

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 issued in terms of paragraph 13 of FS000, Statement 000 of the Amended FSC which states that the Financial Sector Transformation Council shall, from time to time, issue interpretive guides, guidance notes, practice directives and standards documents.
- 1.2. This document is intended to provide clarification on the application of the B-BBEE recognition levels formula contained in paragraph 8.2.1 of FS000 Statement 000.

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;
 - 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 **dti** 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 FSC Codes under the Other Institutions scorecard, the total points on this scorecard is 105. In order to calculate the recognition level, the equivalent score on **dti** Codes is used. The **dti** Codes have a total of 109 points.

Therefore, a company that has achieved 70 out of the possible 105 points, will determine the equivalent score under the **dti** Codes for the purpose of assigning a B-BBEE recognition level as follows:

$$70 / 109 \times 105 = 67.43$$

This would make the company a **Level 6** contributor (as opposed to Level 7 on the **dti** Codes).

To confirm, the equivalent score on the **dti** Codes is therefore to apply the reverse formula:

$$70 / 105 \times 109 = 72.67$$

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

- 3.2. For ease of application, the FSTC has provided a 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 matrix, the formula is NOT to be applied. The Matrix gives the minimum and maximum points for the different levels of each FS Code scorecard.

Example

A bank will require a minimum of 88 points to be at Level 4 and 99 points to be at Level 3, whereas an entity under the Other scorecard would require a minimum of 77 points to be at Level 4 and 87 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 77 points.

4. B-BBEE Recognition Levels Matrix

Contributor Level	Point Scored					The formula : Points achieved / Total number of DTI points X Total industry points
	Amended Generic Codes	Banks and Life Offices	Short Term Insurers	Stock Exchanges and SE Members	Other Institutions	
Total Score	109	120	115	103	105	
Level 1 Contributor	>= 100/109	>=110	>=106	>=94	>=96	135 %
Level 2 Contributor	>=95/109but<100/109	>=105but<100	>=100but<106	>=90 but <94	>=92 but <96	125 %
Level 3 Contributor	>=90but<95/109	>=99but<105	>=95but<100	>=85 but <90	>=87 but <92	110 %
Level 4 Contributor	>=80but<90/109	>=88but<99	>=84 but <95	>=76 but <85	>=77 but <87	100 %
Level 5 Contributor	>=75but <80/109	>=83but<88	>=79 but <84	>=71 but <76	>=72 but <77	80 %
Level 6 Contributor	>=70 but < 75/109	>=77but<83	>=74 but <79	>=66 but <71	>=67 but <72	60 %
Level 7 Contributor	>=55 but <70/109	>=61but<77	>=58 but <74	>=52 but <66	>=53 but <67	50 %
Level 8 Contributor	>=40 but <55/109	>=44but<61	>=42 but <58	>=38 but <52	>=39 But <53	10 %
Non-Contributor	<40/109	<44	<42	<38	<39	0 %