



# m power ratings

Ensuring Change through Empowerment

## mPowerRatings Newsletter - February 2014

Dear Business Owner

We are well and truly into February 2014 and there are some significant aspects to consider with regard to your BEE.

- A) If your financial year-end is February, you need to react urgently **before the end of this month** to ensure that you score maximum points for the Enterprise Development and Socio-Economic Development elements of your scorecard. **Contact us if you need guidance in this regard.**
- B) It is four months into the twelve months transitional period allowed for in the new DTI Codes of Good Practice that were gazetted in October 2013. The new Codes are more complex than the old Codes and overall scores will be significantly lower than before. If you have attended any of our recent seminars, or intend doing so in the near future, this will become clear.  
In the past it was relatively easy to become BEE compliant. This is no longer the case and we would strongly recommend that during the next 12 to 24 months you actively engage in carrying out and measuring initiatives to get to your required BEE level.
- C) On 27<sup>th</sup> January 2014 the Broad-Based Black Economic Empowerment Amendment Act, No 46 of 2013, was gazetted. Amongst other, this act provides for severe penalties for misrepresentation of the BEE status of entities. **These penalties could be as much as 10 years imprisonment and/or a fine of 10% of annual turnover. More information will be made available at our future scheduled seminars (refer to Seminar Information below).**

### **When will the new Codes affect you?**

When taking into consideration the 12-month transitional period allowed to comply with the new DTI Codes, it is likely that your next BEE Rating will still be done under the old Codes. If your next financial year-end is after 11<sup>th</sup> October 2014, e.g. December 2014, you are already into the year in which you will have to comply with the new Codes. If your next year-end is 28<sup>th</sup> February 2014, you will have another rating under the old Codes but will soon have to start planning for the new Codes.

Some examples:

1. Year-end February – if you are soon to be rated based on your February 2013 financials, the old Codes will apply. Your next rating based on February 2014 financials will also be based on the old Codes.
2. Year-end September 2013 – you will be rated on the old Codes for the last time.
3. Year-end October 2014 – you will be rated on the old Codes based on October 2013 financials and new Codes for October 2014
4. The latest communication from the Minister of Trade and Industry implies that entities that are scored under any of the gazetted Sector Codes, as listed below, will be scored under the above new DTI Codes unless these Sector Codes are aligned with the new Codes by 11<sup>th</sup> October 2014.

**The Sector Codes to be aligned are:**

- Agri-BEE Charter
- Financial Sector Charter
- Information and Communication Technology (ICT) Charter
- Property Sector Charter
- Chartered Accountancy Sector Code
- Integrated Transport Sector Codes
- Forest Sector Code
- Construction Sector Code
- Tourism Sector Code

Significant changes from the old to the new Codes, as previously communicated to our clients, are summarised below. We again urge you to take a proactive approach in dealing with the new challenges, and invite you to call us in this regard.

**Important aspects of the Revised Codes:**

1. Exempt Micro-Enterprises (EME's) – entities with annual turnover below R10 million (previously R5 million) are exempt and qualify as Level 4 Contributors. Good News.
2. EME's and Qualifying Small Enterprises (QSE's) that are at least 51% black owned qualify as Level Two Contributors and EME's that are 100% black owned qualify as Level One Contributors. Good news for those in this category.
3. The number of elements in the BEE scorecard has been decreased from seven to five. The Management Control element now includes Employment Equity to form a single element, and Procurement and Enterprise Development have been combined

under the heading of Enterprise and Supplier Development.

4. Qualifying Small Enterprises (QSE's) - entities with annual turnover between R10 million and R50 million (previously between R5 million and R35 million) will be required to score on all five elements of the scorecard.
5. Entities using Generic Scorecard – entities with annual turnover above R50 million will score on all five elements of the scorecard.
6. Three elements namely, Ownership; Skills Development; and Enterprise and Supplier Development, have been termed Priority Elements. Failure to achieve certain thresholds (generally 40% of target) will result in discounting of an entity's BEE status level as follows:
  - Entities using the Generic Scorecard need to achieve the minimum thresholds on all three elements. Failure to do so will result in their BEE status being reduced by one levels e.g. a Level 4 entity will drop down to Level 5.
  - QSE's need to achieve the minimum threshold on Ownership and any one of the remaining two Priority Elements. Failure to do so will result in their BEE status being reduced by one level.
7. Certain elements require the overall black compliance targets to be broken down into sub-targets for different ethnic sub-groups (i.e. Blacks; Asians; and Coloureds) and weighted in accordance with equitable representation as per the Employment Equity Act. These elements are:
  - Management Control: specifically the sub-elements Senior Management, Middle Management and Junior Management, and,
  - Skills Development.

The above briefly outlines some of the changes and is not intended to be an exhaustive version of the Revised Codes. We will in due course communicate further as the Codes are analysed and aspects become clearer.

For further information you can contact us on Tel: 011 880 0060 or Email: [info@mpowerratings.co.za](mailto:info@mpowerratings.co.za)

### **Useful Links:**

B-BBEE Definitions:

<http://www.bizadvance.co.za/content/definitions>

B-BBEE Consulting:

<http://www.bizadvance.co.za/>

mPowerRatings website:

<https://www.mpowerratings.co.za/articles.php>

## BEE Seminar Information

Due to the overwhelming interest we received last year regarding our Seminars on The New Amended B-BBEE Codes of Good Practice, we are pleased to announce that more Seminars will be hosted during the months of February to July 2014.

**Join us to gain an understanding of the new Amended B-BBEE Codes of Good Practice and the implications these changes will have on your business and our future.**

### Scheduled dates in Johannesburg:

05 March 2014

09 April 2014

14 May 2014

11 June 2014

09 July 2014

**Presenter:** Dijon de Jager - CEO of mPowerRatings

### Times:

Arrival and refreshments: 09h00 - 09h30

Seminar: 09h30 - 12h30

### Venue:

Killarney Country Club

60 Fifth Street

Killarney

Johannesburg

**Costs: Free of charge** (for Johannesburg Seminars)

Refreshments include: Tea/Coffee/Biscuits on arrival.

