

ABSA GROUP LIMITED

Sustainability review

For the year ended 31 December 2007

Member of the  **BARCLAYS** Group





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INTRODUCTION

Highlights

Financial Sector Charter scorecard

2007: "A" Rating

2006: "A" Rating

Employment equity composition

2007: 58,8%

2006: 55,7%

Group-wide corporate social investment spend

2007: R60,9 million

2006: R53,0 million

Employee opinion survey participation

2007: 98%

2006: 84%

Key accolades for 2007

- **The number-one banking brand in South Africa**
(Sunday Times/Markinor Top Brands survey)
- **The coolest bank**
(Sunday Times Generation Next survey)
- **Most caring financial services company in South Africa**
(Corporate and Market Research, Corporate Care Check)

INTRODUCTION

Our values and stakeholders

Our values

- Value our people and treat them with fairness.
- Demonstrate integrity in all our actions.
- Strive to exceed the needs of our customers.
- Take responsibility for the quality of our work.
- Display leadership in all we do.

Our commitment to stakeholders

SHAREHOLDERS

- Delivering sustainable earnings growth.

CUSTOMERS

- Empowering customers by enhancing access to financial services, increasing choice and fostering their financial education.

EMPLOYEES

- Ensuring that employees are highly capable, empowered and motivated.

THE COMMUNITY

- Helping to empower and uplift the communities in which Absa operates.

GOVERNMENTS AND REGULATORS

- Supporting governmental and regulatory policies in the economic and financial dimensions in proactive and positive ways.

INTRODUCTION

Our sustainability viewpoint

Introduction

Absa is an integral part of the colourful tapestry that is South Africa. It is believed that the largest contribution Absa can make to society is by operating a commercially successful business in a responsible way. In achieving this, the Group must ensure value creation for its stakeholders and the environment. The Group's stakeholders are: shareholders to whom the financial perspective is essential; customers, without whom the Group would not have a business purpose; employees, who make it all possible; governments and regulators, who create the environment in which the Group operates; and the communities Absa serves. In addition to this, it is imperative to ensure that transformation remains a core imperative in the Group.

SHAREHOLDERS

The Group succeeded in maintaining its earnings momentum of recent years. The Group's results for 2007 were achieved through further diversifying its earnings, improvements in operational efficiency, and continued growth arising from its strong market position in retail banking. The Group was able to deliver solid earnings growth, despite an increasingly challenging environment.

Absa's headline earnings, for 2007, increased by 19,6% to R9 413 million (2006: R7 872 million), with solid contributions from all of the major business units, particularly commercial and investment banking.

A final dividend to shareholders of 320 cents per share was declared, bringing the total dividend for 2007 to 560 cents per share, an increase of 18,4% from 2006.

CUSTOMERS

For customers, Absa has further enhanced its delivery network both in South Africa and in its African entities. As at 31 December 2007, the Group had 892 points of presence in South Africa, 119 outlets in African entities, 7 693 South African ATMs (excluding self service kiosks) and 200 ATMs in African entities.

Customer education remained a focal point for the year under review. Consumers were empowered with knowledge to take sound financial decisions. A highlight was the Bubomi ("That's life") financial literacy programme, whereby the Group invested more than R17 million to educate thousands of consumers in the LSM 1-5 group around the country.

EMPLOYEES

Absa's employees have benefited from the Group's focus on talent management, where specific focus is being placed on managing, growing and developing talent through a world-class talent management strategy framework, supported by the right processes and development initiatives, learning interventions that assist in growing employees and the promotion of transformation and equality. The Group increased the percentage of its Black employees from 55,7% as at 31 December 2006 to 58,8% as at 31 December 2007.

In addition to this, attention has been placed on reward and benefit, which has entailed the application of best practice solutions which takes into account the needs of both employees and shareholders.

Our sustainability viewpoint

THE COMMUNITIES IN WHICH ABSA OPERATES

Absa sees caring for the community as critical. The Group believes that caring for the communities in which it operates develops a better appreciation for people and a better understanding of its customers, to enable the best service.

In 2007, Absa's corporate social investment programme continued to focus on health (with a particular emphasis on HIV and Aids), education (giving attention to skills development in mathematics, science and technology, as well as early childhood development) and entrepreneurship (with the aim of creating sustainable employment).

GOVERNMENTS AND REGULATORS

Absa aims to obey the laws of the countries in which it operates and seeks to engender healthy relations with governments and regulators. It also aims to be the preferred partner to the South African government in the development of South Africa.

The Group believes that it is critical and of mutual benefit that interactions take place between business, the government, political parties and regulators, as these entities are key role-players in ensuring the future sustainability of the financial services industry. Absa continued to comply with legislation, regulations and the required industry standards in the period under review.

TRANSFORMATION

Transformation in Absa is largely viewed as a business imperative; therefore, entrenching a culture that will drive sustainable initiatives is one of the Group's organisational goals. Absa's growth strategy is directly linked to the ability to identify and address the requirements of the emerging market, while growing shareholder value.

THE ENVIRONMENT

To ensure a better life for future generations, it has become increasingly important for organisations to participate in conserving the environment. As a financial institution, Absa has a marginal direct impact on the environment. This arises from the consumption of energy, water, paper and other resources used in the day-to-day management of the Group. Strategies have been implemented to reduce the use of power, water, improve the "greening" of the Group's buildings and optimise recycling opportunities.

The Group's indirect impact on the environment outweighs the direct impact of its operations. The Group's indirect impact consists of business relationships with customers whose operations have a direct impact on the environment. Absa, through Barclays, complies with the Equator Principles and undertakes not to provide funding to projects if the borrower is unable or unwilling to comply with the guidelines stated in these principles.

Further reference to the Group's commitment to sustainability is highlighted in both the [Chairperson's statement](#) and the [Group Chief Executive review](#).

Our sustainability viewpoint

INTEGRATED SUSTAINABILITY REPORTING

Absa has adopted the Global Reporting Initiative (GRI) guidelines on economic, environmental and social performance (collectively referred to as the triple bottom line) as a benchmark for the Group's sustainability reporting. The GRI guidelines represent the most advanced international standards for sustainability reporting and Absa seeks to align its reporting to these standards. However, the Group recognises that enhanced sustainability reporting is an ongoing journey requiring an incremental approach.

FUTURE FOCUS

Being a caring company remains critically important to Absa. The Group will continue to focus on:

- Delivering sustainable earnings growth.
- Empowering customers by enhancing access to financial services, increasing choice and fostering their financial education.
- Ensuring that employees are highly capable, empowered and motivated.
- Helping to empower and uplift the communities in which Absa operates.
- Developing and sustaining fair, equitable and sustainable business relationships with suppliers.
- Supporting government and regulatory policies in the economic and financial dimensions in proactive and positive ways.
- Contributing meaningfully to the transformation in South African society through the Black economic empowerment (BEE) process.
- Helping to conserve the environment to ensure a better life for future generations.

INTRODUCTION

Our ethical guidelines

Introduction

Ethical strength and conduct are essential to true leadership and sustainable business success. Absa is committed to demonstrating ethical excellence in all its activities. All employees and other stakeholders acting on behalf of Absa are expected to be ethical and professional in all their business dealings. Living the Absa values is important for the Group to sustain its reputation as an organisation of integrity. This is what makes stakeholders trust the Group and what makes employees proud to be associated with Absa. Absa has articulated a set of values, which the Group believes is timeless. These values are linked to behavioural guidelines, known as the Group's ways of working. The guidelines not only bring sharper definition to how employees do things in the workplace but also direct employees' conduct toward each other and toward external stakeholders.

ABSA'S PRINCIPLES OF ETHICAL PRACTICE

- We value our people and treat them with respect, fairness and concern for their interests.
- We understand and strive to meet the special needs created by cultural diversity, by our country's legacy of disadvantage and discrimination, and by the need to protect and enhance the environment.
- We demonstrate integrity and honesty in all our activities, so that what we say is visibly borne out in what we do.
- We strive to exceed the needs of our customers by means of services and products of the highest quality, striving for excellence in everything we do.
- We take responsibility for the quality of our work and for our actions.
- We display ethical leadership and understand the critical importance of the power of example.

Absa employees and other stakeholders who work on the Group's behalf are expected to conduct themselves according to consistently high and ethical standards. Failure to comply with the Group policies and procedures will constitute grounds for disciplinary action, which could include dismissal and, where appropriate, referral to the relevant regulatory authorities.

Everyone in Absa must act lawfully and in good faith and everyone is expected to use all available resources, knowledge, experience and judgement to the benefit of Absa's stakeholders. As stakeholders, Absa's employees must serve customers with diligence, care and professional competence, while respecting customers' interests, decisions and confidentiality.

Our ethical guidelines

Absa has responsibilities in achieving an ethical workplace. Some of these are:

- to comply with legislation governing its activities as a financial services institution, an employer and a responsible corporate citizen;
- to treat employees fairly and equitably;
- to provide employees with personal growth opportunities;
- to present employees with clear and accurate information;
- to recognise and reward excellence in performance;
- to identify and help to correct substandard or deficient performance;
- to provide the resources needed to fulfil work requirements;
- to provide a work environment free of unfair discrimination or harassment;
- to do its very best to provide a positive, safe, supportive and healthy working environment; and
- to report ethical breaches promptly and ensure that appropriate management action is instituted.

Absa's employees also have a responsibility to maintain high ethical standards. Some of these responsibilities are:

- to uphold and maintain work and behavioural standards;
- to comply with legislation as well as Absa's policy and procedures;
- to perform their duties with diligence, competence and integrity;
- to respect the confidentiality of Absa's business and customer information;
- to act in the best interest of Absa at all times; and
- to be prompt in reporting ethical breaches of which they are aware.

CORPORATE SOCIAL RESPONSIBILITY AND ETHICS

Business ethics emphasises stakeholder responsibility. The wider community and the environment – both natural and built – within which a business operates are an important part of its stakeholder cluster. Absa expresses its commitment to best ethical practice by including appropriate activities, such as sponsorships, that benefit the wider community. Doing so in ways that express its values helps to strengthen the moral fibre of the wider society. It also shows concern for the quality of the environment and promotes the image of the bank as a responsible corporate citizen.

In selecting ways to express its corporate social responsibility, Absa also seeks to respond to needs created by South Africa's legacy of inequality and disadvantage. It is believed that the largest contribution Absa can make to society is by operating a commercially successful business in a responsible way – delivering quality products and services to customers, providing jobs, careers and a good working environment for its employees, providing a good return to shareholders, and managing its social and environmental impacts effectively. In this way, the Group supports sustainable economic growth and the well-being of the communities it serves. Absa works independently and in collaboration and consultation with others in addressing ethical issues of importance, such as climate change and human rights, and engages in dialogue with a range of stakeholders on these and other issues of concern.

Our ethical guidelines

ETHICS AND THE ENVIRONMENT

Absa is committed to minimising its adverse environmental impacts and to seeking opportunities to improve its performance. The Group takes steps to identify, prioritise and manage its environmental risks, both direct (consumption and disposal of resources in operations) and indirect (those arising through the supply chain or through the provision of finance or investment to other businesses or projects).

ETHICS AND HUMAN RIGHTS

Absa seeks to operate in accordance with the Universal Declaration on Human Rights (UDHR) and to take into account other internationally accepted human rights standards, such as the International Labour Organisation (ILO) core conventions and treaties and the OECD guidelines for multinational enterprises. Absa's ethics policy applies to all Absa employees. Group executive directors, line managers and supervisors are responsible for ensuring that the policy is implemented properly and that everybody who reports to them knows and understands what it says. The Absa board is responsible for maintaining and reviewing Absa's policy relating to ethical behaviour.

INTRODUCTION

Our sustainability performance

Value added statement

Introduction

Absa strives to create sustainable value for all its stakeholders, as is evidenced in the Group's value added statement.

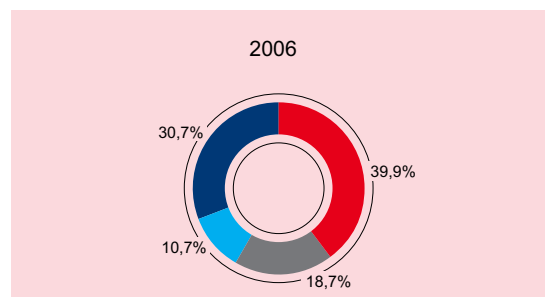
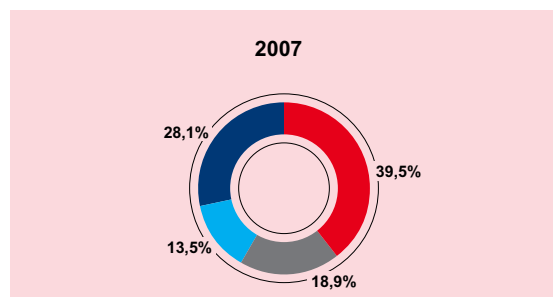
GROUP VALUE ADDED STATEMENT

Year ended 31 December

	2007 Rm	2006 Rm
Value added		
Net interest income	18 890	14 887
Other income	16 728	15 019
Other operating expenditure	(10 463)	(8 432)
	25 155	21 474
Value allocated		
<i>To employees</i>		
Staff costs	9 944	8 577
<i>To government</i>	4 751	4 016
Direct taxation	4 042	3 151
Indirect taxation	709	865
<i>To shareholders</i>		
Cash dividends	3 401	2 294
<i>To retention for expansion and growth</i>	7 059	6 587
Depreciation and amortisation	865	776
Retained income for year	6 194	5 811
	25 155	21 474

Our sustainability performance

	2007 %	2006 %
Value added		
Net interest income	75,1	69,3
Other income	66,5	69,9
Other operating expenditure	(41,6)	(39,2)
	100,0	100,0
Value allocated		
<i>To employees</i>		
Staff costs	39,5	39,9
<i>To government</i>		
Direct taxation	16,1	14,7
Indirect taxation	2,8	4,0
<i>To shareholders</i>		
Cash dividends	13,5	10,7
<i>To retention for expansion and growth</i>		
Depreciation and amortisation	3,4	3,6
Retained income for year	24,7	27,1
	100,0	100,0



● Employees ● Government ● Shareholders ● Retention for expansion and growth

Our sustainability performance





KEY INDICATORS

Indicator	2007	2006	Growth (%)
Shareholders			
Headline earnings (Rm)	9 413	7 872	19,6
Headline earnings per share (cents)	1 401,9	1 181,8	18,6
Return on average equity (%)	27,2	27,4	
Return on average assets (%)	1,68	1,74	
Cost-to-income ratio (%)	51,8	53,8	
Group capital adequacy (%)	13,1	13,1	
Total assets (Rm)	640 909	495 112	29,4
Closing share price (cents)	11 100	12 510	(11,3)
Customers			
Market share (%) (Source: DI900)			
• Mortgage loans	31,1	31,9	
• Credit cards	25,1	25,6	
• Instalment finance	23,1	24,4	
• Overdrafts and other loans	20,1	19,8	
Number of points of presence (South Africa)	892	759	17,5
Number of ATMs (South Africa)	7 693	7 053	9,1
Employees			
Number employees	36 893	35 154	4,9
Black management and senior specialists (%)	33,9	30,8	
Black employees at non-management level (%)	67,4	63,6	
Black employees as a percentage of total employees (%)	58,8	55,7	
The community			
Group-wide corporate social investment spend (Rm)	60,9	53,0	14,9
CSI spend undertaken by the Absa Foundation (Rm)	39,9	30,0	33,0
The environment			
Environmental management system implemented	Yes – ISO14001 compliant	Yes – ISO14001 compliant	
Compliance to the Equator Principles	Yes	Yes	
Inclusion in sustainability indices			
JSE SRI Index	Yes	Yes	

Our sustainability performance

Achievements against objectives

Sustainability elements

-  Economic
-  Social
-  Environmental
-  Corporate governance

Shareholders	2007 achievement	2008 onwards
<ul style="list-style-type: none"> • Achieve real headline earnings growth of 10%, on average, over time. 	<ul style="list-style-type: none"> • For 2007, the Group increased headline earnings by 19,6% to R9 413 million. This growth outperformed the Group's objective. 	<p>Absa aims to continue creating value for its shareholders by delivering sustainable earnings growth.</p>
<ul style="list-style-type: none"> • Maintain a return on average equity (RoE) of at least 5% above the cost of equity. 	<ul style="list-style-type: none"> • For 2007, the Group achieved an RoE of 27,2%, which outperformed the Group's objective. 	
<ul style="list-style-type: none"> • Achieve a cost-to-income ratio of around 50% over the next three years. 	<ul style="list-style-type: none"> • Revenue growth of 19,1% exceeded cost growth and drove down the cost-to-income ratio from the 53,8% recorded for 2006 to 51,8% for 2007. 	
Customers	2007 achievement	2008 onwards
<ul style="list-style-type: none"> • Improved customer service, which includes hiring, training, enhanced communication methods, accountability measures and reward programmes. 	<ul style="list-style-type: none"> • The enterprise-wide launch of the programme "What have you done today?" in which Absa's employees committed to the service vision and promise statement. • Leadership competencies that support a service culture have been identified through the "Winning the hearts and minds of our people" programme. • A new measurement strategy was implemented to ensure that the Group is in a position to measure service experiences effectively and highlight specific service focuses for all business units. • The launch of "Tell someone that cares – me" campaign, inviting customers to speak to the Group and at the same time encourage employees to take ownership of customer complaints. 	<ul style="list-style-type: none"> • Strategic investment in the Absa footprint through the innovative deployment of traditional branches, alternative solutions and specialised outlets. • Design and implement an Absa Group-wide customer experience management architecture and policy framework. • Develop and run the "Leaders in action" programme, aimed at senior leadership, to ensure that they stay close to the customer experiences delivered by all employees interacting with customers.

Our sustainability performance

Customers	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Continued focus on customer education. 	<ul style="list-style-type: none"> During the year, a number of consumer and customer education initiatives were undertaken: <ul style="list-style-type: none"> Bubomi, Inzila and Africa Vukani financial literacy programmes. Educational print and radio. Mzansi cardholders. <i>Ad hoc</i> financial literacy programmes. 	<p>continued...</p> <ul style="list-style-type: none"> A concerted effort will be made to implement more actions or initiatives that will improve customer experience based on customer feedback received. The Group's customer experience "Centre of excellence" will be deployed to tackle priority areas to affect improvement of service to customers. A drive to embed a customer-centric framework will help the Group to focus on the needs of the customer and will support "Treating the customer fairly" initiatives. Absa will also launch a Group-wide enquiries and request e-system during 2008. This will further improve continuity, turnaround times and overall customer satisfaction. Ensuring that the Group meets and achieves the FSC targets in relation to enhanced accessibility of financial services and customer education.
<ul style="list-style-type: none"> Further enhancing the Group's delivery reach/further enhancing access to financial services. 	<ul style="list-style-type: none"> Enhancing access to financial services through the increase in the Group's South African reach with the instillation of 133 additional points of presence and 640 ATMs. The Group installed a number of alternative delivery mechanisms to further extend its reach. In addition, 30 branches were opened and 49 ATMs were installed in the rest of Africa during 2007. 	
<ul style="list-style-type: none"> Ensuring customer privacy. 	<ul style="list-style-type: none"> The introduction and entrenchment of "Treating customers fairly" in all business practices. 	

Employees	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Equipping employees with the right skills, investing heavily in training and developing all employees and providing opportunities for development assignments at Absa and Barclays operations worldwide. 	<ul style="list-style-type: none"> Implementation of the Group's higher-performing organisation programme. This programme has assisted the Group in achieving its strategy. 	<ul style="list-style-type: none"> Going forward, continued attention will be paid to talent management, performance development, learning, transformation, reward and benefit, leadership and enhanced employee relations and wellbeing.
<ul style="list-style-type: none"> Equipping Absa's leadership cadre with cutting-edge leadership skills, developing leadership potential to ensure depth and breadth in talent pools and acquiring the best available talent. 	<ul style="list-style-type: none"> The enterprise-wide leadership framework develops sustainable leadership practices and is an enabler of the high-performance organisation agenda. This programme was designed and launched in 2007 and is planned to roll out to all business units and all levels of management during 2008/9. Greater emphasis on attracting and acquiring the best available talent in the South African market. 	
<ul style="list-style-type: none"> Continuing to assist the Group to exceed its BEE commitments in South Africa while developing its approach to equity and diversity across all African operations. 	<ul style="list-style-type: none"> An increase in the number of Black employees, from 55,7% at 31 December 2006 to 58,8% at 31 December 2007. 	

Our sustainability performance

Employees	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Availing each employee the opportunity to achieve his/her potential in pursuit of organisational objectives. Continuing to develop world-class employee benefit policies and reward systems. 	<ul style="list-style-type: none"> Adoption of a new approach to performance measurement. 	
<ul style="list-style-type: none"> Ensuring an interactive process between employer and employees based on the principles of fairness, equality and industrial democracy. 	<ul style="list-style-type: none"> Very satisfactory results for the 2007 employee opinion survey (EOS), with a 98% response rate (compared with 84% in 2006). 	
<ul style="list-style-type: none"> Recognising and observing human rights. 	<ul style="list-style-type: none"> No litigation pertaining to discrimination, anti-union practices or alleged human rights violations occurred during the year under review. 	
<ul style="list-style-type: none"> Ensuring that employees adhere to Absa's code of ethics. 	<ul style="list-style-type: none"> All employees and other stakeholders acting on behalf of Absa are expected to be ethical and professional in all their business dealings. 	
<ul style="list-style-type: none"> Facilitating the Group's HIV/Aids policies and strategies. 	<ul style="list-style-type: none"> The Group has an HIV/Aids programme, the primary objective of which is to minimise the potential impact of HIV/Aids and other life-threatening diseases on the Group and its stakeholders. 	

Our sustainability performance

Community	2007 achievement	2008 onwards
<ul style="list-style-type: none"> To contribute meaningfully towards nation building and make a difference in the lives of the underprivileged. 	<ul style="list-style-type: none"> The Group received the following accolades for its commitment to sustainable CSI: <ul style="list-style-type: none"> - Most caring financial services institution (Corporate and Market Research, Corporate Care Check). - Second most caring company in South Africa (Corporate and Market Research, Corporate Care Check). - Second best corporate grantmaker in South Africa over a period of eight years (Trialogue). There was a deliberate aim to engage disadvantaged and developing communities in sustainable programmes focusing on early childhood development and maths, science and technology; health (with a focus on HIV and Aids); and lastly job creation activities and entrepreneurship. The Absa Foundation's new entrepreneurship development strategy was approved in July 2007. 	<ul style="list-style-type: none"> The following opportunities and strategic issues will receive attention during 2008: <ul style="list-style-type: none"> - Absa CSI flagship programmes. - Growth and innovation. - Impact assessment.
<ul style="list-style-type: none"> Ensuring that the Group's CSI endeavours also support Absa's business goals. 	<ul style="list-style-type: none"> At Absa, caring for communities is seen as being critically important. The Group believes that this assists it in developing a better appreciation for people and, in doing so, positions the Group to better understand and serve customers. In recognising that Absa's business operates within the broader context of the communities that it serves, the Group has matched its national footprint with a CSI presence that covers all regions. Absa believes that through its CSI work, it plays a vital role in bringing about meaningful transformation through socio-economic development. 	
<ul style="list-style-type: none"> Building partnerships through sound engagement with both recipients as well as development organisations, including government, public benefit organisations and other corporate donors. 	<ul style="list-style-type: none"> Absa continued to partner with civil society, public benefit organisations (PBOs) and non-profit organisations (NPOs), public sector institutions and other private sector organisations in addressing community needs. 	

Our sustainability performance

Community	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Promoting employee involvement in CSI programmes across the Group. 	<ul style="list-style-type: none"> The Group received the following accolade for its commitment to sustainable CSI: <ul style="list-style-type: none"> The company that most strongly involves its employees in community volunteerism and the best financial sector corporate grantmaker in South Africa (Dialogue). 	

Suppliers	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Ensuring enhanced saving, compliance, corporate responsibility and customer satisfaction across the Group. 	<ul style="list-style-type: none"> Savings plans were exceeded for 2007. The implementation of the new supplier management strategy. The launch of the Group's sourcing supply chain corporate responsibility initiative. 	<ul style="list-style-type: none"> During 2008, emphasis will continue to be placed on business benefits and savings, corporate governance and compliance; corporate social responsibility and stakeholder satisfaction. The emphasis is on delivery against stretching goals that are clearly and simply articulated; goals that make a difference to the performance of the Group.
<ul style="list-style-type: none"> Achieving the Financial Sector Charter (FSC) targets set. 	<ul style="list-style-type: none"> Absa far exceeded, in 2007, the 50% 2008 target as required by the FSC for black economic empowerment (BEE) spend on sourcing. 	
<ul style="list-style-type: none"> Effective mitigation of environmental risks. 	<ul style="list-style-type: none"> Absa retained its ISO14001 certification. Environmental impact assessments are included as part of the Group's sourcing strategies. 	

Our sustainability performance

Governments and regulators	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Ensure that the Group continues to comply with all applicable regulatory and legislative requirements and timeframes. 	<ul style="list-style-type: none"> Successfully implemented the National Credit Act and Basel II. Enhancements on Absa's banking products and services for the South African Revenue Service e-filing concept to speed up tax paying and the disbursement process was undertaken during the year under review. Reinforced relations with stakeholders including the National Business Initiative (NBI), the Nepad Business Forum, the South African Chamber of Commerce and Industry (SACCI) and Business Unity South Africa (BUSA). Participated in NBI initiatives (dialogue sessions) around environmental protection indicators (carbon disclosure, energy efficiency and UN Global Compact). Visited the South African National Defence Force (SANDF) deployed soldiers in neighbouring countries in support of the Good Will project. The initiative is supported in partnership with other financial sector industry role players. 	<ul style="list-style-type: none"> From a government perspective, the focus will be on encouraging the application and use of PPPs, mainly by local government. The Group strives to share its experience in this field with its public sector customers. Success in this regard will lead to the transfer of skills, financing opportunities and much-needed private sector commitment and participation in the public sector arena. With regard to the Group's regulators, the focus will be on maintaining a relationship of trust, transparency and honesty with all regulators and ensuring compliance throughout.
<ul style="list-style-type: none"> Undertake ongoing training to ensure that all affected employees are kept up to date with regulatory developments. 	<ul style="list-style-type: none"> Each new employee's orientation includes an introduction to the Absa Employee Compliance Conduct Guide. Every employee needs to sign confirmation of familiarising themselves with the content, and have to sign an annual attestation as re-confirmation. All relevant regulatory training requirements are identified by role which will determine the required awareness training to be completed. This could include, for example: <ul style="list-style-type: none"> Financial sanctions and prohibitions of business activity training. Anti-money laundering training. Financial advisory and intermediary services training. Occupational health and safety training. Competition Act. National Credit Act. Code of Banking Practice. 	

Our sustainability performance

Governments and regulators	2007 achievement	2008 onwards
	<ul style="list-style-type: none"> Role-specific training is aligned with regulatory requirements, and changes to legislation impacting on policies and procedures can result in re-training. Where required, refresher training is provided. Changes in individual roles will also result in being trained according to the relevant regulatory requirements. 	
<ul style="list-style-type: none"> Encouraging the application and use of public private partnerships mainly by local government. 	<ul style="list-style-type: none"> Absa formed a joint venture company (Ubulungisa Operations (Proprietary) Limited), in conjunction with BEE partners, to assist the Department of Justice/National Treasury Public Private Partnership unit. 	
<ul style="list-style-type: none"> Providing democracy support to the South African government. 	<ul style="list-style-type: none"> For 2007, R2,4 million was distributed to qualifying political parties. 	
<ul style="list-style-type: none"> Implementation and roll-out of Basel II. 	<ul style="list-style-type: none"> Basel II was successfully implemented on 1 January 2008. 	

Transformation	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Meet and exceed the requirements of the FSC. 	<ul style="list-style-type: none"> The Group has maintained its "A" rating and has improved its performance relative to previous years. This is relative to the FSC scorecard, and Absa achieved 92,5 points, verified by an audit conducted by KPMG Inc. The Group increased its percentage of Black, Coloured and Indian employees to 58,8% as at 31 December 2007. 	<ul style="list-style-type: none"> Absa aims to continue to implement strategies that will ensure that it meets, and where possible, exceeds, transformation/BEE requirements.

Our sustainability performance

Environment	2007 achievement	2008 onwards
<ul style="list-style-type: none"> ISO14001 accreditation. 	<ul style="list-style-type: none"> Absa has retained its ISO14001 accreditation. 	<ul style="list-style-type: none"> Reduction targets of 4% per annum for the next five years have been set for waste, water and energy The Group also aims to increase the recycling of paper by 4% per annum. Reduce CO₂ emissions by improving energy efficiency. Pilot the extension of environmental credit risk beyond the scope of the Equator Principles, and increase employee awareness of the principles. Continuing to align to Barclays strategy, such as: <ul style="list-style-type: none"> offering more products and services that can help customers tackle climate change; and engaging with employees and key stakeholders on the climate change debate.
<ul style="list-style-type: none"> Complying with environmental requirements. 	<ul style="list-style-type: none"> The Group complies with the required environmental requirements. 	
<ul style="list-style-type: none"> Enhanced involvement in conservation projects. 	<ul style="list-style-type: none"> The Group is a sponsor of the Peace Parks initiative. Absa supports the Southern African Wildlife College in Hoedspruit, Limpopo and the Southern African College for Tourism in Graaff-Reinet. Absa is the sponsor of a water project in the rural areas. 	
<ul style="list-style-type: none"> Reducing the Group's paper, water and energy consumption. 	<ul style="list-style-type: none"> Strategies have been implemented to reduce the use of power, improve the "greening" of buildings and optimise recycling opportunities. 	
<ul style="list-style-type: none"> Compliance with the Equator Principles. 	<ul style="list-style-type: none"> Absa complies with the Equator Principles. Continued support from Barclays environmental department, which is highly rated in the UK's financial service is provided. 	

Corporate governance	2007 achievement	2008 onwards
<ul style="list-style-type: none"> Ongoing compliance with King II. 	<ul style="list-style-type: none"> The Group complies with, and has applied, the requirements of King II. 	<ul style="list-style-type: none"> Continued compliance with King II and international corporate governance best practice (where appropriate). The Group strives to develop a reputation for excellence in corporate governance.
<ul style="list-style-type: none"> Ongoing focus on the board's succession plan. 	<ul style="list-style-type: none"> Succession planning and director selection and appointment are key features of the Absa board charter. 	
<ul style="list-style-type: none"> Greater focus on director training and development. 	<ul style="list-style-type: none"> Director orientation, induction and training are key features of the Absa board charter. 	
<ul style="list-style-type: none"> Ongoing adoption of governance standards and practices applied by Barclays as well as other international best practices. 	<ul style="list-style-type: none"> Ongoing alignment of governance standards and practices applied by Barclays as well as other international best practices. 	

INTRODUCTION

Our engagement with stakeholders

Introduction

Absa's ultimate objective is to create value not only for its shareholders but for all its stakeholders. To achieve this, continuous dialogue and engagement with the Group's stakeholders is imperative. The Group has a number of mechanisms and defined processes that facilitate communication between the Group and its various stakeholders. The table to follow provides an indication of the various engagement mechanisms and processes that Absa and its respective stakeholders use.

MECHANISMS AND PROCESSES FOR ENGAGEMENT AND DIALOGUE

Shareholders	
Mechanisms and channels of engagement	<p>General communication with shareholders is undertaken via:</p> <ul style="list-style-type: none"> • the Group's shareholder report; • Absa's website (www.absa.co.za); • media releases; • Summit TV; • results and dividend announcements; • Absa's annual general meeting; and • the JSE Limited's Stock Exchange News Service (Sens). <p>Shareholder queries are dealt with one-on-one by senior management in the Group, Group Secretariat and Group Investor Relations. Additional information for the investor community is provided through:</p> <ul style="list-style-type: none"> • one-on-one meetings and conference calls with executive management; • road shows, investor conferences and conference calls; and • financial and subject-specific presentations.
Shareholder feedback	<p>Feedback from the market is obtained through:</p> <ul style="list-style-type: none"> • broker reports; • annual general meetings; • perception studies; and • one-on-one contact.

Our engagement with stakeholders

Customers	
Mechanisms and channels of engagement	<p>Absa uses various mechanisms and channels to continuously engage with customers, to ensure that the Group is truly customer centric in all its business operations. Normal business interaction mechanisms include:</p> <ul style="list-style-type: none"> • outlets (sales and service employees); • personal bankers; • private bankers; • relationship managers and financial advisers; • self-service centres and ATMs; • customer call centres (including Action Line); • customer focus groups; • marketing and advertising; • media releases; and • Absa's internet site (www.absa.co.za).
Customer feedback	<p>To understand the dynamics of the market in terms of actual and potential size, growth, trends, developments, threats, opportunities and key success factors, the Group undertakes market research.</p> <p>The Group also undertakes customer analysis to evaluate the effect of Absa's marketing activities and those of competitors continuously. This is done to understand customer behaviour and perceptions. Various projects have been undertaken in specific market segments to understand existing customer behaviour, purchase decisions, drivers and detractors and unmet needs.</p> <p>In addition to this, the Group has an automated complaints management system providing access to all customers to log complaints and receive fair and just treatment. All complaints not resolved or handled satisfactorily are logged onto the system and escalated to a dedicated central help desk focusing on the resolution of customer complaints. The help desk facilitates the process of resolution and manages the customer experience during the resolution process.</p>

Our engagement with stakeholders

Employees	
Mechanisms and channels of engagement	<ul style="list-style-type: none"> • Absa's intranet site, which provides employees with online access to information. • A contact centre providing an e-mail and telephonic contact point regarding employee issues, and face-to-face representation per business unit. • A variety of broad-based communication media, including television broadcasts, an employee magazine, e-mail, the mainframe system and a communication champion network.
Employee feedback	<p>Absa participates in an employee opinion survey (EOS), which is designed and administered by International Survey Research and is used by many major global organisations. Absa's participation allows the Group to benchmark the perceptions and overall satisfaction of its employees against some of the world's leading organisations. The EOS is undertaken annually to ensure insight into employee satisfaction and whether leadership actions have had the desired impact.</p> <p>Absa has an extensive communication system in place to ensure that meaningful, transparent information reaches employees in a timely fashion.</p> <p>Results of sustainability-related questions from the EOS were as follows:</p> <ul style="list-style-type: none"> • "Absa operates with integrity in its external dealings (with customers, suppliers, etc.)." – Total favourable: 86%. • "In my opinion, Absa is an environmentally responsible company." – Total favourable: 84%. • "In my opinion, Absa is a socially responsible company." – Total favourable: 89%. • Absa also scored 83% for corporate responsibility in the 2007 EOS.

Our engagement with stakeholders

Community	
Mechanisms and channels of engagement	<p>Obtaining and understanding of the socio-economic needs and expectations of the South African community is achieved through a two-way communication process in which the community is provided with funding information. Communication mechanisms include:</p> <ul style="list-style-type: none"> • community forums; • partnership announcements and dialogue sessions; • specialised publications; • community newspapers; • Absa's annual and social reports; • exhibitions; and • Absa's website (www.absa.co.za).
Community feedback	<p>Absa obtains feedback from the community with regard to funding needs and the likely impact of this funding. Absa strongly believes in partnerships to engage with the communities in which it operates. Through a provincial network of consultants, Absa engages directly with community members through formal and informal meetings on national developmental priorities and local community needs. Identification of these needs enables grant funding to impact on the area identified.</p>

Suppliers	
Mechanisms and channels of engagement	<p>Absa Group Sourcing has established formal communication mechanisms with Absa's suppliers. Keeping these suppliers informed and updated is part of Absa's partnership approach.</p> <p>A quarterly electronic newsletter is sent to suppliers. A supplier internet site is being set up to communicate Absa's ethics, policies and procedures pertaining to suppliers. The website will also be used to inform current and prospective suppliers of the Absa sourcing calendar. In addition to this, it offers tools such as a BBBEE self-assessment toolkit to assist suppliers as well as the SCCR questionnaire.</p>
Supplier feedback	<p>Group Sourcing conducts an annual survey to determine how satisfied their internal customers and external suppliers are with their service.</p> <p>The 2006 survey was conducted by Markinor, whereas African Response undertook the 2007 research project on behalf of Absa.</p> <p>Largely the same questionnaire as for the 2006 study was used in 2007 to measure progress on the focus areas, with a few additional questions and minor adjustments.</p> <p>In addition, a dedicated supplier share call number is available for suppliers to contact Absa directly, as well as for complaints handling.</p>

Our engagement with stakeholders

<p>Governments and regulators</p>	
<p>Mechanisms and channels of engagement and feedback</p>	<p>Governments</p> <ul style="list-style-type: none"> • At a business level: <ul style="list-style-type: none"> - The Absa process consists of a multi-business-unit delivery matrix enabling networking structures at various levels in the Group. - Supporting this process is a dedicated provincial and local banking presence, as well as access to Absa’s provincial leadership and decision-making structures. • At a community level: <ul style="list-style-type: none"> - Through a provincial network of consultants, Absa engages directly with the government through formal and informal meetings on national developmental priorities and local community needs. <p>Regulators</p> <ul style="list-style-type: none"> • Dialogue with regulators takes the form of briefing sessions and one-on-one interactions with the relevant management and executive management in the Group.

SCOPE OF REVIEW

The scope of this sustainability and stakeholder review is primarily Absa’s South African operations, although it does include some information of the Group’s African businesses.

The review is, to a large extent, based on the G3 guidelines from the Global Reporting Initiative (GRI). The Group’s performance against these guidelines is set on page 131 in the section titled "Global Reporting Initiative" and includes the economic, environmental and social performance, as well as the financial services guidelines and HIV/Aids reporting.

This review has not been independently assessed.

SUSTAINABILITY THEMES

Shareholders – Delivering sustainable earnings growth

Introduction

The Group aims to create sustainable value by delivering real headline earnings growth of 10%, on average, over time. This objective has been exceeded for the past five years, with the Group achieving a compounded annual headline earnings growth rate of 22,3%.

THE YEAR UNDER REVIEW

On 19 February 2008, a final dividend of 320,0 cents per ordinary share was declared to ordinary shareholders registered on 14 March 2008, bringing the total dividend for the year ended 31 December 2007 to 560,0 cents per ordinary share, which represents a dividend cover of 2,5 times.

FUTURE FOCUS

Absa aims to continue creating value for its shareholders by delivering sustainable earnings growth.

ABSA'S FINANCIAL PERFORMANCE

In order to create sustainable value for its shareholders, Absa aims to achieve 10% real growth in headline earnings, on average, over time, as well as a return on average equity (RoE) of 5% above the Group's cost of equity.

For the year under review, both these objectives were exceeded. Real headline earnings growth of 13,1% was achieved (the average CPIX for the year under review was 6,5%). The Group's objective of 10% real growth was therefore exceeded by 3,1%. Furthermore, an RoE of 27,2% was achieved, which is 12,7% higher than Absa's cost of equity and 7,7% above the stated objective.

Shareholders

SHAREHOLDERS' INFORMATION

ORDINARY SHAREHOLDERS

	2007 – Shares held		2006 – Shares held	
	Number	%	Number	%
Major ordinary shareholders				
Barclays Bank PLC	398 774 945	58,77	379 304 853	56,45
Allan Gray Limited	46 402 078	6,84	44 758 793	6,66
Public Investment Corporation	41 579 911	6,13	32 453 568	4,83
Old Mutual Asset Managers	29 105 038	4,29	22 080 295	3,29
Sanlam Investment Management	13 774 011	2,01	15 307 070	2,28
Coronation Fund Managers	12 045 089	1,78	18 387 486	2,74
Stanlib Asset Management	12 035 179	1,77	13 737 060	2,04
AXA Financial SA (Alliance and Bernstein)	7 457 681	1,10	11 829 983	1,76
Absa Stockbrokers (Proprietary) Limited	6 638 438	0,98	6 088 821	0,90
Foord Asset Management	5 741 000	0,85	315 000	0,05
Other	105 019 704	15,48	127 692 145	19,00
Shareholder type				
Principal shareholder (Barclays Bank PLC)	398 774 945	58,77	379 304 853	56,45
Private investors	28 468 889	4,20	27 598 546	4,11
Other	251 329 240	37,03	265 051 675	39,44
Total	678 573 074	100,00	671 955 074	100,00

Shareholders

SHAREHOLDERS' INFORMATION

PUBLIC AND NON-PUBLIC SHAREHOLDERS

As at 31 December

	2007			2006		
	Number of shareholders	Shares held Number	%	Number of shareholders	Shares held Number	%
Public shareholders	40 781	275 059 554	40,54	39 996	288 943 363	43,00
Non-public shareholders						
• Barclays Bank PLC	1	398 774 945	58,77	1	379 304 853	56,45
• Trustees of the Absa Share Incentive Trust	1	2 677 326	0,39	1	2 447 187	0,36
• Related holdings	16	1 494 455	0,22	13	843 473	0,13
• Directors' and associates' direct holdings	24	566 794	0,08	22	416 198	0,06
Total	40 823	678 573 074	100,00	40 033	671 955 074	100,00

GEOGRAPHICAL HOLDING

As at 31 December

	2007 – Shares held		2006 – Shares held	
	Number	%	Number	%
England and Wales	402 511 948	59,32	385 030 257	57,30
South Africa	223 536 683	32,94	213 840 022	31,82
United States	21 142 989	3,12	36 957 529	5,50
Other countries	17 377 000	2,56	21 502 562	3,20
Below threshold	14 004 454	2,06	14 624 704	2,18
Total	678 573 074	100,00	671 955 074	100,00

Shareholders

SHAREHOLDERS' INFORMATION

CLASSIFICATION OF SHAREHOLDERS

As at 31 December

	2007 – Shares held		2006 – Shares held	
	Number	%	Number	%
Corporate holding	398 774 945	58,77	379 304 853	56,45
Pension funds	99 815 274	14,71	117 401 134	17,47
Unit trusts	73 860 029	10,88	91 270 665	13,58
Insurance companies	30 980 955	4,57	23 174 811	3,45
Private investors	25 444 710	3,75	20 515 148	3,05
Other funds	21 690 410	3,20	12 536 284	1,87
Other managed funds	14 002 297	2,06	13 127 475	1,95
Below threshold	14 004 454	2,06	14 624 704	2,18
Total	678 573 074	100,00	671 955 074	100,00

ABSA GROUP PREFERENCE SHAREHOLDERS

Batho Bonke Capital (Proprietary) Limited and the Absa Group Limited Employee Share Ownership Administrative Trust hold Absa redeemable cumulative option-holding preference shares (preference shares):

	Shares held – 31 December	
	2007	2006
Batho Bonke Capital (Proprietary) Limited	73 152 300	73 152 300
Employee Share Ownership Administrative Trust	2 467 200	6 085 200
Total	75 619 500	79 237 500

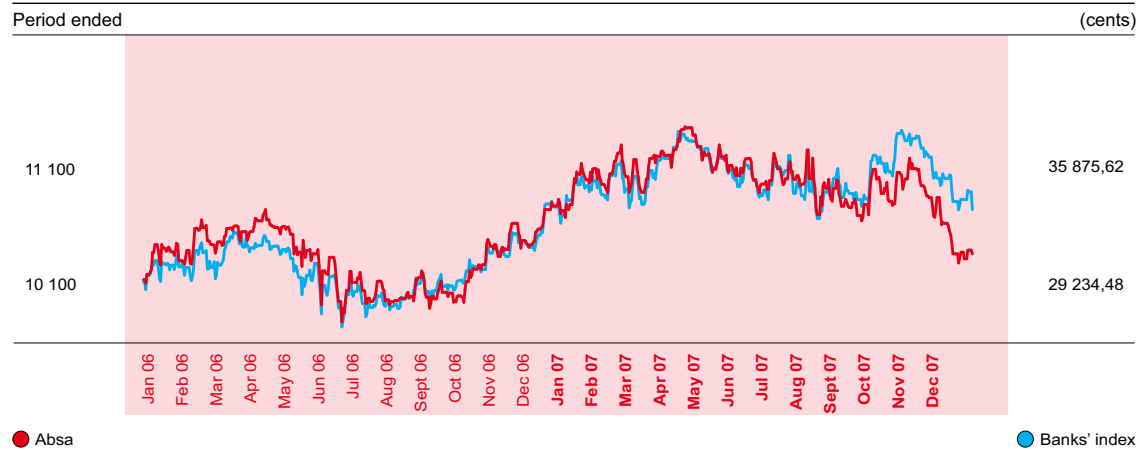
TOTAL NUMBER OF ABSA GROUP SHARES

	Ordinary shares	Preference shares	Total shares
Shares in issue at 31 December 2007	678 573 074	75 619 500	754 192 574
Shares in issue at 31 December 2006	671 955 074	79 237 500	751 192 574

Shareholders

SHAREHOLDERS' INFORMATION

SHARE PERFORMANCE



SHARE PERFORMANCE ON THE JSE LIMITED

As at 31 December

	2007	2006
Number of shares in issue ¹	678 573 074	671 955 074
Market prices (cents per share):		
• closing	11 100	12 510
• high	14 830	12 615
• low	10 832	9 650
• average	13 207	10 944
Closing price/net asset value per share (excluding preference shares)	2,00	2,65
Closing price/headline earnings per share	7,9	10,6
Volume of shares traded (millions)	343,7	332,3
Value of shares traded (R millions)	45 370,6	35 925,7
Market capitalisation (R millions)	75 321,6	84 061,6

¹ Includes **2 678 159** shares held by the Absa Group Limited Share Incentive Trust (December 2006: 2 654 828), **718 202** shares held by Absa Life Limited and Absa Fund Managers Limited (December 2006: 178 370) and **68 800** shares held by the Absa Group Limited Employee Share Ownership Administration Trust (December 2006: 0).

ABSA BANK PREFERENCE SHAREHOLDERS

As at 31 December 2007, Absa Bank Limited had issued a total of R4,6 billion in non-cumulative, non-redeemable preference shares (preference shares). During the year, R1,6 billion was raised through the issue of preference shares.

Shareholders

Most of this capital (R1,4 billion) was raised in a single issue in April 2007 at an effective dividend yield of 75% of the prime overdraft lending rate. Five tranches of Absa Bank's monthly preference share issuance programme comprised the balance.

The Absa Bank preference shares have an effective coupon rate of 63% of the prime overdraft lending rate.

SHAREHOLDERS' INFORMATION

MAJOR ABSA BANK PREFERENCE SHAREHOLDERS

As at 31 December

	2007		2006	
	Number	%	Number	%
Major Absa Bank preference shareholders				
Coronation Fund Managers	746 735	15,10	n/a	n/a
Liberty Group	492 349	9,96	432 340	14,41
Investment Solutions	144 367	2,92	n/a	n/a
Old Mutual Group	133 473	2,70	n/a	n/a
Stanlib Asset Management	117 925	2,38	62 100	2,07
Sanlam Limited	100 918	2,04	n/a	n/a
Rand Merchant Bank	n/a	n/a	225 808	7,53
BoE Nominees	n/a	n/a	157 883	5,26
Personal Trust	n/a	n/a	60 414	2,01
Distribution of Absa Bank preference shareholders/shareholder type				
Mutual funds	1 656 394	33,50	322 718	10,76
Individuals	1 041 518	21,06	777 426	25,91
Nominees and trust companies	660 402	13,36	425 349	14,18
Private companies	533 890	10,80	256 030	8,53
Insurance companies	381 625	7,72	69 595	2,32
Pension funds	348 261	7,04	36 566	1,22
Banks	129 583	2,62	415 123	13,84
Endowment funds	85 587	1,73	105 850	3,53
Public companies	38 826	0,79	33 686	1,12
Close corporations	24 682	0,50	25 385	0,85
Medical schemes	19 579	0,40	1 000	0,03
Other corporations	14 045	0,28	64 551	2,15
Investment companies	9 947	0,20	466 721	15,56
Share trusts	500	0,01	n/a	n/a
Total	4 944 839	100,00	3 000 000	100,00

Shareholders

SHAREHOLDERS' INFORMATION

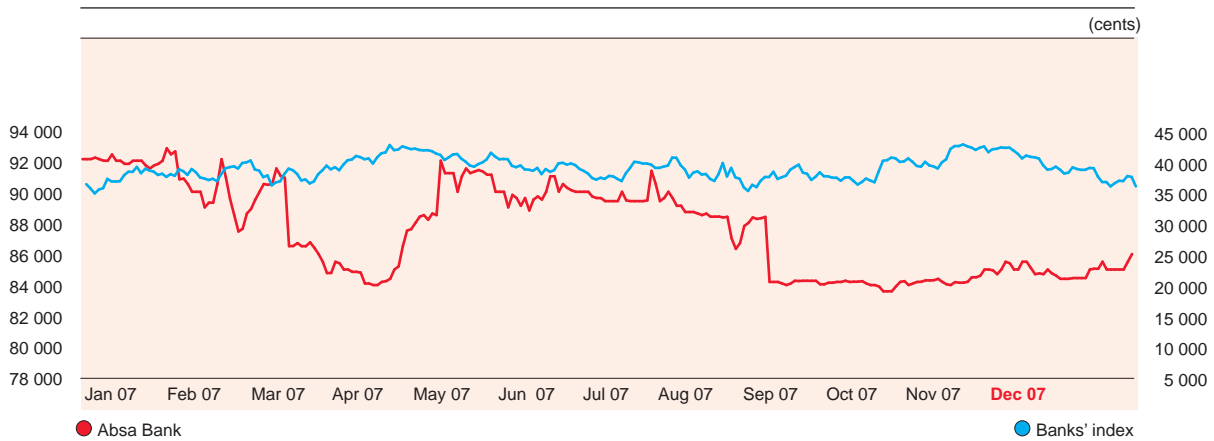
PUBLIC AND NON-PUBLIC ABSA BANK PREFERENCE SHAREHOLDERS

As at 31 December

	2007			2006		
	Number of shareholders	Shares held		Number of shareholders	Shares held	
		Number	%		Number	%
Public shareholders	4 108	4 184 242	84,62	3 457	2 517 239	83,91
Non-public shareholders						
• Directors and associates of the Company	8	13 862	0,28	8	21 100	0,70
• Strategic and related holdings	1	746 735	15,10	7	461 661	15,39
Total	4 117	4 944 839	100,00	3 472	3 000 000	100,00

SHAREHOLDERS' INFORMATION

ABSA BANK PREFERENCE SHARE PERFORMANCE



Shareholders

SHAREHOLDERS' INFORMATION

ABSA BANK PREFERENCE DIVIDENDS

Period	Dividend number	Dividend amount (cents per share)
1 March 2007 – 31 August 2007	3	4 056,0
1 September 2007 – 29 February 2008	4	4 453,9

SHAREHOLDERS' DIARY

Financial year-end	31 December 2007
Announcement of results for the year ended 31 December 2007	19 February 2008
Annual general meeting	22 April 2008
Announcement of interim results	7 August 2008

DIVIDENDS

	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Final – December 2007	19 February 2008	7 March 2008	10 March 2008	14 March 2008	17 March 2008
Interim – June 2008	7 August 2008	22 August 2008	25 August 2008	29 August 2008	1 September 2008

Shareholders

CREDIT RATINGS

Absa Bank and Absa Group credit ratings

	Moody's November 2007	Fitch Ratings April 2008	
	Absa Bank	Absa Bank	Absa Group
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	Aaa.za	AAA (zaf)	AAA (zaf)
Outlook	Stable	Stable	Stable
Local currency			
Short-term	Prime-1	—	—
Long-term	Aa2	A	A
Outlook	Stable	Stable	Stable
Foreign currency			
Short-term	Prime-2	F1	F1
Long-term	Baa1	A	A
Outlook	Positive	Stable	Stable
Bank financial strength			
	C	B/C	B/C
Outlook	Stable	1	1

SUSTAINABILITY THEMES

Customers – Empowering customers by enhancing access to financial services, increasing choice and fostering their financial education

Introduction

Absa places the customer at the centre of all its actions. Enhancing the customer experience remains a key focus. The Group's objectives in this regard are to:

- be a customer-focused financial services group;
- deliver superior service and competitive products; and
- enhance customer retention and attraction through differentiated service delivery.

YEAR UNDER REVIEW

For the year under review, the key focus has been the expansion of the Group's delivery reach, enhancing service levels and initiatives aimed at consumer education. Key highlights for 2007 included the following:

- Enhancing access to financial services through the increase in the Group's South African reach with the instillation of 133 additional points of presence and 640 ATMs. In addition, the Group installed a number of alternative delivery mechanisms to further extend its reach.
- The enterprise-wide launch of the programme "What have you done today?" in which Absa's employees committed to the service vision and promise statement.
- Leadership competencies that support a service culture have been identified through the "Winning the hearts and minds of our people" programme.
- The introduction and entrenchment of "treating customers fairly" in all business practices.
- A new measurement strategy was implemented to ensure that the Group is in a position to measure service experiences effectively and highlight specific service focuses for all business units.
- The launch of the "Tell someone that cares – me" campaign, inviting customers to talk to the Group and at the same time encourage employees to take ownership of customer complaints.

Customers

FUTURE FOCUS

2008 will see a drive towards further entrenching a customer-centric culture in the Group by providing leading edge knowledge (insights) and intelligence on the customer experience in the market, hence enabling Absa to excel at customer service and recovery.

Objectives for 2008 are as follows:

- Further development and refinement to the understanding of customer potential through regional intelligence modelling.
- Further development of a modular approach to distribution which meets the needs of specific segments or activities.
- Strategic investment in the Absa footprint through the innovative deployment of traditional branches, alternative solutions as well as through specialised outlets focusing on small businesses, micro-lending and convenience banking.
- Design and implement an Absa Group-wide customer experience management architecture and policy framework.
- Develop and run, the “Leaders in action” programme, aimed at senior leadership, to ensure that they stay close to the customer experiences delivered by all employees interacting with customers.
- A concerted effort will be made to implement more actions or initiatives that will improve customer experience based on customer feedback received. The Group’s customer experience “centre of excellence” will be deployed to tackle priority areas to affect improvement of service to customers.
- A drive to embed a customer-centric framework will help the Group to focus on the needs of the customer and will support “Treating customers fairly” initiatives.
- Absa will also launch a Group-wide enquiries and request e-system during 2008. This will further improve continuity, turnaround times and overall customer satisfaction.
- Ensuring that the Group meets and achieves the FCS targets in relation to enhanced accessibility of financial services and customer education.

Customers

ABSA'S REACH



For 2007, a key focus has been to improve and increase Absa's points of presence. The Group increased its South African points of presence from 759 as at 31 December 2006 to 892 as at 31 December 2007.

During 2007, 139 points of presence were opened and six outlets were closed. Of the 139 points of presence opened, 19 were branches, 26 were loan centres, three were Absa Private Bank suites, five were small business advisory centres and 86 were alternative forms of delivery.

Absa has introduced four alternative solutions to its delivery network, namely:

- The Absa demountable – This is a full-service branch constructed with demountable panels. It is a cost-effective delivery solution that can easily be deployed in convenient locations. They come in different sizes and can be extended quickly if more capacity is required. This solution provides a sales capability as well as transactional services. Absa has four types of demountables: full-service demountable; micro-loans demountables; micro finance demountables and shared demountables (full-service, micro-loans and micro finance).
- The Absa kiosk – This is a sales and service kiosk (no cash) which is placed in retail stores. It can also be used for workplace banking and shopping centres. This concept has been designed for speedy implementation and low cost. The Absa kiosk has been widely accepted by the South African community as an alternative to brick-and-mortar banking since its introduction at the end of 2007 as an in-store presence. With full connectivity to the Absa network, once placed in close proximity of a deposit-taking ATM, this is a full-service branch, manned by two employees.
- The Absa mobile bank – This is a full-service mobile vehicle. This vehicle is used in the remote areas of the country where more traditional solutions are not viable, and in townships in support of the current Absa representation. This includes the “Bank on Wheels” which is a normal van converted internally to a full-service outlet. The outlet includes an ATM which is cashed at location, and the “Double Decker Bus”, which is a “funky” moving outlet that attracts attention, is used at peak times at universities and special events and provides a full range of products and services.
- The remote sales point – This is a sales point manned by Absa personnel and situated in townships.

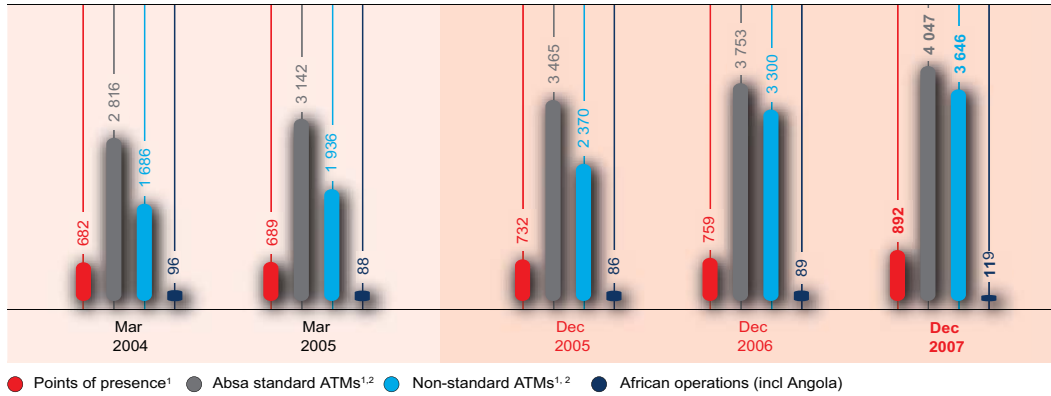
The Group's South African automated teller machine (ATM) network was also expanded significantly during the year, with 640 ATMs being installed. This has resulted in the Group having a South African ATM footprint of 7 693 as at 31 December 2007.

During the year, more than 60% of all ATM installations and point-of-presence openings in South Africa were placed in non-traditional or previously disadvantaged areas. The aim of this placement strategy is to enhance access to financial services for previously unbanked or underbanked individuals by taking banking to the people, while still maintaining Absa's strong position in the more traditional markets. The design and implementation of various alternative solutions has enabled Absa to deliver more points of representation at a lower cost, while still ensuring that customer service and the customer experience, as well as profitability, is not negatively affected.

Customers

In addition to this, the Group also provides products and services via ZOK containers. These are specially constructed containers serving as a convenient facility for communities to access a variety of services. They have been undertaken in partnership with Blue Label Investments, Zion Christian Church (ZCC), Vodacom and soccer clubs Orlando Pirates and Kaizer Chiefs. Absa has been contracted as the preferred financial service provider by this partnership. Absa's ATMs and remote sales points are present on site.

DELIVERY FOOTPRINT

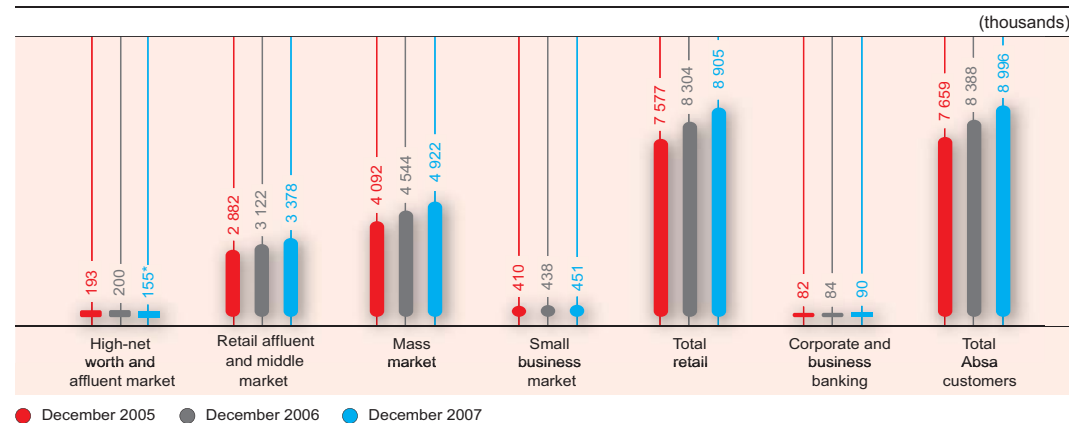


¹ South Africa

² Excluding self service kiosks

ABSA'S CUSTOMER BASE (SOUTH AFRICA)

As at 31 December 2007, Absa had nine million customers. This represents a growth of 7,1% from December 2006. The Group's customer base is indicated in the following graph:



*Certain customers were migrated to the Group's retail affluent market segment.

The core growth was experienced in the retail affluent and middle and mass markets. The retail affluent and middle market increased by 8,2% and the mass market by 8,3% year on year.

Customers

SOUTH AFRICA CUSTOMER PROFILE

	Absa customers	Total South African banked population
Total number (customers over 16 years of age)*	6 285 648	16 341 814
Percentage composition (%)		
Race		
• Black	57,6	65,4
• Coloured	9,6	9,3
• Indian	2,7	3,5
• White	30,1	21,8
Age		
• 16-24 years	15,2	15,5
• 25-34 years	24,7	26,4
• 35-49 years	33,3	33,5
• 50+ years	26,8	24,6
Gender		
• Male	52,7	54,7
• Female	47,3	45,3
Living standard measure (LSM) (%)		
• LSM 1	0,3	0,9
• LSM 2	1,5	3,5
• LSM 3	3,7	6,4
• LSM 4	8,0	9,7
• LSM 5	10,9	12,8
• LSM 6	21,1	21,2
• LSM 7	13,9	13,0
• LSM 8	11,7	10,2
• LSM 9	15,4	12,0
• LSM 10	13,5	10,3

* Source: All Media Product Survey 2007. Note that the survey only includes people older than 16 years of age.

Customers

ABSA'S CUSTOMER CHARTER

Absa has a customer charter that indicates its service promise and, in so doing, assists customers in realising their dreams. It also commits the Group's employees to delivering service that is effortless, consistent, seamless and free from errors.

Absa's customer charter sets out the Group's commitment to providing the highest standard of customer service. The Group seeks to meet its customers' financial needs by offering quality financial advice, products and services. Absa's customers are the cornerstone of its business.

Responsiveness, efficiency and quality are among the high goals that have been set, together with integrity and transparency in all dealings. Absa values its people and invests in them to ensure the delivery of these goals, while constantly working to improve its knowledge and service standards. Absa will create value to its customers through:

Service

Absa's service vision is to help customers realise their dreams. To ensure the attainment of this, a comprehensive programme to improve service levels has been embarked upon. Through this programme, Absa aims to:

- work together as a team, placing the customer at the centre of everything the Group does;
- deliver a service that feels effortless and is consistent, seamless and error free; and
- keep customers informed at all times. Absa commits itself always to correct the situation as soon as possible if the Group fails to deliver on its service promises in any way.

Affordability

Absa strives to:

- ensure affordability and good value for money; and
- give responsible and professional advice through expert consultants, thereby meeting increasingly intricate financial needs. Absa employees aim to advise customers on building their personal capital by helping them to save, invest and borrow wisely.

Choice

Absa will:

- provide customers with flexibility and freedom of choice by advising them on banking products and services that better meet their needs and provide customers the freedom of choice to switch to other products and services when required;
- conduct business in a fair and reasonable manner with uncompromising integrity and transparency in all dealings. Absa encourages customers to request information explaining the Group's costs and charges; and
- recognise customers as unique individuals and will apply skilled resources – not only to meet customers' specific requirements but to surpass their expectations of what a financial services company should deliver.

Convenience

Absa strives to:

- provide access and convenience. Absa has a large number of ATMs, and its internet and cell phone banking facilities place banking within customers' reach 24 hours a day, locally and internationally; and
- deliver consistently high levels of service at any of the Group's branches nationwide.

Customers

Security

The Group aims to:

- guarantee peace of mind with the assurance that customers' money has been entrusted to one of the world's leading banks. Absa's strong support network is always there to protect and guide customers through every step of their financial journey. The Group is totally committed to the Code of Banking Practice; and
- ensure that the confidentiality and privacy of customer information is respected at all times according to the laws and codes of conduct that govern the banking industry and Absa's employees.

ABSA'S PRODUCTS AND SERVICES

All product developments and enhancements are focused on enhancing the customer experience, ensuring that they meet the needs and expectations of customers. Research and product development is integral to Absa's strategy of enhancing the customer experience and is informed by the Group's marketing and customer strategies.

Absa makes a conscious effort to ensure that its pricing structures are as transparent as possible. The Group helps customers to understand the various packages available to them and to make an informed choice, knowing what charges they will incur. Absa offers value for money and this is the sort of customer service on which the Group prides itself. Absa believes in the principles of transparency in addition to comparison. If pricing and products are transparent and clear to the consumer, and explained without recourse to obscuring jargon, then customers will be in the best position to make whatever comparisons they desire.

Absa provides customers with more detailed information in a variety of ways: The Group has pricing brochures that provide information on a full list of products; there is additional information that can be printed out; and the Group provides an online fee calculator. In addition to this, the Group has a calculator for use by employees to help customers. This calculator, known as Pricing Line, analyses a customer's transaction profile and provides suggestions on the best products, features and benefits to suit that particular customer's needs.

Product information is also clearly explained to customers, which helps them to make informed decisions about products and services.

Providing basic financial services

Absa is an active supporter of the Accelerated and Shared Growth Initiative for South Africa (AsgiSA), which aims to halve poverty and unemployment by 2014. Absa believes that helping ordinary South Africans accumulate personal capital, namely savings, investments and property, is the best and most sustainable way to achieve this.

Absa has specific accounts that are targeted at people earning less than R3 000 a month and with very limited or uncertain income. These are the Mzansi (a South African banking industry initiative) and Sekulula accounts. The Sekulula account is unique to Absa and is a debit card that allows people on social welfare to access funds at any ATM. Cardholders can also deposit money into their Sekulula account.

Absa aims to become the "savings bank of the nation". The Group provides a number of products to the lower-income market to assist them in meeting their banking needs. The key products provided here are the Flexi and Club accounts.

Other financial services products aimed at the mass market include funeral plans, short-term insurance, wills, credit life policies, MyHome mortgage loans as well as personal and micro-loans.

Customers

Social housing

Absa aims to provide at least 100 000 homes by 2010. This initiative is being undertaken by Absa Development Company (Proprietary) Limited (Absa DevCo). Absa DevCo undertakes developments that combine affordable homes with commercial and light industrial units and social amenities such as schools, crèches, churches and parks. Absa DevCo supports the government's "breaking new ground" policy. This aims to use the provision of decent housing to help create jobs, stimulate economic growth, combat crime and eliminate social division.

ABSA'S PRODUCTS AND SERVICES

Micro financing initiatives

In 2007, the Group extended its commitment in the mass market by launching a dedicated microfinance unit. Examples of loans include Yanda loans, which are aimed at new customers with no previous track record. Loans start at R300 and go up to R8 000. If the credit is managed well and repaid on time, the customer obtains access to larger-scale financing. Leveraged enterprise loans are aimed at self-employed customers with a good track record of managing their finances. These start at R1 500.

Responsible lending

The National Credit Act (NCA) became effective on 1 June 2007 and protects consumers of credit by enhancing consumer rights and introducing minimum disclosure requirements. It attempts to curb over-indebtedness by prohibiting reckless lending and provides for the registration of credit providers with the National Credit Regulator. A Group-wide project resulted in the successful implementation of the Act.

The project resulted in:

- the registration of Absa and its associated persons as credit providers;
- all affected employees being trained in the matters to which the NCA applies;
- revision and/or introduction of a large number of forms and letters to ensure compliance with the NCA;
- updating of systems and programmes and converting affected customer records; and
- the launch of a credit education programme relating to budgeting, the purpose of credit, insurance and credit application and use, and the process of dealing with credit distress. This programme is targeted at LSM 1 to LSM 5 individuals and is run from community halls around the country in languages appropriate to each region.

Absa has also taken an active role in developing products that will assist customers in distress. Emphasis has been placed on rehabilitating customers through counselling, advice and debt consolidation, rather than taking immediate punitive measures against them. The Group also plays an active role in industry forums with other credit providers to arrive at a set of agreed standards and processes in dealing with customers who voluntarily seek counselling and rehabilitation when in credit distress. In addition, the Group supports the industry-wide establishment of the Code of Credit Conduct, which aims to combat consumers' over-indebtedness.

Relating to the approach to languages under the NCA, the Absa Group provides, as far as possible, documentation in plain and understandable language.

Customers

CUSTOMER SATISFACTION

Absa placed a large emphasis on improving customer service levels in 2007 by introducing a number of service innovations to "amaze our customers". Some of these initiatives included magnifying glasses for the visually impaired, Absa-branded wheelchairs, queue assistance, friendly signage, boards displaying the various languages accommodated in a particular branch, "conversational" name badges for employees and the provision of bottled water (Absa Aqua).



Queue assistance

Absa also implemented a new strategic satisfaction measurement from the second quarter of 2007. The Absa customer satisfaction measurement (CSM) gives a view of customer satisfaction and is also an indication of customer loyalty through the net promoter scores by asking customers "how likely they would be to recommend Absa to colleagues, friends and associates". The survey provides key drivers to improve service, and is a means for local and international benchmarking. For 2007, Absa's service levels remained relatively stable. Further improvements to service levels are required to ensure that the Group delivers a world-class service.

Complaints handling

Establishing an effective and dependable complaints resolution process remains a priority in all companies that rely on service delivery by frontline employees. Absa is no exception.

The Group's complaint governance and principles, applicable to all employees at all levels, are supported by an automated complaints management system providing access to all customers to log complaints and receive fair and just treatment. The system operates on the universal principles of:

- providing customers with an easy means to resolve a service gap or wrongdoing with speed, accuracy and continuous feedback;
- an effective complaint escalation process to a properly mandated official, should first-time resolution prove to be difficult. This minimises customers' inconvenience and distress; and
- business participation and willingness to resolve complaints that increases the opportunity value and the lifetime of the customer relationship with Absa.

The comprehensive view of the complaints Absa responds to provides the Group with the ability to implement proactive and reactive change management initiatives to ensure enhanced customer experiences. Most of Absa's customer-interfacing employees have been trained to log complaints on the automated system.

Customers

Complaints handling (continued)

All complaints not resolved or handled satisfactorily are logged onto the system and escalated to a dedicated central help desk focusing on the resolution of customer complaints. The help desk facilitates the process of resolution and manages the customer experience during the resolution process.

Customers can also contact Action Line directly to log their complaints. An average of 3 400 complaints per month are processed via the system. The majority of these pertain to turnaround time, waiting times and delays, feedback, pricing and failure to adhere to instructions.

Unresolved cases and/or dissatisfied customers are able to submit complaints to the Ombudsman for Banking Services. Absa's efforts to focus on managing and resolving complaints internally proved successful, resulting in only a slight increase in cases being forwarded to the Ombudsman of Banking Services during 2007. For the period from 1 January 2007 to 31 December 2007, 1 346 Absa-related complaints were forwarded to this Ombudsman (2006: 1 133 cases). In view of the customer base growth, the complaint ratio per customer decreased significantly.

A specific focus was placed on reducing the average number of days to resolve complaints and on increasing the percentage of complaints resolved at the "first point of contact". The "first point of contact" resolution increased from 8% in January 2007 to 17% in December 2007, and the average days taken to resolve a complaint improved from six days in January 2007 to four days in December 2007. These actions led to the resolution of more than 40 000 complaints through the automated complaints logging system.

CUSTOMER COMPLAINTS STATISTICS

	Jan – Dec 06	Jan - Jun 07	Jul – Dec 07
Average days to resolve a complaint	6,15	3,83	4,10
Average complaints received per day	105	111	182
Complaints received	26 507	17 536	22 930
Complaints resolved	26 507	17 524	22 022

Customers

Service innovation

A number of programmes were implemented aimed at entrenching a service culture. The first one, known as "Winning the hearts and minds of our people", was aimed at leadership, with the objective of equipping leaders with the required leadership behaviour to ensure excellent performance.



This was followed by the "What have you done today?" initiative, focusing on creating a unified customer service vision. The initiative was aimed at all Absa employees. The highlight of the programme was a street concert to celebrate Absa's commitment to customers.



The second phase of "Amaze our customers" was launched during 2007, based on the successes arising from the previous phase. "Amaze our customers" is aimed at creating opportunities to amaze customers by making uncomplicated, seemingly insignificant changes that lead to stunning results over time. It's the simple philosophy of: "The small things are the big things".

The roll-out and current pilot initiatives include:

- demonstrating a caring and considerate customer relationship approach;
- acknowledging weaknesses and recovering from disappointing service (and doing something);
- giving customers greater control;
- Absa's employees being experienced as friendly and approachable - real people;
- Absa being flexible, willing and able to be approached as the bank of choice;
- innovative marketing; and
- added value.

Customers

During December 2007, Absa launched the “Tell someone that cares – me” campaign to further show Absa’s commitment to deal with customer complaints and issues. The campaign was also aimed at encouraging employees to take ownership of customer complaints and concerns. Advertisements ran both on radio and in print media. – “At Absa, all 35 000 of us are there for you. We care about giving you more value through affordability, choice, convenience, security and service. So, should you ever feel less than completely happy with us, please make our day, and tell us all about it face to face, so that we can take action to make it right, right here. We’re here, at over 750 branches, to make banking simple, hassle-free and convenient for you. After all, our new year’s resolution for 2008 is to serve you better every day in every way.” This message was also displayed on selected Absa branded taxis in the Durban area.



TREATING CUSTOMERS FAIRLY (TCF)

During 2007, Barclays introduced the ten "treating customers fairly" (TCF) principles in response to a requirement from the UK's Financial Services Authority (FSA) for firms to implement actions to ensure the consistently fair treatment of customers. These actions must be substantiated by evidence, both qualitative and quantitative in nature. Absa has begun to implement the principles across all business units and has submitted a number of reports to this effect to Barclays.

Activities to date include:

- the formulation of a communication plan to create awareness of the ten principles;
- TCF inclusion in internal audits as a high-level “check of observations” against TCF principles;
- the inclusion of TCF in the Employee Compliance Conduct Guide, which requires annual attestation by all employees (last completed in October 2007);
- the customer charter, which was launched towards the end of 2006 – an external service promise to our customers;
- the culture campaigns "Winning the hearts and minds of our people" and "What have you done today?", which strongly support putting the customer at the centre of our business (the "Winning the hearts and minds of people" programme also identified specific leadership behaviours to support a customer-centric culture and the setting up of teams to ensure performance excellence); and
- a customer experience forum, which was established to act as the custodian, not only for TCF, but for all matters pertaining to the customer experience.

Customers

CONSUMER EDUCATION

Consumer education is a key focus area for the Group. Emphasis is placed on educating consumers in finance-related matters such as sound financial decision-making and long-term financial freedom. During the year, a number of consumer and customer education initiatives were undertaken:

- **Bubomi, Inzila and Africa Vukani financial literacy programmes** - The programmes focused on providing financial literacy to individuals in the LSM 1–5 bands. The programmes were developed in all official languages and reached approximately 35 500 consumers across the country.
- The monthly consumer fair newsletters published by the Consumer Council of South Africa, and distributed through the Absa branches, reached over 80 000 consumers and customers.
- Absa sponsored the National Consumer Forum conference on Human Rights Day where issues around pressing consumer matters, shared experiences and future joint strategies to empower consumers were discussed and presented.
- **Educational print and radio campaign** - A host of stories relating to financial literacy, the NCA and financial planning were broadcast on radio and placed in certain newspapers.
- **Mzansi cardholders** - The Group partnered with Visa to provide industrial theatre to Mzansi cardholders, covering themes such as budgeting, debit cards and card security.
- Ad hoc financial literacy programmes.

FINANCIAL CRIME

Fraud

Absa has a zero tolerance approach to fraud and promotes an ethical work environment and attitude towards doing business with its customers. Absa Forensic Services is tasked with the responsibility of managing the Group's fraud risk. This is achieved through implementation of a fraud risk control framework, supported by a fraud and anti-corruption policy. By partnering with business, Forensic Services not only conducts fraud investigations but places a high degree of focus on pro-active fraud detection and prevention. A sustained fraud awareness campaign both internally and to customers contributes to the success in stemming the rising tide of fraud.

Forensic Services actively participates in industry forums, which include collaboration with law enforcement and justice to combat fraud, not only as an individual bank but from an industry perspective as well. Continued assessment of policy, structure and resources allows Absa to adapt its response to fraud based on current market conditions.

Security and safety

The Group aims to:

- guarantee peace of mind with the assurance that customers' money has been entrusted to one of the world's leading banks. Owing to the deteriorating crime climate in South Africa, Absa endeavours to provide a safe and secure environment for both employees and customers to transact in. Absa's strong support network is always there to protect and guide customers through every step of their financial journey. The Group is totally committed to the Code of Banking Practice; and
- ensure that the confidentiality and privacy of customer information is respected at all times according to the laws and codes of conduct that govern the banking industry and Absa's employees.

Customers

Internet banking

Measures to safeguard Absa customers who use internet banking include the following:

- Access which requires an account number, user number, pin and password.
- On-screen keypad for account number, user number and pin number.
- Alphanumeric password.
- Random digits entered for password and not full password.
- Internet banking logon SMS notification.
- Random verification number (RVN) – a unique number sent to customers via SMS when creating a beneficiary.
- Free anti-virus and personal firewall software.
- "My notification" – alert to customers of all online activity on their accounts (not mandatory).

A strategic relationship has been established with the South African Banking Risk Information Centre (SABRIC), the National Prosecuting Authority's Directorate of Special Operations and the South African Police Services Commercial Crime Unit to combat internet fraud.

Credit card banking

Absa uses an early fraud detection system which deters and detects fraudulent activities. Analysing and sharing information in house and externally with MasterCard/Visa approved vendors assist in the detection and curbing of fraud losses. Additional in-house "false application" detection mechanisms were developed and implemented, which resulted in huge savings. Strategic plans to combat fraud are in place to ensure a reduction in losses as well as an improved customer experience. Lessons learned from joint ventures and also Barclays are continuously monitored and implemented.

Customer protection

Absa endorses the Code of Banking Practice and applies the underlying values embodied in the code. Absa is committed to providing its customers with professional and friendly service, in a manner that is fast, easy, accessible, transparent, approachable and in line with what is fair and just. For this reason, Absa regards the code as a living document.

Employees are required to safeguard the confidential information of Absa's business and may only disclose information to those with a legitimate right to know. This forms an integral component of the Group's code of ethics. The customer also has the option to decide whether or not to receive marketing material. This policy forms an integral component of the Group's code of ethics. Non-compliance leads to the institution of disciplinary procedures.

To ensure adherence to the code, training is constantly provided to employees. Customers are made aware of the Group's commitment to the code and the code is made available through the branch network and on the intranet. In collaboration with the Banking Sector Education and Training Authority (known as Bankseta) and other banks, training material for the industry has been designed and delivered to ensure consistency in training and knowledge-sharing in the industry and therefore to ensure awareness and consumer protection. Furthermore, Absa's Group Compliance function monitors procedures and practices against the code.

Customers

Customer protection (continued)

The ultimate customer experience forms the basis of the code, which also links with the relevant Absa values: to demonstrate integrity, to treat customers consistently fairly and, as a customer-driven organisation, to be transparent in all dealings with customers.

Banks are subject to an increasing number of regulations and statutes that govern the financial sector. This helps to protect customers against the risk of failure by a financial institution. Bank charges include more than just fees. The total cost of credit is the real issue that is critical to the consumer.

The government, the South African Reserve Bank, the Financial Services Board (FSB) and the Registrar of Banks play a major role in enhancing customer protection. It bears noting that compliance with South African and international regulatory developments drives sophistication in South African banking through vigorous and comprehensive regulatory oversight.

THE ABSA BRAND

For the past two years, the Absa brand has been acknowledged as the leading banking brand in South Africa. This acknowledgment is based on Markinor's survey of brands in South Africa, which is widely viewed as the leading indicator of brand health in South Africa. The survey measures spontaneous awareness, trust and confidence and commitment. Absa measured number one in all three categories of the survey. Absa was also rated as the country's "coolest bank" in the Sunday Times Generation Next survey for two years running.

COMPLIANCE

Absa subscribes to and abides by the regulations of the National Credit Act (NCA), Financial Intelligence Centre Act (FICA) and the Financial Advisory and Intermediary Services (FAIS) Act in obtaining customer information and providing customers with fit and proper financial advice.

Absa has a policy and follows the relevant procedures relating to product information and advice. All product information and the applicable product communication are aligned with requirements and are signed off by the Group's compliance officer. During the year, no material instances of non-compliance regarding product information were recorded. Absa is also committed to adhering to all the standards and voluntary codes related to advertising. A compliance officer in Group Marketing ensures that all communication adheres to the required standards. During the year under review, there were no breaches of advertising and marketing regulations.

SUSTAINABILITY THEMES

Employees – Ensuring that employees are highly capable, empowered and motivated

Introduction

Absa believes that the key to its success lies in highly capable, empowered and motivated employees, who, as stakeholders of the Group, assist in shaping its future in a sustainable way. The Group continues to strive to create a high-performance culture that values diversity and enables each individual to reach his or her full potential. Leadership is seen as key to creating a corporate culture that ensures organisational success.

THE YEAR UNDER REVIEW

- Implementation of Absa's higher-performing organisation programme. This programme has assisted the Group in achieving its strategy.
- The enterprise-wide leadership framework develops sustainable leadership practices and is an enabler of the higher-performance organisation agenda. This programme was designed and launched in 2007 and is planned to roll out to all business units and all levels of management during 2008/9.
- Very satisfactory results for the 2007 employee opinion survey (EOS), with a 98% response rate (compared with 84% in 2006).
- Greater emphasis on attracting and acquiring the best available talent in the South African market.
- Adoption of a new approach to performance measurement.
- An increase in the number of Black employees, from 55,7% at 31 December 2006 to 58,8% at 31 December 2007.

FUTURE FOCUS

Going forward, attention will be paid to talent management, performance development, learning and development, transformation, reward and benefit, leadership and enhanced employee relations and wellbeing.

ABSA EMPLOYEE STRATEGY

Absa's employee strategy aims to position the Group as a high-performing organisation, with the key focus being placed on:

- Talent management – A specific focus is on managing, growing and developing Absa's talent through a world-class talent management strategy framework, supported by the right processes and development initiatives that will ensure optimal talent engagement.
- Performance development – A key focus is ensuring that performance development plans are in place for all employees, at all levels in area of responsibility, with a view to achieve the Group's vision and aspirations and satisfy all its stakeholders.
- Learning and development – Emphasis is being placed on entrenching principles that will continue to transform the Group into a learning organisation that is able to respond to rapidly changing business challenges.
- Transformation – Promoting and advocating transformation and equality. Emphasis is being placed on delivering the BEE Codes of Good Practise targets and the Department of Labour's employment equity commitments. In addition to this, the focus is also on improving gender representation at all levels.
- Reward and benefit – This entails the application of best-practice solutions which takes into account the needs of both employees and shareholders.
- Leadership – Entrenching sustainable leadership behaviour and practices remains a key part of the Group's employee strategy.
- Employee relations and wellbeing – The Group aims to foster a commercial partnership with its trade union, while ensuring the wellbeing of all its employees.

Employees

LEADERSHIP AND CULTURAL TRANSFORMATION

The Absa enterprise-wide leadership framework, known as “leadership of abundant talent”, was designed, launched and rolled out to the senior leadership levels. The framework is also underpinned and supported by a coaching framework. The leadership programmes in the framework aim to implement a consistent view of leadership throughout all levels of the organisation and to build sustainable leadership practices. Capacity was created within Absa to roll out the programme throughout the organisation during 2008/9. The leadership programmes support and enable the Group’s higher-performing organisation (HPO) goals. This framework will assist by continuously improving leadership and performance across the organisation.

A renewed emphasis was placed on change management and capacity is being extended to facilitate large-scale change initiatives.

Values and business ethics

In alignment with Barclays, Absa has established the Brand and Reputation Committee to advise the Group Chief Executive on conducting the Group’s business in ways that are consistent with its values and ethics. The committee is chaired by a non-executive director of Absa to ensure independence and objectivity. Furthermore, Absa pays specific attention to its values by including them as a key component in its performance development process, as well as linking them to the Group’s employee recognition program.

Employee opinion survey (EOS)

Absa has undertaken an EOS since 2005. The EOS is designed and administered by International Survey Research (ISR) and is used by many major global organisations, including Barclays. It allows Absa to benchmark the perceptions and overall satisfaction of its employees with the results from some of the world’s best organisations.

In 2007, over 36 000 people within the Absa Group participated in the EOS. This translates into a 98% response (up from 84% in 2006), which is well over the target of 90%.

The survey results for the Group display a mixed picture compared to the 2006 EOS results, with some areas having improved, some remaining stable and some having declined. Most noteworthy are the strong improvements in the area of performance management and development.

The survey assists the Group in understanding what currently drives employee engagement in Absa – how employees perceive Absa’s:

- reputation for excellence;
- segment and business unit leadership; and
- supportive climate.

Employees

TALENT MANAGEMENT

Absa's talent management strategy is designed to systematically close the gap between the current human capital capabilities and the leadership talent imperatives required to respond to future business challenges facing Absa. Talent management is focused on attracting, sourcing and managing, developing and retaining individuals identified as having the ambition, potential, ability and proven track record to play a senior leadership role within a given time frame and context. The acquisition and management of top talent is a crucial element of Absa's people strategy. In 2007, Absa followed a two-pronged approach – the acquisition of talent from the external market and the development of talent from within the Group.

During the year, emphasis was placed on attracting and acquiring the best available talent in the South African market. Talent assessment processes were introduced to business units and senior leaders as part of the recruitment techniques. These not only allow for the acquisition of talent, but also for the development and deployment of talent.

Absa's Human Resources department introduced and conducted a senior leaders' review process in 2006. The review process allowed for the systematic assessment of senior and key roles with a view to developing and retaining future leadership potential.

Succession and risk management of strategic positions and talent

The succession and risk management of strategic positions and identified talent are closely aligned to the talent management process. Succession and risk is managed using a leadership review process that aims to ensure emergency cover and succession over a one- to two-year period and for three years and longer. This allows Absa to build a sustainable pool of talent over a period.

Succession and risk management plans are in place for executive as well as strategic roles and are reviewed twice annually.

Talent and succession management are aligned to the Absa diversity and equity aspirations, thus contributing to the transformation of not only Absa, but the country as a whole.

PERFORMANCE DEVELOPMENT

A performance development (PD) process was implemented in the Absa Group during 2007. With this implementation, all levels in the Group are using the same performance management process for the first time. The take-up of the process proceeded smoothly, and delivered a remarkable change in the performance culture of the organisation. This is shown by the improvement in the performance management indicators of the 2007 EOS. Significantly, on the 2007 EOS, the improvement for PD is the highest of all the areas measured, with a full 10% increase over the previous year's measurement. This indicates that PD became more than a performance management process; it became the way in which people are managed at Absa.

Focus in 2008 is being placed on refining practices in this regard and finding synergies to span the gap between strategy and the daily work of every Absa employee.

Employees

LEARNING AND DEVELOPMENT

Learning and development is a core part of Absa's agenda as it anchors the talent and skills required to achieve Absa's strategic business objectives.

Absa's employee value proposition has two people development objectives, which are:

- to present each employee with the opportunity to achieve his or her development potential in pursuit of organisational and business objectives; and
- to create a challenging and supportive work environment in which opportunities for personal growth are a normal part of the business rather than an anomaly.

In pursuance of the abovementioned objectives, Absa recognises individual learning and development needs, while creating a vibrant learning culture across the business. Absa affords all employees the right to seek and participate in learning opportunities (career development), and delegates to them the responsibility to ensure their own growth (career management) and to apply their newly acquired skills and knowledge in the interest of the Absa brand.

Absa provides its employees with a number of training interventions. These include bursaries for further and higher education, leadership development, performance-related skills training and so on. In addition to this, Bankseta reaccredited Absa as a learning service provider, which means that in-house learning programmes are compliant with existing skills development legislation. It also gives Absa the opportunity to claim levy rebates for reinvestment into learning and development. To drive training in future, the Group has established the Absa Academy.

The table below provides an indication of the people trained for the period January to December 2007.

NUMBER OF EMPLOYEES WHO ATTENDED TRAINING AND RECEIVED BURSARIES FOR 2007

	African	Coloured	Indian	White	Total
Male	8 420	5 237	3 894	15 240	32 791
Female	14 945	12 384	5 268	27 166	59 763
Disabled	300	23	72	263	658
Total	23 665	17 644	9 234	42 669	93 212

Note

This table reflects learning interventions and not the number of Absa employees involved. It also reflects areas where employees underwent more than one intervention within or across learning streams.

In addition to the traditional interventions, emphasis is placed on providing learnerships, access to further education and international exposure.

Learnerships

Learnership programmes, which Absa avails for designated, unemployed individuals and graduates, serve the following purposes:

- They offer opportunities for employment, training and development to unemployed individuals in the target category. The learnership process is a highly effective way for learners to obtain a portable National Qualifications Framework (NQF) aligned qualification while working full time and gaining invaluable experience in their chosen field.
- They promote employability through skills development and assist new entrants in the designated groups to participate in accredited work-integrated learning. By implementing learnerships, Absa is not only building a healthy pipeline of Black talent to enter the workplace but is also contributing to the overall skills development drive within South Africa.

Employees

Absa, in pursuance of strategic sector and business objectives, implemented learnerships for designated individuals as reflected in the following table.

ABSA LEARNERSHIPS FOR 2007

Matriculant learnerships	Number of learners	NQF level
Letsema 4	258	NQF 5
Legal debt recovery	20	NQF 5
Small business services	20	NQF 5
Long-term insurance	11	NQF 4
Wealth management	20	NQF 5
Sales and relationship management	334	NQF 5
Subtotal	663	
Graduate learnerships	Number of learners	NQF level
Kuyasa	53	NQF 6
Subtotal	53	
Total	716	

Absa's influential presence in this critical venture is a key milestone for talent advancement and the broader skills development agenda within South Africa.

Further education

Absa supports the attainment of qualifications in support of achieving its strategy. Financial assistance is offered to individuals who register at a variety of tertiary educational institutions. During 2007, Absa supported 1 274 employees from 46 different business areas. Absa has also extended this gesture to dependents of employees attending tertiary institutions. The first phase, which commences in 2008, has R2 million set aside to assist 100 dependents to further their tertiary education.

Employees

DISTRIBUTION OF BURSARIES

Race	Year ended 31 December 2007	
		%
African		31
Coloured		16
Indian		15
White		38

DISTRIBUTION OF BURSARIES FOR EMPLOYEE DEPENDENTS

Race	Year ended 31 December 2007	
		%
African		30
Coloured		13
Indian		5
White		52

DISTRIBUTION OF BURSARIES TO EXTERNAL STUDENTS

Race	Year ended 31 December 2007	
		%
African		35
Coloured		52
Indian		4
White		9

In addition to this assistance, Absa maintains a number of strategic partnerships with major educational bodies and institutions.

International exposure

International exposure is offered to talented individuals as part of the Group's talent development strategy. This exposure varies from attending short courses at recognised international education institutions, to pre-arranged site visits to multi-national companies. In addition to the international component of the Absa Development Initiative and Accelerated Leadership Development programmes, two Absa employees attended the Chicago MBA course, an initiative administered by Barclays in the United Kingdom. Absa also participated actively in the Bankseta's international executive development programmes. A number of people from Absa attended executive development programmes at local business schools which have a global component, and one person attended the NEPAD business foundation's African Leadership Programme.

Employees

Other initiatives

Absa undertakes a host of other initiatives which include:

Absa Development Initiative (ADI)

The Group accelerates the leadership development of young, talented individuals. Through this initiative, 25 candidates completed their three-year programme in November 2007. A further 83 candidates from all race groups are currently on the programme. A development opportunity was created for ADI candidates to obtain exposure to international organisations in China and Japan.

Accelerated Leadership Development programme (ALD)

This programme is aimed at accelerating the leadership development of talented individuals. The second intake of 18 delegates commenced in January 2008.

Absa Chairperson Scholarship

Absa is passionate about the development of its employees. Many bursaries are granted to employees annually for study at local institutions. Absa's Group Executive Committee (Group Exco) decided that, despite this considerable investment currently undertaken in growing the Group's employees, there is still room to introduce an additional prestigious scholarship fund. The name of the scholarship was proposed as the Absa Chairperson Scholarship Fund as it is a worthy vehicle to recognise and honour the valuable contribution that Absa's Chairpersons, past and present, bring to Absa as an organisation. The programme was designed and approved in 2007 and commenced in January 2008. This fund creates an opportunity for ten executive MBA students at international institutions. The programme will reward and develop the Group's exceptional employees.

TRANSFORMATION

Diversity management

Absa's transformation and diversity (TD) strategy is based on the philosophy that:

- Absa's employee profile increasingly reflects the broad diversity of South Africa;
- diversity is valued and promoted and aids in the delivery of the Group's business imperatives; and
- people interact harmoniously and effectively, using the Group's values as the foundation for their behaviour.

This philosophy has resulted in the following focus areas:

- **Compliance and stakeholder engagement**
 - Delivering on Absa's FSC and legislative obligations.
 - Ensuring that the governance, coordination and structural basics are in place.
 - Ensuring clarity and efficiency in delivery.
- **Meaningful transformation**
 - Addressing key inequalities in the Group's employee profile.
 - Ensuring that Absa's approach results in sustainable transformation.
 - Ensuring all employees understand and support transformation.
- **Value from diversity**
 - Establishing what value from diversity looks like and how to extract it.

Employees

Employment equity

Employment equity is a critical component of the business strategy and is integral to strategic employment relations and talent management initiatives at Absa. It is biased towards the economic necessities of affirmative action. Absa's commitment to deliver on transformation and key employment equity indicators is through team-based, company-aligned goals and individual performance contracts.

Absa endeavours to have designated groups (Blacks, Coloureds, Indians, women and people with disabilities) fully and meaningfully represented at all levels within the Group. "Full representation" is an operative term based on the need to meet business needs through: legislative provisions; identifying operational needs; integrated human resource plans; tapping the labour market potential of economically active population in South Africa; consultation processes; application of business best practices to achieve the ideals of employment equity and the Financial Sector Charter.

Absa fully embraces the business imperatives; legal and sectorial implications of achieving its employment equity strategy. Therefore, failure to achieve individual and team goals on employment equity is a critical performance issue. All employees have a need to grow, participate and to control their own destinies, and are given opportunities and exposure to develop to their full potential.

In terms of the Group's employment equity policy, Absa undertakes to employ, empower and develop people in order to utilise their potential and to advance career development, thereby assisting them in becoming valued contributors in sustaining Absa's competitive advantage.

The primary components of the Group's employment equity programme is to provide for accelerated affirmative action, drive talent development and management, manage and celebrate diversity, address the matter of understanding differences and make efforts to redress existing imbalances.

The Group achieved its employment equity goals for 2007. The percentage of Black employees increased from 55,7% at 31 December 2006 to 58,8% as at 31 December 2007.

Employees

Employment equity statistics

The following section provides a breakdown of the demographics of the Group in terms of race, as well as appointments, resignations and promotions per race group.

The following table provides an indication of the ethnic split of Absa's employees per gender and job level. It also provides a comparison between the Group's composition at 31 December 2006 and at 31 December 2007.

Occupational levels		Designated						Non-designated				Total
		Male			Female			Male		Foreign nationals		
		African	Coloured	Indian	African	Coloured	Indian	White	White	Male	Female	
Top management	2007	5	0	1	2	1	1	0	28	0	0	38
	2006	5	0	1	2	1	1	0	24	1	0	35
Senior management	2007	35	14	31	11	7	13	56	309	12	2	490
	2006	29	10	25	8	3	6	48	277	6	2	414
Professionally qualified and experienced specialists and middle management	2007	652	343	526	496	352	522	2 221	3 297	15	26	8 450
	2006	556	291	458	381	298	418	2 027	3 201	29	41	7 700
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2007	1 321	894	417	2 501	2 001	949	4 750	1 090	5	23	13 951
	2006	1 124	786	402	1 951	1 762	886	4 912	1 128	9	61	13 021
Semi-skilled and discretionary decision-making	2007	1 658	736	212	3 839	2 217	561	2 266	360	0	18	11 867
	2006	1 581	827	224	3 407	2 356	606	2 719	416	0	22	12 158
Unskilled and defined decision-making	2007	48	11	1	127	23	2	0	0	0	0	212
	2006	57	12	1	129	28	4	0	0	0	0	231
Total – permanent employees	2007	3 719	1 998	1 188	6 976	4 601	2 048	9 293	5 084	32	69	35 008
	2006	3 352	1 926	1 111	5 878	4 448	1 921	9 706	5 046	45	126	33 559
Non-permanent employees	2007	78	32	14	189	78	15	224	156	0	0	786
	2006	182	145	76	348	325	80	524	283	0	0	1 963
Total employees	2007	3 797	2 030	1 202	7 165	4 679	2 063	9 517	5 240	32	69	35 794
	2006	3 534	2 071	1 187	6 226	4 773	2 001	10 230	5 329	45	126	35 522

Employees

APPOINTMENTS, PROMOTIONS AND RESIGNATIONS PER ETHNIC GROUP

Year ended 31 December

	2007 %	2006 %
Appointments per ethnic group		
African	48,3	44,2
Coloured	17,7	22,0
Indian	11,3	11,3
White	22,7	22,5
Promotions per ethnic group		
African	31,6	29,2
Coloured	26,3	21,8
Indian	9,9	12,5
White	32,2	36,5
Resignations per ethnic group		
African	32,9	29,6
Coloured	18,1	19,7
Indian	10,3	10,1
White	38,7	40,6

REWARD AND BENEFIT

Absa recognises that its reward strategy should enable it to attract, retain and motivate employees, while keeping human resource costs affordable to the Group over the long term. Absa follows a total cost-to-company approach to reward and offers a fixed package as well as short-term incentive schemes to its employees. Long-term incentive schemes are also used, where appropriate, to attract and retain senior employees and executives and provide them with incentives.

Absa's reward philosophy is geared towards providing maximum flexibility to line management to reward employees. The cornerstone of the reward approach is "pay for performance". This creates an environment conducive to performance by enabling management to differentiate appropriately between employees on the basis of individual contribution through the various reward methods provided. It also establishes line management accountability and ownership of the reward process.

The development and application of reward-related policies, processes, practices and decisions are directed by the core reward principles contained in the reward philosophy, as well as the Absa values and relevant governance structures.

Absa's remuneration structure has two components, which are:

- Fixed remuneration: annual salary and benefits; and
- Variable remuneration: annual performance bonus and long-term incentive plans.

Fixed remuneration is reviewed annually to ensure that those who contribute to the success of the Group are remunerated competitively. The Group uses variable remuneration schemes to focus behaviour on important business objectives and to sustain performance. To achieve this goal, the existing variable remuneration components are reviewed annually and adjustments are made to improve their appropriateness and effectiveness. Each element of reward is important and has a specific role in achieving the aims of the Group's remuneration policy.

Employees

Guaranteed fixed remuneration

The approach adopted for all employees is a total cost-to-company approach that encapsulates benefits provided such as retirement schemes, death and disability cover, medical cover and other benefits, as dictated by competitive market practices. The market rate of pay for a particular role and the sustainable contribution of each employee are used as the basis for remuneration reviews.

Annual performance bonuses (variable remuneration)

Annual bonuses are based on a qualitative and quantitative assessment of performance and are linked to business achievement in terms of targeted goals. Annual bonuses are not guaranteed; they are discretionary and vary according to an individual's performance rating.

An overall performance bonus funding mechanism is utilised to fund the annual incentives for the Group. In 2007, the funding mechanism was based on the Group's profit before tax (PBT) and, in particular, the growth in PBT year on year. Other measures, such as attributable earnings and economic profit, were also tracked to ensure a balanced approach to the financial measures used. The individual business segments are, in turn, measured for their relative contributions to the business as a whole, so that an appropriate distribution of the overall bonus pool can be made.

Employees whose annual performance bonuses are in excess of a predetermined level, participate in the Group's Executive Share Award Scheme (ESAS). Under the ESAS, 75% of the annual performance bonus is delivered in cash and the remaining 25% is allocated in the form of shares.

Long-term incentive plans (variable remuneration)

The Group operates a number of long-term incentive plans to increase employee and shareholder alignment through employee share ownership, as well as to retain key personnel. The two principal long-term incentive plans are the Group's Performance Share Plan (PSP) and the ESAS.

The Absa Group Performance Share Plan (PSP)

The PSP is aimed at rewarding future performance by incentivising senior Absa employees, to achieve performance targets.

The Group Remuneration and Human Resource Committee (GRHRC) annually makes an award of PSP shares to senior managers, professionals and executives and sets performance conditions applicable for a three-year period. An award under the Group's PSP is effectively a free share award subject to performance conditions.

The GRHRC ensures that the performance conditions are sufficiently demanding to support profitable growth, capital efficiency, risk management and the creation of shareholder value. The vesting of the 2007 PSP awards is subject to the following:

- A basic financial hurdle, such that the cumulative profit after tax (PAT) for the Group in the three-year performance period attached to each award must be greater than the Group's cumulative PAT for the previous three-year period.
- A second, three-year performance condition that applies to 100% of the PSP shares under each award is based on Absa's earnings per share (EPS) growth in excess of the consumer price index excluding interest rates on mortgage bonds (CPIX). The more Absa's EPS growth exceeds the CPIX, the greater the number of shares that will be recommended for release at the end of the three-year period, up to a maximum of three times the initial allocation.

Employees

Awards may be made under the Absa Group PSP as well as under the Absa Group Phantom PSP (Phantom PSP). Phantom PSP awards are, from a commercial and incentive point of view, substantially the same as PSP awards. The awards made in 2007 have been made under the Phantom PSP. Rand value awards took place effective 1 March 2007. Subsequent to the awards being made, the participants were informed of the actual number of Phantom PSP shares that they were awarded, taking into account the volume-weighted average share price over the 20 days immediately preceding the award date. The use of a rand-value award mechanism enables easy communication of the underlying value of the award. It also enables the GRHRC to obtain an overall view of an individual's total compensation (total cost-to-company remuneration, annual performance bonus and long-term incentive award). The 2007 Phantom PSP awards will be cash-settled in 2010.

The Absa Group Executive Share Award Scheme (ESAS)

Under the ESAS, if an employee's total annual bonus exceeds a predetermined level, 25% of the annual performance bonus is mandatorily converted into a number of nil-cost options (exercisable between three and five years after the award) over shares or phantom shares. The remaining 75% of a participating employee's bonus can be converted voluntarily by the employee under the Absa Group Voluntary Executive Share Award Scheme (VESAS). If the employee is still in the employ of the Group after a period of three years, he or she will receive 20% bonus (matched) shares and certain dividend shares. A further 10% bonus (matched) shares and dividend shares will be awarded if the participant is still in the employ of the Group after a period of five years from the original date. The ESAS is therefore a deferred bonus plan that rewards, and promotes the retention of participating employees with matched shares and encourages them to invest in Absa in order to align their interests with those of shareholders. No performance conditions apply to the ESAS.

As an alternative to the Absa Group ESAS, awards may also be made under the Absa Group Phantom ESAS. Phantom ESAS awards are, from a commercial and incentive point of view, substantially the same as Absa Group ESAS awards. Awards made in 2007 were made under the Phantom ESAS and will be cash-settled in 2010.

The Absa Group Voluntary Executive Share Award Scheme (VESAS)

Employees who qualify for the ESAS are also invited to participate in the VESAS, which provides employees with the opportunity to defer some or all of the balance of their total annual performance bonus (the portion remaining after the mandatory ESAS) into the VESAS. If an employee decides to convert part of his or her annual performance bonus via the VESAS, this is effected on a net (after tax) basis. The converted bonus will then take the form of an award of Absa shares under the VESAS.

As in the case of the mandatory ESAS, with the VESAS the employee will receive 20% bonus (matched) shares and certain dividend shares if he or she is still in the employ of the Group after a period of three years. A further 10% of bonus (matched) shares and dividend shares will be awarded if the participant is still in the employ of the Group after a period of five years from the original date. However, unlike in the case of the mandatory ESAS, under the VESAS, a participant is entitled to sell the VESAS shares at any time subject to "closed periods" for nominated individuals. In the event that the VESAS shares are sold before three and five years from the original date, the respective bonus (matched) shares will be forfeited. No performance conditions apply to the VESAS.

Share Incentive Scheme

Until May 2006 the Group operated a share incentive scheme designed to link the interests of eligible employees with those of shareholders and the long-term desired strategic positioning of the Group. One-third of the options vested on the third anniversary of the date of grant, a further third vested on the fourth anniversary of the date of grant and the final third on the fifth anniversary of the date of grant. These options have a 10-year expiry period. In addition to the requirement that recipients be in the employ of the Group on vesting dates, earnings-based performance measures were linked to the allocation of share options in 2005.

Since then, when the Group's new incentive plans were introduced, no further awards were made under this share incentive scheme.

Employees

Other employee incentive plans

Batho Bonke Capital (Proprietary) Limited

Shareholders approved the allocation of cumulative redeemable option-holding preference shares to a number of previously disadvantaged individuals, qualifying employees and Black non-executive directors in accordance with the black economic empowerment transaction that the Group entered into with Batho Bonke Capital (Proprietary) Limited in July 2004.

Absa Group Limited Employee Share Ownership Administration Trust

All employees (as of the implementation date of 1 July 2004) of South African wholly owned subsidiaries, including South African employees on secondment elsewhere in the Group, were eligible to participate in a one-off offer of 200 cumulative redeemable option-holding preference shares. Each employee who elected to participate was issued and allotted 200 redeemable option-holding preference shares against receipt of the R400 subscription price.

EMPLOYMENT CONDITIONS AND EMPLOYEE BENEFITS

Absa provides a range of flexible employment conditions supported by a selection of employment benefits. Employment conditions are based on the principles of fairness, non-discrimination and maximum managerial discretion, taking into account the requirements of all relevant legislation.

In addition to traditional employee benefits such as pension fund, medical aid and group life benefits, Absa offers a preferential range of optional financial products to employees through a product range called “Exclusive Solutions”.

The total benefit offering to employees, inclusive of all features, is constantly benchmarked and reviewed to ensure competitiveness. During the year under review, two new policies of significance were introduced, being a new leave policy and a new car policy.

In 2006, Absa introduced a medical insurance subsidy for all employees, irrespective of grade. The subsidy falls outside the total cost-to-company remuneration for reasons relating to the need to track the subsidy separately from other cost-to-company remuneration items. The introduction of the subsidy yielded a positive reaction and greatly contributes to Absa’s employer of choice strategy. This subsidy has been reviewed for 2008 and the increase became effective 1 January 2008.

Information pertaining to all employment conditions and benefits is accessible to Absa employees on the Group’s intranet and is covered during the orientation of new employees.



Employees

LABOUR RELATIONS AND EMPLOYEE REPRESENTATION

Formal relationships governed by collective agreements with trade unions only exist within South Africa, Mozambique and Tanzania. In Angola, employees liaise collectively with management on work-related issues through an employee engagement forum; however, such engagement does not entail any form of collective bargaining. A partnership agreement only exists in South Africa between Absa and Sasbo. Initiatives were embarked upon in order to promote partnership agreements within Africa, commencing with a partnership workshop conducted in Tanzania in 2007. Follow-up workshops are scheduled for 2008 in Tanzania, including the extension of these workshops to Mozambique.

Workplace dignity and fairness

Transparency, openness and approachability are being pursued in the Group within the sphere of employee relations. This is borne out and articulated, not only in terms of the Absa values, but also by the ethics policy, code of ethics, growth charter and employee relations policies in general. Various avenues exist within the Group by means of which employees can raise any concerns which may affect their dignity, physical or emotional wellbeing, job security and general safety. In this regard, facilities such as Tip-offs Anonymous, Action Line, the Absa Contact Centre and several dedicated e-mail addresses are in place to afford employees a secure environment, free of the threat of victimisation, to raise their concerns. In addition, the recognised trade union, Sasbo, plays a vital role in monitoring accountability and compliance to set standards on behalf of its members.

The interactive process between employer and employees in Absa is well developed and operates on the principles of fairness, equity and industrial democracy. Specific measures are in place to ensure that employment practices are fair. There are effective dispute resolution mechanisms to address situations where these principles are not observed.

Absa's employee relations policies are available on the Group's intranet site and are periodically reviewed by the Human Resources department to ensure optimisation and alignment with legislative requirements. Employee relations policies are reviewed annually in conjunction with Sasbo.

In addition, the principle of freedom of association is formally endorsed in Absa's employee relations policy statements and in Absa's policy on trade unions.

Trade union relationships and worker participation

Currently, approximately 52% of Absa's total workforce is unionised, with two recognition agreements in place. The one recognition agreement is with Sasbo, the finance union representing the majority of employees within Absa and approximately 58% of employees within entry level grades up to supervisory level (the bargaining unit) belong to Sasbo. As regards managerial and executive positions within Absa, approximately 34% of these employees belong to Sasbo, representing these employees on an individual and not a collective level. The other recognition agreement is with the Absa Life Brokers Association (ALBA), representing life brokers only and enjoying representivity of 48% within this category at the moment. The contractual relationship with Sasbo is complemented by a partnership agreement, operating as a non-legally enforceable, co-operative agreement aimed at creating a mutual understanding of the particular interests of the respective parties, effectively acting as a guard against adversarialism within employer/employee relations.

In Tanzania, a recognition agreement exists between the National Bank of Commerce Limited and the trade union TUICO. The latter's bargaining unit comprises entry levels up to and including middle management. Collective bargaining is limited to establishing minimum remuneration per job grade. The only other recognition agreement concluded is in Mozambique with the trade union SNEB. The bargaining unit comprises entry levels up to and including middle management and SNEB enjoys 65% representation within the bargaining unit. Agreements reached through collective bargaining are extended to all employees and annual increases in remuneration are negotiated. In Angola, no formal relationship with any union exists, however employee participation is facilitated through the Staff Engagement Forum, an internal body.

Employees

LABOUR RELATIONS AND EMPLOYEE REPRESENTATION

Employee grievance mechanisms

The Absa grievance procedure has been revised in conjunction with Sasbo and provides for a two-stage (expedited) process for grievances in general, as well as for a single stage process, a centralised panel of officials presiding to attend to grievances pertaining to equity and diversity issues in particular. Regular training and coaching of functionaries in the grievance process is undertaken in order to ensure proper attention being given to grievances and resolving and normalising the situation in the shortest possible time period. The grievance procedure is available on Absa's intranet site, while pocket-sized abbreviated versions of the procedure are available to all employees. This communication is further supported by dedicated resources at the human resources contact centre. Regular communication sessions accessible to employees are provided on internal television broadcasts, supported by material published on the Group's intranet site. The newly acquired "er Navigator" management information system plays an important role in reporting, tracking and monitoring grievances and the handling thereof. In addition to its grievance module, the system also provides for a misconduct and external dispute resolution module.

In Tanzania, Mozambique and Angola, grievance procedures are in place in compliance with local legislation. Training and coaching of functionaries are undertaken.

Compliance

No contraventions of any labour legislation occurred in the year under review. In addition, no litigation pertaining to discrimination, anti-union practices or alleged human rights violations occurred during the year under review.

EMPLOYEE WELLNESS

"Live well, work well", the Absa wellness programme promotes wellness as a personal lifestyle choice and assists employees to achieve balance in all wellness dimensions, thus contributing towards Absa becoming a high performance organisation.

In 2007, the focus was on the identification and management of a troubled employee. This included:

- Trauma management and counselling with a 24/7/365 days access to either telephonic or face-to-face encounter with a counsellor.
- Managerial consultancy - a management resource where management is faced by a new or difficult people management issue and would like an independent professional sounding board on behavioural or mental issues.
- Financial literacy and debt rehabilitation programme – a programme for employees who find themselves in financial difficulty and are in need of debt rehabilitation. The programme includes:
 - provision for debt re-organisation in cases of over-indebtedness;
 - creation of an awareness of the dangers of reckless lending;
 - assistance with the administration of garnishee orders;
 - provision of confidential debt counseling;
 - financial literacy and financial management training; and
 - debt consolidation, where appropriate.

Health risk assessments are aimed at providing employees with their basic health statistics, allowing for pro-active management of a deviation from the norm.

Employees

HIV/Aids policies/programmes

Absa recognises that the scope of the HIV/Aids pandemic in South and southern Africa is such that it is likely to have a significant impact on the national economy.

The Group has an HIV/Aids programme, the primary objective of which is to minimise the potential impact of HIV/Aids and other life-threatening diseases on the Group and its stakeholders.

Absa has a number of established HIV/Aids programme structures. These include an HIV/Aids steering committee, which consists of various Group Exco members and business unit heads. The aim of the committee is to drive Absa's HIV/Aids process centrally. This committee consists of a number of focus teams with specific roles and responsibilities.

A summary of Absa's HIV/Aids policy

The Absa Group is committed to creating and maintaining a safe working environment for all employees, and undertakes to deal with HIV-infected employees and/or employees with Aids in the same way as with employees suffering from any other life-threatening disease. This is done with due consideration for all stakeholders, while addressing the issue in a positive, supportive and non-discriminatory manner.

At the same time, it is recognised that the HIV/Aids pandemic poses certain unique challenges and thus requires a specific focus. The Group recognises that HIV/Aids and other life-threatening diseases are a serious threat to the company and its employees, and that such diseases have the potential to impact negatively on the company and individual employees.

Absa's objectives in addressing HIV/Aids are:

- to provide guidelines on the management of HIV/Aids and other life-threatening diseases in the workplace;
- at work, to protect the health and legal rights (including confidentiality) of employees who have life-threatening diseases, or who are HIV positive, or who have Aids;
- to minimise, as far as possible, the spread of the disease and its impact in the organisation and on stakeholders;
- to encourage, with compassion, dignity, respect, and in a way that is free of discrimination, those employees who are affected to seek counselling and other support services to improve their overall health status;
- to ensure that the company continues to provide a safe, healthy and productive working environment for employees and other stakeholders by creating awareness, providing preventative programmes and supporting appropriate changes in behaviour; and
- to ensure adherence to formal legal requirements and labour legislation.

The core principles of Absa's HIV/Aids policy ensure that an individual's HIV status shall not constitute a reason to preclude any person from employment during recruitment or in respect of continued employment. Every employee has a right to privacy; therefore an employee who contracts HIV/Aids shall not be obliged to inform management of his or her condition.

Confidentiality regarding the HIV or health status of any employee will be maintained at all times. An employee's status will not be divulged to any other person without the prior written consent of the employee with the disease.

Absa's HIV/Aids policy is revised every two years by the Group's Human Resources division and approved by the Group's human resources leadership team and the recognised trade union. The policy is available to all employees on the Group's intranet site.

Employees

Management of infected employees

Absa realises that the key to sustainable business growth does not only lie in robust business strategies, processes or systems but also in a healthy and productive workforce. Absa cares about its employees and has the following HIV and Aids support programmes in place for its employees:

- Employees who are HIV positive are assisted to register on the Bankmed HIV programme or their own medical aid for continuous monitoring and case management.
- Where anti-retroviral treatment (ART) is indicated, it is ensured that employees receive their ART from pharmaceuticals of their choice.
- Blood tests are done periodically for monitoring of the CD4 count and viral load.
- The employee assistance line, 0800 611 262, is available 24 hours for support at all times with counselling and any other uncertainties that employees could be experiencing.
- Access is provided to personalised on-line disease management and support where queries of a personal and confidential manner are exchanged with expert medical and psychological personnel.
- All information and diagnosis available in the Wellness Centre is handled with strictest confidence. The Group protects the rights of employees to confidentiality.
- Provision is made for on-line and face-to-face information and education sessions.

HIV/Aids initiatives

Voluntary counselling and testing (VCT) – All wellness practitioners throughout Absa and in all the different regions offer voluntary counselling and testing on a continuous basis. Employees can have a test done at the Wellness Centre to know their status. The wellness practitioner counsels the colleague pre and post testing to prepare them for their results. If the results are negative, counselling is focussed on the importance of staying negative and if the results are positive, counselling is focussed on lifestyle management and supports staying healthy. VCT drives are done periodically to encourage employees to know their status.

Health-risk assessments (HRA) are conducted throughout the year and employees have their basic clinical assessments conducted, which keeps on check of their vital clinical signs.

Physical Wellness Programme – Employees are encouraged to enrol for the gym programme for continuous exercise and a biokineticist is always available for a personalised exercise programme.

HIV/Aids expenditure

All costs on HIV/Aids are borne by service providers, Bankmed and ICAS, and are covered by the insured benefit of individual members on Bankmed. ICAS receives a per capita fee, which includes all other services in the integrated health and wellness service offering. This includes:

- Voluntary counselling and testing drives.
- Laboratory investigations.
- Counselling services.
- Education and training.
- Chronic medication.
- Post-exposure prophylaxis.

Absa, through its corporate social investment arm, the Absa Foundation, provides assistance to individuals infected or affected by HIV/Aids. Refer to the community section of this report for additional information in this regard.

Employees

EMPLOYEE WELLNESS

Occupational health and safety

Absa has a dedicated environment, health and safety team to provide guidance and to ensure compliance. Environment, health and safety audits are carried out on a three-yearly cycle at low risk workplaces and annually at high-risk workplaces. These audits are undertaken by the Group's Environment, Health and Safety department.

Risk assessments of workplaces are compiled and the required eliminating or mitigating procedures are put in place to reduce the risk. At workplaces with more than a hundred employees, or where the layout requires more than one environment, health and safety representative committees are formed to manage the environment, health and safety within the workplace.

Occupational health and safety policy

Absa has an occupational health and safety policy, which is aligned with the Barclays policy. This policy includes employer and employee responsibilities in terms of the Occupational Health and Safety Act. The policy is communicated via an orientation programme for all new employees and at a compulsory general awareness programme. A copy of the Act and policy is available on the Group's intranet site.

All workplaces have elected environment, health and safety representatives, first aiders, fire wardens and evacuation leaders, who receive the necessary training to enable them to perform the required duties. Quarterly inspection reports are conducted by the environment, health and safety representatives and then forwarded to the Environment, Health and Safety department.

The top five health and safety risks in Absa are: injuries caused by slipping and tripping; falling from stairs; moving, opening, lifting and handling objects; vehicle accidents, as well as finger injuries sustained when closing doors and drawers.

The majority of these injuries result from employee negligence. Training initiatives are undertaken to make employees aware of taking care of themselves and being more cautious and observant in their activities. Injuries on duty declined in 2007. This could be attributed to the awareness campaigns, as well as audits carried out by the Environment, Health and Safety department.

Health and safety statistics

TRAINING COMPLETED DURING 2007

	2007
Environment, health and safety representatives	638
First aiders	490
Fire wardens	769
General awareness	6 197

INJURIES AND LOST DAYS

	Injuries	Days lost
Year ended 31 December 2007	199	670
Year ended 31 December 2006	212	674

Note

No separations have been made between incidents, accidents and diseases.

Absentee rates and days lost to strikes, other industrial action and disciplinary procedures

The percentage of employees who made use of their sick leave during the period from January 2006 to December 2006 was 66,3%. This increased to 68,2% for the period from January 2007 to December 2007. The average percentage of employees who used sick leave per month was 5,7%. Absa's absenteeism rates are actively managed per business unit.

During the period under review, no days were lost to strikes, other industrial action or disciplinary action.

Employees

EMPLOYEE STATISTICS

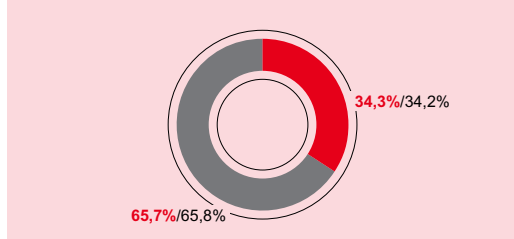
As at 31 December 2007, the Group had 36 893 employees. This was 1 739 more than at 31 December 2006.

	2007	2006
Permanent employees at the beginning of the year, excluding other entities consolidated into the Group's financial statements	33 559	32 037
Add		
• Employees recruited during the year	6 306	5 878
Less		
• Resignations	3 852	3 178
• Retirements	273	305
• Misconduct/incapacity	378	348
• Retrenchments	207	44
• Outsourced	0	349
• Health-related	89	45
• Deceased	58	87
Permanent employees at the end of the year, excluding employees in other entities consolidated into the Group's financial statements	35 008	33 559
Add		
• Employees in entities consolidated into the Group's financial statements	1 885	1 595
Total employees	36 893	35 154
Attrition rate	13,8%	13,0%

Employees

GENDER COMPOSITION

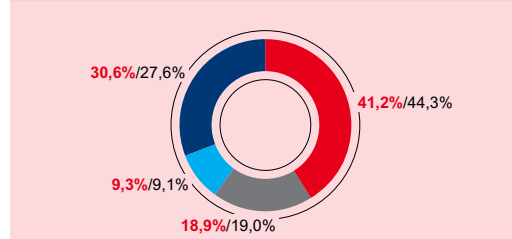
31 December 2007/2006 (%)



● Male ● Female

RACE COMPOSITION

31 December 2007/2006 (%)



● White ● Coloured ● Asian ● Black

The remainder of the statistics in this section of the report exclude employees in other entities consolidated into the Group's accounts.

Full-time equivalent

The full-time equivalent of temporary employees at 31 December 2007 was 620.

The estimation of the permanent employee equivalent versus temporary employees converts the number of temporary and casual employees employed in a specific period to a permanent equivalent by means of the following formula:

The sum of the remuneration cost of permanent employees on job levels up to and including technical employees is used to determine the average remuneration cost per employee in this group. The sum of the remuneration cost of temporary and casual employees is then divided by this estimate to determine how many permanent employees would have been employed.

Employees

EMPLOYEE DEMOGRAPHIC ANALYSIS

	31 December 2007		31 December 2006	
	Number	%	Number	%
Gender distribution				
Female	22 989	65,67	22 079	65,79
Male	12 019	34,33	11 480	34,21
Total	35 008	100,00	33 559	100,00
Non-management level, split by gender				
Female	19 277	74,06	18 843	74,16
Male	6 753	25,94	6 567	25,84
Total	26 030	100,00	25 410	100,00
Management and senior specialist level, split by gender				
Female	3 712	41,35	3 236	39,71
Male	5 266	58,65	4 913	60,29
Total	8 978	100,00	8 149	100,00
Ethnic group split				
African, Coloured and Indian	20 585	58,80	18 676	55,65
White	14 423	41,20	14 883	44,35
Total	35 008	100,00	33 559	100,00
Non-management levels, split by ethnic group				
African, Coloured and Indian	17 544	67,40	16 169	63,63
White	8 486	32,60	9 241	36,37
Total	26 030	100,00	25 410	100,00
Management and senior specialist level, split by ethnic group				
African, Coloured and Indian	3 041	33,87	2 507	30,76
White	5 937	66,13	5 642	69,24
Total	8 978	100,00	8 149	100,00
Age distribution				
Up to 25 years	7 142	20,40	6 715	20,01
26-35 years	13 373	38,20	12 677	37,78
36-45 years	8 157	23,30	7 911	23,57
46-55 years	4 831	13,80	4 748	14,15
Over 55 years	1 505	4,30	1 508	4,49
Total	35 008	100,00	33 559	100,00

Employees

LENGTH OF SERVICE

Average length of service	31 December 2007 %	31 December 2006 %
• 0-2 years	32,9	35,8
• 2-5 years	17,5	14,8
• 5-10 years	18,6	19,0
• 10-15 years	10,9	10,3
• 15-20 years	9,7	10,6
• 20-30 years	8,7	7,7
• 30 years plus	1,7	1,8
Total	100,0	100,0

EMPLOYEES WITH DISABILITIES

Number of employees	Year ended 31 December 2007	Year ended 31 December 2006
African	11	11
Coloured	25	26
Indian	11	11
White	191	212
Total	238	260

EMPLOYEE TURNOVER

	Year ended 31 December 2007 %	Year ended 31 December 2006 %
African, Coloured and Indian	14,4	14,0
Overall	13,8	13,0

SUSTAINABILITY THEMES

The community – Helping to empower and uplift the communities in which Absa operates

Introduction



Absa views corporate social investment (CSI) as a business imperative. Through its CSI interventions, Absa seeks to contribute meaningfully towards nation building. During the year under review, Absa's social investment programme, as implemented by the Absa Foundation, took a macro-social approach to partnerships with civil society, public benefit and not-for-profit organisations, public sector institutions and other private sector organisations.

Through strategic partnerships, the CSI programmes were designed to ensure that poor, underprivileged and historically disadvantaged communities were reached. The projects were aimed at addressing social and economic disparities; responding to government's developmental

priorities and the Group's focus on areas of key social and economic programmes in partnership with the non-profit sector.

THE YEAR UNDER REVIEW

- The Group received the following accolades for its commitment to sustainable CSI:
 - Most caring financial services institution (Corporate and Market Research, Corporate Care Check).
 - Second most caring company in South Africa (Corporate and Market Research, Corporate Care Check).
 - The company that most strongly involves its employees in community volunteerism and the best financial sector corporate grantmaker in South Africa (Trialogue).
 - Second best corporate grantmaker in South Africa over a period of eight years (Trialogue).
- Absa continued to partner with civil society, public benefit organisations (PBOs) and non-profit organisations (NPOs), public sector institutions and other private sector organisations in addressing community needs.
- There was a deliberate aim to engage disadvantaged and developing communities in sustainable programmes focusing on early childhood development and maths, science and technology; health (with a focus on HIV and Aids); and lastly job creation activities and entrepreneurship. The Absa Foundation's entrepreneurship development strategy was approved in July 2007.

The community

FUTURE FOCUS

In contributing towards Absa's goal to be the preferred partner in growing South Africa's prosperity, the Absa Foundation aims to be the leading practitioner and thought leader in corporate social investment, and to build capabilities through strategic partnerships.

The following opportunities and strategic issues will receive attention during 2008:

Absa CSI flagship programmes – In 2008, the focus will be on entrenching the Absa Foundation's various flagship programmes in each of the nine provinces, where Absa has dedicated CSI practitioners; developing new and strengthening existing partnerships; increasing the scope and exploring value adding initiatives, to maximise impact.

Opportunities for improvement include a strategic focus on literacy as an extension of the maths, science and technology flagship - the Beyers Naudé Schools Development Programme, which is implemented in partnership with an established non-government organisation, Kagiso Trust.

Language literacy is crucial in the learning experience and performance of learners in school subjects, including mathematics and science. To this end, a decision has been taken to develop and implement a complimentary literacy strategy to the Beyers Naudé Schools Development Programme. Focus will be on primary schools that feed into the clusters of secondary and high schools supported through this programme.

The Absa Sowetan Early Childhood Development (ECD) awards programme is another flagship programme. The awards are aimed at raising awareness about the innovative work done by practitioners in many poor and rural communities. The awards programme will be extended through a programme that will be implemented throughout the year. The programme will focus on, among other things, capacity building for centre personnel, facilitating platforms for sharing of best practice, linking ECD centres with appropriate resources.

An increasing number of orphans and children exposed to various negative circumstances constitute a challenge facing development practitioners in South Africa. In response to this challenge, Absa establishes partnerships with non-profit organisations to provide for the basic needs of identified children. Impact and sustainability of current interventions highlight the need to focus on secondary needs such as establishing food gardens and exploring other means to ensure a livelihood for child-headed households. This requires a stronger relationship with government departments including Health, Social Development and Public Works.

Growth and innovation – Unique to the Absa CSI experience is the strong executive and employee support enjoyed by the Absa Foundation. The number of employees involved has grown steadily over the years – the enthusiasm of giving is unmatched and has increased in leaps and bounds. Through volunteer week, Absa employees are encouraged to identify, support and become involved in community development initiatives. The benefits of involvement as expressed by employees have highlighted value in team building, the need for socially responsive companies and personal growth. Some of the initiatives undertaken by business units have grown significantly in terms of scale, spend and partnerships. It is essential to continue to communicate the importance of volunteerism and encourage employee involvement, by creating an enabling environment. To this end, relevant policies such as the Matching Fund will be reviewed and updated to ensure maximum employee participation, scope of projects undertaken and meaningful impact.

Nearly 50% of Absa's top executives have adopted community projects in different provinces. They not only provide financial resources, but become involved in the life of the adopted non-government organisation for a minimum period of two or three years. The Absa Foundation will continue to support this commitment and seek worthy causes to be supported through the Reashoma Programme.

Impact assessment – Monitoring and evaluation measures are part of Absa's CSI strategy. This helps the Group determine project performance; inform strategies for improvement; identify areas requiring attention; ensure that projects perform at the required level; understand how projects should be meeting the needs of beneficiary needs, to get feedback on projects performance/perceived benefits by beneficiaries. A bi-annual impact assessment exercise will be carried out during 2008.

The community

ABSA'S CORPORATE SOCIAL INVESTMENT (CSI) STRATEGY

Absa's corporate social investment programme is viewed as a business imperative and contributes to Absa's goals by:

- developing a community franchise that empowers and uplifts people from all walks of life;
- contributing to the country's social, development and economic needs; and
- making a difference to the lives of the underprivileged.

Absa aims to be the leading practitioner and thought leader in corporate social investment as informed by global trends, and build strength and capabilities through collaborative partnerships.

Absa is wholeheartedly committed to being a model corporate citizen and, through its corporate social investment activities, to developing a community franchise that empowers and uplifts disadvantaged people.

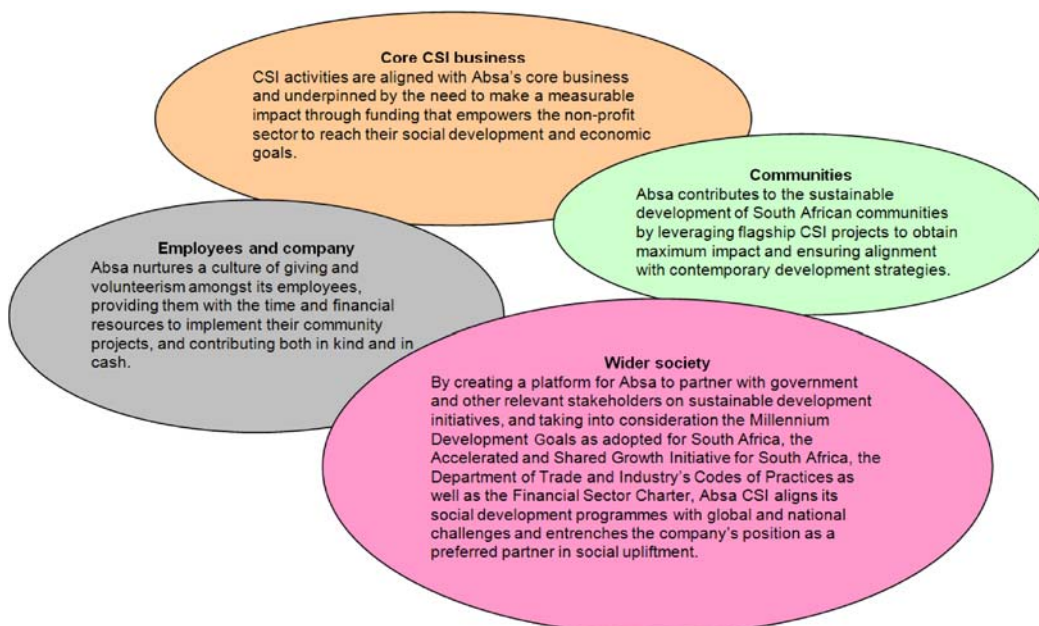
However, Absa recognises that social giving is not enough in its own right. For corporate social investment to be truly effective and make an ongoing and meaningful difference to the lives of underprivileged people, it needs to be well-managed and underpinned by the driving principle of sustainability. For this reason, the Group adopts an integrated sustainability approach that encompasses all the Group's stakeholders, including shareholders, customers, employees, the communities in which it operates and government and regulators. This approach ensures the effective and balanced management of the company's economic, social and environmental relationships.

Because South Africa's social development needs are so vast, Absa has divided its funding allocations into three pillars to ensure that it covers the broadest range of needs, communities and project types. As such, it invests in:

- **Flagship programmes:** Determined through and aligned to its key focus areas, these are large-scale, national projects that encompass best practice in CSI.
- **Significant partnerships:** Absa partners with and capacitates reputable NPOs that stand out as best practice organisations in their focus areas.
- **Survivalist project partnerships:** Although not always best practice organisations, these are important partners as they often fill the gap at grassroots level where large-scale project partners or even the government cannot. These partners conduct important work with a reasonable measure of success and, with the right kind of assistance, have the potential to grow.

In all its projects, Absa CSI is driven to build a better quality of life for its stakeholders and for future generations.

The diagram below provides an indication of the various elements of Absa's CSI strategy.



The community

CSI AT ABSA

Absa's CSI programme is largely focused on development initiatives in the fields of education, entrepreneurship development and job creation, and health. CSI interventions in the Absa Group are largely undertaken via the Absa Foundation, which is Absa's community development and social investment arm. In addition to the interventions undertaken by the Absa Foundation, the Group's business units support Absa's CSI initiatives:

- by providing resources and smaller grants;
- through employee community involvement;
- by undertaking and embracing special projects such as Casual Day;
- through sport sponsorship and development;
- by supporting the visual arts; and
- by preserving the Group's heritage.

The Absa Foundation

The Absa Foundation was established in 1994 and is the primary channel for the Group's social investment programme. The Absa Foundation focuses on three key areas for its CSI initiatives:

- Education, with a specific focus on:
 - practitioner development in the field of ECD; and
 - educator development in mathematics, science and technology (MST).
- Entrepreneurship development and job creation.
- Health, including HIV/Aids and cancer.

Governance of the Absa Foundation

The Absa Foundation is governed by a board of trustees, which is chaired by the Absa Group Chairperson. In addition, the foundation has a management committee that is chaired by the Group Executive: Public Affairs. The role of the committee is to ensure the execution of decisions and to craft policy and guidelines for consideration and approval by the Absa Foundation board. The board of trustees and the management committee each meet five times a year.

In 2006, the Absa Foundation was granted Section 18A status and was subsequently registered as a public benefit organisation. To ensure good governance, management is responsible for the ongoing business processes with regard to legal entities, including tax, regulatory, legal, risk management, capital, accounting treatment and financial accounting, statutory filings, and board governance requirements.

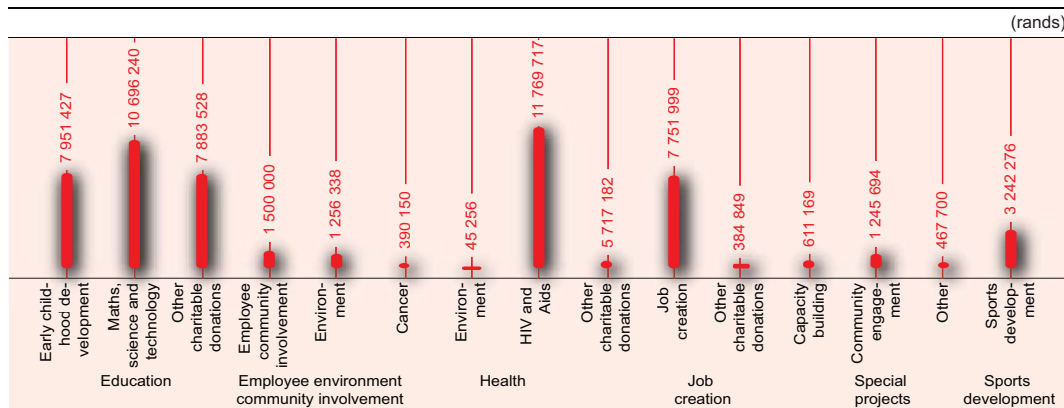
The community

ABSA'S CSI NATIONAL SPEND

During 2007, Absa paid the greatest attention on education programmes with maths, science and technology. These initiatives received the highest allocation of the Group's CSI funding. This was followed by health, with HIV and Aids interventions receiving the highest allocations in this regard. Absa's investments in education and health reflect the Group's strategy of aligning with the development needs of the country.

For 2007, Absa Group's business units and the Absa Foundation invested R60,9 million in the community. The following graph provides an indication of the areas in which the Group invested.

TOTAL CSI SPEND FOR 2007 (Total: R60,9 million)



The Financial Sector Charter requires for financial services organisations to invest 0,5% of net profit after tax in South African communities. Absa exceeded this requirement and as a result achieved the full points allocated to CSI for the charter scorecard for 2007.

The Absa Foundation receives an annual allocation of 0,5% net profit after tax. The allocation increased from R30,0 million in 2006 to R39,9 million for 2007. The table below indicates the areas where these funds were invested. Education, specifically maths, science and technology education, received the majority of the investment, followed by HIV and Aids.

ABSA FOUNDATION SPEND FOR 2007

Focus areas	2007 Rm	2006 Rm
Education	14,6	14,4
• Early childhood development	6,1	4,4
• Maths, science and technology and other	8,5	10,0
Entrepreneurship	3,9	4,0
Health	10,4	6,7
Employee community involvement	3,4	0,9
Other charitable contributions	3,7	1,6
Special projects	3,9	2,4
Total	39,9	30,0

The community

Investment philosophy

The philosophies that underpin Absa's CSI funding allocations are centred around three pillars as indicated previously in this report. These are:

- flagship programmes;
- significant partnerships; and
- survivalist project partnerships.

These pillars mirror the development sector which varies from small, grassroots non-profit organisations to large scale projects that specialise in their field and provide best practice models.

Flagship programmes

Flagship programmes are determined through and aligned to key focus areas. They are large scale, best practice projects and typically national. These projects aim to carve a niche of distinction for Absa's CSI endeavours. Underlying the flagship philosophy are deliberate partnerships with key partners that are reputable and have goals that are compatible with Absa's CSI goals. Flagship projects are aimed at viable and sustainable solutions in response to national priorities and the United Nations millennium development goals. Absa CSI's flagship programmes are conducted in association with experts in that particular field and offer holistic and practical models to address social development priorities. Flagship programmes are funded at a high rand value to obtain maximum reach and impact.

Significant partnerships

Absa CSI's significant partners are reputable non-profit organisations (NPOs) that stand out as best-practice organisations in their focus areas. These partners deliver quality programmes based on models that are holistic and specific in approach. These institutions are efficiently run and have a solid track record. Often, they are leaders in their field and operate at a provincial if not a national level. Significant partners have a longstanding relationship with the foundation and an established track record. They are well run, recognised within the community, are transparent and accountable. Funding is pitched at a moderate to high level where a whole segment of the project can be primarily funded by Absa. An example of a significant partner that is funded by the Absa Foundation is the Maths Centre for Professional Teachers (MCPT). This project operates in multiple provinces, applies a tried and tested model and runs quality, successful programmes.

Survivalist project partnerships (second economy initiatives)

Survivalist partners, although not always best-practice organisations, are important partners to Absa. These partners conduct important work in the community with a reasonable measure of success, and have the potential to grow measurably. Survivalist projects often fill the gap at grassroots level where large-scale project partners or even the government cannot. Capacity building and sustainability are key issues of concern when it comes to survivalist projects. However, the value of the work that these organisations do means that even at a modest level of funding, they can still achieve a significant impact within their context.

The Driehoek ECD centre is an example of a survivalist project with which Absa has partnered. The centre is situated in a rural community in North West. Renovations to the centre impact directly on the quality of teaching provided at the centre because they involve providing daily meals to children and facilitating learning through play.



Driehoek ECD centre after renovations were made.

The community

Evaluation of the impact of Absa's CSI initiatives

Background

All social investments must create value for both the donor and the recipient. In order to determine such value, it is important for Absa to evaluate its CSI programmes in terms of, but not exclusive to, the impact they generate. The information garnered through such impact evaluations is valuable in determining how projects will be managed in future, how relationships between the Absa and the recipients should be managed or improved, as well as opportunities that may exist to create more value out of the programme.

Absa's impact assessment approach was presented to the Absa Foundation board of trustees in July 2006 for approval.

The aim of the assessment was to evaluate and determine the impact that Absa's supported community development programmes and the PBOs that manage them have had and in terms of:

- their impact on the intended, agreed beneficiaries;
- compliance with the agreement with Absa; and
- compliance to good corporate governance practices.

Specific objectives included the following:

- Evaluation of each organisation in terms of corporate governance and management capacity.
- Determination regarding the adherence to the agreed objectives/deliverables as undertaken when applying for the funding.
- Determination of the impact on beneficiaries as well as the implementing agent.
- To determine lessons learnt.
- To determine actions to be addressed.
- To identify potential opportunities for CSI programme enhancements.
- Identification of perceived strengths and weaknesses of each project.
- Suggested improvements to each project.
- Identification of perceived strengths and weaknesses of Absa's CSI programme.
- Suggested improvements to the Absa CSI programme.
- Association of Absa as a donor of each project.
- Perception of Absa as a caring corporate citizen as result of their involvement.

Because of the objectives, type and nature of each project, the methodology differed from one project to another. The following techniques were employed separately and/ or in combination for each project:

- Face-to-face interviews with beneficiaries according to a structured questionnaire.
- Focus groups with beneficiaries according to a pre-drafted question list.
- Site visits to projects.
- In-depth interviews with project managers.
- Collection of records (i.e. internal reports, annual reports, contracts, financial statements, statutory certificates, attendance records, and so on)
- Internet research.

The community

KEY PARTNERSHIPS

Partners in helping address the challenge of orphans and vulnerable children (OVC) – Absa's OVC programme

The challenge of addressing the needs of orphans and vulnerable children can only be tackled through partnerships. The problem is too large for an individual or institution to tackle single-handedly. In rising to the challenge, Absa has partnered with ten non-government organisations (NGOs) to support 458 families in a sustainable manner. The partners include Hope Worldwide, World Vision, Child Welfare South Africa, Wola Nani, the Starfish Greathearts Foundation, Johannesburg Child Welfare, Operation Blanket, Viljoenskroon Hospice, the National Association of Child Care Workers and the Rotary Club of Ficksburg Imperani.

During 2007, R2,5 million was made available to support the programme. Through Absa's national OVC initiative families receive a fortnightly food parcel. In addition to providing for the basic needs of these children, Absa helps the family to qualify for additional social services and grants, laying the groundwork for individuals to gain control over their future. Through the "Give As You Earn" programme, Absa employees provided blankets and basic necessities to the families and ensured that each child received a new school uniform at the start of the 2008 school year.



Hope World Wide and World Vision providing food parcels.

Kagiso Trust – Beyers Naudé Schools Development Programme (BNSDP)

Kagiso Trust remains among the largest Black-led, national and independent development agencies in South Africa. The trust is a South African non-governmental developmental agency. Absa found a strong partner in Kagiso Trust in the development of maths and science centres in the country through the Beyers Naudé Schools Development Programme (BNSDP).

The BNSDP is a flagship programme of Kagiso Trust and Absa. It is a comprehensive response to challenges faced by most rural high schools in South Africa and is implemented in partnership with the Department of Education. Its overall objective is to create functionally thriving schools by building of leadership capacity through value-adding relationships and training interventions. All stakeholders involved in running and managing schools are targeted. Launched in 2005 in Limpopo, the programme has since been expanded to include the Free State and the Eastern Cape. Twenty-nine rural high schools are currently participating in the BNSDP.

The BNSDP enjoys the support of provincial leaders, including the Honourable Ms M A Tsopo, MEC for Education in the Free State and the Honourable Mr J Makgato, MEC for Education in Eastern Cape. During the year under review, the Absa Foundation committed R2,5 million to the project.



The Beyers Naudé Schools Development Programme.

The community

National Council for Persons with Physical Disabilities – Casual Day

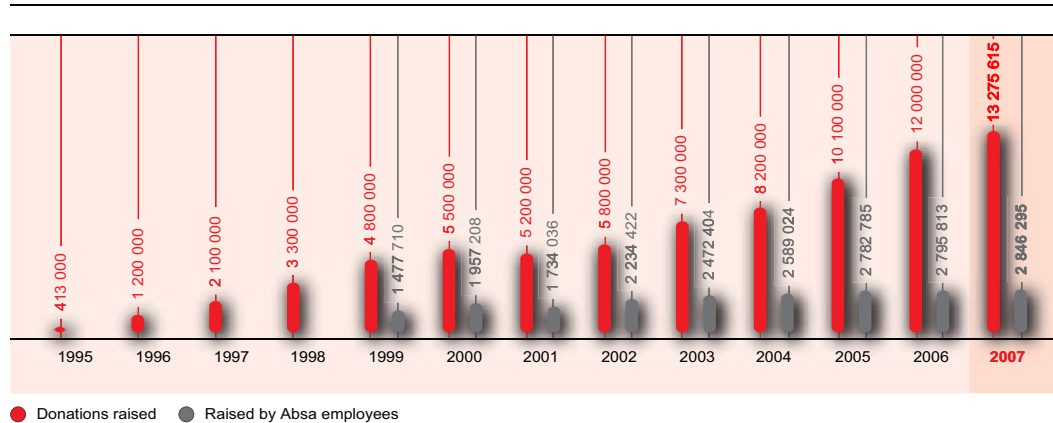
Absa's partnership with the National Council for Persons with Physical Disabilities in South Africa (NCPDPSA) is through the Casual Day campaign, of which Absa has been the primary sponsor of for the past 12 years. The campaign, now in its thirteenth year, has raised more than R75 million for the disability sector. The campaign has had a direct impact in uplifting the disabled community by purchasing assistive devices, promoting entrepreneurship and job creation projects, through education, and through ongoing maintenance projects.

The Casual Day project is owned and managed by the NCPDPSA and is annually organised by The Marketing Team (Proprietary) Limited. Beneficiaries of the project include the following national organisations:

- The National Council for Persons with Physical Disabilities in South Africa;
- The South African Federation for Mental Health;
- Disabled People South Africa;
- The Deaf Federation of South Africa;
- Epilepsy South Africa; and
- The South African National Council for the Blind.

These organisations all provide a service on a national level and represent over 400 different homes, schools and workshops in the field of disability, all of which directly benefit from the proceeds raised through Casual Day. The following graph indicates the funds raised by Absa employees in comparison to the total funds raised.

FUNDS RAISED THROUGH CASUAL DAY BETWEEN 1995 AND 2007



A total of R13,3 million was raised for the 2007 Casual Day campaign, exceeding the 2006 amount by R1,3 million. Absa employees were directly responsible for raising R2,8 million. A number of other corporates ran external and internal drives to raise funds for the campaign.

A key success factor of this year's campaign was the link to the Absa Relay. In addition to Casual Day being a beneficiary of the Absa Relay, the event also enabled the campaign to be publicised and greater awareness created. The timing of the Absa Relay was ideal, as it was four weeks before Casual Day.

In addition to directly impacting on the disabled community, Casual Day is South Africa's longest running and most successful fundraising campaign. Most other large fundraising campaigns across South Africa are based on the structure and governance of the Casual Day campaign.

The community

Aggrey Klaaste Nation Building Foundation – Absa/Sowetan early childhood development (ECD) awards and development programme

There are currently approximately 24 000 registered ECD practitioners in the country. These include ECD centres and play groups, including registered home-based groups and community groups.

The Absa/Sowetan ECD awards and development programme is a vehicle to create awareness of the importance of ECD and provided a platform and support system for people and centres working as early childhood developers in rural and peri-urban communities. This platform encouraged unqualified ECD practitioners to register for qualifications in ECD, and also encouraged qualified ECD practitioners to register themselves and their ECD centres. Partners in the programme include the Aggrey Klaaste Nation Building Foundation, the Sowetan newspaper, the Department of Education, the Office of the Rights of the Child in the Presidency and SABC Education.

Ms G Mahlalela from the Ithuseng Pre-School received recognition for the best community-based centre. Through the development programme, Ms Mahlalela was able to purchase outdoor equipment and more educational equipment for the centre. The development programme also assisted the Tintlhari Day Care Centre, recognised as the best home-based centre, to fence off the property and make the environment safer for the children. The centre also purchased educational books for the practitioners to further their training. Flushing toilets were built with the remainder of the money.

It is anticipated the Department of Public Works (through the Expanded Public Works Programme (EPWP)) and the Department of Social Development will become involved in 2008.



Practitioner of the year, Ms Nsimbini of the Khulangelwati pre-day care centre

Department of Water Affairs and Forestry

Absa has entered into a partnership with the Department of Water Affairs and Forestry (DWAF) through the Baswe Le Meetse Awards. An objective of the awards is the provision of access to water in communities across South Africa that does not have such access. With the generous support of Absa's employees through the "Give As You Earn" programme, and through its association with PlayPumps International, Absa committed R1,5 million to the project, thus facilitating access to clean water for 75 South African communities.



A Roundabout playpump installed at Diraleng Crèche in the North West Province.

The community

The Peace Parks Foundation

Founded in 1990, the Peace Parks Foundation facilitates the establishment of transfrontier conservation areas (peace parks) and develops human resources, thereby supporting sustainable economic development, the conservation of biodiversity and regional peace and stability.

Through Absa's partnership with the Peace Parks Foundation, support is also given to the South African Wildlife College in Hoedspruit and the SA College for Tourism in Graaff-Reinet.

From 2007 onwards, Absa has agreed to divide its annual R1 million donation between the Peace Parks Foundation's capital fund account and the SA College for Tourism to provide bursaries for South African women to receive training in the hospitality field. After training, the women are placed in bed-and-breakfasts establishments and hotels in the peace parks. The women selected to attend the SA College for Tourism are principally from disadvantaged communities where the monthly household income of the parents is less than R5 000.

South African Reserve Bank – Absa Museum

The Absa Museum has formed a unique relationship with the South African Reserve Bank (SARB). In providing historical numismatic support to the SARB, the museum annually hosts the cadets of the SARB College.

For several years the SARB has indicated an interest in developing a banking museum. This is very much in line with the strategy adopted by many other central banks across the world. The SARB have been engaging with a number of interest groups in the numismatic and heritage fields. The Absa Museum, which aims to position Absa as a bank rich in experience and history, was subsequently approached by and has agreed to assist the SARB in facilitating the process for the design of a SARB museum. This is also to include aspects of the South African Mint Company and the South African Bank Note Printing Company, which are subsidiaries of the SARB.

Employee CSI programmes

Harnessing the expertise and energy of employees as a resource in community development is a growing trend in the South African CSI arena. Recognising the myriad benefits associated with this approach, numerous companies are initiating employee involvement programmes that continue to strengthen and enhance their existing programmes.

As an organisation, Absa gives generously through its CSI programmes, but a business such as Absa can only truly claim to care if its employees are also directly involved in supporting such programmes. Launched in 1991, Absa's employee community involvement (ECI) programme facilitates employee involvement in improving the quality of life of fellow South Africans through various Absa ECI initiatives. The following table provides an indication of the reach and involvement in ECI programmes.

ABSA'S ECI PROGRAMMES

Programme	Description	Reach
"Give As You Earn"	• Amount of funds raised (rand)	621 431
	• Average number of employees contributing per month	4 489
	• Average contributions per month (rand)	52 529
Matched Giving Fund	• Total number of volunteers	± 12 000
	• Total number of new projects registered during the year	118
	• Total active volunteering projects	592
Reashoma	• Total number of projects that applied for matched funding	85
	• Total Matched Giving Fund amount granted (rand)	941 846
	• Total contributed (Rm)	R2,4

Further information relating to these programmes are contained on the pages that follow.

The community

Executive and leadership support – Project Reashoma



Project Reashoma – the Northern Sotho word meaning “we are working” – is aimed at getting Absa’s executives to support and champion community projects. In partnership with Absa CSI, Absa’s executives identify suitable community projects and adopt them.

Fourteen projects were registered, from the facilitation of access to water, infrastructure support and upgrading of school facilities to support for child-headed households, the provision of school uniforms, support for technology and literacy projects, bursaries and the provision of resources for people with cranial facial deformities to be given cosmetic makeovers. A total of R2,4 million was contributed in 2007 through this initiative, of which R1,4 million went towards the water initiatives through PlayPumps International.

Each of the projects supported and championed by Absa’s executives has a significant impact in the lives of not only individuals, but entire communities. One of the major success stories is the support given to Grys Appel Farm School. The project was originally identified and adopted by the Group Chief Operating Officer, Peter Mageza, in 2006. During the past year he paid several visits to the school and spent time engaging with the educators and the community, and interacting with the children. Through his intervention the school was given a borehole, an irrigation system for the development of food gardens, and proper ablution facilities. Each of the three classrooms was also upgraded. During 2007, the school was ear-marked for closure and reintegration into one of the other nearby community schools. After a site visit from representatives from the Limpopo Department of Education, the decision was reversed. The nearby community school is to be closed in mid- 2008 and incorporated into the Grys Appel Farm School, which will be known as the Grys Appel Primary School.

“Give As You Earn”

Through the Absa “Give As You Earn” programme, Absa employees have the opportunity to support worthy causes through monthly donations from their salaries. The following table presents employees’ contribution to the “Give As You Earn” programme for the past four years.

A FOUR-YEAR COMPARISON OF THE “GIVE AS YOU EARN” PROGRAMME

Year	Average number of employees contributing per month	Average contributions per month (rand)	Average contribution per employee (rand)	Total raised (rand)
2004/05	5 187	48 291	9,43	543,546
2005	5 000	45 351	9,07	453 237
2006	5 050	51 365	10,17	616 381
2007	4 489	52 529	11,70	621 431

Proceeds of the programme are used to:

- facilitate access to water in 75 communities across South Africa, through a partnership with DWAF and PlayPumps International;
- support child operations at the Walter Sisulu Cardiac Paediatric Centre at Sunninghill Hospital; and
- provide quality support for the child-headed households supported through Absa’s OVC programme.

The community

Matched funding



The Matched Giving Fund programme is aimed at recognising and rewarding the volunteering and fundraising efforts of Absa employees. Using employees' in-depth knowledge of local community needs, the programme has already channelled funding to many grassroots community organisations that would have fallen outside the company's strategic focus. The following table represents the amounts paid out through the Matched Giving Fund programme.

A FOUR-YEAR COMPARISON OF THE MATCHED GIVING PROGRAMME

	2004/05	2005	2006	2007
Team applications	45	19	40	85
Individual applications	5	3	0	0
Declined applications	5	0	3	4
Total number of applications	50	22	40	85
Total amount granted (rand)	178 922	181 743	362 980	941 846

Family CSI Programmes – Absa Sešego Cares

Spouses of the Absa executives took up the challenge to collectively involve themselves in social upliftment projects and to encourage all the spouses and partners of Absa employees to make a difference to those less fortunate across Southern African communities. This led to the establishment of the Absa Sešego Cares programme. During 2007, Absa Sešego Cares was registered as an NGO: Sešego Cares. Absa's CSI manager sits on the Absa Sešego board in an ex officio capacity to ensure alignment with Absa's CSI policy and approach.

During the year, the programme undertook a number of fundraising initiatives and community upliftment projects. Fundraising initiatives included a golf day, through which more than R100 000 was raised. Because of the positive support received for the event, this is to become an annual fundraising event on the Absa and Sešego Cares calendar.

The community upliftment projects supported by the project include:

- **Leseding Learning Academy (Orange Farm):** By bringing together key partners, eight classrooms were renovated; 480 desks and chairs donated; teachers' desks, cupboards and chalkboards procured; stationery given to all 1 200 learners and teachers, and monthly cleaning material donated. The total estimated cost of the investment is R1,5 million.
- **Bethesda Outreach (Hammankraal):** In partnership with Absa's "Give As You Earn" programme a borehole was sunk at Bethesda Outreach. The water from the borehole will be used specifically for agriculture and food gardening. In partnership with Absa's "Give As You Earn" programme a borehole was sunk at Bethesda Outreach. The water from the borehole will be used specifically for agriculture and food gardening.

Business-cluster-driven CSI and volunteering-driven initiatives

Teaching handwriting, reading and spelling skills (THRASS) – Absa THRASS TalkTogether project

During 2007, Absa went into partnership with THRASS, a UK-based organisation focusing on literacy. The Absa THRASS TalkTogether project was initiated. It is an initiative with a vision to increase literacy in South Africa, through the improved teaching and learning of English using the THRASS model. The project is driven by Absa Retail Bank.

The programme targets foundation-level learners and their teachers. It helps learners to develop sound literacy skills from an early age, and creates a strong foundation of English skills. THRASS, "The Phoneme Machine", is a groundbreaking computer programme that uses the International Phonetic Alphabet and moving human lips to demonstrate the pronunciation of sounds and a variety of frequently-used English words.

During 2007, with a financial commitment of just under R1 million, Absa, through the Absa THRASS TalkTogether project, partnered with five universities and piloted THRASS in five schools, where it forms part of the teaching curriculum. THRASS has also been adopted as part of the teaching curriculum by the partnered universities and more than 600 teachers have been trained in THRASS.

The community

Department of Education – Absa Bright Future programme

The aim of the Absa Bright Future programme is to initiate a national programme adopting secondary schools. Through Absa employee involvement, support is then provided to the secondary schools, focusing on their growth and development. The programme also supports the Department of Education, as it has tended to contribute to an increase in the matric exemption rate in the schools supported. The programme is also driven by the Retail Bank.

The project was piloted from 1 June to 31 October 2007 in 17 secondary schools in three regions – Gauteng, Gauteng North and North West – and involved more than 600 Absa employees.

Intervention is through one-on-one discussions with the principal and school leadership, seminars, workshops and motivational discussions.

The main deliverable of the Absa Bright Future programme is the improvement of the management efficiency and daily running of the adopted secondary schools. During 2007, this was achieved through clearly defined objectives and meeting a pre-identified number of volunteering hours per school. The programme outcomes include improvement in the matric exemption rate; greater involvement of parents in the school and greater pride in their school on the part of educators and learners.

Student Sponsorship programme – Absa Capital

Absa Capital's involvement in the Student Sponsorship programme is to provide mentors to sponsored students. These are high-performing and specially-skilled learners from very poor and disadvantaged communities with a total household income of less than R5 000 per month. Absa Capital sponsors ten students that are then mentored by Absa Capital employees.

Habitat for Humanity – Absa Group Sourcing

Absa Group Sourcing raised R800 000 and built ten houses for the homeless within one week in Gauteng. The initiative galvanised the support of Absa Group Sourcing suppliers and their employee volunteer teams.

Absa Home Loans – Project Vuka

At the beginning of 2007, national employees of Absa Home Loans (AHL) became involved in their local communities in order to make a difference to the lives of the needy. Through Project Vuka, each of the business unit's regional teams was invited to adopt a charity of its choice. Six teams were formed, involving more than 1 150 Absa employees.

The projects included:

- The Mandela Park Shelter in Khayelitsha, which was adopted by the Western Cape office. It provides a safe haven for HIV and Aids sufferers.
- The Ubumbano Community Project supported by the Eastern Cape team. It provides a centre for community support, and is run by four ladies in the community.
- In KwaZulu-Natal, the team renovated the John Dunn Home for the elderly.
- The Gauteng North team was involved in sanitation in the Bokfontein informal settlement.
- Project 911 Place of Safety, based in Randburg, was the project undertaken by the Gauteng Central team. The project entailed converting a school into homes for the destitute.
- The AHL head office team supported the George Gogh Bumbanani Childhood Pre-School for children orphaned through HIV and Aids, the St Nicholas Home for neglected and abused children, and the Woodside Special Care Centre.

Group Chief Executive's combi's

The Group Chief Executive has taken the decision to donate vehicles to charities in need. The vehicles are given on the basis that they provide a vital service to the charity and its beneficiaries, enabling access to transport.

The community

PROVINCIAL ACHIEVEMENTS

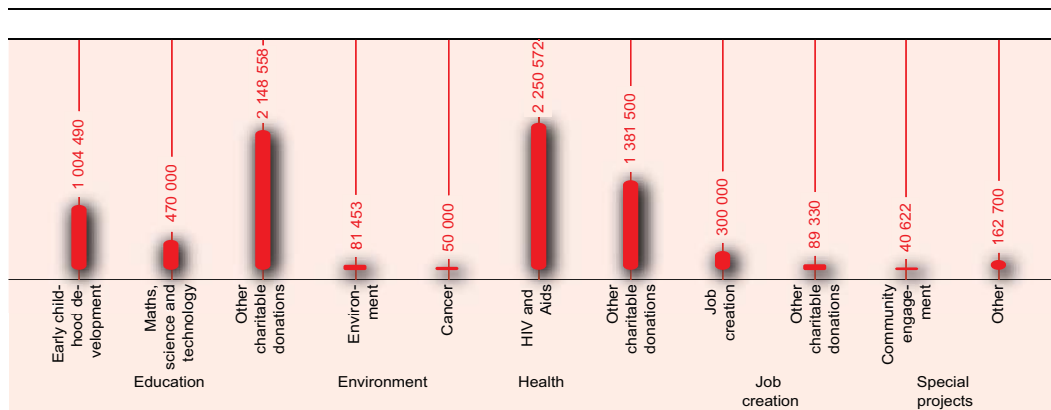
The management of Absa's CSI is undertaken through a unique operational structure with a central team based in Johannesburg and CSI consultants based in each of the Group's provincial head offices.

Gauteng

In the year under review the following initiatives were undertaken:

- 45 active employee volunteering projects were registered and R365 142 was paid out in Matched Giving Fund grants.
- The "Give As You Earn" programme raised R373 483 during the year under review, with an average of 2 490 employees contributing monthly.
- 88 families and 267 children received support through the OVC programme in partnership with Johannesburg Child Welfare and the Star Fish Greathearts Foundation.
- 7 Reashoma projects were undertaken by Absa's leadership in Gauteng.

GAUTENG PROVINCE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



The Absa Foundation spent R4,0 million on CSI initiatives in Gauteng, supported 33 organisations and distributed 53 smaller grants to the value of R615 753. An additional R3,4 million was invested through other Group-wide donations.

Case study

When the non-profit organisation, ECD Projects: Head Start, was approached by the Department of Social Development and Child and Family Care to establish the ECD needs in Pretoria's formerly disadvantaged communities of Mamelodi, Eersterust, Soshanguve and Atteridgeville, it soon became apparent that an intervention was desperately needed to address the lack of performance and resources in the sector. ECD Projects' vast experience in socio-economically disadvantaged communities has provided in-depth insight into the complex and varying needs of the ECD centres, teachers and children. Using this knowledge, the project uses a custom-designed model of ECD to support the progressive development of practitioners towards achieving their National Certificate in ECD. The model also provides HIV and Aids training and link ECD providers with community based programmes that integrate OVCs into the pre-school programmes. The Head Start model has been piloted, refined and implemented in peri-urban and informal settlements in Gauteng.

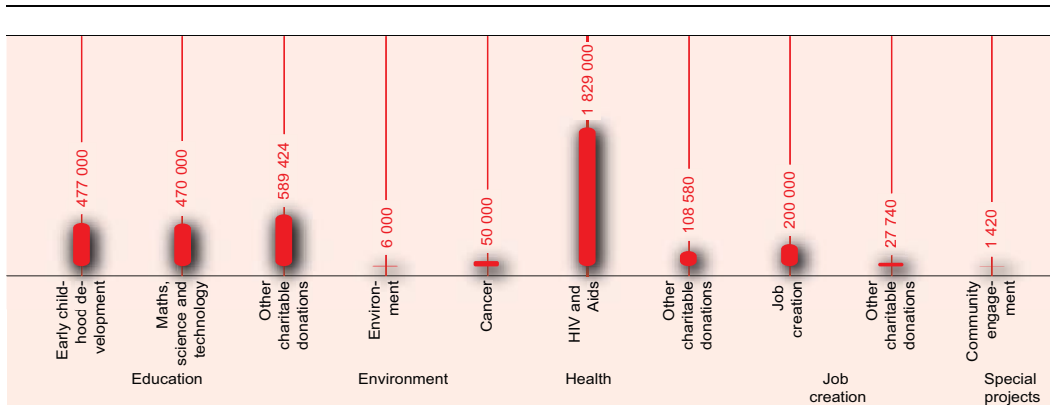
The community

Mpumalanga

In the year under review, the following was undertaken:

- Eight active employee volunteering projects were registered.
- 16 families and 32 children received support through the OVC programme in partnership with Child Welfare SA.
- One Reashoma project was taken up.

MPUMALANGA PROVINCE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R2,6 million was made, supporting 18 organisations and providing 26 smaller grants to the value of R313 040. An additional R773 500 was invested through other Group-wide donations.

Case study

The Manyeleti community requested a programme that would effectively lead to the development of a best-practice model in the education system of the district in the learning areas of language, literacy and communication as well as school management. Through the READ Education Trust, Absa CSI's investment in the Manyeleti community ensured that five primary schools benefited from this best-practice model. Learners come from homes that survive mainly on subsistence-level farming and sparse cattle stocks. Most of the parents are unemployed. Teachers have reported that the learners coming out of classes had benefited from the training and materials provided through the project. As a result of the partnership between the READ Education Trust and Absa CSI, these learners have a more solid foundation in English than in previous years.

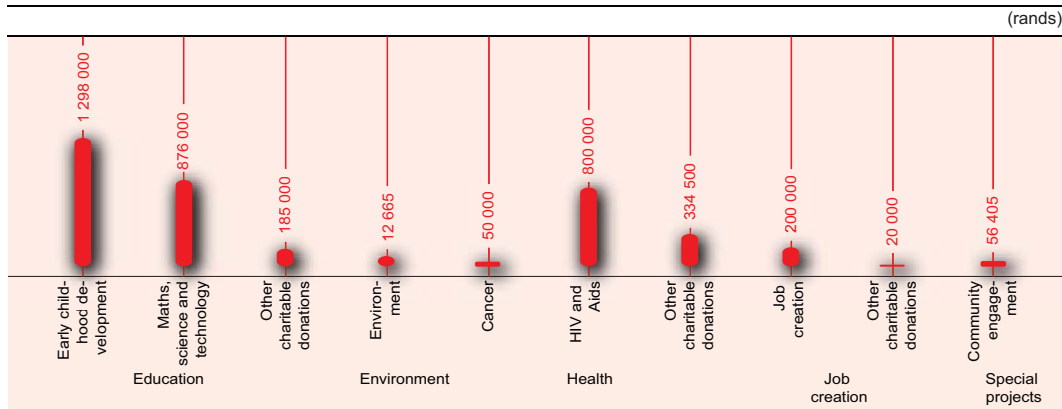
The community

Limpopo

In the year under review, Limpopo had the following successes and highlights:

- 50 active employee volunteering projects were registered.
- 100 families and 250 children received support through the OVC programme in partnership with World Vision.

LIMPOPO PROVINCE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R3,0 million, supporting 21 organisations and 20 smaller grants to the value of R422 070. An additional R424 500 was invested through other Group-wide donations.

Case study

Rantobeng School is a shining example of a school with strong leadership and has been recognised for its pupils' excellent performance despite dire circumstances. The school set out to address the low pass rates in maths, science and commercial subjects, providing quality education to learners in the community of Makhuduthamaga Municipality and the broader province. Absa CSI contributed towards the building of two computer laboratories for grade 10-12 learners. The school is committed to ensuring that learners get good marks for maths, physical science and accounting, so that they are able to pursue their dream careers. These centres of excellence are open to every learner in the community, regardless of whether they attend school at Rantobeng or not. In 2007, the school achieved a 94,6% matric pass rate.

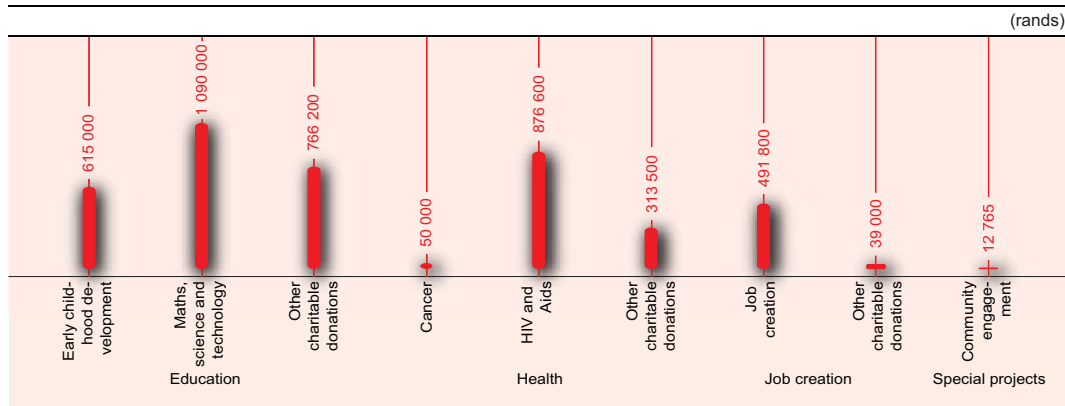
The community

North West

The following was achieved in 2007:

- Two active employee volunteering projects were registered.
- 35 families and 130 children have received support through the OVC programme in partnership with Operation Blanket.
- One Reashoma project was identified in the province.

NORTH WEST PROVINCE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R3,4 million was provided, supporting 20 organisations and 20 smaller grants to the value of R298 765. An additional R601 000 was invested through other Group-wide donations.

Case study

The Madikwe Resource Centre serves 42 high schools from surrounding villages and also serves as a resource for the community of Madikwe. This centre consists of a library, computer centre and science laboratory and is situated in a rural area 80km west of Rustenburg and 60km north of Swartruggens. The Madikwe Resource Centre is a joint initiative between Absa and the North West Department of Education. The centre was selected because of its prime position within the community and its ease of access for schools, learners and community members. The provincial government made available the financial resources for renovating the building, while Absa availed R2 million for equipping the centre. A full-time centre manager ensures the smooth running of Madikwe Resource Centre. In addition, a qualified education volunteer has offered her services to assist with the running and maintenance of the library.

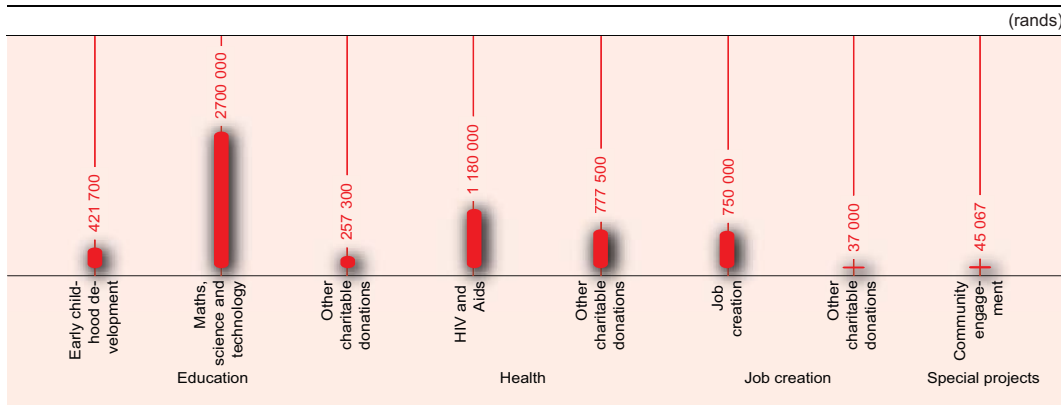
The community

Free State

The following was achieved during 2007:

- 39 active employee volunteering projects were registered.
- 44 families and 134 children received support through the OVC programme in partnership with Viljoenskroon Hospice and Rotarians for Fighting Aids.

FREE-STATE PROVINCE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R5,2 million was provided, supporting 27 organisations and 19 smaller grants to the value of R337 867. An additional R649 000 was invested through other Group-wide donations.

Case study

The Kopano Workshop has been in existence for 18 years with a humble beginning of 50 people working on component part assembly for funeral wreaths. Seven years ago, owing to a partnership with Transwerk, Kopano completely renovated one of its own workshops to make it accessible for people with disabilities. This workshop is a "home away from home" for 104 participants with twelve different disabilities. These men and women contribute to the fulfilment of contracts with organisations such as Poliflora, Avbob and VE Contractors. Other products include protective clothing for mineworkers and a range of leather products. Future plans are to capitalise on the existing leather range, which includes leather throws, upholstery and screens. To date, Absa has provided Kopano with funds to the value of R317 000 to purchase material and equipment. Further support was given to link the Kopano workshop to other funders.

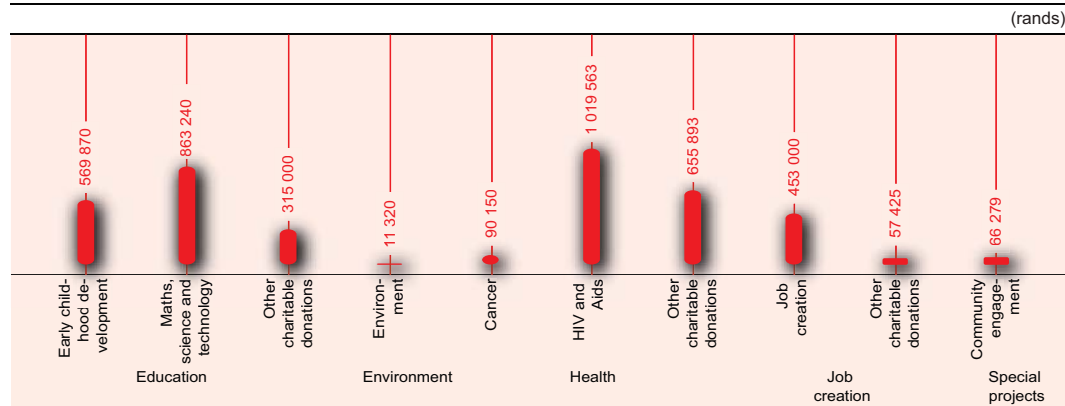
The community

KwaZulu-Natal

In the year under review, the following was achieved:

- There were 41 active employee volunteering projects registered.
- 72 families and 160 children received support through the OVC programme in partnership with the National Association of Child Care Workers.
- Two Reashoma projects were taken up by Absa's leadership.

KWAZULU NATAL PROVINCE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R3,2 million was provided, supporting 25 organisations and 31 smaller grants to the value of R382 117. An additional R553 363 was invested through other Group-wide donations.

Case study

Since 2006, Rotary Club cyclists have journeyed from Richards Bay to Cape Town every year to raise funds for needy communities in rural KwaZulu-Natal and other provinces. The annual Absa Connection Ride, as it has become known owing to the fact that the race not only connects Richards Bay and Cape Town, but it also connects Rotary and Absa in a joint effort to uplift communities. The 2006 and 2007 rides were very successful in raising funds and awareness about organisations working with those affected and infected with HIV and Aids, as well as persons with disabilities. Over R1,5 million has been raised thus far.

Initially, the ride raised funds for three NGOs based in Empangeni – Musawenkosi Aids Orphanage, Zululand Hospice Association and Thuthukani Special School – in memory of Doug Rhind, a fellow Rotarian who died in a cycling accident in 2005. In 2007, the support was extended to organisations en route to Cape Town, which created a greater impact. In addition to the three Empangeni NGOs, 16 other organisations received funding from the respective Rotary Clubs in each town, depending on the number of organisations identified.

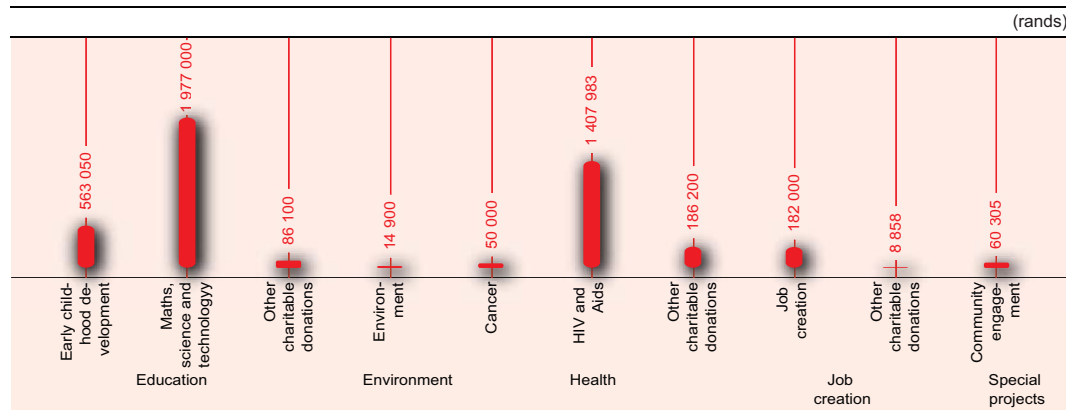
The community

Eastern and Southern Cape

The following was achieved in 2007:

- Four active employee volunteering projects were registered.
- 17 families and 65 children have received support through the OVC programme in partnership with Hope Worldwide SA.

EASTERN AND SOUTHERN CAPE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R3,8 million was provided, supporting 20 organisations and 16 smaller grants to the value of R400 722. An additional R531 083 was invested through other Group-wide donations.

Case study

The Klein Karoo Agri Business Centre and the Absa Foundation have forged a partnership to build the capacity of entrepreneurs in the area. The Absa Foundation worked closely with Absa business units, providing the Klein Karoo Agri Business Centre with the opportunity to participate in the Absa Klein Karoo Nasionale Kunstefees (Absa KKNK), selling the goods made by the local community to the festival goers. Another highlight was the active involvement of the Oosterland branch in their local community, giving their time to the Oosterland Youth Centre by training Grade 11 and 12 learners in how to put together presentations and prepare for job interviews and holding one-day workshops on financial planning and budgeting. The team also sponsored three up-and-coming young wrestlers to participate in the South African wrestling championships.

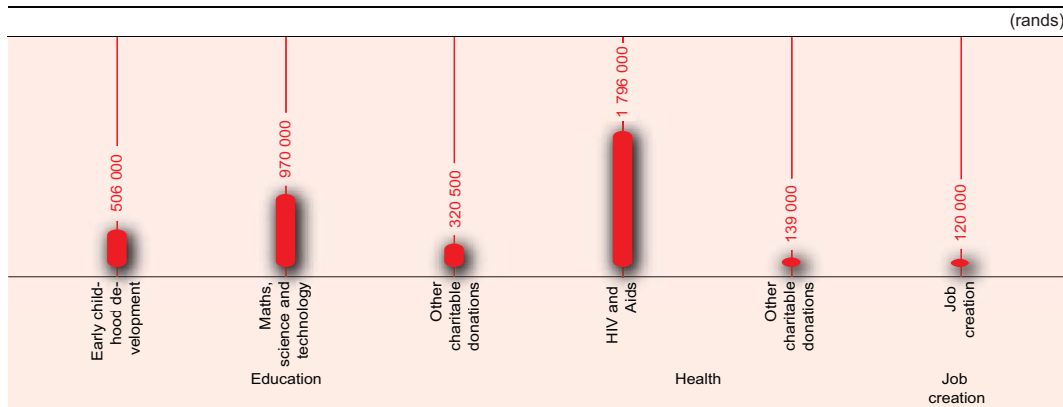
The community

Northern Cape

In the year under review, the following was achieved:

- Seven active employee volunteering projects were registered.
- 40 families and 77 children received support through the OVC programme in partnership with Child Welfare SA.

NORTHERN CAPE: GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R3,3 million was provided, supporting 22 organisations and 22 smaller grants to the value of R356 000. An additional R414 500 was invested through other Group-wide donations.

Case study

The Adventist Development and Relief Agency (ADRA) Northern Cape operates 20 soup kitchens spread throughout the province. This is a grassroots organisation targeting poor, rural communities and providing a daily healthy meal to enable those infected by HIV and Aids to take their medication. The organisation aims to reach as many communities as possible with both the food and the awareness campaigns ensuring that community members become informed on what can be done to prevent the spread of the disease, while those already infected can be attended to at the same time.

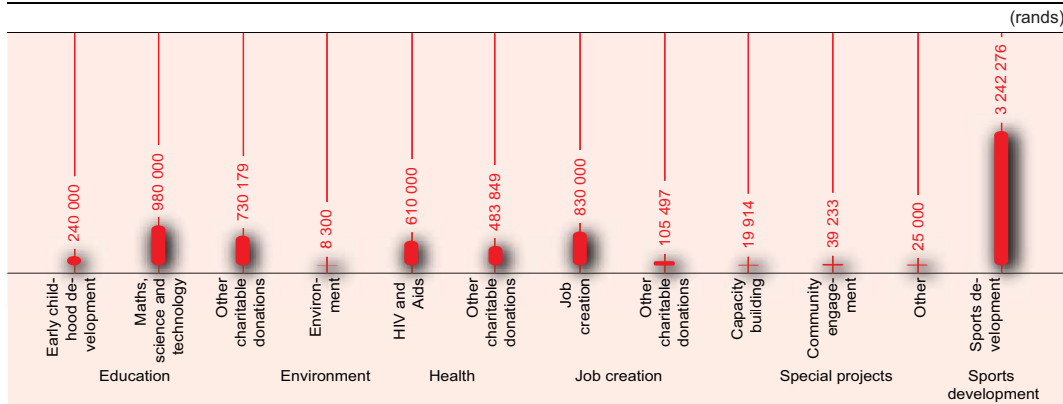
The community

Western Cape

In the year under review, the following was achieved:

- 40 active employee volunteering projects were registered.
- 46 families and 160 children received support through the OVC programme in partnership with Wola Nani.
- One Reashoma project was registered.

WESTERN CAPE PROVINCE GROUP-WIDE AND ABSA FOUNDATION CSI SPEND FOR 2007



A total Absa Foundation spend of R2,6 million was provided, supporting 16 organisations and 35 smaller grants to the value of R382 972. An additional R4,3 million was invested through other Group-wide donations.

Case study

As part of the Absa-Barclays CSI Synergies programme, Barclays proposed to deliver a facility under the Barclays Spaces for Sports umbrella in South Africa. Leveraging the Spaces for Sports programme in Gansbaai, this public-private partnership will deliver the physical facilities for the site, equipment and coaching packs and will contribute to the upkeep of the facility. The beneficiaries of the project are trained sports administrators who will deliver a range of sports including football, netball, basketball and cricket. Facilities will be used by local football leagues and other social sports clubs.

For the Gansbaai community, this project will improve the quality of life through a state-of-the-art facility that will cater for a variety of sports, an expected influx of capital to the municipal area and creating job opportunities. The strategic support of the Grootbos Community Development Trust, the support of local business stakeholders and the involvement and participation of local sports organisations is the foundation of the project.



The Gansbaai Communal Sports Centre – artificial turf and club house.

The community

ABSA MUSEUM AND ARCHIVES

The Absa Museum and Archives aims to:

- position Absa as a bank rich in experience and history; and
- portray Absa as a caring organisation, preserving South Africa's rich banking, economic and numismatic heritage.

The Absa Museum is the only banking and monetary museum in South Africa. During the year under review, a constant stream of people visited the Absa Museum, including about 8 000 learners from 89 schools. Included were a large number of deaf learners. The Absa Museum is the only South African museum that runs programmes specifically focused on teaching deaf learners.

Initiatives undertaken during the period under review included the following:

- The entire numismatics collection has been catalogued and each item individually valued.
- The museum hosted its first orientation workshop for educators, introducing them to the Absa Museum and showing them how the museum's facilities and programmes can be incorporated into their lessons.
- A new exhibit reflecting the technology used in the bank replaced the old technology exhibit. Sections on international currencies, exchange rates and inflation have been added to the exhibit.
- As part of the museum's outreach programme, children from child-headed families were hosted in the museum for a day and taken through a programme focusing on financial literacy.
- The museum continued to run its holiday programme during the mid-year break.
- The museum formed part of the South African Museum Association education committee.
- The museum raised awareness of the South Africa national symbols, with particular emphasis on the national flag and the national anthem.
- Although not yet officially opened, the Absa Archives provided assistance in 287 historical enquiries. The opening of the Archive will take place during 2008, in line with the Group's heritage plan, and will be officially launched in September 2008.

THE VISUAL ARTS

Absa has the largest private art collection in South Africa, valued at approximately R100 million. The collection includes examples of "classical" South African works of art from all cultural groups, thus recognising and conserving South African heritage, as well as the original works of young, unknown South African artists of all cultural groups.

The Absa art strategy is to conserve, develop and support the visual arts in South Africa. The 23rd L'Atelier Art competition will take place in 2008 and support for young South African artists will continue.

During the year under review, twelve exhibitions took place in the Absa Art Gallery in Absa Towers North. These included works by the L'Atelier finalists as well as a variety of other artists, to depict the diversity of South Africa. These exhibitions created a platform for these artists to showcase their work and nearly R1 million of artworks were sold.

The community

CSI AT THE NATIONAL BANK OF COMMERCE (NBC)

NBC's CSI policy has been in effect from 2004, when the bank introduced, for the first time in Tanzania, four state of the art mobile clinics. NBC has adopted three key focus areas namely health, education and job creation. 2007 saw NBC invest TZS 366 769 000 in various community initiatives across Tanzania. This initiative gives the bank the opportunity to engage local communities in which it conducts its business.

NBC employee participation in community initiatives

2007 witnessed NBC's employees participating and committing their time in various community projects. NBC believes that its business cannot grow successfully without involving the Tanzanian community. 40 years of NBC's success and growth is a result of the community in which it operates. It is for this reason that NBC specifically dedicated its 40th anniversary to giving back to the community that has contributed towards NBC's success. In doing this, NBC's employees committed their time to visit orphanages, health centres, hospitals, schools, elderly homes, and homes for the disabled. Over 50 community projects benefited.

Job creation

In 2007, NBC introduced a business management and entrepreneurship training program specially designed for Tanzanian entrepreneurs. This program was undertaken jointly by NBC and the Absa Group, who jointly contributed USD100 000 to the National Empowerment Fund under the then Ministry of Planning, Economy and Empowerment. The fund was effectively used to train 360 local entrepreneurs in twelve regions in Tanzania. The Business Management and Entrepreneurship Training Programme covered basic management topics such as production management, bookkeeping and accounting, marketing, human resource management and how to work with a bank. The four day course was fully sponsored by NBC.

Health

NBC sponsors a number of mobile clinics. These state of the art mobile clinics offer the much needed medical services to the residents of the three municipal councils of Dar es Salaam, i.e. Ilala, Temeke and Kinondoni. The mobile clinics offer their services free of charge to the residents residing on the peripheries of the city of Dar es Salaam. The NBC mobile clinics are managed by the Dar es Salaam board of public health associations, who are responsible for the day-to-day management, and route programming. The three municipal councils provide the medical personnel and medicines.

NBC also supported two water projects in Singida and Same, which now provides the local community with easy access to clean and safe water. These projects are now serving over 800 residents. These two areas are in one of the most arid areas in Tanzania. This initiative has been undertaken in conjunction with two local NGOs namely Singida Yetu and Same Community Service Foundation.

Education

NBC generously contributed towards education in the year 2007 and was recognised by the Tanzania Education Authority (TEA) as one of the leading single contributors of the year. NBC acknowledges that education is a basic right for every Tanzanian child, and NBC will therefore continue to support various educational initiatives.

The community

SYNDICATED SURVEY RANKINGS

Absa's rating in terms of the respective surveys is contained in the table below.

Syndicated surveys	Category	2004	2005	2006	2007
Corporate Care Check (Spontaneous)	<ul style="list-style-type: none"> Second most caring company in South Africa "Most caring company" in the financial sector. 	1st Coca-Cola	1st Coca-Cola	1st Coca-Cola	1st Coca-Cola
		2nd Eskom	2nd Pick 'n Pay	2nd Eskom	2nd Absa
Markinor Community Upliftment (Spontaneous)	<ul style="list-style-type: none"> "most loved brand/company operating in SA". 	3rd Telkom	3rd Eskom	3rd Absa	3rd Eskom
		4th Pick 'n Pay	4th Absa	4th Vodacom	4th Vodacom
		5th Absa	5th Telkom	5th Pick 'n Pay	5th Pick 'n Pay
		11th Old Mutual	10th Old Mutual	12th Standard Bank	9th Standard Bank
		15th Standard Bank	12th Standard Bank	13th Old Mutual	13th Old Mutual
		17th First National Bank	16th First National Bank	15th First National Bank	16th Sanlam
Dialogue	<ul style="list-style-type: none"> Absa was rated the seventh "most loved brand/company operating in SA". Most frequently - nominated "good corporate grantmaker" by corporates and NPOs over an eight-year period, 2001-2007. "Most strongly involve their employees" in South Africa. "Strongest contribution to development" in the financial service sector. "Most hands-on approach" to community development activities by NPOs. "Good corporate grantmaker by NPOs" "Most widely recognised corporate grantmaker" 	1st Eskom	1st Coca-Cola	1st Coca-Cola	1st Coca-Cola
		2nd Telkom	2nd Eskom	2nd Vodacom	2nd Vodacom
		3rd Coca-Cola	3rd Telkom	3rd Eskom	3rd Eskom
		4th SAB	4th SAB	4th SAB	4th Pick 'n Pay
		5th Vodacom	5th Vodacom	5th Telkom	5th SAB
		6th Pick 'n Pay	6th Pick 'n Pay	6th Pick 'n Pay	6th Telkom
Dialogue	<ul style="list-style-type: none"> Most frequently - nominated "good corporate grantmaker" by corporates and NPOs over an eight-year period, 2001-2007. "Most strongly involve their employees" in South Africa. "Strongest contribution to development" in the financial service sector. "Most hands-on approach" to community development activities by NPOs. "Good corporate grantmaker by NPOs" "Most widely recognised corporate grantmaker" 	7th Absa	7th Absa	7th Absa	7th Absa
		-	-	-	1st Anglo American
		-	-	-	2nd Absa
		-	-	-	3rd SAB
		1st Absa	1st Absa	1st Absa	1st Absa
		2nd Old Mutual	2nd Old Mutual	2nd FirstRand	2nd Old Mutual
		3rd Pick 'n Pay	3rd FirstRand	3rd Nedcor	3rd FirstRand
		1st Absa	1st Absa	1st Absa	1st Absa
		2nd Standard Bank	2nd Standard Bank	2nd Standard Bank	2nd Nedbank
		3rd Nedcor	3rd FirstRand	3rd FirstRand	3rd Standard Bank
		1st Anglo American	1st Absa	1st Absa	1st Telkom
		2nd Absa	2nd Eskom	2nd FirstRand	2nd Absa
3rd Eskom, Nedcor	3rd Telkom	3rd Anglo American	3rd SAB		
1st Anglo American	1st Anglo America	1st Anglo American	1st Anglo American		
2nd Absa	2nd Absa	2nd Absa , FirstRand	2nd First Rand		
3rd Nedcor	3rd Eskom, 4th SAB	3rd Nedcor	3rd Absa		
1st Anglo American	1st Anglo America	1st Anglo American	1st Anglo American		
2nd Absa	2nd Absa	2nd Absa	2nd Absa		
3rd Telkom	3rd Telkom, 4th Eskom	3rd SAB	3rd SAB		

SUSTAINABILITY THEMES

Suppliers – Developing and sustaining fair, equitable and sustainable business relationships with suppliers

Introduction

In 2007, Absa spent approximately R9 billion on sourcing products and services from external suppliers. This is nearly 50% of the Group's cost base. In addition to ensuring that tangible value was delivered to Absa's bottom line, the Group implemented a comprehensive supplier management strategy.

The suppliers are managed according to the risk profile of the goods and/or services they supply to Absa. The framework used to manage the risk is the sourcing and supplier management handbook (SSMH) which replaces all previous supplier management policies. It is a tool that tracks and manages supplier risk from sourcing to the termination of a contract.

The Group, recognising the important role suppliers play in the future sustainability of the organisation, launched a supply chain corporate responsibility (SCCR) initiative. This takes the existing Absa CSI programme on a new and exciting path. This initiative creates a new framework for Absa and its suppliers to work together.

THE YEAR UNDER REVIEW

- Savings plans were exceeded for 2007.
- The implementation of the new supplier management strategy, SSMH.
- The launch of the Group Sourcing SCCR initiative.
- Absa far exceeded, in 2007, the 50% 2008 target as required by the FSC for black economic empowerment (BEE) spend on sourcing.

FUTURE FOCUS

Absa has adopted a sustainable view on sourcing. Sourcing activities are becoming "business as usual" through robust project management disciplines and a relentless focus on realising benefits.

During 2008, emphasis will continue to be placed on business benefits and savings, corporate governance and compliance, corporate social responsibility and stakeholder satisfaction.

The emphasis is on delivery against stretching goals that are clearly and simply articulated; goals that make a difference to the performance of the Group.

Suppliers

ABSA'S SUPPLIER STRATEGY

The new supplier management strategy was implemented in October 2007. This strategy divides suppliers into three categories, i.e. strategic, operational and commodity suppliers. These suppliers are managed according to the risk profile of the goods and/or services they supply to Absa.

All strategic and some operational vendors are managed within the full framework of the SSMH, whereas the others are managed with a simplified version described in the "pocketbook". The pocketbook is part and parcel of the SSMH framework.

The SSMH is a methodology which replaces all previous supplier management policies. It is a tool which tracks and manages supplier risk from sourcing to termination of a contract. It requires supplier exit strategies and it deals with having a strategy for when contracts come to an end. The SSMH prescribes the process to be followed and the documentation that needs to be in place in order to manage the risks associated with a preferred supplier.

Commodity suppliers are the least complex and almost all the value to Absa in this type of relationship is driven by the supplier's unit pricing.

As commodity suppliers pose no significant risk, ongoing supplier management is not required. However, there are still rules that apply, for example the supplier has to be appropriately classified before transactions can be entered into with it. A short-form contract or purchase order stating the standard Absa terms and conditions must be in place before procuring from the supplier. The supplier can only be paid using Absa's appropriate purchasing channels and policy.

Achievement of objectives

Over the past 2 years, Group Sourcing focused on four simple objectives:

- **Savings** – lowering the operating costs of Absa.
- **Deal compliance** – fully leveraging the power of Absa's demand.
- **Corporate responsibility** – developing the supply base responsibly.
- **Client satisfaction** – doing the right things in the right way for the business stakeholders and for the Group's suppliers.

All of these were achieved and Absa Group Sourcing has made huge strides in becoming a world-class sourcing organisation, gaining in maturity during 2007. Absa has continued its strong focus on recruiting and retaining the best sourcing talent and developing its sourcing capability internally through a structured training and development programme.

Savings plans were realised for 2007. Formal feedback from suppliers and internal stakeholders has been positive in this regard, but there is more that must be done, which includes the involvement and support of our supply base.

Suppliers

KEY INITIATIVES

System improvements

The SAP sourcing system went live in July 2006. During early 2007, Absa embarked on a project to remediate some of the issues experienced with the supplier relationship management (SRM). The primary focus of the project was on the improvement of the user experience.

Changes that would be of interest to Absa suppliers included the introduction of vendor lists for selected product categories. This functionality increases the level of compliance to approve suppliers, by guiding the Absa user community to only select those suppliers that have been preapproved by Group Sourcing for the supply of specific goods and services. It also raises compliance in using approved suppliers.

Improvements have also been made in the monitoring of purchase order transmission failures. Since Absa places a high value on its suppliers and would not want unnecessary delays in payment, it is important for them to know that it is imperative that a purchase order is issued for any goods and services purchased on behalf of Absa and its subsidiaries.

Sourcing and corporate responsibility

Assessment of black economic empowerment (BEE)

Absa Group Sourcing introduced the use of a broad-based BEE (BBBEE) rating system for the 2007 supplier assessment, as per the published codes. Unlike in 2006, where suppliers' BEE contribution was assessed based on ownership and management control, the BBBEE requires that all suppliers be assessed in terms of:

- ownership;
- management control;
- employment equity;
- skills development;
- preferential procurement;
- enterprise development; and
- socio-economic development.

The implementation of BBBEE is one of Absa's initiatives towards implementing meaningful ways to support the "Proudly South African" campaign, and the Group is relying on its suppliers to help it in achieving this.

Sourcing and the FSC

Absa was able to significantly improve on the percentage of the Group's spend with BEE companies throughout 2007. The FSC target for Absa is to have 50% (weighted spend) of its qualifying third-party spend going to BEE-rated suppliers by 2008. Absa has significantly exceeded that target a full year ahead of schedule, with 62% (weighted spend) of its qualifying procurement spend going to BEE companies during 2007.

Suppliers

Sourcing and corporate responsibility

Absa Group Sourcing SCCR launch

The role that large corporations can play in creating a better, more economically, environmentally, ethically and socially responsible South African nation is immense.

Today's heightened interest in the role of business in society is owing to an increased sensitivity to and awareness of the need to have a sustainable economy, environment, and society. Issues like environmental damage, improper treatment of workers, or products that endanger customers have been highlighted in the media over a period of years, bringing sustainable development into company strategies.

For this reason some consumers have become increasingly sensitive to the corporate social responsibility (CSR) performance of the companies from which they buy their goods and services. These trends have contributed to the pressure on companies to operate in an economically, socially, and environmentally sustainable way.

Absa Group's CSR strategy and objectives are long standing. In the past, Absa has demonstrated in its actions to be firmly committed to advancing the principles and practice of sustainable development, takes its role as a leading and concerned corporate citizen seriously and invests significantly, both directly and indirectly, in the communities and environments in which it operates.

In February 2008, Absa Group Sourcing launched the supply chain corporate responsibility (SCCR) initiative. This creates a framework for Absa and its suppliers to work together.

All suppliers are required to complete a SCCR questionnaire. The SCCR questionnaire assesses each organisation against three criteria:

- Human rights.
- Environmental impact.
- Business integrity.

An index score is given to each supplier to enable peer group comparisons amongst the suppliers to improve their CSR scores rather than Group Sourcing placing pressure on suppliers. These index scores are used as a basis to differentiate suppliers when awarding new business and the intent is to publish these on an annual basis.

The index scores will be updated annually, and Group Sourcing will work hard with each supplier to improve suppliers' scores, and Absa and its suppliers' collective approach to driving forward CSR initiatives.

The aim of the SCCR programme is to shift the emphasis from a relatively near-term focus on managing social, ethical and environmental risk towards a more active form of business leadership, which will identify and embrace the commercial opportunities arising from this change in thinking.

Suppliers

Cross-industry procurement

Absa has played an important role in the Banking Association procurement workgroup, at which the five major South African banking institutions are represented. The aim of the workgroup is to provide guidance and technical expertise on procurement issues arising from the FSC and the Department of Trade and Industry's Codes of Good Practice for Broad-Based Black Economic Empowerment to the Banking Association and, through representation, to the FSC Council.

Whereas last year there were only eight participants, this year saw the participation doubling.

Absa's sourcing agreement with SAS Institute

Adding even more momentum to a growing global sourcing programme, Absa recently signed a sourcing agreement with business intelligence giant, the SAS Institute.

The agreement forms part of Absa's goal to formalise sourcing and procurement procedures across industries, and this announcement bears particular relevance to the sourcing of business intelligence software and services, and SAS as Absa's business intelligence partner of choice.

This will, in turn, enable Absa to better manage expenditure across divisions, as well as put it into a position where it can negotiate better rates from suppliers, as it leverages the use of these across both the Absa Group and Barclays Group.

Supplier and customer satisfaction survey

Group Sourcing conducts an annual survey to determine how satisfied their internal customers and external suppliers are with their service.

The 2006 survey was conducted by Markinor, whereas African Response undertook the 2007 research project on behalf of Absa.

Largely the same questionnaire as for the 2006 study was used in 2007 to measure progress on the focus areas, with a few additional questions and minor adjustments.

The supplier message was that "Group Sourcing delivers a world-class, professional sourcing service that adds value to the Absa Group". The majority of the respondents (94%) had a relationship with Absa which lasted more than a year.

SUSTAINABILITY THEMES

Government and regulators – Supporting governmental and regulatory policies in the economic and financial dimensions in proactive and positive ways

Introduction

Government and regulators are key role-players in ensuring the sustainability and future stability of the financial services industry.

THE YEAR UNDER REVIEW

- Successfully implemented the National Credit Act and Basel II.
- Absa formed a joint venture company (Ubulungisa Operations (Proprietary) Limited) in conjunction with BEE partners to assist the Department of Justice/National Treasury Public Private Partnership unit.
- Enhancements on Absa's banking products and services for the South African Revenue Service e-filing concept to speed up tax paying and the disbursement process was undertaken during the year under review.
- Supported a key women's initiative for the 2007 women's month celebration, namely the African Women Chartered Account for the Women of Substance event.
- Reinforced relations with stakeholders, including the National Business Initiative (NBI), the Nepad Business Forum, the South African Chamber of Commerce and Industry (SACCI) and Business Unity South Africa (BUSA).
- Participated in NBI initiatives (dialogue sessions) around environmental protection indicators (carbon disclosure, energy efficiency and UN Global Compact).
- Visited the South African National Defence Force (SANDF) deployed soldiers in neighbouring countries in support of the Good Will project. The initiative is supported in partnership with other financial sector industry role players.

FUTURE FOCUS

From a government perspective, the focus will be on encouraging the application and use of public-private partnerships (PPPs), mainly by local government. The Group strives to share its experience in this field with its public sector customers. Success in this regard will lead to the transfer of skills, financing opportunities and much-needed private sector commitment and participation in the public sector arena.

With regard to the Group's regulators, the focus will be on maintaining a relationship of trust, transparency and honesty with all regulators and ensuring compliance throughout.

ABSA'S STRATEGY PERTAINING TO GOVERNMENTS AND REGULATORS

Absa aims to obey the laws of the countries in which it operates and seeks to engender healthy relations with governments and regulators and be the preferred partner to the South African government in the development of South Africa.

The Group believes that it is critical and of mutual benefit that interactions take place between business, the government, political parties and regulators, as these entities are key role players in ensuring the future sustainability of the financial services industry.

Absa continued to comply with legislation, regulations and the required industry standards in the period under review.

Government and regulators

GOVERNMENTS

By participating in many forums (both governmental and non-governmental) and interacting with the various spheres of government, the Group comments on policy formation and deployment and provides positive inputs to the legislative and regulatory environment. Absa endeavours to support various aspects of government policy in the economic and financial dimensions in proactive and positively construed ways.

Government relations

The South African government is a customer of the Absa Group and the various government departments are also key strategic partners of the Group. This partnership enables Absa to play a proactive role in the pursuit of national development goals and political stability, through activities like skills development, job creation, empowerment financing and adherence to the legislative and regulatory environment of the country.

The purpose of Absa's democracy support programme is to facilitate establishing mutually beneficial relationships with targeted stakeholders.

Absa's position as a preferred partner in advancing the national development agenda was achieved through high-level, focused strategic programmes and ongoing dialogue with the government, interest groups and communities. The achievement of regulatory compliance and transformation imperatives, community responsibility and nation building also received attention during 2007.

Democracy support

Absa believes that the principle of multiparty democracy contained in the founding provisions of the South African constitution deserves support. Such support in a young South African democracy aims at promoting political participation and competition, public scrutiny of policy and law making, as well as the exercise of executive power.

Therefore, the Group has instituted a democracy support programme, whereby the Group supports a case for good governance in the broader sense and encourages a policy-making environment in which there is a healthy and robust competition of ideas. The Absa board annually approves the policy and budget for the democracy support programme. For 2007, R2,4 million was distributed to qualifying political parties. Selection and participation is guided by verified information from the Independent Electoral Commission. Absa gives donations to the national offices of political parties with three or more seats in parliament. All democracy support donations are publicly declared. Regular interactions with the leadership of political parties are maintained.

Dialogue and interface platforms

Information-sharing and regular briefings and interactions with external experts and analysts on contemporary socio-economic issues, both locally and internationally, are achieved through this programme. Through the interface platforms, Absa's leadership is able to debate and confront policy, regulatory and topical issues which impact the Group as well as the country. The briefings sessions and roundtable discussions are both at an operational and strategic level.

This programme has entailed regular engagement with key players on national and global socio-economic issues as well as one-on-one meetings with stakeholders on key issues affecting Absa's business.

Government and regulators

The government as customer

The public sector market

The public sector market must to be addressed creatively, assertively and diplomatically, as the customer base is not growing, yet the competition for market share is becoming fiercer by the day. Within the three spheres of government, the number of national government departments, provinces and municipalities has remained constant and is unlikely to increase. It may instead decrease over the next few years, as there is already debate surrounding the current number of provinces. However, there is a growth in educational institution customer numbers. This growth is particularly evident in institutions providing higher, further education and independent schools.

The promulgation of legislation like the Municipal Finance Management Act (MFMA) and National Treasury's Supply Chain Management (SCM) Regulations has not only assisted municipalities to improve their financial management capacity but has empowered municipalities to easily source funds from financial institutions. These developments have made the business of the six metropolitan cities, in particular, as well as that of other municipalities, highly sought-after. This is because local government is the only sphere of government that can approach financial markets without having to seek National Treasury approval.

Absa's public sector offering

Absa is committed to the development of South Africa. This is demonstrated by the various activities in which it is involved, from social responsibility to investments in the public sector. As Absa believes that everyone has a right to share in the prosperity of South Africa, the Group has a dedicated team of public sector bankers and specialists across South Africa. Through this focus and specialisation, Absa continually contributes to the country's development by offering solutions that meet the needs of the government.

Absa's public sector offering is a banking relationship based on finding solutions that are innovative and value-adding. Both traditional and nontraditional products and services are included in the offering to the government. This offering is constantly tailored for the specific needs of the government, so that solutions support the government's focus on implementation.

Absa particularly aims at addressing the government's needs in respect of:

- working capital management;
- the funding of infrastructure development; and
- a host of ancillary services related to the critical needs of the government.

Through its offering, Absa aims to support the government's three-tier approach in achieving its goals.

- At national level, solutions are focused on the various ministries, national departments and public entities.
- Provincially, the focus is on the specific requirements of the nine provinces.
- At local level, the solutions seek to support local government project implementation.

Apart from serving all spheres of government, Absa is committed to serving other public sector entities with dedicated offerings tailored to their specific needs.

Government and regulators

Absa's public sector strategy and achievements against this strategy

Absa remains committed to its objective of offering innovative financing solutions to the public sector at large, with special emphasis on providing cost-effective and adaptable long-term lending for infrastructure development to local government structures.

Absa has been able to assist the government regarding the following initiatives:

- Providing low-cost and affordable housing stock.
- Holding discussions with various metropolitan cities to find ways to assist them financially to address some of the 2010 Soccer World Cup challenges, particularly around infrastructure development.
- Using PPPs as an important vehicle to assist the government in sourcing funding. Various state organisations have invited Absa officials to make presentations and share expertise on PPPs. This has positioned Absa as a trusted partner in alleviating public sector challenges.
- A higher education value proposition and strategy has been developed. Attraction strategies have also focused on previously disadvantaged educational institutions.
- The Group's strategy includes a greater focus on state entities such as water boards.

The effectiveness of this strategy is evidenced in the Group's leading market share in the public sector.

REGULATORS

Absa's footprint in both the banking and financial services industries means Absa answers to, among others, the South African Reserve Bank and the Financial Services Board on regulatory matters. The Group endeavours to maintain a relationship of trust, transparency and honesty with all regulators and to ensure compliance throughout.

The financial services sector has experienced a large number of new and amended legislative and regulatory requirements. The Group monitors compliance with all applicable legislative and regulatory requirements. Absa has an independent compliance function, which is headed by a senior executive and who is independent of the business.

The compliance role and responsibilities, as prescribed by the Banks Act, are discharged by following a compliance methodology that has been developed and benchmarked with industry and international best practice.

As business unit activities are not static, all compliance risk profiles are updated regularly to ensure that the risk of non-compliance with regulatory requirements is addressed in all applicable business units. Ongoing monitoring takes place in these areas to ensure that controls are adequate and effective. Any non-compliance identified is reported using the established governance processes.

Absa Group Compliance is actively involved in imbedding an effective compliance risk management methodology in the African entities in which the Group has a shareholding. Several policies have been implemented and substantial training has been provided. The compliance deliverables are continuously quality assured.

Government and regulators

South African regulatory changes - Basel II

Basel II was instituted in South Africa from 1 January 2008. Under Basel II, Absa's regulatory capital requirement will be determined using the risk-sensitive measurement approaches of Basel II.

SARB approval was received to implement the advanced internal ratings-based approach for retail credit. The foundation internal ratings-based approach applies to wholesale and corporate credit. The advanced measurement approach has been implemented for operational risk. The standardised approach for credit risk has been implemented for all African entities.

Key South African legislation

There are two key themes underlying current legislation pertaining to South African financial services organisations, namely international money laundering controls and terrorist financing activities as well as consumer protection.

The National Credit Act, No 34 of 2005 (NCA) – The NCA became fully effective on 1 June 2007 and protects consumers of credit by enhancing consumer rights and introducing minimum disclosure requirements. It attempts to curb over-indebtedness by prohibiting reckless lending and provides for the registration of credit providers with the National Credit Regulator. A Group-wide project resulted in the successful implementation of the Act.

The Protection of Constitutional Democracy Against Terrorist and Related Activities Act 33, 2004 (POCDATARA) – POCDATARA requires that any suspicions that the Group may be dealing with the funds that could have been, or may be used by terrorists, are reported. The legislation also provides for the international listing of persons or entities that have been, or could potentially be, involved in funding terrorist activities. Absa has included POCDATARA in the training required for all affected employees.

The Financial Advisory and Intermediary Services Act, No 27 of 2002 (FAIS) – The purpose of FAIS is to regulate the rendering of certain financial advisory and intermediary services to customers in order to ensure financial services are rendered in the best interest of the customer.

As part of the FAIS II Group Project, Absa has made changes to its processes, procedures and controls in order to address control areas that may lead to reputational risk. Employees' qualifications have been reviewed for readiness and action plans were concluded in order to meet the deadline set by the regulator to meet the qualification requirements.

In addition to this, a key individual information guide was developed in support of improved process and embedment activities and business requirements for enhanced system controls on recordkeeping have been finalised.

The Financial Intelligence Centre Act, No 38 of 2001 (FICA) – This control issue relates to the failure to implement effective controls, as per FICA requirements, to enable Absa to monitor accounts and report suspicious and unusual activities to the Financial Intelligence Centre.

Money laundering and terrorist financing is a key priority for the Group. The Group has enhanced its systems and has increased the emphasis on the accuracy of customer data so as to ensure compliance with the "Know your customer" provisions of FICA.

Anti-money laundering training is conducted for all the Group's employees.

Government and regulators

New South African legislative developments

There are a number of new developments that are expected to impact the Absa Group, which are in the process of being finalised. The most important of these are those relating to consumer protection and the new Companies Act.

Consumer protection – The Consumer Protection Bill's stated objectives are the promotion of a fair, accessible and sustainable marketplace for consumer products and services. National norms and standards relating to consumer protection will be established and improved standards of consumer information will be provided for. Certain unfair marketing and business practices will be prohibited and responsible consumer behaviour will be promoted. This law will harmonise existing laws relating to the protection of consumers and promote a consistent enforcement framework relating to consumer transactions and agreements.

The Department of Trade and Industry has introduced a draft bill into parliament and the dates of the public hearings to be held are awaited.

New Companies Act and Corporate Law Amendments Act, No 24 of 2006 (CLA) – The proposed new Companies Act is expected to be promulgated in 2010. The new Act is expected to include provisions pertaining to the types of companies to be formed, the expanded roles and responsibilities of auditors and directors and to provide for the role of the audit committee. The CLA has been promulgated with effect from 1 January 2008 as an interim measure to address urgent shortcomings of the current Companies Act.

Financial Advisory and Intermediary Services (FAIS) Act – The fit and proper deadline date by which all representatives and key individuals must have obtained the required qualifications as prescribed by the FAIS Act, to continue in their roles, is 31 December 2008, although some exceptions apply. This date was extended by the Advisory Committee on FAIS from 30 September 2007 to the date mentioned above, based on the presumption that the new fit and proper guidelines will be published during the course of 2008.

The Financial Services Board (FSB) has established a forum representing all industries affected by FAIS to provide input into the drafting of the new fit and proper requirements that will be applicable to all representatives and key individuals from 1 January 2010. Absa Bank is represented as a member of the FAIS committee of the Banking Association, providing input and attempting to influence the proposed legislation to ensure that the Group will be able to abide by the proposed requirements. Other licensed providers in the Absa Group are also represented by their respective industry bodies at the forum. This amendment is expected to be published during the last quarter of 2008 in order for financial services providers to prepare for the implementation of the requirements.

The FAIS Amendment Bill was published during the first quarter of 2008. Amendments include altering the enforcement powers of the regulator and the creation of more offences as regulated by the act. Absa, as a member of the FAIS committee of the Banking Association of South Africa, has commented on the proposed amendments.

SUSTAINABILITY THEMES

Transformation/Black economic empowerment – Contributing meaningfully to the transformation in South African society through the BEE process

Introduction

The Financial Sector Charter (FSC) is the guiding framework for implementing transformation in the financial services industry. It was voluntarily agreed and negotiated between the government and the financial services industry sector to promote transformation. The FSC has been in place since January 2004 with the first set of targets achievable in 2008.

Absa has embraced the FSC reporting principles by continuously improving on processes and addressing challenges that may arise. With the improvement of reporting efficiencies the focus is now on entrenching a culture that will embrace transformation as an imperative throughout the organisation. This approach will have a positive influence on the newly gazetted BEE Codes of Good Practice (CoGP) which are legally binding until the FSC is gazetted as a sector code.

THE YEAR UNDER REVIEW

- The Group has maintained its "A" rating and has improved its performance relative to previous years. This is relative to the FSC scorecard, and Absa achieved 92,5 points, verified by an audit conducted by KPMG Inc.
- The Group increased its percentage of Black, Coloured and Indian employees to 58,8% as at 31 December 2007.

FUTURE FOCUS

While the alignment process between the FSC and the BEE Codes of Good Practice is underway and expected to be completed by 31 August 2008, Absa will conduct dual reporting within the frameworks of the FSC and the BEE Codes of Good Practice.

ABSA'S TRANSFORMATION STRATEGY

Transformation in Absa is largely viewed as a business imperative; therefore, entrenching a culture that will drive sustainable initiatives is one of the Group's organisational goals. Absa's growth strategy is directly linked to the ability to identify and address the requirements of the emerging market, while growing shareholder value.

Transformation/Black economic empowerment

TRANSFORMATION GOVERNANCE

Internal governance

In order for transformation to be meaningful, it has to be driven by the Group Executive Committee (Group Exco), which has overall accountability and oversight. Absa's leadership has established an FSC Group Exco subcommittee in order to drive transformation throughout the Group. The FSC subcommittee is chaired by Peter Mageza, Absa Group's Chief Operating Officer (COO), and supported by a number of the Group Exco members whose role it is to approve and monitor the Group's BEE strategy execution and resultant actions.

Absa has a dedicated BEE division responsible for developing, implementing and monitoring the Group's BEE strategy. Progress to the Group's BEE strategy is currently measured through the FSC scorecard.

All Absa business units contribute to the Group FSC scorecard and have targets for the respective elements of the scorecard applicable to them. FSC perspectives are evident across the Group, and the focus is on identifying and driving FSC initiatives through the FSC indicators which are geared towards achieving the Group target.

Each month, business units provide their respective BEE data which is used to populate their respective scorecards. These scorecards are then submitted to Group Finance: FSC Reporting for consolidation. Once consolidated, the Group scorecard is presented to the FSC subcommittee.

Each financial institution is required to annually submit, by 31 March, a transformation report including a scorecard, to the Financial Sector Charter Council (FSCC). The FSCC is responsible for monitoring and reporting BEE industry performance to significant regulatory stakeholders.

Prior to the submission, the annual scorecard must be validated by an external auditor. The external verification of the FSC audit was conducted prior to the FSCC submission for 2006 and 2007. There were no material findings, however, KPMG Inc. made recommendations to the Group on some of the perspectives.

External governance

Absa is represented on the Banking Association of South Africa (BASA) board of directors by the Group Chief Executive. The Group is also represented on the operating board of BASA. Furthermore, Absa participates in industry discussions through the Banking Association workgroups which serve to form common positions on a number of issues which relate to the implementation of the FSC.

All BASA positions are endorsed by this forum prior to being consolidated into a Trade Association position (representation of all industries that report to the FSCC). Any proposed changes to the FSC must be submitted to the FSCC via the Trade Association.

Transformation/Black economic empowerment

MEASURING ABSA'S TRANSFORMATION PERFORMANCE

The FSC currently provides the basis for the sector's engagement with stakeholders, including the government. To comply, businesses should achieve set targets in all perspectives of the FSC. The overall performance in terms of the scorecard is then evaluated in accordance with a scoring matrix, which indicates the FSC compliance levels of entities.

Absa's FSC performance, as at 31 December 2006 and 2007 was successfully audited by an external auditor prior to the submission to the FSCC. Absa scored 86,2 points and was declared an A-rated company in 2006. In 2007 Absa scored 92,5 points on the FSC scorecard, which means Absa should maintain its "A" rating once the scorecard is confirmed by the FSCC.

Absa is on track to meet and in certain areas exceed the FSC targets for 2008. Going forward, attention will be placed on the CoGP. In doing this, the Group is intensifying its initiatives in this regard in order to be able to meet the CoGP desirable BEE recognition level. Absa is currently a level 5 contributor (un-audited) which means Absa's suppliers can claim 80 cents in every rand spent.

The following table provides a high level view of Absa's performance relative to the FSC and the CoGP.

ABSA'S FSC/COGP PERFORMANCE

Indicator	Actual Absa FSC/CoGP points as at 31 December		Possible FSC/CoGP maximum points			
	FSC – 2005	FSC – 2006	FSC – 2007 (Audited)	CoGP – 2007 (Unaudited)	Possible maximum FSC points that can be earned up to 2008	Possible maximum CoGP points that can be earned up to 2012
Ownership	8,0	20,0	20,0	10,6	22	20
Management control				6,4		10
Employment equity	9,2	14,7	16,7	8,0	20	15
Skills development				3,9		15
Preferential procurement	12,0	13,2	15,0	15,0	15	20
Enterprise development				15,0		15
Socio-economic development/CSI	3,0	3,0	3,0	4,5	3	5
Consumer education	10,6	13,3	15,8	—	18	
Access to financial services				—		
Empowerment financing	19,7	22,0	22,0	—	22	—
Total	62,5	86,2	92,5 A-Rating	63,4 Level 5	100	100

Transformation/Black economic empowerment

Since the gazetting of the CoGP in February 2007, the FSC is under threat of becoming irrelevant until it is fully aligned to the CoGP and gazetted under section 9 as a Sector Code. Government only recognises the CoGP as the framework for implementing broad-based economic empowerment (B-BEE).

Government has given recognition to the FSC until the alignment process is complete. The CoGP targets will have a huge impact on Absa, especially in perspectives such as employment equity, ownership and enterprise development. BASA is consulting all relevant stakeholders on how to best measure the ownership element and is considering the transactions concluded under the FSC. Some perspectives, such as CSI and procurement, have initiatives identified to support both the FSC and the CoGP requirements.

Owing to the fact that for 2007, the FSC scorecard was the core transformation metric used by the Group, the remainder of this section will focus on Absa's progress in relation to the FSC scorecard.

Absa's performance relative to the FSC

Ownership

In terms of the FSC, financial services organisations should have a minimum target of 25% Black ownership by 2010. This includes both direct (minimum 10%) and indirect (the balance) ownership.

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Ownership				
• Direct	10,0%	10,0%	11,1%	12,0
• Indirect ¹	-	-	-	-

¹Please refer to the section titled "Indirect ownership".

Transformation/Black economic empowerment

Direct ownership

Absa concluded its broad-based BEE transaction on 1 July 2004 with the Batho Bonke consortium and Absa's employee share ownership programme (ESOP) for all its employees.

This transaction was part of Absa's BEE strategy of ensuring that its shareholder base reflects the demographics of South African society in terms of race and gender representation.

The Batho Bonke transaction is broad-based, extends over the entire spectrum of the empowerment landscape and provides a platform for wealth creation for many previously disadvantaged individuals.

The Batho Bonke consortium's interest is held via Batho Bonke Capital (Proprietary) Limited, a special-purpose broad-based BEE investment vehicle. Batho Bonke's role was to facilitate a widespread BEE initiative, to ensure that the shares issued remain in the hands of the identified (BEE) target groupings, to facilitate funding requirements for the individual BEE groupings, to provide a meaningful combined shareholding and to facilitate representation on the Absa Group board.

Members of the Batho Bonke consortium include broad-based empowerment companies, community-based development trusts or foundations, individuals who have not previously benefited on a large scale from BEE initiatives, emerging entrepreneurs and groups promoting the empowerment of women, the youth and employees. The charities and trusts chosen are those that focus on the upliftment of women in rural areas by means of job creation, the implementation of HIV prevention programmes, taking care of HIV/Aids orphans, the sick and the disabled, and providing educational services to the youth. The BEE companies tend to be those with a specific focus on small and medium enterprises that have adequate representation of women in business and that house up-and-coming entrepreneurs representing various sectors of the economy.

The Absa ESOP enhances employee loyalty and commitment. The transaction demonstrates Absa's commitment to meaningful transformation, while protecting and creating value for all of Absa's stakeholders.

In terms of the transaction, Absa issued a total of 79 237 500 redeemable cumulative option-holding preference shares of R2,00 each, which represented approximately 11% of the enlarged issued share capital of Absa at the time of the transaction (73 152 300 shares or 10% to Batho Bonke and 6 085 200 or 1% to the Absa Employee Share Ownership Administrative Trust). These redeemable preference shares, which entitle the holder thereof to subscribe for one Absa ordinary share for each preference share held during the option exercise period (being from 2 July 2007 to 1 July 2009) on the option exercise dates (being 1 March, 1 June, 1 September and 1 December) and at the option strike price (see below), hold the same rights as ordinary shares, including voting rights, save for the rights relating to dividends, redemption and liquidation.

The options have a variable option strike price, which is determined as follows:

- If the Absa share price \leq R70,00, the strike price is R48,00; or
- If the Absa share price $>$ R70,00, but \leq R100,00, the strike price is R48,00 + 70 cents for each completed R1,00 increment in the share price over R70,00; or
- If the Absa share price $>$ R100,00, the strike price is R69,00.

As at 31 December 2007, the Batho Bonke consortium has not exercised any of their share options. A number of Absa employees exercised their options in this regard and, as a result, the remaining balance of options in the Absa Share Ownership Administrative Trust was 2 467 200.

At 31 December 2007, the level of direct Black shareholding in Absa was increased to 11,07%.

Transformation/Black economic empowerment

Indirect ownership

The FSC has allowed financial services organisations not to be scored on indirect ownership until such time as the FSC provides the industry with further guidance (a basis) for measuring indirect ownership. Indirect ownership exists within Absa's 40 823 shareholder base (at 31 December 2007) and comprises the following holdings: corporate (58,8%), pension funds (14,7%), unit trusts (10,9%), insurance companies (4,6%), private investors (3,7%), other managed funds (2,1%), other funds (3,2%) and below threshold (2,1%)

BEE Codes of Good Practice

The CoGP have far more stringent ownership criteria, and if adopted would necessitate an increase in Black ownership in the Group.

Management and control

In terms of the FSC, control is defined as the percentage of Black representation on the organisation's board and executive structure, as a result of the need to diversify boards and top management structures of organisations.

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Control:				
Board				
• Black people as a percentage of the board	33,0%	20,0%	38,9%	2,0
• Black women as a percentage of the board	11,0%	0,0%	16,7%	1,0
Executive management				
• Black people as a percentage of executive management	25,0%	15,0%	27,3%	4,0
• Black women as a percentage of executive management	4,0%	2,0%	12,1%	1,0

Absa is currently exceeding the FSC targets in this regard. Strategies are in place to continually enhance the diversity of the Group's management.

Employment equity

The underlying principles under this element include fostering the active involvement of Black people in the operational, professional and executive decision-making processes in their employing entities. EE is a mechanism used to achieve equity in the workplace by:

- promoting equal opportunity and fair employment through the elimination of unfair discrimination; and
- redressing historic disadvantages in employment and ensuring equitable representation in all occupational categories and levels in the workplace.

Transformation/Black economic empowerment

Employment equity (continued)

Absa's FSC status

Absa has progressed satisfactorily in achieving its employment equity goals and targets. The percentage of Black employees has increased from 55,7% at 31 December 2006 to 58,8% at 31 December 2007.

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Employment equity				
Senior management				
• Black people as a percentage of senior management	25%	10,0%	24,5%	3,0
• Black women as a percentage of senior management	4%	1,6%	8,0%	1,0
Middle management				
• Black people as a percentage of middle management	30%	17,0%	31,5%	4,0
• Black women as a percentage of middle management	10%	5,0%	14,7%	1,0
Junior management				
• Black people as a percentage of junior management	50%	28,0%	41,0%	2,5
• Black women as a percentage of junior management	15%	12,0%	22,5%	1,0

In addition:

- As at 31 December 2007, 65,7% of the Group's employees were women, 40,4% of top, senior and middle management were women, with 14,9% being Black women.
- As at 31 December 2007, 0,7% of the Group's employees are disabled.
- 77,3% of all employees recruited during 2007 were Black.

Absa is expected to meet the 2008 FSC target for both senior and middle management; the challenge is the junior management FSC target. The focus over the next two years will be on closing all identified management gaps. A number of steps have been taken to improve performance in this regard, including:

- The launch of a junior management development programme (JUMP) in July 2007.
- Various business units have established graduate learnerships and an Absa-wide graduate recruitment programme will be launched during 2008.
- Bursary schemes have also been agreed with various universities.

Movement and progress in this regard is being monitored on a monthly basis and corrective action is taken when required.

Transformation/Black economic empowerment

Employment equity (continued)

BEE Codes of Good Practice

The CoGP have higher targets than those stipulated in the FSC. As a result there is a significant gap between Absa's current EE position and the CoGP targets. To enhance Absa's EE position, an integrated approach, which encompasses new and existing human resource initiatives, will be implemented for maximum impact.

Skills development and learnerships

Absa's employee value proposition has two people development objectives, which are to:

- give each employee the opportunity to achieve his or her potential in pursuit of organisational objectives; and
- provide a challenging work environment and opportunities for personal growth.

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Skills development				
Skills spend				
• Percentage of payroll spent on skills development of Black employees per annum	1,5%	0,0%	1,7%	2,9
Learnerships	3,0%	0,0%	0,9%	1,2

Absa provides its employees with a number of training interventions. In addition to the skills development, Absa has implemented seven learnerships for Black unemployed matriculants and three learnerships for unemployed graduates in the past years. The current placement rate coming from these learnerships is 80%.

In addition to this, Absa had a number of other training interventions including:

- **Further education** – Absa supports employees from 46 different business areas with bursaries, of which 31% constituted Africans, 16% Coloured and 15% Indians. In addition to this assistance, Absa maintains a number of strategic partnerships with major educational bodies and institutions.
- **International exposure** – International exposure is offered to talented individuals as part of the talent development strategy. This exposure varies from attending short courses at recognised international education institutions to pre-arranged site visits to multi-national companies. The relationship with Barclays has resulted in a number of international placements and exchange programmes between Absa and Barclays in the United Kingdom.
- **The Absa development initiative (ADI)** – The Group accelerates the leadership development of young, talented individuals (36 years and younger) from Absa and Barclays Africa.
- **The accelerated leadership development programme (ALD)** – This is a new programme aimed at accelerating the leadership development of talented individuals (36 years and older) from Absa and Barclays Africa. The first intake of 29 delegates (of which 62% are Black persons) commenced in January 2007.
- **Junior management development programme (JUMP) 2007** – This is a new programme, which aims to ensure that there is a talent pipeline at junior management level, while meeting the requirements of the FSC. This twelve-month programme provides selected candidates with on-the-job training, as well as an accredited management development programme through the Gordon Institute of Business Science (GIBS).

It is envisaged that the above initiatives will have a positive impact in achieving both the employment equity and skills development CoGP interim targets for 2012.

Transformation/Black economic empowerment

Procurement

Absa remains committed to the transformation of South Africa through ongoing attention to the Group's supplier base. In achieving this, the Group has implemented a comprehensive supplier management strategy. Suppliers are managed according to the risk profile of the goods and/or services they supply to Absa.

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Procurement				
• Percentage score on BEE spend	50,0%	10,0%	62,8%	15,0

Absa was able to significantly improve on the percentage of the Group's spend with BEE companies throughout 2007. The FSC target for Absa is to have 50% (weighted spend) of its qualifying third-party spend going to BEE-rated suppliers by 2008. Absa has significantly exceeded that target a full year ahead of schedule, with 62,8% (weighted spend) of its qualifying procurement spend going to BEE companies during 2007.

BEE Codes of Good Practice

The CoGP poses challenges for procurement. This is because the CoGP have a separate target for procuring from qualifying small enterprises (QSE's). In meeting this challenge, Absa, through Group Sourcing, is undertaking an initiative that will cultivate suppliers which will fall under the specified category.

Enterprise development

The FSC has not identified a target for enterprise development (ED). ED has largely been viewed as part and parcel of procurement; therefore, Absa has identified initiatives as per the FSC criteria.

BEE Codes of Good Practice

The CoGP have a 3% net profit after taxation target for enterprise development. In order to achieve this target, the Group will place emphasis on cultivating and supporting companies in the Absa supplier database.

Corporate social investment

Since 1994, the Absa Foundation has been involved in the sustainable development of communities both socially and economically in rural, peri-urban and urban areas with preference to the previously disadvantaged. In addition to the programme implemented by the Absa Foundation, the wider Absa Group also actively participates in corporate social investment.

Transformation/Black economic empowerment

Corporate social investment (continued)

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Corporate social investment (CSI)				
<ul style="list-style-type: none"> Percentage of post-tax operating profit directed to CSI 	0,5%	0,0%	0,8%	3,0

During the year under review, Absa's spend on social investment initiatives amounted to 0,8% of profit after tax and over and above this there were non-monetary contributions in the form of employee volunteering, as well as the funds raised by employees for community programmes.

The initiatives supported were in the sectors of education, with preference to early childhood development and mathematics, science and technology; entrepreneurship with community skills development, school-based entrepreneurial skills development and job creation; health, in particular HIV/Aids and cancer; environment; and disability with Casual Day, seeing over R75 million being raised for persons living with disabilities since 1995.

Absa continues to see growth in terms of corporate social investment with a focus on strategic interventions implemented in partnership with both public benefit organisations and government.

Consumer education

Absa embraces the values of consumer protection and consumer empowerment. The Group is focused on encouraging the development of a demand-driven industry in which consumers are sufficiently well informed to directly influence the provision of appropriate services. The Group empowers consumers with knowledge to enable them to make more informed decisions about their finances and lifestyle.

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Consumer education				
<ul style="list-style-type: none"> Percentage of post-tax operating profit directed to consumer education per annum 	0,2%	0,2%	0,2%	2,0

During 2007, through Absa's consumer education forum and consumer council, the Group focused on protecting the consumer by making sure they made informed choices. Consumers were empowered with knowledge to take sound financial decisions. A highlight was the Bubomi ("That's life") financial literacy programme, whereby Absa invested more than R17 million to educate thousands of consumers in the LSM 1-5 group around the country through a number of programmes. Absa also partnered with a number of companies, service providers and non-governmental organisations (NGOs) to educate consumers. In 2007, R18,8 million was spent on consumer education for this market to improve financial literacy. This was primarily achieved through financial seminars, industrial theatres, face-to-face training in communities and print communication.

Transformation/Black economic empowerment

Access to financial services

The South African entry-level banking market is defined as banking individuals earning less than R3 000 (gross) a month and with very limited and uncertain means.

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Access to financial services				
<i>Physical accessibility, category</i>				
1 – branches	80,0%	0,0%	69,0%	1,7
<i>Physical accessibility, category</i>				
3 – ATMs	80,0%	0,0%	73,3%	1,8
<i>Origination</i>				
• Origination of home loans (Rm)	12 150	0	13 759	4,0
• Origination of agricultural loans (Rm)	525	0	681	2,0
• Origination of Black SME loans (Rm)	1 400	0	3 187	2,0
Products and services ('000)	652	0	365	2,2

Accessibility

The agreed industry target is to reach 80% coverage of LSM 1-5 by the end of 2008. This is the responsibility of the four major South African banks as the target is measured on an aggregated view of all the four larger South African banks' branches and ATM networks.

During 2007, 139 points of presence were opened and six outlets were closed in South Africa. Of the 139 points of presence opened, 19 were branches, 26 were loan centres, three were Absa Private Bank suites, five were small business advisory centres and 86 were alternative forms of delivery. As at 31 December 2007, Absa had a total of 892 points of presence, comprising the following:

Points of presence – 31 December 2007	Number
Retail – bricks and mortar	694
Retail – other	112
Micro lending/small business	56
Affluent	10
Business	20
Total	892

Transformation/Black economic empowerment

Accessibility (continued)

In addition to the above, in order to further enhance accessibility of financial services, the Group deployed additional direct sales agents during the year.

The Group's South African automated teller machine (ATM) network was also expanded significantly during the year, with 640 ATMs being installed. The majority were installed in previously disadvantaged areas. As at 31 December 2007, Absa had the following ATMs and self-service devices:

Device – 31 December 2007	Number
Absa standard ATMs	4 047
Non-standard ATMs	3 646
Total ATMs	7 693
Self-service kiosks	269
Internet kiosks	356
Total	8 318

Origination of loans

Absa Group has a target of R12 billion for new affordable housing by 31 December 2008, and has already released R13,759 billion. This is done in collaboration and consultation with the National Housing Ministry, provincial and local government.

The Olievenhoutbosch Ministerial Housing Project was the first project, followed by the Chief Albert Luthuli Housing Project. These projects support the FSC in delivering housing to low-income groups and are based on the national housing guidelines governing sustainable integrated developments.

Products and services

Absa has two key product offerings targeted at the unbanked market, being Mzansi and Sekulula.

Mzansi – For 2007, the Mzansi account base grew by 8% from 529 436 to 569 900¹ customers.

Sekulula – For 2007, the Sekulula account base grew by 14% from 681 469 to 775 867 customers.

¹ Excluding Bank of Transkei

Transformation/Black economic empowerment

Products and services (continued)

Mzansi is an account which was developed at an industry level and offered to first-time banking customers, specifically those that previously had limited access to banking. It is a very basic transaction account that offers easy access to the unbanked market through a low minimum opening deposit of R10. The account is only offered to South African citizens and was designed to bank the unbanked, offering basic withdrawals and deposits, no monthly management fees (thus store of value), low monthly fees (total maximum charge of 1,7% of income of R1 000), interest on credit balances and a free deposit per month, all accessed via a debit card solution.

Other products servicing this market also showed very good growth:

Flexi savings account – For 2007, the Flexi savings account base grew by 9% from 3 601 671 to 3 941 022 customers.

Club account – For 2007, the Club account base grew by 27% from 18 445 to 23 394 customers.

Empowerment and infrastructure financing

Absa is directly involved in empowerment financing through its investment banking arm, Absa Capital. The Group is committed to empowerment by ensuring that high-quality BEE and infrastructure finance transactions are financed.

Absa's FSC status

	FSC target (2008)	FSC thresholds	Absa's actual performance (2007)	Absa's points scored
Empowerment finance				
Target investments (Rm)	5 832	0	12 117	17,0
<ul style="list-style-type: none"> Absa's targeted annual investment in transformation infrastructure (Rm) 	3 125	0	956	
<ul style="list-style-type: none"> Absa's targeted annual investment in low-income housing (Rm) 	782	0	8 736	
<ul style="list-style-type: none"> Absa's targeted annual investment in agriculture 	525	0	176	
<ul style="list-style-type: none"> Absa's targeted annual investment in Black SMEs (Rm) 	1 400	0	2 249	
BEE transaction financing, including joint ventures, debt financing, equity investment in BEE companies that are not Black SMEs				
<ul style="list-style-type: none"> Absa's target for BEE transaction financing (Rm) 	4 020	0	18 356	5,0

Absa Capital concluded various empowerment deals in 2007 in pursuit of Absa's strategic focus on BEE. The innovative solutions towards achieving empowerment are home-grown, versatile and designed with a view to promote sustainable broad-based BEE that will transform the ownership patterns of the South African economy. This included joint ventures, debt financing, and equity investments in BEE companies that are not Black SMEs.

SUSTAINABILITY THEMES

The environment – Helping to conserve the environment to ensure a better life for future generations

Introduction

To ensure a better life for future generations, it has become increasingly important for organisations to participate in the conservation of the environment. As a financial institution, Absa has a marginal direct impact on the environment. This arises from the consumption of energy, water, paper and other resources used in the day-to-day management of the Group. The Group's indirect impact on the environment, however, outweighs the direct impact of the Group's operations. The Group's indirect impact consists of business relationships with customers whose operations have a direct bearing on the environment.

Absa has an environmental strategy which has been aligned with that of Barclays. The strategy is based on the promise of ensuring a sustainable environment for the Group and its stakeholders and, in doing so, ensuring that the Group's activities do not have a detrimental effect on the environment. In addition, the Group has implemented an environmental management process, which is aligned with the Barclays system as per the ISO14001 standard.

The Group also complies with the Equator Principles, a set of voluntary principles that guide financial institutions in socially and environmentally sensitive project finance decisions.

THE YEAR UNDER REVIEW

- An environmental steering group has been established and is chaired by a Group Executive Committee member.
- The Group retained its ISO14001 certification.
- Continued support from Barclays environmental department, which is highly rated in the UK's financial service.
- Strategies have been implemented to reduce the use of power, improve the "greening" of buildings and optimise recycling opportunities.

FUTURE FOCUS

- Reduction targets of 4% per annum for the next five years have been set for waste, water and energy.
- The Group also aims to increase the recycling of paper by 4% per annum.
- Reduce CO₂ emissions by improving energy efficiency.
- Pilot the extension of environmental credit risk beyond the scope of the Equator Principles, and increase employee awareness of the principles.
- Continuing to align to Barclays strategy, such as:
 - offering more products and services that can help customers tackle climate change; and
 - engaging with employees and key stakeholders on the climate change debate.

ENVIRONMENTAL STRATEGY

Absa's strategy and objectives in terms of the environment are based on its promise of ensuring a sustainable environment for the Group and its stakeholders and, in doing so, ensuring that the Group's activities do not have a detrimental effect on the environment. In the past, Absa has demonstrated in actions to be a responsible and caring organisation that is committed to ensuring ongoing conservation of natural resources and species and the reduction of pollution, which is in alignment with the Barclays strategy.

The environment

ENVIRONMENTAL POLICY

Absa has an environmental policy statement, which is approved by the Group Chief Executive, Steve Booyesen and it is available on the Absa intranet site. Supporting the policy statement is a complete environmental manual, which is structured in accordance with the ISO14001 (International Environmental System) requirements. This enables sound environmental performance by controlling, monitoring and reporting on the aspects and impacts of activities, products and services on the environment. Environmental policies and procedures are revised, published and communicated on a six-monthly basis.

The Group has a dedicated Environment, Health and Safety (EHS) department. The Group's environmental policy necessitates that the EHS department receives quarterly reports from representatives at each workplace in the Group. These representatives are trained according to a curriculum developed by the EHS department and presented on an ongoing basis by Absa's Learning and Development department. Having representation at each workplace and compulsory quarterly reporting enhances Absa's ability to manage and report on environmental risks and issues. Quarterly progress reports are submitted to the Barclays Group to ensure alignment with their strategy. Barclays has appointed a staff member to ensure that environmental standards are implemented and maintained internationally. Regular interaction takes place with this staff member pertaining to projects, system compliance, best practices, and so on.

ENVIRONMENTAL GOVERNANCE

Absa's focus and actions on the environment and environmental risk are embedded in the mandate of the EHS department. This department reports into Group Security and Safety, which is housed in the Group's risk function and reports to the Group's Risk Director. An environmental steering group, with an executive director as the chair, has been established and meetings are held on a quarterly basis. Members forming part of the committee represent core business areas within the Group. Should it be necessary for the implementation of projects, the necessary stakeholders are requested to join the environmental steering group for the duration of the project.

The environmental legal register has been compiled by a contracted environmental legal specialist and quarterly updates to legislation and by-laws are received. The EHS department is responsible for the revision of the processes and to ensure the implementation and communication of the relevant changes.

In order to augment resources and knowledge, the services of independent external environmental consultants are used from time to time to ensure compliance with environmental requirements.

ENVIRONMENTAL AWARENESS

In order to be successful in achieving the Group's environmental goals, it is of utmost importance to obtain participation and commitment from all employees. Environmental awareness therefore forms part of the Group's environmental strategy and is in line with the ISO14001 requirements. Internal communication takes place via the Group's internal newsletter, road shows, competitions, intranet site, as well as affording employees the opportunity to partake in environmental research projects by working with non-governmental organisations (NGOs) such as Earthwatch.

The world environmental calendar is utilised to create heightened and practical awareness. In addition, marine environmental awareness manifests in the sponsoring of the dolphin and seal pools at the uShaka Marine World theme park.

The environment

ENVIRONMENTAL SYSTEM

Absa has implemented an environmental management system (EMS), which is aligned with the Barclays system as per the ISO14001 standard. ISO14001 certification was requested and obtained for Group Logistics, Group Sourcing, Group Security and Safety as well as Real Estate Asset Management, which included facilities management, leasing, signage, the architectural studio, mechanical and electrical, Absa Development Company Holdings (Proprietary) Limited (Absa DevCo) and Service Support. These divisions were chosen owing to their environmental impact and influence within the Group. Implementation within the rest of the Group takes place by environmental guidance filtering through from the abovementioned divisions.

MEASURING AND MONITORING

Monthly information is received for monitoring purposes. Reduction targets of 4% per annum for the next five years have been set for waste, water and energy. The Group also aims to increase the recycling of paper by 4% per annum.

INDIRECT ENVIRONMENTAL IMPACTS

Absa, as a financial services organisation, is considered a low environmental impact company. However, there is increased worldwide recognition that, although financial services organisations are low-impact companies, environmental risk may arise indirectly from the environmental impact of third parties such as their customers and business partners.

Credit risk

The formal credit policy of Absa, pertaining to environmental matters, is to consider the general environmental implications of all credit proposals. The credit policy is reviewed at least annually and applies to any product or service offered by the Group that incurs credit risk. The possible environmental impact, rather than the transaction value, serves as the guiding principle. The policy is available to all employees.

Environmentally sensitive lending transactions are subject to environmental criteria stipulated in the lending conditions, dictated by the assessment of environmental risk by the mandate holder. When considered necessary or relevant, the Group requires independent environmental impact assessments to support credit applications from customers. Absa keeps abreast of new and changing environmental legislation through its formal compliance processes.

The environment

Equator Principles

As a result of Absa being a subsidiary of Barclays Bank PLC, the Group complies with the Equator Principles, a set of voluntary principles that guide financial institutions in social and environmentally sensitive project finance decisions.

The voluntary compliance includes the review of the Absa policies and procedures regarding environmental matters to formally recognise the Equator Principles. Although Absa has always acknowledged the importance of environmentally sensitive lending decisions and applied such an approach in its lending practices, the Equator Principles have been formally included in the Group's credit policies.

Application of the Equator Principles

The Equator Principles assist with the categorisation of project finance transactions in terms of the degree of environmental and social impact the project proposal will have. Three categories exist, namely:

- Category A: Projects with potential significant adverse impacts.
- Category B: Projects with potential limited adverse impacts.
- Category C: Projects with minimal or no environmental impacts.

The basic principle is that Absa undertakes not to provide funding to projects if the borrower is unable or unwilling to comply with the guidelines stated in the Equator Principles.

Adherence to the Equator Principles is achieved by complying with the Barclays Environmental and Social Impact Assessment (ESIA) policy. The standard terms of reference for ESIA have been extended to cover the Equator Principles requirements.

Absa requires and reviews environmental impact assessments of all projects identified as environmentally sensitive. Local environmental legislation is applied as a guideline for assessment of environmentally sensitive projects. However, in case of projects larger than \$10 million, as required by the Equator Principles, credit applications are referred to Barclays Bank PLC to be reviewed by its Environmental Risk Policy unit.

The environment

Project finance transactions during 2007

Category	A – Higher risk	B – Medium risk	C – Lower risk	Total
Transaction total				
• Number of transactions	-	9	5	14
• Value of transactions (Rm)	-	4 743	5 668	10 411
Sector distribution				
• Leisure				
- Number of transactions	-	-	1	1
- Value of transactions (Rm)	-	-	83	83
• Infrastructure				
- Number of transactions	-	9	2	11
- Value of transactions (Rm)	-	4 743	4 663	9 406
• Service				
- Number of transactions	-	-	1	1
- Value of transactions (Rm)	-	-	163	163
• Manufacturing				
- Number of transactions	-	-	1	1
- Value of transactions (Rm)	-	-	759	759

Other risks

In addition, environmental risk is always considered with all the other normal business risks, including commodity price risk, currency risk, operational risk and interest rate risk. Where the environmental risk is considered to be material, a detailed risk assessment and mitigation is required. This would typically entail environmental impact assessments undertaken by an independent technical adviser; obtaining indemnities from sellers when required and, if an acquisition is being funded, detailed environmental management plans from management, proof of environmental and third-party liability insurance, and the establishment of an environmental rehabilitation trust fund, as well as evidence that future contributions to such fund have been included in the base case projections.

The environment

Supplier risk

The Group's sourcing strategies and methodologies include performing a comprehensive risk assessment (including environmental impact assessments) of activities performed by suppliers, as part of the selection and supplier engagement process. Social and environmental risks identified during sourcing interventions are appropriately mitigated by incorporating provisions and control mechanisms commensurate with the associated risk in contracts concluded with suppliers.

The monitoring of the environmental performance of suppliers, as contracted, is currently performed on a "best effort" basis. This type of monitoring is in its infancy in the current environment. Absa places a high degree of reliance on the environmental regulations and adherence to these as they pertain to the industries from which Absa procures its goods and services. The ultimate sanction for non-compliance from an Absa perspective would be to remove the offending supplier from Absa's approved vendor master list and to seek remedies through the available legal channels, should this be deemed necessary.

In addition, activities performed by contractors are included in all Absa's environmental, health and safety risk assessments and these are documented in the EHS aspects, hazards and impact registers. Suppliers are audited by the EHS department to ensure environmental compliance.

DIRECT ENVIRONMENTAL IMPACTS

Land occupation

Although Absa has no significant impact on biodiversity, as the Group predominantly occupies offices, it was established that the Group could contribute to external awareness. Absa DevCo (a subsidiary of Absa Group Limited) and its subsidiaries, who are ISO14001 certified, own various tracts of farmland on the urban edge of metropolitan areas. These have been earmarked for residential township development. The total extent of these tracts is approximately 6 000 hectares. In respect of each proposed development, an application supported by an environmental impact assessment is made to the relevant environmental authorities for approval before commencing to install the infrastructure. Every environmental impact assessment is prepared by an independent environmental consultant and any biodiversity-rich habitat, natural heritage sites, threatened or endemic species of fauna and flora and invasive alien vegetation are addressed. As an example, in celebration of Arbour Day, landscaping was done by Absa at the Olievenhoutbosch development.

An independent external environmental specialist, in accordance with the relevant approved environmental authorities' management plan, manages biodiversity-rich habitats, natural heritage sites, threatened or endemic species of fauna and flora, and invasive vegetation.

Environmental legislation training is provided to Absa employees, by independent external environmental legal consultants to ensure compliance and to ensure that Absa employees are informed regarding their responsibilities in terms of environmental requirements. This serves the purpose of not only relying on information provided by external consultants, but also involving the Group's employees in environmental matters.

The environment

New building initiatives

One of last year's most high-profile projects to reduce the Group's direct impacts was the new Absa Capital building in Johannesburg. By using measures such as rainwater harvesting, solar heating, natural cooling, lighting sensors and recycled materials, the complex at Sandton Court will be 34,2% more energy-efficient than a traditional office, and save 1 352 tonnes of CO₂ per annum.

Water use

Absa is not a major consumer of water. Water is primarily used for consumption and ablution facilities. A reduction target of 4% per annum for the next five years has been set. A project is in progress to further reduce water and effluent costs by installing automatic water release devices for ablution facilities in all new buildings.

Energy

The energy mix comprises of electricity as primary source and diesel as secondary source and currently a limited amount of gas is used, mainly for cooking purposes. A reduction of 4% per annum for the next five years has been set. Projects to reduce consumption have been implemented. This includes the installing of power factor correction equipment in all buildings suited for this application to reduce consumption and thereby reducing the Group's carbon footprint. This is an ongoing project to buildings suited for this innovation and contributes to a saving of 22% on average.

All major buildings have been targeted to be retrofitted on existing luminaries with electronic control gear, which saves on average 25% of lighting consumption. All corporate identity upgraded outlets are fitted with time switches for after hours, which switch off between 19:00 and 06:00. Any lighting required between these hours is by push button activation, which allows one hour of lighting before switching off. On completion of this project, the saving on lighting consumption could be as much as 45%. A R7,5 million project has been approved for the upgrade of the energy usage systems for the Absa Johannesburg campus area.

An investigation was undertaken pertaining to the replacement of the R22 refrigerant which is currently used in the air conditioning system. The alternative chlorine-free refrigerant R417 has been tested and is compatible, but too costly to be immediately replaced on the existing systems. When closer to regulation change in the year 2012, the refrigerant will be more affordable and financially viable for change-over.

Energy-efficient air-conditioning systems have been installed at three major locations, being Safe Way in Witbank, Absa House in Cape Town and 291 Smith Street, Durban. These systems are based on heat recovery which contributes to energy savings of, on average, 30%. Absa is perusing these types of systems in other buildings concurrent with the replenishment initiatives.

Absa will be commencing with a new building in its Johannesburg campus. An energy centre has been approved for this project. The project consists of two stages of generation of power provision (by means of gas and diesel generators). As a result of this project, Absa will, on completion of the project, be fully sustainable to generate power to the Johannesburg campus area.

Absa's environmental footprint is being improved by the implementation of ongoing projects such as the optimisation of floor space usage per employee. This will result in less office space being occupied by the Group. The primary benefit will be the lowering of energy consumption. This project will have various secondary benefits as well, such as less chemicals being used for cleaning purposes and less travelling for delivery and collection of items. It will also minimise the number of employees commuting between buildings to attend meetings. This will contribute positively to the direct as well as indirect environmental impact of carbon emissions.

The environment

Paper use

Absa makes extensive use of paper, but the Group is actively involved in initiatives to reduce its use. This includes a project to revise all current systems and to streamline and eliminate unnecessary processes, such as printing customer statements on both sides of the paper, encouraging customers to make use of electronic banking facilities which reduce the direct as well as the indirect environmental impact.

The usual printing of diaries, desk pads and calendars was discontinued as part of a saving initiative. The environmental impact of this action was the saving of paper and glue, as well as transporting these commodities to the various workplaces all over the country. This action contributed to less trees being felled, less emissions being released into the air by manufacturers of paper, as well as the transporting companies and less paper going to landfill facilities.

The Group makes use of electronic communication which includes various internal management systems. In addition, Absa Card's issuing department has allowed up to six cards to be inserted into one envelope. This has resulted in the saving of between 15 000 and 19 000 kilograms of paper (card carriers, brochures, conditions of use) per annum.

To reduce usage of paper, employees are encouraged to set printers on double side printing and to make use of electronic or telephonic communication. Group Operations is driving the Group's enterprise content management programme, with the ultimate goals of reducing paper use and achieving full supply chain automation.

Other material use

Other materials used by the Group include the following:

- Absa Graphic Services (a department of Group Sourcing and Support Services) makes use of raw materials and consumables that are recyclable and have no or little impact on the environment. Most printing and cleaning solvents used have very little hazardous ingredients, are water-based and, when diluted, are environmentally friendly and can be recycled. All used litho-printing plates are recycled. Used film (negative and positive) is returned to the manufacturers for recycling and the extraction of reusable components. Used fixer is returned to the manufacturer in its original containers to extract industrial silver for reuse. Absa Graphic Services is one of the ISO14001 certified departments. A waste management register has been implemented for this area as per the ISO14001 system. This department is audited by the EHS department as well as by the South African Bureau of Standards (SABS) on a regular basis to ensure compliance. Absa has, however, decided to outsource Absa Graphic Services as most of the items are now electronically available.
- Redundant office furniture and equipment is re-used, as it is sold to auctioneers or second-hand furniture dealers.
- Absa Catering makes use of biodegradable, environmentally friendly cleaning materials. Used cooking oil is sent to a company who conducts the necessary testing to establish if it should be used in animal feed or for motor vehicles. They then distribute the oil to various points for the appropriate use.

The environment

Recycling

Absa undertakes a number of endeavours to facilitate recycling. These include the following:

- Where possible, signage is designed to be reusable. External signage is designed so that face changes can be implanted without changing the box.
- Third-party storage facilities recycle all documents after expiry date and use only boxes manufactured from recycled material.
- Paper off-cuts, redundant forms and other packaging materials are recycled. Paper waste is sold to paper waste recycling companies.
- Empty toner cartridges are returned to Absa's approved vendors for recycling.
- Disposals are handled by the vendor.
- Some unused office furniture, equipment and computers are donated (on request) to institutions and government departments. Redundant IT equipment is the property of the external vendor, which disposes of it. Although the equipment belongs to the vendor, the EHS department has conducted an audit to ensure that the appropriate environmental steps are in place and adhered to for the disposal of IT equipment.
- Where appropriate, tin cans are donated to charities such as schools and old age homes for fund raising purposes.

CO₂ emissions

To reduce the Groups CO₂ emissions, Absa makes use of video and telephone conferencing. Training programmes are conducted via the Group's internal television service. An employee bus service was piloted between Johannesburg and Pretoria, contributing to an indirect reduction of CO₂ emissions. The Group's fleet is on lease contract and is replaced three-yearly. Vehicles are serviced as prescribed by the manufacturer and by the Absa policy to ensure that no unnecessary emissions are released into the air.

Significant discharges and Absa's waste stream

A waste management register has been compiled, which includes the following waste: paper waste, general waste, kitchen waste, fax/printer cartridges, computer waste, fluorescent tubing, medical waste, solvents and rags (Absa Graphic Services), metal waste, contractors of Property Solution Management, batteries, sanitary waste, pesticides and chemicals.

All waste is handled as per the legal requirements, permits for landfills, handling of pesticides, incinerators, and so on, which have been obtained and are checked on a regular basis to ensure validity. All other required waste management documentation is on file for audit purposes to demonstrate compliance. The EHS department audits contractors to ensure that correct procedures are followed pertaining to waste generated from Absa's premises. These records are audited by the SABS to ensure ISO14001 compliance.

The Group does not transport, store or trade in hazardous waste, nor recycle waste materials, nor owns any waste disposal sites.

With reference to uncontrolled releases, discharges or spills, no reportable incident has occurred in the Group.

Environmental liabilities

Absa makes provision in terms of the Environmental Conservation Act for environmental rehabilitation when property is developed. The Group accepts its liabilities and will attend to cleaning up in case of an incident or accident. No provision is made for any other environmental liabilities, as the Group is mainly a service provider in a low environmental impact area.

The environment

Other direct environmental initiatives

The Group is a sponsor of the Peace Parks initiative, which involves a R10 million donation over ten years. The Peace Parks Foundation assists governments in the Southern African Development Community (SADC) with the training of more than 10 000 game rangers, field guides, wildlife veterinarians and guesthouse managers. All SADC heads of state are patrons of the foundation. President Thabo Mbeki, in particular, supports this concept as it is in accord with the New Partnership for African Development (NEPAD) plans. An agreement has been signed between Mozambique, South Africa and Zimbabwe to establish the world's largest animal kingdom.

Absa supports the Southern African Wildlife College in Hoedspruit, Limpopo and the Southern African College for Tourism in Graaff-Reinet. Both these educational initiatives help to build capacity and develop the skills that are needed to turn the dream of peace parks into a reality. In order for Absa to derive a direct benefit in terms of the Financial Sector Charter (FSC) from the donation it gives, there was a need to sharpen the focus of Absa's investment to ensure maximum benefit. It has since been agreed that Absa will divide its annual R1 million donation between the Peace Parks Foundation's capital fund account and the SA College for Tourism to provide bursaries for South African women to receive training in the hospitality field. After training, the women are placed in bed-and-breakfast establishments and hotels in the peace parks. The women selected to attend the SA College for Tourism are principally from disadvantaged communities where the monthly household income of the parents is less than R5 000.

Absa's motivation regarding environmental conservation involvement lies in the Group's objective of being a responsible and caring organisation that is committed to ensuring the ongoing existence of conservation and skills development that will improve the lives of the rural communities, which will foster the economic wellbeing of the entire region.

Absa is the sponsor of a water project in the rural areas, where roundabouts are provided for children to play on, while they generate power to transfer water from a borehole to a plastic tank. This system serves three purposes, being safe drinking water for the community, playing equipment for children and not having to make use of fossil fuel to generate power for a motor to transfer water from a borehole to the tank, making it an environmental friendly project.

Absa's marketing department has included environmental consideration into their policy pertaining to purchasing of promotional items. In addition, Absa Home Loans has initiated a project focusing on solar heaters as part of home loans solutions to customers.

INTERNAL AUDITING OF ENVIRONMENTAL PRACTICES

Absa aims to validate its environmental practices. This validation is conducted by the EHS department, which has been trained by an external environmental consultant, who assisted with the implementation of the ISO14001 system, as well as an external environmental legal specialist. The audit process includes remedial action and the implementation of practices. Auditing is conducted according to the ISO14001 specifications and audit findings and reports are discussed at the environmental steering group meetings. These include findings on remedial action required.

COMPLIANCE

The Group has not incurred any fine for non-compliance with environmental regulations during the year 2007.

GRI

Global Reporting Initiative index

Absa's stakeholder report complies, to a large extent, with the Global Reporting Initiative (GRI) guidelines. The following table in this section of the report contains references to the GRI index.

GRI reference	GRI indicator	Absa's status
General performance indicators		
Strategy and analysis		
1.1	Statement from the most senior decision maker of the organisation (eg, CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy.	Absa is firmly committed to advancing the principles and practices of sustainable development. [link 1 , link 2]
1.2	Description of key impacts, risks and opportunities.	Core market opportunities include: <ul style="list-style-type: none"> • Shift from consumption-led growth to investment-led growth. • Leveraging the potential of the unsecured market. • Increased public and private investment spending. • Leveraging off the potential of sub-Saharan Africa.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
General performance indicators		
Organisational profile		
2.1	Name of the reporting organisation.	Absa Group Limited.
2.2	Major brands, products and/or services.	Absa provides the full range of banking and financial services products and solutions .
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	Legal, management and financial reporting structures are disclosed.
2.4	Location of the organisation's headquarters.	Absa's headquarters are located in Johannesburg, South Africa
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Absa operates mainly in South Africa.
2.6	Nature of ownership and legal form.	40 823 shareholders. Refer to page 27.
2.7	Markets served (including geographical breakdown, sectors served and types of customers/beneficiaries).	Absa follows a customer-focused strategy in targeted markets. Refer to page 34.
2.8	Scale of the reporting organisation (including number of employees, net sales, total capitalisation and quantity of products or services provided).	36 893 employees/R9 413 million in headline earnings/R75,3 billion market capitalisation/R641 billion total assets/Majority of earnings from South Africa/Major shareholder: Barclays Bank PLC. Refer to page 11.
2.9	Significant changes during the reporting period regarding size, structure or ownership.	There were no changes in the organisation's size, structure or ownership.
2.10	Awards received during the reporting period.	<ul style="list-style-type: none"> • Number-one banking brand in South Africa according to the Sunday Times/Markinor Top Brands survey. • The coolest bank in South Africa (Sunday Times Generation Next survey). • Most caring financial services company in South Africa (Corporate and Market Research, Corporate Care Check). Refer to page 1.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
General performance indicators		
Report parameters		
3.1	Reporting period for information provided.	For the twelve months ended 31 December 2007.
3.2	Date of most recent previous report.	For the twelve months ended 31 December 2006.
3.3	Reporting cycle.	Annual.
3.4	Contact point for questions regarding the report or its contents.	ir@absa.co.za
3.5	Process for defining report content (including determining materiality, prioritising topics within the report and identifying stakeholders the organisation expects to use the report).	The information contained in the report complies with the Listings Requirements of the JSE Limited and the Companies Act. Further disclosures are based on the information required to enhance the understanding of the Group. The Group provides information pertaining to all its stakeholder groups.
3.6	Boundary of report.	The report provides information on all the Group's operations. However, with reference to stakeholder reporting, the information tends to be focused on the Group's South African operations. Refer to page 24.
3.7	Specific limitations on the scope or boundary of the report.	With reference to stakeholder reporting, the information tends to be focused on the Group's South African operations. Refer to page 24.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	Not applicable to the reporting period under review.
3.9	Data measurement techniques and the bases for calculations.	The Group complies with International Financial Reporting Standards (IFRS)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements.	Reclassifications of the balance sheet and income statement are provided .
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	None.
3.12	Table identifying the location of the standard disclosures in the report.	Global Reporting Initiative index.
3.13	Policy and current practice with regard to seeking external assurance of the report.	No external assurance has been obtained of the sustainability issues in the report. The Group's financial statements have been ratified by the Group's external auditors.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
General performance indicators		
Governance, commitments and engagement		
4.1	Governance structure of the organisation.	Absa complies with King II. Full disclosure of governance bodies is provided in the corporate governance section of the shareholder report.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Professor Marcus is an independent director and does not hold an executive position in the Group .
4.3	State the number of board members of the highest governance body that are independent and/or non-executive members.	Independent: Eleven. Non-executive: Seven .
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	The Group's annual general meetings and special general meetings, as well as direct and indirect communication media, provide mechanisms for feedback. In addition, management interacts directly with shareholders. Refer to page 20.
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance).	Performance bonuses are linked to performance in terms of targeted performance goals and are based on an economic-value-added approach.
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided.	The Group has a policy governing conflicts of interest. The policy is provided to all new directors on appointment and is reviewed by the board annually .
4.7	Process for determining the qualifications and expertise of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	The board's skills, experience, competencies, qualifications, and so on are reviewed annually. A strategy is then formulated to fill any gaps identified .
4.8	Mission statements, values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	The Group has identified values and an ethical code. These are applied consistently across the Group. Refer to pages 2 and 6.
4.9	Procedures for overseeing the organisation's identification and management of economic, environmental and social performance.	This is undertaken by the board .
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	The Directors' Affairs Committee (DAC) annually assesses the contribution of each director, using an individual director evaluation process that is conducted by the Group Chairperson and the Deputy Chairperson. The Group Chairperson's performance is dealt with by the DAC and the Deputy Chairperson's performance evaluation is dealt with by the Group Chairperson and one other member of the DAC .

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
General performance indicators		
Governance, commitments and engagement		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Absa performs a formal risk assessment of each new product. Internal Audit compiles risk management plans for implementation .
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	Absa is a signatory to the Financial Sector Charter signed on 17 October 2003. In addition, the Group launched its customer charter in 2006. Refer to pages 1 and 39.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations.	This is reported under the commentary for the Group's respective business units .
4.14	List of stakeholder groups engaged by the organisation.	Absa's stakeholder groups are: <ul style="list-style-type: none"> • shareholders; • customers; • employees; • the community (which includes suppliers); and • governments and regulators. Refer to page 2.
4.15	Basis for identification and selection of stakeholders with whom to engage.	The identification of stakeholders is approved by the board. Refer to page 2.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	The Group makes use of a number of media to communicate with and obtain feedback from its stakeholders. This is covered in the section titled Stakeholder engagement. Refer to page 20.
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting.	This is reported per stakeholder group. Refer to page 20.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Economic approach and performance indicators		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	R9 413 million in headline earnings.
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Not reported.
EC3	Coverage of the organisation's defined-benefit plan obligations.	Contained in note 44 of the financial statements.
EC4	Significant financial assistance received from government.	Absa does not receive any financial assistance from government.
EC5	Range of ratios of standard entry level wage compared with local minimum wage at significant locations of operation.	Not disclosed.
EC6	Policy, practices and proportion of spending on locally-based suppliers.	Absa has a strong policy that details how the Group interacts with suppliers. Absa spent approximately R9 billion with external suppliers in 2007. Refer to page 97.
EC7	Procedures for local hiring and proportion of senior management hired from the local community.	The majority of Absa's employees are South African, with 33,9% of senior management and senior specialists from previously disadvantaged groups. Refer to page 69.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	The Absa Foundation disbursed R39,9 million in communities in which the Group operates. Absa's various business units also provide investment to the community. In addition to this, the community benefits from the Group's infrastructure, which provides access to financial services. Total Group-wide spend for 2007 amounted to R60,9 million . Refer to page 75.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Absa complies with the Equator Principles. Refer to page 124.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Environmental performance indicators		
EN1	Materials used by weight or volume.	Absa is not a major consumer of materials. Paper is the major material used. This is measured by weight and volume. Refer to page 128.
EN2	Percentage of materials used that are recycled input materials.	Absa endeavours to facilitate recycling wherever possible. Refer to page 129.
EN3	Direct energy consumption by primary energy source.	Electricity is the Group's primary energy source and fuel (petrol and diesel) is a secondary energy source. A limited amount of gas is also used, mainly for cooking purposes. Refer to page 127.
EN4	Indirect energy consumption by primary source.	Absa primarily uses electricity. Refer to page 127.
EN5	Energy saved due to conservation and efficiency improvements.	Projects have been implemented in this regard. A baseline has been established and a 4% per annum reduction target has been set. Refer to page 122.
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Projects have been initiated in this regard. Refer to page 127.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not at this stage. The main focus has been on addressing direct consumption. Refer to page 127.
EN8	Total water withdrawal by source.	Absa is not a major consumer of water. Water is primarily used for consumption and ablution facilities. Refer to page 127.
EN9	Water sources significantly affected by withdrawal of water.	None.
EN10	Percentage and total volume of water recycled or reused.	Not applicable.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Absa has no significant impact on biodiversity/protected areas as the Group predominantly occupies offices. Relationships have been established with the Department of Agriculture, Conservation, Environment and Land Affairs as well as various environmental NGOs to provide assistance with the Group's biodiversity awareness strategy. Refer to page 126.
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas.	An independent external specialist manages biodiversity-rich habitats, natural heritage sites, threatened or endemic species of fauna and flora, and invasive vegetation. Refer to page 126.
EN13	Habitats protected or restored.	
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	
EN15	Number of IUCN Red List species.	None.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Environmental performance indicators		
EN16	Total direct and indirect greenhouse gas emissions by weight.	Not measured at this stage. A project has been registered to attend to this matter. Refer to page 129.
EN17	Other relevant indirect greenhouse gas emissions by weight.	Will be attended to once the direct emissions have been addressed. Refer to page 129.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Make use of video and audio conferencing instead of travelling. Refer to page 129.
EN19	Emissions of ozone-depleting substances by weight.	Not a core measurable, therefore the Group is not able to provide statistics at this stage.
EN20	NO, SO and other significant air emissions by type and weight.	Not applicable.
EN21	Total water discharge by quality and destination.	Not applicable
EN22	Total weight of waste by type and disposal method.	<p>Clinic waste and fluorescent tubes – disposed of at registered toxic waste sites and records kept.</p> <p>Paper – recorded by tons, recycled, records kept by EHS department.</p> <p>Wet waste – recorded by kilolitres, records kept by EHS department.</p> <p>Printer cartridges – recorded by unit and returned to supplier for reconditioning.</p> <p>Electronic waste – returned to supplier, safe disposal records kept by EHS department.</p> <p>Cooking oil – recorded by litre, disposed of by reusing as animal feed or oil for vehicles. Refer to page 128.</p>
EN23	Total number and volume of significant spills.	None.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Environmental performance indicators		
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention.	A waste management register as been compiled. All waste is handled as per the legal requirements . Hazardous waste consists of waste from 18 clinics and fluorescent tubes.
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by discharges to water and runoff.	None.
EN26	Initiatives to migrate environmental impacts of products and services, and extent of impact mitigation.	Various projects are receiving attention, including replacing lighting with energy-efficient compact fluorescent bulbs and making optimal use of floor space. Refer to page 127.
EN27	Percentage of products sold and their packaging materials that are reclaimed.	Limited external exposure (mainly contracts and statements). Absa does not have control over disposal. Most of the internal documentation is available electronically. All ink cartridges are returned in their original packaging. Refer to page 128.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	The Group has not incurred any fine for non-compliance with environmental regulations. Refer to page 130.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Minor – small fleet – no trucks. Majority of transportation is outsourced. Refer to page 129.
EN30	Total environmental protection expenditures and investments by type.	Not currently measured.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Social performance indicators		
Labour practices		
LA1	Total workforce by employment type, employment contract and region.	Full-time employees, excluding Africa outside South Africa – 35 008. Employees in other entities consolidated into the Group's financial statements – 1 885. Refer to page 67.
LA2	Total number and rate of employee turnover by age group, gender and region.	Average turnover of 13,8%. Refer to page 70.
LA3	Benefits provided to full-time employees.	Clinics, gymnasiums, canteens, HIV/Aids guidance, paid maternity leave and a sick leave benefit bank. Refer to page 61.
LA4	Percentage of employees covered by collective bargaining agreements.	Approximately 52% of the Absa workforce is unionised. 58% of non-managerial employees and 34% of management belong to Sasbo. Refer to page 62.
LA5	Minimum notice periods regarding operational changes, including whether it is specific in collective agreements.	The recognition agreement (RA) with Sasbo requires changes in terms and conditions of employment to be negotiated with Sasbo. The notice period within which such changes would take effect is a negotiable issue, but, as a rule of thumb, such changes would normally be implemented with notice equal to contractual termination notice (four weeks). As far as operational changes are concerned (from which is understood restructuring exercises), the RA with Sasbo makes provision for consultation to take place between Absa and Sasbo prior to implementation. No notice period is specified. However, in terms of section 189 of the Labour Relations Act, the time frame within which restructuring is to take place is a matter for consultation between the parties. Refer to page 62.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees.	There are dedicated committees in each of the Group's buildings. Refer to page 62.
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region.	Number of employee days lost – 670. Number of accidents – 199. Refer to page 66.
LA8	Education, training, counselling, prevention and risk control programmes in place to assist workforce members regarding serious diseases.	Wellness management includes the identification of behavioural risks from both organisational and individual sources, as well as providing interventions relating to these, like the financial literacy and debt rehabilitation programme and the 24/7/365 days trauma counselling hotline and service. A monthly update on disease management is done in line with the World Health Organisation's health calendar days. Refer to page 66.
LA9	Health and safety topics covered in formal agreements with trade unions.	The policy is housed on the Group's intranet site.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Social performance indicators		
Labour practices		
LA10	Average hours of training per year per employee by employee category.	Absa provides its employees with a number of training interventions. For the period under review, 93 212 training opportunities for employees were provided. Refer to page 52.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Comprehensive programmes are in place. Refer to page 62.
LA12	Percentage of employees receiving regular performance and career development reviews.	All employees have performance development plans in place. Review of progress against objectives and development actions take place at least twice annually and additional informal (required) reviews happen twice a year in alternate quarters. Leadership and talent reviews are conducted twice annually to ensure Absa nurtures, develops and stretches its talent. Refer to page 51.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	The section titled " Corporate governance statement " provides a detailed overview of the Group's governance structures. Detailed employee statistics are disclosed on page 69.
LA14	Ratio of basic salary of men to women by employee category.	Not disclosed.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Social performance indicators		
Human rights		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Absa undertakes not to provide funding to projects if the borrower is unable or unwilling to comply with the guidelines stated in the Equator Principles. Refer to page 124.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	The associated governance requirements (including those relating to human rights) are embedded in Absa's sourcing approach. Refer to page 99.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	The Group's commitment to observe all constitutional rights of employees is confirmed and articulated in various policy documents and statements. Training is provided in respect of the application of relevant policies. Refer to page 63.
HR4	Total number of incidents of discrimination and actions taken.	This is covered in the Group's employment equity and diversity programme. Refer to page 55.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights.	A policy is in place and is monitored. Refer to page 62.
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	This is dealt with in the Group's talent sourcing and selection policy. Refer to page 51.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	The operational security function for the Group is outsourced and therefore training is undertaken by the vendor.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	A comprehensive employment equity and diversity programme is in place. The monitoring of any incidents is part of the process. Refer to page 55.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
Social performance indicators		
Society performance indicators		
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	Prior to approving the financing of projects, the relevant communities are consulted. Refer to page 123.
SO2	Percentage and total number of business units analysed for risks related to corruption.	Policies and procedures are in place and managed and monitored by Absa Compliance and the Group's Internal Audit department. Refer to page 105.
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures.	All employees have signed the employee code of conduct guide acknowledging Absa's policy on corruption and the fight against it.
SO4	Actions taken in response to incidents of corruption.	All matters relating to corruption are to be reported to Forensic Services, which conducts a thorough investigation into the incident/allegation.
SO5	Public policy positions and participation in public policy development and lobbying.	Absa has a dedicated department that focuses on government relations. Refer to page 103
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	R2,4 million was paid to political parties in South Africa during the period under review. Refer to page 103.
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	No court cases have been instituted against Absa.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Absa has complied with the required laws and regulations. Refer to page 105.

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GRI reference	GRI indicator	Absa's status
Product responsibility performance indicators		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Limited relevance. However , the Group subscribes to and abides by the regulations of the Financial Intelligence Centre Act (FICA) and the Financial Advisory and Intermediary Services (FAIS) Act in obtaining customer information and providing customers with fit and proper financial advice.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not applicable.
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Information provided directly to customers via product pamphlets, conditions of use and the Group's website. Absa subscribes to and abides by the regulations of FICA, and the FAIS Act in obtaining customer information and providing customers with fit and proper financial advice. In addition, the Group complies with the National Credit Act (NCA). Refer to page 40.
PR4	Total number of incidents of non-compliance with regulations concerning product and service information and labelling.	None. Refer to page 48.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Customer satisfaction is continuously measured through in-depth market research interventions. Refer to page 42.
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Absa is committed to adhering to all the standards and voluntary codes related to marketing communication. Refer to page 48.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications.	None. Refer to page 48.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	The Group subscribes to the Code of Banking Practice and has a process in place to ensure the protection of data. Refer to page 46.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None. Refer to page 48.

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GRI reference	GRI indicator	Absa's status
Financial services' guidelines		
Corporate social responsibility (CSR) management		
CSR1	Describe social elements of the CSR policy, including corporate definition of CSR.	Absa has a comprehensive CSI strategy and policy. Refer to page 73.
CSR2	Describe the structure and relevant CSR responsibilities, including explanation of the installed procedures.	CSI interventions are largely undertaken by the Absa Foundation. Refer to page 74.
CSR3	Report on the number of audits and auditor hours.	Undertaken by the Group's internal auditors.
CSR4	Describe procedures for handling issues sensitive to stakeholders and responsiveness.	Procedures are in place for all identified stakeholders. Refer to page 20.
CSR5	Report on the number of non-compliance incidents with any law or regulatory code of conduct.	None.
CSR6	Describe stakeholder dialogue and involvement procedures.	There are specific interventions for identified stakeholder groups. Refer to page 20.
Internal social performance		
INT1	Describe social responsibility issues covered in the company's human resources policies.	The Group's commitment to observe all the constitutional rights of employees is confirmed and articulated in various policy documents and statements. Refer to page 62.
INT2	Staff turnover: percentage of staff having left the company in a given year. ($[\text{staff having left}]/[\text{staff at end of previous year}] * 100$)	Absa's employee turnover for 2007 was 13,8 %. Refer to page 70.
INT3	Report on employee satisfaction, based on survey results.	The results of the Group's employee opinion survey are very satisfactory and compare well with other major financial services companies globally. Refer to page 50.
INT4	Report on remuneration of senior management and board of directors.	Details are contained in the Group remuneration report and note 48 of the notes to the consolidated financial statements.
INT5	Report on bonuses that contain additional sustainability elements.	Performance bonuses are linked to business performance in terms of targeted performance goals and are based on an economic value approach.
INT6	Report on ratio of female to male salaries, including bonuses, per hierarchy level.	Not disclosed.
INT7	Report on employee profile per hierarchy level and country according to gender, ethnicity and disability.	Split per gender, ethnic group and age is comprehensively disclosed. Refer to page 69.

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GRI reference	GRI indicator	Absa's status
Financial services' guidelines		
Performance to society		
SOC1	Report on contributions to charitable causes, community investments and commercial sponsorships.	R60,9 million disbursed to community initiatives Group-wide during 2007. Refer to page 75.
SOC2	Economic value added. (It consists of gross salaries, taxes, depreciation and gross profits.)	R25,2 billion for 2007. Refer to page 9.
Suppliers		
SUP1	Report on policies and procedures to screen suppliers' social performance.	Included in the Group's supplier contracts. Refer to page 100.
SUP2	Report on supplier satisfaction with e.g. prompt payment, prices and treatment.	Undertaken through the supplier and customer satisfaction survey. Refer to page 101.
Retail banking		
RB1	Describe the social criteria applied by the reporting organisation in retail banking.	Absa has embedded the provisions of the FSC into its business strategies.
RB2	Lending profile: Report in repartition of lending business, including industrial sectors and company sizes, with specific reference to lending related to small and medium-sized enterprises.	Retail banking contributed 49,1% to Group earnings.
RB3	Lending with high social benefit: Report on provision of tailored and innovative products and services applying special ethical/sustainability criteria, including provision of finance to deprived communities.	Absa provides holistic services to all targeted segments. Refer to page 119.
Investment banking		
IB1	Describe the social criteria applied by the reporting organisation to its investment banking.	Absa subscribes to the Equator Principles, a set of voluntary principles that guide financial institutions in socially and environmentally sensitive project finance decisions. Refer to page 124.
IB2	Identify transaction structure according to World Bank classification of economies.	Not reported.
IB3	Transactions with a high social benefit: Report on provision of tailored and innovative products and services applying special ethical/sustainability criteria.	Financing of corporate empowerment, transformational infrastructure transactions and BEE transaction funding. Refer to page 120.

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GRI reference	GRI indicator	Absa's status
Financial services' guidelines		
Asset management		
AM1	Describe the social criteria applied by the reporting organisation in asset management.	Not disclosed – Absa Asset Management strives for accountable investing.
AM2	Report on provision of tailored and innovative products and services applying special positive ethical/sustainability criteria.	No specific initiatives – Absa Asset Management operates under customer mandates with specific guidelines.
AM3	Describe activities with companies invested in, where CSR issues either are raised in communications with board and management or explicitly considered when exercising shareholder rights.	
Insurance		
INS1	Describe the social criteria applied by the reporting organisation in its underwriting policy.	Underwriting criteria are evidence-based and according to international standards and contain no elements of discrimination.
INS2	Customer profile: Report on the customer base in private and business insurance.	2,4 million life and 1,1 million short-term insurance customers.
INS3	Customer complaints: Report on the number of complaints received from customers.	Not disclosed.
INS4	Insurance with high social benefit: Report on provision of tailored and innovative products and services applying special ethical or sustainability criteria.	Provision of specific offerings for the respective market segments.
Environmental performance indicators for financial services organisations		
F1	Description of environmental policies applied to core business lines.	Absa has an environmental policy statement. This policy enables sound environmental performance by controlling, monitoring and reporting on the aspects and impacts of activities, products and services on the environment. Refer to page 121.
F2	Description of processes for accessing and screening environmental risks in core business lines.	As Absa is a subsidiary of Barclays Bank PLC, the Group now complies with the Equator Principles. Refer to page 124.
F3	State the thresholds at which environmental risk assessment procedures applied to each core business line.	Absa requires and reviews environmental impact assessments of all projects identified as environmentally sensitive. Local environmental legislation is applied as a guideline for the assessment of environmentally sensitive projects. However, in the case of projects larger than \$10 million, as required by the Equator Principles, credit applications are referred to Barclays Bank PLC to be reviewed by its environmental risk policy unit. Refer to page 124.
F4	Description of processes for monitoring customers' implementation of and compliance with environmental aspects raised in risk assessment processes.	Absa's credit policy considers the general environmental implication of all applications. Refer to page 123.

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GRI reference	GRI indicator	Absa's status
Financial services' guidelines		
Environmental performance indicators for financial services organisations		
F5	Description of processes for improving staff competency in addressing environmental risks and opportunities.	Legislative changes and their impacts are formally communicated to staff, as are amendments to credit and sanctioning policies. Informally, appropriate awareness messages are regularly included in staff newsletters and bulletins regarding general environmentally friendly practices at home and work.
F6	Number and frequency of audits that include the examination of environmental risk systems and procedures related to core business lines.	The Internal Audit department includes relevant tests and reviews in its field work to address appropriate risks identified in systems, processes and procedures. An external legal specialist also reviews the Group's environmental practices. Refer to page 130
F7	Description of interactions with customers/investee companies/business partners regarding environmental risks and opportunities.	Environmental matters are assessed during initial interaction and negotiations with customers and, where applicable, contracted in the formal agreement. Large business ventures are subject to comprehensive due diligence assessments before such business relationships are finalised. Refer to page 123.
F8	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has engaged on environmental issues.	As Absa is a subsidiary of Barclays Bank PLC, the Group and its principle subsidiaries comply with the Equator Principles. Refer to page 124.
F9	Percentage of assets subjected to positive, negative and best-in-class environmental screening.	Absa undertakes not to provide funding to projects if the borrower is unable or unwilling to comply with the guidelines stated in the Equator Principles. Refer to page 124
F10	Description of voting policy on environmental issues for shares over which the reporting organisation holds the right to vote shares and advise on voting.	Absa's core business is that of a retail, commercial and investment bank.
F11	Percentage of assets under management where the reporting organisation holds the right to vote shares or advise on voting.	
F12	Total monetary value of specific environmental products and services broken down according to the core business lines.	
F13	Value of portfolio for each core business line broken down by specific region and by sector.	

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GRI reference	GRI indicator	Absa's status
HIV/Aids reporting		
1	Describe the organisation's HIV/Aids policy.	Absa's policy is in place. Refer to page 64.
2	Describe the overall strategy for managing the HIV/Aids risk.	Absa has set objectives and deliverables. Refer to page 63.
3	Describe the extent of preparedness and contingency planning in anticipation of expected HIV/Aids impacts.	Absa has plans in place in this regard. Refer to page 64.
4	Describe how the organisation monitors its progress and reports in terms of indicators 1-3.	Absa has an HIV/Aids steering committee that monitors progress in this regard. Refer to page 64.
5	Describe how the organisation involves stakeholders in the formulation of policy, strategy and implementation.	Internal and external experts are involved and communication is undertaken through numerous channels. Refer to page 65.
6	Indicate current and projected future HIV/Aids prevalence and incidence rates among relevant populations.	The last study indicated that the South African banking industry had a prevalence rate of 3,4%.
7	Report current HIV/Aids-associated costs and exposures to the organisation.	All direct costs for HIV/Aids are borne by service providers. Absa also has an external HIV/Aids spend, which resides with the Group's Corporate Social Investment structure. Refer to page 65.
8	Indicate total assumed future HIV/Aids associated costs and exposures.	All direct costs for HIV/Aids are borne by service providers. Absa also has an external HIV/Aids spend, which resides with the Group's Corporate Social Investment structure. Refer to page 65.

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GRI reference	GRI indicator	Absa's status
HIV/Aids reporting		
9	Describe the workplace and workplace-related HIV/Aids programmes and interventions, and the extent to which they maintain a workplace environment respectful of human and legal rights.	Absa has focused on various HIV/Aids initiatives. These include voluntary counselling and testing, health risk assessments and a physical wellness programme. Refer to page 65.
10	Indicate total allocated budget dedicated to HIV/Aids programmes per annum.	All direct costs for HIV/Aids are borne by service providers. Absa also has an external HIV/Aids spend, which resides with the Group's Corporate Social Investment structure. Refer to page 65.
11	Detail the organisation's voluntary counselling and testing programme.	All wellness practitioners throughout Absa offer voluntary counselling and testing on a continuous basis. Refer to page 65.
12	Describe other support and counselling programmes and measures.	This includes health risk assessments, as well as the relevant referrals for early and optimal treatment, care and support. Refer to page 65.
13	Describe the organisation's HIV/Aids education and training programmes.	Information, education and communication activities are provided. Refer to page 65.
14	Describe the organisation's condom and femidom distribution programme.	Absa provides and distributes condoms at appropriate and convenient sites. Refer to page 65.
15	Describe the organisation's general health care and wellness provision of employees and their families.	Absa has a comprehensive HIV/Aids treatment programme. Refer to page 65.
16	Describe additional benefits and support for employees sick, dying or deceased from Aids-related conditions.	HIV-positive Absa employees and their dependants can participate in a specialised disease management programme. Refer to page 65.