SUMMARY OF
BROAD-BASED BLACK ECONOMIC EMPOWERMENT
CODES OF GOOD PRACTICE
AS RELATES TO CA PROFESSION

Statement 000 framework for measuring B-BBEE

1. Fundamental principles

1.1 Substance takes, precedence, over legal form.

1.2 When interpreting the provisions of the Codes any reasonable interpretation consistent with the objectives of the Act and the B-BBEE Strategy must take precedence.

1.3 Basis for measuring is the B-BBEE compliance of the measured entities at the time of measurement.

1.4 Initiatives which split, separate or divide enterprises as a means of ensuring eligibility as for e.g. an Exempted Micro-Enterprise may lead to disqualification of entire scorecard of those enterprises concerned.

1.5 Any representation made by an Entity about its B-BBEE compliance must be supported by suitable evidence or documentation. If no supporting documentation is provided such an Entity will not receive recognition for that initiative.

2. Application of the Code

2.1 All public entities.

2.2 Public entities which are trading entities which undertake any business with an organ of state, public entity or any other enterprise.

2.3 Any enterprise that undertakes any business with any organ of state or public entity.

2.4 Any enterprise that undertakes any business, directly or indirectly with the above (2.1 – 2.3).

2.5 The basis of measurement of B-BBEE compliance will be done in terms of the following:

2.5.1 Exempted Micro-Enterprise

- Any enterprise with annual total revenue of R5 million or less is an Exempted Micro Enterprise.
- Exempted Micro Enterprises are deemed to have a B-BBEE status of “Level Four Contributor” having a B-BBEE procurement recognition of 100%.
- Exempted Micro Enterprises qualify for a promotion to a “Level Three Contributor” having a B-BBEE procurement recognition of 110% if more than 50% owned by black people or women.
- Such enterprises need to provide auditor’s certificate or similar certificate issue by an accounting officer or verification agency.

2.5.2 Qualifying Small Enterprise (QSE)

- Any enterprise with an annual Total Revenue of between R5 million and R35 million qualifies as a Qualifying Small Enterprise.
- QSE must select any four of the seven elements contained in Code 800.
2.5.3 Start-up Enterprises

- Must be measured as Exempted Micro Enterprises for the first year following formation or incorporation.
- Are initially deemed to have B-BBEE status of “Level Four Contributor” with procurement recognition of 100%.

2.5.4 The generic scorecard in the case of other enterprises.

2.5.5 A sector Code published in terms of Statement 003 may provide the basis for measuring enterprises within that sector.

3. The elements and weighting of B-BBEE in terms of the generic scorecard

<table>
<thead>
<tr>
<th>Element</th>
<th>Weighting</th>
<th>Code Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>20 points</td>
<td>100</td>
</tr>
<tr>
<td>Management Control</td>
<td>10 points</td>
<td>200</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>15 points</td>
<td>300</td>
</tr>
<tr>
<td>Skills Development</td>
<td>15 points</td>
<td>400</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>20 points</td>
<td>500</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>15 points</td>
<td>600</td>
</tr>
<tr>
<td>Socio Economic Development Initiatives</td>
<td>5 points</td>
<td>700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4. B-BBEE Status

<table>
<thead>
<tr>
<th>B-BBEE status level contributor</th>
<th>Qualification points on generic scorecard</th>
<th>B-BBEE recognition level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>≥ 100 points</td>
<td>135%</td>
</tr>
<tr>
<td>2</td>
<td>≥ 85 points &lt; 100</td>
<td>125%</td>
</tr>
<tr>
<td>3</td>
<td>≥ 75 points &lt; 85</td>
<td>110%</td>
</tr>
<tr>
<td>4</td>
<td>≥ 65 points &lt; 75</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>≥ 55 points &lt; 65</td>
<td>80%</td>
</tr>
<tr>
<td>6</td>
<td>≥ 45 points &lt; 55</td>
<td>60%</td>
</tr>
<tr>
<td>7</td>
<td>≥ 40 points &lt; 45</td>
<td>50%</td>
</tr>
<tr>
<td>8</td>
<td>≥ 30 points &lt; 40</td>
<td>10%</td>
</tr>
<tr>
<td>Non compliant contributor</td>
<td>&lt; 30</td>
<td>0%</td>
</tr>
</tbody>
</table>

5. Enhanced recognition of certain categories of black people

Throughout the Codes various criteria appear which advance the interest of black people being:

- Black women should form between 40-50% of the beneficiaries of all elements of generic scorecard.
- Black people with disabilities, black youth, black people living in rural areas and black unemployed people who must form between 2 and 3% of all beneficiaries of all Elements of Generic Scorecard.

6. BEE Verification Agencies

6.1 Verification of BEE compliance is encouraged.

6.2 Accreditation of BEE Verification Agencies will be conducted by SANAS (South African National Accreditation System) on behalf of the dti. The criteria will be developed, maintained and enforced by SANAS.
7. **Transitional period**

7.1 For the first year after the commencement of this statement a measured entity may elect to use the generic or transitional scorecard (assigns a BEE status based on ownership and management control).

7.2 Thereafter medium and large enterprises are subject to the generic scorecard.

8. **Duration of the Codes**

8.1 The Minister will review the Codes following the end of the tenth year following the commencement date of the statement.
Statement 003: Guidelines for developing and gazetting of transformation charters and Sector Codes

1. Procedure for developing and gazetting of transformation charters

1.1 The representative body of a sector seeking to gazette a Transformation Charter under section 12 must -
   • Apply in writing to Minister; and
   • Provide evidence of compliance with section 12 of the Act.

2. Procedure for developing and gazetting of Sector Codes

2.1 There must be common commercial and other characteristics within the entities operating in the sector that would make it feasible to formulate a Transformation Charter subject to the proposed Sector Code;

2.2 Must fully address all Elements of Generic Scorecard;

2.3 Must use same definitions in respect of all beneficiaries as those used in Codes;

2.4 Must use same calculation methodologies to measure compliance;

2.5 Targets and weighting of the proposed sector codes may deviate from generic codes only where those deviations are justifiable and based on sound economic principles, sectoral characteristics or empirical research;

2.6 May introduce a new additional element for measurement where such addition is justifiable based on sound economic principles, sectoral characteristics or empirical research;

2.7 Must clearly define its scope of application.

3. Procedure for gazetting a Sector Code

3.1 Apply in writing to the Minister;

3.2 Indicate the process by which the Charter has been developed; and

3.3 Provide evidence of compliance with section 12 of the Act.

4. Status of Transformation Charters and Sector Codes

4.1 Gazetting of Transformation Charters is evidence of commitment to promote B-BBEE in the applicable sector and is not binding;

4.2 A Sector Code enjoys equal status with that of any other Code.

5. Recommended Model for developing Transformation Charters

5.1 Sector should interact or transact with the organs of state or public entities;

5.2 There should be common commercial and other characteristics within the entities forming part of the proposed sector;

5.3 Sector should be significant (i.e. national strategic importance of the sector as determined by government; and volume and value of transactions taking place between sector and organs of state);

5.4 There must be a public proclamation of the object of developing a Transformation Charter;
5.5 The initiatives of the Charter process must propose setting a mandate for the Charter and overall Charter objectives. This should be presented to the relevant stakeholders for consideration and comment. Final mandate must reflect the concerns and needs of the stakeholders;

5.6 Initiatives of the Charter process must appoint a Steering Committee which should represent relevant groups of stakeholders and consist of senior and influential members of entities/organisations in the sector;

5.7 Steering Committee should appoint relevant working groups to aid drafting of the Charter. Element specific working groups are ideal.

5.8 Based on recommendations of the working groups, Steering Committee must compile first draft for presentation to stakeholders.

5.9 Comprehensive consultation with stakeholders needs to take place being -

- Major gathering of the key stakeholders;
- Workshops; and
- Road shows or other interactive mechanisms

Relevant stakeholders may include -

- Key enterprises within the sector;
- Industry bodies of sector;
- Labour bodies or relevant Trade Unions; and
- Industry regulators and any others within a relevant interest in sector.

5.10 The Steering Committee must set the mandate and determine the powers of the Charter Council.

6. Recommended Model for setting up Charter Council

6.1 Must be equitable composition of stakeholders in the members of the Charter Council.

6.2 Must ensure application of good corporate governance principles in the Charter Council.

7. Functions of the Charter Council may include -

- Provide guidance on sector-specific matters effecting B-BBEE in entities within the sector.
- Compile reports on the status of B-BBEE within the sector and
- Share information with sector members, approved accreditation agencies or the Minister;
- The Charter Council should report to the Minister and to the Advisory Council on progress made by the sector subject to the relevant Transformation Charter. Such reports should contain qualitative and quantitative information about sectoral performance including all the elements of the scorecard.

8. Variation of Indicators in Codes 200 and 300

8.1 Sector Codes may allow the use of indicators that differ from those contained in the Codes as a means of fixing the relevant Measurement Categories.

8.2 If this approach is followed consider all relevant factors such as seniority, expertise, scarcity of skill-set.

8.3 Base the definition of occupational levels on sound and empirical research undertaken in the sector by a reputable institution.
Statement 004: Scorecards for Specialised Enterprises

1. General Principles

1.1 Public entities and other Enterprises wholly owned by organs of state are incapable of being measured for ownership.

1.2 Higher Education Institutions; Companies limited by guarantee and section 21 companies can also not contribute towards black ownership as provided for in statement 100.

1.3 Whenever any of the above entities require evidence of their own B-BBEE compliance they will use the Adjusted Generic Scorecard. If these entities are also Qualifying Small Enterprises they will need to use the Adjusted Qualifying Small Enterprises Scorecard.

2. The Adjusted Generic Scorecard

<table>
<thead>
<tr>
<th>Element</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management control</td>
<td>15 points</td>
</tr>
<tr>
<td>Employment equity</td>
<td>15 points</td>
</tr>
<tr>
<td>Skills development</td>
<td>20 points</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>20 points</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>15 points</td>
</tr>
<tr>
<td>Socio-Economic Development</td>
<td>15 points</td>
</tr>
</tbody>
</table>

3. The Adjusted Qualifying Small Enterprises Scorecard

<table>
<thead>
<tr>
<th>Element</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management control</td>
<td>25 points</td>
</tr>
<tr>
<td>Employment equity</td>
<td>25 points</td>
</tr>
<tr>
<td>Skills development</td>
<td>25 points</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>25 points</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>25 points</td>
</tr>
<tr>
<td>Socio-Economic Development</td>
<td>25 points</td>
</tr>
</tbody>
</table>

An enterprise must choose any four of the above six Elements.
# Code Series 100: Measurement of the Ownership Element of B-BBEE

## 1. Ownership Scorecard

<table>
<thead>
<tr>
<th>Category</th>
<th>Ownership Indicator</th>
<th>Weighting points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Voting rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.1</td>
<td>Exercisable Voting Rights in the Enterprise in the hands of black people</td>
<td>3</td>
<td>25% + 1 vote</td>
</tr>
<tr>
<td>2.1.2</td>
<td>Exercisable Voting Rights in the Enterprise in the hands of black women</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>2.2</td>
<td>Economic Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.1</td>
<td>Economic Interest of black people in the Enterprise</td>
<td>4</td>
<td>25%</td>
</tr>
<tr>
<td>2.2.2</td>
<td>Economic Interest of black women in the Enterprise</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Economic Interest of the following black natural people in the Enterprise</td>
<td>1</td>
<td>2.5%</td>
</tr>
<tr>
<td>2.2.3.1</td>
<td>black designated groups;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.3.2</td>
<td>black Participants in Employee Ownership Schemes;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.3.3</td>
<td>black beneficiaries of Broad based Ownership Schemes; or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.3.4</td>
<td>black Participants in Co-operatives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Realisation points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3.1</td>
<td>Ownership fulfillment</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2.3.2</td>
<td>Net Value</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>Bonus points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4.1</td>
<td>Involvement in the ownership of the Enterprise of black new entrants;</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>2.4.2</td>
<td>Involvement in the ownership of the Enterprise of black Participants;</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>2.4.2.1</td>
<td>in Employee Ownership Schemes;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4.2.2</td>
<td>of Broad-Based Ownership Schemes; or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4.2.3</td>
<td>Co-operatives</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## 2. Key Measurement Principles

2.1 An Enterprise receives points for participation by black people in its rights of ownership. Black people may hold their rights of ownership in a Measured Entity as direct participants or as participants through some form of business such as:

- a company with shares;
- a close corporation;
- a co-operative;
- any form of juristic person recognised under South African law;
- a partnership or other association of natural persons;
- a Broad-Based Ownership Scheme;
- an Employee Ownership Scheme; and
- a Trust.
2.2 No summary provided for the Flow-Through Principle or Modified Flow-Through Principle as it is not applicable to the CA profession. Please refer to the Code 100 paragraph 3 for this.

2.3 For information on Broad-Based Ownership and Employee Ownership Schemes refer to Code 100 paragraph 4.

2.4 Private Equity Funds  - refer Code 100 paragraph 5
Section 21 Companies and Companies
Limited by Guarantee  - refer Code 100 paragraph 6
Trusts  - refer Code 100 paragraph 7
Options and Share Warrants  - refer Code 100 paragraph 8
Equity Instruments Carrying Preferential Rights  - refer Code 100 paragraph 9

2.5 Ownership Fulfilment occurs:-

- on a release of all black Participants in a Measured Entity from all third-party rights arising from financing their transaction with the Measure Entity; or
- if all black Participants in the Enterprise have never been subject to any third-party rights.

A score of 7 points for Net value is a requirement for awarding the Ownership Fulfilment point.

2.6 The Bonus Point

A Measured Entity with 25% black Economic Interest, can receive a maximum of 2 bonus points for a 10% holding of Economic Interest by black new entrants.

A Measured Entity with 25% black Economic Interest can receive a maximum of 1 bonus point for a 10% holding of Economic Interest by black Participants in:

- Employee Ownership Schemes;
- Broad-Based Ownership Schemes; and
- Co-operatives.

2.7 Measurement of Voting Rights

The calculation of the ownership indicators is as follows:

\[ A = \frac{B \times D}{C} \]

Where

A is the score achieved for the Enterprise for the measured ownership indicator

B is the percentage that Exercisable Voting Rights in the hands of the category of Participants who are black people in that Enterprise holds to all Voting Rights held by all Participants of that Enterprise.

C is the percentage compliance Target for Exercisable Voting Rights for the applicable measured ownership indicator.

D is the Weighting points allocated to the applicable measured ownership indicator.
If an Enterprise gains a score in the formula above that is more than the Weighting that Enterprise will only receive the Weighting points.

2.8 Measurement of Economic Interest

The calculation of the ownership indicators is as follows:

\[ A = \frac{B}{C} \times D \]

Where

- **A** is the recognizable percentage of black Participant claim to Economic Interest in the Enterprise
- **B** is the percentage that Economic Interest to which Participants who fall within the category of black people in that Enterprise holds to all Economic Interest to which all Participants of that Enterprise
- **C** is the percentage compliance Target for Economic Interest for the applicable measured ownership indicator
- **D** is the Weighting points allocated to the applicable measured ownership indicator

If an Enterprise gains a score in the formula above that is more than the Weighting that Enterprise will only receive the Weighting points.

2.9 Calculation of Deemed Net Value

In calculating the “Deemed Net Value” referred to in paragraph 4 below the following formula applies:

\[ A = \frac{B - C}{D} \]

Where

- **A** is the Deemed Net Value
- **B** is the value of the Equity instruments relevant to the calculation (See 2.10), determined on the date of measurement
- **B** is the value of the Equity Instruments relevant to the calculation, determined on the date of sale or loss
- **C** is the carrying value of any acquisition debts of the relevant black Participants on the date of measurement
- **C** is the carrying value of any acquisition debts of the relevant black Participants on the date of sale or loss
- **D** is the value of the Measured Entity on the date of measurement
- **D** is the value of the measurable portion of the Measured Entity on the date of measurement

2.10 Net Value

The “Net Value” is the lower result of Formula A and Formula B below:

\[ A - B \times \left( \frac{1}{25\% \times C} \right) \times 7 \]

Where

- **A** is the Net Value Score
\( B \) is the Deemed Net Value for all black Participants in the Measured Entity determined using Formula 3.

\( C \) is the time-based graduation factor of the Economic Interest compliance target outlined below:

- 10% for the first year after the current equity interest date.
- 20% for the second year after the current equity interest date.
- 40% from the first day of the third year after the current equity interest date to the last day of the fourth year after the current equity interest date.
- 60% from the first day of the fifth year after the current equity interest date to the last day of the sixth year after the current equity interest date.
- 80% from the first day of the seventh year after the current equity interest date to the last day of the eighth year after the current equity interest date.
- 100% from the first day of the ninth year after the current equity interest date to the last day of the tenth year after the current equity interest date.

Formula B

\[
A = \frac{B \times 7}{C}
\]

Where

- \( A \) is the Net Value Score
- \( B \) is the percentage Economic Interest in the Measured Entity of black Participants
- \( C \) is the target for the ownership indicator

If an Enterprise gains a score that is more than the Weighting points that Enterprise will only receive the Weighting points.

2.11 Calculation of the Recognition of Ownership after the Sale or Loss of Shares by Black Participants:

The calculations in paragraph 2.9 use the following formula:

\[
A = B \times C \times D
\]

Where

- \( A \) is the percentage of rights of ownership that survive the sale of an Equity instrument by a black Participant
- \( B \) is the percentage of rights of ownership for each of indicators in the ownership scorecard that were attributable to the black Participant immediately before his or her sale or loss
- \( C \) is the Net Value percentage provided for in paragraph 2.9 above undertaken for the Equity Instruments sold or lost by the black Participant on the date of the sale or loss. The value of the Enterprises is measurable as at the date of the measurement.
- \( D \) is the most recently determined BEE Recognition Level of the Measured Entity (which must be less than 1-year old) based on its Generic Scorecard result for all Elements other than ownership determined using statement 000.

2.12 The Bonus Points

The calculation of the bonus points uses the following formula

\[
A = \frac{B \times D \times E}{C \times 25}
\]
Where

A is the bonus points awarded

B is the percentage that Economic Interest to which Participants who fall within that category of black people in that Enterprise holds to the total of all Economic Interest of that Enterprise

C is the percentage compliance Target for Economic Interest for the measured ownership indicator

D is percentage of the Economic Interest in the Measured Entity of black people up to a maximum of 25%

E is the Weighting points allocated to the applicable measured ownership indicator
Code Series 200: Measurement of the Management Control Element of B-BBEE

1. Management Control Scorecard

<table>
<thead>
<tr>
<th>Category</th>
<th>Management Control Indicator</th>
<th>Weighting points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board participation</td>
<td>Exercisable Voting Rights of black Board members using the Adjusted Recognition for Gender</td>
<td>3</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Black Executive Directors using the Adjusted Recognition for Gender</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>Top Management</td>
<td>Black Senior Top Management using the Adjusted Recognition for Gender</td>
<td>3</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Black Other Top Management using the Adjusted Recognition for Gender</td>
<td>2</td>
<td>40%</td>
</tr>
<tr>
<td>Bonus points</td>
<td>Black Independent Non-Executive Board Members</td>
<td>1</td>
<td>40%</td>
</tr>
</tbody>
</table>

2. Common Examples of Top Management

2.1 Senior Top Management positions include the chief executive officer, the chief operating officer, the chief financial officer and other people holding similar positions.

2.2 Other Top Management positions include the chief information officer, the head of marketing, the head of sales, the head of public relations, the head of transformation, the head of human resources and other people holding similar position.

3. Key Measurement Principles

3.1 A Measured Equity must use the same data filed in its returns (i.e. Employment Equity Act) with the Department of Labour when completing this section of the scorecard unless such a Measured Entity is exempt from filing such returns.

3.2 Where a measure entity does not distinguish between Senior Top Management and other Top Management it may include its Senior Management in this section. If it adopts this approach then the compliance targets will be years 0-5 – 43% and years 6-10 – 60%.

Senior Management included in this statement is not measurable under the Employment Equity section (no double counting).

3.3 If a Measured Entity does not distinguish between Senior Top Management and other Top Management, then Top Management is measurable as a single indicator with a weighting of 5 points.

3.4 If Measured Entities do appoint Non-Executive Independent Board Members they are encouraged to appoint persons who do not serve in that capacity for any other Measured Entity.
4. Measurement of Compliance

Compliance is measured in terms of 3 formulas being

Formula A: Calculation of the Adjusted Recognition for Gender

\[ A = \frac{B + C}{2} \]

C is limited to a maximum of 50% of the target

Where

A is the Adjusted Recognition for Gender
B is the percentage of employees in the measurement category that are black people
C is the percentage of employees in the measurement category that are black women

Formula B: Calculation of the management indicators provided in paragraph 2 is as follows:

\[ A = \frac{B \times D}{C} \]

C is limited to a maximum of 50% of the target

Where

A is the score for measured management indicator
B is the Adjusted Recognition for Gender calculated in Formula A
C is the target for that measurement category
D is the Weighting for measured indicator

Formula C: Bonus points

\[ A = \frac{B \times D}{C} \]

Where

A is the score for the management indicator of the number of black independent Non-Executive Board Members of the Measured Entity as a percentage of the total number of Independent Non-Executive Members of the Measured Entity
C is the target for Independent Non-Executive Board members
D is the Weighting points

If a Measured Entity gains a score for a Management Control indicator which is more than the relevant weighting points, that Enterprise will only receive the weighting points.
1. Employment Equity Scorecard

<table>
<thead>
<tr>
<th>Measurement Category &amp; Criteria</th>
<th>Weighting points</th>
<th>Compliance targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Years 0-5</td>
</tr>
<tr>
<td>Black Disabled Employees as a percentage of all employees using the Adjusted Recognition for Gender</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Black employees in Senior Management as a percentage of all such employees using the Adjusted Recognition for Gender</td>
<td>5</td>
<td>43%</td>
</tr>
<tr>
<td>Black employees in Middle Management as a percentage of all such employees using the Adjusted Recognition for Gender</td>
<td>4</td>
<td>63%</td>
</tr>
<tr>
<td>Black employees in Junior Management as a percentage of all such employees using the Adjusted Recognition for Gender</td>
<td>4</td>
<td>68%</td>
</tr>
<tr>
<td>Bonus points for meeting or exceeding the EAP targets in each category under points 1 and 4</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 When calculating a score for Employment Equity the Measured Entity must use the data that it files with the Department of Labour under the Employment Equity Act.

2.2 If a Measured Entity is exempt from filing such returns it must compile this data using the guidelines as set out in the Employment Equity Act.

2.3 No Measured Entity shall receive any points under the Employment Equity Scorecard unless they have achieved a sub-minimum of 40% of each of the targets as set out in the scorecard in respect of both the five year periods.

This was highlighted in the Financial Mail of 23 February 2007 as a problem. The dti’s Chief Director of BEE, Polo Radebe, said that companies are not required to achieve a sub-minimum of 40% in each of the categories to avoid forfeiting points. They will be issued points for each successful indicator, regardless of their performance in other levels.

A guideline to clarify this will be issued later.

2.4 If the organisational structure of a Measured Entity does not distinguish between Middle Management and Junior Management it can consolidate those Measurement Categories against the targets for Junior Management.

The weighting points will be as follows:

- Senior Management – 8 points
- Junior Management – 6 points

2.5 Bonus points: In order for a Measured Entity to achieve Bonus points at a particular level, the Entity needs to meet or exceed the Economic Active Population (EAP) targets.
3. Measurement of the Employment Equity Criteria

3.1 Black women employees in each measurement category qualify for enhanced recognition using the Adjusted Recognition for Gender.

Two formulas are used

Formula A: Calculating the Adjusted Recognition for Gender

The calculator of the Adjusted Recognition for Gender is as follows:

\[ A = \frac{B}{2} + C \]

\( C \) is limited to a maximum of 50% of the target

Where

- \( A \) is the Adjusted Recognition for Gender
- \( B \) is the percentage of employees in the measurement category that are black people
- \( C \) is the percentage of employees in the measurement category that are black women

Formula B: Measurement of the Employment Equity Criteria

This equation explains the method of measurement of the criteria in the Employment Equity scorecard:

\[ A = \frac{B}{C} \times D \]

Where

- \( A \) is the score for measurement category indicator
- \( B \) is the Adjusted Recognition for Gender calculated above
- \( C \) is the target for the measurement category
- \( D \) is the Weighting for measured indicator
Code Series 400: Measurement of the Skills Development Element of Broad-Based Black Economic Empowerment

1. The Skills Development Scorecard

<table>
<thead>
<tr>
<th>Skills Development Element</th>
<th>Weighting points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills Development Expenditure on any program specified in the Learning Programme Matrix:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees as a percentage of Leviable Amount using the Adjusted Recognition for Gender</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of Leviable Amount using the Adjusted Recognition for Gender.</td>
<td>3</td>
<td>0.3%</td>
</tr>
<tr>
<td>Learnerships</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of black employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees using the Adjusted Recognition for Gender</td>
<td>6</td>
<td>5%</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 Measured Entities can only receive points on the Skills Development Scorecard if they are in compliance with -

- the requirements of the Skills Development Act and the Skills Development Levies Act;
- they have registered with the applicable SETA;
- they have developed a workplace skills plan; and
- they have implemented programmes targeted at developing priority skills generally and specifically for black employees.

2.2 Legitimate training expenses includes:

- Cost of training material;
- Cost of trainers;
- Cost of training facilities including catering costs;
- Scholarships and bursaries;
- Course fees;
- Accommodation and travel; and
- Administration costs such as the organisation of training including where appropriate the cost to the Measured Entity of employing a skills development facilitator or a training manager.
2.3 Salaries and wages of employees participating as a learner in any learning programme only constitutes Skills Development Expenditure if the learning programme is a learnership or falls within category B, C or D of the learning matrix.

2.4 Bursaries and scholarships do not constitute Skills Development Expenditure if the Measured Entity can recover only portion of the bursary/scholarship or if the grant of the scholarship or bursary is conditional. Despite the aforesaid, if the right to recovery or condition involves:

- The obligation of successful completion of their studies within a time period allocated; or
- Have the obligation of continued employment by the Measured Entity for a period following successful employment and the obligation is not for a longer period that their studies; and
- The expenses are recognisable

2.5 Any Skills Development Expenditure that is on ABET (Adult Based Education and Training) programme is recognisable at a multiple of 1.25 to the value of the actual expenditure.

2.6 Skills Development Expenditure arising from uncertified learning programmes or from category G learning programmes cannot represent more than 15% of the total value of Skills Development Expenditure.

3. The Learning Programme Matrix

<table>
<thead>
<tr>
<th>Category</th>
<th>Narrative Description</th>
<th>Delivery Mode</th>
<th>Learning Site</th>
<th>Learning Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Institution-based theoretical instruction alone – formally assessed by the institution</td>
<td>Institutional instruction</td>
<td>Institutions such as universities and colleges, schools, ABET providers</td>
<td>Recognised theoretical knowledge results resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning</td>
</tr>
<tr>
<td>B</td>
<td>Institution-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through the institution</td>
<td>Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment</td>
<td>Institutions such as universities and colleges, schools, ABET providers and workplace</td>
<td>Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning</td>
</tr>
<tr>
<td>C</td>
<td>Recognised or registered structured experiential learning in the workplace that is required after the achievement of a qualification – formally assessed by a statutory occupational or professional body</td>
<td>Structure learning in the workplace with mentoring or coaching</td>
<td>Workplace</td>
<td>Occupational or professional knowledge and experience formally recognized through registration or licensing</td>
</tr>
<tr>
<td>Category</td>
<td>Narrative Description</td>
<td>Delivery Mode</td>
<td>Learning Site</td>
<td>Learning Achievement</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>D</td>
<td>Occupationally-directed instructional and work-based learning programme that requires a formal contract – formally assessed by an accredited body</td>
<td>Institutional instruction together with structured supervised experiential learning in the workplace</td>
<td>Institutions and workplace</td>
<td>Theoretical knowledge and workplace learning resulting in the achievement of a South African Qualifications Authority registered qualification, a certificate or professional qualification issued by an accredited or registered formal institution of learning</td>
</tr>
<tr>
<td>E</td>
<td>Occupationally-directed instructional and work-based learning programme that does not require a formal contract – formally assessed by an accredited body</td>
<td>Structured supervised experiential learning in the workplace which may include some institutional instruction</td>
<td>Workplace and some institutional as well as ABET providers</td>
<td>Credits awarded for registered unit standards</td>
</tr>
<tr>
<td>F</td>
<td>Occupationally-based informal instructional programme</td>
<td>Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses</td>
<td>Institutions, conferences and meetings</td>
<td>Continuing professional development, attendance certificate and credits against registered unit standards (in some instances)</td>
</tr>
<tr>
<td>G</td>
<td>Work-based informal programmes</td>
<td>Informal training</td>
<td>Workplace</td>
<td>Increased understand of job or work context or improved performance or skills</td>
</tr>
</tbody>
</table>

It should be noted that the Minister may from time to time revise this matrix.

4. Measurement of Skills Development Indicators

Two formulas are used in measuring these indicators being

4.1 Adjusted Recognition for Gender

Formula A\[ A = \frac{B + C}{2} \]

C is limited to a maximum of 50% of the target

Where

A is the Adjusted Recognition for Gender
B is the percentage of employees in the measurement category that are black people

C is the percentage of employees in the measurement category that are black women

4.2 Measurement of Skills Development Indicators

This formula explains the method of measurement of the criteria in the Skills Development scorecard.

Formula B

\[ A = \frac{B \times D}{C} \]

Where

A is the score for any given criteria as referred to in the scorecard

B is the Adjusted Recognition for Gender calculated under the calculation of the adjusted recognition for gender

C is the target for the applicable criteria as referred to in the scorecard

D is the Weighting for the applicable criteria as referred in the scorecard
Code Series 500: Measurement of the Preferential Procurement Element of Broad-Based Black Economic Empowerment

1. The Preferential Procurement Scorecard

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting points</th>
<th>Compliance targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-BBEE Procurement Spend from all Suppliers based on the B-BBEE Procurement Recognition levels as a percentage of Total Measured Procurement Spend</td>
<td>12</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>70%</td>
</tr>
<tr>
<td>B-BBEE Procurement Spend from Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>B-BBEE Procurement Spend from any or the following Suppliers as a percentage of Total Measured Procurement Spend. Suppliers that are 50% black owned (3 out of 5 points); or Suppliers that are 30% black women owned (2 out of 5 points)</td>
<td>5</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20%</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 All goods and services procured by the Measured Entity, other than any portion specifically excluded is measurable in calculating Total Measured Procurement Spend.

2.2 If a Measured Entity procures goods and services from a supplier that is a recipient of enterprise development contributions, the recognizable B-BBEE Spend that can be attributed to that supplier is multiplied by a factor of 1.2.

2.3 Where goods and services are procured from a Value-Adding Supplier (entity registered as a vendor under VAT Act, whose NPBT summed with it's total labour cost > 25% x value of Total Revenue) such B-BBEE spend is multiplied by a factor of 1.25.

2.4 Inclusions – Total Measured Procurement Spend includes the following:

- All goods and services procured that comprise the cost of the sales of the Measured Entity;
• All goods and services procured that comprise the operational expenditure of the Measured Entity;
• All capital expenditure incurred by the Measured Entity;
• All goods and services procured from organs of state and public entities listed in Schedules 2 and 3 to the Public Finance Management Act of 1998;
• All goods and services procured from suppliers that enjoy a monopolistic position;
• All procurement for a third-party or a client, where the cost of that procurement is an expense recorded in the Measured Entity’s annual financial statements;
• Any procurement of the Measured Entity which is Outsourced Labour Expenditure (labour brokers and independent contractors);
• Payments made to any post retirement funding scheme or to a medical aid or similar medical insurer by a Measured Entity for its employees, excluding any portions of such payments which are a contribution to a capital investment of the employee. The scheme or insurer must issue a certificate dividing payments between the capital investment portion and the balance to establish the amount that is measurable within Total Measured Procurement Spend;
• Any commissions or similar payments payable by a Measured Entity to any other person pursuant to the business or trade of the Measured Entity;
• All goods and services procured in carrying out B-BBEE. The Total Measured Procurement Spend does not include the actual contribution portion recognized under Code series 600 or 700 but does include and expenditure incurred in facilitating those contributions;
• All goods and services that are imported or procured from a non-South African source; and
• Intra-group procurement except as provided in statement 002, all goods and services procured from subsidiaries or holding companies of the Measured Entity.

2.5 Exclusions

The following list is the only permissible exclusions:

• Any amount payable to any person which represents a lawful tax or levy imposed by an organ of state authorized to impose such tax or levy including rates imposed by a municipality or other local government;
• All goods and services procured from organs of state and public entities listed in Schedule 1 of the Public Finance Management Act of 1999. Despite this, procurement by a Measured Entity from a local government authority which is a reseller of that service, is measurable at the B-BBEE Recognition Level of the primary Supplier of the service in any event, any procurement of any goods or services from any organ of state or public entity that enjoys a statutory or regulated monopoly in the supply of such goods or services, is excluded;
• Remunerations (salaries and wages) and emoluments: any amounts payable to an employee as an element of their salary or wages and any emolument or similar payment paid to a director of a Measured Entity;
• All procurement for a third-party or a client that is recorded as an expense in the third-party or client’s annual financial statements but is not recorded as such in the Measured Entity’s annual financial statements;
• Empowerment related procurement:
  - investments in or loans to an Associate Enterprise;
  - investments, loans or donations qualifying for recognition under any statement under Code series 600 or 700.
• Imports the following imported goods and services:
- imported capital goods or components for value-added production in South Africa provided that there is no existing local production of such capital goods or components; and
- importing those capital goods or components promotes further value-added production within South Africa;
- imported goods and services other than those listed in first bullet point if there is no local production of those goods or services including, but not limited to, imported goods or services that –
  - carry a brand different to the locally produced goods or services; or
  - have different technical specifications to the locally produced goods or services.

3. Measurement of B-BBEE Procurement Spend

3.1 It is the Value of the procurement set out in 2.4 and not excluded in 2.5.

3.2 B-BBEE Procurement Spend is measured in terms of Formula A being:

\[ A = \text{sum of } (B \times C) \]

Where

\( A \) is the calculated total of B-BBEE Procurement Spend for the Measured Entity. It is equal to the sum of the result of the product of \( B \) and \( C \) for each Supplier of the Measured Entity not excluded under the exclusion from total measured procurement spend.

\( B \) is the value of procurement falling within Total measured procurement spend and not excluded under the exclusion from total measured procurement spend from each Supplier of the Measured Entity.

\( C \) is the B-BBEE Procurement Recognition Level of each such Supplier of the Measured Entity.

3.3 A Measured Entity receives a score for procurement in proportion to the extent that it meets the compliance target.

A Measured Entity’s score for Preferential Procurement contributions to B-BBEE under the preferential procurement scorecard can be calculated in terms of Formula B being:

\[ A = \frac{B \times D}{C} \]

Where

\( A \) is the calculated preferential procurement score to each criteria in the scorecard.

\( B \) is the total B-BBEE Procurement Spend of the Measured Entity calculated under measurement of B-BBEE Procurement Spend as a percentage of Total Measured Procurement Spend of that Measured Entity.

\( C \) is the compliance target for each criteria specified in the scorecard.

\( D \) is the Weighting points allocated to each criteria specified in the scorecard.
Code Series 600: Measurement of Enterprise Development Element of Broad-Based Black Economic Empowerment

1. The Enterprise Development Scorecard

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting Points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target</td>
<td>15</td>
<td>3% of NPAT</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 The Net Profit after tax or average target applies unless the company does not make a profit during the previous year or an average over the last five years. It will also not apply if the net profit margin is less than a quarter of the industry norm.

2.2 If the Turnover is to be used then the target will be:

\[ 3\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover} \]

Indicative Profit Margin is the profit margin in the last year where the company’s profit margin is at least one quarter of the industry norm.

2.3 Qualifying Enterprise Development Contributions are recognisable cumulatively from the commencement date of the Codes or an earlier date (which may not be earlier than 5 years before the commencement date of the Codes) until the date of measurement.

2.4 Recognition of Enterprise Development Contributions:

- Enterprise Development Contributions consist of monetary or non-monetary recoverable or non-recoverable contributions actually initiated and implemented in favour of beneficiary entities by a Measured Entity with the specific objective of assisting and accelerating the development, sustainability and ultimate financial and operational independence of that beneficiary.
- The full value of Category A Enterprise Development Contributions adjusted using the Benefit Factor, multiplied by 1.25 is recognisable.
- The full value of Category B Enterprise Development Contributions is recognisable.
- Recognition of Enterprise Development Contribution is limited to Qualifying Enterprise Development Contributions made to beneficiary entities. However, historical contributions to non-qualifying beneficiaries are considered as Qualifying Enterprise Contributions if those contributors were initiated by the Measured Entity in favour of the beneficiary on the understanding that the beneficiary, as a result of those Enterprise Development Contributions, would over time meet the requirements of the beneficiary entity.
- The following is a non-exhaustive list of Enterprise Development Contributions:
  - grant Contributions to beneficiary entities;
  - investments in beneficiary entities;
  - loans made to beneficiary entities
  - guarantee given or security provided on behalf of beneficiaries;
- credit facilities made available to beneficiary entities;
- direct costs incurred by the Measured Entity in assisting and hastening development of beneficiary entities;
- overhead costs of a Measured Entity directly attributable to Enterprise Development Contributions;
- Enterprise Development or developmental capital advanced to beneficiary entities;
- preferential credit terms granted by a Measured Entity to beneficiary entities;
- preferential terms granted by a Measured Entity in respect of its supply of goods or services to beneficiary entities;
- contributions made to settling service costs relating to the operational or financial capacity or efficiency levels of a beneficiary entities;
- payments made by the Measured Entity to third parties to perform enterprise development on the Measured Entity’s behalf;
- discounts given to beneficiary entities in relation to the acquisition and maintenance costs associated with the grant to those beneficiary entities of franchise, license, agency, distribution or other similar business rights;
- the creation or development of capacity and expertise for beneficiary entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa;
- facilitating access to credit for beneficiary entities without access to similar credit facilities through traditional means owing to a lack of credit history, high risk or lack of collateral;
- provision of training or mentoring to beneficiary entities which will assist the beneficiary entities to increase their operational or financial capacity. Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification, commensurate with the seniority and expertise of the trainer or mentor must support any claim for time costs incurred;
- the maintenance by the Measured Entity of an enterprise development unit which focuses exclusively on support of beneficiary entities or candidate beneficiary entities. Only that portion of salaries and wages attributable to time spent by the staff in and the other expenses related to promoting or implementing enterprise development constitute contributions.

4. Measurement of Qualifying Contributions

This needs to be done in terms of the Benefit Factor Matrix and Formula A:

4.1 Benefit Factor Matrix

<table>
<thead>
<tr>
<th>Qualifying Contribution type</th>
<th>Contribution Amount</th>
<th>Benefit Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant and Related Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Contribution</td>
<td>Full Grant Amount</td>
<td>100%</td>
</tr>
<tr>
<td>Direct Cost incurred in supporting enterprise development</td>
<td>Verifiable Cost (including both monetary and non-monetary)</td>
<td>100%</td>
</tr>
<tr>
<td>Discounts in addition to normal business practices supporting enterprise development</td>
<td>Discount Amount (in addition to normal business discount)</td>
<td>100%</td>
</tr>
<tr>
<td>Description</td>
<td>Cost Category</td>
<td>Percentage</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Overhead Costs incurred in supporting enterprise development (including people appointed in enterprise development)</td>
<td>Verifiable Costs (including both monetary and non-monetary)</td>
<td>80%</td>
</tr>
<tr>
<td>Loans and Related Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-Free Loan with no security requirements supporting enterprise development</td>
<td>Outstanding Loan Amount</td>
<td>100%</td>
</tr>
<tr>
<td>Standard Loan to Black Owned EME and QSE’s</td>
<td>Outstanding Loan Amount</td>
<td>70%</td>
</tr>
<tr>
<td>Standard Loan provided to other Beneficiary Enterprises</td>
<td>Outstanding Loan Amount</td>
<td>60%</td>
</tr>
<tr>
<td>Guarantees provided on behalf of a Beneficiary entity</td>
<td>Guarantee Amount</td>
<td>3%</td>
</tr>
<tr>
<td>Lower Interest Rate</td>
<td>Outstanding loan amount</td>
<td>Prime Rate – Actual Rate</td>
</tr>
<tr>
<td>Equity Investment and Related Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority Investment in Black Owned EME and QSE’s</td>
<td>Investment Amount</td>
<td>100%</td>
</tr>
<tr>
<td>Minority Investment in Other Beneficiary Enterprises</td>
<td>Investment Amount</td>
<td>80%</td>
</tr>
<tr>
<td>Enterprise Development Investment with lower dividend to financier</td>
<td>Investment Amount</td>
<td>Dividend rate of Ordinary Shareholders – Actual Dividend Rate of Contributor</td>
</tr>
<tr>
<td>Contributions made in the form of human resource capacity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional services rendered at no cost and supporting enterprise development</td>
<td>Commercial hourly rate of professional</td>
<td>80%</td>
</tr>
<tr>
<td>Professional services rendered a discount and supporting enterprise development</td>
<td>Value of discount based on commercial hourly rate of professional</td>
<td>80%</td>
</tr>
<tr>
<td>Time of employees of Measured Entity productively deployed in assisting beneficiaries</td>
<td>Monthly salary divided by 160</td>
<td>80%</td>
</tr>
<tr>
<td>Other contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shorter payment periods</td>
<td>Percentage of invoiced amount</td>
<td>Percentage being 15 days less the number of days from invoice to payment</td>
</tr>
</tbody>
</table>
4.2 Formula A: Qualifying Contributions are measurable on the following basis:

\[ A = \frac{B \times D}{C} \]

Where

A is the score achieved in respect of the Qualifying Contributions made by the Measured Entity
B is the value of all Qualifying Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date
C is compliance target in respect of the Qualifying Contributions as specified in the scorecard
D is the Weighting points allocated to the criteria under the scorecard
Code Series 700: Measurement of the Socio Economic Development (SED) Elements of Broad-Based Black Economic Empowerment

1. The SED Scorecard

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting Points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual value of all Socio-Economic Development Contributions by the Measured Entity as a percentage of the target</td>
<td>5</td>
<td>1% of NPAT</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 Net Profit After Tax (NPAT) or average target applies unless the company does not make a profit during the previous year or an average after the last five years if the net profit margin is less than a quarter of the industry norm.

2.2 If turnover is to be used then the target will be:

\[ 1\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover} \]

Indicative Profit Margin is the profit margin in the last year where the company’s profit margin is at least one quarter of the industry norm.

2.3 SED contributions of any Measured Entity are recognisable cumulatively from the commencement date of the Codes or an earlier date chosen by the Measured Entity. The date, however, may not be earlier than five years before the commencement date of the Codes.

2.4 Socio-Economic Development Contributions consist of monetary or non-monetary contributions actually initiated and implemented in favour of beneficiaries by a Measured Entity with the specific objective of facilitating sustainable access to the economy for those beneficiaries.

2.5 The full value of Socio-Economic Development Contributions made to the beneficiaries is recognizable if at least 75% of the value directly benefits black people.

2.6 If less than 75% are the full value of Socio-Economic Development Contributions directly benefits black people, the value of the contribution made multiplied by the percentage that benefits black people is recognisable.

2.7 The following is a non-exhaustive list of Socio-Economic Development Contributions:

- grant Contributions to beneficiaries of Socio-Economic Development Contributions;
- guarantees given or security provided for beneficiaries;
- direct costs incurred by a Measured Entity in assisting beneficiaries;
- overhead costs of a Measured Entity directly attributable to Socio-Economic Development Contributions;
- developmental capital advanced to beneficiary communities;
- preferential terms granted by a Measured Entity for its supply of goods or services to beneficiary communities;
- payments made by the Measured Entity to third parties to perform socio-economic development on the Measured Entity’s behalf;
- provision of training or mentoring to beneficiary communities which will assist them to increase their financial capacity. Such contributions are measurable by quantifying the cost of
time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification must support any claim for costs incurred, commensurate with the seniority and expertise of the trainer or mentor); and

- the maintenance by the Measured Entity of the socio-economic development unit which focuses only on support of beneficiaries and beneficiary communities. Only that portion of salaries and wages attributable to time spent by the staff in, and the other expenses related to promoting and implementing socio-economic development constitute contributions).

3. Measurement of SED Contributions

3.1 This is done in terms of the Benefit Factor Matrix and Formula A

<table>
<thead>
<tr>
<th>Qualifying Contributions type</th>
<th>Contribution Amount</th>
<th>Benefit Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant and Related Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Contribution</td>
<td>Full Grant Amount</td>
<td>100%</td>
</tr>
<tr>
<td>Direct Cost incurred in supporting socio-economic development sector specific initiatives or Approved Socio-Economic Development Contributions</td>
<td>Verifiable Cost (including both monetary and non-monetary)</td>
<td>100%</td>
</tr>
<tr>
<td>Discounts in addition to normal business practices supporting socio-economic development sector specific initiatives or Approved Socio-Economic Development Contributions</td>
<td>Discount Amount in addition to normal business discount)</td>
<td>100%</td>
</tr>
<tr>
<td>Overhead Costs incurred in supporting socio-economic development sector specific initiatives or Approved Socio-Economic Development Contributions</td>
<td>Verifiable Costs (including both monetary and non-monetary)</td>
<td>80%</td>
</tr>
<tr>
<td>Contributions made in the form of human resource capacity</td>
<td>Commercial hourly rate of professional</td>
<td>80%</td>
</tr>
<tr>
<td>Professional services rendered at no costs supporting socio-economic development sector specific initiatives or Approved Socio-Economic Development Contributions</td>
<td>Value of discount based on commercial hourly rate of professional</td>
<td>80%</td>
</tr>
<tr>
<td>Time of employees of Measured Entity productively deployed in assisting beneficiaries and supporting socio-economic development sector specific initiatives or Approved Socio-Economic Development Contributions</td>
<td>Monthly salary divided by 160</td>
<td>80%</td>
</tr>
</tbody>
</table>

The Minister may from time to time revise or substitute the Benefit Factor Matrix.
3.2 Formula A: SED Contributions are measurable on the following basis:

\[ A = \frac{B \times D}{C} \]

Where

\( A \) is the score achieved in respect of the SED Contributions made by the Measured Entity

\( B \) is the value of the SED Contributions made by the Measured Entity measured from the commencement or this statement or the Inception Date

\( C \) is the compliance target in respect of the SED Contributions as specified in the scorecard for statement 700

\( D \) is the Weighting points allocated to the measured enterprise development criteria under the scorecard for statement 700
Code Series 800: Codes of Good Practice for Qualifying Small Enterprises (QSE’s)

1. The QSE Scorecard

<table>
<thead>
<tr>
<th>Element</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>25 points</td>
</tr>
<tr>
<td>Management Control</td>
<td>25 points</td>
</tr>
<tr>
<td>Employment equity</td>
<td>25 points</td>
</tr>
<tr>
<td>Skills development</td>
<td>25 points</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>25 points</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>25 points</td>
</tr>
<tr>
<td>Socio Economic Development Contributions</td>
<td>25 points</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 A QSE must select any four of the seven elements. If it does not make a selection, its four best element scores will be used for the purposes of measurement.

2.2 The Adjusted Recognition for gender must be used for the purposes of calculating the Employment Equity, Skills Development and Management Control element of the QSE scorecard.

2.3 The B-BBEE compliance must be determined in accordance with Code 000.
Statement 801: Ownership for QSE’s

1. The QSE Ownership Scorecard

<table>
<thead>
<tr>
<th>Ownership indicator</th>
<th>Weighting points</th>
<th>Compliance target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercisable voting</td>
<td>6</td>
<td>25% + 1 vote</td>
</tr>
<tr>
<td>Rights in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>hand of black people</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic interest</td>
<td>9</td>
<td>25%</td>
</tr>
<tr>
<td>of black people in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the Enterprise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realisation points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership fulfillment</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Net Value</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Bonus points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involvement in the</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>ownership of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise by black</td>
<td></td>
<td></td>
</tr>
<tr>
<td>women</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involvement in the</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>ownership of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise by black</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participants in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schemes Co-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operatives or Broad-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Based Ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schemes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 Black people may hold their rights of ownership in a Measured Enterprise as direct participants or participants through a business such as:-

- a company with shares;
- a close corporation;
- a co-operatives;
- any form of juristic person recognised under South African law;
- a partnership or other association of natural persons;
- an Employee Share Ownership Scheme;
- a Broad-Based Ownership Scheme; and
- a trust.

2.2 Realisation Points

- on the release of all black Participants in a Measured Enterprise from all third-party rights; or
- if black Participants have never been subject to any third-party rights.
- a minimum score of 7 points for Net Value is a requirement for the award of the Ownership Fulfillment point.

2.3 The bonus points

- A measured Enterprise with 25% black Economic interest; can receive a maximum of 2 bonus points for a 10% holding of Economic Interest by black women.
- A Measured Enterprise with 25% black Economic Interest, can receive a maximum of 1 bonus point for a 10% holding of Economy Interest by black Participants in:
  - Employee Share Ownership Schemes;
  - Co-operatives or;
  - Broad-Based Ownership Schemes

2.4 A Qualifying Small Enterprise may benefit from any of the other statements in the Code series 100. When electing to benefit from any of those statements, the provisions of those statements apply to the Qualifying Small Enterprise.

2.5 The Qualifying Small Enterprise Ownership Scorecard remains applicable to Qualifying Small Enterprise’s even if they benefit from other statements in the Code series 100.
Statement 802: Management Control for QSE’s

1. The QSE Management Control Scorecard

<table>
<thead>
<tr>
<th>Management control criteria</th>
<th>Weighting points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black representation at Top-Management Level</td>
<td>25</td>
<td>50.1%</td>
</tr>
<tr>
<td>Bonus Points: Black women representation as Top-Management</td>
<td>2</td>
<td>25%</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 A Measured Entity receives points in proportion to the extent that it meets the targets for participation of black people and black women at Top-Management level.

2.2 The inclusion of the following examples of Top Management is for guidance purposes only:

- Senior Top Management positions include the chief executive officer, the chief operating officer, the chief financial officer and other people holding similar positions.
- Other Top Management positions include the chief information officer, the head of marking, the head of sales, the head of public relations, the head of transformation, the head of human resources and other people holding similar positions.
Statement 803: Employment Equity for QSE’s

1. The QSE’s Employment Equity Scorecard

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting points</th>
<th>Compliance targets Years 0-5</th>
<th>Compliance targets Years 6-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black employees of the Measured Entity who are Management as a percentage of all Management adjusted using the Adjusted Recognition for Gender</td>
<td>15</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Black employees of the Measured Entity as a percentage of all employees adjusted using the Adjusted Recognition for Gender</td>
<td>10</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>Bonus point for meeting or exceeding the EAP targets in each category above</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 Wherever possible, a Measured Entity must use the data that it files with the Department of Labour under the Employment Equity Act in calculating its score under the employment equity scorecard.

2.2 No Measured Entity shall receive any points under the Employment Equity Scorecard unless they have achieved a sub-minimum of 40% of each of the targets set out on the Employment Equity Scorecard in respect of the both five year periods.

2.3 In order for a measured entity to achieve bonus points at a particular level, the entity needs to meet or exceed the EAP (Economic Active Population) targets.

2.4 A Measured Entity exempt from filing returns must complete its data for calculating its score under the Employment Equity Scorecard using the guidelines set out in the Employment Equity Act and its EE Regulations.

2.5 Black women employees in each Measured Category qualify for enhanced recognition using the Adjusted Recognition for Gender.

The calculation of the Adjusted Recognition for Gender is as follows:

\[ A = \frac{B + C}{2} \]

C is limited to a maximum of 50% of the target
Where

**A** is the Adjusted Recognition for Gender

**B** is the percentage of employees in the measured category that are black people

**C** is the percentage of employees in the measured category that are black women
Statement 804: Skills Development for QSE’s

1. The QSE Skills Development Scorecard

<table>
<thead>
<tr>
<th>Skills Development Element</th>
<th>Weighting points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted skills development spend on learning programmes for black employees as a percentage of leviable amount</td>
<td>25</td>
<td>2% of NPAT</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 Any Skills Development Spend by a Measured Entity that is an ABET programme is recognizable at a multiple of 1.25 to the actual value of such Skills Development Spend.

2.2 Skills Development Spend includes any legitimate expenses incurred for any Learning Programme offered by a Measured Entity to its employees evidenced by an invoice or appropriate internal accounting record.

2.3 Legitimate expenses include:

- costs of training materials
- costs of trainers including, where appropriate, the opportunity cost of internal trainers;
- costs of training facilities including costs of catering;
- scholarships and bursaries;
- course fees;
- accommodation and travel; and
- administration costs such as organization of training including, where appropriate, the cost to the Measured Entity of employing a skills development facilitator or a training manager.

2.4 No portion of any salary or wage paid to any employee participating as a learner in any Learning Programme constitutes Skills Development Spend unless the Learning Programme is an in-service Training Programme.

2.5 Refer to Code Series 400 item 3 page 16 for the Learning Programme Matrix.
Statement 805: Preferential Procurement for QSE’s

1. The QSE Preferential Procurement Scorecard

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting points</th>
<th>Compliance targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Years 0-5</td>
</tr>
<tr>
<td>B-BBEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</td>
<td>25</td>
<td>40%</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 All procurement of goods and services by the Measured Entity, other than such portion specifically excluded in this statement, is measurable in calculating Total Measured Procurement Spend of the Measured Entity.

2.2 Where a Measured can show that it procures goods and services from a Supplier that is also:

- a recipient of enterprise development contributions from the Measured Entity under Code series 600, the BEE Procurement Spend attributable to that Supplier multiplied by a factor of 1.2 is recognizable;
- a Value-Adding Supplier, the BEE Procurement Spend attributable to that Supplier multiplied by a factor of 1.25 is recognizable; and
- Measured Entities are expected to pursue compliance with this statement in respect of all areas of procurement.

2.3 For a list of Total Measured Procurement Spend and exclusion please refer to Code Series 500 item 2.4 and 2.5 – pages 19 and 20.
Statement 806: Enterprise Development for QSE’s

1. The QSE Enterprise Development (ED) Scorecard

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual value of all Qualifying Contributions made by the Measured Entity as a percentage of the target</td>
<td>25</td>
<td>2% of NPAT</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 In calculating the compliance of a Measured Entity the following Net Profit After Tax (NPAT) target applied unless:

- The company does not make a profit last year or on average over the last five years.
- The net profit margin is less than a quarter of the norm in the industry.
- If the Turnover is to be used, the target will be set at:
  - 2\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover};
  - \text{Indicative profit margin is the profit margin in the last year where the company’s profit margin is at least one quarter of the industry norm.}

2.2 Measured Entities receive recognition for any Qualifying Contributions that are quantifiable as a monetary value using a Standard valuation method.

2.3 Qualifying Contributions of any Measured Entity is recognisable:

- from the commencement date of this statement, or an earlier date chosen by the Measured Entity (the Inception Date);
- until the date of measurement.

2.4 For a list of Qualifying Contributions please refer to Code Series 600 item 2.4 pages 23, 24 and 25.
Statement 807: Socio-Economic Development (SED) Contributions for QSE’s

1. The QSE Scorecard for SED Contributions

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual of all Socio-Economic Development Contributions and Approved Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target</td>
<td>25</td>
<td>1% of NPAT</td>
</tr>
</tbody>
</table>

2. Key Measurement Principles

2.1 In calculating the compliance of a Measured Entity the following Net Profit After Tax (NPAT) target applies unless:

- the company does not make a profit last year or on average over the last five years;
- the net profit margin is less than a quarter of the norm in the industry;
- if the Turnover is to be used the target will be set at:
  1% x Indicative Profit Margin (NPAT/Turnover) x Turnover.

2.2 Measured Entities receive recognition for any Qualifying Contributions that are quantifiable as a monetary value using a Standard Valuation Method.

2.3 Qualifying Contributions of any Measured Entity are recognisable from the commencement dates of this statement, or an earlier date chosen by the Measured Entity (the Inception Date) until the date of measurement.

2.4 Payments made by the Measured Entity to third parties to perform social development on the Measured Entity’s behalf may constitute a SED Contribution.

2.5 Sector Specific Contributions are recognisable on the basis set forth in the Sector Code governing them.

2.6 For recognition of SED Contributions please refer to Code Series 700 item 2.7 pages 27 and 28.