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# CODE SERIES 200: MEASUREMENT OF THE MANAGEMENT CONTROL ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

## STATEMENT 200: THE GENERAL PRINCIPLES FOR MEASURING MANAGEMENT CONTROL

Issued under section 9 of the Broad-Based Black Economic Empowerment Act of 2003

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## 1 Objectives of this Statement

The objectives of this statement are to specify:

- 1.1 the scorecard for measuring the Management Control Element of B-BBEE;
- 1.2 define the key measurement principles associated with the Management Control Element of B-BBEE; and
- 1.3 the calculations for measuring compliance.

## 2 Management Control Scorecard

The following table represents the indicators and method for calculating a score for Management Control under this statement:

Category	Management Control Indicator	Weighting points	Compliance Target
2.1 Board participation:			
	2.1.1 Exercisable Voting Rights of black Board members using the Adjusted Recognition for Gender	3	50%
	2.1.2 Black Executive Directors using the Adjusted Recognition for Gender	2	50%
2.2. Top Management:			
	2.2.1 Black Senior Top Management using the Adjusted Recognition for Gender	3	40%
	2.2.2 Black Other Top Management using the Adjusted Recognition for Gender	2	40%
2.3 Bonus points:			
	Black Independent Non-Executive Board Members	1	40%

## 3 Common Examples of top Management

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

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

## 4 Key Measurement Principles

- 4.1 A Measured Entity receives points by meeting the targets for participation of black people and black women at Board and Top Management level.
- 4.2 A Measured Entity must use the data in calculating its score under the Management Control scorecard used in its returns filed with the Department of Labour under the Employment Equity Act. This does not apply to Measured Entities exempt from filing such returns.
- 4.3 A Measured Entity that does not distinguish between Top Management and Senior Management may include its Senior Management under this statement. If a Measured Entity adopts this approach -

- 4.3.1 the corresponding targets for Senior Management in Code series 300 will apply to the Management Control scorecard;
- 4.3.2 Senior Management included in this statement is not measurable under statement 300.
- 4.4 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 under paragraphs 2.2.1 and 2.2.2.
- 4.5 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.

## **5 Calculating the Adjusted Recognition for Gender**

The Adjusted Recognition for Gender is calculated in terms of formula "A" in Annexe 200(A).

## **6 Calculating Compliance**

- 6.1 The Management Control indicators provided for in the Management Control Scorecard must be calculated in terms of formulas "B" and "C" in Annexe 200(A).
- 6.2 If a Measured Entity gains a score for a Management Control indicator that is more than the relevant weighting points, that Enterprise will only receive the Weighting points.

## ANNEXE 200(A)

## A: Calculation of the Adjusted Recognition for Gender

$$A = \frac{B}{2} + C$$

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

## B: Calculating Compliance

The calculation of the management indicators provided for in paragraphs 2.1.1, 2.1.2., 2.2.1 and 2.2.2 is as follows:

$$A = \frac{B}{C} \times D$$

**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 paragraph 5

**C** is the target for that measurement category as per paragraph 2

**D** is the Weighting for measured indicator as per paragraph 2

**C:** The calculation of the management indicator provided for in paragraph 2.3 is as follows:

$$A = \frac{B}{C} \times D$$

Where

**A** is the score for the management indicator in paragraph 2.3 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 Board Members of the Measured Entity

**C** is the target for Independent Non-Executive Board Members of the Measured Entity in paragraph 2.3

**D** is the Weighting points in paragraph 2.3

## CODE SERIES 300: MEASUREMENT OF THE EMPLOYMENT EQUITY ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

### STATEMENT 300: THE GENERAL PRINCIPLES FOR MEASURING EMPLOYMENT EQUITY

Issued under section 9 of the Broad-Based Black Economic Empowerment Act of 2003

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## 1 Objectives of this statement

The objectives of this statement are to:

- 1.1 specify the scorecard for measuring Employment Equity contributions to B-BBEE;
- 1.2 define the key measurement principles for measuring the Employment Equity contributions to B-BBEE; and
- 1.3 define the formula for calculating the score for Employment Equity.

## 2 Employment Equity Scorecard

2.1 The following table represents the criteria used for deriving a score for Employment Equity under this statement:

Measurement Category & Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 -10
2.1.1 Black Disabled Employees as a percentage of all employees using the Adjusted Recognition for Gender	2	2%	3%
2.1.2 Black employees in Senior Management as a percentage of all such employees using the Adjusted Recognition for Gender	5	43%	60%
2.1.3 Black employees in Middle Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	63%	75%
2.1.4 Black employees in Junior Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	68%	80%
2.1.5 Bonus point for meeting or exceeding the EAP targets in each category under 2.1.1 to 2.1.4	3		

2.2 The Weighting points in the Employment Equity scorecard represent the maximum number of points possible for each of the criteria.

## 3 Key Measurement Principles

- 3.1 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.
  - 3.1.1 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.

- 3.2 In order for a Measured Entity to achieve bonus points at a particular level, the entity needs to meet or exceed the EAP targets.
- 3.3 A Measured Entity exempt from filing returns must compile 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.
- 3.4 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 for the Measurement Categories must be adjusted as follows:
- 3.4.1 Senior Management - 8 points;
- 3.4.2 Junior Management - 6 points.
- 3.5 Black women employees in each Measurement Category qualify for enhanced recognition using the Adjusted Recognition for Gender.

#### **4 Calculating the Adjusted Recognition for Gender**

The Adjusted Recognition for Gender is calculated in terms of the formula set out in Annex (300A).

#### **5 Measurement of the Employment Equity Criteria**

The criteria in the Employment Equity scorecard is measured in terms of the formula set out in Annex 300(A).



## ANNEX 300 (A)

## A: CALCULATING THE ADJUSTED RECOGNITION FOR GENDER

The calculation 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

**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 in paragraph 4

**C** is the target for that measurement category as per paragraph 2

**D** is the Weighting for measured indicator as per paragraph 2

## CODE SERIES 400: MEASUREMENT OF THE SKILLS DEVELOPMENT ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

### STATEMENT 400: THE GENERAL PRINCIPLES FOR MEASURING SKILLS DEVELOPMENT

Issued under section 9 of the Broad-Based Black Economic Empowerment Act of 2003

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## 1 Objectives of this Statement

The objectives of this statement are to specify:

- 1.1 the scorecard for measuring the Skills Development Element of B-BBEE;
- 1.2 define the key measurement principles associated with the Skills Development Element; and
- 1.3 the formula for measuring the Skills Development Element of B-BBEE.

## 2 The Skills Development Scorecard

- 2.1 The following table represents the criteria used for deriving a score for Skills Development under this statement:

Category	Skills Development Element	Weighting points	Compliance Target
2.1.1	Skills Development Expenditure on any program specified in the Learning Programmes Matrix:		
	2.1.1.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees as a percentage of Leivable Amount using the Adjusted Recognition for Gender	6	3%
	2.1.1.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of Leivable Amount using the Adjusted Recognition for Gender.	3	0.3%
2.1.2	Learnerships		
	2.1.2.1 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	6	5%

- 2.2 The Weighting points in the Skills Development scorecard represent the maximum number of points possible for each of the criteria.

## 3 Key Measurement Principles

- 3.1 Measured Entities receive points on the Skills Development scorecard only if:
  - 3.1.1 they are in compliance with the requirements of the Skills Development Act and the Skills Development Levies Act;
  - 3.1.2 they have registered with the applicable SETA;
  - 3.1.3 they have developed a Workplace Skills Plan; and
  - 3.1.4 they have implemented programmes targeted at developing Priority Skills generally, and specifically, for black employees.
- 3.2 Expenses on scholarships and bursaries for employees does not constitute Skills Development Expenditure if the Measured Entity can recover any portion of those expenses from the employee or if the grant of the scholarship or bursary is conditional. Despite the afore going, if the right of recovery or the condition involves either of the following obligations of the employee, the expenses are recognisable:
  - 3.2.1 the obligation of successful completion in their studies within the time period allocated; or

- 3.2.2 the obligation of continued employment by the Measured Entity for a period following successful completion of their studies is not more than the period of their studies.
- 3.3 Any Skills Development Expenditure by a Measured Entity that is an ABET programme is recognisable at a multiple of 1.25 to the actual value of such Skills Development Expenditure.
- 3.4 Skills Development Expenditure 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.
- 3.5 Skills Development Expenditure arising from Uncertified Learning Programmes or from Category G Learning Programmes under the Learning Programmes Matrix cannot represent more than 15% of the total value of Skills Development Expenditure.
- 3.6 Legitimate training expenses includes:
- 3.6.1 costs of training materials;
  - 3.6.2 costs of trainers;
  - 3.6.3 costs of training facilities including costs of catering;
  - 3.6.4 scholarships and bursaries;
  - 3.6.5 course fees;
  - 3.6.6 accommodation and travel; and
  - 3.6.7 administration costs such as the organization of training including, where appropriate, the cost to the Measured Entity of employing a skills development facilitator or a training manager.
- 3.7 Salaries or wages paid to an employee participating as a learner in any Learning Programme only constitute Skills Development Expenditure if the Learning Programme is a Learnership or falls within Category B; C; or D of the Learning Programme Matrix.

#### **4 Calculating the Adjusted Recognition for Gender**

The calculation of the Adjusted Recognition for Gender is set out in formula "A" in Annexe 400(B).

#### **5 Measurement of Skills Development Indicators**

The formula that explains the method of measurement of the criteria in the Skills Development scorecard is in terms of formula "B" in Annexe 400(B).

#### **6 The Learning Programme Matrix**

The Minister may from time to time, by notice in the gazette, revise or substitute the Learning Programme Matrix. Any changes will only be applicable to Compliance Reports prepared for a Measured Entity for the first 12-month period following the gazetting of a revision or substitution.

## Annexe 400A - Learning Programme Matrix

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

ANNEXE 400(B)

### A: Calculating the Adjusted Recognition for Gender

The calculation 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

### B: Measurement of Skills Development Indicators

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

$$A = \frac{B}{C} \times D$$

Where

A is the score for any given criteria as referred to in the scorecard under statement 400

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 under statement 400

D is the Weighting for the applicable criteria as referred in the scorecard under statement 400

# CODE SERIES 500: MEASUREMENT OF THE PREFERENTIAL PROCUREMENT ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

## STATEMENT 500: THE GENERAL PRINCIPLES FOR MEASURING PREFERENTIAL PROCUREMENT

**Issued under section 9 of the Broad-Based Black Economic Empowerment Act of 2003**

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## 1 Objectives of this Statement

The objectives of this statement are to specify:

- 1.1 the Preferential Procurement scorecard;
- 1.2 the key measurement principles applicable to calculating Preferential Procurement contributions to B-BBEE;
- 1.3 a basis for the award of an enhanced recognition status to certain categories of Preferential Procurement;
- 1.4 principles applicable when calculating B-BBEE Procurement Spend; and
- 1.5 the formula for calculating the individual criteria specified in the Preferential Procurement scorecard.

## 2 Preferential Procurement Scorecard

2.1 The following table represents the criteria for deriving a score for Preferential Procurement under this statement:

Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 -10
2.1.1 B-BBEE Procurement Spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12	50%	70%
2.1.2 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	3	10%	15%
2.1.3 B-BBEE Procurement Spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend:	5	15%	20%
2.1.3.1 Suppliers that are 50% black owned (3 out of 5 points); or			
2.1.3.2 Suppliers that are 30% black women owned. (2 out of 5 points)			

## 3 Key Measurement Principles

- 3.1 The Weighting points in the Preferential Procurement scorecard represent the maximum number of points possible for each of the criteria.
- 3.2 All goods and services procured by the Measured Entity, other than any portion specifically excluded in terms of this statement, is measurable in calculating its Total Measured Procurement Spend.
- 3.3 If a Measured Entity procures goods and services from a Supplier that is:
  - 3.3.1 a recipient of enterprise development contributions from the Measured Entity under Code series 600, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2; and
  - 3.3.2 a Value-Adding Supplier, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.25.
- 3.4 This statement applies to all areas of procurement.



#### **4 Black Owned Professional Service Providers and Entrepreneurs**

- 4.1 A key intention of this statement is to promote the use by Measured Entities, of black owned professional service providers and entrepreneurs as suppliers.
- 4.2 Black owned professional service providers and entrepreneurs that comply with all the elements of the Codes:
  - 4.2.1 qualify for recognition in all three criteria in the preferential procurement scorecard; and
  - 4.2.2 qualify as value-adding suppliers thereby attracting the benefits in paragraph 3.3.2.

#### **5 Total Measured Procurement Spend**

The following procurement is measurable within Total Measured Procurement Spend:

- 5.1 Cost of sales: all goods and services procured that comprise the cost of the sales of the Measured Entity;
- 5.2 Operational expenditure: all goods and services procured that comprise the operational expenditure of the Measured Entity;
- 5.3 Capital expenditure: all capital expenditure incurred by the Measured Entity;
- 5.4 Public sector procurement: 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;
- 5.5 Monopolistic procurement: all goods and services procured from suppliers that enjoy a monopolistic position;
- 5.6 Third-party procurement: 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;
- 5.7 Labour brokers and independent contractors: any procurement of the Measured Entity which is Outsourced Labour Expenditure;
- 5.8 Pension and medical aid contributions: 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;
- 5.9 Trade commissions: any commissions or similar payments payable by a Measured Entity to any other person pursuant to the business or trade of the Measured Entity;
- 5.10 Empowerment related expenditure: all goods and services procured in carrying out B-BBEE. The Total Measured Procurement Spend does not include the actual contribution portion recognised under Code series 600 or 700 but does include any expenditure incurred in facilitating those contributions;
- 5.11 Imports: all goods and services that are imported or procured from a non-South African source; and

- 5.12 Intra-group procurement: except as provided in statement 002, all goods and services procured from subsidiaries or holding companies of the Measured Entity.

## 6 Exclusions from Total Measured Procurement Spend

The following list is the only permissible exclusions from Total Measured Procurement Spend recognisable in terms of paragraph 5:

- 6.1 Taxation: any amount payable to any person which represents a lawful tax or levy imposed by an organ of state authorised to impose such tax or levy, including rates imposed by a municipality or other local government;
- 6.2 Public sector procurement:
- 6.2.1 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; and
- 6.2.2 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;
- 6.3 Salaries, wages, remunerations, and emoluments: any amount payable to an employee as an element of their salary or wage and any emolument or similar payment paid to a director of a Measured Entity;
- 6.4 Pass-through third-party procurement: 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;
- 6.5 Empowerment related procurement:
- 6.5.1 investments in or loans to an Associated Enterprise;
- 6.5.2 investments, loans or donations qualifying for recognition under any statement under Code series 600 or 700;
- 6.6 Imports: the following imported goods and services:
- 6.6.1 imported capital goods or components for value-added production in South Africa provided that:
- 6.6.1.1 there is no existing local production of such capital goods or components; and
- 6.6.1.2 importing those capital goods or components promotes further value-added production within South Africa;
- 6.6.2 imported goods and services other than those listed in paragraph 6.6.1 if there is no local production of those goods or services including, but not limited to, imported goods or services that -
- 6.6.2.1 carry a brand different to the locally produced goods or services; or
- 6.6.2.2 have different technical specifications to the locally produced goods or services.

## **7 Measurement of B-BBEE Procurement Spend**

- 7.1 B-BBEE Procurement Spend is the value of the procurement falling within paragraph 5 and not excluded by paragraph 6. If a supplier falls within a category of supplier listed in paragraph 3.3 or 4, the value of procurement from that supplier is multiplied by the applicable factor listed in paragraph 3.3.
- 7.2 B-BBEE Procurement Spend can be measured in terms of formula "A" in Annexe 500(A).
- 7.3 The B-BBEE Procurement Spend for a Measured Entity in respect of a supplier is calculated by multiplying the spend contemplated by paragraph 5 (and not excluded by paragraph 6) in respect of that supplier by the supplier's B-BBEE Recognition Level.
- 7.4 A Measured Entity's Total Procurement Spend is the total of all amounts calculated in terms of paragraph 7.3.

## **8 The Calculation of Preferential Procurement Contributions to B-BBEE**

- 8.1 A Measured Entity receives a score for procurement in proportion to the extent that it meets the compliance target.
- 8.2 The Measured Entity's score for Preferential Procurement contributions to B-BBEE under the preferential procurement scorecard can be calculated in terms of formula "B" in Annexe 500(A).

## ANNEXE 500(A)

## A: B-BBEE PROCUREMENT SPEND:

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

## Where

**A** is the calculated total 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.

## B: THE CALCULATION OF PREFERENTIAL PROCUREMENT CONTRIBUTIONS TO B-BBEE

$$A = \frac{B}{C} \times D$$

## Where

**A** is the calculated preferential procurement score for each criteria in the scorecard under statement 500 for the Measured Entity;

**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 under statement 500;

**D** is the Weighting points allocated to each criteria specified in the scorecard under statement 500.

# CODE SERIES 600: MEASUREMENT OF ENTERPRISE DEVELOPMENT ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

## STATEMENT 600: THE GENERAL PRINCIPLES FOR MEASURING ENTERPRISE DEVELOPMENT ELEMENT

Issued under section 9 of the Broad-Based Black Economic Empowerment Act of 2003

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## 1 Objectives of this statement

The objectives of this statement are to specify:

- 1.1 the Enterprise Development (ED) scorecard;
- 1.2 the key measurement principles for calculating Qualifying Enterprise Development Contributions; and
- 1.3 the formula for calculating the individual criteria specified in the ED scorecard.

## 2 The Enterprise Development Scorecard

2.1.1 The NPAT or average target applies unless:

- 2.1.1.1 the company does not make a profit last year or on average over the last five years.
- 2.1.1.2 the net profit margin is less than a quarter of the norm in the industry.

2.1.2 If the Turnover is to be used, the target will be set at:

- 2.1.2.1  $3\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$ .
- 2.1.2.2 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 The following table represents the criteria and method used for deriving a score for Enterprise Development under this statement:

Criteria	Weighting Points	Compliance Target
Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.	15	3% of NPAT

2.3 The weighting points in the ED scorecard represent the maximum number of points possible for each of the criteria.

## 3 Key Measurement Principles

3.1 General principles:

- 3.1.1 Measured Entities receive recognition for any Qualifying Enterprise Development Contributions that are quantifiable as a monetary value using a Standard Valuation Method.
- 3.1.2 Qualifying Enterprise Development Contributions of any Measured Entity are recognisable cumulatively:
  - 3.1.2.1 from the commencement date of this statement, or an earlier date chosen by the Measured Entity (the Inception Date), until the date of measurement
  - 3.1.2.2 The inception date chosen by the Measured Entity must not be earlier than 5 years before the commencement date of this statement, and binds the Measured Entity for the duration of this statement
  - 3.1.2.3 No portion of the value of any Qualifying Enterprise Development Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement

- 3.2 Recognition of Enterprise Development Contributions:
- 3.2.1 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 or accelerating the development, sustainability and ultimate financial and operational independence of that beneficiary. This is commonly accomplished through the expansion of those beneficiaries' financial and/or operational capacity.
- 3.2.2 The full value of Category A Enterprise Development Contributions, adjusted using the Benefit Factor, multiplied by 1.25 is recognisable.
- 3.2.3 The full value of Category B Enterprise Development Contributions is recognisable.
- 3.2.4 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 Development Contributions if:
- 3.2.4.1 those contributions 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 a beneficiary entity. For the purposes of this paragraph -
- 3.2.4.1.1 contributions commenced before the commencement date of the Codes, must be shown to have involved agreement between the Measured Entity and the beneficiary that the support received be used, at least in part, for the purposes of improving the beneficiary's overall BEE compliance level; and
- 3.2.4.1.2 contributions commenced after the commencement date of the Codes, must be in terms of a written agreement between the Measured Entity and the beneficiary recording that support received be used, at least in part, for the purposes of meeting the definitional requirements of a beneficiary entity; and
- 3.2.4.2 the beneficiary has met the definitional requirements of a beneficiary entity.
- 3.2.5 The following is a non-exhaustive list of Enterprise Development Contributions:
- 3.2.5.1 grant Contributions to beneficiary entities;
- 3.2.5.2 investments in beneficiary entities;
- 3.2.5.3 loans made to beneficiary entities;
- 3.2.5.4 guarantees given or security provided on behalf of beneficiaries;
- 3.2.5.5 credit facilities made available to beneficiary entities;
- 3.2.5.6 direct costs incurred by a Measured Entity in assisting and hastening development of beneficiary entities;
- 3.2.5.7 overhead costs of a Measured Entity directly attributable to Enterprise Development Contributions;
- 3.2.5.8 Enterprise Development or developmental capital advanced to beneficiary entities;
- 3.2.5.9 preferential credit terms granted by a Measured Entity to beneficiary entities;
- 3.2.5.10 preferential terms granted by a Measured Entity in respect of its supply of goods or services to beneficiary entities;

- 3.2.5.11 contributions made to settling service costs relating to the operational or financial capacity or efficiency levels of a beneficiary entities;
- 3.2.5.12 payments made by the Measured Entity to third parties to perform enterprise development on the Measured Entity's behalf;
- 3.2.5.13 discounts given to beneficiary entities in relation to the acquisition and maintenance costs associated with the grant to those beneficiary entities of franchise, licence, agency, distribution or other similar business rights;
- 3.2.5.14 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;
- 3.2.5.15 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;
- 3.2.5.16 provision of training or mentoring to beneficiary entities which will assist the beneficiary entities to increase their operational or financial capacity; and
- 3.2.5.17 the maintenance by the Measured Entity of an enterprise development unit which focuses exclusively on support of beneficiary entities or candidate beneficiary entities.
- 3.2.6 The creation or development of the capacity of beneficiary entities which will enable them to manufacture and produce goods or provide services previously not available in the Republic of South Africa, may constitute an Enterprise Development Contribution.
- 3.2.7 New projects promoting beneficiation may constitute an Enterprise Development Contribution.
- 3.2.8 Provision of preferential credit facilities to a beneficiary entity by a Measured Entity may constitute an Enterprise Development Contribution. Examples of such contributions include without limitation:
  - 3.2.8.1 provision of finance to beneficiary entities at lower than commercial rates of interest;
  - 3.2.8.2 relaxed security requirements or absence of security requirements for beneficiary entities unable to provide security for loans; and
  - 3.2.8.3 settlement of accounts with beneficiary entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 10 days;
- 3.2.9 providing training or mentoring to beneficiary communities by a Measured Entity. (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).
  - 3.2.9.1 Maintaining an enterprise development unit by the Measured Entity. (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.)



3.2.9.2 Payments made by the Measured Entity to third parties to perform enterprise development on the Measured Entity's behalf.

#### **4 Measurement of Qualifying Contributions**

Qualifying Contributions are measurable using the formula "A" in Annexe 600(B)

#### **5 The Benefit Factor Matrix**

The Minister may from time to time, by notice in the gazette, revise or substitute the Benefit Factor Matrix. Any changes will only be applicable to Compliance Reports prepared for a Measured Entity in respect of the first 12-month period following the gazetting of a revision or substitution.

## Annexe 600(A) - Benefit Factor Matrix

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

## ANNEXE 600(B)

A: Qualifying Contributions are measurable on the following basis:

$$A = \frac{B}{C} \times D$$

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 to the date of measurement

**C** is compliance target in respect of the Qualifying Contributions as specified in the scorecard for statement 600

**D** is the Weighting points allocated to the criteria under the scorecard for statement 600.

## CODE SERIES 700: MEASUREMENT OF THE SOCIO-ECONOMIC DEVELOPMENT ELEMENTS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

### STATEMENT 700: THE GENERAL PRINCIPLES FOR MEASURING THE SOCIO - ECONOMIC DEVELOPMENT ELEMENT

Issued under section 9 of the Broad-Based Black Economic Empowerment Act of 2003

#### Arrangement of this statement

<i>Para</i>	<i>Subject</i>	<i>Page</i>
1	<i>Objectives of this statement</i>	2
2	<i>The SED scorecard</i>	2
3	<i>Key Measurement Principles</i>	2
4	<i>Measurement of Socio-Economic Development Contributions</i>	4
5	<i>The Benefit Factor Matrix</i>	4
6	<i>Annexe 700(A)</i>	5
7	<i>Annexe 700(B)</i>	6

## 1 Objectives of this Statement

The objectives of this statement are to specify:

- 1.1 the Socio-Economic Development (SED) and Sector Specific Contributions scorecard;
- 1.2 the key measurement principles applicable when calculating Socio-Economic Development Contributions; and
- 1.3 the formula for calculating the individual criteria specified in the SED scorecard.

## 2 The SED Scorecard

- 2.1. The NPAT or average target applies unless:
  - 2.1.1 the company does not make a profit last year or on average over the last five years
  - 2.1.2 the net profit margin is less than a quarter of the norm in the industry.
- 2.2 If the Turnover is to be used, the target will be set at:
  - 2.2.1  $1\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$
  - 2.2.2 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 The following table represents the criteria and method used for deriving a score for Socio- Economic Development under this statement:

Criteria	Weighting Points	Compliance Target
Average annual value of all Socio-Economic Development Contributions by the Measured Entity as a percentage of the target	5	1% of NPAT

- 2.4 The weighting points in the SED scorecard represent the maximum number of points possible for each of the criteria.

## 3 Key Measurement Principles

- 3.1 General principles:
  - 3.1.1 Measured Entities receive recognition for any Socio-Economic Development Contributions that are quantifiable as a monetary value using a Standard Valuation Method.
  - 3.1.2 Socio-Economic Development Contributions of any Measured Entity are recognisable cumulatively ;
    - 3.1.2.1 from the commencement date of this statement, or an earlier date chosen by the Measured Entity (the Inception Date), until the date of measurement
    - 3.1.2.2 The inception date chosen by the Measured Entity must not be earlier than 5 years before the commencement date of this statement, but binds the Measured Entity for the duration of this statement

- 3.1.2.3 No portion of the value of any Socio-Economic Development contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement
- 3.2 Socio- Economic Development Contributions:
- 3.2.1 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.
- 3.2.2 The full value of Socio-Economic Development Contributions made to beneficiaries is recognisable if at least 75% of the value directly benefits black people.
- 3.2.3 If less than 75% of 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.
- 3.2.4 The following is a non-exhaustive list of Socio-Economic Development Contributions:
- 3.2.4.1 grant Contributions to beneficiaries of Socio-Economic Development Contributions;
- 3.2.4.2 guarantees given or security provided for beneficiaries;
- 3.2.4.3 direct costs incurred by a Measured Entity in assisting beneficiaries;
- 3.2.4.4 overhead costs of a Measured Entity directly attributable to Socio-Economic Development Contributions;
- 3.2.4.5 developmental capital advanced to beneficiary communities;
- 3.2.4.6 preferential terms granted by a Measured Entity for its supply of goods or services to beneficiary communities;
- 3.2.4.7 payments made by the Measured Entity to third parties to perform socio-economic development on the Measured Entity's behalf;
- 3.2.4.8 subject to paragraph 3.2.5.1, provision of training or mentoring to beneficiary communities which will assist them to increase their financial capacity; and
- 3.2.4.9 subject to paragraph 3.2.5.2, the maintenance by the Measured Entity of a socio-economic development unit which focuses only on support of beneficiaries and beneficiary communities.
- 3.2.5. providing training or mentoring to beneficiary communities by a Measured Entity. (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 time costs incurred, commensurate with the seniority and expertise of the trainer or mentor).
- 3.2.6 Maintaining a socio-economic development unit by the Measured Entity. (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.)
- 3.2.7 Payments made by the Measured Entity to third parties to perform socio-economic development on the Measured Entity's behalf.

#### **4 Measurement of Socio-Economic Development Contributions**

Socio-Economic Development Contributions are measurable using the formula in Annexe 700 (B).

#### **5 The Benefit Factor Matrix**

The Minister may from time to time, by notice in the gazette, revise or substitute the Benefit Factor Matrix. Any changes will only be applicable to Compliance Reports prepared for a Measured Entity in respect of the first 12-month period following the gazetting of a revision or substitution.

## Annexe 700(A) – Benefit Factor Matrix

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



**ANNEXE 700(B)**

A: SED Contributions are measurable on the following basis:

$$A = \frac{B}{C} \times D$$

Where

**A** is the score achieved in respect of the SED Contributions made by the Measured Entity

**B** is the value of all SED Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date to the date of measurement

**C** is compliance target in respect of the SED Contributions as specified in the scorecard for statement 700 (see paragraph 2.1)

**D** is the Weighting points allocated to the measured enterprise development criteria under the scorecard for statement 700 (5)