
GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

NO. 1354

08 DECEMBER 2017

DEPARTMENT OF TRADE AND INDUSTRY**CODES OF GOOD PRACTICE ON BROAD BASED BLACK ECONOMIC
EMPOWERMENT**

I, Dr Rob Davies, Minister of Trade and Industry, hereby issue the Amended AgriBEE Sector Code in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, (Act No. 53 of 2003) as amended by the B-BBEE Act 46 of 2013; and determine that these Codes will come into effect on the date of this publication.



Dr Rob Davies, MP
Minister of Trade and Industry
21 November 2017

Amended AgriBEE Sector Code 2017.

CONTENTS

1. INTRODUCTION	3
2. SCOPE OF APPLICATION	4
3. OBJECTIVES.....	5
4. DETERMINATION OF AGRIBEE STATUS.....	7
7. ELEMENTS OF EMPOWERMENT	12
7.1. OWNERSHIP.....	13
7.1.1. General Ownership	13
7.2. MANAGEMENT CONTROL	16
7.3. SKILLS DEVELOPMENT	21
7.4. ENTERPRISE AND SUPPLIER DEVELOPMENT	26
7.5. SOCIO-ECONOMIC DEVELOPMENT	44
8. GOVERNANCE	47
9. DEFINITIONS.....	49

1. INTRODUCTION

- 1.1. This Amended Sector Code is the outcome of the deliberations of the AgriBEE Sector Charter Council, following the gazetting of the AgriBEE Sector Code on 28 December 2012 and the establishment of the AgriBEE Sector Charter Council in December 2008. It takes into account opinions expressed at the Indaba and all previous drafts, and the Amended Codes of Good Practice for Broad-Based Black Economic Empowerment ('the Codes'), as published by the Department of Trade and Industry ('**the dti**').
- 1.2. While the **Broad-Based Black Economic Empowerment Act**, 2003 (Act No. 53 of 2003 as amended by B-BBEE Act 46 of 2013 ('the Act') and the Codes has guided the development of the AgriBEE Sector Code, its conception is linked to the joint vision as contained in the Strategic Plan for South African Agriculture ('the Sector Plan') of a united and prosperous agriculture Sector designed to meet the challenges of constrained global competitiveness and low profitability, skewed participation, low investor confidence, inadequate support and delivery systems, and poor and unsustainable management of natural resources. This Amended AgriBEE Sector Code derives directly from the Sector's core objective to ensure increased access and equitable participation in the Sector.
- 1.3. This document has been developed as an Amended Sector Code for the Agricultural Sector in terms of Section 9 of the Act and provides for empowerment in the Sector and it includes the Amended AgriBEE Scorecards for large enterprises and Qualifying Small Enterprises (QSE). Where there is doubt, uncertainty or ambiguity with respect to the interpretation of this Code, the content of the Amended Codes of Good Practice, as published by **the dti**, will prevail.
- 1.4. The diversity and uniqueness of sub-sectors within the agricultural Sector is acknowledged. In this respect, where sub-sector charters are developed, these must not be in conflict with the Codes and, in turn, are encouraged to be consistent and in alignment with this Amended AgriBEE Sector Code.
- 1.5. Targets contained in the Amended AgriBEE Scorecard are based on those contained in the Amended Broad-Based Black Economic Empowerment Codes of Good Practice, as published by **the dti**, as well as on stakeholder inputs, comments and recommendations. Where no substantive reasons for deviation from targets contained in the Codes of Good Practice were put forward by stakeholders, targets have largely remained aligned with those contained in the Amended Codes of Good Practice.

2. SCOPE OF APPLICATION

- 2.1. The scope of the Amended AgriBEE Sector Code shall include any Enterprise which derives more than 50% of its turnover from:
- (a) the primary production of agricultural products;
 - (b) the provision of inputs and services to Enterprises engaged in the production of agricultural products;
 - (c) the beneficiation of agricultural products whether of a primary or semi-beneficiated form; and
 - (d) the storage, distribution, and/or trading and allied activities related to non-beneficiated agricultural products.
- 2.2. Where an Enterprise trades in more than one sector i.e. falls under more than one Sector Code, the Measured Enterprise must be guided by the principles embodied in the Amended Codes of Good Practice (refer to statement 003 of Amended Codes of Good Practice).
- 2.3. Despite paragraph 2.1 and 2.2 above, the AgriBEE Charter Council may in consultation with the measured entity, Minister of Agriculture, Forestry and Fisheries and Minister of Trade and Industry determine that the measured entity should fall under the scope of the AgriBEE Sector Code.
- 2.4. This Amended Sector Code applies to multinationals whose business falls within the scope of the Code as defined in this section. Where a specific regime for multinationals exists in the Amended Codes of Good Practice, this regime will apply.
- 2.5. Enterprises as defined in paragraph 2.1 above should measure their contributions to the elements of broad-based BEE as contained in the Amended AgriBEE Scorecard.
- 2.6. Notwithstanding paragraph 2.5, Enterprises with an annual total revenue of between R10 million and R50 million qualify for BEE compliance measurement in terms of the Amended AgriBEE QSE Scorecard (Black QSEs don't have to be measured). However, it should be noted that the Minister may, by notice in the Gazette, adjust the thresholds following appropriate benchmarking studies, sub-sector inputs, other relevant information and consultation with the major stakeholders in the sector.

- 2.7. Notwithstanding paragraph 2.5 and 2.6 above Enterprises with an annual total revenue of less than R10 million, will be classified as Exempted Micro Enterprises ('EMEs'). EMEs will enjoy a deemed BEE recognition Level 4 (as defined in the Amended Codes of Good Practice), and sufficient evidence of qualification as an Exempted Micro-enterprise is a sworn affidavit or Companies and Intellectual Property Commission (CIPC) issued certificate. However, EMEs are encouraged to contribute to transformation in agriculture, particularly in the areas of skills development and socio-economic development; and are therefore incentivised to increase their BEE status by adopting this Amended AgriBEE Sector Code directive for EMEs to move from Lower Levels, to Higher Levels. Black EMEs and QSEs automatically qualify for level 1 (those that 100% Black owned) and 2 (those that are at least 51% Black owned).
- 2.8. The AgriBEE Sector Charter Council must review and adjust the revenue thresholds for QSEs and EMEs every two (2) years in line with relevant economic indicators and in expectation of **the dti's** revision of the Sector Code.

3. OBJECTIVES

- 3.1. The objectives of the Act are to facilitate Broad-Based Black Economic Empowerment by:
- (a) promoting economic transformation in order to enable meaningful participation of black people in the economy;
 - (b) achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new Enterprises;
 - (c) increasing the extent to which communities, workers, co-operatives and other collective Enterprises own and manage existing and new Enterprises and increasing their access to economic activities, infrastructure and skills training;
 - (d) increasing the extent to which black women own and manage existing and new Enterprises, and increasing their access to economic activities, infrastructure and skills training;
 - (e) promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity;
 - (f) empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and

(g) promoting access to finance for black economic empowerment.

3.2. The objectives of this Amended AgriBEE Sector Code are to facilitate Broad-based Black Economic Empowerment in the agricultural Sector by implementing initiatives to include Black South Africans at all levels of agricultural activity and Enterprises by:

- (a) promoting equitable access and participation of Black People in the entire agricultural value chain;
- (b) de-racialising land and Enterprise ownership, control, skilled occupations and management of existing and new agricultural Enterprises;
- (c) unlocking the full entrepreneurial skills and potential of Black People in the Sector;
- (d) facilitating structural changes in agricultural support systems and development initiatives to assist Black South Africans in owning, establishing, participating in and running agricultural Enterprises;
- (e) socially uplifting and restoring the dignity of Black South Africans within the Sector;
- (f) increasing the extent to which communities, workers, co-operatives and other collective Enterprises own and manage existing and new agricultural Enterprises, increasing their access to economic activities, infrastructure and skills training;
- (g) increasing the extent to which Black Designated Groups own and manage existing and new agricultural Enterprises, increasing their access to economic activities, infrastructure and skills training;
- (h) empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills;
- (i) the improvement of living and working conditions and promotion of decent living and working conditions for farm workers; and
- (j) improving protection and standards of land rights and tenure security for labour tenants, farm workers and other vulnerable farm dwellers and addressing the inherently paternalistic nature of relationships associated with insecure tenure by promoting more permanent forms of tenure with the emphasis being on the transfer of ownership of land.

4. DETERMINATION OF AgriBEE STATUS

4.1. The BEE status of an Enterprise that falls within the scope of application of the Amended AgriBEE Sector Code will be determined by the Enterprise's score on the Amended AgriBEE Scorecard. The Amended Scorecard consists of the following five key elements:

- (a) Ownership (Equity & Land Ownership);
- (b) Management control;
- (c) Skills development;
- (d) Enterprise and Supplier Development; and
- (e) Socio-Economic Development.

Amended AgriBEE Scorecard

4.2. The Amended AgriBEE Sector Code (Scorecard) enjoys equal status with that of any other code, including the Amended Generic Codes of Good Practice.

4.3. Measurement Principles:

- (a) A Measured Enterprise's score for a particular indicator is calculated by dividing the enterprise's actual contribution (as described by the relevant indicator) by the corresponding target.
- (b) The result is multiplied by the corresponding indicator weighting points to obtain a score for that indicator.
- (c) Where the enterprise attains a score in excess of the indicator weighting points, the enterprise shall only be entitled to the corresponding weighting points.
- (d) The score for an element is the sum of indicator scores under that element.
- (e) A Measured Enterprise's overall BEE score will determine its BEE status and BEE procurement recognition level.

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on a broad-based BEE Scorecard	135%
Level Two Contributor	≥95 points but <100 points on a broad-based BEE Scorecard	125%
Level Three Contributor	≥90 points but <95 points on a broad-based BEE Scorecard	110%
Level Four Contributor	≥80 points but <90 points on a broad-based BEE Scorecard	100%
Level Five Contributor	≥75 points but <80 points on a broad-based BEE Scorecard	80%
Level Six Contributor	≥70 points but <75 points on a broad-based BEE Scorecard	60%
Level Seven Contributor	≥55 points but <70 points on a broad-based BEE Scorecard	50%
Level Eight Contributor	≥40 points but <55 points on a broad-based BEE Scorecard	10%
Non-Compliant Contributor	<40 points on a broad-based BEE Scorecard	0%

- 4.4. The gazetting of an Amended AgriBEE Sector Code for the Agricultural Sector, in terms of Section 9 (1) of the Act, is evidence of the commitment by all stakeholders to promote Broad-Based Black Economic Empowerment in the Agricultural Sector.

5. PRIORITY ELEMENTS, SUBMINIMUM AND DISCOUNTING PRINCIPLE

5.1. Priority Elements and Subminimum

5.1.1. Ownership

The sub-minimum requirement for ownership (equity) is 40% of Net Value (40% of the 8 points) based on the Time Based Graduation Factor as provided in Annexure 100(E) of Amended Codes of Good Practice.

5.1.2. Skills Development

The sub-minimum requirement for Skills Development is 40% of the total weighting points excluding any bonus points for Skills Development.

5.1.3. Enterprise and Supplier Development

The sub-minimum requirement for Enterprise and Supplier Development is 40% for each of the three categories excluding any bonus points, within the Enterprise and Supplier Development element, namely Preferential Procurement, Supplier Development and Enterprise Development.

5.2. **Compliance to priority elements**

5.2.1. A Large Enterprise is required to comply with all the Priority Elements;

5.2.2. A QSE is required to comply with Ownership as a compulsory element, and either Skills Development or Enterprise and Supplier Development

5.3. **Discounting principle effects**

5.3.1. Non-compliance with the 40% sub-minimum requirements of any of the priority elements will result in the following outcomes for both Large Enterprises and QSEs:

5.3.1.1 The actual points scored by the Measured Entity and the consequent level that the Measured Entity would have achieved were it not for non-compliance with the 40% sub-minimum requirements will be recognised by the Verification Agency (the Recognition Level).

5.3.1.2 Notwithstanding the recognition in 5.3.1.1 above, the Measured Entity's B-BBEE status level will be discounted by one level down until the next applicable verification period in which the Measured Entity can demonstrate compliance with the 40% sub-minimum requirements, at which point the Recorded Level will become the applicable ratings level for that Measured Entity in the verification period.

5.4. **Start-up enterprises**

5.4.1. Start-up enterprise must be measured as an EME under this statement for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the Start-up Enterprise.

- 5.4.2. Start-up Enterprise is deemed to have the qualifying B-BBEE Status in accordance with the principles of paragraph 2.7 of this Statement eligibility as an EME.
- 5.4.3. In order to qualify as a Start-up Enterprise, the enterprise must provide an independent confirmation of its status in accordance with paragraph 2.7, a sworn affidavit statement or CIPC issued certificate.
- 5.4.4. Despite paragraph 5.5.1 and 5.5.2, a start-up Enterprise must submit a QSE scorecard when tendering for any contract, or seeking any other economic activity covered by Section 6 of the B-BBEE Amendment Act, with a value higher than R10 million but less than R50 million. For contracts of R50 million or more they must submit the Generic scorecard. The preparation of such scorecard must use annualised data.

6. DETERMINATION OF AgirBEE STATUS FOR SPECIALISED ENTITIES SCORECARD

6.1. OBJECTIVE OF THIS STATEMENT

6.1.1. The objectives of this statement are to provide guidance about the treatment of ownership for Specialized Enterprises for Broad Based Black Economic Empowerment (B-BBEE) purposes of:

- 6.1.1.1 companies limited by guarantee;
- 6.1.1.2 higher Education Institutions;
- 6.1.1.3 non-profit companies;
- 6.1.1.4 public entities and other Enterprises exclusively owned by organs of state; and
- 6.1.1.5 public Benefit Schemes or Public Benefit organisations; and

6.1.2. specify Scorecards applicable to Measured Entities subject to this statement.

6.2 GENERAL PRINCIPLES

6.2.1 Every organ of state and public entity must apply any relevant Codes of Good Practice issued in terms of the Act as amended when:

- 6.2.1.1 determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law;
- 6.2.1.2 developing and implementing a preferential procurement policy;
- 6.2.1.3 determining qualification criteria for the sale of state-owned enterprises;

- 6.2.1.4 developing criteria for entering into partnerships with the private sector; and
- 6.2.1.5 determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE.
- 6.3 Public entities and other enterprises exclusively owned by organs of State are not capable of evaluation of black ownership under code series 100.
- 6.4 Higher Education Institutions are public entities under the **Public Finance Management Act**, 1999 (Act No. 1 of 1999). They are incapable of evaluation of black ownership under Code series 100.
- 6.5 Companies limited by guarantee and Non-profit Companies have no shareholding. They are not capable of evaluation of black ownership under code series 100.
- 6.6 Non-profit Companies and Public benefit Organisations generally do not have any beneficial ownership and are incapable of evaluation of black ownership under code series 100. This does not imply that Non-profit Companies and Public benefit Organisations sharing in the ownership of other enterprises as broad-based ownership schemes cannot contribute towards black ownership to such enterprises as provide for in Statement 100.
- 6.7 Whenever any of the entities listed in paragraphs one and two (in the Codes of Good Practice) require evidence of their own B-BBEE compliance, they will use the Specialized Generic scorecard. If those entities are also Qualifying Small Enterprises, they will use the specialised Qualifying Small Enterprise scorecard.
- 6.8 Specialised Entities that are EME under this statement are deemed to have a B-BBEE status of “level four”, having a B-BBEE recognition level of 100%.
- 6.9 Enhanced B-BBEE recognition level for Specialise Entities that are EME:**
- 6.9.1 Despite paragraph 6.8 above, an EME that has at least 75% black beneficiaries qualifies for an elevation to “Level One contributor”, having a B-BBEE recognition level of 135% and
- 6.9.2 Despite paragraph 6.8 and 6.9.1 above, an EME that has at least 51% black beneficiaries qualifies for elevation to “Level Two Contributor”, having a B-BBEE recognition level of 125%.
- 6.10 An EME is only required to obtain a sworn affidavit or CIPC issued certificate annually confirming the following:
- 6.10.1 Annual Total Revenue/Allocated Budget/Gross Receipts of R10 million or less; and

6.10.2 Level of percentage of black beneficiaries.

6.11 Any misrepresentation in terms of number of beneficiaries and Total Revenue/ Allocated Budget /Gross Receipts for an EME and a QSE, constitutes a criminal offence as set out in the B-BBEE Act as amended.

6.12 Specialised Entities that are QSE under this statement must be measured using the Specialised Scorecard for QSEs.

6.13 Despite paragraph 6.12 above, a QSE that has at least 75% black beneficiaries automatically qualifies to an elevation to “Level One Contributor”, having a B-BBEE recognition Level of 135%.

6.14 Despite paragraph 6.12 and 6.13 above, a QSE that has at least 51% black beneficiaries automatically qualifies to an elevation to “Level Two Contributor”, having a B-BBEE recognition Level of 125%.

6.15 A QSE that has at least 51% black beneficiaries is only required to obtain a sworn affidavit annually confirming the following:

6.15.1 Annual Total Revenue/Allocated Budget /Gross Receipts of R50 million or less; and

6.15.2 Level of percentage of black beneficiaries.

7 ELEMENTS OF EMPOWERMENT

7.1 Both Large Enterprises and QSEs are measured using all elements of the Amended AgriBEE Scorecard. This is also a sector endeavor to encourage broad-based empowerment; and ownership has always been a core transformation consideration of the sector.

AMENDED AgriBEE SCORECARDS WEIGHTINGS		
Element	Large enterprises Weighting	QSE Scorecard Weighting
Ownership	25 points	25 points
Management control	19 points	15 points
Skills Development	20 points	30 points

Enterprise and Supplier Development	40 points	25 points
Socio-Economic Development	15 points	15 points

SPECIALISED SCORECARD WEIGHTINGS		
Element	Large Enterprise Weighting	QSE Scorecard Weighting
Management Control	20 points	25 points
Skills Development	25 points	30 points
Enterprise and Supplier Development	50 points	30 points
Socio-Economic Development	5 points	15 points

7.2 OWNERSHIP

The objective of this element is to increase the participation of Black People in the Agri-Industry by increasing the level of entitlement of Black People to participate in the Economic Interest and Exercisable Voting Rights of Enterprises in the Sector. When dealing with disposal/ transfer/ selling of Agricultural land as an asset the principles of Statement 102 of the Amended Codes of Good Practice will apply plus section 7.2.1.8 (b) of this statement. However, the target for land ownership is 30% which is the target that was agreed from the previous AgriBEE Sector Code.

7.2.1 General Ownership

- 7.2.1.2 The mission of this element is to enhance equitable access and participation in the agricultural Sector; to de-racialise land and Enterprise ownership; and to unlock the full entrepreneurial potential in the Sector.
- 7.2.1.3 AgriBEE is fundamental to the long-term growth and competitiveness of the Agricultural Sector. AgriBEE activities and processes should ultimately lead to the creation of viable and sustainable Enterprises in the Agricultural Sector.
- 7.2.1.4 Stakeholders in the Sector will work towards the development and implementation of a diversity of Enterprise ownership models in support of AgriBEE.

- 7.2.1.5 All Sector Stakeholders should endeavour to source sufficient financing in order to ensure the establishment of viable and sustainable Enterprises.
- 7.2.1.6 All other key principles of Statement 100 of the Amended Generic Codes not addressed in this statement are applicable.
- 7.2.1.7 Enterprises (farms) with gazetted land claims are exempted from the Ownership element, provided that there is sufficient evidence from the Land Claim Commission supporting the gazetted land claim. Where a percentage of the land is under land claim the exemption from ownership should be proportional. Such enterprises (farms) with land claim must use the specialised scorecard until such a time that the land claim has been finalised.
- 7.2.1.8 Despite 7.2.1.7 above, entities whose ownership of land is separate from enterprise equity ownership, i.e. owned and managed under two different legal entities, must comply with the ownership element.

Agri-Industry undertakes to: -

- (a) Further Black participation through ownership in the Agri-Industry by increasing the level of entitlement of Black People to participate in the Economic Interest and Exercisable Voting Rights in existing and new Enterprises. This includes the sale of equity in a Measured Enterprise, sale of assets through Qualifying Transactions and/or through share equity schemes and other forms of joint ventures with farm workers and other Black entrepreneurs;
- (b) Qualifying Transactions must be scored in terms of Statement 102 of the Amended Codes of Good Practice, under the Ownership Element which states that equivalency points may be earned under the ownership element through this mechanism. All other principles of Statement 102 apply including the following:
- I. the creation of sustainable businesses or business opportunities for Black People;
 - II. the transfer of specialised skills or productive capacity to Black People;
 - III. it must not result in unnecessary job-losses; and
 - IV. it must involve a separate Associated Enterprise which has:
 - no unreasonable limitations with respect to its clients or customers;
 - clients, customers or suppliers other than the Enterprise with which the Qualifying Transaction was undertaken; and
 - no operational outsourcing arrangements with the initiating Enterprise that were not concluded at arms-length on a fair and reasonable basis.

Government undertakes to: -

- (a) Implement all legislative and other measures at its disposal to facilitate black ownership.
- (b) Facilitate access to state B-BBEE funds that are made available by government departments, State-Owned Enterprises, and financial institutions.

7.2.3 Amended Ownership Scorecard for Large Enterprises

Ownership for Large Enterprises				
Weighting	Indicator	Measurement Category & Criteria	Weighting Points	Compliance Target
25	7.2.3.1 Voting Rights	7.2.3.1.1 Exercisable Voting Rights in the Entity in the hands of Black people	4	25%+1 Vote
		7.2.3.1.2 Exercisable Voting Rights in the Entity in the hands of Black women	2	10%
	7.2.3.2 Economic Interest	7.2.3.2.1 Economic Interest in the Entity to which Black people are entitled	4	25%
		7.2.3.2.2 Economic Interest in the Entity to which Black women are entitled	2	10%
		7.2.3.2.3 Economic Interest of any of the following Black natural people in the Measured Entity		
	7.2.3.2.3.1 Black designated groups;	7.2.3.2.3.2 Black participants in Employee Share Ownership Programmes;	3	4%
	7.2.3.2.3.2 Black people in Broad based Ownership Scheme;			
	7.2.3.2.3.3 Black participants in Co-operatives;			
	7.2.3.2.3.4 Farm workers			
	7.2.3.2.3.5			
7.2.3.2.4 New Entrants		2	2%	
7.2.3.3 Realisation Points	Net Value		8	Refer to Annexure E of the Amended Codes of Good Practice

7.2.4 Amended Ownership scorecard for QSEs

Ownership for QSEs		
Category and Ownership Indicator	Weighting points	Compliance Target
7.2.4.1 Voting rights:		
7.2.4.1.1 Exercisable Voting Rights in the Enterprise in the hands of black people	5	25%+1 vote
7.2.4.1.2 Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%
7.2.4.2 Economic Interest:		
7.2.4.2.1 Economic Interest of black people in the Enterprise	5	25%
7.2.4.2.2 Economic Interest of black women in the Enterprise	2	10%
7.2.4.2.3 Economic interest of New Entrants or Black Designated Groups	3	2%
7.2.4.3 Realisation points:		
Net Value	8	Refer to Annex 100(E) of Amended Codes

7.3 MANAGEMENT CONTROL

- 7.3.1 The objective of this element is to increase the participation and levels of control of Black People including Black Women at board and executive management levels in the Agri-Industry. This will be achieved by increasing the absolute and relative number of Black People in these positions and by implementing mechanisms under the skills development element to ensure that secondary, tertiary and in-house training and development programmes are designed to meet the targets set under the Management Control element.
- 7.3.2 Management Control and skills development targets should be achieved within the ambit of the Employment Equity Act, 1998 (Act No 55 of 1998) and Skills Development Acts. (Act No 97 of 1998) The objective of the management control element is to increase the representation of Black People, Black Women and Black Designated Groups at Senior Management level; at Professionally Qualified, Experienced Specialist and Mid-Management level; and at Skilled Technical and Academically Qualified, Junior Management, Supervisory, Foremen and Superintendent level, in the Agri-Industry. This will be achieved by increasing the absolute and relative number of Black People in these positions and by implementing mechanisms under the skills development element to ensure that secondary, tertiary and in-house training and development programmes are designed to meet the targets set under the

employment equity element. A Large entity must use the overall demographic representation of black people as defined in the Regulations of Employment Equity Act and Commission on Employment Equity Report. A Large entity that has operations in one province must use the relevant provincial demographic representation of black people, whereas an entity that has an operation in more than one province must use the national demographic representation of black people.

7.3.3 Amended Management Control Scorecard for Large Enterprises

Management Control for Large Enterprises			
Weighting	Measurement Category & Criteria	Weighting points	Compliance target
19	7.3.3.1 Board participation		
	7.3.3.1.1 Exercisable voting rights of black board members as a percentage of all board members	2	50%
	7.3.3.1.2 Exercisable voting rights of black female board members as a percentage of all board members	1	25%
	7.3.3.1.3 Black Executive directors as a percentage of all executive directors	2	50%
	7.3.3.1.4 Black female Executive directors as a percentage of all executive directors	1	25%
	7.1.3.2 Other Executive Management:		
	7.1.3.2.1 Black Executive Management as a percentage of all executive directors	2	60%
	7.1.3.2.2 Black female Executive Management as percentage of all executive directors	1	30%
	7.1.3.3 Senior Management		
	7.1.3.3.1 Black employees in Senior Management as a percentage of all senior management	2	60%
	7.1.3.3.2 Black female employees in Senior Management as a percentage of all senior management	1	30%
	7.1.3.4 Middle Management		
	7.1.3.4.1 Black employees in Middle Management as a percentage of all middle management	2	75%

	7.1.3.4.2 Black female employees in Middle Management as a percentage of all middle management	1	38%
7.1.3.5 Junior Management			
	7.1.3.5.1 Black employees in Junior Management as a percentage of all junior management	1	88%
	7.1.3.5.2 Black female employees in Junior Management as a percentage of all junior management	1	44%
7.1.3.6 Employees with disabilities			
	7.1.3.6.1 Black employees with disabilities as a percentage of all employees	2	2%

7.3.4 Management Control Specialised Scorecard for Large Enterprises

The following table represents the criteria used to derive a score for Management control under this statement.

Management Control Specialised Scorecard for Large Enterprises		
Measurement Category and Criteria	Weighting Points	Compliance Target
7.3.4.1 Board Participation:		
7.3.4.1.1 Exercisable voting rights of black board members as a percentage of all board members	2	50%
7.3.4.1.2 Exercisable voting rights of black female board members as a percentage of all board members	1	25%
7.3.4.1.3 Black executive directors as a percentage of all executive directors	2	50%
7.3.4.1.4 Black female executive directors as a percentage of all executive directors.	1	25%
7.3.4.2 Other Executive Management		
7.3.4.2.1 Black executive management as a percentage of all executive management	2	60%
7.3.4.2.2 Black female executive management as a percentage of all executive management	1	30%

7.3.4.3 Senior Management		
7.3.4.3.1 Black employees in senior management as percentage of all senior management	2	60%
7.3.4.3.2 Black female employees in senior management as a percentage of all senior management	1	30%
7.3.4.4 Middle Management		
7.3.4.4.1 Black employees in middle management as a percentage of all management	2	75%
7.3.4.4.2 Black female employees in middle management as a percentage of all middle management	1	38%
7.3.4.5 Junior Management		
7.3.4.5.1 Black employees in junior management as a percentage of all junior management	2	88%
7.3.4.5.2 Black female employees in junior management as a percentage of all junior management	1	44%
7.3.4.6 Employees with disabilities		
7.3.4.6.1 Black employees with disabilities as a percentage of all employees	2	2%

7.3.5 Amended Management Control Scorecard for QSE

Management Control for QSE			
Category and Ownership Indicator		Weighting points	Compliance Target
15	7.3.5.1 Executive (senior) Management		
	7.3.5.1.1 Black representation at Executive Management	5	50%
	7.3.5.1.2 Black female representation at Executive Management	2	25%

7.3.5.2 Non-Executive (middle and junior) Management		
7.3.5.2.1 Black representation at non-executive management	6	60%
7.3.5.2.2 Black female representation at non-executive management	2	30%

7.3.6 The Management Control Specialised Scorecard for QSE

The following table represents the indicators and method for calculating a score for management control under this statement:

Management Control Specialised Scorecard for QSE		
Criteria	Weighting points	Compliance Targets
7.3.6.1 Executive Management		
7.3.6.1.1 Black representation at Executive Management	8	50%
7.3.6.1.2 Black female representation at Executive Management	3	25%
7.3.6.2 Senior, Middle and Junior Management		
7.3.6.2.1 Black representation at Senior, Middle and Junior management	11	60%
7.3.6.2.2 Black female representation at Senior, Middle and Junior management	3	30%

7.3.7 Agri-Industry undertakes to:

- (a) promote participation by Black People in board positions;
- (b) promote participation by Black People in executive management positions;
- (c) promote participation by Black Women in board and executive management positions;
- (d) promote participation by Black People as Independent Non-Executive Board Members;
- (e) attain Management Control and Skills Development targets; and

- (f) proactively employ members of Black Designated Groups at Top Management, Senior Management, Mid-Management, Junior Management, Supervisors, Foremen, and Superintendent Levels taking into consideration those who are Professionally Qualified, Experienced Specialist, Skilled, Technical and Academically Qualified, as prescribed in the Scorecards.

7.3.8 All other key principles of Statement 200 of the Amended Generic Codes not addressed in this statement are applicable.

7.4 SKILLS DEVELOPMENT

7.4.1 Commercial viability in agriculture demands sustained productivity, high levels of entrepreneurship, long term commitment, resources and skills. The transformation demands of the Sector and rapid changes in the global environment require that more resources should be mobilised for expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation.

7.4.2 Black Designated Groups are targeted under the skills development element. In addition, a focus on the development of core skills as identified by the enterprise, scarce and critical skills as identified by relevant Sector Education and Training Authority ('SETA') must be ensured. In this respect, skills development spends on proposed learning interventions which address these skills shortages must account for 85% of the value of the actual contribution. Enterprises should engage with the relevant SETA for information on such learning interventions.

7.4.3 All other key principles of Statement 300 of the Amended Generic Codes not addressed in this statement are applicable.

7.4.4 Skills Development scorecard for Large Enterprises

Skills Development for Large Enterprise			
Weighting	Measurement Category & Criteria	Weighting points	Compliance Target
	7.4.4.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviable (payroll) Amount.(provided 85% is on scarce and critical skills)	8	6%
	7.4.4.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people with disabilities as a percentage of Leviable	4	0.3%

(payroll) Amount.(provided 85% is on scarce and critical skills)		
Learnership, Apprenticeships, and Internship		
7.4.4.3 Number of black people participating in Learnership, Apprenticeships, and Internships as a percentage of total employees(provided 85% is on scarce and critical skills)	4	2.5%
7.4.4.4 Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees(provided 85% is on scarce and critical skills)	4	2.5%
Bonus Points:		
7.4.4.5 Number of black people absorbed by the Measured and Industry Entity at the end of the Learnership programme	5	100%

7.4.5 Skills Development Specialised Scorecard for Large Enterprises

The following table represents the criteria used to derive a score for Skills Development:

Skills Development Specialised for Large Enterprise			
Category	Skills Development Element	Weighting Points	Compliance Target
7.4.5.1	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of the Leivable Amount.(provided 85% is on scarce and critical skills)	9	6%
7.4.5.2	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of the Leivable Amount	4	0.3%
Learnerships, apprenticeships and internships			
7.4.5.3	Number of black people participating in learnerships, apprenticeships and internships as a percentage of total employees	6	2.5%

7.4.5.4 Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees	6	2.5%
Bonus points		
7.4.5.5 Number of black people absorbed by the Measured Entity and Industry at the end of the learnership/apprenticeship or internship programme	5	100%

7.4.6 Amended Skills Development Scorecard for QSE

Skills Development for QSE			
Criteria		Weighting points	Compliance Target
30	7.4.6.1 Skills development expenditure on learning programmes specified in the learning programme matrix for black people as a percentage of leviabale amount. (provided 85% is on scarce and critical skills)	15	3%
	7.4.6.2 Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees (provided 85% is on scarce and critical skills)	5	1%
	7.4.6.3 Skills development expenditure on learning programmes specified in the learning programme matrix for black women as a percentage of leviabale amount. (provided 85% is on scarce and critical skills)	10	1%
	Bonus Points:		
	7.4.6.4 Number of black people absorbed by the Measured and Industry Entity at the end of the Learnership programme	5	100%

7.4.7 Amended Skills Development Specialised Scorecard for QSE

The following table represents the indicators and methods for calculating a score under this statement:

Skills Development Specialised Scorecard for QSE		
Criteria	Weighting Points	Compliance Targets
Skills Development Element		
7.4.7.1 Skills development expenditure on learning programmes specified in the learning programme matrix for black people as a percentage of Leviable amount	24	3%
7.4.7.2 Skills development expenditure on learning programmes specified in the learning programme matrix for black female as a percentage of Leviable amount	6	1%

7.4.8 Agri-Industry undertakes to:

- (a) identify gaps in workers' training needs so as to co-operate with and complement teaching and educational institutions and to allow their workers to receive skills and in-service training;
- (b) dedicate resources to provide for experiential training, internships, in-service training and training infrastructure for prospective agribusiness entrepreneurs, farm managers and farm labourers;
- (c) ensure maximum use of resources provided by the Skills Levy of the relevant SETAs;
- (d) institute a sector-wide young professional employment and mentoring programme, which targets Black unemployed and underemployed graduates in all disciplines. Mentorship programmes shall be accredited by the relevant SETA or other agreed authority; and
- (e) implement quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees.

7.4.9 Both the AgriSETA and FoodBev SETA undertake to:

- (a) establish SETA-funded training programmes for farm and Enterprise workers in appropriate technical and management skills;

- (b) fast-track the registration of learners on NQF-aligned learning programmes;
- (c) fast-track the implementation of appropriate learnership, internship, apprenticeship, in-service and mentorship programmes required by the Sector;
- (d) fast-track the accreditation of appropriate sectoral service providers;
- (e) encourage, support and monitor such programmes in the private sector;
- (f) ensure the transformation of agricultural training institutions to accelerate preferential recruitment and admission of black trainees;
- (g) encourage quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees;
- (h) encourage the implementation of sector-wide young professional employment and mentoring programmes, which target Black unemployed and underemployed graduates in all disciplines. Mentorship programmes shall be accredited by the relevant SETA or other agreed authority; and
- (i) provide support to QSE's and EME's in the implementation of relevant skills development initiatives, including Enterprises which are exempted from the payment of the skills development levy.

7.4.10 Government undertakes to:

- (a) provide primary education and training. This includes adult literacy and numeracy training. The State, in conjunction with the governing bodies of educational institutions and similar structures must ensure that quality training is offered by all primary, secondary and tertiary institutions;
- (b) encourage agricultural and agro-processing training at schools and agricultural colleges. A focused, formal agricultural and agro-processing training system which adequately equips future agriculturalists and agro-processors should be developed;
- (c) promote agriculture and agro-processing as a competitive career option;
- (d) undertake a review of the effective demand for human resources in the agricultural Sector;
- (e) lead and co-ordinate a targeted programme in collaboration with education authorities, farmers' organisations, labour and the agricultural private sector to review existing education and training curricula in order to enhance technical, entrepreneurial, and management skills for Black entrants into the Sector;
- (f) ensure the inclusion of a substantial number of Black persons from the Sector as the nucleus of strategic partners in Government overseas trade missions, technical assistance, study visits and training opportunities;
- (g) promote functional literacy and numeracy through ABET programmes;

- (h) encourage quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees; and
- (i) encourage the implementation of a sector-wide young professional employment and mentoring programmes, which target Black unemployed and underemployed graduates in all disciplines. Mentorship programmes shall be accredited by the relevant SETA or other agreed authority.

7.5 ENTERPRISE AND SUPPLIER DEVELOPMENT

7.5.1 Amended Enterprise and Suppliers Development Scorecard for Large Enterprises

Enterprise and Supplier Development for Large Enterprises				
Weighting	Measurement Category & Criteria	Weighting Points	Compliance Target	
40	PREFERENTIAL PROCUREMENT			
	7.5.1.1	B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	80%
	7.5.1.2	B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	15%
	7.5.1.3	B-BBEE Procurement Spend from all Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15%

7.5.1.4	B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend Phase in: 10% for 1 st Year, 20% for 2 nd year, 25% for 3 rd year, 30% for 4 th year, 40% for 5 th year, provided the measured entity achieve the 3% NPAT under 2.1 below	9	40%
7.5.1.5	B-BBEE Procurement Spend from Empowering Suppliers that are at least 30% black women owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend. Phase in: Target is 6% for year 1 to year 4, provided the target for supplier development is increased to 3% NPAT.	4	12%
Bonus points			
7.5.1.6	B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned.	2	2%
SUPPLIER DEVELOPMENT			
7.5.1.7	Annual value of all Supplier Development Contribution made by the Measured Entity as a percentage of the target	10	(3% of NPAT for year 1 to year 4) 2% of NPAT
ENTERPRISE DEVELOPMENT			
7.5.1.8	Annual value of Enterprise Development Contribution and Sector Specific Programmes made by the Measured Entity as a percentage of the target.	5	1.5% of NPAT
Bonus points			
7.5.1.9	Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level	1	
7.5.1.10	Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity.	1	

Key Principle Note 1:

Ownership is kept at 25% + 1 vote because emphasis is placed on Enterprise and Supplier Development to develop and initiate more black industrialists to own enterprises. This will be reviewed by the AgriBEE Sector Charter Council every 2nd year of the implementation of this sector code. Two or more Measured Entities are allowed to pool their resources or fund in order to implement Enterprise and Supplier Development initiatives informed by a needs analysis. However, each entity will have to provide proof to the Verification Agency of their contribution towards the initiatives.

7.5.2 Enterprise and Suppliers Development Specialised Scorecard for Large Enterprises

The following table represents the criteria to derive a score for Enterprise and Supplier Development.

Enterprise and Supplier Development Specialised for Large Enterprise		
Criteria	Weighting points	Compliance targets
Preferential Procurement		
7.5.2.1 B-BBEE Procurement Spend from all Empowering Suppliers based on B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	80%
7.5.2.2 B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15%
7.5.2.3 B-BBEE Procurement Spend from all Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	15%
7.5.2.4 B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	11	40%
7.5.2.5 B-BBEE Procurement Spend from Empowering Suppliers that are at least 30% black women owned based on applicable B-	5	12%

BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend		
Bonus points		
7.5.2.6 B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% black owned	2	2%
Supplier Development		
7.5.2.7 Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	15	2% of Net Profit After Tax (NPAT) or 0,2% Annual Revenue/Allocated budget/Gross receipts/Discretionary spend
Enterprise Development		
7.5.2.8 Annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	1% of Net Profit After Tax (NPAT) or 0,1% Annual Revenue/Allocated budget/Gross receipts/Discretionary spend
Bonus Points		
7.5.2.9 Bonus points for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level	1	
7.5.2.10 Bonus points for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by Measured Entity	1	

7.5.3 Amended Enterprise and Suppliers Development Scorecard for QSE

Enterprise and Suppliers Development for QSE			
Category and Ownership Indicator		Weighting points	Compliance Target
Preferential Procurement			
7.5.3.1	B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Level as a percentage of Total Measured Procurement Spend	10	60%

25	7.5.3.2	B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend Phase in: 5% for 1 st Year, 10% for 2 nd year, 15% for 3 rd year,	5	15%
	Supplier Development			
	7.5.3.3	Annual value of all Supplier Development Contribution made by the Measured Entity as a percentage of the target	5	1% of NPAT
	Enterprise Development			
	7.5.3.4	Annual value of Enterprise Development Contribution and Sector Specific Programmes made by the Measured Entity as a percentage of the target.	5	1.5% of NPAT

7.5.4 Amended Enterprise and Supplier Development Specialised Scorecard for QSE

The following table represents the indicators and methods for calculating a score under this statement:

Enterprise Development for QSE			
Criteria	Weighting Points	Compliance Target	
7.5.5 Preferential Procurement			
7.5.5.1	B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	25	60%
7.5.5.2	B-BBEE Procurement Spend from all Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	10%

7.5.6 Key Measurement principles

7.5.6.1 The Enterprise and Supplier Development consist of:

- (a) Preferential Procurement; and
- (b) Enterprise Development and Supplier Development.

7.5.6.2 Enterprise Development and Supplier Development Contributions will be recognized as a percentage of annual Net Profit After Tax(NPAT).

7.5.6.3 All other key principles of Statement 400 of the Amended Generic Codes not addressed in this statement are applicable.

7.5.7 Subminimum and Discounting principle

7.5.7.1 A measured Entity must achieve a minimum of 40% of the targets set out on 1, 2 and 3 excluding bonus points of the Enterprise and Supplier Development Scorecard.

7.5.7.2 Non-compliance to the threshold targets will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 3.4 in statement 000.

7.5.7.3 An empowering Supplier within a context of B-BBEE is a B-BBEE compliant entity, which is a good citizen South African entity, comply with all regulatory requirements of the country and should meet at least three if it is a large enterprise or one if it is a QSE of the following criteria:

- (a) At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local supplier in SA, for service industry labour cost are included but capped to 15%.
- (b) Job creation – 50% of jobs created are for Black people provided that the number of Black employees since the immediate prior verified B-BBEE Measurement is maintained.
- (c) At least 25% transformation of raw material/beneficiation which include local manufacturing, production and/or assembly, and/or packaging.
- (d) Skills transfer - at least 12 days per annum of productivity deployed in assisting Black EMEs and QSEs beneficiaries to increase their operation or financial capacity.
- (e) At least 85% of labour cost should be paid to South African employees by service industry entities.

- 7.5.7.4 EMEs and Start-Ups are automatically recognised as Empowering Suppliers.
- 7.5.7.5 The weighting points in the Enterprise and Supplier Development scorecard represent maximum number of points possible for each of the criteria.
- 7.5.7.6 If a measured entity procures goods and services from a supplier that is:
- (a) A recipient of supplier development contributions from a Measured Entity under Code series 400 that has a minimum 3 year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor 1.2;
 - (b) A black owned QSE or EME which is not a supplier development beneficiary but that has a minimum 3 year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2;
 - (c) A first time Black owned supplier to the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2;
 - (d) Procurement of goods and services and any other activities that fall under 1 will not qualify for scoring under 2 and 3 and vice versa; and
 - (e) Beneficiaries of Supplier Development and Enterprise Development are EMEs or QSEs which are at least 51% black owned or at least 51% black women owned.
- 7.5.7.7 Contributions by the measured entity can be recognised for up to two years even if the beneficiary turnover/ revenue threshold exceeds the measured threshold, on condition that when the intervention was initiated the threshold was qualifying.

7.5.8 General Principles

- 7.5.8.1 To strengthen local procurement in order to help South Africa's industrial base in critical sectors of production and value adding manufacturing, which are largely labour-intensive industries.
- 7.5.8.2 To increase local procurement through capacity building achieved by incentivising appropriate local supplier development programmes by businesses supplying imported goods and services.

- 7.5.8.3 The imports provisions do not apply to the designated sectors and products for local production, as when published.
- 7.5.8.4 To actively support procurement from black owned QSEs and EMEs by identifying opportunities to increase procurement from local suppliers in order to support employment creation.
- 7.5.8.5 To support procurement from black owned and black women owned businesses in order to increase the participation of these businesses in the main stream economy.
- 7.5.8.6 To promote the use of black owned professional service providers and entrepreneurs as suppliers.
- 7.5.8.7 Measured Entities receive recognitions for any Enterprise Development and Supplier Development Contributions that are quantifiable as a monetary value using Standard Valuation Method.
- 7.5.8.8 Measured Entities are encouraged to align their Enterprise Development and Supplier Development initiatives with designated sectors of government's localisation in value adding programmes.
- 7.5.8.9 Measured Entities are encouraged to align their Enterprise Development and Supplier Development initiatives with their supply chain requirements thereby linking Enterprise Development and Supplier Development with Preferential Procurement.
- 7.5.8.10 Qualifying Enterprise Development and Supplier Development Contributions of any Measured Entity are recognisable on an annual basis.
- 7.5.8.11 Contributions, programmes and/or initiatives that span over multiple years, the total contribution amount must be divided by the number of years, and the average per year is then to be utilised for annual contribution.
- 7.5.8.12 Measured Entities are encouraged to develop and implemented Enterprise Development and Supplier Development plan for Qualifying Beneficiaries. The plan should include:
- 7.5.8.12.1 Priority interventions;
- 7.5.8.12.2 Key performance indicators; and
- 7.5.8.12.3 A concise implementation plan with clearly articulated milestones.
- 7.5.8.13 Measured Entities will not get recognition for the same activities undertaken under 2 and 3. They will only get recognition for one of two, i.e. 2 or 3.

- 7.5.8.14 No portion of the value of any Qualifying Enterprise Development and Supplier Development Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.
- 7.5.8.15 Land lease or rental by white farmers from black land owners can be recognised under preferential procurement spend, provided that the written lease agreement is entered into and negotiated at arm's length at a fair and market related value.

7.5.9 Total Measured Procurement Spend

The following procurement is measurable within Total Measured Procurement Spend:

- 7.5.9.1 Cost of sales: all goods and services procured that comprise the cost of sales of the Measured Entity;
- 7.5.9.2 Operational expenditure: all goods and services procured that comprise the operational expenditure of the Measured Entity;
- 7.5.9.3 Capital expenditure: all capital expenditure incurred by the Measured Entity;

7.5.10 Public sector procurement:

- 7.5.10.1 All goods and services procured from organs of state and public entities. Despite this, procurement by a Measured Entity from a local government authority, which is a reseller of that service, is measurable at the B-BBEE Recognition Level of the primary Supplier of the service; and
- 7.5.10.2 In any event, any procurement of any goods or services from any organ of state or public entity that enjoys a statutory or regulated monopoly in the supply of such or services, is excluded;
- 7.5.11 Monopolistic procurement: all goods and services procurement from suppliers that enjoy a monopolistic position;
- 7.5.12 Third-party procurement: all procurement for third-party or a client, where the cost of that procurement is an expense recorded in the Measured Entity's annual financial statements;
- 7.5.13 Labour brokers and independent contractors: any procurement of the Measured Entity which is Outsourced Labour Expenditure;
- 7.5.14 Pension and medical aid contributions: payments made to any post retirement funding scheme or to a medical aid or to a similar medical insurer by a

Measured Entity for its employees, excluding any portions of such payments which are a contribution to a capital investment of the employee. The scheme or insurer must issue a certificate dividing payments between the capital investment portion and the balance to establish the amount that is measurable within Total Measured Procurement Spend;

7.5.15 Trade commissions: any commission or similar payments payable by a Measured Entity to any other person pursuant to the business or trade of the Measured Entity;

7.5.16 Empowerment related expenditure: all goods and services procured in carrying out B-BBEE. The Total Measured Procurement Spend does not include actual contribution portion recognised under section 2 and 3 of this statement or Code series 500 but does include any expenditure incurred in facilitating those contributions;

7.5.17 Imports: all goods and services that are imported or procured from a non-South African source; and

7.5.18 Intra-group procurement: all goods and services procured from subsidiaries or holding companies of the Measured Entity (BEE credentials of the entity supplying goods and/or services must be confirmed by way of a valid BEE certificate).

7.5.19 Exclusion from Total Measured Procurement Spend

The following list provides permissible exclusions from Total Measured Procurement Spend recognisable in terms of paragraph 7.5.9 to 7.5.18.

7.5.19.1 Taxation: any amount payable to any person which represents a lawful tax or levy imposed by an organ of state authorised to impose such tax or levy, including rates imposed by a municipality or other local government;

7.5.19.2 Salaries, wages, remunerations, and emoluments: any amount payable to an employee as an element for their salary or wage and any emolument or similar payment paid to a director of Measured Entity; and

7.5.19.3 Pass-through third-party procurement: all procurement of third-party or a client that is recorded as an expense in the third-party or client's annual financial statement but is not recorded as such in the Measured Entity's annual financial statement.

7.5.19.4 Empowerment Related Procurement:

7.5.19.4.1 Investments in or loans to an Associated Enterprise; and

7.5.19.4.2 Investments, loans or donations qualifying for recognition under any statement under Code series 400 or 500 of the Amended Codes.

7.5.19.5 Imports: The following Imported Goods and Services:

7.5.19.5.1 Imported capital goods or components for value-added production in South Africa provided that:

7.5.19.5.1.1 there is no existing local production of such capital goods or components; and

7.5.19.5.1.2 importing those capital goods or components promotes further value-added production within South Africa;

7.5.19.5.2 Imported goods and services other than those listed in paragraph 7.5.19.5.1.1 if there is no local production of those goods or services including, but not limited to, imported goods or services that-

7.5.19.5.2.1 Carry a brand different to the locally produced goods or services; or

7.5.19.5.2.2 Have different technical specifications to the locally produced goods or services.

7.5.19.5.3 The exclusion of imports listed under 7.4.6.5.2 are subject to them having developed and implemented an Enterprise Development and Supplier Development plan for imported goods and services. This plan should include:

7.5.19.5.3.1 Clear objectives;

7.5.19.5.3.2 Priority interventions;

7.5.19.5.3.3 Key performance indicators; and

7.5.19.5.3.4 A concise implementation plan with clearly articulated milestones.

7.5.19.5.4 The Department of Trade and Industry will from time to time consult with the industry and issue practice notes with regard to the provisions on import exclusion.

7.5.20 Measurement of B-BBEE Procurement Spend

7.5.20.1 B-BBEE Procurement Spend is the value of the procurement falling within paragraph 7.5.1 to 7.5.18 and not excluded by paragraph 7.5.19. If a supplier falls within a category of supplier listed in paragraph 7.5.7.6, the value of procurement from that supplier is multiplied by the applicable factor listed in that paragraph.

- 7.5.20.2 B-BBEE Procurement Spend can be measured in terms of formula 'A' in Annexure 400 (A) of the Amended Codes.
- 7.5.20.3 The B-BBEE Procurement Spend for a Measured Entity in respect of supplier is calculated by multiplying the spend contemplated by paragraph 7.5.1 to 7.5.18 (and not excluded by paragraph 7.5.19) in respect of that supplier by supplier's B-BBEE Recognition Level.
- 7.5.20.4 A Measured Entity's Total Procurement Spend is the total of all amounts calculated in terms of paragraph 7.5.20.2.

7.5.21 The calculation of Preferential Procurement Contributions to B-BBEE

- 7.5.21.1 A Measured Entity receives a score for procurement in proportion to the extent that it meets the compliance target.
- 7.5.21.2 The Measured Entity's score for Preferential Procurement contributions to B-BBEE under the preferential procurement scorecard can be calculated in terms of formula 'B' in Annexure 400(A).

7.5.22 Enterprise Development and Supplier Development Contributions

- 7.5.22.1 The following is a non-exhaustive list of Enterprise Development and Supplier Development Contributions:
- 7.5.22.1.1 Investments in beneficiary entities;
 - 7.5.22.1.2 Loans made to beneficiary entities;
 - 7.5.22.1.3 Guarantees given or security provided on behalf of beneficiaries;
 - 7.5.22.1.4 Credit facilities made available to beneficiary entities;
 - 7.5.22.1.5 Grant Contributions to beneficiary entities;
 - 7.5.22.1.6 Direct costs incurred by Measured Entity in assisting and hastening development of beneficiary entities;
 - 7.5.22.1.7 Overhead costs of Measured Entity directly attributable to Enterprise Development and Supplier Development Contributions;
 - 7.5.22.1.8 Preferential credit terms granted by Measured Entity to beneficiary entities;
 - 7.5.22.1.9 Preferential terms granted by a Measured Entity in respect of its supply of goods and services to beneficiary entities;
 - 7.5.22.1.10 Contributions made to settling service costs relating to operational or financial capacity or efficiency levels of beneficiary entities;

- 7.5.22.1.11 Discounts given to beneficiary entities in relation to the acquisition and maintenance cost associated with the grant to those beneficiary entities of franchise, licence, agency, distribution or other similar business rights;
- 7.5.22.1.12 The creation or development of capacity and expertise for beneficiary entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa is provided for in Government's economic growth and local supplier development policies and initiatives;
- 7.5.22.1.13 Facilitating access to credit for beneficiary entities without access to similar credits facilities through traditional means owing to lack of credit history or lack of collateral;
- 7.5.22.1.14 Provision of training or mentoring by suitably qualified entities or individuals to beneficiary entities which will assist the beneficiary entities to increase their operational or financial capacity;
- 7.5.22.1.15 The maintenance by the Measured Entity of an Enterprise Development and Supplier Development unit which focuses exclusively on support of beneficiary entities or candidate beneficiary entities;
- 7.5.22.1.16 New projects promoting beneficiation by the Measured Entity for the benefit of Enterprise Development and Supplier Development Beneficiaries;
- 7.5.22.1.17 Provision of preferential credit facilities to a beneficiary entity by a Measured Entity may constitute an Enterprise Development and Supplier Development Contribution. Examples of such contributions include without limitation;
- 7.5.22.17.1 Provision of finance to beneficiary entities at lower than commercial rates of interest;
- 7.5.22.17.2 Relaxed security requirements or absence of security requirements for beneficiary entities unable to provide security for loans; and
- 7.5.22.17.3 Settlement of accounts with beneficiary entities over a shorter period of time in relation to Measured Entity's normal payment period, provided the shorter period is no longer than 15 days.
- 7.5.22.1.18 Provide training and mentoring to beneficiary communities by Measured Entity. (Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A