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## GENERAL NOTICE

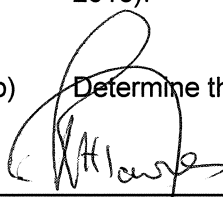
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### NOTICE 408 OF 2015

#### DEPARTMENT OF TRADE AND INDUSTRY

I, **Dr Rob Davies**, Minister of Trade and Industry hereby:

- (a) Issue the following Codes of Good Practice (the codes) under section 9 (1) of the Broad Based Black Economic Empowerment Amendment Act (Act No 46 of 2013).
- (b) Determine that these Codes will come into operation from 1 May 2015.

  
\_\_\_\_\_  
**Dr ROB DAVIES, MP**

**MINISTER OF TRADE AND INDUSTRY**

DATE: 30 / 4 / 2015

**STATEMENT 003: AMENDED GUIDELINES FOR DEVELOPING AND GAZETTING OF  
SECTOR CODES**

Issued under section 9 of the Broad-Based Black Economic Empowerment Amendment  
Act of 2013

**Arrangement of this statement**

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**1 OBJECTIVE OF THIS STATEMENT**

The objectives of this statement are to specify:

- 1.1 The manner of gazetting Transformation Charters under section 12 of the Broad Based Black Economic empowerment (B-BBEE) Act;
- 1.2 the process for developing and gazetting of Sector Codes under section 9 of the B-BBEE Act;
- 1.3 the status of Transformation Charters and Sector Codes; and
- 1.4 recommend an approach for drawing up Transformation Charters and Sector Codes.

**2 PROCEDURE FOR DEVELOPING AND GAZETTING OF TRANSFORMATION CHARTERS**

- 2.1 The relevant sector body together with the relevant Line Ministry of the sector seeking to gazette a Transformation Charter under section 12 must:
  - 2.1.1 Apply in writing to the Minister of Trade and Industry; and
  - 2.1.2 Provide evidence of compliance with section 12 of the B-BBEE Act as amended.
- 2.2 The Minister of Trade and Industry may refuse an application to gazette a Transformation Charter if the applicant has failed to comply with section 12 of the B-BBEE Act as amended.
- 2.3 If the Minister of Trade and Industry refuses to grant an application under paragraph 2.2,
  - 2.3.1 The Minister of Trade and Industry must notify the applicant of that decision in writing within two months; and
  - 2.3.2 An applicant may re-apply for the gazetting of that Transformation Charter by revising its submission.
- 2.4 The Minister of Trade and Industry must gazette that Transformation Charter as soon as it is reasonably possible following the granting of an application under paragraph 2.1.

**3 PROCEDURE FOR DEVELOPING AND GAZETTING OF SECTOR CODES**

- 3.1 The following principles apply to developing Sector Codes:
  - 3.1.1 There must be common commercial and other characteristics within the entities operating in the sector which would make it feasible to formulate a transformation charter subject to the proposed Sector Code;
  - 3.1.2 the proposed Sector Code must fully address all the Elements in the Generic Scorecard;

- 3.1.3 the proposed Sector Code must use the same definitions in respect of all beneficiaries as those used in the Codes;
- 3.1.4 the proposed Sector Code must use the same calculation methodologies to measure compliance as those used in the Codes;
- 3.1.5 the proposed Sector Code may deviate from Targets and Weightings used in the Codes only where those deviations are justifiable based on sound economic principles, sectorial characteristics or empirical research;
- 3.1.6 a sector code developed in terms of this statement must set targets which are over and above the minimum targets set out in the Generic Codes of Good Practice .
- 3.1.7 the proposed Sector Code may deviate from the thresholds set out in the Generic Codes of Good Practice , only where those deviations are justifiable based on sound economic principles, sectorial characteristics or empirical research;
- 3.1.8 the proposed Sector Code may introduce a new additional Element for measurement where such addition is justifiable based on sound economic principles, sectorial characteristics or empirical research;
- 3.1.9 the proposed Sector Code must clearly define its scope of application;
- 3.1.10 There must be support by the Line Ministry responsible for the sector and the Minister of Trade and Industry responsible for the gazette of the Sector Code. There must have been a clear demonstration that the Line Ministry was part of the drafting of the Sector Code and a letter of support must be sent to the Minister of Trade and Industry.
- 3.1.11 No transitional period shall be provided for the implementation of a sector code.
- 3.2 The sector body supported by the Line Ministry of a sector seeking to gazette a Sector Code under section 9 of the Act must:
  - 3.2.1 Apply in writing to the Minister of Trade and Industry;
  - 3.2.2 Indicate the process by which the Sector Code has been developed; and
  - 3.2.3 provide evidence of compliance with section 12 of the B-BBEE Act as amended.
  - 3.2.4 The Minister of Trade and Industry shall in terms of section 9 (5) of the B-BBEE Amendment Act issue for 60 days public comments and inputs a Sector Code as a draft before it is approved and gazetted as a final binding document.
  - 3.2.5 A committee that consist of the Sector Charter Council, Line Ministry and the Department of Trade and Industry shall analyse and consider the incorporation of public comments and inputs from members of the public .

- 3.3 Grounds for refusal to gazette Sector Code:
- 3.3.1 The fundamental principles of any of the Elements of the Generic Scorecard are not adequately addressed as per paragraph 3.1.2 above;
- 3.3.2 If there are deviations in the calculation, methodologies and definitions applicable in measuring B-BBEE compliance as per paragraph 3.1.3 and 3.1.4 above;
- 3.3.3 contains inconsistencies in the Targets and Weightings not fully justified as per paragraph 3.1.5 above ambiguity with regards to sectorial scope of application as per paragraph 3.1.9. above.
- 3.4 Sector Codes must align with any key principles changes or amendment to the Generic Codes as determined by the Minister of Trade and Industry.
- 3.5 Alignment with other amended provisions of the Codes will be in accordance with the procedures as outlined in this statement.

#### **4 STATUS OF TRANSFORMATION CHARTERS AND SECTOR CODES**

- 4.1 A section 12 Transformation Charter constitutes a sectoral commitment to promote B-BBEE. It is not legally binding on the applicable sector, organs of state or public and private entities.
- 4.2 Code series 000 to 600 and any statements under those Codes remain applicable to enterprises in the sector, despite the gazetting of their Transformation Charter under section 12 of the Act as amended.
- 4.3 A measured entity in a sector in respect of which the Minister of Trade and Industry has issued a sector code must be measured in accordance with that sector code.
- 4.4 A section 9 (1) Sector Code is legally binding on the applicable sector, organs of state or public and private entities.

#### **5 COMPLIANCE FOR A GROUP OF COMPANIES**

- 5.1 The determining factor for a Holding Company/ Group of Companies' or subsidiary compliance with a Sector Code is the scope of application of the sector code and/or revenue. If a Holding Company/ Group of Companies' or subsidiary derive over 50% of its revenue from a sector where there is a Sector Code then such measured entity will be measured in accordance with the scorecard of that Sector Code.
- 5.2 Where a Holding Company/ Group of Companies' revenue is equally distributed amongst its divisions / subsidiaries such that the Holding Company / Group of Companies' cannot determine under which sector

code it falls, then the Holding Company/ Group of Companies' will be measured in accordance with the Generic Codes.

- 5.3 However, the divisions/subsidiaries of the entity shall be subjected to a Sector Code if they fall or trade under a sector which has a gazetted Section 9 (1) Sector Code.
- 5.4 Despite 5.1,5.2 and 5.3 above, Sector Charter Councils after consulting with the affected entity and with the approval of the Line Ministry and the Department of Trade and Industry, may determine that an entity be subjected to a relevant sector code if that entity is a significant and strategic player in that sector.

## **6 THE ROLE OF SECTOR CHARTER COUNCILS**

- 6.1 The main responsibilities of Sector Charter Councils are to develop the sector codes and to monitor their implementation thereof.
- 6.2 Sector Charter Councils may or are encouraged to be registered as legal entities that exist for non-profit making.
- 6.3 The following represents a recommended model for setting up Sector Charter Councils:
  - 6.3.1 equitable composition of stakeholders in the members of the Sector Charter Council;
  - 6.3.2 ensuring application of good corporate governance principles in the Sector Charter Council.
  - 6.3.3 The Line Ministry has the responsibility to drive the process of establishing a Sector Charter Council with the Sector.
  - 6.3.4 The appointment of the Sector Charter Council members shall be approved by the Line Ministry as recommended by the sector stakeholders.
- 6.4 The functions of the Sector Charter Council may include:
  - 6.4.1 to provide guidance on sector-specific matters effecting B-BBEE in entities within the sector;
  - 6.4.2 to compile reports on the status of broad-based black economic empowerment within the sector, and
  - 6.4.3 to share information with sector members, approved accreditation agencies, B-BBEE Commission, B-BEE Presidential Advisory Council, the Line Minister and the Minister of Trade and Industry.
- 6.5 The Sector Charter Councils should report to the Line Ministry, the Minister of Trade and Industry and to the Advisory Council on progress made by the sector subject to the relevant Sector Code. Such reports should typically contain qualitative and quantitative information about sectorial



performance, including details about all the elements of the sector's B-BBEE balanced scorecard.

- 6.6 Measured Entities that are governed by Sector Codes must submit on an annual basis their B-BBEE Certificate and relevant B-BBEE verification reports to the Sector Charter Councils.
- 6.7 The funding of the operations of Sector Charter Councils is a joint responsibility between the private sector and the Line Ministry responsible for that particular sector.

## **7. VARIATION OF INDICATORS IN CODES 200**

- 7.1 A Sector Code may allow the use of indicators that differ from those contained in Code 200 as a means of fixing the relevant Measurement Categories.
- 7.2 Sectors adopting this approach must:
  - 7.2.1 Consider using indicators that are consistent with the principles contained in the Employment Equity Regulations;
  - 7.2.2 consider all relevant factors such as seniority, expertise, scarcity of skill-set, organisational role and responsibility and geographic location;
  - 7.2.3 base the definition of occupational levels on sound and empirical research undertaken in the sector by a reputable institution; and
  - 7.2.4 If the indicators include salary scales, consider providing for a default cost of living or inflation adjustment in the salary scales, even if the sector intends to amend those salary scales annually.
- 7.3 The gazetting of a Sector Code does not affect any employer's obligations to comply with the Employment Equity Act and its regulations.

## CODE SERIES 000: FRAMEWORK FOR MEASURING BROAD-BASED BLACK ECONOMIC EMPOWERMENT

### STATEMENT 004: SCORECARDS FOR SPECIALISED ENTERPRISES

Issued under section 9 of the Broad-Based Black Economic Empowerment Amendment  
Act of 2013

#### Arrangement of this statement

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## 1. OBJECTIVE OF THIS STATEMENT

The objectives of this statement are to:

1.1 Provide guidance about the treatment of Ownership for Specialised Enterprises for Broad Based Black Economic Empowerment (B-BBEE) purposes, of:

1.1.1 Companies limited by guarantee;

1.1.2 Higher Education Institutions;

1.1.3 Non-Profit Companies;

1.1.4 Public entities and other Enterprises exclusively owned by organs of State; and

1.1.5 Public Benefit Schemes or Public Benefit Organisations.

1.2 Specify scorecards applicable to Measured Entities subject to this statement.

## 2 GENERAL PRINCIPLES

2.1 Every organ of State and public entity must apply any relevant Codes of Good Practice issued in terms of the B-BBEE Act as amended when:

2.1.1 Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law;

2.1.2 Developing and implementing a preferential procurement policy;

2.1.3 Determining qualification criteria for the sale of state-owned enterprises;

2.1.4 Developing criteria for entering into partnerships with the private sector; and

2.1.5 Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE.

2.2 Public entities and other enterprises exclusively owned by organs of State are not capable of evaluation of black ownership under Code series 100.

2.3 Higher Education Institutions are not public entities under the Public Finance Management Act of 1999. They are incapable of evaluation of black ownership under Code series 100.

2.4 Companies limited by guarantee and Non-Profit Companies have no shareholding.

They are not capable of evaluation of black ownership under Code series 100. This does not imply that companies limited by guarantee and Non-Profit Companies sharing in the ownership of other enterprises cannot contribute towards black ownership to such enterprises as provided for in Statement 100.

- 2.5 Non-Profit Companies and Public Benefit Organisations generally do not have any beneficial ownership and are incapable of evaluation of black ownership under Code series 100. This does not imply that Non-Profit Companies and Public Benefit Organisations sharing in the ownership of other enterprises as broad-based ownership schemes cannot contribute towards black ownership to such enterprises as provided for in Statement 100.
- 2.6 Wherever any of the entities listed in paragraphs one and two require evidence of their own B-BBEE compliance, they will use the Specialised Generic Scorecard. If those entities are also Qualifying Small Enterprises, they will use the Specialised Qualifying Small Enterprises Scorecard.
- 2.7 Entities that are Exempted Micro Enterprises (EME) under this statement are deemed to have a B-BBEE status of "level four", having a B-BBEE recognition level of 100%.
- 2.8 Enhanced B-BBEE recognition level for an EME:
- 2.8.1 Despite paragraph 2.7, an EME that has at least 75% black beneficiaries qualifies for elevation to "Level One Contributor", having a B-BBEE recognition level of 135%; and
- 2.8.2 Despite paragraph 2.7 and 2.8.1, an EME that has at least 51% black beneficiaries qualifies for elevation to "Level Two Contributor", having a B-BBEE recognition level of 125%.
- 2.9 An EME is only required to obtain a sworn affidavit annually confirming the following:
- 2.9.1 Annual Total Revenue/Allocated Budget/Gross Receipts of R10 million or less; and
- 2.9.2 Level of percentage of black beneficiaries.

- 2.10 Any misrepresentation in terms of paragraph 2.9 above constitutes a criminal offence as set out in the B-BBEE Act as amended.
- 2.11 Entities that are Qualifying Small Enterprises (QSE) will use the Specialised Qualifying Small Enterprises Scorecard.
- 2.12 Despite paragraph 2.11, a QSE that has at least 75% black beneficiaries qualifies for elevation to “Level One Contributor”, having a B-BBEE recognition level of 135%.
- 2.13 Despite paragraphs 2.11 and 2.12, a QSE that has at least 51% black beneficiaries qualifies for elevation to “Level Two Contributor”, having a B-BBEE recognition level of 125%.
- 2.14 A QSE that has at least 51% black beneficiaries is only required to obtain a sworn affidavit annually confirming the following:
- 2.14.1 Annual Total Revenue/Allocated Budget/Gross Receipts of R50 million or less; and
- 2.14.2 Level of percentage of black beneficiaries.
- 2.15 Any misrepresentation in terms of paragraph 2.14 above constitutes a criminal offence as set out in the B-BBEE Act as amended.

### **3 THE SPECIALISED GENERIC SCORECARD**

- 3.1 The following table represents the Specialised Generic Scorecard and contains the:
- 3.1.1 Elements of the scorecard;
- 3.1.2 Weightings; and
- 3.1.3 The Code series reference that specify the mechanisms for measurement and calculation of each of the Elements of the scorecard (Code series 100 – 500).

- 3.2 All other terms of statement 000-500 apply to Measured Entities subject to this statement, mutatis mutandis.

| Element                             | Weighting | Code series reference |
|-------------------------------------|-----------|-----------------------|
| Management control                  | 20 points | 200                   |
|                                     |           |                       |
| Skills development                  | 25 points | 300                   |
|                                     |           |                       |
| Enterprise and Supplier Development | 50 points | 400                   |
| Socio-Economic Development          | 5 points  | 500                   |

#### 4. MANAGEMENT CONTROL SPECIALISED SCORECARD

The following table represents the criteria used to derive a score for Management Control under this statement:

| Measurement Category and Criteria                                                                  | Weighting points | Compliance targets |
|----------------------------------------------------------------------------------------------------|------------------|--------------------|
| <b>4.1 Board participation:</b>                                                                    |                  |                    |
| 4.1.1 Exercisable voting rights of black board members as a percentage of all board members        | 2                | 50%                |
| 4.1.2 Exercisable voting rights of black female board members as a percentage of all board members | 1                | 25%                |
| 4.1.3 Black executive directors as a percentage of all executive directors                         | 2                | 50%                |
| 4.1.4 Black female executive directors as a percentage of all executive directors                  | 1                | 25%                |
| <b>4.2 Other Executive Management:</b>                                                             |                  |                    |
| 4.2.1 Black executive management as a percentage of all executive management                       | 2                | 60%                |
| 4.2.2 Black female executive management as a percentage of all executive management                | 1                | 30%                |

|                                                                                            |   |     |
|--------------------------------------------------------------------------------------------|---|-----|
| <b>4.3 Senior Management</b>                                                               |   |     |
| 4.3.1 Black employees in senior management as a percentage of all senior management        | 2 | 60% |
| 4.3.2 Black female employees in senior management as a percentage of all senior management | 1 | 30% |
| <b>4.4 Middle Management</b>                                                               |   |     |
| 4.4.1 Black employees in middle management as a percentage of all middle management        | 2 | 75% |
| 4.4.2 Black female employees in middle management as a percentage of all middle management | 1 | 38% |
| <b>4.5 Junior Management</b>                                                               |   |     |
| 4.5.1 Black employees in junior management as a percentage of all junior management        | 2 | 88% |
| 4.5.2 Black female employees in junior management as a percentage of all junior management | 1 | 44% |
| <b>4.6 Employees with disabilities</b>                                                     |   |     |
| 4.6.1 Black employees with disabilities as a percentage of all employees                   | 2 | 2%  |

4.7 The compliance targets for 4.3, 4.4, and 4.5 of the Management Control scorecard are based on the overall demographic representation of black people as defined in the Regulations of Employment Equity Act and Commission on Employment Equity Report, as amended from time to time.

4.8 In determining a Measured Entity's score, the targets should be broken down into specific criteria according to the different race sub-groups, within the definition of black and in accordance with the Employment Equity Act, and weighted accordingly.

## 5. THE SKILLS DEVELOPMENT ELEMENT SPECIALISED SCORECARD

The following table represents the criteria used to derive a score for Skills Development under this statement:

| Category                                                                                                                                                                         | Skills Development Element | Weighting points | Compliance Target |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------|-------------------|
| 5.1. Skills Development Expenditure on any programme specified in the Learning Programme Matrix for black people as a percentage of the Leviable Amount                          |                            |                  |                   |
| 5.1.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviable Amount.                      |                            | 9                | 6%                |
| 5.1.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviable Amount. |                            | 4                | 0.3%              |
| 5.2 Learnerships, apprenticeships and internships                                                                                                                                |                            |                  |                   |
| 5.2.1 Number of black people participating in learnerships, apprenticeships and internships as a percentage of total employees                                                   |                            | 6                | 2,5%              |
| 5.2.2 Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees                              |                            | 6                | 2,5%              |
| <b>Bonus points:</b>                                                                                                                                                             |                            |                  |                   |
| 5.3 Number of black people absorbed by the Measured Entity and Industry at the end of the learnership/ apprenticeship or internship programme                                    |                            | 5                | 100%              |

5.4 The compliance targets for 5.1.1, 5.2.1, 5.2.2 of the Management Control scorecard are based on the overall demographic representation of black people as defined in the Regulations of Employment Equity Act and Commission on Employment Equity Report, as amended from time to time.

## 6. ENTERPRISE AND SUPPLIER DEVELOPMENT SPECIALISED SCORECARD

The following table represents the criteria to derive a score for Enterprise and Supplier Development under this statement.



| Criteria                            |                                                                                                                                                                                                                | Weighting points | Compliance targets |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------|
| <b>6.1 PREFERENTIAL PROCUREMENT</b> |                                                                                                                                                                                                                |                  |                    |
| 6.1.1                               | B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend                                                  | 5                | 80%                |
| 6.1.2                               | B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 4                | 15%                |
| 6.1.3                               | B-BBEE Procurement Spend from all Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend                                 | 5                | 15%                |
| 6.1.4                               | B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend         | 11               | 40%                |
| 6.1.5                               | B-BBEE Procurement Spend from Empowering Suppliers that are at least 30% black women owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend   | 5                | 12%                |
| <b>6.1.6 Bonus points</b>           |                                                                                                                                                                                                                |                  |                    |
| 6.1.6.1                             | B-BBEE Procurement Spend from Designated Group suppliers that are at least 51% black owned                                                                                                                     | 2                | 2%                 |

|                                                                                                                                                            |    |                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------|
| <b>6.2 SUPPLIER DEVELOPMENT</b>                                                                                                                            |    |                                                                                                                 |
| 6.2.1 Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target                                     | 15 | 2% of Net Profit After Tax (NPAT) or 0,2% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend |
| <b>6.3 ENTERPRISE DEVELOPMENT</b>                                                                                                                          |    |                                                                                                                 |
| 6.3.1 Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.       | 5  | 1% of NPAT or 0,1% Annual revenue/ Allocated budget/ Gross receipts/ Discretionary spend                        |
| <b>6.4 Bonus Points</b>                                                                                                                                    |    |                                                                                                                 |
| 6.4.1 Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level.                        | 1  |                                                                                                                 |
| 6.4.2 Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity | 1  |                                                                                                                 |

## 7. SOCIO-ECONOMIC DEVELOPMENT SPECIALISED SCORECARD

The following table represents the criteria to derive a score for Socio-Economic Development under this statement.

| Criteria                                                                                                               | Weighting Points | Compliance Target                                                                                                |
|------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------|
| 7.1 Annual value of all Socio-Economic Development contributions by the Measured Entity as a percentage of the target. | 5                | 1% of NPAT<br>or 0,1%<br>Annual<br>Revenue/<br>Allocated<br>budget/ Gross<br>receipts/<br>Discretionary<br>spend |

## 8. THE SPECIALISED QUALIFYING SMALL ENTERPRISES SCORECARD

8.1 The following table represents the Specialised Generic Scorecard and contains the:

8.1.1 Elements of the scorecard;

8.1.2 Weightings; and

8.1.3 The Code series reference that specify the mechanisms for measurement and calculation of each of the elements of the scorecard (Code series 602 - 605).

8.2. All other terms of statement 000 -600 apply to Measured Entities subject to this statement, mutatis mutandis.

| Element            | Weighting | Code series reference |
|--------------------|-----------|-----------------------|
| Management control | 25 points | 602                   |
|                    |           |                       |
| Skills development | 30 points | 603                   |

|                                     |           |     |
|-------------------------------------|-----------|-----|
|                                     |           |     |
| Enterprise and Supplier Development | 30 points | 604 |
| Socio-Economic Development          | 15 points | 605 |

- 8.3. A QSE is required to comply with all the applicable elements for purposes of measurement under the Specialised Qualifying Small Enterprise Scorecard.

## 9. THE MANAGEMENT CONTROL QUALIFYING SMALL ENTERPRISES SPECIALISED SCORECARD

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

| Criteria                                                                         | Weighting points | Compliance Target |
|----------------------------------------------------------------------------------|------------------|-------------------|
| <b>9.1 Executive Management</b>                                                  |                  |                   |
| 9.1.1 Black representation at Executive Management                               | 8                | 50%               |
| 9.1.2 Black female representation at Executive Management.                       | 3                | 25%               |
| <b>9.2 Senior, Middle and Junior Management</b>                                  |                  |                   |
| 9.2.1 Black representation at <b>Senior, Middle and Junior</b> management        | 11               | 60%               |
| 9.2.2 Black female representation at <b>Senior, Middle and Junior</b> management | 3                | 30%               |

## 10. SKILLS DEVELOPMENT QUALIFYING SMALL ENTERPRISES SPECIALISED SCORECARD

The following table represents the indicators and methods for calculating a score under this statement:

| 10.1 Skills Development Element                                                                  | Weighting points | Compliance Target |
|--------------------------------------------------------------------------------------------------|------------------|-------------------|
| 10.1.1 Skills development expenditure on learning programmes specified in the learning programme | 24               | 3%                |

|                                                                                                                                                             |   |    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---|----|
| matrix for black people as a percentage of leviable amount                                                                                                  |   |    |
| 10.1.2 Skills development expenditure on learning programmes specified in the learning programme matrix for black female as a percentage of leviable amount | 6 | 1% |

## **11. ENTERPRISE AND SUPPLIER DEVELOPMENT QUALIFYING SMALL ENTERPRISES SPECIALISED SCORECARD**

The following table represents the criteria to devise a score for Enterprise and Supplier Development under this statement.

| <b>Criteria</b>                                                                                                                                                                                               | <b>Weighting points</b> | <b>Compliance targets</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------|
| <b>11.1 PROCUREMENT</b>                                                                                                                                                                                       |                         |                           |
| 11.1.1 B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend                                          | 25                      | 60%                       |
| 11.1.2 B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 5                       | 10%                       |

## **12. SOCIO-ECONOMIC DEVELOPMENT QUALIFYING SMALL ENTERPRISES SPECIALISED SCORECARD**

The following table represents the criteria and method used for deriving a score for socio-economic development under this statement.

| <b>Criteria</b>                                                                                 | <b>Weighting Points</b> | <b>Compliance Target</b>  |
|-------------------------------------------------------------------------------------------------|-------------------------|---------------------------|
| 12.1 Annual value of all Socio-Economic Development Contributions and Qualifying Socio-Economic | 15                      | 1% of NPAT or 0,1% Annual |

|                                                                                      |  |                                                                         |
|--------------------------------------------------------------------------------------|--|-------------------------------------------------------------------------|
| Development Contributions made by the Measured Entity as a percentage of the target. |  | Revenue/<br>Allocated budget/<br>Gross receipts/<br>Discretionary spend |
|--------------------------------------------------------------------------------------|--|-------------------------------------------------------------------------|

### 13. IMPORTANT CLARIFICATION

The status of Socio-Economic Development Contributions made to any of the types of entities in paragraphs one and two under Code series 500 or 605 is not dependent on such entity's scorecard result, but rather on the nature of the contribution itself and the identity of that contribution's beneficiaries.

**CODE SERIES 100: THE MEASUREMENT OF THE OWNERSHIP ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT****STATEMENT 102:****RECOGNITION OF THE SALE OF ASSETS, EQUITY INSTRUMENTS, AND OTHER BUSINESSES**

Issued under section 9 of the Broad-Based Black Economic Empowerment Amendment Act of 2013

**Arrangement of this statement**

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**1. OBJECTIVES OF THIS STATEMENT**

The objectives of this statement are to:

- 1.1 Set out the conditions where the Sale of Assets, Equity Instruments and other Businesses will be recognised.
- 1.2 Set out how the Ownership points will be determined.

**2 APPLICATION**

- 2.1 A qualifying transaction in terms of this Statement may involve the sale of:
  - 2.1.1 an Asset;
  - 2.1.2 a Business; or
  - 2.1.3 Equity Instruments in an Entity.

**3 KEY PRINCIPLES****3.1 General Principles:**

- 3.1.1 A Seller that has concluded a transaction involving a sale of Asset, Equity Instrument or Business of a separately identifiable related business, may claim the benefits provided for in this statement in its own Ownership scorecard.
- 3.1.2 Where a Seller has claimed benefits in terms of this Statement under its Ownership scorecard it may not claim benefits under the Enterprise and Supplier Development element.

**3.2 Qualification Criteria:**

- 3.2.1 For Ownership points to be recognised the transaction:
  - 3.2.1.1 must result in the creation of viable and sustainable businesses or business opportunities in the hands of Black people; and
  - 3.2.1.2 result in the transfer of critical and specialised skills, managerial skills, and productive capacity to Black people.
- 3.2.2 A Sale of Asset, Equity Instrument and Business must involve a separately identifiable related Business which has:
  - 3.2.2.1 no unreasonable limitations or conditions with regards to its clients or customers;



and

- 3.2.2.2 clients, customers or suppliers other than the Seller.
- 3.2.2.3 B-BBEE shareholders or their successors if the BEE shareholding is the same or improved holding the asset for a minimum of three years.
- 3.2.3 Any operational outsourcing arrangements between the Seller and the separately identifiable related Business must be negotiated at arms-length on a fair and reasonable basis.
- 3.2.4 The transaction should be subject to an independent verification value by an independent expert.
- 3.2.5 The following transactions do not constitute Qualifying Transactions:
  - 3.2.5.1 transfers of business rights by way of license, lease or other similar legal arrangements not conferring unrestricted ownership; and
  - 3.2.5.2 sales of franchises by franchisors to franchisees, but includes sales of franchises from franchisees to other franchisees or to new franchisees.
  - 3.2.5.3 No Qualifying Transaction could be claimed as BEE ownership if a repurchase transaction is entered into within a three period after transaction implementation, even if transaction implementation is deferred post year 3. A seller cannot have any right to enforce such a repurchase.
  - 3.2.5.4 Ownership points are subject to existing contracts between the parties to remain in effect on market related terms, subject to market norm service levels.

#### **4 MEASUREMENT PRINCIPLES**

- 4.1 The calculation of the Ownership points in terms of the Ownership scorecard indicator 2.3 under statement 100 must be based on:
  - 4.1.1 the total value of the transaction.
  - 4.1.2 the value of Equity Instruments held by Black people in the separately identifiable related Business ;
  - 4.1.3 the carrying value of the Acquisition Debt of Black\_people in the separately identifiable related Business ; and
- 4.2 All calculations in terms of paragraph 4.1.1 to 4.1.3 must use a Standard Valuation method.
- 4.3 The Seller, applying Statement 102 for its full or part Ownership compliance, will have to comply with the provisions of paragraphs 3.3.1.1 and 3.3.3 under Statement 000 only to the extent of the transaction involving the separately identifiable related Business.
- 4.4 The Seller will have to comply with all other Priority elements as required by

paragraph 3.3 under Statement 000.

## **5 EQUIVALENCY PERCENTAGES**

- 5.1 Apply to the Ownership indicators in paragraphs 2.1 and 2.2 of the Ownership scorecard.
- 5.2 The Seller must include the Equivalency Percentages in its Ownership scorecard as if those percentages arose from a sale of Equity Instruments in the Seller to Black people.
- 5.3 The Equivalency Percentages for the indicators in paragraphs 2.1 and 2.2 of the Ownership scorecard can be calculated in terms of Annexe 102 (A).
- 5.4 Any portion or whole of the separately identifiable related business sold off to Black people, towards the fulfilment of the Ownership element of B-BBEE in terms of this Statement 102, is measurable against the total value of the Seller.
- 5.5 A standard valuation method must be used to determine the values of both the Seller and the separately identifiable related Business.
- 5.6 In calculating their Ownership score, the Seller may recognise the Value of the sale transaction in the separately identifiable related Business to Black people on the following basis:
  - 5.6.1 the separately identifiable related Business must form part of the same chain of ownership and be owned by the Seller;
  - 5.6.2 the percentage of the value of the separately identifiable related Business sold off or held by Black people to the total value of Seller represents the recognisable Economic Interest held by Black people; and
  - 5.6.3 the percentage of Exercisable Voting Rights ceded to the new owners of the separately identifiable related Business of the Equity Instruments in the Associate Entity represents the recognisable right to Exercisable Voting Rights held by Black people; and
  - 5.6.4 the rights of Ownership in the Equity Instruments are comparable to rights that would have accrued had the sale/transaction taken place at Seller level.

## **6 RECOGNITION OF SALE OF ASSET, EQUITY INSTRUMENTS, AND BUSINESSES**

- 6.1 A Seller seeking recognition of a Qualifying Transaction in its Ownership scorecard must determine that recognition under paragraph 4 in compliance with paragraph 2.3 of Statement 000:
  - 6.1.1 for the first three years after the transaction the Seller will recognise Ownership points on date of measurement based on:
    - 6.1.1.1 the value of the Seller; and

- 6.1.1.2 the value of the separately identifiable related Business.
- 6.1.2 for each year thereafter the third year, as per paragraph 6.1.1, the Seller will recognise Ownership points on date of measurement based on:
  - 6.1.2.1 the Ownership indicator percentages achieved at the date of measurement in the third year after the transaction.
- 6.2 A Seller seeking recognition of a Qualifying Transaction for the indicators in paragraphs 2.1 and 2.2 of the Ownership scorecard must obtain a review of the transaction value by an Independent Expert, who is required to opine on the fairness of the transaction value. Continued recognition for the indicators in paragraphs 2.1 and 2.2 of the Ownership scorecard is subject to the opinion by the Independent Expert supporting the transaction value.
- 6.3 Net Value points recognition for the Seller will be based on the points achieved, using the principles outlined in paragraph 4 above, in the third year as per the provisions of this paragraph
- 6.4 Net Value points will be measured based on the time based Graduation Factor as provided for in Statement 100.
- 6.5 Subject to obtaining an opinion on the Net Value calculation by an Independent Expert, who will be required to opine on whether the Net value calculation is fair and whether the Graduation Factor has been applied accurately, for each year after year 3, the Seller will continue to recognise Net Value Ownership points on the measurement date equal to the Net Value Ownership Points achieved in year 3.

**Annexe 102 (A)**

**This formula determines the equivalency percentages for the indicators in paragraph 2.1 and 2.2 of the Ownership Scorecard.**

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

Where

**A** is the Equivalency Percentage for each of the indicators in paragraphs 2.1 and 2.2 of the Ownership scorecard

**B** is the value of the Qualifying Transaction to the separately identifiable related Business determined using a Standard Valuation method

**C** is the value of the Seller determined using a Standard Valuation method

**D** is the Indicator Percentages of the separately identifiable related Business

**Definition:**

**Separately Identifiable Related Business** is defined, for the purposes of this Statement, as a business that is related to the Seller by virtue of being a Subsidiary, Joint Venture, Associate, Business Division, Business Unit, or any other similar related arrangements within the Ownership structure of the Seller.

**CODE SERIES 100: THE MEASUREMENT OF THE OWNERSHIP ELEMENT OF  
BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

**STATEMENT 103: THE RECOGNITION OF EQUITY EQUIVALENTS FOR  
MULTINATIONALS**

Issued under section 9 of the Broad-Based Black Economic Empowerment Amended Act  
of 2013

**Arrangement of this statement**

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**1 OBJECTIVES OF THIS STATEMENT**

The objectives of this statement are to:

- 1.1 Define the means by which Multinationals may apply for recognition of Equity Equivalent programmes; and
- 1.2 Specify how contributing towards the Ownership element of Broad Based Black Economic Empowerment (B-BBEE) by Multinationals is measurable.

**2 KEY MEASUREMENT PRINCIPLES**

Any Equity Equivalent contributions towards the Ownership element of B-BBEE made by Multinationals are measurable against the value of their operations in the Republic of South Africa.

**3 RECOGNITION OF EQUITY EQUIVALENT PROGRAMMES**

- 3.1 The Minister may approve certain Equity Equivalent Investment Programmes (EEIP) after the Multinational has consulted with the sectoral Line Ministry, Premiers or other stakeholders in any government department, provincial government or local government with respect to their equity equivalent proposal.
- 3.2 Any Equity Equivalent programme forming part of a Sector Code constitutes an approved programme. The ownership target of the relevant Sector Code shall apply.
- 3.3 Equity Equivalent programmes are preferably Sector Specific, but the Minister may consider requests for approval of programmes that are not Sector Specific.
- 3.4 Equity Equivalent programmes may involve projects that support Government strategic economic development policies and programmes such as:
  - 3.4.1 The Industrial Policy Action Plan (IPAP) and the Black Industrialists Development Programme;
  - 3.4.2 The New Growth Path (NGP);
  - 3.4.3 The National Skills Development Strategy; and
  - 3.4.4 The National Development Plan.
- 3.4.5 Equity Equivalent programmes must promote and advance the following critical areas:
  - 3.4.5.1 Enterprise and Supplier Development;
  - 3.4.5.2 Research and Development; and

- 3.4.5.3 Critical and core Skills.
- 3.4.6 Multinationals may have any of the enterprises or natural persons stipulated under paragraphs 3.4.7 and 3.4.8 below as beneficiaries of their Equity Equivalent programmes.
- 3.4.7 If the beneficiaries of any programme stated under 3.4.6 above are Enterprises, the following criteria will apply:
  - 3.4.7.1 for Exempted Micro Enterprises, the beneficiary must be a level one B-BBEE compliant enterprise; and
  - 3.4.7.2 for Qualifying Small Enterprises, the beneficiary must be a level one B-BBEE compliant enterprise.
- 3.4.8 If the Beneficiaries of any programme state under 3.4.6 above are Natural Persons or Designated Groups or Co-Operatives or Communities, the following criteria will apply:
  - 3.4.8.1 The natural persons who are Black people must be at least 75% of the total beneficiaries;
  - 3.4.8.2 The Economic Interest/Benefit allocated to the beneficiaries must be at least 75%.
  - 3.4.8.3 In the event that the Beneficiaries are represented by a Co-Operative then Black women must own more than 30% of the Co-operative.
- 3.5 Equity Equivalent programme applications must include:
  - 3.5.1 full description of the programme objectives and projected outcomes;
  - 3.5.2 Qualification criteria for participation in the programme;
  - 3.5.3 Timelines for implementation and delivery with milestones against which progress is measurable; and
  - 3.5.4 Details about the sponsors of the programme.
- 3.6 Equity Equivalent programmes are limited to Multinationals subject to a Global Practice.

#### **4 MEASUREMENT OF EQUITY EQUIVALENT CONTRIBUTIONS ON THE OWNERSHIP SCORECARD**

- 4.1 The Ownership Score of a Multinational participating in an Equity Equivalent programme is calculated in terms of paragraph 4.3. A Multinational participating in an Equity Equivalent programme cannot receive any points for ownership under any statement in Code Series 100 other than this statement.
- 4.2 Contributions to Equity Equivalent programmes are measured as actual contributions made using the general principle set out in code series 400 and 500 against any of the following targets:
- 4.2.1 25% of the value of the South African operations of the Multinational, determined using a Standard Valuation Method; or
- 4.2.2 4% of Total Revenue from its South African operations annually over the period of continued measurement.
- 4.3 The Ownership Score under an Equity Equivalent programme using either of the targets in paragraph 4.2 must be calculated in terms of Annexe 103 (A).

#### **5 EEIP OWNERSHIP POINTS CERTIFICATE**

- 5.1 The EEIP Ownership Points Certificate awarded in terms of this statement will be valid for an investment period agreed upon in terms of paragraph 9 below.

#### **6 TOPPING-UP**

- 6.1 If a Multinational wants to retain its EEIP Ownership Points at the date of expiry of its Certificate in terms of paragraph 5 above, then the Multinational will have to reinvest and make an additional contribution into a new Equity Equivalent programme using the Topping-Up principle as illustrated in the Technical Assistance Guide of the B-BBEE Codes.

#### **7 PARTIAL CONTRIBUTIONS**

- 7.1 Multinationals can make partial contributions to the EEIP on proportional ratio basis for the recognition of Ownership points. The Ownership points will be awarded and determined in terms of the provisions of both Statement 100 and Statement 103.
- 7.2 The minimum partial contributions that can be made towards EEIP, as allowed in terms of paragraph 7.1 above, must be at least 40% of the



compliance target for the Ownership scorecard.

## **8 INVESTMENT PERIODS**

- 8.1 Total contributions that are more than R100 million can be considered for an investment period of up to 10 years;
- 8.2 Total contributions between R75 million and R100 million can be considered for an investment period of up to seven years;
- 8.3 Total contributions between R50 million and R75 million can be considered for an investment period of up to five years; and
- 8.4 Total contributions that are less than R50 million can be considered for an investment period of up to three years.

## **9 RULES FOR THE ADMINISTRATION OF THE PROGRAMME**

- 9.1 If the administration of the programme is outsourced then the rules stated below will apply, where applicable:
  - 9.1.1 the economic interest and voting rights of the administrator must be at least 51% Black owned;
  - 9.1.2 the administrator must be B-BBEE compliant and be a superior B-BBEE contributor;
  - 9.1.3 the administration fee for programme must not exceed 15%;
  - 9.1.4 the administrator must possess the appropriate and necessary skill and experience;
  - 9.1.5 the programme manager responsible for overseeing the implementation of the programme by the administrator must be in possession of the B-BBEE Management Development Programme;
  - 9.1.6 the programme manager must sign off on all reports to the multinational and/or to Department of Trade and Industry( " **the dti**");
  - 9.1.7 all goods and services procured for the purposes of implementing this programme must be sourced and procured from Service Providers that are B-BBEE compliant with a minimum B-BBEE Level Four; and
  - 9.1.8 **the dti** reserves the right to request the B-BBEE verification certificate of both the administrator and the Service Provider(s) of goods and services procured in terms of paragraph 9.1.7 above.

- 9.2 If the administration of the programme is located within the Multinational, then the rules stated below will apply:
- 9.2.1 the staff assigned to the administration of the programme must possess the appropriate and necessary skill and experience;
- 9.2.2 the programme manager responsible for overseeing the implementation of the programme must be in possession of the B-BBEE Management Development Programme;
- 9.2.3 the administration fee for the programme must not exceed 15%;
- 9.2.4 all goods and services procured for the purposes of implementing this programme must be sourced and procured from Service Providers that are B-BBEE compliant with a minimum B-BBEE Level Four;
- 9.2.5 the programme manager and the CEO must sign off on all reports to **the dti**; and
- 9.2.6 **the dti** reserves the right to request the B-BBEE verification certificate of the Service Provider(s) of goods and services procured in terms of paragraph 9.2.4 above.

## **10 SPECIFIC RULES ON MULTINATIONALS**

- 10.1 Any contributions towards the Ownership element of B-BBEE made by Multinationals, in terms of this Statement, are measurable against the value of their operations in the Republic of South Africa.
- 10.2 In calculating their Ownership score, Multinationals and South African Multinationals must apply the Exclusion Principle to any portion of the business value of their South African operations gained from non-South African sources. A Standard Valuation Method must be used to determine the value of the South African operations.
- 10.3 In calculating their Ownership score Multinationals may recognise sales of Equity Instruments in non-South African companies to Black people on the following basis:
- 10.3.1 the non-South African company and the Multinational in South Africa must form part of the same chain of ownership and be owned by the same ultimate parent company; and
- 10.3.2 the transaction must comply with South African exchange control requirements; and
- 10.3.3 the percentage of the value of the Equity Instruments (i.e. in the Non-South African company) sold to or held by South African Black people in the non-South African company to the value of the Multinational based in South Africa represents the recognisable Black claim to Economic Interest; and

- 10.3.4 the percentage of Exercisable Voting Rights ceded to the buyers of the Equity Instruments in the Multinational represents the recognisable Black right to Exercisable Voting Rights; and
- 10.3.5 The rights of Ownership in the Equity Instruments are comparable to rights that would have accrued to Black people had the Equity Instrument been held in the Multinational in South Africa.

**ANNEXE 103(A)**

**This formula is for determining the Ownership Score under an Equity Equivalent Programme using either of the targets in paragraph 4.2, where the contribution is made upfront on a once off basis.**

$$A = \frac{B}{C} \times 25$$

**Where**

**A** is Ownership points of the Multinational in any year arising from its equity equivalent contribution

**B** is the value of contributions made

**C** is the financial value of the target of 4% of total revenue from its South African operations annually over the period of continued measurement;

**This formula is for determining the Ownership Score under an Equity Equivalent Programme using either of the targets in paragraphs 4.2, where the contribution is made on an annual basis towards a 10 year target is as follows:**

$$A = \frac{B}{C} \div \left( \frac{1}{25\% \times D} \right) \times 25$$

**Where**

**A** is Ownership points of the Multinational in any year arising from its equity equivalent contribution

**B** is the value of total contributions made as at the date of measurement

**C** is the financial value of the target in paragraph 4.2.1 or the 10 year value of contributions to be made over the life of this statement

**D** is the time-based graduation factor outlined below:

- **10%** for the first year after the commencement of statement 000.
- **20%** for the second year after the commencement of statement 000.
- **40%** from the first day of the third year after the commencement date of statement 000 to the last day at the end of the fourth year after the commencement date of statement 000.
- **60%** from the first day of the fifth year after the commencement date of statement 000 to the last day at the end of the sixth year after the commencement date of statement 000.

- **80%** from the first day of the seventh year after the commencement date of statement 000 to the last day at the end of the eighth year after the commencement date of statement 000.
- **100%** from the first day of the ninth year after the commencement date of statement 000 to the last day at the end of the 10th year after the commencement date of statement 000.

**CODE SERIES 600: MEASUREMENT FRAMEWORK FOR  
QUALIFYING SMALL ENTERPRISES (QSE'S)**

Issued under section 9 of the Broad-Based Black Economic Empowerment Amendment Act of 2013

**Arrangement of this statement**

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**STATEMENT 600: THE FRAMEWORK FOR THE QUALIFYING SMALL ENTERPRISE  
SCORECARD OBJECTIVES OF THIS STATEMENT**

**1 OBJECTIVES OF THIS STATEMENT**

1.1 The objectives of this statement are to:

1.1.1 specify the Elements of Broad Based Black Economic Empowerment (B-BBEE) measurable under the Qualifying Small Enterprise (QSE) Scorecard;

1.1.2 specify the QSE Scorecard;

1.1.3 specify the principles in the Generic Statements (100 - 500) applicable to Qualifying Small Enterprises.

1.1.4 Specify the scorecard for measuring the Qualifying Small Enterprise (QSE) contributions to B-BBEE.

1.1.5 The key measurement principles for measuring QSE contribution to B-BBEE are specified under Statement 000: General Principles and the Generic Scorecard unless stated in this statement.

**2 ELIGIBILITY AS A QSE**

2.1 Any enterprise with an annual Total Revenue of between R10 million and R50 million qualifies as a QSE, if its qualification does not result from circumvention of the codes.

**3 THE QUALIFYING SMALL ENTERPRISE SCORECARD**

3.1 The following table represents the QSE Scorecard and contains the Elements of the scorecard and the weightings for each element:

| <b>Element</b>                                     | <b>Weighting</b> | <b>Code<br/>Series<br/>600</b> |
|----------------------------------------------------|------------------|--------------------------------|
| <b>Framework</b>                                   |                  | 600                            |
| <b>Ownership</b>                                   | 25 points        | 601                            |
| <b>Management control</b>                          | 15 points        | 602                            |
| <b>Skills Development</b>                          | 25 points        | 603                            |
| <b>Enterprise and<br/>Supplier<br/>Development</b> | 30 points        | 604                            |
| <b>Socio-Economic<br/>Development</b>              | 5 points         | 605                            |

- 3.2 The Weighting points in respect of any element in the scorecard represent the maximum number of points possible for each of the criteria.
- 3.3 The B-BBEE compliance of a QSE must be determined in accordance with code 000.
- 3.4 Any matter concerning the application of the QSE scorecard that is not dealt with explicitly in this scorecard must be dealt with in terms of codes 100-500.



## 2. STATEMENT 601: OWNERSHIP FOR QSE

### 2.1 THE QSE OWNERSHIP SCORECARD

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

| Category and Ownership Indicator                                                 | Weighting points | Compliance Target      |
|----------------------------------------------------------------------------------|------------------|------------------------|
| <b>2.1.1 Voting rights:</b>                                                      |                  |                        |
| 2.1.1.1 Exercisable Voting Rights in the Enterprise in the hands of black people | 5                | 25%+1 vote             |
| 2.1.1.2 Exercisable Voting Rights in the Enterprise in the hands of black women  | 2                | 10%                    |
| <b>2.1.2 Economic Interest:</b>                                                  |                  |                        |
| 2.1.2.1 Economic Interest of black people in the Enterprise                      | 5                | 25%                    |
| 2.1.2.2 Economic Interest of black women in the Enterprise                       | 2                | 10%                    |
| 2.1.2.3 New Entrants or Black Designated Groups                                  | 3                | 2%                     |
| <b>2.1.3 Realisation points:</b>                                                 |                  |                        |
|                                                                                  |                  |                        |
| 2.1.3.1 Net Value                                                                | 8                | Refer to Annex 100 (E) |

### 2.2 KEY MEASUREMENT PRINCIPLES AND SUB-MINIMUM REQUIREMENTS

2.2.1 General principles:

2.2.2 Key Measurement Principles and sub-minimum requirements under statement 100 are applicable to this statement.

2.2.3 Any interpretation or calculation of a QSE score for ownership must be made in accordance with statement 100.

### 3. STATEMENT 602: MANAGEMENT CONTROL FOR QSE

#### 3.1 THE QSE MANAGEMENT CONTROL SCORECARD

3.1.1 The following table represents the indicators and method for calculating a score for management control under this statement:

| Criteria                                                                             | Weighting points | Compliance Target |
|--------------------------------------------------------------------------------------|------------------|-------------------|
| <b>3.1.1.1 Executive Management</b>                                                  |                  |                   |
| 3.1.1.1.1 Black representation at Executive Management                               | 5                | 50%               |
| 3.1.1.1.2 Black female representation at Executive Management.                       | 2                | 25%               |
| <b>3.1.1.2 Senior, Middle and Junior Management</b>                                  |                  |                   |
| 3.1.1.2.1 Black representation at <b>Senior, Middle and Junior</b> management        | 6                | 60%               |
| 3.1.1.2.2 Black female representation at <b>Senior, Middle and Junior</b> management | 2                | 30%               |

#### 3.2 KEY MEASUREMENT PRINCIPLES

3.2.1 For the purpose of the QSE scorecard, executive management include other executive management as described under the general principles of statement 200.

3.2.2 The demographic representation of black people as defined in the Regulations of the Employment Equity Act and Commission on Employment Equity report are not applicable to the QSE Scorecard.

3.2.3 A measured entity must use the recent payroll data in calculating its score under the management control scorecard.

#### ANNEXE 602 ( A)

##### 1 Calculating compliance

1.1.1 The calculation of the management indicators provided for in paragraph 3.1 is as follows:

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

Where

**A** is the score for management indicator in paragraph 3.1

**B** is the number of the measurable category of black Executive ( or black female Executive) or black Senior, Middle and Junior Management ( or black female Senior, Middle and Junior Management ) as a percentage of the total number of Executive Management or Senior, Middle and Junior Management of the Measured Entity

**C** is the compliance target for the applicable criteria as referred to in the scorecard under statement 602

**D** is the Weighting points for the applicable criteria as referred to in the scorecard under statement 602

#### 4 STATEMENT 603: SKILLS DEVELOPMENT FOR QSE

##### 4.1 THE QSE SKILLS DEVELOPMENT SCORECARD

4.1.1 The following table represents the indicators and methods for calculating a score under this statement:

| 4.1.1.1 Skills Development Element                                                                                                                                                | Weighting points | Compliance Target |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|
| 4.1.1.1.1 Skills development expenditure on learning programmes specified in the learning programme matrix for black people as a percentage of leviable amount.                   | 15               | 3%                |
| 4.1.1.1.2 Skills development expenditure on learning programmes specified in the learning programme matrix for black female as a percentage of leviable amount.                   | 7                | 1%                |
| 4.1.1.1.3 Skills development expenditure on learning programmes specified in the learning programme matrix for black people with disabilities as a percentage of leviable amount. | 3                | 0.15              |
| <b>Bonus Points</b>                                                                                                                                                               |                  |                   |
| 4.1.1.2 Number of black people absorbed by the measured entity and industry at the end of the learning programme.                                                                 | 5                | 100%              |

##### 4.2 KEY MEASUREMENT PRINCIPLES AND SUB-MINIMUM REQUIREMENTS

4.2.1 Sub-minimum requirements and Discounting principle under Statement 300 are applicable to this statement.

4.2.2 The demographic representation of black people as defined in the Regulations of the Employment Equity Act and the Commission on Employment Equity report are not applicable to the QSE Scorecard.

4.2.3 Where applicable, the following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development scorecard :

4.2.4 Workplace Skills Plan, an Annual Training Report and Pivotal Report which are SETA approved; and

4.2.5 Implementation of Priority Skills programme generally, and more specifically for black people.

4.2.6 The learning programme matrix under code series 300 is applicable to this statement.

4.2.7 The learning programme matrix that explains the method of measurement of the criteria under

the skills development scorecard must be in accordance with code series 300.

4.2.8 This equation 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 measurement category indicator

**B** is the percentage of spend in the measurement category that are black people or black female

**C** is the target for the applicable criteria as referred to in the scorecard under statement 603

**D** is the Weighting points for the applicable criteria as referred to in the scorecard under statement 603

**5 STATEMENT 604: ENTERPRISE AND SUPPLIER DEVELOPMENT FOR QSE****5.1 THE QSE ENTERPRISE AND SUPPLIER DEVELOPMENT SCORECARD**

5.1.1 The following table represents the criteria for deriving a score for Enterprise and Supplier Development under this statement.

| Criteria                                                                                                                                                                                                         | Weighting points | Compliance targets                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------|
| <b>5.1.1.1 PREFERENTIAL PROCUREMENT</b>                                                                                                                                                                          |                  |                                   |
| 5.1.1.1.1 B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend                                          | 15               | 60%                               |
| 5.1.1.1.2 B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend | 5                | 15%                               |
| <b>5.1.1.2 Bonus Points</b>                                                                                                                                                                                      |                  |                                   |
| B-BBEE Procurement Spend from Designated Group suppliers that are at least 51% black owned based on the B-BBEE Recognition Level.                                                                                | 1                | 1%                                |
| <b>5.1.1.3 SUPPLIER DEVELOPMENT</b>                                                                                                                                                                              |                  |                                   |
| 5.1.1.3.1 Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target.                                                                                      | 5                | 1% of Net Profit After Tax (NPAT) |
| <b>5.1.1.4 ENTERPRISE DEVELOPMENT</b>                                                                                                                                                                            |                  |                                   |
| 5.1.1.4.1 Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.                                                         | 5                | 1% of NPAT                        |
| <b>5.1.1.5 Bonus Points</b>                                                                                                                                                                                      |                  |                                   |
| 5.1.1.5.1 Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level.                                                                          | 1                |                                   |
| 5.1.1.5.2 Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity.                                                  | 1                |                                   |

**5.2 KEY MEASUREMENT PRINCIPLES AND SUB-MINIMUM REQUIREMENTS**

- 5.2.1 Key Measurement Principles and sub-minimum requirements under statement 400 are applicable to this statement.
- 5.2.2 In calculating the compliance of a measured entity the following Net Profit After Tax (NPAT) target applies unless:
  - 5.2.2.1 the company does not make a profit in the last year or on average over the last five years.
  - 5.2.2.2 the net profit margin is less than a quarter of the norm in the industry.
- 5.2.3. If the turnover is to be used, the target will be set at:
  - 5.2.3.1  $1\% \times \text{indicative profit margin (NPAT/turnover)} \times \text{turnover}$ .
  - 5.2.3.2 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.
- 5.2.4 Any interpretation or calculation of a QSE's score for Enterprise and Supplier Development must be made in accordance with statement 400.

**ANNEXE 606 (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 for 1.1.2 of this statement (Supplier Development)                                          | Percentage of invoiced amount multiplied by 15% (being an approximation of the cost of short term funding) | Percentage being 15 days less the number of days from invoice to payment<br>Maximum points that can be scored 15% of 10points |

**5.3 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.

## 6. STATEMENT 605: SOCIO-ECONOMIC DEVELOPMENT CONTRIBUTIONS FOR QSE's

### 6.1 THE QSE SOCIO-ECONOMIC DEVELOPMENT (SED) SCORECARD

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

6.1.1.1 The NPAT or average target applies unless:

6.1.1.2 the company does not make a profit in the last year or on average over the last five years.

6.1.1.3 the net profit margin is less than a quarter of the norm in the industry.

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

6.1.2.1  $1\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$ .

6.2 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 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|
| Annual value of all Socio-Economic Development Contributions and Qualifying Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target. | 5                | 1% of NPAT        |

### 6.3 KEY MEASUREMENT PRINCIPLES

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

6.3.2 Socio-Economic Development Qualifying Contributions of any Measured Entity are recognisable annually;

6.3.3 No portion of the value of any Qualifying Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.

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

6.3.5 The recognition of SED Contributions must be determined in accordance with code 500.



**ANNEXE 605 (A)**

| 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 or sector specific initiatives                                                                   | Verifiable Cost (including both monetary and non-monetary)        | 100%           |
| Discounts in addition to normal business practices supporting socio-economic development or sector specific initiatives                                        | Discount Amount (in addition to normal business discount)         | 100%           |
| Overhead Costs incurred in supporting socio-economic development or sector specific initiatives                                                                | 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 or sector specific initiatives                                                 | Commercial hourly rate of professional                            | 80%            |
| Professional services rendered at a discount supporting socio-economic development or sector specific initiatives                                              | 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 or sector specific initiatives | Total annual cost to company of the employee divided 1095         | 80%]           |

**ANNEXE 605 [ (B)****7. MEASUREMENT OF QUALIFYING CONTRIBUTIONS**

7.1 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 or the 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 605

**D** is the Weighting points allocated to the criteria under the scorecard for statement 605

**8. 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.











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