



Financial Sector
Charter Council

2013 REVIEW

REVIEW ON THE TRANSFORMATION OF THE FINANCIAL SECTOR OF SOUTH AFRICA

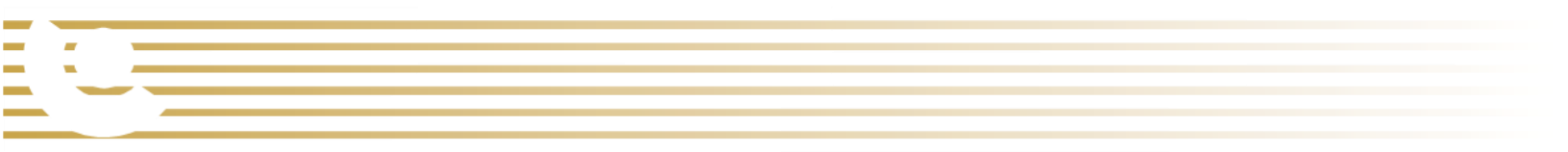




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1 FOREWORD


The Financial Sector Charter Council (FSC Council) aims to use the Financial Sector Code (FS Code), which is closely aligned to the dti Codes of Good Practice (CoGP), to mobilise the financial sector to implement empowerment initiatives that will bridge the gap brought about by the historical racially based income and social inequalities.

Following the signing of the Financial Sector Charter (the Charter) in 2003 the FSC Council was formed with representatives from organised labour, community, government, the Association of Black Securities and Investment Professionals, as well as the various trade associations. The FSC Council represents the primary governance mechanism for empowerment in the sector and is supported by a secretariat.

The Charter's legal standing was that of a voluntary code gazetted under section 12 of the Broad-Based Black Economic Empowerment (B-BBEE). Following the 2007 gazette of the CoGP, voluntary transformation charters such as the Financial Sector Charter were given an opportunity to align to the CoGP and thereafter be gazetted as legally binding sector codes under section 9 of the B-BBEE Act, No. 53 of 2003.

In 2007 a process of alignment of the Charter to the CoGP was initiated by the FSC Council. 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 CoGP and converting them into sector codes. This conversion did not take place as Financial Sector Charter participants could not reach agreement on certain aspects of the alignment. Agreement was finally reached in 2012 which culminated with the gazetting of the Financial Sector Code (FS Code) under section 9 of the B-BBEE act in December of that year.

In the same year that the FSC Code was gazetted, the Advisory Council also developed key recommendations on areas that needed refinement to address the risk of fronting and other loop holes that allowed companies to game the system. These recommendations culminated in the gazetting of the revised CoGP in October 2013 and the B-BBEE Amendment Act in January 2014.



Similar to the alignment process that the sector undertook between 2007 and 2012, the sector is now in the process of re-aligning the current FS Code with the revised Codes. The revised FS Code is scheduled to be finalised before the end of the transitional period, namely 31 October 2015.

From 2003 to 2008, financial service organisations in South Africa voluntarily used the Financial Sector Charter and scorecard to drive and measure transformation efforts. During this period, the FSC Council diligently issued four annual reviews between 2006 and 2009.

The first annual review of transformation in the sector, released in 2006, was for the period 1 January 2005 to 31 December 2005. This was a demonstration of the sector's commitment to track the performance of the financial sector in transforming itself into a sector of the economy 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.

During the period 2009 to 2012, because the Charter had no legal standing in terms of the B-BBEE Act, the sector reverted to reporting under the CoGP scorecard. In keeping with the FSC Council's commitment to preparing an annual review which outlines progress, I am pleased that we have a 2013 annual review report. This report marks the first year that the sector reported under the newly gazetted FSC Code.

Although the 2013 annual review is particularly unique in that it is a reflection of the current FSC Code, which will change in the near future, I am proud to present the efforts and progress made by the sector in implementing the FS Code.

I wish to thank all sector entities that responded to the call for reports and Charter participants and their representatives for the vigorous negotiations, robust debates and their deep commitment to transformation.

Bridget Mokwena-Halala

Chairperson: FSC Council

2 EXECUTIVE SUMMARY


2.1 BACKGROUND

I was honored to be appointed Chief Executive of the FSC Council six months ago at a time when all industry's with sector councils were grappling with the re-alignment of their respective sector codes. The Chairperson's report has outlined the recent developments that have taken place in the B-BBEE legislative environment.

Despite the transitional period that we are in, the financial sector was keen to see how performance was measuring against the FS Code. However, measuring performance under these conditions especially with the gap experienced between 2009 and 2012, does not come without challenges.

The FS Code requires all entities operating within the sector to submit annual reports to the FSC Council. When reports were called for in June 2014, the number of responses was dismal and only from entities that had reported previously under the Charter. Their response is influenced by the fact that they are involved in the Council. At the time of reporting only the industries that participated in the Charter were represented in the Council, and these are local and international banks, long-term assurers, short-term insurers, asset and collective investment scheme managers and security exchange companies. However, we now have other industries such as the financial intermediaries, private equity and venture capital funders participating. We are also anticipating the participation of other industries such as the micro lenders and larger non-bank lenders. It is envisaged that future reporting will be from a much broader base.

Despite the small number of responses received, we are assured that this report is representative of the various industries that reported and to a large degree also of the sector. The number of banks that reported, foreign and local, hold more than 90% of the R3, 843 billion assets held by the South African banking sector as at December 2013. Similarly with long-term assurers, asset and CIS managers, entities that reported contribute about 87% of the R5, 305 billion assets held by the



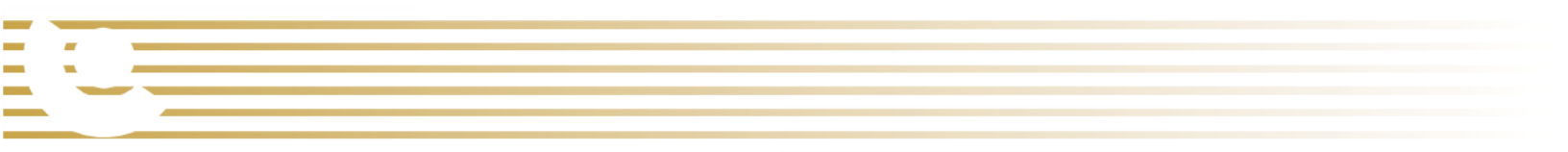
combined industries and together they also hold a 92% share of market. These trends apply in the short-term insurance industry as well.

While the industry's average ownership score of 25.30% exceeds target, the sector lags behind on black women representation and net value, which measures the extent to which the shareholding is free of debt. These shortcomings resulted in the sector achieving an average score that is 65% of target.

The FS Codes Management Control's targets were increased significantly, in some cases the target more than doubled. Also, in the Charter the definition of the different management categories was based on remuneration levels whereas the FS Codes follow the CoGP definition of job titles. These adjustments resulted in a drop in performance across both black people and black women representation halving year-on-year, and an achievement of 4.29 out of 8 points. Whilst this appears to be a setback, it provides the industry with an opportunity to re-commit to the development and promotion of black decision makers in the company.

Employment Equity targets were adjusted in a similar manner to those of Management Control, which saw the sector scoring an average score of 8.5 points, 57% of target. Although the representation of black people and black women has been on a steady upwards trend, the recorded achievements were just below 50% of target at senior management. Junior management performance recorded the smallest gap to target, with middle management being slightly better than senior management.

Although the Skills Development target also doubled, along with an equally high increase in weighting, performance was enhanced by the distribution of the target between Skills Development expenditure and number of learnerships. In the Charter, learnerships contributed to 75% of the target and were restricted to matriculants whereas in the FS Code the learnerships target was reduced to 60% of the total Skills Development target and open to undergraduates who are also at the employment entry level for the sector. Skills Development achieved 63.2% of target. Nonetheless, this particularly pleasing achievement demonstrates the industry's commitment to investing in the development of its employees; particularly black women and learnerships.



In the Charter, Preferential Procurement and Enterprise Development were one scorecard element. The FS Code saw these two elements being separated. Preferential Procurement was the best performing scorecard element across all sub-elements, with the exception of black owned and black women owned suppliers. Although it was a new scorecard element, Enterprise Development managed to achieve an average of 73% of target in the first year of its introduction.

Access to Financial Services and Empowerment Financing, the unique industry scorecard elements, performed well despite the fact that at the time of the gazetting of the FS Code, some of the standards for these elements were not finalised and therefore reporting entities were granted a transitional period for applying the targets resulting in some entities not reporting on one or both elements. Long-term and short-term insurance companies were also allowed to have their 2017 market penetration targets phased-in over 4 years from 2014 onwards, hence the absence of a progress report on those areas.

Socio-Economic Development achieved an exceptional score of 2.49 of 3.00 points.

As we near the end of the revised FS Code negotiation process, we look forward to setting the industry on a new transformation trajectory with refined transformation objectives and challenges.

On behalf of the Council and the Board, I thank all our employees and our member companies for their active participation and contribution to the ability for the industry to produce a high quality and representative annual review report.

Appreciation is also extended to our Chairperson, Ms Bridget Mokwena-Halala, for her leadership of the Council, and to the rest of the Council and fellow Board members for their commitment and support.

Ramotshudi Ramputa
Chief Executive Officer

2.2 THE FINANCIAL SECTOR CHARTER COUNCIL

The Financial Sector Charter Council (FSC Council) members have been drawn from a wide range of constituencies.

The individual Council members are:

Constituency	Members
Government	
National Treasury	Raymond Masoga
Department of Trade and Industry	Jacob Maphutha
Presidency	Rudi Dicks
The Association of Black Securities and Investment Professionals (ABSIP)	Polo Leteka Asief Mohamed Sibongiseni Mbatha
Business	Bridget Mokwena-Halala - Chairperson
Association of Savings and Investment SA	Trevor Chandler
Association of Savings and Investment SA	Ruth Benjamin-Swales
Banking Association of South Africa	Thabo Tlaba-Mokoena
International Bankers Association	Peter Wharton-Hood
South African Insurance Association	Leila Moonda
Financial Intermediaries Association of SA	Justus Van Pletzen
Nedlac Organised Community	Malesela Maleka Tebello Radebe
Nedlac Organised Labour	George Strauss Jan Mahlangu

FSC Council staff members are:

Name	Office	Email address
Ramotshudi Isaac Ramputa	Chief Executive Officer	isaacr@fscharter.co.za
Busi Dlamini	Chief Operating Officer	busid@fscharter.co.za
Metja Mongalo	PA to Ramotshudi I Ramputa	metjam@fscharter.co.za
Joy Mooi	Committee Coordinator	joys@fscharter.co.za
Miriam Hlahane	General Assistant	info@fscharter.co.za

2.3 INTRODUCTION TO THE 2013 REVIEW

Of the estimated 1423 institutions that make up the Financial Sector, only 70 responded to the call to submit. The 70 that responded are all part of the 281 entities that are represented on the Finance Sector Charter Council and that had reported under the Charter.

Of the 70 that responded to the request for 2013 data, only 53 of these responses were used as a basis for sector measurement.

The remaining 17 responses were excluded from this review for the following reasons:

- Insufficient data submitted,
- Reporting as EME,
- Inconsistent data submitted, or
- The institution does not report independently.

The figure below shows the number of reports per industry sector. (See Appendix A for a list of reporting entities.)

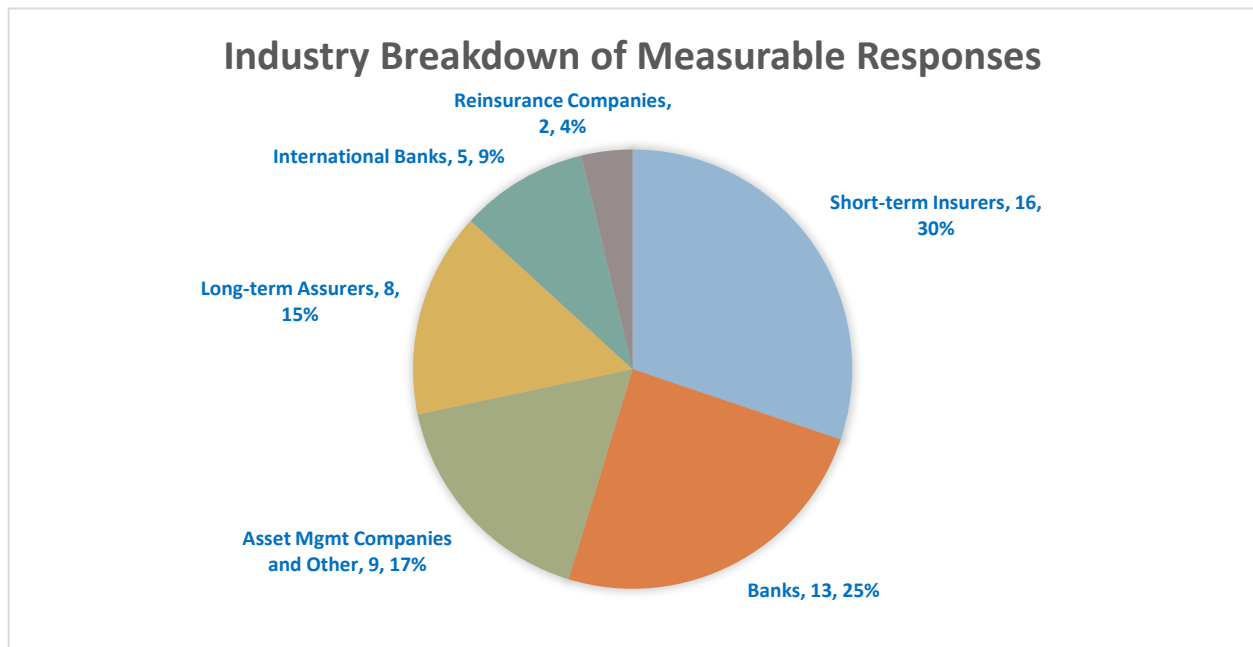


Figure 2.1

The category of Asset Management Companies and Other consists almost exclusively of Asset Managers, but includes one Underwriter. No Managers of Collective Investment Schemes (CIS) reported separately. These organisations reported as part of Asset Management Companies.

Mandatory annual reporting as envisaged for the future will address this potential distortion in assessing sector wide B-BBEE transformation progress.

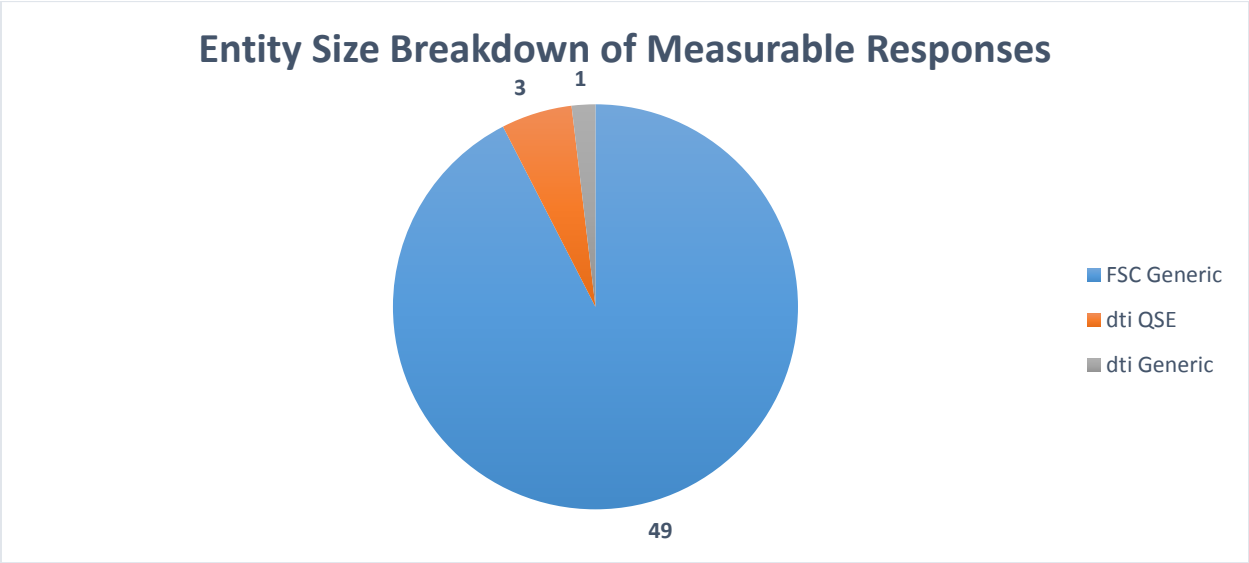
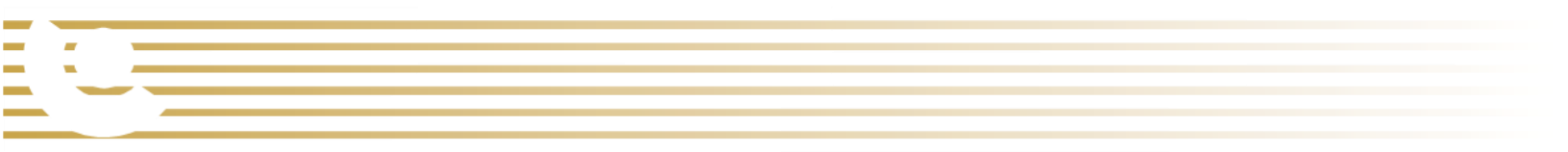


Figure 2.2

More than 90% of measurable responses were received by entities reporting under the FSC Generic scorecard. A small number of dti scorecards were received and reported on. The higher QSE thresholds envisaged for the future may result in more QSFIs (Qualified Small Financial Institutions) being reported on in the years ahead.

2.4 INTEGRITY OF INFORMATION

The FSC Council requires reporting institutions to report annually on their transformation progress and this report is the first prepared under the FSC. Continuing 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.

Verified data was used to establishing an accurate understanding of sector progress towards transformation. Where insufficient or obviously inaccurate data was received from an entity, that entity’s data has been excluded from this report.

The FSC and the Amended CoGP make it mandatory for organisations governed by a Sector Code to submit their B-BBEE certificate and their relevant B-BBEE verification report (scorecard) on an annual basis. The FSC Council is putting in place an online system to simplify this survey procedure and can therefore expect a greater response with improved consistency from the financial sector going forward.

2.4.1 ANALYSIS METHODOLOGY

It is worth mentioning that analysis has been conducted on the basis of simple, and not weighted averages. Although this method provides a high level indication of sector and industry performance, it does not take account of the market size of measured entities and therefore transformation progress may be under or over-stated. In certain instances, additional analysis for these entities has been conducted to present industry performance more accurately.

2.5 OVERALL FINDINGS

The sector has achieved an average B-BBEE Level 4 in 2013. Underperformance in the collective investment scheme and reinsurance industries may not be representative of these industries due to the small sample sizes. It must be recognised that these performances are based on the FSC Scorecard and are therefore not comparable with past reports. Unfortunately the aligned scorecard that is envisaged to come into force in 2015 will again create a new basis of measurement and hence make long term trends difficult to quantify.

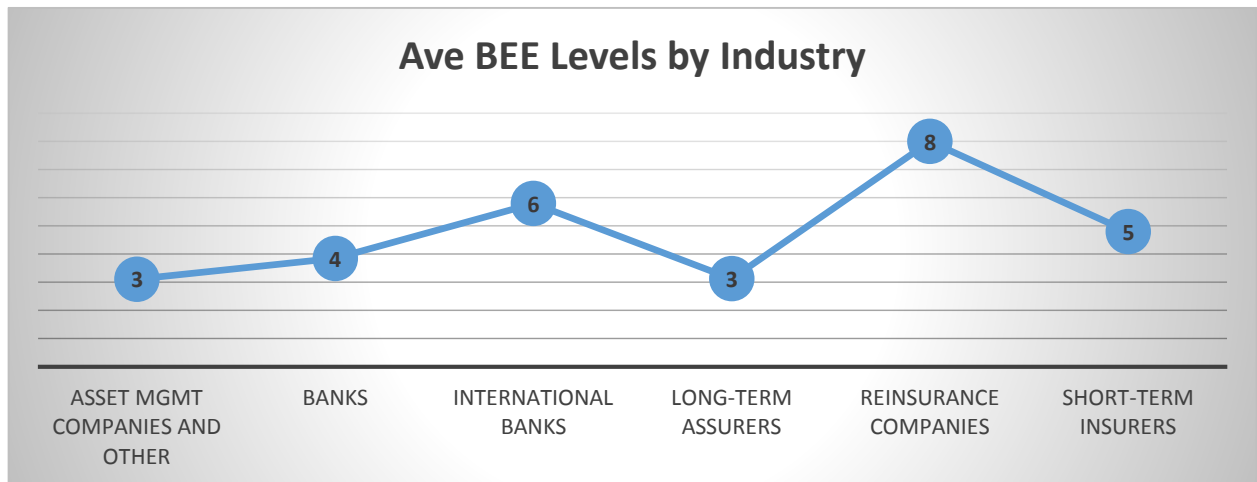


Figure 2.3

Further analysis of the major players in the three largest sectors using weighted averages shows a BEE Level as follows: (3 for Banks, 4 for Short-term Insurers and 2 for Long-term Assurers)

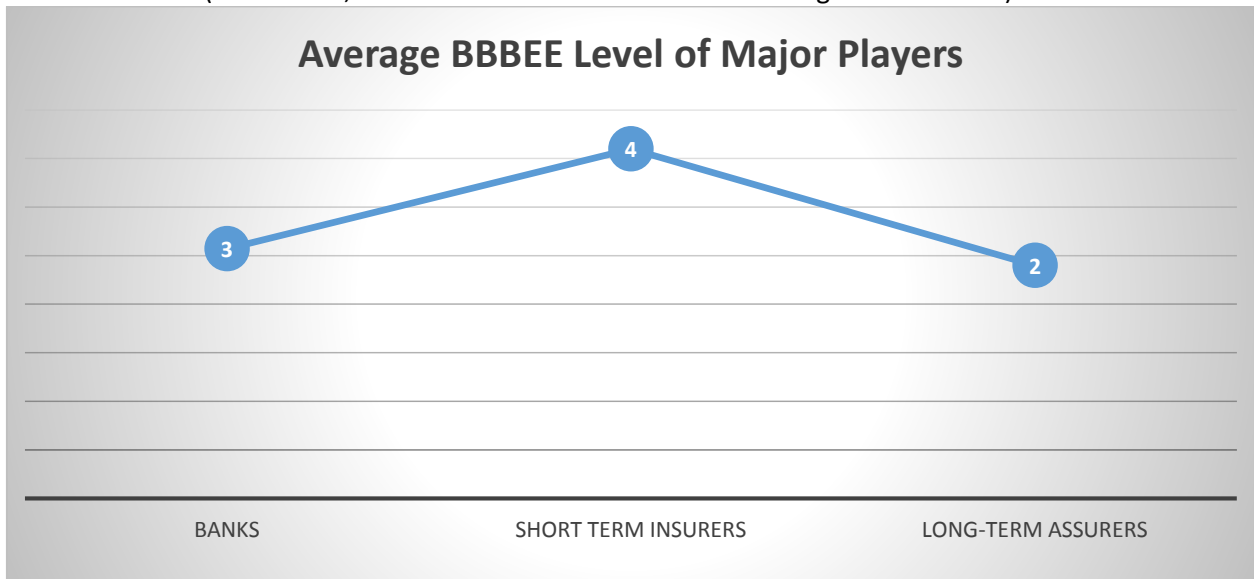


Figure 2.4

2.5.1 BLACK OWNERSHIP:

Two of the International Banks reported Ownership scores through the financing of BEE Transactions and/or Equity Equivalents. These Ownership scores, averaging 12.63 points were excluded from the Ownership graphing in this review and not reported separately due to the small sample size.

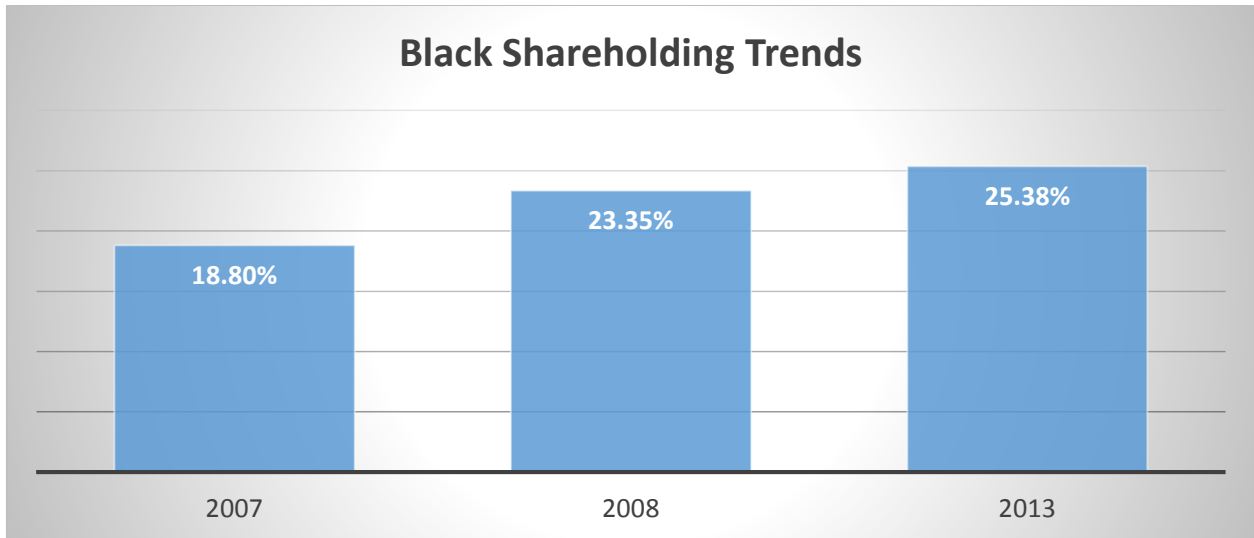


Figure 2.5

The average Black ownership across the financial sector has just exceeded the FSC Code target of 25%. All of the industries have exceeded the 25% Black ownership compliance target with the exception of the Short-term Insurance industry. Ownership data related to the funding of BEE transactions and/or Equity Equivalents for two of the local branches of foreign Banks were excluded from this measure of Ownership shareholding.

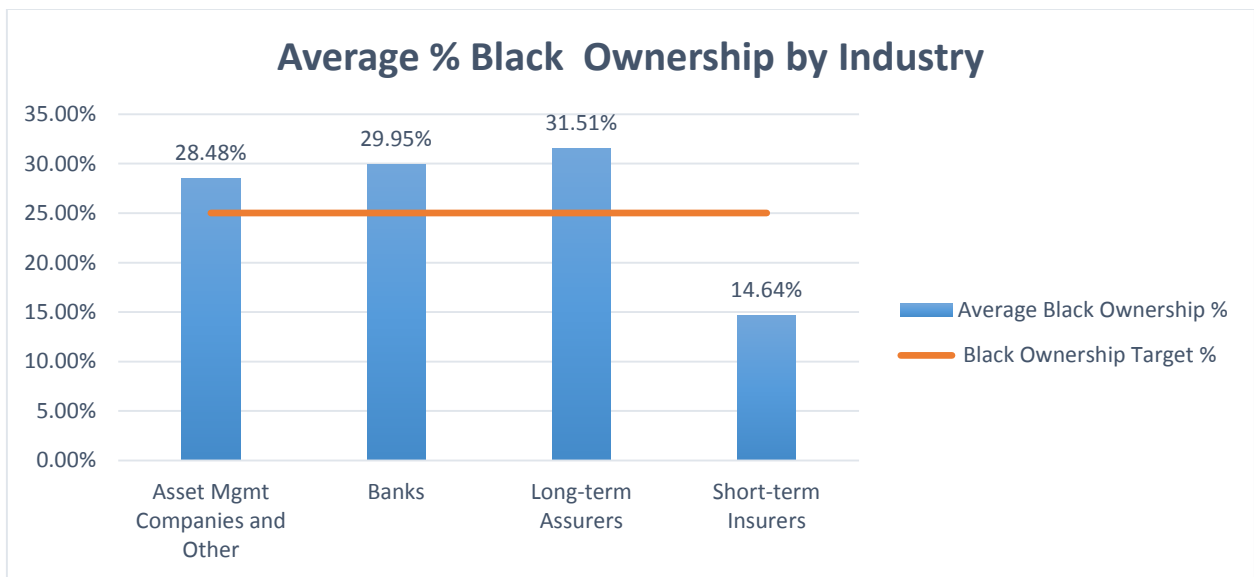


Figure 2.6

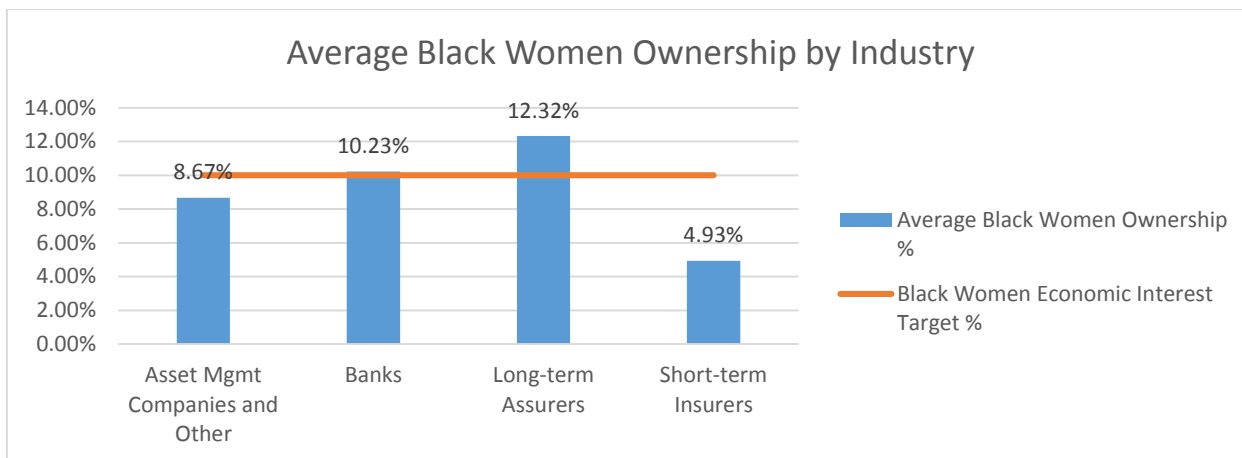
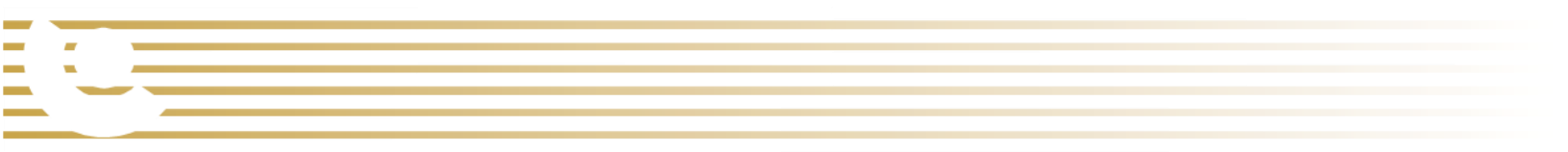


Figure 2.7

The average Black women ownership is approaching the 10% target at 8.69%. Banks and Long-term Assurers have exceeded Black women ownership targets at 10.23% and 12.32% respectively and Asset Managers are just short of the target at 8.67%.

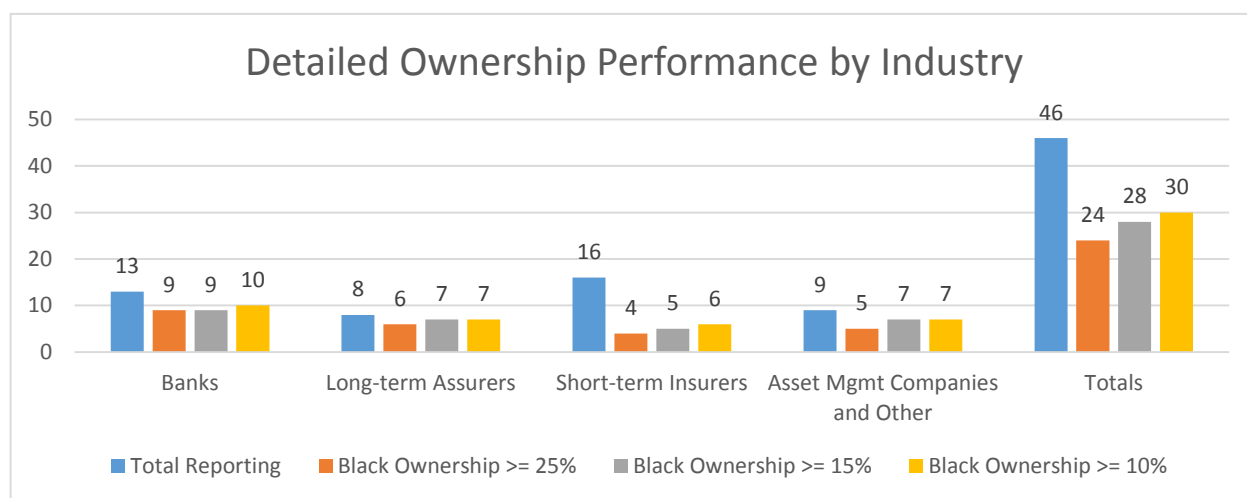


Figure 2.8

52% of measured entities reported Black Ownership on target % or above, while 35% reported less than 10% Black Ownership. Of the 13 Banks that reported, 69% achieved target and 30% achieved less than 10% Black Ownership. 75% of the 8 Long-term Assurers achieved target, while in the short-term Insurance industry, 25% of reporting entities achieved the 25% + 1 vote target.

The ownership concession whereby financial institutions are allowed to recognise Ownership points despite dilution under certain circumstances was due to be reviewed at the end of 2014 and the next report of the FSC Council will provide an assessment of the impact of this concession. Of the total financial institutions that reported, 7 have indicated that they have applied this concession.

Two of the International Banks reported Ownership scores through the financing of BEE Transactions and/or Equity Equivalents. These Ownership scores, averaging 12.63 points were excluded from the Ownership graphing in this review and not reported separately due to the small sample size.

2.5.2 MANAGEMENT CONTROL:

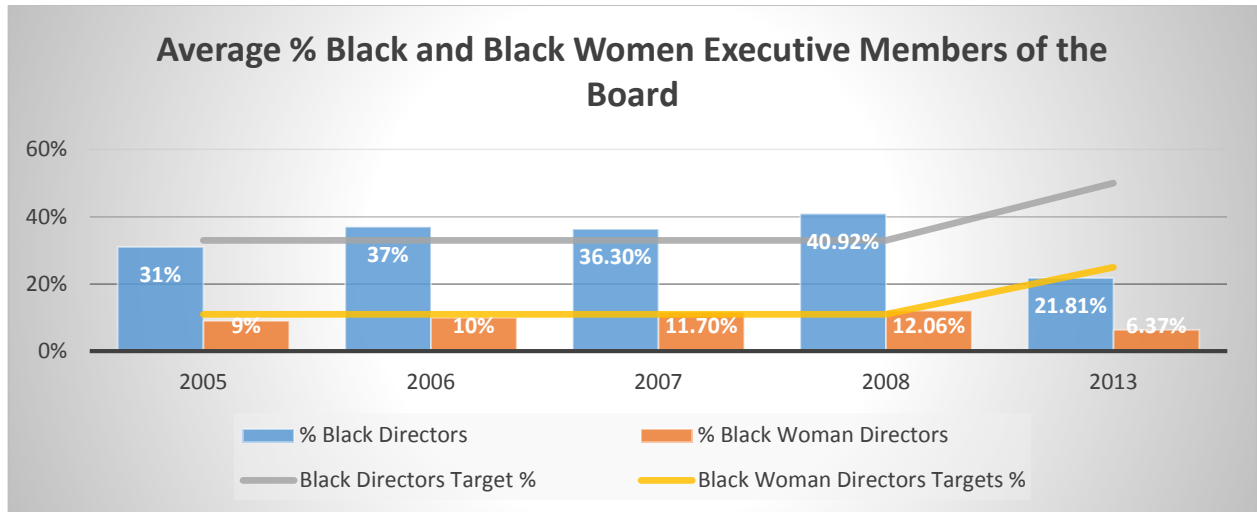


Figure 2.9

There has been a significant drop in the average % of Black directorships and Black women directorships for the sector since 2008. The average % of Black directorships fall short of the 2013 50% target at 21.81% and Black women directorships fall short of the 2013 25% target at 6.37%. This change is attributable to a change in the way management levels were determined for reporting purposes, from “salary-based” to the more accurate, “occupational levels”.

An analysis of the major players indicates that Banks are achieving 17% on average, Short-term Insurers 12% and Long-term Assurers 34% for Black representation on the Boards. Long-term Assurers with the greatest market share are achieving the 10% target for Black women directorships, while the major Banks and Short-term Assurers are achieving 5% and 8% respectively.

2.5.3 EMPLOYMENT EQUITY

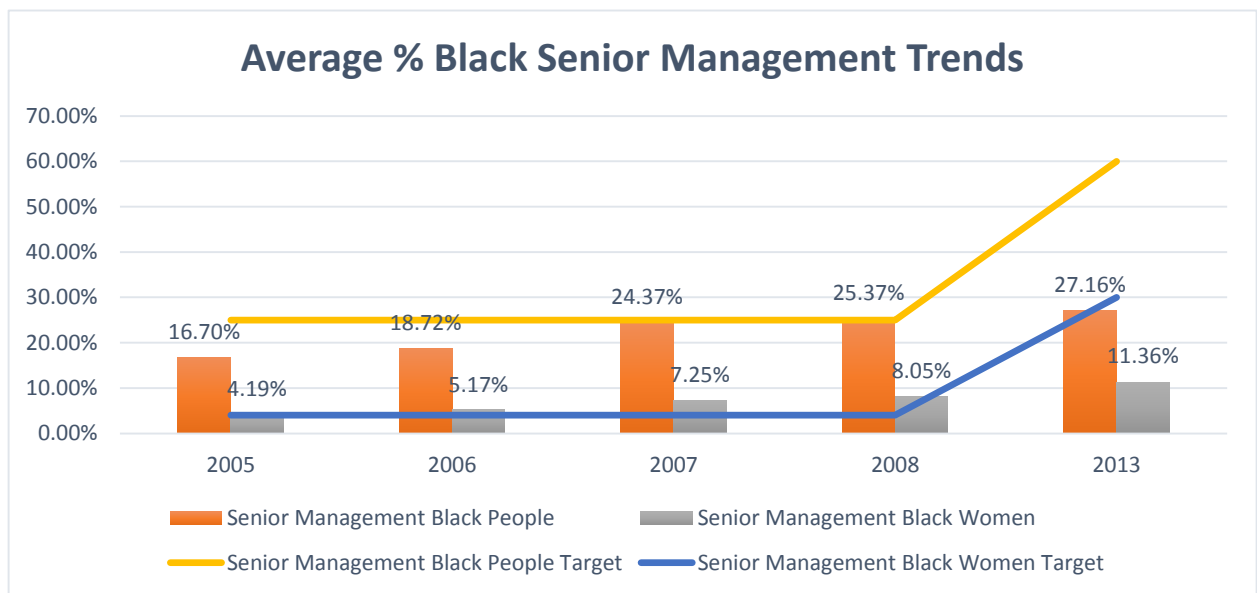


Figure 2.10

The positive trend from 2005 to 2007 has flattened; the average % of Black senior managers in 2013 being just under 2% greater than it was in 2008. The industry variation is insignificant.

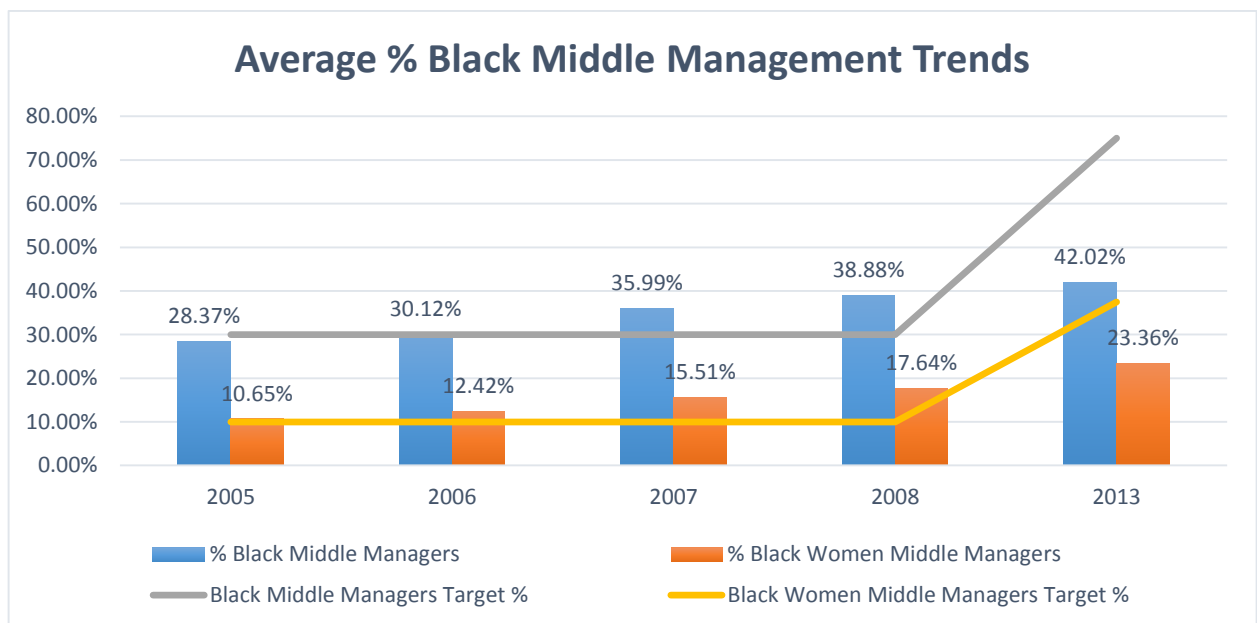


Figure 2.11

The situation for middle management is similar. However, Black participation in junior management across the sector shows a steady increase from 39.71% in 2005 to 67.96% in 2013. Furthermore, average Black female representation in junior management has exceeded the target of 40% at 41.77%.

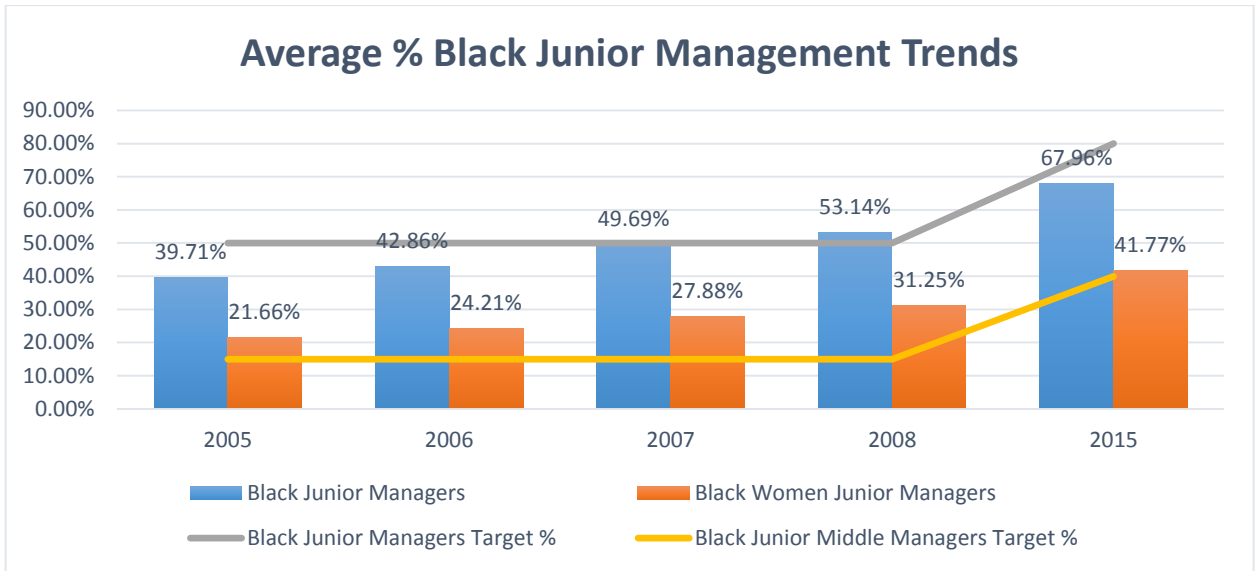


Figure 2.12

2.5.4 SKILLS DEVELOPMENT

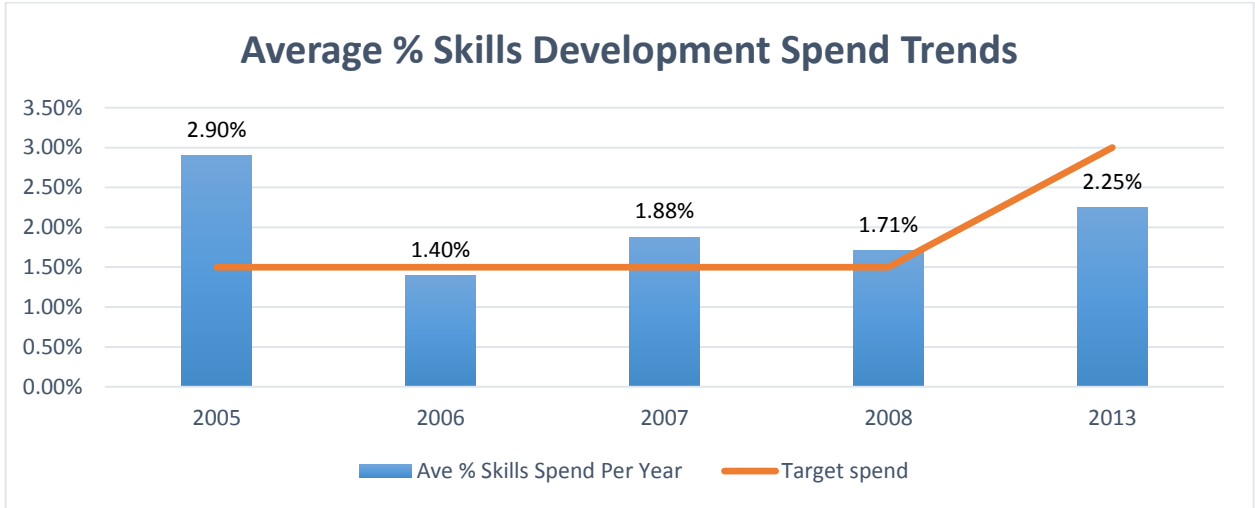


Figure 2.13

Average Black Skills Development spending across the sector has increased by 0.54% from 2008 to 2.25% in 2013. This falls short of the 3% target and has not yet returned to the reported spend of 2.9% in 2005. The 2005 figures may be an anomaly and the increased skills development spend in 2013 compared to 2008 under the more stringent requirements of the Financial Sector Charter is a very positive trend.

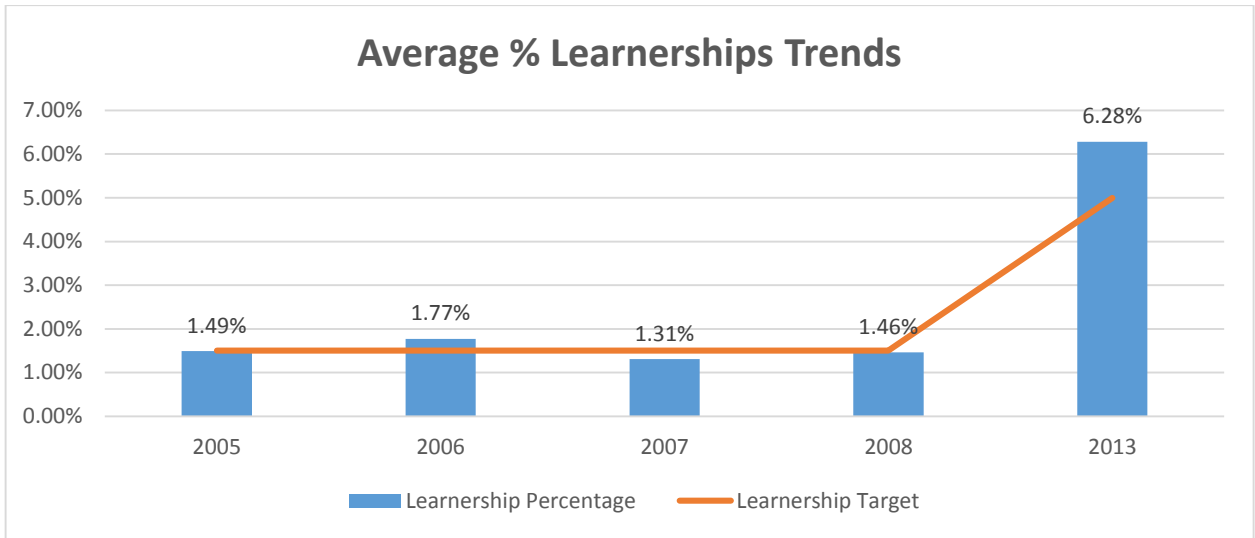
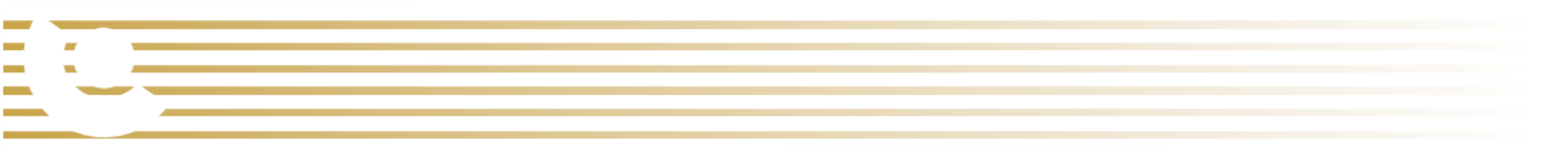


Figure 2.14

2013 has seen a significant improvement in performance in the % of Black learnerships, with the average % now exceeding the 5% target at 6.28%. Furthermore, each of the industries is exceeding the learnership target on average, with the exception of International Banks.

2.5.5 PREFERENTIAL PROCUREMENT

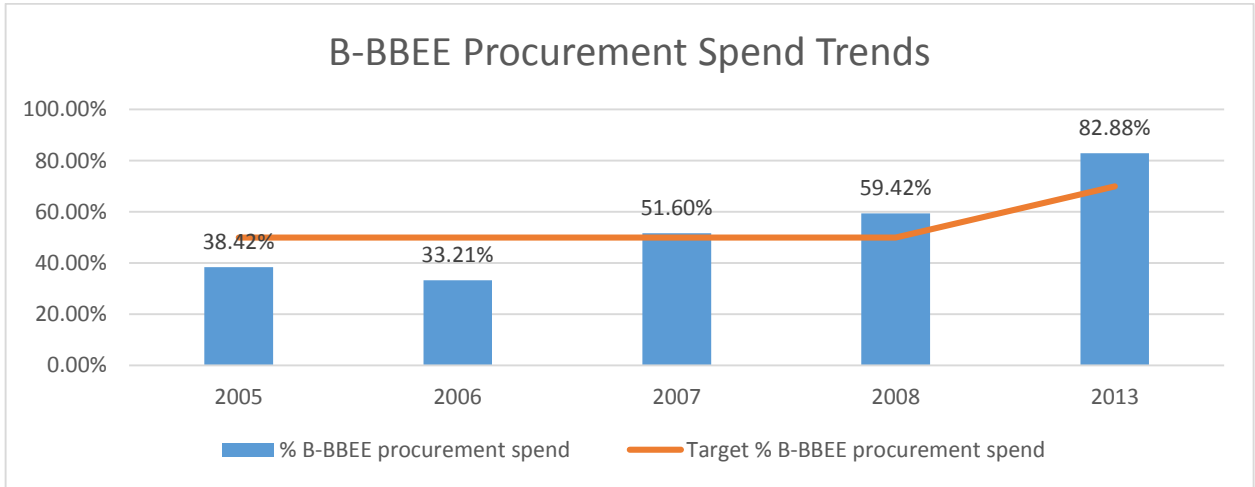


Figure 2.15

The 70% target for B-BBEE Procurement spend from all suppliers based on their B-BBEE Procurement Recognition Levels has been exceeded across the sector, continuing the upward trend since 2007. However, no industry achieved on average the 16 points associated with Procurement due to underspending with Black and Black women owned suppliers. The heavy emphasis on supplier development in the amended Codes will no doubt address this area.

2.5.6 ENTERPRISE DEVELOPMENT AND EMPOWERMENT FINANCING

2.5.6.1 Enterprise Development (ED)

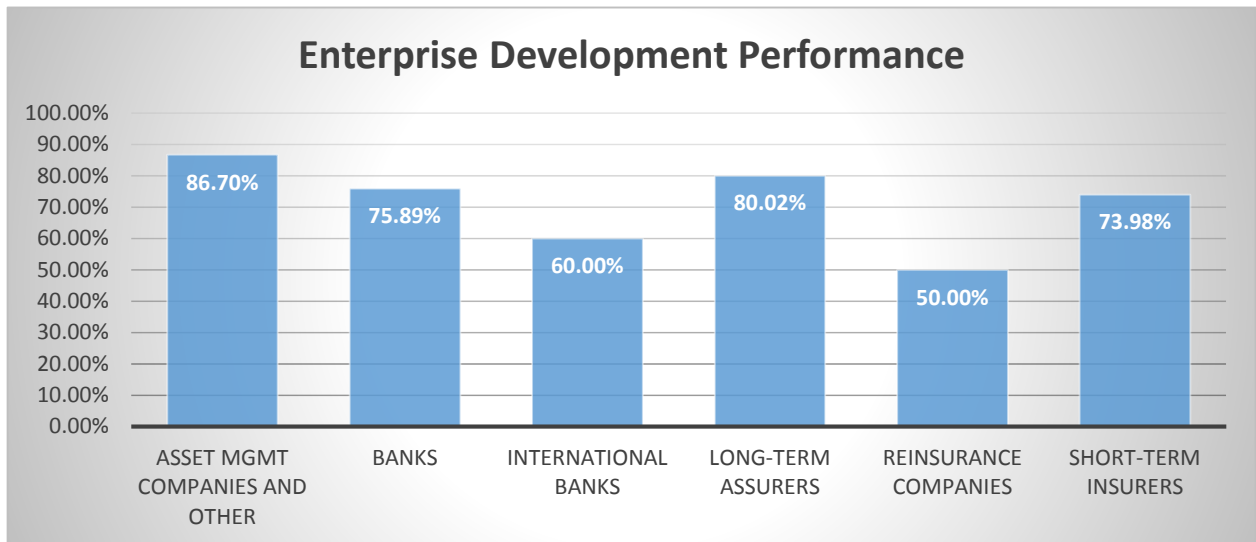


Figure 2.16

Due to the differing weighting and targets for Enterprise Development across the sector, scores were calculated as a % of each entity's weighting to obtain a reflection of performance. The average performance across the sector was 73.98% of target.

2.5.6.2 Empowerment Financing

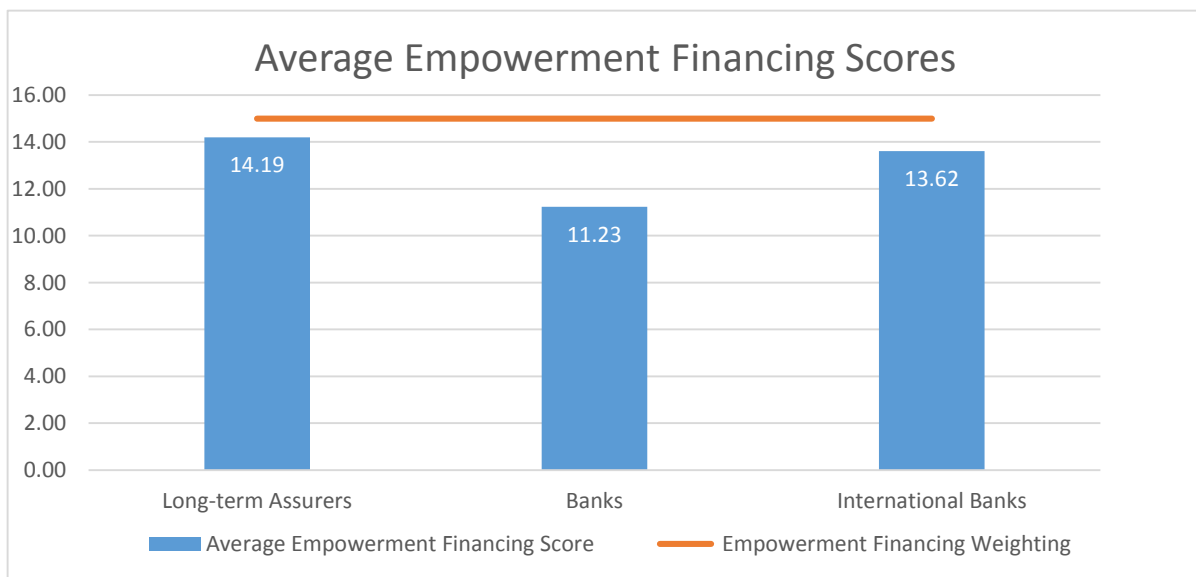


Figure 2.17

Reporting was complicated since this element does not apply to 34 out of the 53 organisations resulting in a small sample size. However, this distinctive sub-element for Banks and Long-term assurers shows strong performance against target.

2.5.7 SOCIO-ECONOMIC DEVELOPMENT (SED)

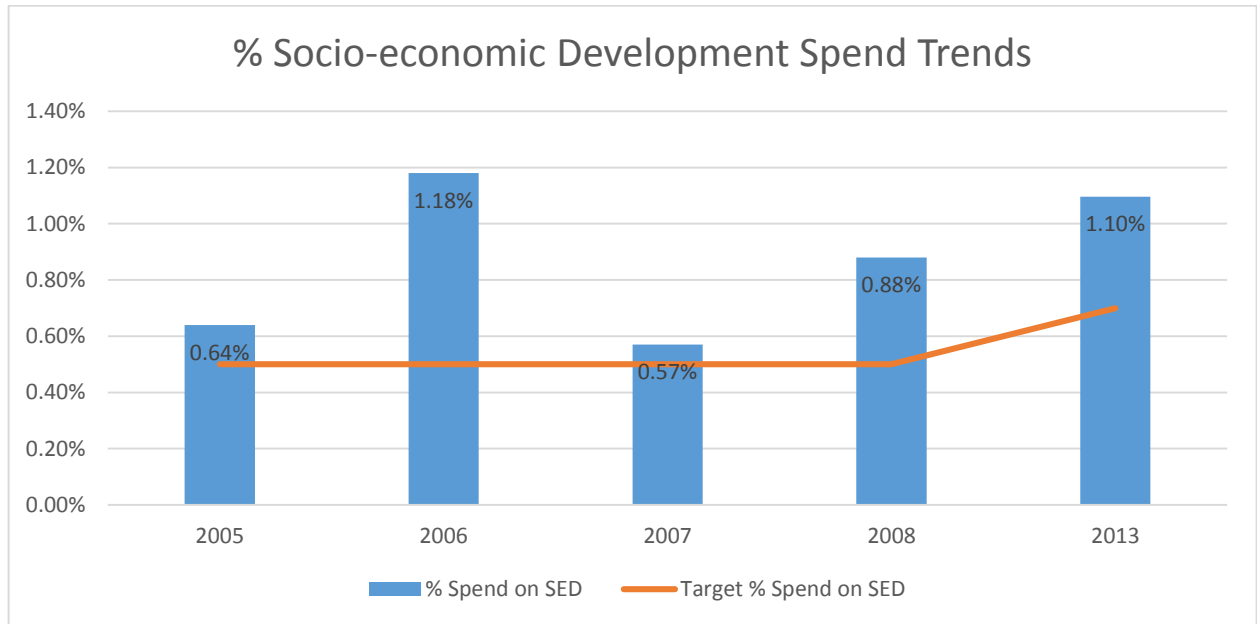


Figure 2.18

The figures reported suggest increased targets and increased spend since 2008 with a strong average performance across the sector, however detailed analysis of spend across the industries in the figure below indicates that only just over half of reporting entities are actually achieving target spend.

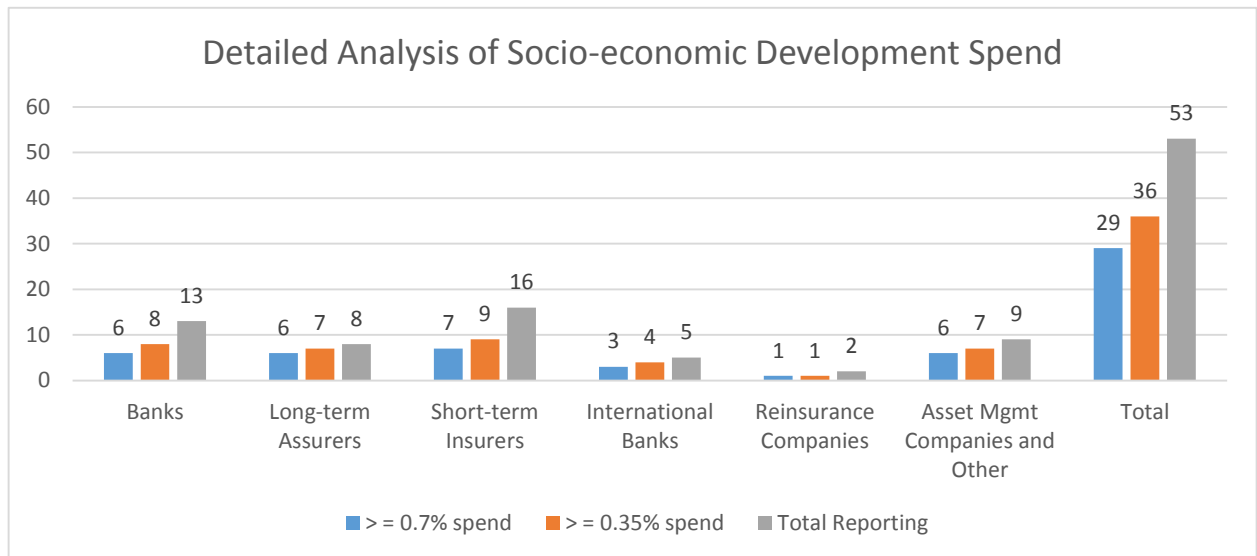


Figure 2.19

2.5.8 ACCESS TO FINANCIAL SERVICES

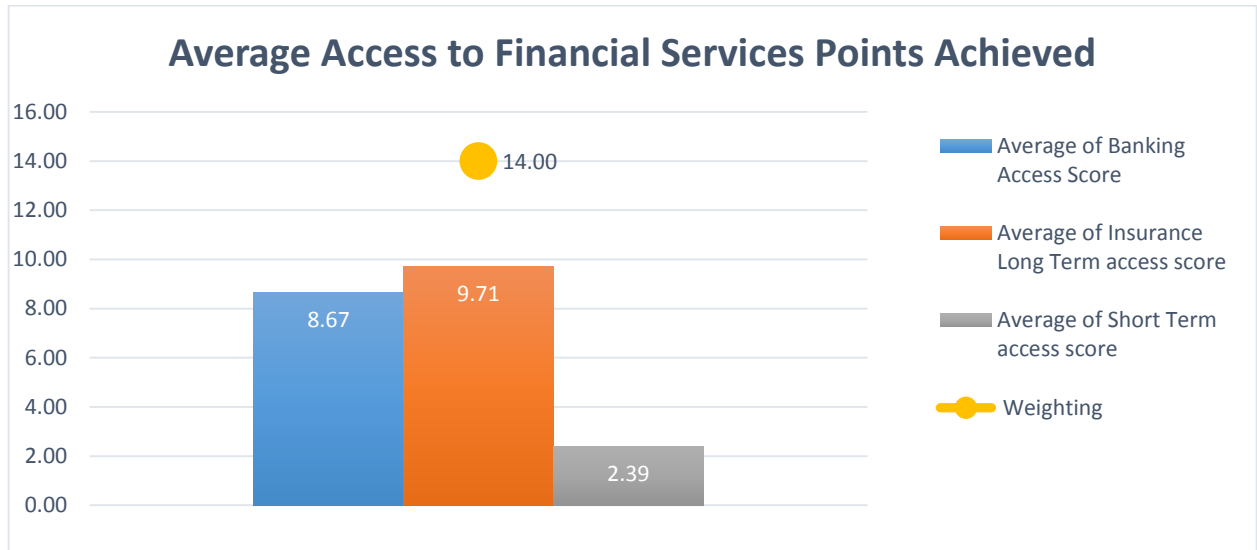


Figure 2.20

Comparison with past performance is complicated by the changed factors and targets within the FSC. The reported performance shows that in general targets were not achieved. The short-term insurance industry was exempt from Access to Financial Services until 31 December 2013, hence few entities reported on this element.

2.6 CONCLUSION

49 of the 53 respondents produced scorecards under the FSC. The balance reported against the template provided by the Financial Sector Charter Council. Those industries with the largest sample sizes achieved B-BBEE Levels of between 3 and 6. Banks achieved an average B-BBEE Level 4, with an average Level 3 for those entities representing the majority of the sector.

The number of reports received from banks instils confidence in the findings for this industry.

3 SUMMARY SCORECARD FOR THE SECTOR

Element	Indicator	Unit	Target / Weighting	Average achieved 2008	Achieved 2013
Ownership					
Black shareholding		Ave %	25.01%	23.35%	25.30%
Management Control					
Board					
Black People as a % of board of directors		Ave %	50.00%	40.92%	21.81%
Black Women as a % of board of directors		Ave %	25.00%	12.06%	6.37%
Executive Management					
Black People as a % of executive management		Ave %	40.00%	28.41%	23.45%
Black Women as a % of executive management		Ave %	20.00%	7.64%	7.12%
Employment Equity					
Senior Management					
Senior Management Black People		Ave %	60.00%	25.37%	27.16%
Senior Management Black Women		Ave %	30.00%	8.05%	11.36%
Middle Management					
Middle Management Black People		Ave %	75.00%	38.88%	42.02%
Middle Management Black Women		Ave %	37.50%	17.64%	23.36%
Junior Management					
Junior Management Black People		Ave %	80.00%	53.14%	67.96%
Junior Management Black Women		Ave %	40.00%	31.25%	41.77%
Skills Development					
Skills spend % of payroll spent p.a. on skills development of Black employees		Ave %	3.00%	1.71%	2.25%
Leamership program: leamerships as % of total staff		Ave %	5.00%	1.46%	6.28%
Procurement					
Average Recognised Procurement Spend with B-BBEE Suppliers		Ave %	70.00%	59%	83%
Enterprise Development					
Enterprise Development score as a percentage of weighting		Ave %	varies	N/A	75.30%
Access to Financial Services					
Banks	Geographic Access - Transaction point	Ave %	85%	N/A	73.79%
	Geographic Access - Service point	Ave %	70%	N/A	82.06%
	Geographic Access - Sales point	Ave %	60%	N/A	86.27%
	Densification	Sector performance	N/A	N/A	94.00%
	Product related access	Ave Score	2.00	N/A	1.59
	Affordable housing origination	Ave Score	2.00	N/A	1.16
Short-term risk insurance products	Personal Lines				
	Motor Vehicle	Ave Score	1	N/A	0
	Household Contents	Ave Score	1	N/A	0
	Homeowners	Ave Score	1	N/A	0
	Other	Ave Score	1	N/A	0
	Commercial Lines				
	Black EMEs, QSEs and Co-operatives: equipment	Ave Score	1	N/A	0
	Black EMEs, QSEs and Co-operatives: liability	Ave Score	1	N/A	0
	Black EMEs, QSEs and Co-operatives: property	Ave Score	1	N/A	0
	Agriculture	Ave Score	1	N/A	0
	Livestock	Ave Score	1	N/A	0
	Other	Ave Score	1	N/A	0
	Active Qualifying Policies				
	Personal Lines	Total No. of Products	105	N/A	0
Commercial Lines	Total No. of Products	524	N/A	0	
Long-term Assurance Access	Appropriate Products	Ave no. Products	6	N/A	5.41
	Transactional Access	Ave %	80.00%	N/A	72%
Consumer education	% of post tax operating profits spend p.a.	Ave %	0.30%	0.17%	0.17%
Empowerment Financing					
Targeted Investments - Banking	Rand Value	R 118 800 000 000.00	N/A	R 90 635 517 516.76	
Targeted Investments - Long-term Assurance	Rand Value	R 27 000 000 000.00	N/A	R 21 527 629 823.06	
Transaction financing - Banking	Rand Value	R 128 800 000 000.00	N/A	R 88 112 882 457.29	
Transaction financing - Long-term Assurance	Rand Value	R 15 000 000 000.00	N/A	R 12 058 836 630.36	
Socio-economic Development					
% NPAT Spend on Socio-economic Development		Ave %	0.70%	0.88%	1.10%

4 OWNERSHIP

When assessing overall Black Ownership performance across the financial sector measured under the FSC, average points achieved for the Ownership element vs points available provide the best indication of progress. The following chart shows the achievement by industry against a weighting of 17 points with the sector average being 11 points.

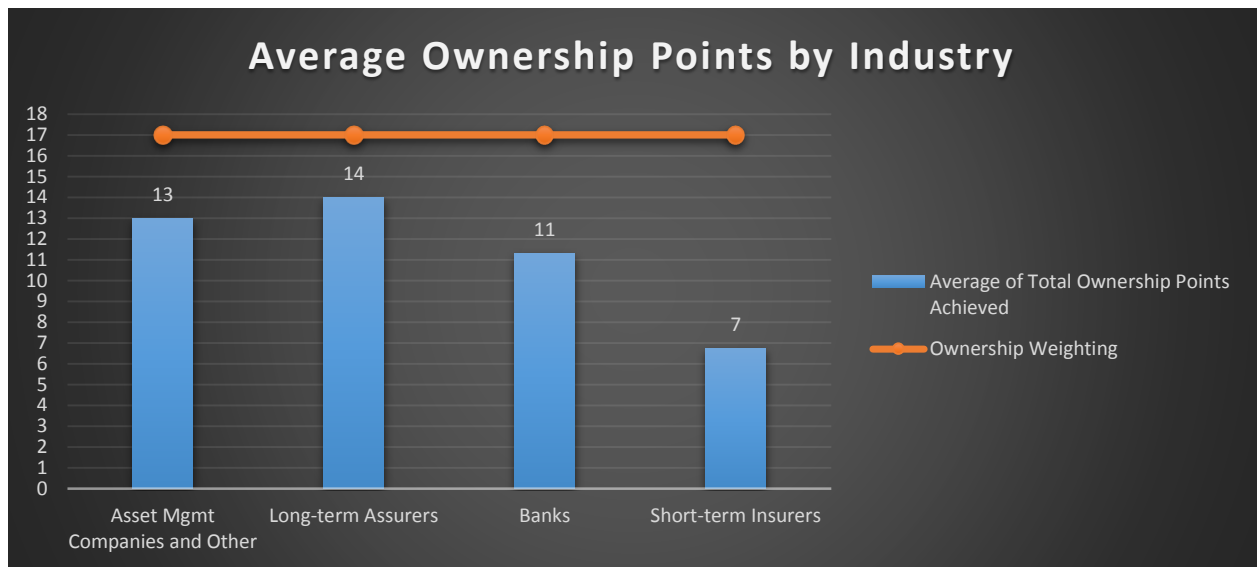


Figure 4.1

Long-term Assurance companies show the most overall progress with short-term insurance companies and showing the least. Further analysis of those Short-term Insurers with the largest market share indicates an average of 12.04 Ownership points achieved. In the same way, the “Big 6” Banks achieved an average of 12.04 Ownership points.

4.1 BLACK SHAREHOLDING

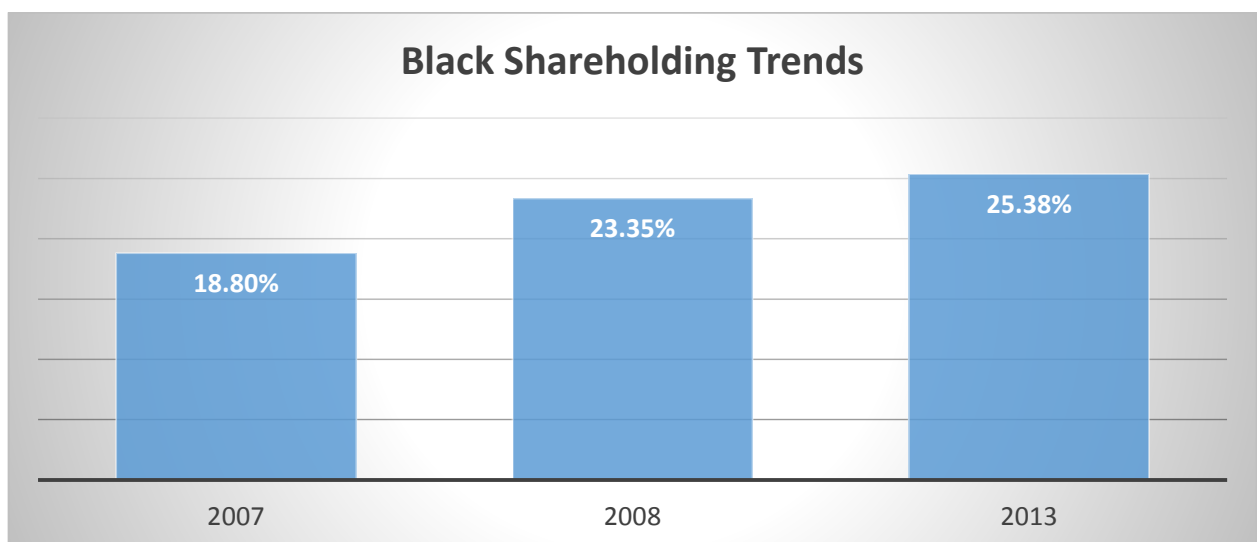


Figure 4.2

When considering Black ownership from the perspective of average Black shareholding (economic interest), targets have been exceeded in all but one of the industries, with the sector average % just exceeding the 25% + 1 share target at 25.38%.

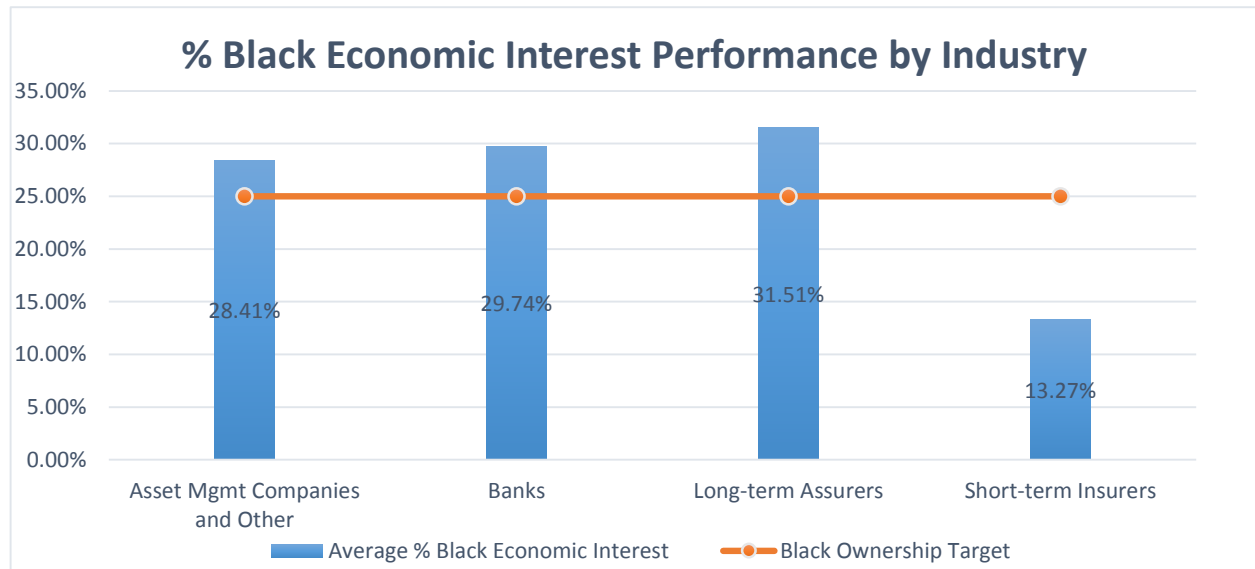


Figure 4.3

Of the five International Banks that reported BEE performance in 2013, two reported Ownership scores through the financing of BEE Transactions and/or other Equity Equivalent contributions. This is not included in the above graph. The average Ownership score for these 2 institutions was 12.63 out of a possible 17 points.

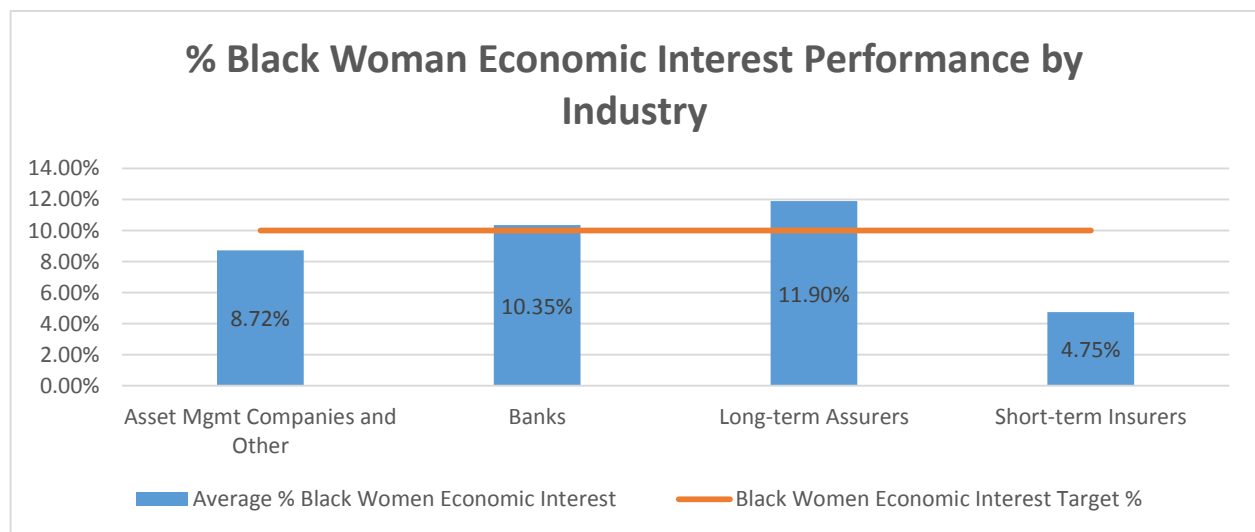


Figure 4.4

Black women ownership performance continues to lag behind with a sector average of 8.79% against the 10% + 1 share target and the target only being reached in two of the industries.

4.2 VOTING RIGHTS

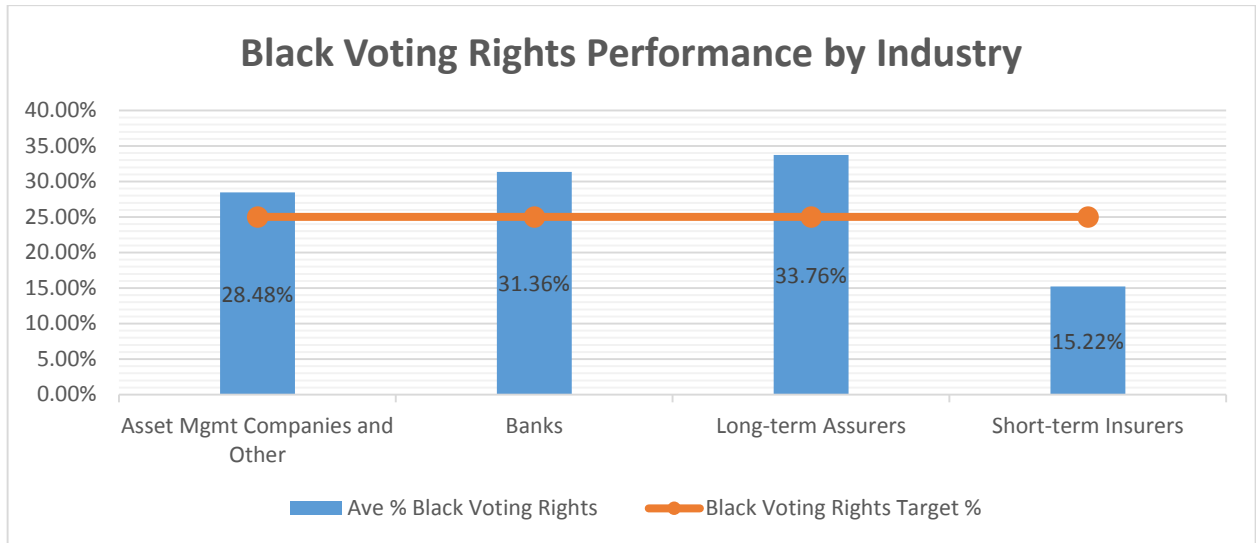


Figure 4.5

The Black voting rights targets have been met on average across the sector, with the exception of the Short-term Insurers.

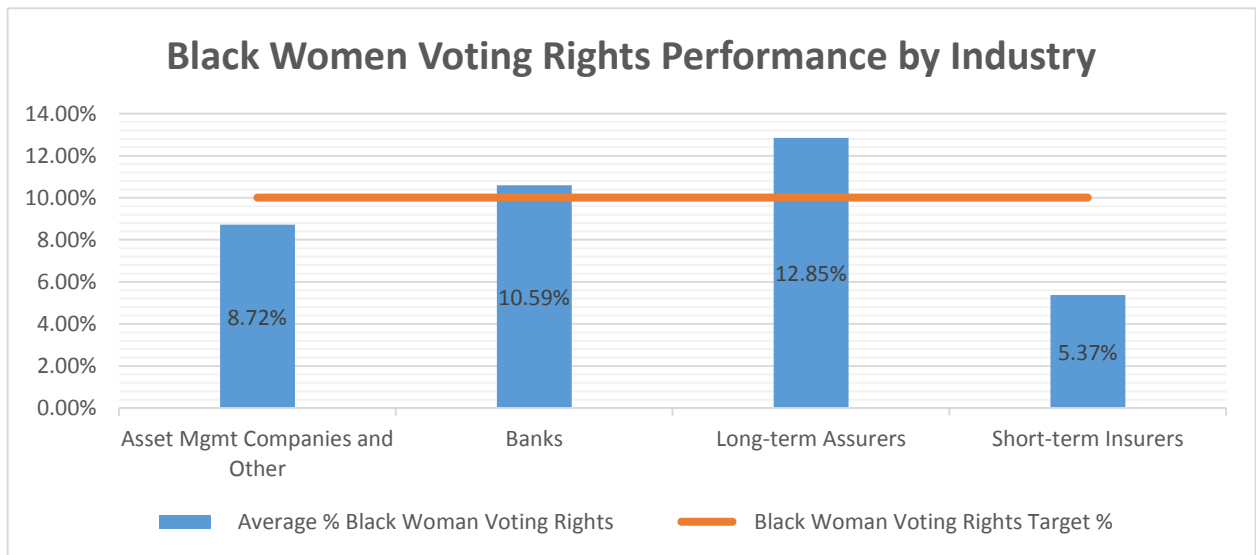


Figure 4.6

Black women voting rights are 9% on average, but the target has been achieved in only 2 of the industries.

4.3 NET EQUITY VALUE

This indicator broadly measures the value of Black economic interest less the debt incurred in the holding. On average the sector scored 1.87 net equity points versus the 3 point weighting.

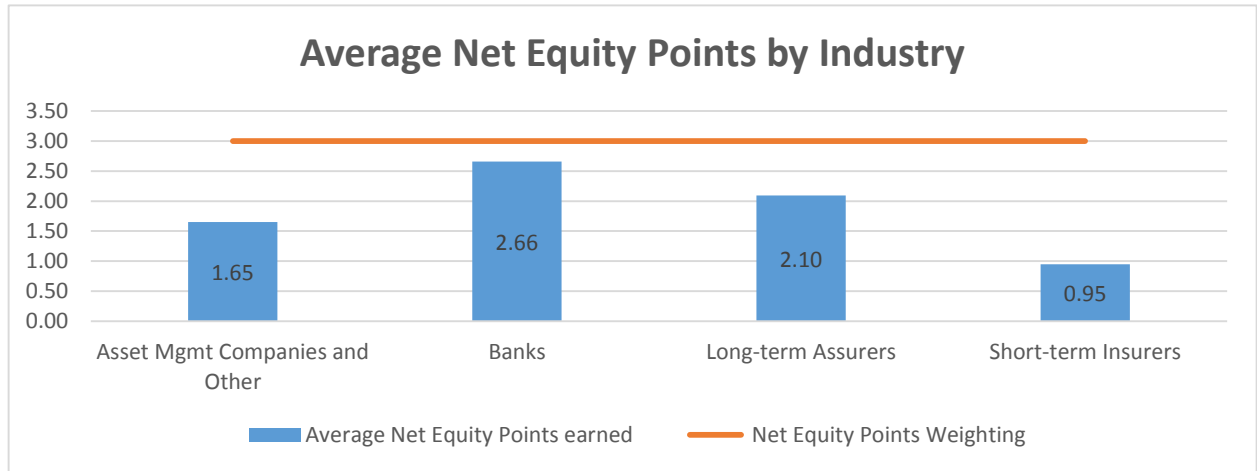


Figure 4.7

4.4 DIRECT OR INDIRECT OWNERSHIP IN EXCESS OF 15% VS THE 10% ECONOMIC INTEREST TARGET

This was not reported in 2008 due to the measurement criteria not having been finalised. In 2013 the performance under this indicator by industry was as below showing an average achievement of 13% against the 10% target.

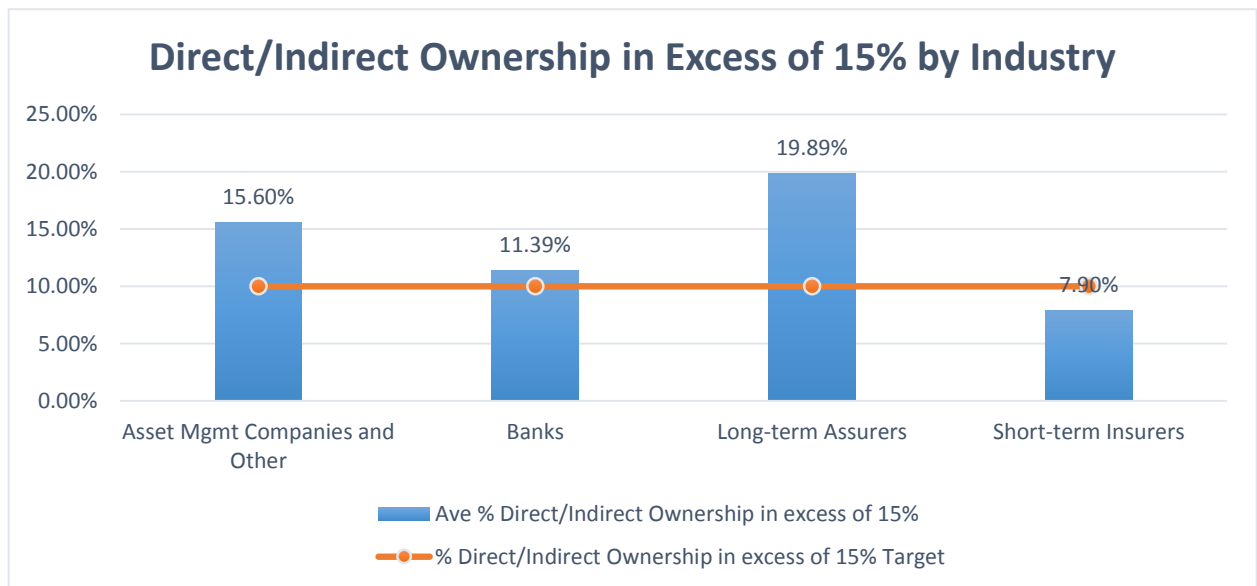
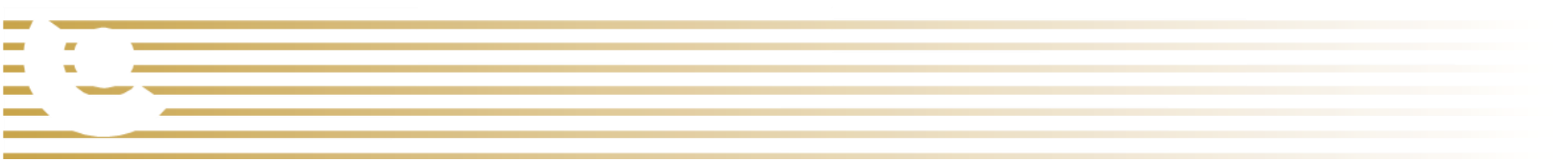


Figure 4.8



4.5 OWNERSHIP CONCLUSION

The majority of industries are performing well against the Black Ownership targets, but continued attention should be paid to Black women Ownership and those industries not achieving their overall targets.

5 MANAGEMENT CONTROL

The sector has achieved an average score of 4.29 for management control, less than half of the 9 points available. Asset managers appear to be the highest performing industry in this element but since there were only 9 reports from this industry we may only be observing results from the best of their B-BBEE performers.

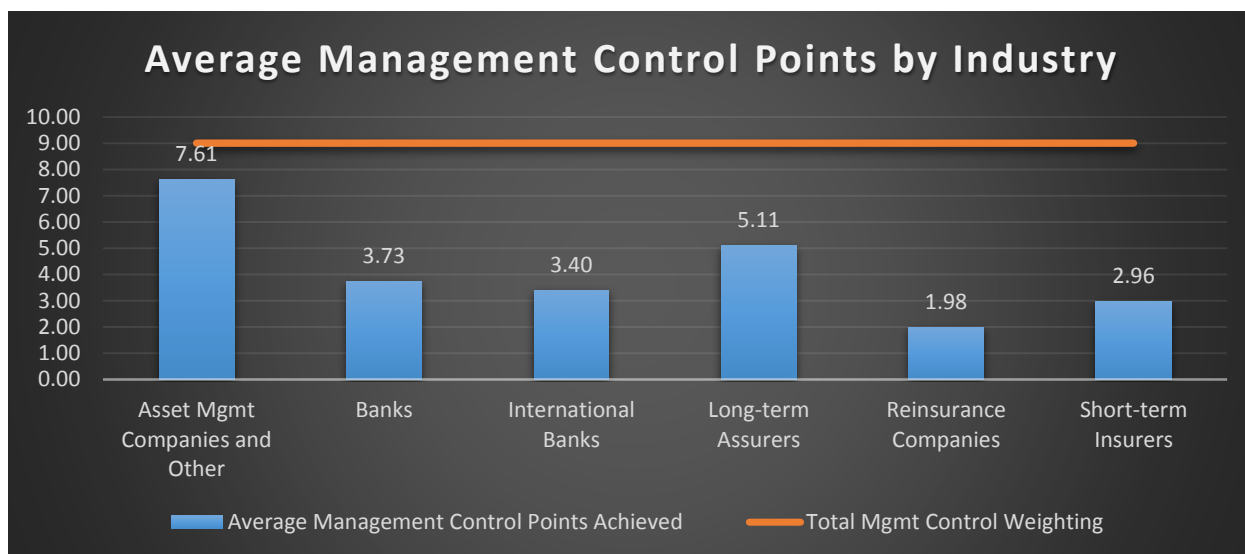


Figure 5.1

5.1 BLACK DIRECTORS AND BLACK WOMEN EXECUTIVE MEMBERS OF THE BOARD

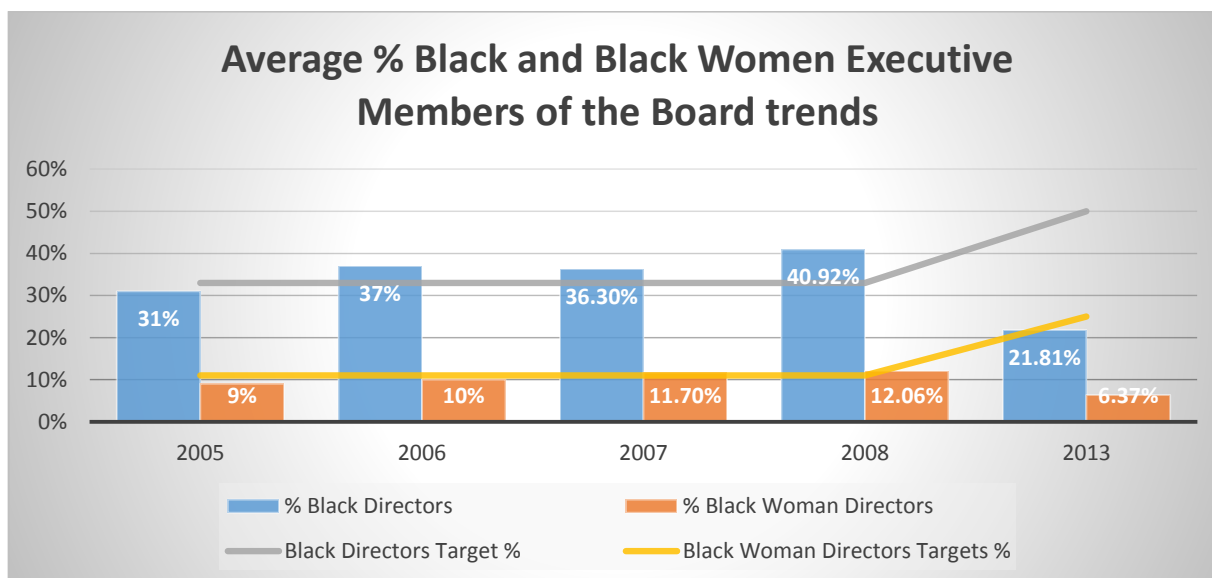


Figure 5.2

There has been a reported drop in average Black and Black women boardroom participation in the sector since 2008 despite targets being agreed under the FSC of 50% and 25% respectively.

This change is due to different definitions and the basis of measurement being changed from salary bands to occupational levels.

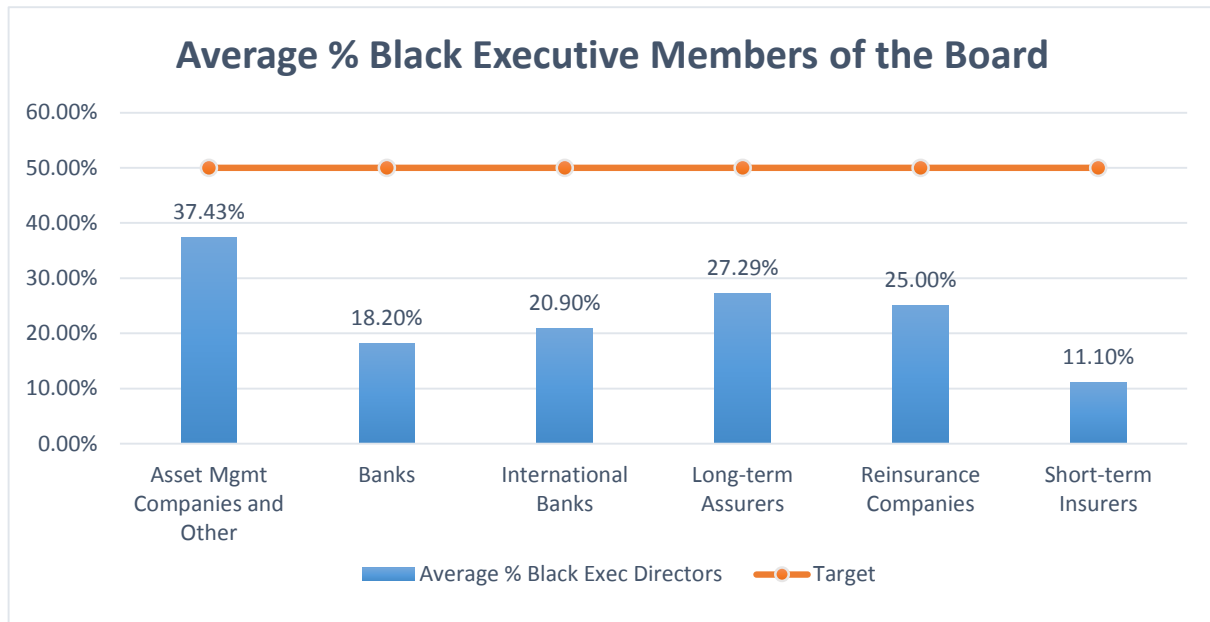


Figure 5.3

The situation regarding the average % of Black directorships within the sector is highlighted by this industry analysis. Each of the industries falls short of the % Black director target with short-term insurers failing to reach 12% on average.

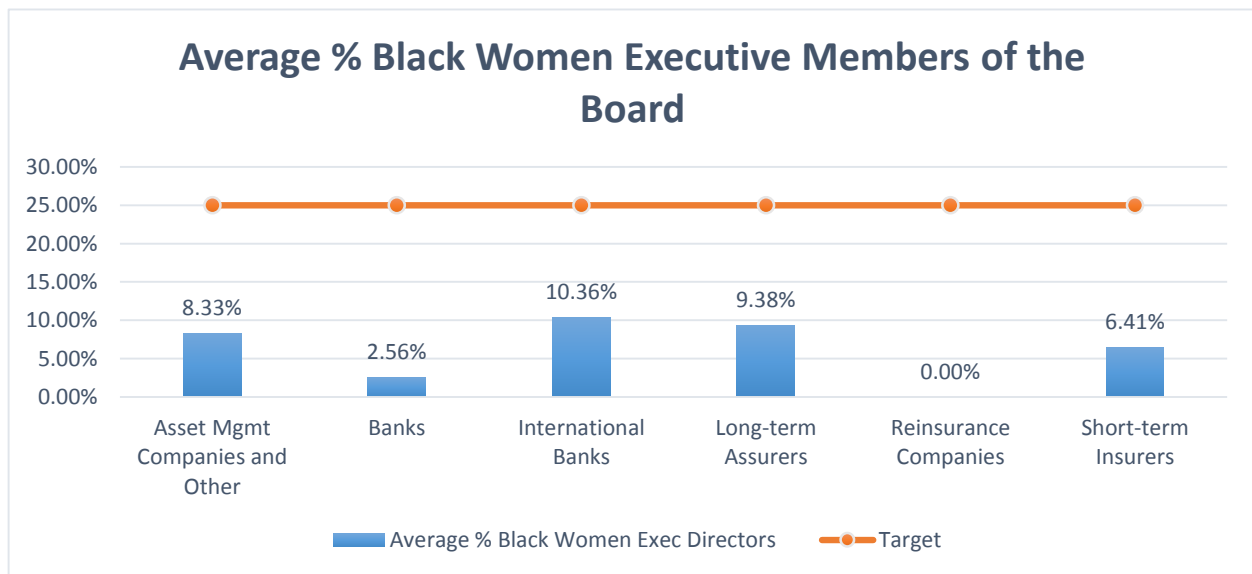


Figure 5.4

Black women directorships remain an area of weakness with the highest scoring industry achieving just over 40% of the target on average. The sector average was 6.37%

5.2 BLACK SENIOR TOP MANAGEMENT

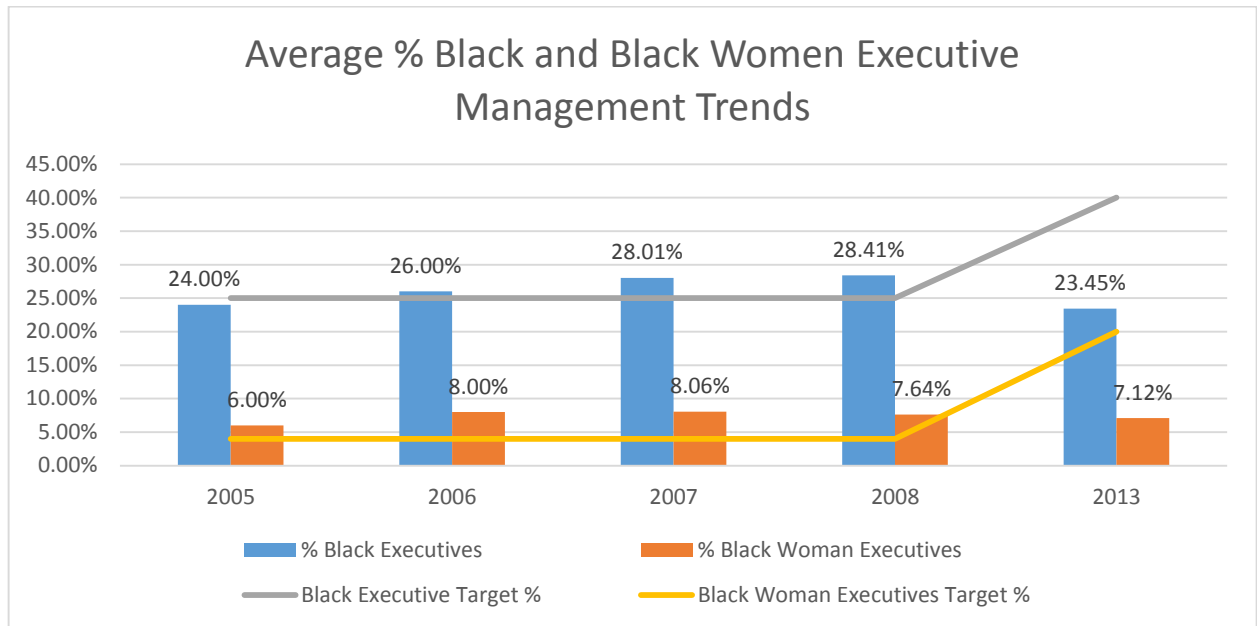


Figure 5.5

The number of reported Black executive directors (Board members on the payroll) within the financial sector seems to have decreased by just under 5 % points since 2008 to 23.45% creating a widening gap to the higher FSC target of 40%. Also of concern is the % of Black women executive directors that appears to have decreased to below the level reported in 2008.

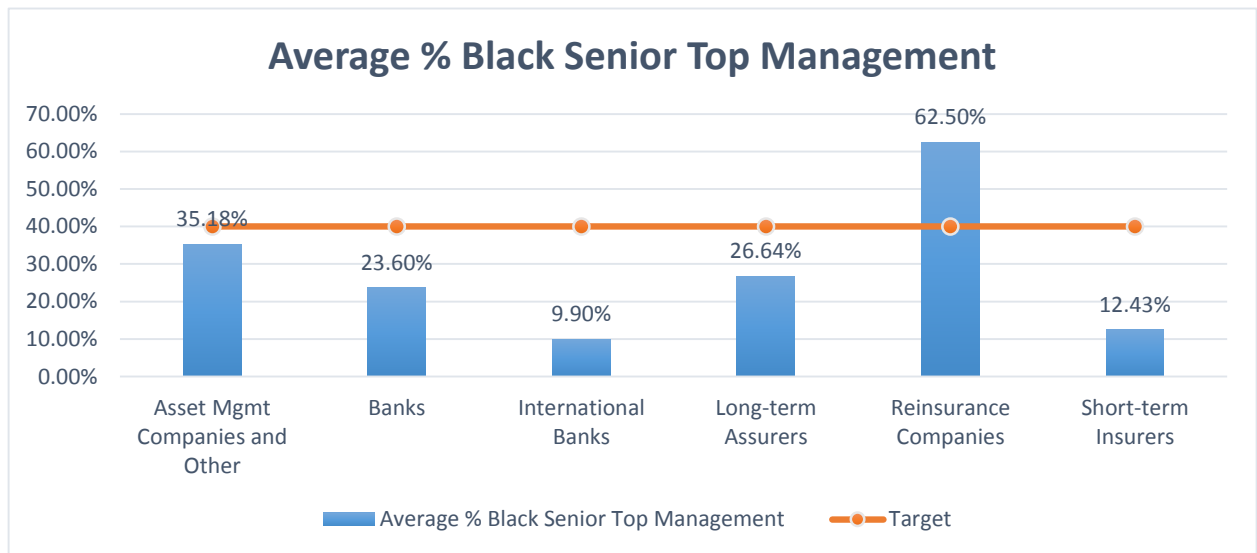


Figure 5.6

The majority of industries fail to meet the 40% target for Black executive management participation. The Reinsurance entities are the exception but their sample size for the purposes of this report was 2 and therefore no conclusions can be reached in this respect.

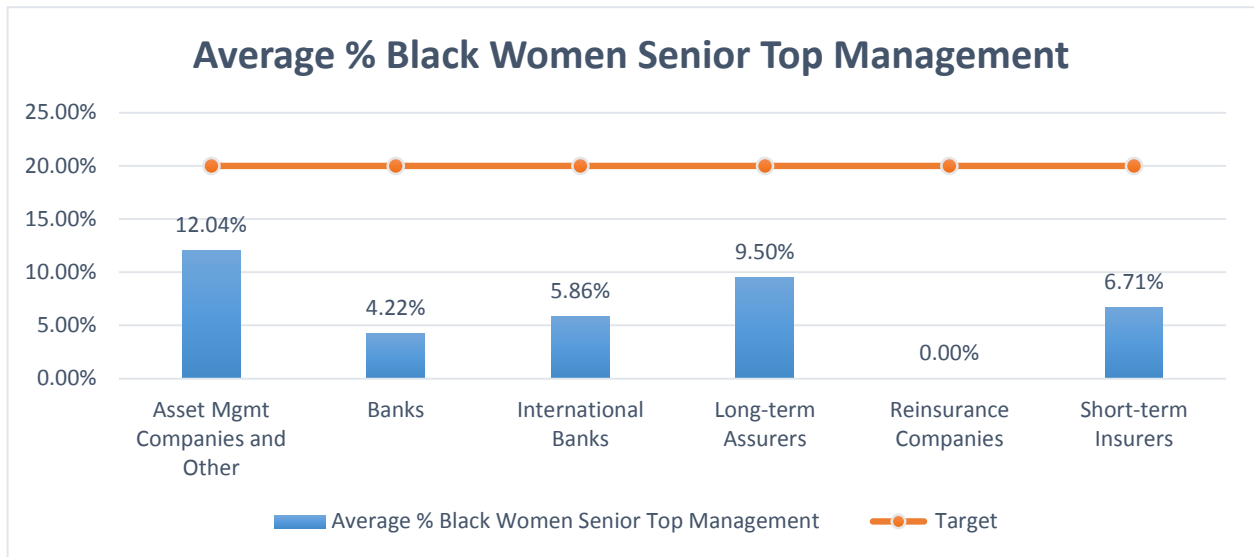


Figure 5.7

All industries fall short of the target of 20% for Black women executive management participation with the majority of the industries achieving less than half of the target.

5.3 MANAGEMENT CONTROL CONCLUSION

In conclusion we must pay special attention to this element in our future survey work to try and understand its dynamics and why the transformation at the Board and Senior Top Management is or seems so far below target.

6 EMPLOYMENT EQUITY

This element measures the degree of participation by Black and Black women managers within the sector. The average employment equity score is 8.5 out of a potential 18 points with the industries reporting as below:

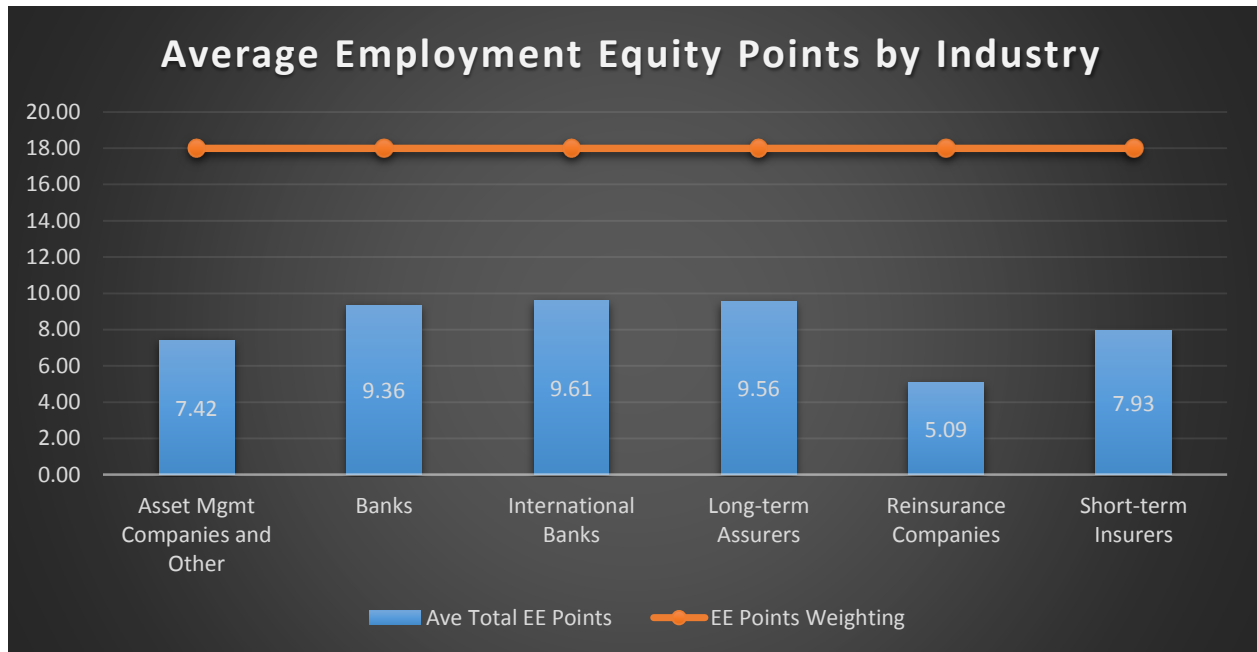


Figure 6.1

We can be fairly confident of this status since the deviation in Employment Equity average points scored in each of the industries is relatively small.

Investigating the results by Management level clarifies the situation.

6.1 SENIOR MANAGEMENT

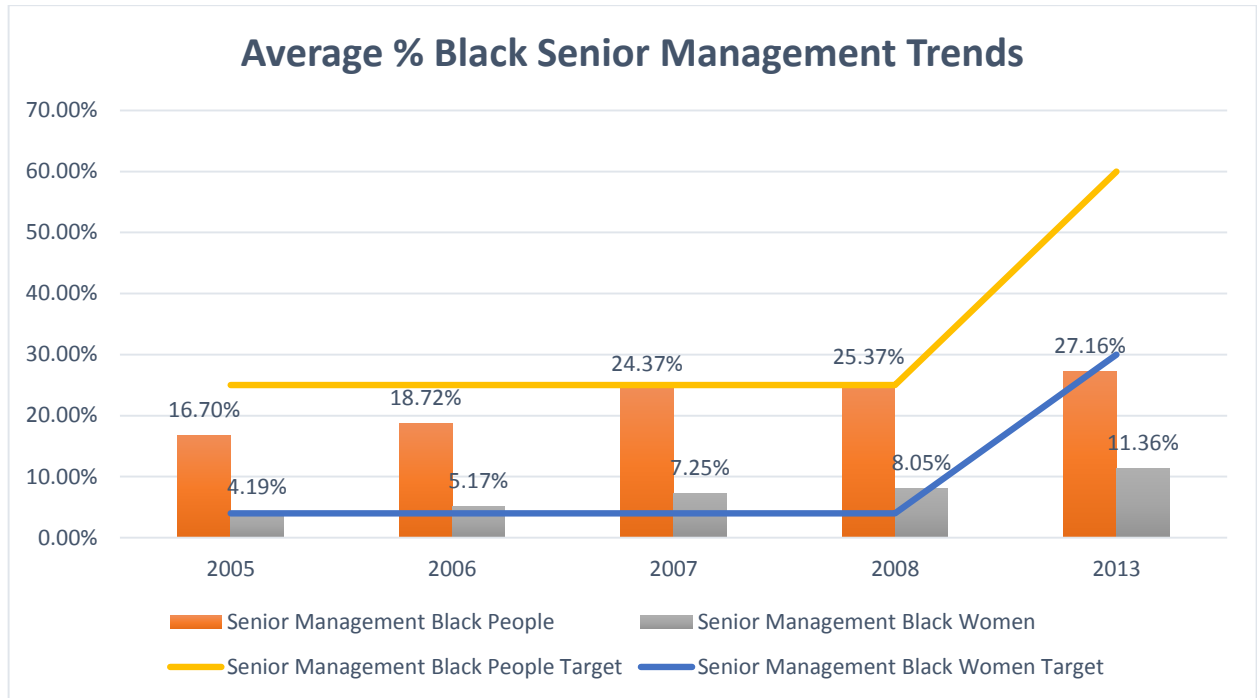


Figure 6.2

The % of Black senior managers as a whole shows a slow but steady upward trend since 2005. However, the % achievement is less than half of the target agreed under the FSC. The same trend can be seen in Black women senior management with a 3% rise in participation since 2008.

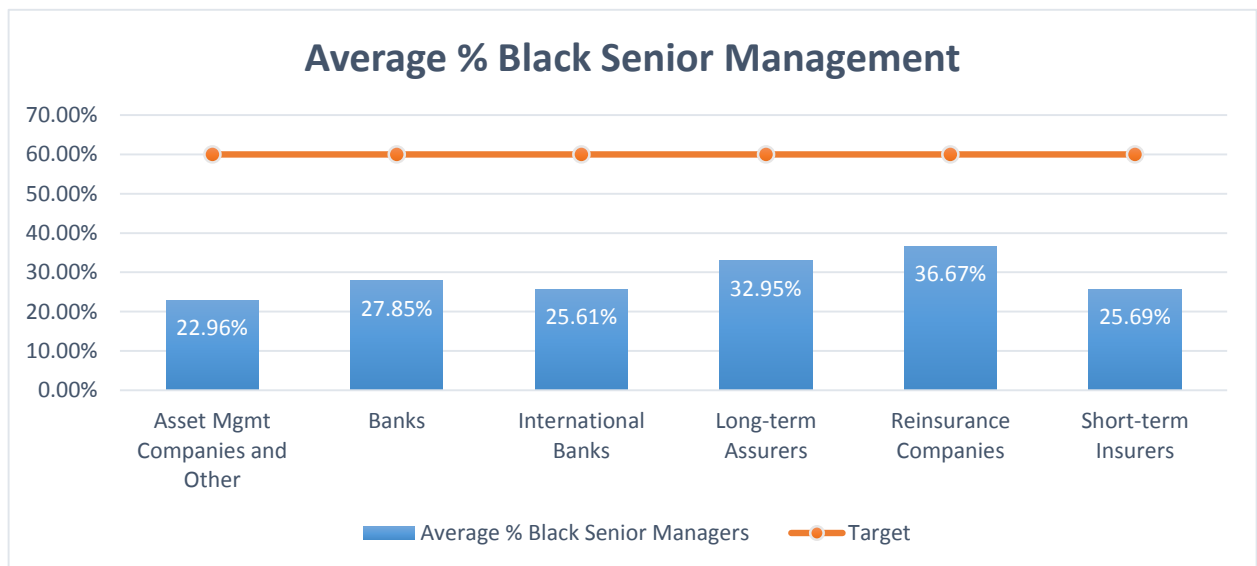


Figure 6.3

The performance in Black senior management is fairly consistent across the industries supporting a meaningful average participation within the financial sector of 27.2% or less than half the target of 60%.

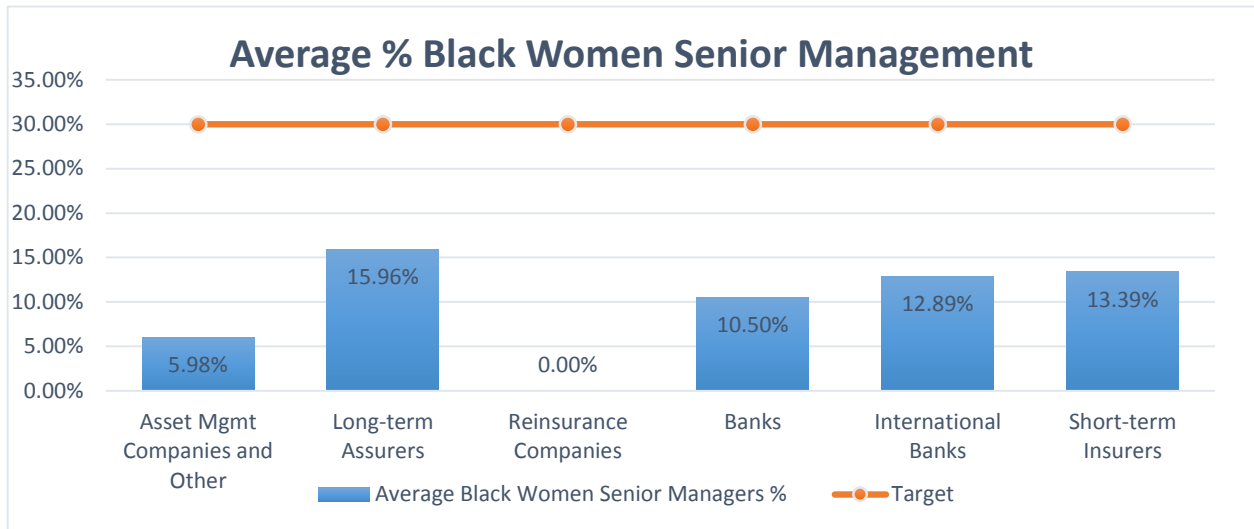


Figure 6.4

Although there is less consistency in the average Black women senior management results, none of the industries have achieved much more than half of the Black women senior management target of 30%.

6.2 MIDDLE MANAGEMENT

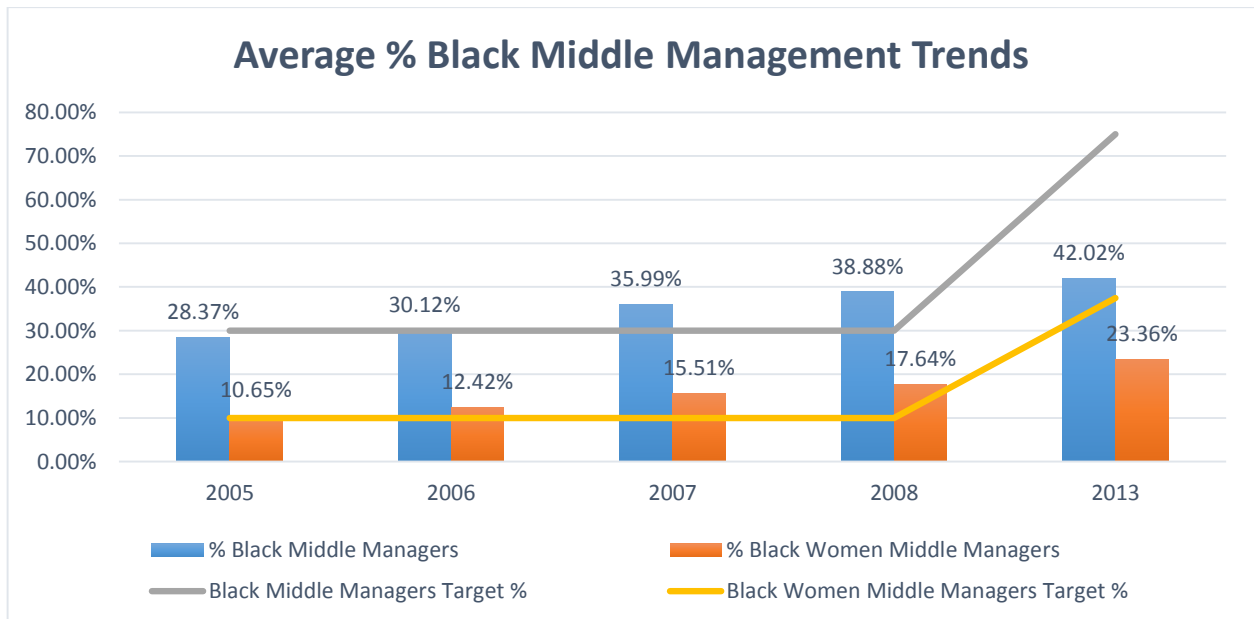


Figure 6.5

The upward trend in Black management continues but quickens in the middle management strata. Of particular interest is the nearly 6% average increase in Black women middle management since 2008, more than doubling the 2005 numbers.

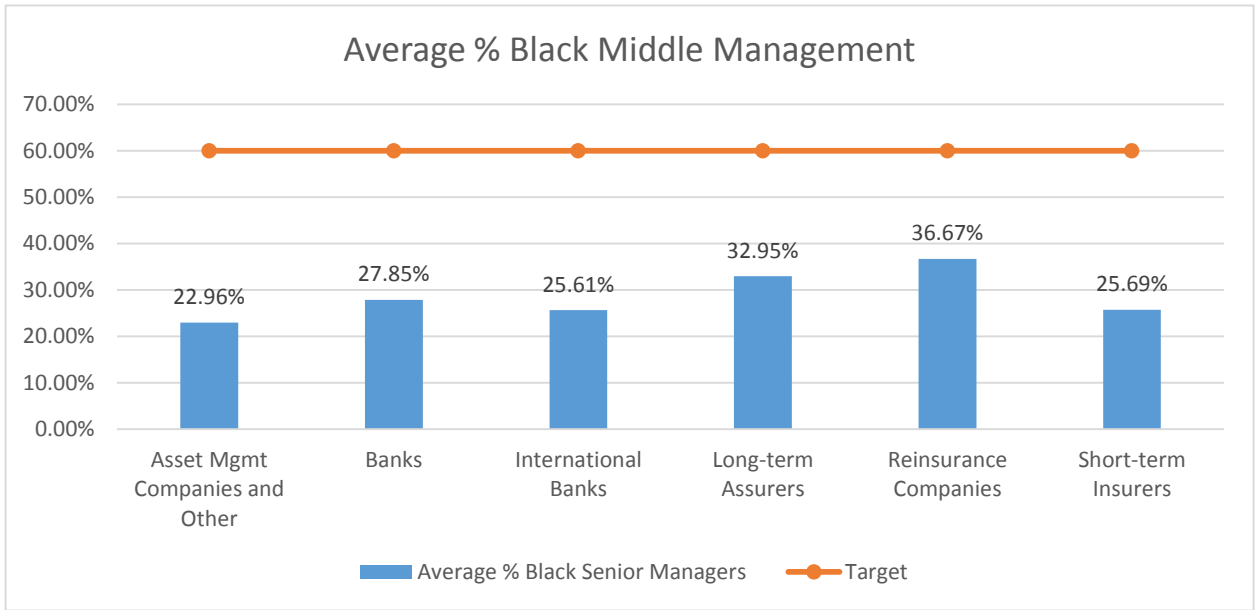


Figure 6.6

Black middle management participation varies by 10% across the industries but the picture is clear with an average Black participation in Middle Management of 42% vs a target of 75%. We can discount the Reinsurance % achievement as representative because of their tiny sample size of 2 reports.

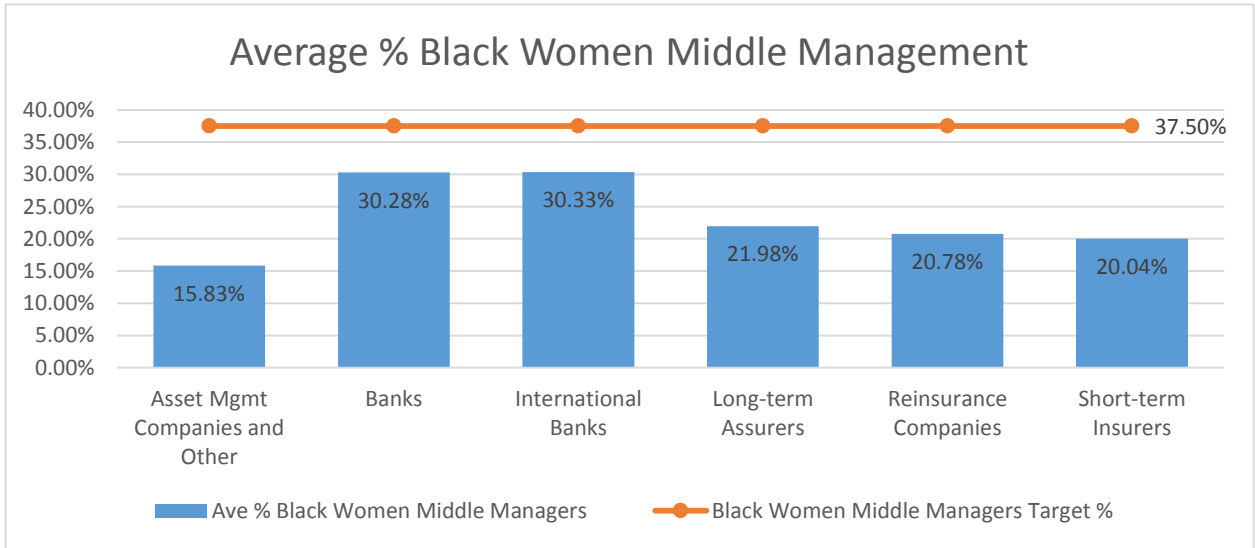


Figure 6.7

The Banking industries are the strongest performers in the area of Black women middle managers with a gap of just over 7% to target.

6.3 JUNIOR MANAGEMENT

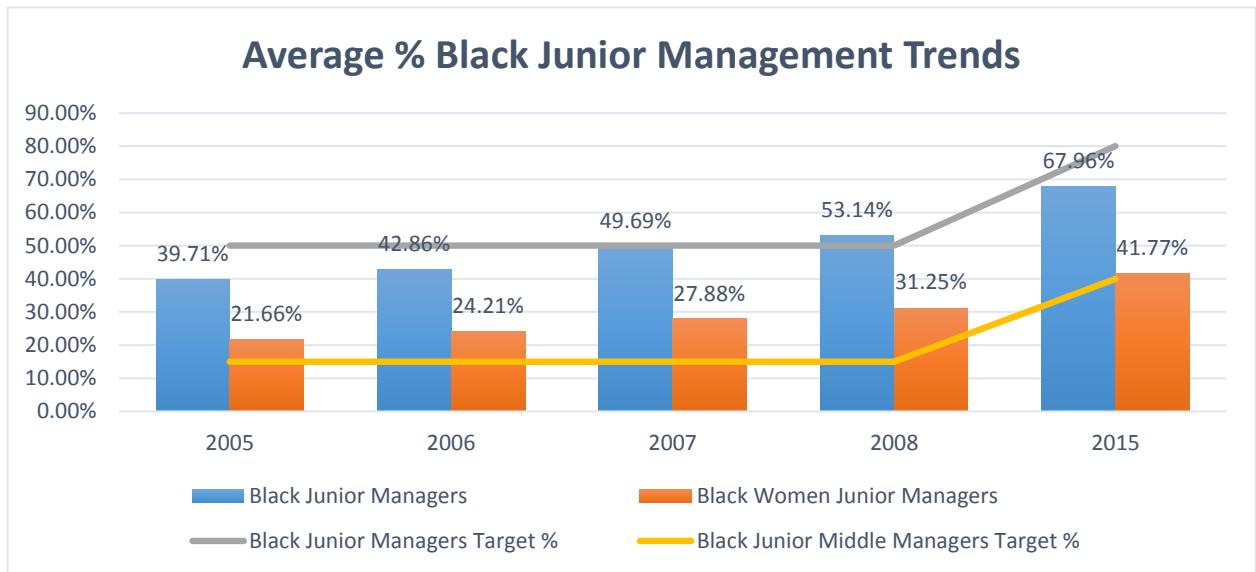


Figure 6.8

Junior management trends since 2005 are encouraging with Black junior management numbers just 12% short of target. The sector average % of Black women junior managers just exceeds the 40% target.

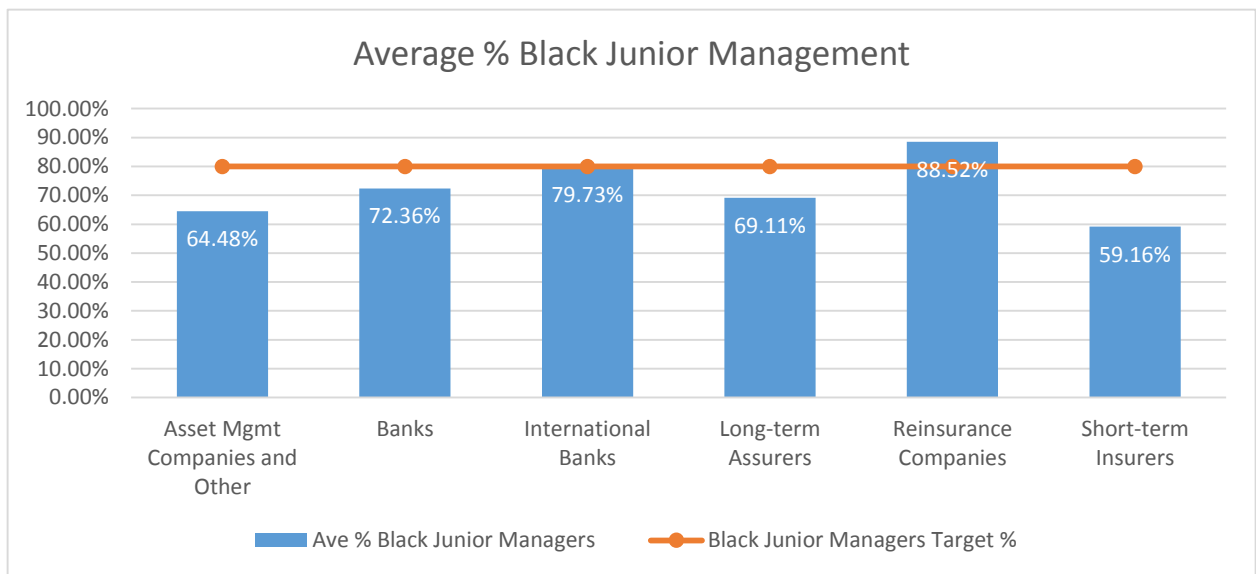


Figure 6.9

Black junior management participation is fairly consistent across the sector, discounting those industries with small sample sizes. The Short-term Insurance industry lags behind, but all others are achieving 80% of target or above.

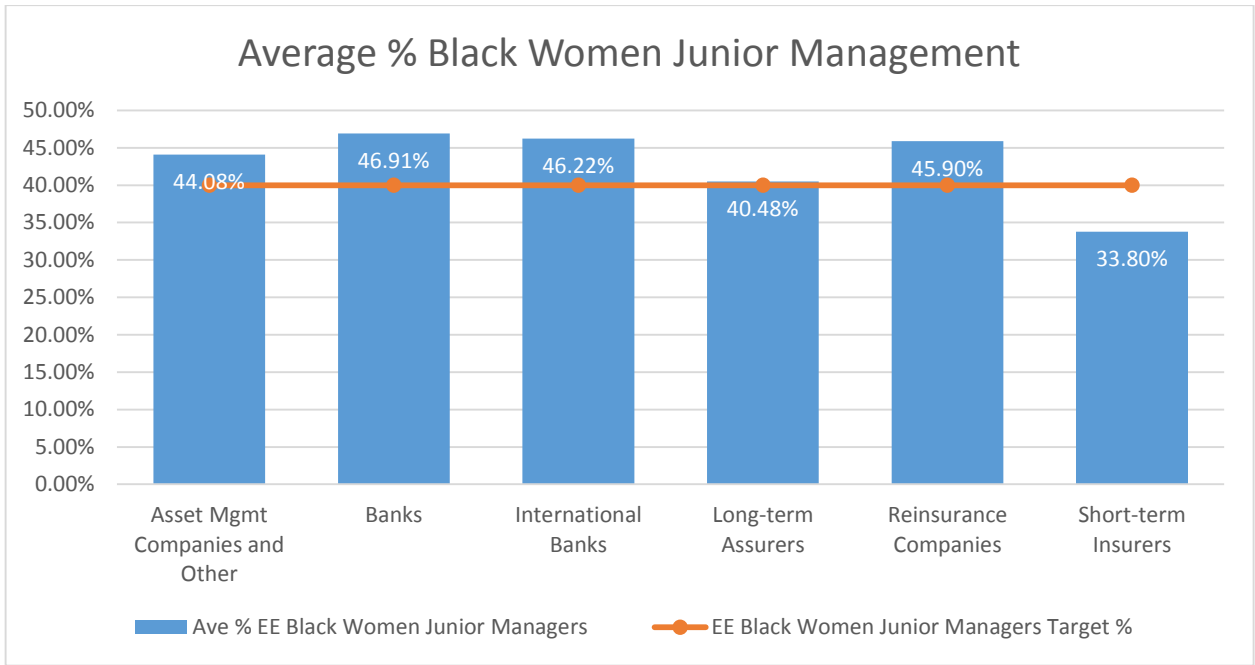


Figure 6.10

Black women junior management participation is strong across the sector with only the Short-term insurance industry not achieving target.

6.4 BLACK DISABLED AND BLACK WOMEN DISABLED EMPLOYEES

No trending is available as no previous figures have been reported, but in 2013 the average % of Black disabled employees in the financial sector was 0.46% against a target of 3%. All of the industries are consistently underperforming in this area.

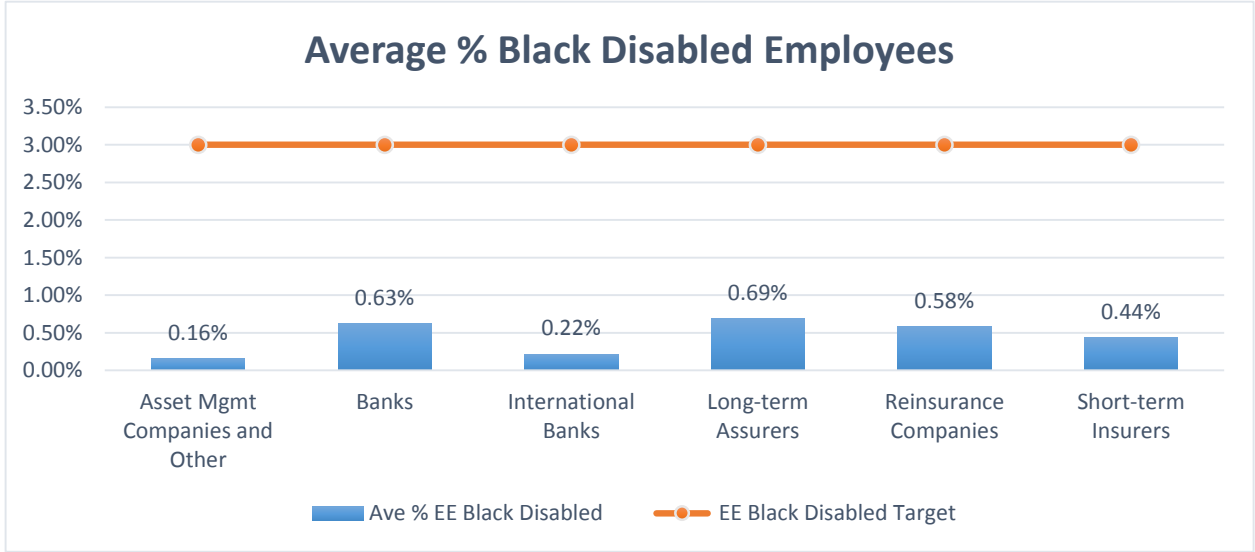


Figure 6.11

The situation for the average % of Black disabled women employees in the sector is much the same with 0.27% reported against a target of 1.5%.

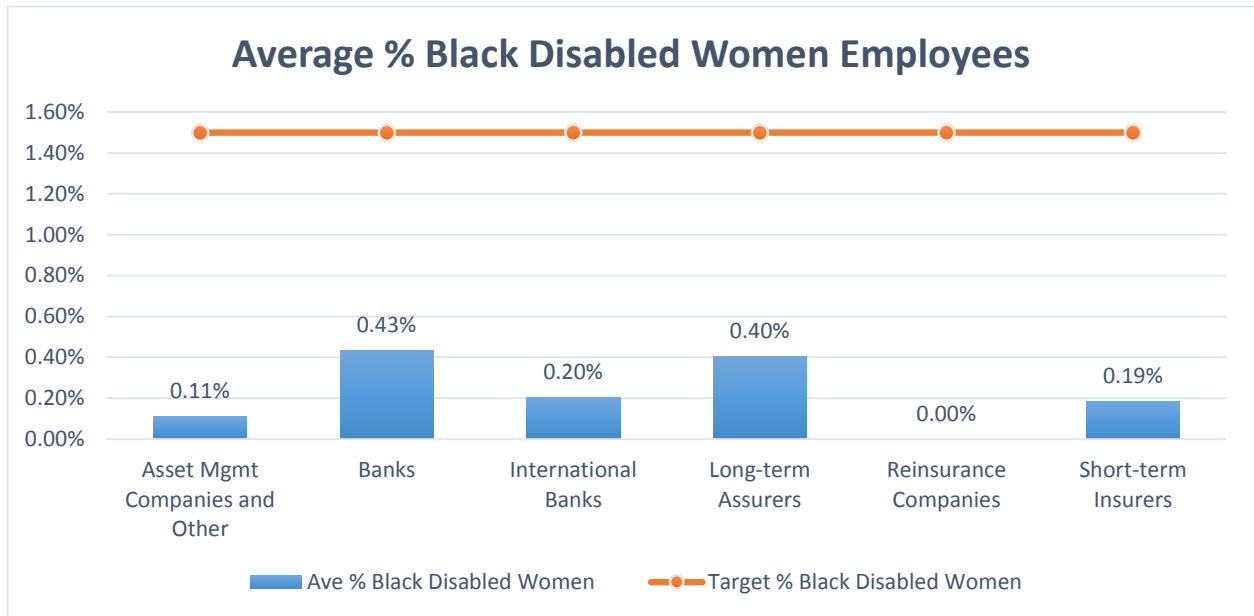


Figure 6.12

6.5 EMPLOYMENT EQUITY CONCLUSION

The conclusion is clear. Black people’s participation in management within the financial sector is strongest at the junior management level and weakest at the senior management / senior top management levels and is missing targets at every level.

As with the Management Control element, special attention must be paid to this element in future reporting to understand the impediments and to build on small successes. The relatively strong performance in junior management transformation paves the way for the application of executive development programmes and fast tracking initiatives to meet agreed targets in middle and senior management.

7 SKILLS DEVELOPMENT

The sector achieved an average skills development score of 6.32 out of a potential 10 points. Skills Development is a key factor in transformation and the scores reported across the industries range between 42% - 70% of the agreed target weighting for the element.

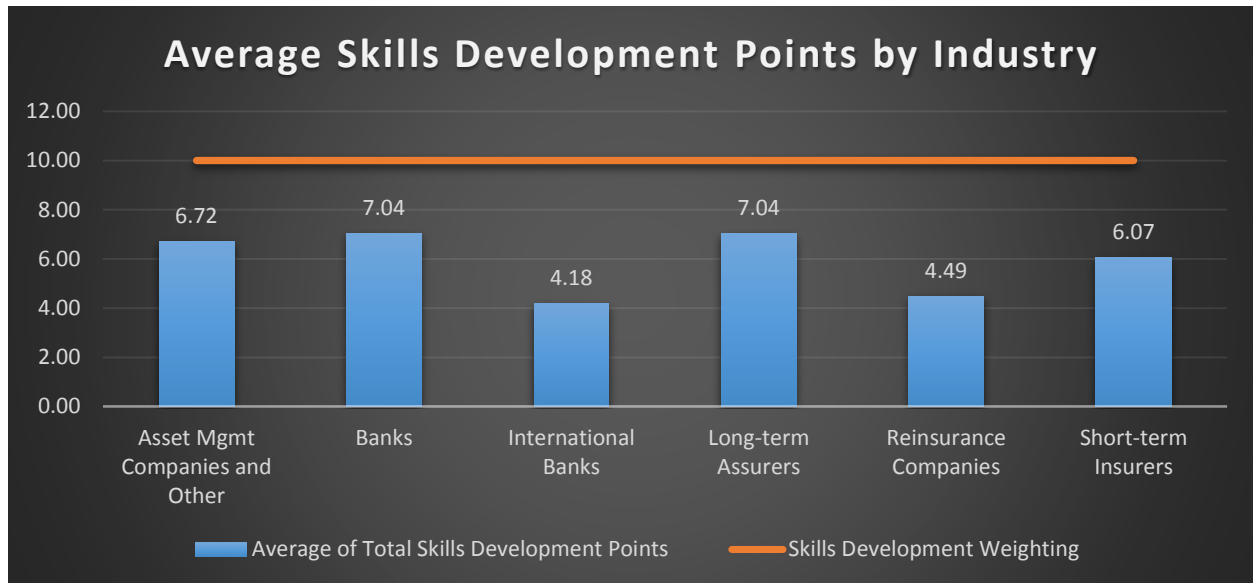


Figure 7.1

7.1 SKILLS DEVELOPMENT SPEND

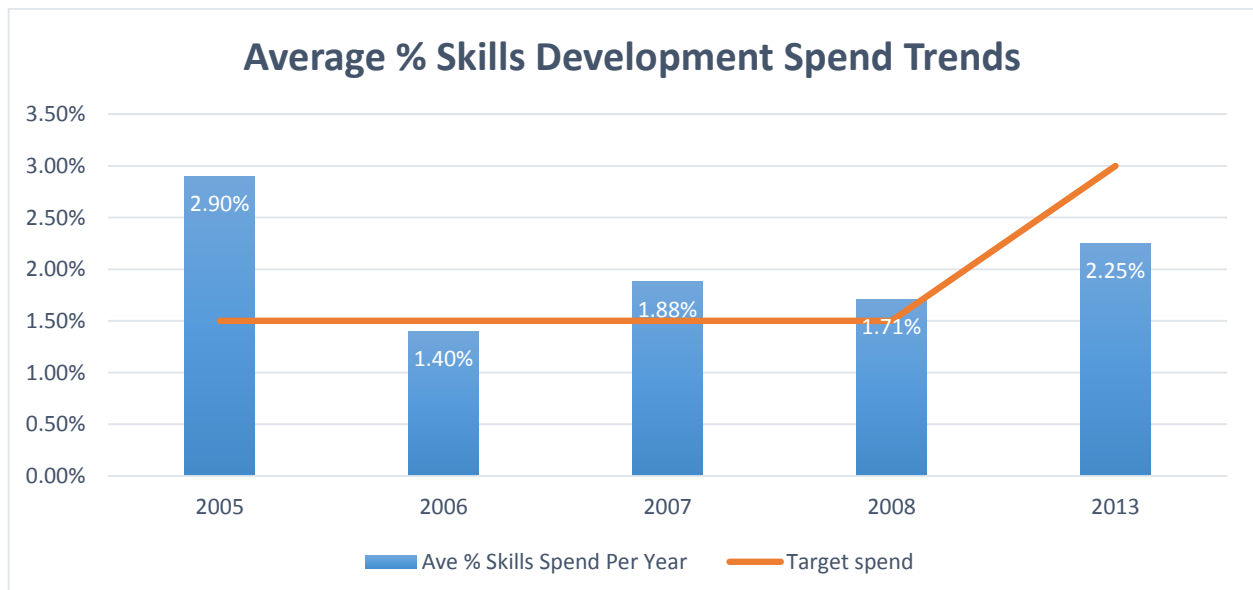


Figure 7.2

The average % skills development spend on Black people has increased slightly since 2008, but remains short of the reported spend of 2.9% in 2005. The increased target since 2008 means that despite an increase in average spend since that time, the current target of 3% is not being met on average.

Average % Skills Development Spend on Black People

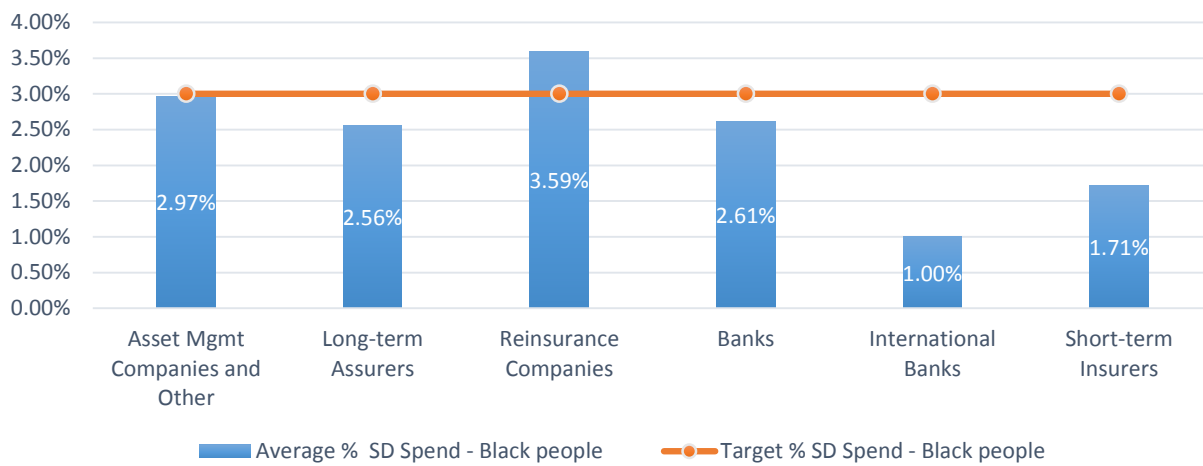


Figure 7.3

Skills Development spend across the industries reveals a couple of high performers, either exceeding or nearly meeting target but these are in segments where there was a relatively small number of reports suggesting that these are the top B-BBEE performers in their industry segments. In two of the primary financial industries, International Banks and Short-term insurance, Skills Development spend is way off target.

Average % Skills Development Spend on Black Women

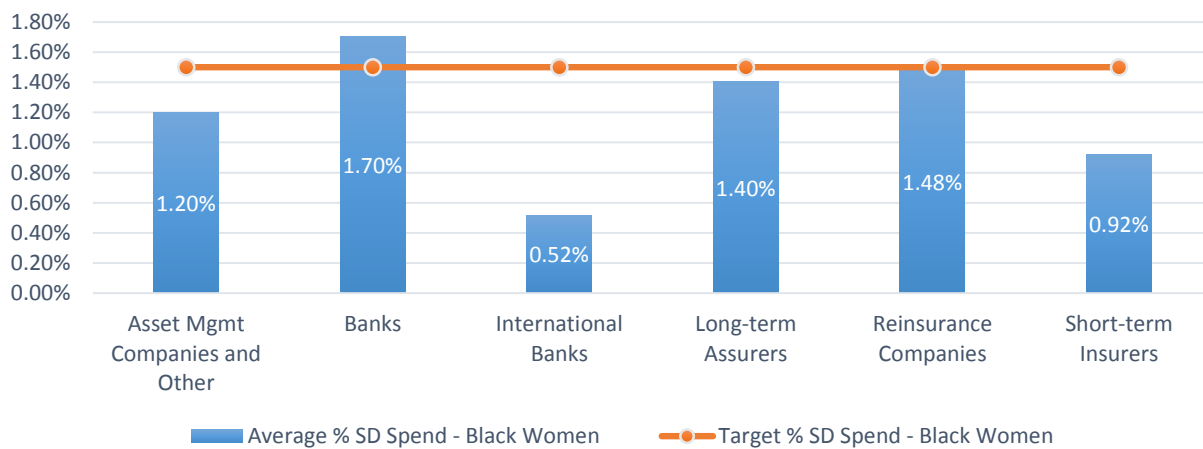


Figure 7.4

The average % Skills Development spend on Black women is 1.2% against a target of 1.5%. The industries are fairly consistently just falling short with Short-term insurers and International Banks underperforming.

7.2 LEARNERSHIPS

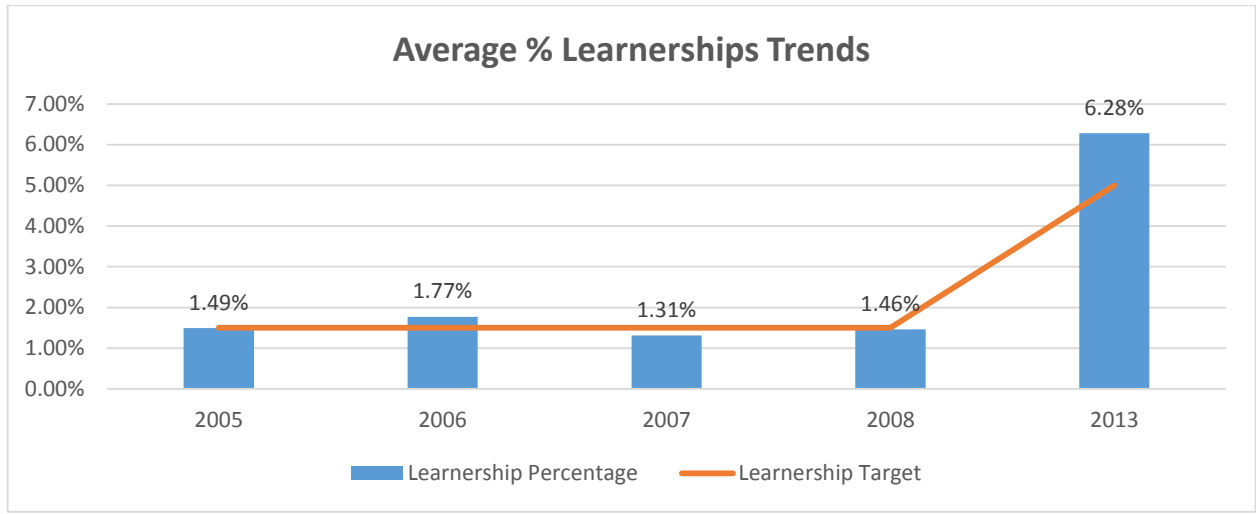


Figure 7.5

One of the ‘good news’ stories in this report is the over-performance against target in the number of Black learnerships. The sector has met the increased learnership target with a sharp rise in the % of Black learnerships. The current survey reports a rise from an average of 1.46% of staff in 2008 to 6.28% of staff in 2013, exceeding the target of 5%.

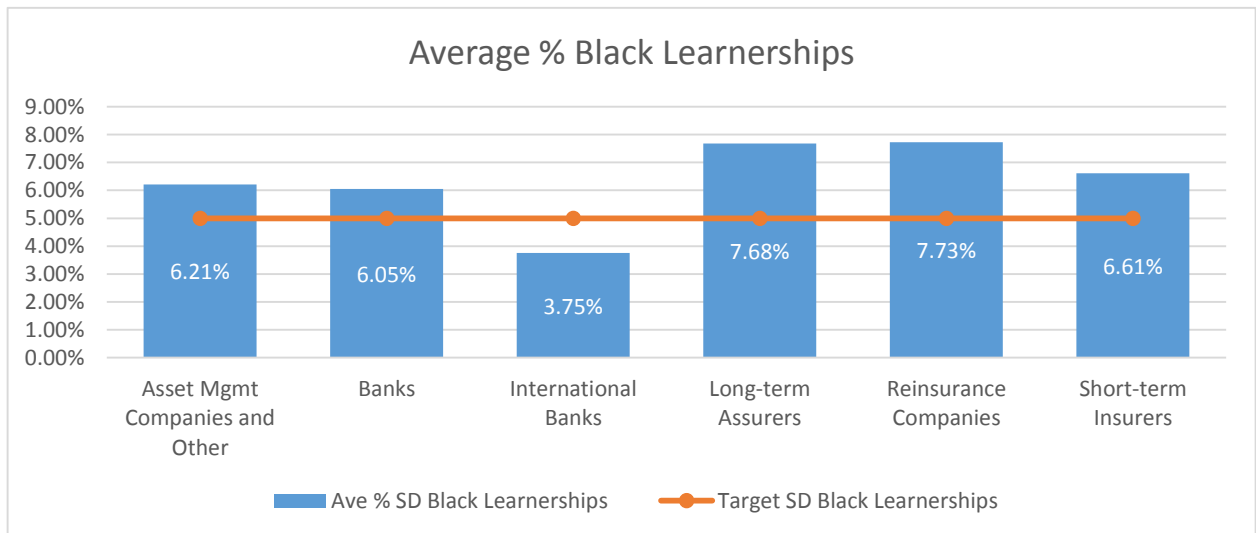


Figure 7.6

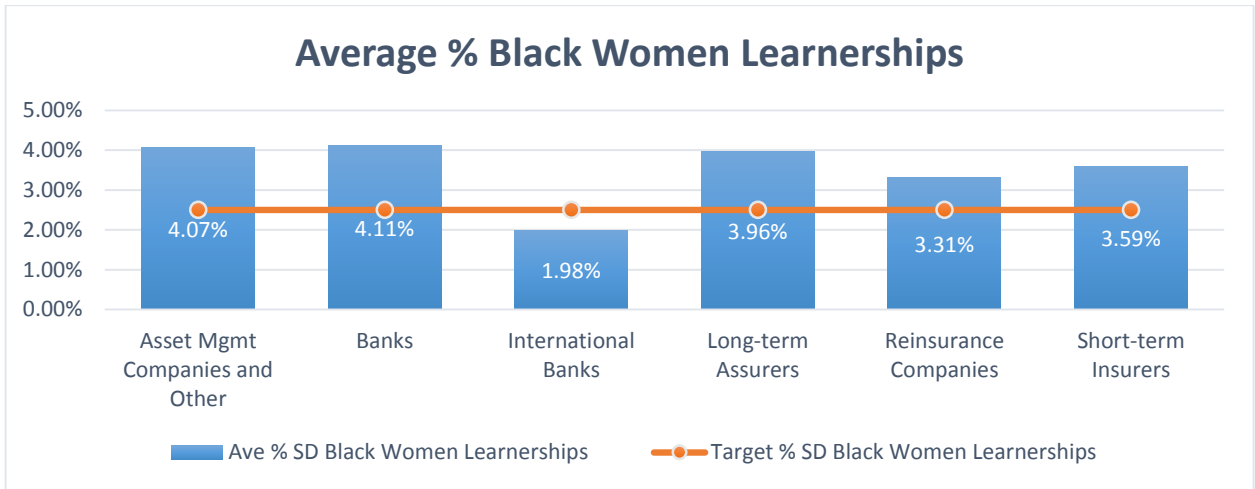


Figure 7.7

Another aspect of the “good news” is that each of the industries, other than International Banks, exceeds the 5% target for Black learnerships and the 2.5% target for Black women learnerships.

7.3 SKILLS DEVELOPMENT DISABLED SPEND

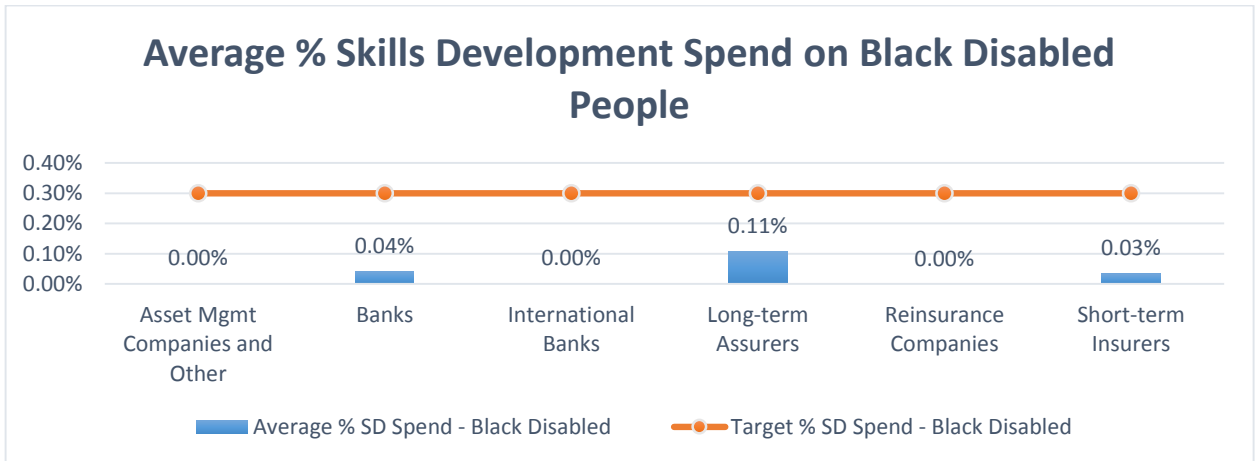


Figure 7.8

On a less positive note, the average Skills Development spend on Black disabled people is 0.04% against the target of 0.3%. Industry figures show a consistently dismal picture and this area of weakness needs to become one of the key focus point in the future.

7.4 SKILLS DEVELOPMENT CONCLUSION

In conclusion, the improved performance in 2013 over the 2008 Skills Development achievement, despite tightened definitions and evidence requirements of the FSC, is a positive sign. Also above-target compliance for learnerships performance is an indicator that progress is being made. Nevertheless, focused Skills Development is the prerequisite for fast-tracking Black management candidates so consistent under-performance in Skills Development over time may be an indicator of the cause of below-target performance in the Employment Equity and Management Control elements.

8 PREFERENTIAL PROCUREMENT

The sector achieved an average Preferential Procurement score of 12.11 out of a potential 16 points.

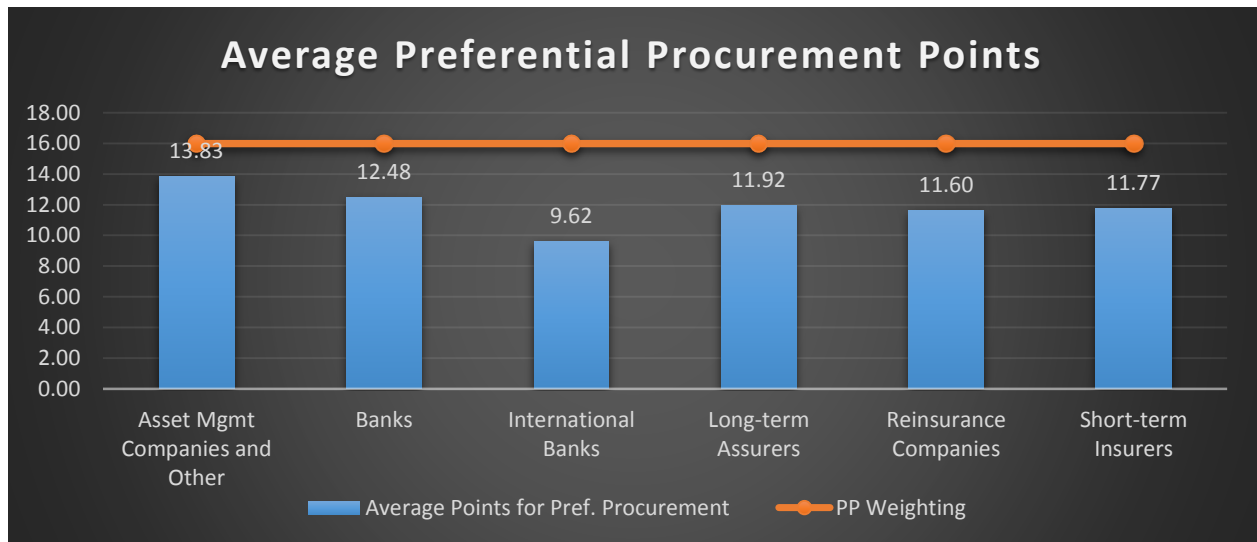


Figure 8.1

Performance measured by points earned was consistent across the various industries leading to a high degree of confidence in these reported results.

8.1 B-BBEE PROCUREMENT SPEND

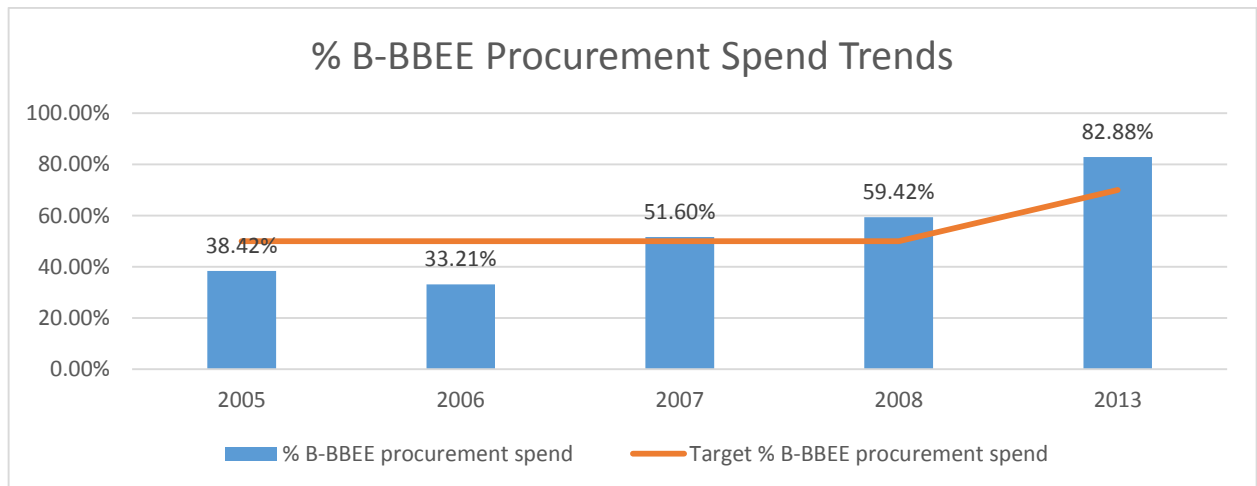


Figure 8.2

There has been a positive trend to B-BBEE Procurement in the financial sector since 2007 with a significant increase in spend with B-BBEE suppliers in this 2013 survey as the sector rises to the challenge of the increased target.

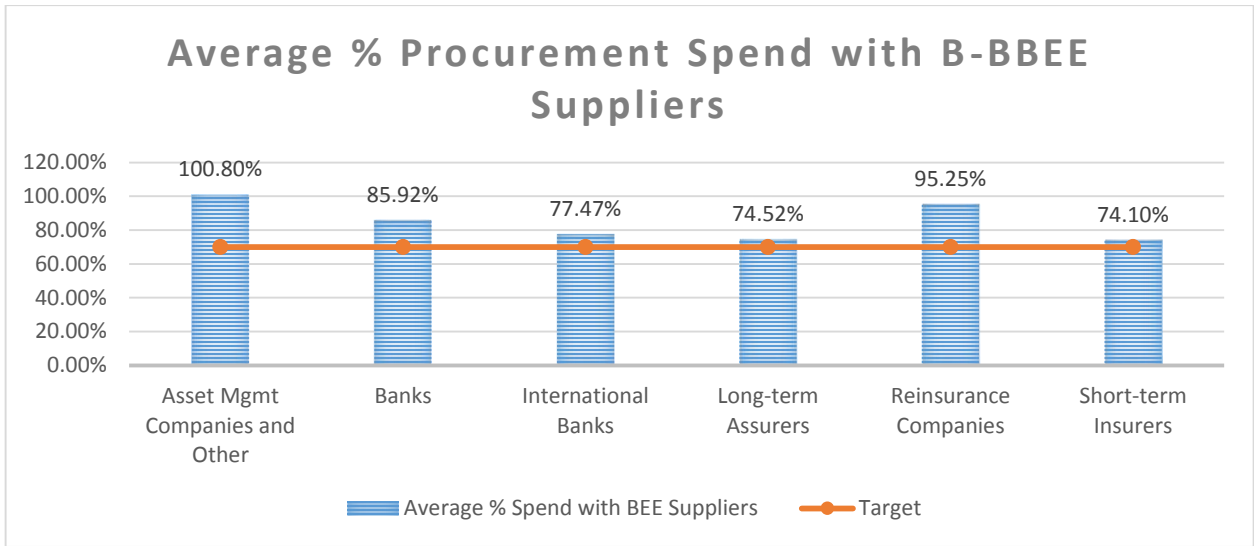


Figure 8.3

The industry figures reflect the consequences of procurement departments applying firm B-BBEE criteria in their purchasing policies and procedures, with all industries exceeding the target spend of 70%.

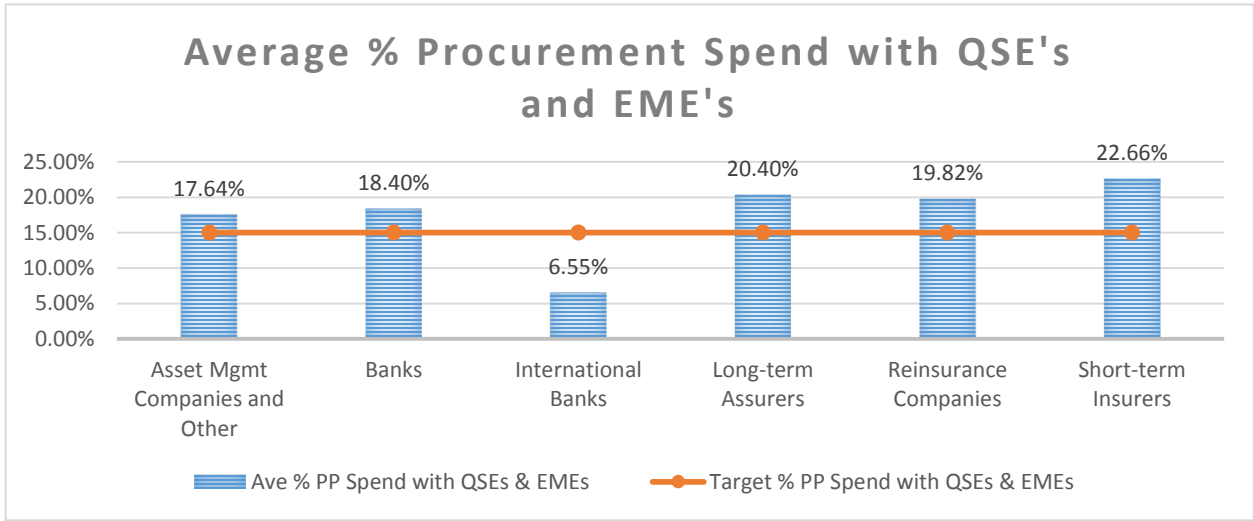


Figure 8.4

It is acknowledged that large organisations find it difficult to purchase products and services from QSEs and especially EMEs. It is therefore encouraging that all the financial industries, other than International Banks, report above target purchasing with SMEs.

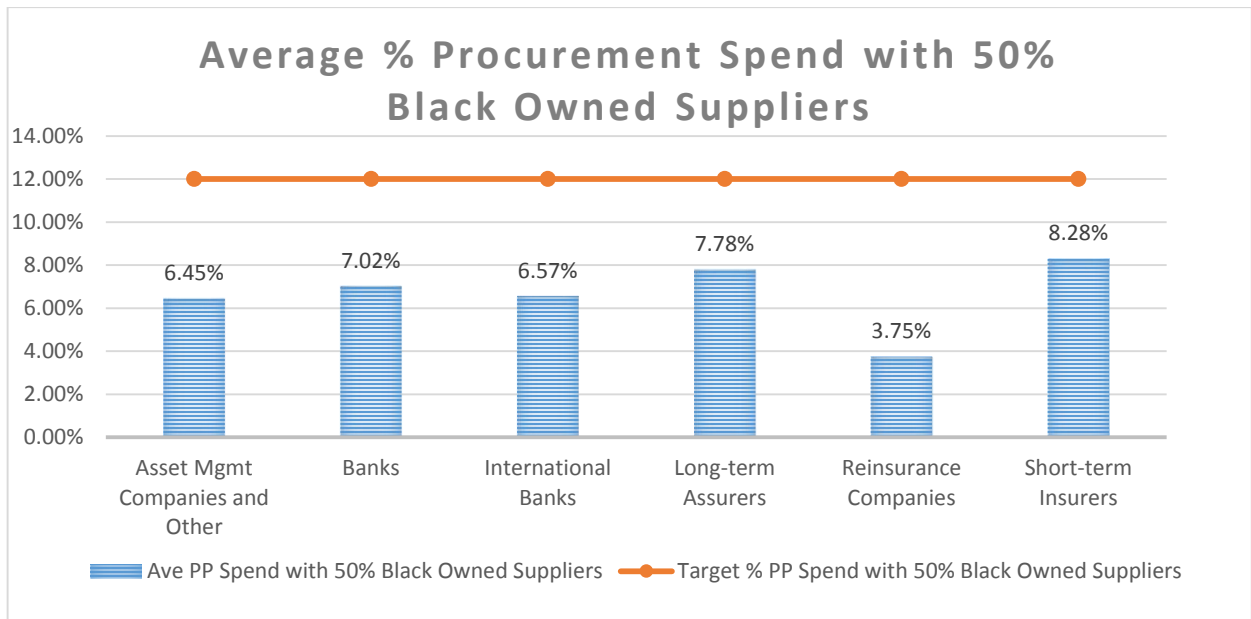


Figure 8.5

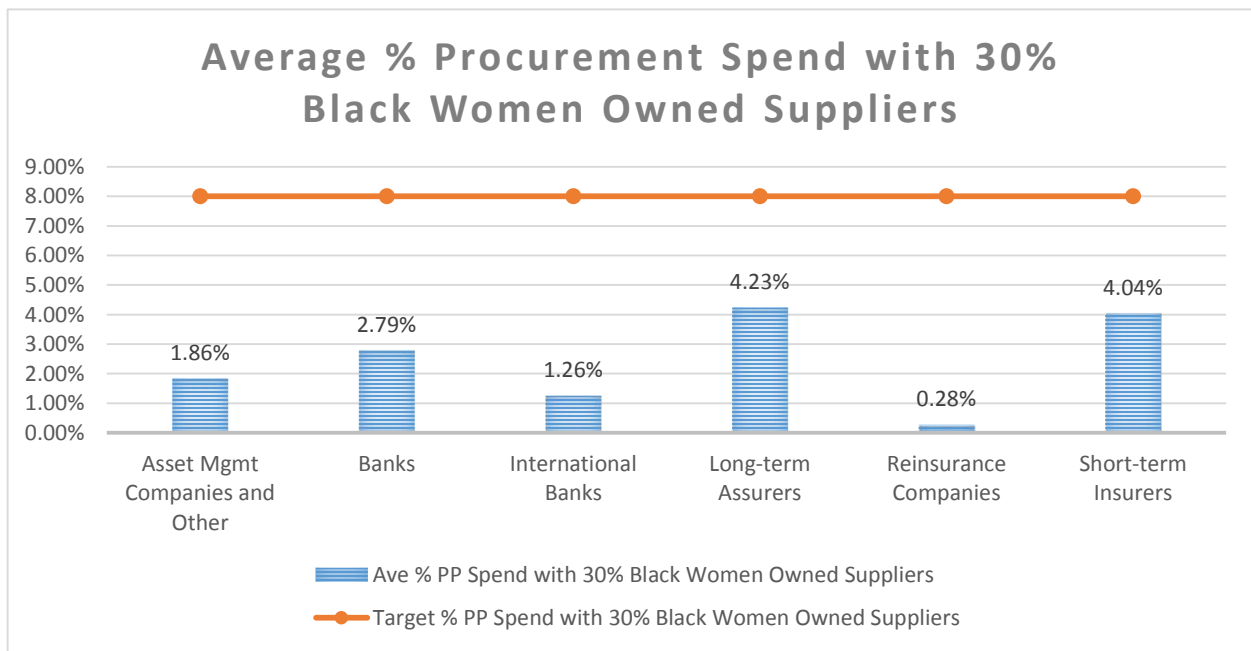
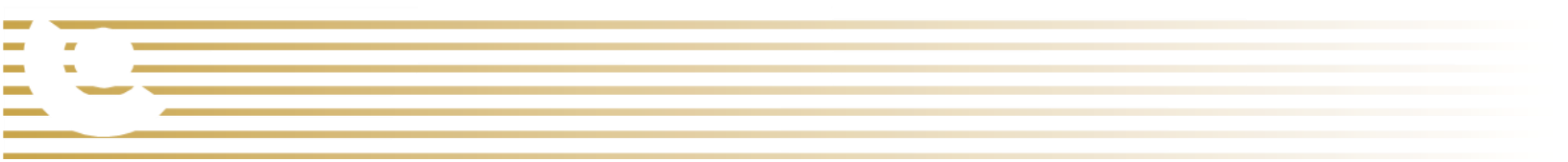


Figure 8.6

The Procurement spend with 50% Black and 30% Black women owned suppliers are areas that need attention across the sector. This is particularly so considering the demanding requirements for procurement from, and supplier development of, Black owned suppliers in the Amended COGP that the FSC will be aligned with shortly.



8.2 PROCUREMENT CONCLUSION

Encouraging Preferential Procurement reports from the financial sector suggest that its stakeholders are well positioned to meet the challenges of the Enterprise and Supplier Development targets that will comprise the largest element of the expected new and COGP aligned FSC Scorecard.

9 ENTERPRISE DEVELOPMENT AND EMPOWERMENT FINANCING

9.1 ENTERPRISE DEVELOPMENT

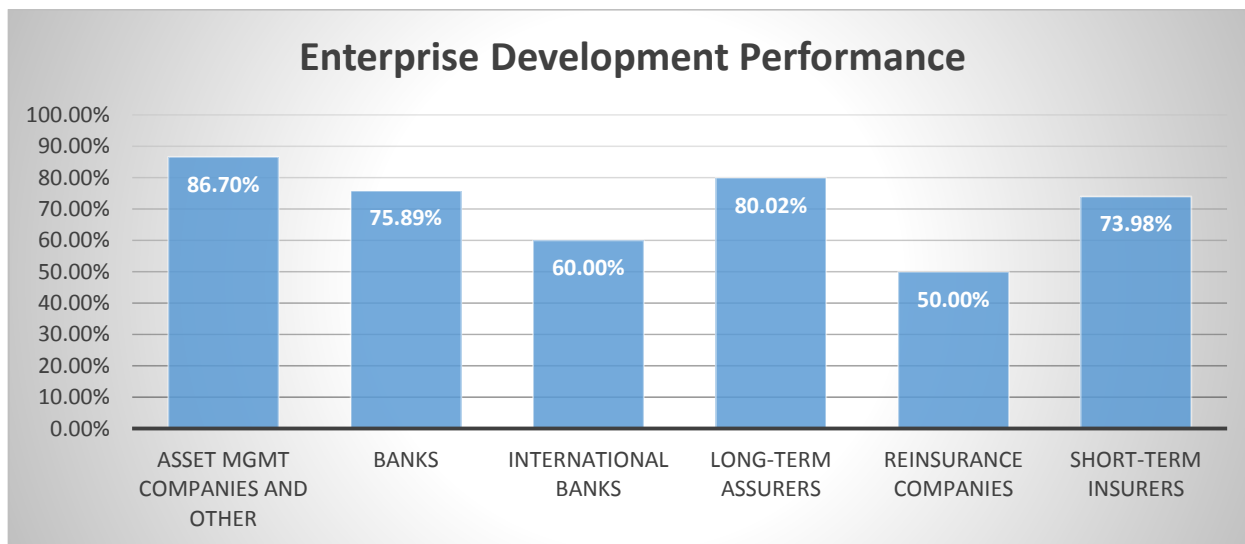


Figure 9.1

Average ED performance across the sector was relatively strong at 72.72% of the points available.

9.2 EMPOWERMENT FINANCING

This sub-element does not apply to 34 out of the 53 measured entities.

The average Empowerment Financing score for the sector was 12.42 out of 15.

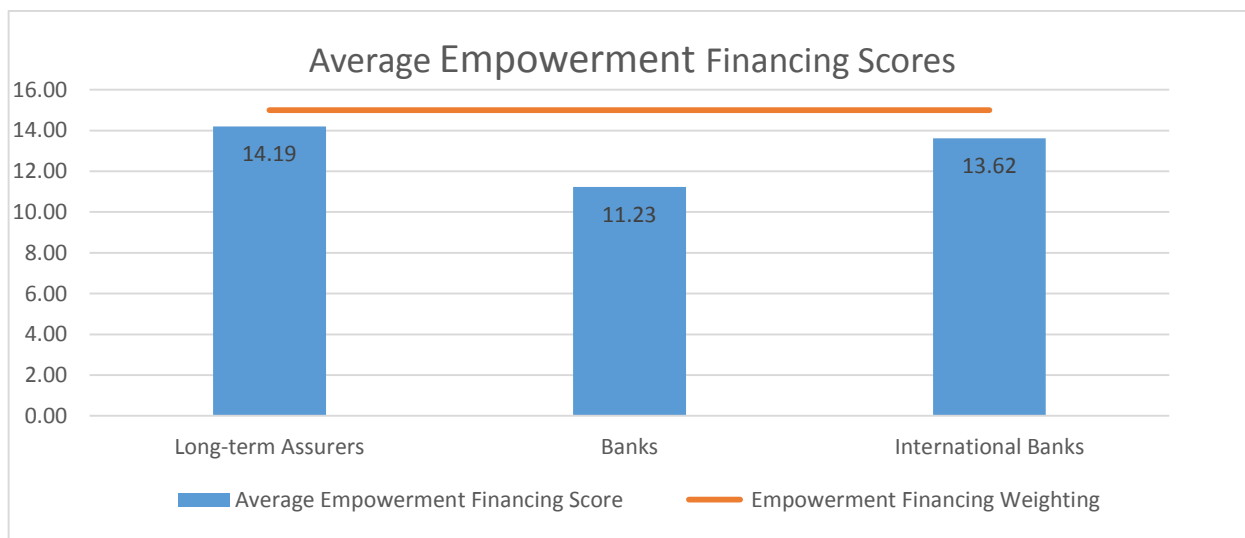


Figure 9.2

The 3 reporting industries performed well with the Long-term Assurers falling just short of the 15 point target.

9.2.1 TARGETED INVESTMENTS

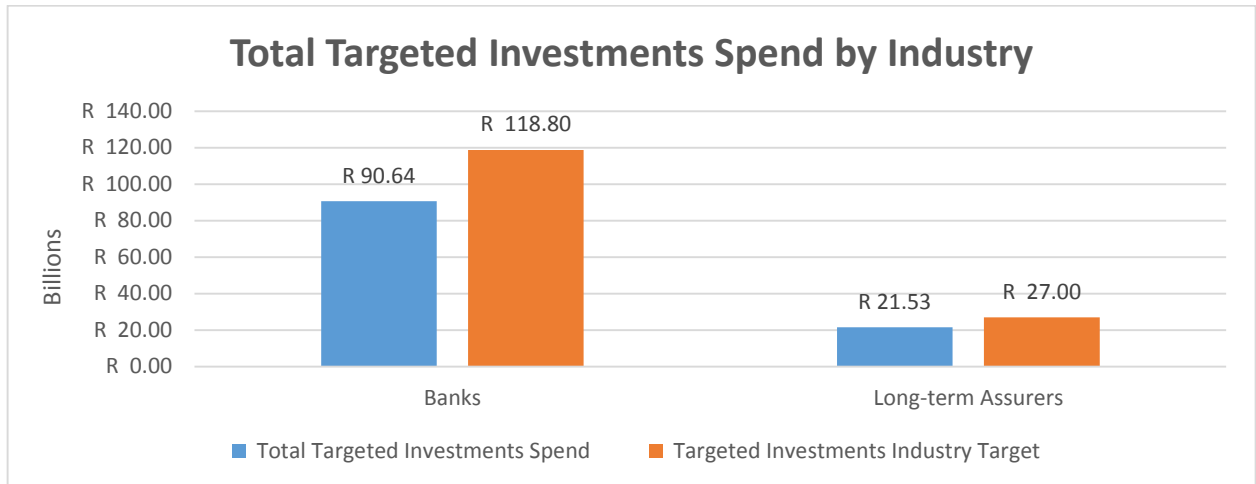


Figure 9.3

The sector investment in targeted areas has Long-term Assurers reporting investment of 79% of their cumulative industry target. Those Banks that reported spend in this area have achieved 76% of the cumulative target for the industry.

In a number of cases spend was not broken down geographically. In these instances spend was allocated to region category of Other / Undisclosed.

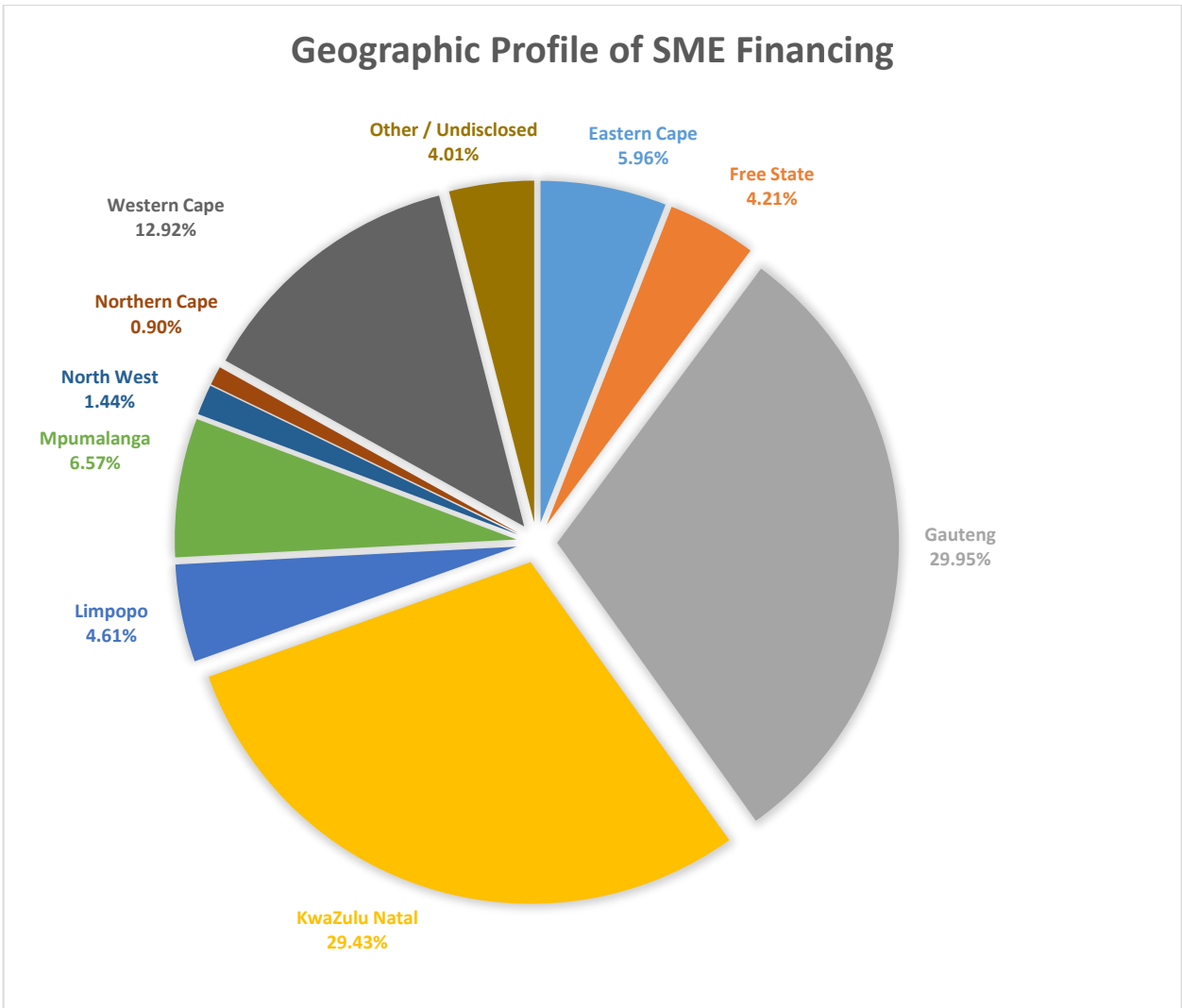
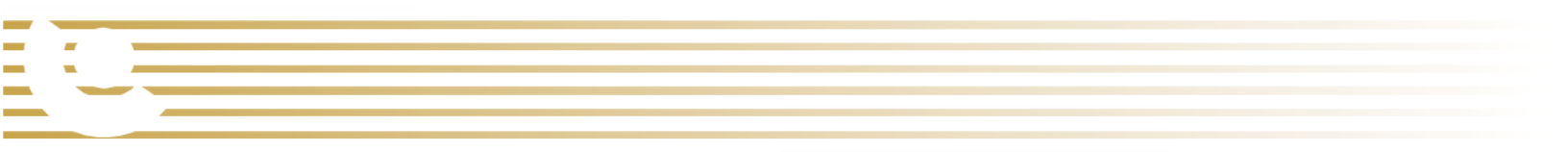


Figure 9.4

The total SME Financing Spend across the sector was R 14.8 billion with just under 60% of spend being within Gauteng and KZN.

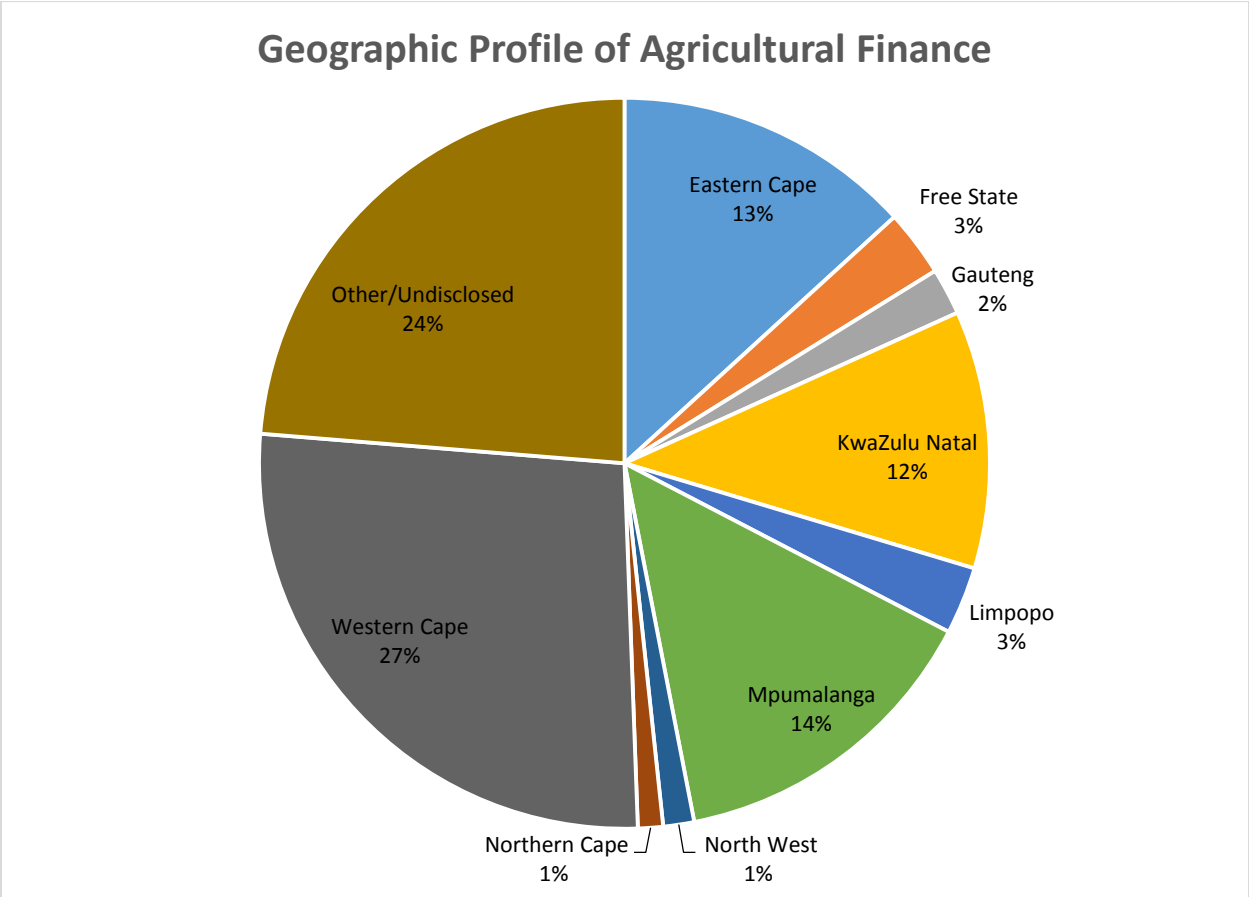
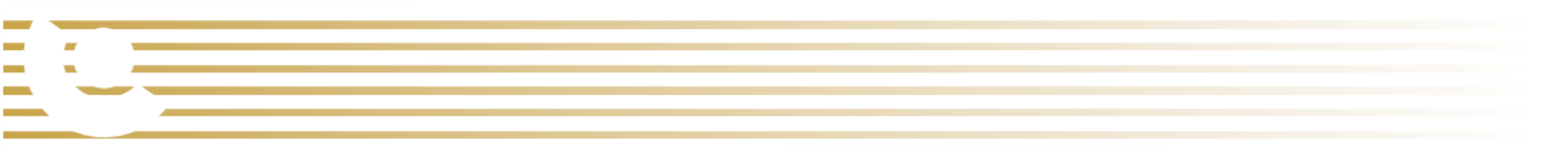


Figure 9.5

The total reported agricultural financing spend across the sector was R 1.1 billion, with 27% of spend being within the Western Cape.

Geographical Profile of Transformational Infrastructure Investment

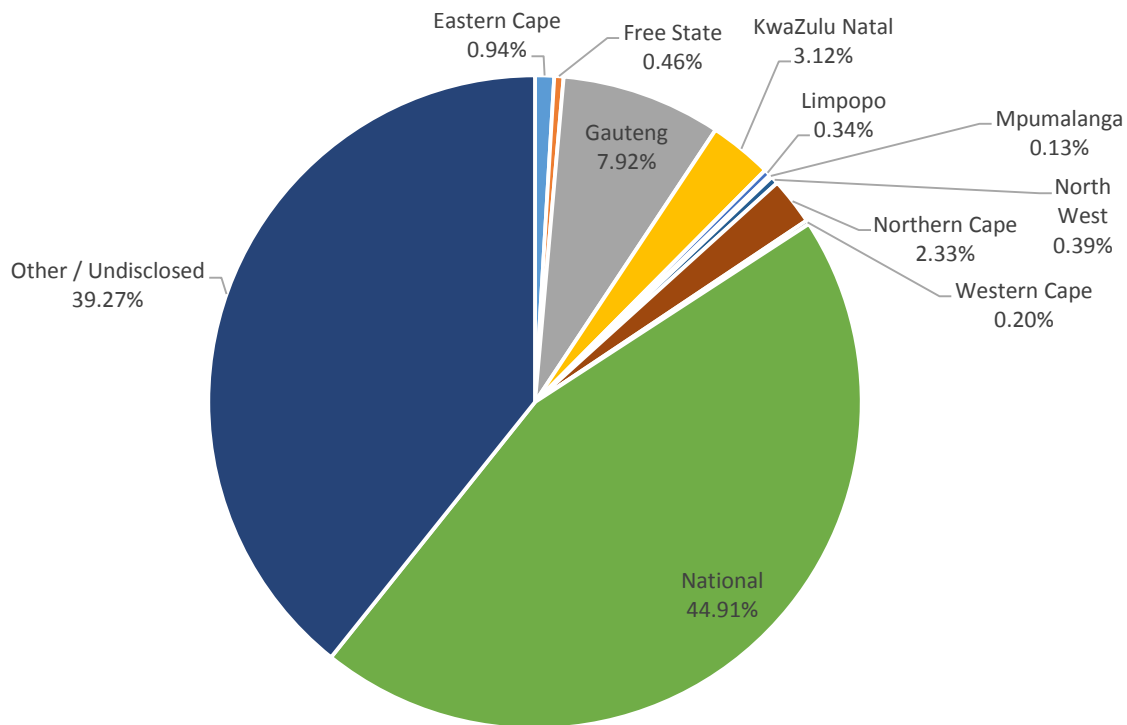


Figure 9.6

Of the R 33.2 billion investment in Transformational Infrastructure across the sector, 44.91% was invested nationally with Mpumalanga receiving the smallest share of the investment.

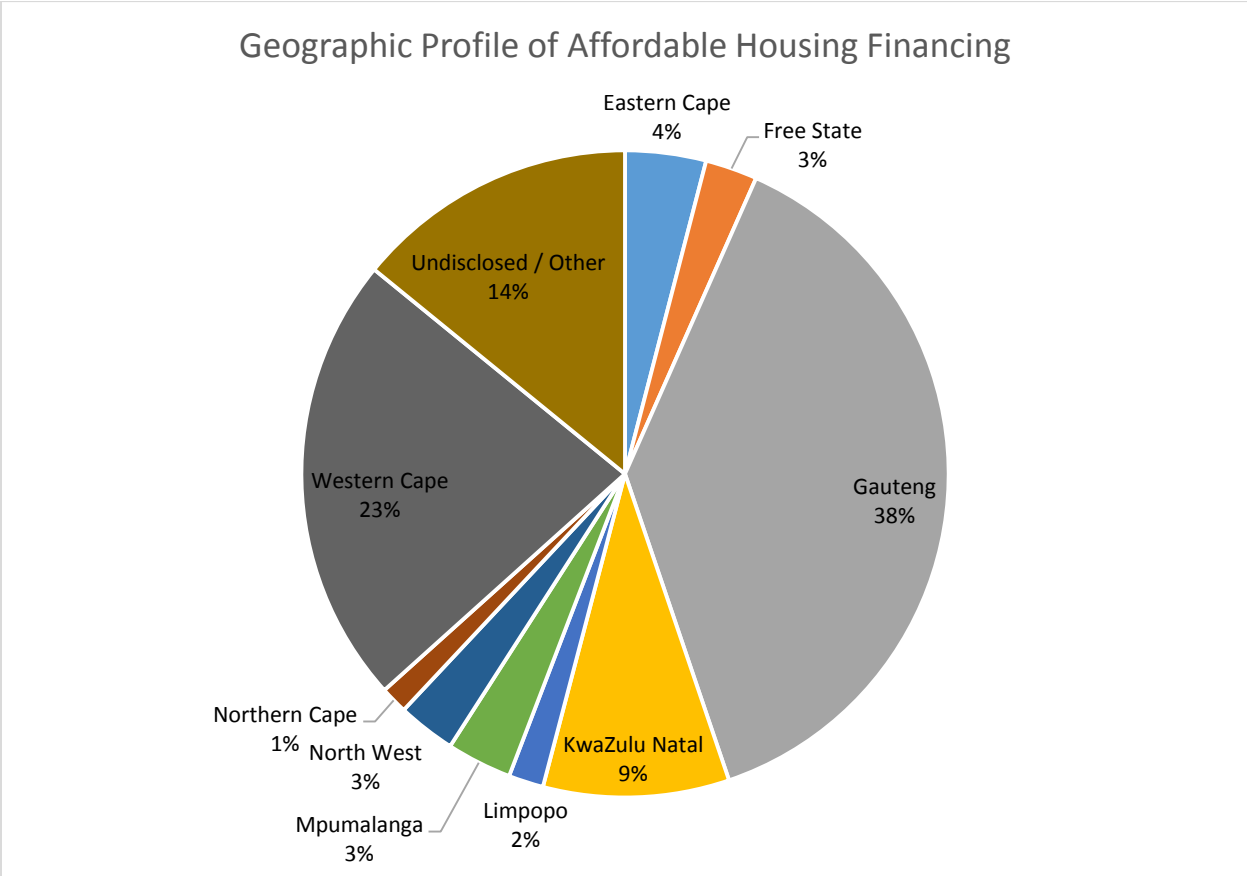
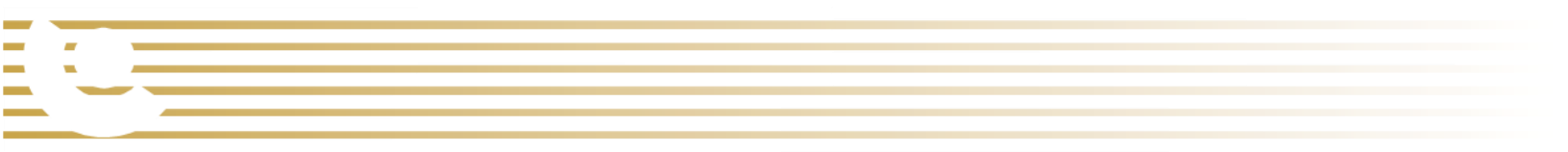


Figure 9.7

R 34.7 billion was spent by the sector on the financing of affordable housing. Of this more 61% was spent within Gauteng and the Western Cape.

9.2.2 TRANSACTION FINANCING

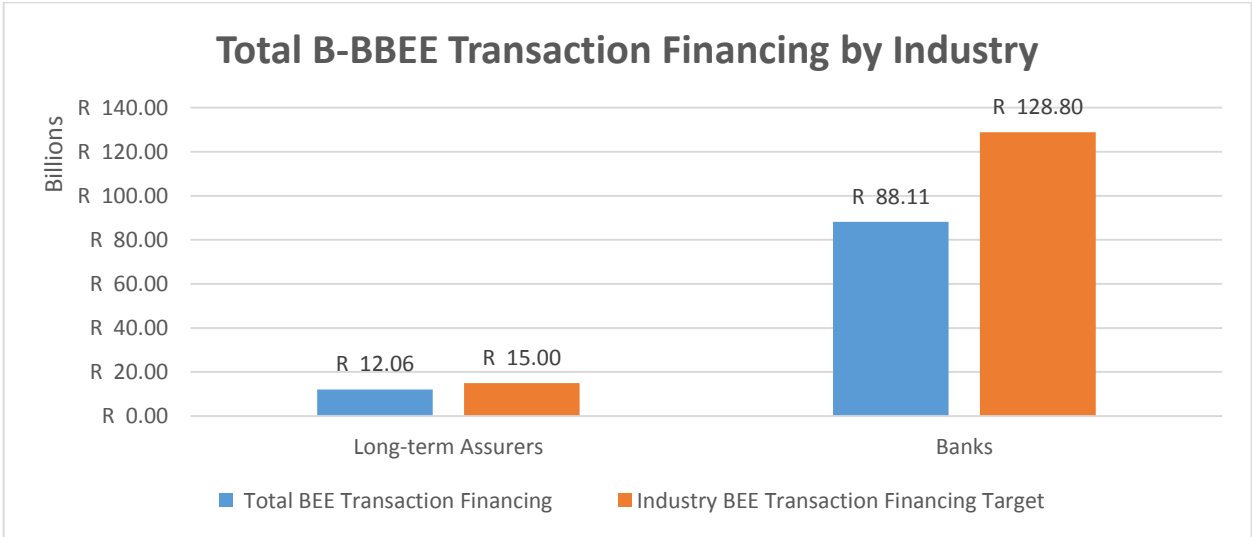


Figure 9.8

Long-term Assurers reported 80% of targeted spend, while the banking industry reported 68% of their cumulative targeted transaction financing spend. The chart below indicates geographical variation in spend with Gauteng receiving the lion's share of the investment.

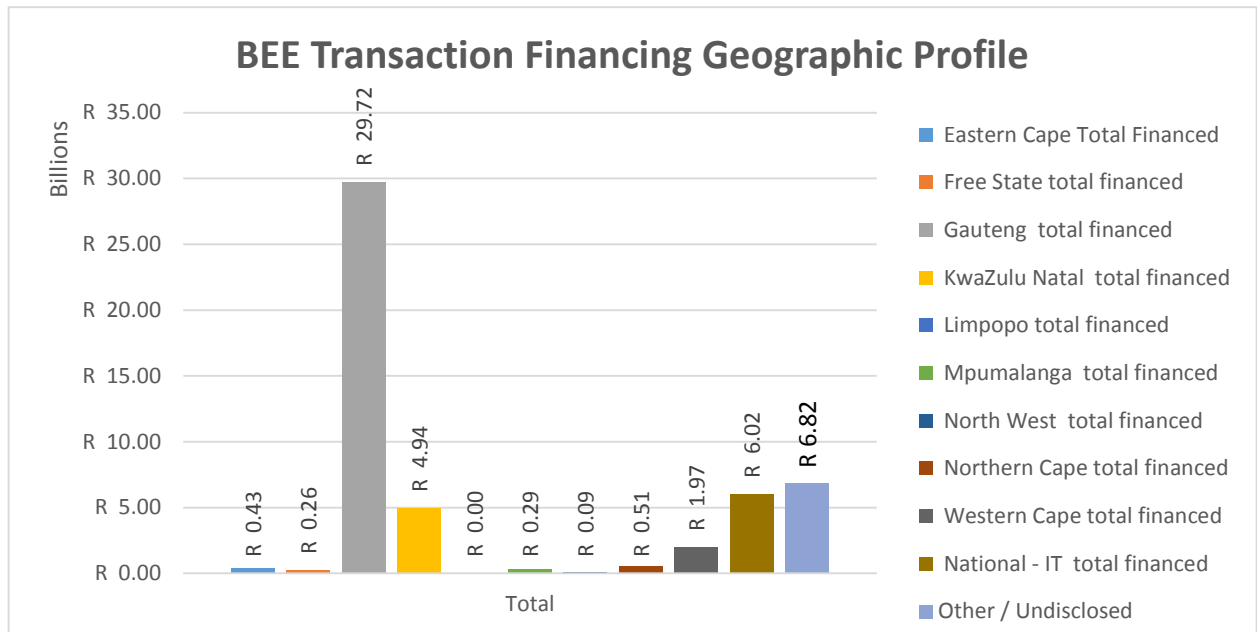


Figure 9.9

9.3 ENTERPRISE DEVELOPMENT AND EMPOWERMENT FINANCING CONCLUSION

The financial sector specific element of Empowerment Financing and Enterprise Development has been embraced by non-exempt stakeholders with consequent benefits to B-BBEE transformation throughout the nation.

10 SOCIO-ECONOMIC DEVELOPMENT

The sector achieved an average Socio-Economic Development (SED) score of 2.49 out of a potential 3 points.

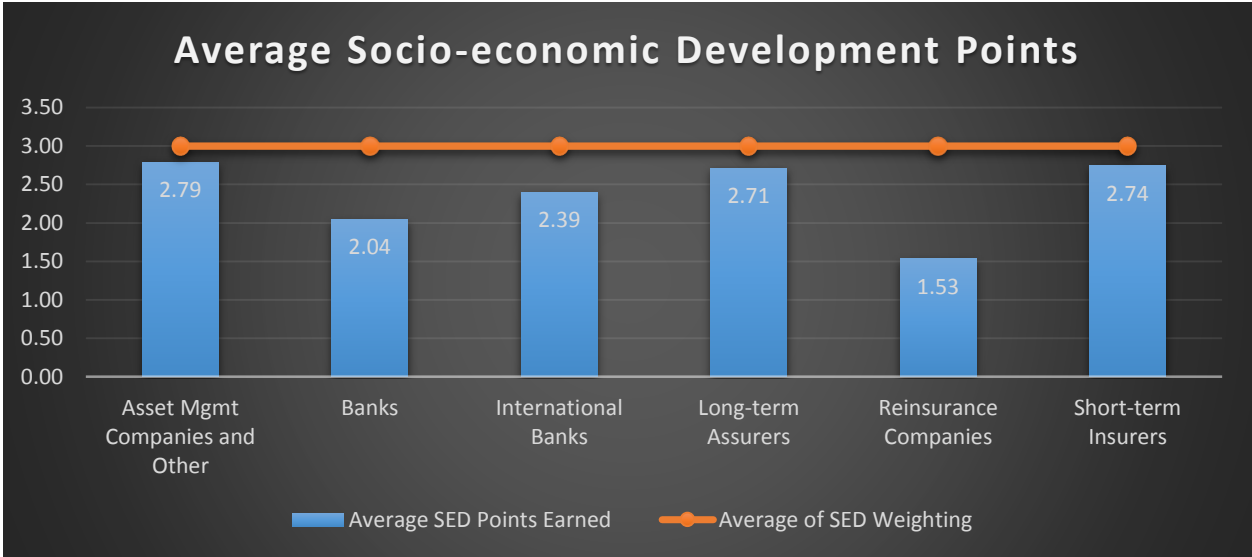


Figure 10.1

Those entities measured as dti QSE’s were excluded from this analysis due to differing targets and weightings. The industry analysis supports the conclusion that the sector is generally underspending under the FSC Code.

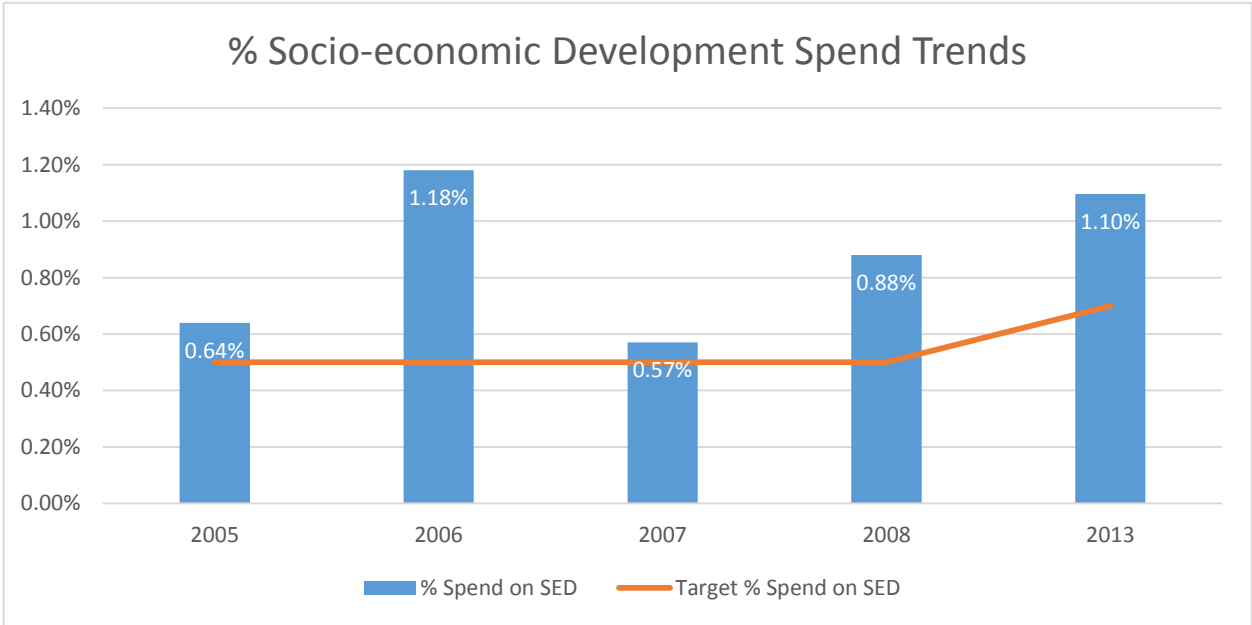


Figure 10.2

The % spend against target over time shows a small increase from the 2008 figure aligning with an increased target of 0.7% of NPAT. This despite the difficult years for the industry since the 2008 crisis.

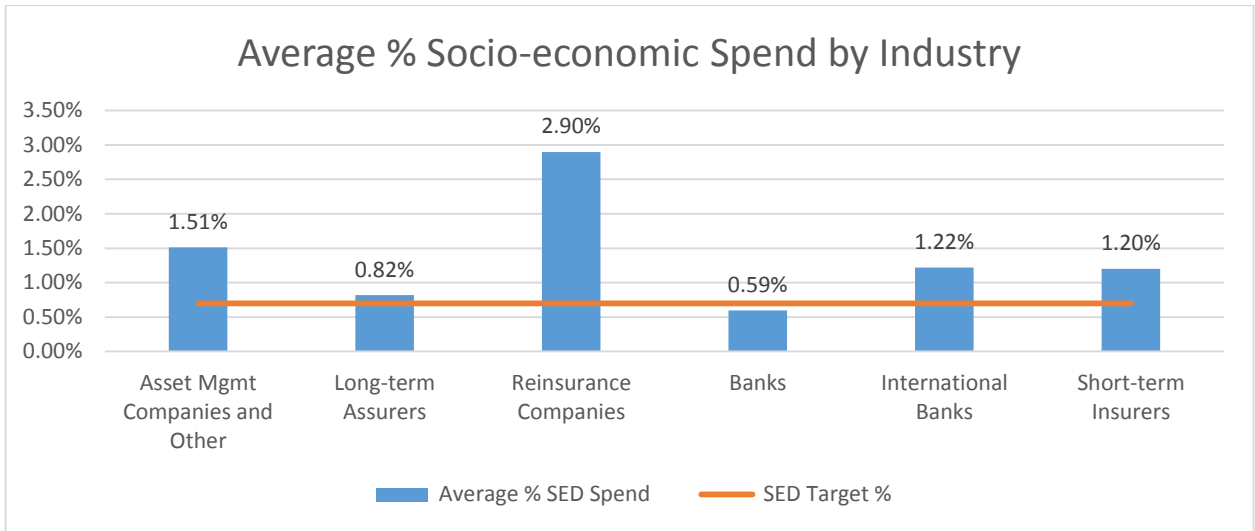


Figure 10.3

A review of spend by industry indicates an average achievement against target for all but the banking industry. However a more detailed review indicates that the averaging effect brings down the average industry Socio-economic Development Scores.

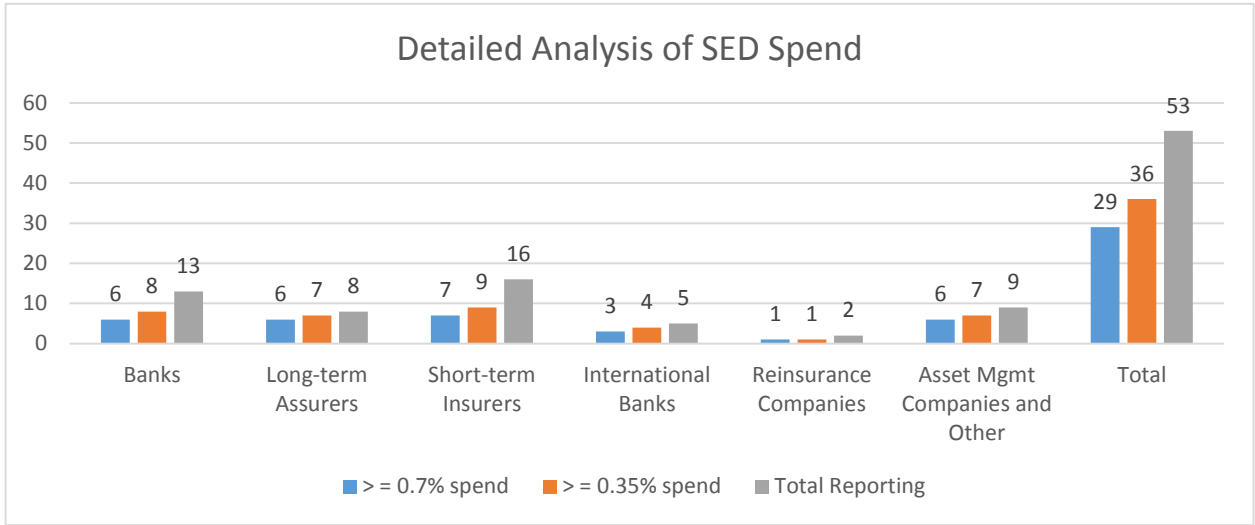


Figure 10.4

10.1 SOCIO-ECONOMIC DEVELOPMENT CONCLUSION

Investment in Socio-Economic Development across the sector has not changed significantly since 2008, but on average the sector is meeting targets for this element.

11 ACCESS TO FINANCIAL SERVICES

This industry specific element measures activities to bring financial services to the poor and underprivileged Black people. The contributing industries, i.e., Banks, Long-term Assurers and Short-term Insurers each have specific targets relating to their particular products and services.

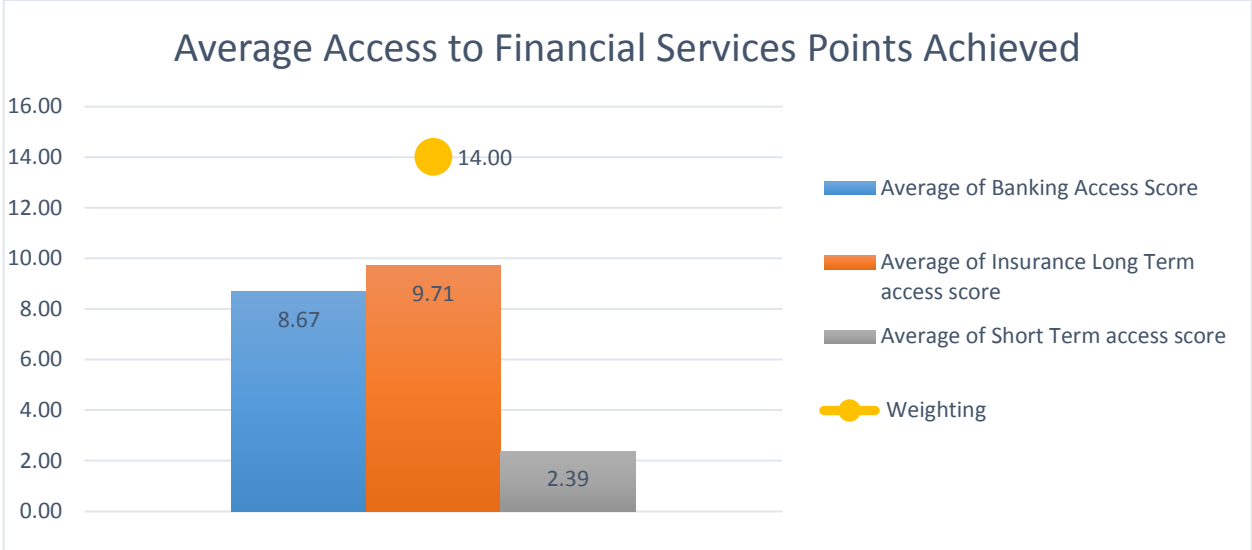


Figure 11.1

Sector performance is likely to be understated due to Banks not reporting separately in their Long-term Assurer and Short-term Insurer capacities. Furthermore Short-term Insurers were still exempt from Access to Financial Services in 2013 with reporting only being required in 2014 based on 2013 targets. Despite this three institutions reported scores under this element from the Short-term insurance industry.

11.1.1 BANKING GEOGRAPHIC ACCESS (REACH)

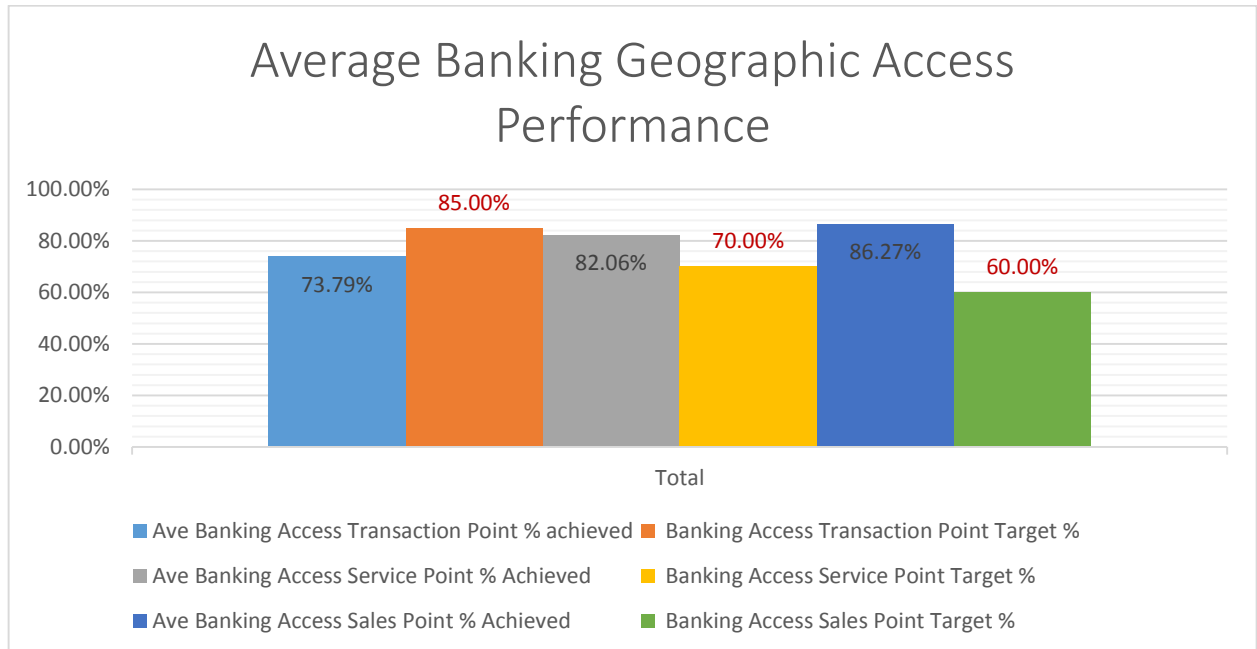


Figure 11.2

This chart shows the % achieved vs targets under the banking sector objectives. It reflects the slow start made but with significant progress in some areas such as sales points.

11.1.2 BANKING DENSIFICATION

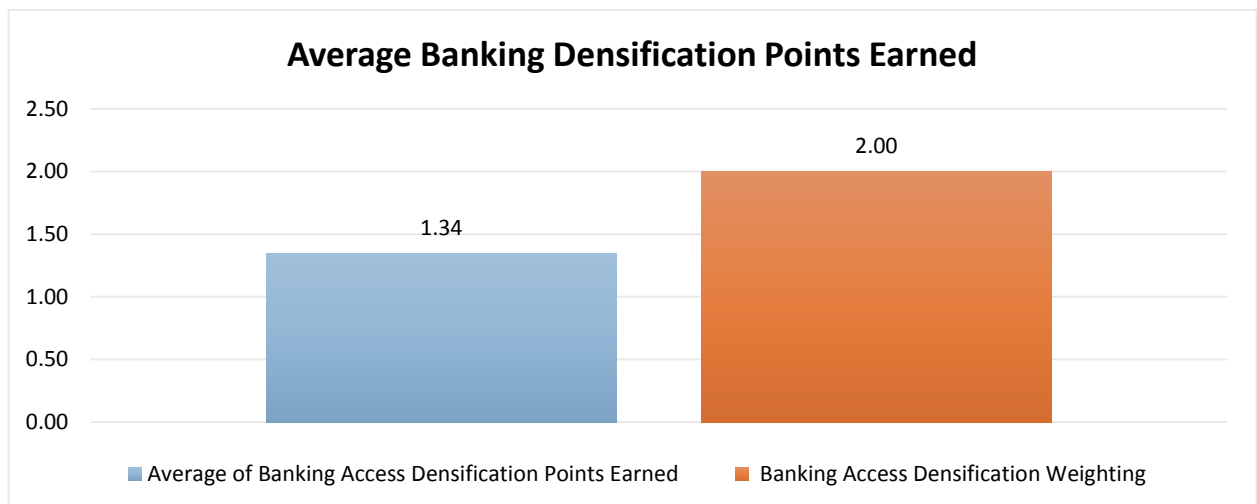


Figure 11.3

The average score of 1.34 for Banking Access Densification is consistent with the picture painted by the Geographical Access performance for the reporting period.

11.1.3 BANKING PRODUCT RELATED ACCESS

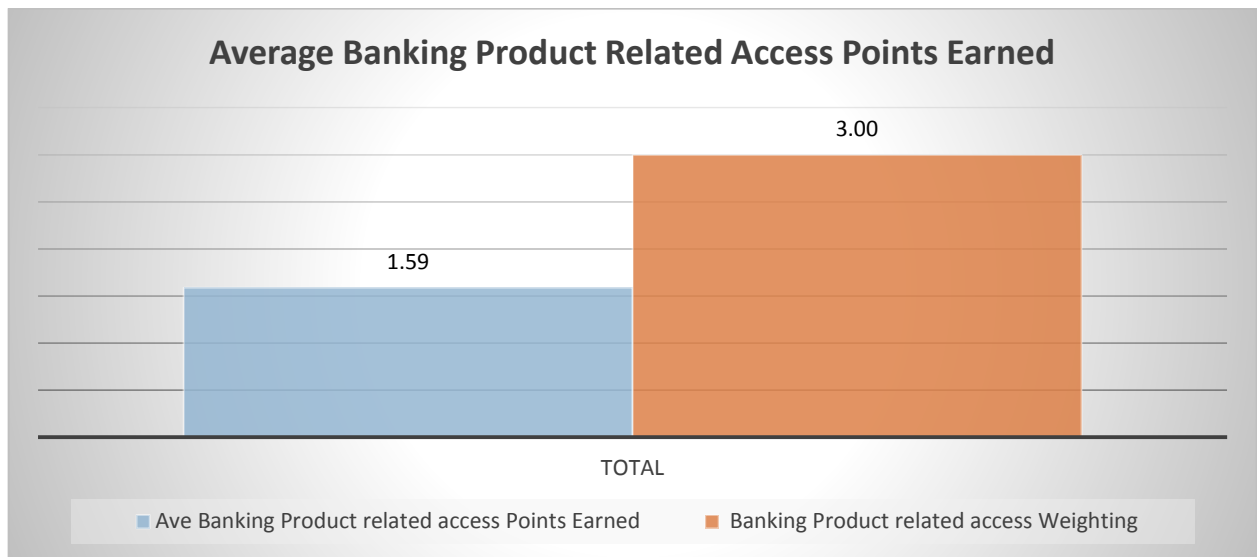


Figure 11.4

The Banking industry has scored an average of 1.59 points out of the available 3 points for product related access.

11.1.4 BANKING AFFORDABLE HOUSING ORIGINATION

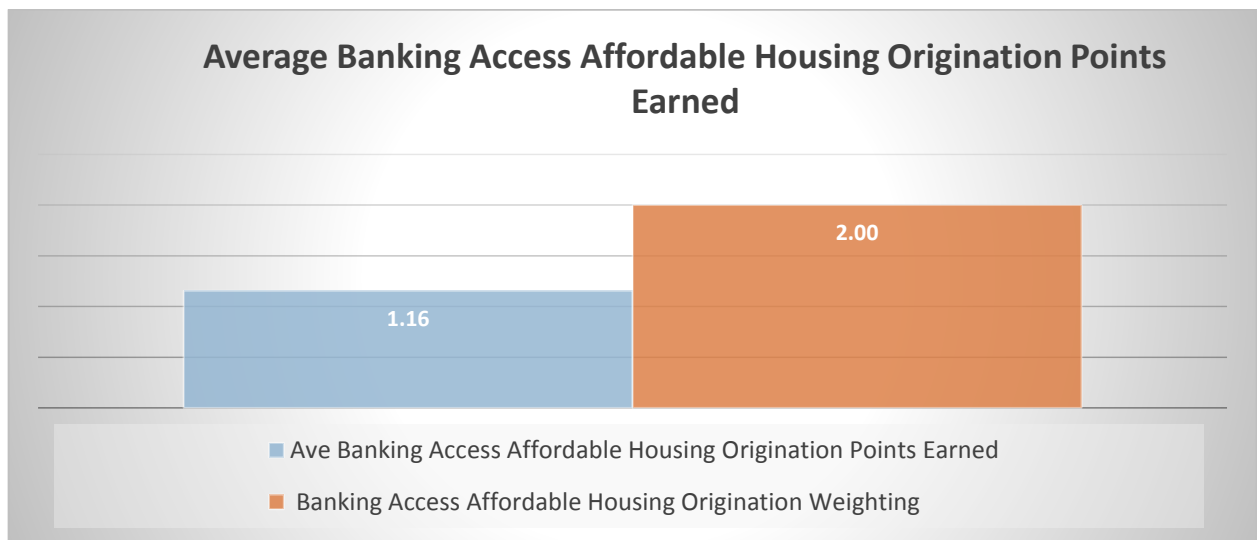


Figure 11.5

The sector has scored an average of 1.16 points out of the available 2 points for Affordable Housing origination.

11.2 LONG-TERM ASSURANCE

11.2.1 LONG-TERM INSURANCE ACCESS TO FINANCIAL SERVICES

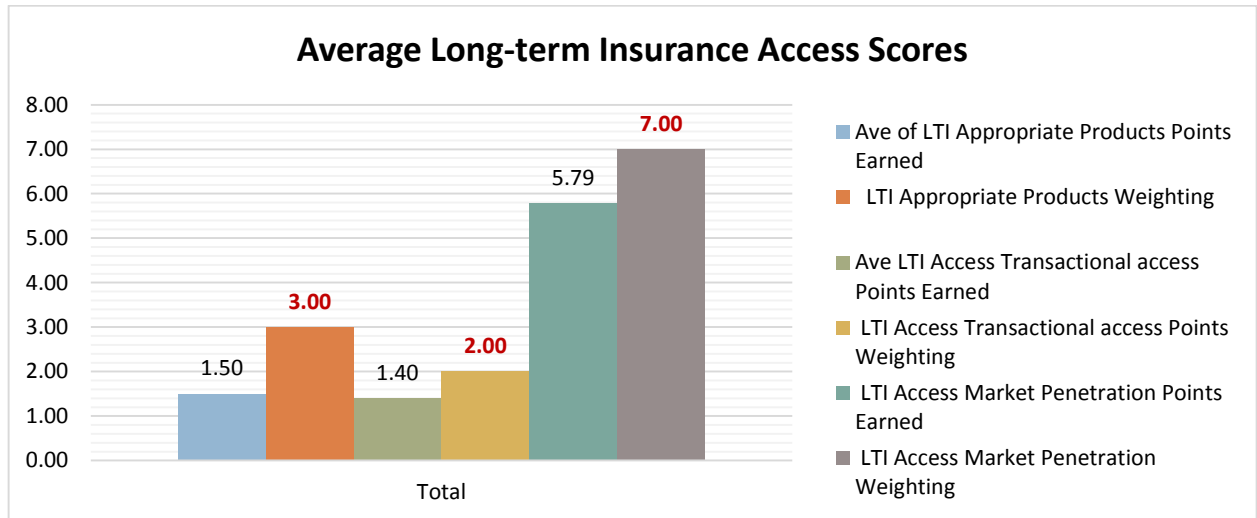


Figure 11.6

The Long-term insurance market has performed strongly in 2 of the 3 areas of market penetration. As identified in the Banking industry the provision of appropriate products in agreed areas is a criteria which requires focus as reflected in these point comparisons.

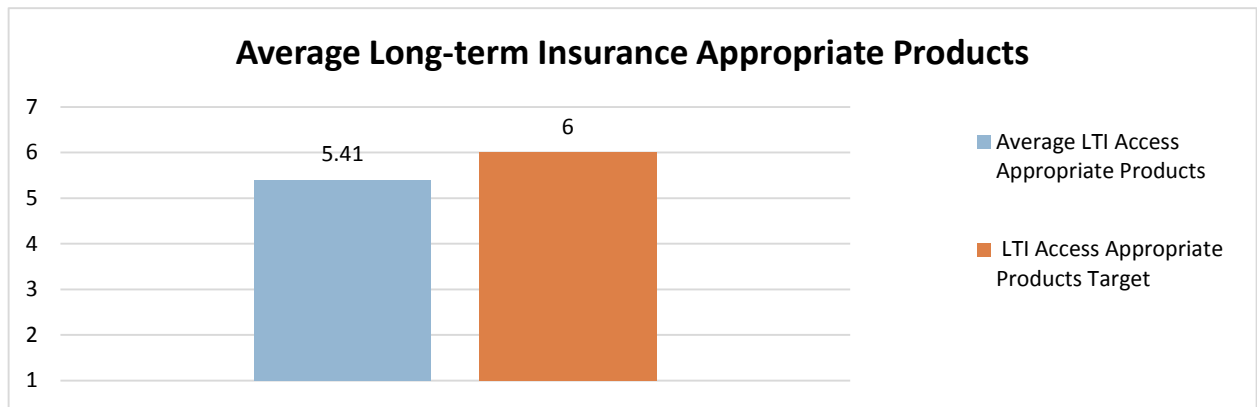


Figure 11.7

The industry falls just short of the target number of appropriate products on average.

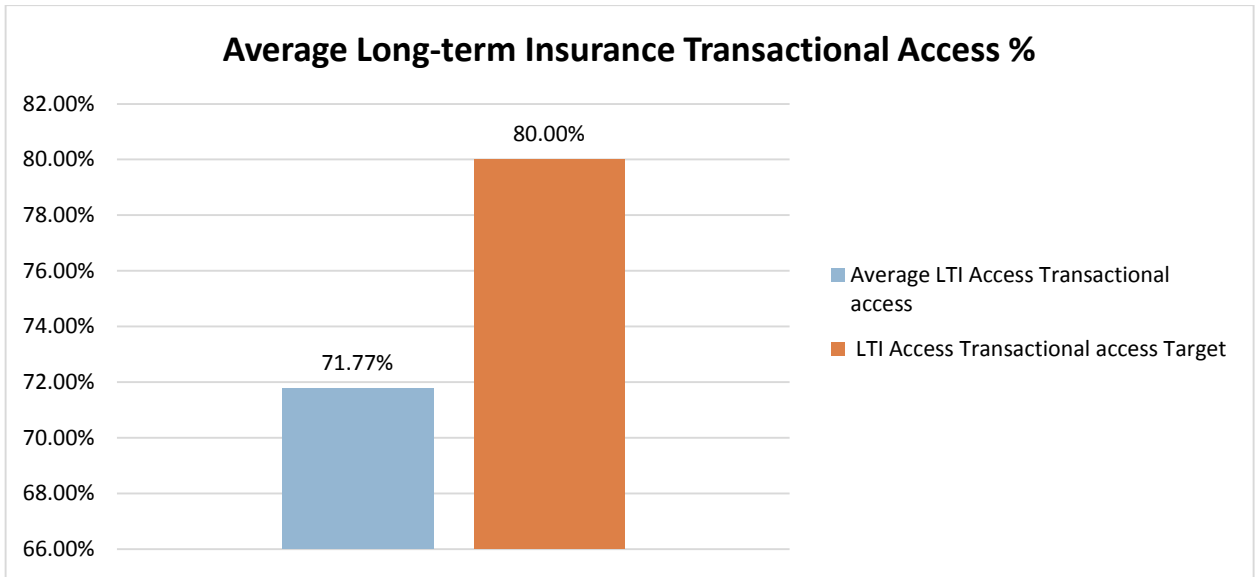
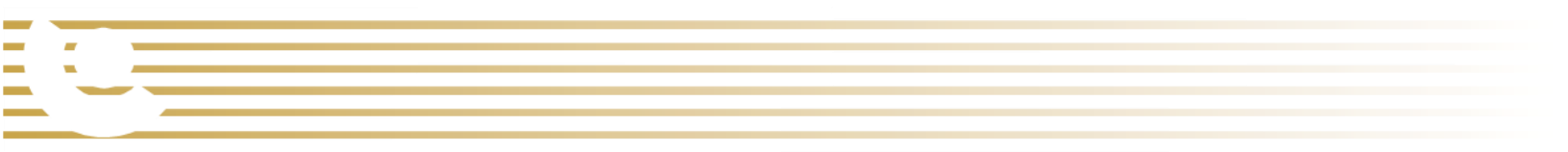


Figure 11.8

The average Transactional Access coverage was 71.77% for the industry against the 80% target.

11.3 SHORT-TERM INSURANCE

Only 3 of the Short-term insurers reported against the Access to Financial Services element of the FSC code. Further analysis is not possible due to the lack of sub-element data.

11.4 CONSUMER EDUCATION (FOR ALL INDUSTRIES)

The industry scored an average of 1.13 points out of the 2 points available for Consumer Education.

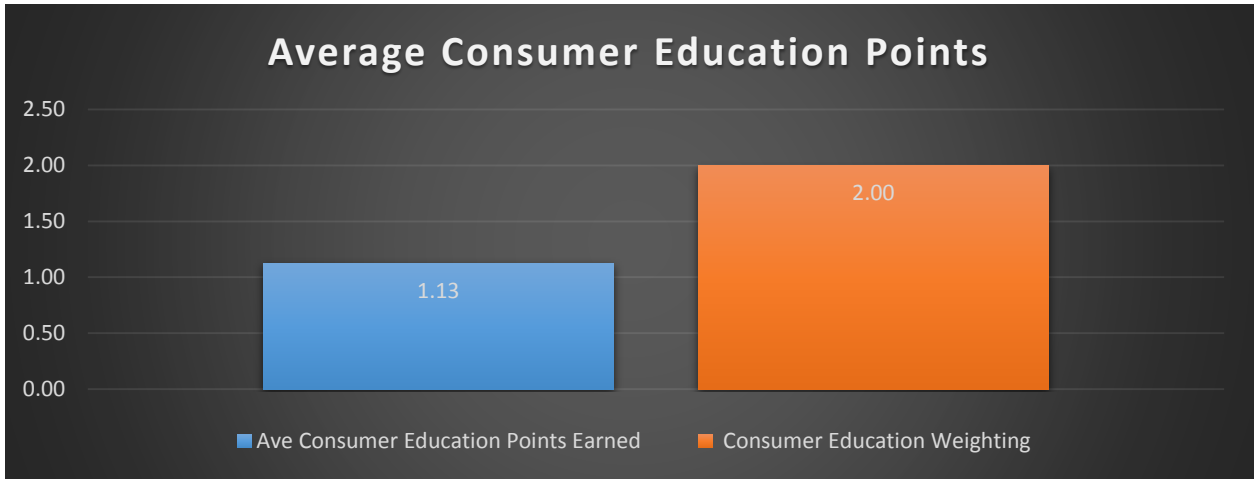


Figure 11.9

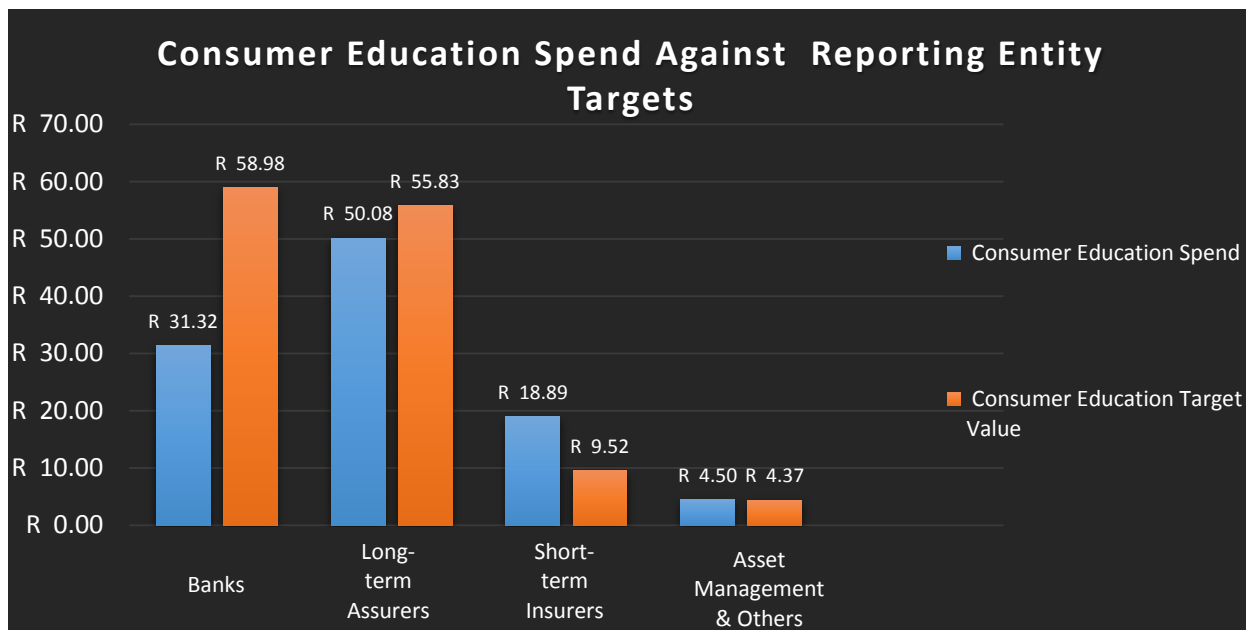
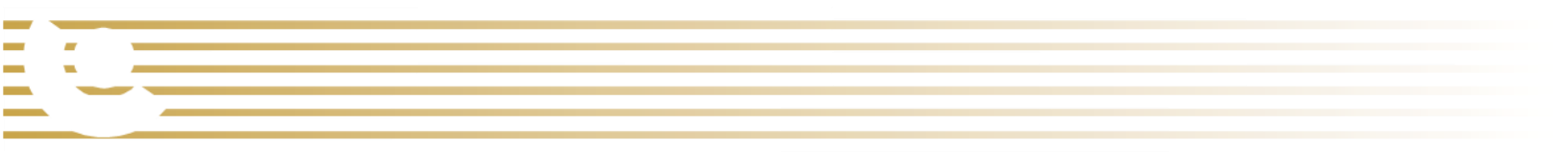


Figure 11.10

The reporting entities spent R104 million of their targeted R127.7 million on Consumer Education. Standards were only finalised late in 2013 giving financial institutions insufficient time to meet the target. Performance is expected to improve going forward.

11.5 ACCESS TO FINANCIAL SERVICES CONCLUSION

Although progress has been made with a few strong performers, the required level of accessibility of financial products to targeted areas and groups had not been achieved by the end of 2013 and the provision of Access Qualifying Products must become a focus.

12 IN CONCLUSION

The sector has achieved an average B-BBEE Level 4 in 2013. Organisations that are taking a proactive approach to B-BBEE are more likely to perform highly and report on their progress. This is particularly relevant when drawing conclusions for industries where reporting percentages are low.

Ownership performance across the sector has been maintained at a level close to compliance, and would be compliant if not for the lower reported achievements in the Short-term insurance industry.

Management Control and Employment Equity show consistently low Black and Black women representation at higher levels in organisations. With a much tighter verification process in place, the 'fall off' in terms of Black executive representation has not been as great as expected.

The strong upward trend in Black and Black women junior management representation gives confidence that programmes to fast track junior management would assist in addressing shortfalls at senior executive levels.

The employment and development of disabled people is an area of particular weakness across the sector and attention must be paid to developing programmes and plans to address this point.

The 2.25% average Skills Development spend on Black staff as a % of payroll against a target of 3% is of concern in light of the significant increase in the target expected under the Amended COGP. However, learnerships has clearly been an area of focus for the sector with an encouraging performance in this area.

As the first sector report prepared under the FSC Code Scorecard codes, this is a useful indicator of the current state of the sector with regards to B-BBEE Transformation. Trending from previous years is complicated by changing definitions, indicator and targets and it must be noted that impending changes due to the alignment with the Amended Codes will further complicate trending in the future.

13 APPENDIX A

13.1 LIST OF INSTITUTIONS REVIEWED

Of the 1423 institutions that make up the Financial Sector, 281 participate in the Financial Sector Charter Council. This report consists of data from 53 of these 281 institutions as listed below:

13.1.1 ASSET MANAGEMENT COMPANIES AND OTHER

8 out of 75 Asset Management institutions

- i. Allan Gray Proprietary Limited
- ii. Cadiz Holdings Limited
- iii. Coronation Fund Managers Ltd
- iv. Investec Asset Management (Pty) Ltd
- v. Maitland Group South Africa Limited
- vi. Prudential Portfolio Managers (SA) (Pty) Ltd
- vii. TriAlpha Investment Management
- viii. Vunani Fund Managers (Pty) Ltd

1 Underwriter was included in the review.

- i. Consort Technical Underwriting Managers (Pty) Ltd

13.1.2 BANKS

13 out of 27 Banks

- i. African Bank Limited
- ii. Bidvest Bank Limited
- iii. Capitec Bank Limited
- iv. Finbond Group Limited (t/a Finbond Mutual bank)
- v. FirstRand Limited
- vi. Grindrod Bank Limited
- vii. Investec Limited
- viii. Mercantile Bank Limited
- ix. Nedbank Limited
- x. Sasfin Holdings Limited
- xi. Standard Bank Group Limited
- xii. The South African operations of Barclays Africa Group Limited (Previously Absa Group Limited)
- xiii. VBS Mutual Bank

13.1.3 INTERNATIONAL BANKS

5 out of 15 International Banks

- i. Citibank South Africa
- ii. Deutsche Bank AG - South African Operations
- iii. Habib Overseas Bank Limited
- iv. HSBC Bank plc
- v. Societe Generale

13.1.4 LONG-TERM ASSURERS

8 of 33 Long-term Assurers

- i. Assupol Life Limited
- ii. Discovery Life
- iii. Hollard Life Assurance Company Ltd
- iv. Liberty
- v. MMI Holdings Limited
- vi. Old Mutual
- vii. Regent Assurance Company Limited
- viii. Sanlam Limited

13.1.5 SHORT-TERM INSURERS AND RE-INSURANCE COMPANIES

Out of 62 Short-term Insurers, 18 institutions were measured. 2 of these reported as Reinsurance Companies

2 Reinsurance companies

- i. Scor Africa Limited
- ii. Munich Reinsurance Company of Africa Ltd

16 Short-term Insurers

- i. Absa Insurance Company Limited
- ii. ACE Insurance Limited
- iii. AIG South Africa Limited
- iv. Alexander Forbes Insurance Company Limited
- v. Cims South Africa (Proprietary) Limited
- vi. Guardrisk Holdings Limited
- vii. HDI Gerling Insurance of South Africa Limited
- viii. Hollard Insurance Company Ltd
- ix. Indequity Specialised Insurance Ltd
- x. Mutual & Federal Insurance Company Ltd
- xi. Oakhurst Insurance Company Ltd
- xii. Outsurance Holdings Limited
- xiii. Regent Insurance Company Limited
- xiv. Renasa Insurance Company Limited
- xv. Santam Ltd
- xvi. Telesure Investment Holdings Pty Ltd