

sigma
group

#1 IMPACT ORGANISATION

sigma ACADEMY

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KAPAZI TRUST



BE ONE SOUTH AFRICA |



NOVACOM
KEEPING IT STRAIGHT FORWARD



Meeting at Dti / Other updates



- Date for implementation 1 December 2019 vs 31 May 2020
- Industry Norm – 20 participants
- Reporting – serious implications

- SARS
 - Sect 12 J investments for ESD
 - 21 July Amendments announcements received 30 July
 - Effective 21 July but comment till 23 August 2019
 - Limit to R2,5 m per taxpayer / tax payable

Background



- The History
 - Narrow Based BEE
 - BEE Commission Report (2001)
 - DTI Strategy Document (2003)
 - B-BBEE Act (2003)
- The Scorecards
 - The Codes of Good Practice (Feb 2007) - 7 Elements, 100 Points plus bonus points
 - Revised Codes first tranche for Large Entities (Oct 2013) 5 Elements, 109 Points plus bonus points
 - Revised Codes second tranche (May 2015) - QSE's, Specialised Scorecard, Equity Equivalents, Sale of Asset, Sector Charter Development
 - Revised Agri-BEE – 7 December 2017

Background



- Draft Amendments
 - 41546 Statements 000 & 300 with Y.E.S (29 March 2018)
 - 41709 Definitions & Statement 400 (15 June 2018)
- Final Gazetted Amendments
 - 41866 Y.E.S (17 July 2018)
 - 41975 Y.E.S Regulations (12 October 2018)
 - **42496 (31 May 2019)**
 - **Definitions (Schedule 1)**
 - **Statements 000**
 - **Statement 300**
 - **Statement 400**

GN42496

- For Implementation within 6 months (i.e. by 30 November 2019)
 - For verifications after 1 December or for measured periods up to 30 November?
 - Sector codes must comply by 1 December / 31 May 2020
- Schedule 1 - Definitions and Interpretation
- Statement 000
 - Enhanced Recognition
 - Priority Elements
 - Joint Ventures
- Statement 300
 - Bursary spend and scholarships
- Statement 400
 - New targets and point allocations

Definitions – Schedule 1

- Absorption - means a measure of the Measured Entity’s ability to successfully secure a long-term contract of employment for the Employee, Learner, Intern or Apprentice.
- “Long-term contract of employment - A legal agreement between an individual and an entity that this individual would work for until his or her mandatory date of retirement.
- “Apprenticeship” – means an agreement between an apprentice and an employer for a set period of time during which the apprentice works and receives training in the workplace.
- “Company Limited by Guarantee”
- Critical Skills* - means those skills identified as being critical by the relevant SETA (not any SETA)

Definitions – Schedule 1

Designated Group Supplier – at least 51% owned by one or more of the following categories of ownership...

- a) unemployed black people not attending and not required by law to attend an educational institution and not awaiting admission to an educational institution;
- b) Black people who are youth as defined in the National Youth Commission Act of 1996;
- c) Black people who are persons with disabilities as defined in the Code of Good Practice on employment of people with disabilities issued under the Employment Equity Act;
- d) Black people living in rural and under developed areas;
- e) Black military veterans who qualifies to be called a military veteran in terms of the Military Veterans Act 18 of 2011;

Definitions – Schedule 1

- “Empowering Supplier”
- 30% Black Women Owned – “AT LEAST” 30% (not “more than”)
- Qualifying ESD contributions – 51% BO and 51% BWO
- Current Equity Interest Date - replaces net value date and means the later occurring of the date of commencement of statement 100 and the date upon which the transaction undertaken by the Measured Entity in order to achieve black rights of ownership, became effective and unconditional.

Statement 000



- Priority Elements
- Employment Equity Submissions
- Joint Ventures

Statement 000



- Clarified the 40% recognition applicability

Ownership - Sub-minimum is 40% of Net Value (40% of 8 points)

Skills Development - Sub-minimum is 40% of total weighting points (40% of 20 points)
excluding bonus points

Enterprise and Supplier Development - Sub-minimum is 40% for each of Preferential Procurement (40% of 25 points), SD (40% of 10 points), and ED (40% of 5 points) excluding bonus

- Not applicable to QSE's that achieve enhanced recognition
- Discounting the same (just worded better)

Statement 000



- Clarified that EE submissions are only required for entities that are “designated employers” who employ 50 or more or who exceed the turnover thresholds published by the Department of Labour, under the EE Act.
- Other entities are required to submit sufficient evidence for verification purposes.
- Enhanced recognition only applicable to 51% Black owned entities using Flow Through – Not Modified Flow Through
- Fixed Management control points (19) and total points (109/118)

Statement 000



- Unincorporated Joint Ventures

Require consolidated certificate as if a single entity

- Based on a weighting in accordance with the JV agreement.
- Respective scores in terms of the relevant Code of Good Practice will be weighted according to their proportionate share in the JV and added together for a combined score out of 100.
- QSE use their score out of 100 to calculate the consolidated score.
- 51% Black Owned or 100% Black Owned EME's and QSE's will qualify for a score of 95 or 100 Points respectively.
- EME's other than those in paragraph 2.1.4.4 above will qualify for a score of 85 Points.
- The JV B-BBEE Certificate is valid for 12 Months and only applicable to a specific Project.

Statement 300

Skills Development Scorecard



CATEGORY	CRITERIA	WEIGHTING	TARGET
2.1.1	Skills Development Expenditure on any program specified in the Learning Programme Matrix for Black people as % of Leivable amount		
2.1.1.1	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leivable amount	6 (8)	3.5%(6%)
2.1.1.2	Skills Development Expenditure on Bursaries for Black Students at Higher Education Institutions.	4	2.5%
2.1.1.3	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leivable amount	4	0.3%
2.1.2	Learnerships, Apprentices and Internships		
2.1.2.1	Number of black people participating in Learnerships, Apprentices or internships as a percentage of all employees	6 (8)	5%
Bonus Points			
2.1.3	Number of black people absorbed by the measured and Industry Entity at the end of Internship, Learnership or Apprenticeship Programme	5	100%

Statement 300

Skills Development Scorecard



- Targets and Points
- Focus on Bursaries
- Salaries, subsistence and accommodation paid to Bursary students included
- Unemployed to Black
- Absorption not including continuous training

Statement 300

Skills Development Scorecard



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Bonus Points			
2.1.3	Number of black people absorbed by the measured and Industry Entity at the end of Internship, Learnership or Apprenticeship Programme	5	100%

Statement 400

ESD



CATEGORY	CRITERIA	WEIGHTING	TARGET
2.1 Preferential Procurement			
	2.1.1 B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition levels as a percentage of Total Measured Procurement Spend	5	80%
	2.1.2 B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend. Refer to paragraph 3.9 below.	3	15%
	2.1.3 B-BBEE Procurement Spend from all Exempt Micro-Enterprises based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15%
	2.1.3 B-BBEE Procurement Spend from all Empowering Suppliers that are at least 51% black-owned based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	11 (9)	50% (40%)
	2.1.4 B-BBEE Procurement Spend from all Empowering Suppliers that are at least 30% black women owned based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	12%
	BONUS POINTS		
	2.1.5 B-BBEE Procurement Spend from empowering designated group suppliers that are at least 51% Black Owned	2	2%

Statement 400

ESD



CATEGORY	CRITERIA	WEIGHTING	TARGET
2.2 Supplier Development			
	2.2.1 Average annual value of all Supplier Development Contributions and Sector Specific Programmes made by the Measure Entity as a percentage of the target	10	2% of NPAT
2.3 Enterprise Development			
	2.3.1 Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measure Entity as a percentage of the target	5	1% of NPAT
2.4 Bonus Points			
	2.4.1 Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level	1	
	2.4.2 Bonus point for creating one or more jobs directly as a result of Supplier Development initiatives by the Measured Entity	1	

Statement 400 ESD



- The Net Profit After Tax (NPAT) or average target applies unless:
 - the company does not make a profit last year or on average over the last five years
 - the net profit margin is less than a quarter of the norm in the industry.
- If the Turnover is to be used, the target will be set at:
 - 1% x Indicative Profit Margin (NPAT/Turnover) x Turnover
- **Process with BEE council to amend for Trading companies – Survey with 20 participants**
- Removed enhancement (1.2X) for first time suppliers
- Introduced enhancement (1.2Xspend) for at least 51% BO or BWO utilising **Flow Through**
- ESD beneficiaries are at least 51% BO or BWO (Flow Through only) EME's, QSE's or **Generic Entities**, provided first assisted as EME or QSE and for a maximum of 5 years from first assisting

Statement 400

ESD



- A Supplier Development Beneficiary is a part of the Measured Entity's supply chain whereas an Enterprise Development Beneficiary is not.
- B-BBEE Procurement Spend from Generic Entity Suppliers which are at least 51% Black Owned or at least 51% Black Women Owned utilizing the flow through principle can be recognized under Point Indicator 2.1.2 and 2.1.3 of the Enterprise and Supplier Development Scorecard, provided first spend was as EME or QSE and for maximum of 5 years from date of first procurement.
- Removed the 3% of positive differential calculation methodology for relaxed security requirements
- Benefit factor for guarantees increased from 3% to 50% (matrix)

Statement 400

ESD



QUALIFYING CONTRIBUTION TYPE	CONTRIBUTION AMOUNT	BENEFIT FACTOR
Loans and Related Contributions		
Interest free loans with no security requirement	Outstanding Loan Amount	70%
Standard loan to Black-Owned EME and QSE	Outstanding Loan Amount	50%
Guarantees provided on behalf of a beneficiary entity	Guarantee Amount	50% (3%)
Lower Interest Rates	Outstanding Loan Amount	Prime - Actual Rate

