



**B-BBEE**  
COMMISSION

**Presentation to the B-BBEE  
Codes of Good Practice**

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# Background

- In terms of section 9 of the B-BBEE Act, the Minister is empowered to issue the Codes of Good Practice (the Codes).
- We have the generic Codes and Sector Codes.
- Instrument to drive transformation within the economy.
- Applicable to both public and private sector.

# Code Series 000: Principles

- The Codes measures 5 elements:
  - Ownership : 25 points;
  - Management Control: 19 points;
  - Skills Development: 20 points;
  - Enterprise and Supplier Development: 40 points; and
  - Socio- Economic Development: 5 points.
- Points achieved will result into a B-BBEE recognition status.
- There are eight recognition levels.

# Code Series 000: Principles

B-BBEE Status	Qualification	B-BBEE Recognition
Level One Contributor	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥95 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥90 but < 95 points on the Generic Scorecard	110%
Level Four Contributor	≥80 but < 90 points on the Generic Scorecard	100%
Level Five Contributor	≥75 but < 80 points on the Generic Scorecard	80%
Level Six Contributor	≥70 but < 75 points on the Generic Scorecard	60%
Level Seven Contributor	≥55 but < 70 points on the Generic Scorecard	50%
Level Eight Contributor	≥40 but < 50 points on the Generic Scorecard	10%
Non-compliant Contributor	<40 points on the Generic Scorecard	0%

# ...Code Series 000: Principles

Classify measured entities based on annual turnover, gross receipts or allocated budget :

- Exempted Micro Enterprises (EME): **0 – R10 million.**
  - No verification requirements.
  - Enhanced recognition for black owned EMEs.
- Qualifying Small Enterprises (QSE): **above R10 million but less R50 million.**
  - Comply with the QSE scorecard.
  - Enhanced recognition for black owned QSEs.
- Large Enterprises: **above R 50 million.**

# ...Code Series 000: Principles

- Measured entities to comply with priority elements under the following conditions:
  - **QSE to comply with at least two of the priority elements:**
    - Ownership is compulsory; and either
    - Enterprise & Supplier Development or Skills Development.
  - **Large enterprises to comply with all priority elements.**
- Measured entities who do not meet the thresholds in priority elements, the overall score will be discounted one (1) level down.

# ...Code Series 000: Principles

Also covers the following Statements:

- Statement 003: Development of sector Codes.
- Statement 004: Specialised entities.
  - no ownership.
  - Granted automatic recognition levels based on a percentage of black beneficiaries.
- Statement 005: Requirements for verification.

# OWNERSHIP



- Change ownership patterns of the economy.
- Target of **25.1%** Ownership.
- Measure three aspects: **exercisable voting rights, economic interest, and net value.**
- The **40% sub-minimum** is applicable on **NET VALUE.**
- Designated groups included in the main scorecard.
- Threshold for new entrants increased to **R50 million.**
- **Sale of asset/business** qualify for ownership points.

# Code Series 100: OWNERSHIP

B-BBEE Element	Indicator	Description	Weighting Points	Compliance Target
Ownership	2.1 Voting Rights	2.1.1 Exercisable Voting Rights in the Entity in the hands of Black people	4	25% + 1 vote
		2.1.2 Exercisable Voting Rights in the Entity in the hands of Black women	2	10%
	2.2 Economic Interest	2.2.1 Economic Interest in the Entity to which Black people are entitled to	4	25%
		2.2.2 Economic Interest in the Entity to which Black women are entitled to	2	10%
		2.2.3. Economic Interest of any of the following Black natural people in the Measured Entity		
		2.2.3.1. Black designated groups; 2.2.3.2. Black participants in Employee Share Ownership programmes; 2.2.3.3. Black people in Broad-Based Ownership Schemes; 2.2.3.4. Black participants in Co-Operatives	3	3%
		2.2.4. New Entrants	2	2%
	2.3. Realisation Points	2.3.1. Net Value	8	Refer to Annexure C

# ...Code Series 100: OWNERSHIP

- Alternative for multinational corporations – **Equity Equivalent Investment Programme:**
  - Policy that do not sell equity in host country.
  - **25%** of value of RSA operation or **4%** of annual turnover from RSA operation.
  - Three focus areas: **skills development, enterprise development, and research and development.**
  - Duration of programme is linked to the investment amount .
  - To date the following programmes were approved: **Microsoft, Hewlett Packard, Turner & Townsend, Liebherr, Hansen Transmission, IBM SA and Dell SA.**

# MANAGEMENT CONTROL

# Code Series 200: MANAGEMENT CONTROL

- Increase number of existing and new enterprises controlled and managed by black people.
- Merged **Management Control** and **Employment Equity** element.
- The compliance targets for Management Control are aligned with the **Economically Active Population** (EAP) targets as annually published by the Department of Labour.
- Entities apply National or Provincial EAP depending on locality.

# ...Code Series 200: MANAGEMENT CONTROL

Measurement Category & Criteria	Weighting points	Compliance targets
<b>2.1 Board participation:</b>		
2.1.1 Exercisable voting rights of black board members as a percentage of all board members	2	50%
2.1.2 Exercisable voting rights of black female board members as a percentage of all board members	1	25%
2.1.3 Executive black directors as a percentage of all executive directors	2	50%
2.1.4 Executive black female directors as a percentage of all executive directors	1	25%
<b>2.2 Other Executive Management:</b>		
2.2.1 Black Executive Management as a percentage of all executive <i>management</i>	2	60%
2.2.2 Black female Executive Management as a percentage of all executive <i>management</i>	1	30%
<b>2.3 Senior Management</b>		
2.3.1 Black employees in Senior Management as a percentage of all senior management	2	60%
2.3.2 Black female employees in Senior Management as a percentage of all senior management	1	

# ...Code Series 200: MANAGEMENT CONTROL

<b>2.4 Middle Management</b>		
2.4.1 Black employees in Middle Management as a percentage of all middle management	2	75%
2.4.2 Black female employees in Middle Management as a percentage of all middle management	1	38%
<b>2.5 Junior Management</b>		
2.5.1 Black employees in Junior Management as a percentage of all junior management	1	88%
2.5.2 Black female employees in Junior Management as a percentage of all junior management	1	44%
<b>2.6 Disabled Employees</b>		
2.6.1 Black disabled employees as a percentage of all employees	2	2%

# SKILLS DEVELOPMENT



# Code Series 300: SKILLS DEVELOPMENT

- **Increase investment** towards human resource and **skills development** of black people.
- The compliance target increased from **3% to 6%** to cover both employees and non-employees training expenditure.
- 40% sub-minimum apply to total points (40% of 20 points).
- Introduced a **15% cap** for non-core training costs such as accommodation, catering etc.
- Introduced a **15% cap** on Category F & G training (informal training).
- The compliance targets are based on **EAP** targets.

# ...Code Series 300: SKILLS DEVELOPMENT

Category	Skills Development Element	Weighting points	Compliance Target
<b>2.1.1 Skills Development Expenditure on any programmes specified in Learning Programme Matrix for black people as a percentage of Leviale Amount</b>			
2.1.1.1	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviale Amount	8	6 %
2.1.1.2	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviale Amount	4	0.3%
<b>2.1.2 Learnerships, Apprenticeships, and Internships:</b>			
2.1.2.1	Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	4	2.5%
2.1.2.2	Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees	4	2.5%
<b>Bonus points:</b>			
2.1.3	Number of black people absorbed by the Measured and Industry Entity at the end of the Learnerships programme	5	100%

# ENTERPRISE AND SUPPLIER DEVELOPMENT

# Code Series 400: ENTERPRISE & SUPPLIER DEVELOPMENT

- Promote procurement from B-BBEE compliant suppliers and increase financial support towards black entities.
- Measures the following: **preferential procurement, supplier development, and enterprise development.**
- The aim is to **strengthen local procurement and enhancing local supplier development** programmes.
- 40% sub-minimum apply to the total points of each criteria.
- Beneficiaries of enterprise and supplier development are **EMEs or QSEs which are at least 51% black owned or at least 51% black women owned.**

# ...Code Series 400: ENTERPRISE & SUPPLIER DEVELOPMENT

- Enterprise and Supplier Development Contributions are **recognisable on an annual basis**.
- Cumulative recognition is only allowed for long term projects.
- Imports exclusion principle maintained with overriding proviso that imports are not applicable in **Designated Sectors**.
- The exclusion of imports are subjected to the entity having developed a **plan**. This plan should include:
  - **Clear objectives and priority interventions**; and
  - **Key performance indicators and implementation plan**.


# ...Code Series 400: ENTERPRISE & SUPPLIER DEVELOPMENT

- Not just a supplier, but an **Empowering Supplier**.
- Means good South African entity who comply with all regulatory requirements of the country:
  - 25% of cost of sales excluding labour cost and depreciation must be spent in RSA.
  - 85% labour costs in service industry.
  - 50% of job created must be for black people.
  - 25% of beneficiation of raw materials.
  - 12 days per annum of skills transfer to black EMEs and QSE.

# ...Code Series 400: ENTERPRISE & SUPPLIER DEVELOPMENT

- Large enterprises must comply with at least three of the criteria listed above and QSEs only one.
- EMEs and Start-Ups are automatically recognised as Empowering Suppliers.

# ...Code Series 400: ENTERPRISE & SUPPLIER DEVELOPMENT

Criteria	Weighting points	Compliance targets
<b>2.1 PREFERENTIAL PROCUREMENT</b>		
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 applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	15%
2.1.3 B-BBEE Procurement Spend from Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15%
2.1.4 B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	9	40%
2.1.5 B-BBEE Procurement Spend from Empowering Suppliers that are at least 30% black women owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	12%
<b>Bonus points</b>		
B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned.	2	



# ...Code Series 400: ENTERPRISE & SUPPLIER DEVELOPMENT

## 2.2 SUPPLIER DEVELOPMENT

2.2.1 Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target.	5	2% of NPAT
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## 2.3 ENTERPRISE DEVELOPMENT

2.3.1 Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.	5	1% of NPAT
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## 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

# SOCIO-ECONOMIC DEVELOPMENT

# Code Series 500: SOCIO-ECONOMIC DEVELOPMENT

- Measures socio-economic contributions aimed at **promoting access to mainstream economy for black people.**
- Targeting rural and under-developed areas.
- **1% NPAT** on annual basis.
- **75% of beneficiaries** must be **black people.**

# ...Code Series 500: SOCIO-ECONOMIC DEVELOPMENT

Criteria	Weighting points	Compliance targets
Annual value of all Socio-economic development contributions by the measured entity as a percentage of the target.	5	1% NPAT

Thank you