

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

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

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

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## 1 Objectives of this statement

The objectives of this statement are to specify:

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

## 2 The Enterprise Development Scorecard

2.1.1 The NPAT or average target applies unless:

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

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

- 2.1.2.1  $3\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$ .
- 2.1.2.2 Indicative profit margin is the profit margin in the last year where the company's profit margin is at least one quarter of the industry norm.

2.2 The following table represents the criteria and method used for deriving a score for Enterprise Development under this statement:

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

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

## 3 Key Measurement Principles

3.1 General principles:

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

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

- 3.2.5.11 contributions made to settling service costs relating to the operational or financial capacity or efficiency levels of a beneficiary entities;
- 3.2.5.12 payments made by the Measured Entity to third parties to perform enterprise development on the Measured Entity's behalf;
- 3.2.5.13 discounts given to beneficiary entities in relation to the acquisition and maintenance costs associated with the grant to those beneficiary entities of franchise, licence, agency, distribution or other similar business rights;
- 3.2.5.14 the creation or development of capacity and expertise for beneficiary entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa;
- 3.2.5.15 facilitating access to credit for beneficiary entities without access to similar credit facilities through traditional means owing to a lack of credit history, high-risk or lack of collateral;
- 3.2.5.16 provision of training or mentoring to beneficiary entities which will assist the beneficiary entities to increase their operational or financial capacity; and
- 3.2.5.17 the maintenance by the Measured Entity of an enterprise development unit which focuses exclusively on support of beneficiary entities or candidate beneficiary entities.
- 3.2.6 The creation or development of the capacity of beneficiary entities which will enable them to manufacture and produce goods or provide services previously not available in the Republic of South Africa, may constitute an Enterprise Development Contribution.
- 3.2.7 New projects promoting beneficiation may constitute an Enterprise Development Contribution.
- 3.2.8 Provision of preferential credit facilities to a beneficiary entity by a Measured Entity may constitute an Enterprise Development Contribution. Examples of such contributions include without limitation:
  - 3.2.8.1 provision of finance to beneficiary entities at lower than commercial rates of interest;
  - 3.2.8.2 relaxed security requirements or absence of security requirements for beneficiary entities unable to provide security for loans; and
  - 3.2.8.3 settlement of accounts with beneficiary entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 10 days;
- 3.2.9 providing training or mentoring to beneficiary communities by a Measured Entity. (Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification, commensurate with the seniority and expertise of the trainer or mentor, must support any claim for time costs incurred).
  - 3.2.9.1 Maintaining an enterprise development unit by the Measured Entity. (Only that portion of salaries and wages attributable to time spent by the staff in, and the other expenses related to, promoting or implementing enterprise development constitute contributions.)

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

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

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

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

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

## Annexe 600(A) - Benefit Factor Matrix

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

## ANNEXE 600(B)

A: Qualifying Contributions are measurable on the following basis:

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

Where

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

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

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

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

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

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

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

#### Arrangement of this statement

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## 1 Objectives of this Statement

The objectives of this statement are to specify:

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

## 2 The SED Scorecard

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

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

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

## 3 Key Measurement Principles

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

- 3.1.2.3 No portion of the value of any Socio-Economic Development contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement
- 3.2 Socio- Economic Development Contributions:
- 3.2.1 Socio-Economic Development Contributions consist of monetary or non-monetary contributions actually initiated and implemented in favour of beneficiaries by a Measured Entity with the specific objective of facilitating sustainable access to the economy for those beneficiaries.
- 3.2.2 The full value of Socio-Economic Development Contributions made to beneficiaries is recognisable if at least 75% of the value directly benefits black people.
- 3.2.3 If less than 75% of the full value of Socio-Economic Development Contributions directly benefits black people, the value of the contribution made multiplied by the percentage that benefits black people, is recognisable.
- 3.2.4 The following is a non-exhaustive list of Socio-Economic Development Contributions:
- 3.2.4.1 grant Contributions to beneficiaries of Socio-Economic Development Contributions;
- 3.2.4.2 guarantees given or security provided for beneficiaries;
- 3.2.4.3 direct costs incurred by a Measured Entity in assisting beneficiaries;
- 3.2.4.4 overhead costs of a Measured Entity directly attributable to Socio-Economic Development Contributions;
- 3.2.4.5 developmental capital advanced to beneficiary communities;
- 3.2.4.6 preferential terms granted by a Measured Entity for its supply of goods or services to beneficiary communities;
- 3.2.4.7 payments made by the Measured Entity to third parties to perform socio-economic development on the Measured Entity's behalf;
- 3.2.4.8 subject to paragraph 3.2.5.1, provision of training or mentoring to beneficiary communities which will assist them to increase their financial capacity; and
- 3.2.4.9 subject to paragraph 3.2.5.2, the maintenance by the Measured Entity of a socio-economic development unit which focuses only on support of beneficiaries and beneficiary communities.
- 3.2.5. providing training or mentoring to beneficiary communities by a Measured Entity. (Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification must support any claim for time costs incurred, commensurate with the seniority and expertise of the trainer or mentor).
- 3.2.6 Maintaining a socio-economic development unit by the Measured Entity. (Only that portion of salaries and wages attributable to time spent by the staff in, and the other expenses related to, promoting and implementing socio-economic development constitute contributions.)
- 3.2.7 Payments made by the Measured Entity to third parties to perform socio-economic development on the Measured Entity's behalf.

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

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

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

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

## Annexe 700(A) – Benefit Factor Matrix

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

**ANNEXE 700(B)**

A: SED Contributions are measurable on the following basis:

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

Where

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

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

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

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

## CODE SERIES 800: CODES OF GOOD PRACTICE FOR QUALIFYING SMALL ENTERPRISES (QSE'S)

ISSUED UNDER SECTION 9 OF THE BROAD-BASED BLACK ECONOMIC  
EMPOWERMENT ACT OF 2003

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

## 1.1 Objectives of this statement

1.1.1 The objectives of this statement are to:

1.1.1.1 specify the Elements of B-BBEE measurable under the Qualifying Small Enterprise (QSE) Scorecard;

1.1.1.2 specify the QSE Scorecard;

1.1.1.3 specify the principles in the Generic Statements (100 - 700) applicable to Qualifying Small Enterprises.

## 1.2 Eligibility as a QSE

2.1.1 Any enterprise with an annual Total Revenue of between R5million and R35million qualifies as a QSE, if its qualification does not result from circumvention of the codes.

## 1.3 The QSE Scorecard

1.3.1 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
Framework		800
Ownership	25 points	801
Management control	25 points	802
Employment equity	25 points	803
Skills development	25 points	804
Preferential procurement	25 points	805
Enterprise Development	25 points	806
Socio Economic Development Contributions	25 points	807

1.3.2 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.

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

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

1.3.5 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.

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

1.3.7 The B-BBEE compliance of a QSE must be determined in accordance with code 000.

- 1.3.8 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.

## 1.4 Transitional period

- 1.4.1 For the first year after the commencement of this statement, a Measured Entity may elect to use -
- 1.4.1.1 the QSE Scorecard; or;
- 1.4.1.2 The transitional Scorecard
- 1.4.2 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.
- 1.4.3 The transitional scorecard assigns a BEE Status based on the Ownership and Management Control of the entity calculated in terms of the formula below;

$$A = B \times 1.18$$

Where

**A** is the indicative BEE Status during the transitional period

**B** is the total score achieved under Code series 801 and 802

## 2 STATEMENT 801: OWNERSHIP FOR QSEs

### 2.1 The QSE ownership scorecard

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

Category	Ownership indicator	Weighting points	Compliance Target
2.1.1 Voting rights:			
2.1.1.1	Exercisable Voting Rights in the Enterprise in the hands of black people	6	25%+1 vote
2.1.2 Economic Interest:			
2.1.2.1	Economic Interest of black people in the Enterprise	9	25%
2.1.3 Realisation points:			
2.1.3.1	Ownership fulfilment	1	
2.1.3.2	Net Value	9	
2.1.4 Bonus points:			
2.1.4.1	Involvement in the ownership of the Enterprise by black women	2	10%
2.1.4.2	Involvement in the ownership of the Enterprise by black Participants in Employee Ownership Schemes, Co-operatives or Broad-Based Ownership Schemes	1	10%

### 2.2 Key measurement principles

#### 2.2.1 General principles:

- 2.2.1.1 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:



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

## 2.3 Realisation Points

2.3.1 Ownership Fulfilment occurs:

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

## 2.4 The bonus points

- 2.4.1 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.
- 2.4.2 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:
  - 2.4.1.1 Employee Share Ownership Schemes;
  - 2.4.1.2 Co-operatives; or
  - 2.4.1.3 Broad-Based Ownership Schemes.
- 2.4.3 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.
- 2.4.4 The Qualifying Small Enterprise Ownership Scorecard remains applicable to Qualifying Small Enterprises even if they benefit from other statements in the Code series 100.
- 2.4.5 Any interpretation or calculation of a QSE's score for ownership must be made in accordance with statement 100.
- 2.4.6 Without limiting the generality of the preceding clause, the following matters dealt with in code 100 apply expressly to QSEs -
  - 2.4.6.1 The Flow-Through Principle
    - Specific rules on certain types of enterprises (Broad-Based Ownership Schemes; Employee Share Ownership Schemes and Trusts).

### 3 STATEMENT 802: MANAGEMENT CONTROL FOR QSEs

#### 3.1 THE QSE Management control scorecard

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

Management control criteria	Weighting points	Compliance Target
Black representation at Top-Management level.	25	50.1%
Bonus Points: Black women representation as Top-Management	2	25%

#### 3.2 Key measurement principles

3.2.1 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.

#### 3.3 Common examples of Top Management

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

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

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

### 4 STATEMENT 803: EMPLOYMENT EQUITY FOR QSE's

#### 4.1 THE QSE Employment Equity scorecard

4.1.1 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 adjusted using the Adjusted Recognition for Gender	15	40%	60%
Black employees of the Measured Entity as a percentage of all employees adjusted using the Adjusted Recognition for Gender	10	60%	70%
Bonus point for meeting or exceeding the EAP targets in each category above	2		

#### 4.2 Key measurement principles

4.2.1 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.

4.2.2 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.

- 4.2.3 No Measured Entity shall receive any points under the Employment Equity Scorecard unless they have achieved a sub-minimum of 40% of each of the targets set out on the Employment Equity Scorecard in respect of the both five year periods.
- 4.2.4 In order for a measured entity to achieve bonus points at a particular level, the entity needs to meet or exceed the EAP targets.
- 4.2.5 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.
- 4.2.6 Black women employees in each Measurement Category qualify for enhanced recognition using the Adjusted Recognition for Gender.

### 4.3 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

## 5 STATEMENT 804: SKILLS DEVELOPMENT FOR QSE's

### 5.1 The QSE Skills Development Scorecard

5.1.1 The following table represents the criteria used for deriving a score for skills development under this statement:

Skills Development Element	Weighting points	Compliance Target
Adjusted skills development spend on learning programmes for black employees as a percentage of leviable amount.	25	2%

### 5.2 Key measurement principles

- 5.2.1 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.
- 5.2.2 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.

- 5.2.3 Legitimate training expenses include:
- 5.2.3.1 costs of training materials;
  - 5.2.3.2 costs of trainers including, where appropriate, the opportunity cost of internal trainers;
  - 5.2.3.3 costs of training facilities including costs of catering;
  - 5.2.3.4 scholarships and bursaries;
  - 5.2.3.5 course fees;
  - 5.2.3.6 accommodation and travel; and
  - 5.2.3.7 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.
- 5.2.4 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.

## 6 STATEMENT 805: PREFERENTIAL PROCUREMENT FOR QSE's

### 6.1 THE QSE Preferential Procurement Scorecard

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%

### 6.2 Key Measurement Principles

- 6.2.1 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.
- 6.2.2 Where a Measured Entity can show that it procures goods and services from a Supplier that is also:
- 6.2.2.1 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
  - 6.2.2.2 a Value-Adding Supplier, the BEE Procurement Spend attributable to that Supplier multiplied by a factor of 1.25 is recognisable.
- 6.2.3 Measured Entities are expected to pursue compliance with this statement in respect of all areas of procurement.

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

## 7 STATEMENT 806: ENTERPRISE DEVELOPMENT FOR QSE's

### 7.1 THE QSE Enterprise Development (ED) scorecard

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

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

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

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

- $2\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$ .
- Indicative profit margin is the profit margin in the last year where the company's profit margin is at least one quarter of the industry norm.

7.1.2 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

### 7.2 Key Measurement Principles

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

7.2.2 Qualifying Contributions of any Measured Entity are recognisable:

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

7.2.2.2 until the date of measurement.

7.2.3 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.

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

# BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT

## SECTION 9(1) CODES OF GOOD PRACTICE

### SCHEDULE 1

#### INTERPRETATION AND DEFINITIONS

##### Part 1: Interpretation

The Codes of Good Practice shall be interpreted according to the following provisions unless the context requires a different meaning:

1. In interpreting the provisions of the Codes any reasonable interpretation consistent with the objectives of the Act and the BEE Strategy must take precedence.
2. Words importing persons shall where the context so requires or admits, include individuals, firms, partnerships, trusts, corporations, governmental bodies, authorities, agencies, unincorporated bodies of persons or associations and any organisation having legal capacity.
3. The Schedules and Annexes to the Codes are an integral part of the Codes and a reference to the Codes includes a reference to the Schedules.

##### Part 2: Definitions

In these Codes unless the context otherwise requires:

"ABET"	means Adult Basic Education and Training as determined by the National Qualifications Authority;
"Accreditation Body"	means the South African National Accreditation System or any other Entity appointed by the Minister from time to time. a. accrediting Verification Agencies; and b. developing, maintaining and enforcing the Verification Standards;
"Acquisition debt"	means the debts of: (a) black participants incurred in financing their purchase of their equity instruments in the Measured Entity; and (b) juristic persons or trusts found in the chain of ownership between the eventual black Participants and the Measured Entity but excluding debts incurred by the Measured Entity for the same purpose as those in (a);
"Associated Enterprise"	means an Entity with which a Seller has concluded a Qualifying Transaction;
"B-BBEE"	means Broad-Based Black Economic Empowerment;
"BEE controlled company"	means a juristic person, having share holding or similar members interest, in which black participants enjoy a right to Exercisable Voting Rights that is more than 50% of the total such rights measured using the Flow Through Principle;
"BEE owned company"	means juristic person, having share holding or similar members interest, that is BEE controlled, in which black participants enjoy a right to Economic interest that is more than 50% of the total such rights measured using the Flow Through Principle;

"BEE Procurement Recognition Level"	means the percentage BEE Procurement Recognition Levels as determined: (a) for Enterprises that are neither Qualifying Small Enterprises nor Exempted Micro-Enterprises, using statement 000; (b) for Qualifying Small Enterprises, using statement 800; and (c) for Exempted Micro-Enterprises, a deemed BEE Procurement Recognition of 100% and BEE Status of Level 4 Contributor under statement 800;
"BEE Status"	means the BEE status of a beneficiary of Enterprise Development Contributions as determined under: (a) Statement 800 for Qualifying Small Enterprises and Exempted Micro Enterprises; and (b) Statement 000 for all other Enterprises;
"Benefit Factor"	means a factor specified in the Benefit Factor Matrix applicable to fixing the monetary value of Enterprise Development and Socio Economic Development Contributions claimable under statement 600,700, 806 and 807;
"Benefit Factor Matrix"	means the Benefit Factor Matrix for Enterprise Development and Socio Economic Development Contributions annexed to statement 600,700, 806 and 807;
"Black designated groups"	(a) means unemployed black people not attending and not required by law to attend an educational institution and not awaiting admission to an educational institution; (b) Black people who are youth as defined in the National Youth Commission Act of 1996; (c) Black people who are persons with disabilities as defined in the Code of Good Practise on employment of people with disabilities issued under the Employment Equity Act; (d) Black people living in rural and under-developed areas.
"Black new entrants"	means black participants who hold rights of ownership in a Measured Entity and who, before holding the Equity Instrument in the Measured Entity, have not held equity instruments in any other Entity which has a total value of more than R20.000,00000, measured using a standard valuation method;
"Black people"	has the meaning defined in the Act qualified as including only natural persons who are citizens of the Republic of South Africa by birth or descent; or are citizens of the republic of South Africa by naturalisation: (a) occurring before the commencement date of the constitution of the Republic of South Africa Act of 1993; or (a) occurring after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, without the Apartheid policy would have qualified for naturalisation before then;
"Broad-Based Ownership Scheme"	means a ownership scheme which meets the rules set out in Annexe 100B;
"Black Professional Service Provider"	means Black individuals who provide services of a professional nature.
"Certified Learning Programme"	means any Learning Programme for which the Measured Entity has: (a) any form of independent written certification as referred to in the "Learning Achievements" column of the Learning Programmes Matrix; or if it does not have such certification: (b) an enrolment certificate issued by the independent person responsible for the issue of the certification referred to in statement 400 and 804 confirming the employee has: (i) enrolled for, is attending and is making satisfactory progress in the Learning Programme; or (ii) enrolled for but not attended the Learning; or (iii) attended the Training Programme but has failed an evaluation of their learning progress;

"Companies Act"	means the Companies Act 61 of 1973 as amended or substituted;
"Company limited by guarantee"	means a company as referred to in section 19(1)(b) of the Companies Act;
"Competent person"	means a person who has acquired through training, qualification and experience the knowledge and skills necessary for undertaking any task assigned to them under the codes;
"Core Skills"	means skills that are: (a) value-adding to the activities of the Measured Entity in line with its core business; (b) in areas the Measured Entity cannot outsource; or (c) within the production/operational part of the Measured Entity's value-chain; as opposed to the supply side; services or downstream operations;
"Critical Skills"	means those skills identified as being critical by any SETA;
"Disabled Employees"	has the meaning defined in the Code of Good Practice on Key Aspects of Disability in the Workplace issued under section 54 of the Employment Equity Act;
"EAP"	Economically Active Population as determined and published by Stats SA. The operative EAP for the purposes of any calculation under the Codes will be the most recently published EAP;
"Economic interest"	means a claim against an Entity representing a return on ownership of the Entity similar in nature to a dividend right, measured using the Flow Through and, where applicable, the Modified Through Principles;
"EE Act"	means the Employment Equity Act of 1998, as amended;
"EE Regulations"	means the regulations under the Employment Equity Act
"Elements"	means the measurable quantitative or qualitative elements of BEE compliance in the Generic Scorecard and the Primary Codes;
"Employee"	bears the meaning as defined in the Labour Relations Act 66 of 1995 as amended;
"Employee Ownership Scheme"	means a worker or employee scheme;
"Entrepreneur"	means a person who starts and / or operates a business which includes identifying opportunities in the market, taking risks with a view of being rewarded with profits;
"Entity"	means a natural or a juristic person conducting a business, trade or profession in the Republic of South Africa;
"Enterprise Development Contributions"	means monetary or non-monetary contributions carried out for the following beneficiaries, with the objective of contributing to the development, sustainability and financial and operational independence of those beneficiaries: (a) Category A Enterprise Development Contributions involves Enterprise Development Contributions to Exempted Micro-Enterprises or Qualifying Small Enterprises which are 50% black owned or black women owned; (b) Category B Enterprise Development Contributions involves Enterprise Development Contributions to any other Entity that is 50% black owned or black women owned; or 25% black owned or black women owned with a BEE status of between Level One and Level Six;
"Equity Equivalent contribution"	means an equity equivalent contribution made by a Multinational under an Equity Equivalent Programme;
"Equity Equivalent Programme"	means a public programme or scheme of any government department, provincial or local government in the Republic of South Africa or any other programme approved by the Minister as an Equity Equivalent Programme;
"Equity instrument"	means the instrument by which a Participant holds rights of ownership in an Enterprise;
"Equivalency Percentage"	means a percentage ownership performance for all the indicators in the Associated Enterprise's Ownership Scorecard arising from a Qualifying Transaction included in the Ownership Scorecard of the beneficiary entity;



"Executive Members of the Board"	means those members of the Board who are executive directors as defined in the King Report;
"Exercisable Voting Right"	means a voting right of a Participant that is not subject to any limit;
"Exempted Micro Enterprises"	means an Entity with an annual turnover of less than R 5(five) million;
"Global Practice"	means a globally and uniformly applied practice of a Multinational, restricting alienation of equity in or the sale of businesses in its regional operations. The practice must have existed before the promulgation of the Act;
"Grant Contribution"	means the monetary value of Qualifying Contributions made by the Measured Entity to a beneficiary in the form of grants, donations, discounts and other similar quantifiable benefits which are not recoverable by the Measured Entity;
"Higher Education Institution"	means a higher education institution as defined under the Higher Education Act of 1997;
"Inception date"	means a date specified by a Measured Entity as being the date from which its Contributions are measurable before the commencement date of statement 600, 700, 806 and 807;
"Independent Non-Executive Board Members"	means those members of the Board that are independent directors as defined in the King Report;
"Indicator Percentage"	means the percentage compliance of the Associated Entity for all the indicators of the Associated Enterprises ownership Scorecard. The calculation of indicator Percentages follows the rules in statement 100 using the actual percentage compliance for each indicator and not the resulting scores;
"King Report"	means the King Report on Corporate Governance for South Africa 2002 by the King Committee on Corporate Governance of the Institute of Directors in Southern Africa;
"Learning Programmes"	means any learning programme set out in the Learning Programme Matrix
"Learning Programme Matrix"	means the Learning Programme Matrix annexed as Annexe "400A" 804(A) in statement 400 and 804;
"Leviable Amount"	bears the meaning as defined in the Skills Development Levies Act of 1999 as determined using the Fourth Schedule to the Income Tax Act;
"Management Fees"	means the total Economic Interest received by a Broad-Based Ownership Scheme in any year less the amounts distributed or applied to beneficiaries and the amounts reserved for future distribution or application;
"Mandated investments"	means any investments made by or through any third party regulated by legislation on behalf of the actual owner of the funds, pursuant to a mandate given by the owner to a third party, which mandate is governed by that legislation. Some examples of domestic mandated investments and the portions of those investments subject to the exclusion principle are contained in Annexe 100A attached to statement 100;
"Measured Entity"	means an Entity as well as an organ of state or public entity subject to measurement under the Codes;
"50% black owned "	means an Entity in which: (a) black people hold more than 50% of the exercisable voting rights as determined under Code series 100; (b) black people hold more than 50% of the economic interest as determined under Code series 100; and (c) has earned all the points for Net Value under statement 100;
"50% black women owned "	means an Entity in which: (a) black women hold more than 50% of the exercisable voting rights as determined under Code series 100; (b) black women hold more than 50% of the economic interest as determined under Code series 100; and (c) has earned all the points for Net Value under statement 100;

"30% black women owned"	means an Entity in which: (d) black women hold more than 30% of the exercisable voting rights as determined under Code series 100; (e) black women hold more than 30% of the economic interest as determined under Code series 100; and (f) has earned all the points for Net Value under statement 100;
"Multinational Business"	means a Measured Entity with a business in the Republic of South Africa and elsewhere which maintains its international headquarters outside the Republic;
"National Skills Development Strategy"	means the national skills development strategy referred to in section 5(1)(a)(ii) of the Skills Development Act;
"Net Profit After Tax"	means the operating profit of a measured entity after tax. It incorporates both the equity / loss figures and abnormal items, but excludes extra ordinary items as determined by (GAAP) Generally Accepted Accounting Practices;
"Net Profit Before Tax"	means the operating profit of a measured entity before tax. It incorporates both the equity / loss figures and abnormal items, but excludes extra ordinary items as determined by (GAAP) Generally Accepted Accounting Practices;
"Net Value"	means the percentage resulting from the formula in Annexe 100(C) of statement 100;
"Net-value date"	means the later occurring of the date of commencement of statement 100 and the date upon which the earliest of all still operative transactions undertaken by the Measured Entity Measured Entities in order to achieve black rights of ownership, became effective and unconditional;
"Non-profit Organisation"	means a non-profit organisation registered under the Non-Profit Organisation Act of 1997;
"Outsourced Labour Expenditure"	means any expenditure incurred in: (a) procuring the services of or from a labour broker; and (b) procuring the services of any person who receives any remuneration or to whom any remuneration accrues because of any services rendered by such person to or on behalf of a labour broker;
"Ownership Fulfilment"	has the same meaning as referred to in the ownership scorecard in statement 100;
"Participant"	means a natural person holding rights of ownership in a Measured Entity;
"Priority Skills"	means Core, Critical and Scarce Skills as well as any skills specifically identified: (a) in a Sector Skills Plan issued by the Department of Labour of the Republic of South Africa; and (b) by the Joint Initiative for Priority Skills Acquisition (JIPSA) established as part of the Accelerated and Shared Growth Initiative - South Africa (ASGISA);
"Private equity fund"	means a third party fund through which investments are made on behalf of the actual owner of the funds pursuant to a mandate given by that person to the private equity fund; ;
"Public Benefit Organisation"	means an entity as defined in section 30 of the income Tax Act of 1962;
"QSE"	means a Qualifying Small Entity that qualifies for measurement under the qualifying small Entity scorecard with a turnover of between R5 and R35 million;"Qualifying Enterprise Development Contributions" is a collective term describing Category A and B Enterprise Development Contributions and in particular Enterprise Development Contributions targeting black owned EME's and QSE's, and black youth in rural, and underdeveloped areas in statement 600;
"Socio-Economic Development Contributions"	is a collective term for Socio-Economic development programmes and contributions, approved Socio-Economic development programmes and sector specific programmes;

Approved Socio-economic development contributions	means monetary or non-monetary contributions carried out for the benefit of any projects approved for this purpose by any organ of state or sectors including without limitation:  (a) projects focusing on environmental conservation, awareness, education and waste management; and  (b) projects targeting infrastructural development, enterprise creation or reconstruction in underdeveloped areas; rural communities or geographic areas identified in the government's integrated sustainable rural development or urban renewal programmes;
"Qualifying Transaction"	means a sale of a business, valuable business assets or shares that results in the creation of sustainable business opportunities and transfer of specialised skills or productive capacity for black people;
"Realisation Points"	means the Ownership Fulfilment point added to the Net Value points in the ownership scorecard;
"Related Enterprise"	means an Entity controlled by a Measured Entity whether directly or indirectly controlled by the natural persons who have direct or indirect control over that Measured Entity or the immediate family of those natural persons;
"Rights of ownership"	is a collective term for the right to Economic Interest and the right to Exercisable Voting Rights;
"Scarce Skills"	are those skills identified as being scarce by any SETA
"Section 21 Company"	means an association not for gain incorporated under section 21 of the Companies Act;
"Sector Code"	means a code in statement 003 which is applicable to a particular sector;
"Sector Specific Programmes"	means Sector Specific Programmes that are recognised on the bases set forth in the sector code governing them.
"Seller"	means the Entity or the person concluding a Qualifying Transaction with the Associated Enterprise;
"Senior Top Management"	means employees of a Measured Entity who are:  (a) members of the occupation category of "Top Management" as determined using the EE Regulations as qualified in a Sector Code;  (b) appointed by or on the authority of the Board to undertake the day-to-day management of that Measured Entity and who:  (i) have individual responsibility for the overall management and for the financial management of that Measured Entity; and  (ii) actively involved in developing and implementing the Measured Entity's overall strategy;
"Skills Development Expenditure"	comprises the money that a Measured Entity spends on skills development. It excludes the skills development levy payable by the Measured Entity under the Skills Development Levies Act;
"Socio-Economic Development Programmes"	(a) Socio-Economic Development Programmes commonly take the following forms:  (b) development programmes for women, youth, people with disabilities, people living in rural areas;  (c) support of healthcare and HIV/AIDS programmes;  (d) support for education programmes, resources and materials at primary, secondary and tertiary education level, as well as bursaries and scholarships;  (e) community training; skills development for unemployed people and adult basic education and training; or  support of arts, cultural or sporting development programmes;
"Standard valuation method"	means a standard valuation method for an asset, an Economic Interest, or any other instrument or right relevant to measurement under statement 100, undertaken using normal valuation methods that represent standard market practise;
"Start-up enterprise"	means a recently formed or incorporated Entity that has been in operation for less than 1 year. A start-up enterprise does not include any newly constituted enterprise which merely a continuation of a pre-existing enterprise;

"Subsidiary"	has the meaning defined in section 1(3) of the Companies Act;
"Superior Contributor to BEE"	is a Level One to Level Four Contributor to BEE;
"Supplier"	means any supplier or service provider to a Measured Entity if any portion of the supply or service provision falls within the definition of Total Measured Procurement Spend;
"Target"	means the targets for the various Elements in the Generic and QSE Scorecard;
"the Act"	means the Broad-Based Black Economic Empowerment Act 53 of 2003;
"the Codes"	means the Codes of Good Practice including all the statements as issued under section 9 of the Act;
"the Generic Scorecard"	means the balanced BEE scorecard as contained in statement 100;
"the PFMA"	means the Public Finance Management Act 1 of 1999 as amended;
"the QSE Scorecard"	means the QSE scorecard referred to in statement 800;
"the Skills Development Act"	means the Skills Development Act of 1998;
"the Skills Development Levies Act"	means the Skills Development Levies Act of 1999;
"the Strategy Document"	means the document entitled "South Africa's Economic Transformation - A Strategy for Broad-Based Black Economic Empowerment" published by the department of trade and industry in March 2003 as amended or substituted under section 11 of the Act;
"Third Party Rights"	means third party legal or commercial rights that restrict withhold or defer any benefit associated with ownership of any Equity Instrument. Third party rights include only those rights:  (a) created against a black Participant to secure, for a lender, repayment of a loan advanced to that Participant for financing their purchase of their equity instrument in the Measured Entity;  (b) held against a juristic person or trust that is in the chain of ownership between the Measured Entity and that the eventual black Participant serving the same purpose mentioned in (a) above;
"Top Manager"	means employees of a Measured Entity who hold rights of ownership, serve on the Board, undertake the day to day management, have overall responsibility for the overall financial management and are actively involved in developing and implementing the overall strategy of the Measured Entity;
"Total Labour Cost"	means the total amount of remuneration paid by an Entity to its employees determined using section 3(4) of the Skills Development Levies Act of 1999 and the Forth Schedule of the Income Tax Act of 1962;
"Total revenue"	means the total income of an Entity from its operations as determined under South African Generally Accepted Accounting Practice;
"Transformation Charters"	means the sectoral transformation charters referred to in section 12 of the Act;
"Uncertified Learning Programme"	means any Learning Programme of the Measured Entity that is not a Certified Learning Programme;
"Unincorporated Joint Venture"	means a joint venture between two or more Measured Entities effected by agreement without incorporation;
"Value-Adding Enterprise"	means an Entity registered as a vendor under the Value-Added Tax of 1991, whose Net Profit Before Tax summed with its Total Labour Cost exceeds 25% of the value of its Total Revenue;
"Voting Right"	means a voting right attaching to an Equity Instrument owned by or held for a participant measured using the Flow through Principle or the Control Principle;
"Weighting"	means the weightings applied to various Elements in the Generic Scorecard;
"Workplace Skills Plan"	means the plan of a Measured Entity approved by the relevant SETA.



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- 5.2 A Qualifying Small Enterprise must select any four of the seven Elements of B-BBEE for the purposes of measurement under the Qualifying Small Enterprise Scorecard contained in Code 800. Where a Qualifying Small Enterprise does not make a selection, its four best element scores will be used for the purposes of measurement.

## **6 Start-up enterprises**

- 6.1 Start-up enterprises must be measured as Exempted Micro-Enterprises under this statement for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the start-up enterprise.
- 6.2 Start-up Enterprises are deemed to have a B-BBEE Status of "Level Four Contributor" having a B-BBEE procurement recognition of 100% under this paragraph
- 6.3 In order to qualify as a Start-up Enterprise, the enterprise must provide an independent confirmation of its status.
- 6.4 Despite paragraph 6.1 and 6.2, Start-up Enterprises must submit a QSE Scorecard when tendering for any contract, or seeking any other business covered by section 10 of the Act, with a value higher than R 5 million but less than R35 million. For contracts above R35 million they should submit the generic scorecard. The preparation of such scorecards must use annualised data.

## **7 The Elements of B-BBEE in terms of the Generic Scorecard**

- 7.1 The Ownership Element, as set out in Code series 100, measures the effective ownership of enterprises by black people.
- 7.2 The Management Control Element, as set out in Code series 200, measures the effective control of enterprises by black people.
- 7.3 The Employment Equity Element, as set out in Code series 300, measures initiatives intended to achieve equity in the workplace under the Act, and the Employment Equity Act.
- 7.4 The Skills Development Element, as set out in Code series 400, measures the extent to which employers carry out initiatives designed to develop the competencies of black employees.
- 7.5 The Preferential Procurement Element, as set out in Code series 500, measures the extent to which enterprises buy goods and services from suppliers with strong B-BBEE procurement recognition levels.
- 7.6 The Enterprise Development Element, as set out in Code series 600, measures the extent to which Enterprises carry out initiatives intended to assist and accelerate the development and sustainability of other Enterprises.
- 7.7 The Socio-Economic Development and Sector Specific Contributions Element, as set out in Code series 700, measures the extent to which enterprises carry out initiatives that contribute towards Socio-Economic Development or Sector Specific initiatives that promote access to the economy for black people.