



# Journey to Transformational Recovery and Sustainability



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## LIST OF ACRONYMS / ABBREVIATIONS

<b>ABSIP</b>	Association of Black Securities and Investment Professionals
<b>AFS</b>	Access to Financial Services
<b>AQP</b>	Access Qualifying Products
<b>ASISA</b>	Association for Savings and Investment South Africa
<b>AuM</b>	Assets under Management
<b>BASA</b>	Banking Association of South Africa
<b>BATSETA</b>	Council of Retirement Funds of South Africa
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CE</b>	Consumer Education
<b>CIS</b>	Collective Investment Scheme
<b>CoGP</b>	Codes of Good Practice
<b>CPD</b>	Continuous Professional Development
<b>EAP</b>	Economically Active Population
<b>ED</b>	Enterprise Development
<b>EEIP</b>	Equity Equivalent Investment Programme
<b>EF</b>	Empowerment Financing
<b>EME</b>	Exempted Micro Enterprise
<b>ESD</b>	Enterprise and Supplier Development
<b>FS CODE</b>	Financial Sector Code
<b>FSCA</b>	Financial Sector Conduct Authority
<b>FSTC</b>	Financial Sector Transformation Council
<b>FSP</b>	Financial Service Provider
<b>GDP</b>	Gross Domestic Product
<b>GWP</b>	Gross Written Premium
<b>JSE</b>	Johannesburg Stock Exchange
<b>MC</b>	Management Control
<b>NEDLAC</b>	National Economic Development & Labour Council
<b>NPAT</b>	Net Profit After Tax
<b>OWN</b>	Ownership
<b>PP</b>	Preferential Procurement
<b>QSE</b>	Qualifying Small Enterprise
<b>QSF</b>	Qualifying Small Financial Institution
<b>SAIA</b>	South African Insurance Association
<b>SANAS</b>	South African National Accreditation System
<b>STGR</b>	Sanlam Transformation Gauge Report
<b>SD</b>	Skills Development
<b>SED</b>	Socio-Economic Development
<b>SoTAR</b>	State of Transformation Annual Report
<b>SupD</b>	Supplier Development
<b>TMPS</b>	Total Measured Procurement Spend

**FSTC** FINANCIAL SECTOR  
TRANSFORMATION  
COUNCIL



# WHO ARE WE: THE FSTC AT A GLANCE



## MANDATE

The Financial Sector Transformation Council's (FSTC) mandate is to drive and measure transformation in the financial sector and to promote the Financial Sector Code (FS Code) as an enabler to a sustainable, inclusive, and growing economy.



## VISION

To be a catalyst for a transformed, transparent, and accessible Financial Services Sector.



## MISSION

To influence relevant legislation and oversee the implementation of the FS Code as gazetted under section 9(1) of the Broad-Based Black Economic Empowerment Act 53 of 2003, as amended by Act 46 of 2013 (B-BBEE Act).



## VALUES

Our values serve as an expression of our day-to-day principles that guide us as we make strides towards the sector, and nation's transformational agenda.

**Unity:** We acknowledge that we are stronger together. We strive for a shared vision, a common purpose, and a supportive and collaborative working environment.

**Empathy:** We have genuine concern for our society, and we encourage and support development and empowerment.

**Vigilance:** We keep a watchful eye for changes that impact our stakeholders and working with experts, we strive to adapt.

**Respect and Integrity:** We always honour the dignity of others, and we will treat others the way we want to be treated. We will always do what is right and build trust and confidence by being honest at all times.

## OBJECTIVES

• Engage with policymakers and regulators to ensure that legislation enables transformation.	• Publish an annual report that reflects the sector's state of transformation.
• Engage with financial institutions to promote understanding of the FS Code and to provide support for compliance.	• Research to understand challenges and identify opportunities to expedite transformation.
• Regularly review guidance notes to ensure relevance and ease of implementation.	• Engage with relevant stakeholders and collaborate to promote understanding of the FS Code to obtain buy-in and support.

## GOVERNANCE STRUCTURES

The FSTC exercises its functions through the structures below:

COUNCIL	REPORTING WORKING COMMITTEE ("RWC")	BOARD OF DIRECTORS	SECRETARIAT
<ul style="list-style-type: none"> <li>Establish a Company and appoint a Board of Directors.</li> <li>The development, review, and implementation of the FS Code and guidance notes.</li> <li>Consider and resolve on exemption applications.</li> <li>Measure the transformation of the financial sector.</li> <li>Advocate for the FS Code.</li> <li>Establish Reporting Working Committee (RWC) to advise on technical matters.</li> </ul>	<ul style="list-style-type: none"> <li>Acts as a technical advisor to the Council.</li> <li>Establish technical sub-committees where appropriate and oversee their work.</li> <li>Provide recommendations on exemption applications for approval by the Council.</li> </ul>	<ul style="list-style-type: none"> <li>Approve governance frameworks of the Company.</li> <li>Implements relevant Council decisions.</li> <li>Accord strategic guidelines and directives in the development of the FS Code.</li> <li>Ensure the availability of necessary resources required by the FSTC.</li> <li>Appoint Board sub-committee(s).</li> <li>Develop the Strategic Plan and oversee the implementation of the annual Corporate Plan.</li> <li>Appoints and supports the CEO.</li> </ul>	<ul style="list-style-type: none"> <li>Coordinate the review of the FS Code and guidance notes.</li> <li>Compile a State of Transformation Annual Report (SoTAR).</li> <li>Undertake research.</li> <li>Ensure compliance to governance frameworks.</li> <li>Provide secretarial support to the Governance structures.</li> <li>Implement the annual Corporate Plan.</li> <li>Implements relevant Council and Board decisions.</li> <li>Provide FS Code training and support.</li> </ul>





# MESSAGE FROM THE MINISTER OF FINANCE



**MR. ENOCH GODONGWANA**  
MINISTER OF FINANCE

This State of Transformation Annual Report (SoTAR) covers the 2022 reporting period, during which the financial sector in South Africa demonstrated resilience against persistent domestic and global pressures. Financial institutions adeptly managed global uncertainties with interest rates rising to rein in inflation. Structural constraints such as electricity supply shortages and infrastructure bottlenecks persisted as impediments to economic growth and enduring recovery. Investment and employment levels continued to be lower compared to pre-COVID-19 pandemic figures and lagged behind the recovery of real GDP.

The relationship between GDP trends and B-BBEE indicators during the 2022 reporting period is highlighted by the B-BBEE Commission in their annual report, illustrating a positive correlation between financial sector B-BBEE submissions and GDP growth, providing insight into the relationship between economic growth and transformation. Transformation and economic growth are mutually reinforcing. Economic growth without transformation keeps the majority of the people in poverty, and transformation without economic growth is narrow and unsustainable.

To drive inclusive growth and transformational reforms in the financial services sector, we, as policymakers, industry leaders, and regulators must continuously advocate for robust and adaptive regulatory frameworks and programmes that evolve with the ever-changing financial landscape.

Financial sector policy and legislation are crucial for reform because they provide the framework and legal basis for enacting change and achieving desired societal outcomes. They lay the foundation for driving economic inclusion and transformation by establishing a framework that supports fair and equitable access to economic opportunities for all.

Thus, finalising the Conduct of Financial Institutions (COFI) Bill for improved compliance is key. The COFI Bill process is still underway and is yet to be tabled in Parliament. The COFI Act will promote an equitable regulatory framework that facilitates financial sector transformational development and harmonises the legislative landscape by providing a single, holistic legal framework for market conduct regulation in South Africa that is consistently applied to all financial institutions. The COFI Bill will also empower the Financial Sector Conduct Authority (FSCA) to enforce the Financial Sector Code and thus drive transformation and inclusive growth.

A catalyst for inclusive growth, Operation Vuli'ndlela, a joint programme of the Presidency and the National Treasury, includes structural reforms to modernise and transform network industries, including electricity, water, transport and digital communications. Operation Vuli'ndlela is key to unlocking sustainable economic growth, improving service delivery, and addressing the country's infrastructure backlog. Infrastructure investment will generate job multipliers and create opportunities for government and the private sector to collaborate on transformational infrastructure projects to drive inclusion and promote social and economic development.

The ideals of transformation and inclusivity are gaining global momentum with policymakers and businesses seeking opportunities that are strongly aligned with the strategic imperatives around higher environmental, social and governance (ESG) standards, this is an area which is now firmly entrenched in the corporate mainstream across Europe and the US and is gaining traction globally. Thus, the transition is from a limited emphasis on efficiency to a more comprehensive commitment to inclusive and sustainable development.

In essence, economic growth and social justice are not at odds, these are opposite sides of the same coin for sustainable development. "Keynes wrote that the problem of economics is to reconcile economic efficiency, social justice, and individual liberty. We are good at the first, and the libertarian streak in economics constantly pushes the last, but social justice can be an afterthought." Furthermore, transformation is not a zero-sum game because businesses cannot thrive in societies characterised by socio-economic inequality and inequity.

In closing, I express my heartfelt gratitude to all our stakeholders who have played a critical role in our transformation journey. To our Council Members, Board of Directors, Reporting Working Committee (RWC) Members and Secretariat for their hard work, dedication, and commitment to our shared mandate to drive and measure financial sector transformation. I also thank the entities that have embedded transformational imperatives in their operations and submit their B-BBEE compliance reports. Looking ahead, I am keen on the opportunities that lie before us, and I am confident that, together, we will achieve a financial services sector that yields optimum results, fosters inclusivity, enables growth, and advances a fair and equitable society.

## FOREWORD BY THE COUNCIL CHAIRPERSON



**MR NJABULO SITHEBE**  
COUNCIL CHAIRPERSON

As South Africa's financial sector continues its journey toward economic transformation, one is disheartened at the slow pace of transformation. Whilst there is some progress in other areas of the scorecard, one notes most entities are not meeting Management Control targets and there seems to be a lack of effort in making improvements in these areas of transformation. I find it highly unacceptable that thirty years into our democracy we find ourselves with management and control imbalances, and yet we have been given frameworks including the B-BBEE Act, the Employment Equity Act, the Skills Development Act, etc., to ensure that we drive transformation and bring equality to our society.

As long as the boards and management of the sector have fewer Black people, we will not achieve transformation. Board of directors and senior managers who are representative of the previously disadvantaged population have better insight into the challenges facing the majority of poor Black people and can make decisions that ensure that our people are uplifted. There is a need for inclusive leadership, particularly in large businesses, which will, in turn, drive economic transformation and social equality.

The B-BBEE Management Control scorecard is intended to measure the level of participation of Black people and Black women in leadership positions, which include directors, executives and the various management levels. Despite the introduction of this scorecard in the year 2008 and its various refinements, performance against the set targets continues to be low, and this occurs across all sectors.

According to van de Rhee, 2022, the Management Control scorecard has relatively lower points weighting compared to Ownership, Skills Development, and Enterprise and Supplier Development.

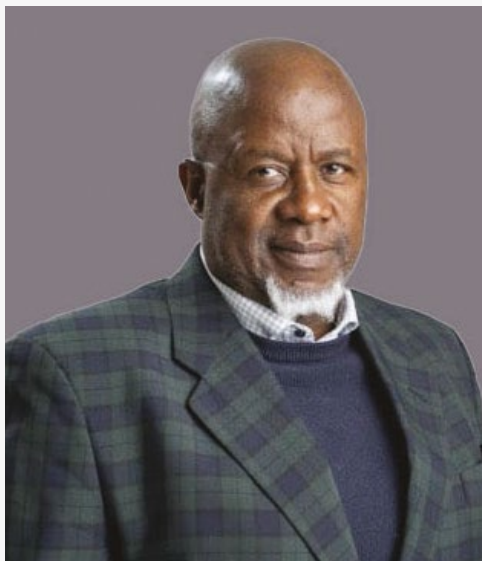
This has created an imbalance that allows companies to continue maintaining the under-representation of Black professionals in managerial roles by deprioritising management control while still achieving high B-BBEE ratings. According to the Commission of Employment Equity 2021/22 report, the total number of top managers in the country was calculated at 97.1% after excluding positions held by foreign nationals; of these, 25.3% were held by women. When comparing the economically active population (EAP) demographics to the percentage of positions held by the various groups, the results show an unjustifiable imbalance. White South Africans hold a surplus of 54.4% of top management positions, of which 9.10% represent surplus positions for white women. Indians hold a surplus of 8.2% of top management positions, of which 2.60% represent surplus positions held by Indian women. Coloureds are under-represented at top management level, with a deficit of 3.2%, of which 2.6% should be occupied by women. There is a staggering 62.3% deficit of top African managers, of which 29.4% should be African women. The most common reason advanced for this imbalance is that there are fewer skilled Black people, particularly Africans, that are available to occupy these positions.

One of the most viable solutions to this disparity lies in strategic skills development. More than just a compliance checkbox, it can become a critical enabler of leadership readiness, workforce diversity, and long-term organisational growth. Skills development should include identifying priority skills tied to business and transformation goals, mentorship programmes, and programmes that close specific gaps in leadership.

Most businesses submit their annual workplace skills plans (WSP), which are expected to demonstrate their commitment to comply with current B-BBEE codes. The question is, are those WSPs implemented accordingly? Who monitors their implementation, and if there are deviations, who takes accountability? Do the WSPs identify senior executives nearing retirement and the high-potential Black talent early enough to prepare them for leadership roles through structured development paths and coaching? When skills development is implemented properly, it can be a key tool for achieving transformation goals, including employment equity and broader economic inclusion.

I wish to challenge every business leader, particularly those in the financial sector, to review and consider what they are doing to close this management control gap and to regulators, to review the low key assigned to management and control in the B-BBEE scorecard. Under-representation in managerial positions widens inequality and leads to a missed opportunity in terms of attaining sustainable transformation. In closing, I would like to render appreciation to those big businesses who are placing Black people at the head of their organisation. I hope that this trend continues.

# MESSAGE FROM THE BOARD CHAIRPERSON



**MR JAN MAHLANGU**  
BOARD CHAIRPERSON

I was appointed Chairperson of the Financial Sector Transformation Council (FSTC) Board less than a year ago, but I have been participating in the FSTC governance structures since its inception in 2004. It has been a long and winding journey for the FSTC towards transformation and the realisation of our constitutional fundamentals to redress historical injustices, recognising that the redress of disparities and the attainment of equality are contingent upon legislation and other imperatives. Following the 1994 democratic elections, the new government was compelled to devise a method of balancing the scales between the wealthy minority and the poor majority of South Africans, and in 2003, the Black Economic Empowerment Act 53 of 2003 was promulgated. This was subsequently amended to the Broad-Based Black Economic Empowerment Act 46 of 2013 (B-BBEE Act).

What have we accomplished since the inception of the B-BBEE legislation two decades ago? According to the 2022 Financial Sector State of Transformation Report, our progress is slow, this trajectory is also depicted in the country's low economic growth, and this is reflected in our socio-economic conditions, such that the triple challenges of poverty, unemployment and inequality persist unabated. The widening inequality gap brought about by the slow pace of transformation, amongst other factors, means that the targets established previously are no longer adequate to close the gap, and a multi-faceted approach is required including, reviewing the B-BBEE legislation, and an analysis of the outcomes and impact on the intended beneficiaries.

Where does the present state of transformation in the financial sector leave the Black people of South Africa, who are the majority but remain impoverished as a result of the apartheid era's disparities? As per the 2024 Quarter 4 Statistics SA report on unemployment, 35.8% of Black Africans, 22.3% of Coloureds, 14% of Indians, and 6.7% of Whites were unemployed. The proportion of young people who were actively seeking employment increased from 36.8% in 2014 to 45.5% in 2024. Unfortunately, the Amended Employment Equity Act, which is designed to drive the fair representation of historically disadvantaged groups within the workforce, is being contested. Furthermore, the Ownership, Management and Control patterns of the economy do not reflect the country's demographics.

To address inequality and drive transformation, we need to strengthen efforts geared towards those who are less privileged to achieve the stability and well-being envisioned in our Constitution. To embody the principles of justice and fairness, which are essential to all societies, it is crucial to work towards reducing poverty, improving the quality of life, and creating equitable opportunities.

I look forward to a South Africa that is inclusive, equitable, and economically vibrant, addressing historical inequalities to create a country where the people share in the wealth of the country, with economic participation representative of the demographics of the country, and the transformational impact driving the realisation of our constitutional fundamentals. As per the Constitution and enshrined in the Bill of Rights, the call to heal the divisions of the past and build a society founded on the democratic values of human dignity, equality and human rights should be heeded.

I urge all stakeholders, including government, business, labour and community, to strengthen collaboration, because what we cannot afford to do is fold our hands and watch our country burn and our people continue to suffer.

*"As long as poverty, injustice, and gross inequality persist in our world, none of us can truly rest."*

— Nelson Mandela, London's Trafalgar Square in 2005.



# EXECUTIVE SUMMARY



**NOKWANDA MAHORI**  
INTERIM CHIEF EXECUTIVE OFFICER

## 1. INTRODUCTION

The South African financial services sector is regulated by the Financial Sector Regulation Act (FSRA) of 2017. This legislative framework is designed to maintain and enhance financial stability, improve market conduct, and protect financial consumers. The FSRA establishes the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA), tasked with the regulation and supervision of financial institutions.

Figure 1 indicates the number and classification of entities authorised by the FSCA to offer financial products and services as at 31 March 2023.

**Figure 1: Number of entities registered as financial product and service providers**

Banks	Insurers	Section 13B administration	Insurers providing funeral policies
37	141	127	45
Micro-insurers	Friendly societies	Corporate banks	FSPs
14	197	5	11 740
Central securities depositories	Licensed exchanges	Associated clearing houses	ODPs
2	5	2	29
Co-operative financial institution	Retirement funds	Credit rating agencies	CISs in participation bonds
25	4 841	4	2
CISs in property	CISs in hedge funds	CISs in securities	Foreign collective investment schemes
3	27	46	139

The regulated institutions include the Johannesburg Stock Exchange (JSE), which is the largest and most active stock exchange in Africa, providing liquidity and funding for businesses.

Attributable to factors such as the robust regulatory framework, the South African financial sector is known as one of the most developed and sophisticated sectors on the African continent. It is characterised by a strong banking system, capital markets, and an increasingly digitised fintech ecosystem, and contributes significantly to South Africa's Gross Domestic Product (GDP) as an essential driver of economic activity. The sector is, however, not without challenges. Persistent economic challenges, including slow GDP growth, impact the financial sector's performance.

The South African financial sector has an opportunity to leverage its financial expertise to become a financial hub for the Southern African Development Community (SADC) and beyond. Domestically, rapid adoption of financial technology solutions has transformed how people access banking, payments, and investment services, and with increasing smartphone penetration and digital literacy, fintechs provide opportunities for the expansion of financial inclusion. As South Africa transitions to cleaner energy sources, financing for renewable energy projects offers substantial opportunities for the financial sector. Furthermore, there are opportunities for the sector to advance economic transformation, foster inclusive growth and promote job creation through policies such as the Broad-Based Black Economic Empowerment Act (B-BBEE Act).

Broad-Based Black Economic Empowerment (B-BBEE) is pivotal to addressing historical inequalities and promoting the participation of Black South Africans in the economy. The B-BBEE Act defines Black people as African, Coloured and Indian – who are citizens of the Republic of South Africa by birth, descent or naturalization, before, on or after 27 April 1994 and entitled to acquire citizenship by naturalization prior to that date.

The 2022 State of Transformation Annual Report (SoTAR) evaluates the South African financial sector's progress towards achieving B-BBEE targets for the financial year end falling between 01 December 2021 to 30 November 2022. The report, focusing on the theme **"Journey to Transformational Recovery and Sustainability,"** offers a comprehensive analysis of transformation efforts across various sub-sectors, namely Banks, Life Offices, Short-term Insurers, Asset Managers, Other Institutions, Specialised Enterprises, and Retirement Funds.

The assessment comprises submitted B-BBEE certificates and reports focusing on critical elements of the Financial Sector Code (FS Code): Ownership (FS100); Management Control (FS200); Skills Development (FS300); Preferential Procurement, Enterprise and Supplier Development (FS400); Socio-economic Development and Consumer Education (FS500); Empowerment Financing (FS600); Access to Financial Services (FS700); Qualifying Small Financial Institution (QSFI) Scorecard (FS800); Specialised Entities Scorecard (FS900); and Schedule 1, Retirement Funds Scorecard.



## 2. SUB-SECTOR PERFORMANCE

The average performance of the Banks, Life Offices, Short-term Insurers and Asset Managers remains below target, however, the analysis of the top players in each sub-sector indicates that the majority of these entities are reaching or close to reaching targets for (i) Ownership, (ii) Preferential Procurement, (iii) Supplier Development, (iv) Enterprise Development, (v) Socio-economic Development and Consumer Education, (vi) Access to Financial Services, and (vii) Empowerment Financing. Management Control and Skills Development remain areas that require more efforts by the sector.

Other Institutions performed below targets, however, for the 2021/22 measurement period, the performance was above 50% of targets for (i) Preferential Procurement, (ii) Supplier Development, (iii) Enterprise Development, (iv) Socio-economic Development and Consumer Education. Specialised Enterprises and the Retirement Funds that reported, remain below target, but, attained more than 50% of the target for each applicable scorecard element for the 2021/22 measurement period.

## 3. ELEMENT ANALYSIS

The element analysis focuses on Generic Entities, defined as large entities with an annual turnover exceeding R50 million.

- i. **Ownership (FS100)** performance varied across the financial sector, with Asset Managers leading in key Ownership indicators, particularly in the voting rights of Black people, Black women, and the economic interests of designated groups. Generally the measured entities' performance fluctuated over the four-year period.
- ii. **Management Control (FS200)** across all sub-sectors underperformed, with none meeting their target scores. However, Life Offices displayed slight improvement in overall Management Control from the previous period. Retirement Funds and Specialised Enterprises performed well in Black board representation and executive director roles. Most sub-sectors have higher Black representation primarily at the junior management level, though Black female representation remains low.
- iii. **Skills Development (FS300)** the past four reporting periods (2018/19 to 2021/22) revealed that none of the sub-sectors achieved the target score of 20. Though the target was not achieved, Specialised Enterprises managed to lead in 2021/22, spending on Black senior and executive managers, as well as Black middle managers, while other sub-sectors focused their efforts on improving skills for Black junior managers.
- iv. **Preferential Procurement, Enterprise and Supplier Development (FS400)** targets were not met across all financial sub-sectors, with most showing a decline in scores over the 2021/22 period.

- v. **Socio-economic Development and Consumer Education (FS500)** has seen a decline in average points across all sub-sectors since the 2020/21 measurement period, except for Life Offices and Specialised Enterprises, which managed to reverse this trend in the current period.
- vi. **Empowerment Financing (FS600)** - Banking and Life Offices sub-sectors fell short of their empowerment financing targets over the four-year period. However, the top Banks achieved their targets, whilst the top Life Offices were close to achieving their targets.
- vii. **Access to Financial Services (FS700)** scores across the Banking, Life Offices, and Short-term Insurers, remained below target throughout the four-year period.

## 4. EXEMPTED MICRO ENTERPRISES (EMEs) AND QUALIFYING SMALL FINANCIAL INSTITUTIONS (QSFI)s

EMEs are entities with an annual turnover of R10 million or less, and QSFI, have an annual turnover between R10 million and less than R50 million. During the 2021/22 measurement period, EMEs showed a decline in Level 1 B-BBEE status and an increase in Level 4 entities. QSFI saw a decline in Level 1 entities and an increase in Level 2 entities.

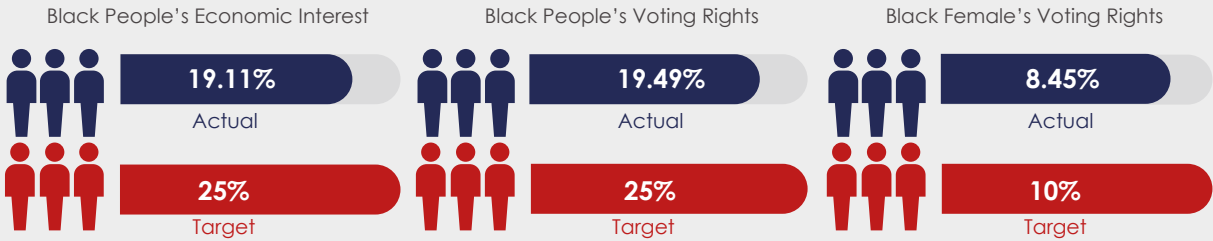
## 5. CONCLUSION

The financial services sector touches the lives of every South African and plays a central role in the transformation of our society to bring about a more equitable and inclusive country. Consequently, the role of the FSTC to advance its twin pillar mandate to drive and measure transformation remains critical as the urgency for economic transformation prevails. The SoTAR reveals that although the financial sector has made inroads towards transformation, intensified efforts from both the sector and regulators are required to drive impactful transformation that transcends the scorecard checkboxes to contribute more meaningfully to the economy and foster a reformed, diverse, and globally competitive financial services sector that reflects South Africa's demographics, stimulates strategic investments and socio-economic development.

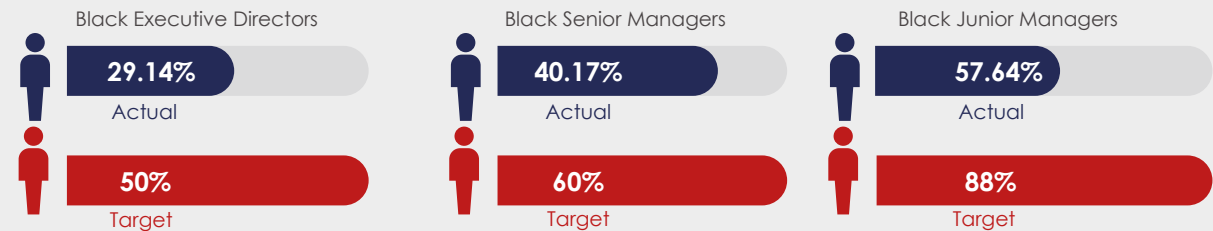
In conclusion, I extend my gratitude to the stakeholders who contributed to the SoTAR, including the surveyed CEOs, our constituencies, the Council, the Reporting Working Committee (RWC) and members of my team within the Secretariat for their efforts towards transformation. Going forward I encourage the financial sector entities that have not reported to do so.

# HIGHLIGHTS ON 2022 ELEMENT PERFORMANCE

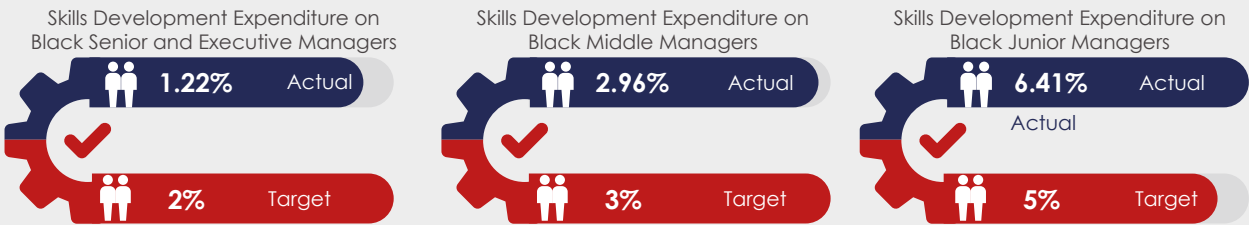
## AVERAGE OWNERSHIP



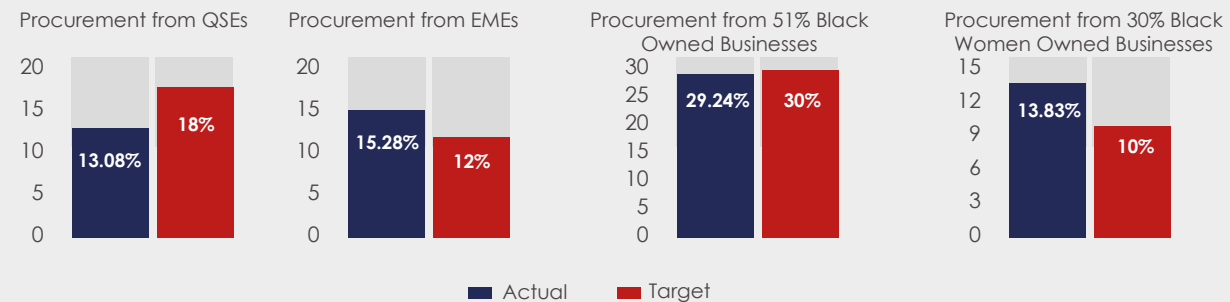
## AVERAGE MANAGEMENT CONTROL



## AVERAGE SKILLS DEVELOPMENT

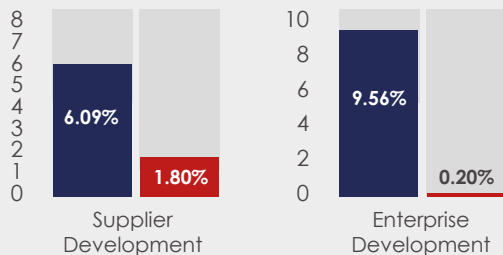


## AVERAGE PREFERENTIAL PROCUREMENT

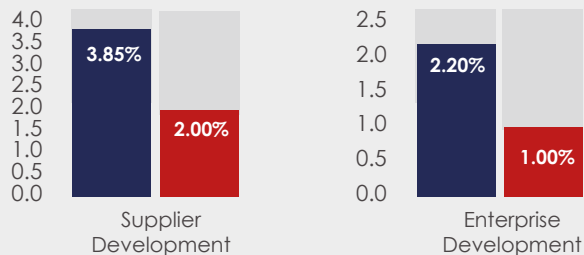


## AVERAGE ENTERPRISE AND SUPPLIER DEVELOPMENT

Enterprise and Supplier Development Contributions - Banks and Life Offices



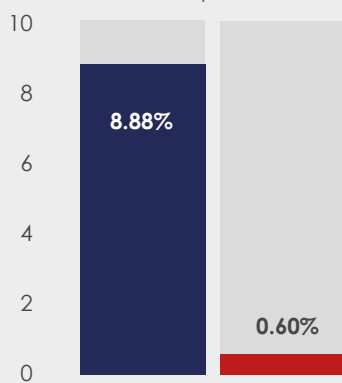
Enterprise and Supplier Development Contributions - Short-term Insurers, Asset Managers, Other Institutions and Specialised Enterprises



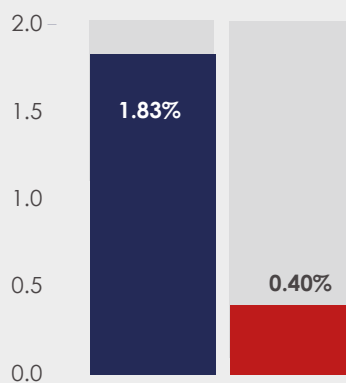
■ Actual ■ Target

## AVERAGE SOCIO-ECONOMIC DEVELOPMENT AND CONSUMER EDUCATION

Socio-economic Development Contributions

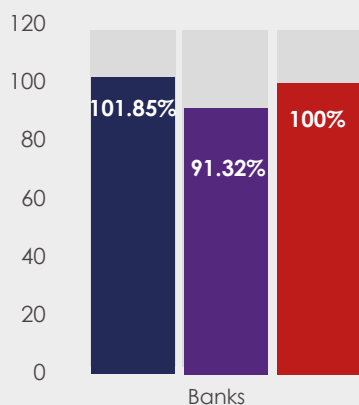


Consumer Education Contributions



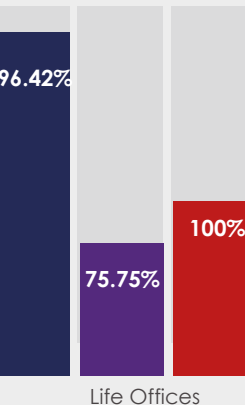
■ Actual ■ Target

## AVERAGE EMPOWERMENT FINANCING PERFORMANCE



■ Targeted Investments

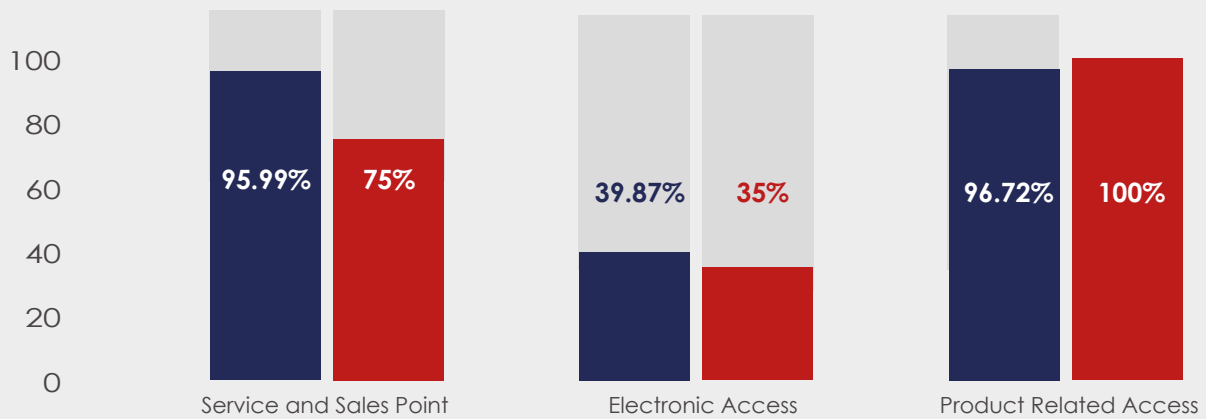
■ Transaction Financing & BBGF



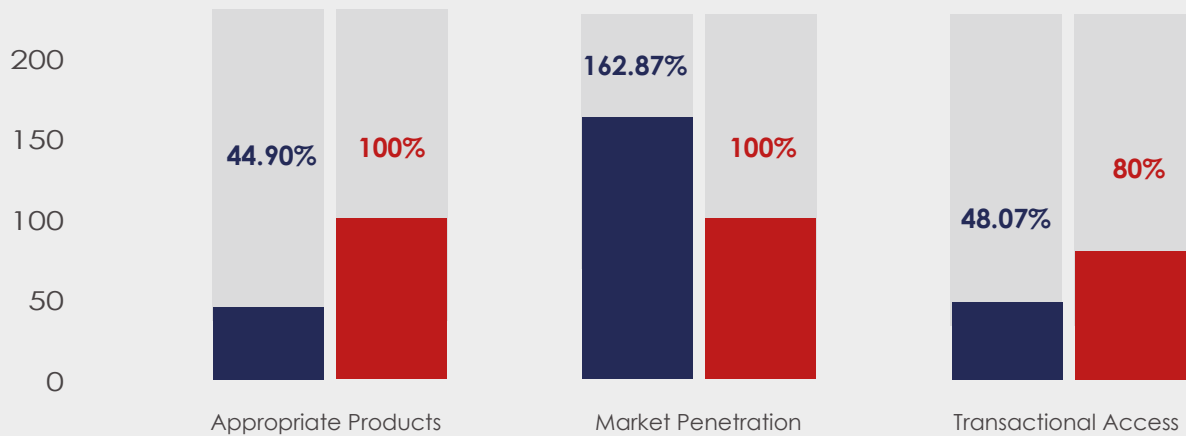
■ Target

## AVERAGE ACCESS TO FINANCIAL SERVICES

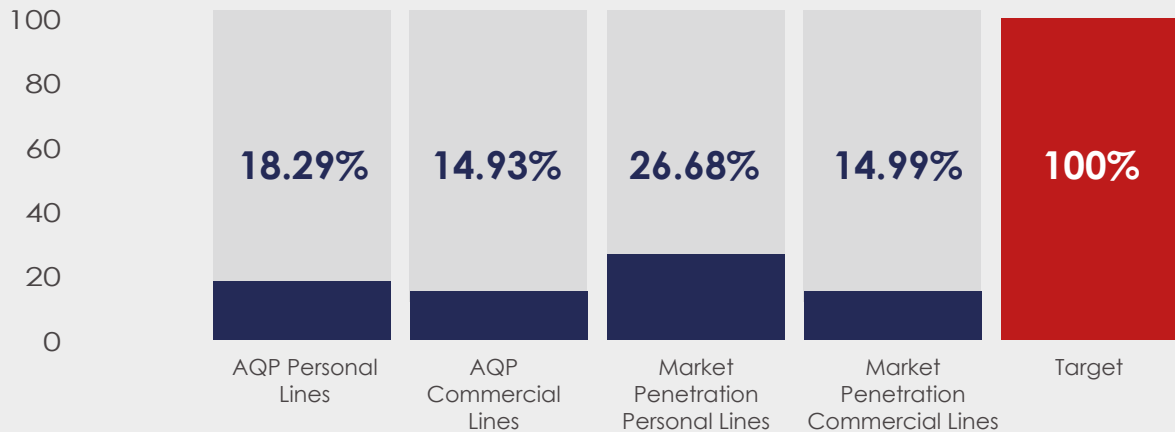
Banking Access to Financial Services



Life Offices - Access to Financial Services



Short-term Insurers - Access to Financial Services



Actual Target



# INTRODUCTION



The FSTC's objectives are to drive and measure the transformation imperatives of the South African financial sector. Central to this responsibility is the annual development and publication of the State of Transformation Annual Report (SoTAR) which synthesises B-BBEE report submissions from various reporting entities in the financial services sector. Since publishing its first SoTAR in 2006, to date, the FSTC has managed to publish nine (9) reports tracing the progress or lack thereof of the sector in attaining the element targets stipulated in the FS Code.

The 2022 SoTAR is the Council's tenth (10th) publication and is centred around the theme, "**Journey to Transformational Recovery and Sustainability**". A fitting theme as during this period, the sector began to emerge from severe economic disruptions caused by the COVID-19 pandemic, which had significantly impacted the South African and world economies through restrictions to movement and trade. During the height of the COVID-19 pandemic, GDP growth rate declined by 6.3% in 2020. The pandemic's ripple effects also influenced transformation initiatives as progress was largely contingent on the financial health of organisations. Furthermore, the B-BBEE Commission indicates that total portal submissions across sectors had a 79% decline in 2020. Although during the 2021/22 measurement period, GDP reverted to 2019 levels, the overall submissions have not rebounded from the decline. Hence, the underlying factors of the failure for submissions to rebound need examination. This will provide insight, amongst other factors, whether there are long-term effects to the sectors due to the pandemic.

Building on the foundation established by the SoTARs, this report continues the FSTC's twin-pillar mandate of driving and measuring transformation within the financial services sector. It aims to shed light on the sector's progress towards creating an inclusive and transformed economy. By evaluating emerging trends and the sector's responses, the 2022 SoTAR not only reflects on the period under review but also serves as a guiding document for stakeholders in the financial sector. Moreover, the report provides critical insights for shaping future initiatives and addressing ongoing challenges with the objectives of achieving the broader goals of economic sustainability and equality.



## OBJECTIVES AND SCOPE

The SoTAR adheres to the B-BBEE legislative framework, specifically Section 10(4) of B-BBEE Act 53 of 2003 and the Codes of Good Practice (CoGP), which mandate sector councils to compile and share reports on the B-BBEE status with relevant stakeholders. The SoTAR aligns with Clause 8.5 of the FS Code which requires financial institutions to annually report their progress in implementing the FS Code provisions to the FSTC.

The objective of this report is to provide a thorough analysis applying the B-BBEE reports received from measured entities in the financial sector. This involves assessing the submitted data on the sector's multifaceted transformation initiatives as outlined in the FS Code. The 2022 SoTAR aims to deliver a depiction of the transformational progress focusing on elements per the FS Code.



## METHODOLOGY

A mixed-method approach integrating the numerical data of submitted B-BBEE certificates and detailed reports with insights based on the seven sub-sectors as well as key industry reports, and the responses received from the 2022 questionnaire.

The FS Code consists of seven elements, namely: (i) Ownership (FS100), (ii) Management Control (FS200), (iii) Skills Development (FS300), (iv) Procurement, Enterprise and Supplier Development (ESD) (FS400), (v) Socio-Economic Development (SED) and Consumer Education (CE) (FS500), (vi) Empowerment Financing (FS600) and (vii) Access to Financial Services (FS700). Consumer Education, Empowerment Financing and Access to Financial Services are industry-specific elements.



**Table 1: FS Code Scorecard evaluation criteria per sub-sector**

MEASURED ELEMENTS	WEIGHTING					
	BANKS AND LIFE OFFICES SCORECARD	SHORT-TERM INSURERS SCORECARD	ASSET MANAGERS SCORECARD	OTHER INSTITUTIONS SCORECARD	SPECIALISED ENTERPRISES SCORECARD	RETIREMENT FUNDS SCORECARD (VOLUNTARY)
Ownership	23	23	23	25	N/A	N/A
Management Control	20	20	20	20	20	20
Skills Development	20	20	20	20	25	N/A
Procurement and ESD	15	35	35	35	50	80
Socio-economic Development and Consumer Education	5	5	5	5	5	N/A
Empowerment Financing and ESD	25	N/A	N/A	N/A	N/A	N/A
Access To Financial Services	12	12	N/A	N/A	N/A	N/A
<b>TOTAL</b>	<b>120</b>	<b>115</b>	<b>103</b>	<b>105</b>	<b>100</b>	<b>100</b>

A simple averaging method has been applied for the analysis. At the aggregated sub-sector level, B-BBEE generic scorecards have been used to compare performance for the 2021/22 measurement period. Additionally, transformational progress amongst the top market players across the various sub-sectors is analysed to reflect their contribution to transformation.

The report includes a year-on-year comparison of the sector performance covering 2018/19, 2019/20, 2020/21, and 2021/22, to highlight trends.

## LIMITATIONS

Acknowledging limitations is essential for accurately interpreting the findings and for pinpointing areas that may require further scrutiny or improvement in future assessments. The following limitations have been identified in the preparation and analysis of this report:

- Non-standardised methodologies are used by verification agencies for calculating the B-BBEE levels.
- Unavailability of data to calculate weighted averages, limiting the report to apply simple averages.
- The generic scorecards do not indicate whether an entity operates at a provincial or national level, limiting access to the relevant Economically Active Population (EAP). As a result, the national EAP data was applied.
- Empowerment Financing (FS600) and Access to Financial Services (FS700) targets for the respective measured entities were not provided, thereby limiting the analysis of these two elements.
- The total submissions received are not representative of the number of institutions in the financial services sector. However, the report accounts for the significant market share of the financial sector.

## PERFORMANCE REVIEW

### B-BBEE Report Submissions

The FS Code, specifically Code series FS000, classifies B-BBEE thresholds into three distinct categories, each representing a different scale of enterprise:

- Exempted Micro Enterprises (EMEs)** are enterprises with an annual turnover of up to R10 million. EMEs are automatically given a Level 4 B-BBEE status and are exempt from complex B-BBEE scorecard requirements. Additionally, if at least 51% of the business is Black-owned, it qualifies for Level 2, and if 100% Black-owned, it qualifies for Level 1.
- Qualifying Small Financial Institutions (QSFI)s** are enterprises that have an annual turnover between R10 million and R50 million. QSFI)s that are Level 1 and Level 2 can submit a sworn affidavit. All other QSFI)s are required to obtain a verification certificate to confirm their B-BBEE status. QSFI)s with at least 51% Black ownership automatically qualify for Level 2 status, and those with 100% Black ownership qualify for Level 1 status.
- Generic/Large Enterprises** are entities with an annual turnover exceeding R50 million. They must comply with the full B-BBEE scorecard, including the priority elements.

## B-BBEE Report Submissions considered

Table 2 shows the valid B-BBEE submission reports used for the 2021/22 analysis.

**Table 2: B-BBEE Report utilised for the 2021/22 analysis**

CATEGORY	2021/22
EMEs	415
QSFIs	106
Generic Entities	242
<b>Total</b>	<b>763</b>

Table 3 depicts the number of B-BBEE reports considered for the Generic Entities analysis.

**Table 3: Generic entities across sub-sectors that were analysed**

SUB-SECTOR	NUMBER OF ENTITIES
Banks	21
Life Offices	18
Short-term Insurers	34
Asset Managers	63
Other Institutions	87
Specialised Enterprises	11
Retirement Funds	8
<b>Total</b>	<b>242</b>

### Overview of the B-BBEE Compliance of the Financial Sector

Generic Entities are mandated to comply with all priority elements, and non-compliance with 40% sub-minimum requirements in priority elements results in both the Generic entities and QSFIs receiving a discounted level on their B-BBEE Certificate.

The FS Code specifies the priority elements for various categories of entities, incorporating the principles of 40% sub-minimum requirements and discounting, as outlined below:

- i. Ownership requires the achievement of a minimum of 40% of the net value points.
- ii. Skills Development requires achievement of a minimum of 40% of the total weighting points.
- iii. Preferential Procurement/Empowerment Financing requires achievement of a minimum of 40% of the total weighting points for each of the following:
  - a. Preferential Procurement/Empowerment Financing,
  - b. Supplier Development, and
  - c. Enterprise Development.

Priority elements for QSFIs are Ownership and either Skills Development or Enterprise Development and Supplier Development.

## B-BBEE Recognition Levels

The FS Code measures the financial institutions' transformation progress on its overall score achieved for each scorecard element. These elements are then graded 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.

**Table 4: B-BBEE Recognition Levels**

CONTRIBUTOR LEVEL	ADJUSTED POINTS	RECOGNITION LEVEL
Level 1 Contributor	>= 100	135%
Level 2 Contributor	>= 95 but <100	125%
Level 3 Contributor	>= 90 but <95	110%
Level 4 Contributor	>= 80 but <90	100%
Level 5 Contributor	>= 75 but <80	80%
Level 6 Contributor	>= 70 but <75	60%
Level 7 Contributor	>= 55 but <70	50%
Level 8 Contributor	>= 40 but <55	10%
Non-compliant	<40	0%



The table below presents the Generic scorecard for large entities, detailing the simple average points achieved for each element.

**Table 5: Average performance against the Generic FS Code Scorecard**

ABBREVIATION	ELEMENT	ACHIEVED SCORE	TARGET
OWN	Ownership (FS100)*	14.33	23
MC	Management Control (FS200)	10.12	20
SD	Skills Development (FS300)	9.52	20
PP & ESD	Preferential Procurement, Enterprise and Supplier Development (FS400)*		
PP	- Preferential Procurement	13.25	20
SupD	- Supplier Development*	5.96	10
ED	- Enterprise Development*	3.08	5
SED & CE	Socio-Economic Development and Consumer Education (FS500)	3.23	5
EF	Empowerment Financing (FS600)*	8.77	15
AFS	Access to Financial Services (FS700)	3.37	12
	<b>Total</b>	<b>71.63</b>	
	<b>Adjusted points (Conversion rate =109)</b>	<b>65.06</b>	
	<b>Level 7</b>	<b>50% Contributor</b>	

\*All the priority<sup>1</sup> elements 40% sub-minimum requirements have been met

Figure 2 illustrates attained B-BBEE recognition levels by Generic entities.

**Figure 2: B-BBEE levels achieved by Generic entities in the financial sector**

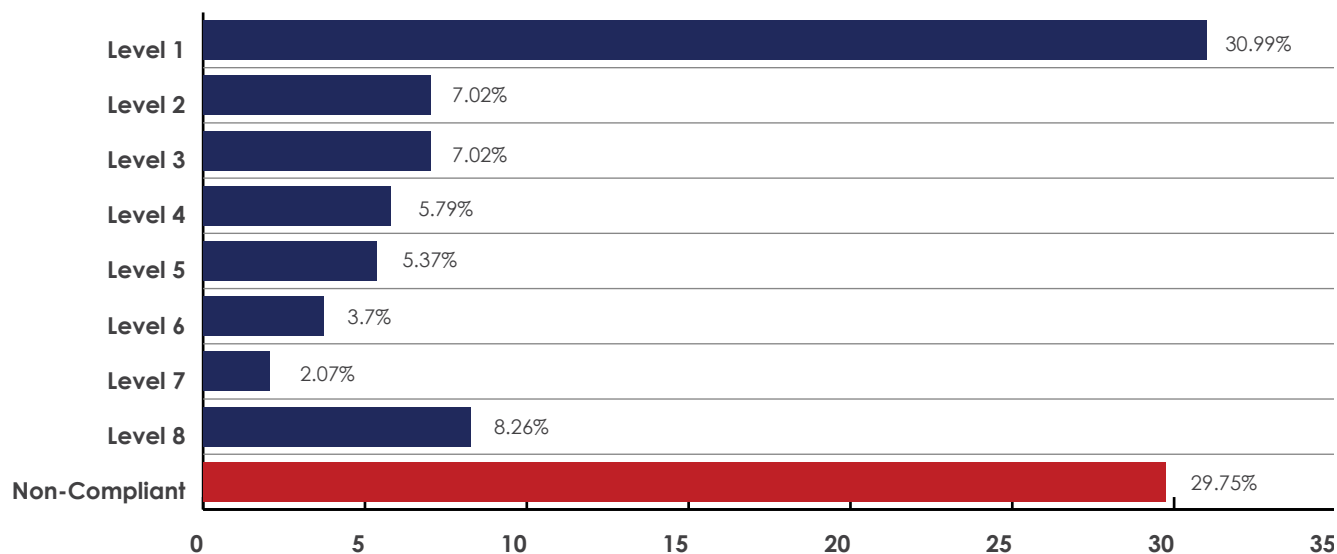


Figure 2 displays that 30.99% of Generic Entities achieved B-BBEE recognition Level 1, while 7.02% achieved Levels 2 and 3. 29.75% of Generic Entities were non-compliant for the 2021/22 measurement period.

<sup>1</sup> Elements where the discounting principle is applied when the measured entity achieves less than 40% of the total weighting points



# HIGHLIGHTS OF PERFORMANCE PER SUB-SECTOR

## BANKS

The Banking sector plays a pivotal role in the South African economy and is the cornerstone for managing risks, ensuring liquidity, and helping mitigate systemic shocks in the economy. There are 40 registered entities, 18 are commercial retail banks, 4 mutual banks, 5 co-operative banks, and 13 local branches of foreign banks<sup>2</sup>. In South Africa's dynamic economic landscape, the health and performance of these institutions is vital to the nation's economic resilience and long-term growth.

## PERFORMANCE HIGHLIGHTS: BANKS

Figure 3: Average Performance Trends of Banks in point scores (2018/19 to 2021/22)

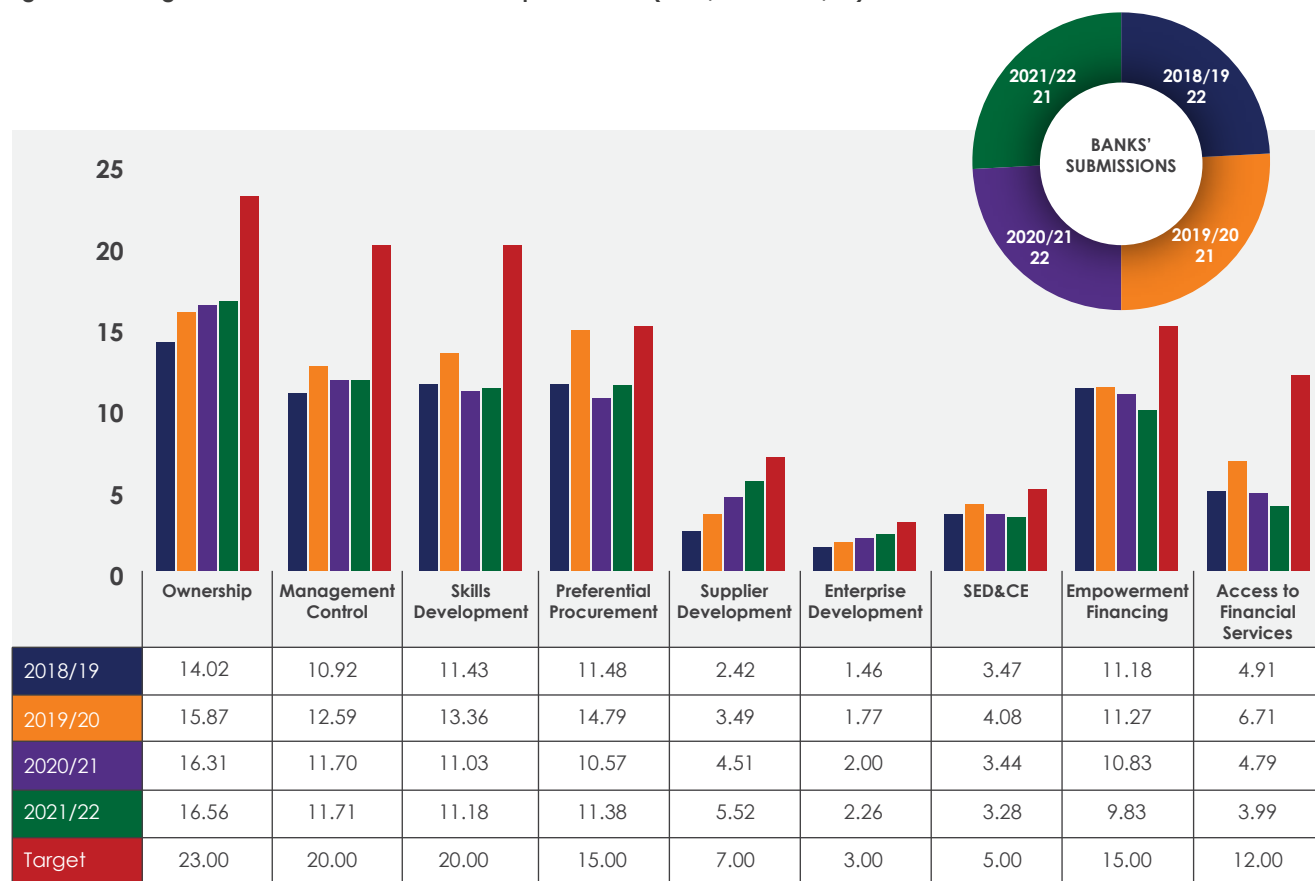
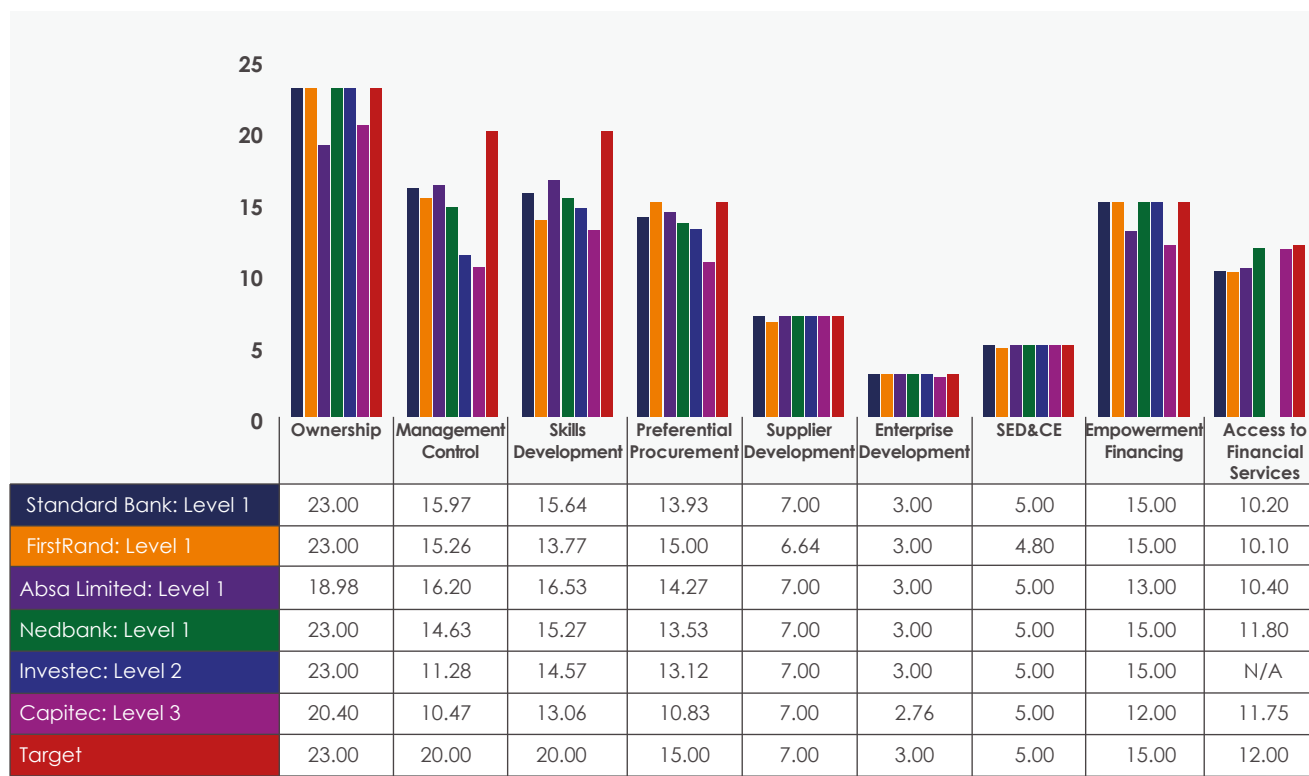


Figure 3 illustrates that the overall performance of the Banking sector continues to display underperformance across the four measurement periods. There was an increase in performance during the 2021/22 measurement period compared to the previous year, except for Socio-economic Development and Consumer Education, Empowerment Financing, and Access to Financial Services which showed slight declines. It is worth noting that all sub-minimum requirements for the priority elements were achieved.

<sup>2</sup>FS CODEA, Financial Sector outlook study, 2022, <https://www.FS CODEA.co.za/Documents/FS CODEA%20Financial%20Sector%20Outlook%20Study%202022.pdf>

The analysis highlights the performance of the top Banks ranked in terms of asset size.

**Figure 4: 2021/22 Performance of the Top Banks**



*\*Investec was exempted from complying with the provisions of Access to Financial Services.*

Figure 4 reveals that in the 2021/22 period, of the top Banks ranked by total assets, four (Standard Bank, FirstRand, Nedbank, and Absa) achieved Level 1 B-BBEE status. Investec is at Level 2, while Capitec Bank is at Level 3, indicating the sub-sector's dedication to promoting transformation. Regarding the priority pillars, four (4) Banks successfully met the target for Ownership. However, none attained the target for Management Control and Skills Development. Furthermore, FirstRand was the only bank to meet its Preferential Procurement targets, while the other banks achieved the Supplier Development targets and the Socio-economic and Consumer Education targets. All banks, with the exception of Capitec Bank, met their Enterprise Development targets. Absa and Capitec Bank fell short of the Empowerment Financing target with all banks falling short of achieving the target for Access to Financial Services.

The results indicate that the top Banks are performing at a higher level than the industry overall and have made progress in implementing the provisions of the FS Code. However, Skills Development, Management Control, Preferential Procurement, and Access to Financial Services require more efforts to promote inclusivity and strengthen the sub-sector's role in delivering meaningful change and equitable economic participation.

## LIFE OFFICES

The South African Life Offices sub-sector held assets worth R3.7 trillion<sup>3</sup> during the 2021/22 period, influencing the national economy through its investments in equities, bonds, and other financial instruments. These investment activities enhance market depth and efficiency. Additionally, by offering risk-mitigation products, Life Offices help maintain economic stability, enabling individuals and businesses to withstand financial shocks.

## PERFORMANCE HIGHLIGHTS: LIFE OFFICES

Figure 5: Average Performance Trends of Life Offices in point scores (2018/19 to 2021/22)

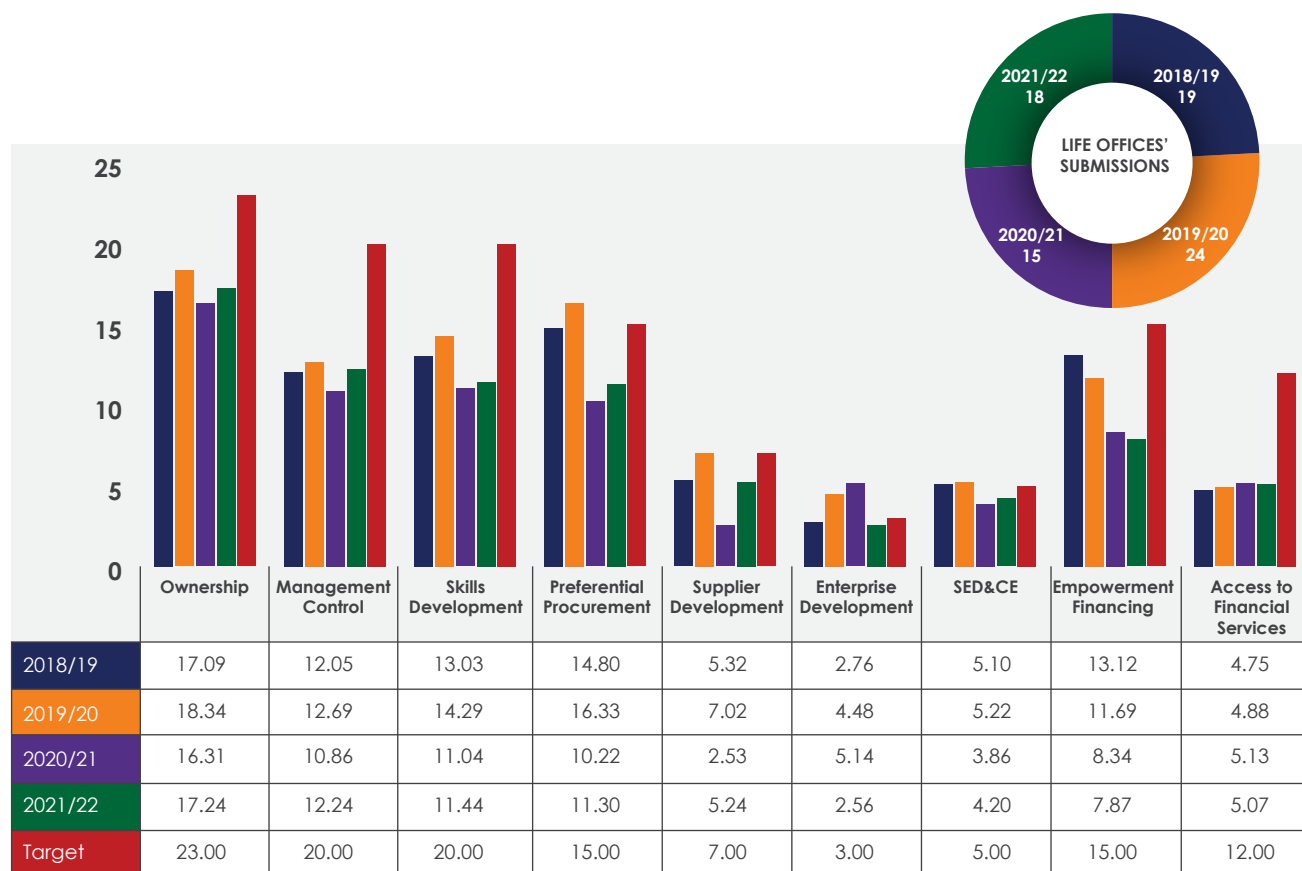


Figure 5 illustrates that the overall performance of the Life Offices sub-sector fluctuated across the four measurement periods, with none of the scorecard element targets being met during the 2021/22 measurement period. However, an improvement was observed across most elements compared to the previous year, except for Enterprise Development, Empowerment Financing and Access to Financial Services.

<sup>3</sup>ASISA, Long-term Insurance Statistics, 2022 <https://www.asisa.org.za/statistics/long-term-insurance-statistics/>

The analysis highlights the performance of the top Life Offices ranked on the basis of total asset size.

Figure 6: 2021/22 Performance of the Top Life Offices

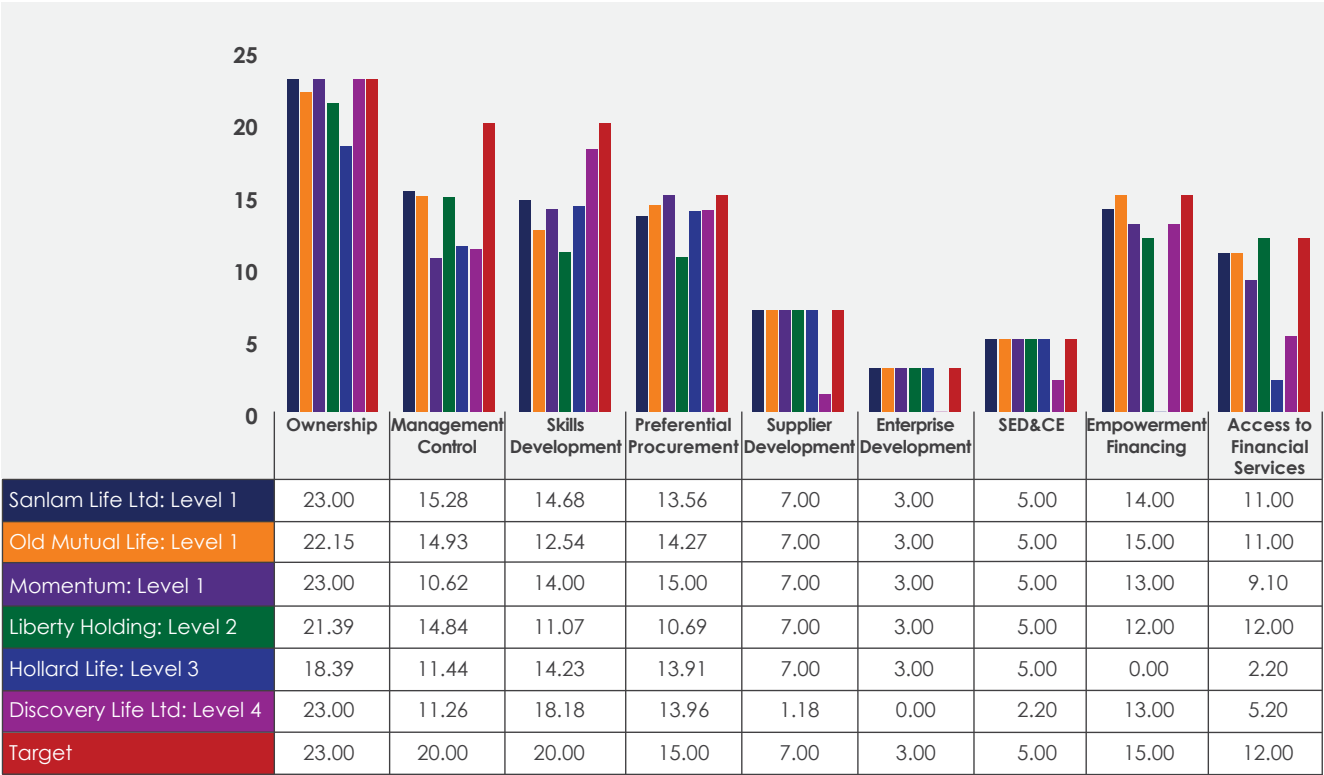


Figure 6 reveals that for the 2021/22 period, of the top Life Offices ranked by total assets, three (Sanlam, Old Mutual and Momentum) attained Level 1 B-BBEE status. Liberty and Hollard achieved Level 2 and Level 3, respectively, with Discovery achieving Level 4 status. Ownership targets were met by Sanlam, Momentum, and Discovery. All top Life Offices, except Discovery, reached their targets for Enterprise Development, Supplier Development, and Socio-Economic Development and Consumer Education. Old Mutual was the only entity to meet the Empowerment Financing target, while Liberty was the only entity to achieve the Access to Financial Services target.

The performance of the top Life Offices in the 2021/22 period highlights strong strides towards transformation. However, for the achievement of overall transformation, there is a need for greater focus on Management Control, Skills Development, Empowerment Financing and Access to Financial Services.





## SHORT-TERM INSURERS

The Short-term Insurance sector reported gross written premiums (GWP) totalling R140.1 billion<sup>4</sup> in 2022 and is important to the country's economy, providing essential risk management services that enhance economic stability.

## PERFORMANCE HIGHLIGHTS: SHORT-TERM INSURERS

Figure 7: Average Performance Trends of Short-Term Insurers (2018/19 to 2021/22)

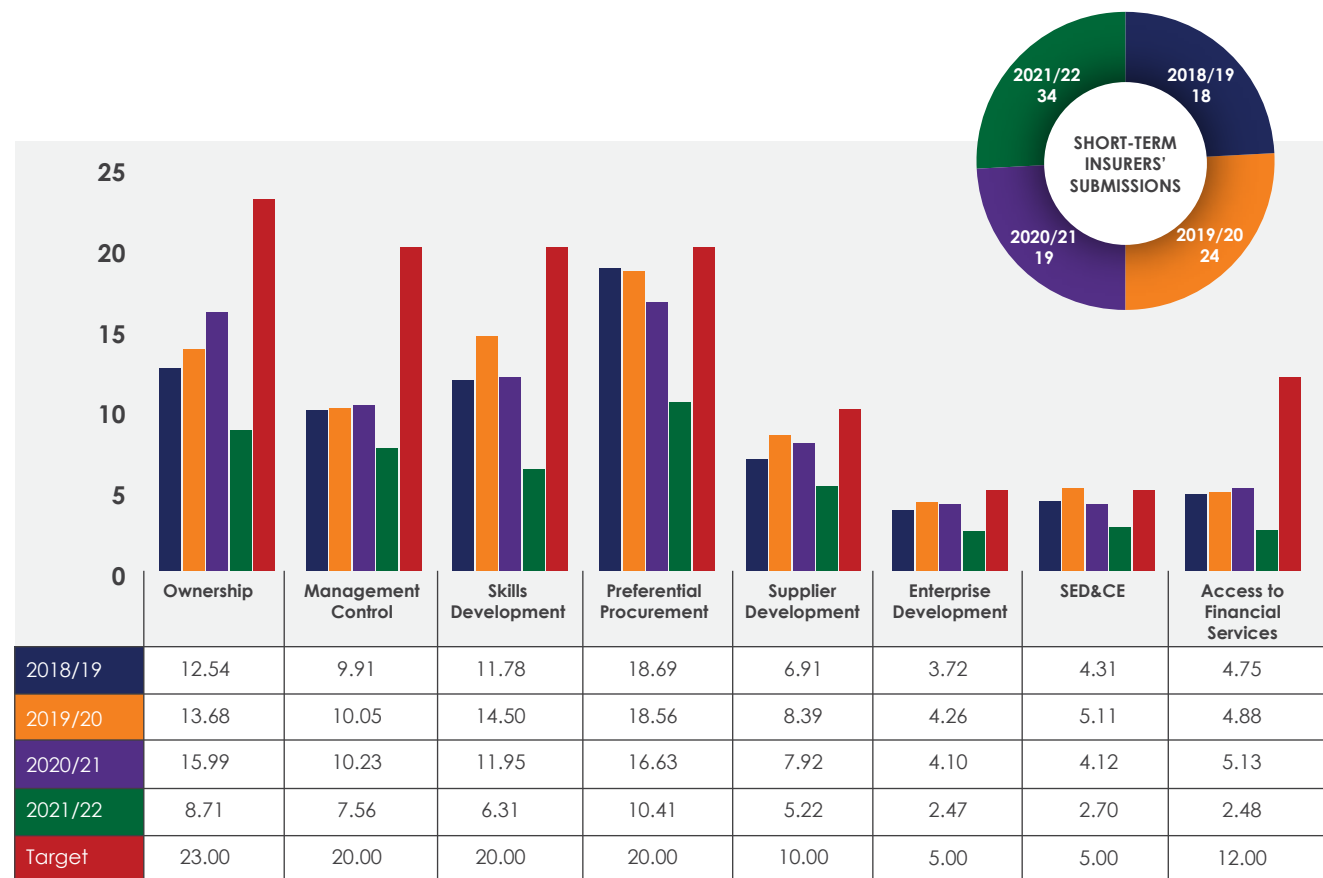


Figure 7 indicates that none of the targets have been met during the 2021/22 measurement period. It is important to note that the measurement period under review saw an increase in report submissions for short-term insurers, reflecting heightened engagement in the reporting process. However, there were submissions that had a B-BBEE non-complaint status which affected the overall performance of the sub-sector across all elements.

<sup>4</sup>KPMG, The South African Insurance Industry Survey, 2022, <https://kpmg.com/za/en/home/campaigns/2022/09/the-south-african-insurance-industry-survey.html>

The analysis that follows highlights the performance of the top Short-term Insurers based on their reported GWP.

Figure 8: 2021/22 Top Short-Term Insurers based on the GWP

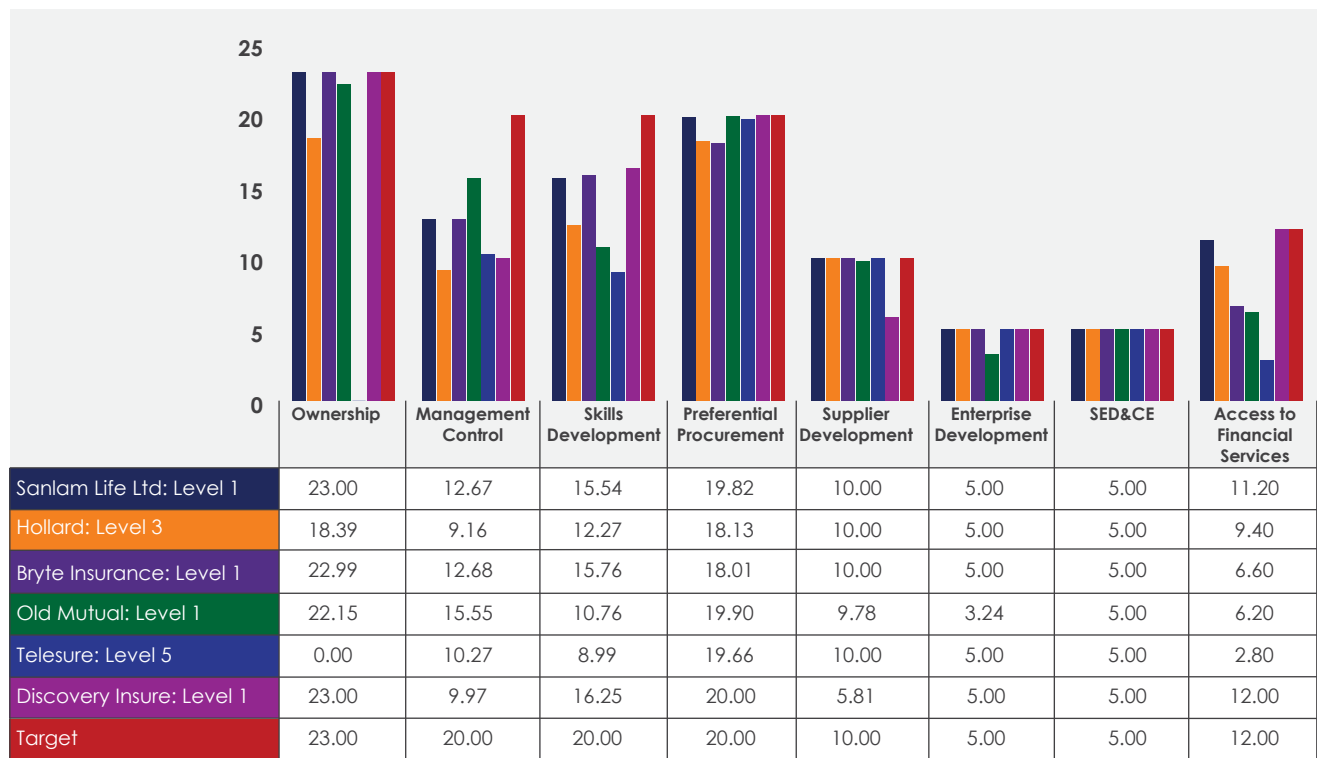


Figure 8 reveals that for the 2021/22 period, the performance of the top Short-term Insurers varied. Santam, Bryte, Old Mutual, and Discovery achieved Level 1 B-BBEE status, whereas Hollard reached Level 3, and Telesure attained Level 5. Only Santam and Discovery met their targets for Ownership, with Bryte and Old Mutual performing slightly below the target. None of the Short-term Insurers achieved their targets for Management Control and Skills Development. Only Discovery attained the target for Preferential Procurement, whilst the other insurers are not lagging far behind. Most insurers met their targets for Enterprise Development and Supplier Development and all of them met their targets for Socio-Economic Development and Consumer Education. On the other hand, Access to Financial Services necessitates increased efforts across, as only Discovery achieved the target, while Santam performed slightly below the target.



# ASSET MANAGERS

The Asset Managers oversee a diverse range of asset classes, including equities, bonds, hedge funds, and other alternative investments. Asset Managers are evaluated based on five applicable elements outlined in the scorecards for Other Institutions.

## PERFORMANCE HIGHLIGHTS: ASSET MANAGERS

Figure 9: Average Performance Trends of Asset Managers in point scores (2018/19 to 2021/22)

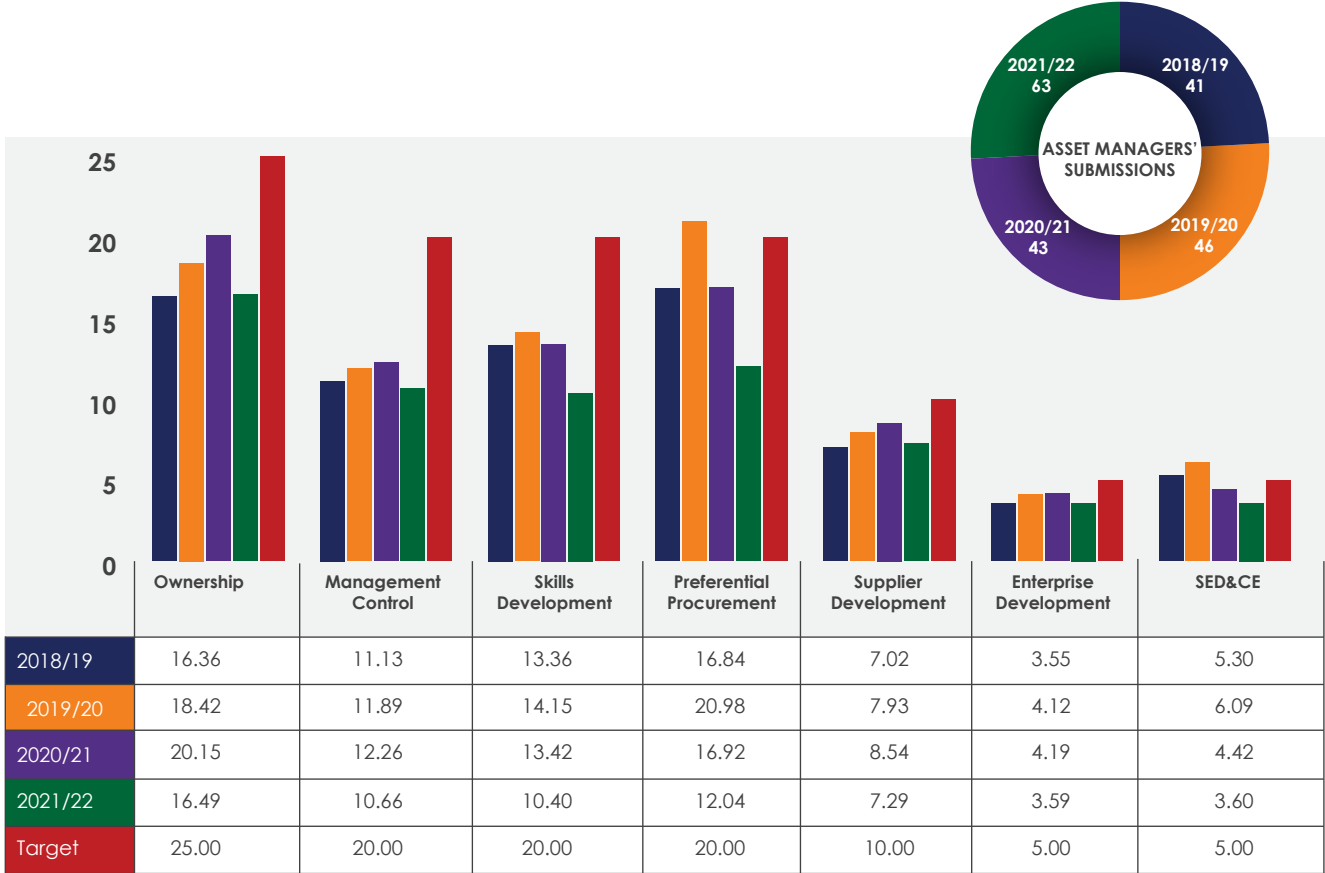


Figure 9 illustrates that the overall performance of Asset Managers declined in the 2021/22 measurement period, with all element targets not being met.

The analysis that follows highlights the performance of the top Asset Managers based on total Assets under Management (AuM) for the period under review.

Figure 10: 2021/22 Average Performance of top Asset Managers by AuM in point scores

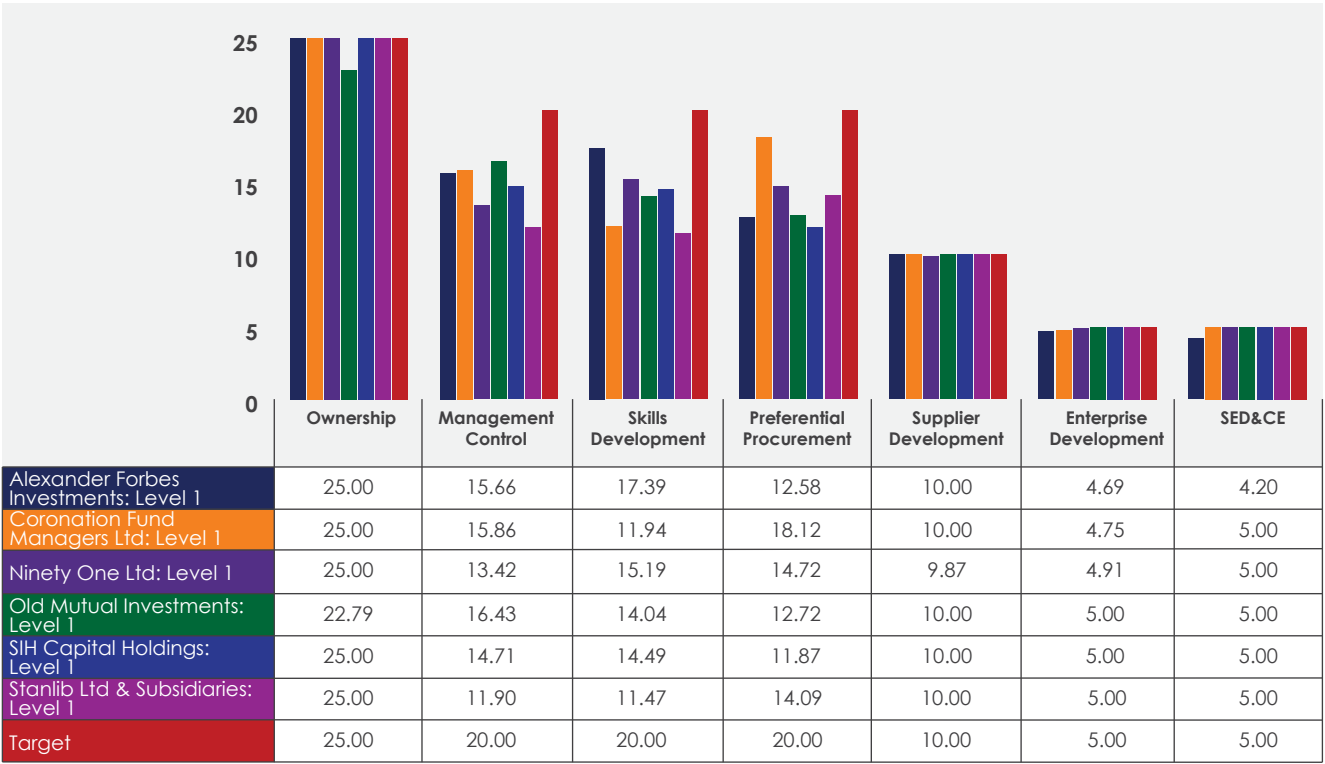


Figure 10 reveals that for the 2021/22 period, all top Asset Managers achieved Level 1 B-BBEE status. All, except Old Mutual, reached the Ownership target. Whilst most attained their Supplier Development, and Socio-economic Development and Consumer Education targets, none of them achieved their targets for Management Control, Skills Development and Preferential Procurement. The Skills Development target was the only priority element not achieved.



## OTHER INSTITUTIONS

Other Institutions are assessed across five (5) scorecard elements, including the FS400 code series, consisting of Preferential Procurement, Enterprise Development and Supplier Development elements. Other institutions include but are not limited to:

- Financial intermediaries
- Re-insurers
- Underwriters
- Venture capitalist and private equity managers
- Asset consultants and administrators

## PERFORMANCE HIGHLIGHTS: OTHER INSTITUTIONS

Figure 11: Average Performance Trends of Other Institutions (2018/19 to 2021/22)

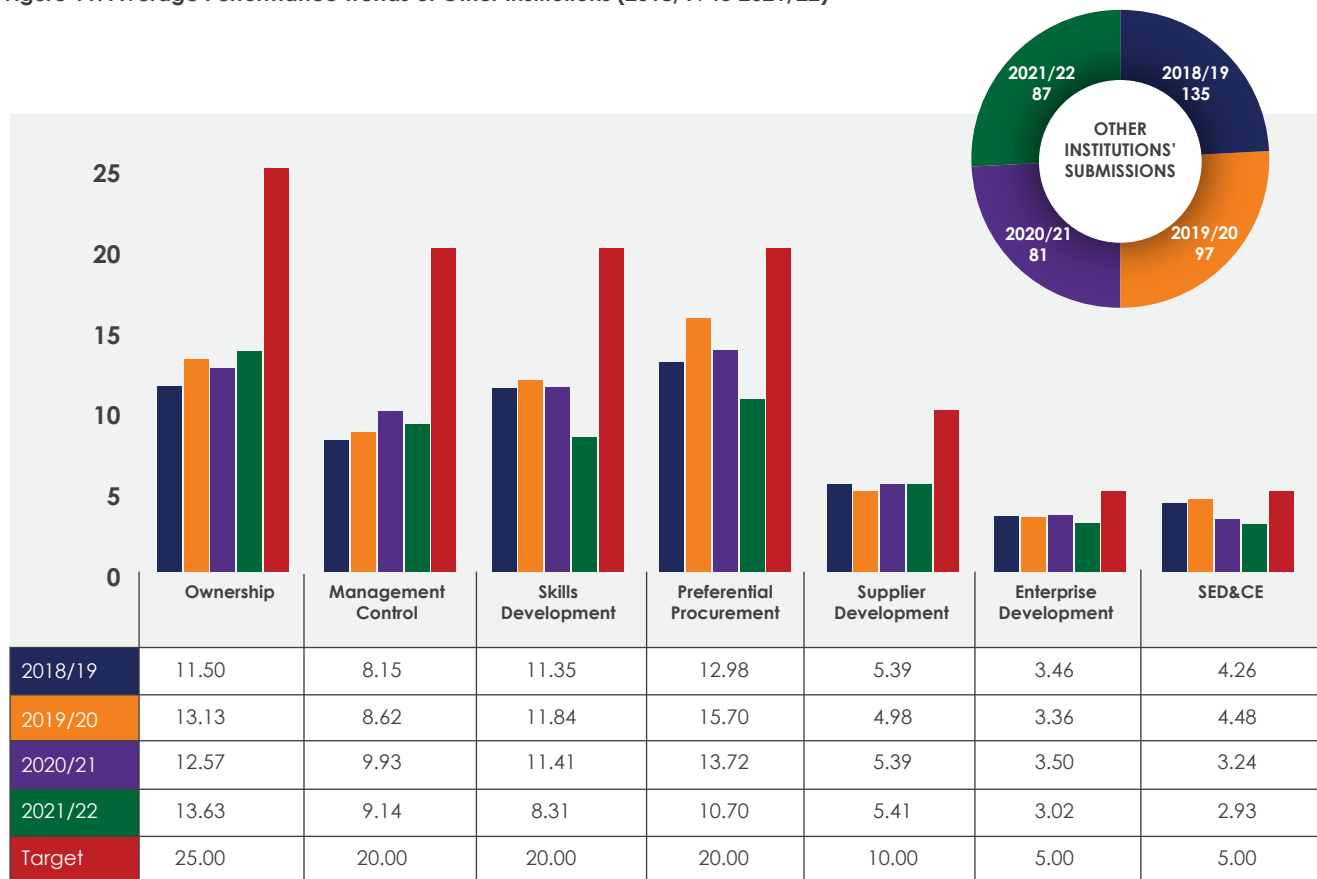


Figure 11 illustrates the overall performance of Other Institutions that submitted their B-BBEE reports, with none of the element targets being met. Additionally, compared to the previous year, the current measurement period has revealed a decline in the performance of Management Control, Skills Development, Preferential Procurement, Enterprise Development, and Socio-economic Development and Consumer Education. Substantial gaps remain in meeting transformation targets, indicating significant work is still required to achieve transformation imperatives.



# SPECIALISED ENTERPRISES

Specialised Enterprises are companies limited by guarantee, non-profit organisations and State-Owned Enterprises, which are exempt from the ownership element due to no shareholding structures and some due to government ownership. These types of entities are evaluated on four scorecard elements.

## PERFORMANCE HIGHLIGHTS: SPECIALISED ENTERPRISES

Figure 12: Average Performance Trends of Specialised Enterprises (2018/19 to 2021/22)

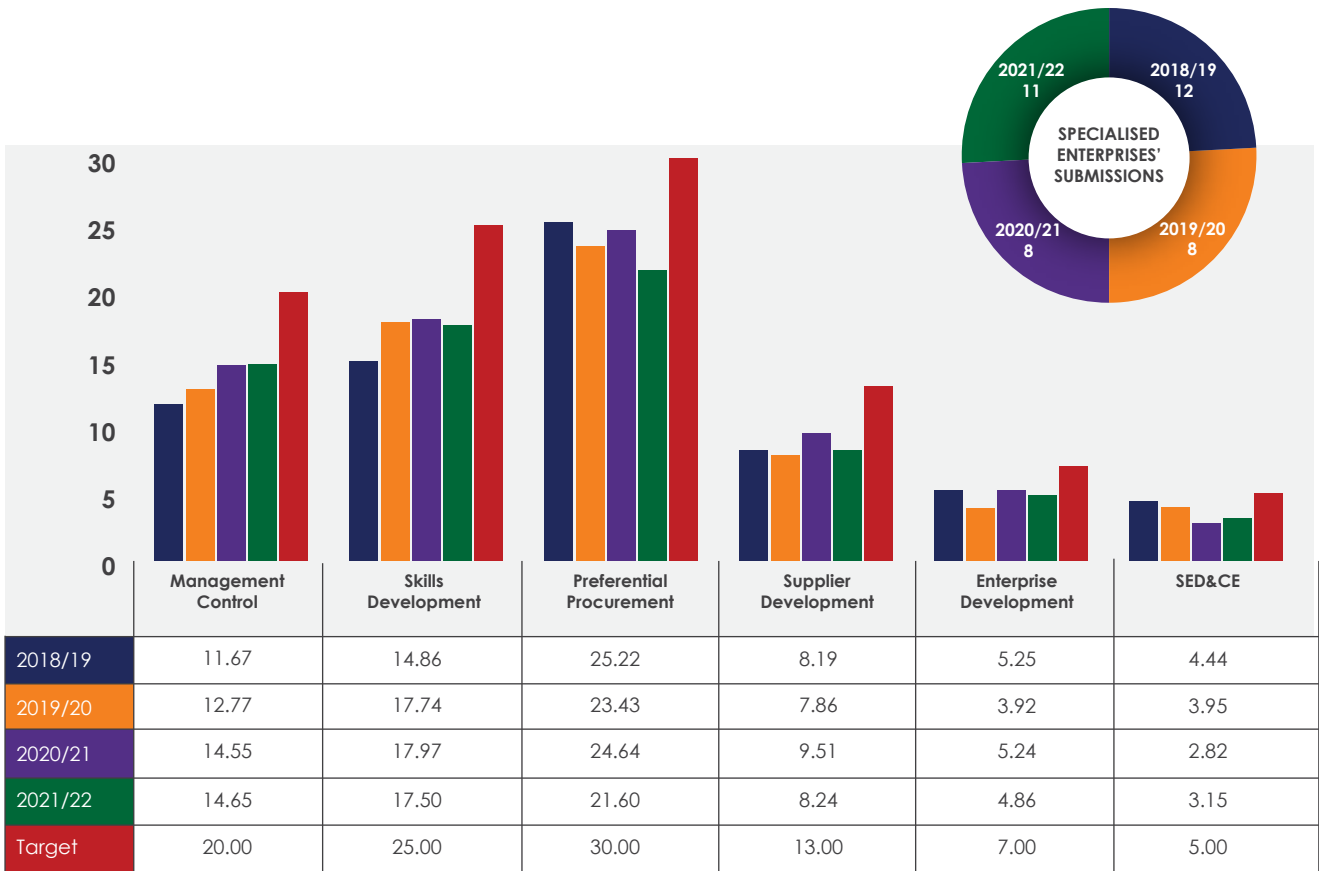


Figure 12 indicates that Specialised Enterprises are not meeting any of the targets for the elements and this trend highlights challenges in the inclusion of marginalised groups, leaving considerable ground to be covered.

## RETIREMENT FUNDS

South Africa's Retirement Funds industry is significant, with over R4.6 trillion in Assets under Management, making it one of the largest in the world in terms of assets to GDP ratio<sup>5</sup>. However, there is an increasing focus on sustainable investments to foster a more equitable society.

According to the 2022 FSCA Annual Report<sup>6</sup>, there were 1332 active Retirement Funds. The FS Code provides for voluntary dispensation for the top 100 Retirement Funds including Umbrella Funds. Only eight Retirement Funds submitted their B-BBEE reports to the FSTC.

## PERFORMANCE HIGHLIGHTS: RETIREMENT FUNDS

Figure 13: Average Performance Trends of the Retirement Funds in point scores (2018/19 to 2021/22)

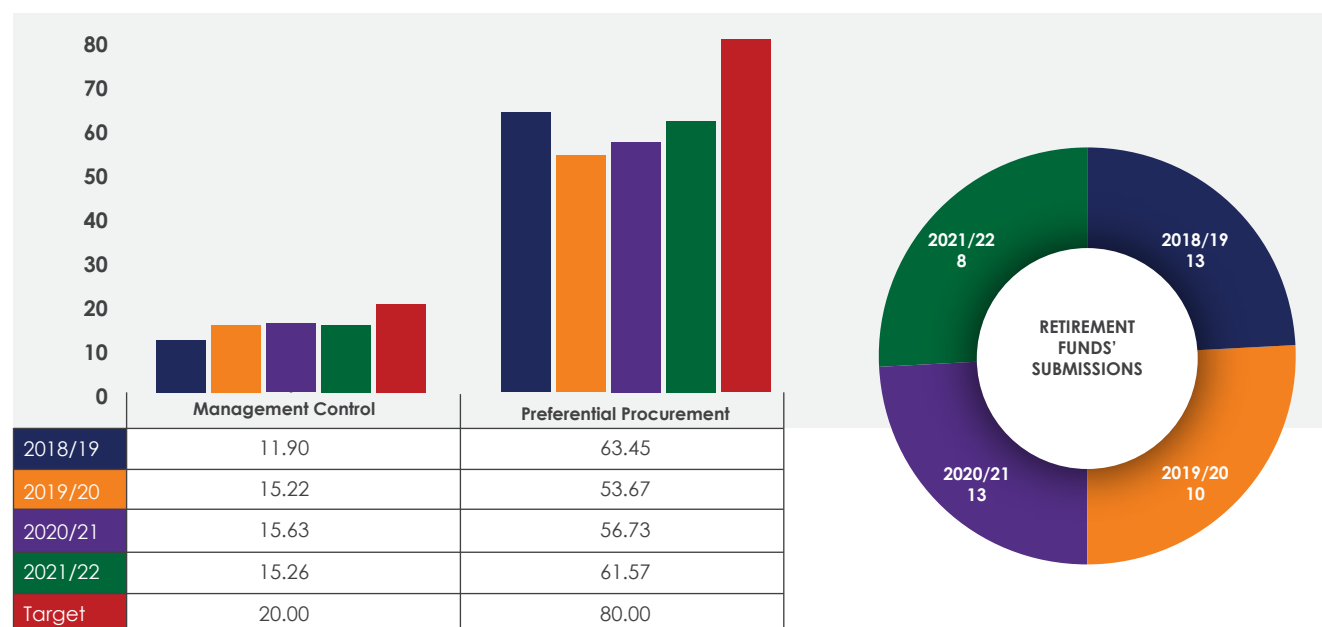


Figure 13 illustrates the overall performance of the Retirement Funds indicating that none of the targets were met. While none of the targets were achieved, Retirement Funds, achieved more than 75% of the points targeted for Management Control and Preferential Procurement elements for 2021/22 measurement period, with an upward trend observed for Preferential Procurement since 2019/20. This reflects the reporting entities' ongoing commitment to improving their practices despite the absence of mandatory targets.

<sup>5</sup> FS CODEA, *Financial Sector Outlook Study, 2022*, [https://www.FS CODEA.co.za/Documents/FS CODEA%20Financial%20Sector%20Outlook%20Study%202022.pdf](https://www.FS%20Codea.co.za/Documents/FS%20CODEA%20Financial%20Sector%20Outlook%20Study%202022.pdf)

<sup>6</sup> 2022 FSCA Annual Report: <https://www.fsc.co.za/Annual%20Reports/FSCA%20Annual%20Report%202021-2022.pdf>

Figure 14: 2021/22 Performance of Retirement Funds in point scores

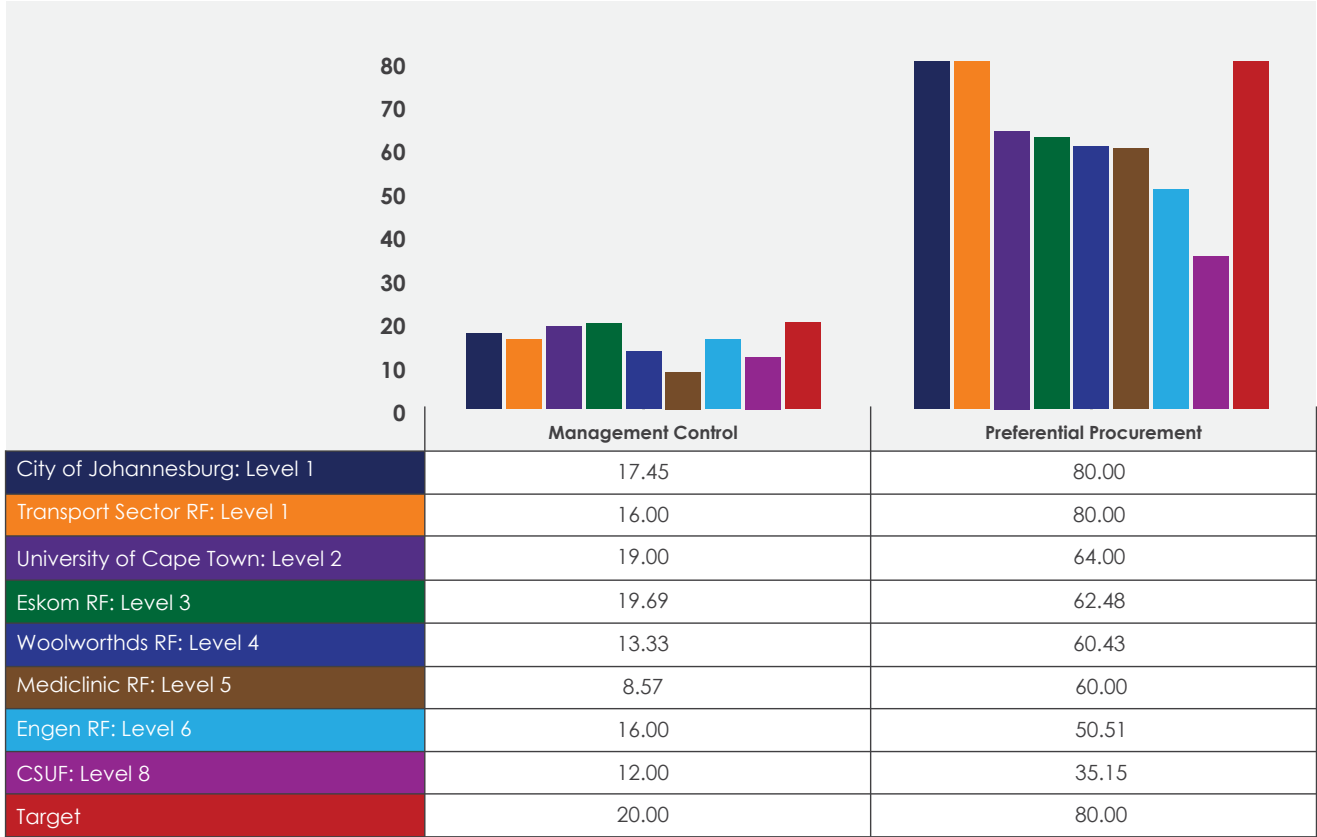


Figure 14 reveals that the City of Johannesburg Pension Fund and the Transport Sector Retirement Fund achieved a Level 1 B-BBEE status, reaching the target for Preferential Procurement whilst falling short on Management Control. Corporate Selection Suite of Umbrella Retirements Fund (CSUF) achieved the lowest level of B-BBEE status, Level 8. Eskom and the University of Cape Town performed slightly below the target for Management Control.



# SUMMARY OF THE SUB-SECTORS

The performance highlights of sub-sectors per element are summarised below.

**Table 6: The summary of the performance per sub-sector.**

ELEMENT	BANKS	LIFE OFFICES	SHORT-TERM INSURERS	ASSET MANAGERS	OTHER INSTITUTIONS	SPECIALISED ENTERPRISES	RETIREMENT FUNDS
Number of Submissions	21	18	34	63	87	11	8
Ownership	16.56	17.24	8.71	16.49	13.63	N/A	N/A
Management Control	11.71	12.24	7.56	10.55	9.14	14.65	15.26
Skills Development	11.18	11.44	6.81	10.17	8.31	17.50	N/A
Preferential Procurement	11.38	11.30	10.41	11.88	10.70	21.60	61.57
Supplier Development	2.26	5.24	5.22	7.16	5.41	8.24	N/A
Enterprise Development	3.28	2.56	2.47	3.52	3.02	4.86	N/A
SED & CE	9.83	4.20	2.70	3.53	2.93	3.15	N/A
Empowerment Financing	5.52	7.87	N/A	N/A	N/A	N/A	N/A
Access to Financial Services	3.99	5.07	2.48	N/A	N/A	N/A	N/A
Total	75.71	77.16	46.36	63.30	53.14	70.00	76.83
Available points	120.00	120.00	115.00	105.00	105.00	100.00	100.00
Converted points	83.35	70.79	48.91	60.98	51.19	64.22	70.49
Achieved level	Level 5	Level 6	Level 8	Level 6	Level 7	Level 6	Level 6

The conversion from the base points to the converted points used 109 points as the point of conversion. The conversion also did not consider the effects of the Youth Employment Service (YES) enhancements.





## ELEMENT ANALYSIS

The Element Analysis section of the report provides a comprehensive review of each element's performance against the targets outlined in the FS Code. This section reviews both the average achievements in points and percentages. It is important to note that target points are capped at the maximum allocation allowed per element, while percentage achievements are not capped. As a result, the percentage of achievements does not always correlate with the average points attained.

Readers should consider this when reviewing the data in this section to understand the results presented.

## PERFORMANCE ASSESSMENT OF INDIVIDUAL ELEMENTS

The performance of individual elements was assessed by analysing both the averages of the submitted B-BBEE certificates and selected element indicators, comparing them against their respective targets. Each element was compared year-on-year based on the B-BBEE scorecard averages. A total of 242 entities were considered for certificate analysis, with 240 included in the element indicators analysis, as two entities did not submit their scorecards.



# OWNERSHIP (OWN)-FS100

The primary objective of B-BBEE is to encourage economic participation and improve equitable redistribution of wealth by integrating Black people (as defined in the B-BBEE Act of 2003 as amended) into the economy through a developmental approach of national empowerment that focuses on targeting South Africa's previously disadvantaged people. Hence, the Ownership element's purpose is to increase the number of Black people who own enterprises in the financial sector by measuring the extent to which Black people have an equity interest in an entity.

In this report, Ownership is measured across two principal indicators:

- Voting rights.
- Economic interest.

This element is crucial for creating an inclusive economy, redistributing wealth, and encouraging private sector transformation, making it a key element in the financial sector.

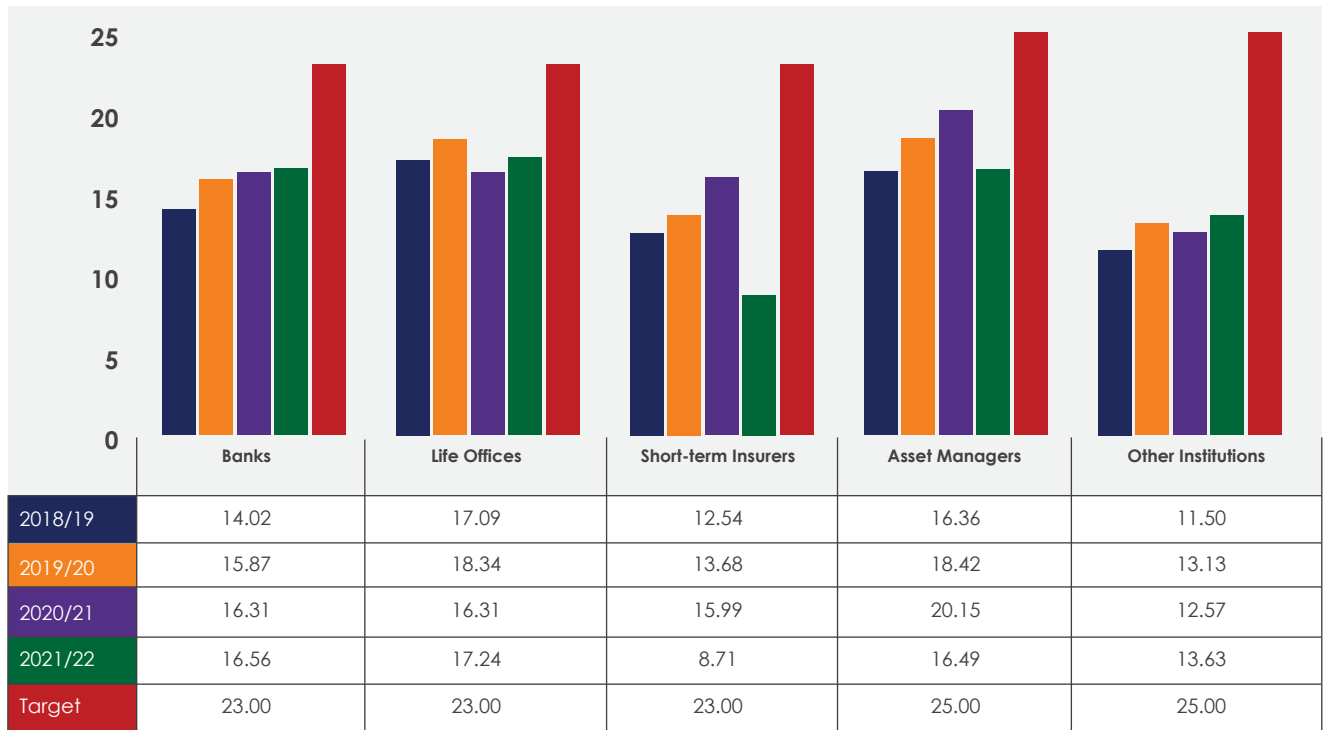
**Table 7: Ownership Scorecard**

		DESCRIPTION	POINTS	Target
2.1 Exercisable voting rights	2.1.1.	Exercisable voting rights in the measured entity in the hands of Black people	4	25%+ 1 Vote
	2.1.2.	Exercisable voting rights in the measured entity in the hands of Black women	2	10%
2.2. Economic interest rights	2.2.1.	Economic interest rights in the measured entity to which Black people are entitled	3	25%
	2.2.2.	Economic interest rights in the measured entity to which Black women are entitled	2	10%
	2.2.3.	Economic interest in the hands Black designated groups; Black participants in Employee Share Ownership Programmes; Black people in Broad-based Ownership Schemes and Black participants in co-operatives	3	3%
	2.2.4.	New Entrants	3	2%
2.3.		Net Value	6	Formula Annex100(C)
		Total Before Bonus	23	
2.4.		Bonus: Direct/Indirect ownership in excess of 15%	3	10%
2.5.		Bonus: Economic interest and voting rights above 32.5%	2	1 point @ 32.5% and 1 point @ 40%



Figure 15 illustrates the average Ownership points across various financial sub-sectors over four reporting periods.

**Figure 15: Ownership analysis per sub-sector over a four-year reporting period**



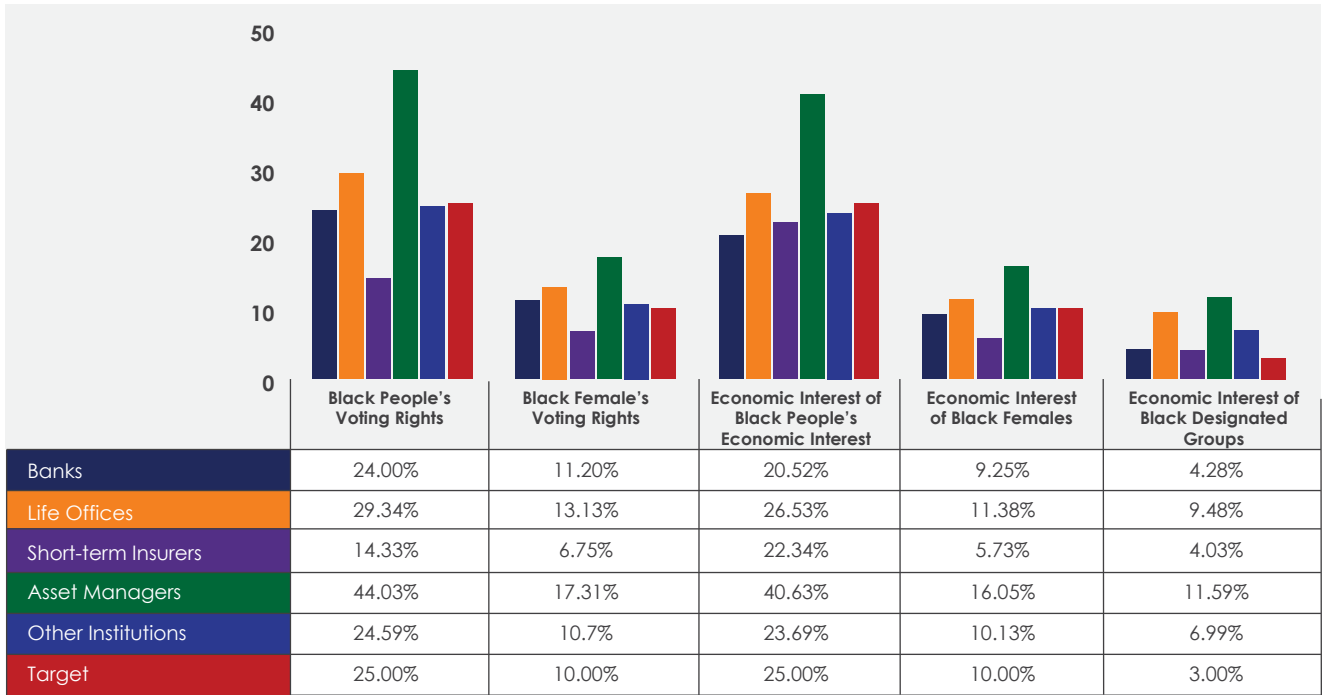
As illustrated in Figure 15, during 2021/22 all sub-sectors performed below their targets with Banks, Life Offices and Other Institutions displaying improvement towards achieving their targets whilst Asset Managers and Short-term Insurers displayed a decline.





# BLACK REPRESENTATION ON EXERCISABLE VOTING RIGHTS

Figure 16: 2021/22 Average Percentage achieved on Exercisable Voting Rights



For the 2021/22 submissions, Asset Managers, with the highest percentage of Black people's voting rights at 44.03%, have outperformed all other sub-sectors in terms of Ownership indicators, exceeding the determined targets across. Life Offices also displayed favourable performance exceeding their targets across these indicators, while Banks and Other Institutions were only slightly below the set target for Black people's voting rights with Short-term Insurers having the lowest averages across all ownership indicators.



## MANAGEMENT CONTROL (MC)-FS200

The Management Control element addresses Black management participation and decision-making in higher structures, by measuring the proportion of Black people and Black women in management positions with authority over the business' overall direction as well as day-to-day operations.

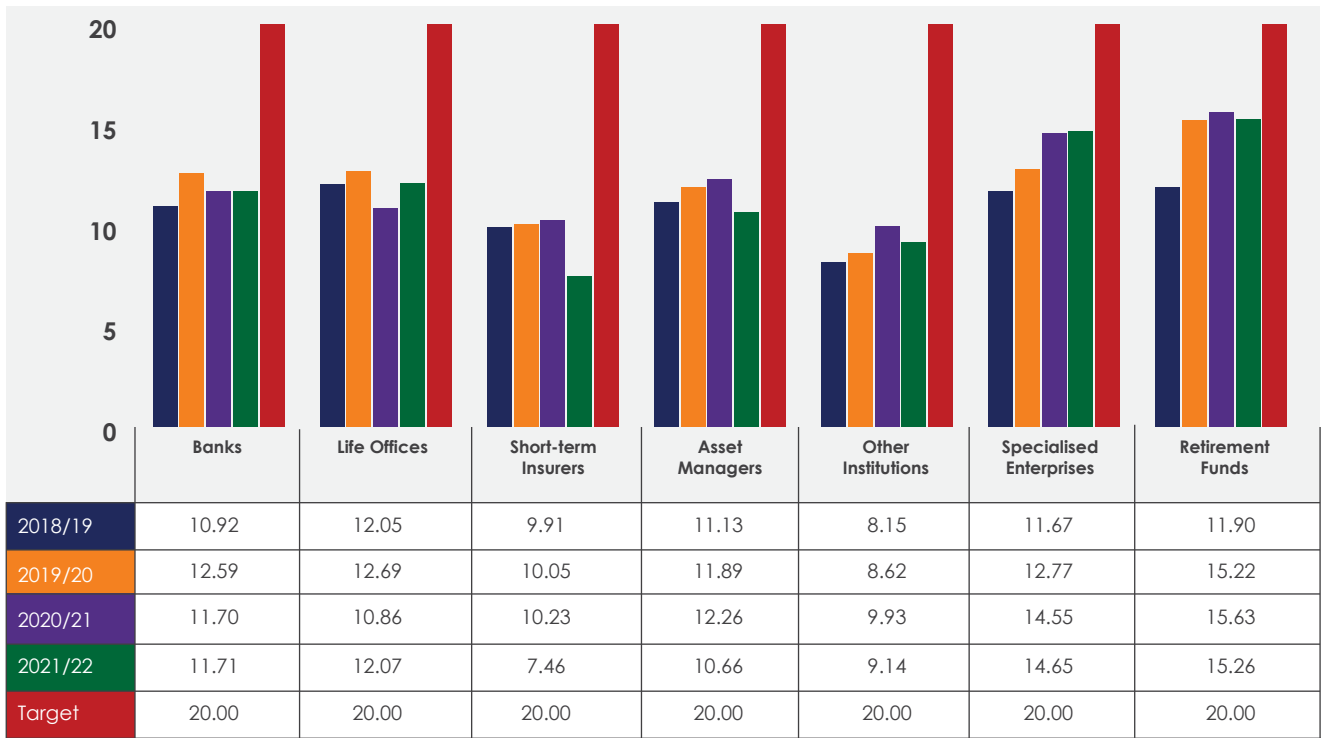
**Table 8: Management Control Scorecard**

	DESCRIPTION	POINTS	TARGET
<b>2.1.</b>	<b>Board Participation</b>	<b>5</b>	
	2.1.1. Exercisable voting rights of Black board members as a percentage of all board members	1	50%
	2.1.2. Exercisable voting rights of Black female board members as a percentage of all board members	1	25%
	2.1.3. Black executive directors as a percentage of all executive directors	2	50%
	2.1.4. Black female executive directors as a percentage of all executive directors	1	25%
<b>2.2.</b>	<b>Other Executive Management</b>	<b>3</b>	
	2.2.1. Black executive management as a percentage of all executive management	2	60%
	2.2.2. Black female executive management as a percentage of all executive management	1	30%
<b>2.3.</b>	<b>Senior Management</b>	<b>4</b>	
	2.3.1. Black employees in senior management as a percentage of all senior managers	2	60%
	2.3.2. Black female employees in senior management as a percentage of all senior managers	1	30%
	2.3.3. African senior managers as a percentage of all senior managers	1	EAP%
<b>2.4.</b>	<b>Middle Management</b>	<b>4</b>	
	2.4.1. Black employees in middle management as a percentage of all middle managers	2	75%
	2.4.2. Black female employees in middle management as a percentage of all middle managers	1	38%
	2.4.3. African middle managers as a percentage of all middle managers	1	EAP%
<b>2.5.</b>	<b>Junior Management</b>	<b>4</b>	
	2.5.1. Black employees in junior management as a percentage of all junior managers	1	88%
	2.5.2. Black female employees in junior management as a percentage of all junior managers	1	44%
	2.5.3. African junior managers as a percentage of all junior managers	1	EAP%
<b>2.6.</b>	2.6. Black employees with disabilities as a percentage of all employees	1	2%
	<b>TOTAL</b>	<b>20</b>	



The figure below illustrates the average Management Control points across financial sub-sectors over four reporting periods.

Figure 17: Management Control analysis per sub-sector over a four-year period



As illustrated in Figure 17, all sub-sectors underperformed in Management Control across all reporting periods. A decline was observed for 2021/22 when compared to the previous year, except for Banks and Life Offices, and Specialised Enterprises, which continued to show an upward trend since 2018/19.



# BLACK REPRESENTATION ON BOARD PARTICIPATION AND OTHER EXECUTIVE MANAGEMENT

Figure 18: 2021/22 Board representation and Other Executive Management breakdown across sub-sectors

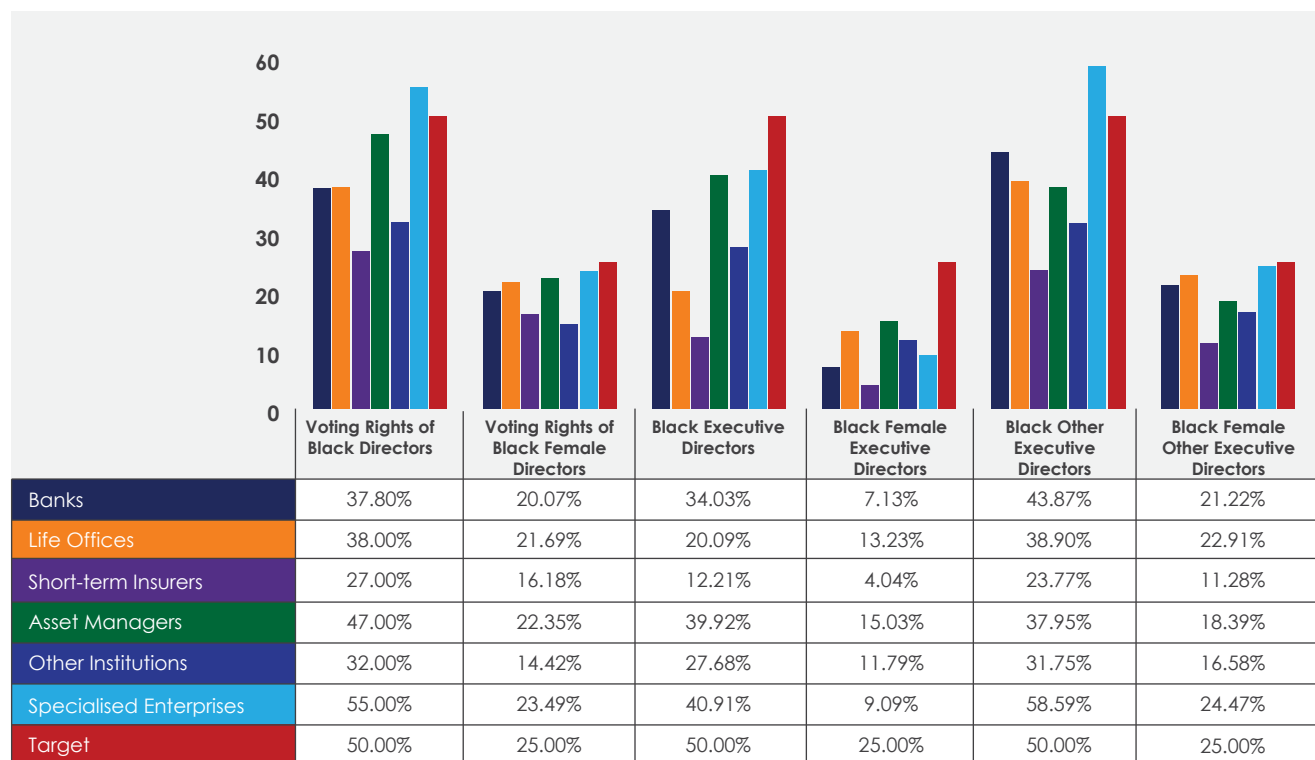


Figure 18 illustrates that improvements on the representation of Black directors remain necessary. Specialised Enterprises, with 55% Black directors, have exceeded the target (50%) for Black representation on boards, with Asset Managers falling slightly below target. None of the sub-sectors achieved the target for Black executive directors.

Additionally, none of the sub-sectors achieved the target (25%) for Black female representation at either board, executive, or other executive director levels.

Figure 19: 2021/22 Board representation in the Retirement Funds sub-sector

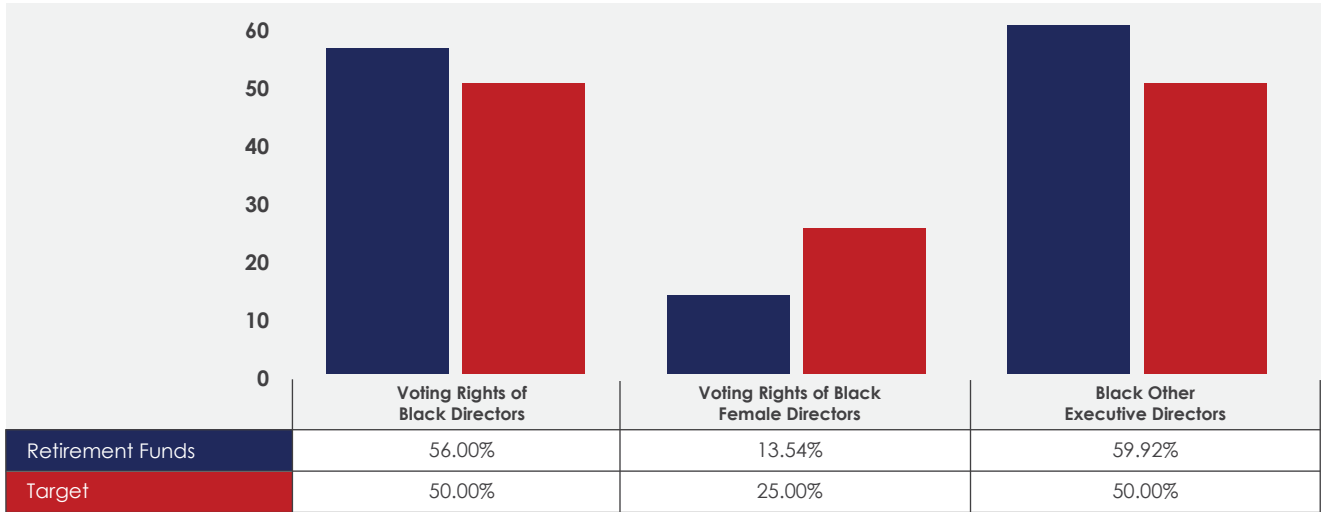


Figure 19 displays the performance for Retirement Funds, exceeding 50% for both voting rights for Black Directors (56%) and Black Other Executive Directors (59.92%), while the performance on voting rights for Black Female Directors requires improvement.



# BLACK REPRESENTATION IN SENIOR, MIDDLE AND JUNIOR MANAGEMENT

Figure 20: 2021/22 Employment equity breakdown across sub-sectors

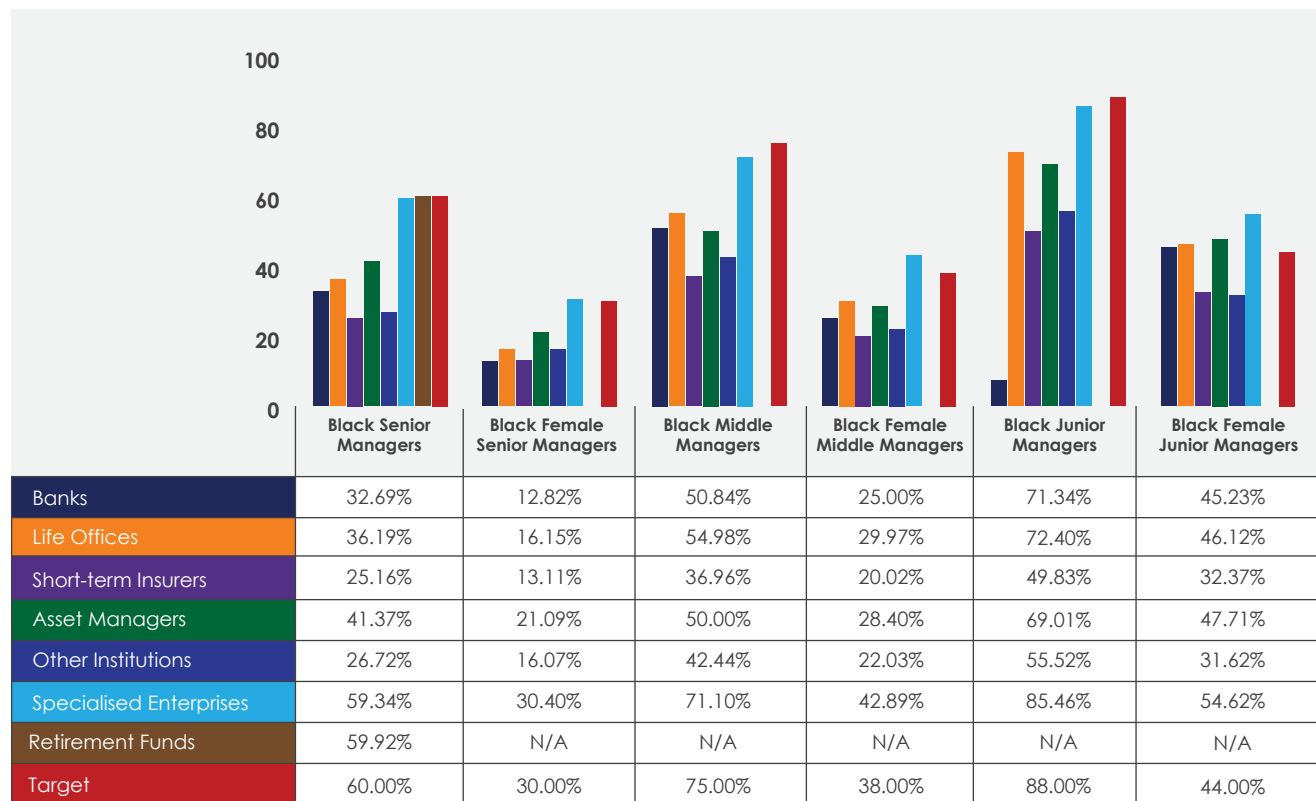
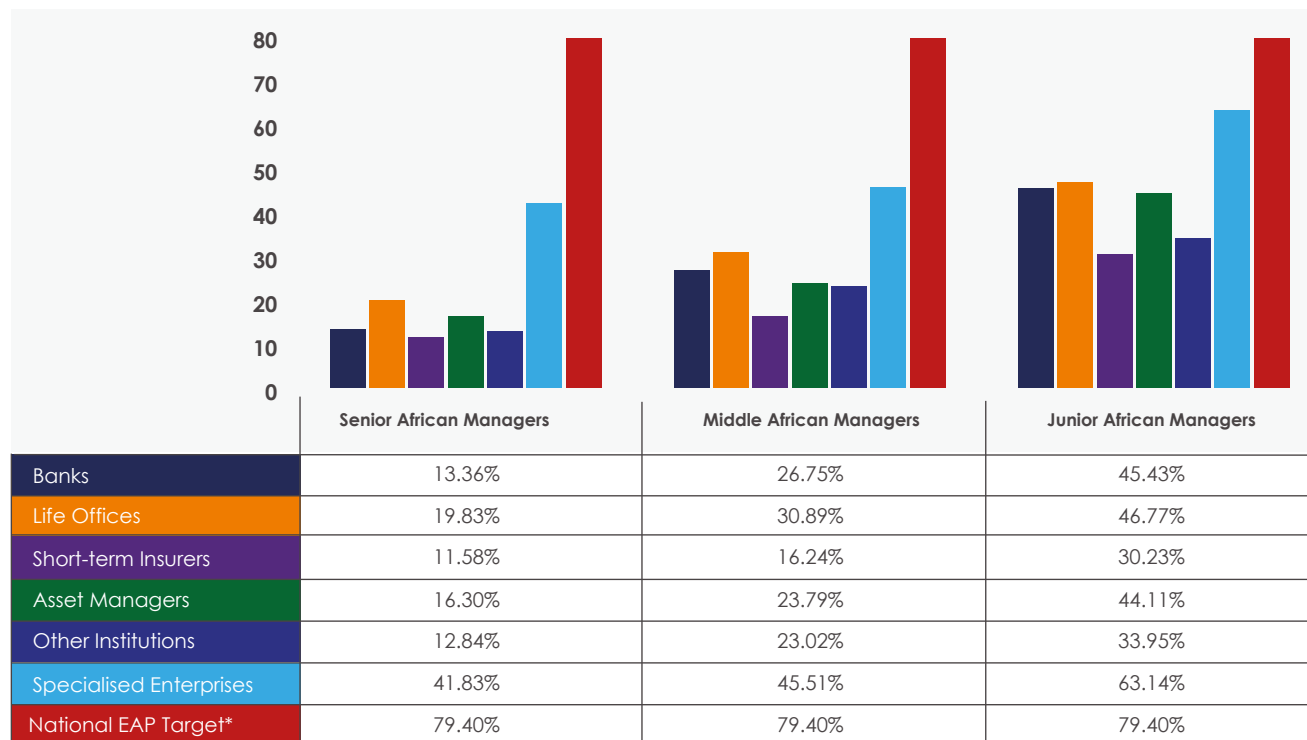


Figure 20 illustrates the employment equity breakdown, with Black representation having shown higher performance for Black junior managers across the respective sub-sectors. The Specialised Enterprises sub-sector demonstrates the highest representation of Black managers across management levels.

## AFRICAN REPRESENTATION IN MANAGEMENT

The Management Control scorecard contains targets for African managers due to their historically low representation in management structures. This is despite a higher representation of Africans in the statistics of Economically Active Population (EAP) as released by Statistics South Africa on a quarterly basis. African managers are therefore evaluated against the EAP targets for each Employment Equity category.

**Figure 21: 2021/22 Representation of African Managers across sub-sectors**



\*EAP targets at National level as per the 22nd Commission of Employment Equity Report (2021-2022)

None of the sub-sectors achieved the target for African Managers, however, Specialised Enterprises performed better than other sub-sectors. Most African managers remain concentrated at junior levels across all sub-sectors, with Specialised Enterprises (63.14%) employing the highest number at this level.



Figure 22: 2021/22 Representation of Black Employees living with disabilities across sub-sectors.

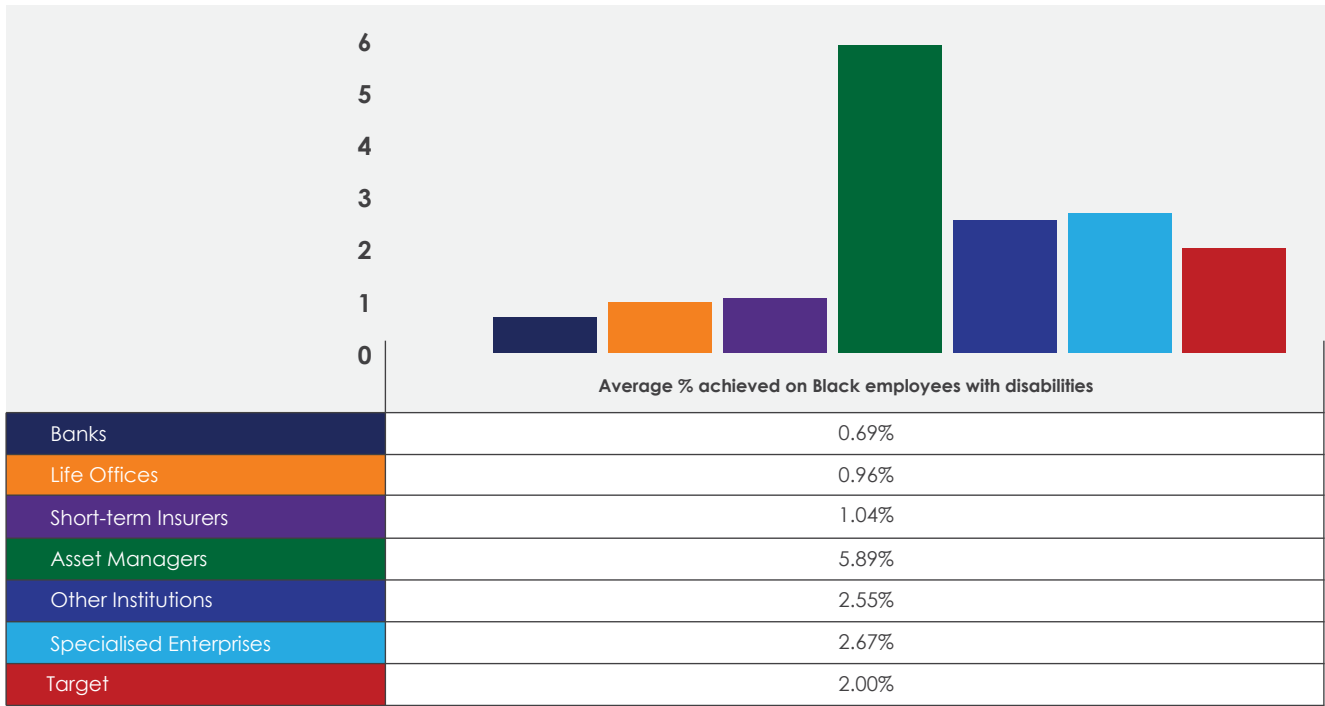


Figure 22 shows that Asset Managers, Other Institutions and Specialised Enterprises were able to surpass the targets for Black employees living with disabilities while Banks, Life Offices and Short-term Insurers performed below target.



## SKILLS DEVELOPMENT (SD)-FS300

The Skills Development element aims to foster training and development of Black people in the labour force to enhance the country's socioeconomic position by measuring the skills spend on Black people.

**Table 9: Skills Development Scorecard**

	DESCRIPTION	POINTS	TARGET
<b>2.1.</b>	<b>Senior Management</b>	<b>2</b>	
	2.1.1. Skills development expenditure on learning programmes specified in the learning programme matrix for Black senior and executive managers as a percentage of the leviabale amount applicable to this level	1	2%
	2.1.2. Skills development expenditure on learning programmes specified in the learning programme matrix for Black women senior and executive managers as a percentage of the leviabale amount applicable to this level	0.5	1%
	2.1.3. Skills development expenditure on learning programmes specified in the learning programme matrix for African senior and executive managers as a percentage of the leviabale amount applicable to this level	0.5	EAP%
<b>2.2.</b>	<b>Middle Management</b>	<b>2</b>	
	2.2.1. Skills development expenditure on learning programmes specified in the learning programme matrix for Black middle managers as a percentage of the leviabale amount applicable to this level	1	3%
	2.2.2. Skills development expenditure on learning programmes specified in the learning programme matrix for Black women middle managers as a percentage of the leviabale amount applicable to this level	0.5	1.5%
	2.2.3. Skills development expenditure on learning programmes specified in the learning programme matrix for African middle managers as a percentage of the leviabale amount applicable to this level	0.5	EAP%
<b>2.3.</b>	<b>Junior Management</b>	<b>3</b>	
	2.3.1. Skills development expenditure on learning programmes specified in the learning programme matrix for Black junior managers as a percentage of leviabale amount applicable to this level	1	5%
	2.3.2. Skills development expenditure on learning programmes specified in the learning programme matrix for Black women junior managers as a percentage of the leviabale amount applicable to this level	1	2.5%
	2.3.3. Skills development expenditure on learning programmes specified in the learning programme matrix for African junior managers as a percentage of the leviabale amount applicable to this level	1	EAP%
<b>2.4.</b>	<b>Non-Management Staff</b>	<b>4</b>	
	2.4.1. Skills development expenditure on learning programmes specified in the learning programme matrix for Black non-management staff as a percentage of the leviabale amount applicable to this level	2	8%
	2.4.2. Skills development expenditure on learning programmes specified in the learning programme matrix for Black women non-management staff as a percentage of the leviabale amount applicable to this level	1	4%
	2.4.3. Skills development expenditure on learning programmes specified in the learning programme matrix for African non-management staff as a percentage of the leviabale amount applicable to this level	1	EAP%
<b>2.5.</b>	<b>2.5.1. Skills development expenditure on learning programmes specified in the learning programme matrix for Black unemployed people as a percentage of the leviabale amount</b>	<b>4</b>	<b>1.5%</b>

	DESCRIPTION	POINTS	TARGET
2.6.	2.6.1. Skills development expenditure on learning programmes specified in the learning programme matrix for Black people with disabilities as a percentage of the leviable amount	1	0.30%
2.7.	2.7.1. Number of Black people, (employed or unemployed) participating in learnerships, apprenticeships, internships or Category B, C or D programmes as a percentage of total employees	4	5%
	<b>TOTAL</b>	<b>20</b>	
2.8	2.8.1. Bonus Points: Number of previously unemployed Black people Absorbed by the measured entity/industry at the end of the learnerships, apprenticeships, internships, or Category B, C or D programmes.	3	100%



The figure below illustrates the average Skills Development points across various financial sub-sectors over four reporting periods.

**Figure 23: Skills Development analysis per sub-sector over a four-year period**

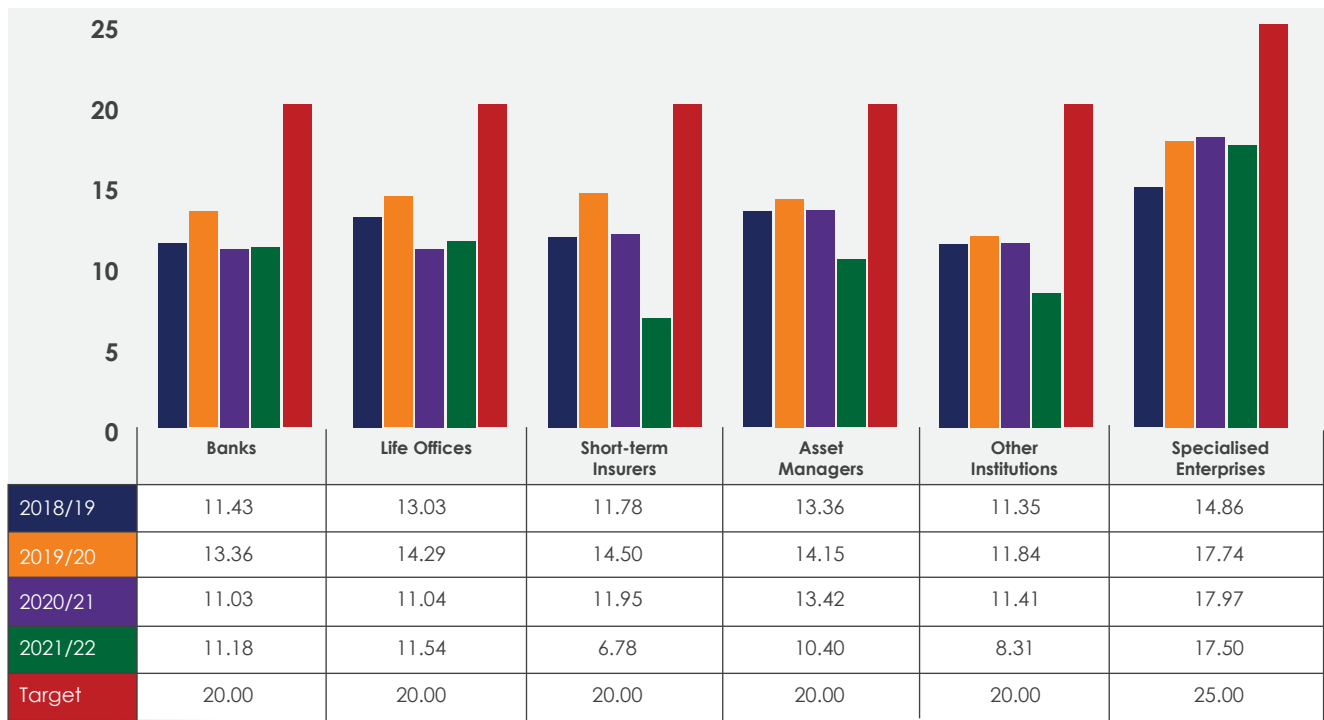


Figure 23 displays that all sub-sectors underperformed in Skills Development across all reporting periods despite an improvement noted in 2019/20 towards meeting the targets. Banks and Life Offices showed an increase for the 2021/22 period compared to the previous reporting period, while all other sub-sectors declined.



## SKILLS DEVELOPMENT EXPENDITURE ON BLACK SENIOR AND EXECUTIVE MANAGERS

Figure 24: 2021/22 Skills development expenditure on Black senior and executive managers across sub-sectors

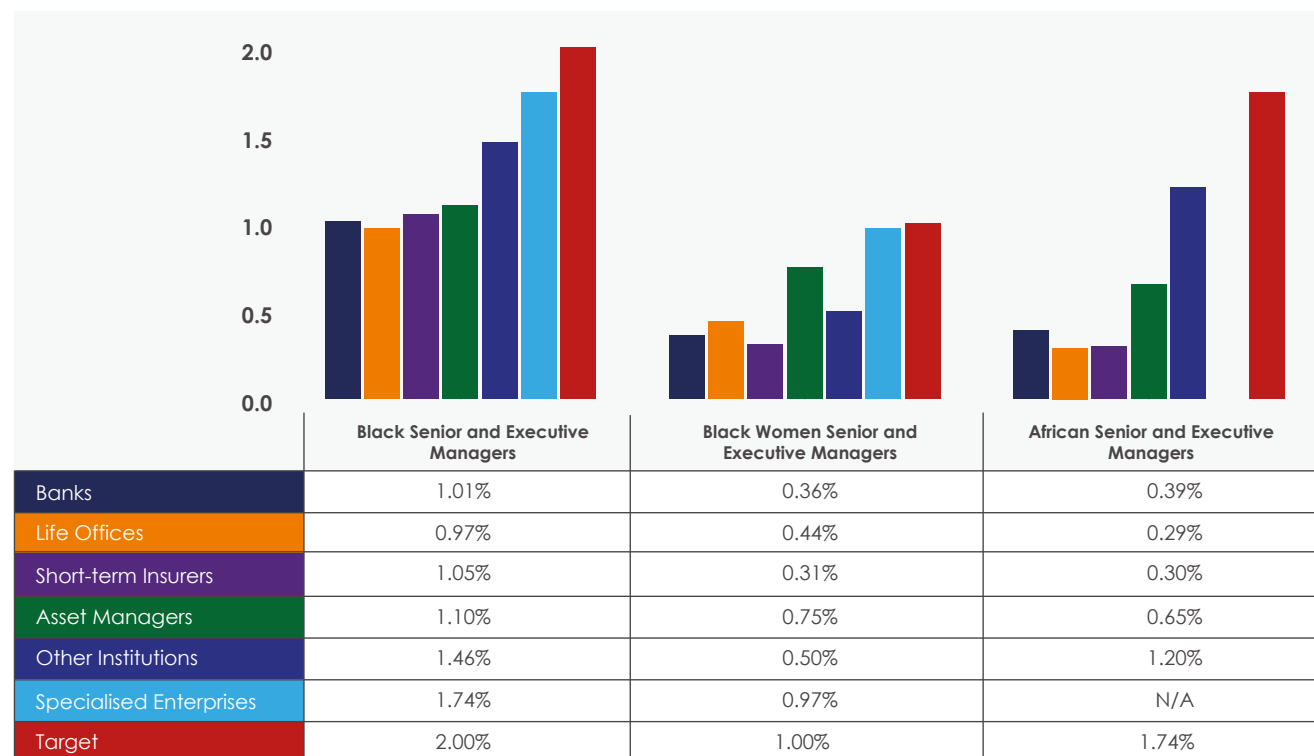


Figure 24 reveals that none of the sub-sectors achieved the Skills Development expenditure targets on Black senior and executive managers, including spend on Black female representatives, with Specialised Enterprises performing closer to the target at 1.74% and 0.97%. Efforts to advance the skills for African senior and executive managers range from 0.29% for Life Offices to 1.2% for Other Institutions, against the target of 1.74%. These findings indicate the need for the sub-sectors to put measures in place to address the long-standing challenges in Management Control and Skills Development.

By prioritising the upskilling of Black men and women in senior and executive positions, sectors have an opportunity to foster more inclusive leadership pipelines to accelerate transformation. This approach holds the potential to bridge existing gaps and achieve long-term equity and representation at the highest levels of management.



# SKILLS DEVELOPMENT EXPENDITURE ON BLACK MIDDLE MANAGEMENT

Figure 25: 2021/22 Skills Development expenditure on Black and African middle managers

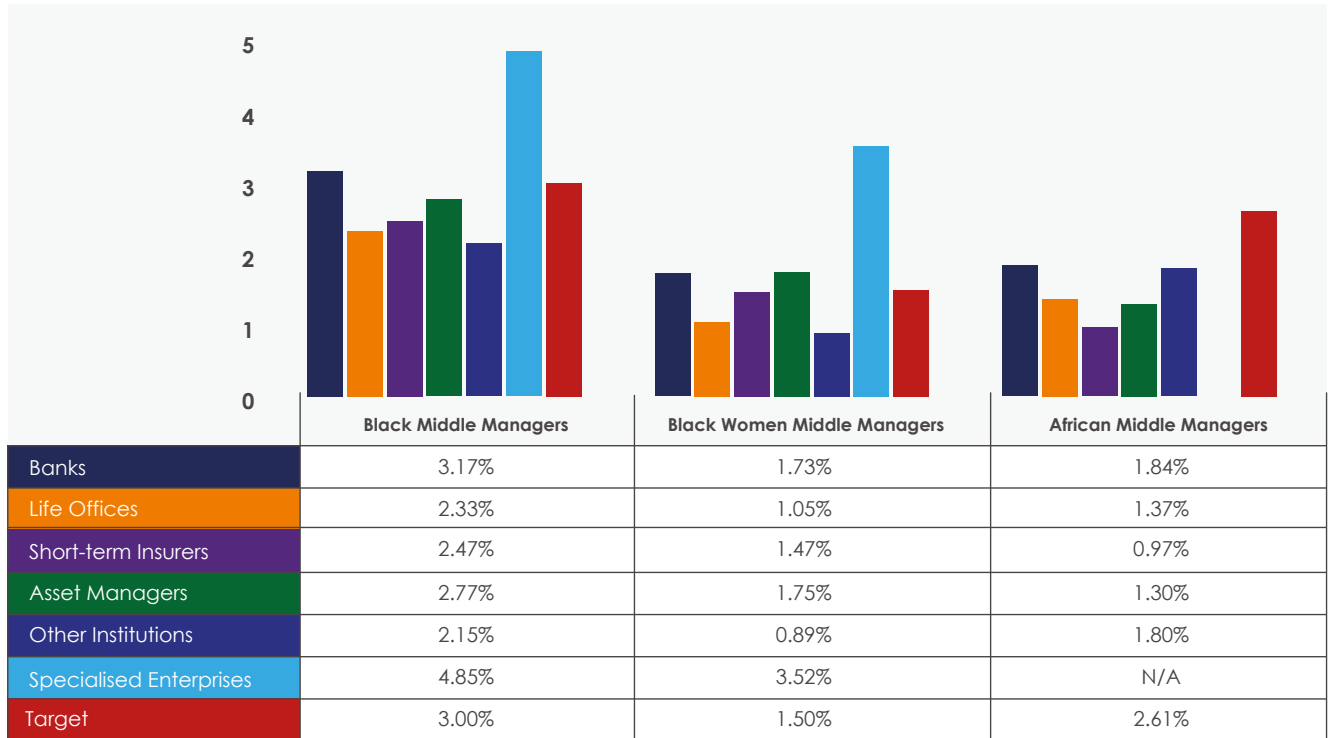


Figure 25 displays the notable progress made at the middle management level, with both the Specialised Enterprises and Banking sub-sectors achieving their targets for skills expenditure on Black middle managers. Meanwhile, Life Offices, Short-term Insurers, Asset Managers, and Other Institutions demonstrated steady contributions, with expenditure levels in the 2% range. Focusing on Black women in middle management- Banks, Asset Managers and Specialised Enterprises, met their spending targets, with Short-term Insurers falling short of meeting the target. Spending on African middle managers was below the target of 2.61% for all applicable sub-sectors.

## SKILLS DEVELOPMENT EXPENDITURE ON BLACK JUNIOR MANAGEMENT

Figure 26: 2021/22 Skills Development expenditure on Black junior managers

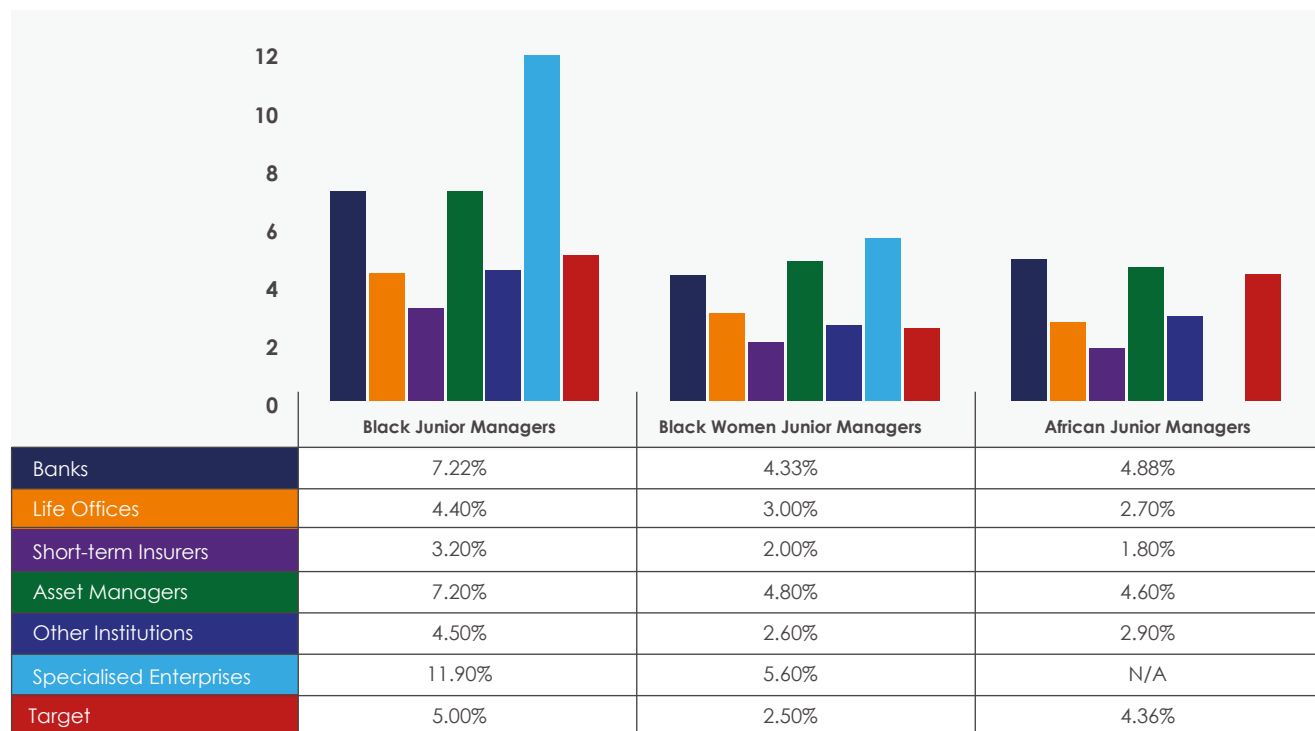


Figure 26 reveals that at the junior management level, progress has been made, with Banks, Asset Managers and Specialised Enterprises exceeding their spending targets for Black junior managers. Except for Short-term Insurers, all sub-sectors surpassed the targets for Black women junior managers, while only the Banks and Asset Managers exceeded their skills spend targets for African junior managers.

Skills Development is crucial in addressing gaps in Management Control and ensures that organisations reflect the diversity of the communities they serve. By investing in the skills and competencies of Black employees, organisations can create a more effective management structure, ultimately contributing to South Africa's broader goals of economic transformation and social equality.

# PREFERENTIAL PROCUREMENT, ENTERPRISE DEVELOPMENT AND SUPPLIER DEVELOPMENT (FS400)

Preferential Procurement is one (1) of the four (4) priority elements and is aimed at creating an inclusive economy by increasing the participation of Black people through the promotion of large and small suppliers, women-owned suppliers and designated groups. Additionally, Enterprise and Supplier Development (ESD) seeks to support small, micro and medium Black-owned businesses by contributing to their growth while advancing the broader transformation objectives.

**Table 10: Preferential Procurement Scorecard**

	DESCRIPTION	OTHERS	BANKS AND LIFE OFFICES	TARGETS YEAR 1-3	TARGETS YEAR3+
		WEIGHTINGS		TARGETS	
<b>2.1.</b>	<b>Procurement</b>	<b>20</b>	<b>15</b>		
2.1.1.	B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	5	4	75%	80%
2.1.2.	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	3	2	14%	18%
2.1.3.	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	2	8%	12%
2.1.4.	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	7	5	20%	30%
2.1.5.	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	3	2	9%	10%
<b>2.2.</b>	<b>Supplier Development</b>	<b>10</b>	<b>0</b>		
2.2.1.	Annual value of all supplier development contributions made by the measured entity	10	0	2% of NPAT	
<b>2.3.</b>	<b>Enterprise Development</b>	<b>5</b>	<b>0</b>		
2.3.1.	Annual value of enterprise development contributions and sector specific programmes made by the measured entity	5	0	1% of NPAT	
	<b>TOTAL</b>	<b>35</b>	<b>15</b>		
2.4.	Bonus Points				
2.4.1.	Graduation of one or more enterprise development beneficiaries to graduate to the supplier development level	1	0	1	

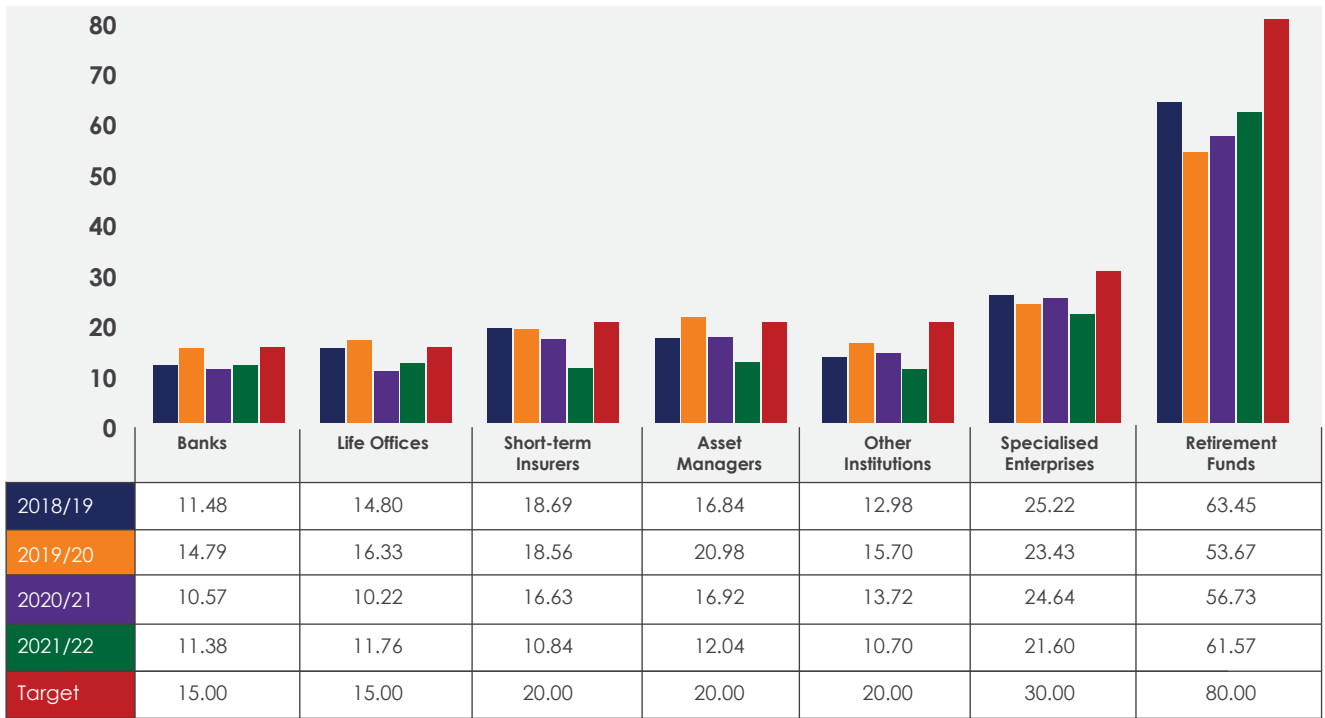
	DESCRIPTION	OTHERS	BANKS AND LIFE OFFICES	TARGETS YEAR 1-3	TARGETS YEAR3+
		WEIGHTINGS		TARGETS	
2.4.2.	For creating one or more jobs directly as a result of supplier development and enterprise development initiatives by the measured entity.	1	0	1	
2.4.3(a).	B-BBEE procurement spend from intermediated Black professional service providers who are empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of intermediated spend	2	0	5%	
OR					
2.4.3(b).	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 allocated	2	2	5%	
	B-BBEE procurement spend from designated group suppliers that are at least 51% Black owned as a percentage of the total measured spend	2	2	2%	
	Enterprise development support of Black stockbrokers, Black fund managers or intermediaries	2	0	0.5% of NPAT (Recoverable or non-recoverable)	
Total Bonus Points		8	4		



The following section reviews the average Preferential Procurement, Enterprise and Supplier Development points across financial sub-sectors.

# PREFERENTIAL PROCUREMENT (PP)

Figure 27: Preferential Procurement analysis per sub-sector over a four-year period

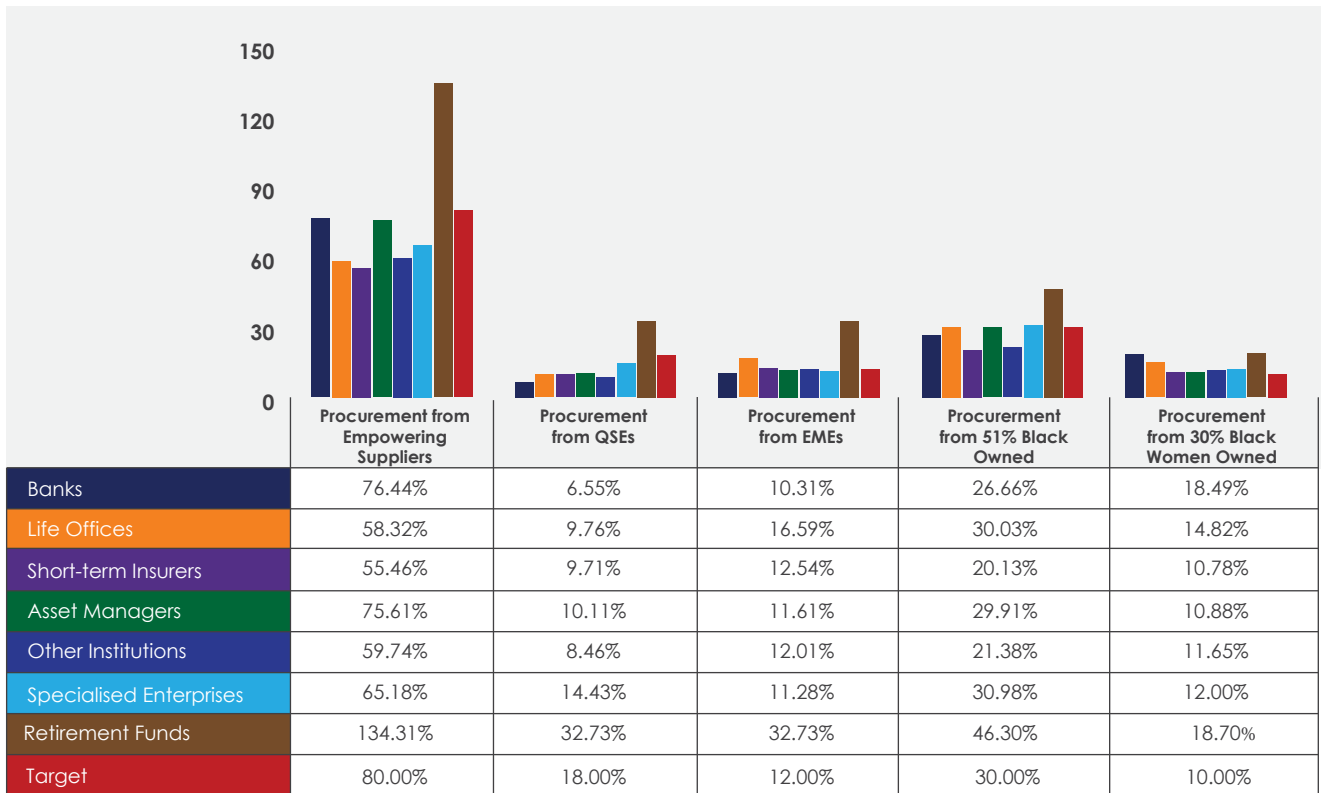


None of the sub-sectors met their Preferential Procurement targets for the 2021/22 period. The sub-sectors experienced a decline, except for Banks, Life Offices and Retirement Funds.





Figure 28: 2021/22 Procurement performance analysis



All sub-sectors except for Retirement Funds, did not meet their targets for procurement from empowering suppliers and QSEs. Life Offices, Short-term Insurers, Other Institutions and Retirement Funds met their targets for procurement from EMEs whilst Banks, Asset Managers, and Specialised Enterprises performed below target. Only Life Offices, Specialised Enterprises and Retirement Funds achieved their targets for procurement from entities that are 51% Black-owned. All sub-sectors achieved their procurement targets from 30% Black women-owned entities.



## ENTERPRISE DEVELOPMENT (ED) AND SUPPLIER DEVELOPMENT (SD)

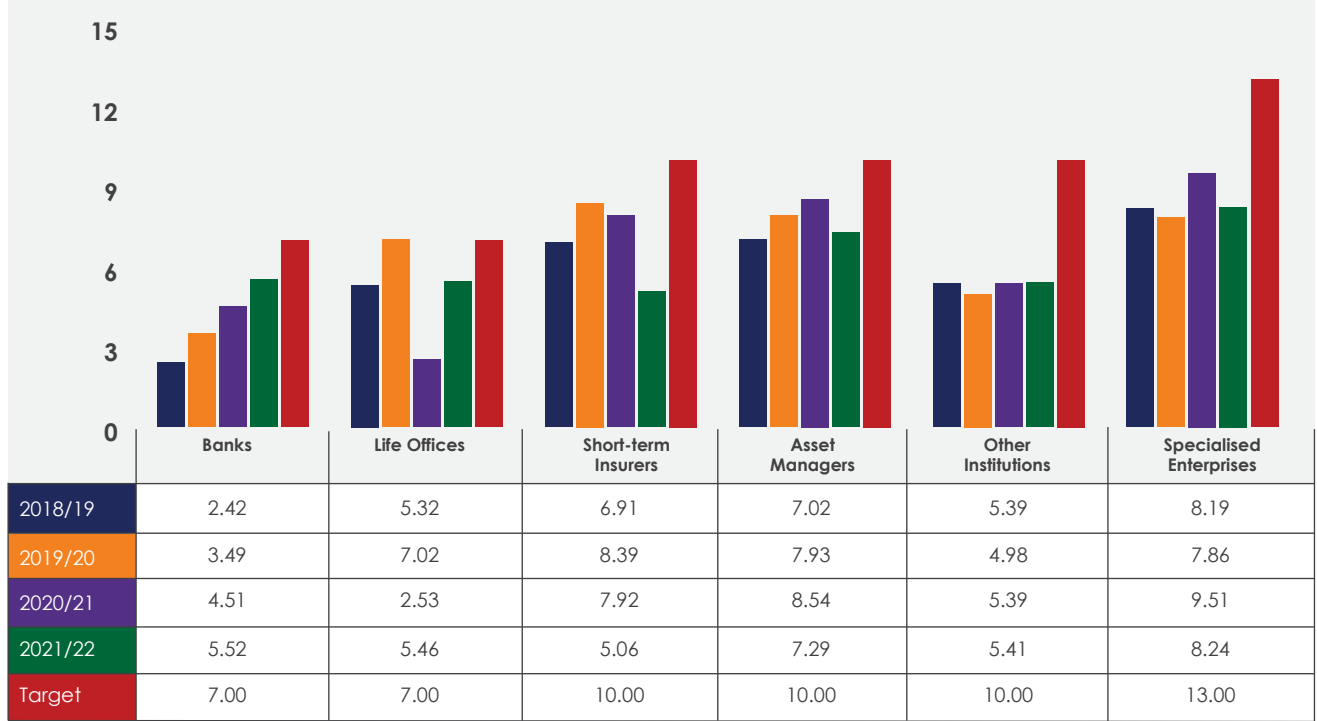
Figure 29: Enterprise Development analysis per sub-sector over a four-year period



During the four-year period, all the sub-sectors fell below their target scores, and all experienced a decline in the 2021/22 measurement period, with the exception of Banks.



Figure 30: Supplier Development analysis per sub-sector over a four-year period



None of the sub-sectors met their targets during the four-year period from 2018/19 to 2021/22, apart from Life Offices in 2019/20.

Figure 31: 2021/22 Supplier and Enterprise Development contributions for Banks and Life Offices sub-sectors

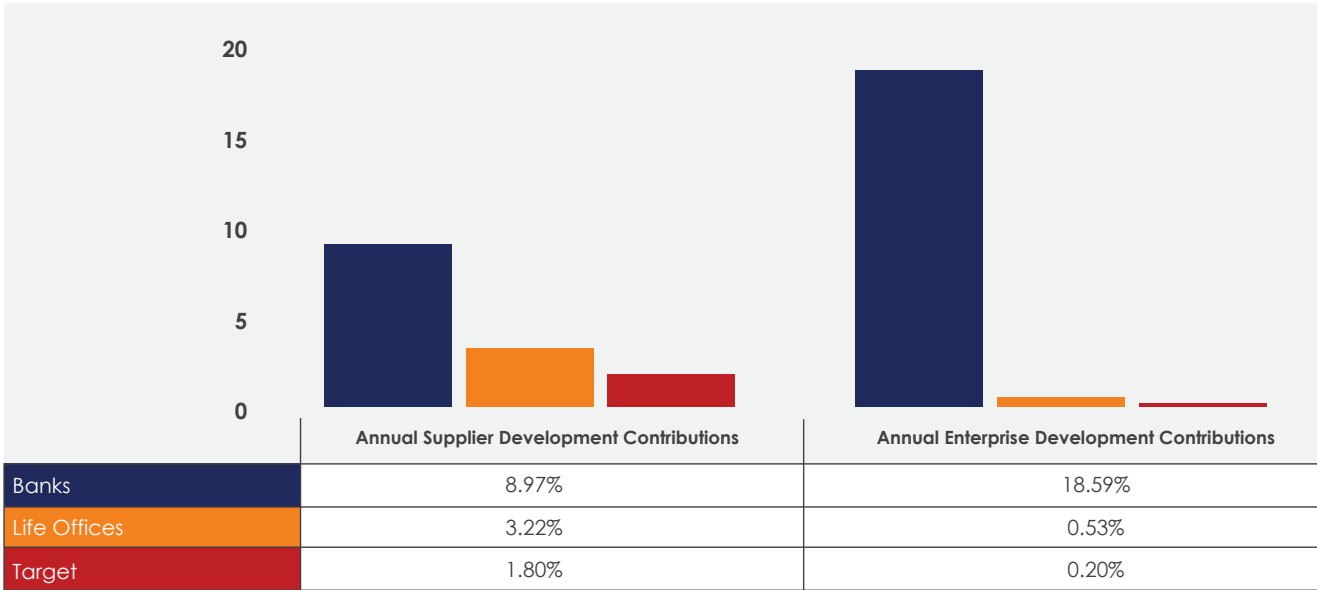


Figure 31 indicates that both the Supplier and Enterprise Development targets were surpassed by the Banks and Life Offices, with the Banks obtaining 8.97% in Supplier Development and 18.59% in Enterprise Development.

Figure 32: Supplier and Enterprise Development contributions for Short-term Insurers, Asset Managers, Other Institutions and Specialised Enterprises

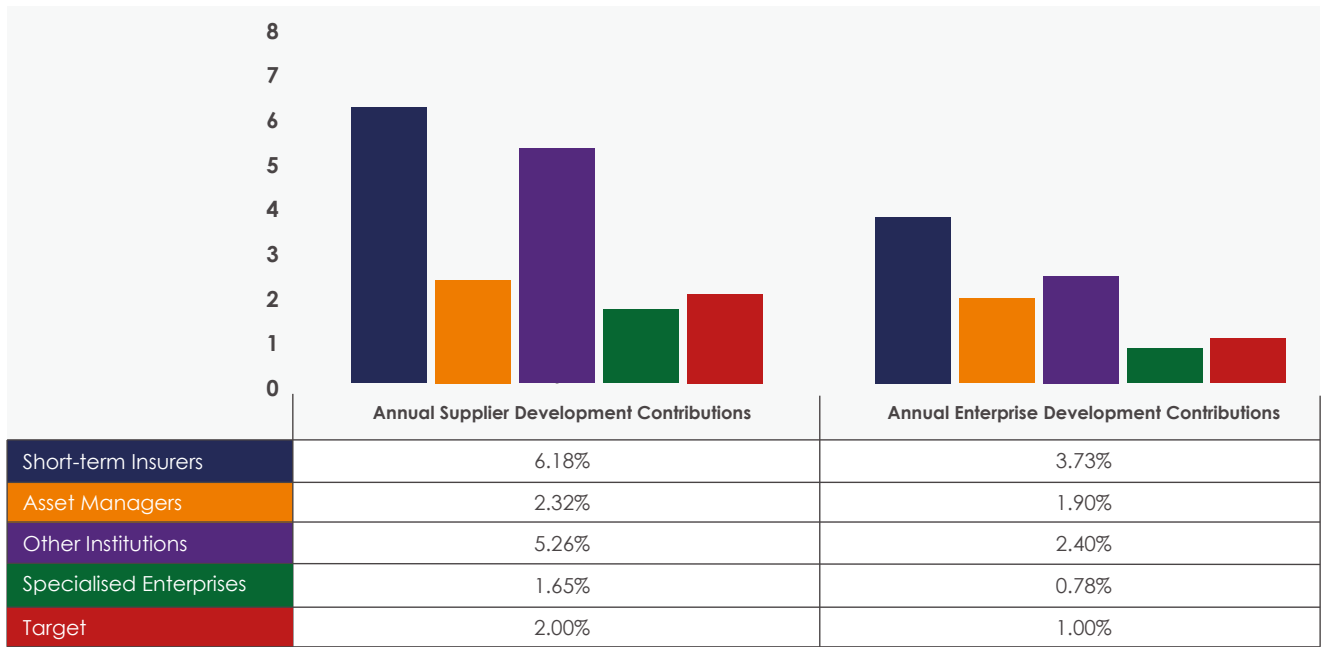


Figure 32 depicts that Short-term Insurers, Other Institutions and Asset Managers exceeded both the Supplier and Enterprise Development targets, while Specialised Enterprises performed below on both targets.



# SOCIO-ECONOMIC DEVELOPMENT AND CONSUMER EDUCATION (SED & CE)-FS500

Socio-Economic Development and Consumer Education (SED & CE) elements are key to the upliftment of previously marginalised ethnic groups. Socio-Economic Development is achieved through monetary or non-monetary contributions that benefit communities, where at least 75% of the beneficiaries are Black people. SED & CE are measured as a percentage of the previous year's annual Net Profit After Tax (NPAT). Consumer Education is the process of imparting knowledge and skills to consumers, and potential consumers, to enhance individual financial well-being, aiming to improve the understanding of financial sector products and services.

**Table 11: Socio-Economic Development and Consumer Education Scorecard**

	ELEMENT	TARGET FOR FOREIGN BRANCHES OF INTERNATIONAL BANKS, SAVCA MEMBERS AND REINSURERS	TARGET FOR OTHER INSTITUTIONS	POINTS
2.1.	Annual value of all Qualifying Socio-Economic Development contributions by the measured entity as a percentage of NPAT	0.7%	0.60%.	3
2.2.	Annual value of all Qualifying Consumer Education contributions by the measured entity as a percentage of NPAT	0	0.40%	2
	<b>TOTAL</b>	<b>0.70%</b>	<b>1.0%</b>	<b>5</b>
2.3.	Bonus Points			
2.3.1.	Additional CE contributions made by the measured Entity as a percentage of NPAT	0.10%	0.10%	1
2.3.2.	Grant contribution to Fundisa Retail Fund and other similar initiatives	0.20%	0.20%	2

Figure 33 illustrates the average Socio-Economic Development and Consumer Education points across sub-sectors over four reporting periods.

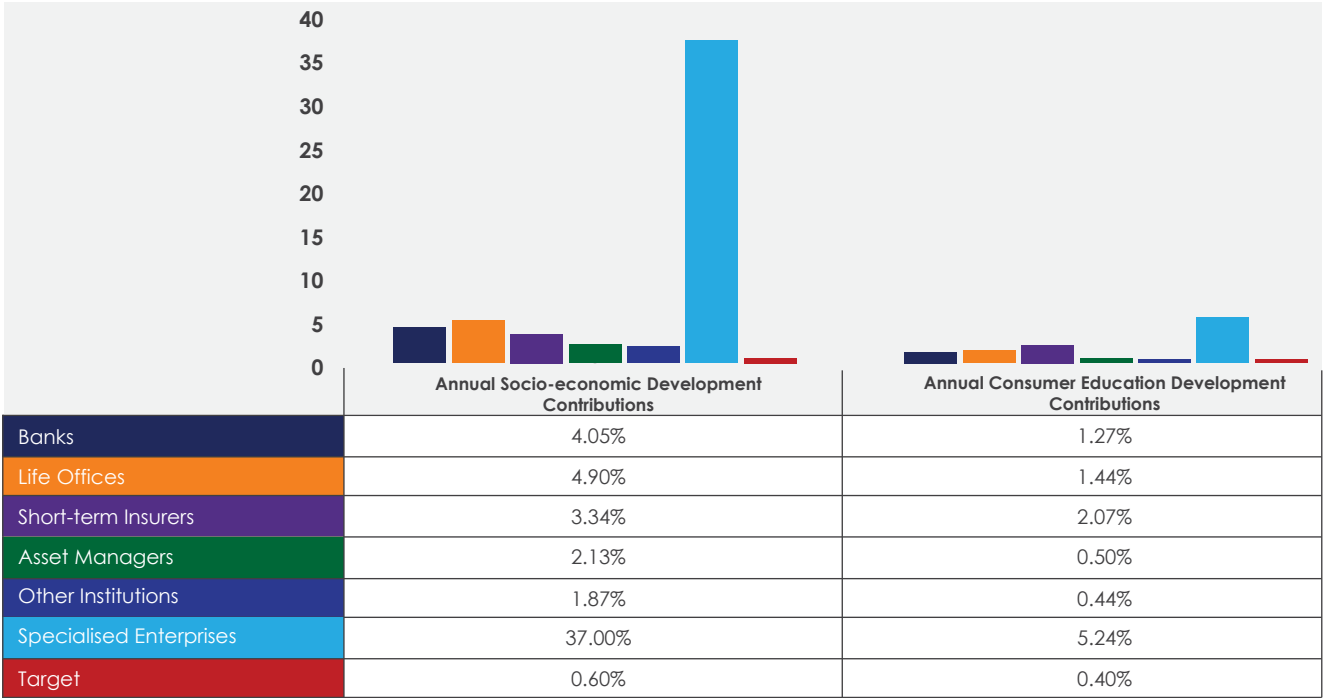
**Figure 33: Socio-Economic Development and Consumer Education analysis per sub-sector over a four-year period**



As illustrated in Figure 33, all sub-sectors fell short of their Socio-Economic Development and Consumer Education target for the 2021/22 measurement period with Banks, Short-term Insurers, Asset Managers and Other Institutions experiencing a decrease, whereas Life Offices and Specialised Enterprises improved.



Figure 34: 2021/22 Socio-Economic Development and Consumer Education contributions across sub-sectors



All sub-sectors achieved their Socio-Economic Development and Consumer Education contribution targets with Specialised Enterprises recording the highest performance at 37% and 5.24% respectively.



## EMPOWERMENT FINANCING (EF)-FS600

The Empowerment Financing element is a priority element, addressing targeted investments such as Transformational Infrastructure, Black Agricultural Financing, Affordable Housing, and Black Business Growth and SME Funding. Empowerment Financing applies only to Banks and Life Offices.

**Table 12: Empowerment Financing Scorecard**

	Measurement Criteria	WEIGHTING POINTS	BANK TARGETS	WEIGHTING POINTS	LONG-TERM ASSURERS
<b>2.1.</b>	<b>Targeted Investments</b>	<b>12</b>	<b>R78bn</b>	<b>12</b>	<b>R52bn</b>
	Transformational Infrastructure				
	Black Agricultural Financing				
	Affordable Housing				
	Black Business Growth and SME Funding				
<b>2.2.</b>	<b>B-BBEE transaction financing and Black Business Growth SME Funding</b>	<b>3</b>	<b>R52bn</b>	<b>3</b>	<b>R15bn</b>
	<b>TOTAL</b>	<b>15</b>		<b>15</b>	

**Figure 35: Empowerment Financing analysis per sub-sector over a four-year period**

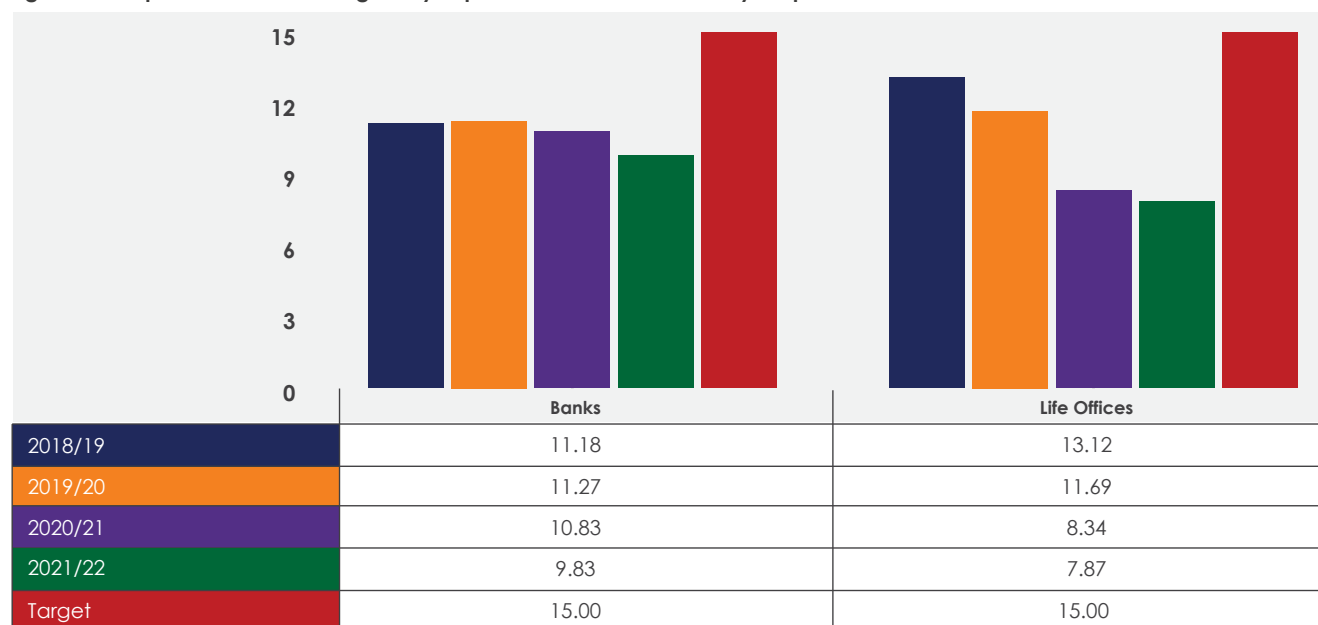


Figure 35 illustrates the average Empowerment Financing points across sub-sectors over four reporting periods. Banks and Life Offices underperformed in meeting their empowerment financing targets.

The Banking scores declined from 11.18 in 2018/19 to 9.83 in 2021/22, while Life Offices scores declined from 13.12 in 2018/19 to 7.87 in 2021/22, indicating a downward trend in performance over the years.

Entities have applied different metrics to display their achievements in Empowerment Financing. In the banking sub-sector, 16 entities reported their achievements in percentages, and only 5 provided data in Rand value. For Life Offices, 14 entities reported in percentages, while 4 submitted their data in Rand value.

**Table 13: 2021/22 Empowerment Financing indicators in percentages**

SUB-SECTOR	NUMBER OF ENTITIES	ACHIEVED FOR TARGETED INVESTMENTS	ACHIEVED FOR B-BBEE TRANSACTION FINANCING AND BBGF
<b>Banks</b>	16	91.47%	46%
<b>Life Offices</b>	14	292.36%	18.01%

The table above displays the reported Targeted Investments performances for Banks and Life Offices in terms of percentages achieved. As shown in Table 13, among the 16 Banks and 14 Life Offices that submitted in percentage achieved, Life Offices reached 292.36% for the current measurement period, whereas Banks achieved, 91.47%.

**Table 14: 2021/22 Empowerment Financing indicators in Rand Value**

**Table 14.1 Targeted Investments in rand value**

SUB-SECTOR	NUMBER OF ENTITIES	TARGET FOR TARGETED INVESTMENTS	ACHIEVED FOR TARGETED INVESTMENTS	INDUSTRY TARGET
<b>Banks</b>	5	R19,062,727,852	R21,395,968,255	R78 billion
<b>Life Offices</b>	4	R300,618,476	R302,084,548	R27 billion

Table 14.1 displays the reported Targeted Investments performances for Banks and Life Offices in terms of rand value. Both sub-sectors comprising 5 Banks and 4 Life Offices exceeded the targets, achieving R21 billion and R302 million, respectively.

**Table 14.2 B-BBEE Transaction Financing and BBGF in rand value**

SUB-SECTOR	NUMBER OF ENTITIES	TARGET FOR B-BBEE TRANSACTION FINANCING AND BBGF	ACHIEVED FOR B-BBEE TRANSACTION FINANCING AND BBGF	INDUSTRY TARGET
<b>Banks</b>	5	R11,807,595,670	R16,135,069,166	R52 billion
<b>Life Offices</b>	4	R166,976,642	R222,496,842	R15 billion

Table 14.2 displays the reported B-BBEE Transaction Financing and BBGF in rand value for 5 Banks and 4 Life Offices, and both sub-sectors exceeded the targets, achieving R16 billion and R222 million, respectively.



# ACCESS TO FINANCIAL SERVICES (AFS)-FS700

Similarly to Empowerment Financing, Access to Financial Services is an industry-specific element of the FS Code, however, applicable to Banks, Life Offices and Short-term Insurers. Access to Financial Services promotes financial inclusion and expands the reach of affordable and appropriate financial products and services that are accessible and cater to previously marginalised groups.

Figure 36: Access to Financial Services analysis per sub-sector over a four-year period



All three sub-sectors performed below the target score of 12 for Access to Financial Services during the four-year period from 2018/19 to 2021/22.



## ACCESS TO FINANCIAL SERVICES (AFS)- FS701 BANKS

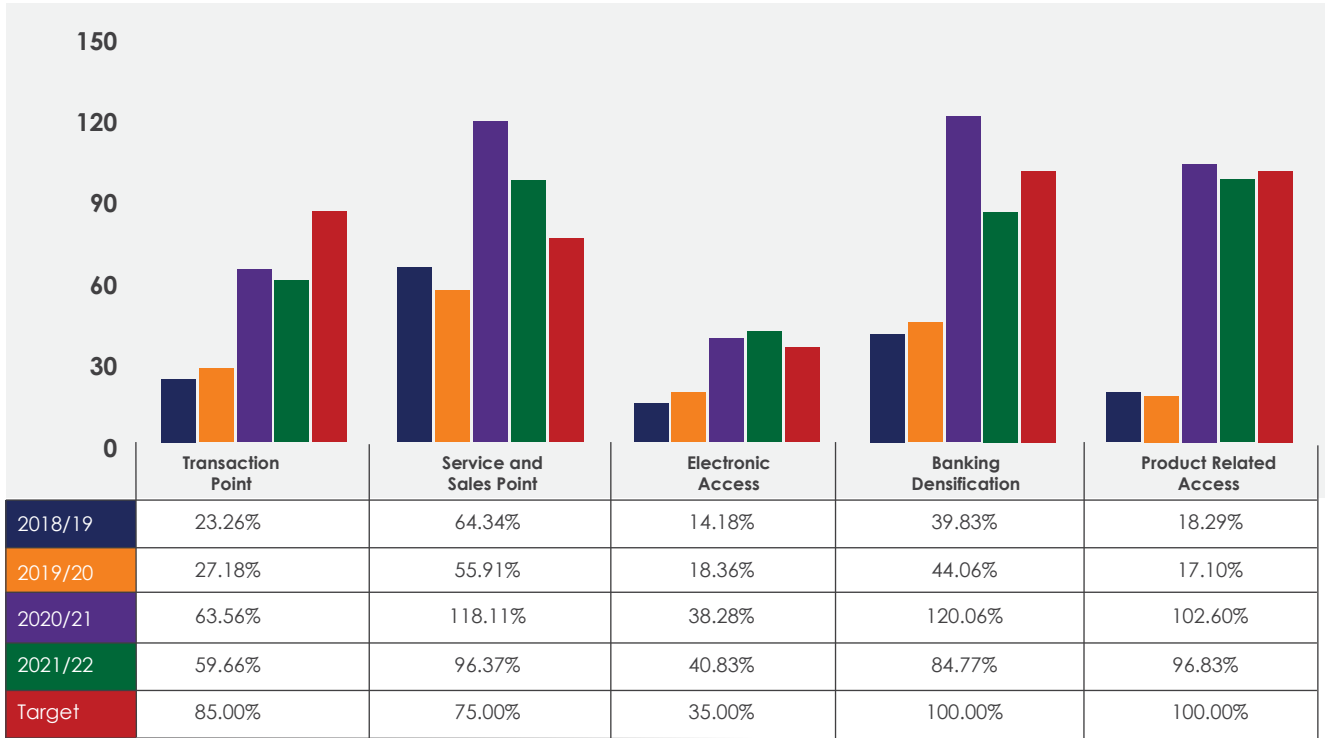
Table 15: Access to Financial Services Scorecard for Banks

	ACCESS METHOD	QUALIFYING MARKET/AREA	QUALIFYING CRITERIA	RANGE	TARGET	AVAILABLE POINTS
2.1	Geographic Access (Reach)	50% or more of households fall within LSM 1-5	One or more of:			6
2.1.1	Transaction point		draw cash, or	5km	85%	1
			purchase from their accounts			
2.1.2	Sales and Service Point		reset a PIN	15km	75%	2
			money transfers,			
			get a statement, or			
			Initiate account queries.			
			replace a card,			
			deposit cash into their accounts, or			
			acquire:			
			a transaction account, a funeral policy,			
			a savings account, or			
			a loan.			
2.1.3	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	35% of account holders within the target market	3
2.2	Banking Densification	Individuals in the LSM 1-5 group nationally	Access to cash withdrawal facility per measuring unit	National	1, 500 adults per point of presence	3
2.3	Product related access	Individuals in the LSM 1-5 group nationally	Number of active accounts for qualifying products per institution	National	17 849 307 active accounts in 2019 (SASSA accounts not included)	3
<b>TOTAL</b>						<b>12</b>





Figure 37: A comparison of the performance of banks from 2018/19 to 2021/22 against set targets



\*Banking densification target is 1 point of presence for every 1500 adults  
\*\*Product-related access target is 17 849 307 active accounts excluding SASSA

Based on reports received, Transaction Point performance improved from 23.26% to 63.56% in 2020/21 but declined to 59.66% in 2021/22. Service and Sales Point performance exceeded the target of 75% in 2020/21 and 2021/22. Electronic Access showed improvement throughout the years surpassing the 35% target in 2020/21 (38.28%) and 2021/22 (40.83%). Both targets for Banking Densification and Product Related Access were only achieved in 2020/21, and experienced a decrease in 2021/22 from 120.06% and 102.60% to 84.77% and 96.83%, respectively.



# AFRIGIS REPORT ON BANKING ACCESS TO FINANCIAL SERVICES

A study conducted by AfriGIS for the Banking Association assessed the geographic access (Reach) for 14 Banks<sup>7</sup> for 2022, using a route-based distance calculation. The assessment focused on the qualifying target market with 50% or more households within LSM 1-5 with an income of R6,400 or less. The target market makes up 27,953,971 of the South African population.

The results indicated that for the 5km radius, 88.91% of the target was achieved through sales, services and transaction points. With the South African Post Office (SAPO) excluded from the analysis, this amounted to 88.30%.

When extending it to a 15km radius, the 14 Banks' sales and services points reached 92.83% of the target market. However, with the exclusion of SAPO, this resulted in 88.94%.

**Table 16: Sales, Service and Transaction points percentage coverage**

Province	POPULATION	% COVERED – 5KM SALES, SERVICE AND TRANSACTION POINTS	% COVERED – 15KM SALES AND SERVICE POINTS
Eastern Cape	3 632 556	74.88%	81.05%
Free State	1 576 431	93.21%	95.74%
Gauteng	6 224 268	99.57%	99.92%
KwaZulu-Natal	5 600 096	80.38%	86.12%
Limpopo	3 036 315	89.56%	95.99%
Mpumalanga	2 227 202	91.76%	96.91%
North West	2 040 969	89.01%	93.19%
Northern Cape	646 708	87.43%	88.60%
Western Cape	2 969 426	94.99%	97.85%
<b>Grand Total</b>	<b>27 953 971</b>	<b>88.91%</b>	<b>92.83%</b>

For both distances, Gauteng accounted for the highest population reached, averaging 99.57% (5km) and 99.92% (15km) of the targeted population. This was followed by Western Cape, averaging 94.99% (5km) and 97.85% (15km); and Mpumalanga, averaging 91.76% (5km) and 96.91% (15km), respectively.

The AFRIGIS study also provided insights into banking densification. As the focus for this is on individuals in the LSM 1-5 group nationally, the target is to provide access to cash withdrawal facilities at a ratio of one point of presence per 1,500 adults. According to the AFRIGIS findings, 30 areas still require an estimated 43 points of presence.



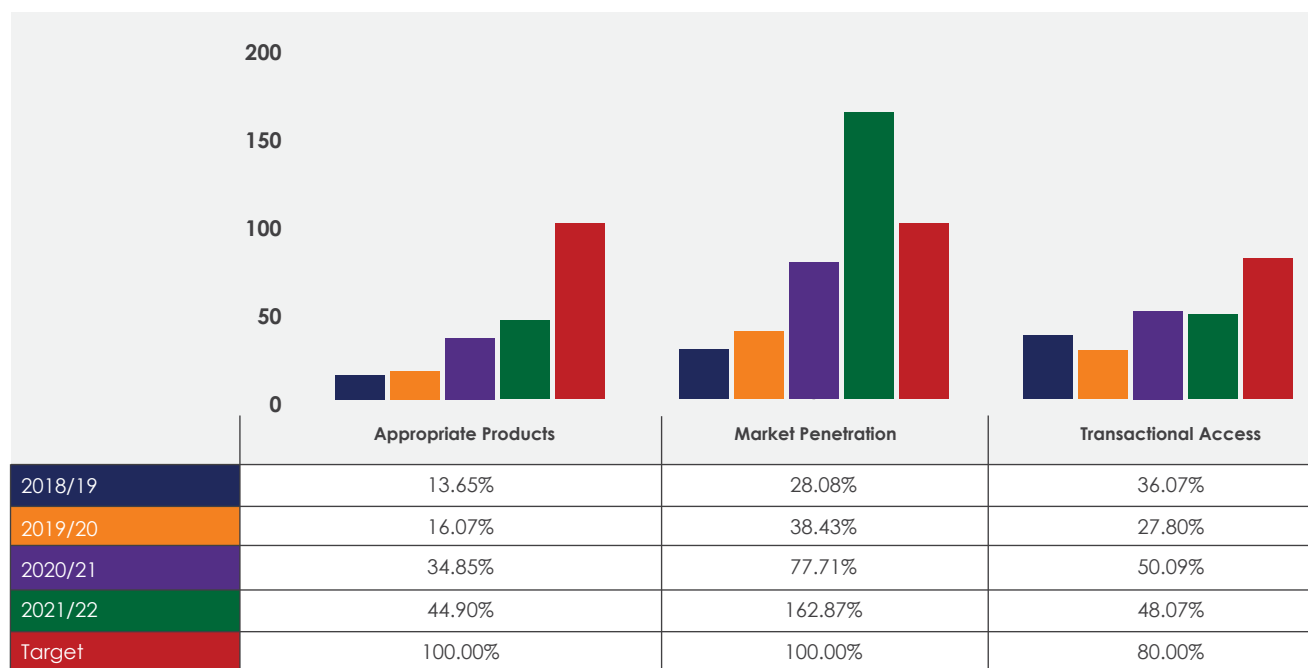
<sup>7</sup> ABSA, Access Bank, African Bank, Albaraka, Bidvest Bank, Capitec, FNB, Ithala, Nedbank, SAPO, Sasfin, SBSA, Tyme Bank and Ubank.

## ACCESS TO FINANCIAL SERVICES (AFS)- FS702 LIFE OFFICES

Table 17: Access to Financial Services Scorecard for Life Offices

	DESCRIPTION	WEIGHTING	TARGET
3.1.	Appropriate Products	3	6
3.2.	Market Penetration	7	5,739,023
3.2.1.	Target 2014		4,878,170
3.2.2.	Target 2015		5,165,121
3.2.3.	Target 2016		5,452,072
3.2.4.	Target 2017		5,739,023
3.3.	Transactional Access	2	As per Guidance Note
<b>TOTAL</b>		<b>12</b>	

Figure 38: A comparison of the performance of Life Offices from 2018/19 to 2021/22 against set targets



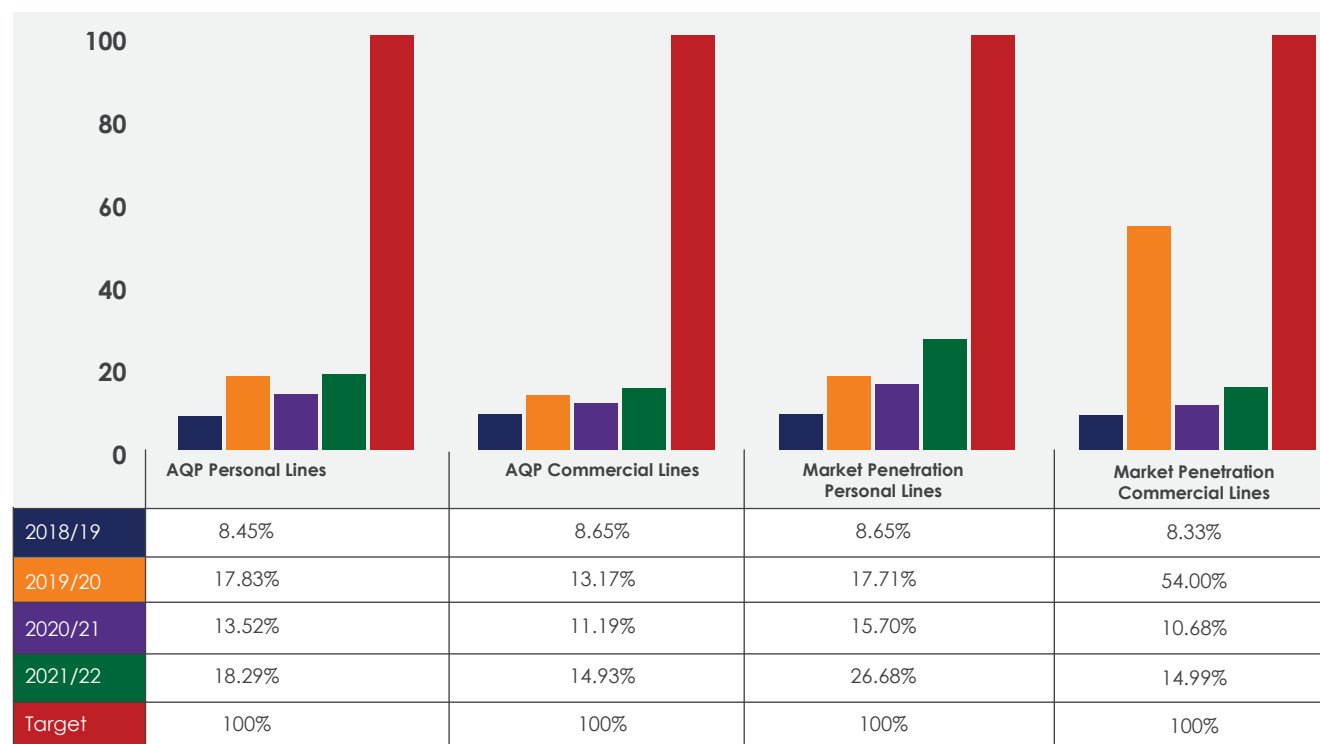
Life Offices have not met the targets for Appropriate Products and Transactional Access over the four years. However, they have made considerable improvement in Market Penetration increasing from 77.71% to 162.87% in 2021/22.

# ACCESS TO FINANCIAL SERVICES (AFS)- FS703 SHORT-TERM INSURERS

Table 18: Access to Financial Services Scorecard for Short-term Insurers

	DESCRIPTION	WEIGHTING	TARGET
<b>3.1.</b>	<b>Appropriate Products</b>	<b>2</b>	<b>8</b>
3.1.1.	Personal Lines	1	
3.1.2.	Commercial Lines	1	
<b>3.2.</b>	<b>Insurance Policies</b>	<b>10</b>	
3.2.1.	Personal Lines	8	868 072
3.2.2.	Commercial Lines	2	284 884
<b>TOTAL</b>		<b>12</b>	

Figure 39: A comparison of the performance of Short-term Insurers from 2018/19 to 2021/22 against set targets



Short-term Insurers performed below target across all 4 indicators, however, they have shown improvement in 2021/22.

# ANALYSIS OF EXEMPTED MICRO ENTERPRISES (EMEs) AND QUALIFYING SMALL FINANCIAL INSTITUTIONS (QSFI)

## EMEs

EMEs are integral to the economic landscape as they often represent the backbone of local economies, promoting entrepreneurship, small and medium-sized enterprises (SMEs) and stimulating growth. EMEs do not provide full scorecards, but rather B-BBEE sworn affidavits and/or CIPC certificates.

In accordance with FS000 of the FS Code, section 4.2 stipulates that an EME is deemed to have a Level 4 B-BBEE status, unless it is more than 51% black-owned (Level 2) or 100% black-owned (Level 1).

Below is a comparison of their submissions over the last four years.

Figure 40: B-BBEE contributor levels over a four-year period

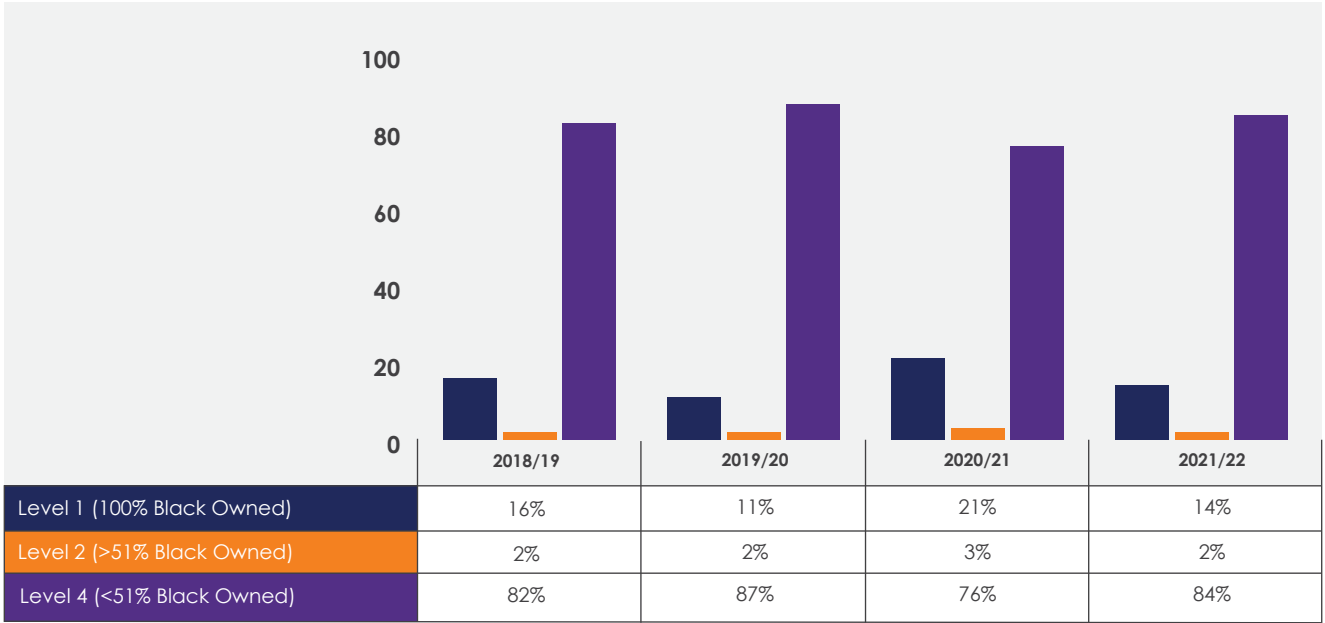


Figure 40 displays the B-BBEE recognition levels for EMEs over a 4-year period. Level 1 EMEs recorded the highest performance in 2020/21 with 21% of the reported entities having 100% black ownership.



An in-depth analysis of Black ownership within the filed reports shows average ownership scores as indicated below.

Figure 41: 2021/22 EMEs with at least 51% Black Ownership assessment based on affidavits

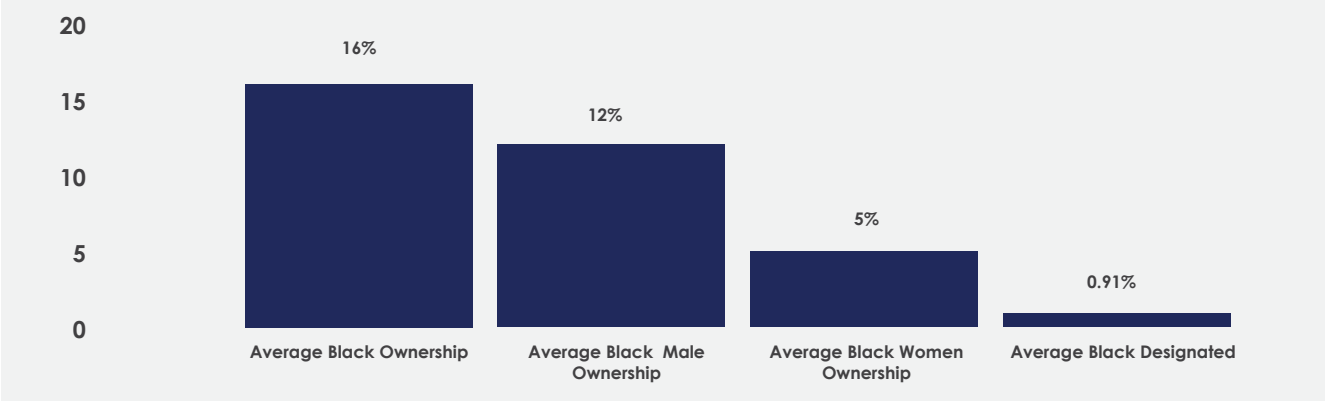


Figure 41 reveals that only 16% of the affidavits assessed were at least 51% Black-owned, with the rest having less than 51% Black ownership. Black male EME ownership remains predominant among EMEs at 12%, while Black women and other designated groups are notably underrepresented at 5% and 0.91%, respectively. These groups, being key focus areas in the B-BBEE framework, necessitate more targeted initiatives to address ownership.

QSFI

QSFI are crucial in the financial ecosystem by driving economic inclusion and broadening participation in the financial services industry, particularly in fostering economic growth and stability.

Similarly to EMEs, according to FS000 of the FS Code, paragraph 5, QSFI that have 100% black ownership are at Level 1 B-BBEE status, or more than 51% black ownership are Level 2 and can submit a sworn affidavit. All other QSFI are required to obtain a verification certificate to substantiate their B-BBEE status. During the 2021/22 measurement period, 98 affidavits were submitted by QSFI.

Figure 42: B-BBEE contributor levels of Sworn Affidavits over a four-year period

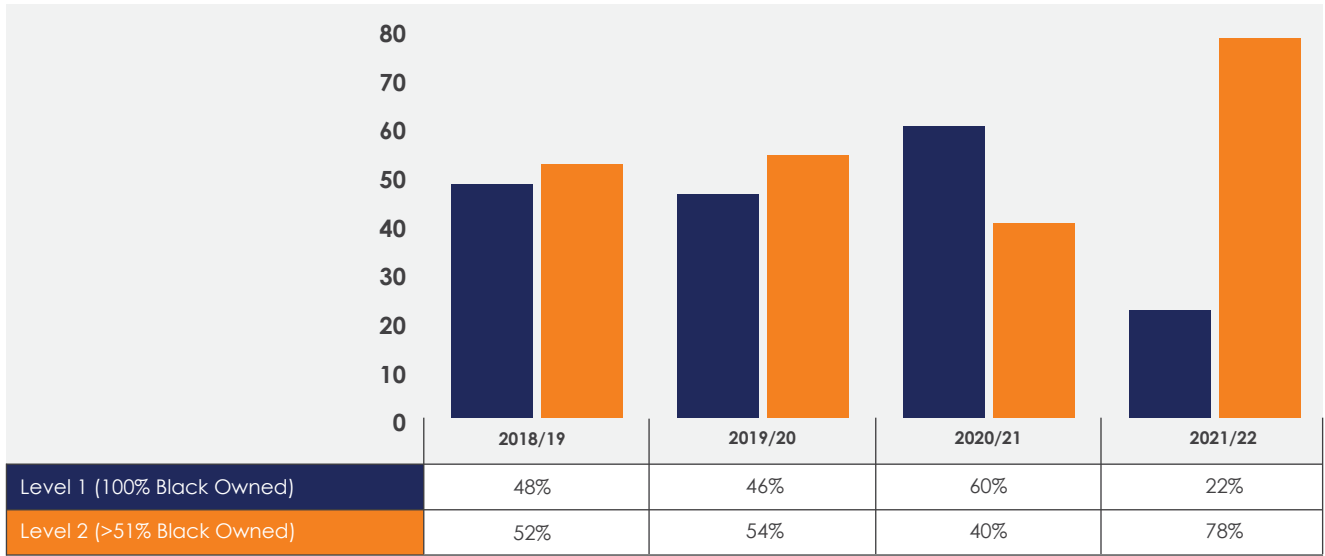


Figure 42 displays QSFI that achieved 100% Black ownership (Level 1) started at 48% in the 2018/19 measurement period, decreased to 46% in 2019/20, peaked at 60% in 2020/21 and declined to 22% in 2021/22.

A closer analysis was conducted on Black ownership through the sworn affidavits and results reveal average ownership scores as indicated below.

Figure 43: 2021/22 QSFI Black Average Ownership assessment based on sworn affidavits

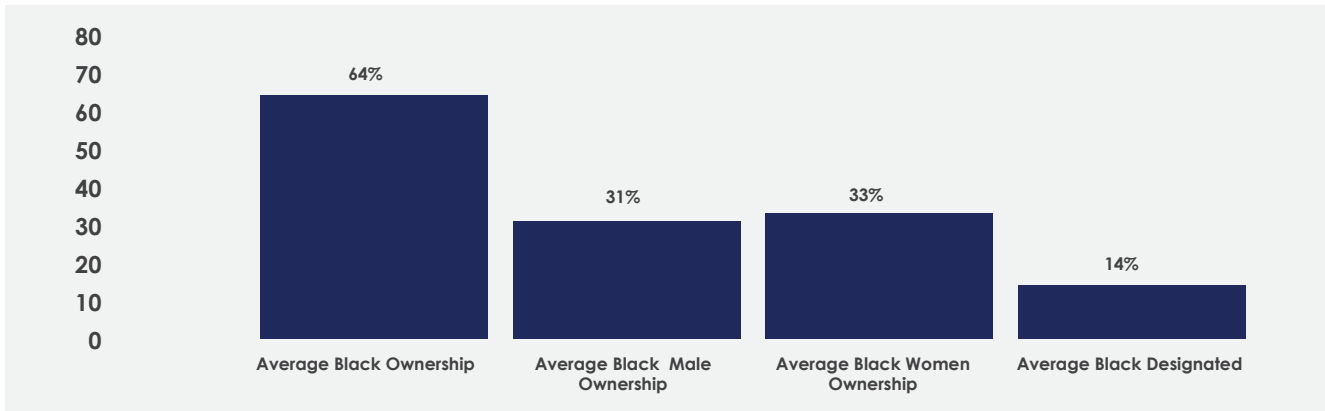


Figure 43 illustrates the distribution of Black ownership categories for the 2021/22 measurement period. Overall, Black ownership stands at 64%, with Black male ownership at 31%, Black female ownership at 33%, and Black designated groups holding 14% of ownership.

Table 19 and Figure 44 show the summary of the performance of the 41 QSFI based on submitted B-BBEE certificates.

Table 19: Average QSFI Performance Analysis

Elements	2021/22	WEIGHTING POINTS
Ownership	7.05	25
Management Control	3.50	15
Skills Development	7.83	25
Preferential Procurement	7.61	20
Supplier Development	1.68	5
Enterprise Development	1.68	5
Socio-Economic Development	1.23	3
Consumer Education	0.35	2
Total	30.93	100



Figure 44: B-BBEE levels achieved by QSFIs in the financial sector

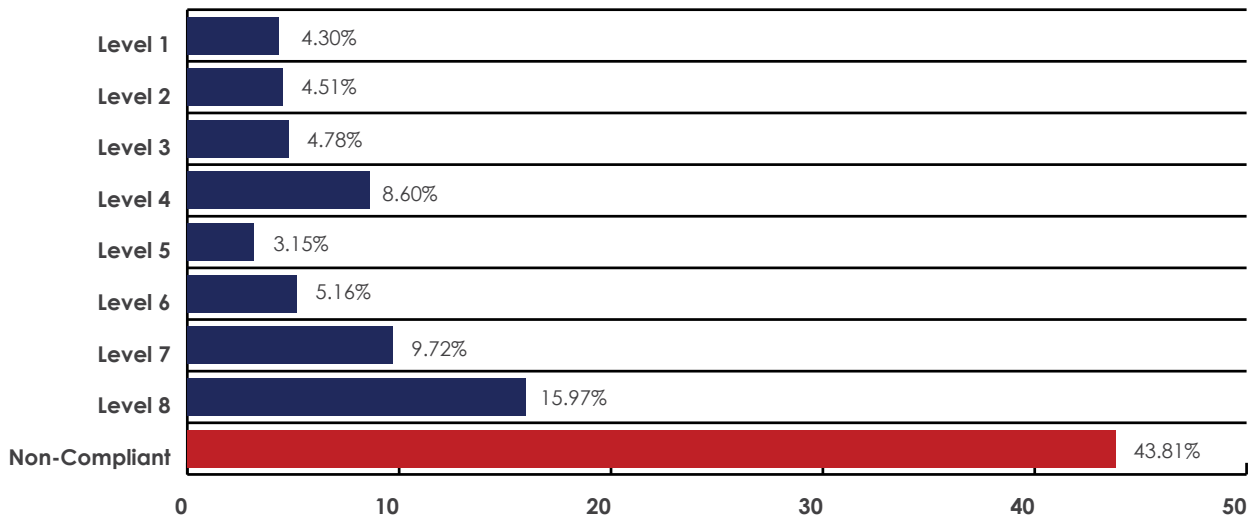


Figure 44 displays that 4.30% of QSFIs achieved B-BBEE recognition Level 1, while 8.60% achieved Level 4 and 15.97% achieved Level 8, while 43.81% of QSFIs were non-compliant for the 2021/22 measurement period.

A closer analysis was conducted on exercisable voting rights through the filed reports and results reveal average ownership scores as indicated in Figure 45.

Figure 45: 2021/22 QSFI Exercisable voting rights of black people and black women

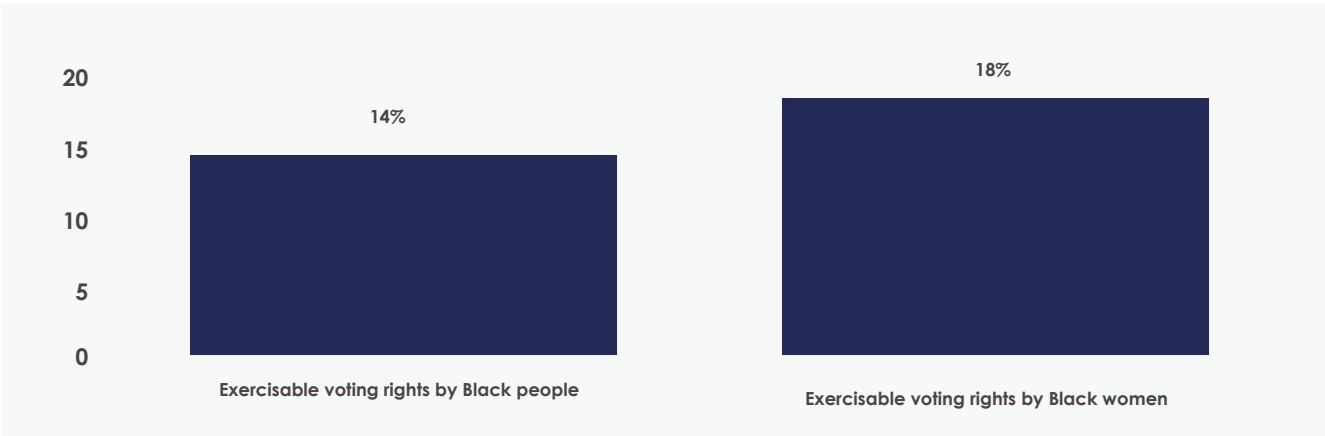


Figure 45 illustrates the exercisable voting rights for the 2021/22 measurement period. Overall, exercisable voting rights for Black people stand at 14%, while exercisable voting rights of Black women are at 18%.

# QUALITATIVE ANALYSIS- CEO SURVEY HIGHLIGHTS

Over the past reports, a pattern of underperformance for certain sub-elements has been observed, and as such it became imperative that these sub-elements receive additional attention. To gain insight into the industry's performance, the questionnaires were designed to gather additional data.

## Survey Summary

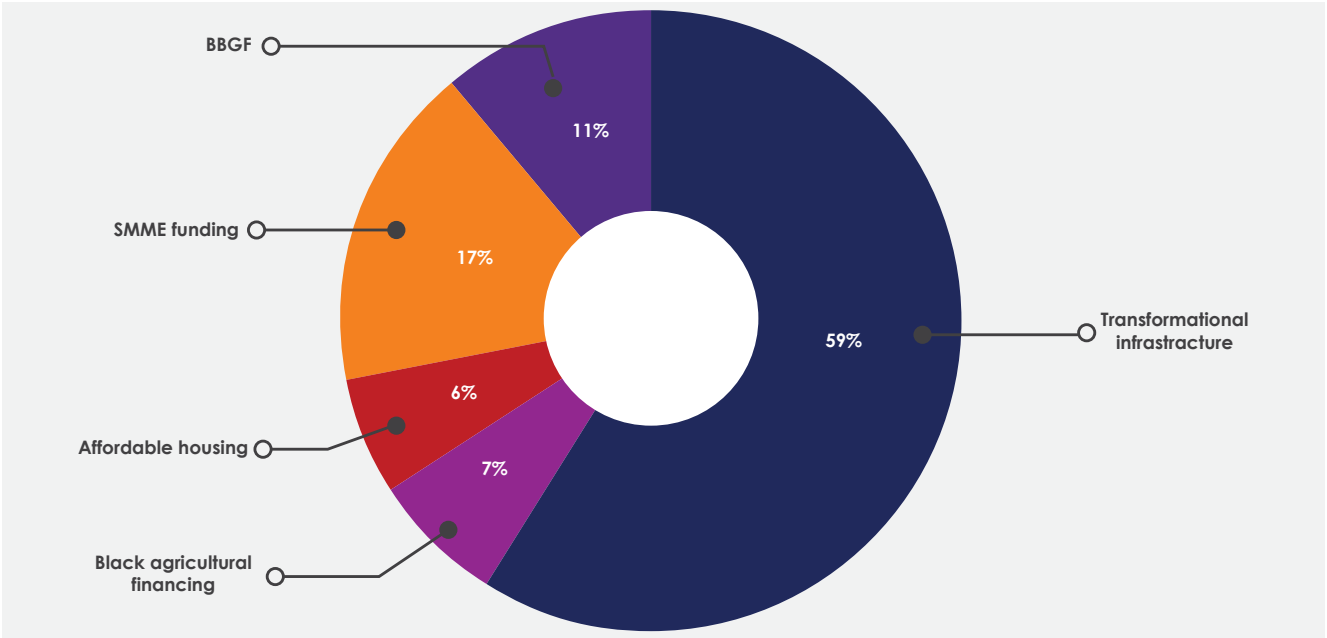
In total, 979 EMEs and QSFLs participated in the survey while 209 Generic entities responded, consisting of 20 Banks, 16 Life Offices, 30 Short-term Insurers, 48 Asset Managers, 85 Other Institutions, 6 Retirement Funds and 4 Specialised Enterprises. Survey responses from EMEs indicated that only 1.6% represented 100% black ownership, while only 4.4% of the QSFL respondents mentioned their black ownership to be above 25%, stating their business is either a sole propriety or family-owned. While noting this, less than 1% of the QSFLs made mention of implementing or having a transformation plan in place to address non-compliance.

Generic entities have a significant presence in the financial sector, however, only 44% of the respondents indicated having black ownership over 25%. This can be supported by the analysis conducted which showed that the sub-sectors underperformed across the ownership indicators. Some of these entities (approximately 6%) stipulated their low performance on ownership targets stemmed from the entity being a foreign company.

Furthermore, the realisation that the sector is predominantly white male also contributes to the overall underperformance, with challenges such as long-standing leadership, flat structures and older employees staying longer on boards resulting in low opportunities for black individuals. These issues also impact Management Control and Skills Development with roughly 31% of the respondents citing challenges such as affordability, the COVID pandemic after-effect, time required to train individuals and compliance costs. The sector continues to struggle to meet its transformation targets for these elements.

According to the CEO survey results, Empowerment Financing for the 20 Banks and 16 Life Offices that participated, showed that only 6% focused on affordable housing, while 17%, 11%, 59% and 7% focused more on SMME funding, BBGF, transformational infrastructure, and black agriculture financing, respectively.

Figure 46: Empowerment Financing contributions



On Access to Financial Services, only 45% of these participants mentioned they provide product-related access to the number of active accounts and usage.

Overall, the participants indicated the challenges to transform to include external factors, such as the economic and political conditions, as well as inadequate policy interventions. Internally, costs associated with implementing the FS Code and the inefficient operations within their organisations resulted in slow progress.

# REPORTING WORKING COMMITTEE CHAIRPERSON'S MESSAGE

## RWC CHAIRPERSON, MS LEBOHANG LITHA

The 2022 State of Transformation Annual Report indicates that there is still significant work that must be done to make a more meaningful, impactful and transformational contribution to the economy. Progress is occurring, particularly among some large institutions, but overall, it has been slow and uneven in changing the patterns of ownership, management and control of the financial sector.

The representation of black women in senior management roles show marginal improvements, but continue to be underrepresented across all subsectors. Whilst there is strong entry-level participation, upward movement slows substantially, possibly linked to the decline in skills investment at senior levels.

As an 'intermediary' in the economy, the financial sector is fundamental to a sustainable, fair and inclusive economy. Hence the 'two unique elements' in the FS Code – Empowerment Financing and Access to Financial Services – over and above the Codes of Good Practice. Despite being critical transformation pillars, the sector did not meet the empowerment financing targets with little support for affordable housing for the period under review. Funding was redirected towards SME and Infrastructure funding instead. More data is required in order to gain insights into the transformational nature of infrastructure funding.

Transforming the financial sector necessitates going beyond a compliance with the financial sector code (FS Code) and encapsulates impact. The Broad-Based Black Economic Empowerment (B-BBEE) Commission acknowledged the significance of an impact assessment of B-BBEE scorecard elements across Charter Councils. A Monitoring, Evaluation and Learning (MEL) framework, including an impact assessment, will enhance policy formulation and hopefully provide insights necessary building on lessons from both successes and challenges.

I would like to thank the entities that consistently contribute to this report; the Secretariat for their commitment and dedication and all of our constituents and stakeholders for their contributions.

Finally, my gratitude goes to the outgoing Council Chairperson, Mr Njabulo Sithabe for his leadership, support and commitment to transformation and the success of the FSTC.



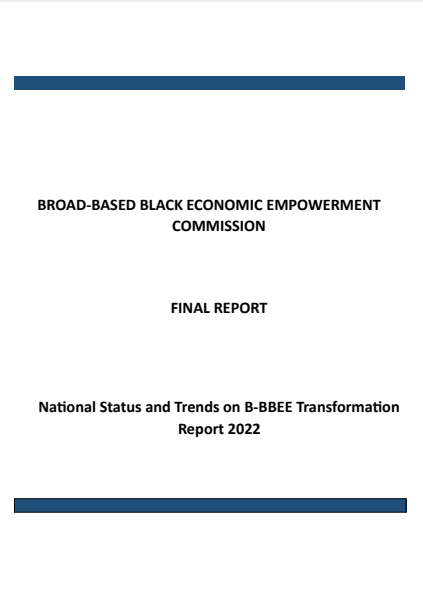


An overview of the transformation in the Financial Services Sector

This literature review centres on assessing the financial sector's contributions to transformational needs, equality, and inclusive growth. Through the lens of the FSTC, it highlights advancements and persistent gaps as the sector moves from more than policy compliance to impactful transformation.

To facilitate this evaluation, the FSTC has selected four (4) key reports to benchmark against the findings of its 2022 SoTAR. These reports include the 2022 National Status and Trends on B-BBEE Transformation Report, the 2023 Sanlam Transformation Gauge Report, the 2023 Banking Association of South Africa (BASA) Transformation Report, and A five-year transformation journey by ASISA (2018-2022).

2022 National Status and Trends on B-BBEE Transformation Report



This National Status and Trends on Broad-Based Black Economic Empowerment Transformation Report for 2022 is the most recent instalment since the first report in 2017 and assesses industry trends to inform policy. This report spans over 6 years and identifies critical shortfalls as the financial sector grappled to meet the prescribed targets across all elements of the B-BBEE scorecard. These elements include Ownership, Management Control, Skills Development, Enterprise and Supplier Development (ESD), and Socio-Economic Development (SED). The main highlight from the report reveals that the financial sector has struggled with low Black ownership, especially among Black women, who hold about 8% of ownership. This reflects a significant gap in achieving the intended levels of empowerment.

According to the report, the financial sector faces challenges due to limited data and reporting, particularly from JSE-listed entities, which hinders accurate assessment of progress. Many do not report their B-BBEE status, limiting effective management and oversight. The report also highlights the need for a coordinated approach to skills development and empowerment initiatives, as the lack of alignment between these programmes and the sector's actual needs contributes to challenges in achieving meaningful transformation.

The research highlights the deficiency in reporting across sectors indicating the need for scrutiny to address this issue, and if necessitated, legislation can be leveraged to improve the number of submissions. To bolster the levels of compliance and reporting, reviewing and streamlining the legal framework for transformation is required. Moreover, the paper acknowledges the need for efficient monitoring instruments to enhance B-BBEE performance and reporting.



## 2023 Sanlam Transformation Gauge Report (STGR)

The Sanlam Gauge Report acknowledges that the South African financial sector, which is internationally recognised for its excellence, is currently confronted with challenges in its domestic transformation. The challenges are exacerbated by the sector's diversity, which encompasses more than 10,000 licensed entities. The Sanlam Transformation Gauge report indicates that Enterprise and Supplier Development are the most significant movers, with Ownership increasing from 81% to 91.29%. Management Control remains constant at 61%, while Skills Development begins to increase from 76% to 78%. Although its score has decreased, Socio-economic Development still surpasses the target.

Despite the fact that some financial institutions have been involved in some remarkable empowerment transactions, they continue to face criticism for their lack of inclusivity. The financial sector has challenges in achieving management control objectives outlined in the Financial Sector Code despite having attained significant levels of B-BBEE contribution. Nonetheless, challenges related to the transformation of management control cannot be resolved at the necessary speed in a decelerating or stagnant economy, where the availability of key skills and knowledge is restricted and vulnerable to poaching and emigration. The sector has been under scrutiny for reform for some years, with parliamentary hearings in 2017 articulating concern over the shortcomings of the financial sector and the slow pace of transformation.

## 2023 BASA Transformation Report: Measuring Progress in a Challenging Economic Landscape

The 2023 Transformation Report by the Banking Association South Africa (BASA), assesses the banking sector's performance in meeting the transformation objectives outlined in the Financial Sector Code (FSC). It combines data and analysis to serve as both a transformation benchmark and a reflection of the industry's contribution to inclusive economic development.

Despite difficult economic conditions, South African banks made significant progress. Absa, Standard Bank, Nedbank, and FirstRand reached Level 1 B-BBEE status, and the sector achieved an overall Level 2 rating—above the national average of Level 3. Black economic interest in banks rose to 26%, and Black voting rights to 32%, driven by major BEE transactions such as Capitec's and Absa's R10 billion deal benefiting employees and communities.

However, challenges persist. While Black managers are represented at 88% at the top and 87% at intermediate levels, banks fell short in board-level transformation. Black women remain underrepresented, despite a small increase in senior leadership.

Socio-economic Development and Skills Development remain critical. Spending in these areas has grown over the past four years but still lags behind targets—particularly skills development expenditure on senior management. Investment in African women is highlighted as a key area needing greater focus. Procurement efforts also showed mixed results. While banks exceeded targets for spending with Black-owned and Black-women-owned suppliers, they underperformed in supporting small and micro enterprises (QSEs and EMEs).

Empowerment Financing increased to R279 billion, with strong performance in Black agriculture, SMME support, and Transformational Infrastructure—although spending on Affordable Housing declined. Geographic access to banking services continues to improve, supporting greater financial inclusion.

In summary, the 2023 BASA Transformation Report reflects a sector committed to transformation, with tangible progress in ownership, financing, and inclusion. However, it also highlights the need for deeper structural reform, stronger gender equity, and a more enabling policy environment to sustain transformation momentum.



## A Six-Year Transformation Journey by ASISA (2018-2023)



The Association for Savings and Investment South Africa (ASISA) has published its 2024 Industry Transformation Report, focusing on the theme of “Inclusion.” The report assesses transformation progress among ASISA member companies between 2018 and 2023, in line with the 2017 Amended Financial Sector Code (FSC) for Broad-Based Black Economic Empowerment (B-BBEE). The report presents a balanced view—celebrating progress while highlighting areas that still require focused intervention.

The report highlights substantial progress in advancing transformation within the life offices and asset management sub-sectors. Both have exceeded B-BBEE ownership targets and made notable gains in economic inclusion—particularly the increased representation of Black women in senior executive roles, which has more than doubled over the review period. The Life Offices sector also showed a significant increase in Black ownership, reflecting improved inclusive ownership models.

ASISA places a strong emphasis on skills development as a foundation for transformation. Through the ASISA Academy and ASISA Foundation, the industry continues to invest in upskilling historically disadvantaged individuals, with a particular focus on youth and unemployed learners. However, despite these efforts, a key challenge remains: many trained learners are not being absorbed into the workforce, pointing to a disconnect between education and employment opportunities.

In addition, the report identifies persistent gaps in African representation across all levels of management, as well as the need to address the sector’s reliance on scarce and specialised skills, such as actuarial science and asset management. ASISA acknowledges that without targeted intervention, these issues will continue to hinder inclusive transformation.

The report also emphasises the importance of Enterprise and Supplier Development (ESD) and Socio-Economic Development (SED). Member companies are increasingly supporting Black-owned small businesses and inclusive procurement strategies. The success of Camissa Asset Management is cited as a positive example of how inclusive ownership and economic participation can be achieved in the financial services space. Despite operating within a highly regulated environment, ASISA remains committed to promoting diversity, equity, and inclusion in the savings and investment industry.

In conclusion, the ASISA 2024 Industry Transformation Report showcases a sector that is steadily transforming, yet still grappling with structural challenges. Moving forward, ASISA aims to strengthen partnerships, align skills development with workforce needs, and drive deeper inclusion across all levels of the financial services industry—ensuring that transformation translates into long-term, sustainable economic impact for all South Africans.

### Conclusions

The findings of the reports reflect a need to continuously improve in driving and measuring transformation and to further undertake research and explore opportunities while overcoming challenges, to build an inclusive and equitable economy.

# STAKEHOLDER PERSPECTIVES

This section provides an overview of stakeholder perspectives on the financial sector's progress towards transformation, highlighting the challenges that hinder transformation, and provides recommendations to improve compliance with the FS Code. The Financial Sector Transformation Council (FSTC) consists of stakeholders who play a role in the development of policy and monitoring of the sector's transformation progress.

The following stakeholders participated in the survey:

- National Economic Development and Labour Council (Nedlac)
- Government
- Johannesburg Stock Exchange Limited (JSE Ltd)
- Batseta Council of Retirement Funds for South Africa
- South African Insurance Association (SAIA)
- Banking Association of South Africa (BASA)
- Associations of Black Securities and Investments Professionals (ABSIP)



## How have Nedlac Labour and Community actively supported the objectives of the Financial Sector Code?

**Nedlac Labour** - "The constituency supports the FSTC's mandate of driving and measuring transformation, but more can be done. Labour and Community constituencies should intervene in the noticeable lack of Government (relevant ministries) support. Both constituencies have regular meetings with Government, which should be used to discuss challenges within the FSTC and lack of transformation in the finance sector".

**Nedlac Community** - "The constituency has consistently and actively supported the FS Code in the main but has also in the same way sharply raised its voice against specific positions in the Code from time to time".

## Have the principles and policies of Nedlac influenced the decision-making model adopted by the FSTC and how have these contributed to advancing transformation within the financial sector?

**Nedlac Labour** - "So far yes. But far more can still be done - particularly from a funding perspective".

**Nedlac Community** - "The Nedlac principles and policies that have influenced the decision-making model of FSTC have not been fully implemented. A review is urgently needed to reflect on and fully implement the Nedlac principles and policies at FSTC"

## How active should Nedlac and its counterparties be in driving transformation, considering its role as a catalyst for economic growth?

**Nedlac Labour** - "There needs to be closer collaboration between Nedlac and the FSTC, and where needed, regular meetings between the FSTC and the overall conveners of Nedlac to discuss common programmes".

**Nedlac Community** - "Nedlac should be more actively involved to strengthen collaborations and remedy the unfortunate disjoint that exists between the two entities".



## How can Government strengthen its support for the FSTC to achieve its transformation twin pillar mandate?

**Government:** "Government is fully committed to supporting the work of the FSTC to achieve its twin pillar mandate. Despite Government's commitment, factors such as extensive consultations, consensus-building and accommodation of the needs of various stakeholders inevitably inhibit progress. The Minister of Finance is required to report quarterly on transformation in line with the Medium-Term Strategic Framework. However, FSTC processes, in particular the consensus-based model, typically constrains the Minister's ability to achieve transformation performance targets as set by the President."

## What strategies are in place to support the FSTC's long-term transformation objectives for the sector?

**Government:** "To ensure consistent and proactive engagement from Government in support of the FSTC's long-term initiatives to drive the financial sector's transformation agenda, the following strategies are in place:

- Financial inclusion policy:* This policy was approved by Cabinet in August 2023 and the policy proposes the establishment of an inter-governmental financial inclusion sub-group to oversee the implementation of financial inclusion initiatives. The policy also aims to inform approaches to drive the alignment of the financial sector codes to the policy. The FSTC will be a member of the inter-governmental financial inclusion sub-group.
- Participation in FSTC structures:* Government currently participates in various FSTC structures, including the council and the board."



## How is the Retirement Funds sub-sector progressing in terms of transformation?

**Batseta:** "Overall slow although progressive retirement funds are making efforts."

## What strategies should be prioritised to encourage comprehensive reporting from Retirement Funds, given the voluntary nature of the Amended FS Code?

**Batseta:** "Compliance with the Retirement Fund Scorecard should be made compulsory for all retirement funds, and not only the top 100 funds."

## How can the existing legislation be improved to support the financial sector towards realising its transformation agenda and promoting socio-economic equality?

**Batseta:** "Legislative changes are already in play i.r.o the CoFI Bill which provides for consequence management. All active retirement funds will have to adhere to the provisions of the retirement fund scorecard."

# JSE

## How is the Stock Exchange progressing in terms of transformation?

**JSE:** "As the JSE, transformation is a priority, and we ensure that this is given attention at the highest level of the organisation."

## What strategies should be prioritised to encourage comprehensive reporting from the Stock Exchange?

**JSE:** "The JSE as part of its quest to ensure mass transformation, recently included in its listing requirements that racial diversity is prioritised at board level. This means that companies must have a policy for the promotion of racial diversity at board level and they are further required to report annually to their shareholders. Listed companies are also required to report on how they have complied with their own voluntary targets and report on the progress they have made. This type of implementation should also apply to non-listed entities."

## How can the existing legislation be improved to support the financial sector towards realising its transformation agenda and promoting socio-economic equality?

**JSE:** "Increase the spend on SED from 1% NPAT to 2% NPAT. This will make a huge difference in society."

## How is the Short-term Insurance sub-sector progressing in terms of transformation?

**SAIA:** "The short-term (non-life) insurance industry has made positive strides in transformation over the past few years and still has room for improvement, as the industry with great impact on society. The efforts towards transformation have also gone beyond the scorecard, through facilitation of related industry initiatives - Treating Supplier Fairly Framework and industry collaboration with the Competition Commission on common transformation objectives."

## What strategies should be prioritised to encourage comprehensive reporting from the Short-term Insurance sub-sector?

**SAIA:** "The industry has adopted transformation as a key priority, approved by the SAIA Board for member endorsement and implementation."

## How can the existing legislation be improved to support the financial sector towards realising its transformation agenda and promoting socio-economic equality?

**SAIA:** "More work can be done with regard to fostering a financially inclusive society. This can be achieved through the development of enabling legislative frameworks and standards; and encouraging the sector to go beyond the scorecard and participate in driving inclusion."





### How is the Banking sub-sector progressing in terms of transformation?

**BASA:** "The banking industry performance is improving from year to year as evidenced by the BASA Transformation report and the Sanlam Gauge".

### What strategies should be prioritised to encourage comprehensive reporting from Banks?

**BASA:** "Peculiarities of the different industries within the financial sector should be taken seriously so that the respective strengths and core businesses are utilised to drive transformation. The methodology of measuring performance should also be improved, e.g., weighted averages versus simple averages where possible."

### How can the existing legislation be improved to support the financial sector towards realising its transformation agenda and promoting socio-economic equality?

**BASA:** "The understanding of the current legislation and tools by all social partners should be prioritised so that proposals to effect change are fully informed and appropriately nuanced."



### How has ABSIP supported the objectives the Financial Sector Code?

**ABSIP:** "ABSIP's advocacy has contributed to the gradual increase of black professionals in the sector, even though many remain concentrated in junior and middle management rather than senior management and executive roles. In addition, ABSIP has and will continue to drive policy discussions around allocating capital to black financial service providers even though the actual capital flows to these businesses remain low."

### What notable impacts or successes have been observed in advancing transformation within the financial sector?

**ABSIP:** "Impact in the progression and representation of black investment professionals in financial services has been observed. However, more can be done in terms of advocacy and pressure to help drive policy action around allocation of meaningful capital to black financial service providers."

### What recommendations or strategies would ABSIP suggest to improve on the mandate of driving and measuring transformation within the financial sector?

**ABSIP:** "A key challenge which is to be overcome is resistance to change. Bottlenecks still exist in many financial services companies where skilled black professionals are not able to move to senior management and executive levels. In addition, more needs to be done to support black entrepreneurial businesses as the engine of innovation and competition. A transformed South African financial services industry is better for all South Africans."

Call for Comments

## DRAFT TRANSFORMATION FUND CONCEPT



## CONCLUSION AND RECOMMENDATIONS

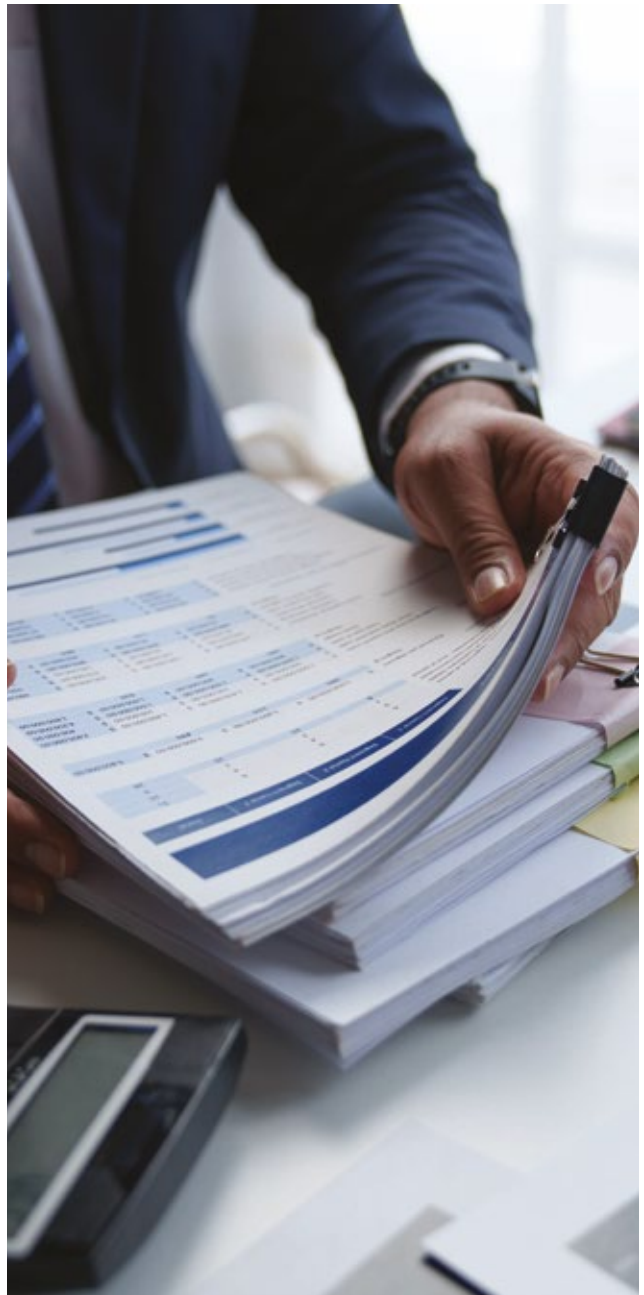
While the inadequate number of submissions received are not reflective of the financial entities in the sector, and the high rate of non-compliance is concerning, the report does account for a significant market share of the financial sector. Moreover, the Conduct of Financial Institutions (COFI) Bill once enacted will drive enforcement of the FS Code which will enhance compliance and reporting. Furthermore, collaboration of the FSTC with the South African National Accreditation System (SANAS) will improve financial sector submissions.

The non-standardised methodologies applied by verification agencies will be addressed through the implementation of a centralised online reporting tool to provide sight of the total measured entities' population and facilitate the use of homogenous scorecards and certification format. This will enable the FSTC to analyse performance trends more effectively and ensure that reports more accurately reflect the current state of transformation within the financial services sector.

There has been slow progress with amendments to the FS Code, thus, it is recommended that a dedicated task force be established with clear timelines to expedite the amendment process, supported by regular stakeholder engagements and progress reporting.

Furthermore, beyond assessing inputs and outputs as per the FS Code, a monitoring and evaluation framework is necessary to determine the impact of the FS Code on beneficiaries and the broader society. Moving forward, the sector should review the scorecard measurement to also consider determining the impact of B-BBEE initiatives.

In conclusion, it remains the joint responsibility of the FSTC and its stakeholders to work together towards ensuring that the financial sector embraces its transformational responsibilities, as outlined in the FS Code, in contributing to the broader society of South Africa. As such, it is imperative to consider further collaborative measures to achieve the prescribed targets while at the same time, expediting the review process of the FS Code. This will strengthen the legislative framework's response to reflect the unique dynamics of different sub-sectors within the financial services industry.



## APPENDIX

Appendix A: Financial Sector measured entities that submitted their B-BBEE reports

Measured Entity
27Four Investment Manager
36ONE Asset Management
Abacus Insurance
Abacus Life
Absa
Access Bank South Africa
Aegis Outsourcing South Africa
Aeon Investment Management
Affordable Benefits Company
African Bank
African Independent Brokers
African Unity Life
AG Capital
AIG South Africa
Akhile Management and Consulting
Alexander Forbes Investments
AllLife
All Weather Capital
Alusi Asset Management
Aluwani Capital Partners
Ambledown Financial Services
Aon Re Africa (Aon Reinsurance Solutions)
Argon Asset Management
ASI Financial Services
Association for Savings and Investment SA
Assupol Life
Athena Capital
Aurora Insurance Company
Avior Capital Markets
Bank of China
BankservAfrica
Barko Financial Services
Betterlife Distribution Services (BetterSure)
Betterlife Origination services
Biddulphs Removals & Storage SA
Bidvest Insurance
BMW Financial Services
Bryte
Bryte Life
Cabashe ARP
Camargue Underwriting Managers
Camissa Asset Management

Capitec Bank
China Construction Bank — JHB
Chubb Insurance SA
CI Collective Investments
Citigroup Incorporated
City of Johannesburg Pension Fund
Claredon Transport Underwriting Managers
Clientele
Coface South Africa Insurance Company
Colourfields Liability Solutions
Commercial and Industrial Acceptance
Conduit Capital
Constantia Risk and Insurance Holdings
Convergence Partners Management
Coronation Fund Managers
CSUF
Cubix Solutions
Curo Fund Services
Customer Loyalty Consultants
Debtsource
Deutsche Bank AG JHB
Diners Club SA
Discovery Bank
Discovery Insure
Discovery Life
Dotsure
Econorisk
Edge Growth Business Development
Emerald Life Proprietary
Engen Pension Fund
Eskom Pension Fund
Ethos Private Equity
Exeo Fund Advisors
Fairheads Benefit Services
Fairtree Asset Management
Federated Employers Mutual Assurance Co Retirement Fund
FFS Finance SA Retirement Fund
Finbond Group
FinGlobal Migration
First World Trader (Easy Equities)
Firststrand Bank
Foord Asset Management
Forum SA Trading 325 ta Forum Brokers Makelaars
Fulcrum Collect
Futuregrowth Asset Managers
General Reinsurance Africa

Generic Insurance Company
GetGo Home Loans
GIB Insurance Brokers
GIC RE South Africa
Global Choices Lifestyle
Goldman Sachs International
Grinrod Bank
Gryphon Asset Management
Guy Carpenter & Company
Hallmark Palmcreek
Hannover Reinsurance Group Africa
HBZ Bank
Hollard
Hollard Life
HSBC Bank plc JHB
I Capital
ICAP Holdings SA
iMas Insurance Brokers
Independent Risk Distribution SA
Indequity Group
Industrial Development Corporation SA
Infiniti Insurance
Insight Actuaries and Consultants
InsureAfrica Underwriting Managers
Integrisure Brokers
Intembeko Investment Administrators
Investec
IP Management Company
Ithala SOC
Itoo Special Risks
IUA Business Solutions
JP Morgan Consolidated
Just Retirement Life SA
Kayser Baird Insurance Brokers
Kganya Insurance Administration
King Price Insurance Company
Kunene Bros Holdings
Lateral Unison Insurance Brokers
Laurium Capital
Leaf Capital
Legal and Tax Services
Legal Expenses Insurance South Africa
Letsatsi Finance and Loan
Liberty Holding
Lion of Africa Life Assurance Company
Lipco Group



Lombard Insurance Company
Macquarie Advisory and Capital Markets SA
Maitland Group South Africa
Marsh
Matrix Fund Managers
Mazi Asset Management
Mediclinic Retirement Fund
Melville Douglas Investment Management
Mercedes Benz Financial Services SA
Mergence Investment Managers
MHA Management Holdings
Momentum
Moonstone Compliance
Moso Consulting
Motus Holdings
MRA Insurance Brokers
Munich Reinsurance Company of Africa
Navigare Securities
NBC Fund Administration
NBC Holdings (Holdings)
Nedbank
Nedgroup Investments
Netcare
Netto Invest
NHB Administrators
Ninety-One
Novare Holdings
Nvest Financial Holdings
OBARO Besigheidsbeleggings
Old Mutual Insure
Old Mutual Investments
Old Mutual Life
Overberg Wealth and Risk Management
Peregrine Capital
Prescient Holdings
Pretorium Trust (Co-op)
Protea Capital Management
PSG Employee Benefits
PSG Konsult
PSG Life
Purple Group
QED South Africa
QSURE Proprietary
Quantum Wealth Management
Raubex Group & Subsidiaries
RCS Cards

Red Pine Capital
Refinitiv SA Incorporated in Switzerland
Rentworks Africa
Rezco Collective Investments
Riscura Holdings
Risk Benefit Solutions
Robson Savage
SA Bullion Investor Services
SA Home Loans
Sabvest Capital
Safire Insurance Company
SAHL Insurance Company
Sanlam Life
Sanlam (Investment Managers)
Sanne Fund Services SA (Now Apex Fund and Corporate Services SA)
Santam
Sasfin Asset Management
Sasfin Holding
Sasria SOC
SBG Securities
Scania Finance Southern Africa
Scottfin Insurance Brokers
Scottfin Insurance Brokers
Sesfikile Capital
Shield Life
SIH Capital Holdings
Small Enterprise Finance Agency
Smit & Kie Brokers
Standard Bank
Standard Bank Insurance Brokers
Standard Insurance
Standard Trust
Stanlib & Subsidiaries (Asset Managers)
State Bank of India
Sterling Private Wealth
Steyn Capital Management
Stonehage Fleming Corporate Services
Strate
Sygnia Asset Management
Taquantia Asset Managers
TCI Tiso
Telesure
The Professional Provident Society Holdings Trust and Subsidiaries
The Rand Mutual Assurance Co
The Smart Life Insurance Company
Total Risk Administrators

Towers Watson
Toyota Financial Services
Transport Sector Retirement Fund
Trematon Capital Investments
TriAlpha Investment Management
Truffle Asset Management
Tyme Bank
University of Cape Town Retirement Fund
USB SA
Value Capital Partners
Visio Fund Management
Vunani Fund Managers
Vunani and Subsidiaries
Western National Insurance
Woolworths Retirement Fund
Workers Life Group
Worldwide Advisory Services



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23.7344

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