Submission to joint sitting of the Parliamentary Finance and Trade & Industry Committees

Barclays Africa Group Ltd (BAGL)

14 March 2017
1. INTRODUCTION

The Barclays Africa Group appreciates the opportunity to engage with Parliament on the subject of financial sector transformation. Our submission contains two parts: this paper and a copy of the presentation to be delivered by our chief executive officer.

This paper contains three main elements:

- It outlines the structure of the Barclays Africa Group and Absa.
- It sets out our approach to transformation.
- It summarises our performance against the Financial Sector Code (FSC) scorecard, and outlines how we plan to strengthen our performance in areas where progress has been insufficient.

2. ABOUT THE BARCLAYS AFRICA GROUP AND ABSA

The Barclays Africa Group

Barclays Africa is a standalone, independently listed and funded pan-African bank. We have 11.8 million customers on the continent, 41,272 employees and a balance sheet of R1.1 trillion. In 2016, we paid R7.3 billion in direct and indirect taxes in South Africa and R8.5bn in dividends.

Barclays Africa is a universal bank, offering retail, business, corporate and investment banking; as well as wealth, insurance, investments products and services. Our registered head office is in Johannesburg and we are listed on the Johannesburg Stock Exchange (JSE). UK-based Barclays PLC has a 50.1% controlling interest in Barclays Africa.

Barclays Africa is a systemically important financial institution in South Africa and the other markets in which we operate. As defined by the South African Reserve Bank and other global agencies, these are institutions whose failure could trigger a financial crisis in countries and/or regions. They are critical in facilitating economic activity, and regional and international trade. To compete against global and regional banks on the African continent, we need to be a well-capitalised, diversified financial institution with sufficient scale to succeed in a highly competitive and challenging marketplace.

Barclays Africa has operations in 10 African countries and representative offices in two. In South Africa, which is our largest market, we trade as Absa. We hold majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania (Barclays Bank Tanzania and National Bank of Commerce), Uganda and Zambia. We also maintain representative offices in Namibia and
Nigeria, and insurance operations in Botswana, Kenya, Mozambique, South Africa, Tanzania and Zambia.

We take our responsibilities in the countries in which we do business very seriously. We have a legal and ethical duty to:

- Safeguard the deposits of our customers and use them responsibly.
- Engage in responsible lending practices.
- Maintain efficient banking and financial systems and infrastructure.
- Comply with local and international regulations and best practice, as set out in various legislations including the Financial Intelligence Centre Act, the Banks Act, the National Credit Act; and internationally the Basel risk management guidelines, among others.
- Provide high-quality products and reliable services to our clients and customers.

These obligations are closely monitored by regulators across our continent, with the South African Reserve Bank, the Financial Services Board and the National Credit Regulator being the most important in South Africa.

We strongly believe that we have an ethical responsibility to protect the integrity of the financial system and to help law enforcement and regulatory agencies to fight crime and bad professional conduct.

**About Absa**

In South Africa, our business trades as Absa. For the purposes of this submission, all our reporting on the FSC codes, empowerment programmes and economic transformation initiatives refer to Absa, unless otherwise indicated. Absa contributes 81% of group earnings.

Absa has 9.4 million customers and 30 739 employees, of which 68.4% (21 025) are black. Our diversified portfolio of businesses offers an array of products and services to meet a wide range of customer and client requirements, from the mass market to the corporate sector. Absa has a balance sheet of R918 billion.

We have a significant retail banking business, with 774 branches and 8 885 automated teller machines (ATMs) in all nine provinces.

Absa’s retail customer base is segmented into a mass market of customers earning less than R10 000/month (58%), a core middle market of customers with incomes between R10 000 and R25 000/month (22%), an affluent component with incomes between R25 000 and R62 500/month, private banking clients with incomes above R62 500/month (9%), and students and youth (7%). The balance is made up of other entities.

Our business banking division offers transactional banking, working capital finance, asset-based finance, trade finance and other services. These services support a range of clients across economic sectors, from government and public agencies to manufacturing, energy, services, tourism, agriculture and others. Since 2011 we have reached more than 110 000 SMEs with training, workshops and networking sessions through our Business Development Support offering.
Our corporate and investment business provides investment banking, corporate banking, financing, risk management and advisory services to clients in the corporate, financial and public sectors.

Our wealth, investment management and insurance business provides fiduciary and insurance products, ranging from wills to investment, retirement and funeral plans, for 1.2 million entry-level and inclusive banking customers. The business manages R288 billion in assets on behalf of institutional funds and individuals.

Within our insurance business, in addition to our normal trading activity we also Aim to support and grow small and medium-sized short-term insurance suppliers by helping them achieve greater market access. Over the past year, it targeted claims spend of R197 million (24% of the total) for over 250 small and medium, black- and black-women-empowered suppliers and entrepreneurs.

Barclays Africa’s shareholders

In 2005 UK-based Barclays PLC took up an initial 54% shareholding in Absa. At R30 billion, this was the largest single foreign direct investment into South Africa at the time. This later increased to 62.3%.

Barclays Africa was formed when Absa Group Limited acquired the African operations of Barclays PLC in July 2013.

Table 1 shows Barclays Africa’s current shareholders. This committed, diverse group includes a controlling shareholder (Barc’s PLC), and various local and international institutional investors. The largest single local investor is the Public Investment Corporation (PIC), which is wholly owned by the South African government and invests the pension contributions of public servants.

Table 1: Major ordinary shareholders (as at 31 December 2016)

<table>
<thead>
<tr>
<th>Name</th>
<th>Shareholding</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank PLC</td>
<td>50.1%</td>
<td>UK</td>
</tr>
<tr>
<td>Public Investment Corporation</td>
<td>6.86%</td>
<td>South African</td>
</tr>
<tr>
<td>Old Mutual Asset Managers</td>
<td>3.11%</td>
<td>South African</td>
</tr>
<tr>
<td>Allan Gray</td>
<td>2.16%</td>
<td>South African</td>
</tr>
<tr>
<td>Prudential Investment Managers</td>
<td>2.01%</td>
<td>South African</td>
</tr>
<tr>
<td>Schroders Plc</td>
<td>1.93%</td>
<td>USA</td>
</tr>
<tr>
<td>Black Rock Incorporated</td>
<td>1.69%</td>
<td>USA</td>
</tr>
<tr>
<td>The Vanguard Group Incorporated</td>
<td>1.66%</td>
<td>USA and Australia</td>
</tr>
<tr>
<td>Dimensional Fund Advisors</td>
<td>1.65%</td>
<td>USA and UK</td>
</tr>
<tr>
<td>Sanlam Investment Management</td>
<td>1.62%</td>
<td>South African</td>
</tr>
<tr>
<td>Other1</td>
<td>27.21%</td>
<td>Various</td>
</tr>
</tbody>
</table>

1Consists of numerous local and international institutional and individual investors

Shareholding considerations

Parliament’s invitation to these hearings noted that the discussion would cover deracialisation, among other topics. In this context, we believe that several considerations should be borne in mind concerning Barclays Africa’s diversified range of shareholders.
The first is the positive role played by foreign investment in South Africa. In discussion of the percentage of black ownership of companies listed on the JSE, global investment is often categorised as “white ownership”, implying that these investors are white South Africans. A more accurate description is “foreign ownership” – shares held by global investors – which reflects confidence in the South African economy, and contributes to economic growth and job creation.

Barclays Africa is not unique in this respect. A significant portion of JSE-listed shareholding is by non-South African institutions.

Figure 1: Distribution of shareholding in Barclays Africa

A second consideration is the role of the PIC and other institutional shareholders in creating wealth and financial security for millions of households. These institutions invest the savings that South Africans have placed in pension and provident funds in a wide range of assets. This diverse range of South Africans expects institutional investors to safeguard their money and help them create wealth. Barclays Africa, in turn, has a responsibility to deliver solid returns to institutional shareholders, so that they can fulfil their mandate of investing the savings of their clients in companies that are sound and responsible.

A third consideration is our successful participation in empowerment arrangements that have broadened black ownership and wealth creation. In 2004, Absa was the first of South Africa’s big four banks to allocate 10% ownership to an empowerment scheme through the Batho Bonke consortium. This deal was fully unwound in 2012 after the consortium sold off its equity. A total of R2.5 billion in net value was created for a range of previously disadvantaged beneficiaries.

A final consideration is the future of Barclays Africa. In March 2016, Barclays PLC announced that changes in financial sector regulations in the UK had prompted a decision to reduce its stake in Barclays Africa to below 20% by 2018. By then, Barclays PLC owned 62.3% of Barclays Africa, with the rest owned by local and international institutional shareholders.

The transition has already begun. In May 2016, Barclays PLC reduced its shareholding in Barclays Africa to 50.1% after selling off 12.2% of its equity stake, with 43% of the equity allocated to South African investors and 57% to foreign investors.

When Barclays PLC further reduces its shareholding, it may create an opportunity for new shareholders (both South African and international) to acquire these shares, resulting in an even...
more diverse shareholder portfolio, subject to regulatory approvals. This includes a BEE scheme to which Barclays PLC has already committed R2.1bn of capital.

Regulatory environment

Banks are highly regulated by global and national authorities to ensure the stability and integrity of the financial system. Like all major financial institutions, Barclays Africa is subject to strict requirements, regulations and guidelines that determine what we can and cannot do as a financial institution. Compliance with these measures is integral to our business, and is supervised by a range of authorities in South Africa and internationally. We also dedicate significant company resources towards internal compliance measures and infrastructure.

Examples of global and local regulation include the following:

- Capital adequacy limits – Capital adequacy is a standard measure of a bank’s strength, and maintaining strong capital adequacy ratios limits risk. Barclays Africa must maintain a certain percentage of equity capital compared with its total risk-weighted assets, in line with South African Reserve Bank regulations. There are various tiers of regulatory capital adequacy. Adequacy ratios are determined by central banks and global regulatory agencies. If banks fail to adhere to them, they may breach their licensing conditions.

- Credit extension – Affordable credit plays a vital role in the economy, but it has to be advanced responsibly. The National Credit Act strictly regulates the way banks and other lending institutions can extend credit. Breaches of this law can attract severe penalties.

- Combating money-laundering and terror financing – A global framework governs the reporting of suspicious financial activity that may include money-laundering and terror financing. Banks that fail to meet global and national financial intelligence standards face severe penalties. Similarly, where countries do not comply with international standards, there is a risk that global clearing banks may cancel correspondent banking relationships, which enable the provision of cross-border payments. Cancellation of such arrangements jeopardises investment, trade and remittances from abroad. South Africa’s banks have good international standing due to legislation such as the Financial Intelligence Centre Act and the Prevention and Combating of Corrupt Activities Act, as well as the oversight provided by the Financial Intelligence Centre and the South African Reserve Bank.

Barclays Africa has to comply with these and other regulations governing the financial sector.
3. SUPPORTING TRANSFORMATION

Barclays Africa has always fully-supported the vision of South Africa’s of working towards a non-racial, non-sexist democracy, and providing opportunities for all South Africans to achieve prosperity.

We have a longstanding commitment to transformation that goes beyond the FSC.

For Barclays Africa, transformation has the following core components:

- Addressing the imbalances of the past by enabling black people, women, youth and people with disabilities to sustainably participate in the economy, and expanding opportunities for them to create their own wealth.
- Investing to stimulate economic growth, support entrepreneurship, create sustainable jobs and reduce inequality.
- Strengthening South Africa’s global competitiveness by building its skills base across all demographics.
- Using our expertise and financial resources to improve lives and make a positive difference in our communities.
- Transforming our own organisation by developing and driving a culture of fairness, equal opportunity, by being a values-based company.

The strength of these commitments is demonstrated by our investments in empowering our people and the communities in which we operate.

For instance Figure 2 shows the cumulative level of our investments in transformational infrastructure, affordable housing, black-empowered SME financing, black agricultural financing and BEE transaction financing over the past five years. Average balances in these categories grew from R4.4 billion in 2012 to R30.6 billion in 2016. While this is not the only intervention we have made, it we provide just two examples of the momentum we are building in our transformation efforts.

Figure 2: Empowerment financing
In the last five years alone we have provided over 8 000 university scholarships that include the children and dependants of our own staff. Since 2008 we have accepted in excess of 1 000 individuals into our graduates into our organization; and in the last five years we have provided over 10 000 learnerships.

Our cumulative experiences have led us to adopt our Shared Growth philosophy, which informs our business strategy. Shared Growth is underpinned by our business values: respecting and valuing our colleagues; acting fairly, ethically and openly in all we do; putting our customers and clients first; using our energy, skills and resources to deliver the best, most sustainable results; and ensuring that we leave things in a better condition than when we found them.

We are committed to using our financial resources, the expertise of our people and our infrastructure to help ensure our communities are included in the economy in a meaningful and sustainable way. In driving transformation, we have chosen areas in which we know that, as a financial services institution, we can make the biggest difference: education, enterprise development and financial inclusion.

In implementing our Shared Growth philosophy we have chosen to focus on these broad areas for the following reasons:

- Education and skills development improves employability and supports long-term economic growth and competitiveness.
- Enterprise development benefits black and female entrepreneurs, boosts our procurement value chain and helps to create jobs.
- Financial inclusion helps poor and marginalised communities access financial services and provide opportunities to participate in the economy.
- Promoting inclusive economic growth and expanded job creation is the most efficient way to reduce poverty and inequality.

Each business has to deliver to specific commitments in respect of Shared Growth and transformation – and overall performance and remuneration assessment includes measuring behaviour according to our Company Values. These are Respect, Integrity, Service, Excellence and Stewardship. It is under the value of Stewardship that we drive our Shared Growth and transformation objectives. This is a commitment to leave things better than we found them whether it relates to our clients or society in general.

We wish to reiterate that Shared Growth is a philosophy that we are using to transform our company culture and how we define our role in society across all our markets. In South Africa we still have a very strong focus on specific elements of transformation.
4. FINANCIAL SECTOR CODE PERFORMANCE

Our continued commitment to transformation and the success of our efforts is reflected in our upgraded status from a Level 3 Broad-based Black Economic Empowerment (BBBEE) contributor in 2015 to a Level 2 contributor in 2016, when we achieved a score of 88.56%, up from 81.19% in 2015.

We recognise, however, that there is room for improvement and are focusing on accelerating progress in each category. As a responsible corporate citizen, we take our responsibilities in this regard very seriously.

This section reviews our performance against the FSC scorecard and outlines our plans to improve on these achievements. We regard the FSC as a guideline of minimum standards and expectations. While we support the Code and strive to fully achieve its targets, we also recognise that our responsibility to help transform South Africa entails being responsive to the broader needs of the country.

As noted earlier, the Batho Bonke transaction was wound down in 2012, realising substantial value for those empowerment investors. Under the FSC guidelines, we are still able to claim some of the credits under the once-empowered, always-empowered principle.

However, we would like to see more broad-based BEE ownership of our organisation and are determined to achieve this goal in the years ahead. This desire has been a constant theme in our discussions with Barclays PLC on the terms of our mutual separation. That is why last month we announced our intention to conclude another BEE scheme to which Barclays PLC has committed 1.5% of Barclays Africa’s market capitalisation – about R2.1 billion. We have also committed to concluding an employee share ownership scheme.

We expect the ownership score to improve once the BBBEE and staff ownership schemes are in place. We are endeavouring to conclude them in a reasonable period, taking into account the complicated nature of the separation, and significant regulatory involvement and approvals.

Current performance against FSC scorecard

Our performance against the FSC scorecard has continuously improved over the years. As indicated earlier, our status has been upgraded from a Level 3 BBBEE contributor in 2015 to a Level 2 contributor in 2016, when we achieved a score of 88.56%, up from 81.19% in 2015. We recognise, however, that there is room for improvement and are focusing on building momentum in each category.

Our BBBEE performance is independently verified by the National Empowerment Rating Agency. We transitioned from the generic Codes of Good Practice to the FSC in 2013. We are now waiting for the revised FSC to be gazetted and aligned with the BBBEE Codes of Good Practice. All figures in this section, unless stated otherwise, are as of 31 December 2016.
Table 2: Performance against FSC scorecard

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>Maximum points</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>14.00</td>
<td>7.87</td>
<td>6.62</td>
<td>8.73</td>
<td>8.66</td>
<td>9.94</td>
</tr>
<tr>
<td>Management control</td>
<td>8.00</td>
<td>6.06</td>
<td>3.04</td>
<td>3.24</td>
<td>3.63</td>
<td>4.96</td>
</tr>
<tr>
<td>Employment equity</td>
<td>15.00</td>
<td>8.56</td>
<td>9.70</td>
<td>9.87</td>
<td>10.22</td>
<td>11.72</td>
</tr>
<tr>
<td>Skills development</td>
<td>10.00</td>
<td>12.30</td>
<td>9.07</td>
<td>9.12</td>
<td>9.68</td>
<td>10.00</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>16.00</td>
<td>17.98</td>
<td>14.92</td>
<td>15.28</td>
<td>16.00</td>
<td>16.00</td>
</tr>
<tr>
<td>Empowerment financing</td>
<td>15.00</td>
<td>n/a</td>
<td>13.91</td>
<td>14.80</td>
<td>15.00</td>
<td>15.00</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>5.00</td>
<td>15.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>3.00</td>
<td>5.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Access to financial services</td>
<td>14.00</td>
<td>n/a</td>
<td>9.90</td>
<td>10.40</td>
<td>10.00</td>
<td>12.94</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>72.78</td>
<td>75.16</td>
<td>79.44</td>
<td>81.19</td>
<td>88.56</td>
</tr>
</tbody>
</table>

**Management control**

We endeavour to have a Board and top management that meet FSC targets. Management control is a combination of the Barclays Africa Board of Directors, group executive committee and senior executives.

Our current Board reflects the existing ownership structure, in which the controlling shareholder appoints an agreed number of directors. We also take account of our African footprint to ensure markets beyond South Africa are represented. The Board has 16 members, of whom 25% are black, 25% are women and 12.5% are black women. Of the independent directors, 37.5% are black. We are one of very few large organisations globally to have both a female chairman and female chief executive officer.

**Figures 2a and 2b: Board composition by race and gender**

The group executive committee is made up of 12 members, of whom 33% are black (2015: 25%) and 33% are women (2015: 33%). Black colleagues fulfil the following senior roles in the executive committee:

- Peter Matlare is Deputy Chief Executive Officer, Rest of Africa, and sits on the Barclays Africa Board as an executive director.
- Nomkhita Nqweni is Chief Executive Officer of Wealth, Investment Management & Insurance.
- Yasmin Masithela is Group Executive: Compliance.
- Bobby Malabie is Group Executive: Marketing and Corporate Relations.

Zameera Ally is Chief Internal Auditor and attends group executive committee meetings in an *ex officio* capacity.

**Figures 2c and 2d: Group executive committee composition by race and gender**

In addition to the group executive committee, we include 104 colleagues with senior executive roles in the top management category. These are colleagues who are at Managing Principal level. The percentage of black colleagues at this level has increased from 15% in 2013 to 26% in 2016. We will be addressing the shortfall against the 40% BEE commitment through a combination of improved retention, promotion, attraction and succession management of top black talent.

Our different businesses each have executive committees. This tier of leaders is a natural feeder to our Group Executive Committee and its membership composition is 44% black and 35% female. We believe this demonstrates the strength and diversity of our succession pipeline.

**Figure 3: Percentage of top management by race**

**Ownership**

Over the past five years the economic interest by Black people has increased from 9.4% to 17.4% and that of Black women has increased from 3.8% to 6.8%.
As noted earlier, we have announced an intention to pursue a broad-based BEE scheme and an employee share ownership scheme. We have a large financial commitment from Barclays PLC and will be using our capital to ensure this participation. Details about this scheme will be announced in due course.

**Access to financial services**

Access to financial services enables successful participation in the economy. That is why we are committed to investing in service distribution channels that are reliable, safe and cost-effective.

We have been working to increase access to financial services since the inception of the FSC. In 2016, 62% of our entry-level customers lived within 5km of a transaction point, up from 60% in 2015; 77% lived within 10km of a service point (2015: 74%); and 74% lived within 15km of a sales point (2015: 74%).

We have the largest ATM network in South Africa, with 8 885 ATMs providing services in eight local languages. Half of our ATMs are in metros, 26% in large towns, 13% in small towns and 11% in rural areas. We continue to improve our ATMs, using technology to expand affordable banking services. These include enabling customers to send funds via mobile or internet banking to a recipient who can withdraw the money from an ATM without needing a card or bank account, and to make payments to beneficiaries by scanning or keying-in a reference number.

Whenever we open or close branches or offices, we carefully consider the impact on communities. In the case of closures we try to identify a suitable alternative banking channel. Electronic platforms offer a convenient and low-cost alternative to traditional banking. Our pricing model rewards customers who choose to make use of our increasingly efficient digital banking services.

We provide free access to digital banking, enabling our customers to transact any time, any place with no monthly fees. Access to data is a barrier to digital banking and customers are not charged for data when using our banking app.

In 2016 we launched the first free bank account for young people. Mega U includes free ATM withdrawals, unlimited card swipes, and free airtime and data purchases through any Absa channel.

We are working with partners to deliver banking to poor and marginalised communities. Our partnership with PEP stores, launched in 2014, enables us to provide financial services to the unbanked through a convenient and trusted channel. About 200 000 customers use these services, and money transfers through PEP exceed 850 000 transactions a month. Over the next several years, we plan to expand these services following improvements in the control environment.

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1 At transaction points – typically point-of-sale devices – customers can withdraw cash or make purchases using their cards. At service points – usually ATMs – customers can also withdraw cash or make purchases, as well as reset a pin, transfer money or make account queries. At sales points – usually branches – customers can do at least one function from each of the other categories, as well as one of the following: replace a card, deposit cash, open an account, purchase a funeral policy or apply for a loan.
**Preferential procurement**

Our preferential procurement programme ensures that a growing number of small black- and black-women-empowered companies supply us with goods and services. This includes unbundling large contracts into projects of a scale that enable emerging enterprises to participate.

From these opportunities we want to see those SMEs grow and develop to bid for large contracts within and beyond our organisation. Cumulatively, their success helps to grow our economy and create jobs.

In 2016 we focused on providing small enterprises with business skills to increase their sustainability and help establish them in the broader economy. As a result, our procurement spend on black-owned companies as a percentage of the total has increased from 8% in 2012 to 35% in 2016. Last year we purchased goods and services worth R4.46 billion from black-owned firms. Growth in procurement spend with businesses owned by black women has grown even more rapidly, from R502 million in 2012 to R3.4 billion in 2016, at a compound annual growth rate (CAGR) of 88%. We also provided non-refundable development support grants of R16 million to small enterprises providing goods and services in our value chain.

**Figure 4: Procurement spending on black-owned businesses**

![Diagram showing procurement spending on black-owned businesses from 2012 to 2016. Black-owned spend increased from R1 billion in 2012 to R3.4 billion in 2016, while black women-owned spend increased from R50 million to R3.4 billion.]

**Empowerment financing**

Our financial support to black-empowered SMEs more than trebled from R155 million in 2012 to R489 million in 2016. We have introduced innovative financing techniques to enable SMEs to benefit from partnerships with our corporate clients. Enterprises that are not part of a corporate value chain can access the Absa Development Credit Fund, Women Empowerment Fund or Thembani International Guarantee Fund. Barclays Africa has paid out R226 million in development credit since 2011. BEE financing has grown to R16.5 billion in 2016.

Absa Home Loans focuses on providing home loans to lower-income customers in a sustainable and responsible manner. We have expanded lending in the affordable housing market from R3.2 billion in 2012 to R11.1 billion in 2016 (CAGR of 51%), helping to alleviate housing backlogs.

Absa also supports the government’s Financial Linked Individual Subsidy Programme – an instrument to close the affordability gap for households earning between R3 500 and R15 000 per month.
We have played a major role in developing South Africa’s transformational infrastructure through our participation in the Renewable Energy Independent Power Producer Procurement Programme, increasing the financing we provide from R424 million in 2012 to R2.3 billion in 2016 (CAGR of 74%).

The bank is currently mandated to arrange financing for an additional 12 projects awarded preferred bidder status as part of Round 4 of the programme, which will result in further debt commitments of about R5 billion. Absa also supported a number of bidders in the expedited bidding round and awaits the outcome of the process.

**Enterprise development**

Our approach to enterprise development focuses on supporting emerging SMEs with development finance and business support, enabling them to access markets for goods and services:

- In 2016, we agreed to more than R1.25 billion worth of development finance mandates for emerging SMEs who are doing business with our corporate partners. These funds will be disbursed in the course of 2017 and 2018.
- Our seven Enterprise Development Centres provide SMEs with training, office infrastructure and support networks. In 2016 we provided training to over 40 000 SMEs across South Africa.
- Our market portal links small businesses with corporate buyers. The portal currently has 59 000 registered SMEs, 7 000 corporate buyers and R2.5 billion worth of tenders advertised every month.

Our focus for 2017 will continue to be on partnering with our corporate clients and public-sector institutions to broaden access to development funding for emerging SMEs.

**Access to education**

Our education initiatives aim to increase the employment prospects of young black South Africans by providing them with opportunities to access quality education and skills training. We also recognise that even those who have completed high school or obtained a post-matric qualification need to advance their work-readiness skills. We have taken a decision to increase our investment in education, rather than more sponsorships.

We have already trained more than 200 000 young people through ReadyToWork, our skills-building programme that prepares young people for the world of work.

Recognising that effective school governance is critical to improving the quality of basic education, in 2016 we contributed over R10 million in financial management training for 10 521 school governing body members and 1 146 Department of Basic Education employees, reaching 2 725 schools across four provinces. We plan to expand this programme to additional provinces in 2017.

To strengthen the delivery of quality education, we invested R26 million in strategic initiatives to support the research and development of critical and scare skills at faculties in 10 universities. Such support is critical for the maintenance of high academic standards so that graduates can be globally competitive.
In 2016 we committed and paid a total of R106 million to universities across South Africa in the form of scholarships, strategic support and research programmes. The scholarships paid the tuition and other fees of some 2,000 students who could not afford university fees. To date, we have scholarship partnerships in place with 20 universities. These institutions identify deserving students in line with our criteria and award the scholarships on our behalf. In 2017 we plan to grant 3,000 scholarships to the value of R210 million. To date we have awarded 505 scholarships to employee dependants, up from 112 in 2016.

In partnership with technical and vocational education and training institutions (TVETs) and other public-sector institutions, we have helped to improve the employment prospects of thousands of students. In support of the government’s Adopt-a-TVET initiative, we partnered with 16 colleges to provide workplace exposure and job-shadowing for 480 students. We provide management support and life-skills training, among other programmes, to help them adapt to the work environment. In 2017 we are extending the Adopt-a-TVET initiative to 34 institutions in South Africa.

Over the next three years, through public-private partnerships, we will strengthen our focus on skills development by growing our ReadyToWork programme, expanding our Adopt-a-TVET programme, and continuing to invest in initiatives to find sustainable and innovative solutions to support affordable higher education. We have committed R1.4 billion over the next three years to support education and skills development.

**Employment equity**

We remain committed to implementing the Employment Equity Act and ensuring equal opportunity and fair treatment in the workplace for all. Ending discrimination on the grounds of race, gender and disability is our main priority. We are also committed to the fair and equal treatment of lesbian, gay, bisexual and transgender people.

Black employees make up 68.4% (2015: 67.6%) of our South African workforce and account for 83% (2015: 76%) of South African promotions. Women make up 61% of our workforce and account for 60% (2015: 58%) of all promotions.

Black representation in middle management has steadily progressed from 47.1% (4,546) in 2012 and currently stands at 55% (6,095) against the FSC target of 75%. We are on track to achieve the junior management target of 80%, having improved from 69% (8,436) in 2012 to 75% (9,453).

Progress in these areas has some constraints, including low staff turnover. In 2016, turnover was 9.7%, the lowest in nine years. The rate of natural attrition directly affects the pace of demographic change.
This data clearly demonstrates that there is a pipeline of black managers that is likely to decisively change the demographics of senior and top management in the bank in the years ahead. Many of these individuals are already running strategic, revenue-generating components of our retail, corporate and wealth, investment management and insurance businesses.

We are committed to developing and promoting talented internal black candidates. Through our Internals First programme, 66% of our vacancies were filled by colleagues from within Barclays Africa, providing them with important growth and career progression opportunities. Of these, 48% were promoted, reflecting the strength of our internal talent pipeline. We invested R30.8 million (2015: R22.9 million) in our Global Leadership Curriculum and our leaders participated in 6 100 training sessions (2015: 3 900). In addition, we launched a portfolio of bespoke leadership programmes to strengthen managerial capabilities, benefiting 1 334 employees.

Our 2016 hiring data, summarised in Figures 6a and 6b, further reflects our commitment to attracting black talent into the organisation.
Skills development

Creating value for our employees through unique development and career opportunities is a key component of our investment in skills development. We spent R326 million (2015: R278 million) on developing the technical, commercial and leadership capabilities of our employees. Training expenditure on black employees increased from 63% of the total training spend in 2012 to 73% in 2016.

Figure 7: Training expenditure (R million)

Our investment in skills development emphasises developing scarce and critical skills in South Africa with a focus on black South Africans, women and people living with disabilities. Our skills development offerings include:

- On-the-job training
- Technical skills development
- Core behavioural skills development
- Management and leadership development, and graduate programmes
- Learnerships and internships for employed and unemployed youth
- Bursaries and scholarships for tertiary qualifications.
This commitment to developing our employees has been recognised by Bankseta in South Africa, with the top Skills@Work award for large employers. Our employees benefited from 61 484 learning programmes (2015: 54 764).

We continue to attract and develop high-potential young leaders. Over 1 000 young professionals from across the continent have built their Barclays Africa careers through the Rising Eagles programme since its inception in 2008, with 113 graduates participating in 2016. Black and black female colleagues represent 75% and 43% of the 2016 programme respectively.

We offered 2 198 learnerships in South Africa, 558 of which were awarded to unemployed black youth, who gained work experience. Of these, 368 (66%) have been retained with the group.

Our People Potential programme, which was designed with our labour union, mitigates the effects of employee displacement. The programme provides career counselling, re-skilling opportunities and outplacement support. In 2016, 77% of programme participants found alternative employment within Barclays Africa.

We provided access to tertiary education for over 1 200 black people during 2016. Our external bursary scheme and sponsorship programmes provide crucial resources to institutions of higher learning and students across Africa.

In terms of our 2016 investment in tertiary education for black people, we provided:

- 500 scholarships and bursaries to black students
- 731 bursaries to black employees.

The management and leadership development programmes include global executive development programmes, coaching and other forms of support. As an international business with a continental footprint, we aim to develop leaders who can lead in all our markets, not just South Africa.

**Access to affordable housing**

Our affordable housing business unit (My Home) addresses the housing challenges faced by those earning less than R20 000 per month (single or joint income). To date we have provided more than 3 000 customers with home loans valued at over R1 billion. The Borrower Education Programme provides information on home ownership, home maintenance and personal finances.

We are committed to providing home financing to a larger proportion of our population. To this end, we are working closely with the Banking Association of South Africa and the National Department of Human Settlements, among others, to find ways to assist those in need of affordable housing.

**Consumer education**

Consumer education empowers individuals to make informed choices and improve their lives through responsible personal financial management. In 2016, we invested R29.3 million (2015: R27.6 million) in consumer education initiatives, reaching 45 930 consumers in South Africa. Absa Home Loans has trained over 45 500 customers through its Borrower Education Programme since 2006, with 5 957 customers trained in 2016. Our First Time Home Buyer Training Programme assisted 19 415 customers between 2013 and 2016.
5. **CONCLUSION**

Every day, the majority of South Africans face poverty, inequality and unemployment. These conditions must be overcome in a sustainable way. If we fail to do so, we risk reversing the substantial gains of our democracy.

As one of the largest banks on the continent, Barclays Africa is committed to transformation. We support the vision of the South African Constitution, and work to transform the economy and improve lives by creating opportunities for investment, growth and development.

While we have made good progress, we acknowledge that we have more work to do to become a truly representative organisation in South Africa.

Our business is grounded in our philosophy of Shared Growth. We are committed to doing business in a way that serves not only our shareholders, but the country as a whole. We aim to create sustainable value for our stakeholders, career growth for our employees and opportunities for growth for South African SMEs.

Our FSC scorecard status reflects our determination to continue making progress in transforming our organisation. We achieved a score of 88.56% in 2016, up from 81.19% in 2015. In many categories, we have met or exceeded targets.

In the areas of ownership and management we are making progress, but have not yet reached our targets, and will accelerate our work in the years ahead.

Our current shareholding structure reflects several elements, including a high level of foreign direct investment, and shares held by institutions that invest the savings of a diverse range of South Africans. Over the next several years the shareholding will change as our majority shareholder, based in the UK, reduces its holdings. We believe that this may create a substantial opportunity for new shareholders, both South African and foreign, to acquire these shares, resulting in an even more diverse portfolio, subject to regulatory approvals. As part of the transition, we have announced our intention to create a new broad-based empowerment arrangement, which is expected to include an employee share ownership scheme. In addition, we have been developing a strong pipeline of senior black managers who are running major components of our business. This will be reflected in our business continuity plans in the years ahead.

Transforming our economy and the lives of millions of South Africans requires the hard work and collective efforts of government, business, labour and civil society. Barclays Africa is a committed partner in this effort.

***
ANNEXURES

The tables below provide additional information on our FSC scorecard performance.

Table A1 shows our increasing investment in skills development.

<table>
<thead>
<tr>
<th>Table A1: Skills development</th>
<th>Target</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total training spend (Rm)</td>
<td></td>
<td>217</td>
<td>295</td>
<td>265</td>
<td>278</td>
<td>326</td>
</tr>
<tr>
<td>Reportable training spend on black employees (% of total)</td>
<td></td>
<td>63.4</td>
<td>72.0</td>
<td>70.0</td>
<td>72.5</td>
<td>72.9</td>
</tr>
<tr>
<td>Total reportable spend on black employees as a % of leivable payroll (%) – Achieved or not</td>
<td>6.00 X (4.43)</td>
<td>X (5.15)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Total reportable spend on black employees as a % of leivable payroll (%) – Achieved or not</td>
<td>3.00 (2.92)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Black people on learnerships as a percentage of total headcount (%) – Achieved or not</td>
<td>5.00</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Table A2 shows our increasing procurement spend with black- and black-women-empowered suppliers.

<table>
<thead>
<tr>
<th>Table A2: Procurement spend</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total measurable procurement (Rbn)</td>
<td>12.7</td>
<td>10.9</td>
<td>12.6</td>
<td>13.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Total weighted spend on BBBEE accredited suppliers (Rbn)</td>
<td>12.6</td>
<td>14.1</td>
<td>14.6</td>
<td>19.6</td>
<td>17.8</td>
</tr>
<tr>
<td>QSE(^1) and EME(^2) spend as % of total procurement based on their BBBEE procurement recognition levels (Rbn)</td>
<td>2.6</td>
<td>2.3</td>
<td>2.0</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Procurement from 50% black-owned suppliers (Rbn)</td>
<td>1.0</td>
<td>1.7</td>
<td>2.1</td>
<td>4.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Procurement from 30% black-women-owned suppliers (Rbn)</td>
<td>0.5</td>
<td>0.5</td>
<td>0.7</td>
<td>2.8</td>
<td>3.4</td>
</tr>
</tbody>
</table>

\(^1\) QSE – qualifying small enterprises. \(^2\) EME – exempted micro enterprises.
Table A3 shows our commitments across several categories of empowerment financing and enterprise development.

**Table A3: Empowerment financing and enterprise development**

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Empowerment financing – targeted investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformational infrastructure (Rm)</td>
<td>424.8</td>
<td>1 997.8</td>
<td>1 930.2</td>
<td>1 872.0</td>
<td>2 250</td>
</tr>
<tr>
<td>Black SME financing (Rm)</td>
<td>155.9</td>
<td>364.0</td>
<td>530.1</td>
<td>589.1</td>
<td>488.7</td>
</tr>
<tr>
<td>Black agricultural financing (Rm)</td>
<td>0</td>
<td>40.1</td>
<td>0</td>
<td>33.6</td>
<td>86.7</td>
</tr>
<tr>
<td>Affordable housing (Rm)</td>
<td>3 272</td>
<td>6 271.0</td>
<td>7 901.0</td>
<td>10 235.0</td>
<td>11 189</td>
</tr>
<tr>
<td><strong>Enterprise development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual enterprise development spend (Rm)¹</td>
<td>679</td>
<td>21.6</td>
<td>23.6</td>
<td>30.6</td>
<td>37.7</td>
</tr>
<tr>
<td>BEE transaction financing (Rm)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>561.8</td>
<td>6 294.3</td>
<td>12 255.5</td>
<td>14 655.7</td>
<td>528.2</td>
</tr>
</tbody>
</table>

¹ In 2012 Absa recognised R658 million of qualifying loans as enterprise development contributions under the previous Generic Codes of Good Practice.

In 2012 Absa recognised R658 million of qualifying loans as enterprise development contributions under the previous Generic Codes of Good Practice.

These figures include equity equivalent amounts recognised under the ownership scorecard.

Table A4 shows the cumulative increase in our spending on developing and empowering the communities in which we work.

**Table A4: Social development**

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-economic development spend (Rm)</td>
<td>91.6</td>
<td>86.8</td>
<td>85.3</td>
<td>97.8</td>
<td>100</td>
</tr>
</tbody>
</table>

Table A5 shows our rollout of affordable services to previously unbanked communities.

**Table A5: Access to financial services**

<table>
<thead>
<tr>
<th>Key indicators¹</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic access</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactional points (%)</td>
<td>56.20</td>
<td>57.35</td>
<td>59.52</td>
<td>59.55</td>
<td>61.60</td>
</tr>
<tr>
<td>Service points (%)</td>
<td>71.06</td>
<td>72.83</td>
<td>73.26</td>
<td>73.71</td>
<td>76.85</td>
</tr>
<tr>
<td>Sales points (%)</td>
<td>72.31</td>
<td>74.45</td>
<td>74.55</td>
<td>73.57</td>
<td>73.49</td>
</tr>
<tr>
<td>Electronic access (%)</td>
<td>11.63</td>
<td>14.31</td>
<td>14.88</td>
<td>13.57</td>
<td>13.09</td>
</tr>
<tr>
<td>Access to qualifying product accounts ('000)</td>
<td>2 715</td>
<td>2 362</td>
<td>2 620</td>
<td>2 550</td>
<td>2 453</td>
</tr>
<tr>
<td>Affordable housing origination (Rm)</td>
<td>3 763</td>
<td>7 371</td>
<td>10 243</td>
<td>13 701</td>
<td>16 424</td>
</tr>
<tr>
<td>Annual consumer education spend (Rm)</td>
<td>17.1</td>
<td>17.1</td>
<td>23.9</td>
<td>27.6</td>
<td>29.4</td>
</tr>
</tbody>
</table>

¹ Figures are cumulative in terms of reporting under the FSC from 1 January 2012 except for annual consumer education spend.