Annual Report

SOVEREIGN AFRICA RATINGS

FOR THE FINANCIAL YEAR ENDED 28/02/2026

(Published in accordance with Section of 15 of the Credit Rating Services Act 24 of 2012)

2026

TABLE OF CONTENTS

SOVEREIGN
AFRICA RATINGS

Executive Summary

SECTION A: EXECUTIVE SUMMARY

The need for an authentically African-owned credit ratings agency has never been more pressing … the timing never more relevant than now.

Global geopolitics is volatile and while countries from the global South such as China are cracking down on regulations governing credit rating agencies, in what is viewed as a technical effort to improve the quality of domestic credit ratings, countries from the traditional western bloc appear to be embedding rating agencies more deeply into the regulatory framework, this in spite of evidence that this issuer-pays philosophy tends to inflate ratings.

At the time of this report African central banks hold slightly more than US$530bn in offshore reserves, African sovereign wealth funds collectively hold approximately US$110 billion escalating to US$1,2 trillion when adding pension funds and asset managers from within Africa. For 2025 Africa's domestic capital base is estimated at US$4 trillion. (Source: 2025 Africa Finance Corporation report). The goal must be to provide financial and specifically debt instruments that encourage this capital to remain within the continent.

Africa can surely no longer rely solely on third party agencies, with the potential to be guided by 'outside interests', to measure the continents risk and vitally, the effectiveness and opportunity for the continent's sovereigns and other stakeholders. It needs agencies grounded with roots in Africa who understand the inherent potential in the continent and the vital need to objectively present all the relevant facts as pillars of their rating models, this without selective inclusion or exclusion.

Recent developments have suggested two trends within the African credit ratings landscape:

1. The emergence during 2026 of the African Credit Ratings Association (ACRA) together with the initiative by the African Union (AU) through the African Peer Review Mechanism (APRM) to foster an African Credit Ratings Agency (AfCRA) under its banner.
2. The growing interest of 'big three' in the corporate acquisition of shareholdings in African owned agencies e.g., Moodys of GCR and S&P of Augusto & Co.

Both trends should lend greater credence to this fledgling industry in Africa, bearing in mind that China alone has 30 officially registered credit rating agencies that are regulated or filed under financial authorities such as the China Securities Regulatory Commission.

Africa and other emerging markets present numerous opportunities, both for sovereigns and corporates, as Africa is a continent with vast and diverse natural resources, albeit one fraught with challenges. Corporate activity in emerging markets depends on a keen understanding of political and socioeconomic dynamics, analysing the macroeconomic environment, pure business transactions, due diligence, and binding contracts. In this regard, all economic policy, political risk, and socioeconomic issues are monitored to ensure meaningful insights at any given time.

Which presents the opportunity for Sovereign Africa Ratings (SAR) to leverage its carefully nurtured positioning since its official launch during 2021 as an authentically African owned ratings agency.

While cognisant that we remain a relatively new entrant operating in a space traditionally governed by long-established incumbents, we remain cognisant of the many opportunities and the immense responsibility that come with them. Our mandate is not purely technical or concerned with the sole pursuit of revenue, but to a great extent, symbolic. SAR exists to affirm that Africa is capable of producing institutions of independence and credibility, and setting high standards within the entities that we rate, which can in turn produce ratings that are built on rigorous, accurate analysis.

SAR remains committed to providing invaluable sovereign rating insights with a special focus on infrastructure development, natural resource and related beneficiation initiatives, and importantly, the repayment history relative to the ongoing ability to repay of a rated entity.

The past year has continued the focus on expanding SAR's service offering and presence in various regions and industries. The rating methodologies and models, including non-creditworthiness assessment tools, have been developed in consultation with industry experts in various fields to ensure the highest degree of scrutiny and review. This is in line with our commitment to providing quality insights with unerring market relevance and statistical and economic accuracy.

We remain optimistic in our mission to increase SAR's market presence in several industries and markets including insurance, financial institutions and non-financial corporates. We remain committed to supporting sustainability development goals, not only internally, but those of our clients in various industries. We are therefore pleased to have completed the SAR ESG and insurance methodologies, which is a tool applicable across all rating categories.

SAR continues to establish key relationships with like-minded stakeholders to ensure the provision of fair, unbiased and scientifically sound research and creditworthiness assessments.

As part of our ongoing efforts to improve governance and compliance, we have strengthened internal control procedures by implementing integrated risk management and compliance function processes to ensure that SAR effectively manages conflicts of interest, safeguards sensitive and confidential information and maintains full compliance with regulatory authorities.

We would like to thank our committed executive team as well as the Board of Directors for their unwavering commitment and guidance, as well as their professionalism and ethics. Most importantly, our stakeholders and clients for their continued trust in SAR.

The year ahead will require discipline, resilience and innovation. We remain steadfast in our mission to establish SAR as the premier and preferred rating agency in Africa while expanding our footprint on the continent, strengthening our operational maturity and ultimately contributing meaningfully to Africa's financial welfare. Our commitment remains to our endeavour to be positioned as a respected voice of Africa within the global credit rating industry.

Sincerely,

Wayne Phillips
Chairperson of the Board

SOVEREIGN
AFRICA RATINGS

Section B:

Information as per section 13 and 15 of the Act

SOVEREIGN
AFRICA RATINGS

SECTION B: INFORMATION AS PER SECTION 13 AND 15 OF THE ACT

1. Detailed Information on Legal Structure and Ownership

Name of Shareholder	% shareholding	Country
Sifiso Falala	55%	South Africa
Plus 94 Research	25%	South Africa
Plus 94 Research Eyethu Trust	10%	South Africa
Takalani Mudau	5%	South Africa
Sean Barnard	5%	South Africa

2. Description of Internal Control Mechanisms

SAR's management structure is designed to ensure the effective allocation of resources, clear assignment of responsibilities and appropriate delegation of authority across the organisation. This structure supports the implementation of sound internal controls and promotes effective oversight.

To manage day-to-day risks, SAR has appointed a dedicated Chief Legal Officer who reports identified risks to the Audit and Risk Committee. The Committee is responsible for identifying, assessing and managing risks that arise in the ordinary course of business, and provides ongoing oversight of the organisation's risk management framework. The Audit and Risk Committee reports regularly to the Board of Directors.

SAR's Compliance function continuously monitors the agency's adherence to the Credit Rating Services Act and its subordinate legislation. Any compliance risks identified are escalated to the Audit and Risk Committee and, where appropriate, to the Board.

This governance structure strengthens risk management and internal control processes by promoting clear lines of communication, reporting and accountability. It ensures that risks are appropriately identified, assessed and addressed in order to safeguard the interests of the agency and its stakeholders.

SAR recognises and actively manages a range of risks, including, but not limited to, the following:

i. Industry Associated Risks
ii. Business and Personal Ethical Risks
iii. Conflicts of Interest and Appropriate Disclosures
iv. Operational and Reputational Risk
v. Legal and Regulatory Risks
vi. Information and Communication Technology (ICT) and Business Continuity Management
vii. Protection of Personal Information

3. Outcome of the Annual Internal Review undertaken by Compliance Unit

i. The credit ratings issued by SAR were assessed as being of high quality, procedurally fair and transparent.
ii. The methodologies, models and rating assumptions applied by the Ratings function were reviewed during the reporting period.
iii. Conflicts of interest were appropriately disclosed, managed and monitored through annual declarations circulated in January 2023, as well as through quarterly reporting to the Board during Board and committee meetings.
iv. SAR maintains an adequate compliance culture, supported by regular compliance training. Employees are encouraged to report any perceived concerns, issues or potential breaches to the Compliance function.

4. Description of Record Keeping Policy

Sovereign Africa Ratings complies with the Companies Act 71 of 2008 and applicable records-management requirements through the implementation of the following frameworks and procedures:

i. Document Retention and Age Analysis

SAR has established document-retention policies aligned with the Companies Act, the Credit Rating Services Act and Board Notice 228. These policies ensure that records are retained for the prescribed periods required by applicable legislation and regulatory requirements.

ii. Information Management System

SAR maintains an effective information-management system for the organisation and secure storage of information. Comprehensive backups are performed regularly to protect critical records, particularly those that are irreplaceable or of significant business value. This backup process supports data integrity, availability and continuity.

iii. IT Compliance Framework

SAR maintains a robust information-technology compliance framework that is aligned with applicable laws and regulatory requirements. The framework addresses the protection of confidential and personal information, cybersecurity controls and cyber-resilience measures. In the reporting financial year, SAR made efforts to implement the Joint Standard 2 of 2024 on cybersecurity and cyber resilience. It continues to aim to fully align with the said framework.

5. Revenue Sources

Revenue Source	Rand's
Credit Rating Services	R1 467 434.00
Non-Credit Rating Services	R0.00
Ancillary Services	R0.00
Other Permissible Services	R0.00
Total Revenue	R0.00

6. 20 Largest Clients

Name of Client	Revenue	% of Total Revenue
Revolutionary Government of Zanzibar	R1 467 434.00	100%
Total	**R1 467 434.00**	**100%**

SOVEREIGN
AFRICA RATINGS

Section C:

Information As Per Board Notice 168 Of 2013

SECTION C: INFORMATION AS PER BOARD NOTICE 168 OF 2013

1. Details of Methodologies, Models and Key Assumptions Reviewed

The sovereign and sub-sovereign methodologies used by Sovereign Africa Ratings are developed by the Ratings function and reviewed and approved by the Methodology Review Committee. The Ratings function plays a central role in providing analytical resources, overseeing the end-to-end rating process, and maintaining direct accountability for the development, application and publication of credit rating methodologies. During the reporting period, the Ratings function amended the sovereign ratings methodology, which was subsequently reviewed and approved by the Methodology Review Committee.

The Methodology Review Committee, which operates under the authority of the Board, is responsible for the following:

i. Approving new and revised credit rating methodologies.
ii. Reviewing credit rating model specifications to ensure consistency with published credit rating methodologies.
iii. Conducting an annual review of the suitability of existing credit rating methodologies.
iv. Evaluating the application of published credit rating methodologies through the review of credit rating actions.

The credit rating methodologies developed are publicly available on the SAR website (www.saratings.com). These methodologies undergo continuous refinement and are subject to at least annual reviews.

Following the publication of a credit rating, SAR engages in ongoing monitoring and conducts annual reviews until the credit rating is eventually withdrawn.

2. Details of Analyst Rotation

To mitigate potential and existing conflicts of interest, SAR rotates analysts in accordance with its analyst rotation policy. This approach helps reduce the risk of bias arising from familiarity with a rated entity. Lead analysts are rotated every five years and are subject to a two-year cooling-off period before becoming eligible to participate again in rating the same entity.

3. Details of Staff Allocated to Ratings

Sovereign Africa Ratings' Ratings function consists of four analysts, and the function is headed by the Chief Ratings Officer, Mr Zwelibanzi Maziya.

Full Name and Surname of Analyst	Qualifications and Experience	Line of Business	Date Appointed
Zwelibanzi Lincoln Maziya	Corporate Finance Institute Commercial Banking & Credit Analyst (CBCA) BCom Economics (University of Pretoria)	Credit ratings	11 April 2025
Bekithemba Ndimande	Bachelor of Science (University of South Africa)	Credit ratings	10 August 2021
Lomanja Malaba	BSc Statistics (Honours) (University of Zimbabwe) BSc Statistics (University of South Africa) Masters of Statistics (University of South Africa)	Credit ratings	02 August 2021
Ted Maselesele	Bachelor of Accounting Sciences (University of Johannesburg) Postgraduate Diploma in Accounting (CTA) (Monash University)	Credit ratings	04 February 2025

4. Information On Credit Ratings by Category

During the reporting period Sovereign Africa Ratings issued four credit ratings. The details of these ratings are provided below:

Credit Rating Category	Affirmation	New	Withdrawal	Total
Sovereign	1	2	0	3
Sub-sovereign	0	0	0	1
Total	**1**	**2**	**0**	**3**

5. **List of Ancillary Services**

Sovereign Africa Ratings currently does not offer any ancillary services.

6. **List of Members of the Board of Directors and Senior Management**

Full Name and Surname	Qualifications and Experience	Committee Membership	Date Appointed
Sifiso Falala	PhD in Management of Technology Innovation Master of Science (Population studies) Doctor of Philosophy (PhD) degree (Da Vinci Institute) Bachelor of Business Studies with Honours	Executive Director Chief Executive Officer	19/06/2019
Elizabeth Mabena	BSc (Hons.) Statistics (University of Limpopo) Bachelor of Science (University of Limpopo)	Independent Non-Executive Director	15/12/2021
Kevin Malunga*	PhD Judicial Science LLB Admitted Advocate of the High Court in South Africa	Independent Non-Executive Director	27/05/2021
Sipho Cyprian Ngidi	Bachelor of Commerce (Honours) (University of Natal) Industrial Relations Certificate (University of Stellenbosch)	Independent Non-Executive Director	01/10/2021

	Bachelor of Administration (University of Zululand)		
Wayne Hugh Irving Phillips	Bachelor of Commerce (University of Natal) Diploma in Marketing Management (Institute of Marketing Management)	Independent Non-Executive Director	01/05/2024

*****_Tenure ended on 31 July 2026 in line with Rule 2(b) of BN 228 of 2013_

7. Details of Policies and Initiatives in Adopting the King Code

SAR embraces the principles of King IV and its accompanying governance framework, reflecting its commitment to sound corporate governance practices.

SAR's Board Charter incorporates the principles of King IV and is guided by its governance standards. This integration demonstrates SAR's commitment to adopting best practices in corporate governance, accountability, transparency and stakeholder engagement, as promoted by King IV.

8. Status Report on the Investor Education Initiatives

SAR did not undertake any investor education initiatives during the reporting year.

9. Historical Default Rates of the Past 10 Years per Category

Sovereign Africa Ratings (SAR) does not have a full ten-year historical default-rate record for its sovereign and sub-sovereign rating categories, as SAR commenced issuing credit ratings in 2022. Accordingly, a ten-year historical default-rate analysis cannot be provided for the full reporting period. SAR will continue to accumulate and disclose its historical default-rate statistics as its rating history develops.

10. Adherence to the Prescribed Code of Conduct

SAR's Code of Conduct is aligned with the principles set out by the International Organisation of Securities Commissions ("IOSCO") in the Code of Conduct Fundamentals for Credit Rating Agencies. During the reporting period, SAR did not amend its Code of Conduct, which remains published as prescribed.

SECTION D: SIGNATURES

I, the undersigned Compliance Officer of Sovereign Africa Ratings, do hereby certify and acknowledge by affixing my signature below that the information contained in this Annual Report is correct to the best of my knowledge.

..Rendani Nemavhulani.......
Name of Compliance Officer

....
Signature of Compliance Officer