



99 Mandela St, Ext. 12, Witbank
P.O. Box 918, River Crescent
Die Heuwel, 1042
www.beeratings.com

T: 0861 909 000
F: 0866 496 874
E: info@beeratings.com

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B-BBEE explained — The Defence Sector

The Department of Trade and Industry (DTI) gazetted a Code of Good Practice (COGP) for the Defence Sector on 09 November 2018. The DTI's COGP provides extensive detail of the requirements in Gazette Number 42021.

The priority elements with a 40% sub-minimum requirement are:

- I. Ownership
- II. Skills Development
- III. Enterprise and Supplier Development

Non-compliance with these priority elements will result in the Discounting Principle being applied to Large Enterprises and QSEs; i.e. the loss of one BEE level.

Exempted Micro Enterprises are presumed to have a BEE Level 4 status with 100% recognition value if the annual turnover is less than R5 million per annum by use of an affidavit.

Note: 100% Black-owned EMEs will have a recognition status of 135% equivalent to a Level 1 BEE status and 51% Black-owned EMEs will have a recognition status of 125% equivalent to a Level 2 BEE status.

Qualifying small enterprises (QSEs) have a revenue between R5 million and R50 million per annum and a verified via a sworn affidavit or a CIPC issued certificate.

A Start-Up Enterprise is measured as an EME in the first year following its formation or incorporation.

Other elements of the scorecard:

- IV. Management Control
- V. Localisation
- VI. Socio-Economic Development

Further detail will be provided in future articles.

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