

**AMENDED FSC SERIES FS200: MEASUREMENT OF THE MANAGEMENT CONTROL ELEMENT OF BROAD-BASED
BLACK ECONOMIC EMPOWERMENT**

STATEMENT FS200: THE GENERAL PRINCIPLES FOR MEASURING MANAGEMENT CONTROL

Issued under section 9 (1) of the Broad-Based Black Economic Empowerment Act of
2003 as amended by Act 46 of 2013

Arrangement of Statement FS200

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1 OBJECTIVES OF STATEMENT FS200

The objectives of this statement are to:

- 1.1 Specify the scorecard for measuring management control contributions to B-BBEE;
- 1.2 Define the key measurement principles for measuring the management control contributions to B-BBEE; and
- 1.3 Define the formula for calculating the score for management control.

2 MANAGEMENT CONTROL SCORECARD

The following table represents the criteria used for deriving a score for management control in terms of Statement FS200:

Management Control Scorecard			
	Description	Points	Target
2.1	Board Participation	5	
2.1.1	Exercisable voting rights of black board members as a percentage of all board members	1	50%
2.1.2	Exercisable voting rights of black female board members as a percentage of all board members	1	25%
2.1.3	Black executive directors as a percentage of all executive directors	2	50%
2.1.4	Black female executive directors as a percentage of all executive directors	1	25%
2.2	Other Executive Management	3	
2.2.1	Black executive management as a percentage of all executive management	2	60%
2.2.2	Black female executive management as a percentage of all executive management	1	30%
2.3	Senior Management	4	
2.3.1	Black employees in senior management as a percentage of all such employees	2	60%
2.3.2	Black female employees in senior management as a percentage of all senior managers	1	30%
2.3.3	African senior managers as a percentage of all senior managers	1	EAP %
2.4	Middle Management	4	
2.4.1	Black employees in middle management as a percentage of all middle management	2	75%
2.4.2	Black female employees in middle management as a percentage of all middle management	1	38%
2.4.3	African middle managers as a percentage of all middle managers	1	EAP %
2.5	Junior Management	4	
2.5.1	Black employees in junior management as a percentage of all junior management	1	88%
2.5.2	Black female employees in junior management as a percentage of all junior management	1	44%
2.5.3	African junior managers as a percentage of all junior managers	1	EAP %
2.6	Black employees with disabilities as a percentage of all employees	1	2%
	Total	20	

3 KEY MEASUREMENT PRINCIPLES

- 3.1 A measured entity receives points for its achievement towards the targets for participation of black people, black women and African people at board, executive management, senior middle and junior management, and of black employees with disabilities.
- 3.2 A measured entity must use the current payroll data as at the measurement date in calculating its score in the management control scorecard.
- 3.3 If a measured entity does not distinguish between other executive management and senior management, then other executive management is measurable as a single indicator with a weighting of 7, split as follows:
- 3.3.1 Black executive management - 3;
- 3.3.2 Black female executives - 2; and
- 3.3.3 African executive managers - 2.
- 3.4 Where a measured entity does not have any employees in middle or junior management, then the weightings of the indicator which has no employees must be distributed among the remaining categories of senior, middle or junior management.

For example, where there is no middle management the points must be distributed between senior and junior management.

Senior Management	6	Target
Black employees in senior management	2	75%
Black female employees in senior management	2	38%
African senior managers	2	EAP%
Junior Management	5	
Black employees in junior management	2	88%
Black female employees in junior management	2	44%
African junior managers	1	EAP%

- 3.4.1 Where there is no senior, middle or junior management, the aggregate weightings of these three categories will be allocated to the category 'Other Executive Management'.

Other Executive Management	14	Target
Black executive management	10	75%
Black female executive management	4	38%

- 3.5 When combining categories of Management, the higher target will apply to the combined category.

- 3.6 If a financial institution is a 100% owned local subsidiary of a multinational or external company (as defined in Section 1 of the Companies Act) or is a branch of a multinational or external company, and is subject to a global policy:
- 3.6.1 Any board members, executive or senior managers who are not South African citizens and who are imposed on the local operation will not be taken into account for the purposes of calculating ratios in terms of this paragraph. This will apply to both the headcount and voting of those personnel.
- 3.6.2 Notwithstanding the provisions of paragraph 3.6.1 above, any such exclusion of “imposed” personnel shall be limited to a maximum of 20% of the total number of individuals within the specified category of management. There shall be a sub-minimum of one person who may be excluded.
- 3.7 Notwithstanding paragraph 3.6.2 above, if an institution subject to global policy sends black South African employees, who are the intended beneficiaries of this Amended FSC, on secondment or rotation to branches abroad, it may exclude one additional foreign imposed staff for every one intended beneficiary sent abroad. This is in addition to the 20% cap.
- 3.8 Board Participation
- 3.8.1 Board means the governing body consisting of independent, non-executive and executive directors of the enterprise. Their main functions are to govern the enterprise as defined in the King Report; formulate and implement policy; undertake strategic planning; and plan, direct and co-ordinate the activities of the enterprise.
- 3.8.2 Board participation refers to the level of control exercised by a person over the decisions of the board.
- 3.8.3 Measured entities that do not have a board of directors may apply to the Council for dispensation to deem their executive committee to be a board. This executive committee will be as per the Measured Entities current structure.
- 3.8.4 Notwithstanding the provision in paragraph 3.8.3, the *onus* shall be on the measured entity applying for this dispensation to provide sufficient evidence to the Council to show that the executive committee does in fact hold responsibility that justifies the application.
- 3.8.5 Notwithstanding the provision in paragraphs 3.8.3 and 3.8.4, a financial institution that is a branch of a multinational or external company that does not have a local board of directors, will be exempt from the management control provisions for board representation, but may elect to deem its executive committee as the board of directors. A measured entity must elect to deem its executive committee as a board of directors or elect to be excluded from the provisions for board representation. Once that election has been made, it must be maintained.
- 3.8.6 Measured entities electing to be excluded from the provisions for board representation will still be measured for the category ‘Other Executive Management’ as per paragraph 2.2.
- 3.8.7 Notwithstanding the provisions of paragraph 3.8.5, any person including non-South African citizens serving on the board or other executive management of a financial institution, and not excluded from measurement in that paragraph, shall be subject to the definition of a black person as stipulated in the Act.
- 3.9 Defining Other Executive Management
- 3.9.1 Executive management positions include the executive directors of the measured entity.
- 3.9.2 Executive management positions also include executive managers who do not serve on the board. Examples include: Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Human Resource Executive, Transformation Executive and other people holding executive management positions.

3.10 The demographic representation of black people as defined in the Regulations of the Employment Equity Act and Commission on Employment Equity report are not applicable to the Management Control Scorecard

4. MEASUREMENT OF THE MANAGEMENT CONTROL CRITERIA

The criteria in the management control scorecard are measured in terms of the formula set out in Annexe 200(A).

ANNEXE FS200 (A)

MEASUREMENT OF MANAGEMENT CONTROL INDICATORS

The Management Control criteria provided for in paragraphs 2.1, 2.2, 2.3, 2.4, 2.5 and 2.6 is calculated as follows:

$$A = \frac{B}{C} \times D$$

Where

- A** is the score achieved by a measured entity in respect of the measurement of the criteria specified in paragraph 2.1, 2.2, 2.3, 2.4, 2.5 and 2.6 of the management control scorecard
- B** in the case of paragraph 2.1, is the voting rights of black directors as a percentage of voting rights of all directors in the measured entity; or
- B** in the case of paragraph 2.2, is the percentage of black employees in the Other executive management category of the measured entity; or
- B** in the case of paragraph 2.3, 2.4 and 2.5, is the percentage of black employees for each of the indicators in those paragraphs; or
- B** in the case of paragraph 2.6, is the percentage of black employees with a disability as a percentage of all employees
- C** is the percentage compliance target in respect of the applicable criteria being measured as specified in paragraph 2.1, 2.2, 2.3, 2.4, 2.5 and 2.6 of the management control scorecard
- D** means the weighting points allocated to the applicable criteria being measured as specified in paragraph 2.1, 2.2, 2.3, 2.4, 2.5 and 2.6 of the management control scorecard.