

THE DRAFT CODES OF GOOD PRACTICE (BEE SCORECARD)

This Code was developed by the Department of Trade and Industry (DTI) and was released on the 8th of December, 2004. It is the first of a set of drafts that will eventually find its way into the South African Statute books. This draft is open for discussion (the date for final submissions is the 7th of March, 2005).

A press release released by the DTI on the 8th of December, 2004 describes the Codes as:

This first draft sets out the key elements of Broad Based Black Economic Empowerment (BBBEE) and ways to measure it. This Code establishes the overall framework for BBBEE and contains a detailed scorecard that includes clear targets, weightings and indicators that can be used to measure these components. The new scorecard contains clear targets for ownership, management and enterprise development. It also recommends that companies should, amongst other things aim to achieve the following targets;

- *BEE equity levels of 25.1 percent;*
- *Black management - 40 percent;*
- *Procurement from BEE compliant entities- 50 percent*
- *Employment equity –50 percent*

The codes are split up into three major categories:

Category	Percentage of total scorecard
Direct Empowerment	30%
Human Resource Development	30%
Indirect Empowerment	40%

Once these codes have gone through all the requisite phases and have been accepted they will form the basis of the Industry Charters that will govern broad based BEE in the future. Interestingly some commentators have remarked that existing charters (Financial Services amongst others) may have to be redrafted to accommodate the new codes. In fact the Banking Sector has made a formal submission to the dti to deal with inconsistencies between the Financial Services Charter and the draft codes (Business Day – 7 March, 2005).

BEE Draft Codes of Good Practice

Core Components	BEE Elements	Code Ref	Weighting	Indicators	Indicator Weighting	Targets	Sub-min	Bonus/ Preferential Weighting Provisions
Direct Empowerment	Ownership	BEE 100	20%	Unrestricted Voting Rights in the Enterprise in the hands of Black people	3%	25% + 1 vote		Introduction of new entrants and BEE ownership in excess of target
				Unrestricted Voting Rights in the Enterprise in the hands of Black women	2%	10%		
				Economic Interest in the Enterprise to which Black people are entitled	4%	25%		
				Economic Interest in the Enterprise to which Black women are entitled	2%	10%		
				Economic Interest in the Enterprise to which Black designated groups are entitled	1%	2.5%		
				Level of Unrestricted entitlement of Black people to receive their Economic Interest in the Enterprise (as percentage of total ownership)	8%	25%		
	Management	BEE 200	10%	Weighted Management Representation Scorecard (See BEE 200)	10%	40%		Women Management. Different management positions weighed according to seniority and executive involvement
Human Resource Development	Employment Equity	BEE 300	10%	Weighted Employment Equity Scorecard (See BEE 300)	10%	50%		Women representation
	Skills Development	BEE 400	20%	Investment in Skills Development (in addition to skills development levy), as a percentage of payroll	15%	3%		Fast-track programs for black employees and management. Provision of skills development programs and learnership in priority skill areas.
				Learnership - learnership positions (as a percentage of employees)	5%	3%		
Indirect Empowerment	Preferential Procurement	BEE 500	20%	Affirmative Procurement from Excellent BEE Contributors (BEE Percentage Score as per scorecard, between 80 and 100 points)	18%	50%		<ul style="list-style-type: none"> - Procurement from excellent contributors (recognized at R 1.25 for every R1 of spend) - Procurement from good contributors recognized at R 1 for every R1 of spend) - Procurement from satisfactory contributors (recognized at 50c for every R1 of spend)
				Affirmative Procurement from Good BEE Contributors (BEE Percentage Score between 65 and 79)				
				Affirmative Procurement from Satisfactory BEE Contributors (BEE Percentage Score between 45 and 65)				
				Implementation of robust, independent verification and reporting mechanism to avoid fronting	2%	Mechanism which verifies BEE status of suppliers reported under preferential procurement and utilization of dti approved accreditation agencies		
	Enterprise Development	BEE 600	10%	Monetary Investment in SMME with excellent or good BEE contributions (as percentage of Net Asset Value/EBITDA/Total Procurement)	8%	5% - 10% (depending on base used)		The sum percentage score achieved through monetary investment and quantifiable non-monetary support are summed to arrive at the enterprise development points. (The maximum achievable percentage score for enterprise development is 10)
				Quantifiable non-monetary support to SMME with excellent or good BEE contributions (as percentage of Net Asset Value/EBITDA/Total Procurement)	2%	2% - 5% (depending on base used)		
	Residual Element	BEE 700	10%	Industry specific initiatives to facilitate the inclusion of black people in the sector (as a percent of net profit)	10%	3%		Total contribution towards these initiatives are summed relative to net profit of an enterprise. The total achievable percentage score for these initiatives is 10. (Initiatives that do not promote the empowerment of black people are specifically excluded)
Industry specific initiatives to promote black economic empowerment (as a percent of net profit)								
Corporate social investment initiatives in health, education, poverty alleviation and community development(as a percent of net profit)								
Total	Element Weighting	100%	Indicator Weighting	100%	Sub-Minimum			

Source – Department of Trade and Industry.