



“creating BUSINESS sense out of BEE”

## The Department of Trade and Industry’s February 2007 scorecard

The minister of trade and industry (Mandisi Mphahla) gazetted the following broad-based BEE (BBBEE) codes of good practice on the 9<sup>th</sup> of February 2007, under section 9 of the BBBEE 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



## 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
<b>Total</b>	<b>100</b>	<b>100</b>



### Management element – specialised enterprises scorecard

<b>Management Control. Total points –16 (including 1 bonus point)</b>		
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

<b>Employment Equity. Total points – 18 (including 3 bonus points)</b>			
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

<b>Enterprise Development. Total points – 15</b>		
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

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



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## **Caird**

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. Caird 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 BBBEE implementation.

## **Contact Caird**

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

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