

BACKGROUND TO, INTENTION & APPLICATION OF THE CODES OF GOOD PRACTICE

Introduction

This guide has been developed as an interpretation aide for individuals and entities seeking to gain further clarity and understanding of the Codes of Good Practice ('the Codes'). *This guide should not be viewed as a replacement for the content of the Codes, but rather, should be read in conjunction with each Statement, as a means of further clarification.*

The Purpose of the Codes of Good Practice

Before the release of the Strategy on Broad-Based BEE¹, there was no framework in existence for the measurement of broad-based BEE. The Strategy provided the outline of a broad-based scorecard, together with weightings, but did not contain detail on measurement principles and the application of the scorecard.

By the beginning of 2004 when the BEE Act was promulgated, numerous sectors of the economy had drafted industry charters on BEE and transformation. Whilst some contained scorecards loosely based on the broad-based scorecard contained in the Strategy, others were merely written undertakings of commitment to transformation. In addition, several of these charters were drafted prior to the release of the Strategy and stakeholders therefore had little point of reference in terms of broad-based elements and weightings. Furthermore, it became evident that other pertinent issues surrounding the measurement of BEE needed to be addressed to further accelerate the transformation process.

¹ *South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment*

Summary of Obstacles, Implications, Solutions presented by the Codes and Relevant Statements:

Historical BEE Implementation Obstacles	Implications	Solution presented by the Codes of Good Practice	Applicable COGP Statements
Lack of uniform framework for the recognition and measurement of BEE	Created confusion as the same BEE initiatives or transactions may have received different BEE recognition by different organs of state, business entities and verification agencies	Standardisation of BEE recognition and measurement principles to provide clarity	Primary: Statement 000 Secondary: Codes of Good Practice in general
Extensive delays in BEE implementation due to differences in interpretation	Sectors were often locked in contentious debates around certain aspects of BEE, thereby delaying the implementation of broad-based BEE initiatives	Standardisation of BEE recognition and measurement principles to provide clarity	Primary: Statement 000 Secondary: Codes of Good Practice in general
Disparity in definitions and targets in charters and other BEE requirements	Different charters introduced definitions, targets and processes which may have diluted or negated the impact of the Strategy and circumvented the principles of the BEE Act	Specification of the requirements for the development and recognition of industry charters (reducing disparity in principles and definitions as a result of industry charters)	Primary: Statement 000 Secondary: Codes of Good Practice in general
Status of transformation charters was unclear	Confusion and delays in BEE implementation resulted since companies were uncertain as to the status and application of charters	Specification of the requirements for the development and recognition of industry charters	Primary: Statement 003
Lack of underlying economic substance to many BEE transactions	Many BEE transactions boasted high percentage levels of legal black ownership, but often the actual economic benefits accruing to black shareholders proved to be significantly lower	Provision of a balanced ownership scorecard which measures voting rights and net economic interest in the hands of black people	Primary: Statement 100
Fronting due to lack of implementation guidelines	Lack of understanding of BEE and its elements often resulted in fronting and meant that fronting was more difficult to detect	Provision of definitions, principles and processes to implement proper BBBEE initiatives	Primary: Statement 100 Secondary: The Codes of Good Practice in General
Very little transformation within management levels	Despite various attempts at transformation within entities there is still a lack of sufficient representation of black people within management levels.	The codes encourage focus to be given for black representation at junior, middle, senior and top management levels within organisations.	Primary: Statement 200 & 300
Uncertainty as to what type of skills development initiatives could be counted towards skills development spend	Skills spend may not necessarily have been aligned to a particular learning outcome	Alignment of skills development spend on black employees to the learning programme matrix as issued under the Skills Development Act to ensure clear and quantifiable outcomes	Primary: Statement 400
Narrow-based recognition tended to benefit a limited number of black people with access to capital	Only a limited number of black people have tended to benefit from black economic empowerment to date	The Codes promote broad-based BEE which by encouraging that procurement opportunities be made available to B-BBEE compliant suppliers, Black owned and black women owned entities, small and micro enterprises	Primary: Statement 500



Historical BEE Implementation Obstacles	Implications	Solution presented by the Codes of Good Practice	Applicable COGP Statements
Lack of awareness of enterprise development in and of itself, as well as a lack of awareness of what constitutes enterprise development	Unlike corporate social investment, enterprise development is a fairly new concept and fairly specific to broad-based BEE. For this reason, the lack of documentation with examples of what constitutes enterprise development has made enterprise development one of the least implemented elements on the scorecard.	Code 600 outlines the principle of enterprise development, as well as supplying numerous examples of what kinds of initiatives constitute enterprise development	Primary: Statement 600
Corporate social investment initiatives were not necessarily linked to the objective of bringing their beneficiaries into the mainstream economy	The black majority remain largely outside of the mainstream economy	Code 700, whilst acknowledging that certain social objectives may not necessarily facilitate access to the mainstream economy, nevertheless encourages the implementation of initiatives which are socio-economic in nature and which are linked to the concept of assisting black people to be better equipped to access the mainstream economy	Primary: Statement 700
BEE was seen as an obstacle to small business development due to an increase in the regulatory burden	Small businesses tended to ignore BEE or resort to fronting techniques to maintain clients for business purposes.	Exemption of all entities with an annual turnover of less than R 5 million. The inclusion of comprehensive statements for the measurement of broad-based BEE amongst Qualifying Small Enterprises (QSE's), based on a flexible approach where QSE's are only measured against 4 of the 7 elements of their choice. QSEs are those entities with a turnover level of between R5million and R35million per annum.	Primary: Code series 800





History & Legal Framework

When the shortcomings of narrow-based black economic empowerment² ('BEE') became apparent towards the end of the nineteen nineties, a need emerged for a more inclusive approach to empowerment which would begin to narrow the divide between the first and second economies by putting mechanisms in place to accelerate the entry of black people into the first economy. This approach became known as broad-based black economic empowerment ('B-BBEE').

Subsequently, a document titled **A Strategy for Broad-Based Black Economic Empowerment** was released in 2003. This document not only defined broad-based BEE and the transformation imperative, but outlined the first broad-based scorecard comprising the seven elements of broad-based BEE. The seven elements and their respective weightings out of 100 are depicted below, as per the Generic Scorecard contained in the Codes:

ELEMENT	POINTS
Ownership	20
Management Control	10
Employment Equity	15
Skills Development	15
Preferential Procurement	20
Enterprise Development	15
Socio-Economic Development	5
TOTAL	100 POINTS

The Strategy was followed by the **Broad-Based BEE Act No. 53 of 2003** ('BEE Act'), which was promulgated in January of 2004. In section 10, the Act outlines government's leverages for the implementation of broad-based BEE, meaning that organs of state and public entities must take an entity's BEE status into account when:

- determining qualification criteria for the granting of licences and concessions
- developing and implementing a preferential procurement policy
- determining qualification criteria for the sale of state-owned enterprises
- developing criteria for entering into partnerships with the private sector

² Black economic empowerment by means of the elements of ownership and management exclusively





The BEE Act (abbreviated in the Codes and defined as “the Act”) is an enabling legislative framework which allows for the development of the **Codes of Good Practice**. The Codes provide a standard framework for the measurement of broad-based BEE across all sectors of the economy. This means that no industry will be disadvantaged over another when presenting their BEE credentials. Statement 003, which provides guidelines for the alignment of transformation charters to be gazetted as Codes of Good Practice, will ensure that even when different gazetted charters are applied to different entities presenting their BEE credentials, neither of the entities will be unfairly disadvantaged over the other because of the application of a more stringent industry charter. The intention of the Codes of Good Practice is therefore to level the playing field for all entities operating within the South African economy by providing clear and comprehensive criteria for the measurement of broad-based BEE.





The table below, reproduced from Statement 000, provides a detailed guide to the organisation and content of the Codes:

CODE	STATEMENT
Code 000 Framework for the Measurement of B-BBEE (Carries general principles and Generic Scorecard)	Statement 000 The General Principles and the Generic Scorecard
	Statement 001 The Qualifying Small Enterprise (QSE) Scorecard and Exempted Small & Micro Enterprises
	Statement 003 Guidelines for the Development and Gazetting of Transformation Charters and Sector Codes
	Statement 004 Recognition for the sale of assets
Code 100 Measurement of the Ownership Element of B-BBEE (Measures the effective ownership of enterprises by black people)	Statement 100: The General Principles for Measuring Ownership
	Statement 102: The Recognition of Qualifying Ownership Transactions
	Statement 103: The Recognition of Equity Equivalents for Multinationals
Code 200 Measurement of the Management Control Element of B-BBEE (Measures effective control of enterprise by black people)	Statement 200: The General Principles for Measuring Management Control
Code 300 Measurement of the Employment Equity Element of B-BBEE (Measures initiatives intended to achieve equality in the workplace)	Statement 300: The General Principles for Measuring Employment Equity
Code 400 Measurement of the Skills Development Element of B-BBEE (Measures extent to which employers carry out initiatives designed to develop the competencies of black people)	Statement 400: The General Principles for Measuring Skills Development
Code 500 Measurement of the Preferential Procurement Element of B-BBEE (Measures the extent to which enterprises buy good and services from BEE-compliant suppliers)	Statement 500: The General Principles for Measuring Preferential Procurement
Code 600 Measurement of the Enterprise Development Element of B-BBEE (Measures the extent to which enterprises carry out initiatives aimed at contributing to socio-economic and enterprise development)	Statement 600: The General Principles for Measuring Enterprise Development
Code 700 Measurement of the Socio-Economic Development Element of B-BBEE (Measures the extent to which enterprises carry out initiatives aimed at contributing to socio-economic development and promoting access to the economy for black people)	Statement 700: The General Principles for Measuring Socio-Economic Development (SED)
Code 800 Qualifying Small Enterprises	Statement 800 to 807 General principles for QSEs in all the elements of the scorecard
Code 900 Public Private Partnership Code	To be gazetted as a code once aligned with the generic codes

Further statements not presently included in the Codes, may be issued from time to time. In such cases, these statements will be included under the relevant Code series.





What about SMME's?

A much-needed solution to the challenge of BEE and small enterprises has been presented in the form of the Qualifying Small Enterprise (QSE) scorecard and its corresponding statements. In addition, all entities with a turnover of less than R 5 million per annum are granted a deemed BEE Status as Level Four Contributors. In the case where such entities are also more than 50% owned by black people or black women, their status is elevated to that of Level Three Contributors.

-QUALIFYING SMALL ENTERPRISES (QSE's)

Qualifying Small Enterprises (QSE's) are defined by the Codes as companies with an annual total turnover of between R 5 million and R35 million.

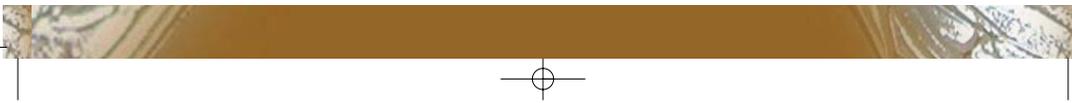
Government has singled out small enterprises as vital in the fight for job creation and economic growth. According to the Small Enterprise Development Agency (SEDA), small enterprises already contribute approximately 35% of the country's gross domestic product (GDP) and employ over half the number of people who work in the private sector. Also, one out of five units exported from South Africa is said to have been produced in the small and medium business sector.

Aiming to ease the regulatory burden on small enterprises, many of which are already struggling under financial and capacity constraints, the Codes require QSE's to comply with ONLY four out of seven elements on the QSE scorecard. And while every company qualifying for measurement under the Codes must maintain a scorecard, the codes have further eased the BEE compliance burden by setting lower targets for these companies.

Unlike the Generic Scorecard, the QSE Scorecard allocates an equal 25% weighting to each of the seven elements, or pillars, of B-BBEE. As QSE's only have to elect four of the elements, selected elements of compliance total 100%.

- Exempted Small & Micro-Enterprises

Exempted Small & Micro Enterprises (ESME's) are defined by the Codes, as companies with an annual total turnover of R 5 million or less. ESME's enjoy a deemed BEE recognition of a Level 4 contributor and those, which are either 50%, owned by black people or 50% owned by black women are promoted to a Level 3 contributor.





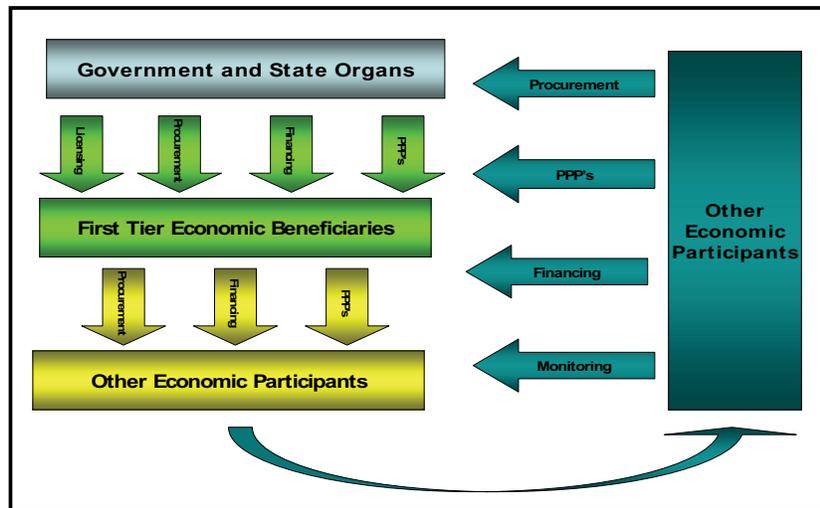
Note: Start-up enterprises are measurable as EME's for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the start-up enterprise. However, in instances where such start-up enterprises tender for any contract with a value higher than R5million but less than R35million, they have to comply with the QSE scorecard. In instances where such start-up entities tender for contracts with a value above R35million they have to comply with the generic scorecard.

Who do the Codes apply to?

The Codes of Good Practice on B-BBEE were gazetted on the 9th of February 2007 making them binding on all organs of state and public entities. This means that, as per section 10 of the BEE Act, government must apply the Codes when entering into decisions affecting the following areas:

- procurement
- licensing and concessions
- public private partnerships ('PPP's')
- the sale of state-owned entities

Implementation Levels for the Application of the Codes:





By deduction, private sector enterprises must apply the Codes should they wish to interact with organs of state and public entities in one or more of the interactions described above, such as tendering for business, applying for licenses and concessions, entering into PPP's and purchasing state-owned assets.

Furthermore, private sector enterprises are encouraged to apply the Codes of Good Practice in their interactions with one another for two reasons. Firstly, enterprises should apply the Codes because preferential procurement will effectively impinge on most private sector enterprises throughout the chain of supply, from the first tier suppliers to government, downwards. Secondly, all industry charters wishing to be gazetted as Sector Codes, are required to align themselves with the Codes for the purposes of gazettement by the Minister of Trade and Industry. Therefore, those enterprises applying industry charters, which have not yet been gazetted, may be required to alter their means of measurement once these charters have been gazetted.

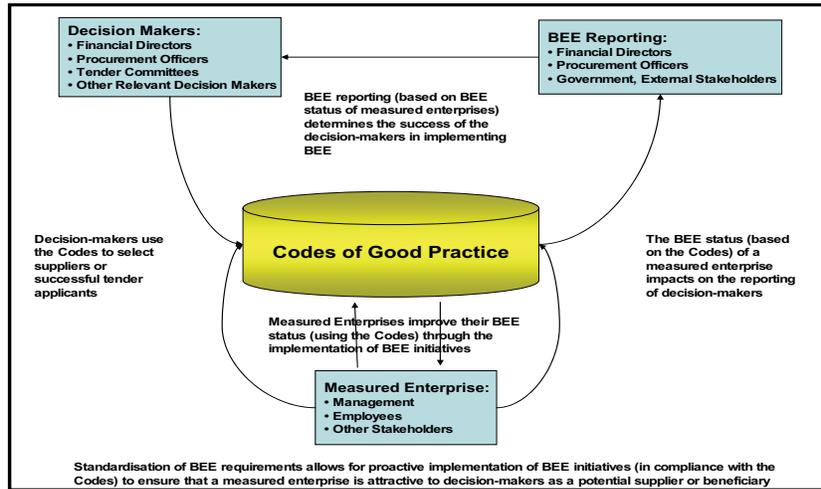
How will the Codes be applied?

Based on the implementation levers highlighted above, the Codes of Good Practice are important for decision-makers when making and reporting on economic decisions. The following example will demonstrate how the Codes are implemented by such decision-makers when:

- reporting on BEE spend and initiatives
- making economic decisions based on BEE criteria
- selecting and implementing BEE initiatives

As a result, the Codes of Good Practice are important to the management of enterprises interacting with both public and private sector entities that make their decisions based on the Codes.





Applying the Codes of Good Practice to an enterprise simply means that an enterprise will be measured in accordance with a broad-based scorecard (Generic or Qualifying Small Enterprise, whichever is applicable), contained in the Codes. In other words, the measured enterprise's BEE status will be measured according to the targets and weightings contained in the applicable broad-based scorecard, as well as the measurement principles contained in each of the corresponding Statements. A measured enterprise will receive a score out of 100, which will confer upon it a corresponding BEE status according to its BEE contributions.

Example: Application of the Codes by a Decision-Maker

The procurement officer of a public sector entity is considering a tender. Assuming that pricing, quality and other factors are similar across the three potential suppliers, the final decision will be based on BEE credentials.

The BEE scorecards of three competing enterprises are as follows:

- **Company X:** with a BEE status in terms of the Generic Scorecard, as contained in Statement 000, of **55%**
- **Company Y:** with a BEE status in terms of the Generic Scorecard, as contained in Statement 000, of **78%**





- **Company Z:** a QSE black majority owned enterprise, with a BEE status in terms of the Generic Scorecard, as contained in Statement 800, is **55%**

The table below depicts the enterprise's weighted score per element (i.e. the score achieved after multiplying each indicator's raw score by the corresponding indicator weighting and summing the results for each element):

ELEMENT	WEIGHTING	COMPANY X: WEIGHTED SCORE	COMPANY Y: WEIGHTED SCORE	COMPANY Z: WEIGHTED SCORE
Ownership	20%	12%	18%	20%
Management Control	10%	5%	9%	10%
Employment Equity	15%	7%	8%	15%
Skills Development	15%	12%	15%	N/A
Preferential Procurement	20%	11%	12%	10
Enterprise Development (ED)	15%	7%	12%	N/A
Socio-economic Development (SED)	5%	1%	4%	N/A
TOTAL	100%	55%	78%	55%

Assuming the Procurement Officer awarding this tender is working towards the achievement of a set preferential procurement target, s/he will have to identify the BEE recognition levels of the three suppliers when making this economic decision. The following table, as contained in Statement 000, provides specific BEE procurement recognition levels for the procurement officer:

The BEE scores of the three enterprises in this example mean that each enterprise enjoys a corresponding BEE procurement recognition level, as illustrated in the table below:





BEE Status	Qualification	BEE procurement 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%

BEE Procurement Recognition: Company X

As a Level Five Contributor, if the procurement officer selects company X, s/he will recognise only 80c for every R1 spent with Company X. In other words, if the officer spends R1 million with Company X in the year under measurement, his/her department will recognise R800 thousand of that spend when reporting on preferential procurement.

BEE Procurement Recognition Levels: Company Y

In comparison, Company Y is a Level Three Contributor. Statement 000 provides for enhanced BEE procurement recognition levels when procuring from enterprises, which are Level One, Two or Three Contributors, as per the Generic Scorecard. This means that Company Y will enjoy enhanced procurement recognition: i.e.: for every R1 spent with Company Y by its clients, the procurer may recognise R1.10. In other words, if the officer spends R1 million with Company Y in the year under measurement, his/her department will recognise R1.1 million when reporting on preferential procurement.

Enhanced BEE Procurement Recognition Levels: Company Z

In addition, an inherent bonus system has been provided for in Statement 000 for procurement from exempted small and micro enterprises (EMEs) which are more than 50% black-owned (or majority black-owned enterprises) or 50% black women owned in that such enterprises may be 'promoted' one level in terms of their BEE status, provided that the enterprise has also achieved the full points under the current equity interest component of the Generic Scorecard. As a result, although Company Z, scores 55 points on the Generic Scorecard (the same as Company X), it is promoted from a Level Five Contributor to a Level Four Contributor. This means that the procurement officer will be able to claim R 1 for every R 1 spent with Company Z, instead of only 80c for every Rand as is the case with Level Five Contributors. In other



words, if the officer spends R1 million with Company Z in the year under measurement, his/her department will recognise R1 million when reporting on preferential procurement.

Resulting Economic Behaviour

The selection of Company Y, the Level Three Contributor, will ensure that the procurement officer receives the most recognition for his/her spend through this tender. It will also incentivise Company X and Company Z to implement further BEE initiatives to ensure that they will be more competitive in future tenders.

Comparative Reporting Effects of BEE Procurement Spend:

Assuming that the procurement officer in the above example spends R 1 million on goods and/or services from Company X, Company Y and Company Z respectively, as well as R 5 million from another company, Company A, non-BEE compliant entity, the officer’s BEE reporting will be as follows:

Supplier	BEE Score	Level Contribution	BEE Recognition Level	Total Spend	BEE Spend
Company X	55%	Level 5	80%	1,000,000	800,000
Company Y	78%	Level 3	110%	1,000,000	1,100,000
Company Z	55%	Level 4 (Promoted)	100%	1,000,000	1,000,000
Company A	15%	Non-Compliant	0%	5,000,000	0
Total				8,000,000	2,900,000

The BEE procurement percentage for the procurement officer will be calculated as follows:

$$= \text{BEE spend} / \text{total procurement spend}$$

$$= 2,900,000 / 8,000,000 = 36.3\%$$

The procurement officer receives full and enhanced recognition for procurement from Company Y and Company Z, whilst s/he receives 80% recognition for his/her spend with Company X and no recognition whatsoever for his spend with Company A. In order to improve



his/her spend to reach target, s/he will prefer to procure from Company Y and Company Z and similar BEE contributors and may reduce his spend with Company A and Company X over time (unless they transform). This behaviour will then encourage companies to maintain and improve on their BEE status to become more competitive.

Conclusion:

The overall purpose of the Codes of Good Practice is to provide certainty with respect to BEE recognition and measurement, in order that BEE initiatives may be implemented in such a way that economic substance takes precedence over form, that there exists just comparability between the BEE statuses of different entities and that competition with respect to BEE contribution levels takes place. In so doing, this will begin to ensure that BEE is implemented across the value chain, thereby facilitating access to the economy.



THE GENERIC SCORECARD

Element	Category	Indicator	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)
OWNERSHIP Code 100 Statements 100 102 103 Total Points = 20	Voting Rights	Exercisable Voting Rights in the Enterprise in the hands of black people	3		25%+1 vote
		Exercisable Voting Rights in the Enterprise in the hands of black women	2		10%
	Economic Interest	Economic Interest of black people in the Enterprise	4		25%
		Economic Interest of black women in the Enterprise	2		10%
		Economic Interest of the following black natural people in the Enterprise: black designated groups; black participants in Employee Ownership Schemes; black beneficiaries of Public or General Benefit Schemes; or black Participants in Co-operatives	1		2.5%
	Realisation Points	Ownership fulfillment	1		No Restrictions
		Current Equity Interest Achieved accordingly: 10% of the Target (Year 1) 20% of the Target (Year 2) 40% of the Target (Year 3-4) 60% of the Target (Year 5-6) 80% of the Target (Year 7-8) 100% of the Target (Year 9-10)	7		25%
	Bonus Points	Involvement in the ownership of the Enterprise of black new entrants;	2		10%
		Involvement in the ownership of the Enterprise of: - black participants in Employee Ownership Schemes; - black beneficiaries of Public or General Benefit Schemes; or - black participants in Co-operatives.	1		10%
	MANAGEMENT CONTROL Code 200 Statements 200 Total Points = 10	Board Participation	Exercisable Voting Rights of black board members who are black	3	
Black Executive Directors			2		50%
Top Management		Black Senior Top Management	3		40%
		Black Other Top Management	2		40%
Bonus Points		Black Independent Non-Executive Board Members	1		40%



EMPLOYMENT EQUITY Code 300 Statements 300 Total Points = 15		Black employees of the Measured Entity who are Disabled Employees as a percentage of all employees adjusted using the Gender Recognition Factor	1	1.5%	2%
		Black employees of the Measured Entity who are in the Measurement Category of Senior Management as a percentage of all employees in that Measurement Category adjusted using the Gender Recognition Factor	5	43%	60%
		Black employees of the Measured Entity who are in the Measurement Category of Middle Management as a percentage of all employees in that Measurement Category adjusted using the Gender Recognition Factor	5	63%	75%
		Black employees of the Measured Entity who are in the Measurement Category of Junior Management as a percentage of all employees in that Measurement Category adjusted using the Gender Recognition Factor	4	68%	80%
SKILLS DEVELOPMENT Code 400 Statements 400 Total Points = 15	Skills Development Spend on Learning Programmes	Adjusted Skills Development Spend on Learning Programmes for black employees as a percentage of Leivable Amount.	6		3%
		Adjusted Skills Development Spend on Learning Programmes for black employees with disabilities as a percentage of Leivable Amount.	3		0.3%
	In-service Training Programmes	Adjusted number of black employees participating in In-service Training Programmes as a percentage of total employees	6		5%
PREFERENTIAL PROCUREMENT Code 500 Statements 500 Total Points = 20		BEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12	50%	70%
		BEE Procurement Spend from Qualifying Small Enterprises or from Exempted Small & Micro Enterprises based on the applicable BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	10%	15%
		BEE Procurement Spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend: Suppliers that are more than 50% black owned regardless of their BEE Procurement Recognition Level ;	3	9%	12%

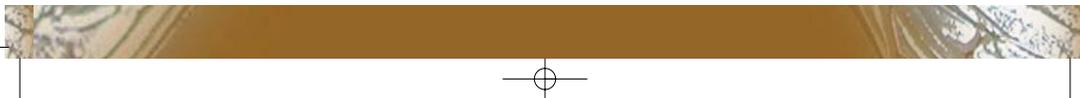




		Suppliers that are more than 30% black women owned regardless of their BEE Procurement Recognition Level	2	6	8
ENTERPRISE DEVELOPMENT Code 600 Statements 600 Total Points = 15		Average annual value of all Qualifying Contributions made by the Measured Entity measured from the commencement or the this statement or the Inception Date to the date of measurement as a percentage of the target	15		The higher of the following amounts: 3% of Net Profit After Tax
SOCIO-ECONOMIC DEVELOPMENT Code 700 Statements 700 Total Points = 5		Average annual 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 as a percentage of the target	5		The higher of the following amounts: 1% of Net Profit After Tax

THE QUALIFYING SMALL ENTERPRISE (QSE) SCORECARD

Element	Category	Indicator	Weighting points	Interim Target (Years 0-5)	Compliance Target (Years 6-10)	
OWNERSHIP Code 800 Statements 801 Total Points =25	Voting Rights	Exercisable Voting Rights in the Enterprise in the hands of black people	6		25%+1 vote	
	Economic Interest	Economic Interest of black people in the Enterprise	9		25%	
		Realisation Points	Ownership fulfillment	1		Refer to paragraph 11
	Bonus Points		Current Equity Interest	9		Refer to paragraph 11
			Involvement in the ownership of the Enterprise of black new entrants;	2		10%
			Involvement in the ownership of the Enterprise of: - black participants in Employee Ownership Schemes; - black beneficiaries of Public or General Benefit Schemes; or - black participants in Co-operatives.	1		10%





MANAGEMENT CONTROL Code 800 Statement 802 Total Points = 25	Board Participation	Black representation at Top Management Level	25		50.1%
	Bonus Points	Black women representation as Top-Managers	2		25%
EMPLOYMENT EQUITY Code 800 Statement 803 Total Points = 25		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 as a percentage of all employees adjusted using the Adjusted Recognition for Gender	10	60%	70%
SKILLS DEVELOPMENT Code 800 Statements 804 Total Points = 25		Adjusted Skills Development Spend on Learning Programmes for black employees as a percentage of Leivable Amount	25		3%
PREFERENTIAL PROCUREMENT Code 800 Statements 805 Total Points = 25		BEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	25	40%	50%
ENTERPRISE DEVELOPMENT Code 800 Statements 806 Total Points = 25		Average annual 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 as a percentage of the target	25		The higher of the two following mounts: 2% of Net Profit After Tax in the preceding financial year
SOCIO-ECONOMIC DEVELOPMENT Code 800 Statements 807 Total Points = 25		Average annual 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 as a percentage of the target	25		The higher of the two following mounts: 1% of Net Profit After Tax in the preceding financial year





HOW THE SCORECARDS WORK:

- Using a system of weightings and targets, companies can express their BEE contribution as a score out of 100 points
- The Codes and accompanying Statements explain how each indicator should be measured
- The scorecards comprise seven elements, which are measured out of a total score of 100 points. QSE's may select four of the seven elements featured on the scorecard and need only comply with those







