

# The Economics of Transformation – True Transformation



# What is true transformation?

McKinsey  
& Company

But to thrive in the Next Normal, companies must make more fundamental changes. This is because if business models and mindsets don't shift, those costs will just creep back. **True transformation—the kind that alters the way a business operates on a cellular level—is what's needed in today's uncertain climate.** It's the only path to elevating financial performance, building capabilities and changing culture in ways that will not only get companies through this global health crisis but sustain them in the years ahead.

**BUSA**  
BUSINESS UNITY SOUTH AFRICA

## Balance Score Board and BEE Charters:

To achieve the objectives of BEE and to measure the progress government will use the scorecard to apply the charters. The charters are meant to build the level of

understanding between stakeholders, labourers, and the private sector.

## The main objectives of BEE, the scorecard will measure are:

- Control of enterprises and assets
- Employment equity
- Direct empowerment through ownership
- Enterprise Development.
- Skills Development



## FRONTING PRACTICES

**Window-dressing:** This includes cases in which black people are appointed or introduced to an enterprise on the basis of tokenism and may be:

- Discouraged or inhibited from substantially participating in the core activities of an enterprise; and
- Discouraged or inhibited from substantially participating in the stated areas and/or levels of their participation;

**Benefit Diversion:** This includes initiatives implemented where the economic benefits received as a result of the B-BBEE Status of an enterprise do not flow to black people in the ratio as specified in the relevant legal documentation.

**Opportunistic Intermediaries:** This includes enterprises that have concluded agreements with other enterprises with a view to leveraging the opportunistic intermediary's favourable B-BBEE status in circumstances where the agreement involves:

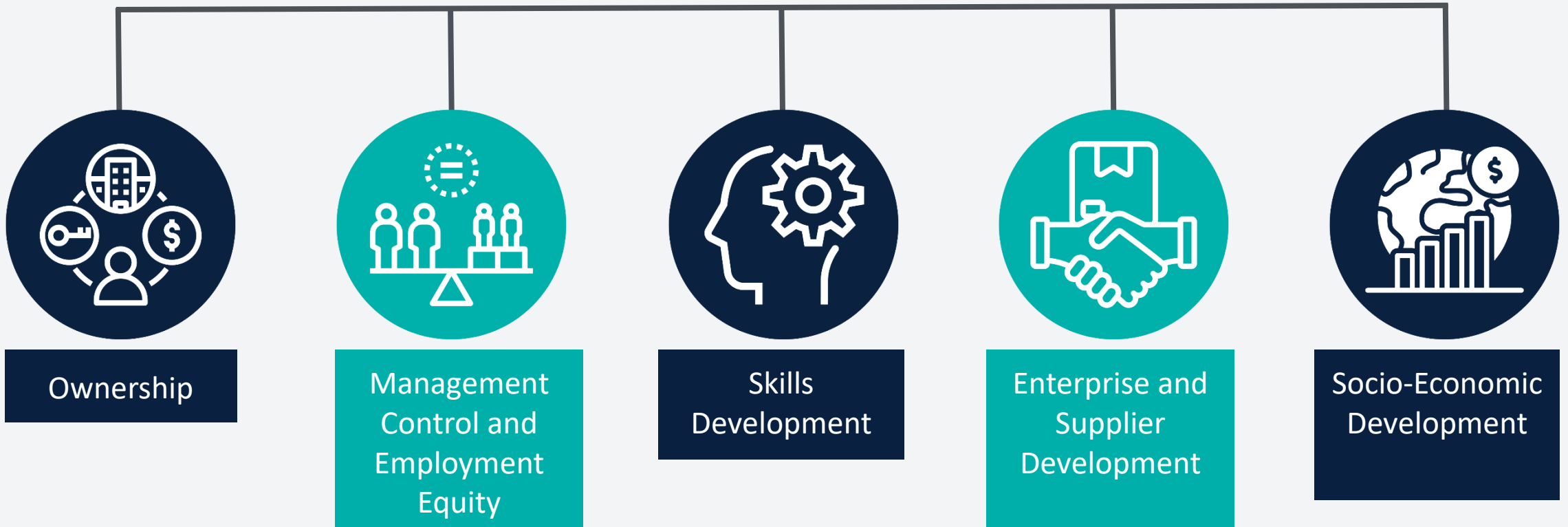
- Significant limitations or restrictions upon the identity of the opportunistic intermediary's suppliers, service providers, clients or customers;
- The maintenance of their business operations in a context reasonably considered improbable having regard to resources; and
- Terms and conditions that are not negotiated at arms-length on a fair and reasonable basis.

**BDO**

The Broad Based Black Economic Empowerment (B-BBEE) policy was developed with the intention to create more businesses, train more people, create more jobs and include previously excluded sections of society into the mainstream economy. This development involves a progressive transformation of the economy and society, and it might not be a sustainable development if only a small population of the economy is benefiting.

# Does the B-BBEE Scorecard prove True Transformation?

## 5 ELEMENTS



# Multinational Companies' View of True Transformation?

Ownership	>	Where does economic benefit go?
Management Control and Employment Equity	>	Who has real control and EE numbers?
Skills Development	>	Development of our EE candidates
Enterprise and Supplier Development	>	Developing our partners (Black-Owned and women-owned)
Social-Economic Development	>	Supporting Society (Health and Education)

# Our Story...

Through our specialist expertise, we're challenging boundaries to deliver advanced infrastructure solutions.

**We're redefining exceptional**

# Ownership

## BEE Deal 1

- **1995:** Vela VKE Empowerment Trust with Black Employees,
- **2006:** VKE Trust shares converted to SMEC Shareholding,
- **2017:** VKE Trust Share Repurchase Agreement with SMEC

## BEE Deal 2

- **2017:** Direct share Sale – Black Shareholding

SMEC International 75%  
Kapela 25%

## BEE Deal 3

- **2018:** Sale of Assets to Black Economic Empowerment Group

**LVT** the legal verification team  
Legally assured verification  
**B-BBEE Verification Certificate**

**SMEC SOUTH AFRICA (PTY) LTD**  
Company Address: 230 Albertus Street, La Montagne, Pretoria, 0204  
Registration Number: 1989/007013/07  
VAT Number: 4660152085

THE SCORE OBTAINED COMPRISES THE FOLLOWING:

Element	Score	Weighting
Ownership	30.00	27.00
Management Control	14.76	18.00
Skills Development	29.63	29.00
Preferential Procurement & Supplier Development	27.64	27.00
Socio Economic Development	6.00	5.00
<b>Total Points</b>	<b>108.03</b>	<b>106.00</b>

**B-BBEE CONTRIBUTOR STATUS LEVEL: LEVEL 1**  
**B-BBEE PROCUREMENT RECOGNITION LEVEL: 135%**

Scorecard/Sector: Construction BEP Sector (Revised Codes) Scorecard - Generic (Gazette No: 41287)  
Financial Period Measured: 01 Jan 2021 - 31 Dec 2021  
Discounting Principle applied: NO  
Modified Flow Through applied: NO  
Exclusion Principle applied: NO  
Empowering Supplier: YES  
Designated Group Supplier: YES  
Black New Entrant: 47.10%

Black Ownership: 94.29%	Designated Group Ownership: 83.82%
Black Women Ownership: 36.60%	Black Disabled Ownership: 47.10%
	Black Military Veterans Ownership: 0.00%
	Black Youth Ownership: 23.00%
	Black Unemployed Ownership: 0.03%
	Black People Living in Rural Areas: 0.09%

Participated in Y.E.S.: NO  
Y.E.S. Enhancement Level: N/A

Achieved Y.E.S Target & 2.5% Absorption: NO
Achieved 1.5 x Y.E.S Target & 5% Absorption: NO
Achieved 2 x Y.E.S Target & 5% Absorption: NO

Verification Number: T1V19834-010622  
Technical Signatory: Tanya Dippenaar

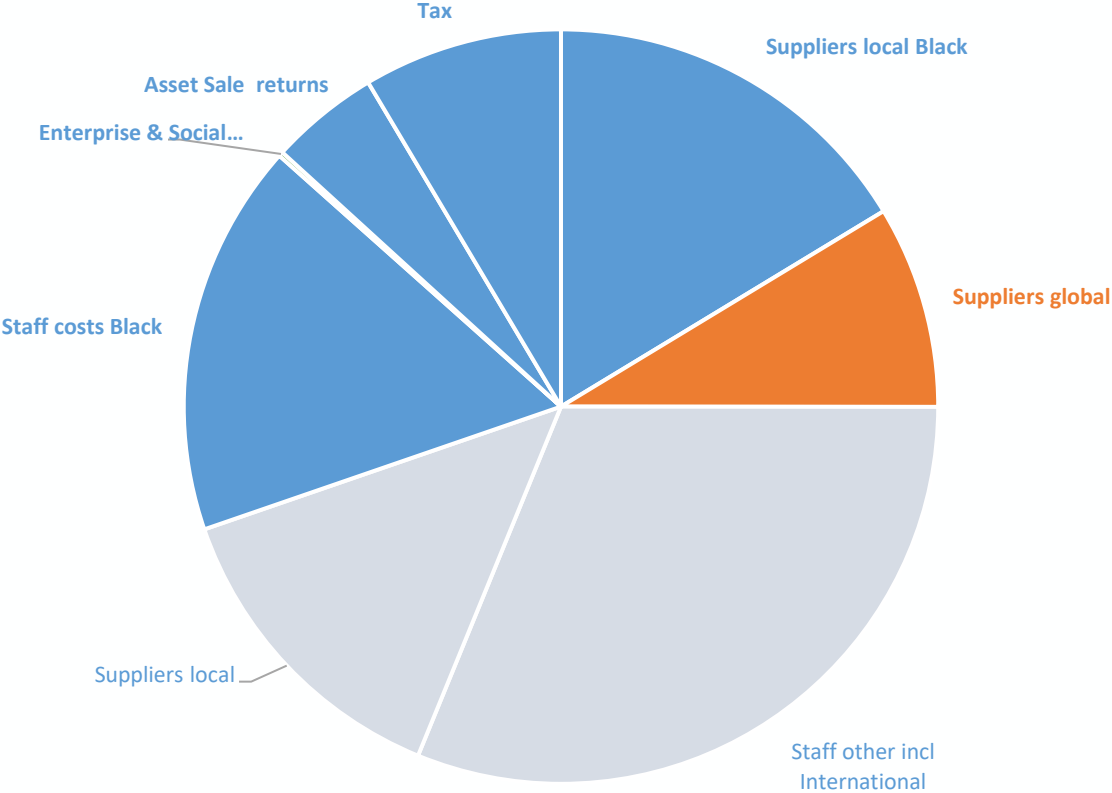
Initial Issue Date: 01 June 2022  
Revision Date (if applicable): N/A  
Expiry Date: 31 May 2023

This certificate is valid for 12 months from the original date of issue

COR 33 Rev 6 Issued: 14/10/2020  
4 Oreshwood Drive, Lomehill, Gauteng, 2062  
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www.lvt.co.za

**sanas**  
BAA 264

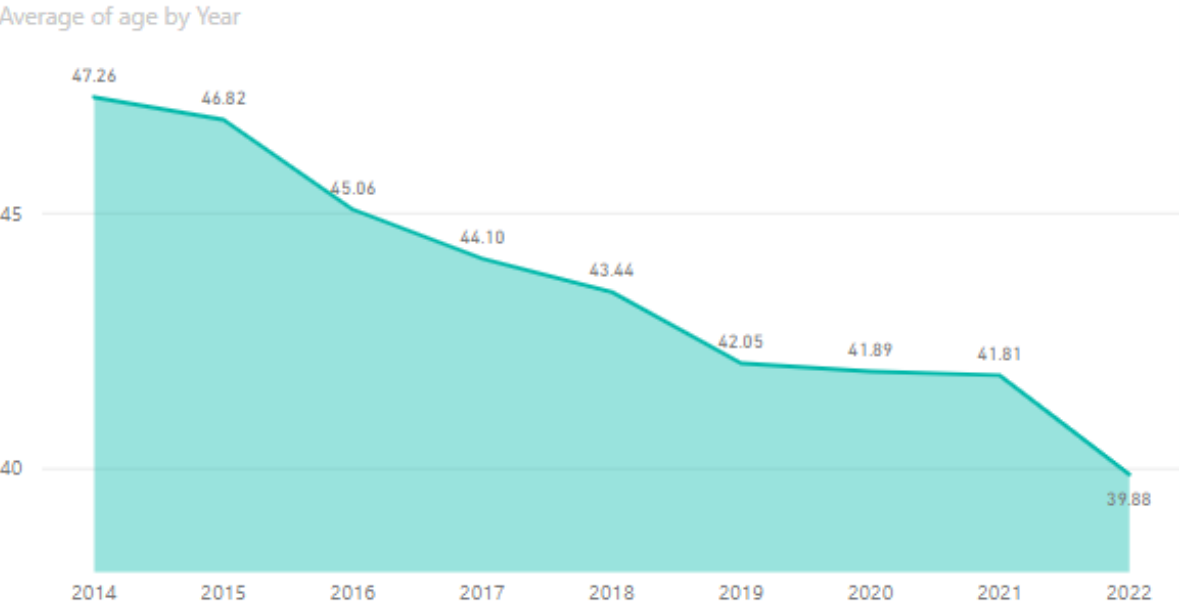
# SMEC's Revenue flow - Economic Benefit





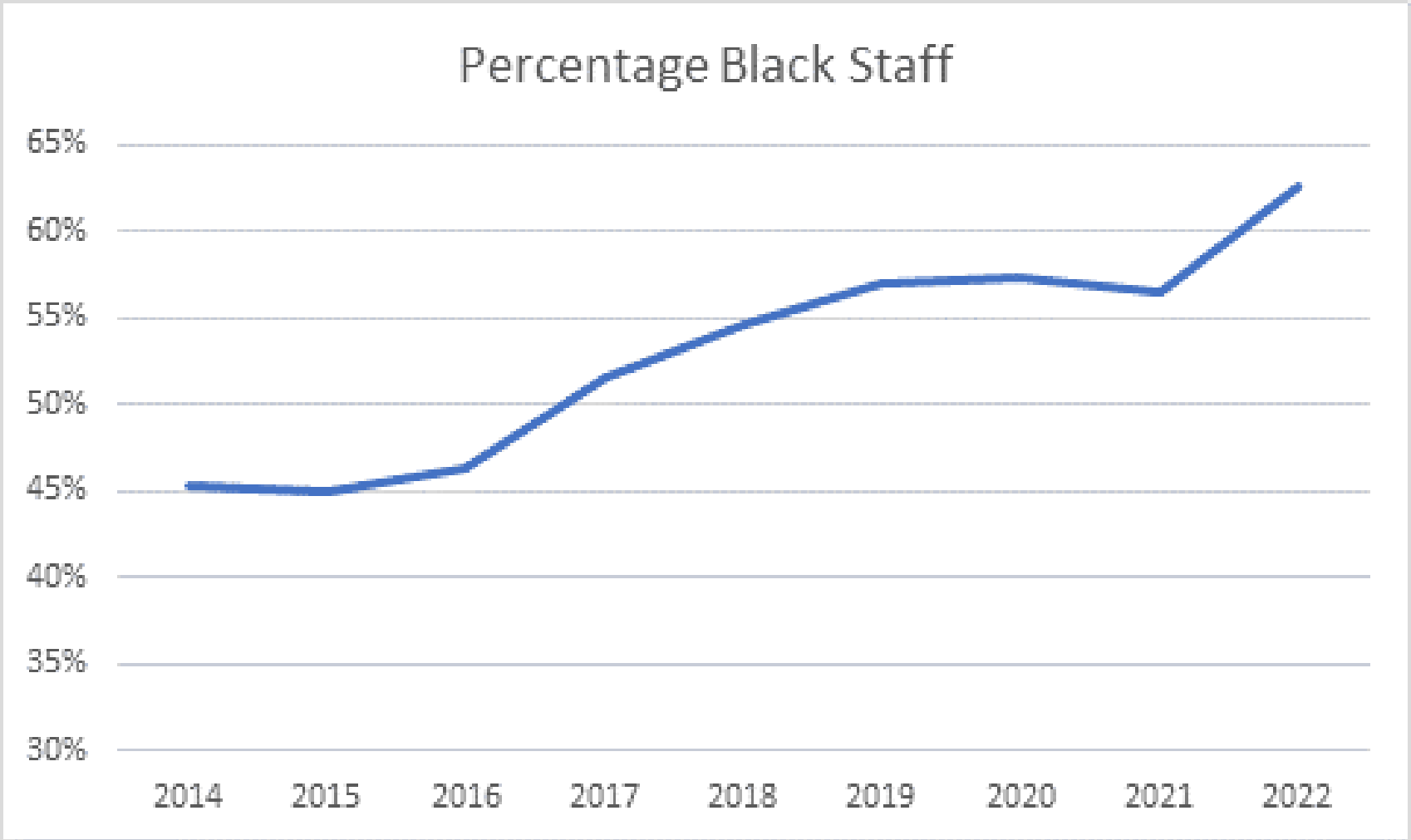
# Management Control and Employment Equity

	CESA	SMEC
Black	26%	36%
Coloured	11%	14%
Asian	12%	10%
White	51%	40%
Female	39%	40%

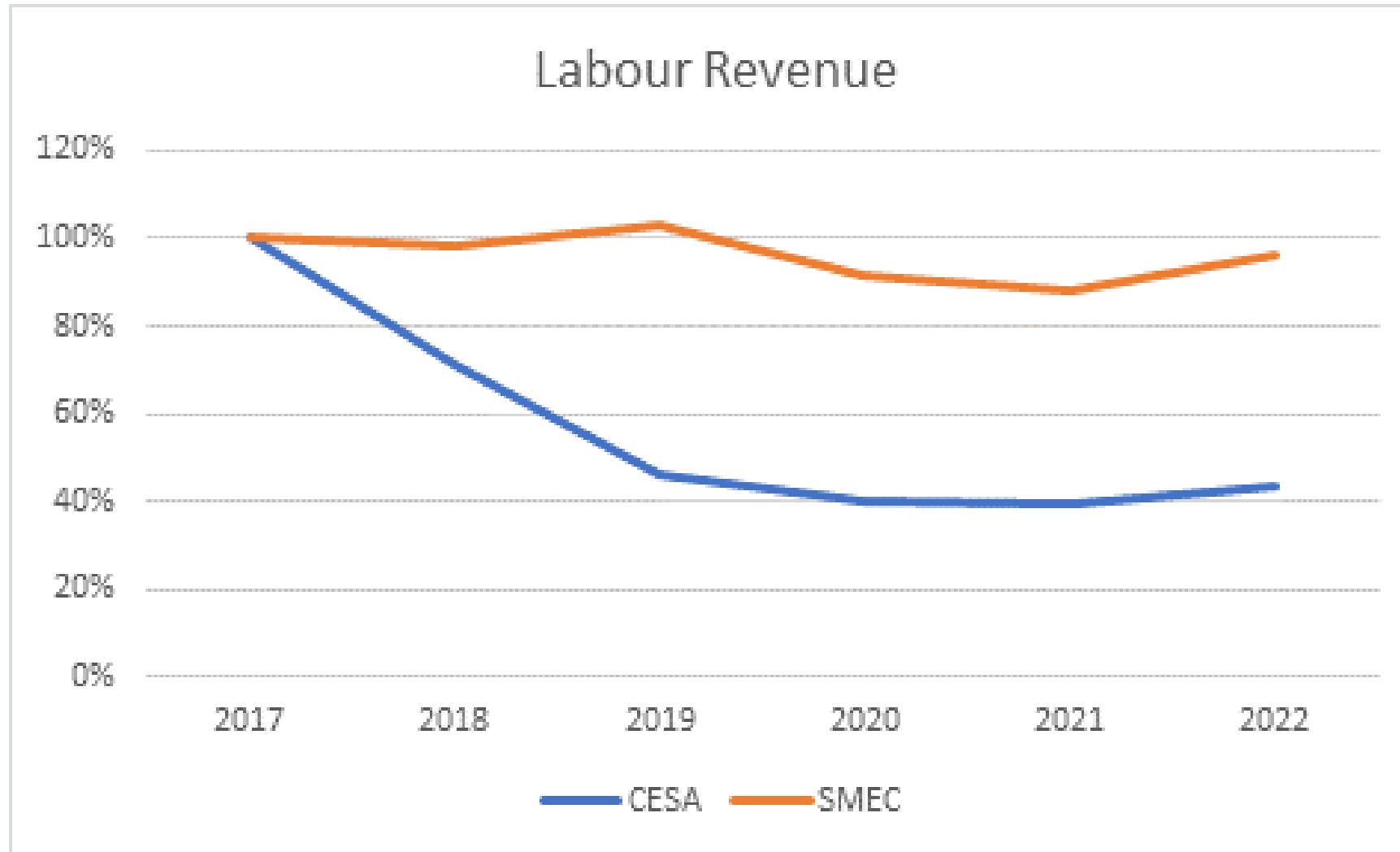




# SMEC's transformation Journey



# Benefit of Transformation



# Skills Development

- Rising Star Summit
- MDP
- Graduate Development Programme
- Mentorship
- Young Professional Programme
- Internships

Courses –  
Online Learning Platforms

- Bursary Scheme
- Professional Registration & Industry Body Membership Funding



## **ECSA REGISTRATION MASTER CLASS**

**Date:** 29th Oct 2022  
**Time:** 09:00 to 17:00

**Online via Zoom**

Click here to  
[Register](#)



**Guest Presenter: Lebo Maphumulo**





# Enterprise and Supplier Development

Beneficiary	Supplier Development Beneficiary	% Black Ownership	% Black Women Ownership	Size	Supplier Development Program Beneficiary
Beneficiary 1	Yes	100%	100%	EME	Yes
Beneficiary 2	Yes	100%	50%	EME	Yes
Beneficiary 3	Yes	100%		EME	Yes
Beneficiary 4	Yes	100%	100%	QSE	Yes
Beneficiary 5	Yes	100%	100%	EME	Yes
Beneficiary 6	Yes	100%		QSE	Yes
Beneficiary 7	Yes	100%		QSE	Yes
Beneficiary 8	Yes	100%	100%	EME	Yes
Beneficiary 9	Yes	100%		EME	Yes





# Community Outreach

BENEFICIARY	% BLACK PARTICIPATION	BENEFICIARIES DISABLED	CONTRIBUTION TYPE	STRUCTURED SED PROJECT
iThemba Lethu	100%		Grant	Yes
Jumping Kids	89%	Yes	Grant	Yes
SAME Foundation	100%		Grant	Yes
Khulisa Social Solutions	75%		Grant	Yes





# Community Outreach







## **We're redefining exceptional**

Through our specialist expertise, we're challenging boundaries to deliver advanced infrastructure solutions.

[smec.com](https://smec.com)