



The BBBEE Scorecard Unpacked

Potatoes SA & Free State Agriculture
AgriBEE & Transformation Symposium:
15 September 2009

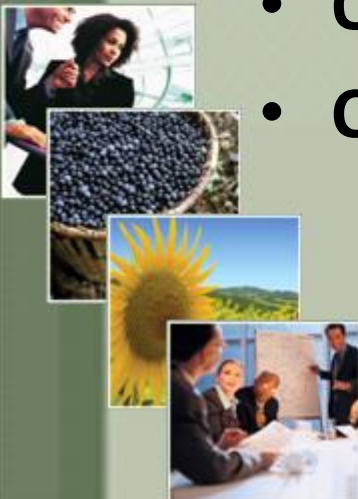
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Introduction

- **Background to BBBEE and AgriBEE Process**
- **BBBEE Codes of Good Practice: The road thus far**
 - Gazetting Codes of Good Practice (CoGP)
 - Institutional mechanisms
 - Way forward
 - Generic Scorecard
- **Obstacles to implementation**
- **Conclusion**

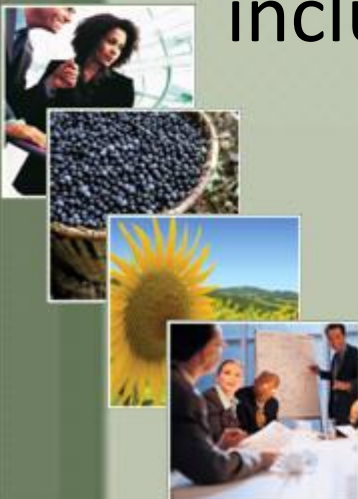




Background to BBBEE and AgriBEE Process

- Broad-based Black Economic Empowerment Act (Act 53 of 2003)
- Published AgriBEE Charter (GG 20 March 2008) **vs**

Codes of Good Practice (GG 9 February 2007), including Index of Code Series (000 to 800)

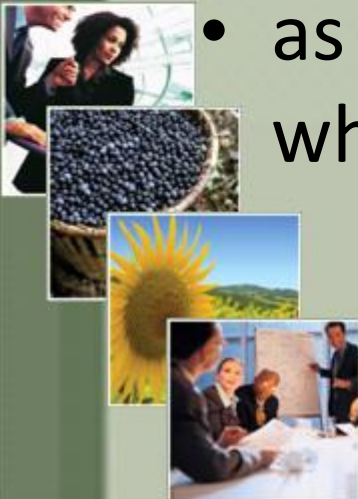




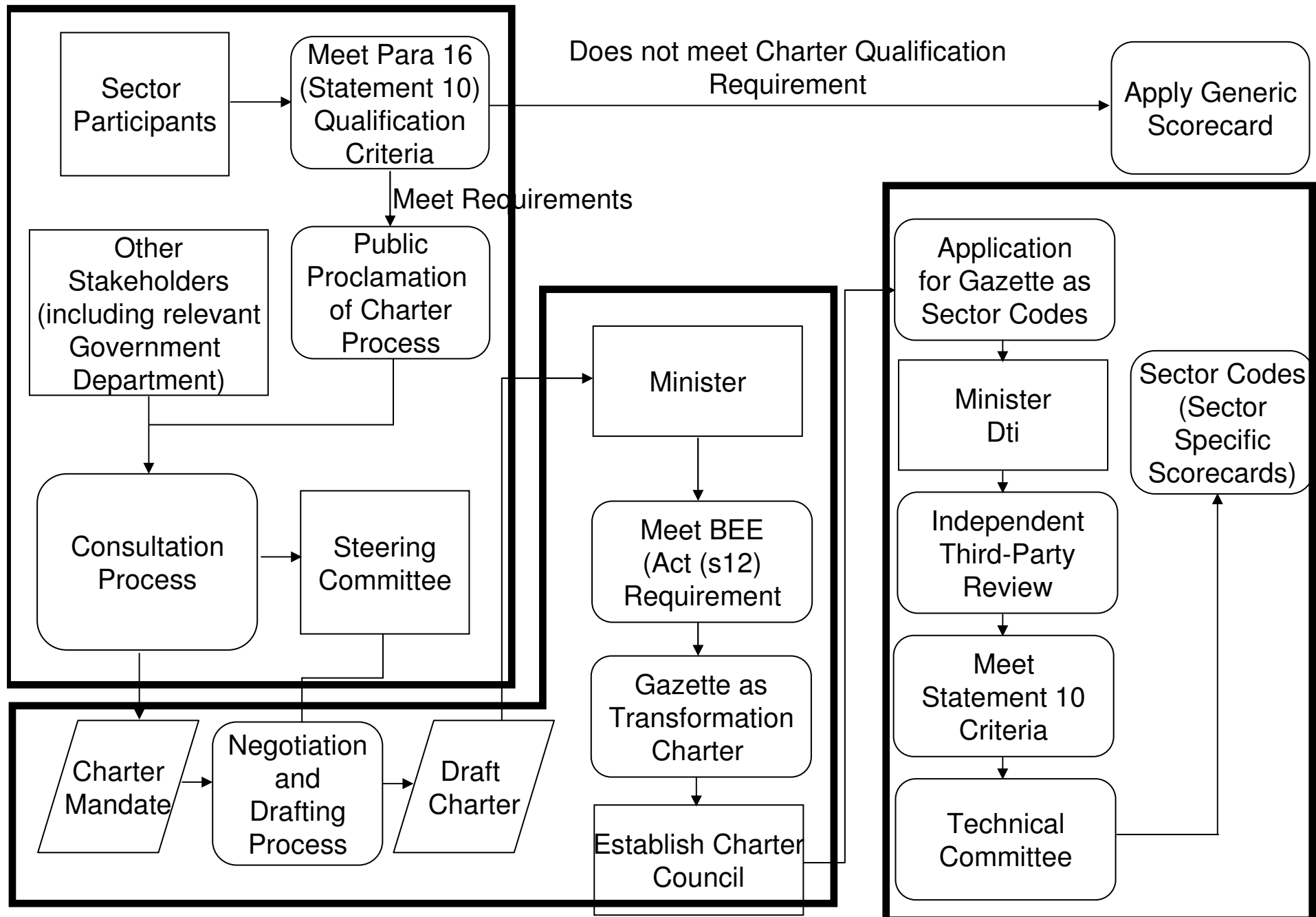
AgriBEE Process

BBBEE Act makes provision for

- Sector Transformation Charters (Article 12), indicating intent by key role players to transform,
- as well as issuing of Sector Codes (Article 9), which become binding on relevant sector.

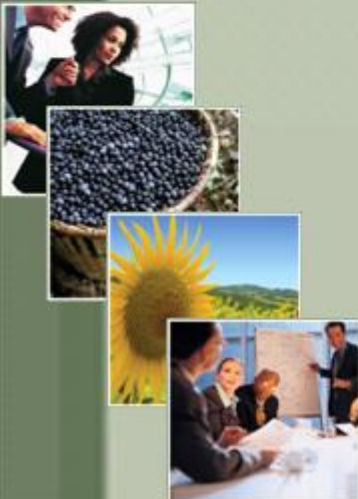


FLOW CHART PROCESS FOR GAZETTING SECTOR TRANSFORMATION CHARTERS AND CODES

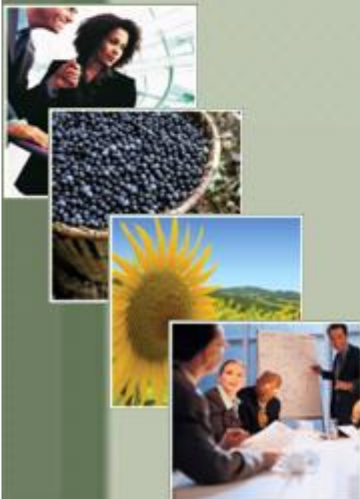
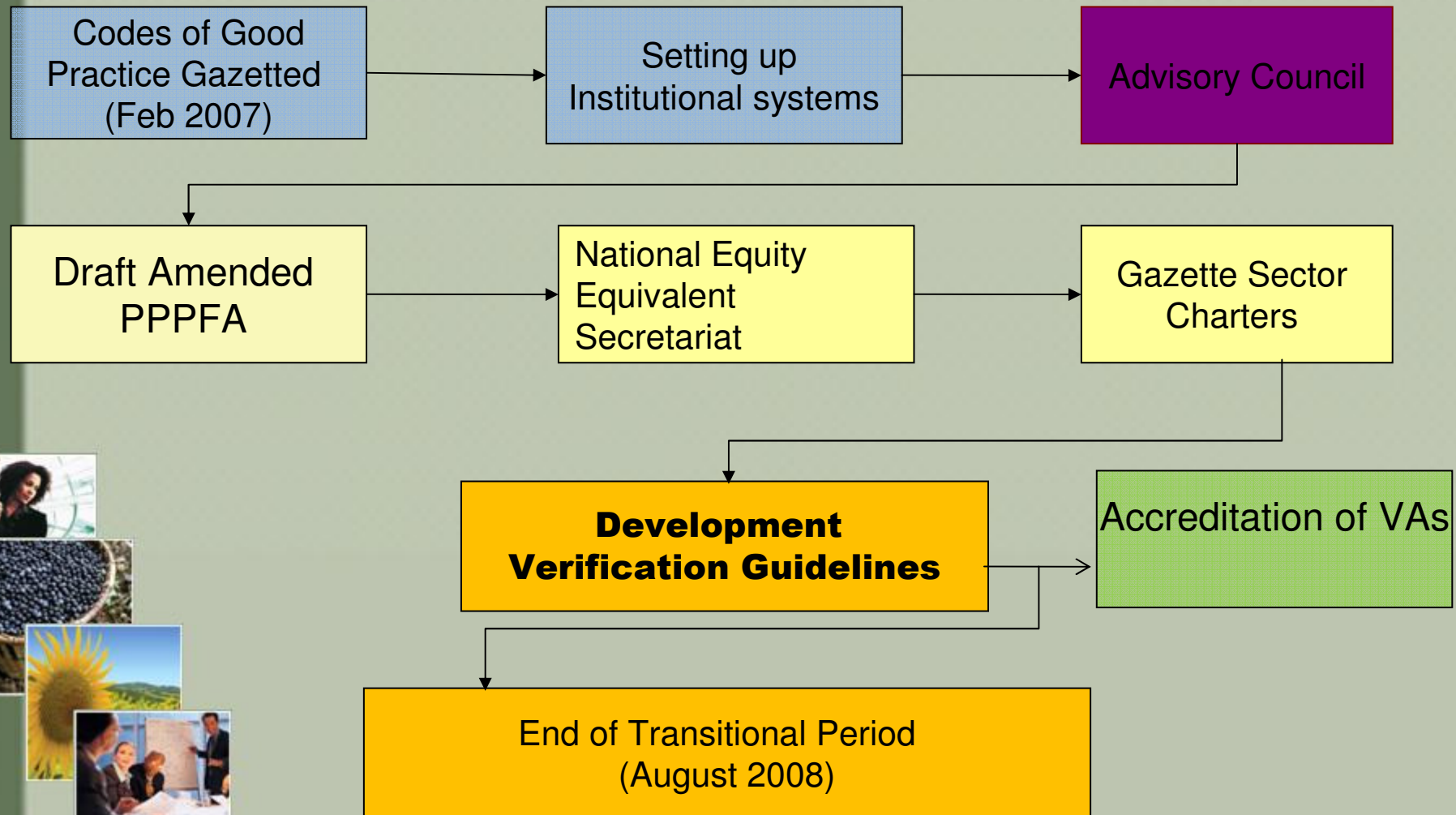




BBBEE Codes of Good Practice: The road thus far



Process Post-Gazetting of COGP (*dti*)



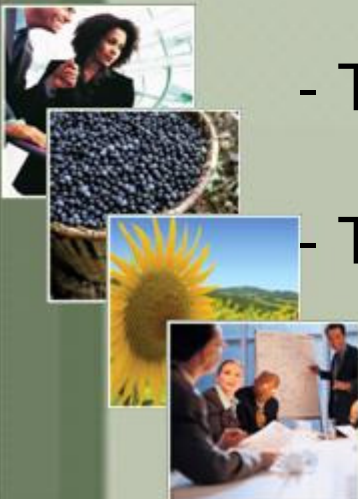


Progress: End of Transition

The Codes of Good Practice for B-BBEE were gazetted on the 9th February 2007, with a Transitional period of 12 months granted to the entire market, with a further six months extension that expired on 31 August 2008.

The purpose of this transitional period was three-fold:

- To allow the market to convert from a narrow-based to a broader-based implementation approach.
- To allow for the different sectors to align their charters with the Codes.
- To allow Government to further set up institutional mechanisms to facilitate implementation.





Institutional Systems: Advisory Council

- The **B-BBEE Act** makes provision for the establishment of the **BEE Advisory Council** which will advise government on the implementation of BBEE.
- The **Advisory Council** will advise on the development, amendment or replacement of the B-BBEE strategy, advise on draft transformation charters, and will facilitate partnerships between organs of state and the private sector that will advance the objectives of the BBEE Act.
- It will also play a critical role of monitoring and evaluating the implementation of BEE in the economy
- Vetting and identification of names completed, and forwarded to the Presidency for execution
- Priority for the new administration





Institutional Systems: DTI's BBBEE IT Portal

- Operational BEE IT portal which is on the DTI website.
 - A publicly accessible central database for promoting business opportunities, reporting fronting, and management of flow of information to the dti, and a self assessment tool / BEE Calculator that will assist companies to gauge their BEE performance.
 - Portal will be useful for reporting and monitoring of the overall BEE performance in the economy.
 - Stakeholders including VA's, SOE, Charter Councils, Provincial Dept and the general public will be able to populate this BEE IT Portal with BEE information
- Accessibility: www.thedti.gov.za or <http://bee.gov.za>





Institutional Systems: Verification

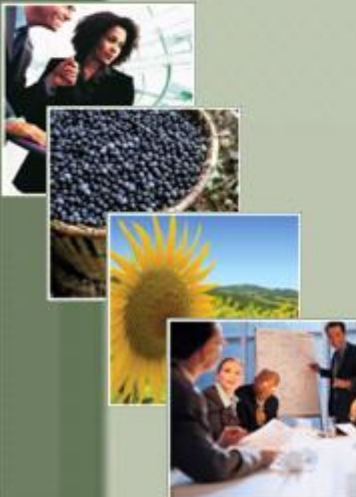
- The DTI gazetted the Verification Manual which is a legal framework for conducting verification in the market.
- To be utilized by all Verification Agencies when performing B-BBEE verification.
- This Verification Manual seeks to alleviate confusion in the verification industry, by providing minimum guidelines when performing verification.
- The utilization of this Manual will ensure a credible industry governed by norms and standards.
- Currently 22 verification agencies have been accredited (SANAS Webs).
- Streamlined and refined the accreditation process.



SANAS Acc. Verification Agencies



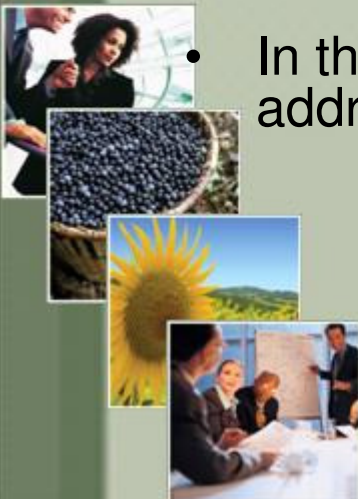
- Aqrate (Pty) Ltd
- Aqrate KZN (Pty) Ltd
- BEE - Matrix Cc
- BEE BIZ Compliance (Pty) Ltd
- BEE Empowered and Labour Consultancy Cc
- BEE Rating Solutions (Pty) Ltd
- BEE Verification Agency CC
- BEESCORE (Pty) Ltd
- Client King CC
- DRGSiyaya (Pty) Ltd
- Emex Trust
- Empowerdex (Pty) Ltd
- EmpowerLogic (Pty) Ltd
- Grant Thornton
- Honeycomb BEE Ratings (Pty) Ltd
- Integra Scores (Pty) Ltd
- Izikhulu Consulting cc t/a Izikhulu BEE Ratings
- Iquad Verification Services (Pty) Ltd
- National Empowerment Rating Agency - Gauteng
- Prostart Traders 24 (Pty) Ltd t/a CENFED BEE Verification Agency
- Small Enterprises Rating Agency (Pty) Ltd





Legislative amendment: Fronting

- In terms of the B-BBEE Act, Fronting is not defined as an offence. In order to effectively deal with Fronting, the following has been done:
 - Define Fronting as an offence
 - Identify the elements of Fronting
 - Identify punitive measures to be imposed to deal with Fronting
 - Amend the BBEE Act to reflect Fronting as an offence
- In this regard the DTI has placed amendment of the BBEE Act to address Fronting on the legislative calendar.





Charter Formulation Process

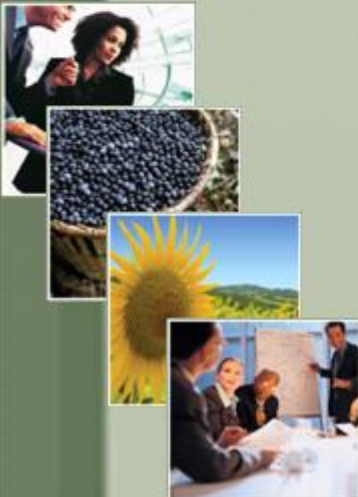
- **Sector Charters are a Strategic Vehicle for transformation in Sector Specific dynamics and seek to compliment, rather than replace the CoGP.**
- **Either done under Section 12 (For Information only) and Section 9 (Final and Binding)**
- **The following Transformation Charters are still under Section 12**
 - **AgriBEE Charter (Charter Council now also established)**
 - **Financial Sector Charter**
 - **Property Charter**
 - **ICT Charter**
- **The following Charters are gazetted as Codes under Section 9**
 - **Tourism Charter**
 - **Construction Charter**
 - **Forest Sector**
 - **Integrated Transport**



CoGP Generic Scorecard



The intention of the Codes of Good Practice is therefore to level the playing field for all entities operating within the South African economy by providing clear and comprehensive criteria for the measurement of broad-based BBBEE.





What about SME's?

- Qualifying small enterprises (QSE's)

QSE's are defined by the Codes as companies with an annual total turnover of between R 5 million and R35 million.

- Exempted Small & Micro-Enterprises (ESME's)

ESME's are defined by the Codes as companies with an annual total turnover of R 5 million or less. ESME's enjoy a deemed BEE recognition of a Level 4 contributor and those, which are either 50% owned by black people or 50% owned by black women, are promoted to a Level 3 contributor.

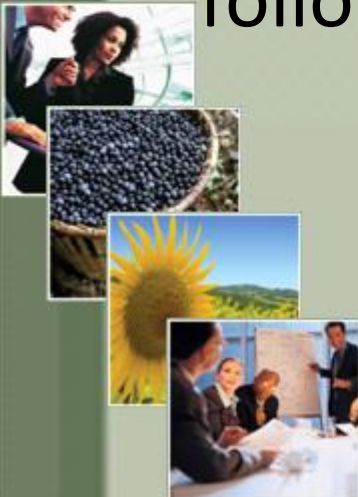


Who do the Codes apply to?



The Codes of Good Practice on B-BBEE were gazetted on the 9th of February 2007, making them binding on all organs of state and public entities. This means that, as per Section 10 of the BBBEE Act, government must apply the Codes when entering into decisions affecting the following areas:

- ❑ procurement
- ❑ licensing and concessions
- ❑ public private partnerships ('PPP's')
- ❑ the sale of state-owned entities





Summary of Generic Scorecard

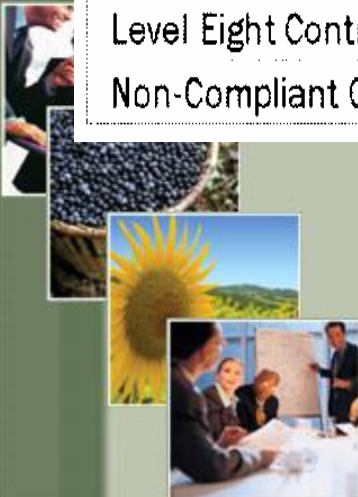
Element	Weighting	Code series reference
Ownership	20 points	100
Management control	10 points	200
Employment equity	15 points	300
Skills development	15 points	400
Preferential procurement	20 points	500
Enterprise Development	15 points	600
Socio-Economic Development initiatives	5 points	700



BBBEE Status on overall performance



B-BBEE Status	Qualification	B-BBEE recognition level
Level One Contributor	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥75 but <85 on the Generic Scorecard	110%
Level Four Contributor	≥65 but <75 on the Generic Scorecard	100%
Level Five Contributor	≥55 but <65 on the Generic Scorecard	80%
Level Six Contributor	≥45 but <55 on the Generic Scorecard	60%
Level Seven Contributor	≥40 but <45 on the Generic Scorecard	50%
Level Eight Contributor	≥30 but <40 on the Generic Scorecard	10%
Non-Compliant Contributor	<30 on the Generic Scorecard	0%



Ownership Statement



Category	Ownership indicator	Weighting points	Compliance Target
2.1	Voting rights:		
	2.1.1 Exercisable Voting Rights in the Enterprise in the hands of black people	3	25%+1 vote
	2.1.2 Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%
2.2	Economic Interest:		
	2.2.1 Economic Interest of black people in the Enterprise	4	25%
	2.2.2 Economic Interest of black women in the Enterprise	2	10%
	2.2.3 Economic Interest of the following black natural people in the Enterprise:	1	2.5%
	2.2.3.1 black designated groups; 2.2.3.2 black Participants in Employee Ownership Schemes; 2.2.3.3 black beneficiaries of Broad based Ownership Schemes; or 2.2.3.4 black Participants in Co-operatives		
2.3	Realisation points:		
	2.3.1 Ownership fulfilment	1	Refer to paragraph 10.1
	2.3.2 Net Value	7	Refer to Annexe C paragraph 4
2.4	Bonus points:		
	2.4.1 Involvement in the ownership of the Enterprise of black new entrants:	2	10%
	2.4.2 Involvement in the ownership of the Enterprise of black Participants:	1	10%
	2.4.2.1 in Employee Ownership Schemes; 2.4.2.2 of Broad-Based Ownership Schemes; or 2.4.2.3 Co-operatives.		

Ownership: Major issues



- Key measurement, including flow-through, principles.
- Broad-based and/or Employee Ownership Schemes
- Private Equity Funds
- Sect 21 Companies and Comp's limited by Guarantee
- Trusts
- Options and Share Warrants
- Equity Instrument carrying Preference Rights
- Net value
- Bonus points
- Recognition on Sale of Assets (Statement 102)
- Recognition for Equity Equivalents for Multinationals (Statement 103)



Management Control

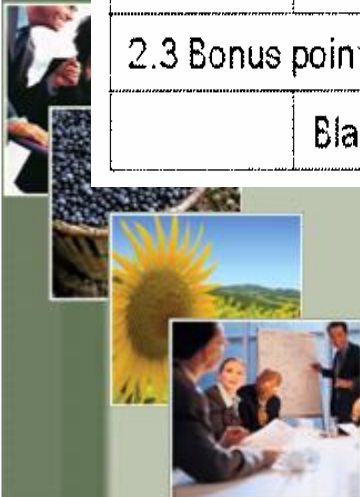


Category	Management Control Indicator	Weighting points	Compliance Target
2.1 Board participation::			
	2.1.1 Exercisable Voting Rights of black Board members using the Adjusted Recognition for Gender	3	50%
	2.1.2 Black Executive Directors using the Adjusted Recognition for Gender	2	50%
2.2. Top Management:			
	2.2.1 Black Senior Top Management using the Adjusted Recognition for Gender	3	40%
	2.2.2 Black Other Top Management using the Adjusted Recognition for Gender	2	40%
2.3 Bonus points:			
	Black Independent Non-Executive Board Members	1	40%

Key Measurement Principles

Calculating the Adjusted Recognition for Gender

Calculating Compliance





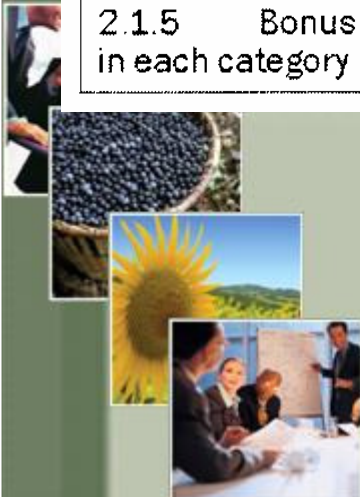
Employment Equity

Measurement Category & Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 -10
2.1.1 Black Disabled Employees as a percentage of all employees using the Adjusted Recognition for Gender	2	2%	3%
2.1.2 Black employees in Senior Management as a percentage of all such employees using the Adjusted Recognition for Gender	5	43%	60%
2.1.3 Black employees in Middle Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	63%	75%
2.1.4 Black employees in Junior Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	68%	80%
2.1.5 Bonus point for meeting or exceeding the EAP targets in each category under 2.1.1 to 2.1.4	3		

Key Measurement Principles

Calculating the Adjusted Recognition for Gender

Measurement of the Employment Equity Criteria



Skills Development



Category	Skills Development Element	Weighting points	Compliance Target
2.1.1	Skills Development Expenditure on any program specified in the Learning Programmes Matrix:		
	2.1.1.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees as a percentage of Leviable Amount using the Adjusted Recognition for Gender	6	3%
	2.1.1.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of Leviable Amount using the Adjusted Recognition for Gender.r	3	0.3%
2.1.2	Learnerships		
	2.1.2.1 Number of black employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees using the Adjusted Recognition for Gender	6	5%



Key Measurement Principles

Calculating the Adjusted Recognition for Gender

Measurement of Skills Development Indicators

The Learning Programme Matrix

Preferential Procurement



Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 -10
2.1.1 B-BBEE Procurement Spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12	50%	70%
2.1.2 B-BBEE Procurement Spend from Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	10%	15%
2.1.3 B-BBEE Procurement Spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend: 2.1.3.1 Suppliers that are 50% black owned (3 out of 5 points); or 2.1.3.2 Suppliers that are 30% black women owned. (2 out of 5 points)	5	15%	20%

Key Measurement Principles

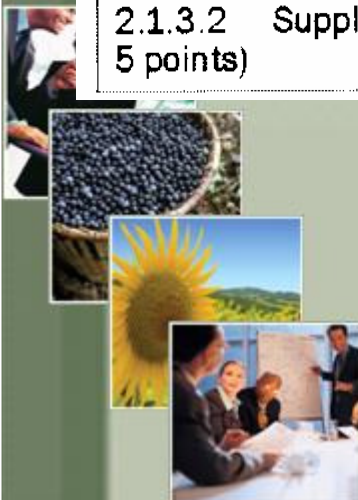
Black Owned Professional Service Providers and Entrepreneurs

Total Measured Procurement Spend

Exclusions from Total Measured Procurement Spend

Measurement of B-BBEE Procurement Spend

The Calculation of Preferential Procurement Contributions to B-BBEE



Enterprise Development

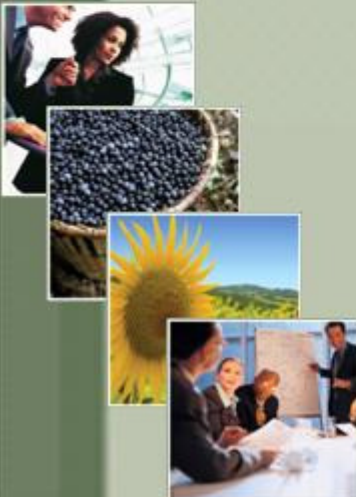


Criteria	Weighting Points	Compliance Target
Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target. .	15	3% of NPAT

Key Measurement Principles

Measurement of Qualifying Contributions

The Benefit Factor Matrix





Socio-Economic Development

Criteria	Weighting Points	Compliance Target
Average annual value of all Socio-Economic Development Contributions by the Measured Entity as a percentage of the target	5	1% of NPAT

Key Measurement Principles

Measurement of Socio-Economic Development Contributions

The Benefit Factor Matrix





QSE's Scorecard

Element	Weighting	Code Series 800
Framework		800
Ownership	25 points	801
Management control	25 points	802
Employment equity	25 points	803
Skills development	25 points	804
Preferential procurement	25 points	805
Enterprise Development	25 points	806
Socio Economic Development Contributions	25 points	807

Eligibility as a QSE Total Revenue of between R5million and R35million

Separate Scorecard for each element

QSE must select any four of the seven Elements of B-BBEE



Obstacles to implementation



BUSINESS PERSPECTIVE:

- a) Finding and retaining suitably qualified managers
- b) Finding equity partners who
 - i) have sufficient funding or can obtain sufficient funding;
 - ii) can add value to the business
- Procurement:
 - a) verifying the status of suppliers
 - b) finding quality products/service, that are also competitively priced
 - c) Non-alignment with Preferential Procurement Act
- Guidance from regulatory bodies in terms of BBBEE
 - Implementation of broad based schemes, including managing expectations.





Obstacles to implementation

FARMING PERSPECTIVE:

- Lack of knowledge brings uncertainty
- Determine category: Generic; QSE; EMSE
- The dti B-BBEE Website (Portal) (www.dti.gov.za)
 - B-BBEE Scorecards and Compliance - an overview
 - Interactive B-BBEE Scorecard Simulators (Self assessment)

- Cost of implementation a concern
- Business imperative – must make business sense

- Still many challenges to overcome!





Conclusion

- BBBEE is a challenge and an opportunity that we dare not ignore, nor squander.
- Legal framework provides predictability and a level playing field across sectors.
- Achieving true economic, social and environmental sustainability will entail risk and cost, but necessary.
- **Agribusiness acknowledges its responsibility and capacity, and commits to this critically important goal.**
- **Not just talk, progress considerable!**





Thank you

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