

**CODE 1700: MEASUREMENT OF THE RESIDUAL ELEMENT OF BROAD-BASED BLACK
ECONOMIC EMPOWERMENT**

**STATEMENT 1700: THE RECOGNITION OF RESIDUAL CONTRIBUTIONS FOR QUALIFYING
SMALL ENTERPRISES**

Issued under section 9(5) of the Broad-Based Black Economic Empowerment Act 53 of 2003 for public comment. Interested persons are invited to furnish the minister with comments on this proposed code within 60 days of the date of publication.

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1 DEFINITIONS

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

- 1.1 **"Corporate Social Investment"** refers to an enterprise's contribution to society and community that are extraneous to its regular business activities. These interventions may include, but will not be limited to:
- 1.2 Development Programmes for women, youth, people with disabilities, people living in rural areas and other target groups
 - 1.2.1 support of health and HIV/AIDS programmes in the community
 - 1.2.2 support for community education facilities; programmes at secondary and tertiary education level; bursaries and scholarships
 - 1.2.3 community training; skills development for unemployed; adult basic education and training in communities

- 1.2.4 which focuses on conservation, awareness, education and waste management
- 1.2.5 support of development programmes; development of new talent and
- 1.2.6 support of developmental programmes.
- 1.3 **"Industry Specific Contribution"** means the qualifying residual contributions that are unique to the industry in which enterprises operates. For the purposes of this statement an industry may be grouped in major divisions in accordance with the Standard Industrial Classification Coding System used by Statistic South Africa;
- 1.4 **"Measured Enterprise"** means the Qualifying Small Enterprise subject to measurement under this statement;
- 1.5 **"Qualifying Residual Contributions"** means monetary or non-monetary contributions actually initiated and implemented by a Measured Entity with the specific objective to facilitate access to the economy for Contribution Beneficiaries and is inclusive of, but not limited to, both socio-economic and industry specific contributions; determined as contemplated in Code 700 Statement 700
- 1.6 **"QSE Residual Scorecard"** means the scorecard in paragraph 6;
- 1.7 **"Qualifying Small Enterprise"** has the meaning defined in Code 1000 Statement 1000;
- 1.8 **"the Act"** means the Broad-Based Black Economic Empowerment Act 53 of 2003; and
- 1.9 **"the Codes"** means all Codes of Good Practice issues in terms of section 9 of the Act, including without limitation, this statement.

2 INTERPRETATION OF THIS STATEMENT

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

3 APPLICATION OF THIS STATEMENT

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

4 OBJECTIVES OF THIS STATEMENT

The objective of this statement is to specify the QSE Residual Scorecard

5 STATEMENT OF PRINCIPLE

- 5.1 Qualifying Small Enterprises are entitled to receive points on the QSE Residual Scorecard based upon residual contributions made by them.
- 5.2 In determining the nature of the residual contribution made by Qualifying Small Enterprises, those Enterprises should be guided by this statement read in conjunction with Code 1000 Statement 1000; and
- 5.2.1 if there is any uncertainty or lack of specificity in this statement as to the recognition of any specific type of residual contribution identified in the QSE Residual Scorecard or the manner of calculation of those calculations in the QSE Residual Scorecard, regard must be had to the principles outlined in the statements in Code 700.

6 QSE RESIDUAL CONTRIBUTION SCORECARD

The following table represents the criteria and methodology used for the purposes of deriving a score for Qualifying Residual Contributions in terms of this statement:

Criteria	Weighting Points	Compliance Target
Qualifying Residual Contributions made by the Qualifying Small Enterprise measured as a percentage of net profit after tax, made to Corporate Social Investments and/or Industry Specific Contributions.	20%	2%