



SOVEREIGN
AFRICA RATINGS

Annual Report

of SOVEREIGN AFRICA RATINGS

FOR THE FINANCIAL YEAR ENDED 28/02/2025

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

20
25



SECTION A: EXECUTIVE SUMMARY	4
SECTION B: INFORMATION AS PER SECTION 13 AND 15 OF THE ACT	7
1. DETAILED INFORMATION ON LEGAL STRUCTURE AND OWNERSHIP	
2. DESCRIPTION OF INTERNAL CONTROL MECHANISMS	
3. OUTCOME OF THE ANNUAL INTERNAL REVIEW UNDERTAKEN BY COMPLIANCE UNIT	
4. DESCRIPTION OF RECORD KEEPING POLICY	
5. REVENUE SOURCES	
6. 20 LARGEST CLIENTS	
SECTION C: INFORMATION AS PER BOARD NOTICE 168 OF 2013	16
1. DETAILS OF METHODOLOGIES, MODELS AND KEY ASSUMPTIONS REVIEWED	
2. DETAILS OF ANALYST ROTATION	
3. DETAILS OF STAFF ALLOCATED TO RATINGS	
4. INFORMATION ON CREDIT RATINGS BY CATEGORY	
5. LIST OF ANCILLARY SERVICES	
6. LIST OF MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT	
7. DETAILS OF POLICIES AND INITIATIVES IN ADOPTING THE KING CODE	
8. STATUS REPORT ON THE INVESTOR EDUCATION INITIATIVES	
9. HISTORICAL DEFAULT RATES OF THE PAST 10 YEARS PER CATEGORY	
10. ADHERENCE TO THE PRESCRIBED CODE OF CONDUCT	
SECTION E: SIGNATURES	19



SOVEREIGN
AFRICA RATINGS

Executive Summary

EXECUTIVE SUMMARY

This year heralded a period of both consolidation and foundational growth for Sovereign Africa Ratings (SAR), as we deepened our commitment to strengthening our internal capabilities, our governance structures and further cementing our reputation as an emerging African voice in credit ratings.

SAR's focus has always been on providing transparent, independent and locally relevant credit opinions on African sovereign and sub-sovereign entities. In the global ratings theatre, historically dominated by non-African institutions, SAR unceasingly seeks to offer assessments that are balanced and contextually relevant that are not only technically rigorous, but which are unburdened by geopolitical bias and lack of contextual knowledge unique to the continent. Our purpose has therefore always been to not simply replicate existing methodologies, but to consider the nuances prevalent in Africa and to respond to the real need for credible African alternatives in the credit rating space.

Over the course of this reporting period, we have issued several sovereign and other credit ratings which have been highlighted in this report. Whilst our revenues were derived entirely from a single client, the Revolutionary Government of Zanzibar, this solicitation marks a significant milestone for us as an agency. We are firmly of the belief that this is a direct reflection on the unbiased nature and methodological soundness of our ratings. Our strategic focus for the upcoming period is to continue expanding our portfolio of rated entities across the continent.

From an operational viewpoint our internal structures remain lean, but robust. The ratings function consists of a dedicated team of analysts with diverse qualifications in statistics, accounting and economics, under the leadership of our newly appointed Chief Ratings Officer. The team is unwaveringly committed to adhering to the governance and compliance frameworks to ensure analytical objectivity. It is worth mentioning that we have adopted a five-year rotation policy with a two-year cooling-off period, which reflects international best practice in conflict mitigation.

EXECUTIVE SUMMARY

Further thereto, SAR remains fully aligned with the Credit Rating Services Act (CRSA) and adheres to the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies. Our internal controls are implemented through a structured risk governance framework, which itself is monitored by a dedicated Audit and Risk Committee (ARC). The ARC plays a pivotal role in ensuring the adequacy of our internal controls, tabulating identified risks and comprehensive reports to the Board of Directors. That being said, no system is infallible, and we continuously refine our systems to meet the evolving challenges of the industry.

Our Board of Directors of SAR remains an engaged and independent governing body, comprising of experienced professionals in finance, governance, legal affairs and public administration. Our approach to corporate governance is firmly rooted in the principles of the King IV Report, and our internal policies therefore mirror the values of transparency, accountability and ethical leadership.

The African economic landscape remains complex and as such, SAR views the role of regional credit rating agencies as critical in order to ensure financial inclusion and promoting sovereign accountability. We are furthermore cognisant of the fact that we need to further strengthen our presence, credibility and analytical footprint across multiple jurisdictions. Accordingly, we have been instrumental in the establishment of the African Credit Rating Association (ACRA), an association whose full membership is limited to majority African-owned licensed credit rating agencies on the continent. As founding member of ACRA, we are committed to playing a central role in unifying African CRA's to enhance Africa's and relevance on the global stage.

EXECUTIVE SUMMARY

As a relatively new entrant operating in a space traditionally governed by long-established incumbents, we are acutely aware of the many challenges that face us. That being said, we are also cognisant of the many opportunities and the immense responsibility that come with them. Our mandate is not purely technical or concerned with the pursuit of revenue, but to a great extent symbolic. SAR exists to affirm that Africa is capable of producing institutions of independence and credibility, that we are capable of setting high standards in the industry, and that they are able to produce ratings that are built on rigorous, accurate analysis.

I would like to thank our Board of Directors for their unwavering commitment and guidance, our analytical team for their professionalism and ethics, our operational staff, and our stakeholders for their continued trust in SAR. We remain dedicated on expanding our footprint on the continent, strengthening our operational maturity and ultimately contributing meaningfully to Africa's financial welfare. The year ahead will require discipline, resilience and innovation, and we are steadfast in our endeavour to be positioned as a respected voice in the global credit rating industry.



Dr Sifiso Falala

Chief Executive Officer



SOVEREIGN
AFRICA RATINGS

Section B: Information as per section 13 and 15 of the Act

Section B: Information as per section 13 and 15 of the act

Name of Shareholder	% shareholding	Country
Sifiso Falala	55%	South Africa
Plus 94 Research (with Sifiso Falala holding 77% of company shares)	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

The management structure of SAR is carefully designed to ensure the proper allocation of resources and responsibilities within the organisation. It incorporates appropriate delegations of authority to establish effective internal controls.

To address day-to-day risks, SAR's Chief Legal Officer responsible for identifying risks and reporting these to the Audit and Risk Committee. This Committee is responsible for identifying and managing risks that arise in the normal course of business operations. Furthermore, this Committee oversees risk management throughout the organisation. The Audit and Risk Committee provides regular reports and updates to the Board of Directors.

This management structure promotes effective risk management and internal controls. It facilitates clear lines of communication, reporting, and accountability, ensuring that risks are properly identified, assessed, and addressed to protect the agency's interests.

SAR acknowledges and actively manages a range of risks, including but not limited to:

- 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

- 1 The credit ratings that SAR issued were determined to be of quality, procedurally fair and transparent.
- 2 The methodologies, models and rating assumptions employed by the Ratings function were reviewed.
- 3 Conflicts of interest were adequately disclosed and managed and were accounted through annual disclosures that were circulated in January 2024, and on a quarterly basis amongst the board members during board and committee meetings.
- 4 The compliance culture is strong, and this is emphasised through compliance training. Employees at SAR are encouraged to disclose any perceived problems or issues to the compliance function.

4. Description of Record Keeping Policy

Sovereign Africa Ratings adheres to the Companies Act 71 of 2008 and relevant archiving legislation by implementing the following frameworks and procedures:

Document Retention and Age Analysis

SAR has established document retention policies that align with the Companies Act and the prescribed period in the Credit Ratings Act as well as the Board Notice 228. These policies ensure that records are retained for the required periods as mandated by the law.

Information Management System

SAR maintains an effective information management system to organise and store data. Regular comprehensive backups are performed to safeguard critical files, especially those that are irreplaceable or hold high replacement value. This backup system is a vital measure to ensure data integrity and availability.

IT Compliance Framework

SAR maintains a robust information technology compliance framework that adheres to relevant laws and regulations. This framework encompasses aspects such as the protection of confidential and personal information, cybersecurity measures, and cyber resilience.



Revenue Sources

Revenue Source	Rand's
Credit Rating Services	R1 498 000.00
Non-Credit Rating Services	R0.00
Ancillary Services	R0.00
Other Permissible Services	R0.00
Total Revenue	R0.00

20 Largest Clients

Name of Client	Revenue	% of Total Revenue
Revolutionary Government of Zanzibar	R1 498 000.00	100%
Total	R1 498 000.00	100%

1. Details of Methodologies, Models and Key Assumptions Reviewed

The sovereign and sub-sovereign methodologies employed by Sovereign Africa Rating are developed by the Ratings function and are reviewed and approved by the Methodology Review Committee. The Ratings function plays a crucial role by providing analytical resources, overseeing the end-to-end process, and assuming direct accountability for credit rating methodology development, application and publication. In this reporting period, the Ratings function amended the Sovereign ratings methodology, and this was reviewed and approved by the Methodology Review committee.

The Methodology Review Committee, which operates under the Board, holds the following responsibilities:

- 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

In the effort of mitigating potential or existing conflicts of interest, analysts are rotated. This eliminates the occurrence of bias due to familiarity with the rated entity. SAR has a analysts rotation policy to which it adheres. Lead analysts are rotated every 5 years to avoid conflict of interest with a 2-year “cool-off” period prior to being eligible to rate the entity they were initially rating.

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	<ul style="list-style-type: none">• BCom Economics (University of Pretoria)	Credit ratings	11 April 2025
Bekithemba Ndimande	<ul style="list-style-type: none">• Bachelor of Science (University of South Africa)	Credit ratings	10 August 2021
Lomanja Malaba	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	1	0	0	1
Total	2	2	0	4

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	<ul style="list-style-type: none">• 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	<p>Executive Director</p> <p>Chief Executive Officer</p>	19/06/2019
Sipho Cyprian Ngidi	<ul style="list-style-type: none">• Bachelor of Commerce (Honours) (University of Natal)• Industrial Relations Certificate (University of Stellenbosch)• Bachelor of Administration (University of Zululand)	Independent Non-Executive Director	06/05/2019
Kevin Malunga	<ul style="list-style-type: none">• PhD Judicial Science• LLB• Admitted Advocate of the High Court in South Africa	Independent Non-Executive Director	27/05/2021
Elizabeth Mabena	<ul style="list-style-type: none">• BSc (Hons.) Statistics (University of Limpopo)• Bachelor of Science (University of Limpopo)	Independent Non-Executive Director	15/12/2021
Wayne Hugh Irving Phillips	<ul style="list-style-type: none">• Chartered Marketer (SA)• Bachelor of Commerce (University of Natal)• Diploma of Marketing Management (Institute of Marketing Management)• Diploma of Accounting (Institute of Administration and Commerce).	<p>Chairperson of the Board</p> <p>Independent Non-Executive Director</p>	01/05/2024



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 Policies and Initiatives in Adopting the King Code

SAR embraces the principles of King IV and its accompanying code, demonstrating a commitment to good corporate governance.

The Charter of SAR's Board of Directors references the principles of King IV and is beckoned by its principles. This integration underscores SAR's commitment to adopting best practices in corporate governance, accountability, transparency, and stakeholder engagement, as advocated by King IV.

2. Status Report on the Investor Education Initiatives

SAR has not engaged in any investor education initiatives in the reporting year.

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

SAR does not have historical default rates of the past 10 years for its sovereign and sub-sovereign ratings as it has only commenced the issuance of ratings in 2022.

4. Adherence to the Prescribed Code of Conduct

The Code of Conduct is aligned with the provisions that are set out by the International Organisation of Securities Commissions ("IOSCO") in the Code of Conduct Fundamentals for Credit Rating Agencies. In this reporting period, SAR has not amended its code of conduct, and this code has been published as prescribed.



SECTION E: 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**