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Framework



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Framework

- **The dti and Advisory Council Recommended changes:**
 - ❑ Adjusting the balanced scorecard in accordance with government key priorities
 - ❑ All companies except Exempted Micro Enterprises will comply with all elements of the Codes
 - ❑ Enhancing the recognition status of black owned and black women owned EMEs
 - ❑ The thresholds for Exempted Micro Enterprises and Qualifying Small Enterprises will be adjusted



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Key Principle Changes



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Key Principle Changes

- ❑ Outlined three scorecard scenarios to effect proposed enhancements to Ownership, Skills Development and Preferential Procurement
- ❑ Revised the qualification points for awarding of a B-BBEE status
- ❑ Elevated more than 50% black owned and 30% black women owned EMEs to level 2 and 100% black owned and more than 50% black women owned EMEs to level 1
- ❑ Updated the Framework for Accreditation of B-BBEE Verification Agencies to include IRBA (Independent Regulatory Body of Auditors)
- ❑ Outlined the transitional arrangement regarding SANAS and IRBA



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Scorecard Scenarios



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Scorecard Scenarios

Element	Code series reference	Current Weighting	Proposed Weighting
Ownership	100	20 points	20 points
Management Control		10 points	Consolidated with Employment Equity
Employment Equity	200	15 points	15 points
Skills Development	300	15 points	15 points
Preferential Procurement	400	20 points	25 points
Enterprise Development	500	15 points	20 points
Socio-Economic Development	600	5 points	5 points



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B-BBEE Status



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B-BBEE Status

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



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Ownership



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Ownership

- **The dti and Advisory Council Recommended changes**
 - ❑ Creating greater incentives for genuine broad-based ownership such as employee share ownership, co-operatives and community ownership
 - ❑ The points for ownership should be broadened to include designated groups
 - ❑ Revising the Code dealing with Equity Equivalents for multi-national corporations
 - ❑ Setting subminimum/thresholds



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Key Principle Changes



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Key Principle Changes

- Specific focus was given to broad-based BEE in the main body of the ownership scorecard in order to create greater incentives for genuine broad-based ownership
- Revised the scorecard to distinguish between established business and new entrants for all sub-elements
- Collapsed ownership fulfilment and net asset value points
- The new scorecard does not include bonus points and ownership fulfilment point
- Limited the period of recognition of ownership points after sale or loss of shares to period of shareholding by black people
- Changed the formula for sale or loss of shares to measure the value created in black hands on date of sale or loss of shares instead of measurement date
- Elaborated on the Private Equity section as per the old guide to the Codes
- Sub-minimum target set at 40% of the Net Value points based on the 25% target



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Proposed Scorecard



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Proposed Ownership Scorecard

Category and Ownership indicator		Weighting points	Compliance Target	
1.1 Exercisable Voting rights in the hands of the following black people:				
Black People	1.1.1 Established	1	25%	15%
	1.1.2 New Entrants	1		10%
Black Women	1.1.3 Established	1	10%	6%
	1.1.4 New Entrants	1		4%
Economic Interest of the following black natural people (broad-based groupings) in the Enterprise: - black designated groups; - black Participants in Employee Ownership Schemes; - black beneficiaries of Broad based Ownership Schemes; or - black Participants in Co-operatives	1.1.5 Established	1	2.5%	1.5%
	1.1.6 New Entrants	1		1%



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Proposed Ownership Scorecard

Category and Ownership indicator		Weighting points	Compliance Target	
1.2 Economic Interest in the hands of the following black people:				
Black People	1.2.1 Established	1	25%	15%
	1.2.2 New Entrants	1		10%
Black Women	1.2.3 Established	1	10%	6%
	1.2.4 New Entrants	1		4%
Economic Interest of the following black natural people (broad-based groupings) in the Enterprise: - black designated groups; - black Participants in Employee Ownership Schemes; - black beneficiaries of Broad based Ownership Schemes; or - black Participants in Co-operatives	1.2.5 Established	1	2.5%	1.5%
	1.2.6 New Entrants	1		1%
1.3 Realisation points:				
	1.3.1 Net Value	8	Refer to Annexure C paragraph 4	17



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Employment Equity



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Employment Equity

- **The dti and Advisory Council Recommended changes:**
 - ❑ Consolidating the management control and employment equity elements, and align to the Employment Equity Act (targets, reporting and definitions)
 - ❑ Revising sub-minimum thresholds for scoring on the scorecard



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Key Principle Changes



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Key Principle Changes

- The management control and employment equity scorecards were consolidated and weighting points adjusted accordingly
- Discontinued some of the management control sub-elements and merged “other top management and senior management” sub-elements
- The description of each of the measurement categories was aligned with that of the EE Act
- Measurement has been further broken down according to EAP targets
- Adjusted recognition for gender collapsed into specific target for women
- Tightened the definition of “senior top management”
- New stretch sub-minimums set for the various measurement categories in accordance with the reported CEE achievements



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Proposed Scorecard



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Employment Equity Scorecard

Measurement Category & Criteria	Weighting points	Compliance targets	African Male	Coloured Male	Indian Male	African Female	Coloured Female	Indian Female
2.1 Board participation:								
2.1.1 Black Executive Directors	2	50%	23.06%	3.42%	1.08%	18.85%	2.85%	0.74%
2.2 Top Management:								
2.2.1 Black Senior Top Management	3	40%	18.45%	2.73%	0.87%	15.08%	2.28%	0.59%
2.3 Senior Management								
2.3.1 Black Other Top Management and Black employees in Senior Management as a percentage of all such employees	3	60%	27.68%	4.10%	1.30%	22.62%	3.42%	0.89%
2.4 Middle Management								
2.4.1 Black employees in professionally qualified and experienced specialists and mid-management as a percentage of all such employees	3	75%	34.60%	5.13%	1.62%	28.27%	4.27%	1.11%



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Employment Equity Scorecard

Measurement Category & Criteria	Weighting points	Compliance targets	African Male	Coloured Male	Indian Male	African Female	Coloured Female	Indian Female
2.5 Junior Management								
2.5.1 Black employees in skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents as a percentage of all such employees	2	88%	40.59%	6.01%	1.90%	33.18%	5.01%	1.30%
2.6 Black Disabled Employees as a percentage of all employees	2	2%	Overall black target					
	15							
Bonus points:								
2.7 Black Non-Executive Board Members	1	40%	18.45%	2.73%	0.87%	15.08%	2.28%	0.59%



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Skills Development



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Skills Development

- **The dti and Advisory Council Recommended changes**
 - ❑ Skills Development Element to be aligned to the New Skills Development Strategy and the New Growth Path.
 - ❑ Revise the targets on Skills Development



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Key Principle Changes



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Key Principle Changes

- ❑ Introduced a General Principles section to outline alignment between the element and the broader government objectives
- ❑ Broadened the beneficiary base to include external skills development initiatives
- ❑ Based the compliance targets for the Skills Development scorecard on the Economically Active Population demographic representation of black people as defined
- ❑ Broadened the learnership sub-element to include apprenticeships and internships
- ❑ Introduced an absorption target and a sub-minimum applicable to all the sub-elements
- ❑ Revised the learnership matrix to only give recognition for targeted training
- ❑ Adjusted Recognition for Gender principle collapsed into specific target for women
- ❑ Provided definitions for learnerships, apprenticeships, internships and absorption and other supporting definitions
- ❑ Removed work-based training that does not require a formal contract from the Learning Programme Matrix (namely: categories F and G)



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Proposed Scorecards



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Proposed Skills Development Scorecard

Criteria	Weighting points	Compliance target	African Male	Coloured Male	Indian Male	African Female	Coloured Female	Indian Female
1.1 Skills Development Expenditure on any program specified in the Learning Programme Matrix for black people as a percentage of Leivable Amount								
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	6%	2.77%	0.41%	0.13%	2.26%	0.34%	0.09%
1.1.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people with disabilities as a percentage of Leivable Amount	3	0.3%	Overall black target					



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Proposed Skills Development Scorecard ... continued

Criteria	Weighting points	Compliance target	African Male	Coloured Male	Indian Male	African Female	Coloured Female	Indian Female
1.2 Learnerships, Apprenticeships and Internships:								
1.2.2 Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	6	5%	2.31%	0.34%	0.11%	1.88%	0.28%	0.07%
Bonus points:								
1.2.3 Number of learners absorbed by the Measured Entity, plus those absorbed into the formal sector	3	100%	46.13%	6.83%	2.16%	37.70%	5.69%	1.48%



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Preferential Procurement



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Preferential Procurement

- **The dti and Advisory Council Recommended changes:**
 - ❑ Creating greater incentives for the procurement and enterprise development aspects of the Codes (and penalising businesses that ignore these aspects of empowerment)
 - ❑ Procurement Element to be revised to address targeted procurement, local content and address imports
 - ❑ The enterprise development and procurement element to be elevated with each requiring subminimum and enhanced recognition for enterprise development initiatives targeted at key sectors in IPAP and NGP



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Key Principle Changes



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Key Principle Changes

- Increased the weighting of the Preferential Procurement scorecard
- Made Local Content a focus on the scorecard
- Introduced a General Principles section to outline alignment between the element and the broader government objectives
- Reviewed enhanced recognition principle for black owned professional service providers and entrepreneurs
- Reviewed the inclusions and exclusions that inform the total measured procurement spend calculation
- Included all public sector spend in the calculation of Total Measured Procurement
- Enhanced recognition for procurement from new entrants, procurement from black QSEs and EME for a 3 year period and inclusion of Qualifying Local Supplier Development beneficiaries in international supply chains
- Expanded the Imports exclusion section to outline conditions for qualification which require local supplier development in alignment with the CSDP and the Local Procurement Accord



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Proposed Scorecards



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Proposed Preferential Procurement

Criteria	Initial Weighting points 20	New Weighting points 25	Initial 6 – 10 Compliance target	New Compliance target
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	3.75	70%	70%
2.1.2 B-BBEE Procurement Spend for local content and value adding suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of (Total Measured Procurement Spend plus ALL Imports)	N/A	8.75	N/A	53%
2.1.3 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	3.75	15%	15%
2.1.4 B-BBEE Procurement Spend from suppliers that are >50% black owned	5	5	20%	12%
2.1.5 B-BBEE Procurement Spend from suppliers that are >30% black women owned.		3.75		8%



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Enterprise Development



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Enterprise Development

- **The dti and Advisory Council Recommended changes:**
 - ❑ Creating greater incentives for the procurement and enterprise development aspects of the Codes (and penalising businesses that ignore these aspects of empowerment)
 - ❑ The enterprise development and procurement element to be elevated with each requiring subminimum and enhanced recognition for enterprise development initiatives targeted at key sectors in IPAP and NGP
 - ❑ Targets in Enterprise Development to be revised



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Key Principle Changes



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Key Principle Changes

- ❑ The weighting points of the Enterprise Development element were adjusted upwards
- ❑ Specific targets and weightings separated into recoverable and non-recoverable contributions
- ❑ The benefit factor percentages in the matrix were revised to provide more incentive on non-recoverable contributions
- ❑ Introduced a General Principles section to outline alignment between enterprise development initiatives with the supply chains of Measured Entities and broader government objectives
- ❑ Redefined Enterprise Development beneficiaries to only include black owned and black women owned QSEs and EMEs



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Proposed Scorecard



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Enterprise Development Scorecard

Criteria	Initial Weighting points	New Weighting points	Compliance targets	Compliance targets
Average annual value of all Recoverable Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	15	20	3% of NPAT	2% of NPAT (or cumulative rolling average NPAT)
Average annual value of all Non-Recoverable Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	N/A	20	N/A	1% of NPAT (or cumulative rolling average NPAT)



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Socio-Economic Development



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Socio-Economic Development

- The dti and Advisory Council Recommended changes:**
 - The initial proposal was to consolidate the socio economic development and enterprise development elements
 - It was subsequently decided to retain and refine the Socio-economic Development element to ensure that it adopts a targeted approach with very specific outcomes
 - The current weighting and target were retained for this element



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Key Principle Changes



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Key Principle Changes

- Reviewed and refined the key measurement and calculation principles of the SED element
- Revised the recognisable contributions of the SED element in order to emphasise income generating initiatives
- Ensured that the general principles of the SED element support the targeted initiatives
- Reliance was placed on the broad principles of the Sustainable Livelihoods framework (the measure of the relationships between identified factors and the planning and implementation of more effective development interventions) in outlining the general principles of the SED element
- Updated the benefit matrix accordingly
- Provided a list of qualifying initiatives towards income generation
- Removed the sections that do not support alignment with the sustainable livelihood approach



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Proposed Scorecard



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Socio-economic Development Scorecard

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 (or cumulative rolling average NPAT)