

B-BBEE Codes of Good Practice

On 11 October 2013, the dti published the Amended B-BBEE Codes of Good Practice which will come into effect on 30 April 2015. The amendments are focused on:



Introduction of punitive measures against **Fronting and Misrepresentation of B-BBEE status**



Increased promotion of **black and black women owned** entities



Increased focus on **ownership, skills development, and enterprise and supplier** development



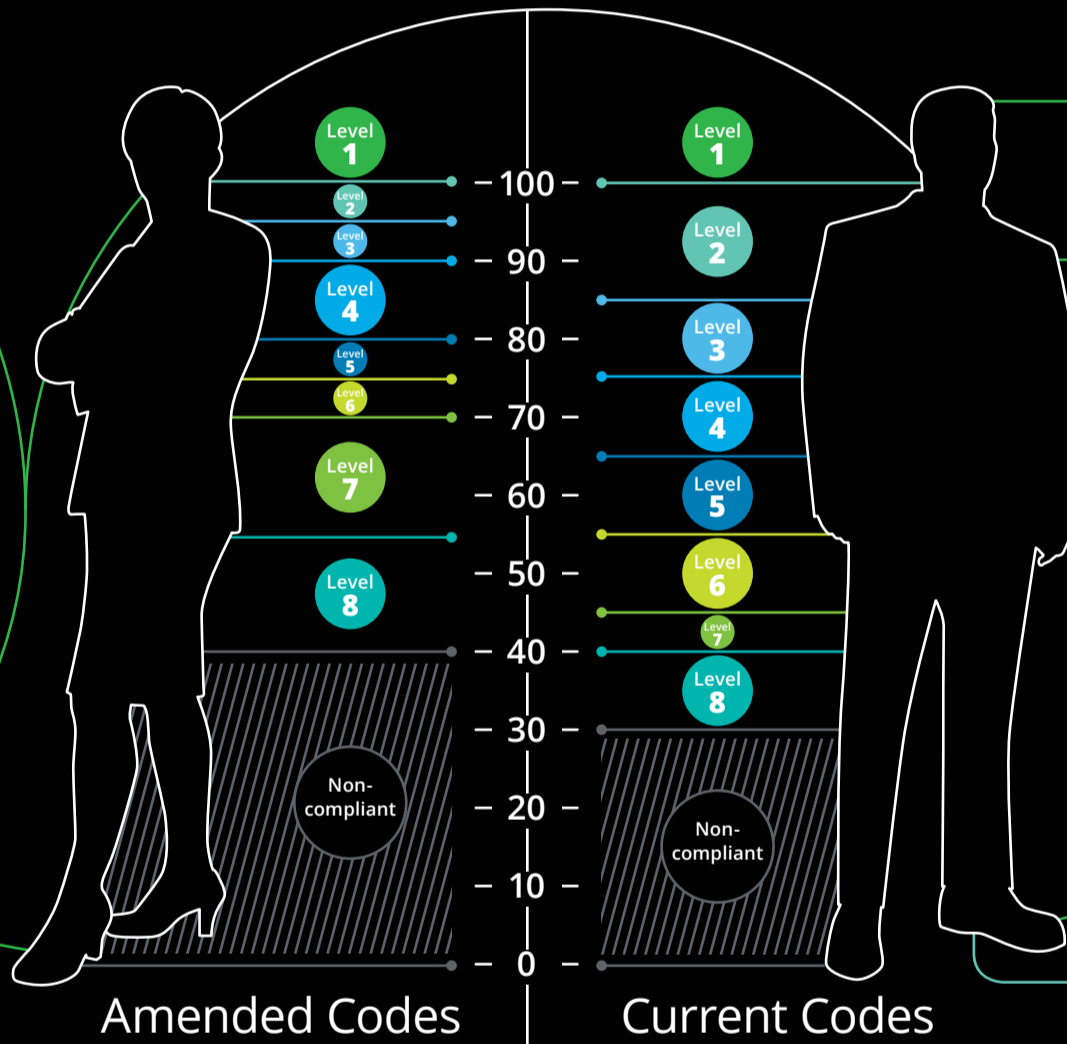
Facilitation of **local procurement, job creation, raw material beneficiation and skills** development



Reducing the **compliance burden** on small, medium and start-up enterprises

Amended number of B-BBEE points per level

An **increase** in the number of points **per level**, will result in an automatic **downgrade of most enterprises** as at **1 May 2015**. For example, at 65 points a level 4 (current codes) is automatically downgraded to a level 7.



High-level implications:

- Unintended exclusion of suppliers by enterprises requiring a set minimum B-BBEE rating
- Reduction of enterprise's own preferential procurement points
- Legal implications for enterprises contractually obliged to maintain a certain B-BBEE status

Revised weighting per B-BBEE element

The new codes have an **increased focus on priority elements**. There will be an **automatic level downgrade of 40%** if the **target score** is not achieved for a **priority element**. In addition to this, an **automatic level downgrade** if not deemed an **"Empowered Supplier"**.

Priority element	Amended Codes	Change	Current Codes
Ownership	25 Points	+2 Points	20 + 3 Points
Management Control	15 + 4 Points	-9 Points	10 + 1 Points
Skills Development	20 Points	+5 Points	15 Points
New Enterprise and Supplier Development	40 + 4 Points	+9 Points	20 Points
Socio-Economic Development	5 Points	+0 Points	5 Points
Total	118 Points	+11 Points	107 Points

Empowered supplier requirements include:

- Being B-BBEE compliant
- Being a good citizen
- Compliant with "all regulatory requirements"
- Meeting **three** of certain local procurement, job creation, raw material beneficiation and skill transfer requirements

Furthermore, **Foreign and Public Sector spend can no longer be excluded.**

Companies should consider adding B-BBEE to their overall company strategy - as this will give them an added advantage over their competitors