B-BBEE ICT SECTOR

ANNUAL MONITORING REPORT

31st MARCH 2017

INTRODUCTION

The B-BBEE ICT Sector Council (the Council) is 18 months into its initial 4-year term. Following its first meeting on 1 October 2015, the Council has achieved several milestones as it engages with the Sector's stakeholders to promote and increase the pace of transformation in the critical sub-sectors that comprise the vital ICT industry.

In the period to October 2016, the Council drew up its constitution and Terms of Reference and aligned the 2012 B-BBEE ICT Sector Code with the Amended Generic Code of Good Practice. There were many interactions with the **dti** and periods of consultation with stakeholders.

After due process of public comment and final revision, the Amended B-BBEE ICT Sector Code was submitted to the **dti** for publication in the Government Gazette for implementation as the final Sector Code, effective 7 November 2016.

The Council presented its Interim Monitoring Report for the period ending 31 October 2016 at the formal launch of the Council by the Minister of Telecommunications and Postal Services, Hon Dr. Siyabonga Cwele, on 8 November 2016. Since then the Council has continued to meet with measured entities and other stakeholders to provide clarity, advice and guidance on the application of the Amended Code. A series of valuable engagements with stakeholders in each Province was completed in March 2017. The Deputy Chairperson, Mr Andile Tlhoaele, and I appeared before the Portfolio Committee on Telecommunications & Postal Services on the 24 January 2017 to give a progress report on the status of the Council's work. We are in the process of establishing sub-committees to focus on specific aspects of the Council's mandate to make efficient use of current resources and enhance output.

The Council is pleased to now present the Annual Monitoring Report for the period ending 31 March 2017 herewith, as part of its constitutionally mandated function. We are grateful for the support received from ICT Industries, the South African National Accreditation Services (SANAS) approved verification agencies as well as other parties who provided the data that informs these monitoring reports. The Council is reliant on the cooperation of the verification agencies to educate measured entities and to submit the verification reports and we also appreciate the support afforded by the DTPS and Council Secretariat. The monitoring reports will identify areas for further action and provide recommendations for consideration and improvement by the stakeholders in this vital and dynamic sector.

Prior to 1st October 2015, there was no ICT Sector Council to monitor the progress of B-BBEE implementation in the ICT Sector, and there were few indicators of the status of transformation up to that point. This report represents the first "view" of the achievement of the 2012 ICT Sector Code and is based on data gathered from verifications conducted against the 2012 Sector Code, as almost no reports of verifications against the Amended ICT Sector Code have yet been submitted. This report reinforces the picture shown in the Interim Monitoring Report, in that it shows some measure of good performance in certain indicators but other indicators show lesser progress, indicating the

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need for innovative ideas and new approaches to be taken, to support the efforts of the sector to contribute more effectively to South Africa's economic transformation and future growth.

Looking ahead to the next Annual Monitoring Report, the Council will begin to measure the impact of the Amended ICT Sector Code and to evaluate the potential interventions that will arise from an intense review of that impact on transformation. We sincerely hope the ICT Industry will provide the necessary support to the Council towards delivering on its obligations as the initial incubation period by the DTPS is coming to an end in September 2017. The ICT Industry can contribute towards the work of the Council as part of its Socio-Economic Development spend.

Mrs. Nokuzola Ehrens

Chairperson: B-BBEE ICT Sector Council

MEET THE B-BBEE ICT SECTOR COUNCIL

Chairperson: Mrs. Nokuzola Nelly Ehrens

Mrs Ehrens holds a BSc Degree in Applied Mathematics and Mathematical Statistics and a Post Graduate Degree BPhil in Knowledge and Information Management from Stellenbosch University, among other qualifications. She was nominated on behalf of Women for the ICT Sector Council and is also the non-executive director of the SA Women in ICT Forum. She is a non-executive director of the State Information Technology Agency (SITA), prior to which she was employed by Ericsson South Africa (Pty) Ltd as a Strategic Business Development Director and the Chairperson of the Ericsson Employment Equity and Skills Development Committee. She has previously served as a Non-Executive Director for Catalyst Human Asset Management and Chairperson of the SACF Outreach and Stakeholder Relationship Committee.

Deputy Chairperson: Mr. Raletlhogonolo Abram Tlhoaele (Andile)

Mr. Tlhoaele is the Deputy Chairperson of the B-BBEE ICT Sector Council and CEO of Inforcomm responsible for business development since 2005. Mr. Tlhoaele is the former member of the Presidential BEE Advisory Council's Subcommittee on Instruments to Promote BEE, Verification and Charters; former chairperson of the Association of BEE Professionals (ABP) and former deputy chairperson of MICT SETA.

Mr. Tlhoaele is an expert on BEE policy development and implementation. He was part of the initial team of ICT industry leaders who drafted the B-BBEE ICT Charter in 2003 which was gazetted as a Sector Code in 2012. Mr. Tlhoaele has completed the BEE Management Development Programme at UNISA; Harvard Business School's Key Executive Programme and Leading Your Small Business through Its Lifecycle programme in Boston, Massachusetts, US. He is a member of the Institute of Directors of Southern Africa (IoDSA) since May 2012.

Member: Mr. Frank Awuah

Mr Awuah holds BSc Engineering (Electrical/Electronics), Master of Engineering and Master of Business Administration degrees. He is the Chairperson of the Technical Committee of the National Association of Broadcasters. He was nominated by the Broadcasting sub sector. He is currently working at the SABC as a Distribution Specialist: Spectrum.

Member: Ms. Sarah-Jane Capazario

Ms Capazario is a registered Skills Development Facilitator and specialises in Skills Development, Enterprise and Supplier Development, Socio-Economic Development and Employment Equity. She has over five (5) years of experience as a B-BBEE consultant in the Information and Communications Technology Sector. She has focused on B-BBEE training and B-BBEE consultation.

Member: Ms. Pheladi Gwangwa

Ms Gwangwa was nominated by the Broadcasting industry; she holds a BProc LLB degree, as well as LLM in Communications Law. She has a good understanding of the media industry, including the regulatory environment, the political context within which the industry operates and the competitive global business environment.

Member: Mr. Tshepang Lesiba

Mr Lesiba was nominated by Organised Labour. He holds a Diploma in Telecommunications Policy Regulation and Management (Wits University), National Diploma (N6) in Electrical Engineering Light Current (Tshwane South College) and has completed a Labour Law Advanced Program (UNISA). He currently holds the position of Provincial Deputy Chairperson in the Communication Workers Union and is serving on the Telkom Retirement Fund Board.

Member: Ms. Petronella Linders

Ms Linders represents the Government and in particular the Department of Telecommunications and Postal Services where she is currently the Chief Director responsible for Gender Equity, Disability Mainstreaming, Youth Development and Children's Empowerment and Protection. She is the former Commissioner and Deputy Chairperson of the National Youth Commission (NYC) now known as the National Youth Development Agency (NYDA). She was a member of the research team that drafted the Code of Good Practice on the Employment of Persons with Disabilities and Technical Assistance Guidelines as well as the South African input to the UN Convention on the Rights of Persons with Disabilities the Code issued in 2003 and the Convention was adopted by the UN in 2007. She represented the community constituency at NEDLAC for the submission on the "Economic Empowerment Program for Persons with Disabilities" at the Job Summit, and participated in the Development Chamber and the NEDLAC Executive Council from 1997 to 2003.

Member: Mr Robert Makatu

Mr Makatu represents the Department of Communications, where he is responsible for research, policy development and implementation in the Broadcasting sector. He holds Certificates in Policy Development & Management (Regenesys), Telecommunications Policy, Regulation & Management (Wits Business School) and Advanced Project Management (UNISA). He holds a BA Human & Social Sciences (Univen) and a University Educational Diploma (Univen). He received a UNESCO Institute for Lifelong Learning CONFINTEA Scholarship in 2016 to Hamburg, Germany. Mr Makatu has been or is a member of the following committees: Control of Marketing of Alcoholic Beverages Bill 2015 Task Team; Department of Trade & Industry Music Industry Strategy Development (2011); South African National Commission for UNESCO.

Member: Mr. Lucky Masilela

Mr Masilela holds a BSc Applied Physics and Electronics Engineering; he is currently the Chief Executive Officer for ZA Central Registry and a Board Director of .zadna, the ZA Domain Name

Authority, and is the past Chairman of the South African Communications Forum (SACF).

Member: Mr. Mduduzi Mkhonza

Mr Mkhonza is the President of the Black IT Forum and member of Presidential Working Group: Black Professionals. He holds a BSc (Computer Science and Economics) and MBA (Information Management and e-Commerce). He is currently the Chief Executive Officer for Akha-Unique Solutions, Managing Director of NG Networks and Director at 2063 Innovation Network Cooperative.

Member: Mr. Gavin Pieterse

Mr Pieterse is a subject matter expert in B-BBEE and organisational transformation as evidenced in his previous roles as Deputy President of the Black Management Forum (BMF), Deputy Chair of the BEE Commission, and Chairperson of the South African Wine Industry Trust. He was nominated by the ICT industry employers where he has served as Vice President of the Information Technology Association of South Africa (ITA) and he was also an Executive Director of IBM SA.

Member: Ms Katharina Pillay

Ms Pillay is currently a Councillor at ICASA. She has a comprehensive knowledge of ICT sector matters, with 17 years of experience in the policy and regulatory environment.

Member: Mr. Richard Poulton

Mr Richard Poulton was nominated by Organised Labour. He is an NEC member of the Communication Workers Union. He has a technical background in the ICT sector and has a Diploma in HRM and has completed certificates in Project Management, Telecoms Policy Regulatory and Management. He is currently an Operational Specialist in an ICT company and served on the Digital Dzonga Advisory Council and ISETT (now MICT) SETA.

Member: Ms. Morwesi Ramonyai

Ms Ramonyai was nominated on behalf of the Youth Sector, she holds a Bachelor of Commerce degree and has completed an Executive MBA a UCT GSB; she is the Sherpa of G20 Young Entrepreneur South Africa (YESA), a Board Member of Business Development Subcommittee, Chairperson of Gauteng Enterprise Propeller (GEP), and Independent Audit Committee Member of Metrobus and a former National Deputy President for Black IT Forum. She is an entrepreneur and previously founded and managed a B-BBEE Advisory business, Borena Consulting, and is the Managing Director of Borena Energy and CCO of The Sun Exchange.

Member: Mr. Michael Adrian Schofield (Adrian)

Mr Schofield is a Fellow and Professional Member of IITPSA (the Institute of Information Technology Professionals South Africa), where he is a current a Vice President and Director. He was a member

of the Working Group who supported the drafting of the B-BBEE ICT Charter in 2003, which was gazetted as a Sector Code in 2012. He has served in leadership roles for many local and international ICT sector associations for nearly 30 years and heads the Applied Research Unit at the Joburg Centre for Software Engineering at Wits University.

Member: Mr. Thulani Tshefuta

Mr Tshefuta was also nominated by Organised Labour. He has served on the following Boards: Presidential High Level Economic Council, Presidential Youth Working Group, Deputy Chairperson of the National Skills Authority (NSA), and National Economic Development and Labour Council (NEDLAC).

1. EXECUTIVE SUMMARY

The Council has examined almost 320 B-BBEE verification reports to create the databases used for this Monitoring Report. The information has been separated into "Generic" (i.e. entities measured against the standard Amended ICT Sector Code) and "QSE" (i.e. Qualifying Small Enterprises measured against their choice of 4 of the 7 QSE criteria).

The following two charts show the summary of points scored by the entities in the two groups:
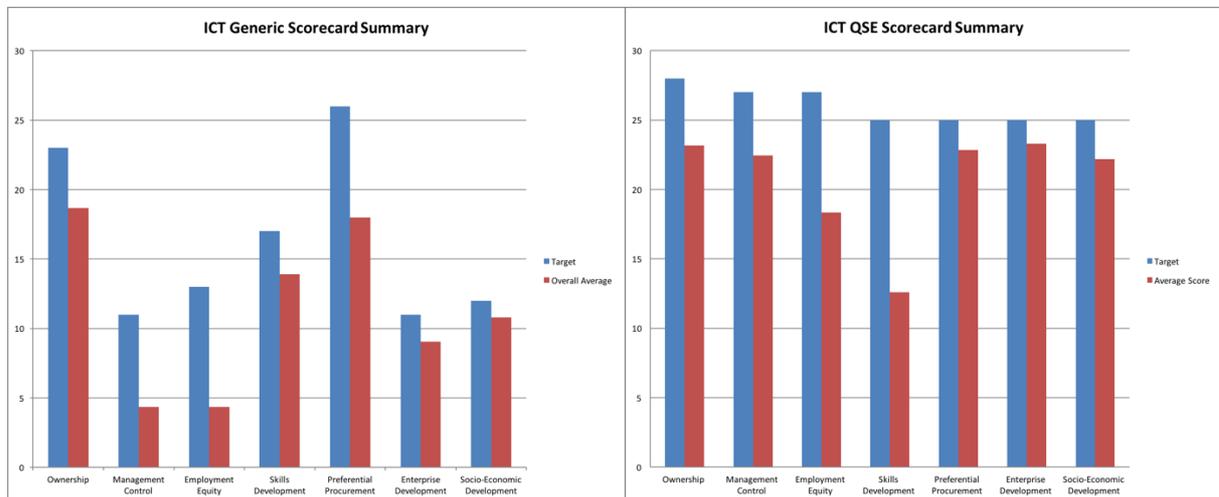
We comment on the performance against each target below. In the generic group, there are improved performances in Ownership, Employment Equity, Skills Development and Preferential Procurement, compared to October's data. Even so, it is apparent that the ICT Sector must make considerable progress to achieve the targets for medium and large enterprises. In its engagements with the industry, the Council will be discussing the constraints to transformation and the opportunities for new initiatives with all stakeholders, particularly in view of the changed emphasis of the Amended Code targets.

The QSE scorecard is little changed from the October status. It appears to show better achievement by small enterprises than by their "generic" peers against most of the targets but we must remember that such entities needed to select only 4 of the 7 targets and will inevitably choose the ones they are most likely to achieve. We note that the Amended ICT Sector Code raises the bar for QSEs who have yet to pay attention to the Ownership and Management Control aspects of transformation. It is also to be noted that the vast majority of small enterprises operating in the ICT sector have not yet chosen to be evaluated. The Council is seeking to increase its research capacity to enable the gathering of data from unmeasured entities.

The submitted data used for the creation of this report was consistent with the requirement of the analysis, and submissions that did not clearly show how certain points were achieved were not included. This led to different base numbers being used for average calculations, according to the number of correctly reported entities. It is the wish of the Council to ensure that the Approved Verification Agencies have a set format to capture this data as the baseline report will need more consistency in data captured to provide a well aligned analysis. A format

compliant with the Amended Codes for both generic and QSE reports has been devised for use in 2017 and beyond.

NB Throughout this report, where a figure is shown in brackets after a current result – such as 0.00% (0.00%) – the value in brackets is from the October 2016 Interim Monitoring Report and is quoted for comparison purposes.

1.1   Ownership

The detailed scorecards of the measured entities show that many are exceeding some of the targets for percentage of Black ownership quite comfortably. However, failing to score points across the board can quickly reduce the overall performance, with the generic enterprises scoring 18.67 (14.3 in October) against a target of 20+3. Black Owned QSEs are better able to meet more criteria, achieving 23.15 (23.91) points against a target of 25+3. The data collected at this stage gives no indication of ownership by people with disabilities.

1.2   Management Control

The generic results for Management Control show a performance that falls short of target by around one-third to one-half and this is reflected in the overall score of 4.34 points against the target of 10+1. In the QSE group, there is a much better result, being above target for overall Black top management but not quite on target for Black females at this level. In the generic group, many enterprises face the shortage of qualified and experienced Black senior executives. In other cases, companies are unwilling to displace existing seasoned managers to create opportunities for Black aspirants. Council will seek to establish the levels of mentoring and coaching undertaken to support inexperienced Black managers.

1.3   Employment Equity

All measured entities in the reports show that achieving the targets set for Employment Equity will require more positive action. In the generic group, the significant gap between targets and achievements at around 50% reinforces the belief that the ICT Sector is "white". Council is mindful of the stagnant South African economy which continues to severely curtail the growth prospects of many enterprises, and thus limits their ability to create new jobs.

However, all policy and decision-makers must be deeply concerned about the disparity shown in the EAP targets.

We do note that the adjustment for gender decreases the apparent performance towards Employment Equity goals but this impacts all entities equally and the targets remain as shown. We also note the minimal progress towards the 3% target of Black persons with disabilities.

1.4   Skills Development

Despite the considerable sums expended by the reported measured entities on skills development and learnerships (earning good scores in BEE verification), there seems to be no corresponding transformation in the employee profile. Council will undertake further investigation and consultation with the MICT SETA and other stakeholders in this regard. Although the data gathered specifically refers to skills development for employees/staff, Council will also investigate the effect of any initiatives to develop skills among non-employees.

1.5   Preferential Procurement

The results from the reports of measured entities suggest they are finding it relatively easy to achieve the targets for preferential procurement. The Council notes that further in-depth research is required to establish the nature of the procurement and the source of the items excluded from measured procurement. The Council will review the application of targets in respect of import replacement, for which no credit is currently given. We also note that, among the sampled entities, there was effectively no achievement against the target of procurement from BO-BWO entities with minimum 5% equity stake held by black persons with disabilities.

1.6   Enterprise Development

The Council is encouraged by the positive results for Enterprise Development in the measured enterprises reviewed. The willingness of compliant entities to allocate a much higher percentage of NPAT than the target suggests that the target may have been too modest. The Council will need further data to establish the nature of this "spend" to establish what type of enterprises are the beneficiaries and the sustainability of the initiatives. We also note that the Amended ICT Sector Code moves the focus to Supplier and Enterprise Development, incorporating Preferential Procurement.

1.7   Socio-Economic Development

The Council is encouraged by the level of achievement by the reported measured enterprises. As with Enterprise Development, the willingness of compliant entities to allocate a much higher percentage of NPAT than the target suggests that the target may need to be reviewed. Further research will be carried out to establish the nature and sustainability of the activities carried out.

2. OWNERSHIP

2.1   Generic

Ownership	Targets	Overall Average	
		October	March

Voting rights of Black people	**30.00%**	33.99%	42.63%
Voting rights of Black women	**10.00%**	11.52%	16.55%
Economic Interest of Black people	**30.00%**	33.83%	42.18%
Economic Interest of Black women	**10.00%**	11.69%	16.53%
Economic Interest of designated groups	**2.50%**	6.11%	9.09%
Black participants in employee and broad-based ownership		1.21%	9.12%
Black participants in co-operatives		0.80%	10.93%
Ownership Fulfillment	**Yes**		
Net Value	**30.00%**	27.02%	34.38%
Bonus: Black new entrant	**10.00%**	17.03%	21.29%
Bonus: Black participants in ownership schemes, co-op or BBOS	**10.00%**	6.73%	8.77%
Total Score Ownership	**20 + 3**	**14.30**	**18.67**
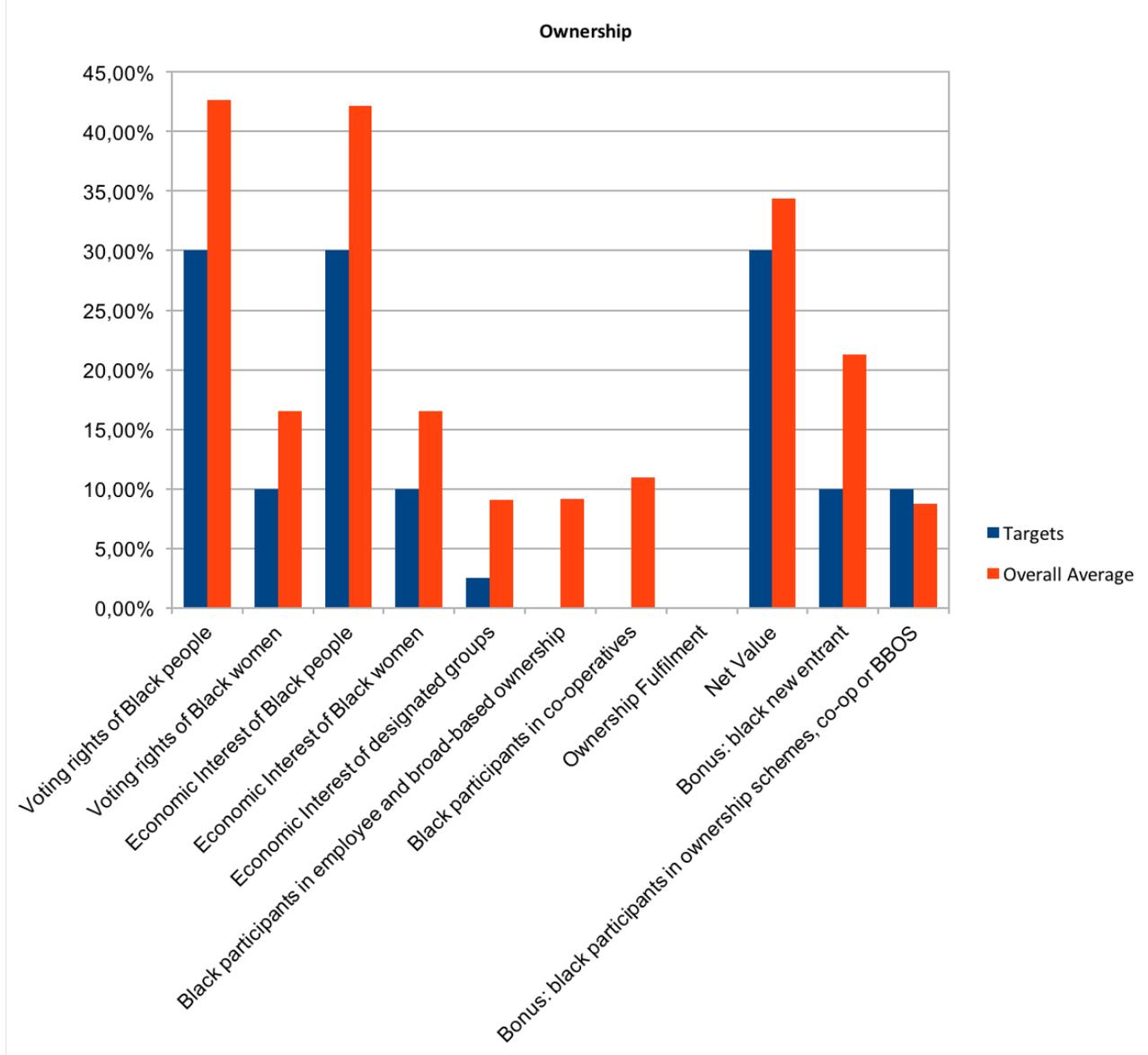
The additional companies whose data is included in this period, raising the total to 148, have improved the average scores in the medium and large enterprise Ownership elements significantly.

120 companies submitted data with respect to ownership, which have an average of 42.63% (October 2016: 33.99%) voting rights in the hands of Black people, of which 16.55% (11.52%) is

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held by Black women. Black people hold 42.18% (33.83%) economic interest in these companies, of which 16.53% (11.69%) is held by Black women.

Of the 120 companies evaluated, 34,38% (27.02%) of their net value is in Black hands, exceeding the target of 30%. The economic interest of designated groups and participation in ownership schemes is hovering around the 10% level, significantly higher than was reported in October 2016. The reports submitted for the sector appear to sustain the progress with respect to the participation of Black new entrants as they scored 21,29% (17.03%), against a target of 10%. The average points scored by 120 (98) entities were 18.67 (14.30), against a target of 20+3 points.

Although the scores reported by measured entities suggest ownership targets are being exceeded, we emphasise that not all scorecards are completed in full. 19% (15%) of scorecards in this sample did not include ownership data, only the points achieved. The overall average score of 18.67 against the target of 20+3 is a more reliable indicator of ownership achievement among this group of measured entities.

2.2   QSE

| QSE Ownership	Targets	Average Participating QSE	
		October	March
Voting rights of Black people	30.00%	63.82%	65.00%
Economic Interest of Black people	30.00%	63.79%	64.97%
Ownership fulfillment	Yes/No		
Net Value	30.00%	55.18%	41.31%
Bonus: Black female ownership	10.00%	18.66%	17.30%
Bonus: Black participants in employee o/ship schemes, co-ops or b-b o/ship schemes	10.00%	4.08%	6.28%
Total Score: Ownership	**25+3**	**23.91**	**23.15**
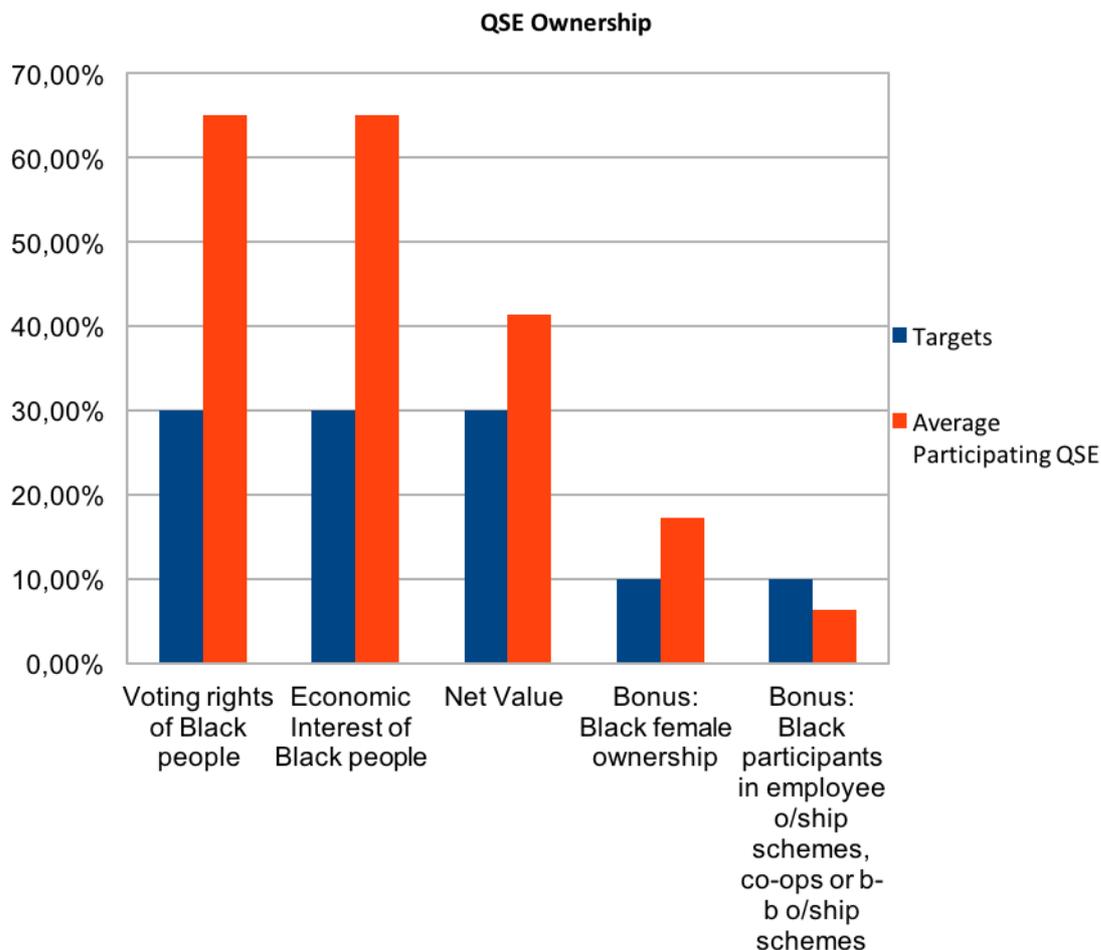
QSE Ownership

The total number of QSE scorecards included in this analysis has increased to 171 (111). Apart from a lower Net Value average at 41.31% (55.18%), all the other sub-elements showed a consistent and similar ownership result in March as they did in October.

95 (56) ICT QSEs submitted data with respect to ownership, with 65% of voting rights and economic interest in the hands of Black people. Of this group, ownership in the hands of Black women is 17.30% (18.66%). Participation in employee ownership schemes, co-operatives and broad-based ownership schemes has improved but still requires some attention as it is 6.28% (4.08%), against a target of 10%. This follows the pattern of the Generic scorecards (see 2.1 above) and may be for the same reasons. It is encouraging to note that participating QSEs achieved a score of 23.15 (23.91), when measured against a target of 25 points. We do emphasise that predominantly compliant entities submit themselves for measurement and a suitable sample of non-measured entities would need to be analysed for benchmarking.

3. MANAGEMENT CONTROL

3.1 Generic

| Management Control	Target	Overall Average	
		October	March
Black representation at board (Adjusted for gender)	**50.00%**	35.75%	29.02%
Black representation of the executive directors (Adjusted for gender)	**50.00%**	27.68%	22.48%
Black representation at senior top management (Adjusted for gender)	**40.00%**	26.25%	21.31%
Bonus: Black independent non-executive directors	**40.00%**	12.83%	10.42%
Total Points Management Control	**10+1**	**5.80**	**4.34**
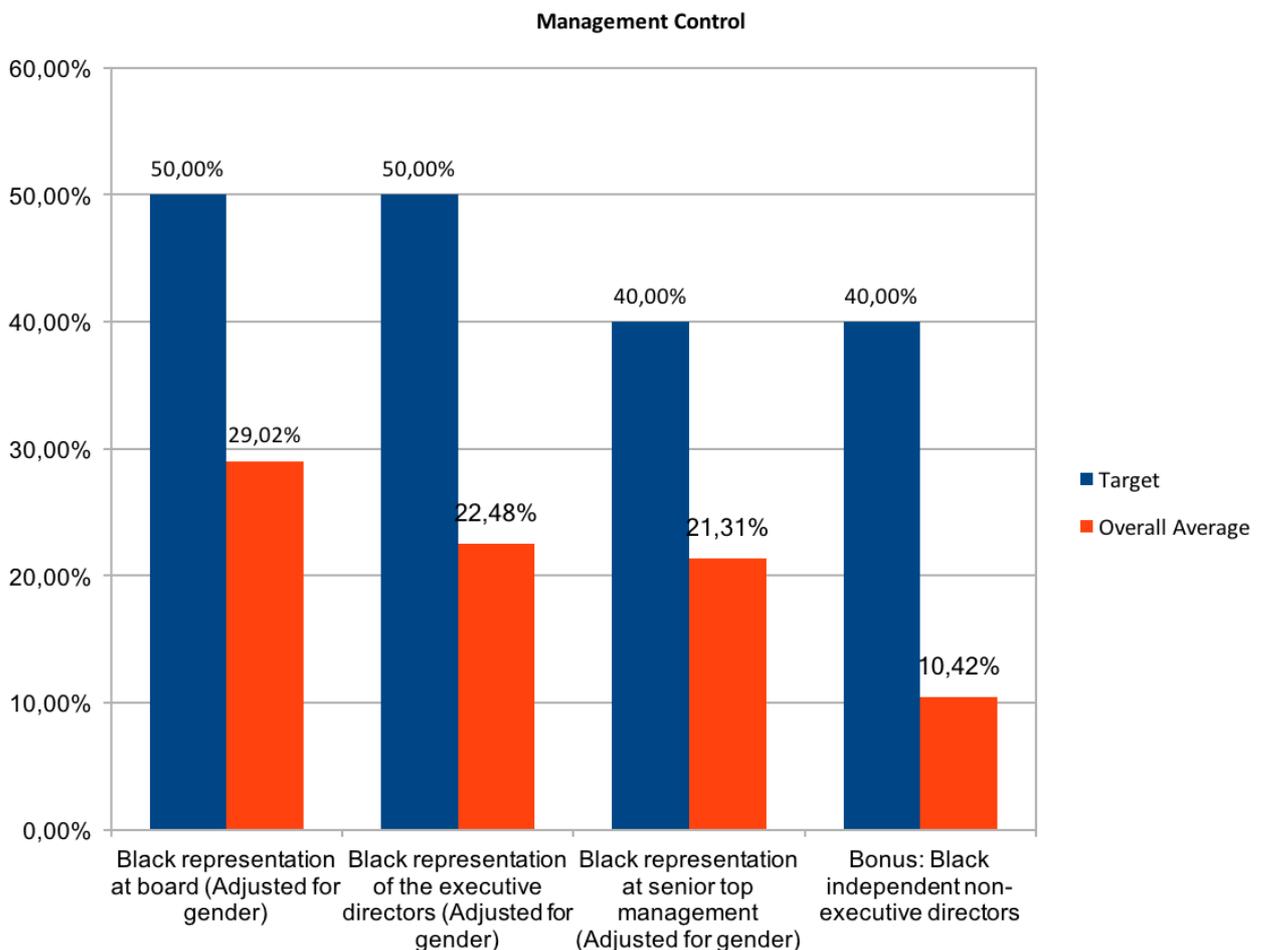
The March results for the generic Management Control category show a significant reduction in averages across all elements, compared to the October statistics. 101 enterprises were measured at detail level, of 131 submitting scores.

Although the adjustment for gender will reduce the scores achieved, the management control of the ICT entities measured continues to show significant room for improvement. Black representation at Board level is lagging more than 10% (15%) below the 50% target, as is Black representation at Executive Director Level, which sits at 22.48% (27.68%). Black representation at senior management is almost 19% (14%) below the target of 40%. Black independent non-executive director representation is also not satisfactory as it sits at only 10.42% (12.83%). With

the average points scored being 4.34 (5.80) against a target of 10+1 points, this sub-element requires attention and robust discussion within the sector. The Council will look at possible research collaboration with the Institute of Directors in respect of the application of the King IV governance guidelines.

3.2   QSE

Management Control	Targets	Average Participating QSE	
		October	March
Black top management representation	**50.10%**	72.30%	66.77%
Bonus: Black female top management representation	**25.00%**	24.52%	22.39%
Total Score: Management Control	**25+2**	**23.57**	**22.44**

QSE Management Control
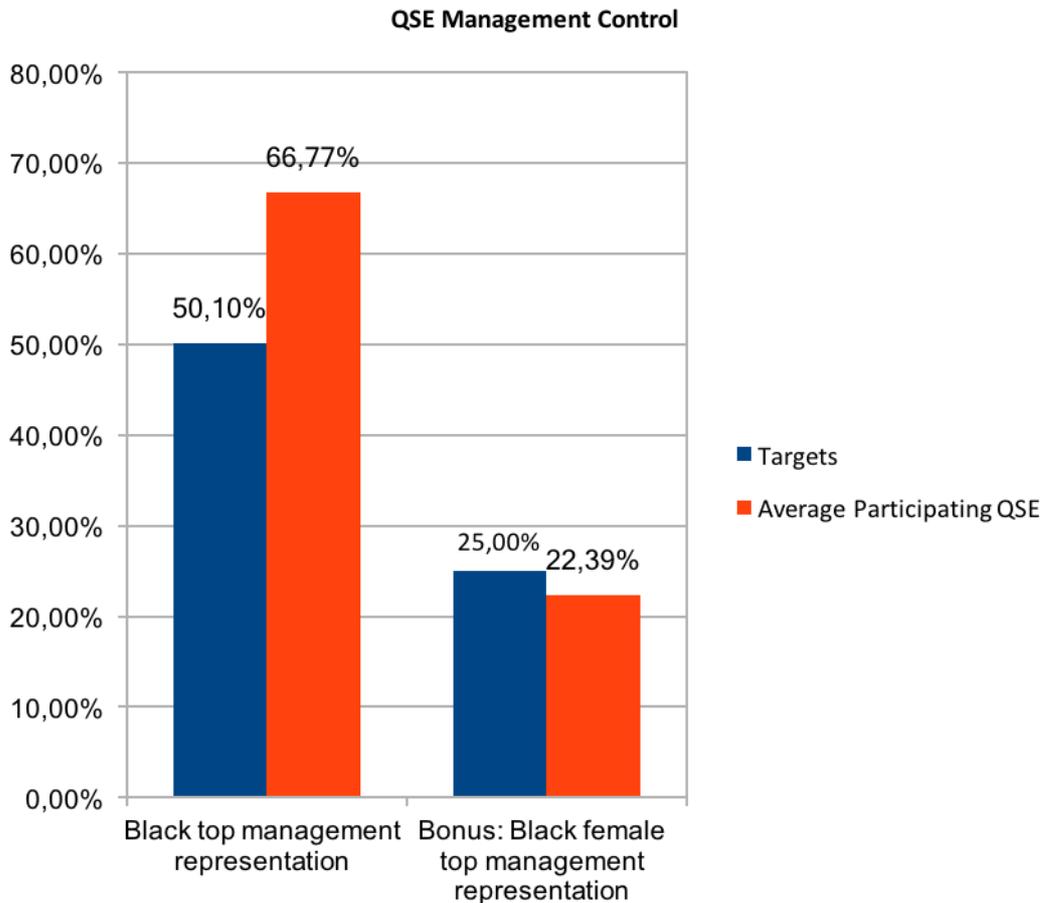
For this sub-element, 73 (39) of the 131 companies elected to be evaluated in terms hereof, with a further 6 submitting only the points scored. The target for Black Top management was over achieved by more than 16% (19%). Decision-making by Black Women Top management a little lower than October at 22.39% (24.08%) against a target of 25%. These satisfactory results arise from the high proportion of black-owned entities among the 79 that sought verification of this element of their BEE status.

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4. EMPLOYMENT EQUITY

4.1 Generic

Employment Equity	Targets	Overall Average	
		October	**March**
Black representation of person with disabilities (Adjusted for gender)	**3.00%**	0.49%	1.01%
Black representation: at senior management (Adjusted for gender)	**60.00%**	22.01%	27.63%
Black representation: at middle management (Adjusted for gender)	**75.00%**	26.38%	32.29%
Black representation: at junior management (Adjusted for gender)	**80.00%**	38.96%	51.08%
Bonus: Exceeding EAP targets senior management	**89.71%**	22.00%	24.77%
Bonus: Exceeding EAP targets middle management	**89.71%**	26.45%	28.76%
Bonus: Exceeding EAP targets junior management	**89.71%**	38.17%	44.15%
Total	**10+3**	**2.98**	**4.36**
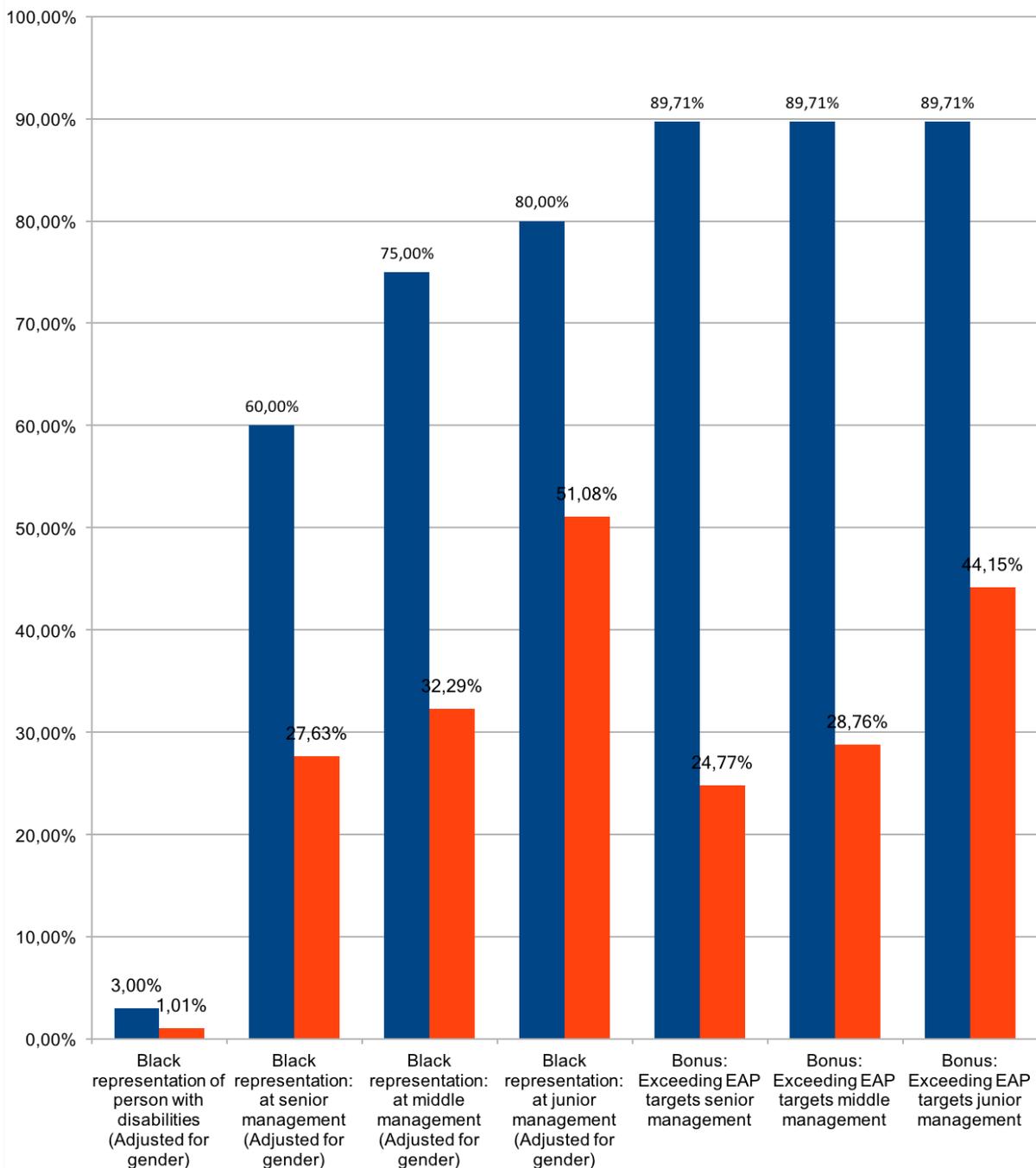
Of the 132 (67) companies measured for employment equity, 76 (56) submitted the total permanent workforce, total permanent Black employees and total permanent Black female employees. The additional measured entities are, on average, larger than those previously reported. The average number of permanent employees per company has risen to 563 (311); with an average permanent Black workforce of 350 (178), of which 151 (71) are Black female employees.

The representation of Black people with disabilities remains very low, at 1.01% (0.49%) on average, against a target of 3%. Representation of Black people at senior, middle and junior management, although improved in this period, is also below par as it stands at 27.63% (22.01%), 32.29% (26.38%), and 51.08% (38.96%) respectively.

The reporting on the bonus points for EAP targets for the respective management levels for this sub-element shows a similar pattern of performance, with the continued dominance of White people economically active in the ICT Sector. Employment equity is one of the most difficult targets to achieve in a stagnant economy, as workforce expansion and staff turnover are severely constrained by the lack of job opportunities.

The data collected from measured entities does not assist with one of the challenges regarding retaining people with disabilities in the workforce, being that of provision of reasonable accommodation as one of the affirmative action measures under employment equity.

4.2   QSE

Employment Equity	Targets	Average Participating QSE	
		October	March
Black representation: All employees who are management (Adjusted for gender)	**60.00%**	45.44%	46.90%
Black representation: All employees (Adjusted for gender)	**70.00%**	53.15%	54.20%
Bonus: Exceeding EAP targets for all employees who are management	**89.93%**	27.64%	23.19%
Bonus: Exceeding EAP targets for all employees	**89.93%**	31.05%	26.53%
Total Score: Employment Equity	**25**	**17.65**	**18.33**

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QSE Employment Equity
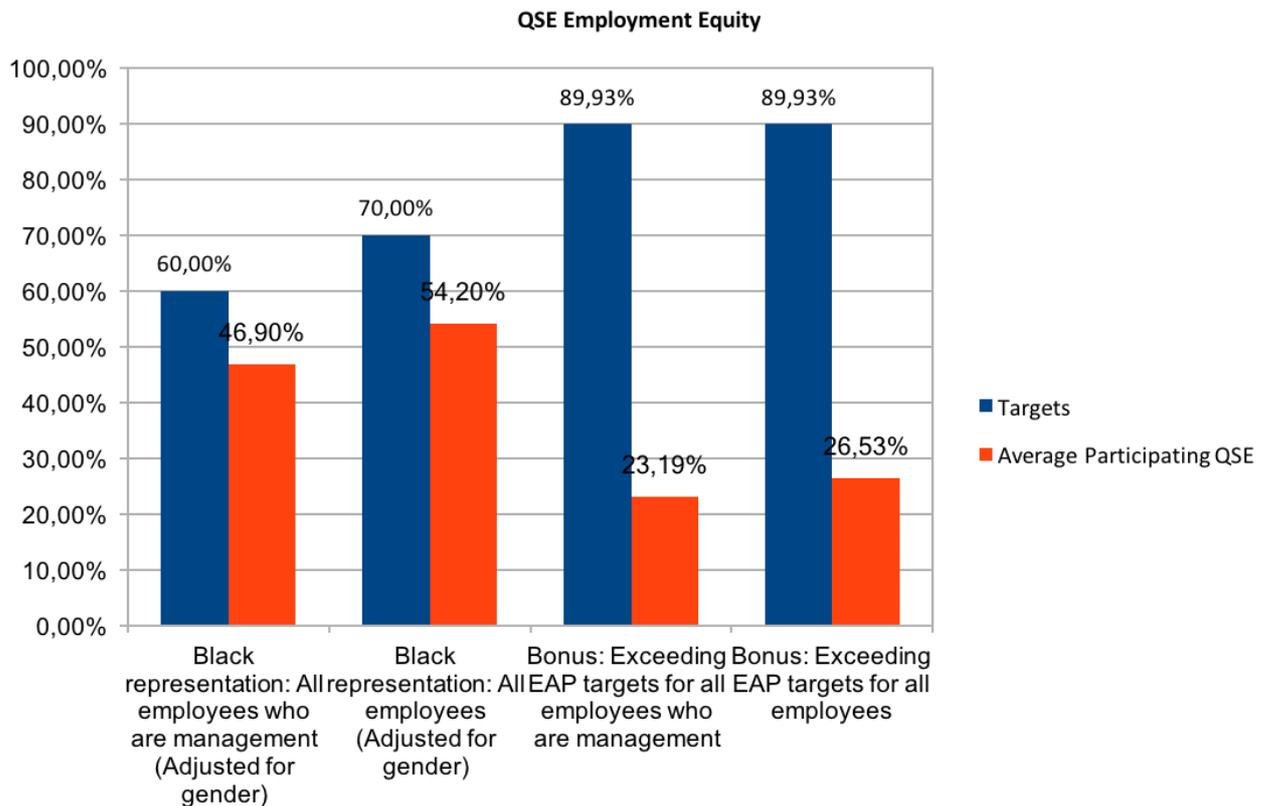
A total of 114 (75) entities participated in this sub-element, of which 62 (45) submitted figures of the total permanent workforce, total permanent Black employees and total permanent Black female employees. The average permanent workforce of the 62 (45) entities was 27 (32) employees per company, of which 19 (22) were reported as permanent Black employees, which includes 5 (6) permanent Black female employees.

These 114 (75) entities achieved below target representation of Black employees who are in management at 46.90% (47.34%), against a target of 60%. For Black representation of all employees, they achieved an average of 54.20% (54.09%), which is also below the target of 70%.

The reporting on the bonus points for EAP targets for management and for all employees shows a small weakening against the pattern of the previous measurements, indicating the strong presence of white employees in the small enterprises in the ICT sector.

5. SKILLS DEVELOPMENT

5.1   Generic

Skills Development	Target	Overall Average	
		October	March
Skills spend on Black staff as a percentage of the leviable amount (Adjusted for gender)	**3.00%**	1.71%	1.89%
Skills spend on Black disabled staff as a percentage of the leviable amount (Adjusted for gender)	**0.30%**	0.05%	0.05%
Learnerships and category B,C,D programs for Black employees as a percentage of total employees (Adjusted for gender)	**5.00%**	5.66%	5.81%
Total Score: Skills Development	**17**	**8.50**	**9.46**

Skills Development
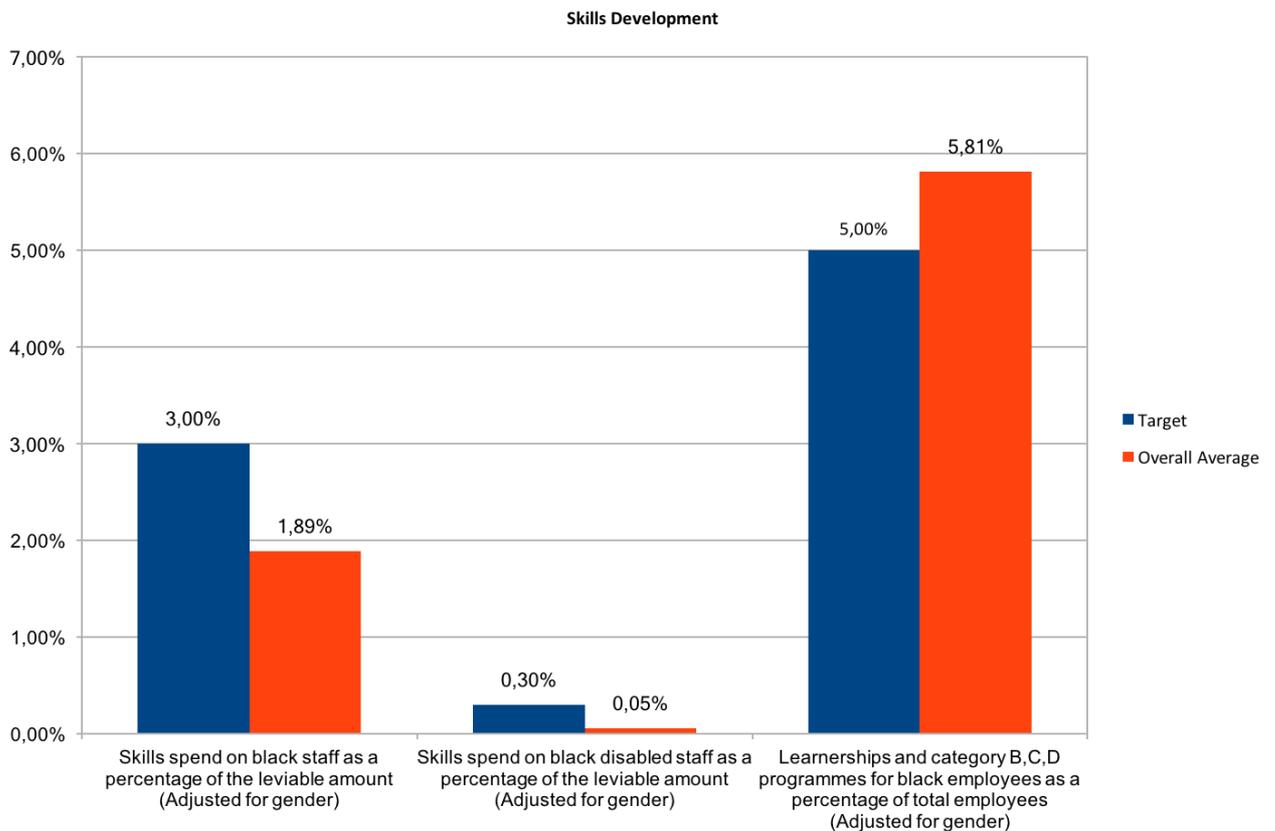
The pattern of larger measured entities being included in this period is also reflected in the changes in Skills Development results. Of the 132 (98) companies providing these details, 81 (63) submitted information on skills development spend for Black employees. Cumulatively, this amounts to almost R350 million, resulting in an average of R4 316 616 per company. R1 682 973 (just more than one-third) of that was spent on skills development for Black female employees.

The 132 companies who supplied the required details came short of achieving the 3% target, getting an average of 1.89% (1.71%) skills development spend on Black staff (adjusted for gender) as a percentage of the leviable amount. Skills development spend on Black people with disabilities is well below the 0.30% target at 0.05% (0.05%) in this group of measured entities.

However, it appears that ICT companies find it easier to support learnership programmes, as they over achieved at 5.81% (5.66%) against the set target of 5%.

The overall average score of 9.46 (8.50) points reflects the need to increase investment in training of employees in general and staff with disabilities in particular.

5.2   QSE

Skills Development	Target	Average Participating QSE	
		October	March
Adjusted Skills Development spend on learning programs for Black employees as a percentage of the leviable amount	**2.00%**	4.65%	3.95%
Total score: Skills Development	**25**	**11.90**	**12.95**

Only 41 (30) [of 171 (111)] companies chose to be evaluated against this sub-element and 2 of those did not submit the percentage detail. Their average score was a reasonably healthy 3.95% (4.65%) against a target of 2% of the adjusted skills development spend on learning programmes for Black employees as a percentage of the leviable amount. However, we recognise that this is a small sample on which to base any firm conclusions.

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6. PREFERENTIAL PROCUREMENT

6.1   Generic

Preferential Procurement – Rand Values	Average Spend	
	October	**March**
Average total expenditure	R 634 521 851	R 1 363 825 576
Average Procurement exclusions	R 298 576 034	R 635 698 226
Average total measured procurement spend	R 323 238 864	R 695 747 669

Preferential Procurement	Target	Average compliance	
		October	**March**
Total B-BBEE procurement as a percentage of total measured procurement spend	**70.00%**	84.24%	86.76%
Total B-BBEE procurement from QSE's & EME's as a percentage of total measured procurement spend:	**15.00%**	17.34%	20.05%
Total unadjusted B-BBEE procurement from Black owned suppliers as a percentage of total measured procurement spend	**12.00%**	14.58%	18.12%
Total unadjusted B-BBEE procurement from Black women owned suppliers as a percentage of total measured procurement spend	**8.00%**	5.98%	8.96%
Bonus: Procurement from BO-BWO entities with minimum 5% equity stake held by Black persons with disabilities	**20.00%**	0.00%	0.20%
Bonus: One bonus point for a minimum of 5% B-BBEE procurement spend as a percentage of TMPS achieved via expenditure BO & BWO entities	**20.00%**	21.86%	26.69%
Total Score: Preferential Procurement	**20+6**	**12.31**	**18.00**
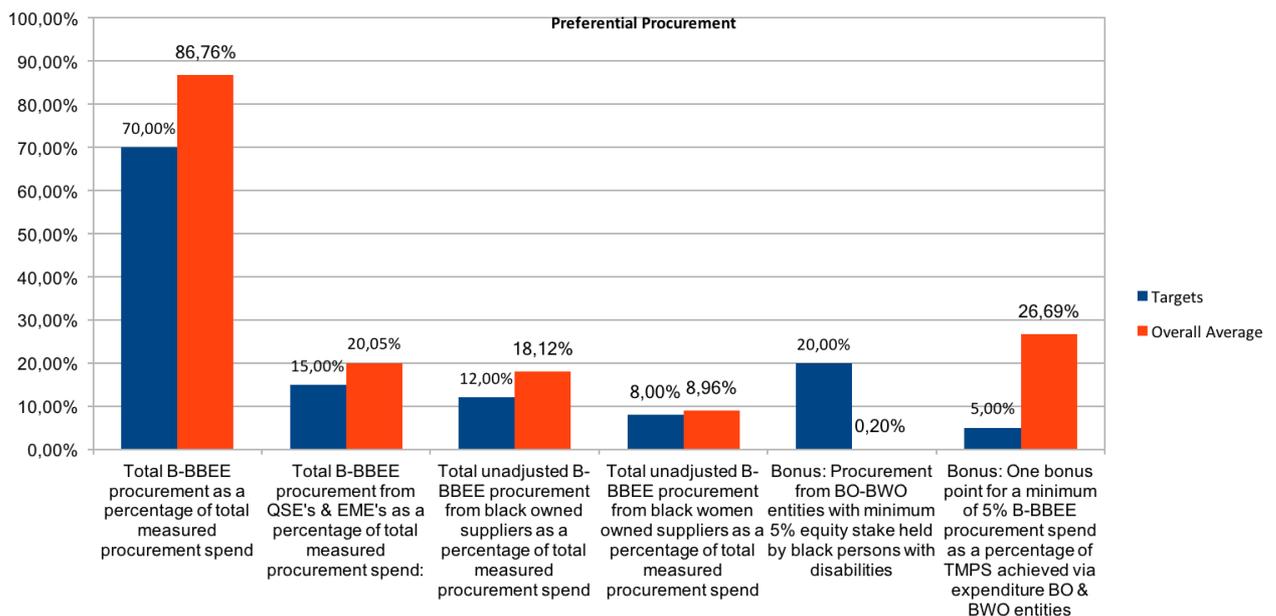
78 (58) companies submitted the rand value of their total expenditure and 82 (62) their total measured procurement spend. The average total measured procurement spend is more than R696 million (R323 million), out of an average total expenditure of almost R1.364 billion (R635 million) – these figures show the significant purchasing power of a relatively small number of measured entities. They also reflect the increased size of the average measured entity reported in this period.

Altogether, the average total B-BBEE procurement as a percentage of total measured

procurement spends for the 132 (82) companies reported is 86.76% (84.24%), which exceeds the target of 70%. The total B-BBEE procurement from QSE's & EME's as a percentage of total measured procurement spends was on average 20.05% (17.34%), which exceeds the 15% target. For the total unadjusted B-BBEE procurement from Black owned suppliers as a percentage of total measured procurement spend, companies achieved 18.12% (14.58%) against the target of 12%. The score for the total unadjusted B-BBEE procurement from Black women owned suppliers as a percentage of total measured procurement spend, was 8.96% (5.98%), which now exceeds the target of 8%, having fallen below it in the October report. Procurement from BO-BWO entities with minimum 5% equity stake held by Black persons with disabilities, is almost non-existent at 0.20% (0%), against a target of 20%. Very few of the companies reported had implemented favourable payment terms for Black owned, Black empowered & Black engendered SMMEs of less than or equal to 15 days.

6.2   QSE

| Preferential Procurement | Target | Average Participating QSE | |
		October	March
Total expenditure		R 17 175 528	R 16 623 768
Total measured procurement spend:		R 8 364 029	R 12 437 077
Total Verified B-BBEE Procurement		R 5 032 613	R 7 133 815
Total B-BBEE procurement as percentage of total measured procurement spend	50.00%	59.26%	67.79%
Total Score: Preferential Procurement	**25**	**22.97**	**22.85**

Out of the 171 (111) entities that were reported, 141 (92) elected to be evaluated under this sub-element. 68 (50) of them provided information on total expenditure and total measured procurement spend. 130 (81) provided information on the percentage of B-BBEE procurement and 11 (11) submitted only the points scored. The average total expenditure of the 68 (50) companies was just under (over) R17 million [i.e. slightly lower in this period], with the average total measured procurement spend higher at R12.4 million (R8.4 million). Had all the 141 (92) reported companies given us the Rand value of their total expenditure and the total measured procurement spend, the Council would have had a better sense of the average rand value of procurement spend in the local economy, by QSEs. However, the entities reported have comfortably exceeded the 50% target, having scored 67.79% (59.26%). This resulted in an average score of 22.85 (22.97), out of a total score of 25 points.

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7. ENTERPRISE DEVELOPMENT

7.1 Generic

Enterprise Development	Target	Overall Average	
		October	March
Enterprise Development as a percentage of the NPAT	5.00%	11.76%	13.02%
Total points	**11**	**8.77**	**9.06**

Companies had a target of 5% NPAT for Enterprise Development. On average, they exceeded this target by more than 100%, achieving 13.01% (11.76%), which is encouraging to note. However, the average total score at 9.06 (8.77) is below the target because high percentages of NPAT above the target level still achieve only 11 points, while the several companies achieving less than 5% receive lower scores.

7.2 QSE

Enterprise Development	Target	Average Participating QSE	
		October	March
Enterprise Development as a percentage of the NPAT	2.00%	11.86%	9.62%
Total Score: Enterprise Development	**25**	**23.28**	**23.31**

QSEs had a lower target of 2% NPAT for Enterprise Development. On average, they exceeded the target, achieving 9.62% (11.86%), which is also encouraging to note. The average total score achieved is 23.31 (23.28) points, out of a total of 25 points. This indicates that most entities electing to be measured on Enterprise Development did so because they were confident of achieving the target.

8. SOCIO-ECONOMIC DEVELOPMENT

8.1 Generic

Socio-Economic Development	Target	Average Compliance	
		October	March
Socio-Economic Development as a percentage of the NPAT	1.50%	5.32%	6.29%
Total Score: Socio-Economic Development	12	10.65	10.79

It is encouraging to note that many companies have exceeded the Socio-Economic Development target of 1.5% of NPAT by more than 400%, at 6.29% (5.32%), recognizing that the target itself is relatively easy to achieve. However, the average total score is below the target because even if the percentage of NPAT achieved is above the target for many companies (which will not be recognised with more than 12 points), some companies did not achieve the target.

8.2 QSE

Socio-Economic Development	Target	Average Participating QSE	
		October	March
Socio-Economic Development as a percentage of the NPAT	1.00%	4.26%	3.82%
Total Score: Socio-Economic Development	25	22.84	22.18

The target for Socio-Economic Development is 1% of NPAT. QSEs who elected to be measured on SED exceeded this target, achieving 3.82% (4.26%) on average. The average points scored are 22.18 (22.84), out of a potential score of 25 points. This indicates that most entities electing to be measured on Socio-Economic Development did so because they were confident of achieving the target, which required a very small "spend" from their NPAT.

9. CONCLUSION

This first Annual Monitoring Report for the B-BBEE ICT Sector Council covers over 300 measured entities and reveals that progress under the 2012 Sector Code towards transformation has been successful in many areas but sharply lacking in others. The new emphasis of the Amended ICT Sector Code will increase the pressure on measured entities to ramp up their efforts, as the focus shifts towards ownership, management and employment equity.

The Council requests the ICT industries to freely share their B-BBEE ICT verification reports in order to support and inform decision making with regards to the review and implementation of B-BBEE ICT Sector Code and the country's transformation agenda. To safeguard the ICT Industries' anonymity, the Council is open to receiving reports that have had the name, VAT number and/or other identifying information redacted, when such reports are submitted to the Council. What is important to the Council is the assurance from both the verification agencies and the ICT entities and ICT industries that such information is correct and verifiable.

The Amended B-BBEE ICT Sector Code is clear in specifying that measured entities must share their BEE status with the Council for the express purpose of effective monitoring of transformation progress and the identification of appropriate interventions to support the achievement of empowerment goals. The Council recognises that it must also research the status of entities in the ICT Sector that have not been measured, to establish the reasons therefor and to provide a more accurate benchmark of the sector than can be obtained from compliant enterprises alone.

This Annual Monitoring Report marks the watershed between the 2012 ICT Sector Code and the Amended ICT Sector Code.

10. ABBREVIATIONS

ABP   Association of BEE Professionals

B-BBEE   Broad-Based Black Economic Empowerment

BEE   Black Economic Empowerment

BITF   Black Information Technology Forum

BMF   Black Management Forum

BO-BWO   Black Owned - Black Women Owned

CEO   Chief Executive Officer

DTPS   Department of Telecommunications & Postal Services

EAP   Economically Active Population

EME   Exempt Micro Enterprise

ICASA   Independent Communications Authority of South Africa

ICT   Information & Communications Technologies

IITPSA   Institute of Information Technology Professionals South Africa

MICT SETA   Media, Information & Communications Technologies Sector Education & Training Authority

NEC   National Executive Council

NEDLAC   National Economic Development & Labour Council

NPAT   Net Profit After Tax

NSA   National Skills Authority

QSE   Qualifying Small Enterprise

SABC   South African Broadcasting Corporation

SACF   South African Communications Forum

SANAS   South African National Accreditation Service

SED   Socio-Economic Development

SITA   State Information Technology Agency

SMME   Small, Medium & Micro Enterprise

the **dti** Department of Trade & Industry

TMPS   Total Measured Procurement Spend

VAT   Value Added Tax