

Broad-Based Black Economic Empowerment performance summary

In South Africa, a number of persistent developmental challenges endure. We embrace the principles of the Broad-Based Black Economic Empowerment (BBBEE) Amendment Act, which serves as the basis for the Department of Trade and Industry's Financial Sector Code.

Key indicators (%)	Maximum points	2013	2014	2015	2016	YoY trend
① Ownership	14.00	6.62	8.73	8.66	9.94	▲
② Management control	8.00	3.04	3.24	3.63	4.96	▲
③ Employment equity	15.00	9.70	9.87	10.22	11.72	▲
④ Skills development	10.00	9.07	9.12	9.68	10.00	▲
⑤ Preferential procurement	16.00	14.92	15.28	16.00	16.00	▬
⑥ Empowerment financing	15.00	13.91	14.80	15.00	15.00	▬
⑥ Enterprise development	5.00	5.00	5.00	5.00	5.00	▬
⑦ Socio-economic development	3.00	3.00	3.00	3.00	3.00	▬
⑧ Access to financial services	14.00	9.90	10.40	10.00	12.94	▲
Total	100.00	75.16	79.44	81.19	88.56	▲
BBBEE contributor level status		Level 3	Level 3	Level 3	Level 2	▲

① Creating ownership opportunities

In 2004, we were the first of the major banks to allocate 10% ownership to black partners through the Batho Bonke empowerment consortium. The deal was unwound partly in 2009 (4.99%) and the remainder in 2012 (5.01%), after the consortium sold their equity. With the introduction of the Financial Sector Code, which has followed a once empowered, always empowered principle since 2011, we are still able to claim a portion of our black ownership points in respect of the sale of the 5.01% in 2012. Our ownership score of 9.94 is the aggregation of (i) the once empowered, always empowered principle, (ii) indirect ownership, and (iii) equity equivalents arising from surplus BBBEE transaction financing. This translates to black and black women ownership of 17.4% (2015: 16.1%) and 6.7% (2015: 6.2%) respectively.

As part of the separation agreement, Barclays PLC has agreed to contribute an amount equal to 1.5% of our market capitalisation (R2.1bn¹) towards the establishment of a new BBBEE scheme.

¹ Based on the Barclays Africa closing share price of R168.69 on 31 December 2016.

② Management control continues to transform

Our Board comprised 16 directors as at 31 December 2016. 11 are South African, of whom two are black men and two are black women. The remaining five consist of Ghanaian, Kenyan, Singaporean and British nationals (two) reflecting the pan-African nature of our business and our membership of Barclays PLC. Daisy Naidoo was appointed as an independent non-executive director during the year, increasing the black and black women composition of our Board to 25% (2015: 23.1%) and 12.5% (2015: 7.7%). Peter Matlare's appointment as Deputy Chief Executive Officer: Rest of Africa, and hence his change in status to an executive director (previously non-executive) increased the black composition of executive directors to, 25% (2015: 0%). René van Wyk, a white South African, joined the Board on 1 February 2017, and is not included in the analysis above as the date of his appointment is outside of the verification time frame.

The Executive Committee, within top management, comprises 12 members (2015: 11) of whom four (2015: three) are black and two (2015: two) are black women. We continue transforming our South African top management representation against our target of 40%, with an increase to 25.9% (2015: 18.4%) black and 12.1% (2015: 8.8%) black women.

3 Making progress with employment equity

In South Africa, 69% (2015: 68%) of employees, 88% (2015: 75%) of new hires and 82.5% (2015: 76.3%) of promotions were black. Our black representation increases were: (i) junior management, to 74.5% (2015: 72.4%), against a target of 80%; (ii) middle management, to 54.8% (2015: 52.4%), against a target of 75%; and (iii) senior management, to 40.1% (2015: 35.6%), against a target of 60%. These middle management employees serve as a critical pipeline for senior succession, and are provided with a combination of formal learning, coaching and mentoring opportunities.

4 Forming partnerships to address skills development needs

We address skills development gaps in South Africa through management and leadership development, graduate programmes, learnerships, bursaries and sponsorships for tertiary institutions. Of our 2 361 bursary, graduate programme and learnerships recipients, 1 967 are black South Africans (of whom 1 318 are black females). We created work opportunities for 558 unemployed black learners, 368 (66.7%) of whom we have retained in the organisation post their learnership or internship. Additionally, we continue participating in formally funded programmes with BANKSETA – a statutory body established to support and grow skills needed in the banking sector. Our commitment to developing our employees was recognised by BANKSETA, with the top Skills@Work award for large employers.

5 Preferential procurement increasing

Our procurement spend is weighted according to the BBBEE contributor level status of suppliers. For example, spend with a Level 1 contributor would receive a 135% weighting. Changes to the Financial Sector Code led to a decrease in some suppliers' contributor levels and, subsequently, our total weighted spend on products and services decreased to R17.8bn (2015: R19.6bn) from 2 608 (2015: 3 482) accredited suppliers. However, the changes to the classifications of small and micro enterprises increased the number of small and medium enterprises (SMEs) qualifying as such, and increased the related weighted spend to R3.1bn (2015: R2.9bn). Un-weighted procurement spend with 50% black-owned suppliers increased by 10% to R4.5bn (2015: R4.1bn) and spend with 30% black women-owned suppliers increased by 17% to R3.4bn (2015: R2.9bn). We continue to find ways to increase spend with accredited black-owned and black women-owned suppliers through enterprise development initiatives and by inviting such suppliers to the majority of our sourcing events.

6 Empowerment financing and enterprise development continues

Our empowerment financing is made up of targeted investments and BBBEE transaction financing. Targeted investments include transformational infrastructure that supports economic development, agricultural development, affordable housing, and black SMEs. Our empowerment financing target was exceeded and reached R31.7bn (2015: R30.4bn). BBBEE transaction financing of R16.5bn (2015: R14.5bn) was provided for the purchase of direct ownerships in entities, well above our R14.8bn target.

We raised R1.38bn in financing to support SMEs and to assist our corporate clients to optimise their supply chains. R37.7m (2015: R27.4m) was invested in emerging SMEs and our seven (2015: seven) enterprise development hubs provide training and access to computers and boardrooms. We incubated 345 SMEs against a target of 300, and reached an additional 41 200 SMEs (2015: 25 966) with business development support. Absa's online procurement portal facilitates market access for small businesses by matching corporate buyers with SME suppliers and encourages corporates to buy more services and products from SMEs. There are currently 59 200 (2015: 37 200) SMEs and 7 000 (2015: 5 700) corporate buyers registered on the portal, and over R2.5bn of corporate procurement opportunities are made available each month. In addition, our Short-term Insurance business created a central service database that enabled R58m in small claims fulfilment opportunities to 50 SMEs.

7 Socio-economic development focusing on education

Our contributions to youth skill-building programmes, mentoring and financial assistance demonstrate our commitment to education.

In an effort to alleviate the student funding crisis, we enhanced our scholarship programme, and invested R80m in scholarships for 2 000 university students. An additional R26m was provided for strategic university initiatives to support the research and development of critical and scarce skills faculties in 10 South African tertiary institutions. In support of the South African government's Adopt-a-TVET initiative, we partnered with 16 technical and vocational education training colleges (TVETs) to provide workplace exposure and job-shadowing for 480 students. We invested over R10m in training for school governing body members, reaching 2 725 schools, training 10 521 governing body members and 1 146 Department of Basic Education employees.

8 Access to financial services

We focus on relevant, affordable products and services, and innovative delivery channels to facilitate easier access to financial services and consumer education that improves financial literacy.

Our partnership with PEP Stores South Africa provided banking access to 200 981 new customers, and our youth bank account, MegaU, delivered 50 115 free transactional accounts.

We invested R29.4m (2015: R27.6m) in consumer education initiatives that improve financial literacy. Our reach included 6 453 703 customers through mobile telephone awareness campaigns and, although our face-to-face interaction decreased due to roll-out delays, we still reached 45 930 (2015: 169 000) customers.



Our full BBBEE report is available for download at barclaysafrica2016ar.co.za.