



The Amended Financial Sector Code for Black Economic Empowerment

Summary

The Amended Financial Sector Code (Amended FSC) was promulgated on 1 December 2017 in Government Gazette number 41287. It was prepared in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003. It wants to commit all participants to actively promote a transformed and globally competitive financial sector. This contributes to the establishment of an equitable society, by providing accessible financial services to black people and by directing investment into targeted sectors of the economy.

Below is a summary of aspects of the Amended FSC that are relevant and apply to retirement funds.

1. Statement FS702 – The measurement of the access to the financial services element of Broad-Based Black Economic Empowerment, as it relates to Long Term Insurers

Statement FS702 specifies the Access Scorecard as well as the definitions, standards, target markets and key measurement principles of the sub-categories of the Access element.

1.1. Access Scorecard

The Scorecard for access to financial services for Long Term Insurers is as follows:

	Description	Weighting	Target
2.1	Appropriate Products	3	6
2.2	Market Penetration	7	5,7390,23
2.2.1	Target: 2014		4,878,170
2.2.2	Target: 2015		5,165,121
2.2.3	Target: 2016		5,452,072
2.2.4	Target: 2017		5,739,023
2.3	Transactional Access	2	As per Guidance Note
	Total	12	

1.2. Products and Product Standards

The following are important, especially for retirement funds that offer group life and critical illness products:

- *Appropriate products*: Life products appropriate for identified needs - The life products considered are those that address death and serious illness. These risks are often insured through funeral schemes and credit life cover. However, other forms of product are possible.
- *Transactional access* is the opportunity to purchase the product, pay the premiums due, make amendments to the policy and to lodge a claim and receive payment of the claim.
- *Integrated products*: New standards for retirement GAP market products.
- *Target market*: Based on income and pegged at the tax threshold for individuals and double the tax threshold for families. Target market definition to be adjusted annually, based on changes to tax threshold, currently standing at R73 000 per annum for individuals.
- *Measurement*: Measurement of success for the provision of “effective access” = penetration level (usage) of appropriate products within the above target market. Targets for transactional access and penetration will be measured by in-force / on books business at measurement date.
 - Appropriate products – Each product that meets the required standards will be FSC compliant.
 - Transactional access – Measured entities will score points for the proportion of the standard map (covering the adult population based on the recent banking densification study) in which they are able to demonstrate transactional access.
- *Scoring*: Allocation of points as set out in Standard

2. Schedule 1: Voluntary Dispensation for Top 100 Retirement Funds including Umbrella Funds

While many aspects of B-BBEE are not relevant to retirement funds, the Amended FSC acknowledges that retirement funds have a role to play in the transformation of the financial sector, mainly by the appointment of private sector service providers. Additionally, retirement funds are also required by Regulation 28 of the Pension Funds Act to consider environmental, social and governance (ESG) criteria as well as B-BBEE during the service provider selection process.

It is suggested that retirement funds should measure themselves annually against certain aspects of the broad-based empowerment scorecard in the Amended FSC. It is proposed that large retirement funds should put together and publish annual scorecards for the preferred procurement and management control elements of the Amended FSC, by using the measurement metrics that are in the Code, as adapted in the scorecards below:

Retirement Fund B-BBEE Scorecard

ELEMENT	SCORECARD	PUBLIC DISCLOSURE	CODE SERIES REFERENCE
Ownership	N/A	Recommended	FS100
Management control	20	Recommended	FS200
Skills development/Trustee education	N/A	Recommended	FS300/500
Preferential procurement	80	Recommended	FS400

ELEMENT	SCORECARD	PUBLIC DISCLOSURE	CODE SERIES REFERENCE
Empowerment financing, enterprise and supplier development	N/A		
Access to financial services			
Socio-economic development			
TOTAL	100		

Retirement Fund Detailed Scorecards

Management Control Scorecard			
Description	Points	Target	
Board and executive management participation	20		
Exercisable voting rights of black board members as a percentage of all board members	8	50%	
Exercisable voting rights of black female board members as a percentage of all board members	4	25%	
Principal officer, executive and senior management if applicable	8	50%	
PREFERENTIAL PROCUREMENT SCORECARD	Points	Target y1-3	Target y 3+
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	35	75%	80%
B-BBEE procurement spend from empowering suppliers who are QSEs or EMEs based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	10	15%	25%
B-BBEE procurement spend from 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	25	15%	25%
B-BBEE procurement spend from 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	10	7.5%	12.5%

Also, retirement funds should also make the following annual disclosures:

- report on the proportion of fund liabilities attributable to black male members and black female members; and

- disclose details related to accredited SAQA approved training spent on trustees and executive managers such as principal officers and other staff.

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Retirement Fund & Product Governance

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