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“Creating BUSINESS sense out of BEE”

The dti’s February 2007 scorecard

The minister of trade and industry (Mandisi Mphahlele) gazetted the following broad-based BEE (B-BBEE) codes of good practice on the 9th of February 2007, under section 9 of the B-BBEE Act. These codes are binding on the government and certain state-owned enterprises from this date.

- **Exempt Micro Enterprises (EMEs)** – enterprises whose annual turnover falls below R5 million per year. These enterprises are exempt from any form of BBBEE and are automatically level 4 contributors – i.e. you can claim R1 for every R1 spent with them.
- **Qualifying Small Enterprises (QSEs)** – enterprises whose annual turnover falls between R5 million and R35 million.
- **Start-up Enterprises** – a recently formed or incorporated enterprise that has existed for less than one year. These enterprises are measured as EMEs for the first year following their formation or incorporation.
- **ARFG** - adjusted recognition for gender

Contributors are measured using the table below.

Contribution Level	BBBEE score range	Recognition level
Level One Contributor	≥ 100 points	R1.35/R1 spent
Level Two Contributor	≥ 85 points but < 100 points	R1.25/R1 spent
Level Three Contributor	≥ 75 points but < 85 points	R1.10/R1 spent
Level Four Contributor	≥ 65 points but < 75 points	R1/R1 spent
Level Five Contributor	≥ 55 points but < 65 points	R0.80/R1 spent
Level Six Contributor	≥ 45 points but < 55 points	R0.60/R1 spent
Level Seven Contributor	≥ 40 points but < 45 points	R0.50/R1 spent
Level Eight Contributor	≥ 30 points but < 40 points	R0.10/R1 spent
Non-Compliant Contributor	< 30 points	R0/R1 spent



Generic BBEE scorecard

Equity element – Generic Scorecard

Ownership. Total points - 23 (including 3 bonus points)		
Description	Weighting points	Compliance Target
Voting rights		
Exercisable voting rights in the enterprise in the hands of black people.	3	25% + 1 Vote
Exercisable voting rights in the enterprise in the hands of black women.	2	10%
Economic interest		
Economic interest in the enterprise to which black people are entitled	4	25%
Economic interest in the enterprise to which black women are entitled	2	10%
Economic interest of the following black natural people in the enterprise <ul style="list-style-type: none"> o black designated groups o black participants in employee ownership schemes o black beneficiaries of broad-based ownership schemes; or o black participants in co-operatives are entitled	1	2.5%
Realisation points		
Ownership fulfilment	1	No restrictions
Net value	7	25%
Bonus points		
Involvement in the ownership of the Enterprise of black new entrants	2	10%
Involvement in the ownership of the enterprise of black participants <ul style="list-style-type: none"> o in employee ownership schemes o broad-based ownership schemes; or o co-operatives 	1	10%



Management element – Generic Scorecard

Management Control. Total points –11 (including 1 bonus point)		
Description	Weighting points	Compliance Target
Board participation		
Exercisable voting rights of black board members using the adjusted recognition for gender (ARFG)	3	50%
Black executive directors using the adjusted recognition for gender (ARFG)	2	50%
Top management participation		
Black senior top management using the adjusted recognition for gender (ARFG)	3	40%
Black other top management using the adjusted recognition for gender (ARFG)	2	40%
Bonus points		
Black independent non-executive board members	1	40%

Employment Equity – Generic Scorecard

Employment Equity. Total points – 18 (including 3 bonus points)			
Description	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)
Black disabled employees as a percentage of <u>ALL</u> employees using the ARFG	2	2%	3%
Black employees in <i>senior management</i> as a percentage of all such employees using the ARFG	5	43%	60%
Black employees in <i>middle management</i> as a percentage of all such employees using the ARFG	4	63%	75%
Black employees in <i>junior management</i> as a percentage of all such employees using the ARFG	4	68%	80%
Bonus Point for meeting or exceeding the Economically Active Population (EAP) targets in each category above	3		



Skills Development – Generic Scorecard

Skills Development. Total points – 15		
Description	Weighting points	Compliance Target
Skills development expenditure on learning programmes specified in the Learning Programmes Matrix		
Skills development expenditure on learning programmes specified in the Learning Programmes Matrix for black employees as a percentage of leviabale amount using the ARFG	6	3%
Skills development expenditure on learning programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of leviabale amount using the ARFG	3	0.3%
Learnerships		
Number of black employees participating in learnerships, or category B, C and D programmes as a percentage of total employees using the ARFG	6	5%

Preferential Procurement – Generic Scorecard

Preferential Procurement. Total points – 20			
Description	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)
B-BBEE procurement spend from all suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	12	50%	70%
B-BBEE procurement spend from all <i>Qualifying Small Enterprises</i> (QSEs) or from <i>Exempted Micro-Enterprises</i> (EMEs) based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	3	10%	15%
B-BBEE procurement spend from any of the following suppliers as a percentage of total measured procurement spend: suppliers that are <i>50% black owned</i> (3 out of 5 points); or suppliers that are <i>30 % black women owned</i> (2 out of 5 points)	5	15%	20%



Enterprise Development – Generic Scorecard

Enterprise Development. Total points – 15		
Description	Weighting points	Compliance Target
Average annual value of all Enterprise Development contributions and Sector Specific Programmes as a percentage of the target	15	3 % of NPAT

Socio-Economic Development – Generic Scorecard

Socio-Economic Development. Total points – 5		
Description	Weighting points	Compliance Target)
Average annual value of all Socio-Economic Development contributions as a percentage of the target	5	1% of NPAT



Specialised Enterprises B-BBEE scorecard

Code 000, statement 004 states that the following organisations have been deemed as being incapable of any form of black ownership.

- companies limited by guarantee;
- Higher Education Institutions:
- Non-profit Organisations:
- public entities and other Enterprises wholly owned by organs of state;
- Public Benefit Schemes; and
- section 21 companies:

They have been provided with a specialised scorecard that eliminates ownership. The weighting points certain elements have been adjusted to make up a scorecard of 100 points. The statement is not clear as to how to reallocate points within each element, we have made assumptions in this regard.

<i>Element</i>	<i>Generic weighting points</i>	<i>Specialised Enterprise weighting points</i>
Ownership	20	Exempt
Management	10	15
Employment Equity	15	15
Skills development	15	20
Preferential Procurement	20	20
Enterprise Development	15	15
Socio-Economic Development	5	15
Total	100	100



Management element – specialised enterprises scorecard

Management Control. Total points –16 (including 1 bonus point)		
Description	Weighting points	Compliance Target
Board participation		
Exercisable voting rights of black board members using the adjusted recognition for gender (ARFG)	4.5	50%
Black executive directors using the adjusted recognition for gender (ARFG)	3	50%
Top management participation		
Black senior top management using the adjusted recognition for gender (ARFG)	4.5	40%
Black other top management using the adjusted recognition for gender (ARFG)	3	40%
Bonus points		
Black independent non-executive board members	1	40%

Employment Equity – specialised enterprises scorecard

Employment Equity. Total points – 18 (including 3 bonus points)			
Description	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)
Black disabled employees as a percentage of <u>ALL</u> employees using the ARFG	2	2%	3%
Black employees in <i>senior management</i> as a percentage of all such employees using the ARFG	5	43%	60%
Black employees in <i>middle management</i> as a percentage of all such employees using the ARFG	4	63%	75%
Black employees in <i>junior management</i> as a percentage of all such employees using the ARFG	4	68%	80%
Bonus Point for meeting or exceeding the Economically Active Population (EAP) targets in each category above	3		



Skills Development – specialised enterprises scorecard

Skills Development. Total points – 20		
Description	Weighting points	Compliance Target
Skills development expenditure on learning programmes specified in the Learning Programmes Matrix		
Skills development expenditure on learning programmes specified in the Learning Programmes Matrix for black employees as a percentage of leviabale amount using the ARFG	8	3%
Skills development expenditure on learning programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of leviabale amount using the ARFG	4	0.3%
Learnerships		
Number of black employees participating in learnerships, or category B, C and D programmes as a percentage of total employees using the ARFG	8	5%

Preferential Procurement – specialised enterprises scorecard

Preferential Procurement. Total points – 20			
Description	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)
B-BBEE procurement spend from all suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	12	50%	70%
B-BBEE procurement spend from all <i>Qualifying Small Enterprises</i> (QSEs) or from <i>Exempted Micro-Enterprises</i> (EMEs) based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	3	10%	15%
B-BBEE procurement spend from any of the following suppliers as a percentage of total measured procurement spend: suppliers that are <i>50% black owned</i> (3 out of 5 points); or suppliers that are <i>30 % black women owned</i> (2 out of 5 points)	5	15%	20%



Enterprise Development – specialised enterprises scorecard

Enterprise Development. Total points – 15		
Description	Weighting points	Compliance Target
Average annual value of all Enterprise Development contributions and Sector Specific Programmes as a percentage of the target	15	3 % of NPAT

Socio-Economic Development – specialised enterprises scorecard

Socio-Economic Development. Total points – 15		
Description	Weighting points	Compliance Target)
Average annual value of all Socio-Economic Development contributions as a percentage of the target	15	1% of NPAT



Qualifying Small Enterprises BBEE scorecard

The QSE scorecard is made up of the same seven elements as the generic scorecard. Each element is weighted out of 25 points (bonus points are provided in certain elements). QSEs may choose four out of the seven elements on the scorecard (making a total of 100 points). If a QSE selects more than four elements, the best four will be selected.

Specialised enterprises whose annual turnover falls below R35million also make use of the QSE scorecard. Each element is weighted out of 25 points and the ownership element is eliminated. QSE specialised enterprises must select four out of the remaining six elements.

Equity element – QSE Scorecard

Ownership. Total points - 28 (including bonus points)		
Description	Weighting points	Compliance Target
Voting rights		
Exercisable voting rights in the enterprise in the hands of black people.	6	25% + 1 Vote
Economic interest		
Economic interest of black people in the enterprise	9	25%
Realisation points		
Ownership fulfilment	1	Yes
Net value	9	25%
Bonus points		
Involvement in the ownership of the enterprise by black women	2	10%
Involvement of black participants <ul style="list-style-type: none"> o in employee ownership schemes o in co-operatives; or o broad-based ownership schemes 	1	10%



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Management element – QSE Scorecard

Management Control. Total points – 27 (including 2 bonus points)		
Description	Weighting points	Compliance Target
Black representation at <i>top management</i> level	25	50.1%
Bonus points		
Bonus points: black women representation at <i>top management</i>	2	25%

Employment Equity – QSE Scorecard

Employment Equity. Total points – 27 (including 2 bonus points)			
Description	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)
Black employees who are management as a percentage of all management using the ARFG	15	40%	60%
Black employees as a percentage of all employees using the ARFG	10	60%	70%
Bonus Point for meeting or exceeding the Economically Active Population (EAP) targets in each category above	2		

Skills Development – QSE Scorecard

Skills Development. Total points – 25		
Description	Weighting points	Compliance Target
Adjusted skills development spend on learning programmes for black employees as a percentage of leviable amount	25	2%

Preferential Procurement – QSE Scorecard

Preferential Procurement. Total points – 25			
Description	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)
BEE procurement spend from all suppliers based on the BEE procurement recognition levels as a percentage of total measured procurement spend	25	40%	50%



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Enterprise Development – QSE Scorecard

Enterprise Development. Total points – 25		
Description	Weighting points	Compliance Target
Average annual value of all qualifying contributions as a percentage of the target	25	2% of NPAT

Socio-Economic Development – QSE Scorecard

Socio-Economic Development. Total points – 25		
Description	Weighting points	Compliance Target
Average annual value of all Socio-Economic Development contributions as a percentage of the target	25	1% of NPAT



“creating **BUSINESS** sense out of **BEE**”

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To operate in today’s business environment requires a sharp eye. Business trends and legislation change so dramatically, that often companies may be left behind in coming to terms with these changes. The Caird Group is a consultancy that finds the positive benefits in all these trends and translates them into business opportunities for its clients.

Broad-based BEE (B-BBEE) is one example. Caird firmly believes in its responsibility to ensure that its clients have a firm understanding of the concept and that they are able to isolate and implement the business opportunities and efficiencies that reside within B-BBEE.

Our BEE solutions combine well established methodologies with best practices that maximise the B-BBEE implementation.

Contact Caird

Please feel free to discuss this document with us at any time.

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