



“Creating BUSINESS sense out of BEE”

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The Financial Services Sector Code (gazette no 35914)

The FSC was gazetted under section 9(1) of the B-BBEE Act on the 26th of November, 2012 and is binding on all stakeholders operating in the Financial Services Sector. This includes (but is not limited to)

- Banking;
- Long-term insurance;
- Short-term insurance;
- Re-insurance;
- The management of retirement, pension and collective investment scheme assets;
- Management of formal collective investment schemes;
- Financial Services Intermediation and Brokerage;
- Management of investments on behalf of the public, including, but not limited to, private equity, members of any exchange licensed to trade equities or financial instruments in South Africa and entities listed as part of the financial index of a licensed exchange; and
- Underwriting Management Agents.

It does not apply to the international trading operations of those entities who operate in South Africa.

The commencement date of the code is **1 January, 2012**.

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Definitions

- **Exempt Micro Enterprises (EMEs)** – enterprises whose annual turnover falls below R5 million per year. These enterprises are exempt from any form of B-BBEE and are automatically level 4 contributors. EME's that are more than 50% black owned are level 3 contributors.
- **Qualifying Small Financial Institutions (QSFI's)** – a financial institution with designated investments of less than R50million and whose annual turnover falls between R5 million and R35 million.

FSC Scorecards

Companies complying with Empowerment Financing

<i>Element</i>	<i>Points</i>
Ownership	14 + 3 bonus
Management Control	8+ 1 bonus
Employment Equity	15 + 3 bonus
Skills Development	10
Preferential Procurement	16
Empowerment Financing	15
Enterprise Development	5
Socio-economic Development	3
Access to Financial Services	14
TOTAL	100 + 7 bonus points

Companies excluded from complying with Empowerment Financing

<i>Element</i>	<i>Points</i>
Ownership	14 + 3 bonus
Management Control	8+ 1 bonus
Employment Equity	15 + 3 bonus
Skills Development	10
Preferential Procurement	16
Enterprise Development	15
Socio-economic Development	3
Access to Financial Services	14
TOTAL	95 + 7 bonus points

QSFI's complying with Empowerment Financing

QSFI's must select 5 out of the 9 elements with ownership being compulsory. Once the choice of elements is made these elements are used each year.

<i>Element</i>	<i>Points</i>	<i>Weighting</i>
Ownership	14 + 3 bonus	20%
Management Control	8+ 1 bonus	20%
Employment Equity	15 + 3 bonus	20%
Skills Development	10	20%
Preferential Procurement	16	20%
Empowerment Financing	15	20%
Enterprise Development	5	20%
Socio-economic Development	3	20%
Access to Financial Services	14	20%
TOTAL	100 + 7 bonus points	100%

Companies excluded from complying with Empowerment Financing

QSFI's must select 5 out of the 9 elements with ownership being compulsory. Once the choice of elements is made these elements are used each year.

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Employment Equity	15 + 3 bonus	20%
Skills Development	10	20%
Preferential Procurement	16	20%
Enterprise Development	15	20%
Socio-economic Development	3	20%
Access to Financial Services	14	20%
TOTAL	95 + 7 bonus points	100%

Contributors are measured using the table below.

<i>Contribution Level</i>	<i>B-BBEE score range</i>	<i>Recognition level</i>
Level One Contributor	100 points	R1.35/R1 spent
Level Two Contributor	85 points but < 100 points	R1.25/R1 spent
Level Three Contributor	75 points but < 85 points	R1.10/R1 spent
Level Four Contributor	65 points but < 75 points	R1/R1 spent
Level Five Contributor	55 points but < 65 points	R0.80/R1 spent
Level Six Contributor	45 points but < 55 points	R0.60/R1 spent
Level Seven Contributor	40 points but < 45 points	R0.50/R1 spent
Level Eight Contributor	30 points but < 40 points	R0.10/R1 spent
Non-Compliant Contributor	< 30 points	R0/R1 spent

FSC B-BBEE scorecard

Equity element

<i>Ownership. Total points - 17 (including 3 bonus points)</i>		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
<i>Voting rights</i>		
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.	1	10% + 1 Vote
<i>Economic interest</i>		
Economic interest of black people	3	25% + 1 Vote
Economic interest of black women	1	10% + 1 Vote
Economic interest of the following black natural people in the enterprise <ul style="list-style-type: none"> • black designated groups • black participants in employee ownership schemes • black beneficiaries of broad-based ownership schemes; or • black participants in co-operatives 	1	2.5%
<i>Ownership Fulfilment</i>		
Net Equity Value	3	No restrictions
Direct or Indirect Ownership in Excess of 15% (including Equity Equivalentents and Asset Sales)	2	10%
<i>Bonus points</i>		
Black new entrants	2	10%
Ownership by ESOPs and Co-ops	1	10%

Management element

Management Control. Total points –9 (including 1 bonus point)		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
<i>Board participation</i>		
Voting rights of black board members as a percentage of voting rights of all board members	0.5	50%
Voting rights of black women board members as a percentage of voting rights of all board members	0.5	25%
Black executive members of the board as a percentage of all executive members of the board	1	50%
Black women executive members of the board as a percentage of all executive members of the board	1	25%
<i>Top management</i>		
Black senior top management as a percentage of all senior top management	1.5	40%
Black women senior top management as a percentage of all senior top management	1.5	20%
Black other top management as a percentage of all other top management	1	40%
Black women other top management as a percentage of all other top management	1	20%
<i>Bonus Point</i>		
Black independent non-executive board members as a percentage of all independent non-executive board members	1	40%

Employment Equity

Employment Equity. Total points – 18 (including 3 bonus points)		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
Black disabled employees as a percentage of <u>ALL</u> employees	0.5	3%
Black women disabled employees as a percentage of <u>ALL</u> employees	0.5	1.5%
Black <i>senior management</i> as a percentage of all senior management	3	60%
Black women <i>senior management</i> as a percentage of all senior management	2	30%
Black <i>middle management</i> as a percentage of all middle management	3	75%
Black women <i>middle management</i> as a percentage of all middle management	2	37.5%
Black <i>junior management</i> as a percentage of all junior management	2	80%
Black women <i>junior management</i> as a percentage of all junior management	2	40%
BONUS POINTS		
Bonus Point for meeting or exceeding the Economically Active Population (EAP) targets in senior management	1	87.5%
Bonus Point for meeting or exceeding the Economically Active Population (EAP) targets in middle management	1	87.5%
Bonus Point for meeting or exceeding the Economically Active Population (EAP) targets in junior management	1	87.5%

Skills Development

Skills Development. Total points – 10		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
<i>Skills development expenditure on learning programmes specified in the Learning Programmes Matrix</i>		
Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for Black employees as a percentage of the financial institution's leviable amount	3	3% of payroll (3x SDL)
Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for Black Women employees as a percentage of the financial institution's leviable amount	1.5	1.5%
Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for disabled Black employees as a percentage of the financial institution's leviable amount	0.5	0.3%
Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for disabled Black Women employees as a percentage of the financial institution's leviable amount	0.5	0.15%
<i>Learnerships</i>		
Number of Black employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees	3	5% of staff
Number of Black Women employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees	1.5	2.5%

Preferential Procurement

Preferential Procurement. Total points – 16		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
B-BBEE procurement spend from all suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	8	70%
B-BBEE procurement spend from all <i>Qualifying Small Enterprises</i> (QSEs) or from <i>Exempted Micro-Enterprises</i> (EMEs) based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	3	15%
B-BBEE procurement spend from any of the following suppliers as a percentage of total measured procurement spend		
Suppliers that are 50% Black owned	2.5	12%
Suppliers that are 30% Black Women owned	2.5	8%

Empowerment Financing and Enterprise Development

Enterprise Development for those exempted from Empowerment Financing

Enterprise Development. Total points – 15		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
Qualifying ED contributions made by the measured entity as a percentage of the target	15	3 % of Cumulative NPAT

Empowerment Financing – Long Term Insurers

Empowerment Financing. Total points – 15		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
Targeted Investments	12	R27bn
BEE Transaction Financing	3	R15bn
TOTAL FOR LONG TERM INSURANCE SECTOR	15	R42bn

Empowerment Financing – Banking Sector

Empowerment Financing. Total points – 15		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
Targeted Investments Transformational Infrastructure Black SME Financing Black Agricultural Financing Affordable Housing	12	R48bn
BEE Transaction Financing	3	R32bn
TOTAL FOR BANKING SECTOR	15	R80bn¹

Enterprise Development for those needing to comply with Empowerment Financing

Enterprise Development. Total points –5		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
Qualifying ED contributions made by the measured entity as a percentage of the target	5	0.2 % of NPAT

¹ International Banking Association (IBA) members are responsible for R1.6bn of this amount

Socio-Economic Development

Socio-Economic Development. Total points – 3		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
Cumulative value of all Socio-Economic Development Contributions made by a financial institution as a percentage of the cumulative net profit after tax	3	2012 = 0.75% of NPAT 2013 = 0.7% of NPAT 2014 = 0.6% of NPAT

Socio-Economic Development (exempt from Access to Financial Services)

Socio-Economic Development. Total points – 3		
<i>Description</i>	<i>Weighting points</i>	<i>Compliance Target</i>
Cumulative value of all Socio-Economic Development Contributions made by a financial institution as a percentage of the cumulative net profit after tax	3	0.7% of NPAT

Access to Financial Services (Banking Sector) – 14 points

	<i>Access Method</i>	<i>Qualifying Market/area</i>	<i>Points</i>	<i>Qualifying Criteria</i>	<i>Range</i>	<i>Target</i>
1	<i>Geographic Access (Reach)</i>		5	<i>One or more of:</i>		
1.1	Transaction point	50% or more of households falling within LSM 1-5	1	Draw cash or purchase from their accounts	5km	85%
1.2	Service point		1	Reset a pin, Money transfers, GET a statement and initiate account queries	10km	70%
1.3	Sales point		2	replace a card, deposit cash into their accounts, or acquire: a transaction account, a funeral policy, a savings account, or a loan.	15km	60%
1.4	Electronic Access	Individuals earning less than R5,000 per month increasing by CPIX p.a.	1	TBC		
2	Banking Densification	Individuals in the LSM 1-5 group nationally	2	Access to cash withdrawal facility per measuring unit	TBC	1500
3	Product Related Access	Individuals in the LSM 1-5 group nationally	3	Number of active accounts for qualifying products per institution	National	TBC
4	Affordable Housing Origination	Qualifying measures as per metrics agreed	2	Mortgage and development loans to qualifying households	National	TBC
5	Consumer Education	Qualifying individuals in the LSM 1-8 group	2	Consumer, Primary and Basic Education	National	2012 = 0.25% 2013 = 0.3% 2014 = 0.4%

Access to Financial Services (Short-Term Insurance Sector) – 14 points

<i>Access to Financial Services</i>	<i>Weighting</i>	<i>Industry Targets</i>	
Appropriate Products	2	8	
Insurance Policies	10		Maximum sum insured:
Motor vehicle		6%	R60k
Household Contents		6%	R100k
Property/Homeowners		3%	R350k
Black SMEs – equipment contents		15%	R100k
Black SMEs – premises		10%	R500k
Agriculture		6%	TBD
Livestock		6%	R600k
Co-operatives		6%	TBD
Consumer Education	2		Year 1: 0.25% Year 2: 0.3% Year 4: 0.4%