

*Yurika Pistorius, Compliance and Sustainability Officer at Centriq Insurance, discusses B-BBEE from a regulatory and business development perspective, advising industry role players who haven't fully embraced this legislation to do so as a matter of urgency.*

Although Broad-Based Black Economic Empowerment (B-BBEE, also known as BEE) is a standard entry on many executive committees' agendas and priority lists, many businesses continue to question the primary objectives of B-BBEE regulations at times mainly because they don't understand this particular piece of legislation, which is in fact, very positive and constructive in terms of future business development and sustainability.

That said, a company that is 100% Black-owned can be non-compliant in terms of B-BBEE regulations, which is as a matter of fact aimed at correcting unjust imbalances of the past by means of ongoing development and support and not by taking from one sector to give to another.

*So what does B-BBEE compliance actually entail?*

According to Quants, a B-BBEE Consultancy firm, small companies (under R5M turnover per annum) and companies in their first year of business automatically achieve a Level 4 (100% compliance) certificate while companies between R5M and R35M turnover per annum only need to submit their contributing scores for four of the seven categories mentioned below.

In addition, B-BBEE legislation requires that companies wishing to acquire a B-BBEE Certificate showing their level of compliance (Level 1 being high and Level 8 being low) submit company details to an Accredited Verification Agency, which will measure the company's contributions to South Africa's economic community in terms of achieving targets in the following areas:

- Ownership. Have Black individuals been included in the ownership structures of the company?
- Management Control. Have Black individuals been developed and appointed to fill executive management positions within the company?
- Employment Equity. Are suitably qualified Black individuals being given the opportunity to occupy management roles throughout the organisation?

- Skills Development. Are Black staff members being given adequate training and mentorship to enable them to develop within the organisation?
- Enterprise Development. Are larger companies providing assistance to (predominantly) smaller, Black-owned companies?
- Socio-Economic Development. Are companies contributing to the development of Black communities in areas such as education, sport, arts and culture, health etc?
- Preferential Procurement. Are companies purchasing goods and services from other companies that are B-BBEE compliant?

The power of the B-BBEE legislation however lies in the last category mentioned above, namely Preferential Procurement (PP).

In order to achieve a PP score, which contributes a significant portion of the overall B-BBEE score, one needs to do business with other B-BBEE compliant companies. If Company A, for example, purchases goods or services from Company B that does not have a B-BBEE certificate, Company A will not be awarded any B-BBEE points. This is why preferred supplier lists in many companies stipulate (and will continue to do so more than ever before) B-BBEE certification as a pre-requisite.

A B-BBEE Certificate is also a requirement for any company wishing to tender or supply state departments and organisations with goods and or services.

Hence, by placing 'peer' pressure on Company B to become B-BBEE compliant should they wish to provide goods and services to Company A, there is a strong ripple effect on all the other elements of B-BBEE, which is bound to have a positive effect on the economy as a whole, over time.

The effect is also viral in nature; the more companies there are that become B-BBEE compliant, the more pressure there will be on other companies to follow suit, and so a positive, self-sustaining cycle is developed and established.

In conclusion, B-BBEE is rapidly gaining momentum in the business environment as a whole and it is for this very reason that role players within the South African insurance industry who haven't fully embraced this legislation are advised to do so as a matter of urgency.