



Financial Sector  
**Charter Council**

# 2008

## ANNUAL REVIEW

Report on the Transformation of the Financial Sector in South Africa





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## FOREWORD

The objective of an annual review is to track the performance, compliance, implementation strategies and challenges in the financial sector. The review describes transformation performance of the different industries within the financial sector in terms of FSC performance targets and overall transformation in the sector.

The 2008 Annual Review of the sector is the fourth transformation review on the financial sector's progress in meeting its commitments under the Financial Sector Charter (FSC). The review describes the sector's state of transformation at 31 December 2008.

The 2008 reporting year was a difficult year for financial institutions. The financial sector crisis, marked by the collapse of major banks and other financial institutions in the developed economies in Europe and North America, turned into a global economic crisis with negative socio-economic impacts for developing countries, including South Africa. By the end of 2008, South African companies and consumers alike were facing recession for the first time in 17 years.

In addition to the economic crisis, financial institutions have faced uncertainty over the future of the Financial Sector Charter. The FSC was one of the first transformation charters to be drafted and implementation began before the finalisation and gazetting of the Department of Trade and Industry's Codes of Good Practice (COGP) on Broad-Based Black Economic Empowerment. It was widely anticipated that the FSC would be gazetted as a sector code in 2008 during the transitional period for aligning existing charters with the Codes and converting them into sector codes. This conversion did not take place as Charter participants could not reach agreement on alignment between the Charter and the Codes. Discussions are continuing between Charter participants to resolve the disagreement on alignment and gazetting of the Charter as the Financial Sector Code.

The 2008 transformation performance report marks five years of implementation of the Charter. As the detailed analysis contained in the report will illustrate, the sector has performed well overall in many areas of transformation performance and Charter targets have been exceeded. At the same time, there are areas where performance has been poor. It is however expected that as financial institutions continue to embrace the BEE transformation principle and accept it as essential for the sustainability of their business, performance will also improve in the areas where it has been poor.

The Financial Sector Charter Council is proud to present this fourth annual report that highlights the accomplishments and shows how vision and innovation combined with commitment and support of all participants have led to the stepping stone of the Financial Sector transformation journey.



*Nkosana Mashiya*

Chairman: Financial Sector Charter Council



## INTRODUCTION AND EXECUTIVE SUMMARY

### Background

In 2003, the financial sector set a bold, demanding and achievable goal for itself: to actively promote a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted sectors of the economy.

The plan called for addressing inequality in the workplace, investing in human resource development, promoting BEE targeted procurement strategies, ensuring access to basic financial services and increasing investment in projects that strengthen infrastructure, create jobs, meet basic needs, and stimulate economic activity in the poorest regions and communities of South Africa.

### The Financial Sector Charter Council

The Charter provided for the establishment of a Charter Council to oversee its implementation. The Charter Council is made up of a board and an executive, headed by a Principal Officer.

The board of the Charter Council, as per the Constitution, has 21 members from five constituencies: Government, Business, the Association of Black Securities and Investment Professionals, Community and Labour.

The board also has 12 technical committees on which all Charter constituencies are represented. These were not as active in 2008 as in the previous years due to the unresolved dispute on ownership. All powers of the Charter Council vest with the board, which may delegate some of its activities to committees of the board or to the executive.

The Charter Council executive, headed by the Charter Council Principal Officer, is responsible for the financial sector's annual reporting process and for preparing the annual transformation review. The Charter requires the executive to receive, consider and approve annual reports submitted by the participating financial institutions and to confirm scoring and institution's ratings. For the 2008 reporting period, the executive has operated without a Principal Officer, but has had a Chief Operating Officer.

The executive is also required to prepare annual reviews of progress in transforming the financial sector and identify new areas of intervention by the Charter Council. The Charter's allocation to the Charter Council Executive of exclusive responsibilities for coordinating the reporting process and for assessing and reviewing transformation in the sector and by individual institutions ensures the credibility, integrity and independence of the resulting review and report.

## INTRODUCTION AND EXECUTIVE SUMMARY *continued*

### Executive Summary

#### Introduction to the 2008 review

Continuing with the approach from previous years, financial institutions were provided with a standard reporting questionnaire together with guidance notes to assist them in preparing their reports.

Some institutions, due to the nature of their businesses, applied and qualified for exemptions from reporting on certain elements of the Charter with a few qualifying for not having to report all the elements. Applicants granted exemptions from reporting on all elements were in total 28 while partial exemptions granted were 67.

The total number of institutions who submitted reports was 102 against an estimated total of 192 institutions in the financial sector.

The table below shows the number of members and the number of reports per industry.

Industry	Total Number	Submissions	%
BASA <sup>1</sup>	24	20	83%
LOA <sup>2</sup>	29	11	38%
SAIA	44	22	50%
JSE <sup>3</sup>	45	8	18
ACI <sup>2</sup>	23	10	43%
IBA	11	9	82%
IMASA <sup>2</sup>	16	10	63%
Other <sup>4</sup>	Unknown	8	–

**Table 1**

In spite of the relatively poor reporting levels, it is believed that the statistics for about 80% of the financial sector have been captured.

1 The acronym BASA is currently used by the Business and Arts South Africa. However, to maintain consistency with previous years' reports, the acronym BASA has been used in this report to refer to the Banking Association of South Africa

2 During 2008 three associations, namely Life Officers Association (LOA), the Association of Collective Investments (ACI) and the Investment Management Association of South Africa (IMASA) merged and formed a new association: Association for Savings and Investment South Africa (ASISA). To maintain consistency with previous years' reports, the 2008 report has been prepared based on the old associations.

3 JSE includes the Bond Exchange of South Africa.

4 Other refers to financial institutions that are not registered members of any of the above industry association.



## INTRODUCTION AND EXECUTIVE SUMMARY *continued*

### **Integrity of information**

The Charter Council requires reporting institutions to attest on an annual basis to the veracity of their submissions to the Council. The annual submissions contain some figures that are cumulative in nature and are aggregated from 1 January 2004 to the current submission date. This creates the unintended consequence that the scope of any annual attestation or verification would need to re-verify prior year submissions. The Council does not require reporting institutions to re-attest or re-verify prior year submissions or prior year data already attested to or verified.

Institutions were not required for 2008 to have their submissions audited by external parties before submission to the Council; a significant number did however, choose to do so. In particular all the large institutions chose to have their submissions audited by either a verification agency or by their financial auditors, thus ensuring the integrity of the information.

### **The transformation journey so far**

At the end of 2008, the sector proved to have achieved a successful milestone towards transformation as marked by achievements against most of the targets set at the beginning of the Charter. However, there is also underachievement in some elements and within some industries.

#### **1. Towards enhancing cultural diversity and gender sensitivity within the sector:**

The sector has performed very well against the Charter targets, with all the targets being exceeded. On average Black Managers employed were just above the target while Black Women Managers doubled the set targets.

The growth of the numbers of Black Women in all categories of management outstripped the growth of the number of total managers and the number of all Black Managers. This is a positive development as institutions employ and promote more Black Women, thus working towards redressing the gender imbalance. In Senior Management however, the numbers of Black Women are less than a third of that of all Black Managers, with the proportion being less than half at Middle Management. In Junior Management the picture is more encouraging with Black women representing 58% of the number of Black Junior Managers. This indicates that gender inequality is being addressed; however, the sector needs to fast-track and up-skill more Black Women into Middle and Senior Management.

#### **2. Towards equipping black people with the appropriate knowledge and capacity through skills development and learnerships:**

**a. Skills development:** The sector exceeded the target of 1.5% by spending 1.71% on the training of Black staff. This however, still represents a decrease in spend from 2007. While the sector's total payroll increased by 3% to R 49,8 billion rand, the spend on training of Black staff decreased by 6% to R 854 million.

**b. Learnerships:** The sector has consistently underperformed in the area of Learnerships, reporting the number of Learnerships at 1.46% of staff, as opposed to a target of 1.5% for 2008.

#### **3. Towards supporting black businesses through targeted procurement strategies and through fostering new and developing existing BEE accredited companies:**

In 2008 the financial sector spent just over R 59,5 billion on procurement, a decrease of 36% from the previous year. By contrast, BEE procurement spend for 2008 only decreased by 21.64%, an effective increase of 15.16% bringing the BEE procurement spend to 59.42%, ahead of the target of 50%.

## INTRODUCTION AND EXECUTIVE SUMMARY *continued*

The biggest portion of the procurement spend is with suppliers who either do not yet have a scorecard or who are non-compliant (28.99%). The next biggest portion of spend (28.74%) is with suppliers who have achieved 100% BEE procurement recognition, i.e. Level 4 in terms of the COGP or have a turnover below R 5 million per annum. Thereafter the distribution is 110% recognition (12.31%); 125% recognition (10.77%); 80% recognition (10.31%); 60% recognition (4.49%); 135% recognition (2.55%); 50% recognition (1.60%) and 10% recognition (0.24%).

The **Enterprise Development** spend of the sector amounted to R 1,4 billion rand.

### **4. Towards ensuring access to financial services through the provision of first order retail financial products and services:**

#### **a. Access to banking:**

- i. Physical access - By December 2008, 77.05% of the LSM 1-5 market had access to a banking service point within 10kms from their place of residence and 74.72% had access to a full banking service point within 15km of their place of residence. This is below the target of 80% for both categories.
- ii. By December 2008, 2,845,172 people had bank accounts that qualify under the Charter Access provisions. For the majority of these people this is their first bank account.

**b. Access to collective investment schemes** – this has been an area of poor performance, with only one company reporting sales of 1,864 qualifying products.

#### **c. Access to long-term insurance:**

- i. Physical access – By December 2008 71% of the LSM1-5 market had the ability to buy and transact on their long-term insurance products within 40km from their place of residence or work. This is still below the target of 80%.
- ii. The industry had 15.13% of the LSM 1-5 market covered by some means of long-term insurance cover. Again this is below the 2008 target of 33%.

**d. Access to short-term insurance** – the short-term insurance industry has performed poorly, with the industry only selling 1,379 qualifying products to the LSM 1-5 market.

#### **e. Origination of loans:**

- i. Low-income housing – the domestic banking industry advanced R 45,7 billion in low-income housing loans during the first five years of implementation. This is in excess of the R 42 billion target.
- ii. Agriculture – the domestic banking industry advanced R 1,8 billion in agriculture loans to resource poor Black farmers during the first five years of implementation. This is in excess of the R 1,5 billion target.
- iii. Black SME – the domestic banking industry advanced R 12,8 billion in loans to Black enterprises with a turnover below R 20 million, during the first five years of implementation. This is in excess of the R 5 billion target.

**f. Educating the consumer:** The sector collectively met the minimum requirement of spending 0.2% of post tax operating profits on consumer education initiatives that are aimed at empowering consumers with knowledge to enable them to make more informed decisions about their finances and lifestyle. At an industry level, only two industries (JSE and SAIA) exceeded the minimum of 0.2% with the remaining industries falling short of the 0.2% minimum requirement.





## INTRODUCTION AND EXECUTIVE SUMMARY *continued*

### 5. *Towards increasing investments in areas where gaps or backlogs in economic development and job creation have not been adequately addressed by financial institutions:*

For the 2008 reporting period the sector reported investing R 64,6 billion in targeted investments, exceeding the industry target of R 63,5 billion for the five year period. The achievements for Black SME (227%) and Agriculture (296%) were more than double; while the achievements in low-income housing (97.35%) and transformational infrastructure (70.75%) were below target.

Investment in low-income housing and Black SMEs tended to cluster around South Africa's main urban metropolises (Johannesburg, Cape Town and Durban). While this may be reflecting South Africa's population and business densities, the intention of the Charter is to direct investment to underdeveloped areas which are not necessarily within the metropolises.

For the 2008 reporting period, the sector reported R 101 billion in **BEE transaction financing** on its books, exceeding the industry target of R 50 billion by over 100%.

### 6. *Towards ensuring the empowerment of black people through ownership and management control within the sector:*

#### **Ownership:**

The average direct Black ownership of reporting institutions increased from 18.80% to 23.35% (measured on a straight-line average and not weighted according to market capitalisation).

However, a separate and more accurate ownership evaluation exercise conducted on a sample consisting mainly of the listed financial institutions who in total would contribute 80% of the financial sector's market capitalisation, revealed that the market capitalisation weighted average of direct black ownership of the sector is around 11%.

Since the Financial Sector Charter Council has not finalised the measurement criteria for **indirect Black ownership**, institutions were unable to report on this aspect of their ownership.

#### **Control:**

**Black directors:** The sector performed above the 2008 targets for Black directors at 40.92%, and Black women directors at 12.06%. Even though the total number of directors decreased by 6.58%, the number of Black directors increased by 5.23%. This increase in Black directors came from an increase in Black male directors as the number of Black women directors decreased by 3.26%.

**Black executives:** The sector has performed above the 2008 targets for Black executives at 28.41%, and Black women executives at 7.64%. Even though the total number of executives increased by 3.70%, the number of Black executives increased by 5.19%. This increase in Black executives came from an increase in Black male executives as the number of Black women executives decreased by 1.64%.

### 7. *Towards ensuring corporate social responsibility through social investments initiatives:*

The sector invested R 525 million in Corporate Social Investment programmes in 2008, an increase of R 136,85 million compared to 2007 (35%). This is in spite of the sector's profits decreasing by 13%. The spend represented 0.88% of profits after tax.

#### **In conclusion**

The 2008 review is intended to form the basis for the mid-term review of the Charter, which should take place in 2009, as required in terms of paragraph 4.3

*"In 2009 (based on the reports for the year ended 31 December 2008), the Charter Council will undertake a comprehensive mid-term review and make decisions regarding the implementation of the charter in its second term. The ownership provisions will be reviewed in 2011 to address identified shortcomings."*

The current impasse among Charter participants will affect this review process. It is hoped that the differences will be resolved so that the Financial Sector Charter Council and all Charter participants can look forward to the next phase of the Charter and the success to be achieved in pursuing the goal of transforming the sector.



## 2008 SCORECARD FOR THE SECTOR

Element	Indicator	Target 2008	Percentage achieved
<b>Human Resource Development</b>			
<b>Employment Equity</b>			
<b>Senior Management</b>			
	Black People	Min 20% -25%	25.37%
	Black Women	Min 4%	8.05%
<b>Middle Management</b>			
	Black People	Min 30%	38.88%
	Black Women	Min 10%	17.64%
<b>Junior Management</b>			
	Black People	Min 40% -50%	53.14%
	Black Women	Min 15%	31.25%
<b>Skills Development</b>			
	Skills spend % of payroll spent p.a. on skills development of Black employees	1.5%	1.71%
	Learnership program: learnerships as % of total staff (cumulative for 2007 and 2008)	1.50%	1.46%
<b>Procurement and Enterprise Development</b>			
	Procurement	50%	59.42%



## 2008 SCORECARD FOR THE SECTOR *continued*

Element	Indicator	Target 2008	Achieved
<b>Access to Financial Services</b>			
Transactions savings products and services	Effective access for LSM 1-5 (%)	80%	77.05%
Bank savings products and services	Number of Bank Products	2,905,775	2,845,172
Life assurance products and services	Effective access for LSM 1-5 (%)	33%	15.13%
Collective investments products and services	Effective access for LSM 1-5 (%)	1%	0%
Short-term risk insurance products	Effective access for LSM 1-5 (%)	6%	0.53%
Origination	Origination of home loans	R 42 bil	R 45.7 bil
	Origination of agriculture loans	R 1.5 bil	R 1.8 bil
	Origination of Black SME loans	R 5 bil	R 12.8 bil
Consumer education	% of post tax operating profits spend p.a.	0.2%	0.17%
<b>Empowerment Financing</b>			
Targeted Investments. Institution's target for agriculture (R)		R 1.5 bil	R 4.44 bil
Targeted Investments Institution's annual investment in transformational infrastructure (R)		R 25 bil	R 17.69 bil
Institution's annual investment in low-income housing (R)		R 32 bil	R 31.14 bil
Institution's annual investment in agricultural development (R) Institution's annual investment in Black SMEs		R 5 bil	R 11.37 bil
Institution's target for BEE transaction financing (R)		R 50 bil	R 101.20 bil

## 2008 SCORECARD FOR THE SECTOR *continued*

Element	Indicator	Target 2008	Percentage achieved
<b>Ownership &amp; Control</b>			
<b>Ownership</b>			
Direct ownership		Min 10% by 2010	23.35%
Direct or indirect ownership in excess of 10%		15% by 2010	
<b>Control</b>			
Board			
Black People as a % of board of directors		33%	40.92%
Black Women as a % of board of directors		Min 11%	12.06%
Executive Management		5.00	
Black People as a % of executive management		Min 25%	28.41%
Black Women as a % of executive management		Min 4%	7.64%
<b>Corporate Social Investment</b>			
% of post tax operating profit directed p.a. to CSI		0.5%	0.88%



## CHAPTER 1: HUMAN RESOURCE DEVELOPMENT

### Employment Equity

Employment equity looks at the management levels below executive management. The definition of a manager is based on a salary band. This differs from both the Employment Equity Act and the Broad Based Black Economic Empowerment Act's Codes of Good Practice (CoGP) that provide broader descriptions in the definition of each level.

The Charter identifies the three management categories, junior, middle and senior, and stipulates the minimum salaries for each as at 31 December 2003. The Charter further specifies that the minimum income and salary bands will increase in line with CPIX on 1 January every year. These annual increases, calculated on the basis of average annual CPIX, are reflected in the table below. The figures given for 2008 are the bottom of the salary band for each management category.

Average Annual CPIX	2002: n/a	2003: 6.8%	2004: 4.3%	2005: 3.9%	2006: 4.6%	2007: 6.5%
Applicable Year	2003	2004	2005	2006	2007	2008
Senior	R 450,000+	R 480,600+	R 501,267+	R 520,816+	R 544,733+	R 580,183+
Middle	R 250,000+	R 267,000+	R 278,482+	R 289,343+	R 302,652+	R 322,324+
Junior	R 150,000+	R 160,200+	R 167,089+	R 173,605+	R 181,590+	R 193,393+

Table 2

### Performance of the sector in 2008

The sector has achieved and surpassed (in some cases far surpassed) all the targets set for Employment Equity.

MANAGEMENT LEVEL	2008 targets	2008 performance
SENIOR MANAGEMENT	Black (target 20-25%)	25.37%
	Black Women (target 4%)	8.05%
MIDDLE MANAGEMENT	Black (target 30%)	38.88%
	Black Women (target 10%)	17.64%
JUNIOR MANAGEMENT	Black (target 40-50%)	53.14%
	Black Women (target 15%)	31.25%

Table 3

## HUMAN RESOURCE DEVELOPMENT *continued*

### Number of Managers per level

The table below shows that there was an increase in the total number of managers across all three categories. More detail follows in each management level.

Year	2005	2006	2007	2008	% growth
Senior Managers	10,796	10,919	10,852	12,866	18.56%
Black Senior Managers	1,803	2,044	2,645	3,264	23.40%
Black Women Senior Managers	452	564	787	1,036	31.64%
Middle Managers	26,782	24,602	23,321	26,548	13.84%
Black Middle Managers	7,599	7,409	8,393	10,323	23.00%
Black Women Middle Managers	2,852	3,055	3,618	4,684	29.46%
Junior Managers	38,284	33,789	35,306	39,445	11.72%
Black Junior Managers	15,201	14,482	17,542	20,961	19.49%
Black Women Junior Managers	8,294	8,181	9,844	12,326	25.21%

Table 4

### SENIOR MANAGEMENT

Senior Management refers to all employees with a package (excluding bonuses) in respect of which the cost to the employer is R580,183 (CPIX influenced) per annum or more, but excludes all employees who fall within the definition of executive management;

The target for all Black Senior Managers was met and the target for Black Women was not only met but doubled.

SENIOR MANAGEMENT	Black (target 20-25%)	25.37%
	Black Women (target 4%)	8.05%

Table 5



## HUMAN RESOURCE DEVELOPMENT *continued*

### PERFORMANCE OF SENIOR MANAGEMENT PER INDUSTRY

With the exception of those in the category “Other”, all industries have met or exceeded the Black Senior Management target. With the exception of ACI, all industries have exceeded the Black Women Senior Management target.

Industry	Black (target 20-25%)	Black Women (target 4%)
LOA	25.01%	7.94%
JSE	26.67%	12.50%
ACI	27.05%	3.38%
IMASA	25.83%	6.01%
SAIA	25.40%	8.22%
Other	16.57%	5.43%
BASA	25.79%	8.23%
IBA	24.31%	10.42%

Table 6

### Black Senior Management

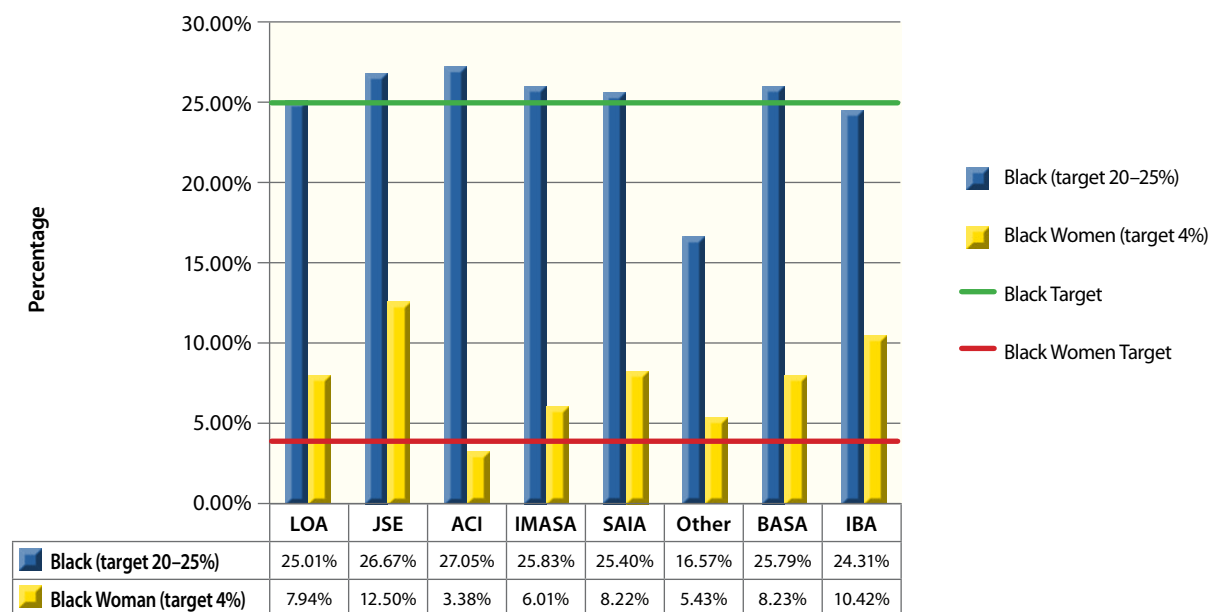


Figure 1

## HUMAN RESOURCE DEVELOPMENT *continued*

PERFORMANCE FROM 2005 TO 2008				
Year	2005	2006	2007	2008
Black Senior Managers	16.70%	18.72%	24.37%	25.37%
Black Women Senior Managers	4.19%	5.17%	7.25%	8.05%

Table 7

As can be seen from the above table, the sector exceeded the target for Black Women in Senior Management from 2005 (the first year of reporting). This raises the question of the validity of the target, particularly in view of the fact that the achievement of the sector in 2008 was double the target. Some Charter participants have argued that the Black Women targets were set unrealistically low in the original Charter. The figures above show that this argument is correct and the sector should have set itself a higher stretch target for Black Women in management.

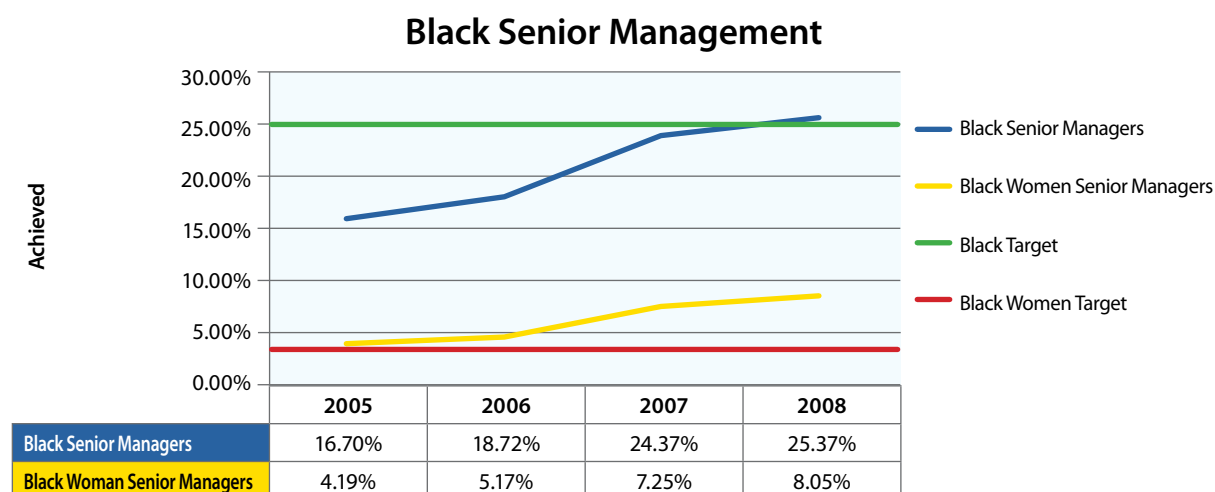


Figure 2

### MIDDLE MANAGEMENT

Middle Management means all employees with a package (excluding bonuses) in respect of which the cost to the employer is between R322,324 and R580,182 (CPIX influenced) per annum.

The sector has exceeded the targets for both Black Middle Managers and Black Women Middle Managers.

<b>MIDDLE MANAGEMENT</b>	Black (target 30%)	38.88%
	Black Women (target 10%)	17.64%

Table 8





## HUMAN RESOURCE DEVELOPMENT *continued*

### PERFORMANCE OF MIDDLE MANAGEMENT PER INDUSTRY

All industries in the sector have either met or exceeded the targets for Middle Management.

Industry	Black (target 30%)	Black Women (target 10%)
LOA	38.91%	16.85%
JSE	43.22%	18.59%
ACI	37.09%	15.64%
IMASA	47.99%	24.46%
SAIA	30.55%	12.49%
Other	31.84%	14.84%
BASA	39.60%	18.26%
IBA	43.03%	21.36%

Table 9

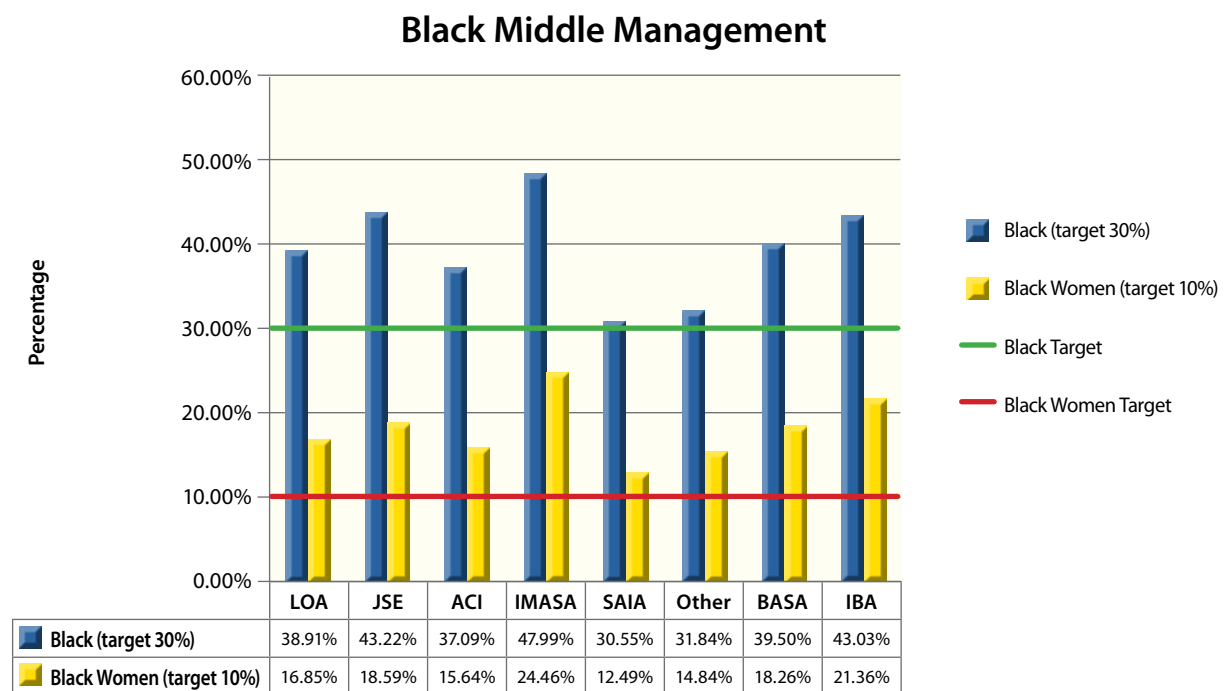


Figure 3

## HUMAN RESOURCE DEVELOPMENT *continued*

PERFORMANCE FROM 2005 TO 2008				
Year	2005	2006	2007	2008
Black Middle Managers	28.37%	30.12%	35.99%	38.88%
Black Women Middle Managers	10.65%	12.42%	15.51%	17.64%

Table 10

As with Senior Management, the sector exceeded the target for Black Women in Middle Management from 2005 (the first year of reporting) and again shows that the target was set unrealistically low in the original Charter. In Middle Management the target for all Middle Managers was exceeded for the first time in 2006, two years before the target date, again raising the question of whether the target was too low.

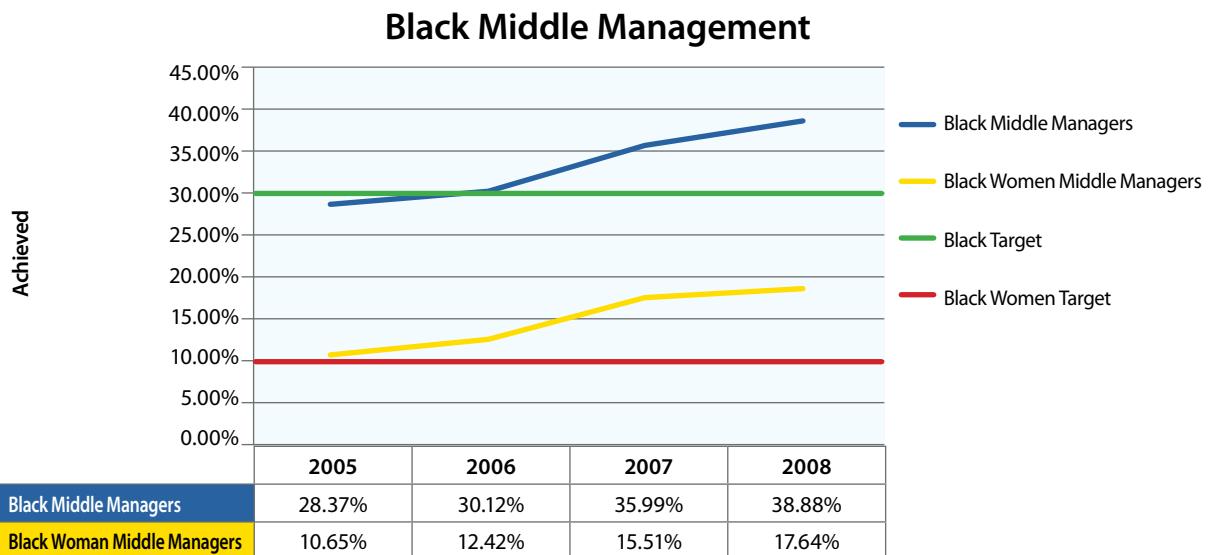


Figure 4

### JUNIOR MANAGEMENT

Junior Management means all employees with a package (excluding bonuses) in respect of which the cost to the employer is between R193,393 and R322,321 (CPIX influenced) per annum.

The target for all Black Junior Managers has been met and with double the target for Black Women being achieved.

<b>JUNIOR MANAGEMENT</b>	Black (target 40-50%)	53.14%
	Black Women (target 15%)	31.25%

Table 11



## HUMAN RESOURCE DEVELOPMENT *continued*

### PERFORMANCE OF JUNIOR MANAGEMENT PER INDUSTRY

With the exceptions of SAIA and Other, all industries have exceeded the target for Black Junior Managers, with all industries far surpassing the Black Women target.

Industry	Black (target 40-50%)	Black Women (target 15%)
LOA	54.36%	31.44%
JSE	64.05%	34.64%
ACI	61.79%	38.21%
IMASA	67.51%	41.96%
SAIA	43.54%	21.32%
Other	47.09%	31.31%
BASA	53.57%	31.93%
IBA	60.92%	39.69%

Table 12

### Black Junior Management

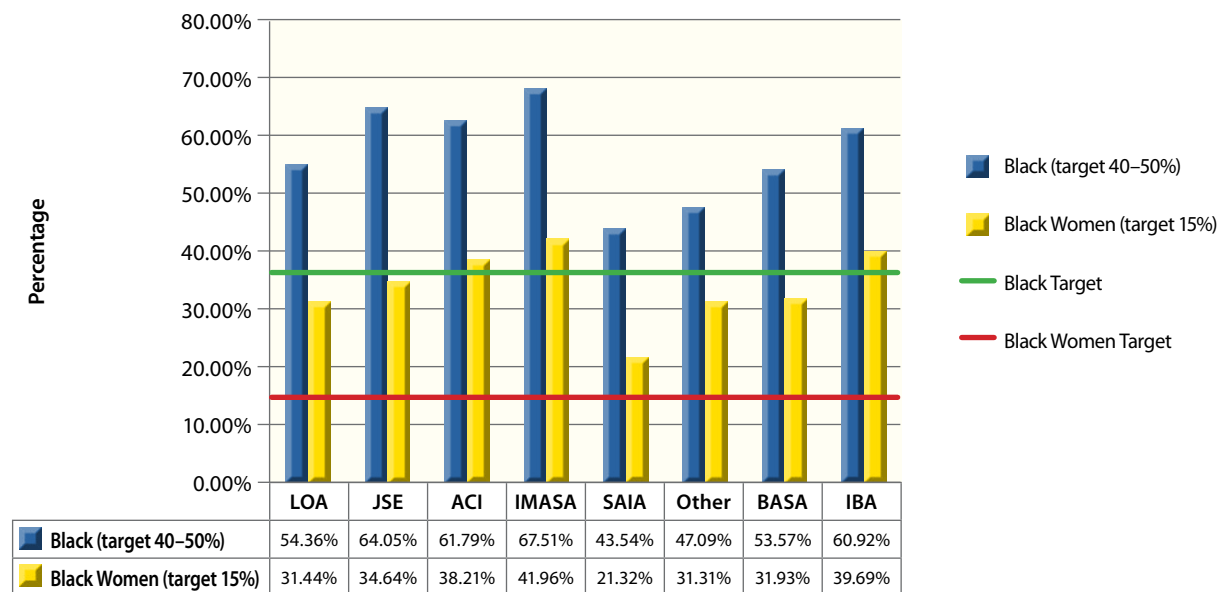


Figure 5

## HUMAN RESOURCE DEVELOPMENT *continued*

PERFORMANCE FROM 2005 TO 2008				
Year	2005	2006	2007	2008
Black Junior Managers	39.71%	42.86%	49.69%	53.14%
Black Women Junior Managers	21.66%	24.21%	27.88%	31.25%

Table 13

As with both Senior and Middle Management the sector exceeded the target for Black Women in Middle Management from 2005 (the first year of reporting) by a significant margin and again this shows that the target was set far too low.

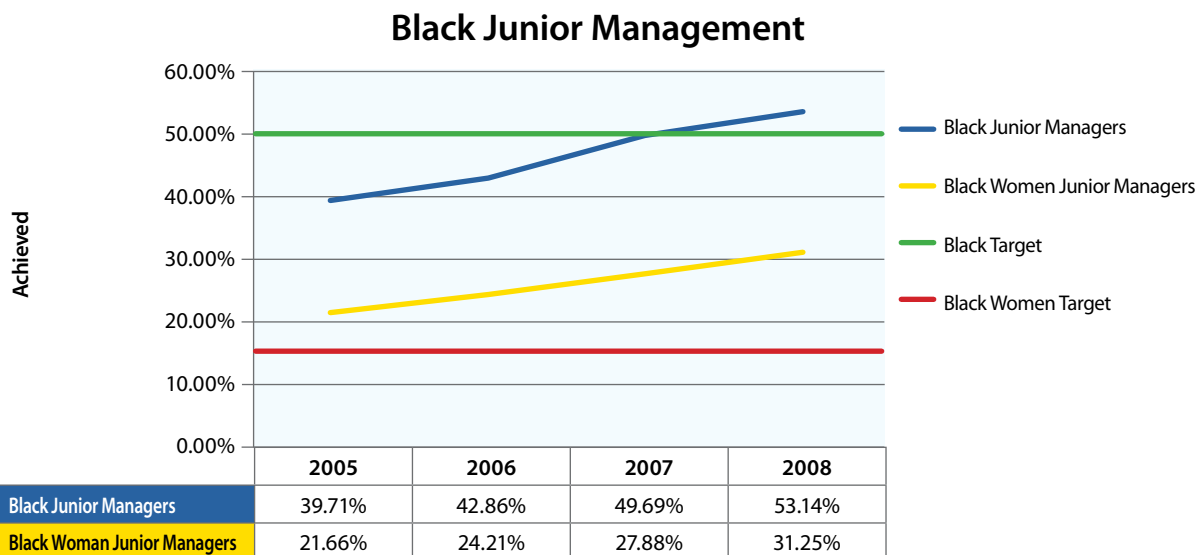


Figure 6

### SKILLS DEVELOPMENT

The FSC has set two specific targets to address the skills shortage

- allocate 1.5% of total basic payroll to the training of Black personnel, and
- employ 1.5% of their total staff in the form of Black matriculants, or the NQF Level Four equivalent, in learnerships

### TRAINING OF BLACK STAFF

There was a decrease in the amount spent on training Black staff from 2007 to 2008 from R908 million to R854 million.

Year	2005	2006	2007	2008	%Growth
Total payroll (millions)	R 32,144	R 41,573	R 48,369	R49,815	3%
Spending on Black staff training (millions)	R 931	R 583	R 908	R 854	-6%
Percentage Spend	2.90%	1.40%	1.88%	1.71%	

Table 14



## HUMAN RESOURCE DEVELOPMENT *continued*

### Rand Spend per Industry

Industry	Spend 2006	Spend 2007	Spend 2008	Increase/decline
LOA	R 138,748,283.00	R 130,048,929.64	R 226,234,726.21	R 96,185,796.57
JSE	R 1,961,716.00	R 1,399,324.51	R 3,751,501.80	R 2,352,177.29
ACI	R 13,277,530.00	R 5,375,575.87	R 8,699,825.73	R 3,324,249.86
IRF	R 10,829,654.00	R 42,282,038.93	n/a	–
IMASA	R 8,237,691.00	R 9,366,013.90	R 8,148,259.52	R -1,217,754.38
SAIA	R 31,489,414.00	R 60,684,662.20	R 56,229,498.50	R -4,455,163.70
Other	n/a*	R 1,190,519.86	R 4,456,486.15	R 3,265,966.29
BASA	R 369,586,679.00	R 648,794,957.71	R 537,049,473	R -111,745,484.71
IBA	R 8,467,742.00	R 8,246,026.15	R 9,440,667.87	R 1,194,641.72

Table 15

### Percentage spend per Industry

Industry	Skills Spend (target 1.5%)
LOA	2.12%
JSE	1.02%
ACI	1.80%
IMASA	1.09%
SAIA	1.99%
Other	0.53%
BASA	1.63%
IBA	1.00%

Table 16

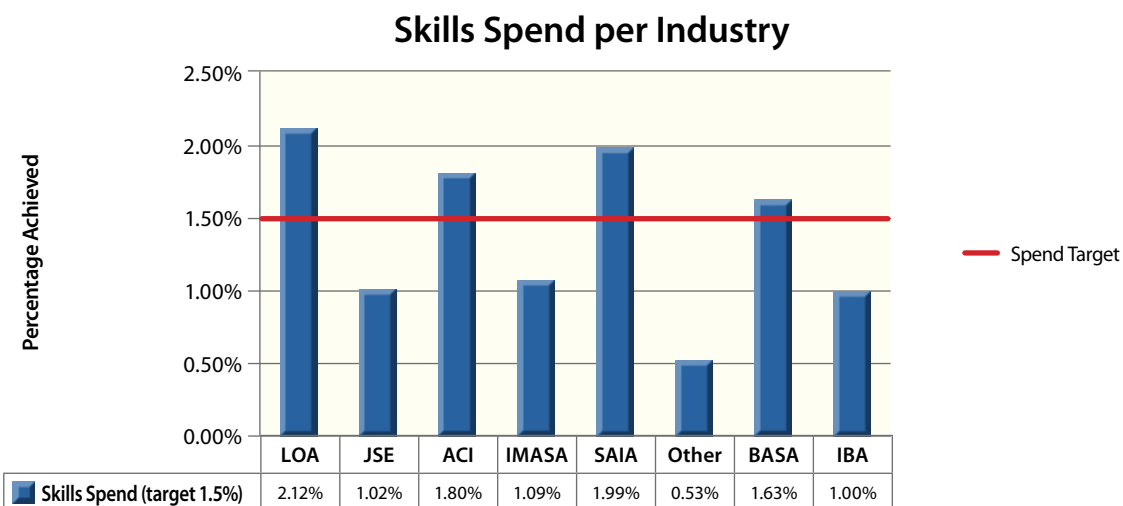


Figure 7

## HUMAN RESOURCE DEVELOPMENT *continued*

PERFORMANCE FROM 2005 TO 2008				
Year	2005	2006	2007	2008
Skills spend per year	2.90%	1.40%	1.88%	1.71%

Table 17

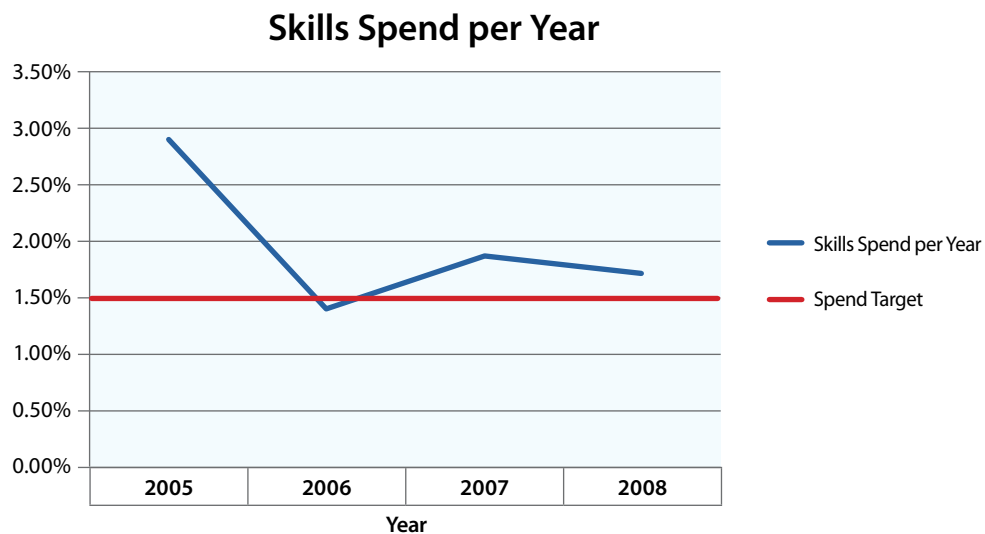


Figure 8

The sector started out on a high note in 2005 but the training spend on Black staff has decreased significantly since then.

### LEARNERSHIPS

As the total number of staff used as the denominator to calculate the percentage of Learnerships is at the end of the previous financial year, the growth in staff numbers is not indicative of the retrenchments seen in the sector following the economic downturn. This has been one of the poorer performing areas of the scorecard. According to reporting institutions, the reasons for this poor performance ranges from problems with the SETA learnerships to the fact that Learnerships for Charter scoring purposes were restricted to unemployed Black matriculants.

Year	2005	2006	2007	2008	%Growth
Total number of staff	181,004	195,377	192,409	202,758	5%
Black matriculants	2,696	3,463	2,513	2,954	18%
Learnership Percentage	1.49%	1.77%	1.31%	1.46%	12%
Black graduates	n/a	n/a	392	371	-5%
Graduates Percentage	-	-	0.20%	0.18%	-10%

Table 18



## HUMAN RESOURCE DEVELOPMENT *continued*

### Learnerships per Year

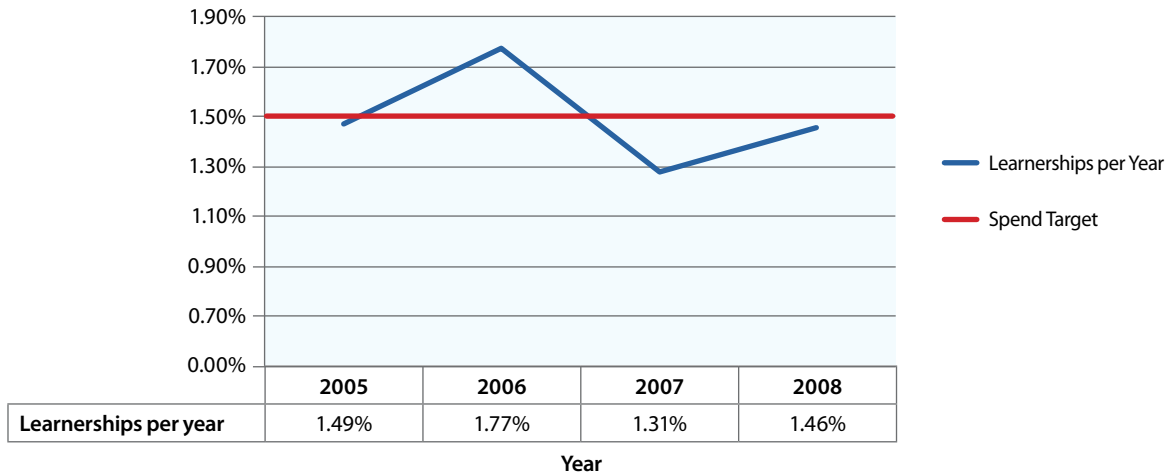


Figure 9

### Learnerships per Industry

Industry	Total Number of Staff	Number of matriculants	Percentage	Number of graduates	Percentage
LOA	44,934	566	1.26%	38	0.08%
JSE	406	–	0.00%	10	2.46%
ACI	1,312	11	0.84%	–	0.00%
IMASA	947	3	0.32%	3	0.32%
SAIA	11,067	158	1.43%	30	0.27%
Other	2,384	43	1.80%	13	0.55%
BASA	140,784	2,162	1.54%	275	0.20%
IBA	924	11	1.19%	2	0.22%

Table 19

### Learnerships per Industry

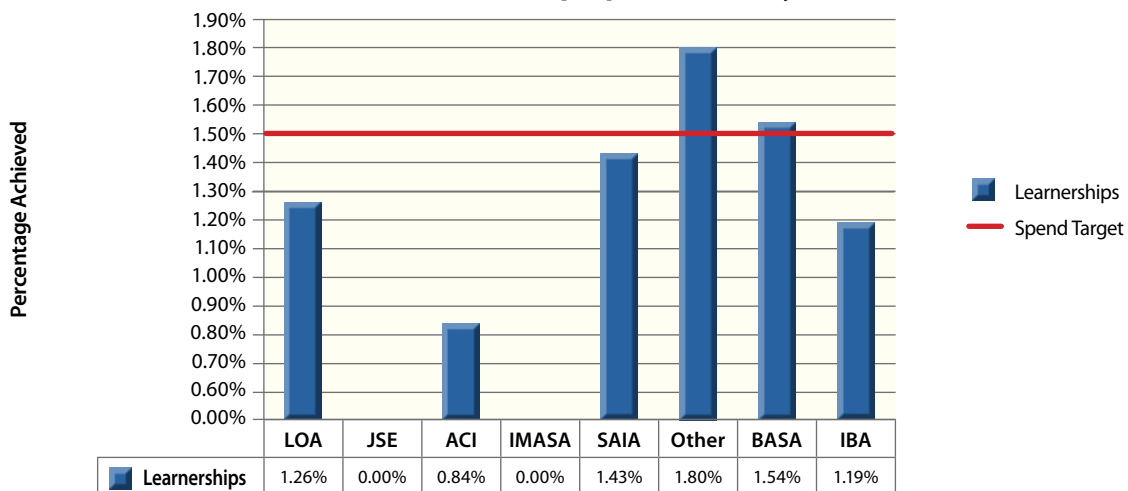


Figure 10



## CHAPTER 2: PROCUREMENT & ENTERPRISE DEVELOPMENT

### Procurement

For the 2008 reporting period, Procurement and Enterprise Development continue to be scored as a single element carrying a maximum score of 15.

The sector has exceeded the 2008 target by spending 59.42% of its discretionary procurement with suppliers who are BEE compliant. The sector has made huge efforts to get its supplier base BEE compliant. This has included initiatives from holding supplier workshops to discuss issues around BEE, to assisting suppliers with obtaining their BEE certificates. The process was also aided by the gazetting of the BBBEE Codes of Good Practice which implemented the framework for BEE scoring and which lead to the increased roll-out of BEE scoring.

FINANCIAL OVERVIEW OF PROCUREMENT					
Year	2005	2006	2007	2008	% growth
Total procurement spend (millions)	R 38,425	R 54,071	R 92,736	R 59,582	-36%
Total eligible BEE spend (millions)	R 14,764	R 17,958	R 47,846	R 35,405	-26%
% BEE procurement spend	38.42%	33.21%	51.60%	59.42%	

Table 20

### % BEE Procurement Spend

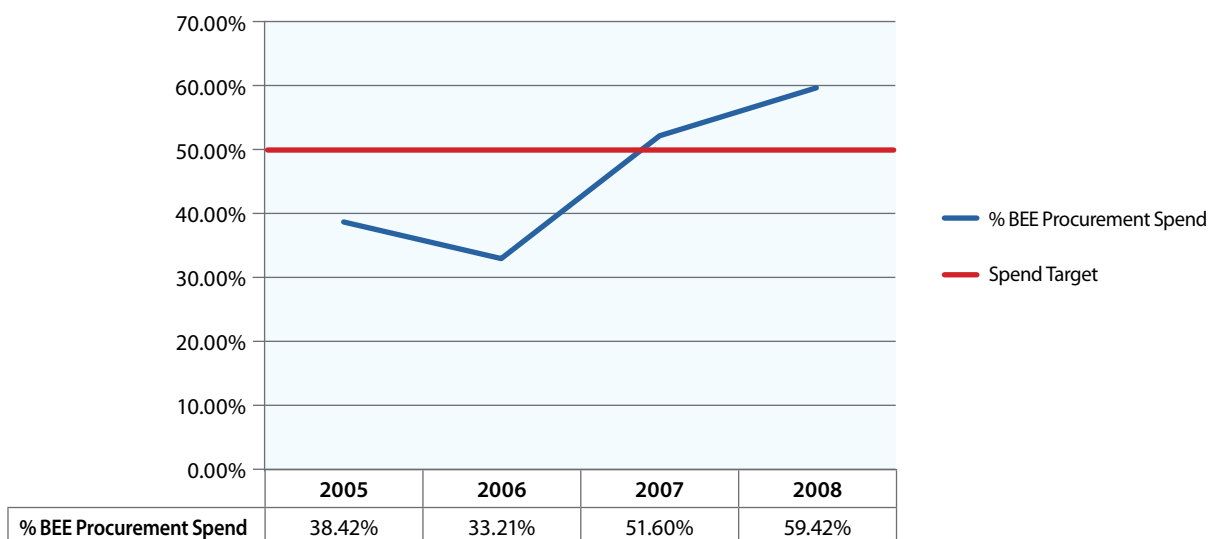


Figure 11



## PROCUREMENT & ENTERPRISE DEVELOPMENT *continued*

Distribution of BEE Procurement spend (based on suppliers who were rated against the COGP)

Level	Spend
Non-compliant	R 10,192,351,728.34
Level 4	R 10,104,344,600.18
Level 3	R 4,327,168,688.45
Level 2	R 3,786,852,362.72
Level 5	R 3,626,473,139.72
Level 6	R 1,579,427,464.64
Level 1	R 896,587,787.86
Level 7	R 562,458,684.71
Level 8	R 85,232,818.65

Table 21

### BEE Procurement Spend Distribution

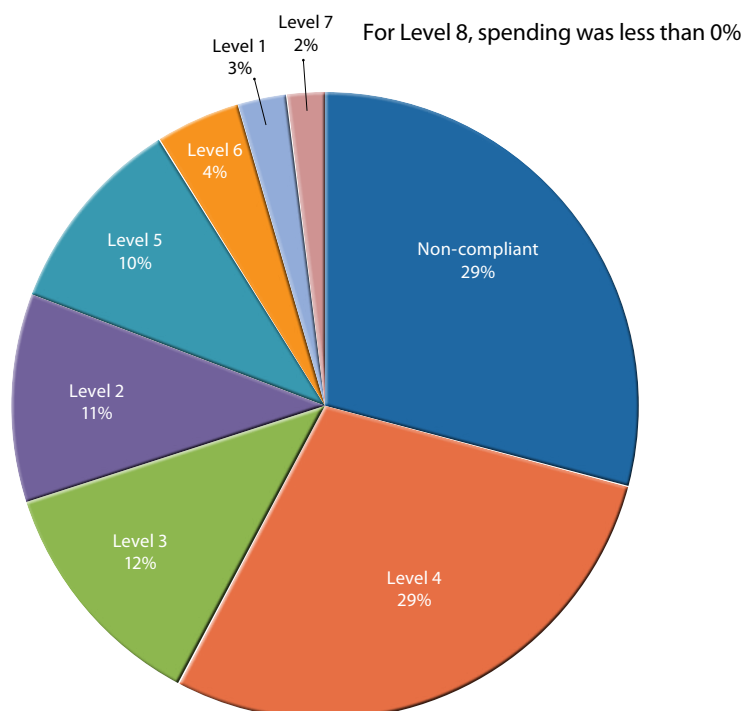


Figure 12

## PROCUREMENT & ENTERPRISE DEVELOPMENT *continued*

### Exclusions from procurement

Discretionary procurement is the total procurement less allowable exclusions. The exclusions applied by companies are those that are defined in the FSC.

### Performance by Industry

The table below shows the performance per industry.

Industry	Procurement
LOA	56.80%
JSE	69.91%
ACI	64.96%
IMASA	73.38%
SAIA	77.72%
Other	67.16%
BASA	55.29%
IBA	54.46%

Table 22

### Procurement Percentage per Industry

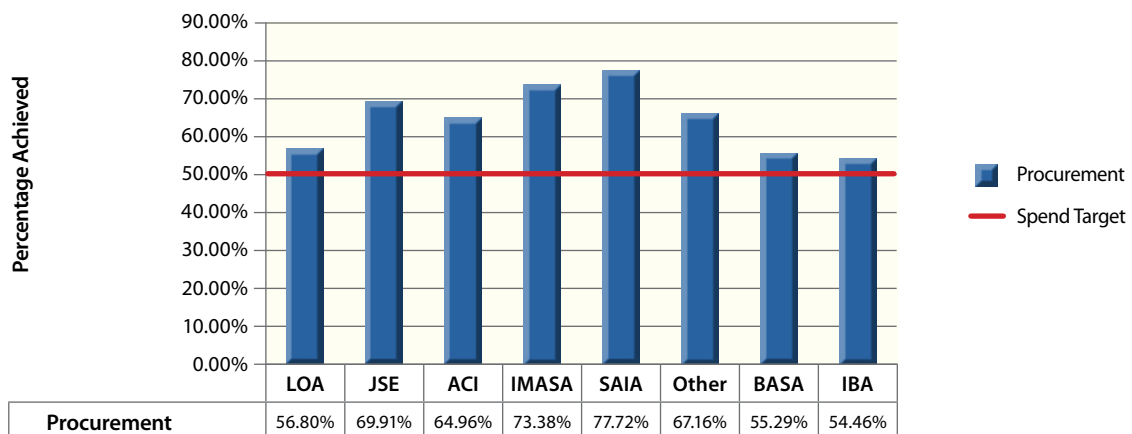


Figure 13



## PROCUREMENT & ENTERPRISE DEVELOPMENT *continued*

### Enterprise Development

The FSC defines Enterprise Development as “fostering new, and developing existing, BEE accredited companies through improving the levels of assistance provided to BEE accredited companies/suppliers in the financial sector and other sectors of the economy through skills transfer, secondment of staff, infrastructure support, and the giving of technical and administrative support and assistance and supporting the establishment and growth of BEE accredited companies/suppliers as broking agencies and/or enterprises in the financial sector through which the sector sells its products and services”.

The FSC includes enterprise development within procurement and as such Enterprise Development has no separate target.

Year	2008
Nett Profit After Tax (millions)	R 58,881
Procurement Spend	R 59,184
Enterprise Development Spend (millions)	R 1,415
% BEE procurement spend	2.39%

Table 23

### Percentage of NPAT per Industry

Industry	Enterprise Development
LOA	7.04%
ACI	0.11%
IMASA	37.11%
SAIA	2.05%
Other	7.25%
BASA	0.31%
IBA	0.43%

Table 24

The JSE did not report any Enterprise Development spend and has been removed from the calculations.

From the table it can be seen that the industries that are not financing institutions have contributed towards Enterprise Development, as opposed to contributing towards empowerment financing (with the exception of ACI), whereas, as will be noted later. The financing institutions have focused on empowerment financing initiatives as opposed to Enterprise Development initiatives.



## CHAPTER 3: ACCESS TO FINANCIAL SERVICES

According to the Financial Sector Summit Agreements - ensuring access to basic financial services so as to broaden access to savings and payments requires:

- a. Location of banking facilities, at least ATMs, within walking distance of all major settlements
- b. Affordable costs for small savings accounts, payments and the transfer of pensions, relative to the incomes of poor households
- c. Education in the use of ATMs and other basic financial services

Access to financial services is one of the directly articulated primary objectives of the Charter, and commits financial entities to 'effectively providing financial services to Black people' as a contribution towards a more equitable society (Clause 1.3).

The widely differing nature of products and services offered by different industries in the financial sector means that the targets, measurement mechanisms and maximum possible scores differ significantly by industry. This directly affects the totals achievable in the scorecard as a whole.

Only the commitment to contribute to consumer education is common to all industries not entitled to exemption from Paragraph 8 of the Charter. Some entities not exempted in writing by the Charter Council from doing so for 2008 are required to comply with the Charter consumer education requirements and to report on their performance with respect to consumer education. This includes reporting entities exempted by the Charter Council from the access and loan origination requirements of the Charter, and from reporting on these requirements.

### ACCESS TO FIRST-ORDER PRODUCTS AND SERVICES

This section is applicable to domestic banks, long term insurers, short term insurers and the collective investments industry.

The charter defines first order retail products and services as (section 2.27)

- transaction products and services, being a first order basic and secure means of accessing and transferring cash for day-to-day purposes;
- savings products and services, being a first order basic and secure means of accumulating funds over time. (e.g. savings accounts, contractual savings products such as endowment policies, collective investments and community-based savings schemes);
- insurance products and services being the mitigation of impact of defined first order basic risks (e.g. life insurance, funeral insurance, burial society, household insurance and health insurance).



## ACCESS TO FINANCIAL SERVICES *continued*

### Allocation of points

The table below shows how the points are allocated for different industries for this access to financial services section.

Description	Industries that reported under this description	Allocation of points
Banking Industry	BASA	18
Long-term insurers	LOA	14 (total target for the scorecard is reduced accordingly)
Short term insurers and entities in the collective investments' industry	SAIA and ACI	6 (total target for the scorecard is reduced accordingly)

Table 25

### Access to transaction savings products and services

This is a measure of coverage as a demonstration of effective access and is measured by the number of bank savings transaction points countrywide.

Effective physical access to transaction savings products and services is defined as having a service point at which first-order retail financial services can be undertaken, including ATM and other origination points, within a distance of 10km of all people living in previously un- or underserved areas, with the target population defined as all people in LSM1-5.

### Physical access targets (to be achieved by 2008)

- A point of transaction within 10 km of 80% of LSM 1-5
- A point of service within 15km of 80% of LSM 1-5
- A maximum number of people per bank branch or point of service and per point of transaction has not been determined or measured

### Performance of the sector

	Physical Access	Achieved physical access
Transaction Points	80%	77.05%
Full Service Points	80%	74.72%

Table 26



## ACCESS TO FINANCIAL SERVICES *continued*

### Bank savings products and services

This target measures availability of appropriate and appropriately priced first-order products and services.

- Providing effective access to bank savings products and services is defined as the availability of a sufficiently wide range of first-order retail financial products and services to meet first order market needs and which are:
  - Aimed at and are appropriate for individuals in LSM 1-5;
  - Appropriate and affordably priced for effective take up by LSM 1-5; and
  - Structured and described in a simple and easy-to-understand manner.

The 2008 industry target is to achieve reach of first order banking goods and services by 80% of people in LSM 1-5.

Performance of the sector		
Target accounts	Achieved accounts	% of target
2 905 775	2 845 172	97.91%

Table 27

These figures do not only reflect the Mzansi account, but all qualifying bank products.





# MZANSI ACCOUNTS

The Mzansi bank account has been successful and recorded almost 3 million accounts. According to the Finscope™ Survey, 60% of Mzansi account holders have this as their first bank account; an indication that banking services have certainly been extended to the previously unbanked.

This is an area that has seen innovations in the way the banking sector has extended access to its services; everything from partnering with a large food-store that allow their till-points to be used as mini ATMs to having mobile branches that visit communities and having full branches in old shipping containers.

The rollout of branch and ATM infrastructure has not been as wide as the banks could have gone, mainly due to security threats. 2008 saw the retail banks consolidate their branch infrastructure because of this. The unprecedented wave of ATM bombings means that ATMs that are bombed are not always replaced because of this risk. One of the large retail banks alone had 126 ATMs bombed in 2008.

Mzansi accounts are offered by the 4 big retail banks and the Post Office. FSC reporting does not include the Post Office. Institutions reported on both active and inactive accounts. Only active accounts were used for scoring purposes. The number of active Mzansi accounts as at 31 December 2008 was 2,308,466, the number of inactive accounts reported was 512,813.

### Demographic distribution of Mzansi accounts

The “Other” region is where the banks were unable to identify which region the account holder was based in.

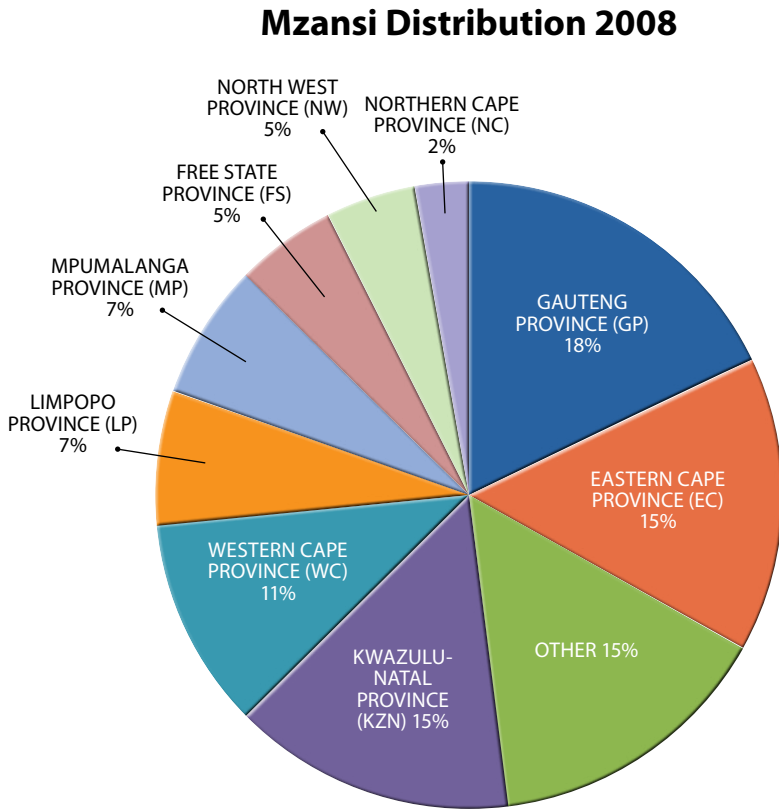
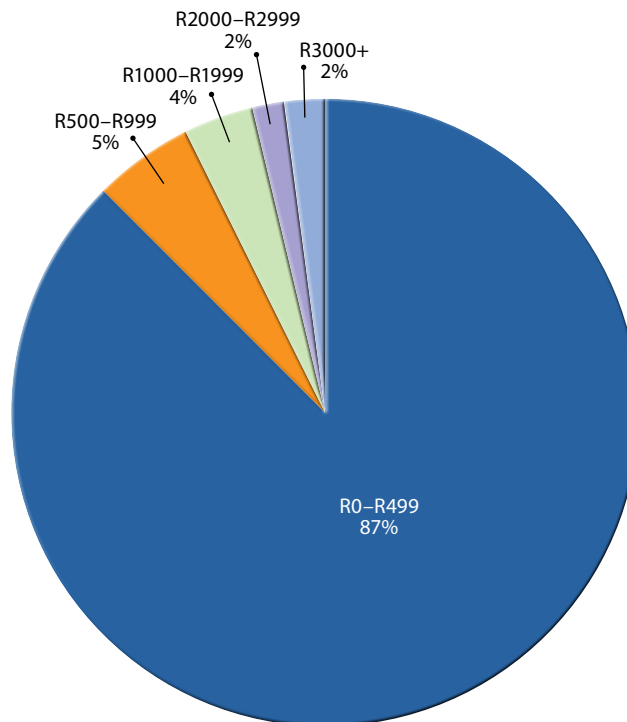


Figure 14

**Mzansi Average Balances**



**Figure 15**  
Some features of Mzansi Accounts

Features	Bank A	Bank B
Opening deposit	R10.00	R20.00
Minimum Balance	-	R20.00
Maximum Balance	R15,000.00	R15,000.00
Monthly admin fees	-	-
Number of free electronic deposits	R 5.00	unlimited
Number of free cash deposits	R 1.00	
Debit orders allowed	Yes	Yes
Account Payments allowed	Yes	
Transfers allowed	Yes	
Point of sale transactions	Yes	
Internet Banking	Yes	
Cellphone Banking	Yes	
Cash Withdrawal (ATM)	R4.00	R 4.20
After 5	R12.50	
Cash Withdrawal (Branch)		R10.20
Cash deposit (ATM)	R4.00	
Balance Enquiry	R 1.00	R1.00
		First one is free
External debit order	R5.00	R2.20
Rejected debit order	R30.00	R1.00
	First one is free	

**Table 28**



## LIFE ASSURANCE PRODUCTS & SERVICES

Entities are measured against three aspects:

- The appropriateness of products offered (2 points);
- Their initiatives ensuring physical transactional access (3 points); and
- The usage of life assurance products and services (7 points).



### Appropriateness of Products

The industry developed a set of standards known as the CAT (CAT= fair Charges, easy Access, decent Terms) for products for this target market. The products considered are those that address the identified priorities of death, serious illness and provision for old age. All compliant products carry the “Zimele” stamp of approval. “Zimele” is a Zulu word meaning “to stand on your own two feet”, and as a brand represents life insurance products that are accessible, appropriate, simple, affordable and offer good value for money.

These standards exist for the following types of insurance:

- Life cover
- Funeral Cover
- Physical Impairment Cover
- Credit Life

### Physical Transactional Access

A person within the LSM 1-5 adult grouping (i.e. age 18+) will be deemed to have transactional access to a life insurance product if that person has the opportunity because of the existence of a servicing point <sup>6</sup>:

- on at least one occasion per month, to purchase the product, pay the premiums due and make amendments to the policy within 40km of that person’s residence or place of work; and
- at least once every two working days, to lodge a claim and receive payment of the claim within 80km of that person’s residence or place of work.

To achieve transactional access by 80% of LSM 1-5, a grid of equal-sized regular squares with sides of 40km has been developed and overlaid on a socio-economic mapping of the country in such a way that 80% of the adult population of LSM 1-5 spend most of their time living and/or working within such squares i.e. within that defined geographical area, utilising the least possible number of squares to achieve this.

Transactional Access will be achieved in any square if a company:

- makes at least 12 sales of approved products per annum within the area defined by that square, i.e. where the policyholder resides and/or works; and
- is able to collect premiums and service the policy within the area defined by that square at least monthly; and
- is able to process a claim in that square or any adjacent square (i.e. within a maximum of 80km) at least every second day because of the existing servicing point i.e. a location where life insurance services are available, or the existence of a suitable electronic transaction or communication infrastructure e.g. a bank branch or ATM or postal and phone/fax facilities, or the presence of an intermediary or representative.

<sup>5</sup> ASISA website

<sup>6</sup> a physical location where life insurance services are available, or the existence of a suitable electronic transaction or communication infrastructure, e.g. a bank branch or ATM or postal and phone/fax facilities, or the presence of an intermediary or representative.

## LIFE ASSURANCE PRODUCTS & SERVICES *continued*

### Performance of the sector

Description	Target and achieved figure
Target Life Transactional access	80%
Achieved Life Transactional access 2008	71%
Achieved Life Transactional access 2007	75%

Table 29

### The usage of life assurance products and services

Including credit life, the 2008 target is 33%. Companies are awarded points only for active in-force products.

Description	2007	2008
Target Life market penetration	22%	33%
Achieved Life market penetration 2008	13%	15%
Achieved Life market penetration 2007	57%	46%

Table 30



## SHORT-TERM INSURANCE PRODUCTS & SERVICES

The performance of the short-term insurance sector in extending its products and services to the low-income communities has been very disappointing, with only 4 companies making products available to this market segment. The sector finalised standards in 2006 (Mzansi Standard) against which products for the market could be made available. Individual companies however, have been slow to develop and market qualifying products.

The target for short-term insurance products is 6%. This is a household content target, as the FSC stipulates housing related insurance for this segment.

Description	Target and achieved figure	Percentage of target
Target Short Term qualifying products	262,500	0.53 %
Achieved Short Term qualifying products	1,379	

**Table 31**

The target date for having these products was set at 2008 and at the end of that period the sector has not made a dent in achieving the target, with only 1,379 active policies being reported. This is a far cry from the target of 262,500 policies.

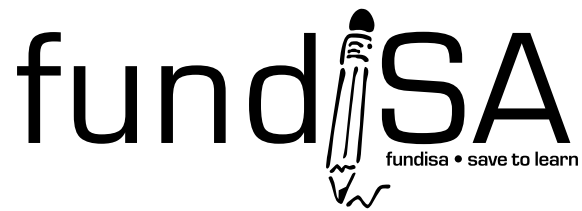
Even though the industry has not done its part in extending access, it is not solely responsible for its poor performance. Short-term insurance is known as a “grudge” purchase even for its normal consumer base. For people in the lower income groups, purchasing short-term insurance is not a priority. According to the Finscope™ 2007 survey, 62% of respondents claimed that they would not take out short-term insurance (note that this is the overall population and not restricted to the LSM 1- 5 market). The top three reasons for not having short-term insurance were:

- Don't have a job
- Don't need it (even though the greatest perceived risk is the theft, fire or damage to property)
- No assets to insure

The reality is that for a market whose monthly income is less than R 3,000, there are far more urgent priorities than taking out short-term insurance, such as food, accommodation and transport, which accounts for 90% of their income. According to AMPS<sup>7</sup> 2007, the LSM 1-5 market segment made up 72% of the South African population.

<sup>7</sup> All Media and Products, run by SAARF (South African Advertising Research Foundation)

## COLLECTIVE INVESTMENTS PRODUCTS & SERVICES



The industry has developed standards and an education policy product. This product was developed in conjunction with government and is known as Fundisa.

The objective of the initiative is to create an incentive to encourage investors to save, specifically for education. This is accomplished by rewarding individuals who have saved through the Fundisa Fund for any recognised Post General Education Training (PGET) at a public institution, as approved by NSFAS<sup>8</sup>, through matching a percentage of their savings in the form of a grant. The grant monies may originate from both the public and private sectors.

The Fundisa Fund is a dedicated educational savings account with a unique bonus feature. The bonus is an **additional amount of 25% of savings** – to a maximum of R 600 per year – which is added to the clients' savings annually. The bonus has been made possible through a joint venture between government and various unit trust companies and is intended to help clients afford a high quality, accredited qualification for their child or a learner of their choice at either a public college or a university<sup>9</sup>.

The biggest single question that this raises is whether or not there is in fact a demand for this type of product. In 2004 according to the Finscope™ survey only 2% of the entire adult population had an education policy. This figure increased to 3% in 2007. According to research, some low-income consumers want long-term savings and there is a culture of saving in these communities, as evidenced by the existence of stokvels and savings clubs. However, according to the 2004 survey, only 7% of the population belonged to a stokvel or savings club and 60% of the respondents claimed that any extra money they have they would prefer to save in a bank account. The choice of a unit trust as a saving mechanism was third last on the choices selected.

As with the Short-Term industry, the Collective Investment industry has performed poorly in terms of extending access to the lower-income groups. Only one company reported sales totalling 1,864 policies. Amongst the reasons cited for poor performance of the Fundisa Fund is that while the standards and the product were developed, the measurement criteria used to determine the industry target is questionable and therefore the industry never filtered the target down to the individual institutions.

<sup>8</sup> National Student Financial Aid Scheme

<sup>9</sup> Fundisa Website



## ORIGINATION

This section considers the number of qualifying loans originated, specifying the geographic location, loan size, loan type and household income (in the case of low-income housing loans) or annual turnover (in the case of Black SME loans and agricultural development loans) for each of the loans granted.

### Low-Income Housing Loans

The sector's objective was to originate R 42 billion in home loans for low-income housing from the effective date to 2008, increasing proportionately year-on-year. For 2008, the measure is the number of low-income home loans originated since the effective date.

The following areas are covered for the 2008 reporting period:

- Mortgages
- Pension backed loans
- Personal loans
- Wholesale loans to intermediaries
- Residential development Loans
- Social Housing

Loans were provided to Black people with monthly income levels of up to R 9,670.

### Spread of the loans per income bands as per the number of loans originated

#### Low-income Housing Loans per Income Band

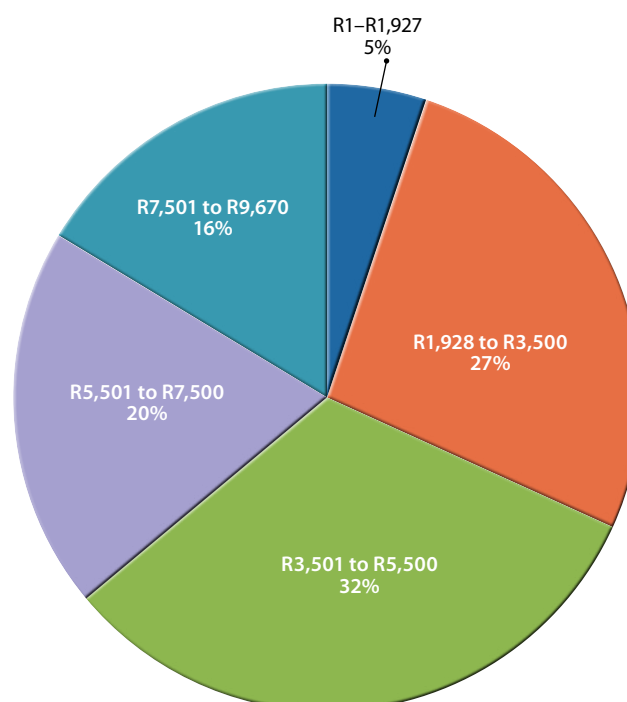


Figure 16

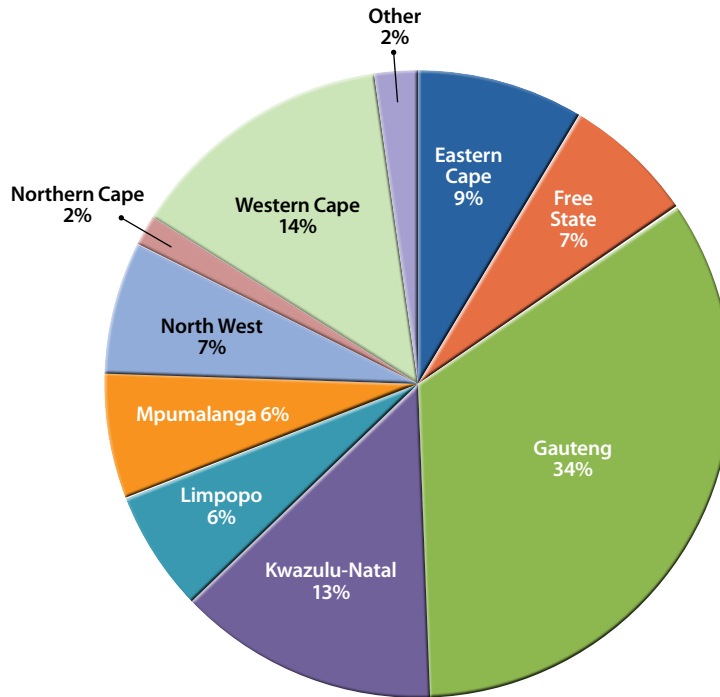


## ORIGINATION *continued*

### Geographical Spread of Loans

The “Other” region is where the banks were unable to identify which region the account holder was based in.

### Geographical Spread of Housing Loans



**Figure 17**

Unfortunately the origination of housing loans is still concentrated in the metropolitan areas of Gauteng, Western Cape and Kwa-Zulu Natal. It is however, encouraging to see that the majority of the loans (64%) was originated to people earning less than R 5,500 per month.

PERFORMANCE OF THE SECTOR		
Description	Target and achieved figure	Percentage
Target Origination Low-income housing loans	R 42,000,000,000.00	108.98%
Achieved Origination Low-income housing loans	R 45,770,622,390.00	

**Table 32**



## ORIGINATION *continued*

### Agriculture Loans

Origination of loans to support resource-poor Black farmers, through enabling access to and the sustainable use of resources. The industry target is a R 1,5 billion increase in agriculture development loans over the 2004-2008 period.

#### Geographical spread of loans

### Agriculture Loans

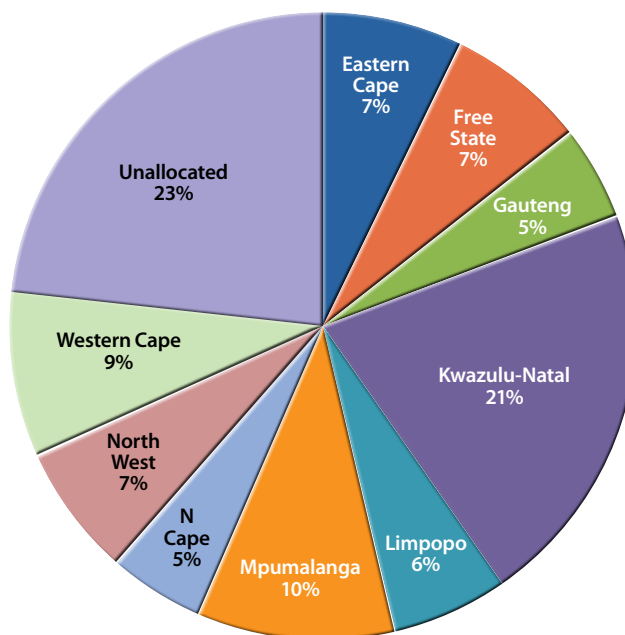


Figure 18

PERFORMANCE OF THE SECTOR		
Description	Target and achieved figure	Percentage
Target Origination Agriculture loans	R 1,500,000,000.00	121.08%
Achieved Origination Agriculture loans	R 1,816,209,368.00	

Table 33

## ORIGINATION *continued*

### Black SME Loans

Black SME loans include all term loans of any length advanced to Black SMEs recognising the average exposure over a 12-month period, including:

- Lease and rentals;
- Overdraft facilities (measurement to be based on average utilisation over the reporting period);
- Equity investments (valued at cost);
- Property finance including commercial mortgages (measure only commercial property finance that is registered in the name of the business in question and is 100% reserved on the bank's balance sheet);
- Invoice discounting measurement to be based on average utilisation over the reporting period); and
- Guarantees.

The industry target is a R 5 billion increase in loans to Black SMEs over the 2004-2008 period. Entities are required to perform in proportion to their market share on the effective date.

PERFORMANCE OF THE SECTOR		
Description	Target and achieved figure	Percentage
Target Origination Black SME loans	R 5,000,000,000.00	256%
Achieved Origination Black SME loans	R 12,819,066,627.00	

Table 34



## ORIGINATION *continued*

### Turnover spread of loan

**Black SME Loans per Turnover Band**

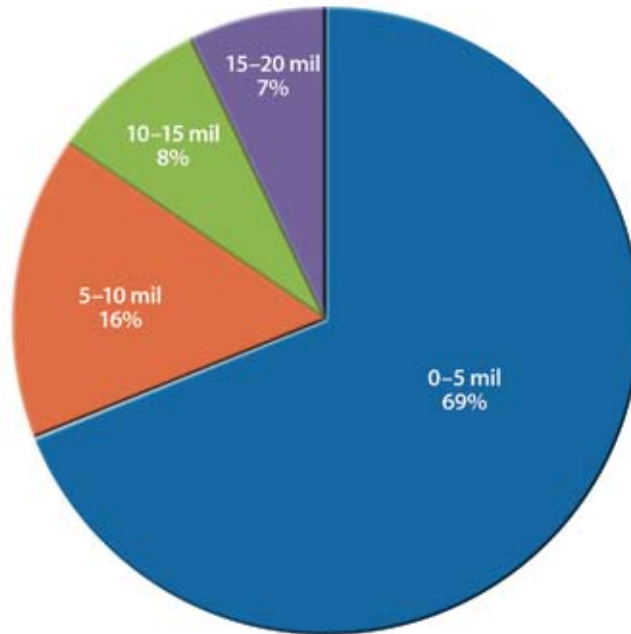


Figure 19

### Geographical spread of loans

**Geographical Spread of Black SME Loans**

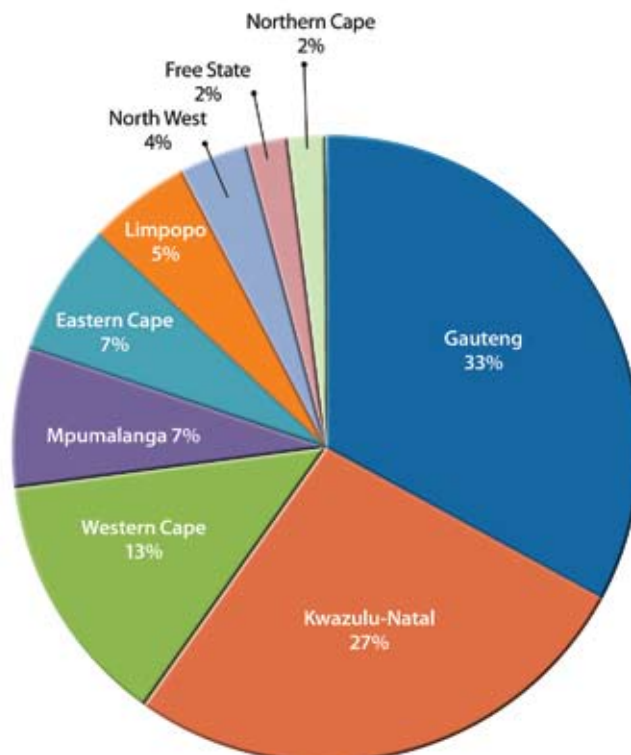


Figure 20



## ORIGINATION *continued*

### Khula Guaranteed Loans

Information on Khula Guaranteed Loans was submitted by two of the large retail banks. Khula Credit Guarantee Limited is a government initiative and is a part of the Department of Trade and Industry, where Khula provides guarantees for specific facility applications in the event of a client not having sufficient security or collateral, if the client and the business qualify in terms of the criteria stipulated in the agreement. The bank only provides the facility and Khula provides the guarantee as security.

Province	Value of Loan
E Cape	R 7,739,882.00
Free State	R 3,103,400.00
Gauteng	R 28,881,163.00
KZN	R 19,901,670.00
Limpopo	R 3,931,186.00
Mpumalanga	R 5,491,397.00
North West	R 6,236,009.00
W Cape	R 19,759,908.00
Total	R 95,044,615.00

Table 35

### Geographical Spread of Khula Loans

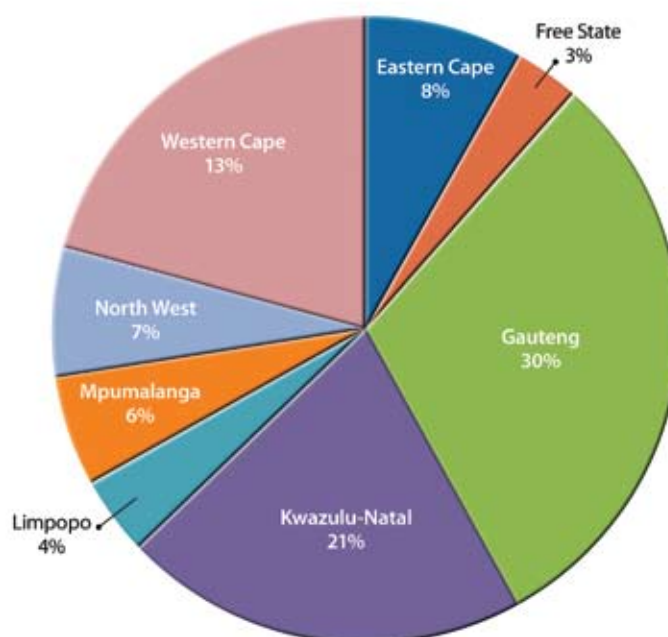


Figure 21



## CONSUMER EDUCATION

Consumer education is the process of gaining knowledge and skills to manage personal resources and to participate in decisions that affect individual well-being and the public good. The outcome of the consumer education process is the development of the consumer's skills, attitudes, knowledge and understanding of the financial sector and its products and services.

Paragraph 8.4 of the Charter states: 'Each financial entity commits, from the effective date of the charter to 2008, to annually invest a minimum of 0,2% of net operating profits after tax in consumer education. Consumer education will include programmes that are aimed at empowering consumers with knowledge to enable them to make more informed decisions about their finances and lifestyles.'

PERFORMANCE OF THE SECTOR	
Description	Target and achieved figure
Relevant industries post tax operating profit	R 44,860,364,699.41
Consumer education spend	R 88,259,995.06
Percentage achieved	0.20%

Table 36

Year	2007	2008	%Growth
Net profit after tax (millions)	R 47,856.00	R 44,860.36	-6%
Consumer Education spend (millions)	R 81.20	R 88.26	9%
Percentage spend	0.17%	0.20%	

Table 37

Industry	Percentage Spend
LOA	0.15%
JSE	1.18%
ACI	0.16%
SAIA	0.37%
BASA	0.18%

Table 38

## CONSUMER EDUCATION *continued*

### Spend per Industry

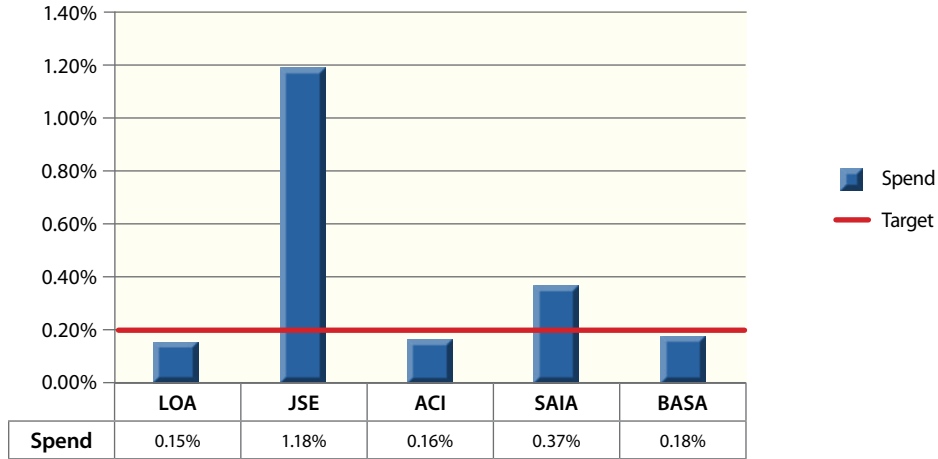


Figure 22

For projects to count towards FSC scoring they need to comply with the Charter Consumer Education Standards. Below is an assessment of one of the projects.

Charter Access principle	Consumer education standards	Solution
<b>Physical Accessibility</b>	Consumer education initiatives and programmes must be offered and available to all consumers of Charter products and services at points of service or transaction.	Consumer education workshops were conducted nationally where 23 088 people participated in these workshops taking place in all 9 provinces. Training was arranged to best suit learner attendance and took place in community facilities, workplaces and other convenient venues.
<b>Appropriateness</b>	Consumer education initiatives and programmes must meet the identified needs of and be directed at consumers in the Charter target groups with the aim of achieving the Charter's access goals. The outcomes of Charter consumer education programmes must be measurable and able to contribute to the achievement of score points. Consumer education must enable consumers to make more informed decisions about their finances and lifestyles.	Recruitment of learners in LSM 1-5 as well as consumers of Charter targeted investment finance took place through organised community and labour groups in rural and urban areas and participation was available to any participants in the designated area who met Charter requirements. Training materials were carefully researched and crafted to the needs of LSM 1-5 learners. These included materials accredited by Merseta in terms of Accreditation 17-QA/ACC/2066/06; Unit Standard NLRD 9268: Manage Basic Personal Finance. Assessment tools were built into the materials and assessment was carried out and moderated to SETA requirements. All assessments were recorded on an efficient and cost effective learner management system to ensure accurate records and management reporting.



## CONSUMER EDUCATION *continued*

Charter Access principle	Consumer education standard	Solution
<b>Affordability</b>	Consumer education must be offered free of charge to the consumer.	The budget covered all costs of training and administration, and was fully inclusive. Learners receive all training and material free of charge.
<b>Simplicity and understandability</b>	Consumer education initiatives and programmes must meet the identified needs of, and be directed at, consumers in the target groups with the aim of achieving the Charter's access goals. All consumer education materials must meet charter criteria for simplicity and understandability and disclosure.	The training materials were developed at the appropriate NQF level. Diagrams and graphics were integrated into the design of materials.  Workshops were interactive, and adopted action learning methodologies.
<b>Non-discrimination</b>	Consumer education materials must be freely available in all official languages.  Suppliers must meet the Charter's service provider accreditation and BEE procurement criteria.	The consumer education materials are available in the languages spoken by workshop participants. Materials were developed and translated into 9 languages - Sotho, Tsonga, Zulu, Xhosa, Tswana, Venda, Pedi, English and Afrikaans.  Lessons were delivered by local trainers in local languages.  The provider and its suppliers are BBBEE compliant as defined in the BBBEE Act and its Codes of Good Practice.

Table 39



## CHAPTER 4: EMPOWERMENT FINANCING

Empowerment Financing contributes 22% to the overall FSC BEE Scorecard. According to the Charter, Empowerment Financing is “the provision of finance for or investment in targeted investment and Black Economic Empowerment transaction”.

### Targeted Investments

There are four categories of targeted investments with a combined sectoral target of R 63,5 billion to be invested between the effective date and 2008:

#### Transformational Infrastructure (Target R 25 billion)

The Charter defines transformational infrastructure projects as those that support economic development in underdeveloped areas and contribute towards equitable access to economic resources. Such infrastructure projects could be in the following sectors:

- Transport
- Telecommunications
- Water, waste water and solid waste
- Energy
- Social infrastructure such as health, education, and correctional services facilities
- Municipal infrastructure and services

#### Low-Income Housing (Target R 32 billion)

Qualifying investments in low-income housing have beneficiaries that fit into the household income bands in the table below.

Measurement Period	2003	2004	2005	2006	2007	2008
CPIX Adjustment	–	6.8%	4.29%	3.90%	4.60%	6.5%
Upper Limit	R 7,500	R 8,010	R 8,190	R 8,440	R 9,080	R 9,670
Lower Limit	R 1,500	R 1,610	R 1,680	R 1,730	R 1,810	R 1,930

Table 40

Targeted investment in low-income housing has a target of R 41,8 billion to be achieved by 2008 as the balance on the books as a sector. This target will only be achieved if there is a partnership between the financial sector and government to effect risk-sharing between government and banks to facilitate the transformation of the low-income housing market, as well as risk mitigation in areas of non-commercial risk. Failing this, the target to be achieved is R 32 billion.



## EMPOWERMENT FINANCING *continued*

### Agricultural Development and (Target R 1,5 Billion)

The financial sector commits to granting R 1,5 billion for agricultural development involving integrated support for resource-poor farmers, through enabling access to and the sustainable use of resources. They also made specific commitments to ensure that the target is achieved. These included:

- Creating funding products and stimulating access
- Land Reform involvement and support
- Creation of enabling structures for transformation
- Policy and programme contribution
- Infrastructure and BEE financing

### Black SMEs, (Target R 5 Billion)

Black SME means a small or medium enterprise (with a turnover ranging from R 500,000 per annum to R 20 million per annum) which is a Black company or a Black empowered company<sup>10</sup>.

### Performance Review – Targeted Investments

The sector has met its commitment to make R 63,5 billion rand worth of Targeted Investment available. The distribution however, between the four areas of Targeted Investments has not been as originally intended. As can be seen from the table below, areas such as Black SME's and Agriculture have been financed to over 200% of the original target. This is allowed for in the Charter which states:

“Different affected institutions within the sector may choose to participate to a greater or lesser extent in each of the components of targeted investment, depending on where they are relatively better positioned to do so.”

	Total	Target 2008	% Achieved
Low-income housing	R 31,135,466,457.86	R 32,000,000,000.00	97.30%
Black SME	R 11,368,368,978.39	R 5,000,000,000.00	227.37%
Transformational Infrastructure	R 17,688,001,553.89	R 25,000,000,000.00	70.75%
Agriculture	R 4,440,608,720.00	R 1,500,000,000.00	296.04%
<b>Total</b>	<b>R 64,632,445,710.14</b>	<b>R 63,500,000,000.00</b>	<b>101.78%</b>

Table 41

<sup>10</sup> Black companies are companies that are more than 50% owned and controlled by Black people. Black empowered companies are more than 25% owned by Black people and substantial participation in control is vested in Black people.



## EMPOWERMENT FINANCING *continued*

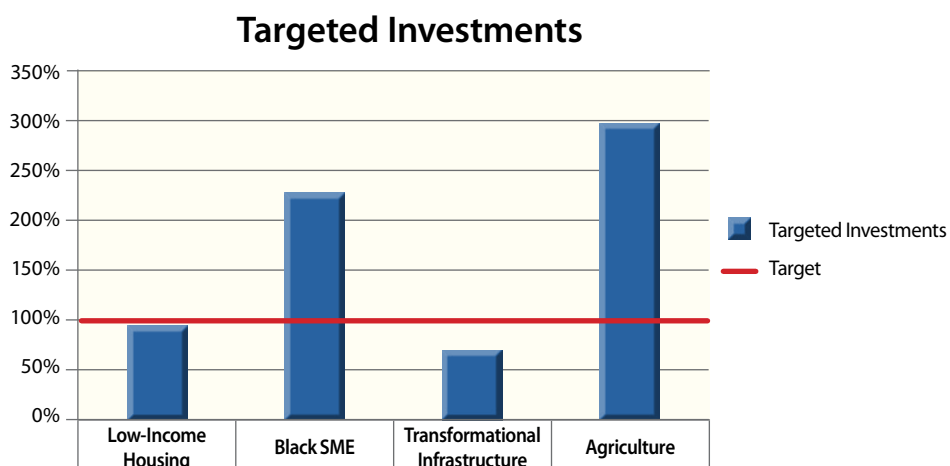


Figure 23

The pie chart below shows the distribution of the financing between the four areas of Targeted Investments.

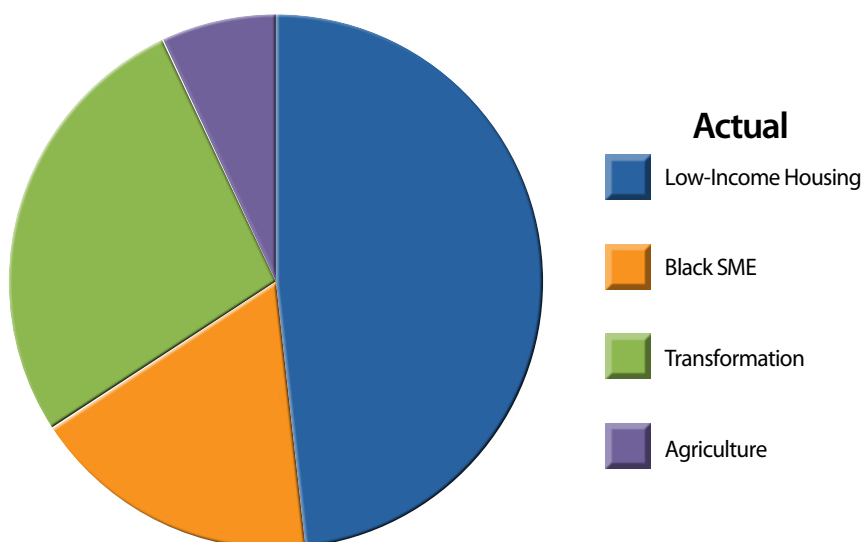


Figure 24

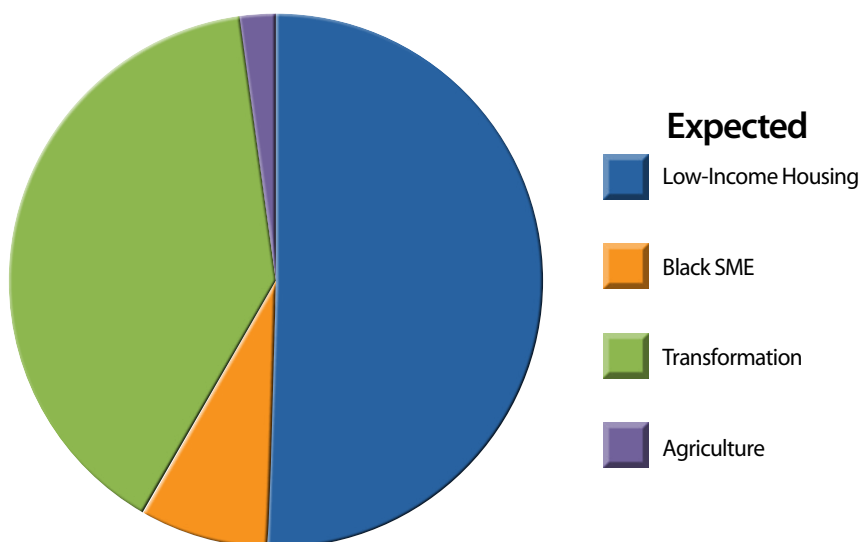


Figure 25



## EMPOWERMENT FINANCING *continued*

### Four Industries reported on the Targeted Investment requirement

Industry		Total	% Achieved
BASA	Low-income housing	R 30,283,515,858.00	94.64%
	Black SME	R 10,539,031,645.00	210.78%
	Transformational Infrastructure	R 7,913,000,000.00	31.65%
	Agriculture	R 4,432,000,000.00	295.47%
IBA	Low-income housing	R 27,300,000.00	0.09%
	Black SME	R 54,500,000.00	1.09%
	Transformational Infrastructure	R 15,979,565.00	0.06%
	Agriculture	–	–
LOA	Low-income housing	R 824,223,000.00	2.58%
	Black SME	R 748,268,184.00	14.97%
	Transformational Infrastructure	R 9,579,254,401.89	38.32%
	Agriculture	–	–
SAIA	Low-income housing	R 427,599.86	0.001%
	Black SME	R 26,569,149.39	0.53%
	Transformational Infrastructure	R 179,767,587.00	0.72%
	Agriculture	R 8,608,720.00	0.57%

Table 42

Unlike the banking industry, other industries performed far below the targets for targeted investments. The main reason cited is that the banks, due to the nature of their business were expected to initiate schemes through which the non-originators could participate. The schemes introduced were not sufficient to accommodate all non-originators. Some of the non-originators then undertook initiatives within themselves in order to enhance their targeted investments performance. However, such initiatives were introduced too late to achieve the desired results.

PERFORMANCE 2005 TO 2008				
	2005	2006	2007	2008
Low-Income Housing (R-m)	R 13,269	R 25,705	R 26,761	R 31,135
Black SME (R-m)	R 6,214	R 9,840	R 8,802	R 11,368
Agriculture (R-m)	R 201	R 604	R 3,057	R 4,441
Transformational Infrastructure (R-m)	R 4,290	R 9,115	R 12,469	R 17,688

Table 43



## EMPOWERMENT FINANCING *continued*

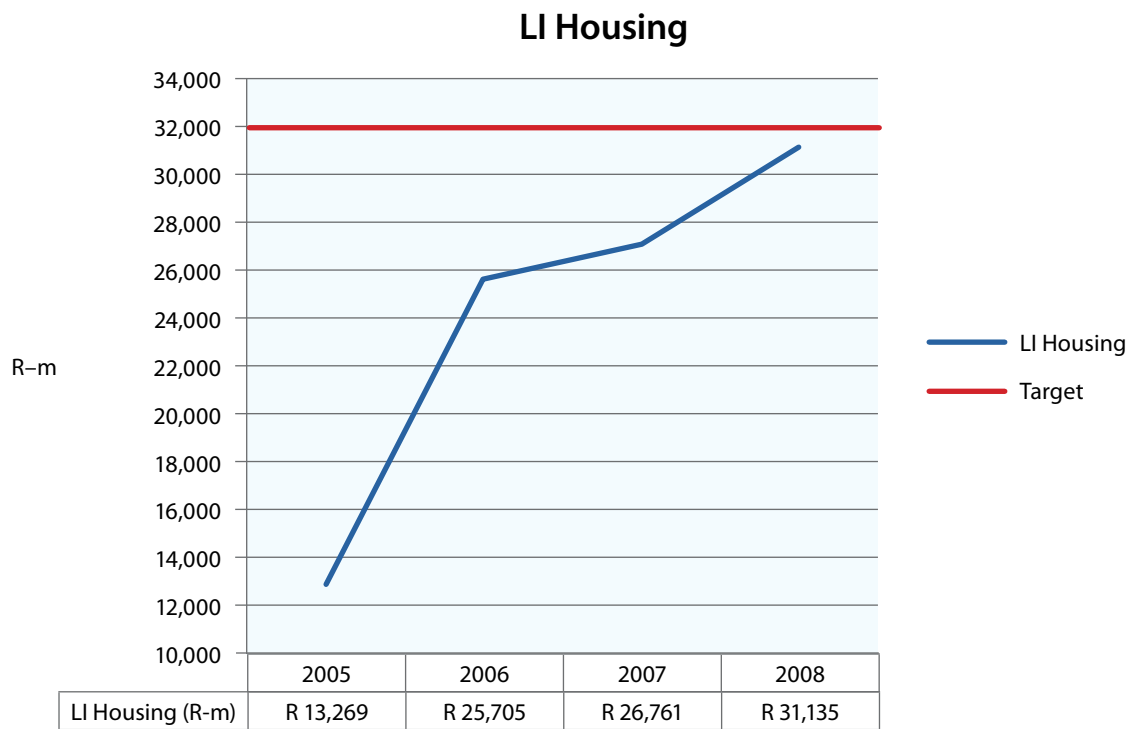


Figure 26

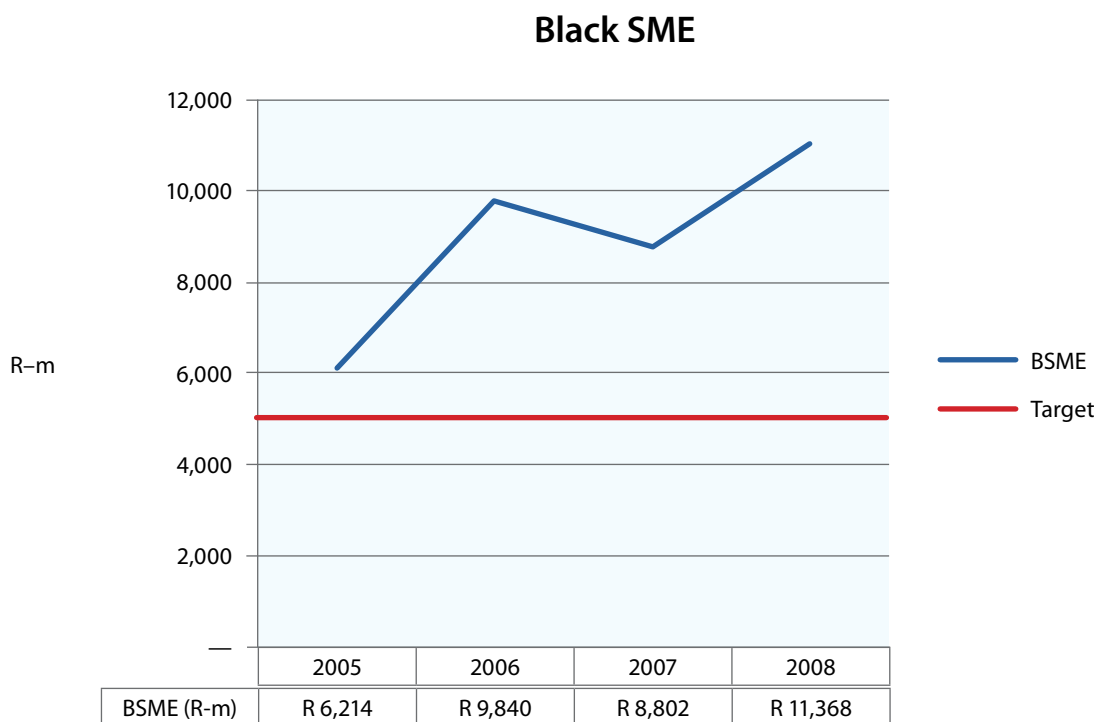


Figure 27



## EMPOWERMENT FINANCING *continued*

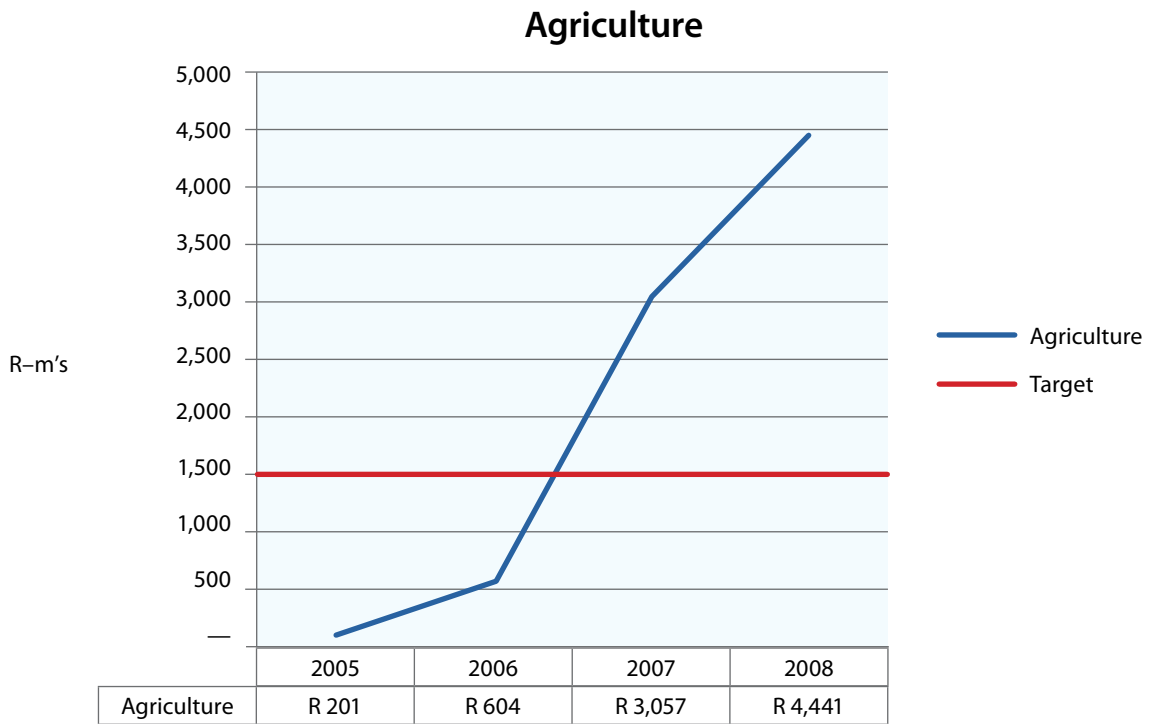


Figure 28

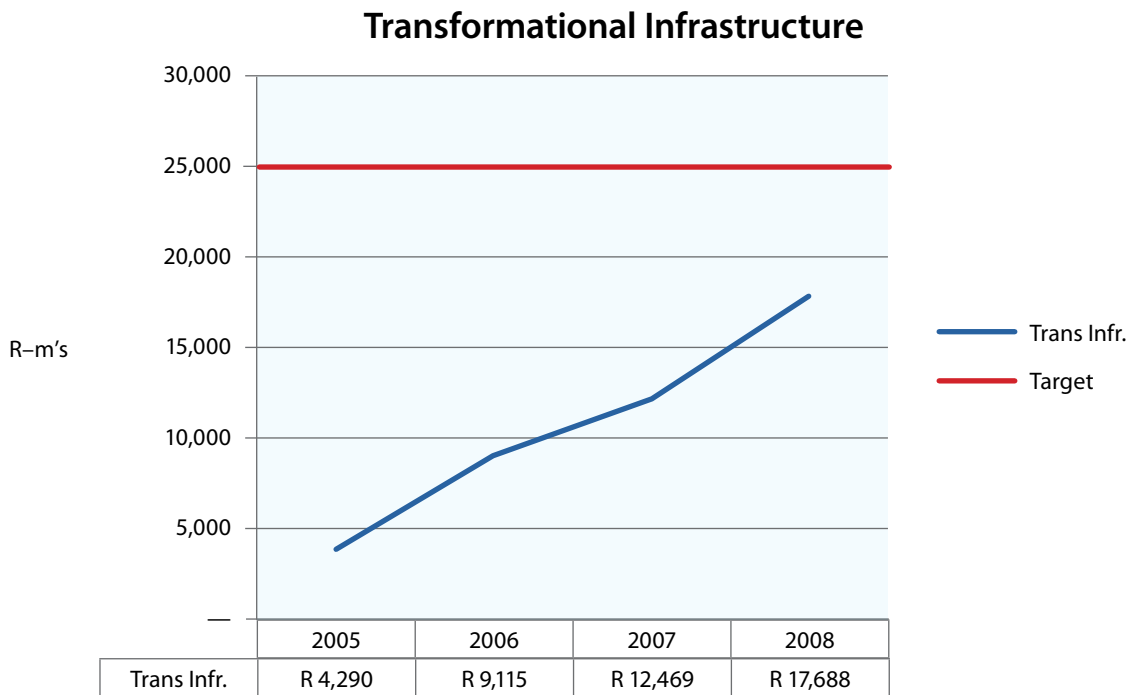


Figure 29



## EMPOWERMENT FINANCING *continued*

### BEE Transaction Financing

This area contributes a maximum of five points to a possible total of 22 for empowerment financing. Scores are calculated separately from targeted investments.

The Charter recognises BEE transactions as encompassing all transactions for the acquisition, by Black people, of direct ownership in an existing or new entity, other than an SME, in any sector of the economy; and joint ventures with, debt financing of, other form of credit extension to, or equity investments in BEE companies, other than SMEs. Facilities that represent financing risk, but that do not involve a flow of funds to BEE entities, such as guarantees, are not counted towards BEE transaction financing credits.

Transactions for the acquisition, by Black people, of direct ownership in an existing or new entity, other than an SME, are scored in full. Transactions that are joint ventures with, debt financing of, other form of credit extension to or equity investments in, BEE companies, other than SMEs should be scored in proportion to the level of Black ownership proportional recognition which will depend on the level of Black ownership in the entity receiving financing.

The application of this proportional recognition is:

- A threshold of 25% applies: financing of entities with 25% Black ownership or less contribute nothing to the score.
- Institutions financing entities with Black ownership of between 25% and 50% score at the rate of twice the percentage of Black ownership per Rand of financing. An institution providing finance to a 25% Black-owned company should score 50% of possible points.

For the financing of entities with Black ownership of 50% or more, institutions score in full.

### Target

The sector's BEE transaction target to 2008 is R50 billion. Each institution's individual target is in proportion to the institution's percentage share of total designated investments as at the effective date of 31 December 2003.



## EMPOWERMENT FINANCING *continued*

Performance Review – Transaction Financing: 2008				
Industry	2005 (R-m)	2006 (R-m)	2007 (R-m)	2008 (R-m)
BASA	R 23,371	R 41,178	R 66,984	R 86,799
IBA	R 1,494	R 3,196	R 2,947	R 1,197
LOA	R 8,083	R 8,950	R 8 123	R 12,887
SAIA	R 1,431	R 233	R 181	R 321.67
TOTAL	R 34,379	R 53,557	R 78 235	R 101,203.53

Table 44

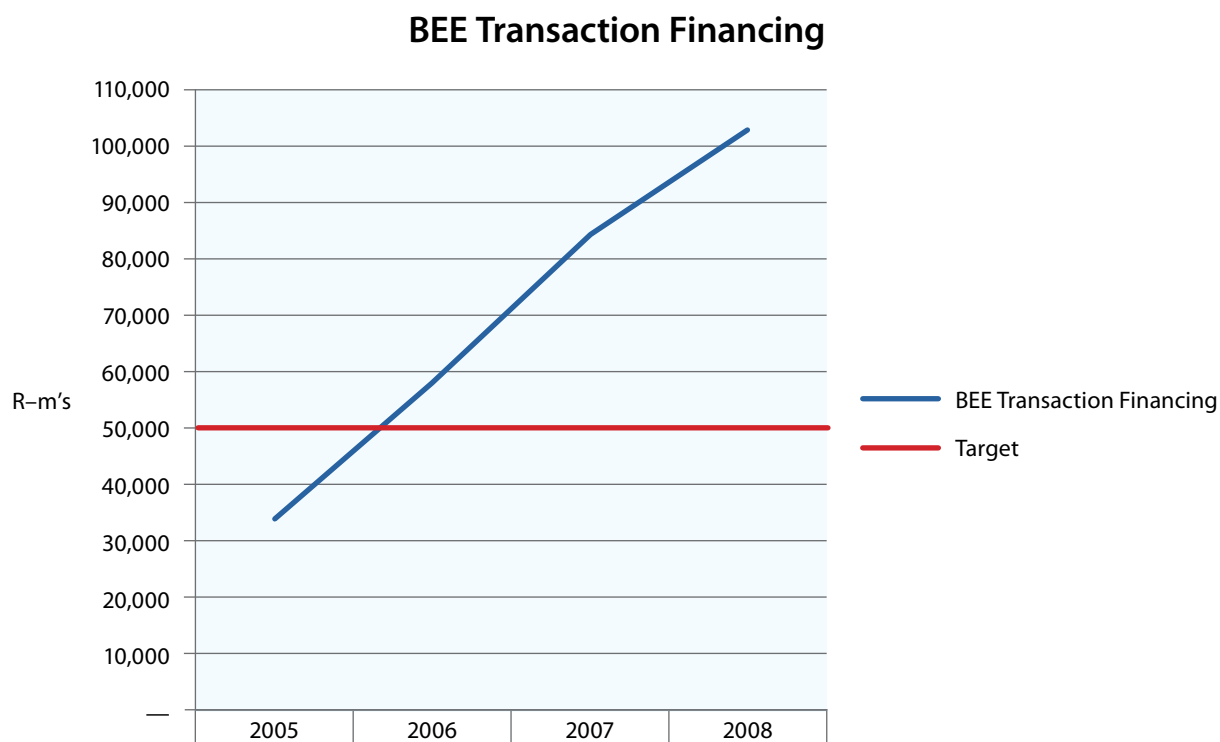


Figure 30



## CHAPTER 5: OWNERSHIP & CONTROL

### Ownership

Ownership and control carries a maximum combined score of 22 plus four bonus points, with 14 allocated to ownership and 8 to control. The ownership target of 25% Black ownership (either through 10% direct ownership with 15% indirect ownership or by 25% direct ownership) are to be achieved by 2010 rather than by 2008.

### Ownership in 2008

The challenge of being able to accurately determine the Black Ownership for the sector remains. This is due to the Council being unable to calculate the Ownership based on a weighted value of the sector, due to the information not being available. The average direct ownership has yet again been calculated using a straight line average, with due cognizance being taken that the resulting figure is not an accurate reflection of the state of affairs.

Description	2005	2006	2007	2008	% change
Average direct ownership percentage	16%	17.8%	18.80%	23.35%	24%

Table 45

Where International Banks are unable to accommodate local ownership, three have opted to increase their BEE Transaction Financing agreements as an “Equity Equivalent” to Ownership as allowed for in the Charter.

### Industry’s performance in terms of ownership

The graph below shows the percentage of direct ownership within each Industry. The levels of ownership of individual companies vary from below 1% to 100%.

Industry	Average Direct Ownership
LOA	36.88%
JSE	15.73%
ACI	32.03%
IMASA	36.35%
SAIA	16.00%
Other	22.91%
BASA (local banks)	19.30%
IBA	7.64%

Table 46



## OWNERSHIP & CONTROL *continued*

### Direct Ownership

Direct ownership is measured by the ownership of an equity interest plus the shareholder's control over all of the voting rights obtained as a result of the equity interest.

### Indirect Ownership

Indirect ownership occurs where an institution or other investor owns equity in a company on behalf of beneficiaries where there is no direct participation by the beneficiaries in the voting rights. Companies were not required to report on their indirect ownership for 2008, as the measurement criteria had not been finalised.

### Control

Control centres on the authority and power to manage assets, the determination of policies and the direction of business operations. Indicators of control may include:

- participation in control structures of a business unit or of the company (such as shareholder meetings, the Board of directors, board sub-committees, and divisional boards), the exercise of voting rights on the board of directors and committees thereof, and controlling equity;
- participation in executive management.

### Black Directors and Black Women Directors

The Charter has set a target of 33% for Black directors and 11% for Black Women directors.

The table below shows that despite the decline in the number of directors, the number of Black Directors has increased. However, a number of Black Women Directors has decreased. This is inconsistent with the Human Resources area, which shows a trend of more Black Women than Black Men being appointed to the various Management categories.

### Performance: Black and Black Women Directors 2005 – 2008

	2005	2006	2007	2008
Total Directors	841	988	790	738
Black Directors	258	367	287	302
Percentage	31%	37%	36.30%	40.92%
Black Woman Directors	74	98	92	89
Percentage	9%	10%	11.70%	12.06%

Table 47



## OWNERSHIP & CONTROL *continued*

### Black Directors

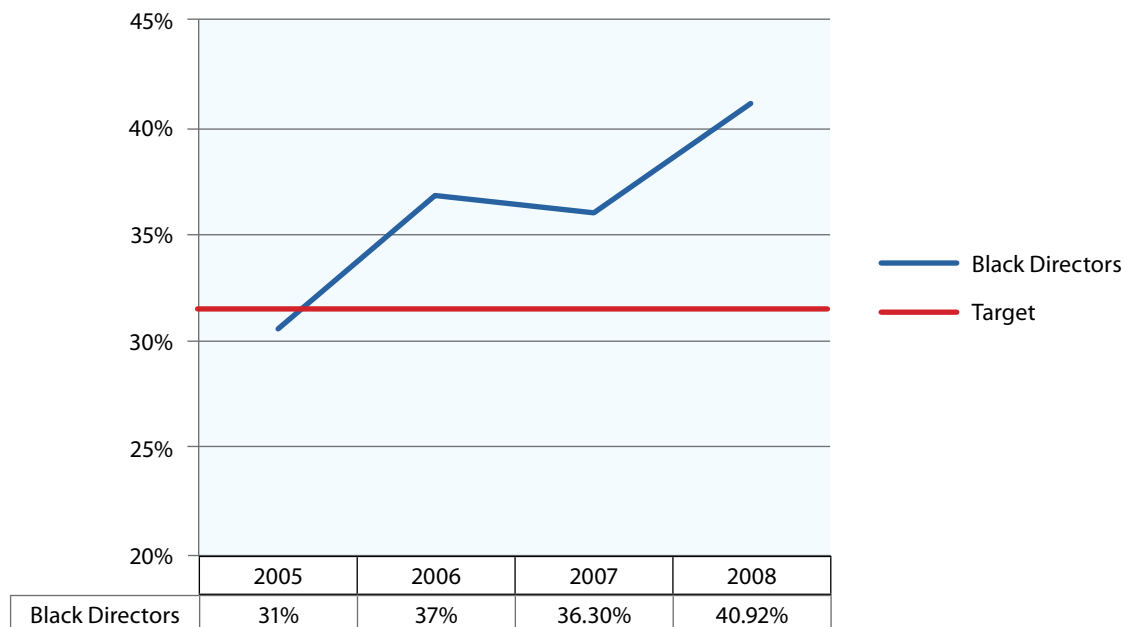


Figure 31

### Black Women Directors

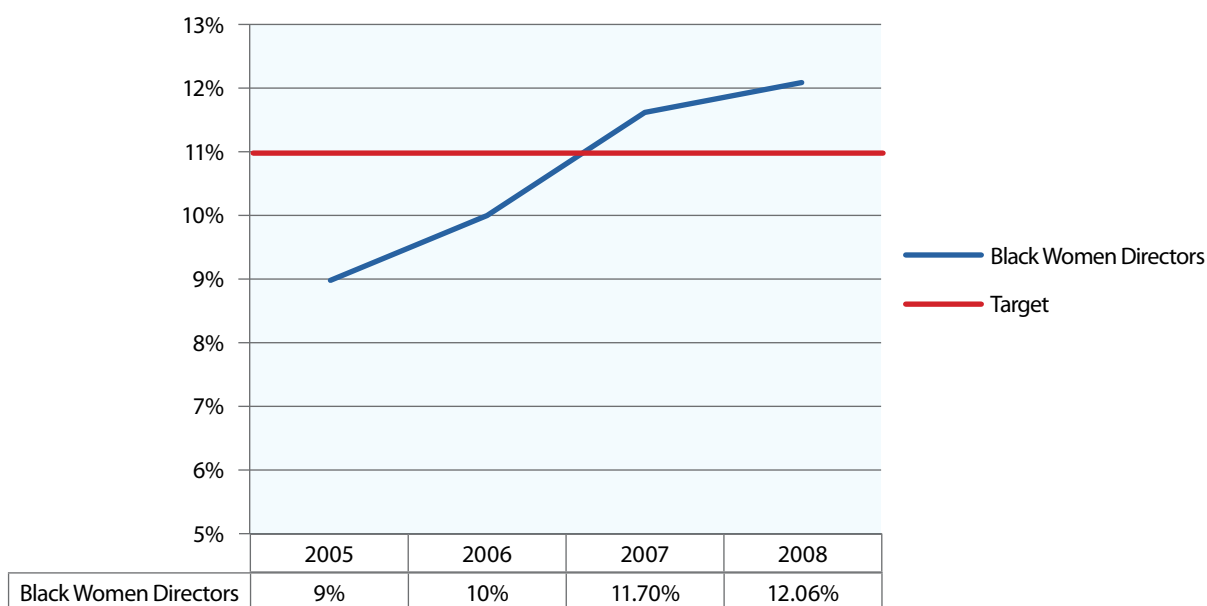


Figure 32



## OWNERSHIP & CONTROL *continued*

### Performance: Black Directors per Industry 2005 – 2008

Industry	2005	2006	2007	2008
LOA	27%	25%	38%	41.80%
JSE	38%	33%	27%	32.14%
ACI	18%	32%	45%	42.62%
IMASA	32%	30%	42%	39.44%
SAIA	31%	29%	28%	32.07%
Other	0%	0%	36%	47.27%
BASA	33%	74%	39%	45.08%
IBA	33%	20%	41%	58.33%

Table 48

### Black Directors per Industry 2008

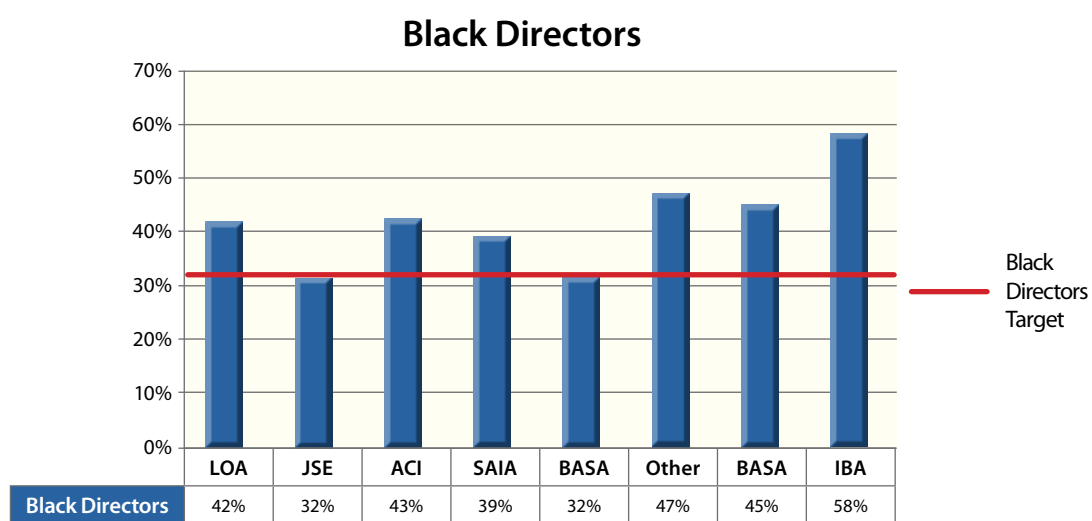


Figure 33

## OWNERSHIP & CONTROL *continued*

### Performance: Black Women Directors per Industry 2005 – 2008

Industry	2005	2006	2007	2008
LOA	8%	9%	16%	13.93%
JSE	10%	12%	13%	12.50%
ACI	7%	8%	12%	11.48%
IMASA	11%	7%	4%	4.23%
SAIA	10%	9%	10%	10.87%
Other	0%	0%	10%	9.09%
BASA	8%	17%	12%	13.47%
IBA	11%	8%	14%	33.33%

Table 49

### Black Women Directors per Industry 2008

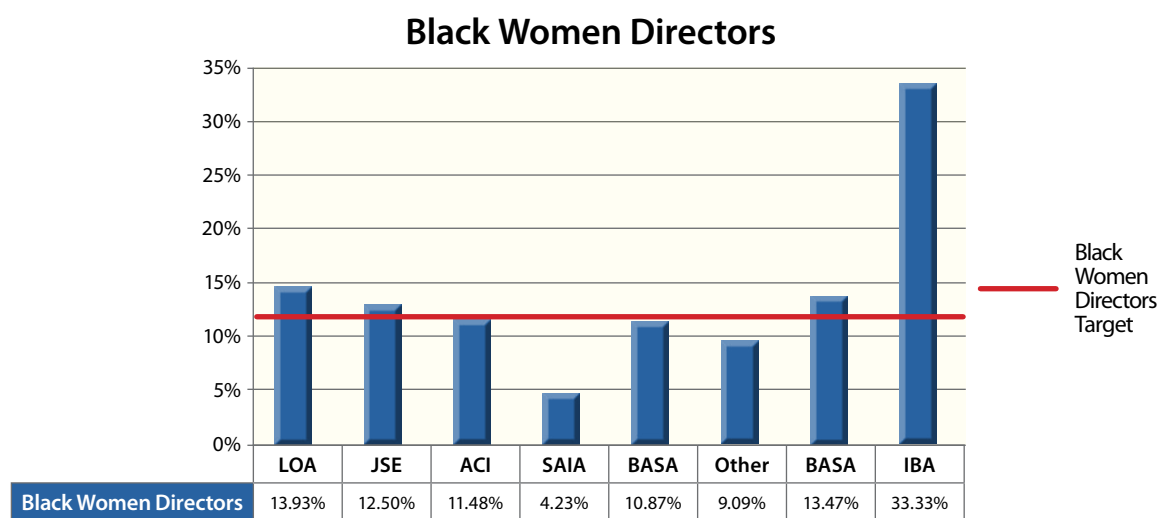


Figure 34



## OWNERSHIP & CONTROL *continued*

### Black Executives and Black Women Executives

The Charter specifies that “executive management means X number of people identified by the Board of Directors by name and position as the top managers of that financial institution, where X = 0.4% of the total staff of the financial institution employed in South Africa, with a minimum of 9 people and a maximum of 50.”

The target for Black executives is a 25% minimum with Black Women executives being a minimum of 4%.

The table below shows that despite the increase in the number of Black executives and executives in general, the number of Black Women executives has decreased. This is an area of concern.

### Performance: Black Executives per Industry 2005 – 2008

	2005	2006	2007	2008	Growth %
Total Executives	1048	987	757	785	3.70%
Black Executives	249	259	212	223	5.19%
Percentage	24%	26%	28.01%	28.41%	–
Black Woman Executives	63	81	61	60	-1.64%
Percentage	6%	8%	8.06%	7.64%	–

Table 50

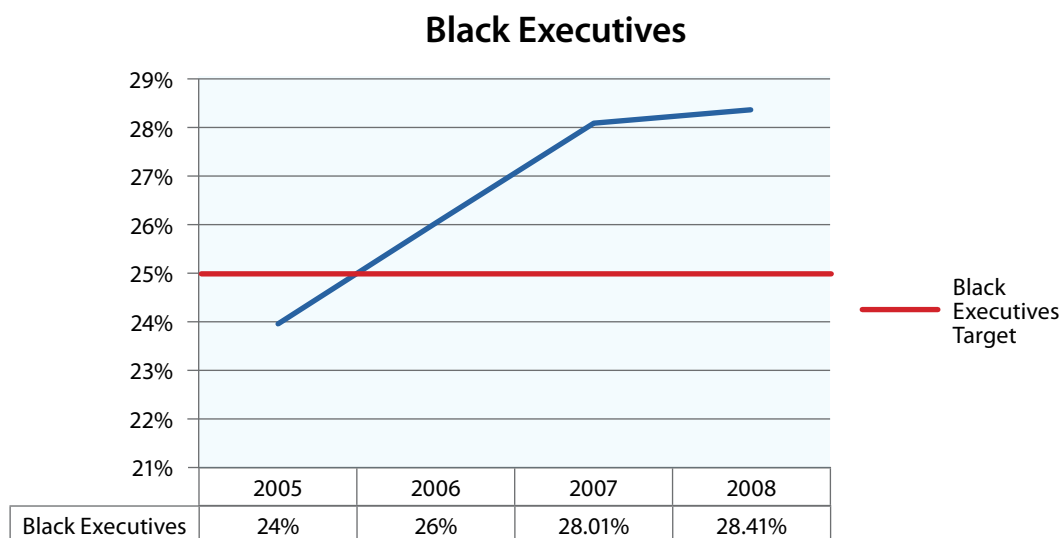


Figure 35



## OWNERSHIP & CONTROL *continued*

### Black Women Executives

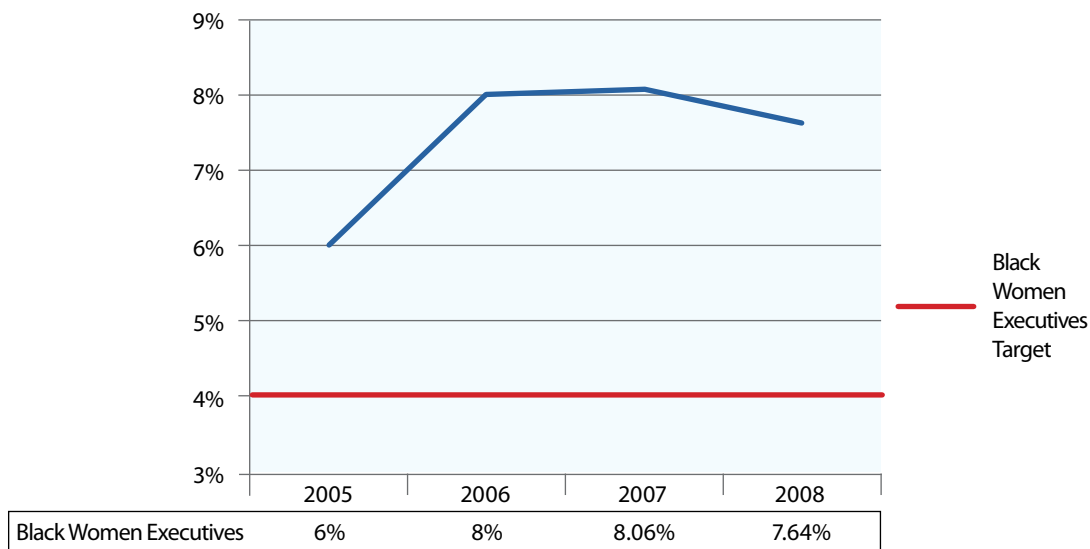


Figure 36

### Performance: Black Executives per Industry 2005 – 2008

Industry	2005	2006	2007	2008
LOA	22%	26%	27%	24.81%
JSE	20%	24%	16%	9.09%
ACI	32%	23%	39%	41.38%
IMASA	10%	14%	37%	40.00%
SAIA	18%	24%	23%	28.67%
Other	0%	0%	33%	35.29%
BASA	25%	32%	33%	31.68%
IBA	31%	28%	11%	15.38%

Table 51



## OWNERSHIP & CONTROL *continued*

### Black Executive Management per Industry 2008

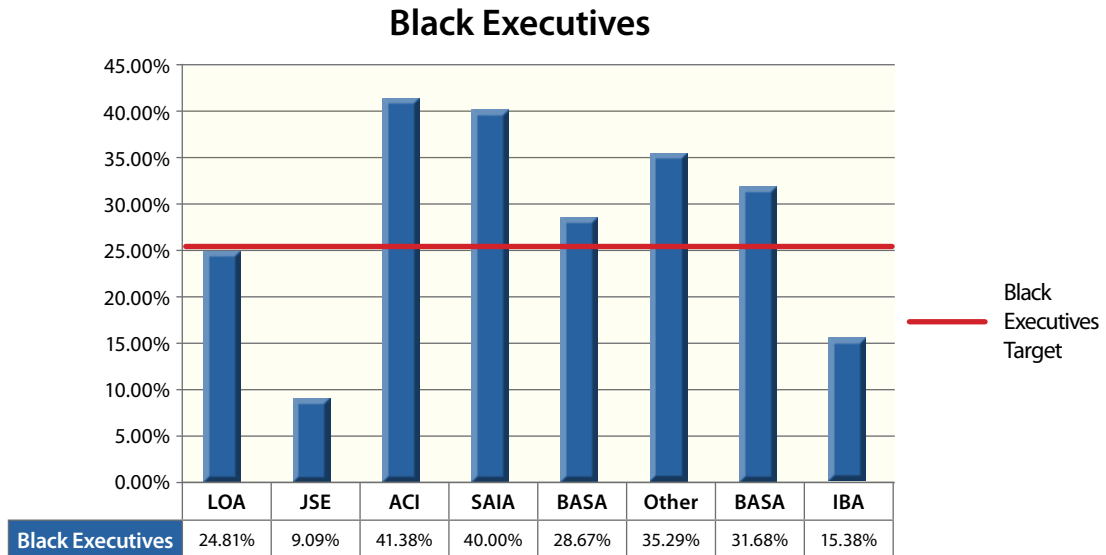


Figure 37

### Performance: Black Women Executives per Industry 2005 – 2008

Industry	2005	2006	2007	2008
LOA	5%	8%	8%	7.75%
JSE	6%	7%	13%	5.19%
ACI	4%	4%	7%	6.90%
IMASA	3%	6%	7%	8.00%
SAIA	4%	7%	5%	5.33%
Other	10%	10%	7%	9.80%
BASA	9%	11%	10%	8.78%
IBA	10%	14%	7%	7.69%

Table 52

### Black Women Executive Management per Industry 2008

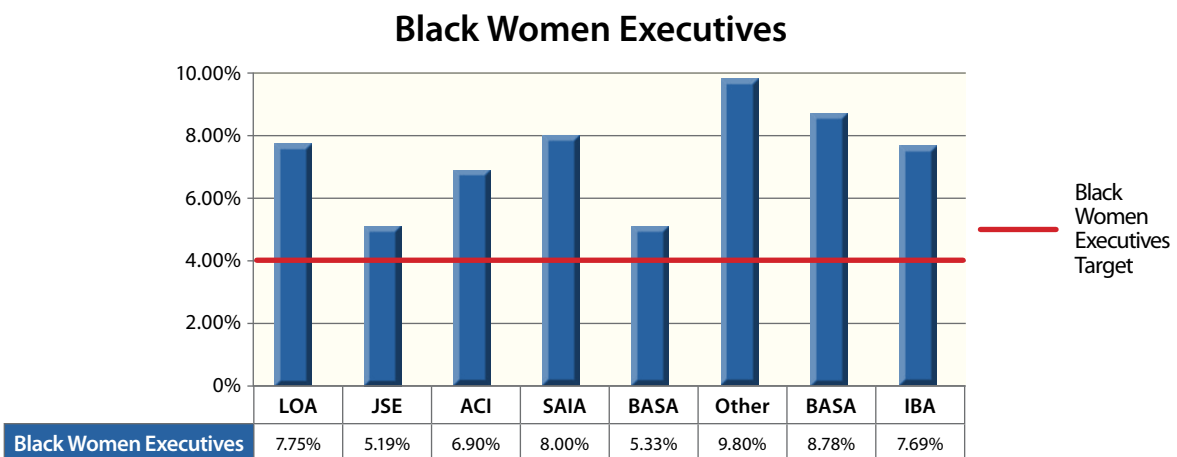


Figure 38



# CHAPTER 6: CORPORATE & SOCIAL INVESTMENT (CSI)

The Charter defines CSI as “projects aimed primarily at Black groups, communities and individuals that have a strong developmental approach and contribute towards transformation.” A list of non-prescriptive examples of CSI initiative is also specified. As a result of this definition the questions asked each respondent to report their spend on those examples; an category designated “Other” is offered for those contributions that fall outside of those examples.

## Corporate Social Investment for the Sector

The table shows that the amounts of CSI spend decreased in real terms and as a percentage.

Year	2005	2006	2007	2008	%Growth
Net profit after tax (millions)	R 47,914.00	R 50,248.00	R 68,790.00	R 60,009.45	-13%
CSI spend (millions)	R 308.00	R 592.00	R 389.00	R 525.85	35%
Percentage spend	0.64%	1.18%	0.57%	0.88%	

Table 53

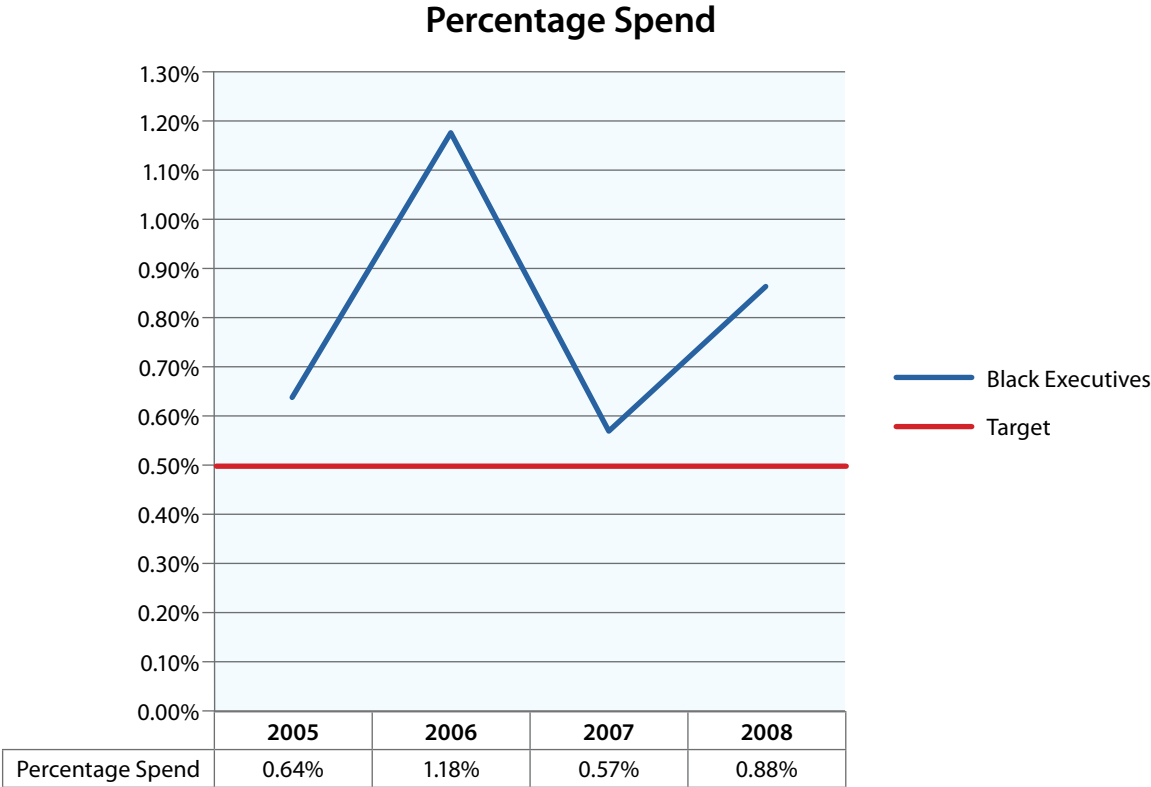


Figure 39



## CORPORATE & SOCIAL INVESTMENT (CSI) *continued*

### Spend measured against the target

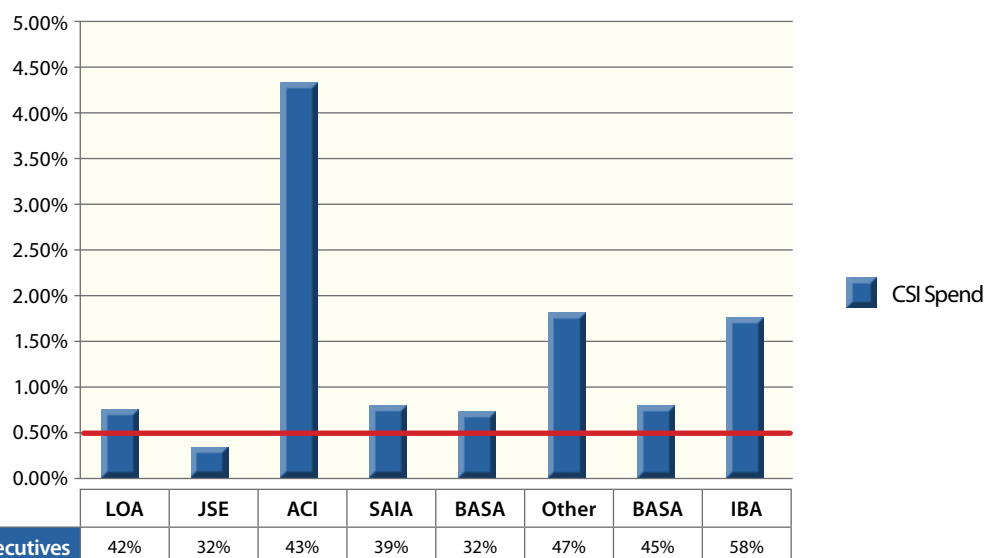
Even though profits in the sector decreased by 13%, the amount spent on CSI initiatives increased by 35% to R526million. The graph and table below shows the performance of each Industry .

### Corporate Social Investment per Industry 2008

Industry	CSI Spend
LOA	0.78%
JSE	0.38%
ACI	4.35%
IMASA	0.85%
SAIA	0.75%
Other	1.83%
BASA	0.84%
IBA	1.76%

Table 54

### CSI Spend per Industry



#### Black Women Executives

LOA	42%	JSE	32%	ACI	43%	SAIA	39%	BASA	32%	Other	47%	BASA	45%	IBA	58%
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Figure 40



## CORPORATE & SOCIAL INVESTMENT (CSI) *continued*

### CSI Spend and Beneficiaries

The single biggest area that is supported through CSI initiatives is Education; with 42% of the total spend. Training accounts for a further 8%, making the Skills initiatives 50% of the CSI spend. This is in line with Government thinking on Socio-Economic Development which is focused on Skills Development; a vital area for sustainable economic growth.

Youth development, which is necessary to assist with the alleviation of the unemployment problem, accounts for 17% of the CSI spend.

The next biggest area of spend is in Health, which is vital for an economy faced with an unprecedented HIV problem.

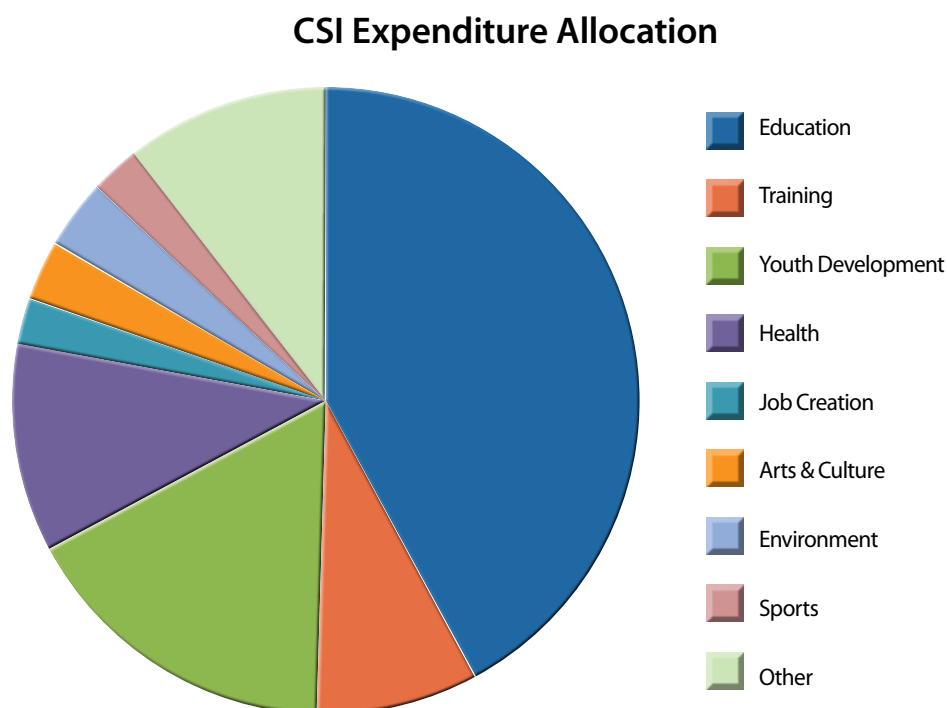


Figure 41



## CHAPTER 7: SUMMARY, RECOMMENDATIONS & CONCLUSION

In summary it is best to review the agreements of the 2003 Financial Sector Summit:

1. To ensure access to basic financial services
2. To eradicate discrimination in the workplace and in the sectors products.
3. To increase investment in projects that strengthen infrastructure, create jobs, meet basic needs, stimulate economic activity in the poorest regions and communities of South Africa, and
4. To promote savings.

### 1. Ensuring Access to Basic Financial Services

According to the 2007 Finscope™ Survey the following progress was noted.

- Mzansi has been a key factor in driving new entrants to banking, with 11% of LSM 1-5 having an Mzansi account, which is 25% of the accounts held by banked LSM 1-5.
- Mzansi continues to be the stand out product driving growth in banking status. There is still potential for future growth, but continued improvements must be made in ensuring understanding of products.
- The largest increase in the banked has been in the R500 – R999 personal monthly income group.
- The number of people with education policies has increased from 1% to 3%.
- The number of people with investment/saving policies has increased from 2% to 4%.
- The penetration of formal investments and retirement savings has improved. The products showing growth were provident and pension funds (as a result of more people being employed in the formal economy), education policies and general investments endowment policies.
- Funeral products are being brought to the market in increasingly innovative ways. The success of these new distribution channels indicates that there is room for future growth in the formal short-term insurance sector if products can be made accessible to more people.
- Funeral and burial cover achieved an 18% growth in penetration, 46% of the population now have some form of funeral cover.
- Long-term insurance penetration has remained static.
- The most popular long-term insurance product is life-insurance with 9% of the population holding a policy.
- There has been a significant increase in the knowledge and understanding of financial products amongst the lowest LSM groups.

# SUMMARY, RECOMMENDATIONS & CONCLUSION

*continued*

## Challenges:

- For unbanked people, physical access is the main reason for not having a bank account. Half of LSM 1-5 can travel to a bank in less than 20 minutes, while, for unbanked people, physical access is the main reason for not having a bank account.
- Affordability and lack of regular income or jobs continue to be the key barriers to entry for the lower LSM groups.
- Short-term insurance in the LSM 1-5 market is almost non-existent. The formal short-term insurance sector has seen only very limited growth.
- Growth in short-term asset insurance has been disappointing, despite a large increase in the ownership of insurable assets.
- For non-users of short-term insurance products, cost is a major consideration when purchasing, whereas holders of short-term insurance are also concerned about the item being covered in the event of a claim.

As we can see from the relevant section above there has been some progress made to ensure access to basic financial services. The banking and long-term insurance industries have been the most successful in this regard.

Although both the short-term insurance and collective investment industries have worked hard at putting together standards and products to increase access to their products for the LSM 1-5 market, the take-up of these products has been disappointing. Again this could be due to the current economic situation, as the Finscope™ survey shows that household insurance across the board has dropped. At the same time the industries need to re-look their marketing and distribution channels.

## 2. Eradicating discrimination in the workplace and in the sectors products

As can be seen from the Employment Equity statistics below the sector has been successful in meeting all of its Employment Equity targets set. However, a concerning trend that can be seen from the statistics is the decreasing representation of Black Women as the management levels increase, both in respect to the percentage representation for all managers at that level and for the percentage representation for all Black managers at that level. Is this evidence that the “glass ceiling” does in fact exist?

Employment Category	% of category	% of total Black
Black Women Junior Managers	31.25%	58.80%
Black Women Middle Managers	17.64%	45.37%
Black Women Senior Managers	8.05%	31.74%
Black Woman Executives	7.64%	26.91%



## SUMMARY, RECOMMENDATIONS & CONCLUSION

*continued*

In terms of eradicating discrimination in its products the sector has taken the necessary steps to ensure that in terms of bank accounts, the only requirement to open a bank account, which would qualify for Charter scoring purposes, is to have a valid identity document. One of the banks goes so far as to allow any acceptable proof of identification, where an ID document is not available.

With regard to HIV/AIDS, long-term insurance companies are no longer allowed to discriminate on these grounds and the disease is treated as any other condition.

With regard to short-term insurance products, the product standards specifically allow for all types of dwellings to be covered and red-lining is prohibited.

### **3. Increasing investment in projects that strengthen infrastructure, create jobs, meet basic needs, stimulate economic activity in the poorest regions and communities of South Africa**

From the statistics we can see that the sector has certainly met the financial targets it set for itself. The issue though, is that the impact of this has not been measured. So we may not actually know if, through the financing activities undertaken by the sector, any new jobs have been created and if so how many; have peoples basic needs been met or in fact if economic activity has been stimulated.

The answer is we do not know if these financing activities have had any material impact on uplifting the South African economy as was intended. Unfortunately the issue had been approached purely from a compliancy perspective not from an impact perspective.

One thing is certain however, looking at the distribution of financing activities, financing as for the most part has been concentrated in the major financial areas of the country, so these activities cannot be said to have materially stimulated economic activity in the poorest regions and communities of South Africa.

The question can only be adequately answered by the Council undertaking an impact analysis, if it is possible, to track the impact of the sectors financing initiatives.

### **4. Promoting savings**

As noted above in the Finscope™ 2007 survey, the number of people with education policies increased from 1% to 3% and the number of people with investment / saving policies has increased from 2% to 4%. This is clearly an indication that South Africans are beginning to save more. This level of saving must still increase, as it is still inadequate.

In addition, the banking industry has initiated a programme to promote savings. It is called “Teach Children to Save”. Teach Children to Save South Africa™ (TCTS SA™) is a national savings campaign which was first piloted in July 2008. After the successful launch and national interest generated, this initiative was adopted as an annual programme of the South African banking industry and broader financial sector, under the auspices of Consumer Education/Financial Education, an element of the Access to Financial Services transformational pillar.

The aim of TCTS SA™ is to teach children to save, to foster a culture of saving and to promote volunteerism and highlights the important role that volunteer bankers/financial sector professionals can play in educating our nation’s youth to become lifelong savers.

TCTS SA™ is supported by the Department of Education and is integrated in the Economic Management Science learning area of the school curriculum .



## SUMMARY, RECOMMENDATIONS & CONCLUSION

*continued*

### RECOMMENDATIONS

#### PARTICIPATION AND REPORTING

The Charter seeks participation by the entire financial sector. With 80% of the sector's transformation data being captured to-date, the Charter Council should accelerate the gazetting process which will in turn enforce participation by the whole sector.

The Charter Council should also continually identify uncertainties in financial groups over the reporting responsibilities of the groups and their subsidiaries and members. A similar education programme is necessary to clarify issues and ensure comprehensive reports from all institutions overseen by the Charter Council in future reporting cycles.

#### HUMAN RESOURCE DEVELOPMENT

The high performance achieved in the placement of Black Managers, particularly Black Women Managers is an indication that these targets need to be reviewed.

Widespread underperformance on the employment of Black matriculants in learnerships and widespread misinterpretation over the Charter's requirement that institutions employ 1.5% of their staff in learnerships has been identified and it is recommended that better guidelines be provided to improve performance in this element. The inclusion of graduates in learnership programmes should also be investigated and proposed for inclusion in the calculation of ratios in this regard.

It is further recommended that the Charter Council consider an initiative to encourage, and possibly, incentivise greater expenditure on black skills development.

#### PROCUREMENT AND ENTERPRISE DEVELOPMENT

The Financial Sector Charter includes Enterprise Development within Procurement and as such Enterprise Development has no separate target. It is therefore recommended that a separate target and scoring mechanism be introduced to improve performance in this area.

### ACCESS TO FINANCIAL SERVICES

#### First Order Financial Services

Banking access has tended to focus on widening the availability of banking services. The issue that has not been finalised by the Council is the issue of the densification of banking services, i.e. the number of people serviced by the particular branch or other infrastructure. As anybody who has had to wait in long bank queues would know, this is an area that needs to be addressed. The Board of the Council did agree at its 13th December 2005 meeting that densification should be added to the standards for Access. This has not yet happened. The Council needs to revisit and finalise the issue of densification.

Other recommendations on improving access to financial services are:

- that the Charter Council facilitate rapid resolution of unresolved issues concerning standards and criteria on the appropriateness and affordability of first-order products and services.



## SUMMARY, RECOMMENDATIONS & CONCLUSION

*continued*

- that the Charter Council consider the trend in all three originated loan categories of clustering loans around the country's three major urban areas.
- that the Charter Council address the sectors comparative underperformance in the allocation of loans and funding to resource-poor farmers.

Additional recommendations affecting these categories are included under the heading 'targeted investments'.

### EMPOWERMENT FINANCING

#### Targeted Investments

It is recommended that the Charter Council consider the differing definitions for low-income housing beneficiaries and Black SME's provided for under origination and targeted investments. These effectively discourage funding for low-income housing for the poorest segment of households and of Black SMEs having a turnover of less than R 500,000 a year and crucially, of start-up Black SMEs. The consequences of this do not appear to have been those intended in the Charter.

One of the biggest concerns raised by smaller financing institutions and non-originating institutions has been their inability to effectively participate in the Targeted Investment provisions of the Charter, due to that being primarily a financing initiative and the lack of appropriate instruments for them to participate in. This is borne out by the statistics for Targeted Investments that show that 82% of the Targeted Investment achievements come from the retail banks and 74% coming from the big 4 retail banks.

It is also recommended that other avenues be created for institutions that are non-originators to be able to participate in this section of the charter.

#### BEE Transaction Financing

The Charter currently provides that members of the IBA restricted by a global policy from accommodating local ownership, may achieve their ownership targets through 'equity equivalent' transaction financing, but other institutions similarly restricted are allowed to be exempted from the ownership provision. The differing requirements for IBA and non-IBA members is inconsistent. It is recommended that the Charter Council review this inconsistency and consider amending the Charter to provide for 'equity equivalent' investments by all institutions restricted by global policy from accommodating local ownership.

### OWNERSHIP AND CONTROL

It is recommended that the Charter Council consider introducing mechanisms to ensure institutions pay greater attention to meeting the unquantified responsibilities, possibly through the award of bonus points for doing so, or the deduction of points for failure to do so.

### CORPORATE SOCIAL INVESTMENT

As a country we are faced with serious challenges around unemployment, lack of skills and a growing health problem. It is therefore these areas that should be addressed to effectively and sustainably grow our economy. Companies should maintain their focus on Education, training and Youth Development and increase their focus on Health. The sector has agreed to increase their CSI spend to match that of the SED spend of the DTI's COGP (including spend on Consumer Education) and this is encouraging. More importantly, the sector should target a larger amount of these investments to underdeveloped areas.





## SUMMARY, RECOMMENDATIONS & CONCLUSION

*continued*

### In Conclusion

The recommendations stated beforehand are, amongst other factors, evidence that the Financial Sector Charter is not necessarily the perfect regulator of BBBEE. However, tribute must be paid to the milestones achieved by the Financial Sector Charter.

BBBEE, of which the Financial Sector Charter was a stepping stone, has become a key driver of sustainable growth; redressing social and economic inequities in the country and broadening the skills and asset base of the whole economy.

Through the Charter, South Africa has benefited from a financial sector characterised by efficiency, innovation and strong growth, billions of rands that have been refocused to increase the representation of Blacks in the sector, more finance that has been channelled for infrastructure in poor communities and more money spent towards black business development.

Again through the Charter, we are increasingly seeing a financial sector that is embracing transformation and reforming business models to extend services to low-income communities and financing broad-based economic development. This has in turn contributed to a stronger, shared and sustainable economic climate for South Africans.

Despite the achievements of the Financial Sector Charter as indicated in this report and despite acknowledgement by commerce, government and the general public, that much will be lost if this charter falls through the alignment cracks, the future of the Financial Sector Charter continues to be under threat.



## APPENDICES

### Reporting Entities

South Africa's Financial Sector consists of nine industries. The industries and their respective trade Industries are listed below:

Industry		Trade Industry	
1	Asset Management	IMASA	ASISA (Formerly IMASA)
2	Banking	BASA	Banking Association of South Africa
3	Trading in Debt Securities	BESA	Bond Exchange of South Africa
4	Collective Investment Schemes	ACI	ASISA (Formerly ACI)
5	International Banking	IBA	International Banker's Association of South Africa
6	Trading in Equities	JSE	JSE Security Exchange
7	Life Assurance	LOA	ASISA (Formerly LOA)
8	Retirement Funds	IRF	Institute of Retirement Funds
9	Short-Term Insurance	SAIA	South African Insurance Association

## GLOSSARY

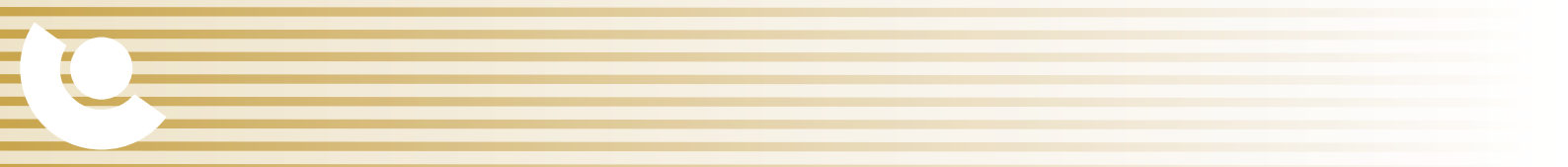
<b>ACI</b>	Association of Collective Investments, a Trade Association signatory to the Financial Sector Charter representing the Collective Investments Association
<b>ARG</b>	Adjusted Recognition for Gender – a calculation that takes into account the number of Black Women in certain elements of the DTI’s codes of good practice.
<b>BASA</b>	Banking Association of South Africa, a Trade Association signatory to the Financial Sector Charter representing the domestic banks
<b>B-BBEE Act (or the Act)</b>	Broad-Based Black Economic Empowerment Act (Act 53 of 2003)
<b>B-BBEE</b>	Means the economic empowerment of all Black people including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies, that include, but are not limited to: a) Increasing the number of Black people who manage, own and control enterprises and productive assets, b) Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises, c) Human resource and skills development d) Achieving equitable representation in all occupational categories and levels in the workforce, e) Preferential procurement, and f) Investment in enterprises that are owned or managed by Black people.
<b>BEE Advisory Council</b>	The Council established under the BBBEE Act to: review progress in achieving Black economic empowerment; advise on draft codes of good practice which the Minister intends publishing; advise on the development or amendment or replacement of BEE strategies; advise on draft transformation charters; and facilitate partnerships between organs of state and the private sector.
<b>BESA</b>	Bond Exchange of South Africa, a Trade Association signatory to the Financial Sector Charter
<b>Charter Council</b>	The Council established in terms of 15.1 of the Financial Sector Charter to oversee implementation of the Charter
<b>COGP</b>	Codes of Good Practice – refers to any charter gazetted under section 9 of the B-BBEE Act.
<b>Designated investments</b>	Any statutory or voluntary deposit, saving, investment or risk insurance placed or made by the South African public, whether of a wholesale or retail nature, but not by one financial institution in another.
<b>Financial institutions</b>	Banks, long-term insurers, short-term insurers, re-insurers, managers of formal collective investment schemes in securities, investment managers and other entities that manage funds on behalf of the public, including retirement funds and members of any exchange licensed to trade equities or financial instruments in this country and entities listed as part of the financial index of a licensed exchange



## GLOSSARY *continued*

<b>FSC</b>	Financial Sector Charter. The sectoral charter which is the negotiated outcome of a process whereby members of the financial sector, government, social partners and other stakeholders agreed to sector transformation through a formal course of action
<b>IBA (SA)</b>	International Banker's Association of South Africa, a Trade Association signatory to the Financial Sector Charter representing the international banks
<b>IMASA</b>	Investment Managers' Association of South Africa, a Trade Association signatory to the Financial Sector Charter representing asset managers
<b>IRF</b>	Institute of Retirement Funds, a Trade Association signatory to the Financial Sector Charter
<b>JSE</b>	JSE Securities Exchange, a Trade Association signatory to the Financial Sector Charter
<b>LOA</b>	Life Offices Association of South Africa, a Trade Association signatory to the Financial Sector Charter representing long-term insurers
<b>LSM</b>	Living Standard Measure, a 10-tier category system of demographic segmentation. It is primarily used in this review to identify people in LSM 1-5. Unless the context indicates otherwise, it means people in households with a combined income of R2 500 a month or below.
<b>Nedlac</b>	National Economic Development and Labour Council
<b>Principal Officer</b>	The official appointed by the Board of the Financial Sector Charter Council in terms of Section 11 of the Constitution of the Charter Council to head the executive of the Charter Council
<b>SAARF®</b>	The South African Advertising Research Foundation
<b>SAIA</b>	South African Insurance Association, a Trade Association signatory to the Financial Sector Charter
<b>SETA</b>	Sector Education and Training Authority
<b>The Charter</b>	The Financial Sector Charter, effective from 1 January 2004 to 31 December 2014
<b>The Scorecard</b>	The Sector scoring framework as set out in the Charter

Table 55



## NOTES

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