

January newsletter

Welcome to 2017

May your business strategies lead to prosperity and sustained success!!

But first: Does your business have a February year end?

If your business is one of the majority in South Africa with a February financial year end, there are only a few weeks left before the window on most of the BEE elements close. Notably, Skills Development and the triple pack of Enterprise -, Supplier - and Socio Economic Development have to be implemented **before the end of February** -- within this financial year -- to be recognised when you get your next BEE Certificate. We find that last ditch contributions are often expensive, ineffective and may not result in real benefit to the company itself.

Rather let us do a quick review of your status and plans and test it against some of our solutions to find the best mix **to maximize your scorecard points, optimize your expenditure** and **add** real value to your business.

Remember, **you** may no longer rely on period shifting. **So** if you do not have your compliance planning implemented by the end of your current financial year, you will have to wait for the next year to improve your score.

Backdating the Sector Codes

We were taken by complete surprise by the final version of the Amended ICT Sector Code. The **DTI** basically backdated the effective date of the Sector Code. Verification Agencies were immediately obligated to apply the Amended Sector Code on all verifications, even those that were almost completed and those based on a past measurement period. This departure from established precedent is apparently based **on the fact** that the Amended **Codes** and Draft Sector Codes have been available for some time and companies should have known that they needed to implement programmes to comply, even if their Amended Sector Code did not apply at the time of their financial year-ends.

Whether this approach is fair and reasonable is irrelevant, as it is now cast in stone. This means that companies that operate in industries with a sector code should make sure that they comply with the requirements within their current financial year irrespective **whether** their Sector Code has been gazetted or not. For example, if the Transport or Construction Sectors are gazetted after the February **2017** financial year end of most companies, it will probably apply retrospectively. Any business that requires a competitive BEE Scorecard will have to take immediate action. In our experience, many companies underestimate the impact of the Amended Codes.

What we can expect in 2017

There are a number of B-BBEE loose ends that we expect to be tightened up this year. We expect the **DTI** Verification Manual, the Technical Advisory **Guide** and most of the outstanding Sector Codes to be released early in 2017. There are a number of clarifications we are expecting, such as the tightening up some of the definitions and requirements, more intense focus on fronting and pressure on BEE slackers and avoiders. We will also see more focus on, and investment in, black business development.

2017 will see the last of the BEE certificates issued under the previous BEE Codes and Sector Codes expiring, meaning that the real impact on the Amended Codes will become visible in the value chain of companies.

We have met with a lot of denial and resistance with respect to the increased thresholds of the Amended Codes and we are concerned that many companies will find themselves relegated to the back of the business queue without valid and compliant BEE certificates.

As we have predicted, several blatant and some sophisticated fronting schemes have also surfaced and we expect even stronger clamp-downs from the office of the B-BEE Commissioner on these. We maintain that it is much better to do transformation properly rather than putting your entire business at risk by being implicated in some fronting or avoidance scheme.

We also start 2017 with some good news. The complex and controversial requirements for the recognition as Empowering Suppliers have been lifted and all companies automatically **comply**. This offers some reprieve for a number of industries where compliance with the requirements **was** very difficult. We support the idea of a structured benefit for expanded local capacity and import replacement and hopefully it would be reinstated with practical and constructive requirements.

Workshop on the 8 February.

Our next Strategy **W**orkshop is on 8 February at the Benvenuto Hotel and Conference Centre in Randburg. If you plan to attend any workshops on BEE in 2017, we suggest that you sign up for this one, especially if your year end is soon. Find out more or get the invitation [here](#).