

## What is BBEEE?

BBEEE is an acronym for Broad Based Black Economic Empowerment. This seeks to address the large economic disconnect between white and black people in South Africa which was caused by Apartheid Policies. Benefits of BBEEE accreditation include the ability to do business with state organs as well as private business who require points as part of the transformation policy of the country. Benefits of BBEEE in the supplier selection process include being awarded points towards what is known as a bee scorecard.

## The Basics of BBEEE

Whilst most business owners are scared off by **BEE terminology**, **BEE** is rather a simple government policy, which is mostly referred to as **Black Economic Empowerment**. With the implementation of the newly Amended BEE Codes, companies will have to be pro-active in their approach to transformation to maintain a good BEE score.

It is important to know that **BEE** is not forced upon any entity by law. HOWEVER, any entity wanting to do business with the Government or any Organs of State must be **BEE Compliant** First. The process of becoming **BEE Compliant** is known as the **BEE Verification** process.

This is a process where the entity must meet an **SANAS Accredited BEE Verification Agency**. Together with the **BEE Agency** the entity must undergo a partial or full audit to determine its **BEE Compliant** Levels.

**This comprises three easy steps.**

1. Completion of Documentation and **BEE Verification** planning.
2. Gathering of Evidence according to the 5 elements of relevance.
3. Verification of Evidence and calculating **BEE Compliant**.

Please note that the Amended Codes only apply to entities which do not fall under any Sector Code, as per the Codes if an entity does fall under a sector code it can only be measured in accordance with that sector.

**Sector Codes are as follows:**

AGRI – BEE  
Financial Sector Charter  
ICT Charter  
Property Sector Charter  
Chartered Accountancy Sector Code  
Integrated Transport Sector Codes  
Forest Sector Codes  
Construction Sector Codes  
Tourism Sector Codes

Please note that the **Amended Codes has created 6 categories**

- EME Affidavit (Amended Codes) - (R 0 - R 10 Mill turnover pa if Fin Year falls after 1 May 2015)
- QSE Affidavit - (R 10 m- R50 mil if more than 51% Black Ownership)
- QSE Certificate (Amended Codes) - (R 10 m - 50 m and less than 51% Black Ownership)
- Generic Certificate (Amended Codes) - (More than R 50 Mill pa)
- Sector Codes E.g. Transport - Old Sector Code regulations apply until amended

- Aligned Sector Codes E.g. Tourism - Newly promulgated sector Codes apply

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- AGRI – BEE
- Financial Sector Charter
- Integrated Transport Sector Codes
- Forest Sector Codes
- Tourism Sector Codes has been Aligned

### The BEE Scoring Levels under the Amended Codes

Once this is done, a **BEE Certificate** of that specific entities' **BEE Compliance** and Procurement Recognition is then issued. The BEE scoring levels is explained below. This **BEE certificate** is then valid for one year from the date of issue. Below is a comparative chart of the changes in scoring points of the Amended vs Old Codes.

BBBEE LEVEL	AMENDED CODES	OLD CODES
1	≥ 100 points	≥ 100
2	≥ 95 but < 100	≥ 85 but < 100
3	≥ 90 but < 95	≥ 75 but < 85
4	≥ 80 but < 90	≥ 65 but < 75
5	≥ 75 but < 80	≥ 55 but < 65
6	≥ 70 but < 75	≥ 45 but < 55
7	≥ 55 but < 70	≥ 40 but < 45
8	≥ 40 but < 55	≥ 30 but < 40
<b>NON – COMPLIANT</b>	< 40 points	< 30

### Categories of BEE Companies under the Amended Codes

When deciding whether your entity needs to be verified or not it is important to know and understand the three categories which a business may fall under. This determines the **BEE planning** process the entity needs to do, as well as the pricing of **Accredited BEE Verification**.

According to the Last Financial Statements i.e. the annual turnover, the following is categorised:

- **EME** Exempted Micro enterprise, this is when the natural turnover is less than 10 Mil. Please note that in other industries this may differ e.g. Tourism Industry the annual turnover needs to be less than 2.5 Mil. A full audit is not necessary, only relevant supporting documentation e.g. Cipc Registration and Certified Copies of ID's of owners.  
  
EME with more than 51% Black ownership can get a Level 2 score and 100 % Black ownership can obtain Level 1 and only need and affidavit.

- **QSE** The Qualifying Small Enterprise Scorecard applies when the annual turnover is less than 50 Mil but more than 10 Mil. An onsite audit is done, this is where 5 elements are verified, and a site verification is also conducted.

QSE with more than 51% Black ownership can get a Level 2 score and 100 % Black ownership can obtain Level 1 and only need an affidavit.

- **GENERIC** In case of a Generic, with more than R 50 m a full-on site audit is necessary, this means that all 5 elements are verified as per the Generic Scorecard, a site verification as well as interviews are conducted.

### The 5 Elements of BEE Verification under the Amended Codes.

During a BEE verification the verified entity must submit physical proof of activity, spending and contributions in the five elements of empowerment. The elements are:

<ul style="list-style-type: none"> <li>• <b>OWNERSHIP</b></li> </ul>	<p>Proof of shares in HDI hands. A share certificate for example will need to be submitted for this purpose. This is regarded as a priority element and failure to comply with the minimum target (40% of Net Value) will result in the Level as obtained above being discounted.</p>
<ul style="list-style-type: none"> <li>• <b>MANAGEMENT</b></li> </ul>	<p>Proof of HDI's (men/women) in top/senior/middle/junior management. Interviews will be held to confirm seniority, job description, salary etc. Submission of a EE report and the involvement of PDI's in the organisation on different levels and categories.</p>
<ul style="list-style-type: none"> <li>• <b>SKILLS DEVELOPMENT</b></li> </ul>	<p>Proof of training spend on HDI's employees or non-employees and accredited programs such as apprenticeships, learnerships and internships and mentorship programs. This is regarded as a priority element and failure to comply with the minimum target of 40% will result in the Level as obtained above being discounted.</p>
<ul style="list-style-type: none"> <li>• <b>ENTERPRISE AND SUPPLIER DEVELOPMENT</b></li> </ul>	<p>Proof of purchases from current and suppliers that are BEE compliant and <b>Empowering Suppliers</b> as a percentage of total procurement spend. Aiding SMME's and emerging entities owned by HDI's to trade in the mainstream economy. An example is setting up a CC and contracting such an entity to provide products. This is regarded as a priority element and failure to comply with the minimum target 40% in all categories will result in the Level as obtained above being discounted.</p>
<ul style="list-style-type: none"> <li>• <b>SOCIO ECONOMIC DEVELOPMENT</b></li> </ul>	<p>Social contributions towards own employees, employees' families and communities such as paying employees children's school fees and contributions towards black sports teams.</p>

When sufficient planning is implemented, **BEE** does not need to be perceived as a threat to one's business but rather that of an opportunity.

**Links:**

- [Broad-Based Black Economic Empowerment Amendment Act, 2013](#)
- [Phase 2 B-BBEE Codes of Good Practice Gazette No.38076, 10 October 2014](#)
- [Broad-Based Black Economic Empowerment \(B-BBEE\) Codes of Good Practice](#)