

Capital markets typically rely heavily on the use of financial intermediaries, and the ability to trade rapidly and largely anonymously. These attributes do not make for an easy fit with the need to measure black economic empowerment. A substantial proportion of the shares of many issuer companies are indirectly held via financial institutions.

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To date, the BEE framework in South Africa has largely failed to deal with these characteristics of modern capital markets. Typically, only sizeable and self-identifying BEE shareholders have been measured. This has resulted in systematic underestimation of black participation in public companies in South Africa.

Alternative Prosperity (Pty) Ltd has performed in-depth research on the major pension funds, life insurance policy holder funds and collective investment schemes with regards to the effective economic interest held and voting rights exercisable by black people as defined in the Codes of Good Practice on Broad-Based Black Economic Empowerment (the Codes).

Our methodology has been co-developed by SANAS-accredited verification agency, AQRate, and subsequently independently verified by EmpowerLogic and Grant Thornton, and has been accepted by all agencies who had to include Mandated Investments in the calculation of Ownership scores for listed companies.

According to the Codes, an entity is allowed to;

- Exclude all its mandated investments, up to a maximum of 40% of total shareholding, from the denominator when calculating the economic interest and voting rights held by black people; or
- Include all such mandated investment.

To date companies have opted to exclude mandated investments because the effective black shareholding through mandated investments was not determined. Alternative Prosperity (Pty) Ltd is the first company that has successfully determined the effective black shareholding of the major mandated investments based on sound methodology.

We believe that the inclusion of Mandated Investments in the calculation of black ownership is factually more accurate and more reflective of the true broad-based beneficiation, through ownership.

Our process for achieving this and reporting the results is through an Independent Competent Persons Report<sup>1</sup> (ICPR) methodology.



This process does not include the verification of your Ownership points. These are services which can be acquired as part of a separate engagement.

1. The term 'Competent Person' is defined as "a person who has acquired through training, qualification and experience the knowledge and skills necessary for undertaking any task assigned to them under the codes."

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