

"The only place SUCCESS comes before WORK is in the dictionary" –

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BLACK ECONOMIC EMPOWERMENT: HOW TO PREVENT THE DISCOUNTING PENALTY

The Black Economic Empowerment Codes of Good Practice ("**BEE Codes**") published in 2013, introduced three priority elements, each with a sub-minimum requirement to be attained by measured entities. If not attained in any one of the priority elements, the measured entity's BEE contribution is reduced with one level ("**Discounting Penalty**"). The priority elements are Ownership; Skills Development; and Enterprise and Supplier Development.

The **BEE Codes** prescribe a number of statutory guidelines for verification agencies to determine whether the sub-minimum target for the priority elements have been attained. The sub-minimum target for priority elements is 40%. However, the methodology to determine whether the sub-minimum target have been attained differs for each priority element. The prescribed methodologies for each priority element can be described, in brief terms, as follows:

Ownership - The subminimum is 40% of the 'Net Value' (described in the Ownership score card as 8 points of the available 25 points), constituting at least 3.2 points (i.e. 40% of 8). The Net Value is calculated as prescribed by the **BEE Codes**. The bottom line is that the measured entity must have at least 10.04% black ownership and if there are any acquisition debts / unpaid shares linked to black ownership, it must be settled in accordance with the 'Time Based Graduation Factor' as per the **BEE Codes**.

Skills Development - The subminimum is 40% of the total weighting score card points available, namely 8 out of 20 points.

Enterprise and Supplier Development - The subminimum is 40% for each of the three sub-categories in the score card, namely Preferential Procurement constituting 10 out of 25 points; Supplier Development constituting 4 out of 10 points; and Enterprise Development constituting 2 out of 5 points.

Law & Laughter

Joke: "Of course I'm an excellent lawyer. It says so right on my website"

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