

AFRICAN CONSERVATION TRUST

Conservation ~ Education ~ Innovation

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THE B-BBEE BENEFITS OF DONATING TO, USING THE SERVICES OF, OR PROCURING GOODS FROM THE AFRICAN CONSERVATION TRUST UNDER THE AMENDED CODES

The Broad-Based Black Economic Empowerment Act 53 of 2003 ("BBBEE Act") provides the legislative framework for Broad-Based Black Economic Empowerment in South Africa ("BBBEE"). The primary purpose of the BBBEE Act and the Codes is to enhance the economic participation of Black people in the South African economy. Significant changes to the existing "generic" Codes of Good Practice on Black Economic Empowerment ("the Amended Codes") were published in the Government Gazette on 11 October 2013 and took effect from 1 May 2015.

The African Conservation Trust ("ACT") is a registered Public Benefit Organisation, and, as such, a Specialised Enterprise with at least 75% black beneficiaries, qualifying for a Level 1 B-BBEE Rating under the Amended Codes.

1. Socio-Economic Development

The required spend on Socio-Economic Development has an Indicator Weighting of 5 points under the Amended Codes, with an Indicator Target of 1% of Net Profit After Tax ("NPAT") in order to achieve those 5 points, for both QSEs and Generic enterprises. Contributions must be payable within the measurement period.

As a Level 1 BEE, different forms of contribution to ACT will be recognised at the following value:

- a) Grants (100% recognition);
- b) Direct costs incurred (100% recognition);
- c) Overhead costs (80% recognition);
- d) Developmental capital (100% recognition);
- e) Preferential terms for the supply of goods and services;
- f) Payments made to third parties to perform SED on the measured entity's behalf (100% recognition);
- g) Professional services rendered at no cost or a discount. (80% recognition);
- h) Provision of training or mentoring to beneficiary communities which will assist them to increase their financial capacity (cost of time spent by management and staff) (80% recognition); and
- i) Maintenance of an SED unit which focuses only on supporting beneficiaries and beneficiary communities (cost of time spent by management and staff) (80% recognition).

In addition to this, there will be no donations tax on these amounts because of ACT's PBO status, and any donation up to 10% of the donor's taxable income may be tax deductible because of ACT's section 18A status. (Please note, though, that 18A certificates may only be issued for donations of money or goods. Services provided for free or covering of overhead costs will gain BEE points, but not a tax deduction).

2. Skills Development (Priority Element)

The required spend on Skills Development has an Indicator Weighting of 20 points under the Amended Codes, with an Indicator Target of 6% of Payroll for Generic Enterprises (turnover >R50 million); and 25 points/ 3% of Payroll for QSEs (turnover >R10 million <R50 million). A sub-minimum of 40% must be scored overall for this element i.e. an entity must score at least 8 out of 20 points to comply with this Priority Element.

A major change in the Amended codes is that provision is made in several sub elements for the skills development of black people whereas the previous codes allowed recognition only for skills development of black employees, in this category.¹ The corporate may therefore elect to train black persons who are not their employees and still receive scorecard point recognition in accordance with the Skills Development matrix.² ACT is able to offer a service of training black people in Categories A and G on behalf of the Measured Entity.

Recognisable Training Expenses may include:

- All costs associated with Category A to E learning programmes in the Learning Programme Matrix* including course fees, bursaries and scholarships;
- Salary, wages or stipends paid to a Learner participating in a Learnerships, Internship or Apprenticeship learning programme (Category B, C or D);
- Costs of trainers;
- Cost of employing a Skills Development Facilitator or a training manager;
- Cost of training facilities;
- Administration costs; and
- Ancillary training costs such as accommodation, travelling and catering (non-exhaustive) may also be claimed but cannot exceed more than 15% of the total value of Skills Development expenditure.³

Note:

- Skills Development expenditure arising from informal and workplace Learning Programmes – Category F and G Learning Programmes under the Learning programme Matrix - cannot represent more than 15% of the total value of Skills Development Expenditure.⁴

3. Enterprise and Supplier Development (Priority Element)

¹ Govt Gazette 36928 Statement 300 Para 2.1.1.1

² Govt Gazette 36928 Statement 300 Annexe 300(A)

³ Govt Gazette 36928 Statement 300 Para 5.4 and 6

⁴ Govt Gazette 36928 Statement 300 Para 5.3

Undoubtedly, one of the most difficult targets to achieve under the amended Codes, will be that of the enterprise and supplier development element, which now makes up 40 of the available 118 points. Beneficiaries of Supplier Development and Enterprise Development are EMEs or QSEs which are at least 51% black-owned. Previously, companies had to spend 70% of their procurement spend with BEE-rated suppliers to score 12 points and only 9% of this with black-owned businesses, to score an extra 3 points. Compare this to the amended codes where 80% spend with BEE suppliers earns you only 5 points, and if 40% of this is spent with black-owned entities, you earn a further 9 points.

4. Points are awarded for developing potential black-owned suppliers to become viable suppliers, for awarding them 3-year contracts and for contributing towards creating jobs within these suppliers

3-year contracts attract 1.2 multiplication of procurement spend

Where a black-owned EME 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.

Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity

*Learning Programme Matrix (Amended Codes)

Category A: Bursaries:

Description: Institution-based theoretical instruction alone – formally assessed by the institution

Delivery mode: Institutional instruction

Learning site: Institutions such as universities and colleges, schools, ABET providers

Learning achievement: Recognized theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning

Category B: Internships:

Description: Institution-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through the institution

Delivery mode: Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment

Learning site: Institutions such as universities and colleges, schools, ABET providers and workplace

Learning achievement: Theoretical knowledge and workplace experience resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning

Category C: Learnerships:

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

Delivery mode: Structured learning in the workplace with mentoring or coaching

Learning site: Workplace

Learning achievement: Occupational or professional knowledge and experience formally recognized through registration or licensing

Category D: Learnerships or Apprenticeships:

Description: Occupationally directed instructional and work-based Learning Programme that requires a formal contract – formally assessed by an accredited body

Delivery mode: Institutional instruction together with structured, supervised experiential learning in the workplace

Learning site: Institutions and workplace

Learning achievement: 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 issued by an accredited or registered formal institution of learning

Category E: Work-integrated learning:

Description: Occupationally directed instructional and work-based Learning Programme that does not require a formal contract – formally assessed by an accredited body

Delivery mode: Structured, supervised experiential learning in the workplace which may include some institutional instruction

Learning site: Workplace, institutional as well as ABET providers

Learning achievement: Credits awarded for registered unit standards, continued professional development, improved performance or skills (e.g. evidence of outputs based on Performance Development Programme)

Category F: Informal Training:

Description: Occupationally directed informal instructional programmes

Delivery mode: Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses

Learning site: Institutions, conferences and meetings

Learning achievement: Continuing professional development, attendance certificates and credits against registered unit standards (in some instances)

Category G: Informal Training:

Description: Work-based informal programmes

Delivery mode: Informal work-based training

Learning site: Workplace

Learning achievement: Increased understanding of job or work context or improved performance or skills