








Why choose us?

-  Experienced & knowledgeable team
-  Service orientated & approachable
-  Quick turnaround times
-  National footprint
-  Extensive client base



5 Star BEE Compliance is a dynamic team with extensive B-BBEE knowledge. We maintain trusted relationships with our clients. We look forward to assisting with your next B-BBEE verification.

a mirror image

‘BLACK’ DESIGNATED GROUPS & ‘BLACK’ DESIGNATED GROUP SUPPLIERS

‘Black’ Designated Groups and Designated Group Suppliers are defined in Schedule 1 of the Codes of Good Practice (Codes). The 2019 amendments to the Codes introduced ‘Black’ Designated Group Suppliers. As a mirror image of each other, ‘Black’ Designated Groups and Designated Group Suppliers play a vital role in optimising an organisation’s B-BBEE Scorecard.

‘Black’ Designated Groups, which filter directly through to ‘Black’ Designated Group Suppliers, must have a ‘Black’ Ownership structure that represents at least 51% of people that qualify under this category. However, there are considerations when claiming for ‘Black’ Designated Groups and Designated Group Suppliers.

Who qualifies in the category Designated Groups?

Criteria for Designated Groups	Source of evidence for a B-BBEE Verification
<p>‘Black’ Military Veterans who qualify to be called a military veteran according to the Military Veterans Act 18 of 2011, which means for the purposes of this sector code, any Black South African Citizen who:</p> <ul style="list-style-type: none">> rendered military service to any of the Non-Statutory Military Organisations, which were involved in South Africa’s Liberation War from 1960 to 1994;> served in the Union Defence Force before 1961;> became a member of the new South African National Defence Force after 1994; and> has completed his or her military training and no longer performs military service, and has not been dishonourably discharged from that military organisation or force, provided that this definition does not exclude any person referred to in paragraph 4.5.1 or 4.5.2 of the Act who could not complete his or her military training due to an injury sustained during military training or a disease contracted or associated with military training.	<p>Any substantiating evidence.</p>
<p>‘Black’ Persons with disabilities according to both the Codes and Employment Equity Act.</p>	<p>Confirmation of disability by a medical doctor and completed EEA1 form.</p>
<p>Unemployed ‘Black’ People not attending, or not required by law to attend, an educational institution and not awaiting admission to an educational institution.</p>	<p>An Affidavit or CIPC B-BBEE Certificate.</p>
<p>‘Black’ People living in rural or underdeveloped areas.</p>	<p>Proof of residence. See page 26 on how a B-BBEE Rating Agency verifies rural or underdeveloped areas.</p>
<p>‘Black’ People who are Youth are aged between 14 and 35 as defined in the National Youth Commission Act of 1996.</p>	<p>A South African Identity document confirming the age of such a person. This status can be verified and claimed annually.</p>



At what stage is the status of a Designated Group substantiated?

The factor that determines whether a ‘Black’ Person meets the criteria of a Designated Group is the date on which an organisation is measured. On this measurement date, a B-BBEE Rating Agency will substantiate whether it meets the criteria set out in Schedule 1. Therefore, the status of a Designated Group is irrelevant at the time of a transaction. For example, at the time of the transaction:

- > Upon confirmation of the status of a ‘Black’ Military Veteran, it will remain unchanged. Therefore, the status can be carried yearly unless the definition thereof is amended. However, if an organisation changes its B-BBEE Rating Agency, it will need to re-verify the person.
- > An Unemployed ‘Black’ Person was just that, however, before the B-BBEE Verification they became gainfully employed, hence would not qualify in the Designated Group category.
- > A ‘Black’ person with a disability must provide evidence confirming their disability status annually to qualify under a Designated Group. Although, in most cases, a disability status does not change, there are cases where it no longer applies.
- > Whether a ‘Black’ Person is living in a rural or underdeveloped area is evidenced by their proof of residence. Therefore, if such a person moves out of the rural or underdeveloped area before a B-BBEE Verification takes place, they would not qualify under Designated Groups.
- > The day that a ‘Black’ Person who is Youth turns 36, they no longer qualify under this category. Therefore, at the time of an organisation’s B-BBEE Verification, the person’s age must still be under 35 years old or they do not qualify under the Designate Group category..

Do any sets of codes refer to Designated Groups?

Two Sector Codes confirm their criteria of Designated Group:

- > Agri Sector Code Farmworkers.
- > Defence Sector Code Military Veterans.

How can an organisation identify the status of a person claiming to be part of a Designated Group?

B-BBEE Credentials confirm a ‘Black’ Designated Group status. However, an organisation must refer to the Code on which they are measured as the criteria may vary from Code to Code.

- 1 Large Enterprises and QSEs with less than 51% ‘Black’ Ownership:
A SANAS accredited B-BBEE Certificate, as it features all the necessary information, specifically confirming the ‘Black’ Designated Group Status and the ownership thereof of people or organisations claiming this status.
- 2 EMEs or QSEs with more than 51% ‘Black’ Ownership:
Organisations falling into these thresholds only need to present an Affidavit or CIPC EME B-BBEE Certificate to confirm their annual income and ownership structure. However, an Affidavit or CIPC EME B-BBEE Certificate presents a certain element of risk as there is no ‘regulator’ to verify its authenticity. Therefore, a deponent must understand the concept of perjury. The primary duty of a B-BBEE Rating Agency is to mitigate risk, which means it may request additional evidence to substantiate a claim. However, many organisations do accept an Affidavit at face value.

Notably, the transport sector has yet to align with the 2019 version of the Codes. Therefore, Designated Group Suppliers do not apply to those measured on this sector Code. ‘Black’ Designated Groups in line with the Transport Sector Code are confirmed by:

- > EMEs
A letter from an accounting officer must include the practice number and confirm the financial period and turnover, as well as the ‘Black’ Ownership of the business. Otherwise, a SANAS accredited B-BBEE Certificate is acceptable in this instance.
- > QSEs and Large Enterprises A SANAS accredited B-BBEE Certificate.

Are Bonus Points allocated for Designated Group Suppliers?

The Enterprise & Supplier Development Scorecards across most sets of Codes allocate Bonus Points for organisations procuring from ‘Black’ Designated Group Suppliers, which appear as:

Scorecard Description	Target	Bonus Points
Generic Scorecard	2%	2
QSE Scorecard	1%	1
Specialised Scorecard	2%	2
Construction		
> BEP	20%	2
> Contractor	20%	3
Agri Sector Code	2%	2
Defence Sector Code		
> Generic	2%	2
> QSE	1%	1
Financial Sector Code	2%	2
Forestry Sector Code		
> Generic	2%	2
> QSE	1%	1
MAC Sector Code	2%	2
ICT		
> Generic	2%	2
> QSE	1%	1
Property Sector Code	2%	2
Tourism Sector Code	0%	0

The Tourism Sector Code and the Transport Sector Code are the only Codes that do not allocate Bonus Points for ‘Black’ Designated Group Suppliers.

Although there will always be an element of risk when verifying ‘Black’ Designated Group status, the advantage for any organisation is considerable, bearing in mind that the Bonus Points could make a difference to an organisation’s Status Level and the accompanying Preferential Procurement Recognition.



Linda Sewnarain is the Managing Director and a Technical Signatory at 5 Star BEE Compliance, a SANAS accredited B-BBEE Rating Agency. Over the past 14 years, Linda has gained unique insight into the complexity of the B-BBEE Verification space, where she has led verification teams in organisations of all sizes across all sectors. In 2010, Linda became a SANAS Assessor, a role she believes supports the ethics in the B-BBEE Verification space. Core to her success and that of 5 Star BEE Compliance is the commitment of the versed team that assures B-BBEE Verifications are done with a customer-centric approach to the highest standards.