

Commission releases annual report on BBBEE trends

The Broad Based Black Economic Empowerment (B-BBEE) Commission has released its annual report on the national status and trends on B-BBEE.



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“The B-BBEE Commission has today released the report on the National Status and Trends on broad-based economic empowerment (B-BBEE) for the calendar year 2019, which report shows a 1% (43%: 2018 - 42%: 2019) decrease in the number of submitted compliance reports by JSE listed entities,” said the Commission on Tuesday.

In addition, the National Status and Trends on B-BBEE report showed a 5% increase (to 15%) in compliance by organs of state with the majority of measured entities still failing to comply with section 13G of the B-BBEE Act.

Section 13G of the B-BBEE Act makes it compulsory for all JSE listed entities, organs of state, public entities and SETAs [Sector Training and Education Authorities] to submit compliance reports on B-BBEE to the B-BBEE Commission on an annual basis, which reports are analysed in terms of section 13F (1) (g) of the B-BBEE Act.

In total, the report is based on compliance reports from 150 JSE listed entities, 43 organs of state (including SETAs and public entities) and 5,818 entities whose B-BBEE certificates were uploaded to the B-BBEE Commission Certificate Portal

for the year under review.

The reporting helps the B-BBEE Commission to track how the country is performing against the scorecard set in the Codes of Good Practice and the respective sector codes on an annual basis, testing ownership, management control, skills development, enterprise and supplier development and socio-economic development.

Transformation

This year's report shows a slight change in the levels of transformation with the overall black ownership reflecting a 4% increase from 25% black ownership in 2018 to 29%.

The report found management control to be sitting at 39% overall and JSE listed entities board control at 43.6 % (male – 23.08%; female – 20.55%).

Only 3.3% of entities listed on the JSE are 100% black owned, which was 1.2% in 2018 and 1% in 2017.

The three least performing sectors on ownership in 2018 were AgriBEE (11.19%), MAC (19.55%) and financial (21.64%), with construction (48.03%), transport (40.53%) and forestry (33.66%) showing relatively good progress.

In 2019 the three least performing sectors are AgriBEE (12%), financial (25%) and forestry (26%) with construction (44%), property (42%) and ICT (36%) showing a relatively good performance.

In 2019, women ownership remained at around 10% in all sectors except property (11%), generic (12%), transport (12%), tourism (14%), construction (16%), MAC and ICT (17%).

Skills development and compliance

On average, contributions towards skills development and enterprise and supplier development ranged between 50%-60% in 2018 and the 2019 performance showed an average of 49%-51%.

Black people continue benefiting from bursaries, partnerships and incubation opportunities under these elements, however, absorption into a job or sustainable supply chain remained a challenge, amongst other things.

The analysis has not expanded to cover the impact and sustainability of the initiatives reported.

The report showed that 49.3% (50.9% - 2018) of JSE listed entities are at level 4 and higher, while 50.7% (44.5% - 2018) entities are between level 5 and non-compliant B-BBEE status.

State organs that reported show that 32.56% (45% - 2018) rated between level 1 and level 4, while 67.44% (55% - 2018) were level 5 to non-compliant B-BBEE status.

Pace of economic transformation

The B-BBEE Commission reiterated its concern about the low level of reporting and the overall slow pace of economic transformation.

To address this, the B-BBEE Commission has started conducting site visits on the reports submitted to verify the accuracy of the reports submitted and to identify best practices to share with other measured entities.

Also, preparation to refer measured entities that failed to submit reports are underway as their conduct is not only a violation of the B-BBEE Act, but enables the harbouring of fronting arrangements.

The Commission also noted worrying trends observed over the three-year period 2017-2019.

Though black ownership indicates slight change, black ownership percentage does not always correspond with the management control scores.

“For instance, an entity is able to score full points for ownership and very low on management control, which gives the impression that despite black ownership recorded, black people are not involved in the control and core operations of the measured entity.”

The Commission noted that the saturation of management control points is still between junior and middle management, also noting the rotation of black executives from one measured entity to another, without utilising the skills development element to create a pipeline of new black executives.

Supplier development

Under the enterprise and supplier development element, measured entities are still not able to transform the value chain by developing sustainable black owned entities utilising the supplier development and enterprise development aspects of the element.

“Preferential procurement enables market access but does not automatically translate into enterprise or supplier development, and hence the three aspects be implemented in a complementary manner for the desired impact.”

Further, whereas supplier or enterprise development focuses on creating sustainable black owned entities, most initiatives are increasingly implemented through a third party or intermediary, with less focus on the needs of the beneficiary.

“While the codes of good practice do allow for the use of a third party or intermediary to implement enterprise and supplier development, there must still be a comprehensive needs analysis.

“A substantial part of the spend by the measured entity must be initiated and implemented with the beneficiary entity, and not for the benefit of the third party or intermediary that facilitates the initiatives,” said the Commission.

For real and accelerated broad-based black economic empowerment to be achieved, the Commission said 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, which are mandatory.

“Also, ownership, skills development and enterprise and supplier development are priority elements, however, performance overall is not satisfactory,” said the Commission.

The National Status and Trends on B-BBEE report is normally released in the first quarter of each financial year, but was delayed slightly due to the Covid-19 national lockdown.

The Commission is an entity of the Department of Trade, Industry and Competition.