

Absa Group Limited

Sustainability review
For the year ended 31 December 2008

Contents

Introduction		
	1	Sustainability in Absa
	2	Sustainability reporting
	3	Absa's sustainability viewpoint
	4	Embracing sustainability
	7	Sustainability governance at Absa
	8	Scope and boundary of Absa's sustainability reporting
Performance		
	9	Absa's sustainability performance
	11	Value-added statement
	12	Performance against objectives
	18	Awards and recognition
Stakeholders		
	21	Shareholders
	22	Customers
	23	Employees
	24	Community
	25	Suppliers and other resource providers
	25	Governments and regulators
Material sustainability issues		
	27	Economic value creation
	29	Customer centricity
	39	Engaging and caring financial services company
	56	Transformation and BEE
	58	Corporate reputation
Global Reporting Initiative index		
	62	GRI index

Sustainability in Absa



CSI leadership

- ✓ Corporate Social Investment Leadership Award 2008 (Sunday Times Top 100 Companies Awards)
- ✓ 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 (Triologue)



Strong brand positioning

- ✓ The number one banking brand in South Africa
- ✓ The coolest banking brand in South Africa



Value creation for all stakeholders

- ✓ Employees – R11 604 million
- ✓ Government – R4 690 million
- ✓ Shareholders – R3 974 million
- ✓ Expansion and growth – R7 624 million



Service innovation

- ✓ In-flight banking
- ✓ Audio brochure
- ✓ Prepaid debit cards
- ✓ Purchasing prepaid airtime with NotifyMe

Sustainability reporting

Absa's sustainability reporting aims to provide an accurate view of the key sustainability issues facing the Group.

Boundaries of the report

Absa's sustainable competitive framework and reporting covers the entire Group, being retail, commercial, corporate and investment banking as well as the Group's bancassurance operations. The Group's framework and reporting is focused primarily on its South African activities, as these form in excess of 95% of the Group's operations. As at 31 December 2008, the Group had equity stakes in banks in three African countries, being Tanzania, Angola¹ and Mozambique.

The report covers all those entities where the Group has control. The Group's joint venture and associate undertakings are not included in the Group's sustainable competitive framework and reporting. The report covers the period 1 January to 31 December 2008. However, in some cases where it is more informative to include information post 31 December 2008, this has been included and noted.

The Group's sustainable reporting is done via a number of mediums:

- Online integrated sustainability reporting website. This website houses all the elements of sustainability, being economic, social and environmental. It includes the Group's financial statements, corporate governance statement and risk and capital management report.
- Sustainability report in PDF format. This report contains the key sustainability elements and forms a summary of the sustainability reporting website.

The structure of Absa's sustainability reporting is guided by the Global Reporting Initiatives (GRI) G3 Sustainability Reporting Guidelines. This is the third year that the Group has applied the G3 principles.

The structure of the sustainability report and sustainability website differs slightly from past disclosures as the information is no longer categorised according to stakeholder groups but according to the Group's sustainability themes.

The report and website have been structured as follows:

- Sustainability commentary, which provides a view on Absa's approach to sustainability as well as its strategy and governance in this regard.
- Performance metrics identifying how the Group performed during 2008.
- Material sustainability issues.

Note

¹Absa Group sold its 50% shareholding in Banco Comercial Angolano SARL in June 2009.

Absa's 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. This necessitates that Absa accurately identifies and manages economic, social and environmental issues across the Group and contributes to the well-being of society.

Sustainability themes

Absa is firmly committed to advancing the principles and practice of sustainable development and takes its role as a leading and concerned corporate citizen seriously. Therefore, the Group has developed six themes to facilitate sustainable value creation for all its stakeholders. The six core themes that underpin Absa's sustainability endeavours are:

- **Economic value creation** – growing the business and delivering stakeholder value.
- **Customer centricity** – increasing the understanding of Absa's products and services, ensuring optimal access to financial products and services and enhancing service and advocacy levels.
- **Engaging and caring financial services company** – adding value to the communities the Group operates in, creating a positive, supportive, healthy and diverse working environment, minimising the Group's impact on the environment, maintaining fair and equitable relationships with suppliers and aligning business to national priorities.
- **Transformation and BEE** – ensuring that the Group's shareholders, employees, customers and suppliers represent the demographics of South Africa.
- **Corporate reputation** – remaining the leading financial services brand, being recognised as an ethical company and as a company that maintains high standards of corporate governance.
- **Stakeholder engagement** – creating an in-depth understanding of all the Group's stakeholders and identifying material stakeholder issues.

The themes were derived from research undertaken with a specific focus on:

- broad-based black economic empowerment (BBBEE);
- King III alignment;
- national priority alignment;
- the Millennium Development Goals;
- the JSE SRI index;
- the Financial Sector Charter;
- Barclays sustainability themes; and
- the Global Reporting Initiative.

Absa's sustainability reporting has been structured according to the themes indicated above and focuses on the material sustainability issues that were identified for each theme.

Looking forward

In future, Absa Group aims to sustain competitiveness through corporate social responsibility. This will be obtained by:

- achieving and maintaining the demographic representation of society in Absa's customer base;
- meeting statutory requirements;
- ensuring that all employees are engaged and feel part of Absa's culture;
- discernable participation in support of the government's national priorities; and
- uplifting communities and conserving the environment in which the Group operates.

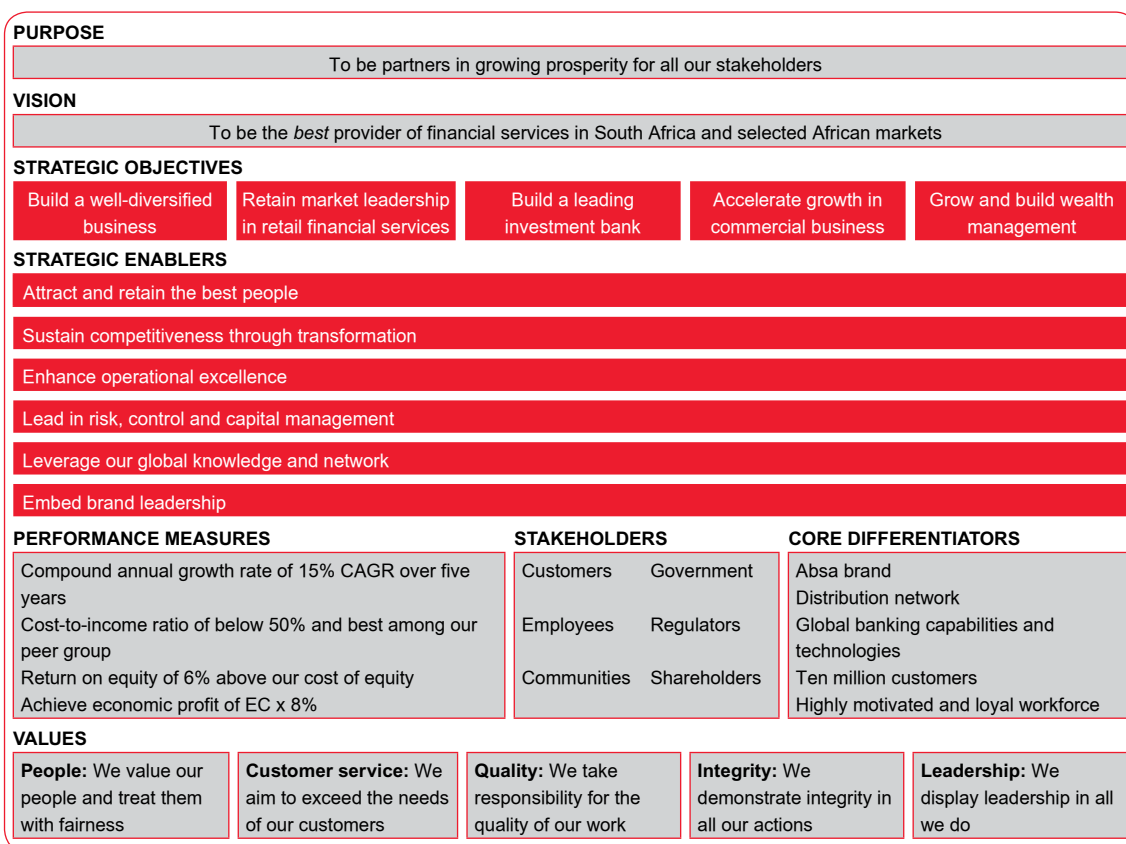
Embracing sustainability

Introduction

Embedding the concept of sustainability has become increasingly important to Absa, resulting in the need to embellish an integrated sustainability approach, thereby leading to effective management of the economic, environmental and social impacts on stakeholders. Absa's sustainability approach is a key element of its greater strategy and, as a result, the Group has established itself as a leading corporate citizen in South Africa, being relevant to the needs and challenges of all its stakeholders.

Absa's strategy

Absa's strategy is the framework for supporting the Group's journey to the achievement of its purpose, which is to be partners in growing prosperity for all its stakeholders. The Group's strategy framework is depicted below:



Absa's sustainable competitiveness strategy

The cornerstone of all businesses is one of ongoing sustainability and the achievement of long-term business performance. To achieve this, a sustainability strategy and framework is paramount.

During the year under review, a focus was placed on the refinement of the Group's sustainability strategy and framework so as to better support the Group's purpose statement, being "to be partners in growing prosperity for all stakeholder groups".

The Group's sustainability strategy is encompassed in one of its enablers being "to sustain competitiveness through transformation". The rationale for this strategy is that it enhances Absa's position as a good corporate citizen, which in turn underpins long-term success and competitiveness as indicated in the diagram on the next page.



Absa's approach combines corporate social responsibility (CSR) with BBBEE, thereby ensuring that Absa is optimally positioned to fulfil its purpose to all stakeholders and successfully lead in supporting the South African government's BBBEE agenda.

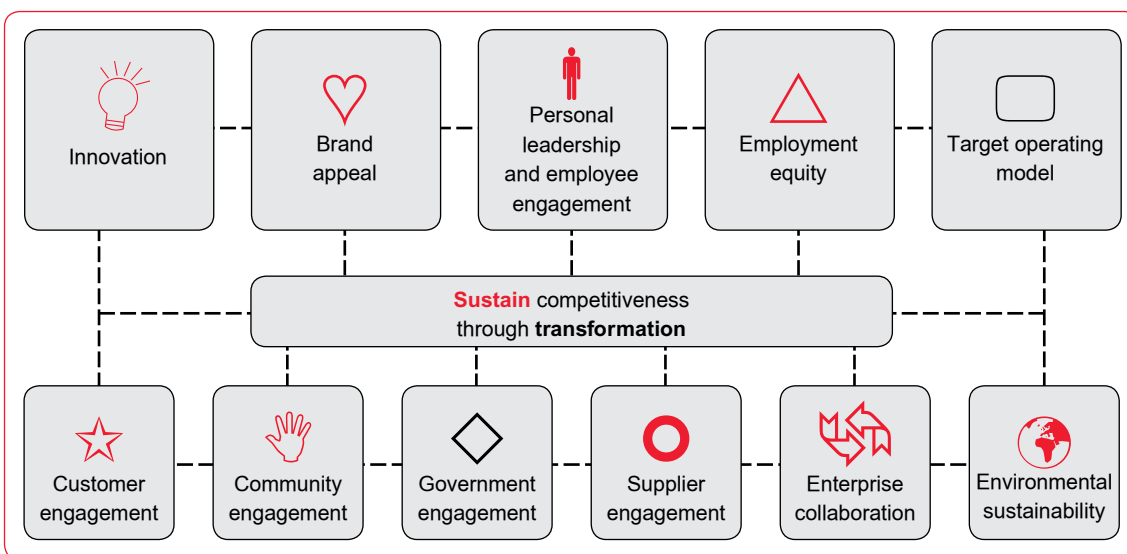
Absa's sustainable competitiveness framework

During the year under review, the Group has refined its sustainable competitiveness framework. The rationale for this was that the Group's previous framework was characterised by uncoordinated pockets of excellence, which resulted in Absa's sustainability endeavours not being strung together, thereby mitigating potential relationships, opportunities and synergies.

Absa's refined sustainable competitiveness framework:

- is a consolidated and cross-functional CSR framework;
- makes use of common definitions and consistent reference points;
- results in coordinated benefits, outcomes and lessons;
- enables better gap analysis and prioritisation; and
- is positioned for better impact.

The Group's revised framework consists of 11 components, with each component driving a specific dimension of transformation, thereby supporting the overall sustainability agenda. The Group's framework is indicated below.



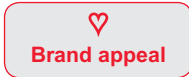
Embracing sustainability

Dimensions included in the sustainable competitiveness framework:

The 11 dimensions are as follows:



Leading global innovative financial services provider (fresh, practical and enabling)



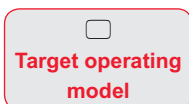
All stakeholders as advocates and promoters of the Absa brand



Values and high-performance organisation underpinned by a culture of inclusivity and the best talent



Absa staff members reflecting the demographics of the country/customer profile



Optimum business blueprint for the future



Leader in service excellence, savings bank of the nation and financial fitness education



Optimum impact and upliftment



Strong supporter and contributor towards national priorities and socioeconomic development



Promoter of supplier partnerships which influence and drive sustainable and ethical business



Optimum partnering to leverage resources and business opportunities



Progressive role-model in environmental consciousness and sustainability practices

Status of Absa's sustainable competitiveness framework

Owing to the fact that the Group's sustainable competitiveness framework is still in its infancy, the framework is expected to continue to develop and grow over the short term.

Sustainability governance at Absa

Introduction

It is becoming increasingly important to increase transparency regarding the disclosure of the Group's impacts on global sustainability owing to the increased urgency and magnitude of risks and threats to sustainability.

Sustainability governance

The Absa Group board assumes ultimate responsibility for governing and managing sustainability issues within Absa. The board meets with management annually for two full days to debate and agree on the proposed Group strategy and to consider long-term issues facing Absa, as well as the environment in which the Group operates. A key element in this discussion is the Group's sustainability strategy.

The formulation of the Group's sustainability strategy is undertaken by the Group's Strategy and Planning department who obtain input from the affected business units. Regarding the implementation of the Group's sustainability strategy, this is undertaken on a decentralised basis in as such that the ownership of the various strategic elements resides in the specialised functions and not in a consolidated entity.

Sustainability risk management

Absa had a board-approved principal risks policy (PRP) that defines the major risks that the Group is exposed to by setting a clear scope around these risks and setting out high-level policy and accountabilities as to how they should be managed. The Group's risk categorisation comprises 18 risk categories ("level 1"), 14 of which are known as principal risks. Each of these risks is assigned to an executive who has the responsibility to implement the PRP in business. This is done in conjunction with business units according to the delineated responsibilities specified in the PRP, via a comprehensive set of risk management control frameworks that is maintained and mandated through the entrenched Group Risk governance structures. Integrated, structured risk assessments take place across all risk types and businesses in accordance with the established risk management framework.

One of the identified risks is that of corporate responsibility risk. Failure to consider corporate and social responsibility issues in both strategic and operational decision-making could result in the Group suffering reputation damage, financial penalties and loss of credibility in the eyes of stakeholders. Corporate responsibility risk includes the risk of failure to treat customers fairly and of failure to identify and manage/reduce the environmental impact of the Group's activities. Corporate responsibility risk is managed through the application of several policies, including the:

- Absa environmental management policy;
- environment, health and safety risk assessment process;
- waste management policy;
- corporate social investment policies;
- FSC reporting governance and policy;
- democracy support policy; and
- political party and government contact policy to include protocols of engagement.

The Group'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, by doing so, ensuring that the Group's activities do not have a detrimental effect on the environment. Accordingly, the Group follows global standards and its environmental strategy is aligned with that of Barclays.

The Group continues to demonstrate that it is a responsible and caring organisation committed to ensuring the ongoing conservation of natural resources and the reduction of pollution. The Group's environmental management system has been implemented in accordance with the ISO 14001 standards and this certification has been maintained by those business units that are key environmental players. In addition, the Group participates in external environmental endeavours and has initiated several successful environmental projects and activities.

Scope and boundary of Absa's sustainability reporting

Global Reporting Initiative

Absa has adopted the Global Reporting Initiative (GRI) guidelines on economic, environmental and social performance (collectively referred to as the triple bottomline) as a benchmark for the Group's sustainability reporting.

The GRI or G3 guidelines represent the most advanced international standards for sustainability reporting and Absa seeks to align its reporting to these standards. However, it is recognised that enhanced sustainability reporting is an ongoing journey requiring an incremental approach. The reporting principles of the G3 guidelines relating to review content (being materiality, stakeholder inclusiveness, sustainability context, completeness) and quality (being balance, comparability, accuracy, timeliness, clarity and reliability) were adopted as far as possible in the preparation of this review.

During 2008, the Financial Services Sector Supplement (FSSS) of the GRI was finalised and incorporated into the main G3 guidelines to form an integrated set of guidelines that apply to financial services organisations. Absa Group, as a major financial services group, has adopted these revised guidelines, incorporating the FSSS and aims to comply with them as far as possible.

Scope of Absa's sustainability report

The report covers the activities of Absa's South African operations and, where possible the Group's African entities in Tanzania, Mozambique and Angola. Absa's South African operations constitute 98% of the Group's earnings, thereby resulting in a predominate focus on the South African operations.

The report covers the period 1 January to 31 December 2008. However, in some cases where it is more informative to include information post 31 December 2008, this has been included and noted.

Since the release of the sustainability review for the year ended 31 December 2007 in August 2008, there has been no material change to the size, structure, ownership or products and services of the Group; therefore the scope of the 2008 review has remained basically unchanged. Changes to the Group during the period under review included:

- The acquisition of a further 23,7% and 26,6% interest in Meeg Bank Limited, a banking and financial services company, on 7 March 2008 and 14 November 2008, respectively. Absa Group Limited's shareholding has consequently increased to 100,0%.
- The acquisition of a 50,0% plus one share interest in Woolworths Financial Services (Proprietary) Limited, a financial services company, at a cost of R875 million.

Absa's sustainability performance

For the year ended 31 December

Key indicators

	2008	2007	Growth (%)
Economic value creation			
Value added (Net interest income plus other income, less operational expenditure) (Rm)	27 892	25 165	10,8
Attributable earnings five-year compounded annual growth (%)	18,6	23,1	
Return on average equity (%)	23,4	27,2	
Return on average economic capital (%)	23,9	n/a	
Total shareholder return (%)	5,7	(6,8)	
Customer centricity			
Customer base	10 703 121	9 589 386	11,6
• South Africa	9 983 019	8 995 702	11,0
• Africa	720 102	593 684	21,3
Customer satisfaction			
• Customer satisfaction measure	49	44	
• Customer advocacy (NPS)	16	20	
• Complaints as a percentage of customer base (South Africa) (%)	0,1%	0,1%	
• Percentage of complaints resolved at first point of contact (%)	40	17	
• Average number of days taken to resolve complaints	2,68	4,00	
Access			
• Points of presence			
• South Africa	975	892	9,3
• Africa	217	119	82,4
• Self-service terminals			
• South Africa	8 840	8 324	6,2
• Africa	264	200	32,0
• Internet banking users (SA)	908 444	797 245	13,9
• Cellphone banking users (SA)	708 646	409 129	73,2
• Telephone banking users (SA)	688 907	653 253	5,5
• NotifyMe users (SA)	3 755 157	1 789 903	>100,0
Entry level/mass market banking			
• Market share of savings accounts (individuals) (%)	55,4	47,6	
• Percentage of customer base classified as a mass market customer (%)	54,5	54,7	
Small business entities			
• Number of small business customers as a percentage of total customers (SA) (%)	4,7	5,0	
Engaging and caring financial services company			
Employees			
• Number of employees	37 828	36 893	2,5
• Employee turnover (%)	15,4	13,8	
• Absentee rate (%)	1,83	1,74	
• Staff resignations with less than one year of service as a percentage of appointments for the year (%)	6,94	6,63	
• Disabling injury frequency rate (%)	0,64	0,59	
The community			
• Group-wide corporate social investment spend (Rm)	76,8	60,9	26,1
• CSI spend undertaken by the Absa Foundation (Rm)	55,0	40,7	35,1
• Percentage of employees involved in community-related initiatives	39,2	33,6	
• Corporate Care Check rating			
• Overall	2nd	2nd	
• Financial services	1st	1st	

Absa's sustainability performance

For the year ended 31 December

Key indicators *(continued)*

	2008	2007	Growth (%)
Governments and regulators			
• Political donations made (Rm)	2,6	2,4	8,3
• Number of provincial government cheque account business held	4	3	
• Number of metropolitan municipalities' cheque account business held	3	3	
The environment			
• Carbon footprint (metric tonnes)	224 769,2	not reported	
• Diesel usage (litres)	738 461	not reported	
• Travel emissions (metric tonnes)	18 961,2	not reported	
• Water usage (kilolitres)	1 093 208	not reported	
• Paper consumption (excluding African operations and subsidiaries) (tonnes)	3 160	not reported	
• Paper recycled (excluding African operations and subsidiaries) (tonnes)	848	not reported	
• Environmental management system implemented	Yes	Yes	
	ISO14001 compliant	ISO14001 compliant	
• Compliance with Equator Principles	Yes	Yes	
Employment equity and transformation			
Percentage of Black customers (%)	61,4	58,5	
Percentage of female customers (%)	49,5	49,2	
Percentage of Black employees (%)	61,1	58,8	
Percentage of female employees (%)	65,5	65,7	
Percentage of disabled employees (%)	0,6	0,6	
Financial Sector Charter rating	94,13	92,53	
BEE Codes of Good Practice rating	71,36	63,40	
Corporate reputation			
Brand positioning	"Number one banking brand"	"Number one banking brand"	
Ethical policy in existence and reviewed annually	Yes	Yes	
Compliance with King II	Yes	Yes	
Compliance with King III	Yes	n/a	
Inclusion in sustainability indices:			
JSE SRI Index	Yes	Yes	

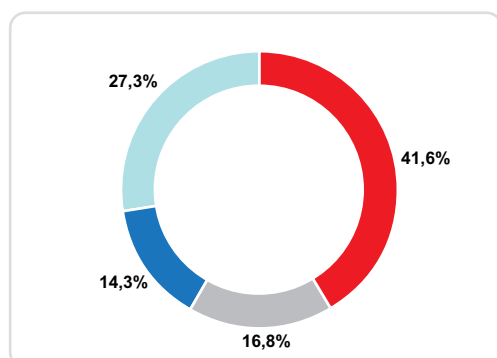
Value-added statement

For the year ended 31 December

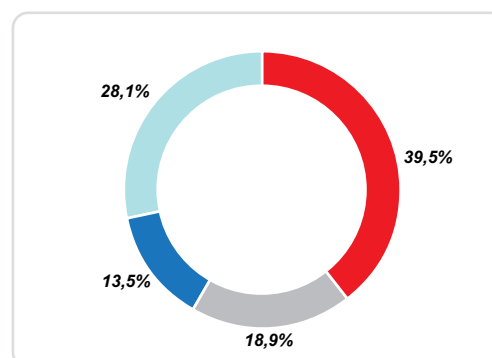
Absa Group's commitment to create sustainable and growing value to all its stakeholders and to contribute to broad-based black economic empowerment and transformation in South Africa is illustrated in the value-added statement below:

	2008 Rm	2007 Rm
Value-added		
Net interest income	21 795	18 890
Other income	21 115	16 756
Other operating expenditure	(15 018)	(10 481)
	27 892	25 165
Value allocated		
To employees		
Staff costs	11 604	9 944
To government		
Direct taxation	3 966	4 052
Indirect taxation	724	709
To ordinary shareholders		
Cash dividends	3 974	3 401
To retention for expansion and growth		
Depreciation and amortisation	1 006	865
Retained income for the year	6 618	6 194
	27 892	25 165
	2008 %	2007 %
Value-added		
Net interest income	78,1	75,1
Other income	75,7	66,6
Other operating expenditure	(53,8)	(41,7)
	100,0	100,0
Value allocated		
To employees		
Staff costs	41,6	39,5
To government		
Direct taxation	14,2	16,1
Indirect taxation	2,6	2,8
To ordinary shareholders		
Cash dividends	14,3	13,5
To retention for expansion and growth		
Depreciation and amortisation	3,6	3,4
Retained income for the year	23,7	24,7
	100,0	100,0

2008 (%)



2007 (%)



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

Performance against objectives

A number of key objectives for 2008 were articulated in the Group's 2007 sustainability report. This section sets out the Group's performance relative to those objectives for each of the sustainability elements, being economic, environmental, social and governance.

Economic performance

Objectives	2008 achievement	Looking forward
<ul style="list-style-type: none"> Achieve a compounded annual growth in headline earnings of 15% over five years. 	<ul style="list-style-type: none"> ✓ The Group increased headline earnings by 5,3% for the year. The compounded annual growth rate (CAGR) over five years is 17,4%, which is 2,4% above the Group's objective. 	<p>Absa aims to continue creating value for its shareholders by delivering sustainable earnings growth.</p> <p>The Group's objectives for 2009 remain consistent with those for 2008.</p>
<ul style="list-style-type: none"> Maintain a return on average equity (RoE) of at least 6% above the cost of equity (CoE). 	<ul style="list-style-type: none"> ✓ For 2008, the Group achieved an RoE of 23,4%, which outperformed the Group's objective. 	
<ul style="list-style-type: none"> Achieve a return on economic capital (RoEC) of at least 8% above the Group's CoE. 	<ul style="list-style-type: none"> ✓ The Group achieved an RoEC of 23,9% for 2008, which exceeded the Group's objective. 	
<ul style="list-style-type: none"> To achieve a cost-to-income ratio of less than 50%. 	<ul style="list-style-type: none"> ✓ The Group achieved a cost-to-income ratio of 49,4% for the year. 	

Social performance – customers

Objective	2008 achievement	Looking forward
<ul style="list-style-type: none"> Strategic investment in the Absa footprint through the innovative deployment of traditional branches, alternative solutions and specialised outlets. 	<ul style="list-style-type: none"> Continued focus was given to optimise the Group's points of presence, with the Group increasing its footprint during the year, thereby increasing the accessibility to financial services. 	<p>In 2009, Absa will continue to 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.</p>
<ul style="list-style-type: none"> Design and implement an Absa Group-wide customer experience management architecture and policy framework. 	<ul style="list-style-type: none"> A customer experience policy was designed during 2008. The policy enables the Group for the first time to implement guidelines that affect every staff member in Absa, resulting in improved execution of service commitment to its customers. 	<p>Absa will also continue to develop and embed a good customer service personal aptitude into selected roles that often interact with customers to ensure that properly suited employees are recruited.</p> <p>A key focus will also be on entrenching customer-centric behavioural attributes in Absa employees (especially those at touch points) through training programmes. Training will be assessed against Bankseta's 21 unit standards, as well as all TCF principles.</p>
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> This programme was successfully launched in 2008 with a number of leaders experiencing first hand what was happening "on the ground". Based on their observations, some changes were made in order to improve the service delivered. 	<p>Senior executives will be required to present a customer experience component to all new staff members at the Absa orientation day once a month.</p>
<ul style="list-style-type: none"> Implementation of actions or initiatives that improve the customer experience based on customer feedback received. 	<ul style="list-style-type: none"> Customer experience improvement projects resulted in some key improvements in service delivery and most of the actions revolved around: <ul style="list-style-type: none"> customer education tools; queue experience initiatives; customer retention techniques; and closer co-operation between SBUs and Group support functions. 	<p>The "leaders in action" concept will be enhanced by partnering with business unit leaders that has a mandate to bring about change in a fairly short space of time, and by driving at making this a business-as-usual concept and ensuring that the concept becomes an embedded culture within each area.</p> <p>The success of the customer appreciation initiative in 2008 has driven the roll-out of another year of opportunities to say "thank you" to Absa's customers via Customer Appreciation Week, which will be held twice in 2009.</p>
<ul style="list-style-type: none"> 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" (TCF) initiatives. 	<ul style="list-style-type: none"> TCF has become an embedded process within the Group and there is an increased awareness among other leaders and staff members. TCF principles have also been included as part of the new product approval process. 	<p>Absa will apply consequence management for poor service delivery through a merit/demerit concept.</p> <p>Employee engagement will be improved through driving an initiative that promotes random acts of kindness among employees.</p>
<ul style="list-style-type: none"> Launch of a Group-wide enquiries and request e-system during 2008. 	<ul style="list-style-type: none"> The EARS System (Enquiries and Request e-system) was completed and successfully implemented in the Absa retail branch environment during the 4th quarter of 2008. Enquiries can now be logged and routed to the Absa Group Operations environment via the e-system. Absa Group Operations resolves and facilitate closure and communication with customers. Tracking and business continuity ensures consistent service delivery and customer experience. (The roll-out to Absa Private Bank and other environments requires additional software alignment and will be completed during 2009.) 	<p>This initiative is called "Pay it Forward" and should improve employee satisfaction, which should allow employees to be more empathetic towards customers during the current global economic crisis.</p> <p>"Service Heroes" is an initiative that creates a platform where individual excellent performance is celebrated and rewarded for going the extra mile to delivering customer service. This has also been rolled out to Barclays Africa, who has also identified two winners during 2009.</p>
<ul style="list-style-type: none"> Achieve the FSC targets in relation to enhanced accessibility of financial services and consumer education. 	<ul style="list-style-type: none"> Absa scored 3,58 out of a possible 4,00 points on its 2008 FSC scorecard for physical accessibility to financial services. In terms of consumer education, the Group scored the full 2,00 points. 	

Performance against objectives

Social performance – employees

Objective	2008 achievement	Looking forward
<ul style="list-style-type: none"> Going forward, continued attention will be paid to talent management, performance development, learning and development, transformation, reward and benefit, leadership and enhanced employee relations and well-being. 	<ul style="list-style-type: none"> ✓ Implementation of the Group's higher-performing organisation programme. Employee well-being – entrenching holistic wellness. Continuing success of the Absa development initiative/Absa leadership development. 	<p>Going forward, key priorities will be:</p> <ul style="list-style-type: none"> Transformation (moving to a culture of inclusivity, alignment with the CoGP and accelerating black talent). Employee engagement (enhancing the employee value proposition; implementing a "great" employee lifecycle, implementing the "Don't Sweat! Get fit for purpose" campaign and road shows by the GCE and Group Exco). Headcount and cost management. Talent management (including career management, succession planning, targeted development, electronic onboarding and socialisation).

Social performance – suppliers

Maintaining fair and equitable relationships with suppliers

Suppliers	2008 achievement	Looking forward
<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 targets for 2008 were exceeded by nearly 50%. The implementation of the SSMH was given the highest rating of "satisfactory" in the audit performed by Absa Internal Audit. 	<ul style="list-style-type: none"> 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"> ✓ The FSC target of 50% spend with broad-based BEE enterprises was exceeded. 	

Social performance – governments and regulators

Governments and regulators	2008 achievement	Looking forward
<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 need 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 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. 	<p>Going forward, the emphasis will be on:</p> <ul style="list-style-type: none"> completing a map of Absa-wide partnerships with government and providing Group-wide leadership in engagement with government; implementing a notifiable contact policy, which will assist in a co-ordinated approach and engagement with government and critical interest groups; executing strategic partnerships with all three tiers of government and communicate this in the Group; managing an information system that will make available information on public private partnerships which Absa is engaging in and databases to support the work of internal stakeholders; executing a successful democracy support programme; and providing an effective service to internal customers (ie business heads).
<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"> The Group facilitated regular high-level meetings between Absa's senior leadership and selected key national government ministers to discuss community development and other business partnerships. 	
<ul style="list-style-type: none"> Providing democracy support to the South African government. 	<ul style="list-style-type: none"> For 2008, R2,6 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. 	

Performance against objectives

Social performance – transformation

Objective	2008 achievement	Looking forward
<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 achieved 94,13 points verified by an audit conducted by KPMG Inc. The Group increased its percentage of Black, Coloured and Indian employees to 61,1% as at 31 December 2008. 	<p>The Group will continue to focus on the achievement of the objectives as stipulated in the FSC and CoGP governance and reporting policy.</p> <p>Absa will also continue with dual FSC and CoGP reporting.</p>
<ul style="list-style-type: none"> Compliance with the CoGP. 	<ul style="list-style-type: none"> Absa scored 71,36 points for CoGP, and was declared a level 4 contributor. 	

Environmental performance

Embedding sound environmental practices

Objective	2008 achievement	Looking forward
<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. 	<ul style="list-style-type: none"> The objective for 2008 was to obtain baseline data and processes in place to obtain this data. Absa Group reported on its carbon footprint for the first time. 	<p>The Group is committed to reducing its carbon footprint for 2009, as well as waste and paper use. Absa continues to address the quality of data available and is confident of achieving its reduction targets going forward.</p>
<ul style="list-style-type: none"> The Group also aims to increase the recycling of paper by 4% per annum. 	<ul style="list-style-type: none"> During 2008, processes were implemented in order to achieve this objective. 	<p>As a result of the commitment of the Absa community, this target is expected to be achieved fairly easily. The Group is piloting new ways of reducing its landfill and of increasing its paper recycling.</p>
<ul style="list-style-type: none"> Reduce CO₂ emissions by improving energy efficiency. 	<ul style="list-style-type: none"> A limited level of energy savings was achieved in 2008. 	<p>Going forward, various initiatives will be put in place to achieve new CO₂ emission targets.</p>
<ul style="list-style-type: none"> Pilot the extension of environmental credit risk beyond the scope of the Equator Principles and increase employee awareness of the principles. 	<ul style="list-style-type: none"> The Equator Principles continued to be applied to project finance transactions. Employees received training to increase awareness of environmental requirements. 	<p>To increase the embedment of Equator Principles application and continue to improve environmental credit risk policies and processes.</p>
<ul style="list-style-type: none"> 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"> Continued progress was made to align with Barclays strategy. 	<p>To increase employee awareness of climate change using various media, such as Absa’s internal magazine (Abacus), newsletters and intranet communication.</p>

Governance and commitment

Objective	2008 achievement	Looking forward
<ul style="list-style-type: none"> • Ongoing compliance with King II and international corporate governance best practice 	<ul style="list-style-type: none"> ✓ • The Group complies with, and has applied, the requirements of King II. 	<ul style="list-style-type: none"> • Compliance with King III 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. 	

Awards and recognition

Brand

2008 was another successful year for the Absa brand, which retained both the coveted “number one banking brand” and “coolest bank” titles for the third year running. Absa was rated the leading financial services institution among the top five employers in South Africa as part of the “Best Employers in SA” 2008 awards and was ranked 5th in the 2008 Deloitte “Best Company to Work for” survey in the large companies category. Absa received the “Top Retailer Award in Banking” hosted by *The Times* and *Sowetan*, as well as the “Corporate Social Investment (CSI) Leadership Award” at the *Sunday Times* Top 100 Companies Awards. These awards contributed towards the strength of the Absa brand both in terms of the Group’s image as well as its ability to appeal to top talent as an employer of choice.

The Absa brand had the largest share of mind in the marketplace through advertising and the strategic use of sponsorship properties. The Group’s sponsorship properties received the following awards at the 2008 Marketing Excellence awards:

- Gold: Absa KKNK.
- Silver: Absa Currie Cup.
- Silver: Design Indaba.
- Gold: Absa KKNK.
- Silver: Absa Cape Epic – in partnership with Absa Corporate and Business Bank (ACBB).
- Bronze: Emirates Airlines SA Sevens.
- Special mention for 2008 “Put your best foot forward” Absa brand campaign.

Employees

In 2008, Absa participated in and ended among the top performers for both the Corporate Research Foundation “Best Employers” and the Deloitte “Best Company to Work For” surveys.

Reporting

Absa Group achieved 6th place in the 2009 Ernst & Young “Excellence in Corporate Reporting” survey for its 2008 annual reporting.

Corporate social responsibility

Absa received the 2008 Corporate Social Investment Leadership Award at the *Sunday Times* Top 100 Companies Awards ceremony on 4 November 2008. The award is presented in recognition of companies that are making significant contributions to the broader socioeconomic environment. Absa was honoured for its CSI management practices and outstanding contribution in the areas of health, education, poverty alleviation, employee volunteerism, financial literacy, sustainable development and economic development.

Syndicated survey results

Absa's performance according to three syndicated surveys as at 31 December 2008

2008 syndicated surveys	Category	Rankings				
		2008	2007	2006	2005	2004
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 2nd Absa 3rd Vodacom 4th Pick n Pay 5th Eskom 11th StdBnk 13th Old Mutual 20th Sanlam 22nd Nedbank 23rd FNB	1st Coca-Cola 2nd Absa 3rd Eskom 4th Vodacom 5th Pick n Pay 9th StdBnk 13th Old Mutual 16th Sanlam	1st Coca-Cola 2nd Eskom 3rd Absa 4th Vodacom 4th Vodacom 5th Pick n Pay 12th StdBnk 13th Old Mutual 15th FNB	1st Coca-Cola 2nd Pick n Pay 3rd Eskom 4th Absa 5th Telkom 10th Old Mutual 12th StdBnk 16th FNB	1st Coca-Cola 2nd Eskom 3rd Telkom 4th Pick n Pay 5th Absa 11th Old Mutual 15th Standard Bank (StdBnk) 17th FNB
Markinor Community Upliftment (Spontaneous)	<ul style="list-style-type: none"> • Absa rated 8th "most loved brand/company operating in SA". • The only financial institution in the Top 10. 	1st Coca-Cola 2nd Vodacom 3rd SAB 4th Eskom 5th Pick n Pay 6th MTN 7th Telkom 8th Absa	1st Coca-Cola 2nd Vodacom 3rd Eskom 4th Pick n Pay 5th SAB 6th Telkom 7th Absa	1st Coca-Cola 2nd Vodacom 3rd Eskom 4th SAB 5th Telkom 6th Pick n Pay 7th Absa	1st Coca-Cola 2nd Eskom 3rd Telkom 4th SAB 5th Vodacom 6th Pick n Pay 7th Absa	1st Eskom 2nd Telkom 3rd Coca-Cola 4th SAB 5th Vodacom 6th Pick n Pay 7th Absa
Triologue	<ul style="list-style-type: none"> • "Strongly involve employees in CSI activities" in South Africa by NPOs. 	1st Absa 2nd FirstRand 3rd OUT-Surance	1st Absa 2nd Old Mutual 3rd FirstRand	1st Absa 2nd FirstRand 3rd Nedcor	1st Absa 2nd Old Mutual 3rd FirstRand	1st Absa 2nd Old Mutual 3rd Pick n Pay
	<ul style="list-style-type: none"> • "Strongest contribution to development" in the financial service sector. 	1st Absa 2nd Nedbank 3rd FirstRand	1st Absa 2nd Nedbank 3rd StdBnk	1st Absa 2nd StdBnk 3rd FirstRand	1st Absa 2nd StdBnk 3rd FirstRand	1st Absa 2nd StdBnk 3rd Nedcor
	<ul style="list-style-type: none"> • "Good corporate grantmaker by NPOs" (referred to as Excellence in CSI as from 2008) 	1st Anglo American 2nd Absa 3rd FirstRand	1st Anglo American 2nd FirstRand 3rd Absa	1st Anglo American 2nd Absa FirstRand 3rd Nedcor	1st Anglo American 2nd Absa 3rd Eskom	1st Anglo American 2nd Absa 3rd Nedcor
	<ul style="list-style-type: none"> • "High level of engagement with projects" by NPOs 	1st Absa 2nd Anglo American 3rd StdBnk	—	—	—	—

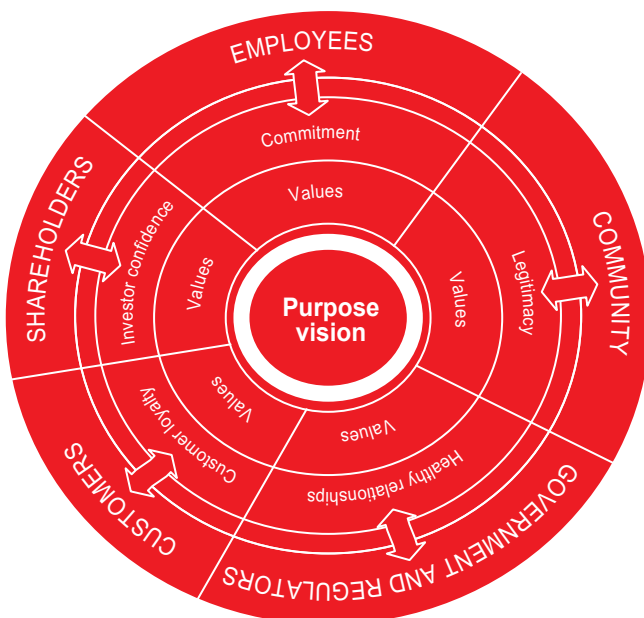
Absa's stakeholders

Introduction

The Group has identified its key stakeholders, which 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;
- **the communities** Absa serves; and
- **governments and regulators** who create the environment in which the Group operates. In addition to this, it is imperative to ensure that transformation remains a core imperative in the Group.

Absa's stakeholder model is represented in the diagram below:



The Group has various policies governing communication, relationships and conduct with stakeholders. The board recognises the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of the Group's stakeholders, building lasting and sustainable relationships with them and engaging with them in a transparent, balanced and comprehensible manner that favours substance over form.

Stakeholder engagement

The Group aims to create an in-depth understanding of all the Group's stakeholders and identifying material stakeholder issues. Effective communication with the Group's stakeholders is imperative to ensure that the Group continues to meet stakeholders' needs.

Shareholders

The shareholder category includes the Group's ordinary and preference shareholders, buy and sell side analysts and rating agencies.

Mechanisms and channels of engagement	Feedback
<p>General communication with shareholders is undertaken via:</p> <ul style="list-style-type: none"> • the Group's annual report; • Absa's website (www.absa.co.za); • Media releases; • Summit TV; • Results and dividend announcements; • Conferences and road shows; • 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. 	<p>Core topics included:</p> <ul style="list-style-type: none"> • The impact of the economic conditions on the consumer, especially relating to impairments. • The commercial bank's impairments and whether there have been any big corporate losses. • Absa's growth prospects. • Continuity in Absa management, given the early 2009 changes. • Progress on the Batho Bonke transaction, and whether the bank will have to enter into another transaction to comply with BEE legislative targets.

Additional information on the integrated sustainability reporting website:

Absa Group

- Ordinary shareholder information
 - Public and non-public shareholders
 - Geographical holding
 - Classification of shareholders
- Preference shareholders

Absa Bank

- Preference shareholder information
 - Major preference shareholders
 - Public and non-public shareholders
 - Distribution of preference shareholders
- Ordinary shareholders

Absa's stakeholders

Customers

As at 31 December 2008, the Group had 10,7 million customers. These customers resided in the personal, commercial and corporate markets. The Group's customers reside in South Africa, Angola, Mozambique and Tanzania.

Mechanisms and channels of engagement	Feedback
<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"> • points of presence (sales and service employees); • personal bankers; • private bankers; • relationship managers and financial advisers; • self-service centres and ATMs; • Internet banking feedback facility; • customer call centres (including Action Line); • customer focus groups; • marketing and advertising; • media releases; and • Absa's internet site (www.absa.co.za). 	<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 helpdesk focusing on the resolution of customer complaints. The helpdesk facilitates the process of resolution and manages the customer experience during the resolution process.</p> <p>The "Tell someone that cares – me" campaign invites customers to talk to the Group and at the same time encourage employees to take ownership of customer complaints.</p> <p>Core topics included:</p> <ul style="list-style-type: none"> • Enhancing the Group's service levels to customers; • Infrastructure availability; • Turnaround times; • Customer recognition; and • Consumer indebtedness; • Brand awareness; • Brand strength; • Image perceptions; • Customer expectations and needs; • Customer frustrations (dislikes); and • Communication/advertising effectiveness.

Additional information on the integrated sustainability reporting website:

- Absa's South African customer base
- Customer profile

Employees

As at 31 December 2008, the Group had 37 828 employees.

Mechanisms and channels of engagement	Feedback
<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. 	<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>Core areas pertaining to the EOS survey were as follows:</p> <ul style="list-style-type: none"> • Perceptions of Barclays top leadership. • Business unit leadership. • Customer focus. • Employee engagement. • Corporate responsibility. <p>95% of employees participated in the survey in 2008.</p>

Additional information on the integrated sustainability reporting website:

- Employee base
- Length of service
- Employee demographic analysis
- Employees with disabilities
- Employee turnover

Absa's stakeholders

The community

Partnerships form the basis of Absa's CSI approach and externally include beneficiary communities, NPOs, government and other corporates. Internally, Absa employees, leaders and family members contribute and help find innovative ways to increase development impact where it matters most. Effective and regular communication allows Absa to engage and keep all stakeholders informed.

Mechanisms and channels of engagement	Feedback
<p>Obtaining and understanding of the socioeconomic 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.</p> <p>Communication mechanisms include:</p> <ul style="list-style-type: none"> • personal interactions; • community forums; • community-related events; • the Absa CSI stakeholder engagement dinner; • partnership announcements and dialogue sessions; • specialised publications; • community newspapers; • Absa's annual and social reports; • exhibitions; and • Absa's website (www.absa.co.za). 	<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> <p>Core focus areas of involvement included:</p> <ul style="list-style-type: none"> • Early childhood development (ECD) in partnership with training organisations who offer accredited training to community-based ECD practitioners. • Mathematics, science and technology education, specifically the training of educators with the intention of upgrading their qualification levels and thereby providing them with an increased ability to teach their subject matter. • Entrepreneurship development and job creation by engaging disadvantaged and developing communities in sustainable job creation activities and promoting a culture of entrepreneurship. • Community-based HIV and Aids interventions committed to improving the quality of life and building the capacity of the community to care for those affected and infected.

Key successes relating to community involvement:

- Corporate Social Investment Leadership Award 2008 (Sunday Times Top 100 Companies Awards).
- 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 (Dialogue).

Suppliers and other resource providers

Mechanisms and channels of engagement	Feedback
<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 has been set up to communicate Absa's ethics, policies and procedures pertaining to suppliers. The website is also 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>	<p>The Group issues a supply chain corporate responsibility questionnaire during new tenders in high-risk categories and to its critical suppliers on an annual basis. The questionnaire was updated during 2008, in conjunction with other members of the Chartered Institute of Purchasing and Supply (CIPS) financial services purchasing forum.</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> <p>Core topics included:</p> <ul style="list-style-type: none"> • Health and safety • Environment • Labour standards • Equality and diversity • Service excellence • Business integrity • Supply chain sustainability

Governments and regulators

The external stakeholders include all three tiers of government, political parties and key interest groups. Corporate memberships are secured with identified interest groups to enable Absa to secure business intelligence, networking platforms to profile Absa's leadership and commercial opportunities.

Mechanisms and channels of engagement	Feedback
<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. It is important that open and regular dialogue takes place across all spheres of government, not only to share information but to use government strategy to inform and, where possible, create synergy between Absa and government programmes. <p>Regulators</p> <p>Dialogue with regulators takes the form of briefing sessions and one-on-one interactions with the relevant management and executive management in the Group.</p>	<p>The central communication platform is face-to-face interaction at various events, dialogue sessions and meetings.</p> <p>Core topics included:</p> <ul style="list-style-type: none"> • Education • Skills development and shortages • Human security • Infrastructure • Small/medium business development • Crime • Health • Support of Africa and globalisation • Growing the 1st economy, reducing the 2nd economy • Preparing for climate change and conserving the environment • Government priorities and legislative requirements

Material sustainability issues

Disclosure is defined as being “material” when it is of significant interest to and has the potential to influence stakeholders’ view of Absa’s commitment to economic, social and environmental progress.

Based on the interaction with all the Group’s stakeholders, a number of items were highlighted as key disclosure items. These are listed below and categorised according to the Group’s sustainability themes.

Economic value creation

- Capital management
- Credit risk management

Customer centricity

- Customer satisfaction
- Customer indebtedness
- Access to financial services
- Consumer education

Engaging and caring financial services company

- Embedding sound environmental practices
- Investing in communities
- Employee engagement and well-being

Transformation and BEE

- FSC and CoGP

Corporate reputation

- Ethics
- Governance and compliance

The material issues were identified from the key matters raised by the Group’s stakeholders, Barclays material issues as well as reporting guidelines.

Economic value creation

Aim

- To grow the business and deliver stakeholder value

Introduction

The growth in the diversification of revenue streams and broad customer base have allowed the Group to achieve a solid financial performance for the year. Despite the difficult trading conditions, which adversely impacted the performance of the Group's retail banking operations, the wholesale banking businesses continued to produce a robust operating performance with their contribution to the Group's overall earnings increasing to 48,8%.

Top-line income increased 20,4% to R42 910 million, with an 8,0% increase in profit before tax being recorded. Income growth exceeded cost growth, resulting in the cost-to-income ratio improving to 49,4%, in line with the Group's target of achieving a ratio of below 50,0%.

The Group's focus on reducing its reliance on wholesale funding resulted in a 23,1% year-on-year growth of total deposits. The Group also delivered a healthy return on average equity of 23,4% (2007: 27,2%), well ahead of its objective to achieve an RoE of 6% above the cost of equity.

On a relative basis, Absa's share price performance led its peers among the top four South African banks during the year, outperforming the sector by 6,7% (total return calculated using an annualised dividend yield).

The Group declared a final dividend of 330 cents per share, which translates to a dividend cover of 2,5 times and an annual dividend growth rate of 6,3%.

Capital management

The Group's capital management strategy is focused on maximising shareholder value by optimising the level and mix of capital resources. Decisions on the allocation of capital resources are based on a number of factors, including return on economic capital (RoEC) and return on regulatory capital (RoRC), and are part of the internal capital adequacy assessment process (ICAAP). The Group aims to:

- meet the capital ratios required by its regulators and the Group's board;
- maintain an adequate level of available capital resources as cover for the EC requirements calculated at a 99,95% confidence level;
- generate sufficient capital to support asset growth; and
- achieve an international A credit rating.

Capital management governance

Capital is managed as a board level priority in the Group, which reflects the importance of capital planning. The board is responsible for assessing and approving the Group's capital management policy, capital target levels and capital strategy. The capital ratios, together with the short and medium-term capital plans, are set annually and reviewed monthly by the CMC and are reported at least quarterly to the Absa Group board.

Capital strategy includes managing the capital that is required for organic growth and strategic acquisitions, as well as optimising the Group's capital structure within approved target levels. The target levels are set to provide the Group with adequate buffers for unforeseen changes to balance sheet growth and risks that may arise from changes in the business strategy and/or economic conditions.

Key successes

- Absa had a capital adequacy ratio of 14,1%
- Growth in attributable earnings of 10,4%
- RoE of 23,4%
- Cost-to-income ratio of 49,4%

Key challenges

- Capital scarcity
- Increasing impairment trends
- Declining RoEs and profitability

Looking forward

The Group's financial objectives are as follows:

- Achieve a compounded annual growth in headline earnings of 15% over five years
- Maintain a return on average equity (RoE) of at least 6% above the cost of equity (CoE)
- Achieve a return on economic capital (RoEC) of at least 8% above the Group's CoE
- To achieve a cost-to-income ratio of less than 50%

Material sustainability issues

A dedicated capital management team has been deployed to support the board in executing these responsibilities. This team presents regular capital reports to the Market Risk Committee, Capital Management Committee, the GRCMC, Group Exco and the board. Risk oversight of the capital management function is provided by the GRCMC. The Basel II ICAAP programme is being driven by the Capital Management team. The key building blocks of the Group's ICAAP can be illustrated as follows:

Capital adequacy

While the Group is well capitalised, the market demand for capital instruments issued by banks has been limited owing to the deteriorating macroeconomic environment and the effects of the international subprime crisis. The cost of raising capital has also increased. Despite these market conditions during the year under review, Absa Bank issued inflation-linked bonds valued at R1.9 billion at spreads of between 97 and 120 basis points above the three-month Johannesburg Interbank Agreed Rate (JIBAR) rate. These bonds qualify as Tier II capital.

The Group assesses its capital adequacy from both a regulatory and economic capital perspective:

- Regulatory perspective: Net qualifying capital (Tier 1 capital plus Tier 2 capital) must sufficiently exceed Basel II minimum capital requirements and a buffer for prudence.
- Economic perspective: Available capital resources must be equal to EC requirements over a three-year period.

The Group and Absa Bank are capitalised above the board-approved target capital adequacy ratios. At 31 December 2008, the capital levels of the Group were 11,6% (Basel I 31 December 2007: 10,1%) at Tier 1 level and 14,1% (Basel I 31 December 2007: 13,1%) for total capital. Given the deterioration in the credit environment over the financial year, the Group remains cautious to the effect of procyclicality introduced by Basel II and will continue to focus on appropriate levels of capital. In this regard, the board has passed a resolution to increase the target capital adequacy ratios for 2009 to 10,0% for Tier I capital and 13,0% for the total capital adequacy ratio. During the year under review, none of the Group's regulated entities breached either their regulatory or their minimum target levels set by the board. Full disclosure relating to Absa's capital management is contained in the risk and capital management report.

Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk may also increase where the downgrading of an entity's credit rating causes the fair value of the Group's investment in that entity's financial instruments to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending and trading transactions. The Group dedicates considerable resources to controlling credit risk effectively and optimising losses.

Management and control responsibilities

Credit risk is managed in terms of the Group credit policy, in line with the PRP requirements. Under delegated authority from the GCE, the Group Risk Director has appointed a principal risk owner for credit risk who is responsible for the design of the credit risk control framework, which is approved by the GRCMC.

Each cluster is responsible for the identification, measurement, management, control and reporting of credit risk within their area. The credit risk management teams in each of the business units within the clusters are accountable to the credit risk director for the cluster who, in turn, reports through to the executive directors of the respective clusters.

The credit risk directors of each cluster and Group Credit Risk are also accountable to the Group Risk Director.

The principal committees that review credit risk management, formulate overall Group credit policy and resolve all significant credit policy issues, are the Credit Risk Committee (CRC), the Concentration Risk Committee and GRCMC. From an operational point of view, these committees are supported by the cluster-level credit committees and the Group Credit Committee (GCC).

The board approves the overall appetite for credit risk at Group level, via the GRCMC. Oversight, support and Group-wide direction of credit risk-taking are provided to the clusters by Group Risk. Functional support is also provided by the Group Credit and the Capital Measurement and Model Governance (CMMG) teams, which assist with the resolution of all significant credit policy issues.

The monthly CRC meetings, chaired by the Group Risk Director, exercise oversight through review and challenge of the size and constitution of the portfolios when viewed against the Group's risk appetite in accordance with the board-approved framework and facilitates compliance with Basel II and other best practice credit risk frameworks. The CRC informs the GRCMC on credit risk matters on a quarterly basis. In addition, the GRCMC and subcommittees are responsible for the approval of the relevant credit policies.

The GACC considers the adequacy and effectiveness of the Group control framework and receives quarterly reports on control issues of significance and half-yearly impairment allowances and regulatory reports. Both the GRCMC and the GACC also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both committees are reported to the board.

The Group has largely adopted the IRB approaches, while certain smaller portfolios have adopted the standardised approach. The Group's risk and capital management document discusses the credit risk management processes for each of the approaches adopted.

Customer centricity

Aim

- Improved understanding of Absa's products and services
- Ensuring optimal access to financial products and services
- Enhancing service and advocacy levels

Introduction

Enhancing the customer experience remains a key focus for the Group.

In this regard, the Group aims to:

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

Customer satisfaction

The Group took a big step forward with the implementation of the customer experience policy during 2008. The policy enhanced the implementation of customer-centric approaches in business and enabled the Group to implement guidelines that affect every employee, thereby resulting in improved execution of the Group's service commitment to its customers.

Material sustainability issues

- Customer satisfaction
- Customer indebtedness
- Access to financial services
- Consumer education

Key successes

- Optimisation of the footprint
- Improved accessibility
- Absa was rated second for service excellence in the Orange Index survey
- The number one banking brand in South Africa
- The coolest banking brand in South Africa

Key challenges for customers

- Stricter credit criteria
- Constricting cash flows
- High interest rates

Looking forward

2009 will continue to 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.

Material sustainability issues

Customer experience improvement projects resulted in some key improvements in service delivery and most of the actions revolved around:

- customer education tools;
- queue experience initiatives;
- customer retention techniques;
- closer cooperation between business units; and
- expansion of the automated complaints system (CCP) ownership and efforts.

All customer service levels remained relatively stable during the year in spite of severe financial and market pressures during 2008.

Service innovation

Further to previous initiatives such as Absa Aqua, branded wheelchairs, queue assist, name badges, friendly signage, wet wipes and language boards, Absa piloted a myriad innovative initiatives aimed at enhancing the customer experience:



1time partnership (“Banking in the Sky”)

In the first quarter of 2008, Absa joined hands with low-cost airline, 1time, to make banking more accessible and convenient for its passengers with the launch of an innovative initiative to provide an in-flight banking service on selected flights departing from Johannesburg and Cape Town. This bold initiative gave accessibility and convenience a whole new meaning as time-deprived passengers are able to do their banking during what is frequently considered to be lost and wasted time.



Audio brochure

The purpose of this initiative was to prove the appeal of the audio brochure as a supplemental medium to the paper brochure. Ten savings and investment-based products were created on the audio brochure and sent to selected customers. Mp3 downloads have also been made available on pertinent Absa internet pages, further cementing Absa’s quest to become the “savings bank of the nation” by creating an audio brochure with savings and investment products. South African National Council for the Blind (SANCB) has published the concept in its newsletter and will facilitate requests for brochures from its subscribers. The audio brochure market research results were extremely favourable.



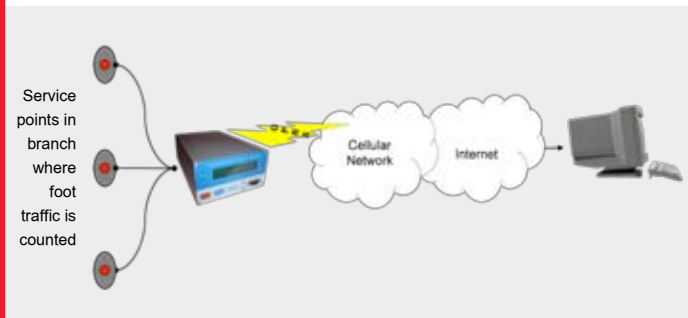
Seated railing

This is a railing that assists and alleviates strain on queuing customers. The railing aims to enhance the queuing experience by enabling customers to “rest” in the queue, taking the weight off their feet while waiting. This pilot is currently being rolled out at ten sites nationally and customer response to this simple yet potentially effective initiative will be monitored.



Chargebox

A device that allows customers to charge their cellphones and iPods called “chargebox” was piloted at the ten student bureaux, together with promos (give-away iPods) to encourage feedback from students on the concept and to drive more feet into bureaux via flyers.



Foot traffic analysis

This is a wireless counting solution that measures the number of customers that enter a branch and the relevant service points that they visit. The pilot is underway at 21 Gauteng sites and anticipated benefits are:

- ✓ improved workforce management;
- ✓ measuring sales conversion ratios across outlets to compare “apples with apples”, based on foot traffic; and
- ✓ improved customer experience by means of better queue management.



Amaze III

In 2008, Amaze III (the third year of the “Amaze the Customer” programme) addressed four of the top five Absa customer “pain points”. These were:

- ✓ feedback;
- ✓ waiting times and delays;
- ✓ pricing and charges; and
- ✓ various ATM complaints.

Material sustainability issues

Complaints handling

Establishing and maintaining 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 provide 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.

All complaints received are logged onto the system and, if not resolved at point of contact, escalated to a dedicated central helpdesk or complaints resolution area focusing on the resolution of customer complaints. The helpdesk facilitates the process of resolution and manages the customer experience during the resolution process. A complaint management area is a new concept being piloted in identified business areas, where the business function takes up end-to-end responsibility and ownership for related complaints logged against them. No intervention is required from the central helpdesk. Only if the mentioned business areas are unable to resolve a matter will they escalate the complaint to the helpdesk.

Customers have several available options to log a complaint, being:

- at the point of contact in the branch;
- the Absa call centre;
- e-mail;
- letter;
- fax; and
- the Absa Action Line directly.

In 2008, an average of 7 170 (2007: 3 400) complaints per month were processed via the system. The majority of these pertained 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 during 2008. For the period 1 January 2008 to 31 December 2008, 2 556 (formal and informal) Absa-related complaints were forwarded to the Ombudsman (2006: 1 133 and 2007: 1 346). Informal complaints refer to cases that have not been accepted by the Ombudsman, but was referred to Absa to resolve with the customer first. Previously, the Ombudsman would have formally dealt with any matter forwarded to them, but currently only cases referred to the Group, fully investigated and the resolution not accepted by the customer or deadlock cases, are recorded as formal investigation. In view of the customer base growth, the complaint ratio per customer decreased significantly from 2007 to 2008.

A specific focus was placed on reducing the average number of days to resolve complaints and the percentage of complaints resolved at the "first point of contact". The "first point of contact" resolution increased from 32% in January 2008 to 41% in December 2008 (8% in January 2007 to 17% in December 2007), and the average days taken to resolve a complaint improved from 4 days in January 2008 to 2,68 days in December 2008 (6 days in January 2007 to 4 days in December 2007). These actions led to the resolution of more than 84 581 (2007: 40 000) complaints through the automated complaints logging system.

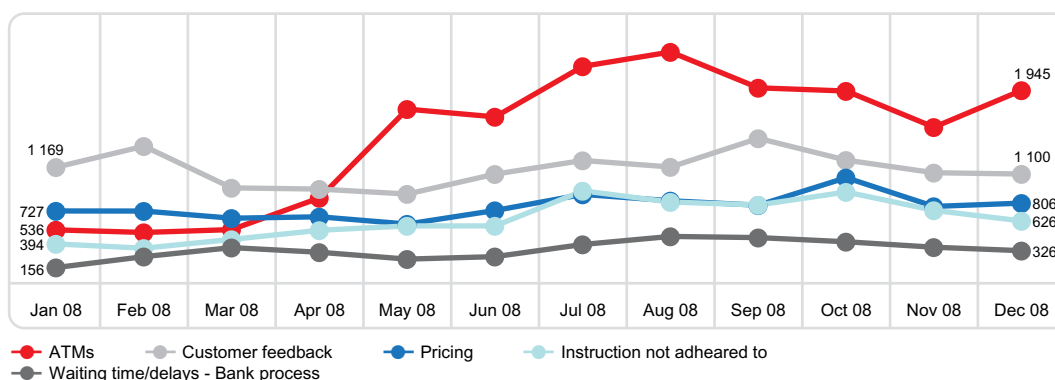
Customer complaints statistics

Year ended 31 December

	2008	2007
Average days to resolve a complaint	3	4
Average complaints received per day	358	160
Complaints received	86 044	40 545
Complaints resolved	84 581	39 719

Top five customer complaints

The graph below indicates the top five customer complaints during 2008.



Customer indebtedness

The year 2008 was deemed as the pinnacle period defined as the “economic crunch”. At the time, Absa came to the forefront by assisting its customers as the first bank to introduce the Absa Customer Debt Repair Line.

Since inception, this operation was enhanced for optimal efficiency and prompt assistance, which has resulted in optimised operational and customer focus. The debt repair line has been centralised and is able to conduct specialised discussions and adopt customised solutions. A customer’s total Absa account portfolio is reviewed in conjunction with the assessment of financial details in order to adopt the best repayment solution option to improve the customer’s financial position. This is not an extension of a normal credit application or debt counselling, but a separate service offered to Absa customers.

In addition, customers may consult the branch and utilise dedicated phones to discuss their situation with the specialised debt repair team. Absa’s specialised approach is defined by the fact that the advice may be extended in terms of frequently asked questions relevant to a specialised operation, being:

- credit bureau aspects (consequences of default payment);
- the litigation process (specifics relating to summons or sales in execution); and
- solution options available relevant to each product (vehicle finance, mortgage bond, cheque account, credit card or personal loan).

Solution-based concepts relate to offering deferred payments, reduced repayment instalments, restructuring or extending the contractual term (within permitted scope) and interacting with the Credit Lending department to review potential consolidation of debt payable to Absa. The latter approach is unique as it is assessed by a credit manager that balances the credit principles (as per NCA obligation) and potential financial solutions.

If the above option is not conducive, the “rapid auction” process is a further option that assists a customer to sell his/her property, as in most cases the customer is unable or has experienced difficulty to sell the property in the past. The rapid auction process is beneficial to the customer as the property is sold on the same basis as a private auction (subject to acceptance), hence eradicating any mandatory implementation of legal proceeding that has an adverse effect. Absa appoints an auctioneer to conduct the auction and in doing so protects both the Group and its customer’s interests.

Absa has a dedicated staff support team that provides equal opportunity and solutions to staff members that may be experiencing some form of financial constraint.

Material sustainability issues

The Group offers workable solutions and processes that are adopted in terms of normal business operation and have generated numerous success stories that validate Absa's commitment to its customers and stakeholders.

The National Credit Act

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 overindebtedness 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 LSM1 to LSM5 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' overindebtedness.

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

The Absa transactional pricing policy

Absa Group follows an approach of full-value banking to its customers by offering the widest choice of secure, convenient and affordable banking to its target markets.

The Group encourages customers to use the various tools available online or in its brochure ware, via telephones and branches to ensure the correct choice in terms of products, transacting via the appropriate channels and choosing the best pricing option or package to complement their specific banking behaviours.

Pricing is reviewed on an ongoing basis to support Absa's desire to offer competitive products, affordable basic banking services, and a selection of channels best suited to the South African market.

Absa's approach to the Competition Commission of Enquiry into banking

Absa has consistently supported the objectives of the banking enquiry and made numerous proposals during the process, many of which were adopted as part of the recommendations.

Absa has been extremely active in the implementation of the recommendations and has already implemented a number of the recommendations.

An intra-governmental committee has been set up to consider the implementation of the main recommendations. It is anticipated that the intra-governmental committee will finalise its analysis of the recommendations and indicate whether it supports the implementation of the recommendations by the fourth quarter of 2009. Absa is liaising with the steering committee and other stakeholders on an ongoing basis.

Access to financial services

One of the objectives of the Financial Sector Charter is to increase the number of historically disadvantaged Black South Africans who have convenient access to financial services through physical access, products affordable to low-income earners, consumer education and origination.

Physical access

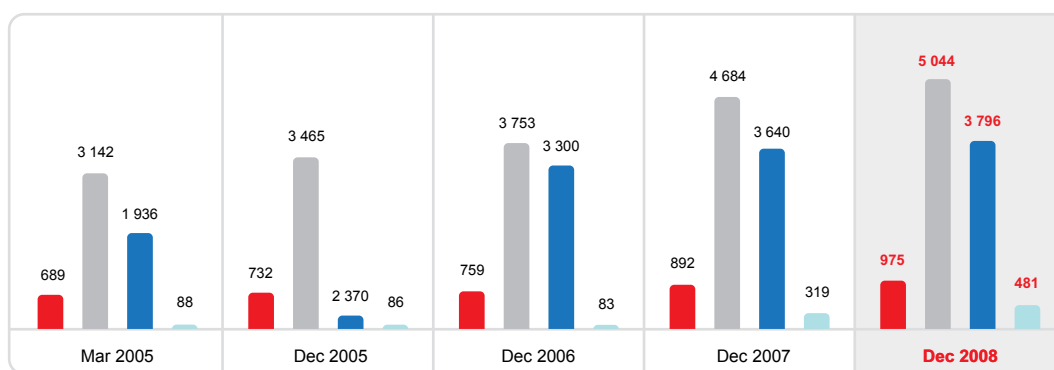
The Group has 1 192 points of presence (South Africa and Africa). The focus for the year was on the optimisation of the delivery infrastructure so as to further enhance access. Absa currently has the largest ATM network with 9 104 self-service terminals in South Africa and sub-Saharan Africa.

The following developments took place during 2008:

- Continued focus was given to improve the Group's points of presence by growing staffed outlets from 1 011 to 1 192 as at 31 December 2008. Absa's points of presence include branches, loan centres, micro-enterprise finance centres, small business advisory centres, business centres, private/premier suites, remote sales points, kiosks, pre-fabricated outlets and mobile outlets. Absa's AllPay subsidiary continues to play a key role, disbursing social grants and pension payments, a service the bank plans to enhance, while Absa's partnership with Western Union continues to extend the Group's reach.
- A new development in 2008 was the introduction of the performance measurement framework (PMF) model. The framework has been developed to enable accurate monthly evaluations of Absa's points of presence, with the objective of increasing efficiency and effectiveness.
- Absa Small Business created enterprise development centres. Currently there are 12 centres countrywide. The primary aim is to offer non-financial business support to SMEs, including advisory and business support services such as compiling of business plans and technical assistance. The customer value proposition is "going beyond banking" and contributing to the development of SMEs in the country. The target market is the newly created and not yet created SME.

The retail branch network remains the primary delivery channel, with the majority of sales fulfilled through this channel. However, Absa is making a significant investment in promoting digital and other self-service channels as alternative options which allow customer convenience and cost-effective access.

Delivery footprint (number)



● Outlets¹ ● Absa-standard ATMs¹ ● Non-Absa-owned ATMs¹ ● Subsidiary outlets²

Notes

¹South Africa.

²Subsidiary outlets include ATMs in other countries.

Access to financial services for low income social groups

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

Mzansi – For 2008, the Mzansi account base grew by 18,4% from 569 900 to 674 531 customers.

Sekulula – For 2008, the Sekulula account base grew by 12,0% from 775 867 to 868 964 customers. (These figures exclude Meeg Bank Limited.)

Other products servicing this market also showed very good growth:

Flexi savings account – For 2008, the Flexi savings account base grew by 8,3 % from 3 941 022 to 4 267 813 customers.

Club account – For 2008, the Club account base grew by 46,9% from 23 394 to 34 370 customers.

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 the customer experience and profitability are not negatively affected.

Material sustainability issues

Absa is committed to the FSC and the Codes of Good Practice and through this commitment is determined to play its role in taking banking to the people of South Africa and especially the previously disadvantaged communities. To this end, Absa was instrumental in the design of a new ATM type called the HARP. This project was done in conjunction with NCR in the United Kingdom. Absa has also negotiated a six-month exclusivity period on the HARP. The HARP ATM allows Absa to penetrate the rural market with a relatively small investment. This device has the potential to be the catalyst that will drive the growth and investment of the Group in more expensive self-service solutions into this market segment. It allows a relatively quick increase in market share and allows for the option to explore previously unbanked geographical areas/markets prior to installing expensive infrastructure.

Integrated housing development

Absa Development Company Holdings (Proprietary) Limited (Absa DevCo) is a wholly owned subsidiary of Absa Group. Absa DevCo's business focus is the development of sustainable integrated residential developments consisting of fully subsidised housing units, both affordable and open market bonded stands, institutional housing stands, commercial and light industrial stands, and social amenities (eg stands for schools, crèches, churches, parks, etc) and serviced erven in middle-market residential developments.

Absa DevCo pro-actively supports the South African government's "breaking new ground" policy with the objectives of using housing provision as a job creation strategy, leveraging economic growth, combating crime, reducing duality within the housing market and developing integrated and sustainable human settlements. In so doing, Absa DevCo not only creates housing stock and building opportunities in the fully subsidised and affordable housing sector, but facilitates the provision of municipal bulk services infrastructure in conjunction with Absa Corporate and Business Bank's Specialised Finance division.

In pursuance of its business focus, Absa DevCo:

- provides large-scale municipal infrastructure development within the boundaries of each approved township;
- assists in positioning the Absa brand in the fully subsidised (low cost) and affordable housing market;
- creates financing and procurement opportunities for BEE/small, medium and microenterprises (SMMEs);
- generates non-interest income for Absa; and
- creates home loan and development finance opportunities for Absa Home Loans and Commercial Property Finance respectively.

Absa DevCo's geographical focus in respect of sustainable integrated developments is on all nine provinces and six metropolitan municipalities where there is a proven commitment by government to support the project by way of available subsidies. Absa DevCo's objective is to develop and supply a variety of housing product offerings that will deliver a minimum of 100 000 housing opportunities by the end of 2010 across the fully subsidised and institutional market (household income per month of less than R3 500), partially subsidised market (R3 501 – R8 000 per month) and the non-subsidised market (in excess of R8 000 per month).

Olievenhoutbosch ministerial housing project

This project involves a sustainable integrated residential development at Olievenhoutbosch, Centurion, in the City of Tshwane Metropolitan Municipality (CTMM), consisting of 2 990 fully subsidised, 1 263 institutional (rental) and 1 168 affordable and free market bonded residential units, commercial and light industrial stands and social amenities stands.

All top structures for the 2 990 fully subsidised housing units have been completed and handed over to CTMM for occupation by accredited beneficiaries. Bridging finance provided by Absa DevCo amounted to R43 million (top structures) and R39 million (municipal infrastructure). Cross-subsidisation has been provided by Absa DevCo to upgrade finishes in top structures and the standard of municipal infrastructure servicing the fully subsidised component, amounted to R8 million.

Microfinancing 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.

Access to financial services for disabled people

Absa believes it is important for the Group to be extra caring and considerate when it comes to senior citizens and pregnant women who sometimes struggle with queues, are tired and would benefit from sitting on a wheelchair. The provision of this type of assistance creates additional opportunities for the Group to ensure that it treats its customers with the dignity they deserve. Wheelchairs have been rolled out to over 200 branches countrywide.

Magnifiers are provided to Absa's visually impaired customers and were implemented to further enhance the Group's dedicated disabled/seniors teller environment. The magnifiers assist customers to read more easily the smaller print on slips and application forms. Customers of over 100 branches of the national network of approximately 750 branches were reached.

Absa has also piloted an audio brochure as a supplemental medium to the paper brochure. Ten savings and investment-based products were created on the audio brochure and distributed to selected customers. Audio brochures are available countrywide through the South African National Council for the Blind (SANCB). mp3 downloads have also been made available on pertinent Absa internet pages. The SANCB has published the concept in their newsletter and will facilitate requests for brochures from its subscribers.

It is widely accepted that transacting at an ATM can pose difficulties to many banking customers. Undoubtedly, it is more so for those with poor or impaired sight and other disabilities, thus making it extremely difficult for these customers to take full advantage of the electronic banking facilities on offer in the industry. Absa took cognisance of this problem and, together with the school for the blind in Worcester in the Western Cape, have developed a solution to assist its visually impaired customers. In order to make transacting at Absa ATMs more convenient to blind customers, Absa has introduced a card with an indicator that activates a different screen flow. The school for the blind in Worcester offers training in the usage of these ATM functions. In addition to this, Absa ATM key pads have a Braille layout which simplifies transacting at Absa ATMs. This is currently operating successfully among visually impaired Absa customers transacting at Absa ATMs.

Consumer education

The FSC requires that each financial institution spend 0,2% of net profit after tax on consumer education in financial literacy. Absa has decided to meet and exceed this target by 10%. This amounted to R20,6 million for 2008. All initiatives were designed and implemented to comply with the charter guidelines and standards for consumer education. These standards require funds to be spent according to principal allocations set by the Financial Sector Charter Council (FSCC) in terms of classroom-type as well as awareness-type education.

Absa Consumer Education's strategy is primarily to roll out financial literacy education through contracted suppliers who meet the standards set by the Charter Council. Suppliers were sourced and identified through a rigorous RFP (request for proposals) process. Suppliers were selected based on their ability to reach the target audience through labour, community and education platforms. The cost of delivery and the supplier's credibility and status as a training service provider play a critical role.

All consumer education initiatives were outsourced to suppliers who comply with the requirements of the FSCC in terms of their reach into communities, quality of facilitators and accreditation with relevant training and education institutions. The aim was also to establish Bubomi as the brand name for consumer education and to ensure richness and diversity of offerings. The intellectual capital and rights of Bubomi are owned by Absa.

Absa established a network of trained facilitators in supplier organisations and ensured quality delivery through the services of a quality assurance service provider. Service providers, who have their own programmes in financial literacy, were contracted to add to the mix of programmes which were provided. In addition, the Group enhanced and maintained the portfolio of strategic educational components, which are owned by the Group, South African Qualifications Authority (SAQA) aligned and developed according to the needs of the charter target groups. These educational modules or components are available to all registered, trained and accredited facilitators.

Material sustainability issues

In order to ensure richness and diversity to the different financial literacy programmes, Absa has also contracted Inzala, who has strong links with Cosatu, a labour-based association. Inzala has trained 11 000 delegates in deep rural communities. Absa has also contracted LETS (Life Empowerment Training Skills) to do a technology pilot using the iBox technology. The technology can operate from a battery or generator in rural areas and provide presentation as well as immediate response capability. The facilitators are able to measure the participation of delegates in real-time. LETS has trained 1 505 delegates.

The Group developed twelve additional educational radio stories. These radio stories are broadcast on community radio in Zulu, Sotho, Xhosa, Sepedi and Tswana and are being broadcasted on Ukhozi, Umhlobo, Lesedi, Motswedding and Thobela. Absa also partnered with Visa to roll out industrial theatre on financial literacy for Mzansi cardholders. 14 666 Delegates were reached through this initiative.

Absa also participated in the "teach children to save" South Africa programme together with other banks. The event was held on 25 July 2008 where children were educated on the basic concept of savings and received an Absa money box and information leaflet on savings tips. Absa volunteers reached 44 schools and 24 466 children in grades four to seven.

Financial literacy education is mainly focused on school children and adults in labour and community networks. Other stakeholders include industry partners such as BASA, Finmark Trust, the Financial Services Board (FSB) and other financial service providers.

As a result, the Absa consumer education has reached more than 140 000 consumers through financial literacy education programmes in 2008. The Group met the Financial Sector Charter (FSC) target to spend 0,2% of net profit after tax on consumer education in financial literacy.

Additional information on the integrated sustainability website:

- Nature of consumer education programmes
 - Classroom-type education
 - Awareness
- External positioning of consumer education
- Absa's customer charter
- Consumer protection
- Absa's products and services
- Advertising practises and the Absa brand

Engaging and caring financial services company

Aim

- Minimising the Group's environmental impact
- Creating a positive, supportive, healthy and diverse working environment
- Adding value to the communities the Group operates in
- Maintaining fair and equitable relationships with suppliers
- Aligning business with national priorities

Material sustainability issues

- Embedding sound environmental practices
- Employee engagement and well-being
- Investing in communities

Embedding sound environmental practices

Introduction

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 does not directly impact the environment in the same way as some other companies. The Group indirectly impacts the environment through business relationships with customers and suppliers whose operations have a direct impact on the environment. However, it directly impacts the environment through its direct involvement in environmental initiatives and through its use of resources such as paper, water, energy and so on.

Key environmental successes

- Implementation of Absa's climate change initiatives
- Measurement of the Group's carbon footprint
- Increased organisational awareness

Key environmental challenges

- Lack of measuring
- Lack of infrastructure (compared to Europe) to recycle efficiently
- Imbalance of focus on financial results versus environmental issues

Looking forward

Absa aims to:

- reduce paper consumption by 10% per annum;
- increase paper recycling;
- reduce landfill; and
- reduce the Group's carbon footprint for 2009 by 5 000 tonnes of CO₂.

Management of environmental impacts and risk

Absa governs the management of environmental impacts through the environmental policy statement which is applicable across the Group. Departments causing the greatest direct impact on the environment have been identified and manage their environmental aspects and impacts according to the requirements of ISO 14001. These departments have been certified by the South African Bureau of Standards (SABS) since 2006. As implied by the environmental policy statement, Absa will seek to expand the scope of certification to include more departments. Numerous further policies and procedures support the environmental policy statement to ensure good corporate governance over environmental initiatives.

Material sustainability issues

An environmental steering committee (ESC), chaired by a member of the Group Executive Committee (Exco), meets on a quarterly basis to direct the strategic approach to the management of environmental sustainability at Absa. The ESC is supported by the environmental working group (EWG), which meets on a monthly basis to coordinate the implementation of initiatives in various departments. In the final quarter of 2008, the environmental positioning statement was approved by the ESC. This statement outlines the approach Absa will take in terms of environmental sustainability and the most important aspects of the Group's operations that will be focused on to mitigate their impact.

Absa's environmental strategy

Absa's environmental strategy has been aligned with that of Barclays. During 2008, Absa developed the positioning statement below which demonstrates the Group's commitment to the environment:

- Through effective environmental management, Absa aims to be recognised as a responsible corporate citizen.
- Absa aims to mitigate the direct impacts of its operations, as well as to influence the indirect impacts of both its customers and its suppliers.
- There are four major aspects that require focus as they have the greatest potential for impact. They are:
 - **Resource efficiency** – Absa will ensure that the resources being used by its operations are used as efficiently as possible in order to improve sustainability. Currently, Absa's water consumption is measured by number of full-time employees against the Africa-accepted matrix. However, there are a number of initiatives being planned to reduce water consumption.
 - **Waste management** – Absa will manage its waste so as to prevent pollution and ultimately aim to reduce all possible waste. There are three main initiatives supporting this:
 - reducing paper consumption by 10% per annum;
 - increasing paper recycling; and
 - reducing landfill.
 - **Carbon footprint** – Absa will monitor its carbon footprint as a measure of the Group's impact on the environment and will take appropriate action to maintain an acceptable carbon footprint. The main initiatives which began in 2008, with the goal of reducing the Group's carbon footprint for 2009 by 5 000 tonnes of CO₂ are:
 - reducing all travel by 6 million kilometres of the 2008 baseline;
 - developing low-carbon property design standards for use across new or refurbished Absa premises; and
 - improving energy efficiency. A 7% saving on the electricity bill was achieved as a result of replacing all light bulbs in Absa's campus buildings. The target for 2009 is a 20% reduction of the 2008 baseline.
 - **Sustainability reporting** – Absa will report to its stakeholders in a transparent and honest manner on environmental performance.
- Environmental management initiatives in Absa are coordinated from a central point, with specific focus in accordance with a particular strategy. The ESC reviews the performance quarterly to determine the gaps and may change the strategy if necessary.

Absa's environmental strategy is based on the premise of ensuring a sustainable environment for the Group and its stakeholders and, in so doing, ensuring that the Group's activities do not have a detrimental effect on the environment.

Absa's climate change initiatives

In 2008, the Group placed more focus on climate change through various activities. Absa aimed to:

- reduce its CO₂ emissions by improving energy efficiency;
- implement reduced carbon emission systems of energy supply;
- work with its suppliers to help them identify risk areas associated with their CO₂ emissions; and
- engage with key stakeholders and contribute to the debate on climate change actions.

Core metrics

The following table sets out the consumption by the Absa Group of materials, diesel and water for the year ended 31 December 2008:

	2008
Materials consumed	
• Office paper (excluding African operations and subsidiaries) (tonnes)	3 160
• Paper recycled and shredded (excluding African operations and subsidiaries) (tonnes)	848
Generators	
• Diesel fuel (litres)	738 461
• Running hours	17 760
Water consumption	
• Total water consumption (kilolitres)	1 093 208
• Water consumption per full-time employee (kilolitres)	24,8

Absa has established a number of challenging targets, leading up to 2011. These targets span areas such as climate change, resource use and waste management and are fundamental considerations as the Group plans and carries out its business.

Carbon footprint

For the first time in 2008, Absa submitted data to measure its carbon footprint. This was part of the Barclays global initiative to report on the Barclays Group's total carbon footprint.

The inclusions were:

- Electricity consumed – All Absa-occupied buildings including Absa Africa – (branches and head office buildings). The calculation was based on full-time employees/m² vs average consumption.
- Car travel – All rented cars, fleet cards and business mileage claimed.
- Air travel – All air travel undertaken.

Absa recognises that there are two important approaches to addressing a low-carbon economy. On the one hand, there are potential savings to be gained in an organisation's own operations through the effective implementation of carbon reduction strategies. On the other, there is the potential for significantly greater profit to be made from enabling the organisation's supply chain to optimise its use of technology to achieve greater carbon efficiency. Absa will make use of both these approaches.

Absa has adopted a phased approach to going carbon neutral, focusing on improving energy efficiency and decreasing its dependence on coal-powered energy sources. An energy centre, currently being installed, is scheduled to go live in May 2010. This centre is powered by LPG (liquefied petroleum gas) and has half the carbon footprint of coal. The energy centre will generate all the electricity requirements for Absa's eight campus buildings in the Johannesburg city centre.

The advantages of this project are:

- Cost savings – During peak electricity demand hours the cost is higher. By running its own generators, Absa saves costs.
- Energy saving – The gas engines include a provision which enables each of them to recover waste heat from the engine and exhaust, that can be used for heating and cooling of the buildings.
- The energy centre will take the load of the Absa campus off the City Power grid at peak times when the country's power supply is under pressure. Absa is helping to reduce the load on the electricity network and to minimise load shedding.
- Obtaining carbon credits – The gas engines have half the greenhouse gas emissions compared to coal power stations. Running its own generators saves Absa 12 100 tonnes of CO₂ emissions every year.

Material sustainability issues

The following table sets out the Group's carbon footprint statistics for the year ended 31 December 2008:

	2008 ^{1,2} (metric tonnes)
Direct emissions from Absa's fleet	152,0
Indirect emissions from purchased electricity	205 656,0
Indirect emissions from:	
• business travel in rental cars	249,2
• business travel in commercial airlines	5 156,2
• business travel in employee-owned cars	13 555,8
Total Absa Group emissions	224 769,2

Notes

¹ These emissions exclude:

- fuel used in equipment owned or controlled by Absa Group (eg generators);
- South African and non-South African wholly or partially owned subsidiary companies;
- emissions associated with the operation and service of automated teller machines (ATMs), self-service terminals (SSTs), point-of-sale (POS) and other remote devices; and
- any other premises or activities owned or operated by Absa Group not explicitly referenced in this report.

² Absa Group reported on its carbon emissions for the first time in 2008 and these numbers have not been verified.

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. The credit policy applies to any product or service offered by the Group that incurs credit risk. The possible environmental impact serves as the guiding principle, rather than the transaction value. 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.

Equator Principles

As a result of Absa Group 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.

Part of the voluntary compliance includes the regular review of the Absa policies and procedures regarding environmental matters to formally recognise the Equator Principles. Absa Group has always acknowledged the importance of environmentally sensitive lending decisions and the Equator Principles are entrenched 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; and
- Category C: Projects with minimal or no environmental impacts.

The basic principle is that Absa Group 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 compliance 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 Group 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 US\$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 table below sets out the project finance transactions reported in terms of the Equator Principles for 2008:

Project finance transactions

Year ended 31 December 2008

	A Higher risk	B Medium risk	C Lower risk	Total
Category				
Transaction total				
• Number of deals	0	2	3	5
• Value of deals (Rm)	Nil	4 076	2 598	6 674
Sector distribution				
• Construction				
◦ Number of deals	0	1	3	4
◦ Value of deals	Nil	1 410	2 598	4 008
• Electricity, gas and water supply				
◦ Number of deals	0	1	0	1
◦ Value of deals (Rm)	Nil	2 666	Nil	2 666

Absa Group is satisfied that, in addition to the normal credit assessments, sufficient environmental impact assessments and contingency plans are in place to warrant the approval of the listed projects.

Additional information on the integrated sustainability reporting website:

- Supply chain initiative
- Land occupation
- Water use
- Energy use
- Paper use
- Other material use
- Recycling
- Significant discharges and Absa's waste stream
- Environmental liabilities
- Other direct environmental initiatives
- Internal auditing of environmental practices
- Compliance

Material sustainability issues

Employee engagement and well-being

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.

Key successes relating to Absa's employees

- Implementation of the higher-performing organisation programme.
- Continuing success of the Absa development initiative.
- Very satisfactory responses for the 2008 EOS (95% response rate).
- One of the top performers in the Corporate Research Foundation "Best Employers" and the Deloitte "Best Company to Work For" surveys.

Key challenges relating to Absa's employees

- Effects of regular power outages were optimally managed to support system stability.
- To mitigate fraudulent activity, a real time forensic management system for the early detection of fraud patterns in electronic banking was implemented.

Looking forward

- Transformation (moving to a culture of inclusivity, alignment with the CoGP and accelerating Black talent)
- Employee engagement
- Headcount and cost management
- Talent management

Absa's 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** – With a specific focus 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 organisation into a learning organisation that is able to respond to rapidly changing business challenges.
- **Leadership** – Entrenching sustainable leadership behaviour and practices remains a key part of the Group's employee strategy
- **Reward and benefit** – This entails the application of best practice solutions, which takes into account the needs of both employees and shareholders.
- **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.
- **Employee relations and well-being** – The Group aims to foster a commercial partnership with its trade union, while ensuring the well-being of all its employees.

Talent management

To ensure that talent management is embedded in Absa and that there is a common mindset, a new approach to talent management was conceived under the auspices of a talent management framework. The new talent management framework focuses on the hallmarks of a talent champion, which encompasses all the critical elements of the employee lifecycle so as to deliver a holistic solution to employees.

The Leadership of Abundant Talent philosophy was pivotal in reviewing the talent management HR processes.

The key focus of 2008 was aligning organisational design, recruitment, performance development, career management, development and succession planning in a coherent strategy. Absa's critical focus on employee engagement confirms that it is a strategic priority to ensure that key talent is contributing optimally, but also feel motivated to do so.

Additional information on the integrated sustainability reporting website:

- Leadership talent
- Talent engagement
- Entry level talent
- Recruitment

Performance development

The focus of performance development (PD) is entrenching the practice of quality conversations in Absa. There is also a great emphasis on the alignment of individual reviews in the context of actual business performance. Absa line leaders are able to translate the Absa strategy to a level of significance for the team, but also the individual, basically saying that each individual understands how his/her contribution links back to Absa's mission, vision and purpose. The Group's values are core to the ways of working and are deeply embedded in the organisation, influencing processes like performance development, where multi-source feedback is aligned to the behaviours the Group strives towards. These behaviours are directly linked to the values.

During the 2008 year, great strides were made with embedding the PD process and ensuring that it becomes the premier process through which Absa's employees are managed. PD is now positioned as the process through which the Absa strategy comes alive in the day-to-day work of all employees. The uptake of PD as a management process has been remarkable, with over 99% of all employees having had a PD review by the end of 2008.

The employee performance curve has also improved significantly, with the distribution of performance ratings at the end of 2008 being very close to the higher performing organisation norm, despite tighter business conditions.

The focus going forward is on ensuring that the practices are enriched and delivering the maximum value for the Group. Intense focus will be placed on line manager training to improve the employee experience of PD and to improve consistent application of Group-wide norms.

Learning and development

The following were strategic focus areas for Learning and Development in 2008:

Bursaries and further education

In 2008, Absa funded a total of 1 393 bursaries for staff members to further their studies. These bursaries were provided for 283 certificate studies, 199 diploma studies, 505 undergraduate studies, 309 postgraduate studies and for 97 other studies (related mainly to professional qualifications and short courses). The race and gender demographics are reflected below. No disabled staff members received bursaries during this period.

Additional information on the integrated sustainability reporting website:

- Bursaries – race and gender demographics

Learnerships

Absa offers learnerships for staff members in critical or scarce skills. It also offers sector-specific learnerships (funded by the BANKSETA), which are aimed at affording much needed work for unemployed matriculants (Letsema) or unemployed graduates (Kuyasa).

Additional information on the integrated sustainability reporting website:

- Learnership statistics

Material sustainability issues

Critical skills

In addition to the above-mentioned, Absa also participated in various special programmes funded by the BANKSETA. These programmes are aimed at addressing critical skills in critical areas at different levels of the work spectrum, including adult basic education and training (ABET), women's development and executive development.

Additional information on the integrated sustainability reporting website:

- Critical skills statistics

Additional information of Absa's other learning and development programmes on the integrated sustainability reporting website:

- Absa graduate development programme
- Leadership development
- Performance development

Leadership and cultural transformation

Building a culture of high performance places a special emphasis on the quality of leadership within an organisation. In line with current research that demonstrates that leadership is the critical strategic differentiator in ensuring competitive advantage, Absa has embraced "Leadership of Abundant Talent" as a critical driver to ensure sustainable competitiveness.

Absa's sustainable leadership interventions have begun at different levels of work, placing emphasis on the following:

- Living and leading in a world of constant change.
- Fulfilling the challenges of exercising enterprise-wide leadership.
- Becoming the crucible of ongoing operational improvement, innovation and best practices.

The Group's leadership programmes aim to implement a consistent view of leadership, through all levels of the organisation and to build sustainable leadership practices. The initiative is also underpinned and supported by a coaching framework.

A renewed emphasis was placed on change enablement, to assist people with adapting to change brought about by large-scale change initiatives and given the strategic need for a resilient workforce. Energy and resilience programmes have been implemented in certain areas within the Group to ensure the development of psychological hardiness.

Workshops with emphasis on managing complexity and valuing diversity in South Africa were implemented with the primary purpose to provide participants with knowledge and skills, applied competence and the necessary values and attitudes in the field of diversity management.

Additional information on the integrated sustainability reporting website:

- Values and ethics
- Employee opinion survey

Employee rewards and benefits

Absa operates in a competitive global environment, characterised by high levels of demand for talent. Absa's reward strategy therefore supports the acquisition, motivation and retention of talent, while focusing on commercial sustainability in respect of employment costs. This balance is executed against the backdrop of maximum managerial discretion in terms of allocating rewards, within appropriate parameters of fixed and variable compensation.

The key elements of the Absa reward and benefits environment are:

Reward philosophy:

- Reward will support the acquisition, motivation and retention of key talent.
- Reward will be commercially competitive and sustainable over the long term.
- Reward will appropriately align the interests of shareholders and employers.
- Reward will be managed in accordance with local legislation and governance standards.
- Line managers own accountability for reward decisions within the context of the Absa Reward policy.
- Reward will be transparent and easily understood.

Additional information on the integrated sustainability reporting website:

- Absa's reward framework
- Reward communication
- Reward governance

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.

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, and application of business best practices to achieve the ideals of the Employment Equity and 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 at redressing existing imbalances.

The Group achieved its employment equity goals for 2008. The percentage of Black employees increased from 58,8% at 31 December 2007 to 61,1% as at 31 December 2008.

Additional information on the integrated sustainability reporting website:

- Employment equity statistics

Material sustainability issues

Labour relations and employee representation

Formal relationships governed by collective agreements with trade unions only exist within South Africa, Mozambique and Tanzania. 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 2009 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 well-being, 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 59% 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 33% 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 54% within this category at the moment. The contractual relationship with Sasbo is complemented by a partnership agreement, operating as a non-legally enforceable, cooperative 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 covers issues as regulated in the Voluntary agreement, including terms and conditions of employment, minimum wage and consultation over bonus scheme. 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.

Health and wellness

Absa recognises the fact that its employees live in a society undergoing significant change and face unique societal and corporate challenges. In their work environment, they also face the organisational challenge of maintaining and improving business performance in ever-competitive markets. Over and above these challenges, employees experience emotional, financial, substance abuse, family and other psycho-social problems on an everyday basis, impacting their performance in the workplace.

At the same time, the Group acknowledges that its people are the principal source of competitive advantage in achieving the vision of being the best provider of financial services in South Africa and selected African markets. This acknowledgement forms the basis for the implementation of Absa's comprehensive integrated health and wellness programme (IHWP), termed "Live Well, Work Well".

The IHWP comprises a holistic, long-term and workplace-based suite of interventions, aimed at improving the quality of life of colleagues and their families.

A steering committee, established to continuously evaluate the efficiency and relevance of IHWP services, presides over the operational service delivery, monitoring and evaluation of the programme and effects wellness strategy design. This structural incorporation of organisational wellness into Absa's employee relations model serves to institutionalise the vital function that the IHWP underpins, to mitigate health and behavioural risk within the Group.

Additional information on the integrated sustainability reporting website:

- Integrated services set
- Employment conditions and employee benefits
- HIV/Aids policies/programmes
- Occupational health and safety

Investing in communities: Absa's corporate social investment (CSI)

Introduction

Absa is committed to facilitating and creating platforms through which to contribute to nation building and social upliftment. Corporate social investment contributes towards Absa's goal of becoming the leading bank in South Africa and the rest of Africa through partnerships and programmes that make a difference to humanity and the environment.

The CSI mandate is informed by government's national development imperatives as outlined in Jipsa, AsgiSA and the United Nations Millennium Development Goals. The Department of Trade and Industry's Codes of Good Practice (CoGP), that became operational in 2007, have a vital role to play in bringing about meaningful transformation through socioeconomic development. The principles of these codes have been incorporated into the Absa CSI strategy and underpin delivery on triple bottomline objectives across the business.

Areas of consideration for Absa in terms of CSI include provision of funds to invest in communities, the ongoing commitment and participation of employees, the sustainability of the non-profit organisations with whom Absa partners and assessing the impact of interventions and, where necessary, changing or enhancing the CSI approach.

The funding for Absa CSI is directly linked to the profitability of the business as it is a percentage of net profit after tax, thus the ongoing profitability of the Group is a major interest. Absa has a multi-year CSI funding approach which translates into anticipated commitments for the following financial year.

In 2008, the challenge was to invest in projects while remaining cognisant of the current economic climate and ensuring realistic and sustainable support in 2009.

Key successes relating to community involvement

- Corporate Social Investment Leadership Award 2008 (Sunday Times Top 100 Companies Awards)
- 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 (Dialogue)

Key challenge

- Investing in projects in the current economic climate

Looking forward

Emphasis will be placed on:

- the implementation of recommendations from the bi-annual impact assessment;
- support for the implementation of the Group's CSI strategy in other African countries; and
- effective evaluation of project impact, as well as the continued development of strategic partnerships.

Material sustainability issues

Employees are a powerful force in the delivery of Absa CSI, with over 12 000 employees working in their communities. The key factors to the sustainability of the employee community involvement programmes include the provision of funds, the provision of guidance and support and maintaining the morale and pride of the employees in Absa through the regular communication and recognition of the contribution they are making. Despite the organisational and economic challenges faced by Absa and its employees, the involvement of colleagues continues to grow month on month. 2009 will see a focus on maintaining this performance.

The non-profit sector continues to be under financial pressure, despite the large sums of money invested by corporates and governments each year. Sadly, 2008 saw the closure of a number of organisations which were providing a service to the communities and the sector. Sustainability of the organisations funded by Absa has always and will continue to be a component assessed during the application process. Where appropriate, Absa applies a hands-on approach to project implementation, generally providing support over the medium to long term.

A vital component to the sustainability of the non-profit sector is to ensure ongoing dialogue between various stakeholders from the NGO, government and business environment. Networking, sharing, celebrating the achievements and discussing problems, concerns and issues is vital to the sharing of best practice among community projects. Absa provides financial support for events held by beneficiaries that promote awareness and increase acceptance of funded projects by key community stakeholders.

In addition to the review of each project funded in 2008, an impact assessment has been conducted to gauge success and challenges. The outcome will be used to inform approach and planning in 2009.

Business activities

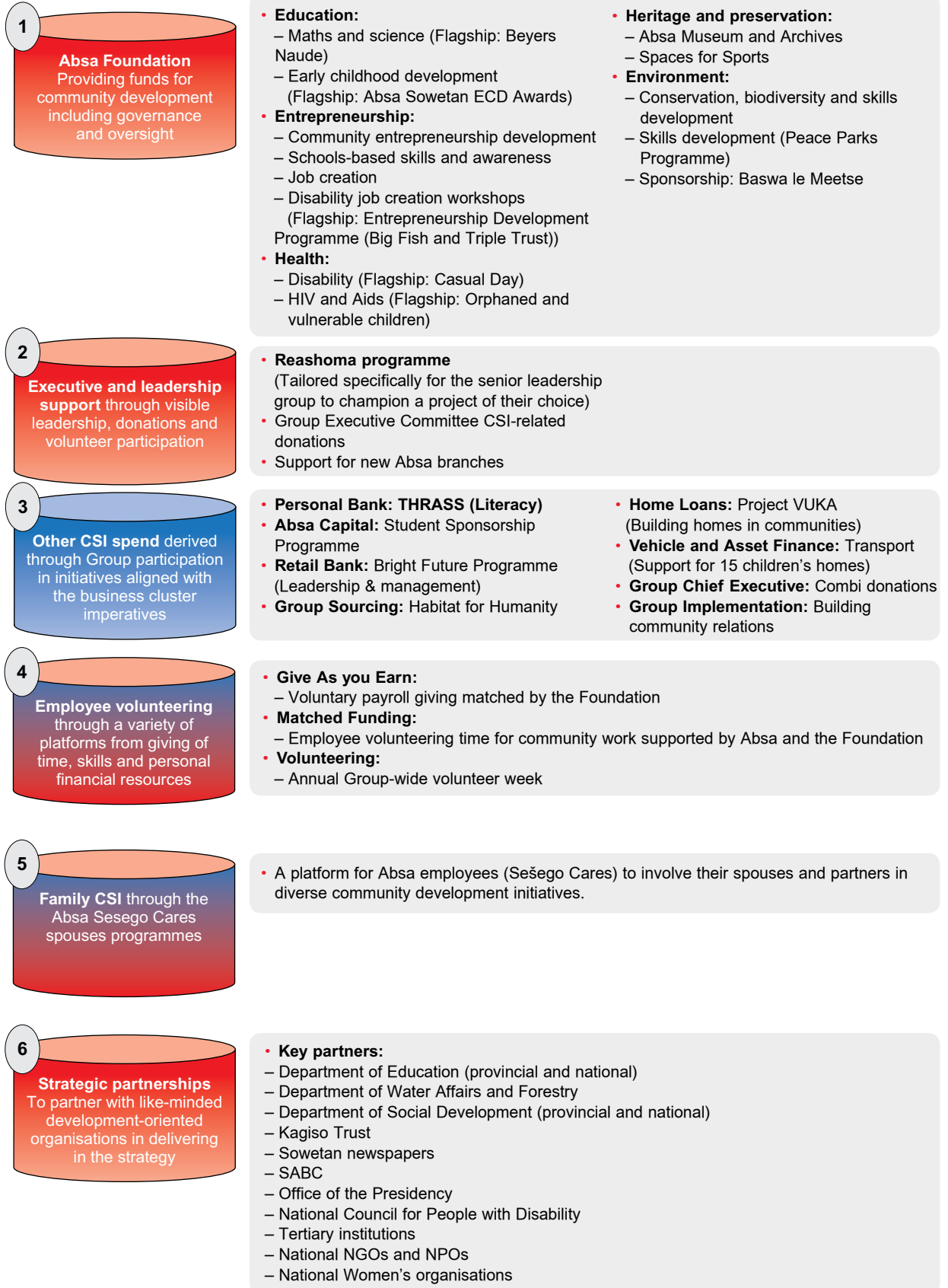
The Absa CSI strategy remains underpinned by four key principals:

- **The business imperative** – CSI is aimed at delivering on Absa's commitment to prosperity and sustainable development for its stakeholders.
- **Building partnerships** – The establishment and maintenance of strategic partnerships with government, public benefit organisations (PBOs), business, project beneficiaries and other development partners, is key to the delivery of socioeconomic development programmes.
- **Promoting employee involvement** – Absa continuously strives to create opportunities for its employees to identify and become involved in CSI programmes across the Group.
- **Encouraging community self-help** – The projects that Absa supports, need to enable and empower communities to drive their own development.

In addition, the following reflect the commitment of individuals within the Group to CSI. They are:

- **Involving family** – Family members of Absa employees have embraced the Sešego Cares platform, which affords them the opportunity to get involved in CSI.
- **Leader-led community involvement** – The Group's leaders are dedicated to making a personal investment in CSI projects and champion/support community development projects of their choice, over a number of years.

Absa CSI key focus areas and key initiatives



Material sustainability issues

Stakeholders

Partnerships form the basis of Absa's CSI approach and externally include beneficiary communities, NPOs, government and other corporates. Internally, Absa employees, leaders and family members contribute and help find innovative ways to increase development impact where it matters most. Effective and regular communication allows Absa to engage and keep all stakeholders informed.

The Absa Foundation

The Absa Foundation is a registered trust (trust number: IT 1810/94). The trust is the vehicle for (but not limited to) the delivery of Absa's CSI activities. The annual general meeting (AGM) was held on 27 March 2008.

The Absa Foundation has been approved as a public benefit organisation in terms of Section 30 of the Income Tax Act. The foundation's public benefit registration has been approved for purposes of Section 18A(1)(b) of the Act, which is to provide funds or assets to another public benefit organisation registered under Section 18A(1)(a). Donations to the Absa Foundation are tax-deductible and subject to the limitations prescribed in Section 18A of the Act.

The Absa Foundation is governed by a board of trustees and managed by the Absa Foundation management committee.

Additional information on the integrated sustainability reporting website:

- Composition of the Absa Foundation board of trustees
- Absa Foundation trustees attendance grid
- Other governance bodies

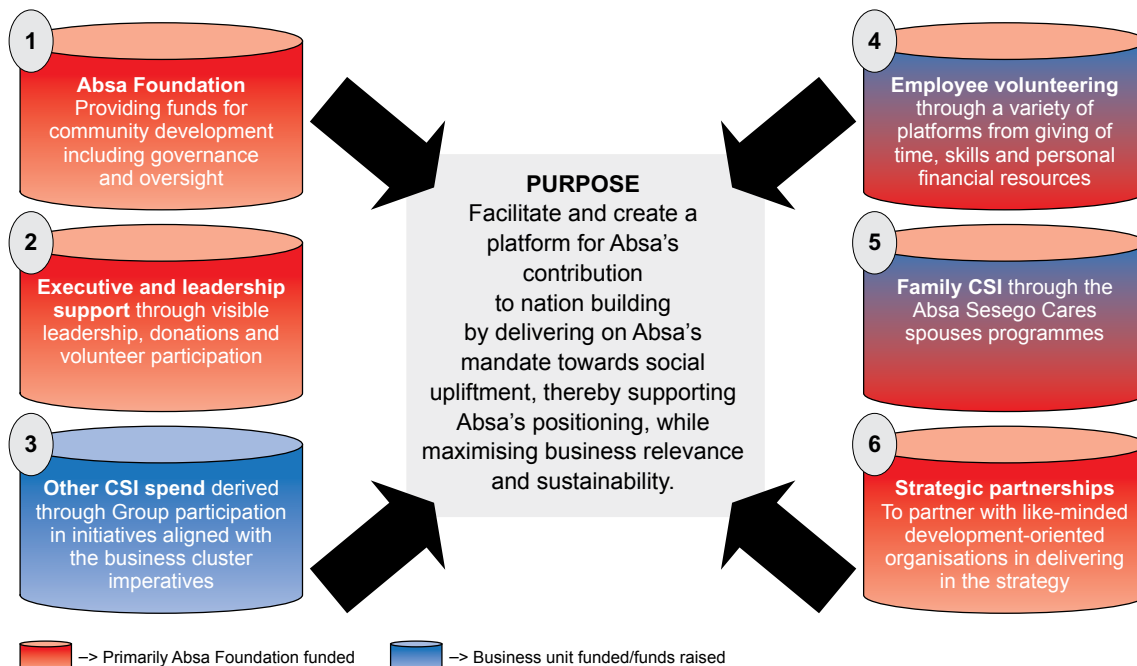
How CSI is aligned to the business of Absa

Absa aligns its social development programmes with global and national developmental goals, thus entrenching the Group's position as a preferred partner in social upliftment and economic development. Absa's CSI activities are underpinned by the need to create a measurable impact through funding that empowers the non-profit sector to reach their social development and economic upliftment goals.

The Group's CSI programme is viewed as a business imperative and links to the business strategy and key objectives. It creates a platform for Absa to partner with government and other relevant stakeholders on sustainable development initiatives and takes into consideration the United Nations Millennium Development Goals as adapted for South Africa, the Department of Trade and Industry's Codes of Good Practice as well as the FSC.

Absa's CSI strategy

It is Absa's objective to be the leading practitioner and thought leader in CSI and to build strength and capabilities through collaborative partnerships. The figure below is a presentation of Absa's integrated approach to CSI:



Philosophies of Absa's CSI programme

These strategic elements are underpinned by three philosophies that mirror the development sector, which varies from small, grassroots-level non-profit organisations to large-scale projects that specialise in their field and provide best practice models. The philosophies are:

• Flagship programmes

These are large-scale, best practice projects, typically national and aim to provide viable and sustainable solutions in response to national priorities. Underlying the flagship philosophy are deliberate partnerships with key partners who are experts in a particular field offering holistic and practical models to address the priorities. Flagship programmes are funded at a high rand value to obtain maximum reach and impact. A flagship blueprint document was developed during the year under review in order to align and mainstream all Absa CSI flagships.

• 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. Often they are leaders in their field and operate at a provincial if not a national level. Significant partners have a long-standing 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 is often primarily funded by Absa CSI.

• Survivalist project partnerships

Survivalist partners, although not always best practice organisations, are important partners to Absa CSI. These partners conduct vital 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 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.

Material sustainability issues

The philosophies underpin three themes and focus areas which guide budget allocation. The table below provides a presentation of these areas.

Absa CSI themes and key focus areas	
Theme	Key focus area
Banking on brighter futures	<ul style="list-style-type: none"> • Education • Entrepreneurship • Environment, sport and heritage
Looking after local communities	<ul style="list-style-type: none"> • Health and disability
Charity begins at work	<ul style="list-style-type: none"> • Employee community involvement

National spend – a two-year trend

Absa has exceeded the requirement of the FSC to invest 0,5% of net profit after tax in South African communities and has achieved the full points allocated to CSI on the FSC scorecard for the 2008 financial year.

In addition, Absa has achieved the five points awarded for socioeconomic development as per the Department of Trade and Industry's Codes of Good Practice scorecard for the financial year. This goal was achieved through direct investment in communities as accounted for in the FSC, consumer education activities and by reporting on the allowable 80% of operating costs directly attributable to the implementation of the CSI programme.

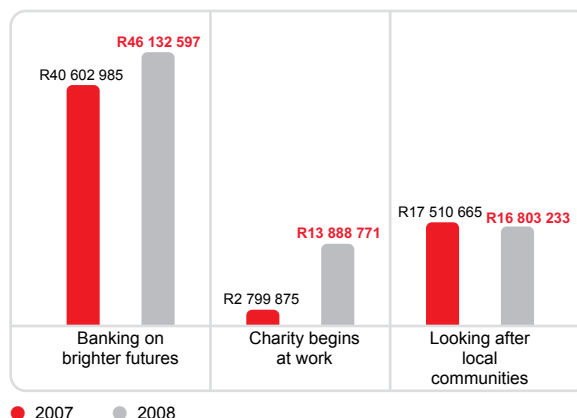
Overall CSI spend

The table below is a presentation of the combined CSI spend by Absa Group's business units and the Absa Foundation, per the investment themes.

Absa CSI spend (Absa Foundation and Absa Group)

Year ended 31 December

Theme	2008 R	2007 R
Banking on brighter futures	46 132 597	40 602 985
Charity begins at work	13 888 771	2 799 875
Looking after local communities	16 803 233	17 510 665
Grand total	76 824 602	60 913 525



Additional information on the integrated sustainability reporting website:

- Key partnerships
- Employee involvement
- Absa Group cluster initiatives
- Other initiatives

Total CSI spend per province
Year ended 31 December 2008



Provincial performance

During the year under review, Absa CSI spent R76 824 602 on CSI-related projects and small grants. The implementation was both on a provincial level as well as through national programmes with provincial reach. The figure below presents the provincial breakdown of this spend.

The year under review saw the BNSDP, orphaned and vulnerable children programme, Absa Sowetan ECD Awards, Casual Day fundraising campaign and various employee community involvement programmes being implemented on a provincial level by the provincial CSI consultants. Each province has its own unique socioeconomic development requirements and this necessitated the identification of provincial project partners to strategically address these requirements. The implementation of both national and provincial programmes provided a unique solution to addressing the identified key focus areas from the perspective of local regionalised intelligence. It also provided for the integration of CSI and business objectives.

Additional information on the integrated sustainability reporting website:

- Provincial highlights
- Procurement statistics

Material sustainability issues

Transformation and black economic empowerment

Aim

- Ensuring that the Group's shareholders, employees, customers and suppliers represent the demographics of South Africa

Introduction

Absa commits itself to actively promoting a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa and contributes to the establishment of an equitable society. Two of the ways Absa aims to contribute to this vision are by providing accessible financial services and by directing investment into targeted sectors of the economy. Absa embraces black economic empowerment (BEE) as a business imperative.

Material sustainability issues

- Financial Sector Charter (FSC)
- Codes of Good Practice (CoGP)

Key successes

- Received an A rating (FSC)
- Declared a level 4 contributor (CoGP)

Key challenges for customers

- Closing significant gaps in terms of Absa's CoGP scorecard (especially ownership and management)

Looking forward

- Focus on achievement of objectives in the FSC and CoGP governance and reporting policy.

Achievement of Absa's transformation/BEE objectives

In 2008, Absa adopted a dual reporting approach on both the Codes and the FSC. The core metric used for measuring the achievement of the Group's BEE objectives is the achievement of the targets set by the DTI's CoGP and the FSC. Both BEE scorecards for the 2008 reporting period were independently verified.

Additional information on the integrated sustainability reporting website:

- BEE governance
- Absa's BEE policy
- Absa's BEE strategy

Absa's BEE performance – the BBBEE Codes of Good Practice (the Codes)

Absa's scored 71,36 points for CoGP and was declared a level 4 contributor. The table below indicates the Group performance relative to the core indicators.

Absa's CoGP performance

BBBEE element/indicator	Actual Absa CoGP points as at 31 December 2008 (Audited)	Possible maximum CoGP points that can be earned up to 2012
Ownership	14,04	23,00
Management	7,60	11,00
Employment equity	8,54	18,00
Skills development	8,16	15,00
Preferential procurement	13,71	20,00
Enterprise development	14,31	15,00
Socioeconomic development	5,00	5,00
Total points	71,36	107,00
Level	Level 4 contributor	
BBBEE recognition level	100%	

Additional information on the integrated sustainability reporting website:

- Performance on the CoGP elements
- Key successes achieved under the CoGP

Absa's FSC performance

Absa's scored 94,13 points for FSC and obtained an A rating. The table below indicates the Group performance relative to the core indicators:

Absa's FSC performance

Indicator	Actual Absa FSC points as at 31 December		Possible maximum FSC points that can be earned up to 2008
	2007 (Audited)	2008 (Unaudited)	
Human resource development:			
• Employment equity	12,50	13,50	15,00
• Skills development	3,00	3,00	3,00
• Learnerships	1,23	1,22	2,00
Procurement	15,00	15,00	15,00
Corporate Social Investment	3,00	3,00	3,00
Access to financial services:			
• Consumer education	2,00	2,00	2,00
• Origination	8,00	8,00	8,00
• Physical accessibility	3,56	3,58	4,00
• Products and services	2,24	2,83	4,00
Empowerment finance	22,00	22,00	22,00
Ownership and control			
• Board and executive management	8,00	8,00	8,00
• Ownership	12,00	12,00	12,00
Total points	92,53	94,13	98,00
Rating	A	A	

Additional information on the integrated sustainability reporting website:

- Performance on the FSC pillars
- Key successes achieved under the FSC

Material sustainability issues

Corporate reputation

Aim

- Position Absa as the leading South African financial services brand
- Ensuring that Absa is recognised as an ethical company and as a company that maintains high standards of corporate governance

Introduction

The Group believes that a reputation for integrity, professionalism and being a good corporate citizen is a key driver of economic value. The cornerstones for an excellent reputation is ensuring excellence in corporate governance, applying a solid code of ethics and ensuring compliance.

Material sustainability issues

- Ethics
- Corporate governance
- Compliance

Key successes

- "Number one banking brand"
- "Coolest bank"

Key challenges

- Fraud and security
- Risk management
- Internet banking fraud

Looking forward

- Focus on the implementation of the 2008-2010 marketing strategy with high creativity and aggressive tactical marketing.
- Implementation of King III

Absa's code of ethics

Ethical strength and conduct are essential to true leadership and sustainable business success. Absa remains committed to demonstrating ethical excellence in all its activities.

Living the Absa values is important for the Group to sustain its reputation as an organisation of integrity. 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 values are:

- "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."

Scope and objectives of Absa's code of ethics

This code of ethics provides a basic framework and guidance for behaviours and business conduct that are consistent with Absa's values. This code applies to all directors (executive and non-executive) as well as to employees of Absa. This code should be read in conjunction with the Absa Spirit booklet.

Where Absa enters into a joint venture (JV) with another organisation or entity and where Absa's name and/or image is inextricably linked to such a JV, it is imperative that the management and employees of that JV formally support this code of ethics.

The objectives of this code are to:

- define acceptable standards of conduct that form the foundation for compliance with Absa policies and procedures;
- inform and inspire you to work towards desired behaviours;
- support Absa's objective to be a leader in corporate responsibility; and
- contribute to the fulfilment of Absa's governance obligations.

Annual review of the code

Attestation process

All Absa employees must attest annually that they have read and understood the requirements of the code of ethics and that they comply with it.

Failure to comply with the Group policies and procedures constitutes grounds for disciplinary action, which could potentially include dismissal and, where appropriate, referral to the relevant regulatory authorities.

Behaviour review

All employees conducting business on Absa's behalf, regardless of their role or location, are expected to consistently demonstrate Absa's values in the workplace and beyond in their behaviour.

Annual review of the code

Absa Group Human Resources Employee Relations reviews the code of ethics on an annual basis.

Group executive directors, line managers and supervisors are responsible for ensuring that the code is properly implemented and that all their direct reports know and understand the contents herein.

The Absa board is responsible for annually maintaining and reviewing this code. All Absa employees have a duty to ensure that suppliers adhere to the rules of ethical conduct contained in the Sourcing and Supplier Management Handbook.

Additional information on the integrated sustainability reporting website:

- Absa values and the code of ethics
- Guidance and reporting ethical breaches

Governance

Good corporate governance is an integral part of Absa's operations. Accordingly, Absa Group Limited is fully committed to the principles of the Code of Corporate Practices and Conduct (the code) set out in the King Report on Corporate Governance (King II). The purpose of King II is to promote the highest level of corporate governance in South Africa. In supporting the code, the board of directors (the board) recognises the need to conduct the affairs of the enterprise with integrity and according to generally accepted corporate practices.

As a subsidiary of Barclays, the Group is also required to conform to the regulatory requirements applicable to Barclays. From a governance perspective, Absa takes cognisance of the international best practice guidelines set out in the UK's Combined Code on Corporate Governance.

The directors are of the opinion that Absa complies with, and has applied, the requirements of King II with regard to the year under review.

All entities in the Group are required to subscribe to the spirit and principles of the code. In addition, the code is applied to all operating divisions that are of the nature and size identified in King II (such as banks, financial services and insurance entities).

The Absa board takes overall responsibility for the Group's compliance and is the focal point of the Group's corporate governance system, while the directors of specific companies in the Group are responsible for ensuring compliance in respect of the companies of which they are directors.

In its governance approach, the board believes that, while compliance with the formal standards of governance practice is important, greater emphasis must be placed on ensuring the effectiveness of governance practice, with substance prevailing over form. The board also seeks to ensure that good governance is practised at all levels in the Group and is an integral part of Absa's operations.

Absa's corporate governance standards, which support the Group's overall strategy, are captured, measured and reported in a balanced scorecard. The interaction between Absa and Barclays takes account of matters such as regulatory, legislative and industry constraints applicable to both Absa and Barclays, as well as the interests of Absa's minority shareholders. It also considers the legal implications of the parent/subsidiary relationship between Absa and Barclays, the fiduciary responsibilities of the Absa and Barclays boards of directors and Absa's corporate governance procedures. The intention is to ensure that Barclays and Absa work together to maximise value for all stakeholders, while complying with regulatory and legislative requirements. The approach is reviewed annually by the Absa board, taking account of recommendations by the Directors' Affairs Committee (DAC).

Material sustainability issues

The full corporate governance statement for 2008 is set out in the corporate governance section of the Group's shareholder report.

Compliance

As a result of the amendment to the Banks Act, No 94 of 1990 (the Banks Act), all banks were required to establish a compliance function in 2000. This requirement was further entrenched with the promulgation of the Financial Intelligence Centre Act, No 38 of 2001 (FICA) and the Financial Advisory and Intermediary Services Act, No 37 of 2002 (FAIS). A compliance function is also considered to be a valuable contributor to good corporate governance and is supported by the King Code on Corporate Governance (King II).

The increasingly more stringent regulatory environment impacting the financial services sector constantly challenges banks to comply with regulatory requirements. Furthermore, the Absa Group has to comply with not only the South African regulatory framework, but also with that governing the Barclays Group.

Failure to comply can result in reputational risk, financial penalties (personal and corporate) and, in extreme cases, the loss of the Group's licence to perform financial services-related activities.

For 2008, the Group Compliance function focused on the continued embedment of the anti-money laundering controls and policies, the implementation of a themes-based monitoring approach and the influencing of the regulatory changes in respect of the Financial Advisory and Intermediary Services Act (FAIS). In addition to this, emphasis was placed on continued alignment of policies with certain Barclays policies. These policies not only incorporate international best practice, but also ensure that Absa Group complies with the international regulatory requirements governing the Barclays Group.

Although management is responsible for managing compliance risk in the business units, Absa Group Compliance assists management to discharge this duty. The Group Compliance function has, since its inception in 2000, developed into an industry-leading function by applying recognised risk management principles and international best practices. The function's structure and approach enables it to support management at all levels by leveraging off specialised technical skills as well as sound business knowledge. Absa Group Compliance is therefore structured into centralised and decentralised sections. The former is responsible for standard-setting, Group-wide monitoring and forms the centre of expertise regarding legislation and policies impacting the Absa Group. The latter consists of business unit compliance officers, who are deployed in the various business units and are responsible for business-specific monitoring, training and advice, especially with regard to the implementation of the various regulatory requirements.

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

As business unit activities are not static, all compliance risk profiles are updated quarterly 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 normal 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.

The Absa Group's key compliance focus areas in 2008 were:

- anti-money laundering and international sanctions implementation;
- improved compliance risk monitoring;
- the further embedment of the National Credit Act;
- the identification of new regulatory requirements;
- employee awareness relating to regulatory requirements; and
- combating unethical behaviour.

Fraud/financial crime

Absa has a zero tolerance approach to financial crime and promotes an ethical work environment and attitude towards doing business with its customers. Absa Group Financial Crime Management is tasked with the responsibility of managing the Group's fraud and security risk.

Fraud risk management

Absa's fraud risk control framework is supported by a fraud and anti-corruption policy. By partnering with business, we not only conduct fraud investigations but place a high degree of focus on proactive 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.

Security risk management

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. We continuously evaluate Absa's exposure to violent crime, investigate incidents and provide intelligence reports for risk mitigation purposes.

Group Financial Crime Management actively participates in industry forums, which include collaboration with law enforcement and justice to combat financial crime, 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 financial crime based on current market conditions.

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.
- "Notify Me" – 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), 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.

Global Reporting Initiative index

Absa's stakeholder report complies, to a large extent, with the Global Reporting Initiative (GRI) Guidelines. The table below contains references to the latest GRI or G3 Guidelines and the Financial Services Sector Supplement, which was finalised during 2008:

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 the principles and practices of sustainable development, as indicated in the Group Chief Executive review of the shareholder report.
1.2	Description of key impacts, risks and opportunities.	These are covered throughout the report, with special emphasis in the Chairperson's and Group Chief Executive statements.
Organisational profile		
2.1	Name of the organisation.	Absa Group Limited.
2.2	Primary 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.	Absa Group has 41 678 shareholders. Refer to the shareholder information section of the shareholder report.
2.7	Markets served (including geographical breakdown, sectors served and types of customers/beneficiaries).	Absa serves customers and clients in the personal, commercial and corporate market segments. The primary markets served reside within South Africa.
2.8	Scale of the reporting organisation (including number of employees, net sales, total capitalisation and quantity of products or services provided).	<ul style="list-style-type: none"> • 37 828 employees • R9 908 million in headline earnings • R73,6 billion market capitalisation • R774 billion total assets • Majority of earnings from South Africa • Major shareholder: Barclays Bank PLC
2.9	Significant changes during the reporting period regarding size, structure or ownership.	There were no significant changes in the organisation's size, structure or ownership. A few acquisitions and disposals were made in the normal course of business.
2.10	Awards received during the reporting period.	Absa received numerous awards during 2008.

GRI reference	GRI indicator	Absa's status
Report parameters		
3.1	Reporting period for information provided.	For the twelve months ended 31 December 2008.
3.2	Date of most recent previous report.	For the twelve months ended 31 December 2007.
3.3	Reporting cycle.	Annual.
3.4	Contact point for questions regarding the report or its contents.	groupsec@absa.co.za; 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).	<ul style="list-style-type: none"> • The information contained in the report complies with the requirements of the Listing Requirements of the JSE Limited and the Companies Act. • The Group's stakeholders are defined by the board. • Material disclosure items are identified through interaction with all the Group's stakeholders.
3.6	Boundary of the report.	Absa's sustainability reporting covers the entire Group, being retail, commercial, corporate and investment banking as well as the Group's bancassurance operations. The Group's framework and reporting is focused on primarily its South African activities as these form in excess of 95% of the Group's operations. The report covers all those entities where the Group has control. The Group's joint venture and associate undertakings are not included in the Group's sustainable competitive framework and reporting.
3.7	State any specific limitations on the scope or boundary of the report.	With reference to the Group's sustainability reporting, the information tends to focus on the Group's South African operations.
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.	There were no significant changes in the organisation's size, structure or ownership. A few acquisitions and disposals were made in the normal course of business.
3.9	Data measurement techniques and the bases for calculations.	The Group complies with International Financial Reporting Standards (IFRS).

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	The Group elected to early adopt IFRS 8 – Operating Segments, for the year ended 31 December 2008. The adoption of the standard had no impact on the reported profits or financial position of the Group. With regard to (CPF)-related entities, the investment portfolio was classified as investments in associates as the equity investments generally ranged between 20% and 50% of the company's issued equity. During 2008, these investments were reclassified from investments in associates to unlisted investments being measured at fair value through profit or loss according to the scope exclusion for venture capital organisations in IAS 28 – Investments in Associates. The carrying value of the investments reclassified from the "investment in associates" category to the "unlisted investments" category was R465 million.
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.
Governance, commitments and engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Absa complies with King II. Full disclosure of governance bodies is provided in the corporate governance statement of the shareholder report.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	The Group Chairperson is an independent director and does not hold an executive position in the Group.
4.3	For organisations that have a unitary board structure, state the number of board members of the highest governance body that are independent and/or non-executive members. (State how the organisation defines "independent" and "non-executive".)	Independent: Twelve. Non-executive: Five. (The Group assesses the independence of each Absa director against the criteria set out in King II, the JSE Listings Requirements, the Combined Code and other corporate governance principles.)

GRI reference	GRI indicator	Absa's status
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 interact directly with shareholders.
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.
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	Absa has a well-defined purpose, vision and mission. The Group also has identified values and a code of ethics. These are applied consistently across the entire Group.
4.9	Procedures of the highest governing body for overseeing the organisation's identification and management of economic, environmental and social performance.	This function is performed 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 Group Chairperson and the Deputy Chairperson perform an annual evaluation of individual non-executive directors. The Group Chairperson's performance is dealt with by the Directors' Affairs Committee (DAC), whereas that of the Deputy Chairperson is dealt with by the Group Chairperson and one other member of the DAC. The outcome of the above process is then presented to the DAC to make the appropriate recommendations to the board.
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.	<ul style="list-style-type: none"> • Financial Sector Charter. • Codes of Good Practice. • GRI. • Equator Principles. • Absa customer charter.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations.	The Group is a member of a number of banking, financial services and civic associations so as to ensure the future sustainability of the Company and the environment in which it operates.
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.
4.15	Basis for identification and selection of stakeholders with whom to engage.	The identification of stakeholders is approved by the board.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	The Group makes use of a number of mediums to communicate with and obtain feedback from its stakeholders. This is covered in the stakeholder engagement section of the report.
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.	A number of material items have been identified based on stakeholder engagement.
Financial services sector specific disclosure on management approach		
FS1	Policies with specific environmental and social components applied to business lines.	Absa has numerous policies that have a specific focus on the environmental and social components.
FS2	Procedures for assessing and screening environmental and social risks in business lines.	These risks are included in the Group's PRP.
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	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.
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	All employees are required to review the employee conduct guide which provides information pertaining to these policies and their implementation.
FS5	Interactions with clients/investees/business partners regarding environmental and social 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.

GRI reference	GRI indicator	Absa's status
FS6	Percentage of the portfolio for business lines by specific region, size (eg micro/SME/large) and by sector.	Earnings contribution for 2008 <ul style="list-style-type: none"> • Retail banking = 35,8% • Corporate and commercial banking = 27,1% • Investment banking = 21,7% • Bancassurance = 15,4%
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Absa has two key product offerings targeted at the unbanked market, being Mzansi and Sekulula. <ul style="list-style-type: none"> • Mzansi – For 2008, the Mzansi account base grew by 18,4% from 569 900 to 674 531 customers. • Sekulula – For 2008, the Sekulula account base grew by 12,0% from 775 867 to 868 964 customers. (These figures exclude Meeg Bank Limited.)
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Absa's products and services in general are not designed to deliver a specific environmental benefit. However, Absa subscribes to the Equator Principles, a set of voluntary principles that guide financial institutions in socially and environmentally sensitive project finance decisions. In addition, the Group strives for accountable investing.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	This falls within the ambit of the Group PRP and specifically under the corporate social responsibility risk.
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	<ul style="list-style-type: none"> • Absa Bank (Retail Bank) – Provides banking and financial services to, <i>inter alia</i>, entry market customers and SMEs. • ACBB/Absa Capital – application of Equator Principles • Absa Asset Management – operates under customer mandates with specific guidelines • AllPay – provision of social grants • Absa Devco – integrated residential developments • A large number of the Group's business units are involved in CSI initiatives
FS11	Percentage of assets subject to positive and negative environmental or social screening.	Equator Principles assessments for 2008 <ul style="list-style-type: none"> • Number of projects = 5 • Value = R6 674 million
FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting.	Absa subscribes to the Equator Principles, a set of voluntary principles that guide financial institutions in socially and environmentally sensitive project finance decisions. In addition, the Group strives for accountable investing.
FS13	Access points in low-populated or economically disadvantaged areas by type.	<p>ATMs: As at 31 December 2008, Absa had 5 044 Absa-standard ATMs, of which approximately 60% were situated in previously disadvantaged areas of South Africa.</p> <p>Points of presents: The Group had 975 outlets, of which 335 were situated in low-populated areas (ie small- and middle-sized towns) in South Africa.</p>

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
FS14	Initiatives to improve access to financial services for disadvantaged people.	The aim of the Group's 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 the customer experience and profitability are not negatively affected.
FS15	Policies for the fair design and sale of financial products and services.	The Group's "New Product Approval" policy, which is housed on the Absa intranet site, incorporates the Group's "Treating Customers Fairly" (TCF) principles.
FS16	Initiatives to enhance financial literacy by type of beneficiary.	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.
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.	The Group posted headline earnings of R9 908 million for the year ended 31 December 2008.
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Absa's own footprint is low as it is a service-based company but may be indirectly affected in its lending operations. It is expected that emerging markets will be most affected by climate change, particularly the agricultural sector, and, as a result, client credit profiles may have to be adjusted to account for this. By the same token, there exist opportunities to finance a wide spectrum of clients to implement technologies for climate change initiatives. There may also be an opportunity to acquire credit facilities from development finance institutions which support Clean Development Mechanism (CDM) or other climate change projects.
EC3	Coverage of the organisation's defined-benefit plan obligations.	Contained in note 43 of the Group's consolidated financial statements.
EC4	Significant financial assistance received from government.	Absa does not receive any financial assistance from any government.
EC5	Range of ratios of standard entry level wage compared with local minimum wage at significant locations of operation.	Not disclosed.

GRI reference	GRI indicator	Absa's status
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Absa has a strong policy that details how the Group interacts with suppliers. In 2008, Absa spent approximately R13 billion on sourcing products and services from external suppliers.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	The majority of Absa's employees are South African, with 24,7% of senior management and senior specialists from previously disadvantaged groups.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	The Absa Group invested R76,8 million in communities in which the Group operates. In addition to this, the community benefits from the Group's infrastructure, which provides access to financial services.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	As a subsidiary of Barclays Bank PLC, Absa complies with the Equator Principles, a set of voluntary principles that guide financial institutions in social and environmentally sensitive project finance decisions.
Environmental performance indicators		
EN1	Materials used by weight or volume.	Absa is not a major consumer of materials. Paper is the major material used.
EN2	Percentage of materials used that are recycled input materials.	Absa endeavours to facilitate recycling (of paper, printer cartridges, etc) wherever possible.
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.
EN4	Indirect energy consumption by primary source.	Absa primarily uses electricity.
EN5	Energy saved due to conservation and efficiency improvements.	Projects have been implemented in this regard, eg the replacement of normal light bulbs with energy-saving bulbs throughout the Absa Campus buildings. A saving of 7% on the total electricity bill was achieved.
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 implemented in this regard, eg the replacement of normal light bulbs with energy-saving bulbs throughout the Absa Campus buildings. A saving of 7% on the total electricity bill was achieved.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	The main focus has been on addressing direct consumption.
EN8	Total water withdrawal by source.	Absa is not a major consumer of water. Water is primarily used for consumption and ablution facilities.
EN9	Water sources significantly affected by withdrawal of water.	None.
EN10	Percentage and total volume of water recycled or reused.	Not applicable.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
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.
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.
EN13	Habitats protected or restored.	Not applicable
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	Absa manages the impact on biodiversity via the application of the Equator Principles for project Finance transactions. The Group will continue to enhance this process.
EN15	Number of IUCN Red List species.	None.
EN16	Total direct and indirect greenhouse gas emissions by weight.	For the first time in 2008, Absa submitted data to measure its carbon footprint. This was part of the Barclays global initiative to report on the Barclays Group's total carbon footprint.
EN17	Other relevant indirect greenhouse gas emissions by weight.	This will be attended to once the direct emissions have been addressed.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	This will be attended to once the direct emissions have been addressed.
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.	Clinic waste and fluorescent tubes – disposed of at registered toxic waste sites and records kept. Paper – recorded by tonnes, recycled, records kept by EHS department. Wet waste – recorded by kilolitres, records kept by EHS department. Printer cartridges – recorded by unit and returned to supplier for reconditioning. Electronic waste – returned to supplier, safe disposal records kept by EHS department. Cooking oil – recorded by litre, disposed of by reusing as animal feed or oil for vehicles.
EN23	Total number and volume of significant spills.	None.

GRI reference	GRI indicator	Absa's status
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention.	A waste management register has 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 the reporting organisation's discharges to water and runoff.	None.
EN26	Initiatives to migrate environmental impacts of products and services, and extent of impact mitigation.	Absa subscribes to the Equator Principles.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	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.
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.
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. Absa has a small fleet and no trucks. The majority of transportation is outsourced.
EN30	Total environmental protection expenditures and investments by type.	Not currently measured.
Social performance indicators		
Labour practices		
LA1	Total workforce by employment type, employment contract and region.	Permanent employees, excluding Africa outside South Africa – 35 736. Temporary employees, excluding Africa outside South Africa – 625.
LA2	Total number and rate of employee turnover by age group, gender and region.	Average turnover of 15,4%.
LA3	Benefits provided to full-time employees.	Clinics, gymnasiums, canteens, HIV/Aids guidance, paid maternity and paternity leave and a sick leave benefit bank.
LA4	Percentage of employees covered by collective bargaining agreements.	Approximately 52% of Absa's workforce is unionised. Approximately 59% of employees within entry-level grades up to supervisory level belong to Sasbo. As regards managerial and executive positions within Absa, approximately 33% of these employees belong to Sasbo.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
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 specific 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.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	There are dedicated committees in each of the Group's buildings.
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region.	Number of employee days lost – 869. Number of accidents – 227.
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.
LA9	Health and safety topics covered in formal agreements with trade unions.	The Group's occupational health and safety policy covers these topics and is housed on the Group's intranet site.
LA10	Average hours of training per year per employee by employee category.	Absa provides its employees with numerous training interventions. For the period under review, 456 310 training opportunities for employees were provided.
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.

GRI reference	GRI indicator	Absa's status
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.
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 corporate governance statement in the shareholder report provides a detailed overview of the Group's governance structures. A detailed breakdown of the Group's workforce is also provided.
LA14	Ratio of basic salary of men to women by employee category.	Not disclosed.
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.
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.
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.
HR4	Total number of incidents of discrimination and actions taken.	Not disclosed.
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.
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.
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.	None identified.
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.

Global Reporting Initiative index

GRI reference	GRI indicator	Absa's status
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.
Society performance indicators		
S01	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.
S02	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 Group Compliance and the Group's Internal Audit department.
S03	Percentage of employees trained in the organisation's anti-corruption policies and procedures.	All Absa employees have signed the employee Code of Conduct Guide acknowledging Absa's policy on corruption and the fight against it.
S04	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.
S05	Public policy positions and participation in public policy development and lobbying.	Absa has a dedicated department that focuses on government relations.
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	In terms of the Group's Democracy Support Programme, R2,6 million was paid to political parties in South Africa during the period under review.
S07	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.
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not applicable.
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.

GRI reference	GRI indicator	Absa's status
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 FAIS in obtaining customer information and providing customers with fit and proper financial advice. In addition, the Group complies with the National Credit Act (NCA).
PR4	Total number of incidents of non-compliance with regulations concerning product and service information and labelling, by type of outcomes.	None.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Customer satisfaction is continuously measured through in-depth market research interventions.
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.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.	None.
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.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None.