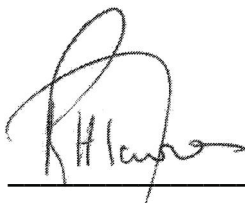

GENERAL NOTICES • ALGEMENE KENNISGEWINGS

DEPARTMENT OF TRADE AND INDUSTRY**NOTICE 640 OF 2018****PRACTICE NOTE 1 OF 2018 – YOUTH EMPLOYMENT SERVICE INITIATIVE
THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT CODES OF GOOD
PRACTICE****AMENDED CODE SERIES 000, STATEMENT 000****DEPARTMENT OF TRADE AND INDUSTRY**

I, Dr Rob Davies, Minister of Trade and Industry, in accordance with Section 14 (2) of the Broad-Based Black Economic Empowerment Act 53 of 2003 as amended by Act 46 of 2013 (The Act) hereby:

1. Issue this Practice Note for the implementation the Youth Employment Service (Y.E.S) Initiative under Amended Code Series 000, Statement 000 of the Amended Broad-Based Black Economic Empowerment Codes of Good Practice, Gazetted on 28 August 2018, Gazette Number 41866.
2. Determine that the Practice Note is applicable to all Y.E.S Entities that participate within the Y.E.S Initiative.
3. Determine that the Practice Note is Applicable to Entities falling under a Specific Sector Code of Good Practice issued under Section 9 (1) of The Act.
4. For further information and clarity, kindly contact Mr. Liso Steto on LSteto@thedti.gov.za or on 012 394 1869.



DR ROB DAVIES, MP**MINISTER OF TRADE AND INDUSTRY****DATE: 02/10/2018**

1. GENERAL PRINCIPLES

- 1.1 Y.E.S Measured Entities will need to register with the Y.E.S Non-Profit Company (Registration number: 2017/267641/08) in order to participate within the Y.E.S Initiative for Monitoring and Evaluation purposes of the Initiative.
- 1.2 B-BBEE Recognition will only be awarded to Y.E.S Measured Entities that have registered with the Y.E.S Non-Profit Company.
- 1.3 Public Entities and Specialised Entities may participate within the Y.E.S Initiative with no Sub-Minimum requirements.
- 1.4 Sub-Minimums for Sector Specific Y.E.S Measured Entities will be calculated as per the principles within the relevant Sector Code of Good Practice for Qualification under the Y.E.S Initiative.
- 1.5 Y.E.S Measured entities need to maintain the previous B-BBEE Status Level before participating in Y.E.S (I.E Level 4, Level 5 etc.). Maintenance of B-BBEE Status Levels will be verified by the South African National Accreditation System (SANAS) Accredited B-BBEE Verification Agency before the Y.E.S B-BBEE Recognition is awarded. Where entities do not maintain their previous B-BBEE Status Level due to any factors and wish to participate within the Y.E.S Initiative, they may engage with **the dti** B-BBEE Policy Unit with justifiable evidence for participation. Factors may include, but not limited to:
- 1.5.1 An ownership deal terminates;
 - 1.5.2 An amendment to a Sector Code of Good Practice which results in a drop in BBBEE Status Level;
 - 1.5.3 A decrease in the market value of the shares reduces the Y.E.S Measured Entity's Net Value;
 - 1.5.4 The procurement spend of the Y.E.S Measured entity decreases because of an unpredictable business cycle; and
 - 1.5.5 A supplier to the Y.E.S Measured Entity fails to maintain its BBBEE recognition level

- 1.6** Due to the uptake and difference in Measurement Periods for Y.E.S Measured Entities, the Target for Absorption will not be verified for B-BBEE Recognition during the first year of implementation of the Y.E.S initiative. Instead, the target for this will be verified when absorption takes place in the following Measurement Period. Absorption is based on the Y.E.S Entity's Target
- 1.7** The Work Place Experience for Eligible Employees needs to cover a full 12-month period. In the event where the Eligible Employee does not complete a full 12-month period due to unforeseen circumstances, the Y.E.S Measured Entity needs to ensure that at least Eight (8) full months have been completed in order to be eligible for B-BBEE Recognition. Furthermore, if any Eligible Employees fall out of the Y.E.S Initiative due to any circumstance, the Y.E.S Measured Entity will have one (1) month to replace them in order to be eligible for B-BBEE recognition.
- 1.8** Absorption can only take place after the 12-month completion of the work place experience and the target is based on the Y.E.S Targets for Y.E.S Measured Entities. If absorption is identified at the time of B-BBEE Verification, B-BBEE Recognition will be awarded. Absorption is defined in Schedule 1 of the Amended Codes of Good Practice and the same principles are applicable.
- 1.9** The 12-month workplace experience is not a Learnership, Internship or Apprenticeship programme.
- 1.10** The 12-month Quality Workplace Experience will be monitored by the Y.E.S Non-Profit Company to ensure a consistent national standard. Sectors that are governed by specific Employment Conditions Legislation should be taken into account but ultimately the Eligible Employee needs to fulfil a 12-month workplace experience.
- 1.11** Y.E.S Measured Entities will be able to claim up to 50% of their Skills Development Spend as Informal Training (Category F and G of the Skills Development Matrix) against the Skills Development Scorecard for Y.E.S Eligible Employees only.
- 1.12** Placements of Black Youth can be for Exempted Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) including EME and QSE Non-Profit Organisations. However, Entities may place Eligible Employees in Entities irrespective of size to ensure A Quality Work Experience is achieved.

1.13 EMEs and at least 51% Black Owned or more QSEs that participate within the Y.E.S Initiative will be verified against the Qualifying Small Enterprise Scorecard and the B-BBEE Certificate will be issued by an Accredited SANAS B-BBEE Verification Agency. This is also applicable to Sector Codes of Good Practice utilising the respective QSE Scorecard.

1.14 B-BBEE Recognition will only be applicable for the creation of jobs under the Y.E.S Initiative for Eligible Employees who are unemployed at the time of registering with the Y.E.S Initiative.

2. REGISTRATION PROCEDURES FOR PARTICIPATION

2.1 The following Links will be used to Register under the Y.E.S Initiative:

2.1.1 Black Youth Registration:

<https://www.yes4youth.co.za/youth-resources/>

2.1.2 Y.E.S Measured Entities:

<https://www.yes4youth.co.za/get-involved/>

2.1.3 EMEs, QSEs and Host Entities:

<https://www.yes4youth.co.za/smme-database/>

2.1.4 Skills Service Providers:

<https://www.yes4youth.co.za/skills-suppliers/>

2.1.5 Implementation Partners and Service Providers:

<https://www.yes4youth.co.za/service-provider-database/>

2.1.6 Y.E.S Resources:

<https://www.yes4youth.co.za/resources/>

2.1.7 Y.E.S Contact Information and Queries:

<https://www.yes4youth.co.za/contact-yes/>

3. CALCULATION OF SUB-MINIMUMS:

GENERIC ENTERPRISES (40% SUB-MINIMUMS ON PRIORITY ELEMENTS):

- **Ownership (Net Value)** = 8 Points x 40% = 3.2 Points need to be achieved
- **Skills Development** = 20 Points x 40% = 8 Points need to be achieved
- **Enterprise and Supplier Development:**
 - **Preferential Procurement** = 25 Points x 40% = 10 Points need to be achieved
 - **Supplier Development** = 10 Points x 40% = 4 Points need to be achieved
 - **Enterprise Development** = 5 Points x 40% = 2 Points need to be achieved

GENERIC ENTERPRISES (50% AVERAGE OF SUB-MINIMUMS ON PRIORITY ELEMENTS – SPECIFIC TO Y.E.S INITIATIVE ONLY):

- **Ownership (Net Value)** = 8 Points + **Skills Development** = 20 Points + **Enterprise and Supplier Development** = 40 Points = **68 Points**
- **68 Points x 50% = 34 Points** needs to be achieved in Total in order for the Y.E.S Measured Entity to participate
- Sector Codes of Good Practice will apply the same Calculation Principles as above when calculating Averages according to their Specific Sector Code of Good Practice – Points will differ depending on what has been prescribed in the relevant Sector Code of Good Practice

QUALIFYING SMALL ENTERPRISES (40% SUB-MINIMUMS ON PRIORITY ELEMENTS):

- **Ownership (Mandatory) (Net Value)** = 8 Points x 40% = 3.2 Points need to be achieved
- **Skills Development** = 25 Points x 40% = 10 Points need to be achieved
- **OR**
- **Enterprise and Supplier Development:**
 - **Preferential Procurement** = 20 Points x 40% = 8 Points need to be achieved
 - **Supplier Development** = 5 Points x 40% = 4 Points need to be achieved
 - **Enterprise Development** = 5 Points x 40% = 2 Points need to be achieved

QUALIFYING SMALL ENTERPRISES (40% AVERAGE OF SUB-MINIMUMS ON PRIORITY ELEMENTS - SPECIFIC TO Y.E.S INITIATIVE ONLY):

- **Ownership (Net Value) = 8 Points + Skills Development = 25 Points = 33 Points x 40% = 13,20 Points** needs to be achieved in Total in order for the Y.E.S Measured Entity to participate
- **OR**
- **Ownership (Net Value) = 8 Points + Enterprise and Supplier Development = 30 Points = 38 Points x 40% = 15,20 Points** needs to be achieved in Total in order for the Y.E.S Measured Entity to participate
- Sector Codes of Good Practice will apply the same Calculation Principles as above when calculating Averages according to their Specific Sector Code of Good Practice - Points will differ depending on what has been prescribed in the relevant Sector Code of Good Practice

4. CALCULATION OF Y.E.S TARGETS

4.1 Generic Entities:

4.1.1 Targets per annum for Generic Entities will be the Higher between (i), (ii) and (iii) below:

- 1.5% of the Y.E.S Measured Entity's headcount in the preceding year - ***This is based on the last day of the Financial Year End that has been used for Measurement for B-BBEE Verification; OR***
- 1.5% of the Y.E.S Measured Entity's average Net Profit After Tax (NPAT) from South African operations in the immediately preceding three years, converted to a headcount number by dividing that NPAT number by R55,000 - ***This is linked to the Financial Year End of the Entity that is used for Measurement for B-BBEE Verification; OR***
- a target as determined in Table 1 - Annexure A – ***As per gazette 41866 relates to the Total Revenue for the latest completed Financial Year End***

4.1.2 For Generic Entities that make a Total Average Loss over the immediately preceding three years, the Calculation for NPAT will be done in accordance with the calculation done for determining Enterprise Development, Supplier Development and Socio-

Economic Development Targets (Indicative Profit Margin). The exercise of determining the higher of (i), (ii) and (iii) will still apply.

4.1.3 For Generic Specialised Entities that do not have an NPAT, The Higher between the Target of Headcount (i) stated above or Table 1 – Annexure A as per gazette 41866 will be used to determine the Entity's Target

4.1.4 For Generic Entities that have been trading for less than 3 years, The Higher between the Target of Headcount (i) stated above or Table 1 – Annexure A as per gazette 41866 will be used to determine the Entity's Target

4.2 QSEs AND EMEs

4.2.1 These entities target per annum are based on headcount numbers as determined in Table 2 - Annexure B - ***This is based on the last day of the Financial Year End that has been used for Measurement for B-BBEE Verification***

5. B-BBEE VERIFICATION REQUIREMENTS FOR THE Y.E.S INITIATIVE

5.1 B-BBEE Verification Agencies will be assessed by the SANAS at Assessment stages in terms of the verification of the Y.E.S Initiative within Y.E.S Measured Entities.

5.2 For Overall Y.E.S B-BBEE Verification Requirements, the following will be required but not limited to:

- Confirmation of Registration and Placement start date with the Y.E.S Non-Profit Company
- Previous B-BBEE Certificate and Report (Where applicable)
- Proof of non-displacement of current B-BBEE Initiatives and maintenance of B-BBEE Status Levels
- Signed Annual / Audited Financial Statements for the last 3 Years to calculate the NPAT Targets

5.3 For Y.E.S B-BBEE Verification Requirements Linked to Employment, the following will be required by the B-BBEE Verification Agency but not limited to:

- EEA2 Report (where applicable)

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- EEA4 Report (where applicable)
 - Proof of submission of EEA2 & EEA4 Report to Department of Labour (where applicable)
 - Employee list as at Measurement Date - To Calculate Headcount Targets
 - Payroll report closest to Measurement Date - To Calculate Headcount Targets
 - Samples of Certified copies of IDs of Black Youth that have been appointed
 - EEA1 and doctors report for disabled Black Youth (If applicable)
 - Samples of Signed Employee / Workplace contracts
 - Samples of Interviews
 - Samples of Payslips

5.4 For Y.E.S B-BBEE Verification Requirements Linked to Skills Development by the B-BBEE Verification Agency, the following will be required but not limited to:

- EMP201s for the Measurement Period
- WSP and ATR-Report and Pivotal Report and confirmation of submission
- Skills Development Expenditure list for Measurement Period / Categorised according to Skills Development Matrix
- Samples of Proof of attendance
- Samples of Certified copies of IDs
- Source documents such as invoices, receipts etc.
- EEA1 declaration, doctors report, employment contract for disabled employees
- Samples of Interviews

