

-
- 9.2.5.3.1.6 Document all steps taken to assess the reasonability of the valuation.
- 9.2.5.4 **Net asset value of the business** (used when the business is in a capital intensive sector or the business is making a loss)
- 9.2.5.4.1 Inspecting the valuation for reasonability, which may include evaluating the following:
- 9.2.5.4.1.1 professional competence of the evaluator;
- 9.2.5.4.1.2 objectivity of the evaluator;
- 9.2.5.4.1.3 source data used;
- 9.2.5.4.1.4 assumptions (ensure that the fair value of assets used is reasonable relative to the age and depreciation of the assets) and method used;
- 9.2.5.4.1.5 confirmation that all the liabilities are taken into account and any replacement assets are factored into the calculation;
- 9.2.5.4.1.6 result of the evaluator in terms of the Verification Agency's knowledge of the business; and
- 9.2.5.4.1.7 document all steps taken to assess reasonability of the valuation.

METHODOLOGIES FOR VERIFICATION OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) CODES OF GOOD PRACTICE 200: MANAGEMENT CONTROL**1. Scope of this section**

1.1 This section guides Verification Agency's on how to execute its responsibility to verify the measured entity's Management Control element of the B-BBEE Codes of Good Practice.

2. Effective Date

2.1 This Verification Methodology will come into operation on the date of publication.

3. Objective

3.1 The objectives of this methodology is to guide a verification entity on how to obtain sufficient and appropriate evidence on whether:

3.1.1 The Measured Entity has complied, in all material respects, with the key measurement principles for calculating the Management Control element of the B-BBEE Codes of Good Practice; and

3.1.2 The calculation for measuring the Management Control scorecard does not contain material misstatements.

4. Requirements

4.1 The Verification Agency shall:

4.1.1 Read this statement in conjunction with the interpretive guide and the codes

4.1.2 Determine that the measured entity did not allocate a higher number of points than the weighting points as per the Management Control scorecard.

4.1.3 Obtain the EEA2 and EEA4 forms submitted to the Department of Labour by the measured entity in compliance with the Employment Equity Act or prepared in accordance with point 3.3 of Code 300 (when the measured entity does not fall within the scope of the Employment Equity Act).

4.1.4 Apply for confirmation in respect of the EEA2 from the Department of Labour

4.1.5 Establish the existence sufficient and appropriate evidence to determine whether the allocation and classification of:

4.1.5.1 race

4.1.5.2 gender

4.1.5.3 level of management; and

4.1.5.4 board appointment; are not materially misstated by the measured entity.

4.1.5.5 Determine the accuracy and validity of the scorecard.

5. Application material

5.1 When determining whether the measured entity allocated and classified employees to management accurately in terms of race, gender and level of management the Verification Agency may:

- 5.1.1 Establish whether the measured entity distinguishes between Top Management and Senior Management levels. In the case where a measured entity's management consists of Senior Management only, the weighting points for Top Management will be adjusted to 6 points for Senior Top Management and 4 points for Other Top Management with a compliance target of 60% respectively.
- 5.1.2 When the above is applicable, determine that the measured entity only scored points for senior management under Code 200 or 300 and not both, to avoid double counting.
- 5.1.3 Establish whether the measured entity distinguishes between Senior Top and Other Top Management levels. In the case of a measured entity that does not distinguish between these two management levels, the management levels will be collapsed into one level and the weighting points will be adjusted to 5 points while the target remains at 40%.
- 5.1.4 Agree a sample of directors and managers as classified in the information received from the measured entity to an ID document or certified copy thereof.
- 5.1.5 Obtain the CM27 (Contents of register of directors, auditors and officers) and CM29 (Consent to act as director or officer and other directorship) forms of the Measured Entity from the Company and Intellectual Property Registry Office (CIPRO) and ensure that the directors detailed on the registration forms correspond to the documents obtained from the Measured entity. For close co-operations, sole proprietors and partnerships obtain the relevant documents related to these specified entities.
- 5.1.6 To establish the existence corporate information the following steps may be followed:-
- 5.1.6.1 Contact CIPRO contact centre at 0861 843 384 or Visit CIPRO offices at 77 Meintjies Street, Sunnyside Pretoria;
- 5.1.6.2 Submit an application for the necessary files or information
- 5.1.6.3 Pay the required fee
- 5.1.6.4 Agree management to the EEA2 and EEA4 forms or the information prepared by the Measured Entity in terms of point 3.3 of Code 300.
- 5.1.6.5 Physically obtain Black Top Management and Black Executive and Non-Executive Directors in line with the EEA2 and EEA4 form or the information prepared by the measured entity in terms of point 3.3 of Code 300.
- 5.1.6.6 Interview a sample of directors and discuss their roles and responsibilities on the board to determine whether they are executive or non executive.
- 5.1.6.7 Agree the level of management information and board participation to the employee records, appointment records or information received from the Department of Labour to determine whether a director is executive or non executive.
- 5.1.7 Determine the responsibilities of directors and management by inspecting the following:
- 5.1.7.1 Overall packages of black directors/management compared to equivalent non black directors/management;
- 5.1.7.2 Performance evaluations of directors/management; or

- 5.1.7.3 Voting rights held by black board members and any restrictions that might be specific to the black directors.
- 5.1.8 When determining the accuracy of the scorecard the Verification Agency may:
- 5.1.8.1 Agree the total number of people on the board of directors and the number of black people and black women on the board including non-executive people (for the bonus point calculation) to the information received from the measured entity.
- 5.1.8.2 Agree the total number of people at Top management level and the number of black people and black women at Top management level to the EEA2 form or information prepared by the measured entity in terms of point 3.3 of Code 300.
- 5.1.8.3 Recalculate the percentage of black people and black women for each indicator of the Management Control Scorecard (items 2.1.1; 2.1.2; 2.2.1 and 2.2.2).
- 5.1.8.4 Agree the compliance targets and weighting points used by the measured entity in the formulae to the management control scorecard.
- 5.1.8.5 Recalculate the Adjusted Recognition for Gender for each indicator of the Management Control Scorecard (items 2.1.1; 2.1.2; 2.2.1 and 2.2.2)
- 5.1.9 When determining a score for Management Control, the Verification Agency should perform the following verification steps/ procedures:
- 5.2 **Considerations Specific to Qualifying Small Enterprises**
- 5.2.1.1 The Verification Agency should comply with all the requirements applicable to the Scorecard, but recalculate the formulae as follows:
- 5.3 Total Top Management = 10
- 5.4 Total Black People representation at Top Management = 5
- 5.5 Total Black Women representation at Top Management = 2

Appendix 4:**METHODOLOGIES FOR VERIFICATION OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) CODES OF GOOD PRACTICE 300: EMPLOYMENT EQUITY****1. Scope of this section**

1.1 This section deals with how a Verification Agency's should carryout its responsibility to verify the measured entity's Employment Equity element of the B-BBEE Codes of Good Practice.

2. Effective Date

2.1 This Verification Methodology will come into operation on the date of publication.

3. Objective

3.1 The objectives of this methodology is to guide a verification agency on how to establish the existence sufficient and appropriate evidence on whether:

3.2 The enterprise has complied, in all material respects, with the key measurement principles for calculating the Employment Equity element of the B-BBEE Codes of Good Practice; and

3.3 The calculation for measuring the Employment Equity scorecard does not contain material misstatements.

4. Requirements

4.1 The Verification Agency shall:

4.1.1 determine whether the measured entity achieved a sub-minimum of 40% for each Measurement Category (points 2.1.1 to 2.1.4) of the compliance targets for both of the five year periods in order to allocate points to the Employment Equity element of B-BBEE;

4.1.2 determine that the measured entity did not allocate a higher number of points than the weighting points as per the Employment Equity scorecard;

4.1.3 obtain the EEA2 and EEA4 forms submitted to the Department of Labour by the measured entity in compliance with the Employment Equity Act or prepared in accordance with point 3.3 of Code 300 (when the measured entity does not fall within the scope of the Employment Equity Act);

4.1.4 apply for confirmation in respect of the EEA2 from the Department of Labour;

4.1.5 obtain the completed EEA1 forms signed by the employee and documents from the relevant physician to substantiate the nature of disability for each employee that has been listed by the measured entity as disabled;

4.1.6 obtain the existence sufficient and appropriate evidence to determine whether the allocation and classification of:

4.1.6.1 race

4.1.6.2 gender

4.1.6.3 level of management, and

4.1.6.4 disabilities; are not materially misstated by the measured entity.

4.1.6.5 Determine the accuracy and validity of the scorecard.

5. Application material

- 5.1 Before the Verification Agency continues with procedures to verify occurrence, accuracy, classification and validity of the measured entity's score the Verification Agency must calculate 40% for each Measurement Category of the Compliance Targets for both of the five year periods. If the measured entity fails to achieve the sub-minimum for any one of the Measurement Categories, then no score may be allocated in that category on the Employment Equity scorecard.
- 5.2 When determining whether the measured entity allocated and classified employees to the management levels accurately in terms of race, gender, level of management and disabilities the Verification Agency may:
- 5.2.1 Determine whether the measured entity distinguishes between Middle Management and Junior Management levels. In the case where a measured entity's management only distinguishes between Senior Management and Junior Management, the weighting points for Middle Management will collapse into Junior Management and the weighting points will be adjusted to 8 points for Senior Management and 6 points for Junior Management with a compliance target remaining unchanged.
- 5.2.2 Agree the total number of management and people with disabilities to the EEA1, EEA2 and EEA4 forms as submitted by the measured entity to the Department of Labour
- 5.2.3 Obtain a sample of employee files and agree the correct allocation of management to the EEA forms. The employee file should as a minimum contain the employee's identity document, job description, employee band and letter of appointment and letter of promotion where applicable and any other relevant information.
- 5.2.4 Agree a sample of management as classified in the employee records to the EEA2 and EEA4 forms or information received from the Department of Labour to an identity document or certified copy thereof.
- 5.2.5 Physically obtain management from the employee records or the EEA2 and EEA4 forms.
- 5.2.6 Determine the correct allocation of the disability status to the employees who have been listed by the measured entity as disabled by comparing the employees to the EEA2 forms as well as the relevant EEA1 form i.e. Declaration by Employee and accompanying supporting documentation issued by the relevant doctor for each employee with disability.
- 5.3 When determining the accuracy of the scorecard the Verification Agency may :
- 5.3.1 Agree the number of total employees, black people and black female employees at the different management levels to the employee records or the EEA1, EEA2 and EEA4 forms submitted by the measured entity to the Department of Labour.
- 5.3.2 Recalculate the percentage of black people at each management level as per the measured entity's calculation.
- 5.3.3 Recalculate the Adjusted Recognition for Gender formula:

- 5.4 $A = B/2 + C$
- 5.5 A = the adjusted recognition for gender figure
- 5.6 B = the number of black employees divided by the total population of employees per scorecard items 2.1.1 to 2.1.4
- 5.7 C = the number of black women divided by the total population of all employees. The percentage of black women cannot be more than 50%
- 5.7.1 Recalculate the Compliance formula:
- 5.8 $A = B/C \times D$
- 5.9 A = the score per scorecard items 2.1.1 to 2.1.4
- 5.10 B = the adjusted recognition for gender percentage calculated above
- 5.11 C = the compliance target per scorecard items 2.1.1 to 2.1.4
- 5.12 D = the weighting points per scorecard items 2.1.1 to 2.1.4
- 5.13 Agree the compliance targets and weighting points used in the formulae to the employment equity scorecard points 2.1.1 to 2.1.5.
- 5.14 Determine whether the measured entity qualifies for the bonus points by comparing each Measurement Category level with the measured Economically Active Population (EAP) figures released by Statistics SA. The EAP must be obtained from Statistics SA at the date when the verification is performed, as the figure may change.
- 5.15 Example Calculations:
- 5.15.1 Refer to Requirement 4(a). The third column under compliance target year 0 – 5 and year 6 - 10 will be compared with the scorecard (including gender recognition) of the measured entity to determine whether the measured entity may allocate points to the scorecard:

Category	Compliance target yr 0 – 5			Compliance target yr 6 – 10		
	Disabled employees	40% x	2% =	0.8%	40% x	3% =
Senior management	40% x	43% =	17.2%	40% x	60% =	24%
Middle management	40% x	63% =	25.2%	40% x	75% =	30%
Junior management	40% x	68% =	27.2%	40% x	80% =	32%

- 5.16 In the case of measured entities that do not distinguish between Top and Senior Management levels and when the measured entity chose to measure Senior Management under the Management Control element, inspect that no score is allocated for senior management indicator in the Employment Equity element.
- 5.17 When determining the validity of the scorecard information the Verification Agency may:
- 5.17.1 Agree employee records to the EEA2 and EEA4 forms submitted to the Department of Labour (where applicable).
- 5.17.2 During physical verification of employees, agree the employee to the employee records.

5.17.3 When determining a score for Employment Equity, the Verification Agency should perform the following verification steps/ procedures:

5.18 **Considerations Specific to Qualifying Small Enterprises**

5.18.1 The Verification Agency should comply with all the requirements applicable to the Generic Scorecard excluding requirements for black people with disabilities and different levels of management and employees and should recalculate the formulae as per the Codes.

Appendix 5:**METHODOLOGIES FOR VERIFICATION OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) CODES OF GOOD PRACTICE 400: SKILLS DEVELOPMENT****1. Scope of this section**

1.1 This section deals with how a Verification Agency's should carry out its responsibility to verify the measured entity's Skills Development element of the B-BBEE Codes of Good Practice.

2. Effective Date

2.1 This Verification Methodology will come into operation on the date of publication..

3. Objective

3.1 The objectives of this methodology is to guide a verification agency on how to establish the existence sufficient and appropriate evidence on whether:

3.1.1 The enterprise has complied, in all material respects, with the key measurement principles for calculating the Skills Development element of the B-BBEE Codes of Good Practice; and

3.1.2 The calculation for measuring the Skills Development scorecard does not contain material misstatements.

4. Requirements

4.1 The Verification Agency shall determine whether the measured entity is entitled to allocate points to the Skills Development element of B-BBEE by obtaining sufficient and appropriate evidence on whether the measured entity:

4.1.1 Complies with the Skills Development Act and the Skills Development Levies Act.

4.1.2 Is registered with the South African Revenue Service (SARS) and that they have details of the applicable SETA; or

4.1.3 An exemption certificate from SARS for those companies under the R500,000.00 threshold.

4.1.4 Has developed a Workplace Skills Plan; and

4.1.5 Annual training reports submitted to the applicable SETA.

4.1.6 Implemented programmes targeted at developing Priority Skills generally and specifically for black employees using the Learning Programme Matrix.

4.1.7 In the case where all the requirements listed above are not met by the measured entity, no score shall be allocated for the Skills Development element of the scorecard.

4.1.8 Determine that the measured entity did not achieve a higher number of points than the weighting points.

4.1.9 Establish the existence sufficient and appropriate evidence to determine whether expenses are correctly allocated to Skills Development Expenditure for qualifying employees and the Learning Programme Matrix.

- 4.1.10 Determine the accuracy and validity of the weighting points of the skills development scorecard.

5. Application material

- 5.1 Before the Verification Agency continues with procedures to verify occurrence, accuracy, classification and validity of the measured entity's score, the Verification Agency shall:
- 5.1.1 Inspect administration documents and documents required to be submitted by the measured entity to the SETA's and to the South African Revenue Services to determine compliance with the Skills Development Act and Skills Development Levies Act. i.e. Workplace Skills Plan and Annual Training Report and other relevant documents detailing training.
- 5.1.2 Establish the existence proof through the AMP201 form that the Measured Entity has a skills development facilitator that assists the Measured Entity. i.e. Either Internal or External.
- 5.1.3 Obtain a letter of accreditation from the relevant SETA confirming the Measured Entities registration.
- 5.1.4 If the Measured Entity is a Workplace provider obtain relevant accreditation certificates issued by the applicable SETA.
- 5.1.5 Inspect the latest approved workplace skills plan.
- 5.1.6 Obtain proof that the Measured Entity has submitted the annual training reports and the Workplace Skills Plan to the relevant SETA.
- 5.1.7 Inspect proof of the measured entity's programmes implemented to develop Priority Skills generally and specifically for black employees.
- 5.1.8 Obtain proof from the SETA by way of an approval letter of a specific learnership programme.
- 5.1.9 The Verification Agency should determine whether scholarships and bursaries constitute Skills Development expenses by obtaining sufficient and appropriate evidence on whether any portion of the scholarships or bursary is recoverable by the measured entity. The following conditions however do not affect the recognition and should be included in Skills Development expenses:
- 5.1.9.1 The obligation for the employee to successfully complete their studies within the allocated time period , and/or
- 5.1.9.2 The obligation for the employee to continue employment with the measured entity for a period following successful completion of studies, such period not exceeding the period of studies
- 5.1.10 The Verification Agency should determine whether legitimate expenses are allocated to Skills Development expenses by obtaining sufficient and appropriate evidence on whether learning programme expenses are evidenced by an invoice or appropriate internal accounting record. The following may serve as evidence:

- 5.1.10.1 A sample of training descriptions for Skills Development Spend claimed by the measured entity falling into each category of the Learning Programme Matrix to determine whether the training has been allocated to the appropriate category.
- 5.1.10.2 A sample of learnership agreements for employees of the measured entity which have learnerships in progress.
- 5.1.10.3 A sample of attendance registers for internal training and relevant proof of attendance for external courses.
- 5.1.10.4 A sample of the invoices for Skills Development Spend e.g. invoices for items listed below.
- 5.1.11 Inspection of the Work Skills Plan and the Annual Training report to determine whether the training calculated by the measured entity is in line with the reports submitted to the SETA and if it meets the requirements as detailed in the Learning Programme Matrix.
- 5.1.12 Agreeing the training against the Learning Programme Matrix to determine under which category it falls – this is important to determine whether salaries or wages paid to an employee participating as a learner may be included in the Skills Development Spend and that the Category G learning programmes do not exceed 15% of the total skills development spend.

5.1.13 Skills Development Expenditure (refer to the Codes)

- 5.1.13.1 When determining the accuracy of the scorecard the Verification Agency may:
 - 5.1.13.1.1 Recalculate the percentage of Skills Development expenditure for black people and black women as a percentage of the leviable amount per the measured entity's calculation.
 - 5.1.13.1.2 Recalculate the percentage of Skills Development expenditure for black people with disabilities and black women with disabilities of the leviable amount as per the measured entity's calculation.
 - 5.1.13.1.3 Recalculate the number of black people participating in learnerships or category B, C and D using:
 - 5.1.13.1.3.1 Learnership agreements signed by both the learner and the measured entity
 - 5.1.13.1.3.2 The identity documents of the learners to substantiate the race and gender. The measured entity must have documents from the applicable SETA that substantiate that the learnership is registered with the SETA.
 - 5.1.13.1.3.3 Inspect that the Skills Development Spend is in line with the training stated in the measured entity's Annual Financial Statements.
 - 5.1.13.1.3.4 Inspect that the training is in line with the Annual Training Report and Section 7 of the EEA2 form.
 - 5.1.13.1.3.5 Determine the leviable amount and verify against the applicable payroll documents and the Annual Financial Statements. Inspect that this amount excludes the Skills Development Levy.

- 5.1.13.1.4 Agree the compliance targets and weighting points used in the formulae to the Skills Development Expenditure and Learnerships scorecard items 2.1.1.1; 2.1.1.2 and 2.1.2.1
- 5.1.13.1.5 Recalculate the Adjusted Recognition for Gender formula:
 $A = B/2 + C$
A = the adjusted recognition for gender figure
B = the number black employees divided by the total population of employees per scorecard items 2.1.1.1; 2.1.1.2 and 2.1.2.1
C = the number of black women divided by the total population of all employees.
The percentage of black women cannot be more than 50% Delete
- 5.1.13.1.6 Recalculate the Compliance formula:
 $A = B/C \times D$
A = the score per scorecard items 2.1.1.1; 2.1.1.2 and 2.1.2.1
B = the adjusted recognition for gender percentage calculated above
C = the compliance target per scorecard items 2.1.1.1; 2.1.1.2 and 2.1.2.1
D = the weighting points per scorecard items 2.1.1.1; 2.1.1.2 and 2.1.2.1

5.2 **Considerations Specific to Qualifying Small Enterprises**

- 5.2.1 The Verification Agency should comply with all the requirements applicable to the Generic Scorecard excluding requirements to comply with Skills Development Act, Skills Development Levies Act, SETA's and a Workplace Skills Plan and should recalculate as per the Codes.

Appendix 6:**METHODOLOGIES FOR VERIFICATION OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) CODES OF GOOD PRACTICE 500: PREFERENTIAL PROCUREMENT****1. Scope of this section**

1.1 This section deals with how the Verification Agency's should carryout its responsibility in relation to the verification of a measured entity's Preferential Procurement element of the B-BBEE Codes of Good Practice.

2. Effective Date

2.1 This Verification Methodology will come into operation on the date of publication.

3. Objectives

3.1 The objectives of this methodology is to guide a verification agency on how to obtain sufficient and appropriate evidence on whether:

3.1.1 The measured entity has complied, in all material respects, with the key measurement principles for calculating the Preferential Procurement element of the B-BBEE Codes of Good Practice;

3.1.2 The assertions relating to Preferential Procurement contributions and the assertions pertaining to beneficiaries of these contributions does not contain misstatements that materially affect the Preferential Procurement scorecard.

3.1.3 The calculation for measuring the Preferential Procurement scorecard does not contain material misstatements.

4. Requirements

4.1 The Verification Agency shall:

4.1.1 establish whether the measured entity has Procurement Spend from B-BBEE suppliers that meet the criteria as set out in point 2.1 of the Preferential Procurement element of the codes;

4.1.2 obtain sufficient and appropriate evidence to determine whether the calculation of Total Measured Procurement Spend (as per point 5 of the codes) is not materially misstated by the measured entity;

4.1.3 obtain sufficient and appropriate evidence to determine whether the calculation of Exclusions from Total Measured Procurement Spend is not misstated by the measured entity;

4.1.4 ensure that the entity only relies on suitable evidence or documentation to report preferential procurement;

4.1.5 obtain sufficient and appropriate evidence to determine whether the allocation and classification of B-BBEE Recognition Level of suppliers are not misstated by the measured

entity;

- 4.1.6 obtain sufficient and appropriate evidence to confirm the calculation of enhanced B-BBEE recognition through Value Adding Suppliers and Enterprise Development Spend;
- 4.1.7 determine the accuracy and validity of the scorecard, including all three indicators of preferential procurement

5. Application material

- 5.1 When determining whether the entity calculated total Measurable Spend accurately the Verification Agency may:
 - 5.1.1 obtain Audited Financial Statements or a signed copy of management accounts and detailed income statements;
 - 5.1.2 obtain confirmation from management on any additional information that may be necessary for the calculation of total measurable spend;
 - 5.1.3 agree goods and services relating to Cost of Sales, Operational Expenditures and Capital Expenditure incurred during the reporting period to audited financial statements, or a set of management account signed off by management;
 - 5.1.4 conduct cut-off test by tracing to a sufficient sample of goods received notes to confirm that the claimed procurement occurred during the reporting period;
- 5.2 When determining whether the applicable inclusions when calculating the total procurement spend have been applied the Verification Agency may select a sample of specific spend to inspect that only items that are listed as inclusions in paragraph 5 of Code 500 have been included. These may include:
 - 5.2.1 Procurement from Schedule 2 and Schedule 3 public sector entities as per the Public Finance Management Act
 - 5.2.2 Procurement from all monopolistic suppliers
 - 5.2.3 Procurement on behalf of a third party, where such procurement is reflected in the financial records of the entity
 - 5.2.4 Procurement from Labour Brokers
 - 5.2.5 All imported good and services
- 5.3 Recalculate Total Procurement Spend as per the entity's calculations
- 5.4 When determining whether the measured entity calculated exclusions accurately the Verification Agency may select a sample of specific spend listed below to confirm that all Procurement Spend listed as exclusions in paragraph 6 of Code 500 have been excluded. These may include:
 - 5.4.1 Procurement from Schedule 1 public sector entities as per the Public Finance Management Act;
 - 5.4.2 Procurement from a regulated monopolistic suppliers (identify and confirm legislation or regulation which regulate such monopoly);
 - 5.4.3 Procurement on behalf of a third party, where such procurement is not reflected in the

- financial records of the entity (trace spend to confirm that it is not included in financial records);
- 5.4.4 All investments or donations (Paragraph 6.5 of this code);
 - 5.4.5 All items comprised in salaries;
 - 5.4.6 For imported goods, obtain a list of Imports excluded from the total Measurable Spend and determine that the reasons for importing the goods are only the following:
 - 5.4.6.1 There are no local production (through a confirmation from management)
 - 5.4.6.2 The import represent component or raw material for value add (obtain evidence that the import is used in further value-adding process)
 - 5.4.6.3 The import differs from the locally produced substitute in terms of:
 - 5.4.6.3.1 Brand
 - 5.4.6.3.2 Technical Specifications
 - 5.4.6.4 Obtain a Value-Added Tax declaration in respect of Imported Services from SARS
 - 5.4.6.5 Obtain the Measured Entities Importer Registration Certificate from SARS
 - 5.4.7 Recalculate Exclusions as per entity's calculations
 - 5.4.8 When verifying the B-BBEE Recognition Spend calculated by the measured entity, the Verification Agency must ensure that the entity only uses verified B-BBEE status for its calculations.
 - 5.4.9 When verifying the accuracy and validity of the procurement calculation, the Verification Agency may:
 - 5.4.9.1 Obtain a schedule of all B-BBEE suppliers included in B-BBEE Procurement Spend, including total spend with the supplier, B-BBEE recognition status and proof of B-BBEE recognition status;
 - 5.4.9.2 Agree a sample of suppliers to invoices to determine that the amount included in the schedule is accurate;
 - 5.4.9.3 Agree a sufficient sample of suppliers to suitable evidence or documentation as proof of B-BBEE status;
 - 5.4.9.4 Determine whether the correct B-BBEE recognition level has been applied in the calculations of B-BBEE spend;
 - 5.4.9.5 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 evidence or documentation supporting any initiative, must not receive any recognition for that initiative.
 - 5.4.9.6 During the Transitional Period ending 31st August 2008, suppliers with only proof of narrow-based status may be accepted, but it must be subjected to the transitional scorecard conversion as contained in the Codes.
 - 5.4.9.7 Select a sample of suppliers and determine that the right recognition level is applied based on the supplier's B-BBEE status;

- 5.4.9.8 Agree a selected sample of QSE and EMEs recognised by the entity to suitable evidence as detailed in 2.6 of statement 000 in the Codes.
- 5.4.9.9 For EMEs only, agree a sufficient sample of suppliers to either a valid verification certificate or auditors or accounting officer's letter;
- 5.4.9.10 Agree the schedule of black-owned or black-women owned suppliers to suitable evidence as detailed in 2.6 of Statement 000 in the Codes.
- 5.4.9.11 Recalculate the total B-BBEE spend of the entity.
- 5.4.10 To determine whether the enhanced B-BBEE recognition status has been applied, the Verification Agency may:
- 5.4.10.1 Obtain a schedule of suppliers with enhanced B-BBEE recognition status due to its status as value adding supplier or as an enterprise development candidate of the entity;
- 5.4.10.2 Agree a sample of Value-adding suppliers to the entity's proof and calculation of value-adding status.
- 5.4.10.3 Agree a sample of enterprise development candidate to specific enterprise development programs, and evidence that benefit was provided to the enterprise.
- 5.4.10.4 In calculating the procurement spend from value adding suppliers; which also includes black owned professional service providers and entrepreneurs, the enhanced recognition of 1.25 must be taken into account and 1.2 for Enterprise development beneficiaries. ; and
- 5.4.11 In recalculating the application for service providers that are both value adding suppliers as well as enterprise development beneficiaries the enhanced recognition would be 1.25 multiplied by 1.2. To determine whether the scorecard is complete, the Verification Agency may:
- 5.4.11.1 Recalculate the B-BBEE recognition spend as per clause 5.4.9.1 above, over Total measurable spend and express as a percentage of target and weighting contained in the scorecard;
- 5.4.11.2 Recalculate total B-BBEE spend with QSE and EME and its application in the scorecard; and
- 5.4.11.3 Recalculate total B-BBEE spend with black-owned and black women owned entity and its application in the scorecards.
- 5.5 **Considerations Specific to Qualifying Small Enterprises**
- 5.5.1 The Verification Agency should comply with all the requirements applicable to the Generic Scorecard

Appendix 7:**METHODOLOGIES FOR VERIFICATION OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) CODES OF GOOD PRACTICE 600: ENTERPRISE DEVELOPMENT****1. Scope of this section**

- 1.1 This section deals with how a Verification Agency's should execute its responsibility relation to an enterprise's compliance with the Enterprise Development element of the B-BBEE Codes of Good Practice.

2. Effective Date

- 2.1 This Verification Methodology will come into operation on the date of publication.

3. Objective

- 3.1 The objectives of the methodology is to guide a Verification Agency on how to obtain sufficient and appropriate evidence about whether:

3.1.1 The enterprise has complied, in all material respects, with the key measurement principles for calculating the Enterprise Development element of the B-BBEE Codes of Good Practice;

3.1.2 The assertions relating to Enterprise Development Contributions and the assertions pertaining to beneficiaries of these contributions does not contain misstatements that materially affect the Enterprise Development scorecard and therefore, the overall scorecard

3.1.3 The calculation for measuring the Enterprise Development element of the B-BBEE Codes of Good Practice does not contain misstatements that materially affect the overall scorecard.

4. Requirements

4.1 The Verification Agency shall determine whether the NPAT, cumulative average targets or turnover apply to the Enterprise Development calculations.

4.2 The Verification Agency shall evaluate the quantified amounts calculated by the entity using a standard valuation method to determine whether the Enterprise Development Contribution may be recognised.

4.3 The Verification Agency shall determine whether the cumulative recognition of Enterprise Development contributions is accurate.

4.4 The Verification Agency shall obtain sufficient and appropriate evidence to determine whether contributions should be included in Enterprise Development Contributions.

4.5 The Verification Agency shall obtain sufficient and appropriate evidence to determine whether contributions should be excluded from Enterprise Development Contributions.

4.6 The Verification Agency shall determine whether the entity is entitled to be allocated points for contributions to the Enterprise Development element of B-BBEE.

- 4.7 The Verification Agency shall determine that the entity did not achieve a higher number of points than the weighting points plus any bonus points that may apply.
- 4.8 The Verification Agency shall verify the B-BBEE status of Enterprise Development beneficiaries by obtaining sufficient and appropriate evidence to support claimed B-BBEE status.
- 4.9 Based on the above, the Verification Agency will determine whether these beneficiaries result in the classification of Enterprise Development Contributions as Category A or Category B Enterprise Development Contributions (see the definition of "Enterprise Development Contributions" as contained in Part 2 of Schedule 1 of the Codes of Good Practice). Should the beneficiary entity not be classifiable in terms of either of the aforementioned categories, the Verification Agency must determine whether or not the beneficiary entity qualifies as a beneficiary entity in terms of paragraph 3.2.4 of the Codes of Good Practice.
- 4.10 The Verification Agency shall ensure that Enterprise Development contributions were with the specific objective of contributing to the development, sustainability and financial and operational independence of those beneficiaries(to expand –going concern, liquidity and control of directors on ED beneficiary)
- 4.11 Should the Verification Agency not be able to confirm that the proposed beneficiary entity qualifies as a beneficiary entity in terms of the above statements; the Verification Agency should not confirm enterprise development contributions in favour of such entities.
- 4.12 The Verification Agency shall ensure that the inception date is not earlier than 5 years from the date of measurement.
- 4.13 The Verification Agency shall ensure that no portion of the value of the Enterprise Development contributions payable to the beneficiary after the date of measurement has been included in the calculation of Enterprise Development.
5. Application material
- 5.1 When determining a score for Enterprise Development, the Verification Agency may:
- 5.1.1 Obtain audited financial statements (possibly from the most recent audited financial statements going back up to five years, depending on the cumulative contribution claims being put forward by the entity)
- 5.1.2 Obtain appropriate and sufficient evidence to determine the B-BBEE Status of the beneficiary entity and qualifying category.
- 5.1.3 Obtain confirmation from the beneficiary entity asserting that the shareholders meet the definition of "black" as contained in the Codes of Good Practice.
- 5.1.4 Obtain an independent competent person's report confirming that the shareholders meet the definition of "black" as defined in the Codes of Good Practice.
- 5.1.5 Where the B-BBEE status of beneficiary entities cannot be substantiated, contributions to such entities may not be included in Enterprise Development Contributions.

- 5.1.6 Inspect all of the Enterprise Development Agreements to ensure that it complies with the criteria as stated under Statement 600, Annexure 600 (A) as per agreement with the beneficiary.
- 5.1.7 The Verification Agency shall ensure that there is evidence that the Enterprise Development Contributions have actually been initiated and implemented.
- 5.1.8 Verification Agency shall confirm that VAT is not included where Enterprise Development Contributions may include VAT in amounts claimed
- 5.1.9 Reconcile claimed Enterprise Development Contributions with Invoices or other sufficient and appropriate supporting evidence to determine accuracy.
- 5.2 To determine whether the scorecard is complete, the Verification Agency may:
 - 5.2.1 Recalculate the Enterprise Development contributions as per the Categories of beneficiaries defined in the Codes of Good Practice;
 - 5.2.2 Recalculate the total Enterprise Development Contributions and express as a percentage of the targets and weightings contained in the scorecard.
- 5.3 **Considerations Specific to Qualifying Small Enterprises**
 - 5.3.1 The Verification Agency should comply with all the requirements as per the applicable Scorecard.

METHODOLOGIES FOR VERIFICATION OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) CODES OF GOOD PRACTICE 700: SOCIO-ECONOMIC DEVELOPMENT

1. Scope of this section

1.1 This section provides guidance on how a Verification Agency should carry out its responsibility relating to an enterprise's compliance with the Socio-Economic Development element of the B-BBEE Codes of Good Practice.

2. Effective Date

2.1 This Verification Methodology will come into operation on the date of publication.

3. Objective

3.1 The objectives of this Methodology is to guide a Verification Agency on how to obtain sufficient and appropriate evidence about whether:

3.1.1 The enterprise has complied, in all material respects, with the key measurement principles for calculating the Socio-Economic Development element of the B-BBEE Codes of Good Practice;

3.1.2 The assertions relating to Socio-Economic Development Contributions and the assertions pertaining to beneficiaries of these contributions does not contain misstatements that materially affect the Socio-Economic Development scorecard and the overall scorecard.

3.1.3 The calculation for measuring the Socio-Economic Development element of the B-BBEE Codes of Good Practice does not contain misstatements that materially affect overall scorecard.

4. Requirements

4.1 The Verification Agency shall determine whether the NPAT, cumulative average annual targets or turnover apply to the Socio-Economic Development calculations.

4.2 The Verification Agency shall evaluate the quantified amounts calculated by the entity using a standard valuation method to determine whether the Socio-Economic Development Contribution may be recognised.

4.3 The Verification Agency shall determine whether the cumulative recognition of Socio-Economic Development Contributions is accurate.

4.4 The Verification Agency shall obtain sufficient and appropriate evidence to determine whether contributions should be included as Socio-Economic Development Contributions, by making reference to the definition of Socio-Economic Development Contributions in the Codes of Good Practice.

4.5 The Verification Agency shall obtain sufficient and appropriate evidence to determine whether contributions should be excluded from Socio-Economic Development Contributions.

- 4.6 The Verification Agency shall obtain sufficient and appropriate evidence that 75% of the value of the socio-economic development contributions accrue to black people. If this is not the case, then the Verification Agency shall confirm that the value of the contributions is multiplied by the percentage of the contributions that benefit black people, in accordance with Statement 700 of the Codes of Good Practice.
- 4.7 With reference to the above, the Verification Agency shall obtain sufficient evidence to be able to determine an approximate percentage of black beneficiaries
- 4.8 The Verification Agency shall determine whether the entity is entitled to be allocated points for contributions to the Socio-Economic Development element of B-BBEE.
- 4.9 The Verification Agency shall determine that the entity did not achieve a higher number of points than the weighting points.
- 4.10 The Verification Agency shall ensure that Socio-Economic Development contributions were carried out with the objective of facilitating sustainable access to the economy for the beneficiaries as defined in the Codes of Good Practice.
- 4.11 Should the Verification Agency not be able to confirm that the proposed beneficiaries qualify as beneficiaries in terms of the above statements; the Verification Agency should not confirm Socio-Economic Development contributions in favour of such entities.
- 4.12 The Verification Agency shall ensure that the inception date is not earlier than 5 years before the commencement date of Statement 700 and binds the measured entity for the duration of this statement.
- 4.13 The Verification Agency shall ensure that no portion of the value of the Socio-Economic Development contributions payable to the beneficiary after the date of measurement has been included in the calculation of Socio-Economic Development.

5. Application material

- 5.1 When determining a score for Socio-Economic Development, the Verification Agency may:
- 5.1.1 Obtain audited financial statements (possibly from the most recent audited financial statements going back up to five years, depending on the cumulative contribution claims being put forward by the entity)
- 5.1.2 Obtain appropriate and sufficient evidence to support the claimed percentage of black beneficiaries amongst beneficiaries of Socio-Economic Development Contributions, which may be in the form of a signed letter from the head of organization (e.g. clinic/ old-age home/ school etc) attesting to the percentage of black people which the organisation normally caters for.
- 5.1.3 Obtain an independent competent person's report confirming that the beneficiaries meet the definition of "black" as defined.
- 5.1.4 Where the beneficiaries cannot be identified and substantiated, contributions to such entities may not be included in Socio-Economic Development Contributions.
- 5.1.5 Inspect all of the Socio-Economic Development Agreements to ensure that they comply

with the criteria as stated under Statement 700, Annexure 700 (A) as per agreement with the beneficiary.

- 5.1.6 The Verification Agency shall ensure that there is evidence that the Socio-Economic Development Contributions have actually been initiated and implemented
- 5.1.7 The Verification Agency should confirm that VAT is not included in amounts claimed where Socio-Economic Development Contributions may include VAT.
- 5.1.8 Reconcile claimed Socio-Economic Development Contributions with Invoices or other sufficient and appropriate supporting evidence to determine accuracy.
- 5.1.9 To determine whether the scorecard is complete, the Verification Agency may:
 - 5.1.9.1 Recalculate the Socio-Economic Development contributions as per the Benefit Factor Matrix, under statement 700 of the Codes of Good Practice;
 - 5.1.9.2 Recalculate the total Socio-Economic Development Contributions and express as a percentage of the targets and weightings contained in the scorecard.
- 5.2 **Considerations Specific to Qualifying Small Enterprises**
 - 5.2.1 The Verification Agency should comply with all the requirements as per the applicable Scorecard.

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