

TO BEE OR NOT TO BEE

PART 4

Why B-BBEE status matters and how it affects the procurement chain



Welcome to the fourth of six newsletters aimed at helping you better understand the Amended B-BBEE Codes of Good Practice and the Amended B-BBEE Financial Services Codes.



In this issue we examine the importance of **B-BBEE status** and how it affects the Santam Group.

Compliance to the B-BBEE Act 53 of 2003 isn't compulsory but has several distinct benefits:

- 1 It facilitates participation in the government procurement chain and Public Sector workflow — a B-BBEE Certificate is compulsory for all tenders.
- 2 Private sector procurement —having a B-BBEE rating allows companies to become a preferred supplier to the private sector.
- 3 Positions business partners as good corporate citizens, aligned to the transformation agenda of the country.

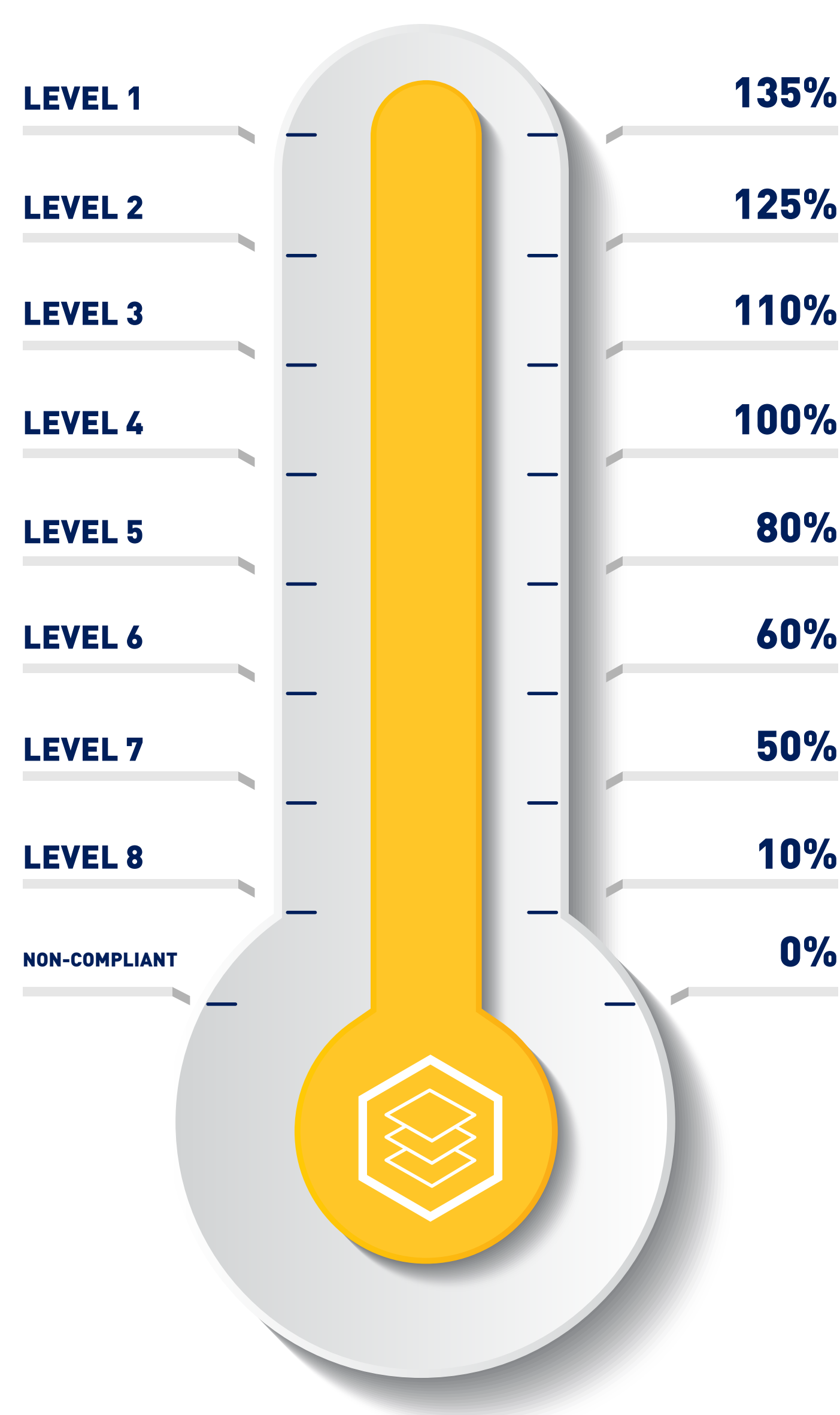


The higher the B-BBEE level for a business partner, the greater the chances they'll be appointed as the preferred supplier. Large corporates actively look for suppliers with a higher B-BBEE level as it affects their procurement scorecard.



B-BBEE LEVELS

B-BBEE RECOGNITION LEVEL %



What are B-BBEE Levels?

How does a higher B-BBEE Level provide an added advantage against competitors?

B-BBEE is measured using the following recognition levels based on the score achieved or the automatic status applied. Promoting procurement from B-BBEE-compliant suppliers increases financial support for black-owned entities.



How does the above translate within the Santam Group supply chain?



Santam Group is measured under the Generic Scorecard of the Financial Services Sector. As a generic entity, Santam Group is measured against all elements of the scorecard to which Preferential Procurement is a priority element. For Santam Group to meet its score, it must ensure the entire supply chain is B-BBEE compliant.



THE PROCUREMENT ELEMENT

CATEGORY	COMPLIANCE TARGET %	POINTS
Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition levels as a % of Total Measured Procurement spend.	80%	5
Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE recognition levels as a % of Total Measured spend.	18%	3
Procurement Spend from Exempted Micro Enterprises based on the applicable B-BBEE recognition levels as a % of Total Measured spend.	12%	2
Procurement Spend from Empowering Suppliers that are at least 51% black-owned based on the applicable B-BBEE recognition levels as a % of Total Measured spend.	30%	7
Procurement Spend from Empowering Suppliers that are at least 30% black women-owned based on the applicable B-BBEE recognition levels as a % of Total Measured spend.	10%	3
BONUS POINTS		
Procurement Spend from designated group suppliers that are at least 51% black-owned.	2%	2
Procurement Spend from black stockbrokers; black fund managers and intermediaries who are Empowering Suppliers based on the B-BBEE recognition level as % total value % of all trade allocated.	5%	2
OR		
Procurement Spend from black stockbrokers; black fund managers as % total value % of all trade allocated.	5%	2

Let's look at an example:

Santam Group has procured R100 000 with a business partner. The partner, let's call it **B** — is a **Level 1**, 51% black-owned and a 30% black-owned Exempted Micro Enterprise.

The group has also procured R100 000 with another business partner, let's call it **C** — a **Level 5** company that's 0% black-owned, 0% black women-owned and a Qualifying Small Enterprise.



Let's calculate the effect on Santam Group's procurement scorecard:

STEP 1 We start by looking at the B-BBEE recognition percentage for a Level 1: (as per the B-BBEE Levels outlined above).

BUSINESS PARTNER B LEVEL 1: 135%

BUSINESS PARTNER C LEVEL 5: 80%

STEP 2 Multiply the B-BBEE percentage recognition by the total procured value:

BUSINESS PARTNER B LEVEL 1: 135% x R100 000 = **R135 000**

BUSINESS PARTNER C LEVEL 5: 80% x R100 000 = **R80 000**

STEP 3 Which categories do the business partners fall under as indicated by the procurement scorecard above?

BUSINESS PARTNER B LEVEL 1 will be claimed under the following:

- Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition.
- Procurement Spend from Exempted Micro Enterprises.
- Procurement Spend from Empowering Suppliers that are at least 51% black-owned.
- Procurement Spend from Empowering Suppliers that are at least 30% black women-owned.

BUSINESS PARTNER C LEVEL 5 will be claimed under the following:

- Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition.
- Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises.

It's clear that it would benefit the Santam Group to procure from Business Partner B, enhancing the procurement claim by 135%. By using Business Partner C Group the group would lose R20 000 in procurement value according to the B-BBEE Procurement scorecard.



Having looked at the effect of B-BBEE on the procurement score for Santam Group, we recommend that complying business partners seize the opportunity to present themselves to large organisations.

Non-complying or lower B-BBEE status business partners on the other hand should carefully consider their B-BBEE compliance strategy.



NEXT STEPS

Should you have further questions or require assistance, please email our Transformation Team at SantamTransformation@santam.co.za.

Thank you for reading! Keep an eye out for part 5 in the series.