New AgriBEE Sector Code:
Legislative framework and process

AgriBEE Workshops

John Purchase & Melcus Nel

21 & 22 February 2018
For today.......

1. Introduction
2. Key milestones
4. B-BBEE Amendment Act of 2013 (Act No. 46 of 2013)
5. Generic Codes of Good Practice 2014 (Gazette No. 38076, 10 October 2014)
6. AgriBEE Sector Code of 2017 (Gazetted 8 December 2017)
7. Agbiz awareness and surveys since 2007
8. Sector Council 20 February 2018
9. Wrap up
1. Introduction

• South Africa's first democratic government was elected in 1994, with a **clear mandate to redress the inequalities of the past** in every sphere: political, social and **economic**.

• Since then, **government has embarked on a comprehensive programme to provide a legislative framework for the transformation of South Africa's economy**.

• In 2003, the Broad-Based Black Economic Empowerment (B-BBEE) Strategy was published as a precursor to the **B-BBEE Act, No. 53 of 2003**.

• The **fundamental objective** of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy.
The Global Competitiveness Report
2017–2018

The Global Competitiveness Index 2017–2018 Rankings

Covering 137 economies, the Global Competitiveness Index 2017–2018 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity.
Income inequality and change: SA problem!

SA official unemployment: 26.7% (Q4, 2017)
SA Youth unemployment: >50% (StatsSA, 2018)
2. Key milestones

- 2003  B-BBEE Strategy and B-BBEE Act
- 2004  AgriBEE Reference Group established by Min Thoko Didiza – released draft scorecard
- 2007  Generic B-BBEE Codes of Good Practice (1st Phase)
- 2008  AgriBEE Transformation Charter gazetted (S12 of the Act)
- 2008  1st AgriBEE Charter Council inaugurated (4-yr term)
- 2009  B-BBEE Advisory Council established
- 2010  Accredited Verification Agencies’ certificates recognized
- 2012  AgriBEE Sector Code gazetted (S9 of the Act)
- 2012  2nd AgriBEE Charter Council inaugurated (4-yr term)
- 2013  B-BBEE Summit – address very slow transformation progress
- 2013  B-BBEE Amendment Act (Act No. 46 of 2013)
- 2014  B-BBEE Generic Codes of Good Practice (2nd Phase)
- 2017  3rd AgriBEE Charter Council inaugurated (4-yr term)
- 2017  Amended AgriBEE Sector Code gazetted
3. AgriBEE Sector  Code 2012
The scope of the AgriBEE Sector Code 2012:

The scope of the AgriBEE Sector Code includes any enterprise which derives the majority of its turnover from:

- The primary production of agricultural products;
- The provision of inputs and services to enterprises engaged in the production of agricultural products;
- The beneficiation of agricultural products whether of a primary or semi-beneficiated form; and
- The storage, distribution, and/or trading and allied activities related to non-beneficiated agricultural products.
# The Content of the AgriBEE Sector Code

## Differences between the Codes of Good Practice and the AgriBEE Sector Code

<table>
<thead>
<tr>
<th>NO</th>
<th>EMPOWERMENT INDICATOR</th>
<th>AGRIBEE INDICATIVE SCORECARD</th>
<th>VARIANCE</th>
<th>GENERIC SCORECARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ownership (Land and Equity)</td>
<td>20 points</td>
<td>0</td>
<td>20 points</td>
</tr>
<tr>
<td>2</td>
<td>Management Control</td>
<td>10 points</td>
<td>0</td>
<td>10 points</td>
</tr>
<tr>
<td>3</td>
<td>Employment Equity</td>
<td>10 points</td>
<td>-5</td>
<td>15 points</td>
</tr>
<tr>
<td>4</td>
<td>Skills Development</td>
<td>20 points</td>
<td>+5</td>
<td>15 points</td>
</tr>
<tr>
<td>5</td>
<td>Preferential Procurement</td>
<td>20 points</td>
<td>0</td>
<td>20 points</td>
</tr>
<tr>
<td>6</td>
<td>Enterprise Development</td>
<td>10 points</td>
<td>-5</td>
<td>15 points</td>
</tr>
<tr>
<td>7</td>
<td>Rural Development, Poverty Alleviation and SED</td>
<td>10 points</td>
<td>+5</td>
<td>05 points</td>
</tr>
</tbody>
</table>
The scope of the 2012 AgriBEE Sector Code Cont...

1. **EXEMPTED MICRO ENTERPRISE (EME).**
   - **Turnover:** Less than R5m Turnover
   - **BEE Deemed recognition level:** Level 4.

2. **QUALIFYING SMALL ENTERPRISE (QSE).**
   - **Turnover:** More than R5m but less than R35m.
   - **Elements:** Must, at least, choose 5 elements out of 7 elements as opposed to the Codes where QSE’s select ANY 4 elements out of 7. **The Reason:** The agricultural sector is dominated by QSE’s and not large enterprises.

3. **MEASURED ENTERPRISES:** 100% compliance – All Seven Elements
4. B-BBEE Amendment Act of 2014

To amend the Broad-Based Black Economic Empowerment Act, 2003, so as to insert certain definitions and to amend others;

to clarify interpretation;

to provide for the remuneration of Council members;

to promote compliance by organs of state and public entities and to strengthen the evaluation and monitoring of compliance;

to include the creation of incentive schemes to support black-owned and managed enterprises in the strategy for broad-based black economic empowerment;

to provide for the cancellation of a contract or authorisation;

to establish the Broad-Based Black Economic Empowerment Commission to deal with compliance of broad-based black economic empowerment;

to provide for offences and penalties, and to provide for matters connected therewith (e.g. fronting).
5. Amended Generic Codes of Good Practice 2014
Roles of Charter Councils

- **Provide guidance on sector-specific matters** affecting B-BBEE initiatives in their sectors.

- To compile reports on the **status of broad based black economic empowerment within the sector**.

- To **share information** with sector members and the Minister.

- **Report to the Minister and to the Advisory Council** on progress made by the sector subject to the relevant Sector Charter.

- Reports should typically contain **quantitative and qualitative information** about sectorial performance, including details about all the elements of the sector’s B-BBEE scorecard.
Monitoring & Reporting of Sector Charters

- **Annual measurement of progress made** in implementation of Sector Charters in all elements of the scorecard

- Enable creation of a decent **system of keeping and managing information in the sector**

- Identify areas that pose challenges to implementation

- Aid in communication and spreading information to various users

- Inform policy decision-making process
The Revised Codes

The Revised Codes introduced the following **key changes**:

- The Generic scorecard adjusted in accordance with government key priorities
- **5 Scorecard elements, determine total points**
- **Broad-based groups** elevated into the main **Ownership** scorecard
- All companies to be measured to comply with **all elements**
- **Enhanced recognition** for Black-owned Exempted Micro Enterprises (EME’s) and Qualifying Small Enterprises (QSE’s)
The Revised Codes cont.

• **Scorecard points & Qualification criteria** for awarding of B-BBEE status levels adjusted.

• Employment Equity and Management Control merged into one element: **Management Control (MC)**

• Preferential Procurement and Enterprise Development merged into one element: **Enterprise and Supplier Development (ESD)**
The Revised Codes cont.

• Introduced **minimum requirements for priority elements**: Ownership, Skills Development, and Enterprise and Supplier Development.

• All measured entities to comply with **priority elements** under the following conditions:
  - QSEs to comply with **at least two** of the priority elements
    • Ownership is compulsory and either
    • ESD or Skills Development;
  - Large entities to comply with all priority elements

• Entities **who do not meet the thresholds** in priority elements, the overall Score will be **discounted**.
The Revised Codes cont.

• The thresholds for Exempted Micro Enterprises and Qualifying Small Enterprises have been adjusted as follows:
  • EME: increased from **R5 million to R10 million**
  • QSE: **R5 million - R35 million to R10 million - R50 million**
  • Large entities: **R50 million and above**

• Redefined Enterprise & Supplier Development beneficiaries to only include black-owned and black women-owned QSEs and EMEs.

• Requirements for Socio Economic Development (SED)
Principles for Alignment

The following principles are not for deviation and must be incorporated in the Sector Codes:

• All companies except Exempted Micro Enterprises to comply with all elements;

• The awarding of B-BBEE levels based on the Scorecard points & Qualification criteria;

• Enhancement of the recognition status of black owned EMEs.

• The principle of priority elements which are Ownership, Skills Development and Enterprise and Supplier Development

• The minimum threshold requirements for priority elements.

• The principle of discounting

• The redefinition of the Enterprise & Supplier Development beneficiaries to only include black owned and black women owned QSEs and EMEs
6. Amended AgriBEE Sector Code 2017

6.1 Introduction

Its conception is linked to the joint vision as contained in the Strategic Plan for South African Agriculture (‘the Sector Plan’) of a united and prosperous agriculture Sector designed to meet the challenges of constrained global competitiveness and low profitability, skewed participation, low investor confidence, inadequate support and delivery systems, and poor and unsustainable management of natural resources.

This Amended AgriBEE Sector Code derives directly from the Sector’s core objective to ensure increased access and equitable participation in the Sector.
6.1 Introduction cont.

This document has been developed as an **Amended Sector Code for the Agricultural Sector in terms of Section 9 of the Act** and provides for empowerment in the Sector and it includes the Amended AgriBEE Scorecards for large enterprises and Qualifying Small Enterprises (QSE).

Where there is doubt, uncertainty or ambiguity with respect to the interpretation of this Code, the **content of the Amended Codes of Good Practice**, as published by the Dti, will prevail.

Targets contained in the Amended AgriBEE Scorecard are based on those contained in the Amended Broad-Based Black Economic Empowerment Codes of Good Practice, as published by the **Dti**, as well as on stakeholder inputs, comments and recommendations.
6.2 Scope of Application

6.2.1. The scope of the Amended AgriBEE Sector Code shall include any Enterprise which derives more than 50% of its turnover from:

(a) the primary production of agricultural products;
(b) the provision of inputs and services to Enterprises engaged in the production of agricultural products;
(c) the beneficiation of agricultural products whether of a primary or semi-beneficiated form; and
(d) the storage, distribution, and/or trading and allied activities related to non-beneficiated agricultural products.

6.2.2. Where an Enterprise trades in more than one sector i.e. falls under more than one Sector Code, the Measured Enterprise must be guided by the principles embodied in the Amended Codes of Good Practice (refer to statement 003 of Amended Codes of Good Practice).
6.2 Scope of Application (Cont.)

6.2.3. Despite paragraph 2.1 and 2.2 above, the AgriBEE Charter Council may in consultation with the measured entity, Minister of Agriculture, Forestry and Fisheries and Minister of Trade and Industry determine that the measured entity should fall under the scope of the AgriBEE Sector Code.

6.2.4. This Amended Sector Code applies to multinationals whose business falls within the scope of the Code as defined in this section. Where a specific regime for multinationals exists in the Amended Codes of Good Practice, this regime will apply.

6.2.5. Enterprises as defined in paragraph 6.2.1 above should measure their contributions to the elements of broad-based BEE as contained in the Amended AgriBEE Scorecard.

6.2.6. Notwithstanding paragraph 6.2.5, Enterprises with an annual total revenue of between R10 million and R50 million qualify for BEE compliance measurement in terms of the Amended AgriBEE QSE Scorecard (Black QSEs don’t have to be measured). However, it should be noted that the Minister may, by notice in the Gazette, adjust the thresholds following appropriate benchmarking studies, sub-sector inputs, other relevant information and consultation with the major stakeholders in the sector.
6.2 Scope of Application (Cont.)

6.2.7 Notwithstanding paragraph 6.2.5 and 6.2.6 above, Enterprises with an annual total revenue of less than R10 million, will be classified as Exempted Micro Enterprises (‘EMEs’). EMEs will enjoy a deemed BEE recognition Level 4 (as defined in the Amended Codes of Good Practice), and sufficient evidence of qualification as an Exempted Micro-enterprise is a sworn affidavit or Companies and Intellectual Property Commission (CIPC) issued certificate. However, EMEs are encouraged to contribute to transformation in agriculture, particularly in the areas of skills development and socio-economic development; and are therefore incentivised to increase their BEE status by adopting this Amended AgriBEE Sector Code directive for EMEs to move from Lower Levels, to Higher Levels. Black EMEs and QSEs automatically qualify for level 1 (those that 100% Black owned) and 2 (those that are at least 51% Black owned).

6.2.8. The AgriBEE Sector Charter Council must review and adjust the revenue thresholds for QSEs and EMEs every two (2) years in line with relevant economic indicators and in expectation of the data's revision of the Sector Code.
6.3 Objectives

6.3.1. The objectives of the Act are to facilitate Broad-Based Black Economic Empowerment by:

(a) promoting economic transformation in order to enable meaningful participation of black people in the economy;

(b) achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new Enterprises;

(c) increasing the extent to which communities, workers, co-operatives and other collective Enterprises own and manage existing and new Enterprises and increasing their access to economic activities, infrastructure and skills training;

(d) increasing the extent to which black women own and manage existing and new Enterprises, and increasing their access to economic activities, infrastructure and skills training;

(e) promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity;

(f) empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and

(g) promoting access to finance for black economic empowerment.
6.3 Objectives (Cont.)

6.3.2. The objectives of this Amended AgriBEE Sector Code are to facilitate Broad-based Black Economic Empowerment in the Agricultural Sector by implementing initiatives to include Black South Africans at all levels of agricultural activity and Enterprises by:

(a) **promoting equitable access and participation of Black People** in the entire agricultural value chain;

(b) **de-racialising land and Enterprise ownership, control, skilled occupations and management of existing and new agricultural Enterprises**;

(c) **unlocking the full entrepreneurial skills** and potential of Black People in the Sector;

(d) **facilitating structural changes in agricultural support systems and development initiatives** to assist Black South Africans in owning, establishing, participating in and running agricultural Enterprises;

(e) **socially uplifting and restoring the dignity of Black South Africans** within the Sector;

(f) increasing the extent to which communities, workers, co-operatives and other collective Enterprises own and manage existing and new agricultural Enterprises, increasing their access to economic activities, infrastructure and skills training;
6.3 Objectives (Cont.)

(g) increasing the extent to which Black Designated Groups own and manage existing and new agricultural Enterprises, increasing their access to economic activities, infrastructure and skills training;

(h) empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills;

(i) the improvement of living and working conditions and promotion of decent living and working conditions for farm workers; and

(j) improving protection and standards of land rights and tenure security for labour tenants, farm workers and other vulnerable farm dwellers and addressing the inherently paternalistic nature of relationships associated with insecure tenure by promoting more permanent forms of tenure with the emphasis being on the transfer of ownership of land.
6.4 Determination of AgriBEE Status

6.4.1. The BEE status of an Enterprise that falls within the scope of application of the Amended AgriBEE Sector Code will be determined by the Enterprise’s score on the Amended AgriBEE Scorecard.

The Amended Scorecard consists of the following five key elements:

(a) Ownership (Equity & Land Ownership);
(b) Management control;
(c) Skills development;
(d) Enterprise and Supplier Development; and
(e) Socio-Economic Development.
6.4 Determination of AgriBEE Status (Cont.)

6.4.2. The Amended AgriBEE Sector Code (Scorecard) enjoys equal status with that of any other code, including the Amended Generic Codes of Good Practice.

6.4.3. Measurement Principles:

(a) A Measured Enterprise’s score for a particular indicator is calculated by dividing the enterprise’s actual contribution (as described by the relevant indicator) by the corresponding target.

(b) The result is multiplied by the corresponding indicator weighting points to obtain a score for that indicator.

(c) Where the enterprise attains a score in excess of the indicator weighting points, the enterprise shall only be entitled to the corresponding weighting points.

(d) The score for an element is the sum of indicator scores under that element.

(e) A Measured Enterprise’s overall BEE score will determine its BEE status and BEE procurement recognition level.

6.4.4. The gazetting of an Amended AgriBEE Sector Code for the Agricultural Sector, in terms of Section 9 (1) of the Act, is evidence of the commitment by all stakeholders to promote Broad-Based Black Economic Empowerment in the Agricultural Sector.
<table>
<thead>
<tr>
<th>BEE Status</th>
<th>Qualification</th>
<th>BEE procurement recognition level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level One Contributor</td>
<td>≥100 points on a broad-based BEE Scorecard</td>
<td>135%</td>
</tr>
<tr>
<td>Level Two Contributor</td>
<td>≥95 points but &lt;100 points on a broad-based BEE Scorecard</td>
<td>125%</td>
</tr>
<tr>
<td>Level Three Contributor</td>
<td>≥90 points but &lt;95 points on a broad-based BEE Scorecard</td>
<td>110%</td>
</tr>
<tr>
<td>Level Four Contributor</td>
<td>≥80 points but &lt;90 points on a broad-based BEE Scorecard</td>
<td>100%</td>
</tr>
<tr>
<td>Level Five Contributor</td>
<td>≥75 points but &lt;80 points on a broad-based BEE Scorecard</td>
<td>80%</td>
</tr>
<tr>
<td>Level Six Contributor</td>
<td>≥70 points but &lt;75 points on a broad-based BEE Scorecard</td>
<td>60%</td>
</tr>
<tr>
<td>Level Seven Contributor</td>
<td>≥55 points but &lt;70 points on a broad-based BEE Scorecard</td>
<td>50%</td>
</tr>
<tr>
<td>Level Eight Contributor</td>
<td>≥40 points but &lt;55 points on a broad-based BEE Scorecard</td>
<td>10%</td>
</tr>
<tr>
<td>Non-Compliant Contributor</td>
<td>&lt;40 points on a broad-based BEE Scorecard</td>
<td>0%</td>
</tr>
</tbody>
</table>
# BEE recognition levels

<table>
<thead>
<tr>
<th>B-BBEE Status</th>
<th>Current Qualification</th>
<th>New Qualification</th>
<th>B-BBEE recognition level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level One</td>
<td>≥100 points</td>
<td>≥100 points</td>
<td>135%</td>
</tr>
<tr>
<td>Level Two</td>
<td>≥85 but &lt;100 points</td>
<td>≥95 but &lt;100 points</td>
<td>125%</td>
</tr>
<tr>
<td>Level Three</td>
<td>≥75 but &lt;85</td>
<td>≥90 but &lt;95</td>
<td>110%</td>
</tr>
<tr>
<td>Level Four</td>
<td>≥65 but &lt;75</td>
<td>≥80 but &lt;90</td>
<td>100%</td>
</tr>
<tr>
<td>Level Five</td>
<td>≥55 but &lt;65</td>
<td>≥75 but &lt;80</td>
<td>80%</td>
</tr>
<tr>
<td>Level Six</td>
<td>≥45 but &lt;55</td>
<td>≥70 but &lt;75</td>
<td>60%</td>
</tr>
<tr>
<td>Level Seven</td>
<td>≥40 but &lt;45</td>
<td>≥55 but &lt;70</td>
<td>50%</td>
</tr>
<tr>
<td>Level Eight</td>
<td>≥30 but &lt;40</td>
<td>≥40 but &lt;55</td>
<td>10%</td>
</tr>
<tr>
<td>Non-Compliant</td>
<td>&lt;30</td>
<td>&lt;40</td>
<td>0%</td>
</tr>
</tbody>
</table>
## New Scorecard

<table>
<thead>
<tr>
<th>Element</th>
<th>Code series</th>
<th>Current Weighting</th>
<th>NEW Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>100</td>
<td>20</td>
<td><strong>25</strong></td>
</tr>
<tr>
<td>Management Control</td>
<td>200</td>
<td>10</td>
<td><strong>19</strong></td>
</tr>
<tr>
<td>Employment Equity</td>
<td></td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Skills Development</td>
<td>300</td>
<td>15</td>
<td><strong>20 +5</strong></td>
</tr>
<tr>
<td>Enterprise and Supplier Development</td>
<td>400</td>
<td>20</td>
<td><strong>40</strong></td>
</tr>
<tr>
<td>Enterprise Development</td>
<td></td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Socio-Economic Development</td>
<td>500</td>
<td>5</td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>
Enterprise & Supplier Development incl. Procurement

- Shares: 25
- Skills: 22
- 40
Ownership
Sub-minimum = 40% of Net Value points
3.2 points

Skills Development (SD)
Sub-minimum = 40% of total weighting points
8 points

Enterprise and Supplier Development (ESD)
Sub-minimum = 40% of EACH of categories
16 points

Generics must comply with all 3 priority elements
QSE must comply with ownership + 1 priority element
what's all the fuss about?
<table>
<thead>
<tr>
<th>Element</th>
<th>Current Rating</th>
<th>New Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>13.00</td>
<td></td>
</tr>
<tr>
<td>Management Control</td>
<td>7.44</td>
<td></td>
</tr>
<tr>
<td>Employment Equity</td>
<td>12.06</td>
<td></td>
</tr>
<tr>
<td>Skills Development</td>
<td>4.65</td>
<td></td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>12.51</td>
<td></td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>15.00</td>
<td></td>
</tr>
<tr>
<td>Socio-Economic Development</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total Points</strong></td>
<td><strong>69.66</strong></td>
<td><strong>69.66</strong></td>
</tr>
<tr>
<td>Calculated Level</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Level Adjustment</td>
<td></td>
<td>-1</td>
</tr>
<tr>
<td>Final Level</td>
<td></td>
<td>8</td>
</tr>
</tbody>
</table>
ALIGNING BEE AND NEEDS

• Ownership
• Skills Tax Benefits
• Agri – Socio Economic Development-15 points
  • Schools funding and mentorship
• Enterprise and Supplier Development
  • Funding / assistance to BEE operations – allow phasing in of Procurement targets
• Identify Need
• Why do I need BEE?
• What level will be determined by previous question.
• Do I need to redistribute?
• What does redistribution mean?
• How am I training my employees?
• How do I help the community?
• Co-ordinate through organised Agriculture
Element Summary

Ownership
- Procurement – 51% BEE 30% BEE Women

Management
- Challenging

Skills Development
- Increase from 2% to 6%
- 50% of Learnerships Unemployed People

Enterprise Supplier Development
- Including procurement
- Phasing in provision

Socio Economic Development
- Agree in Advance
New Codes

40 points 30 Points
Penalty
55 Points

Old Codes
Impact of Penalties

Maximum score 119
No Ownership – 94
No Management – 75

Maximum Level 5
With Penalty 6
Minimum Score

Socio ED 15
Enterprise Dev 20
Supplier Dev 30

Need 55 for Level 8
Skills 20 / Procurement 25
Socio-Economic Development

1.5% for 15 points

Housing

Transport

Schools

Retirement

ABET

Bursaries

Land 10%
Socio-Economic Development

Black People

Facilitate access to the Economy

Income-generating activities

Consult and provide proof
AMENDED AGRI SECTOR CHARTER SOCIO-ECONOMIC DEVELOPMENT AGREEMENT
AGRIBUSINESS ENTERPRISES

Introduction:
Socio-economic development refers to contributions that are related to the agricultural industry and contributions initiated and implemented in favour of Black People, with the specific objective of facilitating 

Parties:
Xxx(Company Name),
the Measured Entity,

consulted with:

xxx(Beneficiary Name),
the Beneficiary,

on the xxx(Date of meeting. Please note: this date MUST preceed the spending date),

to establish their needs.

Needs identification:
The following needs were identified (Please select or add relevant needs):

Socio-Economic Development Agreement:
We decided to assist with the following (Please select or add relevant items):
Signed:

For the Measured Entity:
Name:
Title:
Signature:
Date:

For the Beneficiary:
Name:
Title:
Signature:
Date:

Confirmation of Beneficiary Status:
The Beneficiary qualifies as a Socio-Economic Development beneficiary.

Xxx% (Please note: Must be >= 75% to obtain full benefit.) of the value of the assistance directly benefits black people.

The following documents required for substantiating a claim on a B-BBEE scorecard will be sent through:

- B-BBEE Affidavit of The Beneficiary indicating % of the value of assistance that directly benefits black people;
- Profile of The Beneficiary;
- Letter of appreciation for the contribution to The Measured Entity acknowledging receipt and indicating the value of the assistance that directly benefited black people.
Enterprise and Supplier Development

Include Procurement spent BEE Rands

Reach your OWN suppliers – proper analysis and monitoring

Develop their scorecards – ESD contributions
## ESD FOCUS

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>51% Black Owned</td>
<td>40%</td>
<td>9</td>
</tr>
<tr>
<td>30% Black Women</td>
<td>12%</td>
<td>4</td>
</tr>
<tr>
<td>QSE</td>
<td>15%</td>
<td>3</td>
</tr>
<tr>
<td>EME</td>
<td>15%</td>
<td>4</td>
</tr>
</tbody>
</table>
## ESD options

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BEE Certificates</strong></td>
<td>• Grants for assisting to obtain</td>
</tr>
<tr>
<td><strong>Assets / Facilities</strong></td>
<td>• Market Value</td>
</tr>
</tbody>
</table>
| **Mentorship** | • Salaries  
|                 | • Market Value |
| **Loans** | • Interest free – 70%  
|            | • Interest Bearing – 50% |
Ownership

• 10% Minimum
• 25+1% Maximum score
• BEE Supplier 51% BEE or 30% Black women
• Reason for doing ownership critical to determine optimum solution
Key questions

Do I need it to stay in business?

How much is enough?

Do I give or sell equity?

What are the risks?

What’s the best way to go about it?
Ownership Options

• Sell shares
  • With or without funding

• Broad Based Groups
  • Cooperatives / Employees

• Sale of assets

• Private Equity Fund
Sale of assets

For “once empowered, always empowered” recognition:

The transaction must ultimately result in:

1. the creation of sustainable businesses or business opportunities for Black People; and
2. the transfer of specialised skills or productive capacity to Black People; and
3. it must not result in unnecessary job-losses;
4. it must involve a separate Associated Enterprise which has:
   • no unreasonable limitations with respect to its clients or customers;
   • clients, customers or suppliers other than the Enterprise with which the Qualifying Transaction was undertaken; and
   • no operational outsourcing arrangements with the initiating Enterprise that were not concluded at arms-length on a fair and reasonable basis.
Sale of assets

BEE Shareholder

51%

Separately identifiable business

Farming / Agri Company

49%

Provide ESD support:
Loan, Guarantees, Discounts,
Preferential finance rates,
Mentorship

Sale of Asset

Non-core assets
Sale of assets

To meet its Empowerment Finance requirements, Bank lends at preferential rates to Newco to support asset based finance transactional requirements AND lends to Black Industrialist.

BEE Shareholder

Separately identifiable business

Farming / Agri Company

Asset, Equity Instrument or Business

Equivalent % of Black ownership

Asset previously 100% owned

Bank

Empowerment Finance lending

BI lending up to R75m

51%

49%

Sale of asset
Private Equity Fund

• International Investors
  • Employment Equity solution

• Black Fund Manager
  • Transformative Outcomes
SKILLS
BEE Priority Element + Funding → Skills Solution
FUNDING

• Skills Development Levy 20%
• ETI – Employee Tax Incentive – 18 to 29 R1000 per month
• Sect 12h Tax deduction
  • Disabled Learners R120 000 per annum
  • Abled Learners R80 000 per annum
Generic Companies > R50m

- 6% of Payroll
- 20 points + 5 absorption
- 0.3% Disabled spent
- 2.5% minimum unemployed
- Learnerships 5% of employees
QSE – between R20 and R50m

3% of Payroll

30 points + 5 absorption

1% of 3% on unemployed

1% of 3% Black women
• Assume payroll of R200 000 per month / R2,4m per annum
• 1% Skills Levy = R24 000 / 3% target = R72 000
• One learnership cost R30 000
• Admin / learner support / logistics R6 000
• Stipend R30 000 p.a
• Total R60 000 p.a

SDL refund 20% R4 800
Tax deduction – R40 880
ETI – Youth subsidy – R12 000

R 13 120 or R1 100 per month
IMPLEMENTATION

• Group of 20
• Theory 1 - 2 days per week
• Work 3 - 4 days per week
• Presented in community halls
• Facilitated by farm supervisors / managers
• Farmers Unions / Industry Bodies
AGRI BUSINESSES

• Disabled Learners Outsourced
• Learnerships for own employees
• 50% must be Unemployed
Management

• Skills Audit

• Develop career paths

• Sponsor studies
  • Employees
  • School children

• Grow internal BEE management structures
Management

• Disabled Employees 2% for 2 points
• Board members 50% for 2 points
• Junior Management 88% for 1 point
General Comments

• Start in time – proper planning

• 12 months measurement period – Financial year vs Management accounts

• Ownership and Management at date of verification

• Site visit compulsory

• New verification manual not published
• Questions and Interpretations – in Agbiz newsletter

• Analysis of member scorecards
7. Agbiz Awareness and Surveys
Agribusinesses implementing AgriBEE

Intentions unpacked through Agbiz 2014 AgriBEE survey

Lindie Stroebel
12 April 2014
Agbiz media event
Current & Planned scores 2014

Intention to improve

Current VS planned scores

- Current BEE status
- Planned BEE status in 2016
2017 AgriBEE survey results

by Agbiz
Responses to the 2017 survey

- Total of 26 responses
- The average B-BBEE score is level 5
- Two categories, based on turnover
  - Category 1 (15 responses): < R1 billion turnover
  - Category 2 (11 responses): > R1 billion turnover
What is your current B-BBEE status?

*Letters represent respondents’ names*
Category 1: Average level is 4

*Letters represent respondents' names
Category 2: Average level 6

*Letters represents respondents' names*

- **Current B-BBEE status**
- **Planned B-BBEE status by 2020 New AgriBEE Sector Codes**
Please indicate which elements your company would most likely pursue as part of your future B-BBEE strategy?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skills Development</td>
<td>Skills Development</td>
<td>Socio-economic development</td>
<td>Skills Development</td>
<td>Skills Development</td>
</tr>
<tr>
<td>2</td>
<td>Ownership</td>
<td>Preferential procurement</td>
<td>Enterprise development</td>
<td>Enterprise development</td>
<td>Enterprise and supplier development</td>
</tr>
<tr>
<td>3</td>
<td>Employment Equity</td>
<td>Socio Economic Development</td>
<td>Skills development</td>
<td>Social development</td>
<td>Management Control</td>
</tr>
<tr>
<td>4</td>
<td>Management Control</td>
<td>Enterprise Development</td>
<td>Preferential Procurement</td>
<td>Ownership</td>
<td>Ownership</td>
</tr>
</tbody>
</table>
8. Sector Council Meeting 20 February 2018

1. Terms of reference – Consensus vs Majority
2. Strategic meeting 19 April – 4 to 5 main objectives
3. Reporting – norms and standards
4. Benchmarking
5. Funding NAMC 5% of 20% of Statutory levy
6. SANAS meeting – invite council members to attend verification of its members
7. Provincial structures – involvement of members
8. Implementation date
9. Wrap up

From SONA 2018:

“The process of industrialisation must be underpinned by transformation. We will improve our capacity to support black professionals, deal decisively with companies that resist transformation, use competition policy to open markets up to new black entrants, and invest in the development of businesses in townships and rural areas.”

- B-BBEE has moved from ‘Intent to Transform’ to ‘Regulated Transformation’.
- Amended AgriBEE Sector Code is as close as possible to revised generic CoGP – tough negotiation process.
- Reasons: (i) Level playing field (ii) Predictability (iii) Smooth transition.
- Agribusinesses, including banks, will in effect now have to ‘force’ clients (farmers) to provide scorecards.
- All business with government (procurement, licenses, permits, etc.) will require a scorecard.
Thank you

www.agbiz.co.za