



# Absa Group Limited

## 2019 Broad-Based Black Economic Empowerment Report



# Our reporting suite

## 2019 Integrated Report

Our integrated report is our primary report for investors. It is supplemented with various online disclosures which meet the diverse information needs of the Group's stakeholders.

## Financial and risk disclosures

- 2019 Annual Consolidated and Separate Financial Statements
- 2019 Summarised Annual Consolidated and Separate Financial Statements
- 2019 Pillar 3 Risk Management Report
- 2019 Pillar 3 Risk Management Report – Additional Tables
- 2019 Financial Results Booklet, Results and Presentation

## Environmental, social and governance disclosures

- 2019 Environmental, Social and Governance Report
- 2019 Remuneration Report
- 2019 Broad-Based Black Economic Empowerment Report

## Shareholder information

- 2020 Notice of Annual General Meeting
- Form of Proxy

## Reporting standards and frameworks

Our external reports contain a range of information which is governed by a diverse set of regulations, frameworks and codes.

- International Integrated Reporting Council's <IR> Framework
- International Financial Reporting Standards (IFRS)
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV)
- South African Companies Act No. 71 of 2008
- JSE Listings Requirements (South Africa)

- The Basel Committee on Banking Supervision Pillar 3 disclosure requirements (Pillar 3 standard)
- Regulation 43 of the Banks Act No. 94 of 1990), where not superseded by the Pillar 3 disclosure requirements
- The Amended Financial Sector Code (South Africa)
- GRI G4 Standards, Financial Sector Supplement and the Greenhouse Gas Protocol
- South African Banks Act, No. 94 of 1990

All of the reports listed are available on [www.absa.africa](http://www.absa.africa). Comments or queries regarding these documents can be sent to [groupsec@absa.africa](mailto:groupsec@absa.africa)

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# Our approach to B-BBEE

## Absa supports a vision of a non-racial, non-sexist democratic society creating opportunities for all people to prosper.

We are committed to using our financial resources, the expertise of our people and our infrastructure to promote inclusive growth in the societies in which we operate. We aim to achieve this in a meaningful and sustainable way and do so as we simultaneously transform our own organisation. We are a values-based organisation, driving a culture of fairness and equal opportunity.

In South Africa, we embrace the principles of the Broad-Based Black Economic Empowerment (B-BBEE) Amendment Act, which serves as the basis for the Department of Trade and Industry's Financial Sector Code (FSC).

In our Absa Regional Operations, we are similarly committed to diversity and inclusion.

## Changes in empowerment financing and access to financial services

Empowerment financing targets were initially cumulative for five years until 31 December 2017. These targets were subsequently extended by the Financial Sector Transformation Council to 31 December 2018. In addition, new targets and changes to some principles were published in 2019, which became effective from 1 January 2019. These changes included (i) the introduction of a minimum target for funding black small micro enterprises (BSME); (ii) BSME ceased to be measured with other sub-elements of targeted investments; and (iii) targets would be recognised cumulatively per annum over the next five years.

In terms of promoting access to financial services, the measurement of sales points and service points have been merged into one metric, when measuring points of presence of financial infrastructure in targeted areas. The metric for measuring the radius has been converted to measuring the route network.

## Scope and reporting period

This B-BBEE report encompasses our South African operations for the period 1 January 2019 to 31 December 2019. This report includes notable events in ownership and management control that took place following the end of the reporting period and the sign-off of our BEE certificate and Board approval of this report.

## Audience

This report contains information of interest to our stakeholders.

## Board approval

Assisted by our Social and Ethics Committee, our Board accepts ultimate responsibility for the integrity and completeness of this Broad-Based Black Economic Empowerment Report. It is the directors' opinion that this report presents a fair and balanced view of our B-BBEE performance.

The Board approved this report on 20 March 2020

Alex Darko	Colin Beggs
Daisy Naidoo	Daniel Hodge
Daniel Mminele	Francis Okomo-Okello
Ihron Rensburg	Jason Quinn
Mark Merson	Mohamed Husain
Peter Matlare	Rose Keanly
Sipho Pityana	Swithin Munyantwali
Tasneem Abdool-Samad	Wendy Lucas-Bull

## Noteworthy terms

**Black** – All African, Coloured, Indian or Chinese people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.

**Direct ownership** – Ownership of an equity interest, together with control over all the voting rights attached to that interest other than through mandated investment, which may include equity equivalents.

**Electronic access** – Access to finance through any customer-owned or third-party infrastructure for example internet banking, cell phone banking, telephone banking or any new electronic product and/or technology.

**Exempted micro enterprises** – Entities with total annual revenue of R10m or less.

**Geographic access** – Physical points of presence where a customer can transact and undertake various administrative functions, for example at ATMs and branches.

**Indirect ownership** – Ownership of an equity interest in an entity that holds a direct or indirect equity interest in the target entity.

**Living Standards Measure (LSM)** – A marketing and research tool used in South Africa to classify standard of living and disposable income. It segments the population into ten deciles based on their relative means, with LSM 1 being the decile with the least means and 10 being the decile with the greatest means.

**Qualifying small enterprises** – Entities with total annual revenue of more than R10m, but less than R50m.

**SA African** – African people, excluding Coloured, Indian and Chinese people.

**Sales points** – A point where a customer can transact either by withdrawing cash or by making purchases using card linked to their bank account as well as one of the following services: replace a card, deposit cash, open an account, acquire a funeral policy, or obtain a loan.

**Service points** – A point where a customer can carry out at least one transaction (cash withdrawal or a card purchase) as well as one of the following services: pin reset, money transfer, obtain a statement or initiate an account query.

**Small and medium enterprises** – Entities with total annual revenue of R50m or less.

**Transaction points** – A point where a customer can withdraw cash and/or make purchases using a card linked to their bank account.



We are driven by our **purpose**  
 and guided by our **aspirations**.  
 We live by our **values**.

## Absa Group today

“ We are creating an organisation that can make better decisions faster, is aligned and engaged at every level, with leaders who inspire the whole organisation to action and give our employees an emotional sense of belonging and commitment. ”

We are an African group, inspired by the people we serve and determined to be a Group that is globally respected and that Africa can be proud of.

We are committed to finding local solutions to uniquely local challenges.

Everything we do focuses on adding value.

### Purpose

#### Bring your possibilities to life

We believe in possibility, in the actions of people who always find a way to get things done. We believe in creating opportunities for our customers to make their possibilities real and in supporting them every step of the way.

### Aspirations

**For our people**, we will create a culture that appreciates, unifies and differentiates us from our competitors.

**For our customers**, we will create seamless experiences to engage and delight them.

**For society**, all our employees will lead with a conscience... doing the best for people and the planet.

### Values

1. We drive high performance to achieve sustainable results.
2. Our people are our strength.
3. We are obsessed with the customer.
4. We have an African heartbeat.

## Our growth strategy

As a financial services provider, we play an important role in the economic life of individuals, businesses and nations. We help to create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability.

### Bring your possibilities to life

We believe in possibility, in the actions of people who always find a way to get things done. We believe in creating opportunities for our customers to make their possibilities real and in supporting them every step of the way.

Our strategy will bring our purpose to life as we pursue our goal of growth.

### Our strategic objectives

1. Growing our portfolio while contributing to the growth of the markets we serve.
2. Reducing costs by creating a more efficient and effective organisation.
3. Delivering top, sustainable returns that maximise long-term value.

### Our measures of progress

1. To grow revenue faster, on average, than the South African banking sector from 2019 to 2022, with an improving trend over time and within appropriate risk appetite parameters.
2. To consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2022.
3. To achieve a normalised Group return on equity of 18% to 20% by 2022, while maintaining an unchanged dividend policy.





## 2019 highlights

**LEVEL 1**  
B-BBEE  
contributor status



### A business led collaboration with government and labour to create one million work opportunities for unemployed youth.

Our social aspiration inspires us to play a shaping role in Africa's growth and sustainability. This includes contributing towards positive outcomes for the continent's youth. In South Africa, by supporting the YES programme we are delivering on our commitment to be an active force for good.

We have placed **3 564 unemployed youth** into twelve-month, fixed-term workplace experience opportunities. These placements are within Absa or in host businesses across the education, digital, finance, energy construction and technology, retail and arts and culture sectors.

First Black  
Group Chief  
Executive

65% of  
South African  
employees  
are women



**R179m**

Invested in university scholarships



**91%**

of new hires are black



**77%**

of employees are black



**R157m**

The value of interest-free loans  
and loans at prime to small and medium  
enterprises



**R700m**

Invested in skills development



**R18m**

Grants given to small and medium  
enterprises within our supply chain



**R34m**

Invested in financial literacy



**R8.1bn**

Procurement spend  
with black-owned suppliers

## B-BBEE regulatory landscape



### Revised Guidance Notes in the Financial Sector

Revised targets and some changes in the measurement criteria of empowerment financing and access to financial services.



### Amended Codes of Good Practice

The Department of Trade and Industry gazetted changes to the B-BBEE codes, a new version of skills development, preferential procurement, enterprise and supplier development.

# Verified scorecard

## Absa Group achieved a Level 1 B-BBEE contributor status in 2019.

This was achieved despite the introduction of new targets and revised measurement principles for empowerment financing and access to financial services.

### Assurance

Empowerdex has verified the B-BBEE performance for our South African operations. They have confirmed a Level 1 B-BBEE rating. The verification certificate is included as an annexure to this report.

Page		Financial Sector Code		Amended Financial Sector Code			Year-on-year trend	Amended FSC maximum points + (bonus points)
		2015	2016	2017	2018	2019		
7	Ownership	8.66	9.94	17.67	17.94	<b>14.61<sup>1</sup></b>	▼	23 + (5)
8	Management control – Board and top management	3.63	4.96	5.01	5.69	<b>5.88</b>	▲	8
7	Management control – Employees	10.22	11.72	7.77	8.61	<b>8.88</b>	▲	12
9	Skills development	9.68	10.00	15.52	13.07	<b>15.34</b>	▲	20 + (3)
12	Preferential procurement	16.00	16.00	14.52	16.01	<b>17.09</b>	▲	15 + (4)
10	Empowerment financing	15.00	15.00	15.00	14.95	<b>15.00</b>	▲	15
11	Enterprise development	5.00	5.00	3.00	4.00	<b>4.00</b>	=	3 + (3)
12	Supplier development	–	–	9.00	7.24	<b>7.62</b>	▲	7 + (1)
13	Socioeconomic development	3.00	3.00	5.00	5.00	<b>5.00</b>	=	3 + (2)
13	Consumer education	2.00	2.00	2.76	2.60	<b>2.99</b>	▲	2 + (1)
14	Access to financial services	8.00	10.94	10.27	10.19	<b>9.19<sup>2</sup></b>	▼	12
	Total	81.19	88.56	105.52	105.30	<b>105.59</b>	▲	120 + (19)
	B-BBEE status	Level 3	Level 2	Level 2	Level 2	<b>Level 2</b>		
	Youth Employment Service (YES) benefit	N/A	N/A	N/A	N/A	<b>1 level up</b>		
	Overall B-BBEE contributor status	Level 3	Level 2	Level 2	Level 2	<b>Level 1</b>		

<sup>1</sup> Ownership score reduced due to the introduction, by the Financial Sector Transformation Council, of higher empowerment financing targets which resulted in the Group's equity equivalents reducing, which, in turn, reduced the Black ownership by 2.4%.

<sup>2</sup> The metrics for access to financial services were amended in 2019, thereby reducing our score in sales/service point, electronic access and product related access.

## Ownership

### The UN SDGs most impacted



### Score

**14.61/23 + 5 bonus**

Our previous BEE transaction through the Batho Bonke consortium was an allocation of 10% and created substantial value for our black partners when it was unwound partly in 2009 and fully in 2012. A portion of this transaction remains claimable on the scorecard, based on the net value created for black participants. Further, an independent professional, as required by the B-BBEE Act, conducted an analysis of our current institutional shareholders to determine the underlying percentage of black shareholders.

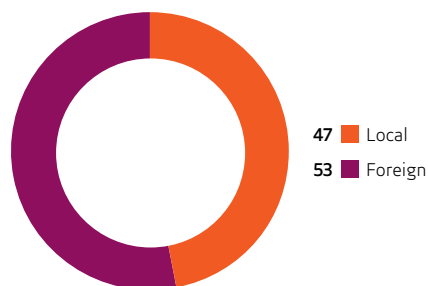
The Financial Sector Transformation Council introduced higher empowerment financing targets, which resulted in the Group's equity equivalents reducing by 2.4% black ownership, which, in turn, reduced our ownership score to 14.61 from 17.94 points.

While the majority of Absa Group shares are institutionally owned, the following considerations should be noted:

- (i) The Public Investment Corporation and other South African institutional shareholders are amongst our largest local investors. These institutions play an important role in creating wealth and financial security for millions of South African households.

- (ii) The Group's foreign shareholding reflects international investors' confidence in our business' ability to contribute towards economic growth and job creation.
- (iii) We are progressing a second BEE transaction, using the 1.5% share contribution made by Barclays PLC as part of the Separation. This has increased to 1.73% after re-investing dividends received and is valued at R2.5bn as at 31 December 2019.

### Local vs foreign shareholding (%)



## Management control – Employment equity

### The UN SDGs most impacted



### Score

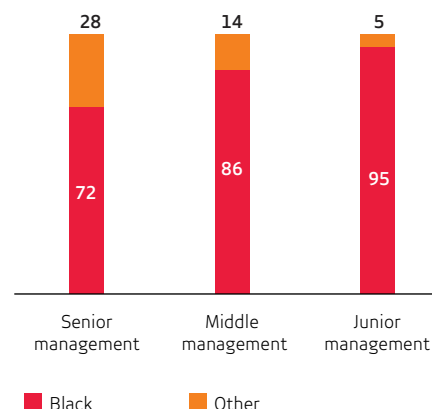
**8.87/12**

Following the launch of our growth strategy in 2018, we began restructuring and re-engineering and these efforts continued through 2019. While there was a net gain of 1% across all management levels the restructuring impacted our employment equity plans, most notably for black people in senior management and for people living with disabilities. We aim to address the shortfall through a combination of improved retention, promotion, attraction and succession management of top black talent.

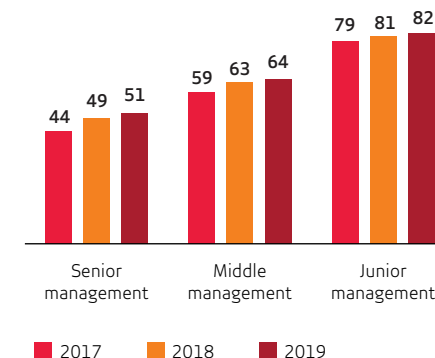
In South Africa, 76.5% of our employees are black, up from 74.0% in 2018. Women are 64.6% of our South African workforce, up from 64.4%, of which black women are 50.5% up from 49.4% in 2018.

Our commitment to developing and promoting talented, internal black candidates is demonstrated in the graph on the right below. This serves as an indicator of the pipeline of black managers who are likely to change the demographics of senior and top management of the Group in the future.

### New hires by management level (%)



### Black representation by management level (%)





## Management control – Board

### The UN SDGs most impacted



Score  
5.88/8

As at 1 March 2020, our Board comprised 16 members, up from 13 in 2018. Four new Board members were appointed in 2019, of whom two are black men, a non-South African man and a South African white woman. These changes strengthened the black representation of our Board to 43.8% from 38.5% in 2018. Black women representation decreased to 12.5% from 23.1% after the resignation of Yolanda Cuba.

René van Wyk served as Group Chief Executive between the retirement of Maria Ramos at the end of February 2019 until 15 January 2020, when Daniel Mminele, Absa's first black Group Chief Executive, took office.

**Joiners:** Daniel Mminele, Rose Keanly, Ihron Rensburg and Swithin Munyantwali.

**Leavers:** René van Wyk (stepped down) and Yolanda Cuba (resigned).

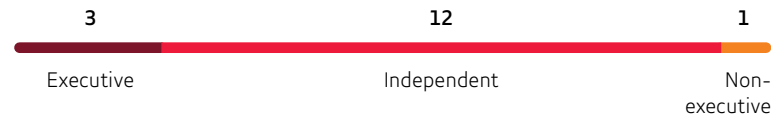
As at 1 March 2020, our Executive Committee comprised 11 members, down from 12 in 2018. Zameera Ally, the Chief Internal Auditor, is an *ex-officio* member. The black representation on the committee, along with Zameera, remained unchanged at 50.0% and black women representation decreased to 25.0% from 40.0% in 2018.

**Joiners:** Daniel Mminele, Roze Phillips and Akash Singh.

**Leavers:** René van Wyk (stepped down), Yasmin Masithela (moved to Head of Corporate Bank), Nomkhita Nqweni (resigned) and Bobby Malabie (retired).

### Board

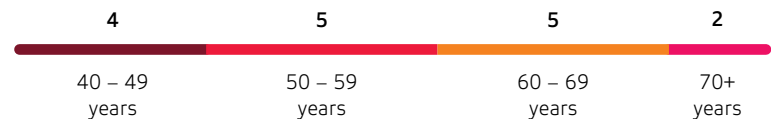
#### Independence



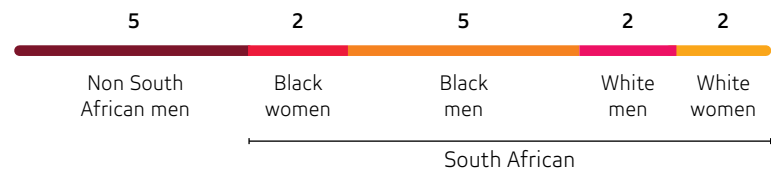
#### Tenure



#### Age

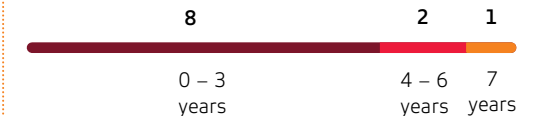


#### Diversity



### Executive Committee

#### Tenure on the Executive Committee



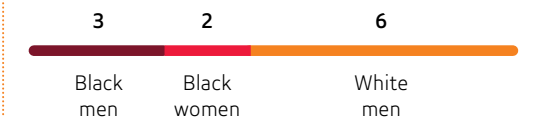
#### Tenure at Absa



#### Age



#### Diversity



[Board and Executive Committee member biographies](#)

## Skills development

### The UN SDGs most impacted



### Score

15.34/20 + 3 bonus

Our investment in skills development is primarily focused on developing scarce and/or critical skills. In South Africa, our focus is on developing the skills of black South Africans, women and people living with disabilities. Initiatives include a graduate programme; on-the-job training; structured leadership, management and technical skill building programmes; bursaries and scholarships for tertiary qualifications; and learnerships/internships for employed and unemployed individuals. The total training spend in 2019 was R700m<sup>1</sup>.

Training spend	2017	2018	2019			
	Total Rm	Total Rm	Total Rm	Total black Rm	Of which Total black women Rm	Of which Total African Rm
Senior management	8.9	10.9	31.2	20.6	10.7	14.5
Middle management	141.8	183.0	184.6	129.7	75.2	80.5
Junior management	194.4	226.0	236.2	204.0	142.3	141.1
Non-management	50.5	50.4	65.9	62.0	48.2	47.9
Black unemployed people	119.0	74.8	181.8	169.4	n/a	n/a

## Learnerships and internships

- 2 229 learnerships and/or internships were provided to black people, up from 2 093 in 2018.
  - 1 226 (2018: 1 455) were black employed people
  - 1 003 (2018: 648) were black unemployed people, hosted across 48 learnership and internship programmes
- Of the 2 229, 2 209 participated in National Qualification Framework (NQF)-aligned programmes ranging from NQF level 3 to NQF level 9.
- 362 black unemployed learners living with disabilities are currently completing either an NQF level 3 or NQF level 4 qualification.
- A total of 367 black learners/interns completed their programme in 2019, of which 138 (38%) have been permanently employed by Absa.

## Gen A Graduate Programme

65 graduates participated in our 2019 Gen A Grad Programme, joining the 1 213 young professionals who have built their careers with us since 2008. In South Africa we employed 49 of these graduates, of which 40 (82%) were black graduates (22 male and 18 women).

<sup>1</sup> The R700m includes course fees, cost of trainers, training materials, training facilities and salaries of employees who are on category B, C and D of the learning matrix as classified in the Amended Financial Sector Code.

## Leadership and management development

The Absa Leadership Academy was launched in 2019 to drive the building of leadership and management capabilities and embedding of target culture mindsets and behaviours. 981 South African employees participated in Absa Leadership programmes in 2019.

- 727 black (74%)
- 437 women (60%) – all ethnicities

### Personal development

In line with our commitment to deliver globally competitive and Absa-relevant learning experiences, accredited management development programmes were designed and delivered in collaboration with Strathmore University and the Gordon Institute of Business Science (GIBS). An NQF-aligned *Generic Management in Banking for the Fourth Industrial Revolution* qualification was also launched in 2019. 298 South African managers were trained in 2019.

- 179 black (60%)
- 97 women (33%) – all ethnicities

Additional non-accredited management development delivered in 2019 was the rollout of new Absa People Manager Standards.

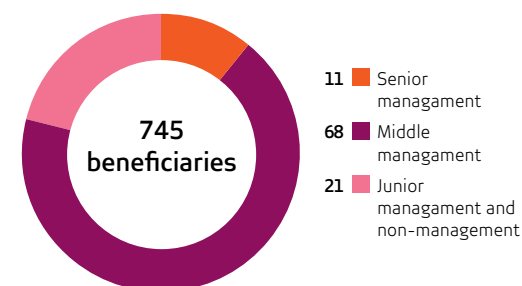
### Leadership Development

The Absa Leadership Academy partnered with Duke Corporate Education, IMD Business School and Singularity University South Africa to deliver customised leadership development programmes. 179 South African employees were trained in 2019, including individuals recognised through our talent review process as future leaders and succession talent.

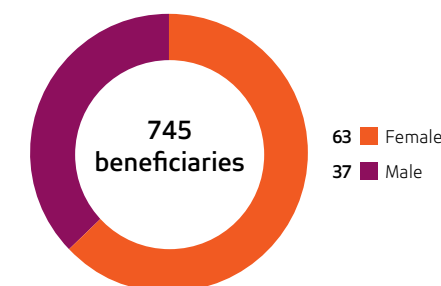
- 128 black (72%)
- 68 women (38%) – all ethnicities

## Internal bursaries

### Bursaries awarded by corporate grade (%)



### Internal bursaries holders (%)



## Empowerment financing



As a key funder of public sector infrastructure projects, as well as other sectors that support economic development, we continue to make great strides in assisting the government to address the significant infrastructure spend backlog and to contribute to access to economic resources.

	2017 <sup>1</sup> Rm	2018 <sup>1</sup> Rm	2019 <sup>2</sup> Rm
Targeted investments	16 281.0	20 101.6	<b>9 062.1</b>
• Transformational infrastructure	4 556.6	7 176.3	<b>1 133.2</b>
• Black agricultural financing	133.4	164.7	<b>63.2</b>
• Affordable housing	11 591.0	12 760.6	<b>7 865.7</b>
Black small and medium enterprises	643.1	657.9	<b>435.1</b>
B-BBEE transaction financing	7 476.2	4 995.0	<b>4 150.7</b>
<b>Total</b>	<b>24 400.3</b>	<b>25 754.5</b>	<b>13 647.9</b>

<sup>1</sup> Figures are cumulative in terms of reporting under the FS Code from 1 January 2012.

<sup>2</sup> Only new deals/transactions concluded on or after 1 January 2018 that are still outstanding at year end qualify for recognition in accordance with the new Empowerment Financing Guidance Note.

### Targeted investment

Our 2019 total targeted investments were R9.1bn, which in terms of the new measurement principles for banks, includes empowerment deals concluded between 1 January 2018 to 31 December 2019 that are still outstanding at the year end.

#### Transformational infrastructure

Energy is critical to Africa's economic growth, and we continue to play a role in funding renewable energy projects. South Africa is currently the continent's largest renewable energy market. Started in 2010, the Renewable Energy Independent Power Producer Procurement Programme is the most significant contributor to South Africa's shift towards a low-carbon economy. In 2018, we funded six energy related projects which are still recognisable at the end of 2019 under the latest empowerment financing guidance notes. No new deals were approved in 2019.

#### Black agricultural financing

We have established several strategic partnerships in lending to developing farmers. These partnerships provide credit guarantee facilities, offtake agreements, technical assistance, and create a risk-reduced environment in which lending can occur. In the 2019 agricultural season, we were able to lend to developing grain producers and traders in KwaZulu-Natal, Mpumalanga and North West through such partnerships. Our commitment going forward is to seek and establish further partnerships as we continually seek solutions to finance inclusive transformation of the agricultural sector.

#### Affordable housing

We provided home loans to 4 894 affordable housing customers to the value of R2.152bn, a 53% increase year-on-year. We recognise that buying a home is likely to be one of the biggest long-term investments that most people will ever make, and, as such, we continue to look for opportunities to educate customers for this important decision. Our borrower's education programme is designed to educate customers on all aspects of home buying and home ownership. 6 337 customers have participated in the programme, a 44% increase year-on-year. We supported 613 customers to access the Government's Finance Linked Individual Subsidy Programme.

#### Black small and medium enterprise financing

Lending to black-owned companies increased by 6.26% to R5.963bn from R5.612bn in 2018, with significant growth in the agriculture, professional markets, real estate and construction sectors. Our focus on black small and medium enterprises customers, i.e. Level 1, greater than 51% black ownership and under R50m turnover, resulted in 993 new loans totalling R278m. Based on the amended FSC, loans to customers totalled R435m.

#### Black agricultural financing

We continue to pursue new opportunities to finance the acquisition, by black people, of direct ownership in an existing or a new entity. During 2019 our recognisable financing portfolio reduced from R5.0bn to R4.2bn due to transactions coming to maturity and further, we can no longer recognise new transactions concluded on or after 1 December 2017 as per the Amended Financial Sector Code.

## Enterprise development



Our approach towards enterprise development emphasises the need to work in conjunction with preferential procurement as well as facilitating access to capital for small and medium enterprises (SME). As a financial institution we can connect SMEs with other large corporates, therefore we focus on supporting emerging SMEs with development finance and business support, enabling them to access markets requiring goods and services.

	2017 Rm	2018 Rm	2019 Rm
Annual enterprise development spend	24.6	26.2	28.3

In 2019, our developmental programmes included:

Development programmes	
<b>Absa Accelerator programme</b>	A six-month programme designed for small business entrepreneur growth with topics that address their business needs, including cash flow management, legal, tax compliance and access to funding.
<b>Enterprise development programme</b>	One-on-one mentorship and coaching to SMEs, including personal development coaching, business strategy, branding strategy, financial management and legal consulting.
<b>Grant subsidy programme</b>	Development grants were made available to 45 black SMEs to help grow their businesses and create further employment.
<b>Qhubeka programme</b>	A three-year agreement with container-based mechanic businesses in rural areas that service bicycles via the Qhubeka NPO programme. These mechanics will service the Absa sponsored bicycles which provide pupils in rural areas with transport to attend school.
<b>Automechanika/RMI Development Programme</b>	A partnership with the Retail Motor Industries and Automechanika to assist black entrepreneurs in the automotive industry, which focuses on aftermarket services for the automotive sector. The programme assists entrepreneurs to obtain equipment and fittings to formalise their businesses.

### Development programmes

<b>Yoba Mobile programme</b>	Yoba Mobile is a 12-month programme to help create employment for the youth in the telecommunications sector by creating 100 new jobs.
<b>Lionesses of Africa</b>	We hosted a SME women entrepreneur demonstration day where businesses showcased their products and services to Absa and our clients' procurement heads to drive access to funding and value chain opportunities. This included partnership on 10 business breakfasts across the country whereby established business owners shared lessons learnt on their journey to success.
<b>SME Easy</b>	We partnered with SME Easy allowing 200 SMEs to acquire an innovative SME-friendly accounting package to provide regular financial reporting for, and better financial management of, their businesses.
<b>Khula App</b>	We provided funding and technical resources to entrepreneurs who developed the Khula App to support further development of their market access solution for black small-scale farmers. The App allows for approximately 3 000 small-scale horticulture farmers direct access to major retailers, thereby improving their profitability.
<b>5th Annual Smart Supplier Conference</b>	Information was shared with SMEs on how to better access markets and obtain the best possible supplier status through innovation and by leveraging the provisions of BEE and the Preferential Procurement Policy Framework Act. Over 600 SMEs were exposed to information regarding the use of technology and on how they can use digital tools to enhance their competitive advantage.

### Exposure programmes

<b>Access to markets</b>	We sponsored: <ul style="list-style-type: none"> <li>10 SMEs to exhibit at (i) the National Small Business Chamber's My Biz Expo (over 22 000 attendees), and (ii) the Proudly SA Buy Local Summit (1 000 attendees)</li> <li>The Smart Procurement conference (3 000 attendees – mostly chief procurement officers).</li> </ul>
<b>Absa.co.za</b>	We provide information on our website for SMEs to assist them in starting and running a business. <a href="https://www.absa.co.za/business/starting-my-business/setting-up-my-business">https://www.absa.co.za/business/starting-my-business/setting-up-my-business</a> .

### Enterprise development centres

<b>Training and facilities</b>	Our centres provide emerging SMEs with access to training and office infrastructure such as meeting rooms.
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## Preferential procurement

### The UN SDGs most impacted



### Score

**17.09/15 + 4 bonus**

To achieve our strategic objectives, we need to diversify our supply chain to include suppliers from different backgrounds, ethnic groups, regions, experience and expertise. Our procurement policy supports responsible sourcing and enables us to drive this supplier diversity. In South Africa, we prioritise purchasing from small medium enterprises, black-owned and black women-owned entities.

In 2019, while the Group's total measured procurement spend decreased by 8.6% as a result of the Group's cost efficiency efforts, this was achieved while maintaining the proportion of total spend with B-BBEE compliant suppliers.

	2017 Rbn	2018 Rbn	2019 Rbn
Total measurable procurement spend	15.1	17.4	<b>15.9</b>
Total weighted spend with B-BBEE-accredited suppliers	17.9	18.4	<b>17.7</b>
Procurement from qualifying small enterprises and exempt micro enterprises	2.9	2.9	<b>2.7</b>
Procurement from 50% black-owned suppliers	6.5	8.6	<b>8.1</b>
Procurement from 30% black women-owned suppliers	5.5	6.4	<b>5.7</b>

## Supplier development

### The UN SDGs most impacted



### Score

**7.62/7 + 1 bonus**

Our supplier development approach aims to support small and medium enterprises to grow their business, integrate into competitive markets and contribute towards reducing the level of unemployment. In line with our growth strategy we will, amongst other initiatives, assist in the development and financial independence of our supplier development beneficiaries. We engage and empower these suppliers through various initiatives and invest in their development and contribute towards their success. This includes one-on-one mentoring to improve business performance, processes and product or service offering.

	2017 Rm	2018 Rm	2019 Rm
Annual supplier development spend	107.8	156.0	<b>230.4</b>

**R230.4m**

Interest-free  
loans and loans  
at prime

**R156.5m**

Early payments

**R36.6m**

Lower interest  
rates

**R22.2m**

Overhead  
costs

**R10.1m**

Direct  
costs

**R5.0m**

## Socioeconomic development and consumer education



We deliver socioeconomic development programmes that go beyond providing access to skills and employability by providing individual opportunities while contributing to the building of institutional capacity and the reform of the education system.

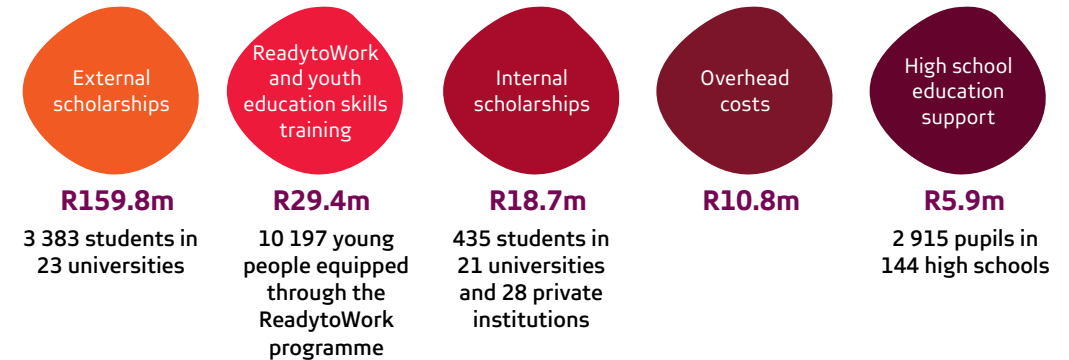
We contribute towards the development of future leaders by providing financial support to individuals pursuing tertiary studies; strategic funding and support for educational infrastructure; and skills and leadership development interventions and employability opportunities.

Our consumer education programme is delivered by accredited training partners in line with the requirements of consumer education. We seek to enable improved financial wellness – empowering beneficiaries to make informed choices through responsible financial management, while improving the broader economic inclusion of citizens in communities where the bank operates.

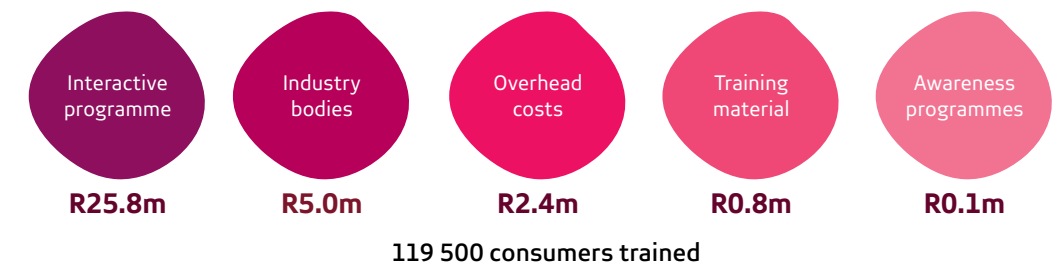
	2017 Rm	2018 Rm	2019 Rm
Socioeconomic development spend	96.0	104.7	<b>117.9</b>
Consumer education	29.2	32.3	<b>34.1</b>

## Socioeconomic development spend **R224.6m**

We invested a total of R224.6m, of which R117.9m was recognised within socioeconomic development, while the balance of R106.7m is reported within the skills development element of the scorecard.



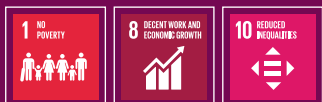
## Consumer education **R34.1m**





## Access to financial services

### The UN SDGs most impacted



Score  
**9.19/12**

We are committed to providing product and service distribution channels that are reliable, safe and cost-effective. We have one of the largest ATM networks in South Africa and we continue to use technology to improve our channels and extend our affordable banking services beyond the branch. For example, customers can send funds via mobile or internet banking to a recipient who can withdraw the money from an ATM. Customers can also pay bills at ATMs by scanning or keying-in a reference number.

While electronic platforms offer a convenient and low-cost alternative to traditional banking, access to mobile data remains a barrier to most digital banking solutions. We provide free access to digital banking, enabling our customers to transact any time, any place with no monthly fees.

Recent changes in the measurement of access to financial services are:

- the merging of service and sales points into a single measurement and losing 1 point to electronic access;
- measuring coverage on route network and no longer using a radius methodology; and
- higher targets for electronic access and qualifying products.

	2017	2018	2019
Geographic access			
• Transactional points (%)	61.69	62.69	<b>73.10</b>
• Service and sales points (%) <sup>1</sup>	76.73	76.80	<b>86.64</b>
Electronic access (%)	12.49	11.77	<b>15.44</b>
Access to qualifying product accounts ('000)	2 378	2 537	<b>2 354</b>

<sup>1</sup> Service points and sales points merged into a single measurement from 2019

### Electronic

Customers are able to access banking services 24/7 through our digital banking channels

#### Online banking absa.co.za

- Send money using CashSend
- Sign up for SMS notifications
- Pay traffic fines
- View account balances
- Create, pay and manage beneficiaries
- Manage card limits
- Stop and replace cards and temporarily lock
- Manage accounts
- Get online security information
- Apply for home loans, vehicle financing personal loans and funeral cover
- Request stamped or eStatements
- Buy airtime, data, SMS bundles and prepaid electricity
- Manage accounts
- Account transfers
- View and redeem Absa Rewards
- Control online banking profile
- Manage savings and investments

#### Banking app

- App personalisation
- Instant login
- Buy airtime, data, SMS bundles and prepaid electricity
- Verify transactions to protect against fraud
- View account balances
- Create, pay and manage beneficiaries
- Manage card limits
- Stop and replace cards and temporarily lock
- Account transfers
- Click to call a consultant
- Send money using CashSend
- View and redeem Absa Rewards

#### USSD code, no data or downloads needed \*120\*2272# on any cell phone

- View account balances
- Account transfers
- Pay Absa-listed beneficiaries
- Make payments
- Send money using CashSend
- Get account mini-statements
- Apply for an Absa personal loan
- Pay existing beneficiaries
- View and redeem Absa Rewards
- Buy airtime, data, SMS bundles and prepaid electricity
- DebiCheck debit orders

#### Chat Banking

- Transactions using Facebook Messenger and WhatsApp
- No monthly fee
- View account balances
- Pay beneficiaries
- Buy airtime, data and prepaid electricity

#### MegaU Youth Account app

- For under 19s to learn to manage their money
- No monthly fee
- Check balances and keep track of spending
- Earn monthly rewards
- Earn cash from parents by tracking chores

#### Homeowner app

- A smartphone tool that allows customers to search for homes and calculate affordability

#### Samsung Pay

- Tap and pay retailers with a Samsung Galaxy smartphone

#### Walletdoc (web or app)

- Manage and pay bills
- Receive notifications of payments due

#### MasterPass app

- Credit, cheque and debit card details and delivery address are kept in one digital wallet allowing for faster online shopping checkouts

#### Access to financial services continued

Call centres	
24/7 self-service line	
<ul style="list-style-type: none"> <li>Cheque balances</li> <li>Request National Traffic Information System (NATIS) and tax certificates.</li> <li>Absa Rewards information</li> </ul>	<ul style="list-style-type: none"> <li>Settlement and installment information</li> <li>Mini statements</li> <li>Product information</li> </ul>
Geographic	
Branches	
632 full-service branches across South Africa	
Micro branches	
<ul style="list-style-type: none"> <li>Access to banking in rural communities</li> </ul>	<ul style="list-style-type: none"> <li>Sales</li> <li>Electronic banking hall</li> </ul>
ATMs	
<ul style="list-style-type: none"> <li>8 languages</li> <li>Cash withdrawals and deposits</li> <li>View credit limits</li> <li>Load and unload credit on a debit card</li> <li>Scan-and-pay bill payments</li> <li>Stamped and printed statements</li> <li>Send money using CashSend</li> </ul>	<ul style="list-style-type: none"> <li>Pay beneficiaries</li> <li>Pay traffic fines</li> <li>Buy airtime, data, SMS bundles and prepaid electricity</li> <li>View account balances/inter account transfers</li> <li>Instant loans</li> <li>Purchase funeral cover</li> </ul>

Peer partnerships	
Third party retailers	
Customers are able to withdraw money at retailer till points.	
PEPmoney	
<ul style="list-style-type: none"> <li>Savings and transaction banking products.</li> <li>No monthly fees and includes funeral cover.</li> </ul>	<ul style="list-style-type: none"> <li>2 600 PEP retail stores predominately in township and rural areas.</li> </ul>
Send and receive international payments	
<ul style="list-style-type: none"> <li>Western Union – using Absa Online and mobile banking person-to-person transfer services through over 500 000 agents in 200 countries and territories.</li> <li>Electronic transfers (SWIFT) – secure transfers of funds from an Absa bank account to an account abroad.</li> </ul>	<ul style="list-style-type: none"> <li>Bank drafts – for gifts, subscriptions or travel can be sent directly to a beneficiary along with a letter, invoice or note.</li> <li>NovoFX – a mobile app for conducting quick and easy outward cross-border transactions.</li> </ul>

B-BBEE certificate continued



## Generic Financial Sector Code B-BBEE Verification Certificate

Banks and Life Offices

### ABSA Group Limited

Consolidated rating of the South African Operations listed in Annexure A

Registration Number: 1986/003934/06

Address: ABSA Towers West, 15 Troye Street, Marshalltown, Johannesburg, 2001

#### Level One Contributor

Scorecard Information	Actual Score	Target Score	Analysis	Results
Ownership	14.61	23.00	≥ 51% Black Ownership	No
Management Control	14.75	20.00	Black Ownership Percentage	12.88%
Skills Development	15.34	20.00	≥ 30% Black Woman Ownership	No
Procurement	17.09	15.00	Black Women Ownership Percentage	5.31%
Empowerment Financing & ESD	26.62	25.00	Modified Flow Through Principle Applied	No
SED & Consumer Education	7.99	5.00	Exclusion Principle Applied	No
Access to Financial Services	9.19	12.00	51% Black Owned Designated Group Supplier	No
Overall Score	105.59	120.00	Empowering Supplier	Yes
Equivalent Score	95.91	109.00	VAT Number	N/A
Procurement Recognition Level	125.00%		Financial Year End	31 December 2019
Y.E.S + 1 Level	Yes		Effective Date	12 March 2020
Discounting Principle Applicable	No		Expiry Date	11 March 2021
Recorded Procurement Recognition Level	135.00%		Re-issue Date	13 March 2020
Overall Score Post Y.E.S enhancement	95.91	109.00		

≥ 51% Black-owned means an entity in which black people hold at least 51% of the exercisable voting rights. Black people hold at least 51% of the economic interest and has earned all the points for net value.

≥ 30% Black women owned means an entity in which black women hold more than 30% of the exercisable voting rights. Black women hold more than 30% economic interest and has earned all the points for net value.

Technical Signatory – P Dozwa

13 March 2020

Date

This verification certificate and the verification report are based on information provided to Empowerdex and represent an independent opinion based on the verification and analysis completed by Empowerdex. The calculation of the scores has been determined in accordance with the Financial Sector Code as Gazetted on 01 December 2017.


Empowerdex (Pty) Ltd Reg. 2001/027963/07  
Directors: C Wu, V Mkhoma, J Brebnor

FS20J05195 (A)

BVA 030



Certificate

A07287

B-BBEE certificate continued



# EMPOWERDEX

Economic Empowerment Rating Agency

Absa Group Limited

## ANNEXURE A

No	Company Name	Registration Number
1	Absa Bank Limited	1986/004794/06
2	Absa Life Limited	1992/001738/06
3	Absa Insurance Company Limited	1992/001737/06
4	Absa Financial Services Limited	1969/009007/06
5	Absa Alternative Asset Management Proprietary Limited	1999/027973/07
6	Absa Asset Management Proprietary Limited	1997/017903/07
7	Absa Capital Securities Proprietary Limited	2008/021179/07
8	Absa Development Company Holdings Proprietary Limited	1968/001326/07
9	Absa Financial Services Africa Holdings Proprietary Limited	1997/011695/07
10	Absa Fleet Services Proprietary Limited	1977/002924/07
11	Absa Fund Managers (RF) Proprietary Limited	1991/000881/07
12	Absa Indirect Limited	1988/091591/06
13	Absa Insurance and Financial Advisers Proprietary Limited	1970/002732/07
14	Absa Insurance Risk Management Services Limited	2000/025898/06
15	Absa Investment Management Services Proprietary Limited	1980/002425/07
16	Absa Ontwikkelingsmaatskappy Eiendoms Beperk	1969/012268/07
17	Absa Property Development Proprietary Limited	1962/000559/07
18	Absa Secretarial Services Proprietary Limited	1973/014516/07
19	Absa Stockbrokers and Portfolio Management Proprietary Limited	1973/010798/07
20	Absa Technology Finance Solutions Proprietary Limited	1980/010876/07
21	Absa Trading and Investment Solutions Holdings Proprietary Limited	1998/017358/07
22	Absa Trading and Investment Solutions Proprietary Limited	1987/005258/07
23	Absa Trust Limited	1915/004665/06
24	Absa Vehicle Management Proprietary Limited	1998/006289/07
25	Absa Vehicle Management Solutions Proprietary Limited	1994/005779/07
26	ABSAN Proprietary Limited	2003/029810/07
27	AIMS Nominees (RF) Proprietary Limited	1969/015989/07
28	Alberton Industrial Properties Proprietary Limited	1972/009717/07
29	Allied Development Company Proprietary Limited	1970/000925/07
30	Barrie Island Property Investments Proprietary Limited	2004/015930/07
31	Blue Age Properties 60 Proprietary Limited	2007/019053/07



BVA 030



A07285

C e r t i f i c a t e



B-BBEE certificate continued



32	Compro Holdings Proprietary Limited	1984/009618/07
33	Diluculo Investments Proprietary Limited	2006/033277/07
34	Diluculo Property Trading Proprietary Limited	2006/033264/07
35	Fraday Nominees (RF) Proprietary Limited	1964/000412/07
36	Goldreef Village Share Block Limited	1971/003358/06
37	Instant Life Proprietary Limited	2007/032320/07
38	Lekkerleef Eiendoms Beperk	1983/006584/07
39	Marmaret Retirement Village Proprietary Limited	1984/007228/07
40	Merfin Proprietary Limited	1972/008133/07
41	NewFunds (RF) Proprietary Limited	2005/034899/07
42	Ngwenya River Estate Proprietary Limited	2004/001484/07
43	Nkwe Rosslyn Properties Proprietary Limited	2007/023824/07
44	Pienaarstrivier Properties Proprietary Limited	2007/019824/07
45	Roodekop Townships Proprietary Limited	1944/016849/07
46	United Towers Proprietary Limited	1968/015550/07
47	1900 Summerstrand Share Block Limited	1984/009433/06
48	Woolworths Financial Services Proprietary Limited	2000/009327/07
49	Home Obligor Mortgage Enhanced Securities (RF)	2006/007171/06

1	Absa Foundation Trust (the group provides its SED contribution through this trust)	IT 1810/94
2	Absa Empowerment Trust (The Trust was registered on 08 August 2017 to give effect to the commitment by Barclays Bank PLC (Barclays) to contribute funds to allow Absa Group Limited (formerly Barclays Africa Group Limited) to establish a Broad-Based Black Economic Empowerment (B-BBEE) Scheme)	IT001473/2017

Technical Signatory - P Dozwa

13 March 2020

Expiry date: 11 March 2021

FS20J05195 (A)



BVA 030

A07286

C e r t i f i c a t e

# Contact information

## Absa Group Limited

Incorporated in the Republic of South Africa  
Registration number: 1986/003934/06  
JSE share code: ABG  
ISIN: ZAE000255915

## Registered office

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## Group Company Secretary

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## Head: Financial Control

John Annandale  
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## Queries

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Media	<a href="mailto:groupmedia@absa.africa">groupmedia@absa.africa</a>
Absa Group shares	<a href="mailto:web.queries@computershare.co.za">web.queries@computershare.co.za</a> <a href="mailto:groupsec@absa.africa">groupsec@absa.africa</a>
General queries	<a href="mailto:absa@absa.africa">absa@absa.africa</a>

## Transfer secretary

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[Computershare.com](http://Computershare.com)

## Sponsors

### *Lead independent sponsor*

J.P. Morgan Equities South Africa (Pty) Ltd  
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### *Joint sponsor*

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[www.absa.africa](http://www.absa.africa)