

RAIL SUB-SECTOR CODE FOR BBBEE

1. SCOPE OF APPLICATION

- 1.1 The scope of this Sub-Sector Code extends to the entire rail industry value chain. The key players are the state-owned operators and infrastructure companies.
- 1.2 However, the challenge is for these companies to use their purchasing power to drive the transformation of the entire rail industry value chain, including manufacturers, suppliers' consultants and maintenance companies.
- 1.3 The Sub-Sector Code will also have an impact on other sectors of the economy that are not rail specific, for example, general services.
- 1.4 This Sub-Sector Code shall remain in effect until amended, substituted and repealed under Section 9 of the BBBEE Act, or with the parties to this Sub-Sector Code process agreeing to do so.
- 1.5 The Sub-Sector Code Council will review this Sub-Sector Code following the end of the 5th year after its gazetting and despite the aforementioned, it shall be reviewed on an annual basis for monitoring purpose.

2. VISION

2.1 Overarching Vision

- 2.1.1 Our overarching vision is to develop a world-class rail industry that will grow in size, stimulate economic growth and development, facilitate trade, comply with safety standards agreed with the Railway Safety Regulator (RSR) Act 16 of 2002. In addition deliver efficient and quality services to customers, and achieve a significant increase in black participation in ownership, management and employment in companies throughout the industry value chain. Stakeholders will pursue a growth strategy that prioritises the retention and creation of quality jobs.
- 2.1.2 To make this vision become a reality will require a deliberate strategy to increase access to skills, capital and economic opportunities. This will require all stakeholders to recruit new black people into the industry and increase their skills (and those of existing employees) to best-practice international levels, while creating a supportive culture for their talents to thrive. It will also require all stakeholders to facilitate the creation of new black owned enterprises (and the development of existing ones) who can participate in economic opportunities throughout the rail industry value chain.
- 2.1.3 The signatories to this document believe that every company in South Africa must embrace Black Economic Empowerment (BEE) voluntarily, recognising that it is an economic imperative to secure a prosperous future for all our country's citizens. Accordingly, we commit ourselves to embark on a major communications and marketing campaign that will take this "Broad-Based Black Economic Empowerment (B-BBEE) Sub-Sector Code for the Rail Industry" to every organisation within our industry to ensure maximum participation by all stakeholders.

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- 2.1.4 Accordingly, all private sector stakeholders committing themselves to this Sub-Sector Code will agree to have their B-BBEE achievements (in terms of the indicators in the balanced scorecard) rated by an independent accredited B-BBEE verification agencies or company that is accredited by the Department of Trade and Industry (DTI). Public sector organisations will be monitored and their contributions annually verified in a separate process that will be designed by the DoT and DPE. However, an independent B-BBEE verification agency/company will verify the B-BBEE contribution of their suppliers. The B-BBEE verification agencies will go a long way towards eliminating any form of misrepresentation and fraudulent practices within the industry. Other parties committed to this Sub-Sector Code will have their contributions assessed and verified as to their compliance to their undertakings.
- 2.2 National Government Undertakings (to achieve this vision)**
- 2.2.1 Government is the most important player in the industry through its ownership of the majority of rail industry assets and operations and the employment of the majority of workers. Accordingly, Government commits to demonstrate the political will to revive the rail network.
- 2.2.2 Make decisive and direct interventions to enhance the competitiveness of rail as a mode of transport for freight and commuters. This will also require urgent action to improve the internal efficiencies of the state-owned operators.
- 2.2.3 Set up structures that will ensure inter-governmental co-ordination between departments to align their programmes with the Transport and Rail Sector BEE processes. Examples of cross-cutting issues that require interventions across government departments and agencies include:
- 2.2.3.1 The countrywide shortage of matriculants with mathematics and science at higher grade.
- 2.2.3.2 The countrywide shortage of engineers and artisans across all disciplines.
- 2.2.3.3 Increasing awareness within the transport sector of available government investment incentives and grants.
- 2.2.3.4 Monitoring of stakeholder achievements in terms of the indicators on the Rail Sub-sector Balanced B-BBEE Scorecard.
- 2.2.4 Accelerate its programme (together with the relevant parastatals) to increase investments in freight and passenger rail infrastructure to eliminate current backlogs and expand the network, where necessary.
- 2.2.5 Convene a multi-stakeholder forum to investigate the scale of B-BBEE opportunities at the edges of the main network – eg private sector operations, private sidings, shunting, industrial townships, mining, tourism – and reach agreement on the modalities of effecting the entry of black entrepreneurs into the industry.
- 2.2.6 Continue existing initiatives with Transnet Freight Rail (TFR) formally known as Spoornet, provincial governments, local communities and the business sector to revive branch lines.

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- 2.2.7 Investigate (together with the relevant parastatals and labour) the possibility of introducing job-sharing programmes at TFR, Shosholoza Meyl and SARCC/Metrorail.
- 2.2.8 Ensure that the restructuring of rail assets to effect new institutional arrangements must proceed in a manner that results in an increase in black participation at all levels – in employment and the procurement of services and goods.
- 2.2.9 Enforce and monitor compliance with existing legislation that may impact on B-BBEE such as the Employment equity, Skills Development and Competition Acts.
- 2.2.10 Publish an annual report on B-BBEE and job creation within the Rail industry that consolidates reports and information from all stakeholders. Stakeholders will use this report to review progress at an annual Transport Industry BEE Forum.
- 2.3 Labour Undertakings (to achieve this vision)**
- 2.3.1 Encourage trade union controlled pension funds, where trade unions have significant influence, and trade union investment companies to make investments in the sector to help achieve the ownership targets.
- 2.3.2 Encourage employers to first look towards their own employees when considering options for achieving black equity participation.
- 2.3.4 Investigate opportunities to establish collective investment vehicles (including employee share ownership schemes) that will make investments in the sector. These investment vehicles must ensure the empowerment of workers to develop the skills required to own and manage companies in the industry. These initiatives need to be aligned to the tripartite report published in September 2003 and should be utilised in this regard.
- 2.3.5 Ensure that workers are empowered through skills development and create opportunities to deploy them into management positions.
- 2.3.6 Mobilise members to ensure compliance with existing legislation e.g. the Employment Equity (EE), Skills Development (SD), Labour Relations and Basic Conditions of Employment Acts. Non-complying companies must be reported to the Transport Sector B-BBEE Forum/Council to take further action by inspecting the causes for non-compliance and reviewing performance targets as necessary.
- 2.3.7 Mobilise members to monitor the performance of their employers in implementing the Growth and Development Summit (GDS) agreement on promoting local content and/or procurement and supporting the Proudly South African campaign.
- 2.3.8 Monitor the impact of procurement/outsourcing on job creation and report findings to the Transport Sector BEE Forum/Council
- 2.4 TETA Undertakings (to achieve this vision)**
- 2.4.1 Play a more interventionist role to influence training priorities in the Rail Chamber.
- 2.4.2 Assist stakeholders with the analysis of people in a particular skills set (or job category) broken down by race and gender.
- 2.4.3 Continuously conduct analysis and update statistics about the future demand of critical skills sets and the supply side of the equation.
- 2.4.4 Continuously conduct an analysis of the quantity, quality and nature of training that organisations and companies are doing.

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- 2.4.5 Commit to this B-BBEE Sub-Sector Code and strive to achieve the targets set (where applicable) as per the indicators (Management, Employment Equity, Skills Development, Preferential Procurement and Enterprise Development) in the balanced scorecard both internally and with specific reference to service providers.
- 2.4.6 Align its mission and vision with the imperatives of B-BBEE and assist with the implementation and monitoring of the B-BBEE Charter.

3 INDICATORS OF EMPOWERMENT

3.1 Rail Sub-sector Code and the Scorecard

The B-BBEE Sub-Sector Code for the Rail Industry seeks to encourage all stakeholders to pursue an aggressive transformation agenda according to the broad guidelines set out in the National Strategy and BEE Balanced Scorecard. It is necessary to set different targets and timeframes for the public and private Industry's because the two are at different stages of the transformation process.

3.2 Ownership

3.2.1 Guiding Principles

- 3.2.1.1 Our guiding principle is to increase black ownership of assets, management control and operational involvement across the entire spectrum of the rail industry value chain and design appropriate funding mechanisms to facilitate the process. We recognise that the majority of rail industry assets are publicly owned. However, the challenge is to identify opportunities outside the public sector and use the purchasing power of the rail parastatals to fast track the development of new black enterprise in the industry.

3.2.2 The Private Industry Commits to:

- 3.2.2.1 Pro-actively seek opportunities to broaden the ownership base of their enterprises and ensure that a minimum of **25%+1** vote is the hands of **black people**;
- 3.2.2.2 Ensure that a minimum of **25%** of economic interest accrues to **black people**;
- 3.2.2.3 Ensure that a minimum of least **10%** voting rights is in the hands of **black women**;
- 3.2.2.4 Ensure that **10%** of economic interest is in the hands of black women;
- 3.2.2.5 Ensure that **3%** is earmarked for black designated groups (including black people living with disabilities) and/or black participants in Employee Ownership Schemes, Broad based Ownership Schemes and Co-operatives within five years. This refers to **Black Natural People**;
- 3.2.2.6 If the ownership by black people living with disability is through a Non profit organisation or Public benefit organisation, the organisation will require to evidence that **85%** of the beneficiaries are black people living with disability as defined in the Employment Equity Act in order to realise maximum bonus points; and
- 3.2.2.7 **Qualifying Small Enterprises (QSEs)** as defined in this Sub-Sector Code will commit to:

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- 3.2.2.7.1 Increasing the ownership base of their companies and ensure that a minimum of **25%** of economic interest is in the hands of **black people**;
- 3.2.2.7.2 **25%+1** vote voting rights, or equivalent thereof, are in black hands; and
- 3.2.2.7.3 Ensure that the net economic interest of the black equity participants is 100% of their acquired share of the business within 5 years. If this is achieved, it will be deemed that Ownership Fulfilment has been achieved for both bigger entities (i.e. companies with turnover above R35 million) and Qualifying Small Enterprises (i.e. companies within R5 million and R35 million turnover threshold).
- 3.2.3 Measurement Principles and Application of the Charter**
- 3.2.3.1 Measurement principles associated with the ownership element is contained in Statement 100 of Code 100 of the Generic Code of Good Practice.
- 3.2.3.2 The formulae required in the determination of the ownership score is contained in Annexure 100 (c) of Statement 100 of Code 100 of the Generic Code of Good Practice.
- 3.2.3.3 The recognition of the sale of assets under the ownership element has the same meaning as that contained in Statement 102 of Code 100 of the Generic Code of Good Practice. The target contained in the ownership element of this Sub-Sector Code will apply.
- 3.2.3.4 The recognition of the equity equivalent programmes for multinational has the same meaning and interpretation as that contained in Statement 103 of Code 100 of the Generic Code of Good Practice.
- 3.2.3.5 The formulae required in the determination of the ownership score based on equity equivalent contributions are contained in Annexure 103 (A) of Statement 103 of Code 100 of the Generic Code of Good Practice.
- 3.2.3.6 Measurement principles relating to the ownership element for QSEs are contained in Statement 801 of Code 800 of the Generic Codes of Good Practice.
- 3.3 Management Control**
- 3.3.1 Private Industry Commits to:**
- 3.3.1.1 Ideally, an equal level of management control should accompany black ownership. Private industry will therefore aspire to the following 5-year targets regarding management control:
- 3.3.1.1.1 **Board Members**: 33% of the exercisable voting rights in the hands of black people.
- 3.3.1.1.2 **Women Board Members**: 16.5% of exercisable voting rights in the hands black women.
- 3.3.1.1.3 **Executive Directors**: 33% of all executive director positions occupied by black people.
- 3.3.1.1.4 **Women Executive Directors**: 16.5% of all executive positions occupied by black people.
- 3.3.1.1.5 **Senior Top Management**: 40% of all top senior management positions occupied by black people.
- 3.3.1.1.6 **Women Senior Top Management**: 20% of all top senior positions occupied by black women.

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- 3.3.1.1.7 **Other Top Management:** 40% of all other top management positions occupied by black people.
- 3.3.1.1.8 **Women Other Top Management:** 20% of all other top management positions occupied by black women.
- 3.3.1.1.9 QSEs within the sector commits to recruiting black people at Top Management positions, where they should constitute 50.1% of total Top Management.
- 3.3.1.1.10 Recruiting black women at Top Management level; where they should constitute 25% of all such positions.
- 3.3.2 Measurement Principles and Application of the Charter**
- 3.3.2.1 Measurement principles associated with the management control element is contained in Statement 200 of Code 200 of the Generic Code of Good Practice.
- 3.3.2.2 The formulae required in the determination of the management control score are contained in Annexure 200 (A)-B of Statement 200 of Code 200 of the Generic Code of Good Practice. The Adjustment Recognition for Gender will not apply Annexure 200 (A)-A.
- 3.3.2.3 Measurement principles needed for the application of the Sub-Sector Code with regards to the management control element for QSEs are contained in statement 802, of Code 800, of the Generic Codes of Good Practice.
- 3.4 Employment Equity**
- 3.4.1 Guiding Principle**
- 3.4.1.1 Our guiding principle is to increase the participation of black people in top management, senior management and professional and technical occupations in the rail industry to create a workforce that truly represents the racial, ethnic and gender diversity of our country. This will require that all stakeholders create a supportive culture within their organization to attract new talent, facilitate the development of existing employees, and accelerate their progress into key positions within the industry.
- 3.4.2 Private Industry Commits to:**
- 3.4.2.1 **Senior Management:** The minimum compliance level for total black representation is set at 60% and the minimum compliance level for black women representation is set at 30% of all senior management positions.
- 3.4.2.2 **Middle Management:** The minimum compliance level for total black representation is set at 75% of all middle management and the minimum compliance level for black women representation is set at 37% of all middle management positions.
- 3.4.2.3 **Junior Management:** The minimum compliance level for total black representation is set at 80% and the minimum compliance level for black women representation is set at 40% of all junior management positions.
- 3.4.2.4 **Black Disabled Employees** – The minimum compliance level for black disabled representation is set at 3% of total staff.

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- 3.4.2.5 Black Women Disabled Employees–The minimum compliance level for black women disabled representation is set at 1.5% of total staff.
- 3.4.2.6 Measured entities falling within the QSEs threshold commit 40% of all management staff is black within 5 years. 50% of these positions should be earmarked for black women.
- 3.4.2.7 QSEs within this sub-sector commit to all 60% of all staff should be black within the next 5 years. Black women should occupy 30% of all positions within the next 5 years.
- 3.4.3 TETA commits to:
- 3.4.3.1 Play a significant role in monitoring and supporting stakeholders in meeting their targets.
- 3.4.4 **Measurement Principles and Application of the Charter**
- 3.4.4.1 Measurement principles on the employment equity element, is contained in Statement 300 of Code 300 of the Generic Code of Good Practice.
- 3.4.4.2 The formulae required in the determination of the employment equity score are contained in Annexure 300 (A)-B of Statement 300 of Code 300 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender – Annexure 300 (A)-A will not apply.
- 3.4.4.3 Measurement principles for the determination of the Employment Equity score for QSEs are contained in Statement 803 of Code 800 of the Generic Codes of Good Practice.
- 3.5 **Skills Development**
- 3.5.1 **Guiding Principle**
- 3.5.1.1 Our guiding principle is to increase the economic value added of every employee in the rail sector through best-practice Human Resource Development, Skills Development, Employment Equity and Gender policies. A key element will be to identify the critical skills, retain and create quality employment in the sector.
- 3.5.2 **Private Industry Commit to:**
- 3.5.2.1 Investing a minimum of 3.5% of the leviable amount on skills development expenditure on Learning programmes as per the Learning Matrix contained in the Codes, for black people. The target is inclusive of all associated costs and the current 1% skills development levy.
- 3.5.2.2 Investing a minimum of 1.5% of the leviable amount on skills development expenditure on Learning Programmes as per the Learning Matrix contained in the Codes for black women employees.
- 3.5.2.3 Investing a minimum of 0.3% of the leviable amount on skills development expenditure on Learning Programmes as per the Learning Matrix contained in the Codes for black disabled employees.
- 3.5.2.4 Investing a minimum of 0.15% of the leviable amount on skills development expenditure on Learning Programmes as per the Learning Matrix contained in the Codes for black women disabled employees.

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- 3.5.2.5 The number of black employees participating in Learnerships or Category B, C or D as a percentage of total employees will be 5%.
- 3.5.2.6 The number of black women employees participating in Learnerships or Category B, C or D as a percentage of total employees will be 2%.
- 3.5.2.7 Measured entities qualifying as QSEs to invest 2% of the leviable or payroll whichever is applicable on skills development expenditure on learning programmes for black employees. 50% of this amount to be spend on learning programmes for black women employees.
- 3.5.3 TETA Commits to:**
- 3.5.3.1 Expand the number of learnerships available based on the sector's skills requirements identified in the sector skills plan and the demands of the industry.
- 3.5.3.2 Facilitate easy access to finance learnerships and eliminate bottlenecks and bureaucratic procedures in accessing grants. This would entail streamlining processes and developing user-friendly procedures that encourage companies to participate in learnerships programmes.
- 3.5.3.3 Introduce, after consulting stakeholders and completing the skills audit, new categories of learnerships-in management, technical and professional occupational categories-to help public and private sector organisations to achieve their employment equity targets.
- 3.5.3.4 Conduct research to identify the management, professional and technical skills that the industry will require over the next decade and map out future demand/supply scenarios in a detailed skills audit that will guide and inform stakeholders in implementing their EE targets.
- 3.5.3.5 Pay particular attention to the issue of addressing the current shortage of engineering professionals in the rail industry and make proposals on how to eliminate the skills deficit in the medium term. The proposal will quantify the financial resources that may be required to eliminate the skills deficit.
- 3.5.3.6 Conduct research on the supply side of the skills development equation – i.e. the institutions that will provide the required management, professional and technical skills. The research will determine whether the identified institutions have the capacity to meet the expected demand and whether their curricula meet the needs of industry.
- 3.5.3.7 Collect and publish detailed and aggregated statistics on the EE profile of the industry according to occupational level and occupational category.
- 3.5.3.8 Assist in unlocking the funds from the National Skills Fund (NSF) for Management and Learnership Programmes in the identified areas.
- 3.5.4 Measurement Principles and Application of the Charter**
- 3.5.4.1 Measurement principles associated with the skills development element, is contained in Statement 400 of Code 400 of the Generic Code of Good Practice.
- 3.5.4.2 The formulae required in the determination of the skills development score are contained in Annexure 400 (A)-B of Statement 400 of Code 400 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender – Annexure 400 (A)-A will not apply.

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- 3.5.4.3 The measurement principles required in the determination of the skills development score for QSEs are contained in Statement 804 of Code 800 of the Generic Code of Good Practice
- 3.6 Preferential Procurement**
- 3.6.1 Guiding Principle**
- 3.6.1.1 Our guiding principle is to use the significant purchasing power of the rail parastatals to develop and support existing BEE companies in the sector and make deliberate attempts to identify new entrants, particularly in areas such heavy engineering and maintenance, which have traditionally excluded black people. A key area of focus will be to identify areas where there is relatively little procurement from black suppliers and develop strategies to rectify the situation. However, quality and specification issues have to be reflected under procurement in order to ensure compliance with safety standards.
- 3.6.2 Private Industry Commits to:**
- 3.6.2.1 B-BBEE Procurement: The Private Sector commits itself to procure a minimum of **50% of B-BBEE procurement** spend based on the Recognition levels (see Appendix B) as a percentage of Total Measured Procurement Spend.
- 3.6.2.2 B-BBEE Procurement-QSEs and EMEs: The Private Sector commits itself to procure a minimum of **10% of all B-BBEE procurement** spend from Qualifying Small Enterprises and EMEs.
- 3.6.2.3 Procurement from **50% Black-Owned Enterprises**: The Private Sector commits itself to procuring a minimum of 9% of B-BBEE procurement spend from 50% Black-Owned Enterprises.
- 3.6.2.4 Procurement from **30% Black Women-Owned Enterprises**: The Private Sector commits itself to procuring a minimum of 6% of B-BBEE procurement spend from **30% Black Women-Owned Enterprises**.
- 3.6.2.5 QSEs within this sub-sector commit to procuring a minimum of 50% of total procurement from B-BBEE compliant suppliers.
- 3.6.2.6 Adopt the guidelines on Accounting for Affirmative Procurement that will be set by the Transport Sector BEE Forum/Council.
- 3.6.3 All stakeholders commit to:**
- 3.6.3.1 Ensure that companies and organisations develop uniform policies on Accounting for Affirmative Procurement and adopt the guidelines that will be set by the Transport Sector BEE Forum/Council.
- 3.6.3.2 Ensure that companies and organisations constantly explore possibilities to increase the amount of discretionary spending—for example by supporting local procurement and/or content in line with the agreements reached by stakeholders at the Growth and Development Summit (GDS) whilst at all times complying with their Safety Management System requirements.
- 3.6.3.3 This will require that companies and organisations state in their annual BEE reports the reasons for classifying an item of expenditure as “non-discretionary.” This information should be disclosed in a detailed statement that reconciles discretionary and non-discretionary expenditure.

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- 3.6.3.4 Companies and organisations should support the Proudly South African (PSA) campaign and note the agreement at the GDS that PSA is "an important means of taking the message of local content, fair labour standards, environmental sustainability and quality products and services to the nation."
- 3.6.3.5 As far as possible, companies and organisations should use local as opposed to foreign suppliers and state the reasons for using a foreign supplier. Where a foreign supplier must be used, companies and organisations must use the offset principle to secure the commitment of these companies to a set of BEE obligations.
- 3.6.3.6 As far as possible include early payment cycles, securities, guarantees etc when procuring from to Black owned enterprises, QSEs & EMEs.
- 3.6.4 Measurement Principles and Application of the Charter**
- 3.6.4.1 Measurement principles associated with the preferential procurement element, is contained in Statement 500 of Code 500 of the Generic Code of Good Practice.
- 3.6.4.2 The formulae required in the determination of the preferential procurement score are contained in Annexure 500 (A) of Statement 500 of Code 500 of the Generic Code of Good Practice.
- 3.6.4.3 Measurement principles required in evaluating the preferential procurement contributions made by QSEs within this sector are contained in Statement 805 of Code 800 of the Generic Codes of Good Practice.
- 3.7 Enterprise Development**
- 3.7.1 Guiding Principle**
- 3.7.1.1 Our guiding principle is to help set up, nurture and grow viable BEE enterprises in the rail sector that are majority-owned by black operators while developing existing companies.
- 3.7.2 The Private Industry Commits to:**
- 3.7.2.1 Pro-actively seek opportunities to enter into joint ventures (and other forms of alliances) and make direct investments in BEE companies.
- 3.7.2.2 Facilitate the development of creative financial mechanisms to enable BEE companies and employees to purchase equity in their companies.
- 3.7.2.3 Enterprise development in the private sector will be measured as a percentage of Net Profit After Tax (NPAT) over a 5 year period. The private sector commits itself to an average annual value of Enterprise Development of 3% of NPAT.
- 3.7.2.4 QSEs within this sub-sector aspire to make contributions to enterprise development, which will amount to 2% of NPAT evaluated annually over the next 5 years.
- 3.7.3 TETA commits to:**
- 3.7.3.1 To developing training programmes specifically designed for black entrepreneurs within the Rail Industry.
- 3.7.3.2 Contribute 10% of its allocation to developing training programmes specifically for entrepreneurs in this sector.

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- 3.7.3.3 Having 50% of all Learners in such programmes being black people.
- 3.7.4 Measurement Principles and Application of the Sub-Sector Code**
- 3.7.4.1 Measurement principles associated with the enterprise development element are contained in Statement 600 of Code 600 of the Generic Code of Good Practice.
- 3.7.4.2 Qualifying contributions for the enterprise development element are contained in Annexure 600 (A) – Benefit Factor Matrix of the Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.3 The formulae required in the determination of the enterprise development score are contained in Annexure 600 (A) of Statement 600 of Code 600 of the Generic Code of Good Practice.
- 3.7.4.4 Measurement principles required in evaluating the enterprise development contributions made by QSEs within this sub-sector are contained in Statement 806 of Code 800 of the Generic Codes of Good Practice.
- 3.8 Social-economic Development**
- 3.8.1 Guiding principles**
- The rail sub-sector is well placed to make a contribution towards the development of local rural communities. Our guiding principle is to increase the impact of companies and organisations within the rail venue chain on rural communities.
- 3.8.2 All Stakeholders commit to:**
- 3.8.2.1. A target of 1% of NPAT on social development projects as identified by the organisation/company with a specific focus on rural development, which may include HIV/AIDS treatment and prevention, education, etc.
- 3.8.2.2 QSEs within this sub-sector will contribute a minimum of 1% of NPAT evaluated annually to socio-economic development initiatives over the next 5 years.
- 3.8.2.3 The rand spend on contributions directed in the following programmes that will be Rail Sector specific and designed areas will be enhanced by a factor of 1.25:
- 3.8.2.3.1 HIV Treatment and Prevention;
- 3.8.2.3.2 Education; and
- 3.8.2.3.3 Rural Development structures.
- 3.8.3 Measurement Principles and Application of the Charter**
- 3.8.3.1 Measurement principles associated with the socio-economic development element are contained in Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.8.3.2 Qualifying contributions for the socio-economic development element are contained in Annexure 700 (A) – Benefit Factor Matrix of the Statement 700 of Code 700 of the Generic Codes of Good Practice.
- 3.8.3.3 The formulae required in the determination of the socio-economic development are contained in Annexure 700 (A) of Statement 700 of Code 700 of the Generic Code of Good Practice.

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- 3.8.3.4 Measurement principles required in evaluating socio-economic development contributions made by QSEs within this sub-sector are contained in Statement 807 of Code 800 of the Generic Codes of Good Practice.

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4. RAIL SUB-SECTOR B-BBEE SCORECARD

| B-BBEE Element | Indicators of Empowerment | Private Sector 5 Year Targets | Private Sector Weights | |
|---|---|--|------------------------|-----|
| Ownership | Exercisable voting rights in the hands of black people | 25%+1 vote | 3 | |
| | Exercisable voting Rights in the hands of Black Women | 10% | 2 | |
| | Economic Interest in the hands of black people | 25% | 4 | |
| | Economic Interest in the hands of Black Women | 10% | 2 | |
| | Economic interest in the hands of black natural people in the enterprise: -Black designated groups; -Black participants in employee ownership schemes; -Black beneficiaries of broad-based ownership schemes or Black participants in cooperatives | 3% | 1 | |
| | Net Economic Interest/Net Value | 25% graduated over 10 years as per the Codes (year 5 at 60%) | 7 | |
| | Ownership Fulfilment | - | 1 | |
| | Bonus Points: | | | |
| | Involvement in the ownership of the Enterprise black new entrants | 10% | 2 | |
| | Involvement in the ownership of the Enterprise of black participants in ESOPs, Broad-Based Schemes or Co-operatives | 10% | 1 | |
| | Economic Interest & exercisable voting rights in the hands of black disabled people | 2% | 2 | |
| | Management | % of total exercisable voting rights in the hands of black board members | 33% | 1.5 |
| | | % of total exercisable voting rights in the hands of black women board members | 16.5% | 1.5 |
| % Black persons who are executive directors | | 33% | 1 | |
| % Black women who are executive directors | | 16.5% | 1 | |

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| B-BBEE Element | Indicators of Empowerment | Private Sector Year Targets | Points Weight |
|---------------------------|--|-----------------------------|---------------|
| | % of black people who hold senior top management positions | 40% | 1.5 |
| | % of black women who hold senior top management positions | 20% | 1.5 |
| | % of black people who hold other top management positions | 40% | 1 |
| | % of black women who hold other top management positions | 20% | 1 |
| | Bonus Point: Black Independent non-executive board members | 40% | 1 |
| Employment Equity | % Black People in Senior Management | 60% | 3 |
| | % Black Women in Senior Management | 30% | 2 |
| | % Black People in Middle Management | 75% | 2 |
| | % Black Women in Middle Management | 37% | 2 |
| | % Black People in Junior Management | 80% | 2 |
| | % Black Women in Junior Management | 40% | 2 |
| | Black People living with disabilities as a % of all employees | 3% | 1 |
| | Black Women living with disabilities as a % of all employees | 1.5% | 1 |
| | % of Black Women in semi-skilled and unskilled positions | 15% | 2 |
| | Bonus points: Meeting or exceeding the EAP target in each category of employment equity | | 3 |
| Skills Development | Skills Development Spend on black employees as a % of Leviable amount total payroll | 3.5% | 7 |
| | Skills Development Spend on black women employees as a % of total leviable amount/payroll | 1.5% | 3 |

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| B-BBEE Element | Indicators of Empowerment | Private Sector Year Target | Private Sector Weight |
|-----------------------------------|--|----------------------------|-----------------------|
| | Number of black employees in Learnerships Programmes or Category B, C and D as a % of total workforce | 5% | 5 |
| | Number of black women employees in Learnerships Programmes or Category B, C or D as a % of total workforce | 2% | 2 |
| | Skills Spend on black employees living with disabilities as a % of total payroll | 0.3% | 1.5 |
| | Skills Spend on black women employees living with disabilities as a % of total payroll | 0.15% | 1.5 |
| Preferential Procurement | Procurement from all B-BBEE Compliant Enterprises as defined by the B-BBEE Recognition Levels as a % of Total Measured Procurement Spend | 50% | 10 |
| | Procurement from B-BBEE Compliant QSEs and EMEs as defined by the B-BBEE Recognition Levels as a % of Total Measured Procurement Spend | 10% | 3 |
| | Procurement from 50% Black-Owned as a % of discretionary spend | 9% | 3 |
| | Procurement from 30% Black Women-Owned Enterprises as a % of discretionary spend | 6% | 2 |
| Enterprise Development | Expenditure on supplier development initiatives as a proportion of NPAT | 3% of NPAT | 10 |
| Socio-economic Development | Expenditure on social development programmes as a % of NPAT | 1% of NPAT | 5 |
| TOTAL | | | 100 |

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5. QUALIFYING SMALL ENTERPRISES B-BBEE SCORECARD

| B-BBEE Element | Indicators of Empowerment | Private Sector 5 year target | Private Sector Weightings |
|---------------------------|---|--|---------------------------|
| Ownership | Exercisable voting rights in hands of black people | 25%+1 Vote | 6 |
| | Economic Interest of black people in the Enterprise | 25% | 9 |
| | Realisation Points: | | |
| | Ownership fulfilment | | 1 |
| | Net Value | 25% graduated over 10 years as per the Codes (Year 5 at 60%) | 9 |
| | Bonus Points: Involvement in the ownership of the Enterprise by black women | 10% | 2 |
| | Bonus Points: Involvement in the ownership of the Enterprise by black participants in Employee Share Schemes, Co-operatives or Broad Based Ownership Schemes | 10% | 1 |
| Management Control | Black Representation at Top Management level | 50.1% | 25 |
| | Bonus Points: Black women representation at Top-Management | 25% | 2 |
| Employment Equity | Black Employees of the Measured Entity who are Management as a % of all Management | 40% | 7.5 |
| | Black Women Employees of the Measured Entity who are management as a % of all Management | 20% | 7.5 |
| | Black employees of the Measured Entity as a percentage of total employees | 60% | 5 |
| | Black women employees of the Measured Entity as a percentage of total employees | 30% | 5 |
| | Bonus points: meeting or exceeding the EAP targets in each category | | 2 |
| Skills Development | Skills Development spend on learning programmes for Black employees as a percentage of the leviable/payroll | 2% | 12.5 |
| | Skills Development spend on learning programmes for Black | | 12.5 |

RAIL SUB-SECTOR CODE FOR BBEE

| B-BBEE Element | Indicators of Empowerment | Private Sector year target | Private Weighting |
|-------------------------------------|---|----------------------------|-------------------|
| | Women employees as a percentage of the leviable/payroll | 1% | |
| Preferential Procurement | BEE Procurement Spend from all suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 50% | 25 |
| Enterprise Development Spend | Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target | 2% of NPAT | 25 |
| Socio-Economic Development | Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target | 1% of NPAT | 25 |
| TOTAL | | | 175 |

A QSE must select any four of the above seven elements for the purposes of measurement. If a QSE does not make a selection, its four best element scores will be used for the purposes of measurement.

RAIL SUB-SECTOR CODE FOR BBEE**6. APPENDIX A: COMMITMENT EVALUATION MATRICES****Skills Development**

| | | | |
|--|--|--|--|
| Prioritise the training of high school learners in mathematics and science at higher grade | Money spend on mathematics and science programmes for high school learners | Annual Report on Progress made in implementing B-BBEE within the Rail Industry and annual B-BBEE report | Steering Committee/Sub-Sector CodeCouncil & DoT |
| Prioritise the implementation of bursary schemes and education grants for science and engineering students in South African Universities and Technikons | Money spent on research as a % of total discretionary funds | Number of information session programmes and number of beneficiary enterprises benefiting from government programmes | Steering Committee/Sub-Sector CodeCouncil & DoT |
| Ensure and monitor compliance within existing legislation that might be linked to the B-BEE such as Employment Equity, Skills Development, Competition Act, etc. | Money spent on awareness campaigns as a % of total discretionary funds | Annual Report on Progress made in implementing B-BBEE within the Rail Industry and annual B-BBEE report | SC, DoT, DoL, TETA and dti |
| Increase awareness programmes that will publicise information regarding scholarships and training resources. | Money spent on awareness campaigns as a % of total discretionary funds | Report to Steering Committee on number of new attendees at awareness campaigns. | TETA & Steering Committee/Sub-Sector CodeCouncil |
| Implement funding strategy to facilitate the improvement of technical skills of black people within the industry. | Amount of funding as a % of total discretionary funds. | Assessment Report on technical skills of black people within the industry. | TETA & Steering Committee/Sub-Sector CodeCouncil |
| Facilitate high quality training of black people through mentorship programmes. | Money spent on skills development as a % of total discretionary funds | Assessment Report on skills of black people within the industry. | TETA & Steering Committee/Sub-Sector CodeCouncil |
| Implement skills audit to identify management, professional and technical skills that will be required over the next decade. | Money spent on research as a % of total discretionary funds | Analysis and forecasts to be presented to Steering Committee and | TETA & Steering Committee/Sub-Sector CodeCouncil |

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| | | | |
|---|--|--|--|
| | | TETA. | |
| Set targets to increase the number of sustainable learnerships at all levels within the industry. | Money spent on learnerships as a % of total discretionary funds. | Report to Steering Committee on improvement (percentage change) in black learnerships. | TETA & Steering Committee/Sub-Sector CodeCouncil |

Preferential Procurement

| Action Undertaken | Input measurement | Output measurement | Quality Control |
|--|---|---|---|
| Ensure that uniform accounting practices regarding preferential procurement are adopted by public sector agencies. | Money spent on research as a % of total discretionary funds | Assessment Report on accounting practices regarding preferential procurement submitted to Steering Committee. | Steering Committee/Sub-Sector CodeCouncil |

Enterprise Development

| Action Undertaken | Input measurement | Output measurement | Quality Control |
|--|--|--|---|
| Enter into joint ventures with B-BBEE enterprises. | Annex 600A (Benefit Factor Matrix) of the Codes shall apply. | Report to Steering Committee on improvement (percentage change) in new entities. | Steering Committee/Sub-Sector CodeCouncil |

DOMESTIC AVIATION SUB-SECTOR CODE



**REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID AFRIKA**

DEPARTMENT OF TRANSPORT

DOMESTIC AVIATION SUB-SECTOR CODE FOR BBBEE

AVIATION SUB-SECTOR CODE FOR BBBEE

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AVIATION SUB-SECTOR CODE FOR BBEE**ABBREVIATIONS**

| | DEFINITION |
|---------------|---|
| ACSA | Airports Company of South Africa |
| ABET | Adult Basic Education and Training |
| B-BBEE | Broad-Based Black Economic Empowerment |
| BCEA | Basic Conditions of Employment Act |
| BEE | Black Economic Empowerment |
| CAA | Civil Aviation Authority |
| CIPRO | Company Intellectual Property and Registration Organisation |
| DBSA | Development Bank of Southern Africa |
| DOL | Department of Labour |
| DOT | Department of Transport |
| DPE | Department of Public Enterprises |
| DTI | Department of Trade and Industry |
| EE | Employment Equity |
| EMEs | Exempted Micro Enterprises |
| GDP | Gross Domestic Product |
| GDS | Growth and Development Summit |
| HDSA | Historically Disadvantaged South Africans |
| IDC | Industrial Development Corporation |
| JSE | Johannesburg Securities Exchange |
| KPI | Key Performance Indicators |
| MSA | Moving South Africa |
| NEF | National Empowerment Fund |
| NEPAD | New Partnership for Africa's Development |
| NPAT | Net Profit After Tax |
| NSF | National Skills Fund |
| PIC | Public Investment Corporation |
| PIPO | Public Industry Port Operations |
| PLWDs | People Living with Disabilities |
| PPPFA | Preferential Procurement Policy Framework Act |
| PSA | Proudly South African |
| QSEs | Qualifying Small Enterprises |
| RDP | Reconstruction and Development Programmes |
| SANAS | South African National Accreditation System |
| SATAWU | South African Transport and Allied Workers Union |
| SC | Steering Committee |
| SETAs | Sector Education and Training Authorities |
| SMMEs | Small Micro Medium Enterprises |
| SOE's | State Owned Enterprises |
| TEO | The Enterprise Organisation |
| TETA | Transport Education and Training Authority |
| THETA | Tourism, Hospitality, Sport Education & Training Authority |
| WSP | Workplace Skills Plan |

AVIATION SUB-SECTOR CODE FOR BBEE

1. SCOPE

- 1.1 The scope of this Broad-Based Black Economic Empowerment (B-BBEE) code (the "Sub-Sector Code") is limited to the Aviation Industry inter alia: -
- 1.1.1 **Civil Aviation;**
 - 1.1.2 Scheduled and non-scheduled airline operations, including passenger, freight, Sub-Sector Code and general aviation;
 - 1.1.3 Aircraft maintenance, including engine and component overhauls and spare parts;
 - 1.1.4 Airline Service Providers (as defined in Annexure B);
 - 1.1.5 Ramp handlers;
 - 1.1.6 Airside operators;
 - 1.1.7 Airport facilities and services such as Airports Company of South Africa (ACSA), Handling Agents, etc; and
 - 1.1.8 Navigation and technical service providers.
- 1.2 This Sub-Sector Code will have an impact on other sectors of the economy that are not aviation specific, for example, general services such as catering, retail and other services. The empowerment requirements for non South African domiciled airlines differ to those for Aviation in general and are captured in the Foreign Owned Airlines B-BBEE Scorecard.

2. VISION

2.1 **Overarching Vision**

- 2.1.1 The overarching vision of this sub-sector is to continually develop and maintain a world-class industry that adheres to international safety standards and delivers quality and affordable services to all our customers. Stakeholders seek to develop an industry that grows in size, contributes towards the economic and social growth of our country and facilitates the economic viability of the region, and substantially increases black participation in business entities throughout the industry value chain. This is directed at pursuing a growth strategy that prioritises the retention and creation of quality jobs.
- 2.1.2 To make this vision a reality will require a strategy to increase access to skills development, training, investment in capacity development, capital and economic opportunities. This will require that all stakeholders develop existing black employees and recruit as Stakeholders as improve the skills of new black people into the industry. This includes an increase of skills (for new and existing employees) to best-practice international levels, while creating a supportive culture for their talents to thrive. It will also require that all stakeholders facilitate the creation of new black entrepreneurs who can participate in economic opportunities throughout the aviation industry value chain and other sectors of the economy.

AVIATION SUB-SECTOR CODE FOR BBEE

- 2.1.3 The signatories to this document believe that each company in South Africa should embrace B-BBEE, recognising that it is a constitutional and economic imperative to secure a prosperous future for all our country's citizens and therefore act as a catalyst for economic growth. Accordingly, Stakeholders commit to communicating the contents of this Sub-Sector Code to every business entity within the industry to facilitate maximum participation by all stakeholders.
- 2.1.4 Accordingly, all Private Sector Stakeholders committing themselves to this Sub-Sector Code agree to have their B-BBEE achievements measured against the indicators in the scorecard and verified by an independent B-BBEE verification agency/company that is accredited by the South African National Accreditation System (SANAS) on behalf of the Department of Trade and Industry (DTI). The B-BBEE achievements of Public Sector Organisations is measured, monitored and rated in a separate process. Independent B-BBEE rating companies will rate the suppliers of public sector organisations that do not have such capacity, using the same criteria. The independent B-BBEE verification will go a long way towards eliminating fronting in the industry.
- 2.2 Government undertakings (to achieve the vision)**
- 2.2.1 Government is an important participant in the industry as it owns a major share of aviation assets and employs large numbers of workers. As such, government policies will be one of the most important factors that contribute towards growth in the industry. Accordingly, government will commit to:
- 2.2.1.1 Pursuing policies that will contribute to economic growth, especially foreign trade and tourism, which impact on the growth of the industry.
- 2.2.1.2 Develop structures that will ensure inter-governmental co-ordination between government departments to align their programmes with the Transport and Aviation Sector B-BBEE Sub-Sector Code processes. Examples of cross-cutting issues that require interventions across government departments and agencies include:
- 2.2.1.2.1 The current shortage of black matriculants with maths and science at higher grade;
- 2.2.1.2.2 The current shortage of engineers and artisans across all disciplines;
- 2.2.1.2.3 The industrial strategy to develop the country's aerospace components manufacturing industry;
- 2.2.1.2.4 Increasing awareness over the transport sector about available government investment incentives; and
- 2.2.1.2.5 Monitoring of stakeholder achievements against the indicators in the Scorecard, together with other stakeholders in the proposed Transport Sector B-BBEE Charter Council.
- 2.2.1.3 Encouraging and monitoring compliance with existing legislation that may impact on B-BBEE such as the Employment Equity, Skills Development and Competition Acts.

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- 2.2.1.4 Working together with other stakeholders, to achieve the Transport White Paper's objective of providing affordable transport services. These policies will be informed by an in-depth review of the legislation that impacts on the cost base and/or competitiveness of the aviation industry.
- 2.2.1.5 Reviewing the current policy of limiting foreign ownership in SA Domiciled Airlines (in line with current policy) in order to facilitate increased investment and job creation in the industry.
- 2.2.1.6 Designing an overall framework that will provide that State Owned Enterprises (SOEs) bind foreign suppliers of technology-intensive products and services to a set of B-BBEE obligations, including ownership, skills development and enterprise development. This will require an extension of the offset principle currently used in defence and commercial contracts.
- 2.2.1.7 Ensuring that the restructuring of aviation assets to effect new institutional arrangements proceeds in a manner that results in an increase in black participation at all levels – including shareholding, employment and the procurement of services and goods.
- 2.2.1.8 Ensure that all SOEs submit an annual B-BBEE report (over and above their annual reports) that covers achievements in meeting B-BBEE targets. The report should also include information on jobs created/lost.
- 2.2.1.9 Consolidating reports and information from all stakeholders and publish an annual report on B-BBEE achievements and job creation across the aviation industry. Stakeholders will be encouraged to use this report to review progress at an annual Transport Industry B-BBEE Forum.
- 2.3 Labour Undertakings (to achieve this vision)**
- 2.3.1 Labour is an important participant in the Industry as it represents a large percentage of the work force employed in the Industry. As such, Labour's support and participation is vital to growth and stability and transformation within the Industry. Accordingly, Labour commits to:
- 2.3.1.1 Encouraging trade union-controlled pension and provident schemes and investment companies to make investments in the industry to help achieve the ownership targets.
- 2.3.1.2 Investigating opportunities to establish collective investment vehicles that will invest in the industry.
- 2.3.1.3 Mobilising members to monitor compliance with existing legislation relevant to B-BBEE participation within the industry, e.g. the Employment Equity and Skills Development Acts. Non-compliant business entities to be reported to the Transport Sector B-BBEE Charter Council and the Department of Labour or other relevant authority.
- 2.3.1.4 Mobilising members to monitor the performance of their employers in implementing the Growth and Development Summit (GDS) agreement on promoting local content and/or procurement and supporting the Proudly South African (PSA) campaign.

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- 2.3.1.5 Monitor the impact of procurement/outsourcing on job creation and if appropriate report findings to the Transport Sector B-BBEE Charter Council.

The signatories of this Sub-Sector Code believe that the industry should endeavour to facilitate the realisation of these commitments through monitoring of contributions to B-BBEE.

3. INDICATORS OF EMPOWERMENT

3.1 Duration of this Sub Sector Code

This Sub-Sector Code seeks to encourage all stakeholders to commit and pursue a firm and progressive transformation agenda in line with the broad guidelines set out in the National Strategy and the scorecard. It is necessary to set different targets and timeframes for the Public Sector Organisations and Private Sector Stakeholders as the two are at different stages of the transformation process.

This Sub-Sector Code shall remain in effect until amended, substituted and repealed under Section 9 of the BBBEE Act.

The Transport Charter Council that will be established pursuant to the gazette of this Sub-Sector Code will review this Sub-Sector Code following the end of the 5th year after its gazetting and despite the aforementioned, it shall be reviewed on an annual basis for monitoring purpose.

3.2 Equity Ownership

- 3.2.1 Our vision is to achieve significant black ownership, management control and operational involvement throughout the industry value chain. Stakeholders recognise the unique nature of the industry, the high levels of risk and the capital-intensive nature of the business. However, Stakeholders will collectively strive to overcome these obstacles by developing unique funding and equity participation initiatives. Our challenge is to identify opportunities across the public and private sectors to accelerate black ownership.

3.2.2 Stakeholders Commit to:

- 3.2.2.1 The principal and long-term strategy is to grow the number of SA Domiciled Airlines and the number of international airlines operating in South Africa, while ensuring that B-BBEE does not become a zero- sum game. The black ownership target set is specifically aimed at the SA domiciled airlines and Airline Service Providers.
- 3.2.2.2 Stakeholders commit to increase black participation across the entire spectrum of the domestic aviation value chain in ownership, management control and operational involvement

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and design economically appropriate funding mechanisms to facilitate the process.

3.2.3 Foreign Owned Entities

(Please note that the Foreign Owned Entities is still gazetted under Section 12 and is for Information purpose only)

3.2.4 Government as a driver of B-BBEE, shareholder of SOEs and regulator of the national economy undertakes to:

3.2.4.1 Use the process of restructuring of SOEs to promote creative employee and B-BBEE consortia share ownership schemes. Also, it will investigate the awarding of economically viable concession opportunities for provincial and local airports to B-BBEE companies and local communities in the context of a coherent airport master development plan that identifies opportunities to grow the Industry.

3.2.4.2 Engage public and private sector funding agencies to develop innovative funding mechanisms for B-BBEE business entities seeking to invest in the sector. This will require high-level discussions and workshops with these agencies to inform them about opportunities available in the industry.

3.2.4.3 Increase awareness among B-BBEE business entities wishing to participate in the industry about available investments, grants and tax allowances, and link these grants/allowances to other incentives that are provided by the DTI's Enterprise Organisation.

3.2.4.4 Ensure that the industry remains internationally competitive and to undertake that SOEs meaningfully participate in the development and training of skilled personnel required transforming the skills base across the industry.

3.2.5 Private Sector Stakeholders as important participants in the industry undertake to:

3.2.5.1 Pro-actively seek opportunities to broaden the ownership base of their business entities.

3.2.5.2 Ensure that least **25%+1** of the voting rights is held by black people over the next 5 years.

3.2.5.3 Ensure that **10%** of the voting rights are held by black women over the next 5 years.

3.2.5.4 Ensure that **25%** of the economic interest in the measured entities is enjoyed by black people over the next 5 years.

3.2.5.5 Ensure that **10%** of the economic interest is enjoyed by black women over the next 5 years.

3.2.5.6 Ensure that 2.5% of the equity shareholding is in the hands of Black Designated Groups, Employees Share Ownership Schemes, or Broad Based Schemes over 5 years.

3.2.5.7 Ensure that at least 60% of the equity in black hands is fully paid over the next 5 years.

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- 3.2.5.8 Develop creative financing mechanisms to facilitate funding for BEE companies.
- 3.2.5.9 Foreign owned business entities and airlines are not required to sell equity to locals and in this instance, they will formulate and participate in Equity Equivalent Programmes approved by the Department of Transport as articulated in the Code 103 of the DTI's Codes of Good Practice using 1.5% target of payroll of SA based staff .
- 3.2.6 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated on the relevant scorecard**
- 3.2.6.1 Measurement principles associated with the ownership element are contained in Statement 100 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.2 The formulae required in the determination of the ownership score are contained in Annexure 100 (c) of Statement 100 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.3 The recognition of the sale of assets under the ownership element has the same meaning as that contained in Statement 102 of Code 100 of the Generic Codes of Good Practice. The target contained in the ownership element of this Sub-Sector Code will apply.
- 3.2.6.4 The recognition of the equity equivalent programmes for multinationals has the same meaning and interpretation as that contained in Statement 103 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.5 The formulae required in the determination of the ownership score based on equity equivalent contributions are contained in Annexure 103 (A) of Statement 103 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.6 Measurement principles relating to the ownership element for Qualifying Small Enterprises (QSEs) are contained in Statement 801 of Code 800 of the Generic Codes of Good Practice.
- 3.3 Management Control**
- 3.3.1 Private Sector commits to:**
- 3.3.1.1 Increasing the total number of black board members such that at least 33% of all such board members are blacks over the next 5 years.
- 3.3.1.2 Increasing the total number of black women board members such that 16.5% of all such board members are black women over the next 5 years.
- 3.3.1.3. Increasing the total number of black executive directors such that 33% of all such directors are blacks over the next 5 years.

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- 3.3.1.4 Increasing the number of black women executive directors such that 16.5% of all executive board members are women over the next 5 years.
- 3.3.1.5. Increasing the number of black senior top managers such that 26% of all such managers are blacks over the next 5 years.
- 3.3.1.6 Increasing the number of black women senior top managers such that 13% of all such managers are blacks over the next 5 years.
- 3.3.1.7 Increasing the number of black other top managers such that 26% of all such managers are black over the next 5 years.
- 3.3.1.8 Increasing the number of black women other top managers such that 13% of all such managers are blacks over the next 5 years.
- 3.3.1.9 Ensure that the number of black people living with disabilities under management increases to 3% over the next 5 years.
- 3.3.10 For QSEs as defined in this Sub-Sector Code is to reach a target of 33% of total Black top management representation over the next 5 years.
- 3.3.1.11 Foreign owned airlines are excluded from complying with the management control element of the scorecard as the nature of their business precludes them from having local boards and top management structures.
- 3.3.2 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated on the relevant scorecard**
- 3.3.2.1 Measurement principles associated with the management control element are contained in Statement 200 of Code 200 of the Generic Codes of Good Practice.
- 3.3.2.3 The formulae required in the determination of the management control score are contained in Annexure 200 (A)-B of Statement 200 of Code 200 of the Generic Codes of Good Practice. The Adjustment Recognition for Gender found in Annexure 200 (A)-A will not apply.
- 3.3.2.4 Measurement principles needed for the application of the Sub-Sector Code with regards to the management control element for QSEs are contained in statement 802, of Code 100, of the Generic Codes of Good Practice.
- 3.4 Employment Equity**
- 3.4.1 Our vision is to increase the participation of black people in top management, senior management and professional and technical occupations in the aviation industry to create a workforce that truly represents the racial, ethnic and gender diversity of our country. This will require that all stakeholders create a supportive culture within their organizations to attract new talent, facilitate the development of existing employees, and accelerate their progress into key positions in the industry.

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3.4.2 Government commits to:

- 3.4.2.1 Ensuring that the Civil Aviation Authority (CAA), in conjunction with the Transport Sector BEE Council, collects and publishes statistics on licensed personnel according to race and gender.
- 3.4.2.2 Engaging Transport Education and Training Authority (TETA) and the Tourism, Hospitality and Sport Education and Training Authority (THETA) in the case of foreign owned airlines to ensure that they play a significant role in monitoring stakeholder progress in implementing Skills Development initiatives that contribute towards Employment Equity (EE) targets.

3.4.3 Private Sector commits to:

- 3.4.3.1 Increasing the representation of blacks in senior management to at least 43% of all such employees over the next 5 years. Foreign owned airlines will be measured against the other occupational categories excluding top and senior management.
- 3.4.3.2 Increasing black women representation in senior management to at least 21.5% of all such employees over the next 5 years.
- 3.4.3.3 Increasing the number of Black people who occupy middle management positions to at least 63% and 50% of all such employees over the next 5 years for domestic aviation and foreign owned airlines respectively.
- 3.4.3.4 Increasing the number of Black women who occupy middle management to 31.5% and 25% of all such employees over the next 5 years for domestic aviation and foreign owned airlines, respectively.
- 3.4.3.5 Increasing the number of black people who occupy junior management to 68% and 50% of all such employees over the next 5 years for domestic aviation and foreign owned airlines, respectively.
- 3.4.3.6 Increasing the number of black women who occupy junior management positions to 34% and 25% of all such employees over the next 5 years for domestic aviation and foreign owned airlines, respectively.
- 3.4.3.7 Ensure that 2% of black people living with disabilities and 1% for black women living with disabilities is achieved in 5 years for domestic aviation and foreign owned airlines respectively.
- 3.4.3.8 Furthermore, the SA Domestic airlines commit to:
 - 3.4.3.8.1 Increasing the number of black people employed as pilots such that black people make up 8% of all such employees over the next 5 years.
 - 3.4.3.8.2 Increasing the number of black women employed as pilots such that black people make up 3% of all such employees over the next 5 years.
 - 3.4.3.8.3 Increasing the number of black people employed as technicians such that black people make up 25% of all such employees over the next 5 years.
 - 3.4.3.8.4 Increasing the number of black women employed as technicians such that black people make up 3% of all such employees over the next 5 years.

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- 3.4.3.8.5 Ensuring that Black disabled people comprise 2% of the total work force. This target is subject to the ability to place people in suitable posts in the operating environment without compromising safety or the travelling public.
- 3.4.3.9 For QSEs as defined in this Sub-Sector Code, the following criteria and targets shall apply:
- 3.4.3.9.1 Total Black management representation, for which the target will be 40% of all management positions;
- 3.4.3.9.2 Total Black women management representation, for which the target will be 20% of all management positions;
- 3.4.3.9.3 Total Black representation, for which the target will be 60% of all employees; and
- 3.4.3.9.4 Total Black women representation, for which the target will be 30% of all employees.
- 3.4.4 TETA/THETA commits to:**
- 3.4.4.1 Participate meaningfully in monitoring and supporting stakeholders in meeting their targets.
- 3.4.5 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
- 3.4.5.1 Measurement principles on the employment equity element are contained in Statement 300 of Code 300 of the Generic Codes of Good Practice.
- 3.4.5.2 The formulae required in the determination of the employment equity score are contained in Annexure 300 (A)-B of Statement 300 of Code 300 of the Generic Codes of Good Practice. The formula for the determination of the Adjusted Recognition for Gender found in Annexure 300 (A)-A, will not apply.
- 3.4.5.3 Measurement principles for the determination of the Employment Equity score for QSEs are contained in Statement 803 of Code 800 of the Generic Codes of Good Practice
- 3.5 Skills Development**
- 3.5.1 Our vision is to substantially increase the economic value added of every employee in the aviation industry through the application of best-practice Human Resource and Skills Development policies and an increase in the scale of initiatives aimed at developing black professionals and technical experts.
- 3.5.2 Government Commits to:**
- 3.5.2.1 Designing and funding a co-ordinated framework and programme for career awareness and training that leverages off and adds value to existing initiatives. The awareness programme will publicise and co-ordinate information regarding scholarships, training resources and careers in the industry.
- 3.5.2.2 Engaging the National Students Financial Aid Scheme with the aim of securing its commitment to provide loans to students

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interested in pursuing high cost training programmes, for example pilots and aviation engineers.

- 3.5.3 All stakeholders commit to:**
- 3.5.3.1 Investing at least 3% of the leviable amount on learning programmes as identified in the Learning Programme Matrix in statement 400 of the Codes of Good Practice, the beneficiaries of which will all be black people. Foreign owned airlines commit to investing at least 3.5% of the leviable amount on learning programmes listed in statement 400 of the Good of Practice of which the beneficiaries are black people.
- 3.5.3.2 Investing at least 1.5% of the leviable amount on learning programmes and 1.75% from foreign owned airlines as identified in the Learning Programme Matrix in statement 400 of the Codes of Good Practice, the beneficiaries of which will all be Black women.
- 3.5.3.3 For QSEs as defined in this Sub-Sector Code, the following criteria and targets shall apply:
- 3.5.3.3.1 Black skills development expenditure on learning programmes as a percentage of the leviable amount (whichever is applicable), for which the target will be 2%; and
- 3.5.3.3.2 Black women skills development expenditure on learning programmes as a percentage of the leviable amount (whichever is applicable), for which the target will be 1%.
- 3.5.3.4 Ensuring that a minimum of 5% and 2% of all employees as a percentage of total employees enrolled in Learnerships for domestic aviation and foreign owned airlines, respectively or Category B, C, or D learning programmes as identified in the Learning Programme Matrix contained in Code 400 of the Codes of Good Practice are black people. For foreign owned airlines, SA accreditation for Category B, C and D learning programmes is not required subject to the provisions highlighted in the relevant scorecard.
- 3.5.3.5 Ensuring that a minimum of 2.5% of all employees as a percentage of the total employees enrolled in Learnerships and 1% by foreign owned airlines, Category B, C or D learning programmes as identified in the Learning Programme Matrix contained in Code 400 of the Codes of Good Practice are black women. For foreign owned airlines, SA accreditation for Category B, C and D learning programmes is not required subject to the provisions highlighted in the relevant scorecard.
- 3.5.3.6 Working together with stakeholders in the BEE Sub-Sector Code Council, especially the SETA's (TETA and THETA), to develop over one year a funding proposal and strategy with related targets to address the current low representation of black people with technical skills in the industry, including pilots and engineers.
- 3.5.3.7 Identifying appropriate institutions that can increase the scale of their activities and help the industry meet their targets established in the scorecard.

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- 3.5.4 The Private Sector Commits to:**
- 3.5.4.1 Identifying over and outside their entities, talent pools of black people for accelerated development through:
 - 3.5.4.1.1 International and domestic assignments that provide high-quality operational and managerial workplace exposure;
 - 3.5.4.1.2 Mentorship programmes;
 - 3.5.4.1.3 Learnership programmes;
 - 3.5.4.1.4 Intra-industry exchange and internship programmes; and
 - 3.5.4.1.5 Higher Education and Training.
- 3.5.5 TETA, in consultation with THETA Commits to:**
- 3.5.5.1 Complete a detailed skills audit to identify the management, professional and technical skills that the industry will require over the next decade and map out future demand/supply scenarios that will guide and inform stakeholders in implementing their EE targets.
 - 3.5.5.2 Introducing, after consulting stakeholders and completing the skills audit, new categories of learnerships - in management, technical and professional occupational categories - to help public and private sector organisations to achieve their employment equity targets.
 - 3.5.5.3 In consultation with the Transport Sector B-BBEE Sub-Sector Code Council and other stakeholders, set targets over one year to substantially increase the number of relevant and sustainable learnerships at all levels in the industry.
 - 3.5.5.4 Collect and publish detailed and aggregated statistics on the EE profile of the industry according to occupational level and occupational category. Also, using the information gleaned from Workplace Skills Plans (WSPs), monitor the industry's progress in meeting its targets and publish an annual report on the EE Profile of the industry according to occupational level and category.
- 3.5.6 Measurement Principles and the Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
- 3.5.6.1 Measurement principles associated with the skills development element are contained in Statement 400 of Code 400 of the Generic Codes of Good Practice.
 - 3.5.6.2 The formulae required in the determination of the skills development score are contained in Annexure 400 (A)-B of Statement 400 of Code 400 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender found in Annexure 400 (A)-A, will not apply.
 - 3.5.6.3 The measurement principles required in the determination of the skills developments score for QSEs are contained in Statement 804 of Code 800 of the Generic Code of Good Practice.

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- 3.6 Preferential Procurement**
- 3.6.1 Our vision is to grow South Africa's aviation industry in order to stimulate and facilitate economic growth. Stakeholders commit to increase procurement from black-owned and empowered enterprises and implement best-practice supplier development policies.
- 3.6.2 Private Sector Commits to:**
- 3.6.2.1 Commissioning, together with other stakeholders, a study to establish current levels of procurement from B-BBEE companies and identify areas where they can achieve "quick wins" to accelerate B-BBEE.
- 3.6.2.2 Increasing procurement¹ from B-BBEE compliant entities to at least 50% of total measurable procurement for both domestic and foreign owned airlines and general aviation businesses.
- 3.6.2.3 Increasing procurement from QSEs and Exempted Micro Enterprises (EMEs) to 10%, over the next 5 years for both domestic aviation and foreign owned airlines.
- 3.6.2.4 Increasing procurement from 50% Black Owned and 30% Black Women Owned enterprises such that 15% of procurement is sourced from these enterprises, with foreign owned airlines and suppliers sourcing 8% and 6% from black owned and black women owned enterprises, respectively.
- 3.6.2.5 Procurement decisions for foreign owned airlines are limited and are often subject to global practices and concluded at Head Office level in the country of origin. Procurement spend is therefore limited to decisions regarding procurement spend that can be made locally by the manager based in South Africa.
- 3.6.2.6 QSEs within this sub-sector commit to procuring a minimum of 40% of total procurement from B-BBEE compliant suppliers.
- 3.6.3 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard and subject to exclusions listed in Annexure A**
- 3.6.3.1 Measurement principles associated with the preferential procurement element are contained in Statement 500 of Code 500 of the Generic Codes of Good Practice.
- 3.6.3.2 The formulae required in the determination of the preferential procurement score are contained in Annexure 500 (A) of Statement 500 of Code 500 of the Generic Codes of Good Practice.
- 3.6.3.3 The measurement principles required in the determination of the skills development score for QSEs are contained in Statement 805 of Code 800 of the Generic Code of Good Practice

¹ Annexure A provides a list of inclusions and exclusions when determining total measurable procurement

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- 3.7 Enterprise Development**
- 3.7.1 Our vision is to create and nurture new B-BBEE enterprises across the industry. This will require all stakeholders to devise strategies to develop and/or support new B-BBEE enterprises.
- 3.7.2 Government Commits to:**
- 3.7.2.1 Ensuring that SOEs use their procurement policies to stimulate the development and support of new B-BBEE enterprises in the sector.
- 3.7.3 The Private Industry Commits to:**
- 3.7.3.1 Pro-actively seek opportunities to enter into joint ventures (and other forms of alliances) or to make direct investments in BEE companies.
- 3.7.3.2 Commit at least 3% of Net Profit After Tax (NPAT) on Enterprise Development initiatives (general aviation businesses). QSEs within this sub-sector aspire to make contributions to enterprise development, which will amount to 2% of NPAT evaluated annually over the next 5 years.
- 3.7.3.3 Foreign owned airlines undertake to capacitate and develop QSEs and EMEs by providing, for example, training in basic business and life skills determined at 1% of total payroll of SA based staff.
- 3.7.4 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
- 3.7.4.1 Measurement principles associated with the enterprise development element are contained in Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.2 Qualifying contributions for the enterprise development element are contained in Annexure 600 (A) – Benefit Factor Matrix of the Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.3 The formulae required in the determination of the enterprise development score are contained in Annexure 600 (A) of Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.4 Measurement principles required in evaluating the enterprise development contributions made by QSEs over this sector are contained in Statement 806 of Code 800 of the Generic Codes of Good Practice
- 3.8 Socio-economic Development**
- 3.8.1 All Stakeholders commit to:**
- 3.8.1.1 Locally owned businesses to invest at least 1% of NPAT on socio-economic development projects, which can include HIV/AIDS treatment and prevention, education and community development. QSEs within this sub-sector contributing a

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- minimum of 1% of NPAT evaluated annually to socio-economic development initiatives over the next 5 years will achieve maximum points.
- 3.8.1.2 The rand value of socio-economic development contributions in following areas will be enhanced by a factor 1.25:
- 3.8.1.2.1 HIV/AIDS Programmes;
- 3.8.1.2.2 Education; and
- 3.8.1.2.3 Community Development and poverty alleviation
- 3.8.1.3 Foreign owned airlines should invest at least 0.5% of payroll or the equivalent % of management time to socio-economic development projects, which can include HIV/AIDS treatment and prevention, education, community development, Aviation/Tourism General Awareness Campaign. The enhancement factor referred to in 3.8.1.2 above for the application of programmes listed will also apply.
- 3.8.2 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
- 3.8.2.1 Measurement principles associated with the socio-economic development element are contained in Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.8.2.2 Qualifying contributions for the socio-economic development element are contained in Annexure 700 (A) – Benefit Factor Matrix of the Statement 700 of Code 700 of the Generic Codes of Good Practice.
- 3.8.2.3 The formulae required in the determination of the socio-economic development score are contained in Annexure 700 (A) of Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.8.2.4 Measurement principles required in evaluating socio economic development contributions made by QSEs over this sector are contained in Statement 807 of Code 800 of the Generic Codes of Good Practice.

DOMESTIC AVIATION SUB-SECTOR CODE

4. DOMESTIC AVIATION BEE SCORECARD - TARGETS AND TIMEFRAMES²

| Element | Criteria | Weightings | Sector target-5 years | Adjusted Weightings for SOE's |
|-------------------|---|------------|---|-------------------------------|
| Ownership | Exercisable voting rights in the hands of Black people | 3 | 25.1% | N/A |
| | Exercisable voting rights in the hands of Black women | 2 | 10% | N/A |
| | Economic interest of Black people | 4 | 25% | N/A |
| | Economic interest of Black women | 2 | 10% | N/A |
| | Economic interest of Black natural people in the enterprise: -black designated groups; -black participants in Employee Ownership Schemes; -black beneficiaries of broad based Ownership schemes or -black participants in co-operatives | 2 | 2.5% | N/A |
| | Net value | 7 | Same as net value targets in "the Codes". | N/A |
| | Bonus points: Involvement in the ownership of the Enterprise of Black new entrants. | 2 | 10% | N/A |
| | Bonus points: Involvement in the ownership of the Enterprise of Black participants in: | 1 | 10% | N/A |
| | 1. Employee Ownership Schemes | | | |
| | 2. Broad-Based Ownership Schemes | | | |
| 3. Co-operatives | | | | |
| Management | Exercisable voting rights of Black Board members. | 1.5 | 33% | 2.5 |
| | Exercisable voting rights of Black women Board members. | 1.5 | 16.5% | 2.5 |
| | Black Executive Directors | 1 | 33% | 2 |

² These proposed timeframes and weightings will be reviewed at every 2 and half years and subject to change by the Transport B-BEE Charter Council.

AVIATION SUB-SECTOR CODE FOR BBEE

| Element | Criteria | Weightings | Sector target-5 years | Adjusted Weightings for SOE's |
|---------------------------|---|------------|-----------------------|-------------------------------|
| | Black Women Executive Directors | 1 | 16.5% | 2 |
| | Black Senior Top management | 1 | 26% | 2 |
| | Black Women Senior Top management | 1 | 13% | 2 |
| | Black other top management | 1 | 26% | 1.5 |
| | Black Women Other Top management | 1 | 13% | 1.5 |
| | Black people living with disabilities | 1 | 3% | 1 |
| | Bonus points: Black independent non-executive board members | 1 | 26% | 3 |
| Employment Equity | Black employees in senior management | 3 | 43% | 4 |
| | Black Women employees in senior management | 2 | 21.5% | 3 |
| | Black employees in middle management | 1 | 63% | 2 |
| | Black Women employees in middle management | 1 | 31.5% | 2 |
| | Black employees in junior management | 1 | 68% | 2 |
| | Black Women employees in junior management | 1 | 34% | 2 |
| | Black people living with disabilities | 1 | 2% | 2 |
| | Black Women living with disabilities | 1 | 1% | 2 |
| | Black Pilots | 1 | 8% | 2 |
| | Black Women Pilots | 1 | 3% | 2 |
| | Black Technicians | 1 | 25% | 2 |
| | Black Women Technicians | 1 | 3% | 2 |
| | Bonus points: for meeting or exceeding the EAP targets | 3 | | 4 |
| Skills Development | Black skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leivable amount | 3 | 3% | 3 |
| | Black Women skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leivable amount | 3 | 1.5% | 3 |
| | Number of Black employees participating in Learnerships or category B, C, D programmes as percentage of total employees | 3 | 5% | 3 |

AVIATION SUB-SECTOR CODE FOR BBEE

| Element | Criteria | Weightings | Sector target- 5 years | Adjusted Weightings for SOE's |
|-----------------------------------|--|------------|------------------------|-------------------------------|
| | Number of Black Women employees participating in Learnerships or category B, C, D programmes as percentage of total employees. | 3 | 2.5% | 3 |
| | Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for Black Employees with disabilities as a percentage of Leivable Amount | 1.5 | 0.3% | 1.5 |
| | Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for Black Women Employees with disabilities as a percentage of Leivable Amount | 1.5 | 0.15 | 1.5 |
| Preferential Procurement | Procurement spend from all suppliers based on recognition levels as percentage of total measured procurement spend. | 12 | 50% | 12 |
| | Procurement spend from QSE's and EME's based on recognition levels as percentage of total measured procurement spend. | 3 | 10% | 3 |
| | B-BBEE Procurement Spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend: | 5 | 15% | 5 |
| | Suppliers that are 50% black owned (3 out of 5) or | | | |
| | Suppliers that are 30% black women owned. (2 out of 5) | | | |
| Enterprise Development | Investment in black-owned and empowered enterprises as identified in the "Benefit Factor Matrix" (Annexure 600A) as a percentage of net profit after tax. | 15 | 3% of NPAT | 15 |
| Socio-economic Development | Socio-economic development contributions as identified in the "Benefit Factor Matrix" (Annexure 700A) as a percentage of net profit after tax. | 5 | 1% of NPAT | 6 |
| Total | | 100 | | 100 |

NB: Targets for Pilots and Technicians will be subjected to annual review.

AVIATION SUB-SECTOR CODE FOR BBEE

5. QUALIFYING SMALL ENTERPRISES B-BBEE SCORECARD - DOMESTIC AVIATION

| B-BBEE Element | Indicators of Empowerment | Sector target - 5 year | Sector weightings |
|---------------------------|---|--|-------------------|
| Ownership | Exercisable voting rights in hands of black people | 25%+1 Vote | 6 |
| | Economic Interest of black people in the Enterprise | 25% | 9 |
| | Realisation Points: | | |
| | Ownership fulfilment | | 1 |
| | Net Value | 25% graduated over 10 years as per the Codes (Year 5 at 60%) | 9 |
| | Bonus Points: Involvement in the ownership of the Enterprise by black women | 10% | 2 |
| | Bonus Points: Involvement in the ownership of the Enterprise by black participants in Employee Share Schemes, Co-operatives or Broad Based Ownership Schemes | 10% | 1 |
| Management Control | Black Representation at Top Management level | 33% | 25 |
| | Bonus Points: Black women representation at Top-Management | 25% | 2 |
| Employment Equity | Black Employees of the Measured Entity who are Management as a % of all Management | 40% | 7.5 |
| | Black Women Employees of the Measured Entity who are management as a % of all Management | 20% | 7.5 |
| | Black employees of the Measured Entity as a percentage of total employees | 60% | 5 |
| | Black Women employees of the Measured Entity as a percentage of total employees | 30% | 5 |
| | Bonus points: meeting or exceeding the EAP targets in each category | | 2 |
| Skills Development | Skills Development spend on learning programmes for Black employees as a percentage of the leviable/payroll | 2% | 12.5 |

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| B-BBEE Element | Indicators of Empowerment | Sector target - 5 year | Sector weightings |
|-------------------------------------|---|------------------------|-------------------|
| | Skills Development spend on learning programmes for Black Women employees as a percentage of the leviable/payroll | 1% | 12.5 |
| Preferential Procurement | BEE Procurement Spend from all suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 40% | 25 |
| Enterprise Development Spend | Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target | 2% of NPAT | 25 |
| Socio-Economic Development | Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target | 1% of NPAT | 25 |
| TOTAL | | | 175 |

A QSE may select any four of the above seven elements for the purposes of measurement.

DOMESTIC AVIATION SUB-SECTOR CODE

ANNEXURE A: PROCUREMENT LIST: INCLUSIONS & EXCLUSIONS

| Operating Expense | Description | Procurement Inclusions | Procurement Exclusions | ADDITIONAL NOTES |
|-------------------------|----------------------------------|--|---------------------------------|---|
| Aircraft Fixed Costs | Lease Costs | | X | To be excluded - International leases are the norm – difficult to enforce local leasing arrangements. |
| | Spares Lease Costs | | X | To be excluded - International leases are the norm – difficult to enforce local leasing arrangements |
| | Aircraft Finance Costs | | X | |
| | Aircraft Hire Charges | | X | |
| | Aircraft Insurance | | X | |
| | Depreciation | | X | |
| | Crew Salaries & Subsistence All | | X | |
| | Crew Positioning & Accommodation | X | | Hotel accommodation only incurred within South Africa – no over border. |
| | Crew Training Costs | X | | Training consumables only for training incurred within South Africa. |
| Aircraft Variable Costs | Fuel | X | | For procurement of jet fuel in South Africa only – as oil companies comply with BEE in terms of Liquid Fuels Sub-Sector Code, include in numerator and denominator of calculation |
| | Landing Fees | X (if landing in privately owned airports) | X (if landing in ACSA airports) | ACSA is a regulated monopoly and as such it is excluded as per the Codes. |
| | Navigation Charges | | X | |
| | weather Services | | X | |

AVIATION SUB-SECTOR CODE FOR BBBEE

| Operating Expense | Description | Procurement Inclusions | Procurement Exclusions | ADDITIONAL NOTES |
|---------------------------------|--|------------------------|------------------------|---|
| | Maintenance Materials and Repairs | X | | Inclusion of maintenance and materials for repairs undertaken in South Africa only – inclusion in numerator and denominator as AMO's are BEE compliant. |
| | Maintenance Staff | | X | |
| | Head Office AMO | | X | |
| | Maintenance-Depreciation on capitalised assets | | X | |
| | Maintenance Engine Hire | | X | To be excluded due to nature of aircraft operations and maintenance requirements, engines for hire have to be sourced from over border suppliers and it is not possible to include BEE considerations as part of this process which is often of an urgent nature to keep aircraft operations going. |
| Passenger Variable Costs | Commission Agents | | X | |
| | Commission – Interline | | X | To be excluded – interlining is dependent on passenger choices for travel and cannot be included as a BEE consideration for airlines. |
| | Commission-Credit Cards | | X | |
| | Catering | X | | Only for locally sourced catering requirements. The guidelines provided by the dti Codes will apply with regards to imports. |

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| Operating Expense | Description | Procurement Inclusions | Procurement Exclusions | ADDITIONAL NOTES |
|----------------------|------------------------------|------------------------|------------------------|---|
| | Airport Handling fees | X (for ACSA airports) | | Included for ACSA airports on the basis and understanding that ACSA and their appointed Ground handlers are BEE compliant and can be included in numerator and denominator. These should be included regardless of the ACSA's and Ground handlers BEE status.. |
| | Passenger Services Charges | | X | |
| | Passenger Revenue Accounting | | X | |
| | Insurance ANV & CSL | | X | |
| | CRS Charges | | X | |
| | Airline Loyalty programs | | X | |
| Station Costs | Station Salaries | | X | |
| | Station Overheads | X | | Only in respect of consumables (i.e. day-to-day operational expenses and excludes overheads/capex) for offices in South Africa. The dti guidelines with regards to the importation of goods and services will be applicable if any of the consumables are imported. |
| Head Office | Salaries | | X | |

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| Operating Expense | Description | Procurement Inclusions | Procurement Exclusions | ADDITIONAL NOTES |
|-------------------|---------------------------------|------------------------|------------------------|--|
| | HO Overheads | X | | Only in respect of consumables (i.e. day-to-day operational expenses and excludes overheads/capex) for Head Office operations in South Africa. The principle discussed above with regards to station overheads will be applicable. |
| | Finance Charges-Net | | X | |
| | Franchise Fees | | X | To be excluded as this is a global strategy determined by the airline, which could involve a franchise with an international airline or a local airline. Airlines cannot be judged on a BEE basis for franchise arrangements. |
| | Marketing expenses | X | | Only in respect of local marketing spend. Excluded for foreign owned airlines where marketing decisions are linked to global contracts. |
| | Diversions | X | | Only in respect of accommodation and meal arrangements and expenses incurred for passengers in S.A. Excluded for foreign owned airlines where marketing decisions are linked to global contracts. |
| | Loss on sale of assets (profit) | | X | |
| | Depreciation | | X | |

NB. This procurement list is subject to annual review.

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