



ABSA GROUP LIMITED

**BOARD OF DIRECTORS
POLICY ON CONFLICT OF
INTEREST**

1. POLICY STATEMENT

1.1 Purpose

- 1.1.1 This Policy provides guidelines to identify and manage the Absa Group Limited (Absa Group or the Group) directors' engagements in interests that may conflict with the Group's interests and to further assist the directors in regard to the process to follow when dealing with actual or perceived conflicts of interest.
- 1.1.2 The purpose of this Policy is to ensure that the directors of Absa Group and all its subsidiary companies including Absa Bank Limited (Absa Bank) (collectively Group Directors or Directors) adhere to the highest standards of behaviour, best-practice, legislation, regulations and rules with regard to conflicts of interest, including the disclosure of related-party transactions and the governance of such transactions.
- 1.2 Reference to "the Board" shall be to the Absa Group and / or Absa Bank Board.
- 1.2.1 The Policy aligns with Absa Group Board Charter. The Policy also adheres to section 3 (Continuing Obligations) and paragraphs 4.9 and 10.1 of the Johannesburg Stock Exchange (JSE) Equity Listings Requirements (JSE Listings Requirements), paragraphs 7.4 to 7.6 of the JSE Debt Listing Requirements, section 75 of the South African (SA) Companies Act, No 71 of 2008 (Companies Act), as well as the King IV Report on Corporate Governance for South Africa 2016 (King IV).

2. SCOPE OF POLICY

- 2.1 This policy is applicable to the directors from time to time of all Group entities, including without limitation Absa Group Limited and Absa Bank Limited.

3. WHAT IS A CONFLICT OF INTEREST

3.1 Definition

- 3.1.1 *"A conflict of interest, used in relation to members of the governing body and its committees, occurs when there is a direct or indirect conflict, in fact or in appearance, between the interests of such member and that of the organisation. It applies to financial, economic and other interests in any opportunity from which the organisation may benefit, as well as use of the property of the organisation, including information. It also applies to the member's related parties holding such interests."* [definition per King IV]
- 3.1.2 "related party" means:
- a. *"a material shareholder;*
 - b. *any person that is, or within the 12 months preceding the date of the transaction was, a director of the issuer or its holding company. For the purpose of this definition, a director includes a person that is, or within the 12 months preceding the date of the transaction was, not a director, but in accordance with whose directions or instructions the directors are or were accustomed to act;*
 - c. *any adviser to the issuer that has, or within the 12 months preceding the date of the transaction had, a beneficial interest, whether direct or indirect, in the listed company or any of its associates;*

- d. *any person that is, or within the 12 months preceding the date of the transaction was, a principal executive officer of the issuer, by whatever position he may be, or may have been, designated and whether or not he is, or was, a director;*
- e. *the asset manager or management company of a property entity, including anyone whose assets they manage or administer;*
- f. *the controlling shareholder of the persons in paragraph above;*
- g. *an associate of the persons in paragraph (a) to (f).” [definition per JSE Listings Requirements]*

3.1.3 “material” means:

information that, if omitted or misstated, could influence the economic decisions of users and includes a change in, or constituent of, a particular factor that may be regarded in the circumstances as being material and that, as a rule of thumb, would normally be equal to or exceed 10% [definition per JSE Listings Requirements]

3.2 Recommended Practices

3.2.1 Recommended practice under principle 1 (Leadership) of King IV states: *“Members of the governing body should avoid conflicts of interest. In cases where a conflict cannot be avoided, it should be disclosed to the governing body in full at the earliest opportunity, and then proactively managed as determined by the governing body and subject to legal provisions.”*

3.2.2 Recommended practices 25 and 26 (under Principle 7):

“25 - Subject to legal provisions, each member of the governing body should submit to the governing body a declaration of all financial, economic and other interests held by the member and related parties at least annually, or whenever there are significant changes.”

“26 - At the beginning of each meeting of the governing body or its committees, all members should be required to declare whether any of them has any conflict of interest in respect of a matter on the agenda. Any such conflicts should be proactively managed as determined by the governing body and subject to legal provisions.”

3.3 Role and Responsibilities of the Board

3.3.1 A Director must communicate to the Board at the earliest practicable opportunity any information that comes to the Director’s attention and is of relevance to the Company, the Group and/or related to conflicts of interest, unless the Director:

- a. reasonably believes that the information is not material to the Group or generally available to the public, or known to the other Directors; or
- b. is bound not to disclose that information by a legal or ethical obligation of confidentiality.

3.3.2 Directors owe both fiduciary duties and general duties of reasonable care, skill and diligence to the Group. The duties of Directors include:

- a. only exercising powers within the authority given and acting in accordance with the Company’s constitution;
- b. at all times acting not only in good faith and with honesty, but also in the Company’s best interests and to promote the success of the Company for all its stakeholders, whilst having regard to the likely consequences of any decision in the long-term, the interests of employees, the need to further relationships with suppliers and customers, the impact on the community and the environment, and the need to act fairly towards the Company’s shareholders;
- c. exercising independent judgment in carrying out their duties;

- d. exercising reasonable care, skill and diligence in carrying out their duties commensurate with their knowledge and experience; and
- e. avoiding a conflict of interest between their personal interests and their duties to the Company.

4. DECLARATION PROCEDURE

- 4.1 No Director should put him/herself in a position where his/her interests conflict or may be perceived to conflict with those of the Group. Directors must not accept a benefit from a third party conferred by reason of:
 - a. being a Director, or
 - b. doing (or not doing) anything as a Director.
- 4.2 Any actual conflicts declared or established during the year will be disclosed on the Group's website, following the publication of the Group's annual financial statements.
- 4.3 The decision to undertake external activities is a matter for individual Non-executive Directors to decide, bearing in mind their personal responsibilities and commitments, including those to the Boards of the relevant Absa Group company. The Chairman is available to all members of the Board to discuss possible, actual or perceived conflicts. Directors must take care with respect to any external activities to avoid difficulties in this regard. A conflict may occur or be perceived to occur by carrying out work for a competitor. If Directors have any doubts about whether a conflict or potential conflict may arise, they should consult the Directors' Affairs Committee through the Chairman or Group Company Secretary, in the case of Non-executive Directors; or the Group CEO, in the case of Executive Directors, before doing anything that might compromise the Group.
- 4.4 Directors are required to view the declaration of interests file circulated by the Group Company Secretary prior to or at the commencement of each Board meeting and to attest to the accuracy thereof. Directors are required at the commencement of each Board or Committee meeting to declare whether he/she has any conflict of interest in respect of a matter on the agenda, in order for any such conflicts to be proactively managed by the Board, Committee and the Group Company Secretary.
- 4.5 Directors are required to notify the Group Company Secretary in advance of any actual or potential conflicts through their other directorships or shareholdings. Conflicts will be recorded in the minutes to manage as far as possible the Directors' duty to avoid conflict. Directors are also required to notify the other Directors of any potential or existing transactional conflicts and may do so through the Group Company Secretary.
- 4.6 A Director who has a related party relationship (whether through a directorship, shareholding or other connection, including through a related party) to the customer/client/group/supplier/matter under discussion, shall declare his/her interest in writing when same becomes known to him/her, and thereafter from time to time. Such Director will consequently be precluded from participating in the deliberations pertaining to this matter.

- 4.7 Board members are expected to observe the requirements of the Companies Act, the Common Law and the Memorandum of Incorporation (Mol) as well as the requirements of their letters of appointment in dealing with disclosures of real or perceived interests, and when attending Board and Board committee meetings.
- 4.8 Directors will update the Board, via the Directors declaration form, with any new information (as soon as it arises) in relation to conflicts of interest or relationships relevant to independence. The contents of the declaration shall be assessed and appropriately verified by the Board as part of the annual independence assessment.
- 4.9 No contract where a Board member or related party of the Group Director is involved shall be finalised without reference to the Group Company Secretary to establish that a declaration disclosing the Director's interest has been filed and that the contract does not involve a conflict of interest or that such conflict of interest had been appropriately managed.

5. REVIEW OF THE POLICY

- 5.1 The Policy is subject to annual review by Group Secretariat and approval by the Directors' Affairs Committee of the Board. The Policy, in adherence with the JSE Equity and Debt Listings Requirements is to be published on Absa Group's website.

6. GENERAL

- 6.1 This Policy does not place any legally binding obligations on the Company. The Board shall accordingly always be entitled at any time to amend and/or deviate from any of the terms of the policy where the Board, in its sole discretion, considers it appropriate to do so, provided that such deviation is permissible under such legislation and/or regulation as is applicable to the Company from time to time.