

## BUSINESS MODEL

The business model illustrates our value creation process by highlighting the capital inputs employed to provide the products and services we offer to the market. In turn, these produce outcomes imperative to the effective operation of our business.

### Key resources

The **resources** we use to **create value**

#### Intellectual

- Licence to operate as a CSD, a clearing house for bond and payment system operator for all markets
- Operating procedures and protocols in line with Strate Rules and Directives
- Develop market-specific systems and interfaces

#### Financial

- Funded by equity and reserves
- Strong cash-generating ability through operations

#### Human

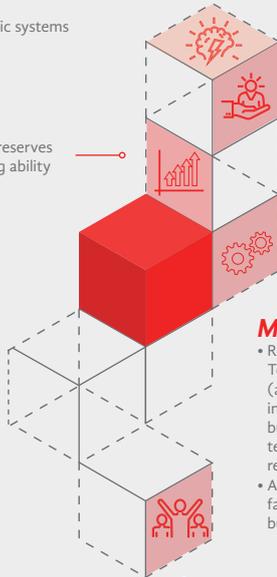
- Knowledgeable, experienced and skilled Board of Directors
- Specialised, and skilled employees focused on deliverables, innovation, creativity and thought leadership

#### Manufactured

- Robust Information Technology (IT) (applications and infrastructure) to meet business objectives in terms of availability, resilience and reliability
- Alternate operating facilities to ensure business continuity

#### Social and relationship

- Clients
- Employees
- Regulators and government
- Suppliers and partners
- Communities



### Our business activities

The **core activities** in which Strate specialises

#### Records of ownership

Strate is responsible for the electronic safekeeping of the records of ownership of a variety of securities.

#### Information Technology

Strate's IT infrastructure is a key enabler of services. It includes various systems and applications required for the daily processing of transactions and highly secure electronic records of shareholding.

#### Dematerialising securities

#### Servicing assets

Servicing streamlined, reliable, single-source issuer notifications and events initiated by a listed company.

#### Knowledge sharing

#### Managing collateral

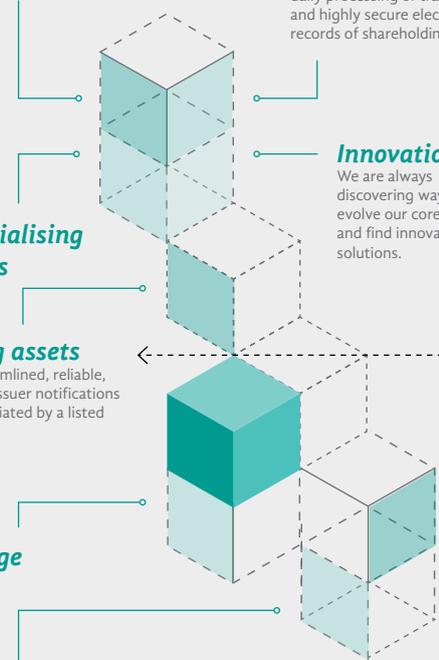
Collateral management is the method of granting, verifying, and advising on collateral transactions in order to reduce credit risk in unsecured financial transactions.

#### Innovation

We are always discovering ways to evolve our core services and find innovative solutions.

#### Processing transactions

Strate effects ownership changes. The custody and settlement of uncertified securities are Strate's core function.



## Our outputs

The products and services *we deliver* to our stakeholders

### Information services

Beneficial Download (BND) is a securities register containing information of dematerialised holdings.

### Legal Entity Identifier

Strate is the South African issuer of LEIs.

### Information Technology services

Our IT Services provide electronic records of shareholding and secure transmission of information related to financial transactions. Strate uses the following networks for the relay of electronic information:

- SWIFT Services
- Gateway Services

### Custody and settlement

- Electronic settlement of equities and bonds transactions concluded on the exchanges.
- Electronic exchange and settlement of transactions "off-market" in money market securities
- Strate facilitates the settlement of SLB (including loan and collateral), depository receipt, account transfers and portfolio movements transactions

### Corporate actions

Strate Asset Servicing (SAS) executes all corporate actions and events in respect of uncertified securities for the market through a product range which brings efficiencies and cost reductions to its users.

### Strate's Tri-Party Collateral management services (CMS)

Our collateral management services provide centralised, automated optimal management of services on three business day settlement cycle (t+3) basis.

Strate provides world-class post-trade services to the market

## Our outcomes

The outcomes of our business activities

### Operational excellence

- Support and promotion of the safety and efficiency of the South African financial markets
- Provision of high-quality services
- Investment in projects to ensure organisational growth
- Effective management of risk

### Financial viability

- Profit and cash flow generation to ensure sustainability and financial viability of the company
- Dividends paid to shareholders

### Stakeholder centricity

- Stakeholder satisfaction

### Learning and development

- Investing in staff development
- Contributions to corporate and social initiatives

## VALUE PROPOSITION TO CLIENTS

We deliver operationally efficient and cost-effective services to the financial market. Our clients are central to our value-creation process, relevance and sustainability.

Strate's clients are across the equities, bonds and money market environments. Our value proposition is tailored to meet the following client requirements:

- Increased efficiencies
- Reduced costs for our post-trade market segment clients
- Decreased principal risk
- Enhanced ability to achieve their key deliverables and meet their financial market obligations.

 Strate's products and services are described on page 14.

## Innovation

Continuous improvement and innovation are key to us maintaining our status as a world-class FMI. In 2017 we exemplified this approach through:

- research and development relating to blockchain technology;
- ongoing deployment of our big data strategy and mobile application, which enables data analytics for management to meet the needs of our stakeholders; and
- research into the feasibility of implementing artificial intelligence/robotics to progress our mantra of improving revenue, cost, efficiency and risk.

To ensure our sustainability Strate must keep adding value and "Always Discover" ways to evolve.

## Communication

We communicate to our clients through various platforms depending on the nature and purpose of the engagement. Our communication platforms include:

- individual or face-to-face meetings,
- industry forums;
- newsletters;
- the media;
- Strate's website;
- educational workshops;
- publications and material; and
- company circulars.



Further detail can be found under stakeholder engagement, page 21.

## REVENUE STREAMS, HOW SERVICES ARE CHARGED AND COSTS

Our focus is on our revenue and pricing models. We derive our revenue primarily from the transaction fees paid by investors for settlements. Our economic conditions dictate the volumes of trades and corporate actions which, in turn, influence the number of transactions we process. We process various types of transactions, and our fees are determined by effort and associated cost. Strate regularly reviews the pricing structure to manage our clients' sensitivity to price.

We manage our costs carefully to achieve economies of scale. Our cost base is largely fixed and does not depend on transaction volumes. Our fixed cost base primarily comprises our employees and IT infrastructure. We implemented various ancillary services and we constantly research different methods to assist with cost management.