



**tourism**

Department:  
Tourism  
REPUBLIC OF SOUTH AFRICA



# TOURISM B-BBEE SECTOR CODE EASY GUIDE



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A portrait of a middle-aged man with glasses, wearing a dark suit, white shirt, and a patterned tie. He is smiling slightly. In the background, a portion of the South African flag is visible. The image is set against a large, abstract background of yellow and green geometric shapes.

**FOREWORD BY THE  
MINISTER OF TOURISM**

2009 heralded an exciting new era for the tourism industry with the establishment of a standalone National Department of Tourism. This was indicative of government's commitment to creating a bold vision for growth and development. The tourism sector codes were also gazetted and given the same legal status as the Codes of Good Practice, the BB-BEE implementation framework launched in 2007 by the dti.

Indeed, this was a major milestone reached by the tourism sector which stemmed from a process that begun in 2004 when the private sector and government agreed that there was a need to embark on a programme to transform the sector and make it more representative. From this intent, the empowerment charter for tourism was developed.

The development of this charter was guided by the Tourism White Paper which highlighted the need to develop a globally competitive destination and at the same time a need for the sector to transform.

We believe the two are intrinsically linked, as our competitiveness relies on the development and training of our human capacity as well as innovation in product development. To successfully drive the implementation of the charter, the Tourism BEE Charter Council was appointed in October of 2005 with the primary goal of creating an enabling environment that can encourage and support businesses to play their role in transforming the sector.

To manage this process, there had to be clearly defined and approved monitoring and evaluation mechanisms. Thus the council embarked on an industry-wide consultative

process to gather as much inputs as possible to present to the Minister of Trade and Industry to give the industry's BB-BEE scorecard a legal status by gazetting it as a section 9 code.

The industry is now in a position to be measured and to start making headway in reaching the 2012 and 2017 targets. Tourism as a sector is fortunate in that transformation will be supported by healthy projected growth, even with the slow down to the global economic downturn taken into consideration. Whatever gains are made, we must ensure as stakeholders that these are shared equitably in investing in a vibrant and sustainable tourism industry.

As a new department, we embarked on national road shows to engage as many stakeholders as possible in order to solicit your input in the development of the new

department. Of the numerous issues raised, the pace of transformation was a common element highlighted at all the workshops.

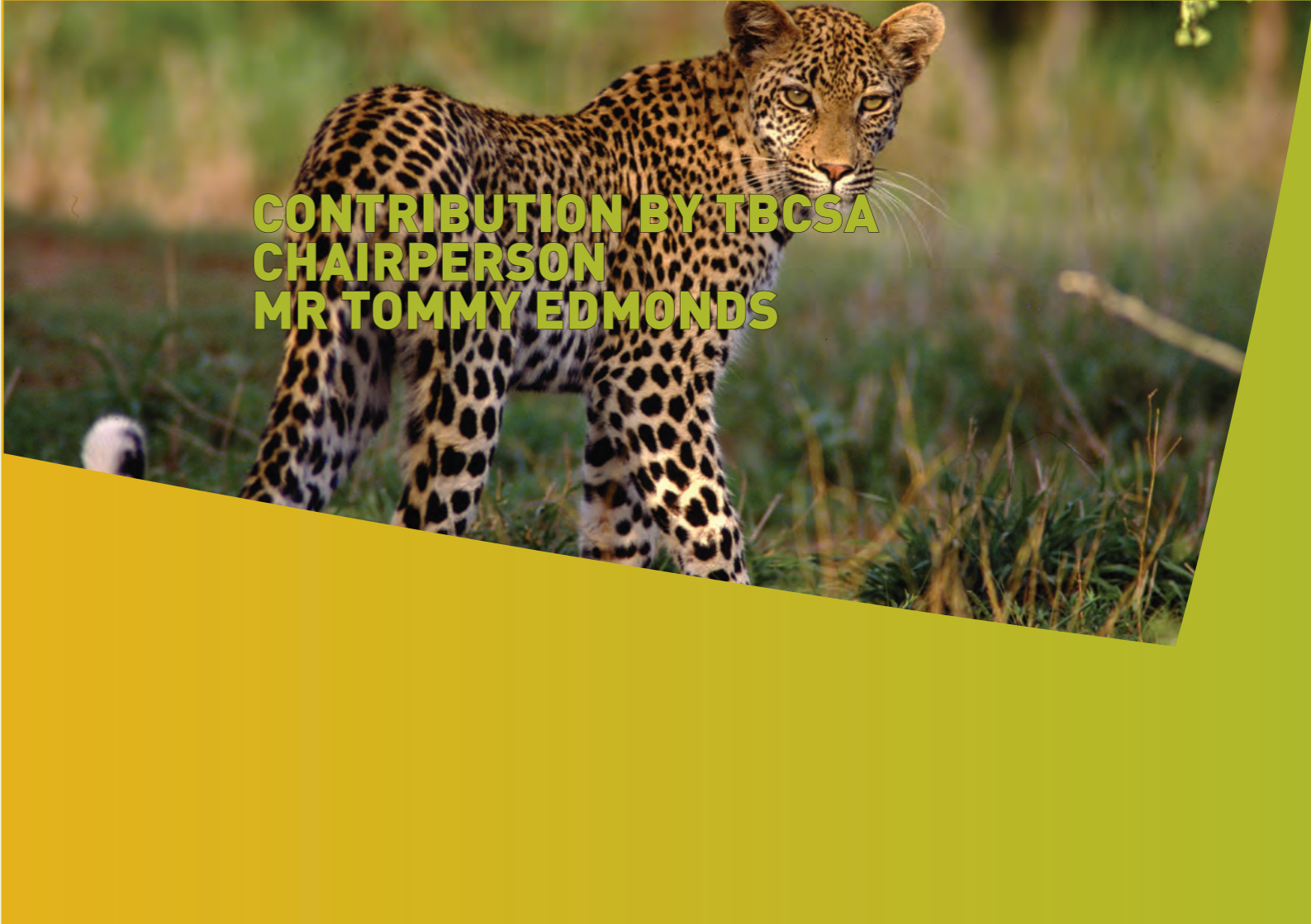
This has been a challenge highlighted by other sectors as well and once more as government. To this end President Zuma appointed an advisory council whose role will be to monitor transformation across sectors, especially those with a Section 9 status like ours. With the council in place we will soon be requested to submit the progress towards the set and agreed targets as a sector and I am confident tourism will perform well in this regard.

This manual has been prepared by the Department of Tourism as a Tourism Scorecard information guide to assist in the interpretation and implementation of the gazetted scorecard. This is one of the numerous support services offered by the

department to the private sector in playing its role as a transformation partner and enabler. The course of transformation we've undertaken is advancing in the desired direction as indicated by the 2007 baseline study measuring 52% overall compliance towards the then 2009 milestones.

As the National Tourism Department we celebrate this achievement by the Council and trust that our stakeholders will find it a useful document in understanding and implementing B-BBEE.

**MARTHINUS VAN SCHALKWYK, MP**  
Minister of Tourism



Tourism is receiving more attention now than ever, given the recent changes in government and the recognition of the sector's increasing economic contribution to the country. In fact, given the current challenging economic climate, the sector has been heralded in some quarters as "the new gold".

Politically, transformation and the concepts of BEE and BBEEE remained contentious for various sectors over the past few years, Tourism has made great stride to transform. The Tourism Business Council of South Africa, and Department of Tourism, have been committed to ensuring that the industry transforms, not only in terms of ownership by more black people, but also in terms of broadening the participation of black people in all areas of the sector.


Whilst recognising progress made with regards to transformation, a baseline report, released by the Tourism Empowerment Council of South Africa, previously called

the Tourism BEE Charter Council in 2006 also suggested that there are areas where the industry still has a long way to go. The involvement of women and the disabled, skills development and black enterprise development are some of the areas that are concerning to the Council. We certainly hope that now the Tourism Sector Codes have been gazette, the department will be in an even better position to ensure that greater attention is given to these grey areas.

As a Council, we continue to urge our members and the industry in general to really engage with the scorecard as well as to share their results with the Department of Tourism. Many of our members have excellent transformation stories, models and approaches to share and the more we can jointly see the benefits, the easier it will be to achieve our agreed milestones.

I commend the department for their hard work in developing initiatives aimed at giving support and creating an enabling environment for real transformation to take place in the sector

**Mr. Tommy Edmonds**



## PART ONE INTRODUCTION

This Tourism Black Economic Empowerment Charter reiterates our awareness of, and commitment to, the ongoing requirement to empower and transform the tourism sector.

### INTRODUCTION continued

While we have seen some transformation since the charter's inception in 2005, the Tourism Sector Codes of Good Practice only became effective on 22 May 2009. With the codes officially in place, we anticipate enhanced implementation of transformation within the tourism industry to ensure that it does, in fact, become more accessible, more relevant or more beneficial to a broad base of black South Africans.

The charter acknowledges that our industry is characterised by large disparities in accessing opportunities and benefits; due particularly to the predominance of white ownership along the full value chain within the sector. On assessing the transformation achievements made by the industry thus far, it is clear that progress has been made against certain of the scorecard factors but other factors do lag in reaching their targets.

Furthermore, we recognise that the legacy of our political past remains apparent in some of the tourism sector's associations and bodies and we therefore acknowledge the need for transformation within these associations, so that they may become truly representative and reflective of our society.

Finally, we recognise that our sector remains largely inaccessible to the majority of black South African tourists and are optimistic that transformation in the sector will go a long way to making it accessible to black South African tourists and people of colour globally with no fear of discrimination.



## PART TWO DEVELOPING OF THE TOURISM CHARTER

The process of creating the Tourism Charter began on 13 July 2004 with the appointment of a BEE Steering Committee by the Minister of Environmental Affairs and Tourism, Marthinus van Schalkwyk.

### **PART TWO continued**

The committee which comprised representatives from listed tourism entities, associations and federations, government officials and tourism specialists, divided the sector into sub-sectors. Each sub-sector had an associated working group made up of members of the original steering committee. It was the job of each working group to;

- gather information from all relevant stakeholders with regards to the development of the draft scorecard;
- identify the specific needs of the sub-sector that should be addressed by the scorecard; and
- ensure that the broadest possible base of participants was involved.

The tourism sector was broken into three sub-sectors:

- Accommodation
- Hospitality & related services
- Travel distribution services

To ensure that the development process was as inclusive as possible, a broad range of communications tactics were used. Road shows, media communications, a dedicated website email addresses and a toll free telephone line were put in place to encourage relevant stakeholders to participate in the development of the scorecard and ultimately, the charter, by making submissions to the appropriate working group.

## **PART THREE ABOUT THE TOURISM CHARTER**

The charter has been developed to advance the objectives of the Broad-based Black Economic Empowerment Act no. 53 of 2003 (BEE Act).



The charter outlines the principles upon which BEE within the tourism sector should be implemented and also establishes targets and sector responsibilities for each principle. In addition, the charter provides a clear framework for transformation and outlines the processes necessary for implementing the scorecard.

Finally, the charter represents a partnership programme as outlined in government's strategy for broad-based BEE and provides the basis for the sector's engagement with other stakeholders including government and labour.



## PART FOUR OUR COMMITMENT

### Two main challenges face the tourism sector:

- the need to become more globally competitive; and
- the need to include black people in the sector.

In this era of Responsible Tourism, we believe that these two challenges are fundamentally linked. For our sector to thrive and grow, we commit to both.

This commitment is based on a moral obligation to transforming South Africa, but also upon the fiduciary obligation to our shareholders and employees to the growth of our sector within the broader South African economy.



## PART FIVE SUSTAINABILITY

It has been noted that Broad Based Black Economic Empowerment in the tourism industry is poorly understood by mainly the small to medium sized enterprises, and remains an unclear concept to a large proportion of the individuals for whom it is intended to empower.

It is essential that this challenge be overcome before meaningful and sustainable transformation of the sector can be achieved.

Empowerment makes good business sense. As new players enter the sector, they will introduce innovation. This, in turn, will attract new markets and stimulate new product development.

But, having the right people is not the only element necessary for success. Each initiative and project undertaken in the transformation of the sector must be based on sound business principles that incorporate real opportunities that are approached in a structured and focused manner and deliver on growth objectives.



## PART SIX APPLICATION OF THE CHARTER

This charter applies to both public and private enterprises that operate in the tourism sector and to all parts of the value chain in that sector, regardless of size.

#### Accommodation

- hotels
- resort properties and timeshare
- bed and breakfasts
- guesthouses
- game lodges
- backpackers and hostels

#### Hospitality and related services

- restaurants (not attached to hotels)
- conference venues (not attached to hotels)
- professional catering
- attractions
- consulting and professional services companies

#### Travel distribution systems

- tour wholesalers
- tour operators
- travel agents
- tourist guides
- car rental companies
- coach operators



### 7.1 General principles

In order for this charter to be an effective vehicle for the transformation of the tourism sector, it has been closely aligned with the Codes of Good Practice issued by the Department of Trade and Industry (dti). Because of this alignment, the specific methods defined in the BEE Act for calculating the indicators of compliance are used in the Tourism Charter too.

However, due to the unique composition of the sector, certain indicators and sub-indicators have been included in this charter because those adopted in the Generic Codes of Good Practice do not cover the specific needs of the tourism sector.

### 7.2 Unique principles underpinning the tourism sector

The tourism sector is a people-driven sector. The quality of products and services to come from the sector is wholly dependent on the

individuals employed to do that specific job. The basic premise of the charter takes this into account.

The scorecard is heavily weighted, in the first five years, for the period ending 31 December 2012, in favour of the human factors including;

- Management Control,
- Employment Equity,
- Skills Development and
- Enterprise Development.

These four factors collectively account for 62% of the scorecard's weighting for the first five years. This has been done specifically to broaden and improve the skills capacity in the sector and to ensure that a skilled, trained and efficient workforce will be developed to further facilitate the transformation of the industry.

### 7.3 Indicators, weightings and targets

#### Indicators

The indicators are the key elements of broad-based black economic empowerment. It is the measurement of these indicators that determines the level of BEE contribution by that particular enterprise.

There are seven basic BEE indicators, namely

- Ownership
- Management Control
- Employment Equity
- Skills Development
- Preferential Procurement
- Enterprise Development
- Socio-economic Development

In addition, industry specific indicators also exist.

Indicators are also referred to factors or elements of the scorecard

#### Weighting

The weighting of each factor reflects the relative importance that the sector places thereon. Weighting are measured in percentages and the seven core elements of BEE are weighted to bring the scorecard to a maximum of 100%.

#### Targets

The targets represent the ideal scenario at which the tourism enterprise, otherwise known as the measured entity, will score full points for the respective indicator. Tourism enterprises under measurement will score proportional points on each indicator, according to the proportion of the relevant target achieved for that particular indicator.

Two targets were set for each indicator, a 2012 milestone, ending on 31 December 2012 and a 2017 milestone, ending on 31 December 2017. The milestone targets set for each indicator varies in order to drive an active transformation of the sector from broader participation to more active ownership and Management Control of black people.

#### 7.4 The Broad-based BEE Framework

Broad-based BEE refers to the economic empowerment of all black people through diverse but integrated socio-economic strategies. The key objective of broad-based empowerment is to distribute wealth across as extensive a spectrum of South African society as possible, so includes women, workers, youth, people with disabilities and people living in rural areas.

This broad-based framework is underpinned by the Broad-based Black Economic Empowerment Act no. 53 of 2003 but also the generic scorecard, Codes of Good Practice and industry charters, such as this one.

**These objectives of each initiative can be summarised as follows;**

<b>Broad Based BEE Act</b>	<ul style="list-style-type: none"> <li>• Enabling framework for the promotion of BEE</li> <li>• Empowers minister to issue Codes of Good Practice</li> <li>• Establishes the BEE Advisory Council</li> </ul>
<b>Broad Based BEE Strategy and Scorecard</b>	<ul style="list-style-type: none"> <li>• Defines Government's broad-based strategy</li> <li>• Provides the generic balanced scorecard</li> </ul>
<b>The Codes of Good Practice</b>	<ul style="list-style-type: none"> <li>• Further interpretation of the BEE Act</li> <li>• Determines qualification criteria for licensing</li> <li>• Criteria for entering PPP with private sector</li> </ul>
<b>Industry Charters</b>	<ul style="list-style-type: none"> <li>• Outline industry-specific BEE weightings and targets</li> <li>• Establish the residual elements of the scorecard</li> <li>• Standardise industry BEE initiatives and reporting</li> </ul>

The core components of broad-based empowerment are:

- direct empowerment through ownership and control of businesses and assets through factors such as Ownership and Management Control;
- human resource development through Employment Equity and Skills Development; and
- indirect empowerment through Preferential Procurement and Enterprise and Socio-economic Development

The key focus of the **direct empowerment** component is its economic impact on the owners and senior managers of businesses. The beneficiaries assume direct economic risk for their involvement and expect returns that are equal to that risk.

**Human resources development** focuses on internal transformation that will accelerate the development of a company's black employees, as well as any future potential employees. This component ensures a demographic representation of black people in the workplace and works to prevent income inequality across different population groups doing the same job with the same level of skill. Part of human resource development is the contribution made by an enterprise to improve the skills of its employees.

The **indirect empowerment** component enables and encourages broad-based empowerment in groups or communities with which the measured entity interacts. This is an effective way of creating market access for black entrepreneurs and also the upliftment of poor black communities who gain from Socio-economic Development initiatives that focus on a range of issues from education to healthcare.



**PART EIGHT**  
**THE GENERIC TOURISM SECTOR**  
**SCORECARD**

The generic scorecard is applicable to all enterprises operating in the tourism sector with a turnover of more than R35 million.

### 8.1 Ownership

2012 Milestone		2012 milestone targets	
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
15	7	Exercisable voting rights in the enterprise in the hands of black people	21%+1 vote
	0	Exercisable voting rights in the enterprise in the hands of black women	10%
	8	Economic interest of black people in the enterprise	21%
	0	Economic interest of black women in the enterprise	10%
	0	Economic interest of black designated groups; ESOPs; co-operatives	2.5%
	0	Realisation points: ownership fulfilment	Yes
	0	Net value	Refer to Codes of Good Practice
	0	Bonus: black new entrants	10%
	0	Bonus: broad-based scheme/ESOPs	10%

2017 Milestone		2017 milestone targets	
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
20	3	Exercisable voting rights in the enterprise in the hands of black people	30%+1
vote	2	Exercisable voting rights in the enterprise in the hands of black women	10%
	4	Economic interest of black people in the enterprise	30%
	2	Economic interest of black women in the enterprise	10%
	1	Economic interest of black designated groups; ESOPs; co-operatives	2.5%
	1	Realisation points: ownership fulfilment	Yes
	7	Net value	
	2	Bonus: black new entrants	10%
	1	Bonus: broad-based scheme/ESOPs	10%



**What does Ownership actually measure?**

Direct ownership refers to ownership of an equity stake in a business. Ownership is measured by the following;

- the right a black person has to vote in all important issues at shareholder meetings;
- the right that a black person has to receive dividends, capital gains and other economic benefits of shareholders;
- the access that black people have to the benefits of increased value of the business over time, after the deduction of any money they owe to the business; and
- the unconditional right to receive economic benefits and the capacity to elect and remove trustees from so-called broad-based BEE schemes, employee share option plans (ESOPs) and other employee share schemes, based on

the flow-through principle of measuring direct ownership.

Flow-through principle refers to the tracking of economic benefits when determining a score for BEE ownership. This calculation is basic mathematics and works out the percentage of black ownership at every tier of ownership up until recognition of ownership by black individuals can be determined. Only ownership by natural people, and not companies, is ultimately counted in this calculation.

The purpose of the flow-through principle is to ensure that all companies, regardless of their structure, are scored uniformly with respect to their BEE ownership.

**Equity equivalents for multinationals**

recognises that because multinational organisations are bound by global rules pertaining to the sale of shares, the multinationals with local operations in South

Africa are constrained in terms of earning Ownership points on the Scorecard. In order to allow these businesses to compete on an equal footing with local companies there are alternative means of contributing towards the Ownership element of broad-based BEE through an equity equivalent contribution. This is a financial contribution made by the local operation of a multinational business to an approved programme which could include, but is not limited to those that support;

- ASGISA (Accelerated and Shared Growth Initiative for South Africa)
- JIPSA (Joint Initiative on Priority Skills Acquisition)
- National Skills Development strategy
- Enterprise creation
- Social advancement

Multinationals are defined as entities with a business in South Africa and elsewhere which maintains its international headquarters

outside South Africa.

**Weighting**

In the first five-year period ending 31 December 2012, ownership is weighted at 15% out of a total of 100% on the scorecard. An increased ownership weighting of 20% applies during the second five years of implementation, ending on 31 December 2017.

**Targets**

The tourism sector commits to attaining an overall level of black ownership of enterprises in that sector of 21% within five years of the commencement of this Scorecard and 30% within ten years to 31 December 2017.

It is worth noting that small businesses (known as Exempt Micro Enterprises) with a turnover below R2.5 million per year are exempt from the Ownership requirement. In fact, they automatically gain a Level 4 status if they are not black-owned and Level 3 status if they are black-owned.

## 8.2 Management Control

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
14	3.5	Exercisable voting rights of black board members using the Adjusted Recognition for Gender	50%
	3.5	Black executive directors using the Adjusted Recognition for Gender	50%
	3.5	Black senior top management using the Adjusted Recognition for Gender	40%
	3.5	Black other top management using the Adjusted Recognition for Gender	40%
	1	Bonus points board participation: black independent non-executive directors	40%

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
12	3	Exercisable voting rights of black board members using the Adjusted Recognition for Gender	50%
	3	Black executive directors using the Adjusted Recognition for Gender	50%
	3	Black senior top management using the Adjusted Recognition for Gender	40%
	3	Black other top management using the Adjusted Recognition for Gender	40%
	1	Bonus points board participation: black independent non-executive directors	40%

### What does Management Control actually measure?

**Board representation** refers to membership by black people to the board of directors (or equivalent structure) of the measured entity. It is calculated on the percentage that black directors hold in relation to the total number of directors of that enterprise.

**Executive member of the board** refers to those members of the board who are executive directors as defined in the King Report on Corporate Governance for South Africa 2009.

**Top management** broadly consists of the employees and directors who serve on the board, undertake oversight of the day-to-day management, have overall responsibility for the financial management and are actively involved in developing and implementing the business strategy and plan.

**Senior top management** means employees of an enterprise who:

- a) Fall within the definition of top management as determined by

the employment equity regulations outlined in the sector code;

- b) Appointed by, or on the authority of, the board to undertake the oversight of and responsibility for the day-to-day management of the enterprise and who:
  - i. have individual responsibility for the overall management including the financial management of that enterprise, and
  - ii. are actively involved in developing and implementing the enterprise's overall strategy.
  - iii. Generally hold the positions of Chief Operating Officer (CEO) and Chief Financial Officer (CFO) within the business.

Other top management positions include the heads of important aspects of the business, such as marketing and sales or human resources and any other people holding key responsibility for the implementation of strategies decided on by the board.

### Adjustment for Gender

This is a formula which recognises the contributions of the measured entity to empowerment of women within the Management Control, Employment Equity and Skills Development indicators.

### Weighting

Management Control is weighted at 14% for the first five year period, ending 31 December 2012 and then a slightly lower 12% for the second five year period, ending 31 December 2017.

### Targets

Management Control is measured at two levels: board representation and top executive management. In order to ensure participation by black women in these roles, the tourism sector has also included Adjusted Recognition for Gender that ensures that black women constitute 50% of the overall targets set for black people within this category.

**The tourism sector commits to attaining the following targets at this level:**

- an overall level of board representation by black people, using the Adjusted Recognition for Gender, of 50% for the full ten years to the period ending 31 December 2017;
- a similar commitment in respect of black executive representation 50% for the full ten years to the period ending 31 December 2017;
- the sector further commits to attaining participation by black people in senior top management roles of 40% (again, using the Adjusted Recognition for Gender) for the full ten years, ending in December 2017;
- a similar commitment in respect of black participation in other top management of 40% for both five year periods ending 31 December 2012 and 2017 respectively; and
- the sector also commits to attaining representation of black people at independent non-executive board level within a business of 40% for the full ten years to the period ending 31 December 2017.

### Where an entity has:

- 6 People on its board of directors
- 3 black directors (50% black people)
- 1 black female director (16.67% black women)

### Adjusted Recognition for Gender formula: $A = B/2 + C$ Where:

- A is the Adjusted Recognition for Gender
- B is the percentage of people on the board of directors
- C is the percentage of black females on the board of directors

### Then applying the formula:

$$= 50\%/2 + 16.67\%$$

$$= 25\% + 16.67\%$$

$$= 41.67\%$$

The entity's black representation is effectively reduced (for scoring purposes) from 50% to 41.67%. The new black representation figure of 41.67% will be measured against the relevant target for the board of directors (50%).

### Calculation of indicator score:

$$= \text{black representation/target} \times \text{weighting}$$

$$= 41.67/50\% \times 4$$

$$= 3.33 \text{ points out of 4}$$

### 8.3 Employment Equity

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
14	2	Black disabled people as a percentage of total employees	2%
	4	Black senior management representation	43%
	4	Black middle management representation	63%
	4	Black junior management representation	68%
	3	Bonus point for meeting or exceeding the Economically Active Population EAP targets in each category above	
2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
12	1.5	Black disabled people as a percentage of total employees	3%
	3.5	Black senior management representation	60%
	3.5	Black middle management representation	75%
	3.5	Black junior management representation	80%
	3	Bonus point for meeting or exceeding the Economically Active Population EAP targets in each category above	

#### What does Employment Equity actually measure?

**Management** refers to all employees who hold senior and middle management positions within the business but who do not form part of executive management or the board.

**Senior management** includes individuals whose main tasks consist of determining and formulating policy and strategic planning, or planning and directing and co-ordinating the policies and activities of the business.

**Middle management** includes job roles where the main tasks require a high level of professional knowledge and experience.

**Junior management** includes the tasks that require technical knowledge and experience.

Total staff is all other employees and/or contractors. The easiest way to determine if an employee should be included in the measurement is to check if the business is

responsible for the collection and payment of that person's employee tax. If so, then that person must be included in the measurement.

Proportion of representivity as a % of the EAP (Economically Active Population) measures the overall representivity of the various categories under the Employment Equity element. The target for this indicator is based on figures published by Stats SA from time to time in publications such as the Quarterly Labour Force Survey (QLFS).

#### Weighting

Employment Equity is weighted at 14% for the first five year period to 31 December 2012 and 12% for the second five year period, ending 31 December 2017.

#### Targets

Employment Equity is measured at several levels within the workplace structure. To ensure participation by black women at all levels, the tourism sector has also included an Adjusted Recognition for Gender.

The tourism sector commits to attaining the following targets for the measurement of Employment Equity:

- an overall level of senior management participation by black people of 43% within five years with an increased proportion of representation of 60% by the end of ten years, which concludes on 31 December 2017;
- a further commitment to attaining the participation by black people in middle management positions (applying the Adjusted Recognition for Gender principle) of 63% and 75% for the two five year milestones of 31 December 2012 and 2017 respectively;
- the sector further commits to attaining an overall level of participation by black staff at junior management level of 68% and 80% for the two five year milestone targets;

- the specific targets for the participation of black women at supervisory and junior skilled staff level are 23% within the five years to 31 December 2012 and 35% for the ten year period ending 31 December 2017;
- finally, the tourism sector commits to attaining an overall level of participation by disabled black people in the total staff complement of 2% within the first five years and 3% within ten years, for the period ending 31 December 2017.

The intention of the scorecard is to include temporary staff in the definition of total staff, since tourism is an industry that relies heavily on temporary, casual and seasonal employees.

### A practical example

#### Where an entity has:

- 100 middle managers
- 40 black middle managers (40% black people)
- 10 black female managers (10% black women)

Adjusted Recognition for Gender Formula:

$$A = B/2 + C$$

Where:

- A is the Adjusted Recognition for Gender
- B is the percentage of people in the middle management category
- C is the percentage of black females in the middle management category

#### Then applying the formula:

$$\begin{aligned} &= 40\%/2 + 10\% \\ &= 20\% + 10\% \\ &= 30\% \end{aligned}$$

The entity's black representation is effectively reduced (for scoring purposes) from 40% to 30%. The new black representation figure of 30% will be measured against the relevant target for middle management (63% in the first five years and 75% in the second five years).

#### Calculation of indicator score:

$$\begin{aligned} &= \text{black representation/target} \times \text{weighting} \\ &= 30\%/63\% \times 4 \\ &= 1.90 \text{ points out of 4} \end{aligned}$$

#### 8.4 Skills Development

2012 Milestone		2012 milestone targets	
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
20	8	% of payroll spend on skills development for black employees using the Adjusted Recognition for Gender	3%
	2	% of payroll spend on skills development for black disabled employees using the Adjusted Recognition for Gender	0.3%
	10	Number of black employees participating in Learnerships of Category B, C and D programmes as % of total employees using Adjusted Recognition for Gender	5%

2017 Milestone		2017 milestone targets	
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
18	7.5	% of payroll spend on skills development on black employees using the Adjusted Recognition for Gender	3%
	1.5	% of payroll spend on skills development on black disabled employees using the Adjusted Recognition for Gender	0.30%
	9	Number of black employees participating in Learnerships of Category B, C and D programmes as % of total employees using Adjusted Recognition for Gender	5%

#### What does Skills Development actually measure?

**Skills Development spend** is the investment made by the tourism business in training initiatives through both external training providers as well as the costs that can be verified of accredited internal training programmes.

Internal training spend does not include the opportunity cost of employees attending the Skills Development initiatives.

**Learnership** refers to learnerships as defined in the Skills Development Act No. 97 of 1998, amended in 2003.

A Certified Learning Programme is one that meets the following requirements:

- any form of independent written certification, or if it does not have such certification then;
- an enrolment certificate issued by the independent person responsible for the issue of the

- certification confirming the employee has:
- enrolled for, is attending and is making satisfactory progress in the programme; or
  - enrolled for but not attended the programme; or
  - attended the training programme but has failed an evaluation of their learning progress.

#### Weighting

Skills Development is weighted at 20% in the first five years, ending 31 December 2012. This relatively high weighting represents the importance the tourism sector has placed on the development of human capacity. The weighting is then reduced to 18% during the second five years of implementation, for the period ending 31 December 2017.

### Targets

Skills Development is measured by the financial investment made by a business into the training of its staff. All targets are set as a percentage of the measured entity's payroll as follows;

- 3% of payroll for the full ten years outlined in the scorecard. This 3% includes the 1% Skills Development Levy;
- the scorecard also measures the percentage of monies spent for the training of black employees with disabilities. The target of 0.3% of payroll that should be spent for the full ten years to 31 December 2017;
- the third indicator measures the number of learnerships in categories B, C and D as a percentage of total employees. The target is set at 5% for both periods, ending 31 December 2012 and 2017 respectively.

For a learning programme to be 'counted' toward Skills Development points, it must be listed within the Learning Programme Matrix

### Where an entity has:

- an annual leviable payroll figure of R10 000 000
- Spends R300 000 on skills development for black employees (3% of leviable amount)
- Spends R100 000 on skills development for black female employees (33.33% skills spend on black women)

### Adjusted Recognition for Gender Formula: $A = B/2 + C$

Where:

- A is the Adjusted Recognition for Gender
- B is the value of Skills Development spend attributable to black employees
- C is the value of skills development spend attributable to black female employees

### Then applying the formula:

$$= R300\,000/2 + R100\,000$$

$$= R150\,000 + R100\,000$$

$$= R250\,000$$

The entity's skills development spend as a percentage of their leviable amount is effectively changed from 3% to 2.5%. The new figure of 2.5% will now be measured against the target for skills development spend of 3%.

### Calculation of indicator score:

$$= \text{adjusted skills development spend as a percentage of payroll/target} \times \text{weighting}$$

$$= 2.5\%/3\% \times 8$$

$$= 6.66 \text{ points out of } 8$$

### 8.5 Preferential Procurement

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
15	10	B-BBEE Procurement as % of total measurable procurement	50%
	2	QSE and EME spend as a % of total measurable procurement	10%
	3	B-BBEE procurement from 50% black owned enterprises	15%
		B-BBEE procurement from 30% black women owned enterprises	

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
20	12	B-BBEE Procurement as % of total measurable procurement	70%
	3	QSE and EME spend as a % of total measurable procurement	15%
	5	B-BBEE procurement from 50% black owned enterprises	20%
		B-BBEE procurement from 30% black women owned enterprises	

### What does Preferential Procurement actually measure?

Preferential Procurement was designed to widen market access for black entities, in order to integrate them into the mainstream economy. Preferential Procurement will create economic empowerment benefits indirectly, but meaningfully, as it multiplies the effects of private and public sector buying activity to promote broad-based BEE.

The BEE contribution of a provider that the tourism business will procure from is named and ranked as follows;

B-BBEE Status	Qualification	B-BBEE Recognition Level
Level One Contributor	≥ 100 points on the Scorecard	135%
Level Two Contributor	≥ 85 but < 100 points on the Scorecard	125%
Level Three Contributor	≥ 75 but < 85 points on the Scorecard	110%
Level Four Contributor	≥ 65 but < 75 points on the Scorecard	100%
Level Five Contributor	≥ 55 but < 65 points on the Scorecard	80%
Level Six Contributor	≥ 45 but < 55 points on the Scorecard	60%
Level Seven Contributor	≥ 40 but < 45 points on the Scorecard	50%
Level Eight Contributor	≥ 30 but < 40 points on the Scorecard	10%
Non-Compliant	< 30 points on the Scorecard	0%



**Discretionary procurement** includes all money spent by the measured entity, subject to measurement. Discretionary procurement excludes:

- employment related expenditure;
- procurement from public utilities and natural monopolies; and
- facilitated procurement by travel agencies or other travel distribution providers where the choice of service providers remains with the consumer.

**50% black owned** means an enterprise in which:

- black people hold more than 50% of the exercisable voting rights;
- black people hold more than 50% of the economic interest;
- has earned all the points for Net Value under the Ownership element.

**30% black women owned** means an enterprise in which:

- black women hold more than 30% of the exercisable voting rights;
- black women hold more than 30% of the economic interest;
- has earned all the points for Net Value under the Ownership element.

#### Weighting

Preferential Procurement is weighted at 15% for the five-year period ending 31 December 2012, and is increased to 20% for the second five years of implementation, ending 31 December 2017.

#### Targets

Preferential Procurement is defined as the percentage of total procurement that is sourced from suppliers that are BEE compliant. The tourism scorecard establishes a target of 50% of all procurement by 2012 and 70% of all procurement by 2017.

Furthermore, the scorecard establishes a target of 10% BEE procurement spend from all Qualifying Small Enterprises or Exempted Micro Enterprises suppliers based on the B-BBEE procurement recognition levels as a percentage of all procurement by 2012 and 15% of all procurement by 2017.

The Tourism Scorecard also establishes targets of 15% BEE procurement spend by 2012 and 20% by 2017 within the following categories:

- suppliers that are more than 50% black owned;
- suppliers that are more than 30% black women owned.

### A practical example

A measured entity's annual BEE procurement spend is as follows:

Supplier Category	BEE Score	BEE Procurement Recognition	Rand spend with supplier	BEE Spend
Company A (Generic enterprise)	62%	80%	R10 000 000	R8 000 000
Company B (QSE)	82%	125%	R250 000	R312 500
Company C (30% black women owned Generic Enterprise)		29%	100%	R2 000 000
Company D (Generic enterprise)		28%	0% R14 000	R0

#### Rand Value of BEE spend:

= Procurement Rand spend x BEE procurement recognition percentage  
 = (R10 000 000 x 80%) + (R250 000 x 125%) + (R2 000 000 x 100%) + (R14 000 x 0%)  
 = R10 312 500

### Total Measure Procurement Spend is measured as follows:

Spend Item
Add: Cost of Sales
Add: Operational Expenditure
Add: Capital Expenditure
Less: Public Sector procurement
Less: Taxes
Less: Salaries and Wages and Directors emoluments
Less: Third-party procurement
Less: Pension and medical aid contributions
Less: Supplier BEE verification costs
Less: Imports

Assume that all procurement spend in this example is listed above and that there are not exclusions; therefore Total Measured Spend = R10 000 000 + R250 000 + R2 000 000 + R14 000 = R26 250 000

#### Calculation of indicator Scores:

B-BBEE procurement as % of Total Measure Procurement:  
 = (BEE procurement/ Total Measured Procurement)/ target x weighting  
 = (R10 312 500/ R26 250 000)/ 50% x 10  
 = 0.39/50% x 10  
 = 7.89 points out of 10

**BEE procurement spend from QSEs and EMEs as % of Total Measure Procurement:**

(QSE/ EME procurement/ Total Measured Procurement)/ target x weighting  
 = (R312 500/ R26 250 000)/ 10% x 2  
 = 0.01/ 10% x10  
 = 0.23 points out of 2

**BEE procurement spend from 30% black women owned suppliers as % of Total Measure Procurement:**

= (BEE procurement from 30% black women owned suppliers/Total Measured Procurement)/ target x weighting  
 = R2 000 000/ R26 250 000)/15% x 3  
 = 0.08/15% x 3  
 = 1.52 points out of 5

**8.6 Enterprise Development**

2012 Milestone		2012 milestone targets	
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
14	14	Average annual value of qualifying Enterprise Development contributions	3% of NPAT

2017 Milestone		2017 milestone targets	
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
10	10	Average annual value of qualifying Enterprise Development contributions	3% of NPAT

**What does Enterprise Development actually measure?**

Enterprise Development aims to assist and accelerate the development of the operational and financial capacity of entrepreneurial enterprises that are BEE compliant. It is defined in terms of the total investment by a company into entities that meet certain BEE requirements.

Enterprise Development initiatives may take a variety of forms including:

- direct investment in black owned and black empowered SMMEs;
- joint ventures with black owned and black empowered SMMEs that result in “substantive” skills transfer;
- support and funding for the grading of emerging tourism companies, as well as providing mentorship, business relationships and linkages which will provide business opportunities to these enterprises; and

- twinning initiatives with black owned and black empowered SMMEs which result in cost savings or revenue generation for those SMMEs.

A black owned SMME is a small, medium or micro enterprise, with a turnover of no more than R10 million per year, which has more than 50% direct ownership and management by black people.

A black empowered SMME is a small, medium or micro enterprise, with a turnover of no more than R10 million per year, which has between 25% and 50% direct ownership and management by black people.

Total employee time is the total number of working hours worked in a defined period of time. This is calculated by multiplying the total number of employees and their standard working hours.

### Weighting

The tourism scorecard weights Enterprise Development at 14% for the first five year milestone. The weighting is then reduced to 10% for the second five years ending 31 December 2017.

### Targets

Enterprise Development contributions (regardless of spend or management time contribution) relate solely to initiatives targeted for the benefit of black owned tourism companies as specified under the indicator of Preferential Procurement. It is important to note that only benefits flowing to black owned or black empowered SMMEs will qualify for Enterprise Development points.

Initiatives which are considered as specific Enterprise Development project include, amongst others, the support and funding provided for the grading of emerging tourism companies, as well as various business linkage initiatives that provide business opportunities to these enterprises.

Enterprise Development can be measured through three related indicators. A tourism enterprise can choose to contribute through one or all of these indicators, which are:

- the percentage of post-tax profits that the measured entity contributes toward any Enterprise Development or related initiative. The target set remains constant over the entire ten year period ending 31 December 2017, at 1% of post tax profits;
- total management time contributed to Enterprise Development initiatives, as a percentage of total management time. The target set remains constant over the entire ten year period ending 31 December 2017, at 1% of the total management time;
- the outcome of Enterprise Development initiatives, measured as the total revenue generated or costs saved by black owned SMMEs;

A measured entity's Net Profit After Tax (NPAT) is R2 000 000. If the entity provided a discount in addition to normal business discounts of R10 000 to an enterprise development beneficiary, the enterprise development points for the measured entity is determined as follows:

Calculation of indicator score:

$$\begin{aligned}
 &= (\text{Value of annual Enterprise Development contribution} / \text{NPAT}) / \text{target} \times \text{weighting} \\
 &= (R10\,000 / R2\,000\,000) / 3\% \times 14 \\
 &= 0.005 / 3\% \times 14 \\
 &= 0.17 \times 14 \\
 &= 2.33 \text{ points out of 14}
 \end{aligned}$$

## 8.7 Socio-economic Development

2012 Milestone			2012 milestone targets
Weighting 8	Sub-weighting 3	Indicators to measure BEE achievements Average annual value of qualifying Socio-Economic Development contributions	Target 1% of NPAT
	2	%black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	10%
	3	Status of TOMSA levy collector	Yes

2017 Milestone			2017 milestone targets
Weighting 10	Sub-weighting 6	Indicators to measure BEE achievements Average annual value of qualifying Socio-Economic Development contributions	Target 1% of NPAT
	1	%black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	10%
	3	Status of TOMSA levy collector	Yes

What does Socio-economic Development actually measure?

Socio-economic Development is the opportunity to encourage activity that will foster socio-economic growth and development in the tourism sector.

Socio-economic Development contributions (whether by spend or employee time) relate solely to initiatives targeted for the benefit of black people, and can include, but are not limited to the following:

- education programmes;
- community programmes;
- job creation;
- health programmes;
- conservation;
- community tourism; and
- participation in marketing initiatives to develop the local black tourist market, especially those initiatives accredited and recognised by the Department of Environment and Tourism (DEAT)

and the Tourism Business Council of South Africa (TBCSA).

Total employee time is the total number of working hours worked in a defined period of time. This is calculated by multiplying the total number of employees and their standard working hours.

### Weighting

Socio-economic Development is weighted at 8% for the first five years to 31 December 2012 and at 10% for the second 5 years to 31 December 2017.

### Targets

The indicators for Socio-economic Development are similar to the measures for Enterprise Development. The indicators measure the percentage of post-tax profits that a company contributes toward Socio-economic Development or employee time invested in Socio-economic Development as a percentage of total employee time.

The target set for the periods ending 31 December 2012 and 2017 respectively, is 1%.

### 8.8 Industry specific indicators

2012 Milestone			2012 milestone targets
<b>Weighting</b> 5%	<b>Sub-weighting</b> 2%	<b>Indicators to measure BEE achievements</b> % of new recruit with no prior work experience	<b>Target</b> 10%
	3%	Status of TOMSA levy collector	Yes

2017 Milestone			2017 milestone targets
<b>Weighting</b> 4%	<b>Sub-weighting</b> 1%	<b>Indicators to measure BEE achievements</b> % of new recruit with no prior work experience	<b>Target</b> 10%
	3%	Status of TOMSA levy collector	Yes

#### What does the Industry specific indicator actually measure?

Two industry specific indicators have been identified by the tourism sector. These relate to the ability of the industry to create jobs and to market South Africa as a preferred tourism destination. These indicators are:

- recruitment of employees with no prior working experience; and
- the status of the measured entity as a TOMSA levy collector. With regards to this levy, the charter encourages marketing bodies that benefit from TOMSA funds to ensure that these funds are used to further the interests of black people in all aspects of tourism.

**Employees with no prior working experience** are those employees who have had no formal employment experience before joining an enterprise in tourism. Formal employment does not include learnerships, traineeships or

short-term and temporary assignments.

TOMSA refers to Tourism Marketing South Africa and TOMSA levy collectors are tourism enterprises who are registered to raise funds on behalf of the trust.

#### Weighting

Industry specific factors are weighted at a total of 5% in the first five years and 4% for the second five year period. This weighting is split as follows;

- 2% of the weighting has been allocated to the recruitment of black people with no prior work experience for the period ending 31 December 2012 and then 1% has been allocated to this for the period ending 31 December 2017; and
- 3% is sub-weighted to the status of the measured entity as a TOMSA levy collector for both periods.

### Targets

A target of 10% has been set for the percentage of new recruits with no prior work experience during the 12 months prior to their prospective employment. This indicator is proposed to decrease the number of unemployed people who have had no prior work experience, through participation in the industry.

### PART NINE

## THE QUALITY SMALL ENTERPRISES (QSE) TOURISM SECTOR SCORECARD

This scorecard is applicable to all enterprises operating in the tourism sector with a turnover between R2.5 million and R35 million. Enhanced recognition points per element are as per the tourism generic scorecard above.

2012 weightings			2012 milestones	
Indicator	Weighting	Sub-weighting	Indicators to measure BEE achievements	2012 target
Ownership	25	12	Exercisable voting rights in the enterprise in the hands of black people	21%+1 vote
		13	Economic Interest of black people in the enterprise	21%
		0	Realisation Points: Ownership Fulfilment	Yes
		0	Net Value	Refer to Codes of Good Practice
		0	Bonus: Black women participation	10%
Management Control	25	0	Bonus: Broad-based Scheme/ESOPs	10%
		25	Black representation at Top Management level	50.1%
Employment Equity	25	2	Black women representation at Top Management	25%
		15	Black employees in management as a % of all managers	40%
Skills Development	25	10	Black employees as % of total staff	60%
		2	Bonus Point for meeting or exceeding the EAP targets in each category above % of payroll spend on skills development black employees using the Adjusted on Recognition for Gender	2%

Preferential Procurement	25	25	B-BBEE Procurement as % of Total Measurable Procurement	40%
Enterprise Development	25	25	Average annual value of qualifying Enterprise Development contributions	2% of NPAT
Socio-Economic Development & Industry specific factors	25	9.5	Average annual value of qualifying Socio-Economic Development contributions	1% of NPAT
		6	%black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	10%
		9.5	Status of TOMSA levy collector	Yes

2017 weightings			2017 milestones	
Indicator	Weighting	Sub-weighting	Indicators to measure BEE achievement	2017 target
Ownership	25	6	Exercisable voting rights in the enterprise in the hands of black people	30%+1 vote
		9	Economic Interest of black people in the enterprise	30%
		1	Realisation Points: Ownership Fulfillment	Yes
		9	Net Value	Refer to CoGP
		2	Bonus: Black women participation	10%



Management Control	25	1	Bonus: Broad-based Scheme/ESOPs	10%
		25	Black representation at Top Management level	50.1%
	2	Black women representation at Top Management	25%	
Employment Equity	25	15	Black employees in management as a % of all managers	60%
	2	10	Black employees as % of total staff 70% Bonus Point for meeting or exceeding the EAP targets in each category above	
Skills Development	25	25	% of payroll spend on skills development on black employees using the Adjusted Recognition for Gender	2%
Preferential Procurement	25	25	B-BBEE Procurement as % of Total Measurable Procurement	50%
Enterprise Development	25	25	Average annual value of qualifying Enterprise Development contributions	2% of NPAT
Socio-economic Development & Industry specific factors	25	15	Average annual value of qualifying Socio-Economic Development contributions	1% of NPAT
	7.5		Status of TOMSA levy collector	Yes



### EXEMPTED MICRO ENTERPRISES (EME)

Exempted Micro-Enterprises (EMEs) are defined by the Tourism Codes, as companies with an annual total turnover of R2,5 million or less. EME's enjoy a deemed BEE recognition of a Level 4 contributor and those, which are either 50% owned by black people or 50% owned by black women are promoted to a Level 3 contributor.



## PART ELEVEN IMPLEMENTATION AND MONITORING

The Sector Charter Council being a partnership between the public and private sector is responsible for the facilitation and monitoring of transformation in the tourism sector.

The Charter Council functioning as an advisory council for the industry, constituted of members from private sector with large and SMEE representation, labour, community and public sector.

- to facilitate the communication and popularisation of the Charter;
- to provide interpretation and guidance with respect to the Charter;
- to facilitate the provision of practical implementation support to the industry;
- to liaise with dti-accredited rating agencies to monitor the Charter's implementation;
- to facilitate the certification, by dti-accredited rating agencies, for those entities complying with the Charter. In so doing, the Council should facilitate incentives for tourism enterprises to comply and become certified;
- to facilitate cross-industry and government negotiation to promote the application and implementation of the Charter; and
- to compile an annual report on the tourism

sector's progress in implementing the Charter.

As a section 9 (1) sector code, the Council is required to report on the state of transformation in the tourism sector to the National BEE Advisory Council chaired by the President of the Republic on an annual basis. The success of the reporting and monitoring will depend on the cooperative participation by private and public sector stakeholders in verification processes intended to provide standard measurement of the sector's performance.

#### **ROLE OF THE NATIONAL BEE ADVISORY COUNCIL**

The BEE Advisory Council has been appointed by the President of the Republic of SA, Mr. Jacob Zuma as required by the BEE act 53 of 2003 Section 4. Members of the council consist of the President who is also the chairperson, the dti minister, 3 other

cabinet ministers and members drawn from different constituencies representing labour, community, business and academics.

#### **The main functions of the council will be:**

- advise government on black economic empowerment;
- review progress in achieving black economic empowerment;
- advise on draft codes of good practice which the Minister intends publishing
- advise on the development, amendment or replacement of the strategy
- if requested to do so, advise on draft transformation charters; and
- facilitate partnerships between organs of state and the private sector that will for comment in terms of section 9(5); referred to in section 11; advance the objectives of this Act.

PART TWELVE

**VERIFICATION AGENCIES**



The Department of Trade and Industry of South Africa has mandated the South African National Accreditation System (SANAS) to accredit service providers that are able to verify the B-BBEE credentials of companies.

These service providers are known as Verification Agencies and perform a third-party audit of the contributions made by measured entities to B-BBEE. Measured entities are then issued with certificates which stipulate the Contributor Status Level of the measured entity and other important information pertinent to the measured entity's B-BBEE status.

Such a certificate is an essential part of the competitive position of a business in the light of the drive to do business with entities that perform well in terms of B-BBEE. It is important that the Verification Agency chosen to perform the function is accredited by SANAS to perform verification on the Tourism Charter in order to ensure that the certificate is legitimate.

For a list of accredited verification agencies go to <http://www.thedti.gov.za/bee/beeverification.htm>

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