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BEE Consulting

What is BEE? Someone may wonder what this means especially if they are not in business. Basically, BEE is Black Economic Empowerment which is a racially inclusive initiative by the government of South Africa to redress the inequalities brought during apartheid. This program seeks to offer Africans, that is blacks, Asians, and coloureds citizens of South Africa, equal opportunities accorded to whites as affirmative action. BBBEE, on the other hand, is the Broad-Based Black Economic Empowerment which is responsible for the implementation of BEE as it provides the legal legislative framework for its implementation.

BEE Explained

Although there are no direct financial penalties that could be applied to non-BEE compliant businesses, the system ensures that procurement managers and buyers will favor businesses that are compliant since that enhances their own BEE Scorecard under the Preferential Procurement element provisions. To be BEE complaint depends on the score and procurement recognition you get as a business. 100% owned black EME are level 1 compliant which translates to 135% procurement recognition. What this means is that with an annual turnover of between R10 million and R50 million, you are categorized as a Qualifying Small Enterprise (QSE). Check out the following levels and their explained procurement qualifications. They explain the BEE contribution level, the scorecard points, and procurement recognition percentage.

What is the BEE scorecard and how does it work?

The BEE scorecard is an important element in any business in South Africa. Business owners are advised to understand the scoring for their own good. This is because the higher your BEE score, the higher the chances of your business gaining from different opportunities. As already described above, the scores are given based on different weighted elements. Apart from ownership, other areas that are looked into include management, employment equity, skills development, enterprise development, preferential procurement, and socio-economic development. The new BBBEE level came into existence in 2013. Although there are slight

variations, the basics remain the same. For instance, BBBEE level 1 contributor must have attained 100 points on the generic scorecard to attain a recognition level of 135%.

What are the benefits of BEE certification?

With an emphasis on scoring higher in BEE, one may wonder what the true gains really are. One thing is clear though, businesses stand to benefit in various ways including:

- ✚ You will be able to offer services to government and large corporates if you have a higher BEE score as an incentive.
- ✚ It comes with favourable tax gains.
- ✚ You stand to get more business.

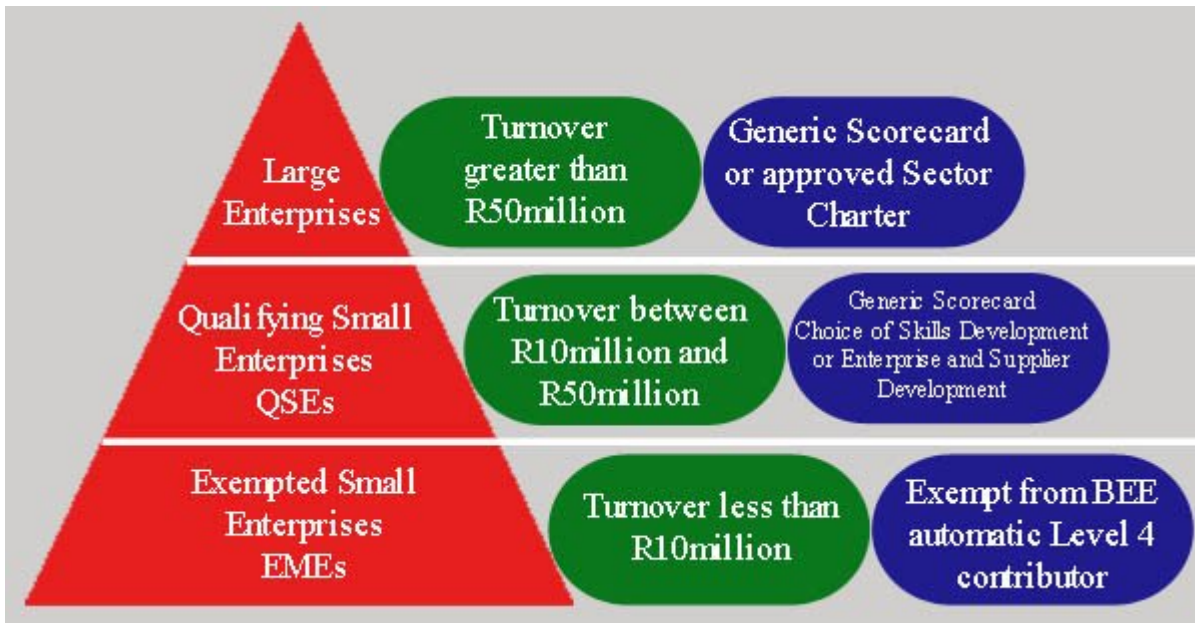
How does it work for different sized companies?

While generally all companies are advised to consider the BEE scores, the application differs depending on the size of the company in question. As of now, large companies and the government need to support small businesses that are BEE compliant by choosing their services over other companies. In case you have the certification, the companies that buy from you can also claim their own BEE points by virtue of being your customers. This act applies to 3 different sized companies as described below:

Exempted Micro Enterprises (EMEs): This category refers to a business whose annual turnover is below R10 million. These companies are exempted from the scoring and area awarded an automatic 100% compliance without factoring any other elements. It could increase to 135% if there is black ownership.

Qualifying Small Enterprises (QSEs): Before, these companies whose annual turnover is between R10 million to R50 million only had to comply with some of the elements. However, with the new revised BBBEE, they must meet all 5 elements on the scorecard and points.

Medium to large enterprises (M&Ls): Just like the businesses in QSEs, the Medium to large enterprises must also meet all the 5 elements on the scorecard to be rated. The category of businesses here turns over R50 million every year.



The New Generic Scorecard

The new BEE codes have been reduced from seven elements to five. The new generic scorecard for the revised codes is shown below:

Code Series	Element	Weighting	Bonus Points	Total
100	Ownership	25 points	0 points	25 points
200	Management Control	15 points	4 points	19 points
300	Skills Development	20 points	5 points	25 points
400	Enterprise and Supplier Development	40 points	4 points	44 points
500	Socio-Economic Development	5 points	0 points	5 points
Totals		105 points	13 points	118 points

- Employment Equity has been consolidated with Management Control.
- Preferential Procurement and Enterprise Development have merged to form Enterprise and Supplier Development.

New Thresholds

- The new threshold for Exempted Micro Enterprises (EMEs) has been raised from an annual turnover of R5million to R10million.
- The new threshold for Qualifying Small Enterprises (QSEs) has been raised from an annual turnover of R5million – R35million to R10million – R50million.

Priority Elements

The revised codes define three of the five elements as priority elements. These are:

- Ownership;
- Skills Development;
- Enterprise and Supplier Development.

All entities are required to comply with only the minimum threshold requirements (40%) for the priority elements. QSEs are required to comply with only the Ownership and either of Skills Development or Enterprise and Supplier Development elements. If an entity does not achieve all three targets (or two for QSEs), the entity is penalised by dropping one level on its scorecard. To avoid being penalised one level the minimum thresholds per priority element are:

- Ownership minimum requirement – 40% holding of net value by black shareholders;
- Skills Development – 8 out of 20 points;
- Enterprise and Supplier Development – 16 out of 40 points.

New B-BBEE Recognition Levels

B-BBEE Status	Qualification - New Scorecard	Recognition Level	Qualification - Old Scorecard
Level 1 Contributor	≥100	135%	≥100
Level 2 Contributor	≥95 but <100	125%	≥85 but <100
Level 3 Contributor	≥90 but <95	110%	≥75 but <85
Level 4 Contributor	≥80 but <90	100%	≥65 but <75
Level 5 Contributor	≥75 but <80	80%	≥55 but <65
Level 6 Contributor	≥70 but <75	60%	≥45 but <55
Level 7 Contributor	≥55 but <70	50%	≥40 but <45
Level 8 Contributor	≥40 but <55	10%	≥30 but <40
Non-compliant Contributor	<40	0%	<30

The new recognition levels are somewhat more difficult to achieve than those under the old generic scorecard. If you are currently a level 2 contributor with 85 points, under the new BEE codes you will only be a level 4 contributor.

Enhanced Recognition

Throughout the new BEE codes various criteria appear which advance the interests of certain categories of Black people.

- All businesses with an annual turnover of less than R10million (EMEs) are exempt from BEE. An EME is automatically granted a level 4 B-BBEE status;
- EMEs with a 100% black ownership are granted a level 1 B-BBEE status;
- QSEs with a 100% black ownership are automatically granted a level 1 B-BBEE status;
- QSEs with a minimum 51% black ownership are automatically granted a level 2 B-BBEE status.

Services We Offer:

Employment Equity: Receive Best Practice EE assistance and we cover all EE Act obligations including Section 19 Analyses, EE Plan (also EE Goal setting), its implementation, training and more.

Consulting: We provide best services in BEE consulting and BEE Management to ensure that you get highest possible score. By understanding your needs and current situation, our team can help you to achieve true transformation. In addition, you can gain access to specialist services for each element of the BEE scorecard.

Audits and Verification: We invite you to a BEE verification process to become BEE Compliant. Collaborate with us and undergo a partial or full audit in 3 easy steps: • Completion of documentation and BEE verification planning. • Gathering of evidence according to the five elements of relevance. • Verification of evidence and calculating of BEE compliance.

Skills Development: Receive expert BEE consulting advice and facilitation of training initiatives in-line with the Skills Development Act. Empower and up-skill your employees through a range of training interventions like learnerships, skills programmes, RPL and others.

Enterprise and Supplier Development (ESD): By simply supporting transformation through preferential procurement, supplier diversity, supplier development and enterprise development, you benefit from additional BEE points and ensure the sustainability of these businesses. We can help you find small enterprises you can support not just for BEE purposes but to create employment.

Socio-Economic Development (SED): Measure initiatives that contribute towards SED or Sector Specific Programmes which promotes access to the economy for the previously disadvantaged. SED contributions can be monetary or non-monetary, and a record must be kept during verification to ensure maximum benefit for both parties. There are a lot of projects that the company can be involved in and or sponsor.