

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT**SECTION 9 (1) CODES OF GOOD PRACTICE AS AMENDED****SCHEDULE 1****VOLUNTARY DISPENSATION FOR TOP 100 RETIREMENT FUNDS INCLUDING UMBRELLA FUNDS****1. Introduction**

Many aspects of South Africa's B-BBEE dispensation are not relevant to retirement funds.

However, funds play a critical role in the South African economy by virtue of the amount of members' savings, which exceeds R4 trillion.

Retirement funds also have a critical role to play in the transformation of the financial sector itself, largely by virtue of the appointment of private sector service providers. Funds are also currently required by Regulation 28 of the Pension Funds Act to consider environmental, social and governance (ESG) criteria and B-BBEE as part of their supplier selection processes.

2. Suggested Scorecards

In order to accommodate the transformation and empowerment imperatives outlined above, it is suggested that retirement funds measure themselves annually against certain aspects of the broad-based empowerment scorecard contained in the Amended FSC

In essence, it is proposed that large retirement funds compile and publish annual scorecards for the preferential procurement and management control elements of the Amended FSC, using the measurement metrics contained in the Code adapted specifically as illustrated below.

3. Other proposed annual disclosures

Retirement funds are classified as mandated investors in B-BBEE legislation. Trustees however have little or no influence on membership demographics. For this reason, it is suggested that large funds should not be scored on the ownership aspect of B-BBEE, but should report annually on the proportion of fund liabilities attributable to black male members and black female members, based on the principals enshrined in FS Code 100.

Retirement funds traditionally do not employ large numbers of employees. However, given the critical role that trustees, office bearers and principal officers play in the economy, it is suggested that funds annually disclose details related to accredited SAQA approved training spent on trustees and executive managers such as principal officers and other staff. This should include the quantum, average spend per staff member, number of staff members trained, together with some examples of key training interventions.

Member education initiatives, where applicable, should also be disclosed both in terms of number of members trained and amount spent relative to size of membership.

The B-BBEE annual reporting by retirement funds should include a narrative on the B-BBEE score achieved and future plans for improving the score. The Council will measure transformation on an annual basis; this may include relying on

surveys that are available in the public domain. If sufficient disclosure by pension funds does not materialise, then consideration will be given to revising this dispensation.

4. Retirement Fund B-BBEE Scorecard

| ELEMENT | SCORECARD | PUBLIC DISCLOSURE | CODE SERIES REFERENCE |
|--|------------|-------------------|-----------------------|
| Ownership | N/A | Recommended | FS100 |
| Management Control | 20 | Recommended | FS200 |
| Skills Development/ Trustee Education | N/A | Recommended | FS300/500 |
| Preferential Procurement | 80 | Recommended | FS400 |
| Empowerment Financing, Enterprise and Supplier Development | N/A | | |
| Access to Financial Services | | | |
| Socio-Economic Development | | | |
| TOTAL | 100 | | |

5. Retirement Fund Detailed Scorecards

| Management Control Scorecard | | | |
|--|--------|-------------|-------------|
| Description | Points | Target | |
| Board and executive management participation | 20 | | |
| Exercisable voting rights of black board members as a percentage of all board members | 8 | 50% | |
| Exercisable voting rights of black female board members as a percentage of all board members | 4 | 25% | |
| Principal Officer, executive and senior management if applicable | 8 | 50% | |
| PREFERENTIAL PROCUREMENT SCORECARD | | | |
| | Points | Target y1-3 | Target y 3+ |
| B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 35 | 75% | 80% |
| B-BBEE procurement spend from empowering suppliers who are QSEs or EMEs based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 10 | 15% | 25% |
| B-BBEE procurement spend from empowering suppliers that are at least 51% black owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 25 | 15% | 25% |
| B-BBEE procurement spend from empowering suppliers that are at least 30% black women owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 10 | 7.5% | 12.5% |