

An EMPOWERDEX Guide



The Codes of Good Practice

Scorecard Essentials

SOCIO-ECONOMIC DEVELOPMENT

Code 700 – **Socio-Economic Development**

Statement 700 – Measurement of Socio-Economic Development



Socio-Economic Development

Socio-Economic Development

Code Series 700

Measurement of the Socio-Economic Development Element of B-BBEE

Statement 700

The General Principles for Measuring Socio-Economic Development

What you can expect:

- Socio-Economic scorecard
- Key measurement principles
- Measurement of Socio-Economic Development Contributions
- The Benefit Factor Matrix

The Essence of Statement 500:

The Socio-Economic Development scorecard allocates points for:

- The average annual value of all of Socio-Economic Development Contributions made by the Measured Entity

Key Measurement Principles

- Measured Entities receive recognition for any Qualifying Socio-Economic Development Contributions that are **quantifiable as a monetary value** using a Standard Valuation Method
- Socio-Economic Development Contributions are recognisable **cumulatively**:
 - from the commencement date of the Codes, or an earlier date chosen by the Measured Entity (Inception Date) until the date of measurement
 - The Inception Date chosen must not be earlier than 5 years before commencement of the Codes
 - 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 Statement 700.

Recognition of Socio-Economic Development Contributions

Socio-Economic Development Contributions consist of monetary or non-monetary, recoverable or non-recoverable contributions actually initiated and implemented in favour of beneficiary entities by a Measured Entity with the specific **objective of facilitating sustainable access to the economy**.

Note that:

- The full value of Socio-Economic Development Contributions made beneficiaries is recognisable **if at least 75% of the value directly benefits black people**
- If less than 75% of the full value of Socio-Economic Development Contributions directly benefits black people, only the value of the contribution made multiplied by the percentage that benefits black people is recognisable

Socio-Economic Development contributions include:

- grant contributions
- guarantees given or security provided for beneficiaries
- direct costs incurred by a company in assisting beneficiaries
- overhead costs of a company that are directly attributable to Socio-Economic Development contributions
- developmental capital advanced to beneficiary communities
- preferential terms granted by a company for its supply of goods or services to beneficiary communities
- payments made by a company to third parties to perform social development on its behalf
- provision of training or mentoring to beneficiary communities which will assist them to increase their financial capacity
- the maintenance by the company of a social development unit which focuses only on support of beneficiaries and beneficiary communities.

Contributions also include:

- Provision of training or mentoring to a beneficiary communities (such contributions are measurable by quantifying the cost of time spent by staff or management in carrying out such initiatives but any travel or commuting time does not form part of this cost). A clear justification must support any claim for time costs incurred, commensurate with the seniority and expertise of the trainer or mentor.
- Maintaining a Socio-Economic Development unit (such contributions include the salaries and wages of staff and other expenses involved in operating the unit). Remember that 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.
- Payments made by the company to third parties to perform Socio-Economic Development on the company's behalf.

The Benefit Factor Matrix

The Minister may from time to time, by notice in the gazette, revise or substitute the Benefit Factor Matrix. Any changes will only be applicable to the compliance reports for a Measured Entity for the 12-month period following the gazetting of a revision or substitution.

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