



MOVING
BEYOND
THE SCORECARD

8
1
2017



FINANCIAL SECTOR
STATE OF TRANSFORMATION

ANNUAL REPORT



Contents

Section A – Introduction	
1 About This Report	3
2 List of Acronyms and Abbreviations	4
3 Extract from the SONA 2019.....	5
4 The Chairperson’s Foreword.....	6
5 The Chief Executive Officer’s Report	7
6 Executive Summary	9
7 Governance Structure of The Financial Sector Transformation Council.....	13
8 The Amended FS Code.....	17
Section B – Sector Performance: Quantitative Review	
9 Report Methodology.....	20
10 Quantitative Performance Review	22
10.1 Compliance.....	22
10.2 In-depth analysis.....	26
10.2.1 Ownership – FS 100	27
10.2.2 Management control – FS 200.....	31
10.2.3 Skills Development – FS 300	37
10.2.4 Procurement Enterprise and Supplier Development – FS 400.....	42
10.2.5 Socio-economic Development and Consumer Education – FS 500.....	48
10.2.6 Empowerment Financing – FS 600.....	53
10.2.7 Access to Financial Services – FS 700.....	57
Section C – Sector Performance: Qualitative Review	
11 Qualitative Performance Review	63
11.1 Engagement with industry and Professional Associations	63
11.2 Organised Labour and Community Constituencies Report Synopses.....	68
11.3 Focus Group Sessions.....	70
12 Review of Selected Transformation Reports.....	73
12.1 Standing Committee on Finance and the Portfolio Committee on Trade and Industry First Report on the Transformation of the Financial Services Sector.....	73
12.2 NEDLAC Final Report on Transformation of the Financial Sector.....	74
12.3 BEEconomics Transformation in South African Asset Management	75
12.4 2018 Most Empowered Companies Survey	76
Section D – Conclusion	
13 Conclusion	79
Section E – Appendices	
14 Appendices	80
Appendix 1 - Entities that Reported as a Group.....	81
Appendix 2 - Entities that Submitted Complete Reports	82
Appendix 3 - Entities that Submitted Certificates and Scorecards Only.....	84
Appendix 4 - Entities That Did Not Submit Reports in Terms of FS000, Statement 000	85
Appendix 5 - Entities that Did Not Submit Reports in Terms of the CoGP Schedule 1.....	86

Moving Beyond the Scorecard

The 2017/18 Reporting Theme



Moving away from the tick box approach



Attaching meaning to the scorecard points



Giving voice to the scorecard



Understanding impact on the ground



Influenced by the desire to report in greater detail going forward

INTRODUCTION

SECTION

- 
- 1** About This Report
 - 2** List of Acronyms and Abbreviations
 - 3** Economic Context: Extract from SONA 2019
 - 4** The Chairperson's Foreword
 - 5** The CEO's Report
 - 6** Executive Summary
 - 7** Governance Structure of the Financial Sector Transformation Council
 - 8** The Amended Financial Sector Code



1

About This Report

The 2017/18 Financial Sector State of Transformation Annual Report is the seventh report published by the Financial Sector Transformation Council (FSTC). It is the first report since the gazetting of the Amended Financial Sector Code in December 2017, and provides findings on overall sector transformation performance between 1 December 2017 and 31 November 2018.

The theme of the report is “Moving Beyond the Scorecard”. This reflects the Council’s commitment to improving its reporting, which has been criticised for focusing mainly on the compliance aspects of sector transformation. The report is structured to give a perspective in terms of performance on the scorecard and in-depth analysis of some of the qualitative socio-economic initiatives implemented in the sector to drive transformation.

The qualitative analysis entailed engaging with industry and professional bodies as well as facilitating focus groups to gain an in-depth understanding of transformation initiatives, achievements, challenges and opportunities. These engagements also enabled stakeholders to share best practice and experiences beyond the FS Code and scorecard.

The preparation of the 2017/18 Annual Report coincides with major national developments related to transformation. In the 2019 State of the Nation Address (SONA), President Cyril Ramaphosa emphasised the importance and urgency of transformation and economic inclusion. The President signed a social compact with business in South Africa, in which business undertook to collaborate with government in driving economic growth to support transformation and inclusivity.

Parliamentary oversight committees also contributed to the debate on financial sector transformation. In November 2017, the Standing Committee on Finance and the Portfolio Committee on Trade and Industry released the First Report of the Transformation of the Financial Sector. It records the submissions and presentations made in the public hearings held in March and May 2017, and the Committees’ recommendations for further transformation of the sector. During 2017/18, NEDLAC published its Final Report on the Transformation of the Financial Sector, and the FSTC started its review of the FS Code.

While the message from these initiatives highlighted the need for meaningful transformation of the sector to promote financial inclusion and economic growth, and sector representatives expressed support for transformation, the FSTC experienced a number of challenges in compiling the report. These included the low response rate by corporates to the call for submission of their verified annual B-BBEE reports to the FSTC, and reluctance by verification agencies to provide the detailed underlying data that informs B-BBEE summary scorecards and certificates.

Challenges were also experienced in developing an accurate trend analysis due to changes in B-BBEE legislation, including the amendment of the FS Code and the methodology used in the compilation of this report, and the lack of readily available, up to date statistics such as the total number of companies in the financial sector. In the qualitative section of the report, it was not possible to limit the reporting to one financial year as some initiatives had continued from the previous year. The engagement with key stakeholders focused mainly on FSTC participants, and could have been broadened.

Notwithstanding these limitations, the 2017/18 report provides the basis for future reports that will more effectively monitor, evaluate and report on the sector’s transformation performance going forward.



2

List of Acronyms and Abbreviations

ABSIP	Association of Black Securities and Investment Professionals
ASISA	Association for Savings and Investment South Africa
BASA	Banking Association of South Africa
BATSETA	Council of Retirement Funds South Africa
B-BBEE	Broad-based Black Economic Empowerment
CoGP	Codes of Good Practice
DTI	Department of Trade and In*dustry
EAP	Economically Active Population
EME	Exempted Micro Enterprise
ESOP	Employee Share Ownership Programme
FIA	Financial Intermediaries Association
FS CODE	Amended Financial Sector Code
FSC	Financial Sector Code
FSCC	Financial Sector Campaign Coalition
FSTC	Financial Sector Transformation Council
IBA	International Bankers' Association
IFA	Independent Financial Advisors
NEDLAC	National Economic Development and Labour Council
NPAT	Net Profit After Tax
QSFI	Qualifying Small Financial Institution
QSE	Qualifying Small Enterprise
SAIA	South African Insurance Association
SDA	Skills Development Act
SDLA	Skills Development Levies Act
SED	Socio-economic Development
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro Enterprise



3

Extract from the SONA 2019

In February 2019, at the time that the FSTC was preparing this report for publication, President Cyril Ramaphosa delivered the State of the Nation Address (SONA), and said, “while there is a broad range of critical work being done across Government, this evening I want to address the five urgent tasks at this moment in our history. These are tasks that will underpin everything that we do this year. Working together, we must undertake the following tasks:

Firstly, we must accelerate inclusive economic growth and create jobs.

Secondly, our history demands that we should improve the education system and develop the skills that we need now and into the future.

Thirdly, we are duty bound to improve the conditions of life for all South Africans, especially the poor.

Fourthly, we have no choice but to step up against the fight against corruption and state capture.

Fifthly, we need to strengthen the capacity of the state to address the needs of the people.

Over the past year, we have focused our efforts on accelerating inclusive growth, significantly increasing levels of investment and putting in place measures to create more jobs.”

The President made several references to economic growth, inclusion and job creation in the SONA. The first three tasks highlighted in the address focused on socio-economic imperatives. This focus is reflected in our theme “Moving Beyond The Scorecard”, showing the FSTC’s commitment to creating jobs, developing the youth and promoting inclusive growth through accelerating the pace of financial sector transformation.





4



Sibongiseni Mbatha
Chairperson

The chairpersonship changed from the Labour constituency to the Association of Black Securities and Investment Professionals (ABSIP) in November 2018. ABSIP nominated its president, Sibongiseni Mbatha, as the Chairperson of the FSTC. He has been actively involved in the Council for six years.

The Chairperson's Foreword

1 What is the significance of transformation of the financial sector?

South Africa is faced with massive inequalities that impact negatively on the quality of life of the majority of our people. The situation is compounded by the current dire economic conditions and high levels of unemployment that further widen the gap between the haves and the have nots. There is an urgent need for impactful interventions that will lead to economic growth, employment and economic inclusion of previously disadvantaged communities. As the Financial Sector Transformation Council (FSTC), we agree with the spirit of President Cyril Ramaphosa's 2019 State of the Nation Address, in which he said that it is through transformation and economic inclusion that we can reduce the high levels of inequality and abject poverty in the country.

We believe that the financial sector has a critical role to play in contributing towards accelerating the pace of transformation. We also agree with the view stated in the Standing Committee on Finance and Portfolio Committee on Trade and Industry Report that since 1994 transformation has taken place in the financial sector, but a lot more work still needs to be done. We believe that to achieve the economic redress envisaged by both President Ramaphosa and the parliamentary committees, there is a greater need for impactful transformation. It must be embedded in the DNA of companies' operations in sync with decisions about every aspect of their businesses.

2 Please comment on the 2017/18 State of Transformation Annual Report

The Amended FS Code prescribes that the FSTC submits annual reports on the state of transformation in the sector to the Department of Trade and Industry (DTI). This is the seventh sector transformation report published by the FSTC. These reports are critically important as they provide a sense of direction in terms of progress, identify hindrances and gauge the pace of transformation in the sector. They show the work done by the FSTC in carrying out its mandate to conduct annual reviews of the FS Code. There is a significant amount of work to be done to enhance the quality of the annual report. This includes encouraging corporates to submit their annual B-BBEE reports timeously as they are the basis for compiling the sector transformation report.

The 2017/18 Financial Sector State of Transformation Annual Report presents an opportunity to review and assess progress made in driving the transformation agenda. It also enables us to share the strategic direction of the re-energised and rebranded FSTC. The report goes beyond the scorecard to understand and profile some of the initiatives implemented to promote transformation and economic inclusivity.

3 What is the importance of the broadened mandate of the FSTC?

The FSTC has expanded its mandate to position the organisation as an opinion maker in the national discourse about transformation in support of economic growth and inclusivity. It will also facilitate the profiling of the financial sector as a key contributor to the South African economy and as the sector leader in transformation.

As part of the process in realising this broader mandate, the FSTC will assign its most senior constituency leaders at Council level to strategically drive the transformation agenda. The broadened mandate will also enable the FSTC to be more proactive in engaging with stakeholders. In its new commitment, the FSTC will continue identifying and creating partnerships with critical stakeholders to ensure that impactful transformation takes place in the sector. It will also, as part of the periodic review of the FS Code, influence legislation to accelerate the pace of transformation.

4 As chairperson, how do you see the road ahead?

Firstly, I would like to extend my sincere appreciation to all of the constituency members of the Council and to my predecessor, Ms Kgomo Makhupola, for their commitment to transforming this critical sector. And looking ahead, I invite all stakeholders to walk with us on this journey of transforming the financial sector to make it a major driver of inclusive economic growth and impactful transformation.



Isaac Ramputa
Chief Executive Officer

The Chief Executive Officer's Report

1. How has the financial sector embraced the transformation agenda?

Historically, Black people have been excluded from participating in mainstream economic activities within the sector, which by its nature is a key driver for economic emancipation and growth. To address this injustice, the government has promulgated B-BBEE legislation to drive the transformation agenda. Unfortunately, transformation is viewed as a cumbersome exercise by some, and that has led to a compliance culture taking root in the sector, which inhibits transformation.

2. What is the sector's response to B-BBEE as a catalyst for transformation?

The prevailing legislative approach has not encouraged a buy-in ethos that embraces transformation as a business imperative driving economic growth. Some role players in the sector do not adhere to the spirit and the letter of B-BBEE. This means that they do not realise the benefit of transformation as a factor that, for example, can lead to developing new markets.

It is now opportune to go beyond mere compliance by aggressively implementing transformative measures that will ensure the meaningful participation of all citizens in the growth of the country's economy.

3. What sector specific challenges have impacted the pace of transformation?

The delays in the finalisation of the FS Code in the early 2000s and the realignment process, leading to the gazetting of the Amended FS Code in December 2017, may have created uncertainties that contributed to the slow pace of transformation in the sector.

Some of the challenges have been, and continue to be, structural. For example, research shows that capital markets, reflected by the companies on the JSE, have levels of Black ownership that are far too low relative to national requirements and demographic representation.

There have also been challenges when it comes to how B-BBEE has not benefited ordinary people, especially in the context where there has been concentration on ownership as a standard for compliance. This invariably creates a situation where B-BBEE only benefits the select few, and does not achieve broad-based benefits or real transformation.

4. What interventions did the FSTC and the sector implement in 2017/18 to escalate the transformation agenda?

The Parliamentary public hearings were a turning point that encouraged the sector to review its approach to transformation in line with recommendations made by the Parliamentary Committees that led the process. The sector introduced some initiatives in this regard, which include:

- Facilitating and endorsing the recently gazetted Amended FS Code;
- Launching the Black Business Growth Fund, a partnership between 27four Investment Managers (Pty) Ltd and ASISA, aimed at sourcing funds to facilitate increased funding for Black-owned businesses and
- Complying with the Insurance Act gazetted in July 2018, which compels insurance companies to submit transformation plans to renew their licences.

The FSTC has adopted various strategic interventions, including:

- Broadening the Council's mandate to provide strategic leadership and influence;
- Rebranding from the Financial Sector Charter Council to the FSTC, a vibrant South African agency committed to driving the transformation agenda;
- Restructuring the Council so that it is made up of senior constituency members to expedite decision-making;
- The FSTC enhanced its internal capacity by appointing competent personnel to execute the broadened mandate and proactively engage with the industry; and
- It conducted a number of training sessions in the sector to create awareness, understanding and commitment to the FS Code.



5. What are your aspirations as the CEO of the FSTC?

- To see the sector transformed and contributing to the economy as well as the empowerment of Black people, thereby creating pockets of excellence and much needed jobs.
- To drive a positive shift in terms of money invested with Black asset managers. A recent report published by 27four Investment Managers (Pty) Ltd on transformation in the asset management industry showed that of the R8,7 trillion assets under management in South Africa, about R5 trillion is available for management by the private sector, but only R490 million is managed by Black firms.
- To improve financing for SMMEs. A 2018 Assessment of the SMME Landscape Report shows that 85% of SMMEs, including those in the financial sector, identified access to finance and markets as the biggest hindrances to their growth.
- To see the growth and development of Black professionals who benefit from training to move up the various management levels to executive positions.
- To inculcate the spirit of transformation so as to create an all-inclusive sector that is growing holistically.
- To have CEOs acknowledge the importance of transformation, make it an integral part of their business growth strategies, and understand that the growth of the Black middle class is a compelling business case for transformation.
- In closing, I would like to thank the members of the Council, the Board and the Reporting Working Committee for their leadership and contributions. I would also like to thank the corporates and the trade association for implementing their transformation strategies, which are intended to have a positive impact on society. Lastly, I would like to express my gratitude to the FSTC staff for their dedication in executing our mandate.





6

Executive Summary

Performance highlights

Performance highlights are divided into high-level compliance based on B-BBEE certificates from reporting entities, and an in-depth analysis based on the detailed scorecards and underlying data spreadsheets.

In terms of compliance, 51% of the total entities that submitted B-BBEE certificates achieved a satisfactory empowerment contributor level, defined as Levels 1, 2 and 3. Almost 25% of the reporting entities were non-compliant.

A total of 1 076 EMEs and 50 QSFIs submitted valid B-BBEE affidavits and 255 were disqualified because their affidavits did not indicate the empowerment contributor level.

In-depth Analysis

The sector did not meet its **Ownership** targets across the indicators in the scorecard. Entities in the five sub-sectors, namely banking, long-term insurance, short-term insurance, asset managers and other institutions, did not meet targets for ownership across almost all indicators. The exception was the asset management sub-sector, which exceeded the target on exercisable voting rights and on economic interest for black people, with a score of 3.27 and 3.18 respectively against a target of 3 points.

This sub-sector also performed best overall while the short-term insurance sub-sector's performance is very poor.

The top market share entities in the five sub-sectors achieved markedly better scores for ownership than the average across the sector. They scored 18.3 points against a target average of 23.8 points, compared to the sector average of 11.1 points. Overall, the sector achieved 79% of the points available for ownership, an improvement from the 62% achieved in 2015.

For **Management Control**, overall sector performance was below target. Based on the submitted scorecards, performance on the appointment of African managers and Black female employees in senior positions, as a percentage of all senior managers, was low with long-term insurers and asset managers performing best against targets on the two indicators respectively.

The long-term and asset management sub-sectors also performed well in the appointment of African junior managers as a percentage of all junior managers, both exceeding targets with 2.18 points against the 1 point target, and 1.43 points against the 1 point target, respectively.

At sub-sector level, the asset management sub-sector outperformed the other four sub-sectors with a score of 11.35 points, compared to the long-term insurance sub-sector at 10.99 points; short-term at 10.64 points; banking at 10.1 points and others at 8.33 points.

Performance against **Management Control** targets by the top market share entities across all sub-sectors was 11.40 out of 20 points, a score of 57% compared to 50.9% in 2015.

Performance regarding representation at senior, middle and junior management follows the trend highlighted in the Commission on Employment Equity's 2017/18 Employment Equity Report, which shows greater Black representation at junior level, followed by middle and senior management.

All three management levels are currently failing to meet the national Economically Active Population (EAP) demographic representation targets. Performance against targets is outlined from page 34 of this report.

In terms of expenditure on **Skills Development** programmes, the sector underperformed across different management levels, based on the 167 submitted individual scorecards. Asset management performed better than the other sub-sectors, scoring 13 points, followed by banking with 10.08 points. The top market share entities in the five sub-sectors scored an average of 12.33 points, 62% of the available points, and unchanged from 2015.

The 92 entities that provided detailed data reported a total of R3.8 billion in Skills Development expenditure on learning programmes specified in the learning programme matrix across all management levels, inclusive of both direct and indirect costs. Details in terms of spend per management level per sub-sector is outlined on page 39. The sector spent R42 million on training Black employees with disabilities across the sub-sectors.



Total expenditure of R123 billion was incurred in procuring goods and services from empowering suppliers, based on B-BBEE recognition levels and achieving a performance of 95% of the target. Performance measurements in terms of other Preferential Procurement categories are detailed from page 65 of this report.

The short-term insurance sub-sector spent R138 million on **Enterprise Development** and **Supplier Development** while entities such as private equity firms and stockbrokers in the Other Institutions sub-sector, spent R168 million.

Contributions by the banking and long-term insurance sub-sectors were reported at R186 million for Enterprise Development and R644 million for Supplier Development. This was reported as part of Empowerment Financing, a sector specific B-BBEE element.

Following the trend with other elements, performance on **Socio-economic Development (SED) and Consumer Education** was also below target. Asset managers registered notable performance on qualifying SED contributions with a score of 3.7 points against the 5 points target.

This performance was followed by the short-term insurance sub-sector at 3.41 points and other institutions at 3.17. Looking at the top market share entities, the short-term sub-sector exceeded the target, achieving 5.02 points. Banks were the second-best performers. The sector averaged 82% of the available points, down slightly from 83.7% in 2015.

Socio-economic Development by sub-sector was also below the target of 3 points. Asset managers scored 2.68 points; short-term insurers 2.47 points; other institutions 2.38 points; banking 1.95 points, and long-term insurance 1.69 points.

Consumer Education underperformed the target of 2 points across all sub-sectors. Asset managers scored 1.02 points; short-term insurers 0.94 points; other institutions 0.79 points; long-term insurers 0.71 points; and banks 0.63 points.

The annual value of qualifying SED contributions was reported at R982 million across all the reporting sub-sectors, namely banking, long- and short-term insurance and other institutions. A further R163 million was reported in terms of the annual value of qualifying Consumer Education contributions.

Bonus points were claimed for additional Consumer Education contributions to the value of R95 million and grant contributions to the Fundisa Retail Fund and other similar initiatives worth R12 million.

Empowerment Financing is only applicable to banks and long-term insurers, and is made up of Targeted Investments, B-BBEE Transaction Financing and the Black Business Growth Fund//SME funding pillars. Targets are set for the industry, and the trade associations are responsible for ensuring that entities operating in the sub-sectors attain their individual targets.

During the 2017/18 measurement period, there was a total of R266 billion in Targeted Investments and B-BBEE Transaction Financing by banks and long-term insurers. A total of R112 billion against the target of R75 billion was achieved in Targeted Investments and R154 billion was provided against the target of R52 billion in B-BBEE Transaction Financing and the Black Business Growth Fund (BBGF).

These targets have since been revised upwards. Even though the sector has exceeded its targets, an analysis of the individual scorecards indicates that some entities are performing, while others make no contribution.

Banks scored 9.93 point for Empowerment Financing against the target of 15 points, while long-term insurers scored 6.10 points. The top market share entities in the banking and long-term insurance sub-sectors scored 10.7 and 10.12 points respectively. The sector achieved 82% of the points available under Empowerment Financing, compared to 76% in 2015.

Access to Financial Services, the second of the sector-specific elements, is measured on financial inclusion based on geographic access, market penetration and the development of appropriate products for target markets.

The top market share banks are exceeding targets on almost all the above indicators whilst the smaller banks are failing to meet targets. As a result of the performance of the smaller banks, the average scorecard points indicate that banks did meet targets on all of the above indicators with a score of 5.42 points against a target of 12 points. Based on the detailed data submitted, indications are that in terms of product related access, there are 16.9 million active accounts under product related access, against a 2017 score of just under 12.4 million.

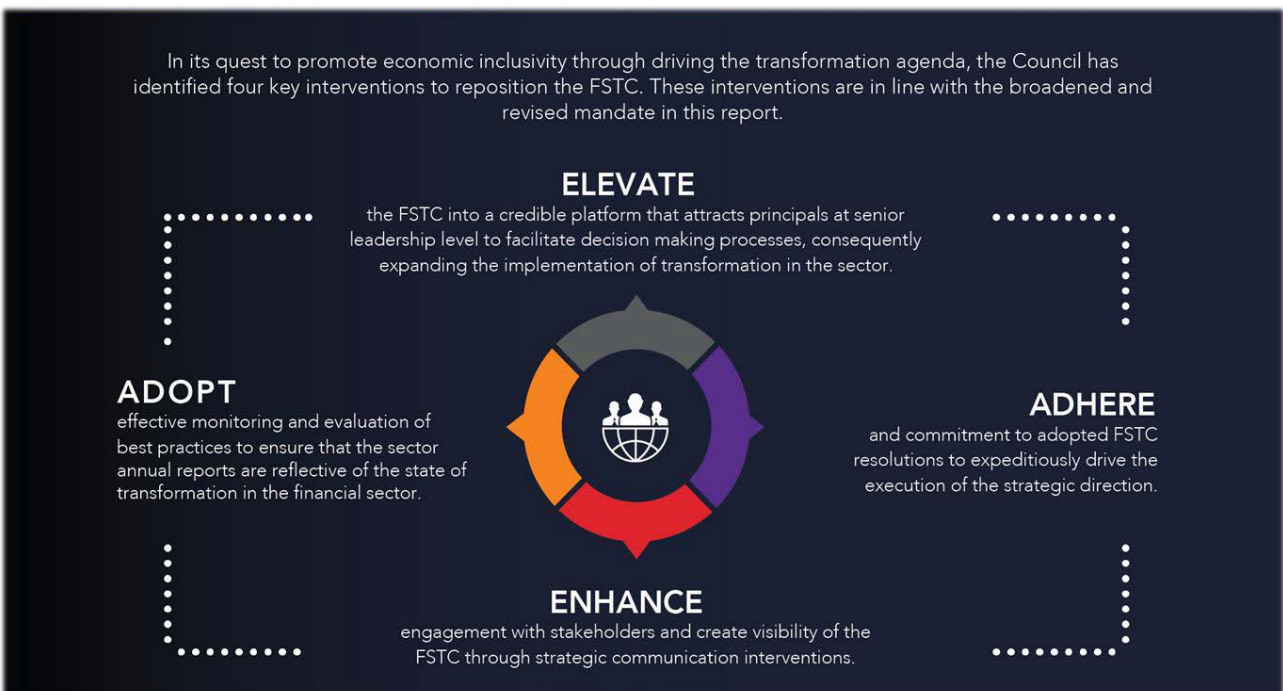
Long-term insurers also underperformed against targets for appropriate products and market penetration as well as transactional access. They failed to reach the target for each of the indicators, with scores of 1.3 against 3 points, 4 points against 7 points and 0.92 points against 2 points for each of the respective targets.

The top market share entities scored 6.98 points against a target of 12 points.

Similarly, short-term insurers also underperformed on appropriate products, achieving 0.41 against a target of 2 points and only 2.55 points for the number of active insurance policies against a target of 10 points. The consolidated performance of the top market share entities showed improvement with 7.12 points out of 12 points.

Conclusion

The Annual Report confirms that while there are pockets of good performance, the sector is still underperforming on transformation.





MOVING BEYOND
THE SCORECARD





7

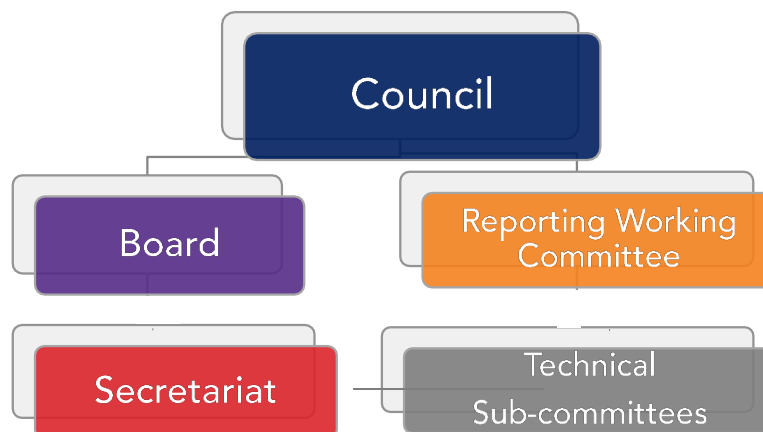
Governance Structure of The Financial Sector Transformation Council

The FSTC, previously known as the Financial Sector Charter Council, is a non-profit company constituted in terms of section 9 (1) of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 as amended by the B-BBEE Act 46 of 2013.

The FSTC is mandated through its constituencies, which are the Trade Associations, Government, NEDLAC's Organised Labour and Community Constituencies and ABSIP, to drive transformation in the sector. The representatives of the constituencies are collectively known as the Council.

The Council was established in 2004 following agreements reached at the first NEDLAC Financial Sector Summit in August 2002, and the signing of the Financial Sector Charter in 2003. It became the multilateral stakeholder forum where financial sector transformation issues could be negotiated and through which progress could be monitored.

The FSTC is also responsible for reviewing developments and interventions and aims to create a balance between the sector's financial viability and the need for its transformation to promote economic inclusivity.



The Role of the Council

The Council is the custodian of the mandate and strategy of the FSTC. It holds two meetings annually to assess and review performance in:

- providing sector transformation oversight through its structures,
- co-ordinating, evaluating and monitoring sector transformation;
- influencing legislation to promote transformation and
- approving the annual review of the FS Code.



The table below shows the FSTC Principals and meeting attendance in 2017/18

Constituency	Council Principal	Organisation	05/07/18	13/11/18
ABSIP	Sibongiseni Mbatha (Chairperson)	ABSIP	√	√
	Asief Mohamed	ABSIP	√	√
	Stephen Seaka	ABSIP	X	A
Government	Raymond Masoga	National Treasury	R	
	Ismail Momoniat	National Treasury	A	A
	Sipho Zikode	DTI	A	X
	Rudi Dicks	Presidency	X	A
NEDLAC Organised Community	Solly Mapaila	FSCC	√	A
	Malesela Maleka	FSCC	X	A
	Tebello Radebe	FSCC	√	√
NEDLAC Organised Labour	Bheki Ntshalintshali	COSATU	X	A
	Jan Mahlangu	COSATU	X	A
	Kgomotso Makhupola	COSATU	A	A
	Koos Bezuidenhout	FEDUSA	A	√
Trade Associations	Leon Campher	ASISA	√	√
	Bridget Mokwena-Halala	ASISA	√	A
	Trevor Chandler	ASISA	√	√
	Ruth Benjamin-Swales	ASISA	R	
	Cas Coovadia	BASA	√	√
	Vivienne Pearson	SAIA	√	A
	Brett Landman	IBA	√	A
	Lizelle van der Merwe	FIA	√	√
	Anne Marie D'Alton	BATSETA		√
Attended - √ Absent - X Apology - A Resigned – R				

The FSTC Board

The Council appoints a Board to translate its mandate into a strategic plan and to assess and review performance.

In 2017/18, there were changes in the composition of the Board as the FSTC strengthened its capacity to execute its mandate to play a more strategic role as a driver of transformation in the sector.

Initially, the Board comprised five members and the CEO of the FSTC in an ex officio capacity. Three additional members were appointed as part of repositioning the FSTC, in line with its broadened mandate. The FSTC Board elects an independent chairperson.



The table below shows Board meeting attendance.

Board Members	Organisational Position	02/03/18	26/06/18	13/11/18
Ruth Benjamin-Swales	ASISA Foundation CEO	√	√	√
Trevor Chandler, Chairperson	ASISA Senior Policy Advisor	√	√	√
Raymond Masoga	National Treasury Chief Director	√	√	R
Olaotse Matshane	National Treasury Chief Director			A
Asief Mohamed	ABSIP Member	√	√	√
Vivienne Pearson	SAIA CEO	√	√	√
Tebello Radebe	FSCC Co-ordinator	A	√	√
Isaac Ramputa	FSTC CEO	√	√	√
Thabo Tlaba-Mokoena	BASA General Manager	A	√	√
Lizelle van der Merwe	FIA CEO	√	√	√
Attended - √ Absent - X Apology - A Resigned – R				

The Reporting Working Committee

The Reporting Working Committee (RWC) oversees the work of the *ad hoc* Technical Sub-committees in assessing and evaluating the information submitted by financial institutions on their verified B-BBEE scorecards, and preparing the sector State of Transformation Report. The sub-committees assist the RWC and are responsible for the assessment and evaluation of various elements on the FS Code scorecard including the annual review. The RWC meets once a month and reports to the Council.

The table below shows RWC attendance.

Constituency	Name	Organisation	24/10/17	23/01/18	23/01/18	20/03/18	24/04/18	15/05/18	26/06/18	24/07/18	28/08/18	25/09/18	12/11/18	11/12/18
ABSIP	Asief Mohamed	ABSIP	√	√	√	√	A	√	√	√	√	√	√	√
	Fatima Vawda	ABSIP	√	√	A	√	√	√	√	A	√	A	A	√
Government	Lesego Mashigo	NT		X	X	√	A	A	√	√	A	√	√	√
	Jacob Maphutha	DTI	X	√	A	A	√	√	A	√	A	A	A	A
	Sipho Solfafa	DTI								√	√	√	√	A
NEDLAC Organised Community	Tebello Radebe	FSCC	√	√	√	√	√	√	A	√	√	√	√	√
NEDLAC Organised Labour	Jan Mahlangu	COSATU	X	A	A	A	X	X	√	A	A	X	X	X
	Kgomotso Makhupola	COSATU	√	A	√	A	X	X	A	X	X	√	X	X
Trade Associations	Trevor Chandler	ASISA	√	√	√	√	√	√	√	√	√	√	√	√
	Thabo Tlaba-Mokwena	BASA	A	√	√	√	A	√	A	√	√	√	√	A
	Ronald King	FIA		√	√	√	A	A	A	√	√	A	√	√
	Ronelle Reddy	IBA	A	√	A	A	A	√	√	A	√	A	√	A
	Themba Palangangwe	SAIA		√	A	√	√	√	√	√	√	√	√	√
Attended - √ Absent - X Apology - A Resigned – R														



The Role of the Secretariat

The Secretariat executes the strategic plan developed by the Board and provides overall administration support. It comprises the CEO and COO, supported by dedicated staff members.

Role of the FSTC going forward

Through its broadened mandate, the Council will strive to provide impactful strategic direction and influence the pace of transformation, prioritised through Governance and Oversight and Economic Development and Inclusion.

Governance and Oversight

The FSTC governance and oversight functions will be to:

- Monitor transformation by collecting and collating annual performance reports;
- Propose amendments to legislation based on consensus amongst stakeholder groups represented on the Council;
- Produce technical guidance to support the implementation of the regulations as required;
- Evaluate exemption and compliance applications received from the industry;
- Negotiate and agree revised targets and standards.

Economic Development and Inclusion

The FSTC role in promoting economic development and inclusion will be to :

- Fund and execute transformational infrastructure projects
- Fund rural development and Black agriculture
- Fund and develop financial and general co-operatives
- Capacitate, fund, improve service delivery of Local Government
- Support social security, including the NSSF and NHI, and research impact on the private sector and funding
- Address State-Owned Entities funding and governance
- Develop Black businesses, and Black industrialists in particular, through public and private sector collaboration
- Support small Black businesses through Enterprise and Supplier Development and Preferential Procurement to facilitate job creation
- Fund public and private sector higher education
- Increase financial inclusion and consumer financial literacy; and
- Address potential blockages and challenges in relation to these interventions.



8

The Amended FS Code

The FS Code, which was gazetted on 1 December 2017, provides the financial sector with a roadmap to build on existing achievements in economic transformation for the benefit of all stakeholders. It is also the framework against which the empowerment progress of the financial sector is measured.

The weighting points and targets on the scorecard were increased to fast-track the impact of meaningful transformation of the economy.

One of the significant changes in the Amended FS Code is the introduction of the Black Business Growth Funding (BBGF). This historic initiative, driven by the financial sector, will see a capital investment of between R25 billion and R100 billion in Black-owned and Black women-owned businesses over five years.

This ground-breaking investment will promote sustainable and inclusive economic growth in South Africa.

Priority elements

Priority element	Areas resulting in discounting	Weighting points on the scorecard	Priority threshold points
Ownership	Net value points	6	2.4
Skills Development	Total weighting points	20	8
Enterprise and Supplier Development	Procurement	20	8
	Supplier Development	10	4
	Enterprise Development	5	2

The FS Code includes priority elements as stipulated in the Codes of Good Practice (CoGP). Entities are required to achieve 40% in each of the priority elements.

Non-compliance with this sub-minimum target will result in the achieved B-BBEE empowerment status being discounted by one empowerment level. For example, if an entity achieves a level 6 in terms of annual B-BBEE verification audit but fails to attain 40% in any of the priority elements, the level 6 will be reduced to level 7.

Under the Ownership element, the Financial Sector Code has made provision to recognise multinationals that are unable to enter into equity transactions due to global practices, for the recognition of contributions in lieu of a direct sale of equity, referred to as Equity Equivalent (EE) contributions.

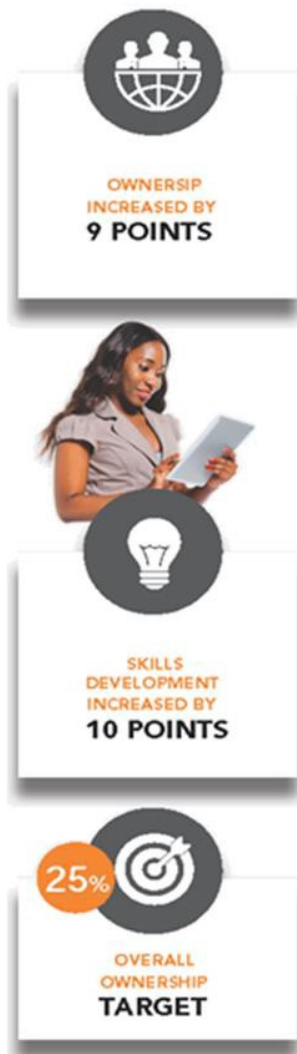
An EE contribution is a public or private programme or scheme designed to fulfil the requirements of B-BBEE ownership; it may also be a programme targeting investment or any other programme that promotes socio-economic development in the South African economy. The value of EE contributions is measured against 25% of the value of the multinational's South African operations.

The FS Code prescribes that each financial business must be measured and reported in its own right, irrespective of being a member of a group. However, a financial institution that is a member of a group may be measured as such provided it is exempted to report at subsidiary level by the FSTC. Failure to report will result in an empowerment contributor level being discounted in the next annual B-BBEE verification.

The FSTC reserves the right to name and shame financial sector entities that fail to submit annual B-BBEE reports.



Some of the high-level changes in the FS Code are:



- Total weighting points increased on the scorecard.
- Priority elements introduced.
- Bonus points increased.
- Sub-sector scorecards introduced.
- Ownership increased by 9 plus 5 bonus points.
- Ownership points can be claimed after the exit of Black shareholders has been augmented by contributing to the BBGF or other EE programmes. The overall Ownership target is 25%; EE contributions by local branches of foreign banks are measured against 25% of value of South African operations.
- Management Control decreased by 3 points.
- Skills Development increased by 10 points with targets for various management levels.
- Employment Equity and Skills Development introduced targets for Africans
- Preferential Procurement differs per sub-sector scorecard.
- ESD funding and procurement targets phased in over a period of three years.
- Supplier Development introduced.
- The ESD scorecard was deliberately designed to address the transformation of the financial sector value-chain.
- ESD spend requirements for banks and long-term insurers included under Empowerment Financing.
- The SED element in the FS Code differs slightly from the CoGP in that it contains a component of Consumer Education. This element also includes bonus points for supporting the Fundisa and similar programmes.
- The use of previous year's NPAT for SED, CE, ED & ESD.

The FS Code scorecard

B-BBEE Pillars	Banks, Long-term Insurers	Short-term Insurers	Other Institutions	Stock Exchange Members	Retirement and Umbrella Funds
Ownership	23	23	25	23	-
Management Control	20	20	20	20	20
Skills Development	20	20	20	20	-
Enterprise and Supplier Development	15	35	35	35	80
Empowerment Financing and ESD	25	0	0	0	-
Access to Financial Services	12	12	0	0	-
Socio-economic Development	5	5	5	5	-
Total	120	115	105	103	100



SECTOR
PERFORMANCE:
QUANTITATIVE REVIEW

SECTION N

B

9 Report Methodology

10 Quantitative Performance Review



9

Report Methodology

The compilation of this report is based on a hybrid methodology with both qualitative and quantitative elements of analysis. These elements were used in both the research and concluding stages to ensure that the final report reflects the status of transformation, perceptions and views of the various stakeholders.

Quantitative data collection

In line with the theme of this report, the approach to data collection and analysis was based on the premise of reporting beyond the scorecard. Financial sector entities were requested to submit their annual B-BBEE reports, including verified certificates, detailed scorecards and underlying detailed data.

A total of 167 large entities submitted B-BBEE certificates but only 92 submitted the required supporting documentation captured on a B-BBEE scorecard calculator software programme known as the BEEtoolkit.

A total of 1 076 and 52 valid B-BBEE affidavits were submitted by Exempted Micro Enterprises (EMEs) and Qualifying Small Financial Institutions (QSFIs) respectively.

Some companies provided data at richer levels of detail than others. It was therefore imperative that careful analysis and classification of the data was put in place to ensure that accurate insight could be derived across the range of data.

Due to the differences in the detailed data submitted, a threshold of 65% was applied. Data sets with more than 65% of the data were deemed acceptable. Entities that submitted data with less than 65% of the data required were contacted and requested to submit additional data.

Analysis was conducted on the basis of simple, and not weighted, averages due to the lack of information to compute weighted data.

Other institutions include private equity managers, stockbrokers and other companies that do not belong to the three main sub-sectors. For the purpose of this report, the stock exchange is reported in the sub-sector of other institutions.

The Council reached consensus that for the purposes of the 2017/18 State of Transformation Annual Report, the asset management sub-sector would be reported separately even though it does not have a separate scorecard in the FS Code.

Sub-sectors in the FS code	FSTC Agreed Sub-sectors
1. Banks and Life Offices	1. Banks
2. Short-term Insurers	2. Long-Term Insurers
3. Stock Exchange Members	3. Short-term Insurers
4. Retirement and Umbrella Funds	4. Asset Managers
5. Other Institutions	5. Other Institutions

Quantitative data analysis

Data analysis for generic entities and QSFI was conducted at two levels as follows:

- High level analysis of B-BBEE compliance based on analysis of submitted verified B-BBEE certificates. The objective was to provide insight in terms of compliance, focusing on empowerment contributor levels and summary performance on simple average points across all the elements on the FS Code scorecard.
- An in-depth analysis of reporting entities using the BEEtoolkit. The analysis entailed reporting at three levels: numerical value; Rand value; and percentage value and provided a fair indication of sector performance based on the number of reporting entities per sub-sector. Performance was analysed at both consolidated sector level, sub-sector level and for the top market share entities in each of the subsectors, based on the submissions.

Data integrity

The data captured in the BEEtoolkit was calculated to produce numerical, Rand value and percentage outcomes per reporting entity, sub-sector and overall sector consolidation. These recalculated outcomes were compared to the verified B-BBEE certificates for the same period to cross-check for accuracy. As expected, not all data submissions produced accurate outcomes corresponding to verified B-BBEE certificates. It was imperative that careful classification and analysis of the data was applied to ensure reporting accuracy.

Trend analysis

This report provides the benchmark for future trend analysis. It was not possible to conduct a historic trend analysis over a period due to the changes in the FS Code. The FSTC intends to engage sector participants to enhance the quality of data in B-BBEE reports submitted to the Council. This should result in a more accurate review of the state of sector transformation.

Qualitative analysis

The qualitative analysis focused on reporting beyond the scorecard. The intention was to gather more information about initiatives implemented in the financial sector that are not necessarily reflected in scorecard reporting. This process was divided into four parts as follows:





10

Quantitative Performance Review

For the purposes of this report, the FSTC has engaged with ASISA, BASA and SAIA to obtain details of their membership bases. Other avenues were explored to compile a database of entities not affiliated to the three trade associations but that are required to submit annual B-BBEE reports.

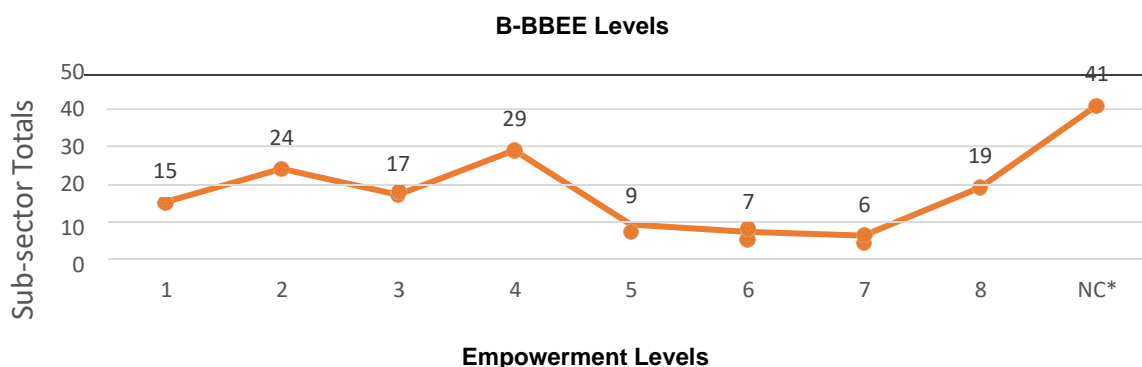
The FSTC intends to improve the number of performance reports submitted annually and is investigating options to conduct a comprehensive study to determine the landscape of the financial sector. The research will confirm the total number of companies operating in the sector; the number of Financial Services Providers (FSPs) and employees; and an analysis of sub-sectors, their contributions to the GDP, and related information.

10.1 Compliance

A total of 167 entities submitted B-BBEE certificates and 50.89% achieved a satisfactory empowerment contributor level. Satisfactory status is defined as empowerment levels 1, 2 and 3 with enhanced procurement recognition as well as level 4 with Rand for Rand recognition.

Only 15 companies achieved a level 1 status in accordance with the Amended FS Code, while 41 companies, 24.55% of those that reported, were non-compliant.

The graph below outlines performance in terms of empowerment contributor levels across all sectors.



The table below shows performance based on empowerment levels across the sub-sectors

Empowerment levels	1	2	3	4	5	6	7	8	NC*
Sub-sectors									
Banks	3	2	0	3	4	2	1	0	9
Long-Term Insurance	1	4	4	6	0	1	0	2	3
Short-Term Insurance	2	1	1	6	2	0	2	3	3
Asset Managers	6	11	6	4	2	1	1	8	5
Other Institutions**	3	6	6	10	1	3	2	10	21
Total	15	24	17	29	9	7	6	19	41

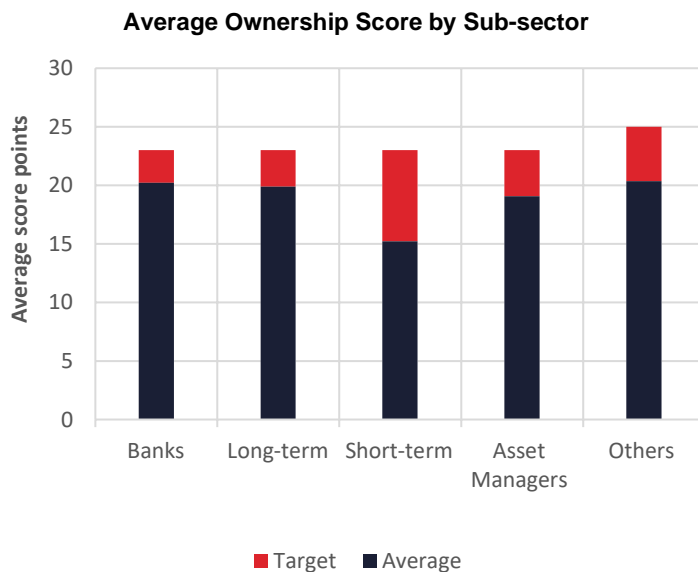
*Non-compliant

** Includes private equity managers, stockbrokers and companies that are not in the three main sub-sectors. In this report, the JSE is included in the Other Institutions sub-sector.

In terms of the sub-sector breakdown, five banks (20.8%); nine long-term insurers (42.9%), four short-term insurers (20%), 23 asset managers (57.5%); and 15 other entities (24.2%) that submitted their B-BBEE certificates, achieved satisfactory empowerment contributor levels i.e. levels 1,2 or 3.

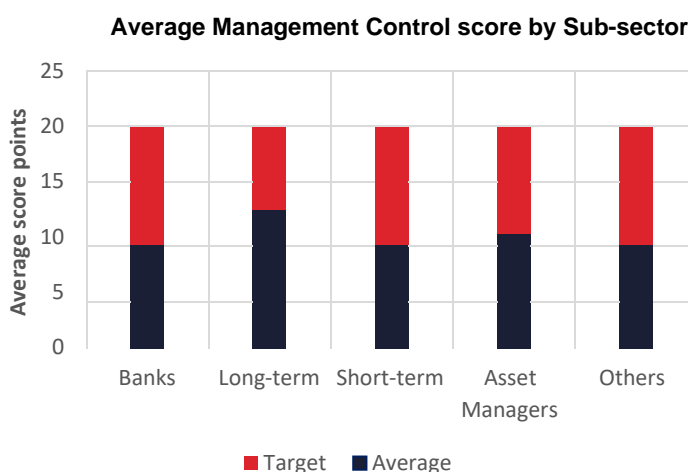
Analysis was also conducted to determine performance across the sub-sectors based on average points achieved per B-BBEE element in the FS Code. A simple average was used to gauge sector performance based on the number of entities that submitted B-BBEE certificates.

Each graph shows the average performance of the sub-sector against scorecard targets, and the number of entities that reported a score for that element.



Sub-sector	Number of Reports Submitted
Banks	15
Long-term	16
Short-term	13
Asset Managers	34
Other	37
Total	115

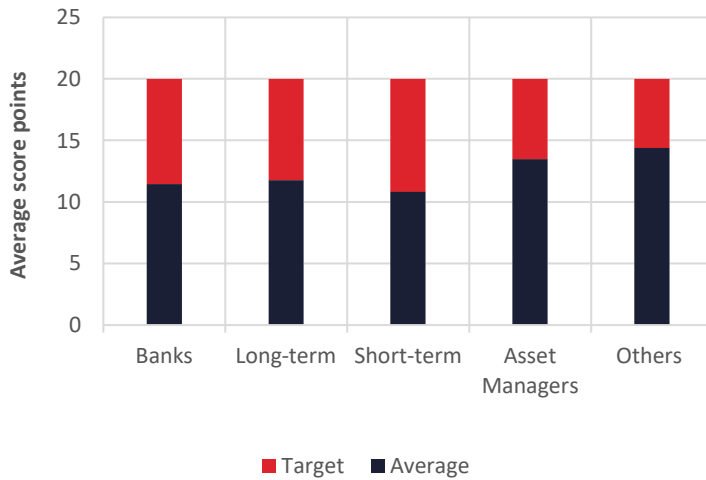
None of the sub-sectors reached its **Ownership** target, with short-term insurers being the lowest performer.



Sub-sector	Number of Reports Submitted
Banks	25
Long-term	19
Short-term	20
Asset Managers	39
Other	53
Total	156

The consolidated **Management Control** performance reports show that the sector did not achieve its targets. This accords with reports such as the Commission for Employment Equity reports, with performance consistently below target.

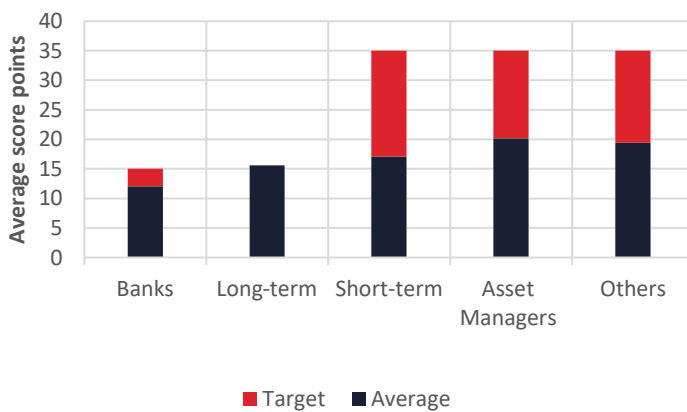
Average Skills Development Score by Sub-Sector



Sub-sector	Number of Reports Submitted
Banks	25
Long-term	21
Short-term	20
Asset Managers	40
Other	43
Total	149

The sector did not meet its Skills Development targets and all sub-sector performance scores were below target.

Average Preferential Procurement Score by Sub-sector



Sub-sector	Number of Reports Submitted
Banks	22
Long-term	14
Short-term	9
Asset Managers	18
Other	16
Total	79

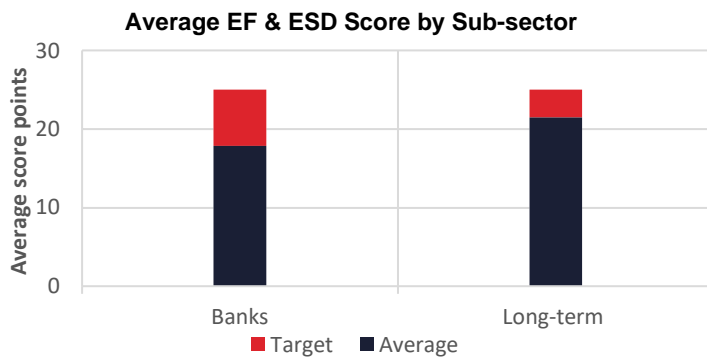
In preferential procurement, based on the certificates received, the long-term insurance sub-sector was the only one to reach its target on procurement from qualifying businesses. The remaining sub-sectors did not reach their targets, with short-term insurers and other institutions were the worst performers.

Average SED & CE Score by Sub-sector



Sub-sector	Number of Reports Submitted
Banks	21
Long-term	18
Short-term	19
Asset Managers	39
Other	48
Total	145

Banks, long-term and short-term insurers did not meet their targets for SED and CE contributions. Asset managers and Other Institutions were successful in reaching their targets.



Sub-sector	Number of Reports Submitted
Banks	18
Long-term	10
Total	28

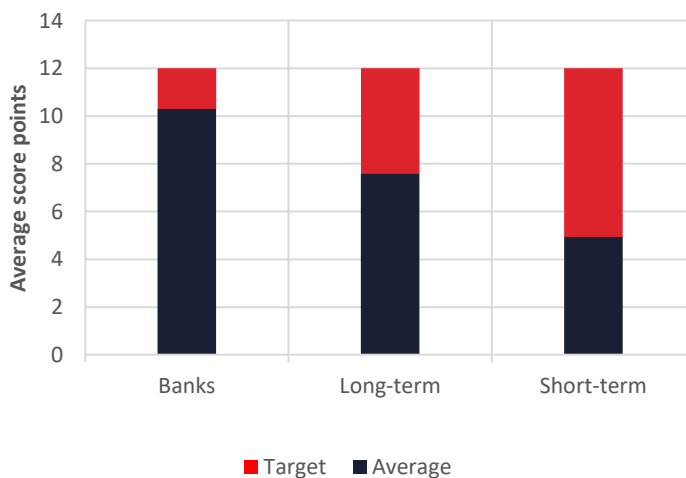
At a consolidated level, performance for the sector, as measured by the two sub-sectors that report on this element, was below target.

Average Enterprise and Supplier Development Score by Sub-sector

Sub-sector	ED Target	ED Average Score	SD Target	SD Average Score
Banks	3	3.67	7	5.69
Long-term	3	4.67	7	4.93
Short-term	5	3.74	10	4.24
Asset Managers	5	4.05	10	8.12
Others	5	4.87	10	7.74

In Enterprise Development, banks and long-term insurers achieved average scores above the targets. Short-term insurers, asset managers and other institutions did not achieve their targets. In Supplier Development, the sub-sector average scores were below target.

Average Access to Financial Services Score by Sub-sector

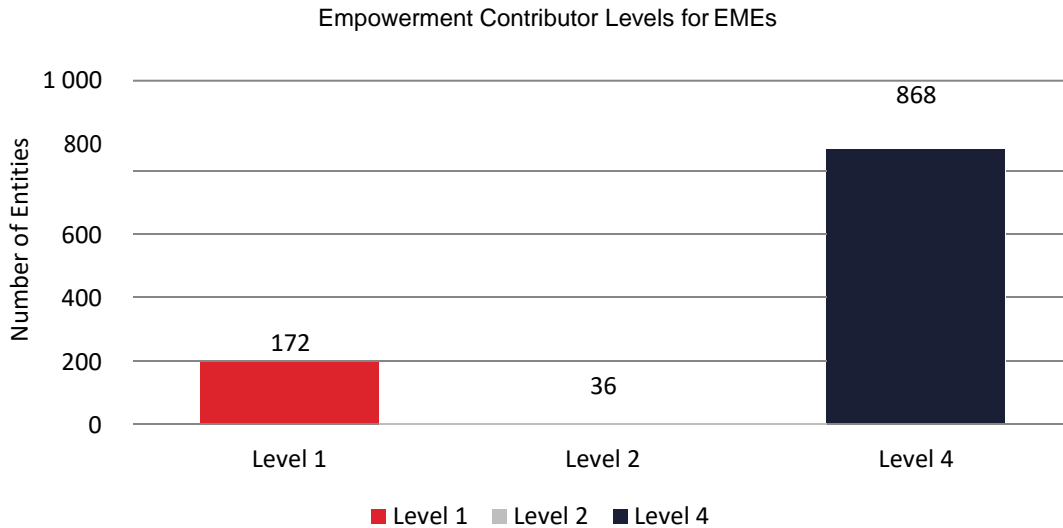


Sub-sector	Number of Reports Submitted
Banks	8
Long-term	8
Short-term	9
Total	25

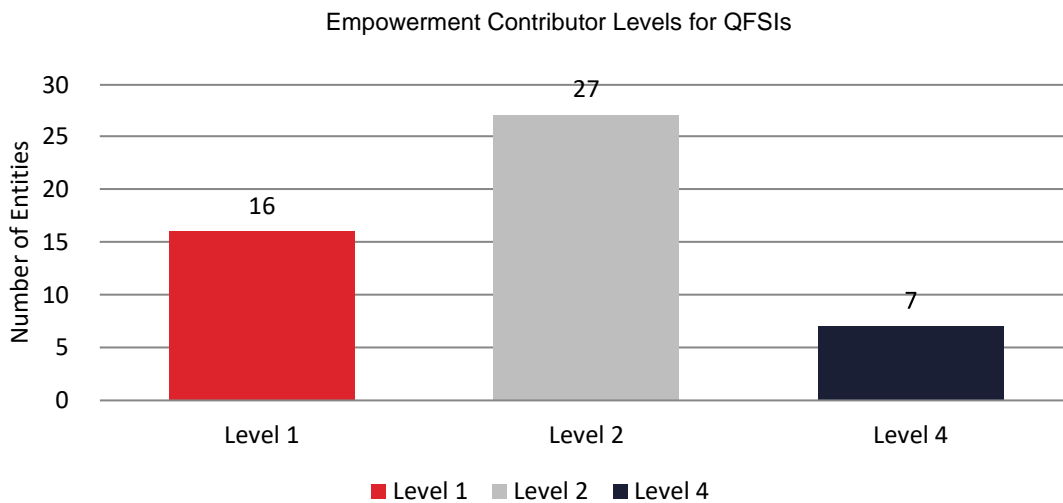
The banks, long-term and short-term insurance sub-sectors that reported on access to financial services underperformed against the targets.

EMEs and QSFIs

A total of 1 076 EMEs and 50 QSFIs submitted valid B-BBEE affidavits and 255 were disqualified because their affidavits did not indicate the empowerment contributor status. The breakdown of empowerment levels for EMEs is shown in the graph below:



Out of the total of 1 076, 16% are 100% Black-owned, 3% are at least 51% Black-owned and 81% are either less than 51% or White-owned.



A small number of QSFIs reported, with 32% Black-owned, 54% at least 51% Black-owned and 14% are either less than 51% or White-owned.

10.2 In-depth Analysis

The in-depth analysis is based on the recalculation of data from the comprehensive scorecards to determine numeric, Rand value and percentage performance, as applicable. A total of 92 entities submitted detailed scorecards and spreadsheets with underlying data which informed the final B-BBEE report and certificates. Only 55% of the 167 entities submitted detailed information that allowed for in-depth analysis.

The following section provides details of performance against targets in each of the elements of the FS Code.

10.2.1 Ownership – FS 100

Overview

The ownership element measures shareholding of entities through assessing exercisable voting rights, economic interest and net value in the hands of Black people as a result of direct or indirect participation in the measured entity.



Ownership is one of the priority elements

The Ownership Scorecard in the FS Code

Ownership is one of the priority elements in the FS Code and CoGP scorecards. This requires the measured entity to achieve a minimum of 40% of the total net value points. Non-compliance with this threshold results in the overall achieved B-BBEE recognition level being discounted by one empowerment contributor level.

Ownership Performance in Terms of Scorecard Points per Sub-sector

Measurement criteria	Banks		Long-term		Short-term		Asset Managers		Other	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Exercisable voting rights of Black people in the enterprise	4	1.64	4	2.03	4	1.17	4	3.27	4	2.19
Exercisable voting rights of Black women in the enterprise	2	0.75	2	0.98	2	0.56	2	1.23	2	1.00
Economic Interest										
Economic interest of Black people in the enterprise	3	1.21	3	1.66	3	0.95	4	3.18	4	2.04
Economic interest of Black women in the enterprise	2	0.71	2	0.96	2	0.57	2	1.18	2	0.94
Economic interest of the following black natural people in the enterprise Black designated groups Black participants in Employee Ownership Schemes Black beneficiaries of broad-based Ownership Schemes; and Black participants in Co-operatives	3	1.14	3	1.60	3	0.81	3	2.14	3	1.31
New Entrants	3	1.00	3	1.15	3	1.32	2	2.02	2	1.10
Net Equity Value	6	2.44	6	2.58	6	0.46	8	4.83	8	3.48
Total	23	8.89	23	10.96	23	5.84	25	17.85	25	12.06
Bonus Points										
Direct or Indirect ownership in excess of 15%	3	0.66	3	0.73	3	0.80	3	0.24	3	0.40
Economic interest and voting rights above 32,5% or 40%	2	0.08	2	0.15	2	0.00	2	0.00	6	0.19

Performance review

The sector underperformed on Ownership and failed to reach the targets for all of the indicators.

Short-term insurers performed worst of the five sub-sectors with a score of 5.8 points against a target of 23. Asset managers performed best with 17.9 points out of 23 and was the only sub-sector to achieve a score that exceeded a target, with 3.18 points for economic interest of Black people against a target of 3 points.

The 2018 B-BBEE Commission Report notes that the financial sector achieved a high average level of Black ownership at 42.8% against the 25% target in the Generic codes, and adds this could be attributable to the “once empowered, always empowered” principle under the old FS Code.

Perspective

Views on the status of ownership in the financial sector are drawn from several recent reports on transformation. These give a perspective on transformation and measurement of performance from a range of organisations. Apart from the B-BBEE Commission and the BASA transformation reports, there has not been a thorough analysis of the status of ownership since the comprehensive study conducted by Intellidex in 2015 on behalf of the FSTC that was referenced in the 2016 Annual Report.

“Many of the original empowerment deals no longer exist as Black shareholders have sold their stakes. There is no denying that huge value has been created as a result of these empowerment deals, but it must also be acknowledged that in many cases these deals have made rich people even richer.”

- CEO of the FSTC, Isaac Ramputa

Source: Money Marketing: 30 August 2018

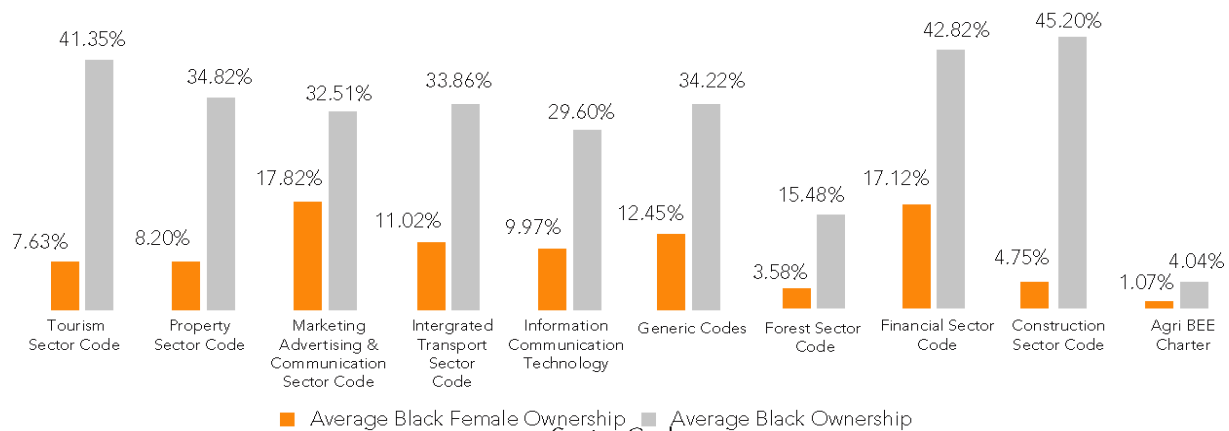
National Status and Trends on Black Economic Empowerment Report, 31 March 2018: B-BBEE Commission

Performance on ownership was reported in the National Status and Trends on Black Economic Empowerment Report published by the B-BBEE Commission. The analysis of ownership was based on information from the B-BBEE certificates portal as well as mandatory reporting submissions to the Commission. For the period January to December 2017, there were 2 861 certificates uploaded onto the B-BBEE certificates portal system, as shown below:

Company type	Total submission	Financial sector entities
EME	1 139	31
QSE	871	14
Large	851	16*
Total weighting	2 861	61

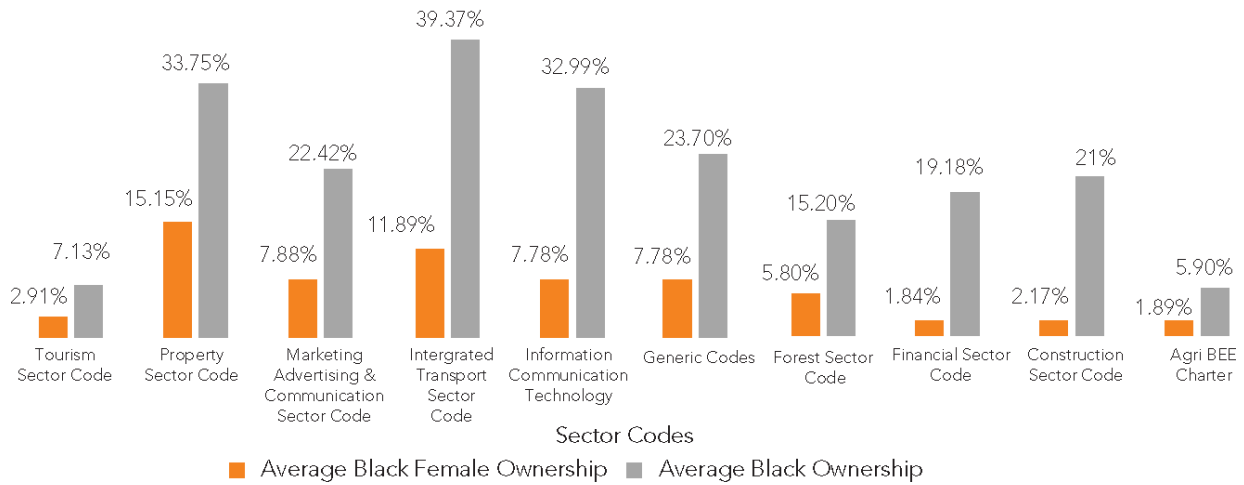
*There are 363 companies listed on the JSE, 291 are domestic and 72 foreign based. As at March 2019, there were 36 listed companies in the financial sector.

Large entities - Average Black ownership in terms of Sector Codes:



- All sectors except the Forestry and Agri-BEE sectors exceed the 25% Black ownership target set by the generic codes. However, none has progressed to Black ownership of greater than 51%.
- The financial sector has a high average Black ownership (42.82%) and average Black female ownership (17.12%). This could be attributed to entities, specifically banks, which exited their B-BBEE deals but were able to still benefit from the once empowered always empowered principle (previously allowed in the old FSC dispensation). Also, financial institutions have better financial solutions to finance their B-BBEE deals as compared to other entities in different sectors.

QSEs – Average Black Ownership in Sector Codes



- The Integrated Transport sector has the highest average Black ownership (39.37%) for QSE entities followed by the Property sector (33.75%).
- The Property sector has the highest average Black women ownership (15.15%).
- Only the ICT, Integrated Transport and Property sectors exceed the 25% Black ownership target set by the generic codes, However, none has progressed to Black ownership of greater than 51%.

Any Major BEE Transaction with a value of R25 million and upwards between entities that results in ownership must be reported and registered with the B-BBEE Commission. The purpose is to allow for the monitoring of compliance, levels of transformation, and the extent to which the benefits of transactions flow to Black people who are part of these deals. A total of 222 Major BEE Transactions were registered on the B-BBEE Commission's website.

The BASA Transformation in the Banking Industry 2016/2017 Report

Black ownership, however, has seen some reversal from earlier gains. Using the measurement approach set out in the Financial Sector Code, Black ownership measured by voting rights fell from 34.8% to 30.5% from 2016 to 2017, while Black economic interest fell from 30.3% to 25.4%. Several empowerment deals matured in 2015, which has enabled Black investors to realise gains and exit.

According to estimates by Intellidex, as of the end of 2015, the banks' empowerment deals had collectively generated R57bn of net value in the hands of beneficiaries. Many have since sold their shares in order to diversify their wealth or invest in other assets. The continued consequence provisions, sometimes called the "once empowered, always empowered" principle, only allow for a portion of the previous ownership percentage to be counted, for as long as the ownership period. That percentage is diluted according to a complex formula that depends on the overall empowerment score of the bank. The target for voting rights and economic interest is 25%. On economic interest therefore, banks are on average just at the level required to meet the targets of the code but cannot afford any further loss of Black shareholding.

The reported Black ownership of South Africa's banks has declined between 2016 and 2017, using the measurement approach of the Financial Sector Code. The decline reflects the continued exit of Black shareholders who received shares through Black empowerment schemes established by the large banks in 2005. Most of those matured in 2015, at which point beneficiaries were free to dispose of their interests.

Of the large banks, African Bank increased Black ownership from 11.2% in 2016 to 29.2% in 2017. FirstRand and Grindrod reported marginally increased Black ownership, the only other banks to do so. Only nine banks report on their Black economic interest, with the rest of the banks held by foreign investors and therefore not reflecting any Black ownership. The decline in economic interest has been less pronounced among Black women. On this line, FirstRand, Investec and Capitec all reported increases.

Source: Transformation in the banking industry 2016-2017

10.2.2 Management Control – FS 200

Overview

The Management Control B-BBEE element comprises three indicators. Its primary objective is to facilitate the inclusion and active participation of Black people in the various management levels.



No bonus points are allocated for Management Control

The Management Control B-BBEE element comprises three indicators as shown in the table below. Its primary objective is to facilitate the inclusion and active participation of Black people in the various management levels and measure this performance. The major difference between the CoGP and the FS Code is the inclusion of specific targets for Africans at senior, middle and junior management levels.

The Employment Equity component comprises senior, middle and junior management and Black employees with disabilities.

Management Control Performance Scores per Sub-sector

Measurement Criteria	Banks		Long-term		Short-term		Asset Managers		Other	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Board participation	5	2.38	5	2.1	5	2.05	5	3.58	5	2.75
Exercisable voting rights of Black board members	1	0.63	1	0.55	1	0.62	1	1.03	1	0.89
Black executive directors as a percentage of all executive directors.	1	0.64	1	0.53	1	0.59	1	0.68	1	0.60
Black executive directors as a percentage of all executive directors	2	0.83	2	0.87	2	0.84	2	1.39	2	0.91
Black female executive directors as a percentage of all executive directors.	1	0.28	1	0.15	1	0.00	1	0.48	1	0.35
Other Executive Management	3	1.43	3	1.56	3	1.69	3	1.14	3	1.02
Black executive management as a percentage of all executive Management	2	0.88	2	1.04	2	1.03	2	0.82	2	0.70
Black female executive management as a percentage of all executive Management	1	0.55	1	0.52	1	0.66	1	0.32	1	0.32
Senior Management	4	1.63	4	1.77	4	1.85	4	2.34	4	1.13
Black employees in senior management as a percentage of all such employees.	2	1.02	2	0.93	2	0.84	2	1.21	2	0.62
Black female employees in senior management as a percentage of all senior managers	1	0.47	1	0.56	1	0.68	1	0.58	1	0.30
African senior managers as a percentage of all senior managers.	1	0.14	1	0.28	1	0.33	1	0.55	1	0.21
Middle Management	4	2.22	4	1.85	4	2.41	4	1.79	4	1.51
Black employees in middle management as a percentage of all middle management.	2	1.27	2	1.03	2	1.15	2	0.96	2	0.79
Black female employees in middle management as a percentage of all middle management.	1	0.66	1	0.55	1	0.85	1	0.54	1	0.48
African middle managers as a percentage of all middle managers.	1	0.29	1	0.27	1	0.41	1	0.29	1	0.24
Junior Management	4	2.44	4	3.71	4	2.64	4	2.54	4	1.92
Black employees in junior management as a percentage of all junior management.	1	0.81	1	0.62	1	0.84	1	0.97	1	0.60
Black female employees in junior management as a percentage of all junior management.	1	0.86	1	0.66	1	1.00	1	0.76	1	0.58
African junior managers as a percentage of all junior managers. Black employees with disabilities as a percentage of all employees	1	0.51	1	2.18	2	0.49	1	0.43	2	0.37
Black employees with disabilities as a percentage of all employees	1	0.26	1	0.25	1	0.31	1	0.38	1	0.37
Total	20	10.1	20	10.99	20	10.6	20	11.35	20	8.33

Performance review

The targets were adjusted using the national EAP figures.

Board participation by Black people in the sector is still below target across the sub-sectors by indicator. However, asset managers achieved the target for voting rights for Black board members. The short-term sector did not score any points for Black female representation against a target of 1 point. The sector also underperformed on Other Executive Management with performance below target for both the indicators not reaching the 2 points and 1 point targets across the sub-sectors.

Performance on Black female employees as well as African managers in senior positions, as a percentage of all senior managers, was low with long-term insurers and asset managers performing best on the two indicators respectively. The long-term and asset management sub-sectors performed strongly in African junior managers as a percentage of all junior managers, both exceeding targets, with 2.18 points against 1 point and 1.43 points against 1 point, respectively.

Economically Active Population (EAP)

Targets for senior, middle and junior management levels are measured in line with national and provincial Economically Active Population (EAP). The EAP includes people between the ages 15 and 64 years who are either employed or unemployed and who are seeking employment. EAP targets are used as a benchmark to assist employers in the analysis of their workforce to determine the degree of under-representation.

The benchmark furthermore guides employers in the setting of self-imposed numerical goals and targets towards achieving an equitable and representative workforce. The EAP targets are updated from time to time by Statistics SA. The EAP targets for persons with disabilities remain unavailable from Statistics SA, and as a result this table is unable to provide benchmarks for this designated group. In terms of performance against target only the African junior managers exceeded the target. The other two categories, for senior and junior African managers, were below target.

EAP Targets in terms of the CoGP

Male		Female		Total
African	42.70%	African	35.80%	78.50%
Coloured	5.20%	Coloured	4.40%	9.60%
Indian	1.70%	Indian	1.10%	2.80%
White	5.10%	White	4.00%	9.10%

Source: Statistics South Africa (QLFS 3rd Quarter, 2017)

This section reports performance on Management Control at a consolidated sector level based on the 92 detailed B-BBEE scorecards received. It is divided at sub-sector level which includes banking, long-term insurance, short-term insurance and other institutions. A further breakdown of other institutions to extract data for asset managers was not possible as the toolkit reflects the scorecard in the FS Code.

The review is divided as follows:

- Executive Directors – focuses on executives participating at Board level.
- Other Executive Management – the focus is on leaders who are part of the entity’s executive committee but do not participate at Board level.
- Employment Equity – represents senior, middle, junior management levels and Black people with disabilities.

Executive Directors

Total Executive Directors	Black Executive Directors		Black Female Executive Directors	
308	Target	Actual	Target	Actual
	50%	34.42%	25%	12.99%

A total of 308 Executive Directors were reported by the 92 reporting entities, with 106 Black Executives representing 34.42% and 40 Black Female Executives representing 12.99%. There is unfortunately no historic comparison as stated on earlier. This applies to all the B-BBEE elements on the scorecard. The FSTC will report at this level of detail in future. The dashboard is not a numerical representation but a proportional representation of actual performance against the target. This merely demonstrates instances where the actual has surpassed the target or underperformed, and is applicable throughout the report.

The table below shows the total number of Black Executive Directors and Black Female Executive Directors per sub-sector:

	Target	Banks	Long-term	Short-term	Other
Black Executive Directors	50.00%	47 (44.33%)	9 (8.49%)	3 (2.83%)	47 (44.33%)
Black Female Executive Directors	25.00%	23 (57.50%)	2 (5.00%)	0 (0.00%)	15 (37.50%)

Total Other Executive Management	Other Black Executive Management	Other Black Female Executive Management
677	Target 60%	Actual 39.14%
		Target 30%
		Actual 17.87%

The total of Other Executive Management is much higher than Executive Directors, with 308 reported. In the category of Black Other Executives, 265 (39.14%), and in Black Female Other Executives, 121 (17.87%) were reported respectively.

The number of people in the category showing Black participation at Other Executive Management level by sub-sector is shown in the table below. It also outlines the total number of Other Black Executive Management as well as Other Black Female Executive Management at sub-sector level:

	Target	Banks	Long-term	Short-term	Other
Other Black Executive Management	60.00%	82 (30.94%)	60 (22.64%)	30 (11.32%)	265
Other Black Female Executive Management	30.00%	38 (31.40%)	25 (20.66%)	9 (7.43%)	121

Employment Equity

Employment Equity includes senior, middle and junior management levels as well as Black people with disabilities. A total of 140 424 employees comprising senior, middle and junior management levels were reported across the reporting sub-sectors. The table below outlines representation of Black employees including women and Africans at senior, middle and junior management levels at a consolidated sector level based on the number of reported entities.

Management level		Total reported employees at level	Black employees	Black female employees	African employees
Senior	Total number	6 104	2 375	1 007	926
	Percentage achieved		38.91%	16.50%	15.17%
	Target		60.00%	30.00%	78.50%
Middle	Total number	43 148	25 653	13 196	12 341
	Percentage achieved		59.41%	30.58%	28.60%
	Target		75.00%	38.00%	78.50%
Junior	Total number	91 172	70 062	45 583	47 090
	Percentage achieved		76.85%	50.00%	51.65%
	Target		88.00%	44.00%	78.50%

Overall performance in senior, middle and junior management follows a similar pattern to that in reports by other entities such as the Employment Equity Annual Report, published by the Department of Employment and Labour. Representation of Black employees is generally higher at junior management level, followed by middle, and then senior, with the lowest representation of Black people. Across the three management levels, the sector did not meet targets, with the exception of Black Female Employees at Junior Management level.

Black employees with disabilities

A total headcount of 247 902 employees made up of the various management levels including skilled and unskilled employees, were reported across the sector. The target for Black employees with disabilities is 2% of total headcount. Performance according to the scorecards that were analysed is 0.61%, representing 1 513 Black employees with disabilities across the sector.

		Banks	Long-term	Short-term	Other
Black employees with disabilities	Total number	294	830	163	226
	Percentage achieved	0.11%	0.33%	0.06%	0.09%
	Target	2.00%			

Perspective

Perspective on the status of Management Control to give further insights on the performance of the sector is drawn from the reports below:

The 18th Commission for Employment Equity Annual Report 2017 – 2018

The Commission for Employment Equity reported that there had been a significant improvement in the submission of annual reports. A total of 12 980 Employment Equity Reports were submitted in 2001 compared to 27 163 in 2017. These reports provide analysis of performance against targets submitted by employers over a period of twelve months. Although there is noticeable improvement in terms of compliance in submitting reports, progress in terms of meeting the EAP targets remains slow.

When analysing progress in terms of the objectives of the EEA, the number of persons from designated groups, in the table below, reflects the shift. The table cannot be considered to be an absolute comparison, as the number of reports received varied and a number of other variables might have impacted on the nature of the reports. The information, however still presents a measurement of progress.

Occupational Period	Period	White	African	Coloured	Indian	Male	Female
Top management	2001	87.00%	6.00%	3.00%	4.00%	87.00%	13.00%
	2017	67.00%	14.30%	5.10%	9.40%	77.10%	22.90%
Senior management	2001	81.00%	9.00%	5.00%	5.00%	80.00%	20.00%
	2017	56.10%	22.10%	7.70%	10.90%	66.20%	38.80%
Professionally qualified	2001	56.00%	33.00%	6.00%	5.00%	62.00%	38.00%
	2017	36.50%	42.20%	9.60%	8.80%	53.40%	46.60%
Technically skilled	2001	18.00%	58.00%	18.00%	6.00%	60.00%	40.00%
	2017	19.60%	61.70%	11.30%	5.60%	52.90%	47.10%

Data on the trends of the number of Foreign Nationals employed across various economic sectors commenced in 2009 when the EE reporting instruments were amended. As a result of the late start of reporting on Foreign Nationals, we are unable to do a direct comparison with the 2001 figures at the top four occupational levels reported by designated employers.

In 2001, designated employers reported that 1% of their total employees were Persons with Disabilities across all occupational levels of their organisations compared to the 1.3%, in 2017, which is an insignificant increase. In terms of race, the biggest shift from the White population to the Black population, and in particular the Indian population, has been at the Top and Senior management levels. The White population at Top Management level decreased by 20%, while at Senior Management level, a 24,9% decrease is noted. This represents about a 1% increase of the Black population year on year and is considered be a very slow rate of transformation. Again, it should be remembered that the table cannot be considered to be an absolute comparison, as the number of reports received varied and a number of other variables might have impacted on the quality of the reports.

At Professionally Qualified level, there has been a decrease of the White Population of 19.5% and at the Skilled Technical Level their representation increased by 1.6%. The picture in terms of gender remains particularly discouraging. The highest increase in representation of women, is noted at Senior Management level, which is 18.8% increase. This bleak picture is after 20 years and is far from desirable. Twenty years on and we are still nowhere near celebrating effective implementation of transformation legislation. We cannot even begin to contemplate the implementation of a “Sunset” clause on this legislation.

The Commission is now preoccupied with advising the Minister on exploring other effective implementation and compliance mechanisms for this legislation and also creating an environment where the focus goes just beyond compliance, but commitment from ethical leaders in the South African labour market.

Source: Chairperson's Foreword: 18th Commission for Employment Equity Annual Report 2017 – 2018.

Statistics SA Quarterly Employment Statistics (QES) – December 2018

According to Statistics SA, the total number of employees in the financial intermediation, insurance, real estate and business services industry is estimated at 2 368 000 and 10 149 939 across eight sectors as at December 2018.

Industry	Quarter ended September* 2018				Quarter ended December 2018			
	RSE	Lower limit	Estimate	Upper limit	RSE	Lower limit	Estimate	Upper limit
Mining and quarrying*	0.00	455 729	455 729	455 729	0.00	449 285	449 285	449 285
Manufacturing	0.60	1 202 609	1 216 182	1 229 755	0.60	1 199 093	1 212 668	1 226 243
Electricity, gas and water supply	0.80	60680	61693	62705	0.80	60235	61139	62042
Construction	1.80	613 679	636 420	659 162	1.70	597 648	618 400	639 152
Wholesale and retail; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants	0.70	2 179 874	2 212 060	2 244 247	0.70	2 228 266	2 260 535	2 292 804
Transport, storage and communication	1.30	471 396	483 348	495 300	1.20	475 557	487 366	499 175
Financial intermediation insurance, real estate and business services	1.30	2 258 480	2 315 335	2 372 189	1.30	2 306 524	2 368 013	2 429 503
Community, social and personal services	0.40	2 661 868		2 706 498	0.40	2 669 397	2 692 534	2 715 671

*Revised estimates. **Data obtained from the Department of Mineral Resources.

The QES further breaks down the number of employees in the financial intermediation, insurance, real estate and business services industry into 2 119 000 full-time and 249 000 part-time employees.

The financial intermediation, insurance, real estate and business services industry reported an annual increase of 77 000 employees (3.4%) in December 2018.

The samples for the QES are drawn from private, non-agricultural businesses such as factories, firms, offices, stores, and national, provincial and government entities.

The information is used to estimate employment and gross earnings that are used as inputs to the GDP and to estimate key economic statistics on average monthly earnings that are mainly used for monitoring economic indicators of the South African economy.

10.2.3 Skills Development – FS 300

Overview

The primary aim of Skills Development is to facilitate training and development of Black people focusing on investing in training activities as well as the empowerment of learners and interns.



Skills Development is one of the priority elements

Skills Development Performance Scores per Sub-sector

Measurement Criteria	Banks		Long-term		Short-term		Asset Managers		Other	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Senior Management	2	0.53	2	0.41	2	0.77	2	4.27	2	1.72
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black senior and executive.	1	0.20	1	0.23	1	0.54	1	3.01	1	1.18
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black women senior and executive managers.	0.5	0.09	0.5	0.15	0.5	0.19	0.05	0.85	0.5	0.27
Skills Development expenditure on learning programmes specified in the learning programme matrix for African senior and executive managers.	0.5	0.24	0.50	0.03	0.5	0.04	0.5	0.41	0.5	0.27
Middle Management	2	0.94	2	0.64	2	0.82	2	0.96	2	1.29
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black middle managers.	1	0.48	1	0.38	1	0.48	1	0.56	1	0.45
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black women middle managers.	0.5	0.22	0.5	0.17	0.5	0.24	0.5	0.22	0.5	0.45
Skills Development expenditure on learning programmes specified in the learning programme matrix for African middle managers.	0.5	0.24	0.5	0.09	0.5	0.10	0.5	0.18	0.5	0.39
Junior Management	3	2.04	3	1.32	3	1.66	3	1.7	3	1.09
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black junior managers.	1	0.74	1	0.52	1	0.74	1	0.69	1	0.11
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black women junior managers.	1	0.69	1	0.49	1	0.63	1	0.58	1	0.56
Skills Development expenditure on learning programmes specified in the learning programme matrix for African junior managers.	1	0.61	1	0.31	1	0.29	1	0.43	1	0.42
Non-Management	4	2.68	4	1.34	4	1.69	4	1.74	4	1.92
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black non-management staff.	2	1.41	2	0.70	2	0.80	2	0.84	2	0.38
Skills Development expenditure on learning programmes specified in the learning programme matrix for Black women non-management staff.	1	0.65	1	0.36	1	0.54	1	0.43	1	1.12
Skills Development expenditure on learning programmes specified in the learning programme matrix for African non-management staff.	1	0.62	1	0.28	1	0.35	1	0.47	1	0.42
Skills development expenditure on learning programmes specified in the learning programme matrix for black unemployed people as a percentage of the leviable amount.	4	0.90	4	0.56	4	0.79	4	1.22	4	0.32
Skills development expenditure on learning programmes specified in the learning programme matrix for black unemployed people with disabilities as a percentage of the leviable amount.	1	0.37	1	0.23	1	0.17	1	1.17	1	0.91
Number of black people, (employed or unemployed) participating in learnerships, apprenticeships, internships or category B, C, or D programmes as percentage of total employees.	4	2.62	4	2.46	4	3.61	4	1.94	4	2.21
Overall total	20	10.08	20	6.96	20	9.51	20	13	20	9.46
Bonus Points: Number of previously unemployed Black people absorbed by the measured entity or sub-sector at the end of the learnerships, apprenticeships, internships, or Category B, C or D programmes.	3	0.81	3	1.01	3	0.96	3	1.01	3	0.92

The FS Code measures performance on the Skills Development element at various management levels, whereas the CoGP measures the total number of Black people. This is one of the priority elements and the discounting principle applies. In the FS Code, the Skills Development scorecard target is based on a percentage of the leviable amount applicable to the specific level of management. This amount is defined in the Skills Development Levies Act, based on total remuneration.

Performance review

Performance on Skills Development as indicated on the above table, was below target across the five sub-sectors. There is however, a disparity between the results indicated on the table above and the ones below. This is due to the fact that the above table is compiled from the certificates of 167 entities whilst the results below are from the detailed data submitted by 92 entities.

Skills Development is reported similarly to Management Control with performance reviewed at various management levels including non-management for the 92 detailed data sets. Performance is reported in terms of the Rand value spend as well as the number of learners and interns participating in learnership and internship programmes. As in Management Control, the toolkit used to analyse the data does not provide a breakdown for asset managers.

The tables below summarise Skills Development Rand value spend at a consolidated level and the sub-sector breakdown.

Executive and Senior Management Training Expenditure

Leviable Amount	Black Managers		Black Female Managers		African Managers	
	Target	Actual	Target	Actual	Target	Actual
R8 342 703 935	2%	2.54%	1%	1.29%	EAP%	1.14%

A total of R212 249 187 was spent on training of Black executives and senior management, achieving a performance of 2.54% against a target of 2% on the FS Code. Skills development expenditure on Black female managers accounted for R107 603 642, performance of 1.29% against a target of 1% and African managers was R94 244 601 with 1.14% against national adjusted EAP targets.

	Banks R'm	Long-Term R'm	Short-term R'm	Other R'm
Training Spend on Black Executive and Senior Management	141	54	11	7
Training Spend on Black Female Executive and Senior Management	69	31	4	3
Training Spend on African Executive & Senior Management	66	20	5	3

Middle Management Training Expenditure

Leviable Amount	Black Managers		Black Female Managers		African Managers	
	Target	Actual	Target	Actual	Target	Actual
R9 385 301 458	3%	9,81%	1,50%	5,03%	EAP%	4,5%

A total of R921 064 123 was spent on training Black employees at middle management level, achieving a performance of 9,81% against a target of 3%. Spend for Black female managers was reported at R422 606 277, a performance score of 5.03% against a target of 1,5% and African managers with a 4.5% against EAP targets

	Banks R'm	Long-Term R'm	Short-term R'm	Other R'm
Training Spend on Black Executive and Senior Management	658	178	61	24
Training Spend on Black Female Middle Management	357	78	26	11
Training Spend on African Middle Management	322	67	23	11

Junior Management Training Expenditure

Leviable Amount	Black Managers		Black Female Managers		African Managers	
	Target	Actual	Target	Actual	Target EAP%	Actual
R14 874 532 138	5%	11.27%	2.50%	7.24%		5.84%

A total of R2 351 000 000 was spent in training Black employees at junior management level achieving an overwhelming performance of 11.27% against a target of 5% on the FS Code scorecard. Spend for Black female managers was reported at R1 076 890 865, performance of 7.24% against a target of 2.50% and African managers was R868 530 885 with 5.84% against EAP targets.

	Banks R'm	Long-Term R'm	Short-term R'm	Other R'm
Training Spend on Black Executive and Senior Management	1 676	529	97	49
Training Spend on Black Female Middle Management	682	314	57	25
Training Spend on African Middle Management	620	173	49	27

Non-Management Training Expenditure

Leviable Amount	Black Employees		Black Female Employees		African Employees	
	Target	Actual	Target	Actual	Target EAP%	Actual
R6 898 651 231	8%	15.44%	4%	9.46%		11.16%

A total of R1bn was spent in training Black employees at non-management level achieving a performance of 15.44% against a target of 8%. Spend for Black female managers was reported at R652 456 316 performance of 9.46% against a target of 4% and African managers was R770 193 897 with 11.16% against adjusted EAP targets.

	Banks R'm	Long-Term R'm	Short-term R'm	Other R'm
Training Spend on Black Employees	583	322	125	35
Training Spend on Black Female Employees	400	167	63	22
Training Spend on African Employees	441	217	88	25

Black Employees with Disabilities Training Expenditure

A total of R42 million was spent on training Black employees with disabilities across the sub-sectors with banks, long-term, short-term and others spending R17,8m, R14,5m R4,9m and R5,2m respectively.

Learnerships and Internships Training Expenditure

A total of 23 907 unemployed and employed Black people participated in learnership and internship programmes. A breakdown between unemployed and employed was not available. The total Skills Development expenditure on learning programmes specified in the learning programme matrix for Black unemployed people as a percentage of the leviable amount was R366 431 503. In total, 1 749 people were absorbed by the sub-sectors.

The table below outlines the total number of people participating in learnerships and apprenticeships as well as the training expenditure and the absorption rate.

	Banks	Long-term	Short-term	Other
Number of people participating in learnerships, apprenticeships or internships	14 203	7 311	1 737	473
Expenditure on learning programmes for Black unemployed people	307	6.3	10	42
Absorption of learners and interns	1 170	377	135	71

The number of learnerships and internships in the Other Institutions sub-sector was low.

Perspective

Services Sector Education and Training Authorities

There are 21 SETAs in South Africa and their responsibilities are set out in Chapter 3, Section 10 of the Skills Development Act, 1998. Their primary aim is to develop the skills of the South African workforce, improve the quality of life of workers and their prospects of work through implementing the National Skills Development Strategy. In summary, their functions include the following:

- Developing a sector skills plan within the framework of the National Skills Development Strategy.
- Implementing sector skills plans by establishing learning programmes, approving workplace skills plans and annual training reports as well as allocation of grants.
- Liaising with the National Skills Authority on policies, sectors skills plans and reports.
- Performing any other duties imposed by the Act or the Skills Development Levies Act or consistent with the purposes of the Act.

The three SETAs in the financial sector are:

- Banking Sector Education and Training Authority (BANKSETA)
- Insurance Sector Education and Training Authority (INSETA)
- Finance and Accounting Services Sector Education and Training Authority (FASSET)

The table below shows a high-level performance summary of unemployed learners and interns in the 2017/18 financial year.

Description	INSETA	BANKSETA	FASSET
Number of unemployed learners entered	1 387	1 308	2 800
Number of unemployed learners completed	954	1 233	1 708
Number of unemployed interns entered	850	104	551
Number of unemployed interns completed	550	66	308
Work Integrated Learning programmes entered	328	N/A	N/A
Work Integrated Learning programmes completed	351	N/A	N/A
Number of bursaries for the unemployed entered	1 029	2 630	2 907
Number of bursaries for the unemployed completed	595	832	599
Number of skills programmes for unemployed people entered	1200	226	4081
Number of skills programmes for unemployed people completed	840	212	



10.2.4 Procurement Enterprise and Supplier Development – FS 400

Overview

Procurement Enterprise and Supplier Development (ESD) is investing funds and time to assist new or established qualifying businesses to provide quality goods and services.



A priority element aimed at empowering Black-owned SMMEs

Procurement, Enterprise and Supplier Development (ESD) is investing funds and time to assist new or established qualifying business to provide quality goods and services. This also includes strengthening local procurement in order to help build the industrial base in critical sectors of production and value-adding manufacturing, which are largely labour-intensive industries. The ultimate objective is creating sustainable Black-owned businesses leading to job creation and economic growth.

This element is subdivided into three parts: Preferential Procurement; Enterprise Development; and Supplier Development. The main difference between Enterprise and Supplier Development is that the former benefits qualifying entities that are not part of the measured entity's supplier chain and the latter benefits entities that are already in the supply value chain of the measured entity.

Procurement and ESD is also a priority element and the discounting principle applies. The targets for this element, excluding Preferential Procurement, are based on contributions as per the measured entity's annual Net Profit After Tax (NPAT). The ESD scorecard has been deliberately designed to cater for the core business of the sector and seeks to address the transformation of the entire financial sector value chain. The ESD targets are phased in over a period of three years in line with the FS Code.

Procurement, Enterprise and Supplier Development in the FSC

Description	Banks		Long-term		Short-term		Asset Managers		Other	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Preferential Procurement	15	9.83	15	9.43	20	15.45	20	15.96	20	9.36
B-BBEE Procurement spend from all Empowering Suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	4	3.20	4	2.90	5	4.78	5	6.12	5	2.91
B-BBEE Procurement spend from empowering suppliers who are QSEs based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	2	0.97	2	1.24	3	2.44	3	1.78	3	1.12
B-BBEE Procurement spend from empowering suppliers who are EMEs based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	2	1.49	2	1.05	3	1.54	3	1.37	3	0.86
B-BBEE Procurement spend from empowering suppliers that are at least 51% Black owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	5	2.85	5	2.89	7	4.55	7	4.75	7	3.13
B-BBEE Procurement spend from empowering suppliers that are at least 30% Black women owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	2	1.32	2	1.35	3	2.14	3	1.94	3	1.34
Supplier Development	0	0	0	0	10	3.24	10	6.66	10	3.09
Annual value of all supplier development contributions made by the measured entity.	0	0	0	0	10	3.24	10	6.66	10	3.09
Enterprise Development	0	0	0	0	5	2.86	5	3.21	5	2.05
Annual value of enterprise development contributions and sector specific programmes made by the measured entity.	0	0	0	0	5	2.86	5	3.21	5	2.05
Total	15	9.83	15	9.43	35	21.55	35	25.83	35	14.5

Bonus Points										
Graduation of one or more enterprise development beneficiaries to graduate to the supplier development level.	0	0	0	0	1	1.24	1	0.16	1	0.17
For creating one or more jobs directly as a result of supplier development initiatives by the measured entity.	0	0	0	0	1	0.71	1	0.36	1	0.24
B-BBEE procurement spend from intermediated black professional service providers who are empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of intermediated spend.	2	0	2	0	2	0	2	0.29	2	0.28
B-BBEE procurement spend from black stockbrokers or black fund managers who are empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total value of all trade	2	0.32	2	0.35	2	0.12	2	0.41	2	0.30
B-BBEE procurement spend from designated group suppliers that are at least 51% black owned as a percentage of the total measured spend	2	0.25	2	0.23	2	0.24	2	0.51	2	0.36
Enterprise development support of black stockbrokers, black fund managers or intermediaries.	0	0	0	0	2	0.05	2	0.40	2	0.10
Total Bonus Points	4	0.51	4	0.58	8	0.41	8	1.32	8	0.76

Performance Review

The performance of procurement by the sector was below target, with each of the indicators missing their targets, an indication that the sector is still not procuring enough from empowering suppliers.

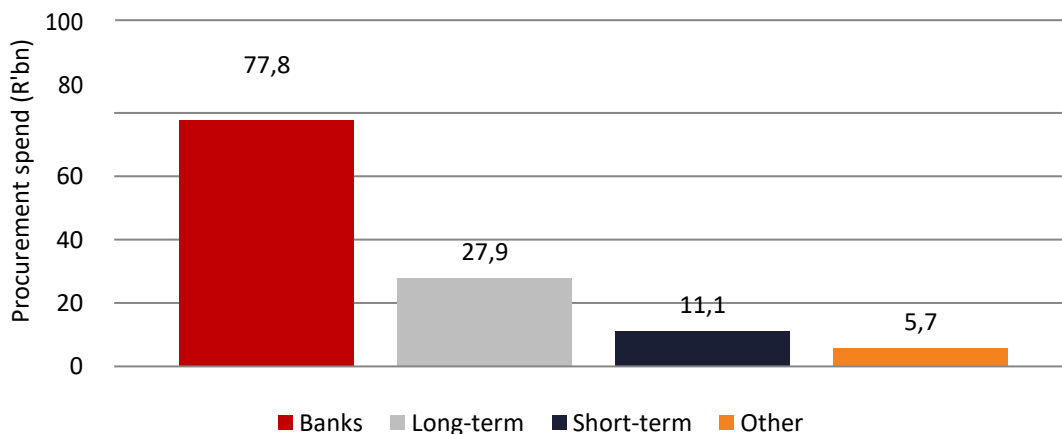
A total of R123 billion was spent on Preferential Procurement with B-BBEE empowering suppliers according to the analysed data across all the reporting sub-sectors. The charts below illustrate spend per sub-sector by the Preferential Procurement categories outlined in the FS Code scorecard.

Preferential Procurement Spend with Empowering Suppliers

Respondents	TMPS* R 'bn	Total Spend R 'bn	Overall Performance	
			Actual	Target
92	128	122.5	95.93%	75% (Year 1-3)

*TMPS - Total Measured Procurement Spend

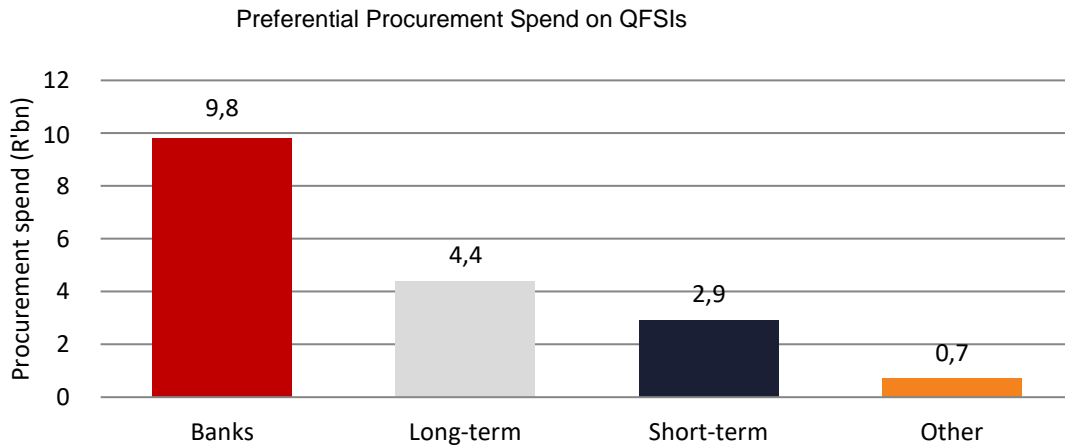
Preferential Procurement Spend with Empowering Suppliers



Preferential Procurement spend with empowering suppliers that are QSFIs

Respondents	TMPS* R bn	Total Spend R bn	Overall Performance	
			Actual	Target
92	128	17.8	13.96%	14% (Year 1-3)

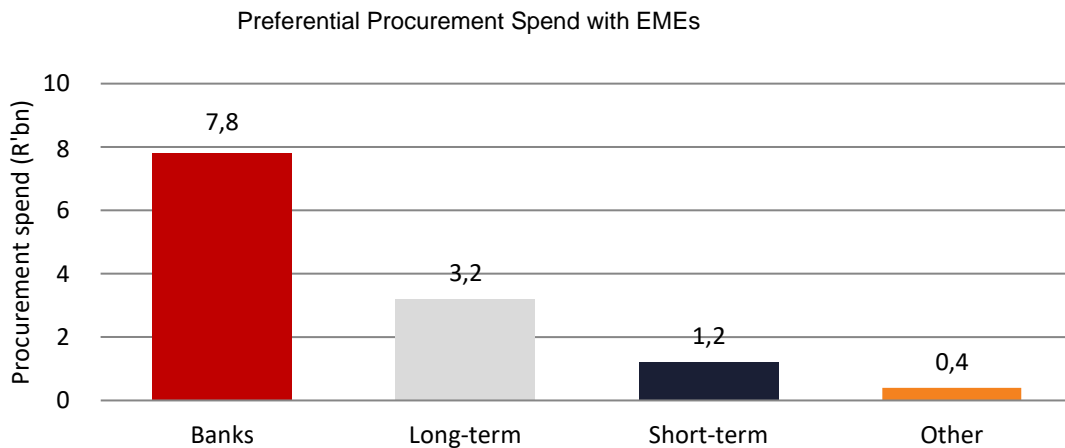
*TMPS - Total Measured Procurement Spend



Preferential Procurement spend with empowering suppliers that are EMEs.

Respondents	TMPS* R bn	Total Spend R bn	Overall Performance	
			Actual	Target
92	128	12.6	10.56%	8% (Year 1-3)

*TMPS - Total Measured Procurement Spend

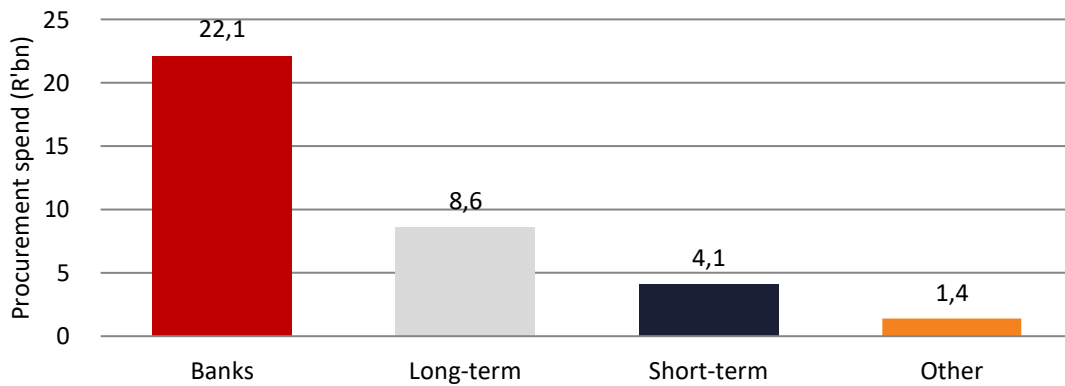


Preferential Procurement spend with empowering suppliers that are at least 51% Black-owned.

Respondents	TMPS* R bn	Total Spend R bn	Overall Performance	
			Actual	Target
92	128	36.2	28.26%	20% (Year 1-3)

*TMPS - Total Measured Procurement Spend

Preferential Procurement Spend - 51% Black Owned

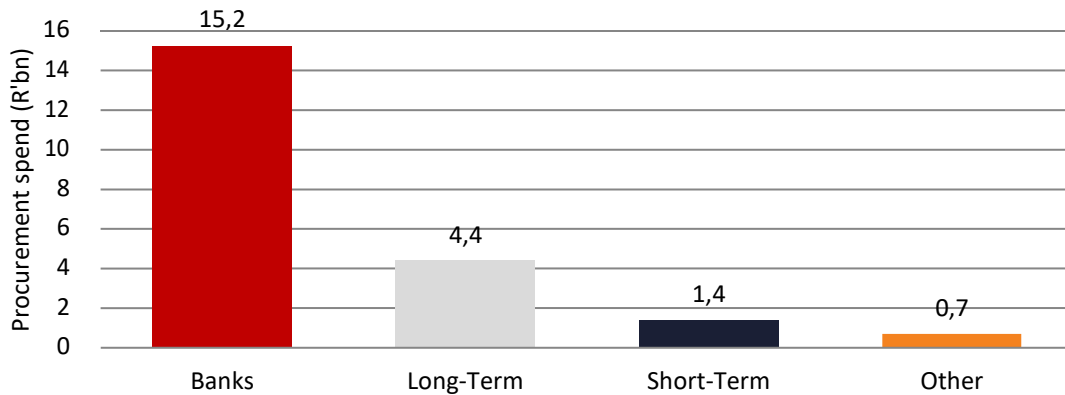


Preferential Procurement spend with empowering suppliers that are at least 30% Black-owned.

Respondents	TMPS* R bn	Total Spend R bn	Overall Performance	
			Actual	Target
92	128	21.7	10.56%	9% (Year 1-3)

*TMPS - Total Measured Procurement Spend

Preferential Procurement Spend - 30% Black Women-Owned





Bonus performance

Preferential Procurement spend from intermediated Black professional service providers who are empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of intermediated spend, was reported at R712.2 million by 68 reporting entities. Banks reported R667.5 million and Other Institutions R44.7 million. The target on the scorecard is 5% and 0.79% was achieved.

Preferential Procurement spend from Black stockbrokers or Black fund managers who are empowering suppliers based on the B- BBEE procurement recognition levels as a percentage of total value of all trade allocated, was reported at R120.7 million by 61 entities.

Other Institutions reported R71.5 million and Long-term Insurers R49.2 million. The target on the scorecard is 5% and 16.30% was achieved.

Preferential Procurement spend from designated group suppliers that are at least 51% Black-owned as a percentage of the total measured spend, was reported at R961.1 million by all 92 reporting entities. The target on the scorecard is 2% and 0.79% was achieved.

Supplier Development

Total annual value of Supplier Development contributions was reported at R811.8 million, inclusive of ESD for banks and long-term insurers, reported as part of Empowerment Financing across the sector.

Enterprise Development

Total annual value of Enterprise Development contributions was reported at R325.5m inclusive of ESD reported as part of Empowerment Financing.





10.2.5 Socio-economic Development and Consumer Education – FS 500

Overview

Socio-economic Development (SED) and Consumer education (CE) focuses on the upliftment of previously disadvantaged communities.



Promotion of sustainable economic development

As in the case with ESD, targets for SED and CE are also measured on contributions based on the entity's annual NPAT. This is achieved through monetary or non-monetary contributions implemented by entities benefitting community initiatives where at least 75% of the beneficiaries are Black people. The primary aim is the promotion of sustainable economic access and development for the beneficiaries.

Contributions can be made in any of the following ways: Grant contributions

- Offering discounts
- Covering overheads or direct costs
- Providing professional services at no cost or at a discounted rate

The SED and CE scorecard in terms of the FS Code

Measurement criteria	Banks		Long-term		Short-term		Asset Managers		Other	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Annual value of all qualifying Socio-economic Development contributions by the measured entity as a percentage of NPAT	3	1.95	3	1.69	3	2.47	3	2.68	3	2.38
Annual value of all qualifying Consumer Education contributions by the measured entity as a percentage of NPAT	2	0.63	2	0.71	2	0.94	2	1.02	2	0.79
Total	5	2.58	5	2.4	5	3.41	5	3.7	5	3.17
Bonus Points										
Additional Consumer Education contributions made by the measured entity as a percentage of NPAT.	1	0.38	1	0.31	1	0.29	1	0.47	1	0.41
Grant contribution to Fundisa Retail Fund and other similar initiatives	2	0.31	2	0.17	2	0.06	2	0.85	2	0.60

Performance review

Based on the scorecards submitted, the performance of the sector did not meet targets on SED and CE. However, performance was notable on qualifying SED by short-term insurers, asset managers and other institutions.

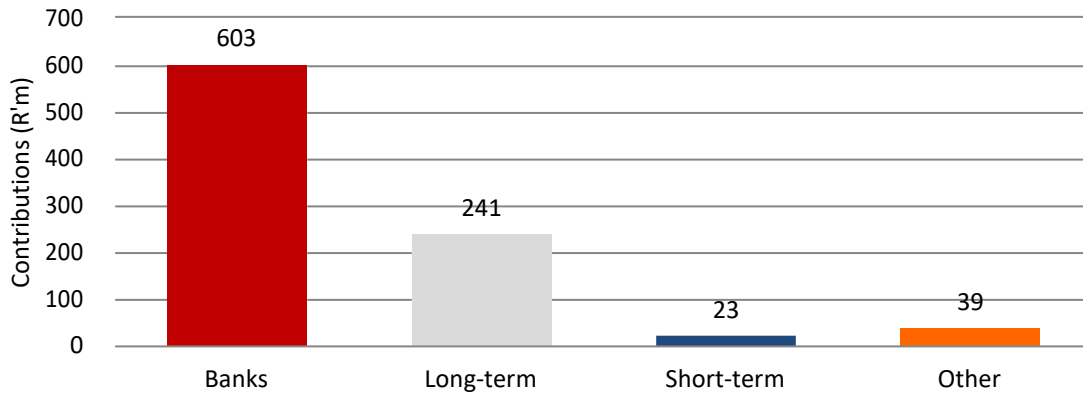
Performance review is based on annual contributions on Socio-economic Development and Consumer Education. It is supported by bonus points for additional contributions on Consumer Education as well as grant contribution to the Fundisa Retail Fund or similar initiatives.

The main differences between the CoGP and the FS Code are

- Inclusion of Consumer Education in the FS Code, resulting in the split of the 1% target into 0.60% and 0.40% for SED and CE respectively.
- The FS Code also has three bonus points, but the CoGP has none.

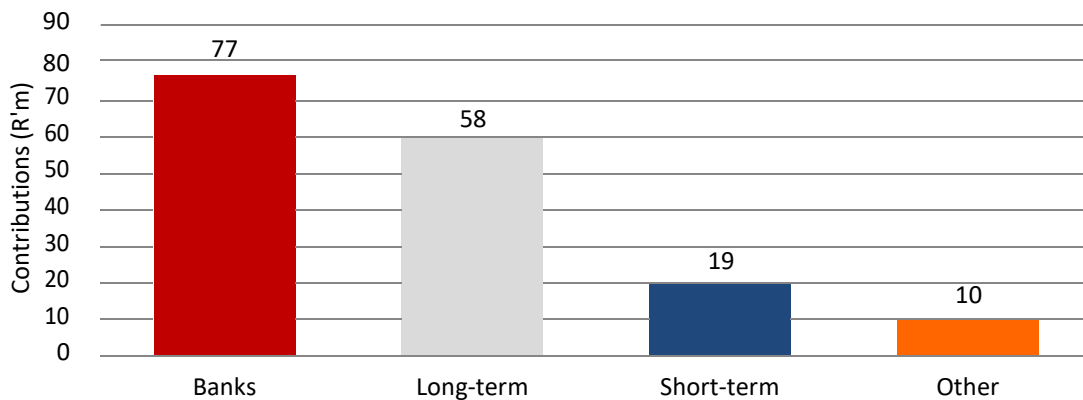
Socio-economic contributions by the reported entities showed a 78% performance against the target, scoring 2,34 points against a weighting of 3. However, performance on Consumer Education was much poorer with 0,87 points against a target of 2 points.

Value of All Qualifying Socio-economic Development Initiatives



Total contributions on annual value of all qualifying Socio-economic Development initiatives was reported at R907 million across reporting sub-sectors.

Annual Value of All Qualifying Consumer Education initiatives



Total contributions on annual value of all qualifying Consumer Education initiatives was reported at R163 million across sub-sectors as shown above.

Bonus performance

Bonus performance for additional Consumer Education contributions was reported at R96 million across banking, long-term, short-term and other institutions. Bonus performance for grant contributions to the Fundisa Retail Fund and similar initiatives was reported at R14.3 million across the sub-sectors.

Perspective

The Business in Society Handbook – 2018, 21st edition

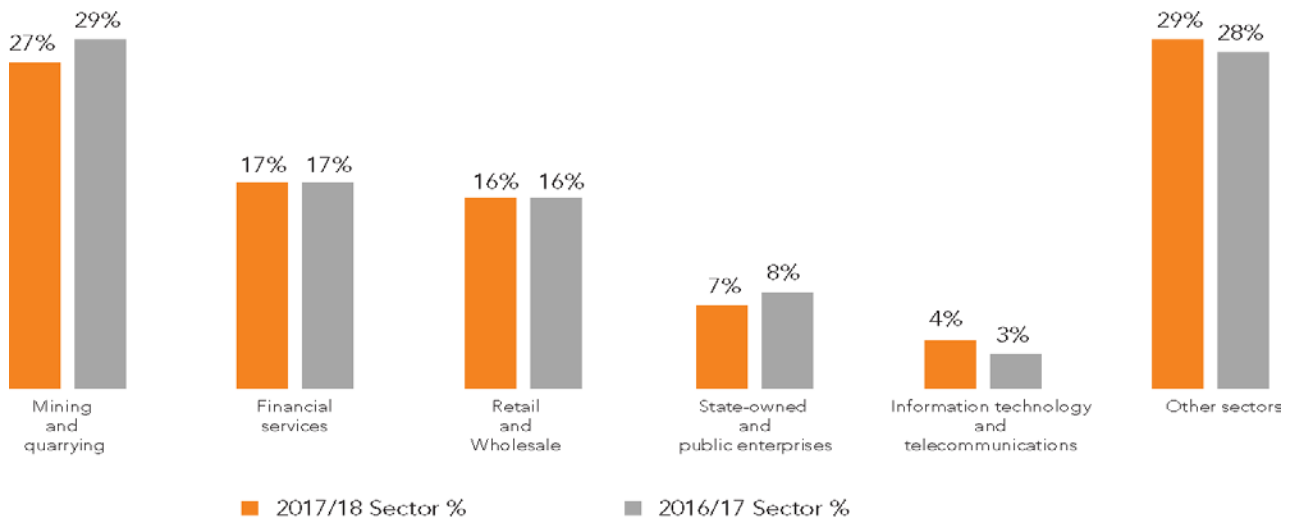
The handbook is produced annually by Trialogue, a corporate social investment (CSI) consultancy, to provide comprehensive and reliable data as well as thought leadership, and to give a perspective on the state of CSI in South

Africa. A total of 74 companies participated in face-to-face interviews and 250 non-profit organisations completed an online survey.

Some insights from the report include the following:

- Companies spent an estimated R9.7 billion on CSI in 2018, a 7% over the 2017 total of R9.1 billion. The mining, financial and retail sectors together accounted for 60% of total CSI expenditure. About 62% of corporates increased their CSI expenditure in 2018.
- Education remained the most popular sector, supported by 92% of companies surveyed and receiving 44% of CSI expenditure. This was followed by investment in social and community development at 17%, with health, food security and agriculture receiving 9% of CSI expenditure.

Distribution of CSI expenditure by industry sector



Business in Society Handbook – 2018, 21st edition

- Projects in urban and peri-urban areas received more support, 57% compared to those in rural areas at 39%.
- Non-profit organisations (NPOs) were the most popular channel through which companies directed their CSI, with 90% of corporates giving to NPOs in 2018.
- 80% of companies had formal employee volunteer programmes.

Transformation in the banking industry: 2016/2017

About R777 million was spent on socio-economic development by all banks in 2017, an increase of 23% compared to 2016.

As stated in the Business in Society Handbook, education remained the most popular sector in terms of CSI spend.

The country's six largest banks collectively donated more than R1 billion in 2017 to basic and tertiary education, as well as vocational education and teacher training. These amounts are in addition to the study loans they grant as part of their business activities.

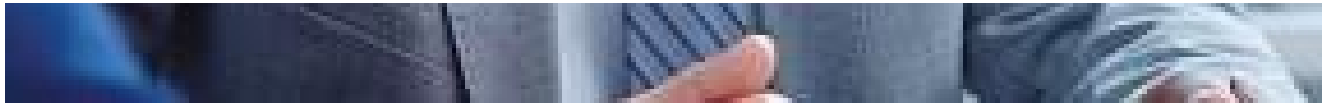


Bank	Initiative	Details	Outcomes
Absa	Adopt a Technical and Vocational Education and Training (TVET) work-based exposure programme.	Partnership with 36 TVET to support the programme.	2 828 students benefited from the programme since 2016.
	Ready-to-work	Job shadowing and placements for young people who have completed Absa's online Ready-to-work curriculum.	An estimated 11 000 youth have been placed in jobs or training opportunities since 2017.
	Ikamva Youth	After-school support for learners	2 400 learners benefited; 85% of the 472 Grade 12 learners passed matric, with 73% achieving Bachelors and Diploma passes.
Capitec	Management Development Programme at UCT Graduate School of Business	Improvement of school leadership	27 principals attended in 2018/19
	Work experience initiative	Training for unemployed youth	86 university graduates and 1 186 matriculants trained in 2016/17
FirstRand	Supporting students graduate	In partnership with Ikusasa Student Financial Aid Programme (ISFAP) invested R37 million to 10 higher education institutions.	1 860 students benefited in 2016/17
Investec	Promaths	Extra tuition in maths and science for grade 10-12 learners	More than 7 000 learners completed the programme since inception 12 years ago. 26% grade 12 learners achieved distinctions in maths and 32% in science in 2017.
Nedbank	Letsema and Kuyasa learnership programme	Learnership programme with the aim of addressing skills shortage and improving career prospects.	1 500 unemployed graduates attended the programme in 2017.
Standard Bank	ISFAP Partnership	Learnership programme	5 000 learners participated in the programme in 2017.

10.2.6 Empowerment Financing – FS 600

Overview

Empowerment Financing is implemented by both the banks and long-term insurers to provide finance for B-BBEE transactions.



Empowerment Financing is an industry specific pillar

Empowerment Financing is implemented by both the banks and long-term insurers and focuses on the following:

- Targeted Investments
 - Transformational Infrastructure
 - Black Agricultural Financing of Affordable Housing
 - Black Business Growth and SME Funding
- B-BBEE transaction financing and Black Business Growth Funding (BBGF).

Empowerment Financing addresses targeted investments such as SME Development, Agricultural Development, Affordable Housing and Transformational Infrastructure projects like building of roads, bridges, schools. It also promotes the financing of B-BBEE transactions and funding by the Black Business Growth Funding (BBGF). The financial sector has access to around R100 billion that could be deployed to Black entrepreneurs, industrialists, asset managers and financial brokers through the BBGF. The fund will also introduce innovative ways to top-up shortfalls on ownership in the sector.

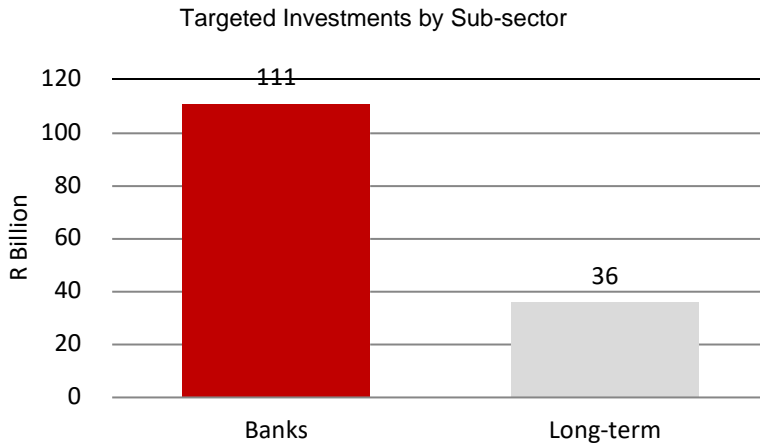
The Empowerment Financing target for local banks was measured as total balance sheet exposure for new loans written from 1 January 2012 to 31 December 2017 and is in addition to the amount held on their balance sheets as at 31 December 2011.

Empowerment Financing scorecard

Measurement criteria	Banks		Long-term	
	Target	Actual	Target	Actual
Empowerment Financing				
Targeted investments				
Transformation Infrastructure				
Black Agricultural Financing	12	8.54	12	4.99
Affordable Housing				
Black Business Growth and SME Funding				
B-BBEE transaction financing and Black Business Growth and SME Funding	3	1.48	3	1.11
Sub-total	15	9.93	15	6.1
Enterprise and Supplier Development				
Annual value of all Supplier Development contributions made by the measured entity.	7	2.33	7	2.90
Annual value of all Enterprise Development contributions made by the measured entity.	3	1.50	3	2.75
Sub-total	10	3.83	10	5.65
Total	25	13.76	25	11.75
Bonus Points				
Graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level.	1	0.18	1	0.24
For creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the measured entity.	1	0.36	1	0.47
Development of Black stockbrokers, Black fund managers and intermediaries.	2	0.00	2	0.08
Total Bonus points	4	0.54	4	0.79

Performance review

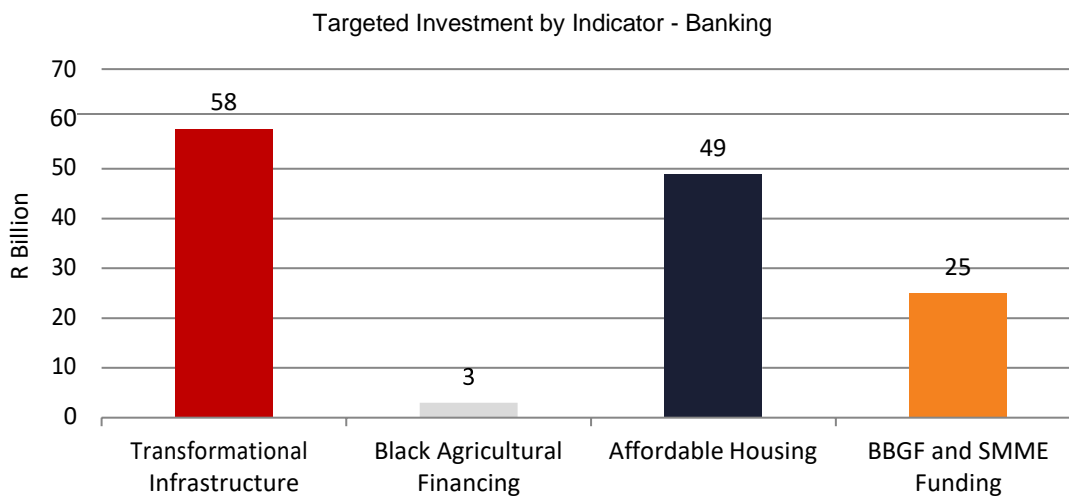
Performance by the banks and long-term insurers on Empowerment Financing and ESD was below the targets set for both sub- sectors for all the indicators.



The Targeted Investments (TI) pillar in Empowerment Financing is critical as it compels banks and long-term insurers to dedicate funding to projects in underdeveloped areas that were previously denied access to economic resources. This helps to reduce backlogs, for example in infrastructure development, and increases the potential for job creation and economic growth.

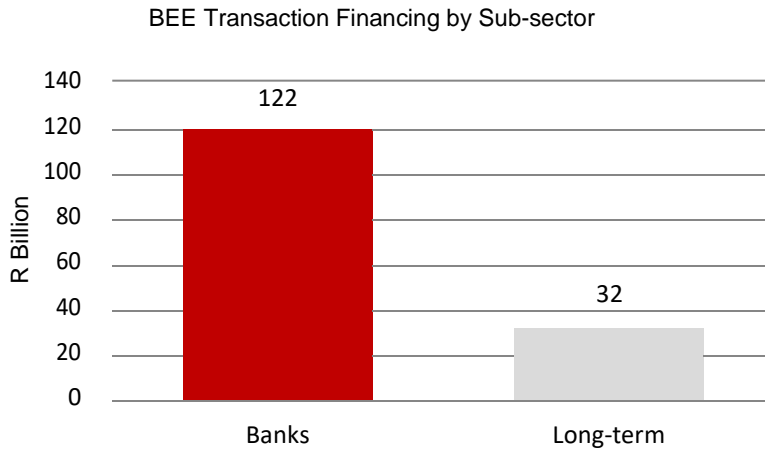
Targeted Investment lending by banks, as measured by balance sheet exposure, amounted to a total of R111 billion. Long-term insurers invested R36 billion. The balance sheet exposure included transactions effected prior to 2012.

The targets for Targeted Investments and the other indicator, B-BBEE Transaction Financing and SMME funding, were set in 2012 and have been revised



Of the total targeted investment by banks, R58.3 billion financed Transformational Infrastructure projects and R49.3 billion Affordable Housing. Black Business Growth and SMME Funding was R25.5 billion, while the financing of Black Agriculture was R3.5 billion.

A similar breakdown for long-term insurers was not provided.



B-BBEE Transaction Financing has been phased out and replaced with the Black Business Growth Funding (BBGF). The provision of risk capital to support Black businesses is an alternative to funding B-BBEE transactions, and is intended to unlock financing for Black entrepreneurs aimed at financial and non-financial support to Black-owned and Black women-owned enterprises.

B-BBEE Transaction Financing provided before the effective date of the Amended FS Code and that is still in place at measurement will still be recognised.

Banks provided R122 billion in B-BBEE Transaction Financing and Black Business Growth Funding against a sector target of R32 billion, while long-term insurers provided R32 billion against a target of R15 billion. The R122 billion by the banks and the R32 billion by the long-term insurers include balances of transactions that occurred prior to 2012. while the targets are for new transactions effective from 2012 to date.

A breakdown of old versus new transactions could not be determined.



10.2.7 Access to Financial Services – FS 700

Overview

Creates access to relevant financial services and products to those who historically would not have had the benefit of these services and products.



Access to Financial Services is an industry specific pillar

Access to financial products and services is a sector specific pillar that is aimed at ensuring financial inclusivity and is applicable to banks, long- and short-term insurers. The purpose is to create access to appropriate financial products and services for people who historically did not have the benefit of these, including banking and affordable, as well as understandable, insurance policies. The targets for access to banking products require banks to have three points of presence within specific distances. A point of presence is either a transaction point, a service point or a sales point.

- Transaction points, where people can withdraw cash or make purchases from their account, must be within a 5km radius.
- Service only points that provide transaction point services as well as services to reset a Personal Identity Number (PIN) or transfer money, get a statement or make account queries, must be within a 10 km radius.
- Sales points that provide transaction point services, one service point service and one of the following services: replace a card; deposit cash; open an account; buy a funeral policy; get a loan, must be within a 15km radius

The Banking Scorecard in the FS Code

Access Method	Qualifying Market/Area	Qualifying Criteria	Range	Target Score	Actual Score
Geographic Access (Reach)		One or more of:		6	
Transaction point		draw cash, or purchase from their accounts	5 km	1	1.13
Service point	50% or more of households fall within LSM1-5	reset a PIN, money transfers, get a statement or initiate account queries	10 km	1	0.37
Sales point		replace a card, deposit cash into their accounts, or acquire a transaction account, a Funeral, policy, savings account or a loan	15 km	2	0.84
Electronic Access	Individuals earning less than R5,000 per month increasing by CPIX p.a.	The use of telephones, mobile phones, internet banking or any other new technology for: money transfers, account to account transfers, prepaid purchases, balance enquiries (list not exhaustive)	National	2	0.81
Banking Densification	Individuals in the LSM 1-5 group nationally	Access to cash withdrawal facility per measuring unit	National	3	1.44
Product related access	Individuals in the LSM 1-5 group nationally	Number of active accounts for qualifying products per institution	National	3	0.83
Total				12	5.42

The Long-term Insurance Scorecard in the FS Code

Measurement criteria	Target Score	Actual Score
Appropriate Products	3	0.81
Market Penetration	7	2.93
Transactional Access	2	0.54
Total	12	4.28

Performance against weighting options.

The Short-term Insurance Scorecard in the FS Code

Measurement criteria	Target Score	Actual Score
Appropriate Products		
Personal Lines	1	0.31
Commercial Lines	1	0.07
Sub-total	2	0.38
Insurance Policies		
Personal Lines	8	1.63
Commercial Lines	2	0.25
Sub-total	10	1.88
Total	12	2.26

Performance review

According to the performance based on the certificates, the banking, long-term and short-term insurance sub-sectors underperformed on Access to Financial Services.

The long-term insurance sub-sector is also underperforming in terms of providing appropriate products and penetrating the target market, as well as providing transactional access to the target market for Access to Financial Services, scoring 0.59 points, 2.14 points and 0.39 points against weighting points of 3, 7 and 2, respectively.

The short-term sub-sector also failed to reach targets for Access to Financial Services in terms of providing the target market with appropriate products as well as in the number of insurance policies, and scored 0.22 points and 1.11 points against 2 points and 10 points, respectively.

A study conducted by AfriGIS at the end of 2018 indicated that the banks had reached the required targets for each point of presence.

Despite having the points of required for geographical points of presence, it is concerning that densification is not sufficiently addressed. To address the issue of long queues, banks are expected to ensure that there is at least one point of presence for every 1 500 adults.

The results of the AfriGIS study show that there are still 63 areas that require an estimated 81 points of presence. Of the 81 points, 45 have no point of presence but have an estimated number of more than 1 500 adults, while 18 have at least one point of presence, but have an average of more than 1 500 adults.

In addition, banks are required to increase usage of electronic banking. The electronic banking access target aims to measure of penetration of an identified client base with monthly income of R5 000 on identified channels which will be used as a measure of access for cell phone banking, internet banking and others. Qualifying transactions include, but are not limited to:

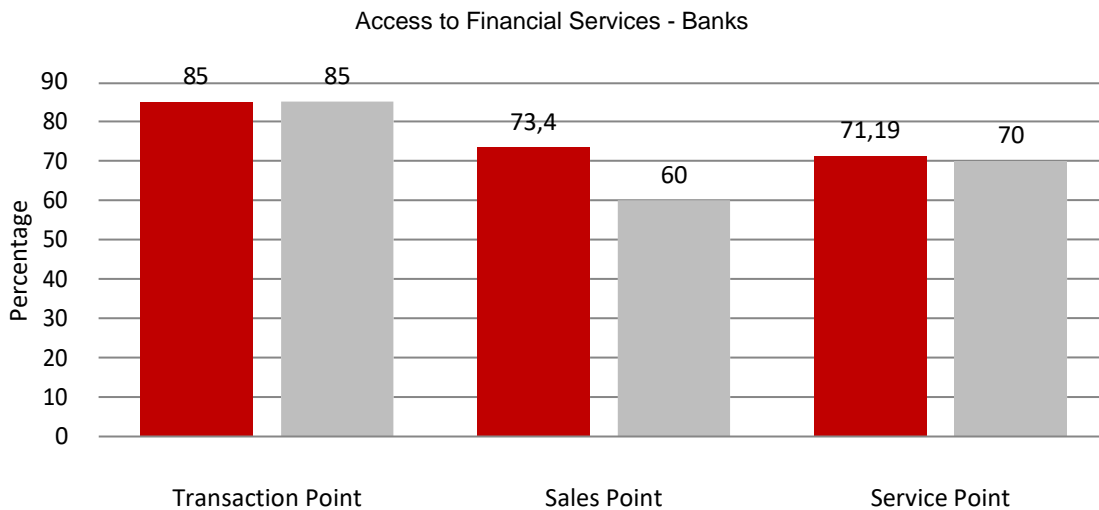
- Money transfers
- Account to account transfers
- Prepaid purchases and balance enquiries using mobile phone
- Telephone and internet banking or any other new technology

No meaningful report could be provided on electronic access as most banks did not provide any information.

The last measurement for banking access is the usage of banking services. This is measured through the number of active accounts. The target was set at 12 370 082 active accounts, excluding SASSA accounts. Information provided by the 21 banks that reported on this indicated that they had 16 878 301 active accounts.

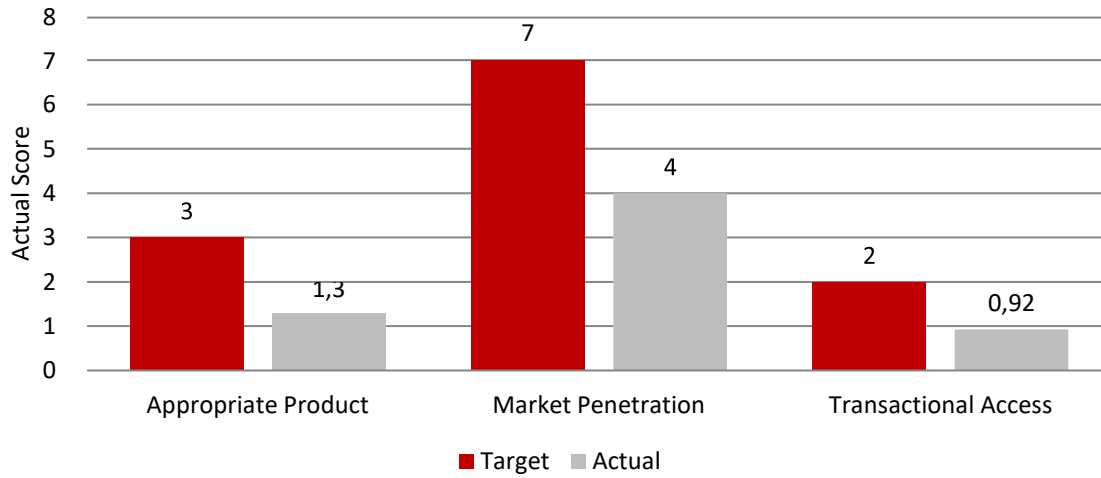
Banking Respondents	Active Accounts	
21	Actual	Target (2017)
	16 878 301	12 370 082

Based on the 21 banks that submitted detailed data, the number of active accounts was 16.9 million, exceeding the target of 12.4 million.



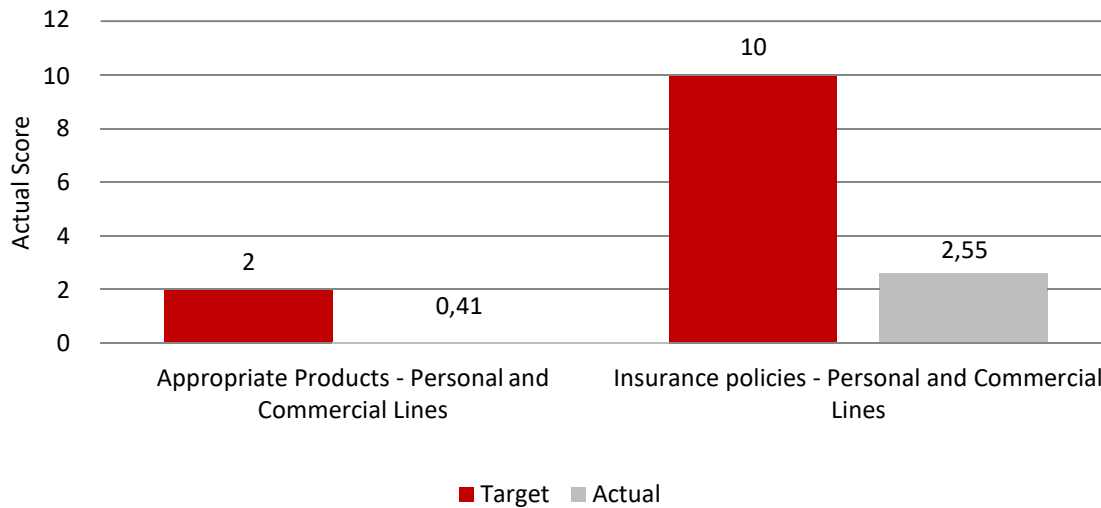
In general, the banking sub-sector performed well with 16.9 million active accounts, exceeding the target of just under 12.4 million by 4.5 million. Banks also did well in the provision of electronic access, achieving 93.6% against the target of 19%, while the provision of transactional, service and sales points was almost in line with the targets, as shown above.

Access to Financial Services - Long-term Insurance



Long-term insurers underperformed on Access to Financial Services targets. For the provision of appropriate products, the score was 1,3 out of 3 points. The market penetration performance score was 4 out of 7 points, and Transactional Access scored 0,92 against the target of 2 points.

Access to Financial Services - Short-term Insurance



Short-term insurers also underperformed on the targets for the provision of appropriate products and insurance policies, achieving 0.41 out of 2 points and 2.55 out of 10 points

SECTOR PERFORMANCE: QUALITATIVE REVIEW

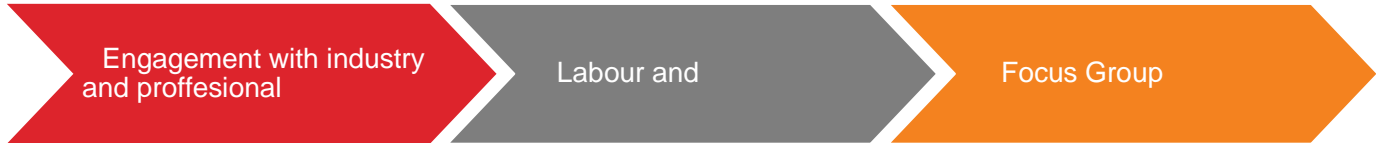
SECTION

C

- 11.1** Engagement with Industry and Professional Associations
- 11.2** Labour and Community
- 11.3** Focus Group Sessions

11

Qualitative Performance Review



11.1 Engagement with Industry and Professional Associations

The qualitative analysis focused on unpacking transformation initiatives in addition to those reported on the scorecard. These engagements have recognised some implemented impactful initiatives that contribute to driving the transformation agenda.

The financial sector has a number of strategic role players who are broadly divided into industry and professional associations. For the purpose of this report, the FSTC engaged with the following organisations, which are represented on its Council:

- ABSIP
- ASISA
- BASA
- BATSETA
- FIA
- SAIA
- SAVCA

The objectives of these engagements were to document the details of transformation initiatives implemented by the sector; and to share information on transformation mandates, strategies, challenges and achievements.

One-on-one sessions were held with senior representatives of these organisations, supplemented by documents that record their strategies, initiatives and best practices.

11.1.1 Association of Black Securities and Investment Professionals (ABSIP)

ABSIP is a member-based organisation representing more than 9 100 individuals and corporates. They include small and medium financial services firms, professionals and students in tertiary institutions.

ABSIP's vision is building a reputation for relevant and insightful thought leadership and providing a platform for connecting its members. In realising its

vision, ABSIP orchestrates positive change and growth in financial services to drive the development of its members as well as creating business opportunities.

ABSIP actively participated in the drafting of the Financial Sector Charter, subsequently gazetted as the FS Code. It has also influenced the drafting and gazetted of related B-BBEE legislation.

Deracialisation of the financial sector

ABSIP believes that although there have been some small pockets of excellence, meaningful transformation in the sector remains slow and much can still be achieved to build an inclusive economy.

It is ABSIP's view that the current legislation on transformation is not stringent enough, which results in corporates easily attaining satisfactory empowerment status that does not translate into meaningful economic emancipation.

The association also believes that all sub-sectors should be deracialised to facilitate financial inclusion for previously disadvantaged communities. This will create access to funding, markets and opportunities for Black-owned enterprises with emphasis on Black women-owned businesses and designated groups.

ABSIP submitted recommendations to the joint Parliamentary Standing Committee on Finance and Portfolio Committee on Trade and Industry. They are contained in the report released by the committee.

Challenges

The President of ABSIP, Sibongiseni Mbatha, said at the inaugural of the State of the Financial Transformation Address (SOFTA), “It is indeed not normal that after 23 years of a democratic South Africa, we remain trapped in the following statistics:

These are just a few examples of how slow transformation has been since the advent of democracy”.

ABSIP Key programmes

ABSIP implements various programmes as part of advancing its mandate and vision:

□ The ABSIP Bursary Fund

Since inception, the ABSIP Bursary Fund has disbursed R6million, its contribution to increasing the pool of potential graduates who have the opportunity to join the financial sector.

□ The Student Development Programme

The Student Development Programme’s objective is to provide support by preparing students for the workplace and holistic development to shape their careers. To this end, Student Chapters were launched in 13 universities in South Africa.

□ Women in Focus

ABSIP Women in Focus (AWIF), was established in 2006 to empower Black women through targeted activities facilitating the progression of women as leaders within the financial sector. Some of the programmes implemented include the following:

- Mentorship Programme
- Tsheto Leadership Programme
- Women in Focus Summit
- The Young Professionals Summit

- In the asset management sub-sector, Black Asset Managers manage a mere 5% of the assets;
- In the asset consulting sub-sector, we have very few Black and progressive asset consultants, who advise asset owners when and how to allocate investments;
- In the stockbroking sub-sector, only 2% of trade commissions are attributable to Black stockbrokers;
- In the banking sub-sector, there remains a huge market concentration on the top five banks;
- In the private equity sub-sector, the number of Black participants remains low;
- In the advisory sub-sector, we are yet to see a respectable allocation of work to Black firms.

11.1.2 Association for Savings and Investment South Africa (ASISA)

ASISA is an industry body established primarily to promote the culture of savings and investment in South Africa. The majority of its members are asset managers, collective investment scheme management companies, linked investment service providers, multi-managers and life insurance companies. Membership is also extended to include service providers such as fund administrators, accounting and legal firms, as well as industry data and software firms. It has approximately 70 members.

Transformation through the Foster the Future initiative

ASISA launched the Foster the Future initiative aimed at achieving transformation goals and economic inclusion through SMME development and job creation, financial education as well as the development of skills.

The Foster the Future initiative is implemented through ASISA Enterprise and Supplier Development Fund, ASISA Foundation and the ASISA Academy.

The ultimate objective of Foster the Future initiative is to address economic participation and the high unemployment rate in South Africa through implementing various interventions.

▪ ASISA Enterprise and Supplier Development Fund

The ASISA ESD initiative is to fast-track job creation by unlocking the growth potential of South Africa’s small and medium enterprise sector. The sustained development of high-potential Black-owned SMMEs is achieved through an innovative combination of tailored business support, and access to market and financial support, structured

according to the specific needs of each SMME. Some of the milestones achieved include the following:

- R641 million raised for SMME investments and the acceleration programmes.
- R347 million deployed into SMME investments and Acceleration.
- Optimal ESD investment provided for 42 funders.
- 587 SMMEs developed, creating 722 jobs and supporting 3 128 jobs.
- R190 million spent in industry procurement from supported SMMEs.
- 25% average revenue increase across supported SMMEs.
- 55 000 hours of SMME developmental support provided.

□ **The Acceleration Programmes**

The following programmes were implemented:

- Independent Financial Advisers (IFA) Development Programme; the Stockbroker Programme; Blue Skies Programme; INSETA Broker Development Programme; Masithuthuke Broker Programme and the Masibambane Broker Programme.

The ASISA Foundation

The ASISA Foundation was established in 2013 to facilitate economic inclusion by empowering South Africa's most vulnerable groups through implementing the consumer financial literacy programme benefiting individuals and entrepreneurs.

The aim of the literacy programme is to influence a change in behaviour through the transfer of knowledge and skills development, thereby helping previously disadvantaged communities to manage their financial affairs more prudently. The desired outcome is to improve economic inclusion, particularly of those that were previously marginalised. The foundation implements Trustees Education, Consumer Financial Education and Financial Literacy and Micro Enterprise Development.

The ASISA Academy

Academy is an independent, non-profit business school established in 2008 to implement quality learning particularly for life assurance and investment management organisations. It is accredited with the Quality Council for Trades and Occupations (QCTO) and is also an accredited CPD provider for the BATSETA Council of Retirement Funds of South Africa and the Financial Planning Institute.

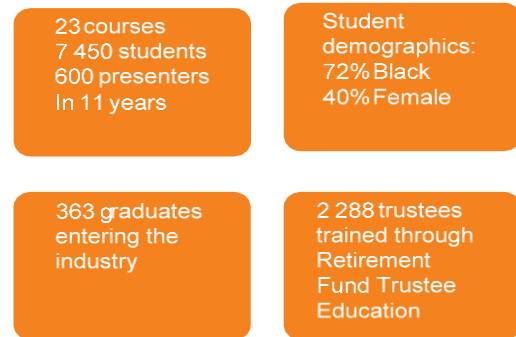
The academy implements a variety of programmes:

- Providing university endorsed short courses prepared for the sector in partnership with industry experts from within the members of ASISA. This includes life assurance underwriting, claims assessing, investment administration, collective investment schemes and equity analysis.

- Implementing an internship programme benefiting graduates through work-readiness boot camps followed by 12-month work experiential internships in partnership with IFA practices. These graduates are exposed to financial advisory business practices, knowledge and are independently mentored throughout the internship programme.
- Hosting one-day blitz camps on financial markets, compliance, ethics and financial industry overviews.

Graduates participating in the academy are also placed in internship programmes with an employment absorption rate of 98%.

Impact



11.13 Banking Association South Africa (BASA)

The mandate of BASA is to advance the interests of the banking industry with its regulators, legislators and stakeholders to make banking sustainable, profitable and better positioned to contribute to the social and economic development and transformation of the country.

BASA also plays a significant role in facilitating the transformation of the industry by promoting an inclusive economy, influencing legislation as well as collaborating with regulators. The association prides itself on being the trailblazer of transformation in the private sector. A BASA-led initiative after the 2002 Red October protest heralded the development of the voluntary Financial Sector Charter. It is critical to indicate that these developments were prior to the promulgation of B-BBEE legislation.

In its submission to the joint Parliamentary Committee, BASA has among others, made two key points:

- Banks have significantly contributed to transforming the sector and the country's economy.
- Acknowledges that there is much more that must be done to make ownership and management of banks more reflective of the people of South Africa.

The Board has acknowledged that the FS Code is a tool to manage transformation on a day to day basis. The Board is of the view that the industry must accept that transformation goes hand in hand with growing the

broader economy and the way the banks conduct their overall business must be directed to drive transformation and financial inclusion.

The Board established five working groups to review transformation and think out of the box in developing scenarios as well as interrogating the way banks conduct business. For example, interrogating the extent of Preferential Procurement at the commodity level across institutions. Input from the established working groups enabled BASA to produce a draft blueprint on transformation for submission to the Board in February 2019 for approval. This blueprint is to inform the transformation discussions leading to the NEDLAC Summit in 2019.

The initiatives implemented include the following:

- StarSaver
- SMME Finance Monitor
- SMME Funding
- Ikusasa Student Financial Aid Programme - a partnership with ASISA and the Department of Education
- Public Private Partnership initiatives:
 - Department of Social Development partnership that has enabled 76% of South African Social Services Agency (SASSA) beneficiaries to have bank accounts.
 - In partnership with the Gauteng Provincial Government, BASA is developing a pilot in Chamdor for a motor mechanic workshop as part of the Gauteng Provincial Government's Township Economic Revitalisation (TER) strategy.
 - BASA has entered into a partnership with the Department of Agriculture and Agri-business to drive transformation in the farming sector through creating a corporation between commercial farmers and farm workers.
 - The association has made a commitment to the National Prosecuting Authority to make available advocates employed by banks to assist the institution with its workload and high vacancies.
 - National Treasury, Department of Small Business, BASA and the World Bank are in discussions to design a Partial Credit Guarantee Scheme (PCG) enhanced by lessons from the Khula Credit Guarantee Scheme.
 - BASA is in discussion with government to assist with funding small public entities that are in financial crisis to ease the pressure on the national fiscus.

Looking ahead

BASA believes that the time has come for the sector to have a long-term strategic view on transformation and define how a bank must look in 20 years, and what building blocks are needed to deliver this new bank. There must be clear milestones with timeframes defining the road ahead. It is also BASA's view that persistent poverty, unemployment and inequality demand that the industry do

more than what is required of it by the FS Code. To accelerate transformation within the industry, task teams made up of representatives from 21 banks operating in South Africa were specifically asked to propose ways to:

- Strengthen the role of banks as a transformative force in society.
- Improve employment equity at senior and executive levels.
- Open opportunities for women and Black-owned enterprises to provide goods and services to the banking industry.
- Increase financial inclusion, specifically by providing access to finance for SMMEs.

11.14 South African Insurance Association (SAIA)

SAIA is the representative body that facilitates a sustainable and dynamic short-term insurance industry.

The association has 59 members, representing more than 90% of the short-term insurance industry market share. The Board comprises 20 members representative of the industry. It provides strategic direction and organises industry-related activities. The Board is assisted by various committees responsible for specific focus areas including governance, insurance risk, finance and operations as well as transformation. It also has forums where its members discuss issues of common interest with other relevant stakeholders. The association provides administrative and secretarial support for such forums. The staff members also represent the industry on various industry-related boards, committees and forums. In driving active participation, SAIA developed the Short-term Insurance Industry Transformation Strategy. The strategy was informed by the outcomes of the Board work streams established to influence the strategic objectives of its members.

Some of the industry initiatives implemented by SAIA and coordinated through transformation forums and committees are:

- Motor Transformation and Sustainability Forum (MTSF)
 - SAIA National Grading certificate
 - Inspector Training Programme
- College of Insurance
- Consumer Education
- Public Private Partnership.

Challenges

One of the key criticisms of short-term insurance is that it is dominated by big White-owned insurance companies with few small Black-owned companies.

A major impediment for small short-term insurance companies is the industry's high liquidity need. Because of the nature of short-term insurance, insurers are required to hold the majority of their assets in liquid investments. For example, as at the end of December 2015, the industry had domestic assets of R135 billion, of which 37% was held in cash and deposits.

Short-term insurance products are still seen as grudge purchases, resulting in low market penetration.

Looking ahead

SAIA is investigating ways to support the establishment of more Black insurers. This would mean working with the Competition Commission to ensure that such initiatives do not involve anti-competitive behaviour.

The association continues to identify opportunities in all spheres of transformation and promotes the embedding of transformation as an integral component of doing business in South Africa.

To this end, SAIA has embarked on a process of reviewing the current transformation status of the short-term insurance industry and formulating strategic objectives that can be adopted in order to accelerate transformation. The industry is steadily progressing towards this goal.

11.15 The Financial Intermediaries Association of Southern Africa (FIA)

The Financial Intermediaries Association of Southern Africa (FIA) is a trade association for insurance broker and financial advisor practices in the financial sector. The FIA represents more than 1 800 financial services providers (FSPs) that between them employ more than 45 000 people. FIA members are licensed by the Financial Sector Conduct Authority (FSCA) and all advisors employed are qualified and licensed as Key Individuals and or representatives by the FSCA. Members of the association are made up of multi-national, large, medium and small enterprises as well as sole proprietors, with the majority being small to medium companies.

The main focus areas include the sustainability and relevance of the intermediary through ongoing education, training and transformation of business. The FIA fosters and supports small business development in the intermediary market. It promotes development in the medium to large firms, where there are more resources and infrastructure to create employment and skills development.

One of the challenges for the intermediary sector is not only to transform itself in terms of its racial profile amongst all segments, but also how does the intermediary sector gain in market share amongst the new middle class in order to facilitate such transformation.

Establishment of the FIA Board Transformation Committee

The FIA Board, acknowledging the shortcomings of its constituency in terms of transformation and financial inclusion, has established a Board Transformation Committee to provide leadership and influence its members to embrace transformation as a business imperative. The objective and mandate of the committee

is to assist members to discharge their transformation responsibilities with respect to the Broad Based Black Economic Empowerment Act; the Employment Equity Act; Skills Development Act; the Financial Sector Code; and Socio-Economic Development.

The Board Transformation Committee's primary focus areas are to:

- Promote the principles and workings of the Financial Sector Code to all FIA members;
- Promote compliance and sustainable transformation in line with the Financial Sector Code;
- Identify and monitor transformation risks that may impact on the FIA and its Membership;
- Drive annual reporting of member's B-BBEE performances to the FSTC;
- Provide guidance relative to the initiatives and activities required to demonstrate any meaningful commitment to transformation;
- Facilitate any other requirements by the FSTC, relevant Government or regulatory body that concerns members and transformation;
- Ensure that the various stakeholders, particularly the regulators and government, are kept fully informed about commitment of the FIA to promote meaningful transformation within the financial services sector at every level;
- Review and monitor progress towards achievement of transformation objectives; and
- Conduct research and collect data on the economy to support transformation objectives.

Working with other like-minded bodies on inclusivity and transformation

The FIA has worked with a number of financial services firms to assist in their learnership and transformation initiatives, most notably programmes with short-term insurers. In addition, the FIA is committed to working towards inclusivity and transformation goals with:

- The Insurance Institute of Southern Africa ("IISA") in its endeavours to provide sustainable and comprehensive learning and development facilities for all industry personnel, and has thus far been involved in the development of the Ekurhuleni TVET College's insurance syllabus.
- Other industry bodies such as SAIA, ASISA and BASA.
- Regulators and statutory bodies including National Treasury, the FSCA and the CMS, as well as the various consumer and financial services Ombudsman schemes.
- Black broker associations.

The FIA is currently embarking on an introspective exercise to transform the business model and its influence. As part of this journey, the association has established a closer working relationship with different associations representing Black brokers. This is to offer mutual support in our endeavours to creating a more inclusive and transformed industry.

11.1.6 The Southern African Venture Capital and Private Equity Association (SAVCA)

The Southern African Venture Capital and Private Equity Association (SAVCA) is the industry body and public policy advocate for private equity and venture capital in Southern Africa.

SAVCA represents about R175 billion in assets under management through 181 members that form part of the private equity and venture capital ecosystem. It promotes the Southern Africa venture capital and private equity asset classes on a range of matters affecting the industry. SAVCA also provides relevant and insightful research, offers training on private equity and venture capital, and creates meaningful networking opportunities for industry players.

In November 2017, the SAVCA Board at its annual strategy session, recognised that the private equity industry still has a way to go in achieving a truly diverse workforce and that SAVCA needs to play a bigger role to support the transformation of the industry. In an effort to ramp up momentum in this regard, SAVCA put the challenge to its members at its annual conference in February 2018 through an interactive World Café where over 400 delegates discussed two key questions:

- 1) What are the biggest challenges to transformation in the private equity and venture capital industry?
- 2) Given the challenges, what are the major focus areas that would ensure tangible movement towards transformation in the industry?

The rich feedback from this interaction, together with in-depth consultation with the SAVCA Transformation Sub-Committee, led to the development of a robust Transformation Strategy that laid the foundation of various initiatives that will assist with transformation in the industry.

One such initiative is the SAVCA Fund Manager Development Programme (FMDP) that was launched in 2019, in partnership with First National Bank (FNB) and the SA SMME Fund as lead sponsors. The aim of the programme is to increase the number of female- and black-owned and managed fund managers within the private equity and venture capital space.

For the first cohort, 13 fund managers have been selected to be a part of the programme and through classroom-based teaching, one-on-one coaching, mentoring and support from industry stakeholders, the 12-month programme will address some of the challenges typically experienced by first-time emerging fund managers. These include fundraising, access to networks and working capital facilities, and most importantly, ensure the fund team has the necessary support to successfully execute their fund's investment mandate.

Through this flagship transformation programme, together with the other initiatives identified as part of the SAVCA Transformation Strategy, the association is hoping to see a substantial increase in the value of assets under management by black- and female-owned and managed funds, and the attraction and retention of new talent into the industry.

11.1.7 Retirement funds

The Retirement Fund B-BBEE Scorecard is a voluntary reporting dispensation applicable to the retirement fund industry from 01 December 2017. Retirement funds are active participants and contributors to the South African economy. The Top 100 funds in terms of assets under management and deep service provider value chain, were tasked to drive the transformation imperative within the industry.

No reports were received from the Top 100 fund. In response to this outcome, Batseta Council of Retirement Funds for South Africa has commissioned a baseline research study on transformation. Batseta is a professional body that promotes the interest of retirement fund boards of trustees and the principal officers.

The aim of the research is to assist participating funds to assess their current positions in relation to progress made in implementing the scorecard, and to identify skills development needs. It also serves as an opportunity to educate and prepare the retirement industry for the next reporting period ending 31 March 2019. The outcome of the research will inform the FSTC in determining how best to support the industry in the future.

11.2 Organised Labour and Community Constituencies Report Synopses

As social partners and constituencies at NEDLAC, both labour and community are important stakeholders in the implementation of transformation. They are also active members of the FSTC.

Below are summaries of Labour and Community submissions to the Parliamentary hearings on financial sector transformation, and other relevant reports.

11.2.1 Labour Constituency views on financial sector transformation

A major turning point for the discourse on the transformation agenda has been the 2017 parliamentary public hearings on the state of transformation. The platform saw various constituencies, including labour, giving their view on the transformation of this critically important sector.

Organised labour at the hearings argued that the financial sector was not sufficiently transformed and therefore not responsive to the needs of ordinary workers. The

federation argued that to accelerate the pace of transformation within the sector, there was a need to address issues of monopolies and collusion, ownership and barriers affecting SMMEs.

Organised labour also pointed out that the sector continued to be mired by lack of access to financial services in townships and rural areas, unfair auctioning of homes and cars owned by those from previously disadvantaged communities.

Other challenges faced by employees within the sector and members of the public, included the abuse of garnishee orders, high levels of indebtedness driven by unscrupulous financial institutions. This also includes low wages due to the outsourcing of key functions to labour brokers, as well as massive wage gaps between ordinary workers and executives, where for examples “a bank CEO is paid R30 million while a bank teller only earns R60 000 per annum.”

The federation’s view on transformation is also captured in the NEDLAC Financial Sector Summit Workshop report. In the report Organised labour said it was important that the NEDLAC social partners and all constituency leaders must be aware that, “the majority of the South African population is increasingly losing patience with the slow pace of socio-economic transformation, hence the call for radical economic transformation cannot be ignored anymore.” The situation was further compounded by the fact that South Africa remains one of the most unequal societies in the world.

Referring to the World Bank report titled “Overcoming Poverty and Equality in South Africa” released in April 2018, Organised labour pointed out that nearly half of the South African population is considered chronically poor at the upper-bound national poverty line of R992 per person per month. The report also showed that the top percentile of households owned 70.9 percent of the wealth while the bottom 60 percent owned only 7.0 percent of the wealth.

While expressing its dissatisfaction with the pace of transformation in the sector, organised labour also expressed its support for the recently passed Financial Sector Regulation Act (FSRA) “as a critical building block to ensure greater stability for the financial sector. Effective from 1 April 2018, the Act is aimed at bringing about major transformation in the financial services regulatory and risk management framework, including the move to the Twin Peaks approach to regulation. The approach sees regulation of prudential and conduct risk separated out under the supervision of two distinct regulatory bodies, the Prudential Authority (PA), contained within the South African Reserve Bank (SARB), and the Financial Sector Conduct Authority (FSCA). The FSCA replaces the old Financial Services Board (FSB), and SARB is now responsible for protecting, maintaining and enhancing financial stability.

Proposed Solutions

- De-monopolising the financial sector by ensuring that investment, retail, brokerage and insurance companies are owned and controlled separately.
- Promoting support for emerging and Black-owned businesses through Enterprise and Supplier Development programmes.
- Establishing a state-owned bank to challenge the current monopolisation of the industry by a few major private- owned banks.
- Nationalising the South African Reserve Bank to place the bank in the control of the people.
- Supporting access to capital by labour intensive sectors.
- Expanding the SARB mandate to include the need to protect jobs and to ensure growth.
- Introducing legislation to regulate charges set by the financial sector for products and services.
- Monitoring banks to ensure that they do not use the FSRA as an excuse to reduce lending to workers and SMMEs.
- Implementing consumer financial education that empowers workers and the poor to make prudent financial decisions.
- Introducing legislation to deal with the current situation where banks auction homes or cars of defaulting customers at below market values.
- Banks need to tighten their authorisation requirements for debit orders by requiring proof of consent to avoid the wide-scale abuse of garnishee orders.
- Strengthening the National Credit Act to curb the exponential growth of loan sharks who prey on the poor and the vulnerable.

11.2.2 Community Constituency views on financial sector transformation

The NEDLAC Community Constituency is comprised of the Financial Sector Campaign Coalition (FSCC), the Women’s National Coalition (WNC), Disabled People of South Africa (DPSA), the South African Youth Council (SAYC), the South African National Apex Cooperative (SANACO) and the South African National Civics Organisation (SANCO).

In its submission to the 2017 Parliamentary public hearings, the FSCC, on behalf of the constituency, noted that the financial sector in South Africa was not originally established to serve the majority of the population. It was largely intended to serve the needs of the mining, energy and finance complex set up for a small racially defined elite and foreign interests, hence the urgent need for an impactful transformation of the sector.

The FSCC also raised, among others, concern about the current situation whereby Development Financial Institutions (DFIs) and other entities such as the Independent Development Corporation (IDC), the Public Investment Corporation (PIC), Ithala Bank, Postbank,

Payments Association of South Africa, and many others, were excluded from the FS Code.

As a consequence, these DFIs are not measured in terms of the scorecard thereby undermining their role in contributing to transformation. The FSCC further raised the need for the urgent review of the Payments Association of South, a matter which is currently under review by the government.

It is the constituency's view that the financial sector cannot afford complacency around transformation. This is based on the World Bank's report that over 26 percent of South Africans are unemployed and an estimated 50 percent are chronically poor.

In the NEDLAC Financial Sector Summit Workshop report, the constituency states that the financial sector has a critical role to play in stimulating the levels of economic growth required for job creation and the eradication of poverty and inequality. The constituency also stated that transforming the overall economy, particularly the financial sector, has become even more urgent.

This was more so as South Africa celebrated the centenary anniversaries of the late former President Nelson Mandela and the ANC stalwart in the fight for women's emancipation, Mama Albertina Sisulu, as well as the attainment of 25 years of democracy.

What is required, argued the constituency, is an inclusive financial sector that serves the interests of all, with specific focus on those from previously disadvantaged communities.

It is also the constituency's view that South Africa needs a financial sector with an ownership and management structure that reflects the demographics of the country. Such a sector must also contribute to the establishment of an equitable society by providing accessible financial services including investments opportunities for Black people and women.

In its submission, the constituency also raised its concern about the following impediments:

- The focus on speculative investments and not in job-creating sectors.
- Inadequate support for the co-operative banking sector.
- Increased indebtedness, where an estimated forty-five percent of credit active South Africans are in arrears by three months or more.
- The practice by banks of selling repossessed houses far below market values.

Proposed solutions

- Simplifying the complex jargon used in the financial sector which leads to the exclusion of some members of the public, particularly those from vulnerable

groups.

- Promoting support for cooperatives through initiatives such as corporate social investment programmes.
- Establishing credit and savings clubs in primary and secondary schools as well as institutions of higher learning to inculcate a culture of saving and wealth creation in the broader South African society.
- Encouraging the formation of cooperatives in the funeral undertaking industry through partnerships with established key role players.
- Establishing a commission of inquiry to investigate the liquidation of companies in relation to their trust investments.
- Exploring how to leverage funds from organisations such as the taxi and soccer industries to support the creation of cooperative financial institutions.
- Intensifying consumer financial literacy to minimise reliance on the current housing mortgage bond model, to one where home loans incur less interest and are repaid over a shorter period.
- Lobbying the Department of Small Business Development to implement a programme whereby all government spheres and entities extend 30 percent of their budgets to cooperatives in various ways such as through tendering and procurement.
- Extending the mandate of the FSTC ensuring that it is empowered to address shortcomings around transformation in the financial sector.

11.3 Focus Group Sessions

A total of four focus group sessions were held in Johannesburg, Durban and Cape Town attended by 43 participants representing various stakeholders in the sector.

The focus group sessions secured a balanced representation across all the main sub-sectors in the financial sector. This included banks, long and short-term insurance, asset managers and development finance institutions. Representatives from the B-BBEE Commission attended one of the sessions in Johannesburg.

Representation was at senior and executive management levels with people holding titles such as General Manager Compliance and Governance, BEE Compliance Head, Transformation Manager, Principal Officer, Asset Manager, Convener Strategic Governance etc. All the attendees were directly involved in the implementation of transformation in their respective organisations.

Views on transformation

Some participants felt that in the current economic climate, transformation has taken a back seat over return on investment in terms of companies' bottom lines. This, they believe, is compounded by the huge burden in terms of legislative compliance.

There was a view that current legislation relating to transformation is cumbersome and is implemented as well as monitored by different authorities with limited amount of collaborations and convergence. This has unintended consequences resulting in conflicting interpretations which promotes a tick box mentality.

There is also a feeling that because transformation is generally about compliance, there is a tendency by big companies to throw money at projects to gain high empowerment contributor levels thereby defeating the essence of transformation.

There is also a belief that the slow pace of transformation in the sector may be due to some companies perceive transformation as a burden and not as part of the broader strategic business imperative.

The participants' view is that for impactful transformation to take place, it must be embraced as a business imperative. To this end, transformation must be understood as an in-depth and holistic process aimed at changing how businesses operate so that they can contribute to an all-inclusive sustainable South African economy.

They also felt that because the current implementation process of the FS Code is voluntary, there are no incentives for business to implement it as part of the broader corporate strategy.

In their view there is probably a need to introduce some punitive measures. However, they contended that there should be a balance between introducing the punitive measures and actually promoting the spirit of impactful transformation.

The participants were concerned that the one size fits all approach in the implementation of the FS Code across sub-sectors is not an effective mechanism for driving transformation. They believe that to address the situation, the FS Code must be replaced by an industry-based Code that takes into effect the unique challenges faced by each sub-sector, for example asset managers. It was the participants' view that such an approach would allow focused attention on every unique challenge faced by the sub-sector, and this would accelerate meaningful transformation leading to sustainable economic inclusion.

Representatives of the asset management sub-sector believe that trustees of pension funds are not sufficiently empowered to make transformational investment

decisions, such as directing investments to Black-owned asset management companies. This critical responsibility is deferred or delegated to asset consultants leading to little transformation taking place. Such opportunities are mostly directed to benefit White-owned asset management companies.

The Black asset managers who are above the QSE threshold of R50 million annual turnover are not recognised for being 100% Black-owned. This is because of the dilution by other scorecard elements as they are now expected to be measured in terms of Skills Development, Enterprise and Supplier Development etc. by virtue of now being classified as large generic entities.

Some areas on the FS Code scorecard were highlighted as challenging in the following ways:

- Ownership and the representation of Black people at Board and Executive level remain low. Significant interventions are needed to address the situation.
- Skills Development in the FS Code requires that the Rand value spend is allocated at the various management levels, including senior and executive. This creates a challenge because most senior managers and executives are already highly qualified and, in most instances, would not necessarily require further development. As a result, an entity forfeits points on the scorecard, negatively affecting overall performance.
- Procurement from monopolised multinational service providers was described as a challenge. Some of them are not committed to the transformation agenda, resulting in the loss of potential preferential procurement points on the scorecard.

Despite the feeling that the pace of transformation is slow within the sector, there was consensus among the participants that there are some emerging green-shoots, and if nurtured, will have a significant and sustainable impact on the transformation agenda. Participants generally felt that there have been some strides achieved in the following areas:

- Skills Development
- Management Control - women empowerment through participation in managerial positions
- Enterprise and Supplier Development Procurement opportunities for Black stockbrokers.

In summary, participants felt that more work needs to be done to drive the transformation agenda. Some proposed solutions are highlighted on the next page.

Proposed solutions

- Simplification of the FS Code as it is currently viewed as complex to interpret and implement.
- The FSTC should partner with other regulatory

bodies such as the Financial Sector Conduct Authority (FSCA) who have successfully implemented similar legislation creating an opportunity to share best practices.

- Developing a specialised scorecard for the measurement of Black-owned business that have graduated from QSF1 level to large generic entities so that they are not measured in the same way as established big corporates.
- Simplified guidance in the implementation and reporting of transformation – how to do it? Development of a training manual.
- Focused and ongoing consultation with industries to inform them about any probable changes in the legislation.
- Promotion of the spirit of transformation by the FSTC through targeted communication interventions to facilitate integration into business processes and culture.
- Positioning the FSTC as an enabler that creates a conducive environment for an increased transformation pace in the sector.
- The FSTC should play an advocacy role and lead the public discourse on transformation in the sector.
- The FSTC should develop a database of compliant service providers to be readily available for the industry to access as part of promoting Preferential Procurement.
- Documentation of best practices as well as profiling of successful initiatives on the FSTC website to encourage sharing experiences.
- Establishment of an industry-based Code that will take into account the state of transformation of each sub-sector and their unique characteristics.
- Training of pension fund trustees to highlight the importance of transformation and how it is affected by their investment decisions.
- The FS Code must be rigorously monitored for Asset Consultants to direct investment decisions to benefit Black-owned Asset Managers.

Collaboration and standardisation of the transformation indicators from all regulatory bodies as well as government to insure consistency in the interpretation and application of the FS Code.

The representation at the FSTC must be opened to new role players to realise multiple voices as the current representation is not fully representative of the sector.

The achievement of a level 1 empowerment contributor status has become relatively easy for most companies.

The FSTC should investigate innovative interventions to drive transformation beyond the empowerment contributor level.

Transformation must be a strategic priority and be championed at senior and executive levels of an organisation.

Takeaways from the engagements

The interaction with the various stakeholders within the financial sector has highlighted the overwhelming need for interaction, knowledge and sharing of experiences. This will undoubtedly facilitate an impactful approach to accelerate the pace of transformation. Through the interaction, stakeholders have also come to realise the urgency for an increased pace in implementing transformation within the sector. This, they believe, will have an impact in promoting economic inclusivity.

The critical need for the FSTC to facilitate alignment and collaboration with other government institutions as well as regulatory bodies was also identified. This will promote consistency in the interpretation of B-BBEE legislation as well as the sharing of best practices to facilitate rapid transformation.

It is the stakeholder's view that the FSTC could play a more active role in facilitating access to information and guidance in developing transformation plans. They were also of the opinion that for impactful transformation to take place, companies must perform beyond the scorecard. They advocated that attaining a level 1 on the B-BBEE scorecard should not be the ultimate transformation achievement.

There should be consideration for long-term goals and stretched targets for transformation to be sustainable. One way of developing the suggested stretched targets could be for the FSTC to start an engagement on how the financial sector should look in the next 10 years in promoting economic inclusion.

12

Review of Selected Transformation Reports

The approach to reviewing the selected reports was divided into two parts:

Reports that were relevant to specific B-BBEE elements on the FS Code scorecard were reviewed as part of the performance review of those specific elements. These reviews were referenced in various parts of the report in Section B.

Selected reports broadly addressing issues relevant to transformation include the following:

- Standing Committee on Finance and the Portfolio Committee on Trade and Industry First Report on the Transformation of the Financial Sector, November 2017
- NEDLAC Final Report on Transformation of the Financial Sector, March 2019
- Labour and community reports 2017-18
- BEE.economics. Transformation in South African asset management, September 2018
- The Top Empowered Companies, 2018

12.1 Standing Committee on Finance and the Portfolio Committee on Trade and Industry First Report on the Transformation of the Financial Services Sector

The report is the outcome of public hearings driven by the Committees on the state of transformation in the financial sector held during the months of March and May, 2017. The public hearings saw submissions from a wide range of stakeholders including government departments and regulatory agencies, industry bodies, business, labour, civil society and political parties.

In their submissions, participants expressed their views on the state and pace of transformation in the sector. The hearings have become an important part of a continuum of developments aimed at driving the country's transformation agenda, particularly in the financial sector.

The hosting of the public hearings by the Committees was primarily driven by two key objectives:

- Encouraging dialogue among stakeholders and contributing towards a minimum level of consensus on what actions need to be taken to ensure effective transformation; and
- Assisting the committees in processing legislation that they were considering on the transformation of the sector, including for example, the Financial Sector Regulation Bill.

Outcomes

The Committees' engagements with stakeholders saw important outcomes which need to be taken into consideration in the drive to achieve an all-inclusive and transformed financial sector. These include:

- Government's bias towards funding start-up businesses in sectors such as construction, mining, wholesale and manufacturing thereby neglecting new entrants into the financial sector.
- Continuing market concentration and monopolisation, with the 'big four' banks controlling more than 80% of the total sub-sector assets and market. When Investec and Capitec are included, the six banks control over 90% of the market.
- The decline in Black-ownership over the years from 26% to 23%, and black women shareholding levels from the 10% in the FSC target to 6%.
- Inadequate representation of Black people and women on company Boards within the sector.
- Existing high barriers for new entrants including cumbersome regulations and capital costs, as well as insufficient access to capital especially by Black-owned companies.
- The undermining of Enterprise and Supplier Development initiatives through fronting.
- The skewing of the country's financial services towards the wealthy and high-earners with limited innovation, compared to other emerging markets such as India, leading to the financial exclusion of the low-income earners and the poor.
- The need to find the necessary balance of various stakeholder interests thereby ensuring that transformation does benefits all, but mainly the poor.
- The recognition by various stakeholders, as well as the Committees, of the need for more reliable statistics in assessing the extent of transformation in the sector.

Recommendations

The Committees concluded that the financial sector has transformed since 1994, but that there was a need for a more effective transformation consistent with the country's developmental needs. The sector has a crucial role to play in the country's growth and development goals. The Committees said that the sector needs to be directed towards driving effective transformation leading to an all-inclusive growing economy and made the following key recommendations:

- The industry be compelled, including through licensing conditions, to provide the necessary information to the B-BBEE Commission.
- CEOs of financial institutions be included in the FSTC decision-making process to ensure “buy-in” by the various players in the sector.
- Achieving targets be a condition for licensing of financial institutions as provided for in Section 10 (1) of the B-BBEE Act.
- Consideration be given to amending the B-BBEE Act to provide for a system of fines for failure to meet targets.
- Government and other relevant institutions should consider legislative changes allowing for proportional entry requirements for new entrants. This will support progressive growth of informal entities, such as stokvels, into larger players within the sector.
- Engage with the various stakeholders for the development of legislation that will lead to ownership of banks by mainly Black, particularly Africans, with adequate inclusion of women. Such legislation should also lead to Black people and women, particularly Africans, being the majority at all levels of management.
- Government and other relevant institutions should support the issuing of licensing and other requirements for new entrants in the sector, provided the needs and interests of the depositors are protected. This should be driven by the need to create the balance between focusing on the need for new entrants, and deracialising the financial sector, while also protecting depositors and policy holders, both these issues are important parts of transformation.
- Support for the DTI proposal that by 2019 state assets must be managed by asset management entities that are at least 51% Black-owned.
- Strong action against bank collusion on the manipulation of currency trading.

- Consider tightening legislation to reduce prospects of collusion among banks.
- Banks and law enforcement agencies must do more to combat Illicit Financial Flows.
- Encouraging foreign investors to invest in initiatives that will promote the entrance of new players.

12.2 NEDLAC Final Report on Transformation of the Financial Sector, March 2019

NEDLAC is a statutory body established through an Act of Parliament in 1994. It is made up of constituencies including, organised labour, business and the community. Its role is to promote consensus among these various constituencies, or social partners, in their discussions of all socio-economic and labour policies including the FS Code.

The NEDLAC Final Report on Transformation of the Financial Sector is a culmination of several interventions by the umbrella body aimed at leading its various constituencies in the acceleration of the pace of transformation.

To a large extent, the Parliamentary public hearings and the subsequent gazetting of the FS Code in December 2017 has infused some urgency in the drive for impactful transformation within the sector.

The NEDLAC transformation workshop in April 2018 became an opportunity to examine both the pace and state of transformation in the sector. The workshop report, released in March 2019, states that while government has put in place legislative measures to create an environment for transformation, there were still some structural impediments. These included:

- Small, Medium and Micro-Enterprises (particularly those owned by Blacks) having limited access to funding, non-financial support and access to markets.
- Market concentration and monopolistic practices and cumbersome licensing defeating the objectives of financial inclusion.
- Financial Institutions not reflecting the country's demographic in levels of broad-based ownership, management and control.
- Continued unequal distribution of wealth and economic instability mostly felt by previously disadvantaged communities.
- The need to improve efforts in the design and implementation of public financial education.

Proposed Solutions

As a way forward towards addressing the prevailing situation and injecting some energy into the pace of transformation, the social partners made commitments following the workshop. The general consensus was that NEDLAC should use its strategic position as a constituency-driven institution to lead from the front in driving the transformation agenda.

Some of the key interventions the social partners committed to include:

- Calling for the revision, and or amendment of relevant legislation aimed at driving transformation within the sector. NEDLAC will use its constituent muscle to campaign for laws that will accelerate the pace of transformation in the critically important financial sector.
- Mobilising and campaigning for the review of Empowerment Financing targets to give more weight to the funding of Black SMMEs as well as rural and township entrepreneurs.
- NEDLAC is also calling for the review of procurement laws such as the Public Finance Management Act, the Preferential Procurement Policy Framework Act and the Municipal Finance Management Act to ensure that they are aligned to broader transformation objectives.
- There is also a call to review the mandate and role of Development Finance Institutions (DFIs) such as Ithala Bank and Postbank. This could include the licensing of the Postbank as a state-owned entity. The social partners are also of the view that the DFIs must be held accountable in reporting on their transformation plans to both the FSTC and the B-BBEE Commission.
- The social partners believe that the FSTC and other relevant regulatory bodies should be empowered to actively drive and monitor the transformation agenda.
- NEDLAC is also of the view that Black-owned SMMEs with the potential to create much-needed jobs must be offered grants, equity funds and loans at preferential rates.

Source: NEDLAC Final Report on Transformation of the Financial Sector, March 2019.

12.3 BEE.conomics. Transformation in South African Asset Management, September 2018

BEE.conomics is an annual survey that assesses the pace of transformation in the asset management sub-sector. The survey is conducted by 27four Investment Managers (Pty) Ltd and its vision is to achieve an inclusive, competitive, sustainable and fair sector which positively contributes to growth and development.

The survey was undertaken through an invitation extended to fund managers that have a minimum of 50% Black ownership and control, 50% Black representation at Board level and 50% Black individuals in senior fund management positions.

Invited managers were requested to complete an online questionnaire based on in-depth industry research conducted by the 27four investment team. *Participation was voluntary, and all the information presented in the survey was as at 30 June 2018. A total of 48 managers met the criteria for participation.

Summary of findings

R8.7 trillion	Size of the savings and investments industry in South Africa
R5 trillion	Size of industry assets available for management by private sector asset managers.
R490.3 billion	Total industry assets managed by Black asset managers.
10%	Of assets available for management by private sector asset managers are managed by Black firms.
1%	Of the unit trust industry is managed by Black firms - 72 out of 1 584-unit trusts
10	Firms manage 84% of the R490.3 billion.
1	Firm manages 30% of the R490.3 billion
243%	Growth in the number of Black Asset Managers since 2009 – 14 in 2009 to 48 in 2018
52%	Of firms are classified as EMEs, 35% as QSFIs and 13% as Generic.
48%	Of firms are more than 90% Black-owned and 19% are more than 50% Black women-owned
63%	Of firms are profitable and 33% delivered 3 consecutive years of NPAT

54%	Of firms applied the 2017 Amended FS Code.
100%	Of firms are currently compliant
69%	Of firms believe that the current B-BBEE targets in the FS Code are at the right level.
85%	Of firms think that appropriate targets should be set in the FS Code for asset managers and asset consultants.
85%	Of firms support the view that the B-BBEE scorecard for retirement funds become compulsory.
69%	Of firms think that sponsored umbrella funds limit the inclusion of Black-owned asset manager products.
96%	Of firms have either a Level 1 or 2 empowerment contributor status – up from 8 in 2014 to 26 in 2018
17%	Of firms believe that the FSTC has been effective in monitoring and reporting B-BBEE compliance
81%	Of firms believe that government does not give concerted attention to reducing the high levels of concentration in the financial sector.
85%	Of firms support the DTI’s proposal that by 2019 state assets must be managed by asset management entities that are at least 51% Black-owned.
77%	Of firms believe that some regulations have the unintended effect of increasing the barriers to entry and impede the growth of emerging Black enterprises within the financial sector.

Source: BEEconomics Transformation in South African Asset Management September 2018 – 27four.

12.4 2018 Most Empowered Companies Survey

The Most Empowered Companies research project was launched by Intellidex and Empowerdex in partnership with Business Report in 2013. The purpose of the research is to compile a B-BBEE ranking report on the state of transformation of JSE listed entities.

The research focuses on ranking the overall B-BBEE scores and sector analysis based on the applicable Sector Codes as well as editorial analysis. For the purpose of the FSTC State of Transformation Annual Report, the focus is only on the financial sector.

Companies are ranked in terms of their empowerment contributor levels and performance per element on the scorecard based on verified B-BBEE certificates. The research is interpreted by the team of analysts and financial journalists at Intellidex.

The scope of participants in this survey includes all the companies listed on the JSE and AltX that voluntarily participated, but excludes the venture capital and development boards. Exempt Micro Enterprises are also excluded from the ranking.

The Most Empowered Companies 2018 includes a total of 20 companies in the financial sector although 36 are listed on the JSE. The participating entities are divided as follows:

- 8 companies based on the old FS Code.
- 12 companies based on the Amended FS Code.

Source: JSE.

Old FS Code

Rank 2018	Entity Name	Total BEE Score	Rebased Score* (%)	Total Number of points on Scorecard	Recognition level	Ownership	Management and Control	Employment Equity	Skills Development	Preferential Procurement	Enterprise Development	Socio-economic Development	Finance	
													Empowerment Financing	Access to Financial Services
1	FirstRand Ltd	95.09	95.09	100.00	2	16.85	6.42	11.05	9.10	16.00	5.00	3.00	15.00	12.67
2	Discovery Ltd	82.44	82.44	100.00	3	14.99	2.32	9.81	9.32	16.00	5.00	3.00	12.00	10.00
3	Coronation Fund Managers Ltd	66.81	80.49	83.00	3	14.47	8.00	11.31	5.37	13.75	8.91	3.00		2.00
4	Clientele Ltd	75.37	79.34	95.00	3	8.51	5.33	11.48	7.81	16.00	15.00	2.04		9.20
5	Sasfin Holdings Ltd	61.23	75.59	81.00	4	10.67	3.61	11.12	4.83	16.00	12.00	3.00		
6	Brimstone Investment Corporation Ltd	53.59	66.16	81.00	4	15.15	9.74	12.00	0.00	14.63	0.00	2.07		
7	Sygnia Ltd	51.69	63.81	81.00	5	3.15	3.67	9.65	3.31	14.65	15.00	2.26		
	Zeder Investments Ltd	19.70	23.73	83.00	NC	8.77	2.93	6.64	0.00	1.28	0.07	0.01		

* Scores rebased to 100%, for example, the construction sector scores are out of 105 and financial services are variable, so were rebased to 100

Amended FS Code

Rank 2018	Entity Name	Total BEE Score	Rebased Score*	Total Number of Points on Scorecard	Recognition Level	Ownership	Management Control	Skills Development	Preferential Procurement	Enterprise and Supplier Development	Socio-economic Development	Empowerment Financing (and ESD in FSC)	Access to Finance Services
1	Standard Bank Group Ltd	113.68	94.73	120	1	23.78	12.77	18.31	17.49		5.18	24.51	11.64
2	Investec Ltd	99.57	92.19	108	1	20.23	10.97	20.48	13.74		8	26.15	
3	Nedbank Ltd	109.97	91.64	120	2	23	14.90	12.75	15.00		6	27.00	11.32
4	Sanlam Ltd	107.44	89.53	120	2	23.73	11.93	16.63	17.36	6.70	4.59	15.00	11.50
5	Liberty Group Ltd	107.13	89.28	120	2	24.25	14.37	10.44	14.14		5.05	27	11.88
6	Santam Ltd	101.62	88.37	115	2	23.54	9.82	16.45	19.87	17.00	6	N/A	8.94
7	Assurance Company (South Africa)	105.70	88.08	120	2	21.62	13.18	13.94	15.73	12.00	4.23	15	10
8	Barclays Africa Group	105.52	87.93	120	2	17.67	12.78	15.52	14.52		7.76	27	10.27
9	MMI Holdings Ltd	100.81	84.01	120	3	19.50	12.52	9.92	17.00	12.90	6	14.82	8.15
10	Alexander Forbes Group Holdings Ltd	96.42	83.84	115	3	27.01	13.15	9.51		28.89	6.66	N/A	11.20
11	JSE Ltd	77.98	75.71	103	4	15	14.73	8.33	19.92	12.00	8	N/A	
12	Capitec Bank Ltd	78.04	65.03	120	6	16.54	8.09	11.27	9.90	5.84	3	12	11.40

Source: The Most Empowered Companies 2018.



CONCLUSION

SECTION



13 Conclusion

The theme of the 2017/18 Financial Sector State of Transformation Report is Moving Beyond the Scorecard. In addition to presenting results of transformation performance by banks, long-term and short-term insurers, asset managers and other financial institutions, the report unpacks the details behind the B-BBEE scorecards.

It is a concern that the response rate in terms of submission of annual B-BBEE reports to the FSTC remains low. Based on these submissions, the financial sector underperformed across all of the elements of the FS Code, with the exception of a few indicators. The sector failed to reach its transformation targets during the period under review between 1 December 2017 and 30 November 2018.

The low number of submissions hampers the prospect of providing a comprehensive sector performance review. Despite this limitation, the annual report provides a level of balanced reporting at sub-sector level. The quantitative analysis reported at two levels, B-BBEE compliance and in-depth analysis, and provides a good sense of transformation performance against targets.

The adoption of the new reporting methodology and the gazetting of the Amended FS Code negated the opportunity to provide a trend analysis in this report. However, this approach will serve as the basis for future reporting and trend analysis, and will enable the Council to move beyond the scorecard and provide insight on the true state of transformation in the sector. It will also serve as a reliable basis to inform periodic reviews of the FS Code, as required by legislation.

The findings indicate that at the qualitative level, some transformation is taking place in the sector. This assertion is supported by the engagements with industry associations and professionals, where it was stated that, while there are some pockets of excellence, the pace of transformation needs to accelerate. These engagements also indicate that the sector in general, and its sub-sectors, acknowledge the shortcomings, and are committed to attaining their transformation goals.

The FSTC has revised and broadened its mandate to play a more meaningful and active role going forward. The Council will provide strategic guidance to facilitate and encourage the sector to achieve its goals, promoting transformation and economic inclusivity and contributing to sustainable economic growth.



APPENDICES

SECTION N

- 1** Entities that Reported as a Group
- 2** Entities that Submitted Complete Reports
- 3** Entities that Submitted Certificates and Scorecards Only
- 4** Entities That Did Not Submit Reports - 1
- 5** Entities That Did Not Submit Reports - 2



Appendix 1 - Entities that Reported as a Group		
Group	Subsidiaries	Associated Industries
ABSA Group Limited (Barclays)	19	Asset management, banking, stockbroking, long-term insurance, FSP
Allan Gray	4	Asset Management, FSP
Bidvest Group Limited	20	Short-term insurance, banking, FSP
Citigroup	2	Banking
Clientele Life Assurance Company Ltd	4	Long-term, short-term insurance, FSP
Coronation Fund Managers Ltd	3	Asset Management, long-term insurance
Deutsche Bank AG – Johannesburg branch	4	Banking
Finbond Group Limited	2	Banking, FSP
FirstRand Limited	11	Banking, asset management, FSP
J.P. Morgan	3	Banking, FSP
Liberty Holdings Limited	15	Long-term insurance, investment holding, banking, FSP
NedbankGroup	11	Banking, long-term insurance
Old Mutual Investment Group Holdings (Pty) Ltd	66	Asset Management, long-term, short-term insurance, FSP
OUTsurance Holdings Ltd	4	Long-term, short-term insurance, assetmanagement
PrescientHoldings(Pty) Ltd	7	Asset management, FSP
Professional Provident Society Holdings Trust	3	Long-term, short-term insurance, asset management
PSGKonsultLtd	24	Asset management, long-term, short-term insurance
Sanlam Limited	163	Long-term Insurance, FSP, assetmanagement
Telesure Investment Holdings (Pty) Ltd.	6	Long-term short-term insurance, asset, management
The Standard Bank of SA Ltd	8	Banking, asset management, short-term insurance, FSP
Vodacom	6	Short-term insurance, FSP

Appendix 2- Entities that Submitted Complete Reports*	
Absa Bank Ltd	Kuda Holdings (Pty) Ltd
African Bank Ltd	Land and Agricultural Development Bank of South Africa
AIG South Africa Ltd	Legal Expense Insurance Southern Africa Ltd
Albaraka Bank Ltd	Liberty Holdings Ltd
Allan Gray Proprietary Ltd	Lombard Insurance Company Ltd
Allianz Global Corporate & Specialty SA Ltd	Marsh (Pty) Ltd
Aragon Asset Management (Pty) Ltd	Mercantile Bank Ltd
Assupol Life Ltd	Mergence Investment Managers (Pty) Ltd
Avbob Mutual Assurance Society	MMI Holdings Ltd
Awethu Project Capital (Pty) Ltd	Money line Financial Services (Pty) Ltd
Bayport Financial Services (Pty) Ltd	Munich Reinsurance Company of Africa Ltd
Benguela Global Fund Managers (Pty) Ltd	Nala Empowerment Investment Company (Pty) Ltd
Bidvest Group Ltd	Nedbank Group Ltd
BMW Financial Services South Africa (Pty) Ltd	Nest-life Assurance Corporation Ltd
Bopa Moruo Private Equity Fund 1(RF) (Pty) Ltd	Old Mutual Investment Group Holdings (Pty) Ltd
Bridge Fund Managers (Pty) Ltd	One Capital (Pty) Ltd
Capitec Bank Ltd	OUTsurance Holdings Ltd
Citadel Holdings (Pty)Ltd	Peregrine Holdings (Pty) Ltd
Citi Bank South Africa	Prescient Fund Services
Clientele Ltd	Prescient Holdings (Pty) Ltd
Coronation Life Assurance Company Ltd	Prescient Securities (Pty) Ltd
Curo Fund Services (Pty) Ltd	Professional Provident Society Insurance Coy Ltd
Deutsche Bank Ag-South Africa Operations	Prudential Asset Managers
Discovery Limited	PSG Employee Benefits Ltd
Ethos Mid Market Fund	PSG Konsult Ltd
Ethos Private Equity (Pty)Ltd	RECM and Calibra Ltd
Europ Assistance Worldwide Services (SA) (Pty) Ltd	Sanlam Ltd
EVO Business Services (Pty)Ltd	Sanne Fund Services SA (Pty) Ltd
Federated Employers Mutual Assurance Co. (RF) (Pty) Ltd	Santam Ltd
Finbond Group Ltd	Sasfin Asset Managers (Pty) Ltd
Finchoice Africa Ltd	Smart Life Insurance Company Ltd
First Rand Ltd	South Africa Bankers Services Co. (Pty) Ltd
Foord Asset Management (Pty) Ltd	Standard Bank of South Africa Ltd
Futuregrowth Asset Management (Pty) Ltd	Standard Chartered-Johannesburg Branch
General Reinsurance Africa Ltd	Standard General Insurance Co. Ltd t/a Stangen
Grindrod Bank Ltd	State Bank of India (Johannesburg branch)
HDI Global Sa Ltd	Sygnia Asset Management (Pty) Ltd
HSBC Bank Plc- Johannesburg	Telesure Investment Holdings (Pty) Ltd
Indwe Risk Services (Pty)Ltd	TransUnion Credit Bureau (Pty) Ltd
Infiniti Insurance Ltd	Trialpha Investment Management (Pty) Ltd
Investec Ltd	Trinitas Private Equity (Pty) Ltd
IP Management Company (RF)(Pty) Ltd	Vantage Capital Fund Management (Pty) Ltd
JP Morgan South Africa	Vunani Ltd and Subsidiaries
Just Retirement Life South Africa Ltd	
Kagiso Asset Management (Pty) Ltd	
QSFIs	
Cadient Partners Consultants and Actuaries	JLT Employee Benefits
Lereko Matier Capital Growth Fund Managers	Trinitas Private Equity

*A complete report includes a verified B-BBEE certificate, a scorecard and the underlying detailed data.

Appendix 3 - Entities that Submitted Certificates and Scorecards Only

27four Investment Managers (Pty) Ltd	Kunene Bros. Holdings (Pty) Ltd
ABAX Investment (Pty) Ltd	Land and Agricultural Development Bank of South Africa
Absa Bank Limited	Lateral Unison Insurance Brokers (Pty) Ltd
African Bank Limited	Legal Expense Insurance Southern Africa Ltd
AIG South Africa Ltd	Lereko Metier Capital Growth Fund Managers (Pty) Ltd
Albaraka Bank Limited	Liberty Holdings Ltd
Alexander Forbes Group Holding Limited	Lion of Africa Insurance Company Ltd
Allan Gray Proprietary Limited	Lombard Insurance Company Ltd
Allianz Global Corporate & Specialty SA Ltd	Macquarie Holdings South Africa (Pty) Ltd
Aluwani Capital Partners (Pty) Ltd	Maitland Group South Africa Ltd
Amanda Investment Management (Pty) Ltd	Marsh (Pty) Ltd
Aragon Asset Management (Pty) Ltd	Matrix Fund Managers (Pty) Ltd
Assupol Life Limited	Mazi Asset Management (Pty) Ltd
Automated Outsourcing Services (Pty) Ltd	Mazi Macquarie Securities (RF)(Pty) Ltd
Avbob Mutual Assurance Society	Mercantile Bank Ltd
Avior Capital Markets Holdings Limited	Mercedes Benz Financial Services SA (Pty) Ltd
Bank of China Limited	Mergence Investment Managers (Pty) Ltd
Barko Financial Services (Pty) Ltd	MMI Holdings Ltd
Bayport Financial Services (Pty) Ltd	Money line Financial Services (Pty) Ltd
Bidvest Group Limited	Motus- Imperial Holdings Ltd
BMW Financial Services South Africa (Pty) Ltd	Munich Reinsurance Company of Africa Ltd
BnP Paribas Johannesburg	NBC Holdings (Pty) Ltd
Bridge Fund Managers (Pty) Ltd	Nedbank Group Ltd
Bryte Insurance Company Limited	Nest-life Assurance Corporation Ltd
Cadian Partners Consultants and Actuaries no1 (Pty) Ltd	NMG Consultants & Actuaries (Pty) Ltd
Capitec Bank Limited	Novare Holdings (Pty) Ltd
Carlyle South Africa Advisors (Pty) Ltd	Nvest Financial Holdings Limited
China Construction Bank Johannesburg Branch	Oasis Controlling company (Pty) Ltd
Citadel Holdings (Pty) Ltd	Old Mutual Investment Group Holdings (Pty) Ltd
Citi Bank South Africa	One Capital (Pty) Ltd
Clientele Limited	OUTsurance Holdings Ltd
Coface South Africa Insurance Company Ltd	OUTsurance Life Insurance Company Ltd
Colourefield Liability Solutions	Peregrine Holdings (Pty) Ltd
Credit Guarantee Insurance Corporation of Africa Ltd	Prescient Fund Services
Curo Fund Services (Pty) Ltd	Prescient Holdings (Pty) Ltd
Denker Capital (Pty) Ltd	Prescient Securities (Pty) Ltd
Deutsche Bank Ag-South Africa Operations	Professional Provident Society Insurance Co. Ltd
Discovery Limited	Prudential Asset Managers
Edge Capital (Pty) Ltd	PSG Employee Benefits Ltd
EOH Holding Limited and Subsidiaries	PSG Konsult Ltd
Ethos Private Equity (Pty) Ltd	Public Investment Corporation SOC Ltd
Europ Assistance Worldwide Services (SA) (Pty) Ltd	Rand Mutual Assurance Company Ltd
EVO Business Services (Pty) Ltd	RECM and Calibra Ltd
Export Credit Insurance Corporation of SA SOC Ltd	Rezco Collective Investments Ltd
Fairheads Benefit Services (Pty) Ltd	Royal Union (Pty) Ltd
Fairtree Capital (Pty) Ltd	SA Taxi Finance Holdings (Pty) Ltd
Federated Employers Mutual Assurance Co. (RF)(Pty) Ltd	Safire Insurance Company Limited
Fevertree Finance (Pty) Ltd	SAHL Investment Holdings (Pty) Ltd
Finbond Group Limited	Sanlam Limited
Finchoice Africa Ltd	Sanne Fund Services SA (Pty) Ltd
Finglobal Migration (Pty) Ltd	Santam Limited
First Rand Limited	Sasfin Asset Managers (Pty) Ltd
Foord Asset Management (Pty) Ltd	Sasria Soc Limited
Futuregrowth Asset Management (Pty) Ltd	Scancor Financial Services (Pty)Ltd t/a Scafin
GAIA Infrastructure Capital Limited	Sesfikile Capital (Pty) Ltd
General Reinsurance Africa Limited	Smart Life Insurance Company Ltd
Generic Insurance Company Limited	Societe General-JHB Branch



Get Bucks (Pty) Ltd	South Africa Bankers Services Company (P t y) L t d
GIB Insurance Brokers (Pty) Ltd	South African Bank of Athens L t d
Grindrod Bank Limited	Spectrifin Capital (Pty) Ltd
Hannover Reinsurance Group Africa (P t y) L t d	Standard Bank of South Africa Limited
Hatfield Holdings (Pty) Ltd	Standard Chartered-Johannesburg Branch
HBZ Bank Limited	Standard General Insurance Co. Ltd t/a Stangen
HDI Global Sa Ltd	Stanlib Limited
Hollard Insure	State Bank of India (Johannesburg branch)
Hollard Life	Swiss Re Life and Health Africa Ltd
Hollard Life Consolidation	Switch X (Pty) Ltd
Hollard Short-Term Consolidation	Sygnia Asset Management (Pty) Ltd
Hollard Specialist Insure t/a Regent Insure	Tantalum Capital (Pty) Ltd
Hollard Specialist Life t/a Regent Life	Taquanta Investment Holdings (Pty) Ltd
HSBC Bank Plc- Johannesburg	Telesure Investment Holdings (Pty) Ltd
IEMAS Financial Services (Co-operative) Ltd	Tenacity Financial Services (Pty) Ltd
Indwe Risk Services (Pty) Ltd	TFG Ltd
Infiniti Insurance Ltd	Thomson Reuter (Market) SA
Investec Limited	Tigiza Holdings (Pty) Ltd
IUA Business Solutions (Pty) Ltd	Towers Watson (Pty) Ltd
JLT Employee Benefits SA (Pty) Ltd	TransUnion Credit Bureau (Pty) Ltd
JP Morgan South Africa	Trialpha Investment Management (Pty) Ltd
JSE Ltd	Trinitas Private Equity (Pty) Ltd
Just Retirement Life South Africa Ltd	Truffle Asset Management (Pty) Ltd
Kagiso Asset Management (Pty) Ltd	UBS South Africa (Pty) Ltd
King Price Insurance Limited	Vodacom SA
Kohlers Garage (Pty) Ltd	Wills South Africa (Pty) Ltd
Kuda Holdings (Pty) Ltd	

Appendix 4 – Entities that Did Not Submit Reports in terms of FS000, Statement 000*	
Abacus Life Limited	Itransact Fund Managers (RF) (Pty)Ltd
Aconcagua 14 Investments (RF) (Pty) Ltd	KGA Lewens Beperk
Actis Africa Limited	Khula Credit Guarantee (SOC)Limited
Administration Plus (Pty) Ltd	Lireas Holdings (Pty) Ltd
Affinity Underwriting Managers (Pty) Ltd	Maestro Investment Management (Pty)Ltd
African Phoenix Investment Ltd	Mavuso Capital (Pty)Ltd
African Unity Life Limited	MSM Property Fund (Pty)Ltd
Agre Insurance Company Ltd	Mvunonala Asset Mangers (Pty)Ltd
Amity Wealth (Pty) Ltd	Nautilus Managed Account Platform RF (Pty) Ltd
Arabest 213 (Pty) Ltd	New National Assurance Company Limited
ATA Capital (Pty)Ltd	NewFunds (Pty)Ltd
Bank of Taiwan South Africa Branch	NMS Insurance Services (SA)Limited
Blue Bond Investment Ltd	Nzalo Insurance Services Limited
Bophelo Life Insurance Limited	Ora Fund Managers (Pty)Ltd
Boutique Collective Investments (RF) (Pty)Ltd	Orange Insurance Limited
Cloud Atlas (RF) (Pty)Ltd	Personal Trust International Management Co. (Pty) Ltd
Community Growth Management Company Ltd	Prescient Life Limited
Community Life Insurance Company Limited	Prime Collective Investment Scheme (RF) (Pty) Ltd
Compass Insurance Company Ltd	Realfin Collective Investments Schemes (RF) (Pty)Ltd
Constantia Insurance Company Limited	Renasa Insurance Company Limited
Contrarius ICAV	Riscura Holdings SA
Delerus (Pty) Ltd	Rowlin National Brokers (Pty) Ltd
Densecure SOC Limited	SA Corporate Real Estate Fund Managers Ltd
Effectus Capital Management (Pty)Ltd	SA Mirco Insurance Ltd
Emerald Insurance Company Ltd	Sands Capital Funds Public Limited Company
Emeritus Reinsurance Company SA Ltd	Satori Investments (Pty)Ltd
Emperors Asset Management (Pty) Ltd	Schroder International Selection Fund
Enpet Africa Insurance Ltd	schroder Isf global equity alpha
Euroguard Insurance Managers Limited	Scor Africa Ltd
Fedgroup Life Limited	Seriti Asset Management (Pty) Ltd
FFS Finance SA (Pty) Ltd	Stabilitas Deelnemingsverband-skema (Edms)Bpk
Financial Partners Limited	Sunderland Marine (Africa)Limited
Foster Wealth Management (Pty) Ltd	Sycom Property Fund Managers Ltd
Franklin Templeton Investment SA (Pty) Ltd	Third Circle Asset Management (Pty)Ltd
GBS Mutual Bank	Trinity Global Fund
Global Independent Administrators (Pty)Ltd	Ubank Limited
H4 Collective Investments (RF) (PTY)Ltd	Unitrans Insurance Limited
Heritage Capital (Pty)Ltd	Viva Life Insurance Limited
Home Obligors Mortgage Enhanced Securities (RF) Ltd	Workers Life Assurance Company Limited
Icici Bank Limited	Workers Life Insurance Ltd
Investment Solutions Unit Trust Ltd	YDT Group
iShare II Public Ltd Company	

*FS000, Statement 000, Paragraph 8.5 states: Each financial institution must report annually to the Council on its progress implementing the provisions of this Amended FSC. The Charter Council reserves the right to name institutions that do not submit reports. In addition, all aforementioned affected entities not submitting the most recently required report to the Council, will automatically be discounted by one level down in the next rating that follows the non-submission.

Appendix 5 - Entities that Did Not Submit Reports in terms of CoGP Schedule 1*	
AECI Defined Contribution Pension Fund	NBC Umbrella Retirement Fund
AECI Employees Pension Fund	Nestle Defined Benefit Pension Fund
Altron Group Pension Fund	Netcare 1999 Provident Fund
ArcelorMittal South Africa Pension Fund	NMG Umbrella Smartfund (Provident Section)
Auto Workers Provident Fund	North-West University Pension Fund
Bidvest South Africa Pension Fund	Pensioenfonds Van Die Universiteit Van Die Vrystaat
Cape Joint Municipal	Phumula Retirement Fund
Chemical Industries National Provident Fund	Pick N Pay Contributory Provident Fund
City of Johannesburg Pension Fund	Political Office-Bearers Pension Fund
Consolidated Fund for Local Government	Post Office
CSIR Pension Fund	PRASA Provident Fund
De Beers Pension Fund	Private Security Sector Provident Fund
Denel Retirement Fund	Rand Water Provident Fund
Durban Pension Fund	Retail Provident Fund
EDCON Provident Fund	Retirement-On-Line Pension Fund
EJOBURG Retirement Fund	Retirement-On-Line Retirement Fund
Engen Pension Fund	SAB Provident Fund
Eskom Pension and Provident Fund	SABC Pension Fund
FNB Pension Fund	SACCAWU National Provident Fund
Fundsatwork Umbrella Pension Fund	Sanlam Staff Umbrella Pension Fund
Fundsatwork Umbrella Provident Fund	Sanlam Umbrella Pension Fund
Germiston Municipal Retirement Fund	Sasol Pension Fund
Glencore Provident Fund	Sentinel Retirement Funds
Government Employee Pension Fund	South African Local Authorities Pension Fund
Impala Workers Provident Fund	South African Reserve Bank Retirement Fund
Imperial Group Provident Fund	Standard Bank Group Retirement Funds
Implats Pension Fund	Sun International Provident Fund
Independent Schools Ass. of Southern Africa Pension Scheme	Telkom Retirement Fund
Investec Group Provident Fund	TFG Retirement Fund
Iscor Employees Umbrella Provident Fund	The Consolidated Retirement Fund for Local Govt.
Joint Municipal Pension Fund	The M Retirement Fund
La Retirement Fund	The Soweto City Council Pension Fund
Liberty Provident Fund	The Transport Sector Retirement Fund
Life Healthcare Provident Fund	Tongaat Hulett Pension Fund 2010
Masakhane Provident Fund (1998)	Toyota South Africa Pension Fund
Massmart Provident Fund	Transnet
Media24 Retirement Fund	Tshwane Municipal Pension Fund
Mediclinic Retirement Fund	Tshwane Municipal Provident Fund
Metal & Engineering Industries	Unilever SA Pension Fund
Mineworkers Provident Fund	Universiteit Van Stellenbosch Aftrede Fonds
Mondi Mpact Group Fund Provident Section	University of Cape Town Retirement Fund
Motor Industry Provident Fund	University of Kwazulu-Natal Retirement Fund
Municipal Councillors Pension Fund	University of Pretoria Pension Fund
Municipal Employees Pension Fund	University of Pretoria Provident Fund
Municipal Gratuity Fund	University of South Africa Retirement Fund
Municipal Gratuity Fund	University of the Witwatersrand Retirement Fund
Municipal Workers' Retirement Fund	Vodacom Group Pension Fund
Natal Joint Municipal	VWSA Pension Fund
National Fund for Municipal Workers	Woolworths Group Retirement Fund
National Tertiary Retirement Fund	

*Schedule 1- Voluntary Dispensation for Top 100 Retirement Funds including Umbrella Funds

