

EconoBEE Crash Course Broad-Based Black Economic Empowerment

About BEE

BEE, or more accurately B-BBEE refers to Broad-Based Black Economic Empowerment. Broad-Based Black Economic Empowerment (B-BBEE) compliance is a process and should be viewed as long-term as opposed to a short-term once off event.

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

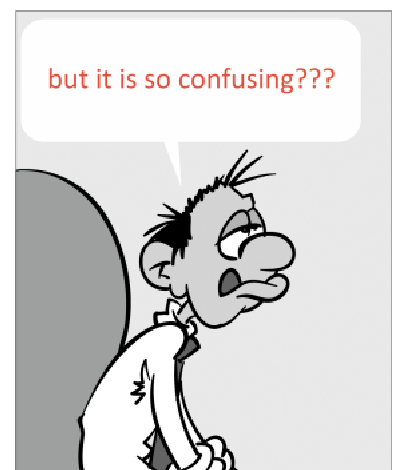
BEE compliance is measured by means of a scorecard (a broad-based scorecard). The scorecard is based on various elements and your company is measured out of a maximum of 100 points (in some cases it is possible to obtain more than 100 points). **EconoBEE offers various solutions to assist clients achieve a compliant BEE Status.**

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
2. Management
3. Employment equity
4. Skills Development
5. Preferential Procurement
6. Enterprise Development
7. **Socio-Economic Development**

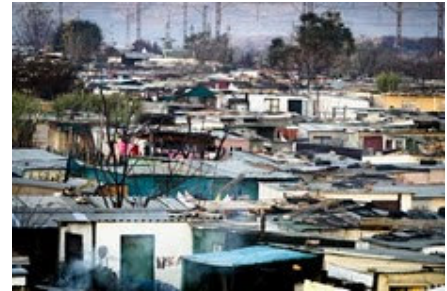
EconoBEE will be discussing each element in a simple to understand, yet detailed way to ensure that you understand, work through and profit through black economic empowerment.



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Socio-Economic Development

Socio-Economic Development constitutes **5 points** for Generic companies (annual turnover above R35 million) and **25 points** for Qualifying Small Enterprises (QSEs - annual turnover between R5million and R35 million). Socio-Economic Development aims to assist in creating future economic opportunities through social development for black people and black communities. Socio-Economic Development entails assisting black people to be better equipped to access the mainstream economy.



Socio-Economic Development is targeted towards People and the community.

Socio-Economic Development in BEE terms means facilitating sustainable access into the economy for black people.

Socio-Economic Development contributions consist of monetary or non-monetary contributions. It is actually initiated and implemented in favour of beneficiaries by a company with the specific objective of facilitating sustainable access to the economy for those beneficiaries.

The Generic and QSE Scorecard

The target for both generic companies and QSEs is 1% of Net Profit after Tax (NPAT)

The contributions can be both non-financial and financial contributions with the objective of facilitating sustainable access to the economy for the beneficiaries.

Non-financial contribution should be converted to financial value in order to claim points. E.g. Donation of Seven (7) Soccer balls to a local soccer team, that commercially costs R40 each, then $R40 \times 7 = R280$. Therefore, R280 will be the contribution value.

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Who qualifies as a Socio-Economic Development beneficiary?

- Black People
 - The full value of Socio-Economic Development contributions made to beneficiaries is recognized if **at least 75%** of the value directly benefits black people.
 - If the Socio-Economic Development contributions made to beneficiaries benefits less than 75% of Black people, then the value of the contribution is multiplied by the percentage that benefits black people only.

E.g. Contribution of R10000 to a NGO that has 25% Black people beneficiaries.

$R10\ 000 \times 25\% = R2\ 500$. Therefore R2 500 will be recognized

Qualifying Socio-Economic Development Contributions:

| | |
|---|---|
| Grant Contribution | Direct cost incurred in supporting Socio-Economic Development, sector specific initiatives or Approved Socio-Economic Development Contributions |
| | Discounts in addition to normal business practices supporting Socio-Economic Development, sector specific initiatives or Approved Socio-Economic Development Contributions |
| | Overhead costs incurred in supporting Socio-Economic Development, sector specific initiatives or Approved Socio-Economic Development Contributions |
| Contributions Made in the form of human resource capacity | Professional services rendered at no cost supporting Socio-Economic Development, sector specific initiatives or Approved Socio-Economic Development Contributions |
| | Professional services rendered at a discount supporting Socio-Economic Development, sector specific initiatives or Approved Socio-Economic Development Contributions |
| | Time of employees of Measured Entity productively deployed in assisting beneficiaries and supporting Socio-Economic Development, sector specific initiatives or Approved Socio-Economic Development Contributions |

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Examples of Socio-Economic Development Contributions:

1. Grant contribution or donations to charitable organisations or schools
2. Bursaries or scholarships to black students
3. Discounts supporting Socio-economic Development initiatives
 - a. Goods/Services supplied at no cost
4. Overhead costs incurred in supporting Socio-economic development initiatives

Tips on how to maximize SED points

1. Seek and establish charitable organizations that assist predominantly black communities (e.g. schools, child care facilities and community upliftment programs)
2. Paying for a black female to go to University is a good method to earn SED points. Once the person has graduated they will be able to apply for a job that they ordinarily wouldn't have. This means that with your contributions the person gets a qualification that allows them to enter the job market and become economically active or work for you thus resulting in Employment Equity points.
3. Identify black employees' families/ relatives that may need financial assistance by paying school fees. Paying the school directly on behalf of the family ensures that the beneficiary has directly benefited from the contribution.
4. Incurring costs on behalf of Socio-Economic Development beneficiaries, ie pay for blankets at a homeless shelter on behalf of the shelter.
5. Offer something that is inline with your business, for example a food store can donate food to a school's tuck shop or a furniture company can offer to mend broken desks free of charge.
6. Painting a school. Not only will you incur costs in paint/equipment but this can very effectively be used as a team building exercise which will motivate staff.

These are examples of ways in which SED can be done effectively. The eligible spend is the cost to company and as a result the money saved by the SED beneficiary is the commercial cost.

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Documents Required (Record Keeping)

When going for verification, everything must be documented. Without proof that the Socio-Economic Development occurred you won't be awarded any points. Below, is a list of documents that can be kept for verification.



Financials showing your net profit after tax

Inception date showing when Socio-Economic Development contributions started

Comprehensive Socio-Economic Development programme

An hourly value of each staff member in Rands

Information on the beneficiary entity proving that 75% of beneficiaries are black people, Profile and Independent Competent Person's letter

Confirmation letter from the Beneficiary Entity that your organization has supported them and Thank you letter in acknowledgement of assistance

Registration documents of the beneficiary entity e.g. CC registration docs, ID's of shareholders

Proof that the beneficiaries are situated in one of the 21 Urban Renewal Programme and Integrated Sustainable Rural Development Programme Nodes

Quantifiable monetary contributions to beneficiaries

Quantifiable non-monetary contributions to beneficiaries (time, materials etc)

Proof of contribution to a fund or beneficiary your industry has designated as a socio economic development cause.

Fund raising number if applicable

Proof of the percentage of beneficiaries

If you need to use the indicative profit margin, may need a letter that says which industry you are in

Proof of payment

Proof of value of donation, for example an invoice

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About Us

About EconoBEE:

EconoBEE is a Black Economic Empowerment management consultancy specializing in all elements of BEE. We are a leading consultancy offering services to many large listed companies. Our critical nature has allowed us to discover many instances of fronting. Our clients are able to become BEE compliant in the true essence of Broad-Based BEE, but at a fraction of the cost and time.



Managed Service – EconoBEE’s 10 Step Process:

EconoBEE’s Managed Services is a complete managed service which offers a high quality streamlined step-by-step approach to becoming BEE Compliant. Using the 10 steps to becoming BEE compliant to form the foundation of our work we will offer an improvement on your BEE scorecard while ensuring optimal success is reached from the start. Our consultants will become part of your BEE team increasing your capacity and reaching targets.

BEE Points = Business

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**Making Business Sense out of BEE
Making BEE Sense out of Business**