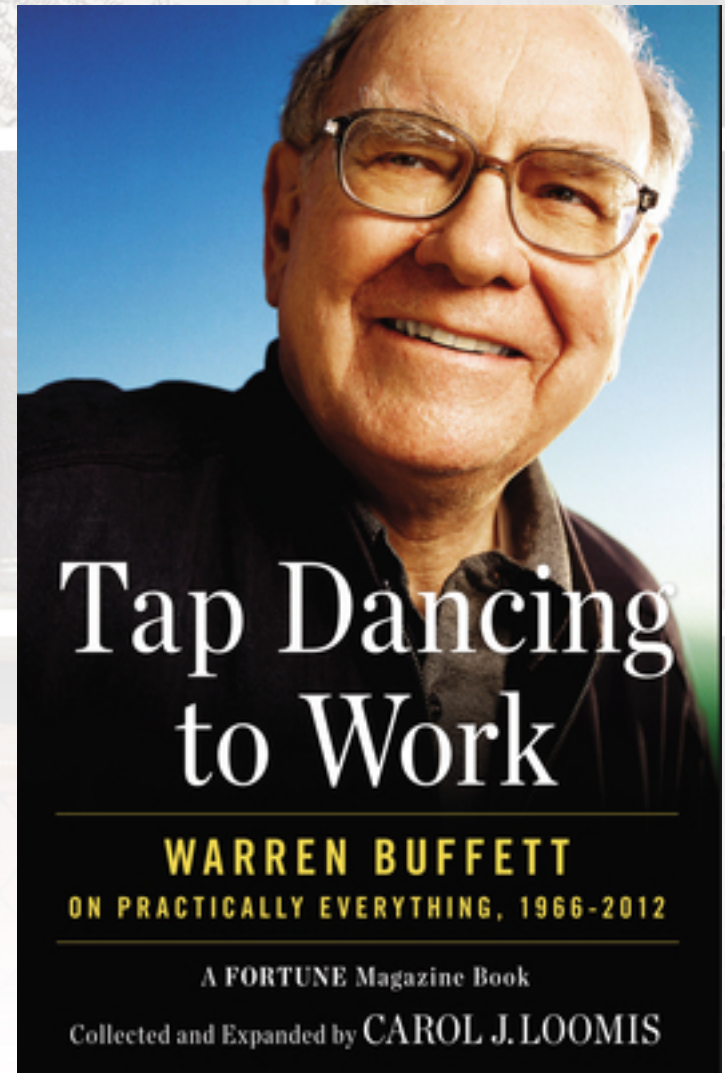
- There's other ways
 - Do nothing
 - Complain and resent
 - Pay your way out



INTRODUCTION & PURPOSE

Companies that I have assisted to benefit from BEE;

- HP
- TE
- Labware systems
- Intercal
- Coral-i
- Inforcomm Solutions
- Protea Electronics
- OEMs



Why the need to address inequality?

Constitution of SA requires government to address inequality:

- Backlog on service delivery to poor communities
- Employment equity in the workplace
- Section 217 (b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.



Why ?

- Economic equality
= political stability
- Broadening
economic
participation =
economic
inclusion
- Peace and
security



Investor's interest

- Trade, licenses and to partner with government
- A government that conducts its business (Fair, equitable and transparent)
- Profits and ROI

What government wants to achieve ?

- Broadening the participation of all citizens in the economy (BBBEE)
- Grow the economy and develop new markets (Renewable energy, Rolling Stock Programme etc)
- Create jobs



In return you get:

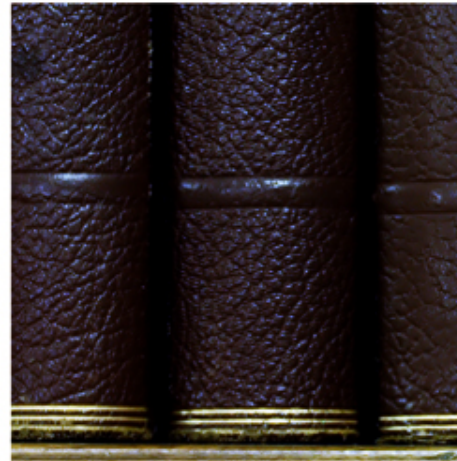
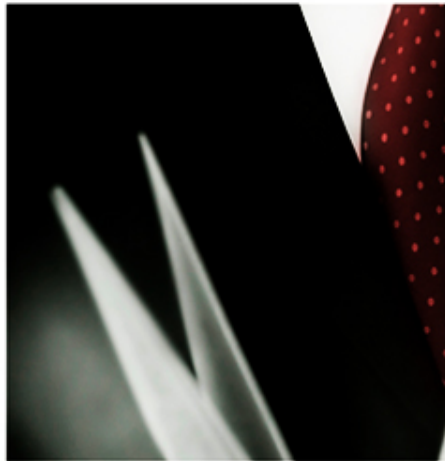
- Apply for licenses/ concessions (SEZ/IDZ)
- Government buys from you
- Private sector buys from you
- Access grants and subsidies
- Partner with government



WHAT HAPPENS FROM 1ST MAY 2015?

- THE BEE AMENDED CODES COME INTO OPERATION
- VOLUNTARY IMPLEMENTATION STOPS
- SECTOR CODES ALIGNED

HOW THE AMENDED B-BBEE SCORECARD WORKS



Understanding the rating system

B-BBEE certificates

B-BBEE STATUS : LEVEL 1 to 8

APPLICABLE SCORECARD	EME/QSE/Generic Enterprise
APPLICABLE CODE	GG 29617: 9 FEBRUARY 2007
QUALIFICATION	≥ 65 POINTS BUT < 75 POINTS
BEE PROCUREMENT RECOGNITION LEVEL	100 % (€ 1.1)

KEY INDICATORS	ANALYSIS	KEY INDICATORS	ANALYSIS
BLACK OWNERSHIP	100 %	VALUE-ADDING ENTITY	NO
BLACK WOMEN OWNERSHIP	100 %	ENTERPRISE DEVELOPMENT	CATEGORY A
DATE OF ISSUE		DATE OF COMMENCEMENT	
DATE OF EXPIRY		TURNOVER QUALIFICATION	
PERIOD OF VALIDITY		CERTIFICATE NUMBER	

SCORECARD COMPARISON

FIVE B-BBEE ELEMENTS	TARGETS % of total	Maximum Points
1. Black owners	25 +1 Vote	25
2. Black board directors	50%	15
Black executive committee level	50%	
Black employees at Snr management	60%	
Black employees at middle management	75%	
Black employees at Jnr level	88%	
Black disable employees	2 % of total employees	
3. Training black people	6 % Levi-able Amount	20
4. Buying from BEE compleant suppliers	80% of TP	25
Investing in 51% black owned business	SD 2% of NPAT	10
Investing in 51% black owned start up business	ED 1% of NPAT	5
5. Donations to black peple	1% of NPAT	5
Total number of maximum points to score (including bonus points)		105

SUMMARY – B-BBEE Rating system

TOTAL POINTS SCORED ON ALL ELEMENTS	105	2.025
B-BBEE STATUS	QUALIFICATION (POINTS)	RECOGNITION LEVEL €
LEVEL 1 CONTRIBUTOR	> 100	1.35
LEVEL 2	≥ 95 but < 100	1.25
LEVEL 3	≥ 90 but < 95	1.10
LEVEL 4	≥ 80 but < 90	1.00
LEVEL 5	≥ 75 but < 80	.80
LEVEL 6	≥ 70 but < 75	.60
LEVEL 7	≥ 55 but < 70	.50
LEVEL 8	≥ 40 but < 55	.10
NON-COMPLIANT	< 40	.0

GENERIC ENTITY PRIORITY ELEMENT COMPLIANCE

- A GENERIC ENTERPRISE MUST COMPLY WITH SPECIFIC SUB-MINIMUM REQUIRMENTS FOR ALL THREE OF THE PRIORITY ELEMENTS
- OWNERSHIP
- SKILLS DEVELOPMENT
- ENTERPRISE & SUPPLIER DEVELOPMENT

OWNERSHIP ELEMENT SUB-MINIMUM COMPLIANCE

- THE SUB-MINIMUM REQUIREMENT FOR OWNERSHIP IS:
- 40% OF THE NET VALUE INDICATOR POINTS
- THAT IS: 40% OF THE 8 POINTS AVAILABLE FOR THIS INDICATOR
- = 3.2 POINTS

SKILLS DEVELOPMENT ELEMENT SUB-MINIMUM COMPLIANCE


- THE SUB-MINIMUM REQUIREMENT FOR SKILLS DEVELOPMENT IS:
- 40% OF THE TOTAL WEIGHTING POINTS
- THAT IS: 40% OF THE 20 POINTS AVAILABLE FOR THIS ELEMENT
- = 8 POINTS

ENTERPRISE & SUPPLIER DEVELOPMENT SUB-MINIMUM COMPLIANCE

- 
- THE SUB-MINIMUM REQUIREMENT FOR ENTERPRISE & SUPPLIER DEVELOPMENT IS:
 - 40% FOR EACH OF THE 3 CATEGORIES:
 - PREFERENTIAL PROCUREMENT
 - SUPPLIER DEVELOPMENT
 - ENTERPRISE DEVELOPMENT

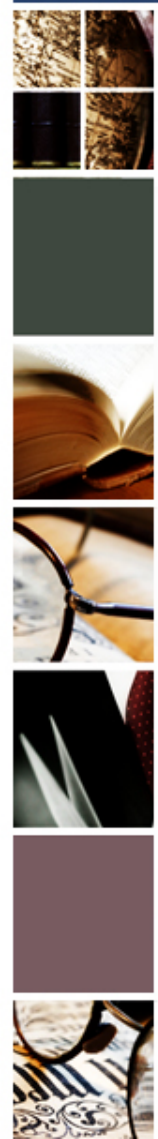
PENALTIES FOR SCORING LOW ON B2B POINTS

B-BBEE STATUS	QUALIFICATION	RECOGNITION LEVEL
LEVEL 1 CONTRIBUTOR	> 100	135%
LEVEL 2	≥ 95 but < 100	125%
LEVEL 3	≥ 90 but < 95	110%
LEVEL 4	≥ 80 but < 90	100%
LEVEL 5	≥ 75 but < 80	80%
LEVEL 6	≥ 70 but < 75	60%
LEVEL 7	≥ 55 but < 70	50%
LEVEL 8	≥ 40 but < 55	10%
NON-COMPLIANT	< 40	0%




INCENTIVES FOR INVESTING IN A MAJORITY OWNED BEE BUSINESS OR SUPPLIER TO SCORE B2B POINTS

- MEASURES
- THE EXTENT TO WHICH ENTERPRISES BUY GOODS AND SERVICES FROM EMPOWERING SUPPLIERS WITH STRONG B-BBEE PROCUREMENT RECOGNITION LEVELS
- AS WELL AS THE EXTENT TO WHICH SUPPLIER DEVELOPMENT AND ENTERPRISE DEVELOPMENT IS CARRIED OUT




INCENTIVES FOR INVESTING IN A MAJORITY OWNED BEE BUSINESS OR SUPPLIER TO SCORE B2B POINTS



PREFERENTIAL PROCUREMENT CRITERIA	LIMITED POINTS	TARGETS
B-BBEE procurement spend from all <u>EMPOWERING SUPPLIERS</u> based on the BEE procurement recognition levels as a percentage of Total Measured Procurement Spend	5	80%
B-BBEE procurement spend from QSE <u>EMPOWERING SUPPLIERS</u> based on the BEE procurement recognition levels as a percentage of Total Measured Procurement Spend	3	15%
B-BBEE procurement spend from QSE or EME based on the BEE procurement recognition levels as a percentage of Total Measured Procurement Spend	4	15%
B-BBEE procurement spend from suppliers that are at least 51% Black owned	9	40%
B-BBEE procurement spend from suppliers that are at least 30% Black Women owned	4	12%

INCENTIVE FOR BUYING FROM A BEE BUSINESS




PREFERENTIAL PROCUREMENT CRITERIA	WEIGHT	TARGET
BONUS POINTS		
B-BBEE procurement spend from DESIGNATED GROUP SUPPLIERS that are at least 51% black owned	2	2%

INCENTIVES FOR INVESTING IN A BEE MAJORITY OWNED SUPPLIER TO SCORE B2B POINTS



SUPPLIER DEVELOPMENT CRITERIA	WEIGHT	TARGET
Annual value of all Supplier Development contributions made as a % of the target	10	2% of NPAT

INCENTIVE FOR INVESTING IN A MAJORITY OWNED BEE SUPPLIER TO SCORE BEE POINTS



ENTERPRISE DEVELOPMENT CRITERIA	WEIGHT	TARGET
Annual value of all Enterprise Development contributions made as a % of the target	5	1% of NPAT
BONUS POINTS		
Graduation of one or more Enterprise Development beneficiaries to the supplier development level (bonus)	1	Bonus
Creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives	1	Bonus

MINIMUM THRESHOLD TARGET BEFORE PENALTY TO LOOSE B2B POINTS

- 
- ALL SUPPLIERS PROCUREMENT/ PURCHASES
 - TARGET 80%
 - THRESHOLD REQUIREMENT 32%
 - HELPING START NEW SUPPLIERS
 - TARGET 2%
 - THRESHOLD 0.8% OF NPAT
 - HELPING SUPPORT NEW BUSINESS
 - TARGET 1%
 - THRESHOLD 0.4% OF NPAT

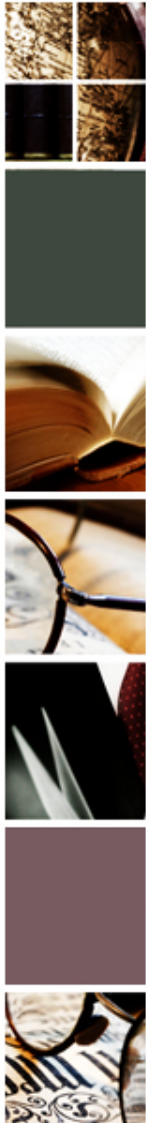
EMPOWERING SUPPLIERS

- 
- B-BBEE COMPLIANT ENTITY
 - GOOD CITIZEN SOUTH AFRICAN ENTITY
 - COMPLY WITH ALL REGULATORY REQUIREMENTS OF THE COUNTRY
 - MUST MEET AT LEAST THREE (FOR A GENERIC ENTITY) OR ONE (FOR A QSE) OF THE FOLLOWING CRITERIA:

EMPOWERING SUPPLIERS

- 25% OF LOCAL COST OF SALES (EXCLUDING LABOUR COST AND DEPRECIATION) MUST BE PROCURED FROM LOCAL PRODUCERS OR LOCAL SUPPLIERS IN SA
- FOR SERVICE INDUSTRY LABOUR COST IS INCLUDED BUT CAPPED AT 15%

EMPOWERING SUPPLIERS

- 
- JOB CREATION – 50% OF JOBS CREATED ARE FOR BLACK PEOPLE PROVIDED THAT THE NUMBER OF BLACK EMPLOYEES IS MAINTAINED FROM PRIOR YEAR
 - AT LEAST 25% TRANSFORMATION OF RAW MATERIAL /BENEFICATION WHICH INCLUDE LOCAL MANUFACTURING, PRODUCTION AND/OR ASSEMBLY AND/OR PACKAGING
 - SKILLS TRANSFER – AT LEAST 12 DAYS PER ANNUM OF PRODUCTIVITY DEPLOYED IN ASSISTING BLACK EME'S AND QSE TO INCREASE THEIR OPERATIONAL/FINACIAL CAPACITY

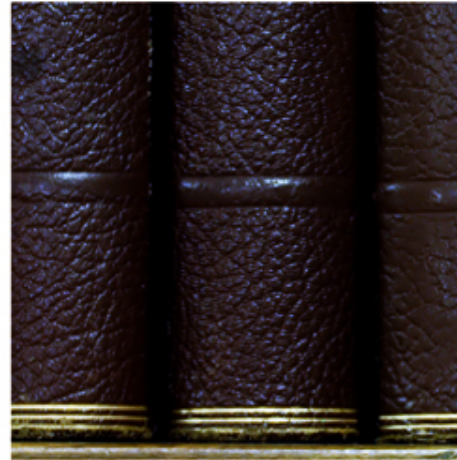
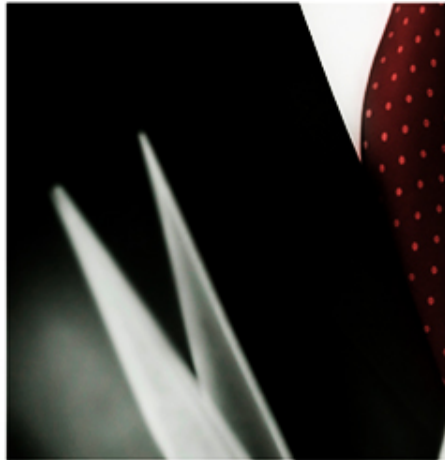
EMPOWERING SUPPLIERS

- EME AND START-UPS ARE AUTOMATICALLY RECOGNISED AS EMPOWERING SUPPLIERS


ENHANCED B2B POINTS

- IF A MEASURED ENTITY PROCURES GOODS OR SERVICES FROM A RECIPIENT OF SUPPLIER DEVELOPMENT CONTRIBUTIONS THAT HAS A MINIMUM 3 YEAR CONTRACT WITH THE MEASURED ENTITY, THE RECOGNISED BEE SPEND IS MULTIPLIED BY A FACTOR OF 1.2

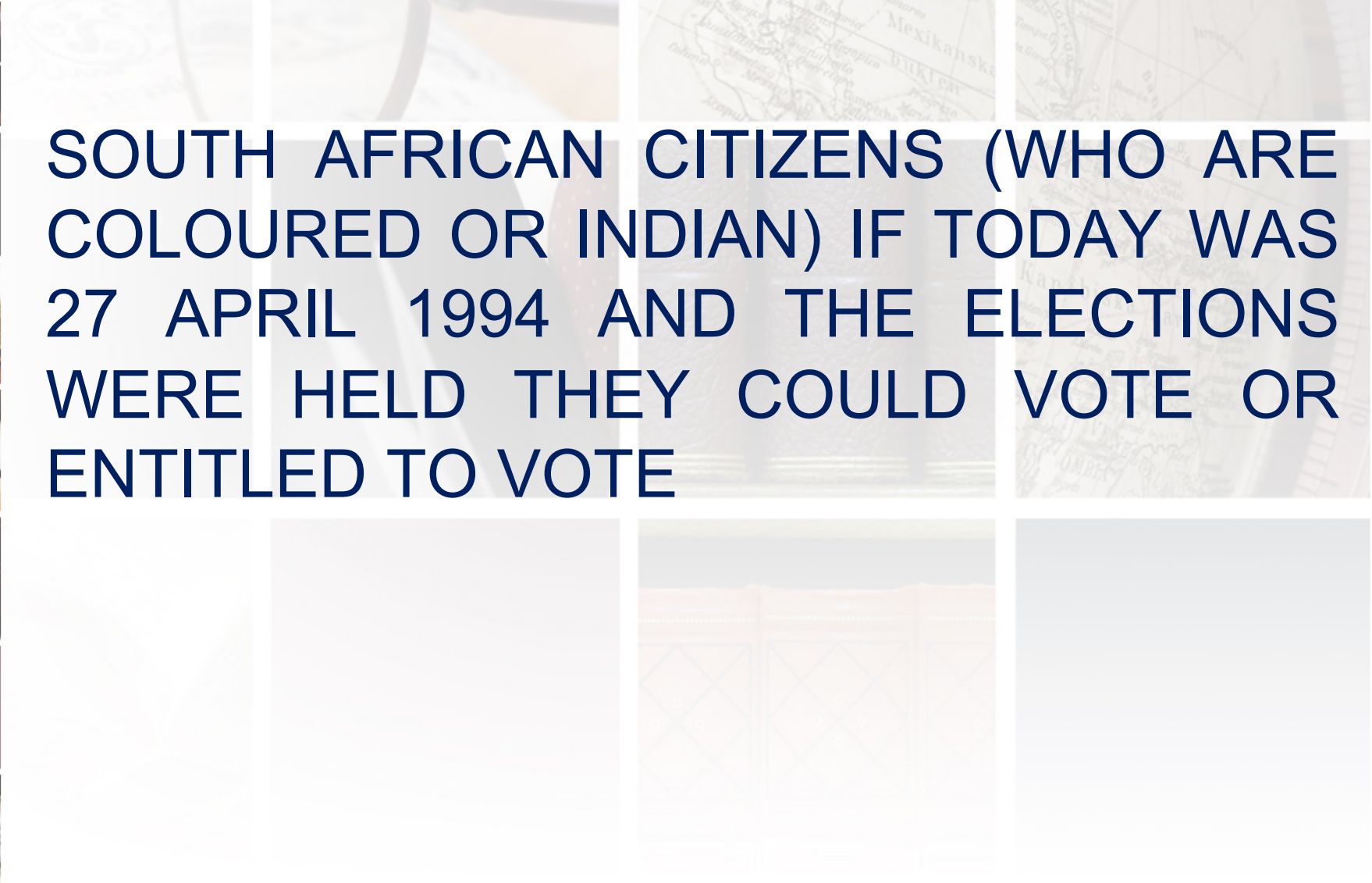
THE FIVE ELEMENTS/ PILLARS OF THE AMENDED B-BBEE CODES



DEFINITION OF A BLACK PERSON



SOUTH AFRICAN CITIZENS (WHO ARE COLOURED OR INDIAN) IF TODAY WAS 27 APRIL 1994 AND THE ELECTIONS WERE HELD THEY COULD VOTE OR ENTITLED TO VOTE



FREE POINTS B2B START UPS FOR SMALL COMPANIES

EME – EXEMPTED MICRO-ENTERPRISE

- ANNUAL TURNOVER €760K OR LESS (WAS €385K)
- GRANTED LEVEL 4 STATUS AND B2B POINTS
- 51 % OR MORE BLACK OWNERSHIP : LEVEL 2 STATUS AND B2B POINTS
- 100 % BLACK OWNED : LEVEL 1 STATUS AND B2B POINTS

PROOF OF QUALIFICATION AS EME


- SWORN AFFIDAVIT REQUIRED ANNUALLY STATING:
- ANNUAL TOTAL REVENUE OF €760K OR LESS
- AND
- LEVEL OF BLACK OWNERSHIP
- MISREPRESENTATION CONSTITUTES A CRIMINAL OFFENCE

TURNOVER THRESHOLD INCREASE

QSE : QUALIFYING SMALL ENTERPRISE

- ANNUAL TURNOVER GREATER THAN €7,6K (was €3,9K) AND
- LESS THAN € 3,8 MILLION (WAS € 2,7 MILLION)
- ON-SITE AUDIT REQUIRED
- COMPULSORY FIVE (5) ELEMENTS REQUIRED TO BE MEASURED

NEW 5 B-BBEE ELEMENTS

- 
1. OWNERSHIP
 2. DIRECTORS AND SENIOR STAFF
 3. TRAINING
 4. HELPING TO START NEW SUPPLIERS
 5. COMPANIES DONATIONS (CSI/CSR)

TRAINING



TRAINING – Principle

- MEASURES THE EXTENT TO WHICH EMPLOYERS CARRY OUT INITIATIVES DESIGNED TO DEVELOP THE COMPETENCY OF BLACK EMPLOYEES AND BLACK PEOPLE INTERNALLY AND EXTERNALLY
- RECEIVE POINTS FOR SKILLS DEVELOPMENT EXPENDITURE (RAND VALUE) AS A PERCENTAGE OF LEVIABLE AMOUNT (SALARY AND WAGES BILL)


TRAINING - Requirements

- THE FOLLOWING CRITERIA MUST BE FULFILLED IN ORDER TO RECEIVE POINTS
- WORKPLACE SKILLS PLAN – SETA APPROVED
- ANNUAL TRAINING REPORT – SETA APPROVED
- PIVOTAL REPORT – SETA APPROVED
- IMPLEMENT PROGRAMS TARGETED AT IMPROVING PRIORITY SKILLS

TRAINING SCORECARD

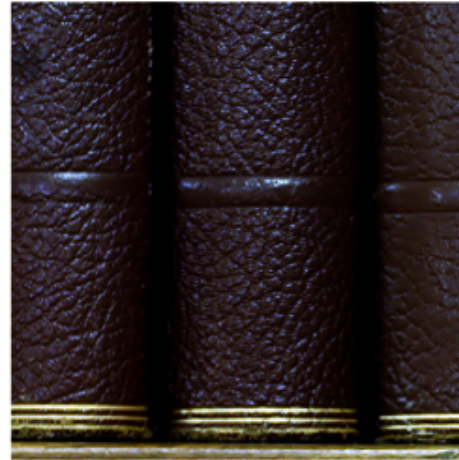
SKILLS DEVELOPMENT CRITERIA	POINTS FOR B2B	% TARGETS
Skills expenditure for black employees (and external unemployed black people) on program specified in the Learning Programme Matrix as a percentage of Leviale amount	8	6%
Skills expenditure for black employees with disabilities on program specified in the Learning Programme Matrix as a percentage of Leviale amount	4	0.3%
Number of black <u>people</u> participating in learnerships, apprenticeships or internships as a percentage of total employees	4	2.5%
Number of black unemployed <u>people</u> participating in learnerships, apprenticeships or internships as a percentage of total employees	4	2.5%
TOTAL POINTS AVAILABLE FOR B2B SCORE	20	

TRAINING SCORECARD CONT ...



SKILLS DEVELOPMENT CRITERIA	WEIGHT	TARGET
BONUS POINTS		
Number of black <u>people</u> absorbed by the measured or industry entity at the end of the learnership program	5	100%

OWNERS OF THE BUSINESS



OWNERS OF THE BUSINESS SCORECARD

OWNERSHIP CRITERIA	POINTS	TARGETS
Exercisable Voting rights in the hands of Black people	4	25% + 1
Exercisable Voting rights in the hands of Black women	2	10%
Economic interest to which Black people are entitled	4	25%
Economic interest to which Black women are entitled	2	10%
Economic interest of Black natural people in Broad-Based schemes and designated groups	3	3%
Economic interest of black new entrants	2	2%
Realisation points (Net Value)	8	Debt Free
TOTAL POINTS AVAILABLE FOR B2B SCORE	25	

OWNERSHIP 40% SUB-MINIMUM

- REALISATION POINTS / NET VALUE
- 8 POINTS ARE AVAILABLE
- 3.2 POINTS MUST BE ACHIEVED IN ORDER TO AVOID THE DISCOUNTING OF THE OVERALL BEE CONTRIBUTOR STATUS (LEVEL)

GOVERNMENT PROGRAMM

- €64 B National Infrastructure Plan
- National Development Plan
- The 18 Strategic Integrated Projects (SIPs)
- Special Economic Zones/ Industrial Development Zones

CONCLUSION

- Partner with black entrepreneurs
 - They will assist you to implement BEE programmes
 - You will benefit from the BEE value chain
- Take advantage BEE opportunities



WAY FORWARD

- B-BBEE ACT OF 2003
PROCLAMATION
- SECTOR CODES AMENDMENTS
- FIRST OF MAY 2015

NEXT STEP: CONTACT SANEC



THANK YOU

