ECONO BEE

Crash Course in BEE

B-BBEE in 5 Minutes

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What is BEE?

BEE, or more accurately B-BBEE refers to Broad Based Black Economic Empowerment. It is a policy of the SA government that encourages companies to help transform the country. BEE is about broad-based activities that benefit black people.

Black People

> *Black means African black, coloured or Indian people who ARE South African citizens by birth or became a South African citizen before 27th April 1994.*
> *NB the definition of coloured now also includes Chinese*

BEE compliance is measured by means of a scorecard (a broad-based scorecard). The scorecard is based on various elements and your company is measured out of a maximum of 100 points (in some cases it is possible to obtain more than 100 points).

The BEE Codes of Good Practice is a government document that describes how the scorecard works.

The elements on which you are rated are what make BEE broad-based. It covers various aspects of the economy, society and the company.

The seven elements

1. Ownership - this measures the percentage of shares in the business that are owned by black people (as per the definition above)
2. Management - the directors and top management of the business
3. Employment equity - the employees in the business
4. Skills development - this measures the amount of money spent on training of black employees
5. Procurement - your suppliers and their scores
6. Enterprise Development - your spend on helping other black owned enterprises
7. Socio-Economic Development - your spend on assisting charitable organisations

Points to Levels Conversion

Once you have calculated a score it gets converted to a LEVEL. The best level is level 1. A company strives to earn more points on their scorecard because their good score helps secure business by offering a points incentive to their customers. The more compliant the business the more points can be earned by the customer.

Points	Level
Above 100 points	Level 1
85-100 Points	Level 2
75-85 Points	Level 3
65-75 Points	Level 4
55-65 Points	Level 5
45-55 Points	Level 6
40-45 Points	Level 7
30-40 Points	Level 8
Less than 30 Points	Non-compliant

Types of Companies

EME (**E**xempt **M**icro **E**nterprise) – These companies are automatically given a BEE score of 65 points (level 4) or if majority black owned, a score of 75 points (level 3).

Sector Code	**Turnover Threshold**
Codes Of Good Practice	<R5 million
Construction Sector - Contractors	<R5 million
Construction Sector – Built Environment Professionals	<R1, 5 million
Forest Sector	<R5 million
Tourism Sector	<R2, 5 million

QSE (**Q**ualifying **S**mall **E**nterprise) –QSEs need to produce a scorecard, but must choose only 4 of the 7 elements. Their annual turnover is less than R35 million. * Except Built Environment Professionals - below R11.5 million

Generic - They need to comply with all 7 elements of the scorecard. Their annual turnover is above R35 million. * Except Built Environment Professionals - above R11.5 million

The BEE Scorecards

An EME does not need a scorecard. They are automatically allocated a good BEE score. They are allocated a level 4, or level 3 if they are majority black owned. A QSE does need a scorecard, but they must choose only four of the seven elements. This gives a QSE a simpler/easier scorecard.

The QSE Scorecard

Each element is worth 25 points on the scorecard. As a QSE (Qualifying Small Enterprise) you can select any four of the seven elements.

In brief, the QSE scorecard has the following components and points available:

Component	Element	Points Available
Direct Empowerment	Ownership	25
	Management	25
Human Resources	Employment Equity	25
	Skills Development	25
Indirect Empowerment	Preferential Procurement	25
	Enterprise Development	25
Residual	Socio-economic Development	25
Total		175/100

The Generic Scorecard

The Generic Scorecard is the scorecard that all other companies should follow. It makes use of all seven elements.

In brief, the generic scorecard has the following components and points available:

Component	Element	Points Available
Direct Empowerment	Ownership	20
	Management	10
Human Resources	Employment Equity	15
	Skills Development	15
Indirect Empowerment	Preferential Procurement	20
	Enterprise Development	15
Residual	Socio-economic Development	5
Total		100

Broad-Based Black Economic empowerment emphasises all aspects of business and society. Each element is worth between 5 and 20 points on the scorecard. In order to maximise your points, you will need to try to comply with all seven elements.

Becoming BEE Compliant

Becoming BEE compliant or getting a certificate or getting registered implies calculating and producing a scorecard (a broad-based BEE scorecard). It is no use saying "We are BEE" - that does not count - even if your business has taken some of the actions and begun meeting some of the targets. "Becoming BEE" is only about the points/level you have earned and producing a scorecard to verify this.

The process is to identify which scorecard you need to follow. Identify the steps you have taken to meet targets, calculate your score, and collect the documentation and evidence to prove that score. Thereafter it is a good idea, to get that scorecard independently verified, by your auditor, or an accredited verification agency.

The Truth about Verification

There are currently only a few accredited verification agencies and even less agencies who are accredited to issue scorecards based on the BEE charters. It is not mandatory to use a verification agency, though it does add credibility to your scorecard.

The verification agency is **not allowed** to consult to you. Their only job is to verify the accuracy of the information presented to them.
If you do not have accurate evidence you will earn no points!

The best way to become compliant is to regard BEE as a process and not a one-time event. That way you will always be up to date with your information and never have that "last minute rush" to obtain your scorecard.

The EconoBEE 10 Step Process to BEE compliancy

1. Learn about BEE
2. Look at where BEE is likely to affect you
3. Look at the indicators to find ways of scoring points
4. Collect documents around the indicators where points can be scored
5. Do an initial calculation to find out how many points you have achieved
6. Design your BEE report, Scorecard, Profiles, policies and Strategies around BEE and display your scorecard level
7. Spend time and effort and earn the points
8. Do a final self rating - must be signed once you are completely happy with it
9. Look for ways to find more points on the scorecard
10. An independent organisation should sign off your scorecard (Auditors or Rating Agencies)

Why a BEE Scorecard

To earn BEE points on Preferential Procurement a company needs to ask it's suppliers for their BEE scorecard.

In short one company
will ask another
company for their scorecard
until all companies have a BEE scorecard of their own.

What happens if you don't have a scorecard

The only direct reason you will need a scorecard is because your customers are asking for one. If you don't respond you will not be penalised legally but rather potentially not get the business you desire.

A Scorecard = business

Non Compliance = less business/no business

How long does it take?

B-BBEE is a 10 year process. Any company wanting to produce a scorecard must realise that the targets are not meant to be reached today - it is a process that will take 10 years. The idea is to get a score and over a period of time improve it.

Remember - BEE and becoming BEE compliant is a long term goal, you can't become BEE compliant instantly. You need to prepare and work on the scorecard. When you are ready, becoming BEE compliant will become part of the daily running of your business.

The BEE Calculations

The calculations are simple - in each instance you have an indicator. The indicator will have a target and a number of points available - you need to try and reach the target to earn the points.

Calculation Example

eg. Socio-economic Development (SED) – (Social development, charitable donations to black people).

Target - spend 1% NPAT on black people for SED = 5 points

Actual – spent 0.5% NPAT

Therefore we will earn 0.5/1% NPAT * 5 points = 2.5

FAQ's

Q) Do I need to sell shares to black people to become compliant?

A) No, if that is all you do you will be non-compliant. The scorecard is broad based. This means you need to do other projects to do well on your scorecard.

Q) What penalties will I encounter if I do not comply?

A) You will not be fined or go to jail if you do not comply. You simply run a risk of not getting the business you desire.

Q) Where can I register for BEE?

A) BEE does not have a registration process. You comply by producing a B-BBEE Scorecard. The scorecard will allow you to earn points which in-turn will help your customers calculate their own BEE scorecard. Once you have produced a scorecard you can advertise that rating. This may require a registration of a directory service which will only happen after you have produced the BEE scorecard.

Q) How many points do I need?

A) As many as your customers need or more than your competition. It depends on your requirements. Some industries will need a very high score while others may not even ever need a BEE scorecard. Also note that it takes time to get a good BEE Scorecard. We estimate that the current average score in the marketplace is less than 40 points.

Q) I need a rating - what do I do?

A) The rating is the last step. If you have prepared all your documentation and have earned enough points to get to the level that you require, then contact a rating agency. We are consultants. However we can refer you to a verification agency. If you are starting this process then you need to prepare first. Start with a training session, then prepare your own internal scorecard, earn your points, collect documentation and then start the verification process.

Q) How long does it take - I need this by Monday?

A) If you want a very quick scorecard, you can produce one, but you will probably not earn many points on it. A scorecard can take some time to prepare. We suggest that you start with understanding BEE, then produce an internal scorecard.

Find out what is best for your company!

My Turnover is below R5 million per annum

You qualify as an Exempt Micro Enterprise - EME. EME's are exempt from BEE.

What does this mean to you - EME's are automatically allocated a good BEE score. You will qualify as BEE compliant (minimum level 4) simply by having a turnover below R5 million.

The proof for an EME is very simple. We assist EME's draw up the accurate documentation. If you are below R5 million our EME Pack will be ideal for your business.

My Turnover is above R5 million per annum

You qualify as a Qualifying Small Enterprise or a Generic Company.

QSE - QSE's need to produce a Broad Based BEE scorecard. They have a simplified scorecard - they can choose any 4 of the 7 available elements. A QSE has a turnover between R5million and R35million.

Generic company - Generic companies comply with all seven elements

What does this mean to you - QSE's have an easier scorecard. They do not need to score points in all 7 elements to earn 100 points. In comparison a QSE will generally earn twice the number of points a generic can, by scoring in exactly the same elements.

When a company creates a scorecard they are going to need to understand the BEE scorecard, document their activities and promote their BEE status to their customers. Ideally a company needs a basic understanding of BEE. Critically they will be able to create their own scorecard in preparation for a rating and they will be able to earn additional points by targeting points that are related to their

business.

We present short half day courses as well as full day courses on topics around BEE and the implementation/understanding of BEE compliance. In addition we have extremely useful tools to prepare a self assessment or manage the documentation.

What we can do to help you

What we do

EconoBEE is a specialist BEE compliance company. We assist companies with BEE compliance.

Our services include a complete managed service, advisory consulting, training, self assessments and documentation logging.

EME

EME Pack - a very quick and easy solution for EME's. We will prepare an Exemption Statement, B-BBEE Policy and a statement to customers. In addition we will supply you with various reference documents to help you understand more about BEE.

Scorecards

We have multiple solutions to producing a BEE scorecard. Our very simple and cost effective solution is EconoBEE Scorecard.

EconoBEE Scorecard is a very straight forward, simple and easy to use self assessment rating tool. It will produce a BEE scorecard in minutes and help you understand and improve on your scorecard.

Managed Service follows our 10 Steps to BEE which is our flagship service. We will actively help you prepare your BEE scorecard. We assist with documentation, advice, training etc to make sure you have all the required tools at your disposal to make BEE compliance work for your business.

Ratings

We are very well positioned to help you secure your BEE scorecard rating. We can assist you with all the requirements and even help you find a Verification Agency. Our consultants will even sit in during your BEE verification.

Other

As an experienced BEE compliance company, we are able to assist you with any BEE related query. We have built up many associations with companies to assist us in giving the most comprehensive BEE service possible. Contact us to find out more!

Making Business Sense out of BEE
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Contact Us

P O Box 41439 Craighall 2024
Tel: 011 483 1190
Fax: 011 483 1195

Email: info@EconoBEE.co.za
Website: www.EconoBEE.co.za

Physical Address:
11b Curzon Road, EconoServ Office Park
cnr Chapel and Curzon
Bryanston, ext 8
Johannesburg