



B-BBEE

COMMISSION

a member of **the dti** group

National Status and Trends on Black Economic Empowerment Report

31 March 2018



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LIST OF ABBREVIATIONS

B-BBEE	Broad-Based Black Economic Empowerment
BO	Black Owned
BWO	Black Women Owned
CIPC	Companies and Intellectual Property Commission
DAFF	Department of Agriculture, Forestry and Fisheries
EE	Employment Equity
EME	Exempt Micro Enterprise
ESD	Enterprise and Supplier Development as defined in the B-BBEE Codes of Good Practice
FSC	Financial Services Sector
ICT	Information and Communication Technology
JSE	Johannesburg Stock Exchange
MAC	Media, Advertising and Communications
MC	Management Control as defined in the B-BBEE Codes of Good Practice
MPRDA	Mineral and Petroleum Resources Development Act
PFMA	Public Finance Management Act No 1 of 1999
PP	Preferential Procurement as defined in the B-BBEE Codes of Good Practice
QSE	Qualifying Small Enterprise
REIT	Real Estate Investment Trust
SAICA	South African Institute of Chartered Accountants
SANAS	South African National Accreditation System
SARS	South African Revenue Service
SETA	Skills Education Training Authority
SOE	State Owned Entity
the dti	Department of Trade and Industry
WOW	Who Owns Whom (Pty) Ltd



Executive Summary

1. Executive Summary

The B-BBEE Commission's mandate as stipulated in Section 13F of the B-BBEE Act No.53 of 2003 ("the Act") as amended, highlights that the B-BBEE Commission has a duty to monitor compliance and adherence with the Act. In fulfilment of this mandate, the researchers¹ were commissioned to research and compile the second National State of Transformation and Trend Analysis Report for the 2017 calendar year. The report follows the First National State of Transformation and Trend Analysis Report issued in 2016. The key difference between the First Report and the Second Report is that, the Second Report was drawn from data captured in the B-BBEE Certificates Portal and Compliance Reports submitted to the B-BBEE Commission. While the First Report was based on B-BBEE Certificates that were independently sourced using different sets of data. The B-BBEE Commission received B-BBEE compliance data from the following sources:

- B-BBEE certificates uploaded into the B-BBEE Commission's B-BBEE Certificates Portal by SANAS accredited verification agencies;
- B-BBEE Compliance reports submitted by public entities listed on the Johannesburg Stock Exchange ("JSE") and from Spheres of Government or Organs of State in line with the annual mandatory compliance reporting requirements as set out in Section 13G of the Act and the 2016 B-BBEE Regulations.

For the 2017 calendar year 1139 EMEs, 851 QSEs and 871 large entities' B-BBEE data was reported through the B-BBEE Certificates Portal. During this period 121 listed entities and 4 SOEs reported under the Section 13G reporting requirements.

The 2017 report highlight the following key findings from data reported through the B-BBEE Certificates Portal and 13G submissions:

- B-BBEE contributor levels of Large and QSE entities seemed to be under pressure with the amended generic and sector codes coming into effect in 2017. Despite less stringent old sector codes still applying to a number of large sectors (e.g. FSC, Transport in the 2017 period), findings indicate that 60% of entities were between Level 5 and non-compliant to B-BBEE, while only 40% reached a targeted Level 4 or better.
- Management Control, Skills Development and Enterprise and Supplier Development are the elements where entities were on average not achieving 50% of the available B-BBEE points. This trend is expected to continue as the rest of the amended sector codes come into effect, after which entities are likely to start adapting to the amended code requirements and improve performance. Listed entities reporting under 13G show a similar trend on B-BBEE contributor levels.
- Average Black Ownership reported was at 27%, with

reporting entities from the Agri-BEE sector lagging significantly (4%). Average black ownership percentages in excess of 40% were found in the FSC and Tourism sectors. The analysis of listed entities that reported, indicated that black ownership in the Property, Tourism, Agri-BEE and FSC sectors did not reach a 25% average. The average black ownership for listed entities scored under the generic code was at 23%.

- Black Women Ownership remained a key concern at a 9% average, with very few large or listed 30% black owned businesses reporting. The lack of 30% black women owned businesses places pressure on preferential procurement scorecards of large reporting entities, given the 30% black women owned target required on the preferential procurement scorecard.
- Control of the boards of South African listed entities were still concentrated within the hands of white and foreign males (58%), with equal representation between black male (20%) and black female (18%) and white females lagging at 4% for those entities that reported under section 13G of the Act.

These findings need to be interpreted in the context of the limitations of the study:

- Low levels of reporting by the listed entities and organs of state were found. Only 30% of the 401 listed JSE entities reported. While only 4 SOEs reported.
- Limitations of the 1st year of the B-BBEE Certificates Portal system, resulting in data that was limited with regards to completeness. Accuracy of captured data could also not be verified due to system limitations. Adding to the functionality of the B-BBEE platform can enhance the depth and accuracy of analysis, especially as it pertains to ownership and management control. The B-BBEE Commission has already embarked on such enhancements.
- Data included EMEs and QSEs reporting under the old sector codes, i.e. where a verified B-BBEE certificate was required, these were still part of the 2017 report, but to a limited extent. Going forward, few EMEs and QSEs that are greater than 51% black owned will be recorded in the portal, as most will move to affidavits and will therefore not be reported on by verification agencies unless a B-BBEE certificate is required by a sector code.

Based on the key findings and limitations of the study noted above the following recommendations are made:

Recommendations for improving data capturing, reporting and analysis

- The B-BBEE Commission has established strategic partnerships with a number of institutions, such as the JSE, SARS, CIPC and SANAS. These relationships

should be leveraged in order to monitor and influence mandatory reporting and enhance the completeness and accuracy of data submitted to the B-BBEE Commission.

- The B-BBEE Commission should implement measures and introduce mechanisms to improve the quantity and quality of current reporting.
- Further improvements on the current B-BBEE Certificates Portal system are recommended, to ensure that data uploaded is accurate and complete. Enhanced analysis may be achieved through additional reporting tabs in the system to incorporate transformation indicators available from detailed B-BBEE certificates. Two examples are:
 - » Ownership analysis can be enhanced through the capturing net value scores; foreign operations percentage; and indirect and director ownership percentages.
 - » Management Control analysis can be enhanced through the capturing of Board; Executive Board; and other Executive scores. This will enhance comparability between entities as well as inform the salient challenge of transforming the executive.
- A mechanism should be considered to track black-owned QSEs and all EMEs in future, as these entities will not be verified due to the affidavit provision. Not being able to track the progress of QSEs on black ownership will prevent a key indicator of transformation from being monitored year-on-year.

Recommendations to drive accelerated transformation

Black Ownership in the Agri-BEE Sector

Black ownership in the commercial Agri-BEE sector is closely linked to the challenge of black agricultural land ownership. Based on the 2017 analysis of reported Agri-BEE sector entities, black ownership by commercial entities is low. However, it is important to note that black ownership information reported to the B-BBEE Commission excludes two important sources of information: land held in trusts; and Black Owned QSEs and EMEs. Alternative means will need to be developed to measure changes of ownership in this sector. This could be done in conjunction with the DAFF and the Agri-BEE Sector Council.

Black Women Ownership

The lack of black women owned businesses is highlighted as a barrier to transformation across all sectors. Specifically, there are low levels of black women owned businesses that exceed the 30% black women owned threshold that is currently set in the amended B-BBEE Codes of Good Practice.

Policy and programmatic support for the development and growth of 30% black women owned businesses is recommended. The B-BBEE Commission should work with **the dti** to enhance support to women owned business-

es, through existing and new programmes and initiatives, and closely monitor progress on the 30% black women owned category.

Skills Development

Improvement on the skills development element should be prioritised. Findings show that in 2017, reporting entities are on average not meeting 50% of the available skills development targets. On the other hand, entities that commit to formal skills development programmes, such as internships and learnerships, often see a significant improvement in their B-BBEE performance.

The B-BBEE Commission should work with the SETAs to educate Transformation and Skills Development managers on the B-BBEE benefits of formalised training. This could include the promotion of sector level skills initiatives, where pooled funds are created for formal learning or to support free or subsidised tertiary education.

Impact Measurement

The B-BBEE scorecard framework currently measures inputs and outputs, but does not extend to consider the outcomes of B-BBEE initiatives on direct beneficiaries, and its wider impact on society. It is recommended that transformation outcome and impact indicators should be developed and measured through a robust monitoring and evaluation framework. This could be done in cooperation with the Department of Planning, Monitoring and Evaluation.

Ownership Disclaimer

The five elements of B-BBEE adopted in the Codes each have a specific purpose and together provide an integrated intervention to empower black people as envisaged in the B-BBEE Act. The purpose of the ownership element is to ensure that black people own and/or control enterprises and productive assets in a manner that is sustainable and promotes as well as preserve corporate governance principle that underpin the Companies Act, 2008 (Act No. 71 of 2008) as amended.

B-BBEE ownership element measures effective ownership of entities by black people by assessing excisable voting rights, economic interest and net value in the hands of black people as a result of direct or indirect participation in the measured entity. The measured entity will on an annual basis recognise points for as long as the black shareholders still hold rights of ownership in the entity. This assessment aims to determine both factual and legal ownership aspects.

Nonetheless, the statistics on the state of ownership as reflected in the report, is solely based on the information reflected on the B-BBEE certificates, and has not been assessed against with the three ownership requirements to determine compliance with the B-BBEE Act.



Introduction

2. Introduction and Background

The Broad-Based Black Economic Empowerment (“B-BBEE”) Commission is mandated in terms of section 13F of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 as amended (“the Act”), to monitor compliance and adherence with the Act in the interest of the public and to receive and analyse Compliance Reports. This report will assist the B-BBEE Commission to identify compliance with the Act, as well as provide an indication of the state of transformation for the 2017 calendar year.

In line with the role of the B-BBEE Commission, mandatory reporting for Public Entities listed on the Johannesburg Stock Exchange (JSE), Skills Education Training Authorities (SETAs) and Organs of State, became effective on the 6th of June 2016. Subsequent to this, the B-BBEE Commission also requested the SANAS accredited B-BBEE Verification Agencies (“Verification Agencies”), starting on the first of April 2017 to upload all B-BBEE verification certificates (“Certificates”) onto the B-BBEE Certificates Portal within 30 days of issue.

The Broad-Based Black Economic Empowerment (B-BBEE) Commission commissioned DNA Economics (in collaboration with Alternative Prosperity Pty Ltd) to conduct research on the national state of transformation, with the focus on B-BBEE certificates uploaded on the B-BBEE Certificates Portal as well as JSE Listed Entities and Organs of State reporting to the B-BBEE Commission as prescribed in section 13G of the Act.

Information analysed included sector codes which were still in the process of realignment to the amended generic codes, for example the Integrated Transport sector code and the Agri-BEE sector code, Construction sector code and Financial sector code (refer to the table below). This entails that some of the transformation indicators were skewed given the different targets that were set by the old codes as well as the revised set of targets in the various sector codes.

Table 1: Sector Codes

Code name	Implementation date
Amended Generic Codes	1 May 2015
Marketing Advertising Communication Sector Code	1 April 2016
Amended Property Sector Code	9 June 2017
Amended Agri-BEE Sector Code	8 December 2017
Amended Tourism Sector Code	20 November 2015
Amended Forestry Sector Code	21 April 2017
Amended ICT Sector Code	7 November 2016
Amended Financial Sector Code	1 December 2017
Amended Construction Sector Code	1 December 2017
Chartered Accountancy Sector Code	Repealed effective 17 February 2016
Integrated Transport Sector Code	21 August 2009



Research Objective

3. Research Objectives and Scope

3.1. Research Objectives

This research has four main objectives:

- To provide the status and national trends on South African transformation (specifically in terms of B-BBEE) by analysing the various entities' annual compliance reports and B-BBEE certificates data as issued and captured by verification agencies on the B-BBEE Certificates Portal;
- To provide the status and national trends with regards to B-BBEE of all entities with a mandatory reporting requirement, to report to the B-BBEE Commission as per section 13G of the Act of 2013;
- To provide recommendations to improve compliance reporting and data capturing to the B-BBEE Commission
- To provide observations and recommendations on the national state of transformation.

3.2. Design and Methodology

- Black Ownership, B-BBEE Contributor level and per B-BBEE element level analysis of B-BBEE reporting to the B-BBEE Commissioner segmented by size, sector, type of entity and year of reporting.

3.3. Data Collection and Analysis

- Primary data analysis on B-BBEE compliance information received, for the 2017 calendar was done. The analysis was based on information from the B-BBEE Certificates Portal as well as mandatory reporting submissions submitted. Data analysed included reference to B-BBEE certificates and Integrated Compliance Reports.
- For management control analysis additional sources were consulted which included, CIPC, IRESS, INETBFA, annual integrated reports and entities' websites.
- Additionally, data was sourced from a database of the JSE listed Top 100 entities that is maintained by the researchers.

3.4. Population of the Study

The population of B-BBEE reporting entities are not available and requires estimation based on the reporting done to the B-BBEE commission and JSE. Table 2 below provides an estimate and breakdown of the number of entities that reported to the B-BBEE commission in the 2017 calendar year.

Table 2: Population of the Study per Entity Size

ENTITY CLASSIFICATION	TOTAL	REPORTED (2017)	COVERAGE	SOURCE
EME (Turnover less than R10M)	878 032*	1139	0.13%	B-BBEE Portal
QSE (Turnover between R10M and R50M)	34 118*	851	2.49%	B-BBEE Portal
Large Entities (incl. LISTED)	11 871*	871	7.34%	B-BBEE Portal
LISTED Entities***	401**	121	30.17%	13G Reporting
Organs of State and Spheres of Government***		4		13G Reporting
SETAs***		0		13G Reporting

* Source: Research by **the dti**, October 2012²

** Source: INET BFA

*** Entities with a mandatory reporting requirement in terms of section 13 G of the Act.

The following should be noted:

- Exempted Micro Enterprises (EMEs) that make up the majority of entities operating in South Africa are by law not allowed to get a verification certificate issued by verification professionals under the amended codes (with the exception of EMEs measured under the amended construction sector). From the above study population, it follows that, the only EMEs that would have been verified are those that were still required to report under the old sector codes in 2017. Going forward the sources used for this report will not provide much insight into the EME environment as EME verification will be phased out for most of the sector codes.
- Qualifying Small Enterprises (QSEs) reporting to the B-BBEE Commission through the B-BBEE verification agencies would be limited to those that are not 51% black owned as entities that are greater than 51% Black Owned only require an affidavit going forward (except for those operating in the construction sector and any other sectors gazetted in the future, that will require QSE verification).
- Large entities (including listed entities) are likely to comprise entities that have a number of subsidiaries. On verification these subsidiaries are often included under the holding company's B-BBEE certificates which might contribute to the total number of registered entities that got verified not matching with the total number of registered entities that have B-BBEE rating certificates, since the names of the subsidiaries are not captured on the B-BBEE Certificates Portal.
- It must also be noted that the number of entities that were verified in the 2017 calendar might have reduced due to the shift from the old to the amended codes.
- JSE listed entities for the reporting period could be accurately determined with reference to the JSE and amounted to 401³ listed entities.

3.5. Limitations of the Study

- The completeness and accuracy of data could not be established as it was not possible to reconcile the B-BBEE Certificates Portal data to actual B-BBEE certificates captured on the system.
- Unique identifiers to identify reporting entities from the B-BBEE Certificates Portal data were not available, limiting the researcher's ability to check for duplication, and perform comparative analysis between large listed and unlisted entities. As a result, the analysis of the listed entities is presented as a separated section in this report (Section B).
- Data captured still includes old sector codes reporting, limiting comparability as the old codes had different compliance requirements.
- Data still includes EMEs and QSEs from old codes, i.e. where a B-BBEE certificate was deemed acceptable. Going forward EMEs, as well as QSEs that are greater than 51% black owned, will be insignificant as most will move to affidavits and will therefore not be reported on by verification agencies unless a B-BBEE certificate is required by a sector code.
- Breakdown of specialised scorecard entities was not available. This restricts the analysis that could be conducted.
- The following scorecard data was not available from the B-BBEE Certificates Portal:
 - Ownership scores
 - Priority element data
 - Net value points data
 - Foreign operations % data
 - Direct and indirect ownership split data
 - Board; Executive Board; and other Executive management control data were not available.

² http://www.dti.gov.za/economic_empowerment/docs/bee_launch.pdf

³ Number of JSE listed entities as at 31 December 2017: 401 (Source: INET BFA)



Section A

4. B-BBEE Certificates Portal Data

The analysis in the preceding section is based on B-BBEE certificates that were uploaded on the B-BBEE Certificates Portal System maintained by the B-BBEE Commission, for the period January to December 2017.

4.1. Number of B-BBEE Certificates Uploaded Per Sector

Table 3: Number of B-BBEE Certificates uploaded per sector

	EXEPTED MICRO ENTERPRISE	QUALIFYING SMALL ENTERPRISE	LARGE ENTERPRISE	GRAND TOTAL
Agri- BEE Charter	374	55	62	491
Chartered Accountancy Sector Code	2			2
Contruction Sector Code	16	6	5	27
Financial Sector Code	16	14	16	46
Forest Sector Code	31	5	7	43
Information Communication Technology Sector Code	37	32	31	100
Intergrated Transport Sector Code	626	70	58	754
Marketing, Advertising & Communication Sector Charter		12	9	21
Property Sector Code	37	14	7	58
Tourism Sector Code		18	5	23
Generic Codes		624	636	1260
Specialised Score Cards		21	15	36
Grand Total	1139	871	851	2861

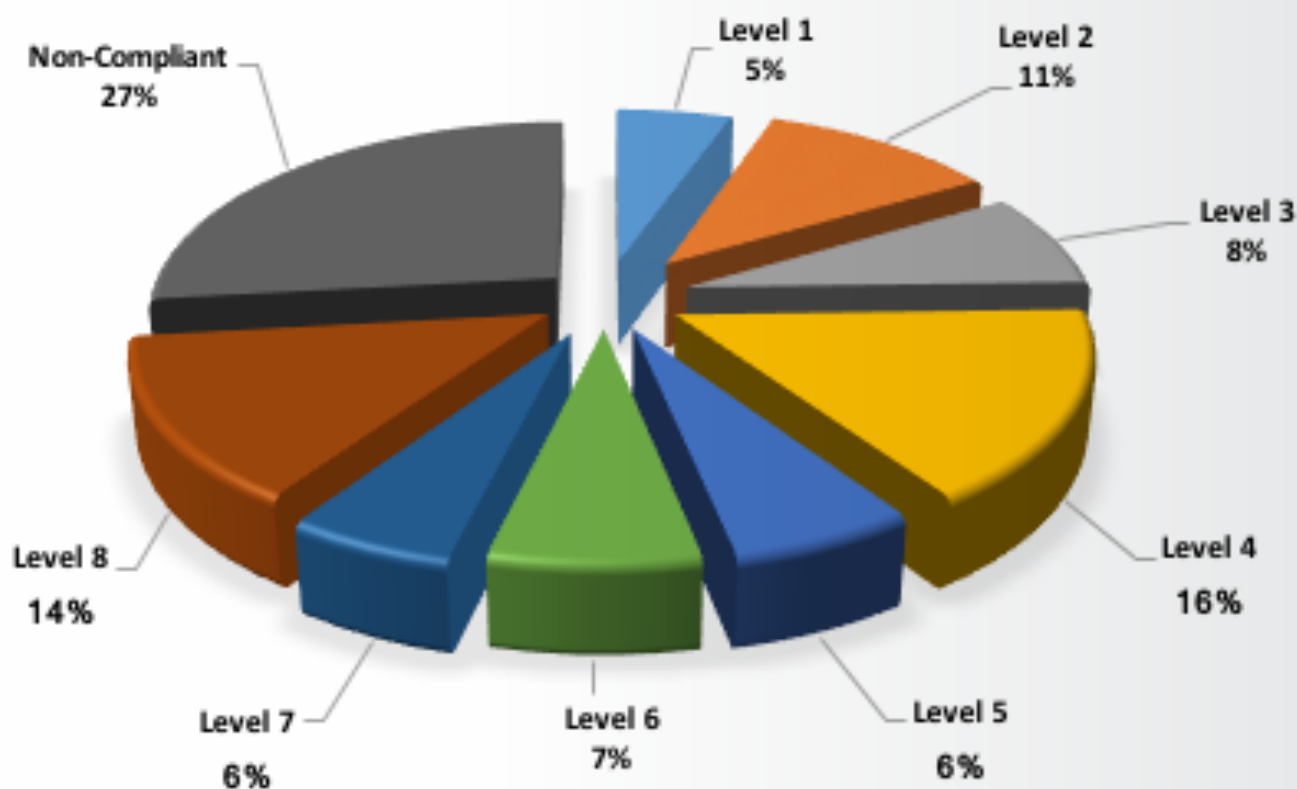
- For the period January to December 2017 there were 2861 certificates uploaded onto the B-BBEE Certificates Portal system. (Q2 2017: 2105 certificates).
- Who Owns Whom⁴ Year 1: 2890 B-BBEE Certificates; Who Owns Whom Year 2: 3113 B-BBEE Certificates (sourced independently, not through the B-BBEE Certificates Portal System).
- EME certificates captured are likely to be on old sector codes (codes gazetted between 2007 and 2012). EME reporting is expected to decrease significantly in the next round due to the affidavit provision.
- Black Owned QSEs will also not report through the B-BBEE Certificates Portal as a result of the affidavit provision. Provisions should be made to obtain this information since it can't be provided by verification agencies who are mainly feeding into the repository.
- Construction sector codes were initially repealed in February 2016, and thus most of the construction certificates submitted on the B-BBEE Certificates Portal for the 2017 calendar year would have been verified under the Generic amended codes ("Generic codes").
- The Mining Charter is currently gazetted under the Mineral and Petroleum Resources Development Act, No. 28 of 2002 ("MPRDA"), and thus all mines and mining houses are still being measured under the Generic Codes.

4.2. Overall Contribution Levels: Large Entities

Table 4: Overall Contribution Levels: Large Entities

B-BBEE Status	Percentage of certificates per B-BBEE Level
Level 1	5.41%
Level 2	11.16%
Level 3	7.99%
Level 4	15.98%
Level 5	6.23%
Level 6	7.05%
Level 7	5.64%
Level 8	13.75%
Non-Compliant	26.79%
Grand Total	100.00%

Graph 1: Overall Contribution Levels: Large Entities



- 26.8% of all certificates captured were rated as non-compliant (2017 Q2: 23.6%). The non-compliant certificates have increased by 3.2% compared to the Q2 report.
- 33% of large entities were rated from level 5 to level 8 (2017 Q2: 31.7%)
- 41% of large entities were rated from level 4 to level 1 (2017 Q2: 44.6%).
- The decrease in level 1-4 and increase in level 5-8 and non-compliance could be attributed to more B-BBEE certificates being issued against the amended codes during the 2017 period.

4.3 B-BBEE Contributor Level Per Sector: Large Entities

Table 5: B-BBEE Contributor Level per Sector - Large Entities

	Agri-BEE		Construction		FSC		Forest		ICT		Transport		MAC		Property		Tourism		Generic Codes		Specialised Score Cards		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Level 1		0.00%		0.00%	1	6.25%		0.00%	5	16.13%		0.00%	3	33.33%		0.00%	2	40.00%	35	5.50%		0.00%	46	5.41%
Level 2	2	3.23%	1	20.00%	5	31.25%		0.00%	3	9.68%	15	25.86%	3	33.33%	2	28.57%		0.00%	63	9.91%	1	6.67%	95	11.16%
Level 3	1	1.61%	4	80.00%	3	18.75%	2	28.57%	4	12.90%	9	15.52%		0.00%		0.00%		0.00%	45	7.08%		0.00%	68	7.99%
Level 4	6	9.68%		0.00%	4	25.00%	2	28.57%	6	19.35%	7	12.07%	2	22.22%	2	28.57%	1	20.00%	104	16.35%	2	13.33%	136	15.98%
Level 5	6	9.68%		0.00%	2	12.50%		0.00%	3	9.68%	8	13.79%		0.00%		0.00%		0.00%	33	5.19%	1	6.67%	53	6.23%
Level 6	9	14.52%		0.00%	1	6.25%	1	14.29%	3	9.68%	6	10.34%		0.00%	1	14.29%		0.00%	37	5.82%	2	13.33%	60	7.05%
Level 7	7	11.29%		0.00%		0.00%		0.00%	2	6.45%	2	3.45%		0.00%		0.00%		0.00%	36	5.66%	1	6.67%	48	5.64%
Level 8	18	29.03%		0.00%		0.00%	1	14.29%	1	3.23%	5	8.62%	1	11.11%		0.00%		0.00%	88	13.84%	3	20.00%	117	13.75%
Non-Compliant	13	20.97%		0.00%		0.00%	1	14.29%	4	12.90%	6	10.34%		0.00%	2	28.57%		40.00%	195	30.66%	5	33.33%	228	26.79%
Grand Total	62	100.00%	5	100%	16	100%	7	100%	31	100%	58	100%	9	100%	7	100%	5	100%	636	100%	15	100%	851	100%

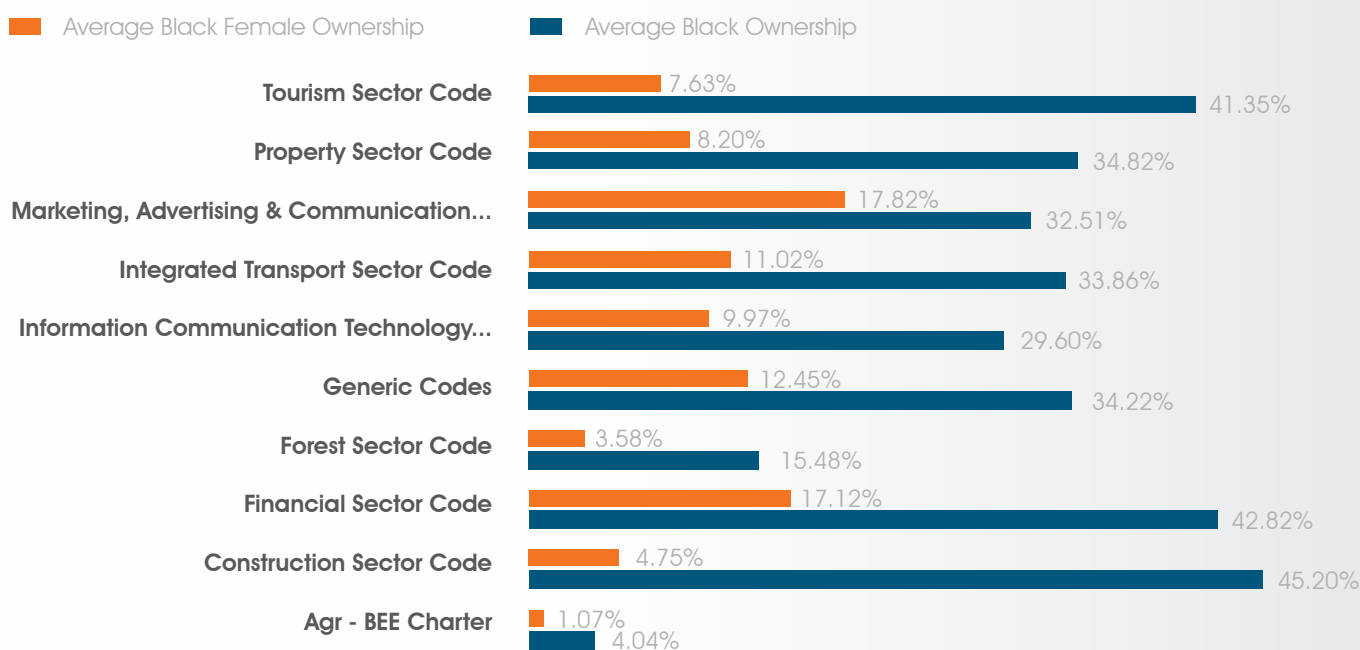
- The highest number of certificates uploaded onto the B-BBEE Certificates Portal was from the Agri-BEE and Transport sectors.
- The lowest number of certificates uploaded onto the B-BBEE Certificates Portal is from the Tourism and Construction sectors, however, for the Construction sector it can be attributed to the repeal of the sector code. This means that Construction entities would have reported under the Generic codes.
- From the table above, 228 (26.8%) B-BBEE certificates that were uploaded onto the B-BBEE Certificates Portal were rated as non-compliant. This is an increase from the Q2 report which stated that 136 (23.6%) were non-compliant.
- Of the number of Tourism entities that submitted, 40% were non-compliant, followed by Generic codes with 30.66%. The lowest non-compliant entities as a percentage are from the Transport sector, this could be attributed to these entities still being verified on the old codes with targets that have not been re-aligned to the more stringent amended codes.
- A large percentage of FSC entities have reported a level 4 or higher. This could be attributed to measurement on the old FSC sector code during the 2017 period.
- 66.66% of entities reporting under the MAC codes were rated as level 1 and 2 during the 2017 period.
- Entities reporting on the Generic codes seem to be spread across the different contributor levels with the highest percentage reporting a level 4 for the 2017 period.

4.4 Average Black Ownership: Large Entities

Table 6: Average Black Ownership: Large Entities

	Average Black Ownwership	Average Black Female Ownership
Agri-BEE Charter	4.04%	1.07%
Construction Sector Code	45.20%	4.75%
Financial Sector Code	42.82%	17.12%
Forest Sector Code	15.48%	3.58%
Generic Codes	34.22%	12.45%
Information Communication Technology Sector Code	29.60%	9.97%
Integrated Transport Sector Code	33.86%	11.02%
Marketing, Advertising & Communication Sector Charter	32.51%	17.82%
Property Sector Code	34.82%	8.20%
Tourism Sector Code	41.35%	7.63%

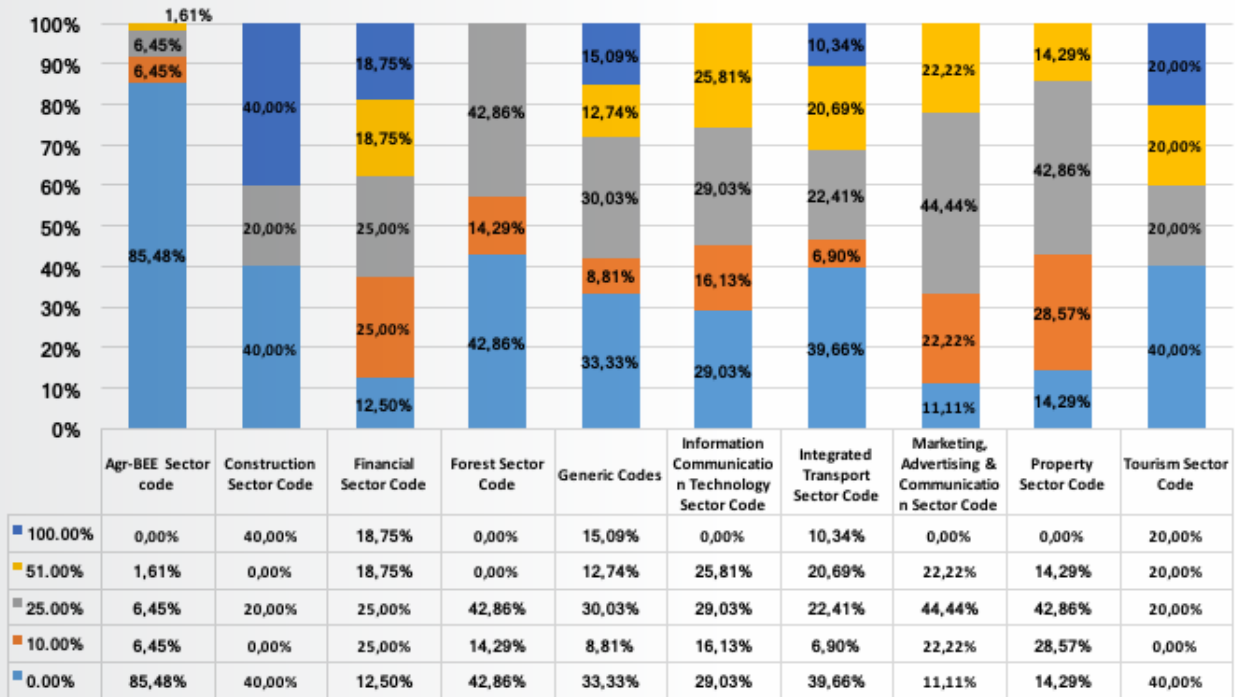
Graph 2: Average Black Ownership: Large Entities



- The Construction sector view in the above figure is based on the 5 certificates captured. This seems to relate to B-BBEE certificates that were issued before the repeal of the sector code or perhaps an incorrect entry on the B-BBEE Certificates Portal.
- All sector except Forestry sector and Agri-BEE sector exceed the 25% black ownership target set by the generic codes, however, none have progressed to black ownership of greater than 51%.
- FSC has a high average black ownership (42.82%) and average black female ownership (17.12%). This could be attributed to FSC entities, specifically banks, which exited their B-BBEE deals were able to still benefit from the once empowered always empowered principle (previously allowed in the old FSC dispensation). Also, financial institutions have better financial solutions to finance their B-BBEE deals as compared to other entities in different sectors.
- The Agri-BEE sector reported a low percentage of black ownership. This likely reflects complex ownership challenges in the sector, particularly around land, which should be analysed further in the next round.
- An analysis on the Mining sector was not possible as these entities would have reported under the Generic codes. A deeper analysis into the Mining sector is required.

BLACK OWNERSHIP PER SECTOR: LARGE ENTITIES

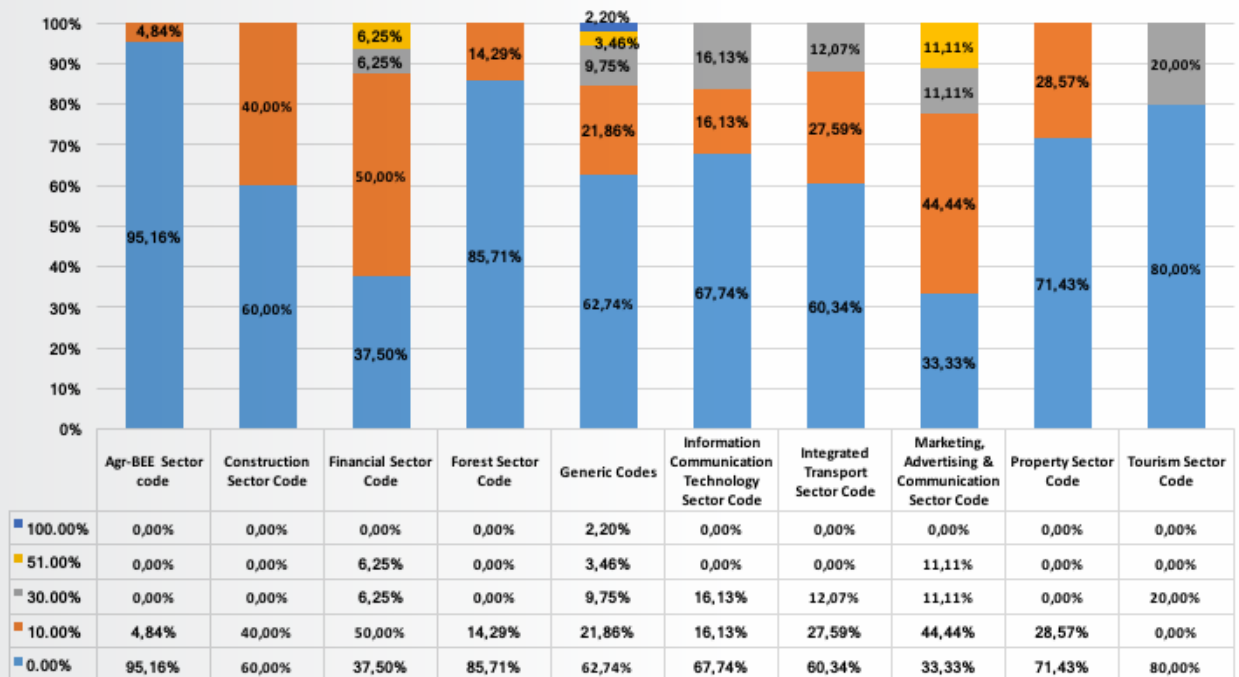
Graph 3: Black Ownership Per Sector: Large



- The graph above shows black ownership into the following ownership thresholds, 0%, 10%, 25%, 51% achieved per sector code.
- Of the entities that reported, the Forestry sector is the only sector with no 51% or greater black ownership although from a smaller number of entities.
- A larger percentage (i.e. 85.48%) in the Agri-BEE sector has no black ownership.
- 40% of entities in Forestry, Integrated Transport and Tourism sectors have no black ownership, with most entities meeting the 25% target.
- Of the ICT, Integrated Transport, MAC and Tourisms entities that reported, less than 20% meet the 51% threshold.

BLACK FEMALE OWNERSHIP PER SECTOR: LARGE ENTITIES

Graph 4: Black Women Ownership Per Sector: Large



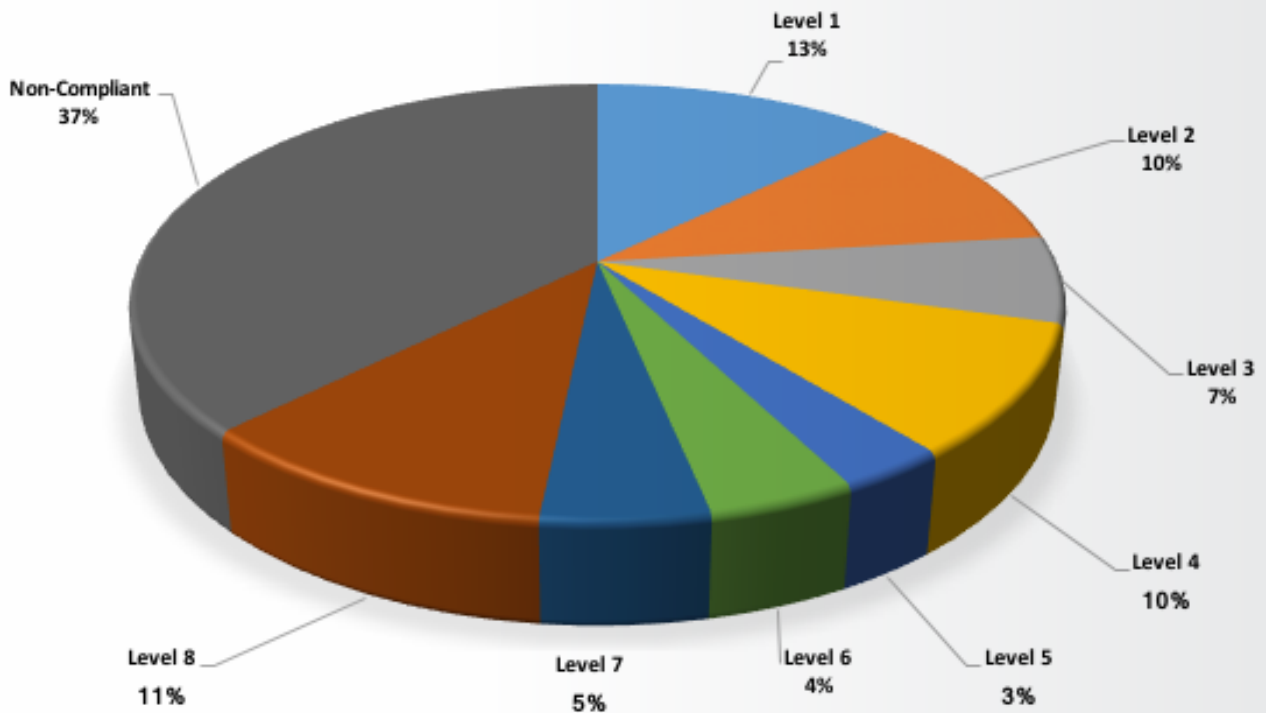
- The graph above shows black female ownership as per the following ownership thresholds, 0%, 10%, 25%, 51% achieved per sector code.
- Black female ownership above 10% is lacking across the sectors. On average there is a high percentage of no black women ownership.
- FSC and MAC sectors seem to have the least challenges in terms of black female ownership with 63% and 66% respectively of the entities having at least 10% black women shareholding.

4.5. Overall Contribution Levels: QSE Entities

Table 7: Overall Contribution Levels: QSE Entities

B-BBEE Status	Percentage of certificates per B-BBEE Level
Level 1	12.74%
Level 2	10.33%
Level 3	6.43%
Level 4	9.64%
Level 5	3.21%
Level 6	4.36%
Level 7	4.94%
Level 8	10.91%
Non-Compliant	37.43%
Grand Total	100.00%

Graph 5: Overall Contribution Levels: QSE Entities



- The above table indicates that a high percentage (37%) of QSEs have been rated as non-compliant to B-BBEE compared to Q2: 30%. The non-compliant certificates have increased by 23% compared to the Q2 report. This could mean that more entities were verified towards the end of 2017.
- 23% of QSEs were rated from level 5 to level 8 (2017 Q2: 22%)
- 39% of QSEs were rated from level 4 to level 1 (2017 Q2: 10%).
- The decrease in level 1-4 and increase in level 5-8 and non-compliance are likely attributable to more certificates being issued against the amended codes.
- It should be noted that the QSE performance was skewed by the exclusion of 51% black owned to 100% black owned QSE information which are exempted from verification and are required to issue affidavits only. These entities will automatically be a Level 2 or Level 1 respectively, resulting in the above analysis of black ownership being understated.

4.6. B-BBEE Level Per Sector: QSE Entities

Table 8: B-BBEE Level per Sector: QSE Entities

	Agri-BEE		Construction		FSC		Forest		ICT		Transport		MAC		Property		Tourism		Generic Codes		Specialised Score Cards		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Level 1		0.00%	1	16.67%	1	7.14%		0.00%	7	21.88%	20	28.57%	2	16.67%	1	7.14%	2	11.11%	76	12.18%	1	4.76%	111	12.74%
Level 2	4	7.27%	1	16.67%	4	28.57%	1	20.00%	4	12.50%	16	22.86%	2	16.67%	1	7.14%		0.00%	56	8.97%	1	4.76%	90	10.33%
Level 3	9	16.36%	1	16.67%	1	7.14%	1	20.00%	4	12.50%	7	10.00%		0.00%	3	21.43%		0.00%	28	4.49%	2	9.52%	56	6.43%
Level 4	13	23.64%	1	16.67%	1	7.14%	1	20.00%	4	12.50%	9	12.86%	2	16.67%	1	7.14%	1	5.56%	46	7.37%	5	23.81%	84	9.64%
Level 5	4	7.27%		0.00%	2	14.29%		0.00%	1	3.13%	4	5.71%		0.00%	2	14.29%		0.00%	14	2.24%	1	4.76%	28	3.21%
Level 6	10	18.18%	1	16.67%	3	21.43%		0.00%	1	3.13%	7	10.00%	1	8.33%		0.00%		0.00%	11	1.76%	4	19.05%	38	4.36%
Level 7	4	7.27%		0.00%	1	7.14%		0.00%	1	3.13%	2	2.86%		0.00%		0.00%	1	5.56%	31	4.97%	3	14.29%	43	4.94%
Level 8	7	12.73%		0.00%		0.00%	1	20.00%		0.00%	2	2.86%	1	8.33%	1	7.14%	1	5.56%	81	12.98%	1	4.76%	95	10.91%
Non-Compliant	4	7.27%	1	6.67%	1	7.14%	1	20.00%	10	31.25%	3	4.29%	4	33.33%	5	35.71%	13	72.22%	281	45.03%	3	14.29%	326	37.43%
Grand Total	55	100%	6	100%	14	100%	5	100%	32	100%	70	100%	12	100%	14	100%	18	100%	624	100%	21	100%	871	100%

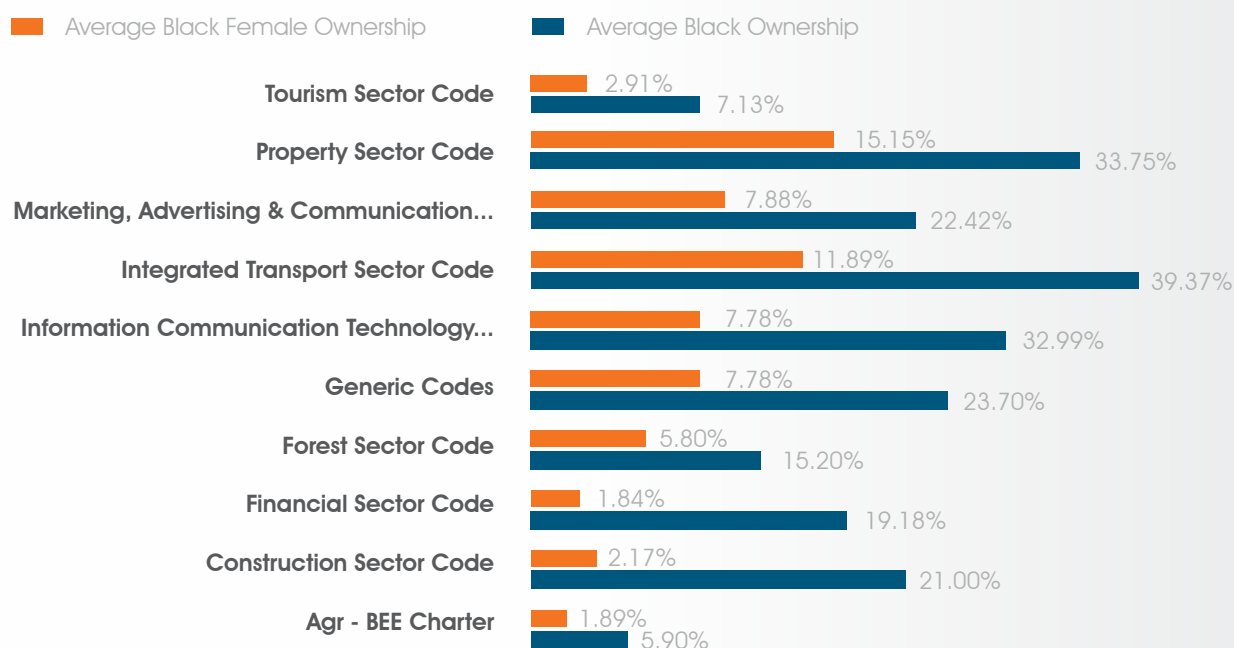
- The highest number of QSE certificates uploaded by a sector other than the generic codes, is from the Transport sector.
- The lowest number of QSE certificates uploaded by a sector other than the generic codes is from the Forestry and Construction sectors.
- The lowest number of entities marked as Construction can be attributed to the repeal of the sector code, which saw more entities being verified under the generic codes.
- From the table above, 326 (37.43%) B-BBEE certificates that were uploaded onto the B-BBEE Certificates Portal were rated as non-compliant. This is an increase from the Q2 report which stated that 171 (30.2%) were non-compliant to B-BBEE. Of the number of Tourism entities that submitted, 72% were non-compliant to B-BBEE, followed by entities using generic codes with 45.03%.

4.7. Average Black Ownership: QSE Entities

Table 9: Average Black Ownership: QSE Entities

	Average Black Ownership	Average Black Female Ownership
Agri-BEE Charter	5.90%	1.89%
Construction Sector Code	21.00%	2.17%
Financial Sector Code	19.18%	1.84%
Forest Sector Code	15.20%	5.80%
Generic Codes	23.70%	7.62%
Information Communication Technology Sector Code	32.99%	7.78%
Integrated Transport Sector Code	39.37%	11.89%
Marketing, Advertising & Communication Sector Charter	22.42%	7.88%
Property Sector Code	33.75%	15.15%
Tourism Sector Code	7.13%	2.91%

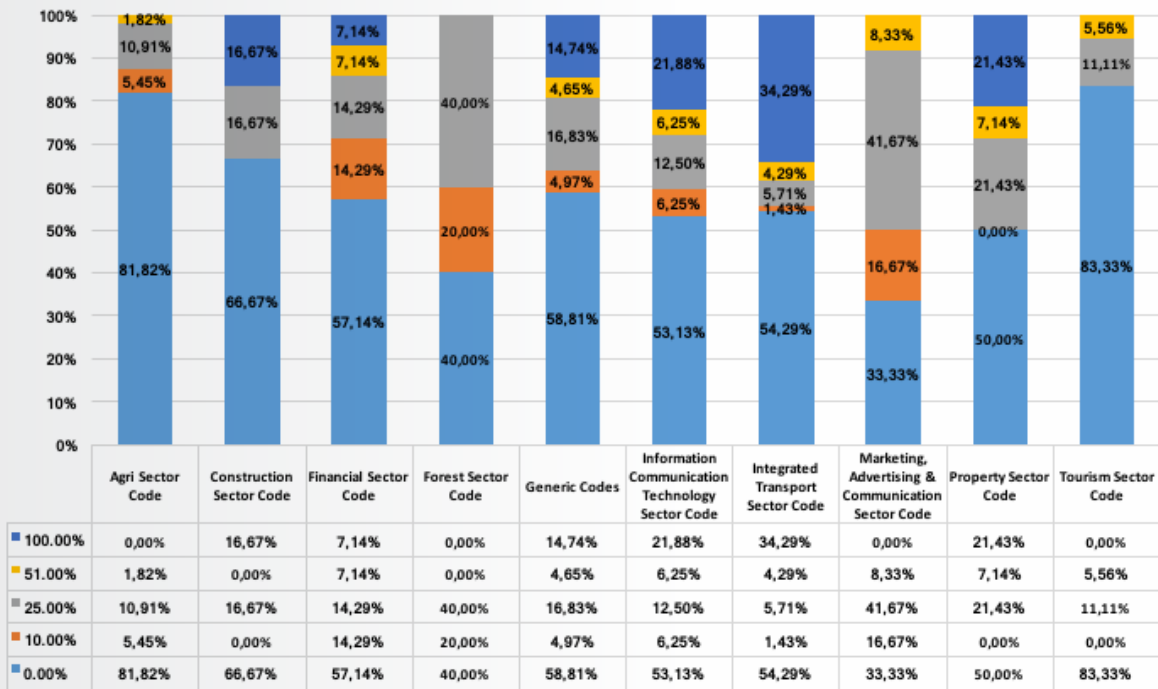
Graph 6: Average Black Ownership: QSE Entities



- The Integrated Transport sector has the highest average black ownership (39.37%) for QSE entities followed by the Property sector (33.75%).
- The Property sector has the highest average black women ownership (15.15%).
- Only the ICT, Integrated Transport and Property sectors exceed the 25%⁵ black ownership target set by the generic codes, however, none have progressed to black ownership of greater than 51%.

BLACK OWNERSHIP PER SECTOR: QSE ENTITIES

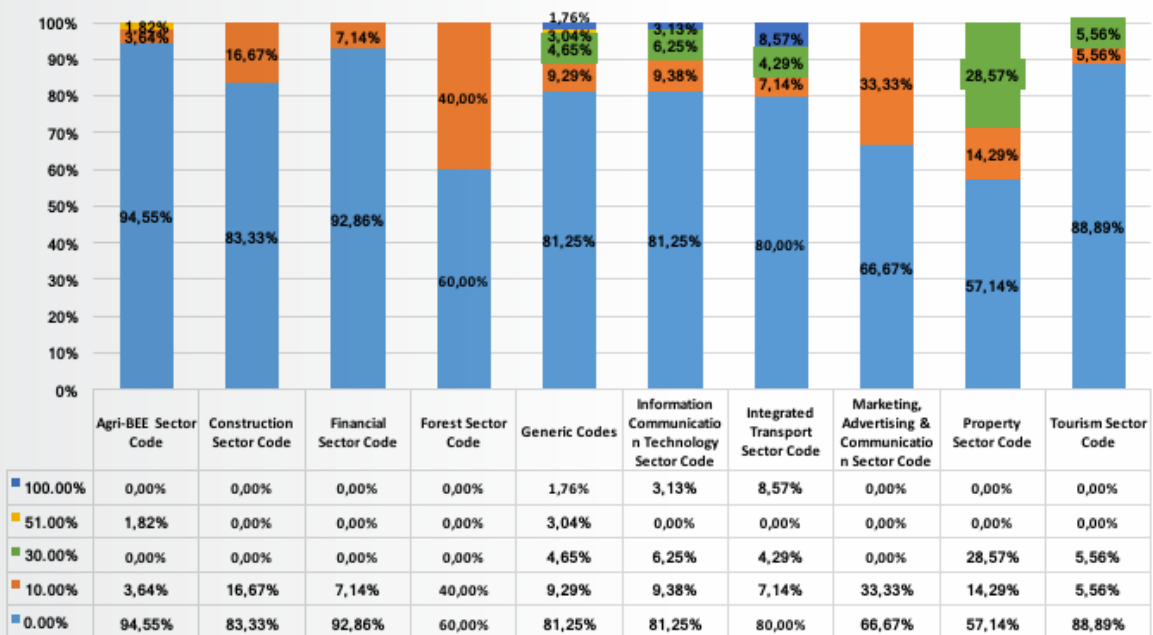
Graph 7: Black Ownership per Sector: QSE Entities



- The graph above shows black ownership as per the following ownership thresholds, 0%, 10%, 25%, 51% achieved per sector code.
- Of the entities that reported (ignoring the Construction sector which was repealed), the Forestry sector is the only sector with no entities reporting 51% or greater black ownership.
- A larger percentage across the sectors have no black ownership however it must be noted that amended generic codes and most sector codes, make 51% and above black owned entities eligible for QSE affidavits, which entails that they do not have to go through the verification process. The B-BBEE Certificates Portal does not capture any information from the affidavits, the portal only focuses on information submitted by verification agencies, which will result in understated black ownership.

BLACK FEMALE OWNERSHIP PER SECTOR: QSE ENTITIES

Graph 8: Black Female Ownership per Sector: QSE Entities

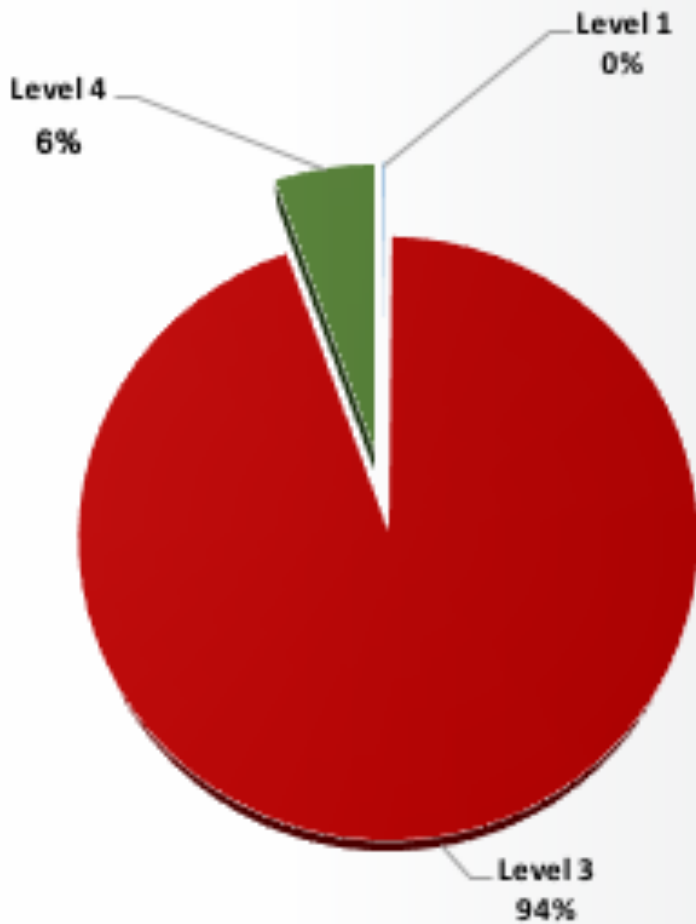


4.8. Overall B-BBEE Contribution Levels: EME Entities

Table 10: Overall Contribution Levels: EME Entities

B-BBEE Status Level	Percentage of certificates per B-BBEE Level
Level 1	0.18%
Level 3	94.38%
Level 4	5.44%
Grand Total	100.00%

Graph 9: Overall Contribution Levels: EME Entities



- The EME analysis indicates that the majority of entities in this category were still measured under the old codes, with 94.38% of entities having achieved a Level 3. The old codes, awarded an automatic level 3 to EMEs that were less than 51% black owned and an automatic level 4 to all the other EMEs.
- It is important to note that most of the codes do not have a provision for EMEs to be verified and thus less EMEs will be captured on the B-BBEE Certificates Portal in the following years (unless a new mechanism is made to cater for monitoring of these smaller entities' state of transformation).

Table 11: Overall Contribution Levels: EME Entities

	Agri-BEE		Chartered Accountancy		Construction		FSC		Forestry		ICT		Transport		Property		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Level 1		0.00%		0.00%		0.00%	1	6.25%		0.00%	1	2.70%		0.00%		0.00%	2	0.18%
Level 3	364	97.33%	2	100.00%	14	87.50%	10	62.50%	31	100.00%	27	72.97%	595	95.05%	32	86.49%	1075	94.38%
Level 4	10	2.67%		0.00%	2	12.50%	5	31.25%		0.00%	9	24.32%	31	4.95%	5	13.51%	62	5.44%
Grand Total	374	100.00%	2	100.00%	16	100.00%	16	100.00%	31	100.00%	37	100.00%	626	100.00%	37	100.00%	1139	100.00%

- The EME analysis is largely based on entities in the Agri-BEE and Transport sector and does not represent the entire universe of EMEs.
- 94% of EME certificates captured were rated as level 3. This follows the trends of the 2017 Q2 report (Q2: 96.7%)
- EME certificates currently captured on the B-BBEE Certificates Portal are based on old sector codes. As noted above, this picture will change significantly as the old sector codes are amended and affidavits are required.



B-BBEE Element Analysis

5. B-BBEE Element Analysis

The percentages reflected in the table below indicate the average percentage of B-BBEE points achieved as a percentage of the available B-BBEE points under the stated elements. The averages make adjustments for sector code targets that vary from that of the generic codes.

Table 12: Overall Element analysis

Element	QSEs	Large	Average of Large and QSE
Ownership*	Data on total points for all entities not available in portal.1		
Management Control	47.73%	37.63%	42.74%
Skills Development*	29.37%	44.49%	36.79%
Enterprise and Supplier Development*	37.86%	53.72%	45.70%
Socio-Economic Development	91.34%	81.38%	86.38%

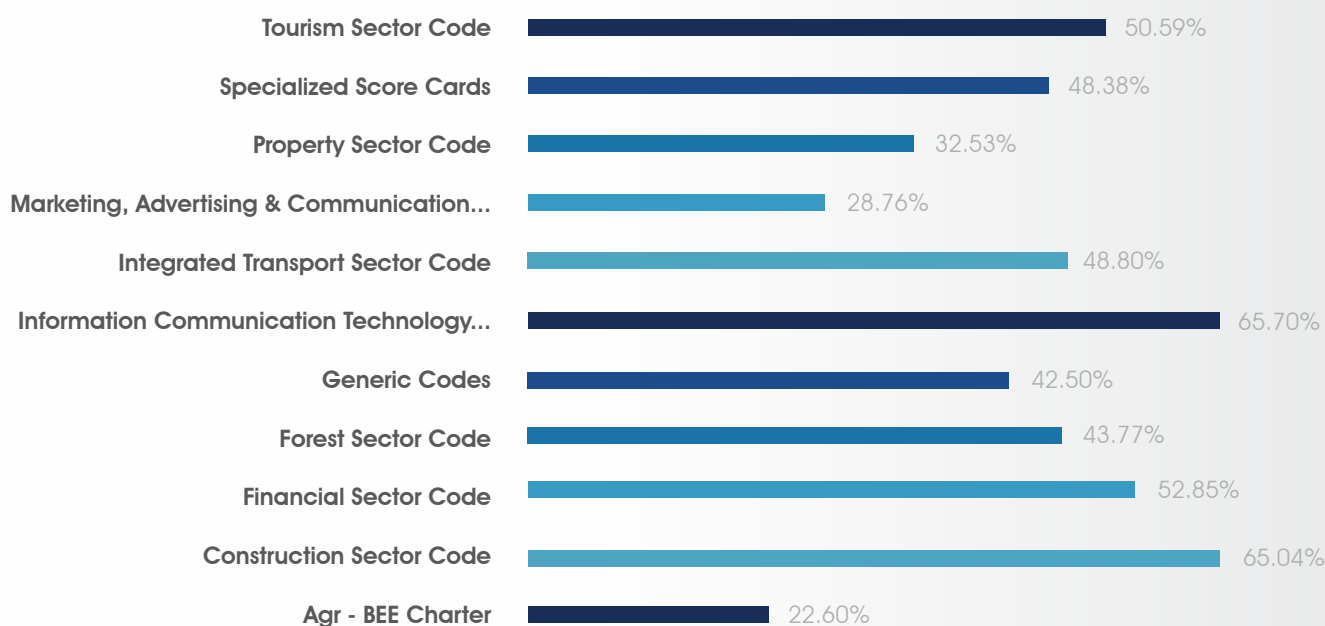
- *Ownership, Skills development and Enterprise and Supplier Development are priority elements. In the amended codes this entails that if a measured entity does not meet the 40% sub-minimum it risks being penalised/discounted by 1 level. The data available did not allow researchers to analyse whether sub-minimums had been achieved since the bonus points could not be identified from the total score awarded. Under the ESD element, points for the 3 sub-elements were combined into one score and could therefore not be assessed against the meeting of the priority element target set for each sub-element.

5.1. Average Score Achieved For Management Control

Table 13: Average Score Achieved for Management Control (% achieved of targeted points)

	Average of MC achieved of target score
Agri-BEE Charter	22.60%
Construction Sector Code	65.04%
Financial Sector Code	52.85%
Forest Sector Code	43.77%
Generic Codes	42.50%
Information Communication Technology Sector Code	65.70%
Integrated Transport Sector Code	48.80%
Marketing, Advertising & Communication Sector Charter	28.76%
Property Sector Code	32.53%
Specialized Score Cards	48.38%
Tourism Sector Code	50.59%
Average	42.74%

Graph 10: Average Score Achieved for Management Control



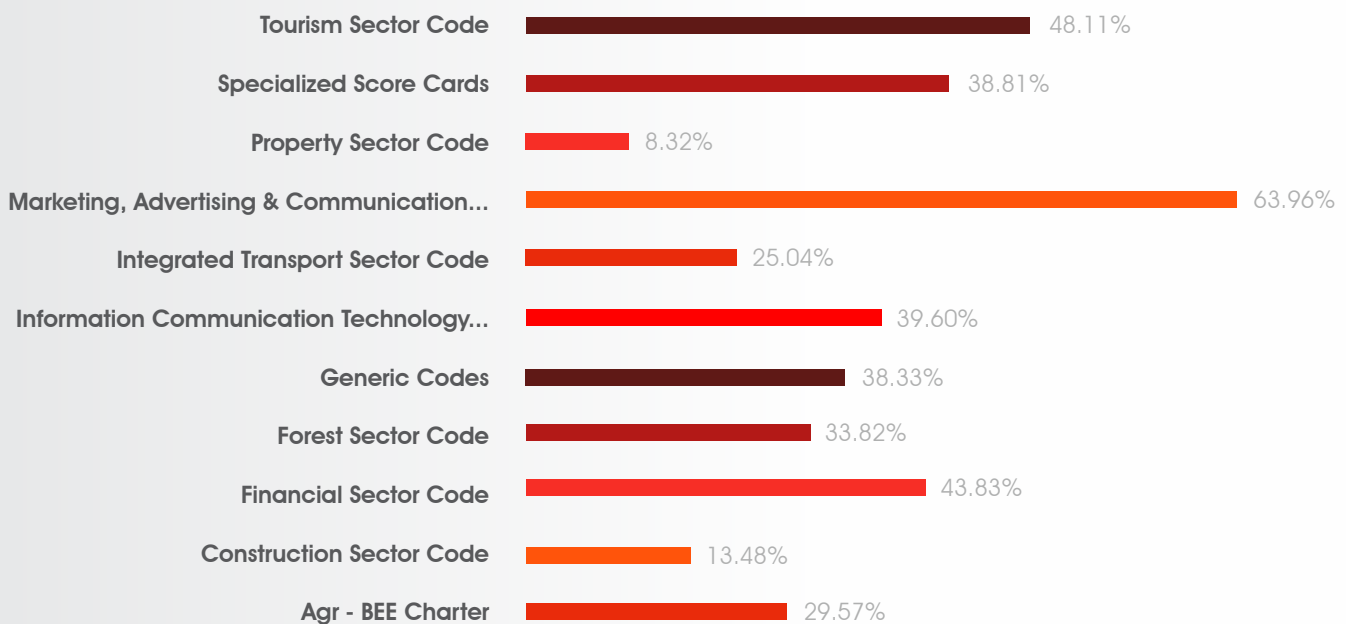
- The table and graph above refer to the average percentage of Management Control points achieved as a percentage of total points available on this element, per sector code.
- In most of the amended sector codes, the Management Control element comprises of both the management control (board and EXCO representation) and Employment Equity sub-elements.
- The highest average achieved was in the ICT sector code with 65.70% of the targeted points being achieved. The lowest scoring entities were under the Agri-BEE sector and the Property sector.
- It is worth noting that not all entities under the Property sector would have been scored under the Employment Equity element and this might have skewed the average points reflected in the above table and graph for entities measured under this charter. The baseline data, did not provide a mechanism to distinguish between these entities. The following entities under the Property charter are not measured under the Employment Equity ("EE"): REITS external/APUTS Property Unit Trusts, PLSA Property Loans Stock and Property Owners /REITS external.
- The 5 entities that were tagged as construction, scored an average of 65% of the available points. It is important to note that the Construction sector had been repealed for the 2017 calendar year.

5.2. Average Score Achieved for Skills Development

Table 14: Average Score Achieved for Skills Development (% achieved of targeted points)

	Average of Skills Development achieved of target score
Agri-BEE Charter	29.57%
Construction Sector Code	13.48%
Financial Sector Code	43.83%
Forest Sector Code	33.82%
Generic Codes	38.33%
Information Communication Technology Sector Code	39.60%
Integrated Transport Sector Code	25.04%
Marketing, Advertising & Communication Sector Charter	63.96%
Property Sector Code	8.32%
Specialized Score Cards	38.81%
Tourism Sector Code	48.11%
Average	36.79%

Graph 11: Average Score Achieved for Skills Development



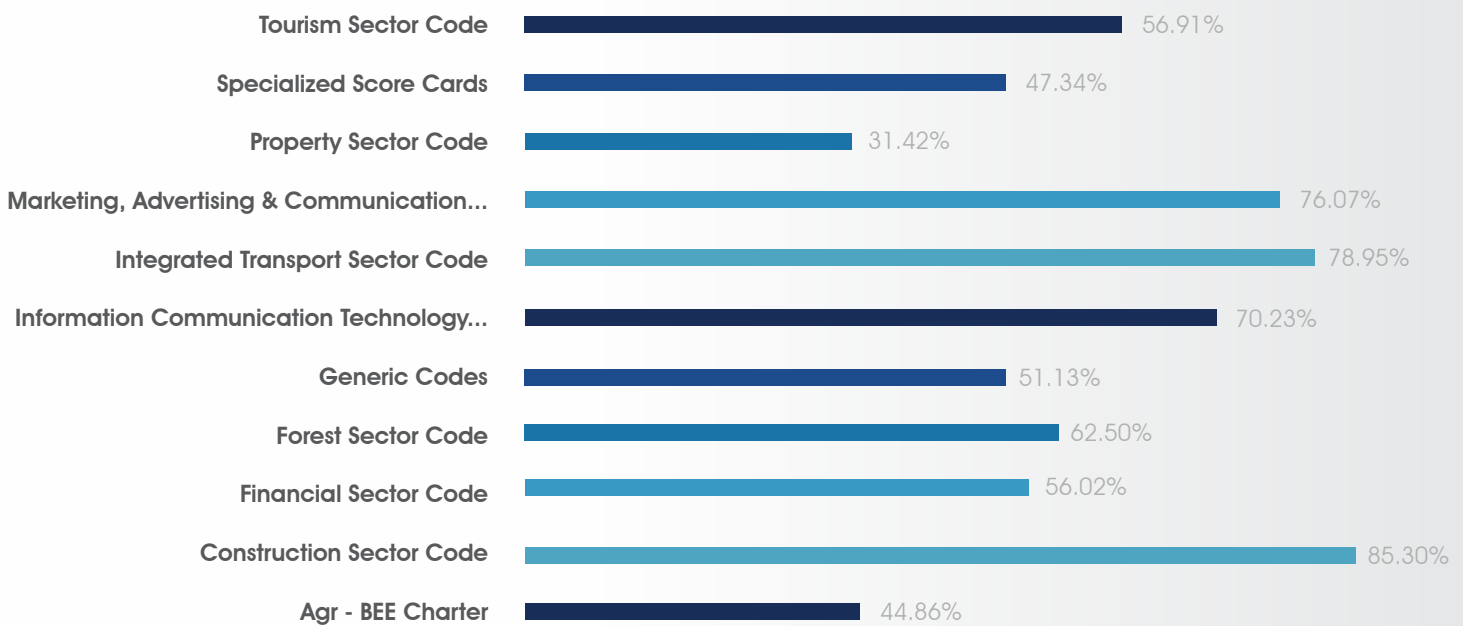
- The table and figure above refer to the average percentage of Skills Development points achieved as a percentage of the total available points in the Skills Development element per sector code.
- The highest average points were attained by entities measured under the MAC sector with 63.96% of the total weighting points being achieved by entities in this sector.
- The Property sector entities were the lowest average scorers on this element, and this could be attributed to how this element is measured for the different entities that fall under this sector code. Some of the entities under the Property sector are not measured under this element. These would include the REITS external/APUTS Property Unit Trusts, PLSA Property Loans Stock and Property Owners /REITS external
- The data does not indicate whether the sub-minimum has been achieved on average for Skills Development as the bonus points could not be identified from the total score.

5.3. Average Score Achieved for Enterprise and Supplier Development

Table 15: Average Score Achieved for Enterprise and Supplier Development (% achieved of targeted points)

	Average ESD achieved
Agri-BEE Charter	44.86%
Construction Sector Code	85.30%
Financial Sector Code	56.02%
Forest Sector Code	62.50%
Generic Codes	51.13%
Information Communication Technology Sector Code	70.23%
Integrated Transport Sector Code	78.95%
Marketing, Advertising & Communication Sector Charter	76.07%
Property Sector Code	31.42%
Specialized Score Cards	47.34%
Tourism Sector Code	56.91%
Average	53.72%

Graph 12: Average Score Achieved for Enterprise and Supplier Development



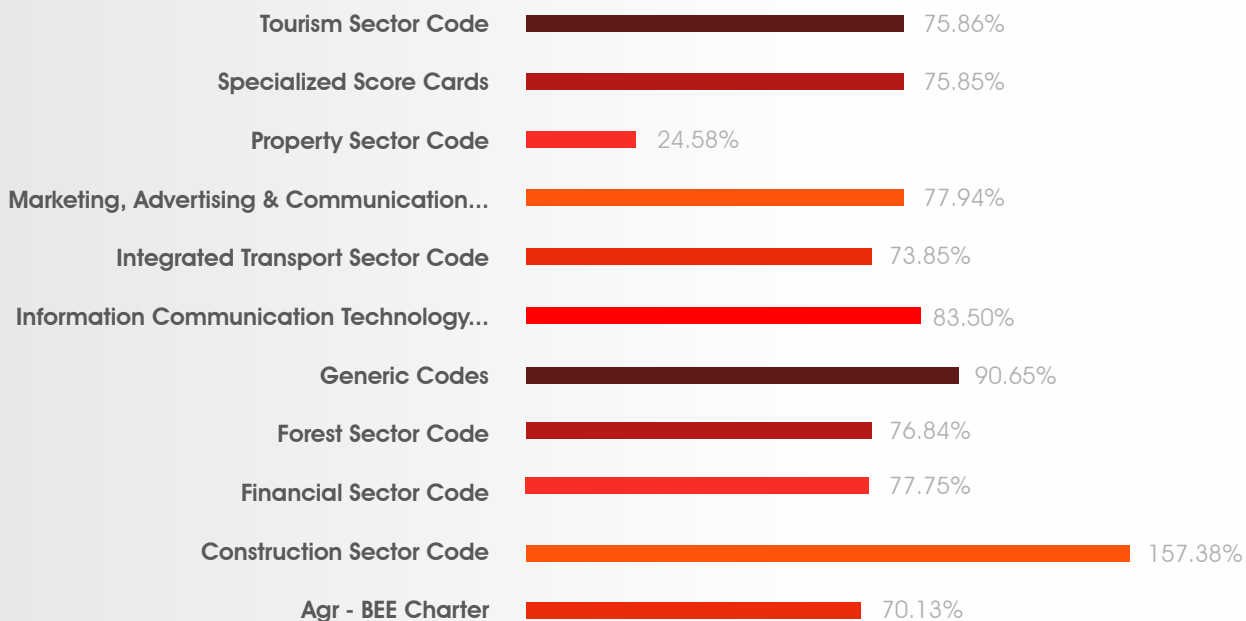
- ESD measures points for the 3 sub-elements (i.e. Preferential procurement, Enterprise Development and Supplier Development combined).
- Table 15 and Graph 12 above indicate the aggregate average scores for Enterprise and Supplier Development, as a percentage of total targeted points, per sector for the 3 sub-elements.
- The average score across all sector codes is 53.72%, and entities measured under the following codes, were below the average: Agri-BEE sector code, generic codes, Property sector code and the Specialised score cards.

5.4. Average Score Achieved for Socio-Economic Development

Table 16: Average Score Achieved for Socio-economic Development (% achieved of targeted points)

	Average of Socio-Eco Development achieved of target score
Agri-BEE Charter	70.13%
Construction Sector Code	157.38%
Financial Sector Code	77.75%
Forest Sector Code	76.84%
Generic Codes	90.65%
Information Communication Technology Sector Code	83.50%
Integrated Transport Sector Code	73.85%
Marketing, Advertising & Communication Sector Charter	77.94%
Property Sector Code	24.58%
Specialized Score Cards	75.85%
Tourism Sector Code	75.86%
Average	86.38%

Graph 13: Average Score Achieved for Socio-economic Development





Comparative Analysis

6. Year-on-Year

This section presents findings from the 2017 data captured in the B-BBEE Certificates Portal compared to the 2016 data captured by the previous researchers. The 2017 analysis was based on B-BBEE certificates that were uploaded onto the B-BBEE Certificates Portal system by verification agencies and maintained by the B-BBEE Commission. The 2015 and 2016 analysis were based on B-BBEE Certificates that were independently sourced. Using different sets of data, carry the risk of inconsistent conclusions on the trends being analysed.

6.1. Summary

Table 17 - Summary of comparative year-on-year data

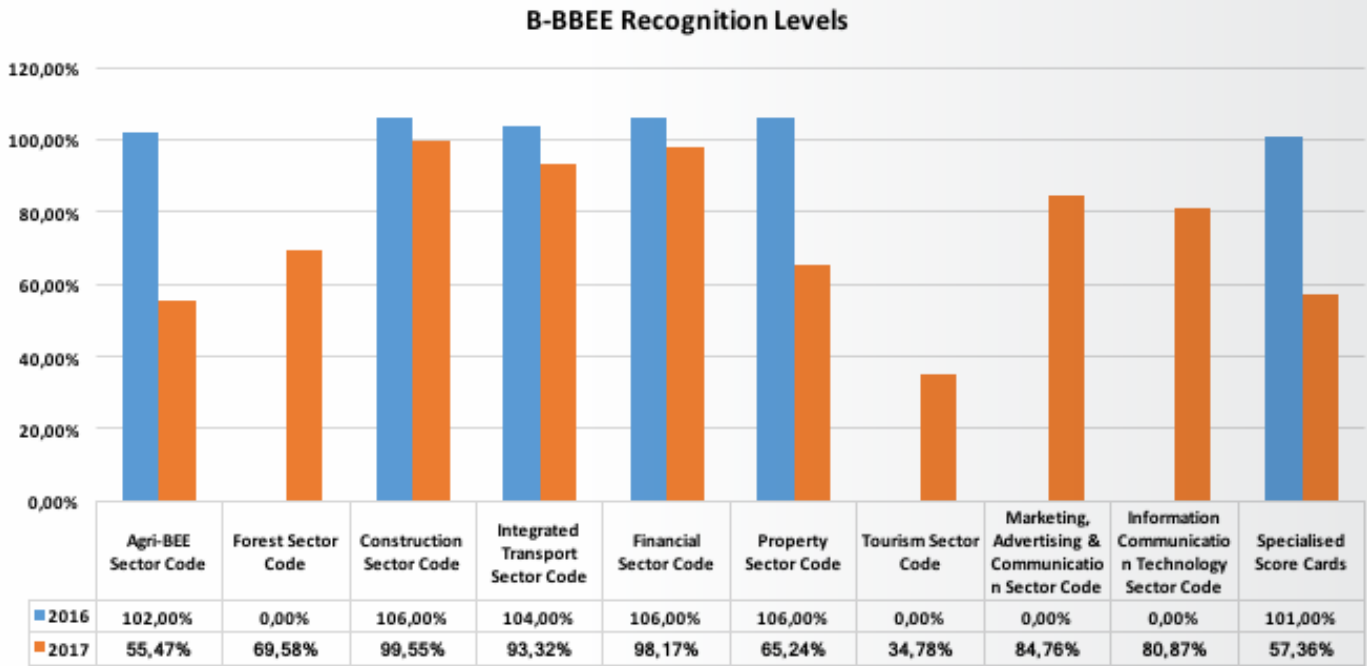
Detail	Year			Year-on-Year Movement	
	2015 ⁶	2016 ⁷	2017 ⁷	2016	2017
	Percentage of entities				
Level 1-4	58,52%	60,09%	39,84%	2,68%	-33,70%
Level 5-Non-Compliant	41,48%	39,91%	60,16%	-3,78%	50,75%
Black Ownership	33,50%	32,75%	27,83%	-2,24%	-15,02%
Black Women Ownership	11,36%	10,96%	9,42%	-3,52%	-14,05%
	Average score as a percentage of total points				
Ownership	81,22%	80,67%	Not available	-0,68%	Not available
Management Control	52,89%	51,78%	42,72%	-2,10%	-17,50%
Skills Development	60,18%	62,39%	36,82%	3,67%	-40,98%
Enterprise and Supplier Development	86,06%	87,58%	44,27%	1,77%	-49,45%
Socio-Economic Development	92,12%	92,93%	88,37%	0,88%	-4,91%

⁶Who Owns Whom B-BBEE database

⁷B-BBEE Commission B-BBEE Certificates Portal system

6.2. Overall B-BBEE Points as a Percentage of Total Points Available

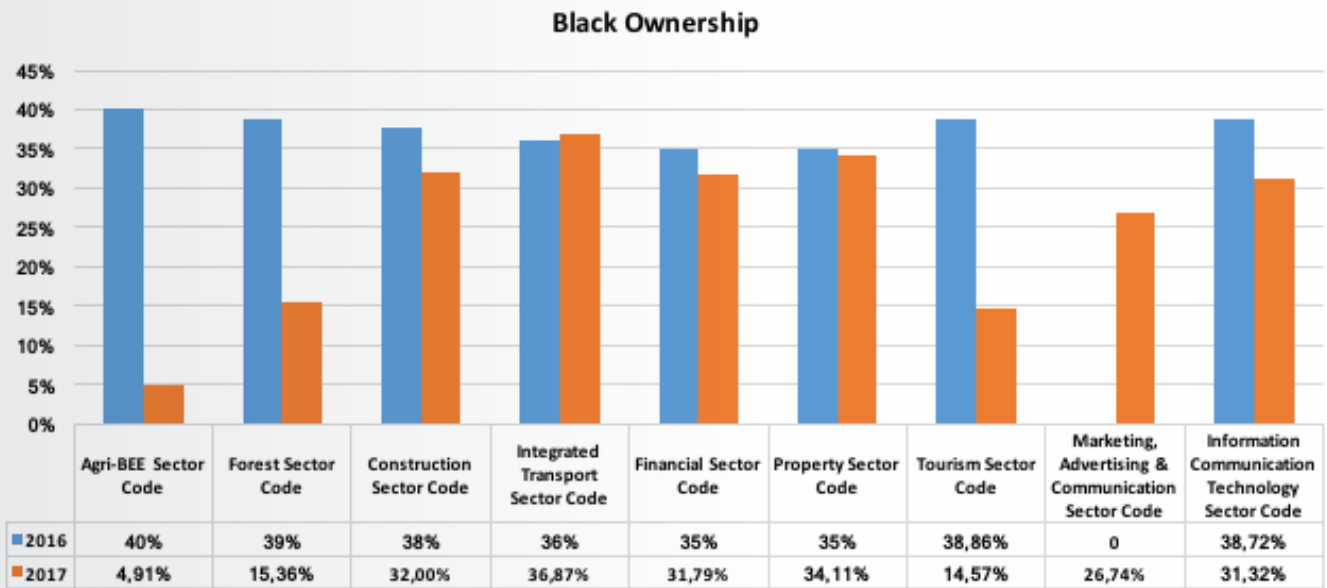
Graph 14: Overall B-BBEE Recognition Levels



- The 2016 information was not available for the Tourism, Forestry, MAC and ICT sectors. Information for the 2017 data was based on the B-BBEE certificates uploaded to the B-BBEE Certificates Portal for Large and QSE entities.

6.3. Sector Code Analysis: Black Ownership

Graph 15: Sector Code Analysis-Black Ownership

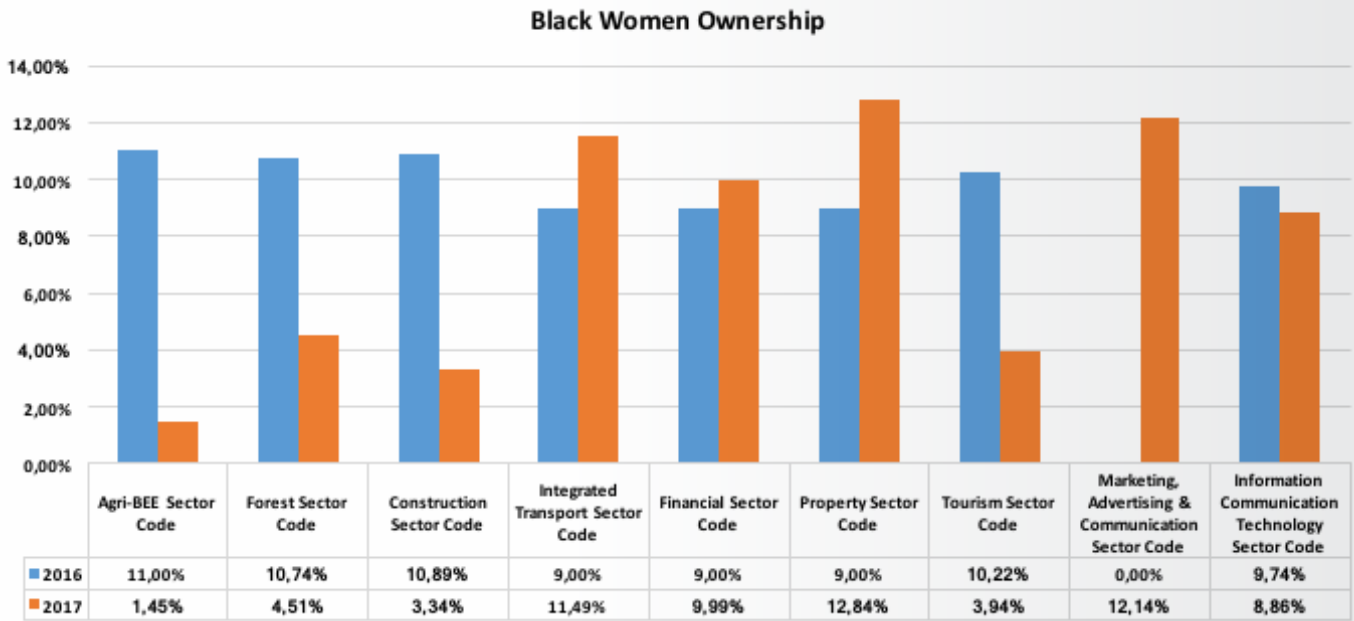


The graph depicts the black ownership trends amongst the various sectors over a period of 2 years. The following can be noted from the graph:

- There has been significant decline in the ownership structure in Agri-BEE (from 40% down to 5%), Forestry sector code (from 39% to 15%) and Tourism Sector code (from 39% to 15%). This decline might be attributable to fewer entities submitting their annual compliance reports in 2017, whereas the 2016 state of transformation relied on researcher’s data sources to establish the sectorial black ownership.
- Marginal declines were noted in the Financial Sector (from 35% to 32%), Property (from 35% to 34%) and ICT (from 39% to 31%).
- The MAC sector code was introduced in 2017 and thus there was no data for analysis in the 2016 financial year. As at 2017, it had an average of 27% black ownership based on the entities that submitted their compliance reports.
- Integrated Transport sector showed a 1% improvement in average black ownership

6.4. Sector Code Analysis: Black Women Ownership

Graph 16: Sector Code Analysis-Black Women Ownership

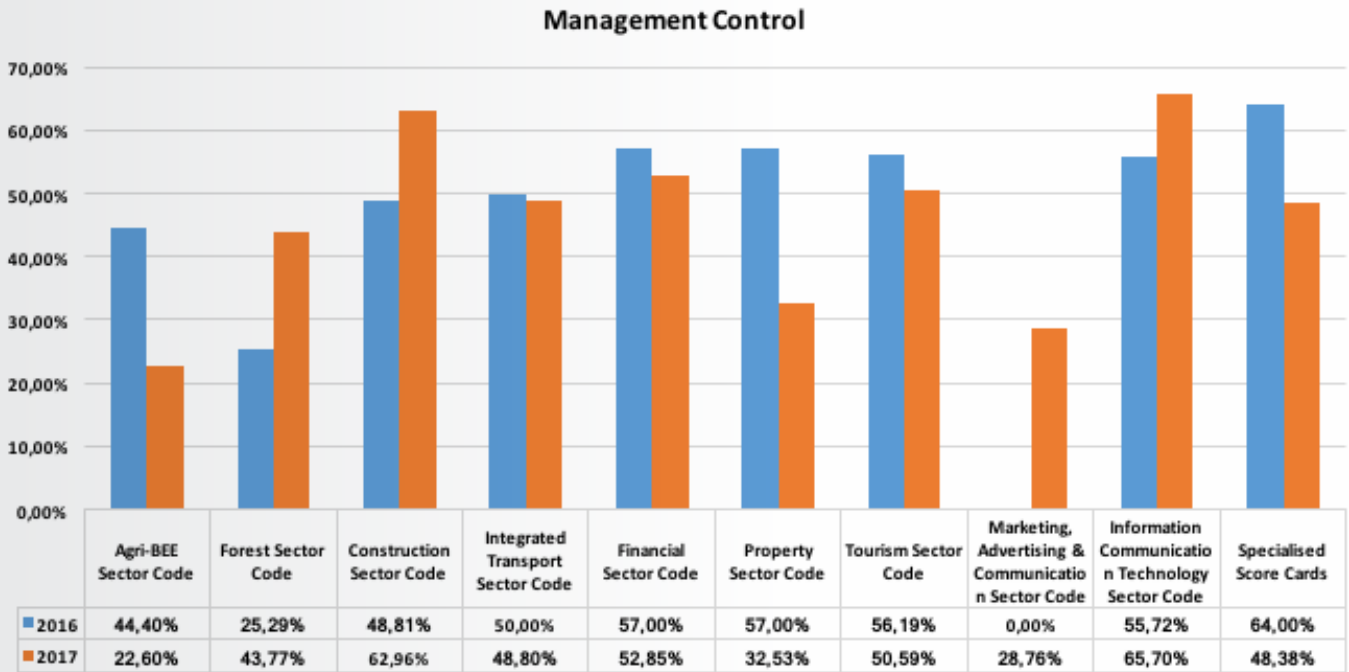


The graph above shows the average black women percentage ownership per sector.

- Decline in black women ownership for Agri-BEE (from 11% to 1.45%), Forestry (from 11% to 4.51%).
- Progress/increase in black women shareholding was noted in the following sectors (between 2016 and 2017): Integrated Transport, Property and the Financial sectors.
- MAC sector code was introduced in 2017 and thus there was no data for analysis in the 2016 financial year. As at 2017, an average of 12.84% black women ownership was reported based on the entities that submitted their compliance reports.
- Integrated Transport, Property and the MAC are the only sectors which have industry averages above the 10% black female target as set out in all sector codes.
- Similar to the trends on the general black ownership, the Integrated Transport sector average on black women ownership improved from 9% to 11.49% in one year.

6.5. Sector Code Analysis: Management Control

Graph 17: Sector Code Analysis-Management Control

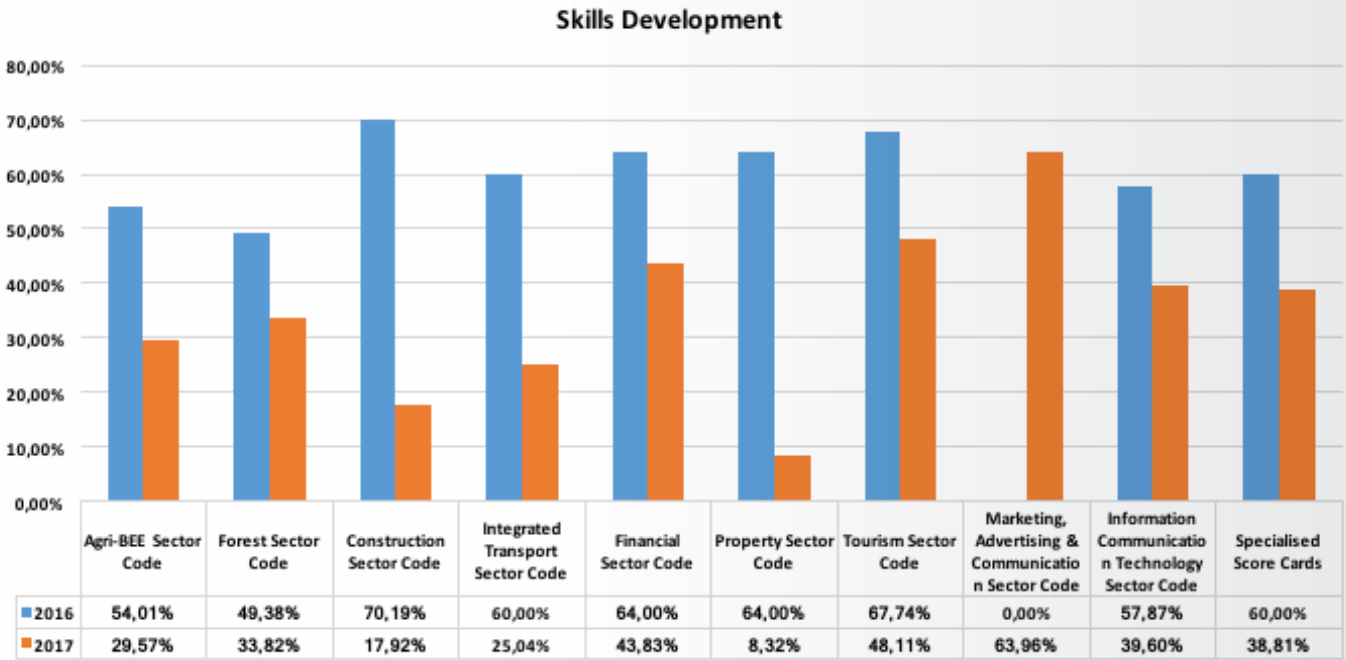


The graph above highlights the average industry points for Management Control over a 2-year period.

- More than 40% of the sectors under analysis saw increases in average Management Control points between 2016 and 2017, with the exception of the Agri-BEE sector which slightly declined from 44% to 22.60%, Property from 57% to 32.53%, Tourism from 56% to 50.59%, Financial Sector 57% to 52.85% and the Specialised Entities from 64% to 48.38%.

6.6. Sector Code Analysis: Skills Development

Graph 18: Sector Code Analysis-Skills Development

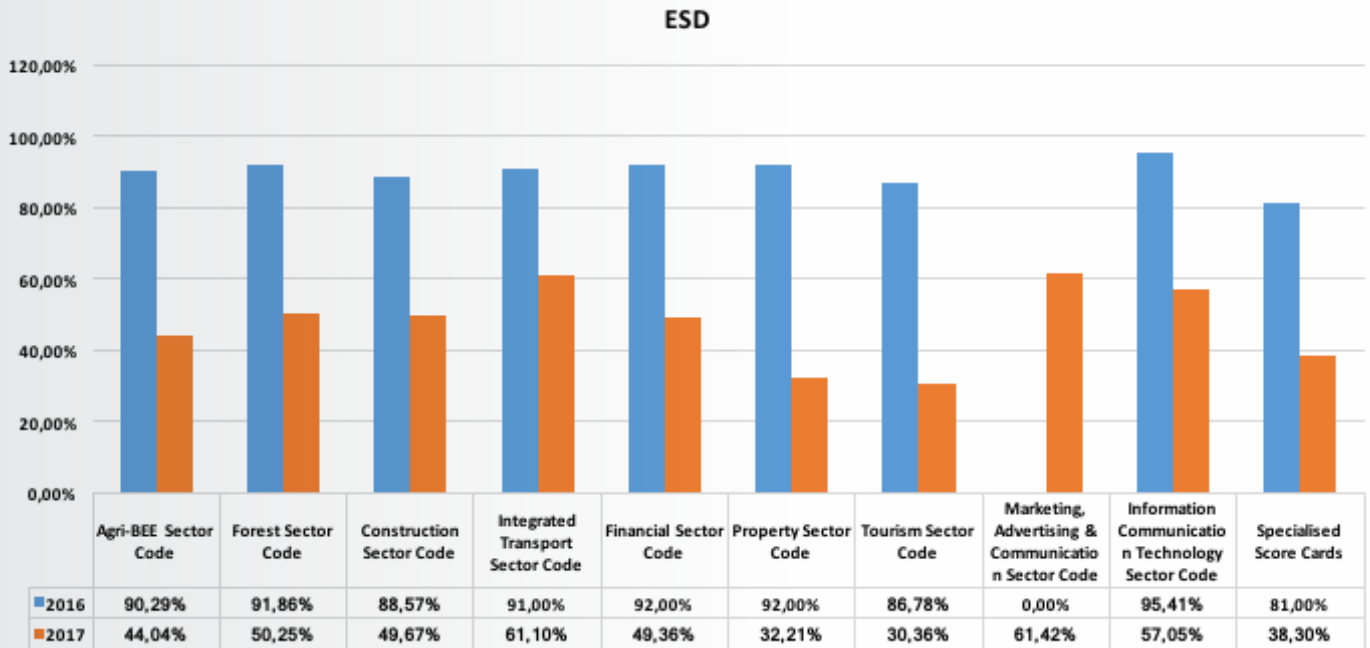


The above graph highlights the 2 year Skills Development trends per sector on Skills Development points. This element measures the extent to which employers carry out initiatives designed to develop the competencies of black employees and black people externally.

- All sectors recorded decline under the Skills Development element, with the highest decline under the Property sector code (from 64% to 8.32%)
- No comparative numbers were available for 2016 for the MAC as it was only gazetted in 2016 which resulted in 2017 B-BBEE certificates being issued;
- Declines across the industry can be attributed to two factors, i.e. the alignment and measurement of entities under the amended sector codes, and the lower number of entities that submitted their B-BBEE compliance reports for analysis.

6.7. Sector Code Analysis: Enterprise And Supplier Development

Graph 19: Sector Code Analysis-ESD

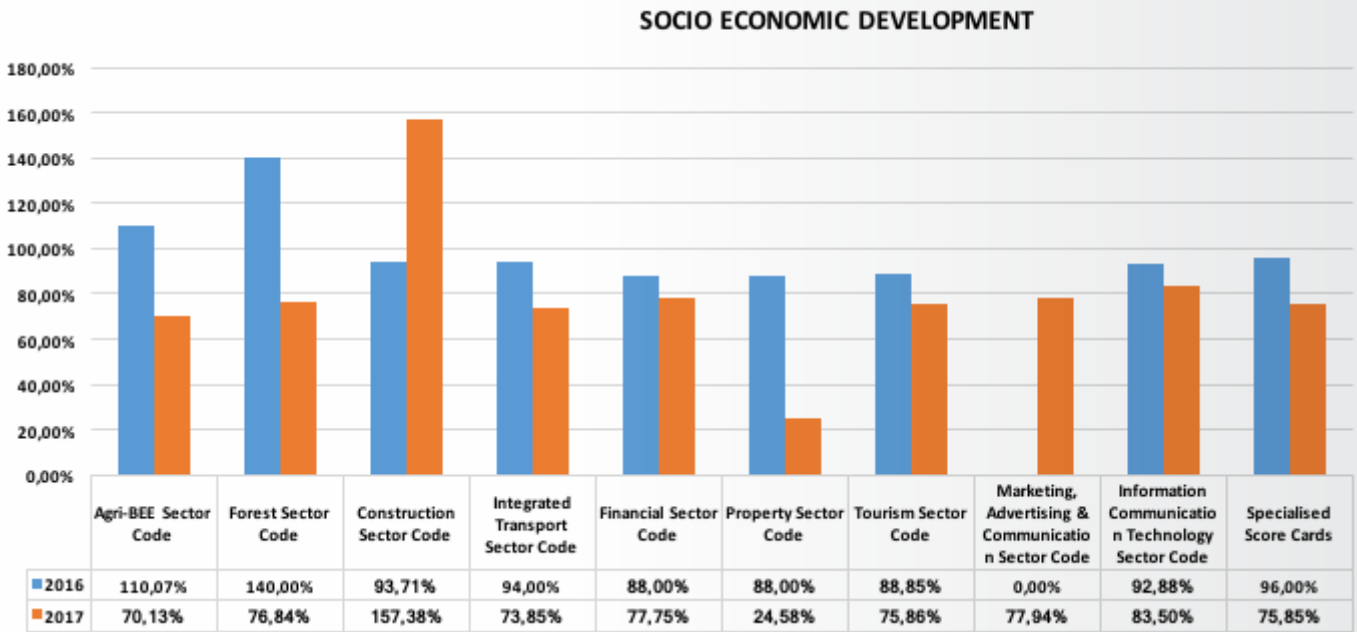


This graph shows the combined trends for the 3 sub-elements under Enterprise and Supplier Development, namely: Preferential Procurement, Enterprise Development and Supplier Development.

- Overall there was a decline across all sectors, specifically for the following sectors: Tourism, ICT and Forestry. The decline can be attributable to the changes in targets between the old and new amended sector codes.
- The Construction sector code were repealed in 2017, and the uploaded certificates are not representative of the Construction sector, i.e. issued prior to the repeal.

6.8. Sector Code Analysis: Socio Economic Development

Graph 20: Sector Code Analysis-SED



Socio-Economic Development 2-year trends are depicted above.

- In 2017, most sectors show averages of greater than 70% of targeted points, except the Property sector (24, 58%).
- The Construction sector code were repealed in 2017, and the uploaded certificates are not representative of the construction sector, i.e. issued prior to the repeal.



Section B

7. JSE listed Entities as per 13G Reporting

The data analysed in this section is based on the Compliance Reports submitted to the B-BBEE Commission by Johannesburg Stock Exchange (JSE) listed entities, State Owned Entities and Organs of State for the 2017 calendar year.

7.1. Number Of JSE Entities Reported Per Sector (13G B-BBEE Commission Reporting Only)

Graph 20: Sector Code Analysis-SED

Count of Certificate Type	Exempted Micro Enterprise B-BBEE Certificate	Large Enterprise B-BBEE Certificate	Grand Total
Agri-BEE Charter		8	8
Financial Sector Code		16	16
Forest Sector Code		2	2
Information Communication Technology Sector Code		6	6
Integrated Transport Sector Code		2	2
Property Sector Code	1	19	20
Tourism Sector Code		1	1
Generic Codes		53	53
Reported but no data		13	13
Grand Total	1	120	121

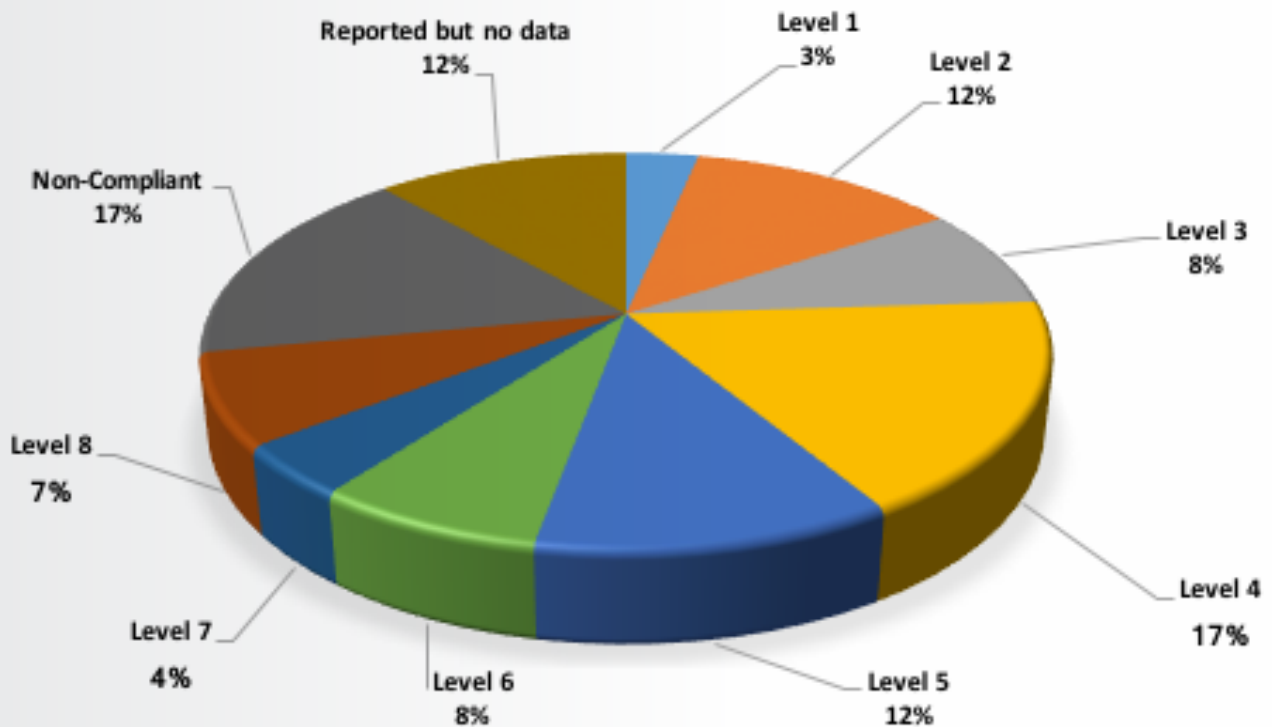
- According to the JSE, there are currently 401 listed entities, however, reports received by the B-BBEE Commission indicated that only 121 JSE listed entities submitted data in response to the mandatory reporting requirements, showing that only 30% of the listed entities complied with the mandatory reporting requirement.
- Out of the 121 submissions made to the B-BBEE Commission, not all of them had B-BBEE compliance reports. Instead some of the listed entities requested extensions or made specific requests to the B-BBEE Commission providing reasons why they were in breach of their mandatory reporting requirement.
- The highest concentration of listed entities that submitted their compliance reports, were verified under the Generic Codes (this was also the case in Q2 and the previous year report). It must be noted that the entities that were measured on this scorecard included entities from other sector codes that had been repealed, for example the Construction Sector Code.

7.2. Overall Contribution Levels: JSE Entities (13G B-BBEE Commission Reporting Only)

Table 19: Overall Contribution Levels: JSE Entities (13G Reports Only)

B-BBEE Status	Percentage of certificates per BEE Level
Level 1	3.31%
Level 2	12.40%
Level 3	8.26%
Level 4	17.36%
Level 5	11.57%
Level 6	7.44%
Level 7	4.13%
Level 8	7.44%
Non-Compliant	16.53%
Reported but no data	11.57%
Grand Total	100.00%

Graph 21: Overall Contribution Levels: JSE Entities.



- 16, 5% of all certificates captured were rated as non-compliant to B-BBEE and of the 121 listed entities that reported 11, 6% had no data for analysis.
- 31% of large entities were rated from level 5 to level 8.
- 41% of large entities were rated from level 4 to level 1.

7.3. B-BBEE Level Per Sector: JSE Entities (13G B-BBEE Commission Reporting Only)

Table 20: BEE Level per Sector: JSE Entities (B-BBEE commission only)

	Agri-BEE		Financial Sector Codes		Forest Sector Code		Information Com-munication Technol-ogy Sector Code		Integrat-ed Trans-port Sector Code		Property Sector Code		Tourism Sector Code		Generic Codes		Reported but no data		Total Number	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Level 1		0%		0%		0%	3	50%		0%		0%		0%	1	2%		0%	4	3%
Level 2	1	13%	9	56%		0%		0%	1	50%		0%		0%	4	8%		0%	15	12%
Level 3	3	38%	1	6%		0%	1	17%	1	50%		0%		4	8%		0%	10	8%	
Level 4	2	25%	1	6%	2	100%	1	17%		0%	2	10%		0%	13	25%		0%	21	17%
Level 5	1	13%	2	13%		0%		0%		0%	7	35%		0%	4	8%		0%	14	12%
Level 6	1	13%		0%		0%	1	17%		0%	3	15%		0%	4	8%		0%	9	7%
Level 7		0%		0%		0%		0%		0%		0%	1	100%	4	8%		0%	5	4%
Level 8		0%		0%		0%		0%		0%	1	5%		0%	8	15%		0%	9	7%
Non-Compliant		0%	3	19%		0%		0%		0%	7	35%		0%	10	19%		0%	20	17%
Reported but no data		0%		0%		0%		0%		0%		0%			1	2%	13	100%	14	12%
Grand Total	8	100%	16	100%	2	100%	6	100%	2	100%	20	100%	1	100%	53	100%	13	100%	121	100%

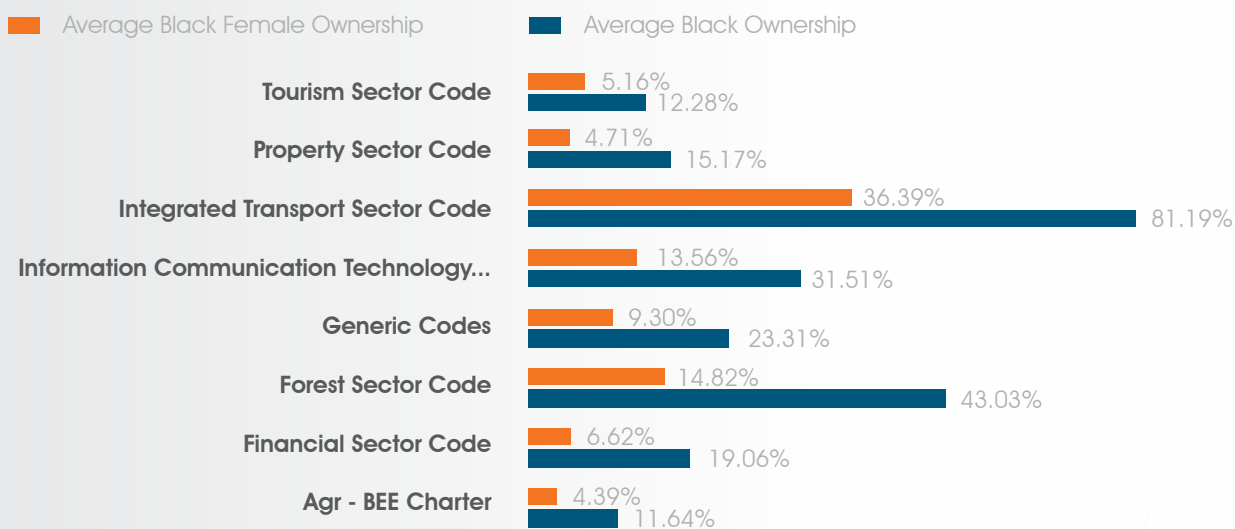
- Of the 121 listed entities that reported, the highest number reported under the generic codes (53), the FSC (16) and the Property sector (20).
- From the table above, 14 entities reported but did not provide compliance data.
- 20 entities were non-compliant to B-BBEE with a concentration in the Property sector.
- The strong performance of the FSC reporting entities is a result of the sector still being on the old sector code (56% at level 2)
- It should also be noted that 3 ICT sector entities are rated level 1.

7.4. Average Black Ownership: JSE Entities (13G B-BBEE Commission Reporting Only)

Table 21: Average Black Ownership: JSE Entities (13G Reporting Only)

	Average Black Ownership	Average Black Female Ownership
Agri-BEE Charter	11.64%	4.3%
Financial Sector Code	19.06%	6.62%
Forest Sector Code	43.03%	14.82%
Generic Codes	23.31%	9.30%
Information Communication Technology Sector Code	31.51%	13.56%
Integrated Transport Sector Code	81.19%	36.39%
Property Sector Code	15.17%	4.71%
Tourism Sector Code	12.28%	5.16%

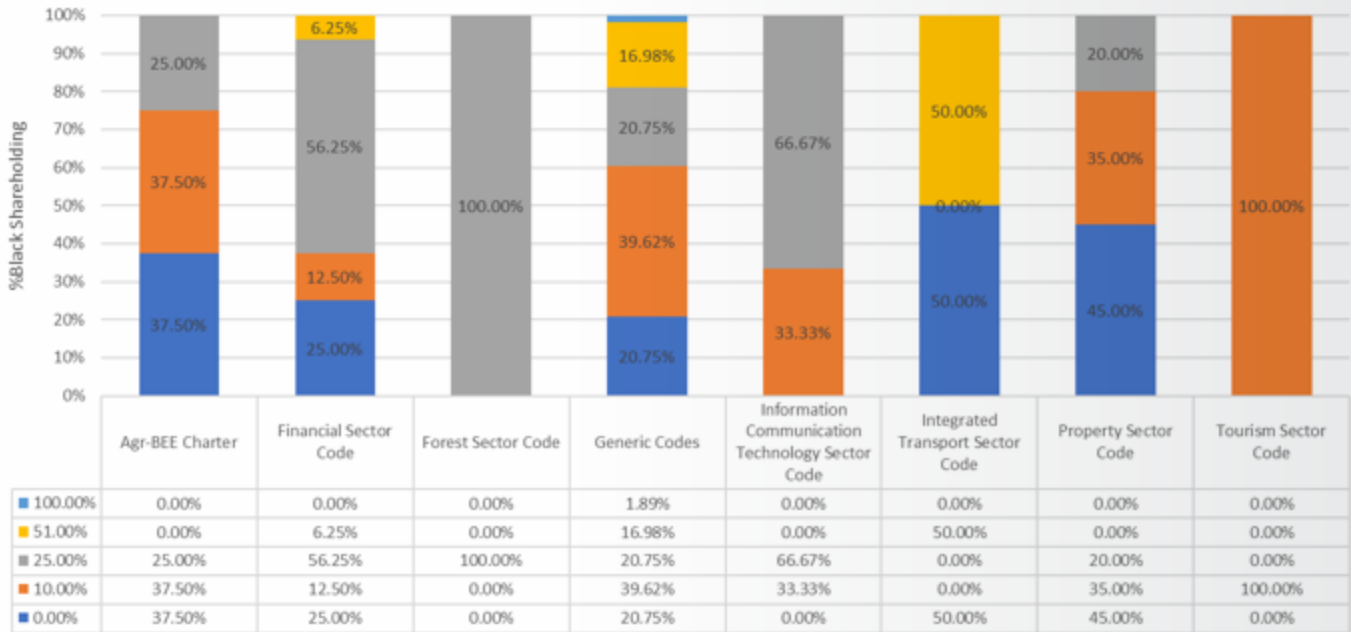
Graph 22: Average Black Ownership: JSE Entities



- The Integrated Transport sector has the highest average black ownership percentage of 81.19% on the JSE listed followed by Forestry sector on 43.03%.
- Agri-BEE sector has the lowest black ownership with an average of 11.64%.

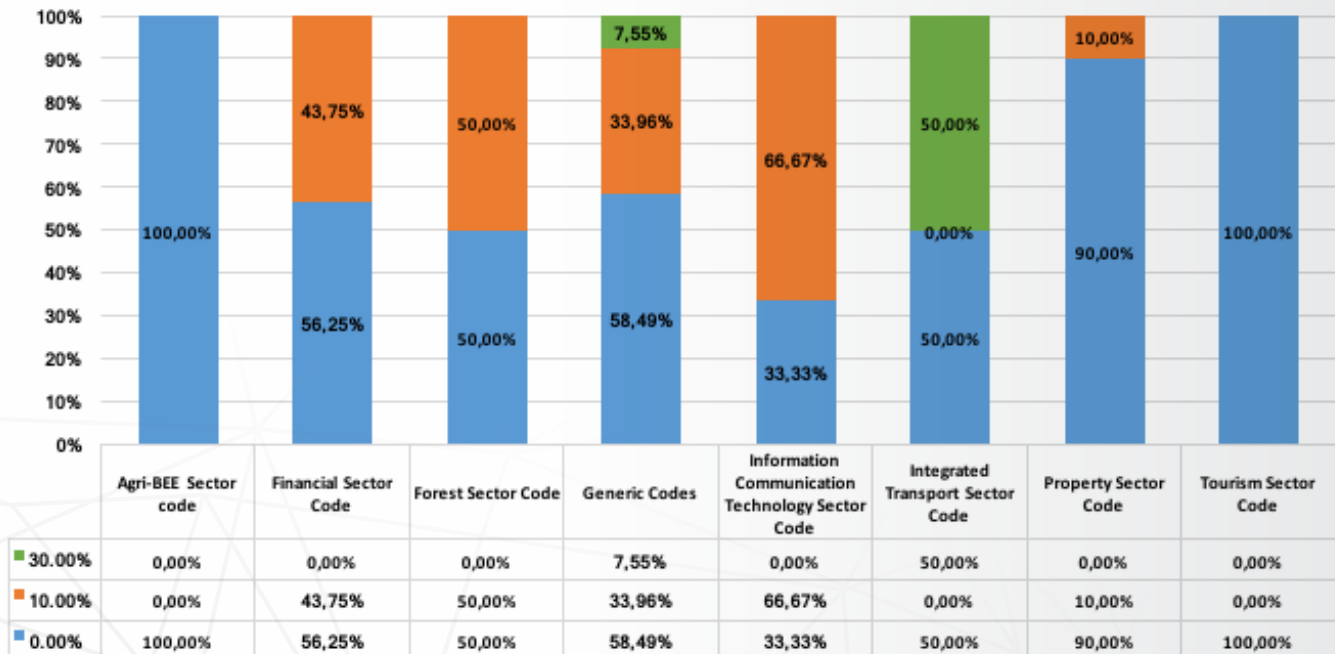
7.5. Black Ownership Per Sector: JSE Entities (13G B-BBEE Commission Reporting Only)

Graph 23: Black Ownership per Sector: JSE Entities (13G Reports Only)



7.6. Black Women Ownership Per Sector: JSE Entities (13G B-BBEE Commission Reporting Only)

Graph 24: Black Women Ownership per Sector: JSE Entities (13G Reports Only)



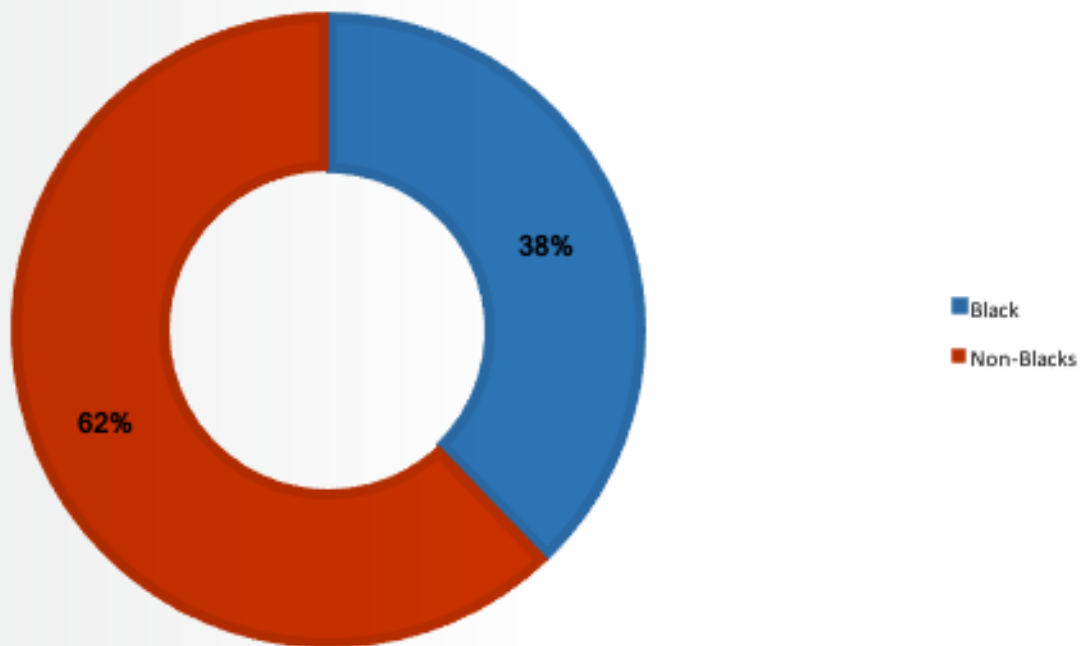
7.7. Board Representation: Demographic Representation At Board Level Of JSE Listed 13G Reporting Entities

Table 22 Percentage of Black vs. Non-Black at board level on the JSE

Directors	
Black	452
Non-Black	743
Grand Total	1195

Graph 25: Percentage of Black vs. Non-Black at board level on the JSE

TOTAL DIRECTORS (121 ENTITIES)



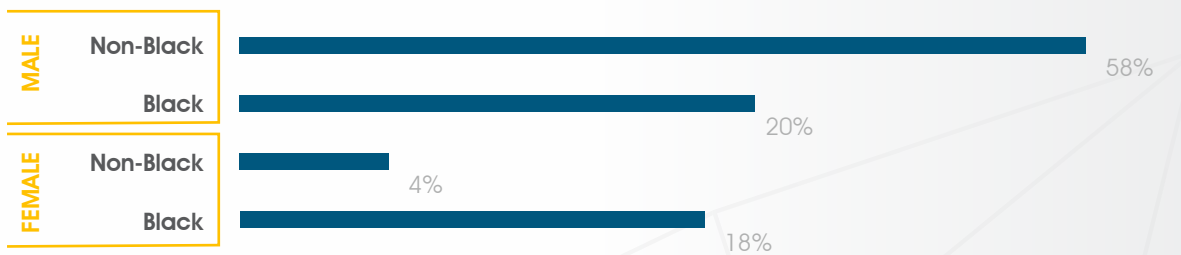
- The above statistics represents the 121 JSE listed entities that reported to the B-BBEE Commission during the 2017 calendar year. The analysis was done based on directorships, and not individuals that hold directorships in the 121 entities that reported to the B-BBEE Commission. Therefore, the same individual(s) may hold a number of directorships.
- The non-black directors (which is made up of whites and foreign nationals) constitutes 62% of directors (executive, non-executive and independent directors) which evidently shows a low level of economic transformation at board level in the listed environment.

7.8. Management Control: Race And Gender Breakdown On JSE Listed 13G Reporting Entities

Table 23 Race and Gender breakdown on Listed 13G Reporting entities

	121 Companies Reported under 13G in 2017	JSE listed 2016 B-BBEE Commission Report	JSE listed 2014 SAICA Study
Females - 22% breakdown			
Black	18%	12%	12%
Non-Black	4%	5%	6%
Males - 78% breakdown			
Black	20%	18%	20%
Non-Black	58%	65%	62%
Grand Total	100%	100%	100%
Source	13G reports; WOW database SAICA integrated reports and CIPC		

Graph 26 Race and Gender breakdown on Listed 13G Reporting entities



- From the listed entities that reported to the B-BBEE Commission, white male directorships still dominate JSE listed directorships (58%) followed by black male (20%) and black female (18%) directorships. White female directorships are in a minority (4%). Black directorships as a whole make up 38% of all directorships.



Organs of State

8. Organs of State and State-Owned Enterprises

According to **the dti** Minister, all State-Owned Entities and Government Departments must implement the Broad-Based Black Economic Empowerment Act, where applicable. The B-BBEE Regulations further makes it mandatory for these enterprises to report annually to the B-BBEE Commission, within 30 days after the approval of their audited annual financial statements and annual report.

Based on the information submitted to the B-BBEE Commission, only 4 out of 299⁸ State-Owned Entities and Organs of State Entities submitted their annual Compliance Reports. This number does not include the subsidiaries of these entities who also have a reporting requirement. As such an in-depth analysis of this sector was not possible.



Recommendations

9. Recommendations

Based on the key findings and limitations of the study noted above the following recommendations are made.

Recommendations for improving data capturing and analysis

1. The B-BBEE Commission has established strategic partnerships with different institutions such as the JSE, SARS, CIPC and SANAS. These relationships should be leveraged in order to monitor and influence the mandatory reporting and enhance the completeness and accuracy of data submitted to the B-BBEE Commission.
2. Increasingly Government and regulatory bodies are aligning licencing and procurement requirements to B-BBEE compliance. In support of this process, Sector Associations and Sector Councils can play an active role in driving transformation reporting for the sector to ensure meaningful alignment. It is recommended that these sectors be encouraged by the B-BBEE Commission to do periodic reviews of the state of transformation in the sector as it pertains to level of participation of entities in the sector codes, compliance levels of those entities that participate and progress against stated sector code objectives.
3. The B-BBEE Commission should implement measures and introduce mechanisms to improve the quantity and quality of current reporting.
4. Further improvements on the current B-BBEE Certificates Portal system is recommended, to ensure that data uploaded is accurate and complete. Enhanced analysis may be achieved through additional reporting tabs in the system to incorporate transformation indicators available from detailed B-BBEE certificates. Two examples are:
 - a. Ownership analysis can be enhanced through capturing net value scores; foreign operations percentage; and indirect and director ownership percentages.
 - b. Management Control analysis can be enhanced through capturing of Board; Executive Board and other Executive scores. This will enhance comparability between entities as well as inform the salient challenge of transforming the executive.
5. A mechanism should be considered to track black-owned QSEs and all EME's in future, as these entities will not be verified due to the affidavit provision. Not being able to track the progress of QSEs on black ownership will prevent a key indicator of transformation from being monitored year-on-year.

Recommended advocacy and policy positions to drive accelerated transformation

Black Ownership in the Agri-BEE Sector

Black ownership in the commercial Agri-BEE sector is closely linked to the challenge of black agricultural land ownership. Based on the 2017 analysis of reported Agri-BEE sector entities, black ownership by commercial entities is low. However, it is important to note that black ownership information reported to the B-BBEE Commission excludes two important sources of information:

- o Land held in Trust: Information reported to the B-BBEE Commission, would mostly constitute the ownership of commercial agricultural businesses, which might or might not own land. The dominant model, historically, in the Agri-BEE sector is that land is not held in a commercial business, but in a trust. These trusts would generally not be rated and thus not reported to the B-BBEE Commission. In the context of not being able to source this information (land ownership), it is recommended that the B-BBEE Commission engages with DAFF and the Agri-BEE Sector Council to better understand the impact of these different land ownership models, and the implications of these structures on transformation imperatives.
- o Black Owned QSE and EMEs: A significant number of commercial Agri-BEE sector entities would be QSEs and EMEs. Non-black owned entities would report to the B-BBEE Commission through the B-BBEE Certificates Portal system. EMEs and black owned QSEs that will not be verified in future due to the affidavit provision, will not be reported through the B-BBEE Certificates Portal and will therefore be excluded from ownership analysis. Alternative means will need to be developed to measure changes of ownership in this sector.

Black Women Ownership

The lack of black women owned businesses is highlighted as a barrier to transformation across all sectors. Specifically, there are low levels of black women owned businesses that exceed the 30% black women owned threshold currently set in the amended B-BBEE Codes of Good Practice. Considering that the B-BBEE Codes of Good Practice, in their current form, aim to promote the creation and use of 30% Black Women Owned businesses in the same way that they seek to establish 51% BO businesses, similar support for this category should be provided through policy and programmes. This does not seem to be the case. For example:

- The enterprise and supplier development sub-elements of ESD make provision only for 51% BO QSE and EME businesses.

- The black industrialist programme makes provision primarily for the development and financing of 51% Black Owned businesses (although it includes a statement of intent to focus on black women businesses, no targets are set for 30% Black Women Owned businesses).

The B-BBEE Commission should work with **the dti** to enhance support to women owned businesses, through existing and new programmes and initiatives, and closely monitor progress on the 30% black women owned category.

Skills Development

Improvement on the Skills Development element should be prioritised. Findings show that in 2017, reporting entities are on average not meeting 50% of the available Skills Development targets. Entities that commit to formal skills development programmes, such as internships and learnerships, often see a significant improvement in their B-BBEE performance. Monetary benefits stemming from formal sector skills programmes are also very attractive to companies, e.g. access to skills and youth subsidies from Government specifically for internships and learnerships. Often reporting entities are not aware of either the B-BBEE points or tax/rebate benefits that are linked to formalised Skills Development and the subsequent absorption of learners.

The B-BBEE Commission should work with the SETAs to educate Transformation and Skills Development Managers on the B-BBEE benefits of formalised training. This could include the promotion of sector level skills initiatives, where pooled funds are created for formal learning or to support free or subsidised tertiary education.

Impact Measurement

The B-BBEE scorecard framework currently measures inputs and outputs, but does not extend to consider the outcomes of B-BBEE initiatives on direct beneficiaries, and its wider impact on society. It is recommended that transformation outcome and impact indicators should be developed and measured through a robust monitoring and evaluation framework. This could be done in cooperation with the Department of Planning, Monitoring and Evaluation.



Appendix A

10. Framework for Enhanced Reporting

Theme for Reporting	Why is this Important	What could be measured with available data	What could not be measured with available data
Completeness of reporting	<ul style="list-style-type: none"> To form a clear understanding of entities reporting as a % entities that are expected/required to report at aggregate and sector levels To measure compliance to B-BBEE regulation: JSE listed company reporting requirement SOE and Organ of State Reporting requirement Verification agency reporting requirement 	<ul style="list-style-type: none"> Number and % of JSE listed entities reporting Number of B-BBEE certificates loaded by verification agencies 	<ul style="list-style-type: none"> % of QSE and Large enterprises reporting against the expected number of entities % of sectoral entities reporting against the expected number of entities Number and % of SOEs and Organs of State reporting Number of subsidiary entities included in a certificate
Black ownership %	<ul style="list-style-type: none"> To form a clear understanding of the black ownership and black women ownership of the economy it is important to track ownership %, as well as how many entities have exceeded the targets for ownership set in the Generic and Sector Codes. It is also salient to understand the net value that has been created as part of ownership, which is why net value points are measured as a priority element. Broad-based and institutional investors' (E.g. Retirement Funds) contribution to black ownership % are a salient driver of black ownership % in the Codes and should be analysed Foreign operations are a key driver of black ownership % as entities are allowed exclude foreign operations in calculation black ownership 	<ul style="list-style-type: none"> Number and % black ownership and black women ownership of entities that reported Number and % of entities that exceeded key compliance hurdles, e.g. 25% BO; 51% BO; 10% BWO and 30% BWO For JSE listed entities: <ul style="list-style-type: none"> - Net value points - Foreign Operations 	<ul style="list-style-type: none"> Existing data from verification agencies did not provide black ownership points on scorecards Existing data from verification agencies does not support an analysis of: <ul style="list-style-type: none"> - Net value points - Foreign operations - Indirect ownership (also not available for JSE listed entities)
Overall B-BBEE contributor levels	<ul style="list-style-type: none"> Overall, and at sectoral level this indicates how entities are performing against the generic, specialised or sectoral scorecard. 	<ul style="list-style-type: none"> Available data supported an analysis of B-BBEE levels at: <ul style="list-style-type: none"> - Size; - Sectoral; and - year-on-year comparative 	<ul style="list-style-type: none"> None noted

Theme for Reporting	Why is this Important	What could be measured with available data	What could not be measured with available data
Black Ownership Points	<ul style="list-style-type: none"> • See Black ownership above 	<ul style="list-style-type: none"> • Data not available other 	<ul style="list-style-type: none"> • Data not available from verification agencies to do an overall points and net value (priority element) analysis
Management Control Points	<ul style="list-style-type: none"> • To provide a view of the non-executive and executive influence of black people and women in entities • No analysis of priority elements required 	<ul style="list-style-type: none"> • Average points earned analysed in total, per sector and compared to prior year 	<ul style="list-style-type: none"> • Existing data does not support an analysis of difference between board and executive level B-BBEE performance
Skills Development Points	<ul style="list-style-type: none"> • To provide a view of entities contribution to ACI employed and unemployed people, specifically learners. • Priority element per B-BBEE Codes 	<ul style="list-style-type: none"> • Average points earned analysed in total, per sector and compared to prior year 	<ul style="list-style-type: none"> • Existing data does not support analysis of performance against priority element targets, other than for listed entities
Enterprise and Supplier Development Points	<ul style="list-style-type: none"> • Three sub-elements preferential procurement, enterprise development and supplier development work interactively to bring about greater procurement from black owned businesses with strong B-BBEE scorecards. The sub-elements have different drivers, which makes an analysis of each sub-element important • Each sub-element has a priority element target attached which should be analysed 	<ul style="list-style-type: none"> • Average points earned analysed in total, per sector and compared to prior year 	<ul style="list-style-type: none"> • Existing data does not differentiate between preferential procurement, enterprise development and supplier development sub-elements • Existing data does not support analysis of performance against priority element targets, other than for listed entities
Socio-Economic Development Points	<ul style="list-style-type: none"> • To provide a view of the non-executive and executive influence of black people and women in entities • No analysis of priority elements required 	<ul style="list-style-type: none"> • Average points earned analysed in total, per sector and compared to prior year 	<ul style="list-style-type: none"> • Existing data does not support an analysis of difference between board and executive level B-BBEE performance
Sectoral Performance	<ul style="list-style-type: none"> • B-BBEE legislation allows for sectoral codes. 	<ul style="list-style-type: none"> • Sectoral analysis 	<ul style="list-style-type: none"> • Larger sectors in generic codes cannot be measured
Performance against other salient issues	<ul style="list-style-type: none"> • Empowering supplier criteria was included in the amended B-BBEE Codes to ensure that entities meet certain 	<ul style="list-style-type: none"> • Empowering supplier 	<ul style="list-style-type: none"> • Currently on hold

Theme for Reporting	Why is this Important	What could be measured with available data	What could not be measured with available data
Transformation performance of listed entities	<ul style="list-style-type: none"> South Africa has a high concentration of economic activity in the entities listed on the South African JSE. This includes a further concentration of economic activity with the Top 100 entities listed on the JSE by market capital as at 31 December 2017 (Source: INET BFA). These entities typically have large foreign operations, foreign ownership, as well as ownership by institutional investors such as retirement funds (E.g. GEPP through the PIC). In addition to the black ownership levels and B-BBEE contributor levels it is therefore important to analyse foreign operations, and different classes of owners (E.g. Foreign and Institutional) when analysing this sector. 	<ul style="list-style-type: none"> Data provided enabled the following analysis: <ul style="list-style-type: none"> -BO and BWO % -B-BBEE contributor levels -Per element analysis, including priority element -Foreign operations analysis -Foreign ownership analysis 	<ul style="list-style-type: none"> A limitation of data available was the reporting cycle which commenced June 2016. Comparative year-on-year data is not available.

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