VERIFICATION OF AND REPORTING ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT IN TERMS OF THE CODES OF GOOD PRACTICE

VERIFICATION MANUAL

Department of Trade and Industry

June 2015
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Authority of the Verification Manual

This Verification Manual was prepared in terms of the provisions of Section 10.1 of Code Series 000 Statement 000 of the Broad-Based Black Economic Empowerment Codes of Good Practice issued in terms of Section 9(1) of Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 (“The Act”) as amended. The “dti” derives the power to issue this Manual from the Act 53 of 2003 read with the amended Codes.

Application of the Verification Manual

The use of this Verification Manual is prescribed and shall be used by Verification Agencies/ Registered Auditors when performing B-BBEE verification.

Any Verification Agent/ Registered Auditor who issues a Verification Certificate without applying the Guidelines set out in the Verification Manual shall be guilty of unprofessional conduct and the “dti” may recommend that he lose his Accreditation with SANAS or Approval with IRBA. Verification Agents/ Registered Auditors are at liberty to develop policies and procedures that are broader but not narrower than these Guidelines.

Structure of the Verification Manual

The Verification Manual is set out as follows:

❖ Chapters 1-7 Deal with Guidelines on general principles to be implemented by Verification Agencies/ Registered Auditors
❖ Chapters 8-13 Deal with Guidelines and methodology to be followed in conducting Verification
❖ Appendix 1 Sets out Samples of Verification Certificates
❖ Appendices 2-8 Sets out the minimum verification procedures for each Element of the Codes that has to be met, and is based on the key measurement principles and calculations of the scorecard for each Element of the Codes
❖ At the end of each appendix reference is made to requirements applicable to Qualifying Small Enterprises (QSEs).
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Definitions

1.1 For the purposes of the Verification Manual the following terms have the meanings attributed below and all other definitions remain as detailed in the Codes:

1.1.1 **Admissible/Appropriate Evidence** refers to the measure of the quality of evidence in respect of its relevance and reliability in providing support for or detecting misstatements affecting individual scorecard elements. The reliability of evidence is influenced by its source and its nature and is dependent on the individual circumstances under which it is obtained.

1.1.2 **B-BBEE Codes** refers to amended Codes of Good Practice on Broad-Based Black Economic Empowerment gazetted on 10 October 2013 and 6 May 2015 as part of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003 as amended and any amendments thereto.

1.1.3 **Black People** are defined as set-out in the Amended Codes of Good Practice for B-BBEE.

1.1.4 **Certificate Date** The date on which the certificate was issued and therefore the start of the validity period.

1.1.5 **Control risk** The risk that a misstatement that could occur in an assertion from which the elements of the scorecard of the measured entity are derived and B-BBEE Status determined, will not be prevented or detected and corrected on a timely basis by the measured entity’s internal control.

1.1.6 **Debt** An amount owed to a person or organisation for funds borrowed. Debt can be represented by a loan note, bond, mortgage or other form stating repayment terms and, if applicable, interest requirements. These different forms all imply intent to pay back an amount owed by a specific date, which is set forth in the repayment terms.

1.1.7 **Detection risk** refers to the risk that the Verification Agency / Registered Auditor’s procedures will not detect a misstatement that exists in an assertion from which the elements of the scorecard of the measured entity are derived and B-BBEE Status determined.

1.1.8 **Evidence** refers to all the information used to establish a fact in issue. Including information supplied by the Measure Entity and used by the Verification Agency / Registered Auditor in determining the scores allocated to individual B-BBEE Scorecard Elements and B-BBEE Status for the measured entity. Evidence includes the information contained in the accounting records underlying the financial statements and other information relating to the measured entity’s B-BBEE Scorecard Elements obtained through inquiry, inspection of records or documents or written confirmations, recalculation and analytical procedures.

1.1.9 **Inherent risk** refers to the susceptibility material misstatement of an assertion from which the elements of the scorecard of the measured entity are derived and B-BBEE
Status determined to misstatement that could be material assuming that there were no related internal controls.

1.1.10 **Intended User**: persons within, or external to the measured entity, for whom the Verification Agency / Registered Auditor prepares the Verification Certificate on the Scorecard elements and B-BBEE status report.

1.1.11 **Materiality** refers the extent to which the omission or misstatement of information could influence the determination of the individual scorecard elements or the overall rating and B-BBEE status. Materiality depends on the impact of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut off point rather than being a primary qualitative characteristic which information must have if it is to be useful.

1.1.12 **Measurement Date** measurement date is defined as the date of the information verified for Equity Ownership and Management Control elements. The measurement Date must be a reflection of the current status, meaning it must be at least within 3 months prior the Verification Date.

1.1.13 **Measurement Period** Measurement Period, relating to the measurement of Skills Development, Preferential Procurement, Enterprise Development and Socio-Economic Empowerment elements, is defined as the financial year ended within the 12 months prior to the Measurement Date. In the case where audited financial statements are not available for the Measurement Period, management accounts for the same period will be used.

1.1.14 **Professional scepticism** refers to questioning approach coupled with critical assessment of information.

1.1.15 **Random Sampling** means the application of verification procedures to less than 100% of items selected within a group or class of transactions in a manner which provides all units of a group (“the population”) with an equal chance of selection. This will enable the Verification Agency / Registered Auditor to obtain and evaluate evidence about some characteristic of the items selected in order to form, or assist in forming, a conclusion concerning the population from which the sample is drawn.

- The “population” in a B-BBEE Engagement may refer to underlying information for each scorecard element being verified and may comprise financial or non-financial information.
- Sampling can use either a statistical or non-statistical approach.

1.1.16 **Responsible Party** refers to person/s in the Measured Entity responsible for the collation and preparation of the B-BBEE information to be verified.

1.1.17 **Sufficiency of evidence** refers to the measure of the quantity and quantity of evidence. The quantity of evidence required is affected by the risk of misstatement (the
greater the risk of misstatement the more evidence is likely to be required) and also by
the quality of such evidence (the higher the quality, the less evidence may be required).

1.1.18 Verification Certificate” refers to the B-BBEE Verification Certificate issued by the
Verification Agency / Registered Auditor which reflects the overall B-BBEE Status of a
Measured Entity and Scoring allocated for each Scorecard Element verified in respect of
the measured entity (refer Appendix 1).

1.1.19 Verification Date” Verification Date is defined as the date of the on-site verification

1.1.20 Verification Report” refers to the Report issued by the Verification Agency / Registered
Auditor Verification Agency / Registered Auditor / Registered Auditor which provides the
detailed scores of each element reflected in the Verification Certificate and B-BBEE Status
awarded to the measured entity.

1.1.21 Verification Risk” The risk that the Verification Agency / Registered Auditor could
arrive at an inappropriate conclusion in determining the scores based on one or more
scorecard elements being materially misstated. This is the risk that the scorecard
elements are materially misstated prior to verification and the risk that the Verification
Agency / Registered Auditor Verification Agency / Registered Auditor / Registered Auditor
will not detect such misstatement.

1.1.22 Verification” means the process and activities conducted by a Verification Agency /
Registered Auditor Verification Agency / Registered Auditor / Registered Auditor to assess,
verify and validate that the score awarded to a Measured Entity is a result of individual
scorecard elements supplied by a Measured Entity, and to evaluate BEE transactions in
order to provide an indicative B-BBEE score and Certification based on the principles of
the Broad-Based BEE Codes of Good Practice.

2. Scope of Application of this Manual

2.1 While there is no legal obligation for entities to subject themselves to BEE Status
Evaluations in terms of B-BBEE Codes, it is important that those entities which do subject
themselves to such evaluation by an accredited Verification Agency / Registered Auditor
Verification Agency / Registered Auditor / Registered Auditor receive a certain level of
Standard of Service.

2.2 The Guidelines set in this manual are applicable as a minimum standard to which all
Verification Agencies are obliged to conform in conducting verification assessments and
evaluations.

2.3 The document was prepared in terms of the provisions of Section 10.1 of Code Series 000
Statement 000 of the Broad-Based Black Economic Empowerment Codes of Good Practice
issued in terms of Section 9(1) of B-BBEE Act 53 of 2003 as amended.

2.4 The table below, sets out the basis for identifying criteria applicable to the measured entity,
which are to be applied by a Verification Agency / Registered Auditor Verification Agency / Registered Auditor / Registered Auditor when providing assurance on the Scorecard Elements and B-BBEE Status:

<table>
<thead>
<tr>
<th>Criteria</th>
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<td>The elements of B-BBEE in terms of the Generic Scorecard</td>
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<td>The Eligibility of Specialised Enterprises</td>
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**Table 1**

3. **Purpose of Verification**

3.1 The overall aim of verifying is to give confidence to all parties that rely upon the score set out in the verification certificate that the information on which the certificate is based has been tested for validity and accuracy.

3.2 Verification is intended to reduce the risk of misstatement of individual scorecard elements to an acceptably low level, and to provide an assurance of the integrity of the information on which the Verification is based. An acceptably low level of risk is achieved if a reasonable person with sufficient knowledge of the Codes will be able to arrive at a similar conclusion based on the same set of information.

4. **Effective Date**

4.1 This Manual will be effective for B-BBEE Verification Certificates issued on the amended Codes.

5. **Objective**

5.1 The objectives of Guidelines set in this Manual are to:

5.1.1 set acceptable minimum Standards of Ethical Conduct underpinning the responsibilities of Verification Agencies (“Verification Agencies“)/ Registered Auditor when performing verification and reporting on the B-BBEE Scorecard elements and overall B-BBEE status of a Measured Entity;

5.1.2 outline the responsibilities of the Verification Agency / Registered Auditor to its client in respect of quality control, contracting, conducting the verification and reporting on the scorecard;
5.1.3 set the requirements based on the key measurement principles and calculations for each element of the Code;

5.1.4 Provide explanatory material and procedures to be followed in providing assurance on whether the requirements of the Code have been met; and documentation requirements for the engagement.

6. Standards of Ethical Conduct & Requirements

In order to obtain and maintain confidence, a BEE Verification Agency / Registered Auditor have to be able to demonstrate that its decisions are based on objective evidence and that its decisions have not been improperly influenced by other interests or by other parties. Principles for inspiring confidence include:

6.1 Impartiality

6.1.1 Impartiality and being perceived to be impartial, is necessary for a BEE Verification Agency / Registered Auditor to be able to deliver a verification that provides confidence. It is recognised that the source of revenue for a BEE Verification Agency / Registered Auditor is the client paying for its service and that this is a potential threat to impartiality.

6.1.2 Impartiality is manifested by actual and perceived presence of objectivity. Objectivity means that conflict of interest does not exist or is resolved so as not to influence adversely the subsequent activities of the BEE Verification Agency / Registered Auditor.

6.1.3 Synonyms that are useful in conveying the element of impartiality are: objectivity, independence, freedom from conflicts of interest, freedom from bias, lack of prejudice, neutrality, fairness, open-mindedness, even-handedness, detachment and balance.

6.1.4 Threats to impartiality include:

6.1.4.1 Self-interest threats – threats that arise from a person or enterprise acting in their own interest, for example financial self-interest

6.1.4.2 Self-review threats – threats that arise from a person or enterprise reviewing work done by themselves, for example evaluating the BEE compliance of a measured entity to whom the BEE Verification Agency / Registered Auditor Verification Agency / Registered Auditor provided consultancy services;

6.1.4.3 Familiarity (or trust) threats – threats that arise from a person or body being too familiar with or trusting towards another person instead of seeking objective evidence on which to base the verification conclusion

6.1.4.4 Intimidation threats – threats that arise from a person or enterprise having a perception of being coerced openly or secretively, such as a threat to be replaced or reported to a supervisor.
6.2 **Competence**

6.2.1 Competence is the demonstrated ability to apply knowledge and skills effectively.

6.2.2 The competence of the personnel supported by the infrastructure of the Agency is necessary for the BEE Verification Agency / Registered Auditor to deliver a verification that provides confidence.

6.3 **Responsibility**

6.3.1 The measured entity, not the BEE Verification Agency / Registered Auditor, is responsible for conforming to the requirements for BEE Verification. The BEE Verification Agency / Registered Auditor is responsible for carrying out a factual, thorough evaluation of a measured entity’s B-BBEE status and, based on the result, for determining a BEE score.

6.4 **Openness**

6.4.1 Openness is access to or disclosure of information. A BEE Verification Agency / Registered Auditor needs to provide public access to, or disclosure of, appropriate and timely information about the evaluation and verification process and about the verification status of any measured entity in order to gain confidence in the integrity and credibility of the BEE verification process.

6.4.2 The measured entity needs to provide access to or disclosure of appropriate information about the evaluation of its B-BBEE status.

6.4.3 A BEE Verification Agency / Registered Auditor needs to provide appropriate access to or disclosure of specific interested parties’ non-confidential and non-proprietary information about the results of specific evaluations (e.g. evaluations in response to complaints) in order to gain and maintain confidence.

6.5 **Confidentiality**

6.5.1 In order to gain access to the privileged information that is needed for the BEE Verification Agency / Registered Auditor to assess adequately the requirements for BEE Verification, a BEE Verification Agency / Registered Auditor needs to keep any proprietary information about a measured entity confidential. However, a BEE Verification Agency / Registered Auditor may disclose a measured entity’s actual verification result, without compromising the confidentiality of the information supporting the verification outcome.

6.6 **Resolution of complaints**

6.6.1 Parties that rely on the outcome of their verification status as assessed by accredited BEE Verification Agencies expect to have their complaints investigated. If these complaints are found to be valid, they need to have confidence that the complaints shall be appropriately addressed and that a reasonable effort shall be made to resolve the complaints.

6.6.2 An appropriate balance between the principles of openness and confidentiality, including resolution of complaints, is necessary in order to demonstrate integrity and credibility.
6.7 The Verification Agency / Registered Auditor shall establish policies and procedures designed to provide it with reasonable assurance that its personnel comply with relevant ethical and legal requirements.

6.8 Where it is not possible to reduce the threat to its independence to an acceptable level the Verification Agency / Registered Auditor shall decline to accept or continue the B-BBEE Verification Engagement,

6.9 When an Accredited Verification Agency / Registered Auditor or its directors or top management are also members of another professional body, those directors or top management shall comply with that professional body’s ethical requirements, in so far as they may affect such a verification engagement, provided they do not conflict with or diminish the ethical standards applicable in terms of the B-BBEE Act and Codes of Good Practice. Such ethical requirements are often contained in a Code of Professional Conduct.

7. Quality Control

7.1 The Verification Agency / Registered Auditor shall establish and implement appropriate quality control procedures for whole Verification Agency / Registered Auditor and for the individual B-BBEE verification engagements undertaken.

7.2 Elements of quality control that are relevant to individual verification engagements include leadership responsibilities for standards within the Verification Agency / Registered Auditor and on the verification engagement, compliance with ethical requirements, acceptance and continuation of client relationships and specific verification engagements, human resources, assignment of engagement teams, engagement performance, and monitoring.\(^4\)

7.3 The quality control procedures shall be documented and communicated to the Verification Agency / Registered Auditor personnel and policies and procedures shall be designed to provide reasonable assurance that the Verification Agency / Registered Auditor and its personnel comply with this requirement.

7.4 The Verification Agency / Registered Auditor shall document evidence of compliance with the quality control procedures.

8. Agreeing on Terms of Engagement

\(^4\) For Approved Registered Auditors performing Verification Engagements, these requirements are set out in International Standard on Quality Control (ISQC) 1, Quality Control for Firms that perform audits and reviews of historical financial information and other assurance and related services engagements, and International Standard on Auditing (ISA) 220, Quality Control for Audits of Historical Financial Information.
8.1 The Verification Agency / Registered Auditor shall agree on the terms of the B-BBEE verification engagement with the measured entity. To avoid misunderstandings, the terms agreed should be recorded and set out in a written engagement letter incorporating any other standard contract terms and conditions that the Verification Agency / Registered Auditor ordinarily applies to its engagements.

8.2 Engagement terms generally include rights of access to all relevant information at the measured entity and facilitate access to outside third parties for purposes of obtaining relevant evidence for purposes of the verification engagement, as well as billing arrangements.

8.3 The engagement letter may include a clause limiting the liability of the Verification Agency / Registered Auditor to actions brought by the measured entity arising from its negligent conduct in the verification. This flows from the fact that the verified Scorecard and B-BBEE Status Report could be distributed to third parties who were not party to the verification engagement and have no contractual relationship with the Verification Agency / Registered Auditor.

8.4 Acknowledgement of the terms and conditions of engagement by the measured entity’s signatory provides evidence of the relationship with the Verification Agency / Registered Auditor, and also establishes a basis for a common understanding of the respective responsibilities of each party.

8.5 After having reviewed the request for verification, the Verification Agency / Registered Auditor shall notify the measured entity whether or not it is accepting the request for verification. The reasons for non-acceptance shall be conveyed to the applicant (e.g. resource constraints).

8.6 The terms of engagement between the Verification Agency / Registered Auditor and the measured entity shall include provisions that:

8.6.1 require the measured entity to supply any information needed for its intended verification, and

8.6.2 Requires the measured entity to conform to the requirements for verification.

9. **Outsourcing**

9.1 The Verification Agency / Registered Auditor shall have a process by which it describes the conditions under which outsourcing may take place. The Verification Agency / Registered Auditor shall have a legally enforceable agreement covering the arrangements, including confidentiality and conflict of interests, with each outsourced body.

9.2 Decision-making regarding verifications shall never be outsourced.

9.3 The Verification Agency / Registered Auditor shall:

9.3.1 take full responsibility for all verifications outsourced to another body
9.3.2 maintain its responsibility for granting a B-BBEE score

9.3.3 ensure that the outsourced body uses individuals who conform to the applicable provisions of this document, including competence, impartiality, confidentiality, and B-BBEE status

9.3.4 ensure that the outsourced body uses individuals who are not involved, either directly or through any other employer, with any measured entity to be evaluated in such a way that impartiality could be compromised, and

9.3.5 obtain the consent of the measured entity being evaluated to use a given outsourced body.

9.3.6 The Verification Agency / Registered Auditor shall have documented procedures for the qualifications, monitoring and records of all outsourced bodies used for verifications.

10. Guidelines for Performing Verification

10.1 Verification methodology

10.1.1 The Verification Agency / Registered Auditor shall verify, validate and evaluate all information concerning measured entities based on the principles set out in the B-BBEE Act and Codes of Good Practice and this document and shall include all relevant elements of the Broad- Based BEE scorecard. All verifications are to be based on information that has been verified by an on-site visit to the measured entity. No score can be given without an on-site assessment of the entity.

10.1.2 The Verification Agency / Registered Auditor shall verify the information provided in order to verify the B-BBEE status of a measured entity. Simple telephonic enquiries do not constitute verification.

10.2 Planning Verification Process

10.2.1 The Verification Agency / Registered Auditor shall ensure that a verification plan is established for each verification engagement to provide the specific terms and conditions of the agreement dealing with conducting and scheduling of the verification activities.

10.2.2 The Verification Agency / Registered Auditor shall determine, in accordance with documented procedures, the time needed to accomplish a complete and effective verification of the enterprise. The time determined by the Verification Agency / Registered Auditor, and the justification for the determination, shall be recorded.

10.2.3 In the determination of the verification programme and any subsequent adjustments, the
size of the measured entity, and the scope and complexity of its structure, products and processes shall be considered, as well as its demonstrated level of commitment to B-BBEE and the results of any previous verification.

10.2.4 Where multi-site sampling is utilised for the verification of a measured entity, covering the same activity in various locations, the Verification Agency / Registered Auditor shall develop a sampling programme to ensure proper verification of the whole enterprise. The rationale for the sampling plan shall be documented for each measured entity.

10.2.5 The tasks given to the verification team shall be clearly defined and made known to the measured entity, and shall require the verification team:

10.2.5.1 to examine the structure, policies, processes, procedures and related documents and records of the client enterprise which are relevant to the B-BBEE requirements, and

10.2.5.2 To determine that these contain sufficient evidence to support the BEE verification.

10.2.6 The Verification Agency / Registered Auditor shall provide the name of, and make available background information on, each member of the verification team, giving sufficient time for the measured entity to object to the appointment of any particular analyst or expert and for the Verification Agency / Registered Auditor to reconstitute the team in response to any valid objection.

10.2.7 A Verification Plan shall be communicated and the dates of the verification shall be agreed upon, in advance, with the measured entity.

10.2.8 The Verification Agency / Registered Auditor shall have a process for conducting on-site verifications.

10.2.9 At its first meeting with the proposed Measured Entity the Verification Agency / Registered Auditor shall require an authorised representative of the measured entity requiring verification to provide the necessary information to enable it to establish:

10.2.9.1 the general features of the measured entity, including its name and the address(es) of its physical location(s)

10.2.9.2 general information such as its activities, human and other resources, and its functions and relationships within a larger corporation, if any, and

10.2.9.3 Information concerning the enterprise’s use of consultancy relating to BEE.

10.2.10 Before proceeding with the verification, the Verification Agency / Registered Auditor shall conduct a review of the request for verification to ensure that:

10.2.10.1 the information is sufficient for the conduct of the review;

10.2.10.2 the requirements for verification are clearly defined, documented and have been provided to the measured entity;

10.2.10.3 any known difference in understanding between the Verification Agency / Registered Auditor and the measured entity has been resolved;

10.2.10.4 The Verification Agency / Registered Auditor have the competence and ability to
perform the service. The location and number of the applicant’s operations, the time
required to complete verifications, and any other points influencing activities or the
verification process shall be considered (language, safety conditions, threats to
impartiality, etc.). Based on this review, the Agency shall determine the competences
it needs to include in its verification team; and it records of the justification for the
decision will be maintained.

10.2.11 Where a Verification Agency / Registered Auditor will be taking account of verification or
other evaluations already granted to the measured entity, it shall collect sufficient
evidence to justify and record any adjustments to the verification programme.

1.1 The verification team shall be appointed and composed of verification analysts (and any
other experts as necessary) who, between them, have the totality of the competences
identified by the Verification Agency / Registered Auditor as being needed for the
verification of the enterprise. The selection of the team shall be performed with reference
to the designations of competence of verification analysts and experts and may include
the use of both internal and external human resources.

1.1 Criteria to be used for Verification Engagement
1.1.1 The Verification Agency / Registered Auditor shall use the following as the criteria to
evaluate the measured entity:

1.1.1.1 Broad-Based Black Economic Empowerment.
1.1.1.2 Generic and QSE scorecards of the Codes of Good Practice on Broad-Based Black
Economic Empowerment.
1.1.1.3 Criteria for Exempted Micro Enterprises of the Codes of Good Practice on B-BBEE.
1.1.1.4 Sector Codes gazetted in terms of section 9 of the B-BBEE Act.
1.1.2 Any other applicable guidelines issued by the Department of Trade and Industry.
1.1.3 Any other legislation or regulation, as provided for in the Codes including but not limited
to:

1.1.3.1 Employment Equity Act
1.1.3.2 Skills Development Act
1.1.3.3 Skills Development Levies Act
1.1.3.4 Skills Development Amendment Act

1.2 Conducting the Verification Process
1.2.1 Verifications shall be done according to a Verification Plan.
1.2.2 The verifications shall take place at the site(s) of the measured entity. The purpose of
the evaluation is to measure the B-BBEE progress or status.

1.2.3 The verification team shall conduct the evaluation to gather evidence to verify the measured entity in terms of B-BBEE.

1.2.4 The verification team shall sample a sufficient number of examples of the activities of the measured entity in relation to the B-BBEE criteria to arrive at a sound appraisal of the measured entity's B-BBEE status.

1.2.5 As part of the verification process, the verification team shall interview a sample of sufficient number of the staff, including top management and operational personnel of the measured entity, to provide assurance that the information gathered is sound.

10.2.12 The verification team shall analyse all the information and verification evidence gathered to determine the B-BBEE status of the measured entity.

10.2.13 The Verification Agency / Registered Auditor shall ensure that a detailed, written Verification Report is promptly provided to the verified measured entity.

10.2.14 Ownership of the Verification Report shall be retained by the Verification Agency / Registered Auditor.

10.2.15 **B-BBEE verification decision**

10.2.15.1 The information provided by the verification team to the Verification Agency / Registered Auditor for the decision shall as a minimum include:

10.2.15.1.1 the information and verification evidence gathered to determine the B-BBEE status of the measured entity, and

10.2.15.1.2 The verification recommendation from the verification team.

10.2.15.2 The individual or group that makes the decision shall include a level of knowledge and experience sufficient to evaluate the verification processes, results and recommendations of the verification team.

10.2.15.3 The Verification Agency / Registered Auditor shall make the decision on the basis of an evaluation of the verification results and any other relevant information.

10.2.15.4 The Verification Agency / Registered Auditor shall ensure that the person(s) or committees that participate in the decisions are different from those who carried out the verification.

10.2.15.5 The Verification Agency / Registered Auditor shall confirm, prior to making a decision, that the information provided by the verification team is sufficient with respect to the verification requirements.

10.3 **Special evaluations**

10.3.1 It may be necessary for the Verification Agency / Registered Auditor to conduct evaluations of measured entities at short notice in order to investigate complaints or in
response to changes. In such cases the Verification Agency / Registered Auditor shall:

10.3.1.1 describe and make known in advance to the measured entity the conditions under which these short-notice visits are to be conducted, and

10.3.1.2 Exercise additional care in the assignment of the verification team because of the lack of opportunity for the measured entity to object to the verification team members.

10.4 **Appeals**

10.4.1 The Verification Agency / Registered Auditor shall have a documented process for receiving, evaluating and making decisions on appeals.

10.4.2 A description of the process for handling appeals shall be made publicly available.

10.4.3 The Verification Agency / Registered Auditor shall be responsible for all decisions at all levels of the appeals-handling process.

10.4.4 Investigation of and decisions on appeals shall not result in any discriminatory actions against the appellant.

10.4.5 The appeals-handling process shall include at least the following elements and methods:

10.4.5.1 an outline of the process for receiving, validating and investigating the appeal, and for deciding what actions are to be taken in response to it, and

10.4.5.2 A procedure for tracking and recording appeals, including the actions undertaken to resolve them.

10.4.6 The Verification Agency / Registered Auditor shall acknowledge receipt of the appeal and provide the appellant with progress reports and the outcome.

10.4.7 The decisions to be communicated to the appellant shall be made by, or reviewed by, individual(s) not involved in the matter that is the subject of the appeal.

10.4.8 The Verification Agency / Registered Auditor shall give the appellant formal notice of the end of the appeals-handling process.

10.4.9 All appeals shall be resolved in a timely manner by the Verification Agency / Registered Auditor.

10.4.10 As a guide, an appeal shall be resolved within a maximum of 30 days of the initial lodging of the appeal.

10.5 **Classification of Measured Entities**

10.5.1 The Verification Agency / Registered Auditor shall ascertain the classification of the measured entity to determine which Codes of Good Practice for B-BBEE apply to the verification engagement. Such classification may be one of the following:

10.5.1.1 An Exempted Micro-Enterprise; **No Verification required**
10.5.1.2 A Qualifying Small Enterprise to which the QSE Scorecard applies;
10.5.1.3 Enterprises to which the Generic Scorecard applies;
10.5.1.4 Enterprises to which the Sector Codes apply; and
10.5.1.5 Start-up enterprises which will be treated as EMEs for transactions under or equal to R 10 million;
10.5.1.6 Specialised Enterprises to which the Adjusted Generic Scorecard applies;
10.5.1.7 Specialised Enterprises to which the Adjusted QSE Scorecard applies.

11. Professional Scepticism/ Due Diligence

11.1 The Verification Agency / Registered Auditor shall plan and perform an verification with an attitude of professional scepticism recognising that circumstances may exist that cause the measured entity information to be materially misstated. An attitude of professional scepticism means the Verification Agency / Registered Auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party.

11.2 Exercising professional scepticism during the verification requires the investigation of and reasonable questioning of documentation presented and management’s representations to assess the effect of potential misstatements on scores awarded to individual Scorecard Elements. This includes comparing the documents and representations presented by the measured entity to ensure that there are no inconsistencies in the various pieces of evidence and if any, that such inconsistencies are properly addressed.

12. Materiality and Verification Risk

12.1 The Verification Agency / Registered Auditor shall consider materiality and the risk of misstatement when planning and performing verification.

12.2 The Verification Agency / Registered Auditor shall consider materiality when determining the nature, timing and extent of evidence-gathering procedures and shall base the materiality on the measured entity’s underlying information which determines the individual scores for each Scorecard Element.

12.3 Materiality is considered in the context of quantitative and qualitative factors affecting the Scorecard Elements.

12.4 Materiality is considered qualitatively in respect of:

12.4.1 Ownership – voting rights and economic benefits to black shareholders;
12.4.2 Management – board participation and those appointed in top management; and
12.4.3 Employment equity in respect of black persons appointed to senior, middle and junior management positions.
12.5 Materiality is considered quantitatively in the context of the underlying information expressed in rand values (to which monetary sampling approaches may be applied) for:

12.5.1 Skills development spend;

12.5.2 Preferential procurement in respect of Procurement Suppliers who claim to be Black Owned and thereafter B-BBEE Procurement Spend relative to total measured procurement spend for the period;

12.5.3 Enterprise Development Qualifying Contributions; and

12.5.4 Socio-Economic Development Qualifying Contributions.

13. Sampling

13.1 There are two main sampling approaches that may be used in verifications:

13.1.1 Attribute sampling; and

13.1.2 Monetary unit sampling (MUS)

13.2 When designing verification procedures, the Verification Agency / Registered Auditor shall determine appropriate means for selecting items for testing so as to gather sufficient and appropriate evidence to meet the objectives of the verification procedures.

13.3 Verification procedures are concerned with amounts and include substantive tests of details and analytical reviews of classes of transactions and account balances. The purpose of verification procedures is to obtain evidence to detect material misstatements.

13.4 It may not be appropriate to select a sample for each Scorecard Element: for example, during the verification of complex shareholding structures, sampling would not be appropriate and the Verification Agency / Registered Auditor should obtain an understanding of the whole structure.

13.5 When designing a sample, the Verification Agency / Registered Auditor shall consider the objectives of the verification procedure and the attributes of the population from which the sample will be drawn.

13.6 In determining the sample size, the Verification Agency / Registered Auditor shall consider whether risk of misstatement is reduced to an acceptably low level in their opinion using their professional judgement.

13.7 The Verification Agency / Registered Auditor shall select items for the sample with the expectation that all sampling units in the population have a chance of selection. (random sampling)

13.8 The Verification Agency / Registered Auditor shall perform verification procedures appropriate to the particular B-BBEE Code Element Objective for each item selected.

13.9 The Verification Agency / Registered Auditor shall consider the sample results, the nature and cause of any errors identified, and their possible effect on the particular B-BBEE Code
Scorecard Element and on other areas of the verification.

13.10 For tests of detail, where a MUS sample has been selected, the Verification Agency / Registered Auditor may project monetary errors found in the sample to the population, and shall consider the effect of the projected error on the particular B-BBEE Code Scorecard Element and on other areas of the verification.

14. **Evidence**

14.1 The Verification Agency / Registered Auditor shall obtain sufficient and appropriate evidence on which to base the Scores awarded to the Scorecard Elements. The Verification Agency / Registered Auditor shall consider the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an evidence-gathering procedure for which there is no alternative.

14.2 Verification rarely involves the authentication of documentation, nor is a Verification Agency / Registered Auditor expected to be an expert in such authentication. However, the Verification Agency / Registered Auditor shall consider the reliability of the information to be used as evidence, for example, photocopies, and facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.

14.3 Sufficient and appropriate evidence in a verification is reviewed and assessed as part of an interactive, systematic verification process involving:

14.3.1 Obtaining an understanding of the measured entity and other verification circumstances which including an understanding of internal controls in place;

14.3.2 Based on that understanding, assessing the risks that the measured entity information may be materially misstated;

14.3.3 Factoring in the assessed risks, including developing overall responses, and determining the nature, timing and extent of further procedures;

14.4 Evaluating the sufficiency and appropriateness of evidence.

14.4.1 Verification provides reasonable and not absolute assurance. Reducing assurance risk to zero is very rarely attainable or cost beneficial as a result of factors such as the following:

14.4.1.1 The use of selective testing;

14.4.1.2 The inherent limitations of internal controls;

14.4.1.3 The fact that much of the evidence available to the Verification Agency / Registered Auditor is persuasive rather than conclusive;
14.4.1.4 The use of judgment in gathering and evaluating evidence and forming conclusions based on that evidence; and

14.4.1.5 In some cases, the characteristics of the measured entity.

14.4.2 When the Verification Agency / Registered Auditor becomes aware of a matter that leads the Verification Agency / Registered Auditor to question whether a material modification should be made to the measured entity’s scorecard, the Verification Agency / Registered Auditor should pursue the matter by performing other procedures sufficient to determine the appropriate score to be awarded.

15. Fronting

15.1 The Verification Agency / Registered Auditor assesses the risk of fronting by the measured entity and shall include the following minimum procedures when identified:

15.1.1 Review official ownership structure of the measured entity and understand the relationship between the measured entity and the holding company, affiliates and subsidiaries and related parties.

15.1.2 Review the organisational structure of the measured entity and the job descriptions of each position in the structure.

15.1.3 Inspect documentation which set out the responsibilities of the directors/management to determine who participates in the core activities of the measured entity.

15.1.4 Confirm that the responsibilities, accountabilities and reward of black directors/management do not differ from the non-black directors/management on the same level.

15.1.5 Review the minutes of the meetings of the board of directors and management and confirm who is responsible for making strategic decisions.

15.1.6 Inquire from directors or management what their role within the measured entity is.

15.1.7 Inspect personnel records and minutes for suspicious appointments and resignations of directors/management.

15.1.8 Inspect personnel records to determine significant differences in remuneration packages of black directors/management compared to the nonblack directors/management on the same level.

16. Documentation

16.1 The Verification Agency / Registered Auditor shall document matters that are significant in providing evidence that supports the verification result, and that the verification was performed in accordance with this guide.
16.2 Documentation shall include a record of the Verification Agency / Registered Auditor’s reasoning on all significant matters that require the exercise of judgment, and related conclusions. The existence of difficult questions of principle or judgment requires the documentation to include the relevant facts that were known by the Verification Agency / Registered Auditor at the time the conclusion was reached.

16.3 It is neither necessary nor practical to document every matter the Verification Agency / Registered Auditor considers. In applying professional judgment to assessing the extent of documentation to be prepared and retained, the Verification Agency / Registered Auditor shall consider what is necessary to provide an understanding of the work performed and the basis of the principal decisions taken (but not the detailed aspects of the verification) to another Verification Agency / Registered Auditor which has no previous experience with the verification where this does not conflict with the confidentiality requirements of the Verification Agency / Registered Auditor. The second Verification Agency / Registered Auditor may only be able to obtain an understanding of detailed aspects of the verification by discussing them with the first Verification Agency / Registered Auditor who prepared the documentation, and where possible such an understanding should be achievable by reference to documentation only.

16.4 Records On BEE-Verified Clients

16.4.1 The Verification Agency / Registered Auditor shall maintain records on the verification process for all verified measured entities, including all measured entities that submitted requests for verification, and all measured entities verified.

16.4.2 Records on verified measured entities shall include:

16.4.2.1 request for verification information and initial and on-going verifications

16.4.2.2 justification for the time determined for verification

16.4.2.3 records of complaints and appeals, and any subsequent corrections or corrective actions

16.4.2.4 deliberations and decisions, if applicable

16.4.2.5 documentation of the decisions, and

16.4.2.6 Record of Verification Certificates issued.

16.4.3 The Verification Agency / Registered Auditor shall keep the records on verified measured entities in such a way as to ensure that the information is kept confidential. When records are transported, transmitted or transferred, secured handling shall ensure that confidentiality is maintained.

16.4.4 The Verification Agency / Registered Auditor shall have a document policy and documented procedures on the retention of records

16.4.5 The Verification Agency / Registered Auditor shall upload the relevant information pertaining to the certificate to the dti containing the information underlying each
verification certificate issued. The dti will provide more information regarding a link where all certificate will be uploaded and the time.

17. **Reporting Requirements**

17.1 The Verification Agency / Registered Auditor shall evaluate the conclusions drawn from the evidence obtained as a basis for determining the scores awarded to the individual Scorecard Elements reflected in the Verification Certificate. In reaching its conclusion, the Verification Agency / Registered Auditor shall consider whether sufficient and appropriate evidence has been obtained to reduce the risk of material misstatement in the scores awarded to the individual Scorecard Elements.

17.2 The Verification Certificate shall be in writing and shall reflect the scores awarded to the individual Scorecard Elements and the Overall Rating or B-BBEE status of the measured entity.

17.3 The Verification Agency / Registered Auditor shall also provide a schedule attached to the certificate to the Measured Entity to illustrate how the scores awarded were determined.

17.4 Accredited Verification Agencies are required to include the SANAS logo on the Verification Certificates issued by them.

18. **Appendices- Certificates**

18.1 The following example certificates are included in Appendix 1:

18.1.1 Sample 1 - The standard Verification Certificate for the 5 elements of the scorecard.

Example 2 - The standard Affidavit for EMEs qualifying as level 4 contributors.

18.2 As the Verification Certificate may be made publicly available by the measured entity, for example when engaging with third parties seeking confirmation of the B-BBEE status of the entity or in tenders submitted by the measured entity, it is advisable that the Verification Agency / Registered Auditor keeps a record of all Verification Certificates issued by it.

19. **Other Reporting Responsibilities**

19.1 The Verification Agency / Registered Auditor may be requested by the Measured Entity to verify specific elements of the B-BBEE Codes in terms of contracts between the Measured Entity and a third party. In these circumstances the Verification Agency / Registered Auditor shall follow the requirements of this guide bearing in mind the additional requirements included in the contract between the Measured Entity and the third party. For example the reporting requirements for these verifications might differ from the reporting requirements included in this guide.

19.2 The Verification Agency / Registered Auditor shall consider other reporting responsibilities, including the appropriateness of communicating relevant matters that came to the attention
of the Verification Agency / Registered Auditor during the verification, in a report to the management of the Measured Entity.

20. **Withdrawing from the Verification**

20.1 After a verification engagement is accepted by the measured entity and the Verification Agency / Registered Auditor concludes that the scorecard rating of the measured entity is materially misstated, the Verification Agency / Registered Auditor shall require the measured entity to rectify the scorecard. If the measured entity refuses to do so the Verification Agency / Registered Auditor should allocate a zero to the scorecard item. Should the measuring entity that refuses to rectify a score dismiss the Verification Agency / Registered Auditor, such a Verification Agency / Registered Auditor may not withdraw from the verification without notifying DTI of the reasons for withdrawal.

21. **Minimum Procedures**

21.1 The minimum procedures for each element of the B-BBEE Codes of Good Practice that has to be performed are attached in Appendices 2 to 8:

<table>
<thead>
<tr>
<th>Element</th>
<th>Weighting</th>
<th>Code series reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>25 points</td>
<td>100</td>
</tr>
<tr>
<td>Management Control</td>
<td>15 points</td>
<td>200</td>
</tr>
<tr>
<td>Skills Development</td>
<td>20 points</td>
<td>300</td>
</tr>
<tr>
<td>Enterprise and Supplier Development</td>
<td>40 points</td>
<td>400</td>
</tr>
<tr>
<td>Socio-Economic Development</td>
<td>5 points</td>
<td>500</td>
</tr>
<tr>
<td>B-BBEE Status</td>
<td>Qualification</td>
<td>B-BBEE recognition level</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Level One Contributor</td>
<td>≥100 points on the Generic Scorecard</td>
<td>135%</td>
</tr>
<tr>
<td>Level Two Contributor</td>
<td>≥ 95 but &lt;100 points on the Generic Scorecard</td>
<td>125%</td>
</tr>
<tr>
<td>Level Three Contributor</td>
<td>≥90 but &lt;95 points on the Generic Scorecard</td>
<td>110%</td>
</tr>
<tr>
<td>Level Four Contributor</td>
<td>≥80 but &lt;90 points on the Generic Scorecard</td>
<td>100%</td>
</tr>
<tr>
<td>Level Five Contributor</td>
<td>≥75 but &lt;80 points on the Generic Scorecard</td>
<td>80%</td>
</tr>
<tr>
<td>Level Six Contributor</td>
<td>≥70 but &lt;75 points on the Generic Scorecard</td>
<td>60%</td>
</tr>
<tr>
<td>Level Seven Contributor</td>
<td>≥55 but &lt;70 points on the Generic Scorecard</td>
<td>50%</td>
</tr>
<tr>
<td>Level Eight Contributor</td>
<td>≥40 but &lt;55 points on the Generic Scorecard</td>
<td>10%</td>
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<tr>
<td>Non-Compliant Contributor</td>
<td>&lt;40 points on the Generic Scorecard</td>
<td>0%</td>
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<tr>
<td>B-BBEE Element</td>
<td>Indicator</td>
<td>Description</td>
</tr>
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<td>----------------</td>
<td>-----------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Ownership</td>
<td>1.1</td>
<td>Exercisable Voting Rights in the Entity in the hands of Black people</td>
</tr>
<tr>
<td></td>
<td>1.1.2</td>
<td>Exercisable Voting Rights in the Entity in the hands of Black women</td>
</tr>
<tr>
<td></td>
<td>1.2.1</td>
<td>Economic Interest in the Entity to which Black people are entitled</td>
</tr>
<tr>
<td></td>
<td>1.2.2</td>
<td>Economic Interest in the Entity to which Black women are entitled</td>
</tr>
<tr>
<td></td>
<td>1.2.3</td>
<td>Economic Interest of any of the following Black natural people in the Measured Entity</td>
</tr>
<tr>
<td></td>
<td>1.2.3.1</td>
<td>Black designated groups;</td>
</tr>
<tr>
<td></td>
<td>1.2.3.2</td>
<td>Black participants in Employee Share Ownership Programmes;</td>
</tr>
<tr>
<td></td>
<td>1.2.3.3</td>
<td>Black people in Broad-based Ownership Schemes;</td>
</tr>
<tr>
<td></td>
<td>1.2.3.4</td>
<td>Black participants in Co-operatives</td>
</tr>
<tr>
<td></td>
<td>1.2.4</td>
<td>New Entrants</td>
</tr>
<tr>
<td>Realisation Points</td>
<td>1.3.1</td>
<td>Net Value</td>
</tr>
<tr>
<td>Measurement Category &amp; Criteria</td>
<td>Weighting points</td>
<td>Compliance targets</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>2.1 Board participation:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.1 Exercisable voting rights of black board members as a percentage of all board members</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>2.1.2 Exercisable voting rights of black female board members as a percentage of all board members</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td>2.1.3 Black Executive directors as a percentage of all executive directors</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>2.1.4 Black female Executive directors as a percentage of all executive directors</td>
<td>1</td>
<td>25%</td>
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<tr>
<td><strong>2.2 Other Executive Management:</strong></td>
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<td></td>
</tr>
<tr>
<td>2.2.1 Black Executive Management as a percentage of all executive directors</td>
<td>2</td>
<td>60%</td>
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<tr>
<td>2.2.2 Black female Executive Management as a percentage of all executive directors</td>
<td>1</td>
<td>30%</td>
</tr>
<tr>
<td><strong>2.3 Senior Management</strong></td>
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<td></td>
</tr>
<tr>
<td>2.3.1 Black employees in Senior Management as a percentage of all senior management</td>
<td>2</td>
<td>60%</td>
</tr>
<tr>
<td>2.3.2 Black female employees in Senior Management as a percentage of all senior management</td>
<td>1</td>
<td>30%</td>
</tr>
<tr>
<td><strong>2.4 Middle Management</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4.1 Black employees in Middle Management as a percentage of all middle management</td>
<td>2</td>
<td>75%</td>
</tr>
<tr>
<td>2.4.2 Black female employees in Middle Management as a percentage of all middle management</td>
<td>1</td>
<td>38%</td>
</tr>
<tr>
<td><strong>2.5 Junior Management</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5.1 Black employees in Junior Management as a percentage of all junior management</td>
<td>1</td>
<td>88%</td>
</tr>
<tr>
<td>2.5.2 Black female employees in Junior Management as a percentage of all junior management</td>
<td>1</td>
<td>44%</td>
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<tr>
<td><strong>2.6 Employees with disabilities</strong></td>
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<td></td>
</tr>
<tr>
<td>2.6.1 Black employees with disabilities as a percentage of all employees</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Category</td>
<td>Skills Development Element</td>
<td>Weighting points</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>2.1.</td>
<td>Skills Development Expenditure on any programme specified in the Learning Programme Matrix for black people as a percentage of the Leviable Amount</td>
<td></td>
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<tr>
<td>1.1.1.1</td>
<td>Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviable Amount.</td>
<td>8</td>
</tr>
<tr>
<td>1.1.1.2</td>
<td>Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviable Amount.</td>
<td>4</td>
</tr>
<tr>
<td>1.1.2</td>
<td>Learnerships, Apprenticeships, and Internships</td>
<td></td>
</tr>
<tr>
<td>1.1.2.1</td>
<td>Number of black people participating in Learnerships, Apprenticeships and internships as a percentage of total employees</td>
<td>4</td>
</tr>
<tr>
<td>1.1.2.2</td>
<td>Number of black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees</td>
<td>4</td>
</tr>
<tr>
<td><strong>Bonus points:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.3</td>
<td>Number of black people absorbed by the Measured and Industry Entity at the end of the Learnerships programme</td>
<td>5</td>
</tr>
<tr>
<td>Criteria</td>
<td>Weighting points</td>
<td>Compliance targets</td>
</tr>
<tr>
<td>----------</td>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td><strong>2.1 PREFERENTIAL PROCUREMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.1 B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</td>
<td>5</td>
<td>80%</td>
</tr>
<tr>
<td>2.1.2 B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>2.1.3 B-BBEE Procurement Spend from all Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</td>
<td>4</td>
<td>15%</td>
</tr>
<tr>
<td>2.1.4 B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</td>
<td>9</td>
<td>40%</td>
</tr>
<tr>
<td>2.1.5 B-BBEE Procurement Spend from Empowering Suppliers that are at least 30% black women owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend</td>
<td>4</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Bonus points</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned.</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td><strong>2.2 SUPPLIER DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.1 Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target.</td>
<td>10</td>
<td>2% of NPAT</td>
</tr>
<tr>
<td><strong>2.2 ENTERPRISE DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3.1 Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a</td>
<td>5</td>
<td>1% of NPAT</td>
</tr>
</tbody>
</table>
percentage of the target.

### 2.4 Bonus Points

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting Points</th>
<th>Compliance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual value of all Socio-Economic Development Contributions by the Measured Entity as a percentage of the target.</td>
<td>5</td>
<td>1% of NPAT</td>
</tr>
</tbody>
</table>
Information required on the face of the certificates is as follows:

- Name and address of entity (Specify the nature of business (hotel, travel agency etc.))
- Registration number
- VAT number
- For consolidated certificates all subsidiary and division names, registration numbers and VAT numbers
- Certificate number
- Weighting points for each element and total points
- B-BBEE Status Level (if discounting was applied only the Discounting Level must appear)
- Empowering Supplier: Y/N
- Designated Group Suppliers: Y/N
- Generic / QSE
- 50% Black Owned (as defined): Y/N (for Revised Codes 51% Black-Owned)
- 30% Black Women Owned (as defined): Y/N
- SANAS Verification Agency name or approved IRBA B-BBEE Auditor name, registration number, telephone number and name of signatory / auditor signing
- SANAS logo and accreditation number / IRBA registration number
- Issue and Expiry date
- Specify the name of the Codes used to verify the measured entity (Whether it is generic or sector specific).
Broad Based Black Economic Empowerment Verification Certificate #

Certificate No: XXX/Cl#/#Date

Insert Measured Entity name

Registration no: xxxxxxxxxxxx
VAT no: xxxxxxxxxxxx
Head Office, Location: xxxxxxxxxxxx

Date of issue:
Expiry Date:

Authorized Signatory
SWORN AFFIDAVIT – B-BBEE EXEMPTED MICRO ENTERPRISE

I, the undersigned,

Full name & Surname
Identity number

Hereby declare under oath as follows:

1. The contents of this statement are to the best of my knowledge a true reflection of the facts.

2. I am a member / director / owner of the following enterprise and am duly authorised to act on its behalf:

<table>
<thead>
<tr>
<th>Enterprise Name</th>
<th>Trading Name</th>
<th>Registration Number</th>
<th>Enterprise Address</th>
</tr>
</thead>
</table>

3. I hereby declare under oath that:
   - The enterprise is ______________% black owned;
   - The enterprise is ______________% black woman owned;
   - Based on the management accounts and other information available on the ______ financial year, the income did not exceed R10,000,000.00 (ten million rands);
   - Please confirm on the table below the B-BBEE level contributor, by ticking the applicable box.

<table>
<thead>
<tr>
<th>100% black owned</th>
<th>Level One (135% B-BBEE procurement recognition)</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 51% black owned</td>
<td>Level Two (125% B-BBEE procurement recognition)</td>
</tr>
<tr>
<td>Less than 51% black owned</td>
<td>Level Four (100% B-BBEE procurement recognition)</td>
</tr>
</tbody>
</table>

4. The entity is an empowering supplier in terms of the dti Codes of Good Practice.

5. I know and understand the contents of this affidavit and I have no objection to take the prescribed oath and consider the oath binding on my conscience and on the owners of the enterprise which I represent in this matter.

6. The sworn affidavit will be valid for a period of 12 months from the date signed by commission.

Deponent Signature: __________________________

Date: __________________________

Commissioner of Oaths
Signature & stamp
1. General
1.1. This section deals with how a Verification Agency / Registered Auditor should execute its responsibility in relation to the verification of a measured entity's Ownership element of the B-BBEE Codes of Good Practice.
1.2. The most significant risk that verification agencies face in verifying the ownership score is the overstatement of black beneficial ownership. This beneficial ownership includes the economic interest, exercisable voting rights and net equity value of black people in the measured entity.
1.3. This Methodology is effective for B-BBEE verification certificates issued on the amended codes.

2. Objectives
The objectives of this methodology are to guide a Verification Agency / Registered Auditor to obtain sufficient and appropriate evidence on whether:
2.1. the enterprise has complied, in all material respects, with the key measurement principles for calculating the Ownership element of the B-BBEE Codes of Good Practice; and
2.2. The calculations for measuring the various types of enterprises, various types of equity instruments (including member's interests in Close Corporations and partnership interests), voting rights and economic interest and realisation points of the B-BBEE Codes of Good Practice (Code 100) are correct.

3. Requirements
To determine whether the measured entity meets the criteria under the Ownership element of B-BBEE the Verification Agency / Registered Auditor shall:
3.1. Obtain sufficient and appropriate evidence proving that the calculation of Net Value is accurate and prepare a report detailing the method used in the findings.
3.2. Obtain sufficient and appropriate evidence proving that the Exercisable Voting Rights and Economic Interest in respect of shares carrying preferred rights are properly allocated and classified.
3.3. Obtain sufficient and appropriate evidence proving that the calculation of Designated Group is not misstated by the Measured Entity
3.4. Obtain sufficient and appropriate evidence proving that ownership in the hands of Black People in relation to complex structures, sale of assets and equity equivalents is dealt with appropriately.
3.5. To establish proof as evidence the measured entity meets the criteria under the Ownership element of B-BBEE the Verification Agency / Registered Auditor shall inter alia:

3.5.1. Obtain sufficient and appropriate evidence to ensure transfer or issue of equity rights can be verified through appropriate legal and statutory documentation.

3.5.2. Obtain sufficient and appropriate evidence to determine effect of any third party rights that may be attached to the equity instruments held by the black participant.

3.6. Determine the accuracy of the scorecard.

3.7. For beneficiaries that are listed as black trace the beneficiaries to sufficient and appropriate evidence that the natural people who are beneficiaries qualify as Black People in terms of the Codes of Good Practice.

4. **General Measurement principles**

4.1. Flow through and Modified Flow Through Principles

4.1.1. Multiple application of the modified flow through principle or application of the modified flow through principle in conjunction with the exclusion principle has been identified as a potential fronting risk and especially in complex structures the Verification Agency / Registered Auditor shall obtain appropriate evidence and conduct all necessary tests to ensure that this is not the case.

4.1.2. Where the Flow Through Principle and Modified Flow Through Principle are applicable the Verification Agency / Registered Auditor shall inter alia inspect the organogram to determine the percentages and levels applicable to the black shareholding of the measured entity and flow through level of participation that accrue to Black People.

4.1.3. The Flow Through principle must be applied first before the Verification Agency / Registered Auditor is able to apply the Modified Flow Through principle in order to establish whether the ownership structure contains any entity that is a B-BBEE Controlled B-BBEE Owned Company.

4.1.4. The Verification Agency / Registered Auditor must ensure that notwithstanding the amount of B-BBEE Controlled and Owned Companies in the structure of the Measured Entity, that the Modified Flow-Through principle is only applied once in the entire ownership structure.

4.1.5. Apply the flow-through or where applicable the modified flow through principle to calculate the Rights of Ownership of Black People based on the organogram;

4.2. **Exclusion Principle**

The Exclusions Principle is a measurement principle used when calculating the points for the various indicators of the Ownership scorecard that allows for the deduction of a number of Rights of Ownership (whether it be Exercisable Voting
Rights or Economic Interest), from the total of such rights issued by the Measured Entity, before expressing those rights of ownership held by black Participants, as a percentage of all such rights of ownership issued. The Codes and its statements allows for the exclusion of four categories of Rights of Ownership:

- those held by South African Organs of State and Public Entities;
- those held as South African Mandated Investments;
- those held by Non-Profit Companies;
- Rights of Ownership that equates to the value of the foreign operations of a Measured Entity;

4.2.1. South African Organs of State and Public Entities

The Verification Agency / Registered Auditor must apply the exclusion principle with respect to those Rights of Ownership held by Organs of State and Public Entities notwithstanding the application of the Modified Flow-Through Principle in the ownership calculation. In doing so the Verification Agency / Registered Auditor must:

4.2.1.1. Inspect the security register of the Measured Entity and confirm whether there are any Rights of Ownership held directly by organs of state or public entities;

4.2.1.2. Exclude those Rights of Ownership held by Organs of State and Public Entities from the total Rights of Ownership in issue, before expressing the Rights of Ownership held by black Participants, as a percentage of all remaining Rights of Ownership in issue.

4.2.2. South African Mandated Investments

When determining the validity of the Mandated Investment for exclusion of Mandated Investments the Verification Agent should:

4.2.2.1. Obtain confirmation of all Mandated Investments;

4.2.2.2. Inspect security register for all South African Mandated Investments held by Collective Investment Schemes, for example Pension Funds, Unit Trusts.

4.2.2.3. Recalculate ownership for exclusion of Mandated Investments and ensure that only South African Mandated Investments are excluded; and the Mandated Investments excluded do not exceed 40% of the total Rights of Ownership issued by the Measured Entity. the Modified Flow Through Principle has not been applied in the measured entity’s ownership calculation

4.2.3. Non-Profit Companies

If the Non-Profit Company is an exclusion the verification agent must recalculate
the ownership to ensure that the rights of Ownership excluded do not exceed 40% of the total Rights of Ownership issued by the Measured Entity and that the Modified-Flow through Principle has not been applied in the ownership calculation.

4.2.4. Value of Foreign Operations
A Measured Entity’s ownership is only measureable against the value of its South African operations. The exclusion principle must therefore be applied with respect to the value of its foreign operations when calculating the Rights of Ownership held by Black People. The exclusion principle must be applied to the value of foreign operations notwithstanding the use of the Modified Flow Through Principle. In doing so the Verification Agency / Registered Auditor must:

4.2.4.1. Confirm the percentage that the value of the foreign operations of the Measured Entity is to its total value with reference to the segmental analysis of the Measured Entity in its audited financial statements or a valuation obtained or performed independently in accordance with standard valuation methodology;

4.2.4.2. Apply the percentage calculated to the number of issued Rights of Ownership remaining, after having first applied the Exclusion Principle in respect of Organs of State and Public Entities, Mandated Investments and Non-Profit Companies where applicable, to determine the number of shares to be excluded from the remaining issued Rights of Ownership.

4.2.4.3. Exclude those Rights of Ownership representing the value of foreign operations from the total remaining Rights of Ownership in issue, before expressing the Rights of Ownership held by black Participants, as a percentage of all remaining Rights of Ownership in issue.

4.3. General Measurement of Economic Interest

4.3.1. Highlight specific fronting risks
Economic interest is the claim against an entity representing a return on ownership of the measured entity similar in nature to a dividend right. A potential fronting risk is the abuse of this definition since it does not accommodate for payments outside distributions directly linked to ownership in a sufficient manner. Therefore the actual distributable income may be diluted through excessive management fees, partner drawings, and profit share agreements, etc., which will leave a potential black investor with a diluted return on ownership.

4.3.2. To determine whether the measured entity meets the criteria for calculating the economic interest points the Verification Agency / Registered Auditor shall inter alia:

4.3.2.1. Review the Memorandum of Incorporation (MOI) of the Measured Entity to determine the Economic Interest attached to each class of equity
instruments.

4.3.2.2. Trace the Economic Interest in the hands of Black People to a shareholders agreement or similar documents. Note that a shareholders agreement is not a compulsory document in terms of the Companies Act and can only be requested where it exists.

4.3.2.3. Determine whether the Economic Interest are vested or whether their vesting are contingent on some future event. The rights of Economic Interest which are vested but payable at some future date e.g. in the case of some deferred ordinary shares, cannot be recognised at the same value as those rights of Economic Interest which are payable upon declaration of dividends.

4.3.2.4. Where the audited or reviewed financial statements are available review the description of the classes of shares and securities as per those statements and compare with MOI and shareholders agreements where applicable for accuracy.

4.3.2.5. Trace the Economic Interest in the hands of Black People to the share certificates or security certificates held by those Black People.

4.3.2.6. Compare the share certificates or security certificates held by Black People with the security register to ensure accuracy.

4.3.2.7. Compare total number of shares and securities in issue as per the security register with the total shares and securities in issue as per the audited or reviewed financial statements, if they are available.

4.3.2.8. Interview a sample of the black shareholders, or fiduciaries representing them, to determine whether they understand their rights to Economic Interest.

4.3.2.9. In the case of the equity held by black people having the characteristics of a debt, inspect other supporting documents e.g. financing agreement, loan agreement to determine the repayment terms.

4.3.2.10. In the case where the acquisition of the shares by Black People was through funding by a third party, determine the repayment terms as well as proof of how much of the loan has been repaid at the time of the verification.

4.3.2.11. Inspect the shareholders’ agreements to identify any options (call vs. put options).

4.3.2.12. Enquire from the client the existence of any additional contracts that carry Economic Interest or options. Consider to obtain written management statement to confirm this.

4.3.2.13. Inspect the Shareholders’ Agreements or similar agreements and Financing Agreements where applicable for exit clauses which can impact on Economic Interest for black shareholders.

4.3.2.14. Verify existence of, confirm and review evidence of the impact of all
transaction documents on the Economic Interests of the black shareholders. Transaction documents could include, but is not limited to sales of share agreements, funding agreements, preference share agreement, cession, pledge and option agreement (to determine any possible impact of any of these on the Economic Interest of the black shareholders). Confirm that the transaction value, date of transaction, terms and conditions of transaction, funding of purchase consideration and conditions precedent have been met.

4.3.2.15. Inspect all transaction documents to ensure that the beneficiaries are entitled to Economic Interest that is proportionate to the class of shares held by them.

4.4. Voting rights

4.4.1. Highlight specific fronting risks

Voting rights will allow the BEE Participants meaningful participation in the company at shareholder level. The Verification Agency / Registered Auditor shall determine whether these rights exist, whether the BEE Participants are fully aware of them and whether they can actually exercise these rights.

4.4.2. In order to assess the existence of voting rights the Verification Agency / Registered Auditor shall inter alia:

4.4.2.1. Review the Memorandum of Incorporation (MOI) of the Measured Entity to determine the Exercisable Voting Rights attached to each class of shares.

4.4.2.2. Trace the Exercisable Voting Rights in the hands of Black People to a shareholders agreement or similar document. Note that a shareholders agreement is not a compulsory document in terms of the Companies Act and can only be requested where it exists.

4.4.2.3. Inspect the shareholders’ agreement or similar document to identify clauses that can restrict voting rights and inspect shareholders’ agreements or similar documents to identify clauses regarding the rights of shareholders to appoint directors and any restriction on the voting rights of these directors.

4.4.2.4. Determine whether the voting rights are vested or whether their vesting are contingent on some future event. Only recognise those voting rights that are vested and therefore exercisable.

4.4.2.5. Where the audited or reviewed financial statements are available review the description of the classes of shares and securities as per those statements and compare with MOI and shareholders agreements for accuracy.

4.4.2.6. Trace the Exercisable Voting Rights in the hands of Black People Compare the share and security certificates held by Black People with the security register to ensure accuracy.

4.4.2.7. Compare total number of shares and securities in issue as per the security
register with the total shares and securities in issue as per the audited or reviewed financial statements, if they are available.

4.4.2.8. Interview a sample of the black shareholders, or fiduciaries representing them, to determine whether they understand their voting rights and whether they are able to exercise such voting rights independently.

4.4.2.9. Inspect the minutes of the latest shareholders’ meeting (or annual general meeting where applicable) of the Measured Entity to identify participation of holders of Black Rights of Ownership.

5. **Acquisition debt**

5.1. Potential fronting risk: Inflated costs of debt poses significant fronting risk and may result in the face value of debt being understated. The Verification Agency / Registered Auditor must satisfy itself that the value attributable to acquisition debt is a fair value and that all debt that meets the definition of acquisition debt is included in the calculation. Debt incurred as part of a refinancing of a BEE transaction must be included as acquisition debt.

5.2. In measuring Acquisition debt, the Verification Agency / Registered Auditor shall inter alia:

5.2.1. Obtain a full explanation through interview of the construct of the sale of equity interest or sale of shares or securities.

5.2.2. Obtain a declaration from the Measured Entity whether debt of any kind of nature, whether real or notional debt, was incurred in the sale of equity instruments to black participants, or in the sale of assets.

5.2.3. Obtain a declaration from the black participants whether debt was incurred in the sale of equity instruments to the black participants or in the sale of assets.

5.2.4. Review all deal documents to establish whether any debt was incurred in the sale of equity instruments to black participants or in the sale of assets and to confirm the terms attached to financial instruments used in the structuring of the acquisition debt.

5.2.5. Where a legal entity such as a special purpose vehicle was used to structure the sale of equity to black participants, confirm whether debt was incurred in the sale of the equity instruments to black participants.

5.2.6. The outstanding acquisition debt as at measurement date must be determined through, where a third party is involved, a financiers’ confirmation, or where the measured entity or related party is involved, the financial statements of the funder. The amount of outstanding acquisition debt must be agreed the financial statements of the measured entity, group entity or related entity.

5.2.7. Where preference shares or other financial instruments are used as part of the acquisition debt, obtain an independent competent persons’ report confirming the fair value of the preference shares as at measurement date.
5.2.8. The independent competen persons’ report referred to above is not required, if the debt instrument is reflected at fair value in the financial statements of the measured entity or related entity or if the declaration by the financier confirms the fair value of the debt instrument.

6. **Equity Instruments and Net Value**

6.1. Potential fronting risk: An overstatement of value of equity instruments held by black participants is common and poses significant fronting risk. Measured entities often ignore impairments for marketability when assessing the value of equity instruments held by black participants. Different classes of shares also poses fronting risk and should be considered as part of the value held by black participants as well as the value of the Measured Entity in total.

6.2. Net value is measured according to the value of assets, economic interest and any financial instruments or rights of ownership in the hands of black participants net of acquisition debt as at the measurement date.

6.3. The verification agent must take into account all outstanding debt including notional debt associated with the acquisition of such shares.

6.4. Before the Verification Agency / Registered Auditor continues with procedures to verify occurrence, accuracy, classification and validity of the entity’s score, confirm:

6.4.1. if there are any Third Party Rights attached to the equity held by Black People;

6.4.2. that the effect of the above mentioned Third Party Rights on the equity held by Black People has been established; and

6.4.3. If or not the equity held by Black People has the characteristic of debt or whether or not debt has been presented in the form of preference shares, debentures or other ownership derivatives.

6.5. The analyst needs to identify all rights of ownership that may have an impact on the value attributable to black participants. These may include various types or classes of equity instruments, e.g. ordinary shares, preference shares, options and/or other derivatives.

6.6. Each of the equity instruments must be valued applying standard valuation methodology.

6.7. A Measured entity must obtain a report from an independent competent person stating the objective of the valuation performed, confirming that the methodology applied is relevant, has been tested for reasonability against other appropriate valuation approaches e.g. discounted cash flow, market approach, net asset value approach or any other appropriate standard valuation approach.

6.8. The report from the independent competent person must as a minimum state the qualifications and experience of the independent competent person who conducted the valuation, the valuation approaches applied and why they are
appropriate and the concluded value of the equity instruments valued.

6.9. In some instances it may be reasonable to use a recently performed independent valuation of equity instruments as a fair representation of value. In such instances, management representation must be obtained stating why the recently performed independent valuation can be deemed to be a fair representation of value.

6.10. Where an entity is a publicly traded entity, the listed share price may be used as an indicator to assess the fairness of an independent valuation.

6.11. The analyst needs to apply professional judgment regarding the validity of the management representation or market data.

6.12. In some instances the publicly traded equity instruments held by black participants may not have any restrictions, in which case the publicly traded price may be a fair reflection of value. In such instances no independent valuation would be required.

7. **BEE Participants**

7.1. The following section deals with the various types of BEE participants through which a Measured Entity can obtain BEE Ownership recognition. BEE Participant in this sense should be interpreted in the widest sense as it will include not only individual BEE Investors and black natural persons, but also Mandated investments (if and when the inclusion of such shareholding is selected) and black juristic persons and others such as for example black private equity funds.

7.2. **Fronting risks inherent to BEE Participants**

   The most significant risk that verification agencies face in verifying the ownership score is the overstatement of black beneficial ownership. This beneficial ownership includes the economic interest, exercisable voting rights and Net Value of black people in the measured entity. With regards to the various BEE Participants the Verification Agency / Registered Auditor shall verify that the initiative does ultimately benefit black people as defined in the Codes and not directly or indirectly undermine or frustrate the achievement of the objectives of the BEE Act or the implementation of any of the provisions of the BEE Act.

7.3. **Natural persons**

7.3.1. **Individuals**

   The Verification Agency / Registered Auditor shall use professional judgement and confirm through appropriate evidence such as interviews, ID documents or birth certificates that an individual BEE participant is black as defined in the
7.3.2. New entrants

7.3.2.1. For Black New Entrants, obtain proof in the form of Affidavits and the transaction documents or sales agreements, from the individuals who are identified as black new entrants to confirm that they have not been involved in B-BBEE deals in excess of R50 million and the Verification Agency / Registered Auditor shall apply professional judgement to these affidavits.

7.3.2.2. Examples of appropriate evidence to confirm the status of a black new entrant include affidavits declared in front of a commissioner of oaths who is a Chartered Accountant or interviews with the relevant individual.

7.3.2.3. The determination of whether a BEE Participant falls within the definition of a “black new entrant” with reference to a particular Measured Entity, must be done as at the transaction date or date of purchase of Rights of Ownership in that Measured Entity and not at date of measurement.

7.3.2.4. The status of a “black new entrant” is to be established at an individual level and not for juristic persons or groups of individuals.

7.3.3. Designated groups

7.3.3.1. The determination of whether an individual falls within any of the Black Designated Groups categories with reference to a particular Measured Entity, must be done as at the transaction date or date of purchase of Rights of Ownership in that Measured Entity and not at date of measurement.

7.3.3.2. The status of a “designated group” is to be established at an individual level and not for juristic persons or groups of individuals.

7.3.3.3. For Black People who are unemployed confirm unemployment and black status. Examples of appropriate evidence to confirm the status of this designated group include interviews, UIF records, bank accounts records or employment history.

7.3.3.4. For black youth, confirm that the individual is between the age of 18 and 35 in line with the National Youth Commission Act of 1996. Examples of appropriate evidence to confirm the status of this designated group include interviews and the viewing of ID documents.

7.3.3.5. For Black People with disability, trace the individual proof of disability status. Examples of appropriate evidence to confirm the status of this designated group include interviews, medical records confirming the medical condition which leads to the designated status or evidence of registration to receive a Disability grant from the Department of Social Services.

7.3.3.6. For Black People living in rural or underdeveloped areas, select a sample to trace the individual proof of residence in such areas (e.g. letter from the tribal chief, proof of postal residence).

Codes
7.4. Juristic persons

7.4.1. Companies

The Verification Agency / Registered Auditor shall inter alia:

7.4.1.1. Confirm the identity, registered name and registration number of the Measured Entity with reference to the entity’s registration documentation provided by CIPC.

7.4.1.2. Verify Economic interest, Voting rights and Net Value as per this Annexure, or if the Verification Agency / Registered Auditor puts reliance on an existing BEE verification certificate, then the Verification Agency / Registered Auditor shall confirm:

7.4.1.2.1. Ensure that the certificate is valid
7.4.1.2.2. To what extent, the Modified Flow Through Principle had been applied, and
7.4.1.2.3. To what extent the exclusion principle had been applied

7.4.2. Non-Profit Companies

When determining the Rights of Ownership of Black People through Non-Profit Companies, the Measured Entity may elect to include or exclude Non-Profit Companies, Section 21 Companies or Companies limited by guarantee for the purposes of measuring ownership in terms of the Codes.

7.4.2.1. A Non-Profit Company that houses a Broad-Based Ownership Scheme or an Employee ownership scheme is subject to the provisions governing those types of schemes and not to this paragraph. In such cases the Measured Entity may contribute:

7.4.2.1.1. A maximum of 40% of the total points on the Ownership scorecard of the Measured Entity if they meet the qualification criteria for Broad-Based Ownership Schemes and Employee Share Ownership Programmes set out in Annex 100(B) and Annex 100(C) respectively.

7.4.2.1.2. 100% of the total points on the Ownership scorecard of the Measured Entity if they meet the additional qualification criteria set out for Broad-Based Ownership Schemes and Employee Share Ownership Programmes in Annex 100 (B) and Annex 100 (C) respectively.

7.4.2.2. If the Measured Entity elects to treat the Non-Profit Company, as an inclusion and it does not house a Broad-Based Ownership scheme as contemplated in 6.3.4.2 above, then the verification agent must:

7.4.2.2.1. obtain a competent persons report estimating the extent of black Rights of Ownership originating from the Non-Profit Company, ;
7.4.2.2.2. Inspect the report to determine whether the person and or the team responsible for the drafting therefore are indeed competent to express an opinion on the black ownership through Non-Profit Companies.
7.4.2.2.3. Inspect the report to determine whether the methodology applied in
reaching a conclusion is coherent and free from any patent errors that could expose a lack of competence.

7.4.2.2.4. Ensure that limitations to the contributions to the total points on the Ownership scorecard do not apply under these circumstances.

7.4.3. Trusts, Employee Ownership Schemes and Broad-based Schemes

7.4.3.1.

7.4.3.2. The Verification Agency / Registered Auditor shall review trust deed to ensure that the stated benefit will always be flowing to black people based on either a fixed percentage or according to a formula; and

7.4.3.3. Ensure that the trust or scheme meets the rules and additional criteria set for the trust, Employee Share Ownership Programme or Broad-Based Ownership Scheme in terms of the Codes.

7.4.3.4. There are significant fronting risks associated with the awarding of further points for compliance with the additional criteria, and the onus rests on the verification agent to ensure that he/she is adequately satisfied that the additional criteria have in fact, been duly complied with.

7.4.3.5. In order to achieve the levels contemplated above, a higher level of accountability is implicitly required from trustees. The risk exists that such trustees may not fully understand the implications of their involvement in the scheme, by virtue of their appointment.

7.4.3.6. Where the equity is held by a trust (or employee share ownership scheme or broad based ownership scheme), interview the trustees (or equivalent representative of scheme) to ensure that they understand their fiduciary duties and the related exercisable voting rights in the measured entity. The beneficiaries of these schemes do not have direct voting rights apart from the occasional right to nominate or vote for fiduciaries (although such instances are mostly limited to Employee Share Ownership Schemes). Voting Rights are however attributed to the beneficiaries, notwithstanding the actual lack of such tangible rights, on the basis that the fiduciaries of the scheme exercises tangible and real voting rights on behalf of the beneficiaries as a collective. The Verification Agency / Registered Auditor therefore need to ensure that it calculates and attributes the racial and gender demographic of the beneficiaries of the scheme when calculating the flow through of voting rights, and not the racial and gender demographic of the fiduciaries.

7.4.3.7. To determine the points to award for the level of participation of Black People held through a Broad-Based Ownership Scheme (BBOS), Employee Share Ownership Programme (ESOP) and Trusts the Verification Agent shall

7.4.3.7.1. review the Trust Deed or constitution of any such scheme to ensure that the beneficiaries or class of beneficiaries are clearly named; and
7.4.3.7.2. the proportion of entitlement of the beneficiaries as individuals or as a class are clear; and
7.4.3.8. that there is no discretion by the Trustees or executive of the Scheme to change it;
7.4.3.9. recalculate the participation by Black people in a BBOS, ESOP or Trust holding Rights of Ownership in a Measured Entity to ensure that it accounts for 40% or less of the total points awarded; if it is found that the Rights of Ownership by Black People through BBOS's, ESOP's or Trust's meet the additional criteria for BBOS's, ESOP's or Trusts as stated in the Codes, the Verification Agency / Registered Auditor should confirm that the calculation recognises 100% of the Rights of Ownership held by Black People through the BBOS, ESOP or Trust in the Measured Entity;
7.4.3.10. In the case of a BBOS review the latest constitution to ensure that at least 50% of the trustees are black and that 25% of the trustees are black women and that the Chairperson is independent. Consider obtaining annual confirmation from the Master of the High Court in the province of registration.
7.4.3.11. Review the annual financial statements of the Management Company or the scheme itself ensuring that the total expenses do not exceed 15% of the total value received in that year by the BBOS.
7.4.3.12. Review the trust deed or constitution of the BBOS to ensure that more than 85% of the economic interest is being allocated to Black people.
7.4.3.13. Review the trust deed or constitution to ensure that upon winding up of the scheme all accumulated economic interest will be transferred to the beneficiaries of the scheme or an entity with similar objectives.
7.4.4. If the scheme accounts for 100% of the points claimed the Verification Agency / Registered Auditor should establish that the scheme meets the additional criteria set up for such schemes in the Codes.
7.4.5. To determine compliance with the additional criteria for BBOS the Verification Agency / Registered Auditor shall:
7.4.5.1. review the minutes of board meetings and ensure that the scheme is represented on the board and plays an active role as a shareholder; and
7.4.5.2. Each trustee must be subjected to a formal interview process, during which such trustee verifies, and the verification agent is satisfied, that the trustee understands the implications of their involvement in the scheme, and the benefits and/or responsibilities which will flow through to them as a result of their involvement. In particular, trustees must be made aware of:
7.4.5.2.1. their fiduciary duties and obligations to act in the best interests of the beneficiaries of the scheme;
7.4.5.2.2. the rules applicable to Broad-based Ownership Schemes; and
7.4.5.2.3. What constitutes ‘fronting’ in terms of BEE legislation and the consequences associated therewith for the company.

7.4.5.2.4. During the interview process, the verification agent must also be able to clearly establish that economic benefits are flowing through to the scheme and the beneficiaries thereof, and if not, that *bona fide* reasons exist for the failure to do so;

7.4.5.2.5. Subsequent to the interview process, each such trustee must complete an independent trustee representation letter, which constitutes a clear acknowledgement and confirmation by such trustee of the aforementioned aspects discussed during his/her interview; and

7.4.5.3. When determining the validity of the scorecard information the Verification Agent shall compare employees who hold fiduciary roles in Broad-based schemes, trusts or employee ownership schemes to the employee records supplied by the measured entity.

7.5. Others

7.5.1. Mandated Investments

When determining the validity of the Mandated Investments for inclusion in the ownership calculation the Verification Agent shall:

7.5.1.1. Obtain a competent person’s report for recognized mandated investments;

7.5.1.2. Inspect the report to determine whether the person and or the team responsible for the drafting therefore are indeed competent to express an opinion on the mandated investments.

7.5.1.3. Inspect the report to determine whether the methodology applied in reaching a conclusion is coherent and free from any patent errors that could expose a lack of competence.

7.5.1.4. Investigate to what extend the Mandated investments have impact on economic interest, voting rights and net value

7.5.2. Private Equity Funds

6.6.1. When determining the ownership points of a Private Equity Fund the Verification Agent shall the following:

6.6.1.1. That the Private Equity Fund Manager must be a BEE Owned Company as defined in the Codes.

6.6.1.2. More than 50% of any exercisable voting rights associated with the equity instruments through which the Private Equity fund holds rights of ownership, be held by black people. (Refer to Interpretive Guide)

6.6.1.3. More than 50% of the profits made by the Private Equity Fund after realising any investment made by it must by written agreement accrue to
black people.

6.6.1.4 More than 50% of the value of funds invested by any private equity fund must at all times be invested in black owned enterprises that were at least 25% black owned before the investment of the Private Equity fund. (Refer to Interpretive Guide).

6.6.1.5 The verification agent must be satisfied that the private equity fund holds all requisite and applicable licences and accreditations in order to operate, and in particular, licences required by the Financial Services Board.

6.6.1.6 When addressing Private Equity Funds, a verification agent must consider whether the Private Equity Fund has achieved ownership targets pertaining to Black women, Black designated groups, black participants in Employee Share Ownership Programmes, Broad-Based Ownership Schemes, Black participants in Cooperatives and/or New Entrants, and afford due recognition in this regard.

7.5.3. Equity Equivalent Programme
7.5.4. Obtain and review the certificate of exemption issued by the DTI to the multinational.
7.5.5. Ensure that the certificate is valid by confirming its authenticity directly with the DTI.
7.5.6. Review the business plan submitted as part of the application and approval process to the DTI. In particular ensure that the stated milestones have been achieved or exceeded. If they have not been met confirm that this has been communicated to the DTI and that the DTI is satisfied to continue with granting an exemption.
7.5.7. Verify through recalculation and review of supporting evidence that the total cumulative contributions made since the date the exemption were granted.
7.5.8. Obtain or perform the valuation in accordance with the standard valuation methodology as set out in the Codes. Standard Valuation Methodologies include but are not limited to the following:

7.5.9. BEE facilitators
7.5.9.1. Inspect the Government Gazette for notice of the public entity being identified as a B-BEEE facilitator; and
7.5.9.2. Inspect the B-BEEE facilitator (e.g. the NEF, IDC, DBSA etc.) status and ensure that it is being applied correctly in the calculation; and
7.5.9.3. Collect appropriate evidence to confirm the BEE facilitator status.

7.5.10. Sale of Assets
When determining the validity of a Sale of Asset the Verification Agent has to determine whether the transaction meets the criteria for ownership recognition by:

7.5.10.1. analysing the previous years’ annual financial statements in order to
determine the Sustainability of the business opportunity;

7.5.10.2. ensuring that the transaction has been concluded at arm’s length and at market related basis in terms of the associated entities value from the previous year’s Annual Financial Statements of the Measured Entity;

7.5.10.3. evaluating the Sales agreement or any other agreement between the measured entity and the associated enterprise to determine that there are no unreasonable limitations on trade or in determining its clients or customers;

7.5.10.4. establishing that a transfer of specialised skills has taken place in terms of the agreement between the Measured Entity and the associated enterprise;

7.5.10.5. Determining the Voting Rights, Economic Interest and net value of the associated enterprise refer to the paragraphs detailing this above.

7.5.10.6. In valuating the associated enterprise as a percentage ownership equivalent in a Measured Enterprise by using this calculation:

7.5.10.7. Value of an associated enterprise (resulting from a qualifying transaction) / value of the measured enterprise

7.5.10.8. The Verification Agency / Registered Auditor shall ensure that the denominator when calculating the value of the business must include the value of the asset being disposed of and/or previously disposed of. By excluding the asset disposed of, the measured entity receives an inflated BEE score that does not fairly represent the level of transformation actually achieved by the measured entity.

8. Other considerations

8.1. Complex structures

8.1.1. Organisational structures of businesses are not always simple. Some entities have complex structures involving holding companies, subsidiaries and associated enterprises. Some entities may be involved in joint ventures. When determining the validity of Complex structures the verification agent shall the following:

8.1.1.1. The general rules for voting rights, economic interest and realisation points as detailed above may be used.

8.1.1.2. The verification agent should enquire whether the measured entity is applying a consolidated B-BBEE scorecard or a Measured Entity level B-BBEE Scorecard.

8.2. Recognition of Ownership after sale or loss of shares by black participants

For the Recognition of Ownership after sale or loss of shares by black participants the Verification Agency / Registered Auditor shall do the following when determining the validity of the continuing benefit:
8.2.1. review transaction agreements to confirm that the holding period exceeds 3 years;
8.2.2. record the number of years that the transaction is in effect;
8.2.3. enquire from the black participant as to the circumstances of exit (sale or loss of share)
8.2.4. If the shares are lost, review the agreement between the Measured Entity, Black Participant and a lender in order to ascertain the record of the loan or security arrangement, unless the Measured Entity is the lender and to ensure that recognition does not exceed the holding period.
8.2.5. Recalculate continuing benefits and confirming that it is less than 40 percent of the score on the Ownership Scorecard.
8.2.6. For black participants who have lost or sold their shares, obtain proof of acquisition date and the date when the shares were lost or sold;
8.2.7. the percentage of shares held by the participant prior to the sale or loss of shares;
8.2.8. the net value percentage undertaken for the equity instruments sold or lost by the black participant on the date of the sale or loss; and
8.2.9. The most recent B-BBEE Recognition level of the measured entity.
8.2.10. Ensure that the period over which the continued recognition points are allocated or recognised will not exceed the period over which the shares were held. The period of continued recognition will commence, in the case of a loss of shares from the date of the loss of shares, and in the case of a sale of shares from the later date of the commencement of the revised codes of good practice (1 May 2015) or the date of sale of the shares.

8.3. Consolidated Scorecards
8.3.1. Where a B-BBEE Consolidated scorecard is utilised the following must be applied:
8.3.2. The scorecard must list the names of the holding company as well as all its subsidiaries to which the B-BBEE scorecard pertains to.
8.3.3. Ownership score: only the holding company's B-BBEE ownership contributions count as measured in accordance with statements 100 or 103 as well as points arising from the sale of equity instruments in its subsidiaries in accordance with Statement 102.
8.3.4. Management control): only black members on the board of the holding company can count towards the score for black board participation
8.3.5. Management control score (Other Management): calculation of the score for these aspects must measure black representation in the holding company as well as all measured subsidiaries unless substance over form dictates that the ‘Other Executive Management’ of the holding company is indeed
the ‘Other Executive Management’ for the group of companies. In such cases ‘Other Executive Management’ at subsidiary level will need to be reclassified for purposes of the consolidated verification of the group.

8.3.6. Skills development score: calculation of the score for this element must measure skills spend by the holding company as well as all measured subsidiaries

8.3.7. Enterprise and Supplier Development score: calculation of the score for this element must measure enterprise development spend by the holding company as well as all measured subsidiaries

8.3.8. Socio-economic development score: calculation of the score for this element must measure socio-economic development spend by the holding company as well as all measured subsidiaries

8.3.9. Where a B-BBEE Measured Entity Level scorecard is utilised the following may be applied:

8.3.10. The B-BBEE scorecard must list the details of the divisional structure and the company to which the division/ business unit belongs;

8.3.11. Ownership score: only the B-BBEE ownership contributions of the company to which the measured division/ business unit belongs count for measurement purposes. Contributions that count are those measured in accordance with Statements 100 or 103 as well as points arising from the sale of equity instruments in its subsidiaries in accordance with Statement 102;

8.3.12. Management control score (Board Participation): only black members on the board of the company to which the measured division/ business unit belongs can count towards the score for black board participation;

8.3.13. Management control (Other Management): calculation of the score for these aspects must measure black representation in the measured division/ business unit only;

8.3.14. Skills development score: calculation of the score for this element must measure skills spend by the measured division/ business unit only;

8.3.15. Enterprise and supplier development score: calculation of the score for this element must measure enterprise development spend by the measured division/ business unit only;

8.3.16. Socio-economic development score: calculation of the score for this element must measure socio-economic development spend by the measured division/ business unit only;

8.3.17. Note that incomes to an entity level B-BBEE scorecard for divisions, intra-group procurement with the enterprise to which the division or business unit belongs is measurable as per Statement 500.

8.3.18. Where Exempted Small & Micro Enterprises and Qualifying Small Enterprises are Related Enterprises and it is found that they were split into separate business units for the purpose of falling under lesser turnover thresholds the
following will apply:

8.3.19. They MUST obtain either a consolidated B-BBEE scorecard as if they were a group structure or individual B-BBEE scorecards for each related enterprise if their combined turnover exceeds R10 million per annum;

8.3.20. But if their combined turnover is less than R10 million per annum, they can remain exempted from obtaining a B-BBEE scorecard.

8.3.21. Related Enterprises that are Qualifying Small Enterprises

8.3.22. If the entities' referred to in 6.16 combined turnover exceeds R50 million per annum, they MUST obtain either a consolidated B-BBEE scorecard as if they were a group structure or individual B-BBEE scorecards for each related enterprise;

8.3.23. But if their combined turnover is less than R50 million per annum, they can comply only with the requirements of the Qualifying Small Enterprises scorecard in their individual capacity.

8.3.24. Unincorporated Joint Ventures

8.3.24.1. Unincorporated joint ventures may be verified and obtain a consolidated B-BBEE certificate as if they were a single entity. Alternatively, the measurement of Unincorporated Joint Ventures, where the separate partners already have valid verification certificates

8.3.24.2. The measurement of Unincorporated Joint Ventures may be done as follows:

8.3.24.3. Unincorporated Joint Ventures are required to compile a consolidated verification certificate. A consolidated verification certificate will consolidate the verified compliance data of joint venture partners as if those Measured Entities were a single Measured Entity

8.3.24.4. The consolidation of compliance data shall be based on a weighting in accordance with the joint venture agreement relevant to the specific joint venture. Therefore, should two entities enter into an Unincorporated Joint Venture their respective scores will be weighted according to their proportionate share in the joint venture and added together for a combined score out of 100

8.3.24.5. Where all the partners in the joint venture are Empowering Suppliers the Unincorporated Joint Venture will also qualify as an Empowering Supplier. If not, the compliance of the Unincorporated Joint Venture with the Empowering Supplier requirements must be measured as though it is a single Measured Entity with each partner contributing, to the categories of measurement for Empowering Supplier status, in proportion to its share in the joint venture.

8.3.24.6. The expiry date of the Unincorporated Joint Venture certificate will be 12 months from the issue date thereof notwithstanding the expiry date of any of
the certificates of the joint venture partners utilized in the compilation thereof.

9 Considerations Specific to Qualifying Small Enterprises
The Verification Agency / Registered Auditor 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 200: MANAGEMENT CONTROL

1. **Scope of this section**

1.1 This section guides Verification Agency / Registered Auditor 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 / Registered Auditor shall:

4.1.1 Read this statement in conjunction with the amended 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 (to be used as a base).

4.1.4 Obtain latest payroll

4.1.5 Apply for confirmation in respect of the EEA2 from the Department of Labour.

4.1.6 Establish the existence of 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 Board appointment; 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 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 / Registered Auditor may:

5.1.1 Establish whether the measured entity distinguishes between Other Executive Management and Senior Management levels. In the case where a measured entity’s does not distinguish between Other Executive Management and Senior Management, the Executive Management is measurable as a single indicator with the weighting points of 6 under paragraphs 2.2.1 and 2.2.2 split as 4 and 2 points respectively.

5.1.2 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 5 points for Junior Management with a compliance target remaining unchanged.

5.1.3 When the above is applicable, determine that the measured entity only scored points for Executive management and Junior Management under Code 200 to avoid double counting.

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 (Confirm) Consent to act as director or officer and other directorship) and CM29 (Conform) ((Contents of register of directors, auditors and officers) 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 Obtain a sample of employee files and agree on the correct allocation of management to the EEA forms or information submitted by the measured entity( latest Payroll). 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.

5.1.7 Agree a sample of management as classified in the employee records to the EEA2 and EEA4 forms or latest Payroll.

5.1.8 To establish the existence corporate information the following steps may be followed:-

5.1.8.1 Contact CIPC contact centre at 086 100 2472 or visit CIPC Offices at 77 Meintjies Street, Sunnyside, Pretoria.

5.1.8.2 Submit an application for the necessary files or information

5.1.8.3 Pay the required fee

5.1.8.4 Agree management to the latest payroll/EEA2 and EEA4 forms or the information prepared by the Measured Entity in terms of point 3.3 of Code 300.
5.1.8.5 Physically obtain Black Executive 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.

5.1.8.6 Interview a sample of directors and managers and discuss their roles and responsibilities on the board to determine whether they are executive or non-executive.

5.1.8.7 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.

5.1.8.8 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 or occupational health practitioner for each employee with disability.

5.1.9 Determine the responsibilities of directors and management by inspecting the following:

5.1.9.1 Overall packages of black directors/management compared to equivalent non-black directors/management;

5.1.9.2 Performance evaluations of directors/management; or

5.1.9.3 Voting rights held by black board members and any restrictions that might be specific to the black directors.

5.1.10 When determining the accuracy of the scorecard the Verification Agency / Registered Auditor may:

5.1.10.1 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.

5.1.10.2 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.

5.1.10.3 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).

5.1.10.4 Agree the compliance targets and weighting points used by the measured entity in the formulae to the management control scorecard.

5.1.10.5 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)

5.1.11 When determining a score for Management Control, the Verification Agency / Registered Auditor should perform the following verification steps/ procedures:

5.2 Verification Agency / Registered Auditor

5.3 Considerations Specific to Qualifying Small Enterprises

The Verification Agency / Registered Auditor 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 400: SKILLS DEVELOPMENT

1. Scope of this section

1.1 This section deals with how a Verification Agency / Registered Auditor 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 / Registered Auditor 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 / Registered Auditor 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 (confirm if still same amount) 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 some 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...
5. **Application material**

5.1 Before the Verification Agency / Registered Auditor continues with procedures to verify occurrence, accuracy, classification and validity of the measured entity’s score, the Verification Agency / Registered Auditor 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 EMP201 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 last submitted 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 people.

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 / Registered Auditor 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 / Registered Auditor 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 and identification documents for employees of the measured entity which have learnerships in progress.

5.1.10.3 A sample of attendance registers and identification documents 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 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 F and G learning programmes do not exceed 15% of the total skills development spend.

5.1.12 A letter of appointment for employment of learner/employee to prove absorption.

5.1.13 **Skills Development Expenditure (refer to the Codes)**

5.1.13.1 When determining the accuracy of the scorecard the Verification Agency / Registered Auditor may:

5.1.13.1.1 Recalculate the percentage of Skills Development expenditure for black people, the disabled 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 Category B, C and D of the Learning Programme Matrix using:

5.1.13.1.3.1 Learnership, Internship and Apprentice agreements signed by both the learner and the measured entity.

5.1.13.1.3.2 The identity documents of the learners to prove the race and gender. The measured entity must have documents from the applicable SETA to prove 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 Determine the leviable amount and verify against 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, 2.1.2.1 and 2.1.2.2.

5.2 **Considerations Specific to Qualifying Small Enterprises**

5.2.1 The Verification Agency / Registered Auditor 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.
METHODOLOGIES FOR VERIFICATION OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) CODES OF GOOD PRACTICE 400: ENTERPRISE AND SUPPLIER DEVELOPMENT

1. Scope of this section

1.1 This section deals with how the Verification Agency / Registered Auditor should carry out its responsibility in relation to the verification of a measured entity's Enterprise and Supplier Development element of the B-BBEE Codes of Good Practice.

1.2 In order to allow for the complexity of this element, the section is broken down into the two main themes of procurement and then the Development commitments

2. Effective Date

2.1 This Methodology is effective for B-BBEE verification certificates issued on the amended Codes.

3. PROCUREMENT

4. Objectives

4.1 The objectives of this methodology is to guide a Verification Agency / Registered Auditor on how to obtain sufficient and appropriate evidence on whether:

4.1.1 The measured entity has complied, in all material respects, with the key measurement principles for calculating the Enterprise and Supplier Development element of the B-BBEE Codes of Good Practice;

4.1.2 The assertions relating to Enterprise and Supplier Development contributions and the assertions pertaining to beneficiaries of these contributions does not contain misstatements that materially affect the Enterprise and Supplier Development scorecard.

4.1.3 The calculation for measuring the Enterprise and Supplier Development scorecard does not contain material misstatements.

5. Requirements

In order to allow for the complexity of this element, the requirements for the Verification Agency / Registered Auditor

5.1 The Verification Agency / Registered Auditor shall:

5.1.1 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 Amended Code Series 400; Statement 400; General Principles for Measuring Enterprise and Supplier Development Element of B-BBEE;

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

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

5.1.4 obtain sufficient and appropriate evidence to determine whether the multiplier can be applied to the procurement spend with Supplier Development beneficiaries as provided for in 3.5.1, 3.5.2 of Statement 400;

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

5.1.6 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;

5.1.7 obtain sufficient and appropriate evidence to confirm the calculation of enhanced B-BBEE recognition through ESD commitments such as 3-year contracts and procurement from ESD beneficiaries;

5.1.8 determine the accuracy and validity of the scorecard, including all of the indicators for Enterprise and Supplier Development

6. Application material

6.1 When determining whether the entity calculated Total Measured Procurement Spend accurately, the Verification Agency / Registered Auditor may:

6.1.1 obtain Audited Financial Statements or a signed copy of management accounts and detailed income statements;

6.1.2 obtain confirmation from management on any additional information that may be necessary for the calculation of Total Measured Procurement Spend;

6.1.3 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;

6.1.4 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;

6.2 When determining whether the applicable inclusions have been applied to calculate the total procurement spend, the Verification Agency / Registered Auditor may select a sample of specific spend to inspect whether the items that are listed as inclusions in paragraph 5 of Code 500, accurately reflects the inclusions for the period under review. These may include:

6.2.1 Procurement from Schedule 2 and Schedule 3 public sector entities as per the Public Finance Management Act

6.2.2 Procurement from all monopolistic suppliers

6.2.3 Procurement on behalf of a third party, where such procurement is reflected in the financial records of the entity

6.2.4 Procurement from Labour Brokers
6.2.5 All imported goods and services except the imported goods and services that are excluded according to the provision made for imports

6.3 Recalculate Total Procurement Spend as per the entity’s calculations

6.4 When determining whether the measured entity calculated exclusions accurately the Verification Agency / Registered Auditor may select a sample of specific spend listed below to confirm that all Procurement Spend listed as exclusions in paragraph 6 of Code 500 has been excluded. These exclusions may include:

6.4.1 Procurement from Schedule 1 public sector entities as per the Public Finance Management Act; if they don’t have a BEEE Certificate.

6.4.2 Tax, customs duties, VAT and excise are excluded;

6.4.3 Procurement from a regulated monopolistic suppliers (identify and confirm legislation or regulation which regulate such monopoly);

6.4.4 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);

6.4.5 All investments or donations (Paragraph 6.5 of this code);

6.4.6 All items comprised in salaries;

6.4.7 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:

6.4.7.1 There is no local production (through a confirmation from management)

6.4.7.2 The import represents components or raw materials for value add (obtain evidence that the import is used in further value-adding process)

6.4.7.3 The import differs from the locally produced substitute in terms of:

6.4.7.3.1 Brand

6.4.7.3.2 Technical Specifications

6.4.7.4 Obtain a Value-Added Tax declaration in respect of Imported Services from SARS

6.4.7.5 Obtain the Measured Entities Importer Registration Certificate from SARS

6.4.6.5 Confirm that the Measured Entity has created a localisation plan to show the mechanism and timeline to achieve improved Localisation, as defined by the Empowering Supplier status. If, in the previous verification, imports were allowed in terms of 6.5.3; the Localisation plan should be measured against the actual implementation of that plan. If a Verification Agency / Registered Auditor changes, the agency has an obligation to request a copy of the plan from the previous rating agency. The Verification Agency / Registered Auditor are compelled to provide copies of all plans which were submitted in evidence within 14 days of being requested to do so. Failure to do this, will result in exclusion being disallowed

6.4.8 Recalculate Exclusions as per entity’s calculations

6.4.9 When verifying the B-BBEE Recognition Spend calculated by the measured entity, the Verification Agency / Registered Auditor must ensure that the entity only uses B-BBEE status, verified or evidenced according to the B-BBEE Codes of Good Practise, 2013 for
its calculations.

6.4.10 When verifying the B-BBEE Recognition Spend during the first Measurement Period after the effective date of the amended Codes, 2013, the Verification Agency / Registered Auditor will ensure that

6.4.10.1 BEE certificates issued by an approved party prior to 1 May 2015 are deemed to be valid;

6.4.10.2 When accepting an Affidavit as proof of BEE compliance, the Verification Agency / Registered Auditor shall ensure that

6.4.10.2.1 The wording of the Affidavit meets the guidelines provided for in the Annexure

6.4.10.2.2 The swearing process complies with the guidelines as provided for by the Commissioner

6.4.11 Entities that qualify as Exempted Micro Enterprises “EME’s” do not require evidence of Empowering Supplier Status as they automatically qualify.

6.4.12 Are only required to produce an Affidavit as a Qualifying Small Enterprise shall confirm their Empowering Supplier status with an Empowering Supplier Certificate.

6.4.12.1 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;

6.4.12.2 Agree a sample of suppliers to invoices to determine that the amount included in the schedule is accurate;

6.4.12.3 Agree a sufficient sample of suppliers to suitable evidence or documentation as proof of B-BBEE status during the Measurement period;

6.4.12.4 Determine whether the correct B-BBEE recognition level has been applied in the calculations of B-BBEE spend;

6.4.12.5 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.

6.4.12.6 Select a sample of suppliers and determine that the right recognition level is applied based on the supplier’s B-BBEE status;

6.4.12.7 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.

6.4.12.8 For EMEs and black QSE’s only, agree a sufficient sample of suppliers to validate their BEE status and affidavits as provided for in the Codes;

6.4.12.9 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.

6.4.12.10 Recalculate the total B-BBEE spends of the entity.

6.4.13 To determine whether the procurement spend multipliers have been applied, the
Verification Agency / Registered Auditor may:

6.4.13.1 Obtain a schedule of suppliers that are beneficiaries of the supplier development programme

6.4.13.2 Obtain evidence that a signed, valid and acceptable contract of a minimum of 3 years exists between the Measured Entity and the beneficiary;

6.4.13.3 Obtain evidence that a first-time supplier has not supplied to the Measured Entity prior to the Measurement period;

6.4.13.4

6.4.14 To determine whether the scorecard is complete, the Verification Agency / Registered Auditor may:

6.4.14.1 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;

6.4.14.2 Recalculate total B-BBEE spend with QSE and EME and its application in the scorecard; and

6.4.14.3 Recalculate total B-BBEE spend with black-owned and black women owned entities and the application in the scorecards.

6.4.14.4 Recalculate total B-BBEE spend with suppliers that achieve a multiplier and the application in the scorecard

6.5 Considerations Specific to Qualifying Small Enterprises

6.5.1 The Verification Agency / Registered Auditor should comply with all the requirements applicable to the Generic Scorecard

6.5.2 Empowering Supplier status

6.5.2.1 Assess that at least 25% of total measured procurement spend is procured from BEE compliant local producers or suppliers;

Ensure that an average subminimum of 50% of all employees is black South Africans;

or at least 50% of all new recruits are black South Africans during the measurement period

6.5.2.2 Confirm that at least 12 days of productivity for companies employing at least 12 people; or at least 1% of the combined SD, ED and SED spend was achieved, whichever is the highest, through a programme specifically aimed at deploying suitably qualified employees to assist in increasing the operational and financial capacity.

6.5.2.3 At least 25% transformation of raw material/beneficiation which include local manufacturing, production and/or assembly, and/or packaging.
ENTERPRISE AND SUPPLIER DEVELOPMENT

7. Requirements

7.1 The Verification Agency / Registered Auditor are required to establish whether the Measurement period overlaps with a previous Measurement period for which the Measured Entity received a verification certificate. In such instance, the following guidelines apply:

7.1.1 Measurement periods may not overlap by more than 6 months; In order to accept the overlapping of Measurement Periods, the Verification Agency / Registered Auditor should first establish that such overlapping of Measurement periods does not represent a risk of fronting. Where contributions have been recognised in a previous measurement period, the Verification Agency / Registered Auditor shall determine the pro-rate proportion of such contribution that may be recognised in the current Measurement period.

7.2 To validate the previous Measurement period, the Verification Agency / Registered Auditor is obliged to obtain such confirmation from the B-BBEE Verification Professional that issued the previous BEE certificate for the Measured Entity.

7.3 Equally, the Verification Agency / Registered Auditor are obliged to provide such confirmation to the B-BBEE Verification Professional that requests such information in order to verify the Measured Entity.

7.4 The Verification Agency / Registered Auditor shall determine whether the NPAT, or the indicative profit margin apply to the Supplier and Enterprise Development calculations.

7.4.1 In determining the above, the Verification Agency / Registered Auditor shall compare the Net Profit After Tax for the Measurement Period to the calculation of a quarter of the Industry Norm as a percentage of Turnover, and select the higher amount in determining the target for ESD.

7.4.2 Evaluate the quantified amounts calculated by Evaluate whether the entity, using a standard valuation method, participate in Enterprise and Supplier Development Contributions may be recognised.

7.5 The Verification Agency / Registered Auditor shall determine whether the recognition of Enterprise and Supplier Development contributions is accurate.

7.6 The Verification Agency / Registered Auditor shall obtain sufficient and appropriate evidence to determine whether contributions should be included in Enterprise and Supplier Development Contributions.

7.7 The Verification Agency / Registered Auditor shall obtain sufficient and appropriate evidence to determine whether contributions should be excluded from Enterprise and Supplier Development Contributions.

7.8 The Verification Agency / Registered Auditor shall determine whether the entity is entitled to be allocated points for contributions to the Enterprise and Supplier Development element of B-BBEE.
7.9 The Verification Agency / Registered Auditor shall determine that the entity did not achieve a higher number of points than the weighting points plus any bonus points that may apply.

7.10 Verification Agency / Registered Auditor confirm that the Enterprise and Supplier Development beneficiary qualifies with the definition of a Black-owned EME or QSE; by obtaining such evidence as required for such entity by the B-BBEE Codes of Good Practise, 2013.

7.11 Verification Agency / Registered Auditor Verification Agency / Registered Auditor Verification Agency / Registered Auditor and Supplier Development contributions contribute to the specific objectives set out within the B-BBEE Codes of Good Practise, 2013.

7.12 Should the Verification Agency / Registered Auditor not be able to confirm that the proposed beneficiary entity qualifies as a beneficiary entity in terms of the above statements; the Verification Agency / Registered Auditor should not confirm enterprise development contributions in favour of such entities.

7.13 Incentives of contribution, programmes and/or initiatives that span over multiple years, as allowed for in 4.11 of Statement 400, the Verification Agency / Registered Auditor shall ensure that the contributions that have been made prior to 5 years before the measurement date, is excluded.

7.14 The Verification Agency / Registered Auditor shall ensure that no portion of the value of the Enterprise and Supplier Development contributions actually paid after the date of measurement has been included in the calculation of Enterprise and Supplier Development.

8. Application material

8.1 When determining a score for Enterprise and Supplier Development, the Verification Agency / Registered Auditor may:

8.1.1 Obtain audited financial statements (possibly from the most recent audited financial statements going back up to five years, depending on the contribution claims being put forward by the entity)

8.1.2 Supplier Development: - the validation of supplier development contributions relate to those beneficiaries who are suppliers or on your value chain of suppliers

8.1.3 Obtain such evidence as required to confirm the status of the beneficiary entity as defined by the B-BBEE Codes of Good Practise, 2013, as amended from time to time.

8.1.4 Where the B-BBEE status of beneficiary entities cannot be substantiated, contributions to such entities may not be included in Enterprise and Supplier Development Contributions.

8.1.5 Inspect all of the Enterprise and Supplier Development Agreements to ensure that they comply with the criteria as stated under Statement 600, Annexure 600 (A) as per agreement with the beneficiary(ies).

8.1.6 The Verification Agency / Registered Auditor shall ensure that there is evidence that the Enterprise and Supplier Development Contributions, have actually been paid, delivered or executed by the Measured Entity within the Measurement Period.
8.1.7 In order to achieve the bonus point of 2.4.1 the Verification Agency / Registered Auditor must obtain evidence that such Enterprise Development beneficiary is now a supplier, i.e. invoice for the supplier.

8.1.8 In order to achieve the bonus point of 2.4.2, an affidavit from the beneficiary is required.

8.1.9 Verification Agency / Registered Auditor shall confirm that VAT is not included where Enterprise and Supplier Development Contributions may include VAT in amounts claimed.

8.1.10 Reconcile claimed Enterprise and Supplier Development Contributions with Invoices or other sufficient and appropriate supporting evidence to determine accuracy.

8.2 To determine whether the scorecard is complete, the Verification Agency / Registered Auditor may:

8.2.1 Recalculate the total Enterprise and Supplier Development Contributions and express as a percentage of the targets and weightings contained in the scorecard.

8.3 Considerations Specific to Qualifying Small Enterprises

8.3.1 The Verification Agency / Registered Auditor 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 / Registered Auditor 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 Methodology is effective for B-BBEE verification certificates issued on the amended Codes

3. Objective

3.1 The objectives of this Methodology is to guide a Verification Agency / Registered Auditor 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, 2013;

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 Verification Agency / Registered Auditor the Verification Agency / Registered Auditor shall determine whether the NPAT or the indicative profit margin apply to the Socio Economic Development calculations.

4.1.1 In determining the above, the Verification Agency / Registered Auditor shall compare the Net Profit After Tax for the Measurement Period to the calculation of a quarter of the Industry Norm as a percentage of Turnover, and select the higher amount in determining the target for SED

4.2 The Verification Agency / Registered Auditor 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 / Registered Auditor shall determine whether the annual recognition of Socio-Economic Development Contributions is accurate.

4.4 The Verification Agency / Registered Auditor 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, 2013.

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

4.6 The Verification Agency / Registered Auditor shall obtain sufficient and appropriate evidence that 75% of the value of the socio-economic development contributions accrues to black South Africans. If this is not the case, then the Verification Agency / Registered Auditor shall confirm that the value of the contributions is multiplied by the percentage of the contributions that benefit black South Africans, in accordance with Statement 500 of the Codes of Good Practice, 2013.

4.7 With reference to the above, the Verification Agency / Registered Auditor shall obtain sufficient evidence to be able to determine an approximate percentage of beneficiaries who are black South Africans.

4.8 The Verification Agency / Registered Auditor 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 / Registered Auditor shall determine that the entity did not achieve a higher number of points than the weighting points.

4.10 Should the Verification Agency / Registered Auditor not be able to confirm that the proposed beneficiaries qualify as beneficiaries in terms of the above statements; the Verification Agency / Registered Auditor should not confirm Socio-Economic Development contributions in favour of such entities.

4.11 The Verification Agency / Registered Auditor shall ensure that no portion of the value of the Socio-Economic Development contributions actually paid 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 / Registered Auditor may:

   5.1.1 Obtain audited financial statements

   5.1.2 Obtain appropriate and sufficient evidence to support the claimed percentage of black South African beneficiaries amongst beneficiaries of Socio-Economic Development Contributions, which may be in the form of a sworn affidavit 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 Where the beneficiaries cannot be identified and substantiated, contributions to such entities may not be included in Socio-Economic Development Contributions.

5.1.4 Inspect all of the Socio-Economic Development Agreements to ensure that they comply with the criteria as stated under Statement 500, Annexure 500 (A) as per agreement with the beneficiary.

5.1.5 The Verification Agency / Registered Auditor shall ensure that there is evidence that the Socio Economic Development Contributions have actually been paid, delivered or executed by the Measured Entity within the Measurement Period.

5.1.6 The Verification Agency / Registered Auditor should confirm that VAT is not included in amounts claimed where Socio-Economic Development Contributions may include VAT.

5.1.7 Reconcile claimed Socio-Economic Development Contributions with Invoices or other sufficient and appropriate supporting evidence to determine accuracy.

5.1.8 To determine whether the scorecard is complete, the Verification Agency / Registered Auditor may:

5.1.8.1 Recalculate the Socio-Economic Development contributions as per the Benefit Factor Matrix, under statement 500 of the Codes of Good Practice;

5.1.8.2 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 / Registered Auditor should comply with all the requirements as per the applicable Scorecard.