



This issue focuses on maintaining compliance as you transition from a Qualifying Small Enterprise to a Generic entity.

This move can represent economic and sustainable growth for an entity. However, it can be daunting when it comes to complying with the Amended B-BBEE Codes of Good Practice.

## What is a Generic entity?

A Generic entity is a company with an annual turnover of above **R50m**. They are required to comply with the full **generic scorecard** or their **sector-specific** scorecard. While QSEs with more than 51% black ownership are exempted from being rated on the full scorecard, Generic entities do not have such a benefit.

All companies with a turnover above the threshold are required to comply with the generic scorecard, regardless of their black ownership.



## What is a Generic Scorecard?

B-BBEE compliance is measured against **five elements** and points that are combined into a scorecard. A number of **points and targets** are allocated to each of these elements and scores are based on the implementation of each element. The recognition level attained is based on the total score.

## THE SUMMARISED GENERIC SCORECARD

ELEMENT	POINTS	PRIORITY ELEMENT
<b>OWNERSHIP</b> Measures the effective ownership of enterprises by black people. Measured as at date of verification.	<b>25</b> +5 bonus points	<b>Yes</b>
<b>MANAGEMENT CONTROL</b> Measures the effective control of enterprises by black people. Measured as at the current payroll.	<b>20</b> +3 bonus points	<b>No</b>
<b>SKILLS DEVELOPMENT</b> Measures the extent to which employers carry out initiatives designed to develop the competencies of black people. Measured as at year-end.	<b>20</b> +3 bonus points	<b>Yes</b>
<b>ENTERPRISE AND SUPPLIER DEVELOPMENT:</b> Split into <b>three</b> sub-elements. Measured as at year-end.	<b>35</b> +4 bonus points	<b>Yes</b>
<ul style="list-style-type: none"> <li><b>Procurement</b> Measures the extent to which enterprises buy goods and services from suppliers with B-BBEE procurement recognition levels.</li> <li><b>Enterprise Development</b> measures the extent to which enterprises carry out enterprise development initiatives intended to assist and accelerate the development and sustainability of other enterprises.</li> <li><b>Supplier Development</b> measures the extent to which enterprises carry out supplier development initiatives within its procurement chain intended to assist and accelerate the development and sustainability of other enterprises, specifically suppliers.</li> </ul>		
<b>SOCIO-ECONOMIC DEVELOPMENT</b> Measures the extent to which enterprises carry out general and financial sector specific initiatives that contribute towards Socio-economic Development and promote access to the economy for Black People. Measured as at year-end.	<b>5</b> +3 bonus points	<b>No</b>
<b>TOTAL POINTS</b>	<b>105</b>	

A Generic measured entity **must comply with all three priority elements**.

**Non-compliance** with 40% sub-minimum requirements of any of the priority elements **will result in downgrading by one level** until the next verification period. Only the discounted level will appear on the B-BBEE certificate.



### Priority Elements

1

**OWNERSHIP:**  
The sub-minimum requirement for Ownership is 40% of the net value points for Ownership.

2

**SKILLS DEVELOPMENT:**  
The sub-minimum requirement for Skills Development is 40% of the total weighting points (excluding bonus points), for Skills Development.

3

**ENTERPRISE AND SUPPLIER DEVELOPMENT:**  
The sub-minimum requirement for Enterprise and Supplier Development is **40% of the total weighting points** (excluding bonus points) of each of the three broad categories within the Enterprise and Supplier Development element, namely:

- Preferential Procurement
- Enterprise Development and
- Supplier Development

Priority elements are the **fundamental elements** of the scorecard that were identified to **address the key objectives** of the B-BBEE Act.



## What is the process to compliance?

The compliance process can be a **lengthy and daunting task** so assessment of each B-BBEE Scorecard element needs a **structured solution** unique to each entity. As a generic entity try to develop a **realistic B-BBEE plan** that is sustainable.

To maintain compliance after transition, Business Partners are encouraged to follow the below steps

- 1 Understand the **generic scorecard detailed above** and what each element means. This will help with the basic understanding of your **gaps within your scorecard** and **drive the strategy** to achieve a higher score.
- 2 How well **do you understand** the B-BBEE Generic Scorecard? If you have **limited knowledge** or its your first year of being verified, consider appointing a **qualified B-BBEE consultant or advisory firm**. Santam Group can refer you to a reputable company that can help you develop **tailored strategies and solutions** to optimize your **B-BBEE score**.
- 3 If you can work through the B-BBEE Scorecard and targets on your own, ensure your **B-BBEE targets are set**. Put a plan in place to meet the requirements and monitor it quarterly.
- 4 Understand **what constitutes revenue** for your entity and check that all **pass-through revenue** has been disclosed on your financials, so the rating agency is able to **exclude the amounts** from your overall revenue recognition. A business partner's revenue may have **exceeded the threshold** through pass-through revenue which is not recognised as its own, hence it's important that this aspect is cleared with **your accountants**. If the business partner has included and recognised pass-through revenue as its own, then the revenue **will be taken as stated** and third-party procurement exclusion will not be allowed.
- 5 Have your forecasted **detailed income statement** available for planning. The BEE Verification for the Skills Development, Enterprise & Supplier Development and Socio-Economic Development elements are based on the **financial year period** and an entity cannot claim B-BBEE spend outside of that. The final forecast must be completed **no later than quarter one** of your financial year, to allow for B-BBEE planning and implementation.
- 6 On understanding of strategy, complete a **competitor analysis** to understand whether aiming for a **higher score** would be realistic against the budget. If your overall strategy is to be at a **higher score than competitors**, you will have a higher chance of being **awarded contracts/work** versus your competitors.
- 7 Understand the **supporting documents** that are required during the BEE Verification process and ensure these are **sufficient and acceptable** for each element.
- 8 Appoint a **ratings agency** that will verify your company and issue you with a **SANAS accredited BEE certification**.
- 9 We also encourage **B-BBEE training** to further enhance knowledge so you can **manage the process internally** if budget does not allow for an outsourced B-BBEE consultant/advisor.



If your entity belongs to any sector code, thresholds applicable to the generic entities differ and may affect compliance.

## NEXT STEPS

**Having worked through the basics of transitioning from QSE to a generic, business partners are encouraged to:**

- 🔍 **Review** forecasts with their accountants and determine if revenue shall exceed R50m.
- ➡️ **Follow the stipulated steps** to maintaining compliance.
- ❓ **If unsure** of which sector to align with, **contact our team**.



Should you have **further questions or require assistance**, please email our Transformation Team at [SantamTransformation@santam.co.za](mailto:SantamTransformation@santam.co.za).

**Thank you for reading! We hope you found this series informative and useful.**