

CODE SERIES 800: CODES OF GOOD PRACTICE FOR QUALIFYING SMALL ENTERPRISES (QSE'S)

ISSUED UNDER SECTION 9 OF THE BROAD-BASED BLACK ECONOMIC
EMPOWERMENT ACT OF 2003

Arrangement of this statement

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1 STATEMENT 800: THE FRAMEWORK FOR THE QSE SCORECARD AND EXEMPTED MICRO-ENTERPRISES

1.1 Objectives of this statement

1.1.1 The objectives of this statement are to:

1.1.1.1 specify the Elements of B-BBEE measurable under the Qualifying Small Enterprise (QSE) Scorecard;

1.1.1.2 specify the QSE Scorecard;

1.1.1.3 specify the principles in the Generic Statements (100 - 700) applicable to Qualifying Small Enterprises.

1.2 Eligibility as a QSE

2.1.1 Any enterprise with an annual Total Revenue of between R5million and R35million qualifies as a QSE, if its qualification does not result from circumvention of the codes.

1.3 The QSE Scorecard

1.3.1 The following table represents the QSE Scorecard and contains the Elements of the scorecard and the Weightings for each element:

Element	Weighting	Code Series 800
Framework		800
Ownership	25 points	801
Management control	25 points	802
Employment equity	25 points	803
Skills development	25 points	804
Preferential procurement	25 points	805
Enterprise Development	25 points	806
Socio Economic Development Contributions	25 points	807

1.3.2 A QSE must select any four of the seven Elements of B-BBEE for the purposes of measurement under the QSE Scorecard. If a QSE does not make a selection, its four best element scores will be used for the purposes of measurement.

1.3.3 A QSE will be scored in proportion to the extent that it meets the compliance targets for those four elements.

1.3.4 The Weighting points in respect of any element in the scorecard represent the maximum number of points possible for each of the criteria.

1.3.5 Wherever a Standard Valuation Method applies to measuring an indicator, the same standard should apply, as far as reasonably possible, in all other applicable calculations in this statement.

1.3.6 The Adjusted Recognition for Gender must be used for the purposes of calculating the Employment Equity, Skills Development and Management Control element of the QSE scorecard.

1.3.7 The B-BBEE compliance of a QSE must be determined in accordance with code 000.

- 1.3.8 Any matter concerning the application of the QSE scorecard that is not dealt with explicitly in this scorecard must be dealt with in terms of codes 100-700.

1.4 Transitional period

- 1.4.1 For the first year after the commencement of this statement, a Measured Entity may elect to use -
- 1.4.1.1 the QSE Scorecard; or;
- 1.4.1.2 The transitional Scorecard
- 1.4.2 Thereafter, all BEE compliance measurement under the Codes for QSEs is subject to the use of the QSE Scorecard or, if applicable, a Sector Code.
- 1.4.3 The transitional scorecard assigns a BEE Status based on the Ownership and Management Control of the entity calculated in terms of the formula below;

$$A = B \times 1.18$$

Where

A is the indicative BEE Status during the transitional period

B is the total score achieved under Code series 801 and 802

2 STATEMENT 801: OWNERSHIP FOR QSEs

2.1 The QSE ownership scorecard

The following table represents the indicators and method for calculating a score for ownership under this statement:

Category	Ownership indicator	Weighting points	Compliance Target
2.1.1 Voting rights:			
2.1.1.1	Exercisable Voting Rights in the Enterprise in the hands of black people	6	25%+1 vote
2.1.2 Economic Interest:			
2.1.2.1	Economic Interest of black people in the Enterprise	9	25%
2.1.3 Realisation points:			
2.1.3.1	Ownership fulfilment	1	
2.1.3.2	Net Value	9	
2.1.4 Bonus points:			
2.1.4.1	Involvement in the ownership of the Enterprise by black women	2	10%
2.1.4.2	Involvement in the ownership of the Enterprise by black Participants in Employee Ownership Schemes, Co-operatives or Broad-Based Ownership Schemes	1	10%

2.2 Key measurement principles

2.2.1 General principles:

- 2.2.1.1 An Enterprise receives points for participation by black people in its rights of ownership, using the QSE ownership scorecard. Black people may hold their rights of ownership in a Measured Enterprise as direct Participants or as Participants through a business such as:

- a company with shares;
- a close corporation;
- a co-operative;
- any form of juristic person recognised under South African law;
- a partnership or other association of natural persons;
- an Employee Share Ownership Scheme;
- a Broad-Based Ownership Scheme; and
- a trust.

2.3 Realisation Points

2.3.1 Ownership Fulfilment occurs:

- 2.3.1.1 on the release of all black Participants in a Measured Enterprise from all third-party rights; or
- 2.3.1.2 if black Participants have never been subject to any third-party rights.
- 2.3.1.3 A minimum score of 7 points for Net Value is a requirement for the award of the Ownership Fulfilment point.

2.4 The bonus points

- 2.4.1 A Measured Enterprise with 25% black Economic Interest, can receive a maximum of 2 bonus points for a 10% holding of Economic Interest by black women.
- 2.4.2 A Measured Enterprise with 25% black Economic Interest, can receive a maximum of 1 bonus point for a 10% holding of Economic Interest by black Participants in:
 - 2.4.1.1 Employee Share Ownership Schemes;
 - 2.4.1.2 Co-operatives; or
 - 2.4.1.3 Broad-Based Ownership Schemes.
- 2.4.3 A Qualifying Small Enterprise may benefit from any of the other statements in the Code series 100. When electing to benefit from any of those statements, the provisions of those statements apply to the Qualifying Small Enterprise.
- 2.4.4 The Qualifying Small Enterprise Ownership Scorecard remains applicable to Qualifying Small Enterprises even if they benefit from other statements in the Code series 100.
- 2.4.5 Any interpretation or calculation of a QSE's score for ownership must be made in accordance with statement 100.
- 2.4.6 Without limiting the generality of the preceding clause, the following matters dealt with in code 100 apply expressly to QSEs -
 - 2.4.6.1 The Flow-Through Principle
 - Specific rules on certain types of enterprises (Broad-Based Ownership Schemes; Employee Share Ownership Schemes and Trusts).

3 STATEMENT 802: MANAGEMENT CONTROL FOR QSEs

3.1 THE QSE Management control scorecard

3.1.1 The following table represents the indicators and method for calculating a score for management control under this statement:

Management control criteria	Weighting points	Compliance Target
Black representation at Top-Management level.	25	50.1%
Bonus Points: Black women representation as Top-Management	2	25%

3.2 Key measurement principles

3.2.1 A Measured Entity receives points in proportion to the extent that it meets the targets for participation of black people and black women at Top-Management level.

3.3 Common examples of Top Management

The inclusion of the following examples of Top Management is for guidance purposes only:

3.3.1 Senior Top Management positions include the chief executive officer, the chief operating officer, the chief financial officer and other people holding similar positions.

3.3.2 Other Top Management positions include the chief information officer, the head of marketing, the head of sales, the head of public relations, the head of transformation, the head of human resources and other people holding similar positions.

4 STATEMENT 803: EMPLOYMENT EQUITY FOR QSE's

4.1 THE QSE Employment Equity scorecard

4.1.1 The following table represents the criteria used for deriving a score for employment equity under this statement:

Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 -10
Black employees of the Measured Entity who are Management as a percentage of all Management adjusted using the Adjusted Recognition for Gender	15	40%	60%
Black employees of the Measured Entity as a percentage of all employees adjusted using the Adjusted Recognition for Gender	10	60%	70%
Bonus point for meeting or exceeding the EAP targets in each category above	2		

4.2 Key measurement principles

4.2.1 A Measured Entity receives points in proportion to the extent that it meets the targets for participation of black people and black women at Management level.

4.2.2 Wherever possible, a Measured Entity must use the data that it files with the Department of Labour under the Employment Equity Act in calculating its score under the employment equity scorecard.

- 4.2.3 No Measured Entity shall receive any points under the Employment Equity Scorecard unless they have achieved a sub-minimum of 40% of each of the targets set out on the Employment Equity Scorecard in respect of the both five year periods.
- 4.2.4 In order for a measured entity to achieve bonus points at a particular level, the entity needs to meet or exceed the EAP targets.
- 4.2.5 A Measured Entity exempt from filing returns must compile its data for calculating its score under the Employment Equity Scorecard using the guidelines set out in the Employment Equity Act and its EE Regulations.
- 4.2.6 Black women employees in each Measurement Category qualify for enhanced recognition using the Adjusted Recognition for Gender.

4.3 Calculating the Adjusted Recognition for Gender

The calculation of the Adjusted Recognition for Gender is as follows:

$$A = \frac{B}{2} + C$$

C is limited to a maximum of 50% of the target

Where

A is the Adjusted Recognition for Gender

B is the percentage of employees in the measurement category that are black people

C is the percentage of employees in the measurement category that are black women

5 STATEMENT 804: SKILLS DEVELOPMENT FOR QSE's

5.1 The QSE Skills Development Scorecard

5.1.1 The following table represents the criteria used for deriving a score for skills development under this statement:

Skills Development Element	Weighting points	Compliance Target
Adjusted skills development spend on learning programmes for black employees as a percentage of leviable amount.	25	2%

5.2 Key measurement principles

- 5.2.1 Any Skills Development Spend by a Measured Entity that is an ABET programme is recognisable at a multiple of 1.25 to the actual value of such Skills Development Spend.
- 5.2.2 Skills Development Spend includes any legitimate expenses incurred for any Learning Programme offered by a Measured Entity to its employees evidenced by an invoice or appropriate internal accounting record.

- 5.2.3 Legitimate training expenses include:
- 5.2.3.1 costs of training materials;
 - 5.2.3.2 costs of trainers including, where appropriate, the opportunity cost of internal trainers;
 - 5.2.3.3 costs of training facilities including costs of catering;
 - 5.2.3.4 scholarships and bursaries;
 - 5.2.3.5 course fees;
 - 5.2.3.6 accommodation and travel; and
 - 5.2.3.7 administration costs such as organization of training including, where appropriate, the cost to the Measured Entity of employing a skills development facilitator or a training manager.
- 5.2.4 No portion of any salary or wage paid to any employee participating as a learner in any Learning Programme constitutes Skills Development Spend unless the Learning Programme is an In-service Training Programme.

6 STATEMENT 805: PREFERENTIAL PROCUREMENT FOR QSE's

6.1 THE QSE Preferential Procurement Scorecard

The following table represents the criteria for deriving a score for preferential procurement under this statement:

Criteria	Weighting points	Compliance targets	
		Years 0 - 5	Years 6 - 10
BEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	25	40%	50%

6.2 Key Measurement Principles

- 6.2.1 All procurement of goods and services by the Measured Entity, other than such portion specifically excluded in this statement, is measurable in calculating Total Measured Procurement Spend of the Measured Entity.
- 6.2.2 Where a Measured Entity can show that it procures goods and services from a Supplier that is also:
- 6.2.2.1 a recipient of enterprise development contributions from the Measured Entity under Code series 600, the BEE Procurement Spend attributable to that Supplier multiplied by a factor of 1.2 is recognisable; and
 - 6.2.2.2 a Value-Adding Supplier, the BEE Procurement Spend attributable to that Supplier multiplied by a factor of 1.25 is recognisable.
- 6.2.3 Measured Entities are expected to pursue compliance with this statement in respect of all areas of procurement.

- 6.2.4 Total Measured Procurement Spend of a Measured Entity and the Exclusions from Total Measured Procurement Spend must be determined in accordance with Statement 500.

7 STATEMENT 806: ENTERPRISE DEVELOPMENT FOR QSE's

7.1 THE QSE Enterprise Development (ED) scorecard

- 7.1.1 In calculating the compliance of a Measured Entity the following Net Profit After Tax (NPAT) target applies unless:

7.1.1.1 the company does not make a profit last year or on average over the last five years.

7.1.1.2 the net profit margin is less than a quarter of the norm in the industry.

7.1.1.3 If the Turnover is to be used, the target will be set at:

- $2\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$.
- Indicative profit margin is the profit margin in the last year where the company's profit margin is at least one quarter of the industry norm.

7.1.2 The following table represents the criteria and method used for deriving a score for approved projects and enterprise development under this statement:

Criteria	Weighting Points	Compliance Target
Average annual value of all Qualifying Contributions made by the Measured Entity as a percentage of the target	25	2% of NPAT

7.2 Key Measurement Principles

7.2.1 Measured Entities receive recognition for any Qualifying Contributions that are quantifiable as a monetary value using a Standard valuation method.

7.2.2 Qualifying Contributions of any Measured Entity are recognisable:

7.2.2.1 from the commencement date of this statement, or an earlier date chosen by the Measured Entity (the Inception Date);

7.2.2.2 until the date of measurement.

7.2.3 No portion of the value of any Qualifying Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.

7.2.4 The recognition of Enterprise Development contributions must be determined in accordance with statement 600.

8 STATEMENT 807: SOCIO-ECONOMIC DEVELOPMENT CONTRIBUTIONS FOR QSE's

8.1 The QSE Socio-economic Development (SED) Scorecard

- 8.1.1 In calculating the compliance of a Measured Entity the following Net Profit After Tax (NPAT) target applies unless:
- 8.1.1.1 the company does not make a profit last year or on average over the last five years.
- 8.1.1.2 the net profit margin is less than a quarter of the norm in the industry.
- 8.1.2 If the Turnover is to be used, the target will be set at:
- 8.1.2.1 $1\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$.
- 8.1.2 The following table represents the criteria and method used for deriving a score for socio-economic development under this statement:

Criteria	Weighting Points	Compliance Target
Average annual value of all Socio-Economic Development Contributions and Approved Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target.	25	1% of NPAT

8.2 Key Measurement Principles

- 8.2.1 Measured Entities receive recognition for any Qualifying Contributions that are quantifiable as a monetary value using a Standard Valuation Method.
- 8.2.2 Qualifying Contributions of any Measured Entity are recognisable:
- 8.2.2.1 from the commencement date of this statement, or an earlier date chosen by the Measured Entity (the Inception Date);
- 8.2.2.2 until the date of measurement.
- 8.2.2.3 No portion of the value of any Qualifying Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.
- 8.2.3 Payments made by the Measured Entity to third parties to perform social development on the Measured Entity's behalf may constitute a SED Contribution.
- 8.2.4 The recognition of SED Contributions must be determined in accordance with code 700.
- 8.2.5 Sector Specific Contributions:
- 8.2.6 Sector Specific Contributions are recognised on the basis set forth in the Sector Code governing them.