

# Transforming OUR BUSINESS

2021 REPORT



ALLAN GRAY



**Contents**

## Foreword by the chief operating officer

At Allan Gray, transformation is a business and ethical imperative. We are determined to build and maintain an inclusive culture and environment, which celebrates diverse perspectives. This is a journey; we don't get things right all the time. Where we make mistakes, we do our best to learn from them and adapt our approach accordingly.

### What can you expect from this report?

Building on our 2020 report, which offered a broad view of our approach, this report covers the business and social impact of our efforts, using a selection of stories to illustrate how our approach has played out.

The first section looks at our Broad-Based Black Economic Empowerment (B-BBEE) impact and provides a full picture of how the business addresses transformation. While our recent B-BBEE scorecard was that of a Level 1 contributor, the scorecard is not the motivation for our activities: The driving force behind transformation is our belief that it is the right thing to do, not only for the present, but for the future. For this reason, transformation must extend beyond employment opportunity and culture towards economic inclusion.

The second section describes the contribution we are making towards upliftment of our employees and their families, the communities in which we operate and the economy more broadly.

Our efforts are critical to our long-term success as a business, the clients we serve, the communities we live in and ultimately the success of a more equitable South Africa.

Kind regards



Rob Formby  
Chief operating officer

#### Important notes

Throughout this report, Black means qualifying African, Coloured, and Indian citizens of South Africa as defined under the Amended Codes of Good Practice on Broad-Based Black Economic Empowerment.

There are different reporting periods used within the report – the financial year-end period (28 February 2021) and the latest available period (specified in each section).

Transforming our business

Playing an active role

Allan Gray Proprietary Limited (addressed as "Allan Gray" or "we" throughout) aims to play an active role in addressing the past and transforming our country for the future. We do this through a number of social initiatives, setting an example in how we operate as a business, managing assets well and servicing a diverse range of clients.

Making a positive contribution for the common good is important to us, and much of the business is structured around the foundations and trusts developed by Mr Allan Gray to ensure that the majority of profits are devoted to philanthropy. **Graphic 1** aims to capture the essence of our efforts.

At the heart of these initiatives is the intention to make a meaningful impact on employees, their families and their communities. This is seen as a symbiotic relationship between shareholders, clients, employees and society at large. As a group, Allan Gray identifies with the central tenet of the various philanthropic pursuits undertaken – which includes fostering entrepreneurs, who will create jobs and contribute to addressing high unemployment and poverty.

Graphic 1: Our transformation efforts



**B-BBEE impact report**

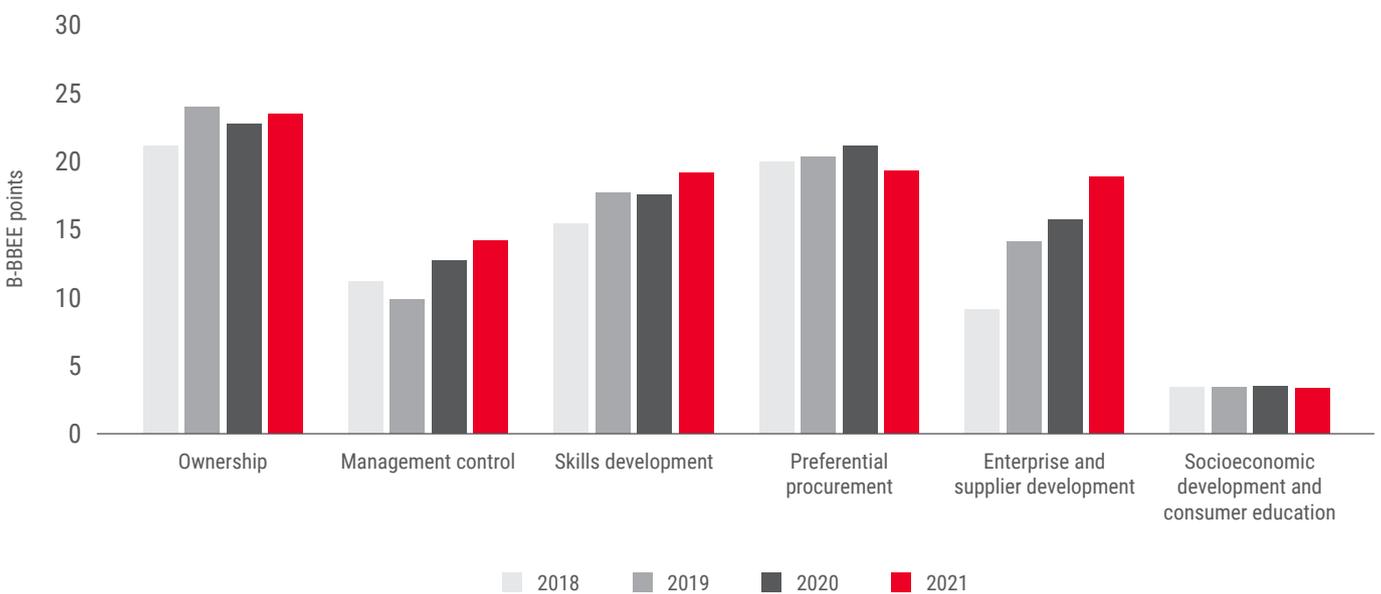
Allan Gray is measured against a sector-specific code, the Amended Financial Sector Code (“FSC”), which reflects the B-BBEE principles that are agreed upon by stakeholders as they pertain to the financial sector.

For the financial year ended 28 February 2021 (referred to as “the period”), our B-BBEE scorecard outcome was that of a Level 1 contributor. We have improved by a level every year under the amended FSC, as can be seen in **Graphic 2**. The overall improvement in contributor level is underpinned by positive outcomes in the elements of the scorecard, as reflected in **Graph 1**.

**Graphic 2: Contributor levels under the amended FSC**



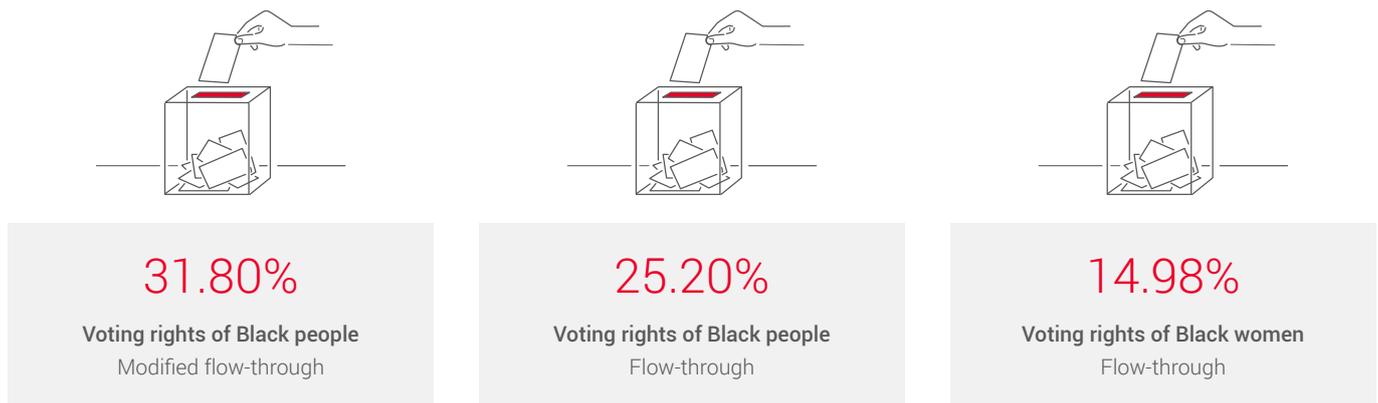
**Graph 1: Improvement across various areas of the B-BBEE scorecard**



**Equity ownership**

We are committed to implementing measures to improve Black ownership and to promote economic inclusion. **Graphic 3** highlights the outcomes of initiatives that are aimed at improving the ownership element.

**Graphic 3: Black ownership measures**



Below we highlight some of the key drivers of the outcomes achieved in the ownership elements:

**Allan Gray Staff Share Scheme**

The Allan Gray Staff Share Scheme (“the Scheme”) was implemented in 2009 with a clear objective of promoting the economic inclusion of Black employees. The Scheme reserves 14% of shares for employees, of which 70% has been earmarked for current and future Black employees. When the Scheme was launched in 2010, 177 employees participated. This number had increased to over 1 000 as at 28 February 2021, with more than 700 of the participants being Black employees. Over the 11 years of operation, the economic benefit achieved by employees has been well aligned with the returns achieved by the business and has, particularly for those who have invested over the long term, made a real contribution to building their personal wealth.

**E Squared**

E Squared, which owns 17.8% of Allan Gray, was established in 2007 with the long-term objective of extending subsidised financing and non-financial support, i.e. business incubation and acceleration programmes, predominantly to Black entrepreneurs. These entrepreneurs are either Allan Gray Fellows, who have graduated from university and completed the Allan Gray Orbis Foundation programme (see page 10), or social entrepreneurs, who are sought out by E Squared for their leadership and creative initiative.

E Squared spent several years capitalising the business and its funding activity began in 2016. Since then, E Squared has disbursed a total of R326.4 million:

- R231.9 million to commercial enterprises
- R85.9 million to social enterprises
- R8.6 million in soft funding (grants, seed funding and in-kind support) to concept stage entrepreneurs

E Squared has consistently allocated at least 85% of its funding to Black people. From a rand value perspective, 90% of the beneficiaries are Black people, with 61% being Black women. For the financial year ended 28 February 2021, 88% of E Squared’s beneficiaries were Black people, with 55% of total disbursements made to Black women.

**Case study: Rewoven benefits from E Squared financial and non-financial assistance**

Rewoven is a Cape Town-based textile recycling start-up, currently in the commercial pilot phase. It is a 100% Black-owned business founded in 2017 by three youthful innovators – Tshepo Bhengu, Esethu Cenga and Lonwabo Mgoduso. The company was created to meet the pressing need for South Africa to divert waste from landfills, and to fulfil the demand from clothing manufacturers for cheaper, more convenient solutions for the disposal of their textile waste.

By collecting and processing fibres destined for landfill, Rewoven’s recycled fabrics can be used to create clothing, accessories, and homeware products in a manufacturing process that uses 99% less water and generates 50% less CO<sup>2</sup> emissions than normal production processes, providing a creative solution to a complex problem.

In 2019, Rewoven was accepted into the E Squared Accelerator programme. E Squared has committed R4.9 million to the business since 2019 and has also offered non-financial support.

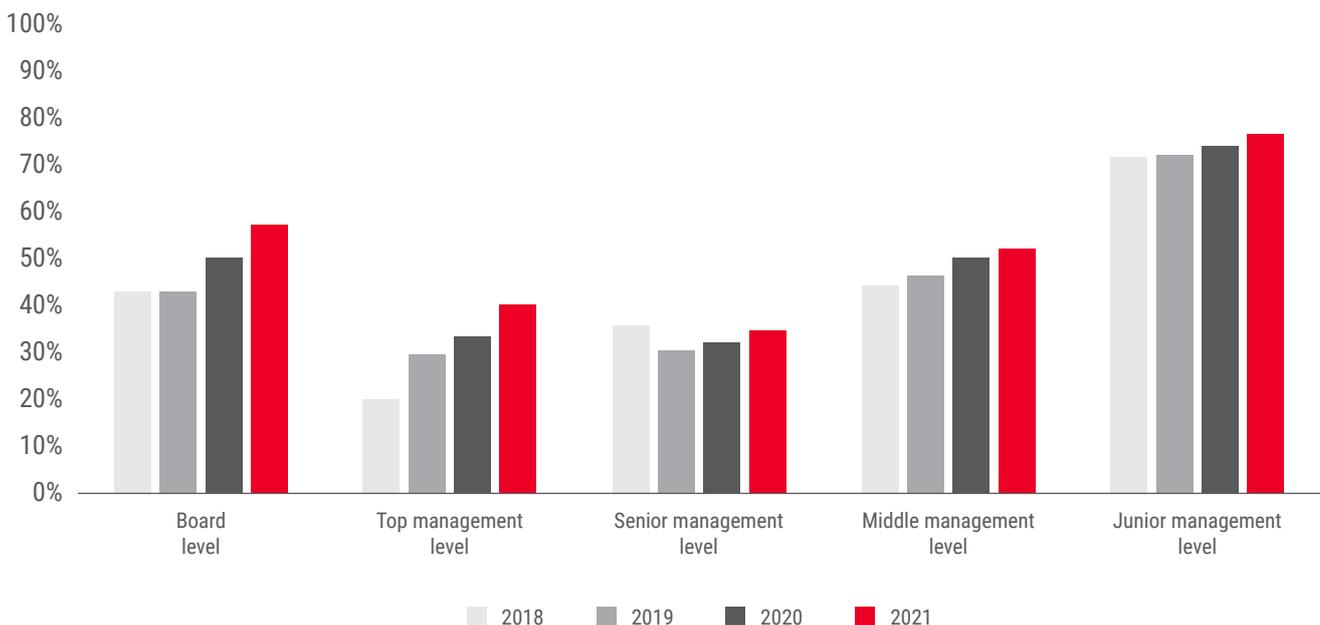
Rewoven won the first Äänit Prize from the Mandela Rhodes Foundation (MRF) in October 2021, receiving R1.19 million in prize money.



**Management control**

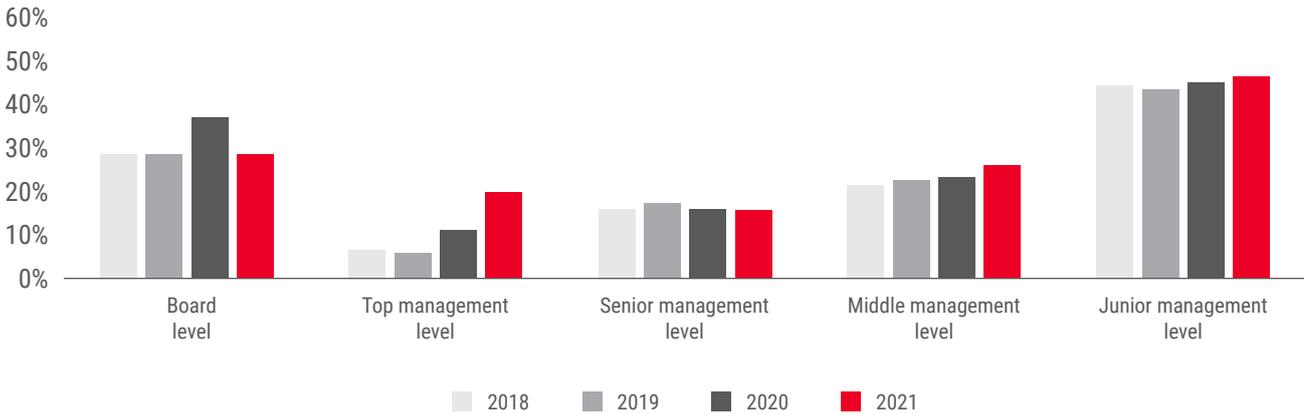
As can be seen in **Graph 2**, which reflects representation of Black people by management level, there has been improvement over time in relation to Black people at board and top management levels. However, more needs to be done to further employment equity initiatives within the organisation, especially at senior and top management levels.

**Graph 2: Representation of Black people on management levels**



**Graph 3** reflects representation of Black women at management levels. The graph highlights that while there has been an overall improvement for Black people in general at board, senior and top management levels, these categories are lagging for Black women in particular. We expect improvement as employees progress through the ranks from junior, middle and senior management.

**Graph 3: Representation of Black women on management levels**



The challenges in this element form the core of the Transformation Plan (practical steps the business is taking to transform), launched by the chief operating officer in July 2019, and aligned to the Allan Gray Transformation Commitment (which clarifies our position on transformation and the principles we adhere to). Fundamentals of the Transformation Plan are represented in **Graphic 4**.

We have put focused plans in place aimed at addressing the challenges. Our goal is to achieve representation on management teams that better reflects the demographics of South Africa.

**Graphic 4: Transformation Plan**



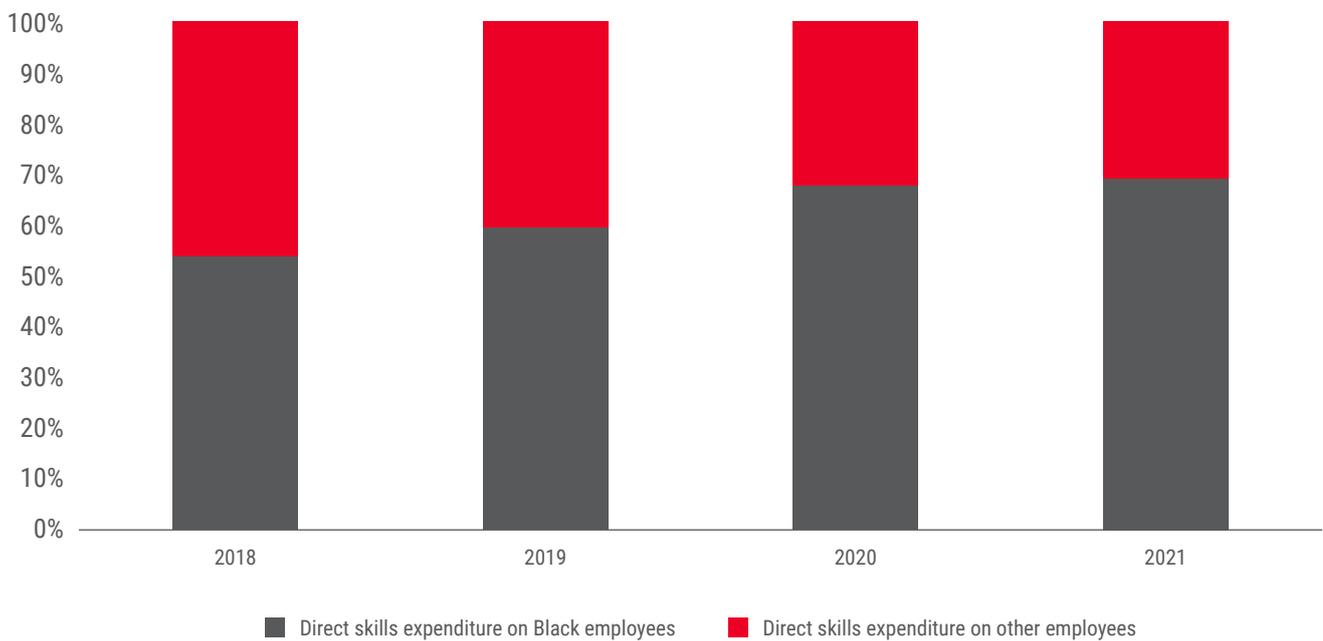


**Skills development**

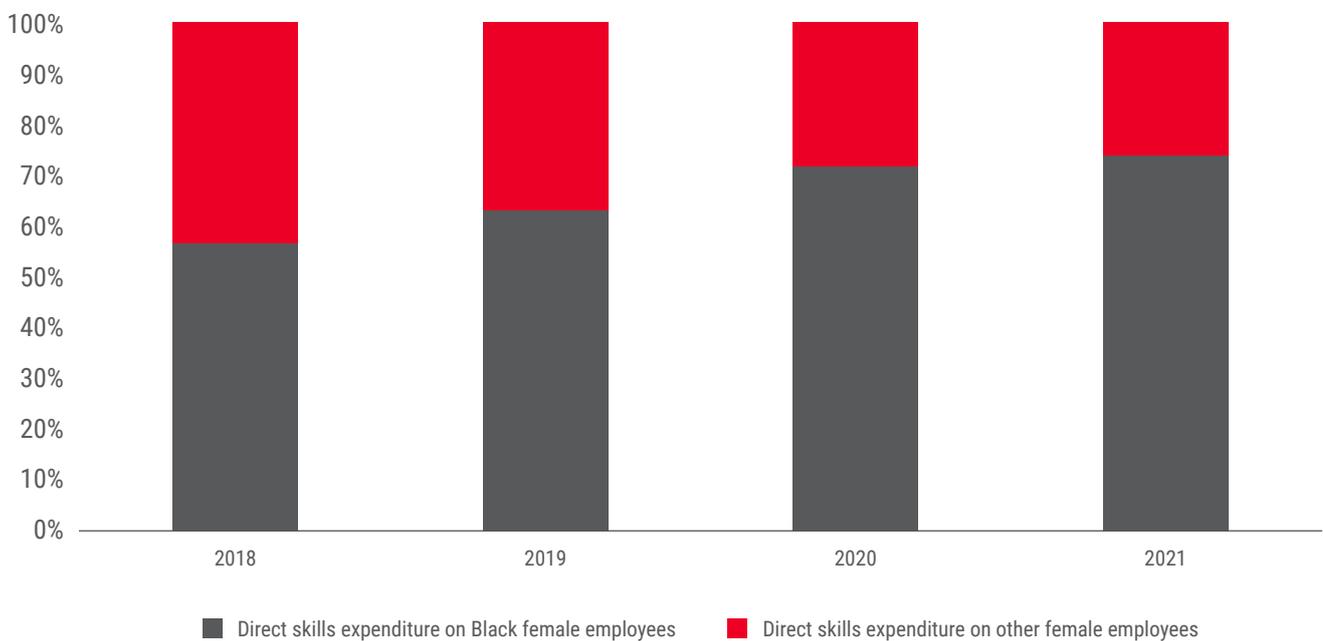
The majority of direct skills development expenditure has been on Black people and females under the amended FSC in 2018 to the current period, as shown in **Graphs 4 and 5**.

Additionally, 68% of learnerships, apprenticeships and internships over the period were undertaken by Black people. These learnerships include certificates in financial markets, the Chartered Accountancy (CA) training programme, the Chartered Financial Analyst (CFA) programme and certificates in general security practices for Allan Gray security personnel.

**Graph 4: Direct skills expenditure on Black employees vs other employees**



**Graph 5: Direct skills expenditure by race and gender**



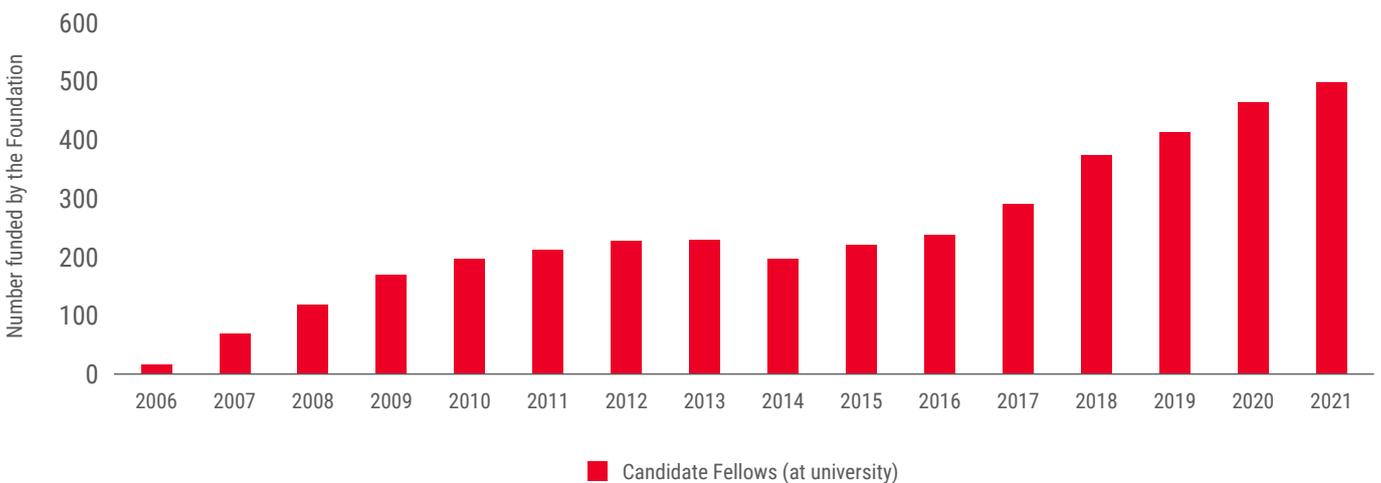
**Allan Gray Orbis Foundation**

The Allan Gray Orbis Foundation was established in 2005 as part of the Gray family’s vision of making a sustainable, long-term contribution to Southern Africa by nurturing the emerging entrepreneurial potential within the region. The Allan Gray Orbis Foundation now runs in South Africa, Namibia, Botswana and Eswatini and is funded by a donation of 5% of the pre-tax profits from Allan Gray.

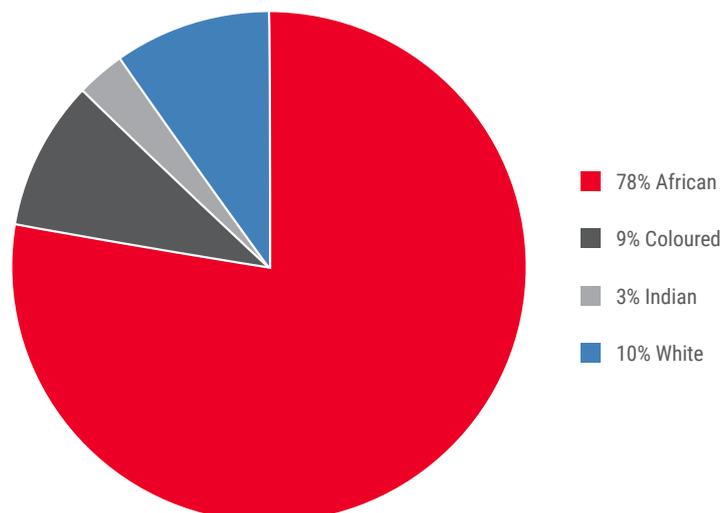
The Allan Gray Orbis Foundation provides successful candidates with extensive support aimed at enabling them to pursue entrepreneurship as a viable career option. This includes tuition and residence fees for programme participants to pursue their high school and/or university studies. The Fellowship Programme aims to help university students (Candidate Fellows) prepare for life as high-impact entrepreneurs. Once they graduate from university, programme participants are recognised as Allan Gray Fellows and are encouraged to join the Association of Allan Gray Fellows. The Association Programme aims to create opportunities for world-class entrepreneurial development and to equip Fellows to pursue entrepreneurship and start enterprises successfully. In addition, some are also offered the opportunity to pursue a postgraduate degree at a local university or top-rated international institution after acquiring relevant working experience.

The Allan Gray Orbis Foundation’s support to university students, who are not yet employed, is also a strong contributor to skills development for Black people (see **Graph 6** for overall numbers of students supported and **Graph 7** for demographic split).

**Graph 6: Number of students funded by the Allan Gray Orbis Foundation**



**Graph 7: Candidate Fellows demographic split (2021)**



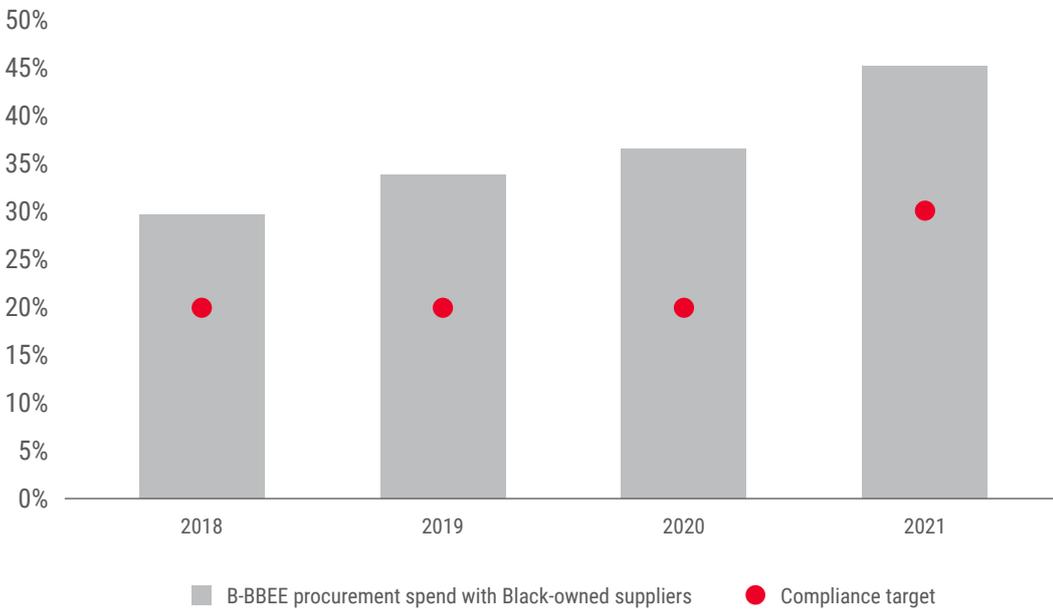
**Preferential procurement**

Graphs 8, 9 and 10 show the percentage achieved relative to the B-BBEE targets within Preferential Procurement from 2018 to 2021.

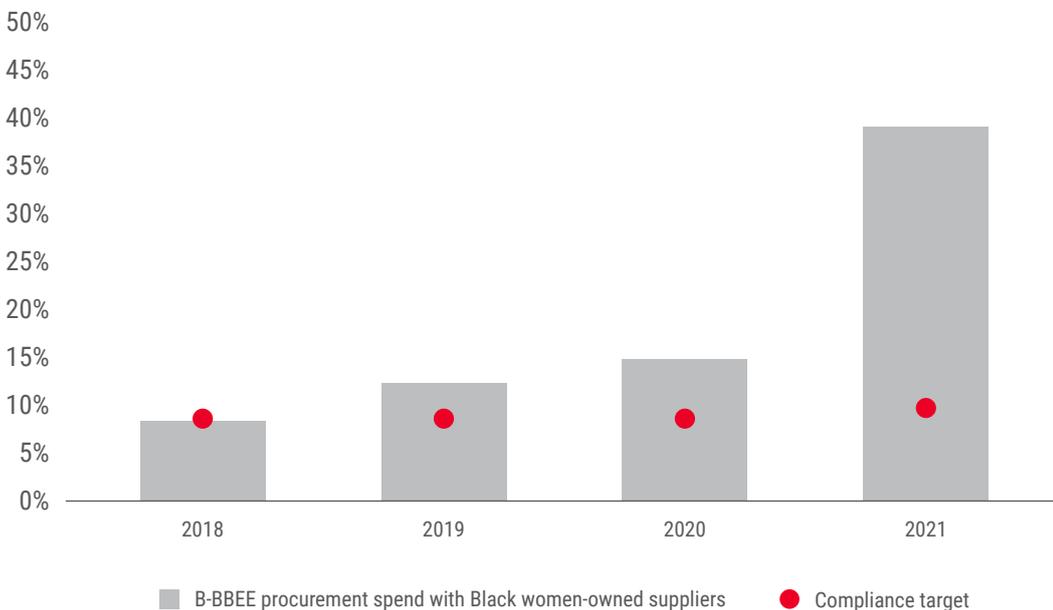
We have consistently exceeded targets for procurement from empowering suppliers, Black-owned entities in general and Black stockbrokers and this has also been the case for procurement from Black women suppliers since 2019. The procurement outcomes are a result of internal initiatives for business expenditure to align with transformation and sustainability objectives.

While we achieved a continued good result in this component during 2021, there was some regression, as shown in Graph 10, particularly in small supplier profiles (largely due to the increased targets) and designated group suppliers compared to the prior years.

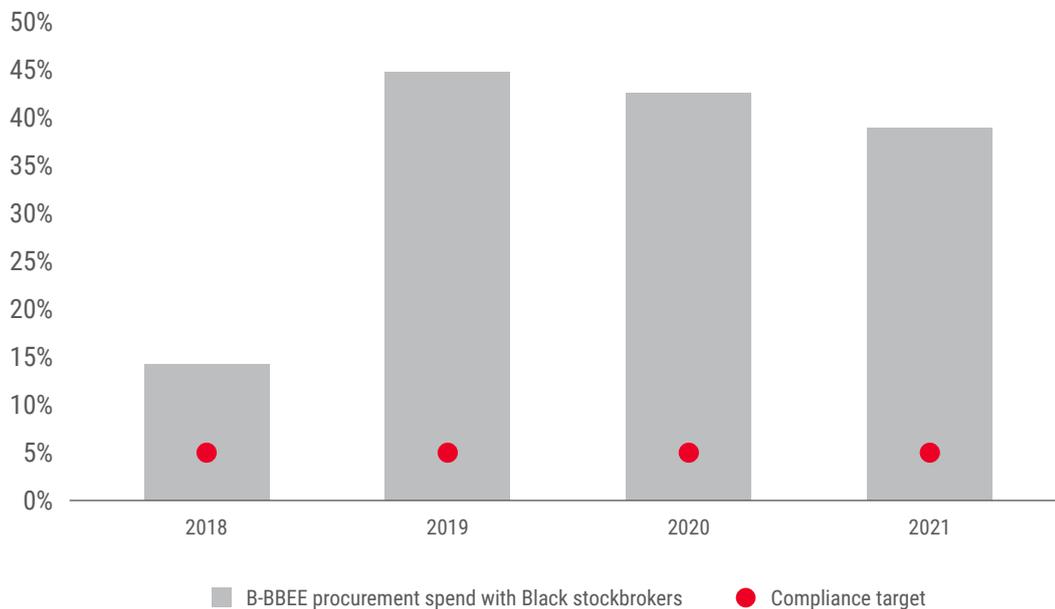
**Graph 8: B-BBEE procurement spend with Black-owned suppliers vs targets**



**Graph 9: B-BBEE procurement spend with Black women-owned suppliers vs targets**



Graph 10: B-BBEE procurement spend with Black stockbrokers vs targets



**Enterprise and supplier development**

We have underwritten enterprise development for many years, through our involvement with E Squared, as discussed on page 6.

We are a key sponsor of the IFA Internship Programme offered by the Association for Savings & Investment South Africa (ASISA). This programme aims to provide high-potential, early-career Black individuals with an internship opportunity with a select group of top-performing independent financial advisers (IFAs). The programme is open to Black South African graduates who hold a Bachelor of Commerce in Financial Planning and have no prior full-time work experience. Thirty-five graduates from the 12-month programme began their internships in 2021, with host companies in Bloemfontein, Cape Town, Durban, East London, Gqeberha and Johannesburg.

We have contributed to the ASISA Enterprise Supplier and Development (ESD) Fund since 2014. The ASISA ESD Fund invests in enterprises with high-growth potential, providing financial and non-financial support to accelerate business growth. Within the ASISA ESD Fund's portfolio, 114 jobs were created during the 2021 financial year.

During 2018, in partnership with Umkhathi Wethu Ventures (UWV), we established an equity venture, which seeks to provide private equity and venture capital management services. Since inception of this joint venture, it has invested in financial services, healthcare, and technology companies.

**Consumer education**

We are committed to improving financial literacy in the country and have dedicated efforts across the business aimed at promoting access to financial services and education around investment products and the benefits of investing. Our approach aims to build advocacy and deepen relationships.

Consumer education efforts include informal presentations and information sessions for small groups of young professionals and other interested parties, doing investment education presentations at schools and universities and supporting ASISA. Furthermore, Allan Gray features in regular consumer education radio slots on various radio stations. The radio slots are aimed at educating the public on financial concepts and empowering listeners to move towards making informed decisions to improve their financial well-being.

We support the growth of selected Black financial advice practices through targeted activities including dedicated servicing, sponsoring the ASISA ESD practice development programme (as discussed above), as well as running our own programmes. Since 2016, 357 Black advisers contracted to do business on the Allan Gray platform have attended the two programmes (144 have attended the ASISA programme and 231 have attended the Allan Gray programme).

**Socioeconomic development**

The areas that contribute to socioeconomic development are discussed below.

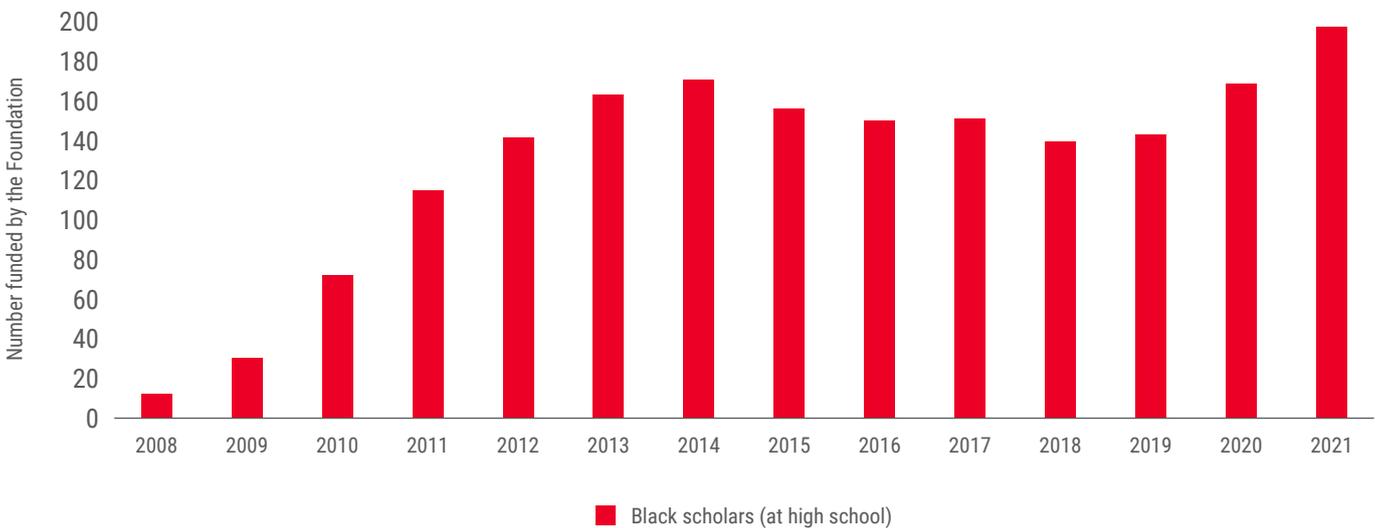
**Allan Gray Orbis Foundation**

In addition to the contribution the Allan Gray Orbis Foundation makes to skills development for unemployed people (see page 10), its support to scholars is the strongest contributor to socioeconomic development. **Graph 11** shows the number of scholars in the programme over the years. Sixty-four percent of the scholarship cohort of 2021 are females and 90% of the scholarship cohort are Black.

In the calendar year 2020:

- The Allan Gray Scholar class of 2020 achieved a 100% matric pass rate, with a 97% bachelor pass rate
- 50% of the Scholars became Candidate Fellows (i.e., they were eligible for the university programme)

**Graph 11: Allan Gray Orbis Foundation Scholars**

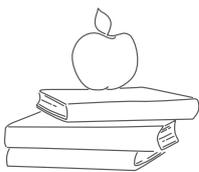


**Allan Gray Staff Education Trust**

We have committed to paying the school fees for children of all employees who earn below a certain threshold.

To 28 February 2021:

- More than 10% of the staff base was granted educational funding for their children
- More than R5 million of educational spend was disbursed over the financial year
- Over 70% of recipients were female beneficiaries



>10%

More than 10% of the staff base was granted educational funding for their children



>R5m

More than R5 million of educational spend was disbursed over the financial year



>70%

Over 70% of recipients were female beneficiaries

**Other donations**

Employees are encouraged to suggest initiatives to support, both through contributions from fellow staff members and through the business matching contributions.

One of the beneficiaries of this initiative is the Peninsula School Feeding Association (PSFA). PSFA is a registered non-profit organisation that addresses hunger in young learners and students attending primary, secondary and special needs schools, as well as orphaned and vulnerable children centres (OVCs), early childhood development centres (ECDs) and technical and vocational education and training colleges (TVETs) in the Western Cape. PSFA's main aims are to reduce short-term hunger, enhance children's ability to learn through school feeding and increase school attendance.

A grant contribution of R2.2 million was extended to PSFA, with 75% of the beneficiaries being Black. This amount enabled PSFA to provide underprivileged children with a nutritious, cooked breakfast and lunch while at school and to provide essential ingredients to PSFA partner community kitchens during the COVID-19 pandemic.



**Social impact initiatives**

**Allan & Gill Gray Foundation**

A controlling interest in Allan Gray is held by Allan & Gill Gray Foundation, which has no owners in the traditional sense and is instead designed to exist in perpetuity and to serve two equally important purposes: (1) to promote the commercial success, continuity, and independence of the Allan Gray and Orbis groups, and (2) to ensure that the distributable profits the Foundation receives from these firms are ultimately devoted exclusively to philanthropy.

Allan & Gill Gray Foundation's philanthropy is pursued by the Allan & Gill Gray Philanthropies, which pursue projects aimed at promoting public benefit or social improvement. One of these initiatives is the Philanthropy Initiative with Employees of Allan Gray, where employees vote for a funding theme and beneficiaries, and grants are channelled towards these beneficiaries following an evaluation process.

The funding theme for the 2020 campaign was "Ensure inclusive and quality education for all".

Grantees supported to date represent a good diversity of interventions, with the majority of funding allocated to organisations providing early childhood and development services (34%), followed by after-school programmes (26%).

**Case study: Trinity Children's Centre benefits from the Philanthropy Initiative with Employees of Allan Gray**

Trinity Children's Centre (TCC) was one of the grantees that received nominations for support through Allan Gray employees. TCC was able to use the grant they received to complete a building project and to accommodate additional learners. Additionally, they were able to complete the building of four new classrooms, renovate bathrooms, and improve security at the school. TCC also completed upgrades to the playground, constructed a small AstroTurf sports field and created a designated parking lot.

These renovations have allowed TCC to expand the number of learners they can accommodate. Although the disruption of COVID-19 required TCC to find flexible ways to continue teaching and learning, they remained resilient in providing the necessary support to both the learners and their families during these difficult times.



**Allan Gray Orbis Foundation**

In addition to the impact programmes the Allan Gray Orbis Foundation implements under the elements of socioeconomic development and skills development discussed earlier, the Allan Gray Orbis Foundation's social impact is felt through the efforts of the Association of Allan Gray Fellows, which serves as a platform for Fellows to test their entrepreneurial ideas, receive feedback, hone skills and develop mutually beneficial relationships as part of a community that includes other Fellows and partners of the Allan Gray Orbis Foundation.

As at 31 December 2020, the Association has:

- 589 Fellows, of which 86% are Black people
- 172 Fellows who are active entrepreneurs

In addition, for the 2020 calendar year:

- 35 Fellows were collectively awarded a share of R1.5 million as part of Varsity Pitch from E Squared Grant Funding. Varsity Pitch is an entrepreneurial competition where university students present their business ideas and ventures to potential sponsors for funding.
- 68 Candidate Fellows participated in Dual Track, a programme allowing participants to be part of a business incubation programme.



### Allan Gray Orbis Foundation Endowment

The Allan Gray Orbis Foundation Endowment came about through a donation funded by Mr Gray. The Endowment's original purpose was to provide financial support to the Allan Gray Orbis Foundation, if required. However, as the Foundation's financial position became more secure, it evolved its reach into key areas of education, entrepreneurship, and employment. Within each focus area, the key programmes are shown below:

#### Education

- **Jakes Gerwel Fellowship:** An independent and aspirational initiative committed to creating a pipeline of future, high-impact teachers.
- **Funda Wandé:** A world-class multimedia course to train Foundation Phase (Gr R-3) teachers how to teach reading.
- **Grow Great:** A partnership which seeks to mobilise South Africa towards a national commitment to zero stunting, a condition that arises from prolonged under-nutrition and affects physical and brain development, by 2030.

#### Case study: Bala Wandé, a Funda Wandé initiative

Funda Wandé launched Bala Wandé during 2020 in 29 Eastern Cape schools. The "Bala Wandé Calculate-with-Confidence" intervention is aimed at improving numeracy skills for Grade 1 learners in their home languages.

As a result of the success of the programme in the Eastern Cape, the reach of Bala Wandé was extended and launched in Limpopo (Sepedi) and the Western Cape (isiXhosa and Afrikaans).

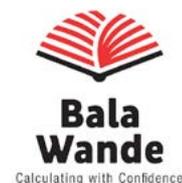
#### Employment

**10KJ:** A partnership with 10 public benefit organisations that provide support for work seekers with the intention of creating 10 000 jobs. The beneficiaries of the programmes are a diverse group of unemployed individuals including those most marginalised – the youth, women, people with disabilities and those in remote areas.

#### Case study: TechnoServe partners with the Allan Gray Orbis Foundation Endowment

TechnoServe is a non-profit that works with corporates and focuses in the areas of agricultural development, local economic development and enterprise and supplier development. In partnership with the Allan Gray Orbis Foundation Endowment, TechnoServe has implemented a four-year programme which involves the creation of 10 "Box Shop" stores in various locations, showcasing a unique product mix that meets demand. These Box Shops will procure products and services across the value chain from township businesses.

The programme selects entrepreneurs and manufacturers to support through providing skills training, mentorship, financial assistance, and market access assistance.



**Case study: The Clothing Bank partners with the Allan Gray Orbis Foundation Endowment**

The Clothing Bank (TCB) trains and supports unemployed South Africans to launch businesses to achieve the goal of poverty eradication in the family. Most of its beneficiaries are mothers. It has helped 2 400 people to start businesses and supports 750 business owners across its five branches.

It has three key programmes:

- The Appliance Bank (TAB), which recruits unemployed men (preferably fathers) and equips them with the technical skills needed to repair damaged and customer-returned small appliances from retail partners.
- GROW with Educare project, which equips women who run early childhood development (ECD) centres in disadvantaged communities with the skills training and resources to produce high-quality ECD centres.
- The Enterprise Development (ED) project, which partners with retailers who donate excess products to support unemployed mothers to start retail businesses.



**Entrepreneurship**

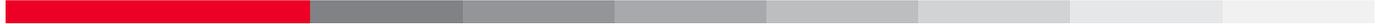
**Allan Gray Makers:** An initiative committed to addressing the unacceptable levels of unemployment in South Africa by growing and supporting responsible technical and vocational entrepreneurs who benefit society by accelerating meaningful employment creation while embodying the values and behaviours of ethical leadership. There are three pillars to the programme:

- The Makers Academy builds a strong pipeline of entrepreneurial talent that are ready for further support in the Makers Hub by improving the foundational entrepreneurial skills and mindset of all those in technical and vocational trades, typically at technical and vocational education training (TVET) colleges.
- The Makers Hub provides personalised, needs-based support to selected technical entrepreneurs' businesses so that they can sustainably grow and provide employment opportunities for others.
- The Makers Movement improves the perception and quality of technical careers and lowers systemic barriers facing technical entrepreneurs through research, strategic partnerships and evidence-based advocacy.

**Case study: Blessing Sibanda benefits from Allan Gray Makers support**

Blessing runs her business with her husband. The business offers renovations, painting, and installation of alarm systems and CCTV. One of her biggest wishes when she started her business was to help with youth unemployment in her area. As part of the Makers Hub cohort, Blessing learnt new skills which equipped her to increase her service offering, build a strong brand for her business and improve her business acumen. After obtaining her qualification as a fibre installer, her average monthly revenue has more than doubled. Through the growth in her business, Blessing has been able to expand her team from three permanent employees to six, and four casual employees to 17.





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