



REPABOLIKI YA AFERIKA BORWA

REPUBLIC VAN SUID AFRIKA

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Section 9(5): Codes of Good Practice

It is hereby notified that the Minister of Trade and Industry hereby issues the following draft Code of Good Practice for public comments under section 9(3) of the Broad-Based Black Economic Empowerment Act 53 of 2003. Interested persons are invited to furnish the Minister with comments on this proposed code within 60 days of the date of publication.

**CODE 1200: MEASUREMENT OF THE MANAGEMENT AND CONTROL ELEMENT OF
BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

**STATEMENT 1200: THE GENERAL RECOGNITION OF MANAGEMENT CONTROL FOR
QUALIFYING SMALL ENTERPRISES**

Issued under section 9 of the Broad-Based Black Economic Empowerment Act of 2003

Arrangement of this Statement

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1 DEFINITIONS

In this statement, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act bears the same meaning, and:

- 1.1 **"black women"** means black people who are women;
- 1.2 **"Enterprise"** has the meaning defined in Code 1000,Statement 1000;
- 1.3 **"Executive Manager "** means a manager who falls within the definition of "executive director" as specified in the King Report;
- 1.4 **"King Report"** means the King Report on Corporate Governance for South Africa 2002 authored by the King Committee on Corporate Governance of the Institute of Directors in Southern Africa;
- 1.5 **"Measured Enterprise"** means the Qualifying Small Enterprise subject to measurement under this statement;
- 1.6 **"Occupational Levels"** means the occupational levels specified in Form EEA9 gazetted as a regulation under the Employment Equity Act,
- 1.7 **"Other Top Management"** means Employees of a Measured Entity, other than Senior

Top Management who report directly to the Chief Executive Officer of that Measured Entity and are appointed to undertake the day to day management of that Measured Entity and who are actively involved in the development and/or implementation of the Measured Entity's strategy insofar as it relates to their area of responsibility. This definition should be read in conjunction with the Occupation Levels, having specific regard to the Occupational Level of Top Management

- 1.8 **"Owner-Manager"** means an individual who holds equity representing at least 5% of all equity in the Measured Enterprise (both in relation to voting rights and economic interest as referred to in Code 1100 Statement 1100) and who is also an Executive Manager.
- 1.9 **"Senior Top Management"** means Employees of an Enterprise who report directly to the Chief Executive Officer and/or the Board of that Enterprise and are appointed to undertake the day to day management of that Enterprise and who have individual responsibility for the overall management and for the financial management of that Enterprise and who are actively involved in the development and/or implementation of the Enterprise's strategy. Common examples of Senior Top Management include, without limitation, chief executive officers, chief operating officers and chief financial officers. This definition should be read in conjunction with the Occupation Levels, having specific regard to the Occupational Level of Top Management;
- 1.10 **"QSE Management Control Scorecard"** means the scorecard in paragraph 6;
- 1.11 **"Qualifying Small Enterprise Scorecard"** means the balanced BEE scorecard included in Annexe 1000-A of Code 1000, Statement 1000
- 1.12 **"Qualifying Small Enterprise"** has the meaning defined in Code 1000 Statement 1000;
- 1.13 **"the Act"** means the Broad-Based Black Economic Empowerment Act of 2003 as amended or substituted; and
- 1.14 **"the Codes"** means all Codes of Good Practice issued in terms of section 9 of the Act, including without limitation, this statement.

2 INTERPRETATION OF THIS STATEMENT

This statement is to be interpreted in a manner that is consistent with the objectives of the Act, and those set out in paragraph 4.

3 APPLICATION OF THIS STATEMENT

- 3.1 This statement is to be used in the measurement of the management control element of broad-based black economic empowerment for all Qualifying Small Enterprises.
- 3.2 Notwithstanding paragraph 3.1, this statement is not to be used in the measurement of the management control element of broad-based black economic empowerment in respect of an Enterprise particularly excluded from the provisions of this statement by the Minister, by notice in a gazette.

4 OBJECTIVES OF THIS STATEMENT

The objective of this statement is to specify the QSE Management Control Scorecard

5 STATEMENT OF PRINCIPLE

- 5.1 Qualifying Small Enterprises are entitled to receive points on the QSE Management Control Scorecard based upon management control contribution made by them.
- 5.2 In determining the nature of the management control contributions made Qualifying Small Enterprises, those Enterprises should be guided by this statement read in conjunction with Code 1000 Statement 1000; and
 - 5.2.1 if there is any uncertainty or lack of specificity in this statement as to the recognition of any specific type of management control contribution identified in the QSE Management Control Scorecard , regard must be had to the principles outlined in the statements in Code 200; and
 - 5.2.2 if there is any uncertainty or lack of specificity in this statement as to the manner of calculation of those calculations in the QSE Management Control Scorecard, regard must be had to the calculation methodology applicable to Other Top Management (black people) and Other Top Management (black women) in the Code 200 Statement 200, *mutatis mutandis* to the category of Owner Manager and the targets for black and black women Ownership Manager participation in this statement.

6 QSE Management Control Scorecard

The following table represents the methodology used for the purposes of deriving a score for management control in terms of this Statement:

Management control criteria	Weighting points	Compliance Target
black representation at Owner Manager level.	20%	25,1% Owner Manager Representation.
Bonus Points: black women representation at Owner Manager level	2%	10%