




KC KagisoCapital



BEYOND THE FAÇADE

The Bittersweet Reality of Broad-Based
Black Economic Empowerment



*It is in the character of
growth that we should
learn from both pleasant
and unpleasant
experiences.*

Former President Nelson Mandela

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THE ISSUES

- B-BBEE as an economic transformation tool - has there been a shift in ownership patterns of the economy and in which sectors?
- The impact of the top 100 largest B-BBEE deals, public offers and ESOP schemes.
- Understanding the ownership patterns of the economy and the impact of B-BBEE deals.
- The impact of broad-based trusts and the emergence of black industrialists in building an inclusive economy.
- What would a 3rd wave of B-BBEE deals look like?
- What are the learnings from how deals are structured by funding institutions and how does this contribute to growing the economy?

INTRODUCTION



CONFERENCE REPORT

OCTOBER 2023

According to BEE Commissioner, Tshediso Matona, the constitution demands that confronting inherited injustice against black people is a big deal, it is not an afterthought, and it is integral to the identity and viability of the kind of society we ideally want to be.

According to the constitution, confronting inherited economic injustice against black people is a big deal; it is not an afterthought, and it is integral to the identity and viability of the kind of society we ideally want to be.

To this end, Kagiso Capital, in collaboration with Kagiso Trust and the FirstRand Empowerment Foundation, hosted a one-day hybrid seminar in October 2023 that was a no holds barred honest and reflective discussion on the issue of Broad-Based Black Economic Empowerment (B-BBEE) as a policy instrument to address historical inequalities and economic transformation.

The keynote speech of the seminar titled "Beyond the Façade - The Bittersweet Reality of Broad-Based Black Economic Empowerment" was delivered by Tshediso Matona, the B-BBEE Commissioner.

The gathering explored B-BBEE as an economic transformation tool, examining whether there has been a shift in economic ownership patterns and in which areas.

B-BBEE has played a critical role in correcting historical injustices and transforming black ownership and involvement in the economy.

The main issue of the seminar was reviewing the impact of B-BBEE progress, and prospective improvements, as these topics continue to divide the nation.



The seminar provided a forum for open, data-driven discussions on ownership and notable transactions to date, as well as unpacking the challenges of structuring policy-aligned transactions in a dynamic, ever-changing socioeconomic environment.

Furthermore, the role of broad-based trusts and the emergence of black industrialists in the development of an inclusive economy was highlighted.

Finally, the seminar foreshadowed what a third wave of B-BBEE transactions would look like, as well as the lessons learned from how deals are structured by funding institutions and how this contributes to economic growth.

Commissioner Matona, whose office was established in accordance with Section 13B of the B-BBEE Act 53 of 2003 as amended by Act No 46 of 2013, delivered a powerful address asking South Africans to up their game on empowerment issues two decades after the law was adopted.

The Commission, whose mandate includes, among other things, supervising and encouraging adherence to the B-BBEE Act in the public interest, estimates that black people hold approximately 30% of the economy.

Matona honestly acknowledged in his speech that just one-third of JSE-listed corporations and 95 of SA's hundreds of public institutions submit mandatory reports on broad-based black economic performance to the B-BBEE Commission, making it difficult to track progress.

Matona told the seminar that B-BBEE policy had measurement issues because "we don't read from the same evidentiary base, we don't have a shared view of progress or lack thereof."

The Commissioner urged South Africans to be steadfast in their pursuit of economic transformation in order to attain the desired equality and parity in the economy, as mandated by the country's constitution.

"We need to renew and recommit to the social compact against racial inequality and poverty on which B-BBEE policy is founded," he told the audience.

Duma Gqubule, a financial analyst and one of the event's key presenters, took a firm stance in favour of B-BBEE, pushing for an inclusive economy that intentionally supports black businesses.

According to him, the public is confused by a tangle of contradictory facts about black ownership.

Gqubule questioned the data, claiming that it is impossible for black people to possess R6 trillion of the JSE's assets if the figure is 30%, or R4 trillion if it is 20%.

According to Gqubule, Intellidex looked at real ownership rather than scores and discovered that black persons held 1.9% of the JSE.

According to him, certain corporations, such as retailing behemoth Pick n Pay, had never done a BEE transaction but yet had 18 points on its B-BBEE scorecard, while banking giant Absa still has 12.8 points on its scorecard for a BEE deal completed in 2012.

Ernst van Zyl, AfriForum's Head of Public Relations, also spoke at the seminar and as a panellist, Van Zyl addressed critiques of racially discriminatory policies in relation to the practical and moral inadequacies of BEE, as well as long-term solutions to the country's challenges that do not rely on racial legislation.

Over and above the debate, participants agreed that it is simple for big firms to undermine B-BBEE Codes governing ownership, management control, employment equity, skills development, preferential procurement, company development, and socioeconomic development.

Finally, the conference presented recommendations on how large corporations and the government should work together to comply with and implement empowerment regulations.



MANKONE NTSABA

Chairperson of the board
of Trustees for Kagiso Trust

THE CHALLENGES & TRIUMPHS OF B-BBEE

Mankone Ntsaba, chairperson of the board of directors for Kagiso Trust, welcomed everyone to the conference with the intriguing theme "Beyond the Facade: The Bittersweet Reality of Black Economic Empowerment."

The significance of seeing beyond superficial appearances and delving deeper into the realities of black economic empowerment was emphasised by Madam chair.

She emphasised the importance of addressing issues such as high living costs, unemployment, and inequality, with the goal of supporting sustainable growth and inclusivity.

The chair brought up a recent global risk study, World Economic Forum's latest Global Risk Report 2023, which cites threats to economies around the world, including South Africa. She emphasised the need of resolving issues like high living costs and inequality in order to create stability and long-term development.

She added that the conference aimed to look into both the challenges and triumphs of B-BBEE, with an emphasis on varied viewpoints and experiences.

She encouraged participants to discover potential for progress as well as answers to the present empowerment difficulties by calling for collaboration and open dialogue.



Throughout the conference, the chair encouraged participants to listen to one other's perspectives, comprehend the various lenses through which they see these issues, and engage in polite discourse.

She said that the ultimate goal is to develop a unified vision for genuine empowerment that excludes shallow facades.

She primarily focused her address on setting the stage, outlining the obstacles and potential of black economic empowerment, and emphasising the importance of open communication and collaboration.

Madam chair underlined the significance of collaboration in charting an inclusive and transformative route forward by combining knowledge, skills, and experiences.

Called for candid, open, and transparent discussions to explore development prospects and long-term solutions.

"It is an honour to gather here today to delve into the complexities, challenges, and opportunities that exist within the realm of broad-based Black economic empowerment," she remarked. "B-BBEE. What lies beneath the surface? What exactly do we mean? What lies beneath the surface?"

"This theme comes at a time when many institutions around the world and in South Africa, we are actually, I hope all of us are reading the World Economic Forum's recent Global Risk Report 2023, which identifies certain risks that were previously not identified but have recently been identified."

Ntsaba added: "B-BBEE must be used to actually deal with the issues of unemployment, income, and deal with the cost of living.

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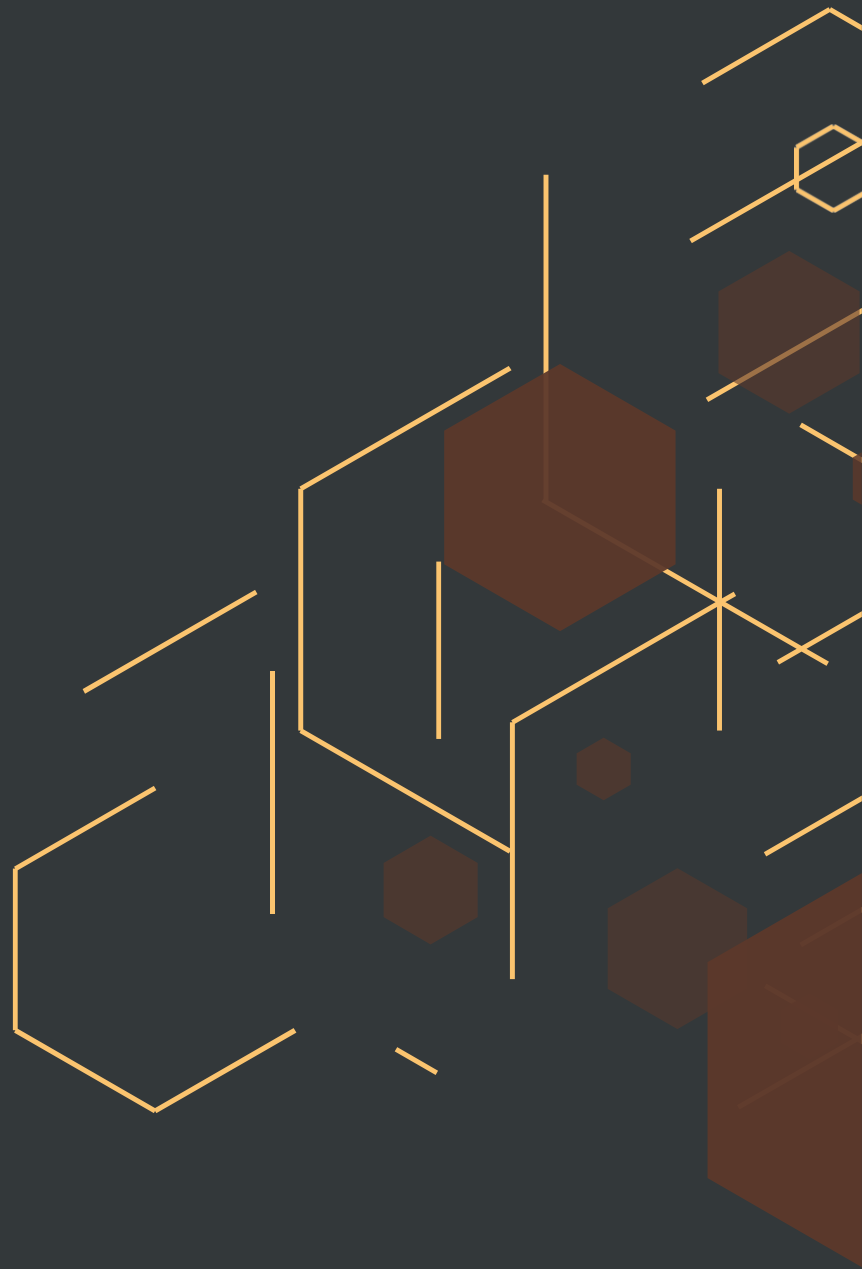


“The high cost of living places a burden on citizens’ quality of life. Additionally, it can deter foreign direct investments and hinder economic growth.”

“Therefore, addressing these issues becomes crucial for South Africa to ensure stability, reduce inequality, and foster sustainable development in a world where inclusivity and equal opportunities remain at the forefront of our collective goals.

“The topic we have chosen for this conference is of utmost significance. While B-BBEE has undoubtedly brought about positive changes, it is imperative that we move beyond the superficial appearances and delve deeper into the profound realities that underpin this crucial policy intervention.”

She concluded: “May this conference serve as a catalyst for change, leading us to a future where the bitter yields space to the sweet, empowering generations to come and fostering truly inclusive and economically empowered society. Once again, I extend my warmest welcome to each one of you. Let us embark on this transformative journey together. Thank you very much.”



MANKODI MOITSE

CEO of Kagiso Trust

ENGAGING IN COMMUNITY-BENEFITING PROGRAMS

Mankodi Moitse, CEO of Kagiso Trust, stressed the value of education and discussed the need for rural learners to have equal access to education.

She emphasised that long-term interventions must begin with early childhood development and progress through the entire education pipeline.

Moitse also emphasised the importance of systemic reforms, such as creating a district development plan, supporting leadership, and providing teachers with curriculum support.

She also talked about the investment needed to address difficulties in technical high schools and push for socioeconomic development and change in the agriculture sector.

The speaker suggested investing in communities and community-centric local governance, as well as supporting civil society organisations, in order to optimise South Africa's development efforts.

"We have about 585 technical high schools in the country," she remarked. "South Africa, come on. We can do better, and we can fix this. So the more partners we have, the better. "

"But first, I'd want to discuss another programme concerning socioeconomic progress and transformation. And I believe this is why we are here today. We chose agriculture and property because they are the least transformed sectors in the country. "

"As a result, we had to go back and be more deliberate about working through the entire pipeline. We support a district development concept. Why? Because we're claiming that the districts, like us, are managers. How do they contribute to excellent school leadership? "

"What about the teacher? How do they accomplish this? How much curriculum assistance can we provide the teacher? As a result, we had to deal with systemic interventions. And, yes, we had the opportunity to work in a willing environment in the Free State with our partners, you, and our other partners who are present in the room, where it took a long time. This programme has been in effect since 2007."

"So changing the system is not an easy process, and it is costly, but what it offers is that a mother or a parent in a rural area does not have to worry that the school next to me is automatically failing my child," she continued.

"We are now talking about Free State having above 80% plus pass rates for the last three years, which is higher than well-resourced provinces. It took concerted effort to ensure the model functioned. We appreciate hearing from other provinces that we are raising our hands. "

"How then do you intervene? However, we are aware that there is still more systemic education investment that has to be made. For example, why are technical high schools excluded from consideration? Not everyone is cut out to be an academic."

According to Moitse, unless South Africa invests in civil society organisations, it will be unable to maximise the value of development or even stop the degradation that is now taking place. "

"Support the work that we are attempting. It's a massive undertaking. Previously, prior to 1994, it was a thriving sector (civil society). To be honest, we're talking about the government and the private sector right now. "

"We ignore civil society at our peril. So we had to go back and ask ourselves, how do we ensure that civil society is reactivated? Second, ensure that they are meaningfully coordinated. We are pleased to report that we currently have over 500 organisations that are thought to be dealing with concerns."



AMANDA TANDIWE NZIMANDE

Trustee of the
FirstRand Empowerment Foundation

THE IMPORTANCE OF B-BBEE IN ASSISTING BUSINESSES & GRASSROOTS MOVEMENTS

Impact and Role of Broad Based Trusts

Amanda (Tandi) Nzimande, Trustee of the FirstRand Empowerment Foundation, began her remarks by emphasising the importance of engaging in community-benefiting programmes.

She stated that broad-based entities add value to communities, allowing them to engage in the economy more efficiently. Nzimande also acknowledges black people's historical marginalisation from numerous chances, including schooling.

During the conversation, she emphasised the importance of programmes like B-BBEE in assisting businesses and grassroots movements.

She went on to say that FREF is concerned with education, health, climate change, GBV (gender-based violence), and agriculture.

Nzimande underlined the foundation's mission of eradicating poverty through education and increasing educational outcomes. Furthermore, she says that they are focusing on youth unemployment and making attempts to promote meaningful economic involvement for young people.

According to her, the foundation has had a substantial influence on retaining numbers in their youth employment programme and is well-regarded among young people.

She also briefly outlines several projects and areas of concentration, such as working with the National School Collaboration Trust to strengthen the school system and addressing youth unemployment.

"I think, like Mankodi, it's the context in which we find ourselves as broad-based entities," she remarked. "The value we bring to communities serves as a stepping stone for those communities to participate at a higher level in the economy."


"The South African context is unique in that we have a long history of people being excluded, particularly black people from all forms of participation, including quality education. So I don't believe it was realistic to expect a really rapid revolution in the economy, and I still don't think it is feasible. "

"So, in order to address that, you have to have programmes that will support each of these people," she said. "We once had foreign funding; we no longer have foreign funding. But B-BBEE is here. B-BBEE provides an opportunity not just for entrepreneurs and businesses to flourish, which is critical, but also for grassroots organisations to advance in terms of the level at which they function. "

"So I'll speak to the foundation's focus areas. We concentrate on education, which has been our primary focus since our inception. Given the type of money that we can now obtain, we have added to that as we have evolved and developed a larger strategy. "

"So I think that's an important thing because I think a lot of deals have matured, and that also brings a different level of responsibility to me in terms of how beneficiaries behave. So, as we've evolved, we've added health, climate change, and GBV as major concerns."





*Money won't create
success,
the freedom to
make it will.*

Former President Nelson Mandela



MAJOR CHANGES & HAIRCUTS

MAJOR CHANGES & HAIRCUTS

"If the economy must be based on the rule of law, there cannot be an exception when it concerns B-BBEE law. The reason is the brutal reality that 20 years after the B-BBEE Act, 70% of the economy is owned and controlled by 7.9% percent of the population who are White, while Black people who make up 92% of the population still do not participate in the economy in any significant and meaningful way," B-BBEE Commissioner Matona opened his fiery speech.

Adding: "This is a matter that demands discussion and action. It demands a joined up national conversation about how redressing the economic injustice and continuing exclusion of black people is to be progressively achieved, and how the laws enacted for this purpose, including the B-BBEE Act, are to be re-affirmed and made effective going forward."

In his speech, Matona stated that economic transformation entails addressing our society's imbalance through true empowerment rather than simply supporting the country's black elite.

In South Africa, he said, business is not about being black or white; but it is about being purpose driven and socially responsible in tackling the country's largest concerns, which involves creating jobs, developing skills, and providing financial opportunities to millions.

He explained that empowerment in South Africa goes far beyond B-BBEE codes and a scorecard because the fact that millions of South Africans are living in squalor, and this number is growing, means that businesses must redouble efforts to create a sustainable economic participation model that opens opportunities for all South Africans and improves the country's overall state.

He said that corporations in South Africa must demonstrate their commitment to reform through "massive action," rather than simply pointing the blame at government.

NON-REPORTING MUST FALL

According to Matona, B-BBEE suffers from the challenge of effective measurement of implementation.

He explained that B-BBEE Act imposes a reporting obligation upon both the state and its entities, and JSE-listed companies, but there is a culture of non-reporting which is not only a blemish on corporate governance in South Africa, but without measurement the country will not know of the progress of B-BBEE or lack of thereof.

Above all, he said, it renders the whole system of verification useless. The BEE Commissioner said low levels of reporting across the board undermine a key function of the B-BBEE Commission of being custodian of an ongoing measurement dashboard of transformation in the country.

According to him, annual submissions to the Commission's BEE Certificates Portal are on the decline, having reached a high of 5 818 in 2019, to a low of 1,475 in 2022.

"Only a third of the 400 JSE-listed companies submit compliance reports, and in 2022 only 95 public entities and state organs complied with reporting requirements," he said.

Matona called on South Africans to fiercely combat non-reporting, saying down with non-reporting! Non-reporting must Fall! "Without a shared evidence-base, the evaluation of B-BBEE in public discourse is a jungle of anecdotes, and anything goes," he said:

He added that reporting is also about accountability, saying those who are complying with the law have no problem with reporting (and there are many companies and state entities implementing B-BBEE in spirit and action).



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IS B-BBEE A FAILURE?

In his presentation, Matona argued that one anecdote getting much media airtime is that B-BBEE is a total failure. But noted that it is a wrong view. He said proponents of this view point to unintended incidents of abuse of the policy to bastardise B-BBEE.

On the other hand, he said, the existence of a larger black middle class compared to the period before B-BBEE, or the thousands of black businesses who are suppliers in public and private procurement, the steady growth of black industrialists, are evidence of positive change due to B-BBEE.

“But it is not enough. There is much further to go still ahead of us. In truth, transformation is excruciatingly slow, on any calculation; that there has not been inclusion of black people in the economy on a large scale, as the majority of SA’s population,” he said.

Of reports that do get submitted to the B-BBEE Commission since it started 6 years ago, he said black ownership in the economy hovers around 30% on average in any given year; and black women ownership hovers around 14% on average.

He explained: “Put in other words, 90% of SA’s population which is Black people only, own about 30% of the economy, while white people accounting for 8% of the population own about of 70% of the economy.

In an analysis for the last 2 years of all the 400 JSE listed entities, financial analyst Duma Gqubule, found that blacks owned only 1.7% of all shares (75% of which are non-SA assets); and of SA assets, blacks owned 6.5%, meaning net black ownership is 3% of JSE.

In addition, he said, there has also been a consolidation of JSE-linked black ownership around a few sectors, saying in 2022, less than 60% of targets were achieved for Skills Development; Enterprise and Supplier Development, and Management Control across all sectors, and in 2017 it was less than 50% of the same targets.

“In terms of spend, R31.3bn went into Skills Development (R46bn in 2021), and R15bn went to ESD (R26bn in 2021). Still, B-BBEE deal-flow continues, albeit at a reducing rate:”

“As at July 2023 a total of 643 major B-BBEE transactions worth R645bn have been registered with the B-BBEE Commission since it opened shop in 2017 to receive, assess and vet B-BBEE transactions above the R25m threshold, as empowered by the B-BBEE Act.”

According to Matona, as much as “we must demand speed and progress with B-BBEE, we also need historical perspective in evaluating the policy.”

He asked: “Is 20 years/30 years enough time to have undone the apartheid and colonial legacy of racial inequality that goes back many more decades far than B-BBEE and our other transformation policies as the democratic state?”

Furthermore, he noted that it is also important to recognise that B-BBEE is evolving, from early years’ phase of deals featuring celebrity black personalities, to the current phase involving increasing participation by workers and communities.



"I believe transformation is a long-term pursuit, and we need not take our eyes off the ball. It was never going to be easy, because the interest vested in the untransformed status quo are entrenched and highly influential. But we must also confront a host of demons bedeviling B-BBEE, and be intentional about improving the prospects of success of the policy."

In his analysis he said what has also become apparent it that the B-BBEE regime has become a huge administrative accounting exercise (of ticking boxes), which makes it prone to being rigged, hence practices of fronting, window-dressing and misrepresentation are persistent, even though these are declared offences in the B-BBEE Act.

For example, He said, of the 1 260 B-BBEE-related complaints lodged with the Commission since 2016/17, 84% relates to fronting

He explained: "To need to look at how verification methodologies can be refined so as ensure that only ownership transactions that promotes B-BBEEE objectives is recognized.

"We must reflect honestly about the challenge of weakened will about B-BBEE across many spheres in the country on which the policy depends to succeed, in particular the need for a strong partnership for transformation between the state and business, to build a better SA with an economy that leaves no one behind!"

Adding: "We must recognise that the B-BBEE framework through different elements (of the scorecard) presents different pathways and opportunities for contributing to a transformed, inclusive and growing economy."

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SUSTAINABILITY OF BEE TRANSACTIONS

01

Extend of Facilitation

- Hard vs. soft facilitation
- Cost to existing shareholders

02

Extent of Leverage in the Structure.

- Upfront discount/equity contribution
- Capital structure should not be over geared
- Funding costs vs. dividend yields

03

Long Term Investment Horizon.

- Longer dated transactions have delivered more value than short dated deals.
- Vesting vs. Evergreen

04

Favorable market conditions

- Global economic fundamentals
- Strong local macroeconomic environment
- Commodity price, employment, interest rate consumer demand levels

05

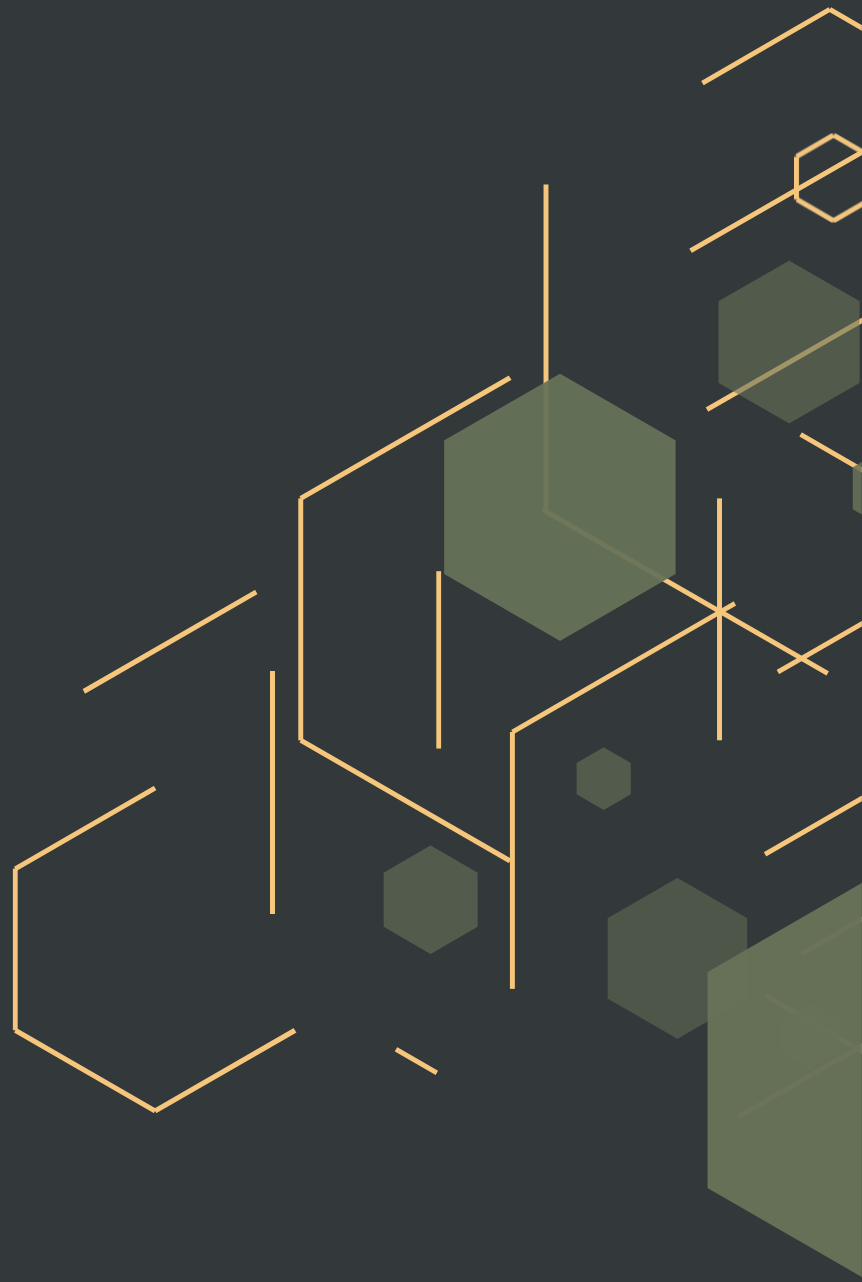
Operational performance of company

- Consistent value creation
- Outperformance versus peers
- M&A activity

06

Increase in valuation of the company

- Suitable entry level
- Growth in share price over the transaction term



ACTIONS **TANGIBLE**
IDENTIFIED

TANGIBLE ACTION ITEMS IDENTIFIED BY THE PANEL

01

Explain the connection between industrial liability policy, finance policy, and procurement policy.

02

Ensure that industrial responsibility rules are consistent with finance and procurement policies to avoid issues such as tender cancellations.

03

Think about the role of foundations and trusts in overcoming market barriers to empowerment.

04

Investigate blended funding approaches that combine commercial and non-commercial sources.

05

Prioritise inclusive growth and expansion over redistribution.

06

Emphasise the value of education and the need for strategic investment in it.

TANGIBLE ACTION ITEMS IDENTIFIED BY THE PANEL

07 Stress the importance of policies that accomplish their intended outcomes.

08 Tell the story of the Sol-Tech technical college initiative's achievement.

09 Make certain that empowerment activities begin early in order to provide the required skills and opportunity.

10 Promote inclusivity by incorporating grassroots perspectives into the discussion.

Overall, the action items include clarifying policy links, investigating blended funding approaches, concentrating on inclusive growth, strategically investing in education, and ensuring grassroots engagement and inclusivity in conversations.

These action items, according to the panel, can be carried out by key stakeholders such as legislators, foundations, investors, and educational institutions.

THE IMPORTANCE OF CONSIDERING VESTING AND EVERGREEN OPTIONS

Kgolo Qwelane, head of B-BBEE Advisory at Rand Merchant Bank, spoke on the same panel as Gqubule about ownership arrangements and transactions, notably in the financial services and mining sectors.

He also discussed funding possibilities and transaction terms, as well as lessons learned, such as the need of favourable market circumstances and excellent operational success for long-term ownership deals.

Long-term investment horizons, according to Qwelane, are chosen for higher-value deals.

He also stressed the importance of considering vesting and evergreen options, leverage extent, and capital structure management.





**CONTRADICTORY
FACTS ABOUT
BLACK OWNERSHIP**

CONTRADICTIONARY FACTS ABOUT BLACK OWNERSHIP?

In his presentation, Duma Gqubule expressed alarm about the country's poor B-BBEE figures and questioned how the government could continue with them. He also mentioned jobless growth and rising unemployment, while condemning industrial policy spending as unimportant.

Gqubule then addressed the technique for analysing annual reports, pointing out anomalies in some organisations' scorecards and calling for a reform of the code and empowerment laws, implying that empowerment has become far too easy to by ass.

The outspoken Gqubule called for a review of ownership factors as well as a review of transformation accounting, and he also highlights the difficulties in comprehending the level statuses of some untransformed organisations.

Gqubule's talk covered a variety of topics related to B-BBEE transactions, such as size, funding, dividends, and term.

He discusses broad-based groups, employees, communities, and the establishment of the public office in B-BBEE transactions.

Gqubule emphasised the characteristics of sustainable B-BBEE transactions in his presentation, such as favourable market circumstances, appropriate entry levels, and a long-term investment goal.

He also highlighted the necessity for ease in the framework of B-BBEE transactions.

GQUBULE & QWELANE INFER SEVERAL PROBABLE ACTION ITEMS BASED ON THE TOPICS DISCUSSED:

01

Policymakers/Government:

- Create a vision and plan for the economy with a 6% growth target.
- Create a central bank for development to drive structural change and transformation.
- Increase annual spending on industrial programmes, such as assistance to black SMEs.
- Consider instituting lending quotas for banks with structural change and transformation goals.
- Examine and update B-BBEE codes to address flaws and increase efficacy.
- Improve ownership transaction rules and monitoring to ensure correct reporting.

02

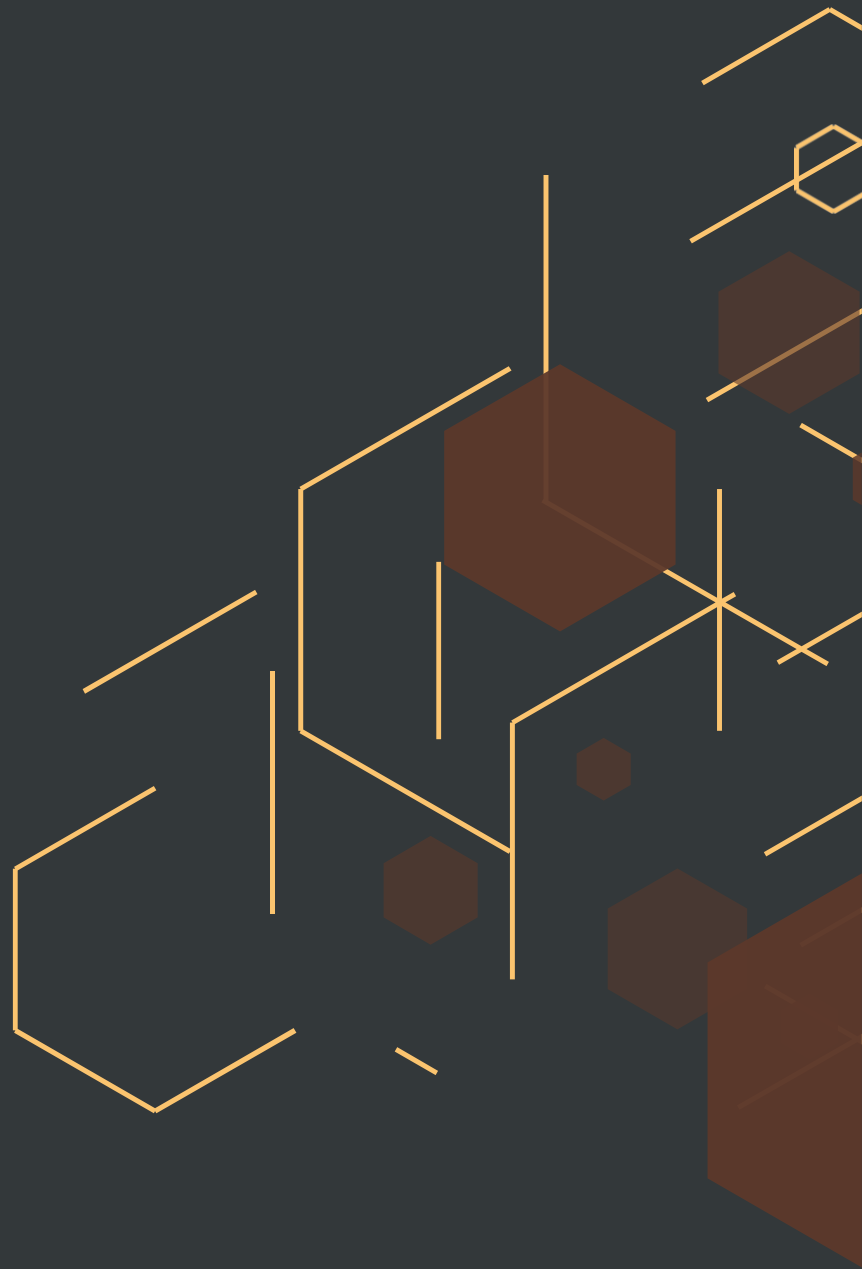
Businesses/Organisations:

- Incorporate employee, community, and strategic partners into broad-based ownership systems.
- Think about long-term transaction conditions that will allow for share price appreciation.
- Look into using facilitation in ownership arrangements to provide finance assistance.
- Monitor and report on the progress and impact of ownership transactions on a continuous basis.

03

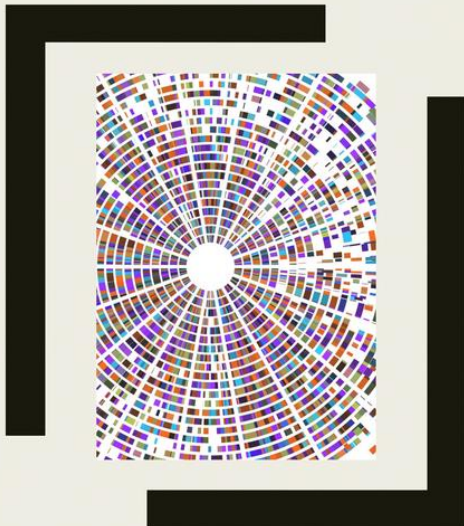
Financial Institutions: Boost funding and support for black SMEs in order to close the financing gap.

- Examine lending rules and explore instituting lending quotas to promote structural change and transformation.



ECONOMIC TRANSFORMATION

in South Africa since 1994



ECONOMIC TRANSFORMATION IN SOUTH AFRICA SINCE 1994

04 October 2023



SOUTH AFRICA: A DISMAL ECONOMIC PERFORMANCE

- Whichever way one slices the data, SA economy has performed dismally since 1994.
- After 29 years, government has not got its head around how to grow the economy and create jobs
- GDP per capita increased by 22% from 1994 to 2022. By comparison in local currencies:
 - China 783%
 - Vietnam 337%
 - Ethiopia 315%
 - India 285%
 - Poland 216%
- GDP per capita has not grown for 15 years and is projected to decline for another 3 years.
- By 2025 GDP per capita will be lower than it was in 2007.

WE CANNOT CONTINUE LIKE THIS

SOUTH AFRICA: AN UNVIABLE SOCIETY



11.9 million unemployed people during Q2 2023.
Unemployment rates of:

- 70.2% (Youth)
- 46.6% (Africans)
- 50.6% (African Females)
- 53.5% (North-West)
- 42.4% for people of all races



Unemployment crisis is a national disgrace the most heartbreaking betrayal of the dreams and promises of our liberation. The government has failed the people who fought for so long for a better life for all

ECONOMY SINCE 1994

	Gear (1996 – 2002)	Post-Gear Boom (2003 to 2008)	Two Lost Decades (2009 – 2022)
Government final consumption spending	2.1% a year	5% a year	1.5% a year
Public Investment (General government and public corporations)	Investment strike Declined by 1.5% a year from 1996 to 2001 Declined 24.9% from 1998 to 2001. Returned to 1998 levels in 2004	Investment boom Increased by 14% a year from 2003 to 2008 increased by 92.4% from 2003 to 2008	Investment strike Declined by 2.4% a year Declined by 37.7% from 2015 to 2022
Average annual interest rates	17.7	12.7	9.3
GDP Growth	2.9	4.5	1.5
GDP per capita growth	0.6	3.2	(0.1)
Unemployment	Increased to 8m (40.6%) in Q1 2003 from 4.6m (33%) in 1996	Created 3.1 million jobs from Q1 2003 to Q4 2008. Unemployment declined to 5.9m. Unemployment rate declined to 28.7%	Unemployed increased by 6 million to 11.9 million from Q4 2008 to Q1 2023. Unemployment rate increased to 42.4%

Economy grows and creates jobs when the government invests in its people and infrastructure

UNEMPLOYMENT (Q42008 – Q2 2023)

	December 2008	June 2023	Difference
Population	31 987	40 746	8 759
NEA	11 273	12 527	1 254
Labour Force	20 714	28 218	7 504
Employment	14 769	16 346	1 577
Formal (Non-Agricultural)	10 221	11 329	1 108
Informal (Non-Agricultural)	2 365	3 029	664
Agriculture	807	894	87
Private Households	1 376	1093	(283)
Unemployed	5 945	11 872	5 927
Unemployment rate (%)	28.7	42.1	
Absorption Rate (%)	46.2	40.1	
Labour Force Participation Rate (%)	64.8	69.3	

Labour Force Growth Rate = 2.4%; Employment Multiplier 0.9

Need GDP growth rate of 4.9% just to create jobs for new entrants, let alone the 11.9m unemployed

Three levers to reduce unemployment – GDP growth, industrial policies and public employment programme

STRUCTURE OF THE ECONOMY: 1994 - 2022

	1994		2022	
Agriculture, forestry and fishing	20 471	4.1	187 606	3.2
Mining and quarrying	26 245	5.2	483 254	8.1
Manufacturing	114 557	22.8	813 121	13.7
Electricity, gas and water	12 784	2.5	192 762	3.2
Construction	16 649	3.3	146 600	2.5
Trade, catering and accommodation	66 621	13.2	807 486	13.6
Transport, storage and communication	42 822	8.5	451 394	7.6
Finance, real estate and business services	91 421	18.2	1 386 865	23.3
General government services	40 523	8.1	510 683	8.6
Personal services	71 028	14.1	972 938	16.3
Value added at basic prices (total)	503 120		5 952 708	

Mining and finance contribution to value added increased by 8 pp to 31.4% of value added

Industry contribution declined by 9.2 pp to 19.4% of value added

Structural change is about encouraging labour intensive industries and diversifying export basket

SPENDING ON INDUSTRIAL POLICY AND EMPOWERMENT FROM BELOW

	2018/19 (Rbn)	2019/20 (Rbn)	2022/21 (Rbn)	2021/22 (Rbn)	2022/23 (bn)	Average (Rbn)
IDC- Disbursements	11.8	11.7	6.3	7.2	17.8	11.0
IDC- Black Industrialists	7.0	4.3	1.4	3.2	7.6	4.7
IDC- Black-Owned						4.4
IDC- Black Women-Owned	3.6	3.1	0.8	1.1	1.1	1.9
DTIC Incentives	5.6	5.9	4.9	6.5	5.3	5.6
IP Spending	17.4	17.6	11.2	13.7	23.1	16.6
GDP	5 413.6	5 699.2	5 606.7	6 287.6	6 651.3	
IP as percentage of GDP	0.3	0.3	0.2	0.2	0.3	

Black SME FINANCE - R3.4 billion: SEFA (R2.3 billion) NEF (R1.1 billion)

BASA Exposure of Bank Balance sheets to Black SME finance = R21.4 billion (2019) or 0.4% of bank assets

SME financing gap is R350 billion. Too few policy tools to drive industrial policy

VOODOO ACCOUNTING: BEE CODES VERSUS ACTUAL OWNERSHIP

There is a maze of conflicting statistics about black ownership that confuses the public

- Using BEE Certificates BEE Commission said 31.5% in 2019. Sanlam Gauge 20.3%. Impossible. Implies R4 trillion black ownership
- Intellidex (2015) looked at actual ownership in JSE Top 100. R209 billion or 1.9% of JSE in 2014
- Thomas (2017) study for National Treasury found 1% in JSE Top 25

REPORTING ON BLACK OWNERSHIP HAS NO CREDIBILITY DUE TO POLITICAL COMPROMISES THAT WERE MADE DURING DRAFTING OF BEE CODES

	BEE Scorecard (%)	Annual Report (%)
Pick n Pay	18.29	0.0
ABSA	12.83	0.0
Standard Bank	29.16	0.5
Nedbank	35.88	1.3

BEE TRANSACTION VOLUMES AND VALUES: 1996 - 2022

	First Wave (1996 – 2002)	Second Wave (First Phase: 2003 to 2008)	Second Wave (Second Phase: 2009 – 2022)	1996 – 2022
Value of Transactions (Rbn)	72.8	272.4	322.8	668.0
Average Annual Value (Rbn)	10.4	45.4	23.1	25.5
Number of Transactions	359	414	272	1 045
Average Annual Number	51	69	19	39

Sources: Ernst & Young Annual Review of Mergers and Acquisition (M & A) activity for 1996 to 1999 Deal Makers Database for 2000 to 2022

JSE TOP 50: MARKET CAPITALISATION (DEC 2022)

	Company	Market capitalisation (Rbn)	% of Market Capitalisation	Cumulative % Percentage of Market Capitalisation
1	BHP	2 666.5	14.4	14.4
2	Prosus	2 442.3	13.2	27.6
3	AB Inbev	1 778.6	9.6	37.2
4	Glencore	1 663.4	9.0	46.2
5	BAT	1 656.1	9.0	55.1
6	Naspers	1 230.0	6.6	61.8
7	Richemont	1 164.	6.3	68.1
8	Anglo American	887.3	4.8	72.9
9	Amplats	378.0	2.0	74.8
10	Firststrand	348.5	1.9	76.8
11	Standard Bank	281.6	1.5	78.3
12	Vodacom	255.0	1.4	79.7
13	MTN	239.9	1.3	81.0
14	Capitec	215.8	1.2	82.2
15	South 32	212.3	1.2	83.3
16	Impala Platinum	181.8	1.0	84.3
17	Sasol	170.9	0.9	85.2
18	Absa	164.4	0.9	86.1
19	Kumba Iron Ore	158.6	0.9	86.9
20	Gold Fields	157.0	0.9	87.8
21	Mondi	141.3	0.8	88.6
22	Anglogold Ashanti	137.8	0.7	89.3
23	Shoprite	133.6	0.7	90.0
24	Sibanye Stillwater	126.6	0.7	90.7
25	Bidcorp	110.6	0.6	91.3

JSE TOP 50: MARKET CAPITALISATION (DEC 2022)

	Company	Market capitalisation (Rbn)	% of Market Capitalisation	Cumulative % Percentage of Market Capitalisation
26	Nedbank	108.7	0.6	91.9
27	Sanlam	108.5	0.5	92.5
28	Discovery	83.0	0.5	92.0
29	Exxaro	75.9	0.4	93.3
30	Investec plc	74.9	0.4	93.7
31	Mediclinic plc	74.9	0.4	94.1
32	Northam Platinum	74.2	0.4	94.5
33	Pepkor	73.6	0.4	94.9
34	Bidvest	73.0	0.4	95.3
35	Remgro Ltd	70.4	0.4	95.7
36	Woolworths	67.2	0.4	96.1
37	Clicks Group	65.9	0.4	96.3
38	African Rainbow	64.7	0.4	96.8
39	Reinet	64.1	0.4	97.1
40	NEPI Rockcastle	62.6	0.3	97.5
41	Aspen Pharmacare	60.8	0.3	97.8
42	MultiChoice	51.9	0.3	98.1
43	Old Mutual	51.4	0.3	98.4
44	Growthpoint	49.9	0.3	98.6
45	OUTsurance	48.3	0.3	98.9
46	RB Platinum	47.9	0.3	99.2
47	Mr Price	40.8	0.2	99.4
48	Thungela	40.3	0.2	99.6
49	Distell	39.3	0.2	99.8
50	Tiger Brands	37.9	0.2	100.00
	TOTAL	18 512.7		

JSE TOP 50: VALUE OF SOUTH AFRICAN ASSETS (DEC 2022)

	COMPANY	MARKET CAP (Bn)	% SA ASSETS	VALUE OF SA ASSETS	% OF SA ASSETS	CUMULATIVE %
1	Anglo American	887.3	51.2	453.3	11.4	11.4
2	Amplats	378.0	94.2	356.1	9.0	20.4
3	Firststrand	348.5	80.8	281.6	7.1	27.5
4	Capitec	215.8	100.0	215.8	5.4	32.9
5	AB Inbev	1 778.6	11.4	202.7	5.1	38.0
6	Standard Bank	281.6	62.9	177.1	4.5	42.5
7	Kumba Iron Ore	158.6	100.0	158.6	4.0	46.5
8	Vodacom	255.0	61.5	156.8	4.0	50.5
9	Shoprite	133.0	95.0	126.4	3.2	53.7
10	Implats	181.8	66.0	120.0	3.0	56.7
11	ABSA	164.4	67.2	110.5	2.8	59.5
12	Sibanye Stillwater	126.6	84.0	106.3	2.7	62.2
13	Nedbank	108.7	91.0	98.9	2.5	64.7
14	Glencore	1 663.4	5.7	94.8	2.4	67.1
15	Sasol	170.9	50.0	85.5	2.2	69.3
16	Sanlam	108.5	72.0	78.1	2.0	71.3
17	Exxaro	75.9	100.0	75.9	1.9	73.2
18	Northam	74.2	100.0	74.2	1.9	75.1
19	Remgro	70.4	100.0	70.4	1.8	76.9
20	Discovery	83.0	81.9	68.0	1.7	78.6
21	Pepkor	73.6	88.0	64.8	1.6	80.2
22	African Rainbow	64.7	100.0	64.7	1.6	81.8
23	Clicks	65.9	94.4	62.2	1.6	83.4
24	Bidvest	73.0	77.9	56.9	1.4	84.8
25	Woolworths	67.2	77.9	52.3	1.3	86.1

JSE TOP 50: VALUE OF SOUTH AFRICAN ASSETS (DEC 2022)

	COMPANY	MARKET CAP (Bn)	% SA ASSETS	VALUE OF SA ASSETS	% OF SA ASSETS	CUMULATIVE %
26	MTN	239.9	21.7	52.1	1.3	87.4
27	RB Plat	47.9	100.0	47.9	1.2	88.6
28	Old Mutual	51.4	90.4	46.5	1.2	89.8
29	Multichoice	51.9	85.0	44.1	1.1	90.9
30	Thungela Resources	40.3	100.0	40.3	1.0	91.9
31	Oursurance	48.3	82.0	39.6	1.0	92.9
32	Mr Price	40.8	94.7	38.6	1.0	93.9
33	South 32	212.3	17.0	36.1	0.9	94.8
34	Tiger Brands	37.9	89.8	34.0	0.9	95.7
35	BAT	1 656.1	1.8	29.8	0.8	96.5
36	Distell	39.3	75.0	29.5	0.7	97.2
37	Growthpoint	49.9	54.2	27.0	0.7	97.9
38	Mediclinic international	74.9	33.0	24.7	0.6	98.5
39	Gold Fields	157.0	13.2	20.7	0.5	99.0
40	Naspers	1 230.0	1.2	14.8	0.4	99.4
41	Mondi plc	141.3	7.4	10.5	0.3	99.7
42	Aspen Pharmacare	60.8	14.0	8.5	0.2	99.9
43	Bidcorp	110.6	4.0	4.4	0.1	100.0
44	BHP Group	2 666.5	0.0	0.0		
45	Prosus	2 442.2	0.0	0.0		
46	Richemont	1 164.8	0.0	0.0		
47	Anglogold Ashanti	137.8	0.0	0.0		
48	Investec plc	74.9	0.0	0.0		
49	Reinet	64.1	0.0	0.0		
50	NEPI Rockcastle	62.6	0.0	0.0		
	TOTAL	18 512.7	21.4	3 961		

JSE TOP 50: BEE MARKET CAPITALISATION AT DEC 2022 (LISTED)

	COMPANY	MARKET CAP (Rbn)	% BEE	BEE MARKET CAP (Rbn)	% OF BEE MARKET CAP	CUMULATIVE %
1	African Rainbow	64.7	47.5	30.7	18.0	18.0
2	Firstrand	348.5	7.9	27.5	16.1	34.1
3	Sanlam	108.5	18.1	19.7	11.6	45.7
4	Capitec	215.8	7.8	16.8	9.9	55.6
5	Exxaro	75.9	19.2	14.6	8.6	64.2
6	Vodacom	255.0	5.5	14.1	8.3	72.5
7	MTN	239.9	4.1	9.8	5.8	78.3
8	Oursurance	48.3	14.2	6.8	4.0	82.3
9	Northam	74.2	8.7	6.4	3.8	86.1
10	AB Inbev	1 778.6	0.3	5.2	3.1	89.2
11	Discovery	83.0	3.6	3.0	1.8	91.0
12	Tiger Brands	37.9	7.6	2.9	1.7	92.7
13	Gold Fields	157.0	1.5	2.4	1.4	94.1
14	Amplats	378.0	0.5	2.0	1.2	95.3
15	Old Mutual	51.4	3.6	1.9	1.1	96.4
16	Aspen Pharmacare	60.8	2.3	1.4	0.8	97.2
17	Nedbank	108.7	1.3	1.4	0.8	98.0
18	Standard Bank	281.6	0.5	1.4	0.8	98.8
19	Sibanye Stillwater	126.6	0.7	0.9	0.5	99.3
20	Bidcorp	110.6	0.5	0.6	0.4	99.7
21	NEPI Rockcastle	62.6	0.9	0.5	0.3	100.0
22	Bidvest	73.0	0.4	0.3	0.2	
	TOTAL	18 512.7	0.9	170.3		

JSE TOP 50: BEE MARKET CAPITALISATION AT DEC 2022 (UNLISTED)

	COMPANY	MARKET CAP/VALUE (Rbn)	% BEE	BEE MARKET CAP/VALUE (Rbn)	% OF BEE MARKET CAP	CUMULATIVE %
1	Sishen Iron Ore Company	210.3	8.0	16.8	27.1	27.1
2	Multichoice South Africa	44.1	25.0	11.0	19.3	46.4
3	Shoprite Checkers	126.4	7.0	8.9	15.6	62.0
4	Sasol South Africa	38.3	18.3	7.0	12.3	74.3
5	Impala Platinum	181.8	3.8	6.9	12.1	86.4
6	Hotazel Manganese Mines	15.4	26.0	4.0	7.0	93.4
7	De Beers Consolidated Mines	28.4	26.0	3.7	6.5	99.9
	TOTAL	644.7		58.3		

Excludes Media 24 (too small) and Glencore (no disaggregated information per mine)

JSE TOP 50: BLACK OWNERSHIP IN FINANCE

	COMPANY	MARKET CAP/VALUE (Rbn)	% BEE	BEE MARKET CAP (Rbn)	% OF BEE MARKET CAP	CUMULATIVE %
1	Firststrand	348.5	7.9	27.5	16.4	34.7
2	Sanlam	108.5	18.1	19.7	11.8	46.5
3	Capitec	215.8	7.8	16.8	10.0	56.5
4	Outsurance	48.3	14.2	6.8	4.1	81.9
5	Discovery	83.0	3.6	3.0	1.8	90.6
6	Old Mutual	51.4	3.6	1.9	1.1	96.0
7	Nedbank	108.7	1.3	1.4	0.8	97.6
8	Standard Bank	281.6	0.5	1.4	0.8	98.4
9	ABSA	164.4	0.0	0.0		
10	Investec plc	74.9	0.0	0.0		
	TOTAL	1 485.1	5.3	78.5		

JSE TOP 50: BLACK OWNERSHIP IN FINANCE AS A SHARE OF SOUTH AFRICAN ASSETS

	COMPANY	MARKET CAP/VALUE (Rbn)	% BEE	BEE MARKET CAP (Rbn)	% OF BEE MARKET CAP	CUMULATIVE %
1	Firststrand	281.6	9.8	27.5	16.4	34.7
2	Sanlam	78.1	25.2	19.7	11.8	46.5
3	Capitec	215.8	7.8	16.8	10.0	56.5
4	Outsurance	39.6	17.2	6.8	4.1	81.9
5	Discovery	68.0	4.4	3.0	1.8	90.6
6	Old Mutual	46.5	4.1	1.9	1.1	96.0
7	Nedbank	98.9	1.4	1.4	0.8	97.6
8	Standard Bank	177.1	0.8	1.4	0.8	98.4
9	ABSA	110.5	0.0	0.0		
	TOTAL	1 115.9	7.0	78.5		

JSE TOP 50: VALUE OF SOUTH AFRICAN ASSETS OF MINING COMPANIES

	COMPANY	MARKET CAP/VALUE (Rbn)	% SA ASSETS	SA MARKET CAP/VALUE (Rbn)	% OF SA ASSETS CAP	CUMULATIVE %
1	Anglo American	887.3	51.2	453.3	11.4	11.4
2	Amplats	378.0	94.2	356.1	9.0	20.4
3	Kumba Iron Ore	158.6	100.0	158.6	4.0	46.5
4	Implats	181.8	66.0	120.0	3.0	56.7
5	Sibanye Stillwater	126.6	84.0	106.3	2.7	62.2
6	Glencore	1 663.4	5.7	94.8	2.4	67.1
7	Exxaro	75.9	100.0	75.9	1.9	73.2
8	Northam	74.2	100.0	74.2	1.9	75.1
9	African Rainbow	64.7	100.0	64.7	1.6	81.8
10	RB Plat	47.9	100.0	47.9	1.2	88.6
11	Thungela	40.3	100.0	40.3	1.0	91.9
12	South 32	212.3	17.0	36.1	0.9	94.8
13	Gold Fields	157.0	13.2	20.7	0.5	99.0
14	BHP Group	2 666.5	0.0	0.0		
15	Anglogold Ashanti	137.8	0.0	0.0		
	TOTAL	6 872.3	24.0	1 648.9		

JSE TOP 50: BEE MARKET CAP/VALUE OF MINING COMPANIES (LISTED AND UNLISTED)

	Company	BEE MARKET CAP/VALUE (Rbn)	% of BEE Market Capitalisation	Cumulative % Percentage of Market Capitalisation
1	African Rainbow	30.7	34.7	34.7
2	Kumba (SIOC)	16.8	19.0	53.7
3	Exxaro	14.6	16.5	70.2
4	Implats (Impala, Marula)	6.9	7.8	78.0
5	Northam	6.4	7.2	85.2
6	South 32 (HMM)	4.0	4.5	89.7
7	Anglo (DBCM)	3.7	4.2	93.9
8	Gold Fields	2.4	2.7	96.6
9	Amplats	2.0	2.3	98.9
10	Sibanye Stillwater	0.9	1.0	99.9
	TOTAL	88.4		

BLACK OWNERSHIP IN JSE TOP 50: SUMMARY

	Value (Rbn)	Percentage of JSE	Percentage of South African Assets
Black Ownership (Listed)	170.3	0.9	4.3
Black Ownership (Unlisted)	58.3	0.3	1.5
TOTAL	228.6	1.2	5.8

JSE TOP 50: MARKET CAPITALISATION OF MINING AND FINANCE

	Market Capitalisation (Rbn)	Percentage of Total
Mining	6 872.3	37.1
Finance	1 485.1	8.0
Mining and Finance	8 357.4	45.1
TOTAL	18 512.7	

BLACK OWNERSHIP IN JSE TOP 50: DEC 2022

	SA Assets (Rbn)	% of Total	Black Ownership (Rbn)	% of Total Top 50 Black Ownership	% of Black Ownership
Mining	1 648.9	41.6	88.4	5.4	38.7
Finance	1115.9	28.2	78.5	7.0	34.3
Mining and Finance	2 764.8	69.8	166.9		73.0
TOTAL	3 961.0		228.6		

BEE TRANSACTION VOLUMES AND VALUES: 1996 - 2022

	First Wave (1996 – 2002)	Second Wave (First Phase: 2003 to 2008)	Second Wave (Second Phase: 2009 – 2022)	1996 – 2022
Value of Transactions (Rbn)	72.8	272.4	322.8	668.0
Average Annual Value (Rbn)	10.4	45.4	23.1	25.5
Number of Transactions	359	414	272	1 045
Average Annual Number	51	69	19	39

Sources: Ernst & Young Annual Review of Mergers and Acquisition (M & A) activity for 1996 to 1999
Deal Makers Database for 2000 to 2022

BLACK OWNERSHIP ON JSE

Companies and Beneficiaries	Value (Rbn)
1 Royal Bafokeng Holdings - 126 000 members of RBN	31.3
2 ARMI & Sizani-Thusani-Helpmekeer - Motsepe family interests in ARM and Sanlam	33.0
3 Firstrand BEE Partners FirstRand Empowerment Trust, FirstRand Staff Trust, MIC Investment Holdings, Mineworkers Investment Trust, Kagiso Charitable Trust, WDB Trust No 2 and WDB Investment Holdings.	17.1
4 Lebashe Investment Group – BEE company	15.7
5 Eyesizwe (Exxaro) - Black strategic equity partners and broad-based ownership schemes	12.2
6 Sanlam BEE Partners - Broad-Based Ownership Schemes (BBOS) with 45% of Ubuntu-Botho consortium	11.9
7 Phuthuma Nathi - public retail scheme with 77 000 shareholders	11.0
8 MTN Zakhele Futhi Scheme – Public retail scheme	9.8
9 Shoprite Evergreen Employee Trust – 126 000 employers (largest private employer in SA)	8.9
10 Sasol - public retail and employee schemes	7.0
11 Implats BEE Partners (Mmakau, Tubatse Platinum, Marula Community Trust)	6.9
12 Sishen Iron Ore Company (SIOC) Development Trust	6.3
TOTAL	171.1



VISION 2035 FOR SA ECONOMY

- Mobilising vision and plan for economy with 6% GDP growth target that is binding on NT and SARB
- Developmental central bank can capitalize DFIs and develop other policy tools to drive structural change and transformation. PIC must play a bigger role in driving transformation
- Transformation of financial sector. PIC must consolidate shares in finance and state bank to get a seat at table to drive structural change and transformation (Central Huijin)
- Must consider transformation super fund and sector funds. China has 1 800 government guidance funds worth 5% of GDP
- Increase annual spending on industrial policies from 0.3% of GDP to 2.5% of GDP, including 1% of GDP on black SMEs
- Lending quotas for banks with targets for structural change and transformation
- First two waves of BEE focused on mining and finance. Third wave must combine structural change and transformation. BEE must be a condition for increased support to industry

THIRD WAVE OF BEE TRANSACTIONS: VISION 2035

R228.6 billion black ownership or 5.8% of JSE Top 50

Black ownership target of R600 billion assuming 15% target for value of SA assets (R4 trillion)

Black ownership gap of R370 billion.

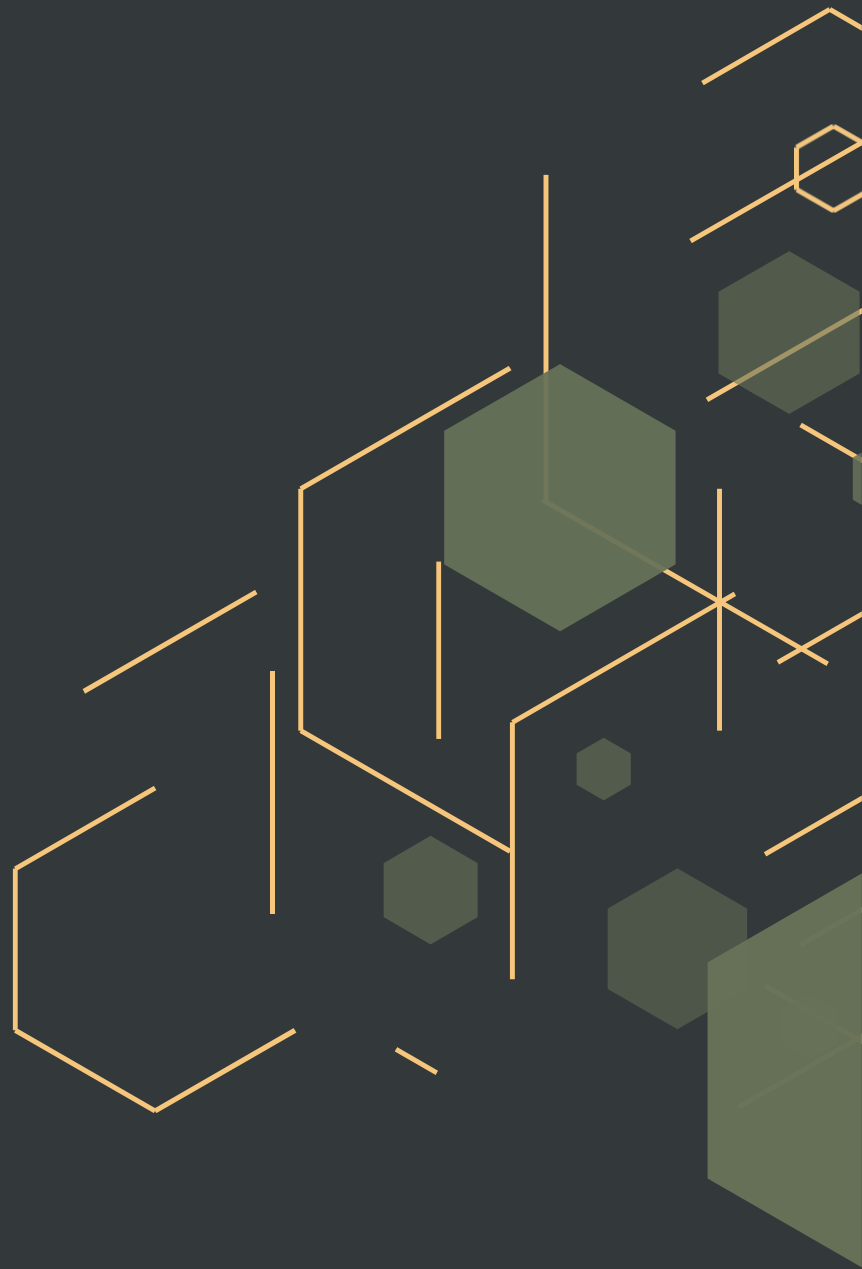
Since denominator (value of SA assets) is a moving target, gap will increase significantly by 2030 or 2035

50% decline in deal values from 2009 to 2022 – uncertainty of “once empowered, always empowered” and later amended charters in mining and finance that provided weak incentives for companies to have replacement transactions

Mining and finance accounted for 31.4% of GDP, 45% of JSE, 69.8% of value of SA assets and 73% of black ownership. Must be replacement transactions to boost empowerment liquidity

Review of BEE Codes. Empowerment has become an exam that is too easy to pass

Review of Ownership element: must measure actual ownership and give companies three years to enter into BEE replacement transactions



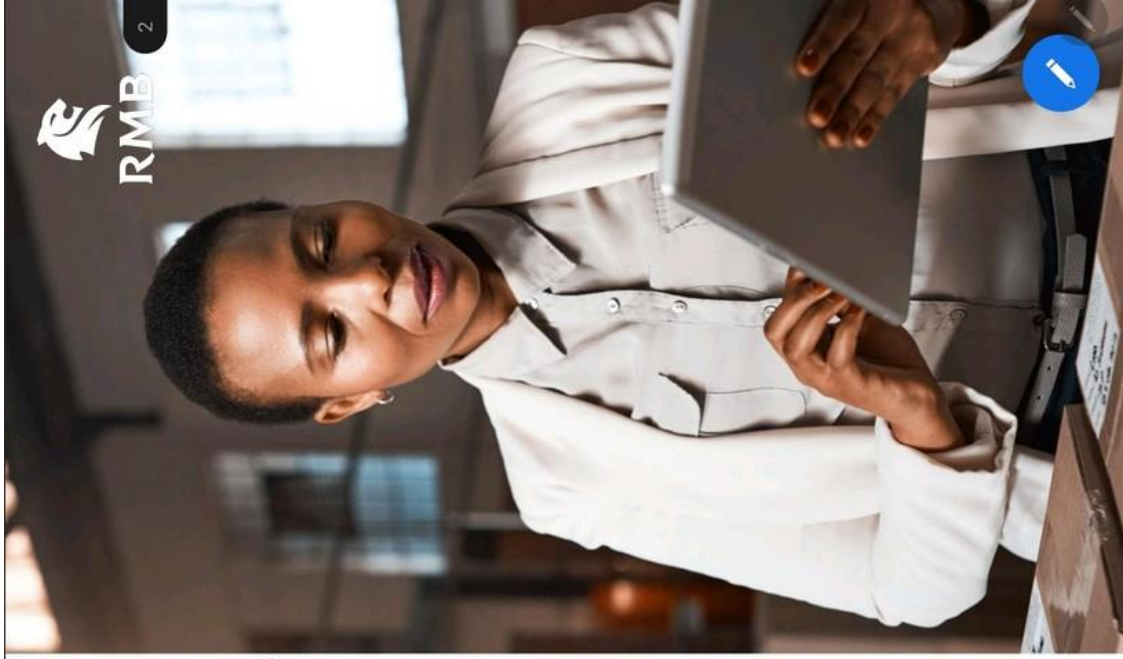
RMB B-BBEE PRESENTATION

BACKGROUND AND CONTEXT

- When it comes to Black Economic Empowerment (“BEE”), ownership is one of the most topical issues
 - When designing an ownership deal, there is much to consider (size, participants, funding, application of dividends, term)
- While BEE transactions in the early days initially focused on a few key individuals, things have become more balanced and inclusive
 - Initially achieved through the inclusion of broad-based BEE groups
 - Followed by the involvement of employees and communities in transactions
 - Finally, the launch of black public offers
- At the end of an agreed vesting term, a BEE transaction typically unwinds
 - Even though some of the transactions have unwound, they have allowed beneficiaries to sell their shares and realise cash benefits
- We have analysed deals concluded by listed companies between **2000 and 2023**
 - A total of **945 deals**, valued at **R609 billion**, were concluded during this period
 - Many of the BEE transactions were implemented between 2003 and 2010
 - Deals were concluded across various industries
 - Some companies have concluded more than one transaction (replacement, top-up etc.)
 - There has been a recent pick up in BEE activity (regulatory certainty, M&A requirements, unwind of previous deals, ESOPs)
- The balance of this presentation sets out
 - Select BEE transactions by industry
 - Select successful BEE deals
 - Key attributes of challenging BEE deals
 - Lessons learnt

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Source: DealMakers, Company announcements, RMB analysis



SELECT BEE TRANSACTIONS BY INDUSTRY



Financial services (Banks / Insurers)

Company	Year	Deal size (%)	Deal value (R'bn)
absa	2023	7.0%	11.2
FirstRand	2004	10.0%	7.9
Standard Bank	2004	7.6%	4.3
NEDBANK	2005	11.5%	3.1
absa	2009	5.1%	2.2
CAPITEC BANK	2022	0.5%	1.0
CAPITEC BANK	2006	12.2%	0.3
Sanlam	2018	5.0%	8.0
OLD MUTUAL	2004	13.4%	3.4
OLD MUTUAL	2022	4.3%	2.8
Sanlam	2003	10.0%	2.2
Momentum Metropolitan	2020	3.0%	1.1
Discovery	2005	7.0%	0.8

Mining / Resources

Company	Year	Deal size (%)	Deal value (R'bn)
NORTHAM INDUSTRIES	2021	26.5%	33.1
exxaro	2017	30.0%	12.5
IMPLATS	2006	13.4%	10.6
exxaro	2006	55.0%	9.2
ANGLO PLATINUM	2022	2.0%	8.3
ANGLO COAL	2007	27.0%	7.0
NORTHAM	201	31.4%	6.6
KUMBA IRON ORE	2022	1.2%	3.5
ANGLO PLATINUM	2011	2.3%	3.5
ANGLO PLATINUM	2007	1.5%	3.5
KUMBA IRON ORE	2010	1.9%	1.4
ANGLO GOLD ASHANTI	2006	1.4%	1.2
HARMONY	2012		0.6

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Source: DealMakers, Company announcements, RMB analysis

SELECT BEE TRANSACTIONS BY INDUSTRY



Oil & Gas / Industrials

Company	Year	Deal size (%)	Deal value (R'bn)
sasol	2008	10.0%	25.9
sasol	2018	25.0%	21.0
sasol	2007	20.0%	1.9
sasol	2005	12.5%	1.5
Barloworld	2018	14.0%	3.5
SPS	2008	15.3%	2.7
Bibest	2003	15.0%	2.1
Barloworld	2008	10.0%	1.8
SPS	2012	6.5%	1.1
sappi	2010	4.5%	0.8

Technology, Media & Telecom (TMT)

Company	Year	Deal size (%)	Deal value (R'bn)
vodacom	2018	6.2%	16.4
MTN	2016	4.0%	9.9
MTN	2010	4.0%	8.1
vodacom	2008	6.3%	7.5
MTN	2002	18.7%	4.1
Telkom	2005	6.7%	3.5
MultiChoice	2006	15.0%	2.3

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Source: DealMakers, Company announcements, RMB analysis



SELECT BEE TRANSACTIONS BY INDUSTRY



Consumer goods / Retail				
Company	Year	Deal size (%)	Deal value (R'bn)	
HEINEKEN beverages	2023	15.0%	7.5	
SAB MILLER	2009	8.5%	7.3	
SAB Breweries	2021	0.3%	5.4	
TIGER BEER	2009	10.0%	2.8	
DISTELL	2005	15.0%	0.9	
TIGER BEER	2005	4.0%	0.7	
OCEANIC GROUP	2021	6.5%	0.6	
SHOPRITE	2022	6.9%	8.9	
Massmart powered by Walmart	2006	10.0%	1.1	
SPAR	2009	10.0%	1.1	
Edcon	2005	10.6%	0.5	
WOOLWORTHS	2007	10.0%	0.3	

Healthcare				
Company	Year	Deal size (%)	Deal value (R'bn)	
Aurobindo	2005	10.0%	7.0	
Life Healthcare	2006	21.4%	3.2	
Dis-Chem PHARMACEUTICALS	2021	10.1%	2.3	
adcock Ingram	2015	15.3%	1.3	
adcock Ingram	2009	13.0%	1.3	
CLICKS GROUP LIMITED	2010	10.0%	1.2	
MEDICLINIC	2005	15.0%	1.1	
aspen	2005	10.4%	0.6	

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Source: DealMakers, Company announcements, RMB analysis



KEY FEATURES OF SELECT BEE TRANSACTIONS



	Strategic partners	Employees	Communities	Retail
PARTICIPANTS				
FUNDING STRUCTURE	3rd party funding			
TERM	<p>≤5y</p>	<p>5y – 15y</p>	<p>Evergreen</p>	<p>Evergreen</p>

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SELECT SUCCESSFUL BEE TRANSACTIONS



Transaction	Key stats	Standout features	Beneficiaries
<p>FirstRand</p>	<ul style="list-style-type: none"> • R23.2 billion value creation for diverse set of shareholders • The most successful BEE transaction to date 	<ul style="list-style-type: none"> • Element of free shares used to create NAV on Day 1 • Long term nature of the transaction (10 years) allowed sufficient time for share price to appreciate <ul style="list-style-type: none"> – Share price increased from R12.28 in 2005 to c.R50 in 2014 • FRET scheme contained FirstRand option to extend the lock-in period if there was a legal requirement to do so allowed (extended from 2014 to 2018) 	<ul style="list-style-type: none"> • Strategic partners • c.13 000 FirstRand employees
<p>Sanlam</p>	<ul style="list-style-type: none"> • R15 billion net value for Ubuntu-Botho investors 	<ul style="list-style-type: none"> • R200 million equity contribution • 10 year transaction term <ul style="list-style-type: none"> – Sanlam delivered 12% annual compound growth over the period, to which the Ubuntu-Botho partnership actively contributed 	<ul style="list-style-type: none"> • Strategic partners • Broad-based entities
<p>SAB Zentzile</p>	<ul style="list-style-type: none"> • Total maturity value of R9.7 billion • Highest BEE value creation in the FMCG industry 	<ul style="list-style-type: none"> • 10 year transaction term • Value underpin linked to the SABMiller & AB InBev transaction • Retailer shareholders who invested R100 in 2010 received a total pre-tax payout of R77 482 when the transaction was unwound in May 2021 	<ul style="list-style-type: none"> • c.29 000 retailer shareholders • c.10 000 SAB employees
<p>Vodacom</p>	<ul style="list-style-type: none"> • R7.1bn unwind value created (6.4 TMB) • R3.3 billion liquidity event (2.9 TMB) 	<ul style="list-style-type: none"> • R900 million equity contribution (R360 million from retail investors and R540 million from strategic partners) • 10 year transaction term • Based on R2 500 invested in 2008, received R7 300 in cash in 2018 and free participation in the new scheme 	<ul style="list-style-type: none"> • Strategic partners • c.85 000 investors • c.8 500 Vodacom employees
<p>Kumba Iron Ore</p>	<ul style="list-style-type: none"> • R2.7 billion of value created for employees • Employees received pre-tax payout of R576k each • Employees also received c.R55k in dividends during the initial 5-year term 	<ul style="list-style-type: none"> • Units in Envision allocated equally to eligible employees • 10-year ESOP transaction term split into two capital appreciation periods namely, 2006 to 2011 and 2011 to 2016 • Beneficiaries entitled to receive 50% of any dividend declared by SIOC to Envision during the capital appreciation period • Exceptional operational performance leading to lucrative capital appreciation benefits • Share price increased 354% from c.R110 in 2006 to c.R500 in 2011 	<ul style="list-style-type: none"> • c.5 800 Kumba employees

Source: Company announcements, RMB analysis

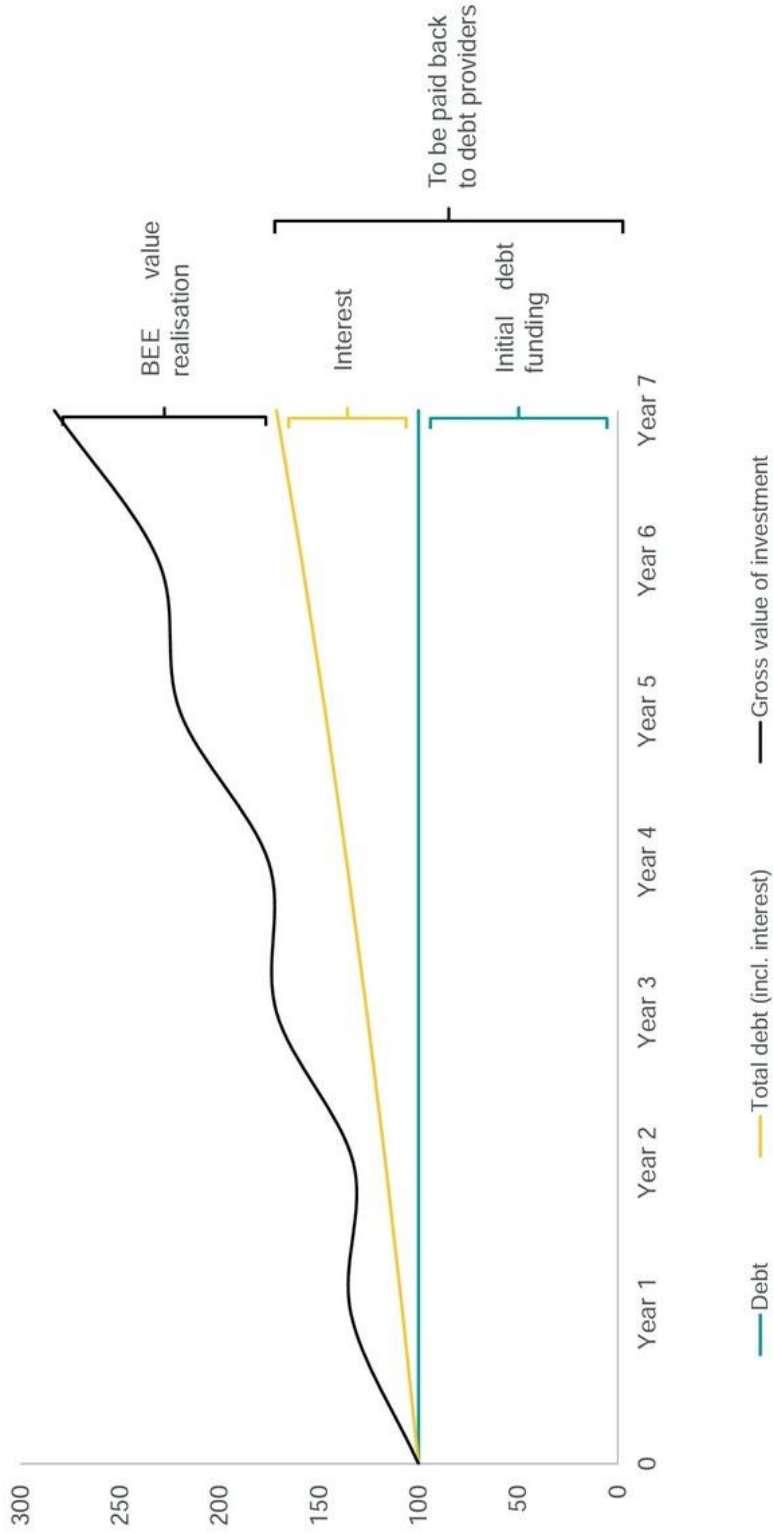
SELECT SUCCESSFUL BEE TRANSACTIONS



Transaction	Key stats	Standout features	Beneficiaries
	<ul style="list-style-type: none"> R59.08 per share payout per MTN Zakhele share (3.0 TMB) 	<ul style="list-style-type: none"> R1.6 billion equity contribution (public offer was more than 1.7x subscribed and raised approximately R2.8 billion from more than 124 000 applicants from across South Africa) - R20 per Zakhele share in 2010 6 year transaction term Geared exposure to MTN 	<ul style="list-style-type: none"> c.124 000 investors
	<ul style="list-style-type: none"> R1.3 billion unwind value created R85.63 per share (4.7 TMB for first 100 shares and 2.3 TMB) 	<ul style="list-style-type: none"> 10 year transaction term Strong recovery in the oil price prior to the unwind of Inzalo Each Sasol Inzalo Public (SIPBEE) shareholder received R85.63 per share (less dividends withholding tax of 20%, if applicable) Shareholders also received 1 SOLBE1 share for every 10 Sasol Inzalo shares held 	<ul style="list-style-type: none"> > 200 000 investors
	<ul style="list-style-type: none"> c.R2.6 billion unwind value created 	<ul style="list-style-type: none"> Payout split into two - R1.3 billion paid in 2017 representing the first 50 percent payout Second and final payment made in 2019 Employees also received R34 million in dividends 	<ul style="list-style-type: none"> c.7 800 employees
	<ul style="list-style-type: none"> R2.4 billion unwind value created 	<ul style="list-style-type: none"> 8 year transaction term Strong business performance over the eight year period Employees also enjoyed dividends of R332 million during the life of the scheme 	<ul style="list-style-type: none"> c.17 000 employees
	<ul style="list-style-type: none"> Trading at R125 per share (12.5 TMB) Annual dividend of R1.375 billion or R20.37 per share (2.0 TMB) 	<ul style="list-style-type: none"> R450 million equity contribution (45 million Phuthuma Nathi shares sold at R10 per share) – balance funded by MIH through preference shares Strong dividend performance from MCSA has ensured full repayment of the MIH preference shares Phuthuma Nathi shares were trading at R125 per share (at 4 August 2023) Phuthuma Nathi has been a consistent dividend payer over the years Evergreen scheme 	<ul style="list-style-type: none"> c.77 000 shareholders

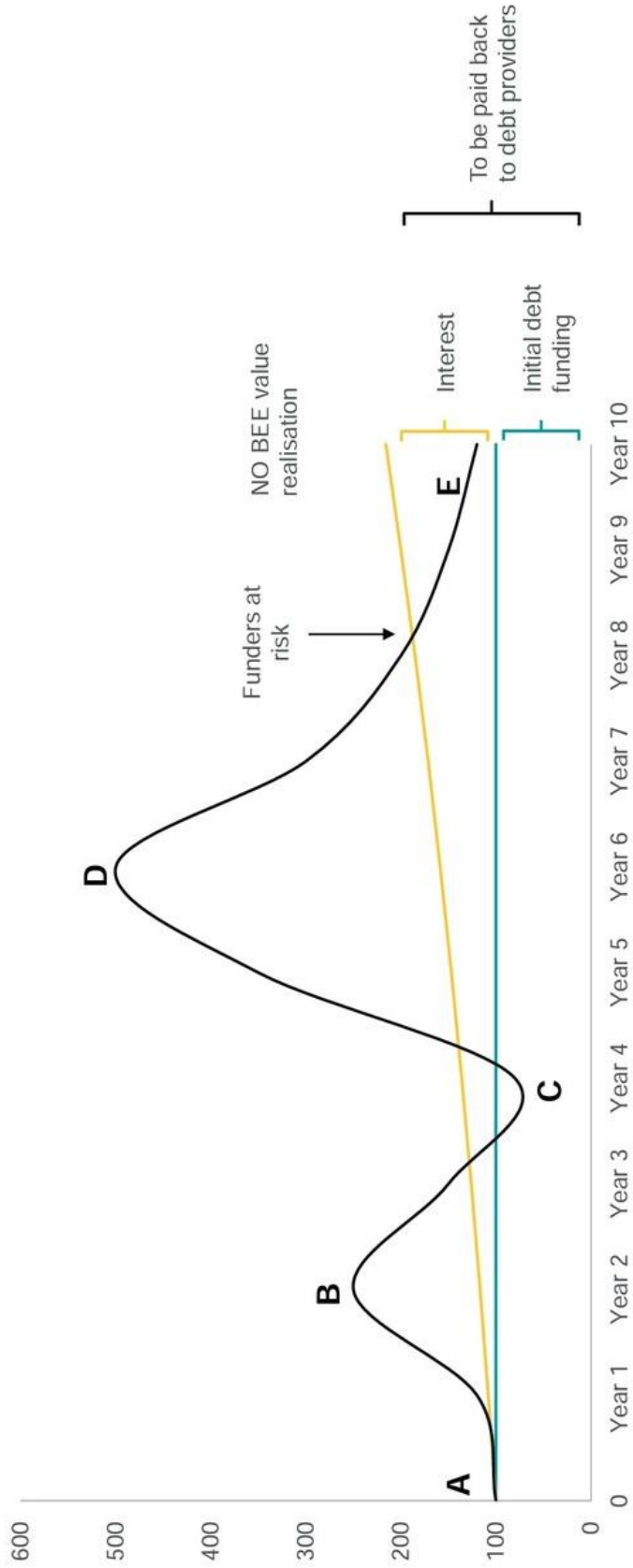
Source: Company announcements, RMB analysis

KEY ATTRIBUTES OF SUCCESSFUL BEE DEALS





KEY ATTRIBUTES OF CHALLENGING BEE DEALS



LESSONS LEARNT





THE SIGNIFICANCE OF WEALTH REDISTRIBUTION

WE NEED OPEN DIALOGUE & UNDERSTANDING TO ACHIEVE GOALS

Iman Rappetti SABC Full View anchor led the panel as it emphasised the need of open dialogue and understanding different points of view in order to achieve common goals in South Africa.

They emphasised the importance of economic empowerment in ensuring the country's success and addressing disparities.

The problem of black industrialists and broad-based trust ownership was also highlighted, emphasising the difficulties in obtaining capital and market opportunities.

A high emphasis was placed on broad-based economic empowerment as a means of addressing poverty and creating jobs

Broad-Based Trusts are viewed as essential tools for managing finances and benefiting beneficiaries, according to the panel, but steps should be made to prevent fronting and ensure legitimate transactions.

The presenters reinforced prior presentations' themes, emphasising the value of multiple perspectives and giving answers.

They suggested that education should be more strategic and focused on employment generation rather than job seeking.

The importance of mother tongue education was also emphasised, as is the necessity for growth prospects in the South African economy.

Current programmes, such as B-BBEE, were criticised by the speakers for failing to achieve their intended purposes. The panel focused on trust arrangements and the relevance of ownership in guiding company direction.

The panel covered trust rules, board governance, language education, black industrialists, and South African economic progress.

A review of various forms of trusts and their impact on community development was also included. Another comment addressed concerns about black economic development initiatives' inclusivity, diversity, and empowerment.

It emphasised the significance of wealth redistribution and the formation of new businesses to create inclusive economic possibilities. They argued that regardless of race, there is a need for uniform standards about wealth production.

The panellists agreed that the focus should be on broad-based empowerment as well as helping black industrialists while addressing systemic concerns in the country.

According to them, blended funding models can help achieve commercial success while also incorporating redistributive and growth features.

Furthermore, industrial policy consistency was recognised as a crucial determinant for economic development.

The spotlight was also on many aspects of South African industrial policy, economic empowerment, and the need for transformation.

They emphasised the difficulties of establishing a broad-based business that is regulatory compliant, as well as the need of assisting the Competition Commission in minimising market concentration.

The discussion also touched on the importance of economic transformation and long-term empowerment rather than simply checking boxes.



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In addition, there was a strong emphasis on a discussion on black economic ownership and how it falls short despite legislation aiming at empowering.

The panellists emphasised the need of supporting black-owned startups and high-tech firms for future industry growth.

Capacity expansion, talent development, and diversification prospects across global supply chains were all cited as concerns. The function of policy in enabling economic transition was also discussed.

The panel then discussed the need of being aware of the global context and taking advantage of global opportunities.

They also emphasised the issue of monopolies in South Africa, as well as the significance of giving resources and education to assist young people in identifying opportunities in a global perspective.

The speakers also provided a historical example of how Afrikaners made initiatives to educate their youth about entering the workforce.

Last but not least, the discussion touched on voodoo accounting, indirect empowerment through pension funds, and creating inclusive solutions that address the perspectives of all stakeholders.

Overall, there is a call for open dialogue with varied viewpoints, as well as critical reflection on how to improve existing structures.

NOT ALL TRUSTS ARE UTILIZED FOR EVIL

A panellist highlighted the positive influence of broad-based trusts, emphasising that not all trusts are utilised for nefarious purposes.

The lawyer adds that trustees must follow the trust's mandate and may not utilise trust funds for personal advantage.

She contends that having competent trustees manage trust funds might deliver more value to beneficiaries than alternative ways.

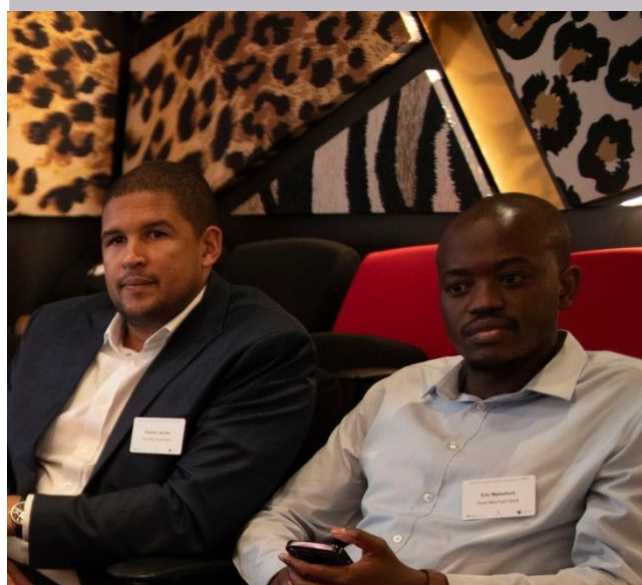
Fazel also emphasises the necessity of combating fronting and promoting black industrialists, as well as mitigating poverty, creating jobs, and establishing broad-based economic empowerment.

Fazel was adamant about tackling fronting, adding that there is a need to discover strategies to limit this practice.

She suggested that tougher laws, investigations, and fines be implemented to discourage and deter fronting practises. B-BBEE, according to Fazel, is critical in tackling poverty and increasing job possibilities.

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TRUST MANAGEMENT & RESPONSIBILITY SHOULD BE HIGHLIGHTED

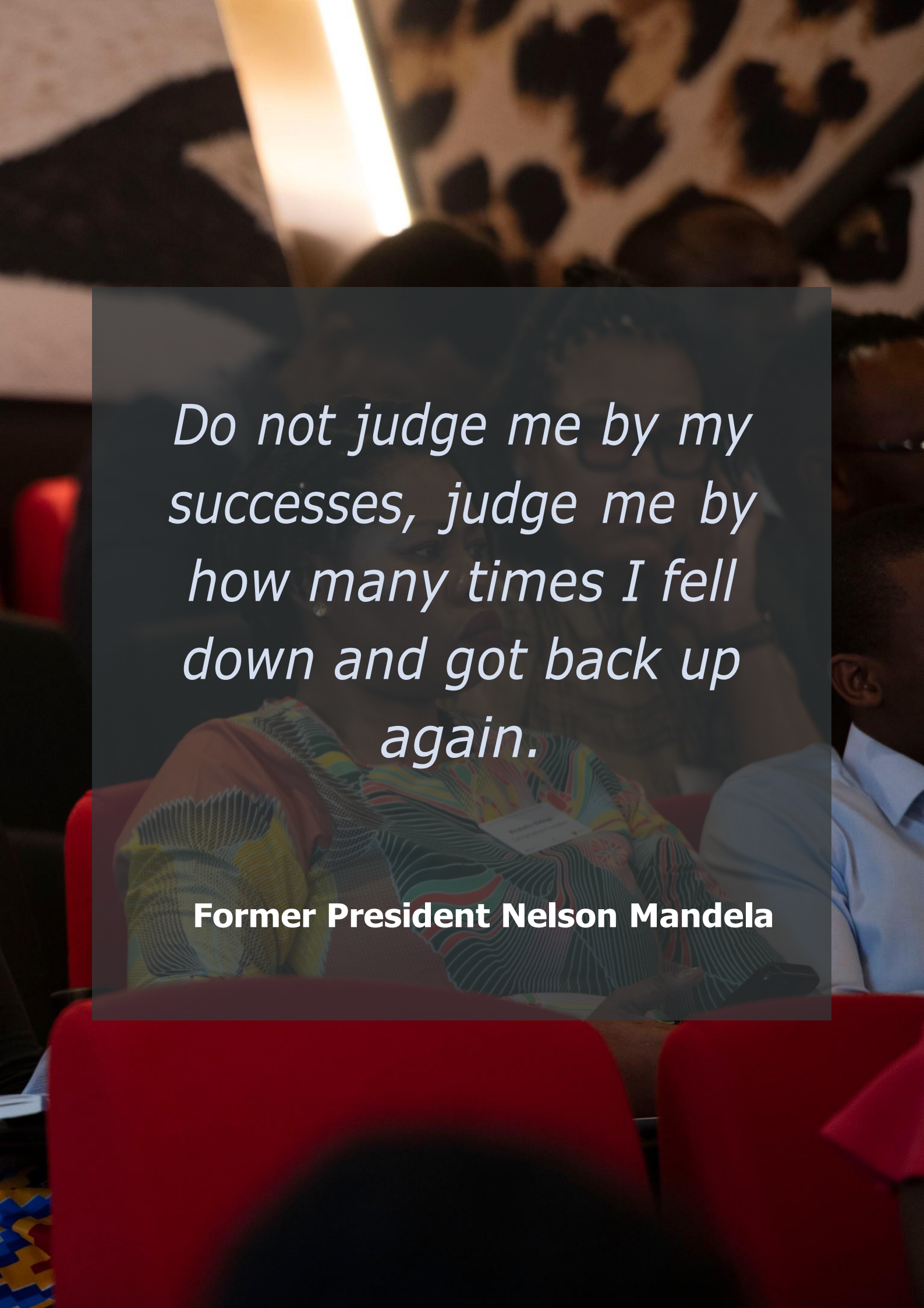
Implementing policies and programmes that encourage equal access to resources, education, and opportunities for marginalised communities, she said, might be real actions to achieve this.

Also, trust management and responsibility should be highlighted. In her presentation, tangible action items can include developing norms and standards for trustee obligations, maintaining transparency in trust management, and encouraging trustee professional growth and training.

Concerning black industrialists, she stated that there is a place for them in society as well as the goal to increase their wealth.

To accomplish this, financial assistance, mentorship programmes, access to markets and resources would enable black industrialists to prosper and contribute to economic progress are provided.





*Do not judge me by my
successes, judge me by
how many times I fell
down and got back up
again.*

Former President Nelson Mandela



**IS THERE SUFFICIENT
FINANCE FOR BLACK
COMPANY ENDEAVOURS?**

IS THERE SUFFICIENT FINANCE FOR BLACK COMPANY ENDEAVOURS?

Gugulethu Mfuphi the host of KayaBizz on Kaya 95.9, led the panellists as they examined the success and problems of B-BBEE legislation implementation in South Africa.

They emphasised that, while there have been some gains, wealth has not been passed to black people in an acceptable manner, and the economy has not transformed as envisaged.

The emphasis should change from obtaining minority holdings in white-owned enterprises to assisting black-owned businesses in establishing themselves and growing.

According to the panel, sufficient finance for black company endeavours is needed because they are generally considered as riskier than white-owned firms.

It also emphasised the significance of black entrepreneurs' active participation and value contribution when negotiating transactions.

To prevent leakage, the group emphasised the significance of being operationally involved in a business. It also highlighted financial alternatives for black entrepreneurs and the need of investor-business synergy.

The panel also heard that financial investors are not necessarily competent operators, emphasising the divide in black-owned enterprises.

The panellists also discussed the difficulties banks face in funding start-ups and urged focusing on venture capital as an option.

The discussion was taken a step further when it was revealed that banks had slots on their scorecards for participating in enterprise and supplier development, which can help black-owned businesses.

It was also emphasised the need for directing resources towards black fund managers and addressing risk stereotypes. The panel explored the requirement for enhanced capital allocation and transformation in South Africa, emphasising the need of sustainable economic growth, energy transition prospects for black entrepreneurs, and the barriers to finance encountered by black firms.

The discussion also focused on the role of impact investing, engagement with black businesses, and the importance of accountability in the implementation of B-BBEE policies.

The speakers also discussed foreign asset exclusion and mandatory investments in Standard Bank.

Foreign shareholders, they believe, should not be barred from engaging in B-BBEE activities.

One speaker also stressed the need of regulatory lending guidelines and decentralising entrepreneurship.

Another guest discussed the history of B-BBEE and the shift towards inclusiveness and collectively constructing a sustainable economy.

The discussion also touched on assessing outcomes and taking business viability into account when enacting policy.

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Prescribed assets were considered as a policy alternative, but they must be carefully implemented to minimise undesirable repercussions such as capital flight or corruption.

The panel also emphasised the significance of making sound policy decisions in South Africa in order to attract international investment and prevent capital outflows.

It emphasised the importance of having clear goals, such as economic growth, job creation, and income equality.

The discussion also focused on the importance of purposeful change and financial inclusion in eliminating inequality. More investment for black industrialists and black entrepreneurs is being sought, as is increased intention on the part of bankers to assist these activities.

The conversation touched on impact investing, capital allocation, process refinement, and unlocking funds at the micro level.

The conclusion emphasised the importance of comprehensive policies and implementation initiatives that improve lives and create economic change.



THE FOLLOWING ARE THE TANGIBLE ACTION ITEMS AS GROUPED BY THE PANEL:

01

Refine procedures and systems to be more sensitive to transformational outcomes.

02

Provide capital to black industrialists and entrepreneurs in new industries.

03

Consider financial instruments and procedures for attracting and allocating resources.

04

Invest in impact to stimulate economic activity, job growth, and income equality.

05

Create work streams and scoping studies to discover possibilities and properly manage resources.

These are the concrete action items outlined by the various members of the panel. It is crucial to note that these action items were developed based on the topics and opinions expressed throughout the session and may require additional thought and implementation.

The panel also emphasised the significance of making sound policy decisions in South Africa in order to attract international investment and prevent capital outflows.

It emphasised the importance of having clear goals, such as economic growth, job creation, and income equality.

The discussion also focused on the importance of purposeful change and financial inclusion in eliminating inequality. More investment for black industrialists and black entrepreneurs is being sought, as is increased intention on the part of bankers to assist these activities.

The conversation touched on impact investing, capital allocation, process refinement, and unlocking funds at the micro level.

The conclusion emphasised the importance of comprehensive policies and implementation initiatives that improve lives and create economic change.

OBSERVER'S POINT OF VIEW

While the compliance hurdle may seem to have been raised, there is still room for large firms to achieve the highest possible B-BBEE level through a variety of interventions ranging from Skills Development, Enterprise Development, and Supplier Development.

Through this transformation path, we will make South Africa shine. B-BBEE is an essential part of South Africa's value system and culture, not a task, project, or tick box exercise for corporations. As a result, there is a need to commit to the country's needs.

Economic transformation entails addressing our society's imbalance through actual empowerment rather than simply supporting the country's "black elite."

In South Africa, business is not about being black or white; it is about being purpose-driven and socially responsible in solving the country's most pressing concerns, which includes job creation, skill development, and financial literacy for the millions who rely on social assistance.

Empowerment extends well beyond B-BBEE rules and a scorecard. The fact is that millions of our countrymen and women are living in poverty, and the number is growing.

We must redouble our efforts to develop a sustainable economic participation model that generates opportunities for all South Africans while also improving the country's overall state.

Corporates in South Africa must demonstrate their commitment to reform through "mass action," rather than simply blaming the government. We must concentrate on increasing our country's riches and transforming people's lives.



GRATEFULLY ACKNOWLEDGING

Our esteemed speakers, participants,
moderators and sponsors

Our Esteemed Speakers

Tshediso Matona - BEE Commissioner

Duma Gqubule - Financial analyst

Kgolo Qwelane - Head: B-BBEE
Advisory, Rand Merchant Bank

Other participants helping us unpack these important topics

Khurshid Fazel - Webber Wentzel

Kenny Fihla - Standard Bank

Oren Fuchs - Mineworkers Investment
Company

Zama Khanyile - National Empowerment
Fund.

Polo Leteka - Identify Fund Capital

Kganki Matabane - Black Business Council

Ernst van Zyl - Afriforum

Panel discussions facilitated by

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Iman Rappetti

Gugulethu Mfuphi