

EconoBEE Crash Course Broad-Based Black Economic Empowerment

About BEE

BEE, or more accurately B-BBEE refers to Broad-Based Black Economic Empowerment. Broad-Based Black Economic Empowerment (B-BBEE) compliance is a process and should be viewed as long-term as opposed to a short-term once off event.

Black People

Black means African black, coloured or Indian people who ARE South African citizens by birth or became a South African citizen before 27th April 1994.

NB the definition of coloured now also includes Chinese

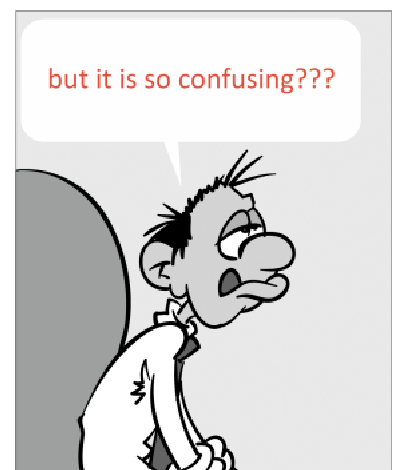
BEE compliance is measured by means of a scorecard (a broad-based scorecard). The scorecard is based on various elements and your company is measured out of a maximum of 100 points (in some cases it is possible to obtain more than 100 points). **EconoBEE offers various solutions to assist clients achieve a compliant BEE Status.**

The elements on which you are rated are what make BEE broad-based. It covers various aspects of the economy, society and the company.

The seven elements

1. Ownership
2. Management
3. Employment equity
- 4. Skills Development**
5. Preferential Procurement
6. Enterprise Development
7. Socio-Economic Development

EconoBEE will be discussing each element in a simple to understand, yet detailed way to ensure that you understand, work through and profit through black economic empowerment.



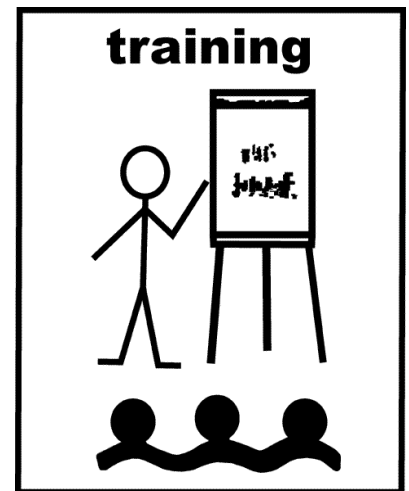
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Skills Development

Skills Development is worth **15 points** on the generic scorecard and **25 points** on the QSE (Qualifying Small Enterprise) scorecard. The aim of Skills Development is to develop the skills of black people in the workplace. This should improve their quality of work together. Skills Development is also directed at improving productivity of black people in the workplace. Skills Development promotes allocation of more training expenditure to black employees. The adjustment of gender applies to the Skills Development element. In this case the adjustment for gender is based on spend with male/female employees and not the number of people trained.

As a pre-requisite companies are only able to earn points on the Skills Development element if:

- They comply with the requirements of the Skills Development Act and the Skills Development Levies Act.
- They are registered with the applicable SETA.
- They have developed a Workplace Skills Plan approved by the relevant SETA.
- They have implemented programmes targeted at developing Priority Skills generally and specifically for black employees.



Examples of Skills Development:

Skills development includes training provided by the company to its black employees

- On-the-job training
- External training – Workshops, Seminars
- In-house training
- Orientation/induction training
- Simulations
- Institution based learning – Professional certificates, diplomas and degrees
- Learnerships

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Adjustment for Gender

The concept of “adjustment for gender” was included for specific indicators to enhance the number of points black females could earn in many of the elements. The rough idea behind the adjustment was to allocate half of the points to black women and the rest to black people. In essence recognise that black women play a more important role in the BEE scorecard than black men. We have tended to say that “Women are twice as important as men” on the scorecard.

An Example of the calculation is included in the table below:

<p>If we have 10 members of the board, 2 black female and 3 black male the following applies:</p> <p>We have 5 black board members out of 10 Percentage of black people in category = 50% Percentage of black females in category = 20% Recognition ratio = $50\%/2 + 20\% = 25\% + 20\% = 45\%$ Points to be earned is: $45/50 * 3 = 2.7$ points</p>

Various forms of Skills Development are acceptable. The table below gives a matrix of all Qualifying spends.

Category	Narrative description	Delivery mode	Learning site	Learning achievement
A	Institution-based theoretical instruction alone – formally assessed by the institution	Institutional instruction	Institutions such as universities and colleges, schools, ABET providers	Recognised theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning
B	Institution-based theoretical instruction as well as some practical learning with an employer or in a stimulated work environment – formally assessed through the institutions	Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment	Institutions such as universities and colleges, schools, ABET providers and workplace	Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning

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C	Recognised or registered structure experiential learning in the workplace that is required after the achievement of a qualification – formally assessed by a statutory occupational or professional body	Structured learning in the workplace with mentoring or coaching	Workplace	Occupational or professional knowledge and experience formally recognised through registration or licensing
D	Occupationally directed instructional and work based learning programme that requires a formal contract – formally assessed by an accredited body	Institutional instruction together with structured, supervised, experiential learning in the workplace	Institution and workplace	Theoretical knowledge and workplace learning, resulting in the achievement of a South African Qualifications Authority registered qualification, a certificate or other similar occupational or professional qualification
E	Occupational-directed informal instructional and work-based learning programme that does not require a formal contract – formally assessed by an accredited body	Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses	Institutions and meetings	Credits awarded for registering unit standards
F	Occupationally directed informal instructional programmes	Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses	Institutions, conferences and meetings	Continuing professional development, attendance certificates and credits against registered unit standards (in some instances)
G	Work-based informal programme	Informal training	Workplace	Increased understanding of job or work context or improved performance of skills

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Learnerships and Category B, C and D Programmes

- Category B, C or D Programmes are displayed in the table above:

Category B - Institutional based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through the institution.

Category C - Recognized or registered structured experiential learning in the workplace that is required after the achievement of the qualification – formally assessed by a statutory occupational or professional body.



Category D - Occupationally – directed instructional & work based learning programme that requires a formal contract – formally assessed by an accredited body.

The Generic Scorecard

A generic company is one that has an annual turnover of more than R35 million. In order to earn all 15 points, the following targets (adjusted for gender) should be achieved:

- All skills training expenditure for black employees should amount to at least 3% of total annual payroll (Leviable Amount) to score 6 points
- All skills training expenditure for disabled black employees should amount to at least 0.3% of total annual payroll (Leviable Amount) to score 3 points
- 5% of all employees should be participating in Learnerships or Category B, C and D Programmes and are black (6 points).

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The QSE Scorecard

A QSE is a company whose annual turnover is between R5 million and R35 million. A QSE can claim the full 25 points if 2% of total annual payroll is spent on training black employees (adjusted for gender).

Skills Development Expenditure Inclusions

- Any legitimate expenses incurred supported by an invoice or internal accounting record.
- Cost of Training Material
- Cost of Trainers
- Cost of Training Facilities
- Catering Cost
- Scholarships & Bursaries
- Course Fees
- Accommodation and travel
- Administration Cost associated with facilitating the training provided including where appropriate, the cost of employing a skills development facilitator or a training manager.
- Salaries or Wages paid to the employee participating in a Learnership or Category B, C and D training programme.

However, expenses on Scholarships and Bursaries for employees that can be *recovered* by the company are **excluded** as Skills Development expenditure. Category G spend is limited to 15% of total spend.

Tips on how to maximize Skills Development points

1. Placing disabled black employees on learnerships or Category B, C and D learning programmes, especially black women. This means that the company will earn points on all three indicators of the Skills Development scorecard.
2. The salary of the employees who are learnerships can be taken into account therefore putting employees on learnerships earns the company maximum points. This increases the spend and as a result is easier to reach the target of 3% of payroll.

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3. Keep a record of all category G training. This is in-house training that occurs all the time. The cost to company is the hourly rate of the person doing the training (trainer) and not the person receiving training (trainee).
4. All the costs associated with the training are taken into account. Including the cost of travel, accommodation (if overnight), food and refreshments.
5. Remember that skills development is adjusted for gender so allocate more training spend to black women.

Documents Required (Record Keeping)

When going for verification, everything must be documented. Without proof that Skills Development occurred, you will not be awarded any points. Below, is a list of documents that can be kept for verification.

List of employees who trained showing race, gender, training course, service provider, cost of training and date

Proof of registration with SETA, List of your SETA's critical skills

Approved Workplace skills plan and Annual training reports

Proof of training (copies of invoices & certificates), proof of payment

Quantification of all training costs associated with training, travel or facility hire, invoices/internal accounting record

Internal training schedules, Training material, Attendance register for training and training costs

List of learnership programme showing names, amount spent, race and gender

Copies of learnership agreements

Proof of submission of WSP to the SETA

Leviable amount from EMP201

Proof of Skills Development Facilitator

Proof of any diversity training

Comprehensive BEE plan and proof of its implementation

Proof that the people who are on learnerships are employees of the company

Proof of certificates, diplomas or degrees

Certified Copies of ID's

List of all black employees for sampling and interview purposes

Proof from the SETA regarding learnerships

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About Us

About EconoBEE:

EconoBEE is a Black Economic Empowerment management consultancy specializing in all elements of BEE. We are a leading consultancy offering services to many large listed companies. Our critical nature has allowed us to discover many instances of fronting. Our clients are able to become BEE compliant in the true essence of Broad-Based BEE, but at a fraction of the cost and time.



Managed Service – EconoBEE’s 10 Step Process:

EconoBEE’s Managed Services is a complete managed service which offers a high quality streamlined step-by-step approach to becoming BEE Compliant. Using the 10 steps to becoming BEE compliant to form the foundation of our work we will offer an improvement on your BEE scorecard while ensuring optimal success is reached from the start. Our consultants will become part of your BEE team increasing your capacity and reaching targets.

BEE Points = Business

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**Making Business Sense out of BEE
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