

An EMPOWERDEX Guide



The Codes of Good Practice for Qualifying Small Enterprises

PART 1

Framework

Ownership

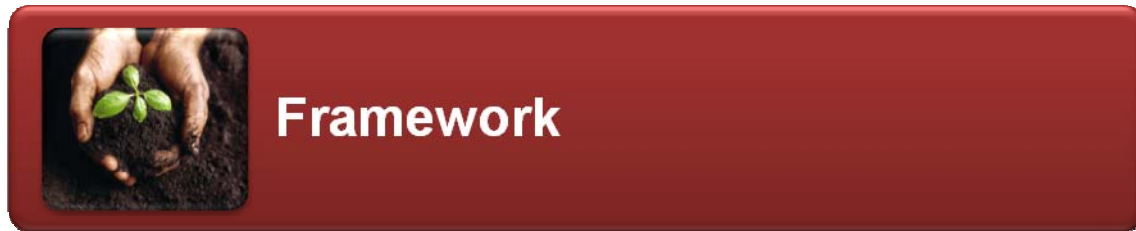
Management

Employment Equity

Skills Development

Preferential Procurement

QSE Scorecard Essentials



BEE Status –

A QSE's overall score is used to determine its BEE Status. Generally **the higher the BEE Score, the higher the recognition** to any person/enterprise interacting with that QSE. Customers (public and private sector) generally prefer to interact and procure from entities with higher BEE status since this bolsters their own B-BBEE recognition.

B-BBEE Status	Qualification	B-BBEE Recognition Level
Level One Contributor	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥75 but <85 on the Generic Scorecard	110%
Level Four Contributor	≥65 but <75 on the Generic Scorecard	100%
Level Five Contributor	≥55 but <65 on the Generic Scorecard	80%
Level Six Contributor	≥45 but <55 on the Generic Scorecard	60%
Level Seven Contributor	≥40 but <45 on the Generic Scorecard	50%
Level Eight Contributor	≥30 but <40 on the Generic Scorecard	10%
Non-Compliant Contributor	<30 on the Generic Scorecard	0%

Transitional Period

For the first year after the gazetting of the Codes, a Measured Entity may elect to use:

- the QSE Scorecard; or
- the Transitional Scorecard

Thereafter, all BEE compliance measurement under the QSE Codes is subject to the use of the QSE Scorecard or, if applicable, a sector Code.

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

Duration of the Codes

A Code remains in effect until it is amended, substituted or repealed under section 9 of the B-BBEE Act. The Minister will review the Codes at the end of the **tenth year** following the commencement of the Codes. Despite this, **annual reviews** will be undertaken to monitor the implementation of B-BBEE throughout the economy.



Ownership

Measurement of the Ownership Element of B-BBEE

Statement 801

The General Principles for Measuring Ownership for QSEs

What you can expect:

- The Ownership Scorecard
- Key measurement principles
- Provision of Bonus Points

The Essence of Statement 801:

The QSE Ownership Scorecard allocates points for:

- Voting Rights
- Economic Interest
- Ownership fulfillment
- Net Value
- Bonus points for black women and the broadening of ownership to include black participants in employee ownership schemes, broad-based ownership schemes and co-operatives.

Key measurement principles

A company receives points for participation by black people in its rights of ownership, using the QSE Scorecard. The rights of ownership are defined in terms of the scorecard as **Voting Rights** and **Economic Interest**. Black people may hold their rights of ownership in a company as direct participants or as participants through:

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

Realisation Points

Ownership fulfillment occurs:

- On the release of all black participants in a Measured Enterprise from all third – party rights; or
- If black participants have never been subjected to any third – party rights
- A minimum score of 7 points for Net Value is a requirement for the award of the Ownership Fulfillment point

Awarding of Bonus Points

A measured entity with 25% black economic interest is eligible to receive bonus points if:

- it has a 10% holding of economic Interest by black women
- it has a 10% holding of economic interest by black participants in
 - Employee share Ownership Schemes
 - Co-operatives; or
 - Broad-Based Ownership Schemes



Measurement of the Management Control Element of B-BBEE

Statement 802

The General Principles for Measuring Management Control for QSEs

What you can expect:

- Management Control scorecard
- Common examples of Top Management
- Key measurement principles

The Essence of Statement 802:

The QSE Management Control Scorecard allocates points for:

- Percentage black Top Management
- Bonus points for representation of black women as Top Management

Common examples of Top Management (for guidance purposes only)

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

Other Top Management = 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.

Key measurement principles

- A Measured Entity receives points by meeting the targets for participation of black people and black women at **Board and Top Management level**.



Measurement of the Employment Equity Element of B-BBEE

Statement 803

The General Principles for Measuring Employment Equity for QSEs

What you can expect:

- Employment Equity scorecard
- Key measurement principles
- Calculating the Adjusted Recognition for Gender
- Measurement of the Employment Equity criteria

The Essence of Statement 803:

The QSE Employment Equity scorecard allocates points for:

- Black employees in Management adjusted using the Adjusted Recognition for Gender
- Black employees as a percentage of all employees adjusted using the Adjusted Recognition for Gender
- Bonus points are allocated for meeting and exceeding the above targets

Key measurement principles

- A Measured Entity receives points by meeting the targets for participation of black people and black women at **Board and Top Management level**
- Wherever possible, a Measured Entity **must use the same** information/ data that it has **filed with the Department of Labour under the Employment Equity Act** to calculate its score under the Employment Equity Scorecard
- A Measured Entity is only entitled to bonus points if it meets or exceeds the EAP targets
- No Measured Entity shall receive any points under the Employment Equity Scorecard **unless it has achieved a sub-minimum of 40%** of each of the targets set out on the Employment Equity Scorecard
- Measured Entities **exempt from filing returns** must compile its data for calculating its score by using the guidelines set out in the Employment Equity Act and its Employment Equity regulations
- **Black women employees** in each of the categories qualify for enhanced recognition using the **Adjusted Recognition for Gender**.

Calculation of the Adjusted Recognition for Gender

The following calculation is applied when working out the Adjusted Recognition for Gender:

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

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

Where

A is the Adjusted Recognition for Gender

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

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



Skills Development

Measurement of the Skills Development Element of B-BBEE

Statement 804

The General Principles for Measuring Skills Development for QSEs

What you can expect:

- Skills Development scorecard
- Key measurement principles

The Essence of Statement 804:

The Skills Development scorecard allocates points for:

- Skills development spend on **Learning Programmes** for black employees as a percentage of leviable amount

Key measurement principles

- Salaries and wages paid to employees participating in any Learning Programme do not constitute Skills Development spend unless the Learning Programme is an in-service Training Programme
- Any Skills Development Expenditure that is invested in **ABET programmes** is recognisable at a **multiple of 1.25** to the actual value of such Skills Development Expenditure
- Skills Development Expenditure includes any legitimate expenses incurred for any Learning Programme offered by a company to its employees and must be evidenced by an invoice or appropriate internal accounting record

Legitimate training expenses include:

- costs of training materials
- cost of trainers
- costs of training facilities including costs of catering
- scholarships and bursaries
- course fees
- accommodation and travel
- administration costs such as organization of training including the cost to the company of employing a skills development facilitator or a training manager.



Preferential Procurement

Measurement of the Preferential Procurement Element of B-BBEE

Statement 805

The General Principles for Measuring Preferential Procurement of QSEs

What you can expect:

- Preferential Procurement scorecard
- Key measurement principles
- Total Measured Procurement Spend
- Measurement of B-BBEE Procurement Spend

The Essence of Statement 805:

The Preferential Procurement scorecard allocates points for:

- BEE Procurement from all Suppliers based on the BEE Procurement Recognition levels as a percentage of Total Measured Procurement Spend

Enhanced recognition

- Companies that can show that they also procure goods and services from **a supplier it supports through Enterprise Development contributions** may multiply the spend attributable to that supplier by **a factor of 1.2**; and
- Companies that can show that they also procure goods and services from **a Value-Adding Supplier** can multiply the spend attributable to that supplier by **a factor of 1.25**

Calculation of Total Measured Procurement Spend

- All procurement of goods and services by the Measured QSE, other than such portions specifically excluded in this statement, is measurable in calculating Total Measured Procurement Spend of the Measured QSE
- Total Measured Procurement Spend and the exclusions thereof, must be determined in accordance with Statement 500 of the Codes of Good Practice for Broad-Based Black Economic Empowerment
- According to statement 500:

Total Measured Procurement Spend includes, amongst other things:

- Cost of sales
- Operational expenditure
- Capital expenditure
- Empowerment related expenditure
- Imports

Exclusions from Total Measured Procurement Spend include, amongst other things:

- Taxation
- Salaries, wages and emoluments
- Empowerment related procurement associated with investments, loans or donations.