

# **New AgriBEE Sector Code:**

## **Legislative framework and process**

AgriBEE Workshop

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2 August 2019

# Reporting Guidelines

- “MEDIA RELEASE
- 
- DATE: 3 JULY 2019
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- B-BBEE COMMISSION RELEASES ANNUAL REPORT ON NATIONAL STATUS AND TRENDS TRANSFORMATION REPORT FOR 2018
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- The B-BBEE Commission has released the annual report on the national status and trends of broad-based economic empowerment for the calendar year 2018 as required by the B-BBEE Act, which report shows that only 43% of the JSE listed entities and 10% of the organs of state submitted their annual compliance reports as required, with the majority clearly failing to comply. This year's report shows no significant change in the levels of transformation with black ownership reflecting a decline to 25.2% black ownership from 27% in 2017 and management control still sitting at 38% for black people.
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- Section 13G of the B-BBEE Act makes it compulsory for all JSE listed entities, organs of state, public entities and SETAs to submit compliance reports on B-BBEE to the B-BBEE Commission, which the B-BBEE Commission must analyse in terms of section 13F (1) (g) of the B-BBEE Act. The report is released in the first quarter of the financial year each year and is now available on [www.bbbee.commission.gov.za](http://www.bbbee.commission.gov.za) link <http://bit.ly/2RMGO9A>.
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- The findings of the analysis for the 2018 calendar year compared to 2017 indicated no significant improvement as only 43% (51% - 2017) of JSE listed companies and 10% (1% - 2017) organs of state complied with the reporting requirement, which may be followed by referral for prosecution as this worrying trend of non-compliance is clearly undermining the objectives of the B-BBEE Act.
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- The report is based on information that was submitted to the B-BBEE Commission for the period 1 January 2018 to 31 December 2018 by JSE listed entities, organs of state, public entities and SETAs as per section 13G reporting requirement in the B-BBEE Act, as well as 1674 B-BBEE certificates captured on the B-BBEE Portal for 2018.

# Reporting Guidelines

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- The report results show that Black Ownership is at 25.2% (27% -2017) and Black Women Ownership at 10.1% (9% - 2017). As in 2017, only 38% (male – 21.63%; female – 16.76%) of JSE listed entities board control is held by black people and majority at 61.61% is held by white people and foreign nationals. The 2016 report indicated 30% (male – 18%; female – 12%) black South Africans held directorship on listed entities.
- 
- JSE listed entities achieving at least B-BBEE contribution level 4 have increased by 10.9% compared to 2017. The analysis indicates that 50.93% (40% - 2017) of entities are level 4 and higher, while 44.48% (60% - 2017) entities are between level 5 and non-compliant
- B-BBEE status. State organs that reported show that 59% rated between level 2 and level 7, while 41% were level 8 to non-compliant B-BBEE status.
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- The low level of reporting and the slow pace of improvement in B-BBEE elements is a concern, but the B-BBEE Commission welcomes that B-BBEE compliance is now part of the audit scope of the Auditor General and also that annual B-BBEE reporting is a listing requirement on the JSE. Therefore, with these interventions and the enforcement action of the B-BBEE Commission, reporting and the extent of B-BBEE implementation is expected to improve.
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- The B-BBEE Commission has started conducting site visits on the reports submitted and this is part of verification of the accuracy of the reports submitted as well as identifying best practices to share with other measured entities. The B-BBEE Commission appreciates the level of cooperation already shown by measured entities on the site visits conducted thus far. The B-BBEE Commission remains available to assist those who require advice on B-BBEE for free.
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- Issued on behalf of the B-BBEE Commission by:
- Sidwell Medupe - Departmental Spokesperson
- Department of Trade and Industry

# For today.....

1. Introduction
2. Key milestones
3. AgriBEE Sector Code of 2012
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.

Insight Report

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# The Global Competitiveness Report 2017–2018

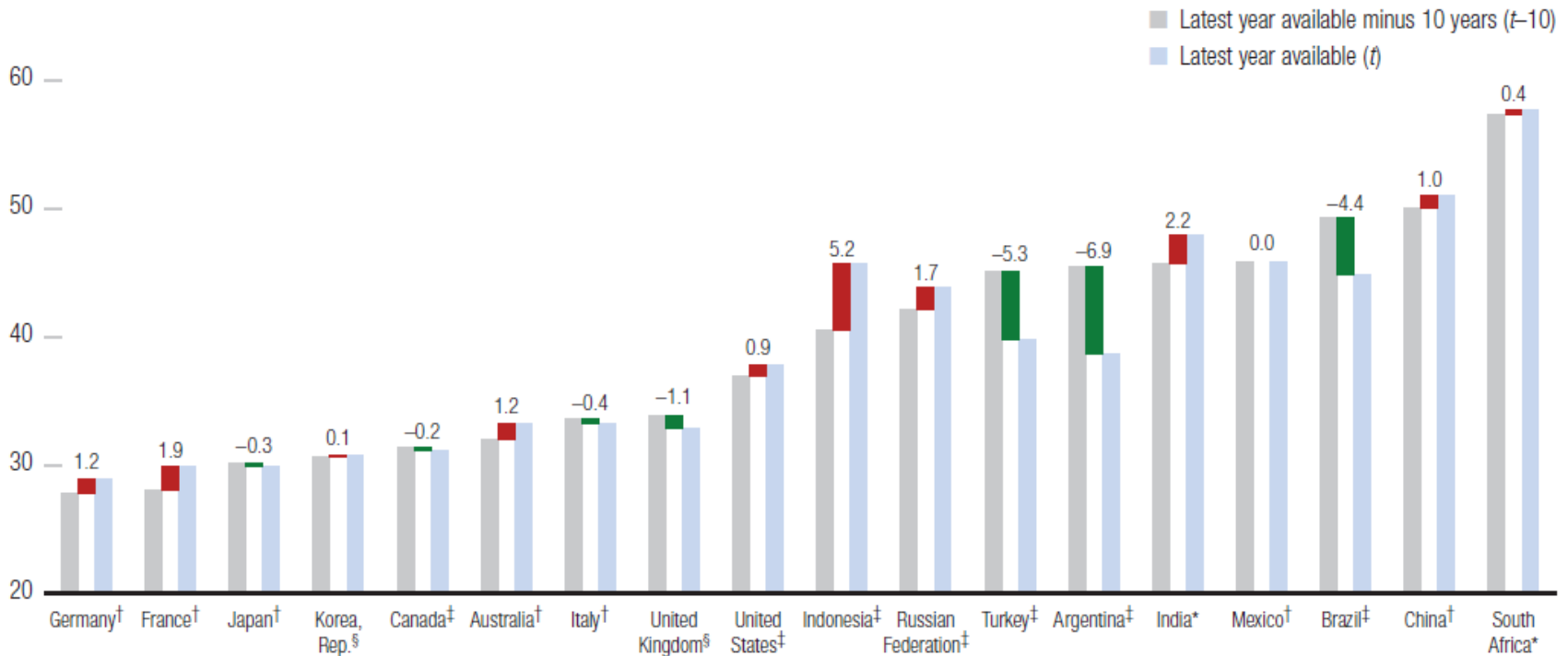
## The Global Competitiveness Index 2017–2018 Rankings

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!

Figure 2: Income inequality and its evolution over past decade in selected countries

Gini Index, Income inequality = 100



Source: SWIID (Standardized World Income Inequality Database), available at <http://fsolt.org/swiid/>.

Note: GINI coefficients are for the latest year available over the previous decade: \*2002–2012; †2004–2014; ‡2005–2015, §2006–2016.

SA official unemployment: 27,2%

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 (1<sup>st</sup> Phase)
- 2008 AgriBEE Transformation Charter gazetted (S12 of the Act)
- 2008 1<sup>st</sup> 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 2<sup>nd</sup> AgriBEE Charter Council inaugurated (4-yr term)
- 2013 B-BBEE Summit – address very slow transformation progress
- 2013 B-BBEE Amendment Act
- 2014 B-BBEE Generic Codes of Good Practice (2<sup>nd</sup> Phase)
- 2017 3<sup>rd</sup> 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

NO	EMPOWERMENT INDICATOR	AGRIBEE INDICATIVE SCORECARD	VARIANCE	GENERIC SCORECARD
1	Ownership (Land and Equity)	20 points	0	20 points
2	Management Control	10 points	0	10 points
3	Employment Equity	10 points	- 5	15 points
4	Skills Development	20 points	+ 5	15 points
5	Preferential Procurement	20 points	0	20 points
6	Enterprise Development	10 points	- 5	15 points
7	Rural Development, Poverty Alleviation and SED	10 points	+ 5	05 points

# 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, total points**
- **Broad-based groups** elevated into the main **Ownership** scorecard
- All companies to be measured to comply with **all elements**
- **Enhanced recognition** for BEE 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 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 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 2.5 and 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.**



# B-BBEE Status and Recognition Level

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on a broad-based BEE Scorecard	135%
Level Two Contributor	≥95 points but <100 points on a broad-based BEE Scorecard	125%
Level Three Contributor	≥90 points but <95 points on a broad-based BEE Scorecard	110%
Level Four Contributor	≥80 points but <90 points on a broad-based BEE Scorecard	100%
Level Five Contributor	≥75 points but <80 points on a broad-based BEE Scorecard	80%
Level Six Contributor	≥70 points but <75 points on a broad-based BEE Scorecard	60%
Level Seven Contributor	≥55 points but <70 points on a broad-based BEE Scorecard	50%
Level Eight Contributor	≥40 points but <55 points on a broad-based BEE Scorecard	10%
Non-Compliant Contributor	<40 points on a broad-based BEE Scorecard	0%

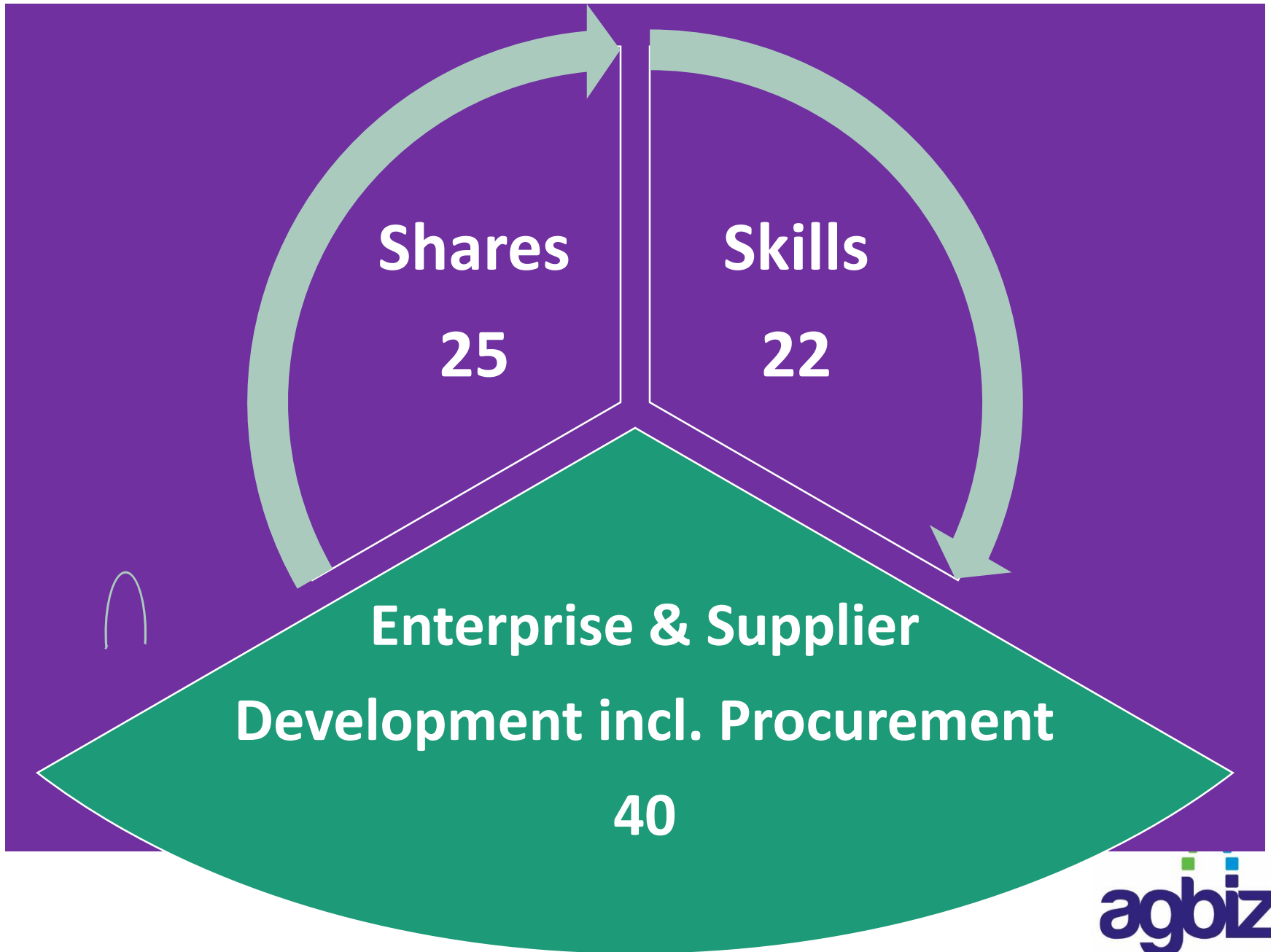
# Strategy and Implementation Melcus Nel – Signa Group

# BEE recognition levels

B-BBEE Status	Current Qualification	New Qualification	B-BBEE recognition level
Level One	≥100 points	≥100 points	135%
Level Two	≥85 but <100 points	≥95 but <100 points	125%
Level Three	≥75 but <85	≥90 but <95	110%
Level Four	≥65 but <75	≥80 but <90	100%
Level Five	≥55 but <65	≥75 but <80	80%
Level Six	≥45 but <55	≥70 but <75	60%
Level Seven	≥40 but <45	≥55 but <70	50%
Level Eight	≥30 but <40	≥40 but <55	10%
Non-Compliant	<30	<40	0%

# New Scorecard

Element	Code series	Current Weighting	NEW Weighting
Ownership	100	20	25
Management Control	200	10	19
Employment Equity		15	
Skills Development	300	15	20 +5
Enterprise and Supplier Development	400	20	40
Enterprise Development		15	
Socio-Economic Development	500	5	15



# Priority elements

## 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?

	Current Rating	New Codes
Ownership	13.00	
Management Control	7.44	
Employment Equity	12.06	
Skills Development	4.65	
Preferential Procurement	12.51	
Enterprise Development	15.00	
Socio-Economic Development	5.00	
<b>Total Points</b>	<b>69.66</b>	<b>69.66</b>
Calculated Level	4	7
Level Adjustment		-1
Final Level		8

# 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

# QUO VADIS?

- 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% tot 6%
- 50% of Learnerships Unemployed People

## Enterprise Supplier Development

- Including procurement
- Phasing in provision

## Socio Economic Development

- Agree in Advance

New Codes

40 points

Penalty

55 Points

30 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

Focus on compliance First

Then improve score to required level

# BEE PROCESS

SED

ENT DEV

SUPPLIER  
DEV

SKILLS

OWNERS  
HIP

MANAGE  
MENT

# SOCIO- ECONOMIC DEVELOPMENT

# Socio-Economic Development

1.5% for 15  
points

Housing

Transport

Schools

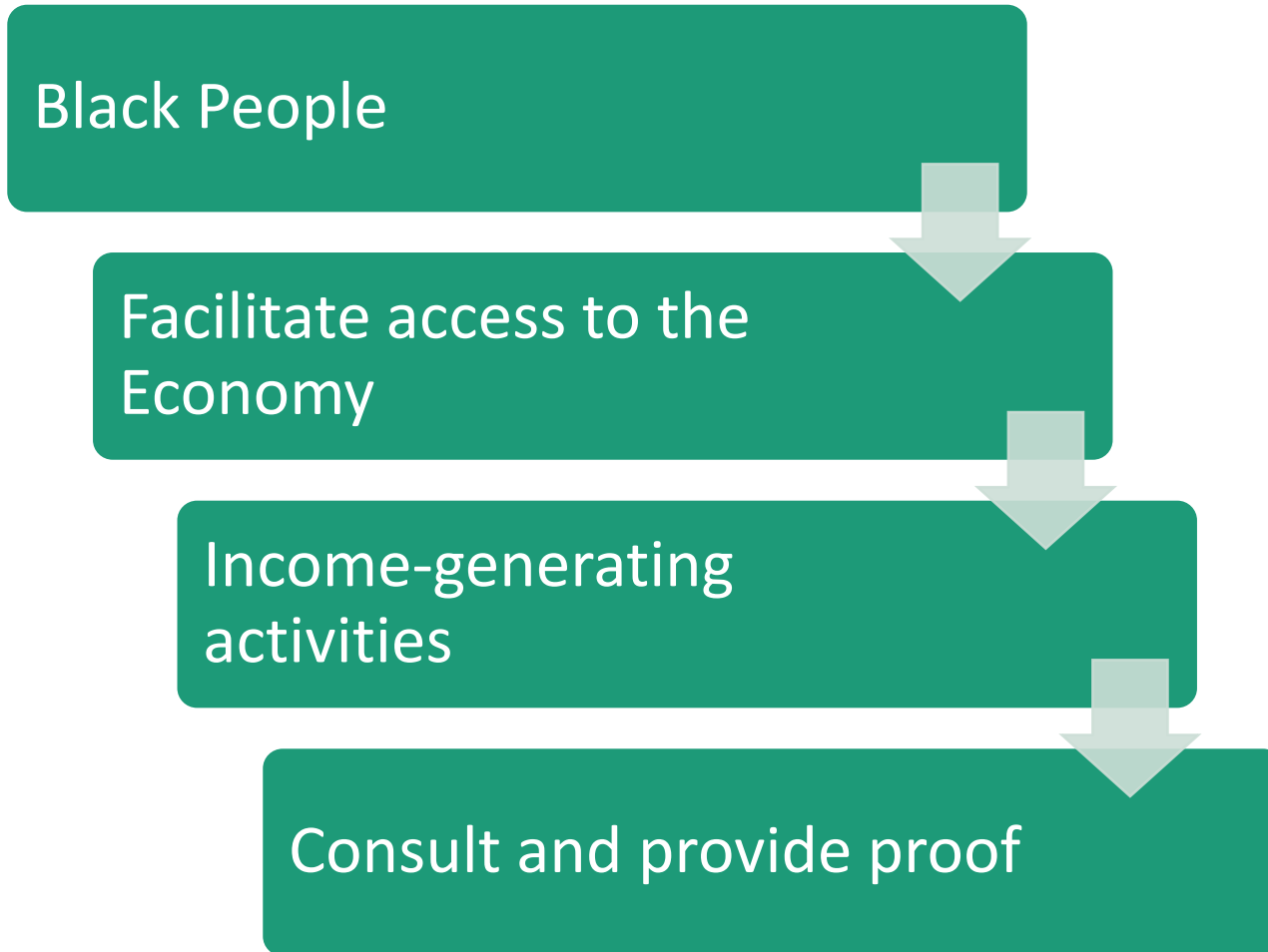
Retirement

ABET

Bursaries

Land 10%

# Socio-Economic Development



# ENTERPRISE AND SUPPLIER DEVELOPMENT

# Enterprise and Supplier Development

Include Procurement spent  
BEE Rands

Reach you OWN suppliers –  
proper analysis and  
monitoring

Develop their scorecards –  
ESD contributions

# ESD FOCUS

51% Black  
Owned

- 40% target
- 9 Points

30% Black  
Women

- 12%
- 4 Points

QSE

- 15%
- 3 Points

EME

- 15%
- 4 Points

# ESD options

## BEE Certificates

- Grants for assisting to obtain

## Assets / Facilities

- Market Value

## Mentorship

- Salaries
- Market Value

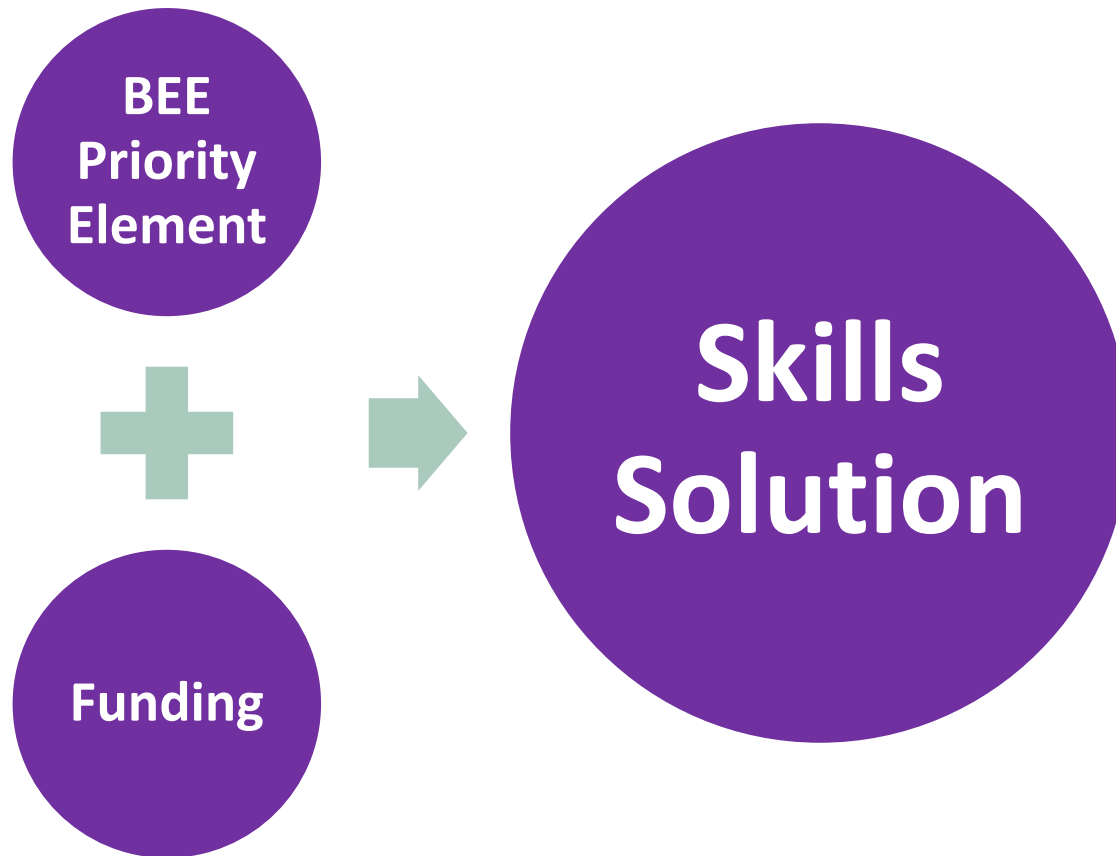
## Loans

- Interest free – 70%
- Interest Bearing – 50%

# Section 12 J

## Tax Deduction for investments

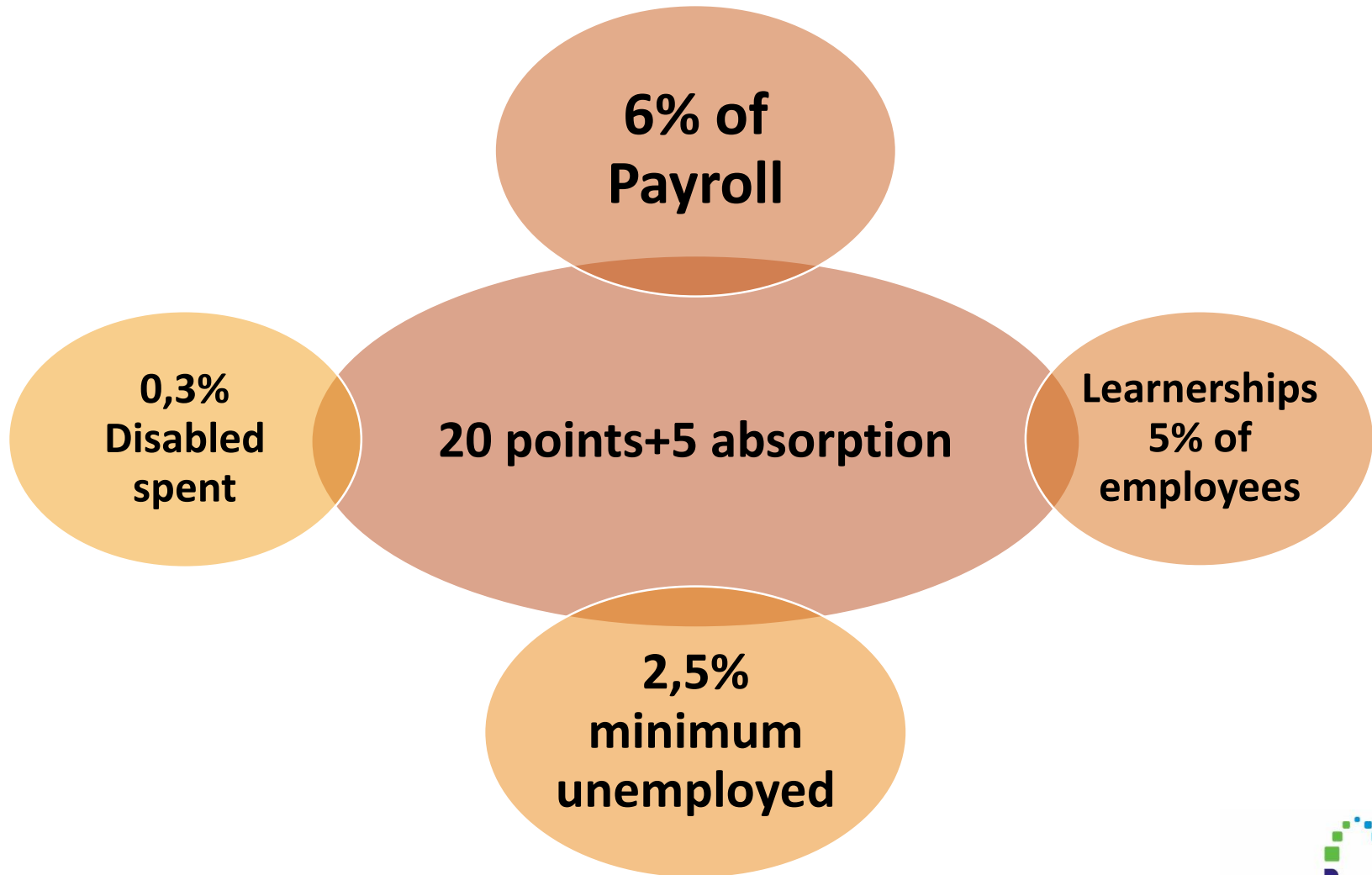
# SKILLS



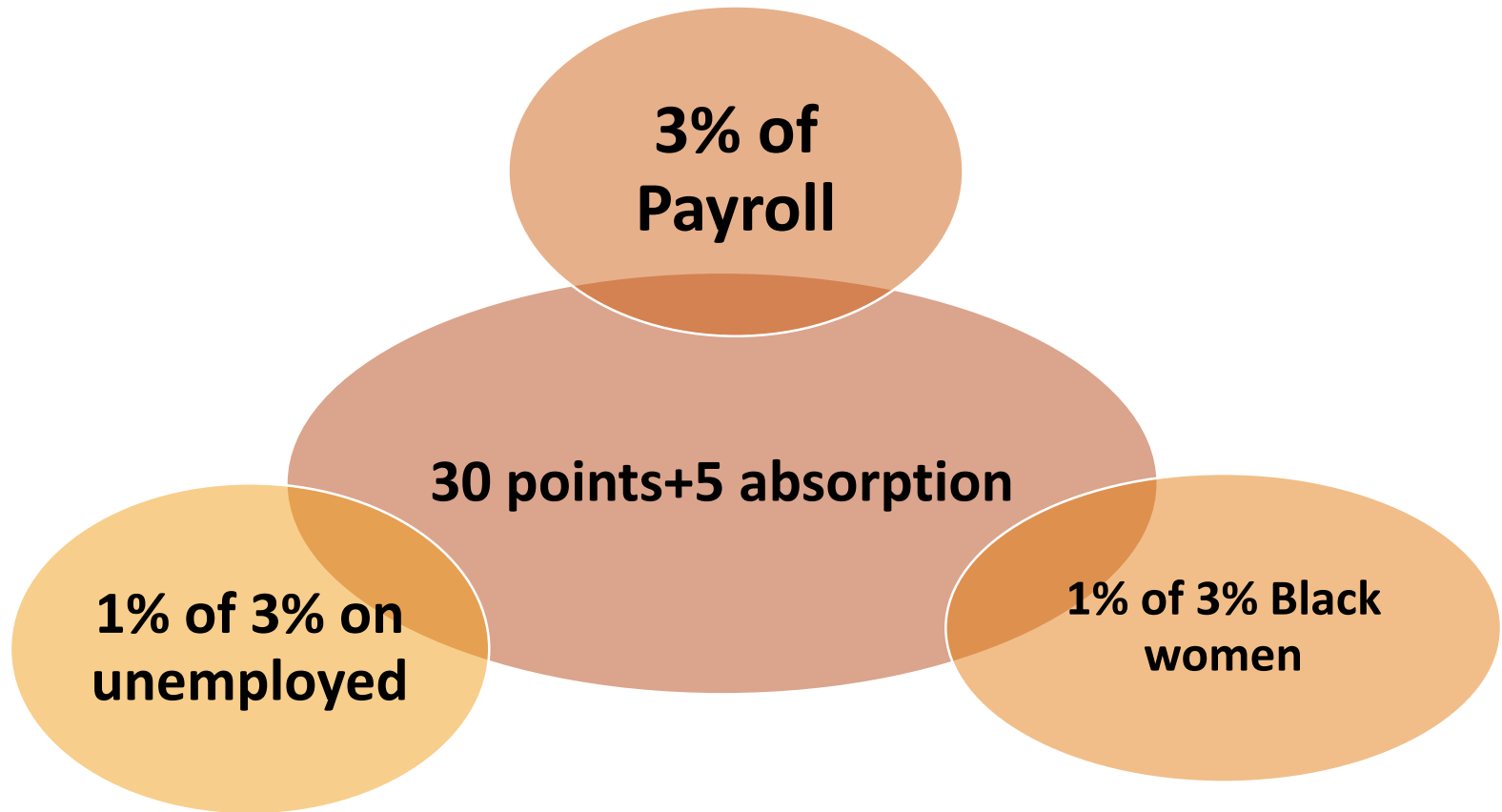
# FUNDING

- 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



# QSE – between R20 and R50m



# OWNERSHIP

# 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**
  - Including 30% of Agricultural land
- **Private Equity Fund**

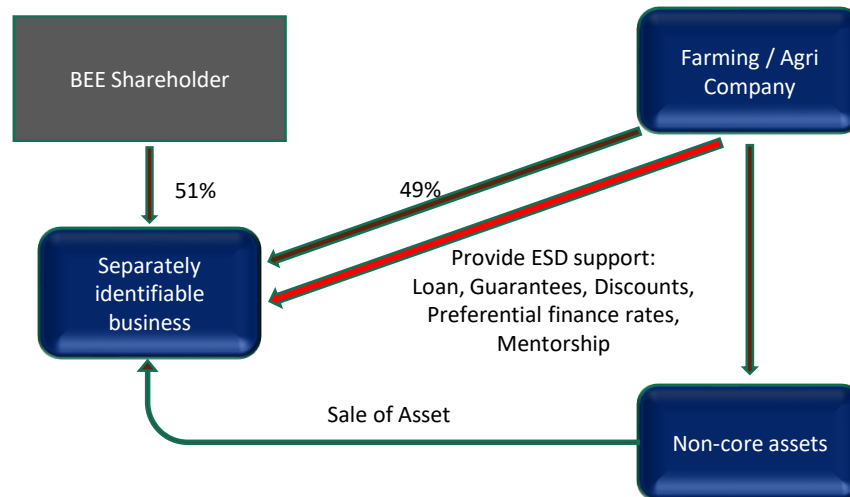
# Sale of assets

For “once empowered, always empowered” recognition:

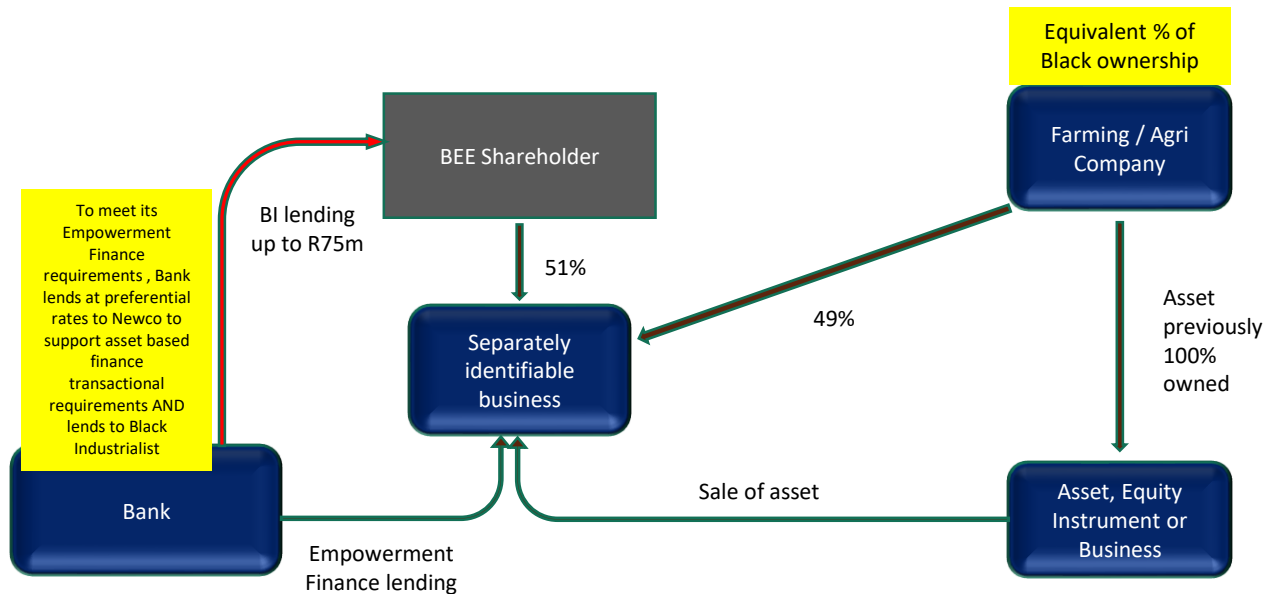
The transaction must ultimately result in:

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



# Sale of assets



# Private Equity Fund

- **International Investors**
  - **Equity Equivalent solution**
- **Black Fund Manager**
  - **Transformative Outcomes**

# MANAGEMENT CONTROL

# 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

Thank you

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