



MEDIA RELEASE

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B-BBEE COMMISSION ANNUAL REPORT ON NATIONAL STATUS AND TRENDS ON B-BBEE SHOW STAGNATION IN CHANGING OWNERSHIP PATTERNS

The B-BBEE Commission has released the report on the National Status and Trends on broad-based economic empowerment (B-BBEE) for the calendar year 2021, which shows a 1.5% shrinkage in the levels of transformation with the overall black ownership reflecting a 29.5% decline from 31% of black ownership in 2020, management control is sitting at 51.6% overall from 57% in 2020. Further, there was 0% of entities listed on the JSE that are 100% black owned, which is the same as in 2020, while 3% were reported in 2019 and 1% in 2018.

Further, the report shows a 7% and 16% rise in the number of submitted compliance reports by JSE listed entities and organs of state respectively. However, compliance remains sluggish as the majority of measured entities are still failing to report as required under section 13G of the B-BBEE Act. The report also displays a 76% (4 445) decline in the number of B-BBEE certificates uploaded by Verification Agencies on the B-BBEE Certificate Portal System compared to 2019. The majority of verification agencies have failed to upload every B-BBEE certificate on the B-BBEE certificate Portal as required.

In total, the report is based on annual compliance reports submitted in 2021 from **130** JSE listed entities, **82** organs of state (including SETAs and public entities) and data gathered from **1 373** entities whose B-BBEE certificates were uploaded to the B-BBEE Commission Certificate Portal. The report measures the performance on B-BBEE against the B-BBEE elements of Ownership, Management Control, Skills Development, Enterprise and Supplier Development and Socio-Economic Development.

There is little movement in the levels of transformation with the overall black ownership reflecting 29.5% (31%; 2020) and black management control at 51.6% (57%: 2020) overall,

and JSE listed entities board control by black people is at 39% (male – 21%; female – 18%), which is a notable increase compared to 2020 which was 28% (male - 16.7%; female - 11.3%). 0% of entities listed on the JSE are 100% black owned same as in 2020 while 2019 had 3% and 1% in 2018.

This trend on ownership persists despite the fact that over 500 B-BBEE ownership deals worth over R600 billion in transaction value were reported to the B-BBEE Commission since 2017, which deals aimed to facilitate the transfer of ownership to black people. There is a need for less expensive and unencumbered funding for black people to make acquisitions that can give real value in the hands of black people, especially from government funding institutions. Fronting in some of these schemes may be the reason for stagnation as fronting reverses any gains achieved through these ownership deals.

Of the JSE listed entities that reported, the Transport sector and Tourism sector have the highest average black ownership percentage at 78% and 52% respectively, followed by Construction sector at 49%. Agri-BEE and Financial sectors have recorded the lowest black ownership on average; both at 17%.

On average, contributions towards Skills Development and Enterprise & Supplier Development ranged between 54.8% and 46.5% respectively, while in 2020 performance showed an average of 60% - 61%. The report indicates R41,6 billion spent on Skills Development and R26 billion on Enterprise & Supplier Development priority elements. The analysis has not expanded to cover the impact of these contributions on the actual black entrepreneurs and SMME businesses who were beneficiaries because the rules do not require the entities to include beneficiary data for testing.

In view of average B-BBEE element points per sector as percentage of targeted score for Skills Development element, Construction, ICT, Tourism and Transport sectors achieved above 60%, while Agri-BEE, Financial, Property and entities measured under Generic codes achieved 60% and below. Under Enterprise and Supplier Development, only Financial sector and entities measured under Generic codes achieved below 60%.

59% (55% - 2020) of JSE listed entities are at level 4 and higher, while 41% (45% - 2020) entities are between level 5 and non-compliant B-BBEE status. State organs that reported

show that 33% (33% - 2020) rated between level 1 and level 4, while 67% (67% - 2020) were level 5 to non-compliant B-BBEE status. There is a need for overall improvement in performance for both public and private sector entities.

Below is the snapshot for comparison over a five-year period:

National Status and Trends on B-BBEE Report Summary		2017	2018	2019	2020	2021
Submitted Reports	JSE	51%	43%	42%	33%	40%
	Organs of State & SOEs	1%	10%	15%	9%	25%
	B-BBEE Certificate Portal	2861	1674	5818	1241	1373
Overall Ownership <i>(Overall include B-BBEE Certificate data information)</i>		27%	25%	29%	31%	29.5%
Overall Black Women Ownership <i>(Overall include B-BBEE Certificate data information)</i>		9%	10%	12%	15%	12.4%
JSE Listed Entities Average Black Ownership		29%	25%	31%	28%	39%
100% black owned entities on the JSE		1%	1%	3%	0%	0%
Management Control <i>(Overall include B-BBEE Certificate data information)</i>	JSE	38%	38%	44%	28%	53.6%
	Organs of State & SOEs	N/A	79%	68%	65.8%	83%
	Overall Management Control	43%	45%	39%	57%	51.56%
Skills Development <i>(Overall include B-BBEE Certificate data information)</i>	JSE	35%	63%	59%	64%	69.6%
	Organs of State & SOEs	N/A	64%	41%	32%	45%
	Overall Skills Development	37%	49%	49%	60%	54.76%
Enterprise and Supplier	JSE	47%	70%	59%	67%	73.5%

Development <i>(Overall include B-BBEE Certificate data information)</i>	Organs of State & SOEs	N/A	47%	59%	68%	60%
	Overall Enterprise and Supplier Development	44%	60%	51%	61%	46,46%
Socio-Economic Development <i>(Overall include B-BBEE Certificate data information)</i>	JSE	79%	92%	89%	93%	91%
	Organs of State & SOEs	N/A	65%	53%	33%	84%
	Overall Socio-Economic Development	88%	71%	68%	90%	94%
B-BBEE Rating Level 4 - Level 1	JSE	41%	51%	49%	55%	59%
	Organs of State & SOEs	N/A	45%	33%	33%	33%
B-BBEE Rating Level 5 - Non-Compliant	JSE	48% <i>(12% No data)</i>	45% <i>(5% No data)</i>	51%	45%	41%
	Organs of State & SOEs	N/A	55%	67%	67%	67%

Overall Management Control was not consistent during the last two years by dipping twice within the five-year reporting period. A greater 5.44% dip was registered in 2021. Overall Skills Development maintained growth, but dipped by 5.24% in the final year. Enterprise and Supplier Development was inconsistent by dipping twice during the reporting period, with 14.54% drop in the final year. The report records mixed results in Socio-Economic Development that dipped twice during the five-year reporting period, but increased by 4% during the last year against a declining norm. In general, most of the decline falls under 2019 possibly attributed to COVID-19 pandemic.

The worrying trend of the mismatch between ownership percentages and the management control remains with more points recorded under junior and middle management, but not top and senior management. The inability to match the Enterprise and Supplier Development spend to actual change in the plight of black small businesses and entrepreneurs makes it difficult to opine of the effectiveness of the R26 billion spend in the year under review. Opportunities exist to scale up the impact by pooling these funds to a central repository for effective and more targeted deployment to struggling black businesses. To improve

preferential procurement to transform the value chains, set asides and pre-qualifications should be considered, especially for black women owned businesses.

For the real and accelerated broad-based black economic empowerment to be achieved, the B-BBEE Act must be applied consistently by both the private and public sector, particularly in regard to section 10 and section 13G of the B-BBEE Act. The B-BBEE Commission has commenced investigations against non-compliant entities. Of the notices of breach issued, 22% of the non-compliant entities submitted the reports immediately to remedy the breach and 13% were found to have recently de-listed from the JSE and further action is pursued against the others.

The B-BBEE Commission has recommended to Minister Patel and Parliament to strengthen the B-BBEE Act to incorporate administrative sanctions for non-compliance for effective consequence management. This will also help to deal more decisively with fronting schemes that undermine the gains made with B-BBEE.

National Status and Trends on B-BBEE report is now available on the following link:

<https://www.bbbeeecommission.co.za/wp-content/uploads/2022/07/B-BBEE-NATIONAL-STATUS-AND-TRENDS-ON-B-BBEE-TRANSFORMATION-JULY-SP-Final.pdf>

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The B-BBEE Commission was established in terms of section 13B of the B-BBEE Act 53 of 2003 as amended by Act No 46 of 2013 with powers effective from 6 June 2016. The B-BBEE Commission's mandate, amongst others, is to supervise and encourage adherence to the B-BBEE Act in the interest of the public, conduct reactive and proactive investigations and promote good governance and accountability by creating an effective and efficient environment for the promotion and implementation of the objectives of broad-based black economic empowerment.

Issued by the B-BBEE Commission

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