

# Private Security Industry: Draft Transformation Charter



**PSiRA**  
Private Security Industry Regulatory Authority

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## DEFINITIONS

In this document, unless the context indicates otherwise, all definitions highlighted are as described in the Private Security Industry Regulation Act, 2001, as amended.

**Black People** : means African, Coloured or Indian persons who are natural persons and are citizens of the Republic of South Africa by birth or descent; or are citizens of the Republic of South Africa by naturalisation before the commencement date of the Constitution of the Republic of South Africa Act of 1993; or became citizens of the Republic of South Africa after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, but for the Apartheid policy that had been in place prior to that date, would have been entitled to acquire citizenship by naturalisation prior to that date.

**Business:** An organization or an enterprising entity engaged in commercial, industrial or professional activities.

**Fronting:** any entity, mechanism or study established in order to circumvent BEE requirements as required under various policy instrument. Fronting structure generally claims higher BBEE status than the actual substantive economic beneficiary flowing to black beneficiaries would suggest.

**Ownership:** means Ownership of an equity interest in an enterprise.

**Previously Disadvantaged Individual (PDI):** means a South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993, (Act No 2000 of 1993) (“the interim Constitution) and includes youth, women and disabled individuals; provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be a PDI;

**Private Security Association** means a voluntary association of security service providers;

**Private Security Industry,** means the “private security industry” as defined in section 1 of the PSIR Act;

**Security business,** means a “security business” as defined in section 1 of the PSIR Act;

**Security Service,** means a “security service” as defined in section 1 of the PSIR Act;

**Security Officer**, means a “security officer” as defined in section 1 of the PSIR Act;

**Security Service Provider** means a “security service provider” as defined in section 1 of the PSIR Act;

**Service standards** refers to minimum standards that should be developed and applicable to specialised sectors such as control room set up, asset in transit (e.g. vehicles), locksmith, etc. in order to benefit the consumer of such products/service.

**Measured Entity**, means an enterprise as well as an organ of state or public entity, subject to measurement under the Codes.

**Qualifying Small Enterprise (QSE)**, means an enterprise with an annual turnover between R10m - R50m.

**Exempt Micro Enterprise (EME)**, means an Enterprise with annual turnover of less than R10 million.

**Verification Agency**, means an institution accredited under section 27 of the Broad Based Black Economic Empowerment Act, 2003 for the purpose of verifying and rating entities for compliance with equitable economic empowerment.

**Minister**, means the Minister of Trade, Industry and Competition.

## FOREWORD

The Constitution of the Republic of South Africa, 1996, in particular section 9 thereof, (relating to equality and unfair discrimination), provides for the imperative of redressing historical and social inequalities.

Despite significant progress since the establishment of a democratic government in 1994, the private security industry remains characterised by racially based income and social services inequalities. This is not only unjust but inhibits South Africa's ability to achieve its full economic potential. The private security industry in South Africa is governed by the Private Security Industry Regulation Act No. 56 of 2001 (the Act). In terms of section 3 of the Act, the primary objects of the Private Security Industry Regulatory Authority (PSiRA) are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the national interest and the interest of the public and private security industry itself.

In pursuit of its primary objects, section 3 of the Act also highlights a number of ancillary objects of PSiRA, including that the Authority is entrusted with the responsibility to "encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination" and to encourage equal opportunity employment practices in the private security industry".

Since PSiRA's establishment, it has not concretely and systematically promoted empowerment and advancement of persons who were historically disadvantaged in the South African private security industry. This is arguably due to the fact that PSiRA did not have a policy position on how to fulfil this specific objective. While the Act does not specifically refer to the establishment of a Transformation Charter for the private security industry, the functions of the Authority as contemplated in section 4(ii) of the Act includes that the Authority must generally perform any act that contributes to the attainment of its objects.

PSiRA believes that a positive and proactive response through the development and implementation of a Transformation Charter for the private security industry would, among other things, address inequalities in the sector, enhance growth, and generally unlock the sector's potential in enhancing the fight against crime for the benefit of all South Africans.

Section 12 of the Broad-Based Black Economic Empowerment Act, 2003 provides that the Minister of Trade, Industry and Competition must publish in Gazette, a Transformation Charter for a particular sector of the economy, if the Minister is satisfied that the Charter:

- (a) has been developed by major stakeholders in that sector; and

(b) advances the objectives of the B-BBEE Act.

In addition, in order to promote the purpose of the B-BBEE Act, the Minister of Trade, Industry and Competition can also issue Codes of Good Practice on B-BBEE in terms of section 9(1), including Codes for specific sectors and guidelines for stakeholders in relevant sectors of the economy to draw up Transformation Charters for their respective sectors. A Transformation Charter published in Gazette becomes a Sector Code of Good Practice and shares the same status as the B-BBEE Codes of Good Practice, published by the Minister in terms of the B-BBEE Act, and is fully binding between and among businesses operating in the industry.

A Transformation Charter for the private security industry must therefore:

- Constitute a framework and establish the principles upon which B- BBEE must be implemented in the industry;
- Establish targets and qualitative undertakings in respect of each element of BBEE; and
- Outline processes for implementing the commitments contained in the Charter, as well as mechanisms to monitor and report on progress.

The Charter will therefore support Government's objectives to redress historical socioeconomic inequalities and ensure broad-based economic empowerment and meaningful participation of PDI's in the private security industry. Incentives and recognition for meeting the transformation targets, as set out in the Charter may also be considered as part of the development of the Charter.

# 1. CHAPTER ONE: HISTORICAL, INSTITUTIONAL AND LEGAL BACKGROUND

## 1.1 LEGISLATIVE MANDATE OF TRANSFORMATION

The primary objective of PSiRA is to regulate the private security industry and to exercise effective control over the practice of the occupation of security service providers in the public and national interest and in the interest of the private security industry itself.

To this end, PSiRA is, *inter alia*, mandated to:

- (a) Promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry;
- (b) to encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination;
- (c) to encourage equal opportunity employment practices in the private security industry;
- (d) to promote the protection and enforcement of the rights of security officers and other employees in the private security industry;
- (e) to ensure that compliance with existing legislation by security service providers is being promoted and controlled through a process of active monitoring and investigation of the affairs of security service providers, amongst its primary obligations.

## 1.2 TRANSFORMATION CHALLENGES IN THE PRIVATE SECURITY INDUSTRY

There are a number of legislations and policies that attempt to address transformation of the economy. Despite these legislative and policy interventions to eradicate inequalities, in practice skewed patterns of ownership, participation and benefit in the private security industry remain.

The challenges in transformation include, *inter alia*, the following:

- (a) Black owned businesses continue to be significantly under-represented in sharing the private security market, whilst administrative and financial constraints restrict the ability of PDI's to participate in the private security industry in general. The ownership of large commercially driven private security businesses rests largely within white ownership, with significant control of the private security market share.
- (b) While a high number of the workforce are from designated groups, the industry has not adequately addressed employment equity on management levels, with the result that the sector continues to be under-represented in terms of race and gender. There is limited

participation of PDI's, particularly women, in control that have authority and have power to influence the strategic & operational direction of the businesses in the private security industry.

- (c) There is limited investment and commitment in skills development and workplace training by the majority of security businesses. At tertiary education level in general, the occupation of a security service provider is also inadequately supported as a profession, combined with a lack of appreciation of the private security industry as a career.
- (d) Although there may have been some reasonable efforts by certain companies to implement preferential procurement, it can be deduced that most security companies have not made any progress in increasing spend on targeted suppliers or implementing appropriate preferential procurement policies. There is also no significant evidence that the private security industry has recorded any progress in the growth of sustainable enterprises through enterprise development support.
- (e) The previously disadvantaged communities and their businesses are marginalised in this highly competitive and rule-bending Industry. The big security businesses continue to proliferate and dominate the industry to the exclusion of smaller players.
- (f) The industry employs roughly 577 000 registered security officers who contribute immensely to the security of the assets and the people of the Republic of South Africa. However, this workforce which is largely African, experiences exploitation and disempowerment in terms of working conditions, remuneration benefits, career growth and even retirement benefits.
- (g) Professionalization in the Industry has lagged behind significantly as other Industries continue to advance in terms of skills development, customer service orientation, and compliance. Most of the legitimate security service providers complain of unscrupulous security operators who can be seen as unfair competitors and a threat to the national security of the Republic of South Africa. The picture that is emerging is that of an industry at a cross-road, desperately requiring intervention in order to realise its mandate of protecting assets and people of the Republic of South Africa.

The Transformation Charter for the Private Security industry must also encompass:

- (a) Ownership, Control and Empowerment of previously disadvantaged individuals and their security businesses is reinforced; and
- (b) radical measures to transform skills development and professionalization.



### 1.3 PRIVATE SECURITY SUBSECTOR ANALYSIS

PSiRA has categorised the Private Security Industry into 14 sectors as depicted below. These sectors are diverse in terms of skills requirements, expertise offering, prevalence of services and even investment requirements.

In order to approach the transformation agenda in a comprehensive manner, it is necessary to understand common issues that affect the entire Industry as well as variances attributed to individual sectors. This analysis will enable recommendations that are industry cross cutting as well as those attributed to specific sectors.

Assets-in-transit	Labour brokers	Consultants and advisors	Equipment manufacturers and importers
Close protection	Private investigators	Security equipment installers	Security training
Locksmiths	In-house security	Guarding and patrolling	Car watch
	Special events	Reaction response	

### 1.4 Reaction response industry

#### 1.4.1 Description

Many households and business premises in South Africa employ the services of Reaction Security businesses which are usually supported by a Control Room where alarms are received, processed and followed by a dispatch of a reaction force.

The protected premises are fitted with a detection device, which if triggered sends an alarm to the Control Room, where the alarm is assessed and followed by the dispatch of a reaction force.

The success of a response force is factored by the time taken to respond to the premises before an intruder completes their mission. A successful intervention will disrupt the actions of the intruder before they are able to complete their crime (e.g. removal of valuable property from the premises).

#### 1.4.2 Designated groups' participation

According to the PSiRA Annual Report 2022/2023, there are 7 151 Reaction Services businesses registered on their database and this sector represents the second highest number of security businesses registered after the guarding sector.

- According to a PSiRA Survey in 2016, the 24/7-Armed Response was rated as the highest security service deemed most important by most respondents or end users.
- This sector has high barriers of entry especially for new security businesses because of huge capital requirements, including specific skills sets.
- This sector is dominated by few big security businesses especially from previously advantaged groups.
- It is also notable that there are no standards to regulate the Reaction vehicles/equipment or the setup of Control Rooms prior to security businesses registration by PSiRA.

## 1.5 Assets-in-Transit industry

### 1.5.1 Description

Any security business that is registered with PSiRA as a private security service provider on rail, road or sea transportation can render assets-in-transit services. The security service provider of assets-in-transit services is required to complete a specialised training course offered by a PSiRA accredited training provider. Three key facets in assets-in-transit are:

- **Assets-in-transit industry** – which is a natural person who is registered as a security service provider providing assets-in-transit services.
- **Assets-in-transit officer** – which is any natural person who is registered as a security service provider and functions as an assets-in-transit officer.
- **Assets-in-transit driver** – is any natural person who is registered as a security service provider and performs duties of an assets-in-transit driver

### 1.5.2 Designated groups' participation

PSiRA's Annual Report of 2022/23 indicates 5 812 assets-in-transit security businesses in South Africa.

Neither the listed status of these security businesses nor the demographic status of their owners is known because there is no consolidated data.

The general observation indicates that they are largely owned by the previously advantaged groups.

The high cost of the cash-in-transit vehicles could be another factor that is making it difficult for the previously disadvantaged to enter this sector.

## **1.6 Locksmiths**

### **1.6.1 Description**

Locksmiths are best known for their skills in emergencies when customers are locked out of their cars, homes or offices. The reason for their regulation is to ensure restriction for the key cutting equipment and other specialist professional tools which become weapons of crime if in the wrong hands.

### **1.6.2 Designated groups' participation**

Commercial activities surrounding the locksmith sector seem to reflect inequalities in ownership with very little transformation having taken place. It is not clear who the security players are but from common knowledge the sector consists mainly of white males and chain stores whose shareholding is still in the hands of that latter group.

Locksmithing is an ideal career if one wants to have their own business. There are numerous micro and small businesses in the sector, however very few of these have significant levels of control by previously disadvantaged people.

The sector is supported by very strict rules and therefore requires appropriately trained and competent practitioners. It is a career that cannot be entered without formal training.

With the current evolution which is driven by huge technological advancement, the safety and security concerns are forcing the sector to transform into something that the locksmiths and technology experts at that time could not have imagined. Technology is threatening the sector in a significant way as people are starting to look for electronic solutions towards access.

The sector is regulated by an Act of Parliament and it falls under the auspices of PSiRA and thereby regulated by the PSIR Act.

## **1.7 Private Investigation industry**

### **1.7.1 Description**

Private Investigation is one of the sectors within the Private Security Industry which is highly specialised and demands high levels of skills and expertise in its operations. A Private Investigator (often abbreviated to PI and informally called a private eye), a private detective, or inquiry agent, is a person who can be hired by individuals or groups to undertake investigation services. Private detectives/investigators often work for attorneys in civil and criminal cases.

Most people, usually those who can afford, enlist the services of a Private Investigator to solve any case of interest. Although the Police service has a Detective unit which is comparable in terms of the set of skills, the Police will only deal with matters where a crime has been committed. However, the

services of PI can be used for a variety of situations where matters investigated could be private or to complement the efforts of the Police.

### **1.7.2 Designated groups' participation**

In the financial year 2022/2023 PSiRA recorded 3 946 registered Private investigators. A provincial and regional breakdown is available to highlight the geographical status in line with the transformational agenda.

The financial requirements to set up an effectively functioning PI company, may presents barriers of entry for the previously disadvantaged communities and companies.

As a Regulator, PSiRA has no specific statutory prescribed training course yet for the sector and recognition of prior learning is usually apply in the case of applicant's wishing to register as private investigators.

Ownership, management and control of the sector, is still dominated by the previously advantaged with very few participations by PDIs.

## **1.8 Close Protection industry**

### **1.8.1 Description**

Close protection is a specialised field within the security industry and close protection officers (bodyguards) provide individual or personal protection to natural persons. To guarantee the safety and security of their principals (clients), the functions of close protection officers include planning routes that the principal will use, searching rooms and buildings that will be visited by the principals, conducting some background check on people who are to interact with the principals, escorting the principals on their day-to-day activities and conducting many other functions depending on the risk level of the principal.

### **1.8.2 Designated groups' participation**

There are a lot of PSiRA registered security service providers that offer the service to clients whilst their employees are not trained on the speciality of the task of close protection.

A training manual was developed with a narrow perspective without considering affiliation with international close protection bodies.

There is a lot of allegations of employee exploitation by their employers. (Hours of work and payment).

The SASSETA accredited training content of close protection is criticised by some in the sector as not being in line with international Close protection standards and best practices.

South African close protectors are not licensed both domestically & internationally (private Close protectors cannot enter other countries whilst on duty).

Training providers of these sectors are mainly from previously advantaged communities.

PSiRA needs to develop training modules that take into consideration - First Aid training, defensive driving, self-defence and other new aspects for effective close protection.

PSiRA should develop an MOU with international close protection bodies so that South African trained close protectors could be licensed internationally.

The nature of the industry makes it challenging for PSiRA Inspectors to regulate. For example, some close protectors wear private clothes but carry weapons openly whilst the law compels carriers of firearms to conceal them at all times.

## **1.9 Special Events Security industry**

### **1.9.1 Description**

Managing public events, particularly sport stadia, so as to provide spectators with an environment in which they can watch and enjoy events safely, is a highly complex problem because it involves the architecture and engineering design, operational management, technological sophistication, health and safety, public order and the understanding of how people behave in crowds.

Stadia and other public arenas are venues of extremes. On the one hand they are the setting for some of the most exciting, enjoyable and often profitable events in the world. On the other, they have been the scene of terrible disasters. Such events put extraordinary demands on the public and Special Events security providers.

Dealing with safety hazards and the risk to which they give rise must therefore be seen as an important part of venue management. Special Events security providers have a moral and legal duty of care towards participants, performers, spectators and staff alike.

### **1.9.2 Designated groups' participation**

The complexity involved in event security needs security officers who are properly empowered through events security training so that they can know and understand every facet of this function. The major challenge in this regard is the lack of specialised training in this field. Specialised training that will have to take into account the impact of various aspects that are critical to successful security such as: architectural and engineering design, operational management, health and safety, public order and the psychological understanding of how people behave in crowds.

In South Africa the management and execution of safety and security at sporting and other events is mainly dealt with according to best practices and since 2010 in accordance with the SASREA Act.

The term “steward” however is mainly seen as referring to persons performing non-security related functions while security officers, the majority of whom not having been properly trained in event security, are entrusted with the safety and security function as defined in the PSIR Act.

A clear delineation of roles and responsibilities between the following role-players mentioned in the PSIR and SASREA Acts must be established and implemented: “security officer”, “steward” and “volunteer” and only those persons who comply with the provisions of the definition “security service” to perform those functions.

There is an urgent need to review the training curriculum addressing event security and the roles and responsibilities of the above-mentioned categories of persons.

## **1.10 Equipment Manufacturers and Importing Sector**

### **1.10.1 Description**

South Africa manufactures various security equipment such as:

**(a) Armoured vehicles** – that are not only used in conflict zones but are also used by the civilian industry for personal protection and cash-in-transit.

**(b) Body armour** - Due to the violent nature of crime in South Africa most security businesses and the statutory armed forces make use of body armour such as ballistic body armour and imperial armour.

**(c) Home security** – There is variety of home security equipment such as burglar doors, CCTV systems and flashlights. Home security equipment can be bought in most places because they are not limited to companies that specialise in the manufacturing of security equipment only.

**(d) Personal equipment** - Security officers use different equipment such as pepper spray, baton and handcuffs to protect themselves and the property of their clients.

Different security businesses market these various security apparatuses in different ways in electronic and print media.

### **1.10.2 Designated groups’ participation**

There exists a glaring lack of ownership by previously disadvantaged in the above verticals, especially in manufacturing and distribution. The need to define and propose a transformational agenda becomes imperative.

## **1.11 Security Equipment Installers industry**

### **1.11.1 Description**

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This sector refers to businesses that specialise in the Installation of Security equipment such as closed-circuit television (CCTV), Biometric systems, perimeter fencing, security vaults, security networks, etc. Security equipment is a force multiplier and game changer in the security value chain. Whilst conventional security relies entirely on the guard force, the security equipment makes the work of the guard much easier and promotes efficiency in detecting intrusion and responding adequately.

#### **1.11.2 Designated groups' participation**

- This industry is dominated by previously advantaged groups.
- There is a high level of technical expertise that is required in order to excel in this sector.
- The sector presents significant barriers of entry for previously disadvantaged companies due to high capital requirements and specialised skill sets.
- Most of the big businesses playing in this space do not recognize PSIRA and see themselves first as Technology companies that happen to offer security solutions.
- Other than the qualifications offered by SASSETA, there are no specific statutory training standards for Installers of Security Equipment.

### **1.12 Guarding and Patrolling.**

#### **1.12.1 Description**

Security Guarding plays a fundamental role in maintaining high visibility presence to deter illegal and inappropriate activities, by observing through patrols, watching alarm systems or video cameras for signs of crime and reporting crime incidents to members of the Police Service or other law enforcement agencies. It further ensures that there are protective measures in place to ensure a state of security from hostile acts or any other crime related acts. It also prevents unauthorized persons from access to buildings and safeguards assets in the interest of providing secure premises.

#### **1.12.2 Designated groups' participation**

- It is still regarded as the most popular and common form of security business with a high influx of security personnel.
- The Training requirements are not demanding as most new entrants, especially unemployed youth without matric, work in guarding to access quick employment.
- Predominantly owned by Previously Disadvantaged Individuals (PDIs) accessing security business with government contracts. Most PDI's have no contracts (Government or Private).
- Previously advantaged groups are still dominant in providing security guarding in shopping malls and residential areas.
- Most PDI's have not affiliated to Private Security Associations and their voices are unheard.
- Empowerment Training, mentoring and coaching are rare in Guarding and Patrolling services and this leads to the industry not being professionalized.
- Fronting is also common as most PDI's do not have 100% ownership.

- It is still male dominated as women participation is just few in the sector, especially in Ownership (Top Management) as well as operational level (Junior Management).

### **1.13 In-house Security industry**

#### **1.13.1 Description**

In-house security refers to a security service that is provided by the consumer of such service, which in most instances could be a business or company of some sort. These security officers, being employees are entitled to all the benefits that all other employees of the company are entitled to. This type of model is prevalent in South Africa and is used by various companies. It is largely driven by the analysis of cost effectiveness of insourcing or outsourcing of the security function. The analysis of these costs is also influenced by the size and strategic direction of the company.

According to the PSIR Act, any organisation that utilises in-house security must meet certain specific obligations that include the following:

- a) The company in question should meet all the registration requirements of PSiRA as providing in-house security;
- b) develop measures to prevent exploitation by complying with minimum wages and working standards; and
- c) using people who are registered with PSiRA as security officers to protect or safeguard the interests of the company.

### **1.14 Security Training Industry**

#### **1.14.1 Description**

Conceptualisation of transformation of the education and training environment is grounded in capacitating trainers to be pathfinders in knowledge production. This is preceded by them acquiring the knowledge and skills that will ultimately be imparted to operational security officers, thus equipping them to know and comprehend the essence of rendering a professional value adding service to end-users. To achieve this end goal, trainers should conduct research and constantly interact with stakeholders in order to be abreast of developments in their respective fields and incorporate such developments in the training. It has to be acknowledged that education and training are two critical factors that could promote and advance redress and social transformation.

#### **1.14.2 Designated groups' participation**

Transformation of security trainers relates not only to the knowledge and skills that they should have, but the structural, political, economic, and social context within which such empowerment or skills transfer is taking place as well. That also encompasses the manner in which such training is



delivered, grounded on the understanding that a holistic approach to education and training will produce skilled and professional security officers, who will contribute to the transformation of the private security sector in particular, and social transformation in general. Recognising the value of transformation in the development of the entire human capital in the private security industry. The following are areas that, *inter alia*, must be addressed:

- The development of training standards in the private security industry to ensure that high standards of training are developed and implemented throughout the industry.
- There should be coordinated liaising with the South African Qualifications Authority (SAQA), Safety and Security Sector Education and Training Authority (SASSETA) and the Quality Council for Trades and Occupations (QCTO) on the development of qualifications within the private security industry.
- There should also be liaison with SAQA, SASSETA and the QCTO on the Education and Training Quality Assurance functions in respect of the security-related qualifications registered on the National Qualifications Framework (NQF).
- Ensure the registration of PSiRA as a Professional Body;
- Draft, review and if necessary, update the proposed skills programmes for all the categories or classes of security service providers.
- Consideration of recognition of prior learning (RPL) applications and the consideration of instructor applications.

## **1.15 Car Watch**

### **1.15.1 Description**

The PSiRA Act defines a security service as the protection or the safeguarding of a person or property thus encompassing the activities of car guards. In terms of the job specific categorisation, car guards fall under the guarding sector even though the majority of car guards are neither registered nor employed by any person. In the informal sector, there is no information on the number of car guards and security businesses that employ them as compared to the formal sector where there is statistical information on car guards and how they are salaried. In the informal sector, they do not have a set salary as they get whatever amount is given by the motorists.

### **1.15.2 Designated groups' participation**

- The majority of car guards are neither registered nor employed by any person.
- The car guards are compelled to pay the agent/employer or shopping centre a protection fee per day.
- The agent/business/protector is not registered with PSiRA.
- Most car guards are from a poor background, some have criminal records, so they will find it incredibly hard to secure formal employment.

## 1.16 Consulting and Advisory Services Industry

### 1.16.1 Description

Security consultants or advisors are independent people who are specialists in various private security areas and provide advice on various matters such as security risk assessments, security operations, security surveys, security training, security management, security plans, and information technology.

They provide advice that is in the best interests of the end-users and avoid conflict of interest by being independent security consultants not employed by or affiliated to businesses that sell the products that they are advising the end-users on.

### 1.16.2 Designated groups' participation

- This sector has 5 270 registered businesses with significant representation in all the provinces as per the PSiRA 2022/2023 Annual Report. Out of the 577 444 active security officers registered with PSiRA as per the PSiRA 2022/2023 Annual Report, (0.99%) were registered as security consultants/advisors.
- There is a critical need to transform consulting and advisory industry in terms of involvement of the previously disadvantaged individuals and women as currently there are a very few PDI's who are registered as providing this service.
- The industry relies on previous experience and knowledge of the consultant/advisor but there is no set training module specifically designed for the consultants/advisors so that there is some uniformity or set standards to be adhered to.

## 1.17 Labour Brokers

### 1.17.1 Description

Labour brokers make workers, (mainly in the guarding sector) available to third party clients that assigned them duties and supervise the execution of work. The business model of labour broking derives from a number of legislations.

In section 1(k), the PSIR Act defines the business model under the definition of a "security service" as "the making of a person or the services of a person available, whether directly or indirectly, for the rendering of a security service".

At the end of the month, the party (the would be "employee") would be provided with a remittance advice (not a salary advice) against which there would be deductions for things such as administration and rental fees for the use of working tools or equipment. This arrangement practically purports to

make an ordinary security guard into a self-employed person or independent contractor and thereby circumventing the application of labour laws.

#### **1.17.2 Designated groups' participation**

- In terms of the definition of a “security service” as per the PSIR Act and section 198 and 198A of the Labour Relations Act, 66 of 1995 as amended, Labour broking is a legally permissible business model.
- The business model is being abused through utilization of so-called “independent contractors” or “self-employed security guards.”
- Security businesses, including big businesses continues to seek to use this model. This is revealed by the PSiRA database.
- There are more businesses performing labour broking as an additional security service than those solely registered for this business model, according to the PSiRA database.
- The business model can be utilized to perform any form of security service in the industry.

The dynamics that point to a need to transform the industry in general apply with equal force to this business model as it is practised by every player, both big and small. It is subsumed in almost all of the sectors of the industry. Its exploitative nature and potential for such, exacerbates the situation of employee exploitation that characterises the industry. In addition to interim strict enforcement of the law it might seem more circumspect for PSiRA to consider legislative amendments that scrap this business model, although recognition for this sector will still be highlighted in labour law.

## **2. CHAPTER TWO: POLICY FRAMEWORK OF BROAD BASED BLACK ECONOMIC EMPOWERMENT**

### **2.1 SECTOR SPECIFIC PRINCIPLES**

The Private Security Industry has adopted the following sector specific principles that guided the formulation of the Private Security Charter and are to be applied with respect to the implementation thereof:

#### **2.1.1 B-BBEE is Broad-Based**

Sector Transformation needs to be broad-based both in terms of:

- 2.1.1.1 The spectrum of Black people (including women, workers, youth, people with disabilities, and those living in rural areas) that benefit from the transformation process; and
- 2.1.1.2 The set of instruments to be used to achieve the empowerment objectives (ownership, management control, human resources and skills development, employment equity, preferential procurement, enterprise development, social investment and other industry specific initiatives).

#### **2.1.2 B-BBEE is an Inclusive Process**

Sector transformation needs to be an inclusive process with the participation and commitment of all stakeholders in the sector, including all enterprises, whether large or small, both management and labour that operate within the sector, as well as community groups and relevant government departments that interface with the sector. Inclusiveness is required both in relation to the formulation of the PSSC and its implementation.

#### **2.1.3 B-BBEE and Economic Growth**

The scope and sustainability of B-BBEE will depend in large measure on growth in the sector and vice versa. Being exposed to global markets, the sector needs to maintain its competitiveness and profitability to secure long-term sustainable growth. Growth linked transformation needs to provide for the expansion of the country's limited resources, increased productivity, value-adding and SMME development in making B-BBEE work for the poor.

#### **2.1.4 B-BBEE and Partnerships**

The successful implementation of B-BBEE in the Private Security Sector requires partnerships at different levels:

- 2.1.4.1 Between different sub-sectors because of vertical integration and horizontal interdependence between different operators in the value chain.
- 2.1.4.2 Between large corporate and small-scale enterprises that operate in the sector: their joint effort is needed to deal successfully with many of the challenges facing the sector and to secure the transfer of skills and mentorship support to empower Black owned enterprises to be able to succeed and thrive in the competitive business environment.
- 2.1.4.3 Between the industry (with its managerial and technical skills as well as financial resources) and government (that contributes resources and controls the policy and regulatory environment in which the industry operates).
- 2.1.4.4 Between industry and local/rural communities: these communities should both benefit from B-BBEE and impact on the socio-economic context in which the private security enterprises operate.

### **2.1.5 B-BBEE and Good Governance**

Good governance must underpin B-BBEE.

All participants in the sector (management, labour, communities and government) need to adhere to the highest standards of good corporate governance to improve the quality and transparency of business in the sector.

Good governance includes:

- being compliant with legislation;
- following due process;
- applying fair labour practices;
- being socially responsible and applying environmentally sustainable business practices; and
- Fronting as a disguise for B-BBEE will not be acceptable and will be dealt with in accordance with the B-BBEE Act, as amended.

### **2.1.6 Shared Vision for the Industry**

All role players need to commit to a shared vision for the private security industry and seek win-win approaches to tackling the transformation challenges arising. This needs to be underpinned by a common understanding of the challenges facing the sector and its subsectors, and a commitment to implement the strategies and instruments for sustainable growth and broad-based empowerment throughout the forestry value chain. This Charter represents the sector stakeholders' shared vision for broad-based empowerment with growth for the Private Security Sector, namely:

- 2.1.6.1 An inclusive and equitable Private Security Sector in which Black women and men fully participate.
- 2.1.6.2 A Private Security Sector that is characterised by sustainable use of resources, sustainable growth, international competitiveness and profitability for all its participants.
- 2.1.6.3 A Private Security Sector that contributes meaningfully to poverty eradication, job creation, rural development and economic value-adding activities in the country.

### **2.1.7 Rural Development**

The Private Security Sector is uniquely positioned to address rural development issues. The industry therefore recognises its ability to have a meaningful impact on these communities and also black women within these communities that have traditionally been marginalised. This understanding should guide the manner within which Measured Entities in this sector targets and implements B-BBEE initiatives. It should also guide the development of sector specific initiatives within the Sector. As such some of the objectives of the Charter can be summarised as follows:

- 2.1.7.1 Bona Fide enterprise development that ensures that the main beneficiaries of enterprise development are previously disadvantaged Black People, with a specific focus on marginalised groups.
- 2.1.7.2 The promotion of a linkage between enterprise and supplier development initiatives and the socio-economic challenges in communities whose main economic activities are conducted in rural areas with a specific focus on building sustainable small business.
- 2.1.7.3 A focus on addressing the poor growth of Black women owned enterprises through addressing access to finance, business development support, prioritising marginalised and rural Black women and improving their position in the security value chain.
- 2.1.7.4 Addressing the structural issues of women and rural people enterprise and supplier development. In particular the issue of empowering women in private security should be addressed.
- 2.1.7.5 Promote the use of broad-based schemes such as cooperatives to prevent development initiatives (ownership, enterprise and supplier development) benefiting only a narrow base of beneficiaries.

### **2.1.8 Accountability**

- 2.1.8.1 The Charter contains various commitments from industry, government, labour and other stakeholders. The stakeholders are interdependent towards each other for the successful implementation of their respective obligations. More importantly, the participants to the sector recognise that the successful transformation of Black people in this sector is wholly dependent on these commitments being executed.

2.1.8.2 All stakeholders in the sector are therefore accountable for the commitments that they agreed to in terms of this Charter. Accountability means that there are consequences to non-performance on commitments. Given the fact that the B-BBEE scorecard is traditionally only an effective tool for incentivising performance of one participant to the sector, namely Industry – the stakeholders have agreed that this charter and its scorecard will incentivise performance from all stakeholders in the sector. Targets and Weightings in the scorecards have therefore been aligned to stakeholders' commitments in terms of the Charter.

### **3. CHAPTER 3: APPLICABILITY OF THE GENERIC CODES OF GOOD PRACTICE**

The private security stakeholders recognize the Generic Codes of Good Practice Government (Notice 55 in Government Gazette 37271 dated 27 January 2014) and aligned themselves with the principles as set out below.

#### **3.1 KEY PRINCIPLES**

- 3.1.1** The fundamental principle for measuring B-BBEE compliance is that substance takes precedence over legal form.
- 3.1.2** In interpreting the provisions of the Codes any reasonable interpretation consistent with the objectives of the B-BBEE Act as amended and the B-BBEE Strategy must take precedence.
- 3.1.3** The basis for measuring B-BBEE initiatives under the Codes is the B-BBEE compliance of the Measured Entity at the Date of Measurement.
- 3.1.4** Any misrepresentation or attempt to misrepresent a Measured Entity's true B-BBEE Status will be dealt with in accordance with the provisions as set out in the B-BBEE Act as amended and may lead to the disqualification of the entire scorecard of the entities concerned.
- 3.1.5** Initiatives which split, separate or divide a Measured Entity as a means of ensuring eligibility as an Exempted Micro-Enterprise, a Qualifying Small Enterprise or a Start-Up Enterprise may constitute an offence and will be dealt with in accordance with the provisions as set out in the B-BBEE Act, as amended.
- 3.1.6** Any representation made by an Entity about its B-BBEE compliance must be supported by suitable evidence or documentation. A Measured Entity that does not provide evidence or documentation supporting any initiative must not receive any recognition for that initiative.
- 3.1.7** Wherever a Standard Valuation Method applies to measuring an indicator, the same standard should apply, as far as reasonably possible, consistently in all other applicable calculations in this statement.

#### **3.2 APPLICATION OF THE CODES TO THE PRIVATE SECURITY INDUSTRY**

The following Entities are measurable under the Codes:

- 3.2.1.1** all Organs of State and Public Entities;



- 3.2.1.2 all Measured Entities that undertake any economic activity with all Organs of State and Public Entities; and
- 3.2.1.3 any other Measured Entity that undertakes any economic activity, whether direct or indirect, with any other Measured Entity that is subject to measurement under paragraph 3.2.1.1 and 3.2.1.2 which is seeking to establish its own B-BBEE compliance.
- 3.2.1.4 The basis for measuring the B-BBEE compliance of an Entity in terms of paragraph 3.2.1.1 and 3.2.1.2 is Paragraph 3.4 below in the case of an Exempted Micro Enterprise and the Generic Scorecard and QSE Scorecard, in the case of other Measured Entities.
- 3.2.1.5 A Measured Entity in a sector in respect of which a sector code has been issued in terms of Section 9 of the B-BBEE Act as amended, may only be measured for compliance in accordance with that code.

### **3.3 PRIORITY ELEMENTS, SUB-MINIMUM AND DISCOUNTING PRINCIPLE**

#### **3.3.1 The Priority Elements are as follows:**

**a) Ownership:**

The sub-minimum requirement for Ownership is 40% of Net Value (40% of the 8 points) based on the Time-Based Graduation Factor as provided in Annexe 100 (E).

**b) Skills Development:**

The sub-minimum requirement for Skills Development is 40% of the total weighting points for Skills Development.

**c) Enterprise and Supplier Development:**

The sub-minimum requirement for Enterprise and Supplier Development is 40% for each of the three categories, within the Enterprise and Supplier Development element, namely Preferential procurement; Supplier development and Enterprise development.

#### **3.3.2 Compliance to Priority Elements**

3.3.2.1 A Large Enterprise is required to comply with all the Priority Elements;

3.3.2.2 A Qualifying Small Enterprise is required to comply with Ownership as a compulsory element, and either Skills Development or Enterprise and Supplier Development.

#### **3.3.3 Discounting Principle Effect**

3.3.3.1 Non-compliance with the 40% sub-minimum requirements of any of the priority elements, as per paragraph 3.3.2 above, will result in the following outcomes for both Large Enterprises and Qualifying Small Enterprises:

3.3.3.1.1 The actual points scored by the Measured Entity and the consequent level that the Measured Entity would have achieved were it not for non-compliance with the 40% sub-minimum requirements will be recognised by the Verification Agency (“the Recognition Level”);

3.3.3.1.2 Notwithstanding the recognition in 3.3.3.1.1 above, the Measured Entity’s B-BBEE status level will be discounted by one level down until the next applicable verification period in which the Measured Entity can demonstrate compliance with the 40% sub-minimum requirements, at which point the Recorded Level will become the applicable rating level for that Measured Entity in that verification period.

3.3.3.2 The requirement to submit data to the Department of Labour under the Employment Equity Act 55 of 1998 is only applicable to ‘designated employers’ who employ 50 or more employees. However, for the purpose of measurement for both Generic and Qualifying Small Entities that employ less than 50 employees are required to submit sufficient evidence for verification purposes.

### **3.3.4 Eligibility as an Exempted Micro-Enterprise (EME)**

3.3.4.1 An Exempted Micro-Enterprise is deemed to have a B-BBEE Status of “Level Four Contributor” having a B-BBEE recognition level of 100% under paragraph.

3.3.4.2 Enhanced B-BBEE recognition level for an Exempted Micro-Enterprise:

3.3.4.2.1 Despite paragraph 3.3.4.1 an EME, which is 100% Black owned qualifies for elevation to “Level One Contributor” having a B-BBEE recognition level of 135%.

3.3.4.2.2 Despite paragraph 3.3.4.1 and 3.3.4.2.1, an EME which is at least 51% Black owned qualifies for elevation to “Level Two Contributor” having a B-BBEE recognition level of 125%.

3.3.4.2.3 Despite paragraphs 3.3.4.2.1 and 3.3.4.2.2 an EME is allowed to be measured in terms of the QSE scorecard should they wish to maximise their points and move to a higher B-BBEE recognition level.

3.3.4.3 An EME is only required to obtain a sworn affidavit on an annual basis, confirming the following:

3.3.4.3.1 Annual Total Revenue of R10 million or less; and

3.3.4.3.2 Level of Black ownership.

3.3.4.4 Any misrepresentation in terms of Paragraph 3.4.5 constitutes a criminal offence as set out in the B-BBEE Act as amended.

### **3.3.5 Eligibility as a Qualifying Small Enterprise (QSE)**

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3.3.5.1 A Measured Entity with an annual Total Revenue of between R10 million and R50 million qualifies as a Qualifying Small Enterprise.

3.3.5.2 A QSE must comply with all of the elements of B-BBEE for the purposes of measurement.

3.3.5.3 Enhanced B-BBEE recognition level for QSE:

3.3.5.4 A qualifying Small Enterprise which is 100% Black owned qualifies for a Level One B-BBEE recognition.

3.3.5.4.1 A QSE which is at least 51% Black owned qualifies for Level Two B-BBEE recognition level.

3.3.5.4.2 A QSE is only required to obtain a sworn affidavit on an annual basis, confirming the following:

- (i) Annual Total Revenue of R50 million or less; and
- (ii) Level of Black ownership.

3.3.5.5 Any misrepresentation in terms of Paragraph 3.5.3.3 above constitutes a criminal offence as set out in the B-BBEE Act, as amended.

### **3.4 START-UP ENTERPRISES**

A Start-up Enterprise must be measured as an Exempted Micro-Enterprise under this statement for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the Start-up Enterprise.

3.4.1 Start-up Enterprise is deemed to have the qualifying B-BBEE Status in accordance with the principles of paragraph 3.5 of this Statement.

3.4.2 In order to qualify as a Start-up Enterprise, the enterprise must provide an independent confirmation of its status in accordance with paragraph 3.4.3.5.4.2

3.4.3 Despite paragraph 3.4.1 and 3.4.2, a Start-up Enterprise must submit a QSE scorecard when tendering for any contract, or seeking any other economic activity covered by Section 10 of the Act, with a value higher than R10 million but less than R50 million. For contracts of R50 million or more they should submit the Generic scorecard. The preparation of such scorecards must use annualised data.

### **3.5 JOINT VENTURES**

3.1 The measurement of Unincorporated Joint Ventures will be done as follows:

3.1.1. 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 in accordance with paragraph 3.1.2 below as if those Measured Entities were a single Measured Entity.

3.1.2. 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 companies enter into an Unincorporated Joint

Venture their respective scores in terms of the relevant Code of Good Practice will be weighted according to their proportionate share in the joint venture and added together for a combined score out of 100.

- 3.1.2.1. Should a company qualify in terms of the Qualifying Small Enterprises Scorecard its B-BBEE score out of 100 must be used to calculate the consolidated score.
- 3.1.2.2. 51% Black Owned EMEs and 51% Black Owned QSEs will qualify for a score of 95 points while 100% Black Owned EMEs and 100% Black Owned QSEs will qualify for a score of 100 Points.
- 3.1.3. EME's other than those in paragraph 3.1.2.2 above will qualify for a score of 85 Points.
- 3.1.4. The JV B-BBEE Certificate is valid for 12 Months and only applicable to a specific Project.
- 3.1.5. Notwithstanding the B-BBEE Status Level attributed to the JV in terms of the above mechanism the black ownership of the respective partners may be flowed through to the JV in proportion to the respective JV partners' economic interest and voting rights in the JV as determined by the JV agreement.
- 3.1.6. If an incorporated joint venture is required to be formed after the commencement of a contract, the unincorporated joint venture scorecard will be applicable for the first year of the contract whereafter a scorecard will be required for the incorporated entity.

### **3.6 THE GENERIC SCORECARD**

- 3.6.1 The Ownership Element, as set out in Code series 100, measures effective ownership of entities by Black people.
- 3.6.2 The Management Control element, as set out in Code series 200, measures the effective control of entities by Black people.
- 3.6.3 The Skills Development element, as set out in Code series 300, measures the extent to which employers carry out initiatives designed to develop the competencies of Black employees and Black people internally and externally
- 3.6.4 The Enterprise and Supplier Development element, as set out in Code Series 400, measures the extent to which entities buy goods and services from Empowering Suppliers with strong B-BBEE recognition levels. This element also measures the extent to which enterprises carry out supplier development and enterprise development initiatives intended to assist and accelerate the growth and sustainability of black enterprises.
- 3.6.5 The Socio-Economic Development and Sector Specific Contributions element, as set out in Code series 500, measures the extent to which entities carry out initiatives that contribute towards Socio-Economic Development or Sector Specific initiatives that promote access to the economy for Black people.

### **3.7 THE B-BBEE GENERIC SCORECARD**

- 3.7.1 The following table represents the B-BBEE Generic Scorecard:

Element	Weighting	Code series reference
Ownership	25 points + 1 Bonus	PSI 100
Management Control	20 points	PSI 200
Skills Development	20 points +5 Bonus	PSI 300
Enterprise and Supplier Development	42 points + 7 Bonus	PSI 400
Socio-Economic Development	6 points + 1 Bonus	PSI 500

### 3.8 B-BBEE RECOGNITION LEVELS

3.8.1 Based on the overall performance of a Measured Entity using the Generic Scorecard and Qualifying Scorecard Enterprise Scorecard, the Measured Entity will receive one of the following B-BBEE Status uses with the corresponding B-BBEE recognition level:

BBBEE Status	Qualification	BBBEE Recognition level
Level One contributor	>100 points on the Generic Scorecard	135%
Level Two contributor	> 95 but <100 points on the Generic Scorecard	125%
Level Three Contributor	> 90 but <95 points on the Generic Scorecard	110%
Level Four Contributor	> 80 but <90 points on the Generic Scorecard	100%
Level Five Contributor	> 75 but <80 points on the Generic Scorecard	80%
Level Six Contributor	>.70 but <75 points on the Generic Scorecard	60%
Level Seven Contributor	>55 but <70 points on the Generic Scorecard	50%
Level Eight Contributor	> 40 but <55 points on the Generic Scorecard	10%
Noncompliant Contributor	-40% points on the Generic Scorecard	0%

### **3.9 ENHANCED RECOGNITION FOR CERTAIN CATEGORIES OF BLACK PEOPLE**

- 3.9.1 Throughout the Codes, various criteria appear which advance the interests of certain categories of Black people. These include:
- 3.9.1.1 Black women, should form between 40% and 50% of the beneficiaries of the relevant Elements of the Scorecard;
  - 3.9.1.2 Black people with disabilities, Black youth, Black people living in rural areas and Black unemployed people form part of the beneficiaries of the relevant Elements of the Scorecard.

### **3.10 DURATION OF THE B-BBEE CODES**

- 3.9.1. A Code remains in effect until amended, substituted or repealed under Section 9 of the Act.
- 3.9.2 The Minister of Trade, Industry and Competition may review the Codes at any stage, and regular reviews will take place to monitor the implementation of B-BBEE throughout the economy.

## **4. CHAPTER 4: BROAD BASED BLACK ECONOMIC EMPOWERMENT SCORECARD**

### **VISION**

*An effective, efficient and responsive private security sector which is an employer of choice, supports economic growth, protects lives and reflects the demographics of South Africa*

#### **4.1 OBJECTIVES OF THE PRIVATE SECURITY TRANSFORMATION CHARTER**

The objectives of this Charter are:

- (i) To promote rapid transformation of the ownership patterns in the private security industry to reflect the demographic composition of the population;
- (ii) To facilitate rapid employment growth through stimulating and supporting the expansion of the sector among Black owned firms;
- (iii) To stimulate and facilitate skills development and education provision among designated groups of Black people;
- (iv) To ensure that Black owned firms and those that employ designated groups benefit from preferential procurement policies;
- (v) To ensure that private security firms, whether owned by previously advantaged or owned by and employing designated groups plough back a percentage of their profits into corporate social responsibility programmes; and
- (vi) To ensure the entry into the industry of women and youth and rural people at all levels and sub-sectors of the industry so as to break the stranglehold of the industry by urban-based males.

#### **4.2 SCOPE OF APPLICATION**

- (a) Locksmiths
- (b) Assets-in-transit
- (c) Guarding and patrolling
- (d) Private investigation
- (e) Consulting and advisory services
- (f) Labour broking
- (g) In-house security

- (h) Reaction response
- (i) Equipment installers, manufacturers and importers of security equipment
- (j) Special Events security services
- (k) Security staff training
- (l) Close protection
- (m) Car Watch

### **4.3 GENERAL**

Ownership and Control of Private Security businesses is still very much the preserve of previously advantaged groups. Previously disadvantaged Individuals (PDI's) find it very difficult to have meaningful participation in terms of ownership and control in this highly competitive market.

The security businesses owned by previously disadvantaged individuals find it difficult to compete with big security businesses and the unregistered ones who undercut prices. This is also compounded by end-users who, in many instances stipulate bidding requirements that are unreasonable or exclusionary in nature, for example; that a security business should have been in existence for a stipulated number of years, must be registered with a particular association and that the security businesses must have a certain amount of money in the bank, and so on. Such practices perpetuate the dominance of the big players in the industry. There is also a perception of nepotism, corruption, collusion and unfair competition with government tenders. This results in tenders being awarded on the basis of "who you know" rather than merit. Big security businesses are reluctant to partner with emerging smaller security businesses in order to empower them and share a slice of the market.

There is also lack of empowerment in the other specialist areas. The previously disadvantaged individuals do not have the resources, requisite skills and knowledge to offer specialist market segments and this has resulted in the flooding of the manned guarding sector.

The big security businesses are collaborating and merging amongst themselves and this stifle and threatens the viability of small security businesses that are owned by the previously disadvantaged individuals.



**PSI CODE SERIES 100: MEASUREMENT OF THE OWNERSHIP ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

STATEMENT PSI 100: THE GENERAL PRINCIPLES FOR MEASURING OWNERSHIP

**Objectives of this statement**

1. The objectives of this statement are to:
  - 1.1. Specify the scorecard for measuring the Ownership Element of Broad- Based Black Economic Empowerment (B-BBEE);
  - 1.2. Define the key measurement principles associated with the Ownership Element of B-BBEE;
  - 1.3. Specify the specific measurement principles applicable to various types of Entities;
  - 1.4. Specify the specific measurement principles applicable to various types of Equity Instruments;
  - 1.5. Specify the formula for measuring Voting Rights, Economic Interest and Realisation Points.
  
2. The Ownership Scorecard

The following table represents the indicators and method for calculating a score for ownership under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target	Multinational Businesses	Foreign Owned Businesses
<b>2.1 Voting Rights</b>	2.1.1 Exercisable Voting Rights in the Enterprise in the hands of black people	4	25.%+1 Vote	30%	51%
	2.1.2 Exercisable Voting Rights in the Enterprise in the hands of black Women	2	10%	10%	10%
<b>2.2 Economic Interest</b>	2.2.1 Economic Interest of black people in the Enterprise	4	25%	30%	51%
	2.2.2 Economic Interest of black Women in the Enterprise	2	10%	10%	10%
	2.2.3 Economic Interest of any of the following Black natural people in the Measured Entity: 2.2.3.1 Black Designated Groups (Youth, Unemployed, Rural Living, Disabled, Military Veterans) 2.2.3.2 Black Participants in Employee Share Ownership Programmes; 2.2.3.3 Black people in Broad-based Ownership Schemes; 2.2.3.4 Black participants in Co-	3	3%	3%	3%

	operatives				
	2.2.4 Involvement in the ownership of the Enterprise of black new entrants	2	2%	2%	2%
<b>2.3 Realisation Points</b>	2.3.1 Net Equity Value	8	25%	30%	51%
<b>2.4 Bonus</b>	2.4.1 Economic interest for Black people with disabilities over and above the above	1	1%	1%	1%

### 3. Key Principles

#### 3.1. General Principles:

- 3.1.1. An Entity receives points for participation by black people in its rights of ownership, using the ownership scorecard in paragraph 2. Black people may hold their rights of ownership in a Measured Entity as direct Participants or as Participants through some form of Entity such as:
- 3.1.1.1. A Company as defined in the Companies Act of 2008 (as amended)
  - 3.1.1.2. A Close Corporation:
  - 3.1.1.3. A Co-operative:
  - 3.1.1.4. A partnership or other association of natural persons:
  - 3.1.1.5. A Broad-Based Ownership Scheme:
  - 3.1.1.6. A Trust
  - 3.1.1.7. An Employee Share Ownership Programme; and
  - 3.1.1.8. Any form of juristic person recognised under South African law.

#### 3.2. Subminimum requirements

- 3.2.1. A Measured Entity is required to achieve a minimum of 40% on Net Value points (i.e. 40% of 8 points) based on Annexure 100 (E).
- 3.2.2. Non-compliance with this sub-minimum target, as per paragraph 3.2.1 will result in the achieved B-BBEE status level being discounted in accordance with the discounting principle that is contained in paragraph 3.3 in Statement 000 of Amended Code Series 000 as published in Government Gazette No. 42496 dated 31 May 2019.

#### 3.3. Flow-Through Principle

- 3.3.1. As a general principle, when measuring the rights of ownership of any category of black people in a Measured Entity, only rights held by natural persons are relevant. If the rights of ownership of black people pass through a juristic person, then the rights of ownership of black people in that juristic person are measurable. This principle applies across every tier of ownership in a multi-tiered chain of ownership until that chain ends with a black person holding rights of ownership.
- 3.3.2. The method of applying the Flow-Through Principle across one or more intervening juristic persons is as follows:
- 3.3.2.1. Multiply the percentage of the Participant's rights of ownership in the juristic persons through which those rights pass by the percentage rights of

ownership of each of those juristic persons successively to the Measured Entity; and

3.3.2.2. The result of this calculation represents the percentage of rights of ownership held by the Participant.

**3.4. Modified Flow-Through Principle:**

- 3.4.1. A Measured Entity applying this Modified Flow-Through Principle cannot benefit from the Exclusion Principle
- 3.4.2. The Modified Flow-Through Principle applies to B-BBEE owned or controlled company in the ownership of the Measured Entity.
- 3.4.3. In calculating Exercisable Voting Rights under paragraph 2.1.1, and Economic Interest under paragraph 2.2.1 of the Ownership scorecard the following applies:
  - 3.4.3.1. Where in the chain of ownership, black people have a flow-through level of participation of at least 51%, and then only once in the entire ownership structure of the Measured Entity, such black participation may be treated as if it were 100% Black.
- 3.4.4. The Modified Flow-Through Principle may only be applied in the calculation of the indicators in paragraphs 2.1.1 and 2.2.1 of the ownership scorecard. In all other instances, the Flow-Through Principle applies.

**3.5. The Exclusion of specified entities when determining ownership:**

- 3.5.1. When determining ownership in a Measured Entity, ownership held by Organs of State or Public Entities must be excluded.
- 3.5.2. Exclusion of ownership held by Organs of State or Public Entities is to be affected before any other ownership discounting methods are to be applied.
- 3.5.3. In calculating their Ownership score, Measured Entities must apply the Exclusion Principle to any portion of their Ownership held by Organs of State or Public Entities.

**3.6. B-BBEE Facilitator Status**

- 3.6.1. Despite paragraph 3.5.1 and 3.5.3, the Minister of Trade and Industry may by notice in the gazette, designate certain Organs of State or Public Entities as B-BBEE Facilitators. In calculating their Ownership score, Measured Entities must treat B-BBEE Facilitators as having rights of Ownership held:
  - 3.6.1.1. 100% by Black People;
  - 3.6.1.2. 40% by Black Women;
  - 3.6.1.3. 20% by Black Designated Groups;
  - 3.6.1.4. Without any acquisition of debts; and
  - 3.6.1.5. Without any third-party rights.

**3.7. Mandated investments**

- 3.7.1. When determining ownership in a Measured Entity, rights of ownership of Mandated Investments may be excluded.
- 3.7.2. The maximum percentage of the ownership of any Measured Entity that may be so excluded is 40%.
- 3.7.3. A Measured Entity electing not to exclude Mandated Investments when it is entitled to do so, may either treat all of that ownership as non-black or obtain a competent person's report estimating the extent of black rights of ownership measurable in the Measured Entity and originating from that Mandated Investment.
- 3.7.4. A Measured Entity cannot selectively include or exclude Mandated Investments and therefore an election to exclude one Mandated Investment is an election to exclude all Mandated Investments and vice versa.

- 3.7.5. A Measured Entity applying the Exclusion Principle to Mandated Investments cannot benefit from the Modified Flow-Through Principle.

**3.8. Recognition of ownership after the sale or loss of shares by Black Participants:**

- 3.8.1. A Measured Entity is allowed to recognise a portion of Black Ownership after a Black participant has exited through the sale or loss of shares subject to the following criteria:
- 3.8.1.1. The Black participant has held shares for a minimum period of 3 years;
  - 3.8.1.2. Net Value based on the Time Based Graduation Factor as per Annexure 100 (E) as amended from time to time must have been created in the hands of Black people; and
  - 3.8.1.3. Transformation has taken place within the Measured Entity using the B-BBEE Recognition Level from the period of entry of Black participants to the exiting period
- 3.8.2. Black participation arising from continued recognition of Black ownership cannot contribute more than 40% of the score on the Ownership Scorecard.
- 3.8.3. In the case of a sale or loss of shares by the Black participant, the following additional rules apply:
- 3.8.3.1. A written tripartite agreement between the Measured Entity, the Black participant and a lender must record the loan or security arrangement, unless the Measured Entity is the lender; and
  - 3.8.3.2. The period over which the continued recognition points are allocated or recognised after the sale or loss of shares will not exceed the period over which the shares were held.
- 3.8.4. The Ownership points under this paragraph that are attributable to the Measured Entity will be calculated by multiplying the following elements;
- 3.8.4.1. The value created in the hands of Black participants as a percentage of the total value of the Black participants' shareholding in the Measured Entity at the date of sale or loss of shares as a percentage of Measured Entity's value;
  - 3.8.4.2. The B-BBEE status of the Measured Entity based on the scorecard at the date of measurement; and
  - 3.8.4.3. The Ownership points that was attributable to the Measured Entity on the date of sale or loss of shares.

**3.9. Broad-Based Ownership Schemes and Employee Share Ownership Programmes**

- 3.9.1. Black Participants in Broad-Based Ownership Schemes and Employee Share Ownership Programmes holding rights of Ownership in a Measured Entity may contribute:
- 3.9.1.1. A maximum of 40% of the total points on the Ownership scorecard of the Measured Entity if they meet the qualification criteria set out in Annexure 100 (B) and Annexure 100 (C) as amended from time to time.
  - 3.9.1.2. 100% of the total points on the Ownership scorecard of the Measured Entity if they meet the additional qualification criteria set out in Annexure 100(B) and Annexure 100(C) as amended from time to time.

**3.10. Private Equity Funds**

- 3.10.1. A Measured Entity may treat any of its Ownership arising from a Private Equity Fund as if that Ownership were held by Black people, where the Private Equity Fund meets the following criteria:
- 3.10.1.1. At least 51% of any of the Private Equity Manager's Exercisable Voting Rights associated with the Equity Instruments through which the Private Equity Fund holds rights of Ownership, must be held by black people;

- 3.10.1.2. At least 51% of any of the Private Equity Manager's Exercisable Voting Rights associated with the Equity Instruments through which the Private Equity Fund holds rights of Ownership, must be held by black people;
- 3.10.1.3. At least 51% of profits made by the Private Equity Fund Manager after realising any investment made by it, must by written agreement, accrue to Black people;
- 3.10.2. The term profit in this instance is deemed as profit from the operations of the Private Equity Fund Manager and the carried interest that the Private Equity Fund Manager (and/or its associated entities, provided that at least 51% of the profits of the associated entities accrue to the Private Equity Fund Manager) receives after realising any investment made by it;
- 3.10.3. The Private Equity Fund Manager must be a B-BBEE Owned Company as defined;
- 3.10.4. The Private Equity Fund Manager must seek to invest at least 51% of the value of funds under management in companies that have at least a 25% direct Black shareholding using the Flow-Through Principle.
- 3.10.5. The Private Equity Fund Manager can facilitate direct Black shareholding at the time of entering into the transaction should the target company not meet the requirement of at least 25% Black shareholding at the time that the transaction is concluded;
- 3.10.6. This determination will be made at each measurement date and the status given to the Private Equity Fund Manager will be applicable for a period of 12 months;
- 3.10.7. In recognition of the fact that it is currently a challenge for Private Equity Fund Managers to find companies to invest in that already have a significant Black shareholding, in practice it should be allowed to achieve the 51% target over a period of time based on the formulation detailed below. (It must be noted that this formulation is in line with that of the Net Value calculation). This rule will apply to all investments made after the effective date of 11 October 2014. The commencement date is later of 11 October 2014 and the date of establishment of a new fund.
- 3.10.8. Within one year from the commencement date, more than 5% of the value of funds invested by the Private Equity Fund must at all times be invested in enterprises that have at least 25% direct Black shareholding;
- 3.10.9. Within two years from the commencement date, more than 10% of the value of funds invested by the Private Equity Fund must at all times be invested in enterprises that have at least 25% direct Black shareholding;
- 3.10.10. From the first day of the third year to the last day of the fourth year from the commencement date, more than 20% of the value of funds invested by the Private Equity Fund must at all times be invested in enterprises that have at least 25% direct Black shareholding;
- 3.10.11. From the first day of the fifth year to the last day of the sixth year from the commencement date, more than 30% of the value of the funds invested by the Private Equity Fund must at all times be invested in enterprises that have at least 25% direct Black shareholding;
- 3.10.12. From the first of the seventh year to the last day of the eighth year from the commencement date, more than 40% of the value of the funds invested by the Private Equity Fund must at all times be invested in the enterprises that have at least 25% direct Black shareholding;
- 3.10.13. From the first day of the ninth year and beyond, at least 51% of the value of the funds invested by the Private Equity Fund must at all times be invested in enterprises that have at least 25% direct Black shareholding;
- 3.10.14. It should be noted that the measurement of at least 51% of the value of funds invested by any Private Equity Fund that must be invested in enterprises with at

least 25% direct Black shareholding is to be measured with reference to the cost of the investment made by the Private Equity Fund;

3.10.15. In the case of Private Equity Funds that were fully invested prior to the effective date of this 11 October 2014, investments by the fund managers will be considered as being made by Black people if the Private Equity Fund Management entities meet the following criteria:

3.10.15.1. At least 51% of any of the Private Equity Fund Manager's Exercisable Voting Rights associated with the Equity Instruments through which the Private Equity Fund holds rights of ownership in a Measured Entity, must be held by Black people;

3.10.15.2. At least 51% of the profits accruing to the Private Equity Fund Manager after realizing any investment made by it, must by written agreement, accrue to Black people; and

3.10.15.3. Private Equity Fund Manager must be a B-BBEE owned company.

### **3.11. Section 21 companies and companies limited by guarantee**

3.11.1. A Measured Entity may elect to include or exclude Section 21 or Companies Limited by Guarantee for the purposes of measuring ownership in terms of this statement;

3.11.2. A Section 21 or Company Limited by Guarantee that houses a Broad-Based Ownership Scheme or an Employee Share Ownership Programme is subject to the provisions governing those types of schemes and not to this paragraph.

3.11.3. When a Measured Entity elects to exclude such companies, it can do so by excluding up to 40% of the level of their ownership completely from the determination of its compliance with the ownership target.

3.11.4. A Measured Entity electing not to exclude NPCs or Companies Limited by Guarantee when it is entitled to do so, may either treat all of that ownership as non-black or obtain a competent person's report estimating the extent of black rights of ownership measurable in the Measured Entity and originating from those Section 21 companies or Companies Limited by Guarantee.

3.11.5. Black Participants in an NPC holding rights of ownership in a Measured Entity may contribute:

3.11.5.1. 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 as set out in Annexure 100(B) and Annexure 100(C) respectively

3.11.5.2. 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 as set out in Annexure 100(B) and Annexure 100 (C) respectively.

### **3.12. Trusts**

3.12.1. Black participants in a Trust holding rights of Ownership in a Measured Entity may contribute:

3.12.1.1. a maximum of 40% of the total points on the Ownership scorecard of the Measured Entity if the trust meets the qualification criteria for Trusts set out in Annexure 100 (D).

3.12.1.2. 100% of the total points on the Ownership scorecard of the Measured Entity if the Trust meets the additional qualification criteria set out for Trusts in Annexure 100(D).

### **3.13. Options and Share Warrants**

- 3.13.1. Exercisable Voting Rights and Economic Interest will be recognised where a participant holds an instrument granting the holder the right to acquire an Equity Instrument or part thereof at a future date, if the following requirements are met
- 3.13.2. The Exercisable Voting Rights attached to that instrument are irrevocably transferred to the holder for the option period and are exercisable by the holder before acquiring the Equity Instrument;
- 3.13.3. The value of any Economic Interest is irrevocably transferred to the holder for the option period and paid to the holder of that instrument before the exercise of that right; and
- 3.13.4. The value of the instrument must be determined by using a Standard Valuation Method for calculating the Net Value.

**3.14. Equity Instruments carrying Preference Rights**

- 3.14.1. An Equity Instrument carrying Preferential Rights is measurable in the same manner as an ordinary Equity Instrument
- 3.14.2. An Equity Instrument carrying Preferential Rights that has the characteristics of a debt, regardless of whether the debt is that of an Entity or of a participant, must be treated as an ordinary loan. If the debt is that of a Black Participant, it may be subject to measurement under Net Value
- 3.14.3. In evaluating an instrument that has a hybrid nature including the characteristics of a debt, only that portion that represents a debt, will be measured under current Equity Interest. The remainder is measurable as an ordinary Equity Instrument.

For Annexures refer to Government Gazette No. 36928 dated 11 October 2023

Annexure 100 (A) - Examples of Mandated Investments

Annexure 100 (B) – Rules for Broad-Based Ownership Schemes

Annexure 100 (C) – Rules for Employee Share Ownership Programmes

Annexure 100 (D) – Rules for Trusts

Annexure (100 (E) – Measurement and Calculations

**PSI CODE SERIES 200: MEASUREMENT OF THE MANAGEMENT CONTROL ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

**STATEMENT PSI 200: THE GENERAL PRINCIPLES FOR MEASURING MANAGEMENT CONTROL**

**1. Objectives of this statement**

The objectives of this statement are to:

- 1.1. Specify the scorecard for measuring the Management Control contributions to B-BBEE;
- 1.2. Define the key measurement principles for measuring the contributions; and Management Control Element of 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 under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>2.1. Board Participation</b>	2.1.1. Exercisable voting rights of black board members as a percentage of all board members	2	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 persons who are 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%
<b>2.2. Other Executive Management</b>	2.2.1. Black Other Executive Management as a percentage of all Other Executive Management	2	60%
	2.2.2. Black female Other Executive Management as a percentage of all Other Executive Management	1	30%
<b>2.3. Senior Management</b>	2.3.1. Black Employees in Senior Management as a percentage of all Senior Management	2	60%
	2.3.2. Black female Employees in Senior Management as a percentage of all Senior Management	1	30%
<b>2.4. Middle Management</b>	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%
<b>2.5. Junior Management</b>	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%
<b>2.6. Disabled</b>	2.6.1. Black Employees with disabilities as a percentage of all employees	2	2%
<b>2.7. Black youth</b>	2.7.1. Black Employees that are “youth” as defined by the National Youth Commission Act of 1996 as a percentage of all employees	1	40%

2.8. The compliance target for 2.3, 2.4, 2.5 and 2.7 of the Management Control Scorecard are based on the overall demographic representation of Black People as defined in the regulations of the



Employment Equity Act and the Commission on Employment Equity Report as amended from time to time.

- 2.9. In determining a Measured Entity's score, the target should be further broken down into specific criteria according to the different race sub- groups within the definition of Black in accordance with the Employment Equity Act on equitable representation weighted accordingly.

### **3. Key Measurement principles**

- 3.1. A Measured Entity receives points by meeting the targets for participation of Black People and Black Women at Board, Executive Management, Senior Management, Middle Management, Junior Management levels, Black employees with disabilities and bonus points for **employing Black youth.**
- 3.2. A Measured Entity must use the current payroll data in calculating its score under the Management Control Scorecard
- 3.3. A Measured Entity that does not distinguish between Other Executive Management and Senior Management, then Executive Management is measurable as a single indicator with a weighting of 6 points under paragraph 2.2.1 and 2.2.2 split as 4 and 2 point respectively.

### **3.4. General Principles**

- 3.4.1. Executive Management position include the following – Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other Executive Managers that serve on the Board of Directors.
- 3.4.2. Other Executive Management positions include all executive management that do not serve on the board, such as human resource executive, transformation executive and other people holding similar positions.

4. **The criteria in the management control scorecard is measured in terms of the formula A, B and C as is set out in Annexure 200 (A) of Government Gazette No. 38765 dated May 2015 as amended from time to time.**

**PSI CODE SERIES PSI300: MEASUREMENT OF THE SKILLS DEVELOPMENT ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

STATEMENT PSI300: THE GENERAL PRINCIPLES FOR MEASURING SKILLS DEVELOPMENT

**1. OBJECTIVES OF THIS STATEMENT**

- 1.1. Specify the scorecard for measuring the Skills Development Element of B-BBEE;
- 1.2. Define the key measurement principles associated with the Skills Development Element; and
- 1.3. Indicate the formula for measuring the Skills Development Element.

**2. THE SKILLS DEVELOPMENT ELEMENT SCORECARD**

2.1. The following table represents the criteria used for deriving a score for Skills Development under this Statement:

Sub-Element	Indicator	All Other subsectors		Equipment Manufacturers and Importers		Training	
		Weighting Points	Compliance Target	Weighting Points	Compliance Target	Weighting Points	Compliance Target
2.1.1. Skills Development Expenditure	2.1.1.1. Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviaible Amount	6	3.50%	4	2.50%	5	3.50%
	2.1.1.2. Skills Development Expenditure on Bursaries for Black Students at Higher Education Institutions	4	2.50%	3	2.00%	3	2.50%
	2.1.1.3. Skills Development Expenditure on Training programmes that capacitate black people to be able to manufacture and repair security equipment.	N/A	N/A	3	1.50%	N/A	N/A
	2.1.1.4. Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviaible Amount	2	0.30%	2	0.30%	2	0.30%

	2.1.1.5. Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black women with disabilities as a percentage of Leivable Amount	2	0.30%	2	0.30%	2	0.30%
2.1.2. Access to Training Facilities	2.1.2.1. Access to training facilities (e. shooting ranges) provided to Black Owned Training Providers to conduct training	N/A	N/A	N/A	N/A	2	1% of the NPAT
2.1.3. Learnerships, apprenticeships and internships	2.1.3.1. Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	6	5%	6	5%	6	5%
2.1.4. Bonus Points	2.1.4.1. Exceeding the targets for Skills development expenditure on Learning Programmes specified in the Learning Programme Matrix for Black women.	1	1%	1	1%	1	1%
	2.1.4.2. Skills development Expenditure on Black Car Guards on Learning Programme Matrix as a percentage of Leivable Amount	1	0.30%	1	0.30%	1	0.30%
	2.1.4.3. Number of black people absorbed by the Measured Entity and Industry Entity at the end of the Learnerships programme	3	100%	3	100%	3	100%

2.2. The compliance targets for 2.1.1.1, 2.1.1.2 and 2.1.3.1 of the Skills Development scorecard are based on the overall demographic representation of black people as defined in the Regulations of the Employment Equity Act and Commission of Employment Equity Report as amended from time to time.

2.3. In determining a Measured Entity's score, the targets should be further broken down into specific criteria according to the different race sub-groups within the definition of black in accordance with the Regulations of Employment Equity Act and Commission of Employment Equity Report requirements on equitable representation and weighted accordingly.

### 3. Key Measurement Principles

3.1. The following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development Element scorecard:

3.1.1. Workplace Skills Plan, an Annual Training Report and Pivotal Report which are SETA approved; and

3.1.2. Implementation of Priority Skills programme generally, and more specifically for black people.

- 3.2. The 3.5 % compliance target under paragraph 2.1.1.1 includes external training expenditure for unemployed black people.
- 3.3. Initiatives implemented under paragraph 2.1.1.1 cannot be counted under paragraph 2.1.1.2 and vice versa.
- 3.4. A trainee tracking tool has to be developed in order for the Measured Entity to score under paragraph 2.1.3.
- 3.5. If less than 100% of the trainees are absorbed under paragraph 2.1.3, the percentage achieved or absorbed will be recognised.

#### **4. Subminimum and Discounting Principle**

- 4.1. A Measured Entity must achieve a minimum of 40% of the total weighting points excluding bonus points (40% of the 20 points) set out in the Skills Development Element.
- 4.2. Non-compliance to the threshold targets will result in the overall achieved B-BBEE status level being discounted in accordance in paragraph 3.4 of Statement 000.

#### **5. General Principles**

- 5.1.1. Skills Development must contribute to the achievement of the country's economic growth and social development goals that will enrich the creation of decent work and sustainable livelihoods.
- 5.1.2. Promote the development of an industrial skills base in critical sectors of production and value-added manufacturing, which are largely labour-intensive industries.
- 5.1.3. Support 'Professional, Vocational, Technical and Academic Learning programmes, achieved by means of professional placements, work integrated learning, apprenticeships, learnerships and internships, that meet the critical needs for economic growth and development.
- 5.1.4. Strengthen the skills and human resource base by encouraging the support of skills development initiatives with an emphasis on skills development and career pathing for all working people in order to support employment creation.
- 5.2. Skills Development Expenditure includes any legitimate expenses incurred for any Learning Programme offered by a Measured Entity to black people evidenced by an invoice or appropriate internal accounting record.
- 5.3. Skills Development Expenditure arising from Informal and workplace Learning Programmes, or from Category F and G Learning Programmes under the Learning Programmes Matrix cannot represent more than 25% of the total value of Skills Development Expenditure.
- 5.4. Legitimate training costs such as accommodation, catering, travelling and the cost to the Measured Entity of employing a Skills Development facilitator or a training manager (non-exhaustive) cannot exceed more than 15% of the total value of Skills Development Expenditure. This does not apply to Skills Development Expenditure recognised in paragraph 2.1.1.2.
- 5.5. Salaries or wages paid to an employee participating as a learner in any Learning Programme constitute Skills Development Expenditure if the Learning Programme is a Learnership, Internship and Apprenticeship (Category B, C and D) of the Learning Programme Matrix or a stipend linked to a bursary programme in terms of paragraph 2.1.1.2.
- 5.6. Expenses on scholarships and bursaries for black people do not constitute Skills Development Expenditure if the Measured Entity can recover any portion of those expenses from the employee or if the grant of the scholarship or bursary is conditional. A bursary or scholarship scheme is a grant made to or for students who are registered at educational institutions established by or registered with the Department of Basic Education or the Department of Higher Education & Training. Examples of legitimate training costs for a bursary or scholarship includes: payment of school, college or university fees, or a portion thereof; funding for textbooks or other learning materials; funding for subsistence or accommodation during the period of study. Despite the afore going, if the right of recovery or the condition involves either of the following obligations of the employee, the expenses are recognisable:
  - 5.6.1. the obligation of successful completion in their studies within the time period allocated; or

- 5.6.2. the obligation of continued employment by the Measured Entity for a period following successful completion of their studies is not more than the period of their studies.
- 5.7. Mandatory sectoral training does not qualify as skills development contribution i.e. health and safety in construction sector (non-exhaustive list)
- 5.8. Training outside the country in line with the Learning Programme Matrix under annexure 300 (A) is measurable if it meets the South African Qualification Authority requirement for recognition.

## **6. LEGITIMATE RECOGNISABLE TRAINING EXPENSES**

- 6.1.1. costs of training materials;
- 6.1.2. costs of trainers;
- 6.1.3. costs of training facilities including costs of catering;
- 6.1.4. scholarships and bursaries;
- 6.1.5. course fees;
- 6.1.6. accommodation and travel; and
- 6.1.7. Administration costs such as the organization of training including, where appropriate, the cost to the Measured Entity of employing a Skills Development facilitator or a training manager.

## **7. MEASUREMENT OF SKILLS DEVELOPMENT INDICATORS**

The formula that explains the method of measurement of the criteria in the skills development scorecard is set out in Formula "A" in Annexure 300(B) of Gazette number 42496 of 31 May 2019.

**PSI CODE SERIES 400: MEASUREMENT OF THE PROCUREMENT ENTERPRISE AND SUPPLIER DEVELOPMENT ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

STATEMENT PSI 400: THE GENERAL PRINCIPLES FOR MEASURING PROCUREMENT ENTERPRISE AND SUPPLIER DEVELOPMENT

**Objectives of this statement**

- 1.1. Specify the scorecard for measuring Enterprise and Supplier Development;
- 1.2. The key measurement principles applicable to calculating Preferential Procurement contributions to B-BBEE and Qualifying Enterprise and Supplier Development Contributions;
- 1.3. Principles applicable when calculating B-BBEE Procurement Spend and Enterprise and Supplier Development Spend; and
- 1.4. The formula for calculating the individual criteria specified in the Enterprise and Supplier Development scorecard as defined in the PSI Sector Code.

**2. Amended Enterprise and Supplier Development Scorecard**

The following table represents the criteria for deriving a score for Enterprise and Supplier Development Scorecard

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>2.1. Preferential Procurement</b>	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	4	80%
	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	3	15%
	2.1.3. B-BBEE Procurement Spend from Exempted Micro-Enterprise suppliers based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15%
	2.1.4. B-BBEE Procurement Spend from all 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	10	50%
	2.1.5. B-BBEE Procurement Spend from all 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	4	12%
	2.1.6. Joint ventures with entities that are at least 51% Black Owned EMEs or QSEs entities operating in the Private Security Industry with beneficiary getting at least 30% of the profits; OR subcontracting at least 30% of the contract value to entities that are at least 51% Black Owned EMEs or QSEs entities operating in the Private Security Industry.	2	Yes

<b>Bonus Points</b>	B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned based on the B-BBEE Recognition Level	2	2%
	Joint ventures with entities that are 100% Black Owned start-up enterprises operating in the Private Security Industry with beneficiary getting at least 30% of the profits; OR subcontracting at least 30% of the contract value to entities that are 100% Black Owned start-up enterprises operating in the Private Security Industry.	1	Yes
	Joint ventures with entities that are 100% Black Owned EMEs or QSEs entities operating in the Private Security Industry that are located in the community in which the contract has been awarded with beneficiary getting at least 30% of the profits; OR subcontracting at least 30% of the contract value to entities that are at least 51% Black Owned EMEs or QSEs entities operating in the Private Security Industry that are located in the community in which the contract has been awarded.	1	Yes
<b>2.2. Supplier Development</b>	2.2.1. Annual value of all Qualifying Supplier Development Contributions made by the Measured Entity as a percentage of the target	10	2 % of NPAT
<b>2.3. Enterprise Development</b>	2.3.1. Annual value of Enterprise Development Contributions made by the Measured Entity to companies operating in the private security industry as a percentage of the target	3	1% of NPAT
	2.3.2. Annual value of Enterprise Development Contributions made by the Measured Entity to companies operating in the private security industry going towards acquisition or leasing of assets as a percentage of the target	2	0.5% of the NPAT
<b>2.4. Bonus Points</b>	2.4.1. Annual value of Enterprise Development or Supplier Development Contributions made by the Measured Entity to companies operating in the private security industry included in 2.3.1 and 2.3.2 that are start-up enterprises as a percentage of the target	1	1% of the NPAT
	2.4.2. Graduation from Enterprise Development to Supplier Development	1	Yes
	2.4.3. Job creation as a result of enterprise development or Supplier development	1	Yes

### 3. Key Measurement Principles

3.1. The Enterprise and Supplier Development consist of,

- 3.1.1. Preferential Procurement;
- 3.1.2. Enterprise Development; and
- 3.1.3. Supplier Development.

3.2. Enterprise and Supplier Development Enterprise and Supplier development Contributions will be recognised as a percentage of the Net Profit After Tax (NPAT)

3.2.1. The Net Profit After Tax (NPAT) or average target applies unless:

- 3.2.1.1. the company does not make a profit last year or on average over the last five years
- 3.2.1.2. the net profit margin is less than a quarter of the norm in the industry
- 3.2.1.3. If the Turnover is to be used, the target will be set at:
- 3.2.1.4.  $1\% \text{ or } 0.5\% \text{ or } 2\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$

### 3.3. Sub-Minimum and Discounting Principle

- 3.3.1. A Measured Entity must achieve a minimum of 40% of the total weighting points for each of the three categories, excluding bonus points, within the Enterprise and Supplier Development element, namely preferential procurement (40% of the 25 points); Supplier Development (40% of the 10 points) and Enterprise Development (40% of the 5 points).
- 3.3.2. Non-compliance to one or more of the threshold targets as per paragraph 3.3.1 above will result in the overall achieved B-BBEE status level being discounted.
- 3.3.3. An Empowering Supplier within a context of B-BBEE is a B-BBEE compliant entity, which is a good citizen South African entity, comply with all regulatory requirements of the country and should meet at least three if it is a large enterprise or one if it is a QSE of the following criteria:
- (a) At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local supplier in SA, for service industry labour cost are included but capped to 15%.
  - (b) Job creation – 50% of jobs created are for Black people provided that the number of Black employees since the immediate prior verified B-BBEE Measurement is maintained.
  - (c) At least 25% transformation of raw material/beneficiation which include local manufacturing, production and/or assembly, and/or packaging.
  - (d) Skills transfer - at least spend 12 days per annum of productivity deployed in assisting Black EMEs and QSEs beneficiaries to increase their operation or financial capacity.
  - (e) At least 85% of labour costs should be paid to South African employees by service industry entities.
- 3.3.4. Exempted Micro Enterprises and Start-Ups are automatically recognised as Empowering Suppliers.
- 3.4. The Weighting points in the Enterprise and Supplier Development scorecard represent the maximum number of points possible for each of the criteria.
- 3.5. If a Measured Entity procures goods and services from a supplier that is:
- 3.5.1. A recipient of supplier development contributions from a Measured Entity under Code series 400 which has a minimum 3-year contract with the measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2;
- 3.5.2. A black owned QSE or EME which is not a Supplier Development beneficiary but that has a minimum 3-year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2;
- 3.5.3. A supplier to the Measured Entity that is at least 51% Black Owned or at least 51% Black Woman Owned utilising the Flow Through Principle, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1.2.
- 3.6. Procurement of goods and services and any other activities that fall under 2.1 will not qualify for scoring under 2.2 and 2.3 and vice versa.
- 3.7. Beneficiaries of Supplier Development or Enterprise Development are EMEs, QSEs or Generic Entities which are at least 51% Black Owned or at least 51% Black Women Owned utilizing the flow through principle. However, in terms of Generic Entities, this is based on the provision that at the first instance of receiving assistance from the Measured Entity, it was identified that such suppliers were EMEs or QSEs. This recognition for Generic Entities will only be allowed for 5 years from the first time of receiving assistance from the Measured Entity.
- 3.8. A Supplier Development Beneficiary is a part of the Measured Entity's supply chain, whereas an Enterprise Development Beneficiary is not.
- 3.9. B-BBEE Procurement Spend from Generic Entity Suppliers which are at least 51% Black Owned or at least 51% Black Women Owned utilizing the flow through principle can be recognized under Point Indicator 2.1.2 and 2.1.3 of the Enterprise and Supplier Development Scorecard. However, this is based on the provision that at the first instance of procuring goods and services, it was identified that such suppliers were EMEs or QSEs. This recognition for Generic Entities under Point Indicator 2.1.2 and 2.1.3 will only be allowed for 5 years from the first time of procuring goods and services from such suppliers.

#### **4. General Principles**

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- 4.1. To strengthen local procurement in order to help build South Africa's industrial base in critical sectors of production and value adding manufacturing, which are largely labour-intensive industries.
- 4.2. To increase local procurement through capacity building achieved by incentivising appropriate local Supplier Development programmes by businesses supplying imported goods and services.
- 4.3. The imports provisions do not apply to the designated sectors and products for local production, as and when published.
- 4.4. To actively support procurement from black owned QSEs and EMEs by identifying opportunities to increase procurement from local suppliers in order to support employment creation.
- 4.5. To support procurement from black owned and black women owned businesses in order to increase the participation of these businesses in the main stream economy.
- 4.6. To promote the use of black owned professional service providers and entrepreneurs as suppliers.
- 4.7. To encourage partnerships between large enterprises and small enterprises in the Private Security industry.
- 4.8. To encourage the development of black owned start-up enterprises.
- 4.9. Measured Entities receive recognition for any Enterprise Development and Supplier Development Contributions that are quantifiable as a monetary value using a Standard Valuation Method.
- 4.10. Measured Entities are encouraged to align their Enterprise Development and Supplier Development initiatives with the designated sectors of government's localisation and value adding programmes.
- 4.11. Measured Entities are encouraged to align their Enterprise Development and Supplier Development initiatives with their supply chain requirements thereby linking Enterprise Development and Supplier Development with Preferential Procurement.
- 4.12. Qualifying Enterprise Development and Supplier Development Contributions of any Measured Entity are recognisable on an annual basis.
- 4.13. Contributions, programmes and/or initiatives that 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.
- 4.14. Measured Entities are encouraged to develop and implement an Enterprise Development plan and Supplier Development plan for Qualifying Beneficiaries. The plan should include:
  - 4.14.1. Clear Objectives
  - 4.14.2. Priority interventions
  - 4.14.3. Key performance indicators; and
  - 4.14.4. A concise implementation plan with clearly articulated milestones
- 4.15. Measured Entities will not get recognition for the same activities undertaken under 2.2 and 2.3, they will only get recognition for one of the two i.e. 2.2 or 2.3
- 4.16. To earn bonus points under 2.4.1, the measured entity should give the beneficiary at least 1 year contract to provide good or services to the measured entity.
- 4.17. To earn points bonus under 2.4.2 the measured entity should demonstrate that the beneficiary managed to create jobs as a result of enterprise development or supplier development resulting in the awarding of an employment contract for least 12 months.
- 4.18. No portion of the value of any Qualifying Enterprise Development and Supplier Development Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.

## 5. Total Measured Procurement Spend

The following procurement is measurable within Total Measured Procurement Spend:

- 5.1. Cost of sales: all goods and services procured that comprise the cost of the sales of the Measured Entity,
- 5.2. Operational expenditure: all goods and services procured that comprise the operational expenditure of the Measured Entity;

5.3. Capital expenditure: all capital expenditure incurred by the Measured Entity;

**5.4. Public sector procurement:**

5.4.1. all goods and services procured from organs of state and public entities. Despite this, procurement by a Measured Entity from a local government authority, which is a reseller of that service, is measurable at the B-BBEE Recognition Level of the primary Supplier of the service; and

5.4.2. in any event, any procurement of any goods or services from any organ of state or public entity that enjoys a statutory or regulated monopoly in the supply of such goods or services, is excluded;

5.5. Monopolistic procurement: all goods and services procured from suppliers that enjoy a monopolistic position;

5.6. Third-party procurement: all procurement for a third-party or a client, where the cost of that procurement is an expense recorded in the Measured Entity's annual financial statements;

5.7. Labour brokers and independent contractors: any procurement of the Measured Entity which is Outsourced Labour Expenditure;

5.8. Pension and medical aid contributions: payments made to any post retirement funding scheme or to a medical aid or similar medical insurer by a Measured Entity for its employees, excluding any portions of such payments which are a contribution to a capital investment of the employee. The scheme or insurer must issue a certificate dividing payments between the capital investment portion and the balance to establish the amount that is measurable within Total Measured Procurement Spend;

5.9. Trade commission's: any commission or similar payments payable by a Measured Entity to any other person pursuant to the business or trade of the Measured Entity;

5.10. Empowerment related expenditure: all goods and services procured in carrying out B-BBEE. The Total Measured Procurement Spend does not include the actual contribution portion recognised under section 2.2 and 2.3 of this Statement or Code series 500 but does include any expenditure incurred in facilitating those contributions;

5.11. Imports: all goods and services that are imported or procured from a non-South African source; and

5.12. Intra-group procurement: all goods and services procured from subsidiaries or holding companies of the Measured Entity (BEE credentials of the entity supplying goods and/or services must be confirmed by way of a valid BEE certificate).

**6. Exclusion from Total Measured Procurement Spend**

The following list provides permissible exclusions from Total Measured Procurement Spend recognisable in terms of paragraph 5:

6.1. Taxation: any amount payable to any person which represents a lawful tax or levy imposed by an organ of state authorised to impose such tax or levy, including rates imposed by a municipality or other local government;

6.2. Salaries, wages, remunerations, and emoluments: any amount payable to an employee as an element of their salary or wage and any emolument or similar payment paid to a director of a Measured Entity;

6.3. Pass-through third-party procurement: all procurement for a third-party or a client that is recorded as an expense in the third-party or client's annual financial statements but is not recorded as such in the Measured Entity's annual financial statements;

**6.4. Empowerment related procurement:**

6.4.1. Investments in or loans to an Associated Enterprise;

6.4.2. Investments, loans or donations qualifying for recognition under any statement under Code series 400 or 500;

**6.5. Imports: the following imported goods and services:**

6.5.1. imported capital goods or components for value-added production in South Africa provided that:

- 6.5.1.1. there is no existing local production of such capital goods or components; and
- 6.5.1.2. importing those capital goods or components promotes further value-added production within South Africa;
- 6.5.2. imported goods and services other than those listed in paragraph 6.5.1 if there is no local production of those goods or services including, but not limited to, imported goods or services that –
  - 6.5.2.1. carry a brand different to the locally produced goods or services; or
  - 6.5.2.2. have different technical specifications to the locally produced goods or services.
- 6.5.3. The exclusion of imports listed under 6.5.2 are subject to them having developed and implemented an Enterprise Development and Supplier Development plan for imported goods and services. This plan should include:
  - 6.5.3.1. Clear objectives
  - 6.5.3.2. Priority interventions
  - 6.5.3.3. Key performance indicators; and
  - 6.5.3.4. A concise implementation plan with clearly articulated milestones
- 6.5.4. The Department of Trade and Industry will from time to time consult with the industry and issue practice notes with regard to the provisions on import exclusion.

## **7. Measurement of B-BBEE Procurement Spend**

- 7.1. B-BBEE Procurement Spend is the value of the procurement falling within paragraph 5 and not excluded by paragraph 6. If a supplier falls within a category of supplier listed in paragraph 3.5, the value of procurement from that supplier is multiplied by the applicable factor listed in that paragraph.
- 7.2. B-BBEE Procurement Spend can be measured in terms of formula “A” in Annexe 400(A).
- 7.3. The B-BBEE Procurement Spend for a Measured Entity in respect of a supplier is calculated by multiplying the spend contemplated by paragraph 5 (and not excluded by paragraph 6) in respect of that supplier by the supplier’s B-BBEE Recognition Level.
- 7.4. A Measured Entity’s Total Procurement Spend is the total of all amounts calculated in terms of paragraph 7.3.
- 8. The calculation of Preferential Procurement Contributions to B-BBEE
  - 8.1. A measured Entity receives a score for procurement in proportion to the extent that it meets the compliance target.
  - 8.2. The Measured Entity's score for Preferential Procurement contributions to B-BBEE under the preferential procurement scorecard can be calculated in terms of formula “B” in Annexe 400(A).

## **9. Joint ventures and subcontracting**

- 9.1. For a Measured Entity to score points under paragraph 2.6 and the related bonus points as a result of entering into a joint venture, the joint venture must:
  - 9.1.1. Have a detailed joint venture agreement between the measured entity and the beneficiary detailing the following:
    - 9.1.1.1. The contributions of each partner to the joint venture (i.e. expenses and/or investments);
    - 9.1.1.2. Roles and responsibilities of each partner in the joint venture. The roles and responsibilities of each partner should be meaningful and ensure that there is meaningful skills transfer to the Black owned QSE, EME or start up enterprise; and
    - 9.1.1.3. The percentages of the profit splits of the joint venture partners
  - 9.1.2. Evidence of the project for which the joint venture was entered;
  - 9.1.3. Invoice and proof of payments from tenderer or the client;
  - 9.1.4. Breakdown of income and expenditures incurred in operating the joint venture and how the profits of the joint venture were calculated and split between the partners in the joint venture (the verification agency should verify that the accuracy of this breakdown to ensure that the beneficiary is not shortchanged)
  - 9.1.5. For incorporated JVs, Financials statements can be used instead of the requirements in 9.1.4.
  - 9.1.6. Proof of the work done by each party
  - 9.1.7. Proof of payment of the profits distributed to both parties.
  - 9.1.8. BEE certificate of the beneficiary

- 9.1.9. Joint Venture's B-BBEE certificate issued by a SANAS accredited verification agency.
- 9.1.10. Letter from the beneficiary confirming how the beneficiary has benefited from the subcontracting agreement financially as well as skills development
- 9.1.11. COR39 of the beneficiary
- 9.1.12. For entities operating in local communities, proof of address matching the CIPC documents should be provided
- 9.2. For a Measured Entity to get points under paragraph 2.6 and the related bonus points as a result of subcontracting, the subcontract must be:
  - 9.2.1. A detailed subcontracting agreement between the ME and the subcontractor. The agreement must detail:
    - 9.2.1.1. The value of the subcontracting agreement to the beneficiary and how much will be paid to the beneficiary.
    - 9.2.1.2. The work that will be done by the Measured entity and the beneficiary; and
    - 9.2.1.3. should be clearly outlined how there is meaningful skills transfer to the beneficiary.
  - 9.2.2. Invoices made to the tenderer or customer and Proof of payments made.
  - 9.2.3. Proof of the work done by each party
  - 9.2.4. Proof of payments for the payments made to beneficiary.
  - 9.2.5. BEE certificate of the beneficiary
  - 9.2.6. Letter from the beneficiary confirming how the beneficiary has benefited from the subcontracting agreement financially as well as skills development
  - 9.2.7. COR39 of the beneficiary
  - 9.2.8. For entities operating in local communities, proof of address matching the CIPC documents should be provided
  - 9.2.9. Tax Clearance certificate
- 9.3. Where a contract spans over one financial year, the measured entity needs to provide proof that the beneficiary was a start-up or EME or QSEs when the contract was awarded.

## **10. Enterprise Development and Supplier Development Contributions**

- 10.1. The following is a non-exhaustive list of Enterprise Development and Supplier Development Contributions:
  - 10.1.1. investments in beneficiary entities;
  - 10.1.2. loans made to beneficiary entities;
  - 10.1.3. guarantees given or security provided on behalf of beneficiaries;
  - 10.1.4. credit facilities made available to beneficiary entities;
  - 10.1.5. grant contributions to beneficiary entities;
  - 10.1.6. direct costs incurred by a Measured Entity in assisting and hastening development of beneficiary entities;
  - 10.1.7. overhead costs of a Measured Entity directly attributable to Enterprise Development and Supplier Development Contributions;
  - 10.1.8. preferential credit terms granted by a Measured Entity to beneficiary entities;
  - 10.1.9. preferential terms granted by a Measured Entity in respect of its supply of goods or services to beneficiary entities;
  - 10.1.10. contributions made to settling service costs relating to the operational or financial capacity or efficiency levels of beneficiary entities;
  - 10.1.11. discounts given to beneficiary entities in relation to the acquisition and maintenance costs associated with the grant to those beneficiary entities of franchise, licence, agency, distribution or other similar business rights;
  - 10.1.12. the creation or development of capacity and expertise for beneficiary entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa is provided for in Government's economic growth and local supplier development policies and initiatives;

- 10.1.13. facilitating access to credit for beneficiary entities without access to similar credit facilities through traditional means owing to a lack of credit history, high-risk or lack of collateral;
- 10.1.14. provision of training or mentoring by suitably qualified entities or individuals to beneficiary entities which will assist the beneficiary entities to increase their operational or financial capacity; and
- 10.1.15. the maintenance by the Measured Entity of an Enterprise Development and Supplier Development unit which focuses exclusively on support of beneficiary entities or candidate beneficiary entities.
- 10.1.16. projects promoting beneficiation by the Measured Entity for the benefit of Enterprise Development and Supplier Development Beneficiaries.
- 10.1.17. provision of preferential credit facilities to a beneficiary entity by a Measured Entity may constitute an Enterprise Development and Supplier Development Contribution. Examples of such contributions include without limitation:
  - 10.1.18. provision of finance to beneficiary entities at lower than commercial rates of interest;
  - 10.1.19. relaxed security requirements or absence of security requirements for beneficiary entities unable to provide security for loans; and
  - 10.1.20. settlement of accounts with beneficiary entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 15 days;
  - 10.1.21. providing training or mentoring to beneficiary communities by a Measured Entity. (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. A clear justification, commensurate with the seniority and expertise of the trainer or mentor, must support any claim for time costs incurred).
- 10.1.22. maintaining an Enterprise Development and Supplier Development unit by the Measured Entity. (Only that portion of salaries and wages attributable to time spent by the staff in, and the other expenses related to, promoting or implementing Enterprise Development and Supplier Development constitute contributions.)
- 10.1.23. Payments made by the Measured Entity to suitably qualified and experienced third parties to perform Enterprise Development and Supplier Development on the Measured Entity's behalf.

## **11. Monetary and Non-monetary Contributions**

- 11.1. Subject always to the definition of Qualifying Enterprise Development and Supplier Development Contributions, the following monetary/non-monetary contributions will, without limitation, be considered:
  - 11.1.1. the provision of seed or development capital;
  - 11.1.2. contributions made towards the settlement of the cost of services relating to the operational or financial capacity and/or efficiency levels of a qualifying Enterprise Development and Supplier Development Beneficiary including, without limitation:
    - 11.1.2.1. professional and consulting services;
    - 11.1.2.2. licensing and/or registration fees;
    - 11.1.2.3. industry specific levies and/or other such fees; and
    - 11.1.2.4. IT services;
  - 11.1.3. subject to paragraph 11.1, creation or development of capacity and expertise for Beneficiary Entities required to manufacture or produce goods and/or services previously not manufactured, produced or provided in the Republic of South Africa;
  - 11.1.4. subject to paragraph 11.2, provision of preferential credit facilities;
  - 11.1.5. subject to paragraph 11.1, facilitation of access to credit for Beneficiary Entities unable to access similar credit facilities through traditional means owing to a lack of credit history, high risk and/or lack of collateral;
  - 11.1.6. subject to paragraph 11.3, provision of training and/or mentoring to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational and/or financial capacity; and

- 11.1.7. subject to paragraph 11.4, the maintenance by the Measured Entity of an Enterprise Development and Supplier Development unit which focuses exclusively on support of Beneficiary Entities or candidate Beneficiary Entities.
- 11.2. The creation and/or development of the capacity of Beneficiary Entities which will enable them to manufacture and produce goods and/or provide services previously not available in the Republic of South Africa, may constitute a Qualifying Enterprise Development and Supplier Development Contribution, and will be measured as the rand value of monetary contributions made as well as investments into, loans made to or guarantees given for a Beneficiary Entity.
- 11.3. Provision of preferential credit facilities to a Beneficiary Entity by a Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Examples of such contributions include without limitation:
- 11.3.1. provision of finance to Beneficiary Entities at rates of interest below the applicable rate. Such contributions will be measured as the value of the differential between the actual interest rate provided to the Beneficiary Entity and the applicable rate;
- 11.3.2. relaxed security requirements or absence of security requirements for Beneficiary Entities unable to provide security for loans; and
- 11.3.3. settlement of accounts with Beneficiary Entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided that the shorter period is no longer than 15 days. Preferential payment terms which extend beyond 15 days will not qualify as Qualifying Enterprise Development and Supplier Development Contributions.
- 11.4. Provision of training and/or mentoring to a Beneficiary Entity by a Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Such contributions will be measured by quantifying the cost of time spent by staff or management of the Measured Entity in carrying out such initiatives. Any travel or commuting time may not be included in this cost. Furthermore, a clear justification must be supplied with respect to the calculation of such time costs incurred, commensurate with the level of seniority and expertise of the trainer or mentor. Common forms of such contribution include without limitation:
- 11.4.1. Professional and consulting services
- 11.4.2. IT services; and
- 11.4.3. any other services which help to increase the entity's financial and/or operational capacity and which have not also been accounted for under skills development.
- 11.5. The maintenance of an Enterprise Development and Supplier Development unit by the Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Common examples of such contributions include without limitation the salaries and wages of staff and other expenses involved in the operation of such Enterprise Development and Supplier Development unit. Notwithstanding the afore going, only that portion of salaries and wages which relate to time spent by the staff in and the other expenses related to the promotion and implementation of Enterprise Development and Supplier Development in respect of Beneficiary Entities or candidate Beneficiary Entities should be taken into consideration under Enterprise Development and Supplier Development contributions.

## **12. MEASUREMENT OF ENTERPRISE DEVELOPMENT AND SUPPLIER DEVELOPMENT CONTRIBUTIONS**

- 12.1. A Measured Entity receives a score for Enterprise Development and Supplier Development in proportion to the extent that it meets the compliance target.
- 12.2. Qualifying Contributions are measurable using the Benefit Factor Matrix and formula "A" contained in Annexure 400(B) as published in Government Gazette 42496 dated 29 May 2019 which shall apply to this statement.

**PSI CODE SERIES 500: MEASUREMENT OF THE SOCIO-ECONOMIC DEVELOPMENT**

**STATEMENT PSI 500: THE GENERAL PRINCIPLES FOR MEASURING THE SOCIOECONOMIC**

**1. Objectives of this statement**

The objectives of this statement are to specify:

- 1.1. the Socio-Economic Development (SED) which is Sector Specific Contributions;
- 1.2. the key measurement principles applicable when calculating Socio-Economic Development Contributions; and
- 1.3. the formula for calculating the individual criteria specified in the SED scorecard.
- 2. The SED Scorecard
  - 2.1. The Net Profit After Tax (NPAT) or average target applies unless:
    - 2.1.1. the company did not make a profit in the measurement period or on average over the last five years
    - 2.1.2. the net profit margin is less than a quarter of the Industry Norm.
  - 2.2. If the Turnover is to be used, the target will be set at:
    - 2.2.1. 1% x Indicative Profit Margin (NPAT/Turnover) x Turnover
    - 2.2.2. Indicative Profit Margin is the profit margin in the measurement period where the company's profit margin is at least one quarter of the Industry Norm.
  - 2.3. The following table represents the criteria and method used for deriving a score for Socio-Economic Development under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
SED Contributions	Annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target	4	1% of NPAT
	Annual value of all Socio-Economic Development Contributions made by the Measured Entity to organization or people in rural areas or rural communities as a percentage of the target	2	50% of the value achieved above.
Bonus	Career guidance, Training and Mentorship offered to schools and school leavers and youth to alert them about the opportunities available in the private security industry as a percentage of the target	1	0.25% of the NPAT

**3. Key Measurement principles**

**3.1. General Principles**

- 3.1.1. Measured Entities receive recognition for any Socio-Economic Development Contributions that are quantifiable as a monetary value using a Standard Valuation Method.
- 3.1.2. Socio-Economic Development Contributions of any Measured Entity are recognisable annually;
  - 3.1.2.1. No portion of the value of any Socio-Economic Development Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.

**3.2. Socio-Economic Development Contributions:**

- 3.2.1. Socio-Economic Development Contributions consist of monetary or non- monetary contributions initiated and implemented in favour of beneficiaries by a Measured Entity to create sustainable access to the economy for those beneficiaries.
- 3.2.2. The full value of Socio-Economic Development Contributions made to beneficiaries is recognisable if at least 75% of the value directly benefits Black people.

- 3.2.3. 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.
- 3.2.4. The sector commits to:
- 3.2.4.1 Partner with community structures such as high schools, churches, municipal ward committees and police in uprooting drug dependency and sale of drugs among young people.
  - 3.2.4.2 Partner with schools, churches, government departments and business organizations in preventing and combatting vandalism, burglaries and theft from schools and public and private premises.
  - 3.2.4.3 Participate in social development projects as identified by Black people and employees, which can include HIV/AIDS treatment and prevention, safety and security education, community development and crime prevention and combatting awareness.
  - 3.2.4.4 Establish dedicated Socio-Economic Development units on the structure and payroll of the security companies at cost to the company.
- 3.2.5 The following is a non-exhaustive list of Socio-Economic Development Contributions:
- 3.2.5.1 Grants to beneficiaries of Socio-Economic Development Contributions;
  - 3.2.5.2 Guarantees given or security provided for beneficiaries;
  - 3.2.5.3 Direct costs incurred by a Measured Entity in assisting beneficiaries;
  - 3.2.5.4 Overhead costs of a Measured Entity directly attributable to Socio- Economic Development Contributions;
  - 3.2.5.5 Developmental capital advanced to beneficiary communities;
  - 3.2.5.6 Preferential terms granted by a Measured Entity for its supply of goods or services to beneficiary communities;
  - 3.2.5.7 Payments made by the Measured Entity to third parties to perform socio-economic-development on the Measured Entity's behalf;
  - 3.2.5.8 Subject to paragraph 3.2.6 provision of training or mentoring to beneficiary communities which will assist them to increase their financial capacity; and
  - 3.2.5.9 Subject to paragraph 3.2.7 the maintenance by the Measured Entity of a socio-economic development unit which focuses only on support of beneficiaries and beneficiary communities.
- 3.2.6 Providing training or mentoring to beneficiary communities by a Measured Entity. (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. A clear justification must support any claim for time costs incurred, commensurate with the seniority and expertise of the trainer or mentor).
- 3.2.7 Maintaining a Socio-Economic Development unit by the Measured Entity. (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).
- 3.2.8 Payments made by the Measure Entity to third parties to perform socio-economic development on Measurement Entity's behalf.

#### **4 Measurement of Socio-Economic Development Contributions**

- 4.2 Socio-Economic Development Contributions are measurable using the Benefit Factor Matrix in Annexure 500 (A) and formula in Annexure 500(B) as contained in Government Gazette No. 36928 date 11 October 2013 as amended from time to time.

#### **5 The Benefit Factor Matrix**



Annexure 500 (A) - Benefit Factor Matix

Annexure 500 (B) – Measurement and Calculations

**PSI CODE SERIES 600: CODES OF GOOD PRACTICE FOR QUALIFYING SMALL ENTERPRISES**

**1. OBJECTIVES OF STATEMENT PSI 600**

- 1.1. The objectives of this statement are to:
  - 1.1.1. specify the elements of B-BBEE measurable in the QSE scorecard;
  - 1.1.2. specify the principles in the PSI Code (PSI100 – PSI500) applicable to QSEs;
  - 1.1.3. specify the scorecard for measuring the QSE contributions to B-BBEE.

**2. KEY MEASUREMENT PRINCIPLES**

2.1. The key measurement principles for measuring QSE contribution to B-BBEE are specified in Statement PSI 000: General Principles and the Generic Scorecard.

**3. THE QSE SCORECARD**

3.1. The following table represents the QSE scorecard and contains the elements of the scorecard and their weightings for each element:

The weighting points in respect of any element in the scorecard represent the maximum number of points possible for each of the criteria.

Element	Weighting	Code series reference
Ownership	25 points + 1 Bonus	PSI 601
Management Control	16 points	PSI 602
Skills Development	25 points +5 Bonus	PSI 603
Enterprise and Supplier Development	30 points + 5 Bonus	PSI 604
Socio-Economic Development	6 points + 1 Bonus	PSI 605

3.2. The B-BBEE compliance of a QSE must be determined in accordance with Code PSI 000. Any matter concerning the application of the QSE scorecard that is not dealt with explicitly in this scorecard must be dealt with in terms of Codes PSI000-PSI500.

**STATEMENT PSI601: OWNERSHIP FOR QSE**

- 1. The Ownership Scorecard for QSEs
- 2. The following table represents the indicators and method for calculating a score for ownership under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target	Multinational Businesses	Foreign Owned Business
2.1. Voting Rights	2.1.1. Exercisable Voting Rights in the Enterprise in the hands of black people	5	25% + 1Vote	30%	51%
	2.1.2. Exercisable Voting Rights in the Enterprise in the hands of black	2	10%	10%	10%

	Women				
<b>2.2. Economic Interest</b>	2.2.1. Economic Interest of black people in the Enterprise	5	25%	30%	51%
	2.2.2. Economic Interest of black Women in the Enterprise	2	10%	10%	10%
	2.2.3. Economic Interest of Black New Entrants or Black Designated Groups	3	2%	2%	2%
<b>2.3. Realisation Points</b>	2.3.1. Net Equity Value	8	25%	30%	51%
<b>2.4. Bonus</b>	2.4.1. Economic interest for Black people with disabilities over and above the above	1	1%	1%	1%

3.1. Key Measurement Principles:

- 3.1.1. Key Measurement Principles and Sub-minimum Requirements
- 3.1.2. General principles:
- 3.1.3. Key Measurement Principles and sub-minimum requirements under Statement PSI100 are applicable to this statement.
- 3.1.4. Any interpretation or calculation of a QSE score for ownership must be made in accordance with Statement PSI100.

**STATEMENT PSI602: MANAGEMENT CONTROL FOR QSE**

- 1. The QSE Management Control Scorecard
- 2. The following table represents the indicators and method for calculating a score for management control under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>2.1. Executive Management</b>	<b>2.1.1.</b> Black representation at Executive Management	5	50% + 1 person
	<b>2.1.2.</b> Black female representation at Executive Management	2	25%
<b>2.2. Senior, Middle and Junior Management</b>	<b>2.2.1.</b> Black representation at Senior, Middle and Junior Management	6	60%
	<b>2.2.2.</b> Black female representation at Senior, Middle and Junior Management	2	30%
<b>2.3. Black youth</b>	<b>2.3.1.</b> Black Employees that are "youth" as defined by the National Youth Commission Act of 1996 as a percentage of all employees	1	40%

3.1. Key Measurement Principles

- 3.1.1. The purpose of the QSE scorecard, Executive Management include other Executive Management as described under the general principles of Statement 200.

- 3.1.2. 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 QSE Scorecard.
- 3.1.3. A Measured Entity must use the recent payroll data in calculating its score under the Management Control Scorecard.

**STATEMENT PSI603: SKILLS DEVELOPMENT FOR QSEs**

- 1. The QSE Skills Development Scorecard
- 2. The following table represents the indicators and methods for calculating a score under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>2.1. Skills Development Expenditure</b>	<b>2.1.1.</b> Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leivable Amount	15	3%
	<b>2.1.2.</b> Skills Development Expenditure on Learning Programmes specified in the learning programme matrix for black females as a percentage of Leivable Amount	7	1%
	<b>2.1.3.</b> Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people with disabilities as a percentage of Leivable Amount	3	0.15%
<b>2.2. Bonus Points</b>	<b>2.2.1.</b> Number of black people absorbed by the Measured Entity and Industry at the end of the learning programme	5	100%

- 3.1. Key Measurement Principles and Sub-minimum Requirements
  - 3.1.1. Sub-minimum requirements and Discounting principle under Statement 300 are applicable to this Statement.
  - 3.1.2. The demographic representation of Black people as defined in the Regulations of the Employment Equity Act and the Commission on Employment Equity report are not applicable to the QSE Scorecard.
  - 3.1.3. Where applicable, the following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development Scorecard.
  - 3.1.4. Workplace Skills Plan, an Annual Training Report and Pivotal Report which are SETA approved; and

- 3.1.5. Implementation of Priority Skills programme generally, and more specifically for Black people.
- 3.1.6. The Learning Programme Matrix under PSI Code Series 300 is applicable to this Statement.
- 3.1.7. The Learning Programme Matrix that explains the method of measurement of the criteria under the Skills Development Scorecard must be in accordance with PSI Code Series 100

**STATEMENT PSI604: ENTERPRISE AND SUPPLIER DEVELOPMENT FOR QSEs**

- 1. The QSE Enterprise and Supplier Development Scorecard.
- 2. The following table represents the criteria for deriving a score for Enterprise and Supplier Development under this statement.

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>2.1. Preferential Procurement</b>	<b>2.1.1.</b> B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a Percentage of Total Measured Procurement Spend	14	60%
	<b>2.1.2.</b> B-BBEE Procurement Spend from all 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	5	15%
	<b>2.1.3.</b> Joint ventures with or subcontracting at least 51% Black Owned EMEs or QSEs entities operating in the Private Security Industry with profits split that is at least 30% of the contract value.	1	Yes
<b>2.2. Bonus Points</b>	<b>2.2.1.</b> B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black-owned based on the B-BBEE Recognition Level	1	1%
	<b>2.2.2.</b> Joint ventures with or subcontracting at least 100% Black Owned start-up Enterprises operating in the Private Security Industry with profits split that is at least 30% of the contract value.	1	Yes
	<b>2.2.3.</b> Joint ventures with or subcontracting at least 100% Black Owned EMEs or QSEs entities operating in the Private Security Industry that are located in the community in which the contract has been awarded with profits split that is at least 30% of the contract value.	1	Yes
<b>2.3. Supplier Development</b>	<b>2.3.1.</b> Annual value of all Qualifying Supplier Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT
<b>2.4. Enterprise Development</b>	<b>2.4.1.</b> Annual value of Enterprise Development Contributions made by the Measured Entity to companies operating in the private security industry as a percentage of the target	5	1% of NPAT

<b>2.5. Bonus Points</b>	<b>2.5.1.</b> Annual value of Enterprise Development or Supplier Development Contributions made by the Measured Entity to companies operating in the private security industry included 2.4.1 that are start-up enterprises as a percentage of the target	1	0.5% of the NPAT
	<b>2.5.2.</b> Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level	1	Yes
	<b>2.5.3.</b> Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	1	Yes

3.1. Key Measurement Principles and sub-minimum requirements

- 3.1.1. Key Measurement Principles and sub-minimum requirements
- 3.1.2. Key Measurement Principles and sub-minimum requirements under Statement 400 are applicable to this Statement.
- 3.1.3. In calculating the compliance of a Measured Entity the following Net Profit After Tax (NPAT) target applies unless:
- 3.1.4. the company does not make a profit in the measurement period or on average over the last five years.
- 3.1.5. the net profit margin is less than a quarter of the norm in the industry.
- 3.1.6. If the turnover is to be used, the target will be set at:
- 3.1.7. 2% x Indicative Profit Margin (NPAT/turnover) x turnover.
- 3.1.8. Indicative Profit Margin is the profit margin in the measured period where the company's profit margin is at least one quarter of the industry norm.
- 3.1.9. Any interpretation or calculation of a QSE's score for Enterprise and Supplier Development must be made in accordance with Statement 400.

**STATEMENT PSI605: SOCIO-ECONOMIC DEVELOPMENT FOR QSEs**

1.1. The QSE Socio-Economic Development (SED) Scorecard

- 1.1.1. In calculating the compliance of a Measured Entity the following Net Profit After Tax (NPAT) target applies unless:
  - 1.1.1.1. the company does not make a profit in the measurement period or on average over the last five years.
  - 1.1.1.2. the net profit margin is less than a quarter of the norm in the industry.
  - 1.1.1.3. If the Turnover is to be used, the target will be set at:
  - 1.1.1.4. 1% x Indicative Profit Margin (NPAT/Turnover) x Turnover.

2. The following table represents the criteria and method used for deriving a score for Socio-Economic Development under this Statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>2.1. SED Contributions</b>	2.1.1. Annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT
	2.1.2. Annual value of all Socio-Economic Development Contributions made by the Measured Entity to organization or people in rural areas or rural	1	50% of the value achieved

	communities as a percentage of the target		above.
<b>2.2. Bonus</b>	2.2.1. Career guidance, Training and Mentorship offered to schools and school leavers and youth to alert them about the opportunities available in the private security industry as a percentage of the target	1	0.25% of the NPAT

3.1. Key Measurement Principles

- 3.1.1. Measured Entities receive recognition for any Qualifying Contributions that are quantifiable as a monetary value using a Standard Valuation Method.
- 3.1.2. Socio-Economic Development Qualifying Contributions of any Measured Entity are recognisable annually;
- 3.1.3. No portion of the value of any Qualifying Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation under this statement.
- 3.1.4. Payments made by the Measured Entity to third parties to perform social development on the Measured Entity's behalf may constitute a SED Contribution.
- 3.1.5. The recognition of SED Contributions must be determined in accordance with Amended Code Series 500.

**PSI CODE SERIES 700: FRAMEWORK FOR MEASURING BROAD-BASED BLACK ECONOMIC EMPOWERMENT FOR SPECIALISED ENTERPRISES**

STATEMENT PSI 700: GENERAL PRINCIPLES AND THE SCORECARD

**1. OBJECTIVES OF STATEMENT PSI700**

- 1.1. The following table represents the Specialised Generic Scorecard and contains the:
  - 1.1.1. Elements of the scorecard;
  - 1.1.2. Weightings; and
  - 1.1.3. The Code series reference that specify the mechanisms for measurement and calculation of each of the Elements of the scorecard (Code series 200 - 500).

<b>Element</b>	<b>Weighting</b>	<b>Code series reference</b>
Management Control	21 points	PSI 200
Skills Development	20 points +5 Bonus	PSI 300
Enterprise and Supplier Development	50 points + 5 Bonus	PSI 400
Socio-Economic Development	6 points + 1 Bonus	PSI 500

**1. Management Control Specialised Scorecard**

The following table represents the criteria used for deriving a score for management control under this statement:

<b>Sub-Element</b>	<b>Indicator</b>	<b>Weighting Points</b>	<b>Compliance Target</b>
<b>2.4. Board Participation</b>	<b>2.4.1.</b> Exercisable voting rights of black board members as a percentage of all board members	2	50%
	<b>2.4.2.</b> Exercisable voting rights of black female board members as a percentage of all board members	1	25%
	<b>2.4.3.</b> Black persons who are executive directors as a percentage of all executive directors	2	50%
	<b>2.4.4.</b> Black female executive directors as a percentage of all executive directors	1	25%
<b>2.5. Other Executive Management</b>	<b>2.5.1.</b> Black Other Executive Management as a percentage of all Other Executive Management	2	60%



t	<b>2.5.2.</b> Black female Other Executive Management as a percentage of all Other Executive Management	1	30%
2.6. <b>Senior Management</b>	<b>2.6.1.</b> Black Employees in Senior Management as a percentage of all Senior Management	2	60%
	<b>2.6.2.</b> Black female Employees in Senior Management as a percentage of all Senior Management	1	30%
2.7. <b>Middle Management</b>	<b>2.7.1.</b> Black Employees in Middle Management as a percentage of all Middle Management	2	75%
	<b>2.7.2.</b> Black female Employees in Middle Management as a percentage of all Middle Management	1	38%
2.8. <b>Junior Management</b>	<b>2.8.1.</b> Black Employees in Junior Management as a percentage of all Junior Management	2	88%
	<b>2.8.2.</b> Black female Employees in Junior Management as a percentage of all Junior Management	1	44%
2.9. <b>Disabled</b>	<b>2.9.1.</b> Black Employees with disabilities as a percentage of all employees	2	2%
<b>2.10. Black youth</b>	<b>2.10.1.</b> Black Employees that are “youth” as defined by the National Youth Commission Act of 1996 as a percentage of all employees	1	40%

2.11. The compliance target for 2.6, 2.7, 2.8, and 2.10 of Management Control Scorecard are based on the overall demographic representation of Black People as defined in the regulations of Employment Equity Act and the Commission on Employment Equity Report as amended from time to time.

2.12. In determining a Measured Entity’s score, the target should be further broken down into specific criteria according to the different race sub- groups within the definition of Black in accordance with the Employment Equity Act on equitable representation weighted accordingly.

### 3. Skill Development

The following table represents the criteria used to derive a score for Skills Development under this statement:

Sub-Element	Indicator	All Other subsectors
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		<b>Weighting Points</b>	<b>Compliance Target</b>
<b>5.2 Skills Development Expenditure on any programme specified in the Learning Programme Matrix for black people as a percentage of the Leivable Amount</b>	5.2.4 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leivable Amount	9	3.50%
	5.2.5 Skills Development Expenditure on Bursaries for Black Students at Higher Education Institutions	4	2.50%
	5.2.6 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leivable Amount	2	0.30%
	5.2.7 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black women with disabilities as a percentage of Leivable Amount	2	0.15%
<b>5.3 Learnerships</b>	5.3.4 Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	8	5%
<b>5.4 Bonus Points</b>	5.4.4 Exceeding the targets for Skills development expenditure on Learning Programmes specified in the Learning Programme Matrix for Black women.	1	1%
	5.4.5 Skills development Expenditure on Car Guards on Learning Programme Matrix for black people as a percentage of Leivable Amount	1	0.30%
	5.4.6 Number of black people absorbed by the Measured Entity and Industry Entity at the end of the Learnerships programme	3	100%

## 6 Enterprise and Supplier Development

The following table represents the criteria for deriving a score for Enterprise and Supplier Development Scorecard

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>12.3. Preferential Procurement</b>	12.3.1. B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a Percentage of Total Measured Procurement Spend	5	80%
	12.3.2. 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	4	15%
	12.3.3. B-BBEE Procurement Spend from Exempted Micro-Enterprise suppliers based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	15%
	12.3.4. B-BBEE Procurement Spend from all 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	11	50%
	12.3.5. B-BBEE Procurement Spend from all 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	5	12%
	12.3.6. Ensuring that all contracts require subcontracting of 30% of the contract value to EME and QSE that are at least 51% Black Owned Entities operating Private Security Industry.	2	Yes
<b>Bonus Points</b>	B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned based on the B-BBEE Recognition Level	2	2%
<b>12.4. Supplier Development</b>	12.4.1. Annual value of all Qualifying Supplier Development Contributions made by the Measured Entity as a percentage of the target	12	2 % of NPAT or 0,2% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend
<b>12.5. Enterprise Development</b>	12.5.1. Annual value of Enterprise Development Contributions made by the Measured Entity to companies operating in the private security industry as a percentage of the target	5	1% of NPAT or 0,1% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend

	12.5.2. Annual value of Enterprise Development Contributions made by the Measured Entity to companies operating in the private security industry going towards acquisition or leasing of assets as a percentage of the target	3	0.5% of the NPAT or 0,05% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend
<b>12.6. Bonus Points</b>	12.6.1. Annual value of Enterprise Development or Supplier Development Contributions made by the Measured Entity to companies operating in the private security industry included above that are start-up enterprises as a percentage of the target	1	1% of the NPAT or 0,1% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend
	12.6.2. Graduation from Enterprise Development to Supplier Development	1	Yes
	12.6.3. Job creation as a result of enterprise development or Supplier development	1	Yes

**7 Socio Economic Development**

The following table represents the criteria and method used for deriving a score for Socio-Economic Development under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
<b>SED Contributions</b>	Annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target	4	1% of NPAT or 0.1% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend
	Annual value of all Socio-Economic Development Contributions made by the Measured Entity to organization or people in rural areas or rural communities as a percentage of the target	2	50% of the value achieved above.
<b>Bonus</b>	Career guidance, Training and Mentorship offered to schools and school leavers and youth to alert them about the opportunities available in the private security industry as a percentage of the target	1	0.25% of NPAT or 0.025% Annual Revenue/ Allocated

			budget/ Gross receipts/ Discretionary spend
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**8 The Specialised Qualifying Small Enterprises Scorecard**

- 8.2 The following table represents the Specialised Generic Scorecard and contains the:
  - 8.2.4 Weightings; and
  - 8.2.5 The elements of the scorecard
  - 8.2.6 The Code series reference that specify the mechanisms for measurement and calculation of each of the elements of the scorecard (Code series 602 - 605).
- 8.3 All other terms of statement 000 -600 apply to Measured Entities subject to this statement, mutatis mutandis.

Element	Weighting	Code series reference
Management Control	26 points	PSI 602
Skills Development	30 points	PSI 603
Enterprise and Supplier Development	30 points	PSI 604
Socio-Economic Development	16 points + 1 Bonus	PSI 605

- 8.4 A QSE is required to comply with all the applicable elements for purposes of measurement under the Specialised Qualifying Small Enterprise Scorecard.

Sub-Element	Indicator	Weighting Points	Compliance Target
9.2 Skills Development Expenditure	9.2.4 Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leivable Amount	24	3%
	9.2.5 Skills Development Expenditure on Learning Programmes specified in the learning programme matrix for black females as a percentage of Leivable Amount	6	1%

**9 The Management Control Qualifying Small Enterprises Specialised Scorecard**

The following table represents the indicators and method for calculating a score for Management Control under this statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
9.3 <b>Executive Management</b>	9.3.4 Black representation at Executive Management	8	50% + 1 person
	9.3.5 Black female representation at Executive Management	3	25%
9.4 <b>Senior, Middle and Junior Management</b>	9.4.4 Black representation at Senior, Middle and Junior Management	11	60%
	9.4.5 Black female representation at Senior, Middle and Junior Management	3	30%
<b>9.5 Black youth</b>	9.5.4 Black Employees that are "youth" as defined by the National Youth Commission Act of 1996 as a percentage of all employees	1	40%

**10 Skills Development Qualifying Small Enterprises Specialised Scorecard**

The following table represents the indicators and methods for calculating a score under this statement:

**11 Enterprise and Supplier Development for QSE**

The following table represents the criteria for deriving a score for Enterprise and Supplier Development under this statement.

Sub-Element	Indicator	Weighting Points	Compliance Target
11.2 <b>Preferential Procurement</b>	11.2.4 B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a Percentage of Total Measured Procurement Spend	25	60%
	11.2.5 B-BBEE Procurement Spend from all 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	4	15%
	11.2.6 12.3.6. Ensuring that all contracts require subcontracting of 30% of the contract value to EME and QSE that are at least 51% Black Owned Entities operating Private Security Industry.	1	Yes

**12 SOCIO-ECONOMIC DEVELOPMENT QUALIFYING SMALL ENTERPRISES SPECIALISED SCORECARD**

The following table represents the criteria and method used for deriving a score for Socio-Economic Development under this Statement:

Sub-Element	Indicator	Weighting Points	Compliance Target
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12.2	<b>SED Contributions</b>	12.2.4	Annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target	15	1% of NPAT or 0,1% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend
		12.2.5	Annual value of all Socio-Economic Development Contributions made by the Measured Entity to organization or people in rural areas or rural communities as a percentage of the target	1	50% of the value achieved above.
12.3	<b>Bonus</b>	12.3.4	Career guidance, Training and Mentorship offered to schools and school leavers and youth to alert them about the opportunities available in the private security industry as a percentage of the target	1	0.25% of the NPAT or 0.025% Annual Revenue/ Allocated budget/ Gross receipts/ Discretionary spend

## ABBREVIATIONS

B-BBEE	:	Broad-Based Black Economic Empowerment
CCTV	:	Closed Circuit Television
CEO	:	Chief Executive Officer
PSSC	:	Private Security Sector Charter
MOU	:	Memorandum of Understanding
NPAT	:	Net Profit After Tax
NQF	:	National Qualifications Framework
PDIs	:	Previously disadvantaged Individuals
PIs	:	Private Investigators
PSC	:	Private Security Companies
PSIR Act	:	Private Security Industry Regulation Act, 2001
PSiRA	:	Private Security Industry Regulatory Authority
PSSPF	:	Private Security Sector Provident Fund
QCTO	:	Quality Council for Trades and Occupations
RPL	:	Recognition of Prior Learning
SAPS	:	South African Police Service
SAQA	:	South African Qualifications Authority
SASSETA	:	Safety and Security, Sector Education and Training Authority
SASREA	:	Safety at Sports and Recreational Events Act
SED	:	Socio-Economic Development
SOB	:	Security Officers Board
SOP	:	Standard Operating Procedures