



## Intentionality Beyond Tick Boxes: How meaningful is the transformation agenda?

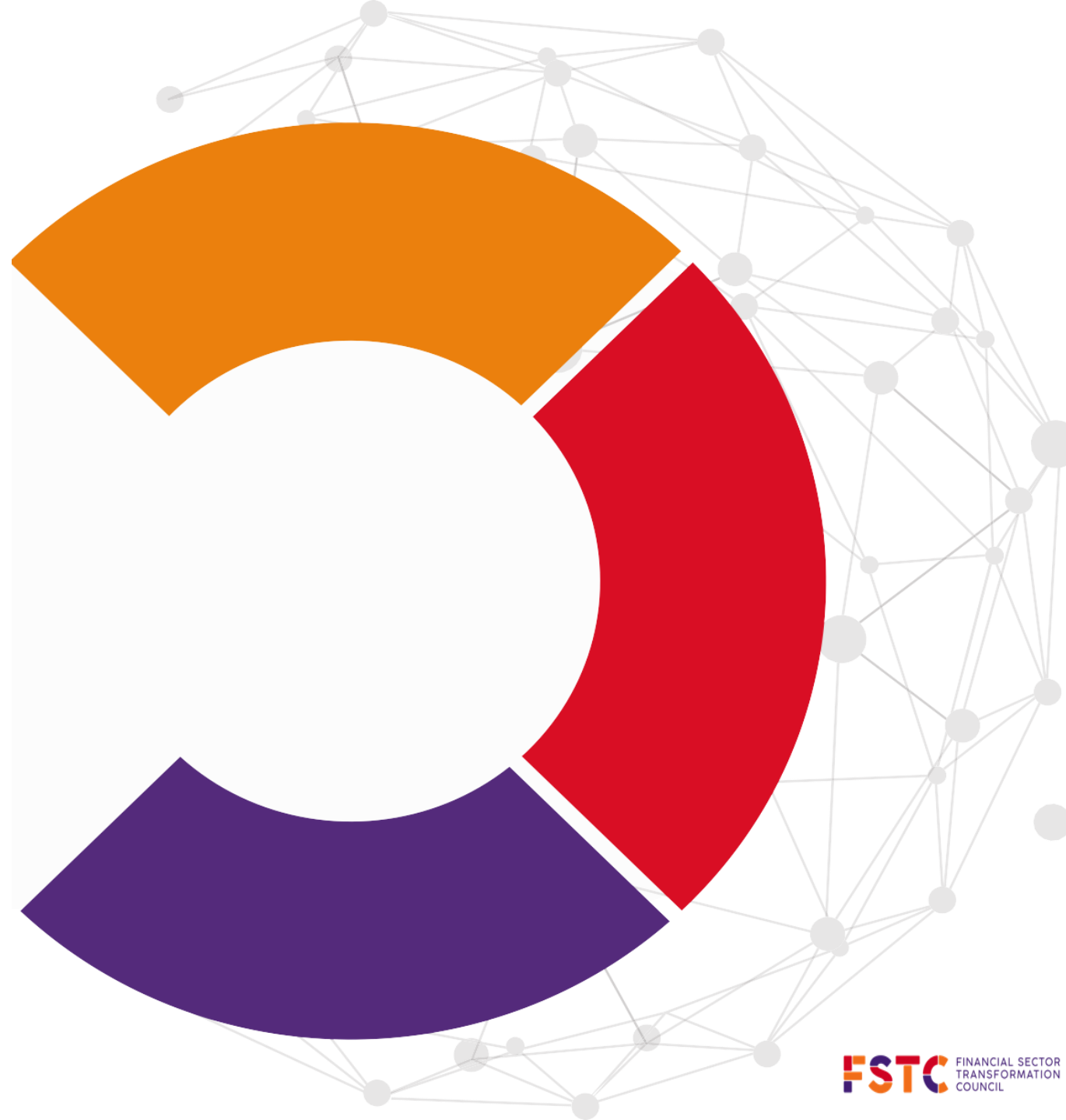
14 SEPTEMBER 2023

2020/21

STATE OF  
**TRANSFORMATION**  
ANNUAL  
REPORT

# OUTLINE

- **Introduction**
- **Data, Methodology and Approach**
- **Key findings – sector's performance**
- **Limitations**
- **Conclusion and Recommendation**



# INTRODUCTION



## About the 2020/21 report:

- The State of Transformational Annual Report (SoTAR) serves as the sector's transformational barometers and to date it remains the most critical deliverable of the FSTC in the context of the measurement of transformation within the B-BBEE Framework.
- The purpose of the report is to profile the sector's progress, challenges and opportunities under the pillars of the respective elements as contained in the FS Code
- The FSTC's intention under the identified theme is to foster meaningful discourse on the importance of the B-BBEE Act and the FS Code for economic and social redress.



# DATA, METHODOLOGY AND APPROACH

- Data collection and analysis was based on the progress of financial institutions in implementing the provisions of the Amended FS Code with measured entities submitting their reports in line with the financial year-ends that fall between 01 December 2020 and 30 November 2021.
- The approved approach is on the basis of the FSTC reporting framework, anchored by Section 5.3.4. of the B-BBEE Act and in this regard, the 2020/2021 methodology adopted a mixed method approach premised on quantitative and qualitative data analysis through the submission of:
  - B-BBEE Certificates,
  - B-BBEE Scorecards;
  - Sworn Affidavits,
  - Detailed data summary; and
  - CEO's Surveys

CON'D

The top financial institutions per sub-sector were ranked against the backdrop that certain industries are dominated by only a few big financial institutions and was considered through leveraging on reputable rating agencies and research institutions renowned for their expertise in characterising industry or sector performance, which are:

- **The KPMG South Africa Insurance Survey (Short-term Insurers & Life Offices),**
- **The PWC Report (Banking Sector), and**
- **The Alexander Forbes Manager watch Survey (Asset Managers).**

Top 6 Banks

Top 4 Life  
Offices

Top 4 Short-  
term Insurers

Top 8 Asset  
Managers

# DATA SUBMISSIONS

Measured entities across all sub-sectors submitted documents in response to the requirements of the FSTC reporting framework as well as Section 10(4) of the Broad-Based Black Economic Empowerment Act 46 of 2013 for the 2020/21 reporting period

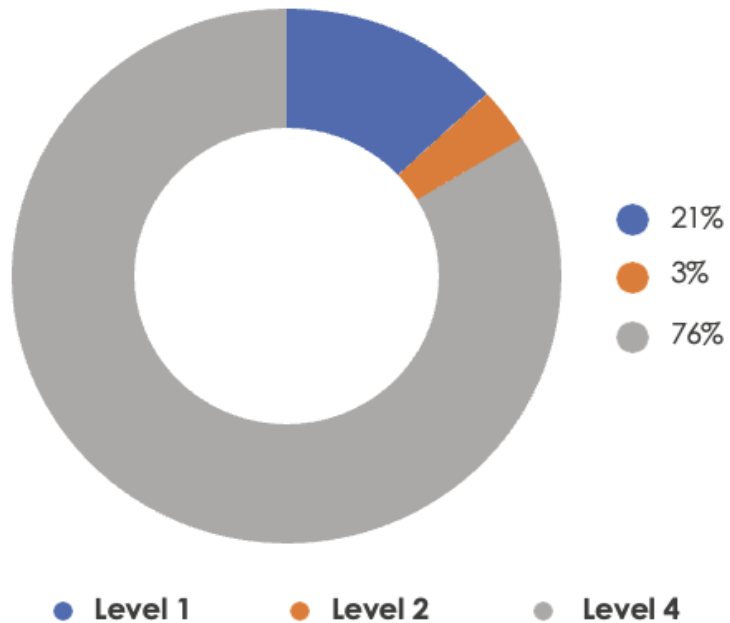


	2019/20 submissions	2020/21 submissions	As a % of the submission variances
Generic	230	201	↓ 13%
QSFIs	122	108	↓ 11%
EMEs	1393	1348	↓ 3%
<b>Total</b>	<b>1745</b>	<b>1657</b>	<b>↓ 5%</b>

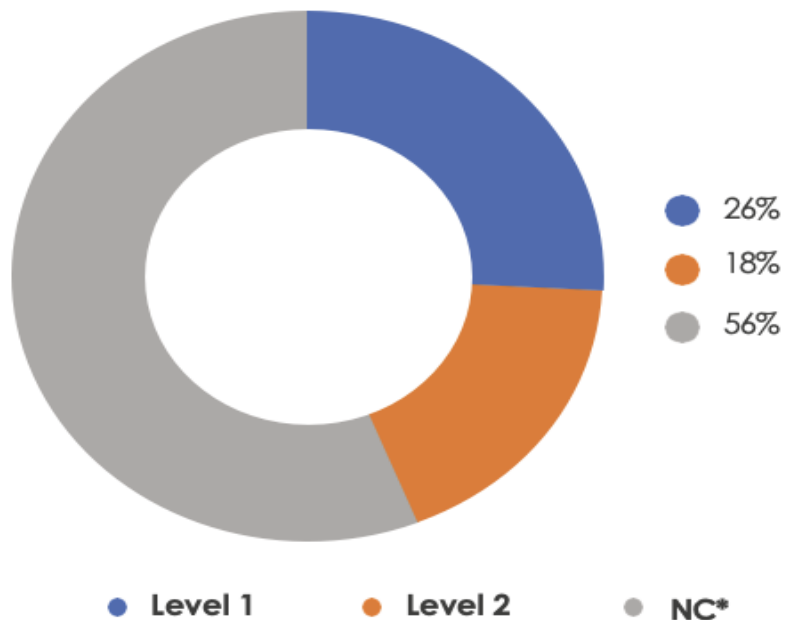
<b>Sub-sector</b>	<b>2019/20</b>	<b>2020/21</b>
Banks	21	22
Life Offices	24	15
Short-term Insurers	24	19
Asset Managers	46	43
Other Institutions	97	81
Specialised Enterprises	8	8
Retirement Funds	10	13
<b>Total</b>	<b>230</b>	<b>201</b>

# SUBMISSIONS BY GENERIC ENTITIES

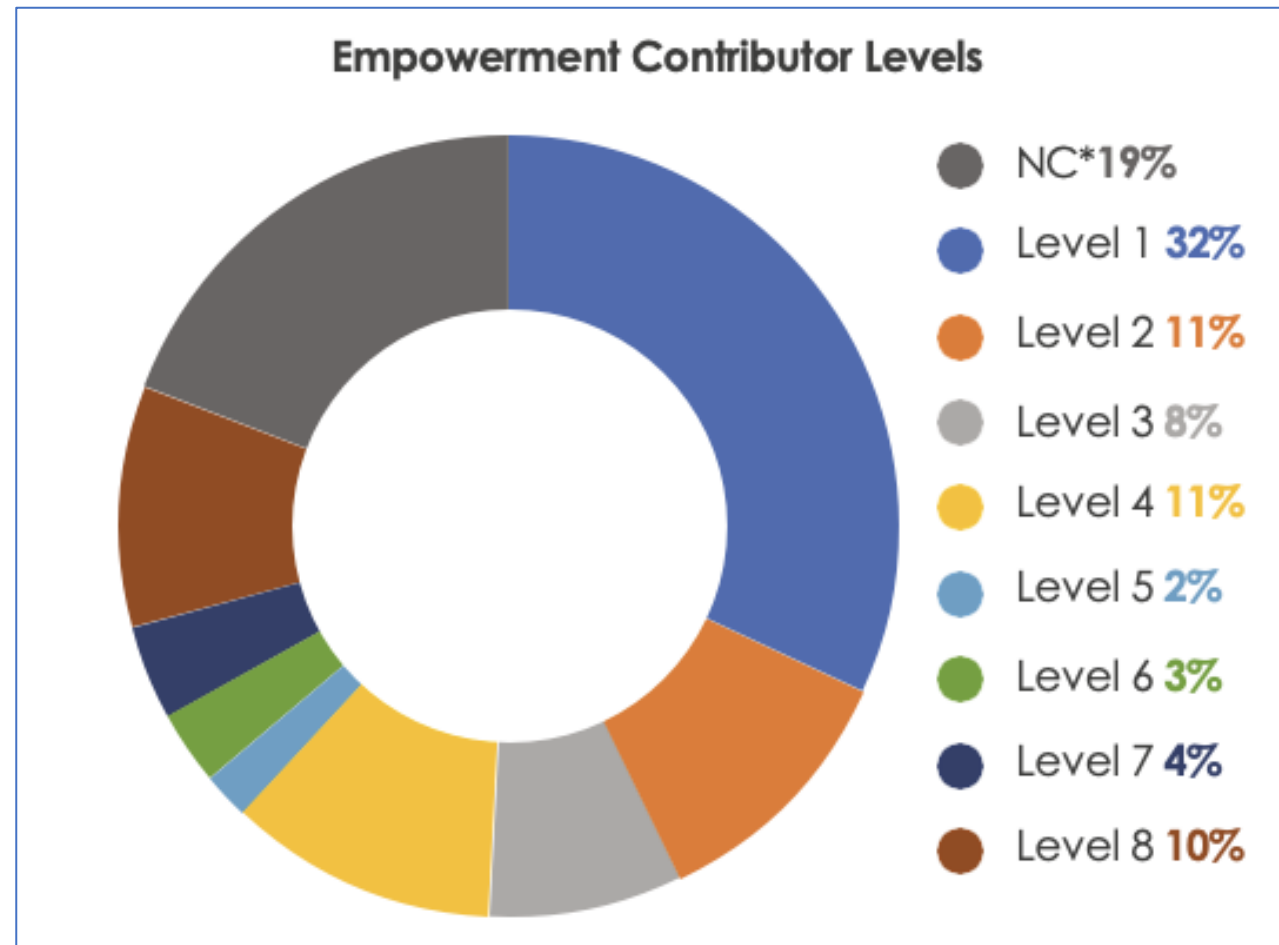
**B-BBEE Contributor Level-EMEs**



**B-BBEE Contributor Level-QFSIs**



**B-BBEE Contributor Level-Generics**



The FS Code measures the financial institutions' transformation progress on its overall score achieved for each scorecard element and grades it into compliance level categories in line with the nine (9) recognised empowerment levels, with level one (1) being the highest level of compliance while level nine (9) represents non-compliance.





# INSIGHTS AND HIGHLIGHTS: ELEMENT ANALYSIS

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# HIGHLIGHTS ON ELEMENT PERFORMANCE

## AVERAGE OWNERSHIP PERFORMANCE – EXERCISABLE VOTING RIGHTS



## AVERAGE MANAGEMENT CONTROL



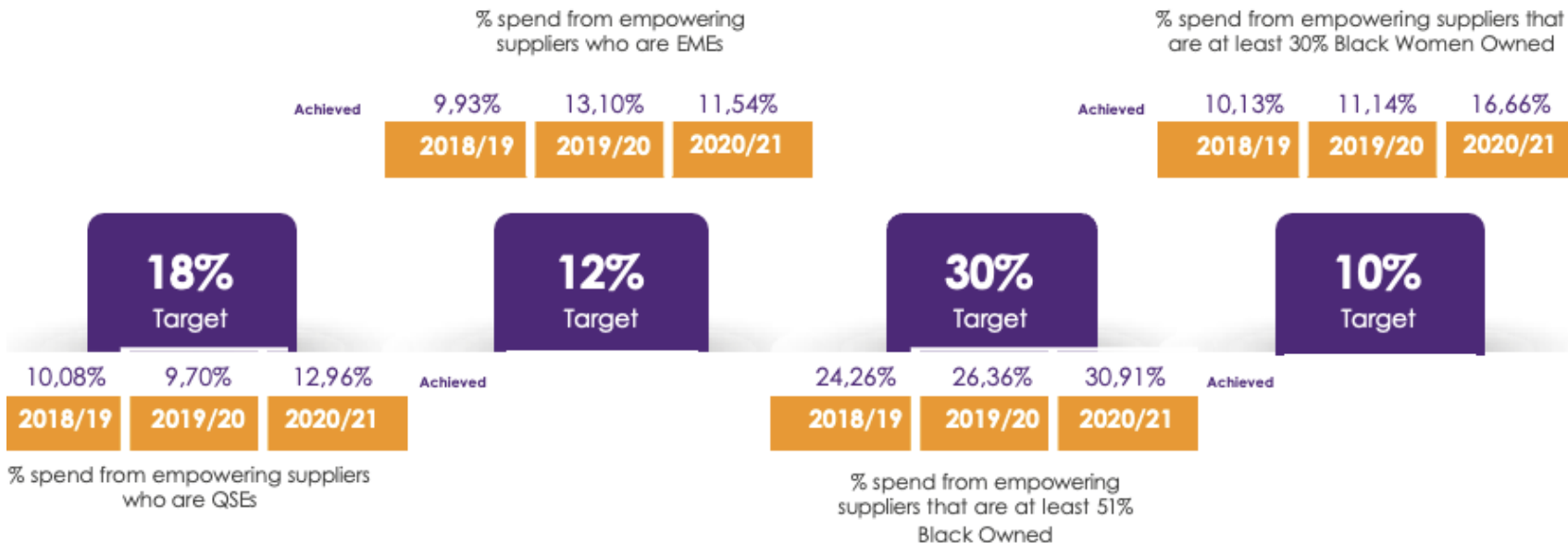
## % OF BLACK EMPLOYEES IN MANAGEMENT



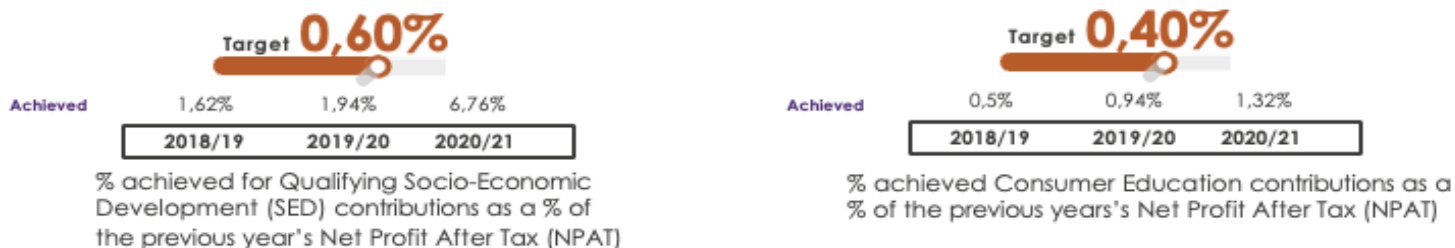
## AVERAGE SKILLS DEVELOPMENT PERFORMANCE

Metric	Target	Achieved	Year
% of Skills development expenditure on the learning programme matrix for black people with disabilities	0,30%	0,85% 14,32% 9,58%	2020/21 2019/20 2018/19
% of Black people. (employed or unemployed) participated in learnership, apprenticeship, internship or Category B, C or D programmes.	5%	16,32% 24,75% 21,62%	2020/21 2019/20 2018/19
% of Black people absorbed at the end of the learnerships, apprenticeships, internships, or Category B, C or D programmes.	100%	16,14% 29,08% 35,43%	2020/21 2019/20 2018/19

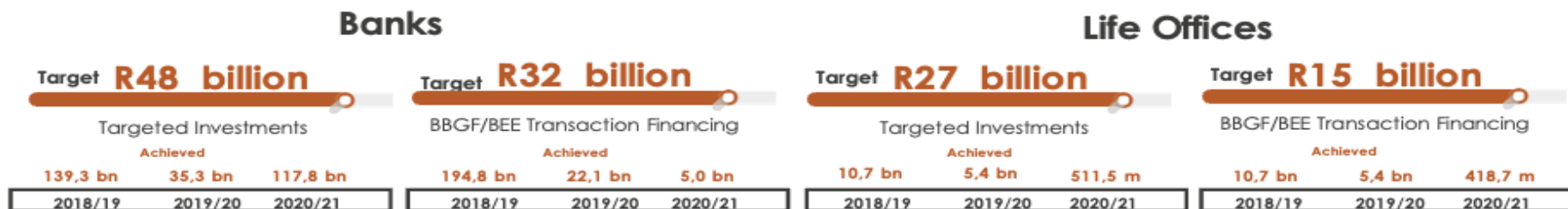
## AVERAGE PREFERENTIAL PROCUREMENT



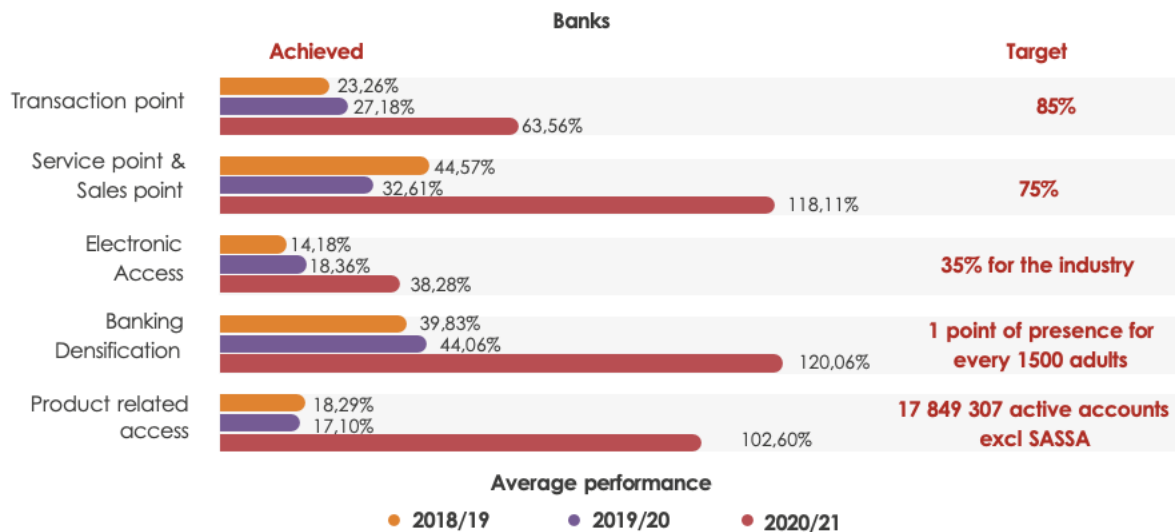
## AVERAGE SOCIO-ECONOMIC DEVELOPMENT & CONSUMER EDUCATION



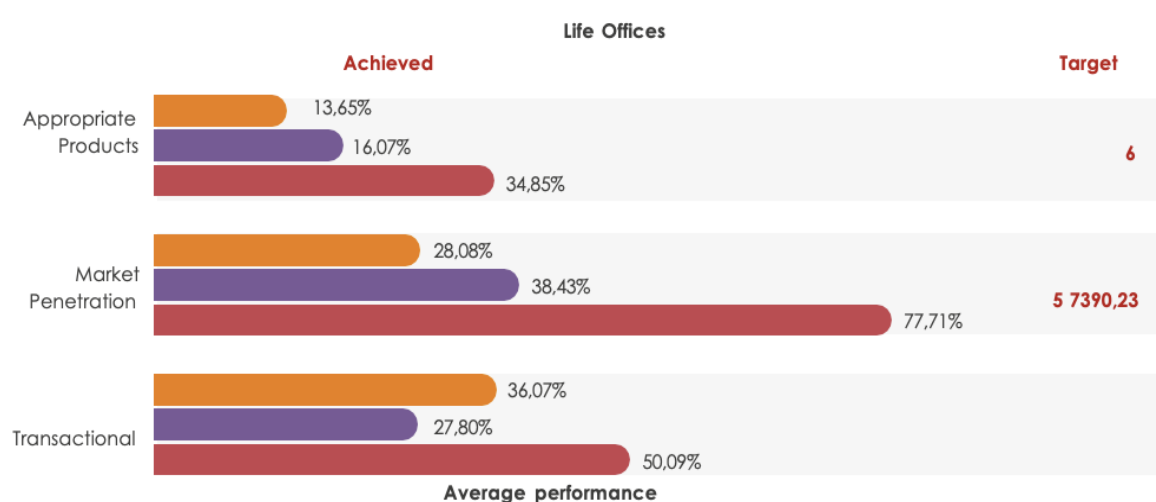
## AVERAGE EMPOWERMENT FINANCING



## AVERAGE ACCESS TO FINANCIAL SERVICES

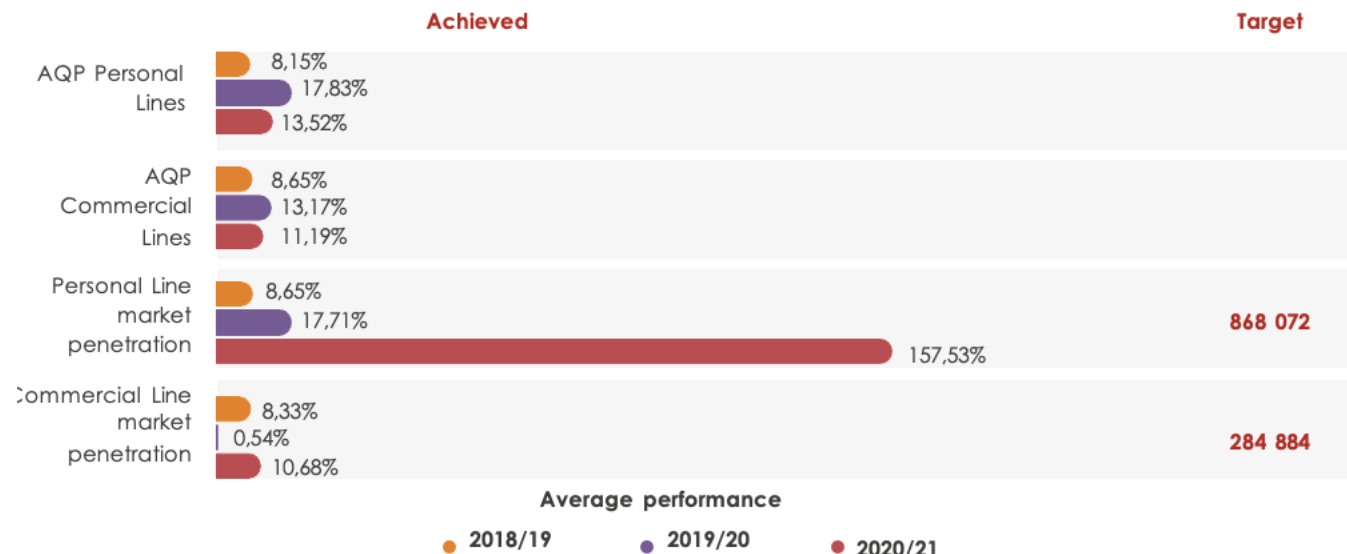


## AVERAGE ACCESS TO FINANCIAL SERVICES



## AVERAGE ACCESS TO FINANCIAL SERVICES

### Short-term Insures



# KEY FINDINGS

ELEMENT ANALYSIS

# OWNERSHIP (FS 100):

The objective of the Ownership element is to increase the number of Black people with ownership of existing and new enterprises within the Financial Sector.

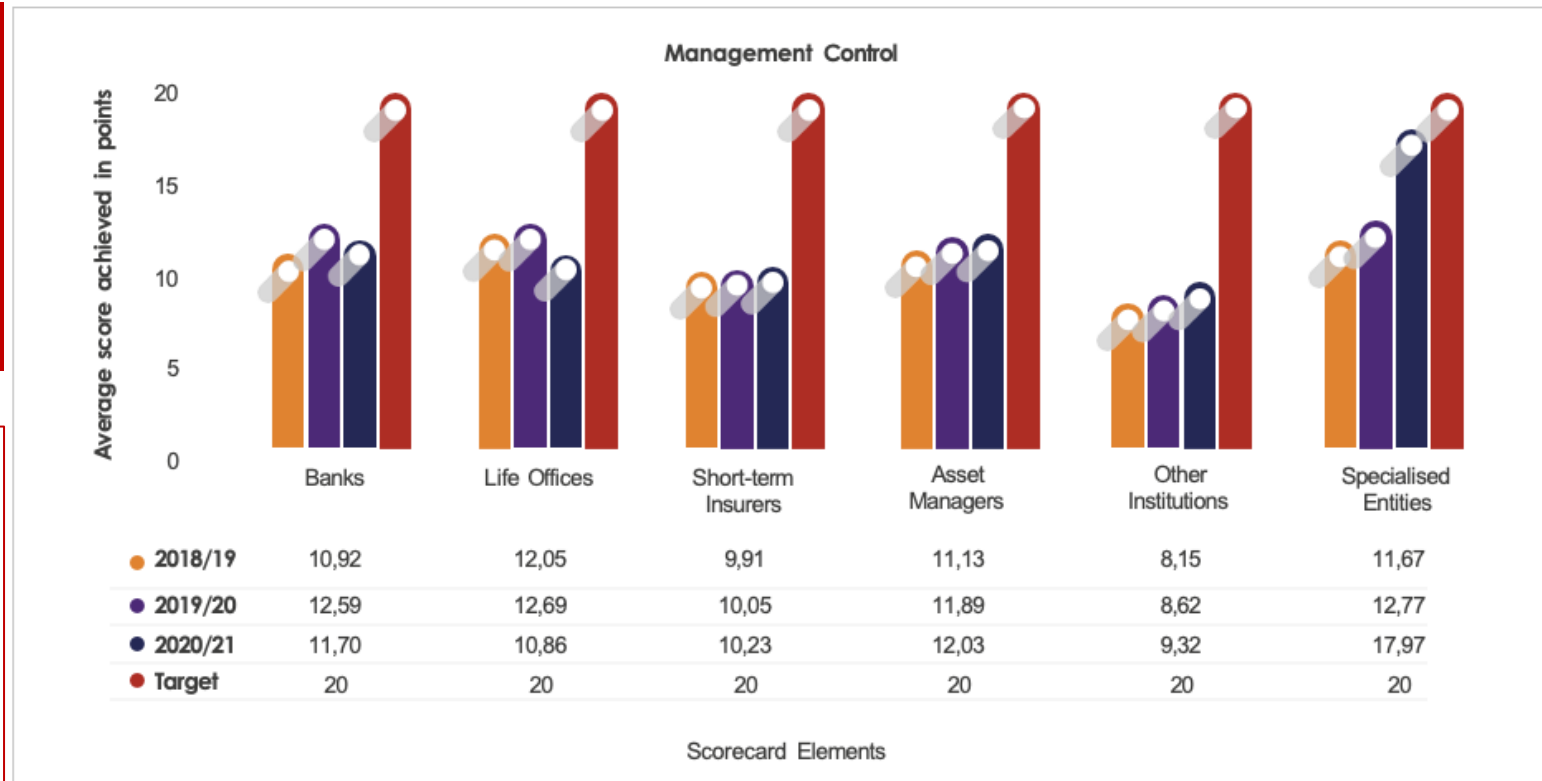


For the 2020/21 measurement period, all sub-sectors underperformed on Ownership element with Asset Managers recording the highest performance, albeit not meeting the targets.



# MANAGEMENT CONTROL (FS 200):

The Management Control element is intended to facilitate the participation of Black people in the higher structures of the organisation by measuring the proportion of Black people and Black women who control the direction of the business as well as those in management positions who control day-to-day operations.



During 2020/21, none of the sub-sectors achieved their target on Management Control, with the highest performance recorded for Specialised Enterprises, albeit not meeting target.



# SKILLS DEVELOPMENT (FS 300):

The primary aim of Skills Development as a priority element is to facilitate the training and development of Black people, including empowerment of learners and interns towards bridging the managerial gap and enabling adequate representation of Black people across all organisational levels.



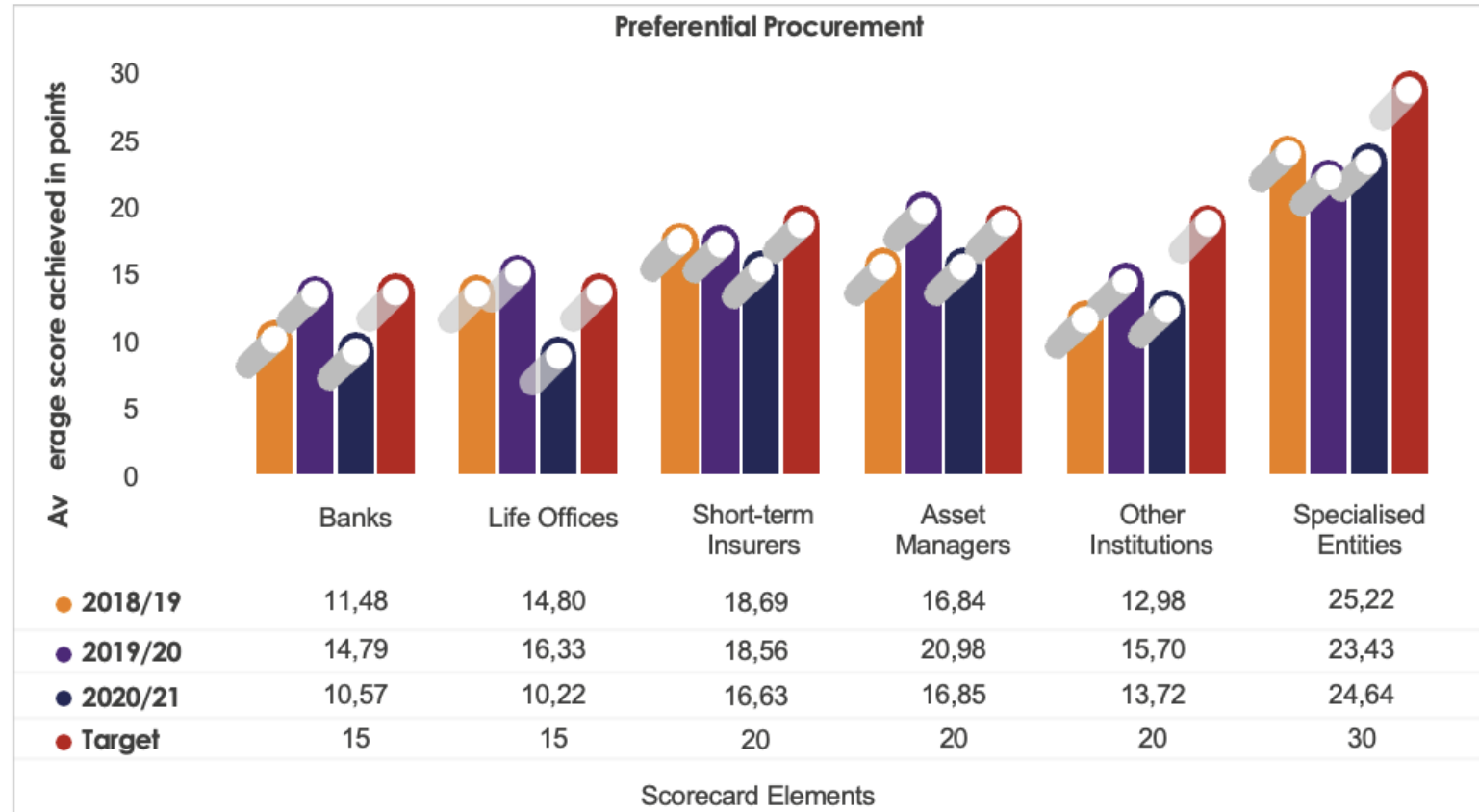
For the period under review, none of the sub-sectors met the determined target for Skills Development with Specialised Enterprises attaining the highest performance.





# PREFERENTIAL PROCUREMENT (FS 400):

Preferential Procurement is aimed at driving transformation towards an inclusive economy by increasing the economic participation of Black people through the promotion of large and small black suppliers, black-women owned suppliers and black designated groups across all value chains while simultaneously empowering black businesses through enterprise and supplier development initiatives.

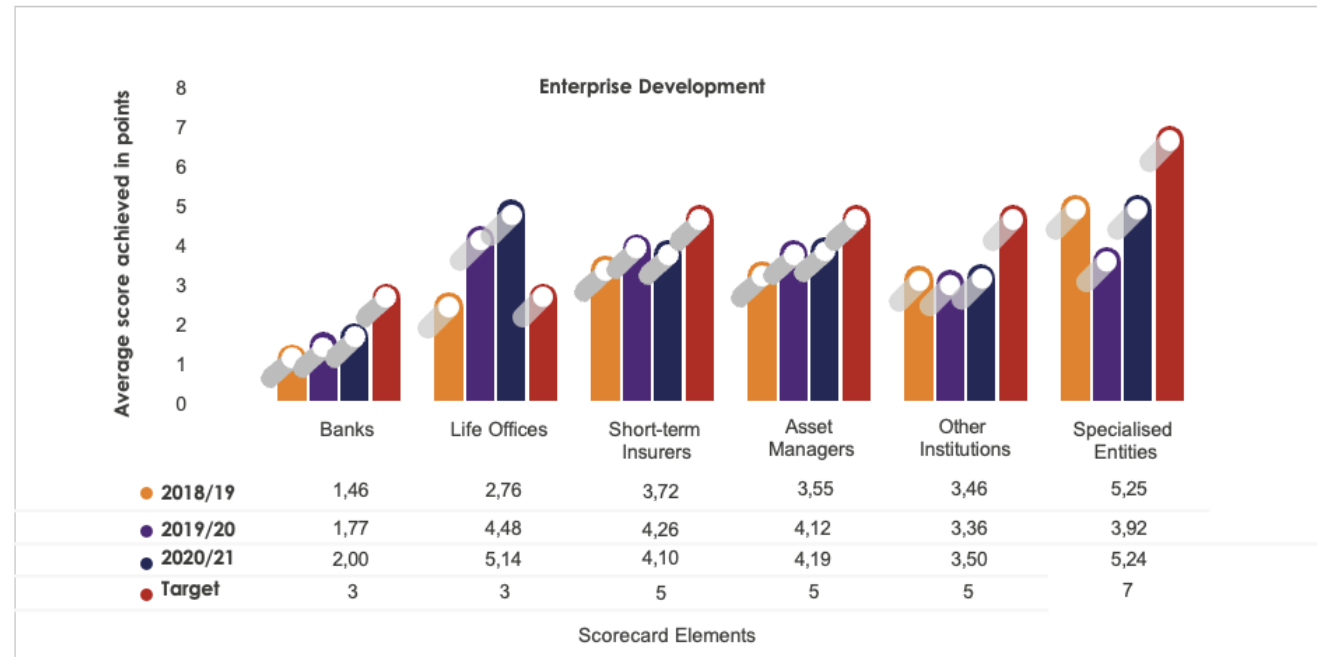


During 2020/21 the sub-sectors performance declined for Preferential Procurement, with an exception of Specialised Enterprises which showed some progress, albeit not meeting the target.



During the 2020/21 period, the Enterprise Development targets were met by all sub-sectors, with the exception of Life Offices.

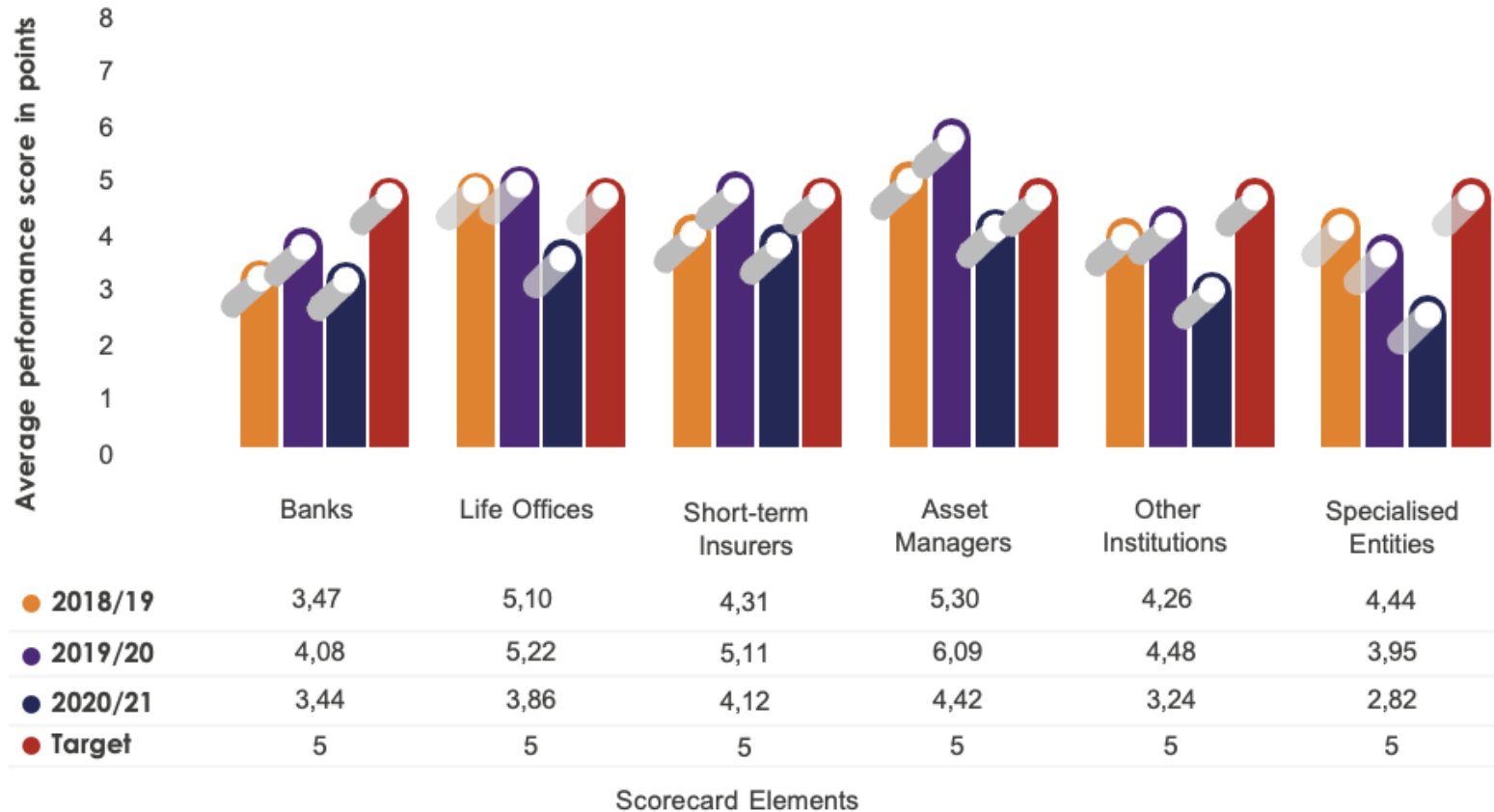
For the 2020/21 measurement period, all sub-sectors performed below target for Supplier Development despite notable progress made by Banks, Asset Managers and Other Institutions,



# SOCIO-ECONOMIC DEVELOPMENT & CONSUMER EDUCATION (FS 500)

Socio-Economic Development and Consumer Education (SED&CE) elements are key to the upliftment of previously marginalised groups through the promotion of the financial inclusion framework and ensuring that SMEs and consumers are equipped with the necessary knowledge and skills to enable them to make informed financial decisions.

Socio-economic Development & Consumer Education

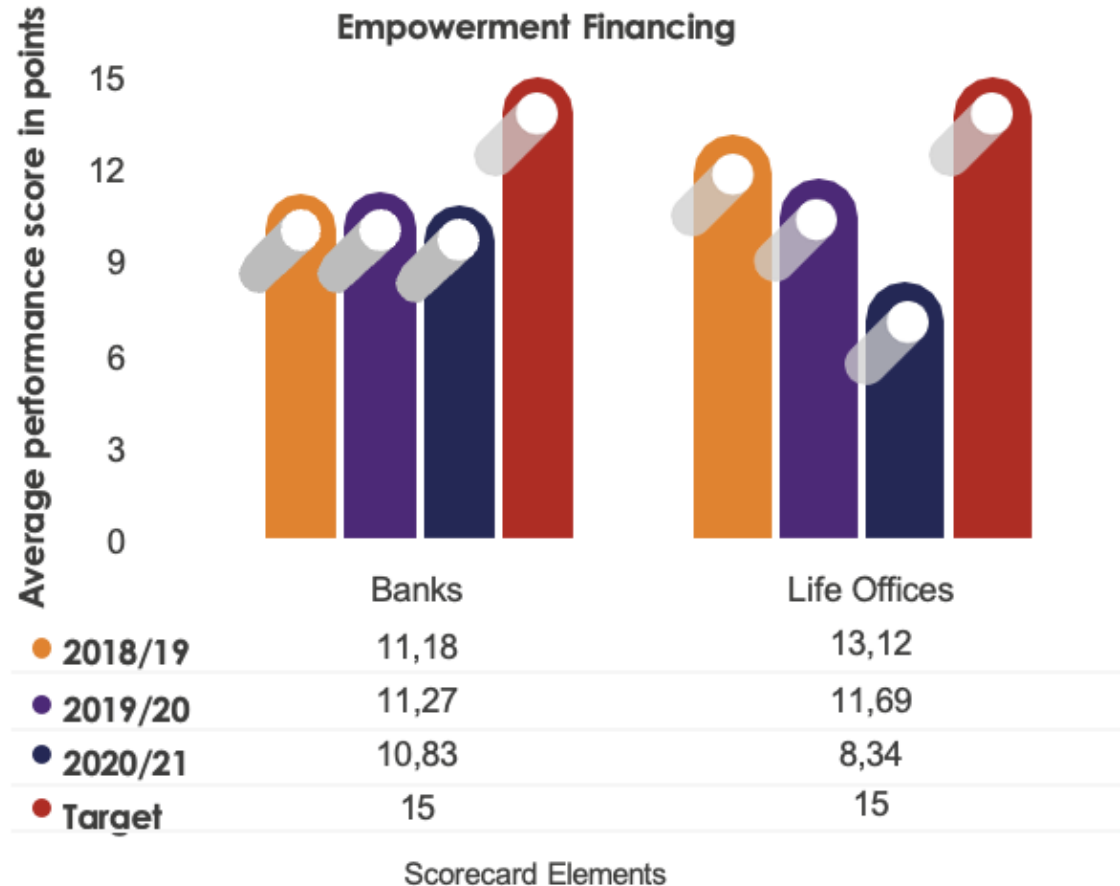


During the 2020/21 measurement period, the performance of the various sub-sectors in achieving their targets for the Socio-economic Development and Consumer Education element was not achieved by all sub-sectors with decline in progress noted across.



# EMPOWERMENT FINANCING (FS 600):

Empowerment Financing as a priority element addresses targeted investments such as SME development, agricultural development, affordable housing, transformational infrastructure projects, financing of B-BBEE transactions and funding of Black businesses through Black Business Growth Funding (BBGF).

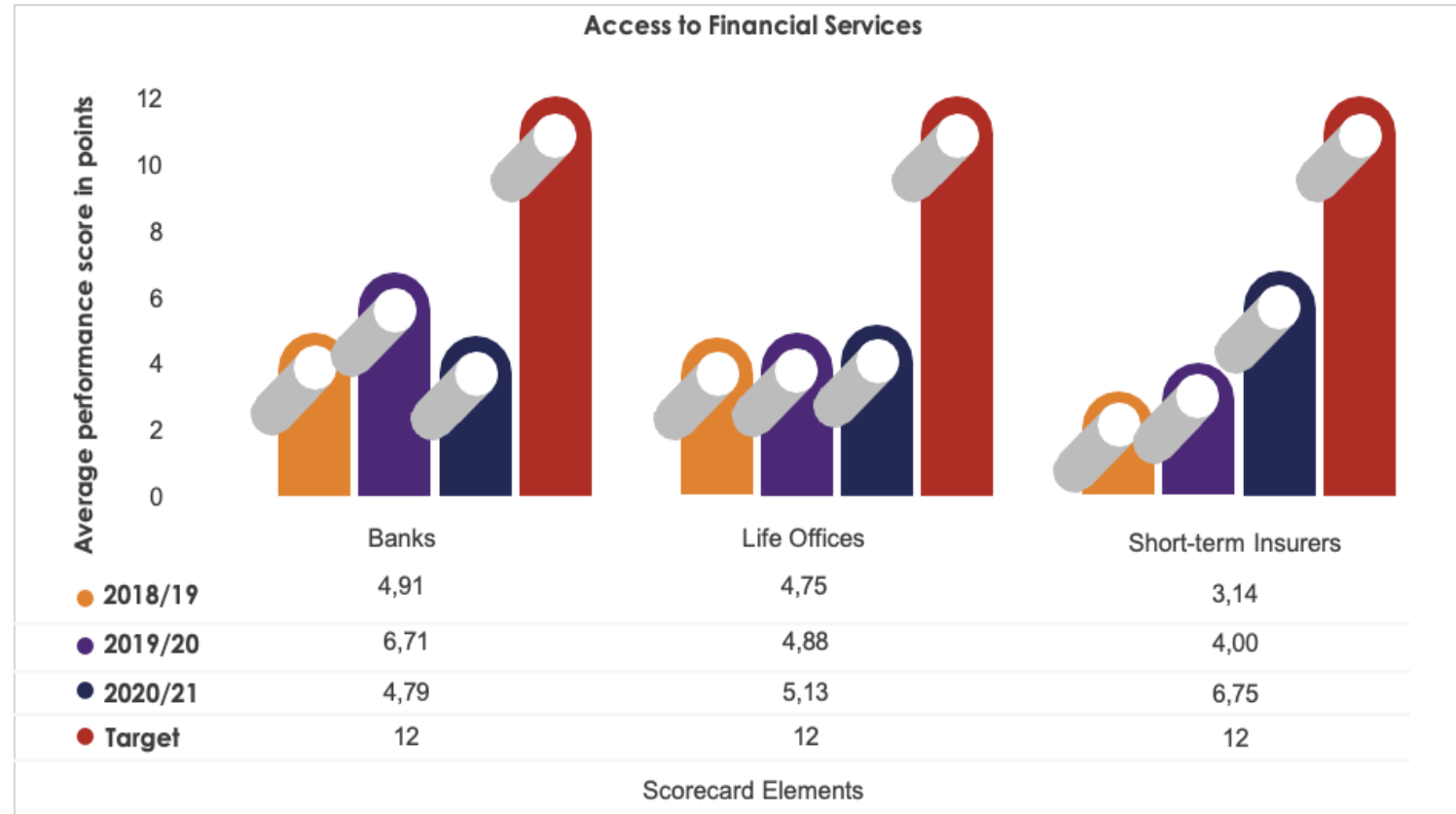


During 2020/21, both Banks and Life Offices performed below the determined target with a notable decline in progress for Life Offices observed.

Of notable progress is the Banks contribution of R177 billion that surpassed the target of R48 billion.

## ACCESS TO FINANCIAL SERVICES (FS 700)

Access to Financial Services is an industry-specific element ascribed within the FS Code for Banks, Long-Term Assurers and Short-Term Insurers to promote financial inclusion and expand the reach of affordable financial products and services using the appropriate infrastructure and developing products that are easily accessible and cater for the previously marginalised groups.

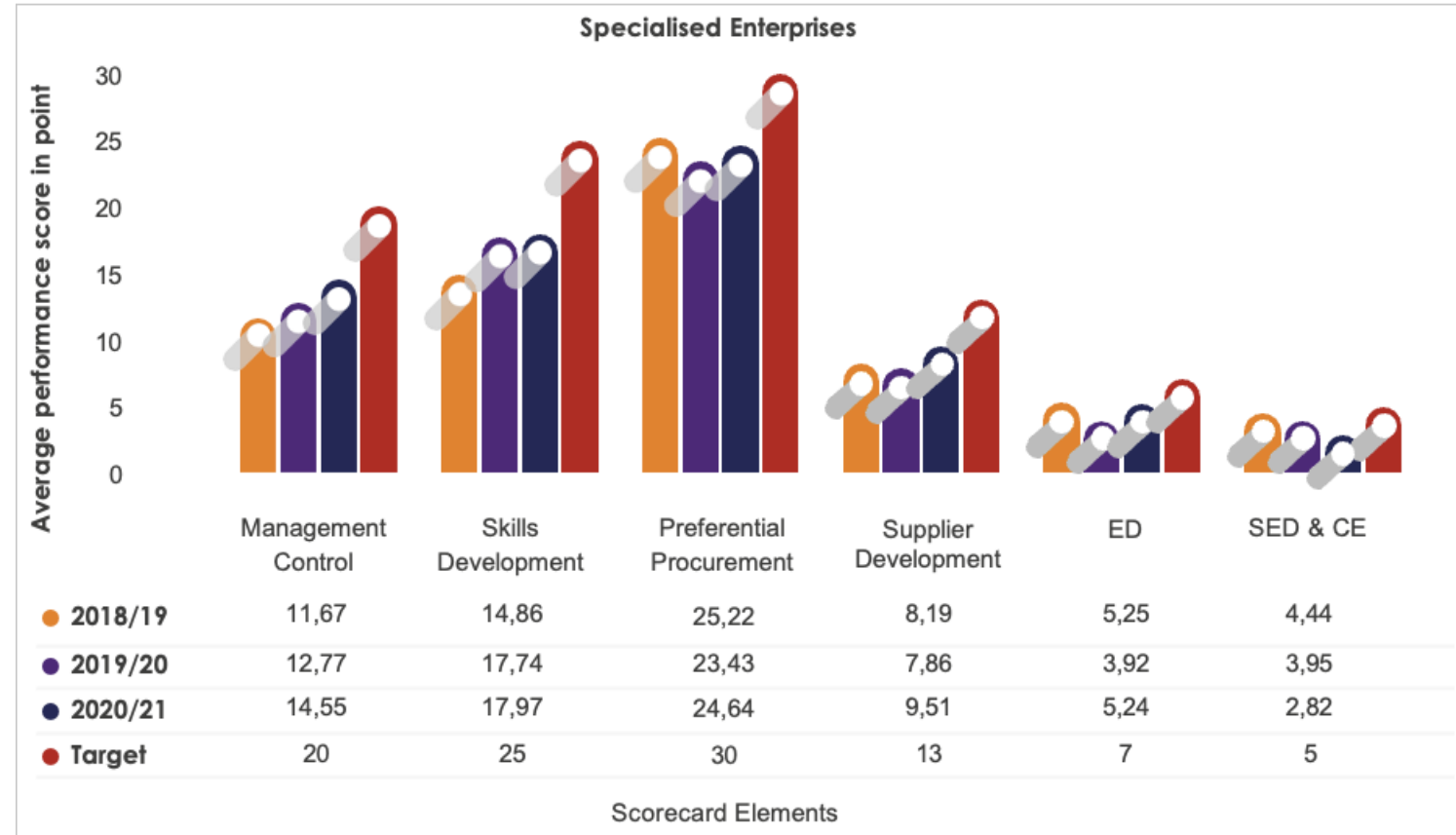


During the 2020/21 measurement period, all sub-sectors performed below the determined target with progress noted for Short-term Insurers, albeit not meeting the target.



# SPECIALISED ENTERPRISES (FS 900)

Specialised Enterprises are defined as entities that are limited by guarantee or are either state-owned or have no shareholding or equity structure incapable of being measured against the requirements of the Ownership element.

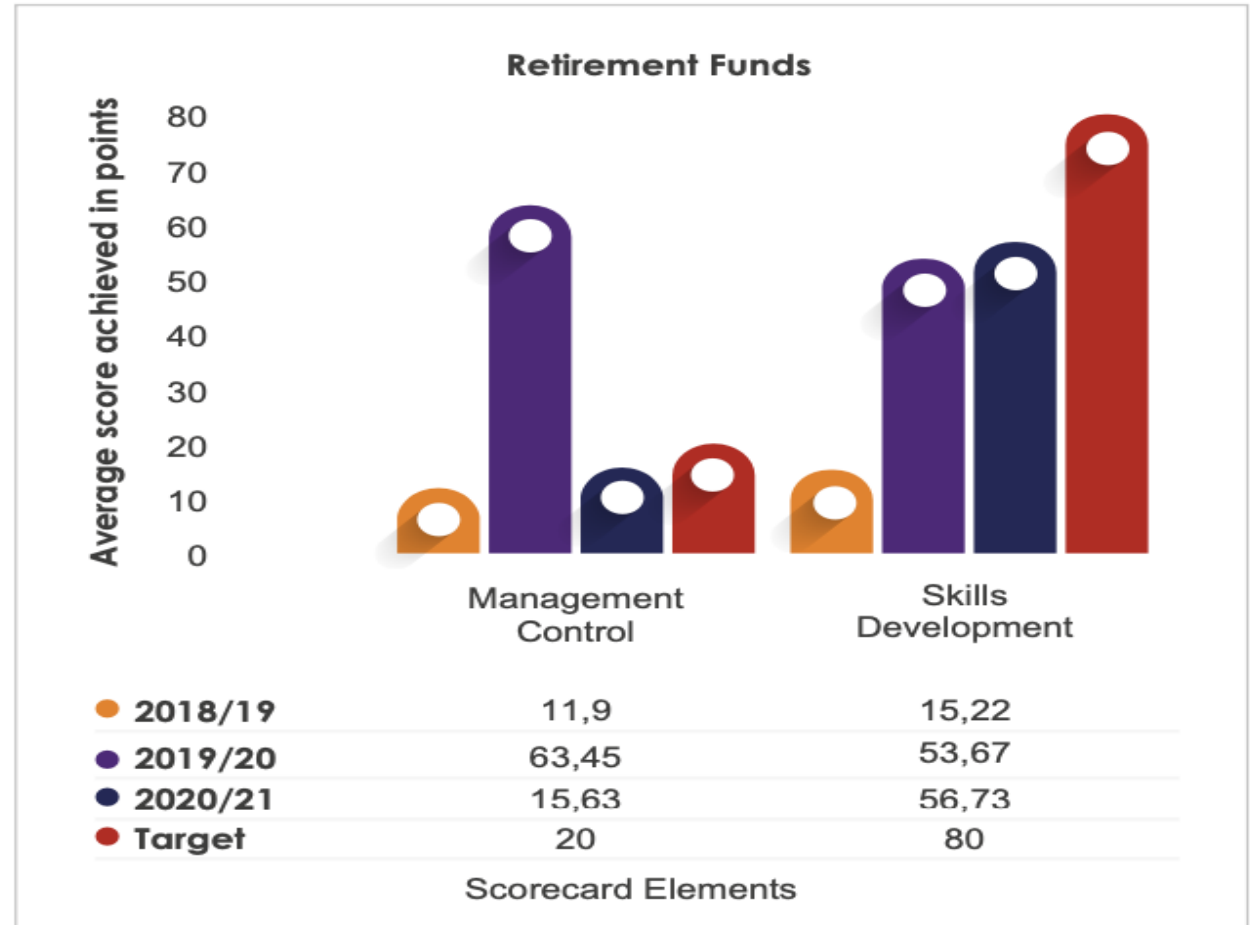


For the 2020/21 measurement period, the sub-sector performed below the determined targets across the respective elements with some progress noted towards meeting the target on Preferential Procurement.



# RETIREMENT FUNDS

Retirement Funds Scorecard is one of the key components of the Financial Sector considering the size of assets under their management that when invested appropriately through Black service providers, can drive inclusive growth and yield the desired sectoral transformation objectives.



During the 2020/21 measurement period, the sub-sector's overall performance revealed that none of the targets in the scorecard elements were achieved with progress noted towards attaining the Skills Development element.





# LIMITATIONS

- Decreased submission of B-BBEE Reports.
- Repetitive data submissions leading to duplicates; Submission of invalid Sworn Affidavits;
- Absence of a standardised verification reporting format due to the lack of a prescribed uniform framework in legislation;
- Insufficient submission of detailed data summaries;
- Lack of support from some constituencies in adopting the 2020/21 reporting framework, hindering the Council's ability to report on the sector's transformation progress accurately;
- None submission of targets pertaining to Access to Financial Services as well as Empowerment Financing for the respective measured entities, resulting in the determination of performances being inconclusive.



# RECOMMENDATIONS

- **Accelerate Transformation Efforts:** Despite fair progress in meeting Financial Sector Code (FS Code) targets, it's been 20 years since its inception, and significant strides are required.
  - The sector should review its implementation strategies to expedite transformation.
- **Encourage Sector Collaboration:** While acknowledging sector members efforts towards working for a just and equitable South Africa, collaborative efforts are required to advance the transformation journey.
- **Inclusive Transformation:** In light of the recently approved financial inclusion policy as led by Treasury, there is a need to prioritise inclusion in transformation strategies, particularly in areas like Management Control, Skills Development, and Access to Financial Services.
- **Standardised Reporting Framework:** A harmonised reporting framework is recommended to provide a realistic assessment of sector progress in transformation.
- **Foster Collaboration for Data Sharing:** The importance of reporting as a legislative requirement requires emphasises and calls on all market participants, including regulators as well as private and public sector representatives to promote reporting and participation as these practices are aimed at benefiting the economy towards inclusivity.



*To achieve intentionality beyond tickboxes, a clarion call is made for a renewed commitment on transformation imperatives to expedite inclusivity, diversity and equity for all citizens.*





THANK YOU

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