

Chapter Seven: Code 200 – Measurement of the Management & Control Element of Broad-Based Black Economic Empowerment

Statement 200 – The General Recognition of Management Control

Introduction

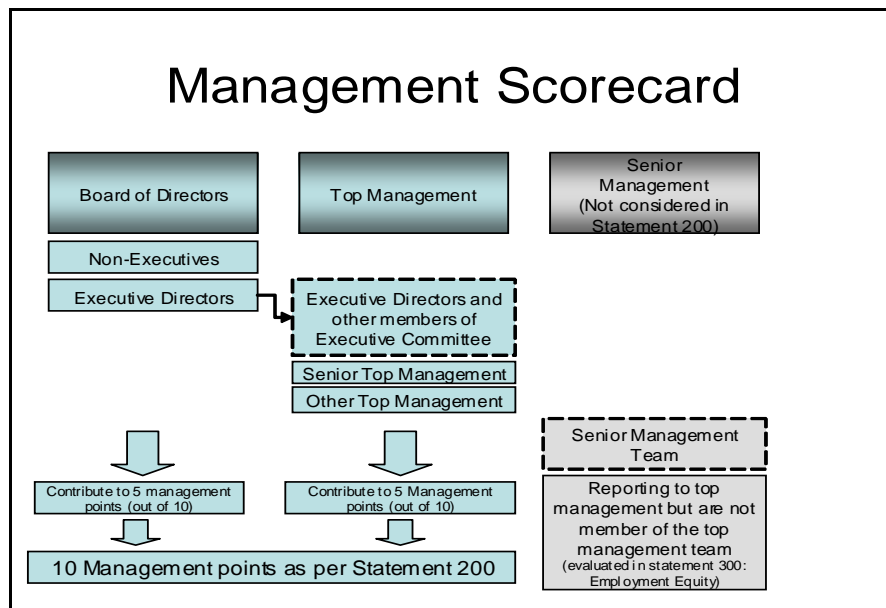
The Management Control element of the Generic Scorecard aims to address certain key issues surrounding black management and control of enterprises. These issues include:

- **Representation of black people at executive board level:** Statement 200 provides incentives for the representation of black people as executives, rather than as non-executives to reverse this trend of companies hiring black people as non-executives only
- **Representation by black owners:** Black shareholders should exercise control commensurate with their shareholding
- **Involvement of black people in daily operations and strategic decision-making at the most senior level:** Black people should also be in charge of and drive the implementation of operational and strategic decisions
- **Black people represented in key financial and overall management positions:** The tendency of placing black people purely in marketing or human resources director roles, rather than in key financial and overall management positions such as chief executive officers and chief financial officers, should be reversed

Overview & Objectives

- To measure the extent of control exercised by black people within the measured enterprise

The Management Scorecard



A Guide to Interpreting the Codes

Management control criteria	Weighting points	Compliance Target
5.1 Board participation:		
5.1.1 Percentage of exercisable Voting Rights held by Members of the Board who are black people to the total of all Voting Rights exercised by all members of the Board	3	50%
5.1.2 Executive Members of the Board who are black people	1	50%
5.1.3 Executive Members of the Board who are black women	1	25%
5.2 Top Management participation:		
5.2.1 Percentage that Senior Top Management who are black people constitute of the total number of Senior Top Management	2	40%
5.2.2 Percentage that Senior Top Management who are black women constitute of the total number of Senior Top Management	1	20%
5.2.3 Percentage that Other Top Management who are black people constitute of the total number of Other Top Management	1	40%
5.2.4 Percentage that Other Top Management who are black women constitute of the total number of Other Top Management	1	20%
5.3 Bonus points		
5.3.1 Percentage that black people who are Independent Non-Executive Board Members constitute of the total number of Independent Non-Executive Board Members	1	40%

The Difference between Senior Top Management and Other Top Management:

Senior Top Management	Other Top Management
<ul style="list-style-type: none"> Appointed by the board 	<ul style="list-style-type: none"> Appointed by the board
<ul style="list-style-type: none"> Operationally involved in day-to-day management of entity 	<ul style="list-style-type: none"> Operationally involved in day-to-day management of entity
<ul style="list-style-type: none"> Individual responsibility for OVERALL and/or FINANCIAL MANAGEMENT of the enterprise 	<ul style="list-style-type: none"> Individual responsibility for THEIR PARTICULAR AREA OF RESPONSIBILITY within the business
<ul style="list-style-type: none"> Actively involved in development and/or implementation of the enterprise's strategy, including the OVERALL strategy 	<ul style="list-style-type: none"> Actively involved in development and/or implementation of the enterprise's strategy insofar as it relates to THEIR PARTICULAR AREA OF RESPONSIBILITY
<ul style="list-style-type: none"> Common examples: CEO; Chief Operating Officer; Chief Financial Officer 	<ul style="list-style-type: none"> Possible examples (will vary from one enterprise to the next): Human Resources Director; Marketing Director; Strategic Director for the Measured Enterprise; other members of the executive committee

A Guide to Interpreting the Codes**Management Control vs. Employment Equity:**

- Although senior and top managers are employees and referred to as such, any employee classified under management control, will not be accounted for under the employment equity element, and vice versa
- In other words, if any employee who is categorised as senior management as per the EEA9 schedule is included in top management (either senior top management or other top management) under the management, this employee will not be accounted for under the measured enterprise's employment equity element for the year under measurement
- In other words, no "double counting" of employees is permitted

NB: The definition of "employee" is included in Statement 200 since all staff members on the payroll of an enterprise, INCLUDING executive directors (but excluding non-executive directors) are referred to as "employees". This means that employees who fall into the relevant categories such as "senior top management" and "other top management" are included in Management Control and NOT in the Employment Equity element.

Top Management includes "Senior Top Management" and "Other Top Management":

- "Top Management" is a collective term for Senior Top Management and Other Top Management, despite the fact that the EE Act does not contain these sub-categories
- Despite the fact that the EE Act contains a category for "Top Management", this is measured under Management Control and NOT under Employment Equity

Enterprises which make no distinction between Top Management and Senior Management

Schedule EEA9 contained in the Employment Equity Act is reproduced here, for ease of reference. Essentially, only "Top Management" should be measured under Management Control, but inclusion of senior management under Management Control is allowed in certain cases, as described below:

Equivalent occupational levels				
Semantic Scale	Paterson	Peromnes	Hay	Castellion
Top management	F	F 1++ 1+		14
Senior management	E	E UPPER E LOWER	1 2 3	1 2 13

A Guide to Interpreting the Codes

- For ease of reporting, in cases where enterprises make no distinction between top management and senior management when reporting in terms of the Employment Equity Act, the enterprise may include senior management in its figures for management control

However, such an enterprise may not ALSO then include senior management figures under the employment equity element – this would amount to double counting.