



Presentation on State of B-BBEE in the Financial Sector

16 February 2022

Mandate under the B-BBEE Act

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❑ Established by the B-BBEE Act in terms of section 13B and functions are outlined in section 13F as follows:

- *Oversee*, supervise and promote adherence with the B-BBEE Act in the public interest
- *Strengthen* and foster collaboration between public and private sector to safeguard objectives
- Receive *complaints* and investigate complaints proactively and/or reactively
- Promote *advocacy and access* to opportunities, educational programmes and B-BBEE initiatives
- Maintain *registry* of major B-BBEE transactions (R25 million)
- Receive and analyse *compliance reports* (JSE, SETAs, state organs)
- Promote *good governance and accountability*
- Increase *knowledge and awareness* on B-BBEE
- Exercise any power conferred by the Minister in writing, which does not conflict with the B-BBEE Act

Core Processes and Timelines

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Complaint

B-BBEE7 Form

Alternative Dispute
Resolution

Findings and
Recommendations

Up to 12 months to
investigate



Advisory Opinion

Explanatory Note on
Procedure issued

Non-binding and based
on set of facts

Provide within 30 days



Registration of Major B-BBEE transaction

Based on Threshold

Certificate of Registration
within 10 days

Feedback on merit within
90 days



Compliance Report

JSE Listed, SETA, Organs of
State, public entity

Sector Council

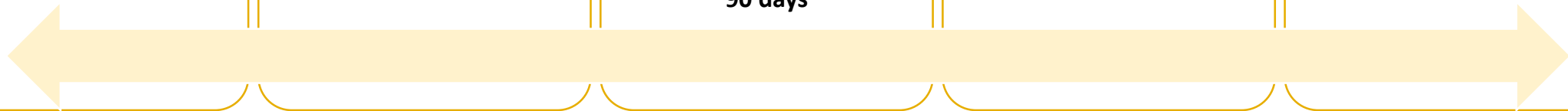
Consider report within 90
days



Written Clarification

General interpretation or
application of B-BBEE

Issued within 5 days



- *All timelines achieved/exceeded except the 12 months for set for investigations*

B-BBEE Context

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- ❑ The B-BBEE Act was enacted in 2003 (Act 53 of 2003) and amended in 2013 (Act 46 of 2013), with 2007 generic codes of good practice also amended in 2013
- ❑ Financial sector is governed by Financial Sector Code gazetted by Minister of Trade, Industry and Competition (Minister) on 1 December 2017 and measured on the following B-BBEE elements:
 - *Ownership*
 - *Management Control*
 - *Skills Development (SD)*
 - *Enterprise and Supplier Development (ESD)*
 - *Socio-Economic Development (SED)*
 - *Empowerment Financing*
 - *Access to Finance*

B-BBEE Context

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- ❑ Financial sector entities on the Johannesburg Stock Exchange are required to report annually to the B-BBEE Commission on their performance – section 13G of the B-BBEE Act
- ❑ Financial Sector Council is required to report annually to Minister on the transformation - section 10 (4) of the B-BBEE Act
- ❑ Section 13G reports have declined significantly in 2020 and B-BBEE Commission is taking action against entities that have failed to report
- ❑ Financial Sector Council has not submitted its annual report to Minister for 2018/19, 2019/20 and 2020/21 – last report was produced for 2017/18
- ❑ Financial Sector Council raised amongst challenges the failure on the part of the financial sector entities to report to the Financial Sector Council, which in turn affects the compilation of the report to be submitted to Minister
- ❑ The sub-sectors under the financial sector code are banks & life offices, short-term insurers, other institutions (which includes asset management), stock exchanges and retirement & umbrella funds

B-BBEE Context

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- ❑ *National Status and Trends on B-BBEE Report* is produced annually by B-BBEE Commission – based on data from B-BBEE Certificate Portal and the 13G annual compliance reports submitted
- ❑ Portal data for 2020 indicates that 64% of financial sector entities are at B-BBEE Level 1-4 while the JSE listed compliance report data reflects 56%, with the rest of entities at B-BBEE Level 5 to non-compliant
- ❑ Portal data for 2020 shows financial sector 7% of entities were 100% black owned, 7% were 51% black owned and 32% less than 10% black owned while JSE listed compliance reports data show 0% of the entities as 100% black owned, 0% 51% black owned and 33% less than 10% black owned
- ❑ *Major B-BBEE Transactions Analysis Report* is produced by B-BBEE Commission based on ownership transactions that are R25 million and above in transaction value – these are required to be registered within 15 days of conclusion
- ❑ Transactions reports for 2017/18 and 2018/19 reflect the financial sector with the highest number of ownership transactions concluded after the generic codes
- ❑ Also, reports show that bank loans were the second (2017/18) in the type of funding used in deals after vendor financing, with 2018/2019 showing a decline in bank loans and an increase in share swaps and other funding methods

Data Submitted by Financial Sector Entities

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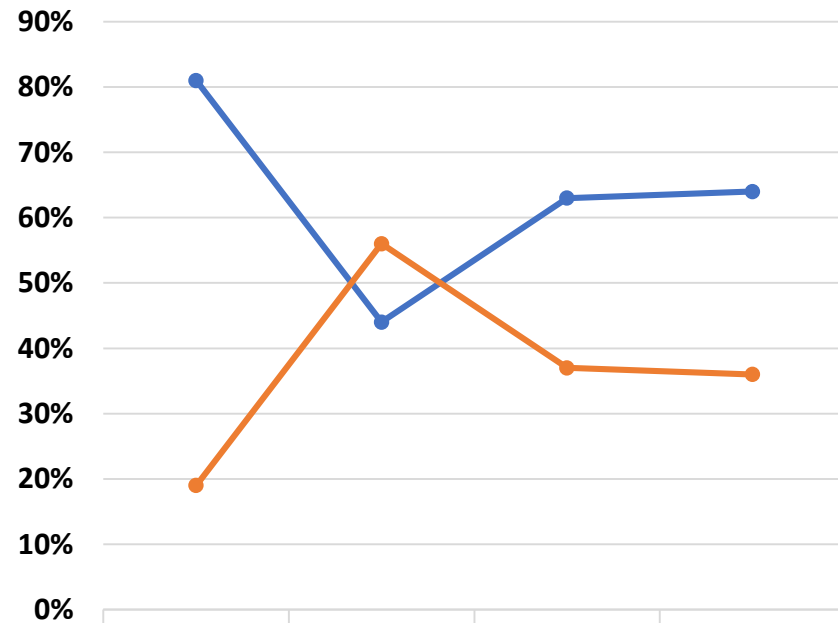
Type of Data	2017	2018	2019	2020
B-BBEE Certificate Portal Information	46	37	224	32
Section 13G Reporting	16	26	27	18

Source: B-BBEE Commission

B-BBEE Contribution Level – Portal & s13G Reports

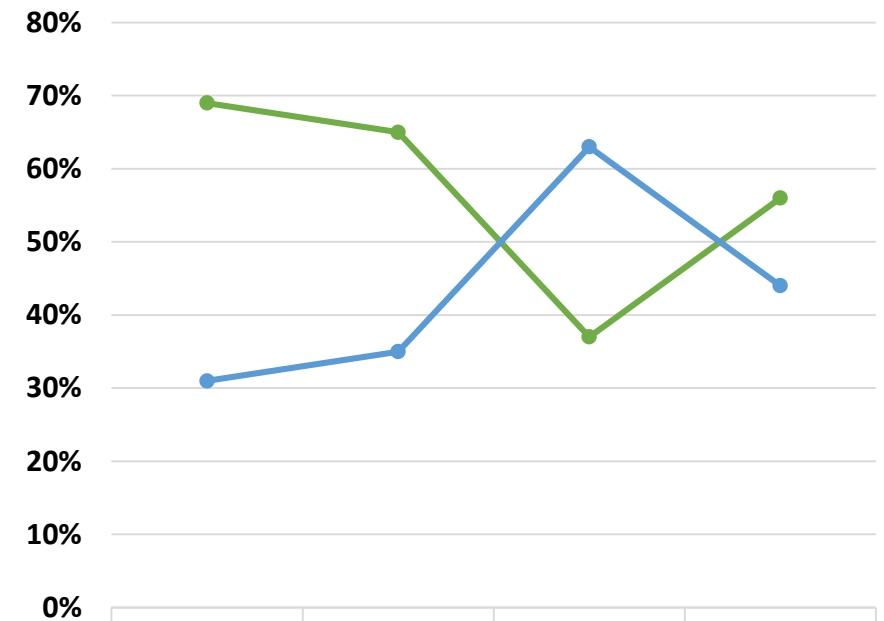
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B-BBEE Portal: Contribution Level



Level 1 - 4	81%	44%	63%	64%
Level 5 - Non Compliant	19%	56%	37%	36%

s13G Reporting: Contribution Level



Level 1 - 4	69%	65%	37%	56%
Level 5 - Non Compliant	31%	35%	63%	44%

Source: B-BBEE Commission

Black Ownership vs Black Women Ownership

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Av. Black Ownership

	2017	2018	2019	2020
B-BBEE Portal	42.8%	22.8%	24.8%	23.4%
s13G Reporting	19.1%	18.5%	15.4%	15.1%

Av. Black Women Ownership

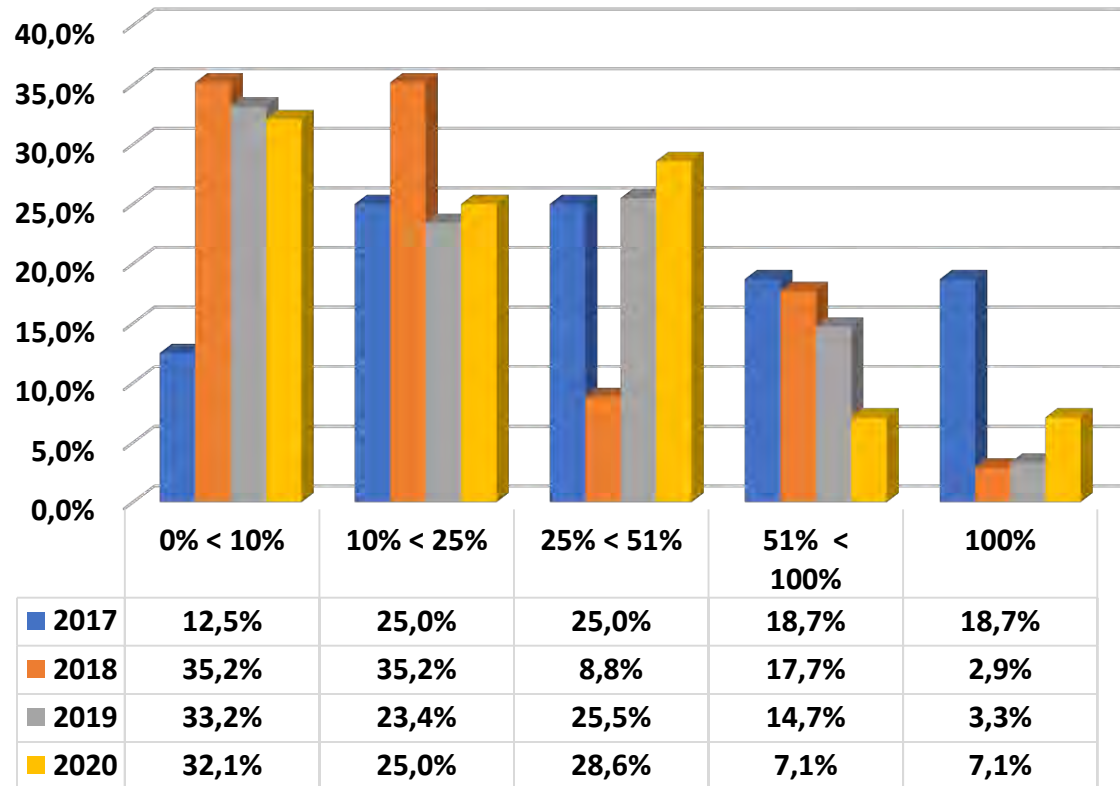
	2017	2018	2019	2020
B-BBEE Portal	17.1%	8.3%	10.1%	11.0%
s13G Reporting	6.6%	7.8%	8.8%	7.0%

Source: B-BBEE Commission

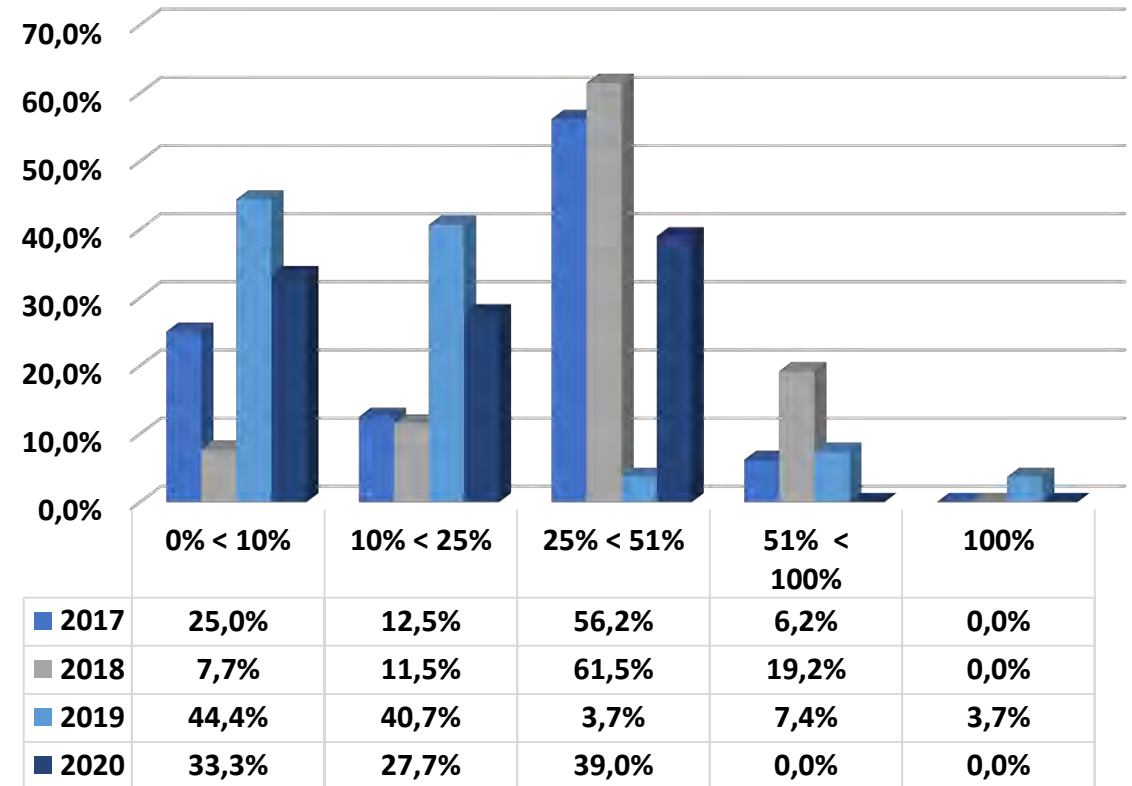
Black Ownership Breakdown

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B-BBEE Portal: Black Ownership Breakdown



s13G Reporting: Black Ownership Breakdown

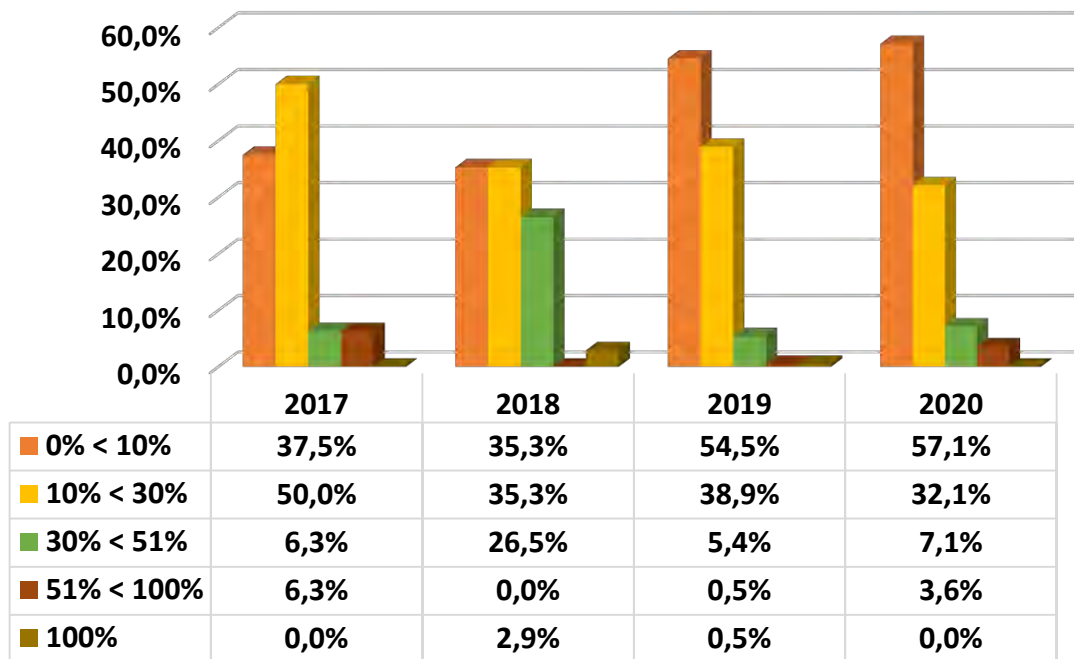


Source: B-BBEE Commission

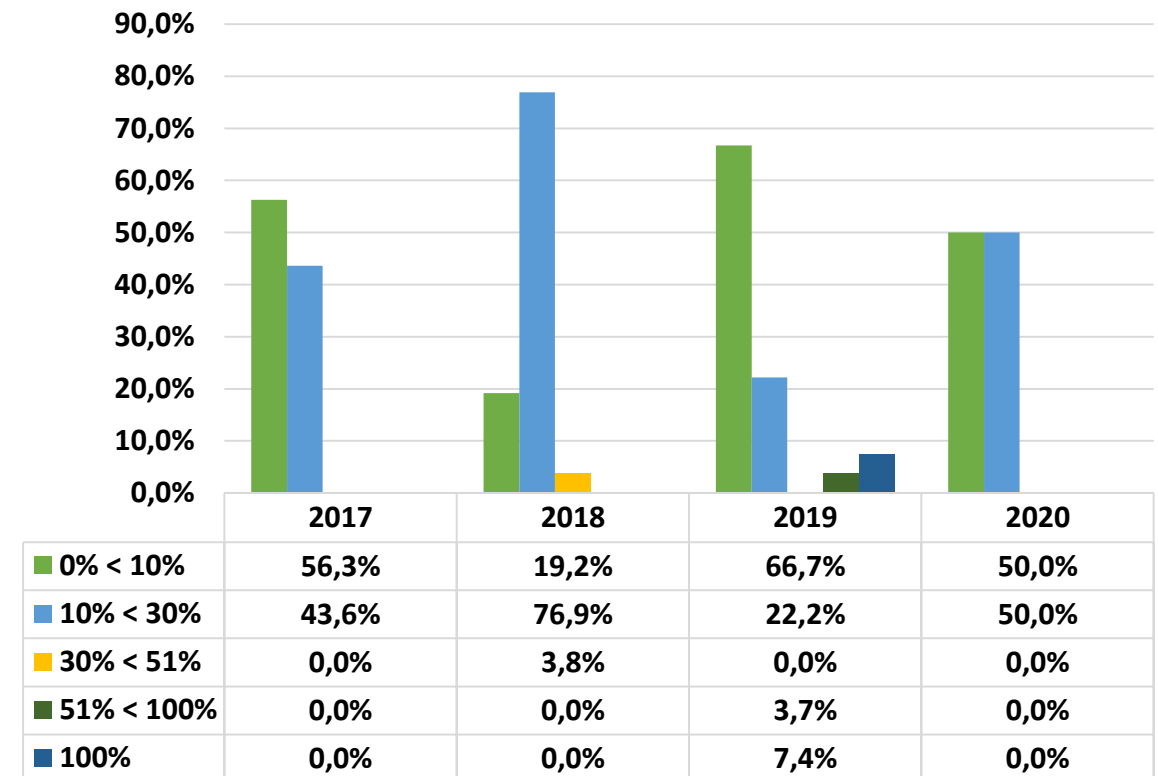
Black Women Ownership Breakdown

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B-BBEE Portal: Black Women Ownership Breakdown



s13G Reporting: Black Women Ownership Breakdown



Source: B-BBEE Commission

Achievements against other B-BBEE Elements

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B-BBEE Portal				
	2017	2018	2019	2020
Management Control	52.8%	49.6%	44.8%	60.1%
Skills Development	43.8%	69.2%	46.9%	58.0%
Enterprise & Supplier Development	56.0%	68.8%	28.6%	52.6%
Socio-Economic Development	77.7%	66.8%	79.9%	85.0%
s13G Reporting				
	2017	2018	2019	2020
Management Control	52.8%	51.5%	41.3%	44.0%
Skills Development	43.8%	55.0%	43.4%	49.9%
Enterprise & Supplier Development	49.4%	71.5%	48.9%	46.8%
Socio-Economic Development	77.7%	69.0%	75.5%	98.0%

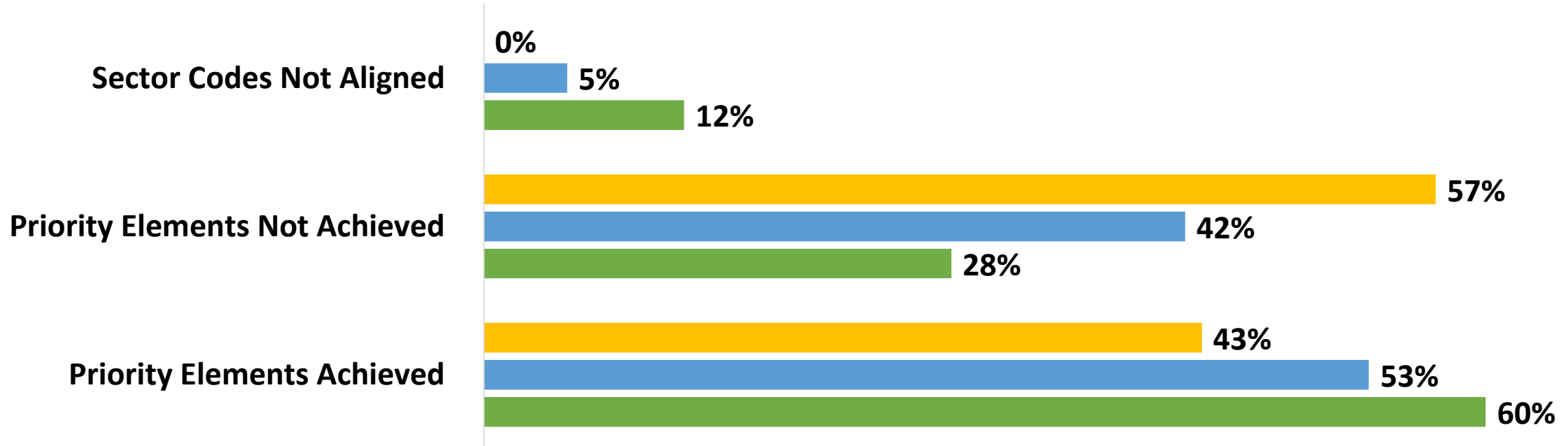
Source: B-BBEE Commission

Achievement of Priority Elements

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Achievement of Priority Elements

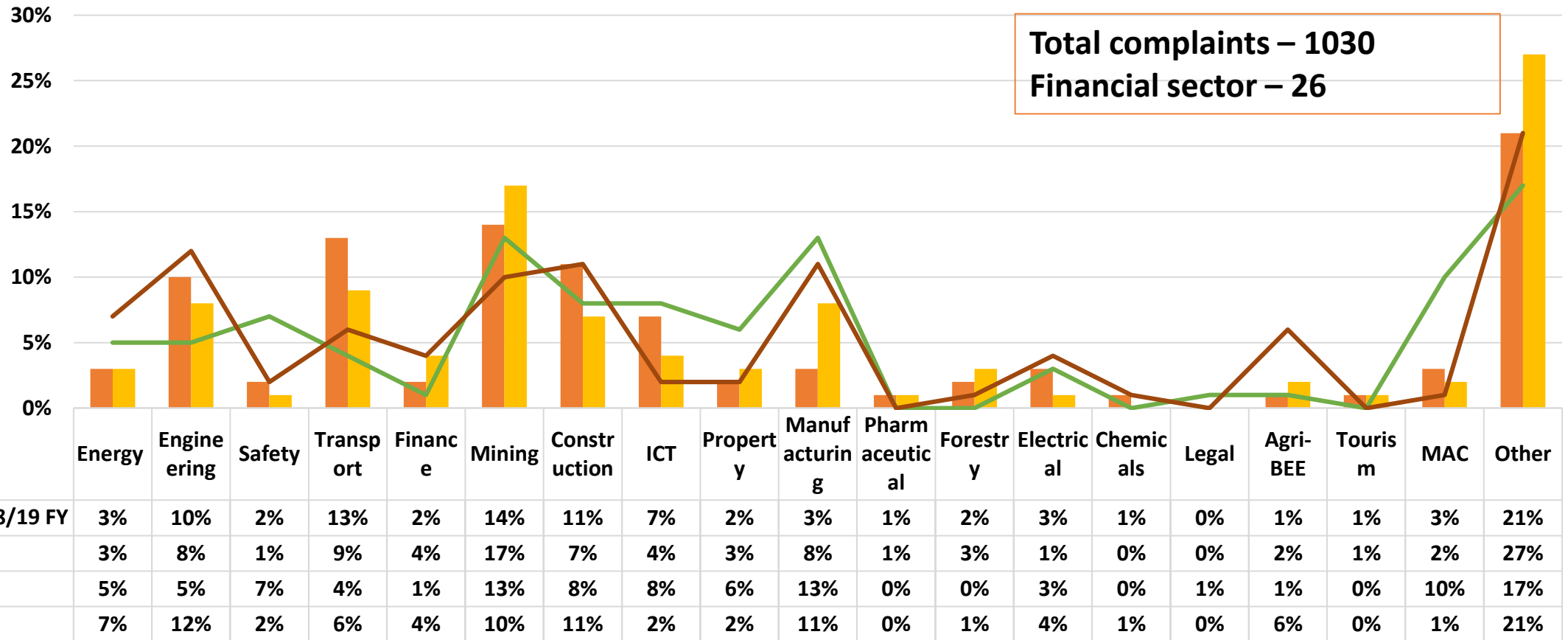
■ 2020 ■ 2019 ■ 2018



Source: B-BBEE Commission

Number of Complaints Received per Sector






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Source: B-BBEE Commission

Year-On-Year Movement on Ownership

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Criteria	Status 2020	Status 2019	Status 2018	Status 2017	Movement on status of achievement status	Scorecard Target	Achievement against target per scorecard
Ownership – (Average)							
Overall Black Ownership % - Large	23.43%	24.75%	22.81%	42.82%	↓	25% + 1	
Overall Black Women Ownership % - Large	11.02%	10.10%	8.30%	17.12%	↑	10%	
Overall Black Ownership % - QSE	25.00%	14.48%	8.37%	19.18%	↑	25% + 1	
Overall Black Women Ownership % - QSE	8.24%	4.11%	0.00%	1.84%	↑	10%	
Portal Upload							
EME uploads	-	15	-	16	↓		
QSE uploads	4	24	3	14	↓		
Large uploads	28	185	34	16	↓		
Total	32	224	37	46			

Total Number of Major B-BBEE Transactions Received

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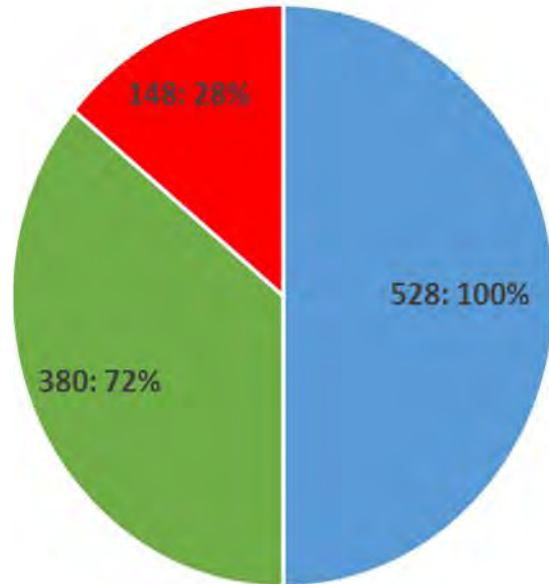


Source: B-BBEE Commission

Total Number of B-BBEE Transactions Received

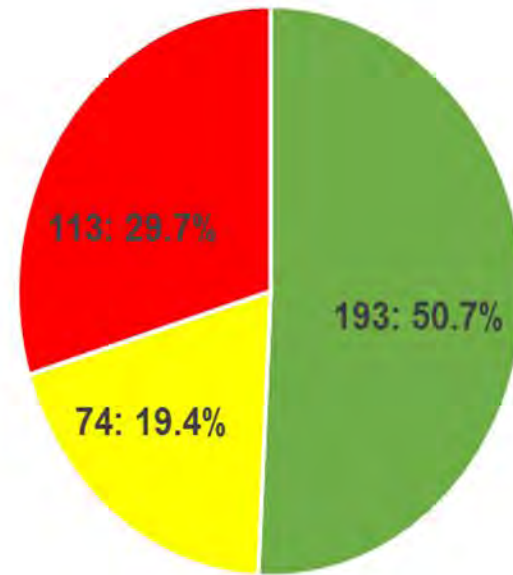
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Transactions received and handled



■ Received Transactions ■ Registered Transactions ■ Rejected Transactions

Status of registered transactions 2017/18-2020/21



■ Assessed and Closed ■ Pending ■ Referred for investigation

Source: B-BBEE Commission

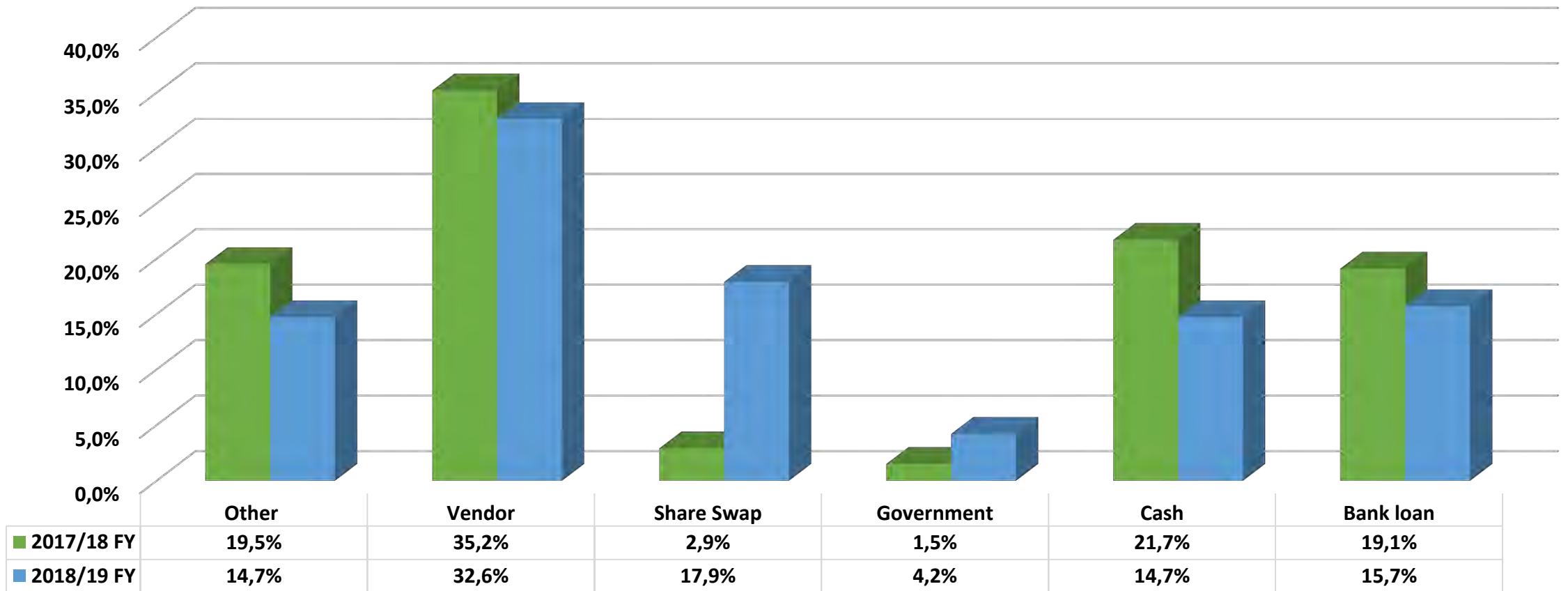
Number of Major B-BBEE Transactions Received Per Sector

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Sectors	No. of Transactions Registered	No. of Transactions Registered	Growth
	2017/18	2018/19	
Agri-BEE	7	4	-3
Construction	4	6	2
Financial	63	21	-42
Generic	132	41	-91
Forestry	0	0	0
ICT	18	9	-9
MAC	6	4	-2
Property	8	5	-3
Tourism	14	0	-14
Transport	20	5	-15
Total	272	95	- 177

Percentage of Funded Transactions per Funding Type

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Source: B-BBEE Commission

Amount Funded & Type of Funding

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Type of Funding	2017/18 FY		2018/19 FY	
	Total Value (R' Billion)	Percentage	Total Value (R' Billion)	Percentage
Vendor Financing	89,498	47.4%	37,281	33%
Other	31,544	16.7%	53,412	48%
Share Swap	1,778	0.9%	13,940	12%
Government Funding	0,211	0.9%	0,397	0%
Cash	20,771	11.0%	2,909	3%
Bank Loan	37,018	19.6%	3,999	4%
Bank Loan & Vendor Financing	2,245	1.2%	0	0%
Cash & Bank Loan	1,161	0.6%	0	0%
Cash & Vendor Financing	2,748	1.5%	0	0%

Conclusion & Way Forward

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- ❑ Financial sector still characterised by high concentration levels and remains capital intensive, which adds to entry barriers that are already high.
- ❑ 5 top banks account for over 80% of the market while top 5 private equity entities account for over 70% of the market with value chains that are entrenched.
- ❑ There is a noticeable decline in the number of uploads and reports by financial sector entities, indicative of the continuing culture of non-compliance to B-BBEE laws – contravention of section 13G and 10 (4) of the B-BBEE Act.
- ❑ Generally there has been a decline in black ownership over the period - large entities that reported under section 13G experienced a decrease for black ownership but managed to meet their targets for black women ownership.
- ❑ The increased number of B-BBEE Level 1-4 entities does not necessarily reflect the change in the critical decision making structures – key management, executive and board positions must change to reflect score cards – also the impact in the lives of black South Africans must be evident.
- ❑ Entities do not meet the targets set under the sector code, and that defeats the purpose of having a sector code to accelerate transformation in the sector. Otherwise the sector code merely facilitates opt outs and deviations without advancing economic empowerment.

Conclusion and Way Forward

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- ❑ The financial sector funding for major BBEE transactions does not necessarily come with preferential funding for black people. This then raises a question as to the basis for including the empowerment financing element, which in our view ought to advance access to funding for black business.
- ❑ The financial sector code has not seen the introduction of black owned financial institutions, for instance a bank or insurance company. A large number of black people play around the space of private equity funds as private equity fund managers, but that is also countered by fronting schemes.
- ❑ Some of the funding offered by financial institutions has restrictions on how black people manage and control their enterprises, and almost elevate the funders to a status akin to that of a shareholder in black owned entities. Basically the funders end up deriving the economic benefit of the shareholding they purport to fund for black people.
- ❑ Financial sector must contribute more to introduce robust transformation, increase ESD and skills spend, but more make available cost effective and less restrictive funding packages for black businesses and entrepreneurs.
- ❑ Role of Financial Sector Council and its effectiveness must improve to encourage robust transformation in the sector or its existence ought to be reviewed.

Thank You!

“An Inclusive economy for all, together”