

**AMENDED FSC SERIES FS000: FRAMEWORK FOR MEASURING BROAD-BASED BLACK ECONOMIC EMPOWERMENT
STATEMENT 000: GENERAL PRINCIPLES AND THE SCORECARD**

Issued under section 9 (1) of the Broad-Based Black Economic Empowerment Act of
2003 as amended by Act 46 of 2013

Arrangement of Statement 000

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1 OBJECTIVES OF STATEMENT 000

The objectives of this Statement are to:

- 1.1 Specify the interpretative principals of B-BBEE as they relate to the financial sector;
- 1.2 Specify the application of the Amended FSC and the basis for measurement in terms of the Amended FSC;
- 1.3 Indicate the qualifying threshold for measured entities to qualify as Exempted Micro Enterprises (EMEs) or Qualifying Small Financial Institutions (QSFI);
- 1.4 Specify the method of measuring Start-up Enterprises;
- 1.5 Specify the elements of B-BBEE measurable in the Generic Scorecard and QSFI Scorecard;
- 1.6 Specify the Generic Scorecard and QSFI Scorecard;
- 1.7 Specify the basis for determining compliance by measured entities with the Amended FSC; and
- 1.8 Give the Financial Sector Charter Council the power to provide interpretive guidance and practice directives as well as standard documents with regard to the application or intention of the Amended FSC in consultation with **the DTI**.

2 KEY PRINCIPLES

- 2.1 The fundamental principle for measuring B-BBEE compliance is that substance takes precedence over legal form.
- 2.2 In interpreting the provisions of the CoGP and this Amended FSC, any reasonable interpretation consistent with the objectives of the Act and the B-BBEE Strategy in Section 11 of the Act must take precedence.
- 2.3 This formula for measuring B-BBEE initiatives in the Amended FSC is:
 - 2.3.1 for the ownership and management control elements, the B-BBEE compliance of the measured entity at the measurement date; and
 - 2.3.2 for the skills development, enterprise and supplier development, access, empowerment financing and socio-economic development elements, the B-BBEE compliance of the measured entity over the measurement period.
- 2.4 Any misrepresentation or attempt to misrepresent an entity's true B-BBEE status will be dealt with in accordance with the provisions set out in the Act, and may lead to the disqualification of the entire scorecard of the entity concerned.
- 2.5 Initiatives which separate or divide enterprises solely as a means of ensuring eligibility as an EME, a QSFI or a start-up enterprise may constitute an offence and will be dealt with in accordance with the provisions as set out in the B-BBEE Act as amended.
- 2.6 When determining eligibility as an EME, a QSFI or a Large (Generic) Enterprise, which is defined as an entity with an annual turnover of R50 million or more, only the South African revenue will be considered, unless the entity is seeking a consolidated verification inclusive of its subsidiaries. The aggregate revenue of related enterprises will only be considered in terms of paragraphs 17.15 and 17.16 of Appendix 2 of the Verification Manual gazetted on 18 July 2008 (as amended) where:
 - 2.6.1 the intent to defraud described in 2.5 above is present; or
 - 2.6.2 a holding entity that does not house the operations of the group is measured separately.
- 2.7 Any representation made by an entity about its B-BBEE compliance must be supported by suitable evidence or documentation. An entity that does not provide suitable evidence or documentation must not receive any recognition

for that initiative. This requirement does not apply to divisions or subsidiaries that submit reports in terms of paragraph 8.3 of Code series FS000. For these entities, B-BBEE compliance must be supported by appropriate evidence or documentation.

- 2.8 Wherever a standard valuation method applies to measuring an indicator, the same standard should apply, as far as reasonably possible, consistently in all other applicable calculations in this Amended FSC.
- 2.9 The measurement of Unincorporated Joint Ventures will be done as follows:
- 2.9.1 Unincorporated Joint Ventures (UJVs) are required to compile a consolidated verification certificate. This certificate consolidates the verified compliance data of the joint venture partners in accordance with paragraph 2.9.2 below as if those measured entities were a single entity.
- 2.9.2 The consolidation of compliance data shall be based on a weighting in accordance with the relevant joint venture agreement. Therefore, if two companies enter into a UJV, their respective scores in terms of the Amended FSC will be weighted according to their proportionate share in the joint venture and added together for a combined score out of 100.
- 2.9.3 Where all the partners in the joint venture are defined as empowering suppliers, the UJV will also qualify as an empowering supplier. If they are not, the compliance of the UJV with the empowering supplier requirements must be measured as though it is a single measured entity. Each partner will contribute to the categories of measurement for empowering supplier status, in proportion to its share in the joint venture.
- 2.10 Where the Amended FSC is silent, the provisions of the generic codes apply.
- 2.11 In general, a financial institution that is a local subsidiary of a multinational or external company (as defined in Section 1 of the Companies Act), or a branch of a multinational or external company that is precluded in terms of a global policy from accommodating domestic ownership participation, will be exempt from the ownership provisions of Code FS100. The exemption from ownership by the multinational and the compliance thereof with Equity Equivalent Investment Programme (EEIP) in lieu of ownership shall be granted by the Minister of Trade and Industry. The requirement for exemption from Ownership to be granted by the Minister of Trade and Industry will not apply to companies measured against the Specialist Entity Scorecard, that are not required to be measured for Ownership.
- 2.12 The B-BBEE compliance level of an institution which has been exempted from compliance with any element or sub-element must be determined by adding the points it earned for each of the remaining scorecard elements. The B-BBEE compliance level shall be the sum of the points earned, divided by the total points available.
- 2.13 All scores achieved by financial institutions according to the scorecards in paragraph 8.1 of Code FS000, Code FS800 and Code FS900, must be used to determine the compliance level in line with paragraph 8.3 of Code FS000.
- 2.14 The verification of B-BBEE compliance of financial institutions will be undertaken by B-BBEE verification professionals as determined by the Act. All verification agencies verifying a financial institution must submit the financial institution's B-BBEE certificate and the full verification report to the Financial Sector Charter Council within 30 days of the certificate issue.

3 APPLICATION OF THE AMENDED FSC

- 3.1 This Amended FSC is applicable to all entities as defined in the paragraph titled, "Scope of Application in the

- Preamble section of this document.
- 3.2 The basis for measuring the B-BBEE compliance of an entity in terms of paragraph 3.1 is as follows:
- 3.2.1 Paragraph 4, in the case of an EME.
- 3.2.2 The generic scorecard and QSFI scorecard in paragraph 8 in the case of other entities.
- 3.2.3 A measured entity in a sector in respect of which a sector code has been issued under Section 9 of the Act, may only be measured for compliance in accordance with that sector code.
- 3.3 Priority Elements, Subminimum and Discounting Principal:
- 3.3.1 The Priority Elements are as follows:
- a. Ownership: The sub-minimum requirement for ownership is 40% of net value (40% of the six points) based on the time-based graduation factor in Annexe 100 (c).
 - b. Skills Development: The sub-minimum requirement for skills development is 40% of the total weighting points (40% of the 15 points), excluding bonus points, for skills development.
 - c. Enterprise and Supplier Development: The sub-minimum for Enterprise and Supplier Development is 40% of the total weighting points (excluding bonus points) of each of the three broad categories, within the Enterprise and Supplier Development element, namely Preferential Procurement, Supplier Development and Enterprise Development. Supplier and Enterprise Development are not applicable in this element for companies doing Empowerment Financing. Where an entity is exempted from Empowerment Financing, the priority status does not apply to Empowerment Financing. This means that the measured entity must achieve at least:
For companies exempt from Empowerment Financing:
 - 8 points in the Preferential Procurement category;
 - 4 points in the Supplier Development category; and
 - 2 points in the Enterprise Development category.
 - d. Empowerment Financing and Enterprise and Supplier Development: The sub-minimum for Empowerment Financing and Enterprise and Supplier Development is 40% of the total weighting points (excluding bonus points) of each of the three broad categories, within the element, namely Empowerment Financing; Supplier Development and Enterprise Development.
- 3.3.2 Compliance with Priority Elements:
- a. A large enterprise is required to comply with all of the priority elements except in cases where they have been exempted from that element.
 - b. A QSFI is required to comply with ownership as a priority element, and either skills development or enterprise and supplier development.
- 3.3.3 Discounting Principle Effect
- 3.3.3.1 Non-compliance with the 40% sub-minimum requirements of any of the priority elements, as per paragraph 3.3.2 above, will result in the following outcomes for both large enterprises and QSFIs:
- a. The points scored by the measured entity and the consequent level that the measured entity would have achieved if it had complied with the 40% sub-minimum requirements, will be recognised by the verification agent but will not be reflected on the BEE Certificate. Only the discounted level will appear on the BEE Certificate.

- b. Notwithstanding the recognition in paragraph 3.3.3.1.a above, the measured entity's B-BBEE status level and corresponding B-BBEE recognition level will be discounted by one level until the next applicable verification period in which the measured entity can demonstrate compliance with the 40% sub-minimum requirements. At this point, the discounted recorded level on the BEE Certificate will become the applicable ratings level for that measured entity in that verification period.
- 3.3.3.2 If the measured entity fails to achieve the sub-minimum requirements in one or more of the priority elements, a maximum discount of one level will be applied.
- 3.3.4 Compliance with the Employment Equity Act
- 3.3.4.1 Generic and QSFI's that are not classified as designated employers in the Employment Equity Amendment Act (Act 47 of 2013) are not required to submit reports to the Department of Labour. However, for the purpose of measurement they are required to submit sufficient evidence for verification purposes.
- 3.3.4.2 Compliance with the reporting requirements of the Employment Equity Amendment Act is not a pre-requisite for claiming points in the management control element as long as the measured entity is able to submit sufficient evidence for verification purposes to support its claim in that element.

4 ELIGIBILITY AS AN EXEMPTED MICRO-ENTERPRISE

- 4.1 Any enterprise with total annual revenue of up to R10 million, qualifies as an Exempted Micro-Enterprise (EME).
- 4.2 An EME is deemed to have a B-BBEE status of a level four contributor, with a B-BBEE recognition level of 100% in terms of paragraph 8.2.1 below.
- 4.3 Enhanced B-BBEE recognition level for an EME:
- 4.3.1 Notwithstanding paragraph 4.2, an EME which is 100% black-owned qualifies for elevation to level one contributor with a B-BBEE recognition level of 135%.
- 4.3.2 Notwithstanding paragraphs 4.2 and 4.3.1 an EME which is more than 50% black owned (where there is an existing equity deal in place) or at least 51% Black Owned (for all deals concluded after the commencement date of this Amended FSC), but less than 100% black-owned, qualifies for elevation to level two contributor with a B-BBEE recognition level of 125%.
- 4.4 Notwithstanding paragraphs 4.2 and 4.3, though not compulsory, an EME may elect to be measured in terms of the QSFI scorecard if it wishes to maximise its points and move to a higher B-BBEE recognition level
- 4.5 An EME is required to obtain a sworn affidavit or a Companies and Intellectual Property Commission (CIPC) issued certificate on an annual basis, confirming:
- 4.5.1 Total annual revenue of R10 million or less; and
- 4.5.2 Level of black ownership.
- 4.6 Any misrepresentation in terms of paragraph 4.5 above constitutes a criminal offence as set out in the Act.
- 4.7 Notwithstanding paragraph 4.5, an EME may elect to obtain a verification certificate from an accounting officer or verification professional approved in terms the Act.

5 ELIGIBILITY AS A QUALIFYING SMALL FINANCIAL INSTITUTION (QSFI)

- 5.1 A measured entity with total annual revenue of more than R10 million but less than R50 million qualifies as a Qualifying Small Financial Institution (QSFI).
- 5.2 A QSFI must comply with all of the elements of B-BBEE for the purposes of measurement, unless exempted from compliance with any element or sub-element.
- 5.3 Enhanced B-BBEE recognition level for QSFI's:
- 5.3.1 A QSFI which is 100% black owned qualifies for level one B-BBEE recognition.
- 5.3.2 A QSFI which is more than 50% black owned (where there is an existing equity deal in place) or at least 51% Black Owned (for all deals concluded after the commencement date of this Amended FSC), but less than 100% black owned, qualifies for B-BBEE recognition at Level 2.
- 5.4 A QSFI that is more than 50% black owned (where there is an existing equity deal in place) or at least 51% Black Owned (for all deals concluded after the commencement date of this Amended FSC), or 100% black owned, is only required to obtain a sworn affidavit on an annual basis, confirming the following:
- 5.4.1 Total annual revenue of R50 million or less;
- 5.4.2 Level of black ownership; and
- 5.4.3 Empowering supplier status.
- 5.5 Any misrepresentation in terms of paragraph 5.3 above constitutes a criminal offence as set out in the Act.
- 5.6 Notwithstanding paragraph 5.3, a QSFI that is at least 51% black owned or 100% black owned, may elect to obtain a verification certificate from a verification professional.
- 5.7 All QSFI's other than those referred to in paragraph 5.4 and which elect to be measured, will be required to obtain a verification certificate to substantiate their B-BBEE status.

6 START-UP ENTERPRISES

- 6.1 A start-up enterprise must be measured as an EME in this statement for the first year following the commencement of its operations. This provision applies regardless of the expected total revenue of the start-up enterprise.
- 6.2 A start-up enterprise is deemed to have the qualifying B-BBEE status in accordance with the principles of paragraph 4 of this statement.
- 6.3 In order to qualify as a start-up enterprise, the enterprise must provide confirmation of its status in accordance with paragraph 4.5.
- 6.4 Notwithstanding paragraphs 6.1 and 6.2, a start-up enterprise must submit a QSFI scorecard when tendering for any contract, or seeking any other economic activity covered by Section 10 of the Act, with a value higher than R10 million but less than R50 million. For contracts of R50 million or more, the enterprise must submit the generic scorecard. The preparation of such scorecards must use annualised data.

7 THE ELEMENTS OF B-BBEE IN TERMS OF THE SCORECARD

- 7.1 The Ownership element, as set out in Code series FS100, measures effective ownership of entities by black people.

- 7.2 The Management Control element, as set out in Code series F200, measures the effective control of entities by black people.
- 7.3 The Skills Development element, as set out in Code series FS300, measures the extent to which employers carry out initiatives designed to develop the competencies of black employees and black people internally and externally.
- 7.4 The Enterprise and Supplier Development element, as set out in Code series FS400, measures the extent to which entities buy goods and services from Empowering Suppliers with various B-BBEE recognition levels. This element also measures the extent to which enterprises carry out supplier development and enterprise development initiatives intended to assist and accelerate the growth and sustainability of black enterprises.
- 7.5 The Socio-Economic Development and Sector Specific Contributions elements, as set out in Code series FS500, FS600 and FS700, measure the extent to which entities carry out initiatives that contribute towards socio-economic development or sector specific initiatives that promote access to the economy for black people.

8 THE AMENDED FSC SCORECARD

8.1 Generic Scorecard

The following table represents the B-BBEE Generic Scorecard to be used for Large Entities.

ELEMENT	WEIGHTING				
	Banks and Life offices scorecard	Short Term Insurers scorecard	Stock Exchanges and Stock Exchange Members	Other Institutions scorecard	Code Series Reference
OWNERSHIP	23	23	23	25	FS100
MANAGEMENT CONTROL	20	20	20	20	FS200
SKILLS DEVELOPMENT	20	20	20	20	FS300
PROCUREMENT and ESD	15	35	35	35	FS400
SOCIO ECONOMIC DEVELOPMENT and CONSUMER EDUCATION	5	5	5	5	FS500
EMPOWERMENT FINANCING and ESD	25	0	0	0	FS600
ACCESS TO FINANCIAL SERVICES	12	12	0	0	FS700
TOTAL	120	115	103	105	

8.2 Qualifying Small Financial Institution Scorecard

The following table represents the B-BBEE scorecard to be used for Qualifying Small Financial Institutions (QSFI).

ELEMENT	WEIGHTING	CODE SERIES FS800
OWNERSHIP	25 POINTS	FS801
MANAGEMENT CONTROL	15 POINTS	FS802
SKILLS DEVELOPMENT	25 POINTS	FS803
ENTERPRISE AND SUPPLIER DEVELOPMENT	30 POINTS	FS804
SOCIO-ECONOMIC DEVELOPMENT	5 POINTS	FS806
TOTAL	100 POINTS	

8.2.1 B-BBEE Recognition Levels

Based on the overall performance of a measured entity using the generic scorecard and QSFI scorecard, the entity will receive one of the following B-BBEE status qualifications with the corresponding B-BBEE recognition level:

B-BBEE Status	% Qualification	B-BBEE Recognition Level
Level One Contributor	$\geq 100/109$	135%
Level Two Contributor	$\geq 95/109$ but $< 100/109$	125%
Level Three Contributor	$\geq 90/109$ but $< 95/109$	110%
Level Four Contributor	$\geq 80/109$ but $< 90/109$	100%
Level Five Contributor	$\geq 75/109$ but $< 80/109$	80%
Level Six Contributor	$\geq 70/109$ but $< 75/109$	60%
Level Seven Contributor	$\geq 55/109$ but $< 70/109$	50%
Level Eight Contributor	$\geq 40/109$ but $< 55/109$	10%
Non-Compliant Contributor	$< 40/109$	0%

The formula used to calculate the number of points required for each level of recognition is:

Number of points in the CoGP scorecard / Total number of DTI points x Total number of available industry points as set out in 8.1 and 8.2 above.

Example:

Level 6 would be:

Large Enterprises (generic scorecard)

Banks = 70/109 x 120

Short-term Insurers = 70/109 x 115

Stock Exchanges = 70/109 x 103

Others = 70/109 x 105

- 8.3 Each financial institution, irrespective of the fact that it is a member of a group, must be measured and reported on its own.
- 8.4 A financial institution that is a member of a group may be measured and reported on as part of the South African group provided that such group reporting is approved in advance by the Financial Sector Charter Council.
- 8.5 Each financial institution must report annually to the Council on its progress implementing the provisions of this Amended FSC. The Charter Council reserves the right to name institutions that do not submit reports. In addition, all aforementioned affected entities not submitting the most recently required report to the Council, will automatically be discounted by one level down in the next rating that follows the non-submission.

9 ENHANCED RECOGNITION FOR CERTAIN CATEGORIES OF BLACK PEOPLE

- 9.1 Throughout the Amended FSC, various criteria appear which advance the interests of certain categories of black people. These include:
- 9.1.1 Black women, who should make up between 40% and 50% of the beneficiaries of the relevant elements of the scorecard;
- 9.1.2 Black people with disabilities, black youth, black people living in rural areas and black unemployed people, who should make up part of the beneficiaries of the relevant elements of the scorecard.

10 TRANSITIONAL ARRANGEMENTS

Entities that are measurable in terms of the Amended FSC may accept valid verification certificates and compliance reports for contributors to their scorecard. Valid certificates or reports are those where verifications were conducted in terms of the previous or old sector codes, for as long as they are valid as determined by the DTI. For this purpose, the following terms in the old codes will contribute to measurement in terms of this Amended FSC as though they equated to the corresponding FSC terms below:

Amended Codes term	Equivalent Old Codes term
EME	EME
QSE	QSE
51% Black Owned	More than 50% black owned
51% Black Women Owned	More than 50% black women owned
30% Black Women Owned	30% black women owned
Empowering Supplier	<i>All valid B-BBEE certificates issued under the old Codes of Good Practice or old relevant Sector Codes</i>
Enterprise & Supplier Development Beneficiaries	Category A Enterprise Development Beneficiaries

11 ADJUSTMENT OF THRESHOLDS

The Minister may, by notice in the Government Gazette, adjust the thresholds in paragraphs 4 to 6. Any such changes apply to compliance reports of measured entities prepared for measurement periods that commence after the gazetting of the adjustment.

12 DURATION OF THIS AMENDED FSC

This Amended FSC shall be effective from the date of gazette and will remain in effect until expressly amended, substituted or repealed in terms of in Section 9 of the Act.

The Minister may review the Codes at any stage and any amendments to the CoGP may result in a review of the Amended FSC for purposes of alignment. The process for the amendment of this Amended FSC will follow the process set out in the CoGP for the development of sector codes. Regular reviews by the FSC Council will take place to monitor the implementation of B-BBEE throughout the economy.

The Financial Sector Charter Council will also monitor the overall B-BBEE ownership levels of the sector as reported by measured entities by performing an interim ownership review after the code has been effective for 5 years. If the review shows that the B-BBEE ownership mechanisms now contained in Code FS100, with specific reference to paragraph 3.9.1 and 3.9.2 of Code FS100, have not been complied with in aggregate by the sector, then the dispensation will be re-considered in view of the overall transformation objectives of the ownership element.

13 INTERPRETIVE GUIDES, GUIDANCE NOTES, PRACTICE DIRECTIVES AND STANDARDS DOCUMENTS

The Council shall, from time to time, issue interpretive guides, guidance notes, practice directives and standards documents in consultation with the **DTI**. Interpretive guides, guidance notes, practice directives and standards documents not approved by the **DTI** will remain invalid.

These documents shall be mainly, but not solely, for the purpose of addressing any ambiguities that may exist with regard to the interpretation and application of key measurement principles and/or qualifying criteria contained in any Code Series or Code Statement in this Amended FSC. In issuing such documents, the Financial Sector Charter Council shall be obliged to provide interpretations that are consistent with the substance of these codes. Such documents shall not supersede the Amended FSC, Amended CoGP, B-BBEE Regulations or the B-BBEE Act as amended.