

**AMENDED CODE SERIES FS 500: MEASUREMENT OF THE SOCIO-ECONOMIC DEVELOPMENT AND CONSUMER
EDUCATION ELEMENTS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

**STATEMENT FS500: THE GENERAL PRINCIPLES FOR MEASURING THE SOCIO-
ECONOMIC DEVELOPMENT AND CONSUMER EDUCATION ELEMENT**

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 FS500

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1 OBJECTIVES OF THIS STATEMENT

The objectives of this statement are to specify:

- 1.1 the Socio-Economic Development (SED) and Consumer Education (CE) contributions scorecard;
- 1.2 the key measurement principles applicable when calculating qualifying SED and CE contributions; and
- 1.3 the formula for calculating the individual criteria specified in the SED and CE scorecard.

2 THE SOCIO-ECONOMIC DEVELOPMENT AND CONSUMER EDUCATION SCORECARD

The following table represents the criteria and method used for deriving a score for SED and CE in this statement:

	Element	Target for Foreign branches of International Banks, SAVCA members and Reinsurers	Target for other Institutions	Points
2.1	Annual value of all Qualifying Socio-Economic Development contributions by the measured entity as a percentage of NPAT	0.7%	0.60%	3
2.2	Annual value of all Qualifying Consumer Education contributions by the measured entity as a percentage of NPAT	0	0.40%	2
	Total	0.7%	1.00%	5
2.3	Bonus Points			
2.3.1	Additional CE contributions made by the measured Entity as a percentage of NPAT	0.10%	0.10%	1
2.3.2	Grant contribution to Fundisa Retail Fund and other similar initiatives	0.20%	0.2%	2

The weighting points in the SED and CE scorecard represent the maximum number of points possible for each of the criteria.

3 KEY MEASUREMENT PRINCIPLE

- 3.1 Qualifying socio-economic development and consumer education contributions will be recognised as a percentage of the previous year's Net Profit after Tax (NPAT) of the measured entity. If the measured entity does not make a profit in a particular year, then qualifying contributions of an average of the last 3 years will earn the measured entity the full points in paragraphs 2.1 and 2.2 respectively.
- 3.2 For Banks, the Net Profit after Tax to be used for Consumer Education, is the Net Profit after Tax generated by retail operations.

- 3.3 Socio-economic Development Programmes conceptualised and measured in this Amended FS Code may include, but will not be limited to, one of the following forms:
- 3.3.1 Education: support for community education facilities, programmes at, early childhood development, primary, secondary and tertiary education levels, bursaries and scholarships;
 - 3.3.2 Training: community training, skills development for the unemployed, adult basic education and training in communities, financial literacy programmes in communities;
 - 3.3.3 Development programmes for youth and other target groups;
 - 3.3.4 Environment: support of conservation projects, community clean-up projects, food garden initiatives;
 - 3.3.5 Job Creation: job creation projects external to the workplace or any commitments contained in empowerment financing;
 - 3.3.6 Arts and culture: support of development programmes, development of new talent;
 - 3.3.7 Health: support of community clinics, health programmes in the community; and
 - 3.3.8 Sport: support of developmental programmes.
- 3.4 Socio-economic Development Programmes in South Africa can be funded directly from the philanthropic arms of international institutions situated outside of South Africa (provided that such benefits do not accrue to other jurisdictions).
- 3.5 International Banks and Reinsurers are exempt from Consumer Education contributions.

4 GENERAL PRINCIPLES

- 4.1 Measured entities receive recognition for any Socio-Economic Development and Consumer Education contributions that are quantifiable as a monetary value using a Standard Valuation method.
- 4.2 Qualifying contributions of the measured entity are recognisable annually.
- 4.2.1 Where qualifying contributions and/or initiatives span over multiple years, the total contribution amount must be divided by the number of years, and the average per year is then to be utilised for the annual contribution.
- 4.2.2 No portion of the value of any **Socio-Economic Development** Qualifying contributions that is payable to the beneficiary after the last day of the measurement period can form part of any calculation in this statement.

5 SOCIO-ECONOMIC DEVELOPMENT CONTRIBUTIONS

- 5.1 Socio-Economic Development contributions consist of monetary or non-monetary contributions actually initiated and implemented in favour of beneficiaries by a measured entity with the specific objective of facilitating income generating activities for targeted beneficiaries or are in terms of paragraph 3.3.
- 5.2 The full value of Socio-Economic Development contribution made to beneficiaries is recognisable if at least 75% of the value directly benefits black people.
- 5.2.1 If less than 75% of the full value of Socio-Economic Development contributions directly benefits black people, the value of the contribution made multiplied by the percentage that benefits black people, is recognisable.
- 5.3 The following is a non-exhaustive list of Socio-Economic Development contributions:
- 5.3.1 grant contributions;
 - 5.3.2 guarantees given or security provided for beneficiaries;
 - 5.3.3 direct costs incurred by a measured entity in assisting beneficiaries;

- 5.3.4 overhead costs of a measured entity directly attributable to Socio-Economic Development contributions;
- 5.3.5 developmental capital advanced to beneficiary communities;
- 5.3.6 preferential terms grants by a measured entity for its supply of goods or services to beneficiary communities;
- 5.3.7 contributions made by the measured entity to third parties to perform socio-economic development on the measured entity's behalf;
 - 5.3.7.1 for the avoidance of doubt such contributions are regarded as having been initiated and implemented once they are paid to the third party;
- 5.3.8 provision of training or mentoring to beneficiary communities which will assist them to increase their financial capacity;
 - 5.3.8.1 such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the measured entity in carrying out such initiatives;
 - 5.3.8.2 a clear justification must support any claim for time costs incurred, commensurate with the seniority and expertise of the trainer or mentor);
- 5.3.9 the maintenance by the measured entity of a socio-economic development unit which focuses only on support of beneficiaries and beneficiary communities;
- 5.4 only that portion of salaries and wages attributable to time spent by the staff in, and the other expenses related to, promoting and implementing Socio-Economic Development, constitute contributions.

6. CONSUMER EDUCATION CONTRIBUTIONS

- 6.1 Definition: Consumer Education is a financial education process which is defined in a guidance note issued by the Council from time to time.
- 6.2 Target market: The target market for Consumer Education is defined in the above guidance note.
- 6.3 Standards
 - 6.3.1 Consumer Education standards are as published in the relevant Guidance Note issued by the Council.
 - 6.3.2 Consumer Education contributions consist of monetary or non-monetary contributions actually initiated in favour of beneficiaries by a measured entity with the specific objective meeting the definition of Consumer Education.
 - 6.3.3 Consumer Education contributions are only recognisable if they comply with the Consumer Education Standards or are approved Consumer Education programmes.
- 6.4 The full value of Consumer Education contributions is recognisable if at least 75% of the value directly benefits black people.

7 MEASUREMENT OF SOCIO-ECONOMIC DEVELOPMENT AND CONSUMER EDUCATION CONTRIBUTIONS

Qualifying Socio-Economic Development and Consumer Education contributions are measurable using the formula in Annexe 500 (B).

8 THE BENEFIT FACTOR MATRIX APPLICABLE TO SOCIO-ECONOMIC DEVELOPMENT CONTRIBUTIONS

The Minister may from time to time, by notice in the gazette, revise or substitute the Benefit Factor Matrix. Any changes will only be applicable to compliance reports prepared for measured entities for measurement periods that commences after the gazetting of the adjustment.

Annexe 500 (A) – Benefit Factor Matrix

Qualifying Contribution Type	Contribution Amount	Benefit Factor
Grant and Related Contributions		
Grant Contribution	Full Grant Amount	100%
Direct cost incurred in supporting Socio-Economic Development, sector specific initiatives or Qualifying Socio-Economic Development contributions	Verifiable Cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting socio-economic development, sector specific initiatives or Qualifying Socio-Economic Development contributions	Discount Amount (in addition to normal business discount)	100%
Overhead Costs incurred in supporting Socio-Economic Development, sector specific initiatives or qualifying Socio-Economic Development contributions	Verifiable Cost (including both monetary and non-monetary)	80%
Contributions made in the form of human resource capacity		
Professional services rendered at no cost supporting Socio-Economic Development, sector specific initiatives or qualifying Socio-Economic Development contributions	Commercial hourly rate of professional	80%
Professional services rendered at a discount supporting socio-economic development, sector specific initiatives or qualifying Socio-Economic Development contributions	Value of discount based on commercial hourly rate professional	80%
Time of employees of measured entity productively deployed in assisting beneficiaries and supporting socio-economic development, sector specific initiatives or qualifying Socio-Economic Development contributions	Monthly salary divided by 160	80%

ANNEXE 500 (B)

A: Qualifying contributions are measurable on the following basis:

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

Where

A is the score achieved in respect of the Socio-Economic Development scorecard

B is the value of all qualifying Socio-Economic Development or Consumer Education contributions of the measured entity that have become payable during the measurement period

C is the compliance target in respect of the qualifying Socio-Economic Development or Consumer Education contributions as specified in the scorecard for statement 500 (see paragraph 2.1 to 2.3)

D is the weighting points allocated to the indicator in the Socio -Economic Development and Consumer Education scorecard in statement 500