

# THE EMPOWERMENT ENDOWMENT

**A study of trusts and foundations established from South Africa's  
black economic empowerment transactions**

Launch presentation  
Stuart Theobald, head of research



## OUTLINE

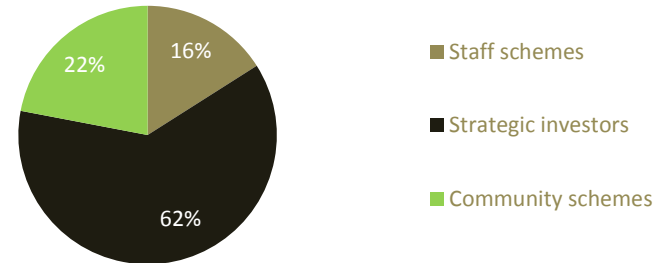
- Background
- Key findings
- The priority beneficiaries of the funding
- Some themes:
  - Data collection challenges in non-profit sector
  - Innovation in philanthropy
  - Concentration risk in endowments

## BACKGROUND

- Follows a research project conducted in 2015 on the value created by all BEE deals which found:
  - **R317bn** total created through BEE deals as at end 2014.
  - Of this, 22% (R69bn) was attributable to public benefit beneficiaries

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Value by beneficiary type -  
2015 research

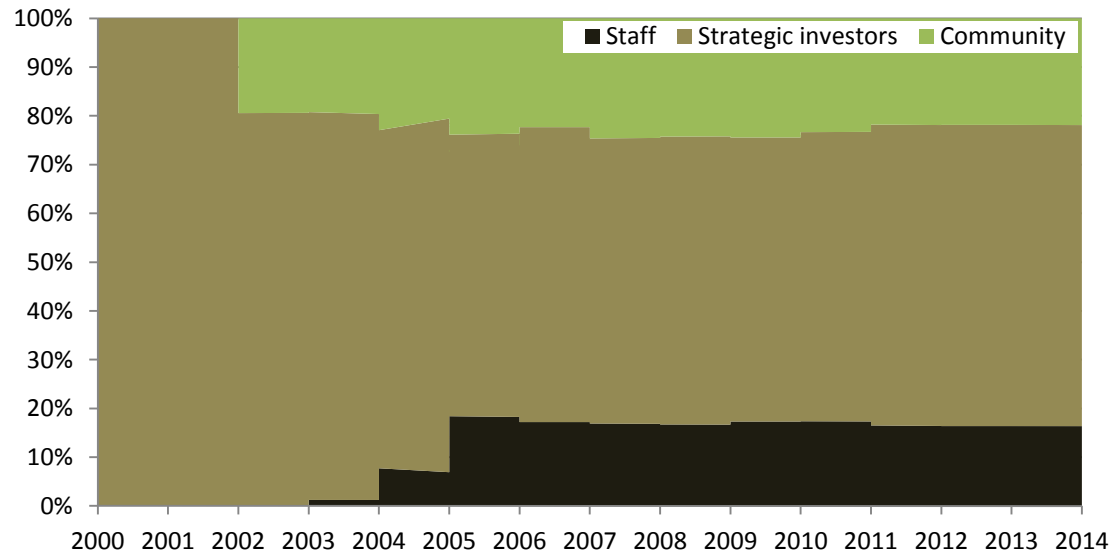


## **BACKGROUND**

- Public benefit components began to be included in BEE deals in late 2001, beginning with the mining sector, cast as community schemes
- Other deals included traditional charities, existing foundations
- Many created new foundations, structured such that they received endowments on maturity of the deals

## BACKGROUND

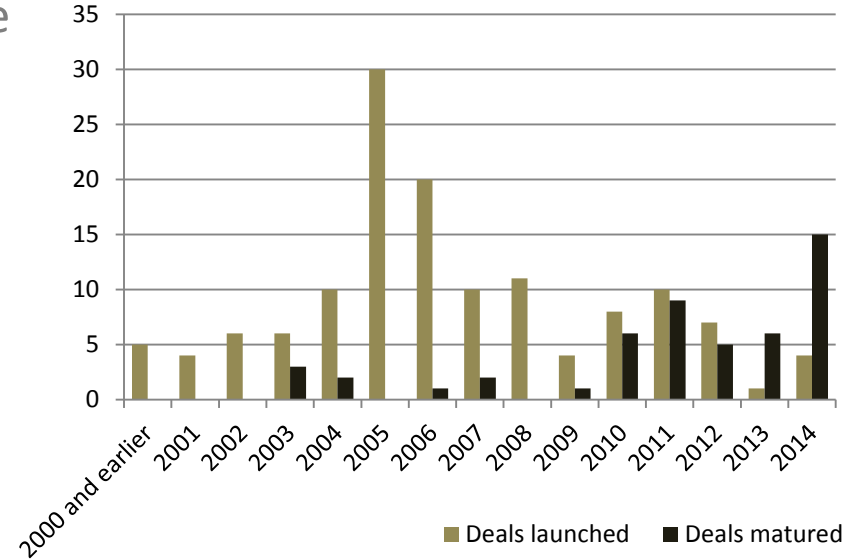
Beneficiary type, cumulative value by date of deal start



## BACKGROUND

- A significant number of deals have matured in the last two years
- Many foundations have now reached operational stage
- This research is therefore both a snapshot and an indication of future impact

Number of deals launched/matured per year



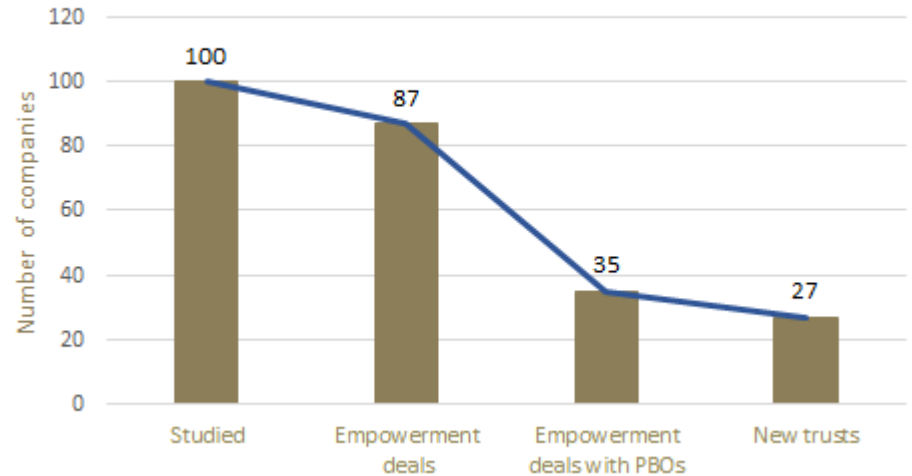
## METHODOLOGY

- Researched publicly available company documents
- Approached all companies to verify findings or provide further detail (not all were forthcoming)
- Interviewed about 20 individuals involved in running foundations or with extensive experience in the industry

## FINDINGS

- Of the 100 largest JSE-listed companies,
  - 87 conducted BEE deals
  - Of the 87 deals, 35 included public benefit organisations
  - Of the 35, 27 established new trusts/foundations (some more than one trust)

Companies studied





## KEY FIGURES

**R51.6bn**

Value created specifically for charitable recipients through BEE deals, including community trusts, existing charities and newly established foundations.

**R32.6bn**

In endowments now held by foundations set up as a result of BEE deals that will support charitable activities on a perpetual basis.

# THE EMPOWERMENT ENDOWMENT

**TABLE 1: Total value created for public-benefit organisations from BEE deals**

| Sponsoring firm          | Total value (Rm) | Main beneficiaries   | Effective date | Note |
|--------------------------|------------------|--|----------------|------|
| FirstRand                | R 16 355         | FirstRand Empowerment Foundation, and foundations of Kagiso, WDB Investment Holdings, Mineworkers Investment Company                       | 31-Dec-16      |      |
| Assore                   | R 5 516          | Boleng and Fricker Road Trusts   | 31-Mar-17      | 1    |
| Sanlam                   | R 4 334          | Sanlam Ubuntu Botho Community Development Trust, and Sanlam Foundation Trust   | 31-Dec-13      |      |
| Kumba Iron Ore           | R 3 598          | SIOC Community Development Trust   | 31-Dec-16      |      |
| Aspen                    | R 3 255          | Ceppwawu Development Trust   | 29-Jun-15      |      |
| Netcare                  | R 3 115          | Health Partners for Life Trusts  | 31-Mar-17      | 2    |
| SABMiller                | R 2 511          | SAB Inzalo Foundation  | 31-Dec-16      |      |
| Tiger Brands             | R 2 275          | Thusani Trust/Tiger Brands Foundation Trust  | 30-Sep-16      |      |
| Fortress                 | R 1 530          | Siyakha Education Trust  | 31-Mar-17      | 3    |
| Resilient Property Fund  | R 1 530          | Siyakha Education Trust  | 31-Mar-17      | 3    |
| Old Mutual               | R 1 200          | Old Mutual Black Distributors Trust, Mutual & Federal Black Broker Trust, Old Mutual Education Trust, The Mutual & Federal Community Trust | 07-May-15      | 4    |
| Standard Bank Group      | R 1 033          | Tutuwa Community Foundation  | 31-Mar-17      |      |
| Pioneer Foods            | R 830            | The Pioneer Foods Education and Community Trust  | 31-Dec-16      |      |
| Nedbank                  | R 632            | Nedbank Eyethu Community Trust   | 31-Dec-16      |      |
| African Rainbow Minerals | R 490            | African Rainbow Trust  | 31-Mar-17      |      |
| Liberty Holdings         | R 480            | Liberty Community Trust  | 31-Dec-16      |      |
| Sasol                    | R 450            | Sasol Foundation   | 30-Jun-16      | 5    |
| JSE Limited              | R 397            | JSE Empowerment Fund   | 31-Dec-16      |      |

|                        |                 |   |           |   |
|------------------------|-----------------|---|-----------|---|
| Distell                | R 395           | Distell Development Trust   | 31-Mar-17 |   |
| Impala Platinum        | R 305           | Bafokeng Impala Trust   | 30-Jun-15 |   |
| Italtile               | R 277           | Ingcube Women Organisation and Italtile Foundation Trust          | 31-Mar-17 |   |
| Santam                 | R 275           | Emthunzini Broad-Based Black Economic Empowerment Community Trust | 31-Mar-17 |   |
| Bidvest                | R 239           | Women's Development Trust   | 30-Jun-16 |   |
| Nampak                 | R 145           | National African Women's Alliance and Union Trusts                | 31-Mar-17 |   |
| PPC                    | R 139           | Community Trust, Industry Association Fund, Education Trust       | 31-Dec-16 |   |
| Imperial Holdings      | R 76            | Imperial and Ukhamba Community Development Trust                  | 31-Mar-17 |   |
| AECI                   | R 63            | AECI Community Education and Development Trust                    | 31-Mar-17 |   |
| Grindrod               | R 44            | Adopt-a-School Foundation   | 01-Jul-14 |   |
| Alexander Forbes Group | R 36            | Alexander Forbes Community Trust                                  | 31-Mar-17 |   |
| Barloworld             | R 14            | Barloworld Education Trust  | 31-Mar-17 |   |
| Invicta                | R 12            | Humulani Empowerment Trust  | 31-Mar-17 | 6 |
| Murray and Roberts     | R 9             | Khanyisa and Sizwe Trusts   | 31-Dec-16 | 5 |
| Emira                  | R 7             | Penreach/Shalamuka Foundation                                     | 31-Mar-17 |   |
| Lonmin                 | R 5             | Lonplats Marikana Trust   | 31-Mar-17 |   |
| Redefine Properties    | R 0             | Redefine Empowerment Trust  | 31-Mar-17 | 5 |
| <b>TOTAL</b>           | <b>R 51 572</b> |   |           |   |

**TABLE 2: Endowments and spending of newly-created foundations**

| Rank | Foundation   | Endowment value (Rm) | Sponsoring company                       | Spending to date (Rm) |
|------|--|----------------------|--|-----------------------|
| 1    | FirstRand Empowerment Foundation   | R 5 673.2            | FirstRand                                | R 216.1               |
| 2    | Boleng and Fricker Road Trusts   | R 5 436.0            | Assore                                   | R 80.4                |
| 3    | Sanlam Ubuntu Botho Community Development Trust and Sanlam Foundation Trust  | R 3 795.1            | Sanlam                                   | R 538.8               |
| 4    | Siyakha Education Trust  | R 2 800.0            | Fortress and Resilient property funds    | R 260.0               |
| 5    | Health Partners for Life Trusts  | R 2 520.3            | Netcare                                  | R 595.0               |
| 6    | SIOC Community Development Trust   | R 2 506.8            | Sishen Iron Ore Company (Kumba Iron Ore) | R 1 091.6             |
| 7    | Thusani Trust/Tiger Brands Foundation Trust  | R 2 241.2            | Tiger Brands                             | R 33.4                |
| 8    | SAB Inzalo Foundation  | R 2 100.0            | South African Breweries (SABMiller)      | R 411.0               |
| 9    | Old Mutual Black Distributors Trust, Mutual & Federal Black Broker Trust, Old Mutual Education Trust, The Mutual & Federal Community Trust | R 1 200.0            | Old Mutual                               | n/a                   |
| 10   | Tutuwa Community Foundation  | R 932.3              | Standard Bank Group                      | R 100.8               |

## THE EMPOWERMENT ENDOWMENT

**TABLE 2: Endowments and spending of newly-created foundations**

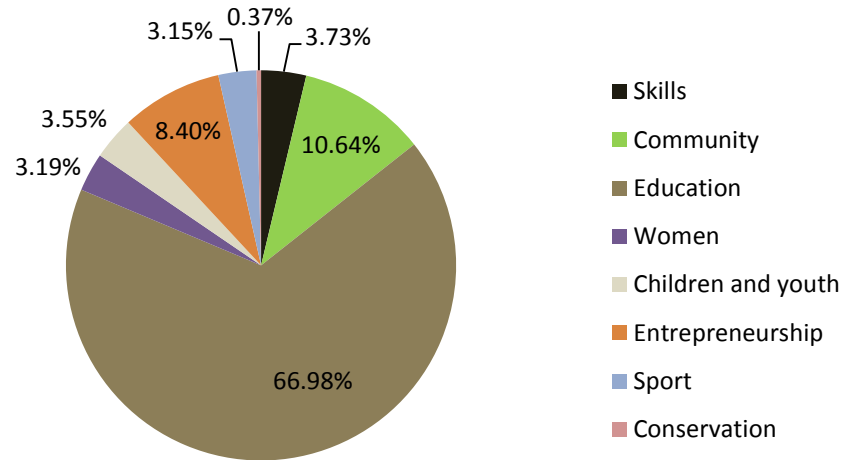
|              |   |                   |                          |                  |
|--------------|---|-------------------|--------------------------|------------------|
| 11           | The Pioneer Foods Education and Community Trust             | R 817.9           | Pioneer Foods            | R 11.8           |
| 12           | Liberty Community Trust                                     | R 459.9           | Liberty Holdings         | R 20.0           |
| 13           | Nedbank Eyethu Community Trust                              | R 402.0           | Nedbank                  | R 230.0          |
| 14           | Distell Development Trust                                   | R 371.3           | Distell                  | R 24.1           |
| 15           | African Rainbow Trust                                       | R 370.0           | African Rainbow Minerals | R 120.0          |
| 16           | JSE Empowerment Fund  | R 349.6           | JSE Limited              | R 47.0           |
| 17           | Ingcube Women Organisation and Italtile Foundation Trust    | R 273.2           | Italtile                 | R 4.2            |
| 18           | Bafokeng Impala Trust                                       | R 169.4           | Impala Platinum          | R 135.7          |
| 19           | Community Trust, Industry Association Fund, Education Trust | R 139.0           | PPC                      | n/a              |
| 20           | Alexander Forbes Community Trust                            | R 31.0            | Alexander Forbes Group   | R 4.9            |
| 21           | Imperial and Ukhamba Community Development Trust            | R 21.3            | Imperial Holdings        | R 54.6           |
| 22           | AECI Community Education and Development Trust              | R 0.0             | AECI                     | R 62.9           |
| 23           | Humulani Empowerment Trust                                  | R 0.0             | Invicta                  | R 11.5           |
| 24           | Lonplats Marikana Trust                                     | R 0.0             | Lonplats (Lonmin)        | R 5.0            |
| 25           | Khanyisa and Sizwe Trusts                                   | R 0.0             | Murray and Roberts       | R 9.5            |
| 26           | Redefine Empowerment Trust                                  | R 0.0             | Redefine Properties      | R 0.0            |
| 27           | Sasol Foundation  | R 0.0             | Sasol                    | R 450.0          |
| <b>TOTAL</b> |   | <b>R 32 609.3</b> |                          | <b>R 4 518.4</b> |

## **BENEFIT PRIORITIES**

- Categorised foundations by stated key benefit objective. Where there were multiple objectives, allocated value proportionately.
- Allocated combined spending and endowments to estimate distribution of priorities between the new endowments.

## BENEFIT PRIORITIES

Foundation support priorities



## **DISCUSSION: Data collection**

- No systematic recording and dissemination of data
- Potential sources of data:
  - NPO directorate
  - Masters' offices holding trust deeds

## **DISCUSSION: Operational models**

- Using sponsoring company infrastructure
- Setting up own infrastructure
- Outsourcing management or parts of operations

## **DISCUSSION: Concentration risk**

- Risk sharing (swaps)
- Set asides for diversification
- Investment governance



## **DISCUSSION: Innovation**

- Social impact bonds
- Activist investing
- Risk pooling
- Cooperation

## THANK YOU

All documents for download at:  
[www.intellidex.co.za/empowermentendowment](http://www.intellidex.co.za/empowermentendowment)

Email: [stheobald@intellidex.co.za](mailto:stheobald@intellidex.co.za)