

Monthly Newsletter

ETHOS VERIFY
(PTY) LTD

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FOUNDER- MICAH GENGAN

Governance, risk and credibility beneath transformation initiatives!

This is the first edition of The Ethos Signal.

It is intended as a working publication for executives, boards and stewards of transformation capital who are navigating an environment that is becoming more complex, more scrutinised and less forgiving of weak governance.

Rather than repeating policy updates or scorecard mechanics, this newsletter focuses on what is changing below programme level: where risk is forming, where accountability is shifting, and where credibility is being tested.

This publication exists to surface governance, risk and credibility considerations beneath South Africa's transformation ecosystem.

It is written for decision-makers who carry accountability for transformation outcomes, not just compliance.

Each edition focuses on what is shifting in the policy environment, where execution risk is forming, and what credible impact requires in practice.

Micah Gengan

In this newsletter
you can expect:



Transformation
policy
developments

Governance and
risk signals

Execution
realities

Impact that
withstands
scrutiny

Editor's
perspective

FEBRUARY IN FOCUS: KEY DEVELOPMENTS IN THE TRANSFORMATION LANDSCAPE

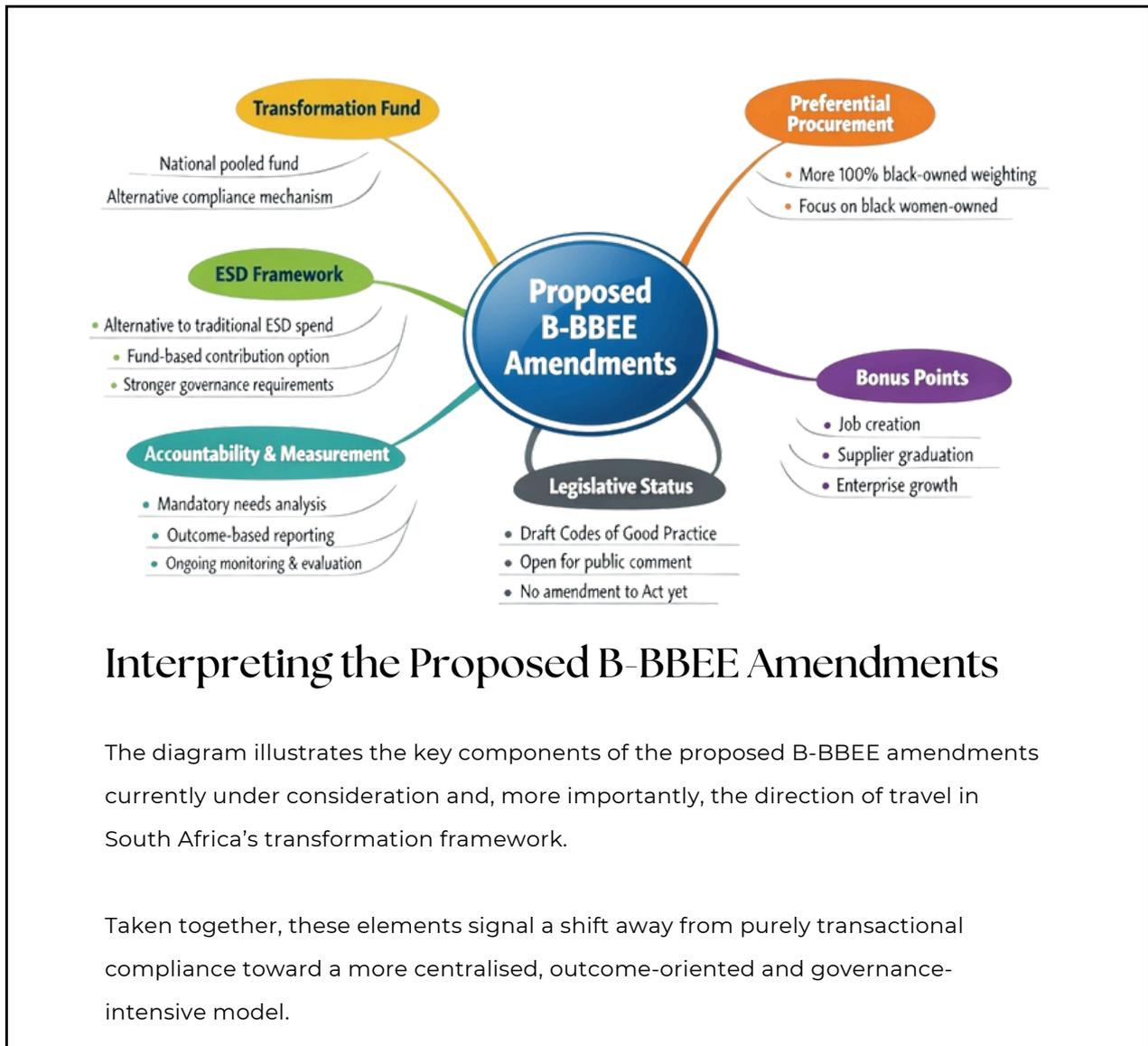
February did not bring formal amendments to the B-BBEE Codes. It did, however, mark a shift in tone and emphasis.

Discussions around a centralised Transformation Fund moved beyond technical policy engagement and into wider public and business discourse. This change matters. It signals growing attention on how empowerment capital is structured, pooled and governed, not merely how it is recognised on a scorecard.

At the centre of the discussion is a move away from company-managed transformation programmes toward more aggregated, system-level mechanisms. While such approaches are often framed as efficient or scalable, they introduce a materially different risk profile.

Once capital leaves the corporate balance sheet and enters pooled or intermediated structures, lines of accountability lengthen, oversight becomes indirect, and incentives become more difficult to observe and test.

The discussion is therefore no longer only about compliance architecture. It is about control, independence and fiduciary responsibility in an environment where scrutiny is increasing.



Interpreting the Proposed B-BBEE Amendments

The diagram illustrates the key components of the proposed B-BBEE amendments currently under consideration and, more importantly, the direction of travel in South Africa's transformation framework.

Taken together, these elements signal a shift away from purely transactional compliance toward a more centralised, outcome-oriented and governance-intensive model.

RISK SIGNALS EMERGING BENEATH TRANSFORMATION INITIATIVES



EARLY RISK INDICATORS WITHIN TRANSFORMATION PROGRAMMES

Execution risk is already visible in transformation initiatives well before policy debates even heat up.

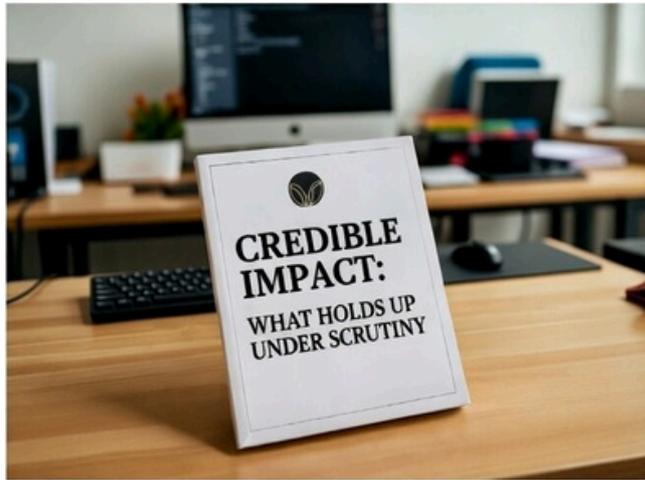
Over the past six months, these recurring warning signs have appeared consistently:

- **Governance gaps** below sponsor level Once funding moves to intermediaries or implementing partners, day-to-day oversight frequently weakens – even though formal accountability remains in place.
- **Erosion of independence**, Referral arrangements, blended advisory roles, and outcome-linked incentives often undermine true objectivity (sometimes unintentionally, but with significant impact).
- **Verification relied on beyond its mandate** Verification results are increasingly being used as a stand-in for overall programme health, even though they are only designed to confirm compliance at a specific moment in time.
- **Reporting without escalation** Data gets produced, but proper escalation thresholds, early-warning triggers, and consequence management processes are often missing entirely.

RISK SIGNALS EMERGING BENEATH TRANSFORMATION INITIATIVES

- **GOVERNANCE GAPS**
Lack of clear oversight
- **INDEPENDENCE ERODING**
Decision-making influenced by external parties
- **VERIFICATION LACKING**
Critical checks bypassed
- **REPORTING BUT NO ESCALATION**
Issues raised but not addressed

These early signals usually appear before regulatory scrutiny, reputational damage, or outright programme failure. By the time they become obvious or formal, response options are already limited.



CREDIBLE IMPACT: WHAT HOLDS UP UNDER SCRUTINY

Credible transformation impact tends to be quieter and more disciplined than most narratives suggest.

Across initiatives that demonstrate durability, certain characteristics recur:

- Clear separation between funders, implementers and evaluators
- Governance designed into structures, not retrofitted
- Long-term operating horizons rather than annual spend cycles
- Defined local decision-making authority with accountability
- Evidence of participation and capability growth, not only expenditure



These models are slower to establish and more demanding to manage. They are also harder to misuse.

The differentiator is not scale or innovation.

It is governance clarity.

Why This Matters: A Governance and Risk Lens

Public discussion around the proposed amendments has largely focused on contribution mechanics and point recognition. The more material issue remains unresolved: who is accountable for outcomes once transformation capital is deployed.

Key governance questions persist, including how independence is protected, conflicts of interest are managed, performance is assessed beyond disbursement, and consequences are applied when outcomes fall short.

South Africa's experience shows that scale does not mitigate weak governance — it amplifies risk. Without addressing these fundamentals, reform does not remove risk from the system; it redistributes it in ways that are harder to detect and manage.

Editors Notes



Micah Gengan — Founder, Ethos Verify

Transformation is entering a credibility phase.

The emphasis is shifting from whether money is spent to whether outcomes are defensible. That shift is overdue.

For boards and executives, the question is no longer whether transformation obligations are met, but whether the structures beneath them would withstand scrutiny if challenged.

Ethos Verify operates in that space beneath the surface, where execution risk forms early and where credibility is either built or lost long before verification.

Governance is no longer a support function in transformation. It is foundational to impact.



LOOKING AHEAD: SIGNALS TO WATCH

In the months ahead, attention will increasingly focus on:

- Governance architecture linked to pooled transformation mechanisms
- Regulatory posture and enforcement guidance
- Scrutiny of intermediaries and fund structures
- Spill-over implications for ESG assurance and impact reporting
- These developments will test not only compliance, but judgement.

ABOUT ETHOS VERIFY

Ethos Verify provides independent governance and due-diligence oversight beneath transformation initiatives. Our work focuses on early risk visibility, defensible decision-making and the integrity of impact claims.

Governance first. Impact follows.
