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***B-BBEE explained— The Socio-Economic Development (SED) Scorecard, NPAT calculations  
and the industry norm values***

In a previous flyer in July 2018 the benefits of implementing Socio-Economic Development were discussed.

The financial aspects within SED are often misunderstood as the compliance criteria and resultant calculations could be confusing.

The most critical aspect of this B-BBEE Element is that SED initiatives should result in **sustainable** economic participation by its intended beneficiaries and discourage dependence on hand-outs.

A typical target for contributions of a Generic entity is as follows: the annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target equates to a 1% contribution of Net Profit after Tax (NPAT). Whilst this seems simple to understand, the criteria varies within certain industry sectors.

To assist with these NPAT criteria, businesses may also utilise the statistics published by STATSSA on quarterly basis in the report “P0044 - Quarterly Financial Statistics”. This report summarises the South African industry’s overall performance and then per sector (mining and quarrying, manufacturing, electricity-gas-and water, construction, trade, transport, storage, communication, real estate and lastly community, social and personal services).

Within the report one can obtain the average profit margin percentage to compare with the standard criteria commonly used in the SED element.



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Preliminary profit margin percentage estimates from STATSA for Q1 2018 are as follows:

Overall	4.72%
Mining and Quarrying	4.51%
Manufacturing	3.59%
Electricity, Gas and Water	-2.48%
Construction Industry	5.41
Trade Industry	4.34
Transport, Storage and Communication	3.33
Real Estate and other business services	9.82
Community, Social and Personal Services	10.15

Contact BEE Ratings —SA at your earliest convenience for an appointment.