

Empowerdex

Broad-based Black Economic Empowerment (B-BBEE)

Courtesy of:



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Who is Empowerdex ?

- Empowerdex is a Black Economic Empowerment solutions provider
- The primary goal of Empowerdex is to facilitate black economic empowerment to both public and private sectors through :
 - Provision of BEE Ratings and Scenario Simulations
 - Provision of BEE Research
 - Risk Analysis and Management Solutions
 - BEE Transaction Impact Analysis
 - Development of BEE Policy and Strategy



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Empowerdex Experience

- Top Empowerment Companies in conjunction with Financial Mail
- Conducted BEE ratings since 2001 and completed 1,800 ratings (including interviews and site visits)
- Offices in Johannesburg, Cape Town, Durban, East London and Pretoria
- Sector Charter Development – Tourism, AgriBEE and now Services
- Rated companies of all sizes

Prominent Empowerdex Rating Client:

• JSE Listed Companies and Subsidiaries:

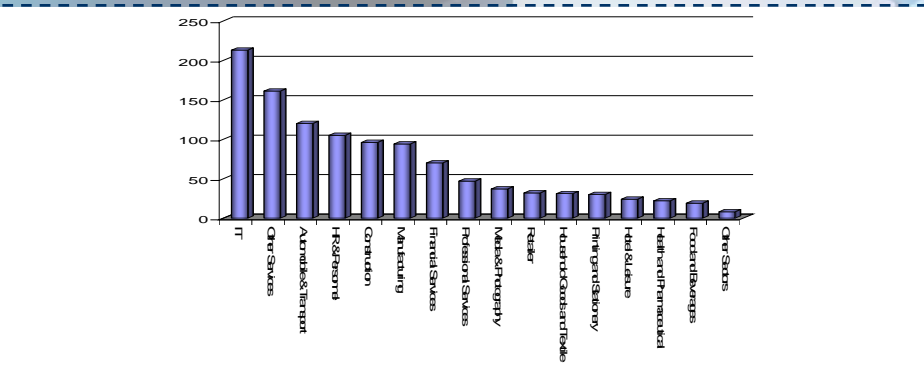
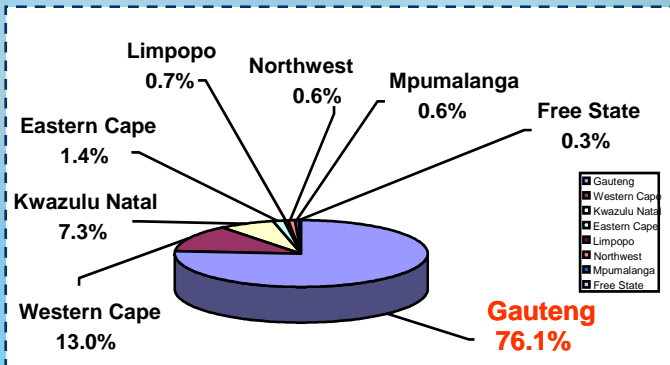
Adcorp, Alexander Forbes, AST, Bidvest, City Lodge, Consol, Comair, Datacentrix, Didata, Fochini, Investec, IST, Asset Managers. LA Group, McCarthys, Metropolitan, Nampak, Old Mutual Asset Manager, Pick 'n Pay, Rainbow Chicken, Reunert, Premier Food

• Multinational Corporations:

Dell, DHL, LGM, Philips, SAP

• Large Professional Services Firms:

Bell Dewar, Bowman Gifillan, Deloitte & Touche, Ernst & Young, Gobodo, KPMG, Nkonki, PWC, Webber Wentzel, Werksmens



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Background: BEE Strategy & Act

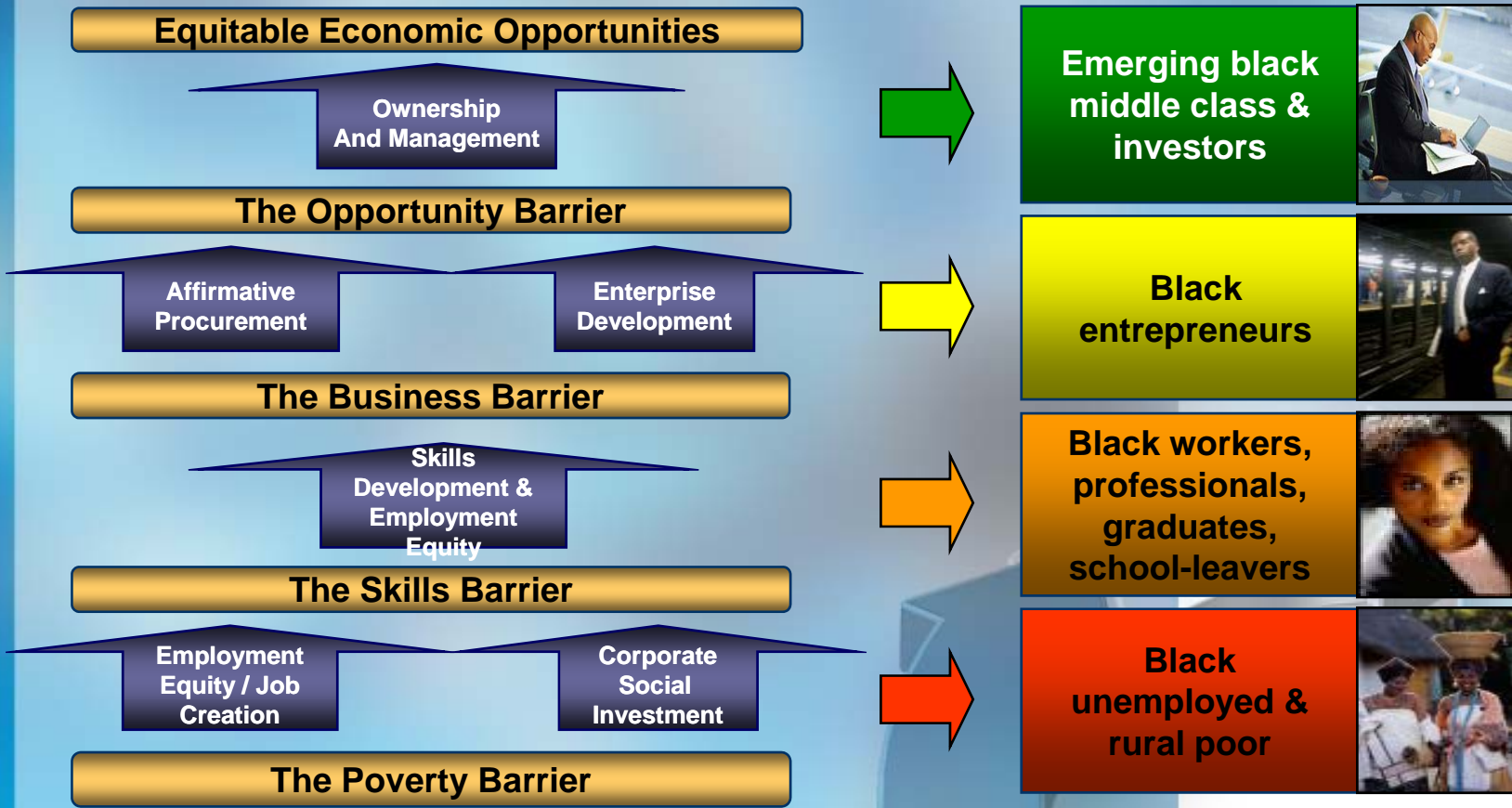
- Since 1994 BEE has been a major thrust of all government policies, but there was no coherent strategy towards the implementation of BEE
- The BEE commission released a report in 2000 which gave the first attempt at broadly defining BEE
- The receipt of this report by government played a pivotal role in the development by government of strategy towards the implementation of BEE
- In 2003 a strategy for Broad-based Black Economic Empowerment (B-BBEE) was released, which defines B-BBEE
- The strategy laid the foundation for the B-BBEE Act (Act 53 of 2003). Section 9 of the Act states the issue of Codes of Good Practice



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Elements of B-BEEE and Beneficiary Base



Business Impact of BEE

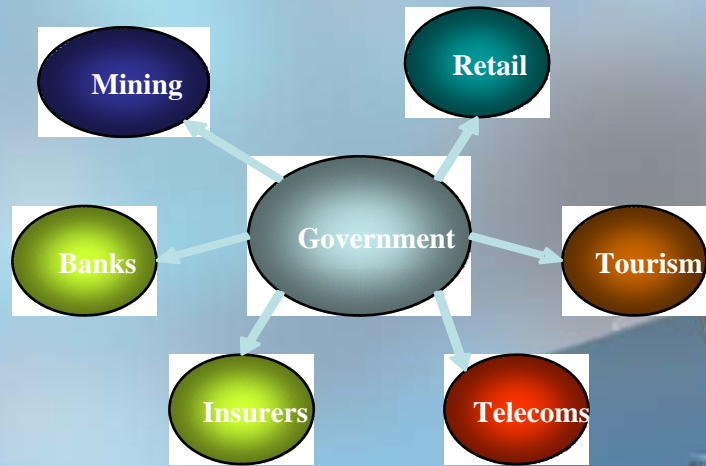
Government



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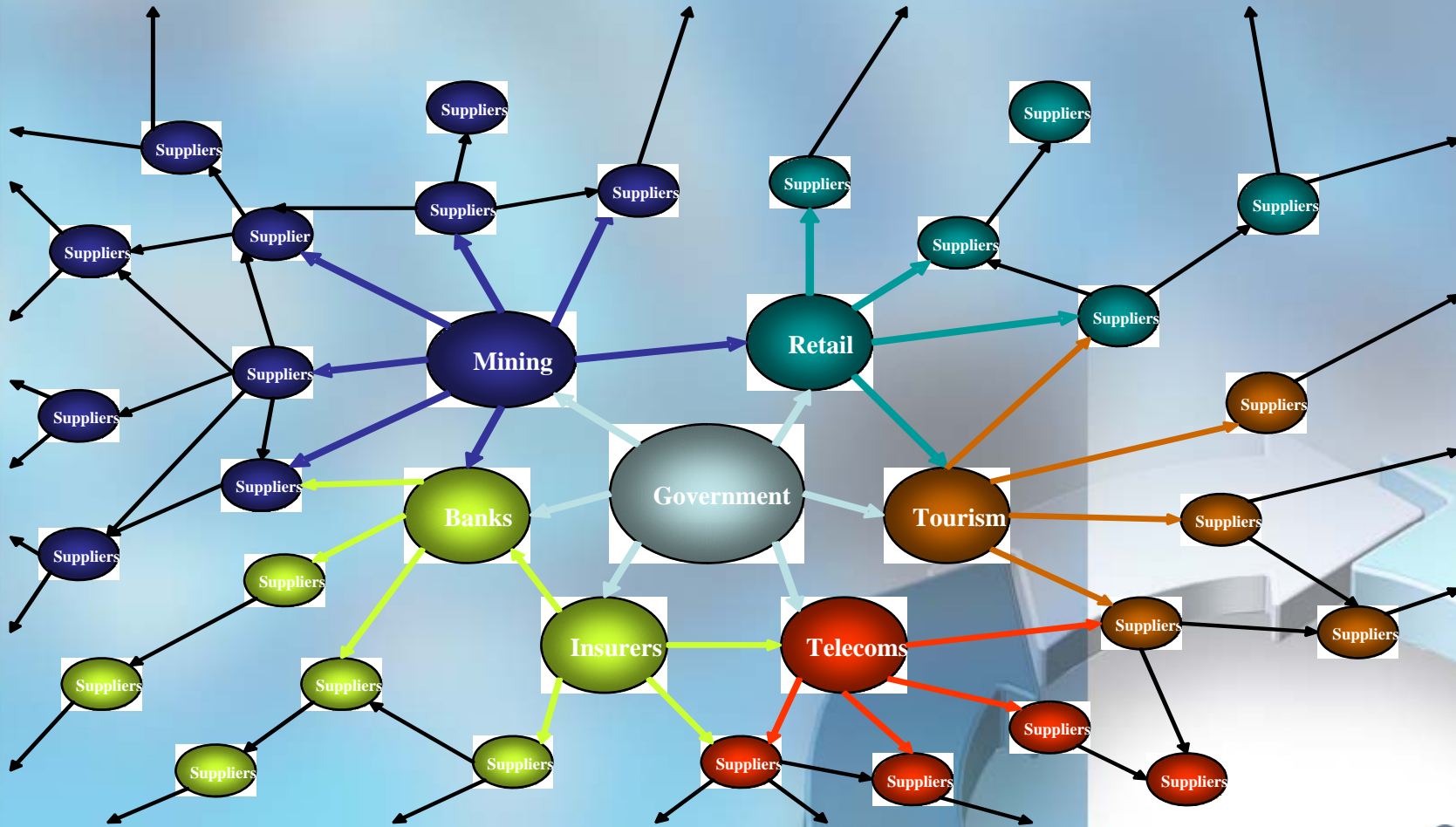
Business Impact of BEE



Business Impact of BEE



Business Impact of BEE



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Arrangement of the Codes

BEE ELEMENTS	WEIGHTINGS	CODE REFERENCE
CONCEPTUAL FRAMEWORK OF B-BBEE		CODE 000
OWNERSHIP	20 POINTS	CODE 100
MANAGEMENT & CONTROL	10 POINTS	CODE 200
EMPLOYMENT EQUITY	15 POINTS	CODE 300
SKILLS DEVELOPMENT	15 POINTS	CODE 400
PREFERENTIAL PROCUREMENT	20 POINTS	CODE 500
ENTERPRISE DEVELOPMENT	15 POINTS	CODE 600
RESIDUAL CONTRIBUTIONS	5 POINTS	CODE 700
QUALIFYING SMALL ENTERPRISES	100 POINTS	CODE 800

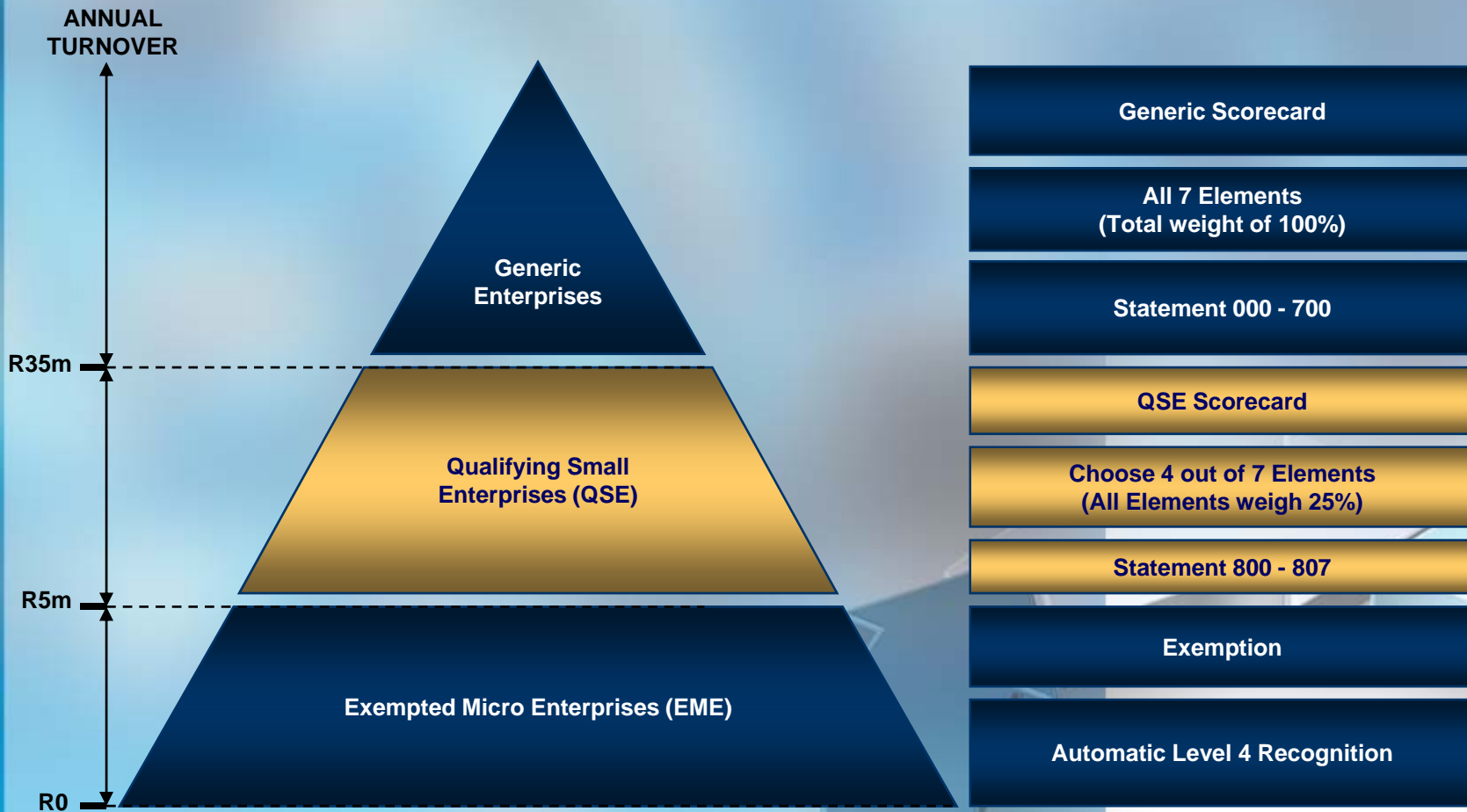
- Scorecard out of 100
- Score points by contributing towards the seven elements
- Represents overall contribution to BEE



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BEE In Different Thresholds



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BEE Recognition Levels

SYMBOL	LEVEL	SCORE	RECOGNITION
AAA+	Level 1	>100%	135%
AAA	Level 2	≤ 85% - 100%	125%
AA	Level 3	≤ 75% - 85%	110%
A	Level 4	≤ 65% - 75%	100%
BBB	Level 5	≤ 55% - 65%	80%
BB	Level 6	≤ 45% - 55%	60%
B	Level 7	≤ 40% - 45%	50%
C	Level 8	≤ 30% - 40%	10%
D	Non-Compliant	< 30%	0%



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Ownership

Category	Ownership indicator	Weighting points	Compliance Target
2.1	Voting rights:		
	2.1.1 Exercisable Voting Rights in the Enterprise in the hands of black people	3	25% + 1 vote
	2.1.2 Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%
2.2	Economic Interest:		
	2.2.1 Economic Interest of black people in the Enterprise	4	25%
	2.2.2 Economic Interest of black women in the Enterprise	2	10%
	2.2.3 Economic Interest of the following black natural people in the Enterprise:	1	2.5%
	2.2.3.1 black designated groups; 2.2.3.2 black Participants in Employee Ownership Schemes; 2.2.3.3 black beneficiaries of Broad based Ownership Schemes; or 2.2.3.4 black Participants in Co-operatives		
2.3	Realisation points:		
	2.3.1 Ownership fulfilment	1	Refer to paragraph 10.1
	2.3.2 Net Value	7	Refer to Annexe C paragraph 4
2.4	Bonus points:		
	2.4.1 Involvement in the ownership of the Enterprise of black new entrants;	2	10%
	2.4.2 Involvement in the ownership of the Enterprise of black Participants:	1	10%
	2.4.2.1 in Employee Ownership Schemes; 2.4.2.2 of Broad-Based Ownership Schemes; or 2.4.2.3 Co-operatives.		



Management & Control

Category	Management Control indicator	Weighting points	Compliance Target
2.1 Board participation::			
	2.1.1 Exercisable Voting Rights of black Board members using the Adjusted Recognition for Gender	3	50%
	2.1.2 Black Executive Directors using the Adjusted Recognition for Gender	2	50%
2.2. Top Management:			
	2.2.1 Black Senior Top Management using the Adjusted Recognition for Gender	3	40%
	2.2.2 Black Other Top Management using the Adjusted Recognition for Gender	2	40%
2.3 Bonus points:			
	Black Independent Non-Executive Board Members	1	40%

Senior Top Management :

- CEO
- COO
- CFO

Other Top Management :

- CIO
- Head of Sales
- Head of Marketing
- Head of PR
- Head of HR



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Employment Equity

Measurement Category & Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 -10
2.1.1 Black Disabled Employees as a percentage of all employees using the Adjusted Recognition for Gender	2	2%	3%
2.1.2 Black employees in Senior Management as a percentage of all such employees using the Adjusted Recognition for Gender	5	43%	60%
2.1.3 Black employees in Middle Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	63%	75%
2.1.4 Black employees in Junior Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	68%	80%
2.1.5 Bonus point for meeting or exceeding the EAP targets in each category under 2.1.1 to 2.1.4	3		

Consolidation of JM & MM:

- Targets of JM
- SM: 8 Points
- JM & MM: 6 Points

Adjusted Recognition for Gender:

$$A = B/2 + C$$

A = Adjusted Recognition
 B = Black People
 C = Black Women



Skills Development

Category	Skills Development Element	Weighting points	Compliance Target
2.1.1	Skills Development Expenditure on any program specified in the Learning Programmes Matrix:		
	2.1.1.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees as a percentage of Leviale Amount using the Adjusted Recognition for Gender	6	3%
	2.1.1.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of Leviale Amount using the Adjusted Recognition for Gender.	3	0.3%
2.1.2	Learnerships		
	2.1.2.1 Number of black employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees using the Adjusted Recognition for Gender	6	5%

Includes Indirect Costs:

- Cost of Training Material
- Cost of Trainers
- Cost of Training Facilities (incl. Catering)
- Scholarships / Bursaries
- Course Fees
- Accommodation & Travel
- Administration Costs

ABET Training recognised at multiple of 1.25

Informal Training (see Cat. G): Max. 15%



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Preferential Procurement

Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 -10
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	50%	70%
2.1.2 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	10%	15%
2.1.3 B-BBEE Procurement Spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend: 2.1.3.1 Suppliers that are 50% black owned (3 out of 5 points); or 2.1.3.2 Suppliers that are 30% black women owned. (2 out of 5 points)	5	15%	20%

Specific procurement targets for small enterprises

Enterprise Development Suppliers recognised at multiple of 1.2



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Enterprise Development

Criteria	Weighting Points	Compliance Target
Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target. .	15	3% of NPAT

No Profit:

3% x Indicative Profit Margin x Turnover

Minimum Requirements for Beneficiary Entity:

- Cat. A: **(Multiple of 1.25)**
 - EME/QSE – 50% Black Ownership
- Cat. B:
 - Generic – 50% Black Ownership
 - Level 6 – 25% Black Ownership

Examples of Enterprise Development:

- Grant Contributions
- Investments
- Loans
- Guarantees / Security provided
- Credit Facilities
- Direct Costs Incurred
- Overhead Costs
- Developmental Capital
- Preferential Credit Terms
- Discounts
- Training / Mentoring



Socio-Economic Development

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

No Profit:
1% x Indicative Profit Margin x Turnover

Minimum Requirements for Beneficiary Entity:

- 100% Recognition:
 - > 75% Value Directly Benefits Black People
- Pro-rata Recognition:
 - < 75% Value Directly Benefits Black People

Examples of Socio-Economic Development:

- Grant Contributions
- Guarantees / Security provided
- Direct Costs Incurred
- Overhead Costs
- Developmental Capital
- Preferential Credit Terms
- Discounts
- Training / Mentoring



Why Transform?

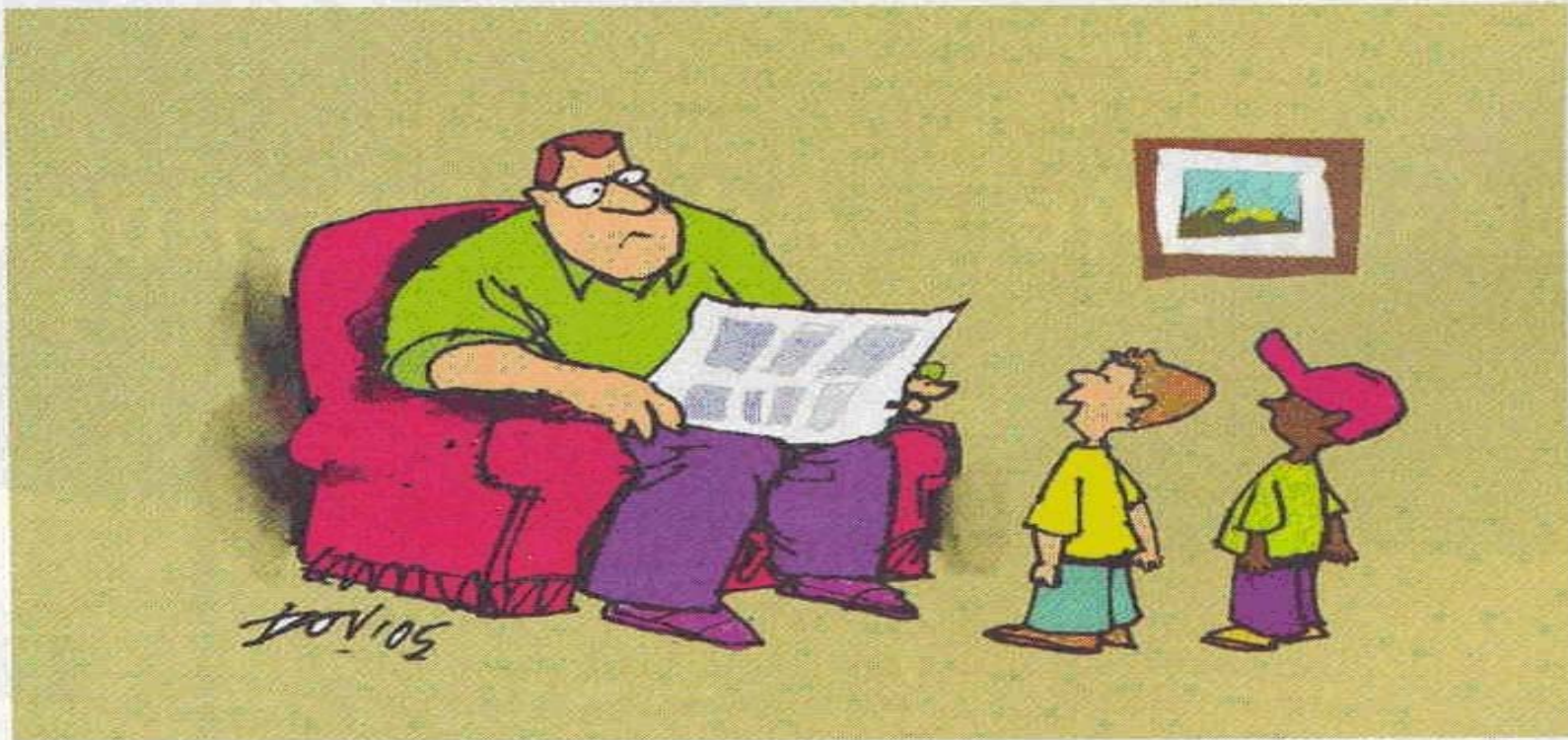
- **Customer**
 - Has any of your customers requested BEE information?
 - Are any of your customers likely to be required by their customers to transform?
- **Competitors**
 - Are any of your competitors transformed?
 - Can a BEE supplier potentially provide a substitute to your products or services?
- **Competitive Advantage**
 - Can BEE potentially become a competitive advantage to your company?
 - Showing your commitment to the process, out of your own free will



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Practical Application



"I trust that in reviewing my pocket money increase you will take into account the fact that I now have a BEE partner"



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Empowerdex Pricing Matrix

PRICING MATRIX										
Validity Period	EME	QSE			GENERIC					Number of Employees
	Annual Revenue	Annual Revenue			Annual Revenue					
	<R5m	>R5m and <R15m	>R15m and <R25m	>R25m and <R35m	>R35m and <R50m	>R50m and <R100m	>R100m and <R250m	>R250m and <R500m	>R500m	
6 Months	R500 + VAT									
12 Months	R950 + VAT									
12 Months		4,900 + VAT	6,800 + VAT	7,500 + VAT	7,500 + VAT	8,800 + VAT	8,800 + VAT	8,800 + VAT	9,850 + VAT	1 to 10 Employees
12 Months		4,900 + VAT	6,800 + VAT	7,500 + VAT	7,500 + VAT	9,850 + VAT	9,850 + VAT	9,850 + VAT	13,750 + VAT	10 to 50 Employees
12 Months		4,900 + VAT	6,800 + VAT	7,500 + VAT	8,800 + VAT	13,750 + VAT	13,750 + VAT	13,750 + VAT	15,250 + VAT	50 to 100 Employees
12 Months		4,900 + VAT	6,800 + VAT	7,500 + VAT	9,850 + VAT	13,750 + VAT	15,250 + VAT	15,250 + VAT	Quoted	100 to 250 Employees
12 Months		4,900 + VAT	6,800 + VAT	7,500 + VAT	13,750 + VAT	15,250 + VAT	17,600 + VAT	Quoted	Quoted	250 to 500 Employees
12 Months		4,900 + VAT	6,800 + VAT	7,500 + VAT	15,250 + VAT	17,600 + VAT	Quoted	Quoted	Quoted	> 500 Employees



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