

# South Africa's Transformation Landscape (2013-2023)

# 1



## Disclaimer

This publication, **South Africa's Transformation Landscape 2013–2023**, has been produced by the B-BBEE Commission for the purpose of sharing information that is in the public interest.

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This study focuses on measuring compliance and performance at macro and sectoral levels across the BEE scorecard elements. It does not measure the impact of the B-BBEE policy on indicators such as GDP, employment, income inequality, poverty, innovation and enterprise development.

## Data

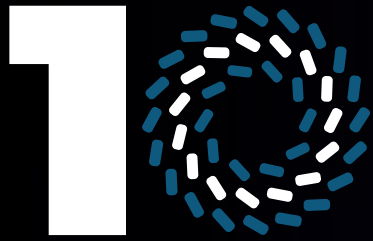
The BEE certificate is the primary legal measurement instrument used by the Commission as a source of data for this study. It contains data that is submitted to Verification Agencies by companies which then forms the basis for assessing compliance by the measured entities. The Verification Agencies validate the data that constitute outcomes on the BEE certificates.

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Championing equity, expanding access,  
**advancing fair participation** and  
broad-based empowerment **across**  
**South Africa.**



# South Africa's Transformation Landscape

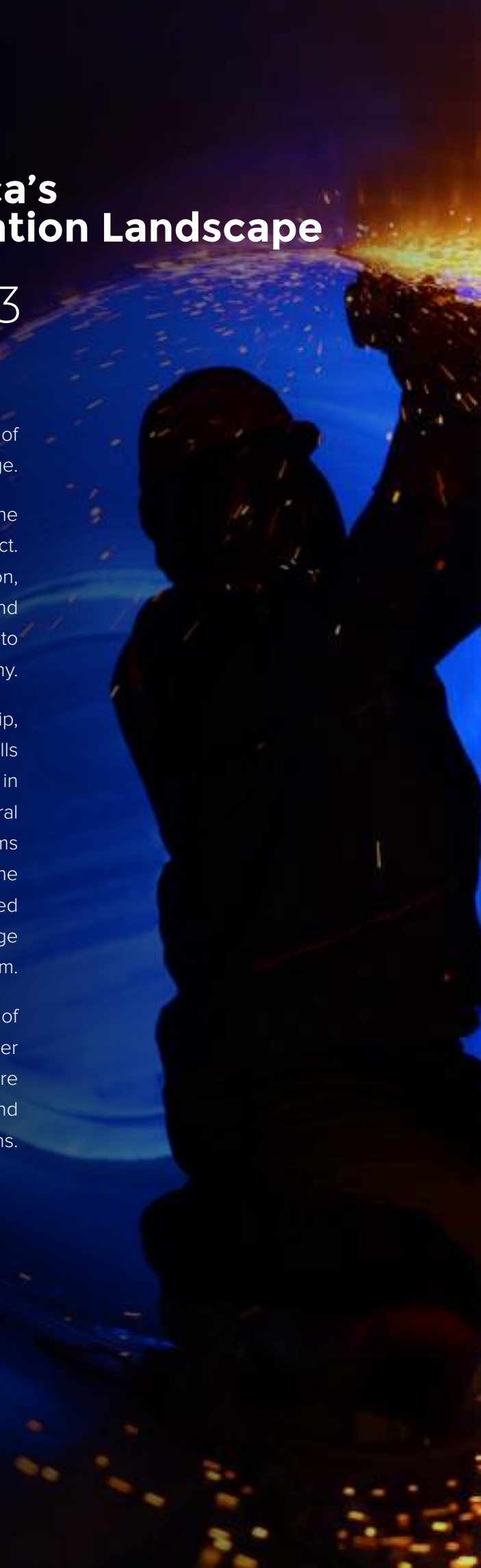
## 2013-2023

South Africa's transformation journey has been one of measured progress, collaboration, and continuing challenge.

The project is a collaborative effort guided by the Broad-Based Black Economic Empowerment (B-BBEE) Act. This report traces the evolving landscape of transformation, tracking the most available data for the period 2013 and 2023, a period that tested the nation's resolve to build an inclusive economy.

It highlights the tangible gains achieved in ownership, enterprise and supplier development, and skills empowerment, while acknowledging persistent gaps in management control, gender representation, and sectoral performance. The findings reveal that while policy reforms and multi-stakeholder partnerships have advanced the transformation agenda, uneven compliance; fragmented data; and slow structural change continue to impede momentum.

As a result, the report not only documents a decade of progress but also calls for renewed commitment, stronger collaboration, and evidence-based policymaking to ensure that economic transformation becomes a shared and sustainable reality for all South Africans.



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# 1. | Acronyms

| Acronym           | Explanation   |
|-------------------|---|
| <b>ADR</b>        | Alternative Dispute Resolution                      |
| <b>BEE</b>        | Black Economic Empowerment                          |
| <b>BEPs</b>       | Built Environment Professionals                     |
| <b>B-BBEE</b>     | Broad-Based Black Economic Empowerment              |
| <b>Commission</b> | Broad-Based Black Economic Empowerment Commission   |
| <b>CIPC</b>       | Companies and Intellectual Property Commission      |
| <b>CCSA</b>       | Competition Commission South Africa                 |
| <b>CSI</b>        | Corporate Social Investment                         |
| <b>EMEs</b>       | Exempted Micro-Enterprises                          |
| <b>ESD</b>        | Enterprise and Supplier Development                 |
| <b>ESG</b>        | Environmental, Social and Governance                |
| <b>ESOPs</b>      | Employee Share Ownership Plans                      |
| <b>FSC</b>        | Financial Sector Code                               |
| <b>GDP</b>        | Gross Domestic Product                              |
| <b>HDPs</b>       | Historically Disadvantaged Persons                  |
| <b>ICASA</b>      | Independent Communication Authority of South Africa |
| <b>ICT</b>        | Information and Communications Technology           |
| <b>JSE</b>        | Johannesburg Stock Exchange                         |
| <b>LE</b>         | Large Enterprises                                   |
| <b>MAC</b>        | Marketing, Advertising and Communication            |
| <b>MC</b>         | Management Control                                  |
| <b>NEF</b>        | National Empowerment Fund                           |
| <b>QSEs</b>       | Qualifying Small Enterprises                        |
| <b>POPIA</b>      | Protection of Information Act                       |
| <b>PPPFA</b>      | Preferential Procurement Policy Framework Act       |
| <b>SANAS</b>      | South African National Accreditation System         |
| <b>SETA</b>       | Sectoral Education and Training Authorities         |
| <b>SIC</b>        | Standard Industrial Classification Codes            |
| <b>SMMEs</b>      | Small, Medium and Micro Enterprises                 |
| <b>SD</b>         | Skills Development                                  |
| <b>the dtic</b>   | The Department of Trade, Industry and Competition   |
| <b>VAs</b>        | Verification Agencies                               |

## 2. | Definitions

**Black Economic Empowerment** – refers to narrow-based initiatives intended to transfer economic assets to black people through equity ownership and to advance management control.

**Broad-Based Black Economic Empowerment** – refers to broad-based aspects of BEE, inclusive of skills development, enterprise and supplier development and socio-economic development.

**Broad-Based Black Economic Empowerment Act** – refers to the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003) as amended by 2013 (Act No. 46 of 2013). The primary objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy.

**Broad-Based Black Economic Empowerment Scorecard** – assesses the structure of a business according to ownership, management control, skills development, enterprise and supplier development, and socio-economic development. The points earned on a scorecard determine the B-BBEE Level of the business.

**Broad-Based Black Economic Empowerment Sector Codes** – refer to industry-specific guidelines that are adaptable and refined from the Generic Codes of Good Practice, issued in terms of the B-BBEE Act. The Sector Codes reflect unique characteristics, transformation priorities, and challenges of particular sectors. They provide tailored scorecards and targets that take into account the realities of a given industry.

**Built Environment Professionals** – are enterprises that conduct activities related to the planning, design, and costing of construction projects. These include consulting engineering practice, architects, quantity surveyors, town planners, project managers in the built environment.

**B-BBEE Presidential Advisory Council** – is an advisory body tasked with providing guidance to the President of the Republic of South Africa and government on B-BBEE policies and strategies for economic transformation. Led by the President, the Council evaluates progress on B-BBEE initiatives, assesses challenges, and offers policy recommendations to enhance participation of black people in the economy and build a more inclusive economy.

**Beneficial Ownership** – refers to the extent to which black individuals, as defined by B-BBEE legislation, hold a direct shareholding or equivalent stake in a company. This means that black South African citizens (as defined in the B-BBEE Act) have an ownership stake in companies, which is measured to calculate a business's B-BBEE Recognition Level.

**Contractors** – are defined as entities that perform construction-related activities, including civil engineering, electrical engineering, power transmission, and general building or specialist works. These entities are defined by their reliance on construction projects and must adhere to specific B-BBEE compliance thresholds.

**Economic Interest** – the percentage entitlement of black shareholders' returns on ownership such as the rights to receive dividends, capital gains, profit and other economic rights of shareholders in a single or multi-tier measured entity.

**Enterprise and Supplier Development** – is a key element of B-BBEE which is designed to empower black-owned businesses and encourage larger companies to include them in their supply chains, thereby driving more inclusive economic growth. Enterprise and Supplier Development (ESD) assists small businesses to grow by offering financial support and mentorship.

**Exempted Micro-Enterprise** – is defined as an enterprise with an annual total revenue of R10 million or less.

**Generic Codes of Good Practice** – refer to a standard framework for measuring B-BBEE, ensuring that no industry is disadvantaged over another when presenting its B-BBEE credentials, as all are measured against the same targets. The intention is to level the playing field for all, by providing clear and comprehensive criteria for the measurement of B-BBEE. The codes provide certainty to the whole economy on how to implement B-BBEE as espoused in the legislation.

**Large Entities/Enterprises** – are enterprises with annual revenue greater than R50 million.

**Management Control** – is an element of B-BBEE which focuses on enhancing the representation of black South Africans in management and key decision-making positions within a company. This component of the B-BBEE scorecard assesses how effectively businesses are integrating black individuals into top management roles, influencing the company's overall governance and strategic direction.

**Non-Compliant Contributor** – an entity that achieves fewer than 40 points (less than a Level 8 status) on the B-BBEE scorecard. Such entities do not obtain a recognised B-BBEE status level and are therefore regarded as “non-compliant contributors” under the Codes of Good Practice. This means they receive no preferential procurement recognition and may face limitations in accessing certain government contracts, tenders, and opportunities with corporates that apply B-BBEE criteria in their supply chains.

**Ownership** – is an element of B-BBEE which refers to direct or indirect shareholding or equivalent stake by black people in a single or multi-tier entity when measured for B-BBEE.

**Qualifying Small Enterprises** – enterprises with an annual total revenue greater than R10 million but less than R50 million.

**Sector Code** – B-BBEE Code of Good Practice for a specific sector and industry, developed in line with the B-BBEE Act. The codes enable a sector or industry to address its unique challenges while promoting inclusivity.

**Skills Development** – is a key element of B-BBEE which requires businesses to invest in the training of black South Africans. It addresses skills shortages, enhances employability, and boosts a company's B-BBEE score.

**Socio-Economic Development** – is an element of B-BBEE which encourages initiatives that uplift disadvantaged communities by supporting education, skills development, social development and opportunities for growth.

**Voting Rights** – refer to the percentage of voting power held by black people in a company, as defined in the B-BBEE Act.



A DECADE OF PURPOSE

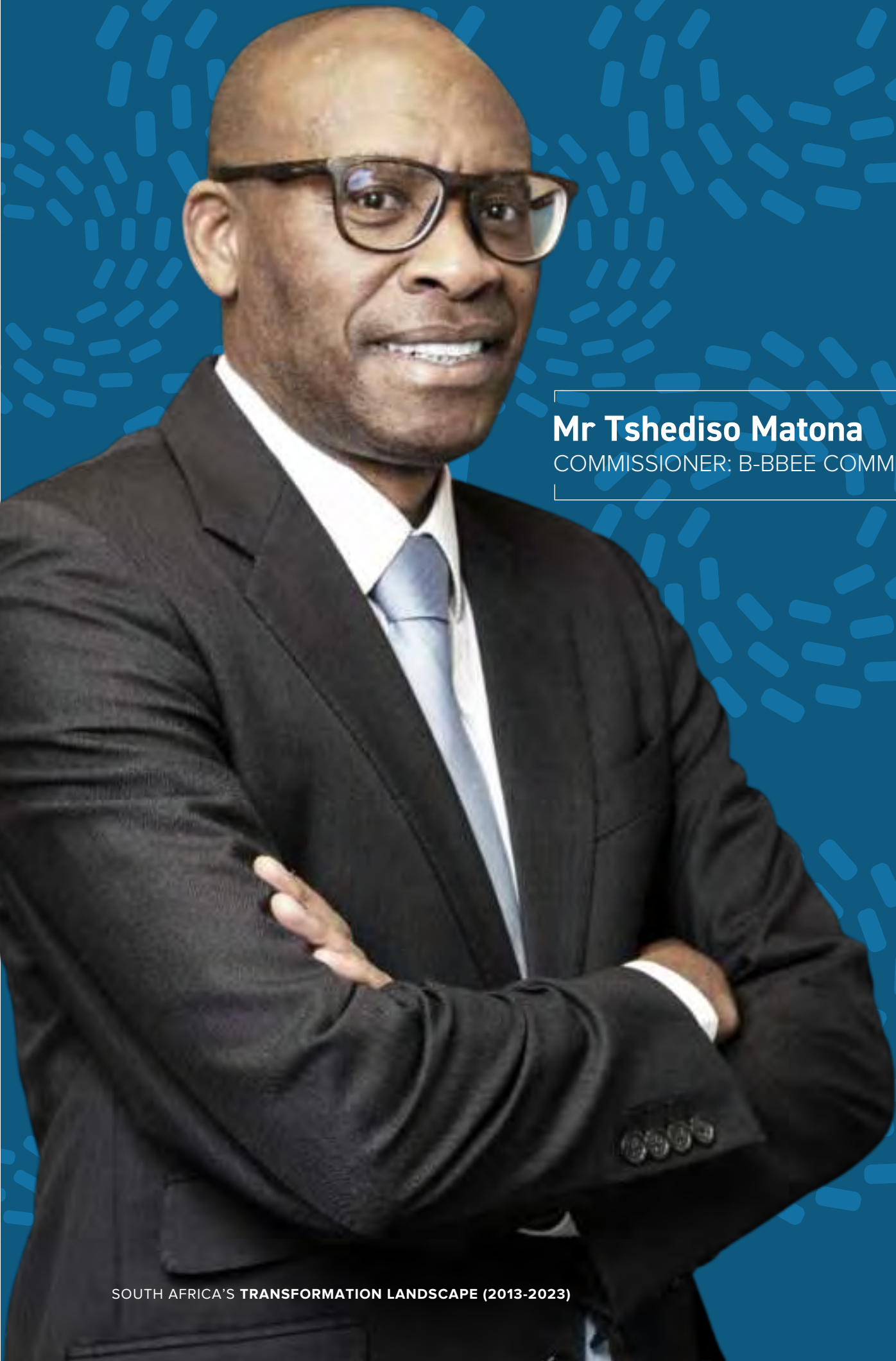
# A Decade of Purpose:

Charting South Africa's journey towards  
an inclusive and equitable economy

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# Executive Summary

03.



**Mr Tshediso Matona**

COMMISSIONER: B-BBEE COMMISSION

### 3. | Executive Summary

This report provides an assessment of progress made in advancing economic transformation and enhancing the participation of black people in the South African economy. It is undertaken in accordance with the requirements of the Broad-Based Black Economic Empowerment Act (B-BBEE Act), first promulgated in 2003 and amended in 2013, which mandates the measurement and evaluation of transformation outcomes.

The report is issued in line with the mandate of the B-BBEE Commission, which was established by the amended B-BBEE Act of 2013 to monitor and report on the implementation of B-BBEE policy.

The study was undertaken with the support of the Presidential B-BBEE Advisory Council, drawing on a credible and broad empirical base.

The assessment of B-BBEE is particularly important in light of ongoing collaboration with the Competition Commission of South Africa (CCSA), the South African National Accreditation System (SANAS), and the BEE Policy Unit, of the Department of Trade, Industry and Competition (**the dtic**)

Policymakers have also sought to understand the impact of the legislation introduced by **the dtic** since its promulgation.

The report is published at a time of heightened debate on the state of transformation in South Africa, with B-BBEE as the overarching post-1994 government policy adopted to implement the Constitution's Section 9 (2), promoting equality and redress of economic exclusion of black people under Apartheid and colonialism.

This report is issued pursuant to the broader mandate of the B-BBEE Commission, which is responsible for overseeing implementation of the B-BBEE Act. The study is intended to strengthen the Commission's monitoring, oversight, and reporting functions. It further establishes a foundation for tracking transformation trends over time and informing the refinement and effective implementation of B-BBEE policy.

This study seeks to deepen the understanding of the patterns and landscape of transformation to the extent possible and to address some of the challenges encountered.

Since this study is also conducted with the strategic purpose in mind, the results observed from the research further seek to enable the Commission to track changes in transformation over time.

**A credible and broader empirical base for assessing B-BBEE is vital in light of questions faced by policymakers about the impact of the legislation since its promulgation, and to counter misleading information about B-BBEE policy and its role in promoting a transformed and inclusive economy in South Africa.**

## Methodology

The research tracked trends and levels of transformation over time. As the available data did not contain sufficient unique entity identifiers to support a longitudinal study, a time-series analysis was adopted instead. This analysis covered a ten-year period, from 2013 to 2023, with a focus on sector-wide transformation trends.

Covering the period 2013 to 2023, this approach enabled the identification of broad patterns and progress toward achieving B-BBEE objectives, while mitigating the limitations posed by incomplete firm-level data.

**It is important to note that the study relied primarily on data derived from B-BBEE certificates, which limited the scope of the analysis undertaken. As a result, the study could not draw firm inferences on the broader economic impact of B-BBEE implementation on variables such as job creation, inequality, poverty, innovation, the creation of new businesses, industry development, or value-chain development, although these remain important indicators of impact.**

**In addition, accessing reliable data for the pre-2013 period proved difficult. Several verification agencies had discontinued operations, and there was no centralised data-gathering mechanism prior to the establishment of the B-BBEE Commission. Consequently, comprehensive historical analysis for the period before 2013 could not be fully undertaken.**

A total sample of 28 131 data entries was used for this analysis, of which 39.5% were from Large Entities, followed by 34.1% from Qualifying Small Enterprise (QSEs). Whilst Exempted Micro Enterprises (EMEs) entries constituted 8.8%, the balance of entries were classified as “unknown”.

## Key Observations

The research has highlighted the challenge of the lack of a repository of comprehensive, real-time, consistent and accessible data for rigorous measurement of the extent of B-BBEE and transformation in the country. As a result, efforts to create a comprehensive and accurate database to support granular sector-wide analysis of transformation trends were hampered.

### Some of the most prominent trends observed in B-BBEE compliance since 2018 are as follows:

- With respect to compliance at a macro-level, the research found that the number of entities that were assessed for compliance with B-BBEE objectives were increasing over time, which is a positive development. The larger sample of verified entities in more recent years provides a better picture of compliance levels.
- A concerning increase in the share of entities rated as being B-BBEE non-compliant since 2020, which constitute almost a quarter of entities in 2023 subjected to verification, with similar trends for both Qualifying Small Enterprises (QSEs) and large enterprises. Exempted Micro Enterprises (EMEs) do perform better but this is because they benefit from a default Level 4 or enhanced status.
- At the same time there has been a growing share of companies achieving Levels 1- 4 from 2018 to 2023 and particularly Levels 1-2. However, there has not been much progress since 2020 and in fact, for QSE's there has been a decline in the share of Levels 1-4 from 2020 to 2023, suggesting a potential drawback on their transformation commitments since the Covid-19 pandemic. However, this is not the case for large enterprises.
- From 2019, there has been a relative stagnation in the average points achieved per empowerment category, suggesting no heightened ambitions to drive transformation. When comparing performance to maximum points available in each category, the broad-based empowerment categories of management control and skills development performed on average at 54% and 61% of total points achieved in 2023 respectively. This is despite skills development also being prioritised in the 2013 amended Codes of Good Practice of B-BBEE.
- Performance by large enterprises is even more subdued on management control and skills development, with 52% and 59% achieved respectively out of total points available for management control and skills development. For QSEs, the lowest score against total points available is for enterprise and supplier development, whilst management control still performs poorly. QSEs achieved better results on skills development than large enterprises.

- Ownership levels amongst the sample of verified firms is still below the expected target of 25%+1 vote for black people overall. As at 2023, an average of 21.6 points was achieved, which translates to 86% of the set target. At the board and management levels, there has been far less transformation and almost no improvement over the last five years under consideration.

At a sectoral level, the research reveals a chequered landscape of progress and stagnation across various sectors. Many of the observations at a sectoral level are aligned with those noted at a macro-level, although there is variance around these macro trends.

#### The following results and variances are observed:

- Agriculture, property and financial services stand out as far below average on most of the transformation indicators, and, as a result, show high levels of non-compliance. The sectors with high levels of compliance at Levels 1-4 include construction, transport, MAC and forestry.
- On individual scorecard elements, the macro-trends of poorer performance on management control and skills development are evident across all sectors. However, the worst performers on the share of total points available for management control are agriculture, construction and the generic sector. Other sectors achieve just over half of the total points available for management control, with tourism and MAC over 60% of the points available.
- On ownership levels, the sectors that are not even achieving the minimum target for black people and black females in 2023 are once again agriculture, property, and financial services.
- Lastly, it is noted that most sectors have set ownership and management control targets that are far in excess of what they are achieving, with limited signs that those targets will be achieved any time soon, given the current pace of transformation in those sectors.

## Recommendations

The research process and findings have implications for the B-BBEE policy moving forward. Renewed impetus to transformation of the economy calls for improved compliance with the B-BBEE Act and Codes of Good Practice, including Sector Codes, as well as stronger oversight. The Presidential B-BBEE Advisory Council has also made the same recommendation in their 2024 Annual Report and these overlap to an extent with the recommendations emerging from this research report.

**In view of the fact that it has been more than 10 years since the last amendments to the B-BBEE Act and Codes of Good Practice have been made, these recommendations should be at the centre of the much needed and urgent review of B-BBEE legislation.**

The study also highlighted the lack of compliance with the submission of B-BBEE certificates and reports to the B-BBEE Commission and Sector Charter Councils, which impedes consolidated and centralised B-BBEE data to enable assessment of a complete picture of the state of transformation in the economy or in a particular sector, which is essential for policymaking.

To replicate research such as this study in the future, will require significant improvements in protocols on how data is collected, stored, retrieved and reported. This will build on the review currently underway of the B-BBEE data ecosystem, its integration with other sources, the completeness of records and quality of reports. This is envisaged to improve information for monitoring and evaluation studies and evidence-based policy decisions on the transformation landscape.

A related concern calling for equally urgent attention is B-BBEE compliance reporting by Sector Charter Councils, which has been consistently poor throughout the years, coupled with no reporting by other sectors.

### **In this regard, the following is recommended, among others:**

- The need for a sustainable funding model to ensure Sector Charter Councils are capable of carrying out their mandate as set out in the B-BBEE Act, as well as to report on the level of transformation within the sector as a whole.

**The next urgent review recommended by this report should:**

- Prioritise broad-based aspects of empowerment, such as management control and skills development, given poor performance against these elements in a 10-year period. The review should also consider whether employment equity legislation and regulations can achieve the objective of transformation in the absence of this being prioritised in B-BBEE scorecards.
- Address the effectiveness of Sector Charter Councils and Sector Codes as a framework for the implementation of the B-BBEE Act, and the reasons for the sector's failure to reach the transformation targets set by the Sector Charter Council, with particular focus on under-performing sectors, including agriculture, property and financial services.

The report notes the encouraging recent commitment to transformation and a growing economy in which B-BBEE policy has a central role, in redressing economic inequalities, inherited from the apartheid regime.



**Investing in people**, unlocking potential, driving opportunities that **lead to sustainable livelihoods** and thriving communities.

## 4. | Introduction and Background

### 4.1 Purpose and objectives of the research

The preamble of the B-BBEE Act begins with noting that under the Apartheid regime, race was used to control access to South Africa's productive resources and skills, as well as the fact that the South African economy still excludes most of its people from ownership of productive assets and the possession of advanced skills. The B-BBEE Act goes further to recognise that the South African economy performs below its potential due to the low levels of income earned and generated by most of its people<sup>1</sup>.

Most importantly, the B-BBEE Act emphasises that unless further steps are taken to increase the economic participation of the majority of South Africans, the stability and prosperity of the economy may be undermined in the future, to the detriment of all South Africans regardless of race. To this end, the B-BBEE Act was, amongst other aims, enacted to promote the achievement of equality and effective participation of black people in the economy and to develop a national policy to promote equal opportunities and access to the economy<sup>2</sup>.

The year 2026 marks 23 years since the promulgation of the B-BBEE Act and 10 years since the B-BBEE Commission came into effect in terms of the Act. As part of this historic milestone, this study was undertaken with the support of the Presidential B-BBEE Advisory Council, and in collaboration with the Competition Commission, SANAS, and the BEE Policy Unit of **the dtic**.

The research is premised on the B-BBEE Act, whose objective is to establish a legislative framework for the promotion of black economic empowerment. In addition, it is also underpinned by the mandate of the Commission as stipulated in section 13 (F) of the B-BBEE Act which provides, *inter alia*, for the Commission to increase knowledge of the nature and dynamics of B-BBEE and to promote public awareness of matters related to B-BBEE by conducting research pertaining to its mandate and activities and, from time to time, publishing the results of that research<sup>3</sup>.

The Commission hopes that the study will contribute to informed and comprehensive reflection among government, business and society at large on the strides made towards achieving the fundamental objectives of the B-BBEE Act including promoting economic transformation and enhancing the economic participation of black people, who were previously disadvantaged under Apartheid and colonialism.

<sup>1</sup> Broad-based Black Economic Empowerment Act No. 53 of 2003 ("the B-BBEE Act") as amended by Act 46 of 2013. Accessed at: [https://www.gov.za/sites/default/files/gcis\\_document/201409/a53-030.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/a53-030.pdf)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

The study seeks, to the extent possible, deepen the understanding of the patterns and landscape of transformation; to shed light on some of the challenges encountered in the implementation of the B-BBEE policy and legislation and, in that way, contribute to the ongoing debate on the impact of B-BBEE legislation in advancing the constitutional objective of equality in the South African economy and society. Furthermore, this study aims to add to existing research on transformation in South Africa taking a comprehensive approach covering a 10-year period. The Commission continues to report on the National Status and Trends on B-BBEE on an annual basis which offers some insights into the evolution of transformation over time, but primarily based on data attributed to JSE-listed companies, organs of state and public entities<sup>4</sup>.

A review of the literature also shows that **the dtic** has in the past commissioned two baseline studies measuring progress regarding transformation in the South African economy (in both the private and public sectors). The first baseline study was conducted in 2007, and the second research was commissioned in 2013<sup>5</sup>. The second baseline research applied the same methodology (a combination of secondary and survey data analysis) as used in the first baseline research of 2007. This is notwithstanding the adjustments that had to be considered since the first baseline research was conducted prior to the release of the B-BBEE Sector Codes and the accreditation of verification agencies.

It is worth noting that the baseline research collected secondary data from published literature and inputs solicited from the various stakeholders, while primary data was collected through a survey method. Since the second baseline research was concluded 7 years after the first baseline research, it was only able to shed some insights into the effectiveness of B-BBEE Sector Codes through a comparative analysis (2007 compared to 2013). The second baseline research also acknowledges the limitations in terms of high rejection rates, as a significant percentage of companies voluntarily refused to take part in the study. Consequently, this had the effect of the results being biased<sup>6</sup>. The Commission also conducted a baseline study in 2016<sup>7</sup> following its coming into operation to understand the transformation outlook and shape the execution of its mandate.

**Industry players such as Sanlam also add to the knowledge base by reporting on the status of transformation in South Africa every year. Sanlam through its Transformation Gauge Report<sup>8</sup>, which was first published in 2021, evaluates B-BBEE scores of companies across sectors based on the B-BBEE classification system and data collected through a survey conducted with BBBEE verification agencies<sup>9</sup>.**

<sup>4</sup> Accessed at: <https://www.bbbeecommission.co.za/wp-content/uploads/2024/04/2022-NATIONAL-STATUS-REPORT.pdf>

<sup>5</sup> Report on the impact of B-BBEE in terms of overall transformation and implementation within the public and private sectors 2<sup>nd</sup> baseline research – 2013. Pg. 2.

<sup>6</sup> Report on the impact of B-BBEE in terms of overall transformation and implementation within the public and private sectors 2<sup>nd</sup> baseline research – 2013. Pg. 2-4.

<sup>7</sup> National state of transformation and trend analysis, B-BBEE Commission 2016

<sup>8</sup> Accessed at: <https://sanlamtransformationgauge.co.za/report-2023/>

<sup>9</sup> Accessed at: [https://theppra.org.za/article/property\\_sector\\_charter\\_council\\_releases\\_its\\_first\\_public\\_state\\_of\\_transformation\\_report\\_for\\_the\\_property\\_sector](https://theppra.org.za/article/property_sector_charter_council_releases_its_first_public_state_of_transformation_report_for_the_property_sector); <https://www.banking.org.za/wp-content/uploads/2019/04/submission-on-transformation-in-the-financial-sector-10-03-2017.pdf>; <https://pmg.org.za/committee-meeting/29175/>

Sector Charter Councils also conduct research on transformation and release reports for specific sectors<sup>10</sup>. These Sector Charter Councils rely mainly on data from B-BBEE reports, certificates and/or affidavits to compile Annual Reports on the status of transformation in their respective sectors. For example, the Property Sector Charter Council collects data mainly from the B-BBEE certificates and reports of companies within the sector. Similarly, the Construction Sector Charter Council conducts an analysis of the status of transformation based on data collected from verification agencies for B-BBEE certificates issued under their sector<sup>11</sup>. On the other hand, the Forestry Sector Charter Council collates B-BBEE data, including B-BBEE reports, certificates and/or affidavits from measured entities in the sector through different means such as direct communication or through organised industry association submissions by its members<sup>12</sup>.

This research sought to provide a detailed analysis of B-BBEE implementation in South Africa based on data received from the verification agencies. It conducted macro and sectoral analysis to derive valuable insights into compliance with the B-BBEE Act and the extent of transformation in the economy, with a view to providing an evidentiary basis for policymakers, regulators and various industries on the status of transformation in South Africa.

This is because the implementation of B-BBEE in all sectors of the South African economy is crucial to the advancement of economic and social development of South Africa as envisaged in the objectives of the B-BBEE Act.

Since this study was also conducted with a strategic purpose in mind, the results observed from the research further seek to enable the Commission to track changes or developments in transformation over time. A credible and broader empirical base for assessing B-BBEE is vital in the face of questions faced by policymakers about the impact of the legislation since its promulgation, and to counter misleading information about the extent of transformation in the South African economy.

To this end, the research tracked trends and levels of the B-BBEE elements such as the racial composition of ownership, board participation and management structures in a ten-year period, specifically from 2013 to 2023. This was done through a time series assessment of both levels and trends, with a view to determining whether there has been a substantial change in transformation patterns for the period under review.

<sup>10</sup> Accessed at: <https://www.propertycharter.co.za/sot-reports>

<sup>11</sup> Accessed at: <https://www.csccl.org.za/wp-content/uploads/CSCC-State-of-Transformation-Report-2021-signed.pdf>

<sup>12</sup> Accessed at: <https://www.forestrysouthafrica.co.za/wp-content/uploads/2022/08/Final-FY2021-22-Annual-Status-of-Transformation-2-08-2022.pdf>

**It is hoped that the results of this time-series analysis will aid relevant stakeholders, industry and policymakers to make informed decisions to address the lack of transformation where necessary, with due consideration of:**

- First, establishing the trends and levels of transformation at a macro-level allows for the detection of strengths in the transformation of the economy before such trends become permanently entrenched.
- Second, focusing on trends and levels of transformation to provide insights into specific sectors of the economy that remain untransformed. This can provide the scope for the Commission and policymakers to prioritise these sectors and introduce interventions aimed at addressing the lack of transformation in specific sectors, particularly where there are evident patterns of inequitable ownership and distribution of the country's productive assets and advanced skills.

#### **The report is structured as follows:**

**Section 5** covers the B-BBEE regulatory framework which includes a discussion on the B-BBEE Act's rationale, objectives, key principles and the role of the Commission towards the implementation of the B-BBEE Act.

**Section 6** focuses on the sample design and methodology adopted in this research;

**Section 7** provides a macro level analysis of trends and levels of B-BBEE elements;

**Section 8** delves into the sectoral assessment of B-BBEE elements;

**Section 9** deals with research observations and conclusions;

**Section 10** provides policy recommendations; and

**Section 11** appendices.

# Building the framework of change from policy to practice:

Shaping the construct of Broad-Based Black Economic Empowerment

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# B-BBEE Regulatory Framework

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## 5. | B-BBEE Regulatory Framework

### 5.1 Contextual Background

#### 5.1.1 The B-BBEE Act of 2003 and the role of the Commission

The B-BBEE Act 53 of 2003 was enacted with the intention of establishing a legislative framework for promoting black economic empowerment. The Act seeks to advance a key provision in South Africa's Constitution for government to institute legislation and other measures to redress economic injustices and imbalances which result from the Apartheid era when black people were excluded from mainstream economic activities. During Apartheid, race was used to prohibit access to South Africa's productive resources and employment.

The B-BBEE Act was subsequently amended to the Broad-Based Black Economic Empowerment Amendment Act 46 of 2013 (B-BBEE Act) to make economic empowerment more broad-based.

#### In summary, the Act aims to:

Promote the achievement of the constitutional right to equality; increase broad-based and effective participation of black people in the economy; promote higher economic growth, increased employment, and a more equitable distribution of income; and establish a national policy on broad-based black economic empowerment that advances the economic unity of the nation, protects the common market, and promotes equal opportunity and equitable access to government services.

#### The objectives of the B-BBEE Act are to facilitate broad-based black economic empowerment by:

**(a)** promoting economic transformation to enable the meaningful participation of black people in the economy; **(b)** achieving substantial change in the racial composition of ownership and management structures, as well as in skilled occupations within existing and new enterprises; **(c)** increasing the extent to which communities, workers, cooperatives, and other collective enterprises own and manage existing and new enterprises, and enhancing their access to economic activities, infrastructure, and skills development; **(d)** increasing the participation of black women in the ownership and management of existing and new enterprises, and improving their access to economic activities, infrastructure, and skills development; **(e)** promoting investment programmes that support broad-based and meaningful participation in the economy by black people, with a view to achieving sustainable development and shared prosperity; **(f)** empowering rural and local communities through improved access to economic activities, land, infrastructure, ownership opportunities, and skills development; **(g)** promoting access to finance for black start-ups, small, medium, and micro enterprises (SMMEs), cooperatives, and black entrepreneurs, including those operating in the informal sector; and **(h)** increasing effective economic participation by black-owned and managed enterprises, including SMMEs and cooperatives, and enhancing their access to both financial and non-financial support.

**The amended 2013 B-BBEE Act provides for the establishment of the B-BBEE Commission to:**

(a) oversee, supervise, and promote compliance with the Act in the public interest; (b) provide advocacy, education, and awareness initiatives to support the implementation of, and adherence to, the B-BBEE Act; (c) receive and investigate complaints relating to B-BBEE; (d) register and assess major B-BBEE transactions that meet or exceed the prescribed threshold of R25 million; and (e) analyse compliance reports submitted to the Commission by organs of state, public entities, Sector Education and Training Authorities (SETAs), and entities listed on the Johannesburg Stock Exchange (JSE).

The Act also establishes the B-BBEE Presidential Advisory Council whose role is to provide guidance and review progress on the state of B-BBEE performance in the economy. The Council is empowered to advise on draft Sector Codes and on the development or revision of the B-BBEE strategy by **the dtic**.

This report is compiled at a time of heightened public debate regarding the implementation of B-BBEE in South Africa, particularly in relation to its impact, value, and the constitutional provisions underpinning it, including Section 9(2) of the Constitution. The debate, together with the findings of this report, are significant in informing future policy considerations. This is especially pertinent in light of the recent statement by the President of the Republic of South Africa, Mr Ramaphosa, recommitting to the central role that B-BBEE plays to advance economic redress and transformation. The President has further emphasised that empowerment legislation must be practical, effective, and responsive to prevailing economic conditions, while addressing the historical injustices of exclusion<sup>13</sup>.

<sup>13</sup> <https://iol.co.za/news/politics/2025-07-01-ramaphosa-reaffirms-b-bbee-and-eeip-as-essential-to-economic-redress-and-transformation/>;  
[https://www.polity.org.za/article/dtic-to-review-bbbee-measures-to-strengthen-efficacy-2025-06-25?utm\\_source=chatgpt.com](https://www.polity.org.za/article/dtic-to-review-bbbee-measures-to-strengthen-efficacy-2025-06-25?utm_source=chatgpt.com)

## 5.1.2 B-BBEE legislative and policy changes

Between 2013 and 2023, South Africa's B-BBEE policies underwent significant legislative and policy adjustments to address persistent economic inequalities and accelerate transformation. These changes sought to strengthen compliance, improve enforcement, and promote genuine economic participation for the historically disadvantaged groups.

The 2013 amendments to the B-BBEE Act came into effect in 2014 and also provided for combating fraudulent practices such as fronting and alignment of the Preferential Procurement Policy Framework Act (PPPFA) to B-BBEE, in particular the 2017 PPPFA Regulations, making compliance a prerequisite for government contracts. To reinforce accountability, harsh penalties, including fines and imprisonment, were introduced for misrepresentation of B-BBEE credentials<sup>14</sup>.

In 2013, the amended Generic Codes of Good Practice were gazetted by the Minister of Trade and Industry. These Codes of Good Practice are applicable to all organs of the state, all measured entities that undertake economic activity with government entities and any other measured entity that undertakes economic activity in South Africa. These revisions, which only came into effect on 1 May 2015, introduced a more rigorous compliance framework, where the B-BBEE generic scorecard was consolidated into five main elements, namely ownership, management control, enterprise and supplier development, skills development and socio-economic development<sup>15</sup>. Moreover, the revisions prioritised ownership, skills development, as well as enterprise and supplier development, mandating minimum thresholds in these areas to avoid compliance downgrades. Enhanced black ownership requirements and tailored sector-specific codes further encouraged industry-specific transformation efforts<sup>16</sup>.

In 2017, the amendments to the PPPFA Regulations placed greater emphasis on using public procurement to advance B-BBEE objectives. Pre-qualification criteria for tenders were introduced, reserving certain opportunities for entities with specific compliance levels or black ownership thresholds<sup>17</sup>. These changes also awarded preference points to entities based on their B-BBEE status level. These reforms strengthened B-BBEE's role as a critical factor in government contracting. However, the fact that B-BBEE compliance was not a pre-requisite for accessing state procurement derailed the advancement of B-BBEE objectives.

<sup>14</sup> Cliffe Dekker Hofmeyr. 2014. "BEE Amendment Act and draft codes of good practice". Accessed at: <https://www.cliffedekkerhofmeyr.com/news/publications/2014/bee/bee-alert-3-november-bee-amendment-act-and-draft-codes-of-good-practice.html>

<sup>15</sup> Accessed at: <https://www.gov.za/news/media-statements/amended-codes-good-practice-b-bbee-2013-11-oct-2013>

<sup>16</sup> Empowerdex. "B-BBEE codes of Good Practice". Accessed at: <https://www.empowerdex.com/bee-legislation/b-bbee-codes-of-good-practice>

<sup>17</sup> Preferential procurement policy framework act, 2000: preferential procurement regulations, 2017

In 2018, the Youth Employment Service (YES) initiative was introduced to promote job creation for the unemployed black youth and provide elevated B-BBEE status for YES measured entities<sup>18</sup>. The YES programme allows entities to increase B-BBEE points up to two levels on their scorecard<sup>19</sup>.

The COVID-19 pandemic in 2020 and 2021 disrupted economic activity and highlighted inequalities, while also affecting B-BBEE implementation. The B-BBEE Commission's National Status and Trends Report of 2021 on implementation of B-BBEE highlighted that there were several variables at play leading to inadequate B-BBEE data, and the impact of the COVID-19 pandemic was a major part of it<sup>20</sup>. A major concern was the 72% decrease in submitted data between 2019 and 2021 by JSE-listed entities and organs of state (including public entities). Compliance deadlines were also extended by the B-BBEE Commission for businesses affected by the pandemic, while the government reinforced the importance of B-BBEE in the procurement of essential goods and services<sup>21</sup>.

In 2022, policy updates aligned B-BBEE with broader employment equity and skills development goals to foster inclusive economic growth. Entities were incentivised to prioritise participation of black people in critical skills areas, while employment equity measures were integrated into B-BBEE strategies to address workforce disparities. Discussions also began to shift towards sustainability, focusing on ensuring that ownership schemes, such as Trusts and Employee Share Ownership Plans (ESOPs), genuinely benefited black South Africans<sup>22</sup>.

Another policy with potential to bolster the B-BBEE Act is the Companies Amended Regulations of 2023, which gives effect to the General Laws Amendment Act 22 of 2022<sup>23</sup>, which requires companies to disclose Beneficial Ownership structures, the purpose being to promote transparency of the identities of ultimate beneficial owners of registered entities, which should be a deterrence against fronting<sup>24</sup>. This was followed by amendments to the Trust Property Control Act, which came into effect in 2023, with the intention to strengthen the regulation of Beneficial Ownership and positively impact implementation of the B-BBEE Act<sup>25</sup>.

Despite these efforts, many challenges have persisted. Fronting remains a significant issue, while the overall pace of transformation has been slower than anticipated in many industries.

<sup>18</sup> Accessed at: <https://www.bbbee.com.co.za/wp-content/uploads/2024/11/Educational-Material-10-Youth-Employment-Service.pdf>

<sup>19</sup> Accessed at: <https://beesureconsulting.co.za/yes-initiative/>

<sup>20</sup> Accessed at:

<https://www.bbbee.com.co.za/wp-content/uploads/2022/07/B-BBEE-National-status-and-trends-on-B-BBEE-transformation-July-sp-Final.pdf>

<sup>21</sup> Valodia, P.D. 2020. "South Africa: extension of time for B-BBEE submissions and filings during the lockdown". Accessed at:

<https://www.ensafrica.com/news/detail/2410/south-africa-extension-of-time-for-b-bbee-sub> ;

<sup>22</sup> "The Golden Thread: Aligning B-BBEE, Employment Equity, and Skills Development for Inclusive Economic Growth". Accessed at:

<https://www.bee123.co.za/the-golden-thread-aligning-b-bbee-employment-equity-and-skills-development-for-inclusive-economic-growth/>

<sup>23</sup> Accessed at:

<https://www.cliffedekkerhofmeyr.com/news/publications/2024/Practice/Corporate/corporate-commercial-alert-22-February-2024-beneficial-ownership-an-update-on-beneficial-ownership-registration-filings>

<sup>24</sup> Accessed at: [https://www.ey.com/en\\_gl/technical/tax-alerts/south-africa---new--beneficial-ownership--reporting-requirements](https://www.ey.com/en_gl/technical/tax-alerts/south-africa---new--beneficial-ownership--reporting-requirements)

<sup>25</sup> Available at: [https://www.gov.za/sites/default/files/gcis\\_document/202304/4835rg11566gon3240.pdf](https://www.gov.za/sites/default/files/gcis_document/202304/4835rg11566gon3240.pdf)

Economic stagnation, inequality, and high unemployment have further complicated the implementation of B-BBEE, thereby limiting its impact. At an overall level, the period 2013 to 2023 marked just over a decade of evolving B-BBEE policies, reflecting South Africa's ongoing commitment to economic transformation. While progress has been made in fostering ownership, skills development, and supplier growth, the focus now needs to shift toward ensuring genuine, measurable outcomes that drive long-term socio-economic change.

## 5.2 Key Legislation Promoting Economic Transformation

To achieve the above-mentioned objectives of the B-BBEE Act, South Africa has other legislative frameworks that complement the B-BBEE Act, whose goals are designed to address disparities in economic participation and foster a more inclusive economy, as discussed below.

### The Constitution of 1996<sup>26</sup>

**The Constitution of 1996** is the overarching legislation that gives effect to B-BBEE. The specific provisions in the Constitution that seek to promote transformation and economic participation are Section 9 (4) which stipulates that no person may be unfairly discriminated against. Section 217, which relates to procurement, also allows organs of state or institutions to implement procurement policy that provides preference in all allocation of contracts in respect of the protection or advancement of persons, disadvantaged by unfair discrimination.

### Public Procurement Act 28 of 2024<sup>27</sup>

**The Public Procurement Act** emphasises that public procurement processes through government contracts should support the objectives of the B-BBEE Act. This includes set-asides and sub-contracting requirements for businesses and enterprises owned by historically disadvantaged individuals. In addition, the Public Procurement Act establishes a Public Procurement Office within the National Treasury to oversee compliance with procurement regulations and ensure that procurement practices achieve the goals of economic transformation.

### The Employment Equity Amendment Act 4 of 2022<sup>28</sup>

**The Employment Equity Act** includes provisions that address historical inequalities and promote transformation in the workplace. The Act directs employers to implement skills development programmes, and such programmes are measured as a key element of the B-BBEE scorecard for progress on transformation. The Employment Equity Act's affirmative action also contains provisions that complement the B-BBEE Act's management control element aimed at encouraging representation of Black people in the management of state entities and private businesses.

<sup>26</sup> Available at: [https://www.concourt.org.za/images/phocadownload/the\\_text/Slimline-Constitution-Web-Version.pdf](https://www.concourt.org.za/images/phocadownload/the_text/Slimline-Constitution-Web-Version.pdf)

<sup>27</sup> Available at: [https://www.parliament.gov.za/storage/app/media/Acts/2024/Act\\_No\\_28\\_of\\_2024\\_Public\\_Procurement\\_Act.pdf](https://www.parliament.gov.za/storage/app/media/Acts/2024/Act_No_28_of_2024_Public_Procurement_Act.pdf)

<sup>28</sup> Available at: [https://www.saflii.org/za/legis/consol\\_act/eea1998240.pdf](https://www.saflii.org/za/legis/consol_act/eea1998240.pdf)

In terms of the 2022 amendments, the Minister of Employment and Labour is empowered to identify national economic sectors, and in consultation with those sectors set employment equity targets for the purpose of ensuring the equitable representation of suitably qualified people from designated groups at all occupational levels in the workforce. The amendments also prescribe annual employment equity report submissions by designated employers<sup>29</sup>.

### **The Skills Development Act 97 of 1998<sup>30</sup>**

One of the objectives of the **Skills Development Act** is to provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce. The Act, which is about developing skills for black people is aligned to the objectives of B-BBEE Act. For instance, verified entities are measured and scored for compliance with the Skills Development Act.

### **The Competition Act 89 of 1998 as amended<sup>31</sup>**

**The Competition Act** reinforces the objectives of the B-BBEE Act with respect to economic transformation through mechanisms such as promoting fair market access and encouraging entry into the market by small businesses and Historically Disadvantaged Persons (HDPs). As the Competition Commission investigates anti-competitive practices in the market and the potential impact on HDPs, it supports the provisions of the B-BBEE Act by ensuring that anti-competitive practices are curbed as they can undermine economic transformation. The Act also promotes inclusive ownership by increasing the ownership stakes of historically disadvantaged people, as it requires the competition authorities to consider the impact of mergers and acquisitions on HDP entities in its decisions.

### **The Trust Property Control Act 57 of 1988<sup>32</sup>**

**The Trust Property Control Act 57 of 1988** applies to the use of trusts to promote economic empowerment and transformation. The Act supports economic empowerment in the following ways, amongst others: **a)** as part of its provisions on beneficial ownership, the Trust Property Control Act regulates the administration of trust property to safeguard transparency and accountability. This is critical to ensure that beneficiaries of B-BBEE trusts derive benefits from the trusts. Trusts can be established to hold shares or assets on behalf of historically disadvantaged individuals or groups, aligning with B-BBEE objectives. **b)** These trusts are often used to facilitate ownership and management control elements of the B-BBEE scorecard. **c)** The Act has been amended to strengthen the regulation of beneficial ownership, which positively impacts the efficient implementation of the B-BBEE Act.

<sup>26</sup> Available at: [https://www.concourt.org.za/images/phocadownload/the\\_text/Slimline-Constitution-Web-Version.pdf](https://www.concourt.org.za/images/phocadownload/the_text/Slimline-Constitution-Web-Version.pdf)

<sup>27</sup> Available at: [https://www.parliament.gov.za/storage/app/media/Acts/2024/Act\\_No\\_28\\_of\\_2024\\_Public\\_Procurement\\_Act.pdf](https://www.parliament.gov.za/storage/app/media/Acts/2024/Act_No_28_of_2024_Public_Procurement_Act.pdf)

<sup>28</sup> Available at: [https://www.saflii.org/za/legis/consol\\_act/eea1998240.pdf](https://www.saflii.org/za/legis/consol_act/eea1998240.pdf)

<sup>29</sup> Available at: <https://cms.law/en/zaf/news-information/the-employment-equity-amendment-act>

<sup>30</sup> Available at <https://lawlibrary.org.za/akn/za/act/1998/97/eng@2015-08-09>

<sup>31</sup> Available at: <https://www.compcom.co.za/wp-content/uploads/2021/03/Competition-Act-A6.pdf>

<sup>32</sup> Available at: [https://www.gov.za/sites/default/files/gcis\\_document/201505/act-57-1988\\_0.pdf](https://www.gov.za/sites/default/files/gcis_document/201505/act-57-1988_0.pdf)

This list of complementary legislation demonstrates that transformation is crucial to achieving inclusive economic growth and development. This list is not exhaustive, as the research notes amendments to some of the listed legislative frameworks, including the Public Procurement Act, the Trust Property Control Act and other pieces of legislation that seek to address economic disparities and promote empowerment and transformation such as the National Empowerment Fund (NEF) Act 105 of 1998<sup>33</sup>.

### 5.3 B-BBEE Sector Codes

In February 2007, **the dtic** gazetted the B-BBEE Generic Codes of Good Practice, in terms of which several Sector Codes were introduced as per the stipulations of the B-BBEE Act<sup>34</sup>. Initially, eleven (11) Sector Codes were published in various industries including: **(a)** agriculture; **(b)** financial services; **(c)** ICT; **(d)** property; **(e)** chartered accountancy (which was repealed in 2015); **(f)** transport; **(g)** forestry; **(h)** marketing, advertising, and communication; **(i)** tourism; **(j)** construction; and **(k)** defence (gazetted in 2019)<sup>35</sup>. To date, there are a total of eleven (11) Sector Codes, including the Legal Sector Code gazetted in 2024, with the Chartered Accountancy Code having been repealed in 2016. In this regard, sectors that have not developed a Sector-specific Code are measurable under the Generic Sector Code (see *Appendix 1 containing a summary of Sector Codes including their effective date of implementation*).

The Sector Codes outline, amongst other things, the sector-specific measurement principles of B-BBEE compliance, including scorecards and recognition levels, and the application of the Codes. According to **the dtic's** 2013 second Baseline Study, “the overall purpose of the Codes of Good Practice (the Codes), is to provide certainty with respect to B-BBEE recognition and measurement, in order that B-BBEE initiatives may be implemented in such a way that economic substance takes precedence over form, that there exists just comparability between the B-BBEE statuses of different entities and that competition with respect to B-BBEE contribution levels takes place”<sup>36</sup>. **Section 12 of the B-BBEE Act** also refers to the gazetting of Transformation Charters. **Section 9 refers to Codes of Good Practice**. The Codes also seek to promote compliance with B-BBEE priority elements and targets, namely, ownership, skills development, and enterprise and supplier development.

These sector-specific codes were also designed to address unique sector challenges and set tailored sector targets for ownership, management control, skills development, enterprise and supplier development, and socio-economic development. While some industries made notable progress, others faced persistent obstacles, resulting in mixed overall performance.

<sup>33</sup> Available at: [https://www.saflii.org/za/legis/consol\\_act/nefa1998276/](https://www.saflii.org/za/legis/consol_act/nefa1998276/)

<sup>34</sup> The Codes are published for information purposes and used as a statement of intent by industry players. Sector Codes are fully binding between and among entities operating in the industry.

<sup>35</sup> Accessed at: <https://www.thedtic.gov.za/financial-and-non-financial-support/b-bbee/b-bbee-charters/#:~:text=In%20February%202007%2C%20the%20dtic,the%20B%2DBBEE%20Act%2C%20No>

<sup>36</sup> Report on the impact of B-BBEE in terms of overall transformation and implementation within the public and private sectors 2<sup>nd</sup> baseline research – 2013. pg. 20.

Across all sectors, the overarching goals include achieving specific targets with respect to black ownership, increasing black representation in senior leadership, and fostering skills development for black youth, women, and persons with disabilities.

Enterprise and supplier development were key areas of focus, in line with efforts to integrate black-owned businesses into supply chains. Socio-economic development targets emphasise community upliftment through education, housing, and infrastructure investments. The targets for B-BBEE elements under specific Sector Codes are detailed in **Section 5 of the report**.

## 5.4 Key B-BBEE Measurement Principles

Statement 000 of the Codes outlines the key principles of the B-BBEE framework. It serves as the foundation for all codes. Thresholds for Classification and Compliance to Priority Elements:

- **Exempted Micro Enterprises (EMEs):** Turnover  $\leq$  R10 million – receive a deemed B-BBEE status of Level 4; If EME is at least 51% black-owned, measured through the flow-through principle, it qualifies for Level 2 contributor or Level 1 contributor if EME is 100% black-owned.
- **Qualifying Small Enterprises (QSEs):** Between R10–R50 million – comply with the QSE scorecard and with ownership being compulsory and either skills development or enterprise and supplier development as priority elements with exclusion of black-owned QSEs, who only receive deemed Level 1 and 2 Contributor Status if 100% or 51% black-owned.
- **Generic Enterprises:** > R50 million – must comply with the five elements and all Priority Elements

**Key Pillars of B-BBEE:** Measured entities are assessed across five elements, namely, ownership, management control, skills development, enterprise and supplier development (ESD) and socio-economic development.

- **Priority Elements:** Certain elements, like ownership, skills development, and ESD, are prescribed as priority elements, and companies must meet sub-minimum targets (approximately 40%) or face level discounting.
- **Scorecard-Based Evaluation:** Entities are evaluated using a scorecard, and their B-BBEE Level determines their contribution to empowerment. Higher levels indicate better compliance. In this way, the B-BBEE certificate issued by an accredited verification agency serves not only to indicate a company's B-BBEE level, but also as a source of elementary data for monitoring transformation trends across the economy.
- **Verification and Reporting:** Compliance must be verified by accredited agencies, and SETAs, JSE-listed entities, organs of state and public entities must report to the B-BBEE Commission.

## 5.5 Role of Charter Councils

The role of Sector Charter Councils is explicitly provided in paragraph 6 of Statement 003 of the Codes of Good Practice. The line ministry has the responsibility to drive the process of establishing a Sector Charter Council within the Sector. The appointment of the Sector Charter Council members is approved by the line ministry as recommended by the sector stakeholders. The main responsibilities of Sector Charter Councils are to develop the Sector Codes and to monitor the implementation thereof.

The functions of the Sector Charter Council may include: **a)** to provide guidance on sector-specific matters in effecting B-BBEE in entities within the sector; **b)** to compile reports on the status of B-BBEE within the sector; and **c)** to share information with sector members, approved accreditation agencies, B-BBEE Commission, B-BBEE Presidential Advisory Council, the line Ministry and the Minister of Trade, Industry and Competition (for details on the governance of Sector Charter Councils see *Appendix 2*).

Funding is reported to be a major challenge experienced by Sector Charter Councils, which hampers their operational effectiveness and efficiency. This requires the attention of line departments, with the view of strengthening their alignment to the overarching strategic imperative of advancing B-BBEE and transformation. A related challenge is delays by line departments in establishing Sector Charter Councils and appointing their members, which also impacts the monitoring of the implementation of Sector Codes and compilation as well as publication of annual transformation reports on the performance of a sector.

Notably, the term of office for the Sector Charter Councils for Agri-BEE and defence sectors expired before this research was undertaken, and the line ministries are yet to re-establish them and appoint members to these Councils. According to Section 10 (4) of the Act, it is obligatory for entities regulated by a sector code to submit reports to the Sector Charter Councils. In this regard, the B-BBEE Commission has noted with concern the reporting levels of entities to sector councils. Insufficient reporting could result in a distorted understanding of the current status of transformation.

## 5.6 Role of verification agencies

In 2008, **the dtic** gazetted the B-BBEE Verification Manual for purposes of accreditation and verification of B-BBEE-related reporting by SANAS and B-BBEE verification agencies<sup>37</sup>. This was followed by the release of Statement 500 in 2011, which is aimed at providing accreditation requirements for verification agencies. The B-BBEE Amendment Act No. 46 of 2013 also makes provision for the Minister of Trade Industry and Competition to appoint a regulatory body for the accreditation of verification agencies or authorisation of B-BBEE verification professionals. The role of verification agencies is to assess, verify and validate disclosed and undisclosed B-BBEE related information on measured entities. The standards for performing B-BBEE measurements are fundamental to confirming that the information on which a B-BBEE certificate is based has been tested for validity and accuracy<sup>38</sup>.

<sup>37</sup> <https://www.thedtic.gov.za/the-b-bbee-verification-manual/>

<sup>38</sup> Available at : <http://www.thedtic.gov.za/financial-and-non-financial-support/b-bbee/b-bbee-procurement-transformation-verification/>

# Mapping the Evidence:

Designing the methods used to measure and  
understanding transformation

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# Sample Design and Methodology

06.

## 6. | Sample Design and Methodology

### 6.1 Sample Design

The B-BBEE Act only requires JSE-listed companies, organs of state, public entities and SETAs to submit their B-BBEE certificates annually to the B-BBEE Commission. Outside this, the Commission typically has limited access to information on transformation across the economy, except in instances where the sector council submitted a sector report through **the dtic**. The study sample was designed to ensure greater representation of all industries beyond the mandatory JSE-listed companies, organs of state, public entities and SETAs. For this research study, the Commission reached out to a total of 89 verification agencies registered with SANAS to request industry B-BBEE data on verified entities. From the total of 89 verification agencies, the Commission obtained data from 56 verification agencies (or 63% of all verification agencies).

Data collected from 56 out of 89 verified agencies formed the core of the total sample used for analysis. The sample does not represent the universe of all issued B-BBEE certificates and reports, however it consists of certificates and reports that could feasibly be obtained for the analysis. The total number of B-BBEE certificates and reports obtained is, however, deemed to be large enough to generate credible and indicative trends in B-BBEE compliance and transformation for the period under review.

Data sourced from verification agencies contained voluminous information for which they had issued B-BBEE certificates, while in some cases, recently accredited agencies provided up-to-date information in their possession as per the template that was designed by the Commission.

#### Basic information featured on the template included:

- Date of B-BBEE certificate or report issue;
- Type of entity and nature of business (LE/QSE/EME);
- Sector in which enterprise is active or the B-BBEE sector code relevant;
- Enterprise's actual annual turnover;
- Overall ownership, management control, skills development, ESD and socio-economic scores; and
- B-BBEE status of entities.

<sup>39</sup> The verifications agencies that submitted data include: 1st Verification Networkx, Authentic Ratings Solutions, 4th Dimension, 5 Star Compliance, aBEERate, Advanced Empowerment Solutions, Aequitas, AlphaBEE, AMAX Verifications, Aqrate, Assurance, BBBEE Rating Agency, BEE Online, BEE Rated, BEE Transformation Solutions, BEE Ya Rona, BEEScore, BEESure, Cardinal Ratings, Central Ratings Agency, Dextra, DVS BEE, Empower BEE, Empowerdex, Empowerdex Northern Regions, Empowerdex Johannesburg, Empowerdex Cape Town, Empowerdex KZN, Empowerlogic, EVASA, FinxBEE, GLP BEE, HMB, Honeycomb, Ikamva, Inspiredex, Intergritas, Izala, Izwelisha, JS BEE, Landel Services, Magna BEE Rating, Monochrome, Moore Infinity, MooreBEEPTA, Mosela Ratings Agency, MSCT, Muthelo, Noble BEE Rating, Premier, Renaissance, RVN Empowerment, Transfomax, Verification made simple, VQS, and Xcelerate.

The standard B-BBEE certificates submitted by the verification agencies generally include, amongst other variables, information necessary for this research, such as the year of verification and enterprise size as determined by turnover. While these certificates provide foundational data, B-BBEE reports offer much more granular information: ownership structures, board participation, management composition, and other key metrics necessary for a comprehensive assessment of transformation and B-BBEE compliance.

Success in gathering data from the verification agencies for the period of this research was based on their willingness to provide data and support for the research project by supplying the required data in a format that was required by the Commission. In some instances, where verification agencies had capacity challenges, they provided B-BBEE certificates and reports. Data obtained from B-BBEE reports and certificates was captured by the Commission using the same standard template for consistency and to facilitate comparative analysis.

It should, however, be noted that the data collected from verification agencies included Exempted Micro-Enterprise (EMEs) with an annual turnover of R10 million or less. This is because in some regulated sectors, such as transport and construction, entities are required to be verified by verification agencies even though the B-BBEE Act exempts them from this kind of verification.

Table 1 below provides a breakdown of the total sample by entity size based on B-BBEE certificates collected for the period 2013 to 2023.

**Table 1: Total sample by entity size (2013-2023)<sup>40</sup>**

| Entity size        | 2013       | 2014       | 2015       | 2016       | 2017        | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        | Grand Total  |
|--------------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| EME                | 206        | -          | 72         | 78         | 91          | 51          | 156         | 288         | 454         | 619         | 461         | <b>2476</b>  |
| Large              | -          | -          | 221        | 110        | 662         | 745         | 1057        | 1202        | 2212        | 2935        | 1965        | <b>11109</b> |
| QSE                | -          | 233        | 468        | 394        | 499         | 570         | 766         | 990         | 1574        | 2417        | 1688        | <b>9599</b>  |
| Unknown            | 475        | 340        | 96         | 338        | 613         | 1277        | 280         | 425         | 443         | 631         | 29          | <b>4947</b>  |
| <b>Grand Total</b> | <b>681</b> | <b>573</b> | <b>857</b> | <b>920</b> | <b>1865</b> | <b>2643</b> | <b>2259</b> | <b>2905</b> | <b>4683</b> | <b>6602</b> | <b>4143</b> | <b>28131</b> |

Source: Commission's analysis based on the data collected from verification agencies

Table 1 above also shows that out of the total sample of 28 131 data entries used for the analysis, a total of 11 109 data entries (or 39.5%) were from large entities, followed by a total of 9 599 entries (or 34.1%) from QSEs, whilst EME entries totalled 2 476 (or 8.8%). The total sample also comprised a notable 4 947 data entries (or 17.6%) that were captured by the verification agencies but with no description of entity size, classified herein as 'unknown'.

<sup>40</sup>The paucity of data entries in the earlier years of the data series (2013-2014) can be attributed to the revision of the B-BBEE Act in 2013 which resulted in the unintended consequence of non-compliance during the transition period.

To align the research with the B-BBEE legislation, the sector breakdown considered in Table 2 below is as per the B-BBEE Sector Codes classification system as opposed to the conventional Standard Industrial Classification (SIC) applied by Statistics South Africa.

**Table 2: Total Sample by Sector (2013-2023)<sup>41</sup>**

| Sector             | 2013       | 2014       | 2015       | 2016       | 2017        | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        | Grand Total  |
|--------------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Agri-BEE           | 2          | 4          | 11         | 10         | 87          | 60          | 60          | 63          | 135         | 197         | 138         | <b>767</b>   |
| Construction       | 267        | 95         | 109        | 48         | 23          | 321         | 626         | 945         | 1365        | 1952        | 1383        | <b>7134</b>  |
| CA                 | -          | 2          | 4          | 1          | -           | -           | -           | -           | -           | -           | -           | <b>7</b>     |
| Defence            | -          | -          | -          | -          | -           | -           | 2           | 6           | 5           | 5           | 4           | <b>22</b>    |
| Financial Services | 4          | 5          | 15         | 9          | 58          | 110         | 57          | 81          | 160         | 212         | 172         | <b>883</b>   |
| Forestry           | 2          | 3          | 4          | 3          | 6           | 10          | 7           | 5           | 19          | 41          | 15          | <b>115</b>   |
| Generic            | 327        | 176        | 212        | 414        | 1064        | 1349        | 927         | 1112        | 1701        | 2369        | 1477        | <b>11128</b> |
| ICT                | 19         | 93         | 105        | 231        | 129         | 280         | 146         | 183         | 357         | 489         | 259         | <b>2291</b>  |
| Transport          | 46         | 37         | 31         | 35         | 169         | 245         | 252         | 336         | 574         | 832         | 528         | <b>3085</b>  |
| MAC                | -          | -          | -          | -          | 25          | 41          | 32          | 30          | 49          | 55          | 42          | <b>274</b>   |
| Property           | 2          | 9          | 15         | 13         | 27          | 23          | 24          | 20          | 44          | 159         | 64          | <b>400</b>   |
| Tourism            | 12         | 29         | 37         | 31         | 42          | 78          | 31          | 63          | 52          | 115         | 48          | <b>538</b>   |
| Unknown            | -          | 120        | 314        | 125        | 235         | 126         | 95          | 61          | 222         | 176         | 13          | <b>1487</b>  |
| <b>Grand Total</b> | <b>681</b> | <b>573</b> | <b>857</b> | <b>920</b> | <b>1865</b> | <b>2643</b> | <b>2259</b> | <b>2905</b> | <b>4683</b> | <b>6602</b> | <b>4143</b> | <b>28131</b> |

Source: Commission's analysis based on the data collected from verification agencies

An analysis of the total sample by sector demonstrates that out of a total sample of 28 131 data entries, the generic sector (11 128 entries or 39.6%) had the largest total of number data entries for the period under review, followed by construction (a total of 7 134 entries or 25.4%), transport (a total of 3 085 entries or 11%), and ICT (a total of 2 291 entries or 8.1%). A total number of 1 487 data entries were not assigned to any sector by the verification agencies and are classified as 'unknown'.

## 6.2 Approach and Methodology

### 6.2.1 Data collection and initial challenges

The dataset was primarily derived from B-BBEE certificates and reports submitted by verification agencies using a standard template developed by the Commission. Additional data sources included independently submitted B-BBEE reports and certificates, which were captured by the Commission, also using the same standardised template. However, significant challenges arose due to variations in the formats of submitted documents by the verification agencies, including inconsistencies in data identifiers and differences in the types of variables captured. These discrepancies often resulted in duplication and incomplete information across data sources, thereby complicating the analysis process. To address these issues, all duplicate reports and certificates were captured, with the intention of filtering and refining them during post-capture analysis.

<sup>41</sup> It should be noted that lack of data entries for the CA sector post 2016 may be due to the Sector Code being repealed in 2016. The MAC Sector Code became effective in 2016, hence there are no data entries prior to this period. The Defence Sector Code was also effective from 2019, which explains the reason for no data entries recorded before this period.

## 6.2.2 Data Consolidation and Duplicate Removal

To consolidate data effectively, all information from B-BBEE reports and certificates was integrated into a unified database. The process involved matching entries based on column headers and assigning unique codes, which incorporated both entity numbers and year identifiers. This methodology enabled the identification of first-level duplicates, where reports shared identical entity-year information.

A more sophisticated second-level duplicate removal process followed, where data entries were re-coded to include data source information. Reports lacking unique entity numbers were assigned new identifiers based on verification agency details, the year of submission, and the sector. This step identified additional duplicates. Ultimately, only unique entries were retained in the final dataset.

## 6.2.3 Data Standardisation and Validation

To ensure consistency and facilitate meaningful analysis, the dataset underwent a rigorous standardisation process.

### Key steps included:

- **Mapping and categorisation:** sector information was mapped to align with established classifications, and entity types were categorised into standard groups.
- **Standardising variable formats:** inputs varied widely, including decimals, percentages, Rand values (absolute numbers and ranges), and others. These were transformed to meet analytical standards.
- **Outliers and adjustments:** values falling outside expected ranges were capped at the maximum allowable limits for the respective metrics. Invalid, blank, or erroneous entries were flagged and excluded from analysis unless corrected through additional verification.
- **Non-standard inputs:** variables relating to B-BBEE levels, status categories, and compliance indicators were standardised to align with expected norms and conventions.

## 6.2.4 Limitations and Analytical Approach

Despite the efforts stated herein, certain limitations affected the depth and extent of the analysis. A significant proportion of data entries, particularly data captured by the verification agencies, lacked key identifiers necessary for tracking individual entities over time. The Commission could also not update and complete missing identifiers as data submitted by verification agencies (as per the template) was not accompanied by underlying B-BBEE certificates and reports. A time-series analysis was, therefore, adopted, focusing on sector-wide transformation trends over the period 2013 to 2023. This approach allowed for the identification of broad patterns and progress made in meeting B-BBEE objectives while mitigating the impact of incomplete entity-level data.

The study relied mainly on data from B-BBEE certificates, and that limited the scope of the analysis undertaken. Inferences on the impact of the implementation of the B-BBEE policy on economic variables such as the number of jobs created; impact on inequality; poverty; innovation, creation of new businesses; and industry value-chain development, could not be ascertained from this study, although they are important impact indicators. These inferences are, however, beyond the scope of this study due to data limitations and can be researched in future once the data challenges have been addressed.

Given the data limitations and inconsistent reporting on B-BBEE elements noted above, the analysis encompassed macro and sectoral level analyses of the B-BBEE elements.

**The following elements were used to assess B-BBEE compliance over a ten-year time frame, namely:**

**(a)** ownership; **(b)** management control; **(c)** skills development; **(d)** enterprise and supplier development and **(e)** socio-economic development. The approach adopted for the analysis was not entity-specific, owing to the format in which data was collected, conducted at an aggregated level and supplied by verification agencies and due to confidentiality considerations<sup>42</sup>.

<sup>42</sup>The biggest challenge was that the data used for the study was not retrievable from one source, hence a combination of sources were employed.

“

**Empowering local makers and manufacturers, stitching a stronger, more inclusive South African textile economy.**

# Tracing the Arc of Change:

The patterns, progress, and pace of transformation over a decade

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# Macro analysis of trends in transformation

07.

## 7. | Macro Analysis of Trends in Transformation

The first part of the macro analysis reviewed trends in B-BBEE compliance by assessing: **(a)** the number of entities in terms of B-BBEE status levels; **(b)** B-BBEE scorecard elements by entity size and **(c)** for overall scores for specific B-BBEE elements. The second part of the macro analysis focused on trends in **(a)** average ownership; **(b)** board participation and **(c)** management control<sup>43</sup>.

### 7.1 Macro analysis of B-BBEE status levels and scores

In terms of the B-BBEE status levels, entities are rated for compliance with the B-BBEE Act, with Level 1 being the highest rating and Level 8 being the lowest rating. Entities are also rated to be non-compliant if they achieved a B-BBEE total score below a prescribed threshold of less than 40 points. The B-BBEE status levels as prescribed in the B-BBEE Act are applied consistently across sectors, although there is variation in the scorecards used by sectors as detailed in the sectoral analysis which will follow the macro section below. Table 3 below provides a breakdown of B-BBEE status level measurements.

**Table 3: B-BBEE Status Level measurements and points**

| B-BBEE Status Level       | Total Range of Points by Level  |
|---------------------------|---|
| Level 1 contributor       | Greater or equal to 100 points on the scorecard                         |
| Level 2 contributor       | Greater or equal to 95 points but less than 100 points on the scorecard |
| Level 3 contributor       | Greater or equal to 90 points but less than 95 points on the scorecard  |
| Level 4 contributor       | Greater or equal to 80 points but less than 90 points on the scorecard  |
| Level 5 contributor       | Greater or equal to 75 points but less than 80 points on the scorecard  |
| Level 6 contributor       | Greater or equal to 70 points but less than 75 points on the scorecard  |
| Level 7 contributor       | Greater or equal to 55 points but less than 70 points on the scorecard  |
| Level 8 contributor       | Greater or equal to 40 points but less than 55 points on the scorecard  |
| Non-compliant contributor | Less than 40 points on the scorecard                                    |

Source: B-BBEE Amendment Act of 2013, pg. 55.

#### 7.1.1 Analysis of B-BBEE Status Levels by Year

The B-BBEE status levels by year are provided in Table 4 below to highlight trends with respect to the number of entities by compliance level from 2013 - 2023.

<sup>43</sup> It should be noted that the analysis relies on data from B-BBEE certificates and reports submitted by verification agencies, and the Commission cannot confirm the accuracy of their points allocation based on the underlying company data.

**Table 4: Total number of entities by B-BBEE Status Level (2013-2023)<sup>44</sup>**

| BEE Status Level   | 2013       | 2014       | 2015       | 2016       | 2017        | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        |
|--------------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Level 1            | 169        | 124        | 161        | 162        | 181         | 278         | 267         | 466         | 937         | 1439        | 875         |
| Level 2            | 108        | 142        | 212        | 170        | 159         | 365         | 342         | 500         | 810         | 1115        | 739         |
| Level 3            | 268        | 110        | 182        | 154        | 150         | 265         | 351         | 598         | 576         | 727         | 463         |
| Level 4            | 46         | 68         | 98         | 121        | 300         | 411         | 289         | 337         | 523         | 697         | 430         |
| Level 5            | 44         | 36         | 67         | 59         | 105         | 14          | 85          | 110         | 175         | 180         | 105         |
| Level 6            | 21         | 37         | 59         | 56         | 98          | 108         | 130         | 119         | 225         | 325         | 175         |
| Level 7            | 6          | 22         | 23         | 26         | 104         | 123         | 99          | 76          | 150         | 207         | 88          |
| Level 8            | 12         | 18         | 33         | 86         | 286         | 345         | 239         | 262         | 414         | 599         | 295         |
| Non-Compliant      | 7          | 16         | 22         | 75         | 404         | 564         | 422         | 418         | 839         | 1282        | 936         |
| <b>Grand Total</b> | <b>681</b> | <b>573</b> | <b>857</b> | <b>909</b> | <b>1787</b> | <b>2605</b> | <b>2224</b> | <b>2886</b> | <b>4649</b> | <b>6571</b> | <b>4106</b> |

Source: Commission's analysis based on the data collected from verification agencies

**Table 5: Percentage share of entities by B-BBEE Status Level (2013-2023)**

| BEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1          | 25%  | 22%  | 19%  | 18%  | 10%  | 11%  | 12%  | 16%  | 20%  | 22%  | 21%  |
| Level 2          | 16%  | 25%  | 25%  | 19%  | 9%   | 14%  | 15%  | 17%  | 17%  | 17%  | 18%  |
| Level 3          | 39%  | 19%  | 21%  | 17%  | 8%   | 10%  | 16%  | 21%  | 12%  | 11%  | 11%  |
| Level 4          | 7%   | 12%  | 11%  | 13%  | 17%  | 16%  | 13%  | 12%  | 11%  | 11%  | 10%  |
| Level 5          | 6%   | 6%   | 8%   | 6%   | 6%   | 6%   | 4%   | 4%   | 4%   | 3%   | 3%   |
| Level 6          | 3%   | 6%   | 7%   | 6%   | 5%   | 4%   | 6%   | 4%   | 5%   | 5%   | 4%   |
| Level 7          | 1%   | 4%   | 3%   | 3%   | 6%   | 5%   | 4%   | 3%   | 3%   | 3%   | 2%   |
| Level 8          | 2%   | 3%   | 4%   | 9%   | 16%  | 13%  | 11%  | 9%   | 9%   | 9%   | 7%   |
| Non-Compliant    | 1%   | 3%   | 3%   | 8%   | 23%  | 22%  | 19%  | 14%  | 18%  | 20%  | 23%  |

Source: Commission's analysis based on the data collected from verification agencies

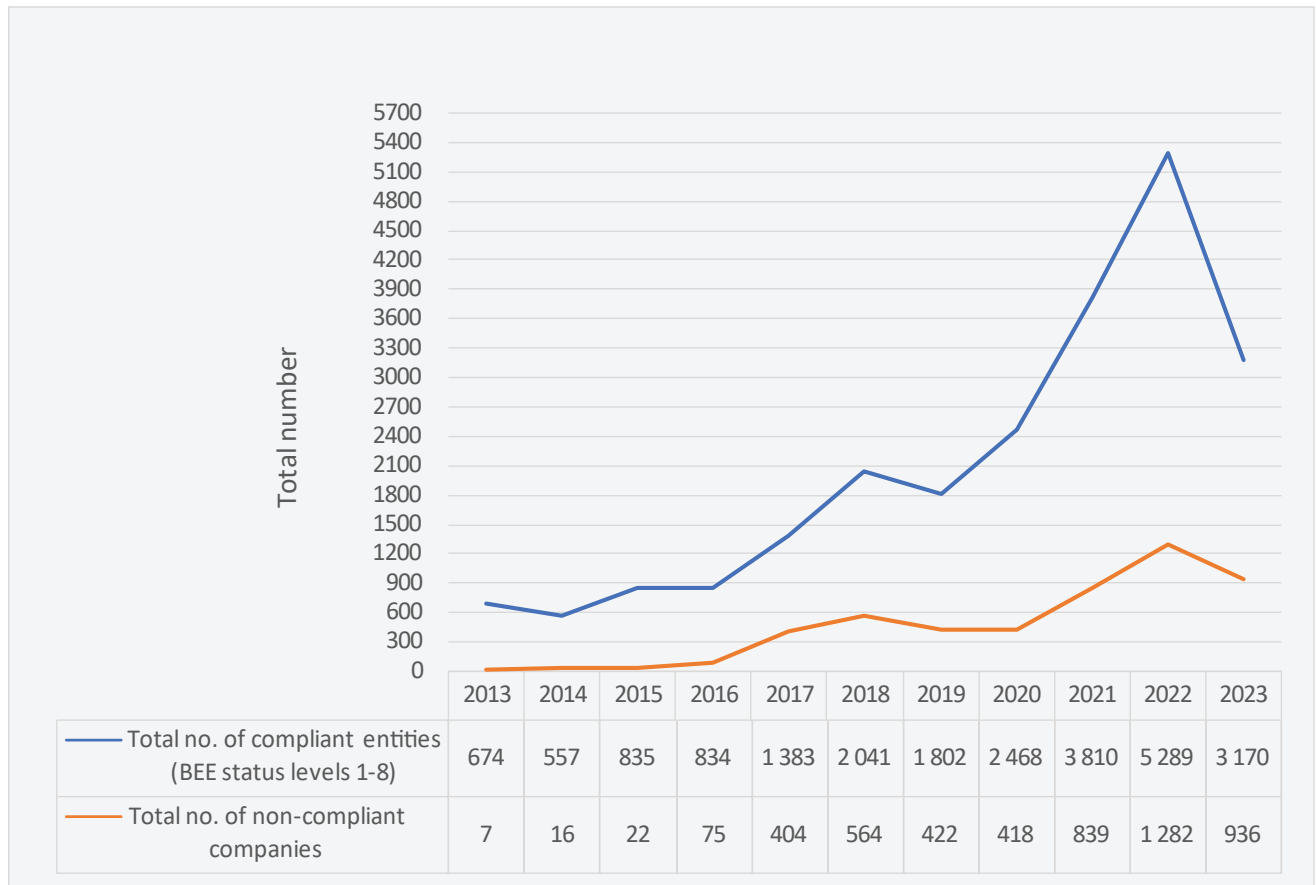
Tables 4 and 5 above illustrate that over the 11-year period, most entities in the total sample were compliant at B-BBEE status Levels 1 to 4 collectively, which is deemed to be satisfactory, while a smaller share of entities combined are compliant at lower B-BBEE status levels (status Levels 5 to 8) from 2013 to 2023. The share of Levels 1-4 in the sample was 87% in 2013, reducing to 51% in 2018 before increasing to 60% in 2023.

The high levels in 2013 are probably reflective of the small sample of those seeking verification, and also the less rigorous standards applied until the new Codes of Good Practice came into effect in May 2015. The levels of compliance reduced sharply thereafter. The effect of an increased sample of those seeking verification with more rigorous applicable standards reveals lower levels of transformation in the broader economy.

<sup>44</sup>The analysis excluded data entries that had blank inputs and zero values. For example, out of total sample of 28 131 data entries about 283 entries were excluded.

Results for 2020 to 2023, suggest that transformation initiatives have stalled as the share of companies in Levels 1-4 has remained stagnant, along with growing non-compliance (see figure 1 below for a graphical representation). During the COVID-19 pandemic period (particularly in 2021 and 2022), the increase in the number of non-compliant entities (from 14% in 2020 to 20% in 2022) and the reduction of entities in Levels 1-4 (from 66% in 2020 to 61% in 2022) can be attributed to reduced B-BBEE contributions and initiatives during more challenging economic conditions in that period. Enterprises faced a lower B-BBEE performance rating as some would have downgraded a level in respect of each priority element they failed to achieve because of less activity towards those elements.

**Figure 1: Total number of compliant vs. non-compliant entities (2013-2023)**



Source: Commission's analysis based on the data collected from verification agencies

The continued levels of non-compliance and stagnation in Levels 1-4 into 2023 reflect that entities were not scaling up transformation spending and new initiatives despite a recovering economy since then. To an extent, it could be an indication that some measured entities could have completely exited business or fallen below the threshold for verification due to reduced turnover.

## 7.1.2 Analysis of B-BBEE status levels by entity size

This research also analysed B-BBEE status levels by entity size to provide a comprehensive overview of compliance across the main categories of entity sizes. The B-BBEE Act classifies businesses into three main categories based on their annual turnover, namely, **(a)** exempted micro-enterprises (EMEs); **(b)** qualifying small enterprises (QSEs); and **(c)** large enterprises (LE)<sup>45</sup>. EMEs are entities that generate less than R10 million in annual revenue, whilst QSEs have an annual revenue between R10 million and R50 million. Large entities are entities with an annual revenue of more than R50 million<sup>46</sup>.

As previously stated, EMEs constitute a small percentage of the total sample used for the analysis. Table 6 below shows EMEs by status level considered for this research<sup>47</sup>.

**Table 6: EME entities by B-BBEE Status Levels (2013-2023)**

| BEE Status Level   | 2013       | 2014     | 2015      | 2016      | 2017      | 2018      | 2019       | 2020       | 2021       | 2022       | 2023       |
|--------------------|------------|----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|
| Level 1            | -          | -        | 1         | 4         | 35        | 5         | 7          | 18         | 71         | 126        | 89         |
| Level 2            | -          | -        | 1         | -         | 12        | 8         | 42         | 76         | 136        | 170        | 146        |
| Level 3            | 198        | -        | 36        | 45        | 2         | 27        | 51         | 127        | 111        | 110        | 97         |
| Level 4            | 8          | -        | 31        | 28        | 34        | 4         | 8          | 13         | 28         | 43         | 32         |
| Level 5            | -          | -        | 3         | -         | -         | 2         | 4          | 9          | 13         | 15         | -          |
| Level 6            | -          | -        | -         | -         | -         | 3         | 37         | 39         | 87         | 145        | 77         |
| Non-Compliant      | -          | -        | -         | 1         | 1         | -         | 1          | 2          | 3          | 5          | 11         |
| <b>Grand total</b> | <b>206</b> | <b>-</b> | <b>72</b> | <b>78</b> | <b>84</b> | <b>49</b> | <b>150</b> | <b>284</b> | <b>449</b> | <b>614</b> | <b>459</b> |

Source: Commission's analysis based on the data collected from verification agencies

**Table 7: Percentage share of EMEs by B-BBEE Status (2013-2023)**

| BEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1          | 0%   | 0%   | 1%   | 5%   | 42%  | 10%  | 5%   | 6%   | 16%  | 21%  | 19%  |
| Level 2          | 0%   | 0%   | 1%   | 0%   | 14%  | 16%  | 28%  | 27%  | 30%  | 28%  | 32%  |
| Level 3          | 96%  | 0%   | 50%  | 58%  | 2%   | 55%  | 34%  | 45%  | 25%  | 18%  | 21%  |
| Level 4          | 4%   | 0%   | 43%  | 36%  | 40%  | 8%   | 5%   | 5%   | 6%   | 7%   | 7%   |
| Level 5          | 0%   | 0%   | 4%   | 0%   | 0%   | 4%   | 3%   | 3%   | 3%   | 2%   | 2%   |
| Level 6          | 0%   | 0%   | 0%   | 0%   | 0%   | 6%   | 25%  | 14%  | 19%  | 24%  | 17%  |
| Non-Compliant    | 0%   | 0%   | 0%   | 1%   | 1%   | 0%   | 1%   | 1%   | 1%   | 1%   | 2%   |

Source: Commission's analysis based on the data collected from verification agencies

Table 7 above demonstrates that from the total sample of EME entities (which are mainly in the construction and transport sectors), these entities are mainly compliant at higher B-BBEE status levels. This is because EMEs are by default rated as B-BBEE Level 4 contributors<sup>48</sup> and can achieve Level 2 status with ownership of 51% alone. The number of EMEs rated as being compliant at B-BBEE Level 1 and 2, which is the highest level of B-BBEE compliance, constituted 26% in 2018, growing to 51% in 2023, primarily due to Level 3 companies improving to Levels 1-2. The share of Level 3 over the same period reduced from 55% of EMEs to 21%.

<sup>45</sup> It is, however, noted that there is an entity size categorised as a start-up enterprise. This category is not classified by annual turnover but rather means a recently formed entity that has been in operation for less than a year.

<sup>46</sup> Accessed at: <https://www.bbbee.commission.co.za/frequently-asked-questions/how-is-b-bbee-classification-determined/>

<sup>47</sup> A total of 31 EMEs in the total sample as reflected in Table 1, were not classified into specific B-BBEE status level.

<sup>48</sup> Accessed at: <https://honeycomb-bee.co.za/b-bbee-certification/exempt-micro-enterprises/>

Within the transport sector, EMEs can only be rated at Level 4 or Level 3. By default, all EMEs receive a Level 4 rating, but those that are at least 50% black owned qualify for Level 3 rating. In the construction sector, the rating system for EMEs is more detailed and depends on the percentage of black ownership:

- EMEs with less than 30% black ownership → Level 5
- EMEs with 30% but less than 51% black ownership → Level 4
- EMEs with 51% black ownership → Level 2
- EMEs with 100% black ownership → Level 1

Table 8 below, which illustrates the total number of compliant and non-compliant QSEs, shows similar trends to the total sample of all entity sizes, namely a lower level of compliance and a reduced share of those compliant at Levels 1-4 once the sample of entities seeking verification grew and more rigorous standards applied to compliance. There is also the trend of reduced compliance during the Covid-19 pandemic. However, QSEs show a higher level of non-compliance than the total sample of entities, registering 30% in 2018 and remaining at 26% in 2023. The share of entities at Levels 1-4 improved up to 2020 and reached a high of 73% before falling back to 62% in 2023. The majority of this group in fact falls into Levels 1-3 (57% in 2023). This is slightly higher than the total sample of entities.

**Table 8: QSE entities by B-BBEE Status Levels (2013-2023)<sup>49</sup>**

| BEE Status Level   | 2013 | 2014       | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2021        | 2022        | 2023        |
|--------------------|------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| Level 1            | -    | 72         | 153        | 120        | 54         | 53         | 97         | 160        | 349         | 574         | 406         |
| Level 2            | -    | 77         | 144        | 96         | 39         | 91         | 148        | 203        | 314         | 503         | 343         |
| Level 3            | -    | 38         | 84         | 51         | 40         | 45         | 174        | 282        | 220         | 292         | 212         |
| Level 4            | -    | 14         | 28         | 27         | 58         | 55         | 72         | 72         | 101         | 147         | 91          |
| Level 5            | -    | 9          | 21         | 17         | 19         | 19         | 15         | 15         | 35          | 33          | 23          |
| Level 6            | -    | 5          | 23         | 16         | 13         | 11         | 22         | 16         | 31          | 46          | 26          |
| Level 7            | -    | 4          | 6          | 9          | 41         | 26         | 27         | 24         | 43          | 62          | 39          |
| Level 8            | -    | 4          | 6          | 32         | 73         | 95         | 62         | 67         | 128         | 180         | 94          |
| Non-Compliant      | -    | 10         | 3          | 26         | 162        | 167        | 139        | 146        | 342         | 564         | 441         |
| <b>Grand total</b> | -    | <b>233</b> | <b>468</b> | <b>394</b> | <b>499</b> | <b>562</b> | <b>756</b> | <b>985</b> | <b>1563</b> | <b>2401</b> | <b>1675</b> |

Source: Commission's analysis based on the data collected from verification agencies

<sup>49</sup> A total of 63 QSEs in the total sample as reflected in table 1, were not classified into specific B-BBEE status level.

**Table 9: Percentage share of QSEs by B-BBEE Status Levels (2014-2023)**

| BEE Status Level | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|------|------|------|------|------|------|------|------|------|------|
| Level 1          | 31%  | 33%  | 30%  | 11%  | 9%   | 13%  | 16%  | 22%  | 24%  | 24%  |
| Level 2          | 33%  | 31%  | 24%  | 8%   | 16%  | 20%  | 21%  | 20%  | 21%  | 20%  |
| Level 3          | 16%  | 18%  | 13%  | 8%   | 8%   | 23%  | 29%  | 14%  | 12%  | 13%  |
| Level 4          | 6%   | 6%   | 7%   | 12%  | 10%  | 10%  | 7%   | 6%   | 6%   | 5%   |
| Level 5          | 4%   | 4%   | 4%   | 4%   | 3%   | 2%   | 2%   | 2%   | 1%   | 1%   |
| Level 6          | 2%   | 5%   | 4%   | 3%   | 2%   | 3%   | 2%   | 2%   | 2%   | 2%   |
| Level 7          | 2%   | 1%   | 2%   | 8%   | 5%   | 4%   | 2%   | 3%   | 3%   | 2%   |
| Level 8          | 2%   | 1%   | 8%   | 15%  | 17%  | 8%   | 7%   | 8%   | 7%   | 6%   |
| Non-Compliant    | 4%   | 1%   | 7%   | 32%  | 30%  | 18%  | 15%  | 22%  | 23%  | 26%  |

Source: Commission's analysis based on the data collected from verification agencies

Table 10 below reflects the results for large entities, inclusive of JSE-listed companies that are legally obligated to report on their B-BBEE scorecard. The sample is from 2015 onwards and reveals that compliance levels have barely changed since 2018. For the share of large entities at Levels 1-4, this has improved only marginally from 49% in 2018 to 54% in 2023. However, even in comparison to QSEs, large entities have a very high share of entities at Level 8, ranging from 15% in 2018 to 10% in 2023, compared to QSEs at 6% in 2023. The combination of Level 8 and non-compliant large entities accounts for a third of all large entities at 34% in both 2018 and 2023. This reflects a very high level of minimal compliance or non-compliance in respect of transformation. For large entities there appears to be less of a Covid-19 effect, with the share of Levels 1-4 reducing only marginally from 57% in 2020 to 55% in 2022, and non-compliance similarly increasing marginally from 17% to 20%. This may be because large entities were more resilient during Covid-19 relative to SMEs, or that some of the transformation initiatives are locked in and less vulnerable to changes in economic performance.

**Table 10: Large Entities by B-BBEE Status Levels (2013-2023)<sup>50</sup>**

| BEE Status Level   | 2013 | 2014 | 2015       | 2016       | 2017       | 2018       | 2019        | 2020        | 2021        | 2022        | 2023        |
|--------------------|------|------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| Level 1            | -    | -    | 3          | 1          | 40         | 63         | 129         | 197         | 446         | 583         | 377         |
| Level 2            | -    | -    | 48         | 16         | 51         | 83         | 115         | 163         | 281         | 345         | 248         |
| Level 3            | -    | -    | 45         | 14         | 67         | 74         | 109         | 132         | 202         | 247         | 151         |
| Level 4            | -    | -    | 28         | 17         | 125        | 138        | 182         | 189         | 348         | 426         | 303         |
| Level 5            | -    | -    | 34         | 15         | 58         | 51         | 57          | 72          | 113         | 115         | 75          |
| Level 6            | -    | -    | 26         | 16         | 38         | 39         | 55          | 48          | 93          | 124         | 69          |
| Level 7            | -    | -    | 7          | 5          | 38         | 37         | 59          | 46          | 89          | 115         | 48          |
| Level 8            | -    | -    | 17         | 11         | 124        | 112        | 142         | 149         | 248         | 373         | 198         |
| Non-Compliant      | -    | -    | 13         | 14         | 121        | 141        | 197         | 202         | 383         | 600         | 476         |
| <b>Grand total</b> | -    | -    | <b>221</b> | <b>109</b> | <b>662</b> | <b>738</b> | <b>1045</b> | <b>1198</b> | <b>2203</b> | <b>2928</b> | <b>1945</b> |

Source: Commission's analysis based on the data collected from verification agencies

<sup>50</sup> No data was recorded for large entities in 2013 and 2014. Moreover, a total of 60 large entities in the total sample as reflected in table 1, were not classified into specific B-BBEE status level.

**Table 11: Percentage share of Large Entities by B-BBEE Status Levels (2015-2023)**

| BEE Status Level | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|------|------|------|------|------|------|------|------|------|
| Level 1          | 1%   | 1%   | 6%   | 9%   | 12%  | 16%  | 20%  | 20%  | 19%  |
| Level 2          | 22%  | 15%  | 8%   | 11%  | 11%  | 14%  | 13%  | 12%  | 13%  |
| Level 3          | 20%  | 13%  | 10%  | 10%  | 10%  | 11%  | 9%   | 8%   | 8%   |
| Level 4          | 13%  | 16%  | 19%  | 19%  | 17%  | 16%  | 16%  | 15%  | 16%  |
| Level 5          | 15%  | 14%  | 9%   | 7%   | 5%   | 6%   | 5%   | 4%   | 4%   |
| Level 6          | 12%  | 15%  | 6%   | 5%   | 5%   | 4%   | 4%   | 4%   | 4%   |
| Level 7          | 3%   | 5%   | 6%   | 5%   | 6%   | 4%   | 4%   | 4%   | 2%   |
| Level 8          | 8%   | 10%  | 19%  | 15%  | 14%  | 12%  | 11%  | 13%  | 10%  |
| Non-Compliant    | 6%   | 13%  | 18%  | 19%  | 19%  | 17%  | 17%  | 20%  | 24%  |

Source: Commission's analysis based on the data collected from verification agencies

### 7.1.3 Analysis of B-BBEE elements by year

To provide context to the B-BBEE average scores at a macro-level, the study has adopted the generic scorecard below as a proxy to measure entities' overall performance against five key B-BBEE elements: ownership, management control, skills development, enterprise and supplier development<sup>51</sup>, and socio-economic development. This is because each sector has a different scorecard, but for purposes of the macro analysis, the Generic Scorecard seemed suitable as a proxy. Moreover, the performance of entities against each B-BBEE element is best measured based on the maximum points available on the relevant scorecard.

**Table 12: Generic sector B-BBEE scorecard**

| B-BBEE Element                      | Weighting                                     |
|-------------------------------------|---|
| Ownership                           | 25 points                                     |
| Management Control                  | 19 points                                     |
| Skills Development                  | 20 points (+ 5 bonus points)                  |
| Enterprise and Supplier Development | 40 points (+ 4 bonus points)                  |
| Socio-Economic development          | 5 points                                      |
| <b>Total</b>                        | <b>118 Points (inclusive of bonus points)</b> |

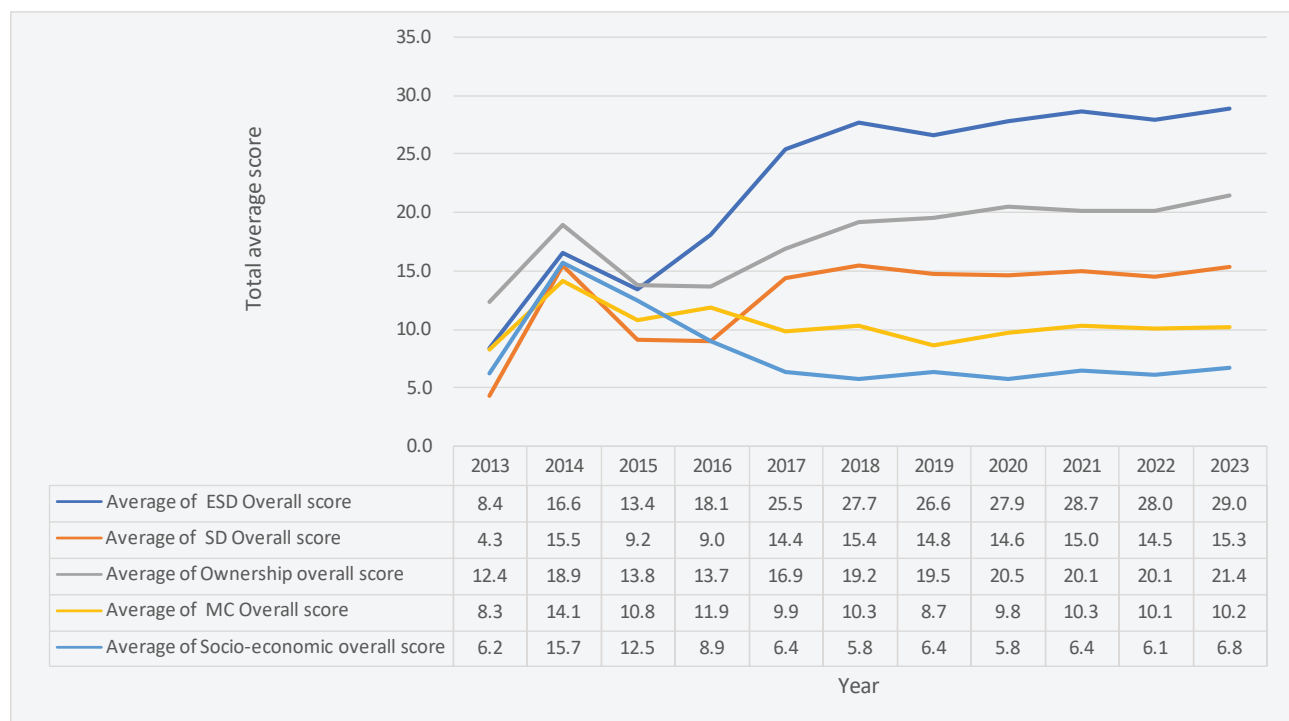
Source: Generic sector code as amended, 2019

<sup>51</sup> As mentioned in section 5, the generic scorecard is applied to entities with no sector code.

Figure 2 below shows the year-on-year performance of average scores relating to ownership, management control, skills development, enterprise and supplier development and socio-economic development for the period under review. The average scores include both B-BBEE compliant and non-compliant entities that formed part of the total sample.

The decline in scores in 2015-16 reflects the introduction of the new Codes of Good Practice in 2015, which applied more rigorous standards. The overall increasing trend in the average scores for enterprise and supplier development, ownership and skills development from about 2016 to 2018 is attributable to the implementation of the revised B-BBEE Codes of Good Practice that prioritised these three elements when they came into effect in 2015, by allocating them greater relative weight. The lack of emphasis on management control and socio-economic development meant the scores for these elements continued to decline before stabilising. From 2019 to 2023, the trend in the average scores remained relatively stable, reflecting stagnation in new transformation initiatives by entities that seemed comfortable to retain their B-BBEE level rather than improve it further.

**Figure 2: Average Scores by B-BBEE Elements (2013-2023)**



Source: Commission’s analysis based on the data collected from verification agencies

Table 13 below assesses the performance of entities by considering the B-BBEE average scores against the maximum points available for each B-BBEE element in the Generic Scorecard. This potentially provides a perspective on performance in each area that is better than comparative points awarded because of the different number of points assigned to each category. However, because the Sector Codes differ from the Generic Code in terms of points per category and bonus points, this will also be influenced by the mix of entities across the different sectors. For instance, many sectors give bonus points for socio-economic development<sup>52</sup> hence, we see average scores above the maximum points in the generic scorecard.

**Table 13: B-BBEE average scores compared to Generic Scorecard points (2013, 2018 & 2023)**

| B-BBEE Element                      | Generic Scorecard Total Points Available | Average Scores by B-BBEE Element (2013, 2018 and 2023) |      |      | Average B-BBEE scores as a % of Total Generic Scorecard Available Points (2013, 2018 and 2023) |      |      |
|-------------------------------------|--|--|------|------|--|------|------|
|                                     |  | 2013   | 2018 | 2023 | 2013   | 2018 | 2023 |
| Ownership                           | 25                                       | 12,4   | 19,2 | 21,4 | 50%  | 77%  | 86%  |
| Management Control                  | 19                                       | 8,3  | 10,3 | 10,2 | 44%  | 54%  | 54%  |
| Skills Development                  | 25                                       | 4,3  | 15,4 | 15,3 | 17%  | 62%  | 61%  |
| Enterprise and Supplier Development | 44                                       | 8,4  | 27,7 | 29,0 | 19%  | 63%  | 66%  |
| Socio-Economic Development          | 5  | 6,2  | 5,8  | 6,8  | 125%   | 116% | 135% |

Source: Commission's analysis based on the data collected from verification agencies

The results are interesting insofar as they show that the highest levels of compliance are with socio-economic development, which is easy to attain with fairly standard Corporate Social Investment (CSI) initiatives, followed by ownership. Ownership is one of the three priority elements and often receive considerable focus in the implementation of the B-BBEE Act. However, it is important to note that high scores do not necessarily reflect high levels of ownership as the Ownership Scorecard targets a minimum level of 25%+1 voting and 25% economic interest, and 10% for black women for full compliance, along with even lower targets for other designated groups and overall value derived.

The lowest level of compliance is in respect of management control where on average entities score just over half the points available to them. While management control was not prioritised by allocating it high points, the low levels of points attained show that far less progress has been made in promoting upward mobility of black people in management structures of companies, and hence less progress on this aspect of ensuring B-BBEE and transformation is broad-based.

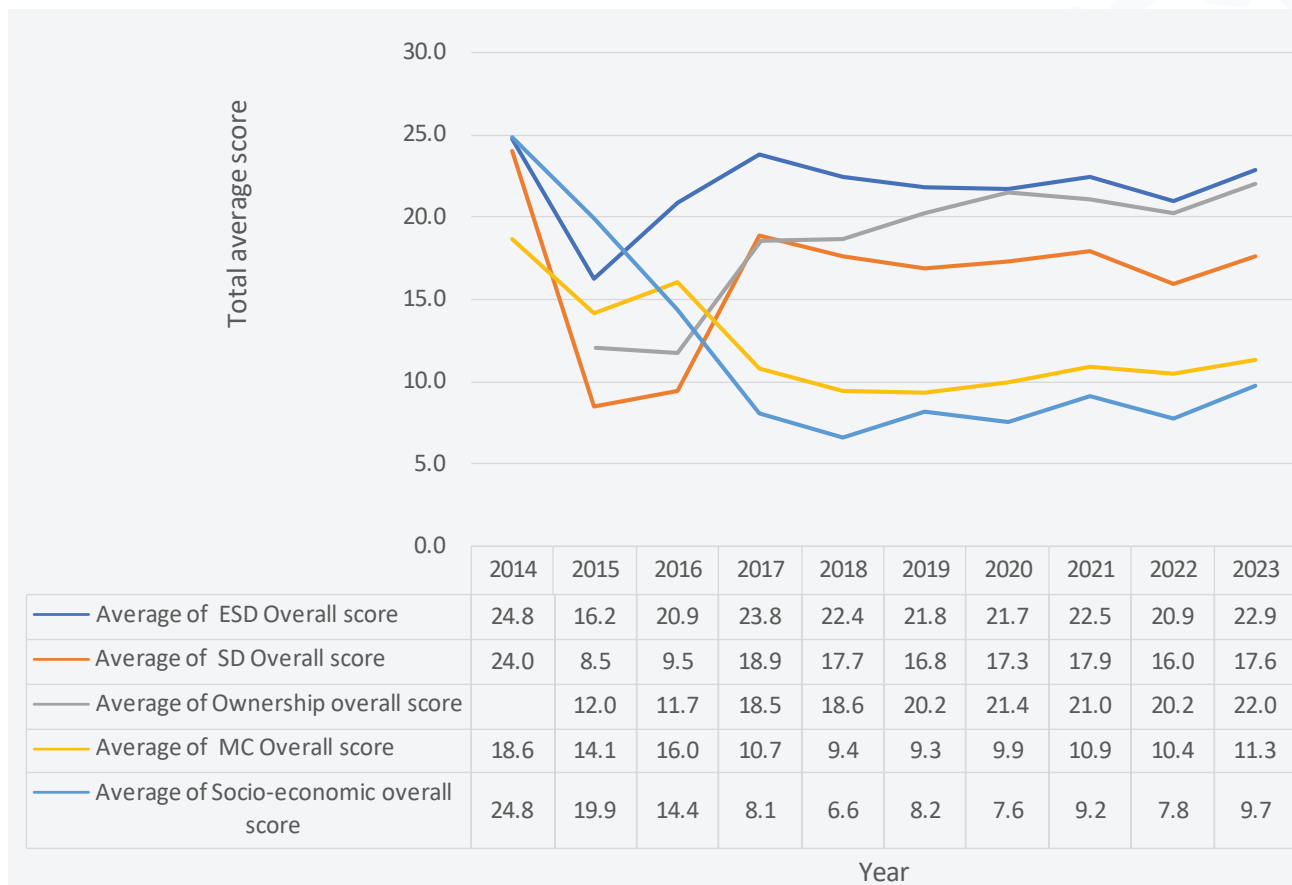
<sup>52</sup>For instance, entities in the ICT sector can accumulate up to 15 points for socio-economic development as reflected in the sectoral analysis.

Skills development, which is also linked to broad-based empowerment, had the second lowest levels of points scored relative to points available (at 61%) despite being prioritised with more points. Enterprise and supplier development does not perform much better with entities achieving only 66% of the total points available. ESD is also a broad-based element as it seeks to bring black-owned businesses into supply chains of established firms to broaden participation in the economy. In sum, there was underachievement on the broad-based black economic empowerment targets of the B-BBEE Act. In terms of trends, the results confirm the analysis from other tables, namely that progress in transformation has stalled with little improvement since 2018. The average scores per year since 2018 do not show any material Covid-19 effect as they remain fairly stable.

### 7.1.4 Analysis of B-BBEE Elements by Entity Size

A comparative analysis of the performance of average scores by specific B-BBEE elements in terms of entity size is depicted on Figure 3 below. It categorises by turnover size those entities that encounter difficulties in meeting specific B-BBEE elements that are priorities of the government, namely, enterprise and supplier development, ownership and skills development. For QSEs, the trend over time in the different scoring categories is similar to that for all entities, namely a decline in 2015 followed by increases in the priority elements of ESD, ownership and skills development before all categories stabilise from 2019 onwards.

Figure 3: QSEs Average scores by B-BBEE Elements (2013-2023)<sup>53</sup>



Source: Commission's analysis based on the data collected from verification agencies

<sup>53</sup> For QSEs, data was available from 2014 as shown in sample size table by entity size above. The research also notes that the QSE average socio-economic development scores for 2014 and 2015 to be outliers in the dataset.

However, a comparison of the QSE B-BBEE average scores against the total maximum available points for each element in the Generic Scorecard suggests that QSE entities are underachieving in certain categories as these entities have not realised a high share of the total maximum available points. The exception is socio-economic development as reflected on Table 14 below, for similar reasons to those cited above. The overall picture of poor performance on the broad-based elements of transformation is also a feature for QSEs. However, within those broad-based elements, QSEs perform better than the total sample on skills development, but considerably poorer on ESD.

**Table 14: QSE average B-BBEE scores compared to Generic Scorecard Points (2014, 2018 & 2023)<sup>54</sup>**

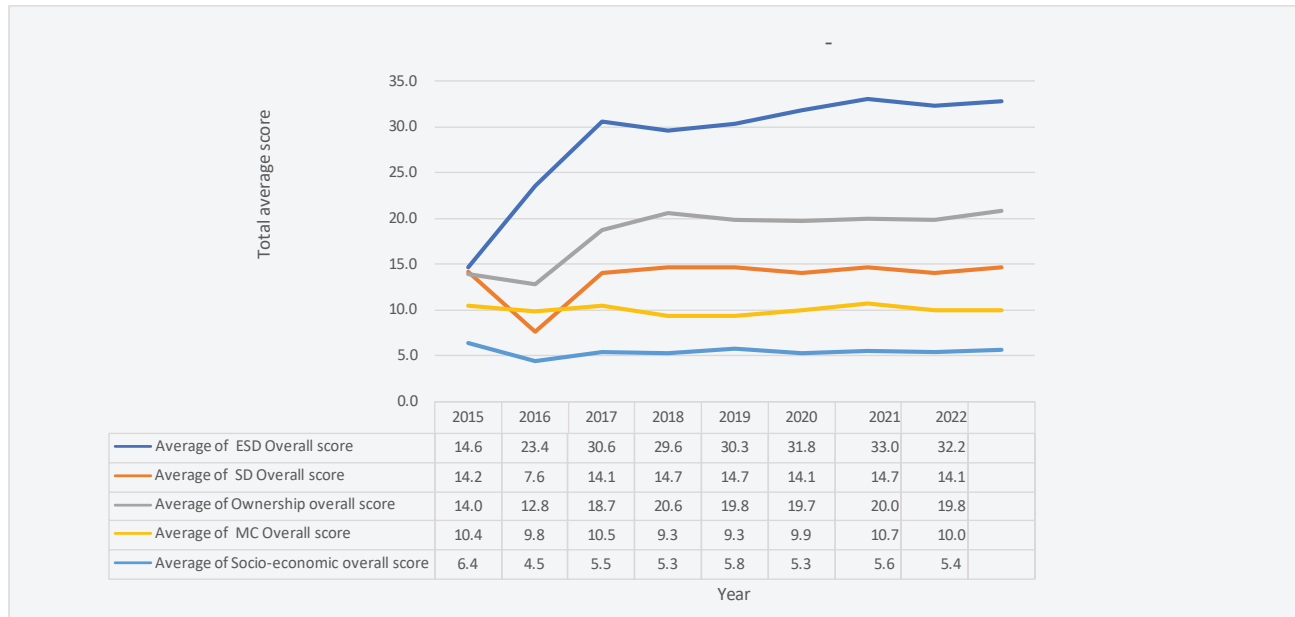
| B-BBEE Element                      | Generic Scorecard Total Points Available | QSE Entities Average Scores by B-BBEE Element (2015, 2018 and 2023) |      |      | Average B-BBEE Scores as a % of Total Generic Scorecard Available Points (2015, 2018 and 2023) |      |      |
|-------------------------------------|--|---|------|------|--|------|------|
|                                     |  | 2014  | 2018 | 2023 | 2014   | 2018 | 2023 |
| Ownership                           | 25                                       | -   | 18,6 | 22,0 | -  | 74%  | 88%  |
| Management Control                  | 19                                       | 18,6  | 9,4  | 11,3 | 98%  | 49%  | 59%  |
| Skills Development                  | 25                                       | 24,0  | 17,7 | 17,6 | 96%  | 71%  | 70%  |
| Enterprise and Supplier Development | 44                                       | 24,8  | 22,4 | 22,9 | 56%  | 51%  | 52%  |
| Socio-Economic Development          | 5  | -   | 6,6  | 9,7  | -  | 132% | 195% |

Source: Commission's analysis based on the data collected from verification agencies and Generic scorecard 2019

<sup>54</sup> The average socio-economic development score for QSEs in 2014 is an outlier in the dataset and was excluded from this analysis.

Figure 4 below shows the trend in average B-BBEE scores for large entities from 2015 - 2023. As the trendline only starts in 2015, there was no notable decline from previous years following the introduction of the new Codes of Good Practice.

**Figure 4: Large Entities average scores by B-BBEE elements (2015-2023)<sup>55</sup>**



Source: Commission's analysis based on the data collected from verification agencies

The research also compared the average B-BBEE scores for large entities against the Generic Scorecard (see Table 15 below). The results reflect the overall sample trends, but relative to QSEs, large entities do better on ESD but much poorer on management control and skills development at 52% and 59% of total points available, respectively. ESD has also continued to increase from 2018 levels, but at 70%, it remains well below the potential points available for this category.

**Table 15: Large entities B-BBEE average scores compared to Generic Scorecard points (2015, 2018 & 2023)**

| B-BBEE Element                      | Generic Scorecard Total points Available | Large Entities Average Scores by B-BBEE Element (2015, 2018 and 2023) |      |      | Average B-BBEE Scores as a % of Total Generic Scorecard Available Points (2015, 2018 and 2023) |      |      |
|-------------------------------------|--|---|------|------|--|------|------|
|                                     |  | 2015  | 2018 | 2023 | 2015   | 2018 | 2023 |
| Ownership                           | 25                                       | 14,0  | 20,6 | 20,8 | 56%  | 83%  | 83%  |
| Management Control                  | 19                                       | 10,4  | 9,3  | 10,0 | 55%  | 49%  | 52%  |
| Skills Development                  | 25                                       | 14,2  | 14,7 | 14,7 | 57%  | 59%  | 59%  |
| Enterprise and Supplier Development | 44                                       | 14,6  | 29,6 | 32,7 | 33%  | 67%  | 74%  |
| Socio-Economic Development          | 5  | 6,4   | 5,3  | 5,6  | 128%   | 106% | 113% |

Source: Commission's analysis based on the data collected from verification agencies & Generic scorecard 2019

<sup>55</sup> Data for large entities was only available from 2015 as reflected in the sample size table by entity size in section 6 above.

## 7.2 Macro analysis of ownership, board participation and management structure

The B-BBEE Compliance reports submitted provide a more detailed breakdown of the ownership and management components of transformation, allowing for a deep-dive into these areas. As outlined above, ownership firms have achieved on average fairly high scores relative to the points available, but this is not the case for management control.

### 7.2.1 Ownership

An analysis of the average percentage of black people and black female voting and economic interest rights was conducted as a proxy for ownership (as defined in the B-BBEE Act) from 2013 to 2023.

**Table 16: Average percentage of exercisable voting and economic interest rights by Black People and Black Women (2013-2023)<sup>56</sup>**

| Year | Average Black Voting Rights | Average Black Female Voting Rights | Average Black Economic Interest | Average Black Female Economic Interest |
|------|-----------------------------|------------------------------------|---------------------------------|--|
| 2013 | 69,49%                      | 21,85%                             | 44,41%                          | 44,26%                                 |
| 2014 | 24,39%                      | 6,90%                              | 11,35%                          | 7,45%                                  |
| 2015 | 9,29%                       | 2,31%                              | 12,08%                          | 5,92%                                  |
| 2016 | 19,31%                      | 2,62%                              | 15,71%                          | 9,46%                                  |
| 2017 | 31,54%                      | 7,13%                              | 20,83%                          | 15,23%                                 |
| 2018 | 36,49%                      | 11,67%                             | 26,80%                          | 17,73%                                 |
| 2019 | 39,36%                      | 11,99%                             | 31,10%                          | 20,42%                                 |
| 2020 | 44,86%                      | 14,74%                             | 34,58%                          | 26,13%                                 |
| 2021 | 39,46%                      | 12,72%                             | 33,33%                          | 19,91%                                 |
| 2022 | 41,59%                      | 13,28%                             | 35,19%                          | 20,56%                                 |
| 2023 | 45,77%                      | 13,55%                             | 39,79%                          | 24,57%                                 |

Source: Commission analysis based on the data collected from verification agencies

Table 16 above shows that in 2013, when the B-BBEE Act was amended, the average exercisable voting rights and economic interest in the hands of black people and black women averaged the highest for the period under review. However, the 2013 figures were based on the 2003 B-BBEE Act prior to the 2013 amendments, which introduced a different methodology and may have the effect of overstating what can be determined from certificates issued subsequently. In addition, the sample of entities from the economy was small and likely reflected the few that had transformed and hence sought verification. It is more informative to look at levels and trends in ownership since 2015 when the new Codes of Good Practice came into effect and where the sample of certificates continues to grow, reflecting a broader base of entities.

<sup>56</sup> The year 2013 is an outlier as the research found a sizeable number of entities in the sample that recorded 100% Black voting rights.

Those trends show the same pattern that is evident in overall compliance, namely that there is an increase in ownership levels with a setback during the Covid-19 pandemic but some recovery in 2023. Average black voting rights in the sample of entities reached 46% in 2023, but with economic interest being 5% lower at 40%. This is also above the 25% target within the Ownership Scorecard. Average black female voting rights are just under a third of the average black voting rights, but black female economic interests are around 11% higher than voting rights. Black female voting and economic interest rights have not progressed much since 2018.

## 7.2.2 Board Participation

An assessment shows that the representation of black people and black women on the boards of companies is substantially lower than the level of voting and economic rights outlined above. For executive directors, who are drawn from the executive management, typically CEOs and CFOs, the representation has been around 13% since 2019 and around 6% for black females over the same period. The fact that these shares are almost unchanged over the five-year period indicates a stagnation in transformation, with no continuing trend of improvement by companies. The average for non-executive directors is far worse than for executive directors, currently at a negligible level of around 1% for black people overall and a fraction of 1% for black females. As with executive directors, not much has changed between 2018 - 2023.

**Table 17: Average percentage of Board participation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black non-Executive Directors | Average of Black Female non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 31,49%                               | 12,55%                                      | 0,00%                                    | 0,00%   |
| 2014 | 0,63%                                | 0,33%                                       | 0,20%                                    | 0,00%   |
| 2015 | 2,02%                                | 0,67%                                       | 0,66%                                    | 0,00%   |
| 2016 | 2,99%                                | 1,10%                                       | 0,26%                                    | 0,00%   |
| 2017 | 12,21%                               | 4,95%                                       | 0,23%                                    | 0,07%   |
| 2018 | 18,40%                               | 7,77%                                       | 0,20%                                    | 0,05%   |
| 2019 | 12,73%                               | 5,46%                                       | 1,12%                                    | 0,44%   |
| 2020 | 12,34%                               | 5,65%                                       | 0,61%                                    | 0,28%   |
| 2021 | 13,08%                               | 6,03%                                       | 1,64%                                    | 1,12%   |
| 2022 | 14,00%                               | 6,35%                                       | 1,93%                                    | 1,24%   |
| 2023 | 13,21%                               | 5,48%                                       | 1,24%                                    | 0,70%   |

Source: Commission's analysis based on the data collected from verification agencies

### 7.2.3 Management Structure

As reflected in Table 18 below, at management structure level, the research uncovered discernible patterns of the lack of representation of black people and black women at higher levels of management such as executive and senior management. However, moving towards the middle and lower levels of management, the representation of black people and black women appears to be more notable as they account for a larger share but still far below the population share.

At the executive level, the share of black people and black women executive management is similar to that of executive directors at board level, namely around 13% and 6% respectively. This did not change materially between 2018 - 2023, and reflects a stagnation in the transformation of the workplace at the highest levels within entities. Interestingly, the transformation of senior management is even lower than executive management at only 6-7% for black people overall and 3-4% for black women between 2021 - 2023. Representation at senior management barely shifted between 2018 - 2023.

As expected, representation of black people improves as one moves to middle and junior management levels, at 20% and 35% respectively in 2023, and for black women at 12% and 8% respectively. These levels did not change between 2018 - 2023, as similar levels were experienced in 2019. This also indicates a stagnation in the efforts of companies to transform the workforce and in particular, the representation of black people in the management ranks. The lower levels of black women representation in lower management relative to middle management suggest a limited investment in a new pipeline of talent to grow the ranks of middle and senior management.

**Table 18: Average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management | Average of Black Middle Management | Average of Black Female Middle Management | Average of Black Junior Management | Average of Black Female Junior Management | Average of Designated Group |
|------|---------------------------------------|--|------------------------------------|---|------------------------------------|---|------------------------------------|---|-----------------------------|
| 2013 | 0,78%                                 | 0,17%  | 5,00%                              | 0,51%                                     | 0,00%                              | 0,00%                                     | 0,00%                              | 0,00%                                     | 0,00%                       |
| 2014 | 4,52%                                 | 0,35%  | 3,28%                              | 0,69%                                     | 0,03%                              |   | 3,00%                              | 0,00%                                     | 1,33%                       |
| 2015 | 6,29%                                 | 0,55%  | 1,84%                              | 0,32%                                     | 1,65%                              | 2,46%                                     | 2,33%                              | 0,68%                                     | 0,02%                       |
| 2016 | 4,17%                                 | 1,79%  | 2,25%                              | 0,86%                                     | 3,44%                              | 5,03%                                     | 9,53%                              | 1,37%                                     | 2,78%                       |
| 2017 | 10,50%                                | 4,59%  | 5,93%                              | 2,72%                                     | 17,22%                             | 12,35%                                    | 36,67%                             | 5,62%                                     | 2,92%                       |
| 2018 | 16,41%                                | 7,36%  | 8,79%                              | 4,11%                                     | 16,42%                             | 13,50%                                    | 42,43%                             | 10,07%                                    | 3,87%                       |
| 2019 | 11,33%                                | 4,51%  | 5,89%                              | 2,73%                                     | 19,58%                             | 12,47%                                    | 37,82%                             | 7,48%                                     | 4,19%                       |
| 2020 | 11,44%                                | 4,71%  | 5,20%                              | 2,50%                                     | 11,92%                             | 14,19%                                    | 40,42%                             | 7,17%                                     | 3,78%                       |
| 2021 | 13,48%                                | 6,08%  | 6,17%                              | 3,27%                                     | 15,46%                             | 11,12%                                    | 33,90%                             | 8,36%                                     | 3,03%                       |
| 2022 | 13,91%                                | 6,27%  | 6,93%                              | 3,88%                                     | 16,81%                             | 12,26%                                    | 33,66%                             | 9,09%                                     | 3,16%                       |
| 2023 | 12,46%                                | 5,26%  | 6,53%                              | 3,42%                                     | 20,14%                             | 12,36%                                    | 34,80%                             | 7,99%                                     | 6,61%                       |

Source: Commission's analysis based on the data collected from verification agencies

The study notes that while there is some headway made in terms of increasing ownership by black people and black women for the period under review, the same cannot be said about black representation in senior and executive management which remains meagre. This suggests the need for substantial effort to improve representation of black people and black women, particularly at board level and higher levels of management. Such transformation is essential if the culture and decision-making of companies in South Africa is to become more inclusive.

“

Our future grows stronger when **women, youth, and people with disabilities** are not only included, but positioned to **lead, create, and transform South Africa's economy.**

# Sectors in Focus:

Unpacking the unique journey of transformation across South Africa's economic sectors

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# Sectoral Analysis of Trends in Transformation

08.

1



# South Africa's Transformation Landscape

2013-2023



## 8. | Sectoral Analysis of Trends in Transformation

Trends in transformation were assessed focusing on sector-specific B-BBEE compliance and performance. To ensure alignment with the B-BBEE regulatory framework, the sectoral analysis concentrated on sectors as per the B-BBEE Sector Codes. This research, however, was unable to conduct a comparative analysis across sectors owing to, *inter alia*, varying targets per Sector Code and varying B-BBEE scorecards adopted by individual sectors, as detailed in the sub-sections below. To provide meaningful analysis, the sectoral assessment excluded sectors comprising the chartered accountancy and defence (gazetted only in 2019) due to limited data entries in the total sample. The legal sector code was not assessed as it only came into effect in 2025, and thus fell outside the period covered by the study.

### 8.1 Forestry Sector

The South African forestry sector reports that it is a multi-billion Rand industry (R38 billion), which contributed about 0,6% of the country's Agricultural Gross Domestic Product (GDP) and 4,9% of South Africa's manufacturing output in 2018/19. The sector is regarded as a major employer, and it is estimated to indirectly support well over half a million South Africans<sup>57</sup>.

#### 8.1.1 Forestry Sector Code

The Forestry Sector Code, which was amended in 2017, applies to all entities that are active in commercial forestry and first-level processing of wood products, including growers<sup>58</sup>, contracting<sup>59</sup>, fibre<sup>60</sup>, sawmilling<sup>61</sup>, pole<sup>62</sup> and charcoal sub-sectors<sup>63</sup>. The Code provides a framework for extending economic opportunities and benefits of the forestry sector to previously disadvantaged black groups. The Code remains in force until amended or repealed<sup>64</sup>.

The Forestry Sector Code adopts the same priority elements contained in the 2015 revised Codes of Good Practice, including ownership, skills development and enterprise and supplier development. In terms of compliance with the priority elements, the Code notes that large entities are required to comply with all three elements, while QSEs are only required to ensure compliance with ownership as a compulsory element. Compliance with skills development and enterprise and supplier development is not mandatory for forestry QSEs. As such, the Code consists of elements for calculating a score for ownership as well as the compliance target for entities in the sector<sup>65</sup>.

<sup>57</sup> Forestry South Africa. Accessed at: <https://www.forestrysouthafrica.co.za/economic-contribution/#:~:text=Our%20Economic%20Contribution,contributor%20to%20South%20Africa's%20economy.>

<sup>58</sup> Including plantations, nurseries and indigenous forests.

<sup>59</sup> Including forestry contractors in silviculture, harvesting, fire-fighting services and other forestry contracting services that are not covered by their own Sector Codes.

<sup>60</sup> Including pulp, paper, paperboard, timber board product, woodchip and wattle bark manufactures.

<sup>61</sup> Including industrial, structural and mining timber sawmills and match producers.

<sup>62</sup> Including pole treatment plants.

<sup>63</sup> Including charcoal producers.

<sup>64</sup> Accessed at: <https://honeycomb-bee.co.za/b-bbee-sector-codes/forestry-sector-code/>

<sup>65</sup> Ibid.

Table 19 below shows that the Forestry Sector Code applies two scorecards when measuring the B-BBEE performance of entities. The Generic and QSE Scorecards indicate the total points that entities can accumulate for each B-BBEE element.

**Table 19: Forestry Sector B-BBEE Scorecard**

| B-BBEE Element                  | Generic Scorecard Weighting | QSE Scorecard Weighting    |
|---------------------------------|-----------------------------|----------------------------|
| Ownership                       | 25 points + 12 bonus points | 25 points                  |
| Management Control              | 19 points                   | 15 points                  |
| Skills Development              | 20 points + 5 bonus points  | 25 points + 5 bonus points |
| Enterprise Supplier Development | 43 points + 6 bonus points  | 30 points + 3 bonus points |
| Socio-Economic Development      | 5 points + 3 bonuspoints    | 5 points                   |
| Total Points                    | 112 + 26 bonus points       | 100 + 8 bonus points       |

Source: Forestry Sector Code 2017 "as amended"

Based on the overall performance of a measured entity as per the scorecards above, entities are rated to determine the B-BBEE status level. These B-BBEE status levels are aligned with status levels prescribed in the B-BBEE Act as reflected in section 7 above. The Forestry Sector Code also includes the ownership scorecard element. Under voting rights, the compliance target is 25% + 1 vote for black people and 10% for black women. The Code also has a compliance target for the economic interest of black people set at 25% and 10% for black women.

### 8.1.2 Forestry Sector B-BBEE Status Level and Scores

Tables 20 and 21 below provide a year-on-year analysis of entity compliance levels in the forestry sector in the form of absolute numbers and percentage shares from 2013 to 2023. The sample of entities is extremely limited and varies materially each year, which means that the share of firms at each level is also highly volatile. For instance, while there was a substantial drop in the share and number of entities at Level 1 in 2023, the total sample for 2023 was less than half that of 2022. However, the trend shows that whereas in 2018 the majority of the entities on the sample were on Levels 6-8 or non-compliant, but this had shifted to the majority of entities in the sample being in Levels 1-4 in the last few years.

**Table 20: Forestry Sector entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013     | 2014     | 2015     | 2016     | 2017     | 2018      | 2019     | 2020     | 2021      | 2022      | 2023      |
|---------------------|----------|----------|----------|----------|----------|-----------|----------|----------|-----------|-----------|-----------|
| Level 1             | -        | -        | -        | -        | -        | 1         | -        | 2        | 6         | 12        | 2         |
| Level 2             | -        | -        | 1        | 1        | -        | 1         | 1        | 1        | 3         | 4         | 4         |
| Level 3             | 2        | 2        | 2        | 2        | 1        | -         | -        | -        | 1         | 3         | 2         |
| Level 4             | -        | 1        | -        | -        | 3        | 1         | 1        | -        | 1         | 5         | 1         |
| Level 5             | -        | -        | -        | -        | -        | -         | -        | 1        | 1         | 2         | -         |
| Level 6             | -        | -        | -        | -        | -        | 2         | -        | -        | 1         | 2         | -         |
| Level 7             | -        | -        | 1        | -        | -        | 2         | 1        | -        | 1         | 2         | -         |
| Level 8             | -        | -        | -        | -        | -        | 1         | 1        | -        | 2         | 3         | 2         |
| Non-Compliant       | -        | -        | -        | -        | 2        | 2         | 3        | 1        | 3         | 8         | 4         |
| <b>Grand Total</b>  | <b>2</b> | <b>3</b> | <b>4</b> | <b>3</b> | <b>6</b> | <b>10</b> | <b>7</b> | <b>5</b> | <b>19</b> | <b>41</b> | <b>15</b> |

Source: Commission's analysis based on the data collected from verification agencies

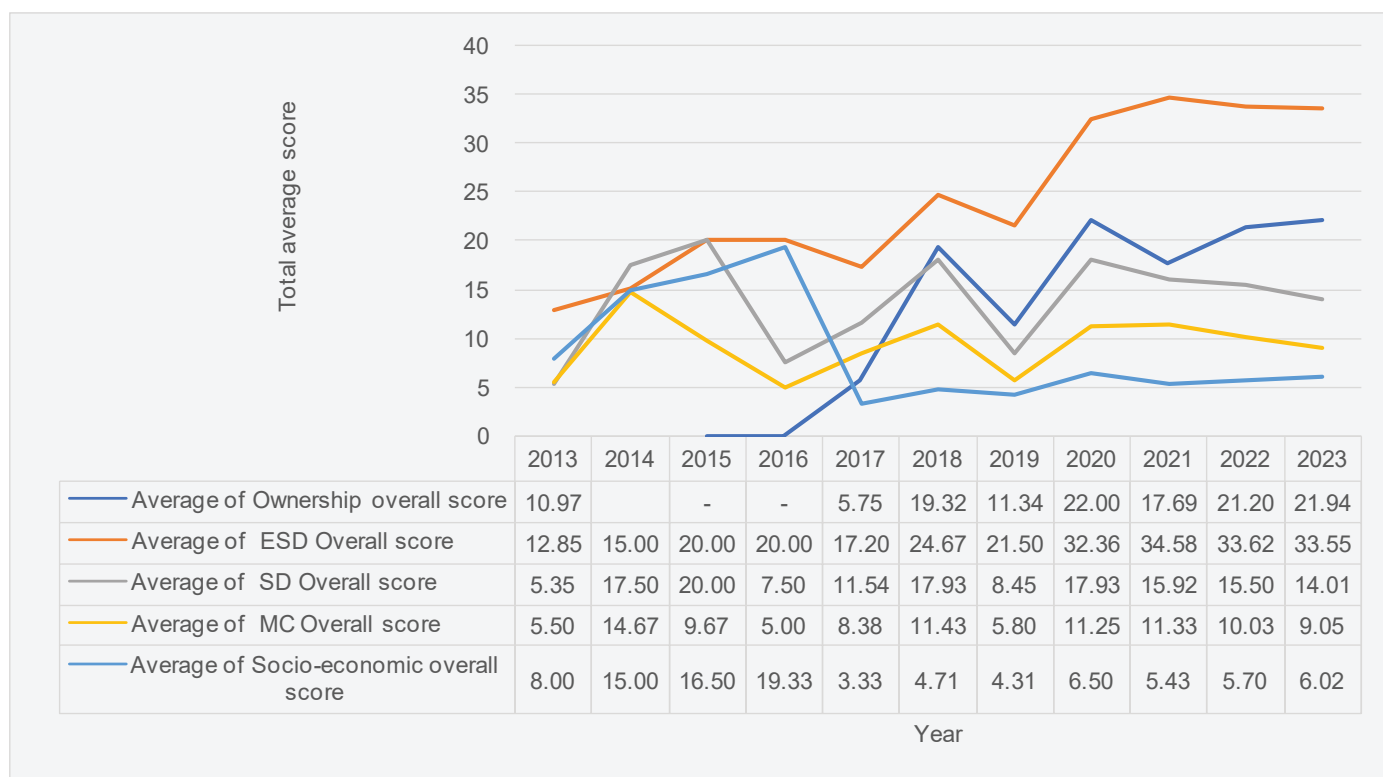
**Table 21: Percentage share of entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 0%   | 0%   | 0%   | 0%   | 0%   | 10%  | 0%   | 40%  | 32%  | 29%  | 13%  |
| Level 2             | 0%   | 0%   | 25%  | 33%  | 0%   | 10%  | 14%  | 20%  | 16%  | 10%  | 27%  |
| Level 3             | 100% | 67%  | 50%  | 67%  | 17%  | 0%   | 0%   | 0%   | 5%   | 7%   | 13%  |
| Level 4             | 0%   | 33%  | 0%   | 0%   | 50%  | 10%  | 14%  | 0%   | 5%   | 12%  | 7%   |
| Level 5             | 0%   | 0%   | 0%   | 0%   | 0%   | 0%   | 0%   | 20%  | 5%   | 5%   | 0%   |
| Level 6             | 0%   | 0%   | 0%   | 0%   | 0%   | 20%  | 0%   | 0%   | 5%   | 5%   | 0%   |
| Level 7             | 0%   | 0%   | 25%  | 0%   | 0%   | 20%  | 14%  | 0%   | 5%   | 5%   | 0%   |
| Level 8             | 0%   | 0%   | 0%   | 0%   | 0%   | 10%  | 14%  | 0%   | 11%  | 7%   | 13%  |
| Non-Compliant       | 0%   | 0%   | 0%   | 0%   | 33%  | 20%  | 43%  | 20%  | 16%  | 20%  | 27%  |

Source: Commission's analysis based on the data collected from verification agencies

Figure 5 below also provides an analysis of average B-BBEE scores in the forestry sector, to evaluate trends in performance considering the five B-BBEE elements. The trend in the average B-BBEE scores is in line with the Forestry Sector Code, which has prioritised enterprise and supplier development, ownership and skills development. All of these categories have seen a steady increase in average scores since the Forestry Code was amended in 2017. Points for socio-economic development gradually increased too, however points for management control fluctuated and ended up largely unchanged between 2017 and 2023.

Figure 5: Forestry Sector average B-BBEE scores (2013-2023)



Source: Commission’s analysis based on the data collected from verification agencies

The forestry sector applies two separate scorecards for generic entities and QSEs when calculating B-BBEE points as outlined above. An average of total points for each of the B-BBEE elements was adopted to measure entities’ performance based on the two scorecards. Significantly, a comparison of the average B-BBEE scores against the maximum points available under the forestry sector shows that entities were underperforming at an overall level, as shown on Table 22 below. Consistent with the overall trend for across sectors, the forestry sector has underperformed most on management control and skills development, achieving around half of the total points available in each category. The other categories have seen steady improvement in the share of points achieved, with the highest levels for ESD and socio-economic development.

**Table 22: Forestry Sector average B-BBEE scores compared to maximum points available (2013, 2018 & 2023)**

| B-BBEE Element                  | Forestry Scorecard Total Points Available (including bonus points) | Average Scores by B-BBEE Element (2013, 2018 and 2023) |       |       | Average B-BBEE Scores as a % of Total Scorecard Available Points (2013, 2018 and 2023) |      |      |
|---------------------------------|--|--|-------|-------|--|------|------|
|                                 |  | 2013   | 2018  | 2023  | 2013   | 2018 | 2023 |
| Ownership                       | 31   | 10,97  | 19,32 | 21,94 | 35%  | 62%  | 71%  |
| Management Control              | 17   | 5,50   | 11,43 | 9,05  | 32%  | 67%  | 53%  |
| Skills Development              | 28   | 5,35   | 17,93 | 14,01 | 19%  | 65%  | 51%  |
| Enterprise Supplier Development | 41   | 12,85  | 24,67 | 33,55 | 31%  | 60%  | 82%  |
| Socio-Economic Development      | 7  | 8,00   | 4,71  | 6,02  | 123%   | 73%  | 93%  |

Source: Commission's analysis based on the data collected from verification agencies

### 8.1.3 Forestry Sector ownership, board participation and management structure

Forestry sector ownership trends from 2013 - 2023 shown on Table 23 illustrates that the sector has recorded mixed performance in attaining the ownership element target as set out in the Forestry Sector Code. With respect to black people and black women, a voting rights target of 25%+1 vote and 10%, respectively, the sector only exceeded these targets recently in 2022 and 2023 (noting that for 2018 the results seem anomalous relative to the years prior and after). With respect to black people's economic interest, the sector only achieved the target of 25% but it remains below the voting rights. For economic interest in the hands of black women, it is worth noting that the target of 10% was exceeded in 2022 and 2023. The economic interest for black women accelerated most rapidly in these last two years.

**Table 23: Forestry Sector average percentage of exercisable voting rights and economic interest by Black People and Black Women (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 16,71%                         | 3,00%                                 | 8,38%                              | 3,00%                                     |
| 2014 | 4,50%                          | 1,33%                                 | 4,00%                              | 2,00%                                     |
| 2015 | 2,25%                          | 0,50%                                 | 3,00%                              | 0,67%                                     |
| 2016 | 3,00%                          | 1,33%                                 | 4,00%                              | 1,00%                                     |
| 2017 | 7,80%                          | 5,40%                                 | 1,33%                              | 1,33%                                     |
| 2018 | 30,21%                         | 10,31%                                | 21,14%                             | 14,73%                                    |
| 2019 | 12,11%                         | 4,00%                                 | 10,38%                             | 7,00%                                     |
| 2020 | 19,30%                         | 5,75%                                 | 15,44%                             | 7,19%                                     |
| 2021 | 20,45%                         | 4,73%                                 | 19,15%                             | 6,42%                                     |
| 2022 | 34,19%                         | 12,27%                                | 28,28%                             | 15,30%                                    |
| 2023 | 39,34%                         | 13,55%                                | 31,47%                             | 20,33%                                    |

Source: Commission’s analysis based on the data collected from verification agencies

Table 24 below illustrates forestry sector representation by black people and black women at board level. It shows that black people remain under represented at board level in the forestry sector, but there was some improvement in the last two years of the sample (2022 - 2023), particularly for black women executive director representation at the board level. This is in line with the improvements in black women voting rights and economic interest reflected above. However, as with all sectors, there is much further to go before these shares are reflective of the population shares.

**Table 24: Forestry Sector average percentage of Board participation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 0,00%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2014 | 1,00%                                | 0,00%                                       | 0,33%                                    | 0,00%   |
| 2015 | 0,50%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2016 | 0,67%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2017 | 0,67%                                | 0,33%                                       | 0,00%                                    | 0,00%   |
| 2018 | 8,53%                                | 0,10%                                       | 0,00%                                    | 0,00%   |
| 2019 | 9,52%                                | 4,76%                                       | 0,00%                                    | 0,00%   |
| 2020 | 0,80%                                | 0,40%                                       | 0,00%                                    | 0,00%   |
| 2021 | 8,24%                                | 1,58%                                       | 3,13%                                    | 3,64%   |
| 2022 | 18,54%                               | 6,62%                                       | 0,35%                                    | 0,00%   |
| 2023 | 17,73%                               | 13,50%                                      | 2,21%                                    | 2,21%   |

Source: Commission’s analysis based on the data collected from verification agencies

At management structure level, Table 25 below provides highlights of the representation of black people at executive and senior management levels in the forestry sector since 2013. In the recent years, that representation has increased but then subsequently declined. The lack of representation of black people in the forestry sector, as observed at the board level, also manifests itself at executive and senior management levels which are a long way below the targeted 60% for both categories.

**Table 25: Forestry Sector average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,00%                                 | 0,00%  | 0,00%                              | 0,00%                                     |
| 2014 | 9,00%                                 | 0,67%  | 3,17%                              | 0,00%                                     |
| 2015 | 7,98%                                 | 0,50%  | 1,25%                              | 0,00%                                     |
| 2016 | 0,00%                                 | 0,00%  | 1,67%                              | 0,00%                                     |
| 2017 | 0,67%                                 | 0,33%  | 0,67%                              | 0,33%                                     |
| 2018 | 6,20%                                 | 0,10%  | 4,61%                              | 1,21%                                     |
| 2019 | 4,57%                                 | 0,29%  | 9,81%                              | 2,04%                                     |
| 2020 | 12,80%                                | 4,40%  | 3,30%                              | 0,40%                                     |
| 2021 | 21,68%                                | 7,99%  | 10,69%                             | 3,75%                                     |
| 2022 | 17,54%                                | 3,61%  | 6,15%                              | 3,53%                                     |
| 2023 | 10,82%                                | 10,71%                                       | 8,09%                              | 4,14%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.2 Transport Sector

The South African transport sector plays an important role in the country's economy, providing crucial logistics between businesses, consumers, and markets. The sector contributed about 4,3% (or R228 billion) to South Africa's GDP in 2023<sup>66</sup>. In terms of employment (formal and informal), it employed 144 325 people or 1% of total employment in South Africa in the same year.

### 8.2.1 Integrated Transport Sector Codes

The Integrated Transport Sector Code, first issued in 2009, remains in effect, although efforts are underway to amend and align it with the revised Generic Codes. However, the current state of the sector creates distortions in measuring B-BBEE performance in the broader economy, as its requirements are not fully consistent with those of other sector codes or the Generic Codes. This misalignment has also deprived SMMEs of key benefits, including red tape reduction measures introduced in the amended Generic Codes, as well as opportunities available through enterprise and supplier development initiatives.

The Integrated Transport Sector Codes comprise sub-sectors, namely, **(a)** maritime transport and services; **(b)** forwarding and clearing; **(c)** bus commuter and coaching services; **(d)** taxi industry; **(e)** road freight; **(f)** public transport; **(g)** rail; and **(h)** domestic aviation.

**Entities in the aviation sub-sector are categorised in the following way:**

- EME – R5 million and less
- QSE – between R5 million and R35 million
- Large > R 35 million

The Sector Codes aim to fast-track the implementation of efficient transportation, freight and logistics sectors within the economy. One of the main highlights of the Codes is the achievement of a 35% black ownership target. This Sector Code measures seven elements: ownership, management control, employment equity, skills development, preferential procurement, enterprise development, and socio-economic development.

### 8.2.2 Transport Sector B-BBEE status levels and scores

Tables 26 and 27 below provide an overview of the total number and percentage shares of entities in the transport sector in terms of B-BBEE status levels from 2013-2023. The transport sector shows high levels of overall compliance, with 80% of firms achieving Levels 1-4 in 2023, up from 74% in 2018. The transport sector has had a much lower rate of non-compliance relative to the total economy at around 3-7% between 2016 - 2023.

<sup>66</sup> the dtic calculations based on Quantec Research Easy Data (QSIC 38)

**Table 26: Transport Sector entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013      | 2014      | 2015      | 2016      | 2017       | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       |
|---------------------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|
| Level 1             | 13        | 9         | 6         | 8         | 26         | 34         | 42         | 64         | 123        | 178        | 115        |
| Level 2             | 15        | 15        | 13        | 10        | 38         | 53         | 63         | 67         | 146        | 220        | 110        |
| Level 3             | 14        | 7         | 7         | 5         | 35         | 54         | 45         | 85         | 112        | 153        | 115        |
| Level 4             | 2         | 3         | 2         | 3         | 19         | 40         | 36         | 40         | 65         | 106        | 78         |
| Level 5             | 2         | 2         | 1         | 1         | 13         | 19         | 24         | 24         | 41         | 36         | 29         |
| Level 6             | -         | -         | 1         | 2         | 12         | 11         | 16         | 16         | 30         | 36         | 20         |
| Level 7             | -         | -         | -         | 1         | 6          | 12         | 11         | 8          | 14         | 12         | 5          |
| Level 8             | -         | 1         | 1         | 3         | 7          | 11         | 8          | 17         | 18         | 32         | 11         |
| Non Compliant       | -         | -         | -         | -         | 8          | 11         | 7          | 15         | 24         | 58         | 29         |
| <b>Grand Total</b>  | <b>46</b> | <b>37</b> | <b>31</b> | <b>33</b> | <b>164</b> | <b>245</b> | <b>252</b> | <b>336</b> | <b>573</b> | <b>831</b> | <b>512</b> |

Source: Commission's analysis based on the data collected from verification agencies

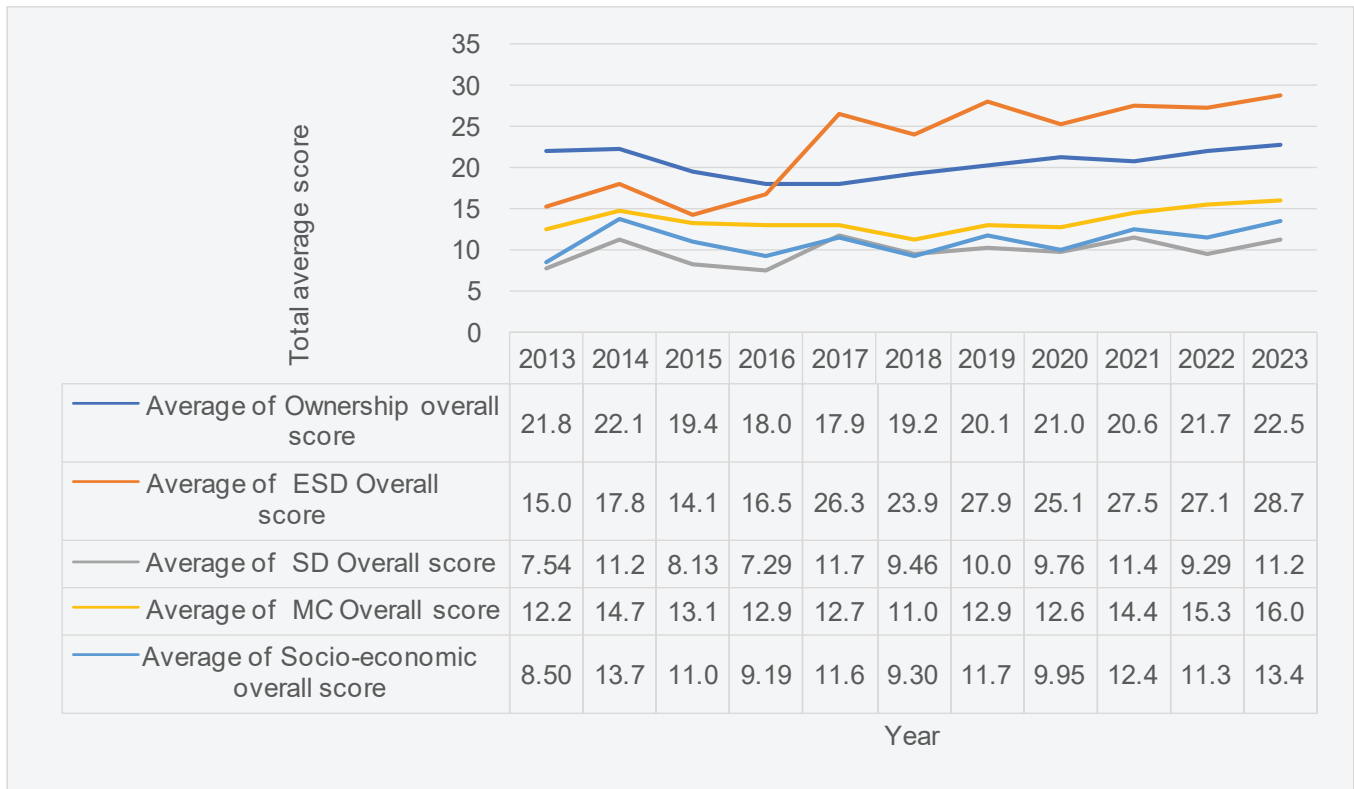
**Table 27: Percentage share of entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 28%  | 24%  | 19%  | 24%  | 16%  | 14%  | 17%  | 19%  | 21%  | 21%  | 22%  |
| Level 2             | 33%  | 41%  | 42%  | 30%  | 23%  | 22%  | 25%  | 20%  | 25%  | 26%  | 21%  |
| Level 3             | 30%  | 19%  | 23%  | 15%  | 21%  | 22%  | 18%  | 25%  | 20%  | 18%  | 22%  |
| Level 4             | 4%   | 8%   | 6%   | 9%   | 12%  | 16%  | 14%  | 12%  | 11%  | 13%  | 15%  |
| Level 5             | 4%   | 5%   | 3%   | 3%   | 8%   | 8%   | 10%  | 7%   | 7%   | 4%   | 6%   |
| Level 6             | 0%   | 0%   | 3%   | 6%   | 7%   | 4%   | 6%   | 5%   | 5%   | 4%   | 4%   |
| Level 7             | 0%   | 0%   | 0%   | 3%   | 4%   | 5%   | 4%   | 2%   | 2%   | 1%   | 1%   |
| Level 8             | 0%   | 3%   | 3%   | 9%   | 4%   | 4%   | 3%   | 5%   | 3%   | 4%   | 2%   |
| Non Compliant       | 0%   | 0%   | 0%   | 0%   | 5%   | 4%   | 3%   | 4%   | 4%   | 7%   | 6%   |

Source: Commission's analysis based on the data collected from verification agencies

Figure 6 below is an assessment of the average B-BBEE scores in the transport sector from 2013 - 2023. The transport sector saw a gradual increase in points per category with the only exception being skills development which fluctuated between 9 and 11 points for the period 2018 - 2023. This is in contrast to the overall economy, where many of the points per category have largely stalled between 2018 - 2023. Given the complexity of several sub-sectors in the transport sector, the research could not measure the performance of average scores against the total maximum B-BBEE points.

Figure 6: Transport Sector average B-BBEE Scores (2013-2023)



Source: Commission's analysis based on the data collected from verification agencies

### 8.2.3 Transport sector ownership, board participation and management structure

Table 48 shows that exercisable voting rights for black people, exceeded the compliance target of 25% + 1 vote for most of the years. This is also the case when considering economic interests of black people which have recorded levels above the target of 25 % across many sub-categories of modes of transport. However, progress stalled across voting rights and economic interest since 2017 to 2023. For black women, the exercisable voting rights were low at around 10%, considering that the share to black people overall was over 50%, but was marginally higher for economic interest.

**Table 28: Transport Sector average percentage of exercisable voting rights and economic interest by Black People and Black Women (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 68,27%                         | 22,13%                                | 31,90%                             | 25,01%                                    |
| 2014 | 38,09%                         | 13,50%                                | 16,62%                             | 8,92%                                     |
| 2015 | 13,33%                         | 0,95%                                 | 14,68%                             | 1,71%                                     |
| 2016 | 21,32%                         | 2,50%                                 | 22,77%                             | 5,30%                                     |
| 2017 | 48,56%                         | 6,50%                                 | 26,14%                             | 19,63%                                    |
| 2018 | 44,20%                         | 7,99%                                 | 35,18%                             | 18,22%                                    |
| 2019 | 54,36%                         | 10,05%                                | 39,92%                             | 23,12%                                    |
| 2020 | 52,33%                         | 9,54%                                 | 43,13%                             | 27,09%                                    |
| 2021 | 45,49%                         | 8,76%                                 | 40,49%                             | 19,54%                                    |
| 2022 | 47,40%                         | 10,83%                                | 41,39%                             | 21,31%                                    |
| 2023 | 56,32%                         | 9,58%                                 | 49,49%                             | 25,28%                                    |

*Source: Commission's analysis based on the data collected from verification agencies*

Table 29 below shows a relatively low percentage of representation of black people at executive and non-executive director roles in the transport sector over the years, particularly given the much higher levels of voting rights and economic interest. The sector's performance against the targets also shows that more interventions are still required to achieve the sector's targets for these sub-elements which are set at an average of approximately 50% across all transport sub-categories. The percentage of black women executive directors and black women non-executive directors follows the same trend, as the study finds little to no progress in terms of black women participation at these levels.

**Table 29: Transport Sector average percentage of Board participation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 4,62%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2014 | 0,00%                                | 0,00%                                       | 0,05%                                    | 0,00%   |
| 2015 | 4,98%                                | 0,97%                                       | 1,68%                                    | 0,00%   |
| 2016 | 0,89%                                | 0,17%                                       | 0,19%                                    | 0,00%   |
| 2017 | 17,33%                               | 6,28%                                       | 0,20%                                    | 0,00%   |
| 2018 | 15,34%                               | 6,35%                                       | 0,38%                                    | 0,18%   |
| 2019 | 20,57%                               | 7,89%                                       | 2,52%                                    | 0,79%   |
| 2020 | 16,46%                               | 7,21%                                       | 1,20%                                    | 0,76%   |
| 2021 | 14,82%                               | 5,24%                                       | 1,26%                                    | 0,76%   |
| 2022 | 18,05%                               | 6,66%                                       | 1,85%                                    | 0,90%   |
| 2023 | 19,29%                               | 7,21%                                       | 2,45%                                    | 1,23%   |

Source: Commission's analysis based on the data collected from verification agencies

In terms of representation of black people at executive and senior management positions, Table 30 below shows that black people representation remains incredibly low, relative to ownership of shares, and was considerably below the targets that average approximately 45% and 35% respectively, across transport sub-categories. The situation is even more concerning for black women at both levels, as they account for less than 4% representation across all categories for the research period. The performance of this sector when considering this indicator of transformation at senior management level is also worrisome as it falls short of all targets across the board.

**Table 30: Transport Sector average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 7,25%                                 | 2,54%  | 17,19%                             | 3,96%                                     |
| 2014 | 7,57%                                 | 0,73%  | 2,43%                              | 0,18%                                     |
| 2015 | 7,74%                                 | 0,77%  | 0,42%                              | 0,32%                                     |
| 2016 | 9,40%                                 | 3,71%  | 1,83%                              | 0,92%                                     |
| 2017 | 6,01%                                 | 2,08%  | 3,24%                              | 0,96%                                     |
| 2018 | 6,29%                                 | 3,01%  | 4,74%                              | 2,21%                                     |
| 2019 | 3,88%                                 | 1,31%  | 3,27%                              | 0,75%                                     |
| 2020 | 1,80%                                 | 0,80%  | 2,17%                              | 1,33%                                     |
| 2021 | 3,47%                                 | 1,30%  | 4,92%                              | 2,32%                                     |
| 2022 | 4,93%                                 | 1,31%  | 6,12%                              | 2,70%                                     |
| 2023 | 3,08%                                 | 0,86%  | 5,60%                              | 3,52%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.3 ICT Sector

### 8.3.1 ICT Sector Code

The ICT Sector Code, which was amended in 2016, includes businesses operating in broadcasting, electronics, information technology and telecommunications sub-sectors<sup>67</sup>. The Code aims to redress inequities resulting from black people's exclusion from meaningful participation in information, communication, and technology sectors. It targets 40%<sup>68</sup> the following B-BBEE elements:

**Ownership:** The subminimum requirement for ownership is 40% of Net Value (40% of the 5 points) based on the Time-Based Graduation factor.

**Skills Development:** A Measured Entity must achieve a minimum of 40% of the total targets set out in the Skills Development Element of Code Series AICT 300 and Statement AICT 300.

**Enterprise Supplier Development:** A Measured Entity must achieve a minimum of 40% of each of the targets set out in 2.1 (10 of 25 points), 2.2 (4 of 10 points) and 2.3 (6 of 15 points) excluding bonus points of the Enterprise and Supplier Development Scorecard Code Series AICT400 and Statement AICT400.

Voting rights and economic interest are the main categories on the ICT sector's ownership scorecard used by entities within the sector<sup>69</sup>. The overall ownership compliance targets are 10% for black women and 30% for black people to have exercisable voting rights in an entity. Compliance with the economic interest element is 10% for black women and 30% for black people. For many telecoms and broadcasting licensees, these targets are often a requirement rather than an aspirational target. Table 31 below displays the four scorecards applied in the ICT sector.

<sup>67</sup> Department of Trade and Industry (DTI) 2016. Amended Broad-Based Black Economic Empowerment (B-BBEE) ICT Sector Code of 2016.

<sup>68</sup> The sub-minimum targets are measured differently for each element

<sup>69</sup> Each category is divided to specifically address Black People and Black Women.

**Table 31: ICT Sector B-BBEE Scorecard**

| B-BBEE Element                      | Amended ICT Sector Scorecard | Specialised Generic Scorecard | Specialised Qualifying Small Enterprise Scorecard | Qualifying Small Enterprise Scorecard |
|-------------------------------------|------------------------------|-------------------------------|---|---------------------------------------|
| Management Control                  | 23 points                    | 20 points                     | 25 points   | 15 points                             |
| Skills Development                  | 20 points                    | 25 points                     | 30 points   | 25 points                             |
| Enterprise and Supplier Development | 50 points                    | 50 points                     | 30 points   | 30 points                             |
| Socio-Economic Development          | 12 points                    | 12 points                     | 15 points   | 12 points                             |
| Ownership                           | 25 points                    | -                             | -   | 25 points                             |
| <b>Total</b>                        | <b>130 Points</b>            | <b>107 Points</b>             | <b>100 Points</b>                                 | <b>107 Points</b>                     |

Source: Information and Communication Technology (ICT) sector 2016, as amended

### 8.3.2 ICT Sector B-BBEE status levels and scores

Tables 32 and 33 below show ICT sector entities' B-BBEE status levels and percentage shares. As with compliance across sectors, the ICT sector has a sizeable share of Level 8 or non-compliance in the region of 30% between 2018 - 2023, but with a decent share of Level 1-4 at around 60% over the period. Level 1 compliance has been in the region of 25% of ICT entities in the sample of 2019 - 2023. Examining the longer-term trend shows that this has been due to Level 2-3 compliant entities upgrading their compliance to Level 1.

**Table 32: ICT sector entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013      | 2014      | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       |
|---------------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Level 1             | 9         | 6         | 16         | 19         | 8          | 39         | 25         | 40         | 88         | 126        | 62         |
| Level 2             | -         | 18        | 25         | 47         | 14         | 27         | 13         | 25         | 43         | 54         | 37         |
| Level 3             | 6         | 24        | 26         | 39         | 9          | 34         | 13         | 22         | 36         | 55         | 20         |
| Level 4             | 2         | 9         | 17         | 37         | 29         | 52         | 32         | 33         | 46         | 71         | 39         |
| Level 5             | 2         | 15        | 5          | 14         | 16         | 19         | 9          | 8          | 12         | 16         | 6          |
| Level 6             | -         | 12        | 9          | 14         | 4          | 10         | 8          | 4          | 14         | 14         | 5          |
| Level 7             | -         | 6         | 3          | 8          | 4          | 14         | 7          | 4          | 10         | 20         | 13         |
| Level 8             | -         | 2         | 3          | 25         | 12         | 30         | 14         | 19         | 31         | 47         | 19         |
| Non-Compliant       | -         | 1         | 1          | 28         | 28         | 51         | 23         | 27         | 77         | 85         | 57         |
| <b>Grand Total</b>  | <b>19</b> | <b>93</b> | <b>105</b> | <b>231</b> | <b>124</b> | <b>276</b> | <b>144</b> | <b>182</b> | <b>357</b> | <b>488</b> | <b>258</b> |

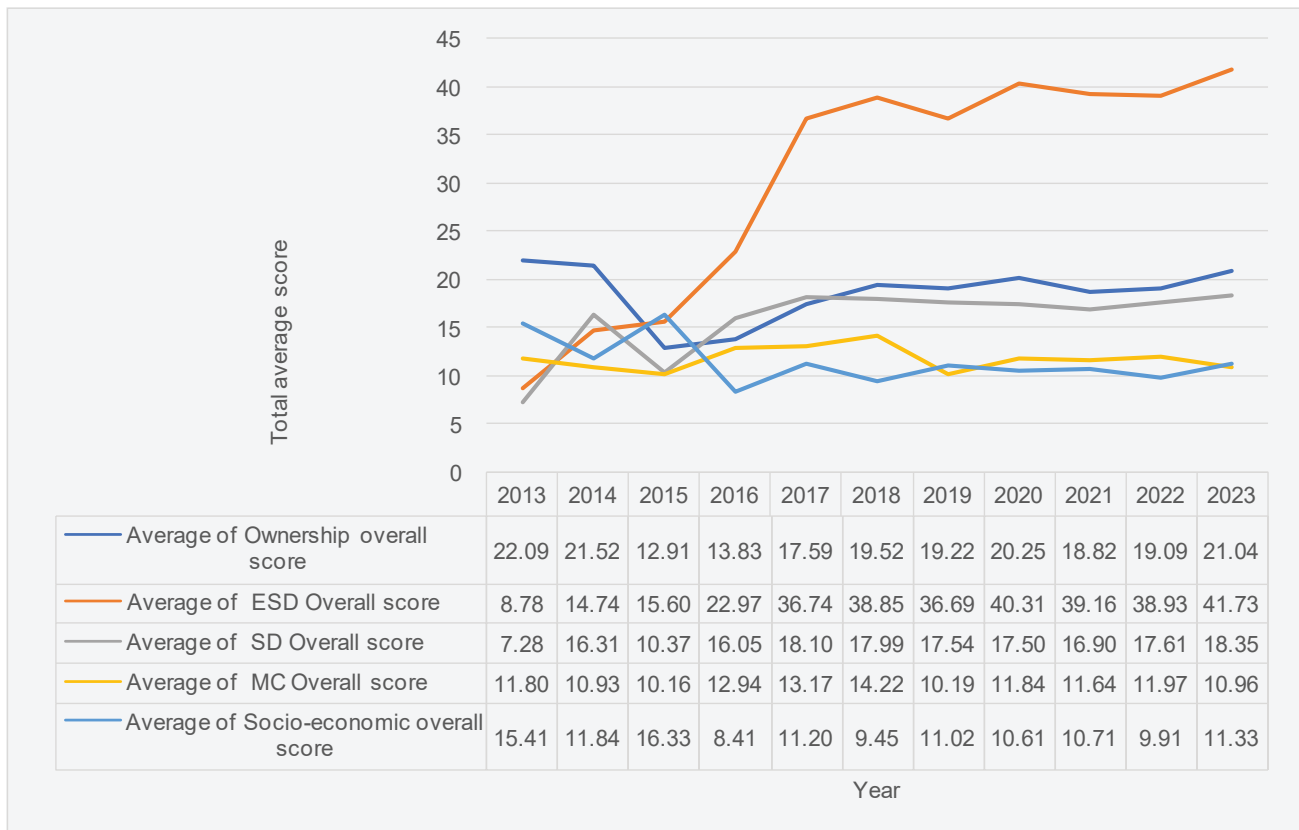
Source: Commission's analysis based on the data collected from verification agencies

**Table 33: Percentage share of ICT entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 47%  | 6%   | 15%  | 8%   | 6%   | 14%  | 17%  | 22%  | 25%  | 26%  | 24%  |
| Level 2             | 0%   | 19%  | 24%  | 20%  | 11%  | 10%  | 9%   | 14%  | 12%  | 11%  | 14%  |
| Level 3             | 32%  | 26%  | 25%  | 17%  | 7%   | 12%  | 9%   | 12%  | 10%  | 11%  | 8%   |
| Level 4             | 11%  | 10%  | 16%  | 16%  | 23%  | 19%  | 22%  | 18%  | 13%  | 15%  | 15%  |
| Level 5             | 11%  | 16%  | 5%   | 6%   | 13%  | 7%   | 6%   | 4%   | 3%   | 3%   | 2%   |
| Level 6             | 0%   | 13%  | 9%   | 6%   | 3%   | 4%   | 6%   | 2%   | 4%   | 3%   | 2%   |
| Level 7             | 0%   | 6%   | 3%   | 3%   | 3%   | 5%   | 5%   | 2%   | 3%   | 4%   | 5%   |
| Level 8             | 0%   | 2%   | 3%   | 11%  | 10%  | 11%  | 10%  | 10%  | 9%   | 10%  | 7%   |
| Non-Compliant       | 0%   | 1%   | 1%   | 12%  | 23%  | 18%  | 16%  | 15%  | 22%  | 17%  | 22%  |

Source: Commission's analysis based on the data collected from verification agencies

The research also assessed trends in the average scores of the five B-BBEE elements in the ICT sector as reflected in Figure 7 below. It is evident for the ICT sector that there was a steep growth in the average number of points attained for ESD, which is likely to be a result of a scorecard that strongly promotes ESD which is allocated almost half the points. For ownership and skills development there were limited increments in points attained, for management control there were limited increments in points attained, for management control there has been a decline since 2018.

**Figure 7: ICT Sector average B-BBEE Scores (2013-2023)**

Source: Commission's analysis based on the data collected from verification agencies

The ICT sector consists of three scorecards with varying total maximum points for specialised large entities, specialised QSEs and QSEs as indicated. To assess the performance of ICT sector entities against the maximum points available, the research study captured an average of the maximum points available for the three types of entities. The decline in management control points is reflected in the share of total points available for this category as the ICT sector went from 69% of total points available in 2018 down to 53% in 2023. Skills development is the second lowest as a share of total points available and has been fairly static from 2018. Consistent with the growth in ESD points, the share of points available exceeded the maximum points on average, primarily due to the higher weight assigned to large entities compared to smaller entities in the industry.

**Table 34: ICT Sector average B-BBEE scores compared to average maximum points available for large entities, specialised QSEs and QSEs (2013, 2018 & 2023)**

| B-BBEE Element                      | ICT Sector Scorecard Total Points Available | ICT Average Scores by B-BBEE Element (2013, 2018 and 2023) |       |       | Average B-BBEE scores as a % of Total Scorecard Available Points (2013, 2018 and 2023) |      |      |
|-------------------------------------|---|--|-------|-------|--|------|------|
|                                     |   | 2013   | 2018  | 2023  | 2013   | 2018 | 2023 |
| Management Control                  | 21  | 11,80  | 14,22 | 10,96 | 57%  | 69%  | 53%  |
| Skills Development                  | 25  | 7,28   | 17,99 | 18,35 | 29%  | 72%  | 73%  |
| Enterprise and Supplier Development | 40  | 8,78   | 38,85 | 41,73 | 22%  | 97%  | 104% |
| Socio-Economic Development          | 13  | 15,41  | 9,45  | 11,33 | 121%   | 74%  | 89%  |
| Ownership                           | 25  | 22,09  | 19,52 | 21,04 | 88%  | 78%  | 84%  |

Source: Commission's analysis based on the data collected from verification agencies

### 8.3.3 ICT Sector ownership, board participation and management structure

Table 35 below shows that exercisable voting rights for black people slightly exceeded the compliance target of 30% since 2019. This may be partially attributable to the same 30% requirements being imposed on licensees by the Independent Communications Authority of South Africa (ICASA). However, the share of economic interest only exceeded the 30% target in 2023 and remains far lower than the voting rights acquired by black people. Similarly, black women voting rights exceeded the 10% compliance target in the ICT Sector Code since 2018, but it remains well below the economic interest acquired by black women.

**Table 35: ICT Sector average percentage of exercisable voting and economic interest rights by Black People and Black Women (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 69,90%                         | 17,47%                                | 29,36%                             | 8,31%                                     |
| 2014 | 8,79%                          | 3,59%                                 | 6,00%                              | 2,76%                                     |
| 2015 | 8,69%                          | 2,16%                                 | 8,57%                              | 2,25%                                     |
| 2016 | 8,35%                          | 1,94%                                 | 9,23%                              | 3,84%                                     |
| 2017 | 25,63%                         | 9,89%                                 | 19,00%                             | 11,89%                                    |
| 2018 | 27,49%                         | 13,05%                                | 22,10%                             | 14,64%                                    |
| 2019 | 38,77%                         | 14,65%                                | 27,66%                             | 18,72%                                    |
| 2020 | 37,74%                         | 14,57%                                | 26,16%                             | 18,78%                                    |
| 2021 | 32,85%                         | 12,29%                                | 25,61%                             | 16,24%                                    |
| 2022 | 30,77%                         | 13,15%                                | 25,65%                             | 15,84%                                    |
| 2023 | 39,18%                         | 15,19%                                | 32,16%                             | 20,24%                                    |

Source: Commission's analysis based on the data collected from verification agencies

Table 36 below depicts the representation of black people in the executive and non-executive director roles in the ICT sector. The ICT sector performed better than the economy overall in terms of executive directors' share, including for black women. This was still far short of the population share. Furthermore, the share of non-executive black directors was negligible.

**Table 36: ICT Sector average percentage of Board participation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-executive Directors | Average of Black Female Non-executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 1,71%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2014 | 1,34%                                | 0,67%                                       | 0,55%                                    | 0,00%   |
| 2015 | 2,48%                                | 0,00%                                       | 0,27%                                    | 0,00%   |
| 2016 | 1,28%                                | 0,50%                                       | 0,26%                                    | 0,00%   |
| 2017 | 14,63%                               | 7,42%                                       | 0,00%                                    | 0,00%   |
| 2018 | 22,13%                               | 11,55%                                      | 0,00%                                    | 0,00%   |
| 2019 | 21,26%                               | 8,62%                                       | 2,36%                                    | 0,82%   |
| 2020 | 19,61%                               | 7,92%                                       | 1,77%                                    | 0,77%   |
| 2021 | 19,67%                               | 9,44%                                       | 3,84%                                    | 2,57%   |
| 2022 | 17,20%                               | 7,78%                                       | 2,81%                                    | 1,76%   |
| 2023 | 19,83%                               | 10,50%                                      | 1,40%                                    | 0,95%   |

Source: Commission's analysis based on the data collected from verification agencies

Table 37 below illustrates the executive and senior management representation of black people and black women in the ICT sector. The representation of black people and black women at both levels in the sector shows only a slight improvement between 2018 - 2023, suggesting little progress in transforming management over this period. In addition, it also falls well short of the expected sector targets for management representation of black people and black women at 60% and 30%, respectively.

**Table 37: ICT Sector average percentage of management representation by Black people and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,00%                                 | 0,00%  | 5,92%                              | 0,00%                                     |
| 2014 | 3,80%                                 | 0,26%  | 3,23%                              | 0,66%                                     |
| 2015 | 4,65%                                 | 0,23%  | 2,66%                              | 0,02%                                     |
| 2016 | 2,65%                                 | 0,59%  | 2,65%                              | 0,46%                                     |
| 2017 | 13,71%                                | 7,15%  | 6,74%                              | 2,50%                                     |
| 2018 | 20,08%                                | 8,95%  | 7,94%                              | 3,04%                                     |
| 2019 | 19,45%                                | 8,39%  | 9,65%                              | 3,82%                                     |
| 2020 | 19,82%                                | 7,86%  | 7,77%                              | 2,43%                                     |
| 2021 | 25,01%                                | 11,63%                                       | 9,32%                              | 5,26%                                     |
| 2022 | 22,53%                                | 12,02%                                       | 7,94%                              | 3,74%                                     |
| 2023 | 22,33%                                | 12,20%                                       | 9,47%                              | 4,39%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.4 Generic Codes

The Generic Codes, as amended in 2019, specify, among other things, the interpretative principles of B-BBEE, the application of the Code and the basis for measurement under the Code, as well as the application of the Code to EMEs, QSEs and start-up enterprises. The Generic Code process for developing and gazetting sector codes and provides guidance about the treatment of ownership for specialised enterprises for B-BBEE and specifies applicable scorecards. Three major sectors that fall under Generic scorecard are manufacturing, mining and retail<sup>70</sup>. Table 38 below shows the application of the Generic Code scorecard when measuring B-BBEE performance of entities.

<sup>70</sup> Sanlam Transformation Gauge Report 2023. Accessed at: <https://sanlamtransformationgauge.co.za/report-2023/>

**Table 38: Generic Sector B-BBEE Scorecard**

| B-BBEE Element                      | Weighting                                     |
|-------------------------------------|---|
| Ownership                           | 25 points                                     |
| Management Control                  | 19 points                                     |
| Skills Development                  | 20 points (+ 5 bonus points)                  |
| Enterprise and Supplier development | 40 points (+ 4 bonus points)                  |
| Socio-Economic Development          | 5 points                                      |
| <b>Total</b>                        | <b>118 points (inclusive of bonus points)</b> |

Source: Generic sector code as amended, 2019

### 8.4.1 Generic Codes B-BBEE status levels and scores

Tables 39 and 40 below show the generic sector's total number and percentage shares of entities by status levels for the period 2013 to 2023. The standout feature of the generic sector, inclusive of mining, manufacturing and retail, is the incredibly high levels of non-compliance at 33% in 2023 or compliance at the lowest Level 8 at 13% in 2023, in comparison to other sectors with Sector Codes.

**Table 39: Generic Code entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013       | 2014       | 2015       | 2016       | 2017        | 2018        | 2019       | 2020        | 2021        | 2022        | 2023        |
|---------------------|------------|------------|------------|------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| Level 1             | 111        | 31         | 24         | 82         | 101         | 79          | 73         | 136         | 220         | 343         | 194         |
| Level 2             | 73         | 34         | 41         | 58         | 63          | 146         | 73         | 111         | 168         | 247         | 159         |
| Level 3             | 46         | 35         | 50         | 70         | 67          | 112         | 81         | 125         | 147         | 196         | 96          |
| Level 4             | 25         | 31         | 31         | 57         | 186         | 237         | 169        | 204         | 282         | 334         | 214         |
| Level 5             | 33         | 7          | 21         | 32         | 48          | 74          | 30         | 41          | 78          | 68          | 36          |
| Level 6             | 17         | 15         | 17         | 28         | 41          | 55          | 49         | 39          | 56          | 76          | 53          |
| Level 7             | 6          | 12         | 9          | 12         | 63          | 72          | 51         | 42          | 77          | 108         | 47          |
| Level 8             | 11         | 6          | 8          | 37         | 189         | 227         | 159        | 157         | 238         | 355         | 190         |
| Non-Compliant       | 5          | 5          | 11         | 36         | 262         | 341         | 236        | 254         | 427         | 637         | 481         |
| <b>Grand Total</b>  | <b>327</b> | <b>176</b> | <b>212</b> | <b>412</b> | <b>1020</b> | <b>1343</b> | <b>921</b> | <b>1109</b> | <b>1693</b> | <b>2364</b> | <b>1470</b> |

Source: Commission's analysis based on the data collected from verification agencies

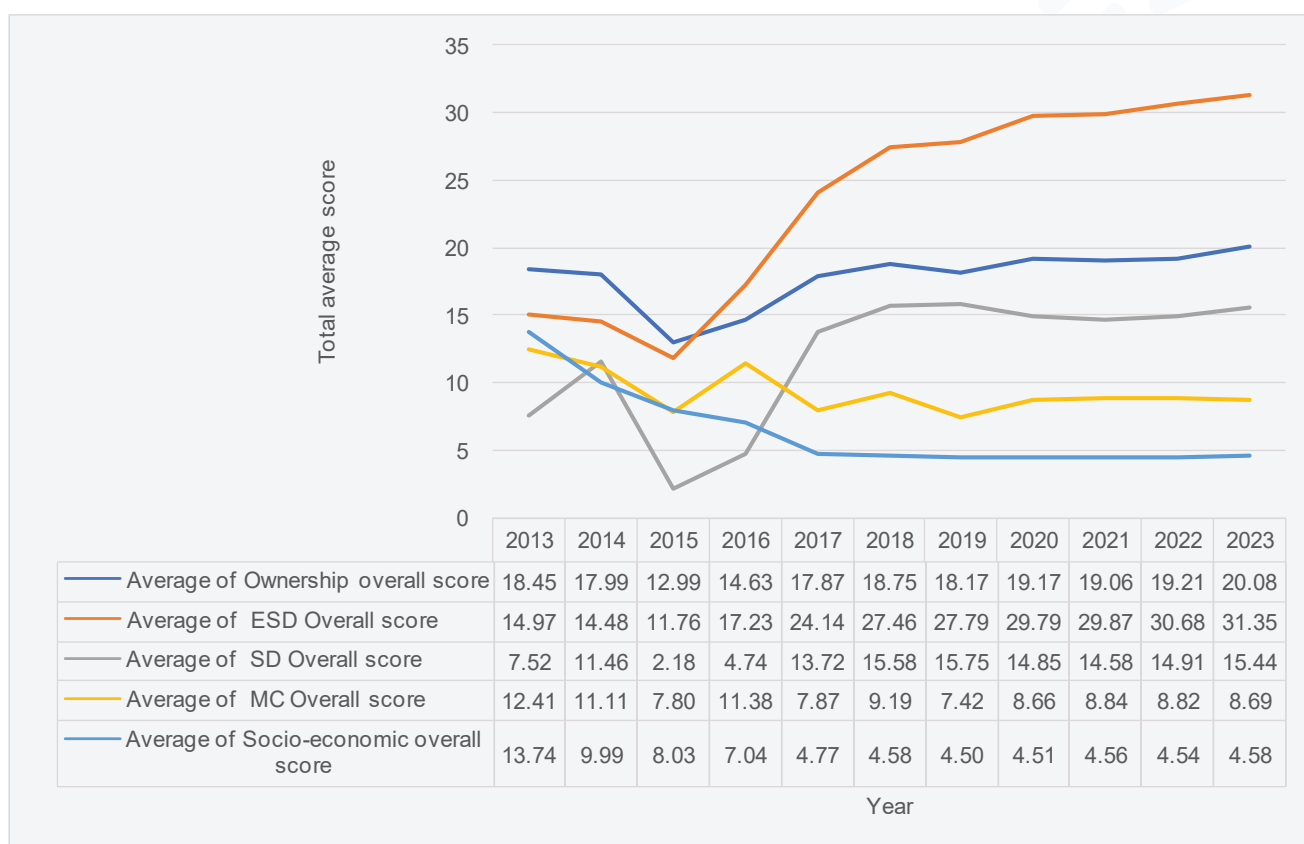
**Table 40: Percentage share of generic entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 34%  | 18%  | 11%  | 20%  | 10%  | 6%   | 8%   | 12%  | 13%  | 15%  | 13%  |
| Level 2             | 22%  | 19%  | 19%  | 14%  | 6%   | 11%  | 8%   | 10%  | 10%  | 10%  | 11%  |
| Level 3             | 14%  | 20%  | 24%  | 17%  | 7%   | 8%   | 9%   | 11%  | 9%   | 8%   | 7%   |
| Level 4             | 8%   | 18%  | 15%  | 14%  | 18%  | 18%  | 18%  | 18%  | 17%  | 14%  | 15%  |
| Level 5             | 10%  | 4%   | 10%  | 8%   | 5%   | 6%   | 3%   | 4%   | 5%   | 3%   | 2%   |
| Level 6             | 5%   | 9%   | 8%   | 7%   | 4%   | 4%   | 5%   | 4%   | 3%   | 3%   | 4%   |
| Level 7             | 2%   | 7%   | 4%   | 3%   | 6%   | 5%   | 6%   | 4%   | 5%   | 5%   | 3%   |
| Level 8             | 3%   | 3%   | 4%   | 9%   | 19%  | 17%  | 17%  | 14%  | 14%  | 15%  | 13%  |
| Non-Compliant       | 2%   | 3%   | 5%   | 9%   | 26%  | 25%  | 26%  | 23%  | 25%  | 27%  | 33%  |

Source: Commission's analysis based on the data collected from verification agencies

Of concern is that non-compliance and compliance at Level 8 have seen their share increase over time, and collectively they represent almost half of all entities to which the generic sector code applies. The other implication is that there is a much poorer performance at Levels 1-4, with a lower share than those in Level 8 and non-compliance at 41%, of which only 13% are Level 1 and 15% are Level 4. This is also low, relative to other sectors. It would be useful to understand why there is such poor compliance in these sectors and what can be done to incentivise greater levels of compliance.

**Figure 8: Generic Code average B-BBEE Scores (2013-2023)<sup>71</sup>**



Source: Commission's analysis based on the data collected from verification agencies

<sup>71</sup> The average scores for socio-economic development from 2013 to 2016 are outliers in the data as they exceed the maximum available points (i.e. 5 points) for this B-BBEE element based on the Generic Sector Code.

Table 41 below is an analysis of the performance of B-BBEE average scores by entities in the generic sector compared to the total maximum points available. This brings out the particularly poor performance in terms of management control, where the sectors falling under the Generic Code do not even achieve half of the total points available, and with a declining share over time, suggesting the sectors are going backwards on this measure. The other aspect of broad-based empowerment, namely skills development, has the second-lowest share of total points available at 62%, and this too did not progress between 2018 - 2023. Whilst ESD points continue to increase, this still remains at only 70% of the total points available in this category. There is better performance on ownership and socio-economic development at 80% and 92% respectively.

**Table 41: Generic Code average B-BBEE scores compared to maximum points available**

| B-BBEE Element                      | Generic Scorecard Total Points Available | Average Scores by B-BBEE Element (2013, 2018 and 2023) |       |       | Average B-BBEE Scores as a % of Total Generic Scorecard Available Points (2013, 2018 & 2023) |      |      |
|-------------------------------------|--|--|-------|-------|--|------|------|
|                                     |  | 2013   | 2018  | 2023  | 2013   | 2018 | 2023 |
| Ownership                           | 25                                       | 18,45  | 18,75 | 20,08 | 74%  | 75%  | 80%  |
| Management Control                  | 19                                       | 12,41  | 9,19  | 8,69  | 65%  | 48%  | 46%  |
| Skills Development                  | 25                                       | 7,52   | 15,58 | 15,44 | 30%  | 62%  | 62%  |
| Enterprise and Supplier Development | 44                                       | 14,97  | 27,46 | 31,35 | 34%  | 62%  | 71%  |
| Socio-Economic Development          | 5  |  | 4,58  | 4,58  |  | 92%  | 92%  |

Source: Commission's analysis based on the data collected from verification agencies

## 8.4.2 Generic sector ownership, board participation and management structure

Table 42 below shows notable fluctuations in both voting rights and economic interest in the generic sector. The percentage share of black people's voting rights and economic interest have remained largely unchanged since 2018, indicating no ongoing progress for five years. The same trend is also observed in black women voting rights and economic interest during the same period. Overall, the percentage share of black people's voting rights has for most of the years been above the target of 25% + 1 vote, but well below the average for the total sample across all sectors, whilst black economic interest has been below the target of 25% (except for 2018 and 2023). On the other hand, the proportion of black women voting rights and economic interest has been above or closer to the target of 10% in most years but not progressing much beyond that.

**Table 42: Generic sector average percentage of exercisable voting rights and economic interest by Black People and Black Women (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 51,10%                         | 9,79%                                 | 20,31%                             | 13,41%                                    |
| 2014 | 34,12%                         | 7,84%                                 | 15,18%                             | 6,73%                                     |
| 2015 | 16,46%                         | 2,75%                                 | 20,65%                             | 11,12%                                    |
| 2016 | 43,69%                         | 1,85%                                 | 19,85%                             | 21,62%                                    |
| 2017 | 38,05%                         | 8,09%                                 | 24,57%                             | 21,42%                                    |
| 2018 | 36,97%                         | 11,75%                                | 25,01%                             | 18,13%                                    |
| 2019 | 32,05%                         | 10,49%                                | 22,23%                             | 16,22%                                    |
| 2020 | 37,62%                         | 13,83%                                | 24,08%                             | 19,76%                                    |
| 2021 | 34,89%                         | 12,79%                                | 24,95%                             | 17,46%                                    |
| 2022 | 35,52%                         | 12,16%                                | 24,95%                             | 16,91%                                    |
| 2023 | 35,71%                         | 12,36%                                | 26,10%                             | 18,97%                                    |

Source: Commission's analysis based on the data collected from verification agencies

Results in the table below indicate that black people's representation in executive and non-executive board roles has been relatively low over the years in the generic sector. This highlights a major gap in leadership diversity, with black executive and black women executive directors representing 18.6% and 8.4% respectively in 2023 (against a target of 50%), but with no progress since 2018. Non-executive black directors, as well as non-executive black women directors also account for less than 3% of representation at board level which is negligible when compared to the sector target of 25%.

**Table 43: Generic sector average percentage of Board participation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 4,22%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2014 | 1,25%                                | 0,71%                                       | 0,26%                                    | 0,00%   |
| 2015 | 2,94%                                | 0,88%                                       | 0,95%                                    | 0,00%   |
| 2016 | 2,87%                                | 0,72%                                       | 0,40%                                    | 0,00%   |
| 2017 | 13,64%                               | 5,38%                                       | 0,09%                                    | 0,00%   |
| 2018 | 20,31%                               | 8,11%                                       | 0,03%                                    | 0,02%   |
| 2019 | 17,19%                               | 6,92%                                       | 0,54%                                    | 0,19%   |
| 2020 | 17,68%                               | 7,72%                                       | 0,44%                                    | 0,17%   |
| 2021 | 18,87%                               | 9,05%                                       | 2,21%                                    | 1,38%   |
| 2022 | 18,02%                               | 7,46%                                       | 2,41%                                    | 1,66%   |
| 2023 | 18,63%                               | 8,39%                                       | 1,08%                                    | 0,81%   |

Source: Commission's analysis based on the data collected from verification agencies

Table 44 below also indicates low levels of black people (including women) representation at executive and senior management positions. This suggests a sluggish rate of transformation at senior leadership levels in the generic sector. The black executive and senior management representation in the generic sector has improved only marginally between 2018 - 2023, to 20.4% and 8.6% respectively, against the target of 60%. Black women representation is around half of that for black people overall.

**Table 44: Generic Sector average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,61%                                 | 0,00%  | 5,47%                              | 0,51%                                     |
| 2014 | 0,09%                                 | 0,03%  | 2,04%                              | 0,88%                                     |
| 2015 | 1,27%                                 | 0,06%  | 2,29%                              | 0,11%                                     |
| 2016 | 2,22%                                 | 1,52%  | 1,91%                              | 0,37%                                     |
| 2017 | 12,51%                                | 5,35%  | 5,67%                              | 2,20%                                     |
| 2018 | 17,97%                                | 7,94%  | 7,99%                              | 3,81%                                     |
| 2019 | 14,97%                                | 6,90%  | 5,98%                              | 2,55%                                     |
| 2020 | 16,96%                                | 7,21%  | 6,16%                              | 3,42%                                     |
| 2021 | 20,63%                                | 10,20%                                       | 7,07%                              | 3,89%                                     |
| 2022 | 20,82%                                | 8,75%  | 8,12%                              | 4,15%                                     |
| 2023 | 20,43%                                | 8,59%  | 8,59%                              | 4,41%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.5 Marketing, Advertising and Communication (MAC) Sector

The MAC sector is a relatively small sector in terms of economic footprint<sup>72</sup>. However, the sector remains important as it cuts across every sector through its provision of marketing services. The Communications sector contributed approximately 3.8% or R196 billion to South Africa's GDP in 2023<sup>73</sup>. This is in addition to about 1% of total employment (formal and informal) or 122 286 jobs for the same year.

### 8.5.1 MAC Sector Code

The MAC Sector Code, as amended in 2016<sup>74</sup>, applies to advertising, public relations and communication as marketing vehicles in all types of media, including digital platforms. Particularly, the Code applies to entities that derive more than 50% of their turnover from MAC and excludes licensed broadcasters that are regulated by the ICASA<sup>75</sup>. The scope of the Sector Code also extends to organs of state.

<sup>72</sup> According to Who Owns Whom, in 2022 advertising companies with revenue above R80 million jointly employed approximately 8 000 people.

<sup>73</sup> the dtic calculations based on Quantec Research Easy Data (QSIC 75)

<sup>74</sup> Marketing, Advertising and Communication Sector Code. Accessed at: [https://www.thedtic.gov.za/wp-content/uploads/Amended\\_MAC\\_Sector\\_Code.pdf](https://www.thedtic.gov.za/wp-content/uploads/Amended_MAC_Sector_Code.pdf)

<sup>75</sup> Licensed broadcasters fall under the ICT Sector Code.

Large and QSE entities are classified in the MAC sector as shown in the table below. Table 45 below also shows that (except for the public relations sub-sector) the MAC Sector Code classifies large and QSE entities according to the classification system prescribed in the B-BBEE Act.

**Table 45: MAC Sector entity size categories by turnover<sup>76</sup>**

| Sub-sector   | Definition of Large Entity | Definition of QSE           |
|--|----------------------------|-----------------------------|
| Public Relations Industry                                  | R10 million and above      | Between R5 and R10 million  |
| Advertising Industry                                       | R50 million and above      | Between R10 and R50 million |
| Marketing, Advertising and Communication Research Industry | R50 million and above      | Between R10 and R50 million |

*Source: Marketing, advertising and communication sector code, as amended 2016*

Similar to other Sector Codes, the MAC Sector Code uses two different scorecards to assess the overall B-BBEE performance of large and QSE entities as set out in table 46 below.

**Table 46: MAC Sector B-BBEE Scorecard**

| B-BBEE Element                                 | Large Entity Scorecard Weighting | QSE Scorecard Weighting      |
|--|----------------------------------|------------------------------|
| Ownership                                      | 25 points                        | 25 points                    |
| Management Control                             | 27 points                        | 15 points                    |
| Skills Development                             | 20 points + 10 bonus points      | 25 points + 10 bonus points  |
| Enterprise and Supplier Development            | 42 points + 4 bonus points       | 30 points                    |
| Socio-Economic Development                     | 5 points                         | 5 points                     |
| Responsible Social Marketing and Communication | 5 points                         | 5 points                     |
| <b>Total Points</b>                            | <b>124 + 14 Bonus Points</b>     | <b>105 + 10 Bonus Points</b> |

*Source: Marketing, advertising and communication sector code, as amended 2016*

The MAC Sector Code also sets out compliance targets for ownership as follows: **(a)** 45% exercisable voting rights by black people, and 30% by black women; **(b)** 45% economic interest owned by black people, and 30% by black women and 5% economic interest owned by black natural people<sup>77</sup>.

## 8.5.2 MAC Sector B-BBEE Status Levels and Scores

Table 47 below shows the MAC sector entity B-BBEE status levels from 2017 to 2023. The small sample means the share at any particular level may vary year-on-year, but the overall trend shows high compliance Levels 1 and 2 over a sustained period, at or above 50% of all entities in the sector sample. There are a further 10-20% at Levels 3 and 4, with non-compliance of around 10-15%.

<sup>76</sup> Turnover is equal to billings, including media commissions

<sup>77</sup> These are, black employee ownership schemes, black participation in co-operatives, black designated groups, and black beneficiaries of broad-based ownership schemes.

**Table 47: MAC Sector entities by B-BBEE Status Levels (2017-2023)<sup>78</sup>**

| B-BBEE Status Level | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      | 2023      |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Level 1             | 4         | 17        | 13        | 6         | 23        | 28        | 14        |
| Level 2             | 6         | 8         | 7         | 10        | 10        | 4         | 6         |
| Level 3             | 2         | -         | 1         | 2         | 2         | 3         | 3         |
| Level 4             | 4         | 2         | 3         | 3         | 3         | 4         | 5         |
| Level 5             | -         | 1         | 1         | 1         | 1         | 3         | 2         |
| Level 6             | 1         | -         | 1         | 3         | -         | -         | 2         |
| Level 7             | -         | 1         | -         | -         | 3         | -         | 1         |
| Level 8             | 2         | 4         | 2         | 2         | 2         | 4         | 4         |
| Non-Compliant       | 4         | 7         | 4         | 3         | 5         | 8         | 5         |
| <b>Grand Total</b>  | <b>23</b> | <b>40</b> | <b>32</b> | <b>30</b> | <b>49</b> | <b>54</b> | <b>42</b> |

Source: Commission's analysis based on the data collected from verification agencies

**Table 48: Percentage share of MAC sector entities by B-BBEE Status Levels (2017-2023)**

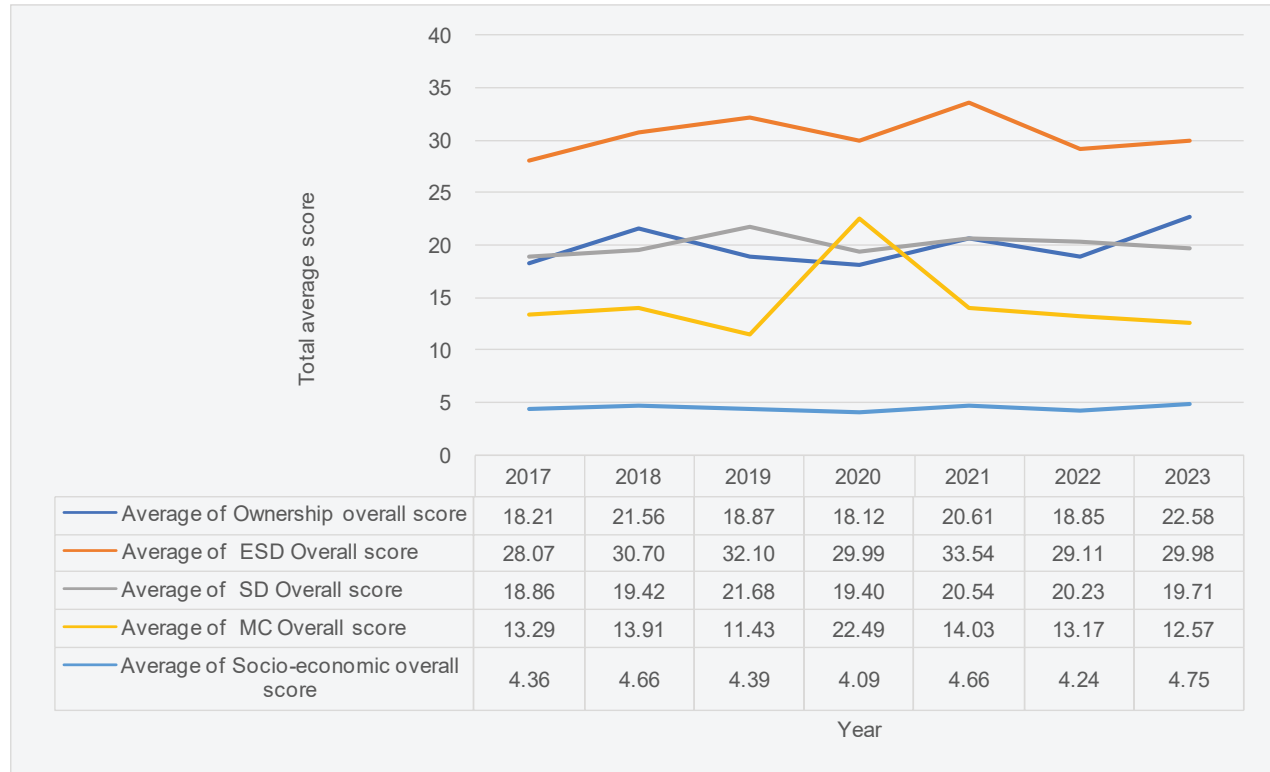
| B-BBEE Status Level | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|
| Level 1             | 17%  | 43%  | 41%  | 20%  | 47%  | 52%  | 33%  |
| Level 2             | 26%  | 20%  | 22%  | 33%  | 20%  | 7%   | 14%  |
| Level 3             | 9%   | 0%   | 3%   | 7%   | 4%   | 6%   | 7%   |
| Level 4             | 17%  | 5%   | 9%   | 10%  | 6%   | 7%   | 12%  |
| Level 5             | 0%   | 3%   | 3%   | 3%   | 2%   | 6%   | 5%   |
| Level 6             | 4%   | 0%   | 3%   | 10%  | 0%   | 0%   | 5%   |
| Level 7             | 0%   | 3%   | 0%   | 0%   | 6%   | 0%   | 2%   |
| Level 8             | 9%   | 10%  | 6%   | 7%   | 4%   | 7%   | 10%  |
| Non-Compliant       | 17%  | 18%  | 13%  | 10%  | 10%  | 15%  | 12%  |

Source: Commission's analysis based on the data collected from verification agencies

Figure 9 below shows the average B-BBEE scores attained in the MAC sector from 2013-2023. The MAC sector shows a fairly sustained points score since 2017 with some annual fluctuations, but ultimately with the 2023 figures being similar to the 2017 figures. This may reflect the lack of incentive to continue to improve transformation either for those at the highest levels or for non-compliant entities in the MAC sector.

<sup>78</sup> No data entries for the period preceding 2017 across the MAC sectoral analysis.

Figure 9: MAC Sector entities by B-BBEE Status Levels (2017-2023)



Source: Commission’s analysis based on the data collected from verification agencies

Given that the MAC sector uses two different scorecards to measure large and QSE entities, as reflected above, the research study has taken an average of the total maximum points that large and QSE entities can accumulate under each B-BBEE element based on the two MAC scorecards. To this end, Table 49 below analyses the performance of entities against the average maximum points available. The MAC sector figures reflect the familiar patterns across the economy, namely with poor performance on broad-based empowerment initiatives such as management control and skills development (both around 60% of total points available), but with a high share of points available for ownership, socio-economic development and ESD.

Table 49: MAC Sector average B-BBEE scores compared to the maximum points available (2018 and 2023)

| B-BBEE Element                      | MAC Scorecard Total Points Available | MAC Average Scores by B-BBEE Element (2018 and 2023) |       | Average B-BBEE Scores as a % of Total MAC Scorecard Available Points (2018 and 2023) |      |
|-------------------------------------|--------------------------------------|--|-------|--|------|
|                                     |                                      | 2018   | 2023  | 2018   | 2023 |
| Ownership                           | 25                                   | 21,56  | 22,58 | 86%  | 90%  |
| Management Control                  | 21                                   | 13,91  | 12,57 | 66%  | 60%  |
| Skills Development                  | 33                                   | 19,42  | 19,71 | 60%  | 61%  |
| Enterprise and Supplier Development | 38                                   | 30,70  | 29,98 | 81%  | 79%  |
| Socio-Economic Development          | 5                                    | 4,66   | 4,75  | 93%  | 95%  |

Source: Commission’s analysis based on the data collected from verification agencies

### 8.5.3 MAC Sector ownership, board participation and management structure

Table 50 below shows that in terms of ownership, the average exercisable voting rights and economic interest remain below the ownership compliance targets as set out in the MAC Sector Code, as highlighted in the sub-section above. For black people in terms of voting rights, the sector has fallen short of the target of 45%, while for black women the sector achieved below the target of 30%.

**Table 50: MAC Sector average percentage of exercisable voting rights and economic interest by Black People and Black Women (2017-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2017 | 18,77%                         | 5,06%                                 | 19,81%                             | 9,66%                                     |
| 2018 | 35,49%                         | 16,19%                                | 22,57%                             | 19,08%                                    |
| 2019 | 28,18%                         | 11,57%                                | 25,07%                             | 14,38%                                    |
| 2020 | 29,29%                         | 12,23%                                | 26,11%                             | 16,43%                                    |
| 2021 | 30,87%                         | 16,03%                                | 25,95%                             | 16,91%                                    |
| 2022 | 38,64%                         | 16,62%                                | 30,05%                             | 24,68%                                    |
| 2023 | 39,76%                         | 24,78%                                | 34,52%                             | 30,29%                                    |

*Source: Commission's analysis based on the data collected from verification agencies*

The analysis on board participation shows that, on average, black people and black women representation is below the expected targets of 50% and 25%, respectively. These averages are also well below those achieved in the broader sample, suggesting an area where the MAC sector is falling short. The averages for non-executive black directors and black women directors remain very low at 3% and 1.9% in 2023, indicating severe non-compliance with this sub-element but also in line with trends across the whole sample of this study.

**Table 51: MAC Sector average percentage of Board participation by Black People and Black Women (2017-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2017 | 5,57%                                | 3,45%                                       | 0,00%                                    | 0,00%   |
| 2018 | 15,93%                               | 9,93%                                       | 1,63%                                    | 0,81%   |
| 2019 | 15,43%                               | 9,56%                                       | 1,76%                                    | 6,27%   |
| 2020 | 13,62%                               | 7,08%                                       | 1,07%                                    | 0,74%   |
| 2021 | 13,18%                               | 7,68%                                       | 1,94%                                    | 2,79%   |
| 2022 | 15,87%                               | 6,06%                                       | 1,87%                                    | 0,98%   |
| 2023 | 15,63%                               | 7,69%                                       | 3,00%                                    | 1,90%   |

Source: Commission's analysis based on the data collected from verification agencies

Table 52 below shows that throughout the research period, black people's representation at senior and executive management levels also remained low and far from the sector target of 60%. This indicates on-going challenges faced by the sector in transforming black participation at these senior management levels. There was progress at executive management level with some improvements over time, but at the senior management level there was a steep decline for black women representation and stagnation for black people overall at this level.

**Table 52: MAC Sector average percentage of management representation by Black People and Black Women (2017-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2017 | 11,36%                                | 9,31%  | 5,90%                              | 3,10%                                     |
| 2018 | 18,32%                                | 10,31%                                       | 10,30%                             | 7,44%                                     |
| 2019 | 7,53%                                 | 2,39%  | 13,81%                             | 8,66%                                     |
| 2020 | 14,45%                                | 6,70%  | 11,35%                             | 9,77%                                     |
| 2021 | 16,67%                                | 8,31%  | 10,16%                             | 7,05%                                     |
| 2022 | 22,42%                                | 14,59%                                       | 9,42%                              | 4,25%                                     |
| 2023 | 16,49%                                | 15,16%                                       | 11,89%                             | 5,19%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.6 Property Sector

The property sector plays a critical role at an individual, commercial and other (industrial) levels of the South African economy<sup>79</sup>. At an individual level, the right to property is a basic human right that entitles every South African citizen to have access to shelter. Whereas at a commercial level, property can be seen as a basic requirement for business to have operational space<sup>80</sup>, and can also be considered as a wealth creator (holding property for resale and rental property).

The property sub-sector also remains one of the most important industries in driving economic growth in South Africa. In 2023, the sub-sector contributed a sizeable 6% or (R314 billion) to South Africa's total output and 203 007 jobs (formal and informal)<sup>81</sup>.

### 8.6.1 Property Sector Code

The Property Sector Code, as amended in 2017, has an objective to redress past racial discrimination and the promotion of meaningful participation of black South Africans in the property sector. The Sector Code applies to all enterprises engaged in commercial activities within the property industry. These include enterprises involved in property ownership or the provision of property services, including practitioners and enterprises engaging in property development<sup>82</sup>.

#### These include enterprises within the:

- Residential property industry (housing, community schemes, land zoned for development);
- Commercial property industry (includes the following industries: office property, industrial property, leisure property, retail property, and land zoned for development); and
- Other property value chain areas, such as property development, property ownership, property services, professionals, regulators, and organs of state.

Table 53 below shows the categories of entities based on assets and annual turnover in the property sector. It is worth noting that entity classification applied in the property sector is aligned with the B-BBEE Act.

<sup>79</sup> See: Property Sector Council (2019). 2017/2018 State of Transformation Report for the South African Property Sector. Also see: Who Owns Whom, (2023). Real Estate Activities in South Africa (Including Medical Real Estate).

<sup>80</sup> Since Covid-19 this requirement has been declining, with the sector experiencing growing rental vacancies.

<sup>81</sup> See: **the dtic** calculations based on Quantec Research Easy Data

<sup>82</sup> See: Amended Property Sector Code, accessed at: [https://www.thedtic.gov.za/wp-content/uploads/Amended\\_Property\\_Sector\\_Codes.pdf](https://www.thedtic.gov.za/wp-content/uploads/Amended_Property_Sector_Codes.pdf)

**Table 53: Property Sector entity size categories by net assets and turnover**

| Entity Category | Measure         | Asset Based            | Service Based         | Estate Agencies/Broking/Valuation Entities |
|-----------------|-----------------|------------------------|-----------------------|--|
| EME             | Net Assets      | Less than R80 million  | -                     | -  |
|                 | Annual Turnover | -                      | Less than R10 million | Less than R2.5 million                     |
| QSE             | Net Assets      | Less than R400 million | -                     | -  |
|                 | Annual Turnover | -                      | Less than R50 million | Less than R35 million                      |

Source: Amended Property Sector Code, 2017

Table 54 below also illustrates the two scorecards, namely, Generic and QSE scorecards that are used in the property sector.

**Table 54: Property Sector B-BBEE Scorecard**

| B-BBEE Element                      | Generic Scorecard Weighting  | QSE Scorecard Weighting     |
|-------------------------------------|------------------------------|-----------------------------|
| Ownership                           | 30 points + 3 bonus points   | 27 points                   |
| Management Control                  | 9 points + 2 bonus points    | 9 points                    |
| Employment Equity                   | 13 points + 3 bonus points   | 11 points + 2 bonus points  |
| Skills Development                  | 19 points + 3 bonus points   | 17 points + 3 bonus points  |
| Enterprise and Supplier Development | 39 points + 4 bonus points   | 35 points                   |
| Socio-Economic Development          | 2 points                     | 2 points                    |
| Economic Development                | 5 points                     | 4 points                    |
| <b>Total Points</b>                 | <b>117 + 15 Bonus Points</b> | <b>105 + 5 Bonus Points</b> |

Source: Amended Property Sector Code, 2017

The B-BBEE priority elements in the property sector differ by type of sub-sector, as shown in the table below.

**Table 55: B-BBEE priority elements by property sub-sector**

|                                   | APUTS Property Unit Trusts | REITS (External Management) | Asset Management | Property Owners REITS External Management | Property Managers Services | Internal Management with REITS | Unlisted Public Mandated Collective Investment Scheme | Estate Agents | Specialised Scorecard incl State Organs |
|-----------------------------------|----------------------------|-----------------------------|------------------|---|----------------------------|--------------------------------|---|---------------|---|
| Ownership                         | X                          | X                           | X                | X   | X                          | X                              | X   | X             |   |
| Management Control                |                            |                             |                  |   |                            |                                |   | X             |   |
| Skills Development                |                            |                             | X                |   | X                          | X                              | X   | X             | X                                       |
| Enterprise & Supplier Development | X                          | X                           | X                | X   | X                          | X                              | X   |               | X                                       |
| Socio-Economic Development        |                            |                             |                  |   |                            |                                |   |               |   |
| Economic Development              | X                          | X                           |                  | X   |                            |                                |   |               |   |

Source: Amended Property Sector Code, 2017

Table 55 above indicates that ownership, skills development, and enterprise and supplier development are the three main priority elements for the property industry as reflected by applicability in most property sub-sectors. Table 56 below also provides the sub-minimum requirements for each of the priority B-BBEE elements in the property sector.

**Table 56: Property Sector sub-minimum requirements for B-BBEE priority elements**

| B-BBEE Priority Element                      | Applicable Area          | Sub-minimum Requirement | Generic                   |                     | QSE |
|--|--------------------------|-------------------------|---------------------------|---------------------|-----|
|  |                          |                         | Property Owning companies | All other companies |     |
| <b>Ownership</b>                             | Net Equity               | 40%                     | 3.2                       | 4                   | 4   |
| <b>Skills Development</b>                    | Total Weighting          | 40%                     | 7.6                       |                     | 6.8 |
| <b>Enterprise &amp; Supplier Development</b> | Preferential Procurement | 40%                     | 9.6                       |                     | 10  |
|  | Supplier Development     | 40%                     | 4                         |                     | 2   |
|  | Enterprise Development   | 40%                     | 2                         |                     | 2   |

Source: Amended Property Sector Code, 2017

## 8.6.2 Property Sector B-BBEE Status Levels and Scores

An analysis of B-BBEE status levels by entities in the property sector shows a concerning trend in terms of B-BBEE compliance, with a significant percentage of non-compliant entities for the period under review (see Table 57 below). This was 67% in 2022 and 2023, the years with the biggest sample of entities in the sector. Compliance at Levels 1-4 is minimal at just over 20% in those same years. The longer-term trend is no different and reflects a sector that is not transforming and the need for targeted interventions to improve compliance levels.

**Table 57: Property Sector entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013     | 2014     | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022       | 2023      |
|---------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|
| Level 1             | -        | 2        | 4         | -         | 2         | 5         | 3         | 5         | 9         | 17         | 8         |
| Level 2             | 2        | 1        | 2         | 5         | 3         | -         | -         | -         | -         | 4          | 2         |
| Level 3             | -        | 1        | 4         | 1         | 1         | -         | 1         | 2         | 3         | 5          | 2         |
| Level 4             | -        | 1        | 2         | 1         | 3         | 5         | -         | 3         | 4         | 7          | 2         |
| Level 5             | -        | -        | -         | 1         | 1         | -         | 1         | 1         | -         | -          | -         |
| Level 6             | -        | 2        | 1         | -         | 2         | -         | -         | -         | 3         | 6          | 1         |
| Level 7             | -        | -        | 1         | 1         | 1         | -         | -         | 1         | 1         | 7          | 4         |
| Level 8             | -        | -        | 1         | -         | 2         | 3         | 3         | -         | 5         | 6          | 1         |
| Non-Compliant       | -        | 2        | -         | 3         | 10        | 10        | 15        | 8         | 18        | 107        | 40        |
| <b>Grand Total</b>  | <b>2</b> | <b>9</b> | <b>15</b> | <b>12</b> | <b>25</b> | <b>23</b> | <b>23</b> | <b>20</b> | <b>43</b> | <b>159</b> | <b>60</b> |

Source: Commission's analysis based on the data collected from verification agencies

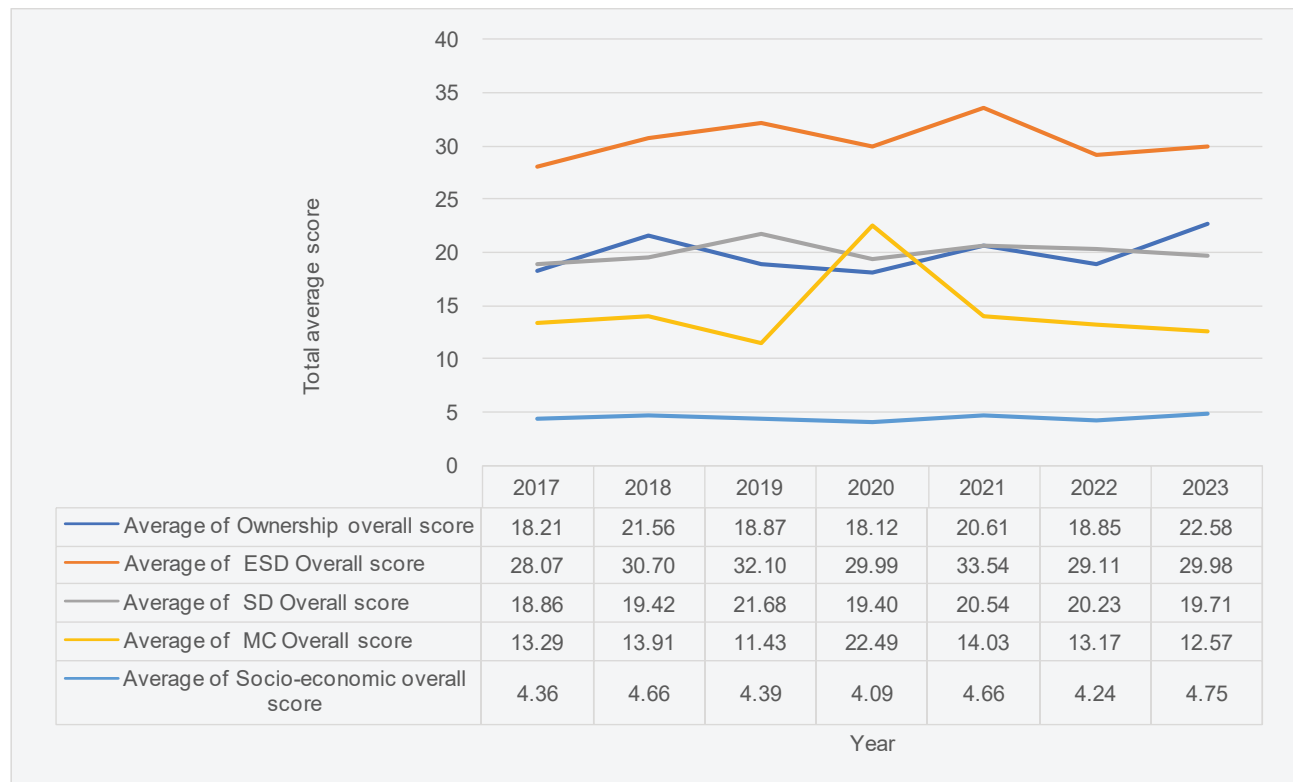
Table 58: Percentage share of entities by B-BBEE Status Level

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 0%   | 22%  | 27%  | 0%   | 8%   | 22%  | 13%  | 25%  | 21%  | 11%  | 13%  |
| Level 2             | 100% | 11%  | 13%  | 42%  | 12%  | 0%   | 0%   | 0%   | 0%   | 3%   | 3%   |
| Level 3             | 0%   | 11%  | 27%  | 8%   | 4%   | 0%   | 4%   | 10%  | 7%   | 3%   | 3%   |
| Level 4             | 0%   | 11%  | 13%  | 8%   | 12%  | 22%  | 0%   | 15%  | 9%   | 4%   | 3%   |
| Level 5             | 0%   | 0%   | 0%   | 8%   | 4%   | 0%   | 4%   | 5%   | 0%   | 0%   | 0%   |
| Level 6             | 0%   | 22%  | 7%   | 0%   | 8%   | 0%   | 0%   | 0%   | 7%   | 4%   | 2%   |
| Level 7             | 0%   | 0%   | 7%   | 8%   | 4%   | 0%   | 0%   | 5%   | 2%   | 4%   | 7%   |
| Level 8             | 0%   | 0%   | 7%   | 0%   | 8%   | 13%  | 13%  | 0%   | 12%  | 4%   | 2%   |
| Non-Compliant       | 0%   | 22%  | 0%   | 25%  | 40%  | 43%  | 65%  | 40%  | 42%  | 67%  | 67%  |

Source: Commission's analysis based on the data collected from verification agencies

Figure 10 below reflects the average B-BBEE scores in the property sector for each category. The top three B-BBEE category scores recorded in the property sector are enterprise and supplier development (22.8 points in 2023), ownership (19 points in 2023) and skills development (12.6 points in 2023). This trend is owing to the Property Sector Code prioritising transformation objectives through these three elements. However, even for these elements, there is a decline in all but ESD since 2018, and a decline for aspects like management control that are not prioritised in the sector code.

Figure 10: Property Sector average B-BBEE Scores (2013-2023)



Source: Commission's analysis based on the data collected from verification agencies

The property sector also uses two verified scorecards for generic and QSE entities. The research took an average of the maximum points available for the two scorecards for each of the B-BBEE elements as shown on Table 59 below. The performance of the property sector shows 2018 to 2023 a decline in ownership, management control and skills development scores as a percentage of total maximum points from.

**Table 59: Property sector average B-BBEE scores compared to the maximum points available (2013, 2018 & 2023)<sup>83</sup>**

| B-BBEE Element                  | Property Sector Scorecard Total Points Available | Average Scores by B-BBEE Element (2013, 2018 and 2023) |       |       | Average B -BBEE Scores as a % of Total Scorecard Available Points (2013, 2018 and 2023) |      |      |
|---------------------------------|--|--|-------|-------|---|------|------|
|                                 |  | 2013   | 2018  | 2023  | 2013  | 2018 | 2023 |
| Ownership                       | 30   | 0,00   | 21,42 | 19,00 | 0%  | 71%  | 63%  |
| Management Control              | 10   | 0,00   | 9,18  | 6,84  | 0%  | 92%  | 68%  |
| Enterprise Supplier Development | 39   | 25,00  | 19,31 | 22,79 | 64%   | 50%  | 58%  |
| Skills Development              | 21   | 0,00   | 21,07 | 12,59 | 0%  | 100% | 60%  |

Source: Commission’s analysis based on the data collected from verification agencies

### 8.6.3 Property Sector ownership, board participation and management structure

Table 60 below provides the voting rights and economic interest of black people and black women in the property sector. The small sample in the period 2017-2021 of around 20-25 entities per annum would seem to distort the picture of property sector transformation. This resulted in relatively high economic interest for the few companies seeking verification under the B-BBEE Act. However, the large sample of property sector entities in 2022 and 2023 shows that the true extent of transformation is considerably poorer than that reflected in earlier years. Voting rights are only at 20% for black people and economic interest around 15%, far below the priority of 40% sub-minimum net equity requirement set out in the Sector Code above, but also below the lower 25% target used by some sector. Black women voting rights were also below 10% which is considered the bare minimum.

<sup>83</sup> The property sector scorecards above have two categories of socio-economic development, whereas data captured by the Commission only has one category.

**Table 60: Property Sector average percentage of exercisable voting and economic interest rights by Black People and Black Women (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 0,00%                          | 0,00%                                 | 0,00%                              |   |
| 2014 | 4,50%                          | 1,11%                                 | 4,44%                              | 2,00%                                     |
| 2015 | 4,68%                          | 0,88%                                 | 5,53%                              | 0,87%                                     |
| 2016 | 6,14%                          | 1,98%                                 | 10,36%                             | 7,90%                                     |
| 2017 | 21,86%                         | 4,98%                                 | 13,01%                             | 12,05%                                    |
| 2018 | 22,81%                         | 10,13%                                | 18,84%                             | 12,94%                                    |
| 2019 | 50,83%                         | 20,52%                                | 38,12%                             | 27,36%                                    |
| 2020 | 52,56%                         | 18,63%                                | 43,84%                             | 20,58%                                    |
| 2021 | 34,25%                         | 13,27%                                | 27,65%                             | 15,35%                                    |
| 2022 | 21,04%                         | 6,11%                                 | 14,24%                             | 9,22%                                     |
| 2023 | 20,49%                         | 6,37%                                 | 15,26%                             | 10,24%                                    |

Source: Commission's analysis based on the data collected from verification agencies

The same patterns emerge in respect of board participation by black people and black women. As indicated earlier, a limited sample created an overstated impression of progress, however, the more comprehensive data for 2022–2023 reveals negligible advancement in board representation, with black people comprising only 8.3% and black women (see table 61 below) 3.8% of board members in 2023.

**Table 61: Property Sector average percentage of Board participation by Black People and Black**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 0,00%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2014 | 0,22%                                | 0,00%                                       | 0,11%                                    | 0,00%   |
| 2015 | 0,27%                                | 0,00%                                       | 0,13%                                    | 0,00%   |
| 2016 | 0,00%                                | 0,00%                                       | 0,08%                                    | 0,00%   |
| 2017 | 0,37%                                | 0,15%                                       | 0,11%                                    | 0,04%   |
| 2018 | 5,88%                                | 2,22%                                       | 0,00%                                    | 0,00%   |
| 2019 | 15,97%                               | 9,72%                                       | 0,00%                                    | 0,00%   |
| 2020 | 15,83%                               | 9,17%                                       | 0,00%                                    | 0,00%   |
| 2021 | 13,26%                               | 7,91%                                       | 5,09%                                    | 3,44%   |
| 2022 | 8,77%                                | 5,89%                                       | 1,21%                                    | 0,69%   |
| 2023 | 8,27%                                | 3,84%                                       | 2,19%                                    | 0,21%   |

Source: Commission's analysis based on the data collected from verification agencies

The trend of under representation of black people at board level also seems to be reflected in the management structures of entities in this sector (see Table 62 below). The sector performed particularly poorly compared to the rest of the economy on black representation at executive and senior management levels. Senior management is almost entirely untransformed at less than 2% black representation, with executive management not much better at 7.9%. Black women at senior and executive management are almost invisible at less than 1% and 2% respectively. Both sub-elements perform poorly even relative to the sector target of 30%.

**Table 62: Property Sector average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,00%                                 | 0,00%  | 0,00%                              | 0,00%                                     |
| 2014 | 8,56%                                 | 0,67%  | 0,56%                              | 0,00%                                     |
| 2015 | 7,33%                                 | 0,40%  | 0,67%                              | 0,00%                                     |
| 2016 | 2,08%                                 | 0,15%  | 0,38%                              | 0,00%                                     |
| 2017 | 2,26%                                 | 0,26%  | 0,33%                              | 0,07%                                     |
| 2018 | 11,13%                                | 0,71%  | 4,20%                              | 2,25%                                     |
| 2019 | 16,67%                                | 0,00%  | 2,78%                              | 1,85%                                     |
| 2020 | 9,94%                                 | 1,95%  | 0,00%                              | 0,00%                                     |
| 2021 | 15,06%                                | 4,67%  | 2,35%                              | 3,31%                                     |
| 2022 | 7,52%                                 | 4,61%  | 2,02%                              | 1,12%                                     |
| 2023 | 7,90%                                 | 1,41%  | 1,78%                              | 0,83%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.7 Tourism Sector

Tourism is one of the industries with high potential, based on South Africa's abundant endowments of diverse landscapes, rich cultural heritage, and wildlife, among other attractions. The tourism industry also provides significant benefits to the South African economy and is projected to contribute approximately 8.8% to the country's GDP, and account for some 1.9 million direct and indirect jobs (10.2% employment) in 2024<sup>84</sup>. The Tourism Sector Code as amended in 2015, highlights the importance of transformation in fostering the industry's growth and sustainability<sup>85</sup>.

<sup>84</sup> the dtic calculations based on Quantec Research Easy Data

<sup>85</sup> See: Amended Tourism Sector Codes, accessed at: [https://www.thedtic.gov.za/wp-content/uploads/Amended\\_Tourism\\_Sector\\_Code.pdf](https://www.thedtic.gov.za/wp-content/uploads/Amended_Tourism_Sector_Code.pdf)

### 8.7.1 Tourism Sector Code

The Tourism Sector Code remains a vital instrument for driving transformation in the South African tourism industry. The Code applies to all entities within the tourism sector, across its value chain including accommodation<sup>86</sup>, hospitality and related services<sup>87</sup> as well as travel and related services<sup>88</sup>. The B-BBEE status levels for the tourism sector are the same as those reflected in the B-BBEE Act. Table 63 below provides the scorecards used in the tourism sector for large entities and QSEs.

**Table 63: Tourism Sector B-BBEE scorecard**

| B-BBEE Element                      | Large Enterprise Weighting | QSE Weighting     |
|-------------------------------------|----------------------------|-------------------|
| Ownership                           | 27 points                  | 26 points         |
| Management Control                  | 19 points                  | 15 points         |
| Skills Development                  | 20 points                  | 25 points         |
| Enterprise and Supplier Development | 40 points                  | 30 points         |
| Socio-Economic Development          | 5 points                   | 5 points          |
| <b>Total</b>                        | <b>111 Points</b>          | <b>101 Points</b> |

Source: Amended Tourism B-BBEE Sector Code, 2015

The large entities and QSE scorecards are used to measure the overall performance of the entities to determine their B-BBEE status levels. The Tourism Sector Code also sets out B-BBEE priority elements (ownership, skills development and enterprise supplier development) that are consistent with the 2013 revised Codes of Good Practice. These priority elements are compulsory for large entities, while QSEs<sup>89</sup> are required to comply with ownership as a compulsory element. In addition, QSEs are required to meet either one of the other two elements. All the priority elements have a sub-minimum level of 40%. Non-compliance with the 40% sub-minimum level of any of the priority elements, results in discounting the B-BBEE status level by one level down, until the next verification period, where the entity can demonstrate compliance with the sub-minimum level.

### 8.7.2 Tourism Sector B-BBEE Status Levels and Scores

Tables 64 and 65 below show the total number and percentage share of entities in the tourism sector by B-BBEE status levels from 2013 to 2023. There is a lot of variation at individual level in shares across the years, which may be reflective of the sample. However, what is evident is the growing levels of non-compliance and declining compliance at the higher Levels 1-4. Using the 2022 sample which was the largest, non-compliance or compliance at the minimum Level 8 is around 35% whereas compliance at Levels 1-4 sits at 56%. This is a considerable deterioration from prior years with a sizeable sample of certificates. The picture in 2023 is considerably worse, but this may reflect the sample of certificates from that year.

<sup>86</sup> Hotels, resort properties and timeshare, bed and breakfast, guest houses, game lodges, and backpackers and hostels.

<sup>87</sup> Restaurants (not part of hotels), conference venues (not attached to hotels), professional catering, attractions, casinos, and consulting and professional services.

<sup>88</sup> Tour wholesalers, tour operators, travel agents, tourist guides, car rental companies, and coach operators.

<sup>89</sup> According to the Tourism Sector Codes QSEs are entities with revenue than is more than R5 Million but less than R45 Million.

**Table 64: Tourism Sector entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022       | 2023      |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|
| Level 1             | 4         | 6         | 6         | 3         | 9         | 33        | 2         | 25        | 14        | 17         | 3         |
| Level 2             | 2         | 6         | 13        | 6         | 1         | 10        | 4         | 8         | 12        | 20         | 3         |
| Level 3             | -         | 6         | 6         | 5         | -         | 4         | 1         | 6         | 5         | 6          | -         |
| Level 4             | -         | 2         | 8         | 4         | 6         | 10        | -         | 7         | 5         | 21         | 3         |
| Level 5             | 4         | 1         | 2         | 1         | 2         | 1         | 1         | 3         | -         | 2          | 1         |
| Level 6             | -         | 4         | 1         | 1         | -         | 2         | 3         | 2         | 1         | 4          | 2         |
| Level 7             | -         | -         | -         | -         | 1         | -         | -         | 2         | 1         | 4          | -         |
| Level 8             | -         | 3         | 1         | 8         | 6         | 7         | 4         | 2         | 4         | 19         | 7         |
| Non-Compliant       | 2         | 1         | -         | 3         | 17        | 11        | 14        | 8         | 10        | 21         | 29        |
| <b>Grand Total</b>  | <b>12</b> | <b>29</b> | <b>37</b> | <b>31</b> | <b>42</b> | <b>78</b> | <b>29</b> | <b>63</b> | <b>52</b> | <b>114</b> | <b>48</b> |

Source: Commission's analysis based on the data collected from verification agencies

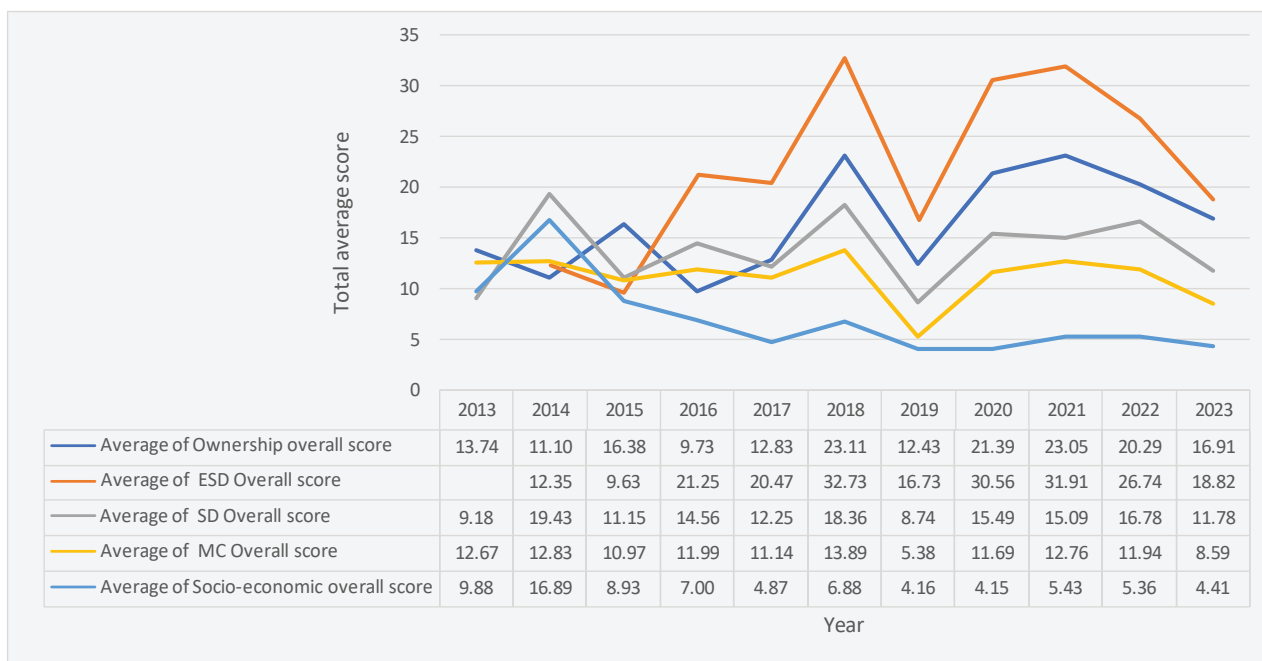
**Table 65: Percentage share of entities by B-BBEE Status Level (2013-2023)**

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 33%  | 21%  | 16%  | 10%  | 21%  | 42%  | 7%   | 40%  | 27%  | 15%  | 6%   |
| Level 2             | 17%  | 21%  | 35%  | 19%  | 2%   | 13%  | 14%  | 13%  | 23%  | 18%  | 6%   |
| Level 3             | 0%   | 21%  | 16%  | 16%  | 0%   | 5%   | 3%   | 10%  | 10%  | 5%   | 0%   |
| Level 4             | 0%   | 7%   | 22%  | 13%  | 14%  | 13%  | 0%   | 11%  | 10%  | 18%  | 6%   |
| Level 5             | 33%  | 3%   | 5%   | 3%   | 5%   | 1%   | 3%   | 5%   | 0%   | 2%   | 2%   |
| Level 6             | 0%   | 14%  | 3%   | 3%   | 0%   | 3%   | 10%  | 3%   | 2%   | 4%   | 4%   |
| Level 7             | 0%   | 0%   | 0%   | 0%   | 2%   | 0%   | 0%   | 3%   | 2%   | 4%   | 0%   |
| Level 8             | 0%   | 10%  | 3%   | 26%  | 14%  | 9%   | 14%  | 3%   | 8%   | 17%  | 15%  |
| Non-Compliant       | 17%  | 3%   | 0%   | 10%  | 40%  | 14%  | 48%  | 13%  | 19%  | 18%  | 60%  |

Source: Commission's analysis based on the data collected from verification agencies

The B-BBEE average scores achieved in the tourism sector from 2013 to 2023 are presented in figure 11 below for each category. The deterioration of compliance in the preceding years from 2018 is also reflected in the points per category, and with no category spared, as the decline still prevails even when 2023 points are ignored. As is typical of most sectors, the emphasis on ESD, ownership and skills development mean the most points are achieved in those categories.

Figure 11: Tourism Sector average B-BBEE Scores (2013-2023)



Source: Commission’s analysis based on the data collected from verification agencies

The tourism sector applies different scorecards to large entities and QSEs as reflected above. In this regard, the research used an average of maximum points available for each of the B-BBEE elements as per the two scorecards. Reflective of the decline in points since 2018 across all categories, there has been a decline in the share of total points available achieved by the tourism sector, even if we use 2022 as a reference year rather than 2023. Interestingly, the tourism sector has done better than many other sectors on its share of broad-based empowerment measures, namely for management control where the sector achieves around 70% of the total points available in 2022 and 75% for skills development. For ownership and ESD the sector is achieving around 75% of the maximum points available.

**Table 66: Tourism Sector average B-BBEE scores compared to maximum points available for large entities and QSEs<sup>90</sup>**

| B-BBEE Element                      | Tourism Sector Scorecard Total Points Available | Tourism Average Scores by B-BBEE Element (2013, 2018 and 2022) |       |       | Average B-BBEE scores as a % of Total Scorecard Available Points (2013, 2018 and 2022) |      |      |
|-------------------------------------|---|--|-------|-------|--|------|------|
|                                     |   | 2013   | 2018  | 2022  | 2013   | 2018 | 2022 |
| Ownership                           | 27  | 13,74  | 23,11 | 20,29 | 52%  | 87%  | 77%  |
| Management Control                  | 17  | 12,67  | 13,89 | 11,94 | 75%  | 82%  | 70%  |
| Skills Development                  | 23  | 9,18   | 18,36 | 16,78 | 41%  | 82%  | 75%  |
| Enterprise and Supplier Development | 35  | 0,00   | 32,73 | 26,74 | 0%   | 94%  | 76%  |
| Socio-Economic Development          | 5   | 9,88   | 6,88  | 5,36  | 198%   | 138% | 107% |

Source: Commission’s analysis based on the data collected from verification agencies

### 8.7.3 Tourism sector ownership, board participation and management structure

The voting rights in the hands of black people within the tourism sector, was slightly above the sector target of 25% + 1 vote for most years, but economic interest has been well below the target of 30% set for the sector. The sector has also generally met the sector target of 15% for black female voting rights with the economic interest associated with these being only marginally lower.

**Table 67: Tourism Sector average percentage of exercisable voting rights and economic interest by Black people and Black females (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 29,15%                         | 0,58%                                 | 12,14%                             | 2,01%                                     |
| 2014 | 19,53%                         | 6,16%                                 | 8,65%                              | 1,47%                                     |
| 2015 | 14,67%                         | 0,32%                                 | 14,97%                             | 2,18%                                     |
| 2016 | 3,05%                          | 0,77%                                 | 8,58%                              | 8,55%                                     |
| 2017 | 25,24%                         | 4,13%                                 | 18,65%                             | 7,94%                                     |
| 2018 | 45,66%                         | 18,62%                                | 37,70%                             | 23,74%                                    |
| 2019 | 21,23%                         | 8,92%                                 | 14,89%                             | 12,71%                                    |
| 2020 | 43,19%                         | 22,53%                                | 6,55%                              | 23,56%                                    |
| 2021 | 33,08%                         | 18,26%                                | 11,25%                             | 14,38%                                    |
| 2022 | 33,29%                         | 15,24%                                | 18,65%                             | 13,82%                                    |
| 2023 | 23,56%                         | 7,38%                                 | 14,48%                             | 10,12%                                    |

Source: Commission’s analysis based on the data collected from verification agencies

<sup>90</sup> The socio-economic development average scores for 2013, 2018 and 2022 are outliers as they exceed the maximum points available based on the tourism sector large and QSE scorecards.

As shown in Table 68 below, black people's representation in the boards of entities within the tourism sector was relatively low compared to the voting rights and compared to other sectors of the economy, with less than 9% of the recorded directors being black across all categories (contrary to the target of 50%). Moreover, black professionals were least represented amongst non-executive directors with averages ranging from 0% to 4.43%. This implies that the sector has not yet taken adequate steps to transform management structures of the industry.

**Table 68: Tourism Sector average percentage of Board participation by Black people and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 8,33%                                | 4,17%                                       | 0,00%                                    | 0,00%   |
| 2014 | 0,31%                                | 0,00%                                       | 0,14%                                    | 0,00%   |
| 2015 | 0,41%                                | 0,00%                                       | 0,14%                                    | 0,00%   |
| 2016 | 0,42%                                | 0,23%                                       | 0,06%                                    | 0,00%   |
| 2017 | 3,95%                                | 1,38%                                       | 0,00%                                    | 0,00%   |
| 2018 | 41,21%                               | 14,29%                                      | 0,00%                                    | 0,00%   |
| 2019 | 7,96%                                | 3,61%                                       | 0,97%                                    | 0,39%   |
| 2020 | 4,54%                                | 4,49%                                       | 0,48%                                    | 0,48%   |
| 2021 | 4,25%                                | 2,86%                                       | 0,71%                                    | 1,10%   |
| 2022 | 8,12%                                | 5,23%                                       | 3,18%                                    | 1,70%   |
| 2023 | 9,21%                                | 5,41%                                       | 4,43%                                    | 1,74%   |

Source: Commission's analysis based on the data collected from verifications agencies

Black executives settled at about 16% in the latter years with black women representing around half of that share. The representation at senior management levels is about the same as executive management in 2023 but lower in most of the preceding years. Once more, black women representation was approximately half of that for black people overall in most years. However, across these four sub-elements, the sector made limited progress towards the sector targets of 60% for black people and 30% for black women.

**Table 69: Tourism Sector average percentage of management representation by Black people and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,00%                                 | 0,00%  | 0,00%                              | 0,00%                                     |
| 2014 | 7,86%                                 | 0,55%  | 0,41%                              | 0,00%                                     |
| 2015 | 5,38%                                 | 0,32%  | 0,54%                              | 0,00%                                     |
| 2016 | 3,80%                                 | 3,94%  | 1,57%                              | 3,74%                                     |
| 2017 | 11,62%                                | 8,98%  | 7,73%                              | 3,87%                                     |
| 2018 | 33,10%                                | 19,48%                                       | 18,42%                             | 9,46%                                     |
| 2019 | 5,32%                                 | 2,93%  | 6,06%                              | 2,47%                                     |
| 2020 | 6,22%                                 | 1,88%  | 2,16%                              | 1,25%                                     |
| 2021 | 7,92%                                 | 2,85%  | 4,13%                              | 2,93%                                     |
| 2022 | 16,40%                                | 11,90%                                       | 12,58%                             | 6,39%                                     |
| 2023 | 16,49%                                | 8,37%  | 16,63%                             | 9,23%                                     |

Source: Commission's analysis based on the data collected from verifications agencies

### 8.8.1 Agri-BEE Sector Code

The Amended Agri-BEE Sector Code derives directly from the sector's core objective to ensure increased access and equitable participation of black people in the sector. The scope of the Amended Agri-BEE Sector Code includes any enterprise which derives more than 50% of its turnover from: **(a)** the primary production of agricultural products; **(b)** the provision of inputs and services to enterprises engaged in the production of agricultural products; **(c)** the beneficiation of agricultural products whether of a primary or semi-beneficiated form; **(d)** the storage, distribution, and/or trading and allied activities related to non-beneficiated agricultural products.

In 2023, the sector produced 3.8%<sup>91</sup> (or R198 billion) of South Africa's total output. In terms of employment (both formal and informal), about 999 415 people or 6.1% of the South African labour force were employed in the industry.

<sup>91</sup> the dtic calculations based on Quantec Research Easy Data (Agriculture QSIC 11)

**The objectives of this Amended Agri-BEE Sector Code are to facilitate Broad-Based black Economic Empowerment in the agricultural sector by implementing initiatives that include black South Africans at all levels of agricultural activity and enterprises and supporting amongst others; the following:**

- promoting equitable access and participation of black people in the entire agricultural value chain;
- de-racialising land and enterprise ownership, control, skilled occupations and management of existing and new agricultural enterprises;
- facilitating structural changes in agricultural support systems and development initiatives to assist black South Africans in owning, establishing, participating in and running agricultural enterprises; and
- improving protection and standards of land rights and tenure security for labour tenants, farm workers and other vulnerable farm dwellers and addressing the inherently paternalistic nature of relationships associated with insecure tenure by promoting more permanent forms of tenure with the emphasis being on the transfer of ownership of land.

Table 70 below shows the Agri-BEE sector scorecards that are applicable to large and QSE entities.

**Table 70: Agri-BEE Sector B-BBEE Scorecard**

| B-BBEE Element                      | Large     | QSEs      | Specialised Large Entities | Specialised QSE |
|-------------------------------------|-----------|-----------|----------------------------|-----------------|
| Ownership                           | 25 points | 25 points | -                          | -               |
| Management Control                  | 19 points | 15 points | 20                         | 25              |
| Skills Development                  | 20 points | 30 points | 25                         | 30              |
| Enterprise and Supplier Development | 40 points | 25 points | 50                         | 30              |
| Socio-Economic Development          | 15 points | 15 points | 5                          | 15              |

Source: Agri-BEE Sector Code, 2017

### The Agri-BEE Sector Code prioritises the following elements:

- **Ownership** - the sub-minimum requirement for ownership (equity) is 40% of Net Value (40% of the 8 points) based on the Time-Based Graduation Factor as provided in Annexure 100(E) of Amended Codes of Good Practice;
- **Skills development** - the sub-minimum requirement for skills development is 40% of the total weighting points excluding any bonus points for skills development);
- **Enterprise and supplier development** - the sub-minimum requirement for ESD is 40% for each of the three categories excluding any bonus points, namely preferential procurement, supplier development and enterprise development. A large enterprise is required to comply with all the priority elements, while a QSE entity is required to comply with ownership as a compulsory element, and either skills development and/or enterprise supplier development.

### 8.8.2 Agri-BEE Sector B-BBEE Status Levels and Scores

Tables 71 and 72 below demonstrate the total number and percentage share of entities in the Agri-BEE sector for the period under review. The picture is particularly bleak with around 50% of agricultural enterprises in the sample being non-compliant and a further 20% only compliant at Level 8, the bare minimum. This has been consistent since 2018. Compliance at Levels 1-4 ranged between 10-20% only in the same period. In short, transformation has not meaningfully taken root in the agricultural sector and the sector codes have done little to bring about compliance.

**Table 71: Agri-BEE sector entities by B-BBEE Status Levels**

| B-BBEE Status Level | 2013     | 2014     | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021       | 2022       | 2023       |
|---------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
| Level 1             | -        | -        | -         | 1         | 1         | 1         | 2         | 4         | 9          | 9          | 7          |
| Level 2             | -        | -        | 2         | 1         | 2         | 2         | -         | 1         | 7          | 7          | 5          |
| Level 3             | -        | -        | -         | 1         | 6         | 2         | 2         | 1         | 2          | 5          | 6          |
| Level 4             | -        | 2        | -         | 2         | 9         | 6         | 3         | -         | 9          | 9          | 9          |
| Level 5             | 2        | 1        | 4         | 1         | 8         | 4         | 1         | 1         | 2          | 9          | 6          |
| Level 6             | -        | -        | -         | 1         | 20        | 3         | 2         | 5         | 7          | 10         | 3          |
| Level 7             | -        | -        | 2         | -         | 10        | 2         | 3         | 4         | 7          | 15         | 7          |
| Level 8             | -        | 1        | 2         | 2         | 16        | 16        | 11        | 13        | 28         | 43         | 26         |
| Non-Compliant       | -        | -        | 1         | 1         | 13        | 24        | 35        | 34        | 63         | 90         | 69         |
| <b>Grand Total</b>  | <b>2</b> | <b>4</b> | <b>11</b> | <b>10</b> | <b>85</b> | <b>60</b> | <b>59</b> | <b>63</b> | <b>134</b> | <b>197</b> | <b>138</b> |

Source: Commission's analysis based on the data collected from verification agencies

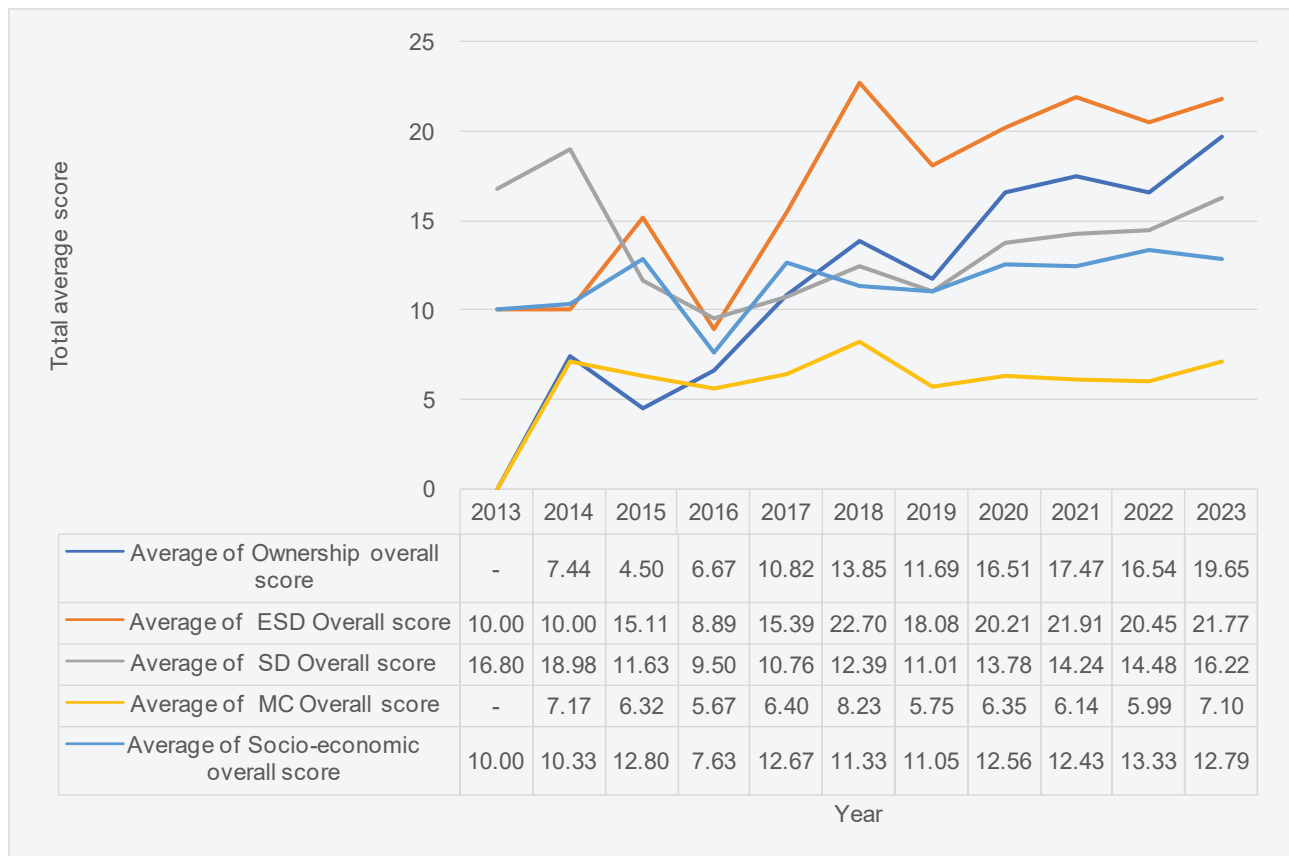
Table 72: Percentage share of entities by B-BBEE Status Levels (2013-2023)

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 0%   | 0%   | 0%   | 10%  | 1%   | 2%   | 3%   | 6%   | 7%   | 5%   | 5%   |
| Level 2             | 0%   | 0%   | 18%  | 10%  | 2%   | 3%   | 0%   | 2%   | 5%   | 4%   | 4%   |
| Level 3             | 0%   | 0%   | 0%   | 10%  | 7%   | 3%   | 3%   | 2%   | 1%   | 3%   | 4%   |
| Level 4             | 0%   | 50%  | 0%   | 20%  | 11%  | 10%  | 5%   | 0%   | 7%   | 5%   | 7%   |
| Level 5             | 100% | 25%  | 36%  | 10%  | 9%   | 7%   | 2%   | 2%   | 1%   | 5%   | 4%   |
| Level 6             | 0%   | 0%   | 0%   | 10%  | 24%  | 5%   | 3%   | 8%   | 5%   | 5%   | 2%   |
| Level 7             | 0%   | 0%   | 18%  | 0%   | 12%  | 3%   | 5%   | 6%   | 5%   | 8%   | 5%   |
| Level 8             | 0%   | 25%  | 18%  | 20%  | 19%  | 27%  | 19%  | 21%  | 21%  | 22%  | 19%  |
| Non-Compliant       | 0%   | 0%   | 9%   | 10%  | 15%  | 40%  | 59%  | 54%  | 47%  | 46%  | 50%  |

Source: Commission's analysis based on the data collected from verifications agencies

Figure 12 below also assessed B-BBEE scores in the Agri-BEE sector from 2013 - 2023 for each category. Since 2018, only the ownership and skills development elements saw substantive increases in the average points achieved by the sample of entities with the other categories relatively stagnant.

Figure 12: Agri-BEE Sector average B-BBEE Scores (2013-2023)



Source: Commission's analysis based on the data collected from verification agencies

The Agri-BEE sector also adopts distinct scorecards in assessing points accumulation by large entities and QSEs. For analytical ease, the study also used an average of points available for each of the B-BBEE elements as per the four Agri-BEE sector scorecards noted above. Management control is particularly low in the agricultural sector, with firms achieving just over one third of the total points available, which is the lowest across all sector codes. Skills development and ESD are around 60% of the points available which are amongst the lowest for all sector codes. As is typical of many codes, ownership and socio-economic development do a little better.

**Table 73: Agri-BEE Sector average B-BBEE scores compared to the maximum points available (2013, 2018 & 2023)**

| B-BBEE Element                      | Agri-BEE Scorecard Total points Available | Average Scores by B-BBEE Element (2013, 2018 and 2023) |       |       | Average B-BBEE Scores as a % of Total Scorecard Available Points (2013, 2018 and 2023) |      |      |
|-------------------------------------|---|--|-------|-------|--|------|------|
|                                     |   | 2013   | 2018  | 2023  | 2013   | 2018 | 2023 |
| Ownership                           | 25  | -  | 13,85 | 19,65 | -  | 55%  | 79%  |
| Management Control                  | 20  | -  | 8,23  | 7,10  | -  | 42%  | 36%  |
| Skills Development                  | 26  | 16,80  | 12,39 | 16,22 | 64%  | 47%  | 62%  |
| Enterprise and Supplier Development | 36  | 10,00  | 22,70 | 21,77 | 28%  | 63%  | 60%  |
| Socio-Economic Development          | 13  | 10,00  | 11,33 | 12,79 | 80%  | 91%  | 102% |

Source: Commission’s analysis based on the data collected from verification agencies

### 8.8.3 Agri-BEE Sector ownership, board participation and management structure

The results of this research indicate that exercisable voting rights for black people in the Agri-BEE sector was around 20% in 2023, which was no higher than in 2018 despite some periods where it did increase (see Table 74 below). The sector failed to achieve the compliance target<sup>92</sup> of 25% +1 vote. In terms of voting rights for black women, the sector performed particularly poorly at under 5% or a quarter of the total voting rights to black people overall. This is also well below the target of 10%. With respect to average black economic interest, the sector achieved only 13% in 2023 which is significantly lower than the target of 25%. Black women did better in their share of economic interest in the sector but still below the target of 10%.

<sup>92</sup> The targets measured for this analysis are considered to be the same for large and QSE entities. It is important to note that the there are differences are in weighting points for the two sizes of entities.

**Table 74: Agri-BEE average percentage of exercisable voting rights and economic interest by Black People and Black Women (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 0,00%                          | 0,00%                                 | 0,00%                              | 0,00%                                     |
| 2014 | 5,25%                          | 2,54%                                 | 3,88%                              | 2,36%                                     |
| 2015 | 15,70%                         | 5,36%                                 | 14,45%                             | 6,75%                                     |
| 2016 | 1,49%                          | 0,53%                                 | 11,82%                             | 8,03%                                     |
| 2017 | 20,75%                         | 2,37%                                 | 7,10%                              | 6,02%                                     |
| 2018 | 20,64%                         | 5,46%                                 | 9,18%                              | 7,67%                                     |
| 2019 | 14,59%                         | 1,64%                                 | 4,87%                              | 5,78%                                     |
| 2020 | 28,66%                         | 4,78%                                 | 9,39%                              | 14,66%                                    |
| 2021 | 24,32%                         | 5,43%                                 | 15,67%                             | 10,18%                                    |
| 2022 | 19,93%                         | 4,71%                                 | 13,71%                             | 7,80%                                     |
| 2023 | 19,92%                         | 4,67%                                 | 13,03%                             | 8,63%                                     |

Source: Commission's analysis based on the data collected from verification agencies

The Agri-BEE sector's performance was way below the sector target of 50% with respect to the percentage of black executive directors, which peaked at only 10% but achieved only 3% for black women executive directors. For non-executive directors, the share of black people is almost zero. This picture is consistent with a sector that has simply not transformed or taken on board the sector codes it developed.

**Table 75: Agri-BEE average percentage of Board participation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 0,00%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2014 | 0,25%                                | 0,25%                                       | 0,25%                                    | 0,00%   |
| 2015 | 8,52%                                | 2,45%                                       | 0,18%                                    | 0,00%   |
| 2016 | 20,10%                               | 10,10%                                      | 0,20%                                    | 0,00%   |
| 2017 | 5,22%                                | 2,60%                                       | 0,03%                                    | 0,00%   |
| 2018 | 10,24%                               | 5,51%                                       | 0,00%                                    | 0,00%   |
| 2019 | 3,11%                                | 0,55%                                       | 1,67%                                    | 0,00%   |
| 2020 | 5,94%                                | 1,65%                                       | 1,59%                                    | 0,56%   |
| 2021 | 10,31%                               | 3,40%                                       | 0,39%                                    | 0,56%   |
| 2022 | 6,99%                                | 1,99%                                       | 0,57%                                    | 0,75%   |
| 2023 | 9,44%                                | 3,04%                                       | 0,83%                                    | 0,43%   |

Source: Commission's analysis based on the data collected from verification agencies

At executive and senior management level, black people are poorly represented, with 9.1% and 5.7% respectively in 2023, against a target of 60% for both categories. Black women are largely invisible within executive and senior management in the agricultural sector with a representation of 3.5% and 2.3% in 2023, way below the target of 30%. Based on the results achieved by the sector over the ten-year period, there is clear underachievement across all indicators of management control which warrant targeted interventions.

**Table 76: Agri-BEE average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,00%                                 | 0,00%  | 0,00%                              | 0,00%                                     |
| 2014 | 0,25%                                 | 0,25%  | 1,00%                              | 0,50%                                     |
| 2015 | 0,55%                                 | 0,18%  | 0,55%                              | 0,28%                                     |
| 2016 | 12,40%                                | 0,70%  | 0,43%                              | 9,70%                                     |
| 2017 | 2,76%                                 | 0,07%  | 6,54%                              | 1,21%                                     |
| 2018 | 9,60%                                 | 2,13%  | 5,52%                              | 1,76%                                     |
| 2019 | 9,68%                                 | 0,96%  | 2,39%                              | 0,33%                                     |
| 2020 | 8,02%                                 | 2,48%  | 4,17%                              | 1,81%                                     |
| 2021 | 8,45%                                 | 2,67%  | 5,35%                              | 0,99%                                     |
| 2022 | 9,02%                                 | 3,75%  | 3,12%                              | 2,17%                                     |
| 2023 | 9,09%                                 | 3,45%  | 5,68%                              | 2,28%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.9 Financial Services Sector

### 8.9.1 Financial Services Sector Code

The Amended Financial Services Sector Code (FSC) of 2017 commits all participants to actively promote a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa. In 2023, the finance and insurance sub-sector accounted for R340 billion<sup>93</sup> (or 6.5%) of South Africa's GDP and 397 340 jobs (formal and informal) in the same year.

<sup>93</sup> the dtic calculations based on Quantec Research Easy Data (Finance and Insurance QSIC 81-82]

The Code also seeks to contribute to the establishment of an equitable society by providing accessible financial services to black people and by directing investment into targeted sectors of the economy. The Code provides transformation guidelines for the financial sector, which is one of the key sectors of the South African economy. A key and unique feature of the Financial Services Sector Code is the introduction of an extra element: Access to Consumer Education. This element aims to facilitate access to finance for black people and black-owned enterprises. Table 77 below shows scorecards that are used to measure large and QSE entities. Empowerment financing is effectively contained within the ESD component for banks and lending organisations, bringing the ESD total to 40 points. Providing access to finance gains bonus points for banks and short-term insurers.

**Table 77: Financial Services Sector B-BBEE Scorecard**

| B-BBEE Element                                    | Generic (used by large entities) |                   |                   |                   | QSE               |
|---|----------------------------------|-------------------|-------------------|-------------------|-------------------|
|   | B/LO <sup>94</sup>               | STI <sup>95</sup> | SEM <sup>96</sup> | O/I <sup>97</sup> |                   |
| Ownership   | 23 points                        | 23 points         | 23 points         | 25 points         | 25 points         |
| Management Control                                | 20 points                        | 20 points         | 20 points         | 20 points         | 15 points         |
| Skills Development                                | 20 points                        | 20 points         | 20 points         | 20 points         | 25 points         |
| Procurement and ESD                               | 15 points                        | 35 points         | 35 points         | 35 points         | 30 points         |
| Socio-Economic Development and consumer education | 5 points                         | 5 points          | 5 points          | 5 points          | 5 points          |
| Empowerment Financing and ESD                     | 25 points                        | 0 points          | 0 points          | 0 points          | -                 |
| Access to Financial Services                      | 12 points                        | 12 points         | 0 points          | 0 points          | -                 |
| <b>Total</b>                                      | <b>120 Points</b>                | <b>115 Points</b> | <b>103 Points</b> | <b>105 Points</b> | <b>100 Points</b> |

Source: Amended Financial Sector Code (FSC), 2017<sup>98</sup>

## 8.9.2 Financial Services Sector B-BBEE Status Levels and Scores

Tables 78 and 79 show the financial services sector's total number and percentage share of entities by B-BBEE status levels from 2013 to 2023. From the time when the amended Financial Services Codes came into effect at the end of 2017, there was a sharp decline in compliance with the amended codes. Non-compliance increased from 9% of financial sector entities in 2017 to 28% in 2018 and has steadily increased to reach 62% in 2023. Similarly, compliance at Levels 1-4 showed a sharp drop following the amended codes, from 64% in 2017 to 50% in 2018, but again continuing to decline down to 27% in 2023<sup>99</sup>. This sector may need to be prioritised to ensure greater compliance to the B-BBEE framework, to increase economic participation by black South Africans in the financial services sector but also more broadly through the empowerment funding and access to finance elements.

<sup>94</sup> Banks and Lending Organisations

<sup>95</sup> Short-term insurers.

<sup>96</sup> Stock exchange and stock exchange members.

<sup>97</sup> Other Institutions.

<sup>98</sup> Available at: [https://www.thedtic.gov.za/wp-content/uploads/Amended\\_Financial\\_Sector\\_Code.pdf](https://www.thedtic.gov.za/wp-content/uploads/Amended_Financial_Sector_Code.pdf)

<sup>99</sup> Calculated as cumulative total percentages of entities rated at compliance levels 1-4

**Table 78: Financial Services Sector entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013     | 2014     | 2015      | 2016      | 2017      | 2018       | 2019      | 2020      | 2021       | 2022       | 2023       |
|---------------------|----------|----------|-----------|-----------|-----------|------------|-----------|-----------|------------|------------|------------|
| Level 1             | 4        | 1        | 1         | -         | 5         | 4          | 9         | 10        | 18         | 30         | 21         |
| Level 2             | -        | -        | 3         | 1         | 13        | 19         | 10        | 13        | 18         | 12         | 8          |
| Level 3             | -        | 2        | 5         | 5         | 10        | 14         | -         | 2         | 3          | 7          | 4          |
| Level 4             | -        | -        | -         | 1         | 8         | 17         | 5         | 10        | 10         | 15         | 11         |
| Level 5             | -        | 1        | 3         | 1         | 4         | 4          | 2         | 5         | 3          | 6          | 4          |
| Level 6             | -        | -        | 1         | 1         | 5         | 7          | 2         | 2         | 3          | 6          | 2          |
| Level 7             | -        | -        | 1         | -         | 2         | 1          | 4         | 2         | 4          | 5          | 5          |
| Level 8             | -        | 1        | -         | -         | 4         | 13         | 4         | 17        | 14         | 22         | 7          |
| Non-Compliant       | -        | -        | 1         | -         | 5         | 30         | 21        | 19        | 87         | 109        | 103        |
| <b>Grand Total</b>  | <b>4</b> | <b>5</b> | <b>15</b> | <b>10</b> | <b>56</b> | <b>109</b> | <b>57</b> | <b>80</b> | <b>160</b> | <b>212</b> | <b>165</b> |

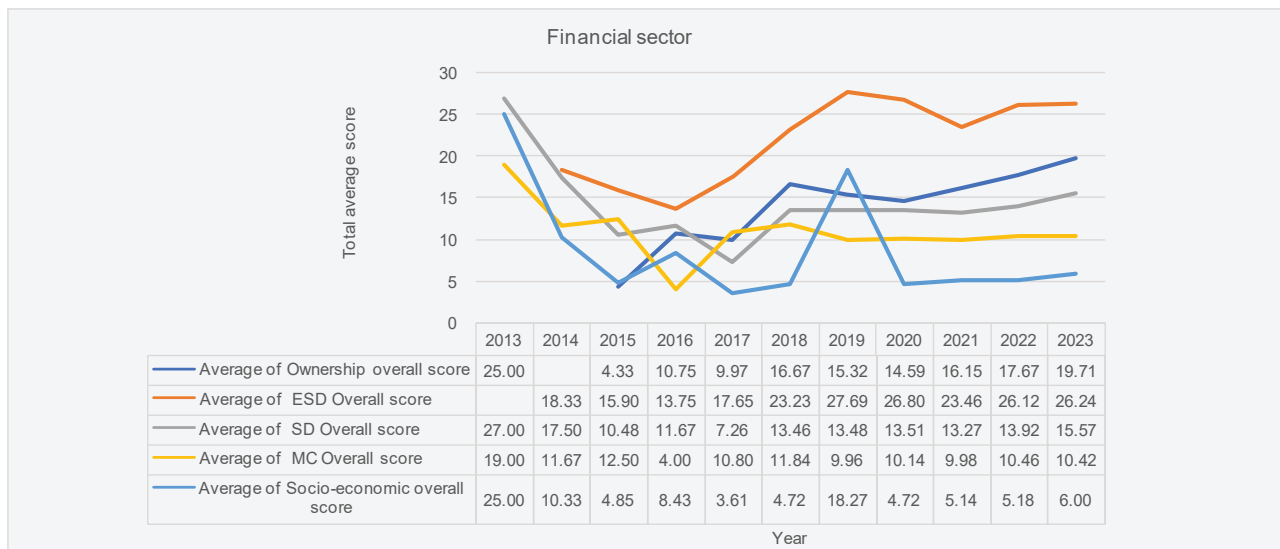
Source: Commission's analysis based on the data collected from verification agencies

**Table 79: Percentage share of entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 100% | 20%  | 7%   | 0%   | 9%   | 4%   | 16%  | 13%  | 11%  | 14%  | 13%  |
| Level 2             | 0%   | 0%   | 20%  | 11%  | 23%  | 17%  | 18%  | 16%  | 11%  | 6%   | 5%   |
| Level 3             | 0%   | 40%  | 33%  | 56%  | 18%  | 13%  | 0%   | 3%   | 2%   | 3%   | 2%   |
| Level 4             | 0%   | 0%   | 0%   | 11%  | 14%  | 16%  | 9%   | 13%  | 6%   | 7%   | 7%   |
| Level 5             | 0%   | 20%  | 20%  | 11%  | 7%   | 4%   | 4%   | 6%   | 2%   | 3%   | 2%   |
| Level 6             | 0%   | 0%   | 7%   | 11%  | 9%   | 6%   | 4%   | 3%   | 2%   | 3%   | 1%   |
| Level 7             | 0%   | 0%   | 7%   | 0%   | 4%   | 1%   | 7%   | 3%   | 3%   | 2%   | 3%   |
| Level 8             | 0%   | 20%  | 0%   | 0%   | 7%   | 12%  | 7%   | 21%  | 9%   | 10%  | 4%   |
| Non-Compliant       | 0%   | 0%   | 7%   | 0%   | 9%   | 28%  | 37%  | 24%  | 54%  | 51%  | 62%  |

Source: Commission's analysis based on the data collected from verification agencies

Figure 13 below assesses trends in the average scores attained for the five B-BBEE elements in the financial services sector. Since the amended Financial Sector Code came into effect at the end of 2017, the sector saw an increase in the average points achieved under each category up until 2023, with the sole exception of management control. However, the movement has not been significant with only an additional 3 points achieved for ownership and ESD on average, 2 points for skills development and 1 point for socio-economic development, whereas management control has dropped to just under 2 points in the same period. This suggests inadequate progress towards the sector transformation objectives.

**Figure 13: Financial Services Sector average B-BBEE Scores (2013-2023)**

Source: Commission's analysis based on the data collected from verification agencies

The financial services sector uses two scorecards to evaluate points accumulation by generic or large entities (with four categories) and QSEs, as reflected above. The study therefore took an average of the total maximum points for each of the B-BBEE elements based on the two scorecards. The higher scores for 2013 reflect the use of a different benchmark of maximum points compared to the amended Sector Code. As expected from the points discussed above, all categories except management control saw a growing share of the total points available, with management control slipping down to 55% only<sup>100</sup>. This is in line with most of the samples across all sectors. Skills development and ESD have increased to around 75% of the maximum points available, whereas ownership and socio-economic development are higher. The latter is due to the bonus points for Access to Finance accorded to banks and short-term insurers.

**Table 80: Financial Services Sector average B-BBEE scores compared to maximum points available**

| B-BBEE Element                      | Financial Sector Scorecard Total points Available | Average Scores by B-BBEE Element (2013, 2018 and 2023) |       |       | Average B-BBEE Scores as a % of Total Scorecard available Points (2013, 2018 and 2023) |      |      |
|-------------------------------------|---|--|-------|-------|--|------|------|
|                                     |   | 2013   | 2018  | 2023  | 2013   | 2018 | 2023 |
| Ownership                           | 24  | 25,00  | 16,67 | 19,71 | 105%   | 70%  | 83%  |
| Management Control                  | 19  | 19,00  | 11,84 | 10,42 | 100%   | 62%  | 55%  |
| Skills Development                  | 21  | 27,00  | 13,46 | 15,57 | 129%   | 64%  | 74%  |
| Enterprise and Supplier Development | 35  | 0,00   | 23,23 | 26,24 | 0%   | 66%  | 75%  |
| Socio-Economic Development          | 5   | 25,00  | 4,72  | 6,00  | 500%   | 94%  | 120% |

Source: Commission's analysis based on the data collected from verification agencies

<sup>100</sup> Owing mainly to the comparisons made for 2023 against 2018, the improved performances in B-BBEE scorecard elements highlighted in Table 80 might seem counterintuitive when compared to compliance trends. The 2018 performance was subdued due to the required adaptation by measured entities to the Amended Financial Services Sector Code (FSC) of 2017. This is evidenced by the lower outcomes in 2018 versus 2017; therefore, the 2023 outcomes for B-BBEE scorecard elements are measured from a lower 2018 base year.

### 8.9.3 Financial services sector ownership, board participation and management structure

When considering the ownership element, performance by the sector steadily declined over the period, with the sample achieving the target of 25% +1 vote in 2018 - 2020, but then dropping down to 21.5% (see Table 81 below). Interestingly, economic interest by black people increased over the same period from 2020, but only to the extent of bringing it closer to the voting rights share. When considering voting rights for black women, the sector under performed achieving below the targeted 10%.

**Table 81: Financial Services Sector average percentage of exercisable voting rights and economic interest by Black people and Black Women (2013-2023)<sup>101</sup>**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 100,00%                        | 0,00%                                 | 50,00%                             | 0,00%                                     |
| 2014 | 4,50%                          | 1,20%                                 | 4,80%                              | 1,00%                                     |
| 2015 | 5,44%                          | 26,07%                                | 5,26%                              | 29,00%                                    |
| 2016 | 3,15%                          | 3,44%                                 | 14,23%                             | 5,40%                                     |
| 2017 | 28,98%                         | 9,40%                                 | 19,55%                             | 10,65%                                    |
| 2018 | 25,32%                         | 6,32%                                 | 19,03%                             | 8,12%                                     |
| 2019 | 25,61%                         | 7,97%                                 | 16,91%                             | 11,65%                                    |
| 2020 | 32,56%                         | 11,98%                                | 13,32%                             | 22,89%                                    |
| 2021 | 21,25%                         | 7,56%                                 | 12,12%                             | 9,79%                                     |
| 2022 | 22,93%                         | 8,35%                                 | 15,10%                             | 10,48%                                    |
| 2023 | 21,51%                         | 7,51%                                 | 18,51%                             | 10,01%                                    |

Source: Commission's analysis based on the data collected from verification agencies

<sup>101</sup>The 2013 year for Black voting rights in the financial services sector is an outlier as the research found 4 entries with 100% voting rights.

In terms of the board participation sub-element of management control, the sector did not register remarkable results as performance across all measures were below the set targets of 50% for black people and 25% for black women (see Table 82 below). Of major concern is the gradual decline in representation since 2018 when the amended Sector Codes came into effect, with the 2023 board representation for executive directors lying at around a third of the level for black people and women in 2018. This may be reflective of the larger sample in recent years, revealing the true state of transformation rather than a decline. In addition, the importance of the financial sector empowerment financing on the specialised scorecard (amended Sector Code) had a bearing on the transformation outcomes in the sector.

**Table 82: Financial Services Sector average percentage of Board participation by Black people and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 0,00%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2014 | 0,00%                                | 0,00%                                       | 0,20%                                    | 0,00%   |
| 2015 | 25,27%                               | 21,80%                                      | 12,33%                                   | 0,07%   |
| 2016 | 38,56%                               | 22,33%                                      | 0,00%                                    | 0,00%   |
| 2017 | 18,99%                               | 8,06%                                       | 3,62%                                    | 0,78%   |
| 2018 | 22,25%                               | 8,83%                                       | 1,08%                                    | 0,17%   |
| 2019 | 15,72%                               | 5,60%                                       | 0,81%                                    | 0,73%   |
| 2020 | 18,48%                               | 6,80%                                       | 0,00%                                    | 0,00%   |
| 2021 | 10,26%                               | 4,50%                                       | 0,36%                                    | 0,10%   |
| 2022 | 10,98%                               | 4,67%                                       | 1,22%                                    | 0,67%   |
| 2023 | 8,74%                                | 2,81%                                       | 2,08%                                    | 0,80%   |

Source: Commission's analysis based on the data collected from verification agencies

The same patterns are evident for both executive and senior management structure of financial institutions, with a fairly stark decline since 2018. At the executive management level, the sector was sitting at only 6.4% of black representation in 2023 and under 2% for black women. Senior management ranks performed slightly better at 13.7% for black people and 9.9% for black women. As observed above, even though this trend is a result of a growing sample of entities, which is common in the sector, it remains a concern regarding the wider implications for transformation in the broader economy.

**Table 83: Financial Services Sector average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,00%                                 | 0,00%  | 0,00%                              | 0,00%                                     |
| 2014 | 5,40%                                 | 0,80%  | 0,60%                              | 0,60%                                     |
| 2015 | 16,10%                                | 14,33%                                       | 6,66%                              | 15,27%                                    |
| 2016 | 9,84%                                 | 9,78%  | 11,65%                             | 20,50%                                    |
| 2017 | 5,97%                                 | 2,47%  | 10,51%                             | 17,65%                                    |
| 2018 | 20,56%                                | 10,58%                                       | 23,70%                             | 10,57%                                    |
| 2019 | 7,30%                                 | 2,22%  | 25,29%                             | 22,97%                                    |
| 2020 | 10,38%                                | 3,92%  | 19,66%                             | 9,85%                                     |
| 2021 | 6,53%                                 | 1,45%  | 12,09%                             | 7,38%                                     |
| 2022 | 7,96%                                 | 3,88%  | 16,52%                             | 10,37%                                    |
| 2023 | 6,39%                                 | 1,61%  | 13,68%                             | 9,91%                                     |

Source: Commission's analysis based on the data collected from verification agencies

## 8.10 Construction Sector

### 8.10.1 Construction Sector Code

The Amended Construction Sector Code aims (client to provide amendment date) to promote participation of black people and black entities in the construction sector as well as to unlock the sector's potential and enhance its growth. The sector has ideal opportunities for advancing transformation and B-BBEE through construction projects (procurement of goods and services). The Code also seeks to achieve a target of 30% black ownership in the industry over the next ten-year period.

The Code is applicable to all entities that fall within the construction sector. In 2023, the construction sector contributed approximately 4.6% (or R 240 billion)<sup>102</sup> of South Africa's total output, down from 7.5% in 2013. During the same year the sector employed 916 057 people in both formal and informal jobs.

<sup>102</sup> the dtic calculations based on Quantec Research Easy Data (Construction QSIC 5)

Table 84 shows the construction sector scorecard used to measure large and QSE entities.

**Table: 84 Construction Sector B-BBEE scorecard**

| B-BBEE Element                                    | Large Enterprise           |                     | QSE                 |
|---|----------------------------|---------------------|---------------------|
|   | Contractors <sup>103</sup> | BEPs <sup>104</sup> |                     |
| Ownership   | 27 points + 4 bonus        | 27 points + 4 bonus | 27 points + 3 bonus |
| Management Control                                | 18 points + 4 bonus        | 18 points + 4 bonus | 20 points           |
| Skills Development                                | 21 points + 5 bonus        | 29 points + 5 bonus | 24 points + 2 bonus |
| Preferential Procurement and Supplier Development | 34 points + 4 bonus        | 27 points + 3 bonus | 29 points           |
| Socio-Economic Development                        | 5 points+ 1 bonus          | 5 points+ 1 bonus   | 5 points            |
| <b>Total</b>                                      | <b>123 Points</b>          | <b>123 Points</b>   | <b>110 Points</b>   |

Source: Amended Construction Sector Code, 2017

#### The construction sector priority elements include:

- **Ownership:** The sub-minimum requirement for ownership is 40% of Net Value (40% of the 6 points for Contractors 2.4 points, or 40% of the 4 points for BEPs i.e. 1.6 points) based on the Time-Based Graduation Factor;
- **Skills Development:** The sub-minimum requirements for skills development is 40% of the total weighting points (excluding bonus points) for skills development;
- **Preferential Procurement and Supplier Development:** The sub-minimum for preferential procurement and supplier development is 40% of the total weighting points (excluding bonus points) of each of the three broad categories within preferential procurement and supplier development elements, namely 'Preferential Procurement', 'Supplier Development Programmes' and 'Supplier Development Contributions'. This means that a measured entity measurable in terms of the large enterprise scorecard must achieve at least:
  - 7.6 points for contractors and 7.2 points for BEPs under the preferential procurement category;
  - 2 points for contractors and 1.6 points for BEPs under the supplier development programmes category; and
  - 4 points for contractors and 2 points for BEPs under the supplier development contributions category.

In terms of compliance with the priority elements, a large entity is required to comply with all the priority elements, whilst a QSE entity that is measurable in terms of the QSE scorecard is required to comply with two priority elements: ownership as a compulsory element, and either skills development or preferential procurement and supplier development. A QSE which qualifies for an automatic B-BBEE Status Level 1 or 2 as per the sector code is required to comply with the QSE skills development element as a compulsory priority element to avoid discounting.

<sup>103</sup> Built Environment Professionals (BEPs) are defined as enterprises that conduct activities related to the planning, design, and costing of construction projects. This includes consulting engineering practice, architects, quantity surveyors, town planners, project managers in the built environment.

<sup>104</sup> Contractors are defined as entities that perform construction-related activities, including civil engineering, electrical engineering, power transmission, and general building/specialist works. These entities are defined by their reliance on construction projects and must adhere to specific B-BBEE compliance thresholds.

## 8.10.2 Construction sector B-BBEE status levels and scores

Tables 85 and 86 below illustrate the total number and percentage share of entities in the construction sector by B-BBEE status levels over time. The construction sector compliance improved with the amended Sector Codes, rising from 49% in Levels 1-4 in 2017 to 69% in Levels 1-4 in 2018, suggesting the amendments had the effect of raising scores across the sector. The sector continued to improve on compliance with the share of Levels 1-4 in 2023 at 81% and levels of non-compliance declined from 14% in 2018 to 8% in 2023. Given the large sample of entities in each year, this is more likely to be reflective of the sector's achievements.

**Table 85: Construction Sector entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013       | 2014      | 2015       | 2016      | 2017      | 2018       | 2019       | 2020       | 2021        | 2022        | 2023        |
|---------------------|------------|-----------|------------|-----------|-----------|------------|------------|------------|-------------|-------------|-------------|
| Level 1             | 28         | 33        | 23         | 8         | 5         | 59         | 92         | 164        | 392         | 643         | 446         |
| Level 2             | 16         | 35        | 38         | 9         | 2         | 93         | 165        | 257        | 382         | 518         | 403         |
| Level 3             | 200        | 9         | 25         | 10        | 2         | 37         | 197        | 348        | 251         | 279         | 213         |
| Level 4             | 17         | 10        | 14         | 10        | 2         | 25         | 32         | 29         | 65          | 101         | 66          |
| Level 5             | 1          | 4         | 1          | 4         | 2         | 10         | 14         | 22         | 27          | 36          | 21          |
| Level 6             | 4          | 1         | 5          | 1         | 3         | 13         | 46         | 43         | 100         | 163         | 86          |
| Level 7             | -          | 1         | 1          | 1         | 2         | 13         | 15         | 10         | 19          | 21          | 6           |
| Level 8             | 1          | 2         | 2          | 3         | 1         | 19         | 19         | 26         | 38          | 55          | 26          |
| Non-Compliant       | -          | -         | -          | -         | 4         | 44         | 36         | 39         | 83          | 128         | 114         |
| <b>Grand Total</b>  | <b>267</b> | <b>95</b> | <b>109</b> | <b>46</b> | <b>23</b> | <b>313</b> | <b>616</b> | <b>938</b> | <b>1357</b> | <b>1944</b> | <b>1381</b> |

Source: Commission's analysis based on the data collected from verification agencies

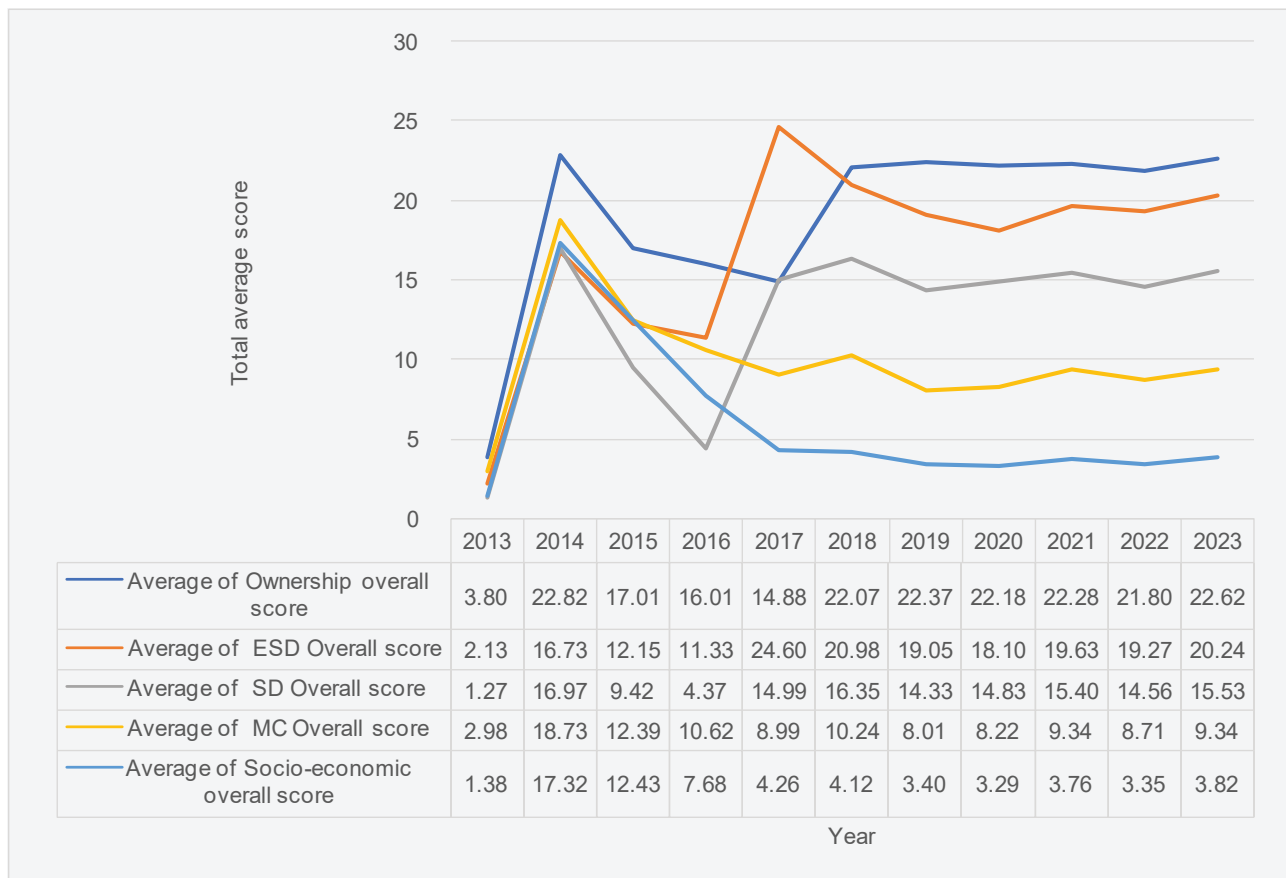
**Table 86: Percentage share of entities by B-BBEE Status Levels (2013-2023)**

| B-BBEE Status Level | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Level 1             | 10%  | 35%  | 21%  | 17%  | 22%  | 19%  | 15%  | 17%  | 29%  | 33%  | 32%  |
| Level 2             | 6%   | 37%  | 35%  | 20%  | 9%   | 30%  | 27%  | 27%  | 28%  | 27%  | 29%  |
| Level 3             | 75%  | 9%   | 23%  | 22%  | 9%   | 12%  | 32%  | 37%  | 18%  | 14%  | 15%  |
| Level 4             | 6%   | 11%  | 13%  | 22%  | 9%   | 8%   | 5%   | 3%   | 5%   | 5%   | 5%   |
| Level 5             | 0%   | 4%   | 1%   | 9%   | 9%   | 3%   | 2%   | 2%   | 2%   | 2%   | 2%   |
| Level 6             | 1%   | 1%   | 5%   | 2%   | 13%  | 4%   | 7%   | 5%   | 7%   | 8%   | 6%   |
| Level 7             | 0%   | 1%   | 1%   | 2%   | 9%   | 4%   | 2%   | 1%   | 1%   | 1%   | 0%   |
| Level 8             | 0%   | 2%   | 2%   | 7%   | 4%   | 6%   | 3%   | 3%   | 3%   | 3%   | 2%   |
| Non-Compliant       | 0%   | 0%   | 0%   | 0%   | 17%  | 14%  | 6%   | 4%   | 6%   | 7%   | 8%   |

Source: Commission's analysis based on the data collected from verification agencies

Figure 14 below also analysed the trends in average B-BBEE scores in the construction sector for each category. The trends in the construction sector are interesting insofar as the average points for ESD are concerned. Ownership and skills development largely stagnated since the amended codes came into effect in 2017 even though these elements were prioritised. There was a marginal decline of less than one point for all categories except ownership over the period 2018 - 2023. This may reflect the high levels of compliance achieved in the sector at the outset of the amendments and hence the lack of incentive to pursue more transformation in these categories.

**Figure 14: Construction Sector average B-BBEE scores (2013-2023)**



Source: Commission's analysis based on the data collected from verification agencies

In the construction sector, two varying scorecards are applied when assessing B-BBEE points for large entities (with two categories) and QSEs as illustrated above. As such, an average of the points for two scorecards was used to measure performance of entities against the B-BBEE elements. Consistent with the trends across all sectors, the construction sector performed worst on broad-based aspects of B-BBEE of management control and skills development, respectively achieving only 50% and 63% of the points available with a marginal decline since 2018. The sector's share of total points available for ESD and socio-economic development were also below 70%, suggesting that the generous sector scorecard most likely accounts for the high levels achieved but the low percentage of total points available being achieved.

**Table 87: Construction Sector average B-BBEE scores compared to the total maximum available points (2013, 2018 & 2023)<sup>105</sup>**

| B-BBEE Element                      | Construction Sector Scorecard Total Points Available | Average Scores by B-BBEE Element (2013, 2018 and 2023) |       |       | Average B-BBEE Scores as a % of Total Scorecard Available Points (2013, 2018 and 2023) |      |      |
|-------------------------------------|--|--|-------|-------|--|------|------|
|                                     |  | 2013   | 2018  | 2023  | 2013   | 2018 | 2023 |
| Ownership                           | 31   | 3,80   | 22,07 | 22,62 | 12%  | 72%  | 74%  |
| Management Control                  | 21   | 2,98   | 10,24 | 9,34  | 14%  | 48%  | 44%  |
| Skills Development                  | 29   | 1,27   | 16,35 | 15,53 | 4%   | 57%  | 54%  |
| Socio-Economic Development          | 6  | 1,38   | 4,12  | 3,82  | 24%  | 73%  | 67%  |
| Enterprise and Supplier Development | 32   | 2,13   | 20,98 | 20,24 | 7%   | 65%  | 63%  |

Source: Commission's analysis based on the data collected from verification agencies

### 8.10.3 Construction Sector ownership, board participation and management structure

The construction sector achieved average exercisable voting rights for black people of 62.4% in 2023, well above the target of 35%. This also increased incrementally from 50% in 2018 despite having already exceeded the targets and achieving a high share of the points available for ownership. The sector also exceeded its target of voting rights for black women, reaching 18% in 2023 against a target of 10%, and up from 15.6% in 2018. When considering economic interest for black people, the construction sector managed to achieve levels that are only marginally below the voting rights indicating that economic interests followed the same trend. These are also well above the targeted 35%. On economic interests black women attained almost double their voting rights.

<sup>105</sup> The enterprise and supplier development element was excluded from the analysis given that there are no points weighting for large entities and the research could not conduct an average of the two scorecards for this element.

**Table 88: Construction Sector average percentage of exercisable voting rights and economic interest by Black People and Black Women (2013-2023)**

| Year | Average of Black Voting Rights | Average of Black Female Voting Rights | Average of Black Economic Interest | Average of Black Female Economic Interest |
|------|--------------------------------|---------------------------------------|------------------------------------|---|
| 2013 | 92,43%                         | 38,63%                                | 79,45%                             | 55,19%                                    |
| 2014 | 36,16%                         | 14,61%                                | 17,51%                             | 13,52%                                    |
| 2015 | 12,18%                         | 3,39%                                 | 20,41%                             | 9,37%                                     |
| 2016 | 50,15%                         | 16,84%                                | 41,46%                             | 26,81%                                    |
| 2017 | 27,39%                         | 10,11%                                | 11,36%                             | 16,13%                                    |
| 2018 | 50,04%                         | 15,61%                                | 40,51%                             | 27,42%                                    |
| 2019 | 53,76%                         | 16,73%                                | 49,54%                             | 31,04%                                    |
| 2020 | 57,97%                         | 18,58%                                | 52,82%                             | 37,41%                                    |
| 2021 | 53,91%                         | 16,34%                                | 52,03%                             | 28,35%                                    |
| 2022 | 58,62%                         | 18,10%                                | 56,78%                             | 30,30%                                    |
| 2023 | 62,35%                         | 17,98%                                | 59,97%                             | 35,61%                                    |

Source: Commission's analysis based on the data collected from verification agencies

While the sector has made strides on ownership, it made far less progress on black representation at the level of executive directors, as shown in Table 89 below. The sector underperformed, and representation decreased since 2018, sitting at 5.2% in 2023 for black people and 1.2% for black women. This is considerably below the target of 50% for the sector. For non-executive directors, there was almost no representation at all.

**Table 89: Construction Sector average percentage of Board participation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Directors | Average of Black Female Executive Directors | Average of Black Non-Executive Directors | Average of Black Female Non-Executive Directors |
|------|--------------------------------------|---|--|---|
| 2013 | 73,86%                               | 31,83%                                      | 0,00%                                    | 0,00%   |
| 2014 | 0,02%                                | 0,00%                                       | 0,06%                                    | 0,00%   |
| 2015 | 0,00%                                | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2016 | 10,42%                               | 0,00%                                       | 0,00%                                    | 0,00%   |
| 2017 | 13,16%                               | 5,09%                                       | 0,00%                                    | 0,00%   |
| 2018 | 7,75%                                | 3,08%                                       | 0,00%                                    | 0,00%   |
| 2019 | 2,79%                                | 1,47%                                       | 0,89%                                    | 0,38%   |
| 2020 | 3,14%                                | 1,42%                                       | 0,43%                                    | 0,15%   |
| 2021 | 5,35%                                | 1,97%                                       | 0,65%                                    | 0,44%   |
| 2022 | 8,69%                                | 3,59%                                       | 0,99%                                    | 0,65%   |
| 2023 | 5,16%                                | 1,19%                                       | 0,62%                                    | 0,30%   |

Source: Commission's analysis based on the data collected from verification agencies

As seen in Table 90 below the executive and senior management structure for the sector is highly untransformed and is regressing as levels in 2023 are substantially lower than those achieved in 2018. The percentage of black executives and senior management representation in the sector were at 6.7% and 2.9% respectively, with both substantially below the targets set for the sector of 60% for black executive managers and 30% for senior managers. As for black women, they are largely absent from these management structures at under 3% for executive and 1% for senior management.

**Table 90: Construction Sector average percentage of management representation by Black People and Black Women (2013-2023)**

| Year | Average of Black Executive Management | Average of Black Female Executive Management | Average of Black Senior Management | Average of Black Female Senior Management |
|------|---------------------------------------|--|------------------------------------|---|
| 2013 | 0,00%                                 | 0,00%  | 2,66%                              | 0,00%                                     |
| 2014 | 1,05%                                 | 0,00%  | 11,50%                             | 1,77%                                     |
| 2015 | 8,49%                                 | 0,05%  | 1,40%                              | 0,00%                                     |
| 2016 | 3,93%                                 | 2,60%  | 3,03%                              | 0,05%                                     |
| 2017 | 15,65%                                | 4,52%  | 3,09%                              | 2,41%                                     |
| 2018 | 12,20%                                | 4,79%  | 6,85%                              | 3,08%                                     |
| 2019 | 8,02%                                 | 2,89%  | 3,41%                              | 1,00%                                     |
| 2020 | 7,14%                                 | 2,61%  | 3,17%                              | 1,04%                                     |
| 2021 | 7,90%                                 | 2,75%  | 3,65%                              | 1,40%                                     |
| 2022 | 8,22%                                 | 2,88%  | 4,14%                              | 1,56%                                     |
| 2023 | 6,65%                                 | 2,37%  | 2,92%                              | 0,92%                                     |

Source: Commission's analysis based on the data collected from verification agencies

The construction sector has made commendable strides in transforming ownership during the period under review. However, there was limited progress with respect to changing management control structures. This requires intervention by the relevant sector authorities and stakeholders.

# Key Insights and and future outlook:

Critical findings shaping the  
transformation narrative

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# Research Observations

09.

## 9. | Research Observations

This research builds on previous studies conducted by **the dtic** and the B-BBEE Commission on the extent to which B-BBEE and transformation is being achieved, based on data collected mainly through submissions of compliance reports and B-BBEE certificates by measured entities. The research sought to draw on the vast amount of B-BBEE certificates that are currently in the possession of several verification agencies, which have a mandate to measure entities' compliance with the B-BBEE Act.

### Data

The research has highlighted the challenge of the lack of comprehensive, real-time, consistent and accessible data for rigorous measurement of the extent of economic transformation in the country. Such data typically lies with individual companies and the verification agencies that undertake B-BBEE evaluations of entities which present themselves to be verified. Section 13G of the B-BBEE Act makes it mandatory for all spheres of government, organs of state, public entities and JSE-listed companies to report on their compliance to the B-BBEE Commission, along with SETAs reporting on skills development spend and programmes.

For all other companies reporting is voluntary, as is submissions by verification agencies of their issued B-BBEE certificates and reports to the Commission via a central portal created for this purpose. This constituted a major limitation to the Commission's ability to track historical trends on transformation, a function of inconsistent submissions of B-BBEE data to the B-BBEE Commission. Another challenge encountered is the lack of standardisation in the format of the data submitted by verification agencies, as different templates are used to present reports and certificates. This led to difficulties in creating a comprehensive and accurate database for overall and sector-wide analysis of transformation trends.

### Compliance at a Macro-level

The research found that the number of entities being assessed for compliance with B-BBEE objectives were increasing over time, which is a positive development. The larger sample of verified entities in more recent years provides a better picture of compliance levels. Also, some of the trends observed over time may be the result of differences in the sample of entities being verified rather than due to changes in compliance levels, with earlier years probably reflecting either JSE-listed companies or those with better B-BBEE credentials. The other influence on the trend over time has been changes in the Codes of Good Practice, in particular the 2015 amendments which came into effect late in 2017. These fed through to changes in the Sector Codes too. For these reasons, the most consistent period for evaluating trends is 2018 to 2023, which has a consistent Code and larger annual samples.

**Some of the most prominent trends observed in B-BBEE compliance since 2018 are as follows:**

- A concerning increase in the share of entities rated as being B-BBEE non-compliant since 2020, which constituted almost a quarter of entities (23% in 2023) subjected to verification, with similar trends for both QSEs (26% in 2023) and large enterprises (24% in 2024). EMEs do perform better but this is because they benefit from a default Level 4 or enhanced status;
- At the same time, there had been a growing share of companies achieving Levels 1- 4 since 2018 (from 51% in 2018 to 60% in 2023), and particularly Levels 1-2 (from 25% in 2018 to 39% in 2023). However, there has not been much progress since 2020. For QSE's there was a decline in the share of Levels 1-4 from 73% in 2020 to 62% in 2023, suggesting a potential draw back on their transformation commitments since the Covid-19 pandemic. This is not the case for large enterprises;
- At the level of individual elements of the B-BBEE scorecard, the 2015 Codes of Good Practice prioritised ESD, ownership and skills development, to which companies responded by focusing their efforts on these areas which experienced improved performance as a result of being prioritised. On the downside, management control and socio-economic development experienced a decline. From 2019, there has been relative stagnation in the average points per score card element. This period coincided with the Covid-19 pandemic which had a detrimental effect on the economy, and some sectors were hit harder than others. In general however, the South African economy had experienced several years of low growth, pre-dating the Covid-19 pandemic.
- When comparing performance to maximum points available in each category, the B-BBEE elements of management control and skills development perform the worst, with 54% and 61% of total points achieved in 2023 respectively. This is despite skills development also being prioritised in the 2015 Amended Codes. Performance by large enterprises is even more subdued on the broad-based empowerment elements, at 52% and 59% respectively out of total points available for management control and skills development. The setbacks stem from both a lack of commitment and rising attacks against B-BBEE policy from some interest groups, which are affecting market sentiments towards the policy;
- Ownership levels amongst the sample of verified entities is still below the expected target of 25%+1 vote for black people overall. As at 2023, an average 21.6 points was achieved which translates to 86% of the set target. At board and management levels, there was far less transformation and almost no improvement between 2018 - 2023. Furthermore, apparent is the extent to which the claimed black ownership is substantive in content and not a technical formality for compliance. This requires a far deeper research analysis (data and methodologies) than was possible.

- At board level, black executive directors constituted only 13.2% in 2023, increased marginally from 12.7% in 2019, whilst black women executive directors made up only 5.5% in 2023, unchanged since 2019. Black executive management levels mirror those of the executive directors (namely 12.5% and 5.3% in 2023 for black people and black women respectively), but with much lower levels of transformation achieved at the senior management level of only 6.5% and 3.4% in 2023 for black people and black women respectively. When compared to population share, this is remarkably low and means that compliance and decision-making culture at the highest levels within South African entities remain completely untransformed. Performance is slightly better at middle management (20.1% and 12.4% for black and black women) and junior management (34.8% and 8% for black and black women), but it remains far from reflecting population demographics of the country;
- At a sectoral level, the research reveals a chequered picture of progress and stagnation. While many sectoral observations mirror the broader macro trends, notable variations also emerge across industries. These inconsistencies are compounded by weaknesses in the governance of Sector Charter Councils, with many not properly constituted and cumbersome reporting requirements as well as inadequate consequence management for entities that fail to report;
- On compliance levels, the sectors with high levels of non-compliance in 2023 include property (67%), financial services (62%) and agriculture (50% non-compliant and 20% at Level 8). In these sectors, Levels 1-4 compliance lies at 20%, 27% and 10-20% respectively. Sectors with levels of non-compliance that are higher than the average include the generic sector (mining, manufacturing and retail) at 33% (and 15% at Level 8), tourism (35% non-compliant or Level 8) and ICT (30% non-compliant or level 8). The sectors with high levels of compliance at Levels 1-4 include construction (81%), transport (80%), MAC (66%) and forestry (60%);
- On individual scorecard elements, the macro-trends of poorer performance across the broad-based empowerment categories of management control and skills development are evident across all sectors. However, the worst performers on share of total points available for management control are agriculture (36%), construction (44%) and generic sector (46%). Other sectors achieve just over half of the total points available for management control, with tourism and MAC at over 60% of the points available;

- On ownership levels, the sectors that are not even achieving the minimum base target of 25%+1 vote and 10% for black women in 2023 are agriculture (19.9% and 4.7%), property (20.5% and 6.4%) and financial services (21.5% and 7.5%). Sectors performing above average include only transport and construction, with all other sectors performing below average but above the minimum targets.
- On board participation, the sectors performing below average on black and black female executive directors on the board include property (8.3% black and 3.9% black women), agriculture (9.4% black and 3% black women), financial services (8.7% black and 2.8% black women) and construction (5.2% black and 1.2% black women), which for the latter, is surprising given its above-average levels of black ownership; and
- On participation at the executive and senior management levels, the sectors performing below average were the usual low performers on transformation, namely property, agriculture and the financial sector at executive management only. Good performers on other measures are transport and construction sectors.

It is important to note that most sectors have set ownership and management control targets that are far in excess of what they are achieving, with limited signs that those targets will be achieved any time soon, given the current pace of transformation in those sectors.

# Charting the Next Chapter:

Priority interventions to deepen  
and sustain progress

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# Policy Recommendations

# 10.

## 10. | Policy Recommendations

The research process itself and the findings must have a bearing on B-BBEE policy moving forward, if renewed impetus to transformation of the economy is to be achieved. The B-BBEE Advisory Council has made recommendations on how to improve oversight and compliance with B-BBEE Codes of Good Practice including Sector Codes<sup>105</sup>, and these overlap to an extent with the recommendations emerging from this research report. It is strongly recommended that both sets of recommendations are considered in the review of B-BBEE legislation.

On the research process, the study has highlighted the lack of compliance with the submission of B-BBEE certificates and reports to the B-BBEE Commission and Sector Charter Councils, which impedes consolidated and centralised B-BBEE data to enable a complete picture of the state of transformation in the economy or in a particular sector, which is essential for policy-making.

**Given the intention to replicate this research in the future, it is recommended that there be improvements in how data is collected and reported. The following recommendations should address this problem:**

- Improving reporting practices by companies requires consideration of amendments to the B-BBEE legislation or the introduction of regulations to make it compulsory for all companies (not just JSE-listed and SOEs) as well as verification agencies to submit B-BBEE certificates and data to the Commission. This recommendation is echoed by the B-BBEE Advisory Council, which noted the need for balanced reporting should take precedence over the Protection of Personal Information Act (POPIA).
- With the exception of the transport and construction sectors, SMMEs have been and continue to be identified as critical to both transformation and inclusive growth. However, they are exempted from being verified by verification agencies. This exemption leaves a substantial number of entities off the B-BBEE Commission's radar for tracking compliance and contribution to transformation. EMEs can attest to their empowerment credentials through a sworn affidavit or a B-BBEE certificate for EMEs issued by the Companies and Intellectual Property Commission (CIPC). The CIPC holds data on entities issued with EME certificates, and it is essential that this information be shared regularly with the Commission to support its oversight of overall reporting obligations;
- The data's structure and content revealed a lack of standardisation in reporting, impacting its utility for monitoring and evaluation processes. This underscores the critical need for improving data accuracy to better assess compliance and overall B-BBEE performance by the Commission. The development of a standard template for how data is collected and reported by verification agencies is a useful starting point. Any certificate that does not comply with the prescribed template shall be deemed invalid;

<sup>105</sup> Presidential B-BBEE Advisory Council Annual Report FY2024

- This amendment can be implemented through revisions to the Verification Manual and Statement 500 of the B-BBEE codes of practice which serve as the key regulatory documents governing verification agencies. Furthermore, the proposed changes to Statement 500 will make it compulsory for verification agencies to submit certificates through the designated portal. Failure to comply will result in a negative finding made as part of the consequence management process;
- Professionalising the B-BBEE Verification sector requires stronger regulation, enhanced capacity, and stricter accountability. Revisions to the Verification Manual and Statement 500 should tighten standards, enforce compulsory use of the certificate submission portal, and introduce clear sanctions for non-compliance. Practitioners should be accredited by a professional body, with minimum mandatory qualifications, ethical codes, and continuous development requirements to ensure credibility;
- Technology must play a central role, with digital certificates, automated data checks, and a centralised registry to prevent fraud and improve transparency. Ultimately, these reforms will build trust, improve consistency, and position verification as a credible profession comparable to auditing and accounting; and
- Further improvements may come from enhancing the B-BBEE portal that has been created for agencies to upload B-BBEE certificates and reports on measured entities. This system should include provisions for B-BBEE EME certificates generated and stored by the CIPC to be accessible to the Commission.

It is noted that the B-BBEE data ecosystem is currently being reviewed to improve integration with sources, completeness of records and quality of reports. SANAS has initiated a revision of the R47<sup>105</sup> and **the dtic** Statement 005<sup>106</sup>. The B-BBEE portal is also under review to improve functionality (capturing, storage validation and retrieval of B-BBEE data) and integration with other relevant institutions with business records that are essential for monitoring transformation. This is meant to improve information for monitoring and evaluation studies and evidence-based policy decisions on the transformation landscape.

- To promote research into transformation of the economy, provision should be made for the B-BBEE Commission to share the data collected (on an anonymised basis as necessary to comply with POPIA) with academia and the research community through an application assessed by the Commission to ensure that the research is ethically and methodologically sound.

<sup>105</sup> This document aims to clarify the roles of B-BBEE Rating Agencies and to specify the criteria by which they shall be accredited by SANAS.

<sup>106</sup> This statement, *inter alia*, specifies accreditation requirements for verifications agencies, the verification manual and any other verification guide.

The objective of establishing Sector Charter Councils and Sector Codes as contemplated in the B-BBEE Act is to allow sectors to respond to their specific transformation challenges and set targets for the progressive transformation of their sectors, along with reporting on progress. This research found that some Sector Charter Councils have been dormant and others have been ineffective in moving the sector towards the transformation targets set by the sector. B-BBEE compliance reporting by some sectors has been consistently poor throughout the years, coupled with no reporting by other sectors.

#### **The recommendations are as follows:**

- A sustainable funding model needs to be put in place for Sector Charter Councils to ensure they are capable of carrying out their mandate as set out in the B-BBEE Act. This entails funding from line departments and the private sector;
- Address unethical practices by entities, consultants, advisors and other functionaries as well as verification agencies to boost scores to levels that do not correspond with actual advances in transformation;
- Sector Charter Councils should be incentivised to report on the level of transformation within their sectors as a whole. This would provide a far more accurate picture of the state of transformation in each sector, as it would include those companies that have not transformed or are non-compliant. A standard methodology and survey instrument should be developed to ensure a consistent approach by Sector Charter Councils to measure the state of transformation across the sector as a whole;
- Interrogate the effectiveness, tighter rules are needed to bind entities to report to the Sector Charter Councils, with the Sector Charter Councils themselves empowered to issue enforceable recommendations. Furthermore, the B-BBEE Commission should establish a dedicated division to monitor and conduct sectoral analysis, ensuring that oversight is systematic, credible, and aligned with transformation objectives;
- At the macro-level, the Codes of Good Practice were last revised in 2015, which resulted in ESD, ownership and skills development being designated priority elements, and most Sector Codes were revised in line with these amendments to similarly prioritise those categories of transformation. However, this study has found that management control has not been prioritised, and even skills development has seen low levels of compliance compared to ESD and ownership. There have been concerns expressed over how ESD is assessed and whether it is empowering black-owned suppliers given it attracts the largest share of points. There has been stagnation in the levels of compliance across all categories, which is indicative of reduced aspirations to continue transformation by reaching set targets at the general and sectoral level.

**To address broad-based transformation and incorporate aspirational targets, the research report makes the following recommendations:**

- A review and amendment to the Codes of Good Practice given the 10-year period since the last set of amendments;
- Prioritising broad-based aspects of empowerment such as management control and skills development given poor performance on these elements over a 10 year period. The review should consider whether the employment equity legislation and regulations can achieve the objective of transformation without also according them priority in the B-BBEE scorecards; and
- Address practices of entities including consultants, advisors and verification agencies which lead to improved scores that are not matched by actual advances in transformation. Anecdotal evidence suggests entities acting in bad faith can “game” the system without substantive transformation to secure higher levels of apparent compliance. In particular, deeper review of how ESD is currently assessed is required, given the high number of points assigned to it, to ensure it truly supports broad-based empowerment by genuinely empowering black-owned suppliers and businesses, and that does so beyond service categories and intermediaries.

**It is recommended that clear rules be established for fund intermediaries to ensure that the majority of funds are directed towards supporting black-owned businesses, while only 10–15% may be allocated to service or management fees.**

- Incentivise entities by, for instance, continual improvements in transformation within companies and sectors, building in gradually escalating targets for achieving points under each category or escalating the target levels to be achieved for procurement points by the state and private sector, and addressing high levels of compliance.
- As Sector Codes take their lead from the Generic Codes of Good Practice, the review and amendment recommended above should filter through to a review and amendment of Sector Codes. While Sector Codes will take the lead on what to prioritise and how to assess categories such as ESD, Sector Charter Councils need to undertake their own reviews of the following:
- The effectiveness of the Sector Charter Councils and Sector Codes as a framework for the implementation of the B-BBEE Act, and the reasons for the failure of the sector to reach the transformation targets set by the Sector Charter Council. In particular, independent reviews need to be undertaken for the worst performing sectors including agriculture, property and financial services.



## 10.1 | Reaffirming And Revitalising B-BBEE

While this study focused on the performance of B-BBEE within its current institutional configuration, its observations prompt the need to reflect on the future orientation of the policy as impacted by a range of cross-cutting factors, such as job creation and inequalities. While the scope for this study was not conceived to address these factors, they are nonetheless material to the functioning and outcomes of B-BBEE policy.

The evolution of B-BBEE has always been marked by public discourse. However, the recent debate around B-BBEE features toxic attacks on the legitimacy of the policy, thereby instigating public ill-will against it. B-BBEE is a foundational policy in South Africa's economy and nation-state, and it cannot afford any policy uncertainty about it. If anything, B-BBEE needs to be reaffirmed and revitalised. This should also clarify how B-BBEE fits within the country's package of economic and social policies, and on what specific outcomes its performance should be evaluated, in the short-medium-and long-term. B-BBEE cannot, on its own, answer all economic and social justice questions in the country and needs to be supported more effectively by other policies.

The study finds that while measurable progress has been achieved, it has not occurred at the scale initially anticipated. This outcome reflects the complex realities of implementation, despite the substantial investments made under B-BBEE since the policy was introduced at the dawn of South Africa's democracy. These need to be built on and scaled up. Notwithstanding this, the inroads made by B-BBEE have not yielded the structural shift in the economy that the policy envisaged at inception, for example, in respect of changing the racial composition of ownership, management and skilled occupations at scale, or promoting investments that lead to broad-based and meaningful participation by black people in the economy to achieve sustainable development and general prosperity.

It is critical that systemic factors constraining the effectiveness of B-BBEE are understood and addressed, including the objective and behavioural factors that account for implementation and compliance friction with the policy. Some of the findings of this study provide clues to some of the pertinent limiting factors in B-BBEE performance and outcomes, for example, the imbalances between economic interest, voting rights and control, which suggest that black shareholding does not translate into participation and influence within the concerned businesses.

It is vital to understand, and where feasible, influence possible institutional factors and incentives underlying these patterns, and where it is a matter of choices made by black interest holders. Validating B-BBEE requires clarity on where and how black stakeholders are part of sustainable value creation in the economy.

Assessing B-BBEE to revitalise the policy must include assessing the adequacy of enablers of the policy, in particular the supporting eco-system and strategy driving B-BBEE and how it can be improved. Two major B-BBEE enablers that loom large in this regard are **(i)** the availability and accessibility of capital to fund black people, to gain meaningful equity and entrepreneurial foothold in the economy; and **(ii)** the role of the state in advancing B-BBEE.

**Strengthening this eco-system could also make a positive impact on the dtic's Black Industrialist Programme by supporting its scaling up and enabling the inclusion of set-asides. Black people's lack of capital is rooted in the history of apartheid. Unless and until an effective long-term solution is found for this perpetual constraint to B-BBEE, be it for equity acquisitions, start-up capital, or collateral, black people's aspirations for meaningful economic participation will continue being frustrated. Therefore, a transformed and inclusive economy in South Africa will not be achieved.**

B-BBEE policy design envisages a strategic pivotal role for the state and its organs (inclusive of all spheres, government departments and public entities), which constitutes substantial collective capacity and reach to enable and enhance B-BBEE outcomes. Eligibility to transact with the state (with its annual average procurement budget of around R1 trillion) serves as the main incentive for the private sector to comply with the B-BBEE Act. In turn, the Act obliges the state to require compliance with B-BBEE from aspiring private suppliers, service providers, and licensees.

However, poor reporting on B-BBEE by government departments and public entities implies the state's catalytic role in B-BBEE is not being fully leveraged, and that the policy lacks collective ownership, prioritisation and accountability by the state's top echelons. This challenge should not continue if B-BBEE is to make further headway, and if it is to be aligned with government strategies and programmes seeking to stimulate productive sectors, growth and employment, and if it is to be steered away from rent-seeking and other unintended results.

The architecture of B-BBEE's compliance regime has been identified as a problem area by some commentators, for elevating "inputs" in what is being measured in B-BBEE implementation (e.g. a measured entity's "spend" and related activities), while outcomes and impacts are largely out of the scope of the regime's measurement protocols. This results in mismatches between what compliance with B-BBEE entails administratively and what it entails in substance, thus rendering the policy vulnerable to a variety of undesirable practices such as box-ticking and misrepresentation.

Incorporating impact measures into the B-BBEE requires shifting the regime from transactional compliance approaches to treating it as an investment with a longer range outlook, integrated and implemented as part of companies' business strategies, along the lines of trends towards Environment, Social and Governance (ESG) regimes. Innovative thinking is required for this shift and providing incentives for it, for example, the introduction of impact statements by entities bidding for state contracts (covering supplier sustainability, job creation, skills, among others).

At the same time, there must be limits in the extent to which constraints and shortcomings in the performance of B-BBEE can be addressed by adding more rules and administrative complexity, without rendering the policy too unwieldy to manage and monitor.



# 11. | APPENDICES

## 11.1 Appendix 1: B-BBEE sector codes

| Sector Code  | Effective date      | Objectives   | Sector amendments                               |
|--|---------------------|--|---|
| <b>1. Agri-BEE Charter</b>                                       | 08 December<br>2017 | The objectives of this Amended AgriBEE Sector Code are to facilitate BEE in the agricultural sector by implementing initiatives to include black South Africans at all levels of agricultural activity and enterprises, as well as by promoting equitable access and participation of black people in the entire agricultural value chain.                                   | <a href="#">Amended Agri-BEE Sector Code</a>    |
| <b>2. Financial Sector Charter</b>                               | 01 December<br>2017 | The Charter provides transformation guidelines for the financial sector, which is one of the key sectors of the South African economy. A key and unique feature of the Financial Sector Code is the introduction of an extra element, known as Access to Financial Services. This element aims to facilitate access to finance for black people and black-owned enterprises. | <a href="#">Financial Sector Code Amendment</a> |
| <b>3. Information and Communication Technology (ICT) Charter</b> | 7 November<br>2016  | ICT Sector Code seeks to advance the interests of certain categories of Black People. These include Black Women who should form between 40% and 50% of the   | <a href="#">ICT Amendment</a>                   |

| Sector Code  | Effective date        | Objectives   | Sector amendments  |
|--|-----------------------|--|--|
|  |                       | <p>beneficiaries of all elements of the scorecard, and black people with disabilities, Black youth, black rural areas and black unemployed people who should form between 2% and 3% of the beneficiaries of all elements of the scorecard.</p>   |  |
| <p><b>4. Property Sector Charter</b></p>           | <p>7 June 2017</p>    | <p>The unique aspects of the Property Sector Charter are that introduces unusual targets such as measurements for Economic Development which will be used by businesses and entities in the sector to invest in properties in underdeveloped areas and thus reduce service inequalities and the limited tradability of properties in these areas.</p>            | <p>09 June 2017</p> <p><a href="#">Amended Property Sector Codes</a></p> |
| <p><b>5. Chartered Accountancy Sector Code</b></p> | <p>10 May 2011</p>    | <p>With this Charter, the chartered accountancy profession aims to increase the number of black people, particularly black women, entering the profession, to reflect the country's demographic population. black chartered accountants have been identified as possessing critical skills that are in short supply and yet in great demand in South Africa.</p> | <p>Repealed- effective from 17 February 2016</p>                         |
| <p><b>6. Integrated Transport Sector Codes</b></p> | <p>21 August 2009</p> | <p>The Integrated Transport Sector Codes comprise eight (8) sub-sectors, which seek to boost one of South Africa's largest infrastructure and</p>  | <p><a href="#">Transport Sector Code</a></p>                             |

| Sector Code   | Effective date       | Objectives  | Sector amendments                                 |
|---|----------------------|---|---|
|   |                      | <p>GDP contributors. In alignment with government's National Transport Action Plan, the Codes aim to fast-track the implementation of efficient transportation, freight and logistics sectors within the economy. One of the main highlights is the achievement of a 35% black-ownership target. Unlike other Sector Codes, the Transport Sector Codes will be continuously reviewed, at five (5) year intervals, from the date of publication thereof.</p> |   |
| <p><b>7. Forest Sector Code</b></p>   | <p>21 April 2017</p> | <p>The Sector Code seeks to deal with transformation challenges in the forestry sub-sectors of commercial primary growth, fibre production, contracting, sawmilling, pole and charcoal. The Forest Sector Code gives bonus points as an incentive for enterprises to achieve the requisite 30% BEE ownership. It further seeks to encourage and support entities to undertake BEE-compliant procurement and job creation initiatives in the sector.</p>     | <p><a href="#">Amended Forest Sector Code</a></p> |
| <p><b>8. Marketing, Advertising and Communication (MAC) Sector Code</b></p> | <p>1 April 2016</p>  | <p>The MAC Sector Code has a black ownership target of 45% (30% is reserved for black women ownership). The 45% black ownership target is higher than the 25% target of the Generic Code. The 45% ownership was negotiated</p>  | <p><a href="#">Amended MAC Sector code</a></p>    |

| Sector Code                                | Effective date          | Objectives   | Sector amendments                                       |
|--|-------------------------|--|---|
|  |                         | <p>and agreed for by sector stakeholders and it is envisaged that it will contribute towards increasing the number of black people that manage, own and control enterprises in the MAC sector.</p>   |   |
| <p><b>9. Tourism Sector Code</b></p>       | <p>20 November 2015</p> | <p>The Code aims to create more opportunities for emerging black owned enterprises across the supply and value chains of established businesses. The sector has set the target for supplier development at 3% NPAT which is higher than the 2% of the Generic Codes. An implementation of supplier development in the sector will lead to job creation and overall growth in the sector.</p> | <p><a href="#">Amended tourism sector code</a></p>      |
| <p><b>10. Defence Sector Code</b></p>      | <p>12 April 2019</p>    | <p>The Defence Sector Code aims to implement measures that will ensure the effective participation of Black people in South African Defence Industry (SADI) and in the broader economy. The sector code is further aimed to encourage the participation of and growth of SMMEs in SADI.</p>  | <p><a href="#">Defence sector code amendment</a></p>    |
| <p><b>11. Construction Sector code</b></p> | <p>01 December 2017</p> | <p>The sector presents the industry with the ideal opportunity for the advancement of transformation and BEE in the procurement of construction programmes and</p>   | <p><a href="#">Amended construction sector code</a></p> |

| Sector Code                           | Effective date     | Objectives  | Sector amendments                                  |
|---------------------------------------|--------------------|---|--|
|                                       |                    | <p>services. The Code also seeks to regulate a target of 30% black ownership in the industry over the next 10 years.</p>  |  |
| <p><b>12. Generic Sector code</b></p> | <p>31 May 2019</p> | <p>The Codes of Good Practice specify the criteria for earning B-BBEE scorecard points and ratings for businesses. It provides a standard framework for the measurement of BEE across all sectors of the economy.</p> | <p><a href="#">Amended Generic sector code</a></p> |

Source: Various sector codes

## 11.2 | Appendix 2: Governance Model for Sector Charter Councils

Sector Charter Councils are encouraged to be registered as legal entities that exist for non-profit making. The following represents a recommended model for setting up Sector Charter Councils: equitable composition of stakeholders in the members of the Sector Charter Council; ensuring application of good corporate governance principles in the Sector Charter Council. The funding of the operations of Sector Charter Councils is a joint responsibility between the private sector and the line ministry responsible for that particular sector.

### **Reporting: See Section 10 (4) & Regulation 12 sub reg 16, 17,18**


The Commission and the Sector Charter Councils have a dual responsibility to report on the status of transformation in the sectors. In terms of Section 10 (4) of the B-BBEE Act, Measured Entities that are governed by Sector Codes must submit on an annual basis their B-BBEE Certificate and relevant B-BBEE verification reports to the Sector Charter Councils.

The Sector Charter Councils are required use the B-BBEE certificates and reports from measured entities to compile reports and submit to **(a)** the Line Ministry, **(b)** the Minister of Trade, Industry and competition and **(c)** the B-BBEE Advisory Council on progress made by the sector subject to the relevant Sector Code. Such reports should typically contain qualitative and quantitative information about sectoral performance, including details about all the elements of the sector's B-BBEE balanced scorecard.

The Commission is required to monitor the performance of Sector Charter Councils by considering the reports from Sector Charter Councils, and further advising the Minister on the state of compliance and making findings and recommendations on areas of improvements. The Commission may publish reports submitted.

Charter Councils are required to report on the status of transformation in their respective sectors to **the dtic**, the relevant government departments and the B-BBEE Commission (through **the dtic**). However, despite it being a legal requirement under the B-BBEE Act, public reporting on the state of transformation has been mixed, with consistent annual reporting by some sectors and/or subsectors such as forestry and financial services and property, and non-compliant reporting by sectors such as Agri-BEE, transport and defence. The reporting on transformation by relevant Charter Councils is generally on the performance of entities regarding the B-BBEE elements (i.e., ownership, management control, skills development etc.) as well as considering the targets as set out in the respective sector Codes.





In a ten-year period, the South African transformation journey demonstrated that meaningful change is possible when policy, purpose, and people align.

The progress achieved reflects the collective commitment of government, industry, labour, civil society, and the entrepreneurial spirit of our citizens. Yet, transformation is not an endpoint, it is a continuous evolution driven by accountability, innovation, and shared ambition. As we reflect on this milestone, we honour the strides made in advancing equitable participation, fostering inclusive growth, and expanding economic opportunity for all.

Looking ahead, the next decade demands even more deliberate collaboration and a renewed commitment to sustainable empowerment. Our vision is a future where women, youth, people with disabilities, and emerging enterprises do not simply enter the economy; but they shape it.

Together, we will build competitive industries, unlock new pathways of participation, nurture a skilled and future-ready workforce, and deepen partnerships that strengthen our national prosperity.

Transformation remains our collective mandate and our shared legacy, one we are determined to advance with courage, clarity, and conviction.



# South Africa's Transformation Landscape 2013-2023

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