

ASSOCIATED COMPLIANCE

FOR A COMMON PURPOSE

Constantia Office Park, Ground Floor, Lakeview House,
Corner 14th Avenue and Hendrik Potgieter Street,
Weltevreden Park, 1709
P O Box 9655, Devon Valley, 1715
Directors: BD Thomas, C Ormrod, PW Veal, J Richardson
Registration Number: 2012/087007/07
Compliance Practice Registration Number: 6377
Tel: 011 678 2533
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Economic Transformation – Statement of Intent

Introduction

One of the fundamental objectives of the South African government is to advance economic transformation and enhance the economic participation of previously disadvantaged people in the economy. In support of this objective, Associated Compliance has developed a pragmatic strategy that aims to participate in assisting the country to realise its full economic potential while helping to bring the previously disadvantaged majority into the economic mainstream.

Our Intention

Associated Compliance pledges its support to facilitate the meaningful participation of previously disadvantaged people at all levels of the South African economy in order to ensure political stability as well as economic growth. We believe that it is economically and socially imperative to address the inequalities of the past which will also ensure growth of our company and increase our shareholder value.

Our Challenges

FAIS compliance is a relatively new sector of the financial services industry, and consequently the availability of experienced and qualified compliance practitioners from previously disadvantaged backgrounds is extremely limited. The demands of regulation, in particular Financial Services Board Notice 127 of 2010 which requires, *inter alia*, a compliance practice to only appoint directors that are registered and experienced compliance practitioners, hampers adherence to any BEE requirement relating to directors, management and control.

As a professional practice, our business provides services rather than tangible products and it is not possible to adhere to procurement requirements since more than 80% of our operating costs relate to salaries, rent and travel.

The latest Broad-Based Black Economic Empowerment (BBBEE) codes, which remove the previous advantages granted to Qualifying Small Enterprises (QSEs) have further impeded our desire to be rated according to the codes of good practice.

Our Strategy

Despite these challenges, we are committed to a structure that is consistent with the vision and objectives expressed in the BBBEE strategy, and the needs and expectations of our shareholders for sustainable growth and returns.



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While we are presently in no position to be rated at any significant level in terms of the BBBEE codes, we will do our utmost to fulfil our obligations. We have undertaken formal consultations with a leading advisory company to establish what steps we would need to take to achieve a formal rating. The results of this process indicate that we would have to reduce our current spending on supplier development and corporate social development and divert this to other areas, not least of which would be skills development which would force a disproportionate spending strategy.

As a company, we have voluntarily undertaken to comply with the Employment Equity Act, which we now do in all respects. To this end, we have developed four ladies of colour into qualified compliance officers over the last few years, as well as hired and developed three previously unemployed people of colour. To change our strategy to achieve a BBBEE level 8 rating would prevent us from continuing on this path.

We see ourselves as an organisation of significance in the compliance industry, and we are committed to using acceptable measures to ensure that persons who were previously discriminated against on the basis of race, gender, physical status and otherwise, will play a meaningful role as soon as they have obtained the necessary experience.

We have adopted values in our employment strategy that seek to provide an equal opportunity to all. We have developed a formal employment equity plan in line with the Employment Equity Act that further entrench these values. Linked to this will be a formal skills development plan for all staff, irrespective of their background.

Registered Compliance Officers

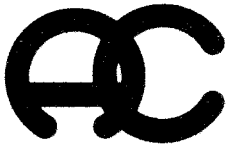
Of our thirteen registered compliance officers, five are previously disadvantaged. Of these one is in the process of being elevated to a position of junior management control functions and one will assume a regional responsibility in 2018. In addition, in line with our equity plan, we have three white ladies in the team, one of whom has been appointed as a director of the company.

We plan to continue this development to ensure that all our staff are treated with high levels of respect, are appropriately rewarded, have opportunities to make a meaningful contribution to our business success, and are able to realise their full potential.

Support Staff

We have had a similar approach in hiring and managing our support staff. Of our current seven such staff, three are previously disadvantaged.

Two of the three previously unemployed staff were intentionally recruited via an NGO who specialises in creating employment opportunities for young people from previously disadvantaged communities.



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Social Development

We have a number of ongoing projects that are worthy of mention. These include the provision of financial contributions to:

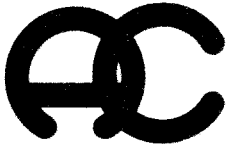
- Ikhohwa Children's Home (www.ikhohwa.com) which specialises in looking after children displaced because of AIDS issues within families.
- Jicama 89 is an organisation that creates educational and social upliftment in the local community, most notably at a number of local schools for disadvantaged children (www.jicama89.co.za).
- Meals on Wheels (www.mow.org.za), a well-known organisation supplying food to a broad base of individuals.
- SPCA Roodepoort is a very worth organisation to whom we offer sponsorship of a kennel.

We also undertake to help the following community projects on an ad hoc basis:

- Cranio Kids, a group that seeks to support families of children with craniosynostosis, a premature fusing of the bones within the skull affecting young children,
- The AC Winter Blanket Drive started in 2017 as an initiative by our staff to collect blankets in conjunction with our clients and suppliers to be donated to local people in need.

Conclusion

We do not believe that being awarded a BBBEE rating would add any meaningful value to our position in the community nor to the opportunities we can present to our staff. In fact, this would actually inhibit our ability to continue on our current path, and we are therefore comfortable with our stance to stay outside the formally rated sector.



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Commitment by Directors

Signature

Name

Date

Signature

Name

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Date