

# Message from the chairman



Temba Mvusi

## THE CO-OPERATIVE DIFFERENCE

With a rich history spanning more than 8 decades, Iemas continues to offer a comprehensive range of competitive financial products and services to its members across South Africa. Being a co-operative, Iemas is owned by, and operated for the benefit of its members and therefore a portion of its profits is allocated to members annually. I am pleased to announce that, during November 2018, members will receive R109,4 million (2017: R 109,7 million) in reward allocations. Despite challenges posed by the macro-economic environment, Iemas has been able to allocate R1,0 billion in member rewards over the past decade. This significant contribution back to our members is testament of Iemas' commitment to co-operative principles.

## FINANCIAL INCLUSION

South Africa in general has a low level of financial inclusion, characterised by a relatively small percentage of low-income households that actively transact using their bank accounts while the remaining, far larger portion, withdraw the total balance from their account once available. Financial exclusion is complex and attributable to various reasons. Financial institutions should therefore promote financial inclusion and create opportunities for consumers to have access to comprehensive and affordable financial products.

Iemas endeavours to uplift its communities and contribute to financial inclusion via its unique business model, its distribution channels, financial wellness workshops, financial wellness questionnaires and by providing products and services to members whose needs are not always being met by other financial institutions.

## CELEBRATING 80 YEARS

Iemas celebrated its 80th year of existence in September 2017. From modest beginnings in 1937 when the Iscor Employees Mutual Aid Society (I.E.M.A.S.) was established within the former Iscor to assist employees in getting discount on purchases of general goods, Iemas has grown to become the largest financial services co-operative in South Africa. The group's net advances amounted to R5 047,8 billion (2017: R4 779,5 million) for 2018.

Iemas remains sustainable – both in good and challenging economic times – due to the resilience and endurance of its uncomplicated and transparent business model. In line with developments in the macro-economic environment, the group's recorded a decrease in the profit for the year of 12,9% (2017: 10%).

## BUILDING CAPACITY AND CAPABILITY

The challenges and opportunities presented by Iemas' external environment and, specifically those in the financial services industry are continuously evaluated. The financial services industry is experiencing increasing competitive intensity, tighter regulations, pressure on margins, slow growth in lending and consumers under financial pressure.

In reaction to these challenges and opportunities, Iemas' strategy has been affirmed as the building of capability and capacity for sustainable growth, underpinned by the co-operative model and mutually beneficial relationships with employer groups and members. Preparing for the implementation of the required systems to adequately modernise the business, and acquiring the funding that Iemas needs at competitive rates and terms, were underscored as important strategic priorities for the year under review.

Internally, Iemas also focused on acquiring the right skills and establishing a conducive culture for ensuring sustainable growth.

## NEW ENTITIES CREATE OPPORTUNITIES FOR GROWTH

During the previous year, the board of directors approved the structuring of a new entity under Iemas' umbrella brand and ownership. Iemas Insurance Brokers, a wholly-owned subsidiary of the co-operative, operates with a new Financial Services Provider (FSP) license as a separate legal entity managed by Piet Wolmarans. The establishment of Iemas Insurance Brokers has enabled Iemas to intensify its focus on the insurance businesses and the unique challenges and opportunities that it presents.

During the previous year, the board also approved the development of a new card payment platform in partnership with the buying association, Cape Consumers. Historically, the buy-aids utilised the same platform provided by a single bank. Buy-aid transactions could only be facilitated via merchants that allowed for this payment

platform, resulting in the exclusion of a large number of potential retailers. New developments and enhancements were limited, which constrained opportunities to grow the card business.

A new, more versatile platform was developed in the interest of both Iemas and Cape Consumers via a separate legal entity, The Cooperative Switch (Pty) Ltd, with both parties being joint equal shareholders. It is envisaged that the establishment of this new entity will create greater opportunities for growth and synergy in the card business and the larger payment space. It will also create an opportunity to extend the services of the company to other organisations.

## A SKILLED BOARD OF DIRECTORS

The balance of skills and expertise of board members contributes to Iemas' sustainability. As and when vacancies arise, applicants are evaluated according to the financial, human resources (HR), information technology (IT), legal and operational aptitudes required by the board as a whole.

A staggered rotation of the members of the board ensures both the retention of valuable skills, knowledge and experience and the introduction of new members. During the year, Dr Piet Botha reached the end of his term as director and Ms Dashni Sinivasan was elected as non-executive director at the Annual General Meeting (AGM) in October 2017. Her experience, skills and expertise bring meaningful contributions to the group and the board of directors.

## RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of Iemas' risk management framework. In 2018, the risk areas that required additional scrutiny related to growth in the business, regulatory changes, business continuity, bad debt and arrears and the consequences of being inordinately exposed to certain business sectors. These risks are discussed in more detail on pages 25 and 26 of this report.

The board is satisfied with the soundness of Iemas' corporate governance and that management identifies, manages and mitigates the corporate risks appropriately to ensure Iemas' sustainability.

## APPRECIATION

After nine years at the helm of Iemas, Johan Nel will retire at the end of December 2018. Johan was appointed on 1 October 2009 as the CEO designate, and officially as the CEO with effect from 1 April 2010. Early in Johan's tenure, a new strategy was formulated for Iemas based on the results of comprehensive market research. The strategic priorities included diversification of funding, a comprehensive brand refreshment, new corporate vision and values, modernised information technology implementations, revision of the human resources strategy, etc. Johan, together with the executive management team, successfully delivered on the strategy, including the strategic changes and additions agreed upon during the annual strategy review and feedback sessions to the board.

I thank Johan for his leadership and commitment to Iemas, its employees and stakeholders. Whilst his leadership will be sorely missed, we are looking forward to building on the successes that he has brought Iemas.

The board has confidence in the executive management team who have been involved in formulating and executing the strategy which delivered the building blocks for a sustainable future. They have been unwavering as we navigated various social, political and business challenges.

A formal recruitment process, to appoint a successor for Johan, was approved by the board. This included a detailed recruitment plan and the constitution of a selection committee (consisting of board members) who will manage the recruitment and appointment process. The board, Johan and the executive team are committed to ensure a smooth transition.

I am encouraged by my fellow directors, the people who have helped to set Iemas' strategic direction. The group benefits from the diverse perspectives that our board members bring as well as their commitment to the co-operative model that defines Iemas.

Being the preferred financial services co-operative for members and employers remains Iemas' committed vision and we wish to express our gratitude to our employer groups and members for their support and loyalty and for allowing us to serve them.

Iemas' employees contribute not only to Iemas, but also in many ways to the communities in which they live and work – we appreciate their efforts and their commitment to Iemas and the well-being of our members.

## LOOKING FORWARD

During SONA (State of the Nation Address) 2018, President Cyril Ramaphosa alluded to the important role that co-operatives play in the sustainable development of communities and said that "Government will honour its undertaking to set aside at least 30 percent of public procurement to SMMEs, co-operatives and township and rural enterprises". As a group, looking into the future, we concur with the president's view and we will continue to uphold our commitment to financial inclusion and co-operative principles.

This is my last report as chairman of the board as I shall be retiring in October 2018 at the AGM, having reached the mandated tenure of 7 years as an independent non-executive director. Looking back on the 7 year journey with Iemas, I am immensely proud to have been part of the transformation of the co-operative to what it is today under the stewardship of Johan Nel. It has been a privilege to be part of the metamorphosis that made Iemas resilient, successful and trusted by its stakeholders.

On a personal note, I will forever cherish the memories of all the experiences that I had with board members, the executive management as well as employees in general, individually and collectively. Many thanks to all who have helped to make it rewarding and memorable.



**Temba Mvusi**  
Chairman