

## HOW TO OPTIMISE YOUR SCORES ON PREFERENTIAL PROCUREMENT BY FOCUSING ON LOCAL SUPPLIERS

Despite all the changes to B-BBEE in terms of legislation and irrespective of the applicable Codes and or Sector Codes, **Preferential Procurement** remains one of the simpler elements (scorecard items) to comply with.

To operate or trade, your company would need to procure goods and/or services, which is not just limited to the nature of your business and/or the sector or industry in which you operate or trade, your general suppliers i.e. your Bank, Rental Agency, Financial Accountant or Auditor, Attorneys and telephone and internet providers etc. are all to be included as part of your "**Local Supplier list**".

The B-BBEE Level reflected on each of these local suppliers' B-BBEE Certificates and/or applicable Amended Codes Affidavits are linked to a specific Procurement Recognition level or percentage and this is used in conjunction with your total annual spend with each of these local suppliers (excluding VAT), to calculate your "**Preferential Procurement Spend**", i.e.:

- A Level 1 B-BBEE Contributor status is linked to a 135% Procurement Recognition level and for every R100 spent (exc. VAT), R135 can be recognised for points,
- A Level 4 B-BBEE Contributor status is linked to a 100% Procurement Recognition level and every R100 spent (exc. VAT) will be recognised at full value for points, and

- A Level 8 B-BBEE Contributor status is linked to a 10% Procurement Recognition level and for every R100 spent (exc. VAT) R10 can be recognised for points, etc.

It therefore stands to follow that any spend with a local supplier with a Non-Compliant B-BBEE Certificate or worse without any B-BBEE Certificate or Amended Codes Affidavit, cannot be taken into account for points and essentially the total annual spend with this type of supplier is disregarded.

As such, it should be clear that **Preferential Procurement** is the driving force behind Broad Based Black Economic Empowerment and adopting a Procurement Policy is the most logical yet essential tool that can benefit your company in not just keeping track of its local suppliers and what their respective B-BBEE level is, but also to assist your company in its document management by keeping record of the actual B-BBEE Certificates and Amended Codes Affidavits obtained thus far.

For more details on Procurement Policies, contact Strata-g Labour Solutions – we are an Exempt Micro Enterprise (EME) with an automatic Level 4 B-BBEE Contributor status and based on the examples provided above, we have a 100% Procurement Recognition Level.

*This article is a general information sheet and should not be used or relied on as legal or other professional advice. No liability can be accepted for any errors or omissions nor for any loss or damage arising from reliance upon any information herein. Contact Strata-g Labour Solutions for specific and detailed advice.*

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TRANSFORMATION SPECIALIST

