

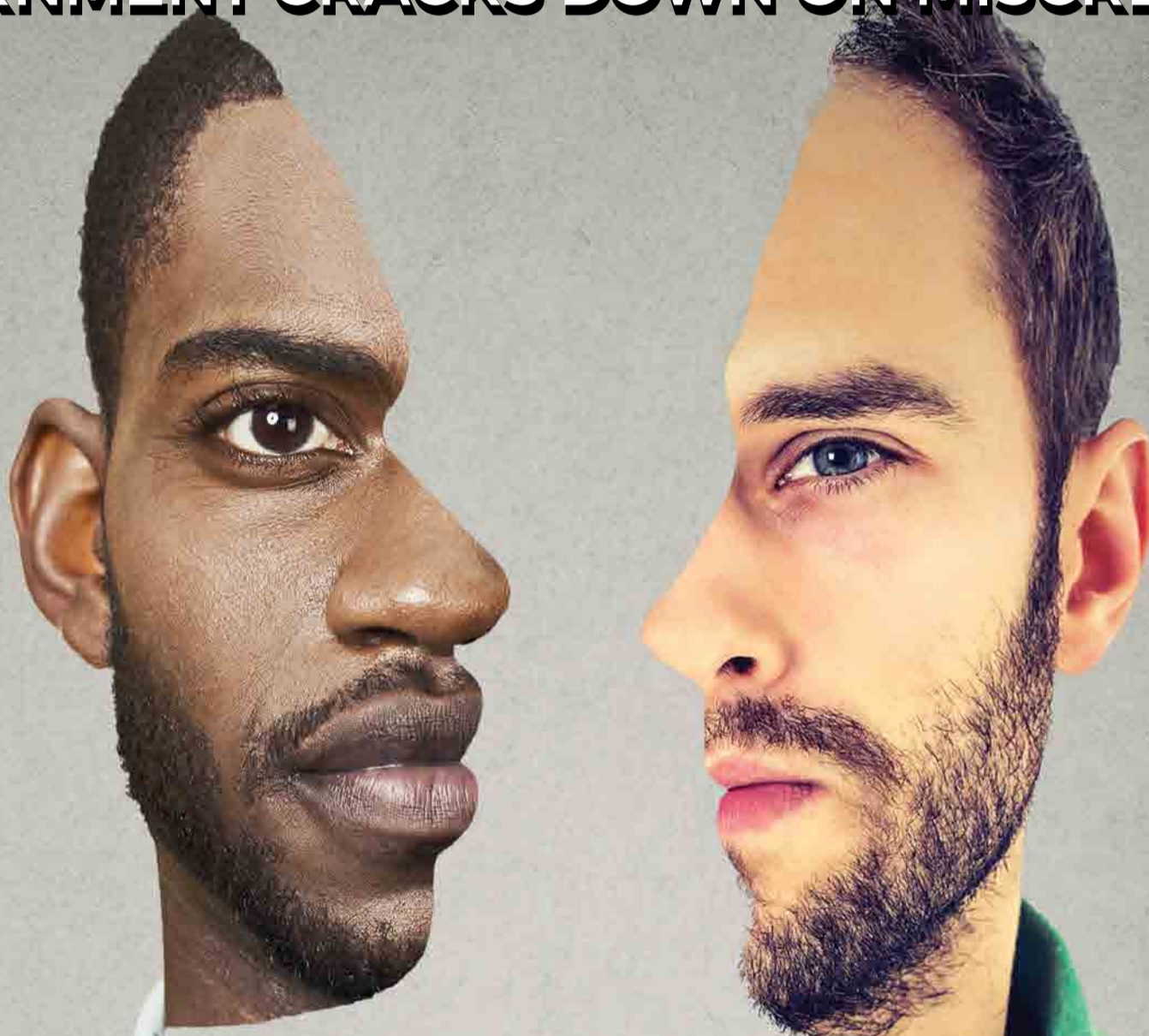
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# EMPOWERMENT

SPECIAL EDITION: OCTOBER 2017

R E P O R T

**TENSION IN TRANSFORMATION**  
**GOVERNMENT CRACKS DOWN ON MISCREANTS**



**The Top Empowered  
Companies of 2017**

## EDITOR'S NOTE

## Troubled BEE landscape needs an ethics injection

The empowerment landscape is troubled. The mining sector is in particular distress, with the mining charter submitted by Mineral Resources Minister Mosebenzi Zwane subject to various legal wrangles. The Chamber of Mines says no consultation took place with industry and the chamber makes it clear that there is no trust left between the industry and the minister.

The Financial Sector Charter Council has signed off on the final amended code for the sector. A spokesperson says the department of trade and industry has indicated it is willing to have it gazetted on condition it will be reviewed soon to take into account public views on transformation aired during the parliamentary hearings into transformation in March this year. There's little clarification, however, over the timing. Parliament now also wants a direct role in approving sector charters, which adds another step to the process.

The team who put together this year's Empowerment Report made many calls and sent emails to the trade and industry department for confirmation of this, but they were all ignored. Government is quick to accuse the private sector of not doing enough to transform, yet its own role leaves much to be desired.

It's easy to brush off accusations about the private sector not doing enough to transform as government simply deflecting attention from its own inadequacies. While those are clear, it does not mean there is no substance to its arguments, as our interview with Busisiwe Ngwenya, executive compliance officer for the Broad-Based Black Economic Empowerment Commission, shows (page 14). The lengths some companies go to to avoid implementing real transformative measures is astounding. Rather than just doing the right thing, they set up all sorts of structures to earn BEE points but ensuring nothing changes.

Quite rightly, the commission has started exposing such companies and prosecutions may follow.

This should not deflect from the companies that are doing the right thing. The ones at the top of the rankings in this publication (from page 7) can be rightly proud of their achievements. It takes much effort and resources to implement transformative measure across a business and even more to keep transforming. The companies that do best are the ones that have tangible, real transformation as a goal rather than being concerned with the tick-box scoring approach.

In such a climate, the advice of Lerato Ratsoma, MD of Empowerdex which conducts the research for these rankings, should be heeded (page 4). She argues that we need to go back to the basics and assess the substance that underpins true transformation. As importantly, she calls for the urgent need for an ethical environment to increase the level of trust in the system.

Times are indeed difficult in South Africa, with the ailing economy amplifying shortcomings that might otherwise be less severe or even rectified in better times. This makes it all the more important to act now to get things right. – *Colin Anthony, Intellidex*

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# Time to marry ethics with BEE

By Lerato Ratsoma, MD, Empowerdex

The Ethics Institute of South Africa defines business ethics as “the balancing of what is good for the organisation with what is good for other stakeholders”. In essence ethics require a win-win approach for all the stakeholders affected by a business. This is an important definition as it requires balance between a company’s own objectives, primarily linked to profit maximisation, and the overall objectives of all its key stakeholders, such as employees, suppliers, clients, government and even the environment.

Corporate governance, as indicated in the latest King IV recommendations, is defined as “the exercise of ethical and effective leadership” by a company’s leadership in order to attain an “ethical culture, good performance, effective control and legitimacy” of the business.

There is an inherent assumption that if a company applies the principles of King IV and its predecessors we would expect to see highly ethical management that considers risks to all stakeholders in its decision making, without losing focus on financial performance.

*I suspect that we all agree that the implementation of BEE lacks a fundamental element of ethics and is steeped in a high level of ignorance and confusion*

For some reason black economic empowerment (BEE) and business ethics are hardly found in the same sentence. The public generally views BEE with suspicion, often associating it with illegitimate tenders being awarded by the state to companies with a two-week track record, and of course to the old “usual suspects” who were seen as the elite beneficiaries of BEE. This is mostly due to a lack of common understanding of what BEE is.

Government, in contrast, tends to view BEE as a form of private sector corruption in which businesses seek to use black people for their own benefit. The same level of ignorance persists on how the system works across the three layers of government. The private sector also has its views, seeing this as an extra layer of compliance that complicates how business is done and

resulting in increased costs which, in some instances, stands between them and large contracts.

Black employees, who are often not privy to the big picture of their company’s BEE strategy and initiatives, see their companies achieving a level two BEE status with black ownership, yet their lot in life has not visibly shifted, resulting in scepticism.

Even practitioners such as ourselves have differing views on what BEE is and how it should be implemented. However, I suspect that we all agree that the implementation of BEE lacks a fundamental element of ethics and is steeped in a high level of ignorance and confusion. This is a lethal combination that slows down successful implementation of such an important policy.

This leads to a fundamental distrust of the term BEE. Far from being the tool that truly pulls the majority of the country out of economic oblivion, we see more and more people being unemployed and unemployable despite considerable amounts of money being spent by companies. We see more and more people living in abject poverty, economic growth slowing down, retrenchments increasing. We need to pause, ponder and ask ourselves what the role of BEE is in this declining economic climate? Did it work better when the economy was booming? And even then, was there inclusive growth around 2007, before the global financial crisis, where the spoils of decent economic growth were not equitably shared by all? Do we have black millionaires who benefited from BEE deals (considering how many were out of water when the 10-year mark came at the height of the 2008 financial crisis)? Do we have more skilled black people in fields of science, technology, engineering and maths, or in commercial fields? Are there new black owned and managed companies that have started and thrived as a direct result of BEE and its procurement multiplier effect? If not, why not? What is the collective responsibility of all the stakeholders?

Is it because the implementation of the BEE codes unintentionally shifted the focus from substance to legal form? There is a popular saying that what gets measured gets managed. We definitely are measuring BEE, but this does not translate to the proper management of the transformation substance or even improvement in the substance of transformation. It is clear that a company’s BEE outcomes improve when they measure themselves, as evidenced by the improvements in the annual Most Empowered Companies results. But for as long as the results do not translate to tangible and substantive benefits for most citizens, BEE will continue to be regarded with suspicion.

From my observations, it seems the only way to make a tangible difference



Lerato Ratsoma, MD, Empowerdex

to BEE is to go back to basics and seriously look at the substance that underpins true transformation. We must concede that giving a score to substance and impact is difficult due to its intangibility and the inherent subjectivity involved. However, credit ratings agencies continue to give subjective scores to companies and countries. They each have their own framework that determines their views on the different risks, and are able to articulate this without a scorecard that tallies up some perfect outcome. Imagine if our government was given a good credit rating only because it tabled a budget, allocated resources, and all the monies were spent according to the budget but with no impact. Would all be well with the system? That is exactly what is happening with BEE. For example, spending 2% of your net profit after tax on developing a black-owned supplier who after five years remains a micro entity and still has not developed capacity to handle large projects gets rewarded with BEE points – despite no notable impact.

In our quest to push for transformation, radical or reformist, we have allowed numbers to represent what is intangible without impact measures. Only in an ethical environment, where there is no incentive to obfuscate, will we be able to truly assess a company’s BEE status and award a score based on quality outcomes and the sustainability of their programmes. This is not to suggest that the credit agencies model is the best, however this is where the concept was derived from initially, in combination with an auditing model. However, the system has evolved to a point that it does not serve its purpose in its current form.

When we all depart from a foundation

of sound ethics in our decision making, perhaps companies will pack their initiatives with substance and impact, instead of focusing on areas that will give them the most points for the least effort. Perhaps the BEE partners become operational partners instead of purely investors who normally don’t have financial capital but bring skin in the game. Perhaps those black investors who choose to be financial investors will be able to trade their shares freely and realise value, without being locked in for 10 years, just in case they sell everything. Perhaps consultants will offer their clients projects that make a difference, maybe not on day one, but realistically over the next few years. Perhaps ethical and properly trained ratings agencies will go back to assessing companies, applying their professional judgment by providing a well-reasoned rating to a client, that is free of bias and can be relied upon.

Is this an unreasonable ask? For BEE to be engaged with in a principled manner? Or is our country so depleted of moral authority and capacity that there will be only a few who will take this seriously, with the rest looking for short-cuts? Do we have the guts to “Bell Pottinger” anyone who is seen to be toying and playing with numbers, instead of waiting for the BEE Commissioner to do something? Do we care?

Only the collective will from all stakeholders to transform ourselves from the inside-out will be the critical start to lay a new foundation of trust. In short, ethical behaviour is required from everyone in order to increase the level of trust in the system. The value of any system is dependent on the trust that is inherent within it from every participant in that system. ■

# The road to empowerment success

By Nonhlanhla Kunene

Introspection, identifying weak spots and developing skills from within are the dominant issues for companies striving to transform. For this year's top-ranked companies a dash of foresight combined with careful planning, skillful execution and a hands-on approach to transformation were key ingredients for success.

The most empowered company in 2017 is Ansys Ltd, an AltX-listed company that specialises in the design and development of IT systems for a range of industries including defence & information security, mining & industrial, rail and telecommunications. It operates under the ICT Sector Code.

CEO Teddy Daka attributes the company's success to the way it proactively aligned with the new codes. As a result, it has found that the conversion from old to new codes has worked in its favour.

Hotel group Sun International ranks second among the companies that have aligned with Amended Codes of Good Practice. Human resources director Verna Robson believes the company's proactive approach in undertaking an interim audit on the new codes before they became effective is what enabled the Sun team to understand the gaps and challenges it would need to address. Because of this, it put strategies in place to ensure that the transition would proceed smoothly with the fewest obstacles.

"It has been a learning curve but we are proud of what we have achieved. The added advantage is that our transformational strategies across all the pillars were adopted prior to the change of codes. It is satisfying to see how these have complemented the transition and enhanced our scores," says Robson.

Third-placed Niveus Investments, a holding company exposed mostly to the gaming industry, says operating in a highly regulated industry inspired its strategic decision to invest in a highly experienced senior management skillset to drive the group's transformation initiatives. Chief financial officer Muriel Loftie-Eaton says the company is continuously looking for opportunities to contribute to the transformation of the country, while considering the value to both the company and its beneficiaries.

"We obtained a high score in all the elements of B-BBEE. This can partly be attributed to our dominant black ownership as well as the nature of our business that is subject to stringent licence conditions. However, we have made a concerted attempt over the past two years to identify viable opportunities to increase our score in the management control and skills development categories."

In addition to the emphasis on a proactive approach is the shared ideal and will to ensure broad-based black economic empowerment (B-BBEE) extends beyond a trivial, mandatory

list of checked boxes to deliver genuine and tangible economic empowerment. All of this while simultaneously addressing socioeconomic issues such as the prevalent skills deficit, which is often cited as chief among the numerous obstacles to transformation faced by big business.



*Teddy Daka, CEO, Ansys*

Daka says Ansys has an acute awareness of the need for real and meaningful empowerment in the South African business environment, which makes B-BEE a key strategic focus for the company. "Contributing to the creation of a fully inclusive economy that will simultaneously enhance socioeconomic outcomes and enable us to create and maintain an innovative, competitive and sustainable business is a key objective."

One notable aspect of Ansys' take on empowerment is the company's interpretation of the process as an investment opportunity for long-term sustainability rather than a cost to the company. "We have a forward-thinking BEE strategy in place, which aligns to both legislative requirements and ICT sector codes. The board of directors is also very dedicated to BEE and is driving it directly. This informs all of our business decisions."

In line with this, Ansys has invested heavily in learnerships, internships and apprenticeships that not only seek to address the skills deficits in the ICT industry, but which contribute significantly towards achieving its targeted spend of 6% of the leviable payroll. Over and above this, the company's policy of absorbing as much of the talent into its own business as possible saw it achieve a further 3.75 bonus points in the latest ratings.

## Addressing skills shortage

Management control remains problematic, with SA's skills deficit continuing to pose a challenge to companies meeting both their BEE management criteria and the new skills development target of 6% of the leviable payroll. For this year's top achievers,

commitment and innovation saw them excel, despite the challenges.

Sun International puts it down to its commitment to skills development, which saw the company undertake a continuous process of assessing its internal talent to figure out its competitive edge and exploit it. Among Sun International's strong points are the numerous training initiatives, including its Leading and Managing the SunWay initiative, to give employees the necessary skills and expertise required to occupy senior positions, and ensuring that its total compensation strategy remains competitive to retain and attract talent. Being industry leaders, says Robson, helps the company in this endeavour.

While Daka concedes the skills development target is a tall ask for many companies as they experience difficulty in spending 6% of their leviable payroll on training staff internally, he says Ansys has adopted a multi-pronged approach to skills development, with skills gaps identification and a strong focus on addressing these at the core. "We identify these gaps through our performance appraisal system and address them through our annual workplace skills planning process. In addition, all business units invest in Seta-accredited external learnership and internship programmes. This enables us to have a broader impact in the ICT sector and to maximise expenditure by benefiting from partial funding through the ICT Seta."

Opting to deviate slightly from the norm, Niveus' strategy includes not only empowering its own employees but extending its training initiatives to include the unemployed, in an effort to make a meaningful contribution towards lowering SA's high unemployment level.

Over and above this, Niveus has refined its recruitment process to identify suitable candidates. Loftie-Eaton says a concerted effort has been made to develop previously disadvantaged individuals. This includes requirements for managers to meet key performance targets for coaching and developing staff using both internal and external training. The company has also put in place a competitive performance bonus system to retain key individuals.

"The main challenge we face here is meeting the economically active population (EAP) requirements," she says. "Our group is made up of several generic entities, however most of them have a small employee base. Meeting these requirements is, in most cases, just not possible or practical."

## Enterprise and supplier development

Another potentially tricky category is enterprise and supplier development (ESD). Here the scorecards of BEE contributors depend largely on

the performance of procurement partners. Under the new codes, 52% of procurement expenditure needs to be with black-owned or black female-owned suppliers. "Unfortunately, a supplier pool of this size does not yet exist in the ICT sector," says Daka, who admits that incorporating the new requirements into the company's procurement policies was a significant challenge. "We have, however, managed to build critical and strategic partnerships with our ESD beneficiaries so that they can become financially and operationally independent, as well as long-term suppliers to Ansys as a group."

Daka says pooling the expertise of the entire group helped Ansys meet the requirements stipulated under the revised codes.

In terms of its internal procurement policies, Niveus continuously reviews and evaluates existing and potential suppliers to ensure they meet certain requirements. Loftie-Eaton believes the company has been fortunate in that most of its large suppliers maintained their ratings over the past years, and says smaller enterprises, which in most instances now only require an affidavit, were in some instances guided and/or assisted in being B-BBEE compliant.

Sun International opted for a somewhat more calculated approach, which includes the introduction of internal indicators as soft objectives, in line with the targets. This gave the company time to begin the process of changing behaviour prior to the full impact of the codes being realised.

Robson says the indicators have since become formal measurements as part of the firm's three-year strategy towards achieving 100% compliance within the ESD pillar. The indicators also allow it to track performance in real time and in relation to individual elements within the pillar. That helped to drive proactive behaviour across the supply chain and achieve optimum performance.

## Socioeconomic development

Sun International has adopted a "creating shared value" methodology for social development which Robson says has enabled the company to align its flagship education projects to serve both its beneficiaries and business.

One project it is particularly proud of is its Digital Hospitality Curriculum education project for grades 10 to 12, which was developed in partnership with the Department of Basic Education. "The aim of the curriculum is to better equip future hoteliers with the skills our hospitality industry needs from secondary school level," says Robson. Learners who excel at their hospitality studies are then offered tertiary education bursaries as well as internal learnerships. They ultimately benefit from being offered employment opportunities at Sun International, as well as within the hospitality industry at large."

## Impressions of new codes

Companies feel generally positive about the new codes, but there are problems. The main challenge for Ansys is the emphasis on majority black ownership. "Although Ansys achieved 100% of previous targets in terms of being black-owned, the new codes require that companies have a majority black ownership," says Daka. Being 45% black-owned affected its most recent scores. He believes one way the company could improve is if more black

people were to start purchasing the group's publicly traded shares, which could enable it to push the level of black ownership up to 51%.

He says the codes need to consider control and not just ownership, which would ensure that they are aligned not only with B-BBEE objectives but also with JSE requirements.

Overall though, Daka is positive about the new codes as they will support transformation. He says they are in line with government's objectives

of accelerating black participation in the economy, as well as improving education and development in historically disadvantaged communities.

For Loftie-Eaton, the new codes are quite stringent and complex, particularly around matters such as the application of EAP in the management control and skills development categories. She believes the various interpretations in some areas are concerning as it might not be economically viable, for the firm and

potential beneficiaries, to recalibrate the company's strategy on an ongoing basis.

On the whole, these rankings demonstrate that firms that are proactive in engaging with BEE requirements are the ones that come out ahead. A conscious strategy to comply allows firms to plan ahead and develop the partners, employees and even owners that can help them to meet their objectives. And that makes good business sense, as well as positively affecting broader society. ■

### JSE's Most Empowered Companies: Amended Codes and Aligned Sector Codes

Rank 2017	Company	BEE Sector Code	Scorecard Indicators								Reported Ownership	
			Total BEE Score	BEE Recognition Status	Recognition Level	Ownership	Management Control	Skills Development	Enterprise and Supplier Development	Socio-Economic Development	Black Ownership	Black Women Ownership
1	Ansys Ltd	ICT	124.55	135%	1	25.00	14.70	21.87	50.98	12.00	45.32%	19.35%
2	Sun International Ltd	Tourism	102.69	135%	1	26.45	12.57	18.11	37.56	8.00	43.13%	10.88%
3	Tsogo Sun Holdings Ltd	Tourism	101.52	135%	1	27.00	10.37	18.82	37.34	8.00	62.10%	34.44%
4	Niveus Investments Ltd	Generic	101.05	135%	1	25.00	12.94	23.56	34.55	5.00	57.45%	16.78%
5	African Equity Empowerment Investment Ltd	Generic	100.62	135%	1	25.00	13.33	21.01	36.28	5.00	79.00%	33.00%
6	Oceana Group Ltd	Generic	100.39	135%	1	25.00	13.95	16.93	39.51	5.00	62.42%	15.22%
7	Mustek Ltd	ICT	117.54	125%	2	24.04	12.65	15.52	53.33	12.00	37.59%	18.44%
8	Raubex Group Ltd	Generic	97.91	125%	2	25.00	7.67	20.41	39.83	5.00	40.19%	10.52%
9	Super Group Holdings (Pty) Ltd	Generic	97.18	125%	2	24.65	9.42	22.47	35.64	5.00	38.16%	9.12%
10	Hosken Consolidated Investments Ltd	Generic	96.39	125%	2	25.00	12.65	17.76	35.98	5.00	79.22%	44.77%
11	Premier Fishing (South Africa) (Pty) Ltd	Generic	95.10	125%	2	23.00	13.11	16.02	37.97	5.00	78.24%	32.52%
12	Naspers Ltd	ICT	111.57	110%	3	19.66	11.86	16.23	51.82	12.00	27.46%	13.73%
13	Adcorp Holdings Ltd	Generic	95.35	110%	3	19.38	9.80	21.53	39.64	5.00	25.08%	13.52%
14	Esor Ltd	Generic	91.87	110%	3	19.80	6.32	17.92	42.83	5.00	64.51%	1.98%
15	Group Five Ltd	Generic	91.37	110%	3	25.00	6.08	14.78	40.51	5.00	60.59%	19.25%
16	Aveng Africa (Pty) Ltd	Generic	91.10	110%	3	23.04	9.35	13.02	40.69	5.00	67.88%	19.38%
17	Basil Read Ltd	Generic	90.88	110%	3	25.00	6.78	16.06	38.04	5.00	60.12%	13.61%
18	Barloworld Ltd	Generic	90.83	110%	3	25.00	13.20	19.64	28.34	4.65	35.76%	11.87%
19	Murray & Roberts Holdings Ltd	Generic	90.31	110%	3	25.00	5.48	13.74	41.09	5.00	59.53%	17.13%
20	Vodacom Group Ltd	ICT	101.91	100%	4	16.17	14.79	17.27	41.68	12.00	17.49%	8.83%
21	Adcock Ingram Holdings	Generic	88.48	100%	4	24.05	11.78	18.65	29.00	5.00	28.82%	13.50%
22	Deneb Investment Ltd	Generic	86.30	100%	4	25.00	8.96	13.94	33.40	5.00	73.32%	41.07%
23	South African Distilleries and Wines Ltd	Generic	85.96	100%	4	24.17	6.34	21.05	30.38	4.02	23.95%	10.59%
24	PPC Ltd	Generic	85.86	100%	4	16.41	11.84	15.86	36.75	5.00	13.79%	6.01%
25	Howden Africa (Pty) Ltd	Generic	85.64	100%	4	10.22	11.06	19.75	40.07	4.54	12.68%	6.00%
26	Metrofile Holdings Ltd	Generic	84.88	100%	4	25.00	4.25	18.35	32.68	4.60	55.09%	30.54%
27	Phumelela Gaming and Leisure Ltd	Generic	83.18	100%	4	23.22	11.41	12.35	31.20	5.00	64.16%	5.56%
28	Aspen Pharmacare Holdings Ltd	Generic	82.51	100%	4	25.00	8.97	13.06	30.48	5.00	49.87%	18.65%
29	CMH Holdings (Pty) Ltd	Generic	82.18	100%	4	20.10	10.93	17.89	28.26	5.00	17.63%	8.02%
30	Novus Holdings Ltd	Generic	81.71	100%	4	22.89	8.82	16.10	28.90	5.00	27.10%	13.02%
31	WBHO Construction (Pty) Ltd	Generic	81.44	100%	4	20.39	6.83	11.17	38.05	5.00	41.50%	11.89%
32	African Oxygen Ltd	Generic	80.80	100%	4	22.05	9.59	18.00	26.16	5.00	64.95%	13.24%
33	Torre Holdings (Pty) Ltd	Generic	80.58	100%	4	23.47	8.72	15.56	27.83	5.00	24.54%	9.28%
34	Stefanutti Stocks (Pty) Ltd	Generic	80.04	100%	4	18.65	6.12	11.86	38.41	5.00	15.77%	2.45%
35	City Lodge Hotels Ltd*	Tourism	82.75	80%	5	18.43	11.66	17.84	26.82	8.00	21.46%	10.85%
36	enX Group Ltd	Generic	76.87	80%	5	21.74	6.14	14.67	29.32	5.00	29.39%	9.32%
37	Mix Telematics Africa (Pty) Ltd	Generic	75.35	80%	5	17.99	3.70	16.38	32.40	4.88	17.47%	5.61%
38	Exxaro Resources Ltd*	Generic	76.89	60%	6	25.00	11.67	16.65	19.58	3.99	44.56%	16.98%
39	Hulamin Ltd*	Generic	75.61	60%	6	22.80	11.26	20.20	16.35	5.00	22.40%	4.54%
40	The Spar Group Ltd*	Generic	75.03	60%	6	14.42	9.44	20.02	26.15	5.00	6.35%	2.29%
41	Nampak Ltd	Generic	72.30	60%	6	20.64	7.51	10.55	28.60	5.00	23.52%	10.44%
42	Clicks Group Ltd	Generic	72.25	60%	6	18.57	11.09	13.74	23.85	5.00	18.12%	8.73%
43	Wescoal Holdings Ltd	Generic	71.34	60%	6	18.19	9.11	13.15	25.89	5.00	63.85%	0.47%
44	Woolworths (Pty) Ltd	Generic	71.08	60%	6	20.03	11.18	13.02	21.85	5.00	37.20%	16.02%
45	Massmart Holdings Ltd	Generic	66.64	50%	7	12.47	9.62	12.15	27.40	5.00	11.94%	4.64%
46	The Foschini Group Ltd	Generic	55.96	50%	7	12.31	6.15	13.95	18.55	5.00	12.66%	6.32%
47	Sishen Iron Ore (Pty) Ltd*	Generic	66.52	10%	8	20.08	12.45	14.04	16.47	3.48	24.04%	7.04%
48	Bid Corporation Ltd*	Generic	66.35	10%	8	20.00	7.44	15.07	18.84	5.00	57.27%	28.60%
49	Sasol Ltd*	Generic	65.93	10%	8	17.47	8.80	10.13	24.53	5.00	26.06%	10.58%
50	Netcare Ltd*	Generic	64.14	10%	8	25.00	8.59	12.65	12.90	5.00	25.82%	12.60%
51	Invicta South Africa Holdings (Pty) Ltd*	Generic	61.94	10%	8	25.00	9.44	5.61	16.89	5.00	30.71%	13.29%
52	AECI Group Ltd*	Generic	58.42	10%	8	25.00	12.91	11.45	4.06	5.00	61.86%	18.86%
53	Cashbuild South Africa (Pty) Ltd*	Generic	58.26	10%	8	21.61	6.07	9.13	17.28	4.17	28.95%	3.58%
54	Shoprite Holdings (Pty) Ltd*	Generic	57.73	10%	8	7.91	8.85	13.72	22.25	5.00	8.65%	4.49%
55	Calgro Consolidated Ltd*	Generic	57.33	10%	8	21.25	6.66	9.27	15.84	4.31	30.07%	1.95%
56	Pick 'n Pay Stores Ltd*	Generic	56.66	10%	8	8.99	8.30	9.44	24.93	5.00	11.60%	3.91%
57	KAP Industrial Holdings Ltd*	Generic	56.39	10%	8	19.35	4.07	13.95	14.02	5.00	19.20%	9.12%
58	Lewis Group Ltd*	Generic	56.29	10%	8	7.46	7.89	17.21	18.73	5.00	7.39%	3.61%
59	Remgro Ltd*	Generic	55.11	10%	8	11.79	5.27	10.57	22.48	5.00	13.46%	2.73%
60	Mr Price Group Ltd	Generic	52.76	10%	8	10.93	5.44	10.86	20.53	5.00	8.35%	3.34%
61	Mediclinic Southern Africa (Pty) Ltd*	Generic	51.73	0%	NC	14.25	4.76	10.48	17.24	5.00	16.31%	2.89%
62	Hudaco Trading (Pty) Ltd*	ICT	45.34	0%	NC	18.72	2.43	17.41	6.78	0.00	27.60%	11.84%
63	Spur Corporation Ltd*	Tourism	40.90	0%	NC	11.48	4.35	10.71	9.36	5.00	7.90%	3.16%

\*Discounting principle applied

## JSE's Most Empowered Companies: Old Codes

Rank 2017	Company	BEE Sector Code	Scorecard Indicators										Sector Specific Indicators			Reported Ownership	
			Total BEE Score	BEE Recognition Status	Recognition Level	Ownership	Management Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-Economic Development	Property	Finance		Black Ownership	Black Women Ownership
													Economic Development	Empowerment Financing	Access to Financial Services		
1	Nedbank Ltd	Financial Services	98.56	125%	2	17.00	8.27	12.74	8.19	16.00	5.00	3.00	—	15.00	13.36	37.55%	17.39%
2	FirstRand Ltd	Financial Services	95.95	125%	2	16.86	6.98	10.90	9.60	16.00	5.00	3.00	—	15.00	12.61	36.51%	16.14%
3	Standard Bank Group Ltd	Financial Services	94.56	125%	2	16.61	5.55	11.95	9.05	16.00	4.80	3.00	—	15.00	12.60	30.12%	10.19%
4	Old Mutual Life Assurance Company (South Africa) Ltd	Financial Services	94.41	125%	2	15.49	5.6	12.97	9.32	16.00	5.00	3.00	—	15.00	12.03	33.25%	15.78%
5	MMI Holdings Ltd	Financial Services	93.37	125%	2	17.00	8.73	9.05	9.01	16.00	20.00	3.00	—	—	10.58	35.64%	14.18%
6	Liberty Holdings Ltd	Financial Services	92.00	125%	2	16.64	5.85	12.15	6.22	14.76	5.00	3.00	—	15.00	13.38	26.75%	8.32%
7	Sanlam Ltd	Financial Services	91.49	125%	2	15.66	7.41	8.83	9.35	16.00	3.71	3.00	—	15.00	12.53	31.08%	6.87%
8	EOH Holdings Ltd	ICT	91.32	125%	2	22.42	9.60	3.78	12.83	19.69	11.00	12.00	—	—	—	47.67%	8.99%
9	Investec Ltd	Financial Services	89.80	125%	2	15.21	4.58	10.83	9.39	14.01	5.00	3.00	—	15.00	2.00	27.97%	6.59%
10	The South African Operations of Barclays Africa Group Ltd (ABSA)	Financial Services	88.56	125%	2	9.94	4.96	11.72	10.00	16.00	5.00	3.00	—	15.00	12.94	17.36%	6.72%
11	Mobile Telephone Networks (Pty) Ltd (MTN SA)	ICT	87.83	125%	2	21.28	10.67	6.28	5.80	20.80	11.00	12.00	—	—	—	46.22%	8.19%
12	Alexander Forbes Group Holdings Ltd	Financial Services	87.83	125%	2	16.39	4.92	8.75	9.04	15.55	15.00	3.00	—	—	10.79	39.70%	11.97%
13	Rebosis Property Fund	Property	87.24	125%	2	18.00	11.00	0.00	0.00	14.39	9.50	1.20	0.00	—	—	42.28%	12.42%
14	Vunani Ltd	Financial Services	86.74	125%	2	15.00	1.74	13.12	9.23	13.17	15.00	3.00	—	—	—	54.68%	18.60%
15	Santam Ltd	Financial Services	86.65	125%	2	15.38	5.41	8.48	9.47	15.38	15.00	3.00	—	—	10.20	28.73%	5.40%
16	JSE Ltd	Financial Services	85.21	125%	2	8.85	8.54	9.72	7.62	16.00	15.00	3.00	—	—	2.00	16.82%	5.90%
17	Mpact Operations (Pty) Ltd	Forestry	83.36	110%	3	18.69	9.14	4.26	9.45	18.82	15.00	8.00	—	—	—	16.67%	10.09%
18	Grindrod Ltd	Transport	81.39	110%	3	21.43	8.74	5.82	9.86	15.54	15.00	5.00	—	—	—	81.41%	28.51%
19	Redefine Properties Ltd	Property	81.26	110%	3	21.24	2.62	3.7	13.32	15.41	10.00	0.15	14.82	—	—	30.59%	5.61%
20	OneLogix (Pty) Ltd	Transport	81.20	110%	3	20.18	5.17	5.20	15.00	15.65	15.00	5.00	—	—	—	27.73%	7.02%
21	Sappi Southern Africa Ltd	Forestry	80.65	110%	3	24.34	2.08	1.99	10.18	19.06	15.00	8.00	—	—	—	45.33%	19.74%
22	Jasco Electronics Holdings Ltd	ICT	80.50	110%	3	19.79	6.76	5.03	3.00	22.92	11.00	12.00	—	—	—	44.71%	8.85%
23	Mondi Ltd	Forestry	78.57	110%	3	9.04	7.70	7.26	12.00	19.57	15.00	8.00	—	—	—	11.69%	2.01%
24	Value Group Ltd	Transport	78.54	110%	3	17.43	1.00	9.22	10.93	19.96	15.00	5.00	—	—	—	Not Recorded	Not Recorded
25	Telkom SA SOC Ltd	ICT	78.04	110%	3	8.38	9.41	5.25	7.72	24.28	11.00	12.00	—	—	—	11.49%	5.98%
26	Information Security Architects (Pty) Ltd	ICT	76.89	110%	3	22.00	5.38	4.39	3.90	18.22	11.00	12.00	—	—	—	15.60%	10.40%
27	Tiger Brands Ltd	Agricultural	76.11	110%	3	17.56	5.00	5.81	15.67	18.67	3.40	10.00	—	—	—	30.35%	4.65%
28	Cargo Carriers Ltd	Transport	75.23	110%	3	9.18	7.42	6.31	12.63	19.69	15.00	5.00	—	—	—	16.37%	3.92%
29	Coronation Fund Managers Ltd	Financial Services	66.17	110%	3	14.96	8.00	10.68	5.96	11.76	9.81	3.00	—	—	2.00	22.32%	9.35%
30	Reunert Ltd	ICT	70.83	100%	4	22.00	7.82	6.19	12.74	16.87	3.64	1.57	—	—	—	46.00%	35.50%
31	Discovery Ltd	Financial Services	70.59	100%	4	13.85	3.34	9.56	9.13	14.71	5.00	3.00	—	12.00	—	21.15%	9.12%
32	Vukile Property Fund Ltd	Property	70.56	100%	4	20.00	4.18	7.00	0.00	18.32	10.00	2.00	9.06	—	—	37.80%	14.01%
33	Pioneer Food Group Ltd	Agricultural	69.22	100%	4	15.77	9.39	6.02	10.39	12.80	7.86	6.99	—	—	—	19.96%	6.55%
34	Astral Operations Ltd	Agricultural	68.05	100%	4	9.06	3.69	0.50	17.09	17.71	10.00	10.00	—	—	—	14.29%	2.65%
35	Tongaart Hulett Ltd	Agricultural	67.67	100%	4	5.21	8.73	6.53	13.61	13.59	10.00	10.00	—	—	—	0.43%	0.10%
36	Comair Ltd	Transport	67.31	100%	4	19.51	2.82	2.74	10.73	17.26	10.84	3.41	—	—	—	10.61%	30.82%
37	Rhodes Food Group (Pty) Ltd	Agricultural	67.26	100%	4	12.33	5.96	2.88	11.93	13.16	10.00	11.00	—	—	—	14.52%	7.19%
38	Capitec Bank Ltd	Financial Services	66.60	100%	4	10.08	3.26	6.63	9.00	13.47	1.58	1.28	—	12.00	9.30	19.69%	6.31%
39	Clover Industries Ltd	Agricultural	66.55	100%	4	10.06	7.00	0.79	15.30	12.40	10.00	11.00	—	—	—	13.75%	5.54%
40	SA Corporate Real Estate Ltd	Property	66.17	100%	4	13.84	11.00	12.21	0.00	17.29	10.00	0.00	6.47	—	—	19.60%	7.14%
41	Hospitality Property Fund Ltd	Property	65.88	100%	4	19.22	3.14	8.00	13.16	14.87	5.49	2.00	—	—	—	32.75%	16.09%

## JSE's Most Empowered Companies: Old Codes (continued)

Rank 2017	Company	BEE Sector Code	Scorecard Indicators										Sector Specific Indicators			Reported Ownership	
			Total BEE Score	BEE Recognition Status	Recognition Level	Ownership	Management Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-Economic Development	Property	Finance		Black Ownership	Black Women Ownership
													Economic Development	Empowerment Financing	Access to Financial Services		
42	RCL Foods Ltd	Agricultural	65.26	100%	4	13.90	2.94	1.91	10.14	15.39	10.00	11.00	—	—	—	21.53%	5.33%
43	Ellies Holdings Ltd	Generic	65.10	100%	4	20.00	3.41	2.81	0.16	19.46	15.00	4.89	—	—	—	28.74%	11.50%
44	Octodec Investments Ltd	Property	62.12	80%	5	2.49	0.00	—	—	19.08	10.00	1.37	14.89	—	—	2.95%	1.71%
45	Transaction Capital Ltd	Financial Services	61.79	80%	5	0.00	1.50	10.98	9.07	14.74	11.80	1.96	—	—	—	0.00%	0.00%
46	Sacoil Holdings Ltd	Generic	56.72	80%	5	20.00	8.73	8.42	0.00	19.57	0.00	0.00	—	—	—	42.14%	16.86%
47	Emira Property Fund Ltd	Property	56.00	80%	5	16.45	1.61	—	—	14.66	—	3.68	—	—	—	23.45%	5.88%
48	Fairvest Property Holdings Ltd	Property	51.70	60%	6	15.07	2.50	—	—	13.90	5.62	0.19	2.53	—	—	22.80%	5.74%
49	Quantum Foods (Pty) Ltd	Agricultural	48.99	60%	6	9.64	3.11	3.98	2.62	11.99	10.00	7.65	—	—	—	12.41%	5.07%
50	BSI Steel Ltd	Generic	47.55	60%	6	3.09	2.11	4.98	6.46	13.66	12.43	4.82	—	—	—	4.00%	2.00%
51	ADVTECH Ltd	Generic	45.88	60%	6	2.07	3.49	3.78	1.55	14.99	15.00	5.00	—	—	—	0.81%	0.27%
52	PSG Konsult Ltd	Financial Services	45.29	60%	6	5.85	4.61	1.72	4.80	8.76	9.40	2.45	—	—	—	10.33%	4.04%
53	Telemasters Holdings Ltd	ICT	31.62	10%	8	0.00	0.00	1.35	0.00	7.27	11.00	12.00	—	—	—	0.00%	0.00%

## Black Ownership: Amended Codes (top 10)

Rank 2017	Company	BEE Sector Code	Total BEE Score	Recognition Status	Recognition Level	Scorecard Indicators					Reported Ownership	
						Ownership	Management Control	Skills Development	Enterprise and Supplier Development	Socio-Economic Development	Black Ownership	Black Women Ownership
1	Hosken Consolidated Investments Ltd	Generic	96.39	125%	2	25.00	12.65	17.76	35.98	5.00	79.22%	44.77%
2	African Equity Empowerment Investment Ltd	Generic	100.62	135%	1	25.00	13.33	21.01	36.28	5.00	79.00%	33.00%
3	Premier Fishing (South Africa) (Pty) Ltd	Generic	95.10	125%	2	23.00	13.11	16.02	37.97	5.00	78.24%	32.52%
4	Deneb Investment Ltd	Generic	86.30	100%	4	25.00	8.96	13.94	33.40	5.00	73.32%	41.07%
5	Tsogo Sun Holdings Ltd	Tourism	100.38	135%	1	27.00	10.37	18.82	36.19	8.00	62.10%	34.44%
6	Oceana Group Ltd	Generic	100.39	135%	1	25.00	13.95	16.93	39.51	5.00	62.42%	15.22%
7	Aveng Africa (Pty) Ltd	Generic	91.10	110%	3	23.04	9.35	13.02	40.69	5.00	67.88%	19.38%
8	Niveus Investments Ltd	Generic	101.05	135%	1	25.00	12.94	23.56	34.55	5.00	57.45%	16.78%
9	Group Five Ltd	Generic	91.37	110%	3	25.00	6.08	14.78	40.51	5.00	60.59%	19.25%
10	Metrofile Holdings Ltd	Generic	84.88	100%	4	25.00	4.25	18.35	32.68	4.60	55.09%	30.54%

## Black Ownership: Old Codes (top 10)

Rank 2017	Company	BEE Sector Code	Total BEE Score	Recognition Status	Level	Scorecard Indicators							Sector Specific Indicators			Reported Ownership	
						Ownership	Management Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-Economic Development	Property	Financial Services		Black Ownership	Black Women Ownership
													Economic Development	Empowerment Financing	Access to Financial Services		
1	Grindrod Ltd	Transport	81.39	110%	3	21.43	8.74	5.82	9.86	15.54	15.00	5.00	—	—	—	81.41%	28.51%
2	Vunani Ltd	Financial Services	86.74	125%	2	15.00	1.74	13.12	9.23	13.17	15.00	3.00	—	—	—	54.68%	18.60%
3	EOH Holdings Ltd	ICT	91.32	125%	2	22.42	9.60	3.78	12.83	19.69	11.00	12.00	—	—	—	47.67%	8.99%
4	Mobile Telephone Networks (Pty) Ltd (MTN SA)	ICT	87.83	125%	2	21.28	10.67	6.28	5.80	20.80	11.00	12.00	—	—	—	46.22%	8.19%
5	Reunert Ltd	ICT	70.83	100%	4	22.00	7.82	6.19	12.74	16.87	3.64	1.57	—	—	—	46.00%	35.50%
6	Sappi Southern Africa Ltd	Forestry	80.65	110%	3	24.34	2.08	1.99	10.18	19.06	15.00	8.00	—	—	—	45.33%	19.74%
7	Jasco Electronics Holdings Ltd	ICT	80.50	110%	3	19.79	6.76	5.03	3.00	22.92	11.00	12.00	—	—	—	44.71%	8.85%
8	Rebosis Property Fund	Property	87.24	125%	2	18.00	11.00	0.00	0.00	14.39	9.50	1.20	0.00	—	—	42.28%	12.42%
9	Sacoil Holdings Limited	Generic	56.72	80%	5	20.00	8.73	8.42	0.00	19.57	0.00	0.00	—	—	—	42.14%	16.86%
10	Alexander Forbes Group Holdings Ltd	Financial Services	86.18	125%	2	16.39	4.92	8.75	9.04	13.98	15.00	3.00	—	—	10.79	39.70%	11.97%

## Management Control: Amended Codes (top 10)

Rank 2017	Company	BEE Sector Code	Total BEE Score	Recognition Status	Level	Scorecard Indicators						Sector Specific Indicators			Reported Ownership	
						Ownership	Management Control	Skills Development	Enterprise and Supplier Development	Socio-Economic Development	Property	Finance		Black Ownership	Black Women Ownership	
Economic Development	Empowerment Financing	Access to Financial Services														
1	Vodacom Group Ltd	ICT	101.91	100%	4	16.17	14.79	17.27	41.68	12.00	—	—	—	17.49%	8.83%	
2	Ansys Ltd	ICT	124.55	135%	1	25.00	14.70	21.87	50.98	12.00	—	—	—	45.32%	19.35%	
3	Oceana Group Ltd	Generic	100.39	135%	1	25.00	13.95	16.93	39.51	5.00	—	—	—	62.42%	15.22%	
4	African Equity Empowerment Investment Ltd	Generic	100.62	135%	1	25.00	13.33	21.01	36.28	5.00	—	—	—	79.00%	33.00%	
5	Barloworld Ltd	Generic	90.83	110%	3	25.00	13.20	19.64	28.34	4.65	—	—	—	35.76%	11.87%	
6	Premier Fishing (South Africa) (Pty) Ltd	Generic	95.10	125%	2	23.00	13.11	16.02	37.97	5.00	—	—	—	78.24%	32.52%	
7	Niveus Investments Ltd	Generic	101.05	135%	1	25.00	12.94	23.56	34.55	5.00	—	—	—	57.45%	16.78%	
8	AECI Group Ltd	Generic	58.42	10%	8	25.00	12.91	11.45	4.06	5.00	—	—	—	61.86%	18.86%	
9	Hosken Consolidated Investments Ltd	Generic	96.39	125%	2	25.00	12.65	17.76	35.98	5.00	—	—	—	79.22%	44.77%	
10	Mustek Ltd	ICT	117.54	125%	2	24.04	12.65	15.52	53.33	12.00	—	—	—	37.59%	18.44%	

# Ownership: still many challenges with funding structures the main hurdle

By Nonhlanhla Kunene

The black ownership component of broad-based black economic empowerment (B-BBEE) has been given renewed prominence under the revised codes. Second only to enterprise and supplier development in terms of points allocation, black ownership is one category firms cannot take lightly should they wish to maintain sound empowerment ratings.

For Hosken Consolidated Investments (HCI), the top-ranked company for ownership under the amended codes, its ties with the clothing and textile sector has laid a solid foundation for black ownership. It is one that genuinely sees the company live up to its founders' (Johnny Copelyn and Marcel Golding) ideal of forming a company to bring real and tangible wealth to workers in the clothing and textile sector.

Having begun its journey as the third black-empowered company to list on the JSE, with the Southern African Clothing and Textile Workers Union (Sactwu) as a major shareholder, HCI was also the first listed company to have a significant element of true broad-based black ownership, consisting largely of the black women and men who form most of the union's membership.

Lael Bethlehem, investment executive at HCI, believes the company owes its status as an all-inclusive empowerment company to its strong union ties.

"What's really fantastic is that we're truly broad based and it's the union itself that owns the shares and receives a sizable dividend of one-third of HCI's profits. It uses that to run programmes such as its bursary scheme for the children of workers, its worker health programme which offers, among other things, free primary health care services, and initiatives to protect jobs.

Bethlehem believes this to be quite an achievement for black empowerment when taking into account the firm's humble beginning with just R1.5m in capital, which has since grown into the billions.

Perhaps the most remarkable aspect of HCI's approach to business and its investments is how the BEE ratings of the companies it chooses to invest in hold little weight in its decision-making process. HCI is the one bringing BEE ownership gravitas, rather than seeking out black firms to gain points itself. Bethlehem says HCI often gets approached to invest because it is the one that ultimately brings that much-needed black ownership aspect.

*The main hurdle to transformation is the lack of adequate funding available to would-be black shareholders and entrepreneurs. Until this aspect is addressed, South Africa will continue to struggle to achieve all-inclusive economic transformation*

## Transformation hurdle

While South Africa has made significant strides in its attempt to empower the black majority, BEE is still steeped in its fair share of controversy. And although stories of impressive achievements such as those of the likes of HCI are on a steady increase, Morosha Govender, verification manager at Empowerbee, believes there's still a long way to go.

The main hurdle to transformation, she feels, is the lack of adequate funding available to would-be black shareholders and entrepreneurs. Until this aspect is addressed, South Africa will continue to struggle to achieve all-inclusive economic transformation.

"Currently, black entrepreneurs rely almost exclusively on dividends to fund their debt obligations – this is unsustainable in the current economic climate as companies are experiencing headwinds that force them to take a more prudent strategy of retaining cash to navigate the downturn. While this strategy is vital in sustaining the business, the need to declare dividends to allow the black shareholders to service their debt places an unrealistic burden on these companies. We would like to see more innovative financing arrangements such as payment holidays, non-capitalisation of outstanding interest, built-in access facilities on loan agreements, or working capital financing bolted onto the long-term loans."

Despite the skills shortfall that many firms cite as a fundamental obstacle to realising their management transformation objectives, Govender believes not much has been done in this regard.

She notes how most firms have been generally successful at meeting

the requirements in terms of junior management, but not in middle and senior management. "One of the challenges is that the best and brightest staff tend to get poached, and entities are really helpless to stop that if they do not have the financial means for a counter offer. Smaller entities generally struggle to compete for high-quality black managers who command higher remuneration."

Govender is quick to add, however, that many entities do not have robust plans and development initiatives that focus on adequate training and development. She says many initiatives are classroom-based, without the appropriate focus on the practical application of these learnings.

HCI's Bethlehem says the company's experience has been quite the opposite. Most of its success has been through its strongly empowered board, whose members came from the union. "At executive level we're pretty good. It is at lower levels where we're trying to grow our own timber but, it's still a challenge," says Bethlehem.

## Final words

Although the revised codes may have been met with mixed feelings, Govender thinks the intentions are noble and necessary. She notes, however, that there is still some uncertainty over the application of the codes due to the verification manual not yet being gazetted.

Govender believes there are still sections of the codes that are open to interpretation, and clarity around this is required across the industry to achieve consistency. "In some instances, the codes are quite onerous, for instance, we find that even 100% black-owned generic companies struggle to meet the requirements of management control due to the specific demographic requirements that the codes impose." ■

By Nonhlanhla Kunene

Management control remains a contentious part of the empowerment debate with SA's skills shortage cited as a core problem. Industry players say that is linked to other shortcomings in SA's socioeconomic landscape, such as the weak education system.

Nomzamo Xaba, Empowerdex research & advisory executive, believes there is some truth "and a bit of laziness" to the skills shortage conundrum. To get to the core of the issues, she says, one would first have to consider the output from the country's educational institutions. "More than two decades into democracy, if you look at the number of unemployed graduates in the country, one has to question where are we missing each



Khalid Abdulla, CEO of AEEI

## Management control hampered by

other in terms of the output coming out of universities and the shortage of skills. The truth probably lies in the fact that those graduates don't possess the right kind of qualifications. So, we've got to question why universities are producing these unemployable graduates."

Once that has been addressed, Xaba believes corporations need to do some introspection, asking themselves how much effort they're putting into finding these graduates and what they're prepared to do to provide them with practical skills as they are likely to be armed only with theoretical knowledge.

"The small nuances that are required to be an employee are not taught

at schools, those things can only be acquired through experience. So, maybe one thing businesses need to do is open their doors to holiday programmes to provide experience. They would have to include stipends, because we're not in an environment where we can say that people should work for free."

While matching qualifications to the skills gap would be a good starting point, Xaba concedes that the quality of education behind those qualifications would also need to be considered.

While most firms lost ground in the management category when converting to the new codes, one that has succeeded in keeping a sound

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COMMENT: **NOMZAMO XABA**

## A new way of looking at skills development

Some are arguing that the sunset clause to terminate Black Economic Empowerment (BEE) must be invoked. The understanding of what it is that the BEE policy aims to address and how it seeks to achieve its objectives continues to be lost to the average South African as they feel less and less enfranchised by the policy.

We are living in harsh times: the economy is barely growing and the unemployment rate is at 27.7%, a 13-year high, with youth unemployment reaching an alarming 55.9%. This begs the question: what value, if any, does the BEE policy add to the youth's current reality.

Based on the demographics of South Africa, it is safe to assume that the majority of these unemployed youth are black, with an even scarier suggestion that they may in fact be unemployable as opposed to just being unemployed. It would be truly irresponsible if we were to turn a blind eye to this and it is therefore critical that we look at the role that corporate South Africa, together with

government, can play in reversing this state of affairs.

When it comes to BEE in the context of skills development, millions upon millions of rands have been spent annually on programmes that have barely scratched the surface in respect of upskilling the youth. Questions must be raised as to the quality and content of these programmes.

Corporations can argue that they spend very large sums on skills development programmes aimed specifically at black youths. But if you cast an eye on the numbers of black employees in the very same companies at senior and executive management level, a different story is told. Where are these employees who are being trained? Where do they disappear to? Do they simply vanish into thin air or do they remain as learners in training for extended periods of time?

The results of the Most Empowered Companies Survey 2017 show that in terms of human resource development, where skills development is linked

to management control from a BEE perspective, the link between training and employing is yet to be made. Too few managers in senior and executive roles are black. The status quo in respect of the management of SA Inc remains largely white and to a large extent male.

Although the focus has moved somewhat from training employees, in particular, unemployed black people, companies are still not putting sufficient focus on skills development and some are quite blatantly looking for ways around this requirement.

Frankly, where the unemployment statistics state that more than half of the country's youth is unemployed, the solution must lie in the very skills development programmes for which companies claim their BEE points.

The millions spent on skills development can be used to address the skills shortage, perhaps starting with the Fees Must Fall movement which is yet to be addressed. The targeted annual spend from a generic company perspective is



6% of its leviable payroll. Imagine if all or most of this money were to be directed towards the payment of fees for tertiary learners with a work placement as an end result for these students. That could definitely make a sizeable dent to a national problem.

*Xaba is Research & Advisory Executive at Empowerdex, which conducted the research for the Most Empowered Company rankings. ■*

## Smarter thinking needed for ESD

By Nonhlanhla Kunene

Enterprise and Supplier Development (ESD) has become the most prominent category under the new codes. With a hefty 40 points assigned to the category, it will no longer make business sense for the corporate world to skimp on "responsibilities" to small and medium enterprises.

One key issue often cited by big companies as a major hurdle to effective ESD is a lack of adequately skilled SMEs that are available to do business with. But is the whole point of the exercise not to develop these business to the level where they are indeed adequately skilled? And is there enough development of suppliers and SMEs happening?

Nomzamo Xaba, research and advisory executive at Empowerdex, says the purpose of ESD is rather to

create a pool of adequately resourced as opposed to skilled SMEs. "I don't quite like the word 'skilled because there's often the misconception that when people start their own small businesses, particularly if they are black, that what they need are skills. That's not necessarily true because you wouldn't leave a corporate job to go start a business because you don't have the skills."

Xaba believes that where ESD is concerned, it is not the skills but rather a lack of capacity and access to markets and funding that is the biggest hurdle to the ability of SMEs to do business effectively and efficiently with large corporations.

Touching on the actual development of SMEs, Xaba believes the incubator programmes and SME development initiatives in place are not addressing the core issues such as access to

markets. She feels there is still too much emphasis placed on skills. "The majority of the programmes in place are still talking about giving black people skills. SMEs don't need another incubator programme teaching them how to use Excel as they will generally already have the technical abilities required, but may instead lack sales and marketing skills and access to finance in order to raise the working capacity required to deliver on bigger projects."

The focus, says Xaba, should be more on teaching SMEs more intricate aspects of running their businesses, such as how to effectively manage a 24-hour day. She says what SMEs often lack (besides capacity) are effective management abilities, such as effective backup systems to ensure clients are invoiced on time. She adds that many SMEs are often in a situation where

they may be doing what is required, but are not getting paid because they have not put into place effective systems to ensure they are able to invoice clients on time.

Overall, Xaba believes that while the concept of ESD was founded with good intentions, it also has the unintended consequence that sees big business not wanting to grow SMEs beyond a certain point. She believes the stipulation that beneficiaries can only be entities with a turnover of R50m or less is counter-productive.

"Most business will typically take 36 months to establish themselves, so what happens when an enterprise breaches that R50m threshold? Suddenly they're on their own when they may not necessarily be ready to go off on their own. That is why I feel it should be based on a time period rather than a revenue threshold." ■

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## mismatch between skills and graduates

score is African Equity Empowerment Investments, which attributes its achievement to its policy of promoting internal talent and fostering an environment to enable equal employment opportunities.

AEEI CEO Khalid Abdulla says: "All of the group's businesses have employment equity committees and employment equity plans in place. The committees meet quarterly to review the reports submitted and an evaluation is done to check if the subsidiaries are on target to meet their goals."

Although AEEI is satisfied with what it has achieved so far, Abdulla acknowledges that identifying,

attracting and retaining qualified candidates to support the group's employment equity targets remains a challenge. "Due to the highly technical nature of some of the group's subsidiaries, some companies require managers with specific qualifications or skills built up over long experience and training."

He says the skills and experience are highly sought after, and when they are present in an equity employee, long-term retention becomes a challenge. But the group's skills development and employment equity plans aim to develop the necessary skills and experience to improve representation at

higher management levels.

The management issue also has to be considered from a gender point of view. For AEEI, special emphasis has been placed on building leadership capacity among women in the group. Besides supporting the empowerment of women in all its business units, Abdulla says to retain women with career advancement opportunities, the group continues to build leadership capacity among women. This is done through personal development plans, skills development and learnership programmes. These are in line with the group's Vision 2020 goals, which target strategic focus areas.

While some companies have made good strides, Xaba believes the gender issue around empowerment is going to exist for a long time in South Africa, with its historically patriarchal society. She also believes it's not only an issue concerning black women, but all women irrespective of colour.

This is particularly concerning because "the numbers are showing that the majority of graduates are female, black females in particular. Women issues and empowerment, therefore still need to be on the agenda for a long time, because we're not seeing transformation. You go into boardrooms and you'll see that there's still maybe one female –and it's a big maybe rather than a definite. So, we do need to continue to push the issue of female empowerment." ■

## Management Control: Old Codes (top 10)

Rank 2017	Company	BEE Sector Code	Scorecard Indicators										Sector Specific Indicators			Reported Ownership	
			Total BEE Score	Recognition Status	Level	Ownership	Management Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-Economic Development	Property		Finance	Black Ownership	Black Women Ownership
													Economic Development	Empowerment Financing	Access to Financial Services		
1	Rebosis Property Fund	Property	87.24	125%	2	18.00	11.00	0.00	0.00	14.39	9.50	1.20	0.00	—	—	42.28%	12.42%
2	SA Corporate Real Estate Ltd	Property	70.81	100%	4	13.84	11.00	12.21	0.00	17.29	10.00	0.00	6.47	—	—	19.60%	7.14%
3	Mobile Telephone Networks (Pty) Ltd (MTN SA)	ICT	87.83	125%	2	21.28	10.67	6.28	5.80	20.80	11.00	12.00	—	—	—	46.22%	8.19%
4	EOH Holdings Ltd	ICT	91.32	125%	2	22.42	9.60	3.78	12.83	19.69	11.00	12.00	—	—	—	47.67%	8.99%
5	Telkom SA SOC Ltd	ICT	78.04	110%	3	8.38	9.41	5.25	7.72	24.28	11.00	12.00	—	—	—	11.49%	5.98%
6	Pioneer Food Group Ltd	Agricultural	69.22	100%	4	15.77	9.39	6.02	10.39	12.80	7.86	6.99	—	—	—	19.96%	6.55%
7	Mpact Operations (Pty) Ltd	Forestry	83.36	110%	3	18.69	9.14	4.26	9.45	18.82	15.00	8.00	—	—	—	16.67%	10.09%
8	Grindrod Ltd	Transport	81.39	110%	3	21.43	8.74	5.82	9.86	15.54	15.00	5.00	—	—	—	81.41%	28.51%
9	Sacoil Holdings Ltd	Generic	56.72	80%	5	20.00	8.73	8.42	0.00	19.57	0.00	0.00	—	—	—	42.14%	16.86%
10	MMI Holdings Ltd	Financial Services	93.37	125%	2	17.00	8.73	9.05	9.01	16.00	20.00	3.00	—	—	10.58	35.64%	14.18%

## Employment Equity: Old Codes (top 10)

Rank 2017	Company	BEE Sector Code	Scorecard Indicators										Sector Specific Indicators			Reported Ownership	
			Total BEE Score	Recognition Status	Level	Ownership	Management Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-Economic Development	Property		Finance	Black Ownership	Black Women Ownership
													Economic Development	Empowerment Financing	Access to Financial Services		
1	Vunani Ltd	Financial Services	86.74	125%	2	15.00	1.74	13.12	9.23	13.17	15.00	3.00	—	—	—	54.68%	18.60%
2	Old Mutual Life Assurance Company (South Africa) Ltd	Financial Services	94.41	125%	2	15.49	5.6	12.97	9.32	16.00	5.00	3.00	—	15.00	12.03	33.25%	15.78%
3	Nedbank Ltd	Financial Services	98.56	125%	2	17.00	8.27	12.74	8.19	16.00	5.00	3.00	—	15.00	13.36	37.55%	17.39%
4	SA Corporate Real Estate Ltd	Property	70.81	100%	4	13.84	11.00	12.21	0.00	17.29	10.00	0.00	6.47	—	—	19.60%	7.14%
5	Liberty Holdings Ltd	Financial Services	92.00	125%	2	16.64	5.85	12.15	6.22	14.76	5.00	3.00	—	15.00	13.38	26.75%	8.32%
6	Standard Bank Group Ltd	Financial Services	94.56	125%	2	16.61	5.55	11.95	9.05	16.00	4.80	3.00	—	15.00	12.60	30.12%	10.19%
7	The South African Operations of Barclays Africa Group Ltd (ABSA)	Financial Services	88.56	125%	2	9.94	4.96	11.72	10.00	16.00	5.00	3.00	—	15.00	12.94	17.36%	6.72%
8	Transaction Capital Ltd	Financial Services	61.79	80%	5	0.00	1.50	10.98	9.07	14.74	11.80	1.96	—	—	—	0.00%	0.00%
9	FirstRand Ltd	Financial Services	95.95	125%	2	16.86	6.98	10.90	9.60	16.00	5.00	3.00	—	15.00	12.61	36.51%	16.14%
10	Investec Ltd	Financial Services	88.31	125%	2	15.21	4.43	10.83	9.39	12.85	5.00	3.00	—	15.00	2.00	27.97%	6.59%

## Sector Rankings: Amended Codes

Rank 2017	Company	BEE Sector Code	Total BEE Score	Recognition Status	Recognition Level	Scorecard Indicators					Reported Ownership	
						Ownership	Management Control	Skills Development	Enterprise and Supplier Development	Socio-Economic Development	Black Ownership %	Black Women Ownership %
<b>ICT SECTOR</b>												
1	Ansys Ltd	ICT	124.55	135%	1	25.00	14.70	21.87	50.98	12.00	45.32%	19.35%
2	Mustek Ltd	ICT	117.54	125%	2	24.04	12.65	15.52	53.33	12.00	37.59%	18.44%
3	Naspers Ltd	ICT	111.57	110%	3	19.66	11.86	16.23	51.82	12.00	27.46%	13.73%
4	Vodacom Group Ltd	ICT	101.91	100%	4	16.17	14.79	17.27	41.68	12.00	17.49%	8.83%
5	Hudaco Trading (Pty) Ltd	ICT	45.34	0%	0	18.72	2.43	17.41	6.78	0.00	27.60%	11.84%
<b>TOURISM SECTOR</b>												
1	Sun International Ltd	Tourism	102.69	135%	1	26.45	12.57	18.11	37.56	8.00	43.13%	10.88%
2	Tsogo Sun Holdings Ltd	Tourism	101.52	135%	1	27.00	10.37	18.82	36.19	8.00	62.10%	37.34%
3	City Lodge Hotels Ltd	Tourism	82.75	80%	5	18.43	11.66	17.84	26.82	8.00	21.46%	10.85%
4	Spur Corporation Ltd	Tourism	40.90	0%	0	11.48	4.35	10.71	9.36	5.00	7.90%	3.16%
<b>GENERIC (top 10 only)</b>												
1	Niveus Investments Ltd	Generic	101.05	135%	1	25.00	12.94	23.56	34.55	5.00	57.45%	16.78%
2	African Equity Empowerment Investment Ltd	Generic	100.62	135%	1	25.00	13.33	21.01	36.28	5.00	79.00%	33.00%
3	Oceana Group Ltd	Generic	100.39	135%	1	25.00	13.95	16.93	39.51	5.00	62.42%	15.22%
4	Raubex Group Ltd	Generic	97.91	125%	2	25.00	7.67	20.41	39.83	5.00	40.19%	10.52%
5	Super Group Holdings (Pty) Ltd	Generic	97.18	125%	2	24.65	9.42	22.47	35.64	5.00	38.16%	9.12%
6	Hosken Consolidated Investments Ltd	Generic	96.39	125%	2	25.00	12.65	17.76	35.98	5.00	79.22%	44.77%
7	Premier Fishing (South Africa) (Pty) Ltd	Generic	95.10	125%	2	23.00	13.11	16.02	37.97	5.00	78.24%	32.52%
8	Adcorp Holdings Ltd	Generic	95.35	110%	3	19.38	9.80	21.53	39.64	5.00	25.08%	13.52%
9	Esor Limited	Generic	91.87	110%	3	19.80	6.32	17.92	42.83	5.00	64.51%	1.98%
10	Group Five Ltd	Generic	91.37	110%	3	25.00	6.08	14.78	40.51	5.00	60.59%	19.25%

## Sector Rankings: Old Codes

Rank 2017	Company	BEE Sector Code	Scorecard Indicators										Sector Specific Indicators			Reported Ownership		
			Total BEE Score	Recognition Status	Level	Ownership	Management Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-Economic Development	Property		Finance		Black Ownership	Black Women Ownership
													Economic Development	Empowerment Financing	Access to Financial Services			
<b>AGRICULTURAL SECTOR</b>																		
1	Tiger Brands Ltd	Agriculture	76.11	110%	3	17.56	5.00	5.81	15.67	18.67	3.40	10.00	—	—	—	30.35%	4.65%	
2	Pioneer Food Group Ltd	Agriculture	69.22	100%	4	15.77	9.39	6.02	10.39	12.80	7.86	6.99	—	—	—	19.96%	6.55%	
3	Astral Operations Ltd	Agriculture	68.05	100%	4	9.06	3.69	0.50	17.09	17.71	10.00	10.00	—	—	—	14.29%	2.65%	
4	Tongaart Hulett Ltd	Agriculture	67.67	100%	4	5.21	8.73	6.53	13.61	13.59	10.00	10.00	—	—	—	0.43%	0.10%	
5	Rhodes Food Group (Pty) Ltd	Agriculture	67.26	100%	4	12.33	5.96	2.88	11.93	13.16	10.00	11.00	—	—	—	14.52%	7.19%	
6	Clover Industries Ltd	Agriculture	66.55	100%	4	10.06	7.00	0.79	15.30	12.40	10.00	11.00	—	—	—	13.75%	5.54%	
7	RCL Foods Ltd	Agriculture	65.26	100%	4	13.90	2.94	1.91	10.14	15.37	10.00	11.00	—	—	—	21.53%	5.33%	
8	Quantum Foods (Pty) Ltd	Agriculture	48.99	60%	6	9.64	3.11	3.98	2.62	11.99	10.00	7.65	—	—	—	12.41%	5.07%	
<b>FORESTRY SECTOR</b>																		
1	Mpact Operations (Pty) Ltd	Forestry	83.36	110%	3	18.69	9.14	4.26	9.45	18.82	15.00	8.00	—	—	—	16.67%	10.09%	
2	Sappi Southern Africa Ltd	Forestry	80.65	110%	3	24.34	2.08	1.99	10.18	19.06	15.00	8.00	—	—	—	45.33%	19.74%	
3	Mondi Ltd	Forestry	78.57	110%	3	9.04	7.70	7.26	12.00	19.57	15.00	8.00	—	—	—	11.69%	2.01%	
<b>FSC SECTOR</b>																		
1	Nedbank Ltd	Financial Services	98.56	125%	2	17.00	8.27	12.74	8.19	16.00	5.00	3.00	—	15.00	13.36	37.55%	17.39%	
2	FirstRand Ltd	Financial Services	95.95	125%	2	16.86	6.98	10.90	9.60	16.00	5.00	3.00	—	15.00	12.61	36.51%	16.14%	
3	Standard Bank Group Ltd	Financial Services	94.56	125%	2	16.61	5.55	11.95	9.05	16.00	4.80	3.00	—	15.00	12.60	30.12%	10.19%	
4	Old Mutual Life Assurance Company (South Africa) Ltd	Financial Services	94.41	125%	2	15.49	5.6	12.97	9.32	16.00	5.00	3.00	—	15.00	12.03	33.25%	15.78%	
5	MMI Holdings Ltd	Financial Services	93.37	125%	2	17.00	8.73	9.05	9.01	16.00	20.00	3.00	—	—	10.58	35.64%	14.18%	
6	Liberty Holdings Ltd	Financial Services	92.00	125%	2	16.64	5.85	12.15	6.22	14.76	5.00	3.00	—	15.00	13.38	26.75%	8.32%	
7	Sanlam Ltd	Financial Services	91.49	125%	2	15.66	7.41	8.83	9.35	16.00	3.71	3.00	—	15.00	12.53	31.08%	6.87%	
8	Investec Ltd	Financial Services	89.80	125%	2	15.21	4.58	10.83	9.39	14.01	5.00	3.00	—	15.00	2.00	27.97%	6.59%	
9	The South African Operations of Barclays Africa Group Ltd (ABSA)	Financial Services	88.56	125%	2	9.94	4.96	11.72	10.00	16.00	5.00	3.00	—	15.00	12.94	17.36%	6.72%	
10	Alexander Forbes Group Holdings Ltd	Financial Services	87.83	125%	2	16.39	4.92	8.75	9.04	15.55	15.00	3.00	—	—	10.79	39.70%	11.97%	
11	Vunani Ltd	Financial Services	86.74	125%	2	15.00	1.74	13.12	9.23	13.17	15.00	3.00	—	—	—	54.68%	18.60%	
12	Santam Ltd	Financial Services	86.65	125%	2	15.38	5.41	8.48	9.47	15.38	15.00	3.00	—	—	10.20	28.73%	5.40%	
13	JSE Ltd	Financial Services	85.21	110%	3	8.85	8.54	9.72	7.62	16.00	15.00	3.00	—	—	2.00	16.82%	5.90%	
14	Coronation Fund Managers Ltd	Financial Services	66.17	110%	3	14.96	8.00	10.68	5.96	11.76	9.81	3.00	—	—	2.00	22.32%	9.35%	
15	Discovery Ltd	Financial Services	70.59	100%	4	13.85	3.34	9.56	9.13	14.71	5.00	3.00	—	12.00	—	21.15%	9.12%	
16	Capitec Bank Ltd	Financial Services	66.60	100%	4	10.08	3.26	6.63	9.00	13.47	1.58	1.28	—	12.00	9.30	19.69%	6.31%	
17	Transaction Capital Ltd	Financial Services	61.79	80%	5	0.00	1.50	10.98	9.07	14.74	11.80	1.96	—	—	—	0.00%	0.00%	
18	PSG Konsult Ltd	Financial Services	45.29	60%	6	5.85	4.61	1.72	4.80	8.76	9.40	2.45	—	—	—	10.33%	4.04%	
<b>GENERIC</b>																		
1	Ellies Holdings Ltd	Generic	65.10	100%	4	20.00	3.41	2.18	0.16	19.46	15.00	4.89	—	—	—	28.74%	11.50%	
2	Sacoil Holdings Ltd	Generic	56.72	80%	5	20.00	8.73	8.42	0.00	19.57	0.00	0.00	—	—	—	42.14%	16.86%	
3	BSI Steel Ltd	Generic	47.55	60%	6	3.09	2.11	4.98	6.46	13.66	12.43	4.82	—	—	—	4.00%	2.00%	
4	ADvTECH Ltd	Generic	45.88	60%	6	2.07	3.49	3.78	1.55	14.99	15.00	5.00	—	—	—	0.81%	0.27%	
<b>ICT SECTOR</b>																		
1	EOH Holdings Ltd	ICT	91.32	125%	2	22.42	9.60	3.78	12.83	19.69	11.00	12.00	—	—	—	47.67%	8.99%	
2	Mobile Telephone Networks (Pty) Ltd (MTN SA)	ICT	87.83	125%	2	21.28	10.67	6.28	5.80	20.80	11.00	12.00	—	—	—	46.22%	8.19%	
3	Jasco Electronics Holdings Ltd	ICT	80.50	110%	3	19.79	6.76	5.03	3.00	22.92	11.00	12.00	—	—	—	44.71%	8.85%	
4	Telkom SA SOC Ltd	ICT	78.04	110%	3	8.38	9.41	5.25	7.72	24.28	11.00	12.00	—	—	—	11.49%	5.98%	
5	Information Security Architects (Pty) Ltd	ICT	76.89	110%	3	22.00	5.38	4.39	3.90	18.22	11.00	12.00	—	—	—	15.60%	10.40%	
6	Reunert Ltd	ICT	70.83	100%	4	22.00	7.82	6.19	12.74	16.87	3.64	1.57	—	—	—	46.00%	35.50%	
7	Telemasters Holdings Ltd	ICT	31.62	10%	8	0.00	0.00	1.35	0.00	7.27	11.00	12.00	—	—	—	0.00%	0.00%	
<b>PROPERTY SECTOR</b>																		
1	Rebosis Property Fund	Property	87.24	125%	2	18.00	11.00	0.00	0.00	14.39	9.50	1.20	0.00	—	—	42.28%	12.42%	
2	Redefine Properties Ltd	Property	81.26	110%	3	21.24	2.62	3.7	13.32	15.41	10.00	0.15	14.82	—	—	30.59%	5.61%	
3	Vukile Property Fund Ltd	Property	70.56	100%	4	20.00	4.18	7.00	0.00	18.32	10.00	2.00	9.06	—	—	37.80%	14.01%	
4	SA Corporate Real Estate Ltd	Property	66.17	100%	4	13.84	11.00	12.21	0.00	17.29	10.00	0.00	6.47	—	—	19.60%	7.14%	
5	Hospitality Property Fund Ltd	Property	65.88	100%	4	19.22	3.14	8.00	13.16	14.87	5.49	2.00	—	—	—	32.75%	16.09%	
6	Octodec Investments Ltd	Property	62.12	80%	5	2.49	0.00	—	—	19.08	10.00	1.37	14.89	—	—	2.95%	1.71%	
7	Emira Property Fund Ltd	Property	56.00	80%	5	16.45	1.61	—	—	14.66	—	3.68	—	—	—	23.45%	5.88%	
8	Fairvest Property Holdings Ltd	Property	51.70	60%	6	15.07	2.50	—	—	13.90	5.62	0.19	2.53	—	—	22.80%	5.74%	
<b>TRANSPORT SECTOR</b>																		
1	Grindrod Ltd	Transport	81.39	110%	3	21.43	8.74	5.82	9.86	15.54	15.00	5.00	—	—	—	81.41%	28.51%	
2	OneLogix (Pty) Ltd	Transport	81.20	110%	3	20.18	5.17	5.20	15.00	15.65	15.00	5.00	—	—	—	27.73%	7.02%	
3	Value Group Ltd	Transport	78.54	110%	3	17.43	1.00	9.22	10.93	19.96	15.00	5.00	—	—	—	Not Recorded	Not Recorded	
4	Cargo Carriers Ltd	Transport	75.23	110%	3	9.18	7.42	6.31	12.63	19.69	15.00	5.00	—	—	—	16.37%	3.92%	
5	Comair Ltd	Transport	67.31	100%	4	19.51	2.82	2.74	10.73	17.26	10.84	3.41	—	—	—	10.61%	30.82%	

# The shocking tactics companies use to undermine black empowerment

*Fronting, fraud, malpractice! Such accusations, with little detail, often fly around in the public discourse when it comes to black empowerment debates. Colin Anthony sat down with Busisiwe Ngwenya, executive compliance officer for the Broad-Based Black Economic Empowerment Commission, to find out specifically how companies fraudulently claim BEE points.*

Companies guilty of fronting and other practices to bypass black empowerment requirements are suddenly finding their dirty linen being aired in public and may even face prosecution.

A little-publicised part of the Broad-Based Black Economic Empowerment Act (B-BBEE) amendments of 2013 is that they introduced a requirement for all JSE-listed companies to report on their compliance. Similar requirements also apply to public sector entities.

That legislation became effective from June last year. Only from that time could the Broad-Based Black Economic Empowerment Commission act on complaints – prior to that, no compliance regulations were in place.

“A lot of complaints came in once the legislation became effective,” says commission compliance officer Busisiwe Ngwenya. “We therefore started numerous investigations just over a year ago and many of these are now finalised or being finalised. So, a lot of this will be coming out into the open.”

The B-BBEE Commission is required to publicise findings of its investigations, so there will be numerous bad news stories for companies that have instituted dodgy practices to attain an acceptable empowerment rating without instituting actual transformative measures.

The first two batches of reports have already been released, and more are expected. A dozen companies or organisations have been named for various alleged violations of the Act. They are Gooderson; Clientele Legal; Clientele Life; Mazor Aluminium; Mazor Steel; Spanjaard; Netcare; Nokia; MTN; Eskom and the South African Social Security Agency. Six verification agencies are also being investigated.

Ngwenya says severe cases are handed over for prosecution. Other cases may be settled, and in certain instances where a company was genuinely not aware that it had transgressed, they will be given an opportunity to rectify matters. All companies will have right of reply before publication of the findings.

She says all sorts of companies – big and small, listed and private – are guilty of fronting, defined as: “A transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives ... of the Act or the implementation of its provisions.”

The lengths some companies go to are astounding.

## Ownership

Manipulating black ownership percentages are common. The B-BBEE Act stipulates three requirements for ownership beneficiaries:

- Exercisable voting rights;
- Economic interests such as dividends and capital gains must flow to black shareholders; and
- Net equity interest: there must be an accumulated net economic interest in the hands of the black shareholders, after the deduction of monies owed by these black shareholders.

“We often find that where 51% black ownership is reported, there is a black director – a front – who does not know how he acquired shares, or even what’s in the shareholder agreement,” says Ngwenya. Typically, shareholders are locked in for perhaps 10 years and given shares worth, say, R5m as well as a loan to pay for the shares. Often, she says, these are lowly paid employees who are unable to repay the loan amount.

The company still registers the empowerment points for ownership, but none of the above three stipulations for ownership have been met – and certainly not the flow of economic benefits.

There’s a reverse aspect to ownership issues, she says, where black people hire themselves out as a front. “We also look at the ‘frontee’; it’s not always the company solely at fault.”

“Initially there was no guidance and they tried to do the right thing. For some, though, it’s pure camouflage to get empowerment points.”

## Directors

In the early days of BEE, stories abounded of a tea lady being appointed a director, for example, and not even knowing about it. Public perception is that this shameless fronting is a problem of the past. Not so, says Ngwenya, it is

still prevalent. “Such directors don’t go to shareholders’ meetings, never mind board meetings; they have no access to the company’s financials and are not at all involved in strategy and operations,” she says.

It’s important to note that the B-BBEE legislation requires “active participation” for appointments related to empowerment. “We’re finding real problems with that,” Ngwenya says, adding that it’s a problem across the board – in big companies and small, listed and unlisted.

It’s also important, she says, to remember that when black economic empowerment first came into being, there was no oversight body. “So people implemented how they thought best and in some cases were genuinely shocked when the complaints came forward. They thought they were doing the right thing.” Such cases are treated more leniently.

## Trusts

Many companies are setting up BEE trusts and foundations and similar problems are cropping up here. “We look at the nature of trusts,” she says. First, the commission checks that the intended beneficiaries are actually receiving the benefits.

The most blatant type of fraudulent activity in this sphere entails a third party entity establishing a trust for a company, setting up “paper beneficiaries” in a remote area and sometimes intricate plans of the modus operandi. In reality, the third party and an accomplice in the area pocket the funds.

That is an extreme example. Other issues are subtler, but defeat the original purposes of the trust. For example, if the beneficiaries of a trust are students, the company that sets up the trust is usually supposed to hire them once their studies are completed, but that does not happen. “A company might set up a trust but the nature of it is worrying,” says Ngwenya. “They don’t take on true ownership of the trust in the way the legislation intended.”

Another issue – not necessarily illegal but problematic nonetheless – is when a trust is unable to repay the original debt. Typically, a company will sell shares to the trust at a discount to the prevailing share price (in some cases, but not many, the shares are donated) on the understanding that it will be repaid through dividends – say over a five or 10-year period. Ngwenya points out that during that period the beneficiaries receive no benefits.

Obviously if the share price does not perform well the trust will be unable to



Busisiwe Ngwenya

repay the loan. “What often happens is the trust is closed down and the company starts another process. No benefits are received through the initial scheme and they don’t get the option to hold onto the shares. But a new scheme is set up, and this could happen repeatedly while the company gets its empowerment points but no benefits are accrued.”

This happened recently with Sasol’s empowerment scheme, Sasol Inzalo. Because Sasol’s share price tanked after the oil price collapsed at end-2013, Inzalo will be unable to repay the debt when the scheme matures next year. Sasol is setting up a new structure, Khanyisa, but in this case, all the beneficiaries of Inzalo will be given the opportunity to participate in Khanyisa. (See Sasol Inzalo, page 15.)

## Management control

This category is open to abuse – and big companies in particular are culprits, Ngwenya says.

A typical example is appointing a black chief financial officer but not giving the person any authority that normally goes with such a role. “They’ll have a financial director making all the decisions. The CFO may be on the board, so the company scores empowerment points, but the person has no authority. They might have other black people at executive level but they never get invited to meetings where the decisions are taken. So, you have minutes of executive-level meetings etcetera but the real decisions are taken elsewhere.”

Ngwenya emphasises that most companies are trying to do things properly. “Initially there was no guidance and they tried to do the right thing. For some, though, it’s pure camouflage to get empowerment points.”

## Skills development

The practices in this sphere are shameful, entailing nothing less than conning young black people to gain empowerment points. “Usually it’s kids fresh out of school. They get appointed then forgotten and left alone – they do absolutely nothing. The company does not train them, it does not even give them any work to do – even though they arrive for work every day and may even have a desk and computer. But the company asserts that training is happening, and gets skills development points.”

Ngwenya tells of one case in which a youngster was completely conned. He was told that for a fee he’d be trained, then he’d be qualified as an artisan. However, for that you need training and experience. “They lied to him. They took his money, didn’t even train him properly, they gave him no practical experience, but received points for skills development.”

## Enterprise & supplier development

The goals of enterprise and supplier development are important to SA’s economic development. Using the supply chain to support economic transformation is a key driver of economic empowerment. And establishing new businesses that become self-sufficient and hire more employees

“Such directors don’t go to shareholders meetings, never mind board meetings; they have no access to the company’s financials and are not at all involved in strategy and operations”

not only helps with unemployment, it creates a more vibrant entrepreneurial business culture that contributes to economic growth. Small businesses have the potential to make the biggest impact on SA’s high unemployment levels.

The main problems in this sphere, says Ngwenya, stem from the primary company remaining distant from the beneficiary companies. Again, the presence of third parties leaves this open to abuse.

She says companies often appoint third parties to carry out their ESD requirements as they may not have capacity to do so themselves. The problems arise from a “hands-off” approach. “Sometimes they have no idea – or just don’t care – about the end result.”

The third party gets commission and the company gets empowerment points. Both are at fault, she says. “You need to know where the money is going, who the beneficiaries are and what they’re doing with it. With active involvement, they could achieve so much more.”

Another worrying trend has become apparent from complaints received by

the commission. “You have a young entrepreneur, say in the optic fibre space, who goes to a big company for funding. It provides her with a grant or loan, even a mentor. The company says this is part of our ESD programme and the applicant signs an affidavit confirming the process. Then nothing happens.” The entrepreneur is effectively left high and dry. “We’re getting a lot of young entrepreneurs complaining about that,” she says.

But Ngwenya points out that sometimes it’s the company that gets conned. “We had a case where an entrepreneur applied to a company for enterprise development, listing five requirements. The company provided them all. Then he comes to us saying he was short-changed, that he needed other things and the company should have provided more. “So, you do get people trying to pull a fast one and we watch out for that too.”

She says there are not too many instances of fraud related to supplier development, but one brazen tactic has cropped up. A company might want to establish a new business as part of its enterprise development but perhaps there is a high barrier to entry. So the company teams her up with existing suppliers and “gives” her 10% of the work. But that 10% does not materialise. “The main supplier bills for work done but the invoice goes via the black enterprise, which essentially serves as a letterbox company: it does no work, the money comes in but then gets diverted.”

## Socioeconomic development

The main issue here is companies using regular corporate social investment for socioeconomic development scores. The former is not related to B-BBEE, for which the legislation stipulates that the intervention must assist historically disadvantaged people to become economically active. “A mobile clinic for HIV treatment or donating blankets or shoes to schools cannot score a company BEE points,” Ngwenya says. “None of those make black people economically active.”

## Do the right thing

The lengths some companies go to to fraudulently claim empowerment points are astounding. The false structures, outright fraud and even conning young black people out of money are ugly stains on the country’s transformation efforts.

It must be emphasised that the majority of companies – particularly high profile, listed ones – do have a genuine commitment to transformation and many go beyond the minimum requirements. Those are the ones at the top of the ranking tables in this publication. They can be proud of their achievements.

But far too many take shortcuts or worse, when at times it seems it would be far simpler to do things properly, to do the right thing. ■

## The demise of Sasol Inzalo

The recent collapse of the Sasol Inzalo empowerment scheme typifies problematic issues with empowerment share ownership and trust schemes.

In Inzalo’s place, the petrochemicals company will launch the R21bn Khanyisa empowerment scheme – a new broad-based black economic empowerment scheme targeting 20% direct black ownership. Inzalo shareholders will not receive any Sasol shares when the scheme unwinds in 2018, due to the fund’s debt, but will be given the right to participate in Khanyisa.

Inzalo, valued at R28bn when it was implemented in 2008, was one of the biggest B-BBEE transactions and boasted over 200,000 previously disadvantaged shareholders. It consisted of four elements: Sasol Inzalo employee trusts, Sasol Black Economic Empowerment, Sasol Inzalo Groups funded element and Sasol Inzalo Foundation.

The global financial crisis followed soon after Inzalo was established, depressing oil prices, which then plunged further in 2014 to below \$40/barrel from more than \$100/barrel on oversupply issues. Oil prices have since stabilised around the \$50/barrel level.

Inzalo has R11,9bn debt. Sasol will write off the internal debt of the scheme, which Sasol itself financed, and continue to repay the banks until the debt is serviced. ■

Source: Business Report, Intellidex

# METHODOLOGY: How it was done

## Step-by-step guide to the Empowerdex B-BBEE rankings

The Most Empowered Companies project objectively measures the contributions made to broad-based black economic empowerment (B-BBEE) by companies listed on the JSE. This provides insight and a view on the status of empowerment within large SA businesses. The scope of participants in this survey includes all the companies listed on the JSE and AltX that were willing to participate in this assessment and those whose B-BBEE certificates were publically available, but excludes the venture capital and development boards. Exempt micro enterprises (EMEs) are also excluded from the ranking tables.

The overall rankings are reflected in the two main tables – one table for companies that have converted to the amended codes or aligned sector codes (page 7) and one for those still operating under the old codes (page 8).

Only those companies whose empowerment scores are verified have been listed in the rankings. The companies were also ranked by sector (page 12) and also by performance on the various elements of the codes (pages 9 and 12).

## Scoring Methodology:

Participants were invited to submit a B-BBEE rating certificate (see notes on verification certificates below) or a completed submission form supplying relevant data. Although Empowerdex recognises the progress made by certain sectors in terms of the development of the sector charters, in order to facilitate meaningful comparisons between various sectors, all companies were scored according to the methodology prescribed in the B-BBEE Codes of Good Practice (the Generic Codes), except where they were scored against a gazetted Sector Code, which carries the same legal standing as the Generic Codes. The codes applicable to each company are reflected in the tables on overall rankings and sector rankings.

The following elements were scored:

### Ownership

The ownership rights and economic interest that are in the hands of black individuals, black women, black designated groups (youth, unemployed and rural dwellers), broad-based schemes, black new entrants, employee schemes and co-operatives are taken into consideration here. This is subject to the strict maxim of “substance over legal form” which pervades the codes. For example, if preference shares that are similar in nature to debt are issued to black investors, these would not be fully recognised as part of black ownership.

### Management control

The gender adjustment factor previously allowed in the 2007 codes is no longer applicable in the amended codes; instead, black people and black women are measured separately in respect of the management control element and there are no bonus points available for the appointment of independent non-executive directors.

### Employment equity

The employment element, which measures senior, middle and junior management, is now measured in terms of the management control scorecard. It requires that measured entities apply the current valid Economically Active Population (EAP) targets as issued quarterly by the Department of Labour’s Commission on Employment Equity.

The compliance targets are based on the overall demographic representation of black people as defined in the Regulations of the Employment Equity Act and Commission on Employment Equity Report, as amended from time to time. In determining the measured entity’s score, the targets need to be further broken into specific criteria according to the different race sub-groups within the definition of black in accordance with the Employment Equity Act on equitable representation and weighted accordingly.

### Skills development

As with the management control scorecard, the alignment principles for the new codes provide for the application of the EAP targets in determining an entity’s contribution towards skills development for its employees.

There are numerous differences in the new codes, the two major ones being:

1. An increase in the target in respect of value of expenditure required in terms of spend for training of black employees from 3% in to 6%, and bonus points relating to the absorption of up to 100% of trainees.
2. Points in this regard are allocated proportionately, depending on the percentage of trainees absorbed annually.

Skills development contributions for the benefit of black people are scored here. This takes into account the type of training outcomes and methods of assessment in the learning programme matrix as presented in the codes. Measured entities are scored for their overall skills development contributions, their contributions in favour of black disabled people and the participation of black employees in categories B, C and D learning programmes. Such learning programmes are typically in the form of learnerships that are registered with

the relevant SETA or on-the-job training with a formally assessed outcome or qualification.

The following additional changes must be noted:

1. Informal training programmes will only account for a total maximum of 15% of total training expenditure.
2. Overhead costs and administration expenses for training are limited to a total maximum 15% of total training expenditure.
3. The total skills spend includes spend on an entity’s employees and individuals trained by the company but not necessarily holding a permanent contract of employment with the entity.
4. A tracking tool to measure the absorption rate of learners is required to determine the proportion of employees absorbed.

### Preferential procurement

The preferential procurement provisions are measured as a proportion of total measured procurement spend where all suppliers are deemed as empowering suppliers.

This element assesses the financial impact on B-BBEE-compliant firms through business with the measured entity. The focus is on total procurement from all suppliers which is inclusive of qualifying small enterprises (QSEs), EMEs, 51% black-owned enterprises, 30% black woman-owned and 51% black-owned designated groups. This allows firms to score under more than one indicator for this element and provides an incentive to procure goods and services from small

black-owned businesses.

### Enterprise development

This element determines the impact of a measured entity on the development of financial and operational sustainability of qualifying enterprise development beneficiaries through monetary or quantifiable non-monetary support. Common forms of support include grant contributions, interest-free loans, management skills transfer and the provision of preferential credit facilities.

### Socioeconomic development

This looks at the social impact of contributions by companies on black beneficiaries. This differs slightly from standard corporate social investment in that it is largely directed at infrastructural, educational, community and healthcare development.

All of the scores are derived from actual verification certificates supplied to Empowerdex by the companies concerned and published with their consent. Where a company had not submitted their verification certificate in time for publication but the certificate was publicly available, then that certificate has been used. These scores were taken to be accurate by the Empowerdex research team if they were completed by a SANAS-accredited B-BBEE Verification Agency, an approved IRBA (Independent Regulatory Board of Auditors) or an approved ABVA member agency. ■

## How to measure a BEE score

Using the generic scorecard from the Codes of Good Practice gazetted on 11 October 2013

EAP: Economically active population (as measured by StatsSA); NPAT = Net profit after tax

Note: On the scorecard, the bonus points do not form part of the overall score. The scorecard is out of 109 points and the bonuses are not part of the overall total.

B-BBEE Element & Indicators	Codes of Good Practice Weights and Targets	
	Weighting	Targets
<b>Ownership Indicators</b>		
<b>Ownership</b>	<b>25</b>	<b>Various</b>
Voting Rights (Black)	4	25.01%
Voting Rights (Black Women)	2	10.00%
Economic Interest (Black)	4	25.00%
Economic Interest (Black Women)	2	10.00%
Economic Interest (DG/ESOP/BBOS/CO)	3	3.00%
Black New Entrants	2	2.00%
Net Value	8	25.00%
<b>Management</b>	<b>19</b>	<b>Various</b>
Black board members as a percentage of all board members	2	50.00%
Black female board members as a percentage of all board members	1	25.00%
Black executive directors as a percentage of all executive directors	2	50.00%
Black female executive directors as a percentage of all executive directors	1	25.00%
Black executive management as a percentage of all executive management	2	60.00%
Black female executive management as a percentage of all executive management	1	30.00%
Black senior management as a percentage of all senior management	2	60.00%
Black female senior management as a percentage of all senior management	1	30.00%
Black middle management as a percentage of all middle management	2	75.00%
Black female middle management as a percentage of all middle management	1	38.00%
Black junior management as a percentage of all junior management	1	88.00%
Black female junior management as a percentage of all junior management	1	44.00%
Black Disabled people as a percentage of total employees	2	2.00%
<b>Skills Development</b>	<b>20</b>	<b>Various</b>
Skills Development Spend as percentage of leviabale amount	8	6.00%
Skills Development Spend on disabled persons as a percentage of leviabale amount	4	0.30%
Employed black people attending Category B,C & D learning programmes as a percentage of total employees	4	2.50%
Unemployed black people attending Category B,C & D learning programmes as a percentage of total employees	4	2.50%
BONUS - Number of black people absorbed by the measured and industry entity at the end of the learnership programme	5	100.00%
<b>Preferential Procurement</b>	<b>25</b>	<b>Various</b>
Total Measurable Procurement		
B-BBEE Procurement from Empowering Suppliers as a percentage of Total Measurable Procurement	5	80.00%
B-BBEE Procurement from Empowering QSE Suppliers as a percentage of Total Measurable Procurement	3	15.00%
B-BBEE Procurement from EME Suppliers as a percentage of Total Measurable Procurement	4	15.00%
B-BBEE Procurement from Empowering 51% black owned suppliers as a percentage of Total Measurable Procurement	9	40.00%
B-BBEE Procurement from Empowering 30% black women owned suppliers as a percentage of Total Measurable Procurement	4	12.00%
BONUS - B-BBEE Procurement from Designated Group Suppliers that are at least 51% black owned	2	2.00%
<b>Supplier Development</b>	<b>10</b>	
Total quantifiable monetary & non-monetary investment in development of SD beneficiaries	10	2.00%
<b>Enterprise Development</b>	<b>5</b>	
Total quantifiable monetary & non-monetary investment in development of ED beneficiaries	5	1.00%
BONUS point for graduation of one or more ED beneficiaries to graduate to the SD level	1	
BONUS point for creating one or more jobs directly as a result of SD and ED initiatives by the measured entity	1	
<b>Socio-Economic Development</b>	<b>5</b>	<b>Various</b>
Total Socio-Economic Development Spend benefitting black people	5	1.00%
<b>Total Score</b>	<b>109</b>	
<b>Total Score including bonus points</b>	<b>118</b>	