

CLARIFICATION NOTE CN000(1)

ON

CODE SERIES FS000, STATEMENT 000

GENERAL PRINCIPLES AND THE SCORECARD

Application of the B-BBEE Recognition Levels Formula

1. Introduction

- 1.1. This Clarification Note is revised in accordance with the gazetting of the Amended Code - Series 400, Statement 400 that came into effect 01 December 2019 which brought about the increment of the DTIC points from 109 to 111.
- 1.2. The Clarification Note is issued in terms of paragraph 13 of FS000, Statement 000 of the Amended Financial Sector Code (FS Code) which states that the Financial Sector Transformation Council shall, from time to time, issue interpretive guides, guidance notes, practice directives and standards documents.
- 1.3. This document is intended to provide clarification on the application of the B-BBEE recognition levels and the formula as per the adjusted DTIC points.

2. Objectives

- 2.1. The objectives of this Clarification Note are to:
 - 2.1.1 Clarify the determination of the B-BBEE recognition levels in the FS Code;

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2.1.2 Provide a matrix that aligns points scored to corresponding recognition levels for the different scorecards of the FS Code.

3 B-BBEE Recognition Levels – Interpretation

3.1 In interpreting the formula in para 8.2.1, it is hereby clarified that the intention of the formula is to adjust the recognition of points earned to be the same as the recognition levels in the **dtic** Codes. **The intention of the formula is NOT to adjust the score obtained by a measured entity.**

Example 1

For a company that is being verified based on the FS Code under the **Other Institutions scorecard**, the total points on this scorecard is 105. In order to calculate the recognition level, the equivalent score on the **dtic** Codes is used. The **dtic** Codes have a total of 111 points.

Therefore, a company that has achieved 70 out of the possible 105 points, will achieve a Level 6 based on the FSC Matrix below.

B-BBEE Recognition Levels Matrix

Contributor level	Points Scored					The formula: Points achieved/Total number of DTIC points X Total industry points. Result is rounded off.
	Amended Generic Codes	Banks and Life Offices	Short Term Insurers	Stock Exchanges and SE Members	Other Institutions	Recognition level
Total Score	111	120	115	103	105	
Level 1 Contributor	>= 100/111	>= 108	>= 104	>= 93	>= 95	135%

Level 2 Contributor	>= 95/111 but < 100/111	>= 103 but < 100	>= 98 but <104	>= 88 but <93	>= 90 but <95	125%
Level 3 Contributor	>= 90/111 but < 95/111	>= 97 but < 103	>= 93 but <98	>= 84 but <88	>= 85 but <90	110%
Level 4 Contributor	>= 80/111 but < 90/111	>= 86 but < 97	>= 83 but <93	>= 74 but <84	>= 76 but <85	100%
Level 5 Contributor	>= 75/111 but < 80/111	>= 81 but < 86	>= 78 but <83	>= 70 but <74	>= 71 but <76	80%
Level 6 Contributor	>= 70/111 but < 75/111	>= 76 but < 81	>= 73 but <78	>= 65 but <70	>= 66 but <71	60%
Level 7 Contributor	>= 55/111 but < 70/111	>= 59 but < 76	>= 57 but <73	>= 51 but <65	>= 52 but <66	50%
Level 8 Contributor	>= 40/111 but < 55/111	>= 43 but < 59	>= 41 but <57	>= 37 but <51	>= 38 but <52	10%
Non-Contributor	< 40/111	< 43	<41	<37	<38	0%

Test to confirm the level is correct:

To confirm, the equivalent score on the **dtic** Codes is therefore to apply the formula: $(70 / 105) \times 111 = 74.00$

As per the **dtic** Codes, the company is rated a Level 6 contributor.

Contributor level	The formula: (Points achieved/Total number of FSC industry points) X Total number of DTIC points	
	Amended Generic Codes	Recognition level
Level 1 Contributor	>= 100	135%
Level 2 Contributor	>= 95 but <100	125%
Level 3 Contributor	>= 90 but <95	110%
Level 4 Contributor	>= 80 but <90	100%
Level 5 Contributor	>= 75 but <80	80%

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Level 6 Contributor	>= 70 but <75	60%
Level 7 Contributor	>= 55 but <70	50%
Level 8 Contributor	>= 40 but <55	10%
Non-Contributor	<40	0%

3.2 For ease of application, the FSTC has provided a matrix (FSC Matrix) for the different scorecards under the FS Code. The matrix indicates the points and the corresponding levels for the different scorecards, against which measured entities can determine the overall level.

3.3 When using the FSC matrix, **the formula is NOT to be applied**. The FSC matrix gives the minimum and maximum points for the different levels of each FS Code scorecard.

Example 2

A **bank** will require a minimum of 86 points to be at Level 4 and 97 points to be at Level 3, whereas an entity under the Other scorecard would require a minimum of 76 points to be at Level 4 and 85 points to be at Level 3.

A measured entity that achieved 85 points on the Other scorecard will be Level 4 as the minimum threshold is 76 points.

3.4 Calculations on the matrix are based on the **dtic** Codes gazetted and published by the **dtic** on 1 December 2019.