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## GENERAL NOTICE

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### NOTICE 876 OF 2014

#### DEPARTMENT OF TRADE AND INDUSTRY

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

Gazette the following Amended Broad-Based Black Economic Empowerment Codes of Good Practice for public commentary from 10 October 2014 to 14 November 2014.

- a) Qualifying Small Enterprise statements Code 600;
- b) Development and gazette of Sector Charters Code 000 Statement 003;
- c) Scorecard for Specialised Enterprises Code 000 Statement 004;
- d) Recognition in the Sale of Assets Code 100 Statement 102;
- e) Recognition of Equity Equivalents for Multinationals Code 100 Statement 103.



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**Dr ROB DAVIES, MP**  
**MINISTER OF TRADE AND INDUSTRY**

DATE: 29 9 2014

**STATEMENT 003: AMENDED GUIDELINES FOR DEVELOPING AND GAZETTING OF  
TRANSFORMATION CHARTERS [AND], SECTOR CODES AND TRANSFORMATION  
PLANS**

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

**Arrangement of this statement**

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## GENERAL EXPLANATORY NOTE

[ ] Words in bold type in square brackets indicate deletions from existing enactments

\_\_\_ Words underlined with a solid line indicate insertions into existing enactments

### 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 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;
- 1.4 the status of **[enterprise]** B-BBEE Transformation plans; and
- 1.5 Recommend an approach for drawing up Transformation Charters, Sector Codes and Transformation Plans.

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

- 2.1 The **[representative body]** Line Ministry, together with the relevant sector body of a 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.
- 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.
- 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 **[3.1.6]** 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 **[3.1.7]** 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 **[representative body]** Line Ministry supported by the sector body of a sector seeking to gazette a Sector Code under section nine must:
- 3.2.1 Apply in writing to the Minister;
- 3.2.2 indicate the process by which the **[Charter]** Sector Code has been **[B-BBEE]** developed; and
- 3.2.3 provide evidence of compliance with section 12 of the B-BBEE Act.
- 3.3 **[The Minister must refuse an application under this paragraph 3 if the proposed Sector Code]** Grounds for refusal to gazette Sector Code:
- 3.3.1 The [inadequately addresses any of the]fundamental principles of any of the Elements of the **[referred to in the]** Generic Scorecard are not adequately addressed as per [as referred to in] paragraph 3.1.2 above;
- 3.3.2 If there are deviations in the [contains deviations from the] calculation, methodologies and definitions applicable in measuring B-BBEE compliance as per [referred to in] paragraph 3.1.3 and 3.1.4 above;
- 3.3.3 **[contains deviations in the definitions of beneficiaries of B-BBEE as referred to in paragraph 3.1.3;]**
- 3.3.4 contains inconsistencies in the Targets and Weightings not fully justified as per [referred to in] paragraph 3.1.5 above **[unless fully justified under that paragraph; or]**
- 3.3.5 **[contains inadequacies or a potential for]** ambiguity with regards to sectorial scope of application [in defining the scope of the sector] as per [referred to in] paragraph 3.1.9. above.
- 3.4 **[If on receiving the documents referred to in paragraph 3.2, the Minister decides against adopting that proposed Sector Code, the Minister may:]**
- 3.4.1 **[refer the application back to the representative body for the sector;]**
- 3.5 **[refer the documents to the Advisory Council for further consideration or recommendations]**3.5 **[The Minister may issue a draft Sector Code for public comment, in terms of section 9(5) of the BEE Act.]**
- 3.6 **[After considering the public comment, the Minister may gazette the Transformation Charter as a Sector Code under section nine of the Act.]**

- 4 PROCEDURE FOR DEVELOPING AND GAZETTING OF SECTOR TRANSFORMATION PLANS**
- 4.1 Sector Transformation Plans are policy guidelines to achieve transformation by individual entities in their sectors and they shall be approved by the Line Ministry and gazetted by the Minister of Trade and Industry. These are sector-specific commitments to B-BBEE and are aimed to address identified sector specific peculiarities which are not addressed by the Generic Codes.
- 4.2 Government shall from time to time identify sectors or industries where there is a need to develop a Sector Transformation Plan. The process for the development of a Sector Transformation Plan shall be government-led and supported by stakeholder inputs.
- 4.3 Government shall ensure identification of key stakeholders and appointment of a representative Sector Transformation Forum.
- 4.4 The main responsibilities of the Sector Transformation Forum are to support government to develop Sector Transformation Plans and to monitor their implementation thereof.
- 4.5 When implementing their B-BBEE initiatives entities in those sectors should use them as guidelines for implementation of the B-BBEE strategies and plans.
- 4.6 Sector Transformation Plans once gazetted Line Ministries will be empowered to use these plans and requirement for transformation in their respective sectors.
- 4.7 Every organ of state and public entity must apply any relevant Sector Transformation Plans in—
- 4.7.1 determining qualification criteria for the issuing of licences, concessions; or other authorisations in respect of economic activity in terms of any law;
- 4.7.2 developing and implementing a preferential procurement policy;
- 4.7.3 determining qualification criteria for the sale of state-owned enterprises;
- 4.7.4 developing criteria for entering into partnerships with the private sector; and
- 4.7.5 determining criteria for the awarding of incentives, grants and investment schemes in support of broad-based black economic empowerment.
- 4.8 The private sector entities shall use Sector Transformation Plans as guidelines for transformation of their sectors. For the purpose of measurement of their B-BBEE status private sector entities shall use the Generic Codes of Good Practice.

- 4.9 Despite section 4.8 private sector entities are encouraged on an annual basis to report on progress made on implementation of Sector Transformation Plans.
- 4.10 Furthermore, it shall be compulsory for an entity that conducts business with government in terms of section 4.6 above, where there is a Sector Transformation Plan in place, to comply with the requirements of the plan.
- 4.11 The following principles apply to developing Sector Transformation Plans:
- 4.11.1 there must be common commercial and other characteristics within the entities operating in the sector which would make it feasible to formulate a transformation plan;
- 4.11.2 the proposed transformation plan must fully address all the Elements in the Generic Scorecard;
- 4.11.3 the proposed transformation plan must use the same definitions in respect of all beneficiaries as those used in the Codes;
- 4.11.4 the proposed transformation plan must use the same calculation methodologies to measure compliance as those used in the Codes;
- 4.11.5 the proposed transformation plan may deviate from Targets and Weightings used in the Codes only where those deviations are justifiable based on sound economic principles, sectoral characteristics or empirical research;
- 4.11.6 a transformation plan 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 .
- 4.11.7 the proposed transformation plan may introduce a new additional Element for measurement where such addition is justifiable based on sound economic principles, sectoral characteristics or empirical research;
- 4.11.8 the proposed transformation plan must clearly define its scope of application;
- 4.11.9 No transitional period shall be provided for the implementation of a transformation plan.
- 4.12 The Line Ministry of a sector seeking to gazette a Sector Transformation Plan must:
- 4.12.1 apply in writing to the Minister;
- 4.12.2 indicate the process by which the transformation plan has been developed; and
- 4.12.3 provide evidence of compliance with section 12 of the B-BBEE Act.

- 4.13 The Sector Transformation Forums should report to their Line Ministry and Minister of Trade and Industry on progress made by the sector subject to the relevant Sector Transformation Plan. 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.
- 4.14 Sectors that have Sector Codes in place will not develop Sector Transformation Plans.

#### **[4] 5. STATUS OF TRANSFORMATION CHARTERS AND SECTOR CODES**

- 5.1 [4.1] A section 12 [The gazettement of a] Transformation Charter constitutes a sectoral commitment [under section 12 of the Act is evidence of the commitment] to promote B-BBEE., [in the applicable sector and] It is not legally binding on the applicable sector, organs of state or public and private entities.
- 5.2 [4.2] Code series 000 to 600 [700] and any statements under those Codes remain applicable to enterprises in the sector, despite the gazettement of their Transformation Charter under section 12 of the Act.
- [4.3] [A sector code enjoys equal status with that of any other code]**
- 5.3 A measured entity in a sector in respect of which the Minister of Trade and Industry has issued a sector code may only be measured in accordance with that sector code.
- 5.4 A section 9 (1) Code is legally binding on the applicable sector, organs of state or public and private entities.
- 5.5 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.
- 5.5.1 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.
- 5.5.2 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.



**Deletion of paragraph 5.1 to 5.3 of the Codes Series 000, Statement 003 – Recommended Model for Developing Transformation Charters (deleted sections will be inserted in the Technical Assistance Guide)**

**5. [RECOMMENDED MODEL FOR DEVELOPING TRANSFORMATION CHARTERS**

**5.1 This paragraph provides guidance to sectors wishing to develop Transformation Charters. It is not a legal requirement.**

**5.2 Recommended model for developing Transformation Charters:**

**5.2.1 The following represents the matters needing consideration by sectors developing a Transformation Charter for gazetting under section 12 of the B-BBEE Act:**

**5.2.1.1 the sector seeking to gazette their Transformation Charter should interact or transact with the organs of state or public entities;**

**5.2.1.2 there should be common commercial and other characteristics within the entities forming part of the proposed sector;**

**5.2.1.3 the sector should be significant having regard to:**

**5.2.1.3.1 The national strategic importance of the sector as determined by government; and**

**5.2.1.3.2 the volume and value of transactions taking place between the sector and organs of state or public entities collectively - this is measurable by reference to the total volume and value of transactions taking place within the sector.**

**5.2.2 The following represents a recommended model for developing a Transformation Charter:**

**5.2.2.1 Public Proclamation of Charter: there must be a public proclamation of the object of developing a Transformation Charter.**

**5.2.2.2 Setting of Charter Mandate: the initiators of the Charter process propose setting the mandate of the Charter and the Charter's overall objectives. These initiators should then present a proposed mandate for the Charter, to relevant stakeholders for consideration and comment. The final mandate of the Charter must reflect the concerns and needs of the stakeholders.**

**5.2.2.3 Appointment of a Steering Committee: the initiators of the Charter process appoint a Steering Committee. This Steering Committee should represent relevant groups of stakeholders and should consist of senior and influential members of entities, organisations or departments in the sector.**

**5.2.2.4 Appointment of relevant Working Groups: the Steering Committee appoints several working groups to aid in drafting the Charter. Element specific working groups are desirable.**

**5.2.2.5 First Draft: Based on recommendations by the appointed Working Groups, the Steering Committee must compile the first draft of the Charter for presentation to stakeholders.**

**5.2.2.6 Consultation with Stakeholders: the Steering Committee will communicate the key elements of the first draft of the Transformation Charter, including a draft of its scorecard to stakeholders.**

**5.3 Recommended Consulting Process, Representatives and Stakeholder Identification:**

**5.3.1 The consultation process for developing a Transformation Charter can take any of the following forms:**

**5.3.1.1 a major gathering of the key stakeholders in the sector;**

**5.3.1.2 workshops addressing particular issues in the Transformation Charter;**

**5.3.1.3 sector-wide road shows; or**

**5.3.1.4 other interactive mechanisms that would ensure effective communication with and participation by the relevant stakeholders.**

**5.3.2 The relevant stakeholders may include:**

**5.3.2.1 key enterprises within the sector;**

**5.3.2.2 industry bodies for the sector and the relevant chamber of commerce;**

**5.3.2.3 government, and in particular, the relevant government departments having jurisdiction over the particular sector;**

**5.3.2.4 labour bodies or the relevant trade unions;**

**5.3.2.5 industry regulators and civil society organisations; and**

**5.3.2.6 any others with a relevant interest in the sector.**

**5.3.3 The steering committee should have equitable representation to enable participation by all the different stakeholders in the Transformation Charter formulation.**

**5.3.4 Implementation of innovative mechanisms for ensuring that under resourced parties contribute in the key strategic decisions is a key consideration, especially in the following stages:**

**5.3.4.1 Setting up various working groups**

**5.3.4.2 setting the mandates of the respective charter committees;**

**5.3.4.3 actively taking part in the various charter committees;**

**5.3.4.4 outlining the key principles and qualitative undertakings of the Transformation Charter;**

**5.3.4.5 setting targets and weightings for the sector as contained in the balanced B-BBEE scorecard;**

**5.3.4.6 providing for implementation, reporting and monitoring mechanisms;**

**5.3.4.7 presentation of the Transformation Charter to the Advisory Council, the ministry in the government responsible for the relevant sector and to the Minister of Trade and Industry.**

**5.3.4.8 setting the mandate and the powers of the Charter Council;**

**5.3.4.9 ensuring application of good corporate governance principles in the Steering Committee or any executive body reporting to the Charter Council.]**

## **6. [5.4] 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 [5.4.1] The following represents a recommended model for setting up Sector Charter Councils:**

**6.3.1 [5.4.1.1] equitable composition of stakeholders in the members of the Sector Charter Council;**

**6.3.2 [5.4.1.2] 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 recommended by the sector stakeholders.

6.4 [5.4.2] The functions of the Sector Charter Council may include:

6.4.1 [5.4.2.1] to provide guidance on sector-specific matters effecting B-BBEE in entities within the sector;

6.4.2 [5.4.2.2] to compile reports on the status of broad-based black economic empowerment within the sector, and

6.4.3 [5.4.2.3] to share information with sector members, approved accreditation agencies, B-BBEE Commission, B-BEE Presidential Advisory Council, Line Minister [or] and the Minister of Trade and Industry.

6.5 [5.4.3] The Charter Councils should report to the Line Ministry and to the Minister of Trade and Industry and to the Advisory Council on progress made by the sector subject to the relevant Transformation Charter. 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 Line Ministry responsible for that particular sector.

## **7. VARIATION OF INDICATORS IN CODES 200 and 300**

7.1 A Sector Code may allow the use of indicators that differ from those contained in Codes 200 and 300 as a means of fixing the relevant Measurement Categories.

### **7.2.1 Sectors adopting this approach must:**

7.2.2 Consider using indicators that are consistent with the principles contained in the EE Regulations;

7.2.3 consider all relevant factors such as seniority, expertise, scarcity of skill-set, organisational role and responsibility and geographic location;

7.2.4 base the definition of occupational levels on sound and empirical research undertaken in the sector by a reputable institution; and

- 7.2.5 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 EE 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 Act of 2003

**Arrangement of this statement**

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## GENERAL EXPLANATORY NOTE

[ ] Words in bold type in square brackets indicate deletions from existing enactments

\_\_\_ Words underlined with a solid line indicate insertions into existing enactments

### 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 B-BBEE purposes, of:
  - 1.1.1 Companies limited by guarantee;
  - 1.1.2 Higher Education Institutions;
  - 1.1.3 Non-Profit Organisations;
  - 1.1.4 Public entities and other Enterprises exclusively owned by organs of State;
  - 1.1.5 Public Benefit Schemes or Public Benefit Organisations; and
  - 1.1.6 Section 21 companies.
- 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 Code 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 **[2.1]** 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 **[2.2]** 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 **[2.3]** Companies limited by guarantee and Section 21 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 Section 21 companies sharing in the ownership of other enterprises cannot contribute towards black ownership to such enterprises as provided for in Statement 100.
- 2.5 **[2.4]** Non-Profit Organisations 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 Organisations 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 **[2.5]** Wherever any of the entities listed in paragraphs **[1]** one and **[2]**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 Despite paragraphs 2.11, 2.12 and 2.13, a QSE that has less than 51% black beneficiaries will qualify for Level Four Contributor, having a B-BBEE recognition level of 100%
- 2.15 A QSE is only required to obtain a sworn affidavit annually confirming the following:
- 2.15.1 Annual Total Revenue/Allocated Budget/Gross Receipts of R50 million or less; and
- 2.15.2 Level of percentage of black beneficiaries.
- 2.16 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 [ADJUSTED] SPECIALISED GENERIC SCORECARD

- 3.1 The following table represents the [Adjusted] 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 – [ 700 ] 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	[ 15 ] 20 points	200
[Employment equity]	[ 15 points]	[ 300 ]
Skills development	[ 20 ] 25 points	[ 400 ] 300
[ Preferential procurement ]	[ 20 points]	[ 500 ]
Enterprise and Supplier Development	[ 15 ] 50 points	[ 600 ] 400
Socio-Economic Development	[15] 5 points	[ 700 ] 500

**4. [THE ADJUSTED QUALIFYING SMALL ENTERPRISE SCORECARD]  
MANAGEMENT CONTROL SPECIALISED SCORECARD**

[ 4.1] The following table represents the [Adjusted] Specialised Generic Scorecard and contains the:

- 4.1.1 Elements of the scorecard;
- 4.1.2 Weightings; and
- 4.1.3 The Code series reference that specify the mechanisms for measurement and calculation of each of the elements of the scorecard (Code series 801 - 807 605).]

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

<b>Measurement Category and Criteria</b>	<b>Weighting points</b>	<b>Compliance targets</b>
<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	1	44%

percentage of all junior management		
<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:

<b><u>Category</u></b>	<b><u>Skills Development Element</u></b>	<b><u>Weighting points</u></b>	<b><u>Compliance Target</u></b>
<b><u>5.1. Skills Development Expenditure on any programme specified in the Learning Programme Matrix for black people as a percentage of the Leviable Amount</u></b>			
<b><u>5.1.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviable Amount.</u></b>		<b><u>9</u></b>	<b><u>6%</u></b>
<b><u>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.</u></b>		<b><u>4</u></b>	<b><u>0,3%</u></b>
<b><u>5.2 Learnerships, apprenticeships and internships</u></b>			
<b><u>5.2.1 Number of black people participating in learnerships, apprenticeships and internships as a percentage of total employees</u></b>		<b><u>6</u></b>	<b><u>2,5%</u></b>
<b><u>5.2.2 Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees</u></b>		<b><u>6</u></b>	<b><u>2,5%</u></b>
<b><u>Bonus points:</u></b>			
<b><u>5.3 Number of black people absorbed by the Measured and Industry Entity at the end of the learnership programme</u></b>		<b><u>5</u></b>	<b><u>100%</u></b>

## **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.

<b><u>Criteria</u></b>	<b><u>Weighting points</u></b>	<b><u>Compliance targets</u></b>
<b><u>6.1 PREFERENTIAL PROCUREMENT</u></b>		
6.1.1 <u>B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</u>	<u>5</u>	<u>80%</u>
6.1.2 <u>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</u>	<u>4</u>	<u>15%</u>
6.1.3 <u>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</u>	<u>5</u>	<u>15%</u>
6.1.4 <u>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</u>	<u>11</u>	<u>40%</u>
6.1.5 <u>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</u>	<u>5</u>	<u>12%</u>
<b><u>6.1.6 Bonus points</u></b>		
6.1.6.1 <u>B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% black owned</u>	<u>2</u>	<u>2%</u>
<b><u>6.2 SUPPLIER DEVELOPMENT</u></b>		
6.2.1 <u>Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target</u>	<u>15</u>	<u>2% of NPAT or 0,2% Annual Revenue/Allocated</u>

		<u>budget/ Gross receipts/ Discretionary spend</u>
<b>6.3 ENTERPRISE DEVELOPMENT</b>		
<b>6.3.1</b> <u>Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.</u>	<u>5</u>	<u>1% of NPAT or 0,1% Annual revenue/ Allocated budget/ Gross receipts/ Discretionary spend</u>
<b>6.4 Bonus Points</b>		
<b>6.4.1</b> <u>Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level.</u>	<u>1</u>	
<b>6.4.2</b> <u>Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity</u>	<u>1</u>	

## 7. SOCIO-ECONOMIC DEVELOPMENT SPECIALISED SCORECARD

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

<u>Criteria</u>	<u>Weighting Points</u>	<u>Compliance Target</u>
7.1 Annual value of all Socio-Economic Development contributions 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

## 8. THE [ADJUSTED] SPECIALISED QUALIFYING SMALL ENTERPRISES SCORECARD

8.1.[4.1]The following table represents the [Adjusted] Specialised Generic Scorecard and contains the:

8.1.1 [4.1.1]Elements of the scorecard;

8.1.2 [4.1.2] Weightings; and

8.1.3.[4.1.3] The Code series reference that specify the mechanisms for measurement and calculation of each of the elements of the scorecard (Code series [801] 602 - [807] 605).

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

<u>Element</u>	<u>Weighting</u>	<u>Code series reference</u>
Management control	[25 ] 25 points	[802 ]602
[Employment equity ]	[25 ] points]	[803 ]
Skills development	[25 ] 30 points	[804 ]603
[Preferential procurement]	[25 ] points	[805 ]
Enterprise and Supplier Development	[25 ] 30 points	[806 ]604
Socio-Economic Development	[25 ] 15 points	[807 ] 605

[ 4.2.]A measured entity, subject to this statement, that is a QSE must choose any four of the six elements of B-BBEE, against which their B-BBEE compliance will be measured under the Adjusted Qualifying Small Enterprise Scorecard].

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:

<b><u>Criteria</u></b>	<b><u>Weighting points</u></b>	<b><u>Compliance Target</u></b>
<b><u>9.1 Executive Management</u></b>		
9.1.1 Black representation at Executive Management	8	50%
9.1.2 Black female representation at Executive Management.	3	25%
<b><u>9.2 Non Executive Management</u></b>		
9.2.1 Black representation at non-executive management	11	60%
9.2.2 Black female representation at non-executive 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:

<b><u>10.1 Skills Development Element</u></b>	<b><u>Weighting points</u></b>	<b><u>Compliance Target</u></b>
10.1.1 Skills development expenditure on learning programmes specified in the learning programme matrix for black people as a percentage of leviable amount	24	3%
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.

<u>Criteria</u>	<u>Weighting points</u>	<u>Compliance targets</u>
<b>11.1 PROCUREMENT</b>		
<u>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</u>	<u>25</u>	<u>60%</u>
<u>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</u>	<u>5</u>	<u>10%</u>

## 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.

<u>Criteria</u>	<u>Weighting Points</u>	<u>Compliance Target</u>
<u>12.1 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.</u>	<u>15</u>	<u>1% of NPAT or 0,1% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend</u>

## 13 IMPORTANT CLARIFICATION

The status of Socio-Economic Development Contributions made to any of the types of entities in paragraphs [1] one and [2] two under Code series [700] 500 or [807] 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 [IN] OF THE SALE OF ASSETS, EQUITY INSTRUMENTS, AND OTHER BUSINESSES**

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

**Arrangement of this statement**

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## GENERAL EXPLANATORY NOTE

[ ] Words in bold type in square brackets indicate **deletions** from existing enactments

\_\_\_ Words underlined with a solid line indicate **insertions** into existing enactments

## 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 **[Enterprise]** Entity.

## 3 KEY PRINCIPLES

### 3.1 **[General] Benefit Principles:**

- 3.1.1 A Seller that has concluded a transaction involving a sale of Asset, Equity Instrument or Business **[with an Associated Enterprise]** 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 **[the Ownership scorecard for the Sale of Asset, Equity Instrument or Business]** 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, **[or]** and productive capacity to Black people.
- 3.2.2 A Sale of Asset, Equity Instrument and Business must involve a separately identifiable related Business **[Associated Enterprise]** which has:

- 3.2.2.1 no unreasonable limitations or conditions with regards [as] to its clients or customers; and
- 3.2.2.2 clients, customers or suppliers other than the Seller.
- 3.2.3 Any operational outsourcing arrangements between the Seller and the separately identifiable related Business [Associated Enterprise] must be negotiated at arms-length on a fair and reasonable basis.
- 3.2.4 The following transactions do not constitute Qualifying Transactions:
- 3.2.4.1 transfers of business rights by way of license, lease or other similar legal arrangements not conferring unrestricted ownership; and
- 3.2.4.2 sales of franchises by franchisors to franchisees, but includes sales of franchises from franchisees to other franchisees or to new franchisees.

#### 4 MEASUREMENT PRINCIPLES

- 4.1 The calculation of the Ownership points in terms of **[paragraph 2.3.2. 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 [Participants] in the separately identifiable related Business [Associated Enterprise];
- 4.1.3 the carrying value of the Acquisition Debt of Black people [Participants] in the separately identifiable related Business [Associated Enterprise]; 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 be exempted from 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. [may claim the point for Ownership Fulfilment only if both the Seller and the Associated Enterprise comply with the requirements for the award of that point.]
- 4.4 The Seller will have to comply with all other Priority elements as required by paragraph 3.3 under Statement 000.
- 4.5 **[Equivalency Percentages under this statement:**
- 4.5.1 **apply only to the ownership indicators in paragraphs 2.1 and 2.2 of the Ownership Scorecard;**
- 4.5.2 **do not apply the ownership indicators in paragraphs 2.3 and 2.4 of the Ownership Scorecard.**

- 4.6 **The Seller must include the Equivalency Percentages in its own Ownership Scorecard as if those percentages arose from black ownership of Equity Instruments in the Seller. 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 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 **[based on data current]** 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.
- 6.1.2.2 **[the Indicator Percentages at the date of measurement; and**
- 6.1.2.3 **the values of the Qualifying Transaction and benefit to the Seller at the date of measurement in the third year after the transaction. ]**
- 6.1.3 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.

**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 [Associated Enterprise] 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 [Associated Enterprise]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 Act of 2003

**Arrangement of this statement**

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**GENERAL EXPLANATORY NOTE**

[ ] Words in bold type in square brackets indicate deletions from existing enactments

\_\_\_ Words underlined with a solid line indicate insertions into existing enactments

**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 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 programmes 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.
- 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);
  - 3.4.2 The New Growth Path (NGP);
  - 3.4.3 The National Skills Development Strategy; and
  - 3.4.4 The National Development Plan.
    - 3.4.4.1 [ the Accelerated and Shared Growth Initiative for South Africa;
    - 3.4.4.2 the Joint Initiative for Priority Skills; ]

- 3.4.5 [ Programmes that promote enterprise creation in respect of Co-Operatives that are:
- 3.4.5.1 more than 50% owned by black people; or
  - 3.4.5.2 more than 30% owned by black women; or
  - 3.4.5.3 more than 50% owned by members of black designated groups;
- 3.4.6 Any other programmes that promote Socio-Economic advancement or contribute to the overall Socio-Economic development of the Republic of South Africa.]
- 3.4.7 Equity Equivalent programmes must promote and advance the following critical areas:
- 3.4.7.1 Enterprise and Supplier Development;
  - 3.4.7.2 Research and Development; and
  - 3.4.7.3 Critical and core Skills.
- 3.4.8 Multinationals may have any of the enterprises or natural persons stipulated under paragraphs 3.4.9 and 3.4.10 below as beneficiaries of their Equity Equivalent programmes.
- 3.4.9 If the beneficiaries of any programme stated under 3.4.7 above are Enterprises, the following criteria will apply:
- 3.4.9.1 for Exempted Micro Enterprises, the beneficiary must be a level one B-BBEE compliant enterprise; and
  - 3.4.9.2 for Qualifying Small Enterprises, the beneficiary must be a level one B-BBEE compliant enterprise.
- 3.4.10 If the Beneficiaries of any programme state under 3.4.7 above are Natural Persons or Designated Groups or Co-Operatives or Communities, the following criteria will apply:
- 3.4.10.1 The natural persons who are Black people must be at least 75% of the total beneficiaries;
  - 3.4.10.2 The Economic Interest/Benefit allocated to the beneficiaries must be at least 75%.
  - 3.4.10.3 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.
- 3.7 **[ Equity Equivalent programmes may have any of the following as their beneficiaries:**
- 3.7.1 **enterprises in which:**
    - 3.7.1.1 **black people hold more than 50% of the exercisable voting rights and more than 50% of the economic interest;**
    - 3.7.1.2 **black women hold more than 30% of the exercisable voting rights and more than 30% of the economic interest; and**
    - 3.7.1.3 **Black Designated Groups hold more than 50% of the exercisable voting rights and more than 50% of the economic interest; or**
  - 3.7.2 **Communities, natural persons or groups of natural persons where at least 75% of the beneficiaries are black people and the same percentage of economic value is derived by black people.]**
- 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 [600] 400 and [700] 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 paragraphs 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 and 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 Ownership scorecard.

## **8 [ EXAMPLES OF EQUITY EQUIVALENT PROGRAMMES**

### **8.1 Enterprise creation:**

#### **8.1.1 If the equity equivalent contribution of a Multinational involves the creation of a new Enterprise:**

##### **8.1.1.1 The new Enterprise must qualify as a Value-Adding Enterprise;**

##### **8.1.1.2 The creation of the new Enterprise must comply with the requirements for the Recognition in the Sale of Assets as defined in statement 102;**

- 8.1.1.3 The creation of the new Enterprise cannot contribute to the Multinational's score under Code series 600; and**
- 8.1.1.4 The Equity Equivalent contribution must involve the provision of interest free loans, No-Gain grants or Human Capital Investments to the new Enterprise equivalent in value to 50% of the new Enterprise's projected operational costs for the first three years following its establishment.**
- 8.2 Investment in social advancement:**
- 8.2.1 An equity equivalent contribution of a Multinational that involves enhanced Socio-Economic Development:**
- 8.2.1.1 Must comply fully with Code series 700; and**
- 8.2.1.2 Cannot form part of the Multinational's score under Code series 700. ]**

**9 Investment Periods**

- 9.1 Total contributions that are more than R100 million can be considered for an investment period of up to 10 years;
- 9.2 Total contributions between R75 million and R100 million can be considered for an investment period of up to seven years;
- 9.3 Total contributions between R50 million and R75 million can be considered for an investment period of up to five years; and
- 9.4 Total contributions that are less than R50 million can be considered for an investment period of up to three years.

**10 Rules for the administration of the programme:**

- 10.1 If the administration of the programme is outsourced then the rules stated below will apply, where applicable:
- 10.1.1 the economic interest and voting rights of the administrator must be at least 51% Black owned;
- 10.1.2 the administrator must be B-BBEE compliant and be a superior B-BBEE contributor;
- 10.1.3 the administration fee for programme must not exceed 15%;
- 10.1.4 the administrator must possess the appropriate and necessary skill and experience;

- 10.1.5 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;
- 10.1.6 the programme manager must sign off on all reports to the multinational and/or to the dti;
- 10.1.7 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
- 10.1.8 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 10.1.7 above.
- 10.2 If the administration of the programme is located within the Multinational, then the rules stated below will apply:
- 10.2.1 the staff assigned to the administration of the programme must possess the appropriate and necessary skill and experience;
- 10.2.2 the programme manager responsible for overseeing the implementation of the programme must be in possession of the B-BBEE Management Development Programme;
- 10.2.3 the administration fee for the programme must not exceed 15%;
- 10.2.4 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;
- 10.2.5 the programme manager and the CEO must sign off on all reports to the dti; and
- 10.2.6 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 10.2.4 above.

## 11 SPECIFIC RULES ON MULTINATIONALS

- 11.1 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.
- 11.2 In calculating their Ownership score, Multinationals **[Businesses 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.

- 11.3 In calculating their Ownership score Multinationals **[Businesses]** may recognise sales of Equity Instruments in non-South African companies **[Enterprises]** to Black people on the following basis:
- 11.3.1 the non-South African company **[Enterprise]** and the Multinational in South Africa must form part of the same chain of ownership and be owned by the same ultimate parent company. **[between the Multinational Business and its eventual holding company]**; and
- 11.3.2 the transaction must comply with South African exchange control requirements; and
- 11.3.3 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
- 11.3.4 the percentage of Exercisable Voting Rights ceded to the buyers of the Equity Instruments in the Multinational **[Business]** represents the recognisable Black right to Exercisable Voting Rights; and
- 11.3.5 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 **[Business]**.

**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.**

$$A = \frac{B}{C} \times [20]25$$

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:**

$$A = \frac{B}{C} \div \left( \frac{1}{25\% \times D} \right) \times [20]25$$

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: CODES OF GOOD PRACTICE FOR  
QUALIFYING SMALL ENTERPRISES (QSE'S)**

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

**Arrangement of this statement**

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## GENERAL EXPLANATORY NOTE

[ ] Words in bold type in square brackets indicate deletions from existing enactments

\_\_\_ Words underlined with a solid line indicate insertions into existing enactments

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

#### **[STATEMENT 800: THE FRAMEWORK FOR THE QSE SCORECARD AND EXEMPTED MICRO-ENTERPRISES**

#### **1 OBJECTIVES OF THIS STATEMENT**

1.1 The objectives of this statement are to:

1.1.1 specify the Elements of 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 **[100-700]** (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 R10million and R50million 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:

Element	Weighting	Code Series [800] 600
Framework		[800] 600
Ownership	25 points	[801] 601
Management control	15 points	[802] 602
[Employment equity]	[25 points]	[803]
Skills Development	25 points	[804] 603
[Preferential procurement]	[25 points]	[805]
<u>Enterprise and Supplier Development</u>	[25 points] 30 points	[806] 604
Socio-Economic Development	5 points	[807] 605

3.2 [A QSE must select any four of the seven Elements of B-BBEE for the purposes of measurement under the QSE Scorecard. If a QSE does not make a selection, its four best element scores will be used for the purposes of measurement.]

3.3 [A QSE will be scored in proportion to the extent that it meets the compliance targets for those four elements.]

3.4 The Weighting points in respect of any element in the scorecard represent the maximum number of points possible for each of the criteria.

- 3.5 [Wherever a Standard Valuation Method applies to measuring an indicator, the same standard should apply, as far as reasonably possible, in all other applicable calculations in this statement.
- 3.6 [The Adjusted Recognition for Gender must be used for the purposes of calculating the Employment Equity and Skills Development element of the QSE scorecard.]
- 3.7 The B-BBEE compliance of a QSE must be determined in accordance with code 000.
- 3.8 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 [100-700] 100-500.
- 4 [TRANSITIONAL PERIOD
- 4.1 For the first year after the commencement of this statement, a Measured Entity may elect to use –
- 4.1.1 the QSE Scorecard; or;
- 4.1.2 be scored by reference to its level of compliance with the QSE compliance targets for ownership and management control.
- 4.2 Thereafter, all BEE compliance measurement under the Codes for QSEs is subject to the use of the QSE Scorecard or, if applicable, a Sector Code.]

$$A = B \times 1.18$$

Where

**A** is the indicative B-BBEE Status during the transitional period

**B** is the total score achieved in statements 801 and 802

**1. STATEMENT [801] 601: OWNERSHIP FOR QSE****1. THE QSE OWNERSHIP SCORECARD**

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

<b>Category and Ownership Indicator</b>	<b>Weighting points</b>	<b>Compliance Target</b>
<b>1.1 Voting rights:</b>		
1.1.1 <u>Exercisable Voting Rights in the Enterprise in the hands of black people</u>	<b>[6] 5</b>	25%+1 vote
1.1.2 <u>Exercisable Voting Rights in the Enterprise in the hands of black women</u>	<b>2</b>	<b>10%</b>
<b>1.2 Economic Interest:</b>		
1.2.1 <u>Economic Interest of black people in the Enterprise</u>	<b>[9] 5</b>	25%
1.2.2 <u>Economic Interest of black women in the Enterprise</u>	<b>2</b>	<b>10%</b>
1.2.3 <u>New Entrants or Black Designated Groups</u>	<b>3</b>	<b>2%</b>
<b>1.3 Realisation points:</b>		
<b>[1.3.1 Ownership fulfilment]</b>	<b>[1]</b>	
1.3.2 <u>Net Value</u>	<b>[9] 8</b>	<u>Refer to Annex 100 (E)</u>
<b>[1.4 Bonus points:]</b>		
<b>[Involvement in the ownership of the Enterprise by black women]</b>	<b>[2]</b>	<b>[10%]</b>
<b>[1.4.1 Involvement in the ownership of the Enterprise by black Participants in Employee Ownership Schemes, 1.4.2 Co-operatives or Broad-Based Ownership Schemes]</b>	<b>[1]</b>	<b>[10%]</b>

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

## 2.1 General principles:

2.1.1 **[An Enterprise receives points for participation by black people in its rights of ownership, using the QSE ownership scorecard. Black people may hold their rights of ownership in a Measured Enterprise as direct Participants or as Participants through a business such as:**

2.1.1.1 a company with shares;

2.1.1.2 a close corporation;

2.1.1.3 a co-operative;

2.1.1.4 any form of juristic person recognised under South African law;

2.1.1.5 a partnership or other association of natural persons;

2.1.1.6 an Employee Share Ownership Scheme;

- 2.1.1.7 a Broad-Based Ownership Scheme; and**
- 2.1.1.8 a trust.]**
- 2.2 Key Measurement Principles and sub-minimum requirements under statement 100 are applicable to this statement.
- 2.3 Any interpretation or calculation of a QSE score for ownership must be made in accordance with statement 100.
- 3 [REALISATION POINTS**
- 3.1 Ownership Fulfilment occurs:**
- 3.1.1 on the release of all black Participants in a Measured Enterprise from all third-party rights; or**
- 3.1.2 if black Participants have never been subject to any third-party rights.**
- 3.1.3 A minimum score of 7 points for Net Value is a requirement for the award of the Ownership Fulfilment point.]**
- 4 [THE BONUS POINTS**
- 4.1 A Measured Enterprise with 25% black Economic Interest, can receive a maximum of 2 bonus points for a 10% holding of Economic Interest by black women.**
- 4.2 A Measured Enterprise with 25% black Economic Interest, can receive a maximum of 1 bonus point for a 10% holding of Economic Interest by black Participants in:**
- 4.2.1 Employee Share Ownership Schemes;**
- 4.2.2 Co-operatives; or**
- 4.2.3 Broad-Based Ownership Schemes.**
- 4.3 A Qualifying Small Enterprise may benefit from any of the other statements in the Code series 100. When electing to benefit from any of those statements, the provisions of those statements apply to the Qualifying Small Enterprise.**
- 4.4 The Qualifying Small Enterprise Ownership Scorecard remains applicable to Qualifying Small Enterprise's even if they benefit from other statements in the Code series 100.**
- 4.5 Any interpretation or calculation of a QSE's score for ownership must be made in accordance with statement 100.**
- 4.6 Without limiting the generality of the preceding clause, the following matters dealt with in code 100 apply expressly to QSEs –**
- 4.6.1 The Flow-Through Principle**
- **Specific rules on certain types of enterprises (Broad-Based Ownership Schemes; Employee Share Ownership Schemes and Trusts).]**

**[ANNEXE 801 (A)]****1 MEASUREMENT OF VOTING RIGHTS**

1.1 The calculation of the ownership indicators provided for in paragraphs 0 to 0 is as follows:

$A = \frac{B}{C} \times D$
<p><b>Where</b></p> <p><b>A</b> is the score achieved for the Enterprise for the measured ownership indicator</p> <p><b>B</b> is the percentage that Exercisable Voting Rights in the hands of the category of Participants who are black people in that Enterprise holds to all Voting Rights held by all Participants of that Enterprise</p> <p><b>C</b> is the percentage compliance Target for Exercisable Voting Rights for the applicable measured ownership indicator in paragraph 1.1</p> <p><b>D</b> is the Weighting points allocated to the applicable measured ownership indicator in paragraph 1.1</p>

1.2 If an Enterprise gains a score in the formula above that is more than the Weighting points in paragraph 1, that Enterprise will only receive the Weighting points.

**2 MEASUREMENT OF ECONOMIC INTEREST**

2.1 The calculation of the ownership indicators provided for in paragraphs 1Error! Reference source not found. is as follows:

$A = \frac{B}{C} \times D$
<p><b>Where</b></p> <p><b>A</b> is the recognisable percentage of black Participant claim to Economic Interest in the Enterprise</p> <p><b>B</b> is the percentage that Economic Interest to which Participants who fall within the category of black people in that Enterprise holds to all Economic Interest to which all Participants of that Enterprise</p> <p><b>C</b> is the percentage compliance Target for Economic Interest for the applicable measured ownership indicator in paragraph 1.2</p> <p><b>D</b> is the Weighting points allocated to the applicable measured ownership indicator in paragraph 1.2</p>

2.2 If an Enterprise gains a score in the formula above that is more than the Weighting points in paragraph 1, that Enterprise will only receive the Weighting points.

**3 CALCULATION OF NET VALUE**

In calculating the "Net Value" referred to in the formula , the following formula applies:

$A = \frac{B - C}{D}$
<p><b>Where</b></p> <p><b>A</b> is the Net Value</p>



**B** is the value of the Equity Instruments relevant to the calculation, determined on the date of measurement

**C** is the carrying value of any acquisition debts of the relevant black Participants

**D** is the value of the Measured Enterprise on the date of measurement

#### 4 REALISATION POINTS

4.1 The "Current Equity Interest" points in paragraph 1 is the lower result of Formula A and Formula B below:

##### Formula A

$$A = B \times \left( \frac{1}{25\% \times C} \right) \times 7$$

##### Where

**A** is the score under paragraph 1

**B** is the Net Value for all black Participants in the Measured Enterprise determined using paragraph 0

**C** is the time-based graduation factor of the Economic Interest compliance target 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 tenth year after the commencement date of statement 000

##### Formula B

$$A = \frac{B}{C} \times 7$$

##### Where

**A** is the score under paragraph 1

**B** is the percentage Economic Interest in the Measured Enterprise of black Participants

**C** is the target for the ownership indicator in paragraph 1

4.2 If an Enterprise gains a score in paragraph 0 that is more than the Weighting points in paragraph Error! Reference source not found., that Enterprise will only receive the Weighting points.

- 4.3 **Ownership Fulfilment occurs:**
- 4.3.1 on the release of all black Participants in a Measured Enterprise from all third-party rights; or
- 4.3.2 when black Participants have never been subject to any third-party.
- 4.4 A minimum score of 7 points for Current Equity Interest is a requirement for the award of the Ownership Fulfilment point.

## 5 THE BONUS POINTS

- 5.1 The calculation of the bonus points uses the following formula:

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

**Where**

A is the bonus points awarded in paragraphs 1Error! Reference source not found.

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

C is the percentage compliance Target for Economic Interest for the measured ownership indicator in paragraph 1

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

E is the Weighting points allocated to the applicable measured ownership indicator in paragraph 1

- 5.2 A Measured Enterprise with 25% black Economic Interest, can receive a maximum of 2 bonus points for a 10% holding of Economic Interest by black women.
- 5.3 A Measured Enterprise with 25% black Economic Interest, can receive a maximum of 1 bonus point for a 10% holding of Economic Interest by black Participants in:
- 5.3.1 Employee Ownership Schemes;
- 5.3.2 General Benefit Schemes; or
- 5.3.3 Special Benefit Schemes.

## 6 BENEFITS OF THE CODE SERIES 100

A Qualifying Small Enterprise may benefit from any of the other statements in the Code series 100. When electing to benefit from any of those statements, the provisions of those statements apply to the Qualifying Small Enterprise. The Qualifying Small Enterprise Ownership Scorecard remains applicable to Qualifying Small Enterprise's even if they benefit from other statements in the Code series 100.]

**6. STATEMENT [802] 602: MANAGEMENT CONTROL FOR QSE****1 THE QSE MANAGEMENT CONTROL SCORECARD**

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

<u>Criteria</u>	<u>Weighting points</u>	<u>Compliance Target</u>
<b>1.1.1 Executive Management</b>		
1.1.1.1 Black representation at Executive Management . <b>[Black representation at Top-Management level.]</b>	<b>[ 25] 5</b>	<b>[50.1% ] 50%</b>
1.1.1.2 Black female representation at Executive Management.	<u>2</u>	<u>25%</u>
<b>1.1.2 Non-Executive Management</b>		
1.1.2.1 Black representation at non-executive management	<u>6</u>	<u>60%</u>
1.1.2.2 Black female representation at non-executive management	<u>2</u>	<u>30%</u>
<b>[Bonus Points: Black women representation as Top-Management]</b>	<b>[2]</b>	<b>[25%]</b>

**2 KEY MEASUREMENT PRINCIPLES**

**2.1 [A measured entity receives points in proportion to the extent that it meets the targets for participation of black people and black women at Top-Management level.]**

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

2.3 For the purpose of QSE Scorecard Non Executive Management refers to all other management positions except those referred under 2.2 above .

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

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

**3 [COMMON EXAMPLES OF TOP MANAGEMENT**

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

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

**3.2 Other Top Management positions include 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.]**

ANNEXE [802] 602 ( A)

**1 Calculating compliance**

1.1.1 The calculation of the management indicators provided for in paragraph 1.1 is as follows:

$A = \frac{B}{C} \times D$
Where
A is the score for management indicator in paragraph 1.1
<b>[B is the number of the measurable category of black Top-Managers as a percentage of the total number of Top-Managers of the Measured Entity]</b>
<u>B is the number of the measurable category of black Executive ( or black female Executive) or black non-Executive ( or black female Non-Executive) as a percentage of the total number of Executive management or non-Executive management of the Measured Entity</u>
C is the target for the applicable management indicator as per paragraph 1.1
D is the Weighting points in paragraph 1.1

1.1.2 [If Measured Entity gains a score on the Management Control Scorecard that is more than the Weighting points in paragraph 1.1, that Enterprise will only receive the Weighting points.]

**[STATEMENT 803: EMPLOYMENT EQUITY**

**1 THE QSE EMPLOYMENT EQUITY SCORECARD**

1.1 The following table represents the criteria used for deriving a score for employment equity under this statement:

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

**2 KEY MEASUREMENT PRINCIPLES**

- 2.1** A Measured Entity receives points in proportion to the extent that it meets the targets for participation of black people and black women at Management level.
- 2.2** Wherever possible, a Measured Entity must use the data that it files with the Department of Labour under the Employment Equity Act in calculating its score under the employment equity scorecard.
- 2.2.1** 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.
- 2.3** In order for a measured entity to achieve bonus points at a particular level, the entity needs to meet or exceed the EAP targets.
- 2.4** 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.
- 2.5** Black women employees in each Measurement Category qualify for enhanced recognition using the Adjusted Recognition for Gender.

**ANNEXE 803 (A)****1 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

**2 MEASUREMENT OF EMPLOYMENT EQUITY CRITERIA**

This equation explains the method of measurement of the criteria in the employment equity scorecard for Qualifying Small Enterprises:

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

**Where**

**A** is the score for measurement category indicator

**B** is the Adjusted Recognition for Gender calculated in paragraph 1

**C** is the target for that measurement category as per paragraph 5.1

**D** is the Weighting for measured indicator as per paragraph 5.1]

## 7. STATEMENT [804] 603: SKILLS DEVELOPMENT FOR QSE

### 1 THE QSE SKILLS DEVELOPMENT SCORECARD

- 1.1 The following table represents the [criteria] indicators and methods [used] for [deriving] calculating a score under this statement:

<u>1.1.1 Skills Development Element</u>	<u>Weighting points</u>	<u>Compliance Target</u>
<p>1.1.1.1 <u>Skills development expenditure on learning programmes specified in the learning programme matrix for black people as a percentage of leviabale amount.</u></p> <p><b>[Skills development spend on learning programmes for black employees as a percentage of leviabale amount using the Adjusted Recognition for Gender. ]</b></p>	<b>[25] 20</b>	<b>[2%] 3%</b>
<p>1.1.1.2 <u>Skills development expenditure on learning programmes specified in the learning programme matrix for black female as a percentage of leviabale amount.</u></p>	<u>5</u>	<u>1%</u>

### 2. KEY MEASUREMENT PRINCIPLES AND SUB-MINIMUM REQUIREMENTS

2.1 [ Any Skills Development Spend 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 Spend.

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

2.3 Legitimate training expenses includes:

2.3.1 costs of training materials;

2.3.2 costs of trainers including, where appropriate, the opportunity cost of internal trainers;

2.3.3 costs of training facilities including costs of catering;

2.3.4 scholarships and bursaries;

2.3.5 course fees;

2.3.6 accommodation and travel; and

- 2.3.7 administration costs such as organization of training including, where appropriate, the cost to the Measured Entity of employing a skills development facilitator or a training manager.**
- 2.4 No portion of any salary or wage paid to any employee participating as a learner in any Learning Programme constitutes Skills Development Spend unless the Learning Programme is an In-service Training Programme.]**
- 2.5 Sub-minimum requirements and Discounting principle under Statement 300 are applicable to this statement.
- 2.6 The demographic representation of black people as defined in the Regulations of Employment Equity Act and Commission on Employment Equity report are not applicable to the QSE Scorecard.
- 2.7 The following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development Element scorecard (where applicable):
- 2.7.1 Workplace Skills Plan, an Annual Training Report and Pivotal Report which are SETA approved; and
- 2.7.2 Implementation of Priority Skills programme generally, and more specifically for black people.
- 2.7.3 The learning matric under code series 300 is applicable to this statement.

## [ANNEXE 804 (A)]

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 804(B)****1 CALCULATING THE ADJUSTED RECOGNITION FOR GENDER**

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

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

**Where**

**A is the Adjusted Recognition for Gender**

**B is the percentage of Skills Development Spend attributable to black employees in paragraph 0**

**C is the percentage Skills Development Spend attributable to black women employees in paragraph 0**

**2 MEASUREMENT OF SKILLS DEVELOPMENT INDICATORS**

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 any given criteria as referred to in in paragraph 0**

**B is the Adjusted Recognition for Gender calculated in paragraph 1**

**C is the target for the applicable criteria as referred to in paragraph 0**

**D is the Weighting for the applicable criteria as referred to in paragraph 0]**

2.1 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.

2.2 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 Skills Development indicator as per paragraph 1.1

D is the Weighting points in paragraph 1.1

**8. STATEMENT 604: ENTERPRISE AND SUPPLIER DEVELOPMENT FOR QSE**

**1 THE QSE ENTERPRISE AND SUPPLIER DEVELOPMENT SCORECARD**

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

<b>Criteria</b>	<b>Weighting points</b>	<b>Compliance targets</b>
<b>1.1.1 PREFERENTIAL PROCUREMENT</b>		
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 <b>[BEE procurement Spend from all Suppliers based on the BEE Procurement Recognition Level as a percentage of Total Measured Procurement Spend]</b>	<b>[25]</b> 15	<b>[50]</b> 60%
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	<u>5</u>	<u>15%</u>
<b>1.1.2 SUPPLIER DEVELOPMENT</b>		
1.1.2.1 Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target.	<u>5</u>	<u>1% of NPAT</u>
<b>1.1.3 ENTERPRISE DEVELOPMENT</b>		
1.1.3.1 Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target. <b>[Average annual value of all Qualifying Contributions made by the Measured Entity as a percentage of the target]</b>	<b>[25]</b> <u>5</u>	<b>[2%]</b> <u>1% of NPAT</u>

## **2. KEY MEASUREMENT PRINCIPLES AND SUB-MINIMUM REQUIREMENTS**

2.1 Key Measurement Principles and sub-minimum requirements under statement 400 are applicable to this statement.

2.2 In calculating the compliance of a measured entity the following Net Profit After Tax (NPAT) target applies unless:

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

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

2.3 If the turnover is to be used, the target will be set at:

2.3.1 ~~[2%]~~ 1% x indicative profit margin (NPAT/turnover) x turnover.

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.

2.4 Any interpretation or calculation of a QSE's score for Enterprise and Supplier Development must be made in accordance with statement 400

## 9. [STATEMENT 805: PREFERENTIAL PROCUREMENT FOR QSE's

### 1 THE QSE PREFERENTIAL PROCUREMENT SCORECARD

1.1 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
BEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	25	40%	50%

### 2 KEY MEASUREMENT PRINCIPLES

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

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

2.2.1 a recipient of enterprise development contributions from the Measured Entity under Code series 600, the BEE Procurement Spend attributable to that Supplier multiplied by a factor of 1.2 is recognisable; and

2.2.2 a Value-Adding Supplier, the BEE Procurement Spend attributable to that Supplier multiplied by a factor of 1.25 is recognisable.

2.3 Measured Entities are expected to pursue compliance with this statement in respect of all areas of procurement.

2.4 Total Measured Procurement Spend of a Measured Entity and the Exclusions from Total Measured Procurement Spend must be determined in accordance with Statement 500.

## ANNEXE 805 (A)

## 1 MEASUREMENT OF BEE PROCUREMENT SPEND

1.1 BEE Procurement Spend is the sum of the value of the procurement falling within paragraph 0 and not excluded in paragraph Error! Reference source not found. multiplied by the BEE Procurement Recognition Level of the Supplier.

1.2 BEE Procurement Spend is measurable as follows:

$$A = \sum (B \times C)$$

**Where**

**A** is the calculated total BEE 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 paragraph 1

**B** is the value of procurement falling within paragraph 0 and not excluded in paragraph 1 from each Supplier of the Measured Entity

**C** is the BEE Procurement Recognition Level of each such Supplier of the Measured Entity

## 2 THE CALCULATION OF PREFERENTIAL PROCUREMENT CONTRIBUTIONS TO BEE

The following formula calculates a Measured Entity's score for preferential procurement contributions to BEE under the preferential procurement scorecard:

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

**Where**

**A** is the calculated preferential procurement score for the criteria in paragraph 1 for the Measured Entity.

**B** is the total BEE Procurement Spend of the Measured Entity calculated under paragraph 1.2 as a percentage of Total Measured Procurement Spend of that Measured Entity

**C** is the compliance target for the criteria specified in paragraph 1

**D** is the Weighting points allocated to the criteria specified in paragraph 1]

**10. [STATEMENT 806: ENTERPRISE DEVELOPMENT FOR QSE's****1 THE QSE ENTERPRISE DEVELOPMENT (ED) SCORECARD**

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

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

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

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

**1.1.3.1**  $2\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$ .

**1.1.3.2** 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.

**1.1** The following table represents the criteria and method used for deriving a score for approved projects and enterprise development under this statement:

Criteria	Weighting Points	Compliance Target
Average annual value of all Qualifying Contributions made by the Measured Entity as a percentage of the target	25	2% of NPAT

**2 KEY MEASUREMENT PRINCIPLES**

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

**2.1.1** Qualifying Contributions of any Measured Entity are recognisable:

**2.1.1.1** from the commencement date of this statement, or an earlier date chosen by the Measured Entity (the Inception Date);

**2.1.1.2** until the date of measurement.

**2.1.2** 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.

**2.1.3** The recognition of Enterprise Development contributions must be determined in accordance with statement 600.

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 806(B)

**1 MEASUREMENT OF QUALIFYING CONTRIBUTIONS****1.1 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 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 paragraph 1.1

**D** is the Weighting points allocated to the measured enterprise development criteria under paragraph 1.2

**2 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.]



**11. STATEMENT [700] 605: SOCIO-ECONOMIC DEVELOPMENT CONTRIBUTIONS FOR QSE'S****1 THE QSE SOCIO-ECONOMIC DEVELOPMENT (SED) SCORECARD**

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

1.1.1 The NPAT or average target applies unless:

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

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

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

1.1.2.1  $1\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$ .

1.2 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 <b>[Approved] Qualifying</b> Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target.	<b>[25] 5</b>	1% of NPAT

**2 KEY MEASUREMENT PRINCIPLES**

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

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

**2.1.2.1 [From the commencement date of this statement, or an earlier date chosen by the Measured Entity (the Inception Date)**

**2.1.2.2 Until the date of measurement]**

2.1.3 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.

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

2.1.5 The recognition of SED Contributions must be determined in accordance with code **[700] 500**.

<b>Qualifying Contribution type</b>	<b>Contribution Amount</b>	<b>Benefit Factor</b>
<b>Grant and Related Contributions</b>		
<b>Grant Contribution</b>	<b>Full Grant Amount</b>	<b>100%</b>
<b>Direct Cost incurred in supporting socio-economic development or sector specific initiatives</b>	<b>Verifiable Cost (including both monetary and non-monetary)</b>	<b>100%</b>
<b>Discounts in addition to normal business practices supporting socio-economic development or sector specific initiatives</b>	<b>Discount Amount (in addition to normal business discount)</b>	<b>100%</b>
<b>Overhead Costs incurred in supporting socio-economic development or sector specific initiatives</b>	<b>Verifiable Costs (including both monetary and non-monetary)</b>	<b>80%</b>
<b>Contributions made in the form of human resource capacity</b>		
<b>Professional services rendered at no cost supporting socio-economic development or sector specific initiatives</b>	<b>Commercial hourly rate of professional</b>	<b>80%</b>
<b>Professional services rendered at a discount supporting socio-economic development or sector specific initiatives</b>	<b>Value of discount based on commercial hourly rate of professional</b>	<b>80%</b>
<b>Time of employees of Measured Entity productively deployed in assisting beneficiaries and supporting socio-economic development or sector specific initiatives</b>	<b>Total annual cost to company of the employee divided 1095</b>	<b>80%]</b>

**ANNEXE 607 [807] (B)****1 MEASUREMENT OF QUALIFYING CONTRIBUTIONS**

1.1 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 this statement or the Inception Date to the date of measurement

**C** is compliance target in respect of the Qualifying Contributions as specified in paragraph 1.1

**D** is the Weighting points allocated to the measured enterprise development criteria under paragraph 1.2

**2 [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.]