



*“Transformation is not a future event. It is a present-day activity”.*

The Financial Sector Transformation Council (FSTC), in its capacity as the core transformational body, continues to comply with the provisions of Clause 5.4. of the Broad-Based Black Economic Empowerment Act (B-BBEE Act) of 2003 through compiling reports and disseminating information on the status quo of the financial services sector’s transformation imperatives.

In pursuit of its mandate, the State of Transformation Annual Report (SoTAR) discloses the financial sector’s transformation position for enterprises operating within the Republic of South Africa as prescribed by Section 10 (4) of the B-BBEE Act of 2003. This is considered on an annual basis, however, the development and publication of the Amalgamated 2018/19 and 2019/20 SoTAR produced a series of unforeseen circumstances for the FSTC with the coronavirus pandemic further delaying its release date.

The much-anticipated report was published on 10<sup>th</sup> of May 2022 combining two (2) measurement periods for reporting entities’ financial year-end falling between 1 December 2018 and 30 November 2019 as well as 1 December 2019 and 30 November 2020 respectively. The report provided insightful information on the transformation imperatives realised by the financial sector, with the key findings providing an aerial view of the priority elements<sup>1</sup>- as prescribed in Financial Sector Code (FS Code)- as the main drivers of transformation. The report’s findings on these priority elements indicated that the sector had not

advanced sufficient initiatives towards meeting the determined targets. Additionally, even though progress was recognised for all sub-sectors in reaching their Socio-economic Development and Consumer Education targets, except for Other Institutions, the report further details areas of regression, depicting a trend of underperformance across sub-sectors in reaching their transformation targets for Ownership, Management Control, Skills Development, Preferential Procurement, Enterprise and Supplier Development and Access to Financial Services.

In consolidating and preparing the publication of the report, the FSTC encountered limitations which included but were not limited to:

- Measured entities not submitting B-BBEE Reports as prescribed by the B-BBEE Act and the FS Code, with partial submissions in some instances;
- Inconsistencies in the data submitted;
- Failure to submit required data for weighting purposes.
- Entities submitted data at group level which entails that some reports contain multiple industry data;
- None standardised verification reporting framework created further challenges as B-BBEE reports were filed in varied formats which led to the inability to ascertain performance in certain elements (e.g., Empowerment Financing).

With reference to the findings, it is integral for the sector to apply a standardised reporting framework to remedy the cited limitations towards presenting a more accurate and transparent report of the sector’s initiatives.

As an obligation to the broader society, the publication of the SoTAR and the Council’s commitment in unpacking the sector’s transformation imperatives outlined additional challenges within the financial sector, emphasising on the need to review the ineffective instruments applied at Nedlac, particularly the absence of policy interventions that interlink to the social status of South Africa and appropriate funding mechanisms that aim to respond to the realities of society.

Furthermore, the considered platform provided an opportunity to elaborate on how these challenges could be alleviated, including the significance of the development of a Central Bank at micro-level mandated to participate in other economic challenges which had been proposed as an apex solution to support economic transformation. In addition, proposals

encompassed the consideration of an appropriate funding mechanism that is dedicated to support B-BBEE transactions, Black women, youth, and people with disabilities in rural areas as well as the need for government intervention to resuscitate its mandate in addressing social and economic inequalities.

Against this background and with the evolution of the sector, the financial sector continues to be a key catalyst towards inclusive economic growth, therefore its role remains at the nexus of redress of South Africa's economic challenges.

As we advance towards the 2020/21 reporting period, the Council's commitment towards pro-transformational sustainable strategies and collaborative efforts from both private and public sectors are significant to effectively materialise the pace of transformation.

*"If we are unable to link on a daily basis what we do to what actually happens on the ground, then we are truly far from achieving transformation".*

*-B-BBEE Commissioner, 10 May 2022.*

#### **Editor's note**

The FSTC would like to extend a word of gratitude to all entities that complied with provisions of the FS Code for the May 2022 published State of Transformation Annual Report. Furthermore, we would like to thank those entities that have already filed their required B-BBEE reports for the 2020/2021 measurement period and encourage those measured entities who have not yet submitted to submit their B-BBEE reports in accordance with the determined reporting framework to assist the FSTC in developing a more accurate and reflective report on the financial services sector's concurrent commitment towards B-BBEE initiatives.

### **2020/21 REPORTING PERIOD**

With the commencement of the 2020/21 SoTAR development, the FSTC has published Reporting Notice 01 of 2022 as well as the Exemption Application Notice 01 of 2022 in promoting compliance with B-BBEE reporting framework and processes for measurement entities. Furthermore, considering the uniqueness of the financial services sector, the FSTC hosted five (5) informative webinar sessions addressing the various scorecard categories to equip measured entities with the requirements pertaining to the reporting provisions.

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<sup>i</sup> Ownership, Skills Development, Enterprise and Supplier Development (ESD), Empowerment Financing, and ESD.