



A service to many leads to greatness

EMPOWERMENT TRAINING AND DEVELOPMENT PROGRAMME



"Be not afraid of greatness. Some are born great, some achieve greatness and others have greatness thrust upon them."

- William Shakespeare

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THE B-BBEE IMPERATIVE

Broad-Based Black Economic Empowerment (B-BBEE) is an essential policy tool aimed at broadening the economic base of South Africa and so-doing promote economic growth, mobilise investment, create jobs and empower citizens. This is in line with the Constitution of South Africa to alleviate poverty and promote equality and social justice.

B-BBEE is aimed at realising the country's full potential by ensuring that all South Africans are able to **participate meaningfully** in the mainstream economy and facilitating a significant increase in the number of black people who manage, own and control the country's financial and economic resources. B-BBEE focuses on previously disadvantaged people, particularly black people, women, youth, the disabled and rural communities.

Understanding the benefits of the initiatives that aim to improve our society may open more doors of opportunity, which in turn will uplift the people of South Africa.

B-BBEE AND ECONOMIC GROWTH

Economic growth is instrumental in creating prosperity and key to addressing unemployment and other poverty-related matters. Growth without transformation would merely exacerbate past imbalances in the pattern of wealth, while transformation without economic growth would be narrow and unsustainable.

The complexities of the B-BBEE Codes, a low-growth economic environment and various other challenges that businesses are facing in industries such as Construction and Mining mean that B-BBEE is not simply a “tick-box” exercise.

As responsible corporate citizens, we all have an important role to play in the economic development and social upliftment of the broader society.



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SA LEADERSHIP AND B-BBEE APPROACH

The recent change in the country's leadership was accompanied by a renewed commitment to true transformation.

We are expecting a policy shift from a B-BBEE compliance point of view to alignment with the principles of the National Development Plan (NDP). The NDP aims to alleviate poverty and reduce inequality by 2030. According to the NDP executive summary: *“South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.”*

Much emphasis will be placed on restructuring the economy and B-BBEE to allow for **inclusive growth** by focusing on the establishment of and support for small black-owned entities as part of Enterprise and Supplier Development Programmes.

The B-BBEE policy application will most likely shift gradually towards realigning ownership, skills development and the growing of black entrepreneurs.

This will take place by empowering more black people to manage and own their own enterprises and by increasing **their access to economic activities, skills and infrastructure**.

Enterprises are regarded as black-owned if **51% of the enterprise is owned by black people, and black people** have substantial management and control of the business. This includes an increase in the extent to which employees, communities and other collective enterprises manage and own new and existing enterprises.



THE B-BBEE SCORECARD ELEMENTS

1. **OWNERSHIP:** measures **black ownership** of the measured enterprise and the extent to which ownership interests, i.e. voting rights and economic interest, are held by black people.
2. **MANAGEMENT:** measures **participation of black people** in the board of directors and management control structure.
3. **SKILLS DEVELOPMENT:** measures **skills development spend** on skills development programmes for black employees and unemployed individuals. This includes spend on learnerships, mentorship implementation, SETA-accredited training programmes, etc. *
4. **ENTERPRISE AND SUPPLIER DEVELOPMENT:** measures spending on **procurement from empowering suppliers**, together with Supplier Development and Enterprise Development contributions to beneficiary entities that are **at least 51% black owned.** *
5. **SOCIO-ECONOMIC DEVELOPMENT:** measures **contributions for socio-economic development.** *

The importance of promoting human resource development of black people through training and development programmes, e.g. workplace training, mentorship programmes, learnerships, etc. can not be ignored.

**Please speak to your consultant for more information on our Skills Development, Enterprise, Supplier and Socio-Economic development solutions.*



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The Codes measure performance against these five inclusion indicators, with an **increased focus on the three priority elements: ownership, skills development and enterprise and supplier development.**

WHAT DRIVES THE OWNERSHIP ELEMENT ON THE SCORECARD?

With more than 84% of all registered businesses in South Africa being family businesses, the emphasis in the amended Codes on **ownership**, particularly the **51% black ownership criteria**, has a significant influence on the future competitiveness of family businesses in South Africa.

The three most important criteria to ascertain the level of B-BBEE ownership are **exercisable voting rights, economic interest and “Net Equity”.**

B-BBEE can benefit everyone. The question, perhaps, is not whether B-BBEE is the right thing to do, but rather **how it can be implemented for a specific business at a specific**

point in time by targeting the right audience for the benefit of all parties involved.

BUSINESS OWNER CHALLENGES

With the implementation of B-BBEE strategies, business owners find it challenging to:

- **identify a suitable ownership structure** for B-BBEE scorecard optimisation and compliance requirements;
- **integrate equity ownership** into their transformation strategy;
- **find innovative empowerment development programmes** to develop and retain loyal long-service employees;
- **engage in effective business skills transfer** due to lack of time, administration resources and other skills;



- **identify intermediate benefits and development opportunities for beneficiaries** within their employee ownership structures;
- **earn maximum B-BBEE scorecard points** for priority scorecard elements;
- **effect a return on development investments** in ownership restructuring.

SERR Synergy recognises the impact that these challenges have on business owners. With this in mind, we have designed a very **UNIQUE EMPOWERMENT TRAINING AND DEVELOPMENT PROGRAMME** with tailor-made options to suit different business and individual developmental needs.

B-BBEE PARTNERSHIP

With reference to black ownership, it will always be necessary to consider

the importance of strategic business partners, but also a broader, more inclusive beneficiary base which, in B-BBEE transactions, guarantees maximum adherence to the requirements of the ownership scorecard by, for example, including broad-based beneficiaries and new entrants.

Ownership can be achieved by implementing a number of strategies, the following of which are the most popular:

- A traditional share sale or partnership agreement (taking in a black partner);
- Establishing an employee share scheme (B-BOS/ESOP/Trust, etc.);
- Share sale or buy-in on a loan account basis (giving effect to the above on a non-cash basis);
- Entering into a joint venture agreement with a (black-owned) business or black person.

THE OWNERSHIP SCORECARD

The ownership scorecard has been set up in such a way that it encourages broad-based ownership and the establishment of collective ownership programmes in the form **of broad-based ownership schemes (B-BOS), employee share ownership programmes (ESOPs), trusts and non-profit companies (NPCs), etc.**

SERR Synergy assists businesses to set up various ownership structures with the inclusion of collective ownership programmes.

These ownership structures are not exclusive to the B-BBEE ownership framework as businesses must comply with other legislation such as the Companies Act, Income Tax Act, Trust Property Control Act, etc. It is important that these collective ownership programmes are properly implemented and treated as independent third-party shareholders.

SUMMARY OF COLLECTIVE OWNERSHIP CONTRIBUTION TO SCORECARD

INDICATOR	WEIGHTING POINTS
Exercisable voting rights (with at least 10% black female involvement)	6 points
Economic interest (with at least 10% black female involvement)	6 points
Ownership by means of collective ownership programmes, e.g. B-BOS and ESOP	3 points
New entrants	2 points
Net value (with no acquisition debt)	8 points
TOTAL POINTS	Potentially 23 out of 25 points

* The target level of B-BOS and ESOP ownership under the Codes is 3%



With the emphasis on ownership, it remains important to focus on the nature and mix of the targeted beneficiaries of empowerment transactions.

WORKING OF COLLECTIVE OWNERSHIP PROGRAMMES

The inclusion of collective ownership programmes in a B-BBEE ownership strategy not only allows an entity to score valuable scorecard points but can ***incentivise employees, promote broad-based empowerment and contribute to existing or new corporate social responsibility programmes.***

These ownership programmes are a practical way of meeting the broad-

based empowerment needs of a business and its employees. For B-BBEE scorecard purposes and to derive the benefit of having B-BBEE credentials, businesses are opting for one of the collective ownership programmes where, for example, they give shares to employees based on specific qualifying criteria, with these employees then becoming beneficiaries of these programmes.

Beneficiaries do not become individual shareholders, but their interests are promoted by trustees or fiduciaries of the programme as a collective.

ECONOMIC BENEFITS

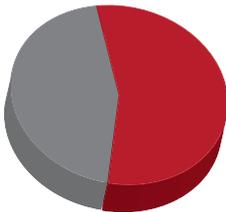
Dividend proceeds and returns from the investment are intended to directly benefit the beneficiaries and to support activities that are meant to uplift the beneficiaries and their families, including but not limited to providing bursaries and making donations and financial

contributions, such as retirement planning, medical expenses, etc., thus increasing their wealth and improving their overall socio-economic well-being.

PARTICIPATION

The Codes require, among other things, that black participants in an employee ownership programme (e.g. trust) participate in the appointment of at least 50% of the

trustees and that they manage the programme at the same level as the management role of shareholders in a company. Trustees are obliged to submit an annual financial report of the trust to participants at **an annual general meeting**. The B-BBEE Codes encourage active participation of black people in terms of airing their opinions, appointing trustees and making a contribution as shareholder.



Working of a collective ownership programme

- Shareholding by the BEE programme
- Existing shareholders

MEMORANDUM OF INCORPORATION	SHAREHOLDERS AGREEMENT	CONSTITUTION OF PROGRAMME
<ul style="list-style-type: none"> • Comply with new Companies Act • Make provision for specific instances or special resolutions • Cater for outside shareholders • Protect existing directors / shareholders 	<ul style="list-style-type: none"> • Economic interest • Voting rights • Pre-emptive rights 	<ul style="list-style-type: none"> • Names trustees / fiduciaries • Name beneficiaries • Determine benefits

Some of the employees who are participants in collective ownership programmes are not able to actively participate in annual general meetings of the programmes.

BENEFICIARY PARTICIPATION CHALLENGES

Several programmes have beneficiaries who are illiterate or can barely read or write. Such ill-equipped beneficiaries will not be able to vote for new trustees as they do not have the required frame of reference or skills to interpret basic business concepts such as balance sheets, income and expense statements, company budgets or minutes of meetings.

These beneficiaries can therefore not make a **meaningful contribution** by obtaining or airing opinions, analysing

situations independently or taking proactive decisions. Such beneficiaries are reduced to spectators instead of participants.

With these beneficiaries being **'passive'** and non-participating due to a lack of operational and financial skills to contribute during meetings, some businesses cannot enjoy the full benefits derived from the ownership, input and diversity provided by collective ownership programmes.

DEVELOPMENT BENEFITS FOR THE BENEFICIARIES

It may happen that beneficiaries of collective ownership programmes derive no short-term financial benefit or return in the form of dividend pay-outs. In these tough economic times, there are instances where a company for *bona fide* reasons does not make dividend or bonus pay-outs.

Participants in these programmes may become dissatisfied if the programme is unable to make distributions to beneficiaries because



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of a lack of or insufficient dividend income from the company. Failure by the ownership programme to deliver immediate benefits to its beneficiaries may raise unnecessary concerns or doubts about whether the structure is achieving its B-BBEE goals.

With B-BBEE focusing on real benefits for beneficiaries and substantive empowerment, the question is: what substantive empowerment can be achieved?

To address the lack of participation and immediate economic benefits, ***businesses are expected to develop beneficiaries to fulfil their role as participants and to make a meaningful contribution.***

Beneficiaries are expected to offer a company more than mere B-BBEE credentials. If the beneficiaries are unable to do so due to a lack of education, experience and exposure, then the programmes should offer

a development plan over a given period, with objectives, interventions, timelines and outcomes to achieve or attempt to achieve development and meaningful participation.

For this reason, we have developed ***unique and needs specific empowerment training and development programmes*** that will assist businesses with additional intermediate benefits for beneficiaries in the form of specialised training and skills development in the area of ownership fulfilment.

Our programme will assist businesses to maximise the return on their B-BBEE investment by offering substantive empowerment for the beneficiaries.



EMPOWERMENT TRAINING AND DEVELOPMENT PROGRAMME

Our Empowerment Training and Development Programme is exclusively available to SERR Synergy clients and unique in South Africa. This programme provides a cost-effective solution at an affordable monthly retainer for employers where black employees and other beneficiaries have the opportunity to develop additional skills to make a meaningful contribution. These training programmes are available, from a very basic illiterate level to a more advanced stage, to train trustees and fiduciaries irrespective of race.

We recognise the importance of human resource development, skills transfer and training, as well as the development of beneficiaries of collective ownership programmes as

growth and development are critical components for sustainable B-BBEE and key ingredients of the B-BBEE programme.

- ***Empowerment training*** develops existing black employees and other beneficiaries of collective ownership programmes to serve a more valuable purpose by grooming them to be part of the ***next generation of leaders, trustees, shareholders, owners and managers in the businesses.***
- ***Empowerment training*** involves more than providing these individuals with technical skills to do their day-to-day job. It will also help to identify their potential for development to make an ownership contribution.

Our main purpose is to develop the appropriate skills and knowledge required by these employees to



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address the economic, administrative, financial and behavioural (psycho-social) barriers that restrict **meaningful participation** in the business environment.

FINANCIAL BENEFIT FOR CLIENTS

1. **B-BBEE scorecard purposes:** businesses can add the rand value of the **Empowerment Development Training** as part of the 15% Skills Development Spend allowed in terms of the B-BBEE Codes for in-house or non-accredited training.
2. **Claiming back a portion of the 1% Skills Development Levy (SDL)** paid to SARS: 20% mandatory grant can be claimed back from the SETA subject to submitting Workplace Skills Plans (WSP) and Annual Training Report (ATR) *(*for existing SDF clients we will assist with the claiming process).*
3. For any **accredited training** done: claim back a further 39% from SETA *(*for existing SDF clients we will assist with the claiming process).*

EMPOWERMENT TRAINING AND DEVELOPMENT COURSES

OUR VALUE-ADDING EMPOWERMENT TRAINING AND DEVELOPMENT INCLUDES THE FOLLOWING:

- Development and integration of an organisational training and development plan by aligning company's strategic development priorities.
- Access to all the Empower Training and Development modules (refer to our courses outline and the terms and conditions).
- Training will be presented in a language and using a method that is suitable for your employees.
- Handling of all training administration (training budget calculation, training calendar integration, attendance registers for training attended).



- Maximum of five (5) training days per annum on the various levels.
- For existing SDF clients we will incorporate training into WSPs and ATRs when completing and submitting these reports.
- Our training departmental team, together with our team of Skills Development Facilitators (SDFs), will facilitate this process.

NON-ACCREDITED TRAINING – EMPOWERMENT TRAINING AND DEVELOPMENT (ETD)

SCHOOL LEVEL AND NQF EQUIVALENT	NAME OF COURSE		DURATION
Grade 6 or NQF 1	FIRST TIER (ENTRY LEVEL COURSES)		1 day
	1. Fundamentals of Mathematics for life skills 2. Fundamentals of English Writing skills	3. Introduction to B-BBEE Policy 4. Basics of Development 5. Introduction to business environment	
Grade 8 or NQF 2	SECOND TIER (COMMUNICATION AND INFORMATION)		1 day
	1. Business Communication Skills 2. Writing skills 3. Budget skills 4. Fundamental of Computer skills (Word, Excel and Internet)	5. Mathematics for personal and business finance 6. Basic Bookkeeping 7. Fundamental knowledge of B-BBEE environment	
Grade 10 or NQF 3	THIRD TIER (BASIC KNOWLEDGE OF BUSINESS AND LAW)		1 day
	1. Understand organisational structures and the business environment 2. Basic of corporate governance and compliance legislation	3. Plan and prepare for meetings 4. Co-ordinate meetings, minor events and travel arrangements 5. Finance for non-financial managers 6. Accounting basics	
Grade 12 or NQF 4	FOURTH TIER (FIDUCIARY DUTIES)		1 day
	1. Financial reporting requirements for small businesses 2. Office administration	3. Advance B-BBEE legislation 4. Fiduciary Duty responsibilities 5. Construction and Corporate law 6. Legal Compliance in South Africa	

**At least 3 courses per tier are recommended to achieve reasonable competency outcomes*

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