

The perception of broad-based black economic empowerment across
agricultural businesses.

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ABSTRACT

Broad Based Black Economic Empowerment could possibly be the utmost strategic issue, challenge, threat and potential opportunity facing businesses of all sizes, structures and shapes currently in South Africa. Broad-Based BEE is a government initiative to promote economic transformation in order to enable meaningful participation in the economy by black people. Broad-Based BEE is a reality and a business imperative. Broad-based BEE already have a huge impact in the way business is done in South Africa by large corporate entities, family businesses, small and medium sized businesses and professional practitioners. Broad-based BEE affects almost every participant in the South African economy. Broad-Based BEE can be divided into three components, which holds the seven elements of Broad-Based BEE, namely direct empowerment, human resource development and indirect empowerment. These elements include Equity Ownership, Management, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Corporate Social Investment.

The agricultural businesses in South Africa have implemented unique types of Broad-Based BEE strategies to conform to Broad-Based BEE. These strategies include shareholding by external Broad-Based BEE companies, and registering Broad-Based BEE employee trusts that obtains shareholding in the company. According to the AgriBEE Framework its vision is to pursue Broad-Based BEE in support of a United and Prosperous Agricultural Sector. The objectives of AgriBEE as described by the AgriBEE Steering Committee 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 along the entire agricultural value chain by following certain steps and ideologies.

The contribution of the agribusinesses has some clear indications of shortcomings within the industry as well as and indication of possible elements to be pursued in future. There are however also serious implications to the respondents actions and attitude towards Broad-Based BEE now and in future. It also very apparent that the agribusiness does not distance themselves from the Broad-Based BEE Act and its requirements as well as the consequences thereof.

The agribusiness industry is actively involved in Broad-Based BEE.

Key terms: Broad Based Black Economic Empowerment, Broad-Based BEE, government initiative, transformation, agricultural businesses, AgriBEE Framework.

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LIST OF ACRONYMS, LETTERGROUPS AND DEFINITIONS

ABC: The Agricultural Business Chamber is a voluntary, dynamic and influential association of agribusinesses. Its mission is to negotiate and position for a favourable agribusiness environment where members can perform competitively and profitably, and prosper as a result.

Agribusinesses: Within the agriculture industry, agribusiness is widely used simply as a convenient portmanteau of agriculture and business, referring to the range of activities and disciplines encompassed by modern food production. There are academic degrees in and departments of agribusiness, agribusiness trade associations, agribusiness publications, and so forth, worldwide.

ANCYL: African National Congress Youth League was founded in 1944 as an organisation of the youth committed to the ideals of democracy, freedom and peace. It is governed by and adheres to the policies and programmes of the African National Congress, and its existence derives from Constitution of the African National Congress.

BEE: Black Economic Empowerment is a pragmatic growth strategy that aims to realise the country's full economic potential while helping to bring the black majority into the economic mainstream.

BEECom: The BEECom is the commission established with the following objectives:

Broad-Based BEE Act: The Broad-Based Black Economic Empowerment Act (53/2003): Codes of Good Practice on Black Economic Empowerment was gazetted on 9 February 2007 in the government gazette 29617. It was put in place to replace earlier editions of the act. An Interpretive Guide was added in June 2007.

Broad-Based BEE: Broad Based Black Economic Empowerment is a form of Economic Empowerment initiated by the South African government in response to criticism against Black Economic Empowerment instituted in the country during 2003/2004. Black Economic Empowerment led to the enrichment of a few black (Black African, Coloured or Indian) individuals, the goal of Broad-Based Empowerment is to distribute wealth across as broad a spectrum of South African society as possible. In contrast, Black Economic Empowerment measures only equity ownership and management representation.

COSATU: The Congress of South African Trade Unions was launched in December 1985 after four years of unity talks between unions opposed to apartheid and committed to a non-racial, non-sexist and democratic South Africa. Also known as the Federation, it is a corporate body with perpetual succession and legal existence independent of its affiliates.

DTI: The Department of Trade and Industry's mission is to:

Promote structural transformation, towards a dynamic industrial and globally competitive economy;

- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development;
- Broaden participation in the economy to strengthen economic development; and
- Continually improve the skills and capabilities of the DTI to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens

E/Cape: Eastern Cape, South Africa

KZN / MPL: KwaZulu-Natal and Mpumalanga, South Africa

N/West: North West Province, South Africa

of BEE initiatives during the 1990s.

SANRAL: The South African National Roads Agency Limited, is an independent, statutory company registered in terms of the Companies Act. The South African government, represented by the Minister of Transport, is the sole shareholder and owner of SANRAL.

- To develop a powerful case for an accelerated National BEE Strategy and to make recommendations on policies and instruments required to guide a sustainable strategy.
- To develop benchmarks and guidelines to monitor the implementation of the National BEE Strategy.
- To draw conclusions on the obstacles to meaningful participation of black people in the economy.
- To gain insight into the BEE process through empirical research and to make observations on the pace and results

W/Cape: Western Cape, South Africa

CHAPTER 1:

NATURE AND SCOPE OF THE STUDY

*"It is the mark of an educated mind
to be able to entertain a thought without accepting it."*

– Aristotle –

1.1 INTRODUCTION

Black Economic Empowerment (hereafter BEE) is referred to as measures, actions or programmatic steps geared to enable meaningful participation of black people in the mainstream of the South African economy. BEE was developed as a response to South Africa's particular reality born of so-called racial capitalism, the fusion of apartheid with the capitalist system (Kgomoewana, 2007). Since 1994, BEE has been a major thrust of all government policies but there was no coherent strategy towards the implementation of BEE.

A report drafted by the BEE commission, chaired by Cyril Ramaphosa, broadly outlined BEE, which led to the government's implementation thereof. Many companies see it not only as a moral obligation, but also as a business reality. Its aim was to incorporate a substantial number of skilled black workers (African, coloured and Indian) into the workforce. The receipt of this report by government played a pivotal role in the development by government of a strategy towards the implementation of BEE (Kgomoewana, 2007).

Black Economic Empowerment was the forerunner of Broad-Based Black Economic Empowerment (hereafter Broad-Based BEE). Broad-Based BEE had its origin in that it was felt that BEE did not live up to its objectives and subsequently the South African government introduced the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) (hereafter the Broad-Based BEE Act).

Kgomoewana (2007) mentions that Broad-Based BEE ownership is only one of seven criteria according to which a company's empowerment score is calculated. The purpose of Broad-Based BEE is to create economic empowerment for the many groups who were not on an equal footing before, which include all black people, women, youth, the disabled and those in rural areas.

A company's employment equity policy is just one-way of measuring its transformation (Kgomoewana, 2007). Such a policy would include affirmative action, which exclusively leads to more positions being filled by black candidates. Broad-Based BEE, however, is committed to implementation of the following seven pillars:

- Equity Ownership.
- Management.
- Employment Equity.
- Skills Development.
- Preferential Procurement.
- Enterprise Development.
- Residual Element/Corporate Social Investment.

1.2 BACKGROUND TO THE STUDY

It could be said that there are two opposing sides to the BEE phenomenon. The one side believes that a different approach to BEE was needed. According to this school of thinking Broad-Based BEE deal making and subsequently the "transfer of equity and high-profile positions and windfalls for the politically connected" had become discredited (Rumney, 2010) . It had "at times" been a mask for corruption, set a bad example for society (of wealth too easily acquired), and led to a "growing resentment of the enrichment that BEE deals seemed to represent." The other side of the argument is that the BEE policy was still necessary and with having been tweaked a couple of years ago, simply needed to be implemented properly.

According to the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) (hereafter Broad-Based BEE Act), the objectives is to facilitate broad-based black economic empowerment. There are certain recognised conducts in which the objectives that the Broad-Based BEE Act seeks to facilitate can be achieved.

- The first method is to promote economic transformation to enable meaningful participation of black people in the economy.
- The second method is by achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises.
- The Broad-Based BEE Act strives to increase the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises, and to increase their access to economic activities, infrastructure and skills training.

- Another possibility is by 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.
- 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 is promoted to achieve this goal.
- Lastly the Broad-Based BEE Act strives to achieve its objectives by empowering rural and local communities, by enabling access to economic activities, land, infrastructure, ownership and skills and promoting access to finance for black economic empowerment.

These objectives of the Broad-Based BEE Act have over the years, in some instances, created antagonism towards Broad-Based BEE. Companies started losing patience with Broad-Based BEE since they were overlooked in certain tenders because competitors would win tenders not on their ability to fulfil the required contract but only because their BEE status was in order. Like any other act, some individuals or companies would push the boundaries to its limits (Balshaw and Goldberg, 2005:9).

The Broad-Based BEE Act is superordinate within itself. The AgriBEE Charter was introduced in the Government Gazette of 20 March 2008. Section 12 of the Broad-Based BEE Act determines that the Minister must publish a charter in the Government Gazette for general information and promote a transformation charter for a particular sector of the economy.

Publication would only take place once the Minister was satisfied that the charter had been developed by major stakeholders in that specific sector and that it advances the objectives of the Broad-Based BEE Act. Further to the charter and to promote the purposes of the Broad-Based BEE Act, the Minister may by notice in the Government Gazette, issue codes of good practice on black economic empowerment. These codes of good practice may include the further interpretation and definition of broad-based black economic empowerment and the interpretation and definition of different categories of black empowerment entities and qualification criteria for preferential purposes for procurement and other economic activities (Balshaw and Goldberg, 2005:11).

These codes can also include indicators to measure Broad-Based BEE, the weighting thereof to be attached to Broad-Based BEE indicators referred to in paragraph (c) of section 9 of the Broad-Based BEE Act.

An important part of the codes is the guidelines for stakeholders in the relevant sectors of the economy to draw up transformation charters for their sector and ultimately any other matter necessary to achieve the objectives of the Broad-Based BEE Act. It is clear that, notwithstanding the Broad-Based BEE Act's overall application to South African businesses, it has reference to specific industries as well. It is currently uncertain to what extent, for how long and on what basis Broad-Based BEE will continue to exist. The Department of Trade and Industry together with the South African Government has indicated that Broad-Based BEE should to a certain extent be relaxed. COSATU and other employee organisations do not necessarily share the view of government.

Broad-Based BEE, its implementation and effect is so extensive, it requires a broad spectrum of employees of a business being involved continually. The Broad-Based BEE Act has the effect that a business' human resources department is required to understand law and accounting, the accounting department and auditors should understand psychology and legal advisors are required to understand finance and business management - all of this long before having to collect hundreds of documents for a verification agency who quite literally holds the business to ransom because it needs that verified Broad-Based BEE Certificate. Broad-Based BEE with its intricate detail can become very cumbersome and time consuming to do properly yet if it is not done properly, the business may lose customers. The result is a scorecard that is tricky to calculate, a verification process that is in-depth and immensely time consuming, error prone and frustrating (EconoBEE, 2011).

1.3 PROBLEM STATEMENT

The future and extent of Broad-Based Black Economic Empowerment in the South African economy is unknown. Although many good has come from the implementation of BEE, according to Sandile Hlophe, MD of KPMG's Restructuring Advisory unit, (Mawson, 2010) it seems that companies learnt that only a handful of people benefited from BEE and became even wealthier, like well-known tycoons Tokyo Sexwale and Patrice Motsepe. The time span in which BEE is being implemented and being utilised is a major critique.

Middle-, top- and executive managers seem to have reached a saturation point for BEE. Although BEE is a reality within the business sector it is uncertain what effect BEE had on

specifically the Agribusinesses and what they perceive to be the future of BEE at this late stage of existence. The agricultural businesses have implemented unique types of BEE strategies to conform to BEE. These strategies include shareholding by external BEE companies, and registering BEE employee trusts that obtain shareholding in the company. Although it is clear that companies expend millions of Rands in order to become BEE compliant, it would seem that the objectives of the Broad-Based BEE Act have not been reached. With reference to some of these objectives, it is evident that the Broad-Based BEE Act has not yet seen its end. From the objective to promote economic transformation to enable meaningful participation of black people in the economy, it is clear from the statement of Sandile Hlophe above that meaningful participation has not transpired. Although a change is evident within the racial composition of ownership and management structures and also in the skilled occupations of existing and new enterprises, the Broad-Based BEE Act has not nearly had the impact that it should have had by this time.

The Broad-Based BEE Act and the involved parties put an effort into increasing the extent to which black women own and manage existing and new enterprises. From the effort it is evident that especially black women's access to economic activities, infrastructure and skills training have increased exponentially. The Broad-Based BEE Act strives to achieve its objectives by empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills and promoting access to finance for black economic empowerment. This objective has also only been partially met, with endless possibilities that awaits. According to Phokaners (2011) although the principles of Broad-Based BEE have been in effect in South Africa for a number of years, it is still misunderstood by business leaders. Some business leaders see empowerment as giving away shares or as appointing a certain percentage of black managers. Phokaners (2011) states that Broad-Based BEE is not meant only to serve a small portion of the population, but the majority, enabling them to become economically active and, in so doing, contribute to the economy of South Africa.

The tendency seems to be that the South African Government is unscrupulous regarding Broad-Based BEE. Masombuka (2011) states that from January 2012, companies with low or no compliancy level contribution in terms of Broad-Based BEE will have difficulty doing business with the state. In terms of the reviewed regulations published and gazetted in June 2011 by the Minister of Finance, a fully compliant Broad-Based BEE company with a level 1 contribution will score 10 or 20 preferential points for contracts with the value of R1-million and above R1-million respectively. The other 80 and 90 points of the evaluation criteria will continue to be used to assess price and functionality of bidders.

The Broad-Based BEE Act has also had a substantial effect on agricultural businesses in South Africa. The agriculture business is but one economic sector influenced by the Broad-Based BEE Act, and the extent of the influence will be investigated with this research.

1.4 OBJECTIVES OF THE STUDY

1.4.1 Primary objective

The primary objective of the study is to determine the attitude and commitment of management of agribusinesses towards the Broad-Based BEE Act, the accompanying codes of good practice and subsequent legislation.

1.4.2 Secondary objectives

Once management's commitment towards the Broad-Based BEE Act is determined, the possibility of the implementation of an employees trust within the company and its shareholders could be visited to ensure that the extent of the Broad-Based BEE Act is adhered to.

1.5 SCOPE OF THE STUDY

1.5.1 Field of study

The field of study is labour relations and the perception of management and shareholders through management, of Broad-Based BEE on agricultural businesses (referred to as agribusinesses).

1.5.2 The scope and boundaries of the study

The study was conducted amongst the management of agricultural businesses situated in South Africa, which companies included but was not limited to:

Absa AgriBusiness, AFGRI Operations, Agri Mega Group, Agrinet, Alexander Forbes, Alltech, Avcasa, BKB, Capespan, Durban Fresh Produce Market, Engen, EPA Development Group, Farmwise Grains, FNB, Fraserburg Koöp, Gamtoos Tobacco Co-op, GWK Limited, Highveld Egg Co-op, Humansdorpse Koöp, Industrial Development Corporation, Kaap Agri Bedryf, Klein Karoo, KLK Landbou, KOUP Produsente Koöp, Land Bank, Lanko, Malelane Sitruskoöp, MGK Operating Company, Moorreesburgse Koringboere, Mosstrich, Mutual & Federal Agri, National Agricultural Marketing Council (NAMC), Nedbank, Ngculu Piggery Co-op, NTK, NWK, Overberg Agri Bedrywe, OVK Operations, PricewaterhouseCoopers, Rainbow Nation Renewable Fuels, Sansor, Santam Agriculture, SA Ostrich Business Chamber (SAOBC), SA Table Grape Industry, Sentraal-Suid Co-op, Senwes, Standard Bank

Agriculture, Suidwes Agriculture, Syngenta SA, Sundays River Citrus Company, Sutherlandse Landboukoöp, Talent Africa, Total SA, Tuinroete Agri, TWK Landbou, Villiersdorp Co-op, Vleissentraal, VKB , Williston Vleiskoöperasie, Wynkelders SA and YARA SA.

1.6 RESEARCH METHODOLOGY

1.6.1 LITERATURE/THEORETICAL STUDY

A literature or theoretical study formed part of the research. Various publications were considered during the completion of the literature review. Legislation, case studies (court cases) as well as other printed media were consulted and researched to form a basis for the starting point of the research. These included textbooks and online publications related to the field of Broad-Based BEE, amongst other Balshaw and Goldberg (2008), Jack (2007) and the FW de Klerk Foundation.

Journals and websites were also accessed including the Department of Labour, Department of Agriculture and EconoBEE.

The following topics were explored:

- Broad-Based BEE in Agribusiness;
- The Broad-Based BEE Act and its effect on the South African economy;
- The South African Government's current viewpoint on Broad-Based BEE and its future plans;
- The agribusiness in South Africa and its standing on Broad-Based BEE; and
- Old political figures' views on Broad-Based BEE and the effect it has on the South African economy.

1.6.2 EMPIRICAL STUDY

Empirical research was conducted by means of a structured questionnaire. Designated management employees from the mentioned companies, who are directly involved or affected by the Broad-Based BEE Act were requested to answer an anonymous questionnaire regarding their experience of the Broad-Based BEE Act to determine their and ultimately their business' attitude towards Broad-Based BEE and subsequently also their adherence of the Broad-Based BEE Act.

1.6.2.1 Construction of the questionnaire

An empirical study was done by means of a questionnaire, designed by the Agriculture Business Chamber (Hobson, 2010:25) (ABC) with specific inputs from the researcher, who revised and included questions designed to test specific elements for the purpose of this study. The ABC used the results gathered from the questionnaire in their own report. The questionnaire is attached marked annexure D.

1.6.2.2 The study population

All the members of the Agricultural Business Chamber (ABC) were invited to complete the questionnaires. The members are mainly large agribusinesses that are handlers, processors and marketers of agricultural products and suppliers of production inputs and services. It is important to note that the primary agricultural production sector was not covered by the survey *per se*. Certain members were excluded since they did not fit the typical agribusiness profile.

The selected group consists of 30 respondents (see annexure 1). They do, however, represent a sizeable portion of the agribusiness sector with a combined turnover of R66.7 billion and just over 21 000 permanent employees. While it was anticipated that approximately 113 participants would take part in the research, more than 80 respondents actually participated. A quantitative data analysis was to be followed, which would include statistical methods associated with direct and inferred statistical methods. Only approximately 30 respondents' questionnaires could be used due to the incomplete questionnaires and non-compliance. Due to the competitive nature of the industry a qualitative study could not be performed. From these respondents, only nine respondents could submit scorecards that were usable for the study.

1.6.2.3 Data gathering

Data were gathered with the assistance of an external business partner, Agricultural Business Chamber (ABC), who coordinated the completion and submission questionnaires by their members. The ABC agreed to make their data available for further statistical analysis.

1.6.2.4 Statistical analysis

The data collected were statistically analysed using appropriate statistical analysis tools available for this purpose.

1.6.2.5 Logic

The Broad-Based BEE Act has been the subject of controversy since its implementation. Therefore, by using a quantitative data, the real extent of management's attitude towards the Broad-Based BEE Act can be measured without exposing the manager in a way that would negatively reflect on him/her as a person or on the company, he/she represents.

1.7 LIMITATIONS OF THE STUDY

The limitations could include the honesty of the participants and to what extent they were willing to reveal their companies' strategy or stance towards the Broad-Based BEE Act and the implementation thereof in the different companies.

1.8 LAYOUT OF THE STUDY

The layout will consist of the following:

Chapter 1 – Introduction and problem statement

Chapter 1 serves to supply background to the study. Important concepts regarding Broad-Based BEE, government issues and the Broad-Based BEE Act are touched on, as well as a discussion on the elements of Broad-Based BEE and the supposed effect that it has on businesses in South Africa.

The problem statement highlights the objectives and the strategy of businesses with regards to Broad-Based BEE and their attitude towards the Broad-Based BEE Act, and from this the primary and secondary objectives of the study were derived. The remainder of the chapter covers the scope of study and research methodology.

Chapter 2 – Literature review on Broad-Based BEE

Chapter 2 contains a literature review on Broad-Based BEE, the Broad-Based BEE Act and the Broad-Based BEE scorecard. Some concepts that are explored are listed below.

- The viewpoint of Broad-Based BEE consultants on the implementation and future of Broad-Based BEE.
- The viewpoint of the Broad-Based BEE Commission tasked with the responsibility to draft and expand the Broad-Based BEE Act.
- Inputs and comments from political figures including the FW de Klerk Foundation on Broad-Based BEE.

- The principles underlying the Broad-Based BEE elements as it is reflected on the Broad-Based BEE scorecard.

Chapter 3 – Empirical research

Chapter 3 contains a comprehensive explanation of the research methodology followed to complete the empirical study. This includes the data gathering process, as well as an analysis of the findings and presentation of the results.

Chapter 4 – Conclusions and recommendations

In the final chapter, conclusions are derived from both the literature study as well as the results of the empirical research. The conclusion aims to present a response to the problem statement and objectives as defined in Chapter 1.

CHAPTER 2:

LITERATURE REVIEW – BROAD-BASED BEE

"It is not the strongest species that survive, nor the most intelligent, but the one most responsive to change."

– Charles Darwin –

2.1 INTRODUCTION

This chapter contains a literature review on Broad-Based BEE, the Broad-Based BEE Act and the Broad-Based BEE scorecard. Some concepts that are explored are listed below.

- The viewpoint of Broad-Based BEE consultants on the implementation and future of Broad-Based BEE.
- The viewpoint of the Broad-Based BEE Commission tasked with the responsibility to draft and expand the Broad-Based BEE Act.
- Inputs and comments from political figures including the FW de Klerk Foundation on Broad-Based BEE.
- The principles underlying the Broad-Based BEE elements as they are reflected on the Broad-Based BEE scorecard.

The history of Broad-Based BEE is not only controversial but also very sensitive within South African businesses. The literature review done in this chapter is to add some impartial perspectives to the concept of Broad-Based BEE.

2.2 BACKGROUND

Broad-Based Black Economic Empowerment (Broad-Based BEE) could possibly be the utmost strategic issue, challenge, threat and potential opportunity facing businesses of all sizes, structures and shapes currently in South Africa (Balshaw & Goldberg, 2005:16). Broad-Based BEE is a government initiative to promote economic transformation in order to enable meaningful participation in the economy by black people. However, one website that encourages investments in South Africa describes Broad-Based BEE as "not simply a moral initiative to redress the wrongs of the past but as a pragmatic growth strategy that aims to realise the country's full economic potential while helping to bring the black majority into the economic mainstream" (SAInfo Reporter, 2011).

Balshaw and Goldberg (2005:17) state that Broad-Based BEE is a reality and a business imperative. It is evident from these authors' remarks that they are of the opinion that the implementation process of companies ought to already be underway and companies that

have neglected as yet to respond, need to do so promptly or face the uncheerful prospect of not being in business in a relatively abrupt time period. Broad-Based BEE already have a huge impact on the way business is conducted in South Africa by large corporate entities, family businesses, small and medium sized businesses and professional practitioners. Broad-Based BEE affects almost every participant in the South African economy (Balshaw & Goldberg, 2005:17).

Broad-Based BEE is seen as a tool used by the reigning political party to alleviate poverty. According to Strydom (2006) the fighting of poverty is an important aim of government policy in South Africa and poverty goes hand in hand with economic marginalisation in the sense that poor people, particularly black people in rural areas, have no or limited command over factors of production other than unskilled labour. In 2006, Strydom noted that: "...over the past 10 years government has made little progress in alleviating poverty. BEE is, therefore, seen as an important *new* policy tool in alleviating poverty" (Strydom, 2006).

Codes of Good Practice were developed to provide principles and guidelines that could assist and advise both the public and the private sectors in their implementation of the objectives of Broad-Based BEE (Balshaw & Goldberg, 2008:74).

Balshaw and Goldberg (2008:75) continues to say that they are of the opinion that the South African government's view of Broad-Based BEE is an "integrated and coherent socio-economic process that contributes directly to the economic transformation of South Africa and brings about significant increase in the number of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities".

Broad-Based BEE does not only mean the economic empowerment of all black people, but it includes all women, workers, the unemployed, the youth and the aged, people with disabilities and people living in rural areas (Jack, 2007:100). According to the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) and the Codes of Good Practice, the strategies to be implemented to advance economic empowerment include, but are certainly not limited to increasing the number of black people that manage, own or control enterprises and productive assets. Another strategy is to facilitate ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises. Human resources and skills development also form an integral part of the strategy coupled with an achievement of equitable representation at all occupational categories and levels in the workforce. Lastly, preferential procurement and investment in enterprises that are owned or managed by black people is also a strategic goal.

2.3 ELEMENTS OF BROAD-BASED BEE

The seven elements of Broad-Based BEE and their respective weightings out of 100 are depicted below, as per the Generic Scorecard contained in the Codes:

Table 2.3—1: Broad-Based BEE Elements

ELEMENT	POINTS
Ownership	20
Management Control	10
Employment Equity	15
Skills Development	15
Preferential Procurement	20
Enterprise Development	15
Socio-Economic Development	5
TOTAL	100 POINTS

These can be broadly divided into three components, namely direct empowerment, human resource development and indirect empowerment. These components and subsequent elements are discussed below.

2.3.1 Direct empowerment

Equity ownership and management control are addressed within the first component.

2.3.1.1 *Equity ownership*

Benjamin Franklin said: "Tell me and I forget. Teach me and I remember. Involve me and I learn." This could prove to be the very essence of equity ownership.

According to Jack (2007:116) equity ownership is an extensive and technical element of Broad-Based BEE and is difficult to simplify without losing the meaning. Jack (2007:116) states that ownership is not merely giving people money or shares and fail to give any further heed to Black economic empowerment. The projected result of ownership should be to expose the designated classes of people to the economic substance of ownership. Ownership according to Jack (2007:116) is about sharing the economic fruits of a country with black people, but it is also about sharing the knowledge of successful ownership with black people through exposing them to active participation in ownership. However, ownership tends to be the most contentious element. Broad-Based BEE applies to more

than just ownership and the other six elements of the scorecard could be addressed to elevate the BEE score, even up to 100% without addressing onerous ownership for some (Axidex, 2011).

Jack (2007:117) also states that the objective of the ownership element is to increase the number of black people who own, control and manage the economic resources of the country. Ownership has been and is still the primary focus of Broad-Based BEE, since it is argued that once ownership is achieved, black owners will drive empowerment from within the organisation.

2.3.1.2 Management control

Management control within the Broad-Based BEE sphere according to Balshaw and Goldberg (2008:79) is the effective control of economic activities and resources, which involves the power to conclude policies as well as to direct economic activities and resources. Jack (2007:228) aligns his thoughts on management with Balshaw and Goldberg but adds that participation in management in many regards offers greater control of an entity than voting rights afforded through equity participation.

According to the Merriam-Webster dictionary (MWD, 2011), the word "managing" as an intransitive verb refers to direct or carried on business or affairs, in other words thus to have control of the day-to-day operations of an enterprise.

2.3.2 Human resource development

This area is made up of two factors namely employment equity and skills development. Balshaw and Goldberg (2008:79) suggest that this area of assessment overlaps to some extent with management especially insofar as top management is concerned. The Human Resource Development Component aims to achieve demographic representation of black people in the workplace. This would include preventing income inequalities across the different population groups in the same occupational category or at the same skills level (Balshaw & Goldberg, 2008:81).

2.3.2.1 Employment equity

Jack (2007:230) states from the outset that not every person in a population is destined for equity ownership. It is noteworthy that although aligned with the Employment Equity Act (Act 55 of 1998), the Broad-Based BEE Codes exclude non-black previously disadvantaged groups such as white women and white people with disabilities. Jack (2007:249) made a

very noteworthy remark regarding employment equity in that: "The objective of black economic empowerment is not to replace white with black, but to increase the opportunities for black people."

Employment equity stems from Canadian Labour law (HRSDC, 2003). Employment equity is a term developed by Judge Rosalie Silberman Abella, Commissioner of the Royal Commission on Equality in Employment in 1984. The term is used to describe a distinct process for achieving equality in all aspects of employment. This term was meant to distinguish the process from the primarily American "Affirmative Action" model as well as to move beyond the "Equal Opportunity" measures available in Canada at that time. Recognising that "systemic discrimination" was responsible for most of the inequality found in employment, the Commission outlined a systemic response and chose the term "Employment Equity" to describe the process. The same meaning is attributed to employment equity in the South African context.

2.3.2.2 Skills development

The same principle with regards to the exclusion of certain designated people from employment equity applies to skills development. This element focuses on specified learning programmes and learnerships that would enable black people to participate in the wider economy in a meaningful manner (Balshaw & Goldberg, 2008:80). Jack (2007:272) sees this element as education, white people educating black people and business people participating actively in education and skills development.

2.3.3 Indirect empowerment

The indirect component of Broad-Based BEE is to encourage businesses to facilitate Broad-Based BEE with regard to units it interacts, transacts business or associates with as well as with black businesses and within communities (Balshaw & Goldberg, 2008:81). The indirect component of Broad-Based BEE consists of three elements namely preferential procurement, enterprise development and sosio-economic development.

2.3.3.1 Preferential procurement

According to Jack (2007:295), preferential procurement simply means buying goods and services from preferred suppliers. The order of preference, for the purposes of Black Economic Empowerment, is measured by the provider's Broad-Based BEE status. The dispensation of economic operations before 1990 had the effect that a second or marginal economy was created due to the Group Areas Act (Act 41 of 1950) which prevented black

people from operating a business outside their designated group areas. The interaction between the mainstream economy and second economy, which came in the form of *spaza* shops, was limited. The effect was that black people's economic power that could yield to the first economy was restricted (Jack, 2007:295).

This element has a negative stigma to it. BEE consultancy EconoBEE CEO Keith Levenstein is of the opinion that Broad-Based BEE in South Africa provides a significant contribution to the development of the country (Levenstein, 2011). Levenstein remarks that Broad-Based BEE "has been a struggle in South Africa because of various factors that affect the initiative, casting a negative view on the process and implementation". According to Levenstein preferential procurement has, due to the differences between the objectives of the Preferential Procurement Policy Framework Act (Act 5 of 2000) (PPPFA) and the Broad-Based BEE Act, allowed people to use loopholes in the tender Act to unfairly win tender contracts from government".

Jack (2007:318) is further of the opinion that at the outset of preferential procurement will offer excellent opportunities to the overall Broad-Based BEE scorecard of a company. However, the advantage of first movers will fade because targeted preferential procurement will become easier to achieve.

2.3.3.2 Enterprise development

The central aim of enterprise development comprises to assist and speed up the maturation of the functional and fiscal capability of entrepreneurial enterprises that contribute towards Broad-Based BEE (Balshaw & Goldberg, 2008:82). Whilst black economic empowerment embodies an economic policy formulated to induce black people's engagement in mainstream economic system, it is not a remedy all for South Africa's ills.

According to Jack (2007:320) enterprise development are among the significant elements that is capable of driving the black business sector by giving it the necessary stimulation. The designated beneficiaries, according to the policy, are enterprises owned and controlled by black people. The measurements range from direct fiscal aid, including loans, to non-monetary accompaniment supplied to entrepreneurial initiatives (Balshaw & Goldberg, 2008:82). Jack (2007:320) moves on to indicate that the Broad-Based BEE policy was fashioned to advance assessed entities to employ enterprise development in coincidence with the preferential procurement component. Subsequently the most efficacious way of incorporating the two is to invest in enterprise development opportunities within the entity's value chain.

2.3.3.3 Socio-economic development

Socio-economic development recognises both monetary and non-monetary contributions for subsequent programmes, approved projects and sector-specific programmes for black beneficiaries (Balshaw & Goldberg, 2008:82). Social responsibility is, according to Jack (2007:342), increasingly becoming an accepted part of the corporate mandate. Socio-economic development contributions provide a BEE conduit for reaching Black people who live below the poverty line.

Jack (2007:342) illustrates that even large companies, including well-known oil and pharmaceutical companies, spend notable amounts on social responsibility programmes. Irrespective of the motivation behind the company's contribution towards socio-economic development, the outcome stays positive for both the communities and companies.

Most participants in the South African economy has a socio-economic development strategy, which strategy usually enhances the provision of basic services, builds capacity, advances gender equity, acts as a catalyst for development in other growth areas, creates employment and develops small and medium enterprises which alleviates poverty and improves the status of women (SANRAL, 2011). The socio-economic development strategy of the South African National Roads Agency (SANRAL) is a prime example thereof.

2.4 CONCEPTUALISATION

2.4.1 Government's outline

Gill Marcus (Mallane, 2011:10), the Governor of the South African Reserve Bank during her period in office as deputy governor, at a formal function said: *"If we change the ownership in the economy, but the economy is still the same size, but have not succeeded in what we want to do with the economy."* This reiterates the reason behind the fact that the Broad-Based BEE approach has been a perceived failure of economic transformation due to the fact that many role-players, including the government, have viewed Broad-Based BEE from the narrow ownership perspective (Balshaw & Goldberg, 2005:18), in that only a few key role-players, either individuals or individual businesses have been advantaged by Broad-Based BEE.

The keyword is *broad-based*, and in future it will not be sufficient to have just ownership as a BEE strategy. Balshaw and Goldberg (2005:18) states that BEE-driven transformation is *broad-based* and will necessitate the genuine involvement of all stakeholders, led in

particular by the incumbent business owners and managers. Strydom (2006) continues by stating that the redistribution policy of government is not successfully fighting poverty. Recent research done at the University of KwaZulu-Natal and the University of Stellenbosch confirms that poverty has widened over the past 10 years in South Africa. BEE should be assessed within this redistribution framework. According to Strydom (2006), it is remarkable that the main rhetoric of the old RDP manifested prominently in official BEE documents. The meaning of this, according to Strydom (2006), is that there is more emphasis on redistribution than on progressively inspired growth policies coupled with meaningful reform of the labour market.

The Black Economic Empowerment Commission, which was established in 1998, released a comprehensive report in 2000. The Black Economic Empowerment Commission (BEECom) has set clear and ambitious targets for the ten-year period ending in 2011 (Singer, 2002:102). However, the process is open-ended and minorities (previously advantaged individuals) and companies competing in the South African economy can expect that as soon as these goals have been met, they will be confronted with further targets during the second ten-year period. The government also determined that apparent targets should be set with regard to income levels, ownership, control and skills to provide a means of measuring the success of the BEE strategy (Singer, 2002:102).

The BEECom set the following guidelines in its report for the ten-year period ending in 2011 (BEECom, 2000:8):

- 30% of productive land should be transferred to black individuals and collective enterprises. Productive land is specifically focused on productive agricultural property.
- The black equity participation in each of the sectors of the economy should be increased to at least 25%, and the participation should include individuals and collective enterprises. A much more steep challenge is that black individuals, businesses and collective enterprises should hold at least 25% of the shares of companies listed on the JSE and at least 40% of non-executive and executive directors of companies listed on the JSE should be black.
- A minimum of 50% of state-owned enterprises (SOE) and government procurement at national, provincial and local levels should go to black companies and collective enterprises, and at least 30% of these companies should be black-owned small and medium enterprises.

Subsequently at least 30% of the private sector's procurement should be from black-owned companies, including small and medium enterprises and collective enterprises. As a minimum, 40% of senior and executive management in private sector companies (with more than 50 employees) should be black.

The National Human Resource Development Strategy is tasked with the obligation to ensure that black people comprise at least 40% of the number of people across all professions and in professional training. Borrowers (by value) on the loan books of national development finance institutions should at least constitute 50%, i.e. black-owned companies and collective enterprises. With regards to the equity of restructured SOE's, at least 30% should be owned by black companies and collective enterprises. No less than 30% of long-term contracts and concessions (PPPs) within the public sector should incorporate black-owned companies and collective enterprises up front. 40% of government incentives to the private sector should go to black companies and the banking sector and government should agree on targets with respect to accessibility of financial services (community reinvestment) that should ensure an increase in advances to black entrepreneurs, small and medium enterprises and black households in rural and urban areas. The Black Economic Empowerment Committee was established in the office of the president to monitor and oversee progress with the strategy.

The department of trade and industry (DTI) insists that, for "the BEE process to be sustainable, and for it to contribute meaningfully to the economic growth of South Africa, it must adhere to sound economic principles" (DTI, 2004:9). Sound economic principles are the fundamental principles that govern the efficient and effective functioning of economies and are supported by rigorous empirical testing and broad application both globally and locally. However, on 20 May 2005, DTI Minister Mandisi Mpahlwa said that the Government was not rigid in insisting that everyone would have to fall in line with the codes the day that they were published. Mpahlwa also acknowledged that the codes might create problems for small businesses (Mpahlwa, 2005).

The FW de Klerk Foundation (2011:6) is of the opinion that however desirable BEE might be, it is difficult to see how it can be viewed as adhering to the sound economic principles "that govern the efficient and effective functioning of economies".

The foundation furthermore argues that BEE breaches several fundamental economic principles by artificially endeavouring to determine ownership levels on a racial and gender basis (FW de Klerk Foundation, 2011:6). An example of such artificial inducing enterprises is to sell ownership below cost or on such pro-buyer terms that it does not seem economically

viable. Another would be by introducing race rather than merit, suitability and experience as a key factor in the appointment of management and other staff, for example appointing an applicant simply on the basis that it is a black person. Disposing of price, quality and service as the main factors in procurement, it happens commonly that 100% BEE compliant service providers are used over others offering more competitive pricing. Social responsibilities that should be addressed by government are shifted to companies.

According to the FW de Klerk Foundation (2011:9), the African National Congress (ANC) through their discussion with the BEE Commission has indicated that many aspects of affirmative action and black economic empowerment will be achieved simply through the enforcement of equal rights and the provision of good government and equal services to all South African citizens (Transformation and Black Economic Empowerment in South Africa, 2011). The ANC also indicated that affirmative action should be implemented in a manner that is fair and equitable to all parties involved, and it should be inclusive, to ensure that those most directly affected, whether positively or negatively, have the greatest say in implementation decisions. Affirmative action should be consistent with the constitution and legislation, and should not be dependent on the subjective whims or the fluctuating zeal of particular officials and be proportionate to the ends to be achieved. The most important measure is, however, that affirmative action should be transparent, accountable and not corrupt.

2.4.2 The Constitution of South Africa

Section 9(2) of the Constitution of South Africa (Act 108 of 1996) concedes that the state evidently has a right to discriminate *in favour* of certain persons to promote the achievement of equality. It defines equality as including "*full and equal enjoyment of all rights and freedoms*" (Jack, 2007:121). The constitution goes on to stipulate that "*to promote the achievement of equality, legislative and other measures designed to protect and advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken.*" In terms of section 9(3), the state may not unfairly discriminate directly or indirectly against anyone on a large number of grounds, including race, gender, and ethnic or social origin etc. The Employment Equity Act (Act 55 of 1998) further determines the manner in which affirmative action measures may be implemented.

According to Du Toit (2004), affirmative action includes "measures designed to ensure that *suitably qualified* people from the designated groups (i.e. everyone except white males) have equal employment opportunities and are equitably represented in all occupational categories

and levels in the workforce of a designated employer (i.e. any firm that employs more than 50 people)." Affirmative action measures include the elimination of barriers created by "unfair discrimination"; measures aimed at increasing diversity in workforces; "preferential treatment", including skills training, numerical goals promoting equitable representation, *but not including quotas*. The concepts of "equitable representation" and "preferential treatment" are not defined. The sole specific rule protecting white men appears in section 15(4) of the Employment Equity Act (Act 55 of 1998), which prohibits a designated employer from setting up an "absolute barrier" to the employment of "people who are not from designated groups". Sections 165(2) and (3) of the Constitution stipulate *"the courts are independent and subject only to the Constitution and the law, which they must apply impartially and without fear, favour and prejudice,"* and that "no person or organ of state may interfere with the functioning of the courts." Section 165(4) of the Constitution requires that organs of state must "assist and protect the courts to ensure the independence, impartiality, dignity, accessibility and effectiveness of the courts. It is therefore clear that affirmative action legislation and the Constitution ensure that although certain wrongs must be corrected it is done within certain parameters.

2.4.3 Agriculture and Broad-Based Black Economic Empowerment

It would be foolish to neglect to mention the name of Mr. Thabo Mbeki when Broad-Based BEE is discussed. Thabo Mbeki made the following statement on 22 September 1994 and was quoted at the signing of the **AgriBEE Broad-Based Black Economic Empowerment Framework for Agriculture** in 2004 (hereafter referred to as the 'AgriBEE Framework'):

"It is the acceptance of a transparent, predictable, practical and implementable process of change which will introduce certainty and stability and not an illusionary absence of change."

The AgriBEE Framework (Department of Agriculture, 2004), a copy marked annexure A is attached, establishes the guiding principles for Broad-Based Black Economic Empowerment in agriculture in a manner that seeks to build on the experience of transformation efforts over the past decade. According to the AgriBEE Framework (Department of Agriculture, 2004), its vision is to pursue Broad-Based BEE in support of a united and prosperous agricultural sector.

It is worth mentioning that it is government's policy to facilitate a comprehensive and structural transformation in the agriculture economy in order to achieve a united and prosperous agricultural sector in partnership with the other stakeholders.

In the Draft Transformation Charter for Agriculture (AGRIBEE Steering Committee, 2005), it is categorically stated that AgriBEE applies to the entire value chain in the South African agricultural sector, including all economic activities relating to provision of agricultural inputs, services, farming, processing, distribution, logistics and allied activities that add value to agricultural products. Small, medium and micro enterprises participate in AgriBEE in line with the Broad-Based Black Economic Empowerment Act (Act 53 of 2003), the National Small Business Act (Act 102 of 1996) and Codes of Good Practice. Overlaps between charters and sector charters are dealt with in accordance with the Codes of Good Practice. Multinationals and other relevant or related matters are dealt with in accordance with the latest Codes of Good Practice (Department of Agriculture, 2004:5).

2.4.3.1 Objectives of AgriBEE

The objectives of AgriBEE as described by the AgriBEE Steering Committee (2005) 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 along the entire agricultural value chain by following certain steps and ideologies (AgriBEE Steering Committee, 2005:1).

AgriBEE aims to promote equitable access and participation of historically disadvantaged individuals (HDIs) in the entire agriculture value chain and de-racialising land and enterprise ownership, control, skilled occupations and management of existing and new agricultural enterprises. AgriBEE is also aimed at unlocking the full entrepreneurial skills and potential in the sector of HDIs and facilitating structural changes in agricultural support systems and development initiatives to assist black South Africans in owning, establishing, participating in and running agricultural enterprises (AgriBEE Steering Committee, 2005:3). By socially uplifting and restoring dignity of black South Africans within the sector and increasing the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new agricultural enterprises, increasing their access to economic activities, infrastructure and skills training, AgriBEE endeavours to make a notable impression on the way agriculture was handled over the past 100 years (AgriBEE Steering Committee, 2005:3). AgriBEE is, similar to Broad-Based BEE, focused on increasing the extent to which black women, people living with disabilities and youth own and manage existing and new agricultural enterprises, increasing their access to economic activities, infrastructure and skills training. This also includes empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills.

Apart from the commitments made by the different role-players, the AgriBEE Steering Committee (2005:4) interpreted and structured the indicators of empowerment according to the seven key elements of Broad-Based BEE, as stipulated in the Codes of Good Practice applicable to AgriBEE.

2.4.4 Indicators of empowerment

2.4.4.1 Ownership

The AgriBEE Steering Committee (2005:4) rationalised ownership in AgriBEE to be in line with the Strategic Plan for South African Agriculture, of which the vision of is to enhance equitable access to and participation in agricultural opportunities within the total value chain, to de-racialise land and enterprise ownership and to unlock the full entrepreneurial potential in the sector. This is confirmed by Purchase (2009:21).

The AgriBEE Framework (2004) challenges certain historic perspectives of agriculture. The interpretation of ownership in agriculture is a concept that has been challenged since historically ownership was understood to be dependent upon ownership of land. This AgriBEE framework makes a distinction between land and enterprise ownership.

The AgriBEE Steering Committee (2005:4) is adamant that 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. It is also important that stakeholders in the sector commit towards the development and implementation of a diversity of enterprise ownership models in support of AgriBEE. All sector stakeholders should also endeavour to source sufficient financing in order to ensure the establishment of viable and sustainable enterprises. With this in mind, the agri-industry, agricultural land ownership established farming enterprises and government undertook to include in its decision making, processes to uphold and unlock the full entrepreneurial potential in the sector (AgriBEE Steering Committee, 2005:3).

2.4.4.2 Management control

With regards to management control, agri-industry undertook to promote participation by black people in board positions and the participation by black people in executive management (Transformation Charter for Agriculture, 2005:6). Furthermore, agri-industry undertook to promote participation of black women in board- and executive management positions as well as participation of black people as independent non-executive board

members, in order to qualify for bonus points. Purchase refers to the compliance targets as part of management control in agriculture (Purchase, 2009:22).

2.4.4.3 Employment equity

The Transformation Charter for Agriculture (2008:6) further advocates that employment equity and skills development targets should be achieved within the ambit of the Employment Equity and Skills Development Acts. Mindful of employment equity, Agri-industry undertook to proactively employ black people in senior, middle and junior managerial positions and proactively employ black women in senior, middle and junior managerial positions including people with disabilities with relevant skills and youth, in order to qualify for bonus points.

2.4.4.4 Skills development

The Transformation Charter for Agriculture (2008:7) further recognises that rapid changes in the global environment require more resources to be mobilised on expanding the existing human capital pool, through investing in people, employment equity, skills development and institutional transformation. Commercial viability in agriculture demands sustained productivity and high levels of entrepreneurship, long-term commitment, resources and skills.

Designated groups such as youth, women and disabled people would be targeted under this section. Giving heed to the problem, government undertook to provide primary education and training. This includes literacy training. The state, in conjunction with the governing bodies of educational institutions and similar structures, must ensure that all primary, secondary and tertiary institutions offer quality education. Agricultural training at school and agricultural colleges should be aimed at the requirements for the black economic empowerment agenda for agriculture (Draft Transformation Charter for Agriculture, 2005:7).

According to the Draft Transformation Charter for Agriculture (2005:7), the following should receive attention.

- A focused, formal agricultural training system that would equip future farmers for farming practice should receive specific attention.
- The promotion of agriculture as a career and will in 2005 undertake a review of the effective demand for human resources in the agricultural sector.
- Lead and coordinate a targeted programme in collaboration with education authorities, farmers' organisations 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 by 2006.

- 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. Functional literacy should be promoted and encouraged through ABET programmes.
- Institute a sector- wide young professional employment and mentoring programme, which targets Black unemployed and underemployed graduates in all disciplines, starting in 2005.
- Mentorship programmes shall be accredited by the relevant SETA or other agreed authority (Transformation Charter for Agriculture, 2008:7), attached herewith marked as annexure B.

AgriSETA undertook to establish training programmes for farm and enterprise workers in appropriate technical and management skills.

Agri-industry undertook to identify gaps in workers' training needs to co-operate with and complement teaching and educational institutions, to allow their workers to receive skills and service training, and dedicate resources to provide for experiential training, internships and training infrastructure for prospective agribusiness entrepreneurs, farm managers and farm labour. The agri-industry further undertook to ensure maximum use of resources provided by the skills levy of the relevant Sector Education and Training Authorities (AgriSETA, Wholesale and Retail SETA, and FoodBev) and support land reform beneficiaries and black entrepreneurs to create sustainable business through the transfer of specialized skills in qualifying mentorship programmes (AGRIBEE Steering Committee, 2005:7).

2.4.4.5 Preferential procurement

According to the AgriBEE Steering Committee (2005:7), the success of the commitments for AgriBEE is influenced by the procurement and contractual relationship within the value chain as per the Broad-Based BEE Act. In an effort to advance preferential procurement as element of Broad-Based BEE, the agri-industry undertook to proactively distinguish and apply targeted procurement strategies and policies to actualise AgriBEE targets and afterwards report annually altogether on Broad-Based BEE procurement spend. The Agri-industry moreover undertook to increasingly furnish black people and SMMEs with preferred supplier status including the supply of services and goods.

Conversely, government undertook to coordinate their procurement practices with AgriBEE when procuring goods and services from the agricultural sector, allowing black people and SMMEs preferred supplier status including the supply of services and goods. Government undertook to identify, prioritise and target Black entrepreneurs and companies in awarding tenders and contracts with the public sector and employ the complete legislative and additional measures available to it to influence the accomplishment of Broad-Based BEE aims (AgriBEE Steering Committee, 2008).

2.4.4.6 Enterprise development

The AgriBEE Steering Committee also sees the support services such as access to finance, infrastructure, information and knowledge systems, as core pillars of sustainable empowerment initiatives.

In the meetings of the AgriBEE Steering Committee (Draft Transformation Charter for Agriculture, 2005), agri-industry undertook to tone up and quicken the development of operable and financial capability of black enterprises and furnish mentoring, access to inputs, credit, substructure, markets, technology and extension services. Likewise, to put forward cumulative measured contributions to enterprise development, expressed as a percentum of average earnings before tax, interest and dividend as a criterion for measurement including the rental of agricultural land to black entrepreneurs in qualifying transactions.

Government conversely undertook to ensure the creation of an enabling environment to support agriculture. Government also undertook to continue with the implementation of the Comprehensive Agricultural Support Programme [and other government programmes] and implementing MAFISA and other government financing facilities to further enterprise development.

2.4.4.7 Corporate social investment (CSI)

The final element of Broad-Based BEE is corporate social investment (AGRIBEE Steering Committee, 2005). The Established Farming Enterprises (EFEs) agreed to contribute to social development and industry specific initiatives such as, but not exclusively to, good quality housing, including access to clean water, sanitation and electricity, recreational facilities as well as running costs in this regard, health care and related services meeting the transport requirements of workers and their dependants, such as transport to clinics and hospitals, transportation of workers' products to the market, and so forth. The implementation of retirement and funeral schemes and to invest in and support farm schools

were also agreed upon. Lastly the EFEs agreed to engage in collective contributions to social development and industry specific initiatives such as making agricultural land available to farm workers

The other role-players in agriculture, the Established Agribusiness Enterprises (EAEs) agreed to contribute to social development and industry specific initiatives such as, but not exclusively, community education facilities, education programmes aimed at promoting the agricultural industry and bursaries and scholarships to encourage learners to study agricultural sciences.

The EAEs also agreed to contribute to community training programmes aimed at skills development for the unemployed and ABET, development programmes for the youth and other designated groups, programs in conservation projects, community clean-up programs and preservation of the natural environment, job creation programs in the agricultural and agricultural-related sector external to the business, development programmes to develop new talent in the arts and culture, community clinics and community health programs and sport development programmes.

It is evident that the government relies heavily on the assistance of the Established Agricultural Entities as well as the Established Farming Enterprises in reaching the steep objective set for Broad-Based BEE. Both parties mentioned showed great commitment towards Broad-Based BEE in their efforts to reach an agreement with government regarding the effect and response to Broad-Based BEE in the agricultural sector AgriBEE Steering Committee, 2008:8).

2.5 CHAPTER SUMMARY

Broad-Based BEE is a reality. It is entrenched in the Broad-Based BEE Act (Act 53 of 2003) and although there are still businessmen and corporate entities that try to sidestep or blatantly ignore the Broad-Based BEE Act, the time has come for these entities to adhere to the act.

Minister of Trade and Industry, Rob Davies said on 31 October 2011, that new regulations in terms of the element of preferential procurement will come into force early December 2011 (I-Net Bridge, 2011). Masombuka (2011) confirms Minister Davies' remarks and reiterates that Broad-Based BEE is for government institutions as well as private sector. The

responsibility to comply to the Broad-Based BEE regulations and act will become even more important.

The seven elements of Broad-Based BEE should be adhered to, and corporate entities and the like should ensure that they comply. The consequences will be very painful.

Broad-Based BEE is substantially part of every business in South Africa. The minister of DTI is adamant that more strict guidelines will be followed and enforced to ensure that Broad-Based BEE legislation is adhered to. Both government and the agri-industry showed their commitment towards sustainable implementation of Broad-Based BEE.

The literature on Broad-Based BEE articles, books, reports and research done is very skimpy. The scope of the Broad-Based BEE is very scanty. The bulk of the literature regarding Broad-Based BEE is found in the media. The reason could only be assumed that Broad-Based BEE is a politically driven issue. Although it is entrenched in legislation, Broad-Based BEE is politically motivated and driven by government, COSATU and other organisations. The effect is that the literature is very subjective and scarce. However, if the literature is not of a political nature it is informative, describing legislation, definitions and opinions.

CHAPTER 3:

RESEARCH METHODOLOGY AND DISCUSSIONS OF RESULTS

3.1 INTRODUCTION

This chapter contains a comprehensive explanation of the research methodology followed to complete the empirical study. This includes the data gathering process, as well as an analysis of the findings and presentation of the results.

3.2 RESEARCH METHODOLOGY

3.2.1 Literature/theoretical study

A literature or theoretical study formed part of the research methodology, since acts, case studies (court cases) as well as other printed media had to be researched and will be discussed to form a basis for the starting point of the research.

3.2.2 Empirical study

Designated management employees from the companies mentioned in chapter 1, who are directly involved in or affected by the Broad-Based BEE Act were requested to answer an anonymous questionnaire regarding their experience of the Broad-Based BEE Act to determine their attitude towards it.

It was anticipated that approximately 113 participants would form part of the research. A quantitative data analysis was followed. The data analysis included statistical methods associated with direct and inferred statistical methods. The respondents that eventually returned their questionnaires amount to 80. Of the 80 questionnaires received, only 30 respondent's questionnaires were usable.

3.2.3 Logic

The Broad-Based BEE Act has been a subject of controversy since its inception. Therefore, by using a quantitative data analysis, the actual extent of management's attitude towards the Broad-Based BEE Act can be measured without exposing the manager in a way that would negatively reflect on him/her as a person or on the company he/she represents.

3.2.4 Hypothesis

Agribusinesses and businesses in general in South Africa are confronted with Broad-Based BEE on a daily basis. There are two ways of viewing the Broad-Based BEE Act (Act 53 of 2003): an agribusiness could perceive the legislation to be restrictive, imposing and unnecessary, or an agribusiness could embrace the act and utilise the enormous advantage of adherence to the act.

The Broad-Based BEE Act has a direct impact on agribusinesses and the way they conduct their business within the economic realm, in South Africa and globally. However, the Broad-Based BEE Act also has a direct impact on the individual employees of each agribusiness, whether it be a bright possibility of a better future or the contrary.

The research done in this study is therefore aimed at determining how many agribusinesses adhere to the legislation contained in the Broad-Based BEE Act, and to what extent. In addition, the outcome of the research should also give a perspective on agribusinesses' outlook and prospects of adherence to, as well as their current disposition towards the Broad-Based BEE Act.

3.2.5 Research design

3.2.5.1 Method of data gathering

Questionnaires were distributed to agribusinesses that are members of the Agricultural Business Chamber (ABC). Senior managers within of the selected each agribusinesses completed the questionnaires.

The respondents included, but were not limited to the following:

Absa AgriBusiness, AFGRI Operations, Agri Mega Group, Agrinet, Alexander Forbes, Alltech, Avcasa, BKB, Capespan, Durban Fresh Produce Market, Engen, EPA Development Group, Farmwise Grains, FNB, Fraserburg Koöp, Gamtoos Tobacco Co-op, GWK Limited, Highveld Egg Co-op, Humansdorpse Koöp, Industrial Development Corporation, Kaap Agri Bedryf, Klein Karoo, KLK Landbou, KOUP Produsente Koöp, Land Bank, Lanko, Malelane Sitruskoöp, MGK Operating Company, Moorreesburgse Koringboere, Mosstrich, Mutual & Federal Agri, National Agricultural Marketing Council (NAMC), Nedbank, Ngculu Piggery Co-op, NTK, NWK, Overberg Agri Bedrywe, OVK Operations, PricewaterhouseCoopers, Rainbow Nation Renewable Fuels, Sansor, Santam Agriculture, SA Ostrich Business Chamber (SAOBC), SA Table Grape Industry, Sentraal-Suid Co-op, Senwes, Standard Bank

Agriculture, Suidwes Agriculture, Syngenta SA, Sundays River Citrus Company, Sutherlandse Landboukoöp, Talent Africa, Total SA, Tuinroete Agri, TWK Landbou, Villiersdorp Co-op, Vleissentraal, VKB , Williston Vleiskoöperasie, Wynkelders SA and YARA SA.

3.2.5.2 Measurements

Due to the small data set obtained from the respondents because of non-possession of a legitimate Broad-Based BEE certificate, the normal regression statistical assumptions and measurements could not be used. However, the non-parametric alternative Mann-Whitney test was done between two groupings at a time, and the lack of measureable variables due to the size of the data also necessitated the ANOVA and Kruskal-Wallis tests.

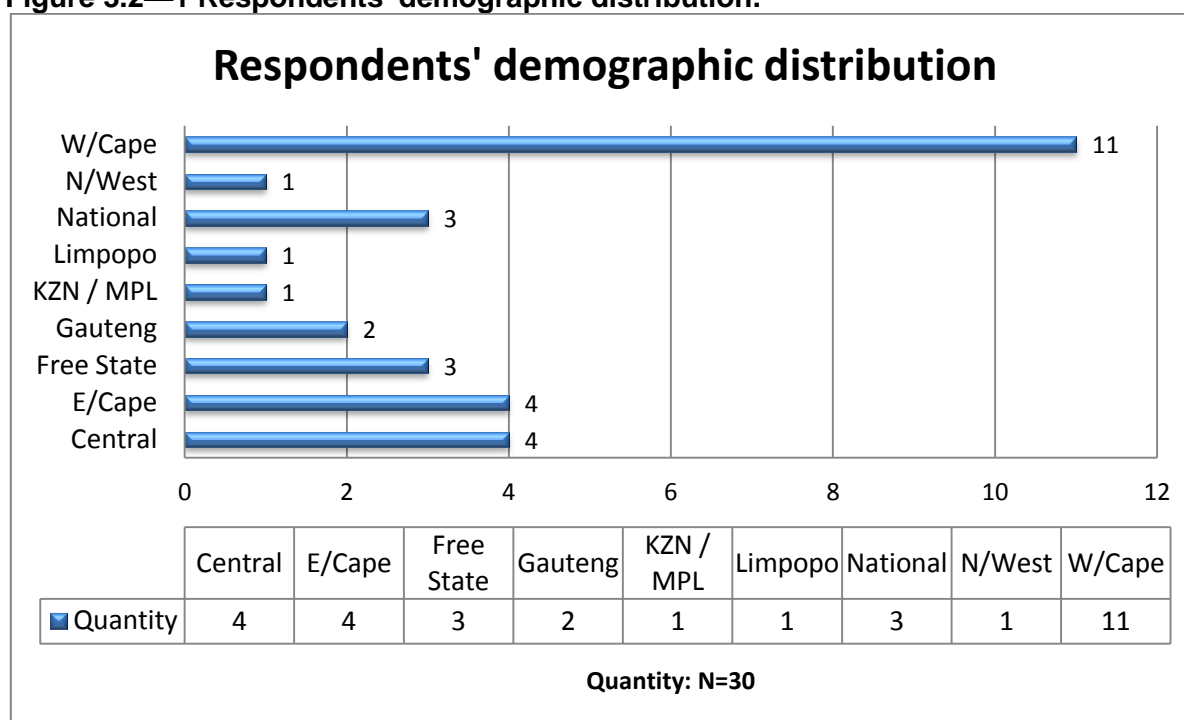
3.2.5.3 Statistical analysis

Respondents

The statistics used forms part of a report of a study commissioned by the Agricultural Business Chamber (ABC) to *inter alia* monitor the implementation of Black Economic Empowerment, obtain feedback on opportunities and constraints and better understand the "outreach" programmes currently being implemented by members. Members are mainly large agribusinesses that are handlers, processors and marketers of agricultural products and suppliers of production inputs and services. It is important to recognise that the report focuses on companies that are subject to the rules and targets of the generic Department of Trade and Industry scorecard (Hobson, 2010:2). According to the ABC (Hobson, 2010:1) the survey was sent to all the members of the ABC, however the survey conducted does not cover the primary agricultural production *per se*. Thirty of the respondents' replies could be used for analysis.

The respondents are representative through South Africa and apart from national representation, each province is also represented. Figure 3.2—1 below indicates that the Western Cape (W/Cape) has the biggest representation with 11 respondents. Northwest (N/West), Limpopo and Kwazulu-Natal (KZN) only has one participant each.

Figure 3.2—1 Respondents' demographic distribution.



BEE Scorecards

A Broad-Based BEE scorecard is a measuring instrument used by the Department of Trade and Industry to implement and track Black Economic Empowerment in South Africa. It measures the contribution made by business owners to the Broad-Based BEE initiative and historically disadvantaged individuals on seven different levels (Emex, 2006:3).

The seven elements, each with a relative weighting:

Table 3.2—1: Relative weighting of the seven levels of Broad-Based BEE

• Direct Empowerment	
○ Equity Ownership	20%
○ Management	10%
• Indirect Empowerment:	
○ Employment Equity	15%
○ Skills Development	15%
○ Preferential Procurement	20%
○ Enterprise Development	15%
○ Socio-economic Development	5%

The balanced scorecard is also seen as a mechanism to achieve broad-based black economic empowerment. The scorecard composes of 3 components and 7 elements. Each

element has targets, which should be achieved within approximately 10 years. There is a "generic scorecard" for large enterprises and a "qualifying small enterprise scorecard" for enterprises with a specified number of employees and a specified annual financial turnover. Table 3.1—2 sets out the parameters of the "qualifying small enterprise scorecard", of which only the agricultural sectors determinants is shown.

It is within these parameters that the respondents were classified. The contribution made is measured by way of a table.

Table 3.2—2: BEE Status (Applies to Enterprises of all Sizes)

(The data in this table is taken from Code 000 Statement 000)

BEE Status	Description
Level 1 Contributor	±100 points on the Generic Scorecard
Level 2 Contributor	>85 but <100 points on the Generic Scorecard
Level 3 Contributor	> 75 but <85 on the Generic Scorecard
Level 4 Contributor	> 65 but <75 on the Generic Scorecard
Level 5 Contributor	> 55 but <65 on the Generic Scorecard
Level 6 Contributor	> but <55 on the Generic Scorecard
Level 7 Contributor	> 40 but <45 on the Generic Scorecard
Level 8 Contributor	> 30 but <40 on the Generic Scorecard
Non Compliant Contributor	<30 on the Generic Scorecard

Table 3.2—3: Scorecard identifiers for "qualifying small enterprises" in the Agriculture sector

Industry / Sector	Size of enterprise	F/T employees	Annual turnover	Applicable scorecard
Agriculture	Medium	<100	<R 4m	Generic
	Small	<50	<R 2m	Qualifying small enterprise
	Very small	<10	<R .4m	Qualifying small enterprise
	Very small	<10	<R 2m	Qualifying small enterprise

In terms of Broad-Based BEE Act (Act 53 of 2003) *Codes of Good Practice for Black Economic Empowerment*, all enterprises in South Africa are divided into one of three categories:

- *Generic Enterprises (turnover greater than R35 Million)*
- *Qualifying Small Enterprises (turnover between R5 Million and R35 Million)*
- *Exempted Micro Enterprises (Turnover Less than R5 Million)*

In Terms of the Broad-Based BEE Act (Act 53 of 2003) each of these categories has differing sets of measurement criteria.

Generic Enterprises

Generic enterprises are those enterprises that have a turnover of greater than R35 million. It is estimated that 4% of South African Enterprises Fall into this category. Generic Enterprises must apply all seven elements of BBBEE in order to calculate their score as per the Generic Scorecard. Generic Enterprises Must Apply Code 000-700 of the Broad-Based BEE Act and apply stringent reporting techniques.

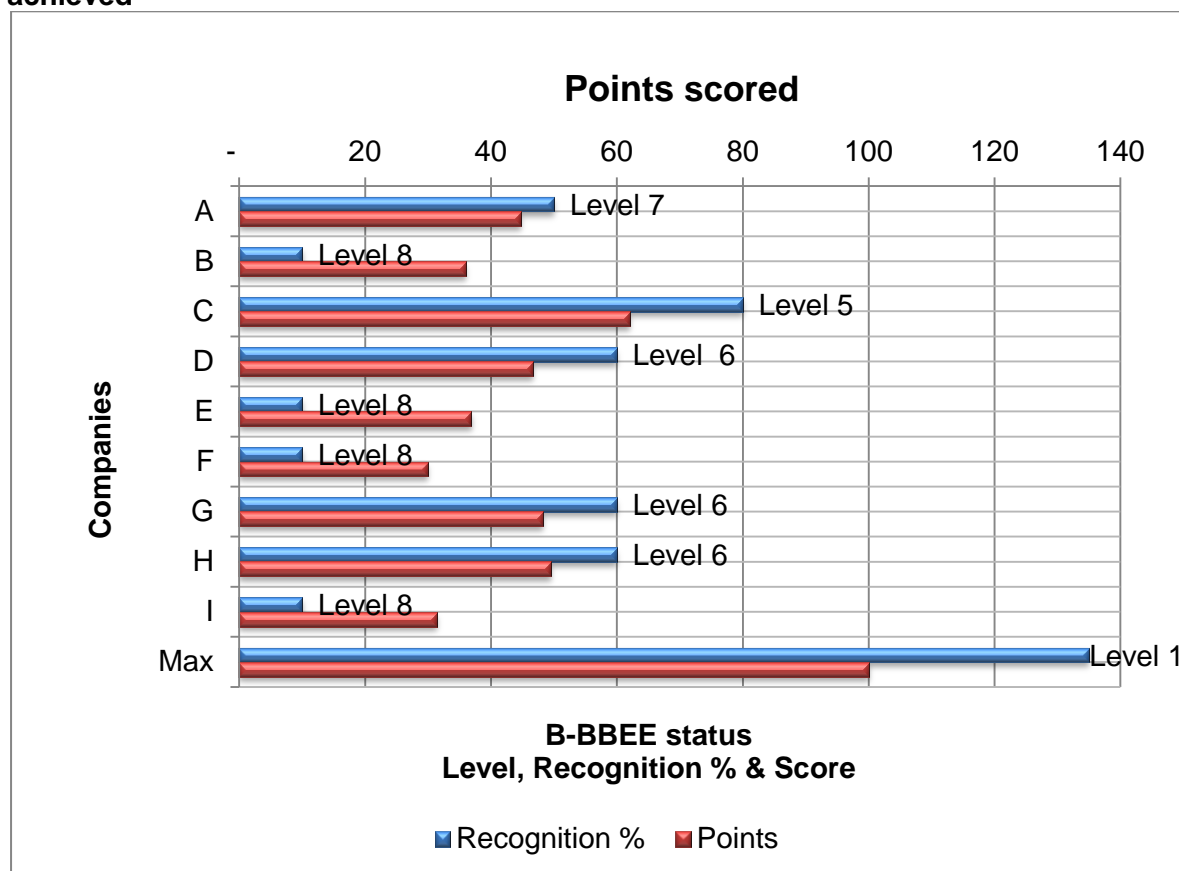
Qualifying Small Enterprises (QSE)

Qualifying Small Enterprises (QSEs) are enterprises that have a turnover between R5 million and R35 million, they apply code 800 to calculate their scorecards. Code 800 is a simplified version of Code 000-700 which includes less stringent scorecards for each element. QSEs can choose the best four of their seven elements, with each element accounting for 25% of their scorecard out of 100.

Exempted Micro Enterprises (EME)

Exempted Micro Enterprises (EMEs) are enterprises with a turnover of less than R5 million. EMEs do not need to be rated, but they do need to be able to provide reasonable evidence that they are EMEs. EMEs automatically qualify as 100% contributors towards Preferential Procurement. If they are greater than 50% black owned they qualify as 110% contributors towards Preferential Procurement.

Figure 3.2—2: Broad-Based BEE status, considering the respondent's total Broad-Based BEE points scored, procurement recognition percentage & the status level achieved



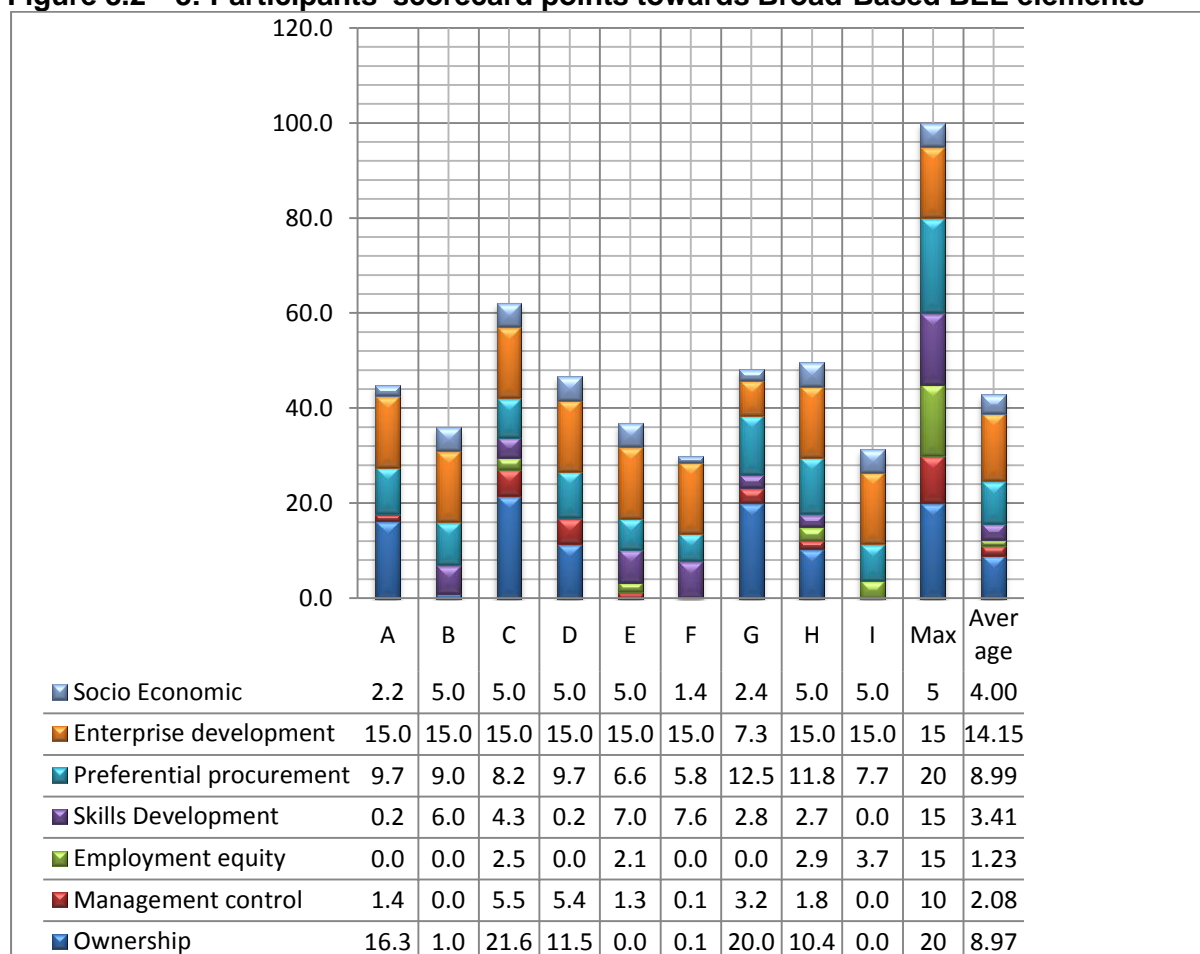
Only nine (30%) of the respondents that took part in the survey actually had completed or valid scorecards (Hobson, 2010:7). Hobson indicated that only self-assessments and scorecards from verification agents were accepted from the respondents (Hobson, 2010:7). For the purpose of this study, respondents who did self-assessments will be referred to as having valid scorecards. Due to the confidentiality between the Agricultural Business Chamber and its members, the respondents who had legitimate scorecards will only be referred to as company A to I in the discussions that follow.

It is evident from Figure 3.2—2 above that of the nine respondents mentioned, the highest Broad-Based BEE recognition level achieved is level 5. Subsequently the total scoring of all the respondents, runs from non-compliant to level five (Hobson, 2010:8).

If Figure 3.2—3 below is assessed, it can also be concluded that the priority element that attracted the average least attention from the nine respondents is without doubt employment equity and the element attracting the most attention, enterprise development.

It is also noted that the element of management control is second least attended to. Without assuming the reasons, this could possibly denote an attempt by the respondents to ensure Broad-Based BEE rather than advancing one or two key individual's careers. The highest possible maximum scores that a respondent can achieve are for preferential procurement and ownership. The maximum points to be earned for these elements are 20, yet the average for ownership is a measly 8.97 points and for preferential procurement, it is 8.99 points. The two highest scoring elements are enterprise development with 94% and socio-economic development with 80%.

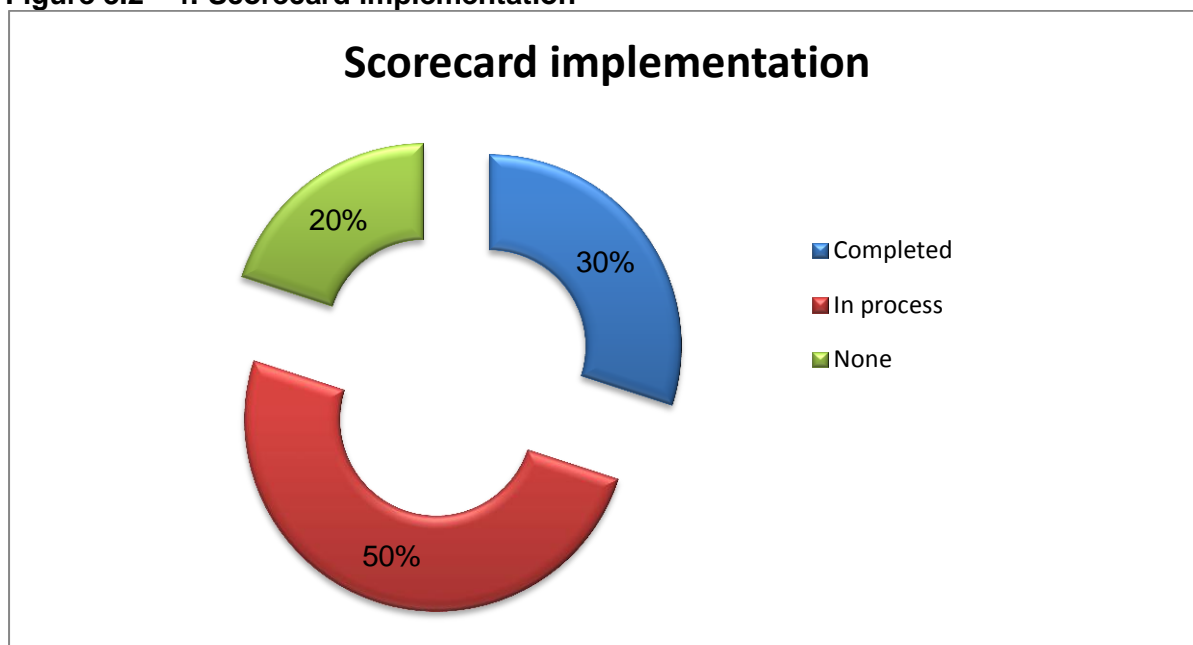
Figure 3.2—3: Participants' scorecard points towards Broad-Based BEE elements



Implementation

As previously stated, only 30% of the respondents were in possession of a valid Broad-Based BEE scorecard (i.e. had had an audit done by an accredited verification agency, or completed a self-assessment in order to arrive at a certain B-BBEE level). Half of the respondents are in the process of compiling a scorecard and 20% has no scorecard.

Figure 3.2—4: Scorecard implementation



Priority elements within the scorecard

The ABC survey consisted of a certain set of questions aiming at determining whether the company's strategy was to "avoid" or "prioritise" each of the seven elements of the scorecard. These avoiding or prioritising strategies will later prove to have a significant effect on the form and effect of Broad-Based BEE in agribusinesses.

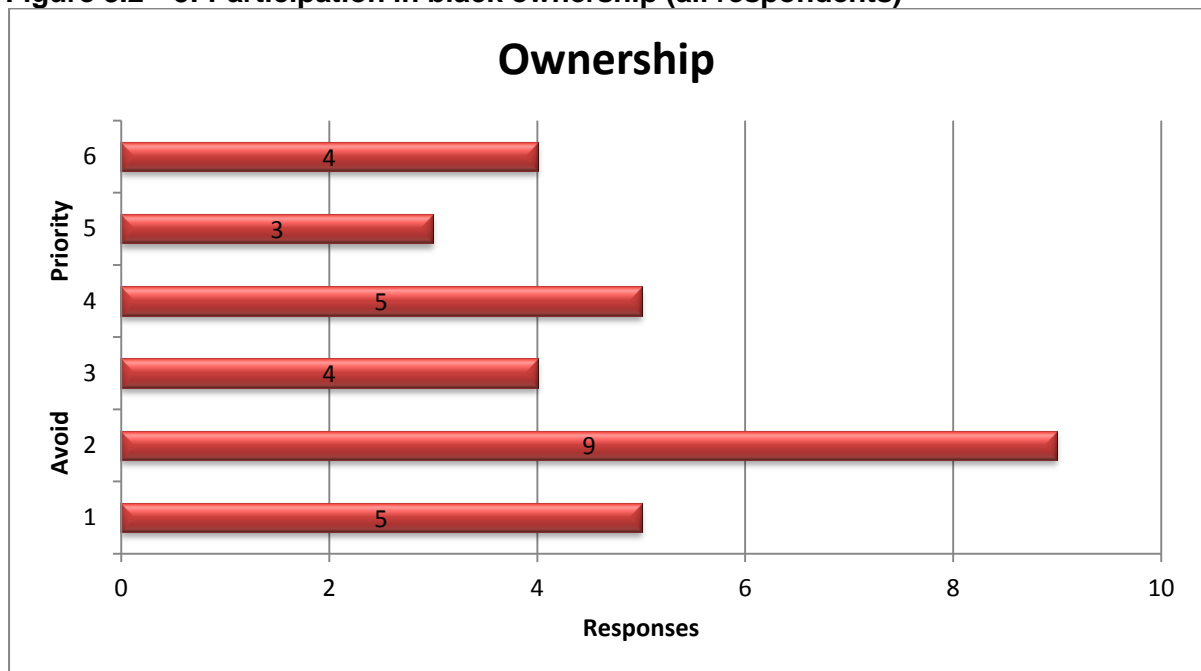
According to Hobson (2010:3) a clear split exists between the elements generally considered as priority, specifically skills development, preferential procurement, socio-economic and enterprise development in opposition to those that will largely be avoided namely management control, ownership and employment equity.

These results are shown in the subsequent graphs, in terms of each of the Broad-Based BEE scorecard elements. The first graph in each instance (for each element) depicts the preference for avoiding or prioritising the specific element (taking into account all 30 respondents). According to the ABC report (2010:4), the questions use a scale that allow respondents to select an option from 1 to 6 with 1 generally being the "most negative" and 6 being the "most supportive". Respondents that select 1 to 3 would generally avoid the element and those selecting numbers 4 to 6 would generally be supportive of the element. The histogram bars show the number of respondents that selected a specific level.

The second graph for each element shows results for scores obtained by the 9 respondents in possession of valid scorecards, for the specific element under discussion.

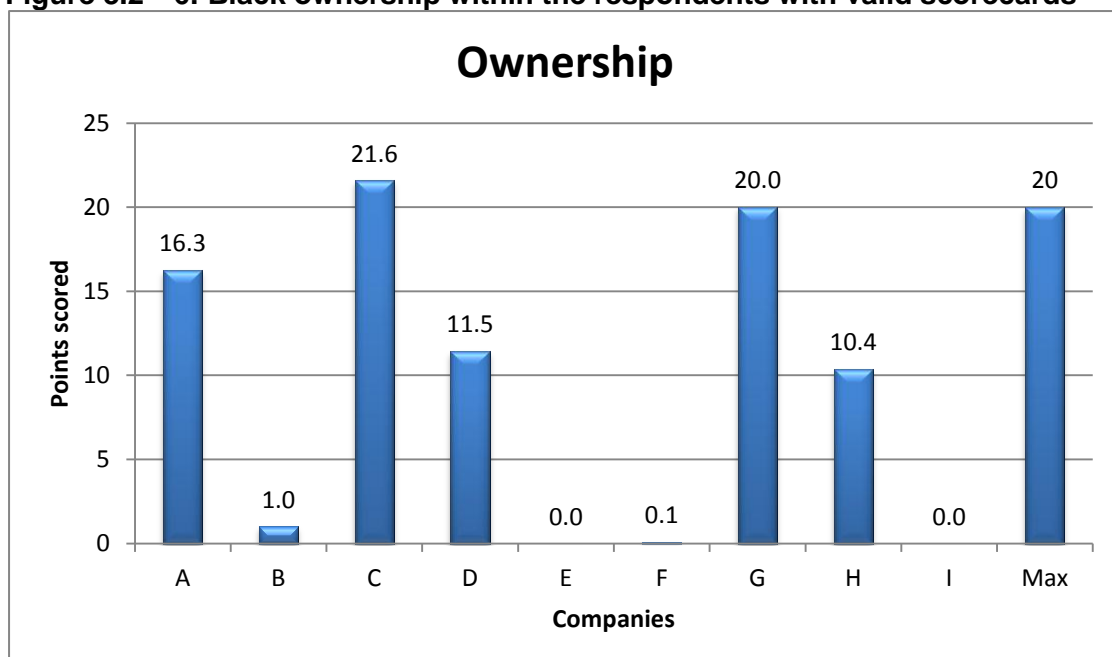
Ownership

Figure 3.2—5: Participation in black ownership (all respondents)



The majority of the participants (60%) indicated that they would avoid ownership as an element of Broad-Based BEE. It is, however, not an overwhelming indication that ownership is not perceived to be a possible Broad-Based BEE element to pursue.

Figure 3.2—6: Black ownership within the respondents with valid scorecards



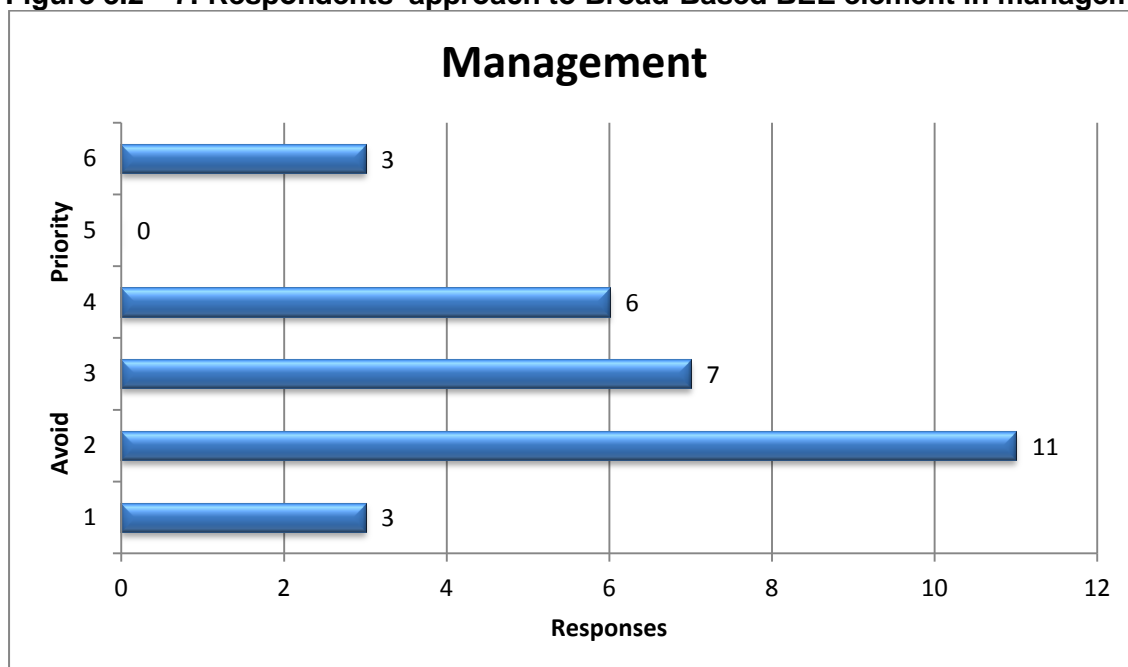
Fifteen of the 30 respondents indicated that they had some form of black ownership (Hobson, 2010:9). The data used for Figure 3.2—6 indicate that the percentage of the black ownership range between 0.03% and 34.7%. A very important remark by Hobson (2010:9)

regarding the ownership is that most of the ownership transactions are derived from "indirect ownership" through institutional investors. This is evidence that real black ownership may be even lower than portrayed in the figures.

When the nine respondents with scorecards' figures are interpreted, the only real conclusion that can be made is that black ownership is still at a low level in agricultural businesses. The average point in the figure above for ownership is 8.97 out of a possible 20, of which three of the respondents received less than 0.02 points for ownership. The small percentage of participants that is involved in black ownership is corroborated later in the report.

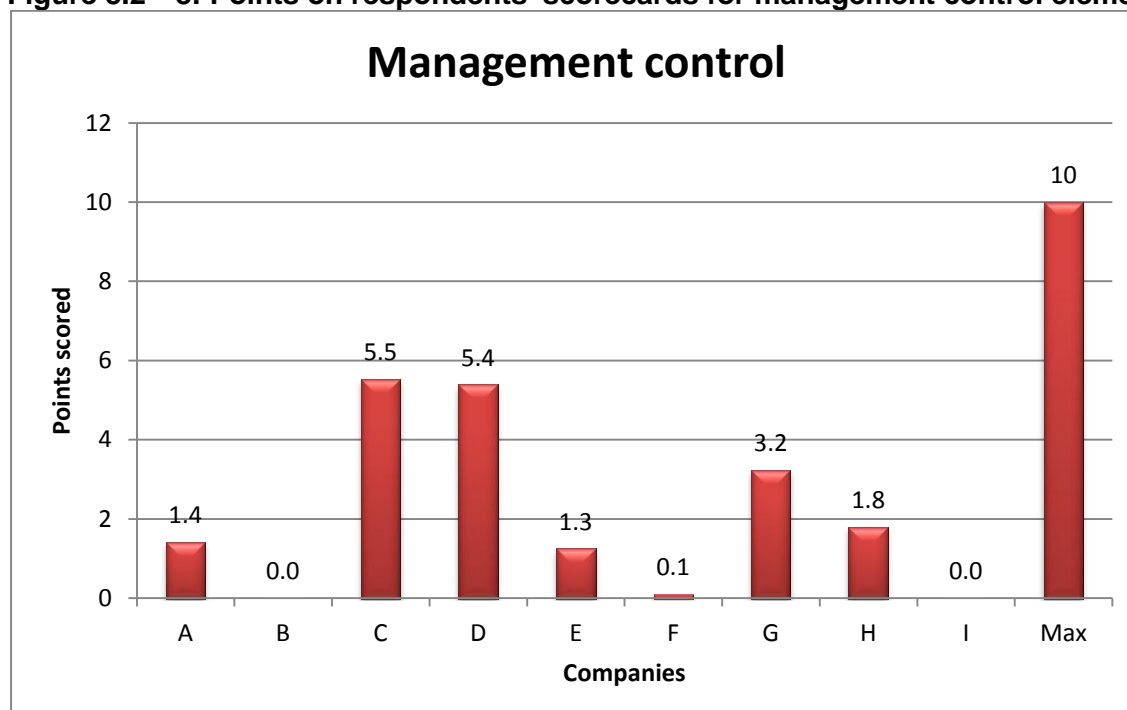
Management Control

Figure 3.2—7: Respondents' approach to Broad-Based BEE element in management



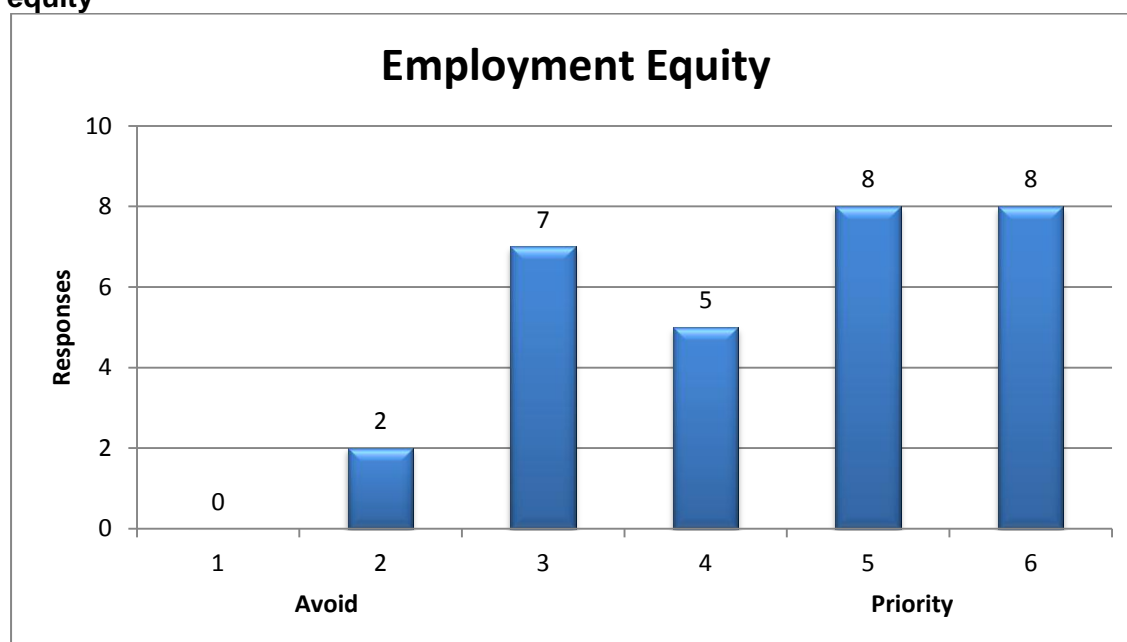
A staggering 70% of the respondents indicated that management, as a part of their Broad-Based BEE strategy, would be avoided. This element's rationale is to measure the degree of control of the business by black people. Transforming top management is very difficult. Management control seems to be one of the elements that even the legislature realises as a challenge. The maximum points to be scored on management control as indicated in Figure 3.2—8 below, is 10, where the weighting maximum is 20. It could be that management control would eventually only benefit certain key individuals and not the Broad-Based BEE plan as a whole. The average management control score for the 9 respondents with valid scorecard is only 20.8%.

Figure 3.2—8: Points on respondents' scorecards for management control element



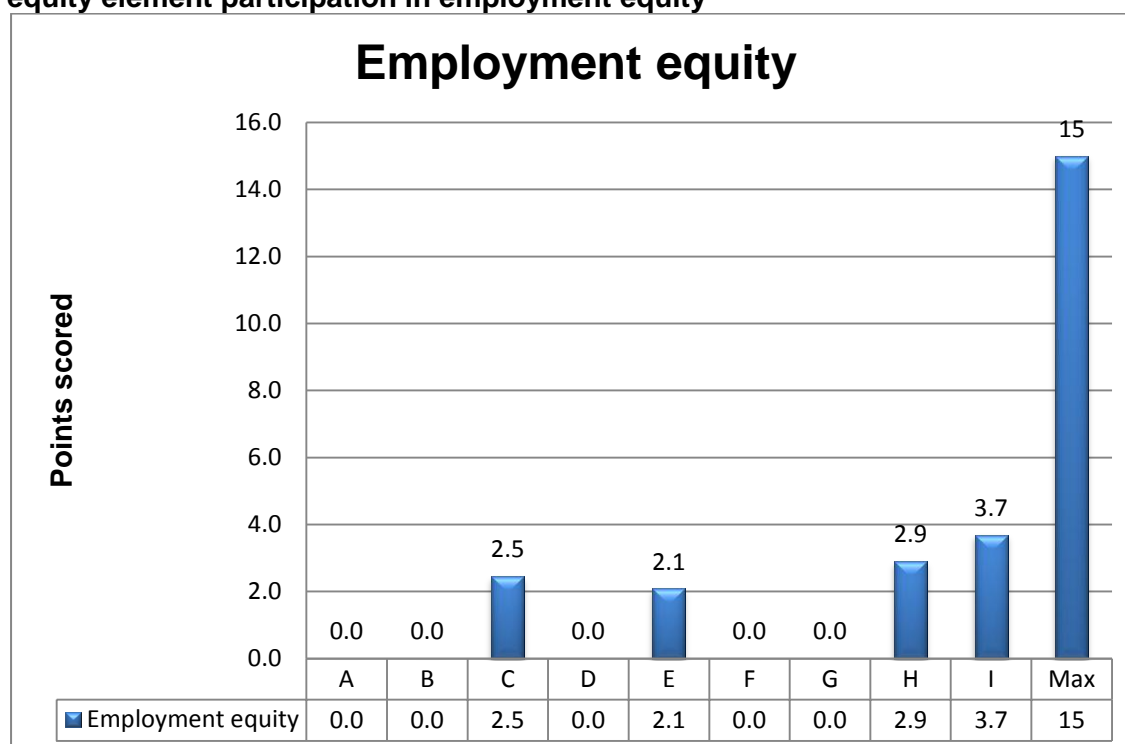
Employment equity

Figure 3.2—9: Respondents' approach to Broad-Based BEE element on employment equity



A bit more reassuring for Broad-Based BEE is that 70% of the respondents are willing to prioritise employment equity in their Broad-Based BEE strategies. This will have a positive effect on the broad-based focus of the legislation.

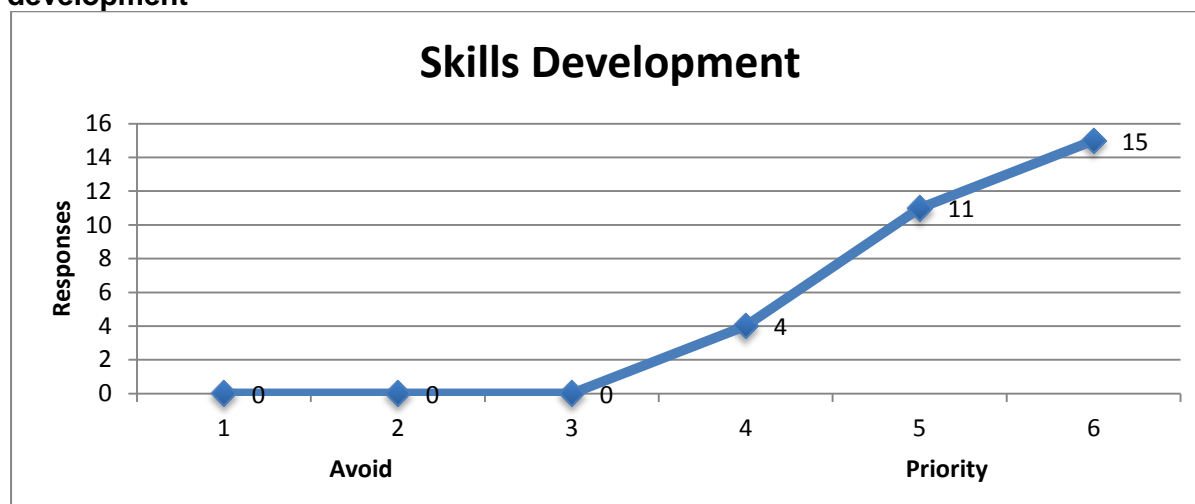
Figure 3.2—10: Respondents' measured entities' points scored on the Employment equity element participation in employment equity



Although 70% of the total respondents are willing to prioritise employment equity, according to Hobson (2010:10) it is generally difficult to score on this element. It would therefore rather be a reflection of the stringent criteria rather than an oblivious attitude towards employment equity. However, the average points as seen in Figure 3.2—10 above for this element actually scored, is a meagre 1.23 (out of a possible 15) or 8.2%, which does not reflect well on the agriculture industry's commitment towards Broad-Based BEE.

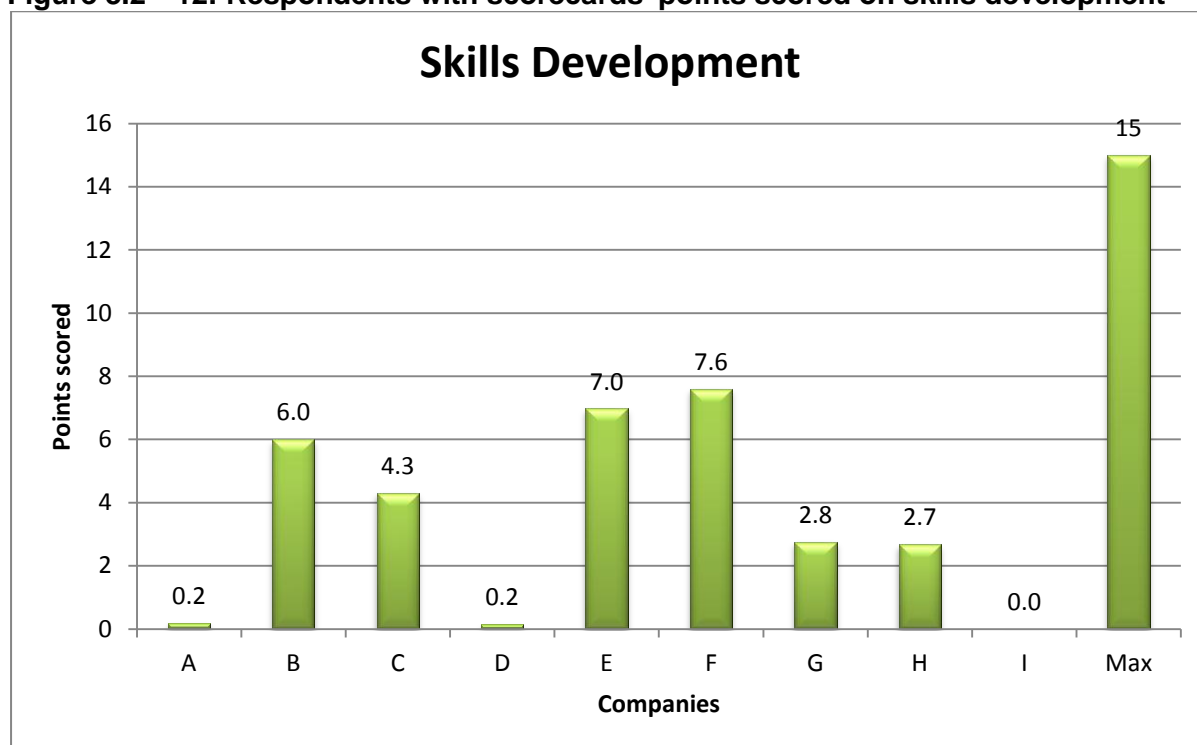
Skills development

Figure 3.2—11: Respondents' approach to Broad-Based BEE element on skills development



Another reassurance for the agricultural industry is that all of the respondents (100%) indicated that skills development is a priority to their respective companies.

Figure 3.2—12: Respondents with scorecards' points scored on skills development

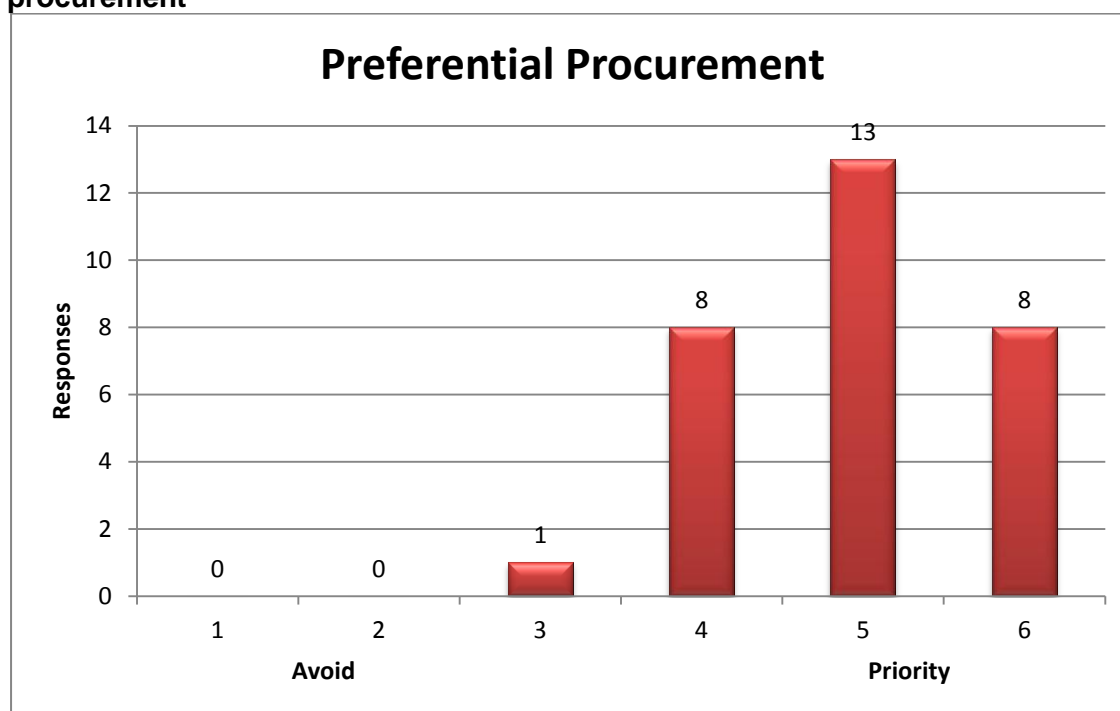


Skills development focuses on specified learning programmes and learnerships that would enable black people to participate in the wider economy in a meaningful manner (Balshaw & Goldberg, 2008:80). Although all of the respondents indicated that skills development should receive priority. For the 9 respondents that have legitimate scorecards, an average point of 3.4 out of a possible 15 points were achieved, therefore only approximately 23%.

Preferential procurement

Preferential procurement has certainly created some food for thought. 96.67% of the respondents indicated that they would prioritise preferential procurement. This element is subsequently also the element that receives the most negative publicity. It is within the ambit of this element that "fronting" takes place. Fronting is a term used to describe the practice of white businesses presenting fake black business partners or directors to fulfil the black ownership requirements that accompany tendering for government business" (Business Partners, 2002).

Figure 3.2—13: Respondents' approach to Broad-Based BEE element of preferential procurement

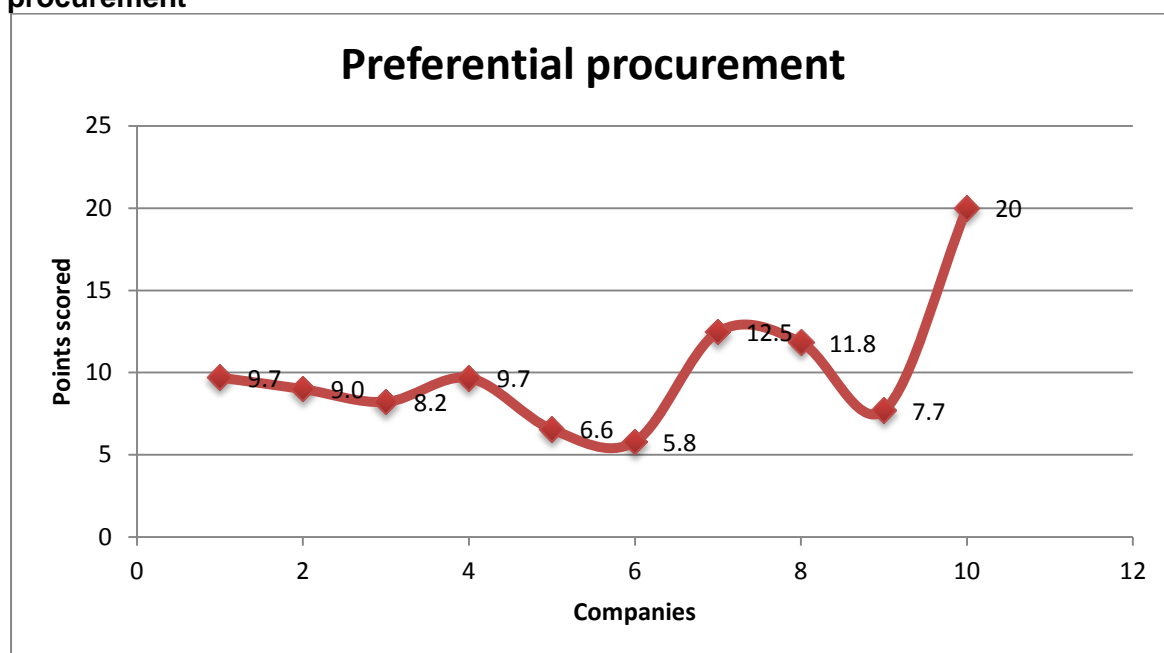


In Figure 3.2—13 and Figure 3.2—14 preferential procurement measures very high. This element has attracted the legislator and regulator's attention. In early December 2011, new preferential procurement regulations will come into force. Companies with Broad-Based BEE ownership will score extra points when bidding for government procurement contracts (I-Net Bridge, 2011). This could have an adverse effect on the agribusinesses, especially those that wish to stay clear from Broad-Based BEE ownership. Although preferential procurement is seen as a priority for the agribusinesses, they are not there yet and need to act without delay to avoid being succumbed by the requirements of the regulations.

The Minister of Trade and Industry, Rob Davies, commented: "The goal is to stimulate local manufacturing production, without necessarily compromising competitiveness. Valued added activity has got to be at the forefront." (I-Net Bridge, 2011).

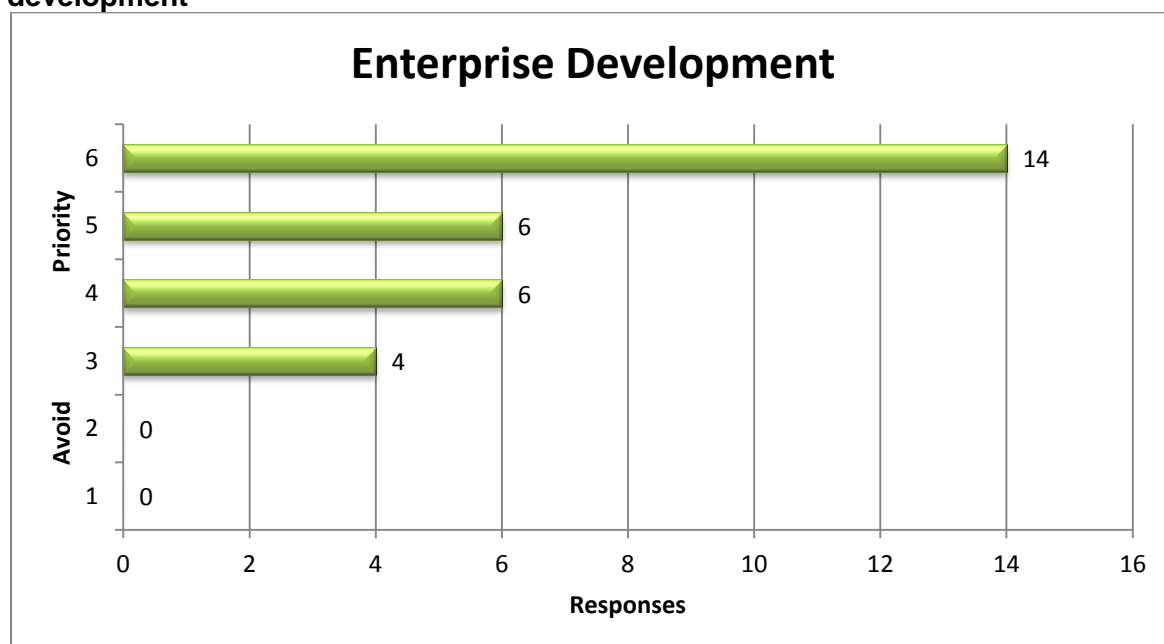
According to Jack (2007:295) preferential procurement simply means buying goods and services from preferred suppliers. The order of preference, for the purposes of black economic empowerment, is measured by the provider's Broad-Based BEE status. A well spread 45% average was scored by the nine respondents holding valid scorecards, with regards to preferential procurement.

Figure 3.2—14: Points scored by respondents with scorecards for preferential procurement



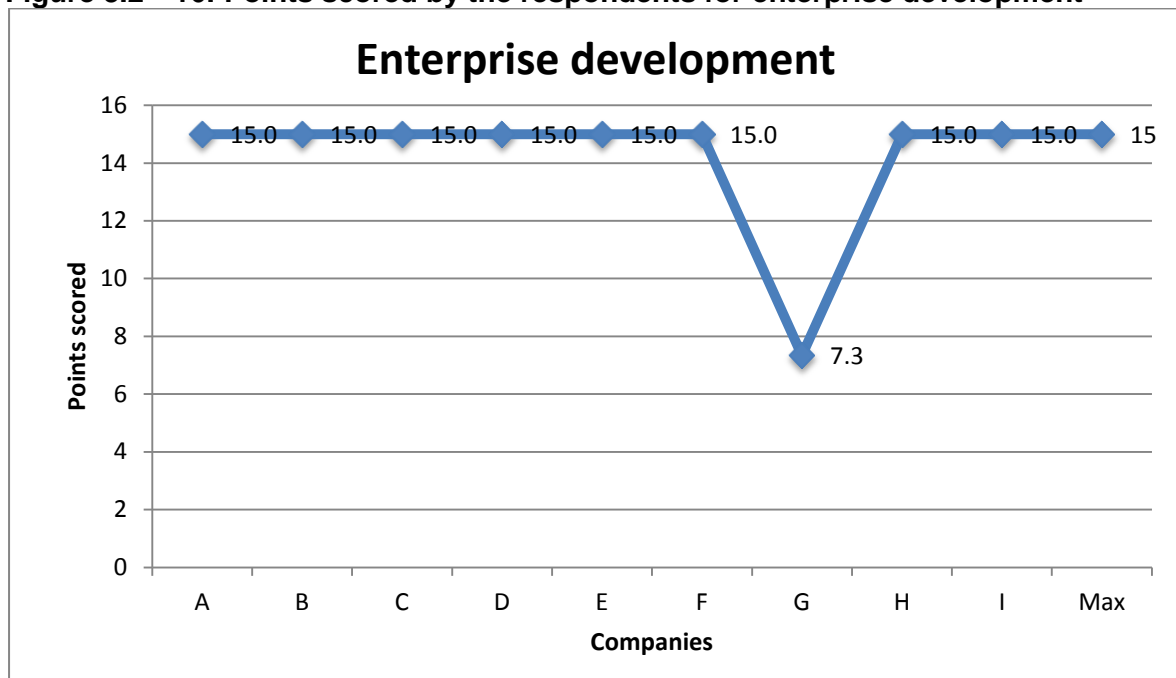
Enterprise development

Figure 3.2—15: Respondents' approach to Broad-Based BEE element of enterprise development



The central aim of enterprise development is to assist and speed up the maturation of the functional and fiscal capability of entrepreneurial enterprises that contribute towards Broad-Based BEE (Balshaw & Goldberg, 2008:82). A cumulative 87% of the respondents indicated that enterprise development is a priority with their businesses. Figure 3.2—15 show the point scored by each of the respondents with valid scorecards.

Figure 3.2—16: Points scored by the respondents for enterprise development



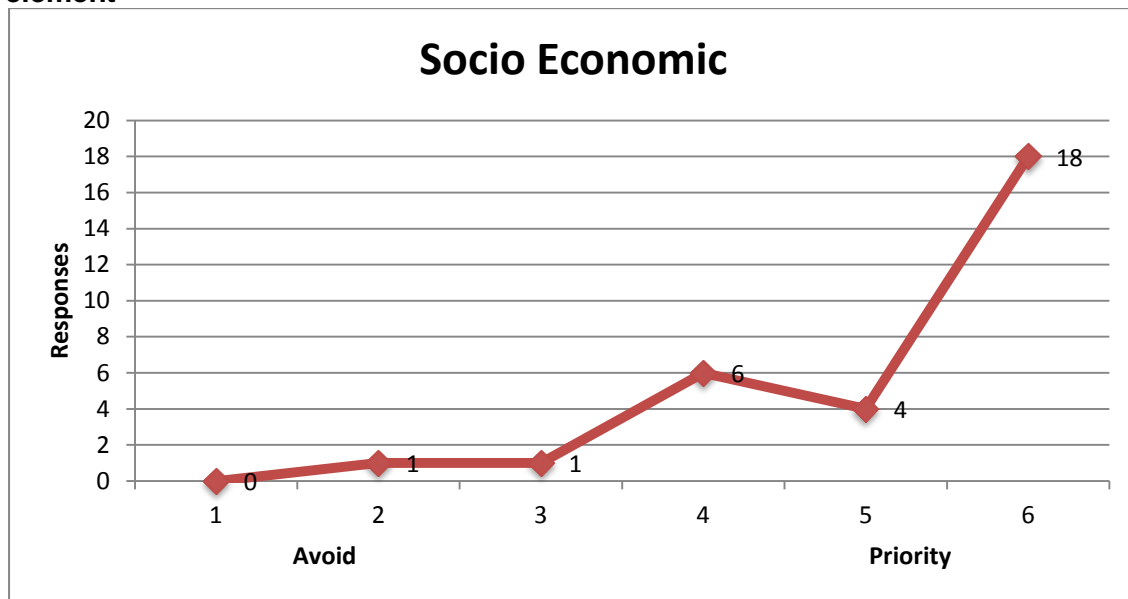
This element is measuring astounding. The nine respondents achieved an average point of 14.1 out of a possible 15, which indicates an average of 94%. These scores are consistently high for all respondents. According to Hobson (2010:12), this indicates a positive move to broad-based empowerment. It could, however, also suggest that the established agricultural businesses are paying to keep the effect of Broad-Based BEE at arm's length.

Enterprise development (ED), according to the website of NationWide Enterprise Development Administrators (NEDA, n.d.) can be anything from the construction of new enterprises to the redevelopment or funding of existing enterprises with the intent of accelerating such an enterprise, or other activities in between.

The critical issue is that it relies on ideas that create sustainable enterprise initiatives that respond to fulfilling a need in either the consumer or the Business-to-Business market. Enterprise development can also be of benefit to the company (contributor), depending on the approach of the company. Benefits to the contributor include Broad-Based BEE scorecard contributions with respect to preferential procurement spend.

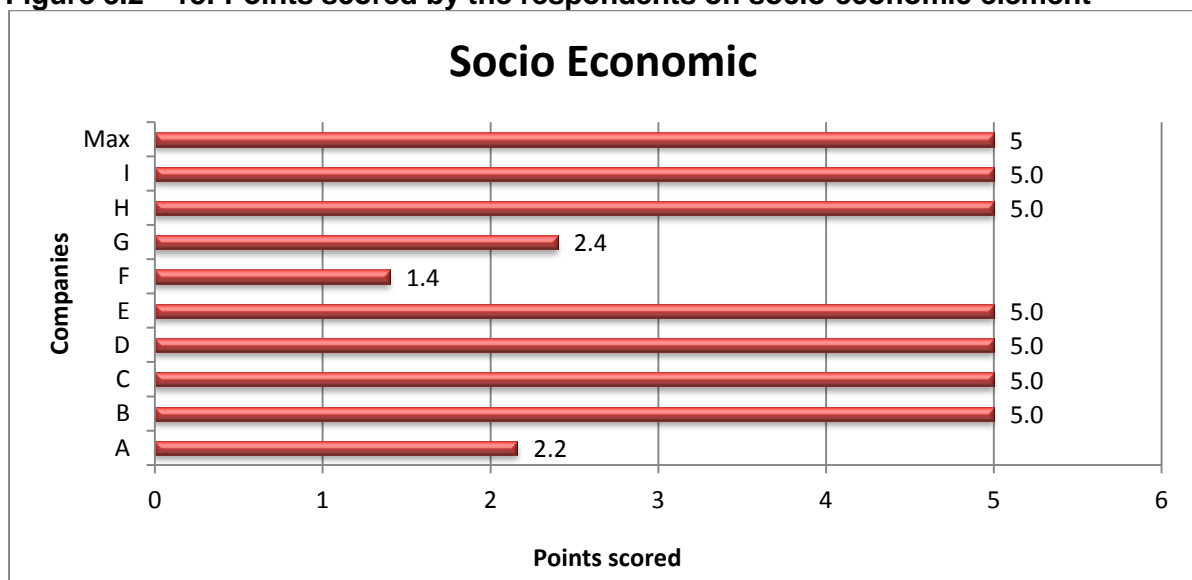
Socio economic development

Figure 3.2—17: Respondents' approach to Broad-Based BEE on socio-economic element



Following the trend in the enterprise development element, it is no surprise that almost 94% of the respondents indicated that socio-economic participation is priority within their businesses.

Figure 3.2—18: Points scored by the respondents on socio-economic element



The socio economic points on the scorecards were high with an average point of 4 out of a possible 5 points.

3.3 RESULTS

Observing the frequency Table 3.3—1 below, it is clear that there are 113 respondents. Figure 5.1—2 clearly indicates that the largest contingent is from the grain industry, which accounts for 7.96% of the respondents. The second largest contingent is from the livestock industry (5.31% of the respondents). This table shows the size of the respondents, of which information could be utilised in this study. Only 30 of the respondents' information could be used. The 30 respondents are split in two groups, namely large respondents (generic enterprises) and Qualifying Small Enterprises (QSE). These QSEs are businesses with an annual turnover between R5 million and R35 million. The qualification criteria and score weightings for the QSE differs from the generic enterprises (large respondents - annual turnover in excess of R35 million) scorecard. The large respondents total 28 and the QSE 2 respondents or 6.66% of the usable respondents.

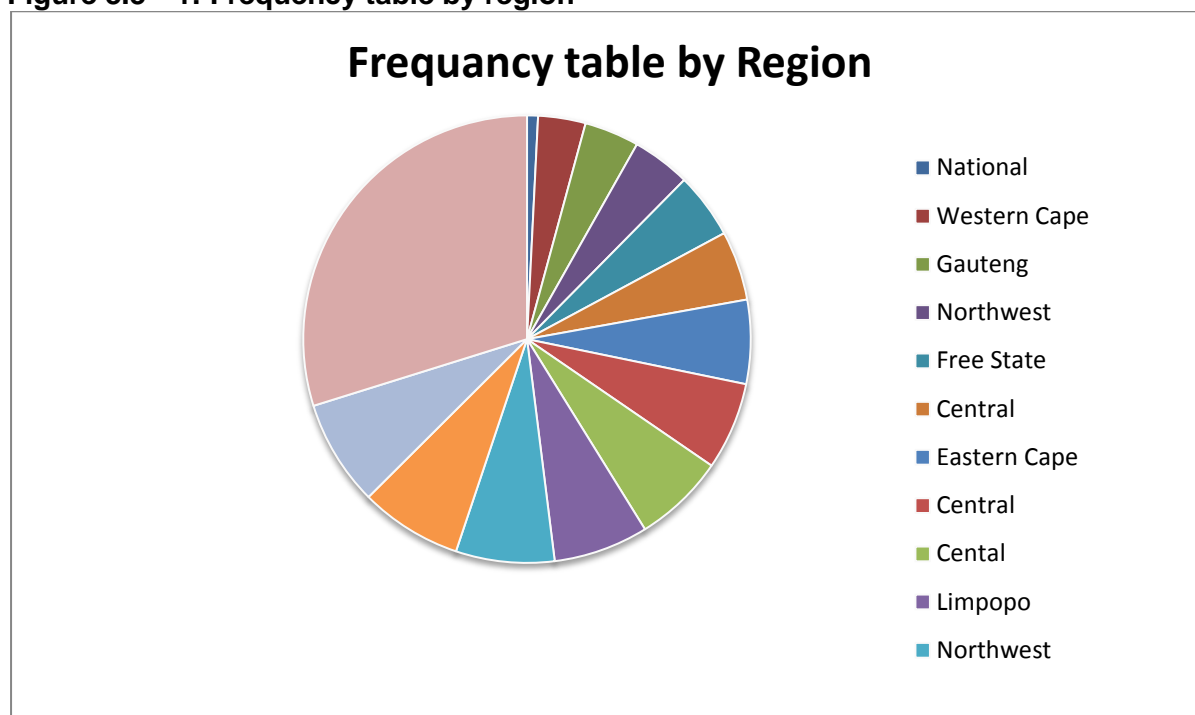
Only 15 of the 30 usable respondents indicated that they did have some form of black ownership. Fifteen percent of the respondents indicated that they do have a mentorship program whereas 11.5% indicated that they do not have a mentorship program. Given the percentage above it was a surprise to see that only 16.81% of the respondents have **Broad-Based BEE and land reform initiatives in place.**

Table 3.3—1: Regionality

Frequency table by Region	Count	Cumulative	Percent	Cumulative
National	3	3	2.65487	2.6549
Western Cape	10	13	8.84956	11.5044
Gauteng	2	15	1.76991	13.2743
North West Central	1	16	0.88496	14.1593
Free State	2	18	1.76991	15.9292
Central Regions	1	19	0.88496	16.8142
Eastern Cape	4	23	3.53982	20.3540
Central Regions	1	24	0.88496	21.2389
Central Regions	1	25	0.88496	22.1239
Limpopo	1	26	0.88496	23.0088
North West	1	27	0.88496	23.8938
KwaZulu/Mpumalanga	1	28	0.88496	24.7788
Central Gauteng	1	29	0.88496	25.6637
Missing	84	113	74.33628	100.0000

It is worthy to mention that the three Central Regions mentioned is within different provinces. However, due to the competitive nature of the agriculture sector these regions are left without reference to the provinces

Figure 3.3—1: Frequency table by region



3.3.1 *T-test*: Grouping of the size

T-test is any statistical hypothesis test in which the test statistic follows the *t*-distribution if the null hypothesis is supported. It is most commonly applied when the test statistic would follow a normal distribution if the value of a scaling term in the test statistic was known. When the scaling term is unknown and is replaced by an estimate based on the data, the test statistic (under certain conditions) follows a *t*-distribution. The questions on the questionnaire that showed a difference between the question asked and the determinant, size, in this instant were further discussed below. The questions showing possible signs of differences with the size of the respondents are marked in red.

A summary is provided in Figure 3.4—2: T-Test on Initiatives.

- *If the future or planned status of the respondents is aligned with the size (question @14.Fstatus).*
 H_0 is rejected if p-value is smaller than 0.05. P-value is 0.015347 and subsequently the

null hypothesis is rejected. T-test, t-value is -2.58199 and using the 0.05 level of significance is < than (28) -1.7011.

Size of participant	Percentage difference
Large participants	23.98%
Qualifying Small Enterprises	12.5%

It is concluded that that the mean future status or planned status for large respondents is higher than the planned future status of the QSE respondents.

- The question whether the respondents are supporting the concept of implementing BEE and transformation in their industry compared as follows, (question @22.Support). Possible answers ranging from totally against to supportive. The H_0 should be rejected if p-value is smaller than 0.05. P-value is 0.021860 and subsequently the null hypothesis is rejected. T-test, t-value is 2.42803 using the 0.05 level of significance and > than (28) 1.7011. There is evidence of a difference in the support for respondents and the size of the respondents*

Size of participant	Percentage difference
Large participants	18.11%
Qualifying Small Enterprises	25%

The large respondents seem to be less supporting of implementing BEE and transformation in their industry.

- The question if the respondents experienced pressure from customers and other stakeholders to complete a scorecard, answers ranging from no pressure to intense pressure (question @23.Pressure).*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.000429 and subsequently the null hypothesis is rejected. T-test, t-value is 3.92210 using the 0.05 level of significance and > than (28) 1.7011.

Size of participant	Percentage difference
Large participants	25.73%
Qualifying Small Enterprises	0%

There is evidence of a difference between the pressure on respondents and the size of the respondents. It seems that the larger respondents experience more pressure than the QSE's.

- *On the question if the respondents would consider selling an ownership stake in the existing business to BEE participants? Answers ranging from never to strongly considering. (question @28.Sell).*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.013713 and subsequently the null hypothesis is rejected. T-test, t-value is 2.63014 using the 0.05 level of significance and > than (28) 1.7011.

Size of participant	Percentage difference
Large participants	39.67%
Qualifying Small Enterprises	0%

There is evidence of a difference between the respondents' willingness to sell and the size of the respondents. The larger respondents seem more willing to sell an ownership stake than the QSEs.

- *Question 33 asked if there are appropriate industry specific skills development, training and mentorship courses available and the answers ranged from seldom available to readily available. (question @33.Courses)*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.014961 and subsequently the null hypothesis is rejected. T-test, t-value is 2.59291 using the 0.05 level of significance and > than (28) 1.7011.

Size of participant	Percentage difference
Large participants	30.88%
Qualifying Small Enterprises	50%

There is evidence of a difference between the Courses available for attendance by respondents and the size of the respondents. The smaller respondents seem to be more familiar with the availability of courses for mentorship.

- Question 37 asked to what extent the respondents would be prepared to mentor / assist black emerging businesses and or undertake joint ventures with black businesses or farmers. The answers ranged from not at all to, to a large extent. (question @37.MentorJV).

Reject H_0 if p-value is smaller than 0.05. P-value is 0.002153 and subsequently the null

hypothesis is rejected. T-test, t-value is 3.37957 using the 0.05 level of significance and > than (28) 1.7011.

Size of participant	Percentage difference
Large participants	15.74%
Qualifying Small Enterprises	33.33%

There is evidence of a difference between the respondents implementing a mentorship joint venture and the size of the respondents. The smaller respondents seem to implement such joint ventures more than the larger respondents do.

The data in Figure 3.4—2 reflects the results of the T-test regarding the size of the participant and each of the questions referenced by the description in the figure. The x-axis refers to the questions discussed above at 3.3.1. The figure gives an overall view of the questions in relation to the statistical data mined and its relation to the other questions and their comparative positions towards the size of the respondents.

Figure 3.3—2 below shows the Box-and-Whiskers plot of the mean of the T-test grouping at the size, of the six questions in the graph above where the difference occurred. The mean of these questions is 4.5119, with no outliers or extremes.

Figure 3.3—2: T-test on the size of the respondents

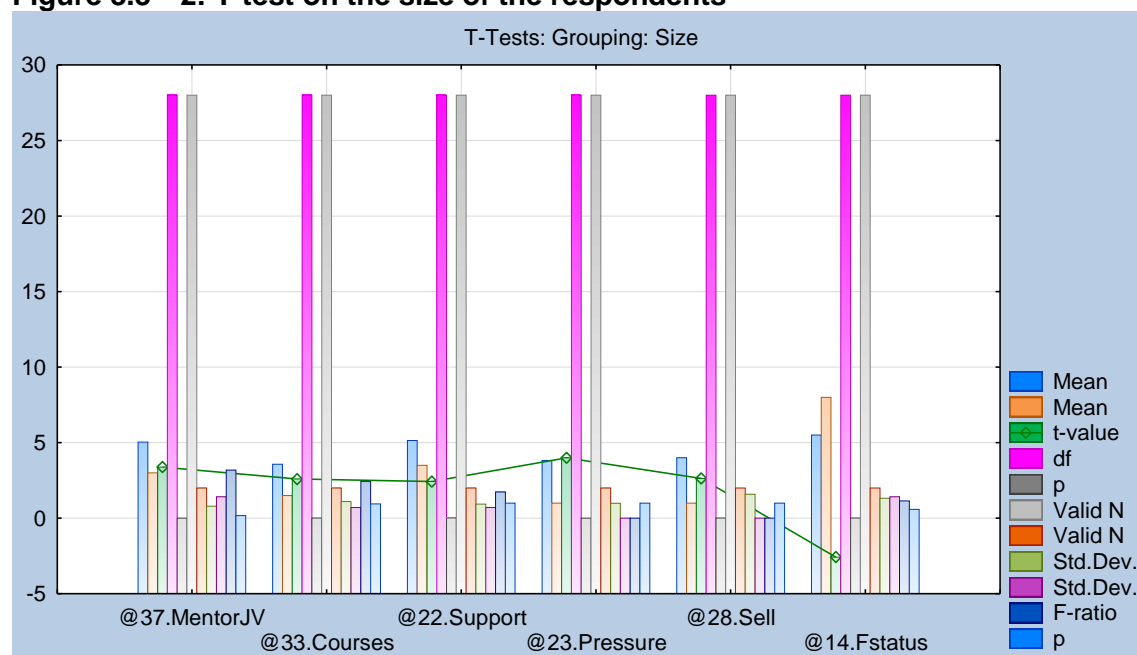
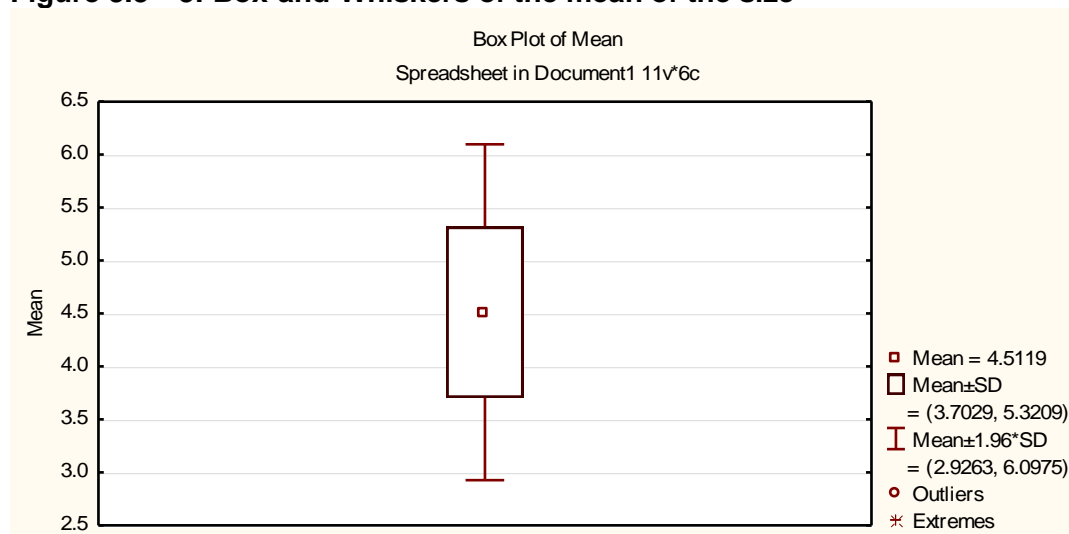


Figure 3.3—3: Box-and-Whiskers of the mean of the size



3.3.2 Mann-Whitney U-test: Grouping and size

The Mann-Whitney U-test was done to corroborate the findings of the t-test with reference to the size of the participants. Certain of the data could not corroborate the data of the t-test but revealed other differences, only the corroborated data is discussed below. Table 5.1—3: T-tests of Ownership shows that data discussed below. The questions showing possible signs of differences with the size grouping are marked in red.

The Mann-Whitney U-test determines that if the observed z-value does not equal or exceed the critical z value of 1.96 ($p < 0.05$ critical z value for a two-tailed test) then it can be assumed that the full hypothesis is correct and that there is no difference between groups. If the z value, however, exceeds 1.96 there is evidence enough to reject the null hypothesis. The results below correspondents with the questions regarding the same subject in the questionnaire.

- *Turnover*: The observed z-value is 2.28638 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that there is a difference between the groups. The p-value confirms the observation.
- *NPAT*: The observed z-value is 2.12010 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that is a difference between the groups. The p-value confirms the observation.
- *Permanent*: The observed z-value is 2.28638 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that is a difference between the groups. The p-value confirms the observation.

- *Temporary*: The observed z-value is 2.03696 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that is a difference between the groups. The p-value confirms the observation.
- *Pressure*: The observed z-value is 2.286380 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that is a difference between the groups. The p-value confirms the observation. There is evidence of a difference between the pressure on respondents and the size of the respondents. *Its seems that the larger respondents receive more pressure than the QSE's.*
- *Sell*: The observed z-value is 2.203239 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that is a difference between the groups. The p-value confirms the observation. The T-test showed that there is evidence of a difference between the respondents' willingness to sell and the size of the respondents. *The larger respondents seem more willing to sell an ownership stake than the QSE.*
- *Courses*: The observed z-value is 1.995386 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that is a difference between the groups. The p-value confirms the observation. The t-test showed that there is evidence of a difference between the Courses available for attendance by respondents and the size of the respondents. *The smaller respondents seem to be more familiar with the availability of courses for mentorship.*
- *Mentor JV*: The observed z-value is 1.995386 and exceeds 1.96, therefore the null hypothesis is rejected and assumed that is a difference between the groups. The p-value confirms the observation. The T-test showed that there is evidence of a difference between the respondents implementing a mentorship joint venture and the size of the respondents. *The smaller respondents seem to implement such joint ventures more than the larger respondents do.*

3.3.3 T-test – Black ownership

With this t-test the difference, if any, of black ownership towards the different subdivisions in the questionnaire was searched. Figure 5.1—4 shows the data collected from this test. The questions showing possible signs of differences with black ownership are marked in red.

- *The approximate turnover of the respondents in relation to black ownership.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.016720 and subsequently the null hypothesis is rejected. T-test, t-value is 2.54509 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	96.65%
No	101%

There is evidence of a difference between the respondents turnover and black ownership of the respondents. More of the smaller respondents (QSEs) do not have black ownership than the larger respondents.

- *Net Profit After Tax (NPAT).*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.019804 and subsequently the null hypothesis is rejected. T-test, t-value is 2.47146 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	104.9%
No	435.33%

There is evidence of a difference between the respondents' NPAT and black ownership of the respondents. The respondents that have black ownership, have less ownership than those respondents that have no ownership.

- *The number of permanent employees and black ownership.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.005536 and subsequently the null hypothesis is rejected. T-test, t-value is 3.00591 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	82.28%
No	101%

There is evidence of a difference between the number of permanent employees and the black ownership of the respondents. The respondents that have less employees have a larger percentage of non-black ownership.

- *Future status of respondent's ownership, meaning the possibility to have more or less black ownership in future.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.020210 and subsequently the null hypothesis is rejected. T-test, t-value is -2.46255 using the 0.05 level of significance and > than (28) -1.7011.

Black ownership	Percentage difference
Yes	26.33%
No	21.29%

There is evidence of a difference between the envisaged future BEE status of the respondents and their current black ownership. More respondents with current black ownership envisage a better future BEE status.

- *Ownership as an element, which the respondents would most likely pursue as part of Broad-based strategy Ownership.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.013734 and subsequently the null hypothesis is rejected. T-test, t-value is 2.62950 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	42.45%
No	58.53%

There is evidence of a difference between ownership as an element of BEE that would most likely be pursued and the respondents' black ownership. A greater percentage of the respondents that do not have black ownership indicated that they would not pursue this element in future.

- *Pressure experienced from customers and other stakeholders to complete a scorecard.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.018340 and subsequently the null hypothesis is rejected. T-test, t-value is 2.50498 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	20.17%
No	41.55%

There is evidence of a difference between the pressure on the respondents by their customers and stakeholders and the current black ownership of the respondents. The respondents with black ownership experience less pressure than those that do not have black ownership.

- *Support and guidance received on BEE and land reform matters given by the Agriculture Business Chamber.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.007055 and subsequently the null hypothesis is rejected. T-test, t-value is 2.90738 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	24.15%
No	29.42%

There is evidence of a difference between the respondents that do and those that do not receive support from the Agricultural Business Chamber, and those that have Black ownership. A greater percentage of the respondents without black ownership indicated that the ABC does not give adequate support.

- *Consider selling an ownership stake in existing business to BEE participants.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.001452 and subsequently the null hypothesis is rejected. T-test, t-value is 3.53167 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	30.37%
No	50.83%

There is evidence of a difference between the respondents' willingness to sell ownership and actual black ownership of the respondents. A greater percentage of the respondents that do not have black ownership would not consider selling a stake of ownership in the existing business.

- *Consider starting a new business/land reform in a joint venture with BEE participants.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.033786 and subsequently the null hypothesis is rejected. T-test, t-value is 2.23212 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	47.28%
No	29.32%

There is evidence of a difference between the respondents' openness to mentoring joint ventures and their current black ownership. A higher percentage of the respondents that currently have black ownership are willing to consider starting a new business in a joint venture with a BEE participant.

- *Finding suitable equity partners or co-owners.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.010221 and subsequently the null hypothesis is rejected. T-test, t-value is 2.75414 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	47.28%
No	55.45%

There is evidence of a difference between the respondents finding a suitable BEE partner and their current black ownership. A higher percentage of the respondents that currently do not have black ownership are struggling to find suitable BEE partners.

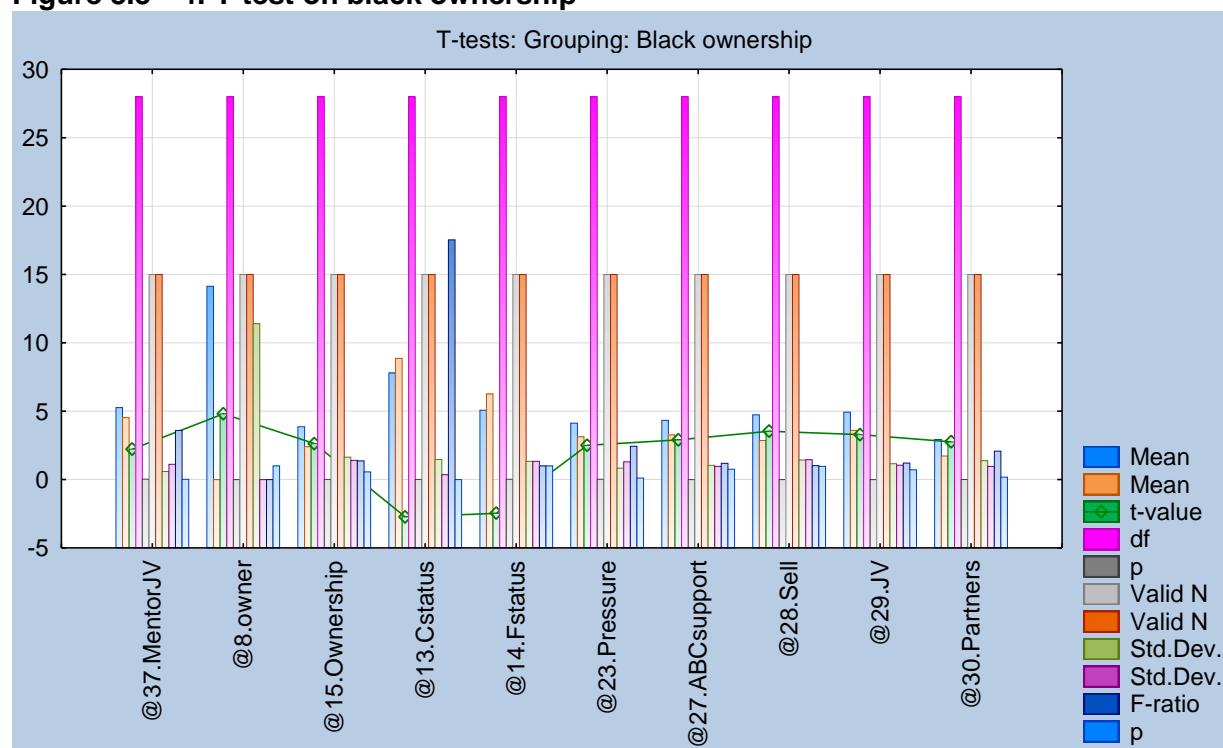
- *To what extent would the respondents be prepared to mentor/assist black emerging businesses and or undertake joint ventures with black businesses or farmers.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.033786 and subsequently the null hypothesis is rejected. T-test, t-value is 2.23212 using the 0.05 level of significance and > than (28) 1.7011.

Black ownership	Percentage difference
Yes	11.27%
No	24.82%

There is evidence of a difference between the respondents' willingness to mentor or assist black emerging farmers and their current black ownership. A higher percentage of the respondents that currently have black ownership are not willing mentor black emerging businesses.

Figure 3.3—4: T-test on black ownership

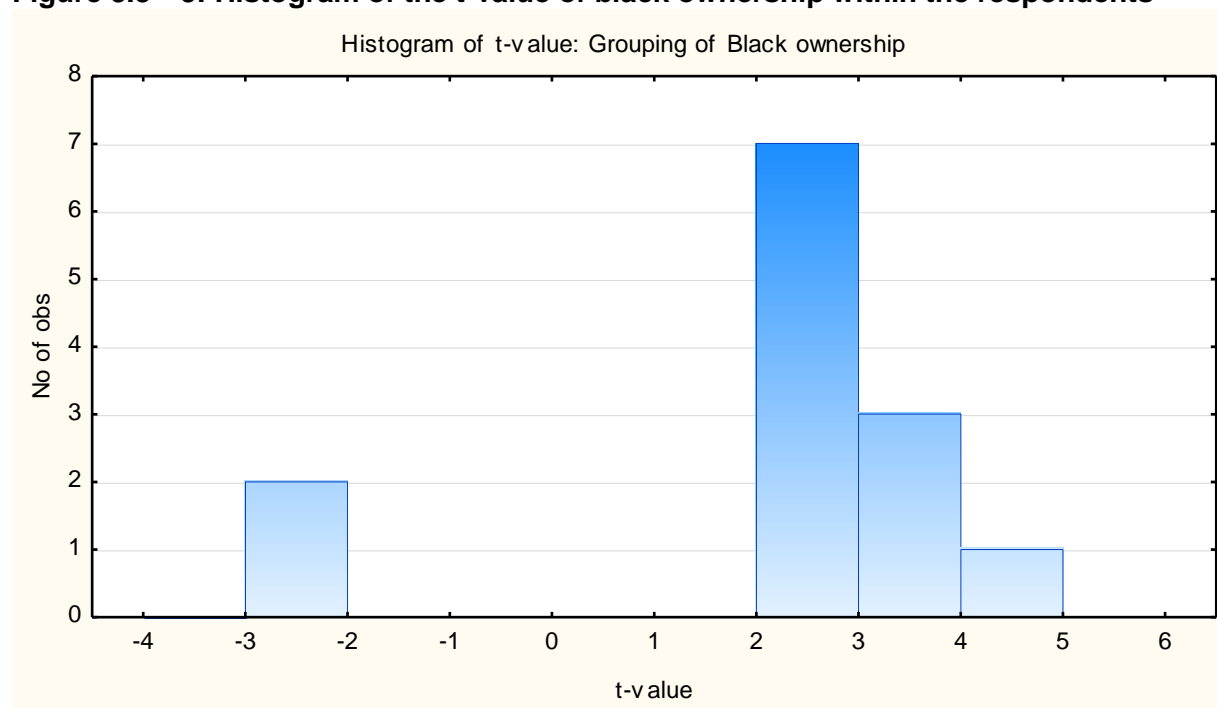


The data in figure 3.3—4 reflects the results of the T-test regarding the black ownership of the participant and each of the questions referenced by the description in the figure.

The x-axis refers to the questions discussed above at 3.3.3. The figure gives an overall view of the questions in relation to the statistical data mined and its relation to the other questions and their comparative positions towards the black ownership of the respondents.

The histogram of the t-value of the grouping of black ownership in Figure 3.3—5 below clearly shows that seven of the 13 questions (or 53.85%) that showed that a difference exist, fall between the t-value of two and three, therefore clear evidence that a difference exists.

Figure 3.3—5: Histogram of the t-value of black ownership within the respondents



3.3.4 T-test on Mentorship

With this t-test the difference, if any, of mentorship towards the different subdivisions in the questionnaire were searched. **Table 5.1—5: Broad-Based BEE initiatives instituted by the respondents** reflects the data used for this analysis. The questions showing possible signs of differences with mentorship are marked in red.

- *Turnover and the difference regarding mentoring programs.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.012849 and subsequently the null hypothesis is rejected. T-test, t-value is 2.65779 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	92.27%
No	127.52%

There is evidence of a difference between the respondents' turnover and their involvement in mentorship programs. A higher percentage of the respondents do not have a mentorship program in relation to their turnover. The possibility is that the smaller businesses does not have the capacity to institute mentorship programs.

- *Net Profit After Tax.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.033786 and subsequently the null hypothesis is rejected. T-test, t-value is 2.23212 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	92.04%
No	468.63%

There is evidence of a difference between the respondents' NPAT and their involvement in mentorship programs. A higher percentage of the respondents are not involved with a mentorship program in relation to their NPAT. Due to the small usable base the percentage could be perceive to be irregular. However it indicates that almost four times the respondents does not have a mentorship program where they have a smaller NPAT against the respondents with a bigger NPAT.

- *Permanent employment.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.003782 and subsequently the null hypothesis is rejected. T-test, t-value is 3.15840 using the 0.05 level of significance and > than (28) 1.7011.

There is evidence of a difference between the amount of permanent employees and the involvement of the respondents with mentorship programs. The percentage of respondents that have more employees is less involved in mentorship programs.

- *Envisaged future status of the respondents Future status.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.024451 and subsequently the null hypothesis is rejected. T-test, t-value is -2.37835 using the 0.05 level of significance and < than (28) -1.7011.

Mentorship	Percentage difference
Yes	25.82%
No	22.34%

There is evidence of a difference between envisaged future status of the respondents and the involvement of the respondents with mentorship programs. The percentage of respondents that have a higher expectancy of a future status is more involved in mentorship programs.

- *Ownership as an element, which the respondents would most likely pursue as part of broad-based strategy ownership.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.039293 and subsequently the null hypothesis is rejected. T-test, t-value is 2.16226 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	43.56%
No	58.04%

There is evidence of a difference between the ownership as an element of BEE, which would most likely be pursued, and the respondents' involvement in mentoring programs. A higher percentage of the respondents that have indicated they would not pursue this element of ownership in future, have indicated that they are not involved in mentoring programs.

- *Respondents' support to BEE in the industry.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.037739 and subsequently the null hypothesis is rejected. T-test, t-value is 2.18103 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	25.82%
No	22.34%

There is evidence of a difference between the respondents' support for BEE in the industry and its involvement in mentorship. A higher percentage of respondents that support BEE are involved with mentorship.

- *Capacity and time to implement BEE and land reform.*

Reject H_0 if p-value is smaller than 0.05. P-value is 0.007133 and subsequently the null hypothesis is rejected. T-test, t-value is 2.90283 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	30.54%
No	42.45%

There is evidence of a difference between the respondents' capacity and time to implement BEE and mentorship of the respondents. A higher percentage of the respondents that do not have the capacity and time to implement BEE and land reform, is not involved in mentorship programs.

- *Consider selling an ownership stake in existing business to BEE participants.*
Reject H_0 if p-value is smaller than 0.05. P-value is 0.019508 and subsequently the null hypothesis is rejected. T-test, t-value is 2.47804 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	42.45%
No	51.29%

There is evidence of a difference between the respondents' willingness to consider selling an ownership stake in existing business to BEE participants and their involvement with mentorship programs. A higher percentage of the respondents that do not consider selling an ownership stake in existing business to BEE participants are involved in mentorship programs.

3.3.5 T-Test – Initiatives

The t-test was performed on initiatives. The questions hereunder showing possible signs of differences with initiatives are marked in red.

- *Respondents' likely pursuit of enterprise development as an element of BEE.*
Reject H_0 if p-value is smaller than 0.05. P-value is 0.037739 and subsequently the null hypothesis is rejected. T-test, t-value is 2.18103 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	17.79%
No	27.24%

There is evidence of a difference between the respondent's likely pursuit of enterprise development as an element of BEE and subsequent initiatives of the respondents. A higher percentage of the respondents that do not have the likelihood

of pursuing enterprise development as an element are not involved in BEE and land reform initiatives.

- *Consider selling an ownership stake in existing business to BEE participants.*
Reject H_0 if p-value is smaller than 0.05. P-value is 0.049291 and subsequently the null hypothesis is rejected. T-test, t-value is 2.05524 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	39.74%
No	49.44%

There is evidence of a difference between the respondents that consider selling an ownership stake in existing business to BEE participants and subsequent initiatives of the respondents. A higher percentage of the respondents that do not consider selling an ownership stake in existing business to BEE participant is not involved in BEE and land reform initiatives.

- *Consider starting a new business/land reform in a joint venture with BEE.*
Reject H_0 if p-value is smaller than 0.05. P-value is 0.038507 and subsequently the null hypothesis is rejected. T-test, t-value is 2.17167 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	25.14%
No	38.24%

There is evidence of a difference between the respondents that consider starting a new business/land reform in a joint venture with BEE and subsequent initiatives of the respondents. A higher percentage of the respondents that do not consider starting a new business/land reform in a joint venture with BEE is not involved in BEE and land reform initiatives.

- *To what extent would you be prepared to mentor/assist black emerging businesses and or undertake joint ventures with black businesses or farmers.*
Reject H_0 if p-value is smaller than 0.05. P-value is 0.016959 and subsequently the null hypothesis is rejected. T-test, t-value is 2.53896 using the 0.05 level of significance and > than (28) 1.7011.

Mentorship	Percentage difference
Yes	13.68%
No	25.66%

There is evidence of a difference between the extent to which respondents would be prepared to mentor/assist black emerging businesses and or undertake joint ventures with black businesses or farmers respondent's and subsequent initiatives of the respondents. A higher percentage of the respondents that are not prepared to mentor/assist black emerging businesses and/or undertake joint ventures with black businesses or farmers is not involved in BEE and land reform initiatives.

3.4 DISCUSSIONS

3.4.1 Size of the respondents

The data from 30 respondents were used. Only two respondents were QSEs and the other were large respondents. From the data collected, using the *t*-test it could be concluded that that the mean future status or planned status for large respondents is better than the planned future status of the QSE respondents, showing that the larger respondents had higher aspirations to improve their scores and it would follow the data, stipulating that the larger participants are aiming at better future statuses than the QSEs. The reasons could be different for each of the respondents, however, it could also be the same: that the QSE is not that affected by the B-BBEE Act.

From the *t*-test on the size, the results suggest that the large respondents are less supportive of implementing BEE and transformation *in their industry* than the QSE. This is a bit of a contradiction since the results also suggests that the large respondents is more likely to engage in Broad-Based BEE activities, but could also indicate that the large respondents are looking to implement BEE and transformation outside their industry. It could be a result of the fact that the large respondents have to a certain extent reached a barrier, which will not very easily be crossed since they have reached the highest score they could achieve within the industry. Growth possibilities for the QSEs are much better. The results also suggest that the larger respondents are under more pressure than the QSEs to complete the BEE scorecard, which is no surprise if one takes into account the stakeholders in the large respondents.

The large respondents are willing to participate, which is evident from the percentage of large respondents that have scorecards. The large respondents indicated that they would be more willing to sell an ownership stake in their businesses than their QSE counterparts. The argument would simply be that selling a percentage of a large respondent would have less of an effect on the company than the same percentage would have on a significantly smaller company.

The QSEs indicating that they are more familiar with the availability of courses for mentorship, was an insightful aspect that surfaced. It should be expected that the large respondents would be much more involved in mentorship programs and have knowledge of mentorship courses. This relates to the results indicating that the QSEs are more prepared to mentor/assist black emerging businesses and/or undertake joint ventures with black business or farmers than the larger respondents, within their current businesses setup. It would seem that the large respondents want to keep the Broad-Based BEE issues at arms-length. The results show that larger respondents would rather start joint ventures with newly formed BEE partners.

3.4.2 Black ownership within the respondents

The questionnaire attempted to determine whether the respondents did in fact have any black ownership. The indication from the data was that a smaller percentage of the QSEs do have black ownership than the larger respondents, and subsequently the respondents with a larger net profit after tax (NPAT) have a larger degree of black ownership than those respondents with a smaller NPAT, which is a confirmation of the first assumption.

A further confirmation of the fact that the larger respondents have a bigger black ownership component, is that the respondents with less permanent employees have a bigger percentage of non-black ownership. A higher percentage of respondents with current black ownership envisage a better future BEE status. Since the larger respondents have the highest percentage of black ownership in their companies and they are willing to sell ownership, it could signify that they would pursue black ownership. Selling small portions of the ownership of a large business makes more sense than selling large portions of a small business. However, the results showed that a higher percentage of the respondents that currently have black ownership would not pursue the element of black ownership in future. It could also be argued that the larger companies would consider selling ownership easily if needs be, however the respondents that currently have black ownership experience less

pressure to implement a scorecard, than those respondents who do not have black ownership.

The Agricultural Business Chamber even placed its own reputation in the balance. The scales fortunately tipped in their favour and a higher percentage of the respondents that do not have black ownership indicated that the ABC does not give adequate support. A higher percentage of the respondents that do not have black ownership would consider selling a stake of ownership in the existing business. Therefore, from the information above it could be argued that the larger respondents that currently do not have black ownership are willing to strongly consider selling black ownership.

Another disclosure was that a higher percentage of the respondents that currently have black ownership, which is ultimately the larger respondents, are willing to consider starting **a new business** in a joint venture with a BEE participant. It could prove to be a focus point for current respondents to become involved in joint ventures starting new businesses that could be operated at arm's length but the respondent could still reap the benefits of black ownership on the scorecard.

A higher percentage of the respondents that currently do not have black ownership are struggling to find suitable BEE partners. The trend here seems to be that the respondents who proverbially snoozed are now struggling not only to implement a scorecard but also to find suitable BEE partners. A higher percentage of the respondents that currently have black ownership are not willing or prepared to mentor or assist Black emerging businesses and/or undertake joint ventures with black businesses or farmers. A gap therefore exists to target the respondents without legal advice regarding assistance to black owners.

3.4.3 Mentorship within the respondents

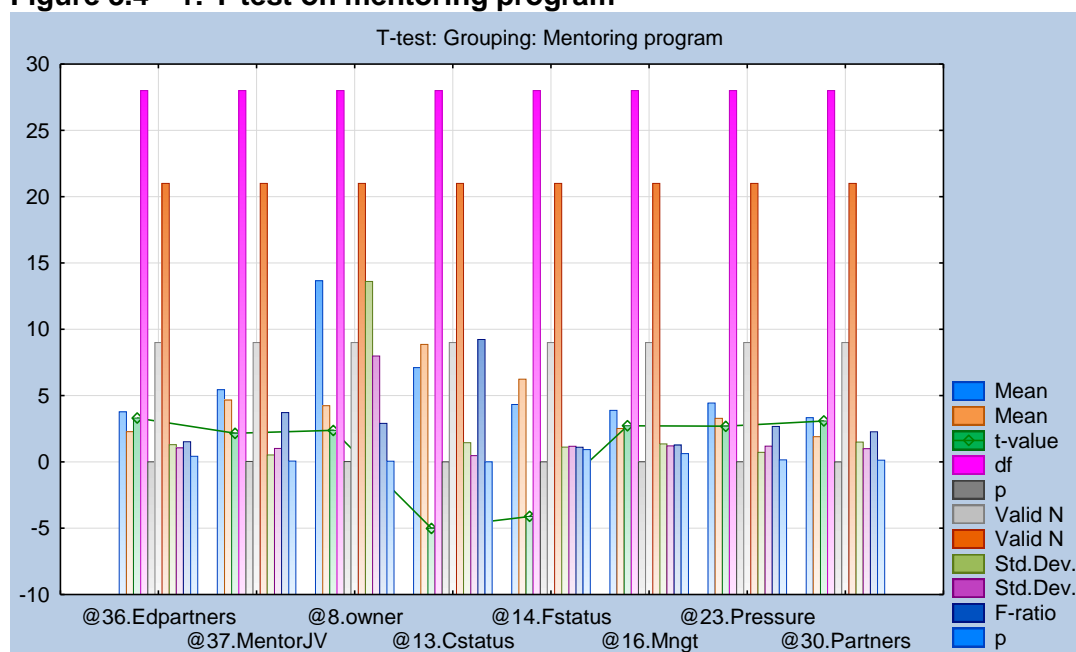
Question 38 refers to whether the respondents have a mentorship program and whether there is any relation to the other questions. The data as presented in figure 3.4—24 indicate that the higher the percentage of the respondents are that do not have a mentorship program in the lower their turnover are.

This confirms the results above that a higher percentage of the respondents that currently have black ownership are not willing or prepared to mentor or assist Black emerging businesses and/or to undertake joint ventures with black businesses or farmers. The last-mentioned was also confirmed by the data indicating that a higher percentage of the

respondents that are not involved with a mentorship program in relation to the higher their NPAT are. In addition, with reference to the larger respondents the percentages of respondents that have more employees are less involved in mentorship programs.

An exclusive section of the large respondents' percentage of the data shows that the higher the expectancy of a future status is, the more involved the respondents are in mentorship programs. This could reflect on a precious few respondents. Another confirmation that a precious few respondents are eager to pursue mentorship, is found in the data that shows that a bigger percentage of the respondents that have indicated that they would not pursue the element of ownership in future, have indicated that they are not involved in mentoring programs. The respondents do not only shy away from ownership but also from mentorship.

Figure 3.4—1: T-test on mentoring program



A higher percentage of respondents that do support BEE are involved with mentorship programs. This is evidence that the respondents that do support BEE do mentoring as well. Mentorship is part of a respondent's corporate culture, and the data shows that a higher percentage of the respondents that do not have the capacity and time to implement BEE and land reform, are not involved in mentorship programs. The data indicate that the respondents that do not consider selling an ownership stake in existing business to BEE participants are more involved in mentorship programs. The data in figure 3.4—24 reflects the results of the T-test regarding the mentoring program of the respondents and each of the questions referenced by the description in the figure. The x-axis refers to the questions discussed above at 3.4.3. The figure gives an overall view of the questions in relation to the

statistical data mined and its relation to the other questions and their comparative positions towards the mentorship programs employed by respondents

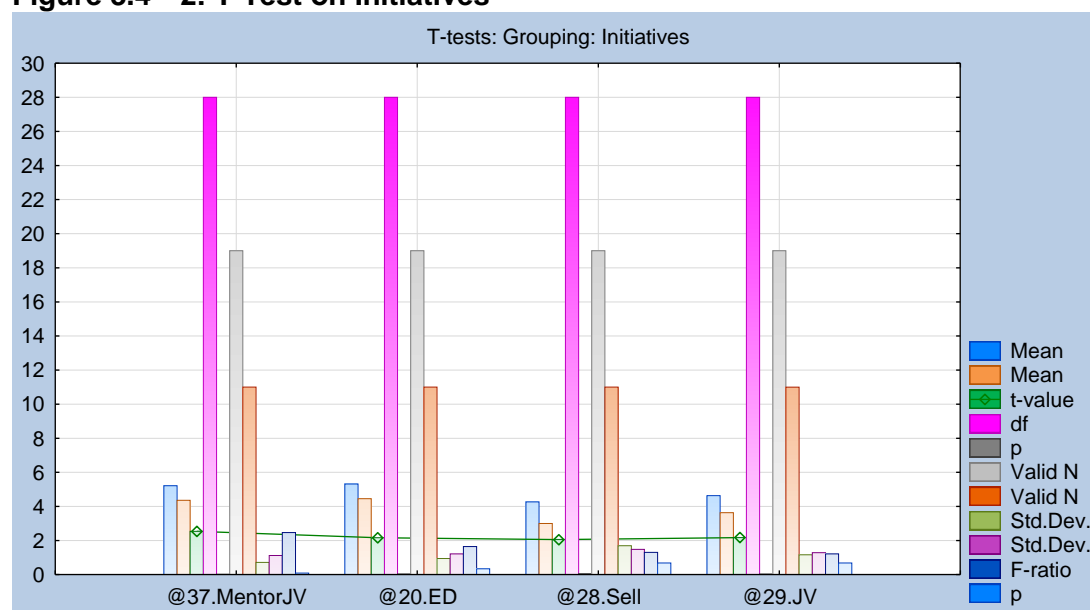
This is consistent with the QSEs that do not want to sell an ownership stake, and would rather do mentoring. The graph below is a clear bird's eye view of the different questions that showed a difference between the question and the mentoring program.

3.4.4 Initiatives within the respondents

Question 40 refers the fact that the respondents that have scorecards, does currently have BEE initiatives.

The data presented in Figure 3.4—1 below, indicate that a higher percentage of the respondents that do not have the likelihood of pursuing enterprise development as an element, are not involved in BEE and land reform initiatives. This is actually obvious and the results make sense because the pursuit of enterprise development is directly linked to having some kind of BEE and land reform initiative. A higher percentage of the respondents that do not consider selling an ownership stake in existing business to BEE participants are not involved in BEE and land reform initiatives. Further, the data shows that there is a higher percentage of the respondents that do not consider starting a new business/land reform in a joint venture with BEE, who is not involved in BEE and land reform initiatives. A higher percentage of the respondents that are not prepared to mentor/assist black emerging businesses and/or undertake joint ventures with black businesses or farmers are not involved in BEE and land reform initiatives.

Figure 3.4—2: T-Test on Initiatives



The above-mentioned graph is a visual representation of the data set out under the *t*-test on initiatives. The data in figure 3.4—2 reflects the results of the T-test regarding the initiatives of the respondents and each of the questions referenced by the description in the figure. The x-axis refers to the questions discussed above at 3.4.4. The figure gives an overall view of the questions in relation to the statistical data mined and its relation to the other questions and their comparative positions towards the initiatives of the respondents.

The respondents that are not involved in any form of education or development are not interested in pursuing the elements of the BEE scorecard that includes BEE and land reform. The hottest discussions currently in government circles, amongst trade unions and ultimately amongst the respondents, are BEE and Land reform initiatives and subsequently discussions are currently overshadowing the total broad-based black economic empowerment ideology.

3.5 LIMITATIONS

The number of authors on the specific topic has proven to be scarce. The assumption would be that such a contentious issue would be vastly researched. However, the research in literature is also very limited. It seems to be solely argued or viewed as an academic issue because of the possible controversy that any in-depth study to the Broad-Based BEE in any or all of South African businesses could unveil, since the reasons for adhering to the Broad-Based BEE Act or not, vary substantially and are very subjective. The real "why's" and "why not's" may never really be known.

The truthfulness of the respondents' participation in the study was thought to be a possible limitation on the study. However, although there were 88 respondents only 30 data points were available for use, and it was not possible to do regression and other linear comparisons. Furthermore, only nine out of a possible 88 respondents' Broad-Based BEE scorecard could be used, which accounts for a mere 11.25% of participants.

With regards to the statistical element of the research, the non-parametric alternative, Mann-Whitney test was done between two groupings at a time. The lack of measureable instruments due to the size of the data, necessitated it to also perform the ANOVA and Kruskal-Wallis tests. The Mann-Whitney test was used because some values are too high or too low to measure. It is impossible to analyse such data with a parametric test since one does not know all of the values. Using a non-parametric test, such as the Mann-Whitney test

with these data is simple. The Mann-Whitney test would then have the result that it will not matter that one does not know all the values exactly.

Cronbach's α (alpha) is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. Due to the limitations of the usable data size, the Cronbach's α as a coefficient of reliability was used, and indicated that a reliable total can be calculated.

CHAPTER 4:

CONCLUSIONS AND RECOMMENDATIONS

4.1 CONCLUSIONS

Although there is little certainty relating to the factors why the respondents are, according to the data, ineffectually adhering to the Broad-Based BEE Act, certain assumptions can be drawn from the size of each of the respondents and their participation and outlook towards Broad-Based BEE.

It would seem from the data that the respondents wish to make a significant contribution towards Broad-Based BEE, with the emphasis on *broad-based*. Notwithstanding the preferences of the respondents about the specific elements of Broad-Based BEE they are pursuing, almost all of the respondents focused on a broader application of Broad-Based BEE and subsequently a broader elevation of black people rather than promoting an individual to score points on the Broad-Based BEE certificate/scorecard. As previously mentioned, the motives may never be clear.

The statistics is somewhat heart-warming since the current onslaught of the South African government is directed at *broad-based* empowerment rather individual advancement. At the time of completion of the questionnaires, none of the respondents made real advances towards redistribution of land or so-called land reform initiatives. This could prove to be problematic since this is the current focal point of the South African government. The respondents could use the consistent pressure of the Youth League of the African National Congress (ANCYL) and its supporters as a vantage point. Agribusiness as well as Broad-Based BEE is at the top of the ANCYL's agenda. The respondents could use the initiative to negotiate with the ANCYL to secure their own Broad-Based BEE initiatives being implemented gaining advantage over competitors. The rule of thumb would suggest that the first movers would gain the most from such Broad-Based BEE initiative.

The results show without a doubt that the Qualifying Small Enterprises (QSEs) have a different outlook towards Broad-Based BEE than the larger companies. It is evident that both groups of entities are committed towards Broad-Based BEE, but the focus is dissimilar. The QSEs cannot afford to divide their ownership into smaller pieces, while to the contrary, larger respondents seem more willing to sell an ownership stake than the QSE. This is confirmed by the t-test of black ownership indicating that more of the smaller respondents (QSEs) do not have black ownership than the larger respondents have black ownership. The

respondents with less employees have a bigger percentage of non-black ownership and the larger part of the respondents with current black ownership said that they would pursue further black ownership.

Another undefined finding is that the large respondents seem to be less supporting of implementing BEE and transformation in *their industry*. This could denote that the large respondents are looking elsewhere to implement BBE and transformation. What is also evident is that the smaller respondents seem to be more keen to implement joint ventures with current black businesses than the larger respondents are. The larger respondents i.e. those respondents that currently have black ownership are more willing to consider starting a new business in a joint venture with a new BEE participant.

Concerning the vision of the respondents regarding the future of their businesses and participation with Broad-Based BEE, more respondents with current black ownership envisage a better future BEE status. It is also very insightful that a greater percentage of the respondents that do not have black ownership indicated that the ABC does not give adequate support.

Another interesting discovery is that a higher percentage of the respondents do not have a mentorship program in relation to their turnover. Therefore the larger the respondents are, the less likely they would be to have a mentorship program. This is confirmed by the data suggesting that the respondents with more employees are less involved in mentorship programs. A higher percentage of the respondents that do not have the capacity and time to implement BEE and land reform are not involved in Mentorship programs.

The data also exemplify that the respondents that are currently not involved in Broad-Based BEE, do not intend to become involved

4.2 RECOMMENDATIONS

The data suggest that certain of the respondents still have some "issues" with the implementation of the Broad-Based BEE Act. Balshaw and Goldberg (2005:36) have identified certain key elements, considerations or ingredients that could ease the "pain" that exist for some companies to implement Broad-Based BEE. Once the elements are studied closer, these elements reveal them to not be some extravagant, unattainable set of regulations, but rather a directive(s) to do business by that could easily be reconciled with the King III Report as well as the New Companies Act (Act 71 of 2008).

These elements include *great leadership, strong enterprise ethics, assessment of the future business needs rather than the past successes, having a high level of trust between the parties, long-term investment horizons for Broad-Based BEE participants* - the list goes on.

The whole concept of Broad-Based BEE deemed to be so important that the King Commission dedicated a chapter in the King III report to Broad-Based BEE.

Practice Note 9, issued by the King III Commission is clear on how every good corporate citizen should approach and conduct itself in the midst of the requirements of the Broad-Based BEE Act.

Effective leadership on Broad-Based BEE seems to be the King III Commission's (King Commission, 2009:3) most important component of adherence. The practice note of the King Commission on Broad-Based BEE is attached herewith marked as Annexure D. According to King III (King Commission, 2009:4), Broad-Based BEE, social transformation and redress are matters for the board and as such should be elevated to board level and integrated into sustainability considerations, which is evident if the seriousness of the matter of Broad-Based BEE. King III is also clear in that the board should be responsible for ensuring that an organisation develops an *overall* Broad-Based BEE policy, in line with the determined strategy of the company (King Commission, 2009:5). King III continues to state that Broad-Based BEE matters should form part of the business performance and risk management targets. The Commission suggests that the strategy and clear targets should be institutionalised by integration into the organisation's performance management system. The organisation's performance on Broad-Based BEE should be reported on in the integrated report and disclosed to stakeholders.

The King Commission is also clear on the fact that reporting on Broad-Based BEE should be regarded as good governance practice and should be incorporated into the sustainability reporting which will supplement and contextualise the financial component of the integrated report to stakeholders (King Commission, 2009:5). It can be assumed that all Agribusinesses in South Africa, acknowledge through their participation with the Broad-Based BEE Act that successfully implementing Broad-Based BEE is not only morally and ethically right, but also commercially prudent.

The emphasis that Broad-Based BEE places on the upliftment of black people in South Africa as a measure for the normalisation of South African society is apparent. The King III report advocates that Broad-Based BEE will improve the buying power of the broader South

African demography, thereby expanding the markets in which respondents trade and increasing demand for the products that respondents sell (King Commission, 2009:4) and therefore the board should be encouraged to probe Broad-Based BEE matters and to receive and consider detailed responses from management as part of their responsibilities.

4.3 AREAS FOR FUTURE RESEARCH

The ABC questionnaire is currently distributed every 2nd year. It could be anticipated that when the data of the 2012 questionnaire is reviewed it would show that the respondents have moved forward from their status towards Broad-Based BEE and be in more favourable positions with regards to Broad-Based BEE scorecards and the like. This would also denote that the mean would enlarge since the respondents that have legitimate BEE certificates should grow in numbers and this will subsequently give a better overview of the industry.

The bigger database would most certainly enable future research regarding trends and correlation between elements and the specific outlook of agribusinesses towards Broad-Based BEE.

Future research would not only be restricted to gathering data on the respondents, but it could also entail proposing and implementing strategic plans, such as employee trusts to further the element of Broad-Based BEE.

The secondary objective of this research proved to be a vast area of future research. Once management's commitment towards the Broad-Based BEE Act is determined the possibility of the implementation of a employees' trust within the company and its shareholders could be visited to ensure that the extent of the Broad-Based BEE Act is adhered to on all levels of business.

4.4 SUMMARY

Every business in South Africa, including agribusinesses are compelled by law to implement Broad-Based BEE. The Broad-Based BEE Act (Act 53 of 2003) is however seen by many companies as one of the last items on the priority list. The questionnaires and the subsequent data extracted, is a clear indication that the agribusiness has reached a ceiling. Since the inception of the Broad-Based BEE Act (Act 53 of 2003), the highest constant level of Broad-Based BEE contribution that any agribusiness could achieve is Level 5. When this level is compared to the mining industry, agriculture seems to be lagging. When the respondents' reaction towards Broad-Based BEE is evaluated, it seems that they have many

schemes to enhance their level of BEE contribution, but it is perceived that they require these schemes to be executed on their own terms.

Be that as it may, the respondents were all keen to show their commitment towards Broad-Based BEE. There is a definitive division between the QSEs and large respondents, which division is visible when the logical participation of the respondents are examined. The QSEs seem to try to keep the effect of the Broad-Based BEE at arm's length whereas the larger respondents have less difficulty to provide ownership options to identified persons. It is also evident (and expected) that the respondents that are the least active from a Broad-Based BEE perspective know the least about the Broad-Based BEE setup.

It is somewhat disturbing that only nine of the respondents participating in the questionnaire are in possession of legitimate Broad-Based BEE certificates or the level of contribution could easily be assessed. The agricultural community in South Africa is not that big, however there are still a lot of companies that do not comply with legislation, more than seven years after inception of the Broad-Based BEE Act (Act 53 of 2003). The Agricultural Business Chamber (ABC) as well as other private organisations will have to seriously attend to this matter. Although it is the members' own responsibility to comply with legislation, the ABC currently plays and will in time to come play a very direct and influential role in the compliance to this legislation.

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CHAPTER 5: ANNEXURES

5.1 TABLES

Table 5.1—1: Table

T-tests; Grouping: Size (Data.sta) Group 1: Large Group 2: QSE											
Variable	Mean - Large	Mean - QSE	t-value	df	p	Valid N - Large	Valid N - QSE	Std.Dev. - Large	Std.Dev. - QSE	F-ratio - Variances	p - Variances
@14.Fstatus	5.500000E+00	8	-2.58199	28	0.015347	28	2	1.319371E+00	1	1	0.586520
@22.Support	5.142857E+00	4	2.42803	28	0.021860	28	2	9.315175E-01	1	2	1.000000
@23.Pressure	3.821429E+00	1	3.99210	28	0.000429	28	2	9.833266E-01	0	0	1.000000
@28.Sell	4.000000E+00	1	2.63014	28	0.013713	28	2	1.586984E+00	0	0	1.000000
@33.Courses	3.571429E+00	2	2.59291	28	0.014961	28	2	1.103146E+00	1	2	0.946135
@37.MentorJV	5.035714E+00	3	3.37957	28	0.002153	28	2	7.926581E-01	1	3	0.171289

Table 5.1—2: Main commodity

Frequency table: Main commodity: Main commodity (Data.sta)				
	Count	Cumulative - Count	Percent	Cumulative - Percent
Grain	9	9	7.96460	7.9646
Fruit	4	13	3.53982	11.5044
Grain / livestock	4	17	3.53982	15.0442
Livestock	6	23	5.30973	20.3540
Grain / l	1	24	0.88496	21.2389
Wattle	1	25	0.88496	22.1239
Missing	88	113	77.87611	100.0000

Table 5.1—3: T-tests of Ownership

T-tests; Grouping: @7.Blackownership: 7.Blackownership (Data.sta) Group 1: 1 Group 2: 0											
	Mean - 1	Mean - 0	t-value	df	p	Valid N - 1	Valid N - 0	Std.Dev. - 1	Std.Dev. - 0	F-ratio - Variances	p - Variance s
@5.Turnover	3.369736E+09	1.077050E+09	2.54509	28	0.016720	15	15	3.257066E+09	1.250564E+09	6.78331	0.000974
@6.NPAT	1.072970E+08	1.868153E+07	2.47146	28	0.019804	15	15	1.125626E+08	8.132647E+07	1.91569	0.236180
@8.owner	1.413202E+01	0.000000E-01	4.80168	28	0.000048	15	15	1.139873E+01	0.000000E-01	0.00000	1.000000
@9.Permanent	1.074200E+03	3.384000E+02	3.00591	28	0.005536	15	15	8.839293E+02	3.427206E+02	6.65204	0.001083
@13.Cstatus	7.800000E+00	8.866667E+00	-2.72685	28	0.010909	15	15	1.473577E+00	3.518658E-01	17.53846	0.000003
@14.Fstatus	5.066667E+00	6.266667E+00	-2.46255	28	0.020210	15	15	1.334523E+00	1.334523E+00	1.00000	1.000000
@15.Ownership	3.866667E+00	2.400000E+00	2.62950	28	0.013734	15	15	1.641718E+00	1.404076E+00	1.36715	0.566258
@23.Pressure	4.133333E+00	3.133333E+00	2.50498	28	0.018340	15	15	8.338094E-01	1.302013E+00	2.43836	0.106844
@27.ABCsupport	4.333333E+00	3.266667E+00	2.90738	28	0.007055	15	15	1.046536E+00	9.611501E-01	1.18557	0.754556
@28.Sell	4.733333E+00	2.866667E+00	3.53167	28	0.001452	15	15	1.437591E+00	1.457330E+00	1.02765	0.960025
@29.JV	4.933333E+00	3.600000E+00	3.28798	28	0.002723	15	15	1.162919E+00	1.055597E+00	1.21368	0.722131
@30.Partners	2.933333E+00	1.733333E+00	2.75414	28	0.010221	15	15	1.387015E+00	9.611501E-01	2.08247	0.182306
@37.MentorJV	5.266667E+00	4.533333E+00	2.23212	28	0.033786	15	15	5.936168E-01	1.125463E+00	3.59459	0.022663

Table 5.1—4: Mentoring programs uninitiated by the respondents

T-tests; Grouping: @38.Mentorprog: 38.Mentor prog (Data.sta) Group 1: 1 Group 2: 0											
	Mean - 1	Mean - 0	t-value	df	p	Valid N - 1	Valid N - 0	Std.Dev. - 1	Std.Dev. - 0	F-ratio - Variances	p - Variances
@5.Turnover	3.580844E+09	1.185342E+09	2.65779	28	0.012849	13	17	3.304131E+09	1.511539E+09	4.77832	0.004529
@6.NPAT	1.262660E+08	1.460120E+07	3.29410	28	0.002681	13	17	1.162278E+08	6.842602E+07	2.88521	0.050278
@9.Permanent	1.142846E+03	3.724706E+02	3.15840	28	0.003782	13	17	9.245985E+02	3.547008E+02	6.79489	0.000616
@14.Fstatus	5.000000E+00	6.176471E+00	-2.37835	28	0.024451	13	17	1.290994E+00	1.380004E+00	1.14265	0.829229
@15.Ownership	3.846154E+00	2.588235E+00	2.16226	28	0.039293	13	17	1.675617E+00	1.502449E+00	1.24380	0.671269
@22.Support	5.461538E+00	4.705882E+00	2.18103	28	0.037739	13	17	6.602253E-01	1.104802E+00	2.80017	0.077091
@25.Capacity	4.307692E+00	2.941176E+00	2.90283	28	0.007133	13	17	1.315587E+00	1.248529E+00	1.11030	0.828451
@28.Sell	4.615385E+00	3.176471E+00	2.47804	28	0.019508	13	17	1.502135E+00	1.629237E+00	1.17639	0.788563

Table 5.1—5: Broad-Based BEE initiatives instituted by the respondents

T-tests; Grouping: @40.Initiatives: 40.Initiatives (Data.sta) Group 1: 1 Group 2: 0											
	Mean - 1	Mean - 0	t-value	df	p	Valid N - 1	Valid N - 0	Std.Dev. - 1	Std.Dev. - 0	F-ratio - Variances	p - Variances
@28.Sell	4.263158E+00	3.000000E+00	2.05524	28	0.049291	19	11	1.694504E+00	1.483240E+00	1.30516	0.682800
@29.JV	4.631579E+00	3.636364E+00	2.17167	28	0.038507	19	11	1.164785E+00	1.286291E+00	1.21951	0.684766
@37.MentorJV	5.210526E+00	4.363636E+00	2.53896	28	0.016959	19	11	7.132825E-01	1.120065E+00	2.46583	0.091910



Department of Agriculture
South Africa

AgriBEE

Broad-Based Black Economic Empowerment Framework for Agriculture

*“It is the acceptance of a transparent, predictable
practical and implementable process of change which
will introduce certainty and stability and not an
illusionary absence of change”*

Thabo Mbeki, 22 September 1994

Department of Agriculture
July 2004

MESSAGE FROM MINISTER DIDIZA

In his State of the Nation Address in May this year, President Mbeki announced that the Department of Agriculture would release a draft AGRIBEE framework document for discussion by July. I am pleased today, to present the framework that is another one of the critical building blocks needed for the attainment of our ideal of a non-racial, non-sexist South Africa. This AGRIBEE framework is in line with existing government policy and legislation for redress of centuries of past racial discrimination and the consequences thereof. It is another step on the path we undertook when we defined the ideals of a non-racial, non-sexist society in our Constitution and understood the obligations that imposed on all of us.

The AgriBEE Framework establishes the guiding principles for broad based black economic empowerment in agriculture in a manner that seeks to build on the experience of transformation efforts over the past decade. It was preceded by the consideration of an empowerment study commissioned by the Department, a range of focussed consultative processes led by a broad reference group and the experience of developing and implementing the Broadening Access to Agriculture Thrust and more recently the Agricultural Sector Strategy.

Broad Based Black Economic Empowerment, in Agriculture as in all other sectors needs to be understood and used as a means to an end. Given the history of injustices in our country, developed and enforced over a number of decades, this is a means to redress such imbalances.

The aim for the Agricultural sector is the attainment of the vision agreed to through the Presidential Working Group on Agriculture in November 2001 of – A United and Prosperous Sector. Our vision, which was adopted by all key stakeholders, has as its main strategic goal “To generate equitable access and participation in a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all” and is underpinned by three key strategic objectives.

Following on the adoption of the Sector Plan we realised that focussed strategies needed to be implemented in order to transcend the racial divide which existed in the agricultural sector up until 1994, whilst at the same time creating an enabling environment which would stimulate growth, much needed competitiveness and innovation of the primary and secondary agricultural sectors. We had to take into account the challenges of globalisation, the absence of visible participation of women in the sector and the appalling conditions and job threats facing the

agricultural farm and industry workers. We took what we call the “Commodity Approach” which encompassed a thorough interrogation of the backward and forward linkages within the total value chain within and between various commodities.

This work has led us to recognising that more needs to be done to link the agricultural production and processing activities with the input sectors, the manufacturing industry, the consumer interests and environmental concerns. We also realised that whilst progress was being made – albeit slowly – in the development of commodity strategies, we could not leave the action of transformation and deracialisation to chance. In many cases the intended beneficiaries of the deracialisation process such as farm and industry labour were not actively involved in the definition of the desired short, medium and long-term outcomes.

This draft AGRIBEE framework therefore, is intended to assist all the existing and potential future stakeholders and partners in the Agricultural Sector to engage in a meaningful dialogue and course of action that can, in the shortest time possible erase the negative effects of our history of a dual sector and achieve outputs that can contribute to the higher societal ideal of a better life for all. It defines the building blocks for the elimination of skewed participation and inequity in the agricultural sector as a result and consequence of past racially biased policies and programme for the main components of successful agriculture. The AGRIBEE framework is complementary to the other key strategic initiatives of government to bring about growth, equity and employment and to ensure the sustainable management and use of the natural resources.

We have tried to ensure that the framework is written simply and unambiguously in order to assist the many established white farmers and business owners who regularly approach us for guidance on how they can make their contribution to Black Economic Empowerment. It is also intended to assist those of our black citizens who may have lost hope of ever participating in the agricultural sector as a consequence of alienation – with a comprehensive framework for approaching anew the opportunities that exist. It is our hope that this framework will discourage window dressing and rather inspire, clarify and assist in the acceleration of implementation of existing initiatives and of course guide the new ones that we expect to see unfold.

Over the next few months we expect this document to promote engagement between the Department of Agriculture and the various groups, black and white, rich and poor, who are involved or who wish to become involved in agriculture on the commitments that have been included, in order to ensure that our transformation agenda is

unambiguous, comprehensive and reflective of the complexity of the agricultural sector. For its part the Department of Agriculture will establish appropriate capacity to engage, inform and ultimately oversee the implementation of the AGRIBEE. In November this year, I would like to review the comments and inputs we have received and make necessary adjustments to this document in order to take the document to Cabinet for adoption in line with Section 12 of the Broad Based Black Economic Empowerment Act of 2003.

I would like to take this opportunity to thank the departmental team, the reference group and all those individuals who have worked tirelessly to ensure we reach this stage of the process of implementing black economic empowerment in the sector.

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VISION

To pursue Broad-based Black Economic Empowerment in support of a United and Prosperous Agricultural Sector.

PREAMBLE

Noting that:

- It is government's policy to facilitate a comprehensive and structural transformation in the agriculture economy in order to achieve a United and Prosperous Agricultural Sector in partnership with the other stakeholders.
- The Constitution of the Republic of South Africa and its Bill of Rights compel the country to promote the achievement of equality through enactment of legislation and other measures designed to protect and advance persons, or categories of persons previously disadvantaged by unfair discrimination.
- The Strategic Plan for South African Agriculture, assented to by the agricultural sector on the 27th November 2001, has as its strategic objectives to enhance equitable access and participation; improve global competitiveness and profitability and ensure sustainable resources management.
- The Land Reform Programme of Government that has three main sub programmes – Restitution, Redistribution and Tenure – has as a strategic objective the transformation of the South African apartheid land regime to create an enabling environment for political, social and economic empowerment of Historically Disadvantaged Individuals. To this end the Land Reform for Agricultural Development Programme was developed as a specific intervention to support Agriculture.
- The Vision and Code of Conduct on labour relations in agriculture was signed by Organised Agriculture, Labour Unions and Government.
- The following laws of the country are intended to assist socio-economic transformation: -
 - The Broad-based Black Economic Empowerment Act (2003);
 - The Competition Act (No. 89 of 1998 as amended by Act No. 35 of 1999);

- Extension of Security of Tenure Act (No. 62 of 1997);
- The Employment Equity Act (No. 55 of 1998);
- The Skills Development Act (No. 97 Of 1998);
- Restitution of Land Rights Act (No. 22 of 1994)

Recognising that:

- From the turn of the century and under the past apartheid dispensation, race and gender was used to control access to, use of and beneficiation from South Africa's agricultural productive resources;
- Despite all efforts of the democratic government, South African society remains characterised by vast racial and gender inequalities in the distribution of, and access to opportunities, wealth, income, skills and employment;
- Lack of optimum and effective participation by the majority of South Africans in the economy could have a detrimental effect on national security and future stability of the country;
- The Agricultural Sector because of its historical evolution has a critical role to play in the overall socio-economic transformation of the South African society and continues to play a significant role in the South African economy as a contributor to food security, jobs, rural development and exports.
- The rapidly changing global environment requires that greater attention be given to innovation, competitiveness, risks management, knowledge and information management all of which require that the South African Agricultural Sector be proactive in augmenting and expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation.

Therefore:

We the undersigned, develop this framework as our sector's deliberate attempt to redress the historical injustices and empower the historically disadvantaged South Africans in the Agricultural Sector. We affirm AgriBEE as a moral, political, social and fundamental economic imperative for our country's collective future.

1. SCOPE OF APPLICATION

AgriBEE applies to the entire value chain in the South African agricultural sector (from farm field to consumer plate), including all economic activities relating to provision of agricultural inputs, services, farming, processing, distribution, logistics and allied activities that add value to agricultural products.

2. DEFINITIONS

For the purposes of this framework document, the following terms apply:

Agriculture refers to all the economic activities associated with the production and processing of agriculture from the provision of farm inputs, farming and value addition.

AgriBEE is a sectoral broad-based black economic empowerment framework intended at a deliberate and systematic support of Black South Africans to actively participate fully in the agricultural sector as owners, managers, professionals, skilled employees and consumers.

The Act is the Broad-based Black Economic Empowerment Act, 2004.

Black people is a generic term that means Africans, Coloureds and Indians.

Broad-based black economic empowerment (equitable access and participation) in agriculture means economic empowerment of all Black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated social or economic strategies, that include, but are not limited to:

- (a) Increasing the number of Black people that manage, own, and control enterprises and productive assets;
- (b) Facilitating ownership and management of enterprises and productive assets by black communities, workers, cooperatives and other collective enterprises;
- (c) Human resource and skills development of Black people;
- (d) Achieving equitable representation in all agricultural professions, occupational categories and levels in the workforce;
- (e) Preferential procurement; and
- (f) Investment in enterprises that are owned or managed by Black people.

BEE enterprises are categories of enterprises with representative levels of participation at, ownership, management or control by Black South Africans, described in the Act.

- (a) A “black enterprise” is one that is 50,1% owned by Black person(s) and where there is substantial management control.
- (b) A “black empowered enterprise” is one that is at least 25,1% owned by Black person(s) and where there is substantial management control.
- (c) A “black woman-owned enterprise” is one with at least 25,1% representation of black women within the black equity and management portion.
- (d) A “community or broad-based enterprise” has an empowerment shareholder who represents a broad base of members such as a local community or where the benefits support a target group, for example black women, people living with disabilities, the youth and workers. Shares are held *via* direct equity, non-profit organisations and or trusts.
- (e) A “cooperative or collective enterprise” is an autonomous association of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned and democratically controlled enterprise.
- (f) Ownership refers to economic interests, the authority and power to manage assets, determine policies and direction of the company operations.
- (g) Management refers to executive directors, senior management, middle management and junior management.

CASP means Comprehensive Agriculture Support Programme.

Enterprise is a generic term used to describe an agricultural business and includes farms business and other related services that support agriculture.

Established Industry means those individuals, groups, cooperatives or companies which were in existence prior to 1994 and had a predominantly white management, ownership and control structure.

High potential and unique agricultural land

HDI: [Historically Disadvantaged Individuals] refer to any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act 200 of 1993).

Mainstreaming means a process of graduating operators from lower levels of economic activity in agriculture into sustainable economic viability and integrating and recognising these operators in the mainstream economy.

Sector: The agriculture community within the entire value chain of agriculture businesses.

Sector Plan: Strategic Plan for South African Agriculture developed jointly by the Government of the Republic of South Africa, AgriSA (including Agribusiness Chamber) and NAFU, signed on 27 November 2001.

SOE: State-owned enterprise.

Stakeholders is used a broad term to describe participants in the entire agricultural value chain as well as current and potential beneficiaries of AgriBEE.

3. OBJECTIVES

The objectives of AgriBEE are to eliminate racial discrimination in the agricultural sector through implementing initiatives that mainstream Black South Africans in all levels of agricultural activity and enterprises along the entire agricultural value chain by:

- (a) Promoting equitable access and participation of Historically Disadvantaged Individuals in the entire agriculture value chain;
- (b) Deracialising land and enterprise ownership, control, skilled occupations and management of existing and new agricultural enterprises;
- (c) Unlocking the full entrepreneurial skills and potential in the sector of HDIs;
- (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 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 women, people living with disabilities and youth 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.

4. COMMITMENTS

All stakeholders commit to the underlying principles of the AGRIBEE Framework and undertake to work to create an enabling environment for the empowerment of HDIs by delivering on the following: -

4.1 AGRICULTURAL LAND

High potential and unique agricultural land is a critical but limited and scarce resource in South Africa. Stakeholders shall work together to ensure that HDIs have ownership, leasehold and or use of high-potential and unique agricultural land.

The Established Industry undertakes to:-

- Contribute to the realisation of country's objective of ensuring that **[30%]** of agricultural land is owned by Black South Africans by the year 2014;
- Contribute to an additional target to make available **[20%]** of own existing high potential and unique agricultural land for lease by Black South Africans by year 2014;
- Make available **[15%]** of existing high potential and unique agricultural land for acquisition or lease by 2010;
- Support legislative and development initiatives intended to secure tenure rights to agricultural land in all areas;
- Make available **[10%]** of own agricultural land to farm workers for their own animal and plant production activities.

Government undertakes to:-

- Contribute through its existing programmes to increasing access and acquisition of agricultural land by Black South Africans;
- Proactively acquiring suitable agricultural land that comes on the market for land redistribution;
- Use agricultural land that reverts to the state through foreclosure of indebted farmers for redistribution;
- Promote the development of a thriving, viable land rental/lease system;
- Promote sustainable management and use of natural resources.

Black South African landowners and users undertake to:-

- Ensure productive and sustainable use of high potential and unique agricultural land.

4.2 HUMAN RESOURCES DEVELOPMENT

Rapid changes in the global environment require that Stakeholders work together to ensure greater attention is given to expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation. Commercial viability in agriculture demands sustained productivity and high levels of entrepreneurship, long term commitment, resources and skills. Agriculture in South Africa has a low absorption rate of skilled and trained labour that is inconsistent with its needs. This is evidenced by the huge proportion of agricultural graduates not being able to find employment. High levels of illiteracy in the country are also experienced within farming communities.

The Sector undertakes to:-

- Eliminate by 75% the rate of illiteracy within farming communities by year 2008;
- Eliminate completely the rate of illiteracy within farming communities by year 2010;
- Ensure that all workers in the secondary and tertiary level of the sector are functionally literate and numerate by year 2010;

- Establish training programmes for farm and enterprise workers in appropriate technical and management skills by July 2005.
- Collaborate in ensuring maximum use of resources of the relevant Sector Education and Training Authorities [PAETA, Food and Beverage Sector and SETASA] to achieve the above targets;
- Institute a sector-wide young professionals employment and mentoring programme, which targets 5 000 black unemployed and underemployed graduates per annum for the next 5 years in all disciplines starting in 2005 financial year, mentorship programmes shall be accredited by the relevant SETA or other agreed authority.

The Established Industry undertakes to:-

- Develop by July 2005 a mentorship programme by existing and retired knowledgeable experts and entrepreneurs as one of the mechanisms for transferring skills to new Black entrants. Such a mentorship programme will have clearly defined guidelines and criteria for participation, as well as an effective monitoring system;

Government undertakes to:-

- Promote agriculture as a career and will in 2005 undertake a review of the effective demand for human resources in the agricultural sector ;
- Lead and coordinate a targeted programme in collaboration with education authorities, farmers' organisations 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 by 2006;
- 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.

4.3 EMPLOYMENT EQUITY

In keeping with Employment Equity Act and the Skills Development Act all enterprises in the sector undertake to:

- Progressively achieve a [**30%**] representativity of black people at executive management of each enterprise by year 2006;
- Progressively achieve a [**50%**] representativity of black people at senior management of each enterprise by year 2008;
- Progressively achieve a [**60%**] representativity of black people at middle management of each enterprise by year 2008;

- Progressively achieve a [**70%**] representativity of black people at junior management of each enterprise by year 2008;
- Progressively achieve a [**10%**] representativity of black women at executive management of each enterprise by year 2006;
- Progressively achieve a [**25%**] representativity of black women at senior management of each enterprise by year 2008;
- Progressively achieve a [**30%**] representativity of black women at middle management of each enterprise by year 2008;
- Progressively achieve a [**45%**] representativity of black women at junior management of each enterprise by year 2008.

These targets are geared toward achieving a representative management outlook in all enterprises by year 2014 which in turn will reinforce and consolidate the AGRIBEE outcomes.

4.4 ENTERPRISE OWNERSHIP AND EQUITY

Key to broad based black economic empowerment in agriculture is the ownership of assets and enterprises within the sector. Historically, the interpretation of ownership in agriculture has been understood to be dependant upon ownership of land. This AGRIBEE framework makes a distinction between land and enterprise ownership. Stakeholders in the sector will work towards the development and implementation of a diversity of enterprise ownership models in support of AGRIBEE.

The Established Industry under takes to: -

- Ensure [**35%**] black ownership of existing and new enterprises by 2008;
- Ensure that where investment initiatives are undertaken on the African continent, [**10%**] of the portion of the South African investment is allocated to Black South Africans;
- Enter into joint ventures and partnership arrangements to ensure that [**30%**] of export market opportunities accrue to black owned enterprises by 2007;
- Ensure [**10%**] farm worker ownership of farm level enterprises by 2008.

4.5 PROCUREMENT AND CONTRACTS

The success of the commitments in this AGRIBEE framework is also influenced by the procurement and contractual behaviour of the retail, tourism, distribution and consumer sectors. In keeping with the spirit of this framework document all enterprises in the sector undertake to:

- Implement targeted procurement strategies and policies to realise BEE. The target will be [**50%**] of the total value of all procurement from BEE companies by 2010 and [**70%**] by 2014;
- Report annually on all BEE procurement spend;
- Progressively provide, where possible, Black South Africans and local SMEs a [**50%**] preferred supplier status including the supply of services and goods over a five-year period;
- Contractual agreements will be based on immediate (monthly) payments for work rendered by black companies to allow the smooth running of operations and maintenance of quality results by end of October 2005.

4.6 AGRICULTURAL SUPPORT SERVICES

Support services such as access to finance, infrastructure, information and knowledge systems, are core pillars of sustainable empowerment initiatives. The Stakeholders recognise the fact that transformation challenges to overcome the history of dualism still exist in the agricultural sector.

The Established Industry undertakes to:-

- Engage the Financial Sector in order to ensure that through its Financial Charter opportunities for Black Economic Empowerment in the agricultural sector are realised;
- Ensure meaningful access to and use of infrastructure, assets and support services capacity that accumulated to them as a result of past apartheid policies to black enterprises in the sector by 2007;
- Comprehensively apply existing BEE principles and available opportunities to provide support services for the realisation of AGRIBEE.

Government undertakes to:-

- Ensure the creation of an enabling environment to support agriculture;
- Continue with the implementation of the Comprehensive Agricultural Support Programme.

Black people in the sector undertake to:-

- Proactively participate in the processes that define the need for agricultural support services and the subsequent design in the delivery of those.

5. MONITORING, EVALUATION AND REPORTING


Monitoring of broad based BEE and codes of good practise is determined in the Broad Based Black Economic Empowerment Act of 2003.

- Each institution within the sector undertakes to fully disclose and report [within its annual report], progress towards achieving the commitments. The first such annual report will be for the 2005 financial year.
- Specific areas of reporting shall include the following: - % high potential and unique agricultural land disposal and transfer to HDIs; Human Resource Development Programmes in place; Employment Equity and Representativity targets achieved; BEE procurement spend; Agricultural Support Services initiatives.
- A scorecard will be developed as an integral part of the AGRIBEE framework.

SIGNATORIES

[Comprehensive list to be finalised at the end of the consultative process]

Annexure B




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GOVERNMENT NOTICE

DEPARTMENT OF TRADE AND INDUSTRY

No. 314

20 March 2008



DEPARTMENT OF TRADE AND INDUSTRY

AGRIBEE SECTOR CHARTER ON BLACK ECONOMIC EMPOWERMENT

I, Mandisi Mpahlwa, Minister of Trade and Industry, hereby-

- a) Issue the following AGRIBEE Sector Charter under Section 12 of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- b) Determine that this charter will come into operation on the date of this publication.


MANDISI MPAHLWA (MP)
MINISTER OF TRADE AND INDUSTRY

DATE: 05-02-2008



**Department of Agriculture
South Africa**

Broad-Based Black Economic Empowerment

**Transformation Charter for
Agriculture**

AgriBEE

2007-08-22

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1. INTRODUCTION

This Charter is the outcome of a widely consultative process culminating in the AgriBEE Indaba ('the Indaba') held in December 2005. It takes into account opinions expressed at the Indaba and all previous drafts and the gazetted Codes of Good Practice for Broad-Based Black Economic Empowerment ('the Codes') as published by the Department of Trade and Industry ('the dti').

While the Broad-Based Black Economic Empowerment Act, No 53 of 2003 ('the Act') has guided the development of the AgriBEE Charter, 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 AgriBEE Charter derives directly from the Sector's core objective to ensure increased access and equitable participation in the Sector.

This document has been developed as a Transformation Charter for the agricultural Sector in terms of Section 12 of the Act and provides guidelines for empowerment in the Sector. It includes a Scorecard that is intended to form the basis for a Section 9 agricultural Sector Code. Where there is doubt, uncertainty or ambiguity with respect to the interpretation of this Charter, the content of the Codes of Good Practice, as published by the dti, will prevail.

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 this charter and, in turn, are encouraged to be consistent and in alignment with the AgriBEE Charter.

Targets contained in the Indicative AgriBEE and Indicative AgriQSE Scorecards are based on those contained in the final version of Phase I of the Codes of Good Practice and those contained in the draft Phase II Codes of 20 December 2005, as well as on stakeholder inputs, comments and recommendations. Where no substantive reasons for deviation from targets contained in the Codes of Good Practice was put forward by stakeholders, targets have largely remained aligned with those contained in the abovementioned versions of the Codes. However, it should be noted that targets contained in Phase II of the Codes are subject to change, following a public commentary process. In this regard, the AgriBEE charter will align its targets to those contained in the final version of Phase II of the Codes, except where justification for deviation can be adequately provided on the basis of sound economic rationale and/ or Sector development needs as part of the Sector Code development process.

2. SCOPE OF APPLICATION

- 2.1. The scope of the AgriBEE Transformation Charter shall include any Enterprise which derives the majority of its turnover from:
 - The primary production of agricultural products;
 - The provision of inputs and services to Enterprises engaged in the production of agricultural products;
 - The beneficiation of agricultural products whether of a primary or semi-beneficiated form; and
 - 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 or Section 12 Transformation Charter, the Measured Enterprise must be guided by the principles embodied in the Codes of Good Practice.
- 2.3. This Charter applies to multinational businesses or South African multinationals whose business falls within the scope of the Charter as defined in this section. Where a specific regime for multinationals exists in the Codes of Good Practice, this regime will apply.
- 2.4. Enterprises as defined in paragraph 2.1, are encouraged to measure their contributions to the seven elements of broad-based BEE as contained in the Indicative AgriBEE Scorecard
- 2.5. Notwithstanding paragraph 2.4, Enterprises with a 5 year moving average annual turnover of between R5 million and R35 million qualify for BEE compliance measurement in terms of the Indicative AgriQSE Scorecard. These are indicative thresholds that are subject to change following appropriate benchmarking studies, sub-sector inputs, other relevant information and consultation as part of the Section 9 Codes process.
- 2.6. Notwithstanding paragraphs 2.4 and 2.5, Enterprises with a 5 year moving average turnover of less than R5 million, will be classified as Exempted Micro Enterprises ('EME's'). This is an indicative threshold that is subject to change following appropriate benchmarking studies, sub-sector inputs, other relevant information and consultation as part of the Section 9 Codes process. EME's will enjoy a deemed BEE recognition level of Level 4 (as defined in the Codes of Good Practice), without proof of contribution through BEE verification. However, EME's are encouraged to contribute to transformation in agriculture, particularly in the areas of skills development and corporate social investment and are therefore incentivised to increase their BEE status by:

- Contributing to any two of the seven elements of broad-based BEE, with the exception of the employment equity element. In this event, each element will have a weighting of 50%, and if the Enterprise obtains between 50% and 70% on the AgriQSE Scorecard, it will be regarded as a Level Three Contributor to BEE. In the same way, if the Enterprise obtains 70% or more on the AgriQSE Scorecard, it will be regarded as a Level Two Contributor to BEE; or
- Contributing to any three of the seven elements of broad-based BEE, with the exception of the employment equity element. In this event, each element will have a weighting of 33.3%, and if the Enterprise obtains between 45% and 65% on the AgriQSE Scorecard, it will be regarded as a Level Three Contributor to BEE. In the same way, if the Enterprise obtains 70% or more on the AgriQSE Scorecard, it will be regarded as a Level Two Contributor to BEE.
- The BEE status of an Enterprise must be raised to the next highest BEE status level to the one at which it is evaluated, when Black People hold more than 50% of the Exercisable Voting Rights and more than 50% of the Economic Interest in that Enterprise.

It must be noted that a status above Level 4 can only be granted to an EME once the Enterprise has obtained a BEE verification certificate.

- 2.7. The AgriBEE Council will review and adjust the turnover thresholds for QSE's and EME's periodically in line with relevant inflation indicators.

3. OBJECTIVES

3.1. The objectives of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 are to facilitate Broad-based Black Economic Empowerment by:

- Promoting economic transformation in order to enable meaningful participation of Black People in the economy;
- achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new Enterprises;
- 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;
- 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;
- 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;
- empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- promoting access to finance for black economic empowerment.

3.2. The objectives of AgriBEE 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:

- Promoting equitable access and participation of Black People in the entire agricultural value chain;
- De-racialising land and Enterprise ownership, control, skilled occupations and management of existing and new agricultural Enterprises;
- Unlocking the full entrepreneurial skills and potential of Black People in the Sector;
- Facilitating structural changes in agricultural support systems and development initiatives to assist Black South Africans in owning, establishing, participating in and running agricultural Enterprises;
- Socially uplifting and restoring the dignity of Black South Africans within the Sector;
- 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;

- 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;
- Empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills;
- The improvement of living and working conditions and promotion of decent living and working conditions for farm workers; and
- 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 indicative BEE status of an Enterprise which falls within the scope of application of the AgriBEE Charter will be determined by the Enterprise's score on the AgriBEE Scorecard. The Scorecard consists of the following seven key elements:

- Ownership
- Management control
- Employment equity
- Skills development
- Preferential procurement
- Enterprise development
- Rural Development, poverty alleviation and corporate social investment ('CSI')

4.2. The Indicative Scorecards will apply until such time as Sector Codes are published in terms of Section 9 of the Act, whereafter these Sector Codes will apply.

4.3. An Enterprise's indicative BEE status will determine the proportional indicative BEE procurement recognition level that the Enterprise will enjoy as a supplier to other entities applying the AgriBEE Charter.

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on the AgriBEE/ AgriQSE Scorecard	135%
Level Two Contributor	≥85 but <100 points on the AgriBEE/ AgriQSE Scorecard	125%
Level Three Contributor	≥75 but <85 on the AgriBEE/ AgriQSE Scorecard	110%
Level Four Contributor	≥65 but <75 on the AgriBEE/ AgriQSE Scorecard	100%
Level Five Contributor	≥55 but <65 on the AgriBEE/ AgriQSE Scorecard	80%
Level Six Contributor	≥45 but <55 on the AgriBEE/ AgriQSE Scorecard	60%
Level Seven Contributor	≥40 but <45 on the AgriBEE/ AgriQSE Scorecard	50%
Level Eight Contributor	≥30 but <40 on the AgriBEE/ AgriQSE Scorecard	10%
Non Compliant Contributor	<30 on the AgriBEE/ AgriQSE Scorecard	0%

4.4. The gazetting of a Transformation Charter for the agricultural Sector, in terms of Section 12 of the Act is evidence of the commitment by all stakeholders to promote Broad-Based Black Economic Empowerment in the agricultural Sector.

5. ELEMENTS OF EMPOWERMENT

5.1. 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. This element is divided into two sections namely 'General Ownership' and 'Agricultural Land Ownership' to account for the unique challenges facing the Sector in this respect.

5.1.1 GENERAL OWNERSHIP

In line with the Strategic Plan, 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.

Historically, the interpretation of ownership in agriculture has been understood to be dependent upon ownership of land. This AgriBEE framework makes a distinction between land and Enterprise ownership.

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.

Stakeholders in the Sector will work towards the development and implementation of a diversity of Enterprise ownership models in support of AgriBEE.

All Sector Stakeholders should endeavour to source sufficient financing in order to ensure the establishment of viable and sustainable Enterprises.

Agri-Industry undertakes to: -

- 5.1.1.1. 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 labourers and other Black entrepreneurs;

5.1.1.2. Further Black ownership in the agricultural Sector through the sale of assets. This is achieved by selling equity in Associated Enterprises in a Qualifying Transaction. Qualifying Transactions must be scored in terms of Statement 101 of the Codes of Good Practice, which states that equivalency points may be earned under the ownership element through this mechanism. In order for an Enterprise to enjoy continued recognition for ownership on the Scorecard through a Qualifying Transaction, the Transaction must ultimately result in:

- the creation of sustainable businesses or business opportunities for Black People; and
- the transfer of specialised skills or productive capacity to Black People; and
- it must not result in unnecessary job-losses;
- 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:-

5.1.1.3. Implement all legislative and other measures at its disposal to facilitate black ownership.

5.1.1.4. Facilitate access to state BEE funds that are made available by government departments, State-Owned Enterprises, and financial institutions.

5.1.2. AGRICULTURAL LAND OWNERSHIP

- 5.1.2.1. It is important to deal efficiently with land reform to ensure rural stability and market certainty. The process of economic empowerment in South African agriculture starts with improved access to land for Black People and the vesting of secure tenure rights with Black People in areas where these do not exist.
- 5.1.2.2. The target set by government for Land Reform is 30% of commercial agricultural land by 2014. This is also the RDP target set in 1994. It is understood that government's delivery on land transfer targets is fundamental to the achievement of other objectives in this Transformation Charter. Farming enterprises are encouraged to participate directly in this initiative by complying with the 'Land Ownership' element of the Scorecard. Farming enterprises can score either on the Ownership Indicator, Land Ownership Indicator, or both, with the total score limited to the weighting of 20% (or 25% in the case of QSEs). Where the Farming enterprise chooses to score on both Indicators Land should not be double-counted under both elements. Furthermore, the AgriBEE Scorecard incentivises contributions to achieving in excess of the national objective of minimum 30% land transferred to Black People. To this end, farming Enterprises which transfer more than 30% of total land can progressively score up to a maximum of 5 bonus points, in proportion to the percentage of total land transferred. (Land transferred as a consequence of expropriation by government will not be eligible for bonus points).
- 5.1.2.3. Productive and sustainable agricultural use of land must be ensured in accordance with the relevant agricultural policies and Acts. Studies should be done to provide a substantive scientific basis for the development of land (also refer to the Sustainable Resource Management Act).
- 5.1.2.4. Given the need to transfer land in support of national objectives, the nature of farming and the need to support Black People in establishing viable commercial farming Enterprises on the land that they receive, Measured Enterprises are encouraged to sell land in accordance with the principles and criteria attached to Qualifying Transactions outlined in paragraphs 5.1.1.1. However, these criteria and principles will only apply for a period of 5 years following the sale of land, whereafter the Measured Enterprise will enjoy continued recognition for ownership contributions. This refers exclusively to title deed land transfer.

- 5.1.2.5. Measured Enterprises will be recognised for the sale of land to Black People 5 years preceding the date of the commencement of the Section 9 Codes for the Agricultural Sector with respect to ownership contributions.

Farming Enterprises undertake to: -

- 5.1.2.6. Sell agricultural land to Black People and farm workers in market based transactions on a voluntary basis in Qualifying Transactions. (using the ownership element of the Scorecard as a vehicle to achieve this).
- 5.1.2.7. Lease agricultural land to Black persons in Qualifying Transactions. (using the enterprise development element of the Scorecard as a vehicle to achieve this).
- 5.1.2.8. Make available agricultural land to farm workers (using the corporate social investment element of the Scorecard as a vehicle to achieve this).

Government undertakes to: -

- 5.1.2.9. Contribute to increasing access and acquisition of agricultural land by Black People, through its existing programmes;
- 5.1.2.10. Proactively acquire suitable agricultural land that comes onto the market for land redistribution;
- 5.1.2.11. Use above mentioned land (5.1.2.10) and agricultural land that reverts to the state through foreclosure of indebted farmers, for redistribution, including through long lease arrangements (e.g. 99 year lease);
- 5.1.2.12. Promote sustainable management and use of natural resources;
- 5.1.2.13. Finalise the land restitution process by 2008;
- 5.1.2.14. Encourage the development of a land lease and land rental market;
- 5.1.2.15. Promote the consolidation and tenure on traditional community land in terms of the Communal Land Rights Act of 2004; and

- 5.1.2.16. Secure the ownership, access and tenure rights of Black Designated Groups through the registration of old order rights or new order rights into freehold ownership.

5.2. MANAGEMENT CONTROL

The objective of this element is to increase the participation and levels of control of Black People and 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.

Agri-Industry undertakes to: -

- 5.2.1. Promote participation by Black People in board positions;
- 5.2.2. Promote participation by Black People in executive management positions;
- 5.2.3. Promote participation by Black women in board and executive management positions; and
- 5.2.4. Promote participation by Black People as Independent Non-executive Board Members.

5.3. EMPLOYMENT EQUITY

Employment equity and skills development targets should be achieved within the ambit of the Employment Equity and Skills Development Acts.

The objective of the employment equity 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.

Agri-Industry undertakes to:-

- 5.3.1. Proactively employ members of Black Designated Groups at Senior Management, Professionally Qualified, Experienced Specialist, Mid-Management, Skilled Technical and Academically Qualified, Junior Management, Supervisors, Foremen, and Superintendent levels as prescribed in the Scorecards.

5.4. SKILLS DEVELOPMENT

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.

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 spend 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 Sector Education and Training Authority ('SETA') for information on such learning interventions.

Agri-Industry undertakes to:-

- 5.4.1. 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;
- 5.4.2. Dedicate resources to provide for experiential training, internships, in-service training and training infrastructure for prospective agribusiness entrepreneurs, farm managers and farm labourers;
- 5.4.3. Ensure maximum use of resources provided by the Skills Levy of the relevant SETAs;
- 5.4.4. 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

- 5.4.5. Implement quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees.

The Relevant SETAs undertake to:-

- 5.4.6. Establish SETA-funded training programmes for farm and Enterprise workers in appropriate technical and management skills;
- 5.4.7. Fast-track the registration of learners on NQF-aligned learning programmes;
- 5.4.8. Fast-track the implementation of appropriate learnership, internship, apprenticeship, in-service and mentorship programmes required by the Sector;
- 5.4.9. Fast-track the accreditation of appropriate sectoral service providers;
- 5.4.10. Encourage, support and monitor such programmes in the private sector;
- 5.4.11. Ensure the transformation of agricultural training institutions to accelerate preferential recruitment and admission of black trainees;
- 5.4.12. Encourage quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees;
- 5.4.13. 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
- 5.4.14. 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.

Government undertakes to:-

- 5.4.15. 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

- 5.4.16. 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;
- 5.4.17. Promote agriculture and agro-processing as a competitive career option;
- 5.4.18. Undertake a review of the effective demand for human resources in the agricultural Sector;
- 5.4.19. 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;
- 5.4.20. 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;
- 5.4.21. Promote functional literacy and numeracy through ABET programmes;
- 5.4.22. Encourage quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees; and
- 5.4.23. 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.

5.5. PREFERENTIAL PROCUREMENT

The success of the Sector's commitment to AgriBEE will largely be determined by the extent of the implementation of preferential procurement initiatives which will influence contractual relationships within the value chain. The objective of the preferential procurement element is to reward Enterprises which contribute towards broad-based BEE and to promote and encourage sustainable procurement from QSE's and EME's.

In the event of a natural disaster that has a significant impact on the structure of food supply, the AgriBEE Charter Council shall be empowered to revise any of the provisions, including import exclusions or mechanisms, in terms of this element in consultation with the Ministers of Agriculture and Trade and Industry.

Agri-Industry undertakes to:-

- 5.5.1. Proactively identify and implement targeted procurement strategies and policies to realise AgriBEE objectives and to meet preferential procurement targets;
- 5.5.2. Report annually on all preferential procurement spent;
- 5.5.3. Calculate preferential procurement spend on a proportional recognition basis, from suppliers with a BEE status of 30% or more on any broad-based BEE scorecard which has undergone a consultative process. The proportional recognition mechanism is contained in the table below:

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on a broad-based BEE Scorecard	135%
Level Two Contributor	≥85 but <100 points on a broad-based BEE Scorecard	125%
Level Three Contributor	≥75 but <85 on a broad-based BEE Scorecard	110%
Level Four Contributor	≥65 but <75 on a broad-based BEE Scorecard	100%
Level Five Contributor	≥55 but <65 on a broad-based BEE Scorecard	80%
Level Six Contributor	≥45 but <55 on a broad-based BEE Scorecard	60%
Level Seven Contributor	≥40 but <45 on a broad-based BEE Scorecard	50%
Level Eight Contributor	≥30 but <40 on a broad-based BEE Scorecard	10%
Non Compliant Contributor	<30 on a broad-based BEE Scorecard	0%

- 5.5.4. Progressively provide preferred supplier status to QSE's and EME's, including the supply of services and goods, in accordance with the requirements of the AgriBEE Scorecard.

Government undertakes to: -

- 5.5.5. Align their procurement practices with AgriBEE when procuring goods and services from the agricultural Sector, once Sector Codes for the agricultural Sector have been gazetted;

- 5.5.6. Provide Black People and QSE's preferred supplier status in the procurement of goods and services;
- 5.5.7. Identify, prioritise and target Black entrepreneurs and Enterprises which contribute to broad-based BEE when awarding tenders and contracts to entities in the private sector; and
- 5.5.8. Utilise all legislative and other measures available to it, including preferential procurement, to influence the attainment of broad-based BEE objectives.

5.6. ENTERPRISE DEVELOPMENT

Enterprise development refers to the establishment, support and integration of Black entrepreneurs in mainstream business processes. Support services such as access to finance, infrastructure, information and knowledge systems, are core pillars of sustainable empowerment initiatives.

Agri-Industry undertakes to:-

- 5.6.1. Strengthen and accelerate the development of the operational and financial capacity of Black entrepreneurs;
- 5.6.2. Provide mentoring, access to inputs, credit, infrastructure, markets, technology and extension services where applicable. Mentoring, as part of the enterprise development element, refers to the provision of technical and/ or general business assistance and support to Black emerging farmers, land reform beneficiaries and Black entrepreneurs.
- 5.6.3. Support land reform beneficiaries and Black persons to create sustainable businesses through the transfer of specialised skills in mentorship programmes. Such support (as well as the types of support described in paragraph 5.6.2 above) will be eligible for points under the enterprise development element provided it is quantified to a Rand value in terms of the opportunity cost of time spent on mentoring and/or other enterprise development endeavours. Support to land reform beneficiaries will enjoy enhanced recognition at a multiple of 1.3 of the Rand value of the actual contribution. Enterprises should engage with the relevant SETA for information on such learning interventions;
- 5.6.4. Commit cumulative enterprise development contributions which assist and accelerate the development of black entrepreneurs, as a percentage of cumulative net profit after tax measured from the Inception Date to the date of measurement as a criterion for measurement;

5.6.5. Lease agricultural land to Black entrepreneurs which meets the criteria for qualifying transactions in terms of paragraph 5.1.1.2.

5.6.6. Enhanced Recognition will be enjoyed for certain types of enterprise development initiatives, at a multiple of the Rand value of the actual contribution. These initiatives and their corresponding multipliers are listed below:

Enterprise Development Initiative	Multiple
Initiatives which directly contribute towards the creation of employment opportunities in rural communities and, in particular, in any geographic areas identified in government's integrated sustainable rural development and urban renewal programmes	1.5
Initiatives which assist and accelerate the development of EME's	1.25
Initiatives which assist and accelerate the development of beneficiary entities which produce or sell goods and/ or services not previously produced or manufactured in South Africa	1.5
Contributions in respect of warehousing funds (provided these funds do not own an equity interest in the Measured Enterprise)	1.25
Support to Land Reform beneficiaries in terms of mentoring or extension services, capital provision, input supply and market access opportunities, access to technology and infrastructure	1.5

Government undertakes to:-

5.6.7. Ensure the creation of an enabling environment to support agriculture;

5.6.8. Continue with, and further develop, the implementation of the Comprehensive Agricultural Support Programme ('CASP') and other government programmes;

5.6.9. Implement MAFISA (Micro-Agricultural Financial Institutions of South Africa) and other government financing facilities to further enterprise development;

5.6.10. Establish Public-Private Partnerships to improve service delivery; and

5.6.11. Activate Land Bank funding opportunities and financial products for black farmers.

5.7. RURAL DEVELOPMENT, POVERTY ALLEVIATION AND CORPORATE SOCIAL INVESTMENT (CSI)

Rural development, poverty alleviation and corporate social investment refers to contributions that are related to the agricultural industry and contributions actually initiated and implemented in favour of Black People with the specific objective of facilitating access to the economy. These initiatives should be motivated by the objective of providing Black People with social and economic opportunities and to establish a socio-economic environment conducive to these opportunities.

Farming Enterprises undertake to:-

5.7.1. Contribute to corporate social investment initiatives in respect of rural community members, workers and their families and seasonal workers, in particular. The following is a non-exhaustive list of examples:

- 5.7.1.1. Provision of good quality housing, including access to clean water, sanitation and electricity;
- 5.7.1.2. Provision of recreational facilities as well as running costs in this regard;
- 5.7.1.3. Provision or implementation of, health care programmes and related services (with due consideration for HIV/AIDS programmes);
- 5.7.1.4. Meeting the transport requirements of workers and their dependents, such as transport to clinics and hospitals, transportation of workers' products to the market, etc. in line with transport legislation and regulations;
- 5.7.1.5. Implementation of retirement, funeral and related schemes;
- 5.7.1.6. Investment in, and/or provision of support to, farm and/or rural schools;
- 5.7.1.7. Engagement in collective contributions to social development;
- 5.7.1.8. Provision of ABET to seasonal workers, rural community members and family of staff members

(whether casual or permanent) to increase literacy levels amongst rural South Africans;

5.7.1.9. Maintenance of bursary schemes to enable Black People to gain access to tertiary education institutions.

5.7.2. Contribute to corporate social investment initiatives and/or make land available to farm workers. In such cases, the Measured Enterprise will be awarded points in proportion to the target achieved for their contributions.

Agribusiness Enterprises undertake to:-

5.7.3. Contribute to social development and industry specific initiatives. The following is a non-exhaustive list of examples:

5.7.3.1. support for community education facilities; education programmes aimed at promoting the agricultural industry; and bursaries and scholarships to encourage learners to study agricultural sciences;

5.7.3.2. contributions to community training programmes aimed at skills development for the unemployed and ABET;

5.7.3.3. participation in development programmes for the youth and other designated groups;

5.7.3.4. support for programmes in conservation projects; community clean-up programmes and preservation of the natural environment;

5.7.3.5. promotion of job creation programmes in the agricultural and agricultural related Sectors, external to the business;

5.7.3.6. support for development programmes to develop new talent for arts and culture;

5.7.3.7. support community clinics and community health programmes (with due consideration for HIV/AIDS programmes); and

5.7.3.8. participate in- and support sports development programmes

6. GOVERNANCE

6.1 An AgriBEE Charter Council will be established and will report to the Black Economic Empowerment Advisory Council, appointed in terms of the Act and the Minister of Trade and Industry on progress made by the Sector in terms of the AgriBEE Charter.

6.2 The fundamental principles of the AgriBEE Charter Council are as follows:

- The AgriBEE Charter Council will be established as an independent body with a mandate to oversee the implementation of the AgriBEE Charter;
- The AgriBEE Charter Council will address issues of principle relating to the implementation of the Charter;
- The AgriBEE Charter Council will conduct reviews and take decisions;
- The AgriBEE Charter Council will consider whether the targets and implementation strategies are still appropriate, and if not how they should be varied should there be a material change in the circumstances or the environment in which the Charter has to be implemented;
- There will be equitable composition of Stakeholders in the members of the AgriBEE Charter Council.
- Decisions of the Charter Council will be taken on a consensual basis. If, on any issue, the Charter Council is unable to achieve consensus, there will be a dispute-breaking mechanism in the Charter Council either by some agreed mechanism within the Charter Council, or by reference to arbitration or mediation.

6.3 The Charter Council should be tasked with ensuring that the verification of BEE contributions in the agricultural Sector:

- consists of a valid and reliable process that is practical and legally defensible;
- is an accessible, flexible and cost effective system for the industry which may include electronic systems such as e-filing of BEE contribution data and self assessment tools;
- is subject to audit by agencies appointed in terms of the Codes of Good Practice;
- includes the issuing of qualified and unqualified BEE verification certificates, which respond to the unique needs of the Sector; and
- is universal and generally accepted and nationally recognised standards.

7. DEFINITIONS

For the purposes of clarification and to avoid ambiguity, the following terms apply to this Charter:

- 7.1. **ABET** means Adult Basic Education and Training as determined by the National Qualification Authority.
- 7.2. **Accreditation Body** means the South African National Accreditation System or any other Entity appointed by the Minister from time to time.
 - a. accrediting Verification Agencies; and
 - b. developing, maintaining and enforcing the Verification Standards.
- 7.3. **Acquisition debt** means the debts of:
 - a. black participants incurred in financing their purchase of their equity instruments in the Measured Entity; and
 - b. juristic persons or trusts found in the chain of ownership between the eventual black Participants and the Measured Entity but excluding debts incurred by the Measured Entity for the same purpose as those in (a).
- 7.4. **AgriBEE** is a Sectoral Transformation Charter as defined in Section 12 of the Broad-Based Black Economic Empowerment Act 53 of 2003.
- 7.5. **AgriBEE Scorecard** means the Broad-Based BEE scorecard published in the Government Gazette in terms of Section 9 of the Act. The Indicative Scorecard attached to this Charter document should be regarded as an indication of what is likely to be included in possible, future Sector Codes for agriculture.
- 7.6. **AgriQSE Scorecard** means the Broad-Based BEE scorecard for Qualifying Small Enterprises published in the Government Gazette in terms of Section 9 of the Act. The Indicative AgriQSE Scorecard attached to this Charter document should be regarded as an indication of what is likely to be included in possible, future Sector Codes for agriculture.
- 7.7. **Agriculture** refers to all the economic activities associated with the production and processing of agricultural products as defined in section 2.1.
- 7.8. **Agricultural Products** are as defined by the Marketing of Agricultural Products Act No. 47 of 1996.
- 7.9. **Agri-Industry** refers to the combination of **Farming Enterprises** and **Agribusiness Enterprises**.

- 7.10. **Approved Socio-economic Development Contributions** means monetary or non-monetary contributions carried out for the benefit of any projects approved for this purpose by any organ of state or sectors including without limitation:
- a. profits focusing on environmental conservation, awareness, education and waste management; and
 - b. projects targeting infrastructural development, enterprise creation or reconstruction in underdeveloped areas, rural communities or geographic areas identified in the government's integrated sustainable rural development or urban renewal programmes.
- 7.11. **Associated Enterprise** means an Entity with which a Seller has concluded a Qualifying Transaction
- 7.12. **B-BBEE** means an Entity with which a Seller has concluded a Qualifying Transaction.
- 7.13. **BEE controlled company** means a juristic person, having share holding or similar members interest in which black participants enjoy a right to Exercisable Voting Rights that is more than 50% of the total such rights measured using the Flow Through Principle.
- 7.14. **BEE owned company** means juristic person, having share holding or similar members interest, that is BEE controlled, in which black participants enjoy a right to Economic interest that is more than 50% of the total such rights measured using the Flow Through Principle.
- 7.15. **BEE Procurement Recognition Level** means the percentage BEE Procurement Recognition Levels as determined:
- a. for Enterprises that are neither Qualifying Small Enterprises nor Exempted Micro-Enterprises, using statement 000;
 - b. for Qualifying Small Enterprises, using statement 800; and
 - c. for Exempted Micro-Enterprises, a deemed BEE procurement Recognition of 100% and BEE Status of Level 4 Contributor under statement 800.
- 7.16. **BEE Status** means the BEE status of a beneficiary of Enterprise Development Contributions as determined under:
- a. Statement 800 for Qualifying Small Enterprises and Exempted Micro Enterprises; and
 - b. Statement 000 for all other Enterprises.
- 7.17. **Benefit Factor** means a factor specified in the Benefit Factor Matrix applicable to fixing the monetary value of Enterprise Development

and Socio Economic Development Contributions claimable under statement 600, 700, 806 and 807.

- 7.18. **Benefit Factor Matrix** means the Benefit Factor Matrix for Enterprise Development and socio Economic Development Contributions annexed to statement 600, 700, 806 and 807.
- 7.19. **Black Designated Groups**
- a. means unemployed black people not attending and not required by law to attend an educational institution and not awaiting admission to an educational institution;
 - b. Black people who are youth as defined in the National Youth Commission Act of 1996;
 - c. Black people who are persons with disabilities as defined in the Code of Good Practise on employment of people with disabilities issued under the Employment Equity Act;
 - d. Black people living in rural and under-developed areas.
- 7.20. **Black new entrants** means black participants who hold rights of ownership in a Measured Entity and who, before holding the Equity Instrument in the Measured Entity, have not held equity instruments in any other Entity which has a total value of more than R20 000,000, measured using a standard valuation method.
- 7.21. **Black People** has the meaning defined in the Act qualified as including only natural persons who are citizens of the Republic of South Africa by birth or descent; or are citizens of the Republic of South Africa by naturalisation:
- a. occurring before the commencement date of the constitution of the Republic of South Africa Act of 1993; or
 - b. occurring after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, within the Apartheid policy would have qualified for naturalisation before then.
- 7.22. **Black Professional Service Provider** means Black Individuals who provide services of a professional nature.
- 7.23. **Board** means those persons appointed by the Participants of a Measured Entity to undertake the management control of the Measured Entity. The Board is distinguishable from the Senior and Other Top Management by virtue of the fact that Senior and Other Top Management are primarily active in the operational day-to-day management while the Board is primarily active in the control function of the Measured Entity. This does not imply that members of the Board cannot also be Senior and Other Top Management. The term Board does not include persons appointed to that body as alternates.

- 7.24. **Broad-based Black Economic Empowerment (as defined in the Act)** means the economic empowerment of all Black People including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to-
- increasing the number of Black People that manage, own and control Enterprises and productive assets;
 - facilitating ownership and management of Enterprises and productive assets by communities, workers, cooperatives and other collective Enterprises;
 - human resource and skills development;
 - achieving equitable representation in all occupational categories and levels in the workforce;
 - preferential procurement; and
 - investment in Enterprises that are owned or managed by Black People;
- 7.25. **Broad-Based Ownership Scheme** means an ownership scheme which meets the rules set out in Annexe 1008.
- 7.26. **Certified Learning Programme** means any Learning Programme for which the Measured Entity has:
- a. any form of independent written certification as referred to in the "Learning Achievements" column of the Learning Programmes Matrix; or if it does not have such certification;
 - b. an enrolment certificate issued by the independent person responsible for the issue of the certification referred to in statement 400 and 804 confirming the employee has:
 - (i) enrolled for, is attending and is making satisfactory progress in the Learning Programme; or
 - (ii) enrolled for but not attended the Learning; or
 - (iii) attended the Training Programme but has failed an evaluation of their learning progress.
- 7.27. **The Act** means the Broad-Based Black Economic Empowerment Act 53 of 2003.
- 7.28. **Charter** means the AgriBEE Transformation Charter, including the Indicative AgriBEE Scorecard and the Indicative AgriQSE Scorecard
- 7.29. **Company Act** means the Companies Act 61 of 1973 as amended or substituted.
- 7.30. **Company limited by guarantee** means a company as referred to in section 19(1)(b) of the Companies Act.

- 7.31. **Competent person** means a person who has acquired through training, qualification and experience the knowledge and skills necessary for undertaking any task assigned to them under the codes.
- 7.32. **Core Skills** means skills that are:
- a. value-adding to the activities of the Measured Entity in line with its core business;
 - b. in areas the Measured Entity cannot outsource; or
 - c. within the production/operational part of the Measured Entity's value-chain, as opposed to the supply side, services or downstream operations.
- 7.33. **Critical Skills** means those skills identified as being critical by any SETA.
- 7.34. **Disabled Employees** has the meaning defined in the Code of Good Practice on Key Aspects of Disability in the Workplace issued under section 54 of the Employment Equity Act.
- 7.35. **EAP** means Economically Active Population as determined and published by State SA. The operative EAP for the purpose of any calculation under the Codes will be the most recently published EAP.
- 7.36. **Economic interest** means a claim against an Entity representing a return on ownership on the Entity similar in nature to a dividend right, measured using the Flow Through and, where applicable, the Modified Through Principles.
- 7.37. **EEC Act** means the Employment Equity Act of 1998, as amended.
- 7.38. **EE Regulations** means the regulations under the Employment Equity Act.
- 7.39. **Elements** means the measurable quantitative or qualitative elements of BEE compliance in the Generic Scorecard and the Primary Codes.
- 7.40. **Employee** bears the meaning as defined in the Labour Relations Act 66 of 1995 as amended.
- 7.41. **Employee Ownership Scheme** means a worker or employee scheme.

- 7.42. **Enterprise** means a natural or juristic person conducting a business, trade or profession in the Republic of South Africa. Unless the context otherwise indicates, Enterprises include, without limitation, a Measured Enterprise and an Associated Enterprise. Different types of Enterprises within the Sector are defined as follows:
- **Agribusiness Enterprises** means those individuals, groups, cooperatives or companies engaged in other agricultural activities as defined in the scope
 - **Farming Enterprises** means those individuals, groups, cooperatives or companies engaged in primary agricultural production activities as defined in the scope.
- 7.43. **Entrepreneur** means a person who starts and / or operates a business which includes identifying opportunities in the market, taking risks with a view of being rewarded with profits.
- 7.44. **Entity** means a natural or a juristic person conducting a business, trade or profession in the Republic of South Africa.
- 7.45. **Enterprise Development Contributions** means monetary or non-monetary contributions carried out for the following beneficiaries, with the objective of contributing to the development, sustainability and financial and operational independence of those beneficiaries:
- a. Category A Enterprise Development Contributions involves Enterprise Development Contributions to Exempted Micro-Enterprises or Qualifying Small Enterprises which are 50% black owned or black women owned;
 - b. Category B Enterprise Development Contributions involves Enterprise Development Contributions to any other Entity that is 50% black owned or black women owned; or 25% black owned or black women owned with a BEE status of between Level One and Level Six.
- 7.46. **Equity Equivalent Contribution** means an equity equivalent contribution made by a Multinational under an Equity Equivalent Programme.
- 7.47. **Equity Equivalent Programme** means a public programme or scheme of any government department, provincial or local government in the Republic of South Africa or any other programme approved by the Minister as an Equity Equivalent Programme.
- 7.48. **Equity Instrument** means the instrument by which a Participant holds rights of ownership in an Enterprise.
- 7.49. **Equivalency Percentage** means a percentage ownership performance for all the indicators in the Associated Enterprise's Ownership Scorecard arising from a Qualifying Transaction included in the Ownership Scorecard of the beneficiary entity.

- 7.50. **Executive Members of the Board** mean those members of the Board who are executive directors as defined in the King Report;
- 7.51. **Exempted Micro Enterprise** means an Entity with an annual turnover of less than R5 (five) million (refer also to Section 2.5).
- 7.52. **Exercisable Voting Right** means a voting right of a Participant that is not subject to any limit;
- 7.53. **Global Practice** means a globally and uniformly applied practice of a Multinational, restricting alienation of equity in or the sale of businesses in its regional operations. The practice must have existed before the promulgation of the Act.
- 7.54. **Grant Contribution** means the monetary value of Qualifying Contributions made by the Measured Entity to a beneficiary in the form of grants, donations, discounts and other similar quantifiable benefits which are not recoverable by the Measured Entity.
- 7.55. **Government** means the national, provincial and local spheres of government and State-Owned Enterprises which are distinctive, interdependent and interrelated.
- 7.56. **Higher Education Institution** means a higher education institution as defined under the Higher Education Act of 1997.
- 7.57. **Inception Date** means a date specified by a Measured Entity as being the date from which its Contributions are measurable before the commencement date of statement 600, 700, 806 and 807 of the B-BBEE Codes of Good Practice.
- 7.58. **Independent Non-Executive Board Members** means those members of the Board that are independent directors as defined in the King Report.
- 7.59. **Indicator Percentage** means the percentage compliance of the Associated Entity for all the indicators of the Associated Enterprise Ownership Scorecard. The calculation of Indicator Percentage follows the rules in statement 100 using the actual percentage compliance for each indicator and not the resulting scores.
- 7.60. **King Report** means the King Report on Corporate Governance for South Africa 2002 by the King Committee on Corporate Governance of the Institute of Directors in Southern Africa.
- 7.61. **Learning Programmes** means any learning programme set out in the Learning Programme Matrix.
- 7.62. **Learning Programme Matrix** means the Learning Programme Matrix annexed as Annexe "400A" 804(A) in statement 400 and 804.

- 7.63. **Leviable Amount** bears the meaning as defined in the Skills Development Levies Act of 1999 as determined using the Fourth Schedule to the Income Tax Act.
- 7.64. **Management Fees** means the total Economic Interest received by a Broad-Based Ownership Scheme in any year less the amounts distributed or applied to beneficiaries and the amounts reserved for future distribution or application.
- 7.65. **Mandated Investments** means any investments made by or through any third party regulated by legislation on behalf of the actual owner of the funds, pursuant to a mandate given by the owner to a third party, which mandate is governed by that legislation. Some examples of domestic mandated investments and the portions of those investments subject to the exclusion principle are contained in Annexe 100A attached to statement 100.
- 7.66. **Measured Enterprise** means an Entity as well as an organ of state or public entity subject to measurement under the Codes.
- 7.67. **Multinational Business** means a Measured Entity with a business in the Republic of South Africa and elsewhere which maintain its international headquarters outside the Republic.
- 7.68. **National Skills Development** means the national skills development strategy referred to in section 5(1)(a)(ii) of the Skills Development Act.
- 7.69. **Net Profit After Tax** means the operating profit of a measured entity after tax. It incorporates both the equity / loss figures and abnormal items, but excludes extra ordinary items as determined by (GAAP) Generally Accepted Accounting Practices.
- 7.70. **Net Profit Before Tax** means the operating profit of a measured entity before tax. It incorporates both the equity / loss figures and abnormal items, but excludes extra ordinary items as determined by (GAAP) Generally Accepted Accounting Practices.
- 7.71. **Net Value** means the percentage resulting from the formula in Annexe 100(C) of statement 100.
- 7.72. **Net-value Date** means the later occurring of the date of commencement of statement 100 and the date upon which the earliest of all still operative transactions undertaken by the Measured Entity Measured Entities in order to achieve black rights of ownership, became effective and unconditional.
- 7.73. **Non-profit Organisation** means a non-profit organisation registered under the Non-Profit Organisation Act of 1997.
- 7.74. **Outsourced Labour Expenditure** means any expenditure incurred in:

- a. procuring the services of or from a labour broker; and
 - b. procuring the services of any person who receives any remuneration or to whom any remuneration accrues because of any services rendered by such person to or on behalf of a labour broker.
- 7.75. **Ownership Fulfilment** has the same meaning as referred to in the ownership scorecard in statement 100.
- 7.76. **Participant** means a natural person holding rights of ownership in a Measured Entity.
- 7.77. **Priority Skills** means Core, Critical and Scarce Skills as well as any skills specifically identified:
 - a. in a Sector Skills Plan issued by the Department of Labour of the republic of South Africa; and
 - b. by the Joint Initiative for Priority Skills Acquisition (JIPSA) established as part of the Accelerated and Shared Growth Initiative – South Africa (ASGISA).
- 7.78. **Private Equity Fund** means a third party fund through which investments are made on behalf of the actual owner of the funds pursuant to a mandate given by that person to the private equity fund.
- 7.79. **Professionally Qualified, Experienced Specialists and Mid-management** in terms of the Employment Equity element, is as per the EEA9 Form issued as a regulation under the Employment Equity Act.
- 7.80. **Public Benefit Organisation** means an entity as defined in section 30 of the Income Tax Act of 1962.
- 7.81. **Qualifying Small Enterprise (QSE)** means a Qualifying Small Entity that qualifies for measurement under the qualifying small Entity scorecard with a turnover of between R5 million and R35 million. "Qualifying Enterprise Development Contributions" is a collective term describing Category A and B Enterprise Development Contributions and in particular Enterprise Development Contributions targeting black owned EME's and QSE's, and black youth in rural and underdeveloped areas in statement 600.
- 7.82. **Qualifying Enterprise Development Contribution** is a collective term describing category A and B enterprise development contribution and in particular enterprise development contributions targeting black owned EME's and QSE's, and black youth in rural and underdeveloped areas in statement 600 of the B-BBEE Codes of Good Practice.

- 7.83. **Qualifying Transaction** means a sale of a business, valuable business assets, shares or land that result in the creation of sustainable business opportunities and transfer of specialised skills or productive capacity for black people.
- 7.84. **Realisation Points** means the Ownership Fulfilment points added to the Net Value points in the ownership scorecard.
- 7.85. **Related Enterprise** means an Entity controlled by a Measured Entity whether directly or indirectly controlled by the natural persons who have direct or indirect control over that Measured Entity or the immediate family of those natural persons.
- 7.86. **Rights of Ownership** is a collective term for the right to Economic Interest and the rights to Exercisable Voting Rights.
- 7.87. **Scarce Skills** are those skills identified as being scarce by any SETA.
- 7.88. **the Scorecard** refers to the Indicative AgriBEE Scorecard or the Indicative AgriQSE Scorecard – whichever is applicable in the context in which the term is employed.
- 7.89. **Section 21 Company** means an association not for gain incorporated under section 21 of the Companies Act.
- 7.90. **Sector** means the Agricultural Sector as defined in the Scope in paragraph 2.1.
- 7.91. **Sector Code** means a Code in statement 003 in the B-BBEE Codes of Good Practice which is applicable to a particular sector.
- 7.92. **Sector Plan** means the Strategic Plan for South African Agriculture developed jointly by the Government of the Republic of South Africa, Agri SA (including Agribusiness Chamber) and NAFU, signed on 27 November 2001.
- 7.93. **Seller** means the Entity or the person concluding a Qualifying Transaction with the Associated Enterprise.
- 7.94. **Senior Management** in terms of the Employment Equity element, is as per the EEA9 Form issued as a regulation under the Employment Equity Act
- 7.95. **Senior Top Management** means Employees of a Measured Entity who are:
- (a) members of the occupation category of "Top Management" as defined using the EE Regulations as qualified in a Sector Code;
 - (b) appointment by or on the authority of the Board to undertake the day-to-day management of that Measured Entity and who:

- (i) have individual responsibility for the overall management and for the financial management of that Measured Entity; and
 - (ii) actively involved in developing and implementing the Measured Entity's overall strategy.
- 7.96. **Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen, Superintendents** in terms of the Employment Equity element, is as per the EEA9 Form issued as a regulation under the Employment Equity Act
- 7.97. **Skills Development Expenditure** comprises the money that a Measured Entity spends on skills development. It excludes the skills development levy payable by the Measured Entity under the Skills Development Levies Act.
- 7.98. **Socio-Economic Development Contributions** is a collective term for Socio-Economic development programmes and contributions, approved Socio-Economic development programmes and sector specific programmes.
- 7.99. **Socio-Economic Development Programmes**
 - (a) Socio-Economic development Programmes commonly take the following forms:
 - (i) develop programmes for women, youth, people with disabilities, people living in rural areas;
 - (ii) support of healthcare and HIV/AIDS programmes;
 - (iii) support for education programmes, resources and materials at primary, secondary and tertiary education level, as well as bursaries and scholarships;
 - (iv) community training, skills development for unemployed people and adult basic education and training; or
 - (v) support of arts, cultural or sporting development programmes.
- 7.100. **Stakeholders** is used as a broad term to describe participants in the entire agricultural value chain as well as current and potential beneficiaries of AgriBEE including government.
- 7.101. **State-Owned Enterprise:** State-Owned Enterprise means Public Entity defined as-
 - a government business Enterprise; or
 - a board, commission, company, corporation, fund or other entity (other than a national government business Enterprise) which is
 - established in terms of national legislation;
 - fully or substantially funded either from the National Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation; and
 - accountable to Parliament;

- 7.102. **Standard Valuation Method** means a standard valuation method for an asset, an Economic Interest, or any other instrument or right relevant to measurement under statement 100, undertaken using normal valuation methods that represent standard market practise.
- 7.103. **Start-up Enterprise** means a recently formed or incorporated Entity that has been in operation for less than 1 year. A start-up enterprise does not include any newly constituted enterprise which merely a continuation of a pre-existing enterprise.
- 7.104. **Subsidiary** has the meaning defined in section 1(3) of the Companies Act.
- 7.105. **Superior Contributor** to BEE is a Level One to Level Four Contributor to BEE.
- 7.106. **Supplier** means any supplier or service provider to a Measured Entity if any portion of the supply or service provision falls within the definition of Total Measured Procurement Spend.
- 7.107. **Target** means the Targets for the various elements in the Indicative AgriBEE and AgriQSE Scorecards.
- 7.108. **the Act** means the Broad-Based Black Economic Empowerment Act 53 of 2003.
- 7.109. **the Codes** means the Codes of Good Practice including all the statements as issued under the section 9 of the Act.
- 7.110. **the Generic Scorecard** means the balanced BEE scorecard as contained in statement 100.
- 7.111. **the PFMA** means the Public Finance Management Act 1 of 1999 as amended.
- 7.112. **the QSE Scorecard** means the QSE scorecard referred to in statement 800.
- 7.113. **the Skills Development Act** means the Skills Development Act of 1998.
- 7.114. **the Skills Development Levies Act** means the Skills Development Levies Act of 1999.
- 7.115. **The Strategy Document** means the document entitled "South Africa's Economic Transformation – A Strategy for Broad-Based Black Economic Empowerment" published by the Department of Trade and Industry in March 2003 as amended or substituted under section 11 of the Act.

- 7.116. **Third Party Rights** means third party legal or commercial rights that restrict, withhold or defer any benefit associated with ownership of any Equity Instrument. Third party rights include only those rights:
- a. created against a black Participant to ensure, for a lender, repayment of a loan advanced to that Participant for financing their purchase of their equity instrument in the Measured Entity;
 - b. held against a juristic person or trust that is in the chain of ownership between the Measured Entity and that the eventual black Participant serving the same purpose mentioned in (a) above.
- 7.117. **Top Manager** means employees of a Measured Entity who hold rights of ownership, serve on the Board, undertake the day to day management, have overall responsibility for the overall financial management and are actively involved in developing and implementing the overall strategy of the Measured Entity.
- 7.118. **Total Labour Cost** means the total amount of remuneration paid by an Entity to its employees determined using section 3(4) of the Skills Development Levies Act of 1999 and the Forth Schedule of the Income Tax Act of 1962.
- 7.119. **Total Revenue** means the total income of an Entity from its operations as determined under South African Generally Accepted Accounting Practice.
- 7.120. **Transformation Charter** means the Sectoral transformation charters referred to in section 12 of the Act;
- 7.121. **Uncertified Learning Programme** means any Learning Programme of the Measured Entity that is not a Certified Learning Programme.
- 7.122. **Unincorporated Joint Venture** means any Learning Programme of the Measured Entity that is not a Certified Learning Programme.
- 7.123. **Value-Adding Enterprise** means an Entity registered as a vendor under the Value-Added Tax of 1991, whose Not Profit Before Tax summed with its Total Labour Cost exceeds 25% of the value of its Total Revenue.
- 7.124. **Voting Right** means a voting right attaching to an Equity instrument owned by or held for a Participant measured using the Flow-Through Principle or the Control Principle.
- 7.125. **Weighing** means the weightings applied to the various Elements in the Generic Scorecard.

7.126. **Workplace Skills Plan** means the plan of a Measured Entity approved by the relevant SETA.

7.127. **50% black owned** means an Entity in which:

- a. black people hold more than 50% of the exercisable voting rights as determined under Code series 100;
- b. black people hold more than 50% of the economic interest as determined under Code series 100; and
- c. has earned all the points for Net Value under statement 100.

7.128. **50% black women owned** means an Entity in which:

- a. black women hold more than 50% of the exercisable voting rights as determined under code series 100;
- b. black women hold more than 50% of the economic interest as determined under Code series 100; and
- c. has earned all the points for Net Value under statement 100.

7.129. **30% black women owned** means an Entity in which:

- a. black women hold more than 30% of the exercisable voting rights as determined under code series 100;
- b. black women hold more than 30% of the economic interest as determined under Code series 100; and
- c. has earned all the points for Net Value under statement 100.

The definitions in the B-BBEE Act (53 of 2003) and the Codes of Good Practice as published by the Department of Trade and Industry will prevail in cases where clarity regarding definitions is required.

Indicative AgriBEE SCORECARD

The gazetting of a Transformation Charter in terms of Section 12 of the Act evidences the commitment by all stakeholders to promote BEE in the applicable sector. Section 12 Transformation Charters are not binding upon organs of state or public entities and as such, these entities will apply the Generic Scorecard in their interactions with the agricultural sector until such time as Sector Codes have been gazetted in terms of Section 9 of the B-BBEE Act.

The Indicative AgriBEE Scorecard should be regarded as an indication of what is likely to be included in possible, future Sector Codes for agriculture, but these Codes will be adapted to meet sector needs and to be aligned with the Generic Codes of Good Practice as published by the Department of Trade and Industry.

Measurement Principles:

- 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
- The result is multiplied by the corresponding indicator weighting points to obtain a score for that indicator
- Where the enterprise attains a score in excess of the indicator weighting points, the enterprise shall only be entitled to the corresponding weighting points
- The score for an element is the sum of indicator scores under that element
- A Measured Enterprise's overall BEE score out of 100 will determine its BEE status and BEE procurement recognition level

Targets contained in the Indicative AgriBEE Scorecard are based on those contained in the final version of Phase I of the Codes of Good Practice and those contained in the draft Phase II Codes of 20 December 2005, as well as on stakeholder inputs, comments and recommendations. Where no substantive reasons for deviation from targets contained in the Codes of Good Practice was put forward by stakeholders, targets have largely remained aligned with those contained in the abovementioned versions of the Codes. However, it should be noted that generic targets contained in Phase II of the Codes have been changed, and hence the indicators, weights and targets contained in this Indicative Scorecard are subject to change until such time as sector Codes are published in terms of the Act.

Attention is drawn to Clause 5.1.2.2 in terms of ownership for enterprises.

ELEMENT	Weighting	Indicator Category	Indicator	Indicator Weighting Points	TARGET
Ownership	20%	Voting rights	Exercisable Voting Rights in the Enterprise in the hands of black people	3	25% + 1 vote
			Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%
		Economic interest	Economic Interest in the Enterprise to which black people are entitled	4	25%
			Economic Interest in the Enterprise to which black women are entitled	2	10%
			Economic interest in the Enterprise to which black designated groups, deemed participants in distribution schemes or employee schemes; participants in co-operatives, are entitled	1	2.5%
			Ownership fulfilment	1	No Restrictions
		Realisation points	Net Equity Interest Achieved accordingly: 10% of the Target (Year 1) 20% of the Target (Year 2) 40% of the Target (Year 3-4) 60% of the Target (Year 5-6) 80% of the Target (Year 7-8) 100% of the Target (Year 9-10)	7	25%
			Involvement in the ownership of the Enterprise of black new entrants; black disabled people, black youth and black Deemed Participants of Broad-Based Ownership Schemes; or black Participants in Co-operatives	3	Bonus per each level of 5%

Land Ownership	20%		Commercial agricultural land transferred or sold to black people	20	30%
		Bonus points	Contribution to achieving in excess of 30% land transfer.	5	30% (Bonus point per each percentage of land transferred above 30% of total land)
Management Control	10%	Board Participation	Percentage of exercisable Voting Rights held by Members of the Board who are black people to the total of all Voting Rights exercised by all members of the Board	3	50%
			Executive Members of the board who are black people	1	50%
		Top Management Participation	Executive Members of the board who are black women	1	25%
			Percentage that Senior Top Management who are black people constitute of the total number of Senior Top Management	2	40%
			Percentage that Senior Top Management who are black women constitute of the total number of Senior Top Management	1	20%
			Percentage that Other Top Management who are black people constitute of the total number of Other Top Management	1	40%
			Percentage that Other Top Management who are black women constitute of the total number of Other Top Management	1	20%

	Bonus Points	Percentage that black people who are Independent Non-executive Board Members constitute of the total number of Independent Non-executive Board Members	1	40%
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Employment Equity	10%		Black people with disabilities employed in by the Measured Enterprise as a percentage of all full-time employees	2	2%
			Black people employed by the Measured Enterprise at Senior Management level as a percentage of employees at Senior Management level	2	60%
			Black women employed by the Measured Enterprise at Senior Management level as a percentage of employees at Senior Management level	2	30%
			Black people employed by the Measured Enterprise at Professionally Qualified, Experienced Specialist and Mid-management level as a percentage of employees at Professionally Qualified, Experienced Specialist and Mid-management level	2	75%
			Black women employed by the Measured Enterprise at Professionally Qualified, Experienced Specialist and Mid-management level as a percentage of employees at Professionally Qualified, Experienced Specialist and Mid-management level	1	40%
			Black people employed by the Measured Enterprise at Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents as a percentage of employees at Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents level	1	80%

Skills Development	20%	Skills Development Spend	Skills development spend on black employees as a percentage of Leviable Amount. (85% of spend focused on core skills as identified by the enterprise and critical skills as identified by the relevant SETA).	6	2%
			Skills development spend on black women as a percentage of Leviable Amount (85% of spend focused on core skills as identified by the enterprise and critical skills as identified by the relevant SETA).	2	0.93%
			Spend on black employees with disabilities as a percentage of Leviable Amount	1	0.2%
	Recognised Training Programmes		Number of black employees participating in training programmes that lead to recognised qualifications as percentage of total employees.	2	5%
			Number of black women participating in training programmes that lead to recognised qualifications as percentage of total employees	2	2.5%
			Number of people who are members of Black Designated Groups participating in training programmes that lead to recognised qualifications as percentage of total employees (The score in this element will be adjusted directly proportionate to the level of absorption of the participants in training programmes in the measured enterprise until a level of 80% absorption is attained)	1	1%
	Organisational Transformation Index		Existence of a comprehensive BEE strategy which is being implemented	Yes	1%
			Payment of skills development levy as well as claiming levy money	Yes	1%
			Existence of a policy on non-discrimination widely published within the company and ongoing facilitation of external diversity management training	Yes	1%
			Compliance with relevant employment related legislation	Yes	1%
			Implementation of an effective human resource management plan	Yes	1%
	Bonus points		Existence of a program designed to give practical effect to the stated policies and programmes	Yes	1%
			Percentage of employees at ABET level 3	2	70%

Preferential Procurement	20%	Preferential Procurement Spend	BEE procurement spend from Suppliers based on the BEE procurement recognition system contained in section 5.5 of the Charter	15	50%
			BEE procurement spend from Qualifying Small Enterprises in accordance with the BEE procurement recognition system contained in section 5.5 of the Charter	4	15%
			BEE procurement spend from Exemplified Micro Enterprises in accordance with the BEE procurement recognition system contained in section 5.5 of the Charter	1	5%
			Cumulative contributions made by the Measured Entity to enterprise Development as a percentage of cumulative net profit after tax measured from the commencement / Inception Date to the date of measurement	10	2%
Enterprise Development	10%	Enterprise Development Spend	Enterprise development contributions that directly increase employment levels in preceding year	1	
		Bonus Points	Lease of 20% of land or capital assets on a long term basis to black persons which meets the criteria of a qualifying transaction as outlined in paragraph 5.1.1.3	3	Lease longer than 10 years

Rural Development, Poverty Alleviation & CSI	10%	Corporate Social Investment Spend and/or Land available to farm workers ¹	Cumulative Rand value of corporate social investment contributions as a percentage of net profit after tax over five years measured from the commencement date of this Charter or the Inception Date over 10 years of the Charter period and/or Land made available to farm workers measured from the commencement date of this Charter or the Inception Date over 10 years of the Charter period	10	1.5% CSI
					10% Land
		Bonus Point	Corporate social investment contributions benefiting black people in rural communities or geographic areas identified in government's integrated sustainable development programme and urban renewal programme	1	

Indicative AgriQSE SCORECARD

The gazettement of a Transformation Charter in terms of Section 12 of the Act evidences the commitment by all stakeholders to promote BEE in the applicable sector. Section 12 Transformation Charters are not binding upon organs of state or public entities and as such, these entities will apply the Generic Scorecard in their interactions with the agricultural sector until such time as Sector Codes have been gazetted in terms of Section 9 of the B-BBEE Act.

The Indicative AgriBEE Scorecard should be regarded as an indication of what is likely to be included in possible, future Sector Codes for Agriculture, but these Codes will be adapted to meet sector needs and to be aligned with the final version of the Generic Codes of Good Practice as published by the Department of Trade and Industry.

Targets contained in the Indicative AgriQSE Scorecard are based on those contained in the final version of Phase I of the Codes of Good Practice and those contained in the draft Phase II Codes of 20 December 2005, as well as on stakeholder inputs, comments and recommendations. Where no substantive reasons for deviation from targets contained in the Codes of Good Practice was put forward by stakeholders, targets have largely remained aligned with those contained in the abovementioned versions of the Codes. However, it should be noted that generic targets contained in Phase II of the Codes have been changed, and hence the indicators, weights and targets contained in this Indicative Scorecard are subject to change until such time as sector Codes are published in terms of the Act.

A **Qualifying Small Enterprise ('QSE')** is an Enterprise which qualifies for BEE compliance measurement in terms of the Agricultural Qualifying Small Enterprise Scorecard by nature of having total revenue of more than R5 million (Exact amount to be finalised once research is concluded) but less than R35 million.

An **Exempted Micro Enterprise ('EME')** is an Enterprise which qualifies for BEE compliance exemption by nature of the fact that the Enterprise has a 5 year moving average turnover of less than R5 million and meets the principles of non-circumvention as defined in the Codes of Good Practice Code 1000 Statement 1000. EME's will enjoy a deemed BEE recognition level of Level 4 (as defined in the Codes of Good Practice), without proof of contribution through BEE verification. However, EME's are encouraged to contribute to transformation in agriculture, particularly in the areas of skills development and corporate social investment and are therefore incentivised to increase their BEE status, as outlined in the Charter.

Element	QSE Scorecard Weighting	Draft Phase 2 Scorecard Weighting
Ownership	20 points	20 points
Management control	20 points	10 points
Employment equity	20 points	10 points
Skills Development	20 points	20 points
Preferential procurement	20 points	20 points
Enterprise development	20 points	10 points
Residual	20 points	10 points

- A Qualifying Small Enterprise may elect to be measured using five of the seven elements of broad-based black economic empowerment
- Should there be no employees in the employ of the measured enterprise, the enterprise cannot include the employment equity element as one of the elected elements
- Each indicator will have a weighting of 20 percent, resulting in a total of 140 available BEE points
- When electing to be measured using more than five of the seven elements, the BEE Status must be determined using a total of 125 BEE points
- A Qualifying Small Enterprise which elects to include the ownership element in their measurement, will have its ownership score (including bonus points) multiplied by 1.25, provided that the enterprise scores a minimum of 20 points (including bonus points) for ownership, before the application of this multiple.

Measurement Principles:

- 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
- The result is multiplied by the corresponding indicator weighting points to obtain a score for that indicator
- Where the enterprise attains a score in excess of the indicator weighting points, the enterprise shall only be entitled to the corresponding weighting points
- The score for an element is the sum of indicator scores under that element
- A measured enterprise's overall BEE score out of 100 will determine its BEE status and BEE procurement recognition level

Attention is drawn to Clause 5.1.2.2 in terms of ownership for enterprises.

ELEMENT	WEIGHTING	CATEGORY	INDICATOR	INDICATOR WEIGHTING POINTS	TARGET
OWNERSHIP	20%	Voting rights	Exercisable Voting Rights in the Enterprise in the hands of black people	5	25%
		Economic interest	Economic interest in the Enterprise to which black people are entitled	7	25%
		Realisation points	Ownership fulfilment	1	Yes
			Net equity interest		
			10% of the Target (Year 1) 20% of the Target (Year 2) 40% of the Target (Year 3,4) 60% of the Target (Year 5,6) 80% of the Target (Year 7,8) 100% of the Target (Year 9,10)	7	25%
LAND OWNERS	20%	Bonus points	Involvement in the ownership of the Enterprise of: - Black Disabled People - Black Youth - Black Women and/or - Broad-based Ownership Schemes	3	15%
			Commercial agricultural land transferred or sold to black people	20	30%

	Bonus points	Contribution to achieving in excess of 30% land transfer.	5	30% (Bonus point per each percentage of land transferred above 30% of total land)

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PREFERENTIAL PROCUREMENT	20%	Owner-Manager Participation	Black representation at Owner-manager level	20	25.1%
		Bonus Points			
EMPLOYEE NT EQUITY	20%		Black women representation at Owner-manager level	2	10%
			Black representation at Manager-Controller level	6	40%
			Black women representation at Manager-Controller level	6	20%
			Black employees as percentage of total employees	4	70%
			Black women as percentage of total employees	4	35%
			Employee enrolment/ involvement in Recognised Training Programmes	5	Yes
SKILLS DEVELOPMENT	20%		Skills development spend on black employees in addition to Skills Development Levy (except where the enterprise is exempted from payment of the skills development levy) as a percentage of the Leviable Amount (or as a percentage of total annual payroll, for entities exempted from the skills development levy). (85% of spend focused on core skills as identified by the enterprise and critical skills as identified by the relevant SETA).	15	1%
			Percentage of employees at ABET level 3	2	70%
PREFERENTIAL PROCUREMENT	20%		BEE procurement spend from suppliers in accordance with the BEE procurement recognition system contained in section 5.5 of the Charter	20	50%
			Bonus points		

ENTERPRISE DEVELOPMENT	20%		Cumulative contribution to enterprise development as a percentage of cumulative net profit after tax measured from the Commencement / Inception Date to the date of measurement	20	1%
		Bonus points	Lease of 20% land or capital assets on a long term basis to black persons which meets the criteria of a qualifying transaction as outlined in paragraph 5.1.1.3	3	Lease longer than 10 years
RURAL DEVELOPMENT, POVERTY ALLEVIATION	20%	Corporate Social Investment Spend and/or Land available to farm workers ¹	Cumulative Rand value of corporate social investment contributions as a percentage of net profit after tax over five years and/or Land made available to farm workers measured from the commencement date of this Charter or the Inception Date over 10 years of the Charter period	20	1% (CSI)
					10% (land for farm labourers)

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Annexure c

ABC 2009 BBEE survey

Annexure 2: Example of the ABC BBEE⁵ questionnaire

Date: 23 September 2009

Dear Participant

BROAD- BASED BLACK ECONOMIC EMPOWERMENT (BEE) SURVEY FOR MEMBERS OF THE AGRICULTURAL BUSINESS CHAMBER (ABC)

It is strategically important for the ABC to obtain accurate information on the BEE status of its members in order to improve its service and support in this regard. Note that the information will remain strictly confidential and only be used on an aggregated basis.

The survey aims to achieve the following:

- Build on the baseline survey carried out in June 2007 and monitor progress of BEE implementation over a period of time;
- Obtain feedback on perceptions, opportunities and constraints in order to improve and streamline support to members.
- Obtain examples of BEE outreach initiatives regarding enterprise development, socio economic development and land reform. Selected initiatives will be followed up with case studies to highlight successes and lessons learnt.

The survey is addressed to your business entity which is registered as a member of the ABC. This may not be the same as the business entity that you choose to measure for your BEE score. Please use your judgment in this regard and either combine entities or complete additional surveys if you have BEE scorecards for separate entities within your overall business. Also note that the term "Black" or "BEE participants" refers to Black, Coloured, Indian and Chinese people who are South African citizens as defined in the BEE Codes.

The survey should not take longer than 20 minutes to complete. It is important that the views of the members of the ABC are heard and your input in this regard will be much appreciated.

You are requested to complete the survey by **Friday, 23 October 2009**. Please fill in the electronic form and email back to lindie@agbiz.co.za or print and **fax** the completed form to 012 349 1330 or **post** it to P.O.Box 76297, LynwoodRidge, 0040. You are welcome to contact Lindie Stroebel on 079 497 1594 if any further information is required.

Yours sincerely,

Dr. John Purchase
CEO: Agricultural Business Chamber

⁵ The completed surveys are confidential and are in the possession of the ABC

BROAD- BASED BLACK ECONOMIC EMPOWERMENT (BEE) SURVEY FOR ABC MEMBERS (2009)

INFORMATION ON THE BUSINESS ENTITY

1.Name of business entity (measured entity)	
2.Respondents name	
3.Respondents position	
4.Contact number	

BEE SCORECARD

5. Please indicate the approximate turnover (income) of your business in the previous financial year?

R

6. Please indicate the approximate net profit after tax of your business in the previous financial year?

R

Black ownership

7. Does your business have any direct or indirect black ownership	Yes	No
8. If yes, state the percentage black ownership		

How many people are employed in the business

9. Permanent	
10. Temporary / seasonal	

11. Have you determined your BEE score as per the Codes of Good Practice	Yes	In process	No

Important:

- If you have determined your score, please attach your BEE rating certificate or self assessment showing both your overall score and your score per element.

12. Is your certificate or similar proof of BEE score attached?	Yes	No
---	-----	----

Please mark 2 boxes. One that reflects your current BEE status and one that reflects your planned medium term status (by say 2014)

BEE STATUS	QUALIFICATION	RECOGNITION LEVEL	Mark appropriate box with an (X)	
			13. CURRENT STATUS	14. PLANNED STATUS (2014)
No score compiled				
Level One Contributor	≥ 100 points	135%		
Level Two Contributor	≥ 85 but <100 points	125%		
Level Three Contributor	≥ 75 but < 85 points	110%		
Level Four Contributor or Exempted Micro Enterprise (EME)	≥ 65 but < 75 points	100%		
Level Five Contributor	≥ 55 but < 65 points	80%		
Level Six Contributor	≥ 45 but < 55 points	60%		
Level Seven Contributor	≥ 40 but < 45 points	50%		
Level Eight Contributor	≥ 30 but < 40 points	10%		
Non Compliant Contributor	< 30 points	0%		

Please indicate which elements your company would be most likely to pursue as part of a BEE strategy by selecting the most appropriate box (using an X) for each element.

Element	Avoid						Priority					
	1	2	3	4	5	6	1	2	3	4	5	6
15. Ownership												
16. Management control												
17. Employment equity												
18. Skills development												
19. Preferential procurement												
20. Enterprise development												
21. Socio-economic development												

OPPORTUNITIES AND CONSTRAINTS TO BEE IMPLEMENTATION AND LAND REFORM

The following questions ask you to select a box (using an X) according to your opinion. The questions use a scale from 1 to 6.

22. Do you support the concept of implementing BEE and transformation in your industry?

Totally against

1	2	3	4	5	6
---	---	---	---	---	---

 Very supportive

23. Do you experience any pressure from customers or other stakeholders to complete a scorecard?

No pressure

1	2	3	4	5	6
---	---	---	---	---	---

 Intense pressure

24. Does your business have a good understanding of BEE and what activities will improve your score?

Limited understanding

1	2	3	4	5	6
---	---	---	---	---	---

 Good understanding

25. Capacity and time to implement BEE within your business is:

Very limited

1	2	3	4	5	6
---	---	---	---	---	---

 Sufficient

26. The support and guidance on BEE and land reform that you receive from government and regulatory bodies (Dti; Dept of Agriculture; Municipalities etc) is:

Not sufficient

1	2	3	4	5	6
---	---	---	---	---	---

 Sufficient

27. The support and guidance on BEE and land reform that you receive from the ABC is:

Not sufficient

1	2	3	4	5	6
---	---	---	---	---	---

 Sufficient

28. I would consider selling an ownership stake in my existing business to BEE participants

Never

1	2	3	4	5	6
---	---	---	---	---	---

 Strongly

29. I would consider starting a new business / land reform in a joint venture with BEE participants

Never

1	2	3	4	5	6
---	---	---	---	---	---

 Strongly

30. Finding suitable BEE equity partners / co-owners who will add value to your business is a

Major obstacle

1	2	3	4	5	6
---	---	---	---	---	---

 Easy to find

31. Finding BEE equity partners / co-owners who have sufficient funding or who can obtain sufficient funding to purchase a share of your business is a:

Major obstacle

1	2	3	4	5	6
---	---	---	---	---	---

 Easy to find

ABC 2009 BBBEE survey

32. The availability of adequately qualified and experienced BEE employees at a management level is a:

Major obstacle

1	2	3	4	5	6
---	---	---	---	---	---

 Easy to source

33. Appropriate industry specific skills development, training and mentorship courses are available

Seldom available

1	2	3	4	5	6
---	---	---	---	---	---

 Readily available

34. Obtaining the BEE status of your suppliers is:

Very difficult

1	2	3	4	5	6
---	---	---	---	---	---

 Very easy

35. I would consider changing suppliers in order to improve my preferential procurement score.

Definitely

1	2	3	4	5	6
---	---	---	---	---	---

 Never

36. Finding suitable small black businesses to assist in terms of Enterprise Development is:

Very difficult

1	2	3	4	5	6
---	---	---	---	---	---

 Very easy

37. To what extent would you be prepared to mentor / assist black emerging businesses and / or undertake joint ventures with black businesses / farmers

Not at all

1	2	3	4	5	6
---	---	---	---	---	---

 To a large extent

38. Do you have a mentorship programme. If yes provide brief details:

39. What support would you require to run or introduce a mentorship programme?

40. BEE AND LAND REFORM INITIATIVES

It is important to obtain examples and feedback on BEE “outreach” initiatives currently being undertaken by ABC members. These can include any Enterprise Development or Socio Economic Development initiatives as defined in the BEE Codes as well as any specific land reform initiatives. Also consider issues such as access to markets (including contract farming), input provision (including risk management instruments/measures), access to seasonal finance/production loans and training and mentorship. In general any assistance or preferential treatment (monetary or non monetary) to BEE businesses and / or groups within your value chain or outside your business can be included.

Please provide examples that will be of interest in the format below or submit information separately. ABC will select a number of the initiatives for more detailed case studies.

Name of initiative	
Short description	
Nature and extent of support	
Number of people benefitting	
Can it be considered for a case study	

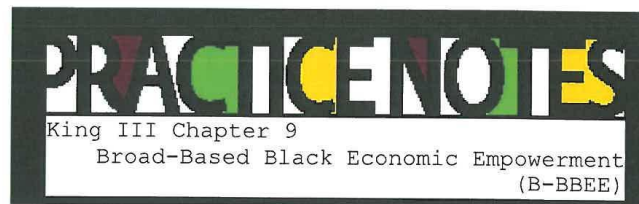
ABC 2009 BBBEE survey

Name of initiative	
Short description	
Nature and extent of support	
Number of people benefitting	
Can it be considered for a case study	

Name of initiative	
Short description	
Nature and extent of support	
Number of people benefitting	
Can it be considered for a case study	

39. ANY OTHER COMMENTS AND SUGGESTIONS

Annexure D



October 2010

The information contained in this Practice Note is of a general nature and is not intended to address the circumstances of any particular individual or entity. The views and opinions do not necessarily represent the views of the King committee and/or individual members. Although every endeavour is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The Institute of Directors in Southern Africa shall not be liable to any loss or damage whether direct, indirect, and consequential or otherwise which may be suffered, arising from any cause in connection with anything done or not done pursuant to the information presented herein. Copyright by the Institute of Directors in Southern Africa, extracts of this paper may be reproduced with acknowledgement to the Institute of Directors in Southern Africa.

Broad-Based Black Economic Empowerment (B-BBEE)**Introduction**

In South Africa, where social and economic imbalances existed for many decades, transformation is a constitutional, business and social imperative. It is critical for the sustainability of a healthy society and business environment.

The empowerment and advancement of previously disadvantaged individuals and in particular, black women, youth, workers and people with disabilities (hereinafter collectively referred to as black people) should be based on the premise that they are equal partners in the corporate sphere and that their contribution is potentially valuable.

Integrating sustainability and social transformation in a strategic and coherent manner will give rise to greater opportunities, efficiencies, and benefits, for both the company and society.

The critical onus on the business sector is to uphold the law in a manner that goes beyond a mere "tickbox" approach to compliance, towards a commitment to the underlying objectives with an overall guideline of substance over form.

It should be pointed out that if the corporate world does not rise to the challenge of facilitating transformation in an effective manner, further obligations may be imposed through legislation. Clearly, this is not the ideal route to follow and should be avoided as far as possible. This is also a risk that the board should mitigate against by ensuring that B-BBEE is sufficiently implemented.

Purpose of Broad-Based Black Economic Empowerment (B-BBEE) practice note

The purpose of this practice note is to give guidelines on how to best integrate into strategy and report on B-BBEE in such a way that will provide stakeholders with a sufficient overview of the compliance level.

Objectives

The objectives of the B-BBEE 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, cooperatives 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.

Effective leadership on B-BBEE

- B-BBEE, social transformation and redress are matters for the board and as such should be elevated to board level and integrated into sustainability considerations.
- The board should be responsible for ensuring that an organisation develops an overall B-BBEE policy, in line with the determined strategy. B-BBEE matters should form part of the business performance and risk management targets. The strategy and clear targets should be institutionalized by integration into the organisation's performance management system. The organisation's performance on B-BBEE should be reported on, in the integrated report and disclosed to stakeholders.
- Overall accountability for determining the B-BBEE agenda should lie with the board of directors' responsibility for prioritising and implementing specific B-BBEE interventions should however be the responsibility of the Executive Committee of the Board of Directors.
- The board itself, alternatively a committee of the board that has been established for that purpose, should in addition to other responsibilities, be responsible for monitoring compliance with the objectives of B-BBEE. Such board committees should be chaired by an independent director to ensure that objective oversight is given and is seen to be exercised over these B-BBEE matters.

Incorporating reporting on B-BBEE in integrated reporting

Reporting on B-BBEE should be regarded as good governance practice and should be incorporated into the sustainability reporting which will supplement and contextualise the financial component of the integrated report to stakeholders.

Companies should use a uniform standard of reporting their compliance with the B-BBEE legislation in order to allow benchmarking against prior years' performance and against the performance of other companies in the market. The following are guidelines in this regard:



- Companies should report on the sustainability of their B-BBEE transactions as a matter of practice to give shareholders and stakeholders a sense of comfort.
- Apart from disclosing the percentage of spending on empowered firms, it may be worthwhile and useful for the boards to:
 - o name and list empowerment credentials of its five biggest suppliers;
 - o disclose the categories of goods and services procured from empowered entities;
 - o report the impact of such expenditure on job creation.
- Companies should provide comparative figures for previous years and substantiate the reasons for progress or lack thereof against the targets.
- Where possible, companies should provide comparative data, e.g. against industry B-BBEE benchmarks, to provide the reader with context.
- Companies' B-BBEE performance should be measured with primary reference to progress made towards achieving agreed B-BBEE objectives.
- Companies should include their B-BBEE rating scorecard in the report. In addition to the scorecard, the disclosure of the following details will be useful to stakeholders:
 - o The extent to which human capital constitutes black people.
 - o Reporting on the proportion of senior management remuneration paid to black people.
 - o In addition to black skills acquired and employment equity progress made, organisations should also be encouraged to report on the development and retention of key black skills (intellectual capital) relevant to the sector such as those identified through the relevant SETAs.
 - o The significance of roles played by black people, on the board, remuneration committees, nomination committees and other board committees.
 - o The empowerment impact made in the communities where companies operate.

Conclusion

All businesses in South Africa, acknowledge that successfully implementing B-BBEE is not only morally and ethically right, but also commercially prudent. B-BBEE is a necessary measure for the normalisation of South African society given the emphasis that it places on the socio-economic upliftment of black people. B-BBEE will improve the buying power of the



broader South African demographic, thereby expanding the markets in which companies trade and increasing demand for the products that companies sell.

The board should be encouraged to probe B-BBEE matters and to receive and consider detailed responses from management as part of their responsibilities.

Reporting should be done in a sufficiently transparent manner to enable stakeholders to establish a full picture in assessing compliance with B-BBEE. The report should sufficiently cover the current situation and the future intentions of companies.



Annexure E: Proof of language editing

Christel Eastes
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19 November 2011

To whom it may concern:

LANGUAGE EDITING

This letter serves as proof that the following document was submitted to the undersigned for language editing during November 2011:

Author: Dewald Olivier (10927484)
Document type: Dissertation: MBA (NWU)
Title: *"The perception of broad-based black economic empowerment across agricultural businesses."*

Review comments and recommendations were communicated to the author on 19 November 2011. Applying changes in order to arrive at a final approved document remains the responsibility of the author.

Yours sincerely



CHRISTEL EASTES
Potchefstroom