

TO ALL NEWS EDITORS AND JOURNALISTS

SLUG: 3% BLACK OWNERSHIP

Media Statement

Friday, 06 February 2014

NEF welcomes JSE's concurrence on 3% black ownership

The National Empowerment Fund (NEF) welcomes the acknowledgement by the Johannesburg Stock Exchange (JSE) that *"insofar as the investment that black South Africans have directly in listed entities on the JSE, we concur that the holding is approximately 3%"*, echoing a recent and identical assertion by President Jacob Zuma at Parliament.

The JSE's media statement was read out on CNBC Africa during a live television interview earlier in the week on *Business Tonight* with Nozipho Mbanjwa, where the NEF was invited to comment regarding its research findings on the ownership of black people in the economy.

The NEF is reliant on research that is conducted by Who Owns Whom in measuring black ownership and control in the economy. The data shows that direct black equity control over the JSE's average market capitalisation of R11.9 trillion as at 30 June 2014 (for Listed Companies), stands at 3% (R358 billion) for shares directly held by black South Africans. To reach 25% of black control it requires an additional 22% worth R2.6 trillion at current estimated market capitalisation of the JSE. This is a gap that still needs to be addressed and funded in order to achieve transformation of up to 25% of JSE market capitalisation.

In order to assess the extent of **direct black ownership and control** in the South African economy, the NEF uses the market capitalization of the JSE as a proxy, given the availability of its information in the public domain. In accordance with legislation, unlisted share ownership is not publicly disclosed and therefore black control over private companies cannot be measured conclusively.

In the view of the NEF the legitimate and effective method of measuring black ownership and control on the JSE is by assessing **direct ownership and control**, which is the equity that vests directly with black companies or individuals, broad-based groups or community trusts, as well as employee share ownership schemes. The principle of ownership and control means that the black shareholders have direct representation in the boards of the listed companies, as directors. The black directors are then able to drive and influence the strategic direction, policies and the cash flows of the company. This is the destination and the role which meaningful transformation aspires to achieve, **says NEF Chief Executive, Ms Philisiwe Mthethwa.**

It is therefore misleading to use indirect shareholding, which includes mandated investments such as institutional pension fund managers, private equity funds and savings funds, which amount to 23%, as a measure of black-owned equity on the JSE. The passive-shareholding methodology is therefore not a true indication of the level of transformation in the country.

The NEF believes that there are adequate policy instruments in place for sustainable inclusive growth to progress to meaningful levels, and these include sector charters and the revised Broad-Based Black Economic Empowerment legislation. However, the private sector needs to demonstrate meaningful commitment to the spirit and letter of the transformation imperative. One of the key challenges that requires resolution is the current financing structures which make it near-impossible

for black investors to realise any value. This results in equity leakage caused by the need to service finance raised. It is also important for big business to root out anti-competitive practices such as transfer pricing, collusion, over-valuations of businesses and pyramid shareholding structures, as these impede the entry of black people into the economic mainstream, **adds Ms Mthethwa.**

Established by the National Empowerment Fund Act No 105 of 1998, the NEF is mandated to promote and facilitate black economic participation through the provision of financial and non-financial support to black empowered businesses, as well as by promoting a culture of savings and investment among black people in South Africa.

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