On the 10th of October 2014, the DTI issued the Amended BBBEE Codes of Good Practice for Qualifying Small Enterprises (QSE’s) and invited the public to submit comments on the amendments made within 30 days.   Companies are reminded that compliance to these Amended Codes must be applied urgently and immediately, to ensure good BEE levels are maintained from 1 May 2015 when all BEE certificates will be measured against these new requirements.

The gazette also provides clarity on the following, which was not addressed in the initial Amended Codes of Good Practice gazette on the 11 October 2013.

* **Scorecard for Specialised Enterprises**
* **Recognition in the Sale of Assets**
* **Recognition of Equity Equivalents for Multinationals**

**Some of the highlights in the QSE Amended Codes of Good Practice are:**

**1. The elements to BEE have now changed from 7 to 5, QSEs having to comply with all 5.**

|  |  |
| --- | --- |
| **2007 Codes of Good Practice** | **Amended Codes of Good Practice October 2014** |
| **Elements** | **Points** | **Bonus** | **Elements** | **Points** | **Bonus** |
| Ownership | 25 | 3 | Ownership | 25 | 0 |
| Management Control | 25 | 2 | Management Control | 15 | 0 |
| Employment Equity | 25 | 3 |
| Skills Development | 25 | 0 | Skills Development | 25 | 0 |
| Preferential Procurement | 25 | 0 | Enterprise and Supplier Development | 30 | 0 |
| Enterprise Development | 25 | 0 |
| Socio-Economic Development | 25 | 0 | Socio-Economic Development | 5 | 0 |
| **Total (after selecting any 4 of the above elements)** | **100** | **8** | **Total** | **100** | **0** |

**2. QSE’s are now required to be compliant with all five elements as opposed to previously choosing the best four elements to be scored.**

**3. The total points that can be scorecard on the scorecard is now 100 points.  No bonus points available.**

**4. Priority Elements:**

The codes have defined three priority elements:

* Ownership
* Skills development
* Enterprise and Supplier Development

A QSE must achieve 40% of the points for two of the three priority elements, with Ownership being a compulsory one. Non-compliance with the thresholds for the above priority elements will result in the discounting by one level on the QSE scorecard.  Discounting can only be applied once.

**5. Changes to Elements**

**Ownership**

* An enterprise must achieve at least 40% of the net value targets in order to comply with the priority element requirements.  If they do not, they drop by 1 level.  This equates to a minimum 10% black shareholding status.

**Management Control**

* Incorporates the measurement of Senior, Middle and Junior management as well.
* Specific indicators introduced for the measurement of female participation in management positions.
* The demographic targets as per the Large Enterprise scorecard do not apply to QSEs.
* Adjustment for Gender calculation (ARG) is no longer applied. The black percentage is calculated as a percentage of total population.

**Skills Development**

* Is an optional priority element.  40% of the points must be achieved or the company drops 1 BEE level.
* Compliance with the SETA requirements (Workplace Skills Plan, Annual Training Report, Pivotal Report amd Priority Skills Programme) are pre-requisites for an entity to receive any points in this element.
* Training is not limited to employees – it can apply to any black person.
* The demographic targets as per the Large Enterprise scorecard do not apply to QSEs.
* Adjustment for Gender calculation (ARG) is no longer applied. The black percentage is calculated as a percentage of total training spend.
* Category F and G learning programmes (informal on-the-job training) is limited to a maximum of 15% of total training spend.

**Enterprise and Supplier Development**

* Is an optional priority element.  40% of the points must be achieved or the company drops 1 BEE level.
* Measures Procurement as well as Supplier and Enterprise Development together in 1 element.
* In order for suppliers to qualify for BEE spend, they must be an “Empowering supplier”.
* Targeting specific enterprise development to suppliers.
* No cumulative contributions are allowed,  only annual contributions.

**Socio Economic Development**

* Minimal change, however emphasis is placed on job creation and giving sustainable access to the economy.
* No cumulative contributions allowed,  only annual contributions.
* Carries 5 points in the scorecard, compared to 25 points in the 2007 Codes.

**Adjusted Generic Scorecard**
The adjusted scorecard is applicable to organisations where Ownership cannot be assessed eg. Public entities, higher education institutions, non-profit organisations, etc.  The Amended adjusted scorecard has changes as follows:

|  |  |
| --- | --- |
| **2007 Codes of Good Practice** | **Amended Codes of Good Practice October 2014** |
| **Elements** | **Points** | **Elements** | **Points** |
| Management Control | 15 | Management Control | 20 |
| Employment Equity | 15 |
| Skills Development | 20 | Skills Development | 25 |
| Preferential Procurement | 20 | Enterprise and Supplier Development | 50 |
| Enterprise Development | 15 |
| Socio-Economic Development | 15 | Socio-Economic Development | 5 |
| **Total** | **100** | **Total** | **100** |

To refresh, please take not of the amended thresholds and qualification criteria below, which will have a marked impact on future BEE levels:

**Increased thresholds for EME, QSE, and Generic scorecards.**

|  |  |  |
| --- | --- | --- |
| **Category** | **2007 Codes of Good Practice** | **Amended Codes of Good Practice 2013** |
| EME | Turnover ≤ R5 million | Turnover ≤ R10 million |
| QSE | Turnover of R5-35 Million | Turnover of R10-50 Million |
| GENERIC | Turnover > R 35 Million | Turnover > 50 Million |

**Changes to BEE Recognition levels**

|  |  |  |  |
| --- | --- | --- | --- |
| **BBBEE Status** | **2007 Qualification** | **Amended Qualification 2013** | **BBBEE Recognition Level** |
| Level 1 | ≥100 points | ≥100 points | 135% |
| Level 2 | ≥85 points <100 | ≥95 points <100 | 125% |
| Level 3 | ≥75 points <85 | ≥90 points <95 | 110% |
| Level 4 | ≥65 points <75 | ≥80 points <90 | 100% |
| Level 5 | ≥55 points <65 | ≥75 points <80 | 80% |
| Level 6 | ≥45 points <55 | ≥70 points <75 | 60% |
| Level 7 | ≥40 points <45 | ≥55 points <70 | 50% |
| Level 8 | ≥30 points <40 | ≥40 points <55 | 10% |
| Non-compliant | <30 | <40 | 0% |