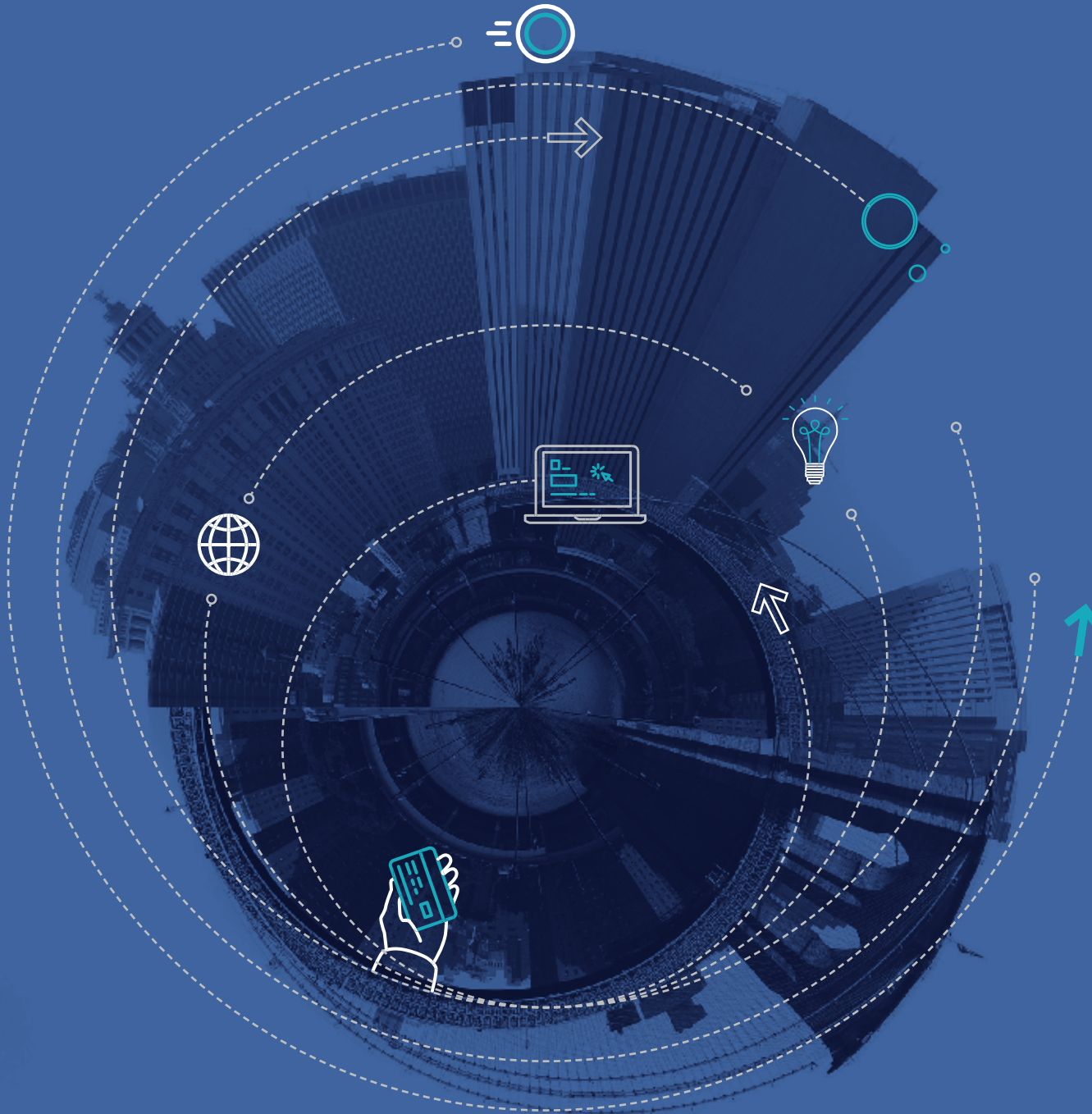


# Integrated Report for the year ended 30 June 2020

At Sasfin we contribute to society by going beyond a bank to enable growth in the businesses and global wealth of our clients.

**sasfin** | Holdings  
Limited  
beyond a bank



# TABLE OF CONTENTS

**01.**

Supporting our employees and clients during Covid-19

**02.**

An overview of the 2020 report

**04.**

The 2020 Integrated Report compilation



**08.**  
An overview of Sasfin

**17.**

Sasfin's material matters

**26.**

Leadership reviews



**43.**

Pillar performance reviews

**57.**

Human capital performance review

**63.**

Information and technology performance review

**70.**

Social and Ethics Committee report

**75.**

Building stakeholder relationships

**80.**

Risk management and overview

**88.**

Governance practices and outcomes



**111.**

How performance is rewarded

**126.** Appendices

# SUPPORTING OUR EMPLOYEES AND CLIENTS DURING COVID-19

The Group seamlessly moved to a remote working environment to safeguard our employees. We are proud of the resilience our teams have demonstrated.

Alert levels 5 and 4:

**95%**  
of employees worked from home

Alert level 3:

**90%**  
of employees worked from home

As at 9 October 2020, **22 Sasfin employees had contracted the virus** and all 22 have recovered. There were fortunately no fatalities.

**12%** of employees utilised the support service offered by our employee assistance programme between April to June 2020.

**In addition to our normal CSI, we donated a further R2.25 million through various initiatives.**

Refer to page 13 for how we responded to Covid-19.

The support we provide to our clients will help facilitate economic recovery and growth which aligns with our purpose to **contribute to society** by enabling growth in the businesses and the global wealth of our clients.

**We granted payment holidays and other assistance to clients to the value of R986.71 million (totalling approximately 14% of our loan book).**

"We recognise the enormity of this moment. Our sympathies go to those who have lost loved ones to Covid-19. The economic impact will be far-reaching into the future. We are more committed than ever to doing what we can to help businesses and investors at this time."

**Michael Sassoon, Group CEO.**

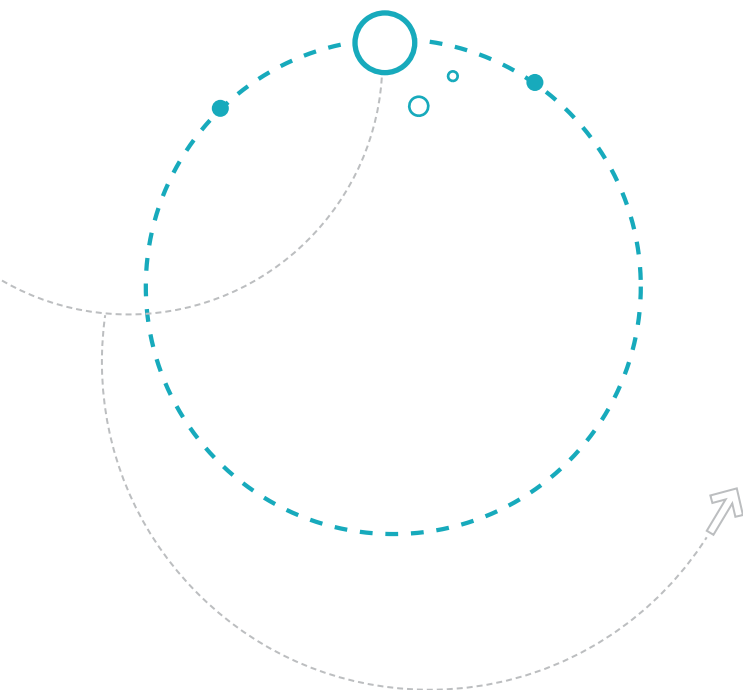


**We remained available to our clients throughout the lockdown. Our B\\YOND® chat function has allowed clients to engage with us at any time of the day or night.**



During the height of Covid-19 we opened **402** new business accounts in the last quarter of the financial year, of which **60%** are Black-owned businesses, **33%** female-owned businesses and **47%** are youth-owned.

# AN OVERVIEW OF THE 2020 REPORT



## Sasfin overview (page 8)

Sasfin Holdings Limited (the Group or Sasfin) listed on the Johannesburg Stock Exchange (JSE) in 1987 and is a bank-controlling company that comprises three Pillars – **Banking**, **Wealth** and **Capital**.

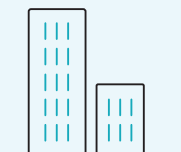
Our purpose is to contribute to society by going beyond a bank to enable growth in the businesses and global wealth of our clients. To achieve this, the Group provides a comprehensive range of specialist financial products and services to meet the needs of asset suppliers, small and medium businesses, and institutional and private clients.

## Report compilation (page 4)

This Integrated Report covers Sasfin's activities for the financial year to 30 June 2020 and has been prepared to meet the information needs of the Group's stakeholders. The contents have been determined by these needs and by the Group's material matters.

Sasfin adopted IFRS 16 without restating comparatives and certain prior period restatements were adjusted for. These had no impact on the Group earnings, financial position or key ratios.

The Board of Directors (Board) approved this report on 9 October 2020.



## Strong balance sheet and liquidity position (page 29)

Sasfin posted a headline earnings loss of R48.617 million (2019: profit of R161.305 million) for the year ended 30 June 2020. The loss for the year is largely as a result of increased IFRS 9 credit impairment provisions and a decline in private equity valuations, attributable to the very weak economy. Lower total income resulted in the Group's cost-to-income ratio deteriorating to 82.20% (2019: 76.59%). Included in the operating costs, is an increase in depreciation from the adoption of IFRS 16 Leases as well as amortisation and impairment of intangible assets. Excluding these non-cash items, costs declined by 4.57% over the period.

Total assets declined 4.08% to R14.006 billion (2019: R14.601 billion), with net loans and advances contracting by 11.87% to R6.609 billion (2019: R7.500 billion). This decline was due to lower demand for credit and a conservative credit approach adopted during the Covid-19 lockdown. The Group focused on maintaining a strong balance sheet to withstand further shocks to the economy. This is demonstrated by cash and near cash (net of Land Bank bills in 2020 and repurchase agreements) improving to R2.351 billion (2019: R2.073 billion). Total deposits increased 3.17% to R5.139 billion (2019: R4.981 billion). Due to the losses, the Board of Directors (Board) has not declared any final dividends. The Group's capital adequacy ratio (unaudited) improved to 16.99% (2019: 15.67%) as a result of prior appropriations and a decline in risk-weighted assets. In addition, the liquidity coverage ratio and net stable funding ratio remain strong.

We have seen a deterioration in arrears. This, together with forward looking overlays raised primarily against our stage 1 loans, have resulted in an increase in our balance sheet credit loss coverage ratio to 7.96% (June 2019: 5.09%) and a threefold increase in our income statement credit loss ratio to 303 bps (June 2019: 102 bps). The profile of our book remained relatively consistent. Furthermore, a detailed assessment was performed on our holdings of government-related negotiable securities. While we believe we will recover our full exposure to these entities, provisions were raised in line with the IFRS 9 expected credit loss requirements.

**Pillar performance (page 43)**

**Sasfin Bank** posted an operating loss of R51.39 million (2019: profit of R169.02 million) largely caused by the increased credit losses detailed above. Income also contracted in the last quarter as a result of lower volumes experienced during the national lockdown.

**Sasfin Capital** posted an increased operating loss of R66.08 million (2019: R10.65 million loss) as a result of the revaluation of the private equity and property equity portfolios. Together with some realisations at above carrying value, investments at fair value have reduced by 15.12% to R528.77 million (2019: R622.99 million).

**Sasfin Wealth** increased operating profit to R64.41 million (2019: R52.71 million), primarily as a result of record growth in assets under advice and management (collectively AUM) to R48.7 billion (2019: R41.1 billion), with foreign assets now comprising 28.57% of total AUM.

**Human capital (page 57)**

We supported our people during these difficult times and continue to strengthen our teams where necessary. We invested R6.5 million in skills development initiatives. Employee turnover decreased to 14.4% (2019: 21.7%).



**Information technology (IT) (page 63)**

The significant investment in IT over the past few years was critical to the Group's ability to seamlessly shift to remote working during the Covid-19 lockdown.

We continue to digitalise the business and are strengthening our data capabilities further.

**Operating context (page 75 and 80)**

Sasfin takes a stakeholder-inclusive approach, and the Group's integrated risk management process ensures that key risks are managed effectively within acceptable parameters. Inherent risk increased significantly with Covid-19 and its impact on the local and global economies.

**Governance (page 88)**

Sasfin's governance framework promotes accountability of senior management and enables the Board to adopt a strategic oversight role. The new Board appointments bring a fresh perspective, together with their skills and experience.

The senior appointments over the last three years have strengthened our combined assurance framework.

**Social and ethics (page 70)**

Sasfin is committed to responsible business and revised its environmental, social and governance (ESG) strategy to align with the Group strategy and help us to transform our society. Sasfin made various contributions to assist in alleviating the impact of Covid-19.



**How performance is rewarded (page 111)**

Sasfin's performance incentive scheme rewards performance at a Group, Pillar/business unit and individual level, and aligns executive incentives with shareholders by focusing on sustainable growth in return on equity (ROE).

Taking cognisance of Covid-19, the Prudential Authority's guidance note G4/2020 and the state of the South African economy, salary increases for the next year and annual bonuses were only awarded in exceptional circumstances.



# THE 2020 INTEGRATED REPORT COMPILATION ⑤

## WHY WE REPORT

**This Integrated Report provides an overview of our strategy, performance for the financial year 1 July 2019 to 30 June 2020, operating context and outlook.**

The report includes information that aims to meet the needs of the Group's key stakeholders, with an emphasis on Sasfin's material matters. These matters are those that have the most potential to materially affect the Group's viability in the short, medium and long term. Material matters also include those matters that significantly influence our stakeholders' assessments and related decisions regarding our long-term sustainability.

Sasfin defines 'short term' as the next 18 months, 'medium term' refers to 19 to 48 months and 'long term', the period beyond 4 years.

## HOW WE REPORT AND WHAT WE INCLUDE

This report covers the activities and prospects of Sasfin and its subsidiaries. The Group's interest in subsidiaries, structured entities and associates is shown in the diagram on page 12 and in note 39 to the Consolidated and Separate Annual Financial Statements.

There were no significant changes to the size, structure or ownership of the Group since the 2019 Integrated Report. The Group adopted IFRS 16 during the year and, as permitted by IFRS 16, elected to adopt the standard without restating comparative numbers, by following the simplified approach. Comparative information previously reported for the year ended 30 June 2019 is presented in accordance with the requirements of IAS 17, while current and future periods are presented in terms of IFRS 16.

Sasfin restated certain elements within its financial statements. These restatements are to correct the disclosure and presentation of its Statements of Financial Position, Comprehensive Income and Cash Flows and did not have an impact on the earnings, balance sheet or ratios of the Group for either the prior year or the current year:

- Re-classification adjustment: Fair value changes on financial instruments at fair value through profit or loss
- Correction of prior year error: classification of specialised lending product
- Correction of prior year error in disclosure: Gains on the derecognition of financial assets recognised at amortised cost

Refer to note 2.11 in the Annual Financial Statements for the detail of these restatements.

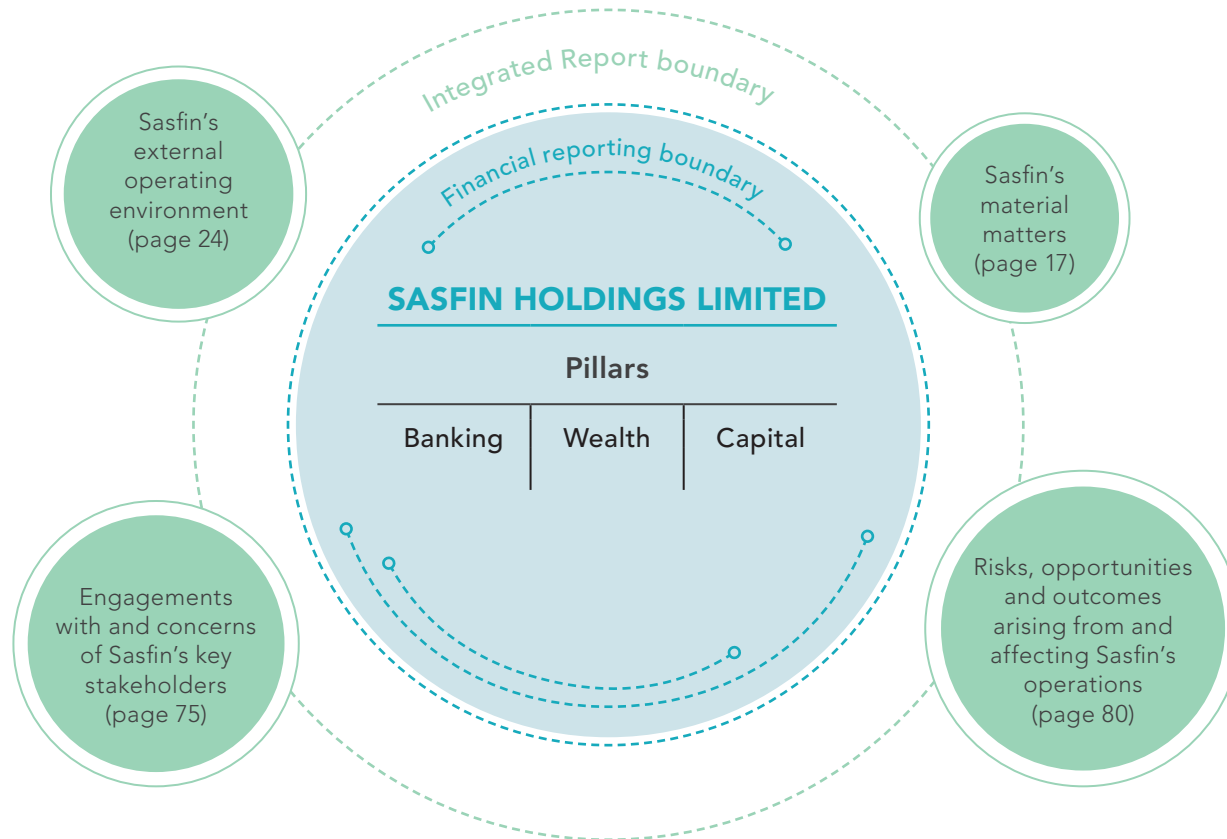
Sasfin considered the guidance of a number of local and international frameworks and guidelines in preparing this report and the other reports in our reporting suite. These include the:

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- Companies Act of South Africa, No 71 of 2008, as amended (Companies Act)
- Banks Act, No 94 of 1990 and Regulations relating to Banks as amended (Banks Act)
- IFRS
- King Report on Corporate Governance™ for South Africa, 2016 (King IV™)<sup>1</sup>
- B-BBEE Act, No 46 of 2013 as amended (B-BBEE Act)
- Basel III
- JSE Listings Requirements

## FEEDBACK

*Sasfin welcomes feedback that helps us improve our reporting. Please contact us at [investorrelations@sasfin.com](mailto:investorrelations@sasfin.com).*

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC (IoDSA) and all of its rights are reserved.



## REPORTING SUITE

Sasfin's reporting suite is available at [www.sasfin.com/investor-relations](http://www.sasfin.com/investor-relations).



### Integrated Report 2020

Sasfin's primary report providing insight into the value Sasfin creates for itself and its stakeholders.

### Annual Financial Statements 2020

Sasfin Holdings Limited's Annual Financial Statements, including risk and capital management disclosures.

### Notice of Annual General Meeting 2020

Provides shareholder administrative information and the notice of the Sasfin Holdings Annual General Meeting (AGM).

### Annual Results Booklet 2020

Summarised Consolidated Financial Statements and commentary for the year ended 30 June 2020.

*The 2020 regulatory ratios contained in this report have not been reviewed or audited by our external auditors at the time of finalising the report.*

## ICONS USED IN OUR REPORT

The following icons clarify the trend in key performance indicators (KPIs):

POSITIVE RESULT    
 UNCHANGED/SATISFACTORY    
 NEGATIVE RESULT

These icons show connectivity to our 2020 strategy

People and culture	Product, user experience and innovation
Organisational capacity	Growing our offshore exposure
Transformation	Credit growth and quality
Sales	Capital management and planning

This icon indicates disclosure for a specific King IV™ principle. Refer to page 127 for the King IV™ application summary.

These icons indicate our five primary client segments

- Asset suppliers
- Medium businesses
- Institutional clients
- Private clients
- Small businesses

## REPORT ASSURANCE <sup>15</sup>

The assurance provided by Sasfin's combined assurance framework (page 108) supports the Board in assessing this report's integrity. The table below provides an overview of the sources of assurance provided over various aspects of the reporting suite across the four lines of defence of the framework. The Group Executive Committee (Group Exco), Group Audit and Compliance Committee (GACC) and Board reviewed and approved the content of this report.



Content	Assurance provider (lines of defence)				Framework/standard
	First	Second	Third	Fourth	
Annual Financial Statements	Group Finance and Group Exco	Not applicable	Group Internal Audit	Pricewaterhouse Coopers Inc. (PwC) <sup>†</sup>	<ul style="list-style-type: none"> <li>IFRS</li> <li>Companies Act</li> <li>JSE Listings Requirements</li> </ul>
Regulatory returns in terms of the Banks Act	Group Finance and Group Treasury	<ul style="list-style-type: none"> <li>Group Risk</li> <li>Group Compliance</li> </ul>	Not applicable	PwC <sup>†</sup>	<ul style="list-style-type: none"> <li>Banks Act</li> </ul>
B-BBEE contribution	Group Exco	Not applicable	Not applicable	National Empowerment Rating Agency <sup>†</sup>	<ul style="list-style-type: none"> <li>B-BBEE Codes of Good Practice</li> <li>Financial Sector Codes</li> </ul>
Corporate governance	Group Exco and Company Secretarial	<ul style="list-style-type: none"> <li>Group Risk</li> <li>Group Compliance</li> </ul>	Group Internal Audit	Not applicable	<ul style="list-style-type: none"> <li>Banks Act</li> <li>Companies Act</li> <li>JSE Listings Requirements</li> <li>King IV™</li> <li>Basel Committee on Banking Supervision</li> <li>Financial Advisory and Intermediary Services Act (FAIS)</li> <li>International Standards for the Professional Practice of Internal Auditing</li> </ul>
Non-financial information	<ul style="list-style-type: none"> <li>Group Exco</li> <li>Company Secretarial</li> <li>Group Finance</li> <li>Human Capital</li> </ul>	<ul style="list-style-type: none"> <li>Group Risk</li> <li>Group Compliance</li> </ul>	Group Internal Audit	Not applicable	<ul style="list-style-type: none"> <li>International Standards for the Professional Practice of Internal Auditing</li> <li>Internal models, policies and frameworks</li> </ul>
Review of internal controls and risk management	Group Finance	Group Risk	Group Internal Audit	PwC <sup>†</sup> (where internal controls relate to financial reporting)	<ul style="list-style-type: none"> <li>International Standards for the Professional Practice of Internal Auditing (applicable to Internal Audit only)</li> <li>Internal models, policies and frameworks</li> <li>Banks Act</li> </ul>

<sup>†</sup> External assurance provider.



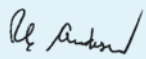
**BOARD APPROVAL** 5 15

The Board is responsible for overseeing the integrity and completeness of this Integrated Report and has applied its collective mind to the report’s preparation and presentation, including the appropriateness of the reporting frameworks used. The Board appropriately and diligently considered these aspects, including material matters, and believes the report reflects the Group’s performance and strategy accurately.

The Board is committed to good corporate governance and applying the principles of King IV™. King IV™ disclosures are incorporated in this report, and an application summary is on page 127. The Board is of the view that this report aligns with the <IR> Framework.

The Board confirms that Sasfin is in compliance with the provisions of the Companies Act relating to its incorporation and is operating in conformity with its Memorandum of Incorporation.

The Board approved the 2020 Integrated Report on 9 October 2020.



**Roy Andersen**  
Chair



**Michael Sassoon**  
Group Chief Executive Officer



**Angela Pillay**  
Group Financial Director

**DISCLAIMER**

The Group has, in good faith, made a reasonable effort to ensure the accuracy and completeness of the information contained in this report, including information that may be regarded as forward-looking statements.

Forward-looking statements are not statements of fact, but statements by the Board based on its current estimates, projections, expectations, beliefs and assumptions regarding the Group’s future performance, and no assurance is given.

The risks and uncertainties inherent in the forward-looking statements include, but are not limited to: changes to IFRS and its interpretations, applications and practices as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of current and future litigation.

The Group does not undertake to update any forward-looking statements and does not assume responsibility for any loss or damage, however arising, as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits or consequential loss or damage.

# AN OVERVIEW OF **SASFIN**

Sasfin helps entrepreneurs and investors grow their businesses and global wealth, supporting job creation and sustainable socioeconomic development. Our personal touch, digital platforms and agility allow us to compete effectively.

Sasfin contributes to society by going beyond a bank to enable growth in the businesses and global wealth of our clients. By supporting business growth, our products and services drive employment, alleviate poverty and grow the tax base. Helping investors grow their wealth improves savings rates.

Our strategy guides our day-to-day actions to drive long-term value creation. It focuses on meeting the needs of our five primary client segments, while ensuring that our business remains profitable and sustainable. Our business model aims to deliver innovative client-centric solutions while ensuring strong corporate governance.

Our high-performing human capital, strong brand, broad range of digitalised products and solid balance sheet differentiate us from peers and new entrants. Our agile, high-touch model means that we deliver solutions based on a deep understanding of our clients that help them grow their businesses and wealth. This approach enables us to compete effectively against the larger players.

## FIVE PRIMARY CLIENT SEGMENTS

- 

**ASSET SUPPLIERS**  
Suppliers of any asset type that wish to offer financing solutions to their clients
- 

**MEDIUM BUSINESSES**  
Businesses that require long-term or working capital finance, long-term capital and general financial solutions
- 

**INSTITUTIONAL CLIENTS**  
Corporates and pension funds that require investment solutions
- 

**PRIVATE CLIENTS**  
Individuals looking for local and global investment advice and solutions
- 

**SMALL BUSINESSES**  
Businesses that require digitally orientated, seamless banking and financial solutions

## OUR **2020** STRATEGIC FOCUS AREAS

(page 34)

- 

People and culture
- 

Organisational capacity
- 

Transformation
- 

Sales
- 

Product, user experience and innovation
- 

Growing our offshore exposure
- 

Credit growth and quality
- 

Capital management and planning

## OUR **NEW 2025** STRATEGIC FOCUS AREAS<sup>1</sup>

(page 38)

- 

**PEOPLE AND CULTURE**  
Develop a talented and empowered team who live our values
- 

**SALES AND SERVICE**  
Ensure a strong sales and service culture to deliver growth
- 

**PRODUCT, USER EXPERIENCE AND INNOVATION**  
Digitalise our products and user experience
- 

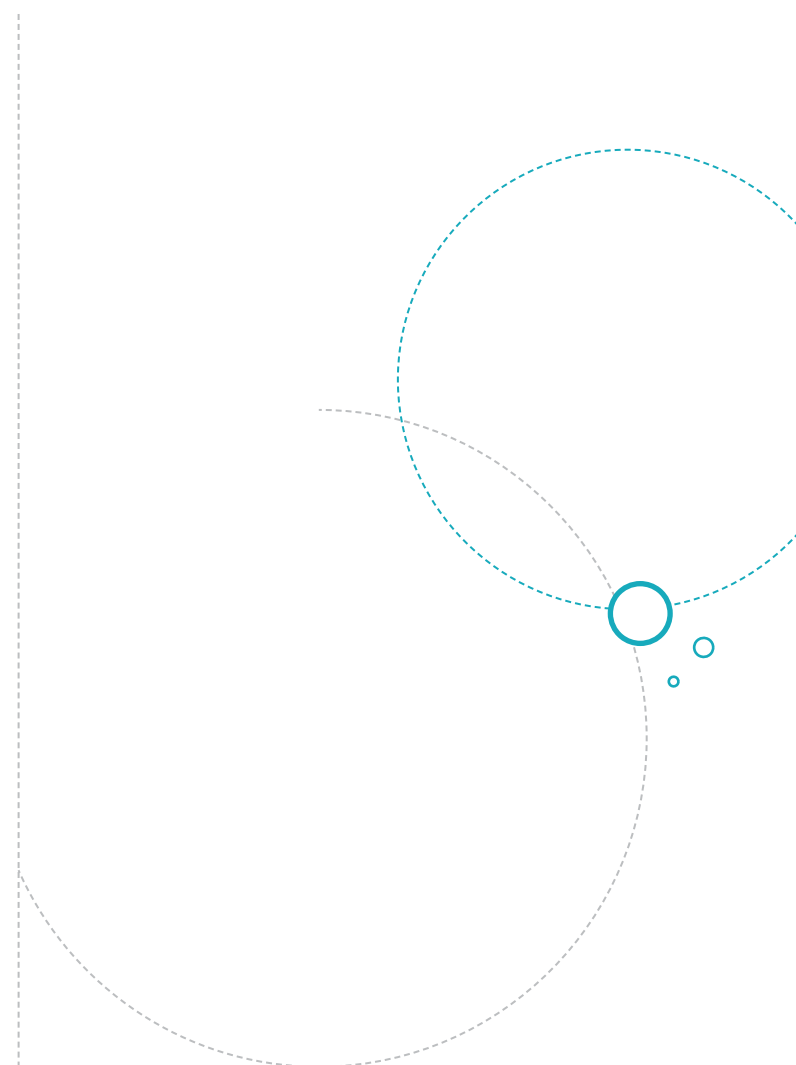
**TRANSFORM OUR SOCIETY**
- 

**ORGANISATION CAPACITY AND COSTS**  
Ensure an effective and efficient client-centric organisation

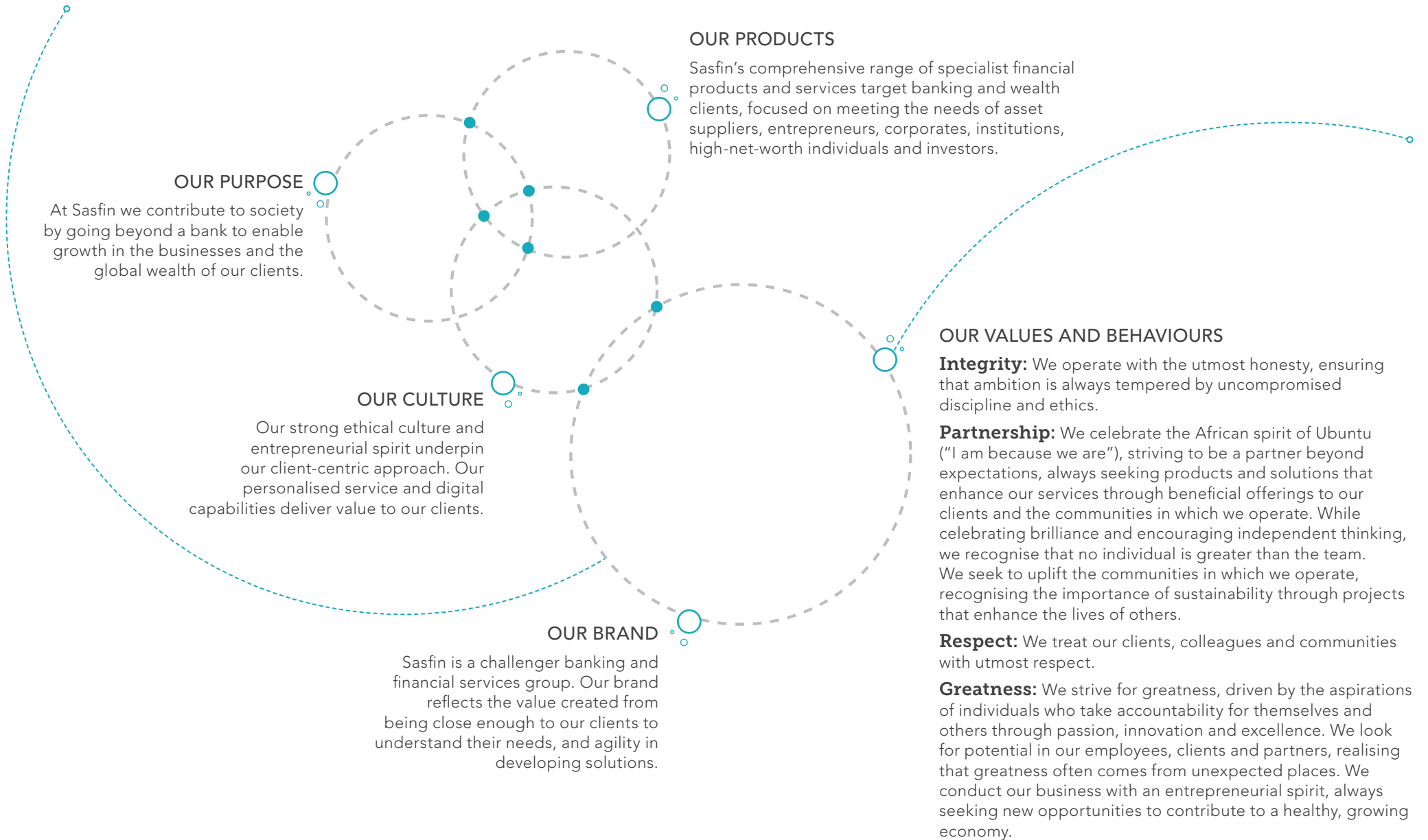
<sup>1</sup> The 2025 strategy is applicable for the 2021 financial year.

## KEY FINANCIAL INDICATORS AT A GLANCE

<p><b>▼ 130.14%</b></p> <p>HEADLINE EARNINGS</p> <p><b>(R48.617 m)</b></p> <p>2019: R161.305 m</p>	<p><b>▼ 130.14%</b></p> <p>HEADLINE EARNINGS PER ORDINARY SHARE</p> <p><b>(151 cents)</b></p> <p>2019: 501 cents</p>	<p><b>▼ 6.37%</b></p> <p>TOTAL INCOME*</p> <p><b>R1.167 bn</b></p> <p>2019: R1.246 bn</p> <p><i>* Including associate income.</i></p>	<p><b>▼ 130.32%</b></p> <p>RETURN ON AVERAGE SHAREHOLDERS' EQUITY</p> <p><b>(3.12%)</b></p> <p>2019: 10.29%</p> <p><i>* Excluding preference shares and non-controlling interest.</i></p>
<p><b>▲ 132.2bps</b></p> <p>GROUP TOTAL CAPITAL ADEQUACY RATIO</p> <p><b>16.991%*</b></p> <p>2019: 15.669%</p> <p><i>* 2020 unaudited</i></p>	<p><b>▲ 13.41%</b></p> <p>NET AVAILABLE CASH</p> <p><b>R2.351 bn</b></p> <p>2019: R2.073 bn</p>	<p><b>▲ 561bps</b></p> <p>COST TO INCOME</p> <p><b>82.20%</b></p> <p>2019: 76.59%</p>	<p><b>▼ 4.08%</b></p> <p>TOTAL ASSETS</p> <p><b>R14.006 bn</b></p> <p>2019: R14.601 bn</p>
<p><b>▲ 3.22%</b></p> <p>TOTAL EQUITY*</p> <p><b>R1.535 bn</b></p> <p>2019: R1.586 bn</p> <p><i>* Total equity excludes preference shares and non-controlling interests.</i></p>	<p><b>▼ 9.35%</b></p> <p>GROSS LOANS AND ADVANCES*</p> <p><b>R7.162 bn</b></p> <p>2019: R7.901 bn</p> <p><i>* Restated to include loans and advances at fair value through profit or loss.</i></p>	<p><b>▲ 197.06%</b></p> <p>CREDIT LOSS RATIO</p> <p><b>303 bps</b></p> <p>2019: 102 bps</p>	<p><b>▲ 18.21%</b></p> <p>TOTAL ASSETS UNDER MANAGEMENT*</p> <p><b>R48.605 bn</b></p> <p>2019: R41.119 bn</p> <p><i>* Excluding assets under administration</i></p>



# What guides Sasfin?



# Sasfin's operating structure

Sasfin comprises three Pillars namely Banking, Wealth and Capital, that are supported centrally. Sasfin's ongoing investment in technology is a key strategic enabler unlocking synergies between the Pillars, and supporting cross-selling of products and solutions across the client base.

The Group has regional offices in four South African provinces and eight cities, and a wholly owned subsidiary in Hong Kong. The business operations in Hong Kong are to be closed and moved to South Africa in the next 12 months. There are 708 employees across the Group.

The structure below represents Sasfin's operational structure. The Group legal structure is on page 12.

## SASFIN HOLDINGS LIMITED

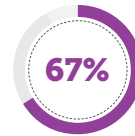
Group Chief Executive Officer (CEO): **Michael Sassoon**  
Group Financial Director (FD): **Angela Pillay**

### Banking Pillar

(page 43)

Banking Pillar revenue and contribution to group revenue

**R785.6 million**



#### Client segment

- Asset suppliers
- Medium businesses
- Private clients
- Small businesses

Head: Asset Finance: **Linda Fröhlich**  
Group and Bank Chief Operating Officer (COO): **Maston Lane**

#### Service offering

- Asset finance
- Transactional banking
- Foreign exchange
- Trade and debtor finance

#### Primary risks

- Credit
- Funding and liquidity
- Capital management

### Wealth Pillar

(page 47)

Wealth Pillar revenue and contribution to group revenue

**R333.6 million**



#### Client segment

- Institutional clients
- Private clients

CEO: **Erol Zeki**

#### Service offering

- Global and local investment management
- Advisory services
- Strategic investments

#### Primary risks

- Reputational
- Operational
- Market

### Capital Pillar

(page 53)

Capital Pillar revenue and contribution to group revenue

**R57.1 million**



#### Client segment

- Medium businesses

Head: **Francois Otto**

#### Service offering

- Property equity and debt solutions
- Specialised lending
- Private equity

#### Primary risks

- Investment
- Credit

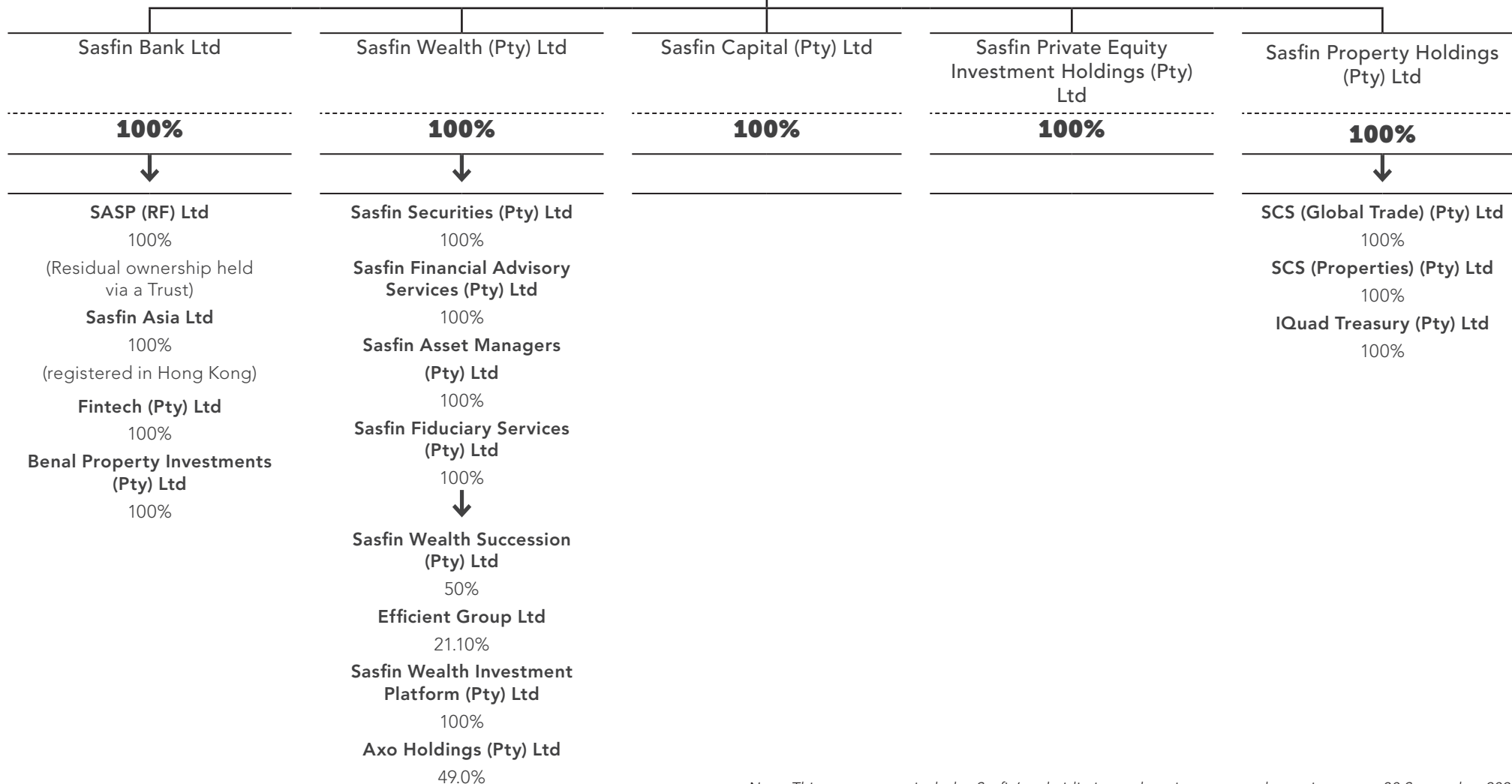
## CORPORATE SERVICES

Supports the Pillars by providing functional assistance comprising:

- Company Secretarial
- Compliance (page 105)
- Risk (page 80)
- Internal Audit (page 108)
- Credit
- Facilities
- Human Capital (page 57)
- Information Technology (page 63)
- Finance
- Legal
- Marketing

# Sasfin legal structure

AS AT 30 SEPTEMBER 2020



Note: This organogram includes Sasfin's subsidiaries and equity accounted associates as at 30 September 2020

## Demonstrating our resilience in the face of Covid-19

**We are committed to doing what we can, within sound business and governance principles, to support our business and wealth clients during this challenging time.**

Sasfin has been affected in a number of ways. Our priority was to secure the health and safety of the Sasfin community while ensuring that the Group retained a strong capital and liquidity position. We also provided meaningful assistance to clients in the form of payment holidays, and helping them with cash flow management.

The SARB Prudential Authority issued several directives and guidelines to enable the banking sector to better support the economy. This included Covid-related directives relating to the treatment of restructured credit exposures, temporary capital relief and temporary measures to aid compliance with the liquidity coverage ratio (LCR) as well as guidance on IFRS 9 application, dividends and executive bonus payments.

The support provided through these and other government initiatives are likely to delay the full impact of the pandemic on businesses and consumers, which increases the difficulty of predicting the ultimate financial outcomes. Many of the country's smaller and medium-sized businesses, where Sasfin focuses its lending activities, have been significantly impacted by Covid-19. This resulted in lower lending volumes and an increase in impairments.

The impact of Covid-19 on Sasfin's financial performance and position, including the additional complexity in implementing IFRS 9, is discussed in the Group CEO and FD's overview on page 29.

## SASFIN'S FIVE-POINT PLAN

Sasfin established a Covid-19 task team in March 2020 to coordinate the Group's response to the crisis and drive ongoing communications. The team is chaired by the Group and Bank COO, with representatives from across the Group. The task team meets on a weekly basis and reports back to the Group CEO and Board on a regular basis. A Group Covid Compliance Officer was appointed, and all business unit continuity plans were updated. A standard operating procedure was developed in accordance with government regulations.

A five-point plan was developed to address the potential impact of Covid-19 and communicated to the market in our interim results presentation and a subsequent SENS announcement ([www.sasfin.com/investor-relations/](http://www.sasfin.com/investor-relations/)).

### 1. Health and safety

The Group took significant hygiene and related steps to ensure the health and safety of stakeholders, including implementing social distancing and hygiene best practices. An infectious disease standard operating procedure was developed and published on the Group intranet.

### 2. Remote working

Sasfin continued to operate as an essential services provider during lockdown. The Group's significant investment in digital capabilities over the last few years supported a quick and successful move to remote working, and less than 5% of our workforce worked from our offices during alert levels 5 and 4. During alert level 3, 90% of our employees continued to work remotely, in line with the President's request that those companies which are able to provide remote working capabilities for their employees, should continue to do so.

New and existing clients had uninterrupted access to all our products and services and were able to invest, borrow, save and transact online with no unusual downtime. Relationship managers and service teams remained available to engage with clients remotely.

### 3. Financial stability

The Group adopted a dynamic risk management approach and maintained appropriate capital, liquidity and funding buffers to deal with short- to medium-term shocks. Refer to the Group CEO and Group FD's report starting on page 29, for more detailed disclosures.

#### Capital

Sasfin prioritised financial stability in response to the crisis. The Group capital adequacy ratio increased to 16.99% at 30 June 2020, well above the regulatory requirements, from 15.67% at 30 June 2019. The increase is due to a decrease in risk weighted assets and an increase in capital as a result of appropriations. The Group continues to monitor its capital position closely.

The Prudential Authority has temporarily reduced the Pillar 2A capital requirement to zero in the face of Covid-19, thereby reducing the minimum capital adequacy ratio requirement, but it is unlikely that Sasfin will require this dispensation.

#### Funding and liquidity

Our LCR at 30 June 2020 was 247%, well above regulatory requirements. Here too, while the Prudential Authority gave temporary relief to banks by reducing the required minimum LCR from 100% to 80%, it is unlikely that Sasfin will require this dispensation. Our funding base has strengthened through this period.

Sasfin holds Land Bank bills which were historically classified as high-quality liquid assets (HQLA) in terms of the banking regulations. The Land Bank bills were derecognised as level 2 HQLA due to the temporary suspension of such bills as eligible collateral for purposes of the SARB's refinancing operations. Refer to page 41 for the impact of the Land Bank's default on our liquidity position and post year-end developments.

Sasfin held total cash and near cash (net of repurchase agreements and excluding Land Bank bills) of R2.351 billion at 30 June 2020 (2019: R2.073 billion).



### SMALL AND MEDIUM ENTERPRISES (SME) VIDEO SERIES

The series is available at [contenthub.sasfin.com/sme](http://contenthub.sasfin.com/sme)

- The impact of Covid-19 on SMEs
- SMEs can still thrive
- Lockdown money management
- Effective lockdown leadership
- Using technology to adapt digitally
- Appropriate marketing during a crisis
- Down to business



### Credit

Small and medium businesses globally are under pressure due to the far-reaching impacts of Covid-19. This pressure is even more pronounced in South Africa given the weak economic reality. Sasfin continues to support our clients where we can, and by year-end granted payment holidays and other assistance approximating 20% of total loans and advances. These payment holidays were granted in terms of the Prudential Authority's directive relating to Covid-19 restructured loans.

Impairments increased significantly and, as to be expected, the credit loss ratio is well above our target through-the-cycle range, a trend we anticipate to continue in the short term. IFRS 9 requires lenders to adopt a forward-looking view of the quality of their loans, which has increased our provisions for impairments further and had a negative impact on our earnings.

### Other earnings impacts

Loans and advances contracted in the second half of the year due to the impacts of Covid-19 and Sasfin's prudent approach to credit granting, which resulted in lower than originally anticipated income. Apart from the negative endowment impact on the back of interest rate cuts, there was no margin compression.

While we have a diversified private and property equity portfolio, the change in valuation risk metrics led to a write-down of R64.55 million in the value of this portfolio, negatively impacting our Capital Pillar. Our property portfolio is largely residential and has not experienced the same level of challenges that properties in the industrial, commercial and retail sector have experienced.



Sasfin Wealth was relatively unaffected by Covid-19. The Pillar's results were supported by the strong investment performance it continues to deliver for clients, the weak Rand (given the large exposure to offshore markets), net inflows, healthy trading volumes and the performance of its associates.

We controlled our costs, including reducing bonus provisions in line with the Prudential Authority's guidance, and annual cost growth was 0.49%. This was achieved without Covid-19 related retrenchments or salary cuts.

#### 4. Client support

Investors and small and medium sized businesses are the lifeblood of the South African economy. Many investors, particularly those with domestic-focused portfolios, have seen a reduction in their wealth, and entrepreneurs fear for the future of their companies and their livelihoods.

We engaged proactively with clients since the start of the lockdown, including through a range of webinars that reached thousands of current and prospective clients. Our digital capabilities have proven invaluable, supporting a net increase in new business clients onboarded on our B\\YOND platform, with greater levels of utilisation.

We processed client specific requests, evaluating each case on its merits and worked with the various authorities to see how we could best support our clients.

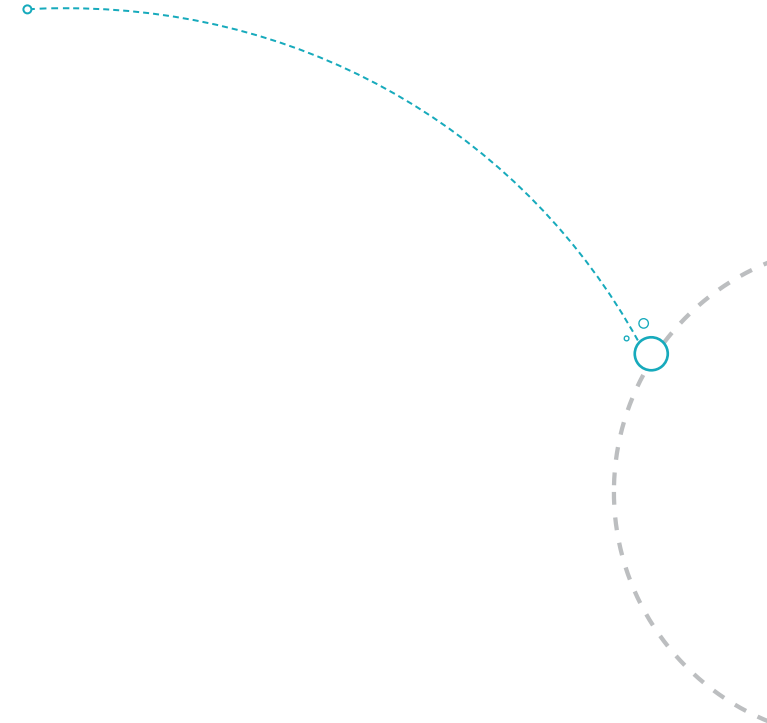
In March, Sasfin launched its content hub ([www.contenthub.sasfin.com](http://www.contenthub.sasfin.com)). It provides information relevant to clients and includes a video series created with SME Africa that equips entrepreneurs with relevant information to support them during lockdown and recovery.

#### 5. Stakeholder engagement

The Group engaged with our key stakeholders, including employees, clients, suppliers, investors and regulators. In addition to the deep engagements we had with our clients, we held regular virtual meetings and webinars with employees and other stakeholders to ensure they were kept appropriately informed and supported.

We also contributed to society by donating more than R2.25 million through various initiatives including to the Solidarity Fund launched by President Ramaphosa, which is chaired by one of our former directors, Gloria Serobe. We also contributed to schools involved in feeding schemes and to people within the Sasfin network who were facing difficulties. Refer to page 70 for more detail.

Group Human Capital implemented an ongoing programme of employee education to improve connection, address the isolation while working from home and help them manage their stress. The programme included referrals to the "Ask Nelson" support hotline, Sasfin's recently launched employee assistance programme that offers legal and financial advice, counselling and trauma support services.



## IT RISK AND GOVERNANCE DURING COVID-19

Although digitisation is essential to remain competitive, the risk of attack increases due to the amount of sensitive data processed and stored, as well as the critical role banks play in the functioning and settlement of payment systems. Cyber risk is generally accepted as one of the top global risks and the specialist skills market is limited and highly competitive whereby the demand of expertise exceeds supply.

During Covid-19, cyber risk increased significantly for all companies that moved to remote work due to:

- The potential for increased cyberattacks targeting remote workers across all platforms
- Significantly increased demand placed on existing technology infrastructure as most of the business moved off site
- Increased complexity in governance structures due to these shifts

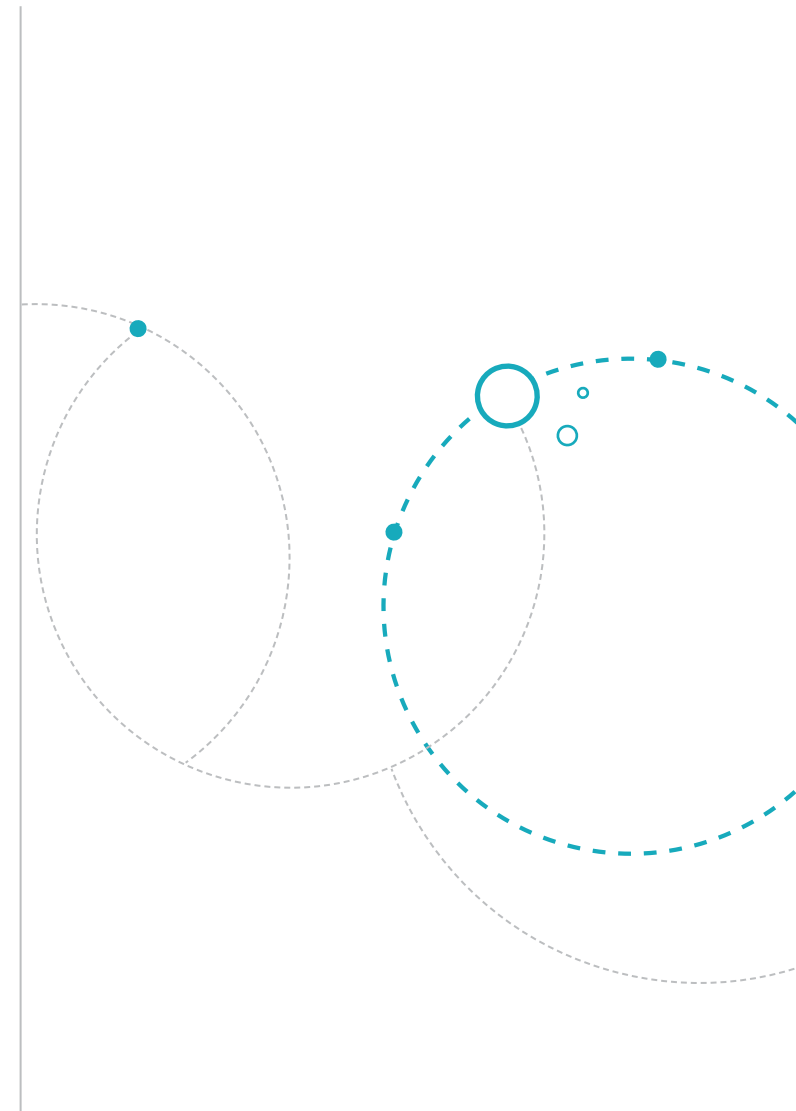
In the week before lockdown, Group Risk reviewed and assessed all departments' business continuity plans. No significant concerns were raised.

Shortly after lockdown began, Group Internal Audit, together with Group IT, conducted an assessment of the Group's preparedness to effectively identify, monitor, mitigate and respond to cyber risk threats during the Covid-19 pandemic. The review was supported by the Group's external audit process over technology that was taking place simultaneously, which included reviewing general controls and application controls over external audit-critical and non-critical systems. The assessment indicated that the known risks and threats were addressed at an appropriate level. However, Sasfin needs to continuously monitor and respond as new risks and threats emerge.

Initiatives to promote cyber resilience during lockdown included the following:

- Remote workers were required to access the office network to ensure same level of cybersecurity as if they were physically in the office.
- Capacity and demand was monitored in real-time to enable as much of a seamless and continuous work environment to end users as possible. Data limits on Group-issued mobile data cards were increased to accommodate a significant increase in data usage, which increased related cost. The Group focused on shifting users to less expensive channels where possible.
- Group IT, supported by the business, accelerated the rollout and use of Microsoft Teams as the Group's tool for virtual collaboration
- We regularly raised awareness regarding relevant topics including cybersecurity, phishing and spear-phishing attacks, fraud trends since lockdown started, the role of risk incident reporting to ensure robust governance and controls, and how to collaborate safely. Online learning resources are provided to help employees better understand cyberthreats and ways to avoid or mitigate these.

Group IT conduct real-time monitoring and closing of messages from dangerous domains.



## Sasfin's material matters 5

Material matters are those matters that may have the most significant impact on Sasfin's viability in the short, medium and long term. These matters include both financial and non-financial factors that affect the Group's sustainability.

### IDENTIFY

Sasfin's material matters are derived from a range of sources, including a consideration of:

- The current business environment and our strategy (page 24 and 34)
- The relevant concerns of stakeholders (page 75)
- Sasfin's key risks (page 80)

### PRIORITISE

These matters are prioritised according to the nature and size of their impact on Sasfin's ability to create value.

The Board reviewed and approved these material matters.

### REPORT

The material matters shape the content of this Integrated Report, which aims to provide stakeholders with an understanding of how we create value, our performance for the year and the outlook for the short and medium term.

### ADDRESS

Management implements measures to maximise opportunities while managing the risk. The Group's governance and risk management frameworks enable effective oversight of how these risks and opportunities are managed.

## CHALLENGING ECONOMIC AND POLITICAL CONDITIONS

Covid-19, together with the associated lockdowns, had a severe impact on the South African economy, which was already weak before the pandemic struck. South Africa's sovereign debt was reduced to sub-investment grade in March 2020, which has further ramifications for the economy. Political uncertainty remains high, and the speed and effectiveness with which the economy restarts will be a key determinant in the country's ability to rebound.

Many businesses do not have the resources to weather the crisis. The contraction in the economy affected growth in the Group's loans and advances and increased credit risk. The heightened risk factors also resulted in lower private equity valuations. The economic shutdown and devaluation of the Rand negatively affected the Group's trade finance and foreign exchange clients.

Financial markets were relatively strong, evidenced by growth in assets under management, particularly in our offshore equity and local fixed income portfolios.

### Positives

- Close relationships with clients help us to understand business viability and credit risk, and to respond rapidly
- Shift to offshore assets plays to one of Sasfin Wealth's strengths
- Opportunity for Sasfin to support clients through the crisis and into the growth phase when the economy recovers
- Digital capabilities ensure we are able to attract and service new and existing clients remotely

### Negatives

- Negative economic growth limits opportunities to grow loans at acceptable credit risk
- Increased business failures could affect credit losses
- Political uncertainty affects investment and growth
- Weak economic growth reduces clients' funds available for growing wealth
- Government debt levels is an increasing concern

### Mitigating the risk and maximising the opportunity

Sasfin's client-centric business model allows us to understand the challenges facing our clients so that we can provide solutions to them. Our flat management structure and entrepreneurial spirit improve client access to key decision-makers, and we respond quickly and appropriately to market changes to capitalise on opportunities and mitigate threats effectively.

We are committed to providing appropriate support to our client segments and to responsible lending practices. We focus on cost containment without constraining the investment required to achieve our strategic goals.

Our capital, funding and liquidity management ensures we can grow our business sustainably and comply with the regulatory and Board-approved ratios.

### Sasfin's ability to control

Low

### Stakeholders

- Clients
- Shareholders, investors and debt funders

### 2020 strategy

- OC Organisational capacity
- S Sales
- PU Product, user experience and innovation
- GO Growing our offshore exposure
- CQ Credit growth and quality
- CM Capital management and planning

### Further reading

Page 25

Page 41

## SCALE AND COST MANAGEMENT

Although the growth in fixed costs has stabilised over the last two years, Sasfin's fixed cost base is too high relative to its size. The Group's ability to improve its cost-to-income ratio is constrained by the weak economic environment, which has resulted in low revenue growth.

Positives	Negatives
<ul style="list-style-type: none"> <li>With the Group's investments in technology, human capital and governance now largely complete, future growth in revenue and scale will reduce the cost-to-income ratio</li> <li>The Group has created a team focusing on new ways of working which is expected to further reduce our fixed cost base</li> </ul>	<ul style="list-style-type: none"> <li>High costs reduce profitability and returns to shareholders</li> <li>The current negative economic environment limits the Group's ability to grow revenue in the short term</li> </ul>

### Mitigating the risk and maximising the opportunity

Sasfin is focused on driving appropriate scale through digitalising and streamlining the business, including the assessment of regular acquisition opportunities, which should result in some cost savings over the next three years.

**Sasfin's ability to control**  
Medium

---

**Stakeholders**

- Shareholders, investors and debt funders

---

**Strategy**

- OC** Organisational capacity
- CM** Capital management and planning

---

**Further reading**  
Page 29

## CLIENT-CENTRICITY

Sasfin's established high-touch client service offering and increased use of digital technologies help us to understand and meet clients' evolving needs and service expectations. Over the last few years, the landscape has become increasingly competitive with the entry of new financial technology (fintech) companies and banks, and increased focus from established competitors. However, many new entrants and existing players are expected to come under increased pressure in the challenging economic environment.

Positives	Negatives
<ul style="list-style-type: none"> <li>Working closely with clients strengthens relationships, deepens trust and builds the Sasfin brand</li> <li>Digital capabilities enhanced throughout the Group</li> <li>Deep understanding of our clients allows us to create bespoke solutions</li> </ul>	<ul style="list-style-type: none"> <li>The necessary investment in human capital, technology, governance, risk and compliance creates a large cost base</li> </ul>

### Mitigating the risk and maximising the opportunity

Sasfin's strategy is built around our five primary client segments. Our business model allows the Group to be agile in how it meets clients' needs.

The Group's human capital and innovative and value-adding financial solutions supports client-centricity. Our digital solutions are transforming the business banking experience for many clients. These solutions allowed Sasfin to move seamlessly to working from home while providing uninterrupted services to clients during lockdown.

**Sasfin's ability to control**  
High

---

**Stakeholders**

- Clients
- Shareholders, investors and debt funders

---

**2020 strategy**

- PC** People and culture
- OC** Organisational capacity
- PU** Product, user experience and innovation

---

**Further reading**  
Page 10  
Page 29  
Page 57  
Page 63  
Page 75

## CREDIT QUALITY

The contraction of the South African economy created severe stress on SMEs and led to a deterioration in credit quality. This must be appropriately managed to ensure that credit losses remain within risk tolerance levels.

### Positives

- Credit extended to viable businesses in the current environment supports recovery and future economic growth

### Negatives

- Increased credit losses
- Decrease in loans and advances

### Mitigating the risk and maximising the opportunity

Sasfin actively manages credit risk to support competitive and appropriate offerings to clients. Despite our ongoing investment in enhancing credit quality, the broad economic contraction and forecast weak economic outlook led to a significant increase in credit provisions.

#### Sasfin's ability to control

Medium

#### Stakeholders

- Clients
- Shareholders, investors and debt funders

#### Strategy

- PC** People and culture
- OC** Organisational capacity
- CQ** Credit growth and quality

#### Further reading

Page 29

Page 84

## A HIGH-PERFORMING TEAM

Sasfin's ability to deliver products and services that exceed our clients' expectations depends on the strength of our human capital (our employees). Sustainable transformation of our workforce is a social and business imperative.

### Positives

- Sasfin's high-performing human capital and the relationships they build with clients is one of the Group's competitive advantages

### Negatives

- High demand for specialised skills affects our ability to fill certain roles while achieving our transformation objectives
- The cost of specialist skills adds to the Group's fixed cost base

### Mitigating the risk and maximising the opportunity

The human capital strategy focuses on developing and retaining a capable team of talented and empowered high-performing employees that embody our culture. The Group's transformation goals inform recruitment policies and practices as well as our approach to succession planning.

Training and skills development are important focus areas. Sasfin's performance management programme and incentive scheme include challenging targets and key value indicators (KVIs) that aim to drive performance while embedding ethical and respectful behaviour.

#### Sasfin's ability to control

High

#### Stakeholders

- Employees
- Clients

#### Strategy

- PC** People and culture
- OC** Organisational capacity
- T** Transformation
- PU** Product, user experience and innovation

#### Further reading

Page 34

Page 57

## INCREASING REGULATORY REQUIREMENTS

Sasfin operates in compliance with the South African financial services’ regulatory frameworks. The investment needed to comply with the increasingly complex regulatory environment is considerable.

This complexity also affects the Group’s clients by making it costly and onerous for entrepreneurs to establish and grow their businesses.

### Positives

- Sasfin’s regulated status and robust governance and compliance architecture are competitive advantages and provide assurance to providers of financial capital and clients

### Negatives

- Effective governance requires significant investment that increases our cost base

### Mitigating the risk and maximising the opportunity

Regulatory compliance and risk management are central to our culture and our approach to doing business. Sasfin’s active and engaged Board oversees robust governance, risk and compliance structures. Evolving and new regulatory matters are detailed in the sections referenced alongside.

Our technology solutions help to reduce the complexity of doing business for clients and offer seamless on-boarding processes while ensuring effective compliance.

#### Sasfin’s ability to control

Low

#### Stakeholders

- Clients
- Government and regulators
- Shareholders, investors and debt funders

#### Strategy

- PC** People and culture
- OC** Organisational capacity
- T** Transformation
- PU** Product, user experience and innovation
- GM** Capital management and planning

#### Further reading

Page 41

Page 66

Page 86

Page 105

## TECHNOLOGY AND INNOVATION

Technology and innovation are central to Sasfin’s strategy, and they support value creation by enabling the development and delivery of new products and services, improving the client experience and increasing efficiencies. Rapid advances in technology and new fintech competitors have led to increased competition in the financial services industry.

### Positives

- Sasfin’s innovative technology solutions enable cost-effective delivery of products and services that meet client needs
- The Group’s investment in technology was critical to enabling seamless service delivery during lockdown

### Negatives

- Information security and increasingly sophisticated cybercrime are growing concerns, with cybercrime increasing significantly during lockdown
- The investment in IT solutions represents a significant ongoing business cost
- Securing specialist skills is a challenge

### Mitigating the risk and maximising the opportunity

Sasfin’s focus on innovation, human capital development and technology solutions improve clients’ user experience by reducing red tape during on-boarding, improving reporting and providing value-adding tools.

Investments in technology prioritise delivery on our IT strategy, compliance and regulatory requirements. Our IT strategy promotes investment to keep the Group’s systems and capabilities current, and we enter into strategic partnerships and fintech acquisitions where these best serve client needs. The Group’s mitigation of cyber risk is reviewed each year in conjunction with a co-source partner approved by the South African Reserve Bank (SARB) Prudential Authority.

#### Sasfin’s ability to control

High

#### Stakeholders

- Clients

#### Strategy

- PC** People and culture
- OC** Organisational capacity
- PU** Product, user experience and innovation

#### Further reading

Page 63

# Sasfin's business model

Our high-touch approach, client-centric business model and innovative technology solutions allow us to build relationships and provide excellent service and products to entrepreneurs and investors.

The business model summarises how Sasfin uses the various capitals<sup>1</sup> available to it to create value through its business activities. Sustainable value creation requires that we effectively balance trade-offs between these capitals over time.

Our business involves trade-offs such as the financial investment in technological infrastructure and innovation to increase efficiencies across the Pillars and improve our service and product offering, thus building our brand and relationships with clients. Sasfin's recent investment in technology has enabled innovative products, services and capabilities that is transforming our client experience and improving efficiencies.

The impact of Covid-19 necessitated some other unique trade-offs. For example, in most cases, no salary increases or bonuses were awarded, and no dividends were declared. This strengthened the Group's financial position but affected employees and shareholders. The support provided to our clients during lockdown, which included payment holidays and debt restructuring, affected financial returns in the short term, but supported the sustainability of these clients.

## INPUTS

### Financial capital

- Capital, debt and equity funding
  - Total equity<sup>2</sup> of R1.53 billion (2019: R1.59 billion)
- Cash generated from the Pillars
  - Liquidity position of R4.9 billion (2019: R4.4 billion)

### Innovation and brand

- Brand and reputation
- Innovative services and products

### Stakeholder relationships

- Our relationships with key stakeholders (page 75)

### Our people


- 708 employees (2019: 733)
- Specialised knowledge and skills
- Strong, experienced leadership


### Physical and technological infrastructure

- R40.2 million invested in software, computer equipment, property, plant and equipment (2019: R75.2 million)
- IT systems, processes and procedures

### Environmental resources

We do not use a significant amount of environmental resources. The reduction in printing due to implementing electronic signatures reduced our carbon footprint in the following terms this year<sup>3</sup>:

  
**2,594 kg**  
of wood

  
**63,735 l**  
of water

  
**6,088 kg**  
of CO<sub>2</sub>

  
**421 kg**  
of waste

## BUSINESS ACTIVITIES

Sasfin designs, develops and provides financial products and services that aim to protect and grow our clients' net assets and meet their specific needs.

Central functions provide support across the Pillars.

## OUTPUTS

### (OUR KEY PRODUCTS AND SERVICES)

Client-focused products and services offer financial solutions across the stages of business and personal wealth life cycles:

- Extend credit to our clients in the form of asset finance, trade and debtor finance, and specialised lending
- Facilitate local and foreign transactions
- Provide treasury services
- Offer savings and investment products
- Provide asset management, global portfolio management, stock broking and wealth advisory services
- Offer advice through institutional consulting, corporate advisory and acting as a JSE sponsor
- Provide capital for private equity and property equity investment
- Pay interest on deposits and earn interest on credit extended

<sup>1</sup> The <IR> Framework defines the six capitals as financial, intellectual, human, manufactured, social and relationship, and natural. Sasfin has refined the names of the capitals used in this business model to better reflect the resources available to it.

<sup>2</sup> Excluding preference shares.

<sup>3</sup> For Sasfin Bank Limited.



## OUTCOMES

### Financial capital



- Headline (loss)/earnings per share (HEPS) decreased to -151.00 cents (2019: 501.00 cents)
- Cost-to-income ratio increased to 82.20% (2019: 76.59%)
- Dividend paid of 48.89 cents per share (2019: 99.99 cents per share)
- Credit loss ratio increased to 303 bps (2019: 102bps)

**Net interest income** (43.4% of total income) is the difference between the interest we charge clients on credit extended to help them grow their businesses and the cost we pay to raise these funds from depositors and other funders.

**Non-interest income** (54.9% of total income) represents fees earned on assets under management and administration in the Wealth Pillar, on treasury and foreign exchange services, banking payments and transactions, stockbroking and wealth advisory services, institutional consulting and corporate advisory.

**The credit loss ratio** represents the change in provision held against loans and advances that are expected not to be repaid as well as the increase in net write-offs (gross write-offs less provisions less recoveries).

### Innovation and brand



- Sasfin's innovative products and services enabled clients to continue using all our products and services during lockdown
- IT systems support increased internal synergies between departments

### Stakeholder relationships



- Covid-19's negative impact on the South African economy and our stakeholders
- Direct tax recovery of R1.8 million (2019: R48.8 million expense)
- Corporate social responsibility (CSR) spend of R2.64 million (2019: R2.6 million)
- Ongoing interactions with National Treasury, the SARB and industry peers through representation on BASA
- Maintained appropriate relationships with regulators through regular interactions

### Our people



- Employee costs of R517.6 million (2019: R504.4 million)
- Employee development through skills development and training spend of R6.1 million (2019: R9.5 million)
- 136 employees trained through the Sasfin Learning Academy (2019: 37), including 9 chartered accountant (CA) trainees (2019: 8)
- Employee turnover has reduced but remains a concern in certain areas
- Covid-19 impacted on some employee health and wellbeing

### Physical and technological infrastructure



- Investment in IT and rollout of new technology systems increases efficiencies, improves the client experience, and enables a seamless shift to remote working during lockdown
- Investment in development, maintenance and enhancement of IT infrastructure of R264.3 million (2019: R281.6 million)

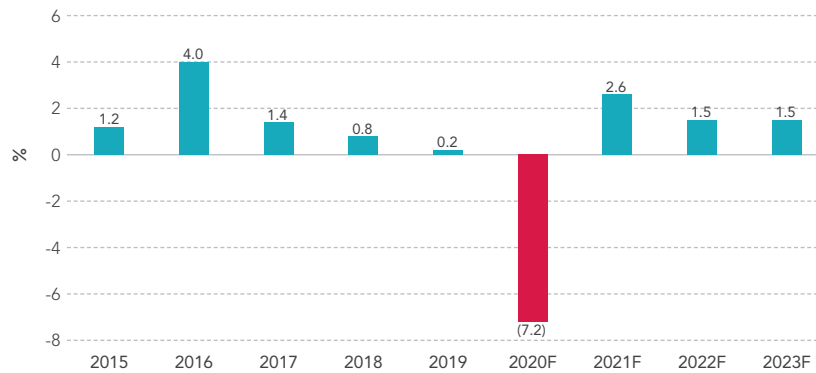
### Environmental resources



- Electricity and water conservation through promotion of sustainable lending practices for renewable and alternative energy solutions
- Commitment to reducing carbon emissions
- Application of international accredited social and environmental management system in assessing the impact of our financing activities

**GDP** in South Africa has been declining since 2016 and a contraction of 8% is forecast for 2020. Weak economic activity will make it difficult to grow loans and advances, and income.

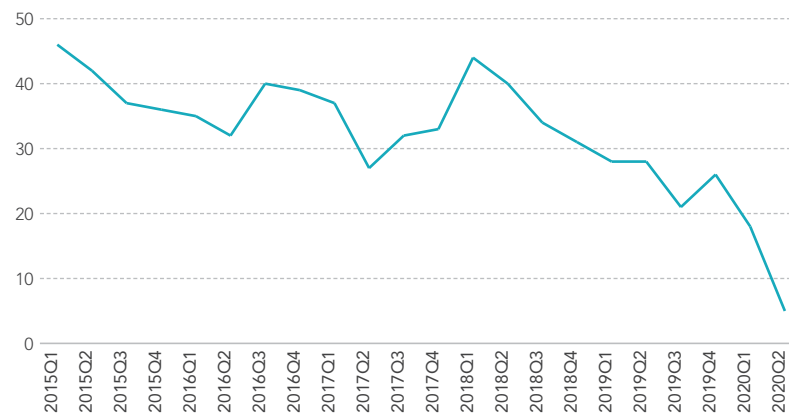
### GDP growth



Source: Statssa, National Treasury

**Demand for credit** is linked to business confidence, which hit its lowest level in the history of the Bureau for Economic Research (BER) index in the second quarter of 2020.

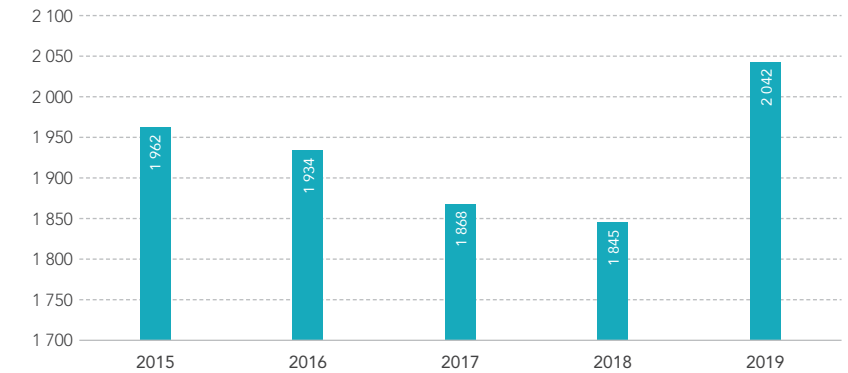
### Business confidence



Source: RMB/BER

**Liquidations** increased in 2019 and are expected to jump significantly in 2020. Business failures affect credit losses.

### Liquidations



Source: Statssa

**The Rand** has weakened since the start of 2020. Sasfin Wealth has built strong offshore investment capabilities, and benefits from Rand weakness through increased foreign income.

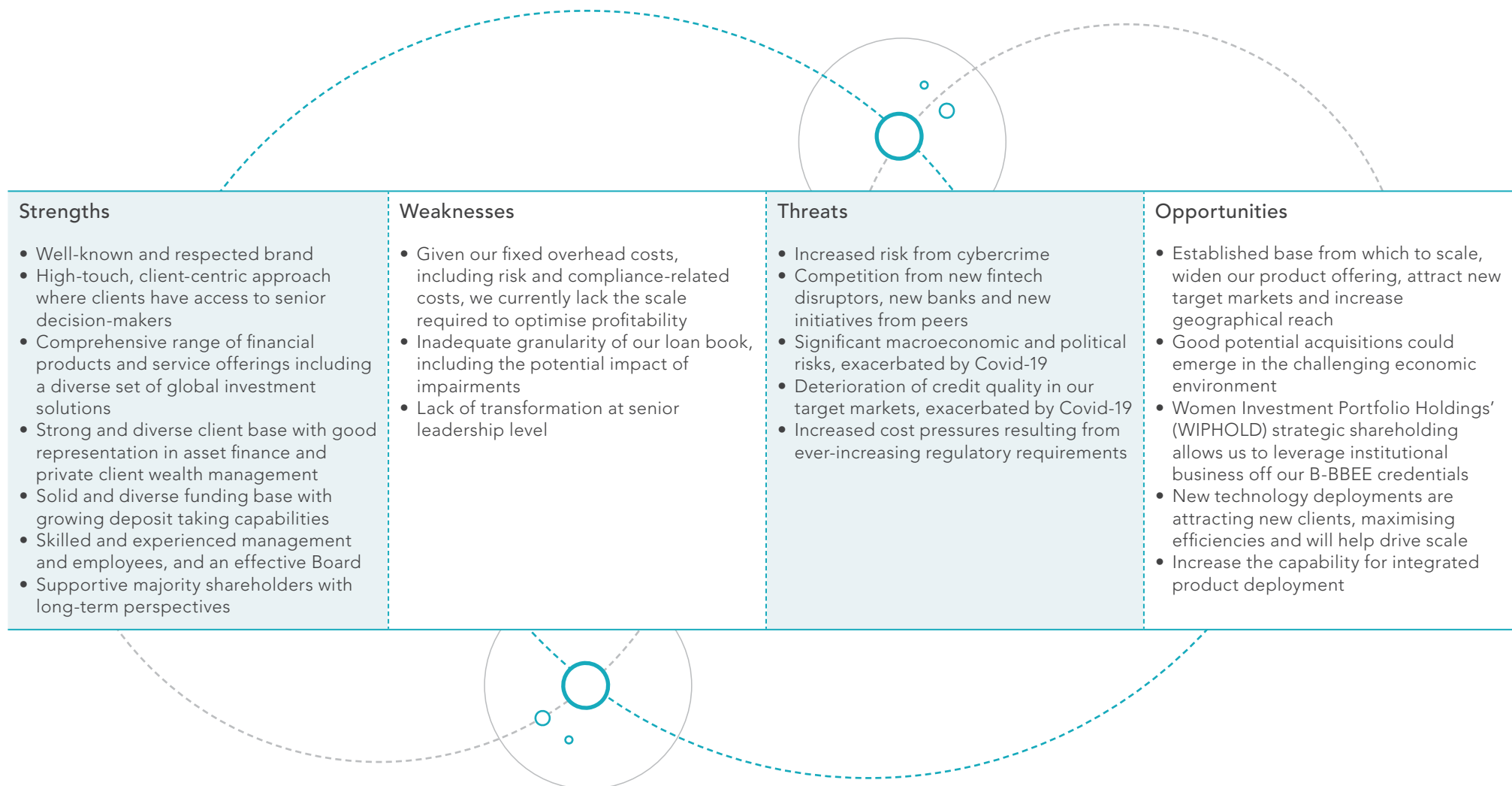
### ZAR/USD



Source: SARB

## SASFIN'S STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

Sasfin's ability to maximise value for stakeholders depends on leveraging its strengths, taking full advantage of opportunities presented and ameliorating its weaknesses. The Group's enterprise risk management framework adequately manages the risks inherent in the threats the Group faces.



# LEADERSHIP REVIEWS



## Chair's letter to stakeholders

Business conditions remained extremely tough this year, with the **South African economy slipping into recession at the end of 2019 and is expected to contract a further eight percent in 2020**. The strain on our clients was evident, particularly those businesses operating in the sectors hardest hit by the lockdown. Some businesses will not survive, and **our sympathies are with the business owners and their employees who will have to endure the loss of their livelihoods**.

Roy Andersen CA(SA), CD(SA)  
Chair

These challenging conditions are reflected in our results, which were on a positive trend for most indicators over the first nine months of our financial year. Once Covid-19 arrived, the Board and management took prompt action to ensure the health and safety of employees and to secure the capital and liquidity position of the Group. Sasfin's robust balance sheet positions it well to remain resilient as the Covid-19 pandemic and its aftermath unfold.

Sasfin's management and employees adapted well to the new ways of working necessitated by the lockdown and our significant investment in systems in prior years proved its worth by enabling a successful shift to remote work to support our clients. On behalf of the Board, I would like to thank Michael Sassoon, his executive team and all of the Group's employees for their resilience and focus during these unprecedented times.

## OVERSEEING VALUE CREATION IN THE GROUP

In times of crisis, good governance is more important than ever. The Board's role as custodians of governance at Sasfin is to provide support to management, while at the same time challenging them appropriately and ensuring that their response considers the principles underlying the Group's governance framework.

Our governance approach aligns with the corporate governance requirements set out in Regulation 39 of the Banks Act, the Basel III principles of corporate governance and the four key outcomes of King IV™ – ethical culture, good performance, effective control and legitimacy.

Monitoring ongoing compliance is another essential area. The Group has made a significant investment in developing a strong compliance function throughout the Group over the past years and this is bedding down well. The compliance culture is maturing and regularly reinforced by management, and compliance visibility is maintained through training and awareness initiatives.

The Board met more frequently (16 times this year compared to eight times last year) to receive and discuss regular updates on the health and safety of employees, the Group's performance and its capital and liquidity positions, the status of clients and how the Group was adapting its approach to the evolving circumstances. The Board also interacted with and supported management on an ongoing basis in an informal capacity. In addition, the extraordinary conditions triggered by Covid-19 resulted in extensive additional interactions with regulators and industry peers.

Cybersecurity was an area of focus, particularly in the context of a rise in global cyberattacks as the Group shifted to remote working. The Board also applied its mind to the effectiveness of Sasfin's distribution channels in bringing in new business, assessing the Group's exposure to the Land Bank and evaluating the potential Arise B.V. transaction. Sasfin engaged extensively with Arise B.V. regarding their possible strategic investment in the Group and we are disappointed that these discussions were terminated due to the volatility in global markets caused by Covid-19.

The directors also engaged extensively with management in assessing and refining the revised Group strategy early in the second half of the year, and again when the strategy was revised for the new reality created by Covid-19. The Board reviewed the Group risk appetite in light of the pandemic and subsequent developments to ensure that it remains responsive to the new environment. We also continually monitored stress tests of capital and liquidity from a short- and long-term perspective in an iterative process between strategy, risk, capital and liquidity.

I thank my fellow Board members for availing themselves more this year, and their unwavering commitment to ensure a sustainable Sasfin that will create value for stakeholders in the years to come.



### Appreciation

*I thanked Linda and Gugu for their contributions in my report last year. In this report I wish to thank Shahied and Gloria for their service to the Group over the years and their valuable input to the Board.*

*I also welcome the new directors to the Board. I am confident that their contributions will further strengthen governance oversight and strategic direction at Sasfin.*

## REFRESHING THE BOARD'S COMPOSITION 7 9 10

There were a number of changes to the Board this year, with two directors (Linda de Beer and Gugu Mtetwa) resigning in order to avoid potential conflicts of interest in September 2019, Shahied Rylands stepping down due to his tenure exceeding nine years in November 2019 and Gloria Serobe resigning due to other commitments in May 2020. Eileen Wilton (August 2019) and Thabang Magare (December 2019) were appointed as Independent Non-Executive Directors and Roland Sassoon (previous Group CEO) was appointed as a Non-Independent Non-Executive Director in January 2020.

The restructured Board is settling in well, and the new directors add significant IT and banking experience, and bring fresh and valuable perspectives to our deliberations. After year end, the Board was further strengthened by the appointments of Deon de Kock and Nontobeko Ndhrazi.

The Board's skills and experience are reviewed regularly and we also assess the independence of directors, especially those with longer tenures. The Board's composition represents an appropriate balance of skills, experience, expertise and independence. However, the transitions affected the diversity of the Board and both gender and demographic representation fell below our target of 35%. We remain committed to improve representation in the context of the specialist skills and experience required to oversee the Group's activities.

## ASSESSING THE BOARD'S EFFECTIVENESS

The Board assesses whether it is fulfilling its responsibilities in terms of its charter each year and also solicits the view of the Group Company Secretary. The annual Board effectiveness review provides an indication of the Board's performance in this regard. On this basis, the Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2020 financial year.

As part of the Board evaluation process, the performance of the Board and its Directors is externally assessed every third year to help improve performance and effectiveness. This year, the Board conducted an independent external effectiveness review aimed at evaluating the overall performance of the Board, identifying strengths and weaknesses, and areas of improvement for future Board work. The review focused specifically on Board dynamics, the strategic priorities of the Board and leadership and culture. It was conducted by an external independent governance expert through an online questionnaire as well as one-on-one interviews with Board members. For an executive summary of the findings, refer page 95.

The Board's delegation of authority framework defines responsibility and empowers management effectively. During the year, Charissa de Jager was appointed Group Company Secretary, and the Board is satisfied that it is receiving high-quality, professional corporate governance support.

## ENSURING AN ETHICAL CULTURE ① ②

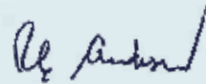
The Board's approach to governance starts with a commitment to independence and an absolute insistence on business ethics. The Board sets Sasfin's strong ethical culture and the Group's ethical climate is monitored by the Social and Ethics Committee. The Board committees track performance in their areas of responsibility and report back to the Board. The Group's performance incentive scheme includes KVLs to ensure that our values are effectively prioritised in remuneration.

The Board is kept informed regarding ethics-related matters through various reporting channels, including the whistle-blowing hotline and regular meetings between the Board and key executives. This year we updated Sasfin's code of ethics to ensure there is a consistent link to the Group's values, and updated the procurement framework to reaffirm the underlying principles. Refresher training was also presented to ensure employees are aware of whistle-blowing principles and procedures.

## GOING FORWARD

The year ahead is likely to remain challenging and the South African economy will take some time to recover from the effects of Covid-19. Our clients will be under pressure in these conditions, and Sasfin Bank will need to take a prudent approach to credit. The Board will continue to emphasise risk management and effective deployment of capital to improve the Group's ROE, while staying open to opportunities that can add critical mass to those parts of the business that are sub-scale.

The fallout from Covid-19 and the lockdown is already evident in economic contraction, continued job losses and increasing societal stress. Sasfin Wealth has an important role to play in securing and growing the wealth of its clients. Sasfin is actively participating in the SARB Covid-19 loan guarantee scheme as well as the FMO (the Dutch Entrepreneurial Development Bank) development finance initiatives. Through these facilities, and the responsible extension of credit on their own books, Sasfin Bank and Sasfin Capital can assist the country's recovery and promote job retention and creation by supporting viable businesses to trade through the current volatility.



**Roy Andersen CA(SA), CD(SA)**  
Chair



## The Group CEO and Group FD's strategy and performance overview

While Covid-19 resulted in the need for short-term adjustments, the core of our business remains robust. Given the outlook, **we have significantly increased credit provisions, written down our private equity portfolio and have ensured a strong balance sheet.**

We are becoming far more focused and will streamline where possible. Sasfin Bank will cautiously grow its asset finance and specialised lending portfolios as **we continue to transform the business banking experience; and Sasfin Wealth is well positioned to reach new heights in the coming years.**

**Michael Sassoon**  
Group Chief Executive Officer

**Angela Pillay CA(SA)**  
Group Financial Director



Covid-19 is first and foremost a human disease that has caused much suffering. Our thoughts are with those most impacted over the last few months. During this time, we implemented a five-point Covid-19 plan to ensure health and safety, remote working was in place, financial strength, deep stakeholder engagement and where possible to provide support to our stakeholders. We are proud of the resilience and adaptability shown by the Sasfin team.

### UNDERSTANDING COVID-19'S FINANCIAL IMPACTS

Sasfin was on track for a good year, as evidenced by its interim results to December 2019. As businesses came under significant pressure in the second half of the year, we saw an increase in arrears and adjusted our credit provisions and private equity valuations to factor in the weakened economic outlook.

Covid-19 resulted in large financial impacts in three main areas in the second half of the year.

1

## Conservative management of our balance sheet to weather the storm

The Group immediately took steps to strengthen its financial position. These steps ensured that our capital, liquidity and funding ratios remained strong. They demonstrate the financial resilience and sustainability of the Group. This came at a cost which we are comfortable to absorb in the short term but will ensure that the Group remains resilient and well-positioned to take advantage of opportunities as they arise.

2

## A significant increase in expected credit losses

Gross loans and advances (GLAA) decreased by 9.35% year-on-year with low demand for asset purchases and working capital facilities in the last quarter. The book profile changed with an increase in Stage 3 loans (deals 90+ days in arrears) as a percentage of the total book, even though the total Stage 3 book reduced. Our different books have different security profiles and we were able to effectively recover some well-secured loans included in Stage 3 last year during 2020, with an increase in lesser secured new deals moving into Stage 3 in the last quarter of the year.

GLAA (Rm)	2019	% of total book	2020	% of total book	Change in total book
<b>Stage 1</b> (performing loans)	6 503	82.6%	5 668	81.7%	(12.8%)
<b>Stage 2</b> (increased credit risk but still performing)	642	8.2%	559	8.0%	(12.9%)
<b>Stage 3</b> (deals 90+ days in arrears)	726	9.2%	712	10.3%	(1.9%)
<b>Total*</b>	<b>7 871</b>	<b>100%</b>	<b>6 939</b>	<b>100%</b>	<b>(11.8%)</b>

The following two tables demonstrate Sasfin's credit performance and provisioning relative to the broader banking industry.

GLAA (Rm)	Sasfin			Banking industry**		
	2019	2020	Change	2019	2020	Change
<b>Stage 1</b> (performing loans)	82.60%	81.70%	(1.21%)	88.00%	84.30%	(4.20%)
<b>Stage 2</b> (increased credit risk but still performing)	8.20%	8.00%	(1.23%)	7.90%	10.40%	31.65%
<b>Stage 3</b> (deals 90+ days in arrears)	9.20%	10.30%	11.96%	4.10%	5.30%	29.27%
<b>Total</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>	

Providing for credit losses requires a forward-looking assessment of expected credit losses in the context of macro-economic scenarios, the probability of default, loss given default, exposure at default (quality of security) and the anticipated time to default (refer to note 1.12 of the Notes to the Annual Financial Statements for more details).

\* These numbers exclude loans and advances at fair value.

\*\* As represented by the four largest commercial banks in South Africa.



3

### Private equity write-downs

Valuations were significantly impacted by the change in valuation risk metrics including applying higher discount rates and forecasting lower future cash flows of most of our portfolio companies. We consequently decreased our private and property equity valuations by 6% in the second half of the year, resulting in a write-down of these assets of R36.140 million.

Since 2018, we have exited 7 investments at an average premium of 31% above carrying value, demonstrating that our historic approach to valuations has been conservative and realistic.

In addition, Sasfin was impacted by the default of the Land Bank on their debt in April. Sasfin Bank holds R473 million in Land Bank Bills, which no longer classified as high-quality liquid assets in terms of banking regulations. However, Sasfin's cash position and LCR (which now excludes Land Bank bills) has been enhanced over the period and are well above regulatory requirements.

We are working closely with the Land Bank who, post our year end, received a R3 billion capital injection from National Treasury and paid default interest on all our exposure. While we are confident that we will be fully repaid, we have raised a credit impairment on our exposure, which was corroborated by how listed Land Bank bonds have moved during this period. Refer to page 41 in the Treasury report for more detail.

In arriving at an appropriate provision, our reviews included updated macro-economic scenarios for South Africa during and post Covid-19 as well as the staging applied for Covid-19 restructured positions (payment holidays). As stress increased on South African business, our prudent approach to risk resulted in an increase in our balance sheet coverage to 8.4% from 5.1%, with a large increase in provisions against Stage 3 deals. Part of this increase is due to recovering a well secured loan that was sitting in Stage 3 in 2019 which had a lower coverage ratio than some of the new deals that have moved into Stage 3 in 2020. While Sasfin's entrepreneurial client base attracts higher loss allowances, a similar trend of increasing coverage ratios can be seen across the industry.

Coverage ratios (Credit loss allowance/Loans and advances)	Sasfin			Banking industry		
	2019	2020	Change	2019	2020	Change
<b>Stage 1</b> (performing loans)	0.88%	2.01%	128.41%	0.60%	0.80%	33.33%
<b>Stage 2</b> (increased credit risk but still performing)	3.56%	6.91%	94.10%	7.60%	8.20%	7.89%
<b>Stage 3</b> (deals 90+ days in arrears)	44.30%	56.13%	26.70%	44.40%	43.20%	(2.70%)
<b>Total</b>	<b>5.10%</b>	<b>7.96%</b>	<b>56.08%</b>	<b>2.90%</b>	<b>3.80%</b>	<b>31.03%</b>

The enhanced credit coverage resulted in our income statement credit-loss ratio increasing to approximately 303 bps from 102 bps in 2019.

## THE GROUP'S FINANCIAL PERFORMANCE AT A GLANCE

The continued weakness in the South African economy leading into the arrival of Covid-19 greatly increased the pressure on South African businesses and especially small and medium businesses, which make up a significant proportion of Sasfin's client base. Loans and advances reduced 9.35% as credit extension decreased, demand for asset finance contracted and utilisation of working capital facilities was low.

Total income declined 6.37% largely due to the write-down of the private equity portfolio. Excluding the year-on-year movement in private equity valuations, total income would have declined marginally. This decline was despite improved income in Wealth of 3.79% and was largely as a result of lower lending activity in Sasfin Bank.

Cost growth was limited to 0.49% and was mainly due to a significant increase in non-cash costs (depreciation and amortisation and impairment of intangible assets) which increased by 69.69%. This, together with lower income, resulted in the Group's cost-to-income ratio deteriorating from 76.59% in 2019 to 82.20%. Our digital initiatives in the Banking and Wealth Pillars continued to make good progress.

The above movements, together with the increased credit provisions, resulted in headline earnings decreasing by 130.14% to a loss of R48.617 million (2019: R161.305 million). ROE reduced to -3.12%.

As disclosed in the interim results and discussed in more detail in note 1.1.1 to the Annual Financial Statements, the Group applied IFRS 16<sup>1</sup> from 1 July 2019 using the simplified approach. The application resulted in a transition adjustment of R83 million on 1 July 2019.

<sup>1</sup> IFRS 16 sets out the principles for the recognition, measurement and presentation of leases for both parties to a contract.

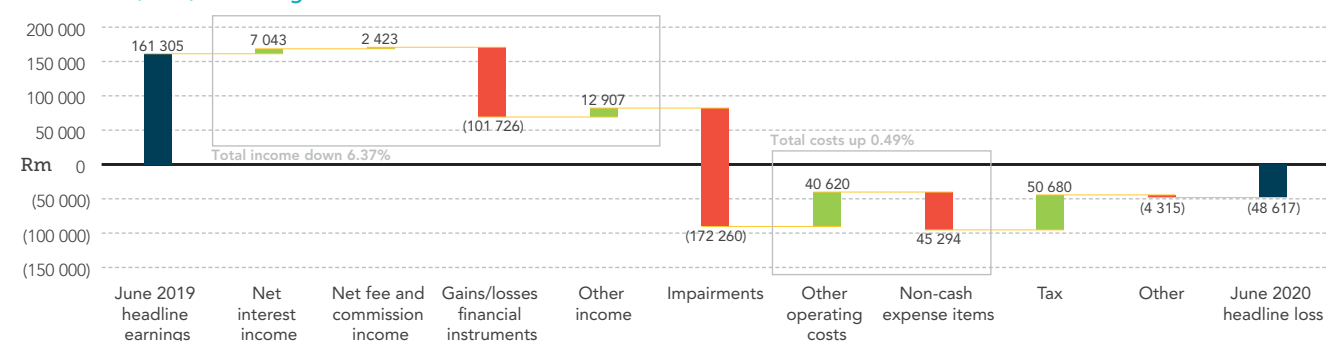
## ANALYSING SASFIN'S STATEMENT OF COMPREHENSIVE INCOME

		Growth %	30 June 2020 R'000	30 June 2019 R'000
<b>Net interest income</b>			506 315	499 272
Non-interest income			640 180	727 588
Share of associate income after tax			20 161	19 149
<b>Total income</b>	▼	6.37	1 166 656	1 246 009
Impairment charges on loans and advances	▲	214.37	(252 618)	(80 358)
<b>Net income tax after impairments</b>	▼	21.59	914 038	1 165 651
Operating costs	▲	0.49	(959 040)	(954 366)
Employee costs	▲	2.61	(517 605)	(504 421)
Other operating expenses	▼	2.91	(370 633)	(410 006)
Depreciation			(54 151)	(27 889)
Goodwill and intangible asset impairment	▲	38.18	(16 651)	(12 050)
<b>(Loss)/Profit from operations</b>	▼	121.30	(45 002)	211 285
Income tax income/(expense)	▼	103.78	1 848	(48 832)
<b>(Loss)/Profit for the year</b>			(43 154)	162 453
Preference dividends			(15 029)	(14 955)
Non-controlling interest			(1 993)	562
Headline adjustable items			11 559	13 245
<b>Headline earnings</b>	▼	130.14	(48 617)	161 305

The Group has made significant investments in technology, human capital and governance in recent years. While this investment was necessary, it has created a large cost base that needs to be better managed and appropriately leveraged, through increased sales. We are integrating our foreign exchange and transactional banking divisions which should unlock client synergies and enable costs efficiencies.

The waterfall graph below shows the key contributors to the decrease in headline earnings for 2020.

### Headline (loss)/earnings movements



## ANALYSING SASFIN'S BALANCE SHEET

		Growth %	30 June 2020 R'000	30 June 2019 R'000
<b>ASSETS</b>				
Cash and negotiable securities	▲	10.65	4 857 838	4 390 305
Trading assets	▼	10.71	1 060 342	1 187 523
Other receivables	▲	6.30	436 644	410 776
Non-current assets held for sale	▲	100.00	6 700	–
Net loans and advances	▼	11.87	6 609 328	7 499 508
Investments of fair value through profit and loss	▼	15.12	528 771	622 995
Equity-accounted associates	▲	12.26	126 195	112 416
Investment property, property, plant and equipment, deferred taxation, intangible assets and goodwill	▲	0.49	379 722	377 879
<b>Total assets</b>	▼	4.08	<b>14 005 540</b>	14 601 402
<b>EQUITY AND LIABILITIES</b>				
Funding under repurchase agreements and inter-bank (including overdraft)	▼	12.23	2 034 268	2 317 618
Trading liabilities	▼	14.97	999 842	1 175 828
Current taxation liability	▼	12.44	3 963	4 526
Provisions and other payables	▼	13.73	825 415	956 814
Lease Liabilities	▲	100.00	70 266	–
Deposits from customers	▲	3.17	5 138 778	4 981 067
Debt securities issued	▼	0.35	2 743 823	2 753 521
Long-term loans	▼	25.03	371 649	495 715
Deferred tax liability	▼	31.96	94 531	138 929
<b>Total liabilities</b>	▼	4.22	<b>12 282 535</b>	12 824 018
Ordinary share capital and reserves	▼	3.20	1 534 919	1 585 626
Preference share capital and premium	–	–	188 086	188 086
Non-controlling interest	▼	100.00	–	3 672
<b>Total liabilities and equity</b>	▼	4.08	<b>14 005 540</b>	14 601 402

### Loan book

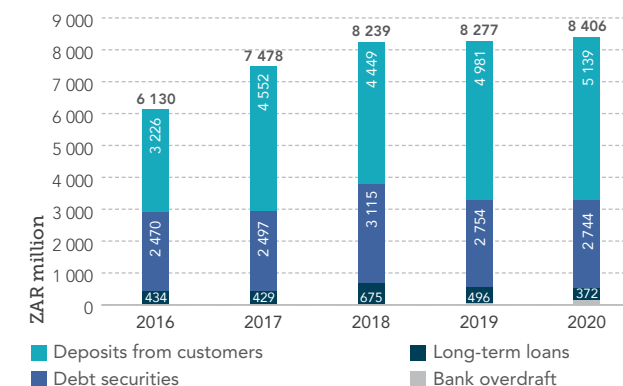
Total assets reduced by 4.08% to R14.006 billion (2019: R14.601 billion), with gross loans and advances decreasing to R7.162 billion (2019: R7.901 billion). While we will remain prudent in the coming months when assessing credit, we are confident that there are opportunities to appropriately grow our loan book over time.

### Funding and liquidity

The Group's core funding base increased by 1.56% to R8.41 billion (2019: R8.28 billion) with debt securities and long-term funding decreasing by R9.698 million and R124.066 million respectively. The total deposit book increased by 3.17% to R5.139 billion.

The steps taken to increase liquidity in the Group led to an increase in near cash, including negotiable securities, of 10.65% to R4.858 billion. This resulted in improvements to the LCR and NSFR (net stable funding ratio).

### Core funding base

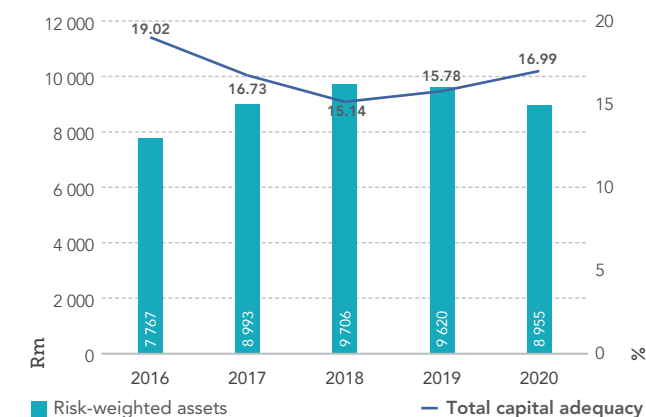


### Capital

Despite the loss for the year, Sasfin's capital adequacy ratio improved to 16.99% (2019: 15.67%), reflecting the Group's capital strength and resilience.

While the Group paid an interim dividend in March, no final dividend will be declared in line with the SARB guidance note.

### Capital adequacy – Group



## PERFORMANCE AGAINST THE 2020 STRATEGY

Sasfin's 2020 Board-approved strategy comprised eight strategic focus areas. Delivering against the relevant strategic focus areas in our five primary client segments seeks to drive the right type of stakeholder value creation and ROE growth by improving volumes at an acceptable margin and ensuring better quality earnings.



### FOCUSING THE STRATEGY

Strategic focus areas reduced from eight in 2020 to five for 2021. Refer page 38.

- PC People and culture
- OC Organisational capacity
- T Transformation
- S Sales
- PU Product, user experience and innovation
- GO Growing our offshore exposure
- CQ Credit growth and equality
- CM Capital management and planning

ROE Indicates that the performance measurement directly impacts ROE, which is used to determine executive incentives.

#### Progress indicator key

- Limited progress to date
- On track to achieve goals
- Strong progress

## People and culture PC

Build a team of high-performance, empowered employees with a sense of ownership to drive our business forward together, with a renewed and unified culture.

We ensured remote working capabilities and operated with less than 5% of employees working from the office through lockdown levels five to three.

Our people went out of their way to support clients and each other during this difficult time and continue to demonstrate strong commitment to the Group. While we curtailed increases and bonuses, and reduced hiring to fill critical vacancies only, our attrition rate reduced to 11.3% from 13.3% in 2019.

The Group's graduate programme increased to 57 candidates, and nine trainee CAs participated in our CA training programme.

Sasfin's human capital practices and performance are discussed on page 57. The remuneration review on page 111 provides more information on how we incentivise and reward performance.

#### How we measure progress

- KPIs, key risk indicators (KRIs) and KIVs are in place to drive and reward performance as well as qualitative factors including responsible risk taking, ethics, sustainability and cultural fit
- Senior management is measured on driving sustainable ROE and delivering the strategic objectives

Progress since 2018: —●—

## Future of work

We have established a future of work team to assess new ways of working considering best practices, employee surveys and the learnings from remote working during Covid-19. We foresee a shift in how our teams and employees operate in the future with increased remote working.

## Organisational capacity OC

Drive entrepreneurial agility and improve cost efficiencies through streamlined operations, and realise synergies while meeting regulatory requirements. We will ensure Sasfin has the correct technology, processes and people to support our strategy and improve the client experience.

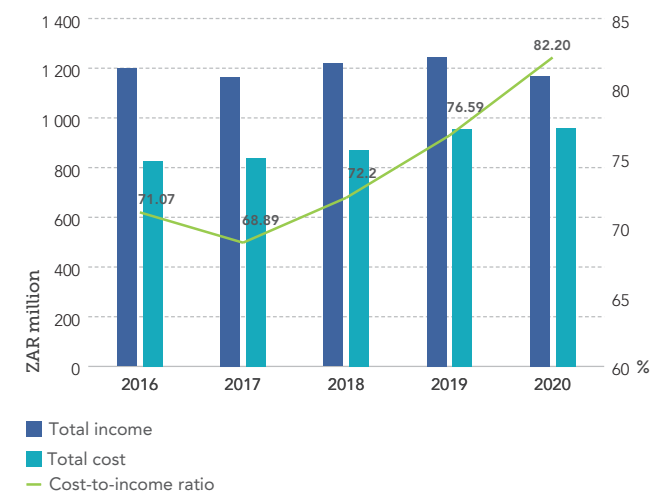
Costs were well contained year-on-year and the investment in emerging businesses, including B\YOND®, has stabilised.

#### How we measure progress

- Cost-to-income ratio ROE
- Client on-boarding turnaround times and service levels

Progress since 2018: —●—

#### Total income, cost and cost-to-income ratio



We are becoming more focused to ensure that our businesses are well placed to achieve scale while reducing unnecessary duplication.

We have developed a three-year road map of specific initiatives detailed below. These initiatives, together with lower net new investment in IT, will result in material savings in the 2022 financial year.

• **Integration of Transactional Banking and Foreign Exchange into B\YOND Business Banking**

These areas were previously run as two independent units. By bringing them together we will extract good synergies and ensure a more consistent client experience.

• **Driving synergies for medium businesses**

We are bringing the Capital Pillar and Trade and Debtor Finance area together. Both of these business areas are focused on lending to medium businesses and synergise well across working capital and term debt finance.

• **Onshoring of Sasfin Asia**

Sasfin Asia currently has an equity base of R220 million. Given the state of broader markets, we have concluded that it is best to onshore the business of Sasfin Asia. This will result in some cost savings, a simplification of our structure and better utilisation of the capital currently housed in Sasfin Asia.

• **Smaller footprint**

In line with our future of work strategy, we expect fewer employees to work full time from our offices. We therefore terminated our Sasfin Wealth Melrose Arch lease in September 2020 and will be accommodating our Wealth employees at our Waverley offices. We will also be terminating our onerous head office lease in April 2022 and will be moving to a smaller office at a lower cost.

This should allow us to enhance our employee value proposition, meaningfully reduce our facilities cost and improve our offering to clients.

• **Exiting non-core businesses**

We continue to look to exit non-core businesses. In the last couple of years, we exited our logistics business and have reduced our shareholding in what was Sasfin HRS (insurance business) to below 50%. We will continue to look to exit non-core activities to drive focus.

**Transformation** T

**Continue to play our role in addressing transformation. We are committed to transforming our workforce and driving greater financial inclusion.**

Sasfin continues to drive transformation across all levels of its business and retained an overall level 4 B-BBEE rating under the Financial Sector Code (FSC).

Sasfin Asset Managers achieved a level 3 B-BBEE status (2019: Level 1). The decrease is due to a technical change in WIPHOLD’s B-BBEE scorecard that is being remediated and we expect Sasfin Asset Managers’ score to improve accordingly. We continue to make good progress in transforming our teams but progress at senior management is slow.

Sasfin promotes financial inclusion through the products and services we continue to develop and roll out as well as in our fintech engagement model and alliance banking agreements. Hello Paisa, B\YOND® and Payabill support this aspiration. As an example, approximately 62% of the B\YOND® business accounts opened in the year were by black-owned companies. We experienced a near 60% growth in the number of business accounts opened during the year.

**How we measure progress**

- B-BBEE level
- Employment equity in management

Progress since 2018:



**SASFIN PARTICIPATES IN THE FMO’S NASIRA FACILITY**

Sasfin had engaged with the FMO to participate in its risk sharing guarantee facility, called Nasira. Nasira is sponsored by the European Union to provide funding to businesses owned and/or managed by young, female and migrant entrepreneurs. The facility is a revolving unfunded portfolio guarantee, whereby Sasfin assumes the full credit risk of the first loss (5%) and the balance of 95% of the credit risk is borne by the FMO.

The FMO conducted a due diligence on Sasfin and approved an amount of \$35 million in terms of the revolving unfunded portfolio guarantee. The guarantee would also cover loans to migrants and Covid-affected businesses.

In addition to the guarantee, the FMO offers a technical assistance programme to support the successful implementation of the risk sharing facility and strengthens the offering to the target groups. The technical assistance will include the following:

- Assistance on developing a credit scorecard
- Developing online technical assistance aimed at entrepreneurs/SMEs, which will be accessed via B\YOND
- Assisting Sasfin with marketing, change management, training and product development skills in the target markets

**Benefits to Sasfin**

This guarantee will provide Sasfin access to a wider client target group as we are able to share our risk. It allows for funding to target groups previously not prioritised. In addition, the guarantee will also allow Covid-funding for clients in need of assistance due to the impact of the virus. This facility perfectly aligns with Sasfin’s purpose of contributing to society.

## Sales S

Grow revenue for long-term value creation by prioritising integrated offerings, strengthen our sales efforts and ensure that products and services meet client needs. We are committed to selling with integrity by adding value to our clients.

Sales growth in high quality earning areas is a particular focus. Detailed sales strategies, supported by enhanced distribution capabilities, developed for each client segment are being executed.

While sales growth was positive across most areas for the whole year, the impact of Covid-19 led to a reduction of loans and advances for the full year.

In our **small business** client segment, we have built a strong digital marketing and remote servicing capability. We are consistently onboarding over 150 new business clients per month. 50% of clients since January 2020 were obtained via digital marketing initiatives and 95% of new clients are onboarded digitally. The integration of our foreign exchange and transactional banking units will drive further sales.

For **medium businesses**, our team of solutionist bankers has taken on R400 million of new credit facilities across Sasfin Capital. This was done while reducing our exposure to higher risk credit and on balance sheet private equity, which combined with lower utilisation of working capital facilities due to Covid-19, resulted in a decrease in average risk weighted assets over the year. We are bringing the Sasfin Capital and Trade and Debtor Finance teams closer to extract synergies and ensure a more comprehensive offering.

We have built a strong specialised **asset finance** sales team focusing on developing relationships in new industries to diversify the asset types which we are financing. The asset finance book amortises meaningfully each month. Due to lower new business volumes in the last quarter of the year, largely as a result of lower asset purchases in the market, we saw a marked decrease in this book.

We have grown our **institutional client** distribution force significantly in Sasfin Wealth and saw an increase of 50% for net new flows resulting in institutional assets under management reaching R14.1 billion.

We continue to see strong growth in **private client** offshore assets under management, given the focused sales and marketing effort in this area.

### How we measure progress

- Revenue growth ROE
- Margin ROE
- Granularity of sales
- Risk-adjusted returns ROE

Progress since 2018: 

## Product, user experience and innovation PU

Create products and drive digital engagement to improve our clients' experience.

We continue to enhance the B\\YOND platform to better serve the needs of **small businesses** and launched the B\\YOND mobile app and revolving business loans. Our digital revolving business credit offering will be expanded to include overdrafts, and we are finalising an SME-focused credit insurance arrangement which will enable us to scale-up this offering.

We continue to expand the asset types financed in asset finance, including software and energy efficient asset-types. We have also rolled out additional offerings to asset suppliers, including pre-rental discounting. Sasfin Capital has been successful in extending innovative term debt solutions to **medium-sized businesses**.


Sasfin Wealth's funds continue to perform well, as evidenced by recent awards won by this team. We also continue to expand our offering in this area and have taken on a private markets team with a strong track record to build an alternate asset management capability. Our digital wealth platform provides easy access for **private clients** in the Wealth Pillar, and the business launched a fiduciary service offering during the year.

IT initiatives focused on delivering on last-mile implementation across new products and platforms, while realising the business benefit of the additional information available from the systems. We rolled out Microsoft Dynamics to build a common user experience and management across the Group. Refer to page 63 for our information and technology review.

We continue to work with fintechs to support product development and the rollout of effective client solutions.

### How we measure progress

- Growth in clients using our new products and technologies
- Client satisfaction levels

Progress since 2018: 

## Growing our offshore exposure GO

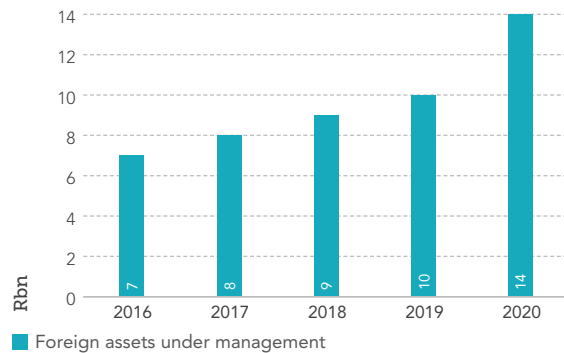
Grow foreign income, particularly in Sasfin Wealth  
Sasfin Wealth continues to make good strides and continues to broaden its offshore offering to clients. We continue to attract strong new flows into our offshore solutions and we see an opportunity for this business to internationalise further. Global assets under management grew 31% to R14.5 billion in 2020.

### How we measure progress

- Foreign income growth ROE
- Growth in foreign assets under management ROE

Progress since 2018: ●

### Foreign assets under management



## Credit growth and quality CQ

Refine credit processes to grow a granular portfolio of loans and advances at the right margin, while maintaining the credit loss ratio within acceptable limits.

The dramatic impact of Covid-19 and lockdown resulted in the Group updating its credit criteria and assessment process. We continue to diversify our book and expand our credit offering.

Gross loans and advances increased 4.2% in the first half of the year, and the credit loss ratio improved 6bps on the prior period. However, loans and advances decreased for the full year by 9.35%, and the credit loss ratio increased to 303bps.

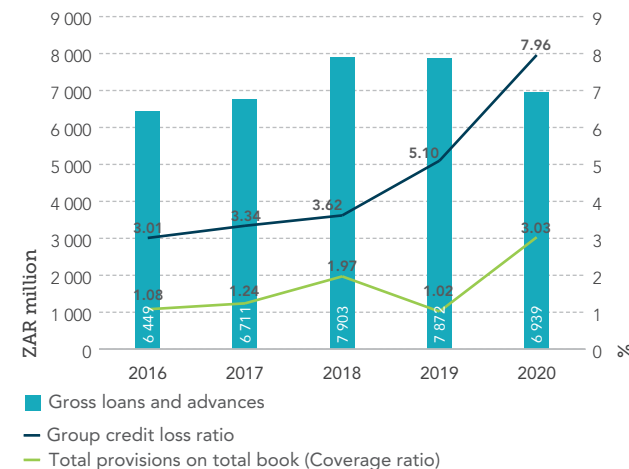
While stage 3 exposures have increased to R712 million, a meaningful percentage of this book comprised loans granted where there are guarantees in place from investment grade financial institutions (mostly under business rescue arrangements). The balance of the Stage 3 exposure is largely underpinned by asset-backed facilities.

### How we measure progress

- Credit loss ratio ROE
- Growth in loans and advances ROE

Progress since 2018: ●

### Gross amortised loans and advances and credit risk



## Capital management and planning CM

Earn an appropriate return on risk-adjusted capital across the business and ensure effective management and deployment of capital.

Capital management and planning is a priority to improve the Group's ROE, and capital modelling has improved significantly, which has supported effective management of regulatory ratios and deployment of capital. The Group enhanced its capital adequacy ratio in the face of Covid-19 by reducing risk weighted assets.

While the Group has excess capital, some of this capital has not been appropriately allocated within the Group. We have redirected capital so that there is limited surplus capital outside of Sasfin Bank. This will enable us to grow risk weighted assets more effectively in the Bank, which is where our strong funding base lies. We have, and continue to enhance, assessment and performance management processes to drive optimal capital allocation decisions.

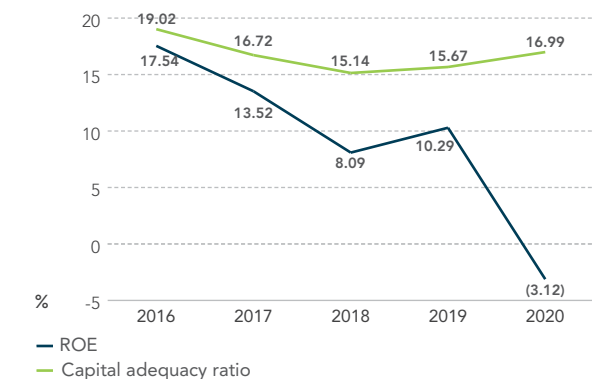
We continued to explore potential forms of capital-enhancing debt funding, reduce our relative exposure to private equity and reduce our intangible assets.

### How we measure progress

- ROE
- Capital adequacy ratio ROE

Progress since 2018: ●

### ROE and capital adequacy ratio



## SASFIN'S 2025 STRATEGIC FOCUS

During the year, executive management reviewed the Group strategy and the proposed strategy was refined and updated for the impact of Covid-19 in May. The lockdowns have fast tracked the 4th industrial revolution and the Group needs to respond to the changes we and our clients are facing. We have prioritised financial strength in the short term to ensure that we react appropriately to the opportunities as they present.

In addition to our stakeholder wide vision, the strategy review identified five key financial outcomes that we aim to achieve to 2025 and the previous eight strategic focus areas have been refined and redefined into five areas that will drive the key outcomes.

We have developed key metrics for each business unit to track short-term and long-term progress against these outcomes.

### 2025 STRATEGIC FOCUS AREAS AND VISION

#### PEOPLE AND CULTURE

**PC** Vision: A talented and empowered team who live our values

#### SALES AND SERVICE

**S** Vision: A strong sales and service culture delivering growth

#### PRODUCT, USER EXPERIENCE AND INNOVATION

**PU** Vision: Relevant in the digital age

#### TRANSFORM OUR SOCIETY

**T** Vision: Transforming our society

#### ORGANISATION CAPACITY AND COSTS

**OC** Vision: An efficient and effective client-centric Group



#### Key outcomes

#### Metrics to measure progress

**Quality loans** – healthy margins and good credit quality

- Growth in loans
- Average net income margin\*
- Credit loss ratio

\* Net Income Margin is defined as net interest income plus non-interest revenue earned off loans.

Scalable and granular **low-cost funding**

- Growth in deposits
- Growth in transactional deposits
- Lower cost of funding

**Capital light, annuity income** with a focus on foreign income

- Fee income/Total income
- Foreign income/Total income

**Organisational capacity** that supports an improved cost-to-income ratio

- Cost-to-income ratio

A solid **capital structure** that supports our growth ambitions

- ROE
- Capital adequacy ratio



## SEGMENTAL PERFORMANCE SUMMARY

Sasfin operates with a three-Pillar structure that enables an appropriate focus on relevant client segments and drives a culture of ownership and accountability. The performance of the Pillars is summarised alongside.

### Banking Pillar (page 43)

Operating loss of R51.39 million (2019: profit R169.02 million) due primarily to the increased credit provisions.

The **asset finance unit**, our largest business in terms of assets, has credit exposure to the cross-spectrum of the South African economy. The large increase in arrears experienced in this area is indicative of the challenging economy. The book contracted with limited new business in the last quarter of the year. The business is doing well in diversifying the asset types it finances and deepening its offering to clients.

The **trade and debtor finance** unit saw a steep contraction in utilisation of facilities in the last quarter of the year, but the underlying client base has by-and-large been resilient in the face of Covid-19 and we continue to onboard new clients. This unit will be integrated into Sasfin Capital.

Sasfin is participating in the SARB Covid-19 loan guarantee scheme and post year-end had extended some support to SMEs impacted by Covid-19.

The **B\\YOND business**, which going forward will include the foreign exchange unit, is a key strategic focus in the Banking Pillar that continues to gain traction. We continue to grow onboarding of new business clients and are seeing continued growth in deposits. We have introduced revolving business loans to our clients and will be expanding our credit offering under the Nasira loan guarantee scheme which will increase cross-selling opportunities.

### Wealth Pillar (page 47)

The Wealth Pillar's operating profit increased to R64.41 million (2019: R52.71 million) including increased foreign income (up 31%), institutional asset management fees and income from strategic investments. This growth was offset by underperforming local equity markets, lower brokerage volumes.

Assets under management and advice increased by 18.21% to R48.605 billion (2019: R41.119 billion).

### Capital Pillar (page 53)

The Capital Pillar delivered an operating loss of R66.07 million for the year (2019: loss R10.65 million) largely due to a decrease in private equity and property equity valuations.

The Pillar is focused in the short term on maximising the value of the private equity portfolio through exits at the right moment and continuing to grow specialised lending. The focus on credit and integration of trade and debtor finance will bring this Pillar closer to the banking unit.

## THE YEAR AHEAD

Sasfin received approval, after year-end, to participate in three international development finance initiatives after a rigorous review of the Group by these entities.

**1** The Dutch Entrepreneurial Development Bank, FMO, extended a R390 million two-year facility.

**2** We have also been approved to participate in FMO's Nasira facility. This is a seven-year \$35 million guarantee facility to promote inclusive growth, job creation and sustainable development, by providing support for women, youth and migrant borrowers, that will be rolled out through the B\\YOND platform. Refer page 35.

Each of our businesses are at different phases of their development and face different opportunities and challenges. We are focused on realising potential within each of them to add value to all stakeholders.

We will continue to drive offshore investment, deepen our offering and build out our institutional capabilities in our **Wealth Pillar**.

Given the poor credit conditions, we expect muted credit growth in Sasfin Bank in the short term. However, there will be good opportunities to lend as the economy reopens. We will diversify our **asset finance** business further to take advantage of such opportunities.

We need to make a step change in our distribution efforts in our digitally orientated **B\\YOND business banking** platform which now has a compelling integrated offering.

By combining trade and debtor finance into the **specialised lending** business of Sasfin Capital, we can deliver working capital and term-debt solutions to meet the needs of medium businesses.

The tough economic reality has focused our attention. Through being far more deliberate in terms of capital allocation and cost management and fast-tracking our digitalisation efforts, we have no doubt that we will emerge a stronger business.



**Michael Sassoon (BCom), MBA**  
Group Chief Executive Officer



**Angela Pillay CA(SA)**  
Group Financial Director



We thank our clients for their business, our funders, and our regulators for their support, and the positive interactions we have had with them through the volatility of the crisis.

We thank the Board for their guidance and support. The Covid-19 Committee was instrumental in ensuring the health and safety of the Sasfin team and charting a way forward as the crisis unfolded, and the IT team made the seamless switch to remote working possible. We thank them for their hard work.

Finally, our thanks go out to every member of the Sasfin team for their continued commitment and focus in these uniquely trying times.



## TREASURY'S ROLE IN MANAGING SASFIN'S ASSETS AND LIABILITIES

Group Treasury funds Sasfin Bank and the Group by raising appropriate funding for the Group, overseeing capital management and managing liquidity across the Group. Group Treasury is responsible for investing excess funds raised to earn a return, until these are lent out, and manages the risks associated with its functions, including liquidity risk, currency risk and interest rate risk. It also ensures that the Group operates within regulatory and statutory requirements, and within Board-approved limits.

The Liquidity and Capital Plan is informed by the Group's strategy and budgets, and determines the timing and extent of funding raised and capital deployed within the Group.

Group Treasury developed a funds transfer pricing (FTP) model in 2019 to ensure that capital is priced at the correct value for business units, to include both the cost of funding and the regulatory risk-weighted cost. This supports balance sheet management, provides a risk/return based pricing basis for product pricing and improves profitability management.

At the start of the financial year, Group Treasury went live on Calypso, a new cloud-based treasury system, which includes global best of breed treasury practices and controls.

In the first part of the year, Group Treasury had a specific focus on bedding down the FTP model across the Group. The second half of the year was primarily focused on managing the Group's liquidity and capital through the Covid-19 crisis and addressing the impact of the Land Bank default. The immediate focus in the year ahead will remain on securing Sasfin's liquidity and capital adequacy while addressing the Land Bank default.

### Capital adequacy and liquidity coverage ratios

Our immediate focus with the arrival of Covid-19 was on protecting the liquidity and capital position of the Bank and the Group. The Group capital adequacy and LCR ratios increased to well above the regulatory requirements, and ended the year at 16.99% and 247%.

At the start of the crisis, the Prudential Authority reduced the required minimum LCR from 100% to 80%, and also reduced the required minimum capital adequacy ratio, to provide interim support to the banking system. We continue to monitor the impact of the crisis as it unfolds but at present, it is unlikely that Sasfin will use these dispensations. The Prudential Authority also allowed ringfencing of the restructuring of specific Covid-19 payment moratoriums extended to clients to separate these from non-performing loans.

### Land Bank

Sasfin Treasury held R473 million in Land Bank bills when the Land Bank defaulted in April. These assets no longer qualify as high quality liquid assets in terms of banking regulations. The default resulted in the bills being excluded from Sasfin's cash position and LCR, and attracting a higher risk weighting which, on a stand-alone basis, reduced our capital adequacy ratio. However, as indicated above, these two ratios remain well above the regulatory requirements.

A number of factors give us confidence that we will recover our capital and interest due on the Land Bank bills in full. These include:

- The quality of the Land Bank balance sheet, including the security held against loans made by the Land Bank
- On 11 September 2020, post our year-end, Land Bank received 50% of the R3 billion capital injection from National Treasury, and subsequent to that, the balance has been received
- The proposed debt restructure plan, tabled by the Land Bank and their advisors, will result in all debt providers to the Land Bank receiving their capital and interest in full. Given the nature of our holding we expect our full exposure to be settled by December 2021. The Land Bank paid all default interest due to Sasfin as at 30 September 2020.

The Land Bank plays a critical role in ensuring food security and a strong local agricultural sector, providing more than 30% of all loans into the farming and agriculture sector. We continue to do what we can within our risk appetite to support the Land Bank.



**Dhesegan Govender**  
Group Treasurer

## SASFIN BANK LTD'S CREDIT RATING

On 10 July 2020, GCR Ratings affirmed the South African long and short-term issuer ratings of Sasfin Bank Ltd at BBB+(ZA)/A2(ZA). The outlook is negative. The long-term international scale rating has been downgraded to B, from B+, to maintain the required alignment with the country and financial sector risk scores.

Rating class	Rating scale	Rating	Outlook
Issuer long term	National	BBB+(ZA)	Negative
Issuer short term	National	A2(ZA)	Negative
Issuer long term	International	B	Stable

To quote GCR in their report:

**“The core strength of the bank is its equipment leasing business for SMEs, and the fact that it contributes materially to Group revenues is viewed positively. That said, the track record of revenue stability has been good over the years and increasingly benefiting from improving diversification largely from the wealth management business that has a relatively stronger franchise versus peers.”<sup>1</sup>**

<sup>1</sup> <https://www.sasfin.com/media/3697/gcr-affirms-sasfin-bank-limiteds-issuer-ratings-with-negative-outlooks.pdf>

# PILLAR PERFORMANCE **REVIEWS**

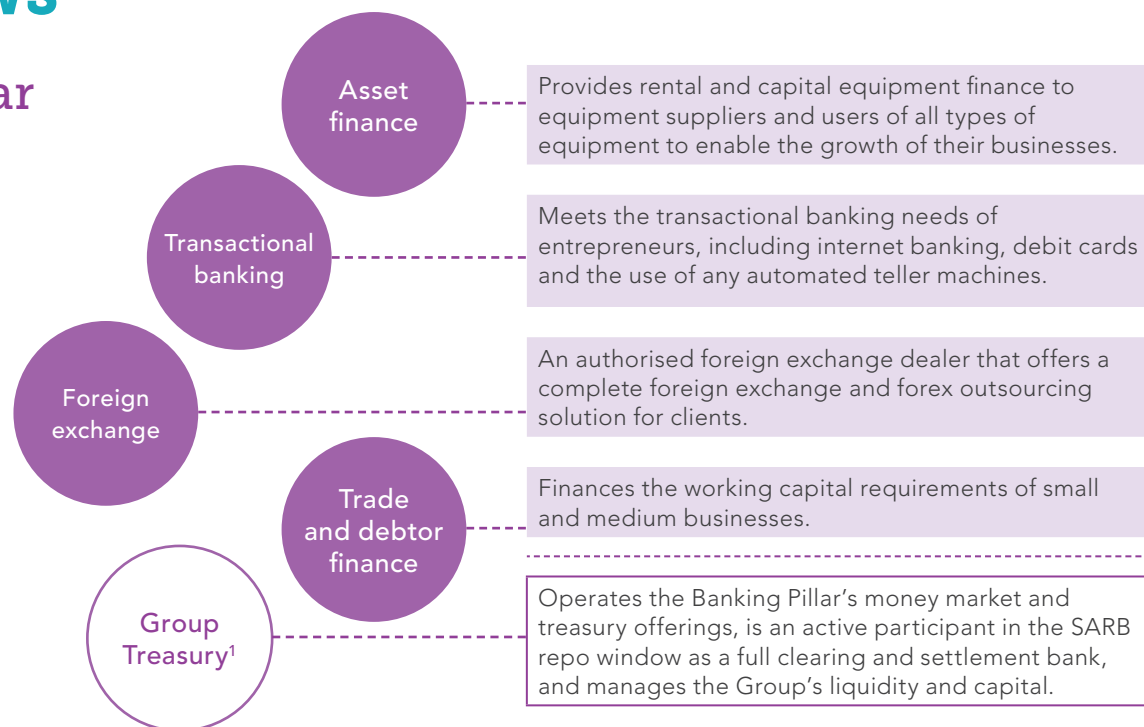


**Maston Lane**  
Group and Bank COO

**Linda Fröhlich**  
Head: Asset Finance

## Banking Pillar

Pillar focus areas



### Sasfin's Banking Pillar:

- Provides asset finance across multiple industries through a deep engagement with business asset suppliers, enabling business growth
- Transforms the banking experience for business clients and entrepreneurs through B\YOND, an integrated digital business banking platform focused on SMEs
- Funds working capital requirements of growing businesses through trade and debtor finance
- Contributed 67.33% to total income in 2020
- Supports the Group's strategy by driving sales, supporting quality credit growth, and by providing excellent service and innovative products

**S** **CQ** **PU**

- Group Treasury is responsible for the Group's capital management and planning (refer to page 41) **CM**

### Competitive advantages

- Excellent client service and relationships
- Speed to market
- Advanced integrated digital open-banking<sup>2</sup> solutions
- Granularity of the asset finance book
- Robust credit decision-making capabilities

### Business drivers

- Economic growth
- Business confidence
- SME business activity

### Key industry trends in 2020

- Low GDP growth and a challenging environment for SMEs in the first nine months
- Economic contraction, poor business confidence and increased credit defaults in the last quarter due to Covid-19

### Highlights

- Increased integrated product deployment within the Pillar
- New asset types and industries identified for asset finance
- Technology solutions enabled effective remote working during lockdown
- Strong Group capital and liquidity position

### Challenges

- Increased credit provisions
- Tough economy resulting in lower demand for credit

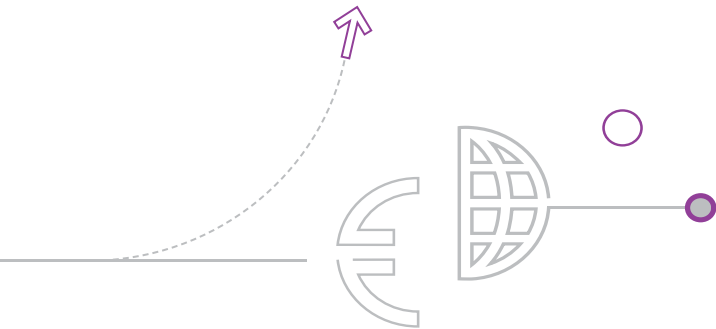
<sup>1</sup> The Group Treasury reports to the Group CEO.

<sup>2</sup> Open banking refers to how banks collaborate with other service providers via integrated platforms to add value to clients. In the Sasfin context this includes, for example, our API into Xero.

## BANKING PILLAR 2020 OVERVIEW

**While reduced credit demand led to significantly reduced business volumes, we were able to strengthen our balance sheet and fast-track the digitalisation of our business which provides a platform from which to grow.**

Impairments increased and the credit loss ratio rose to 326 bps (2019: 104bps) as our targeted client segments came under extreme pressure. Total income decreased by 5.17% to R785.45 million (2019: R828.30 million) due to lower average loans and advances, resulting in an operating loss of R51.37 million (2019: profit R169.02 million).



Costs were slightly up largely due to non-cash related costs (4.30%).

The short-term focus for the Banking Pillar will be on responding to the impact of Covid-19. We are focused on developing our people, and realising the full benefits of the base for growth established in the last few years, as the economy starts to recover. Also refer to page 35 for how the Pillar structures will evolve in 2021.

Bank		Growth %	2020 R'000	2019 R'000
<b>Total income</b>	▼	5.17	785 454	828 304
Impairment charges on loans and advances	▲	193.59	(234 927)	(80 019)
<b>Net income after impairment</b>	▼	26.43	550 527	748 285
Operating costs	▲	3.91	(601 925)	(579 266)
<b>(Loss)/profit before taxation</b>	▼	130.41	(51 397)	169 019
Taxation			14 813	(43 673)
<b>(Loss)/profit for the year</b>	▼	129.16	(36 584)	125 346

## ASSET FINANCE

The asset finance business focused on bedding down the Leasewave system implemented in 2019, and appropriately managing collections and impairments. The division continues to investigate new products and asset classes to finance, and is diversifying into new industries. There are opportunities to support businesses to become more energy efficient and environmentally friendly, and to finance the acquisition of software and technology in response to the 4th industrial revolution.

We started offering pre-discounting vendor financing which enables suppliers to obtain finance for their purchase of equipment and we are working closely with the forex business to facilitate payments to offshore suppliers of equipment. We are increasing the offering of insurance for the equipment we finance, thereby securing our clients while adding an additional revenue stream.

The rollout of electronic signing of contracts and other documents, together with the Leasewave system, enabled asset finance to operate effectively during lockdown. The division reorganised the team during the year and successfully developed 14 candidates in the graduate programme.

### Focus for 2021

Asset finance will maintain its focus on expanding the range of industries it supports and diversifying into different asset classes.

## BUSINESS BANKING

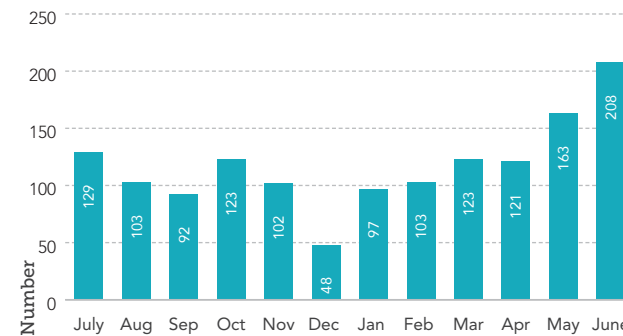
We are transforming the business banking experience of our clients on the back of our digital platform, B\YOND. B\YOND provides business clients access to a secure digital banking platform with enhanced and integrated digital solutions that include basic accounting, payroll and invoicing capabilities. A number of features and enhancements were rolled out to the platform, including a revolving loan facility and the B\YOND mobile app. The platform is seeing good traction in product uptake.

A key objective is to grow the business revolving loan credit facility – where monies repaid, prepaid or unutilised can be digitally/electronically accessed and borrowed again by the client. The product has been formulated to address the lending needs of existing business clients and attract new clients to the Bank. This aims to increase the overall contribution of existing clients and create wider cross-sell opportunities from new clients. The product plays a critical role in strengthening the overall banking and digital value proposition and will, over time, provide further revenue diversification for the Banking Pillar.

The B\YOND business banking platform continues to build its distribution capabilities including increased digital marketing and building a growing network of accredited business introducers. This aims to increase client volumes with several initiatives launched during the year to increase sales.

As an example of the success yielded by these initiatives, year-on-year performance for new accounts opened online, is indicated below.

New accounts opened in FY2020



The foreign exchange division was negatively affected by the Rand volatility and lockdown in the last quarter. Many clients have extended or sold back their forward exchange cover because the goods ordered from foreign suppliers have not arrived, or manufacturing has ceased.

Microsoft Dynamics was successfully implemented in the division, providing a single view of clients.

## TRADE AND DEBTOR FINANCE

The trade and debtor finance division is competitive as a result of its hands-on management, flexibility, access to decision-makers and ability to create bespoke products for its clients. The business unit was trading well until Covid-19, which had a significant impact on turnover and new business growth, with approximately half of the client base requesting some form of rescheduling, and some clients going into business rescue. Security over these receivables is generally good, and we are working closely with clients to understand the impact of the pandemic on their businesses, to take proactive steps to manage risks identified and to identify industries that are affected positively by Covid-19.



## SASFIN/HELLO PAISA ALLIANCE

After one year, the Sasfin/Hello Paise banking alliance has resulted in over 22 000 active bank accounts having been created as at 30 June 2020. Hello Paise offers free banking, including cash deposits, to all its African diaspora customers. In June 2020, Hello Paise signed up over 6 000 customers for their banking product alone and a further 9 000 customers for Hello Paise remittance and Malaicha.com groceries.

These customers were predominantly African migrants, indicating a positive response to the offering despite current economic circumstances. Hello Paise is exploring a migrant lending product on the back of Sasfin's lending capability.

Hello Paise now leverages Malaicha.com and Hello Paise remittance products to further build on the banking offering. Malaicha.com is a platform that allows Zimbabwean customers in South Africa to shop online while the groceries are picked up or delivered in Zimbabwe at designated collection points. Malaicha.com Zimbabwe is available in over 20 cities and towns across Zimbabwe, and has over 100 000 customers and list over 700 products on this platform.

## CASE STUDY | TRADE AND DEBTOR FINANCE

Sasfin was approached by a company looking for a flexible working capital facility that allowed them to pay their suppliers on time and cover their monthly overheads when in need.

The company, which was established in 1998, imports and distributes branded and non-branded health, homeware, beauty and wellness products. They supply over 60 local distributors who in turn have a combined sales force of around 35 000 people and they therefore directly and indirectly provide employment for over 35 000 South Africans.

Essentially, as the company is a direct selling business, sales agents sell directly to the end user within their communities. This creates employment for the sales agent and provides local communities that do not necessarily stay close to shopping malls access to purchase much needed products.

Sasfin trade finance was successful in providing the company with a trade finance facility of R25 million to pay their suppliers, and a R15 million revolving facility to cover their overheads. By providing the company with the much-needed working capital facilities, we have allowed them to continue growing and contributing to the South African economy. The company has subsequently agreed to move their business banking to Sasfin Bank. Consequently, Sasfin Bank has become their primary bankers.

## Focus for 2021

We will continue to enhance the features and functionality of the digital banking platform in the year ahead. The forex division will continue to focus on product/service differentiation and providing clients with risk management solutions and digital and personal service at a favourable price.



## CASE STUDY | ON-DEMAND GROCERY DELIVERY SERVICE

OneCart is an on-demand grocery delivery service startup that has been described as the 'Uber for groceries'. Sasfin has worked closely with OneCart since 2018, providing a range of solutions through the B\\YOND platform that helped them grow their business.

We provided a direct feed into Xero, the world's fastest-growing cloud-based accounting software provider, a service unique to Sasfin in South Africa. This helps to simplify reconciliation of shopper transactions and accounting. We provide Sasfin shopper cards and access to the B\\YOND application programming interfaces (APIs) that allows OneCart to link shopper cards directly to their systems with unique shopper numbers and to tie the cards exclusively to OneCart transactions. By accessing the statement and balance enquiry APIs in B\\YOND, OneCart has access to real-time information to reconcile purchase transactions back to client orders.

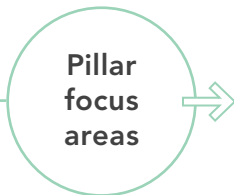
Support includes direct access to B\\YOND's core team for prompt responses and issue resolution, supplemented with daily customised reporting of card transactions. OneCart's business scaled rapidly during Covid-19 and Sasfin was able to meet the increased demand on the B\\YOND API and supply shopper cards to new customers in a short space of time.



# Wealth Pillar



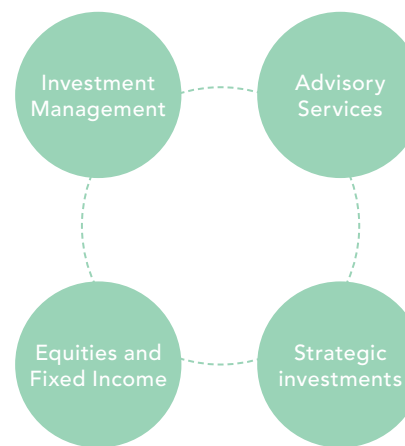
**Erol Zeki**  
Chief Executive Officer, Sasfin Wealth



Offers award winning multi-asset multi-boutique investment solutions managed by portfolio and fund managers, designed to meet the needs of institutional and private investors.

- Global portfolio management
- Asset management
- Private markets

- Global stockbroking
- Institutional fixed income broking and solutions





Provides holistic independent investment advice to retirement funds, healthcare consulting services to business clients and wealth and fiduciary advice to private clients.

- Wealth advisory
- Investment services
- Fiduciary
- Asset consulting
- Healthcare

- Efficient Group
- DMA

## Sasfin's Wealth Pillar:

- Enables our clients to reach their investment goals, to retire with dignity and leave a lasting legacy
- Offers a broad range of local and global advisory and investment solutions for private clients and institutions  
- Contributed 28.92% to total income and recorded a operating profit of R66.41 million in 2020
- Supports the Group's strategy by providing capital light annuity income, driving sales, providing excellent service and innovative products and growing offshore earnings



### Competitive advantages

- High-touch approach with a client-centric business model
- Established team of investment professionals with an excellent track record
- Digitalisation
- Big enough to be credible and small enough to be agile

### Business drivers

- Global capital markets
- Regulation
- Competition
- Technology
- Effective investment solutions
- Experienced investment professionals

### Key industry trends in 2020

- Low-growth, low-yield macroeconomic environment exacerbated by the impact of Covid-19
- Large divergence in potential return scenarios across asset classes, geographies and the Rand
- Increased pressure to liquidate investments to fund income and other needs, including once off access to retirement savings
- Growing demand for offshore investment solutions
- Technology as an enabler and a threat (work-from-home, artificial intelligence, machine learning etc.)
- Evolving regulatory requirements, and the shift to a principles-based regulatory environment
- Increasing focus on ESG matters

## Highlights

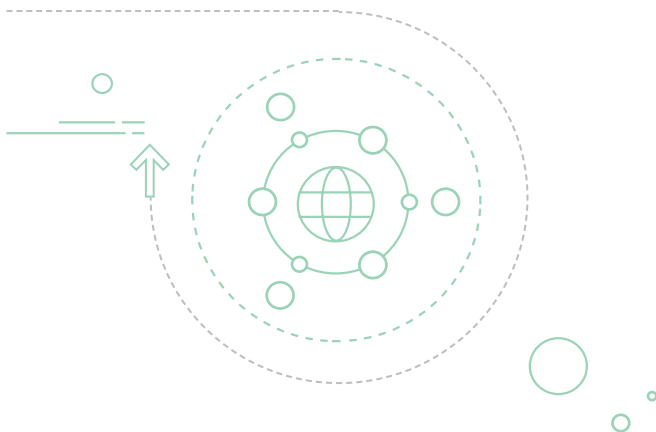
- Strong growth in offshore assets and revenue
- Large increase in managed institutional assets
- Award winning fund performance
- Launched a fiduciary services division
- Solid performance by DMA

## Challenges

- Weak local market conditions continue to negatively impact broader local equity market
- Transactional revenues and margins remain under pressure

## WEALTH PILLAR 2020 PERFORMANCE REVIEW

Sasfin Wealth provides global investment solutions to its clients and we continue to see an increasing appetite for global exposure from our clients. Our institutional asset manager achieved record growth in net new flows due to strong performance and increased distribution. We also saw strong growth in offshore solutions increasing offshore assets and revenues. Local private client assets remained under pressure.



Total assets under management and advice increased by 18.21% to R48.605 billion (2019: R41.119 billion). The Pillar's strategic investments both contributed positively. Total income increased 3.79%, driven by a 35% increase in offshore revenue and a 27% growth in institutional revenue, which offset a decrease in transactional revenue and a decline in local private client revenue caused by weak markets. Cost growth was well contained at 0.18%.

Our investment performance remained strong, with most of our solutions in the top quartile of performance in their categories (see page 49). The Sasfin BCI Flexible Income Fund won the Raging Bull award in its category for the second year in a row, while the Sasfin BCI Balanced Fund won best Moderate Allocation Fund at the Morningstar awards in February 2020.

This excellent performance is attributable to our highly skilled, experienced and stable team of investment professionals, demonstrating our ability to attract and retain top talent in the industry.

Wealth		Growth %	2020 R'000	2019 R'000
<b>Total income*</b>	▲	3.79	333 589	321 393
Operating costs	▲	0.18	(269 179)	(268 681)
<b>Profit before tax</b>			64 407	52 712
Taxation			(7 913)	(12 361)
<b>Profit for the year</b>	▲	40.01	56 494	40 351

\* Includes share of associate profit or loss

### PRIORITIES IN 2020

We continued to invest in technology to enhance the client experience, and in distribution, which drove strong growth in assets gathered, while proactively managing costs.

We launched a fiduciary services business to complement our wealth advisory and portfolio management offering by providing holistic advice on wealth growth and preservation strategies. We also launched an additional income solution – the Sasfin BCI High Yield Fund – to meet the increasing appetite for income solutions.

The financial services regulatory framework continues to evolve, and the shift to a principles-based regulatory environment increases the complexity and costs of compliance. Incorporating the various aspects of the Conduct of Financial Institutions (COFI) draft bill into the business requires a significant amount of work that remains ongoing. Sasfin Wealth supports the draft legislation and has participated actively in terms of industry feedback as part of its implementation plan.

Technology is a key value driver in the industry, both to improve client service and to improve efficiencies to manage costs, which is particularly important in the current low growth environment. We continue to improve the client experience by driving the digitalisation of our offerings and consolidating client relationship and experience management under a single customer relationship management system, while sunsetting legacy IT systems. We rolled out the Sasfin Wealth Investment Platform (SWIP), which is an important element of our value proposition and offers technology and financial products and services that provide clients with one-stop access to all their investing needs.

Our focus on improving organisational capacity and operational capability enabled a seamless transition to remote working at the start of lockdown, a period of unusually high volumes and client interactions.

## STRATEGIC INVESTMENTS

Our strategic investments in Efficient Group and DMA performed well.

Per the SENS announcement made on 5 October 2020, Sasfin has entered into a sale of shares agreement whereby it intends to dispose of its 21.1% stake in Efficient Group after receiving an unsolicited offer (R146.26 million) at a price higher than the carrying value of its investment (R119.00 million). The disposal represented an opportunity to deploy capital more effectively within Sasfin Group. There are certain minor suspensive conditions which we believe will be closed out by the end of 2020.

Sasfin has a minority stake in DMA (formerly Saxo Capital Markets South Africa), a business that provides services primarily to independent financial advisors and boutique asset managers. The shareholding provides access to complementary technology platforms that enable global investing and trading through simple, cost-effective and user-friendly tools that provide a platform that facilitates cost-effective investing.

## ADMINISTRATIVE SANCTION

The JSE conducted an onsite inspection of Sasfin Securities (Pty) Ltd (SasSec), in July 2019. It inspected SasSec’s operational compliance with the JSE Equities Rules and Directives, 2019 and compliance with FICA.

The JSE observed shortcomings where improvement was required in relation to SasSec’s FICA training and the use of third party validation in its know-your-customer processes. The JSE further noted SasSec’s challenges on a know-your-customer matter which was confirmed as an industry-wide issue that impacts processes for identifying and verifying underlying clients of an accountable institution with which financial institutions hold primary relationships.

Through its supervisory mandate for financial markets, the FSCA imposed an administrative sanction on SasSec, as a result of the JSE observations. SasSec has remediated the FICA observations related to the sanction, and this remedial action was accepted by the JSE in their assurance review.

SasSec management views anti-money laundering and the combatting of terrorist financing risks as a primary

matter in its operations and continues to conduct its business in a manner that ensures that money laundering and terrorist financing risks are adequately mitigated.

## FOCUS FOR 2021

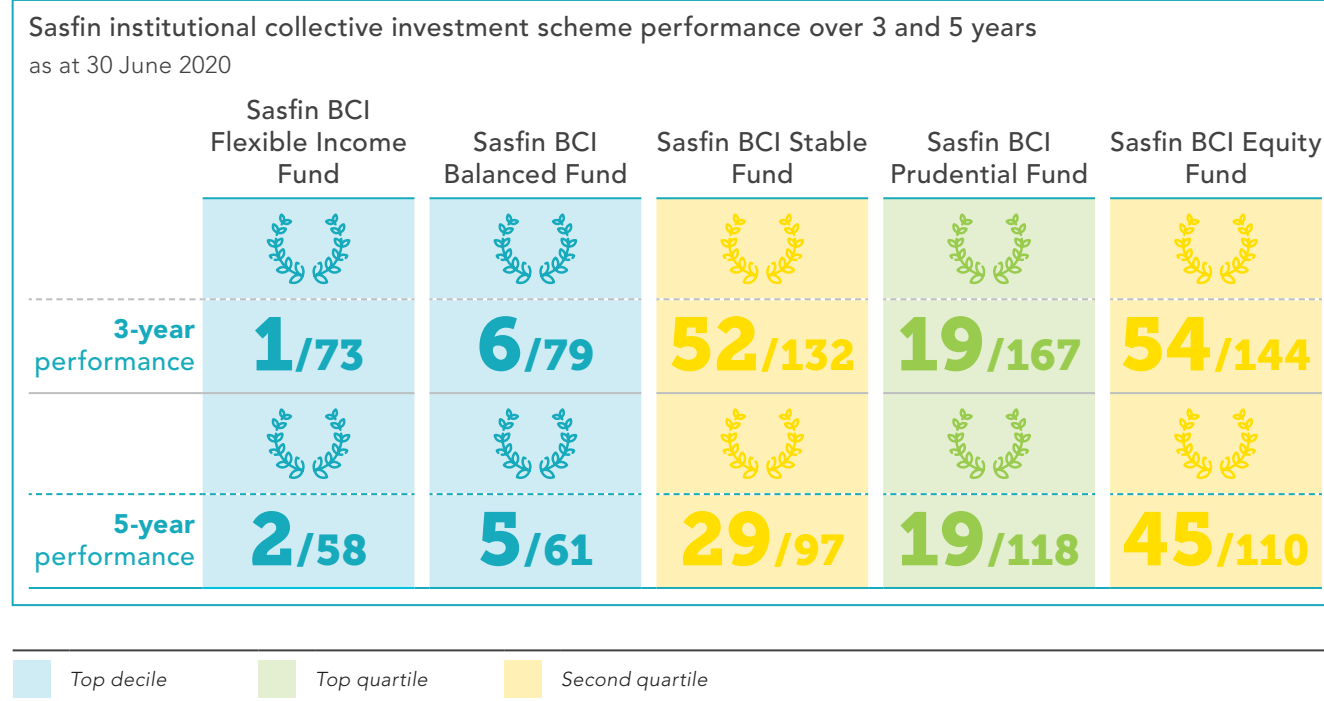
Our focus in the year ahead will be on maintaining momentum in growing assets, building on our success of offering and managing a broad range of investment solutions that successfully cater for the diverse needs of our clients.

We continue to optimise our offering both in terms of geography as well as depth and breadth. A strong focus on digitising the business and creating a seamless and frictionless client experience, combined with the continued review of our operating model, is considered critical to growing and supporting our range of solutions.

Covid-19’s impact on the economy is likely to put pressure on savings rates and may lead people to access savings in the short term.

We believe that Sasfin Wealth will remain resilient, despite the challenging conditions, due to the diversity of our business model, which includes a good spread across private clients, institutional investors, local and offshore.

This is further supported by continuously evolving our operating model, directing investment to our strategic focus areas and managing costs through greater effectiveness and efficiencies. This includes embracing and shifting our model towards the future of work principles that are being accelerated by Covid-19.



## CASE STUDY | SASFIN FIDUCIARY SERVICES

In May 2020, Sasfin Wealth launched Sasfin Fiduciary Services as a value-adding service offering to private clients to assist them in determining and designing wealth retention and preservation strategies. Services cover personal estate planning, business continuity and risk planning, and include tax planning, estate administration, drafting wills, trust creation and fiduciary-related advice.

Fiduciary considerations such as tax and estate planning are key inputs into holistic financial planning, helping Sasfin clients to make more informed decisions. The fiduciary offering helps to facilitate generational wealth retention, catering to the needs of older clients and reducing the leakage of assets under management and advice.

The service also supports the Pillar's stockbroking and financial advisory businesses by creating an in-house resource that can assess the legal viability of various investment structures and provide fiduciary advice.

Sasfin Fiduciary Services' team and network of highly experienced fiduciary specialists are committed to providing objective, impartial and professional fiduciary advice to deliver a superior client experience and on-going service.

## CASE STUDY | A sustainable business: 130 years of Sasfin Wealth

Since its establishment in 1890, the business has never lost sight of the personal attention required to deliver world-class advice and investment management services. After being granted its banking license in 1999, Sasfin Holdings acquired Frankel Pollak Securities in 2000 in a landmark deal that enabled the Group to grow its deposits, diversify its earnings and access an additional high-net-worth client base.

For the first 110 years of its existence, Sasfin Wealth was essentially a deal and execution-only stockbroking firm. Today, Sasfin Wealth can proudly claim to be an award-winning multi-asset, multi-boutique wealth and investment management firm.

With over R48 billion in local and offshore assets under management and advice, as well as a key strategic investment via its strategic investment in DMA and a diverse, digital offering where clients can seamlessly self-onboard, Sasfin Wealth has pivoted over the past ten years to cement its status as a sustainable self-standing business with multiple, diversified revenue streams.

Sasfin demonstrated its foresight in complementing the existing private client stockbroking offering with a broad range of solutions across asset classes to better diversify clients' investments, reduce their risk and make them truly global investors. They have also grown its digital investment services platform and broadened the offering to service institutional clients and third-party advisors.

Today, Sasfin Wealth is a major earnings contributor to the Group.

**1890** Otto Pollak becomes a Member of the JSE Securities Exchange

**1926** Max Pollak and Freemantle is established



**1999** Sasfin granted a banking license

**2000** Sasfin acquires Frankel Pollak Securities and renames the business Sasfin Securities



**2001** Granted Custody and Settlement Member status by the JSE

**2001** Registered as a sponsor with the JSE

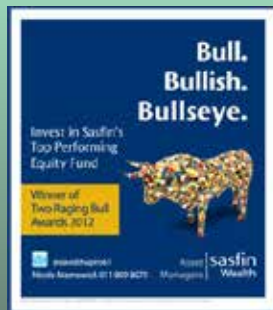


**2001** Acquires the business of Regal Treasury Securities

**2002** Sasfin Asset Managers formed

**2009** Founds Sasfin Asset Consulting

**2013** Sasfin Value Fund wins two Raging Bull awards



**2014** Founds Fixed Income business unit

**2017** Acquires SIPP Investments

**2018** Launches SWIP

**2018** Acquires minority stake in DMA, formerly Saxo Capital Markets South Africa

**2019** Sasfin BCI Flexible Fund wins two Raging Bull awards



**2019** Breaches R10 billion in offshore assets under management

**2019** Launches Multi-Asset Solution Portfolios and Sasfin Wealth Umbrella Retirement Fund

**2020** Breaches R14 billion in Institutional assets under management

**2020** Launches Sasfin Fiduciary Services and Scott Street I – Private Equity Fund

**2020** Sasfin BCI Flexible Income Fund wins a third Raging Bull award and Sasfin BCI Balanced Fund wins Morningstar award

**2020** Sasfin Securities named South Africa's Top Advice Led Stockbroker in the annual Intellidex Top Stockbrokers Awards





## INVESTMENT OVERSIGHT 17

**Sasfin Wealth provides discretionary investment management and advisory services. In line with our commitment to the highest standards of corporate governance, a broad and comprehensive oversight framework is in place. This governance framework ensures that the interests of investors are protected appropriately.**

### Oversight

The Sasfin Wealth Investment Oversight Committee (WIOC) oversees and monitors the discretionary investment management and advisory services provided by the subsidiaries of the Wealth Pillar. It is a committee of the Sasfin Wealth Board and is chaired by an Independent Non-Executive Director of Sasfin Wealth. The WIOC's duties include:

- Maintaining effective policies and strategies
- Measuring and reporting all related investment management and advice risks
- Ensuring conformance with Sasfin Wealth's risk appetite limits and levels of exposure
- Ensuring conformance with client mandates
- Ensuring compliance with applicable laws and regulations

The Sasfin Wealth Investment Committee and the Sasfin Wealth Advice Committee are the primary executive committees dealing with discretionary investment management and financial advice. These committees report and provide information to the WIOC, which meets quarterly to review and interrogate all aspects of advice and investment processes and outcomes within the Wealth Pillar.

The Group's investment activities are guided by a social and environmental management policy in recognition of the importance of ESG considerations, which are increasingly becoming a focus for trustees of retirement funds. Significant progress has been made in embedding ESG considerations into our investment and institutional advice processes and culture. All of our retirement fund collective investment scheme solutions and institutional pooled portfolios are independently evaluated and rated by MSCI ESG Research, a leading global ESG research house.

While the main objective of ESG primarily relates to social responsibility and sustainability, in the long-term it presents alternative investment opportunities that could result in greater investment, and enhanced investment portfolio returns. We are cognisant of these considerations at a business, individual portfolio manager and wealth advisor level, when undertaking investments on behalf of the business and our clients.

### Investment policy statement

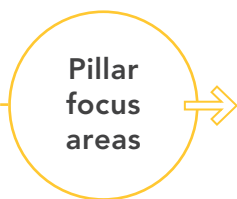
Investment policy statements are in place for each defined contribution fund managed by Sasfin Wealth. The requirements of the Code for Responsible Investing in South Africa (CRISA) and King IV™ are embodied in the statements and to ensure that:

- The investment strategy of the fund considers the long-term sustainability of investments and, in particular, considers the impact of ESG matters
- The CRISA and the Financial Services Board Circular PF 130 are used as references for ensuring compliance with King IV™, principle 17

# Capital Pillar



**Francois Otto**  
Head: Capital Pillar



## Sasfin's Capital Pillar:

- Provides bespoke solutions that address the needs of mid-market corporates and property entrepreneurs
- Incorporates the Group's investment banking activities to the mid-market
- Focused on reducing exposure to private equity (the historic focus of this Pillar)
- Finances mid-market businesses 🏠
- Houses a number of the Group's strategic investments
- Contributed 4.97% to total income and reported an operating loss of R66.07 million in 2020
- Supports the Group's strategy by driving sales, providing bespoke service and innovative products and supporting credit growth and quality (S) (PU) (CQ)

### Competitive advantages

- The ability to provide bespoke funding solutions to mid-market corporates
- High-performing, dynamic team

### Business drivers

- General business/economic activity
- The need for tailored investment banking services in property and mid-market corporates

### Key industry trends in 2020

- Weak macroeconomic environment and the impact of Covid-19 on private and property equity valuations

### Highlights

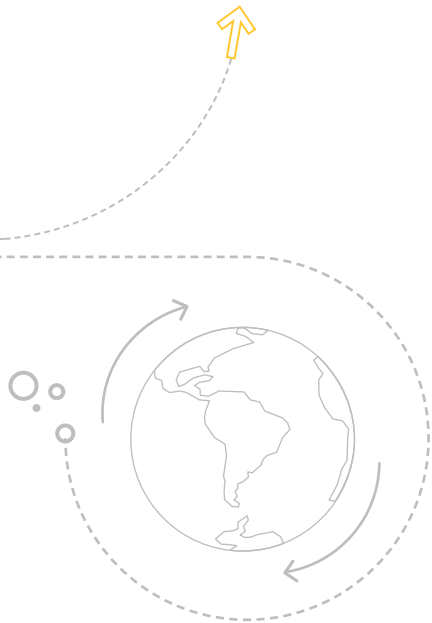
- Strong growth in property finance and specialised business lending, with over R400 million of credit assets originated since this initiative was launched
- Good pipeline of new deals
- Exited, or contractual commitment to exit, circa R100 million of private and property equity investments at, or above, carrying value

### Challenges

- The impact of Covid-19 on investee companies and private equity valuations
- Performance of on-balance sheet private and property equity portfolio mainly due to the valuation impact of Covid-19

## CAPITAL PILLAR 2020 PERFORMANCE REVIEW

**Covid-19 resulted in a write down in equity valuations which drove the large loss recorded by this Pillar. Both the specialised lending and property finance units, which offer term finance solutions, had a good year, with the businesses' positioning leading to good deal-flow. The units further expanded capacity and upskilled the team, in conjunction with Sasfin Bank's credit management team.**



The business deployed around R300 million in secured term lending in the nine months before Covid-19, well ahead of our expectations, with a further R100 million approved but deferred due to the lockdown. These loans are performing well.

Due to the focus on its lending activities, and in-line with a strategic decision made during the prior year to scale back Sasfin Capital's direct private equity activities (across private and property equity), no new private or property equity deployments were made. There were a number of exits, either initiated or completed, during the year. In aggregate we have realised circa R100 million from this asset reduction programme. In all instances these investments were realised at valuations equal to, or above, their carrying values.

This shift in strategy can be seen in the growth of Sasfin Capital's balance sheet, where assets now exceed R1 billion, with loans and advances now comprising 35% of the Pillar's assets (2019: 17%).

However, largely due to the impact of Covid-19, valuations of the Pillar's remaining private and property equity portfolios resulted in a net loss of R72.1 million for the year.

Total income for the Capital Pillar decreased to R57.076 million (2019: R96.106 million) due to a write-down in the private equity portfolio.

The valuations decreased mainly due to the anticipated impact of Covid-19 on the future cash flows of investee businesses and property investments.

In the lending units, we have a strong pipeline of good quality deals with favourable risk return parameters. This activity is supported by a robust credit risk process. Should the lending units continue on their current growth trajectory, this business is set to become a meaningful contributor to the Group's value proposition and earnings.

## A ROBUST VALUATION PROCESS

Sasfin Capital has a considered valuation process that supports fair valuations of our investment holdings. We use standardised best practice valuation methodologies that have been refined over time based on real-world experience.

In terms of the property portfolio, a panel of independent, registered and qualified valuers is appointed. The independence of the valuers is regularly evaluated, and it is verified annually that none of the valuers have any financial interest in the developments themselves or in Sasfin. The valuations are initially reviewed by management for reasonableness. Subsequently, and in addition, they are also reviewed by Sasfin's external credit valuer, who has more than 30 years of experience in property finance and senior roles within the property industry.

Valuations are peer reviewed within the Pillar, approved by the Pillar head and Group CEO and Group FD. All valuations are reviewed and approved by the Sasfin Board's Capital Investment Committee and audited as part of the external audit engagement.





## CASE STUDY | DEAL 1

Sasfin Capital funded a leveraged buyout for 100% of the share capital of an engineering and construction company by a BEE consortium which included key management.

Sasfin Capital provided R60 million to fund the transaction with an innovative solution that required a unique perspective of the future cashflow and collateral of the borrower. The team was responsive to both the client and the seller's needs and was able to add significant value to the process in optimising the transaction's structure as well as dealing with a very tight deadline imposed by the seller.

## CASE STUDY | DEAL 2

Sasfin Capital funded the re-development of an office building into student accommodation in New Doornfontein, and to take over its senior bank loan. The demand for student accommodation in Doornfontein has significantly increased on the back of the expansion and upgrading of the University of Johannesburg Doornfontein campus. The development further addresses the need for student accommodation in the greater Johannesburg area. The property group has a successful record of delivering developments, office-to-residential conversions and office-to-student accommodation conversions. They also have an existing portfolio of student accommodation.

Because the completion of these types of developments is aligned to the academic year, the financing requirements were time sensitive. The client's funding needs were unique because of existing funding arrangements which required a bespoke solution and nimble execution.

On the back of this transaction we are exploring a number of additional opportunities with this client.



Capital		Change %	2020 R'000	2019 R'000
<b>Total income</b>	▼	40.61	57 076	96 106*
Impairment charges on loans and advances	▲	>100	(24 911)	(339)
<b>Net income after impairments</b>	▼	66.41	32 165	95 767
Operating costs	▼	7.69	(98 232)	(106 415)
<b>Loss before taxation</b>			(66 067)	(10 648)
Taxation			(6 038)	7 709
<b>Loss for the year</b>	▼	>100	(72 105)	(2 939)

\* Includes share of associate profit or loss

## FOCUS FOR 2021

Our focus in the year ahead remains on:

- Growing our specialised lending and property finance businesses
- Growing our private markets fund
- Optimising our existing portfolio of private and property investments and reducing our holdings in these investments at acceptable prices
- Integrating the Trade and Debtor Finance business into the pillar

Also refer to page 35 for how the Pillar structures will evolve in 2021.

# HUMAN CAPITAL PERFORMANCE REVIEW



**Naseema Fakir**  
Head: Human Capital

\* The Human Capital Performance Review should be read in conjunction with the Human Resources and Remuneration Committee Report on page 111.

## Sasfin's Human Capital Department:

- Focuses on building a diverse team of high-performing employees who live our values and work together with a sense of ownership to fulfil the Sasfin purpose
- Provides employee wellness support
- Drives transformation and the creation of a strong sales and service culture
- Aims to maximise Sasfin's productivity by optimising employee effectiveness
- Supports the Group's strategy by managing its people and culture, ensuring that Sasfin has the organisational capacity to achieve its strategic goals. **PC** **OC** **T**



**708**

TOTAL EMPLOYEES

decreased 3.4%

**61%**

ACI<sup>1</sup> EMPLOYEES

comprise 61% of our workforce  
(2019: 60%)

<sup>1</sup> African, Coloured and Indian.

**62%**

of our employees are women  
(2019: 61%)

**R6.5 million**

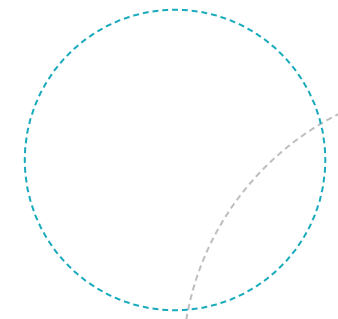
INVESTMENT IN SKILLS DEVELOPMENT

decreased 32%

**14.4%**

EMPLOYEE TURNOVER

decreased 34%  
(2019: 21.7%)



## Highlights

- Ensured effective employee engagement during the Covid pandemic and national lockdown
- Employee health and wellbeing initiatives, including launching a new employee assistance programme in February 2020
- Decrease in voluntary employee turnover
- Initiatives to entrench Sasfin's values and culture across the Group have been effective
- Operational continuity and stability when moving to a work from home model

## Challenges

- The Covid-19 impact on our employees
- Employee turnover in certain business units
- Recruitment for specialised roles
- Achieving meaningful transformation at senior management level in the short term
- Retention incentives in the current economic climate

# Governance of human capital and transformation

Sasfin's human capital is an essential part of our high-touch client-centric model and a key asset. The Group's human capital practices and policies are guided by labour legislation, the Basic Conditions of Employment Act and industry norms, practices and standards.



<sup>1</sup> Source: Compdata.

# Building and retaining a high-performing workforce

Our human capital practices focus on **attracting, rewarding, developing and retaining high-performing employees** who embody the Group's values and fulfil our purpose.

Sasfin employed 708 people as at 30 June 2020, a decrease of 25 from 2019. This reduction was primarily due to a review of organisational capacity and role consolidation, natural attrition and the hold on recruitment during lockdown. Sasfin has three employees with disabilities and 20 learners with disabilities on a learnership programme. 61% of our workforce in 2020 comprised ACI employees (2019: 60%).

We have robust and inclusive recruitment processes for identifying appropriate candidates that test for potential and culture fit in addition to technical requirements for the job.

Total employee turnover decreased to 14.4% (2019: 21.7%) as voluntary turnover reduced from 13.3% in 2019 to 10.5% in 2020. Sasfin's total employee turnover compares favourably with the average for the international banking and finance industry of 18.6%<sup>1</sup>. There were nine retrenchments in the Group (2019: 25), four of which were voluntary, due to changing operational requirements. We attribute the decrease in voluntary turnover to stability at leadership level and introducing KRIs and KVI in employee performance measures.

## Employee composition

Race	Male		Female		Total	
	2020	2019	2020	2019	2020	2019
White	122	136	138	142	260	278
African	77	81	152	158	229	239
Indian	42	41	67	65	109	106
Coloured	19	20	76	77	95	97
Foreign nationals	8	8	7	5	15	13
<b>Total</b>	<b>268</b>	<b>286</b>	<b>440</b>	<b>447</b>	<b>708</b>	<b>733</b>

Human capital policies are regularly reviewed to ensure that they effectively support Sasfin's strategy and focus areas and the evolving needs of employees. Also, to ensure Sasfin is an employer of choice with attractive policies that are comparable within our industry. During 2020, we made changes to our policies around long-service and discretionary awards to improve consistency, updated recruitment and remuneration mandates to increase management discretion within Group guidelines, increased Group Exco discretion levels for people policies and processes and updated policies for salary advances, disciplinary processes and parental leave.

### SASFIN'S EMPLOYEE VALUE PROPOSITION (EVP)

During 2020, the EVP was finalised and included in the Sasfin employee handbook and in induction training. Our EVP includes:

- Compelling careers with opportunities for growth
- Competitive remuneration
- Reward and recognition of exceptional performance
- Entrepreneurial, values-based culture
- Flexible policies in terms of work-hours, leave and remote working
- Active employee support and wellness offerings

We invest in our people by providing learning and development initiatives, a supportive culture, strong leadership, sound working conditions and employee assistance. The Group performance incentive scheme is designed to align executives to sustainable stakeholder value creation.



## TRANSFORMATION

Sasfin recognises the importance and benefit of diversity and is committed to transformation as a strategic priority and societal necessity.

Transformation is an important consideration in our robust and inclusive recruitment practices, promotions, succession planning and learning and development programmes.

While we are making good progress on employment equity in our workforce, improving representation at senior levels is an ongoing challenge, and we are focusing on our internal talent pipeline to address this over the medium term.

## ORGANISATIONAL CULTURE

Our human capital practices focus on organisational culture to ensure that Sasfin's values are being lived and are evident in the behaviour of all employees.

### Employee surveys

We conduct surveys every second year to assess the levels of engagement in our workforce. General concerns raised by employees during 2020 included the challenges of managing concurrent projects and consolidating the changes and new systems introduced into the business. In response, management has undertaken to adopt a more holistic view of the project impact on affected teams. The meeting culture is also being enhanced.

- Stepped up communication within working teams, as well as with senior management and executives. Employee feedback has been positive, particularly before and during lockdown.
- We provided ongoing updates on new learning initiatives, graduate programmes and learnerships to promote awareness and enhance a culture of learning. While targeted training was offered across all levels for most of the year, training was suspended in March when the impact of Covid-19 started becoming clear.
- Where concerns were raised regarding employee climate in certain areas, specific engagements were held, and the necessary steps taken to resolve issues identified.
- Diversity management is an ongoing focus.

General concerns raised by employees during 2020 included the challenges of managing the number of concurrent projects being implemented and consolidating the changes and new systems introduced into the business, as well as too many meetings. In response, management has undertaken to reduce the number of projects that are rolled out concurrently, and to adopt a more holistic view of the

project impact on affected teams, before approving new projects. We implemented 'meet-less Mondays' to carve out one day of the week that is meeting-free. The frequency of certain meetings has been reduced where appropriate. There is ongoing focus on reducing the duration of meetings and ensuring only required attendees are invited.

More information regarding employee engagement is in the stakeholder engagement section on page 77.

## SUCCESSION PLANNING <sup>10</sup>

The Board is ultimately responsible for approving succession planning at executive level and REMCO focuses on executive management succession and developing future leadership. REMCO reviews and recommends the succession plan for key positions to the Directors' Affairs and Nominations Committee (DANC) and the Board. Group Exco plans and proposes succession planning across the Group.

Sasfin endeavours to have at least one identified successor, who could quite quickly step into each of the key roles within the Group should the need arise. Succession plans are in place for senior management at Group (including executive directors), Pillar and business unit levels. The Prudential Authority reviews the executive succession plan on an annual basis.

Succession plans are in place for senior management at Group (including the Group CEO), Pillar and business unit levels. For smaller teams, successors have either been identified or the consequences of an unplanned exit have been assessed as acceptable against the time and cost required to fill the role.

The Prudential Authority reviews the executive succession plan on an annual basis. Their most recent review queried key-man dependency and co-morbidity. We have not identified any co-morbidities within the key executive team.

## EMPLOYEE HEALTH AND WELLNESS

Sasfin's wellness initiatives include wellness days, participating in and/or sponsoring various external initiatives (such as the Sasfin Cyclethon and Mandela Day activities) and internal campaigns that aim to create sound relationships with and among employees. Mental health was a focus this year and awareness workshops on the matter were held across the Group.

Understandably, the Covid-19 pandemic and consequent lockdown were sources of particular stress for employees and their families. Communication was meaningfully increased and employees were provided with the required tools and resources to enable fully functional work from home arrangements. In February 2020 we launched a new employee assistance programme for employees and their families that includes counselling and trauma support, as well as legal, financial and management advice. The programme has been well received, particularly since lockdown started, and utilisation rates reached 60%, with stress being the main reason for employees and their families seeking assistance. There were three workplace injuries (2019: four), two of which required medical attention, with no employee requiring hospital treatment.

### EMPLOYEE SURVEY

We conducted a survey in July 2020 to obtain employee feedback on working from home, and their input on a future way of work. 50% of our employees would prefer to work in a hybrid future model that incorporates both work from home and the office, with two days in the office being preferred. We established a Future Way of Work team which is tasked with creating and implementing a new working model going forward.

An independent assessment of our compliance with the Occupational Health and Safety Act rated head office at 100%, and our other offices rated between 95% and 100%.

In February 2020 we launched a new employee assistance programme for employees and their families that includes counselling and trauma support, as well as legal, financial and management advice. The programme has been well received, particularly since lockdown started, and utilisation rates reached 60%, with stress being the main reason for employees and their families seeking assistance. Employees were encouraged to take leave during the lockdown, to avoid burn-out and fatigue and to assist with stress management.

There were three workplace injuries (2019: four), two of which required medical attention, with no employee requiring hospital treatment. An independent assessment of our compliance with the Occupational Health and Safety Act rated head office at 100%, and our other offices rated between 95% and 100%.

## LEARNING AND DEVELOPMENT

Sasfin's learning and development initiatives contribute to our strategic goals by developing relevant skills, promoting academic growth, building the right Group culture, sparking innovation, improving organisational capacity, creating a talent pipeline and supporting our transformation initiatives. Our goal is to create a culture of learning and we continuously communicate with employees to raise awareness about opportunities for further learning and development.

The SEC sets training targets for each Pillar in consultation with the Transformation Committee and divisional heads. These targets inform executive, management and individual performance metrics, which influence annual increases and incentive awards to ensure a strong focus on development. The Group submits its mandatory workplace skills plan and annual training reports to the various Sector Education and Training Authorities (SETAs) in terms of the Skills Development Act, No 97 of 1998

Sasfin's learner management system allows employees to view all available training in one place and access training programmes including compliance, cybersecurity and other IT training. Career paths are in place for each role and help employees to plan the learning and development initiatives they need to progress in their desired career.

An accelerated development programme identifies high-performing and high-potential employees who can be groomed into a management role. As part of the programme, participants prepare relevant action learning projects that are presented to a panel. 12 employees successfully completed the programme in 2020.

Formal training programmes are delivered through the Sasfin Learning Academy, which is an accredited training provider through the Banking SETA, or by accredited external training providers. Sasfin's SAICA-accredited training programme provides specialised training for trainees to qualify as CA(SA)s. The programme creates a talent pipeline of CAs into the business and supports improved ACI representation. There was a decline in the Group's total investment in skills development because of the areas impacted due to the lockdown, which decreased to R6.5 million (2019: R9.5 million). Our rebates this year increased to R1.1 million (2019: R1 million).

Skills development is also supported by on-the-job training, coaching and mentoring programmes and an employee bursary scheme. 82 employees received bursaries for studies in their fields of work, 83% of whom are ACI employees.

Sasfin's SAICA-accredited training programme provides specialised training for trainees to qualify as CA(SA)s. The programme creates a talent pipeline of CAs into the business and supports improved ACI representation at middle and senior management levels. There were nine employees on this programme (2019: eight).

The Group continued to roll out cyber and compliance training but general external learning and development initiatives were suspended in March as the impact of Covid-19 became apparent. This led to a decline in the Group's total investment in skills development, which decreased to R6.5 million (2019: R9.5 million). Our rebates this year increased to R1.1 million (2019: R1 million).



Sasfin participates in a number of initiatives that contribute to learning and development in the broader skills pool. These include:

- **Graduate development programmes** that provide work experience for commercial graduates with academic ability. 57 people were employed on the programme (2019: 30). Work-based one-year learnerships have been replaced with the graduate development programme.
- **Learnerships for people with disabilities** facilitated by an external provider and where we employed 20 people on this programme (2019: 20).
- Sasfin sponsors **external training** programmes that enhance employee performance effectiveness, such as the JSE Registered Persons Examination or JSE Traders Examination.

## Focus for 2021

Addressing the impact of Covid-19 on our people remains a priority. Current concerns include ensuring that employees have the support they need while working from home, if they or their families fall ill or suffer bereavement.

We are participating in the design of a new way of work across all teams and levels, which will have a significant impact on our culture. Ongoing support will be provided to employees and leaders where needed, for example to help them manage remote teams/performance. It is envisaged that Sasfin will not return to the pre-Covid way of work, and our Future Way of Work team is assessing the changes that will be required to achieve a seamless adoption of the new way of work, without compromising on our desired culture or the service we provide to our clients.

The challenging economic environment requires that we focus on cost efficiencies and ensuring that our reduced learning and development budget achieves optimal results to grow our talent pipeline and enhance succession plans.

Our intention is to review our Group performance incentive scheme so that only Group Exco members participate on this scheme, and to implement separate schemes at Pillar level. Refer page 111 in the remuneration report.



# INFORMATION AND TECHNOLOGY PERFORMANCE **REVIEW** 12



**Josh Souchon**  
Chief Information Officer

## Sasfin's Information Technology Department:

- Provides the resources, technology and information that drive product, user experience, innovation, and effective organisational capacity **PU** **OC**
- Mandated to identify and implement technology and information projects that grow revenue, increase operational efficiencies, support compliance, innovate and mitigate risk
- Enables growth in the businesses and global wealth of our clients through business insights, enablement and innovation
- Information technology solutions are delivered through cohesive partnerships

## Highlights

- Sasfin's investment in technology, systems and the cloud enabled a seamless shift to remote working
- Implementation of the first phase of the Finance Transformation programme
- Enhanced cybersecurity
- Roll out of the revolving lending facility and the mobile App for B\YOND

## Challenges

- Cybercrime and cyberattacks increased significantly during the national lockdown with the move to remote working
- Generate a sustainable return on IT investment
- Finding and retaining relevant skills

## Our strategic direction

Sasfin's client-centric model leverages **innovation, technology and information** to create new products and services that better meet our clients' needs. Technology and information solutions are essential to **enable safe and convenient access to our products and services, and to maximise internal synergies** between business units.

Due to the global lockdowns experienced in 2020, the 4th industrial revolution has gathered steam. This rapid change creates opportunities and challenges. IT plays a critical role in supporting business by deepening Sasfin's digital engagement with our clients, enhancing our client experience. This needs to be achieved while driving operational efficiencies and protecting and defending the Group from increasing cyber risk and ensuring that Sasfin effectively meets its regulatory requirements.

This approach has formed the foundation of our strategic direction over the last three years. The next chapter of our strategy will focus on data and how we are able to appropriately leverage data to add value to our various stakeholders, specifically our clients.

Furthermore, with the change implemented over the past three years, Sasfin has focused on business change and IT projects. Learnings have been identified which have resulted in the formation of a new focus – innovation and change leadership. It is anticipated that the investment in this area will bring benefits to the Group over the next three years.

The IT strategy focuses on adding value to our clients, service excellence, and improving infrastructure. IT works closely with internal stakeholders to ensure that there is a good understanding of our requirements, priorities and concerns. The review of the IT strategy includes participation from business units to ensure an inclusive strategy to enable digitalisation.

We balance acquiring and following when appropriate, in order to achieve the following:

- Run the Group’s technology reliably, securely and cost effectively
- Deliver business value through innovation, excellence in service and project execution
- Eliminate or reduce single points of failure across people, processes and technology

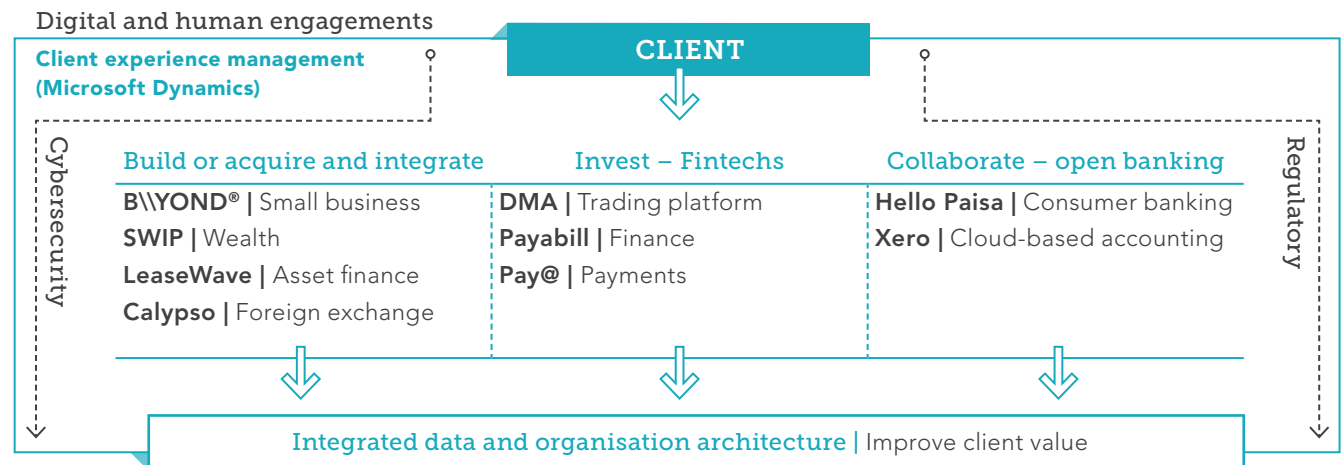
## OUR IT OPERATING MODEL

Sasfin runs a competency-based IT operating model. Projects are prioritised through a rigorous process from project initiation to delivery in order to ensure time, costs and quality controls are strictly managed. Our approach to technology solutions puts clients at the centre, and a dedicated feature team manages the customer experience through the Microsoft Dynamics customer relationship management application. The Project Steering Committee oversees all the Group’s IT projects.

We reviewed the policy for streamlining IT projects and formalised it into a formal project management standard. The standard includes an independent project assurance model provided by Group Internal Audit to maximise the value derived from audits.

As shown below, when deciding how to meet our clients’ needs in the most cost effective and seamless way, we choose from three approaches. Where appropriate, we will build or acquire systems and integrate a solution using a ‘reuse, buy and build’ philosophy. We also partner with other providers to integrate their offerings or we invest in fintech companies where they demonstrate a competitive advantage, and add value.

### Our approach to technology solutions



## Governance of technology and information

Given the importance of IT to Sasfin's strategy, operations and compliance, and the significant expense to the Group, governance is a high priority.

The Board is ultimately responsible for governing IT and delegates its oversight responsibility to the Board IT Committee. Information and technology are a standing agenda item at quarterly Board meetings. The IT Committee meets quarterly and monitors the development and execution of the IT strategy through an IT governance framework, policies and procedures. It oversees, monitors and evaluates significant IT investments and expenditure, and oversees the governance of IT risk.

The Business Operations IT Steering Committee meets monthly and discusses prioritisation and the change impact all projects have on the Group, providing input to the IT Committee. Group IT policies, standards, procedures and frameworks apply across all business units. These are reviewed bi-annually to ensure they remain current. During the year, we reviewed and updated the data governance and cybersecurity frameworks.

The effectiveness of IT governance is assessed through the compliance and risk management functions, with risk-based assurance on controls provided by internal and external audit. The IT Committee conducts an annual self-assessment to identify areas for improvement. The IT Department submits quarterly reports to the SARB. Every 18 months the Group engages an external party to review the Group's cyber security framework, and the last assessment was performed in 2020.

Material IT projects are presented to the IT Committee for approval as a business case, and Board approval is required for larger projects above a material threshold. Group Internal Audit reviews all projects 12 months after implementation and reports to the IT Committee on whether the projected benefits were realised.

Sasfin is represented on industry associations such as the South African Banking Risk Information Centre and provides input on SARB projects where required.

### INFORMATION MANAGEMENT

The IT Department has a strong focus on information security and provides the tools to manage, move and secure data, while the data is owned by the relevant business units. Information management is overseen by the data services team and includes business intelligence and data governance.

The Group's network infrastructure is designed to ensure continuity, and we continuously maintain and upgrade our core infrastructure. Formal disaster recovery plans and backup strategies are in place and these are tested and updated regularly.

## Our priorities in 2020

Over the last three years, Sasfin invested significantly in a number of major line of business systems that created a robust technology base and strong capabilities which could drive the Group forward. We also shifted aggressively to become a cloud-first company to improve operational and cost efficiencies. Our focus for most of 2020 was bedding down recently implemented systems, developing 'last-mile' capabilities to realise client benefits and efficiencies, and implementing the remaining projects discussed below.

An additional benefit of our approach to IT was that the shift to remote working during lockdown was relatively seamless for employees and clients. We ensured that the Group's employees had the hardware they needed which included sourcing, setting up and issuing laptops, tablets, 3G cards and routers. Internet and 3G capacity were increased to accommodate work from home.



From a project perspective, the main focus areas are detailed below.

### **Risk data aggregation and risk reporting (integrated data and organisation architecture)**

The RDARR project establishes the systems to support risk data aggregation and risk reporting required by the PA. The system aims to meet regulatory obligations and create a single view of clients for risk management and business decision-making, reducing costs and providing valuable data to further improve client value.

The project was initially planned to be completed by December 2020, but is now scheduled for completion by December 2021, in part due to the complexity of the project and employee turnover. This is being addressed.

### **Protection of Personal Information Act (POPIA) (regulatory)**

We are ensuring our processes and documentation comply with the Protection of Personal Information Act (POPIA). The analysis phase of the project has been completed.

In addition, we enhanced the client offerings on B\\YOND (e.g. the B\\YOND mobile App was launched), rolled out a new website for Sasfin Wealth and extended the capabilities on SWIP. We are currently rolling out client and vendor portals on Leasewave, our asset finance solution, and supported recalibrations for IFRS 9.

The various technology investments made over the past 18 months have enabled employees to work at full capacity remotely and ensured that clients have received the same level of service and seamless engagement as before the lockdown.

Finding and retaining IT skills remains a challenge and focus area. We developed a talent strategy to address this issue and participated in the Sasfin graduate programme.

### **Finance transformation (integrated data and organisation architecture)**

The finance transformation project is discussed on page 110 in the governance chapter.

This year we:

- Streamlined and optimised the chart of accounts, finalised in February 2020
- Implemented a new reporting system for management and statutory reporting, budgeting and forecasting. This system, Onestream, was live for year-end statutory reporting.

The next phases will enhance management reporting, budgeting and planning, dashboarding and management information.

### **Microsoft Dynamics (client experience management)**

The rollout of Microsoft Dynamics, an end-to-end customer relationship management system, across the Group is progressing well. The system interfaces with the line of business systems to provide users with a single platform to manage the full client life cycle which improves client acquisition and client servicing.

The system was rolled out to the Wealth and Capital Pillars, and to the trading and treasury divisions within the Banking Pillar. Rollout to the rest of the Group should be completed in 2021.

## **CYBERSECURITY**

Cybercrime is a significant ongoing risk, particularly for banks and financial services companies. Sasfin's strategy includes a cyber roadmap that identifies and prioritises the Group's main cyber risks so that these are addressed timeously and effectively. The roadmap is regularly reviewed by assurance providers, and progress in implementing the priority areas is presented to the IT Committee, Board and SARB every quarter. Findings from the Group Internal Audit review of the roadmap in July 2019 have been addressed. Group Internal Audit also conducted a high-level review of the Group's cyber readiness and provided feedback to the IT Committee.

During the national lockdown, there was a marked increase in cyber risk globally with higher potential for cyberattacks and a more complex technology governance and control structure to implement. As expected, both the volume and frequency of cyberattacks rose significantly with the start of lockdown. Fortunately, the steps already implemented in terms of the roadmap, provided multiple layers of defence, including the use of virtual private network (VPN) and access point name (APN) technologies that deployed the same level of security available at Sasfin's offices to the remote environment.

The Group also took steps to ensure data protection, continued end-user online training and learning through lockdown, rolled out remote patching and implemented real-time capacity management to support business continuity. Refer to IT governance in response to Covid-19 on page 16.

## **THE FUTURE OF WORK**

The seamless transition to remote working demonstrated that Sasfin has the capabilities to operate effectively with employees working remotely, which will redefine how we operate as a Group. The experience provides a case study to inform our approach to remote working in the future, and we have established a 'future of work' team to evaluate this going forward.



## THE DIGITAL ADVISORY COUNCIL

In June 2019 Sasfin established a Digital Advisory Council headed up by Arthur Goldstuck, the founder of technology research consultancy, World Wide Worx. The council acts as an independent think tank that provides Sasfin, its clients and the market with expertise and insights into trends that shape the use of technology in financial services. The objectives of this council are to support Sasfin to become a centre of leadership for fintechs and the leveraging of their technology, to enhance the Group's competitiveness and to promote appropriate digitalisation.

The council hosted three well received webinars, facilitated by Arthur, during the lockdown:

- A discussion with Nicola Kleyn (Dean, GIBS) and Iraj Abedian (Executive Chairman, Pan-African Capital Holdings) around the human, societal and economic impact of the acceleration of digitalisation arising from Covid-19.
- A discussion with senior executives from leading payments companies, to discuss the impact of lockdown on consumer payment behaviour globally and how this portends the future trajectory of e-commerce relative to physical retail.
- A discussion with Dale Imerman (Founder and Managing Director of The Mojo Dojo and Catalyst Africa) and Nicholas Dakin (Equity Analyst with a focus on global and technology investing, Sasfin Wealth). It provided insights into current global investment opportunities, focusing on key technological trends such as e-commerce, health-tech and online entertainment, which have benefitted further as the Covid-19 pandemic unfolds.

These webinars are available to view on the Sasfin content hub ([www.contenthub.sasfin.com](http://www.contenthub.sasfin.com)).

## Focus for 2021

In addition to facilitating remote working for as long as is required, we will continue to stabilise and optimise the installed systems, implement last-mile client experience changes and realise the benefits of our strategic investments.

Project implementation will focus on completing the finance transformation and RDARR projects, continuing the rollout of MS Dynamics as an integrating platform and progressing the POPIA project.

The industry-wide challenges brought on by the ongoing cyberthreat landscape, make it imperative to ensure a relentless focus on cybersecurity. We will also be investigating the use of artificial intelligence systems to aid in efficiencies regarding compliance and assurance.

Our digital marketing efforts have shown significant growth and IT will focus on how to ensure that the lead generation end-to-end processes are automated and implemented.

## CASE STUDY | SASFIN'S IT JOURNEY

Over the past three years Sasfin has implemented transformational line of business systems in asset finance, forex and treasury, and built and launched a digital banking platform, a website for the Wealth Pillar and an intermediary platform. The graphic below illustrates the extent of the change to the Group's IT infrastructure and digital capabilities over this period, which has established a solid platform for growth.

### Microsoft Dynamics

Our primary customer relationship management and client engagement system.

This was first implemented in the Wealth Pillar (refer page 64).

### Sasfin Wealth website

Part of the Wealth digitalisation journey was to build our own website to provide clients with a self-service option. This also allows us to influence the client experience.

### B\\YOND: Payroll and invoicing functions launched

1 July 2017 /  
31 December 2017

1 January 2018 /  
30 June 2018

### Infoslips

We are using Infoslips as a statement distribution mechanism in Sasfin Wealth. We provide modernised statements securely to clients in their channel of choice.

### B\\YOND launched: Individuals and sole proprietors

B\\YOND is Sasfin's digital banking platform focused on SMEs. The initial release focused on functionality for individuals and sole proprietors. At this stage, corporate roles users still needed to use iBank for digital banking.

### Transactional banking: Digital on-boarding

Onboarding web platform for clients to apply for a transactional banking account.

1 July 2018 /  
31 December 2018

B\\YOND profiles: 362

B\\YOND profiles: 674

1 January 2019 /  
30 June 2019

### CGT Express

Capital gains tax (CGT) calculations are provided accurately to clients off the CGT Express system, which is now used for all the tax calculations.

### B\\YOND: Roles

This release included corporate roles functionality, accessible to all business clients.

### CommSpace

Implemented CommSpace to manage the collection of shared commission data and manage the payment of commissions to our own wealth advisors and other players.

### B\\YOND app launched

Sasfin's mobile app was launched with individual and sole-proprietor features.

1 January 2020 /  
30 June 2020

### SWIP

SWIP, an inhouse intermediary platform, was extended to forex intermediaries in June.

### B\\YOND app launched for role users

This release of the application includes corporate client specific features and includes payroll functionality.

### Sasfin integration platform

Sasfin exposes its transactional banking interfaces via Azure's integration platform to Sasfin's banking clients.

### Calypso launched (trade and treasury)

This software-as-a-service cloud-based system replaced six treasury and foreignexchange solutions, reducing infrastructure costs.

### Leasewave launched

A line of business system for asset finance, consolidating three business systems into one.

Decommissioned ten Sasfin Wealth systems and changed one treasury legacy system and two asset finance systems to read-only.

1 July 2019 /  
31 December 2019

### B\\YOND lending facility (Baobab)

Revolving credit facility available as part of a client's B\\YOND profile to use for their credit requirements.

### Finance transformation

Great Plains (financial management software) upgrade completed.

### B\\YOND Live chat

Clients can interact with the client relationship centre agents via a live chat interface.

### Finance transformation

Implementation of a cloud-based enterprise performance management solution (OneStream) for management, statutory and regulatory reporting – phase one implemented for year-end reporting.

B\\YOND profiles: 1 135

B\\YOND profiles: 1 775  
B\\YOND mobile app users: 720

B\\YOND profiles: 2 478  
B\\YOND mobile app users: 1 524

# SOCIAL AND ETHICS COMMITTEE **REPORT** <sup>3</sup>



**Eileen Wilton**  
Social and Ethics Committee Chair

## Sasfin's Social and Ethics Committee:

- Ensures that the ethos of the Group set by the Board, a commitment to doing business ethically and with integrity, is in place
- Supports the Group's strategy by ensuring that ESG considerations are top of mind for Sasfin's people and driving initiatives to transform our culture and our society <sup>PC</sup> <sup>T</sup>

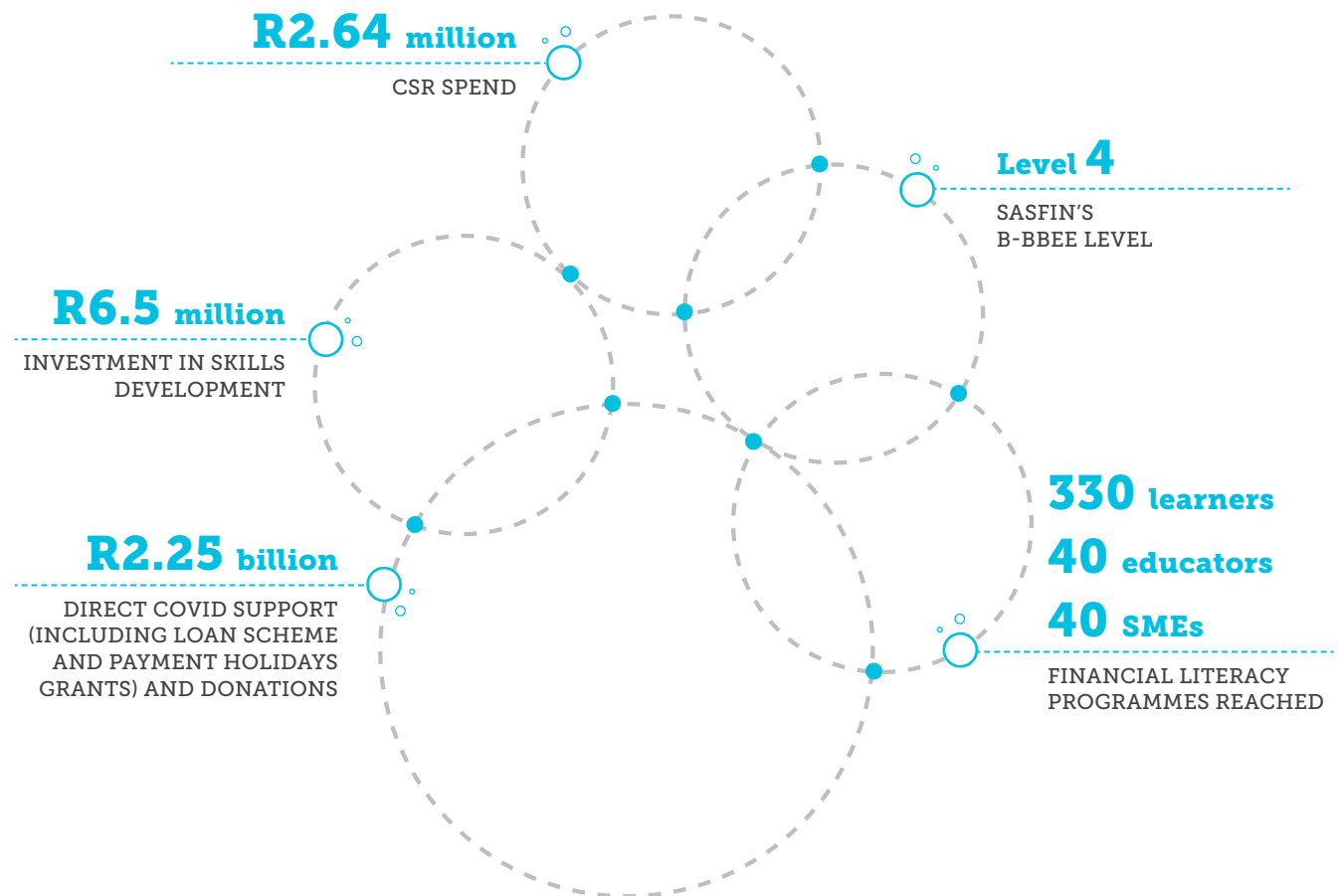
## Highlights

- Revised and refreshed the SEC strategy and goals and B-BBEE and are revisiting the corporate social responsibility (CSR) strategy
- Enhancements in our grass roots SME offering
- Driving financial inclusion via the Hello Paisa engagement

## Challenges

- Disruption to planned programmes due to Covid-19

Over the last year, South Africa has seen a significant rise in unemployment, business failure and impoverishment. Few things could be **more important to our country right now than business growth and wealth creation. At Sasfin, we are committed to doing what we can to address these challenges** while also playing our role in transforming our society.





It gives me great pleasure to present my first statement as Chair of the SEC. Over the course of my career, I have always placed much emphasis on the importance of business growth with a focus on innovation, but foremost, within the context of a sustainable economy and broad-based inclusive society.

This committee serves as the formal body that channels initiatives that demonstrates Sasfin’s commitment to doing business ethically and playing its part to transform our society. Our aim is to ensure that the ethos of the SEC permeates throughout the Group so that our goals sit at the heart of every person who works here.

The SEC reviewed and refreshed its mandate, reset its vision and set out priorities for the next three-year cycle. We worked closely with the Group CEO to evaluate the responsibilities and role of the SEC in the broader context of the Group.

The SEC’s current focus is on ethics and financial inclusion under the overarching theme of transforming our society, which encompasses the broader aspects of ESG and aligns with our purpose of contributing to society. This goal includes a drive to develop the next generation of South African businesses and savers, increase diversity in our workplace from senior leadership down, have an impactful approach to CSR and ensure that ESG is integrated into our strategy.

Our priorities take cognisance of the United Nations’ Sustainable Development Goals (SDGs), which are included in the committee’s mandate and terms of reference. Aspects of the SDGs are included in our work plan and we will look to bring the goals more to the fore in the next few years.

## SUPPORTING SMEs AND INVESTORS

Sasfin’s products and services provide the financial tools and funding that help entrepreneurs and investors to make their dreams come true. Promoting growth in small businesses creates jobs and stimulates the growth and sustainability of the South African economy. Sasfin makes it easier for entrepreneurs to achieve their goals, including through the functionality and value-added

services bundled into the B\\YOND digital business banking platform (page 45) and in the information available through SME webinars (page 14). Sasfin’s alliance banking arrangement with Hello Paise supports financial inclusion by extending banking services into rural and migrant communities (page 45).

Sasfin is excited about the engagement with the FMO regarding its risk sharing guarantee facility called Nasira, which can greatly benefit SMEs and especially female entrepreneurs (page 35).

Sasfin promotes financial literacy by providing learners, educators and SMEs with the financial tools and training to help them become the entrepreneurs and savers of tomorrow.

Sasfin is committed to responsible lending practices, and our social and environmental management system (SEMS) provides a framework to assess ESG aspects related to lending and client practices, particularly those in high-risk industry sectors. The SEC oversees the SEMS framework, which is integrated into Sasfin’s operational processes. Investment activities in Sasfin Wealth are guided by a social and environmental management policy that recognises the importance of ESG considerations, which are embedded into Sasfin Wealth’s investment and institutional advice processes and culture (page 52).

Our asset finance business finances new asset classes that include solar equipment and other energy-efficiency solutions, as well as information communication technology solutions that support the move to the 4th industrial revolution, and it is a strong focus of the business to grow these offerings.



## MAKING A DIFFERENCE BY BRIDGING THE FINANCIAL LITERACY GAP

Learners are rarely taught financial literacy at home or at school. As a responsible lender and thought leader, Sasfin supports initiatives that equip young learners and graduates with financial knowledge that can make a real difference for their financial futures and have a ripple effect on families and communities.

The programme is facilitated by Noble, an external service provider, and runs at four schools in Gauteng. The training is delivered to 330 Grade 10 and 11 learners, 100 of whom are in a rural area and 30 of whom are living with disabilities. The programme is also delivered to 40 educators selected by the schools to equip them to facilitate and teach the subject so learners receive ongoing benefit from the training.

The programme was suspended during Covid-19 as many students did not have adequate access to data and devices. It will resume as soon as practically possible.

40 SMEs receive tailored training to help them better manage their finances.



## PLAYING OUR PART IN TRANSFORMING SOCIETY

Sasfin offers a compelling employee value proposition that includes decent work and fair remuneration practices. The SEC monitors the Group's employment practices, and we are satisfied that these are non-discriminatory and that they uphold the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Fundamental Principles and Rights at Work, which form part of the United Nations Global Compact.

The health and safety of employees is an important consideration, especially now under Covid-19 conditions, and the SEC monitors health and safety compliance on an ongoing basis. Mental health was this year's theme, and during lockdown Sasfin implemented various initiatives to support the mental wellbeing of employees.

We offer employees a range of opportunities for learning and development through the Sasfin Academy, external service providers, bursaries and mentorship. Sasfin also provides opportunities for skills development and work experience that build skills in the broader community through learnerships, disabled learnerships and graduate programmes. Refer to the human capital review starting on page 57 for more information.

Sasfin contributes to transformation in our society by setting goals that will support diversity in our workforce and reflect the country's demographic profile. Given our history, and perhaps more importantly, our ideal common future, we need to ensure that we have an appropriately diverse team of people who understand the market we operate in and who can effectively grow a business which supports emerging new business and wealth clients. This consideration of diversity includes employment equity, gender, age and cultural diversity, as well as enterprise and supplier development. Our B-BBEE level and transformation are included in executive performance metrics at Group and Pillar levels.

The SEC approved the revised B-BBEE strategy and set goals for 2021, including considering and reviewing Group employment equity and skills development targets.

Sasfin has a South African National Accreditation System-accredited level 4 score under the FSC, which translates into a B-BBEE procurement recognition level of 100% and recognises the Group as a value-adding supplier.

## CONTRIBUTING TO SOCIETY IN A MEANINGFUL WAY

Sasfin's CSR initiatives include sponsorships, donations and charitable support in communities. The Group supports a range of programmes that implement meaningful initiatives in communities, with a focus on a few flagship projects, including the Smile Foundation, Afrika Tikkun, Play Pumps and Junior Achievers.



### SASFIN HITS POVERTY FOR SIX

More than 750 players participated in the Sasfin Cape Town Cricket Sixes, held at the Western Province Cricket Club in February 2020.

Former Proteas cricketers JP Duminy, Meyrick Pringle, Brett Schultz and Nantie Hayward joined forces to provide a platform for sports development within local Cape communities facilitated through the event #HitPovertyforaSix campaign, in which 26 pupils from Ukhanyo Primary school in Masiphumelele were coached by the Protea legends. Originally, the 2 000 Ukhanyo students only had one sports teacher and limited facilities and now, with the support of former cricketer, Vince van der Bijl and his MasiCorp750 initiative, a growing sports programme now exists with 19 coaches across eight sports.

Over the course of the three-day festival, Sasfin donated money for every six hit to Duminy's latest project, #takeasquarecampaign, dedicated to upgrading a school field at Hyacinth Primary that required 2,000 square metres of grass.



Where possible, we partner with our flagship organisations to provide employees an opportunity to engage with them and contribute to society. Sasfin sponsored the Smile Foundation's first virtual cyclethon during lockdown, on Freedom Day (27 April), which raised over R100 000 for protective equipment for frontline workers in hospitals.

Employees volunteered their time on Mandela Day in July 2019 to pack food that went to FoodForward South Africa for people in need and donated knitting towards 67 blankets. Stickers purchased for Casual Day raise awareness for people living with disabilities and monies raised are matched by Sasfin and donated to an appropriately aligned organisation.

Sasfin also partners with Girls and Boys Town who support 15 000 – 20 000 vulnerable children per year who face barriers to learning. The organisation focuses on strengthening and empowering youth, families and communities, and the portal through which many youth enter the organisation's care. We believe that this partnership helps to turn children from a life without a future to one of hope through care and education. In addition, Sasfin proudly contributes to other organisations such as Miracle Drive, where our contributions are focused on the "Grow Your Life" library programme as well as the "Grow Your Life" book programme. The library programme identifies underprivileged communities and they have built fully equipped container libraries at identified schools providing a safe and functional space where learners have access to educational and reading books and are able to complete their homework. They currently have 21 fully functioning libraries and "be kind" centres in the country.

Sasfin attended BASA CSR meetings and their education meetings that related to CSR, which provided opportunities to learn from peer practices and collaborate with other BASA members to increase our impact in communities.



## SASFIN LIVES ITS PURPOSE IN A TIME OF CRISIS

During March 2020, when the national lockdown was implemented, certain segments of the population were hit harder than others. The school system was essentially shutdown and millions of students and teachers who benefitted from the various national feeding schemes, were left empty-handed. One such school in Johannesburg, the Forest Town school for learners with special educational needs as well as cerebral palsy, physical and learning disabilities, was adversely affected, as some of its day students and their families were reliant on the food subsidies which were routinely distributed.

After being alerted to the gravity of the situation, Sasfin ensured groceries could be purchased, packaged and distributed to the 66 learners (and their families) that rely on the school's support. This culminated in some of the teachers, therapists and general assistants spending time at the school packing and delivering all parcels on Wednesday 25 March, two days before the commencement of the national lockdown.

The school's principal, Ronalda Lucas, was overwhelmed by Sasfin's gesture, and thanked the Group for its support that enabled young children to be fed during the 21-day lockdown.



## SASFIN SMILE FOUNDATION

### 10-year old receives life-changing facial reanimation surgery

National NGO, the Smile Foundation, has joined forces with Johannesburg's Charlotte Maxeke Johannesburg Academic Hospital and Sasfin, to provide life-changing facial reanimation surgery to a 10-year-old boy in need. Sasfin has been a generous supporter of a number of past Smile Foundation events and is now for the first time, generously sponsoring an individual surgery



Group Marketing developed a new CSR strategy, aligned with Sasfin's overall strategy, for the next year, which was reviewed and approved by the SEC after year-end. The strategy places focus on two specific areas in CSR, namely; social and economic development (SED) and consumer education (CE). SED also encompasses enterprise development which includes non-monetary contributions such as investing time to help people establish, expand or improve business. Enterprise development also helps people earn a living or find a way out of poverty, and leads to long-term economic growth for themselves, their families and their communities.

The Group CSR strategy follows a cradle-to-cradle approach that aims to assist someone at each stage of their life from early childhood development, education and youth development, entrepreneurial coaching and enterprise development and healthcare. The strategy ensures business units will be given the opportunity to become closer to the beneficiary organisation and make their own meaningful impacts, respectively.

## COVID-19

Covid-19 unavoidably impacted delivery on SEC targets for the year. Covid-19's occupational health and safety requirements received intense focus, and Sasfin prioritised employee and client health and safety from the start of the pandemic.

Skills development and financial education activities had to be put on hold due to the need for social distancing. Covid-19 also had a big impact on our CSR flagship partners and donor organisations, some of which changed their short term focus to meet the most pressing community needs.

Sasfin aims to acutely understand the needs of struggling and successful business owners alike. At the start of the Covid-19 induced lockdown, Sasfin conducted important research where more than 1 000 business owner respondents identified a variety of challenges they face on a day-to-day basis such as managing cash flow, collecting debt, and leading during

a crisis. In response we created a webinar, tailored to the SME community, which was highly successful and ensured we lived our purpose at that very critical juncture (refer page 14).

Sasfin donated R1 million to the Solidarity Fund established by President Ramaphosa to provide Covid relief. In addition, our subsidiary Sasfin Wealth donated a portion of its trading revenue (R250 000) to the Solidarity Fund via the JSE's #tradeforsolidarity initiative. In addition, donations were made to several charities which directed the funds to feeding schemes, education and the purchase of personal protective equipment.

We realised that the cleaning, canteen and some facilities employees are the only breadwinners at home and we encouraged employees who could afford it, to donate towards food hampers for these employees. Through this initiative, we raised R48 000.

## PROMOTING ETHICAL CONDUCT ACROSS THE GROUP ②

The SEC aims to ensure that Sasfin's values of integrity and respect and the spirit of Ubuntu underpin the ethical standards of the Group and employees. The SEC reviews quarterly reports on ethics, including the implementation of the code of ethics and a whistle-blower hotline, as well as related matters including outcomes of disciplinary hearings regarding ethical issues and fraud reported.

Employees receive regular training, inter alia, on Treating Customers Fairly, the SEMS system, anti-money laundering and anti-corruption. Sasfin also has a policy of not providing funding (including loan funding) to political parties.

As part of the broader review of the SEC's mandate, we reviewed Sasfin's code of ethics and the Group's approach to ethics management. Refer to page 97 in the governance report for more detail.

## FINES AND SANCTIONS ⑬

Other than the administrative sanction noted on page 49, relating to Sasfin Securities (Pty) Limited (SasSec), there were no fines or other non-monetary sanctions imposed on Sasfin in 2020, including for non-compliance with environmental laws and regulations, as well as laws and regulations concerning the provision and use of products and services.

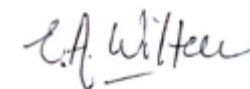
## FOCUS FOR 2021

We are focused on ensuring appropriate continued transformation and the ESG criteria that should be applied to clients, responsible investing and other related areas. We will continue to execute against our newly implemented Committee workplan, covering all the responsibilities of the committee as laid out in our charter.

We will develop new transformation targets that meet broader definitions underlying our focus to transform our society. Work from home and new ways of work during Covid-19 create new areas where we will have to focus, especially regarding the 'new rules of the game' for employees and clients during the pandemic as its impact is extended.

We are committed to ensuring that Sasfin continues to drive financial inclusion with a specific focus on helping SMEs thrive.

Sasfin acknowledges the importance of environmentally responsible business practices and contributing to environmental sustainability. We currently do not have significant environmental impacts or initiatives, but we plan to develop this further as a future focus area.



**Eileen Wilton**  
Social and Ethics Committee Chair

# BUILDING STAKEHOLDER RELATIONSHIPS 16

Ongoing engagements that **build our relationships with key stakeholders support Sasfin's long-term sustainability** by ensuring that we understand their interests. These interactions ensure alignment with their relevant needs and can help to **identify opportunities for value creation**.

## Stakeholder engagement

The Board recognises the importance to the Group's long-term sustainability of strong stakeholder relationships and effective risk management strategies. Sasfin engages key stakeholders on a regular basis to ensure that we understand their legitimate needs, interests and expectations, and that key matters are addressed to the best of our abilities. Feedback from these interactions is an important source of information and guidance for the Board and management and, where relevant, is a key input into our strategy deliberations.

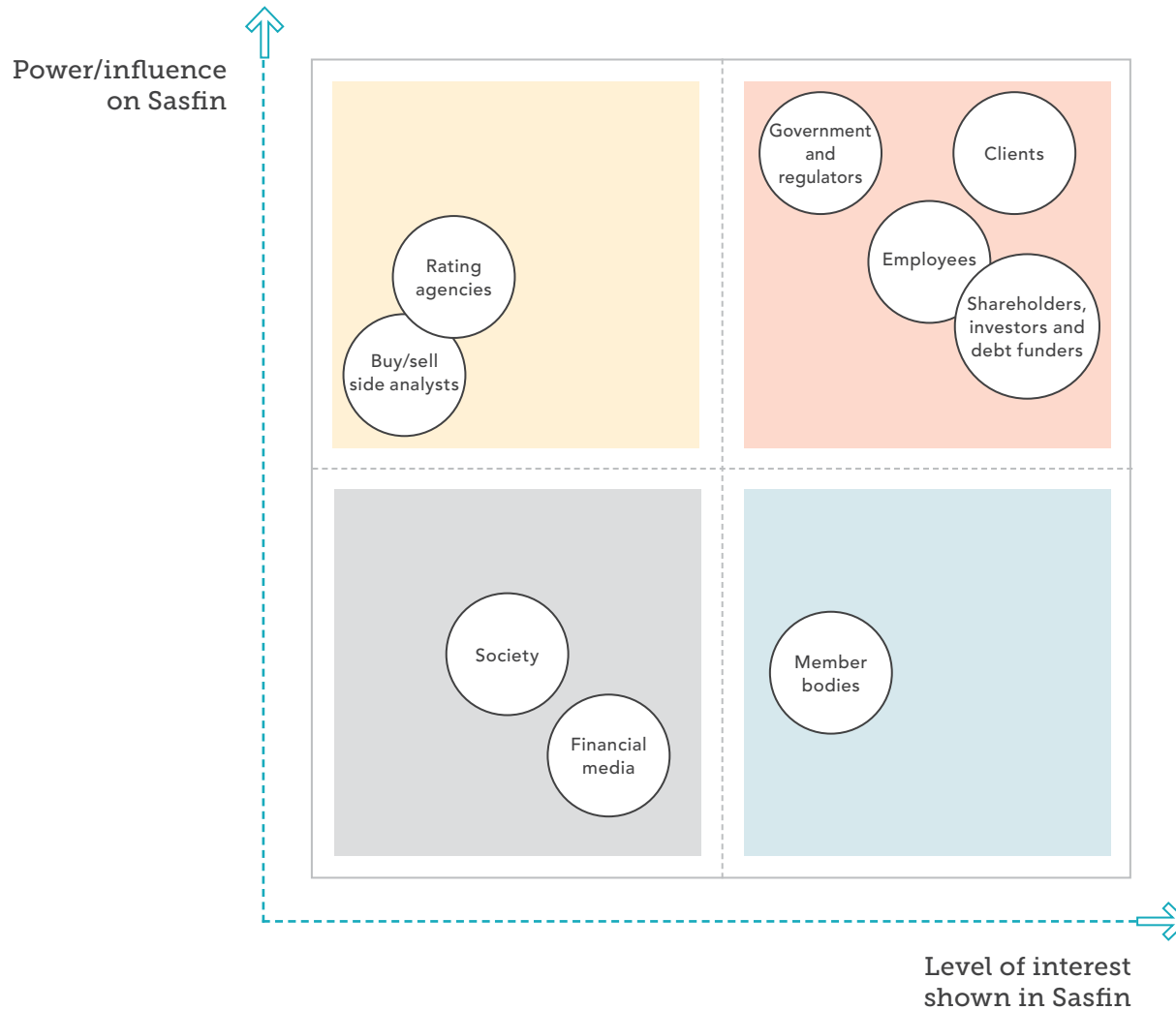
During the second half of the year, the company secretariat was broadened to include stakeholder management. As part of the initial strategic review, certain stakeholder classifications were amended to fully encompass the changing nature of Sasfin's stakeholder engagement model in light of Covid-19.

The Board is responsible for stakeholder engagement and delegates this to management to proactively address stakeholder matters. REMCO oversees engagements regarding remuneration matters and interacts with relevant stakeholders where required, and the SEC oversees engagements on social, ethics and transformation matters.

Stakeholder relationships are managed at the operational level appropriate for the nature of the engagement and stakeholder. The information received through the various engagement channels provides corroborating information about the quality of our stakeholder relationships and the effectiveness of our stakeholder management.

In the coming year, a key focus of the Company Secretariat will be to refine the Group's stakeholder framework that relates specifically to the current environment and encompasses global best practices and governance principles.

The graphic below maps Sasfin's key stakeholder groups according to their influence on the Group and our understanding of their level of interest. The mapping is based on the assessments by Group Exco, informed by input received from the Board and our stakeholders through the relevant engagement channels.



## KEY STAKEHOLDER ENGAGEMENTS DURING 2020

### Shareholders and investors

REMCO engaged with shareholders and investors at the 2019 AGM and, where possible, directly with institutional shareholders afterwards, to understand trends in voting on remuneration policy. The information received from these engagements is considered by REMCO in their assessment of the remuneration policy and its implementation. Refer to how performance is rewarded on page 111.

### Employees

The Covid-19 pandemic and lockdown created a very different work environment and increased stress levels in our workforce. Management increased the frequency of virtual engagements with employees to provide relevant information and support, ensure continued alignment and reduce isolation. Refer to the human capital performance review on page 57.

### Regulators

Sasfin engages with the SARB Prudential Authority on an ongoing basis, including at regular Board and executive prudential meetings. This year, key engagements included interactions regarding the steps needed to ensure stability in the South African banking sector and support the South African economy. Refer to page 82 in the risk management and overview chapter for more detail on the Prudential Authority's site visits.

### Industry peers

The Group CEO was invited to join the Board of BASA as the independent banks' representative. BASA met regularly by videoconference from the start of Covid-19 to ensure the sustainability of the South African banking sector and engaged with National Treasury and the SARB to coordinate support for the economy.

# Individual stakeholder assessments

## EMPLOYEES

### Who are our employees?

- Permanent employees
- Temporary employees and contractors

### What is important to them?

- Employment conditions, including fair remuneration
- Job security
- Diversity, human rights matters and inclusion
- Transparent leadership and direction
- Skills development and career growth

### Who manages the relationships?

- Management

### How did we interact in 2020?

- Internal communications programmes
- Virtual townhall engagements (during the Covid-enforced lockdown)
- Performance reviews
- Induction

### Sasfin creates value for them by providing:

- Employment
- Training and development
- Wellness programmes, including the employee assistance programme
- Bursary programmes
- Volunteer programmes

Refer to the human capital performance review on page 57.

### Key outcomes for 2020

- Employee stress increased significantly in the last quarter because of Covid-19 and changed working conditions during lockdown. As a result, communication over electronic channels increased significantly to compensate during social distancing and lockdown.
- The new employee assistance programme provides counselling and support for employees, and was an important resource for employees during lockdown, reaching high levels of utilisation.
- Salary increases, bonuses and learning and development initiatives were suspended due to Covid-19, affecting employee morale and development.
- Concerns were raised about the challenges of managing multiple concurrent projects, consolidating the changes and new systems, and too many meetings.

## CLIENTS

### Who are our clients?

- Asset suppliers
- Medium business
- Institutional clients
- Private clients
- Small business (including entrepreneurs)

### What is important to them?

- Security of investments and consistent, risk-adjusted returns
- Seamless access to banking applications and capital
- Efficient approval of credit applications and quick turnarounds
- Access to decision-makers
- Sasfin's long-term stability and sustainability
- A safe haven and good return for their deposits

### How did we interact in 2020?

- Roadshows
- Daily business interactions, including by decision-makers
- Private Client Wealth Webinars
- Various SME and Digital Advisory Council webinars
- Client/market surveys
- Media

### Sasfin creates value for them by providing:

- Affordable, efficient and innovative financial products and services
- Innovative lending, interest-bearing (deposits) and wealth management solutions
- Credit, which enables them to grow their businesses
- Convenient access to innovative digital banking platforms
- Transparent pricing
- Secure and protected data
- Excellent customer service and product advice
- Deep relationships, and access to senior management

### Who manages the relationships?

- Sales and distribution teams
- Portfolio managers and Wealth advisors
- Relationship managers
- Group Treasury
- Management

### Key outcomes for 2020

- South African entrepreneurs, SMEs and local investors are under extreme stress from weak economic conditions and the crisis caused by Covid-19. Sasfin engaged with industry peers and the Prudential Authority to provide support within the regulatory framework.
- Sasfin launched the Sasfin content hub, which included relevant information and resources for SMEs during lockdown.
- New products and functionality rolled out in B\\YOND and SWIP.
- Sasfin's investment in cloud technology, systems and cybersecurity supported 'business as usual' access to products and services for clients during lockdown.
- Sasfin Wealth's offshore offerings provided some protection to its clients during the market volatility in the last quarter.

## GOVERNMENT AND REGULATORS

### Who are our regulators?

- SARB Prudential Authority
- JSE
- Financial Services Conduct Authority (FSCA)
- Payments Association of South Africa
- South African Revenue Services
- National Credit Regulator
- Financial Intelligence Centre
- Department of Labour

### What is important to them?

- Capital adequacy and liquidity
- The risk environment, particularly cybercrime
- The impact of risk data aggregation and risk reporting and IFRS 9
- Credit losses
- Regulatory compliance, including adherence to Treating Customers Fairly
- Limiting systemic risk

### Who manages the relationships?

- Board
- Management
- Compliance and Market Conduct Officers
- Group Company Secretary
- Group Internal Audit

### How did we interact in 2020?

- Prudential and other meetings between the SARB, Board Chair, Board, Group CEO, Group Internal Audit, Group Compliance, Group Risk and the Group Exco
- Monthly and annual regulatory returns and reports
- Regulatory compliance audits and on-site audits
- Trilateral meetings between the GACC, external auditors and the SARB
- Regulatory audits by external auditors communicated to the SARB
- Group Internal Audit reports to the SARB
- Daily monitoring of all bond and equity trades by the JSE via the broker deal accounting system

### Sasfin creates value for them by:

- Contributing to addressing social problems such as providing banking services to the previously unbanked
- Actively engaging government institutions on policy matters
- Complying with all legal and regulatory requirements
- Being a diligent and responsible taxpayer
- Actively participating and contributing to industry and regulatory working groups
- Contributing to government development plans and national priorities (such as transformation and job creation)

### Key outcomes for 2020

- Engaged with the Prudential Authority and other government departments, directly and through representation on BASA, to support resilience in the South African banking sector and economy
- Sasfin's products and services support entrepreneurs and SMEs to expand their businesses and create jobs, and enables investors to grow their wealth

## SHAREHOLDERS, INVESTORS AND DEBT FUNDERS

### Who are our providers of financial capital?

- Ordinary shareholders
  - Directors and their associates: 43.05% (2019: 42.36%)
  - WIPHOLD 25.1% (2019: 25.1%)
  - Fund managers holding >3% of issued shares: 3.57% (2019: 4.27%)
- Preference shareholders: 508 (2019: 523)
- Bondholders
- Depositors
- Development finance institutions
- Institutions via debt capital markets

### Who manages the relationships?

- Board
- Group CEO and Group FD
- Group Company Secretary Group, Treasurer, and Debt Capital Markets team

### How did we interact in 2020?

- JSE SENS announcements
- Annual and interim results announcements, presentations, reports and roadshows
- AGM
- Ad hoc meetings during non-closed periods
- 2019 Integrated Report

### What is important to them?

- Consistent financial performance and return on investment, including ROE, and security of investments
- Sasfin's long-term stability and sustainability
- Transparent and consistent reporting
- Commitment to transformation
- Accountability, robust corporate governance and efficient risk management
- Credit loss levels
- Consideration and application of ESG principles

### Sasfin creates value for them by providing:

- Financial return on capital
- Stable and growth-orientated investments
- Easy access to management to discuss their investments
- Transparent reporting and disclosure
- Sound application of ESG practices
- Responsibly invested capital, through lending and strategic investments
- Active management of debt levels and liquidity, refinancing, interest rates and counterparty risks

### Key outcomes for 2020

- Management engaged with investors, analysts and providers of finance regarding the Group's position and resilience in the face of the economic fallout from Covid-19
- REMCO engaged with shareholders and investors to solicit additional input regarding Sasfin's remuneration policy and practices
- In line with the recommendations of the Prudential Authority, and to preserve capital, no dividends on ordinary and preference shares were declared for year-end (interim dividends were paid).



## SOCIETY

### Who is Sasfin's society?

- South Africa's citizens
- Suppliers
- Partners
- Natural environment

### What is important to them?

- Job creation
- Fair payment terms
- Alignment to the country's transformation targets
- Community development through social contributions (financial and material) and skills development
- Sound corporate governance and Sasfin acting as a responsible corporate citizen
- Responsible use of our natural resources

### Who manages the relationships?

- Employees
- Relationship managers

### Sasfin creates value for them by:

- Providing banking services
- Helping our suppliers and partners to contribute towards the broader economy
- Positioning ESG considerations at the forefront of our business practices
- Creating internal efficiencies in Sasfin's use of electricity, water and other natural resources
- Focusing leadership attention on transformation at all levels to shape a more inclusive business and broader economy
- Facilitating regular volunteer programmes to assist CSR

### How did we interact in 2020?

- Engaged with CSR projects that we fund in our communities
- Various SME and Digital Advisory Council webinars
- Webinars hosted by Sasfin Wealth Portfolio Managers

### Key outcomes for 2020

- Sasfin supported a range of CSR programmes, with an emphasis on school feeding projects, during lockdown
- The Group contributed to the Solidarity Fund to assist the vulnerable
- Increasing diversity at senior levels in the short term remains an ongoing challenge and focus area
- The SEC revised its mandate, reset its vision and set out priorities for the next three-year cycle to align with the Group 2025 strategy and its focus area of transforming our society

## OTHER STAKEHOLDERS

### Some of our other stakeholders:

- Ratings agency (GCR)
- Member bodies (BASA)
- Financial media
- Buy/sell-side analysts

### Who manages the relationships?

- Group CEO and Group FD
- Head of Debt Capital Markets
- Investor relations

### How did we interact in 2020?

- Roadshows and events
- Ad hoc meetings with potential investors and funders, analysts, credit rating agencies and media during non-closed periods

### What is important to them?

- Transparency and regular dialogue
- Value-adding information and thought leadership insights

### Sasfin creates value for them by:

- Providing novel insights and alternative views
- Promoting challenger bank interests in member body dialogues
- Providing regular financial and strategic reporting updates

### Key outcomes for 2020

- Sasfin represented the interests of independent banks in BASA Board deliberations to support the resilience of the South African banking sector and engage with regulators
- Launched the Sasfin content hub as a portal for distribution of industry insights, local and global market commentary, and relevant information for clients and the public

# RISK MANAGEMENT AND OVERVIEW 11



**Stewart Tomlinson CA(SA)**  
**Chief Risk Officer**

## Sasfin's Group Risk Department:

- Aims to be an integral, value adding and strategic risk management partner enabling Sasfin to achieve its objectives through the application of good corporate governance, within the Group's risk appetite
- Enables the reporting of accurate, complete, timely, comprehensive and useful risk information to the Mancos, Exco, Board and Board committees
- Supports the combined assurance model by centralising risk and compliance data, increasing efficiency and improving reporting and trend analysis
- Supports the Group's strategy by promoting organisational capacity to improve value creation and value protection cc

## Highlights

- Significant upskilling of the Group Risk team in line with our top risks focus, and having the entire team able to work at home
- Realignment of the RDARR project
- Continued improvement in risk processes including
  - Established a quantitative risk management team, which has significantly enhanced the Group's quantitative risk and analytics capabilities
  - Rebased and enhanced the internal capital adequacy assessment process (ICAAP) and the recovery plan
  - Introduced a model risk policy and model validation standard to improve risk modelling
  - Good progress in the capital model and stress testing capabilities
  - Improved risk reporting to stakeholders
  - Refreshed the ERM framework, Board risk appetite and Group Risk and Capital Management Committee (GRCMC) charter
- Independent risk oversight of projects
- Assisted the Group with the new regulatory requirements
- Increased focus on combined assurance
- Group-wide consolidated response to Covid-19

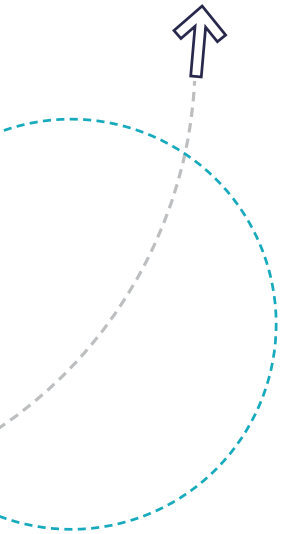
## Challenges

- Ensuring appropriate risk ownership by line management (being addressed by ongoing training)
- Accessibility of accurate and up to date data for risk reporting and monitoring (being addressed by the RDARR project)

Risk management is an essential component of value creation and the protection of that value. Implemented effectively, it improves performance, encourages innovation and supports the achievement of Sasfin's strategic objectives.

## Governance and risk management

**Sasfin's well-established integrated risk management philosophy** aims to ensure that the diverse risks and opportunities across the Group are identified and proactively addressed within acceptable parameters through appropriate governance structures, processes, policies and frameworks, while supporting business growth.



Our integrated approach to risk management is organised to optimise its performance and embed strategic risk capabilities throughout the Group. Risks are assessed, managed and monitored from an enterprise-wide perspective. The Board is ultimately responsible for risk management, sets the risk appetite and approves policies and limits. Sasfin uses four lines of defence to ensure accountability and distinguish between owning and managing risk, overseeing risks, and providing independent assurance (page 108).

Risk-related policies and frameworks are approved through a formal governance process and approved by the GRCMC and the Board. The annual risk plan is approved by the Executive Governance Committee, GRCMC and GACC (as part of combined assurance).

Group Risk is a centralised function that monitors and provides guidance to business units to ensure they follow the ERM process. The Chief Risk Officer reports to the Group CEO and has direct access to Board members and the Chair of the GRCMC.

The Board establishes the Group's appetite for risk in the context of its overall objectives and determines how to cascade the risk appetite down into the Group through appropriate risk tolerances and limit structures. Business units with significant risks have dedicated business unit risk managers, and other business units have risk champions who have defined risk responsibilities in addition to their business roles. Business unit risk managers develop a comprehensive risk assessment for their business unit, process or function, and considers, the residual risk profile relative to the Group, to the objectives of the business unit, process or function, and to the relevant risk tolerances/limits.



Sasfin's enterprise risk management (ERM) process is embedded into how we do business and is informed by relevant regulations, guidelines and standards, including the Banks Act, and ISO 31000:2018 Risk Management Principles and Guidelines. ESG risks are assessed through the social and environmental management system, which provides a way to assess lending and client practices.

The business unit risk assessments are rolled up into a Group-wide risk dashboard to ascertain whether the Group's residual risk profile is commensurate with Sasfin's overall objectives and risk appetite. New products, services, acquisitions and projects are obligated to take cognisance of risk appetite and tolerance levels. The risks identified by business units are compared to those identified by Group Exco and the Board through its stated risk appetite and strategic risk assessment.

Material risk events are managed in terms of an escalation matrix, and Group Risk collates, analyses and reports risk events to the GRCMC. Any trends identified from risk events are addressed accordingly.

## EFFECTIVENESS ASSESSMENT

The ERM process is reviewed annually and includes a consideration of current and emerging risk management techniques, research, trends and new or changing regulations that impact risk management. Regular process reviews in the business units assess if risk management principles and processes are embedded. Group Risk engages regularly with business units to monitor the effectiveness of risk management, and Group Risk is represented at all Pillar Manco meetings to ensure that ERM receives the necessary attention.

We assess the effectiveness of risk structures and practices across several structures on an ongoing basis. These include the annual Group risk attestation by the Chief Risk Officer for the GRCMC and Board to affirm that Sasfin has a fit-for-purpose ERM framework in place. A crisis simulation test is planned for 2021.

Group Internal Audit conducts ad hoc reviews of the Group Risk Department, and their findings are remedied and implemented into risk processes and functions. No such review was done in 2020. An annual business partner survey is submitted to all business units to assess the effectiveness of the risk function in the Group.

The Prudential Authority conducts site visits to review the effectiveness of Group risk policies, frameworks and processes, including applicable governance structures. Formal feedback is provided to the Board and relevant committees.

Several on-site visits were conducted during 2020 with the Prudential Authority, with the key meetings from a risk perspective being:

- The annual Chief Risk Officer prudential meeting: The Prudential Authority noted that Group Risk had upskilled the team in line with its focus on the top ten risks, and specifically enhancing its credit oversight capabilities, implementing additional models and stress test competences, as well as aligning with the IFRS 9 requirements
- Two RDARR update meetings to review progress, challenges and expectations were held. The project has been rebased to focus on the Group's key risks
- A graph discussion comparing Sasfin's metrics against peers based on completed BA returns
- Market risk on-site review: To assess Sasfin's current market risk policies and processes and to discuss the upcoming Basel amendments

## RISK APPETITE

Group risk appetite and risk tolerance are defined by the Board, formalised in risk appetite statements and relevant metrics, and further broken down into measurable tolerance levels. Quantitative risk appetite statements and measurable tolerance levels are in place for credit, market, investment, funding and liquidity, capital management, operational and business risks.

Risk appetite is derived with a consideration of risk and capital management, which is embedded into the forecasting process and incorporated in stress testing. It is assessed in the context of a range of criteria, including relevant market analysis, market liquidity and business strategy, and informs business unit targets and risk acceptance/tolerance limits. The Board risk appetite is reviewed at least annually to ensure that risk tolerance levels are appropriate and complete. The last major review was in June 2019, with minor amendments in 2020. Based on the significant effect on the Group of the Covid-19 pandemic, Sasfin decided to postpone the review of the risk appetite metrics to the first quarter of the new financial year, so that it would be aligned to the Group's five-year forecast.

Group Risk monitors performance against the Board risk appetite on an ongoing basis and, in the event that the risk appetite is breached, it is immediately escalated to the GRCMC and Board. Adherence to the Board risk appetite is monitored quarterly by the GRCMC and Board.

The rectification of the on-going breaches in the ROE and cost-to-income ratios remain a strategic priority of the Group. Management remained conscious of the difficult economic conditions, even before the effects of Covid-19, and will carefully monitor the consequential deterioration in the credit quality of the Group's loans and advances. Refer to the Group CEO and Group FD report on page 29.

## Priorities in 2020

<p><b>Responding to Covid-19</b></p>	<p>Group Risk was integrally involved in the Group’s Covid-19 task team and conducted regular and robust stress testing, including back testing, to understand the impact of the pandemic. We monitored and reported the nature of risk incidents, and revised risk assessments to add identifiable new risks. We also delivered ongoing training and awareness such as fraud risk in the working from home scenario.</p>
<p><b>Continuously improving risk management processes, including modelling and forecasting</b></p>	<p>We established a quantitative risk and analytics team to ensure that risks emanating from Sasfin’s business are modelled proactively and that optimal working methods are created. This supports improved modelling of governance and oversight, financial risk analytics, forecasting and stress testing.</p> <p>A model risk policy and model validation standard were established to ensure that models are used appropriately and can be relied upon to produce the correct outputs.</p> <p>We reviewed and updated the ICAAP that supports our capital and risk allocation processes and ultimately determines our capital adequacy. As part of the process, we aligned the ICAAP to our revised ERM framework and considered the feedback from independent reviews.</p> <p>We also improved our capital forecasting, liquidity modelling, and stress testing capabilities. We worked on improving the risk maturity within the Group and the combined assurance model.</p> <p>Risk reporting was improved in all forums, including new risk dashboards and, in particular, the enhanced operational risk dashboards generated from Isometrix. The enhancement of our reporting is an ongoing area of focus to ensure accessibility to accurate and up to date data for risk reporting and monitoring.</p>
<p><b>Updating Sasfin’s recovery plan</b></p>	<p>The Group recovery plan was also revised and updated based on the ERM framework, to implement feedback from the Prudential Authority and to align it to the updated ICAAP. It was reviewed through a robust governance process involving Group Risk, Group Finance, Group Treasury and the Executive Governance Committee Forum and it was approved by the GRCMC and Board.</p>
<p><b>Digitising the risk function</b></p>	<p>We have an ongoing focus on digitising the risk function to ensure ongoing effectiveness of the control environment and applying technology to better address regulatory expectations in key areas such as risk measurement, aggregation and reporting. The quantitative risk and analytics team contributes by enhancing and creating models to improve efficiency and the quality of risk decisions.</p> <p>Data, analytics and IT architecture are key enablers for digital risk management, and the completion of the enterprise data warehouse project will improve the extraction and use of data for digitised monitoring and early warning. We aim to focus on the aggregation of credit risk and market risk data, which will provide a streamlined reporting process. Operational risk is already aggregated in our Isometrix risk reporting system, which provides Group-wide reporting and logging of incidents monitoring and trend analysis of KRIs and monitoring overdue actions for risk assessments.</p>

## FOCUS FOR 2021

To remain relevant from an operational risk perspective, Sasfin needs to move beyond traditional risk management to more integrated data structures for early risk identification, remediation and value creation, while remaining cost effective. As we continue digital transformation, the availability and range of data will become easier to access and more readily available for consideration and potential inclusion in the operational risk model. This will permit greater predictability and probability to determine current risk levels.

The approach to operational risk will be refined and we will develop the risk management system to enhance reporting and risk tools. The introduction of the standardised measurement approach in terms of Basel III in January 2022 will fundamentally change operational risk capital requirements. The impact thereof is still being assessed.

With the aid of our new quants team we continue to develop the capital model and forecasting capacity, as well as supporting the regulatory team. We will be consolidating the Group Treasury liquidity models into a holistic internal liquidity adequacy assessment process. We aim to improve credit portfolio information, credit models and further develop credit reporting throughout the Group. We are also enhancing our market risk reporting to take account of internal needs and the recent Basel developments.

We will support the IT Department with entrenching information security objectives within the Group and the rollout of cybersecurity measures, with special focus on employee training. We will work with Group Compliance to develop suitable monitoring measurements. We aim to integrate ICAAP into the funds transfer pricing model, develop a pricing model (return on risk weighted assets) and margin analysis.

We will continue to support business in better understanding their risks through the risk assessment process, which ultimately rolls up to provide the Group with improved oversight of the risks.

# Key risks and opportunities

The ongoing weak economic environment and continued political uncertainty led to increased risk for the first three quarters of the year, and it rose dramatically with the Covid-19 pandemic reaching South Africa. The downgrade of the country's sovereign credit rating in March 2020, while to an extent lost in the greater concern regarding Covid-19, is likely to have implications for the economy in the medium to long term. Sasfin is directly impacted by these developments and also experiences increased risk through its impact on our client base and broader socioeconomic conditions.

Covid-19 is classified as an unexpected risk – a risk with a low likelihood but catastrophic impact – that impacts various of Sasfin's key risks. It contributes to credit risk remaining a material concern and will impact client defaults and credit appetite for securitisation notes. Stress tests were performed on the ICAAP model to assess the financial impact that the pandemic could have on Sasfin's capital adequacy position. The Group is well above the regulatory and Board risk appetites. We have had to align our business processes as regulations changed or were amended, imposed or relaxed. Refer to page 13 for a summary of Sasfin's response to Covid-19.

The concerns over the governance and financial performance of state-owned enterprises are well known, but the fact that the Land Bank was allowed to default on its payment obligations was unexpected, based on its significant role in the South African agricultural economy. Refer to the Group CEO and Group FD review on page 31 for more insight.

For our top 10 risks, we unpack the risk and its potential impact and opportunities, its residual risk rating, the Board committee that provides oversight, as well as Sasfin's level of control over the risk. We also include key developments in how the risk is managed and whether we expect the risk to increase or decrease over the short term. Board committee reports are included from page 100.



## 1. CREDIT RISK

### Risk description and potential impact

The risk of financial loss resulting from a client's failure to meet a contractual obligation. This includes concentration, credit default, counterparty/ settlement and securitisation risk.

Improper credit risk management reduces the Bank's profitability, affects the quality of its assets and increases credit losses and non-performing loans which may eventually lead to financial distress.

### Opportunities arising from managing this risk


The goal of credit risk management is to maximise the risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

Increased credit risk awareness facilitates better operational and strategic decision-making across the Group.

### Key developments in 2020

- Credit risk increased significantly due to the impact of Covid-19 and the subsequent lockdown, on top of the ongoing challenging business conditions
- The impact of Covid-19 related payment holidays and the effect of the lockdown on credit risk were assessed
- Sasfin participated in the Covid-19 loan scheme
- The RDARR project will improve the quality of the data and reporting

Refer to material matters on page 17 and the Group CEO and Group FD review starting on page 29.

<b>Year-on-year movement</b> Increased	<b>Anticipated short-term trend</b> Increasing
<b>Level of control</b> Medium	<b>Board oversight</b> CLEC
 Risk rating <sup>1</sup>	

## 2. MARKET RISK

### Risk description and potential impact

The risk of change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as interest rates and exchange rates.

Market risk affects our financial performance. The performance of equity markets also impacts the Wealth Pillar through the fees earned on assets under management, administration and advisement.


### Opportunities arising from managing this risk

We operate within a tightly controlled market risk appetite. However, the increased market volatility does provide additional opportunities for certain business units.

### Key developments in 2020

- Local markets remained weak and global market volatility increased significantly due to Covid-19
- The process of managing market risk relies on the use of models, and information on how we improved modelling and forecasting, and progressed the digitisation of the risk function, is on page 83
- The RDARR project will also improve the quality of the data and reporting

Refer to material matters on page 17, the Group CEO and Group FD review starting on page 29 and the Pillar performance reviews starting on page 43.

<b>Year-on-year movement</b> Increased	<b>Anticipated short-term trend</b> Increasing
<b>Level of control</b> Medium	<b>Board oversight</b> GRCCM
 Risk rating	

<sup>1</sup> The ratings indicate the residual risk as at 30 June 2020, after considering the adequacy and effectiveness of any control measures.

### 3. FUNDING AND LIQUIDITY

#### Risk description and potential impact

The risk that the Group may not have, or is unable to generate, sufficient funding or cash resources to meet its short- and long-term obligations immediately as they fall due.

Funding liquidity risk has played a key role in all historical banking crises.


#### Opportunities arising from managing this risk

Managing this risk represents an opportunity to enhance returns and improve product pricing through granular measurement of funding and liquidity costs of individual transactions and products.

#### Key developments in 2020

- Developed a funds transfer pricing model, to charge the business units a more accurate cost of funding (refer page 41)
- The credit downgrade and default by the Land Bank of its payment obligations (refer page 41)
- We are closely monitoring the Covid-19 impact on the credit matrix of our securitisation vehicle

Refer to the Group CEO and Group FD review starting on page 29.

Year-on-year movement No movement	Anticipated short-term trend Increasing
Level of control Medium	Board oversight ALCO
 Risk rating	

### 4. CAPITAL MANAGEMENT RISK

#### Risk description and potential impact

The risk of the Group's capital position falling outside of the range required to support its strategic aims.

This can lead to a breach of regulatory requirements and inadequate capital in respect of all risk exposures.


#### Opportunities arising from managing this risk

Effective capital risk management protects the capital of the Group, avoids financial distress and maintains financial performance within the bounds acceptable to shareholders while optimising financial performance through reducing the cost of capital.

#### Key developments in 2020

- Updated the ICAAP
- Enhanced the capital forecasting model
- Explored potential forms of capital-enhancing debt funding, reduced relative exposure to private equity and reduced intangible assets
- Greater emphasis on balance sheet management

Refer to material matters on page 17 and the Group CEO and Group FD review starting on page 29.

Year-on-year movement No movement	Anticipated short-term trend Stable
Level of control Medium	Board oversight GRCMC
 Risk rating	

### 5. REPUTATIONAL RISK

#### Risk description and potential impact

The risk of impairment of the Group's standing.

Reputational damage can have far reaching consequences including lost revenue and clients, increased operating costs, capital or regulatory costs and eroding or destruction of shareholder value. Extreme cases can even lead to bankruptcy.


#### Opportunities arising from managing this risk

The effective management of reputational risk across social media platforms provides an understanding of what competitors are dealing with, and how they react. This can create opportunity to help us get ahead of potential emerging risk issues. Proactive communications can remind stakeholders of our core values and the impact it may have had on local communities and society.

The positive correlation between the investments' performance of Sasfin Wealth and the inflow of funds.

#### Key developments in 2020

- The Digital Advisory Council hosted webinars relating to Covid-19 (page 67)
- Released a video series, in partnership with SME Africa, to equip entrepreneurs to navigate Covid-19 (page 14)
- Sasfin BCI Flexible Income Fund won the Raging Bull award for the best South African multi-asset income fund over three years for the second year running
- Wealth Investment Oversight Committee continued to review the investment performance of the various portfolios

Year-on-year movement No movement	Anticipated short-term trend Stable
Level of control High	Board oversight GRCMC SEC WIOC
 Risk rating	

## 6. OPERATIONAL RISK

### Risk description and potential impact

The risk of financial loss resulting from inadequate or failed internal processes, people or systems, or from external events.


Among the various risks facing organisations, operational risks are regarded as being the most important because they can lead to the destruction of an organisation.

### Opportunities arising from managing this risk

Managing this risk can lead to better, more effective and more reliable operations which can reduce losses from damages, threats, illegal activities and exploits. It can also lower the cost of compliance, improve capital deployment and enhance the client experience.

### Key developments in 2020

- Ongoing enhancements to the risk management system
- Review of the business continuity management strategy and requirements
- Increased focus on process reviews to proactively identify potential control failures
- Reporting and dashboard capability enhancements
- Risk assessment reviews completed and updated for all business units and key projects

Year-on-year movement Increased	Anticipated short-term trend Stable
Level of control High	Board oversight GRCMC
 Risk rating	

## 7. COMPLIANCE RISK

### Risk description and potential impact

The risk of sanctions as a result of non-compliance with laws, regulations and internal governance requirements.

This can lead to financial penalties and fines and/or the loss of our banking licence.


### Opportunities arising from managing this risk

Compliance practices provides greater clarity and confidence around the regulatory risk framework and our ability to manage regulatory change. It can also identify process improvement opportunities to ensure the effective and consistent management of compliance and regulatory obligations.

### Key developments in 2020

- FSCA/Prudential Authority indicated they do not expect freezing or closure of accounts due to the inability of banks to conduct client due diligence as a result of Covid-19 lockdowns
- The Prudential Authority issued Covid-related directives relating to the treatment of restructured credit exposures, temporary capital relief and temporary measures to aid compliance with LCR
- The Prudential Authority also issued guidance on IFRS 9 application and dividend and bonus payments within the context of Covid-19
- We have made good progress with the POPIA project

Refer to material matters on page 17 and the compliance review on page 105 for further detail.

Year-on-year movement No movement	Anticipated short-term trend Stable
Level of control Medium	Board oversight GACC
 Risk rating	

## 8. BUSINESS RISK

### Risk description and potential impact

The probability of losses or reduced profits arising from the Group's strategic direction or environment (such as competition and adverse economic conditions).

This could result in the inability to provide investors and shareholders with adequate returns.


### Opportunities arising from managing this risk

The ability to manage business risk helps Sasfin to act more confidently in future business decisions. It can further minimise financial losses and lost time and productivity and enhance the client experience.

### Key developments in 2020

- The weak economic growth in the country and increasing Government debt was already affecting business confidence before the Covid-19 pandemic
- Covid-19 represents a significant increase in business risk and have a material impact on income, as demand for our financial products has reduced combined with lower interest rates, credit appetite and increased impairments and provisions
- Progress has been made in simplifying the Group's structure, with Sasfin HRS no longer being a subsidiary and the decision to onshore Sasfin Asia

Refer to the review of our strategy starting on page 34.

Year-on-year movement Increased	Anticipated short-term trend Increasing
Level of control Medium	Board oversight GRCMC
 Risk rating	



## 9. INVESTMENT RISK

### Risk description and potential impact

The risk of adverse change in the value of an investment in a company or fund.

Investment risk management can reduce or augment the risk exposure depending on the goals of investors and portfolio managers.


### Opportunities arising from managing this risk

Investment risk management promotes consistent profits in variable market conditions and can reduce or augment risk exposure.

### Key developments in 2020

- The impact of Covid-19 and the lockdown affects the viability and valuation of all companies, including current and potential investee companies, and has a significant impact on local and global markets
- Covid-19's impact on the valuations of the Capital Pillar's private equity portfolio resulted in a net loss of R72.105 million

Refer to the Group CEO and Group FD review starting on page 29 and the Capital Pillar performance review on page 53.

Year-on-year movement Increased	Anticipated short-term trend Increasing
Level of control Medium	Board oversight CIC
 Risk rating	

## 10. IT RISK

### Risk description and potential impact

The potential for IT incidents to negatively impact the Group strategy and disrupt core business processes.

The risk of technology becoming outdated could result in lost business and decreased competitive advantage. Information security risk, including cyberattacks, could lead to business interruption, reputational damage and even fines and penalties.


### Opportunities arising from managing this risk

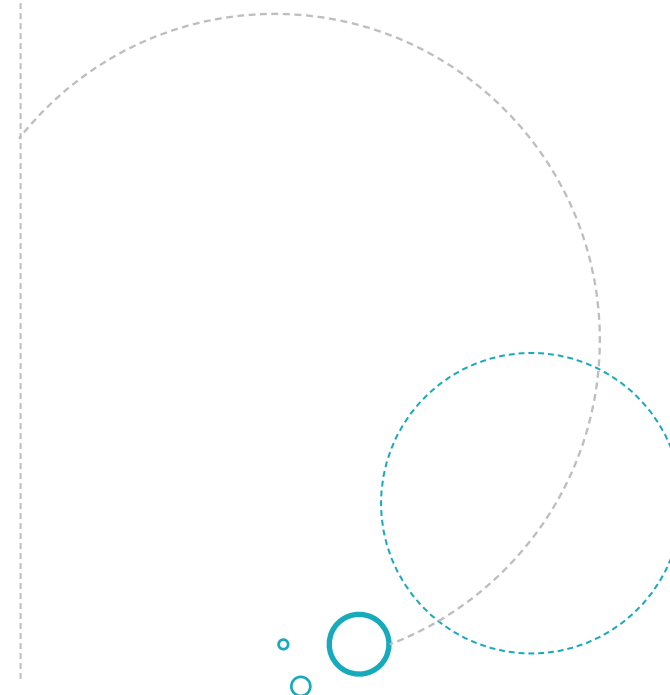
IT risk management helps increase network security, reduces management costs, achieves greater compliance and supports readily available and comprehensive information for decision-making.

### Key developments in 2020

- Work from home capabilities enhanced following Covid-19 lockdown
- Cyberattacks increased significantly towards the end of the year, with March reporting the highest volumes
- Strengthened employee awareness by continued cybersecurity training
- A new project management methodology was introduced, combined with streamlined project steering committees
- Data quality continued to be a key focus

Refer to the information and technology performance review starting on page 63 for more detail.

Year-on-year movement Increased	Anticipated short-term trend Stable
Level of control Medium	Board oversight ITC
 Risk rating	



# GOVERNANCE PRACTICES AND OUTCOMES

## 2020 governance at a glance

The Board is the custodian of corporate governance and leads the Group in its commitment to doing business ethically and with integrity, within the construct of laws and regulations and as an integral part of our ways of work. The Board brings independent judgement to achieve robust and transparent risk management and decision-making and, in doing so, promotes the best interests of all stakeholders.

### Governance improvements during 2020

- Redefined the SEC's mandate and priorities and appointed an independent Chair
- Formed a Business Strategy Committee at Group Exco level
- Updated and enhanced the terms of reference for all Board committees
- Implemented annual work plans for all Board committees in order to improve committee accountability and enhance the members' abilities to uphold their fiduciary duties

### The Board's top priorities in 2020

Certain main themes emerged within the rapidly changing business environment as the Covid-19 pandemic unfolded. The Board:

- Oversaw the Group's response to Covid-19, and monitored its impact on the Group and its clients
- Focused on information technology governance and cybersecurity risk management
- Evaluated the Arise transaction
- Evaluated Sasfin's exposure to the Land Bank
- Monitored the Group's cost-to-income and ROE ratios, and drove improved cost management
- Reviewed the internal capital adequacy process
- Monitored progress and risks related to the RDARR project
- Prioritised Board composition and achieving a balance between independence and continuity on both the Board and its committees

### Board changes (page 92): Strengthening the collective expertise of the Board was one of the key priorities in 2020:

Appointed Eileen Wilton and Thabang Magare as Independent Non-Executive Directors to the Group and Sasfin Bank Limited.	Appointed Roland Sassoon (previous Group CEO) as a Non-Independent Non-Executive Director to the Group and Sasfin Bank Limited.	Shahied Rylands (previous Lead Independent Director) retired due to his tenure exceeding nine years.	After year-end, the Board was further strengthened by the appointments of Deon de Kock and Nontobeko Ndhrazi.
Appointed Richard Buchholz as the Lead Independent Director for the Group and Sasfin Bank Limited.	Linda De Beer and Gugu Mtetwa resigned due to potential conflicts of interest.	Gloria Serobe resigned from the Board because of additional commitments including assuming the role of Chair of the President's Solidarity Fund.	

## Governance and value creation

The Board, supported by management, leads the way in setting the strategic objectives and risk appetite for the Group, and for the culture, values and behaviours of our people.

We subscribe to the highest standards of integrity and ethical business, which guide our day-to-day actions beyond the boardroom and filter down into all areas of the Group. Through effective and appropriate governance practices we are able to drive long-term value creation for stakeholders, while exercising suitable control and maintaining our client-centric approach and entrepreneurial spirit.

We operate in a dynamic environment, which requires us to review governance practices regularly and revise them to reflect changes in laws and regulations, the competitive landscape, operational and economic factors, as well as the interdependence between the Group and society. Our policies are aimed at ensuring that the Group's activities are conducted responsibly and are intended to drive the Group's key strategic focus areas. The Board takes ownership of ensuring accountability for the Group's performance and debates strategic matters openly and constructively.

### THE BOARD 7

The Board is constituted in terms of Sasfin's Memorandum of Incorporation (MOI) and its functions and composition are determined by reference to a number of factors, such as:

- The Board charter which is based on King IV™
- The corporate governance principles for banks issued by the Basel Committee on Banking Supervision
- Laws and regulatory requirements
- The society in which we operate and the macro economic environment
- The broad array of financial products offered by Sasfin to a wide range of consumers, which informs the specialist knowledge required by Board members to evaluate and support the Group

The Board sets the direction and follows an approved process to attain the appropriate balance of knowledge, skills, experience, diversity and independence. The DANC supports the Board in discharging its responsibilities in this regard.

The Board comprises a diverse group of skilled directors from varying backgrounds in terms of demographics, skills and experience. The majority of Board members, including the Chair, are Independent Non-Executive Directors. The Board members' complementary skill sets and leadership abilities allow them to work together to drive sustained value for the Group. The roles of the Chair and Lead Independent Director are outlined in the Board charter which is available at [www.sasfin.com/investor-relations/#corporate-governance](http://www.sasfin.com/investor-relations/#corporate-governance).

Sasfin's policy on the balance of power is articulated in the Board charter<sup>1</sup> and forms part of the policy on the appointment of Directors and Executive Officers.

<sup>1</sup> <https://www.sasfin.com/media/3711/sasfin-holdings-limited-charter-july-2020.pdf>

## Sasfin's Board as at 30 June 2020



DANC, REMCO,  
WIOC

### ROY ANDERSEN (72)\*

**Independent Non-Executive Chair of Sasfin Holdings Limited and Sasfin Bank Limited**

CA (SA), Certified Public Accountant (Texas), Chartered Director (SA)

Roy Andersen has served on the boards of 12 listed companies in South Africa and the United Kingdom. His financial services experience arises from his tenures as President of the JSE, CEO of Liberty Life and Chair of Sanlam.

Roy is also a member of the King Committee on Corporate Governance and brings considerable expertise in the areas of corporate governance, remuneration, finance and accounting.



DANC, ALCO,  
GRCCM, GACC,  
CLEC

### RICHARD BUCHHOLZ (62)

**Lead Independent Non-Executive**

BCom, CA(SA)

Richard has spent most of his career in banking and financial services. At Nedbank he was executive head of credit risk monitoring, corporate and international credit, and managing director of the business banking division, before starting the corporate restructuring division at KPMG.

Richard was later appointed executive head of risk for Nedbank Rest of Africa, where he had risk oversight responsibility for all the African subsidiary banks of Nedbank. During this time, he served as a non-executive director on Nedbank Namibia, Nedbank Zimbabwe and Banco Unico in Mozambique. He also served on the board credit, capital and risk management and audit committees of these banks.



DANC, GACC,  
CIC, CLEC, ALCO

### MARK THOMPSON (67)

**Independent Non-Executive**

BCom LLB, BAcc, CA(SA)

Mark was formerly Chief Financial Officer and Executive Director of Sappi Limited, having retired in September 2012. Sappi's extensive world-wide operations afforded him 13 years of high level, wide ranging international finance and general business experience in a highly competitive global industry.

He was also the senior executive on the Sappi Group Audit Committee and a member or Chairman of various subsidiary Audit and Risk Committees in Europe, the USA, South Africa and Asia. He is highly skilled in matters pertaining to risk management, credit, banking compliance and balance sheet management.



DANC, REMCO,  
CIC, CLEC,  
GRCCM

### GRANT DUNNINGTON (60)\*\*

**Independent Non-Executive**

BCom, Certified Associate of the Institute of Bankers, Executive Management Programme

Grant is a seasoned banker having spent 16 years with the FirstRand Group and brings to bear his extensive experience across all banking disciplines in his engagements at committee and Board level. He also spent 17 years as Group CEO of SBV Services.

His banking expertise is complemented by expertise in logistics, risk management, human resources, strategic planning and corporate governance.



DANC, REMCO,  
ITC, SEC, GRCCM

### EILEEN WILTON (61)

**Independent Non-Executive**

BCom, HDip in Education, PG Dip in Digital Business, Certificate in Cybersecurity

Eileen is currently the CEO of Crayon Digital, a consultancy which provides specialist services in leadership development, business and digital strategy development and strategy execution planning services. She previously served as CEO of the information communication technology company Gijima, Chief Information Officer (CIO) of Old Mutual and was the global CIO of Anglo American.

She brings considerable IT and digital expertise to the Board, complemented by expertise in strategy, corporate governance, risk management, ESG matters and stakeholder relationships.

She currently also serves on the Board of the IoDSA.



DANC, ITC, GACC

### THABANG MAGARE (40)

**Independent Non-Executive**

National Diploma – Financial Information Systems, CA(SA), CTA Post Graduate Certificate in Financial Accounting

Thabang's experience spans 14 years in the audit and advisory space within financial services, and between 2013 and 2019 he served as a partner at Deloitte within the financial services unit.

His experience extends to strategic oversight, risk management, governance, valuation of financial instruments and companies, IFRS and foreign currency transactions.



CIC, DANC,  
GACC, SEC

### GUGU DINGAAN (44)

**Non-Executive**

BCom, PGDip (Accounting), Executive Development Programme, CA(SA)

Gugu is an investment executive at WIPHOLD and has experience in corporate finance and investment spanning over 15 years, and she has also worked on mergers and acquisitions, transaction structuring and valuations.

In her current role at WIPHOLD she is responsible for growing WIPHOLD's investment portfolio.



DANC, ITC,  
GRCCM, GACC,  
CIC, CLEC, WIOC

### SHAUN ROSENTHAL (56)

**Alternate Non-Executive**

CFA, B.Bus.Sci, CA(SA)

Shaun is a founding member of WIPCapital and co-head of investments for the WIPHOLD Group. Shaun's direct operational expertise spans investment management, private equity, corporate finance (including valuations, mergers and acquisitions, transaction structuring and capital raising) and trade and debtor finance.

He has general experience in strategy, governance and transformation, with specific industry experience in asset management, treasury management and stockbroking.

*Committee abbreviations are available in the committee reports starting on page 100.*

\* Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.

\*\* Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.



DANC, ALCO ITC,  
GRMC, GACC,  
CIC, CLEC, SEC,  
WIOC

**MICHAEL SASSOON (38)**

**Executive Group CEO**

BCompt, MBA

Michael was appointed Group CEO of Sasfin Holdings in 2018 and CEO of Sasfin Bank Limited in 2019. Prior to assuming the Group CEO role, Michael was responsible for many areas of the Group including having led and grown both Sasfin Wealth and Sasfin Capital.

He has been involved in many areas of the banking operations and was appointed to the Sasfin Board in 2013, and as an Executive Director of Sasfin Bank in 2015.



DANC, ALCO ITC,  
GRMC, GACC,  
CIC, CLEC, SEC

**ANGELA PILLAY (45)**

**Executive Group FD**

BCom, MCom, Executive Leadership Course, CA(SA)

Angela is a Financial Director with more than 15 years of banking experience in designing, leading and implementing a broad range of initiatives to support business strategy.

She brings vital banking and financial management skills in terms of balance sheet management, IFRS, capital allocation and liquidity management.



ALCO, DANC,  
CIC, CLEC

**ROLAND SASSOON (74)**

**Non-Executive**

FCIS

Roland joined his family's textile merchandising business, Sassoon's Textiles, in 1962 and was instrumental in transforming the business into a trade, debtor and equipment finance business, which was then renamed Sasfin (Pty) Ltd and subsequently changed to Sasfin Bank in 1999.

After spending 10 years with four banking and financing companies, Roland re-joined Sasfin in 1977 where he served as CEO until he retired in 2018.

Roland brings to the Board his strong corporate memory and banking and financing skills extending to credit, securitisation and mergers and acquisitions.

**Appointments after year-end**



**DEON DE KOCK (65)**  
**Independent Non-Executive**

Executive programmes at the Business Schools of the University of Cape Town and Stanford University, California

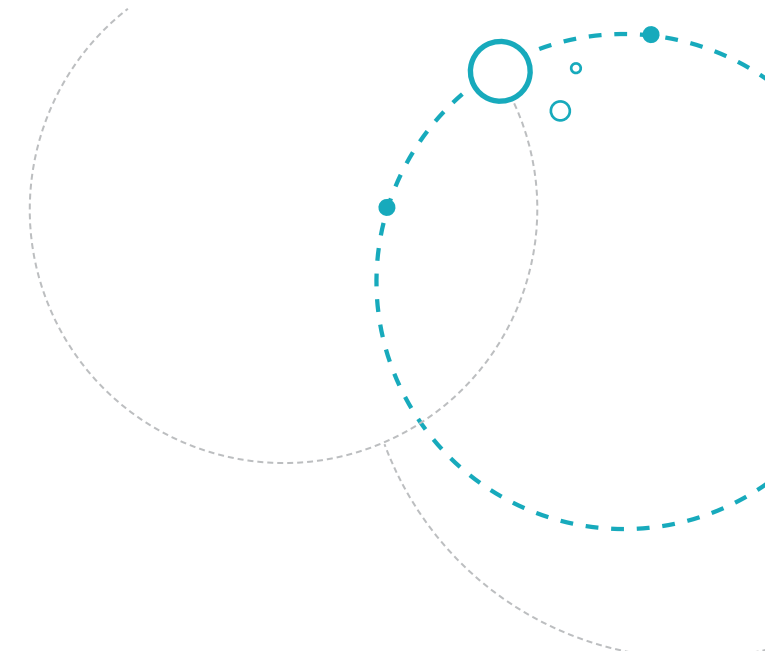
Deon is the recently retired Chair of Mercantile Bank. His most recent roles include CEO of Woolworths Financial Services and executive director of Woolworths Holdings. His general management skills and expertise in strategy development and implementation, together with his experience operating in a highly regulated environment will add much value to the Board.



**NONTOBEKO NDHLAZI (45)**  
**Non-Executive**

BCom, Post Graduate Diploma in Accounting

Nontobeko has been the Group Chief Financial Officer of WIPHOLD since 2011, and brings significant financial expertise to the Board, including reporting, budgeting, cash management, tax management, risk management and strategic planning and forecasting. Before joining WIPHOLD, she was a director in Deloitte's financial management consulting division.





## DIVERSITY

The Group's broad range of financial products and services requires a diverse Board with different perspectives and specialist knowledge sets to evaluate and support Sasfin. The Board is also cognisant of the need to achieve balance, diversity and transformation and has set targets for its composition – 35% black directors and 35% female directors – in the Board's charter. The Group's Board representation did not meet these targets as at 30 June 2020. Only 30% was achieved for both female and black representation, largely due to the resignation of Gloria Serobe, Linda de Beer and Gugu Mtetwa.



Thabang Magare's appointment strengthens the independent audit skills of the Board and resulted in increased diversity. Subsequent to Gloria Serobe's resignation which was a big loss to the Group, the Board appointed Nontobeko Ndhrazi, effective 19 August 2020, who brings strong finance experience to the Board.

The Board remains committed to achieving the agreed diversity targets and continues to prioritise the recruitment of candidates from diverse backgrounds, in line with the Board succession planning outlined adjacent.

### Gender<sup>1</sup>

	2020	2019	2018	2017
				
<b>Female</b>	<b>3/11</b>	<b>5/12</b>	<b>5/12</b>	<b>3/10</b>
Target (%)	35	35		
Actual (%)	27	42		
				
<b>Male</b>	<b>8/11</b>	<b>7/12</b>	<b>7/12</b>	<b>7/10</b>

### Demographics<sup>1</sup>

	2020	2019	2018	2017
				
<b>Black</b>	<b>3/11</b>	<b>5/12</b>	<b>5/12</b>	<b>3/10</b>
Target (%)	35	35		
Actual (%)	27	42		
				
<b>White</b>	<b>8/11</b>	<b>7/12</b>	<b>7/12</b>	<b>7/10</b>

<sup>1</sup> As at 30 June 2020.

## BOARD CHANGES AND SUCCESSION

The DANC supports the Board in assessing the mix of competencies and skills of the directors. If any gap is identified or anticipated, appropriate action is taken.

The selection process of new directors includes reviewing whether the candidate is a "fit-and-proper" person who possess the required knowledge, appropriate skills, experience and soundness of judgement to discharge his/her fiduciary duties, that is consistent with the nature, complexity and risks inherent in the activities and the businesses of Sasfin.

The following factors are also considered prior to recommending any potential candidate for appointment as a Director:

- Independence and regulatory requirements (Directive 4 / 2018), e.g. minimum cooling off periods.
- Any potential conflict of interest between the business interests of Sasfin and the personal interests of directors or executive officers of Sasfin.
- Each relevant candidate's circumstances, and the nature, scale and complexity of the respective directorships, in order to ensure that the person is able to devote sufficient time to duly discharge his / her responsibilities as a director. The Board may determine a maximum number of other boards or committees on which each director may serve.

## Board changes and succession (continued)


In November 2019 Richard Buchholz assumed the role as Lead Independent Director, following the retirement of Shahied Rylands. In addition, the following Board changes took place:




The Board has gone through significant change. The newly appointed directors bring meaningful banking, audit and IT experience to the Board. This, together with the experience of the existing directors, ensures that we have successfully enhanced the collective relevant expertise of the Board.

The REMCO considered a detailed succession plan which ensures that, at least temporarily, internal resources are identified to fill any unexpected vacancy within Group Exco, including Executive Directors. Refer to page 60 in the human capital performance review.

## INDEPENDENCE AND TENURE

Designation <sup>1</sup>	2020	2019
		
Executive Directors	2	2
Independent Non-Executive Directors	6	7
Non-Independent Non-Executive Directors	3	3

Tenure <sup>1</sup>	2020	2019
		
Less than 3 years	5	7
3 to 5 years	3	2
6 to 8 years	1	1
9 years and longer	2	2

<sup>1</sup> As at 30 June 2020.

The Board is satisfied that appropriate processes are in place to ensure that its Non-Executive Directors are independent. These include:

- An independence assessment conducted as part of the annual Board self-assessment. It considers independence in character and judgement, the presence of any relationships or circumstances which are likely to affect, or could appear to affect, objectivity as well as a director's contribution, behaviour, voting record and circumstances
- The Group Company Secretary conducts an independence assessment on the Chair every quarter, and on Grant Dunnington every six months. This is part of the agreement reached with the Prudential Authority regarding the extension of their respective tenures
- All directors and the Group Company Secretary are obliged to declare their interests at the start of each Board meeting and are required to recuse themselves from all decisions where there is either a perceived or actual conflict of interest
- No director or prescribed officer is allowed to trade either directly or indirectly in any Sasfin shares without the permission of the Chair. The Chair is required to satisfy himself that the proposed trade complies with Group policies and ensure that the trade would not constitute an offence under the Financial Markets Act

Based on the recommendation of the DANC, the Board is comfortable that the Independent Non-Executive Directors met the criteria for independence, and that no conflicts of interest exist which are likely to affect, or could appear to affect, objectivity of the director.

## INDUCTION AND DIRECTORS' PROFESSIONAL DEVELOPMENT

- Directors receive on-boarding packs that contain information regarding policies, processes, the code of ethics and charters
- They attend onboarding briefings with the Chair and management to provide an overview of the business, and sessions presented by Group Exco which comprise an overview of:
  - Strategy
  - Business units and Pillars
  - Risk management
  - Compliance
  - Treasury
  - Human Capital
  - IT
- Eileen Wilton attended two training initiatives to enhance her banking knowledge:
  - Short course on 'the fundamentals of banking and risk management' presented by UNISA
  - 'DNA of banking' presented by Grey Matter

The DANC identifies and recommends relevant interventions to ensure professional development, including briefings, training and updates relating to regulatory, business or operational matters. Board members continually upskill through training, reading and staying abreast of developments in the banking and financial services sectors. Management shares insights on all matters relevant to the business with the Board on a continuous basis.



## CONTINUOUS TRAINING IN 2020

Board members were updated in formal training sessions on the following:

- Overview of the Financial Sector Regulation Act and implications for Sasfin
- Insight into Sasfin’s fixed income business
- Overview of the RDARR project and risks
- Overview of Group Internal Audit’s service offering and agile auditing
- Insight into the capital and balance sheet management processes
- Overview of the internal capital adequacy process

## EVALUATING THE BOARD’S PERFORMANCE 9

Although good governance guidelines are in place, we believe that respect, trust and candour are important and inseparable elements to building an involved and effective Board.

In terms of the Board charter, the Board is required to perform an external review of its performance and effectiveness every third year. This year the external review focused on assessing the role and accountability of the Board, performance, operating processes, Board culture, behaviour and values in the context of the Board’s purpose, performance criteria, relationships with management and contribution to strategy.

The assessor reviewed the overall performance of the Board for 2020, identified strengths and improvement areas for future Board work. An online questionnaire independently assessed the strengths, weaknesses and effectiveness of the Board, Board committees, Chair and Company Secretary and identified areas for improvement.

The results indicated that the Board operates effectively, that there is diversity and that recent additions to the Board should allow good future balance of contributions. A key finding was that the Board operates with cohesiveness and transparency, and that the work of the Board is relevant, focused and professional. Board members agreed that the Board was able to fully discharge its duties during the Covid-19 pandemic.

The Board Chair was acknowledged for his strong leadership, experience, knowledge and focus. Meetings were found to be managed well and the work of the Board Committees was viewed as effective and, Board members’ work was discharged responsibly and with commitment.

The outcomes of the review are summarised below. The Board has appointed a working group to make recommendations to the board how to address the areas of improvement in 2021.

### Positive feedback

- The Board consists of professional, skilled and experienced members whose diversity of skills and knowledge contribute positively to the Board
- The size of the Board is appropriate, and its work is relevant, focused and professional
- Board discussions are candid, frank and open, especially during tough times, and the Board is comfortable with the level of debate
- The processes and structures of the Board enable it to discharge its duties, with some improvement opportunity identified
- The culture of the Board is healthy with good working relationships and respect for the work of the Board

### Areas for improvement

- Re-assess committee and Board agendas and reports to ensure an appropriate focus, and reduced duplication
- Improve the balance of time spent on strategic planning versus governance and control functions
- Increase focus on Group CEO and executive succession and talent management
- Enhance the focus on talent management of employees in senior to middle management level

## BOARD MEETING ATTENDANCE 6 7

The Board held nine scheduled and seven unscheduled/special meetings. Sasfin Bank Limited Board held four scheduled and no unscheduled meetings.

Director	Appointment/Resignation date	Sasfin Holdings Limited*		Sasfin Bank Limited*	
		Attendance	%	Attendance	%
Roy Andersen	Appointed Board member February 2011 and Chair in 2013	9/9	100	4/4	100
Richard Buchholz	Appointed March 2018	9/9	100	4/4	100
Linda de Beer	Appointed 2014/Resigned September 2019	1/2	50	1/1	100
Gugu Dingaan	Appointed March 2018	7/9	78	3/4	75
Grant Dunnington	Appointed February 2010	9/9	100	4/4	100
Thabang Magare	Appointed December 2019	4/5	80	2/2	100
Gugu Mtetwa	Appointed July 2017 on Holdings and October 2017 on Bank/Resigned September 2019	2/2	100	1/1	100
Angela Pillay	Appointed March 2018	9/9	100	4/4	100
Shahied Rylands	Appointed May 2007/Retired 26 Nov 2019	4/4	100	2/2	100
Michael Sassoon	Appointed October 2015	9/9	100	4/4	100
Roland Sassoon	Appointed January 2020	5/5	100	2/2	100
Gloria Serobe	Appointed March 2018/Resigned 13 May 2020	3/7	43	2/3	67
Mark Thompson	Appointed June 2019	8/9	89	4/4	100
Eileen Wilton	Appointed August 2019	8/9	89	4/4	100
<b>Alternate Directors</b>					
Linda Fröhlich <sup>1</sup>	Appointed October 2013	n/a	n/a	4/4	100
Maston Lane <sup>1</sup>	Appointed March 2018	n/a	n/a	4/4	100
Shaun Rosenthal	Appointed August 2018	9/9	100	4/4	100

<sup>1</sup> Alternate directors on Sasfin Bank Board only.

\* Attendance statistics are for scheduled meetings only

## ETHICS ① ②

The Board sets the Group’s ethical tone and operates with a strong culture of integrity and competence. It is every Sasfin employee’s responsibility to ensure that their business behaviour aligns with the highest ethical standards and our values. This approach is integral to our relationships with clients, suppliers, shareholders and other stakeholders, and is implicit in how we do business. The Board and management are responsible to understand and practice ethical behaviour, set an example of appropriate behaviour, and to minimise the ambiguity that is often associated with the practice of ethics.

Sasfin follows a coherent approach to building an ethical culture to shape a values-based Group and actively manage the risk of ethical misconduct. Board committees such as the REMCO, GACC and SEC play an important role in monitoring risks and activities relating to organisational ethics by reviewing, on a quarterly basis, a wide range of topics, from feedback on employee disciplinary matters, human capital change management, deviations from policies, whistle-blowing reports, reports to the Financial Intelligence Centre, declarations of interest, personal account trading policies and risk culture as observed by Group Internal Audit.

We support the promotion of positive ethics, including fair working conditions and best practices in terms of human capital. The Sasfin code of conduct is disseminated to employees and other stakeholders and our anti-bribery and anti-corruption measures are supported by awareness programmes. The Board or relevant Board committees review material policies and frameworks annually.

### Code of ethics

All employees subscribe to the Group’s code of ethics, which is informed by the Code of Banking Practice and formalises ethical standards and expected behaviour. The overall ethical climate of Sasfin is reviewed against this code on an ongoing basis by management in work discussions, through monitoring unethical behaviour reported via the whistle-blowers line or in disciplinary proceedings and operational risks or near misses reported which relate to unethical behaviour. Individual standards of conduct, accountability and effectiveness are regularly assessed in a fair and transparent manner. KVI’s are included in the overall performance review to support an ethical culture and are included in the incentive scheme.

### Whistle-blowing

Sasfin has a zero-tolerance approach towards fraud. Anyone can report concerns to the anonymous whistle-blower hotline (0800 000 902). The hotline is managed by an independent external service provider.

The Sasfin whistle-blowing policy was updated during the year. The SEC and GACC receive quarterly reports on whistle-blowing incidents and investigations in order to assess whether appropriate action has been taken. Whistle-blowing investigations are managed by the Group Head of Compliance and the Chief Risk Officer.

Details of other channels for anonymous tip-offs are available at [www.sasfin.com/safety-and-security-centre/](http://www.sasfin.com/safety-and-security-centre/), which include information on how clients can avoid fraud, money laundering and other financial crime.

### Employee wellness survey

Refer to page 60 and page 61 in our human capital performance review chapter.

## STRENGTHENING OUR ETHICS IN 2020

### Updates to the Sasfin code of ethics:

- Aligned organisational ethics to our values of integrity, partnership, respect and greatness. This ensures that there is a consistent link to our values in everything we do by including guidelines of expected ethical behaviour.
- Included a clause relating to competition, including price fixing and market sharing.

### The Group procurement framework was updated, which reaffirms the principles of:

- Fair treatment of vendors
- Transparency of procurement process
- Adherence to preferential procurement in support of B-BBEE
- Value for money
- Adherence to the delegation of authority

Group Compliance presented refresher **training on whistleblowing** principles and procedures.

**The Board reaffirmed the SEC's responsibility** for all elements of social, ethics and transformation imperatives including monitoring ethics interventions and management programmes to determine whether they are sufficient to prevent corruption and ethics abuses.

### Ethical leadership in 2021

Sasfin as a business and employer must ensure that we proactively address ethical dilemmas and risks that may arise from Covid-19 and the related economic distress. With new ways of work in our business and those of our stakeholders, new challenges and risks in terms of culture and ethical behaviour will emerge. Management is well placed to continuously monitor this through various governance structures including the Executive Governance Committee (incorporating the Client High Risk Committee) and Group Exco.

It is imperative for the Board, with assistance from the SEC, to monitor organisational ethics closely in the coming year to ensure that, despite difficulties and challenges that the business may face, we do not stray from our ethical path in how we behave as a corporate citizen.

## Governance framework and processes

Our governance framework supports the proper allocation of authority and responsibility by which Sasfin's business and affairs are carried out and provides clear guidance for our way of work. It defines the boundaries within which directors, executive management, employees and other stakeholders are expected to work and promotes an environment that supports compliance, clarity and accountability.

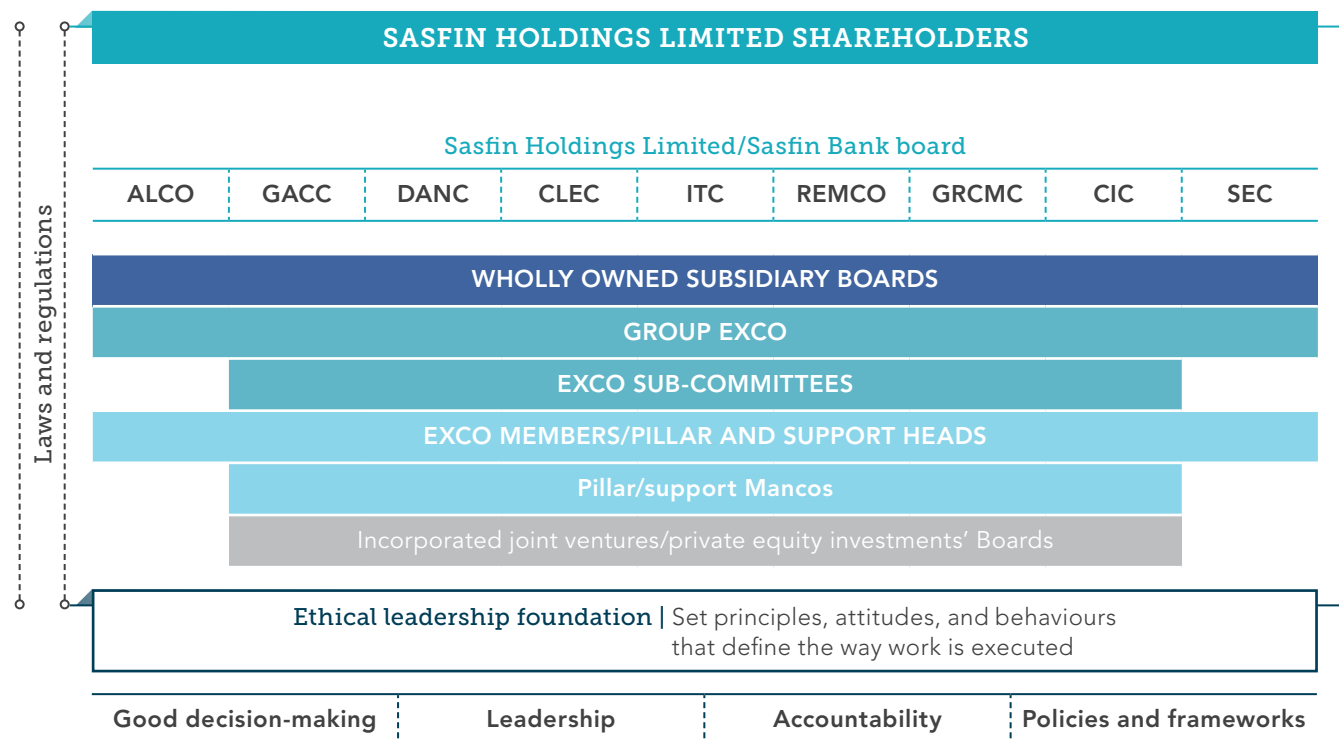
It further enables the decision-making process and allows the Board to monitor and oversee implementation and execution by management. This is particularly true regarding the execution of strategy, protection of the interests of depositors, shareholders and other key stakeholders, and the alignment of organisational culture with integrity and compliance with laws and regulations.

The Board meets quarterly and annually for strategic and budget discussions. During the Covid-19 pandemic, the Board and where relevant, Board and management committees, met regularly to support management in decision-making and to ensure that we are positioned to emerge from the crisis stronger and more resilient.

The Board holds management accountable for delivering and balancing short- and medium-term performance with long-term sustainability and value creation, within the Group's approved risk appetite and framework. The Board sets its agenda and work plan in order to monitor and ensure effective control across all Group activities.

Our governance framework reflects the way the Group performs and is flexible enough to enable the fast-paced innovative culture that is required to support our business and clients.

### SASFIN'S GOVERNANCE FRAMEWORK<sup>1</sup>



<sup>1</sup> Refer to the committee overviews starting on page 100 for abbreviations.

## DELEGATION OF AUTHORITY <sup>10</sup>

The Board delegates specific roles and responsibilities to committees, which operate under approved charters. Committee members are selected according to their suitability in terms of skills, qualifications and experience.

Group Exco and management operate under a defined authority matrix designed to ensure effective collaboration, performance management, oversight and accountability. The subsidiary boards are responsible for the strategic direction and operational oversight over the Banking, Wealth and Capital Pillars.

The Board-approved delegation of authority policy emphasises empowering management and driving accountability through clear responsibilities. It empowers individual business units to establish clear mandates in their respective areas and further delegates responsibilities to Executive Directors. Managers are assigned individual responsibilities and mandates, a process managed by the Group Company Secretary.

Mancos across all key areas ensure managerial oversight, integrity of information and peer review of key reports before they are submitted to the Board. The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

<sup>8</sup> The Board committees that support the Board in its governance role and a summary of each committee's responsibility, meeting attendance and focus areas are set on the pages that follow.

The Chief Audit Executive, Chief Risk Officer and Head of Compliance are permanent invitees to all committee meetings.

## Asset and Liability Committee (ALCO)

### Responsibilities

- Balance sheet management
- Interest rate risk
- Liquidity risk
- Funding risk
- Currency risk

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

### Committee composition as at 30 June 2020

Member	Appointed to committee	Meeting attendance
Richard Buchholz (Chair)	7/3/2018	6/6
Grant Dunnington	16/11/2017	6/6
Angela Pillay	1/3/2018	6/6
Shaun Rosenthal	13/12/2017	6/6
Shahied Rylands <sup>1</sup>	5/8/2006	2/2
Michael Sassoon	28/2/2019	6/6
Roland Sassoon	1/1/2020	3/4
Mark Thompson	21/6/2019	6/6

<sup>1</sup> Retired on 26 November 2019.

The committee held four scheduled meetings and two unscheduled/special meetings.

### Key matters the committee focused on

- Implementation of the FTP model across the Group
- Review of the ALCO elements of the revised ICAAP
- Enhanced liquidity stress modelling
- The revised Group recovery plan
- The management and forecasting of the LCR
- Timeous and active oversight of the implications of Covid-19 and of the Land Bank default
- Improved interest margin modelling and monitoring
- The risks inherent in the fixed rate exposures in the Treasury asset portfolio

## Credit and Large Exposure Committee (CLEC)

### Responsibilities

- Credit risk management policy and procedures
- Defining credit policy and guidelines
- Reviewing compliance with approved credit and investment policies
- Assessing and approving the Group's large exposures

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

### Committee composition as at 30 June 2020

(committee established in terms of the Banks Act)

Member	Appointed to committee	Meeting attendance
Grant Dunnington (Chair)	27/7/2010	11/11
Richard Buchholz	7/3/2018	11/11
Maston Lane	28/5/2002	10/11
Magda Oosthuysen (Head: Credit)	20/2/2018	11/11
Angela Pillay	1/3/2018	8/11
Shaun Rosenthal	13/12/2017	11/11
Shahied Rylands <sup>1</sup>	5/11/2013	4/4
Michael Sassoon	13/2/2014	11/11
Roland Sassoon	1/1/2020	6/6
Mark Thompson	21/6/2019	9/11
Stewart Tomlinson	14/2/2019	10/11

<sup>1</sup> Retired on 26 November 2019.

The committee held four scheduled meetings and seven unscheduled/special meetings.

### Key matters the committee focused on

- Refreshed and revised the CLEC charter
- Managed the risk profile of high value clients and the total credit portfolio in a deteriorating economic environment
- Reviewed and considered appropriateness and accuracy of impairments in a deteriorating economy
- Oversaw credit risk during Covid-19

## Directors' Affairs and Nominations Committee (DANC)

### Responsibilities

- Evaluation of the adequacy, efficiency and appropriateness of the corporate governance structure and practices
- Overseeing Board directorship continuity
- Monitoring directors' responsibilities and performance
- Fulfilling the role of a Board nomination committee
- Statutory functions in terms of Section 64B of the Banks Act

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

### Committee composition as at 30 June 2020

Member	Appointed to committee	Meeting attendance
Roy Andersen – Chair	8/9/2011	4/4
Linda de Beer <sup>1</sup>	4/9/2014	1/1
Richard Buchholz	7/3/2018	4/4
Gugu Dingaan	7/3/2018	2/4
Grant Dunnington	2/9/2010	4/4
Thabang Magare	19/12/2019	1/2
Gugu Mtetwa <sup>1</sup>	28/7/2017	1/1
Shaun Rosenthal <sup>4</sup>	13/12/2017	4/4
Shahied Rylands <sup>2</sup>	8/9/2011	2/2
Roland Sassoon	1/1/2020	2/2
Gloria Serobe <sup>3</sup>	7/3/2018	2/3
Mark Thompson	21/6/2019	4/4
Eileen Wilton	6/8/2019	4/4

<sup>1</sup> Resigned 30 September 2019.

<sup>2</sup> Retired on 26 November 2019.

<sup>3</sup> Resigned on 14 May 2020.

<sup>4</sup> Alternate Director.

The committee held four scheduled meetings.

#### Key matters the committee focused on

- Succession planning
- Compliance with Directive 4 of 2018 regarding director tenure

## Group Audit and Compliance Committee (GACC)

### Responsibilities

- Internal and external audit
- Accounting policies and financial reporting
- Internal controls and systems
- Annual Financial Statements and the Integrated Report
- Compliance with statutory and regulatory frameworks

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also refer to the GACC report in the Annual Financial Statements on pages 2 to 4.

### Committee composition as at 30 June 2020

Independence of committee: 100%

Member	Appointed to committee	Meeting attendance
Mark Thompson – Chair	21/6/2019	8/9
Linda de Beer <sup>1</sup>	11/8/2014	2/2
Richard Buchholz	7/3/2018	8/9
Grant Dunnington	29/7/2013	9/9
Thabang Magare	27/1/2020	4/4
Gugu Mtetwa <sup>1</sup>	4/10/2017	2/2

<sup>1</sup> Resigned 30 September 2019.

The committee held four scheduled meetings and five unscheduled/special meetings.

#### Key matters the committee focused on

- Formalisation and enhancement of the financial and regulatory reporting controls including the documentation and mapping of specific controls to disclosures in the financial statements and regulatory returns
- Oversight of the testing, design and implementation of the aforementioned controls
- Bolstering the expertise and resources supporting the Group FD in the finance function
- Improved automation in the accounting systems
- Establishment of a tool to improve the measurement of the effectiveness of compliance

## Group Risk and Capital Management Committee (GRCMC)

### Responsibilities

- Addressing the risks faced by Sasfin
- Risk management policies and procedures
- Capital management policies
- Capital planning activities

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also refer to the risk management and overview section on page 80.

### Committee composition as at 30 June 2020

Member	Appointed to committee	Meeting attendance
Richard Buchholz – Chair	7/3/2018	4/4
Grant Dunnington	17/5/2011	4/4
Linda de Beer <sup>1</sup>	26/8/2014	1/1
Angela Pillay	1/3/2018	4/4
Shaun Rosenthal	13/12/2017	4/4
Shahied Rylands <sup>2</sup>	28/5/2014	2/2
Stewart Tomlinson	19/11/2018	4/4
Eileen Wilton	1/10/2019	2/3

<sup>1</sup> Resigned 30 September 2019.

<sup>2</sup> Retired on 26 November 2019.

The committee held four scheduled meetings.

#### Key matters the committee focused on

- Significant progress was made in developing the capital model – more reliable and mature
- Rebased and revised ICAAP, a very good process
- Oversight and development of the recovery plan and the Group's top risks
- Refreshing and revising the ERM framework
- Oversight of the integrated response to Covid-19

## Information Technology Committee (ITC)

### Responsibilities

- Oversee information and technology matters
- Monitor the execution of IT strategy in support of the Group strategy
- Oversee, monitor and evaluate significant IT investments
- Oversee information security, cybersecurity and governance of IT risk

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also refer to the information and technology performance review on page 63.

### Committee composition as at 30 June 2020

Member	Appointed to committee	Meeting attendance
Eileen Wilton – Chair	1/10/2019	3/3
Linda de Beer <sup>1</sup>	28/1/2015	1/1
Bruce Maclaren <sup>3</sup>	26/5/2016	3/4
Thabang Magare	27/01/2020	1/2
Shaun Rosenthal	13/12/2017	4/4
Shahied Rylands <sup>2</sup>	28/2/2007	2/2
Michael Sassoon	16/3/2018	4/4

<sup>1</sup> Resigned 30 September 2019.

<sup>2</sup> Retired on 26 November 2019.

<sup>3</sup> Independent member.

The committee held four scheduled meetings.

#### Key matters the committee focused on

- Ensuring Covid-19 readiness through appropriate remote-working capabilities
- Emphasising the execution of operational excellence and frontline support
- Continued digital transformation across the business

## Human Resources and Remuneration Committee (REMCO)

### Responsibilities

- Human capital matters
- Remuneration and incentives
- Remuneration and human capital policies and procedures

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also refer to the Remuneration Report on page 111, which includes the matters the committee focused on in 2020.

### Committee composition as at 30 June 2020

Independence of committee: 100%

Member	Appointed to committee	Meeting attendance
Grant Dunnington – Chair	25/8/2010	4/4
Roy Andersen	25/2/2015	4/4
Shahied Rylands <sup>1</sup>	17/2/2007	2/2
Eileen Wilton	1/10/2019	2/3

<sup>1</sup> Retired on 26 November 2019.

The committee held four scheduled meetings.

#### Key matters the committee focused on

- Reviewed and updated the Group's Management succession plan
- Assessed and provided oversight to a review of the Group's Organisational Culture
- Reviewed and updated the Group's remuneration and other people policies
- Considered our way of work due to Covid-19, together with our employee support structures
- Considered and addressed shareholder votes against remuneration-related AGM resolutions, and incorporated, where possible, enhancements to remuneration disclosures in our Integrated Report

## Social and Ethics Committee (SEC)

### Responsibilities

Good corporate citizenship, including:

- Social and economic development
- Environmental health and safety
- Consumer relationships
- Labour matters
- Ethical practices and transformation initiatives
- B-BBEE compliance
- FSC compliance

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also refer to the SEC report on page 70 which includes the matters the committee focused on in 2020.

### Committee composition as at 30 June 2020

Member	Appointed to committee	Meeting attendance
Eileen Wilton – Chair	1/12/2019	3/3
Gloria Serobe <sup>1</sup>	7/3/2018	3/3
Gugu Dingaana	7/3/2018	1/4
Gugu Mtetwa <sup>2</sup>	1/11/2017	1/1
Angela Pillay	18/2/2019	3/4
Michael Sassoon	1/1/2018	4/4

<sup>1</sup> Resigned on 13 May 2020.

<sup>2</sup> Resigned 30 September 2019.

The committee held four scheduled meetings.

#### Key matters the committee focused on

- Considered the social and ethics implications of Covid-19 pandemic and the impact on Sasfin's people and ways of work
- Re-evaluated the Committee's responsibilities and mandate against best practice guidelines and King IV and agreed the Committee's short- and medium-term priorities
- Considered the relationship between the SEC, the Remco and other Board Committees in order to avoid duplication and identify areas of overlap of responsibilities and mandate
- Developed a work plan against the agreed mandate and priorities
- Commenced work to advance transformation as a key strategic imperative for Sasfin



## Capital Investment Committee (CIC)

### Responsibilities

- Consider certain secured and unsecured transaction proposals in accordance with the Board’s risk appetite
- Consider investment proposals that are greater than or equal to R15 million, and which do not exceed R50 million. Proposals in excess of R50 million are considered in conjunction with the CLEC

### Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

### Committee composition as at 30 June 2020

Member	Appointed to committee	Meeting attendance
Mark Thompson – Chair	1/1/2020	2/2
Gugu Dingaan	07/3/2018	2/3
Grant Dunnington	17/8/2011	3/3
Angela Pillay	26/7/2018	3/3
Shahied Rylands <sup>1</sup>	2/6/2009	1/1
Michael Sassoon	14/2/2017	3/3
Roland Sassoon	1/2/2020	2/2

<sup>1</sup> Retired on 26 November 2019.

The committee held two scheduled meetings and one unscheduled/special meeting.

### Key matters the committee focused on

- Overseeing enhancements to, and the standardisation of valuation processes and procedures relating to the private equity and property equity investments
- Continued oversight of the appropriate management of the Group’s portfolio of assets

## ENSURING THE INTEGRITY OF INFORMATION RECEIVED BY SUBSIDIARY BOARDS <sup>(16)</sup>

Subsidiary companies appoint independent directors where appropriate and directors who serve on the main Board to ensure an appropriate balance of skills and experience. Directors serving on both main and subsidiary Boards are able to monitor the integrity of information. Subsidiary Boards delegated certain of their responsibilities to the Board committees of the main Board, for example, the delegation of responsibility from the Wealth Board to the GACC. Subsidiary Boards have adopted the policies of the holding company.

The main Board committees operate under approved Group mandates. For example, the GACC is responsible for separately interrogating and reviewing the financial statements of each operating subsidiary. Management of each Pillar reports to, and has the opportunity to present their reports to, the main Board and answer any questions which may arise.

## GROUP COMPANY SECRETARY <sup>(10)</sup>

Charissa de Jager was appointed as Group Company Secretary of Sasfin with effect from 19 December 2019. She took over from Howard Brown who now focuses his efforts as Head of Legal as part of the Group’s strategy to ensure stronger focus of management.

The results of the external Board self-assessment conducted in 2020 indicated that the processes and structures of the Board enabled it to discharge its duties with respect to all aspects of its governance role, such as audit, compliance and control. It also concluded that the Company Secretary was effective and added value to the Board in all respects.

The Board is satisfied with the competence and experience of the Group Company Secretary and that she maintains an arm’s length relationship with Board members and the Board can access professional corporate governance services whenever required. In addition, the Board has put arrangements in place for accessing professional corporate governance services, should the need arise and is satisfied that such arrangements are effective.

## GROUP EXCO COMPOSITION AS AT 30 JUNE 2020



**MICHAEL SASSOON (38)**  
Group CEO, Chair of Group Exco

See Board of Directors on page 91.



**ANGELA PILLAY (45)**  
Group FD

See Board of Directors on page 91.



**NASEEMA FAKIR (47)**  
Head: Human Capital

BCom (Hons) (Unisa), MBL (Unisa)  
Naseema joined the Group in 2001 and was appointed to Group Exco in 2006.



**LINDA FRÖHLICH (51)**  
Head: Asset Finance

Diploma in Financial Management (Damelin)  
Linda joined the Group in 2002 and was appointed to Group Exco in 2013.



**MASTON LANE (54)**  
Group Chief Operating Officer

National Certificate (United Institute of Credit Management), SIRM (UK)

Maston joined the Group in 2000 and was appointed to Group Exco in 2003.



**EROL ZEKI (43)**  
Chief Executive Officer: Sasfin Wealth

BCom (Hons) Investments and Marketing and BCom (University of Pretoria). CFA, registered member of the South African Institute of Stockbrokers (SAIS)

Erol joined the Group and was appointed to Group Exco in 2017.



**FRANCOIS OTTO (39)**  
Head: Capital Pillar

CFA (University of Port Elizabeth), JSE-Approved Executive, CA(SA)

Francois joined the Group and was appointed to Group Exco in 2015.



**ANDREW (JOSH) SOUCHON (55)**  
Chief Information Officer

BEng (Hons) (Imperial College, University of London, UK)

Josh joined the Group and was appointed to Group Exco in 2016.



**HOWARD BROWN (56)**  
Head: Group Legal

BA (Wits), LLB (Wits), HDip Corporate Law (UNISA) (cum laude)

Howard joined the Group and was appointed to Group Exco in 2006.



**STEWART TOMLINSON (54)**  
Chief Risk Officer

BCom (Wits), Hons BCompt (UNISA), CA(SA)

Stewart joined the Group and was appointed to Group Exco in 2018.



**MICHAEL BLACKBEARD (59)**  
Head: Compliance

BLur LLB LLM (University of Pretoria), Senior Executive Programme (Wits and Harvard University)

Michael joined the Group and was appointed to Group Exco in 2018.



**DHESEGAN GOVENDER (45)**  
Group Treasurer

BActt (Hons) (University of KwaZulu-Natal), CA(SA)

Dhesegan joined the Group in 2012 and was appointed to Group Exco in 2018.



**MAGDA OOSTHUYSEN (56)**

**Head: Group Credit**

BCom (Hons) (University of Johannesburg),  
HDip Tax Law (Wits), CA(SA)

Magda joined the Group and was appointed to Group Exco in 2017.



**RICHARD WARREN-TANGNEY (47)**

**Chief Audit Executive (invitee)**

BCom (Hons) (Accounting), (Wits) Registered Auditor (RA), CA(SA)

Richard joined the Group and was appointed as an invitee to Group Exco in 2018.



**CHARISSA DE JAGER (43)**

**Group Company Secretary (invitee)**

BProc, LLB (University of Johannesburg),  
Advanced Company Law (Wits), Admitted Attorney

Charissa joined the Group and was appointed as an invitee to Exco in 2019.



**ELISHEVA GILBERT (47)**

**Head: Group Marketing and Communications**

Public Relations Diploma (Varsity College),  
PGDip (Advertising and Marketing) Red & Yellow School, GIBS Certified Professional Business Coach

Elisheva joined the Group in 2017 and was appointed to Group Exco in 2019.

**Appointment after year-end**



**MEAGAN RABE (39)**

**Head: Build the Bank**

BCom LLB (University of Johannesburg),  
CFP (Nelson Mandela Metropolitan University),  
PGDip (Management) (Rhodes University)

Meagan joined the Group in 2014 and was appointed to Group Exco in July 2020.

**COMPLIANCE** 13

**An effective compliance function contributes to business adhering to external rules and internal controls. This enables an alignment of the operating and compliance strategy, improves oversight, streamlines business processes and increases the quality of data and information. In doing so, effective compliance contributes to the protection of employees and clients as well as shareholders, investors, debt funders and society at large. It builds sound relationships with regulators and safeguards the Group’s reputation and ongoing ability to create value.**

Group Compliance works with management and the business units to identify and manage regulatory risk to comply with relevant legislation, enable effective monitoring of compliance, enhance the culture of compliance, coordinate compliance activities across Sasfin and ensure that the Group keeps up to date with international developments and trends in compliance.

**KEY CHANGES IN 2020**

- Established a Group FICA Compliance Committee to coordinate and standardise compliance to the Financial Intelligence Centre Act (FICA) across the Group
- Increased capacity in money laundering compliance, market conduct and JSE compliance in line with the increased regulatory focus in these areas

Sasfin takes a risk-based approach to compliance monitoring, supported by the Group’s combined assurance model (page 108), which drives a focus on material risks and efforts by the relevant control units to mitigate such risks. The Group Compliance Department operates across all Group Pillars and business units, aligning with the requirements of the regulatory framework introduced by the Financial Sector Regulation Act, 2017 (Twin Peaks).

The Board and its committees	Head: Group Compliance	Group Compliance Department	The Client High Risk Management and Anti-Money Laundering Committee	Group FICA Compliance Committee
Oversees the compliance functions across the Group as well as our relationship with regulators.	A permanent invitee to all committee meetings and reports on compliance with laws and regulations. Supported by specialist teams focusing on banking regulation, AML, market conduct, exchange control and regulatory interaction.	Monitors the compliance universe and evaluates Group and business units' policies to update it according to new developments. Divisional regulatory officers manage compliance within the various business units and meet regularly with Group Compliance to share information and address compliance-related matters.	This Group Exco subcommittee is tasked with oversight and taking decisions regarding high-risk, adverse and sanctioned clients. The committee is chaired by the Group CEO and its main objective is to ensure compliance with the risk management and compliance programme.	Oversees, coordinates and standardises the approach to FICA compliance within the Group. Also ensures effective sharing of information and reporting of FICA issues.

The compliance monitoring process is formalised in a compliance manual aligned with a Board-approved three-year risk-based monitoring plan, and overseen by an independent monitoring function within Group Compliance. This provides assurance to the Board regarding the effectiveness of compliance management and ensures that compliance monitoring proactively covers a broad regulatory universe to detect areas of non-compliance for remediation.

The Head: Market Conduct and JSE Compliance (HMC) is responsible for aligning market conduct-related requirements across the Group and ensuring compliance with FAIS, the Treating Customers Fairly Guidelines and JSE Rules, particularly for the Wealth Pillar. The HMC also oversees the Money Laundering Compliance Officer (MLCO) function under Section 42 of FICA for Sasfin Wealth. A Group FICA Compliance Committee was established in 2020 to align FICA and market conduct across the Group and to coordinate and standardise FICA compliance information and reporting.

Group Compliance was further restructured during 2020 to allocate resources to the MLCO and HMC functions to provide more effective and efficient compliance to meet business needs and in light of the increasing regulatory focus in these areas.

Group Compliance provides regular training and awareness initiatives to employees in compliance-related matters to drive the culture of compliance in the Group. A training and awareness week was held in November and a regular compliance newsletter highlights relevant compliance issues and reiterates the principle that compliance is the responsibility of every employee. We are busy instituting a consequence management policy for employees that do not attend or fail FICA training.

Ongoing compliance requirements related to regulations such as FICA, FAIS and the JSE requirements are applied by business and monitored by Group Compliance on a daily basis. Irregular issues such as those related to bribery, corruption, whistle-blowing, conflicts of interest and complaints are dealt with on a case-by-case basis and monitored by the Monitoring Unit. Compliance reports are submitted monthly to the Executive Governance Committee, and quarterly to the GACC.

The compliance monitoring function is periodically reviewed by Group Internal Audit based on its annually-derived risk-based audit plan. The compliance function is further subject to regular reviews by the regulator and the Board committees provide regular feedback regarding its effectiveness.

## Focus areas in 2020

Sasfin is impacted by a number of regulations that have been implemented or are planned for implementation which substantially increases the regulatory and compliance burden on its business and operations. Group Compliance participated in establishing projects and drafting relevant policies and procedures to pro-actively prepare for the implementation of new legislation and regulations. These include the following regulatory developments, among others.



Regulation

### Current status and anticipated impact

<b>Twin Peaks</b>	The Financial Sector Regulations Act (2017) provides for the Twin Peaks regulatory framework, which will increase regulatory and supervisory focus on financial groups. Certain sections of the Act became effective in September 2019 and the main structures and respective functions of the Twin Peaks regulatory architecture were implemented during the year. We remain well positioned to interact effectively with the SARB, the Prudential Authority and the FSCA.
<b>The Levies Bill</b>	The Levies Bill provides for the imposition of levies on regulated institutions to fund the Twin Peaks infrastructure. BASA provided combined input by banks registering concerns over the high cost of regulatory compliance the Levies Bill proposes.
<b>POPIA</b>	<p>POPIA regulates how client personal information is stored, used and protected. Although certain sections of POPIA are not yet effective, the regulations to the act were published during 2019, which suggests that the full implementation of POPIA is imminent.</p> <p>Most of the POPIA requirements are already in place in the Group and once the Act becomes fully effective, companies will have 12 months to achieve full compliance. A project team was established to ascertain the POPIA readiness within the business, support business units and to oversee the holistic integration of POPIA standards across all applications. A Group Information Officer was appointed, supported by two Deputy Information Officers to manage POPIA-related matters.</p>
<b>FICA</b>	FICA amendments introduced a risk-based approach to anti-money laundering and combating the financing of terrorism compliance. The required risk management and compliance programmes to manage this were established and embedded within the Group.
<b>The Conduct of Financial Institutions Bill</b>	The COFI Bill enacts the principles of the Treating Customers Fairly regulatory framework. Sasfin established a Treating Customers Fairly policy framework and Steering Committee to effectively implement the COFI Bill. The Group participated in the BASA processes to provide comments and inputs to the bill.
<b>Other regulations</b>	<p>Other regulations include:</p> <ul style="list-style-type: none"> <li>• The Draft Conduct Standard for Banks 1/2019 issued by FSCA</li> <li>• A number of Draft Prudential Standards on Conglomerate Supervision issued by the Prudential Authority</li> <li>• The establishment of a Deposit Insurance Scheme and the Corporation for Deposit Insurance within SARB by the Financial Sector Amendment Laws Bill, 2018</li> <li>• Various Covid-19 regulations and directives</li> </ul>

Group Compliance is represented on the Covid-19 task team and a Covid Compliance Officer was appointed for the Group. Group Compliance was able to function effectively while working remotely and continued to engage with regulators and supervisors regarding reports and information requests. Certain monitoring activities were affected during lockdown, as well as difficulties in receiving original FICA documentation and delivering FICA training. We implemented appropriate alternative solutions.

We continue to work on achieving better alignment and convergence of the relevant policies, procedures and systems to establish a Group-wide function in respect of anti-money laundering and combating the financing of terrorism, as well as market conduct compliance. Finding ways to enhance compliance while managing resource constraints and minimising costs is an ongoing focus, including through automated processes and procedures that will enhance the business and client experience.

Other than the administrative sanction detailed on page 49, there are no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations imposed on the Group, directors or officers (2019: one). There were no monitoring and compliance inspections by environmental regulators (2019: nil).

## Focus areas for 2021

In the short term, Group Compliance will focus on ensuring the continued effective functioning of Group-wide compliance, in support of a robust risk, governance and control environment during the ongoing Covid-19 pandemic. We will streamline processes, meetings and policies, implement initiatives to improve the Group's compliance culture and focus on cost-effective compliance. We have amended our FICA training methodology with a view to increase its effectiveness for employees.

In the longer term, we aim to investigate ways to increase the effectiveness of compliance and compliance monitoring and reporting through IT tools and automated systems.

## COMBINED ASSURANCE

The GACC is responsible for ensuring that internal and external audit provide appropriate and effective assurance in respect of the Group's risk, governance and control environment. Sasfin's approach to combined assurance combines the expertise of the Group's Risk, Compliance and Internal Audit departments together with the assurance provided by external audit, resulting in a holistic risk-based assessment of our risk management, governance and control processes.

The combined assurance framework informs the combined assurance model, which ensures appropriate levels of assurance over key risks and controls provided by the right assurance partners at the right time to the right stakeholders.

## SASFIN'S NON-AUDIT SERVICES POLICY

As a general rule, Sasfin's spend on permissible non-audit services provided by the external auditors should not exceed 15% of its spend on the annual statutory audit fee. The actual spend is reviewed annually by the GACC.

Certain types of services by external auditors are prohibited altogether. Others are not considered to impair auditor independence and are regarded as pre-approved for the year ahead. Services which do not fall into either of these categories are subject to specific pre-approval.

## Governance and management of combined assurance

Combined assurance follows a process that:

- Establishes common risk, control, rating and reporting frameworks across the four lines of defence
- Identifies the Group's principal risks and the key internal controls in place to mitigate these
- Maps the assurance providers that assess the effectiveness of these controls
- Allows the desired level of assurance to be determined to eliminate duplicate assurance and address control weaknesses

**GACC**

Responsible for the combined assurance framework and oversees its effectiveness. Group Internal Audit and Group Compliance report directly to the GACC quarterly. Group Internal Audit’s annual report includes combined assurance mapping to key risks that impact the Group’s strategic objectives and combined assurance over the Group’s internal controls over financial reporting.

**Executive Governance Committee**

The committee monitors the governance and internal control environments. It oversees and authorises implementation of combined assurance at an operational level. It reviews the combined assurance process to optimise the programme and ensures it remains relevant to the Group’s objectives and operating environment. Group Risk, Group Compliance and Group Internal Audit report progress on the combined assurance model to the committee.

**Operational Governance Forum**

This is a management level forum with representatives from the second and third lines of defence that reports to the Executive Governance Committee.

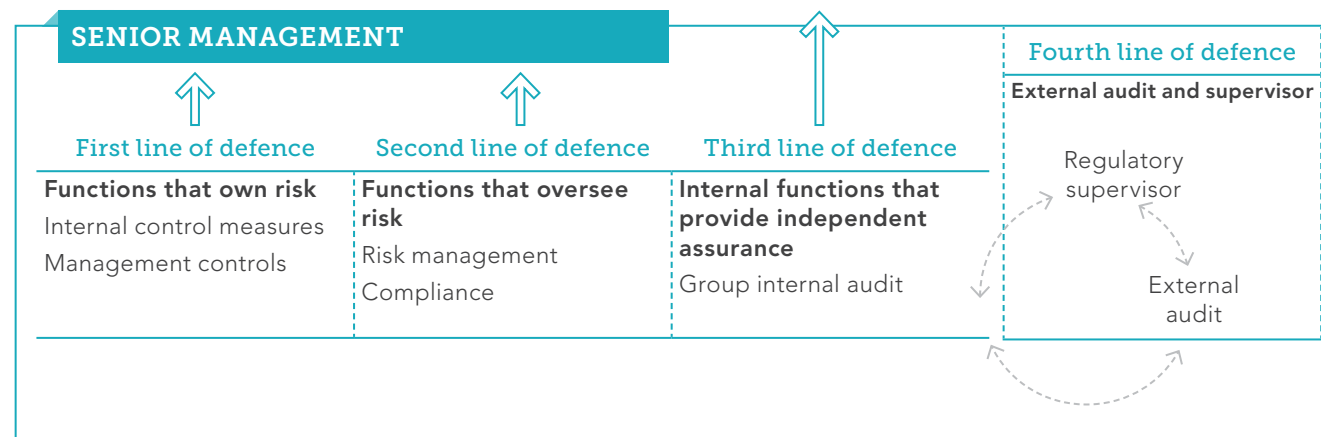
An assurance map reflects the work planned and completed by assurance partners, and provides the GACC and GRMC with a high-level overview of internal and external assurance to enable the committees to determine whether appropriate levels of assurance have been provided.

At the start of the year, the assurance map was updated to reflect the assurance provided by assurance partners over key controls that seek to mitigate the Group’s top risks. This was completed and reported on in September 2019.

The assurance map was also further refined to include the assurance provided by the assurance partners over the internal controls over financial reporting. This change allows for compliance with the JSE Listing Requirement for the Group CEO and Group FD’s attestation in respect of the Group’s control environment in support of its financial disclosures.

The combined assurance model enables ongoing monitoring of the framework’s effectiveness. The GACC assesses the performance of the third and fourth lines of defence while the Group CEO assesses the performance of the first and second lines of defence. The third and fourth lines of defence assess, and report on, the performance of the first and second lines of defence.

The assessment indicated an appropriate level of assurance was provided to the Board through the GACC and GRMC. The GACC and GRMC requested further assurance to be provided in certain key risk areas and strategic focus area, including a focus on outward looking drivers such as sales, innovation and customer experience, market risk and reputational risk.



## Focus areas

The combined assurance model was implemented in 2019 and progress against its objectives to date is shown in the table below.

Objective	Progress to date
Enhance existing assurance processes, policies and procedures while ensuring efficient oversight and cost effectiveness	A detailed, risk-based combined assurance model was adopted and assessed by the relevant Board committees. The model was broken down into top risks, key strategic focus areas, and areas within which each line of defence fits to ensure optimal assurance coverage.  For 2020 the model was extended to include assurance over the internal controls over financial reporting.
Coordinate all assurance activities to minimise unnecessary duplication between (and within) internal and external assurance providers	Coordination has been improved through robust planning process discussions designed to reduce duplication and increase efficiency. Monthly Combined Assurance Forum discussions further enhance collaboration and reduce duplication.
Provide optimal assurance coverage of all key risks and internal controls	The design of the risk-based combined assurance model ensures optimal assurance coverage of key risks and controls.
Reduce information clutter and costs	Detailed engagement between assurance providers has reduced the duplication contained in reports submitted to different committees. A cost review across the assurance partners is underway to extract cost reductions from the second half of 2021.
Strengthen the Group's overall internal control environment	The control environment improved with a reduced number and risk classification of audit findings, and an increase in logged risk incidents, indicating a maturing of the risk mitigation environment.
Enhance information quality for internal and external decision-making	The progress made in the other objective elements creates a more focused and robust control environment that flags the things that matter, enabling enhanced decision-making on priority matters.

We continued to bed down and mature the combined assurance model across all lines of defence, and standardise risk descriptions and measures, control environment assessments and reporting. Supporting continuous improvement in all lines of defence to provide a similar level of capability/quality in conducting reviews/audits and reporting the outcomes of these activities is an ongoing focus.

While we implemented the use of continuous auditing and monitoring software in human capital and payroll to drive further efficiencies in the audit process, this process was placed on hold as a result of Covid-19. The intention is to re-commence the technological assurance journey in 2022. At that time we will review further implementation given the various business changes, and the integration of these with the relevant financial reporting systems.

A co-sourcing arrangement was implemented to provide access to highly skilled IT auditing resources.

Group Internal Audit is represented on Sasfin's Covid-19 task team and reviewed business risk assessments in the post-Covid environment, and additional audit assurance required given the added areas of risk and potential control breakdown. We also reviewed data and airtime spend for added oversight. This includes a review of spend patterns, frequent requests from the same employees, etc. We also helped to identify additional fraud risks and conducted audit assurance reviews of the controls implemented by management in response.

We will continue to embed and mature the combined assurance model, drive consistency across the lines of defence and improve the efficiency of assurance partner usage, while ensuring efficient allocation of resources in implementing these priorities. We will work closely with management to continuously improve the internal control environment.



## THE FINANCE TRANSFORMATION PROJECT

Sasfin launched this as a multi-year project to refine systems, processes and people to enhance the financial control and reporting environment.

The first phase focused on improving the statutory reporting process and went live for year-end statutory reporting. It included streamlining and optimising the chart of accounts, which was finalised in February 2020, and implementing a new reporting system for management and statutory reporting, budgeting and forecasting.

The next phases will further enhance management reporting, budget and planning and then improving dashboarding and management information. Refer to page 66 for the IT-related project.

In conjunction, Sasfin also launched the first phase of the internal financial control project in March 2020. This project responds to the JSE Listing Requirement for the Group CEO and Group FD's attestation over the control environment supporting its financial disclosures. This attestation process will evolve as the process matures.

The GACC and IT Committees were kept abreast of these projects.



# HOW PERFORMANCE IS REWARDED <sup>14</sup>



**Grant Dunnington**  
Chair: Human Resources and Remuneration Committee

Sasfin's remuneration practices aim to **reward excellent performance** in line with our strategic objectives, while being fair and responsible.

## Human Resources and Remuneration Committee report

### 2020 PERFORMANCE REWARDS

Increases awarded in October 2019. No general increases awarded in October 2020.

2019 performance bonuses were awarded in September 2019. For 2020, no performance bonuses were awarded except in the Wealth Pillar, which had strong performance.

For the retention portion of the 2019 bonuses, only R605 000 vested relating to personal performance ratings.

ROE achieved  
**-3.12%**

against ROE target of

**11.26%**

Approved specific incentive schemes within the Capital and Wealth Pillars.

Enhanced the succession plan.

No malus and clawback trigger events occurred.

**88%**

of shareholders voted in favour of the 2020 remuneration policy at the 2019 AGM.

At Sasfin we recognise that appropriate remuneration practices are essential to fulfilling our purpose, delivering on our strategy and driving performance within our desired culture. These practices are developed to ensure good governance and effective alignment of interests between our employees and all our stakeholders. Our approach to remuneration aligns with the recommendations of King IV™, the Basel Committee on governance and the regulations that apply to the Group's activities, and is guided by industry best practice.

The REMCO assists the Board in approving the remuneration policy and engages with a range of stakeholders including shareholders, regulators, external consultants and management. The CEO, CRO and Head: Human Capital attend REMCO meetings as invitees and report on employee matters of concern.

The Group operates in a highly regulated industry and REMCO members have access to the information required to make informed remuneration decisions that align with the Board's remuneration policy, risk appetite and regulatory requirements. Remuneration decisions that may have implications for the Group's risk appetite, such as changes to Group or Pillar incentive schemes, are reviewed and approved by the GRCMC to minimise unintended consequences in application.

The market for senior specialist industry skills is tight and IT skills and senior equity candidates are especially hard to find and retain. We continue to make progress in increasing equity representation at junior levels, however, improvement at executive levels is slow given low turnover.

We prioritise developing internal talent, and succession plans are in place for senior management at Group, Pillar and business unit levels. Refer to page 60 for more detail.

## PAY SCALES

Our approach is guided by the need to ensure fair and responsible remuneration practices and REMCO provides guidelines and bands for proposed increases.

Pay grades reflect the requirements, complexity and span of control of each role within the Group. Salary increases consider individual performance, Group and Pillar performance, market benchmarks, supply and demand factors, economic growth and inflation. Remuneration that falls outside the remuneration policy is ratified by REMCO.

Pay parity is an ongoing focus to ensure that remuneration practices do not unfairly discriminate on the basis of age, gender, race or any other factor. Pay scales are considered in the context of a living wage, pay gaps, gender pay disparity and equal pay for equal work. We conduct regular internal reviews to determine pay parity across diverse groups, such as race and gender. The 2020 results indicate the following:

There is no evidence of gender or race discrimination in average annual cost to company (CTC). There is however a concern regarding representation with white males dominating the top management bands (RL21 and above).

In terms of CTC, the highest paid employee is paid 39.2 times higher than the lowest paid employee which compares favourably with South African corporates where the ratio is between 65.1 and 70.0 times.

## INDEPENDENCE

The benchmarking exercise is performed by PwC Research Services (Pty) Ltd. While PwC is the Group's external auditors, PwC Research Services (Pty) Ltd is a separate company in the PwC group and the value of the engagement is well below the limits we set for non-audit services (refer to the non-audit services policy on page 108).

REMCO accordingly considers the external remuneration consultants to be independent and objective.

## BENCHMARKS AND INCREASES

Job roles are externally benchmarked each year to ensure correct gradings and competitive remuneration. Recent benchmarking included the expected impact of Covid-19 on employee remuneration. The REMCO therefore decided to leave the pay scales unchanged in 2020.

With the exception of our Wealth Pillar, financial performance targets for bonuses and incentives were not met, and therefore performance bonuses were only granted in the Wealth Pillar.

No increases will be awarded for the year ahead, other than in exceptional circumstances.

## INCENTIVE SCHEMES

The Group's incentive scheme for senior management combines short-term and long-term components and aims to provide transparency for participants. Performance is monitored and rewarded based on Group, Pillar, business unit and individual performance. The scheme focuses on driving sustainable ROE, while ensuring ethics, sustainability, responsible risk taking and cultural fit (measured by Key Risk Indicators and

Key Values Indicators – KRIs and KVIs). REMCO assesses senior management incentives to ensure alignment and fairness.

A portion of the bonuses are deferred to drive long term thinking and sustained performance. Deferred bonus payments allow for a clawback of bonuses in the event of poor financial or personal performance or misconduct. Our malus and clawback provisions are set out on page 118.

50% of the retained portion was forfeited due to the Group missing the target ROE in 2020. The remaining 50% was dependent on personal performance, and total payments of R605 000 were made.

## PRIORITIES IN 2020

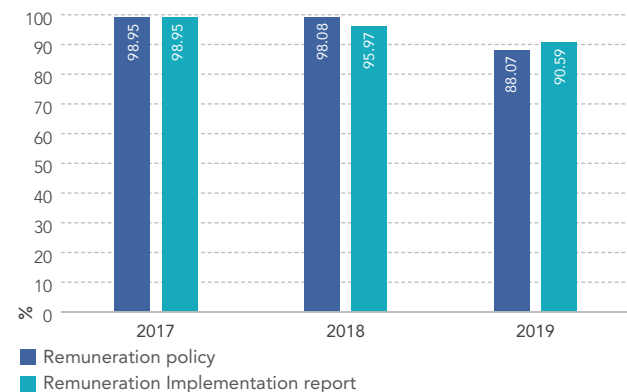
In addition to its ongoing duties, the REMCO aimed to ensure more focused incentive schemes where appropriate. In this regard incentive schemes were approved within the Capital and Wealth Pillars. We also made other minor enhancements to the remuneration policy.

In addition, we enhanced the Group Exco succession plan and focused on culture. We considered how the Board ensures a high-performing and ethical organisational culture. We have initiated a formalised process in this regard and have identified effective ways of inculcating it across the Group.

## AGM VOTING

REMCO believes that the remuneration policy is effective and achieved its objectives during 2020. We believe the current incentive scheme rewards the right behaviour and that increased visibility on performance enables employees to establish realistic expectations regarding incentives. REMCO nevertheless proactively engages with shareholders and other stakeholders to identify improvements in our remuneration practices.

### Shareholders non-binding advisory votes on Sasfin remuneration at AGMs



As recommended by King IV™, the remuneration policy and the implementation report were tabled for separate non-binding advisory votes by shareholders at the AGM on 26 November 2019. 88.1% of the shares represented voted in favour of endorsing the remuneration policy and 90.6% in favour of endorsing the implementation report.

The REMCO and Board are committed to transparency and considering the views of stakeholders. The Chair of REMCO approached large shareholders who voted against the Group’s remuneration policy and practices.

The variety of shareholder views makes it challenging to implement a remuneration policy that meets the expectations of all shareholders. A concern for some is that executive incentives do not include shares in the

Group, which others are against. We are considering the incorporation of shares in how we remunerate, subject to the relevant approvals.

Where shareholders have called for enhanced disclosure, we have included more detail in the current report. We welcome feedback on our remuneration policy and implementation report and invite shareholders to contact the Group Company Secretary.

## GOING FORWARD

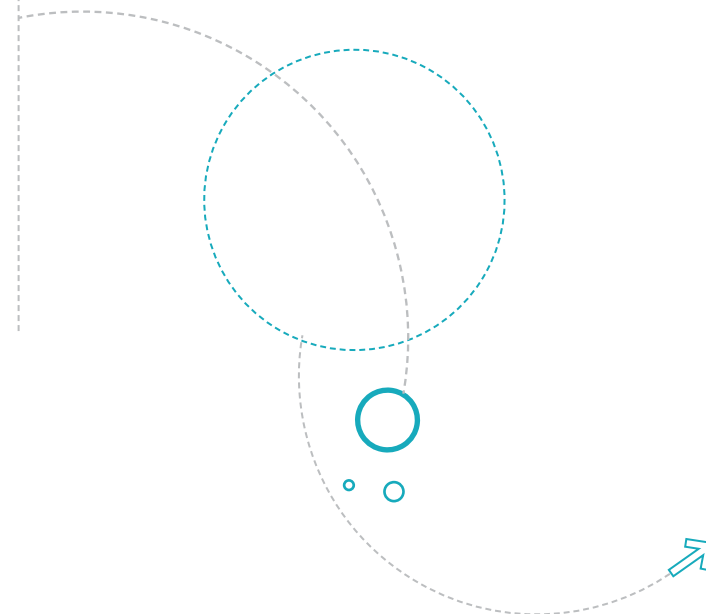
The committee’s priorities going forward include the future of work, employee motivation and wellbeing, and monitoring the Group’s culture during this change. We will also focus on ensuring that our people approach, remuneration policies and organisational capacity are reviewed to align with the new way of work.

We will further enhance the Group incentive scheme by restricting its application to a smaller number of executives and developing Pillar-specific schemes that ensure greater focus and alignment, while following consistent principles. We are also focused on performance contracting for executives.

In closing, on behalf of REMCO and the Board, I thank Shahied Rylands, who retired from the Board in November 2019, for his long and dedicated service on REMCO and as Chair of the committee.



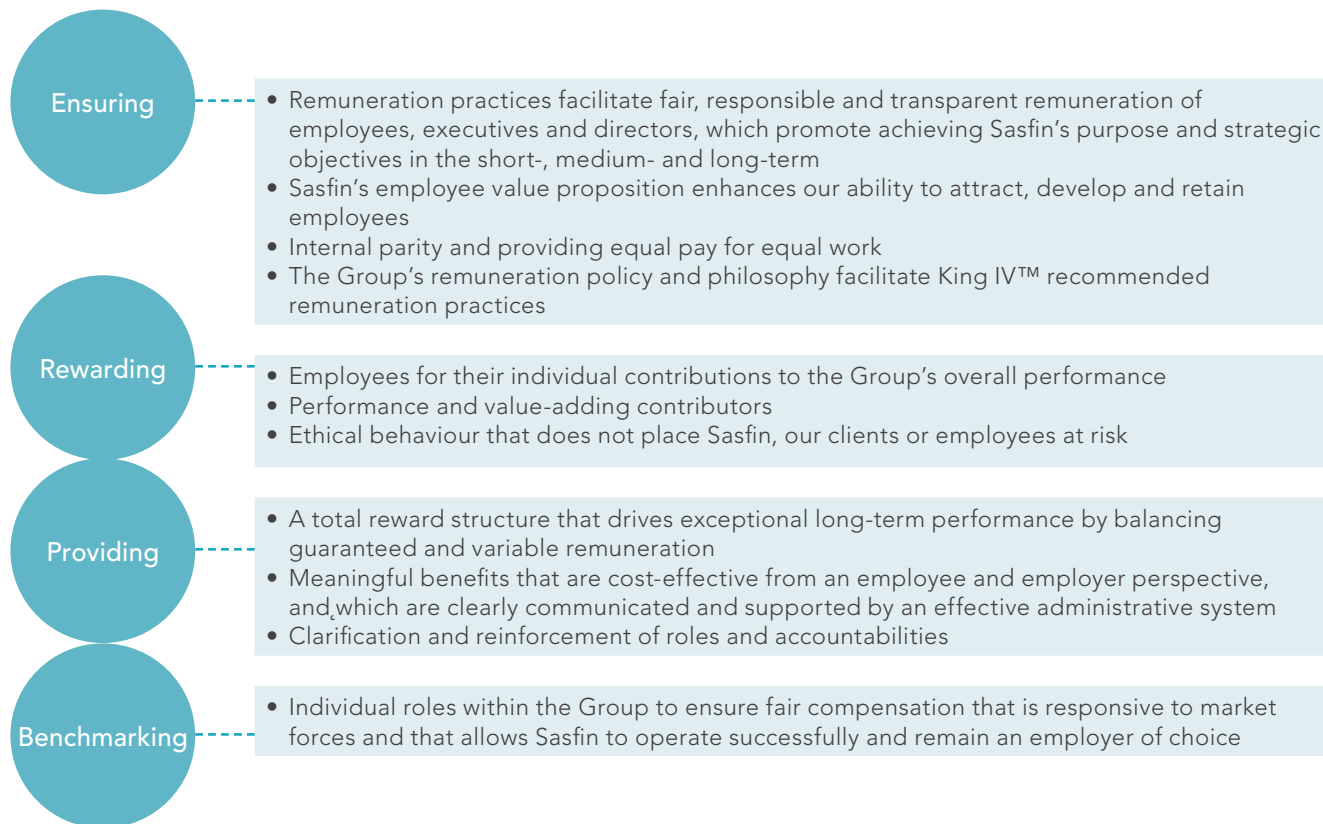
**Grant Dunnington**  
Chair: Human Resources and Remuneration Committee



# Remuneration policy

The Group’s remuneration philosophy provides the framework for remuneration decisions to be made in an informed, consistent, competitive and agile manner. It emphasises the value we place on our people and aims to motivate behaviour that supports the delivery of the Group’s strategy in a manner that aligns with our values. We reward commitment and exceptional performance with a focus on creating stakeholder value and the delivery of sustainable returns to shareholders.

Sasfin’s remuneration philosophy remains unchanged and aims to provide value to our stakeholders by:



## REMUNERATION PRACTICES

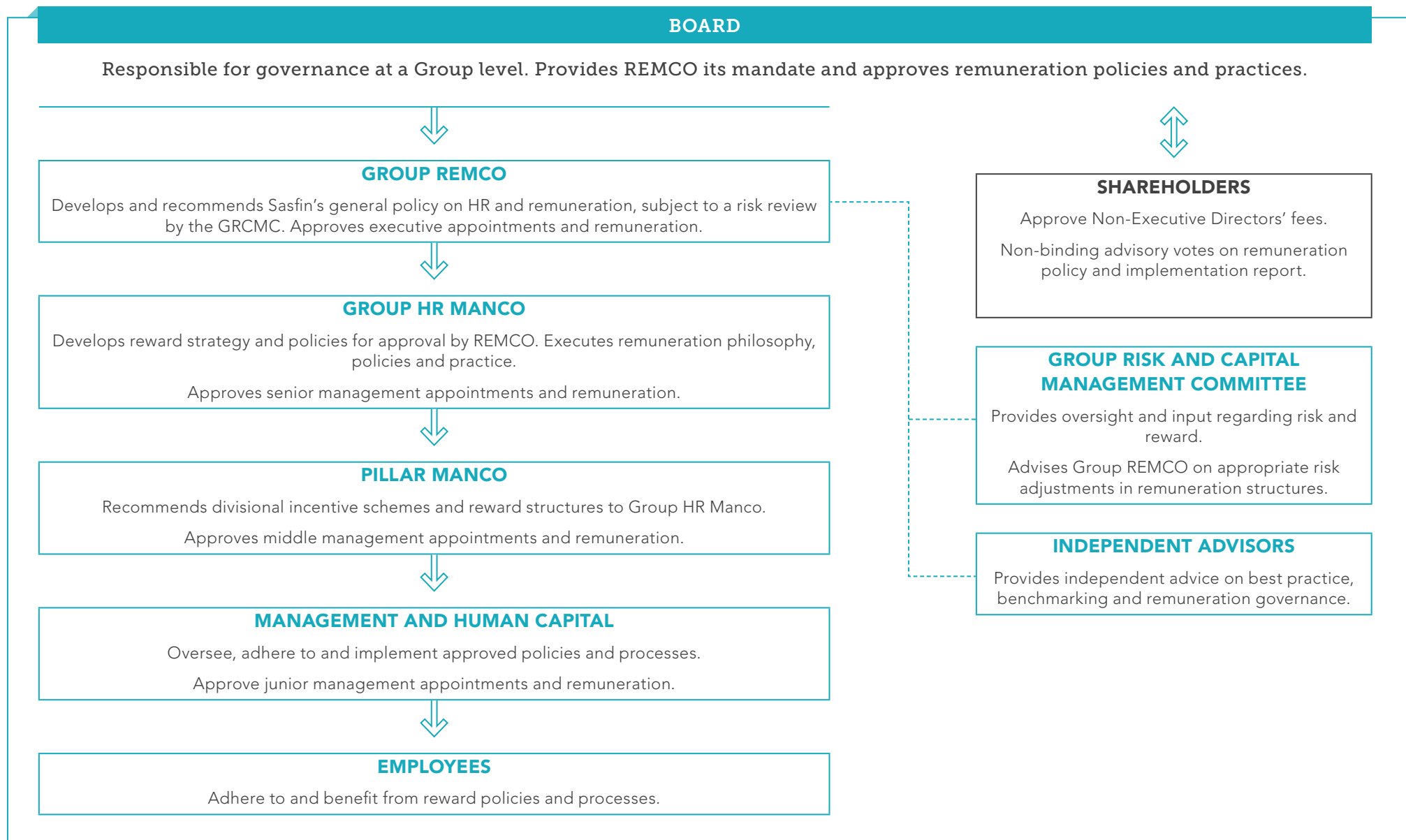
Sasfin implements fair remuneration practices consistently throughout the Group to ensure each employee’s performance is recognised and appropriately rewarded. We consider the risk implications, our ethical standards and Sasfin’s desired culture when changing human capital policies. We consider the overall compensation model and the specific remuneration for Executive Directors, Prescribed Officers and Group Exco members. Individual remuneration is disclosed on page 125.

The Group’s remuneration levels are based on the Hay Group Total Reward Framework. Jobs are graded and assigned to a pay scale for each Hay Reward Level. Reward Levels range from 5 (unskilled roles) to 27 (Group CEO).

REMCO is directly responsible for all human capital and remuneration decisions that affect senior managers and executives (Reward Level 21 and above), as well as for any executive, irrespective of reward level, that reports to the Group CEO. The Group Human Resources Manco (HR Manco) is mandated to make decisions at Reward Levels 18 to 20, and Pillar HR Mancos are mandated by REMCO to make decisions regarding employees up to Reward Level 17. Deviation from the standard increase policy is made in consultation with the relevant Group Exco member and the Head: Human Capital to drive the desired behaviour and outcomes.

10 REMCO reviews the terms and conditions of Executive Directors’ and senior executives’ service agreements at least annually against peer companies and local and global industry trends. Following the 2020 review, REMCO is satisfied that the three-month notice period for Executive Directors and senior executives is appropriate, and that there are no contractual obligations which could give rise to payments on termination of employment or office. There were no such payments this year.

## Remuneration governance structure

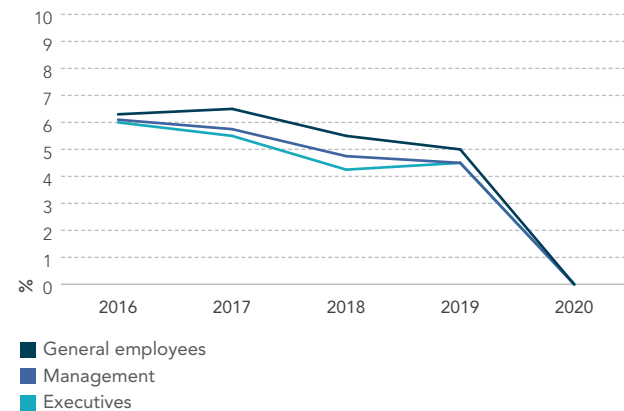


## Ensuring fair and responsible remuneration

While the legislated minimum wage is R3 600 per month, we are guided by the Labour Research Service's 2019 paper. The paper proposed a decent standard of living measure that focuses on the ability of people to achieve a socially-determined acceptable standard of living to participate fully in society. Their median monthly income for a decent standard of living is R7 043. We are satisfied that all our employees earn more than this.

Sasfin remains aware of the need to address the wage gap between junior level employees and senior executives. Junior level employees generally receive higher percentage annual increases than management and executives to address this concern.

### Salary increases



Sasfin's average annual cost-to-company (CTC), excluding commission earners is R633 278. Therefore, the Group CEO's CTC is 6.8 times the average CTC, and the Group FD's CTC is 5.5 times the average. This compares favourably with the South African Reward Association figures. They quote a wage gap of as much as 725 times workers' average salary in South African JSE-listed companies, with the average CEO salary 140 times more than the average worker.

In line with REMCO's guideline not to award any general annual increases in October 2020, the Group CEO and Group FD won't receive an increase. Per the latest PwC benchmarking report, both the Group CEO and Group FD are paid below the median of their respective pay scales.

### Benchmarking

All positions are benchmarked at least every second year using independent remuneration consultants, which include REMchannel®, PwC Research Services (Pty) Ltd, the International Zonal Leadership Institute and 21st Century. Job evaluations supported by benchmarking provides REMCO with assurance that roles are graded correctly, and employees are paid in line with the market for the jobs they perform.

Our policy is to pay employees with three years' experience at Sasfin, in line with the median for each Reward Level, although other factors are considered when finalising individual compensation within each Reward Level. The Group's businesses are diverse, and each requires unique skill sets and qualifications. The Group HR Manco assesses instances where proposed employee remuneration falls outside the benchmark and submits those that it supports to REMCO for approval at its discretion.

Benchmarking informs recommended adjustments to pay scales each year. REMCO uses these and an analysis of market increases, to decide the annual increase guidelines aligned with the remuneration policy. These are factored into individual increase decisions such that the total increases per business don't exceed the overall Board-approved percentage increase.

In assessing individual remuneration, HR Mancos and REMCO consider the following:

- Individual performance and alignment with the Sasfin culture and values
- Internal parity and individual positioning relative to pay scale

- Specialised skills required, market scarcity and replacement cost
- Decent standard of living measure, equal pay for equal work, wage gap and gender pay disparity
- Alignment with the Board risk appetite and REMCO remuneration guidelines

### 2020 BENCHMARKING

Sasfin benchmarked its pay scales for all employees, including executives, prior to Covid-19, and included ageing of data to include a provision for increases in the year ahead. Analysis of this data reflected that in the banking sector, 67% of Sasfin employees are positioned above the median on CTC, while 82% are positioned above the market median on total reward. Sasfin employees compare favourably to both the financial services and banking sectors on CTC, where our median comparison reflects a compa-ratio of 104% and 110% respectively. We fare even better on total reward, with compa-ratios of 113% and 119%.

## INTEGRATING STRATEGY AND REWARDS

### KEY THEMES FOR 2020

- No general annual increases in October 2020
- No incentive awards made relating to the 2020 performance, except for the Wealth pillar
- Review of Group performance incentive scheme, and implementation of pillar incentive schemes
- Aim to fill vacancies internally through promotions
- Organisational capacity and the new way of work

Remuneration forms an integral element of the Group's greater human capital management, which includes performance and talent management. Remuneration practices are an effective means of supporting the business strategy by motivating and rewarding excellent employee performance that delivers on the Group's strategic objectives.

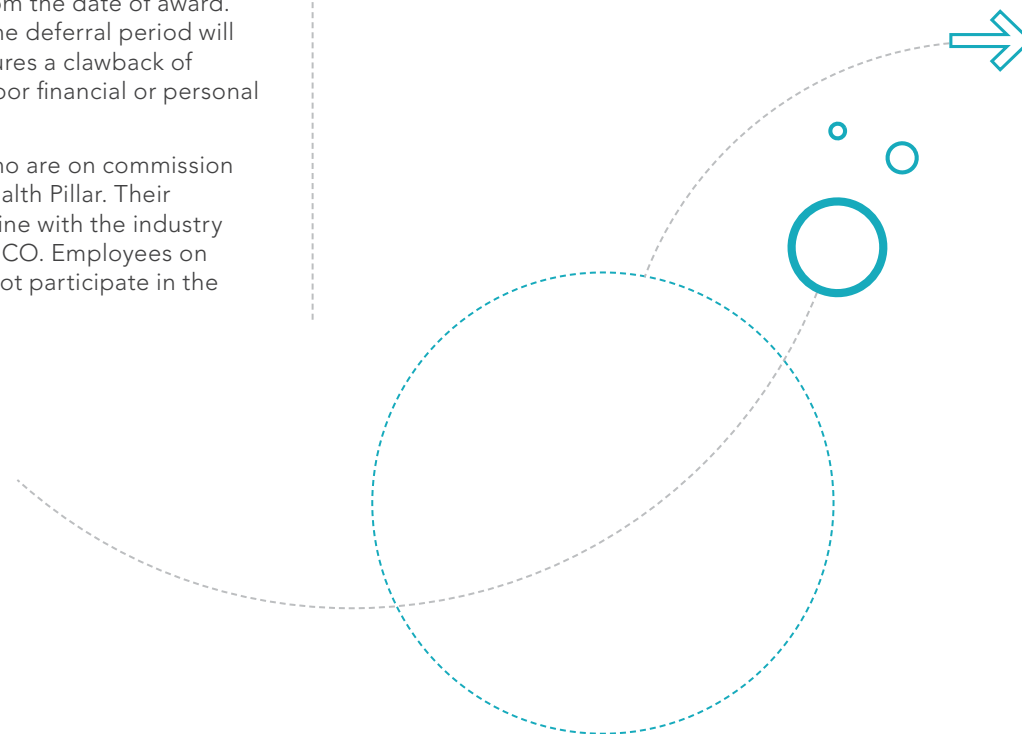
Sasfin's variable remuneration aims to directly link reward to individual, Pillar/business unit and Group performance so that employees can directly influence their total remuneration. Individual performance is measured against KPIs that are agreed in advance and reviewed regularly, in line with any changes to the job function, as well as KVs and KRIs. This ensures employees understand the bonus calculation, which promotes transparency, consistency and objectivity, and provides honest feedback to employees.

Variable remuneration considers the employee's performance, potential and relative value to the Group. Incentive payments are awarded at REMCO's discretion

and employees who do not meet their KPIs, KRIs or KVs, or who have a current disciplinary record, do not qualify for annual increases or discretionary incentive awards.

Our variable remuneration includes short- and long-term elements, with deferred payments falling due over a period of up to three years from the date of award. In exceptional circumstances, the deferral period will be four years. This deferral ensures a clawback of bonuses paid, in the event of poor financial or personal performance or misconduct.

There are several employees who are on commission arrangements, mainly in the Wealth Pillar. Their remuneration structures are in line with the industry norm and are approved by REMCO. Employees on commission arrangements do not participate in the performance incentive scheme.





## MALUS AND CLAWBACK PROVISIONS

The scheme malus and clawback provisions will be invoked in instances where a significant 'trigger event' has taken place. A trigger event in malus and/or claw-back will occur where:

- there has been misconduct or material error by a participating employee or where the actions of an employee may have resulted in one or more of the following:
  - reputational damage to the Group
  - material failure of risk management
  - financial loss or damage as a result of actions or circumstances attributable directly to an employee or which could have been avoided by the reasonable actions of an employee
  - awards have been based on material misstatements of financial results or information arises which would have caused benefits to lapse or would have resulted in the REMCO exercising their discretion differently had the information been known at the time
- the Board or the REMCO, in their discretion, deems it necessary to apply malus or clawback.

### Application

- 1) This Policy may apply to selected persons who are or become a Participant on or after the Effective Date and applies to all Incentive Remuneration awarded to the Participant on or after the Effective Date.
- 2) The Incentive Remuneration awarded to a Participant on the award date will be calculated on the basis that no Trigger Event is present at the time of award.
- 3) This Policy can be applied without prejudicing any other legal remedies which the Group may have against a Participant.

- 4) Subject to the Trigger Event, the Group, has the right to reduce the Incentive Remuneration Amount prior to payment or vesting, as applicable, to a Participant.
- 5) Subject to the Trigger Event, the Group has the right to Clawback the Incentive Remuneration Amount from a Participant for a period of three (3) years from the date of payment or vesting, as applicable.
- 6) The right to invoke Malus and/or Clawback applies to a Trigger Event that is discovered to have taken place during a Participant's employment, and this right remains intact even if a Participant leaves employment.

### Right to invoke malus and/or clawback

In respect of determining if Malus and/or Clawback should be invoked in terms of a Trigger Event which has been discovered, the Board may consider a Participant's proximity to the applicable Trigger Event and his or her level of responsibility.

Malus: where the Board becomes aware of a Trigger Event, it may apply Malus.

Clawback: in the event that the Board becomes aware of a Trigger Event and determines, in its discretion, that Clawback should apply:

- the Board may require a Participant to reimburse the Group for all or part of any relevant Incentive Remuneration Amount;
- to the extent that any Incentive Remuneration Amount is not immediately recovered upon demand from a Participant, the Company has the right to require that payment of any compensation owing by the Company to a Participant, including any salary any other unpaid remuneration, be immediately withheld or irrevocably cancelled by the Company to compensate for the Incentive Remuneration Amount or any unrecovered portion thereof, and to bring any other legal actions against a Participant which the Board may deem

necessary or advisable to recover the Incentive Remuneration Amount;

- recovery of the Incentive Remuneration Amount in terms of this Policy will be initiated by the Group at the instruction of the Board, and all amounts recoverable or payable in terms hereof shall be paid to the Group or any member of the Group at the direction of the Board; and
- the Company will not obstruct any process that deals with any tax recovery related to an Incentive Remuneration Amount.

### Board discretion in enforcing the Policy

The Board empowers the REMCO with the discretion to enforce or decline to enforce Malus or Clawback and should, in determining whether to enforce or decline to enforce Malus or Clawback, consider the interests of the Company and its shareholders.

In applying its discretion in terms of this Policy, the Board and REMCO shall at all times act in good faith.

In making such determination, the Board may take into consideration the following factors:

- the likelihood of success of invoking Clawback and recovering such Incentive Remuneration Amount;
- the likelihood that such claim may prejudice the interests of the Company;
- the passage of time since the occurrence of the applicable Trigger Event(s); and
- the existence of any legal proceedings against a Participant related to the applicable Trigger Event(s).

Before invoking Malus or Clawback the REMCO or its duly authorised representative will advise the affected Participant in writing of its reasons for intending to invoke it. A Participant will be given an opportunity to make representations in writing to the Board in writing within a period specified in the notice as to factors which may be relevant to the application of the REMCO's discretion in invoking Malus or Clawback.



## Total remuneration comprises fixed and variable remuneration

Fixed remuneration: Basic remuneration and benefits

**Fixed remuneration aims to attract and retain talent and provide fair market-related remuneration. There were no policy changes in 2020, however, no annual increases were granted for the next financial year.**



### Comprises

- Cash salary
- Contribution to pension/provident fund
- Medical aid
- Risk benefits

### How is this determined?

Pay scales and annual increase guidelines are set considering independently benchmarked data. It considers scarce or critical skills, internal parity, equal pay for work of equal value, the wage gap, scope and influence of the role, and individual performance.

All employees are eligible.

There is no performance hurdle or deferral.

Discretionary performance bonuses: Annual incentive for employees not on any incentive scheme

**The annual incentive aims to attract and retain talent and reward individual contribution to achieving the Group's strategic and financial objectives and the employees' KPIs, KRIs and KVI's. There were no policy changes in 2020.**



Comprises a cash payment.

### How is this determined?

REMCO determines the annual incentive pool based on Group performance:

1. Employees whose performance met expectations qualify to earn up to 100% of a 13th cheque, dependent on Group, Pillar/division and individual performance
2. Employees whose performance exceeded expectations qualify to earn up to 200% of a 13th cheque, dependent on Group, Pillar/division and individual performance

### How individual remuneration and Group performance are linked

Group and operational financial targets and a non-financial component, which, in addition to the personal KPI score, includes items such as compliance, risk, strategy implementation, stakeholder expectations, transformation and ethics.

The incentive pool is only created if the Group's ROE target is achieved.

Short-term incentive (STI) indicators are regularly reviewed to ensure that they drive the required behaviour. The calculations underlying the payments consider exceptional items and associated costs. This year, no bonuses were paid in Bank, Capital and Asset Finance (2019: In general, 75% of monthly CTC). The exception this year is the Wealth Pillar (40% of monthly CTC paid in 2020, 2019: 75% of monthly CTC), due to its strong financial performance.

## Performance incentive scheme: Short- and long-term incentive

↓ **The performance incentive scheme aims to attract and retain talent and align Sasfin executives to stakeholder value creation, specifically shareholder returns. There were no policy changes in 2020.**

Comprises initial and deferred cash payments.

Identified senior executives and management who are in good standing and not underperforming in terms of KPIs, KRIs or KVIs, are eligible. It excludes individuals on Pillar bespoke schemes.

### How is this determined?

- The incentive depends on Group, Pillar/division and individual performance, and is driven by the ROE target set annually by REMCO
- The participation level depends on the function performed

### How individual remuneration and Group performance are linked

The incentive scheme is linked to Group ROE and individual KPI, KRI and KVI ratings.

Sasfin has to achieve or exceed the ROE target set by REMCO before bonuses are considered.

### Deferral

- Bonuses are split into an initial payment and a deferred portion that vests over three years and four years, dependent on the size of the award
- If the ROE is sustained or improved, and the scheme participant has met KPI, KRI and KVI objectives, up to 100% of the deferred portion due in the current year vests and is paid
- If the ROE is not sustained or improved, and the scheme participant has met KPI, KRI and KVI objectives, then 50% of the deferred portion due in the current year vests and is paid
- If individual KPI, KRI and/or KVI score does not meet expectations, the entire deferred portion due in the current year is forfeited
- Payment of deferred portions requires continued employment and the employee must be in good standing

## Share price appreciation scheme

In prior years share price appreciation scheme (SPAS) awards were made to key employees while the performance equity scheme was not yet implemented. The SPAS will discontinue after the last vesting in 2021. No payments or awards were made this year.

### Applied to

Employees earning between R500 000 and R1 million per annum

### Basis

- Based on the future share price over three to five years from date of award
- Allocations calculated at 25% of CTC
- The award date is the end of each financial year

### Vesting

- Three years after award and the employee must be in the Group's employ and in good standing to qualify for the award
- Future bonus payments fall due by 2021

## Performance incentive scheme

The STI and long-term incentive (LTI) schemes were comprehensively revised following the restructuring of the Group in 2018 to appropriately incentivise employees aligned to the performance of the Pillar in which they work. The new performance incentive scheme (the scheme) was implemented in 2019, after being approved by shareholders at the 2018 AGM.

Employees are eligible once they have completed a full year of service with the Group and must be in the Group's employ and in good standing to qualify for the award. The scheme combines short-term and long-term elements and incorporates KRIs and KVIs in line with market and competitor benchmarks.

The scheme is designed to:

- Have a long-term orientation with a risk management focus
- Appropriately balance individual, divisional, Pillar and Group incentives to drive a meritocracy
- Offer clear line of sight
- Be simple but robust
- Have the potential for real long-term value creation

Given where Sasfin is in its cycle, an appropriate target ROE is set by the REMCO annually to ensure incentivisation of executives. Bonuses are payable where the Group achieves the ROE target (which can be different from the budgeted ROE). REMCO considers current performance, budget, cost of capital and ROE achieved in the current year when setting the ROE target. The ROE target can never be lower than the prime lending rate and must be achieved after providing for the performance incentive scheme. A ROE base is set, which determines the point from which pro-rated incentives would fall due.

Sasfin’s aim is to ensure that hurdles for each area are based on achieving operational returns in excess of the cost of capital. Meaningful bonuses can be achieved once Sasfin achieves a ROE in excess of its cost of capital. All executive bonuses are impacted by the actual ROE:

- ROE affects the Group hurdle
- Each Pillar’s financial performance affects the Pillar hurdle (profit after tax, return on assets)
- Each division’s financial performance affects the divisional hurdle (profit after tax, assets under management, cost-to-income)
- KPIs, KRIs and KVs affect participation and the quantum of the bonus award

The scheme is structured to ensure that shareholders attain a minimum return on their capital before any bonuses are paid to executives. Even though the scheme is uncapped, the mechanics of the scheme ensure that it is not open-ended.



## SHARE-BASED PAYMENT CONSIDERATION

The REMCO considered share-based payments to align scheme participants further to the Group. However, given the limited free float of Sasfin shares and the regulatory and accounting challenges of settling in shares, Sasfin believes the incentive scheme’s design is the most effective at present. This scheme is constantly being assessed to evaluate how it can be enhanced, and consideration is being given to converting deferred bonuses to Sasfin shares.

The rules of the scheme are summarised as follows:

### Scheme participants

... The participants are on different levels, ranging from Reward Level 17 to Reward Level 27.

### Bonus pool

... As part of the annual budget process, REMCO sets a base ROE level and a target ROE hurdle which must be obtained after providing for all bonuses including scheme bonuses.

The Board approved a ROE target of 13.3% for the 2020 financial year. The target ROE for 2020 was not achieved and therefore no bonus payments fall due.

In determining the bonus pool, the profit pool means the profit before scheme bonuses and tax, but after all bonuses and incentives in respect of non-scheme participants, is provided for.

The executive scheme bonus pool is equal to:

- (Actual profit pool less the profit pool assuming ROE target) multiplied by 30% **PLUS**
- (Profit pool assuming ROE target less the profit pool assuming base ROE) multiplied by 15%

The ROE hurdle set for 2020 was 13.3%. The absolute level and timing of bonus payments depends on the ROE achieved and a high-level illustration of likely outcomes for senior executives is depicted below.

Scheme ROE hurdle range	Bonus as a % of CTC	Immediate payment (approximate % of the bonus)	Deferred portion (% of the bonus)
0 – ROE base	No bonuses paid		
ROE base – ROE target	Up to 30%	70%	30%
ROE target – ROE stretch target	Up to 140%	33%	67%
ROE stretch target +	140% +	18%	82%

Paying out the deferred portion depends on sustained personal and Group performance within ranges. This ensures alignment between shareholders and executives for achieving sustainable long-term ROE off the current base of earnings.

## Allocation of the bonus pool

The bonus pool is allocated between scheme participants based on each participant's:

- Relative seniority and responsibilities
- Performance against personal KPIs which include a weighting on KRIs and KVIs
- Position within the Group and the relative performance of the Group, Pillar and/or division
- Applied caps, where appropriate, based on their role within the Group

No incentives are paid to individuals who are underperforming either in terms of KPIs, KRIs or KVIs or if the employee is not in good standing. The KPIs, KRIs and KVIs and performance against those are set and approved at the appropriate levels as per Sasfin's governance structures.

## Payment and vesting

Bonuses are split into an initial payment and a deferred portion that vests over two years for the phase-in period of the scheme, and therefore vests over three years. Exceptional bonuses are paid over four years. Initial and deferred payments are made in cash.

50% of the deferred payments are paid to employees who have sustained personal performance. The other half of the deferred payments depend on the Group ROE performance in the year of vesting compared to the ROE in the year of the award.

## EXECUTIVE DIRECTORS' PAY

The objectives for Executive Directors are set annually. The Group CEO's objectives are set by the Group and REMCO Chairs. The Group FD's objectives are set by the GACC Chair and Group CEO.

### Group CEO for FY 20

Personal objectives	Weighting (%)
<b>People and culture (including transformation)</b> Focus on developing and driving the Sasfin culture, ensuring incentive structures work optimally, that a stable and motivated management team is in place and that critical vacancies are addressed. It also includes moving the Group towards a B-BBEE level 3 and maintaining SAM's level 1, with a focus on senior leadership.	10.0
<b>Sales</b> Drive granular growth in loans and advances (at the right margin), deposits and the transactional banking client base. Also grow assets under management in the Wealth Pillar, with a focus on global assets under management.	20.0
<b>Organisational capacity</b> Improve the cost-to-income ratio against budget and establish a cost reduction plan for the Board's consideration. Furthermore, ensure final mile progress in key IT projects.	12.5
<b>Product, user experience and innovation</b> Deliver the build the bank business plan per schedule (part of 2025 strategy), deliver new products and integration as per the strategy.	10.0
<b>Credit</b> Maintain or improve the credit loss ratio compared to budget and ensure effective credit processes and decision-making are bedded down.	10.0
<b>Capital management and strategy</b> Enhance capital management, focussing on the capital adequacy and ICAAP ratios at the three Pillars. Enhance capital light initiatives to improve the ROE ratio and improve Sasfin's credit score.	12.5
<b>KRIs</b> These indicators focus on ensuring the Group operates within the Board's risk appetite, that there is a strong relationship with SARB and that regulatory audit outcomes improve. Also, that anti-money laundering matters are remediated and that key regulations are complied with.	15.0
<b>KVIs</b> Drive the Group to live the Sasfin values (page 10).	10.0

Against the backdrop of no bonuses or increases as a result of ROE being below the base ROE, the Board and REMCO Chairs assessed the Group CEO's performance against the above objectives and took into consideration the extenuating circumstances arising out of Covid-19 and found the performance to be satisfactory

## Group FD for FY 20

	Weighting (%)
<b>Personal objectives</b>	
<b>People and culture</b> Ensure a stable and motivated finance team and that key vacancies are filled timeously, and support developing and driving the Sasfin culture.	10.0
<b>Financial reporting</b> Ensure quality and timely reporting, including the Integrated Report, and bridge the gap between business and finance reporting by providing more granular information for business reporting. Adopt appropriate IFRS and tax policies and manage relationships with the SARB and external auditors, and address queries appropriately.	15.0
<b>Capital and strategy</b> Ensure appropriate regulatory reporting, including SARB regulatory returns and ICAAP reporting, and effective engagement with SARB. Provide strategic input to capital allocation and growth opportunities.	15.0
<b>Organisational capacity</b> Improve cost-to-income ratio against budget, optimise the Leasewave system as it pertains to accounting and reporting, and drive the successful completion of the RDARR and finance transformation projects.	15.0
<b>Transformation</b> Move the Group towards a B-BBEE level 3 and maintain SAM's level 1, including driving employment equity and achieving targets set by the Management Transformation Committee for each B-BBEE scorecard element, together with the respective element owners.	5.0
<b>Budget</b> Improve the Group's budget process, rationalise Group costs and ensure appropriate allocation of Group costs to three Pillars.	10.0
<b>Financials and year-end</b> Appropriately manage tax, Group costs and procurement and enhance management information for strategic reporting.	10.0
<b>KRIs</b> These indicators focus on ensuring the Group operates within the Board's risk appetite, that there is a strong relationship with SARB and that credit and capital management is appropriate. This include strengthening the capital, funding and liquidity planning and management model and processes to improve the capital adequacy ratio.	10.0
<b>KVIs</b> Drive the Group to live the Sasfin values.	10.0

Against the backdrop of no bonuses or increases as a result of ROE being below the base ROE, the Board, GACC and REMCO Chairs as well as the Group CEO assessed the Group FDs performance against the above objectives and took into consideration the extenuating circumstances arising out of Covid-19 and found the performance to be satisfactory.

## PAY MIX AND POTENTIAL REMUNERATION

The performance of each Prescribed Officer is reviewed by their manager and relevant Board members. Executive Directors and management are on the Group Performance Incentive Scheme.

The Group CEO, Group FD and Prescribed Officers all achieved positive performance ratings on their personal KPIs.

- The Group CEO achieved a performance rating of 3.13 out of 5
- The Group FD's performance score was 3.25 out of 5

They were not awarded bonuses in September 2020 (for the 2020 financial year), with the exception of Erol Zeki, CEO of Sasfin Wealth. The Wealth Pillar delivered strong financial performance and Erol Zeki achieved a performance rating of 3.75 out of 5. Because of the strong financial results in this Pillar, he was awarded a total discretionary bonus of R1.9 million. Of this, R1.1 million was paid as an STI, and the remaining balance was deferred over three years, subject to sustained performance and good standing.

## NON-EXECUTIVE DIRECTORS' FEES

Non-Executive Directors' fees consider a range of factors, including the reasonability of the fees in relation to the important role directors play, Sasfin's growth, the workload and the economic climate.

Non-Executive Directors' fees are reviewed annually based on external benchmarking that takes place every two years. The fees are recommended to REMCO for consideration, which amends or supports the fees in consultation with Executive Directors, other than in respect of REMCO members' own fees, and submit the recommendation to the Board via the DANC. Increases are presented to, and approved at, the AGM by means of a special resolution.

Directors representing WIPHOLD do not receive directors' fees because WIPHOLD is paid a management fee for its strategic input.

## 2019 BENCHMARKING

Detailed benchmarking was performed in 2019 and directors' fees were appropriately adjusted.

In line with the stance regarding annual employee increases, no annual increases are proposed for the Non-Executive Directors.

Member	2020 and 2021	
	Annual membership fee R	Annual Chair's fee R
Sasfin Holdings and Sasfin Bank Board fees	271 976	1 100 000
Group Audit and Compliance Committee	84 436	183 402
Asset and Liability Committee	51 224	102 885
Human Resources and Remuneration Committee	69 759	120 156
Social and Ethics Committee	50 208	80 926
Group Risk and Capital Management Committee	84 436	183 402
Credit and Large Exposure Committee	69 759	127 490
Capital Investment Committee	38 418	77 164
Information Technology Committee	58 600	102 885

Directors' fees are exclusive of VAT.

## IMPLEMENTATION REPORT

REMCO is satisfied that the remuneration practices were in line with the policy, and exceptions were approved before implementation.

### BASIC REMUNERATION ANNUAL INCREASES

Remuneration payments were made in terms of the Group's remuneration policy. Remuneration that deviates from the policy is submitted to REMCO for approval. Deviations mainly relate to the appointment of key personnel in order to offer them compensation that is competitive relative to their existing salaries.

REMCO didn't award annual increases for the next year (effective October 2020), except for those who were promoted.

There were no restraint payments made. We paid R500 000 in retention payments to two employees (2019: R600 000, two employees).

In the event of an executive leaving our employ, they will forfeit any retention amounts on the performance incentive scheme.

No sign-on bonuses were paid (2019: three employees, R1.4 million).

We paid R700 000 in a mutual separation agreement with one senior manager.

### DISCRETIONARY PERFORMANCE BONUSES (STI)

Except for the Wealth Pillar where there was strong financial performance, no discretionary performance bonuses were paid in respect of the 2020 financial year. (2019: Less than 75% of the Group's monthly salary bill for qualifying employees).

## SHARE PRICE APPRECIATION SCHEME

The scheme is being discontinued and there were no payments this year (2019: nil). The last awards vest in 2021.

The SPAS has 43 226 shares remaining, with an average strike price of R64-82 and 28 609 shares remaining at an average strike price of R73-17 as at 30 June 2020. No bonus payments are due on these shares. Future bonus payments on the SPAS, which will depend on the share price at the time, will fall due in July 2021.

## PERFORMANCE INCENTIVE SCHEME

No new awards were made this year relating to the 2020 financial year's performance.

50% retained portion of the 2019 awards fell due in 2020:

- 50% of these retained payments were forfeited due to not achieving the target ROE in 2020.
- The 50% retained portion that is dependent on personal performance fell due, subject to achieving the personal key performance, risk and value indicators. These totalled R605 000 across the Group.

The remaining retention amount of R1.2 million falls due in September 2021, is based on ROE performance (50%) and participants' personal performance (50%).

Pillar	Bonus awarded for 2019 performance R	Bonus awarded for 2020 performance R
Asset Finance	1 025 000	–
Bank	1 868 000	–
Capital	1 870 000	–
Wealth	2 905 000	5 212 829
Corporate Support Services	5 496 500	–

## EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION TABLES

The remuneration of the Prescribed Officers, including the Executive Directors, who are considered to be the material risk takers of the Group, is paid by subsidiaries of the Company and is disclosed under cash package in the below tables. Other benefits comprise provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.

### 2020

R	Cash package <sup>1</sup>	Other benefits <sup>2</sup>	Bonus paid for prior years <sup>3</sup>	Total 2020	FY 2020 Bonus Award	Bonus Payments made in Sep 2020 <sup>4</sup>
Angela Pillay	2 780 927	563 915	705 500	4 050 342		48 750
Michel Sassoon	3 641 471	630 865	915 000	5 187 336		71 250
Linda Frohlich	2 805 933	377 693	637 500	3 821 126		41 250
Maston Lane	2 644 855	668 556	635 000	3 948 411		41 250
Francois Otto	2 296 319	343 632	495 000	3 134 951		26 250
Stewart Tomlinson	1 719 970	587 258	383 000	2 690 228		14 250
Erol Zeki	2 828 793	228 349	635 000	3 692 142	1 945 008	1 118 129
<b>Total</b>	<b>18 718 268</b>	<b>3 400 268</b>	<b>4 406 000</b>	<b>31 518 322</b>	<b>1 945 008</b>	<b>1 361 129</b>

### 2019

R	Cash package	Other benefits	Bonus paid for prior years	Total 2019	FY 2019 Bonus Award
Roland Sassoon	1 805 706	192 466	643 333	2 641 505	–
Angela Pillay	2 342 997	473 356	–	2 816 353	900 000
Michael Sassoon	3 577 649	422 657	643 333	4 643 639	1 200 000
Linda Fröhlich	2 677 412	369 378	490 980	3 537 770	800 000
Maston Lane	2 653 021	503 146	504 370	3 660 537	800 000
Howard Brown	2 197 651	252 381	378 667	2 828 699	450 000
Francois Otto	2 149 557	261 890	842 000	3 253 447	600 000
Andrew (Josh) Souchon	2 308 197	292 156	417 600	3 017 953	450 000
Stewart Tomlinson	1 663 255	420 014	111 111	2 194 380	440 000
Erol Zeki	2 396 383	535 168	500 000	3 431 551	800 000
<b>Total</b>	<b>23 771 828</b>	<b>3 722 612</b>	<b>4 531 394</b>	<b>36 284 635</b>	<b>6 440 000</b>

<sup>1</sup> The remuneration of the Executive Directors is paid by subsidiaries of the Company

<sup>2</sup> Other benefits comprise provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses

<sup>3</sup> Relate to the Group's and individual's performance in the 2019 financial year

<sup>4</sup> Relates to performance in the prior years, paid in the 2021 financial year

## NON-EXECUTIVE DIRECTORS' FEES

The remuneration in the below table represents non-executive directors' fees paid in the actual year.

	2020 R	2019 R
<b>Independent Non-Executive Directors</b>		
Roy Andersen	1 100 000	996 200
Richard Buchholz	711 490	631 638
Linda de Beer*	141 211	539 000
Grant Dunnington	876 766	866 913
Thabang Magare**	222 420	–
Gugu Mtetwa*	131 674	451 100
Shahied Rylands***	405 568	773 950
Mark Thompson	660 187	–
Eileen Wilton****	502 622	–
<b>Non-Executive Director</b>		
Roland Sassoon*****	241 848	–
<b>Total</b>	<b>4 993 786</b>	<b>4 258 801</b>

\* Resigned 30 September 2019.

\*\* Appointed 19 December 2019.

\*\*\* Retired 26 November 2019.

\*\*\*\* Appointed 6 August 2019.

\*\*\*\*\* Appointed 1 January 2020.

# APPENDICES

## Sasfin offices

Sasfin's head office is in Johannesburg with regional offices in four South African provinces and eight cities, and an office in Hong Kong.



### JOHANNESBURG (HEAD OFFICE)

**Physical address**  
29 Scott Street  
Waverley  
2090  
**Postal address**  
PO Box 95104  
Grant Park  
2051  
**Contact details**  
Tel: +27 11 809 7500  
Fax: +27 11 887 6167  
E-mail: info@sasfin.com

### CAPE TOWN (SASFIN BANK)

**Physical address**  
1 Bridgeway  
Century City  
Cape Town  
7441  
**Postal address**  
PO Box 7520  
Roggebaai  
8012  
**Contact details**  
Tel: +27 87 350 1136

### CAPE TOWN (SASFIN WEALTH)

**Physical address**  
155 Campground Road  
Newlands  
7700  
**Postal address**  
PO Box 24024  
Claremont  
7735  
**Contact details**  
Tel: +27 87 350 1136

### SOMERSET WEST

**Physical address**  
Unit 104 Crossfire Place  
15 Gardner Williams  
Avenue  
Paardevelei  
Somerset West  
7130  
**Postal address**  
PO Box 36002  
Menlo Park  
0102  
**Contact details**  
Tel: +27 87 350 1135

### KNYSNA

**Physical address**  
Unit 1 Quayside Office  
Park  
3 Gordon Street  
Knysna  
6570  
**Postal address**  
PO Box 845  
Knysna  
6570  
**Contact details**  
Tel: +27 44 382 3336  
Fax: +27 86 720 0013

### PLETTENBERG BAY (SASFIN WEALTH)

**Physical address**  
2 Village Square  
Main Street  
Plettenberg Bay  
6600  
**Postal address**  
PO Box 494  
Plettenberg Bay  
6600  
**Contact details**  
Tel: +27 44 533 0897  
Fax: +27 44 533 0909

### PORT ELIZABETH (SASFIN COMMERCIAL SOLUTIONS)

**Physical address**  
56 Mangold Street  
2nd Floor  
Newton Park  
Port Elizabeth  
6045  
**Postal address**  
PO Box 27253  
Greenacres  
Port Elizabeth  
6057  
**Contact details**  
Tel: +27 41 391 0600  
Fax: +27 41 365 5860

### PORT ELIZABETH (SASFIN WEALTH)

**Physical address**  
Building No 3  
Waterfront Office Park  
Pommern Street  
Humeral  
6001  
**Postal address**  
PO Box 13305  
Humeral  
6013  
**Contact details**  
Tel: +27 41 363 5989  
Fax: +27 41 363 1692

### DURBAN

**Physical address**  
6 The Terrace  
Westway Office Park  
Spine Road  
Westville  
3630  
**Postal address**  
PO Box 2771  
Westway Office Park  
3635  
**Contact details**  
Tel: +27 31 271 8750  
Fax: +27 31 265 1296/1297

### PRETORIA

**Physical address**  
Block A  
Ground Floor  
North Wing  
Lord Charles Office Park  
337 Brooklyn Road  
Corner Brooklyn and  
Justice Mahomed Streets  
Brooklyn  
0181  
**Postal address**  
PO Box 1761  
Brooklyn Square  
0075  
**Contact details**  
Tel: +27 12 425 6251 or  
+27 87 35 01135  
Fax: +27 12 425 6060

### PRETORIA (SASFIN WEALTH)

**Physical address**  
Lord Charles Office Park  
Block A  
Ground Floor  
North Wing  
337 Brooklyn Road  
Corner Brooklyn Road and  
Justice Mahomed Streets  
Brooklyn  
0181  
**Postal address**  
PO Box 36002  
Menlo Park  
0102  
**Contact details**  
Tel: +27 12 425 6000 or  
+27 87 35 01135  
Fax: +27 12 425 6060



# King IV™ application summary

Principle	Sasfin application	Further reading
<p><b>Principle 1</b></p> <p>The governing body should lead ethically and effectively.</p>	<p>The Board adheres to its fiduciary duties by providing leadership and strategic guidance aimed at protecting stakeholder interests and shareholder value within a governance framework which is reviewed for effectiveness on a regular basis.</p>	<p>Page 28</p> <p>Page 97</p>
<p><b>Principle 2</b></p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The Board sets the Group’s ethical tone and operates with a strong culture of integrity and competence. Sasfin’s values and ethical standards are integral to our stakeholder relationships, and are implicit in how we do business. Our robust policies prevent market abuse, conflicts of interest, bribery and other unethical conduct. Other policies promoting positive ethics are also disseminated to employees and the SEC oversees the effectiveness, implementation and suitability thereof.</p>	<p>Page 10</p> <p>Page 28</p> <p>Page 70</p> <p>Page 97</p>
<p><b>Principle 3</b></p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Board, together with the SEC, assess our business activities and CSR initiatives to ensure that we contribute to society as a responsible and ethical corporate citizen. In particular, that our lending and investment activities are consistent with this approach.</p>	<p>Page 70</p>
<p><b>Principle 4</b></p> <p>The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board delegates to management, via Group Exco, the formulation of strategy which is considered and approved by the Board, including financial and non-financial key performance measures and targets over the short-, medium- and long-term. The Board oversees the implementation thereof within Sasfin’s overall operating context and evaluates management’s performance against the set targets, purpose and strategic focus areas.</p>	<p>Page 34</p>
<p><b>Principle 5</b></p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance and its short-, medium- and long-term prospects.</p>	<p>The Board is responsible for the Integrated Report and approves interim and year-end communications, including all SENS announcements, disclosures made in terms of Regulation 43 of the Banks Act and other media statements. Governance and assurance processes are in place to review the completeness and accuracy of reports and information.</p>	<p>Page 4</p> <p>Page 7</p> <p>Page 17</p>
<p><b>Principle 6</b></p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board, supported by the DANC, ensures that applicable governance practices and principles are adhered to, and acknowledges that it is responsible for the performance and strategic direction of the Group. The Board has adopted a charter setting out its responsibilities, duties and accountability towards Sasfin. The charter is reviewed annually. Sasfin’s governance practices are disclosed in this report.</p>	<p>Page 96</p>

<p><b>Principle 7</b></p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The Board comprises a balance of executive and nonexecutive members, with the majority being non-executive of whom most are independent. The Board is led by an independent Chair.</p> <p>The mix of skills, contribution and tenure of directors are monitored and assessed regularly by the DANC and annually by the Board as part of the Board effectiveness evaluation.</p> <p>Directors are appointed through a formal process. The DANC and/or professional recruitment firms assist in identifying suitable candidates and final approval of appointment resides with the entire Board. All effort is made to ensure the composition of the Board comprise the appropriate mix of knowledge, skills and experience which are sufficient to deliver on strategies and create long term shareholder value.</p> <p>Directors' terms of appointment and rotation are outlined in the Company's MOI.</p>	<p>Page 27</p> <p>Page 89</p> <p>Page 90</p> <p>Page 92</p> <p>Page 94</p> <p>Page 96</p>
<p><b>Principle 8</b></p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>The Board delegated specific responsibilities to its Committees in terms of approved Charters and appoints the members of all the Committees. Committee members are selected according to their suitability in terms of their qualifications and experience, which are assessed through the annual effectiveness review.</p> <p>The DANC ensures that the membership of committees is managed effectively to ensure an appropriate spread of responsibility and independence.</p> <p>The Exco and management operate under a defined delegation of authority framework which aims to ensure effective collaboration and accountability.</p> <p>Details of each committee are outlined in this report.</p>	<p>Page 100</p>
<p><b>Principle 9</b></p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>The Board conducted an independent, external Board effectiveness evaluation during the year under review. The results indicated that the Board continued to operate effectively and that there was diversity. It found that the Board operates with cohesiveness and transparency, and that the work of the Board is relevant, focused and professional. The Board Chair was acknowledged for his strong leadership, experience, knowledge and focus.</p>	<p>Page 27</p> <p>Page 95</p>
<p><b>Principle 10</b></p> <p>The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Board oversees key executive appointments and is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibility.</p>	<p>Page 27</p> <p>Page 60</p> <p>Page 100</p> <p>Page 103</p> <p>Page 114</p>
<p><b>Principle 11</b></p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board defines the Group's risk appetite and risk tolerance, which are formalised in risk appetite statements and relevant metrics based on input from the GRCMC. These are further broken down into measurable tolerance levels. Executive oversight of the risk function is delegated to the Chief Risk Officer.</p>	<p>Page 80</p>

<p><b>Principle 12</b></p> <p>The governing body should govern technology and information in a way that supports the organisation to set and achieve its strategic objectives.</p>	<p>The IT Committee oversees IT governance and monitors the development and execution of the IT strategy through an IT governance framework, policies and procedures. It provides oversight, monitors and evaluates significant IT investments and expenditure, and oversees the governance of IT risk.</p>	<p>Page 63</p>
<p><b>Principle 13</b></p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>The Group’s independent compliance function focuses on areas such as banking regulation, anti-money laundering, market conduct, exchange control and regulatory interaction responsible for mitigating compliance risk. The Board acknowledges its accountability and provides the necessary guidance regarding managing compliance risk and ensures that it obtains sufficient assurance in this regard and delegates specific oversight responsibility to the GACC.</p>	<p>Page 74 Page 105</p>
<p><b>Principle 14</b></p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.</p>	<p>REMCO considers whether remuneration is fair and consistent, and encourages behaviour which is commensurate with the strategic direction and risk appetite of the Group through a combination of fixed and variable pay. The Group’s remuneration policy and implementation report are subject to non-binding votes by shareholders. REMCO considers feedback received from shareholders in formulating remuneration policies.</p>	<p>Page 111</p>
<p><b>Principle 15</b></p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports.</p>	<p>The GACC oversees the responsibility for ensuring that internal assurance functions and external assurance services facilitate an effective control environment. It does so by using the combined assurance provided by the Group’s Risk, Compliance and Internal Audit Departments as well as external audit reports to arrive at a holistic risk-based assessment of the Group’s governance, risk management and control processes.</p>	<p>Page 6 Page 7 Page 108</p>
<p><b>Principle 16</b></p> <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The Board has identified all its key stakeholders and recognises the importance of maintaining these relationships. It manages stakeholder risk as an integral part of its overall risk management framework, through routine engagement with key stakeholders and seeks to address stakeholder concerns in guiding the Group’s future strategy and operating model.</p>	<p>Page 75 Page 103</p>
<p><b>Principle 17</b></p> <p>The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.</p>	<p>The Group has a social and environmental management policy framework which guides the Group’s investment activities and ensures that the Group’s activities do not breach international social and environmental norms.</p> <p>A responsible investment standard is also applied to investments made by the Wealth and Capital Pillars and overseen by the SEC from a Group perspective.</p>	<p>Page 52</p>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	2020 R'000	2019 <sup>1</sup> R'000 Restated <sup>2</sup>
<b>ASSETS</b>		
Cash and cash balances	1 731 243	1 312 786
Negotiable securities	3 126 595	3 077 519
Trading assets	1 060 342	1 187 523
Trade and other receivables	436 644	410 776
Non-current assets held for sale	6 700	–
Loans and advances <sup>1</sup>	6 609 328	7 499 508
Current taxation asset	21 035	23 799
Investment securities	654 966	735 411
Investments at fair value through profit or loss <sup>1</sup>	528 771	622 995
Equity accounted associates	126 195	112 416
Property, equipment and right-of-use assets <sup>2</sup>	103 550	75 245
Investment property	13 123	8 900
Intangible assets and goodwill	205 206	235 028
Deferred tax asset	36 808	34 907
<b>Total assets</b>	<b>14 005 540</b>	<b>14 601 402</b>
<b>LIABILITIES</b>		
Funding under repurchase agreements and interbank	1 882 806	2 271 610
Trading liabilities	999 842	1 175 828
Current taxation liability	3 963	4 526
Trade and other payables	783 786	899 119
Bank overdraft	151 462	46 008
Provisions	41 629	57 695
Lease liabilities <sup>2</sup>	70 266	–
Deposits from customers	5 138 778	4 981 067
Debt securities issued	2 743 823	2 753 521
Long-term loans	371 649	495 715
Deferred tax liability	94 531	138 929
<b>Total liabilities</b>	<b>12 282 535</b>	<b>12 824 018</b>
<b>EQUITY</b>		
Ordinary share capital	321	321
Ordinary share premium	166 945	166 945
Reserves	1 367 653	1 418 360
Preference share capital	18	18
Preference share premium	188 068	188 068
Non-controlling interest	–	3 672
<b>Total equity</b>	<b>1 723 005</b>	<b>1 777 384</b>
<b>Total liabilities and equity</b>	<b>14 005 540</b>	<b>14 601 402</b>

<sup>1</sup> Refer to note 2.11 of the Annual Financial Statements for information on the restatements.

<sup>2</sup> Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020 R'000	2019 R'000 Restated <sup>1</sup>
Interest and similar income	1 285 549	1 330 151
Interest and similar income calculated using the effective interest rate method	1 250 375	1 292 269
Other interest income	35 174	37 882
Interest and similar expense	(779 234)	(830 879)
Interest expense calculated using the effective interest method	(733 312)	(779 507)
Other interest expense	(45 922)	(51 372)
<b>Net interest income</b>	<b>506 315</b>	<b>499 272</b>
<b>Non-interest income</b>	<b>640 180</b>	<b>727 588</b>
Net fee and commission income	429 445	427 022
Fee and commission income	638 402	673 280
Fee and commission expense	(208 957)	(246 258)
Gains and losses on financial instruments	85 674	187 400
Net gains or losses on the derecognition of financial instruments at amortised cost	28 297	50 337
Other gains or losses on financial instruments	57 377	137 063
Other income	125 061	113 166
<b>Total income</b>	<b>1 146 495</b>	<b>1 226 860</b>
Credit impairment charges	(252 618)	(80 358)
<b>Net income after impairments</b>	<b>893 877</b>	<b>1 146 502</b>
<b>Total operating costs</b>	<b>(959 040)</b>	<b>(954 366)</b>
Staff costs	(517 605)	(504 421)
Other operating expenses	(424 784)	(437 895)
Impairments on non-financial assets	(16 651)	(12 050)
<b>(Loss)/profit from operations</b>	<b>(65 163)</b>	<b>192 136</b>
Share of associate income	20 161	19 149
<b>(Loss)/profit before income tax</b>	<b>(45 002)</b>	<b>211 285</b>
Total income tax	1 848	(48 832)
<b>(Loss)/profit for the year</b>	<b>(43 154)</b>	<b>162 453</b>
<b>Other comprehensive income for the year net of tax effects</b>		
<b>Items that may subsequently be re-classified to profit or loss</b>		
Foreign exchange differences on translation of foreign operations	41 313	4 877
<b>Total comprehensive (loss)/income for the year</b>	<b>(1 841)</b>	<b>167 330</b>
<b>(Loss)/profit attributable to:</b>	<b>(43 154)</b>	<b>162 453</b>
Non-controlling interest	1 993	(562)
Preference shareholders	15 029	14 955
Equity holders of the Group	(60 176)	148 060
<b>Total comprehensive (loss)/income attributable to:</b>	<b>(1 841)</b>	<b>167 330</b>
Non-controlling interest	1 993	(562)
Preference shareholders	15 029	14 955
Equity holders of the Group	(18 863)	152 937
<b>Earnings per share:</b>		
Basic and diluted earnings per share (cents)	(186.90)	459.86

<sup>1</sup> Refer to note 2.11 of the Annual Financial Statements for information on the restatements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital and premium R'000	Distribu- table reserves R'000	Foreign currency trans- lation reserve R'000	Hedging reserve R'000	Total ordinary share- holders' equity R'000	Prefer- ence share capital and premium R'000	Non- control- ling interest R'000	Total share- holders' equity R'000
<b>2020</b>								
<b>Opening balance at 1 July 2019</b>	167 266	1 442 018	83 441	(107 099)	1 585 626	188 086	3 672	1 777 384
Transfers	–	8 025 <sup>1</sup>	(8 025) <sup>1</sup>	–	–	–	–	–
<b>Total comprehensive (loss)/income for the year</b>	–	(60 176)	41 313	–	(18 863)	15 029	1 993	(1 841)
(Loss)/profit for the year	–	(60 176)	–	–	(60 176)	15 029	1 993	(43 154)
Other comprehensive income net of income tax for the year	–	–	41 313	–	41 313	–	–	41 313
Foreign exchange differences on translation of foreign operations	–	–	41 313	–	41 313	–	–	41 313
<b>Transactions with owners recorded directly in equity</b>								
Disposal of controlling interest in subsidiary	–	–	–	–	–	–	(5 665)	(5 665)
Dividends to preference shareholders	–	–	–	–	–	(15 029)	–	(15 029)
Dividends to ordinary shareholders	–	(31 844)	–	–	(31 844)	–	–	(31 844)
<b>Balance at 30 June 2020</b>	<b>167 266</b>	<b>1 358 023</b>	<b>116 729</b>	<b>(107 099)</b>	<b>1 534 919</b>	<b>188 086</b>	<b>–</b>	<b>1 723 005</b>

<sup>1</sup> Sascred (Proprietary) Limited, a wholly owned foreign subsidiary of Sasfin Asia Limited, was deregistered on 14 March 2018, at which point the foreign currency translation reserve (FCTR) relating to that foreign subsidiary should have been reclassified to profit or loss. The adjustment is done retrospectively and hence the FCTR is reduced and the distributable reserves increased.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital and premium R'000	Distribu- table reserves R'000	Foreign currency trans- lation reserve R'000	Hedging reserve R'000	Total ordinary share- holders' equity R'000	Prefer- ence share capital and premium R'000	Non- control- ling interest R'000	Total share- holders' equity R'000
<b>2019</b>								
<b>Opening balance at 1 July 2018</b>	167 266	1 410 720	78 564	(107 099)	1 549 451	188 086	4 234	1 741 771
Changes on initial application of IFRS 9	–	(66 103)	–	–	(66 103)	–	–	(66 103)
<b>Restated balance at 1 July 2018</b>	167 266	1 344 617	78 564	(107 099)	1 483 348	188 086	4 234	1 675 668
Transfers	–	–	–	–	–	–	–	–
<b>Total comprehensive income for the year</b>	–	148 060	4 877	–	152 937	14 955	(562)	167 330
Profit for the year	–	148 060	–	–	148 060	14 955	(562)	162 453
Other comprehensive income net of income tax for the year	–	–	4 877	–	4 877	–	–	4 877
Foreign exchange differences on translation of foreign operations	–	–	4 877	–	4 877	–	–	4 877
<b>Transactions with owners recorded directly in equity</b>								
Dividends to preference shareholders	–	–	–	–	–	(14 955)	–	(14 955)
Dividends to ordinary shareholders	–	(50 659)	–	–	(50 659)	–	–	(50 659)
<b>Balance at 30 June 2019</b>	167 266	1 442 018	83 441	(107 099)	1 585 626	188 086	3 672	1 777 384

	2020 Cents per share	2019 Cents per share
<b>Ordinary shares</b>		
Interim dividend	48.89	49.89
Final dividend	–	50.01
<b>Preference shares</b>		
Dividend no 29	–	418.09
Dividend no 30	–	419.34
Dividend no 31	416.91	–

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 R'000	2019 R'000 Restated <sup>1</sup>
<b>Cash flows from operating activities</b>		
Interest received	1 285 549	1 330 151
Interest paid	(779 234)	(830 879)
Fee and commission income received	638 402	673 280
Fee and commission expense paid	(208 957)	(246 258)
Net trading and other income/(expenses)	157 407	(45 596)
Cash payments to employees and suppliers	(885 923)	(684 601)
<b>Cash inflow from operating activities</b>	<b>207 244</b>	<b>196 097</b>
Dividends received	23 845	18 014
Taxation paid	(43 140)	(57 121)
Dividends paid	(46 872)	(65 614)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>141 077</b>	<b>91 376</b>
<b>Changes in operating assets and liabilities</b>	<b>154 604</b>	<b>(589 533)</b>
Decrease/(Increase) in loans and advances	717 316	(33 754)
Decrease in trading assets	165 804	357 612
Increase in negotiable securities	(77 060)	(1 102 112)
Increase in trade and other receivables	(26 048)	(35 396)
Increase in deposits	157 711	531 723
Decrease in long-term funding	(124 066)	(178 901)
(Decrease)/Increase in funding under repurchase agreements and interbank	(388 804)	346 635
Decrease in trading liabilities	(175 986)	(273 375)
Decrease in debt securities	(9 698)	(361 911)
(Decrease)/Increase in trade and other payables	(52 455)	139 956
(Decrease)/Increase in provisions	(32 110)	19 990
<b>Net cash from operating activities</b>	<b>295 681</b>	<b>(498 157)</b>
<b>Cash flows from investing activities</b>	<b>48 374</b>	<b>(123 709)</b>
Proceeds from the disposal of property and equipment	–	568
Proceeds from the disposal of investment securities	–	37 721
Proceeds from the disposal of a subsidiary	270	–
Acquisition of property and equipment	(12 712)	(22 751)
Acquisition of intangible assets	(29 595)	(61 083)
Acquisition of investment securities	(11 176)	(47 672)
Repayments/(Advance) of investment securities	101 587	(30 492)
<b>Net cash flows from financing activities</b>	<b>(31 052)</b>	<b>–</b>
Repayment of lease liabilities	(31 052)	–
<b>Net increase/(decrease) in cash and cash balances</b>	<b>313 003</b>	<b>(621 866)</b>
Cash and cash balances at beginning of the year	1 266 778	1 892 167
Effect of exchange rate movements on cash and cash balances	–	(3 523)
Cash and cash balances at the end of the year	<b>1 579 781</b>	<b>1 266 778</b>

<sup>1</sup> Refer to note 2.11.3 of the Annual Financial Statements.



# LOANS AND ADVANCES

	Total R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
<b>2020</b>							
<b>Loans and advances at amortised cost</b>							
<b>Gross investment in leases</b>	7 199 485	3 211 396	1 964 542	1 196 330	635 043	185 105	7 069
Equipment Finance	5 646 631	2 381 258	1 594 012	991 469	527 250	147 819	4 823
Capital Equipment Finance	1 552 854	830 138	370 530	204 861	107 793	37 286	2 246
<b>Less: Unearned finance income</b>	(1 185 948)	(626 019)	(338 824)	(161 445)	(55 047)	(4 164)	(449)
Equipment Finance	(958 396)	(499 384)	(276 778)	(134 164)	(45 332)	(2 529)	(209)
Capital Equipment Finance	(227 552)	(126 635)	(62 046)	(27 281)	(9 715)	(1 635)	(240)
<b>Net investment in leases<sup>1</sup></b>	6 013 537	2 585 377	1 625 718	1 034 885	579 996	180 941	6 620
Equipment Finance	4 688 235	1 881 874	1 317 234	857 305	481 918	145 290	4 614
Capital Equipment Finance	1 325 302	703 503	308 484	177 580	98 078	35 651	2 006
Trade and Debtor Finance	718 014						
Term Loans	207 171						
Secured Loans	191 568						
Unsecured Loans	15 603						
<b>Loans and advances before expected credit losses</b>	6 938 722						
Credit loss allowance (refer to note 43)	(552 405)						
<b>Total loans and advances at amortised cost</b>	6 386 317						
<b>Loans and advances at FVTPL</b>	223 011						
Specialised lending	223 011						
<b>Total loans and advances</b>	6 609 328						

<sup>1</sup> Loans and advances with a carrying amount of R2.968 billion (2019: R2.995 billion) have been ceded as security for the debt securities issued. Refer to note 20.

# LOANS AND ADVANCES CONTINUED

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
<b>2019</b>				
<b>Loans and advances at amortised cost</b>				
<b>Gross investment in leases</b>	7 724 095	3 360 253	4 350 102	13 740
Equipment Finance	6 207 083	2 600 182	3 597 443	9 458
Capital Equipment Finance	1 517 012	760 071	752 659	4 282
<b>Less: Unearned finance income</b>	(1 240 417)	(372 505)	(865 751)	(2 161)
Equipment Finance	(993 051)	(278 045)	(714 512)	(494)
Capital Equipment Finance	(247 366)	(94 460)	(151 239)	(1 667)
<b>Net investment in leases<sup>1</sup></b>	6 483 678	2 987 748	3 484 351	11 579
Equipment Finance	5 214 032	2 322 137	2 882 931	8 964
Capital Equipment Finance	1 269 646	665 611	601 420	2 615
Trade and Debtor Finance	1 207 514			
Term Loans	180 588			
Secured Loans <sup>2</sup>	180 588			
<b>Loans and advances before expected credit losses</b>	7 871 780			
Credit loss allowance (refer to note 43)	(401 742)			
<b>Total loans and advances at amortised cost</b>	7 470 038			
<b>Loans and advances at FVTPL</b>	29 470			
Specialised lending <sup>2</sup>	29 470			
<b>Total loans and advances</b>	7 499 508			

<sup>1</sup> Loans and advances with a carrying amount of R2.968 billion (2019: R2.995 billion) have been ceded as security for the debt securities issued. Refer to note 20.

<sup>2</sup> Refer to note 2.11.1.

# INVESTMENT SECURITIES

	2020 R'000	2019 R'000 Restated <sup>1</sup>
<b>Investments at fair value through profit or loss</b>	<b>528 771</b>	<b>622 995</b>
Listed equity investments	150	221
Private and Property Equity investments <sup>1</sup>	528 621	622 774
<b>Equity-accounted associates</b>	<b>126 195</b>	<b>112 416</b>
	<b>654 966</b>	<b>735 411</b>

<sup>1</sup> Refer to note 2.11.1.

The associates of the Group that are classified and measured at fair value through profit or loss, are involved in a variety of businesses. The shareholdings in these investments range between 20% and 50%.

All associates are incorporated in South Africa. A full list of associates is available, on request, at the registered address of the Group.

	2020 R'000	2019 R'000
<b>Summarised financial information for associates that have been equity accounted:</b>		
Post-tax profit from continuing operations	66 607	51 671
Other comprehensive income	–	–
Total comprehensive income	66 607	51 671
Total assets	6 338 451	4 157 158
Total liabilities	6 054 497	3 965 705

## DEPOSITS FROM CUSTOMERS

	2020 R'000	2019 R'000
Call deposits	2 484 262	2 057 254
Notice deposits	803 473	884 124
Fixed deposits	1 815 525	1 868 188
Negotiable certificates of deposits	35 518	171 501
	<b>5 138 778</b>	<b>4 981 067</b>

## DEBT SECURITIES ISSUED

	2020 R'000	2019 R'000
<b>Category analysis</b>		
Rated	<b>2 743 823</b>	<b>2 753 521</b>

Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP. All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co. These ratings are available, on request, at the registered address of the Group. Refer to note 36. These notes bear interest at between three-month JIBAR+ 1.3000% and three-month JIBAR+ 3.1500%.

# CLASSIFICATION OF ASSETS AND LIABILITIES

## Financial assets and liabilities measured at fair value

	2020			2019		
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>	<b>975 320</b>	<b>85 174</b>	<b>751 782</b>	<b>1 148 737</b>	<b>39 007</b>	<b>635 077</b>
Loans and advances at fair value through profit or loss	–	–	223 011	–	–	–
Investment securities – excluding equity accounted associates	150	–	528 771	221	–	635 077
Trading assets	975 170	85 174	–	1 148 516	39 007	–
<b>Trading liabilities</b>	<b>898 404</b>	<b>101 438</b>	<b>–</b>	<b>1 135 392</b>	<b>40 436</b>	<b>–</b>
Trading liabilities	898 404	101 438	–	1 135 392	40 436	–
<b>Non-financial assets</b>	<b>–</b>	<b>–</b>	<b>19 823</b>	<b>–</b>	<b>–</b>	<b>8 900</b>
Investment property – continuing operations	–	–	13 123	–	–	8 900
Investment property – non-current assets held for sale	–	–	6 700	–	–	–

# CLASSIFICATION OF ASSETS AND LIABILITIES CONTINUED

## Movement in Level 3 instruments

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2020				2019			
	Investment securities – excluding equity accounted associates R'000	Loans and advances at fair value through profit or loss R'000	Investment property – non-current assets held for sale R'000	Investment property – continuing operations R'000	Investment securities – excluding equity accounted associates R'000	Loans and advances at fair value through profit or loss <sup>1</sup> R'000	Investment property – non-current assets held for sale R'000	Investment property – continuing operations R'000
Balance at the beginning of the year	622 774	29 470	–	8 900	586 190	17 167	–	12 600
Additions	–	–	–	–	–	–	–	–
Total gains or losses in profit and loss	(12 431)	8 462	(2 200)	–	48 276	12 303	–	(3 700)
Acquisition of investments	–	–	–	–	–	–	–	–
Disposal of investments	(92 898)	–	–	–	(37 721)	–	–	–
Advances/(repayments)	11 176	185 079	–	–	30 185	–	–	–
Transfer from Land and buildings	–	–	–	13 123	–	–	–	–
Transfers	–	–	8 900	(8 900)	(4 156)	–	–	–
Balance at the end of the year	528 621	223 011	6 700	13 123	622 774	29 470	–	8 900

## Gains and losses from fair value measurements

Total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	2020 R'000	2019 R'000
Total gains/(losses) in profit and loss	(6 169) <sup>1</sup>	56 879

<sup>1</sup> Refer to note 2.11

# EARNINGS PER SHARE

## Reconciliation between basic and headline earnings

	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
<b>2020</b>				
Basic earnings	(45 002)	1 848	(17 022)	(60 176)
<b>Headline adjustable items:</b>	12 052	(493)	–	11 559
Profit on loss of control of subsidiary	(4 674)	–	–	(4 674)
Investment property – fair value loss on non-current assets held for sale	2 200	(493)	–	1 707
Goodwill and intangible impairments	16 651	–	–	16 651
Net gain on dilution of interest in associate	(2 125)	–	–	(2 125)
	(32 950)	1 355	(17 022)	(48 617)
<b>2019</b>				
Basic earnings	211 285	(48 832)	(14 393)	148 060
<b>Headline adjustable items:</b>	15 750	(2 505)	–	13 245
Investment property – fair value loss	3 700	(826)	–	2 874
Property and equipment and right-of-use-assets impairment	5 995	(1 679)	–	4 316
Goodwill and intangible impairments	6 055	–	–	6 055
	227 035	(51 337)	(14 393)	161 305

## Summary of earnings and headline earnings per share

	Earnings attributable		Weighted average number of shares		Cents per share	
	2020 R'000	2019 R'000	2020	2019	2020	2019
Earnings per ordinary share	(60 177)	148 060	32 196 882	32 196 882	(186.90)	459.86
Diluted earnings per ordinary share	(60 177)	148 060	32 196 882	32 196 882	(186.90)	459.86
Headline earnings per ordinary share	(48 617)	161 305	32 196 882	32 196 882	(151.00)	501.00
Diluted headline earnings per ordinary share	(48 617)	161 305	32 196 882	32 196 882	(151.00)	501.00

# Glossary

Term	Definition
the Academy	Sasfin Learning Academy
AGM	Annual General Meeting
AML	Anti-money laundering
ATFS	Absa Technology Finance Services (Proprietary) Limited
ATM	Automated teller machine
Bank	Sasfin Bank Limited
Banks Act	Banks Act, No 94 of 1990 and Regulations relating to banks
BASA	Banking Association of South Africa
Basel III	Set of reform measures, to strengthen the regulation, supervision and risk management of the banking sector
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant (South Africa)
CAR	Capital adequacy ratio
CEO	Chief Executive Officer
CD(SA)	Chartered Director (South Africa)
CFT	Combating the Financing of Terrorism
CIC	Capital Investment Committee
CLEC	Credit and Large Exposures Committee, a committee of the Board of Directors
COFI	Conduct of Financial Institutions
Companies Act	Companies Act of South Africa, No 71 of 2008, as amended
Company	Sasfin Holdings Limited
COO	Chief Operating Officer
CRISA	Code for Responsible Investing in South Africa
CRM	Customer relationship management
CRO	Chief Risk Officer
CSI	Corporate social investment
CSR	Corporate social responsibility

Term	Definition
CTC	Cost-to-company
CTO	Chief Technology Officer
DANC	Directors' Affairs and Nominations Committee, a Board committee
DMA	SCM DMA (Proprietary) Limited, formerly Saxo Capital Markets SA (Proprietary) Limited
Efficient Group	Efficient Group Limited
ERM	Enterprise risk management
ESG	Environmental, social and governance
FAIS	Financial Advisory and Intermediary Services Act
FD	Financial Director
FICA	Financial Intelligence Centre Act, No 38 of 2001, as amended
fintech	Financial technology companies
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
GACC	Group Audit and Compliance Committee, a Board committee
GDP	Gross domestic product
GIBS	Gordon Institute of Business Sciences
GLAA	Gross loans and advances
GRCMC	Group Risk and Capital Management Committee, a Board committee
Group or Sasfin	Sasfin Holdings Limited and its subsidiaries
Group Exco	Group Executive Committee
HC	Human Capital
HR	Human Resources
HR Manco	Human Resources Management Committee
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process



Term	Definition
IFRS	International Financial Reporting Standards
IFRS 9	IFRS 9 <i>Financial Instruments</i>
IIRC	International Integrated Reporting Council
<IR> Framework	Integrated Reporting Framework
IT	Information technology
ITC	Information Technology Committee
JSE	Johannesburg Stock Exchange Limited
King IV™	King Report on Corporate Governance™ for South Africa, 2016 (King IV™)*
KPI	Key performance indicator
KRI	Key risk indicator
KVI	Key value indicator
LMS	Learner management system
NQF	National Qualifications Framework
NSFR	Net stable funding ratio
PA	Prudential Authority
PASA	Payment Association of South Africa
Pillars	Sasfin Bank, Sasfin Wealth and Sasfin Capital
POPIA	Protection of Personal Information Act of South Africa
PwC	PricewaterhouseCoopers Inc.
RDARR	Risk data aggregation and risk reporting
REMCO	Group Human Resources and Remuneration Committee, a Board committee
ROE	Return on equity
SAICA	South African Institute of Chartered Accountants
SAM	Sasfin Asset Managers (Proprietary) Limited
SANAS	South African National Accreditation System
SARB	South African Reserve Bank

Term	Definition
SARS	South African Revenue Service
SEC	Social and Ethics Committee, a Board committee
SEMS	Social and environmental management system
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority
SMEs	Small and medium enterprises
SPAS	Share price appreciation scheme
STI	Short-term incentive
SWIP	Sasfin Wealth Investment Platform
TCF	Treating Customers Fairly
Twin Peaks	The Twin Peaks regulatory structure
UNGC	United Nations Global Compact
WIOC	Wealth Investment Oversight Committee
WIPHOLD	Women Investment Portfolio Holdings
Xero	Xero accounting software

## Corporate details

### Country of incorporation and domicile

South Africa

### Company registration number

1987/002097/06

### Tax reference number

9300/204/71/7

### Independent Non-Executive Chair

Roy Andersen\*

### Executive Directors

Michael Sassoon (Group CEO)  
Angela Pillay (Group FD)

### Independent Non-Executive Directors

Richard Buchholz (Lead Independent Director)  
Deon de Kock  
Grant Dunnington\*\*  
Thabang Magare  
Mark Thompson  
Eileen Wilton

### Non-Independent, Non-Executive Directors

Gugu Dingaan  
Nontobeko Ndhlazi  
Shaun Rosenthal (Alternate)  
Roland Sassoon

### Group Company Secretary

Charissa de Jager

### Website and email

[www.sasfin.com](http://www.sasfin.com)  
[investorrelations@sasfin.com](mailto:investorrelations@sasfin.com)

### Transfer secretaries

Computershare Investor Services (Pty) Ltd  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg  
2196

### Sponsor

Sasfin Capital (Pty) Ltd (a member of the Sasfin Group)

### Independent sponsor

Deloitte & Touche Sponsor Services (Pty) Ltd

### Auditors

PricewaterhouseCoopers Inc.

### Registered office

29 Scott Street  
Waverley  
Johannesburg  
2090  
Tel: +27 11 809 7500  
Fax: +27 11 887 6167/2489  
Company registration number: 1987/002097/06

### Postal address

PO Box 95104  
Grant Park  
Johannesburg  
2051

\* Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.

\*\* Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.

GREYMATTERFINCH # 14450

