



## Absa Group Limited

2020 Environmental, Social  
and Governance Report





## About our Environmental, Social and Governance Report

### Reporting period and scope

Our report covers the period 1 January 2020 to 31 December 2020. Any notable or material events after this date and up until the approval of this 2020 Environmental, Social and Governance (ESG) Report are included.

### Target audience and reporting frameworks

This report supplements our 2020 Integrated Report. Within this report, we recognise and report on specific stakeholder interests regarding environmental, social and governance issues. The report has been prepared in accordance with the Global Reporting Initiative Standards (GRI) Core Option. We also include several sector-specific indicators as per the Financial Services Sector Disclosures document. We have edited the GRI indicators description for the sake of brevity. Please refer to [globalreporting.org/standards/](http://globalreporting.org/standards/) for full indicator descriptions. The nature of environmental, social and governance matters, frameworks and reporting obligations continue to evolve, and we will continue to refine our reporting approach over time. The report takes into account the following:

- King IV Report on Corporate Governance for South Africa, 2016™ (King IV).
- The Amended Financial Sector Code (South Africa).
- GRI Standards, Financial Sector Supplement and the Greenhouse Gas Protocol.
- United Nations Environment Programme Finance Initiative's Principles for Responsible Banking.

#### KingIV™

#### Navigation



King IV application



Weblink



Online download

Our full integrated reporting suite is 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).

### Application of King IV

Absa is listed on the Johannesburg Stock Exchange (JSE). King IV is the primary corporate governance code in South Africa and applies to all types of entities. It consists of a set of voluntary principles and leading practices with an 'apply and explain' disclosure regime. The JSE Listings Requirements oblige listed companies to apply King IV. In various sections of this report, and within our 2020 Integrated Report, we provide information on how we have applied these principles and recommended practice. On page 16, we provide a reference table to guide readers to the relevant disclosures for each King principle.

### Assurance

We apply a risk-based, combined assurance approach to the Group's operations. Internal controls, management assurance, compliance and internal audit reviews, supported by the services of independent external service providers, ensure the accuracy of disclosures within all of our published reports. In line with their respective mandates, specific reports are reviewed and recommended to the Board for approval by the Disclosure, Social and Ethics, Remuneration, Directors' Affairs, Group Audit and Compliance, and Group Risk and Capital Management committees.

PricewaterhouseCoopers Inc. conducted limited assurance on the total energy use and carbon emissions indicators. Empowerdex rating agency verified our Broad-Based Black Economic Empowerment (B-BBEE) performance. Ernst & Young Inc., our statutory auditors, have audited our annual financial statements. Information relating to the scope and conclusions can be found in the Limited Assurance Report, the Absa Group's B-BBEE certificate and the Group's annual financial statements, which are available on our Group website at [www.absa.africa](http://www.absa.africa).

## Table of contents

Through this report, we aim to communicate Absa's impact on material sustainability issues such as climate change, human rights, governance and social wellbeing. Our disclosures include several sector-specific indicators in accordance with the Financial Services Sector Disclosures document.

We have elected to report to stakeholders in a manner that allows for ease of referencing and comparability, and the report is therefore structured in line with the Global Reporting Initiative (GRI) index as outlined below.

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## Social and Ethics Committee

The Social and Ethics Committee monitors:

- i. Key organisational health indicators relating to social and economic development; good and responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation.
- ii. The Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment.

As outlined in King IV and the Companies Act, the Committee applies the recommended practices and regulation in executing its mandate.

### Members as at 31 December 2020

- Daniel Mminele
- Francis Okomo-Okello (Chairman)
- Ihron Rensburg
- Nonhlanhla Mjoli-Mncube
- Swithin Munyantwali
- Wendy Lucas-Bull

### Attendees

- Group Chief Compliance Officer
- Chief Executive: Retail and Business Banking
- Deputy Group Chief Executive and Chief Executive Absa Regional Operations
- Chief Executive: Employees and Culture

The Committee had a specific focus in overseeing the following 2020 governance objectives:

### Employees and culture

Monitor and assess our progress concerning:

- Diversity and inclusion in all our geographies.
- Our renewed values.
- The adoption of the Absa Way Code of Ethics and related ethical practices.
- The culture shift.
- Talent strategy.
- Performance and reward.

### Playing a role in Africa's growth and sustainability

Monitor the Group's role in being a force for good in the areas of environmental, social and governance, including:

- Sustainability.
- Constitutional support.
- Community development.
- Covid-19-related activities, such as medical testing, personal protective equipment, and support to vulnerable communities.
- Activities that generally contribute to playing a shaping role in Africa's growth and sustainability.

In 2020, the Committee held four meetings, averaging six hours each. Two additional meetings were held to discuss specific items. The Committee focused on the following:

**Customer:** This was a year for more intense focus than ever before to ensure payment relief was being appropriately applied and responded to; our facilities were open for business (branches, ATMs and digital channels); customers and clients were able to do business, and we were able to make contact and receive an appropriate level of service at all times. Particular attention was also given to the nature of customer complaints and the related responses from management.

**Conduct and reputation:** Integrally linked to the customer experience, conduct was an area of heightened focus given the risk posed by the pandemic. A new Conduct Risk Framework was rolled out with leading and lagging indicators to enable management and the Committee to identify relevant triggers. The Committee assessed management's response to customers, labour, conduct and ethics and responded to the new Conduct Standard for Banks through enhanced terms of reference. Updates were received on revisions to the Absa Way Code of Ethics and related policies and standards, as well as on ethics awareness activities, practices and recorded incidents.

**Employees and culture:** The outcomes of the Group's employee engagement survey were considered, noting the positive progress. However, there remains room to improve in elevating the Group's entrepreneurial culture, all the while ensuring it is inclusive and caring. Talent management was another area of focus, with an emphasis on the importance of career pathing, succession planning and improved retention of African, Indian and Coloured employees in

South Africa, as well as enhanced performance measurement practices. Following the outbreak of the Covid-19 pandemic, wellness took centre-stage, with the health and wellbeing of our employees and our customers an absolute priority. Many wellness updates were provided to the Committee (including the facilities for health and wellness provided to our employees, the infection levels and the measures to prevent the further spread of the virus).

**Shaping role in Africa's growth and sustainability:** The Committee considered and approved the sharpened focus of our refined role in society strategy. The establishment of a non-profit company was also approved to support the strategy's ambitions. Substantial emphasis was placed on Absa's response to Covid-19, which saw many contributions in the areas of tracing, screening and testing; personal protective equipment; food and hygiene essentials; community support; relief efforts; supporting remote learning at five universities through the provision of devices and data; donation of meals to support communities in need; and direct contributions by Absa employees and Board members across the continent.

**Stakeholder engagement:** Regular updates were received on the challenging external environment, various public interest groups, various industry initiatives and the Group's responses. The Committee contributed to policy formulation both in response to Covid-19 and in anticipation of a post-Covid-19 world. A revised stakeholder strategy and Group Stakeholder Policy were approved, and management approved the related Business, Industry and Professional Association Standard.

**Transformation:** The Committee reviewed the Group's progress in terms of the Group Transformation scorecard, considering how Covid-19 would impact the likelihood of maintaining the level 1 B-BBEE status attained at the end of 2019. The review took into account areas of concern, such as skills development spend, which had been delayed by two months as the Group transitioned from face-to-face to online sessions. Challenges regarding employment equity were also considered, including progress in middle management and senior management levels, which was slower than desired. This was partly due to a hiring freeze and the reduced pace of hiring later in the year to manage costs appropriately. The target for 2020 was subsequently revised to a level 2 rating, which was achieved.



## Social and Ethics Committee *continued*

**Sustainability:** Various views on the Group's contribution to the United Nations Sustainable Development Goals were considered, both through the role in society strategy review and the Group's United Nations Environment Programme Finance Initiative Principles for Responsible Banking implementation programme. Reports were also received on our environmental scorecard and the Group's occupational health and safety performance.

In 2021, the Committee will:

- Continue to guide the Group's stakeholder response in general and to Covid-19 in particular.
- Oversee the expansion of our environmental risk management approach, including the Group's ambition to report sustainability risk in 2021 separately.
- Approve new standards concerning extractive and other environmentally sensitive industries.
- Facilitate the finalisation of the Sustainable Development Goal prioritisation and target setting.
- Continue to monitor the full integration of sustainability within the various businesses to enable the demonstration of substantial and tangible results.
- Focus on the execution activities that enable the Group to lead with purpose and play a meaningful role in our customers' life journey, with a view to embedding and integrating the Group's role in society strategy.
- Monitor customer health and engagement to support ongoing improvement.
- Monitor the outcomes prescribed in the Conduct Standard for Banks to ensure the fair treatment of our customers.
- Focus on the achievement of our B-BBEE and Department of Labour employment equity targets.
- Review progress in culture transformation as well as leadership development, career pathing, and talent retention.
- Monitor relationships with the Group's trade unions in its various jurisdictions and ensure that labour legislation is scrupulously adhered to.
- Attend to all matters within its mandate as prescribed by the South African Companies Act, King IV and management's activities in relation thereto and role in society monitoring.

## Board approval

This report represents an opportunity to provide stakeholders with information to enable them to make an informed assessment of the Group's environmental, social and governance performance during the year under review. As in all our reporting, we have set out to be open and transparent. In particular, we have aimed to improve accessibility in terms of language, and to provide appropriate and adequate information to support the commentary made by both the Board and management.

Assisted by our Social and Ethics Committee, we, the Board, accept responsibility for the integrity of this 2020 Environmental, Social and Governance Report. It is our opinion that it presents a fair and balanced view, and we believe that it demonstrates the way in which we are creating and preserving sustainable value and prosperity for our stakeholders.

**The Board approved this report on 23 March 2021.**

Alex Darko	Ihron Rensburg	Sipho M Pityana (Lead Independent Director)
Colin Beggs	Jason Quinn	Swithin Munyantwali
Daisy Naidoo	Mark Merson	Tasneem Abdool-Samad
Daniel Mminele	Nonhlanhla Mjoli-Mncube	Wendy Lucas-Bull (Chairman)
Francis Okomo-Okello	René van Wyk	
Fulvio Tonelli	Rose Keanly	





# Playing a shaping role in Africa's growth and sustainability

Our Group strategy is anchored in the concept of creating shared value and in 2020, we refreshed our role in society strategy.

We have a vested interest in creating inclusive growth in Africa and delivering financial products and services in a socially and environmentally responsible manner. Opportunity and success can only be enabled through all people being treated equitably, having good health, and having access to education and income opportunities.

As a purpose-led organisation, and recognising the link of our sustainability to that of the communities where we operate, our role in society strategy brings together multiple value creation initiatives from across the Group. Together, these distinct yet complementary activities generate the direct and indirect economic, social and environmental impacts across our presence countries.

Informing our approach are the following principles:

1. Commitment to diversity, stakeholder engagement and strategic partnerships.
2. Sound risk management, including environmental and social considerations.
3. Ethical behaviour, sound corporate governance and transparent communications.
4. Investing in digitisation and innovation to deliver solutions to customers, employees and society.
5. Positive social and business impact.

## Pillar 1: Inclusive finance

Advancing inclusive financing seeks to impact economic growth at a regional, community and individual level by:

- Contributing to enhanced African competitiveness through thought leadership, advocacy and investment vehicles that promote trade within the region and at a global scale.
- Providing innovative, relevant, cost-efficient propositions to our entry level banking customers and small and medium clients.
- Promoting self-sufficient communities by supporting the growth of emerging entrepreneurs.
- Enabling stronger individual financial behaviours through literacy, inclusive access and expanded financial education.



## Pillar 2: Environmental sustainability

We will help to promote sustainable environmental practices and to mitigate climate change risk in Africa while using positive and progressive climate-linked initiatives to contribute towards a more sustainable future for the communities in which we operate. We will promote environmental sustainability and justice through progressive lending and sustainable management of Absa's physical assets. This includes:

- Managing climate risk and the associated social risks; specifically managing Absa's direct ecological impact.
- Providing innovative, sustainable financial products and advisory services to support a just transition to a low-carbon economy.
- Employing enhanced assessment criteria for capital allocation decisions, which would incorporate climate change, positive impact and our environmental, social and governance commitments.



## Pillar 3: A just society

Promoting efforts to deepen democracy, accountability and the effectiveness of public institutions. Supporting efforts to overcome issues relating to equality, social wellbeing, employment and justice by:

- Supporting organisations and institutions that drive public accountability and positive social change to build strong, open and sustainable democratic societies.
- Leveraging strategic partnerships and thought leadership for building social cohesion and nation building.
- Building consensus and developing solutions to challenges that are common to our customers and stakeholders such as inter-generational equity and gender-based violence.
- Investing in technology platforms that support improved social services delivery. This is a practical mechanism by which change can be directly affected, alongside the longer-term advocacy, dialogue, research and thought leadership mechanisms that seek to foster a unifying and inclusive African identity.
- Providing employment free from discrimination and underpinned by fair labour practices and employee wellbeing.



## Pillar 4: Education and skills development

Supporting the countries in which we operate to build strong, dynamic skill and knowledge bases that will underpin Africa's economic growth and global competitiveness by:

- Funding access to quality tertiary education, including an Absa Fellowship programme and innovative education financing solutions.
- Advancing digital, technical and vocational skills development through artisanship, alternative qualification and skills development pathways, specialised academies and sector cross-skilling.
- Promoting women and youth entrepreneurship.
- Supporting institutional capacity building and teacher training.



## Contributing to the 17 SDGs which aim to transform the world

The United Nations Sustainable Development Goals (SDGs), as adopted by all United Nations member states, outline the universal goals to end poverty, protect the planet and drive shared prosperity.

In 2018, we identified the SDGs to which we contributed significant value by analysing our operations, corporate citizenship and, most importantly, our customer-facing activities against the underlying 169 targets. We reflect our contribution through these three lenses below.

In 2020, guided by the Principles for Responsible Banking, we honed our focus further, commencing a systematic approach to identifying the Group's areas of most significant (potential) positive and negative impacts. This initial prioritisation exercise enabled us to identify the SDGs most relevant to Absa's strategy, business model and

operating context, focusing on specific targets and indicators underlying those SDGs. In the diagram below, we indicate whether the goal has been identified as a potential priority SDG and where a goal is considered to be cross-cutting. This process will be finalised in 2021, following which, we will set and publish targets in alignment with the Principles for Responsible Banking. These targets will ultimately be linked to the appropriate SDGs, the Paris Climate Agreement, and relevant regional and local frameworks, such as the African Union Agenda 2063 and the South Africa Financial Sector Code, which drives broad-based black economic empowerment.

Key

**C** Customers **O** Operations **S** Social **P** Potential prioritised SDG **C** Cross-cutting





## Role of the financial industry



### Absa in Action

	<b>Absa Insurance Digital Solutions</b>		<b>Eco Home Loan with Balwin</b>
	<b>Absa Access</b>		<b>mySMEtool</b>
	<b>Absa Mobile Banking</b>		<b>Absa simple and easy</b>
	<b>Thought leadership with Private Property</b>		<b>Absa Financial Markets Index</b>
	<b>In partnership with SocGen</b>		<b>Absa Sewing Project</b>
	<b>Rusinga Group of Schools</b>		<b>LIVE2LEAD Women's Conference</b>
	<b>Separation from Barclays PLC</b>		<b>Absa supply chain beat Covid-19</b>
	<b>Absa and the Lionesses of Africa</b>		<b>Bokpoort solar solution</b>

<sup>1</sup> Compliance and assurance evaluate the controls management uses to maintain our licence to operate and our ability to create value.  
<sup>2</sup> Refer to the stakeholder engagement section on page 24.  
<sup>3</sup> We offer our customers an integrated set of banking and insurance products and services, including advisory services. Refer to our product and services matrix on page 7.  
<sup>4</sup> We raise financial capital through shareholder funds, bondholders, depositors and retained earnings.

## 100 General standard disclosures

### 102 General disclosures

#### Organisational profile

#### 102-1 Name of organisation

Absa Group Limited

### 102-2 Activities, brands, products and services

Absa is a diversified financial services provider, offering a universal set of products and services across retail, business, corporate, investment and wealth banking, as well as in investment management and insurance under the Absa brand. One of our banking entities in Tanzania operates under the name National Bank of Commerce (NBC).

Core business activities	What this means	Risks <sup>1</sup>	Statement of financial position impact	Flow of money	Statement of comprehensive income impact
<b>Provide payment services and a safe place to save and invest</b>	<ul style="list-style-type: none"> <li>Managing shareholder funds</li> <li>Accepting customers' deposits and raising debt</li> <li>Facilitating payments</li> <li>Providing savings and investment management products and advice</li> </ul>	<ul style="list-style-type: none"> <li>Treasury</li> <li>Market</li> <li>Business</li> <li>Financial crime</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' equity and preference shares</li> <li>Deposits</li> <li>Debt securities in issue</li> <li>Borrowed funds</li> <li>Dividends paid</li> <li>Investments linked to investment contracts</li> <li>Liabilities under investment contracts</li> </ul>	<ul style="list-style-type: none"> <li>Interest paid to depositors and other funders</li> <li>Returns generated for shareholders</li> <li>Investments made on behalf of customers</li> <li>Fee income administration services</li> </ul>	<ul style="list-style-type: none"> <li>Interest expense</li> <li>Net fee and commission income</li> <li>Changes in investment and insurance contract liabilities</li> <li>Gains and losses from investment activities</li> </ul>
<b>Provide funds for purchases and growth</b>	Extending credit, considering customers' credit standing and our risk appetite	<ul style="list-style-type: none"> <li>Credit</li> <li>Traded market</li> <li>Treasury</li> <li>Model</li> <li>Financial crime</li> </ul>	<ul style="list-style-type: none"> <li>Investment securities</li> <li>Loans and advances to banks</li> <li>Loans and advances to customers</li> <li>Provision for impairment losses</li> </ul>	<ul style="list-style-type: none"> <li>Interest received from borrowers</li> <li>Fee income relating to lending activities</li> </ul>	<ul style="list-style-type: none"> <li>Net interest income</li> <li>Net fee and commission income</li> <li>Gains and losses from banking and trading activities</li> <li>Impairment losses</li> </ul>
<b>Manage business and financial risks</b>	Providing solutions to manage various risks such as interest rate and foreign exchange	<ul style="list-style-type: none"> <li>Credit</li> <li>Treasury</li> <li>Traded market</li> <li>Business</li> <li>Financial crime</li> </ul>	<ul style="list-style-type: none"> <li>Hedging and trading portfolio liabilities</li> <li>Hedging and trading portfolio assets</li> </ul>	<ul style="list-style-type: none"> <li>Fee income from advisory services</li> <li>Commission income</li> <li>Trading revenue</li> <li>Hedging costs</li> </ul>	<ul style="list-style-type: none"> <li>Gains and losses from banking and trading activities</li> <li>Net interest income</li> <li>Net fee and commission income</li> </ul>
<b>Provide financial and business support</b>	Providing individual and business advice, investment research and advisory on large corporate deals	<ul style="list-style-type: none"> <li>Traded market</li> </ul>		<ul style="list-style-type: none"> <li>Fee income from advisory services</li> </ul>	<ul style="list-style-type: none"> <li>Net fee and commission income</li> </ul>
<b>Protect against risks</b>	Providing savings and investment policies and compensation for a specified loss, such as damage, illness or death, in return for premium payments	<ul style="list-style-type: none"> <li>Insurance</li> <li>Traded market</li> <li>Model</li> </ul>	<ul style="list-style-type: none"> <li>Policyholder liabilities under insurance contracts</li> <li>Reinsurance assets</li> </ul>	<ul style="list-style-type: none"> <li>Insurance premium income</li> <li>Pay out claims for specified losses</li> </ul>	<ul style="list-style-type: none"> <li>Net insurance premium income</li> <li>Net claims and benefits payable on insurance contracts</li> <li>Changes in investment and insurance contract liabilities</li> </ul>

<sup>1</sup> All activities include elements of operational, resilience, reputation, conduct and sustainability risk.





**102-3 Location of headquarters**

15 Troye Street, Johannesburg, South Africa.

**102-4 Location of operations**

Absa operates in 14 countries. Botswana, Ghana, Kenya, Mauritius, Mozambique, Namibia, Nigeria, Seychelles, South Africa, Tanzania, Uganda, United Kingdom, United States and Zambia.

**102-5 Ownership and legal form**

Absa is a publicly traded, limited liability entity listed on the Johannesburg Stock Exchange.

**102-6 Markets served**

We own majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia as well as insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. We also have representative offices in Namibia, Nigeria and securities entities in the United Kingdom and the United States. The table below outlined the market segments served and the products and services offered to each.

Customer type/ Range of solutions	Individuals	Small- and medium-sized businesses	Corporates	Financial institutions and banks	Sovereigns and institutions
<b>Provide payment services and a safe place to save and invest</b>	Current accounts and overdrafts				
	Savings, deposit and investment products				
	Mobile and digital payments				
	Stockbroking and trading services		Access to international financial markets		
	Cash management, payment systems and international trade services				
<b>Provide funds for purchases and growth</b>	Residential home loans, vehicles and asset finance, personal loans and credit cards	Commercial property finance and business loans			
		Asset and lease finance, trade and supplier finance and working capital solutions			
		International capital markets			
		Large corporate and inter-bank lending			
<b>Manage business and financial risks</b>	Foreign exchange rate hedging				
	Fixed-rate loans				
	Inflation and interest rate hedging				
<b>Provide financial and business support</b>	Wealth advisory and private banking services, including investment advice, wills and trusts	Relationship managers and support			
		Business seminars and start-up support	International investment research. Advice on large corporate deals and on mergers and acquisitions		
<b>Protect against risks</b>	Insurance (life, investments, retirement, credit and short-term insurance)				

**Notes**

- Insurance is not offered in the corporate segment in Absa Regional Operations.
- Seychelles does not have insurance products.
- Nigeria only has stockbroking.
- Only Kenya has forex exchange rate hedging in small and medium businesses.

We are an African group, inspired by the people we serve and determined to be a globally respected organisation of which Africa can be proud. We are committed to finding tailored solutions to uniquely local challenges and everything we do focuses on creating shared value.

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

We bring possibilities to life.

### 102-7 Scale of the organisation

Income  
**R81.4bn**  
2019: R79.6bn

Headline earnings  
**R8.0bn**  
2019: R16.3bn

Market capitalisation  
**R106.6bn**  
2019: R126.6bn

Total equity  
**R127.5bn**  
2019: R121.8bn

Capital adequacy ratio  
**15.0%**  
2019: 15.5%

Common tier 1 capital  
**11.2%**  
2019: 11.8%

Total assets  
**R1.5trn**  
2019: R917bn

Loans and advances to customers  
**R974bn**  
2019: R946bn

Deposits due to customers  
**R952bn**  
2019: R826bn



**14 countries**



**991 branches**



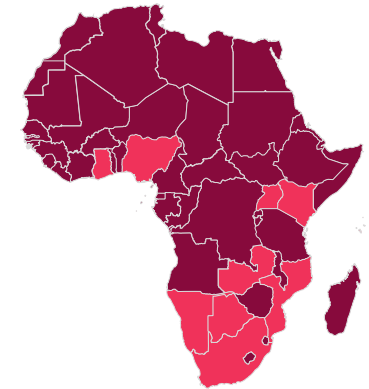
**9 734 ATMs**



**36 737 employees**



**124 432 point-of-sale (PoS) devices**



The 847.8m issued shares are held by a diverse shareholder base, with over 50% held by our top 10 shareholders.

	2019	2020
Barclays Bank PLC (UK)	14.88	14.88
Public Investment Corporation (SA)	6.29	6.24
Prudential Investment Managers (SA)	4.46	5.23
Old Mutual (SA, NA)	4.23	4.83
Black Rock Incorporated (US, UK, JP, CA)	3.77	4.09
Citigroup Global Markets (SA)	3.00	4.02
Investec Securities (SA)	3.44	3.23
Ninety One Limited (SA)	-	3.06
The Vanguard Group Incorporated (US, AU)	3.20	3.04
Newshef 1405 (SA)	1.76	1.89

### Geographic spread



South Africa	51.69 (45.85)
United Kingdom	20.01 (21.97)
United States and Canada	17.26 (20.10)
Rest of the world	11.04 (12.08)

	Employees	PoS	ATMs	Branches	Founded
Botswana	1 132	4 611	114	31	1950
Kenya	2 274	5 638	208	85	1916
Ghana	1 152	1 050	168	60	1917
Mauritius	657	1 007	39	13	1919
Mozambique	803	851	110	44	2002
Seychelles	283	937	20	7	1959
South Africa	27 160	104 544	8 660	619	1888
Tanzania <sup>1</sup>	1 493	1 121	233	62	1945
Uganda	909	1 159	76	39	1927
Zambia	824	3 514	106	31	1918

<sup>1</sup> Absa Bank Tanzania and National Bank of Commerce combined.

### Representative offices

Namibia  
1 employee

Nigeria  
15 employees

UK  
27 employees

USA  
7 employees

### Securities entities



## 102-8 Information on employees and other workers

We employ 36 737 (2019: 38 472) employees, of which 61.1% (2019: 61.1%) are women, and 35.3% of senior managers are women (2019: 35.0%). Our full-time equivalent is 36 204. In South Africa, where racial diversity is an imperative, 76.4% (2019: 75.9%) of our employees are black, and 55.0% (2019: 51.4%) of our senior managers are black.

Headcount by employment category, by geographic region and by age

	2019		2020	
	Male	Women	Male	Women
<b>Per employment category</b>				
Permanent	14 325	23 086	14 032	22 147
Temporary	626	435	258	300
Full time	14 853	23 276	14 242	22 307
Part time	98	245	48	140
<b>Per region</b>				
South Africa	10 103	18 193	9 721	17 439
Absa Regional Operations	4 832	5 317	4 547	4 996
International	16	11	22	12
<b>By age</b>				
<20	6	7	1	3
20 – 29	2 328	3 545	1 860	2 677
30 – 39	6 612	10 537	6 272	10 069
40 – 49	4 026	5 942	4 202	6 167
50 – 59	1 726	3 114	1 729	3 140
60 – retirement	253	376	226	391

Total women employees

**61.1%**  
(2019: 61.1%)

Women in senior leadership<sup>1</sup>

**35.3%**  
(2019: 35.0%)

Female Board members

**31%**  
(2019: 27%)

Women in middle  
management<sup>2</sup>

**51.1%**  
(2019: 50.9%)

Women in junior  
management<sup>3</sup>

**67.1%**  
(2019: 67.7%)

Women in junior, middle  
and senior management

**62.0%**  
(2019: 62.5%)

Women in revenue  
generating functions

**64.9%**  
(2019: 62.5%)

<sup>1</sup> Managing Principal to Principal

<sup>2</sup> Assistant Vice President to Vice President

<sup>3</sup> BA3 to BA4

Diving deeper: 53 ESG 401

## 102-9 Supply chain

Our suppliers include small and medium enterprises (SMEs), as well as national, regional and multinational companies and state-owned entities. Our supply chain decreased to 2 197 (2019: 3 060) suppliers in South Africa and 2 572 (2019: 3 320) in Absa Regional Operations, mostly due to operational impacts resulting from Covid-19.

Supplier relationships are managed through a risk-based approach where the suppliers provide various types of activities i.e., technology, banking platforms and services, corporate and professional services. Contracts vary depending on the strategic relationship. The term of the contracts can be long term (five or more years) or medium term (two to four years). As a financial service organisation, most contracts have a specialised service orientation that is not labour intensive. Our Absa Supplier Code of Ethics ensures that our values and ethical standards are clearly articulated to, and supported by, our suppliers

Absa is one of the largest buyers of goods and services in the South African financial services industry, and we use our purchasing power to support a transformation agenda. The Amended Financial Services Charter requires that we:

- Measure the level of procurement spend from B-BBEE compliant companies, qualifying small enterprises, exempted micro enterprises and black-owned and black-women owned companies.
- Support black-owned small and medium enterprises through our enterprise and supplier development initiatives.

For qualifying entities, we:

- Provide preferential rates for projects funded through the Group's supplier development initiatives.
- Use a secured supply or service contract as a basis of funding to ensure responsible financing. Our preferential procurement programme ensures that a growing number of small black-owned and black female-owned companies supply us with goods and services. This involves:
  - Unbundling large contracts into smaller parcels of work, enabling emerging enterprises to participate in tenders.
  - Providing development support grants for capacity-building to qualifying small enterprises providing goods and services in our value chain.

### Supporting our suppliers through the crisis

We provided distress relief support of R1.7bn to 668 SMEs through immediate and early payment of invoices to support cash flow requirements while maintaining our payments within 30 days for all other suppliers. We honoured contracts with 1 200 SME suppliers to ensure continuity of services to the bank. We also invested R12m in business development support interventions to SMEs, including grants towards term loans reduction, digital marketing services tools, and financial management capability development and tools.

### Basadi Programme

The Basadi supplier programme is an Absa Insurance Company shared value initiative aimed at uplifting black women-owned suppliers operating within the plumbing, electrical and building fields. The programme includes training and development of the business owners, financial aid, preferential allocation of work and mentorship opportunities. A formal selection process ensures the most suitable candidates are selected and since the introduction of the programme in August 2020, we onboarded 23 black women-owned businesses, of which five received enterprise development grants from Absa. Digidall, an Absa Insurance Company incident management partner, facilitates the distribution of work for Absa and non-Absa claims.

### Absa virtual supplier engagements

We held a virtual seminar focusing on women-owned businesses through the Lioness of Africa, where we discussed the real-life successes and lockdown challenges experienced by small and medium enterprises in South Africa. Another virtual seminar focused on small business compliance and business matters. While there have been many casualties of the Covid-19 lockdown, there have also been inspiring stories of hope, persistence and innovation. Our intention with this webinar series was to offer inspiration and guidance by providing a platform for small and medium enterprises to share their stories.



**Absa supply chain  
beat Covid-19**

### 102-10 Significant changes to the organisation and its supply chain

The Separation programme, which transitioned the services previously provided by Barclays PLC, has been completed along with the rebranding of our Absa Regional Operations. Absa now controls the contracts emerging from the Separation.

### 102-11 Precautionary principle or approach

We have adopted a precautionary approach as defined by the United Nations within Principle 15 of The Rio Declaration on Environment and Development to reduce negative environmental impacts. This is managed through our Enterprise Risk Management Framework, primarily through Sustainability Risk, which includes the following sub-risks: environmental risk, climate change risk, premises environment risk, indirect environment risk and social risk. Environmental and social risk are also considered in the conduct, credit, insurance, operational (including supplier and legal sub-risks) and reputation principal risks.

Diving deeper: 68 ESG Financial Sector Disclosures

### 102-12 External initiatives

**The Code of Banking Practices**, applicable from 2012, is a voluntary code that applies to personal and small business customers and sets out the minimum standards of service and conduct that banks should follow with regard to services, products for and interactions with these clients.

**The King IV Report on Corporate Governance in South Africa**, applied from 2018, is mandatory due to our JSE listing. It contains both principles and recommended practices aimed at achieving the intended governance outcomes of an ethical culture, effective control, good performance and legitimacy.

**The Department of Trade, Industry and Competition Financial Sector Code (as amended)**, applicable from 2012 and amended in 2017, is mandatory and provides strategic direction for developing policies and strategies that promote enterprise growth, empowerment and equity in the economy.

**The Code for Responsible Investing in South Africa**, effective from 2016, is a voluntary code that provides guidance on how institutional investors should conduct investment analysis and investment activities, and how they should exercise rights to promote sound governance.

**The Equator Principles**, applied from 2009, is a risk management framework for financial institutions and is intended to determine, assess and manage environmental and social risk when implementing projects. It provides a minimum standard for due diligence to support responsible risk decision-making.

**The Global Reporting Initiative**, applied from 2014, is a set of global sustainability reporting standards.

**The Banking Association of South Africa's Principles on Environmental and Social Risk Management**, applicable from 2011, requires that financial institutions set up internal processes to identify high-risk industries. These are industries in which additional due diligence is required and for which processes are in place to ensure that, through their credit and risk management policies, these institutions take cognisance of environmental and social risks when making lending decisions.

**The United Nations Sustainable Development Goals**, applied from 2018, make up a blueprint comprising 17 goals to address global challenges, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

**The United Nations Finance Initiative's Principles for Responsible Banking**, applied from 2019, constitute six voluntary principles to provide the banking industry with a single framework that embeds sustainability at the strategic, portfolio and transactional levels and across all business areas.

**The United Nations Principles for Responsible Investment**, applied from 2016, is a set of six voluntary principles that were developed to help investors understand the implications of sustainability and support signatories in incorporating them into their investment decision-making and ownership practices, thereby contributing to the development of a more sustainable global financial system.

**The CDP (formerly known as the Carbon Disclosure Project)**, applicable from 2010, is a voluntary measurement framework and disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.

**The Dow Jones Sustainability Index**, applicable from 2012, is a voluntary participation investor index. It is based on an analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labour practices.

**The JSE/FTSE Russell FTSE4Good**, implemented in 2015, is a non-binding assessment used to measure environmental, social and governance exposures and practice on a multi-dimensional basis. The investment community uses it as a tool for designing and measuring portfolios.

### 102-13 Membership associations

Absa is a member of several business and professional associations that work to represent their members and to shape the industry's collective response to public policy issues.

Our disclosures in this report are focused on South Africa as it is the registered country of the Group's operations and the region that accounts for three-quarters of the Group's revenue. Each of the Group's subsidiaries manage their own stakeholder relationships within the principles outlined in the Group Governance Framework.

G – Absa holds a position on the *governing* body or one of the committees.

F – Absa provides substantial *funding* over and above membership fees.

N – New membership.



Industry associations

- Banking Association of South Africa<sup>G</sup>
- Industry associations Association of Savings and Investment South Africa<sup>G</sup>
- Institute of Retirement Funds Africa<sup>G</sup>
- Payments Association of South Africa<sup>G</sup>
- South African Banking Risk Information Centre<sup>G</sup>
- South African Insurance Association<sup>G</sup>

Business associations

- Black Business Council<sup>N</sup>
- Business Leadership South Africa<sup>G</sup>
- Business Unity South Africa<sup>G, F</sup>
- GCE Initiative<sup>F</sup>
- National Business Initiative<sup>G</sup>
- Small Business Institute of South Africa<sup>F</sup>
- South African Photovoltaic Industry Association

Chambers of Commerce

- American Chamber of Commerce<sup>G, F</sup>
- British Chamber of Business in South Africa<sup>G, F</sup>
- German Chamber of Commerce<sup>F</sup>
- South African Chamber of Commerce and Industry<sup>G</sup>
- South African Chamber of Commerce Singapore<sup>N</sup>

Professional bodies

- ACI Financial Markets Association<sup>N</sup>
- Association for Black Security and Investment Professionals<sup>G, F</sup>
- Black Management Forum<sup>G, F</sup>
- Fiduciary Institute of South Africa<sup>G</sup>
- International Swaps and Derivatives Association<sup>N</sup>
- Society for Trust and Estate Practitioners
- South African Institute of Stockbrokers<sup>N</sup>

Other affiliations

- Business Against Crime South Africa<sup>F</sup>
- Corruption Watch<sup>F</sup>
- Group of Thirty (G30)
- International Business Council
- United Nations Environment Programme Finance Initiative
- The World Economic Forum
- The Green Building Council of South Africa

Strategy

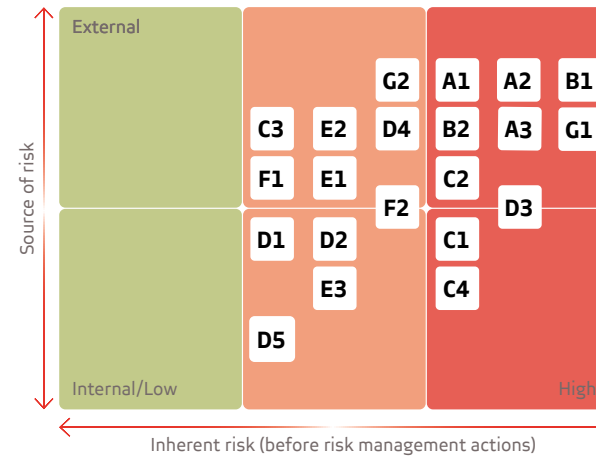
102-14 Statement from the senior decision-maker

We refer readers to our 2020 Integrated Report including:

- Group Chairman's message.
- Group Chief Executive Officers' statement.
- Absa role in society.

↓ 2020 Integrated Report

102-15 Key impacts, risks and opportunities



Global recession with economic uncertainty

- A1** Recovery from significantly reduced economic activity at risk from further waves of infections and impacted by the speed of global Covid-19 vaccine rollouts.
- A2** Increasing sovereign debt levels and reduced debt and interest servicing capacity increases the risk of sovereign defaults and an emerging markets debt crisis.
- A3** Global uncertainty resulting in increased global economic pressure and risk aversion to emerging markets.

Management's response

- Maintain a dynamic approach to risk appetite setting in response to a changing outlook for 2021 and beyond.
- Use stress scenarios to evaluate the potential outcomes of a variety of external and internal factors. On an ongoing basis, management develops mitigating actions and assesses their effectiveness to guide decision-making.

Principal risks impacted

Credit | Market | Treasury | Insurance | Conduct | Reputation | Business | Operational | Resilience

Anticipated long-term impact of sovereign interventions

- B1** Actions taken by government, such as lockdowns, to curb the spread of Covid-19 infections result in economic hardship, higher unemployment, increased inequality, and lower business and consumer confidence. These negative impacts are only partially mitigated by social welfare measures.
- B2** Heightened risk of social unrest due to rising fatigue from lockdowns and public anger over deteriorating economic environments.

Management's response

- Actively engage governments and communities to support initiatives to address economic hardship.
- Monitor developments on an ongoing basis and proactively adjust business responses to address the emerging risks including re-evaluating credit policies, and operational and resilience processes.

Principal risks impacted

Credit | Market | Treasury | Insurance | Conduct | Reputation | Business | Model | Operational | Financial Crime | Sustainability | Resilience

Increased pressure on the financial services industry

- While tentative signs of recovery are visible, the effects of further infection waves could exacerbate the already heightened stress experienced by stakeholders, such as:
- C1** Customer distress resulting in increased impairments and credit risk.
  - C2** Increased long- and short-term insurance claims negatively impacting solvency and capital requirements.
  - C3** Reduced availability of capital supply, funding and liquidity.
  - C4** Elevated business risk as earnings are impacted by the negative impact of the Covid-19 pandemic on the economy.

Management's response

- Monitor and manage the payment relief strategy and the substantial downside risk presented by the uncertainty in the outlook where an economic recovery will likely be slow and off a low base.





- Monitor leading indicators to ensure economic risks are effectively managed through:
  - Active preservation of capital and liquidity.
  - Re-evaluation and reduction of discretionary expenditure.
  - Proactive management of credit portfolio risks.
  - Hedging of interest rate risk and foreign exchange risk as appropriate.

#### Principal risks impacted

Credit | Treasury | Insurance | Conduct | Reputation | Business | Operational | Model

Heightened resilience, fraud, employees and cyber risks are expected for the foreseeable future

- D1** Increasing pressure on the health of employees, customers and suppliers as subsequent waves of the pandemic continue.
- D2** Heightened pressure on operational resilience arising from the impact of the Covid-19 pandemic.
- D3** Heightened fraud risk arising from economic pressure.
- D4** Increasing opportunistic financial crime and cybercrime, combined with rising sophistication of criminal activity, impacting customers and the Group.
- D5** Heightened risk to employee wellness from the pandemic and a prolonged work from home situation.

#### Management's response

- Adhere to health and safety recommendations, including monitoring infections and adherence to preventive measures, to keep our premises safe for employees, customers and suppliers.
- Continue development of a vaccination plan for employees and stakeholders, in line with latest information.
- Maintain heightened focus on operational resilience and proactively identify and mitigate risks.
- Maintain high stability of the technology estate to minimise incidents impacting customers and operational effectiveness.
- Continue to invest in security platforms and further strengthen controls to secure customer information including investments in technology, data capability (including external intelligence), customer awareness campaigns and industry collaboration.
- Monitor and manage the impact on employees through an expanded Group wellness programme and supporting employees in the evolution of working environments.

#### Principal risks impacted

Operational | Financial Crime | Resilience

Strategic, execution and business risks arising from external and internal drivers

- E1** Swift and significant changes in the economic and social environment impact the execution of the Group strategy, heightening business risk.
- E2** Disruption through changing customer preferences and competitor offerings.
- E3** Potential adverse impact of large strategic change projects on business risk, change risk and people risk.

#### Management's response

- Monitor and manage risk strategy and risk appetite based on the ongoing evaluation of the global and regional developments to identify and mitigate risks as they arise, while enabling business to pursue selective strategic opportunities.
- Ongoing alignment of risk objectives with the Group's strategy to support its customers and communities in an efficient, responsible and sustainable way.
- Ensure sufficient investment to continue delivering scalable digital solutions that focus on current and evolving customer needs.
- Build and embed a winning brand with a focus on innovative business processes and products designed to meet unique customer needs and preferences.
- Ensure strategic and large change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.

#### Principal risks impacted

Credit | Market | Treasury | Insurance | Conduct | Reputation | Business | Model | Operational | Resilience

New and emerging regulations and oversight increase compliance risk

- F1** Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's presence countries.
- F2** Potential long-term impact on business strategy and Group performance from regulatory change.

#### Management's response

- Maintain a forward-looking approach to evaluate, respond to and monitor regulatory and statutory change.
- Ongoing engagement with regulatory authorities and other stakeholders on upcoming regulatory changes to ensure the most appropriate outcomes for the banking sector and broader economy.
- Instil a culture of sound regulatory compliance across the Group.

- Develop systems with the agility to accommodate rapid change.
- Understand the impact of future requirements on current business model and practices, and proactively make necessary changes.

#### Principal risks impacted

Credit | Market | Treasury | Insurance | Conduct | Reputation | Business | Model | Operational | Financial Crime | Sustainability | Resilience

Environmental and social risks impact on the Group, its customers and operating environment

- G1** Ongoing and rapid climate and social change will adversely impact communities, customers and sharply heighten the Group's credit and insurance risks.
- G2** Evolving complexities in the management of social trends as well as the societies and political environments in which the Group operates.

#### Management's response

- Recognising the importance and urgency of climate change, the Group has elevated sustainability risk to a principal risk in the Group Enterprise Risk Management Framework.
- Implement the United Nations Environment Programme Finance Initiative's Principles for Responsible Banking as well as the recommendations of the Task Force on Climate-related Financial Disclosures.
- Continue to reduce our direct environmental footprint in line with the Group's 2030 environmental action plan and understand physical climate risk impacts.
- Embed processes to encourage customers to adopt business strategies and practices that are aligned with the Group's sustainability policy. Develop financing standards for other climate sensitive industries in line with the existing Coal Financing Standard.
- Enhance credit and insurance risk models to assess the impact of climate change risk.
- Continue to develop internal capabilities to utilise scenario analyses and stress testing to better estimate the impact of climate change on the Group's portfolio to inform future decision-making.
- Regularly assess the suitability and strategic alignment of products and customer value propositions with changing environmental and social factors and the impact on the Group's risk profile.
- Maintain focus on financial inclusivity of customers, including the ongoing support of small and medium enterprises.

#### Principal risks impacted

Sustainability | Credit | Insurance | Conduct | Reputation | Treasury | Business | Model



## Ethics and integrity

### 102-16 Values, principles, standards and norms of behaviour

Good conduct, underpinned by ethics, is fundamental to the sustainability of the financial services industry and the creation of value. Good conduct is evidenced through our daily behaviours and exhibited in our individual and collective actions and decisions. Absa is committed to the highest standards of integrity and ethical behaviour. The Board recognises that for leadership to be effective it must be ethical. Our directors uphold the standards of conduct, including ethics, required of them by law, regulation and policies, while demonstrating the behaviours that are consistent with the Absa Values. The Board oversees the various tools, processes and systems used to embed an ethical culture in the organisation. The Financial Sector Conduct Authority's Conduct Standard for Banks (2020) requires the Board to be accountable for the approval, establishment, embedment, ongoing review of, and continued compliance with, the bank's governance arrangements to reasonably ensure the fair treatment of its financial customers.

Absa's values underpin our culture, and we continue on our journey to embed these as we unite under the Absa brand. These values resulted from extensive collaboration by employees across our business. They inform who we are and therefore have an impact on our customers' and stakeholders' experiences.



#### We drive high performance to achieve sustainable results

- We play to win and are accountable for results.
- We innovate, we are decisive, and we act quickly.
- We learn from our failures, we are bold enough to change course.



#### We are obsessed with the customer

- We are curious, we anticipate the customer's needs.
- We each take ownership of delivering the One Absa customer experience.
- We outperform by going beyond customer expectations.



#### Our employees are our strength

- We integrate diverse perspectives to invent the future.
- We collaborate with courage, honesty and powerful energy.
- We trust, value and grow our employees to achieve their full potential.



#### We have an African heartbeat

- We deliver a uniquely Absa experience, across Africa.
- We co-create across Africa to deliver better solutions.
- We actively engage our communities to bring employees' possibilities to life.

### The Absa Way Code of Ethics

Our purpose of **bringing possibilities to life** shapes what we do every day and the Absa Way Codes of Ethics (the Absa Way) guides how we do it.

The Absa Way outlines the values and expected behaviours when engaging with our fellow employees, customers, shareholders, government, regulators, business partners, suppliers, competitors and the broader community. We are deeply committed to helping Africa and her employees unlock their potential and to playing our part in promoting principled behaviour. Financial service providers like Absa safeguard customers' hopes and enable their success; customer trust is indispensable to our existence. To maintain the trust of our customers and other stakeholders, we commit to acting with integrity as outlined in the Absa Way.

We continuously challenge ourselves to find better and more sustainable ways to achieve growth and bring possibilities to life. As our internal policies and standards evolve in response to changing legislation and customer requirements, so will the Absa Way. The foundational principles will, however, remain; that is to act ethically, fairly and sustainably to ensure long-term value for our stakeholders.



It starts with me: "I commit to abide by the Absa Way and hold myself accountable against it. Each member of my executive team and each Absa employee commits to the code in their own capacity, as we individually take responsibility for the impact of our actions on the world" – Daniel Mminele, Group Chief Executive Officer.

**The Board endorses The Absa Way as reviewed and approved by the Social and Ethics Committee annually.**

Employees undertake annual **Absa Way Code of Ethics** training, which includes an assessment to confirm the understanding of the Absa Way.

**An ethical culture** fosters values-based decision-making and shows how our policies and practices align with the Absa Values. This drives the right behaviour in relation to our stakeholders.

At Absa, **conduct risk is a principal risk and the associated framework** is part of the Enterprise Risk Management Framework.

**Employee conduct is monitored** through culture surveys and by tracking disciplinary cases, grievances and ethical breaches and whistleblowing matters. This analysis assists in determining the areas impacting on culture and identifies how to better align these with Absa's values. In addition, conduct forms part of an employee's performance assessment and unethical conduct can result in a range of possible sanctions, including dismissal.

Our Social and Ethics Committee receives comprehensive updates on conduct and ethical matters from the Group Chief Compliance Officer and information of misconduct, dismissals and grievances from the Head: Employees and Culture.



**The Absa Way Code of Ethics**



**Supplier Code of Ethics**



Personal accountability is central to our culture. As outlined in the Absa Way Code of Ethics, we expect our employees to:

- Act with integrity.
- Act ethically.
- Act with due skill, care and diligence.
- Be open and cooperative with regulators.
- Pay due regard to the interests of customers and treat them fairly.
- Observe proper standards of market conduct.

We are developing a focused supplier training, blending the relevant aspects of the Absa Way Code of Ethics and the Supplier Code of Ethics, which will be delivered via a digital platform in 2021.

In addition to our own ethics and culture, there are laws, regulations and codes that define how we are expected to conduct our business. Regulations relating to consumer protection and ethical behaviour in

the financial services industry continues to evolve. While this means the Group must comply with an evolving set of requirements, we support efforts to ensure a stable financial services sector and a safe and fair operating environment.

Our performance management processes and reward decisions emphasise behaviour and commercial objectives, encouraging the right conduct, and making the consequences of misconduct clear. We define inappropriate conduct to include:

- Any action that suggests a criminal offence, or any activities that are being contemplated, which might constitute criminal behaviour.
- Questionable accounting practices or any other financial impropriety by businesses or employees.
- Unethical behaviour, such as anything that is contrary to the Absa Way and Absa Values.

- Behaviour that could cause detriment to any stakeholder or group of stakeholders.
- Any action that endangers the health and safety of employees or customers or causes damage to the environment.
- A breach of applicable regulations.
- Any conflicts of interest that result from the businesses' activities or practices or employees' positions or duties that have been managed contrary to any applicable legislation, regulatory requirement or Absa policies or procedures.
- Any behaviour that harms, or is likely to harm, the reputation or financial wellbeing of the Group.
- Any action that constitutes a breach of any mandatory minimum controls, including a breach of the Group's policies or procedures.
- Suppression or concealment of any of the above behaviours or practices.

### Embedding ethical behaviour

We have a comprehensive ethics programme that educates employees on what is expected in terms of behaviour and their responsibility to act in line with the Absa Way Code of Ethics and the various underlying topics.

Our training and awareness programmes are designed to empower our employees with the necessary skills to conduct business and ensure that our employees:

- Are aware of the values and behaviours expected of them.
- Identify ethical challenges in everyday work situations.
- Apply the Absa Way in ethical decision-making.
- Understand the importance of fighting financial crime and observing sanctions legislation.
- Understand the need to combat bribery, corruption and money laundering.
- Develop a sensitivity to situations of real or perceived conflict of interest, including in relation to accepting gifts and entertainment, and learn how to deal with them when they arise.
- Put customers at the forefront of what we do and apply a Treating Customers Fairly mindset to all our engagements with our customers.

- Are aware of the tools available to them to raise their concerns about unethical behaviour or suspected fraud through our whistleblowing programme.

Various training modules are scheduled for completion on an annual basis as per the operational and regulatory requirements.

General awareness training applicable to all in-scope employees, non-permanent employees and select contractors, include:

- Absa Enterprise Risk Management Framework.
- Absa regulatory relations.
- Absa Way Code of Ethics.
- Business continuity management general awareness.
- Conflict of interest management.
- Data privacy.
- Fraud basics.
- Occupational health and safety awareness.
- Preventing financial crime general awareness (including anti-money laundering, sanctions, suspicious transaction reporting, and anti-bribery and anti-corruption).
- Principles of market conduct.
- Reputation risk awareness.
- Secure remote working.
- Understanding sexual harassment.

Over and above employee-wide training, more advanced role-specific training is delivered to the relevant employees. This includes:

- Anti-bribery and corruption donations.
- Anti-bribery and corruption hiring practices.
- Anti-bribery and corruption introducer.
- Anti-bribery and corruption strategic transactions.
- Anti-money laundering correspondent banking.
- Anti-money laundering politically exposed employees.
- Corporate and Investment Bank cross-border curriculum.
- Cross-border illicit financial flow.
- Financial crime (financial crime, sanctions, beneficial ownership and complex control structures and tax evasion).
- Market conduct.
- Regulatory authorisations.
- Risk management and compliance programme.
- Sanctions (specialist training).
- Strategic transactions (mergers and acquisitions and joint ventures).
- Suspicious transaction reporting.
- Third-party payment providers.
- Third-party standard.



### Conduct risk management framework

We monitor performance against our own standards as well as regulatory requirements. Conduct risk is managed through a combination of internal processes, the three lines of defence, and stakeholder feedback.

### Our 10 target conduct outcomes

1. Our culture places customer interests and ethical decisions at the heart of our strategy, planning, decision-making and judgements.
2. Our strategy is to develop long-term banking relationships with our customers by providing products and services that meet their needs and do not cause detriment.
3. We do not disadvantage or exploit customers, customer segments, or markets.
4. We pre-emptively identify conduct risks where possible and intervene before they crystallise by managing, escalating and mitigating them promptly.
5. Our products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of our customers.
6. We provide banking products and services that meet our customers' expectations and perform as represented. Our representations are accurate and comprehensible, so our customers understand the products and services they are purchasing.
7. We address any customer detriment and dissatisfaction in a timely and fair manner.
8. We safeguard the privacy of personal data and only use it responsibly, and for the purpose collected.
9. We facilitate market integrity and do not wilfully cause distortions and participate in anti-competitive behaviour.
10. We engage with regulators constructively, transparently and proactively.

### 102-17 Mechanisms for advice and concerns about ethics

Our Whistleblowing Policy provides a framework through which all employees, including temporary employees, seconded staff, contractors and consultants, can raise concerns. Whistleblowers may raise concerns about inappropriate or unlawful conduct anonymously. They may do so either through our Priority Investigations and Whistleblowing team, which falls under Group Compliance, or they may do so through our independent, external service provider, Tip-offs Anonymous. We protect their identities when they choose to remain anonymous and, in so doing, prevent any form of retaliation. Other processes exist for addressing matters such as an employee's personal treatment or a customer's complaint. The Absa Way Code of Ethics training in 2020 included important messages about whistleblowing. Further, compulsory compliance training will be carried out in 2021, which will cover whistleblowing.

Legislation and regulations governing whistleblowing vary significantly from country to country. In cases in which any elements of the Group's policy would bring Absa into conflict with these laws and regulations, the laws and regulations take precedence. Any employee who has retaliated against an individual because they raised a concern about inappropriate conduct may be subject to disciplinary proceedings.

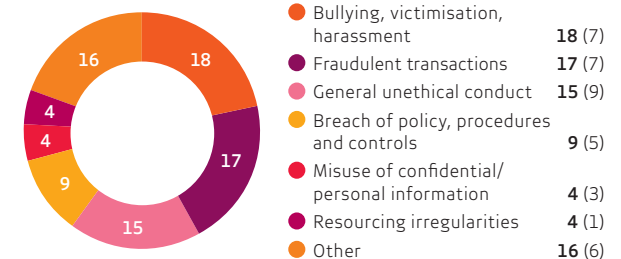
Tip-offs are one of the most effective means of detecting fraud and misconduct. When received, a tip-off is categorised and assessed for allocation to the appropriate investigative unit. Identified issues are referred to senior management for remedial action, which can range from disciplinary action to submission of required external reporting, such as the reporting of suspicious transactions as defined in the Prevention and Combating of Corrupt Activities Act (2003) to the Financial Intelligence Centre or the relevant police services.

### #MakeTheCallMakeADifference

Covid-19 triggered significant operational, financial and strategic challenges that may result in opportunities for fraudulent, corrupt or unethical behaviour. As general business rules shifted, risks evolved too, creating gaps for exploitation. Through our #MakeTheCallMakeADifference campaign, we encouraged ongoing vigilance regarding potential unethical or criminal behaviour. It served as a call to action for employees to use the whistleblowing facilities to raise concerns in the knowledge that their identity would be protected, and they would not be victimised. Our annual Whistleblowing Awareness Week in October included sharing relevant content, such as real-life stories of state capture whistleblowers – Bianca Goodson and Mosilo Mothepu; a talk by author of *The Whistleblowers*, Mandy Wiener; and a panel discussion on Global Ethics Day with ethics ambassadors David Lewis, GCE of Corruption Watch, and Richard Poplak, award-winning author, journalist and filmmaker, who shared insights on whistleblowing, ethics and ethical leadership. Regular communications are also issued via the All Absa Workplace channel encouraging employees to blow the whistle on fraud and misconduct. In addition, in the past, employees have been exposed to role-played training, where they were exposed to real-life situations that highlighted the need to blow the whistle.

In 2020, 312 employee conduct-related whistleblowing cases were reported (2019: 408). As at 2 February 2021, 27% of these had been substantiated. Only 21% of cases against senior management were substantiated. The necessary investigations were undertaken, and appropriate disciplinary action is applied where necessary. Offences of a criminal nature are referred to the relevant authorities for criminal prosecution.

### Substantiated whistleblowing cases (2019 comparative)





## Governance

### King IV reference

Leadership and organisational ethics			Stakeholder relationships		
Principles 1 and 2	1: The governing body should lead ethically and effectively. 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	102-16 – 102-25	Principle 16	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	102-42 – 102-43
Responsible corporate citizenship and regulatory compliance			Risk governance		
Principles 3 and 13	3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen. 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	102-19 – 102-20 403-3	Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	102-18 102-30 102-56
Strategy and performance			Technology and information governance		
Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation.	102-26	Principle 12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	102-18
Reporting and assurance			Delegation to management and committee		
Principles 5 and 15	5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects. 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	102-18 102-32 102-56	Principles 8 and 10	8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties. 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	102-28
Board's primary role and responsibility			Remuneration governance		
Principle 6	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	102-18	Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	102-18 102-35 – 102-36
Board composition			Board and committee performance evaluation		
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	102-24	Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	102-28
Responsibilities of institutional investors					
Principle 17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.			<a href="https://www.absainvestmentmanagement.co.za/wealth-and-investment-management/about-us/governance/">https://www.absainvestmentmanagement.co.za/wealth-and-investment-management/about-us/governance/</a>	





## 102-18 Governance structure

The Board is the highest decision-making body for those matters which are of such importance as to be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences.

### The Board

1. **Sets and steers strategic direction:** The Board challenges the Group strategy and approves the related value-creating goals and ambitions, ensuring that a robust strategy process is followed, the strategy defined, and executed by management.
2. **Approves policy and planning:** The Board approves major policies (such as the Enterprise Risk Management Framework) and related decisions, including financial plans and risk appetite, to support the Group's strategic ambition and to protect the interests of the Group's stakeholders.
3. **Provides oversight and monitoring:** The Board delegates to management the authority and responsibility for the day-to-day running of the business and reviews management's performance and effectiveness by overseeing strategy execution; delivery against plan; the customer franchise and the treating of customers fairly; the robustness of the control environment and the three lines of defence; the adequacy of data and information management and the resilience and suitability of technology systems, the attraction and retention of employees including through fair remuneration practices; the appropriate deployment of resources; and compliance with regulations and best practice.
4. **Ensures accountability:** Frequent and detailed reports and presentations are made to the Board and committees to ensure the accountability of management and the executive. This culminates in a determination of Group, business unit and individual performance as part of the performance and reward cycle. External disclosures are subject to governance processes to ensure that disclosures enable stakeholders to effectively assess the performance of the Group.

Our Board is committed to continuously improving our corporate governance principles, policies and practices through implementing evolving regulatory and best practices, as well as through acting on regular feedback from stakeholders.

Our Board Charter is the foundation of our governance principles and practices. The Charter:

- Outlines our Board and committees' mandates and specifies which matters are reserved for the Board.
- Defines separate roles for the Group Chairman and Group Chief Executive.
- Outlines a formal process for director appointment, induction and training.
- Dictates the Board's expectations of the directors, the chairmen of our Board committees and the Lead Independent Director.
- Sets criteria for director independence and the assessment of such independence.
- Requires that non-executive Board members attest to their independence and capacity on at least an annual basis.
- Details how to deal with matters of conflict of interest, including disclosures and recusals where relevant.
- Describes the assessment methodology for Board and Committee activities.
- Sets out how the corporate governance provisions in King IV, the South African Companies Act, the Banks Act (including South African Reserve Bank Directive 4/2008) and the JSE Listings Requirements will be put into practice.
- Acknowledges that there are applicable regulations and codes in our presence countries outside of South Africa.

Directors act in a way that they consider, in good faith, promotes the success of the Group for the benefit of stakeholders. In doing so, they consider, among other matters:

- The likely consequences of any decision in the long term.
- The interests of the Group's employees.
- The need to foster the Group's business relationships with regulators, suppliers, customers and other stakeholders.

- The impact of the Group's operations on the community and the environment.
- The imperative of the Group maintaining a reputation for high standards of business conduct and ethical behaviour and the need to act fairly in respect of shareholders and other stakeholders.

The non-executive directors have private meetings before each Board meeting to deal with any confidential matters that may need to be addressed. Representatives from compliance, internal audit and external audit can address the Group Audit and Compliance Committee separately in the absence of management. The Directors' Affairs Committee and Remuneration Committee also hold private meetings, as and when necessary. The Board has the authority to hire external advisers or consultants without management's approval.

The Board's structure balances the directors' powers so that no individual has unfettered authority in discussions or decision-making. Distinct roles exist for the Chairman, Group Chief Executive, Lead Independent Director, Chairs of Committees, and other non-executive directors.

- **The Independent Chairman** – Leads the Board and has the responsibility for ensuring the effectiveness and integrity of the Board and its committees.
- **The Lead Independent Director** – Provides support to the Chairman, is an intermediary for other directors, takes responsibility for the Board should a conflict of interest arise with regard to the Chairman, and manages the processes related to the performance assessment and annual reappointment of the Group Chairman.
- **The Group Chief Executive** – Leads the Group Executive Committee and has the responsibility for the execution of Group strategy, as well as the effective day-to-day management of the businesses.

All executive directors are appointed on standard employment contracts and are subject to a six-month notice period.



## Committees that support the Board

Each Board Committee has formal written terms of reference that are reviewed annually and effectively delegate certain of the Board's responsibilities.

**The Directors' Affairs Committee** – Assists the Board in establishing and maintaining an appropriate system of corporate governance aligned to King IV, the corporate governance provisions of the Banks Act and other relevant regulations, for the Group and material subsidiaries. This includes the composition and continuity of the Board and its committees; the induction of new Board members; director effectiveness evaluations; director independence and director's conflicts and disclosures of interests; reviewing and proposing governance policies; monitoring the governance structures of subsidiary entities; and considering matters of regulatory and reputational risk.

**The Group Audit and Compliance Committee (including the Disclosure Committee)** – Is accountable for the annual financial statements, accounting policies and reports; oversees the quality and integrity of the Group's integrated reporting; is the primary forum for engagement with internal and external audit; and monitors the Group's internal control and compliance environment. The Committee recommends the appointment of external auditors to the Board and shareholders.

**The Group Risk and Capital Management Committee** – Assists the Board in overseeing the risk, capital, funding and liquidity management of the Group by reviewing and monitoring:

- i. The Group's risk profile against its set risk appetite.
- ii. Capital, funding and liquidity positions, including taking into account applicable regulations.
- iii. The implementation of the Enterprise Risk Management Framework and the 12 principal risks defined therein.

It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital, funding and liquidity management in all relevant jurisdictions.

**The Group Remuneration Committee** – Sets and oversees the implementation of the Group's Remuneration Policy to deliver fair and responsible pay aligned with current and emerging market practice and to meet regulatory and corporate governance requirements, and to align the behaviour of executives with the strategic direction of the Group. It approves the total remuneration spend, including fixed pay, short-term incentives and long-term incentives, and any other remuneration arrangements, and the particulars of a defined senior population. It also considers and approves the Group's remuneration disclosure policies and ensures that disclosures are accessible, understandable, accurate, complete and transparent and that the Group remunerates fairly and responsibly across the Group in the context of overall employee remuneration, with a particular focus on remuneration differentials.

**The Social and Ethics Committee** – Monitors:

- i. Key organisational health indicators relating to social and economic development; good and responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation.
- ii. The Group's activities relating to its role in playing Africa's growth and sustainability and the impact thereof on the Group's employees, customers, and environment.

It applies the recommended practices and regulation as outlined in King IV and the Companies Act in executing its mandate.

**The Information Technology Committee** – Assists the Board. Effective oversight and governance of the Group's information assets and the technology infrastructure used to generate, process and store that information. The focus is on resilience and stability; architecture; data management; security (cyber and other), and digitisation. The technology impact of the Separation was a key focus as it required the introduction of new systems and managing the related costs and the associated risk.

**The Board Finance Committee** – Assists the Board in reviewing and approving certain levels of investments, outsourcing, acquisitions and divestments within the Committee's mandate; considers and recommends to the Board the short- and medium-term financial plan underpinning the Group strategy; considers and finalises the profit commentary as it relates to interim and year-end financial results; and approves the publication of the dividend declarations within the parameters determined by the Board.

**The Group Credit Risk Committee** – Considers and approves all large exposures that exceed 10% of qualifying capital and reserves, including single-name exposures and key country and sovereign risk limits, with reference to the credit risk appetite of the Group, as approved by the Board from time to time. It has oversight of credit risk and monitors industry, sector, and single-name concentration risks, trends and exposures.

**The Models Committee** – Assists the Board in approving Absa's material risk models on inception and then annually, as per the Group model risk policy and the Prudential Authority guidelines. It also approves the model risk framework; approves and monitors model risk appetite; approves appropriate post model adjustments; sets thresholds and tolerances for models and related post model adjustments; and oversees the model governance process, the external audit findings and the combined assurance work for all models.

**The Separation Oversight Committee** (in place until July 2020) – Conducted oversight of the Separation of Absa from Barclays, in particular the technology and brand change projects. The Committee obtained assurance from appropriate providers regarding these activities. Specific decisions related to Separation activities rested with the relevant Board committees, in accordance with their respective mandates.



## Subsidiary relations

Our **Group Governance Framework** standardises the application of key governance principles, frameworks, policies and standards across the material entities within the Group. The framework ensures that the Group's minimum requirements in governance, internal controls, financial management, disclosure controls, risk management, legal and regulatory compliance, internal audit, ethics management, human resources management, information management, stakeholder relationships and sustainability are complied with. It provides clarity on the roles and responsibilities of the Group and subsidiary boards, management of discretion limits across the Group and the proportional application of King IV by subsidiaries.

As a major bank, investment manager and insurer in various jurisdictions, we have significant responsibilities to our customers, our depositors, and the public at large to ensure a stable, secure and prosperous environment. We acknowledge our significant responsibility to our regulators and continue to have open, transparent, and cooperative relationships with them.

At subsidiary level, each management team is responsible for reporting to the legal entity's board on a regular basis so that the entity's board can monitor business performance, matters affecting the risk profile and risk appetite, the control environment, and matters of citizenship, ethics and stakeholder relationships. As a shareholder, the Group is involved in considering material decisions of its subsidiaries, although ultimate approval rights rest with the subsidiary boards.

While recognising the importance of local regulatory requirements, our various Group functions are responsible for the design of the systems and processes required to promote adherence to minimum Group requirements.

Engagements take place between the Group Chairman and the chairs of major subsidiary boards to discuss both strategic and operational matters.

Our Deputy Group Chief Executive and Chief Executive: Absa Regional Operations, Peter Matlare, engaged with the Absa Regional Operations subsidiary bank boards to manage business performance,

board composition, and regulatory relations. The latter required significant time and commitment in light of the Separation, in particular as this relates to the brand and name changes (completed in the first quarter of 2020), the implementation of new systems and technology, and the charging for related assets and services. The focus rapidly shifted to country responses to Covid-19 with a focus on business continuity, health and safety of customers and employees, credit risk and liquidity risk management and the stability of the financial sector.

Through the Absa Financial Markets Index, we also provided thought leadership on the importance of building resilient financial markets and proffered possible blueprints to different regulators and policy markets. The annual Absa Financial Markets Index report has become a significant development index on the financial markets and widely quoted by governments, policy makers and journalist as the benchmark indicator for excellence.

### 102-19 Delegating authority and 102-20 Executive-level responsibility on economic, environmental and social topics

The Group Board actively engages with management in setting, approving and overseeing execution of the strategy and related policies. It ensures that management:

- i. Maintains internal controls for effective and efficient operations, and compliance with laws and regulations.
- ii. Does so within an ethical environment.
- iii. Receives assurance over key controls and related activities.

Environmental, social and governance matters are delegated to various Executive Committee members, in accordance with their responsibilities. Each report directly to the Group Chief Executive.

Social and Ethics Committee meetings are, as a minimum, attended (in addition to the non-executive director members and the Group Chief Executive), by the:

- Group Chief Compliance Officer.
- Group Executive: Employees and Culture.
- Deputy Group Chief Executive and Chief Executive: Absa Regional Operations.
- Chief Executive: Retail and Business Banking South Africa.

These executives represent key functions supporting the substantive matters within the remit of the Social and Ethics Committee.

Our Financial Director is responsible for various matters relevant to the Committee, including the Group's sustainability programme, company secretariat, real estate management (direct environmental impact), supplier management, and the Group's integrated and environmental, social and governance reporting and attends the Social and Ethics Committee when the relevant teams report on these matters.

The Executive Committee and its various committees report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums.

### 102-21 Consulting stakeholders on economic, environmental and social topics

The Group and Board proactively engage with material stakeholders, including regulators, shareholders, employees and other stakeholders indirectly through reports and updates. The Board aims to balance the needs, interests, and expectations of stakeholders and to address any concerns they may have. We have a decentralised stakeholder engagement model and outcomes are considered through various management and Board processes.

In 2020, the Social and Ethics Committee considered and approved the annual revision of the Group Stakeholder Policy, and noted the related Business, Industry and Professional Association Standard.

The Chairman engaged with shareholders ahead of the June 2020 annual general meeting on various matters, including climate change, with a favourable vote on our non-binding resolution supporting certain climate-change-related disclosures.

Governance matters and the arrangements and composition of the Board and the nature of the reporting from management committees to the Board (and its committees) forms a key part of the formal annual meeting between the Chairman and the Prudential Authority. Matters pertaining to Board succession, Chairman succession, executive succession and Board training and development are all topics discussed at this meeting.

Diving deeper: 24 -25 ESG 102-40 to ESG 102-43



## 102-22 Composition of the highest governance body and its committees and 102-23 Chair of the highest governance body

As at 23 March 2021, our Board had 16 members, 11 of whom are independent, three of whom are non-executive directors and two of whom are executive directors. Twelve are South African, of whom six are African, Indian or Coloured and five of whom are women. Daniel Mminele also holds British citizenship. The remaining members are Ghanaian/British, Kenyan, Ugandan/British and British.

Our Group Chairman, Wendy Lucas-Bull, is an independent director. Siphon M Pityana was appointed Lead Independent Director in June 2020.

Various regulations, including the South African Companies Act, the JSE Listings Requirements, the South African Banks Act, the South African Reserve Bank Directive 4 of 2018 and King IV guide the composition of the following committees:

- Directors' Affairs Committee: We require only independent directors; chaired by the Group Chairman.
- Group Audit and Compliance Committee: We require only independent directors.
- Social and Ethics Committee: We require a majority of independent directors.
- Group Remuneration Committee: We require only independent directors.
- Chairs of statutory committees – the Directors' Affairs, Group Audit and Compliance, Social and Ethics, Credit Risk, Remuneration, and Risk and Capital Management committees – are independent directors. The Models Committee is chaired by an executive director.

 Board member biographies [www.absa.africa/absafrica/about-us/board-and-management](http://www.absa.africa/absafrica/about-us/board-and-management)

## 102-24 Nominating and selecting the highest governance body

The Board endorses the recommendation of King IV that a board of directors should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence. The Johannesburg Stock Exchange requires listed entities to establish a policy on the promotion of broader diversity at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills, and experience. We set and regularly review targets for race and gender. Other aspects will continue to be managed and, where appropriate, disclosed.

The extent and complexity of the Group influences our Board's composition, and we strive to have an appropriate balance of diversity to ensure robust governance, keen commercial decision-making, and strong technical inputs. The Board considers a range of factors in the selection of candidates. These include, but are not limited to, skills, knowledge, professional experience, the ability to provide strong technical inputs, cultural and educational background, gender, race, age, tenure, and the requirements of all relevant regulations.

Our Board is diverse in terms of age, race, gender, ethnicity, tenure, country of origin, culture, educational background, skills, experience, and knowledge, providing a fertile environment for discussion, debate, input and challenge, and thoughtful outcomes. The composition review considers rotation plans, tenure, succession, retirement, resignation, skills, and the outcomes of Board evaluations.

Our Directors' Affairs Committee formally facilitates and recommends director appointments for final approval by the Board. The election or re-election of Board members is recommended to shareholders for vote at the annual general meeting.

### Race and gender policy

The targets for race and women representation are a minimum of 40% and 30% respectively. As a pan-African financial services group, the Board recognises the benefits of having South African, pan-African and non-African Board members.

- 31% of the members of the Group's Board are women.
- 38% of the members of the Group's Board are AIC<sup>1</sup>.

<sup>1</sup> All African, Indian or Coloured employees qualifying for South African citizenship by birth or descent, or employees who were naturalised before 27 April 1994.

### Skills and expertise policy

Members must have the highest levels of integrity, a deep understanding of governance, an appropriate technical, financial and non-financial knowledge and interpersonal skills. Skills and experience in banking, risk and capital management, technology, commercial and industrial, accounting, legal and human resources, and sustainability are required of the Board as a collective.

In assessing the skills requirements within our current operating context, our analysis shows that additional skills in the area of (i) banking, risk and treasury would be ideal given the ever increasingly complex regulation and developments in these areas; and (ii) legal due to the importance of the South African legal environment to our

business and the commercial arrangements dealt with. This will be addressed with the appointment of two suitable non-executive directors in due course. All Board members will need to become skilled in the areas of environmental and social sustainability, and climate change. We began bolstering these skills in 2019 through training and deep dive sessions, and this will be a focus to ensure a general understanding of these challenges and their ramifications.

Over the past year, we continued to strengthen and refresh our Board skills and experience, specifically in technology, human resources and sustainability. The below analysis, as at 23 March 2021, provides the mix of skills and expertise.

Our boards outside of South Africa also continue to focus on their composition and skill sets.

### Skills and expertise



### Independence policy

The Board should have a majority of non-executive directors, most of whom should be independent. The majority of our Board members are independent directors, which complies with King IV and global best-practice governance. Related-party transactions hardly ever arise and would be dealt with on a recusal basis when they do.

Directors who were assessed in 2020 maintained their independent status. Independent non-executive directors are assessed annually in accordance with the JSE Listings Requirements and King IV recommendations.

In early 2021, we reassessed independence and conducted a detailed time and capacity assessment as recommended by the South African Reserve Bank Governance Directive 4 of 2018.



We seek to promote independent judgement and diverse mindsets and opinions, irrespective of classification. All directors must exercise their judgement independently, irrespective of their independence status.

**Other directorships**

The Group recognises the benefits of non-executive director appointments on the boards and governance fora of other companies or in other public roles, however, in line with King IV's recommendations, non-executive directors are required, on an annual basis, to formally confirm their capacity to effectively discharge their duties and responsibilities as members of the Board and its committees.

The Board Charter provides guidance with respect to the maximum number and types of directorships/trusteeships/advisory roles and other appointments that a director may hold in addition to his/her directorship(s) within the Absa Group. Non-active entities and family-related entities are not considered for this purpose.

For non-executive directors with no executive role:

- One additional large-cap listed entity board; plus
- Four sizeable active private company boards; or
- Two mid-cap listed boards and two sizeable private company boards.

For the non-executive directors with an executive role:

- One sizeable active private company board; or
- One mid-cap listed board.

An appointment as a director, trustee (in respect of an external trust) or advisory board member of any company or other entity (including any form of public role) outside the Group is subject to the prior approval of the Chairman of the Board, who will consider any conflict or potential conflict that may arise as a result of the appointment. If required, the appointment may be referred to the Directors' Affairs Committee and/or the Board for decision.

Executive directors should not hold any external directorship, trusteehip, or advisory board membership, or take up a public role (outside of the normal scope of business) unless the external

appointment has been approved by the Directors' Affairs Committee. Further, they should not accept an appointment as a non-executive director of any other company or entity where a non-executive director of Absa Group or Absa Bank is also a director or holds another similar position.

**Tenure policy**

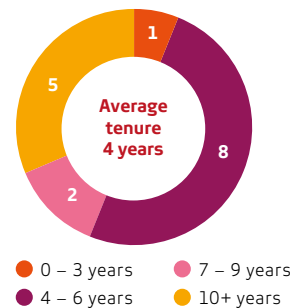
We provide for a staggered rotation of Board members to retain knowledge, skills and experience and to maintain continuity, while simultaneously introducing new expertise and perspectives. Directors serving over nine years are subject to annual re-election. Length of service is part of succession planning. The balance of longer-serving directors and recent appointees provides a combination of Group-specific experience and fresh challenge.

In terms of the South African Reserve Bank Directive 4 of 2018, directors who have served for longer than nine years are categorised as non-independent. Mohamed Husain and Colin Beggs each served on the Board for more than nine years. Mohamed retired at the June 2020 annual general meeting, while Colin was reclassified as a non-executive director.

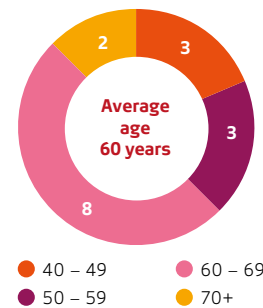
**Age**

Diversity of age complements diverse sets of skills and experience and capacity and supports the diversity of the Board.

**Tenure**



**Age**



**102-25 Conflicts of interest**

**Ethics and culture**

Our Board appreciates the importance of ethics and culture and their contribution to value creation and is committed to instilling ethical values throughout the Group, beginning with the conduct of individual directors. Directors must strive to:

- Uphold the standards of conduct required of them by law, regulation, policies and ethical standards.
- Demonstrate the behaviours that are consistent with the Group's values.

The Board monitors the Group's activities, relating to relevant legislation, other legal requirements or prevailing codes of best practice applying to employees, culture and labour/employment matters, and the overall franchise health.

Ethics and conduct are key features of the mandate of the Social and Ethics Committee with management having the implementation responsibility.

Directors have a responsibility to avoid situations that place, or are perceived to place, their personal interests in conflict with their duties to the Group. The Board Charter requires directors to declare any actual or potential conflict of interest immediately once they become aware of it. Before each scheduled meeting, each director submits a declaration of interest form, outlining his/her other directorships and personal financial interests, including those of their related parties. Where actual or potential conflicts are declared, we implement a recusal procedure and affected directors are excluded from discussions and any decisions on the subject matter related to the declared conflict.

We consider actual and potential conflicts of interest in the annual assessment of directors' independence. Any proposed Board appointment must also be agreed with the Chairman prior to the director accepting such an appointment.

In the case of the Group Chairman's acceptance of an appointment as Chairman of a major South African retailer, the matters of capacity and conflicts were discussed. In regard to conflicts, given that the retailer is a client, although most activity takes place at a management level, in the event that any decision were to come to





the Board or Committee, the Chairman will not have sight of the papers and will be recused from any discussion and decision.

There is no controlling shareholder of the Group. Related parties are disclosed in Note 50 of the Group's 2020 consolidated and separate annual financial statements.

### 102-26 Role of the highest governance body in setting purpose, values and strategy

In the 2017 Integrated Report, we announced our revised purpose – to bring possibilities to life – and growth strategy, which had been deliberated and approved by the Board.

Our purpose statement **Bring your possibilities to life** was co-created and symbolises the Group's intention to be an entrepreneurial, innovative organisation and is an embodiment of growth for Africa, our employees and the business. This purpose is the driving force that defines our brand, continually inspires the desired culture and connects customers to opportunities that makes what is possible real.

In the 2018 Integrated Report, we announced the Group's new values, which were a result of an extensive collaboration by employees across our business and were considered and approved by the Board.

The Board is responsible for delivering sustainable value through oversight of the management of the Group's business, through challenging and approving strategic plans proposed by management, and by monitoring implementation of the strategy and plans within the context of the approved risk appetite, the available opportunities, and the macro and regulatory environments.

Following the setting of the Group's strategy, our Board monitors the execution through regular updates from the executive directors. Given the significant disruption resulting from the Covid-19 pandemic, it was not possible, or appropriate, for management to present business-as-usual execution updates to the Board. The second quarter was marked with intense activity related to capital and liquidity preservation and assistance to customers and protection of employees. These matters were the focus of reporting to the governance fora. Revised financial and short-term execution plans were presented to the Board and committees.

The Covid-19 pandemic accelerated many banking trends and cemented their criticality to banking going forward. Further, as the crisis materially influenced customer needs, behaviours and

expectations, as well as impacted our business performance trajectory, a review of our strategy was undertaken.

A review process was followed to identify the changes in the market, our performance gaps, and what was needed to thrive post-crisis. The Board received updates on the progress and outcomes of the review process and the refreshed strategy was presented to the Board in October. The process confirmed that our strategic choices remain relevant, and that our execution could benefit from more precision and speed. The process culminated in the Board's approval of the Group's integrated plan and medium-term plan in December 2020.

Alongside this process, the Social and Ethics Committee considered and supported the Group's refreshed role in society strategy, which brings together various aspects of the Group's environmental, social and governance activities into a consolidated framework.

Diving deeper: 35 Role in society

### 102-27 Collective knowledge of the highest governance body

The Group Board is committed to training and upskilling of its Board members. Newly appointed directors receive comprehensive induction training, which includes engagement with customer-facing business leaders and functional executives in the areas of risk, finance, treasury, credit, human resources, brand and marketing, compliance, legal and internal audit, in order to give them a holistic understanding of the Group.

Directors are, on an ongoing basis, provided with training and briefings on relevant topics to enable them to stay abreast of developments in the regulatory, technology, corporate governance, socioeconomic and business environments. Specific training is delivered through presentations from internal and external experts, as required. In 2020, the Board participated in sessions relating to changes in the legislative universe, financial crime, insights into sensitive sectors from a credit point of view, conduct-related legislation, land reform matters and the difficulties being experienced by state-owned entities, and exposure to sovereigns.

More general upskilling in terms of Board presentations and electronic reading material distributed to directors occurs throughout the year which was extraordinary in response to the crisis. Topics in 2020 included the World Economic Forum 2020 Global Risks Report, culture; various Covid-19 and crisis management-related articles (PwC, EY, McKinsey, BCG Harvard and others); and macroeconomic updates (Absa research desk and others).

### 102-28 Evaluating the highest governance body's performance

The Group conducts biennial reviews of all governance structures through alternating between a self-assessment and an independent facilitated process. The Institute of Directors of Southern Africa facilitated the 2020 evaluation and assessed the effectiveness of the Board and its committees (including the Social and Ethics Committee and its coverage of environment, social and governance topics; individual directors and the Group Chairman. The Chairman provides individual peer review feedback to each board member while the lead independent director provides peer feedback to the Chairman.

No significant matters of concern were noted with all governance areas rated four and above, out of five. The Group rated exceptionally well in governance areas covering Board Culture and Board Committees. The governance areas covering Board Composition rated marginally lower, and an action plan will be put in place to address the granular findings identified for improvement, and updates will be provided to the Board. The Social and Ethics Committee was assessed along with all the other committees. The Committee was comfortable with the assessment that all key matters within its agenda, including anti-corruption, corporate citizenship, the United Nations Global Compact Principles, B-BBEE, environmental, health and public safety, sufficiency of coverage in regard to ESG, Customer Relations, Employees, Talent Management and Conduct and Ethics, were adequately or well covered in the assessment. The Social and Ethics Committee received an overall rating of 4.2 out of five and corporate citizenship and B-BBEE were rated as excellent. Room for improvement was noted concerning achieving effective alignment between shaping the role in society for the business in all regions across Africa and the embedding of the integration of the entire spectrum of ESG matters into activities related to business as usual. The Board considered the outcomes of the assessment in recommending directors for re-election by shareholders at the 2021 annual general meeting and in recommending the annual appointment of the Group Chairman after that meeting.

We amended the terms of reference of the Social and Ethics Committee considering the evaluation outcomes and relevant legislation to reflect:

- Greater oversight of sustainability and ESG matters.
- The Financial Sector Conduct Authority's Conduct Standard for Banks (2020), which requires the Board be accountable for the approval, establishment, embedment, ongoing review of, and continued compliance with, the bank's governance arrangements to reasonably ensure the fair treatment of its financial customers.



- Greater emphasis on the importance of culture.
- The approval of the refined role in society strategy to support the Group's strategic enabler, to play a shaping role in Africa's growth and sustainability.

#### Group Company Secretary

Our Company Secretary advises the Board and individual directors on their fiduciary duties and on corporate governance requirements and practices. She has unfettered access to the Group Chairman and her office is sufficiently resourced to perform its duties. The Board evaluates the qualifications, competence and experience of the Group Company Secretary annually and remains satisfied that she is qualified for the role. During its annual review in 2020, the Board reconfirmed her independence in relation to her interactions and arm's-length relationship with the Board and its members.

#### 102-29 Identifying and managing economic, environmental and social impacts

As indicated above, the Social and Ethics Committee monitors the Group's activities relating to social and economic development, sustainability more generally, good corporate citizenship, conduct, ethics, sustainable development, labour and employment, consumer relations, stakeholder management, transformation, the environment, and health and safety. These considerations are informed by various regulatory requirements, stakeholder inputs as well as emerging ESG frameworks.

In 2020, a primary focus was the impact of the Covid-19 pandemic and the resulting impacts on the Group, as well as the social and economic fabric of society. Covid-19 has exacerbated the negative impacts of many of the ESG matters actively managed by the Group and thus influenced the way we have, and continue to, respond. The Social and Ethics Committee spent significant time discussing the impact on customers, the payment relief provided and the resultant trends, as well as the wellness of our own employees and the various initiatives by management to support them. The Committee also considered the Group's progress against the Principles for Responsible Banking; the United Nations Global Compact and related requirements; and the refreshed role in society strategy with the aim of increasing the Group's positive impacts relating to ESG matters, for example, in the arena of sustainable finance and supporting the just transition.

Diving deeper: 19 ESG 102-19, 102-20 and 102-21

↓ 2020 Principles for Responsible Banking Report

#### 102-30 Effectiveness of risk management processes

While the Group Risk and Capital Management Committee assists the Board with the governance and oversight of risk, capital, funding and liquidity management, other Board committees monitor the key risks relevant to their mandates:

- Group Credit Risk Committee: Credit and concentration risk.
- Social and Ethics Committee: Conduct, reputation, employees and sustainability risks.
- Directors' Affairs Committee: Reputational risk.
- Group Audit and Compliance Committee: Financial reporting, operational, fraud and tax risks.
- Models Committee: Model risk.
- Information Technology Committee: Information and technology risk, including cyber risks.

The Group's Enterprise Risk Management Framework, incorporating principal risks and sub-risk types, which touch on environment, social and governance matters, is reviewed and approved by the Board annually and provides the basis for setting policies and standards, as well as for establishing the appropriate risk practices throughout the Group.

Executive management is responsible for determining the standards supporting the application of these policies and standards, and for executing risk policies and embedding risk management in the business.

In terms of environmental, social and governance risks, our Social and Ethics Committee assesses management's response in terms of the Conduct Risk Framework, relating to customers, labour and conduct. The committees are also responsible for overseeing the expansion of our environmental risk management approach through the sustainability programme.

The Group applies a risk-based, combined assurance approach over its operations, combining management assurance, compliance, and internal audit reviews, as well as utilising the services of independent external service providers to assess the effectiveness of risk management practices.

#### 102-31 Review of economic, environmental and social topics

In 2019, we undertook a comprehensive review of our environmental and social risk management approach, taking into account current and emerging frameworks such as the United Nations Environment

Programme Finance Initiative's Principles for Responsible Banking, which encompasses the United Nations Sustainable Development Goals and the Financial Stability Board's Task Force on Climate-related Financial Disclosures. The outcome was a public commitment to the Principles for Responsible Banking, publicly available Sustainability Policy and a Coal Financing Standard, which complements the current policies, standards and guidance documents.

In 2020, the Social and Ethics Committee deliberated management's submissions on various ESG matters, including an assessment of the impacts, risks and opportunities relating to the environment; compliance of our buildings with environmental and health and safety norms; our physical presence footprint; the Group's spend in relation to our communities; and other citizenship and constitutional initiatives.

↓ 2020 Principles for Responsible Banking Report

#### 102-32 The highest governance body's role in sustainability reporting

We demonstrate our commitment to these governance principles through credible and comprehensive financial and non-financial reporting and disclosures, as well as through constructive stakeholder engagement.

As appropriate, our Board aims to ensure that public disclosures align with best practice and are subject to proper internal and/or external assurance and governance procedures.

In 2020 and 2021, the Social and Ethics Committee:

- Approved the Group Transformation scorecards for 2020 and 2021 and the Group's 2020 Broad-Based Black Economic Empowerment Report.
- Approved this 2020 Environmental, Social and Governance Report, the Group's first United Nations Environment Programme Finance Initiative's Principles of Responsible Banking Report and the Group's first Task Force on Climate-related Financial Disclosures (TCFD) Report. The climate-related disclosures as approved by shareholders at the 2020 annual general meeting are disclosed in the 2020 TCFD Report.

The Disclosure Committee is a sub-committee of the Group Audit and Compliance Committee, which comprises the chairs of the various Board committees and two executive directors. The Committee oversees the Group's integrated reporting process and reviews and recommends the approval of the annual Integrated Report to the Board.

↓ 2020 TCFD Report



### 102-33 Communicating critical concerns and 102-34 Nature and total number of critical concerns

The Executive Committee, or the relevant management committee reporting to the Executive Committee, reviews any critical concerns in the first instance. As required, these matters are then escalated to the relevant Board committee chair and on to the committee in question. Finally, if deemed appropriate, the final escalation will be to the Board as a special topic:

- Through the Group Chief Executive, Chief Risk Officer or Financial Director's reports; or
- Through a Board committee chair's report back.

We do not disclose the number and nature of specific critical concerns, however, the thematic critical concerns for 2020 included:

- Banks and other financial institutions responses to the Covid-19 pandemic including capital and liquidity management; health and safety; customer relief interventions; and other support to the economy.
- Compliance with and/or readiness relating to various regulatory frameworks, including the International Financial Reporting Standards accounting standards, capital and liquidity, privacy, and conduct.
- Finalisation of a successful Separation programme, on time and within budget.
- Changing the Group's risk operating model to be more centralised and less federalised.
- Socio-political issues, including:
  - The governance and going concerns status of state-owned entities.
  - Extremely high unemployment and whole industries and sectors at risk due to the pandemic.
  - State capture in South Africa.
  - Land expropriation without compensation in South Africa.
  - The independence of the South African Reserve Bank.
  - Systemic economic weakness in certain of our presence markets.
  - The knock-on impact of each of these matters on the economy and outlook.

- Fraud, including cybercrime.
- The payments systems and the control environment.
- Talent retention and emigration (loss of certain key skills).
- Transformation in the financial sector and the related ownership of equity in the Group.


### 102-35 Remuneration policies and 102-36 Process of determining remuneration

Our comprehensive remuneration report provides information on our remuneration policy, any changes made in the year, and the progress on implementing such changes. This includes information on the process of determining individual remuneration, with a particular focus on senior executives. Readers are referred to the detailed Remuneration Report for our complete disclosures.

↓ 2020 Remuneration Report

### 102-37 Stakeholders' involvement in remuneration

We received an 82.99% 'For' vote for the Group's 2019 Remuneration Implementation Report, an 87.22% 'For' vote our Remuneration Policy and 98.57% of shareholders voted in favour of the proposed remuneration for the non-executive directors at the 2020 annual general meeting (2019: 68.57%; 88.96%; and 97.44% respectively).

 The 2021 annual general meeting voting outcomes will be published on [www.absa.africa](http://www.absa.africa) following the meeting that will be held on 4 June 2021

### Stakeholder engagement

#### 102-40 List of stakeholder groups

Our key stakeholder groups are the investment community (current and prospective shareholders; debt investors; investment analysts and credit rating agencies); customers; employees and recognised employee unions; regulators and government; the planet; and society, which includes suppliers, community organisations and the media.

#### 102-41 Collective bargaining agreement

We have recognition agreements with 13 trade unions across our operations, covering 53.8% of our employees (2019: 14; 56.0%). This is consistent with 2019. For employees outside the collective bargaining process, their working conditions and terms of employment are governed and/or determined in terms of their contract of employment and relevant policies.

### 102-42 Identifying and selecting stakeholders

The Group's primary stakeholders are:

- Customers
- Employees (and recognised labour/employee unions)
- Investor community
- Regulators
- Society
- The Planet

Diving deeper: 26 ESG 102-44

### 102-43 Approach to stakeholder engagement

Value for Absa means delivering on our purpose of bringing possibilities to life. We do this by delivering tangible value to our stakeholders. We recognise that the quality of our relationships with stakeholders impacts our ability to fulfil our purpose. We therefore measure the quality of our relationships through various mechanisms to make an informed assessment.

Stakeholder engagement is a process that provides valuable information about our business, social, political, and physical environment to shape strategic thinking and hone our decision-making processes. We regard all our material stakeholders as important partners and seek to effectively identify, understand and manage all of them to enhance business sustainability, reduce risk and ensure a successful implementation of our strategy.

To deliver sustainable performance, we balance the needs of stakeholders over the short-, medium-, and long-term. The input and challenges raised by stakeholders are important in shaping and validating our strategy and our conduct.

Management of stakeholder risk is an integral part of risk management and is managed through our Group Stakeholder Engagement Policy and the Business, Industry and Professional Associations Standard. Other related policies include the Group Citizenship Policy, the Media Relations Policy and the Sponsorship Policy. These policies are reviewed annually. All sponsorships and citizenship investments are subject to the Group's due diligence assessments, which includes anti-bribery and corruption, sanctions, politically exposed employees and adverse media screening.

The frequency of engagement is designed and customised to each stakeholder based on Group's strategy, priorities for the business, identified risks or developing issues. Executives define the engagement approach, including the mechanisms of engagement, the frequency of engagement, issue management, reporting and dispute management.

The Board and Social and Ethics Committee provide supervision of, and direction for, stakeholder engagement matters and recognise our decentralised stakeholder engagement approach, which makes use of a central point to collate engagement results.

It is the responsibility of all employees to manage relationships effectively, guided by the Absa Way Code of Ethics, to ensure, within reason, that both internal and external stakeholders' reasonable needs and expectations are met.

Continuous assessment and monitoring of our stakeholder engagement efforts is important, and we continue to refine our stakeholder management methodologies, and improve the measurement of the quality and maturity of stakeholder relationships.

While not a formal part of our annual reporting process, we solicit views from stakeholders on the matters covered in our reports through ongoing interactions and seek informal feedback following the publication of our integrated reporting suite.

### Stakeholder engagement principles

The principles that underscore our stakeholder engagements are:

- Consistent messaging.
- Consistent dialogue to understand stakeholder needs, interests and expectations in order to incorporate these into our decision-making.
- Consistent collaboration to establish meaningful relationships with stakeholders and to align them with our goals.
- Communications that are proactive, honest, and consistent.
- A commitment to creating a sustainable business and to being an active force for good in society.
- Responsiveness to a changing business environment and to the legitimate needs, interests and expectations of our stakeholders.

### Whistleblowing contacts

Our external service provider, Tip-offs Anonymous, is managed by Deloitte. It operates a call centre on a 24/7/365 basis, offering assistance in all official South African languages and several international languages, such as German, Spanish, French, Italian, Polish and Portuguese.

Whistleblowers can send an e-mail to [protect@tip-offs.com](mailto:protect@tip-offs.com) or visit [www.tip-offs.com](http://www.tip-offs.com). They can also send an e-mail to the Absa Priority Investigations and Whistleblowing team directly on [protected@absa.africa](mailto:protected@absa.africa)

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Mascom 71 119 312/  
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**Kenya**

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**Mauritius**

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**Nigeria**

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**Uganda**

800100255

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0800 069 8171

**United States**

+866317 7033

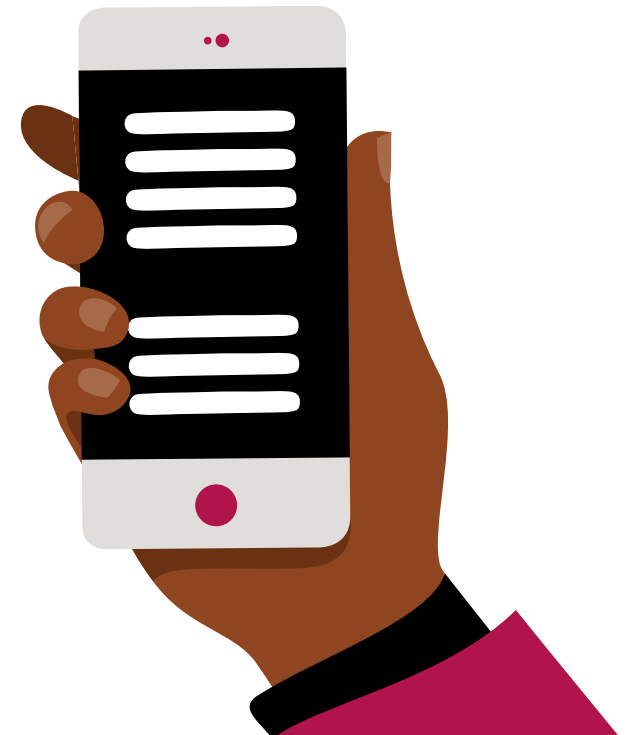
**Zambia**

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Call back number Africa

(except South Africa and Namibia)

+27 11 929 3332





## 102-44 Key topics and concerns raised

Our stakeholders' needs and expectations

**Value for Absa means delivering on our purpose of bringing possibilities to life.** We do this by delivering tangible value to our stakeholders. We recognise that the quality of our relationships with stakeholders impacts our ability to fulfil our purpose. We therefore measure the quality of our relationships through various mechanisms to make an informed assessment.

**Quality of relationship**

- Good
- To be improved
- Poor




### Investor community

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#### How we measure success

- Shareholder returns
- Return on equity
- Revenue growth
- Investor engagements
- Shareholder voting outcomes



#### Who they are

- Over 22 000 local and international shareholders, including retail, asset managers, pension funds, sovereign wealth funds and corporate holdings.
- Investment analysts.
- Prospective investors.
- Debt investors and credit rating agencies.

#### Needs and expectations

- Maintaining a well-capitalised position.
- Sustained investment returns.
- Adequate shareholder returns.
- Sound risk management that takes operating conditions, competition and opportunities into account.
- Improved efficiencies, while managing strategic investments.
- Sound ESG practices.
- Transparent reporting and disclosures.

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#### Strategic response/value proposition

We effectively manage risk and create sustainable returns by:


- Driving sustainable growth in total shareholders return through a responsible dividend policy and growth in share price.
- Delivering returns on debt-based investments delivered within agreed timelines.
- Concluded the separation from Barclays PLC on time and below budget.
- Concluded the disposal of the Edcon portfolio.

#### Measuring performance<sup>1</sup>

- ▲ R81.4bn revenue (2019: R80.0bn).
- ▼ R8.0bn headline earnings (2019: R16.3bn).
- ▼ Total shareholders return: (15.6%) (2019: (1%)).
- ▼ 7.2% return on equity (2019: 15.8%).
- ▲ 1.92% credit loss ratio (2019: 0.80%).
- ▼ 56.0% cost-to-income ratio (2019: 58.0%).
- ▼ No dividend declared.
- ▲ All shareholder resolutions passed including 99% for climate disclosures and 83% for our remuneration implementation report (up from 69%).

<sup>1</sup> Normalised excluding capital ratios

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#### Responding with purpose in a crisis

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#### Focus:

- Maintaining financial resilience, managing liquidity, credit risk, capital and discretionary costs closely.
- Responsive cost management and resilient revenue produced 7% pre-provision profit growth.
- Operating expenses decreased as a result of benefits derived from previous restructuring from management actions undertaken including hiring freezes in response to Covid-19.




### Customers

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#### How we measure success

- Customer service satisfaction measures
- Complaints management performance
- Market share
- Cross-sell ratio
- Digital adoption



#### Who they are

- Individuals: Entry-level to high net-worth, across all ages.
- Businesses: Sole proprietors; small and medium enterprises; large corporates and multinationals.
- Public sector: Local, provincial and national government and state-owned enterprises.
- Various other legal entities such as development finance institutions, other financial institutions, trusts, non-governmental entities and associations.

#### Needs and expectations

- Cost-effective, convenient and innovative financial services.
- Credible brand, trustworthy relationship, safety and protection against fraud encompassing physical and data security.
- Responsible banking with transparent pricing.
- Excellent customer service and advice.
- System reliability and ability to transact through their chosen platform.
- Best practice safety measures for customer wellbeing.

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#### Strategic response/value proposition

We deliver innovative technologies and propositions to help our customers bring their possibilities to life.


- Improving access to financial services and local, regional and global markets.
- Deepening relationships with customers through a life-stage/ecosystem approach.
- Providing an extensive and accessible network combining physical outlets, call centres, digital platforms and strategic partners.
- Protecting data privacy and ensuring cybersecurity through robust technology and data management.

#### Measuring performance

- ▲ 86% Treating customers fairly score (2019: 84%).
- ▲ 77% RBB SA customer experience (2019: 76%).
- ▲ 74% CIB customer experience (2019: 73%).
- ▲ 68% ARO Business Bank customer experience (2019: 65%).
- ▼ 72% ARO Retail Bank customer experience (2019: 73%).
- ▲ Improving complaints management processes.
- ▲ 34% NPS RBB SA (2019: 33%).
- ▲ 20% NPS ARO Retail (2019: 18%).
- ▲ 11% NPS ARO business banking (2019: 3%).
- ▲ Increased digital adoption.
- ▲ Increased cross-sell in South Africa.

NPS Net promoter Score

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#### Responding with purpose in a crisis

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#### Focus:

- Supporting the safety and wellbeing of our customers.
- Supporting our customers in managing their finances through this challenging period.

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**Quality of relationship**

● Good ● To be improved ● Poor

## Employees

**How we measure success**

- Employee engagement
- Diversity targets
- Ability to attract, develop and retain talent and critical skills

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**Who they are**

- 36 737 employees (South Africa 27 160, Absa Regional Operations 9 543; international 34).
- 61.1% women and 38.9% men.
- 76.4% AIC<sup>1</sup> employees (South Africa).
- 56.8% below the age of 40 and 85.1% below the age of 50.
- 13 recognised employee trade unions covering 53.8% of employees.

**Needs and expectations**

- An ethical workplace with opportunities to contribute to society and one that is supportive of environmental and social sustainability.
- A diverse, inclusive and supportive workplace where all employees are treated equitably without bias.
- Job security, strong leadership and change management especially during the Covid-19 pandemic.
- Dynamic working hours and workspaces.
- Fair pay and terms of employment with market-related reward and benefits.
- Training, development and career opportunities.
- A safe workplace.

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**Strategic response/value proposition**

We create an environment where employees can fulfil their potential and deliver excellence to our customers by:

- Creating differentiated experiences and inspiring a diverse and inclusive workforce.
- Attracting and retaining the best talent.
- Encouraging self-led development and opportunities for career progression.
- Delivering performance-based reward and recognition.
- Providing a comprehensive wellness programme and supporting the transition to work-from-home.

**Measuring performance**

- ▲ 73% response rate for employee experience survey (2019: 61%).
- ▲ 64.1% engaged employees<sup>2</sup> (baseline measurement).
- ▼ 7.0% permanent employee turnover rate (2019: 11.3%).
- ▲ 96.5% retention of high-performing employees (2019: 93.2%).
- ▼ 50.7% senior AIC<sup>1</sup> management (2019: 51.4%) Remains below target.
- ▼ R406m invested in training and development (2019: R451m).

<sup>1</sup> African, Indian or Coloured (South Africa).  
<sup>2</sup> As measured through the new Colleague Experience Index.

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## Responding with purpose in a crisis

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**Focus:**

Primary focus on the health, wellness and safety of our employees including the safety of frontline workers and managing the transition to sustained remote working.

## Regulators

**How we measure success**

- Effective compliance with regulatory requirements and regulatory change
- Strong capital and liquidity levels
- Feedback on regulatory returns and inspections

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**Who they are**

- South Africa: Reserve Bank including the Prudential Authority; the National Payments System Department and the Financial Surveillance Department; the Financial Sector Conduct Authority; National Credit Regulator; Revenue Service; National Treasury; Financial Intelligence Centre; and the JSE.
- Absa Regional Operations: Central Banks/banking regulators; capital markets, securities and revenue authorities; insurance regulators and local stock exchanges.
- United Kingdom and United States: Financial Conduct Authority, Prudential Regulation Authority and the US Securities and Exchange Commission.
- Other relevant government departments including, but not limited to, labour, health, environmental, and trade and industry.

**Needs and expectations**

- Compliance with all relevant laws and regulations.
- Financial system stability spanning financial soundness to fair treatment of customers.
- A business responsive to regulatory change.
- An ethical work environment.
- Contribution to governmental development plans and national priorities as well as to the fiscus through fair tax payments.

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**Strategic response/value proposition**

We support the creation of an environment that facilitates sustainable growth for all. We do this by working with regulators and providing input into policymaking and the development of regulations

- Comprehensive regulatory change management programme.
- Facilitating responsible banking by ensuring appropriate due diligence is followed.

**Measuring performance**

- ▼ 11.2% common tier 1 equity ratio (2019: 1.1%) remains within the Board target range and above minimum regulatory requirements.
- ▼ 120.6% liquidity coverage ratio (2019: 134.4%) remains above regulatory requirements.
- ▲ 115.9% Net stable funding ratio (2019: 112.7%) remains above regulatory requirements.
- ▲ 98.6% of employees completed the biennial preventing financial crime training (2017: 96.5%).
- ▼ 92.0% of employees completed the Absa Way Code of Ethics training (2018: 99.9%).

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## Responding with purpose in a crisis

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**Focus:**

Ensuring business resilience through capital and liquidity preservation and operational stability while providing ongoing support to the economy.



**Quality of relationship**

● Good ● To be improved ● Poor

## Society

### How we measure success

●

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- Recognition for playing a role in Africa's growth and sustainability through development activities, including contribution towards the Sustainable Development Goals
- Transformation performance and underlying metrics

### Who they are

- Individual citizens.
- Civil society organisations.
- Non-governmental organisations.
- Media.
- Suppliers.

### Needs and expectations

Contribution to solutions addressing societal challenges, especially considering the Covid-19 pandemic, including those articulated in:

- Government responses.
- The United Nations Sustainable Development Goals.
- National development plans, including transformation.
- Global environmental, social and governance frameworks.

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### Strategic response/value proposition

We help shape a world that values progress and is responsive to economic development to serve the common good through:

- Providing products and services with a positive social impact.
- Supporting inclusive growth by supporting national development objectives and policies.
- Preparing young people for the future of work.
- Advancing financial literacy and inclusion.
- Supporting an inclusive and responsible supply chain.
- Generating and distributing economic value.

### Measuring performance

- ▼ B-BBEE level 2 (2019: level 1).
- ▲ R380m citizenship disbursements, including R83m spent in supporting Covid 19 response across the continent to protect lives and livelihoods.
- ▼ 59 589 consumer education participants (2019: 119 500).
- ▲ 85.8% BEE procurement as a percentage of South African total (2019: 79.1%).
- ▲ Enhanced current ESG reporting with our first Principles of Responsible Banking Report.

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### Responding with purpose in a crisis

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**Focus:**

Protecting the lives and livelihoods of the communities we serve by meeting immediate needs such as access to personal protection equipment, Covid-19 tracing and testing, food security, education access through remote learning and upskilling, while seeking to sustainably address social and economic challenges which have been deepened as a result of the Covid-19 pandemic such as gender-based violence and higher unemployment.

## Planet

### How we measure success

●

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- Environmental risk management practices and sustainable finance
- Resource use and waste management

### Who they are

The natural resources on which we, our stakeholders and future generations depend.

### Needs and expectations

- Comprehensive climate change response, increased transparency in risk management and sustainability-related policies and standards.
- Proactive management of the environmental and societal impacts of our business to encompass lending practices and our operational footprint.
- Mobilising funds to support the just transition to a low-carbon economy and support for other environmental priorities such as a circular economy and responsible consumption.

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### Strategic response/value proposition

We seek to address climate change and play an active role in minimising pressure on nature's resources by:

- Supporting customers in responsible consumption and the transition to a low-carbon economy.
- Advancing our environmental and social risk management practices and capabilities in climate risk management.
- Minimising our own direct environmental impacts.

### Measuring performance

- ▲ R80bn in renewable energy lending (46% of projects approved under REIPPP Programme<sup>1</sup>); senior and mezzanine lender in the first project refinancing.
- ▼ 2 949 transactions screened for environmental and social impacts (2019: 3 704).
- ▲ Three Equator Principles transactions (2019: 0).
- ▼ 4.81% tCO<sub>2</sub> carbon emissions per full-time equivalent employee (2019: 5.79 tCO<sub>2</sub>).
- ▲ Sustainability risk elevated to a principal risk in the Group's Enterprise Risk Management Framework.
- ▲ Piloted an enhanced environmental and social management system in seven countries.
- ▲ Enhanced current ESG reporting with our first Task Force on Climate-related financial Disclosures (TCFD) Report.

<sup>1</sup> Department of Mineral Resources and Energy's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme.

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### Responding with purpose in a crisis

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**Focus:**

Continuing to address planetary focus areas with heightened emphasis, given the impacts of Covid-19 and the reality of further impacts if the planet is not respected as a stakeholder in our business.

Absa Group Limited 2020 Environmental, Social and Governance Report

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## 102-45 Entities included in the consolidated financial statements

We provide a list of related parties, including significant subsidiaries and consolidated structured entities, in note 50.2 of the Group's consolidated and separate financial statements.

We consolidate entities over which we have control. This is the case when we are exposed, or have rights, to variable returns from our involvement with the investee and can affect those returns through our power over the investee. In some cases, judgement has been applied in determining first, whether an entity meets the definition of a structured or sponsored entity; and second, whether we control such an entity.

↓ 2020 Annual consolidated and separate financial statements

Our Integrated Report and this Environmental, Social and Governance Report includes information regarding our stakeholder relationships, opportunities and risks, and the outcomes of our business activities, covering key banking and insurance subsidiaries. Our B-BBEE disclosures apply to our South African operations and a list of the underlying entities is disclosed in the Verification Certificate.

## 102-46 Defining report content and topic boundaries

As a financial services provider, we play a critical role in the economic activity of individuals, businesses and nations, helping to create, grow and protect wealth through partnerships in economic development. Through these activities, we consider our stakeholders as we pursue our ambition to have a positive impact on society and deliver

shareholder value. We measure the impact and outcomes of our business activities based on the Six Capitals of Integrated Reporting (the Six Capitals) using a stakeholder scorecard, which is presented along with information about governance and remuneration that support value creation.

Our ability to create value is impacted by a multitude of factors, including the operating environment, our responses to the risks and opportunities and our chosen strategy. Through this report, we provide the context for what we have deemed our material matters – those which have influenced, or could influence, our ability to create value over the short-, medium- and long-term, as well as how we are managing and governing our responses. Our materiality determination process is discussed below.

### Identify INPUT



**Identified** a list of potential matters, considering:

- The operating context.
- Our strategic ambitions.
- Stakeholders' legitimate needs and expectations across the Six Capitals.
- General and industry-specific assessments.

**Validated** the list through:

- Local, regional and global peer review.
- Various internal functions, including Strategy, Risk, Investor Relations, Sustainability and Citizenship.

**Analysed** the list in terms of the:

- International Integrated Reporting Council's <IR> Framework and the potential impact on our ability to create value for our stakeholders.
- Environmental, social and governance requirements of King IV, the Global Reporting Initiative, United Nations Principles for Responsible Banking, Task Force on Climate-related Financial Disclosures and various ESG indices.

### Assess and prioritise PROCESS



**Assessed** potential matters through our:

- Deep dive strategy review process, including a detailed business environment assessment, alongside risk and opportunities.
- Risk appetite framework to ensure a balanced approach between future growth and responsible risk management.
- Integrated planning process, considering the following:
  - Potential opportunities.
  - Response to changing consumer needs and dynamics.
  - Resource needs and the relative availability of resources.
  - The trade-offs between possible responses.
  - Timing and execution requirements.
  - The importance to, and impact on, our strategy.
  - Contribution to strengthening Absa's brand equity and reputation.

Using the outcomes of this assessment, we **prioritised** those matters that are most material to our ability to fulfil our purpose and create sustained value for our stakeholders.

### Respond and monitor OUTPUT



Our material matters enable us to **respond** to our context by informing our strategy, ensuring we manage risk and capture opportunities as they arise. We monitor our strategic performance using key performance indicators that inform remuneration.

Our identified material matters

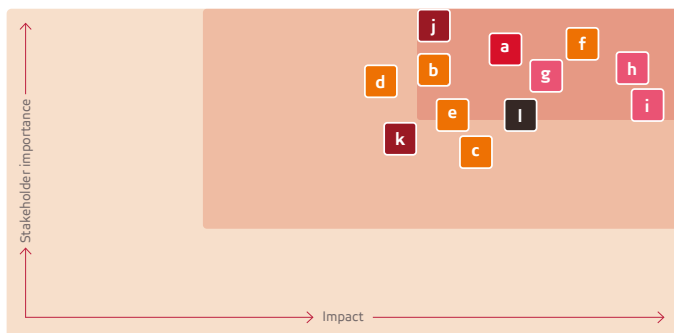
1. Macroeconomic environment and economic flux.
2. Competition and technological change.
3. Regulatory change, risk management and governance.
4. Climate change.
5. Transformation within a sustainable development context.

↓ 2020 Integrated Report

## 102-47 List of material topics

The matrix below represents the matters that can materially impact our ability to create sustained value, which are dealt with in this report. Mindful of the dynamic nature of the environment we are operating in, many other matters are monitored.

This Environmental, Social and Governance Report includes further disclosure on these matters, as well as additional topics that are of relevance to the Group and other stakeholders, such as occupational health and safety, labour relations and so forth.



Prioritised matters include the following sub-matters:

### 1. Macroeconomic environment and economic flux

- a. Economic and socio-political conditions and the resulting impacts on the economies and growth prospects of our presence countries.

### 2. Competition and technological change

- b. Usability and accessibility of our products: Making banking personal, instant, seamless, relevant and accessible to enhance the customer experience.
- c. IT systems and platforms stability such as apps, payment services, internet banking, and data centres.
- d. Innovation of products, services and delivery channels factoring in technological developments and customer trends.
- e. Interconnectivity and digital transformation considering new technologies and digital trends along with increasing connectivity with third parties and enhancing functionalities using application programming interfaces.
- f. Cyber resilience against cyberattacks or malware.

## 3. Regulatory change, risk management and governance

- g. Governance, culture, ethics and integrity means conducting business with the highest level of integrity and in compliance with all applicable laws, regulations and standards, including a zero-tolerance approach to bribery and corruption.
- h. Information security and data privacy (protecting confidential information and ensuring information is treated with integrity and is available when needed).
- i. Financial performance: Being a financially healthy and stable company underpinned by sound risk management.

## 4. Climate change

- j. Promoting sustainable environmental practices and mitigating current and potential climate change impacts while helping countries and affected businesses to adapt.
- k. Water (drought and flooding) encompassing the potential impact on our operations and risks to customers.

## 5. Transformation within a sustainable development context

- l. Economic transformation to drive the participation of women and historically disadvantaged people within the economy. This includes racial transformation in South Africa.

## 102-48 Restatements of information and 102-49 Changes in reporting in terms of material topics and topic boundaries

### Financial reporting changes

We completed the Separation programme from Barclays PLC in 2020. As part of the divestment of its controlling interest of the Absa Group (announced in 2017), Barclays PLC contributed R12.6bn mainly in recognition of the investments required to separate the businesses. This was invested in rebranding, technology and other Separation-related projects. We present normalised financial results, which adjusts for the consequences of the Separation and better reflects the Group's underlying financial performance. We will continue with this practice for the periods in which the financial impact is considered material. We also report International Financial Reporting Standards compliant financial results in our financial results and annual financial statements.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 3 and the Conceptual Framework for Financial Reporting had no impact on the financial position and financial performance of the Group, with limited impact to disclosures in the financial statements.

Several new standards and amendments to existing standards, such as IFRS 17 Insurance Contracts, have been issued but are not effective for the current reporting period.

↓ 2020 Annual consolidated and separate financial statements  
Accounting policies 1.1 and 1.21 Note 2.1 and 2.21 – Reporting changes

### Environmental data

Our data collection processes are continuous and each year we report the most accurate data available for the baseline and subsequent years. This can lead to restatements of previously reported data if data quality improves, more data is available, or updated carbon emission factors are applied. In cases in which we have collected new data for previously unreported consumption, we will restate the baseline if the new data amounts to a material change greater than 1% of the total consumption. If the change is less than 1%, we will report consumption from the point at which the data became available. If it is greater than 1%, we will restate the baseline and previous year's figures based on actual or estimated figures. We strive to improve our internal processes for our environmental data through both an internal and an external review.

In October 2019, we aligned to the latest carbon conversion factors, as released by the International Energy Agency and Department for Environment, Food and Rural Affairs and backdated to January 2019. The 2018 comparatives were not restated.

### Material topics/topic boundaries

We continuously monitor the environment for matters that may influence some, or all, of our material matters, either fundamentally, or in ways that require refinements to our responses to these issues. In 2020, the impacts of the Covid-19 pandemic, while not changing the Group's material issues, has influenced aspects of these material issues and the Group's responses thereto.

## 102-50 Reporting period; 102-51 Date of most recent report and 102-52 Reporting cycle

Our reporting period runs from 1 January to 31 December. Any notable or material events after this date and up until the approval of each report within our report suite are included in the relevant report. This document forms part of our 2020 Integrated Report suite issued for the reporting period ended 31 December 2020. Further, we publish interim financial results along with additional risk and capital disclosures that are published at various times throughout the year in accordance with regulatory requirements.



### 102-53 Contact point for questions regarding the report

Queries and/or comments can be sent to [groupec@absa.africa](mailto:groupec@absa.africa). These will be redirected appropriately, depending on the nature of the query.

### 102-54 Claim of reporting in accordance with GRI Standards and 102-55 GRI content index

This report has been prepared in accordance with the GRI Standards Core Option. We present this report in a GRI content index format, which includes the number of the disclosure, page numbers or URL(s), where applicable. Our GRI index is contained within Annexure 1 of this report.

### 102-56 External assurance

The Group applies a combined assurance approach, which is aligned to King IV and requires coordinated assurance activity across the three lines of defence, which is outlined in the Group's Assurance Standard. The objective of combined assurance is to optimise overall assurance to ensure that a holistic and integrated view of the risk and control environment is communicated to management, the Executive and the Board. Wherever possible, the Group aims to have a high level of process automation and an equally high proportion of preventative controls. The combined assurance strategy is a risk-based approach, which focuses on those aspects that are most material to the Group.

Assurance service providers and functions may include the following:

- Our line functions that own and manage risks.
- Our specialist functions that facilitate and oversee risk management and compliance.
- Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries.
- Independent external assurance providers.
- Other assurance providers, such as sustainability and environmental auditors, external actuaries, external forensic fraud examiners and auditors.
- Regulatory inspectors.

The assurance process for each published report, including external assurance activities, are disclosed on the opening pages of the respective reports.

## 103 Management approach

### 103-1 Explanation of the material topics and boundaries

We look at materiality, both internally and externally. Outside of the organisation, matters considered to be material range from labour and environmental issues to economic issues, and stem from a variety of sources, including government, regulators, and special interest groups.

In our Integrated Report, material matters are those that have influenced or could influence our ability to create value over the short-, medium- and long-term as we pursue our objective of delivering shareholder value and having a positive influence on society.

In this 2020 ESG Report, identified material issues are those that reflect our significant economic, environmental, and social impacts or substantively influence the assessments and decisions of stakeholders.

As a financial services organisation, the correlation between these two views is high and there are therefore no significant differences between the material matters disclosed in the two reports.

Diving deeper: 30 ESG 102-47

We recognise the importance of various matters and so provide greater detail on the following matters in this report:

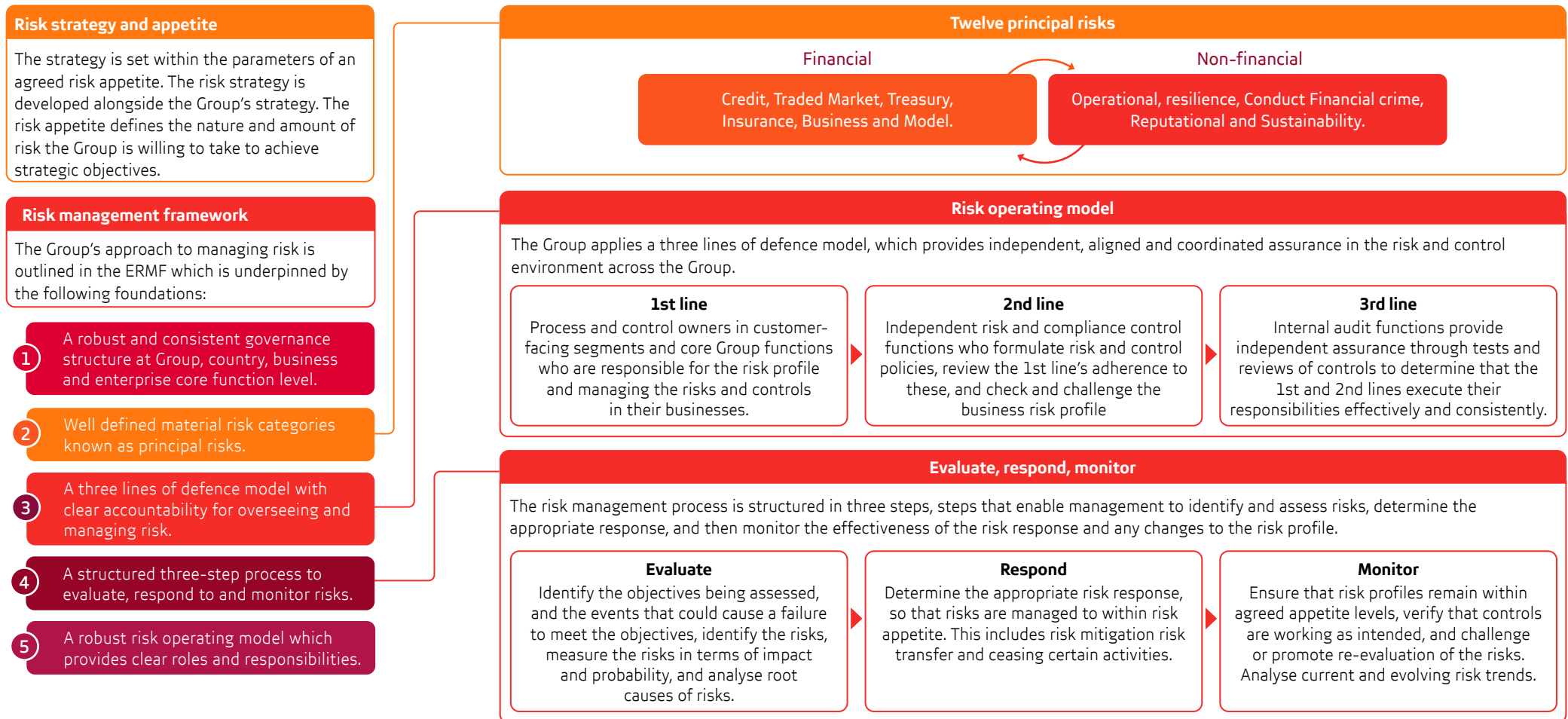
1. Economic performance.
2. Risk management, including, but not limited to, business continuity; cyber risk management/cybersecurity; fighting financial crime (anti-bribery and anti-corruption; anti-money laundering; fraud); and data privacy.
3. Product responsibility/responsible banking (products/services; affordability; environmental and social impacts in lending).
4. Labour practices, training and development, diversity and equal opportunity, and occupational health and safety.
5. Transformation, including ownership, local procurement and access to financial services.
6. Human rights.
7. Community support.
8. Direct environmental impact management.





## 103-2 The management approach and its components

Key to our management approach is the Group's Enterprise Risk Management Framework and the execution thereof.





**Economic performance**

A successful, vibrant finance and banking sector is an essential enabler of social and economic progress, growth and development. We believe the best way to support our stakeholders is by operating a strong, profitable and growing business, which creates jobs and contributes to the economic success of the communities in which we live and work. In our Integrated Report, we deal with our strategy to deliver economic performance. Furthermore, as a responsible taxpayer, we will continue to optimise the tax position of our commercial operations.

Financial services organisations play a central role in financing the real economy (refer to the role of financial markets on page 5). This is done by, for example, providing financial products to:

- Individuals – We enable them to enhance their financial stability and quality of life.
- Businesses – We contribute to economic growth and job creation and provide access to capital markets.
- Sovereigns – We contribute to the funding opportunities and the financial services requirements of the country.

**Business continuity**

The sustained operation of our business is imperative in managing our material topics. We have a comprehensive business continuity programme that serves to protect the Group and our stakeholders.

**Fighting financial crime**

Our anti-bribery and anti-corruption, anti-money laundering and fraud risk policies support the principles and guidelines outlined in local and international regulations. Our anti-bribery and anti-corruption principles are in line with the United National Global Compact and the Organisation for Economic Co-operation and Development's Good Practice Guidance for Development Co-operation, which emphasises that business should work against corruption in all its forms, including extortion and bribery. Our training and awareness programmes, underpinned by clear policies, ensure that our employees are aware of their responsibilities in terms of fighting financial crime.

Diving deeper: 42 - 43 ESG 205

**Data privacy**

Our relationship with our customers is important to us and we therefore treat their personal data with great care. We have invested and continue to invest in world-class data protection software to ensure that we have the best defences possible. We have also enhanced our data leakage prevention controls. To demonstrate our commitment to protecting the personal data entrusted to us, we continue to firm up our control environment, handle privacy complaints with rigour, train our employees on how to treat personal data, and work closely with our local and international regulators to deal with data breaches in the event that these occur.

Diving deeper: 67 ESG 418

**Responsible lending**

It is critical to our fair treatment of customers that we fairly assess affordability for credit and that we are proactively alert to indicators of vulnerability when we are providing products and services. Customers in vulnerable circumstances may be particularly at risk of harm and we should expect that all our customers might be vulnerable at some point in their relationship with us.

There are several mechanisms in place to guide our behaviour in these circumstances, from our approach to responsible lending to how we assist retail customers in financial difficulty; as well as from how we manage environmental and social risks in our lending to the way in which we conduct ourselves.

Diving deeper: 68 - 75 Financial Sector Disclosures

↓ 2020 TCFD Report

↓ 2020 Principles for Responsible Banking Report

**Labour practices and decent work**






The Group considers all relevant local labour-related regulations as well as the International Labour Organisation Protocol on decent work and working conditions. We manage occupational health and safety for the Group using a framework that encompasses policy, standards, procedures, a control library and key indicators that cover all premises and employees.

Diving deeper: 53 ESG 400

**Human rights**

We operate in accordance with the International Bill of Human Rights, including the United Nations Guiding Principles on Business and Human Rights, and take account of other internationally accepted human rights standards. We also respect and promote human rights through our employment policies and practices, through our supply chain, and through the responsible provision of our products and services.

Diving deeper: 66 - 67 ESG 412

 <p><b>Organisational resilience</b></p> <ul style="list-style-type: none"> <li>• Employees</li> <li>• Process</li> <li>• Premises</li> <li>• Operational design</li> </ul>	 <p><b>Incident management</b></p> <ul style="list-style-type: none"> <li>• Robust threat analysis</li> <li>• Incident and crisis management</li> <li>• Robust testing</li> </ul>	 <p><b>Technology resilience</b></p> <ul style="list-style-type: none"> <li>• Infrastructure</li> <li>• Applications</li> <li>• Services</li> </ul>	 <p><b>Supplier resilience</b></p> <ul style="list-style-type: none"> <li>• Internal and external supplier analysis</li> <li>• Contract and service level management</li> </ul>	 <p><b>Cyber resilience</b></p> <ul style="list-style-type: none"> <li>• Robust threat analysis</li> <li>• Exercising cyber response</li> <li>• Continuous monitoring</li> </ul>
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## Transformation

In our commitment to transformation, we aim to promote diversity and inclusion as a catalyst for sustainable growth. Our transformation agenda covers a broad range of activities from our employment and procurement practices to the development of our products and services, which are designed to serve a wide spectrum of customers. This focus is supported by our commitment to the United Nations Sustainable Development Goals. In South Africa, we focus on South African employment equity and the requirements of the Amended Financial Sector Code, which emphasises historically disadvantaged South Africans.

[↓ 2020 B-BBEE Report](#)

## Community support

Beyond our core business activities, we play a broader role in the communities in which we live and work. We support communities by:

- Investing money, time and skills into partnerships with respected and relevant non-governmental organisations, charities and social enterprises.
- Enabling employees to use their professional skills and expertise in a range of activities, including volunteering and fundraising.

[Diving deeper: 35 – 36 ESG 201-1](#)

[↓ 2020 Principles for Responsible Banking Report](#)

## Direct environmental impact

Our direct environmental footprint falls under the Sustainability principal risk and is managed through our Environmental Management Standard. Operational environmental risks and opportunities relate to greenhouse gas emissions, energy, water use and wastewater generation, as well as the procurement of the goods and services needed to operate our business. Our corporate real estate team evaluates and manages these risks and opportunities in collaboration with relevant business units such as Group Procurement. We aim for continuous improvement in mitigating our direct environmental impacts by reducing and diversifying our use of natural resources and preventing pollution.

[Diving deeper: 49 – 52 ESG 300](#)

## 103-3 Evaluation of the management approach

We continually assess our management approach toward the issues outlined in this section. Notable developments in the year under review include:

- In 2019, Absa became a founding signatory to the United Nations Environment Programme Finance Initiative Principles for Responsible Banking, committing to strategically align its business with the Sustainable Development Goals and the Paris Agreement on Climate Change. The Principles provide an effective framework to systematically identify and seize new business opportunities created by the emerging sustainable development economy, while at the same time enabling the bank to effectively identify and address related risks. Following a review of our Enterprise Risk Management Framework, sustainability was included as a principal risk.

- In terms of direct environmental impact, we continue to develop our central environmental data collection system to capture data across our operations and to monitor performance against targets across the organisation. This enables us to identify areas where investment or focus is required to ensure that we continue to reduce our environmental impacts. We have applied the science-based approach for our targets, although they are not verified.

We continue to make use of best-practice external benchmarks and self-assessment tools. We also analyse the outcomes of independent assessments from various sources, such as local and international ESG indices and independent ESG assessments, to confirm the effectiveness of various programmes and controls or to enable us to identify efficiencies and, where feasible, to adopt appropriate remedial and/or mitigating steps.

[Diving deeper: 22 and 24 ESG 102-26 and 102-34](#)





## 200 Economic

### 201 Economic performance

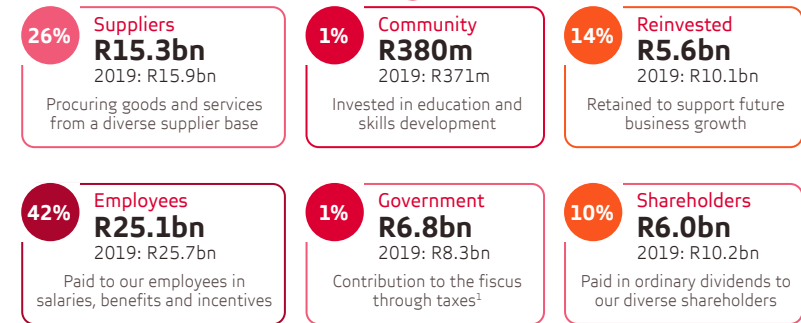
#### 201-1 Direct economic value generated and distributed

Total income	Income from associates and joint ventures	Impairments	Non-controlling interest	Total value available for distribution
<b>R81.4bn</b>	<b>+ R0.2bn</b>	<b>+ R20.6bn</b>	<b>- R0.5bn</b>	<b>= R59.3bn</b>
2019: R80.0bn	2019: R0.2bn	2019: R7.8bn	2019: R1.8bn	2019: R70.6bn

#### Role in society

To deepen the strategic alignment with the Group's commitment to playing a shaping role in Africa's growth and sustainability, we strengthened our role in society strategy. The key underlying principles informing these choices are validated through an external macro analysis and seek to deal with some of Africa's big challenges. These principles include:

- Supporting inclusive growth, economic and social justice to deliver inclusive financial services in a socially, environmentally and responsible manner. This is critical as equitable opportunity and success are only possible when all employees are treated fairly, have good health, and have access to education, growth and income opportunities within a sustained physical environment.
- Recognising the inextricable link between our growth and sustainability and that of the communities we operate in, an integrated approach is imperative.
- Bringing together and leveraging the capabilities of our various businesses and functions within these overarching priorities through our integrated approach, underpinned by a strong governance framework.



<sup>1</sup> Taxes paid includes indirect taxes and dividend withholding taxes and value-added tax. The amounts reflected above relating to employees, dividends and retained earnings may not align with the financial statements.

#### 2019

- Driving thought leadership by pioneering social, business and industry insights and innovation.
- Promoting strategic engagements to build trust and social capital.
- Advancing education reform and employability.
- Promoting sustainability to ensure viable communities.

#### 2020 and Covid-19

Our Covid-19 response considered the extent of the disruption, as well as the possible shape of the recovery. Our 2020 core strategic initiatives were reprioritised as follows:

- All face-to-face initiatives were put on hold and/or postponed to the last quarter of the year.
- Processes were implemented to enable remote and/or online delivery of strategic initiatives.
- Reprioritisation of delivery on our core strategic objectives towards Covid-19-related support to mitigate against its negative impact.

#### 2021-2023

- **Inclusive financing:** Advancing financial inclusion through innovative product and service offerings for small and medium enterprises, retail customers and underserved markets, enterprise development, knowledge and equipping to drive financial growth.
- **Environmental sustainability:** Furthering environmental sustainability and justice through progressive sustainable finance solutions, driving thought leadership, and sustainably managing Absa's own environmental impact.
- **Education and skills development:** Supporting demand-led skills development initiatives in the technical, vocational and digital skills to reduce unemployment and develop future skills. Focus on institutional development and supporting fourth industrial revolution education linked to leadership development.
- **Promoting a just society:** Promoting efforts to deepen democracy, accountability and the effectiveness of public equality. Support efforts to overcome issues relating to equality, social wellbeing, employment and justice.

**Covid-19****Our citizenship response**

In developing a consistent and sustained Group-wide response to Covid-19 and its social and economic impact, Absa took a principles-based approach and considered:

- Public health needs.
- Impacts on especially vulnerable communities due to poverty, poor housing/sanitation, age and disability, among others.
- The need to proactively account for novel stakeholder and political dynamics that may introduce new reputational and operational challenges.

We reviewed and adjusted existing programmes, redirected budgets, where applicable, and formulated a strategic, Covid-19-specific response across our presence countries, guided by two core imperatives, namely protecting lives and protecting livelihoods.

Protecting lives included three focus areas:

- Expansion of tracing, screening and testing – To enable effective management of the spread and suppression of the virus.
- Provision of medical equipment – Providing personal protective equipment to healthcare workers, as well as initiatives such as training healthcare professionals to support the public health response and enable adequate infection peak and medical care.
- Supporting vulnerable groups – Through the provision of food and hygiene goods.

Protecting livelihoods focused on the socioeconomic recovery plans beyond the immediate humanitarian response and was largely driven by business. We also realigned some of our education interventions.

R83.0m (R55.9m in South Africa and R27.1m in Absa Regional Operations) was directed to our Covid-19 community response initiatives, which included:

- Supplying 360 000 surgical masks for medical workers in 30 South African public hospitals.
- Distributing 500 litres of medical sanitiser and testing kits to public health centres.
- Supplying over 892 335 personal protective equipment items (682 335 in South Africa and 210 000 in Absa Regional Operations), including 7 335 items supplied as part of support provided to testing capabilities at three hospitals in the Eastern Cape (Livingstone, Dora Nginza and Port Elizabeth Provincial).
- Distributing 25 000 face shields to frontline workers in collaboration with Gift of the Givers and Ford Motors.
- Screening, testing and tracing of over 700 000 employees in hotspot areas in eight provinces in South Africa to support the ongoing efforts of the Department of Health.
- Facilitating the training of 1 408 community health volunteers across all eight provinces through the Red Cross to support the ongoing efforts of the Department of Health in rural and high-density areas.
- Donating over three million meals to support communities in need in Gauteng, Eastern Cape, Mpumalanga, Limpopo, North West, and Western Cape.
- Donating 36 tonnes of soap to support the Mozambique government's hygiene and sanitation efforts in the education sector.
- Providing online and/or remote learning to assist students faced with the closure of schools and tertiary facilities. We partnered with Universities South Africa, enabling the procurement and distribution of 1 181 laptops and mobile data devices, as well as the production of lectures for free-to-air radio and television broadcasts.
- Upskilling 1 256 nurses in eight provinces, in collaboration with various partners, to mitigate the risk flagged by the South African National Department of Health due to a shortage of nurses with the required intensive and high-care skills in the face of the pandemic. The training also supports the long-term efforts of government to train 50 000 nurses, as set out in the objectives of the 2018 Job Summit. In addition, Retail and Business Banking delivered blankets as thank you gifts to 15 580 nurses at 11 public hospitals.
- Provided 1 000 healthcare professionals access to gender-based violence e-learning materials to support them in dealing with these cases to enable appropriate care of evidence, thereby reducing trauma after the events and contributing to successful closure of cases. The training was provided in response to escalations in domestic violence across the country during the Covid-19 lockdown. By the end of 2020, 421 candidates had completed the training.





## Education and skills

We partner with like-minded organisations to support our presence countries to build strong, dynamic skills and knowledge bases that will underpin Africa's economic growth and global competitiveness. In preparing young people for the future workplace, we deliver demand-led and innovative interventions that are aligned to national imperative initiatives aimed at addressing youth employability. This includes funding access to quality tertiary education; advancing digital, technical and vocational skills development; promoting women and youth entrepreneurship; and supporting institutional capacity building and teacher training.



### Absa Scholarships

**R67.3m** Invested (2019: R221m)    **100** Universities (2019: 100)    **1 511** Students (2019: 5 433)

Absa scholarships are awarded to young employees from previously disadvantaged communities that remain excluded from accessing tertiary education. We have supported students pursuing degrees in commerce, technology, science, engineering, humanities, design and art. This includes 57 students in our new agri scholarships initiative and 50 Mandela 100 scholars attending the African Leadership University in Rwanda. Since the programme's inception in 2016, R713m has been invested in expanding access to education through Absa scholarships. The programme is in its final phase.



### ReadytoWork

**20 914** participants (2019: 35 169 participants)

The programme aims to equip young employees with the crucial soft skills needed to improve their employment or self-employment prospects. The initiative is delivered in partnership with civil society organisations, trade associations and/or higher education institutions to leverage the ReadyToWork content in their existing skills development training programmes. (In South Africa, this includes Afrika Tikkun, Communiversity, the Good Work Foundation and ORT).



### Consumer financial education

**52 246** face-to-face training participants (2019: 149 529)

We seek to embed financial wellness in the communities we serve. In South Africa, we provide financial management and financial literacy training to consumers with household incomes of less than R250 000 per annum.

The training is delivered by accredited training partners, with over 80% of beneficiaries comprising black households and at least 25% living in rural areas. Face-to-face training was hampered by lockdown regulations and the need to support social distancing throughout the year.



### WeThinkCode

**60** Youth

To address access to quality education and youth unemployment, we collaborated with WeThinkCode to enable the training of unemployed youth in digital skills, as well as develop pathways for them into full-time employment in the tech and digital sector.

The initiative will also position Absa to influence policy reform and demonstrate our support for access to quality education to enhance youth employability. This will be done through engagements in the Collaborative Coalition platforms, aimed at addressing fragmentation, duplication of efforts and inefficiencies in the Technical and Vocational Education and Training sector.



### Youth Employment Service (YES)

**3 564** Youth (2019: 3 564)



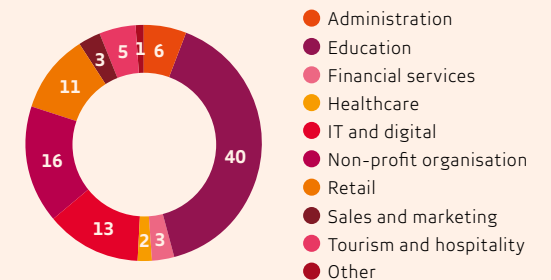
The YES initiative – launched in 2018 by President Cyril Ramaphosa, is a business-led collaboration with government, labour, and civil society. It is aligned to the Presidential Youth Employment Initiative (PYEI) which aims to address the high youth unemployment in South Africa, by helping to support unemployed young employees to navigate their way into the economy.

The YES initiative places unemployed young people into 12-month workplace experience opportunities. In partnership with YES and five civil-society implementation partners – AfrikaTikkun, CapaCiTi, Catalyx, ORT and RLabs – we continued to support 3 654 youth (67% female) who were

placed in job-opportunities across host organisations/businesses in various sectors including, education, tourism and hospitality, sales and marketing, non-profit, information technology/digital marketing, healthcare and financial services. At the end of December 2020, 3 247 had completed the programme. 571 youth secured new contracts (either short term or permanent positions) or have become self-employed, ensuring sustainable livelihoods beyond the initial 12-month placement.

Given the impact of Covid-19 on livelihoods and the economy, our continued commitment to YES throughout 2020 ensured that the youth continued receiving their monthly stipends which helped to provide for their families during the lockdown, with 38% of the cohort indicating that they were breadwinners.

YES Youth Services placements (%)



## Education and skills continued



### Enable matriculants to obtain higher education entry

**834**

**Grade 12 learners**

This initiative seeks to address the long-standing educational challenge of access to education. Too frequently, some of the strongest academic performers in Grade 12, often those hailing from rural areas, do not have access to information or the tools that would enable them to gain access to higher education.

Absa, in collaboration with Gradesmatch, have facilitated training and support to matriculants from 20 rural schools in Limpopo to:

- Expose them to the requirements for applying for entrance into university.
- Assist in securing the relevant funding.

The training also helps to ease the burden on the matriculants to enable them to focus on their academic work.



### Alternative pathways to work

**16**

**unemployed youth**

We partnered with the National Business Institute to enable placement of unemployed young employees into entry-level jobs as general repairers, with pathways to qualifying as artisans. The initiative seeks to pilot and demonstrate alternative pathways to work for unemployed young employees who have not been through technical and vocational education or training.

Delivered in partnership with Ekurhuleni West College, the initiative provided participants with practical training offered through a blended approach (technical and project-based learning), followed by structured workplace learning in a property company under the support of a mentor.

Lessons learnt from this initial implementation of the programme will inform the requirements for scaling and replicating this approach in other economic sectors.



### 123 Maths and Science support programme

**420**

**high school learners**

We partnered with the University of Pretoria's Pre-University Academy in Mamelodi to enable increased uptake and improved performance in Mathematics and Science programmes at universities. The initiative also seeks to ensure that more learners are granted admission to higher education institutions upon completion of Grade 12.



### Teacher education training

**37**

**student teachers**

We collaborated with Save the Children South Africa to train student teachers in a school-based teacher development programme that aims to educate teachers to master both the technical and practical elements of teaching as training takes place within the classroom. The lessons and insights from the programme's initial implementation will be used to inform a scaled-up approach for teacher recruitment and development environment. Delivery entails academic support that includes peer learning, teaching practice, psychosocial and financial support.



### Leadership development programme

**1 022**

**learners**

(2019: 83)

To invest in Africa's future leaders through branded curated leadership programmes, we continued partnering with the Gordon Institute of Business Science (GIBS) to enable the delivery of the Spirit of the Youth programme. The initiative seeks to provide action-oriented high school learners with a platform to define and voice their vision for South Africa and Africa. It focuses on building inclusive societies, supporting personal development and the development of skills and knowledge that informs leadership.

We brought together 140 learners from diverse socioeconomic backgrounds to create a unique and inclusive leadership experience that was delivered virtually over a period of eight months.

We expanded this programme and partnered with the Columba Leadership Trust to enable delivery of a values-based leadership programme aimed at building the capacity of schools to entrench values through effective youth engagement and, in so doing, develop resilient young leaders.

882 learners were reached through remote and/or face-to-face engagements, including mentoring and an online career day in support of their continued leadership development.



### Supporting institutional capacity-building to deliver a quality programme with a focus on inclusive education

**169**

**deaf, blind and/or partially sighted learners**

To enable inclusive quality education for persons living with disabilities, Absa partnered with several organisations, including the National Institute for the Deaf, the College of Orientation and Mobility and the South African Mobility for the Blind Trust, to enable inclusive access to national certificates in Business Studies and End-user Computing. Other training included Orientation and Mobility Practice for blind and/or partially sighted learners and Independence Training for blind and/or partially sighted employees.

## Promoting social change

We promote efforts aimed at deepening democracy, accountability and the effectiveness of public institutions and supporting efforts to overcome issues relating to equality, social wellbeing, employment and justice. Our interventions are aimed at promoting social cohesion, and strong governance, advocating for gender equality and helping contribute towards a better quality of life for all.



### Accelerating inclusive social housing

We continued to lend our efforts to improving the effectiveness of the local social housing ecosystem to enable a shift beyond free housing to sustainable human settlements in South Africa. In partnership with ReimagineSA, we facilitated online webinars/workshops to fast-track the realisation and integration of identified solution-driven frameworks. The following recommendations emanated from the dialogues:

- An integrated approach to spatial development.
- Active citizenry and collaborative governance.
- Inclusivity in the value chain.
- Education, skills development and knowledge-sharing.
- Fostering sustainable co-investment models.
- Enterprise supplier development transformation in the supply sector.
- Recommendations for an office of equitable access.

Going forward, aims include:

- Re-establishing a social housing working group.
- Presenting the report and recommendations to Parliament (Human Settlements, Water and Sanitations Portfolio Committee), as a potential policy amendment.
- Developing a social housing funding vehicle to be implemented through a Community Action Network Platform.



### Presidential emergency response action plan – Supporting women's economic inclusion

**105**  
black women

Women in the informal sector, women running micro enterprises and unemployed women are mostly excluded from the mainstream economy.

The Absa Women's Economic Inclusion initiative aims to upskill women and facilitate work placement and income generating activities. The programme is delivered in partnership with Intsika Women in Business (implementation partner) and the Presidency (facilitates partnerships with government to place successfully

trained women beneficiaries). The clothing and textile sector were selected as a viable area for skills training due to the increased demand for personal protective equipment by local companies and the public.

The training content focuses on technical skills and other essential skills such as basic financial management, personal development, and life skills. As part of the initiative, 105 unemployed black women were reached in KwaZulu Natal.



### Food security and local economic development

**662**  
micro farmers in South Africa

Our Food Security and Local Economic Development programme aims to support the development of agriculture as a catalyst for economic growth and to build a sustainable food security system.

The programme is delivered in partnership with the Agricultural Development Agency and the Institute for Rural and Community Development. Unemployed and vulnerable individuals in Gauteng (Mamelodi, Olievenhoutbosch and Soweto) were upskilled, focusing on household food security linked to local economic development and job creation.

The anticipated short- to medium-term outcomes entail upskilling of beneficiaries; enhanced community engagement surrounding sustainable food security at the household level; graduate beneficiaries establishing micro farming enterprises; as well as broader outcomes such as enhanced access to nutritious food; improved health and catalysing opportunities for income generating activities.



### Small-scale Fishers' Development programme

**178**  
beneficiaries

Among the many adversely affected by Covid-19 are the small-scale fish workers and their communities – as well as many others along the value chain.

Our Small-scale Fishers' Development programme seeks to reskill and upskill recently retrenched and/or unemployed young employees in traditional small-scale fishing coastal communities in districts such as uMkhanyakude (KwaZulu Natal) and Port St Johns (Eastern Cape).

The programme, delivered in partnership with the Moses Kotane Institute and the South African Maritime Safety Authority, equips beneficiaries with pre-sea, skippers and business and financial management training. The training will assist beneficiaries in establishing their fishing businesses and generating a sustainable income.



### The Public-Private Growth initiative

The initiative focuses on enabling, facilitating, and driving actions to implement sector-developed growth plans through identification of catalytic mega-projects for immediate implementation to stimulate rapid and inclusive growth in South Africa. It also identifies inhibitors and/or constraints to sector implementations, which are unlocked with government.

Key outcomes delivered in 2020:

- The Digital and Global Business Services was initiated to support township economy development, which included the rollout of broadband and reliable connectivity to enable a commercially scalable and viable home working solution that can differentiate Gauteng province in global business services.
- Developed a standardised rapid deployment framework for municipalities, as well as an unblocking mechanism, with a central point of contact and tracking of approvals (digital interface).
- In finance, the Customise Credit Guarantee conditions for optimal sector take-up has identified three sectors for customisation of the government credit guarantee scheme, including tourism and hospitality, leisure; and manufacturing and health (hospitals, doctors and therapist).
- In the construction segment, the installation, repair and maintenance proof of concept was trialled to broaden the economic impact of the industry with a focus on townships.



## 201-2 Financial implications and other risks and opportunities due to climate change

Climate change, with its risks and financial implications, is an issue that must be addressed. Further, disclosing the related risks and opportunities is necessary to enable market participants to make informed and efficient capital allocation decisions.

### Risk management

Our Enterprise Risk Management Framework governs the way in which we identify and manage our risks, defines the Group's principal risks and related sub-risks, and assigns clear ownership and accountability.

Diving deeper: 21 ESG 102-15

↓ TCFD Report

### Sustainability risk

Sustainability risk is an overarching principal risk bringing together environmental, climate change, premises environmental, indirect investment and social sub-risks. These risks are also reflected in other principal risks, including credit, operational, insurance, reputation and legal.

### Credit risk

Providing credit facilities to customers who are engaged in, or are planning to engage in, activities that could potentially have material environmental or social risks exposes the Group to an increased likelihood of credit loss and potential reputational damage should the customer fail to identify, manage and mitigate these risks effectively. The materiality of climate-related risks is considered in two ways when reviewing credit applications: risks related to the transition to a lower-carbon economy are assessed, as are risks related to the physical impact of climate change.

### Operational risk

Premises risk management assesses risks and opportunities associated with extreme weather events, while business continuity management includes the assessment of natural hazards associated with climate change, the potential impact of these on location selection, and relevant contingency plans. Location risk assessments include climate change risks where relevant.

### Reputation risk

Banks face increasing pressure from shareholders, society at large and national governments regarding the management and disclosure

of their climate risks and opportunities, including the activities of their customer base. This risk includes potential reputational risk associated with climate-related issues arising from our operational, banking and insurance practices.

### Insurance risk

This risk is governed by the Insurance Principal Risk Control Framework, which aligns to both the requirements of Board Notice 158 of 2014 (BN 158) and the risk-based Solvency Assessment and Management regime, as required by the Financial Services Board. Factors for consideration include the impact of weather/climate-related catastrophe events and scenario planning.

### Legal risk

Legal risk is defined as loss or penalties, damages or fines from the failure of the Group to meet its legal obligations, including regulatory or contractual requirements, and would encompass climate-related matters when applicable. Reliance is placed on the policies and standards set by the Group to identify and manage potential environmental and social risks in lending.

### Climate-related opportunities

Significant financing is required for the energy transition and the development of resilient infrastructure. Revenue pools will continue expanding as demand accelerates. Banks are uniquely positioned to facilitate the flow of capital by enabling access to capital markets through sustainable finance instruments such as social/green/sustainability bonds and bank debt while creating innovative funding solutions.

We are actively involved in delivering innovative solutions to help our customers achieve their environmental goals and ambitions. For example, we actively support the renewable energy sector, offering strategic advice, and facilitating access to finance for wind, solar, geothermal, waste and hydroelectric energy. Our agriculture teams continue to work with farmers on sustainable farming practices through thought leadership and financing solutions aimed to improve water management and enhance crop production. We are also prepared to embrace future opportunities, such as electric vehicle production and financing, when these become viable in the economies in which we operate.

Diving deeper: 68 – 75 Financial Sector Disclosure

↓ 2020 Principles for Responsible Banking Report

↓ 2020 TCFD Report

## 201-3 Defined-benefit plan obligations and other retirement plans

We operate several pension fund schemes, including defined-benefit schemes and defined-contribution schemes, as well as post-retirement medical aid plans. The most significant schemes operated by the Group are the Absa Pension Fund and the Absa Bank Kenya Pension Fund. Apart from these, the Group operates several smaller pension and post-retirement medical aid plans. The benefits provided under these schemes, the approach to funding, and the legal basis of the plans reflect their local environments.

A minimum contribution level is applied with an option to allow employees to increase their contributions. Several of our Absa Regional Operations entities also have defined-benefit funds, which are largely closed to new membership. Contributions to these funds are made in line with the recommendations by each fund's actuary.

### The Absa Pension Fund

Employer and employee contributions and investment income finance the fund. Employer contributions to the defined-benefit portion are based on actuarial advice. The expense or income recorded in profit or loss includes the current service cost, interest income on plan assets, and the interest expense on the defined-benefit obligation and the irrecoverable surplus. The Group's policy is to ensure that the fund has adequate financial reserves to provide for the benefits due to members and to ensure that any shortfall in the defined-benefit portion will be met by additional contributions.

We manage the fund investments on a liability-driven investment mandate. The primary objective for the defined-benefit section of the fund, is to achieve a net real return of 4.5% per annum, measured over rolling 36-month periods.

### Other subsidiaries' plans

The pension fund plans across Absa Regional Operations are administered by separate funds that are legally separate from the individual companies. The boards of trustees of the funds are responsible for the overall management of the funds.

### Defined-benefit structure

Most of the defined-benefit liability relates to deferred pensions and pensioners. There is a very small number of active members accruing additional defined-benefit liabilities. The calculation of liabilities in respect of the defined-benefit structures are based on assumptions in respect of expected death, withdrawals, early retirement,



family statistics, rate of increase in pensionable remuneration, medical allowances and administration costs based on past experience.

Contributions are generally determined by the employer in consultation with the actuary following the fund valuation to ensure sustainability and financial soundness. Surpluses and deficits are managed as per the funds' rules and applicable legislation.

Minimum funding requirements are limited to the deficits of the funds.

The contribution rate is recommended by the actuary using valuation results. The final applicable contribution rate is decided by the employer, acting on advice from the actuary and, in some cases, with the agreement of the fund trustees. Where pension increases are granted in excess of what can be afforded by the fund, the employer must agree to the increase and must make an additional contribution to fund the increase.

In addition, if the valuation reveals a deficit, and if regulations require special additional contributions to be made to the funds, the respective employers within the Group will need to make such contributions in line with a funding plan approved by the relevant country's regulator.

*Defined-contribution structure*

The benefits provided by the defined-contribution structures are determined by accumulated retirement funding contributions and the return on investments. The funds are governed by the applicable legislation of the countries in which the funds are based. The funds operate on a pre-funded basis i.e. benefits payable on exit are determined by the value of the accumulated assets.

↓ 2020 Annual consolidated and separate financial statements  
Note 45 Retirement benefit obligations

**201-4 Financial assistance from government**

We do not receive financial assistance from any government. South African tax residents are subject to income tax on their worldwide income, regardless of the source of the income. The Group, due to our operations in various foreign jurisdictions, may incur taxes in those jurisdictions and, as such, the South African Revenue Service provides for tax relief by offering credits, exemptions and deductions, as applicable, against the Group's South African tax liabilities to reduce the impact of double taxation. Tax credits, deductions and reliefs that are made available to us and to others by legislation are not considered financial assistance.

The Public Investment Corporation, the investment manager of the South African government's pension funds, is a large shareholder of the Group. This shareholding is on an arm's-length basis and forms part of the publicly traded shares on the Johannesburg Stock Exchange.

The Tanzanian Government is a minority owner in National Bank of Commerce.

**202 Market presence**

**202-1 Ratios of standard entry-level wage by gender compared to local minimum wage**

Our reward philosophy and supporting principles delivers fair and responsible remuneration, which includes dignified standards of living through annual reviews and decisions that influence our most junior employees. Higher average increases are typically awarded to our more junior employees to ensure that our lowest-paid employees can maintain a reasonable standard of living. This may be impacted by business performance considerations and affordability.

In our South African business, we apply a minimum cost-to-company level of R177 620 (2019: R166 000) for full-time employees, male and female, which is higher than the national minimum of R43 200.

We disclose the minimum wage in the African Regional Operations in local currencies to avoid any exchange rate distortions.

		Legislative financial sector minimum wage annual	Minimum wage per CBA <sup>1</sup> annual	Minimum Absa salary <sup>2</sup> annual
Botswana	BWP	n/a	51 000	n/a
Ghana	GHS	n/a	441 857	n/a
Kenya	KES	806 004	806 004	n/a
Mauritius	MUR	n/a	264 276	n/a
Mozambique	MZN	153 120	282 012	n/a
Seychelles	SCR	69 648	n/a	100 800
Tanzania ABT <sup>3</sup>	TZS	4 800 000	n/a	10 678 596
Tanzania NBC <sup>3</sup>	TZS	6 240 000	9 600 000	n/a
Uganda	UGX	n/a	n/a	9 024 180
Zambia	ZMW	n/a	76 752	n/a

<sup>1</sup> Collective Bargaining Agreement  
<sup>2</sup> Internal minimum – market benchmarked ranges  
<sup>3</sup> Absa Bank Tanzania and National Bank of Commerce

**202-2 Proportion of senior management hired from the local community**

The South African businesses remain the most significant contributors to our operations. In South Africa, we report against the Amended Financial Sector Code, which focuses on the proportion of historically disadvantaged South African employees. Black<sup>1</sup> representation at top management level has steadily decreased over time to 37.5% from 41.7% in 2019 (2013: 15.1%). Black<sup>1</sup> senior management representation decreased to 50.7% in 2020, from 51.4% in 2019 (2013: 32.2%) and black female senior management representation decreased to 21.8% from 22.1% in 2019 (2013: 12.0%).

↓ 2020 B-BBEE report

<sup>1</sup> All African, Coloured, Indian or Chinese employees qualifying for South African citizenship by birth or descent, or employees who were naturalised before 27 April 1994.

**203 Indirect economic impacts**

**203-1 Infrastructure investment and services supported**

We are part of the mandated lead arrangers for the Zimborders project. The Beitbridge border post is the busiest border post in southern Africa, facilitating passengers and freight between South Africa, Zimbabwe and the other Southern African Development Community countries.

Due to its location on the North-South Corridor, many of the trucks passing through the border post originate from, or are destined to, countries north of Zimbabwe, such as Zambia, Malawi and the Democratic Republic of Congo. The current operations at the Zimbabwe side of the border post are inefficient, resulting in freight delays of up to five days.

The project will be undertaken through the participation of the private sector. To facilitate this process, the Zimbabwean government granted the project a National Project Status in August 2018. The project involves the design, development, financing, insurance, construction, upgrade, rehabilitation, refurbishment and installation of information and technology infrastructure at the Beitbridge border post, solely on the Zimbabwean side of the border. The development will include certain indirect infrastructure in the town of Beitbridge near the border post, such as a new water reticulation network (which includes the pipeline and reservoir), sewer points, the relocation of the Ministry of Transport offices, and the construction of flats for housing. The total project cost is estimated at USD297m and the project will be funded with senior debt, mezzanine debt and equity.





## 203-2 Significant indirect economic impacts

We strive to fulfil our role as an enabler of social and economic progress, growth and development in the economies in which we operate. We aim to make a positive impact on society while also delivering shareholder returns. We are committed to contributing to Africa's growth and towards finding sustainable solutions to some of the most pressing challenges faced on the continent.

By supporting our customers and working in partnership with other stakeholders, we can create an environment in which individuals, institutions and governments are able to invest in sustainable progress and enable growth.

We need to address several challenges in order to achieve long-term sustainable economic growth. We do this by, among other things, working to improve employment rates and access to housing, as well as supporting families in planning for their futures. All these goals rely on access to appropriate and responsible finance. In addition, access to appropriate financing is needed to help innovate, develop, commercialise and scale deployment for new solutions that help tackle social and environmental challenges.

We also play a key role in enabling the flow of capital towards environmentally or socially beneficial activity. A range of business lines throughout the Group are actively involved in delivering solutions across product groups, geographies and industry sectors.

## 204 Procurement practices

Our procurement value chain sets out the principles for governing and managing suppliers through the supplier lifecycle from appropriate selection, to sound performance management and to the termination of services. It identifies the various market risks that cover business continuity and concentration risk.

Our Group Procurement Policy, which is revised annually, promotes responsible sourcing and is supported by our Supplier Diversity Standard, External Supplier Management Standard and our Supplier Code of Conduct.

The policy provides the minimum control requirements, for example, shortened payment periods to support small and medium enterprises with financial relief during the pandemic.

Our enterprise and supplier development approach supports entrepreneurs in growing their businesses and therefore contributes to job creation. In adhering to our supplier code of ethics policy, we align to risk management and sustainability frameworks. In managing

the aforementioned risks and frameworks, we enable responsible sourcing and supplier engagement. Our suppliers are required to establish and demonstrate a baseline for environmental, social and governance practices and management from which future performance improvements and impact can be tracked, measured and communicated.

Depending on the strategic relationship, the contracts are long term (five years or more), or medium term (two to four years). As a financial service provider, the contracts have a specialised service orientation that is not labour intensive. As part of the supplier selection process, an assessment of the risks must be undertaken, and the appropriate evaluation conducted. The options for selection include exception/deviations from process and market engagement through a tendering process. Due diligence activities must be carried out prior to ultimate supplier selection. Once a supplier has been selected, an appropriate contract must be put in place and engagement with the relevant subject-matter experts should be pursued across the bank.

## 204-1 Proportion of spending on local suppliers

The businesses in South Africa remain the most significant contributors to our operations. We report against the South African Amended Financial Sector Code, a requirement that focuses on the proportion of historically disadvantaged South African suppliers.

Our preferential procurement programme ensures that a growing number of small black and black women-owned companies supply us with goods and services. This includes enabling emerging enterprises to participate in tenders, providing preferential interest rates on recoverable lending, offering non-refundable development support grants for capacity-building to qualifying small enterprises providing goods and services in our value chain, and unbundling large contracts into smaller pieces of work.

In South Africa, our total procurement spend was R18.8m, of which R15.3m (81.4%) was with locally registered suppliers. The weighted spend (calculated in accordance with the Department of Trade, Industry and Competition's Financial Sector Code) is allocated as follows:

- R3.5bn with 909 exempted micro enterprises and 466 qualifying small enterprises (2019: R2.7bn; 890 small to medium enterprises; 421 qualifying small enterprises).
- R4.8bn with 479 suppliers who are 30% or more black women-owned (2019: R5.7bn; 405 suppliers).
- R9.2bn with 903 suppliers who are 51% or more black-owned (2019: R8.1bn; 783 suppliers).

- R175.5m with 17 designated suppliers, including unemployed and disabled individuals, youth, black military veterans, and employees from rural and under-developed areas (2019: R162.7m; five designated suppliers).

We also contributed R231.0m (2019: R248.5m) to supplier development initiatives, which included R153m (2019: R156.5m) in funding at preferential interest rates as well as capacity-building grants for small and medium enterprises supplying goods and services to Absa.

Beyond the borders of South Africa, in our regional operations and international offices, we spent R3.0bn. We focus on selecting and contracting with local entities wherever possible. We also collaborate with multinational corporations to identify and develop local companies to promote the growth of the respective countries' economies by, for example, selecting small and medium enterprises for subcontracting.

↓ 2020 B-BBEE Report

In 2020, we continued the partnership with external stakeholders to develop the capacity and expertise of small and medium enterprises. In addition, we provided sponsorship for some of our entrepreneurs to exhibit their business offerings in forums such as the Proudly SA Buy Local Summit, the Smart Procurement World Summit, the National Small Business Chambers Women in Business and Lioness of Africa events, providing access to markets.

## 205 Anti-corruption

We take a zero-tolerance approach to bribery and corruption. Our anti-bribery and anti-corruption policy and standards summarise our commitments to conducting our global activities free from any form of bribery or corruption. Our performance management processes and reward decisions emphasise behaviour and commercial objectives, encouraging the right conduct and making the consequences of misconduct clear.

## 205-1 Operations assessed for risks related to corruption

Absa performs regular bribery risk assessments, which identify the level of bribery and corruption risks that Absa might reasonably anticipate. These risks tend to relate to the countries in which we conduct business, how we engage certain parts of our diverse customer base, and how we manage third-party relationships. We analyse, assess, prioritise the identified bribery risks and evaluate the suitability and effectiveness of the existing controls to mitigate the



assessed bribery risks. The assessment is informed by quantitative and qualitative measures and is performed monthly with oversight by the relevant governance structures. The financial crime function monitors the completion of action plans to mitigate identified key risks.

Absa performs appropriate due diligence on suppliers, vendors, rights holders and other third parties at the point of engagement and on an ongoing basis. The checks include politically exposed employees and sanction screening prior to contracting. There are ongoing or periodic reviews of third parties. The Group sponsorship and citizenship spend is monitored by the Board Social and Ethics Committee.

We proactively engage relevant industry bodies as well as private and public sector bodies to ensure robust discussion and an active contribution to the reduction of financial crime. These include the South African Anti-Money Laundering Integrated Task Force, Financial Intelligence Centre, South African Revenue Service, Banking Association of South Africa, South African Banking Risk Information Centre and the International Organisation for Standardisation (ISO). We also provide support to Corruption Watch and Business Against Crime South Africa.

The Group is in the process of applying for ISO 37001 certification to demonstrate our dedication to implementing and maintaining a compliant and effective anti-bribery management system in support of overarching principled business practices.

### **205-2 Communication and training about anti-corruption policies and procedures**

Our Anti-Bribery and Anti-Corruption Policy and related standards, processes and controls are in place to mitigate against bribery and corruption. The policy is designed to comply with legislation in all jurisdictions in which Absa operates and considers the recommendations of various financial crime international standards setting bodies such as the Organisation for Economic Co-operation and Development Anti-Bribery Convention, the United Nations Global Compact or UK Bribery Act, and ISO 37001. The policy is formally reviewed and approved annually, and the control requirements are benchmarked to independent ratings or best practices.

The policy and related standards, which are published on the Group intranet, are communicated to, and apply to all employees.

Suppliers and third parties (including introducers, who win or retain business on behalf of Absa) sign specific contractual clauses that

outline Absa's expectations regarding anti-bribery and ethical behaviour, specifies anti-bribery requirements and processes for monitoring, reappointment, remediation, termination and exit. We also take a zero-tolerance approach to the facilitation of tax evasion in any country and have procedures in place to prevent it. We expect the same from our agents and third parties providing services to the Group, or on our behalf. Our anti-bribery and anti-corruption statement is shared with our correspondent banks.

Absa has role-based training to educate and empower employees in terms of their roles and responsibilities. All employees are required to undertake annual mandatory compliance training courses such as fighting financial crime training, which includes anti-bribery, anti-corruption, anti-money laundering and sanctions modules.

The training and awareness programmes ensure that our employees are:

- Able to develop a sensitivity towards situations with real or perceived conflict of interest and learn how to deal with them when they arise.
- Aware of the tools available to them to raise their concerns of unethical behaviour or suspected bribery and corruption or fraud through our whistleblowing programme.

Further awareness training is conducted in addition to our electronic training and awareness campaigns are conducted throughout the year. 99.4% employees received anti-bribery and anti-corruption awareness training.

Targeted bribery and corruption training is also provided to senior management and members of the Board on a periodic basis. There is an explicit commitment from the Board to support anti-bribery and anti-corruption.

### **205-3 Confirmed incidents of corruption and actions taken**

We are committed to conducting our global activities with integrity and will not tolerate any breach of financial crime laws and regulations that apply to businesses and the transactions they undertake (for example, bribery, corruption, money laundering or tax evasion). Consistent with this, we have developed a robust anti-bribery and corruption control framework to manage the legal, regulatory and reputational risks associated with bribery and corruption. Our financial crime risk framework adopts a risk-based and proportionate approach to meet risk management, legal and regulatory expectations.

Any breaches can be reported via the whistleblowing process. Non-adherence to any requirement in the anti-bribery and corruption policy may result in disciplinary action, which could lead to dismissal. Any improper payment/settlement could cause substantial reputational harm to Absa and may expose the Group to prosecution, regulatory censure or other sanctions for engaging in unlawful activity.

The number of disciplinary cases as a percentage of employees remains stable. Most matters dealt with in 2020 relate to less serious offences. Of the 1 502 disciplinary cases concluded in the year (2019: 1 712), 321 were due to ethical breaches (2019: 394). In addition, a few third parties are under review for possible corruption-related violations.

## **206 Anti-competitive behaviour**

### **206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices**

We respect our competitors and acknowledge that free and fair competition is good for business, customers and clients, driving innovation and improvements in service provision. Absa is committed to complying with competition/anti-trust laws in all the jurisdictions in which we operate, as set out in our Competition/Anti-trust Policy. Competition laws prohibit anti-competitive behaviour, such as collaborating with competitors, which would disadvantage clients and customers.

As per the Absa Way Code of Ethics, we require our employees to:

- Complete competition law training.
- Refrain from undesirable conduct as explained in the Competition Law Policy and training material.
- Seek guidance from the Absa Group Legal Competition team on issues that may arise while doing business or concluding transactions.
- Immediately report any potential competition law issues to Absa Group Legal.

The Group is engaged in various legal, competition and regulatory matters both in South Africa and several other jurisdictions. It is involved in legal proceedings that arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.



**207 Tax**

**207-1 Approach to tax; 207-2 Tax governance, control, and risk management; 207-3 Stakeholder engagement and management of concerns related to tax; and 207-4 Country-by-country reporting**

We significantly contribute to the economies in the countries in which we operate and believe it is important to be fair and transparent in the disclosure of our tax affairs.

Our tax contributions include tax on profits, withholding taxes on dividends and certain other income received, and value-added tax (VAT) on goods and services from suppliers. Unlike most other businesses, banks can only claim back a proportion of the VAT incurred in daily operations, making this a significant final cost. We also collect taxes on behalf of governments and others. Taxes paid and taxes collected make up our total tax contribution.

**Responsible approach to tax**

Tax continues to be an important matter for our stakeholders, and we pay all taxes in accordance with legislative requirements in each of the countries in which we operate.

Our tax function manages the impact of taxes through appropriate and responsible planning to support all our businesses and to manage financial and reputational risks.

**Sound governance and transparency**

In line with King IV, our Board plays an active role in ensuring effective tax governance and is ultimately responsible for tax matters. The oversight of tax risk is delegated to our Board's Group Audit and Compliance Committee, which is supported by the Africa Tax Committee. The Financial Director is the Chairman of the Africa Tax Committee and a member of the Group Audit and Compliance Committee.

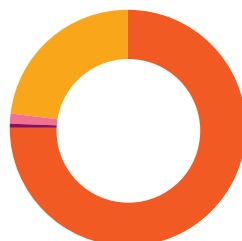
**Our tax planning principles**

We have clear tax principles that govern our approach to tax planning, which must:

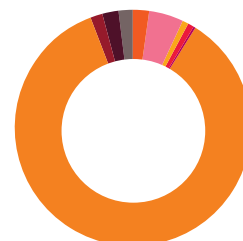
- Support genuine commercial activity.
- Comply with the law.
- Comply with generally accepted customs and practices.
- Be of a type that the tax authorities would expect.

**Taxes collected on behalf of governments**  
(2019 comparatives)

Per tax type (%)



Per country (%)

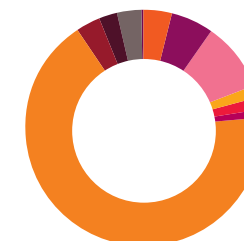


**Taxes paid**  
(2019 comparative)

Per tax type (%)



Per country (%)



- Only be undertaken with customers sophisticated enough to assess its risks.
- Be consistent with, and be seen to be consistent with, our purpose and values.

Should any of these principles be threatened, we will not proceed, regardless of the commercial implications.

**Our tax code of ethics**

Our tax department comprises in-house professionals from a combination of tax, legal and accounting backgrounds. Our tax professionals are subject to clear standards to ensure that they uphold our tax principles.

- Our approach to taxation is clearly set out, and our tax reporting is transparent and informative to stakeholders.
- We aim to have professional and constructive relationships with tax authorities.

- We handle dealings with tax authorities and respond to their feedback proactively, constructively and transparently.
- We recognise that early resolution of risks is in everyone's interest.
- We are cooperative and helpful when dealing with enquiries raised by tax authorities.
- We ensure that all tax planning is subject to a robust review and approval process.
- We handle any litigation necessary to resolve differences of opinion in a way that is consistent with our values.

In cases where it is unclear how tax law should be applied, we engage with tax authorities in advance of undertaking transactions to confirm the correct application of tax law.

We consult with reputable external advisers to assist us in managing our tax position and to ensure that we are making appropriate and well-informed decisions.



## Our philosophy

Our Tax Strategy factors in our targeted commercial outcomes while aligning to our business objectives. We consider the expectations of various stakeholders, our role in society, and the contribution we make to the economy and to the lives of our employees, customers and communities. We recognise the responsibility to pay the legally required level of tax.

We combine a strong control mindset with a business partnering ethic and clear accountability, ensuring full compliance with regulations, generally accepted practices and the Group's requirements as set out in our Tax Strategy.

We seek to fully comply with tax laws and regulations and address legacy tax exposures promptly. The Group supports legislation aimed at good conduct and is committed to providing all tax authorities with the information required in terms of various reporting regulations, including those that support the prevention of tax evasion.

We consider the needs of all stakeholders, including shareholders, customers, tax authorities, regulators and society as a whole. We only undertake tax planning if it is aligned with our tax planning principles.

We align our tax and businesses' strategies to ensure that we legally optimise commercial outcomes.

We foster constructive and professional relationships with tax authorities and other government departments. As we have operations in many countries, we operate in a complex and diverse tax environment, with tax legislation and transfer pricing rules and regulations varying between countries. As part of our commitment to assisting with the development of tax policy and the improvement of tax systems, we engage with governments, non-governmental organisations and industry groups through public consultations and other discussions.

Tax regimes in many countries undergo continued review in response to the Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting project, which is aimed at addressing a lack of transparency and the undesired consequences of differences in tax regimes. We adhere to the key principles underpinning this project, such as reporting profits where value is created. We also support the aims of the various initiatives that involve assisting tax regimes to develop in ways that make the tax system fairer and more transparent.

To ensure we manage tax compliance efficiently and effectively, including the retention of necessary tax documentation, we make use of appropriate automated systems and processes.

## Our business

Tax influences decisions regarding how we run and organise our business. When tax is a factor in deciding where or how we do business, we ensure that decisions made are consistent with our tax principles and that profits are recognised and taxed in the locations in which the economic activity took place.

Entities within our Group conduct transactions between themselves on an arm's-length basis, reflecting the economic substance of the transaction in accordance with established international standards and local tax laws.

We have business operations in certain jurisdictions that have low tax rates. For example, we operate full-service retail and corporate banking businesses in Mauritius. We do not, however, market the tax benefits of offshore financial centres to our customers. Where a customer chooses to invest via an offshore financial centre, we will only provide the customer with services that are compliant with our tax principles.

When necessary, we consult with reputable external advisers to help us manage our tax position and to ensure that we are making appropriate decisions.

### Our customers

Our tax principles make it clear that all tax planning for our customers must support genuine commercial activity. While our customers are ultimately responsible for any decisions in relation to their tax affairs, we, like other banks, provide some tax-related product offerings to our customers. Tax authorities understand these products, which often deliver tax incentives that are specifically intended by government. We would not provide a product if the tax planning in question did not comply with the spirit and letter of the law.

In supporting legislation aimed at good conduct, we are committed to providing all necessary information in terms of various reporting requirements to the relevant tax authorities. These include the requirements of the United States Foreign Account Tax Compliance Act and the Organisation for Economic Co-operation and Development's Common Reporting Standards, which require that our entities throughout Africa share customer information with tax authorities. We also provide country-by-country reporting to assist with the prevention of tax evasion.

## Our governance and tax risk management

Tax is a complex area, and we understand the importance of having strong governance in relation to our tax affairs. All employees adhere to a set of documented standards and procedures. These standards are under continuous review and are revised to align with material changes to our business operations.

Our Tax Strategy is reviewed and approved every three years at the Absa Tax Committee and annually reviewed internally by Group Tax during the annual strategy pillar session.

We have appropriate controls and procedures in place to ensure compliance with relevant tax legislation in all of the jurisdictions in which we operate. This includes compliance with transfer pricing legislation and documentation, as required by the Organisation for Economic Co-operation and Development. We are also subject to South African Controlled Foreign Companies legislation, which is aimed at taxing passive income realised by foreign subsidiaries.

The formal procedures around governance of tax matters are consistent with the Group's enterprise risk management approach, which includes tax risk as a key risk under the operational principal risk.

The key risk indicators included in our Tax Risk Framework governance document are a set of quantitative measures used to evaluate tax compliance, which we measure quarterly across the Group.

The timely submission of tax returns and timely payment of taxes are two critical processes, which are also measured through the key risk indicator process.

We report on the number of late tax returns filed outside the statutory deadlines, the number of tax payments that were late and not submitted within the required timelines, and the number and value of tax penalties imposed by tax authorities due to the late payment of taxes.

All significant tax-related decisions are subject to review and approval by appropriately qualified and experienced employees. Uncertain tax positions are properly evaluated and reported in terms of International Financial Reporting Interpretations Committee 23. We disclose materially uncertain tax positions, which are evaluated by our external auditors.

## Tax reporting

The Group is subject to income tax in numerous jurisdictions, and the calculations of the Group's tax and provisions for tax necessarily involve a degree of estimation and judgement.

There may be transactions and calculations for which the ultimate tax treatment is uncertain.

The carrying amount of any provisions that might require recognition will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances will only be concluded after several years.

Several factors impact management estimates, including, among others, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, and the nature of the relevant tax environment.

Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the reporting period during which the determination is made.

We manage these risks in accordance with the Group's Tax Risk Framework.

In this section, we outline further details regarding our total tax contribution. This includes corporate taxes, payroll taxes, indirect taxes, such as irrecoverable VAT, withholding taxes and other payments to government authorities. The table and notes that follow provide information on our tax contributions in the countries in which we operate.

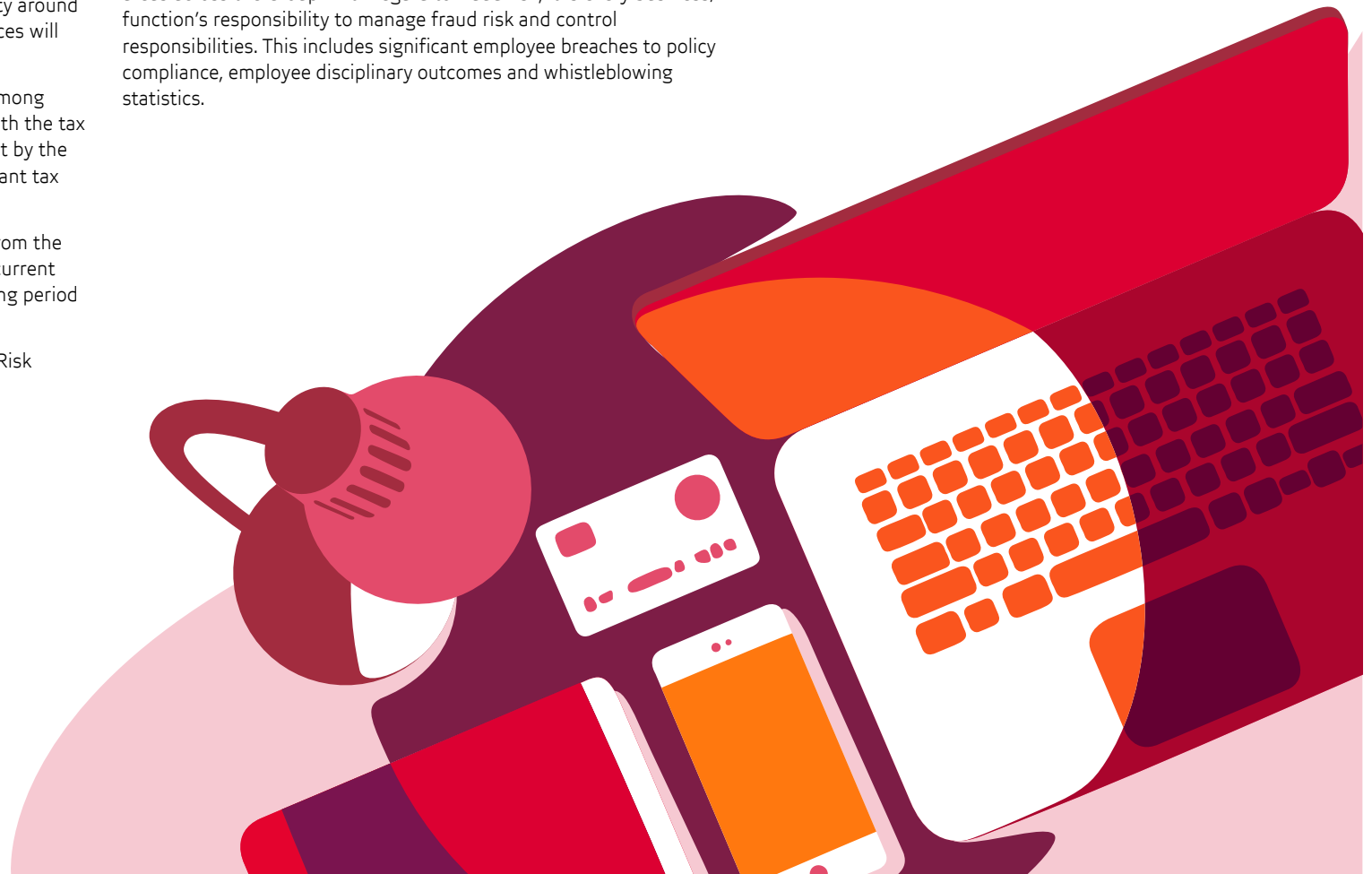
### *Mechanisms to report unethical behaviour*

Group Compliance reports on key risk indicators as part of conduct risk and financial crime risk, and the information is received from all areas across the Group. With regard to fraud risk, it is every business/function's responsibility to manage fraud risk and control responsibilities. This includes significant employee breaches to policy compliance, employee disciplinary outcomes and whistleblowing statistics.

Financial crime monitors money laundering practices, that is, the process of concealing the true origin, ownership, and/or purpose of the proceeds of any criminal activity, including drug trafficking, terrorist financing, corruption, many types of fraud, human trafficking and tax evasion.

### Nature of operations

Our Group is primarily involved in banking activities in all the countries in which we operate as financial services providers.







Country	Botswana	Ghana	Isle of Man	Kenya
Absa Group percentage shareholding	Absa Bank Botswana Ltd 67.8%	Absa Bank Ghana Ltd 100%	Absa Manx Holdings Ltd 100% Absa Manx Insurance Company Ltd 100%	Absa Bank Kenya PLC 68.5%
Entities	Absa Bank Botswana Ltd Absa Insurance Services Pty Ltd Absa Life Botswana Pty Ltd	Absa Bank Ghana Ltd	Absa Manx Holdings Ltd Absa Manx Insurance Company Ltd	Absa Bank Insurance Agency Ltd First Assurance Company Ltd Absa Life Assurance Kenya Ltd Absa Pension Services Ltd Absa Securities Ltd First Assurance Holdings Ltd
Our services	Regulated financial services and insurance	Regulated financial services	Insurance and equity instruments	Regulated financial services and insurance
Country	Mauritius	Mozambique	Namibia	Nigeria
Absa Group percentage shareholding	Absa Bank (Mauritius) Ltd 100%	Absa Bank Mozambique, SA 98.7%	Representative office	Representative office
Entities	Absa Bank (Mauritius) Ltd	Absa Bank Mozambique, SA Global Alliance Seguros, SA	Absa Namibia Pty Ltd EFS Namibia Pty Ltd	Absa Representative Office (Nigeria) Ltd Absa Securities Nigeria Ltd Absa Capital Markets Nigeria Ltd
Our services	Regulated financial services	Regulated financial services and insurance	Regulated financial services	Regulated financial services
Country	Seychelles	South Africa	Tanzania	Uganda
Absa Group percentage shareholding	Absa Bank (Seychelles) Ltd 99.8%	Absa Bank Ltd 100%	Absa Bank Tanzania Ltd 100% National Bank of Commerce Ltd 55%	Absa Bank Uganda Ltd 100%
Entities	Absa Bank (Seychelles) Ltd	Absa Group Ltd and entities listed in note 50 of the annual financial statements	Absa Bank Tanzania Ltd National Bank of Commerce Ltd First Assurance Company Ltd	Absa Bank Uganda Ltd
Our services	Regulated financial services	Regulated financial services, insurance, services to unrelated parties, administrative, management and support services, holding shares and other equity instruments	Regulated financial services and insurance	Regulated financial services and insurance
Country	Zambia	United Kingdom	United States	
Absa Group percentage shareholding	Absa Bank Zambia 100%	100%	100%	
Entities	Absa Bank Zambia PLC Absa Life Zambia Ltd Kafue House Ltd			
Our services	Regulated financial services and insurance	Regulated financial services	Regulated financial services	



Country	Number of employees	Revenue less other income Rm	Profit before tax Rm	Total tax Rm	Corporate taxes Rm	Payroll taxes Rm	Irrevocable VAT <sup>2</sup> Rm	WHT and other taxes Rm
Botswana	1 132	2 362	554	287	168	0	56	63
Ghana	1 152	3 994	1 939	406	244	28	96	38
Kenya	2 274	5 521	865	657	354	1	37	265
Mauritius	657	1 915	465	111	25	13	51	22
Mozambique	803	1 275	128	128	15	2	32	79
Seychelles	283	471	(146)	70	62	0	8	0
South Africa	27 160	60 266	6 232	4 670	2 664	63	1 426	517
Tanzania	1 493	2 060	109	229	38	36	51	104
Uganda	909	1 369	186	176	0	28	69	79
Zambia	824	1 505	(70)	227	106	0	58	63
Other <sup>1</sup>	50	113	98	11	10	0	0	1
<b>Total</b>	<b>36 737</b>	<b>80 851</b>	<b>10 360</b>	<b>6 972</b>	<b>3 686</b>	<b>171</b>	<b>1 884</b>	<b>1 231</b>

<sup>1</sup> Representative offices in Namibia, Nigeria, Isle of Man, United Kingdom and United States.

<sup>2</sup> At this stage, the irrecoverable VAT in certain African jurisdictions is not reflected separate from the original expense.

## Explaining the numbers

**Country:** We pay tax in local currency and convert to rand for reporting purposes. Taxes are reported in the local jurisdiction where each entity is resident for tax purposes taking into account activities carried on in that particular jurisdiction and where the key management and commercial decisions necessary for the conduct of the entity's business as a whole are in substance made. When determining the potential liability for tax of an entity in SA, consideration is given to the substance of each business, taking into account factors such as, where the business is conducted (is there a fixed place of business), revenue is generated and the location of management and employees. In an instance where the net income of an entity is included in the parent company's income, a top up tax will be paid by that parent company in SA.

**Revenue:** Includes net interest income, net fee and commission income, net trading income, net investment income, net premiums from insurance contracts and net claims and benefits incurred on insurance contracts. It gives an indication of the size of our business in each country.

**Profit or loss before tax:** Indicates the disclosed accounting for profits or losses for the year.

**Total tax:** The tax actually paid in each country. The columns that follow break the total down into its constituent parts. Most of the taxes paid will not relate directly to the profits earned in that year. For example, in some tax jurisdictions, we pay tax only upon assessment after the financial year-end and upon subsequent submission of the relevant tax returns.

**Corporate taxes:** Payments made in 2020, but these rarely relate directly to the profits earned in the year as tax on profits is paid across multiple years and taxable profits are calculated as prescribed by tax law. This usually results in differences between accounting and taxable profits. It is possible that relatively high corporate tax is paid when accounting profits are low and vice versa. The amount of corporate tax paid is not separately disclosed in the financial statements. In some African jurisdictions, additional taxes are levied by way of stabilisation levies, turnover taxes and other percentage-based levies. The normalised effective tax rate for the Group is 27.8% (2019: 26.2%). Non-taxable dividend income and non-deductible expenditure, which is not disbursed in the production of income, are the main drivers of the effective tax rate, as disclosed in the notes to the annual financial statements.

**Payroll taxes:** Taxes borne by us based on government social security policies in each country. In South Africa, for example, these include the employer's Unemployment Insurance Fund contributions as well as skills development levies. They do not represent income tax on payments to our employees or employees' contributions, which are taxes collected but not borne by us.

**VAT paid:** Irrecoverable VAT which excludes VAT charged to customers and collected on behalf of tax authorities. Financial services are only able to reclaim a small proportion of the VAT they incur, resulting in VAT being a significant part of our tax contribution.

**Withholding tax (WHT) and other:** Withholding taxes comprise the tax charged on dividends or other income received, which is typically paid at

the point of a distribution from one country to another. We have kept these amounts separate from corporate taxes paid. Other taxes are the material property taxes that were paid in 2020 and include, for example, taxes on the properties used in our business, including our network of branches. Other taxes include regional services levies, which are applicable in some jurisdictions.

**Effective tax rate:** Profit before tax provides the starting point for the corporate income tax calculations in each country to determine their taxable income. The effective tax rate as disclosed in the Annual Consolidated and Separate Financial Statements Note 41 is based on the total tax charge as a percentage of the profit before tax and not only the corporate income tax charge. In each country, the corporate tax rate multiplied by the profit before tax may not necessarily reflect the total tax charge and this gives rise to the effective tax rate reconciliation.

This reconciliation will refer to several factors, such as additional foreign tax expenses or withholding taxes included in the total charge; non-taxable or non-deductible items included in the profit before tax adjusted for taxable income purposes or even different country corporate tax rates being consolidated into a single reporting Group (reconciled to a 28% South African corporate tax rate). In many tax jurisdictions capital items are treated differently and will also contribute to a reconciling item.

In any particular year, some adjustments might be made in relation to a prior year to align the tax charge previously reflected to the tax returns submitted in relation to such prior period. Accounting prior year adjustments may also occur, an example being the corporate tax rate change in Kenya (from 30% to 25%) as deferred tax assets had to be restated from an accounting standard perspective in order to account the future assets' realisation at the lower tax rate.

The difference between the effective tax charge and the corporate income tax charge primarily relates to the items of income or expenses that are taxable or deductible in different years. The difference in the effective tax/total tax charge disclosed, compared to the total corporate taxes paid in actual cash terms, will primarily relate to:

- Taxes and levies other than corporate tax reflected in the charge.
- Provisional tax payments due in advance and based on estimated results rather than actual results.
- Top-up or assessment payments and refunds due following assessments of preceding years, which are only due in the current tax year being accounted in cash payments/receipts in the current year but already included/provided for in the preceding year's tax charge included/provided for in the preceding year's tax charge.



### 300 Environmental

Our operational footprint derives from the goods and services we offer that make use of natural resources and from the activities required to operate our business. Significant inputs include energy, water and the materials needed to produce paper, canteen packaging, furniture and equipment. Outputs include greenhouse gas emissions and waste, such as wastewater, paper, canteen packaging, old furniture and old equipment. Our corporate real estate team evaluates and manages the risks and opportunities in collaboration with relevant business units, such as procurement, information technology, travel and building management.

We manage the direct environmental footprint through our Environmental Management Standard and collect and report environmental data related to energy, waste, water, paper and business travel in cases where we have operational control and are financially responsible, as recommended by the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition). The travel data we analyse relates to business travel only and excludes commuter travel. Environmental data from joint ventures, investments or sub-leased properties owned or leased by Absa are not included in the reported figures.

We aim for continuous improvement in mitigating our direct environmental impacts by reducing and diversifying our use of natural resources and preventing pollution. We set robust long-term reduction targets within our 2030 environmental action plan. We will, where appropriate, invest in projects that will assist in achieving our environmental targets.

Our energy and carbon footprint baselines, which include all energy types, were externally verified and assured according to ISAE 3410 in the Assurance Engagements on Greenhouse Gas Statement.

To respond to the wide-ranging impacts of Covid-19, we adjusted our current environmental policies and processes to accommodate the pandemic protocols and support resilience in the face of future disasters that may arise. The shift to remote working for a significant portion of employees resulted in underachieving or overachieving certain performance indicators. Certain targets, such as renewable energy and certified spaces, are project-based and were reassessed as the Group sought to preserve capital. In addition, setting a water baseline had to be postponed as 2020 data would not reflect the usual consumption for the normal working operation and occupancy.

Load shedding contributed to our high diesel and natural gas consumption. A marked decrease in our waste recycling, carbon footprint, energy, and water usage, was attributable to the reduction of travel emissions and reduced occupancy levels across the corporate portfolio.

Targets	Year-on-year change	Change from 2018 baseline	2030 target (2018 baseline)
Energy	▼ 23.3%	▼ 32.1%	30% reduction
Carbon	▼ 21.1%	▼ 33.8%	51% reduction
Water saving <sup>1</sup>	▲ 2.9m litres	▲ 10.9m litres	100m litres saving
Waste recycling <sup>2</sup>	▲ 59.2%	▲ 58.6%	80% increase in recycling
Paper <sup>2</sup>	▼ 21.0%	▼ 41.6%	50% reduction
Renewable energy	0%	0%	10% increase
Travel	▼ 43.7%	▼ 56.3%	20% reduction
Certified green spaces	▲ 7.6%	▲ 16.1%	33% increase
Carbon offsets	0%	0%	100% increase

<sup>1</sup> Baseline not yet established.

<sup>2</sup> South Africa only.

### 301 Materials

#### 301-1 Materials used by weight or volume; 301-2 Recycled input materials used and 301-3 Reclaimed products and their packaging materials

We are targeting a 50% reduction in paper usage by 2030 against our 2018 baseline, with an in-year targeted reduction of 2%. In South Africa, we purchased 801 tonnes (2019: 1 027) of Forest Stewardship Council-certified paper, which has been harvested in a responsible manner. Our paper consumption reduced by 21%, resulting in an overall reduction of 42% against the baseline. This significant reduction can largely be attributed to the shift to remote working, resulting in reduced access to printers and continued digitisation of processes. We expect this trend to continue in 2021. While we do not use recycled input materials or reclaimed products and packaging, certain Absa-branded gifts, such as notebooks, are made from recycled materials.

### 302 Energy

#### 302-1 Energy consumption within the organisation; 302-2 Energy consumption outside of the organisation; 302-3 Energy intensity; 302-4 Reduction of energy consumption; and 302-5 Reduction in energy requirements of products and services

We measure energy consumption where we have operational control. However, properties without bank presence are excluded, such as ATMs, parking, undeveloped land, residential properties, signage, certain warehouses, and sports and recreation facilities. We use the latest International Energy Agency and Department for Environment, Food and Rural Affairs emissions factors and apply the Greenhouse Gas Protocol to calculate the Group's energy consumption. The total energy was calculated in KWh from the renewable energy, fuel for back-up power generation and electricity from the national grid but excluding steam. We do not measure energy consumption outside of the organisation or the energy requirements of products and services provided to our customers.


We are targeting a 30% reduction in energy consumption by 2030 against the 2018 baseline, with an in-year targeted reduction of 3%. This aim will be achieved by driving efficiency, along with internal behaviour and technology change. In 2020, we achieved a 23.3% reduction (32.1% reduction against the baseline). This was largely due to reduced occupancy in our buildings due to remote working and load shedding in the South African national grid. While load shedding increased reliance on diesel and natural gas, overall, natural gas consumption decreased due to process optimisation measures. Our solar photovoltaic (PV) plants are currently grid tied. Load shedding therefore affected generation yields. Consequently, we are exploring means of removing our solar plants from the grid, along with any future additional plants. We have surpassed our 2030 target based on our current real estate strategy and remote working. These targets will therefore be reassessed for future reporting.



Energy type	2018 kWh	2019 kWh	2020 kWh
<b>Renewable</b>			
Solar PV	1 965 433	2 005 855	<b>1 841 545</b>
<b>Non-renewable</b>			
Gas	79 822 428	80 571 514	<b>37 356 023</b>
Diesel	4 307 404	5 135 044	<b>7 643 582</b>
Grid electricity	252 030 216	211 791 479	<b>182 854 245</b>
<b>Total<sup>1</sup></b>	<b>338 125 481</b>	<b>299 503 892</b>	<b>229 695 395<sup>LA</sup></b>
Energy intensity ratio (KWh/m <sup>2</sup> )	0.81	0.72	<b>0.81</b>

<sup>1</sup> Total energy includes renewable and non-renewable energy. We use renewable energy from our solar PV plants.

<sup>LA</sup> Limited Assurance PwC conducted limited assurance on the total energy use and carbon emission indicators, designated with a 'LA'. Refer to the Limited Assurance Report.

 The assurance report is available at [www.absa.africa/absafrica/investor-relations/annual-reports/](http://www.absa.africa/absafrica/investor-relations/annual-reports/)



### Driving our sustainable energy ambitions

By 2030, we aim to increase our renewable energy usage by 10%. In line with this aim, we continually seek alternative green energy sources to reduce our greenhouse gas emissions and to diversify our energy mix. We currently have two solar PV plants – Towers North (400KWp) and Pretoria Campus (1MWp) – both yielding up to 2GWh annually, which is equivalent to powering 199 homes for one year. In 2020, we entered into a power purchase agreement for the trading of clean and green power with the Nelson Mandela Bay Municipality and have successfully registered two buildings (Kempton Road and Despatch) with a projected annual consumption of 160MWh of clean energy. To further our progress, we are engaging with other licensed companies to increase our scope beyond the Nelson Mandela Bay Municipality. Moreover, we are engaging with landlords who have green energy generation in place to access such to diversify our energy mix in rented spaces and we are implementing renewable energy solutions for four additional corporate sites.

### 303 Water

**303-1 Interactions with water as a shared resource; 303-2 Management of water discharge-related impacts; 303-3 Water withdrawal; 303-4 Water discharge and 303-5 Water consumption**

We are targeting a 100m litre reduction in water usage by 2030, with an in-year target of 7m litres. We saved 2.9m litres of water through our grey water plants and leak detection initiatives in 2020.

We access water from municipal water supplies and, in select circumstances, from boreholes and rainwater harvesting. Our water uses include drinking, cooking, cleaning, irrigation, air-conditioning, showers and toilets. Large offices in South Africa and Botswana have grey water recycling plants that include rainwater harvesting, which is used for flushing toilets. We release discharged water from toilets into the municipal drainage system and into local wastewater treatment plants. We do not consider our effluent hazardous.

Africa is largely a water stressed continent and we have experienced drought and water shortages across several regions. Working closely with the local municipalities, we keep abreast of the local restrictions and adaptation strategies for business continuity. Internal measures, such as back-up water systems, have been introduced to ensure that our buildings have access to water. As an extension of our internal water crisis management campaign, we continue to educate and raise awareness among our employees and our communities regarding responsible water usage within our water scarce context.

In our South African property portfolio, water is quality tested according to SANS 241 on a quarterly basis. We also adhere to the Department of Environmental Affairs regulations in respect of the ecological and biodiversity of our campuses. This includes controlling invasive species to protect our indigenous fauna and flora, which consume less water than identified alien species.

In 2020, we installed 114 smart meters, measuring 160 848 kilolitres of water consumption. While our initial intention was to establish a baseline in 2020, the operational impacts of Covid-19 necessitated that this baseline be delayed. We currently have no statistics available to report on water discharge due to the limitation inherent in available cost-effective measurement systems.

### 304 Biodiversity

**304-1 Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas**

We manage owned and leased premises through an internal environmental management system. Environmental impact assessments are undertaken for large offices prior to construction and during ongoing operations. We do not occupy any protected areas and areas of high biodiversity for our own operational requirements.



### Green building certification journey

One way in which we pursue reducing our greenhouse gas emissions and improving our operational efficiencies is through certified spaces. Absa has been a member of the Green Building Council of South Africa (GBCSA) since 2012. We were among a few banks in Kenya to join the Kenyan Green Building Council in 2020.

Part of our environmental action plan is to increase our certified spaces by 33% by 2030, with a minimum four-star rating for certification Group-wide. We have occupied four major corporate spaces with four-star and five-star rating certification. Despite the Covid-19 crisis, we achieved a five-star (South African Excellence) rating for our Pretoria Campus and a four-star (Best Practice) rating for Absa Towers North. Adding these two buildings to our South African portfolio certified spaces increased the total certified spaces to 16% (8% increase) of the property portfolio.

To further these efforts, we are engaging our landlords to review our leases, with the possibility of incorporating green lease addendums to improve the operational efficiency of the buildings and explore investments in low-carbon technologies. We will register Towers Main for tenant interior fit-out certification – a GBCSA certification process focusing on the design of the interior of the building, ensuring the design optimises energy efficiency as well as occupant health and wellness.



## 305 Emissions

### 305-1 Direct (scope 1) GHG emissions; 305-2 Energy indirect (scope 2) GHG emissions; 305-3 Other indirect (scope 3) GHG emissions; 305-4 GHG emissions intensity; 305-5 Reduction of GHG emissions; 305-6 Emissions ozone-depleting substances (ODS) and 305-7 Nitrogen oxides (NOx) sulphur oxides (SOx) and other significant air emissions

We use the latest International Energy Agency and Department for Environment, Eskom emission factors Food and Rural Affairs guidelines and apply the Greenhouse Gas Protocol to calculate our carbon footprint. We make use of the GHG protocol to determine our assumptions and inform our calculations, including those used for the operational control consolidation approach. In October 2019, we updated emissions factors data from the International Energy Agency and Department for Environment, Food and Rural Affairs to calculate our travel data. In 2020 we started using Eskom factors to calculate carbon emissions for our South African portfolio.

- The total carbon emissions in tons of CO<sub>2</sub>e was calculated from the three scope of emissions (Scope 1, Scope 2 and Scope 3).
- Scope 1 emissions include emissions from the use of diesel fuel company cars and natural gas in our South African operations.
- Scope 2 emissions are all building-related emissions (excluding ATMs, land and parking), including those related to energy consumption from the national electricity grid. For real estate-related CO<sub>2</sub> emissions, 100% of the reported emissions derive from data provided by onsite representatives, invoices, meter readings and, where no actual data is available, from system-generated estimates. We use both the market-based and location-based method for all Scope 2 emissions calculations.
- Scope 3 emissions include air travel and vehicles used in South Africa only, including company, private and hired cars. Travel-related emissions cover 100% of travel and have an accuracy rate of 100%. We also account for Scope 3 transmission and distribution loss-related emissions for all buildings across the portfolio.

We do not have biogenic CO<sub>2</sub> emissions in Scope 1 or 3. We do not measure emissions of ozone-depleting substances and nitrogen oxides, sulphur oxides and other significant air emissions on our environmental measurement system as they are not significant.

We are targeting a 51% reduction in carbon emissions by 2030, with an in-year targeted reduction of 3%. This year, we achieved a 21% reduction, resulting in an overall 34% reduction against the 2018 baseline. Our intensity ratio (total carbon emissions – Scope 1 and 2, limited to carbon dioxide) divided by total number of full-time equivalent employees, improved to 4.81 (2019: 5.79) and carbon emission per square metre improved to 0.15 (2019: 0.18). Our energy mix, including cleaner energy sources, such as gas and diesel, resulted in a reduction of our emissions factor to 0.81 kg/kWh, which is below that of the national grid average of 1.04kg/KWh.

Our operational footprint is impacted by building occupancy and business travel. Since the lockdown restrictions were imposed, we experienced a significant decrease in our Scope 2 and 3 emissions due to remote working and reduced business travel. Our reliance on back-up generator fuel continued in 2020 due to load shedding. We will be assessing alternative means of powering our buildings, along with means of enhancing their energy efficiency, such as power factor correction, reducing our demand loads and technology change. We intend to recommence carbon offsetting in 2021.

GHG emissions (tonnes CO <sub>2</sub> )	2018	2019	2020
<b>Scope 1</b>	22 294	22 019	<b>13 458</b>
Gas	16 121	16 309	<b>7 566</b>
Company cars	5 024	4 334	<b>3 841</b>
Diesel	1 149	1 376	<b>2 051</b>
<b>Scope 2</b>	237 105	196 662	<b>163 086</b>
Real estate (national grid electricity)	237 105	196 662	<b>163 086</b>
<b>Scope 3</b>	37 069	29 848	<b>19 602</b>
Flights	11 109	8 313	<b>3 338</b>
Transmission and distribution	19 978	17 008	<b>13 782</b>
Private cars	5 825	4 422	<b>2 371</b>
Car hire	157	105	<b>111</b>
<b>Total</b>	296 468	248 529	<b>196 146<sup>LA</sup></b>

<sup>LA</sup> Limited Assurance PwC conducted limited assurance on the total energy use and carbon emission indicators, designated with a 'LA'. Refer to the Limited Assurance Report.

The assurance report is available at [www.absa.africa/absafrica/investor-relations/annual-reports/](http://www.absa.africa/absafrica/investor-relations/annual-reports/)



Road business	2018 – 2019	2019 – 2020
Car hire (km)	764 170	<b>699 147</b>
Private car (km)	18 622 959	<b>9 985 474</b>
Company cars (Litre)	1 872 206	<b>1 660 550</b>
Air travel	2019	2020
International (km)	56 008 817	<b>23 931 774</b>
Long haul (km)	8 465 701	<b>2 250 799</b>
Medium haul (km)	197 911	<b>44 833</b>
Short haul (km)	5 722	<b>–</b>

### Carbon tax

In February 2019, the Carbon Tax Bill was passed in alignment with South Africa's commitment to the Paris Climate Agreement to reduce greenhouse gas emissions by 42% by 2025. The first phase of South Africa's carbon tax came into effect in June 2019 and will run until December 2022, after which it will be reviewed. The tax follows the polluter-pays principle, whereby companies that exceed stipulated threshold activities will be penalised R120 per tonne of CO<sub>2</sub> emitted. Our tax liability is determined from the amount of gas and diesel fuel consumed in our property portfolio for back-up power generation. Our current generator capacity nationwide (376 back-up diesel and natural gas generators) exceeds the 10MWth threshold with a capacity of 176MWth. We aim to manage our tax liability through carbon offsets and increasing renewable energy usage.

We use internal carbon pricing as a mechanism used to drive internal behavioural change, efficiencies, and low-carbon opportunities.

## 306 Effluents and waste

### 306-1 Water discharge by quality and destination; 306-2 Waste by type and disposal method; 306-3 Significant spills; 306-4 Transport of hazardous waste and 306-5 Water bodies affected by water discharges and/or runoff

In partnership with an accredited waste partner, we sort and recycle recyclable waste and compost food waste. To improve the accuracy and robustness of our waste reporting, the measurement methodology was amended in 2019 to report by weight (in tonnes) instead of by volume (m<sup>3</sup>). Our waste management service providers are registered to transport all waste off our properties.





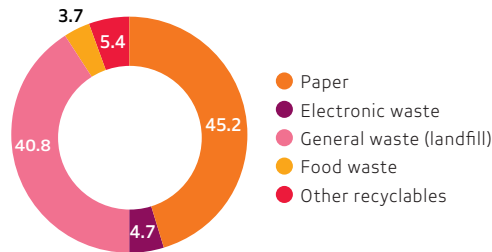
By 2030, we are targeting an 80% increase in our recycled waste, with an in-year targeted increase of 70%. We recycled 59.2% of our total waste generated, lower than targeted as our waste collections and reporting were negatively impacted by Covid-19-related factors, including:

- Government regulations enforced waste management activities to operate at 50% capacity and 9m<sup>2</sup> per person (during collection, separation at source and at waste areas, during transportation from the holding areas and to the landfill sites).
- Waste volumes were reduced by remote working and fewer canteen services. Less printing resulted in only 46 tonnes available for recycling (2019: 1 146 tonnes). Biodegradable packaging was also impacted with only four tonnes being recycled (2019: 291 tonnes).

We monitor our generators and fuel levels remotely. No fuel spills occurred in 2020.

We do not report on water discharge by quality and destination. Stormwater runoff through our car parks has a minimal impact on our environment.

Waste per type (South Africa only) (%)



	2018 (m <sup>3</sup> )	2019 (tonnes)	2020 (tonnes)
<b>Recycling rate</b>			
Total waste	13 334	3 063	<b>1 903</b>
Recycled waste	7 127	1 645	<b>1 126</b>
Waste to landfill	6 112	1 415	<b>777</b>

### 307-1 Non-compliance with environmental laws and regulations

We aim to meet all relevant environmental legislation and regulations. There have been no reportable environmental incidents in our property portfolio.

South African Energy Performance Certification regulation came into effect from December 2020, and we have identified sites within the thresholds and have a response plan to meet the requirements. It applies to non-residential buildings that have not undergone major

renovations within the last two years of operation and any existing building with a net floor area above 2 000m<sup>2</sup>. These buildings must display energy/m<sup>2</sup> and obtain certificates for energy performance within two years.

In Kenya, we are implementing solutions to ensure that our properties meet the legislated requirements in terms of energy efficiency.



## 400 Social

### 401 Employment



#### Our employees strategy

Our purpose is to bring possibilities to life and, in doing so, to create a thriving and sustainable learning organisation. We aim to build a sense of belonging through a shared culture and values. We provide meaningful experiences that matter. When our leaders inspire the organisation, employees are empowered, engaged and driven to become future-fit. Our employees are our strength. They are a key driver of business performance and a strong ethical culture and, accordingly, mitigating employees-related risks is a priority. We have aligned to the Group Operational Risk Policies and Standards in applying the risk management practices to human capital, including reward and remuneration. Our remuneration approach and disclosures fully comply with regulatory and statutory provisions relating to reward governance in all the countries in which we operate. Critical priorities for our talent review process include increasing female representation in senior leadership positions, enhancing diversity at senior levels and ensuring racial representation.



#### Our employees risk appetite statement

Recruit, retain, train and develop an appropriate level of skilled and capable human capital in line with an effective operating model design for resourcing while ensuring diversity and performance with supporting tools and systems.

Comply, at all times, with employment legislation.

Align remuneration to support the delivery of strategic objectives and the efficient use of financial resources in accordance with the approved risk appetite.

We have zero tolerance for any form of discrimination or prejudicial treatment based on age, culture, race, gender and disability, including harassment of any kind.



#### Our strategy with future-fit employees at its core



##### Create a new culture

An inclusive and diverse culture that is entrepreneurial, innovative and has a deep sense of ownership, as well as a shared purpose and identity.



##### Re-orientate around the customer

Outward-focused, customer-obsessed and digitally enabled.



##### Differentiate by becoming employees-centric

The best environment and opportunities for top talent to thrive.



##### Empower ownership

Distributed leadership at all levels of the organisation.

We support flexible working arrangements as an alternative and encourage managers to access flexible and alternative ways of working. Flexitime is permitted, subject to operational requirements and country specific rules. The implementation of flexitime is agreed with the employees – there is no general entitlement to these arrangements. Branch network employees may be employed on flexible working arrangements, the details of which are recorded in their employment contracts.



### 401-1 New employee hires and employee turnover

We filled 4 277 vacancies in 2020 (2019: 5 474), of which 74.6% were internal candidates (2019: 68.7%). In total, 45.5% (2019: 53.5%) of our new hires in South Africa were women and 51.7% (2019: 58.7%) of internal promotions were awarded to women.

Employee profile	2019	2020
Total number of employees at the beginning of the year	40 856	38 472
New hires (permanent employees)	2 057	1 075
Terminations (permanent employees)	4 288	2 610
Resignation	2 392	1 636
Retirement	330	400
Voluntary retrenchments	309	23
Involuntary retrenchments	917	275
Death in service	51	61
Dismissal	289	215
Net terminated temporary employees	153	200
Total number of employees at the end of the year	38 472	36 737
Other employees		
YES programme participants in Absa	23	23
YES programme participants placed externally/Absa partners	3 564	3 564
Employee movements	2019	2020
Vacancies filled	5 474	4 277
Of which were internal candidates	68.7%	74.6%
New hires – women	53.5%	44.7%
High performers retained	93.1%	96.5%
Employee turnover	11.9%	7.0%
Male	13.2%	8.4%
Female	9.9%	6.2%
Voluntary attrition	6.3%	4.9%
Tenure	2019	2020
0–2 years	21.8%	16.9%
3–5 years	17.2%	18.4%
6–10 years	18.6%	21.4%
11–20 years	30.0%	30.3%
21–30 years	8.6%	8.6%
31–40 years	3.8%	4.2%
>40 years	0.1%	0.1%

### 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

We grant benefits to full-time and permanent, part-time employees. Temporary employees make their own arrangements for benefits such as retirement savings, medical aid, and death and disability cover. The Group operates several pension schemes, including defined-contribution and defined-benefit schemes, as well as post-retirement medical aid plans. We accrue for the cost of providing healthcare benefits to retired employees using the same methodology as defined-benefit pension schemes.

↓ 2020 Annual Consolidated and Separate Financial Statements, Accounting Policies page 59

### 401-3 Parental leave

Parental (maternal and paternal) leave is considered within the context of overall leave benefits afforded to our employees, which is informed by local regulation and market practice. We do not discriminate based on gender when considering parental leave. All parents, including fathers, adoptive parents and surrogates may be entitled to benefits under this section.

For cases involving a surrogacy arrangement, the length and type of leave to use depends on which side of the surrogacy the individual lies. A new parent via surrogacy would fall under maternity/parental leave. An employee who carried a surrogate baby would likely use sick leave and annual leave but could have the discussion with their manager to determine the best course of action. Each case is considered on its own merits.

1 907 employees used the parental leave benefit during 2020.

South Africa (permanent employees)	
Maternity/adoption leave	87 days
Parental leave	10 days within the first month after birth
Child less than two months	Additional two months as annual or unpaid leave
Adoption of children three to seven years	1 month
Adoption of children seven years and older	10 days

Adoption if both parents work for the Group (including same-sex parents)	One parent is entitled to adoption leave. The other parent is entitled to paid parental leave of 10 days, granted on the birth or adoption of a child if the employee is not otherwise entitled to maternity or adoption leave.
South Africa (non-permanent employees)	
Non-permanent employees	Do not receive paid maternity/parental leave but are entitled to four months of unpaid leave or 10 days parental leave, as appropriate, during which time they are able to claim from the Unemployment Insurance Fund.
Absa Regional Operations	
Permanent employees	Informed by local market practice, maternity leave is between 60 and 90 days, while paternity leave varies between one and 14 days.

### 402 Labour/management relations

#### 402-1 Minimum notice periods regarding operational changes

Digitisation, process re-engineering, driving efficiency and specialisation are part of any company's endeavour to improve performance and efficiencies. This leads to a constantly evolving workplace and can impact on our employees.

In South Africa, operational changes follow a consultation process, which is then followed by a notice of termination. In the case of a facilitated large-scale retrenchment process, a minimum of 60 days needs to elapse from the issuing of the notice before notice of termination may be issued. We follow a two-pronged approach based on corporate grade or union affiliation:

- Employees covered by a collective agreement: Notice is provided to the recognised union to commence consultations as soon as reasonably possible. Consultations take place on a bimonthly basis, after which union consultation notices are issued to employees informing them of the impact and the process to follow. If the affected employees are not placed in jobs within the new structure, they can elect to exit or to commence a reassignment period of three months. After a final consultation with the union, a notice of termination and contractual notice period follows, for which payment may be made in lieu.



- Employees not covered by a collective agreement: Consultation commences with the individual. Consultation is first completed on the business case before covering the relevant elements of the Labour Relations Act. Consultation meetings are hosted within five days of each other until all elements have been addressed. If the affected employees are not placed in the new structure, they can elect to exit or to commence a reassignment period for three months. We issue the employee with a notice of termination at the end of the reassignment period, for which payment may be made *in lieu*.

While the process is substantively similar in Absa Regional Operations, it needs to be finalised within three months.

We support all our employees in making informed and positive choices regarding their working lives, either in relation to future opportunities within the Group or, in some instances, in relation to opportunities outside the Group. This service is available to our employees across job grades, race and gender.

We did not undertake large-scale reassignments or retrenchments in 2020.

### 403 Occupational health and safety

#### 403-1 Occupational health and safety management system

The Group has zero tolerance towards harm to employees or non-compliance with relevant legislation. While not a legislative requirement in any jurisdiction of our operations, we manage occupational health and safety for the Group through our Enterprise Risk Management Framework. Our Occupational, Health and Safety (OHS) Framework encompasses the OHS policy, standards, various OHS procedures, a control library and key indicators. The framework sets out the statement of commitment and minimum mandatory controls and actions that business areas and functions must implement and adhere to in addition to relevant national and local legislation. Key South African regulations include the Compensation for Occupational Injuries and Diseases Act; the Occupational Health and Safety Act and Basic Conditions of Employment. In our Absa Regional Operation presence countries, we adhere to local legislation and in the absence thereof, apply Absa South Africa policy and procedures.

Our Board Social and Ethics Committee receives regular, comprehensive updates on the Group's OHS performance.

Due to the Covid-19 pandemic, the focus of the organisation shifted from our business-as-usual OHS activities to implementation of

Covid-19 regulations and protocols in the buildings that are currently operational. We spent R123m on preparations to bring our buildings in line with these requirements. This included sanitisers, masks and terminal cleaning. Our OHS policy and supporting documents were updated to include Covid-19 protocols as prescribed by legislation.

Internal and external annual testing and assurance reviews are performed to assess the effectiveness of our controls. In 2019, compliance testing was done in 37 corporate buildings and 563 retail sites by our third-party facilities management partner. Depending on the level of lockdown, we will continue testing in 2021.

Compliance and adherence to the Disaster Management Act 2020 and Covid-19 regulations issued by the South African Department of Employment and Labour was tested in South Africa. No major findings were identified. Compliance and adherence testing was also conducted in Absa Ghana against protocols, restrictions and instructions issued by local authorities. Consideration was given to expand the Covid-19 testing to some of our other operations in 2021.

#### 403-2 Hazard identification, risk assessment, and incident investigation

Hazard identification and risk assessment, as well as monitoring and reporting of accidents and incidents, is carried out by our OHS department. Identified issues are tracked until resolution, with major risks escalated to senior management. Investigations of work-related incidents form part of the management system approach, including identifying hazards and assessing related risks, determining root causes and corrective actions using a control hierarchy, and identifying possible system improvements. If necessary, new or revised controls are implemented.

Employees and the OHS department have the authority to stop potentially hazardous work and can report any work-related hazards, injuries or accidents to the building facilities management employees, OHS representative and/or Group OHS. South African employees can use an OHS emergency line to request assistance. Employees are encouraged to report all potential hazards on the Corporate Real Estate Solutions or OHS workplace pages on the Group's intranet for immediate action.

Specific OHS processes were introduced to manage the sites that were operational during the Covid-19 pandemic. Our facility managers conducted monthly inspections at all operational premises. Telephonic inspections/checks were scheduled between facility managers and the branch managers to determine the status of the

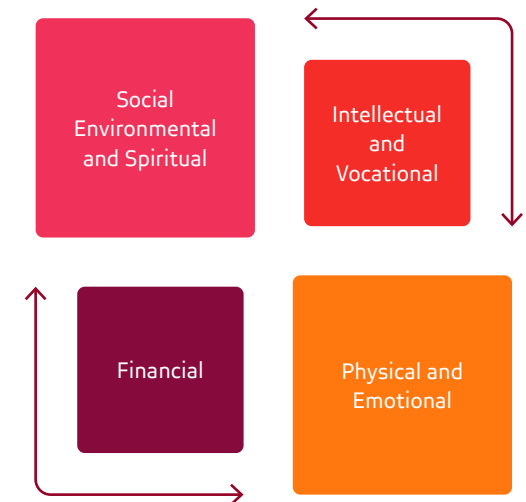
branch and to escalate any incidences of non-compliance that could potentially cause harm to employees or customers.

Every second year, Group Compliance reviews the management system, risk culture and management of risks. During 2020, Group Compliance audited our Covid-19 implementation and controls in relation to legislation. The results from the conformance test were satisfactory.

#### 403-3 Occupational health services

The International Labour Organisation Occupational Health Services Convention No. 161 defines occupational health services as services that fulfil a preventative function. Their function is to advise employers, employees and their representatives on the requirements to be met to establish and maintain a safe and healthy work environment. The work environment should support optimal physical and mental health and allow for adaptation to the capabilities of workers based on their individual physical and mental health.

Our wellness strategy aims to empower employees to achieve a state of physical and mental wellbeing – not merely an absence of disease. Wellness is rooted in prevention, awareness and education, health promotion, prompt identification of early warning signs and timely access to care and support. Our approach uses a multi-disciplinary and multi-stakeholder model, encompassing all eight dimensions of wellbeing.



Programme delivery is supported by various employee wellness service providers, such as ICAS in South Africa and Botswana and AON in Kenya. Their services are confidential, and the reports provided to Absa outline usage trends, underlying factors and possible corrective measures not individual employee information. South African employees also have access to the ICAS offering On-The-Go wellness app.

Our absentee rate was 1.12% (2019: 1.57%, which increases to 1.14% when including special sick leave i.e. quarantine leave).

### Covid-19 response

The Covid-19 pandemic elevated health and wellbeing as a strategic imperative and as an enabler for employee engagement and superior business performance. Our responses were informed by guidelines from world health authority bodies, most notably, the World Health Organisation, Centres for Disease Control and Prevention and the South African National Institute of Communicable Diseases.

We activated the Group's pandemic response plan and established an internal Covid-19 advisory board that was co-chaired by the Group Chief Risk Officer and the Chief Executive: Employees and Culture. The advisory board constituted a multi-disciplinary team of senior leaders, subject-matter experts and representatives from all business clusters and Group functions. A critical focus was to set policy responses while monitoring compliance and ensuring that protocols were implemented enterprise-wide.

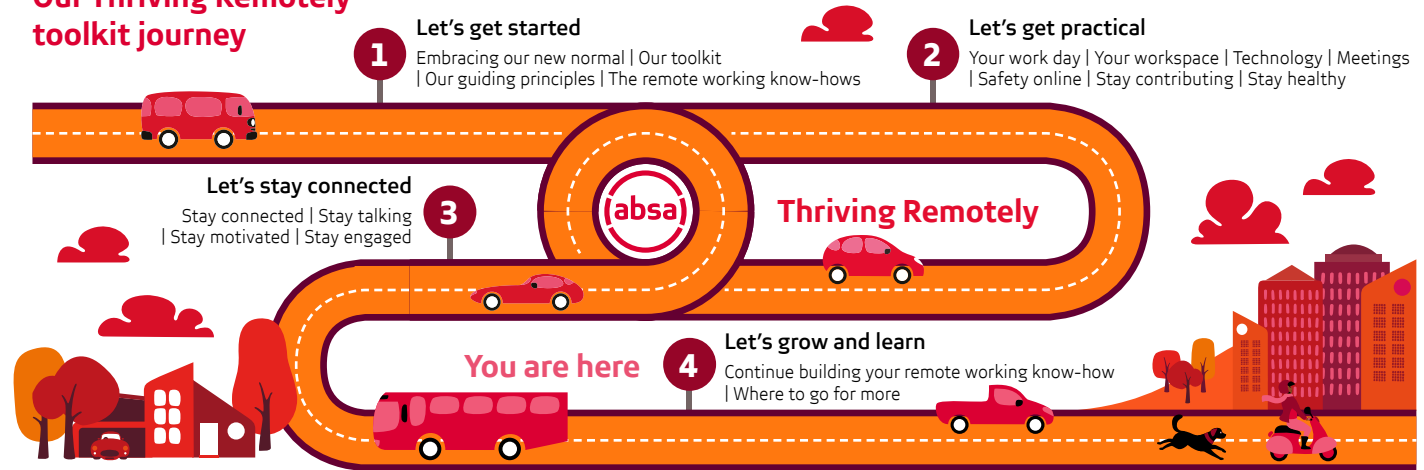
Our Covid-19 hotline went live in March and remains available to all employees as a first port of call for Covid-19 queries. 25 985 calls were logged in 2020. The service, delivered through the medical division of ICAS, provides medical information, direction regarding medical testing sites and comprehensive practical resources, as well as workplace contact tracing.

Education and awareness were critical to our employee health and safety response and was achieved through Covid-19 Employee and Employees Manager Toolkits.

To support our employees during lockdown, we provided a Thriving Remotely toolkit.

Toolkits outline the Absa health and hygiene protocols and the roles and responsibilities of employees and employees' managers during the pandemic. The Covid-19 Absa Building and Visitors' Protocols were implemented as additional safeguards.

## Our Thriving Remotely toolkit journey



To encourage the reporting of possible exposure to Covid-19 and adherence to self-quarantine requirements for employees, we updated the special sick leave policy to ensure that employees are paid during this period. 1 303 employees used this benefit in 2020.

Various measures were implemented in line with the health and safety guidelines issued by the South African Department of Labour and Employment, as well as findings from our internal health risk assessment. Measures included:

- Reviewed air ventilation rates to ensure that air quality meets the regulatory requirement.
- Enhanced administrative controls to encourage social distancing and to ensure employees were provided with up-to-date education and training on Covid-19 risk factors and protective behaviours.
- Encouraged safe work practices by providing resources, such as personal protective equipment and enhanced hygiene protocols, including alcohol-based hand sanitisers.

Our plans and approach were shared with all relevant internal and external stakeholders to further collaboration. A few notable examples include:

- Through Absa's participation, Bankmed, our South African medical scheme, made provision for Covid-19 testing from insured benefits, full cover for treatment costs incurred in and out of hospital and a waiver on hospital network restrictions. An isolation

hotel benefit was made available to all members infected with Covid-19 who are unable to self-isolate safely at home.

- We engaged regularly with SASBO (formerly the South African Society of Bank Officials) to place the health and safety of employees at the core of our Covid-19 response.
- Absa Regional Operations proactively engaged with a broad range of stakeholders on appropriate Covid-19 employee and customer safety protocols. Stakeholders engaged included our regulators, health authorities, industry bodies and trade unions. These engagements continue, increasingly focusing on ensuring our employees are classified as essential workers and are prioritised in the national vaccine rollout plans as further protecting our employees will make our work environments even safer for our customers.

### Mental health and wellbeing

According to the World Health Organization, by 2030, mental illness will be a leading cause of ill health, surpassing cardiovascular conditions. The pandemic heightened mental health stressors, including the fear of contracting Covid-19, new realities of working from home, home-schooling, the lack of physical contact with extended family, friends and employees, the loss of usual support structures and bereavement. Testament to this, there was a 120% increase in the utilisation of our employee assistance programme compared to 2019. The top three reasons for employees accessing the programme included health and lifestyle, relationship issues and stress. In 2019, the top three were relationship issues, stress and child and family care.



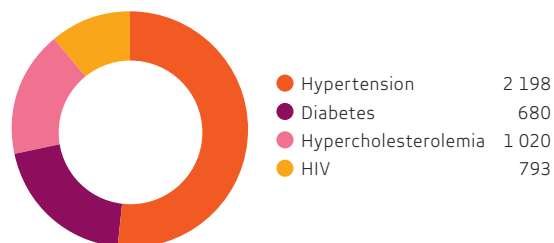
### Financial wellbeing

We increased financial wellness support and education to incorporate basic budgeting skills, financial planning and information on relief measures available to qualifying employees due to changes in personal circumstances. Of the 2 630 enquiries, 2 014 employees qualified for debt relief support. Employee applications for debt consolidation decreased to 588, of which 221 were granted (2019: 619; 292). Macroeconomic challenges will likely persist, and we aim to support employees to achieve sustainable financial wellbeing within this challenging context.

### Management of diseases of lifestyle

Non-communicable diseases remain the highest cause of morbidity in our employees. Our strategy is aimed at education and awareness, prevention, early detection and early access to treatment. This is achieved through partnering with our medical insurance provider through onsite wellness days, where employees have an opportunity to undergo personal health assessments. Regrettably, due to Covid-19, no onsite wellness days were held. However, employees were encouraged to make use of offsite facilities and the services of their primary healthcare providers. In 2020, 3 061 employees underwent personal health assessments (2019: 5 541) and 2 639 completed HIV counselling and testing (2019: 5 652). This decline was primarily driven by the pandemic context and the constraints on mass gatherings such as wellness days.

### Employees (South Africa) with underlying chronic diseases of lifestyle



We introduced a comprehensive mental health programme, encompassing mindfulness, exercise and daily health tips. This culminated in a 21-day mental health challenge during October, which sought to raise awareness around mental health issues while providing employees with the skills and tools to develop and maintain mental wellbeing and resilience. 1 100 employees completed the challenge.

**#TrainingTuesday**

Flexibility training stretches muscles and joints to increase a range of motion and to prevent injuries.

Yoga and ta chi is an example of a type of exercise routine that improves flexibility.

Benefits of flexibility training include improved posture and balance, greater strength, mental relaxation and releases muscle stiffness.

### Spring Clean Your Finances

- 1 Check all subscriptions and cancel those you don't use often
- 2 Update your will, beneficiary details
- 3 Shred statements, notices and payslips older than three months
- 4 Save receipts and warranty certificates for recently purchased items
- 5 Create digital copies of all important documents. Remember to back these up on a hard drive or in the cloud!

**#FinanceFriday**

### Healthy Living Daily Counter

- 10 thousand steps
- 9 hours of sleep
- 8 glasses of water
- 7 minutes of mindfulness
- 6 servings of fruit and vegetables
- 5 small breaks during your day
- 3 meals and 3 healthy snacks
- 2 hours of personal development/learning
- 1 hour of no phone, TV or gadgets before bed

**#WellnessWednesday**

### Understanding mental fitness

- Harvard University Professor Ellen Langer found that we function on autopilot for 47% of our day!
- The massive changes brought on this year has impacted many employees' mental health, fitness and wellbeing.
- Therefore, mental fitness is even more important during this time as we are required to be more alert.
- Being mentally fit helps us to focus and this additional level of awareness can be cultivated through exercise and mindfulness practices.
- Just like we train our bodies through exercise the brain is also a muscle which can be strengthened if it receives a regular workout.

### How to become mentally fit?

- Neuroplasticity show that by spending a few minutes daily doing mindful practice, we can train and strengthen our brain.
- A simple practice like focusing on our breathing increases the executive functions of our brain: attention, motivation, working memory and reasoning.
- Further, our ability to overcome ingrained behaviour patterns is increased and we begin to operate more in the present.



### Promoting gender equality and dignity

Absa is committed to advancing gender equality in policy and practice. We have a zero-tolerance approach towards gender-based violence and femicide (GBVF). Moreover, we recognise the need for society to come together to create an environment in which women and girl children can be safe – in their homes, in our communities and at work.

To help address this critical need, Absa has committed to supporting South Africa's National Strategic Plan on Gender-based Violence and Femicide by contributing R10m towards the newly established GBVF Private Sector Response Fund. The fund will mobilise resources to enable scalable programmes, targeting prevention and response to GBVF across South Africa. We are also providing project management capacity, building the fund's website and offering basic marketing activities, as well as supplying free banking services for the first twelve months. Absa will also assist in developing a donation and disbursement process with the administrator. This is a practical example of how, as industry leaders, we can set the tone and be drivers of change.

This support builds on various initiatives undertaken by the Group to promote gender equality and support action against GBVF, including launching our Absa Women's Manifesto, promoting the United Nations' HeforShe initiative, working with men in our

communities and within Absa to break the cycle of violence, hosting several dialogues on GBVF, and collaborating with multiple institutions to ensure a portion of public procurement spend is earmarked for women-owned businesses.

Furthermore, launched in December 2019, our Barbershop Initiative is a safe and confidential space for men and by men. Based on the United Nations-backed Barbershop programme in support of the He4She movement, this programme builds on our 2019 #STOP and #BlackWednesday initiatives. Run over eight weeks, the close group sessions, provide a space to reflect and journey towards understanding the role and responsibility as a man in the family, at work and in the community. They addressed the realities and the pressure, challenges and fears men commonly deal with.

Continued later in the year under the banner of Our Men Under Lockdown, the initiative provided a platform for our male employees to have conversations regarding dealing with stress, anger management and highlighting the manifestation of toxic masculinity while building the six traits of authentic masculinity. Absa Botswana established a men's *imbizo* encouraging men to look at what roles they are playing in the fight against GBVF.

In South Africa, a formal management-worker health and safety committee is a legal requirement. We hold quarterly committee meetings for all corporate buildings, at which OHS representatives are appointed. These meetings are a platform to discuss OHS matters, including any work-related injuries that may have occurred within the past quarter, as well as upcoming projects and events that might have an OHS impact on employees. Recognised trade unions can provide input into the Group's OHS approach on an annual basis. This may, for example, relate to the appointment of representatives.

### 403-5 Worker training on occupational health and safety

Mandatory OHS general awareness training encourages personal ownership of safety while being mindful of the safety of fellow employees. Training delineates the roles and responsibilities in terms of OHS, and provides essential information about emergency evacuation procedures, the identification of hazards and the importance of ergonomics within the workplace.

Due to Covid-19, training was focused on the roles and responsibilities of employees' managers and employees. Other topics included evacuation procedures, how to handle workplace injuries and injuries at home, as well as how to set up an ergonomic workstation in the office or when working remotely. 94% of employees completed a 30-minute interactive training module.

### 403-6 Promotion of worker health

We updated our annual OHS 365 campaign to focus on implementing and monitoring Covid-19 protocols and standards. Various toolkits were designed and shared with employees to educate them on our new ways of working in our offices, as well as remote working.

Employees were made aware of the necessary procedures to log identified hazards or risks within the workplace through the facilities call centre and through dedicated channels, such as line managers, the facilities help desk, their OHS representative, Group OHS or their local OHS committees.

Furthermore, several mechanisms were used to support worker health, including:

- Providing education to increase awareness of the early detection of communicable and non-communicable diseases and offering early referral mechanisms. We align to the World Health Organization's calendar and use the opportunities it presents to address specific organisational factors that have a significant impact on employee health and wellbeing, such as stress and mental illness.
- Subsidising medical aid cover for employees to ensure that they have access to private healthcare services at a reasonable cost.
- Offering annual health risk assessments to employees and contractors through our Know Your Numbers campaign, which helps individuals to identify health risks and to manage their health while providing up-to-date Group data to ensure that our internal health programmes are current, relevant and are addressing the main risk factors identified during screening. As 60% of our employees worked remotely, no Wellness Days were hosted in 2020.
- Running eight primary healthcare clinics in regional offices in South Africa.
- Supporting employees and their dependents living with disabilities through educational grants for dependents and the procurement of devices they may need to help them meet their needs.

### Gender-based violence

South Africa has one of the highest incidences of gender-based violence and femicides in the world. During 2020, an alarming upsurge of violence against women was noted following Covid-19 lockdown measures. Within the Group, we likewise saw an increase in the number of gender-based violence cases (119 up from 33 in 2019). In response, we sought to raise awareness while increasing the support and resources available to victims and survivors of gender-based violence, including access to professional counselling, workplace support groups, legal advice and safe homes.

### 403-4 Worker participation, consultation, and communication on occupational health and safety

Worker participation and consultation is part of OHS within our Enterprise Risk Management Framework. OHS information is published on the Group's intranet site, in our policies and procedures, as well as on a dedicated OHS intranet page and OHS Workplace page.



### 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

All our premises are managed and maintained on strict schedules by industry specialists in accordance with regulation and law. Monthly site inspections identify, record and track hazards and risks for remediation. We maintain records of all services and conditions.

### 403-8 Workers covered by an occupational health and safety management system

In South Africa, all employees are registered with the compensation fund, while contracted workers and consultants are registered by their respective employers. We ensure that our OHS management system supports the provisions of safe and clean premises for all our employees and customers. We are regularly audited by the Department of Labour in South Africa and similar government departments in our other presence countries to assess compliance. Within our Absa Regional Offices presence countries, the mechanisms vary with some reporting to the local Department of Health while others are required to report it to their insurance companies.

### 403-9 Work-related injuries and 403-10 Work-related ill health

99% of our employees are administrative and office workers and their functions are considered low risk for work-related diseases and injuries. Should a claim arise, we follow the directives provided in the South African Compensation for Occupational Injuries and Diseases Act. Our injury rate excludes contractors.

	2019	2020
Work-related injuries	128	52
Days lost due to injuries	830	124
Fatalities	nil	nil
Work-injury rate (South Africa)	0.24	0.11
Work-injury rate (Absa Regional Operations)	0.25	0.08
Employees completing training on OHS policy and procedures	98%	94%
Total number of person days lost due to industrial action	0	0
Percentage of total person days lost due to industrial action	0%	0%
Fatal-injury frequency rate (number of fatalities per 200 000 person hours worked)	0	0
Lost-time injury frequency rate (number of lost-time injuries per 200 000 person hours worked) (South Africa)	0.15	0.11
Lost-time injury frequency rate (number of lost-time injuries per 200 000 person hours worked) (Absa Regional Operations)	0.11	0.02
Number of lost-time injuries (injuries on duty leading to at least one lost day)	72	20
Number of first aid cases (injuries on duty leading to minor treatments, such as a plaster or a pain tablet)	42	14
Number of medical treatment cases (injuries on duty leading to medical treatment, but no lost days)	53	27

### 404 Training and education

Absa's learning strategy focused on supporting employees with building the mindsets, behaviours and skills required to successfully navigate the impact of Covid-19 and to reimagine the business and their careers beyond the pandemic. Despite the evident challenges presented in this context, maintaining the organisation's skills development performance within target levels remained a priority.

At the start of the lockdown period, immediate attention was given to transitioning the organisation to 100% remote-based learning available on multiple devices. This was readily achieved given Absa's strategic focus on digitally enabled learning initiated in 2018. All employees have access to learning platforms to support reskilling to meet the evolving needs of the Group and enable greater skills competitiveness in the broader world of work.

Our *Learning Is Transformation* (#LIT) organisational journey was launched in 2020 to support the adoption of agile learning mindsets and the skills required to successfully navigate the current operating context.

### 404-1 Average hours of training per year per employee

The data presented below focuses on internal training and currently excludes tertiary education, external training programmes, seminars and continuing education programmes.

Our total average training hours per person is 56.42. This is reported under our formal Absa Learning System (35.39 hours) and Absa Digital Campus (21.03 hours). More detailed disclosure of the Absa Digital Campus learning is being developed.

#### Average training hours per person, by gender and by race, excluding compliance training

		African	Coloured	Indian	White	Not disclosed	Total
2020	Total	33.76	40.66	30.76	29.24	12.50	29.71
	Female	42.34	43.12	36.26	35.05	12.43	33.96
	Male	31.89	34.81	23.58	19.98	12.56	23.02
2019	Total	38.76	38.91	25.36	30.11	15.16	30.12
	Female	41.32	39.10	28.32	32.22	14.15	32.49
	Male	33.91	38.46	21.69	26.77	16.27	26.38

#### Average training hours per person, by gender and by race, including compliance training

		African	Coloured	Indian	White	Not disclosed	Total
2020	Total	44.90	47.54	33.21	35.93	17.30	35.39
	Female	48.95	50.39	36.26	42.32	18.33	40.17
	Male	37.12	40.76	29.22	25.76	16.19	27.89
	Not known	-	-	-	-	25.12	25.12
2019	Total	47.79	48.51	34.64	41.09	22.99	39.24
	Female	50.42	48.53	37.71	42.55	21.91	41.55
	Male	42.82	48.49	30.83	38.79	24.18	35.60

## Average training hours by geography

	2019	2020
<b>South Africa</b>	46.06	<b>42.91</b>
Principal to Managing Principal	31.33	<b>22.44</b>
Assistant Vice President to Vice President	44.62	<b>31.81</b>
BA1 to BA4	47.75	<b>51.99</b>
Non-corporate title	59.35	<b>6.03</b>
<b>Absa Regional Operations</b>	23.40	<b>15.39</b>
Principal to Managing Principal	39.94	<b>23.52</b>
Assistant Vice President to Vice President	32.26	<b>16.76</b>
BA1 to BA4	21.49	<b>14.91</b>
<b>Non-corporate title</b>	15.62	<b>6.77</b>
Other countries (UK and USA)	14.31	<b>10.82</b>
Principal to Managing Principal	16.57	<b>9.66</b>
Assistant Vice President to Vice President	14.12	<b>7.76</b>
BA1 to BA4	5.66	<b>4.83</b>
Non-corporate title	3.83	<b>3.83</b>

## Average training hours per employment status

	2019	2020
<b>Unemployed total<sup>1</sup></b>	12.00	<b>15.30</b>
African, Indian and Coloured	13.94	<b>20.31</b>
White	14.04	<b>12.19</b>
Other (undefined)	7.06	<b>8.64</b>
Citizens of countries outside Africa	4.77	<b>9.98</b>
<b>Employed total<sup>2</sup></b>	39.24	<b>35.39</b>
African, Indian and Coloured	46.27	<b>44.53</b>
White	41.09	<b>35.93</b>
Citizens of countries outside Africa	14.31	<b>10.82</b>
Employed (undefined)	23.02	<b>16.20</b>

<sup>1</sup> Unemployed – Non-permanent staff, i.e. agency staff, unemployed learners, managed services.

<sup>2</sup> Employed – Permanent employees, fixed-term contractors.

## 404-2 Programmes for upgrading employee skills and transition assistance programmes

Absa seeks to develop a self-directed learning culture by providing employees with access to diverse learning opportunities through various modes of delivery. In 2020, lockdown regulations and the continued need to support social distancing resulted in an accelerated shift towards a virtual learning delivery model. The business responded by realigning learning materials to this mode of delivery. During this time, the total learning catalogue was reviewed, and non-critical programmes removed. Business areas also focused on providing targeted solutions for specific roles. This, however, resulted in a delay to planned training schedules as the work to support this shift was carried out. Training was also impacted by initial Group network usage restrictions limiting non-essential usage, enforced to ensure continuity of service to our customers. Despite these significant challenges, employees accessed over 5 047 programmes in 2020 (2019: 4 719), representing 1.3m hours of training (2019: 1.0m).



### Driving access to learning and development opportunities through ...



#### Graduate programme

**35 graduates** from across Africa participated in our 2020 GenA Graduate programme for high-potential young leaders, joining the **1 313** young professionals who have built their careers with us since 2008 (2019: 65).

Within an uncertain context, we reduced the number of new hires throughout the business, with specific attention given to technical upskilling in necessary areas. As a result, the number of graduate participants in this leadership-focused initiative were reduced for the year.



#### Employee bursaries

**864** bursaries were awarded (2019: 782), representing an investment of **R25.8m** (2019: R25.2m). Of this, 86.9% was allocated to AIC employees and 67.5% was invested in women.

### ... and diverse modes of delivery

Absa uses various learning platforms and modes of instruction to provide employees with access to learning opportunities.



#### Online learning through mobile-enabled learning platforms with a catalogue of 8 849 learning programmes

765 348 hours of virtual, self-directed training, over 2 908 interventions (2019: 793 220 hours over 3 094 interventions) including platforms such as:

- Udemy
- Cornerstone On-demand Learning System
- Absa Digital Campus
- Absa Learning Virtual Platform

We either refreshed or developed the following specialist academies:

- Corporate and Investment Banking Academy
- Relationship Banking Academy
- Finance Management Academy
- Employees and Culture Function Academy

Two new virtual academies will be launched in 2021:

- Culture Academy
- Change Management Academy

We assisted employees with the rapid transition to a remote working environment by creating **Thriving Remotely** and **Return-to-Work toolkits**, learning offerings and networks to assist managers and employees with executing their roles effectively in the new working context while also meeting their personal obligations. Covid-19-related learning included topics such as mastering finances, personal resilience, managing energy, leading through uncertainty, masterful engagements and driving innovation.

### ... varied programmes and initiatives

Invested **R406.2m** (2019: R450.5m) in employee development.

We had **3 491** learnerships and internships. The below was launched in 2020.



#### Learnerships

**200** learnerships awarded to previously unemployed learners (launched in 2020).

**30** learnerships awarded to individuals living with disabilities (launched in 2020).



#### Internships

**200 learners** enrolled in the Gordon Institute of Business Science Postgraduate Diploma in Business Administration.

**100 learners** enrolled in Cornerstone Learning Performance's General Management Programme in Banking for 4IR.



#### Face-to-face

**102 445** hours of instruction (2019: 703 803)

**407 319** hours of virtual classroom training representing **471** interventions which enabled Absa to continue with the delivery of high-quality, interactive learning while supporting social distancing.

**8 780** hours of video training representing **386** interventions (2019: 1 236 hours representing 116 interventions).



**60** coaching interventions carried out by internal and external coaches.



#### Absa Leadership Academy

**35 284** delegates (2019: 2 459<sup>1</sup>)

(24 260 females and 11 024 males) completed Absa Leadership Academy programmes. With the advent of Covid-19, all the Absa Leadership Academy offerings were updated and transitioned from face-to-face to virtual. Shorter programme offerings/masterclasses were designed to allow for greater accessibility and inclusivity. To stimulate a self-driven learning culture, the barrier of cost was removed, and these offerings were made free to employees. See page 63 for more details.

<sup>1</sup> Restated to align scope with 2020



**Launched the new mobile app, enabling our employees to learn on-the-go 47 734 learnings completed in 2020.**





Delivery type	2019		2020	
	Training hours	Number of programmes utilised	Training hours	Number of programmes utilised
Face-to-face (workshops)	703 803.3	1 178	<b>102 445.1</b>	<b>326</b>
Virtual (online)	793 220.4	3 094	<b>765 348.7</b>	<b>2 908</b>
Virtual (classroom)	–	–	<b>407 319.2</b>	<b>631</b>
Material (self-study)	5 693.7	270	<b>13 919.7</b>	<b>708</b>
Tests/assessments	5 746.8	167	<b>2 472.0</b>	<b>88</b>
Video (online)	1 236.8	116	<b>8 780.3</b>	<b>386</b>
<b>Total</b>	<b>1 509 701</b>	<b>4 825</b>	<b>1 300 285</b>	<b>5 047</b>

Our Absa Learning Week initiative sought to immerse employees in the reimagined Absa Learning and Development Framework, utilising various virtual learning platforms. The initiative included information sharing and knowledge building sessions to better equip employees to work in the new normal. Absa Learning Week was run twice in 2020, with 19 558 employees participating in July and 18 507 during the October Learning Week.

Leveraging digital learning opportunities was a critical focus to support continued employee development despite the limitations of social distancing. In line with this aim, virtual learning was provided through internal and external platforms.

#### Absa Digital Campus

An artificial intelligence-driven learning platform that assesses employees' competences via predictive competency assessments and marries this with algorithms that curate personalised learning journeys utilising content from leading international institutions, including New York University, Cambridge Judge Business School, Stanford University, Harvard Business Review, Delft University of Technology, University of Bristol, Massachusetts Institute of Technology, Duke University, Coursera and Udemy.

#### Absa Learning Virtual Platform

Accessible to all employees, the Absa Learning website is a central repository for learning across the Group. As a desktop-based platform, it was made accessible via mobile devices in 2020, which ensures employees have continuous access to learning opportunities.

During 2020, the Group's in-house multimedia studio delivered 310 productions. Services offered by the multimedia studio include livestream to Workplace; studio recordings; filming on location; and enabling virtual classrooms.

We continued to focus on developing a Group learning curriculum based on competencies that supported key strategic business outcomes such as innovation, business growth, agility, and collaboration. Learning also focused on building globally acknowledged priority future skills such as creativity, communication,

critical thinking and decision-making. Absa's continuously evolving competence framework currently includes 20 sub-competencies within four competencies categories:

1. Complex problem-solving and decision-making: Analytical thinking, critical thinking, cognitive flexibility; planning and organising; systems thinking; and lateral thinking.
2. Driving business innovation and growth: Customer orientation; entrepreneurial thinking; openness to change; design thinking; and commercial acumen.
3. Thriving digitally: Digital familiarity and 4IR savvy and data analytics.
4. Facilitating exceptional personal and team performance: Emotional intelligence; resilience; development orientation; collaborating with others; cultural intelligence; effective communication; and influential leadership.

#### External learning programmes

	2019		2020	
	Training hours	Number of programmes utilised	Training hours	Number of programmes utilised
Financial Advisory and Intermediary Services continuing professional development	12 527.6	89	<b>9 025</b>	<b>58</b>
Behavioural	305 142.7	1 732	<b>222 248</b>	<b>1 290</b>
Compliance	338 511.0	216	<b>194 385.3</b>	<b>364</b>
Leadership and management	110 506.4	684	<b>119 405.2</b>	<b>527</b>
Technical	743 018.3	2 104	<b>755 221.4</b>	<b>2 692</b>

<sup>1</sup> This table includes Absa internally developed/delivered learning programmes, as well as learning programmes delivered by external learning suppliers contracted to deliver learning on Absa's behalf.

<sup>2</sup> Numbers are different from Delivery Type as some face-to-face workshops have been migrated to virtual classroom programmes.

#### Financial assistance for formal qualifications: National Qualifications Framework (NQF) levels 5–10 (South Africa) by corporate grade

	Male	Female	Total Rm	Of which:	
				Disabled male	Disabled female
Senior management	1.416	1.903	<b>3.319</b>	0.138	–
Middle management	5.790	9.261	<b>15.051</b>	0.035	0.045
Junior management	1.741	5.349	<b>7.089</b>	0.037	0.048
Non-management and non-permanent	0.187	0.441	<b>0.628</b>	–	–
<b>Total</b>	<b>9.134</b>	<b>16.954</b>	<b>26.087</b>	<b>0.210</b>	<b>0.093</b>

### Financial assistance for formal qualifications: NQF levels 5–10 (South Africa) by gender, race and disability

	Male	Female	Total	Of which:		AIC %
				Disabled male	Disabled female	
	Number of delegates					
Senior management	15	18	32	1	–	57.6
Middle management	174	274	444	1	3	86.8
Junior management	82	267	346	1	2	91.4
Non-management and non-permanent	6	22	28	–	–	96.4
Unemployed	7	7	14	–	–	–
<b>Total</b>	<b>284</b>	<b>588</b>	<b>864</b>	<b>3</b>	<b>5</b>	<b>86.5</b>

### Financial assistance for informal training: No NQF (South Africa), by gender and disability

	Male	Female	Total Rm	Of which:		
				Disabled male	Disabled female	
Senior management	1.860	1.646	3.506	0.063	–	
Middle management	11.583	7.396	19.979	0.028	0.021	
Junior management	1.508	1.465	2.973	0.025	0.013	
Non-management and non-permanent	1.769	0.630	2.399	–	–	
<b>Total</b>	<b>16.720</b>	<b>11.137</b>	<b>27.857</b>	<b>0.116</b>	<b>0.034</b>	

### Financial assistance for informal training: No NQF (South Africa), by gender and disability

	Male	Female	Total	Of which:		AIC %
				Disabled male	Disabled female	
	Number of delegates					
Senior management	134	168	302	3	–	68.5
Middle management	1 095	786	1 881	3	2	68.7
Junior management	180	146	326	7	2	89.3
Non-management and non-permanent	294	94	388	–	–	43.6
<b>Total</b>	<b>1 703</b>	<b>1 194</b>	<b>2 897</b>	<b>13</b>	<b>4</b>	<b>67.7</b>

### Absa Leadership Academy

The Absa Leadership Academy was launched in April 2019 with the primary focus of aligning leadership development across the Group and developing the necessary skills to navigate the current and future world of work. Specific emphasis was placed on prioritising employment equity talent for the Absa Leadership Academy and other Group learning programmes.

	Female	Male	Total
Accelerated development	36	39	75
Leadership and management	1 604	568	2 172
Learning week	8 824	3 704	12 528
Masterclasses	4 284	1 815	6 199
Employees management standards	9 412	4 398	14 310
<b>Total</b>	<b>24 260</b>	<b>11 024</b>	<b>35 284</b>

### Coaching

Distinct coaching practices are used throughout the Group to facilitate the achievement of organisational outcomes while supporting the personal transformation and development of our employees. Coaching requests received are assessed with the appropriate practice selected based on the need. The period of coaching ranges from six months to one year.

	Internal coaching	External coaching
	No. of employees	
<b>Executive and leadership coaching</b> – Focused on helping existing senior leaders, as well as leaders transitioning into more senior levels, to understand their disproportionate impact on culture and the shift required in mindsets, language, and behaviour to lead employees towards a unified Absa.	5	34
<b>Career coaching</b> – Conducted in partnership with Manpower Group South Africa with a focus on taking individual ownership and striving for continued career growth and professional development.	4	3
<b>Performance coaching</b> – Focused on supporting employees to enhance their performance and personal effectiveness within their role.	5	2
<b>Systemic team coaching</b> – Aims to increase the capacity of teams to work collectively and collaboratively in pursuit of a common objective.	2	5
<b>Total</b>	<b>16</b>	<b>44</b>

While not utilised in 2020, business process coaching is also available and focuses on internal processes that impact team performance such as systems, rules and responsibilities.



## Knowledge management

A virtual knowledge base provides employees with access to over 500 articles relating to all aspects of human resources. In line with the self-service and digital strategies, employees are encouraged to search and find the information they require directly from the knowledge base. With an average of 34 500 views per month in 2020, the platform has proved a valuable resource to Absa employees.

## Learning per business segment

### Learning in Retail and Business Banking (RBB)

- To support succession planning and development initiatives at a senior level, the Insurance cluster established a shadow Exco that will help grow successors for senior leadership roles.
- To build technical knowledge (product, process, system, risk, compliance and regulatory), as well as cluster-relevant behavioural skills, Relationship Banking and Physical Channels created their respective learning academies. The Relationship Banking Academy was launched in November 2020 and Physical Channels will follow with a launch in January 2021.
- To understand the skills gaps in RBB, a skills profiling exercise was carried out, with 87% of the RBB employee base completing the exercise. The results served to highlight key strengths, as well as critical gaps in the RBB employees' skillsets. Pleasingly, skills that Absa had previously invested in developing, such as customer focus, teamwork, collaboration, ethics and values, reflected as strengths in the profiling exercise. The highest competency gaps were identified with respect to agility, entrepreneurial thinking, digital and inspirational leadership. The findings of the exercise will inform skills building initiatives going forward.
- Ensuring that RBB employees hold relevant formal qualifications remains a critical focus. The internships initiative aims to narrow the gap at foundational and middle management levels, targeting NQF 5, 6 and 7 and bursaries for formal qualifications.
- The lockdown restrictions have impacted on the business's ability to onboard planned unemployed learners particularly in the Insurance cluster.
- To develop the necessary manager skills, 2 000 managers were trained on the Absa-aligned standards for employees managers.
- More than 2 700 employees were trained across various leadership development programmes, including standout initiatives such as:
  - Women development – 157 employees completed the IgniteHer programme, and 32 employees completed the MentorHer pilot initiative.
  - Culture Network – Involved the upskilling of 53 employees in RBB to facilitate values and culture conversations.

A Return-to-Work page was created on the knowledge base for all employees across the Group. The page contains Covid-19 toolkits for employees and managers, medical declaration forms, links to self-screening questionnaires and business travel screening questionnaires.

To support employees working from home or away from their normal place of work, a Thriving Remotely page was created on the knowledge base. This page provides access for all employees to the Absa Remote Working standard as well as various toolkits, support tools, helpful tips and advice for setting up their remote workspace, planning their workday, effectively utilising technology and staying healthy.

### Learning in Corporate and Investment Bank (CIB)

The Corporate Investment Bank Virtual Academy was revitalised with both internal and external content such as e-learning, articles, and videos. This is available to all South African and Absa Regional Operation CIB employees.

- To develop our foundational leadership skills, R7 755m was invested in two Henley Business School programmes in November 2020 – a Higher Certificate in Management Practice (NQF L5) and the Advanced Certificate in Management Practice (NQF L6) for 180 employees.
- The CIB onboarding programme was virtualised with all new entrants to the business being onboarded accordingly. The initiative was highly successful, achieving a net promoter score of 93.
- In support of the CIB wellbeing strategy, financial wellness webinars, the CIB Happiness series, the bi-weekly mindfulness circles and the mindfulness selfcare programmes were successfully delivered to employees.
- The virtual International Banking Bootcamps provided international banking specialists, trade specialists and corporate, commercial and small and medium enterprise specialists with in-depth international banking and trade product knowledge, as well as fundamental knowledge on the importing and exporting of goods and the international trade cycle.
- To enable a self-driven learning environment, work began on building technical skills development frameworks supported by the Absa Digital Campus.
- An inaugural CIB sales learnership programme, which is aligned to the National Certificate in Banking (NQF L5) was launched through an investment of R1.4m. The programme is customised and has a strong CIB business acumen focus, along with an emphasis on building sales skills to deepen employee expertise in these areas.
- To remain relevant in the communities in which we operate, CIB will be investing R20m in several external learnership programmes and bursaries for unemployed and disabled learners. The initiative seeks to build scarce and critical skills, such as financial literacy empowerment, data science and data analytics, financial markets and instruments, coding, cyber security and digital technology, as well as skills relevant to 4IR.
- Further to the CIB-specific initiatives, 870 employees have completed various Group-initiated programmes such as personal mastery, personal branding and marketing, management essentials, facilitating high-quality performance conversations, IgniteHer women's development programme, Seven Habits of Highly Effective Employees, Dare to Lead and a Postgraduate Diploma in Business Administration (NQF L8).



## Learning evaluations

A learning evaluation framework was implemented, which assesses the first three levels of the Kirkpatrick four-level model by measuring:

- All programmes using satisfaction levels and employee net promote score (eNPS) (Level 1) as key performance indicators through the use of survey tools.
- Knowledge and skills attained (Level 2) through built-in assessments that form part of the Absa Digital Campus.
- Behaviour change and improved performance of the individual and business as a result of training implemented (Level 3).

In addition to the existing Learning Management System and manual surveys in place, we introduced Qualtrics as a survey tool to collect satisfaction data following workshop completion, as well as data on the net promoter scores (NPS). The average score across all programmes was 4.36/5. The NPS was used to measure the willingness of delegates to recommend the Absa Leadership Academy programmes after having completed each workshop. Based on the global NPS standards, any score above zero is considered good, 50 and above being excellent while 70 and above is considered world-class. The overall NPS score achieved for the Absa Leadership Academy programmes was 71.

## Employee assignments

Assignments	2019	2020
From Barclays to Absa Group	4	1
Assigned in Africa	64	31
Of which: from South Africa to Absa Regional Operations	48%	52%
To Absa international entities in the United States and United Kingdom	3	3
International relocations	6	1
<b>Total</b>	<b>71</b>	<b>35</b>

## 404-3 Percentage of employees receiving regular performance and career development reviews

Our performance management approach, MyContribution, has three key focus areas:

- Enabling high-quality goal-setting aligned to the business, function and/or team strategy and priorities.
- Growing strong professional relationships amongst peers, team members, employees and managers.
- Ensuring ongoing performance conversations.

This approach strives to help the Group realise the business strategy and maximise business results by enabling each employee to achieve their full potential. In 2020, emphasis was placed on improving the quality of objectives and ongoing performance conversations to create further alignment between business priorities and employee contribution. Due to the operational disruption caused by Covid-19, performance outcomes were measured based on each employee's overall contribution in terms of outputs (deliverables), outcomes (business results) and the effort demonstrated to achieve these.

Our performance review cycle concludes each February. As at 28 January 2021, 99.9% of employees had formal performance ratings (39% men and 61% women). Reasons for employees not receiving a performance review include being a new joiner, resignation or retiring (voluntarily or due to reorganisation).

## 405 Diversity and equal opportunity

### 405-1 Diversity of governance bodies and employees

Our transformation, diversity and inclusion strategy covers five key focus areas, all of which contribute towards a diverse workforce and inclusive environment. These include gender diversity; racial and ethnic diversity, people with disabilities; generational diversity; and LGBT+ (lesbian, gay, bisexual and transgender) community in countries where the agenda is legal. Various governance structures oversee and drive the strategies of each focus area. This governance structure includes the Group Transformation, Diversity and Inclusion Steering Committee, the Group Women's Forum, the Group Employment Equity and Skills Development Forum, and Group LGBT+ Forum. Although significant progress has been made in each area, some areas are more matured than others, for example, racial and gender diversity. Greater focus will be given to other areas in 2021 to support further advancement.

Our gender diversity initiatives included:

- IgniteHer Programme – Seven cohorts participated in a group leadership programme that focused on developing women leaders and this extends to the women leaders in Absa Regional Operations.
- He4She Campaign – We signed up to the United Nations' HeForShe movement, in which our male employees committed to solidarity with women.
- #STOP Campaign – Employees wore black on Black Wednesdays as part of a campaign to STOP gender-based violence.
- Gender Equality Gap – We completed a gender equality gap analysis guided by the United Nations Global Compact to explore our organisation's position across various areas, including pay parity, strategy and diversity.

The Group's Board is diverse, with 29% women (2019: 27%) and 41% black directors (2019: 44%). The boards of all South African subsidiaries and country banks are also well represented in terms of race and gender, and all members have the skills and knowledge to provide independent leadership. Three of our Absa Regional Operations entities are led by female managing directors, i.e. Zambia, Ghana and Botswana.

We continue to provide reasonable accommodation for self-declared employees living with disabilities.

Diving deeper: 9 and 54 ESG 102-8, 401-1, ↓ 2020 B-BBEE report.

## 405-2 Ratio of basic salary and remuneration of women to men

The ratios have remained stable year-on-year.

Fixed pay	2019		2020	
	Female	Male	Female	Male
<b>South Africa<sup>1</sup></b>				
Managing Principal to Principal	1.0	1.1	1.0	1.1
Assistant Vice President to Vice President	1.0	1.2	1.0	1.2
BA1 to BA4	1.0	1.0	1.0	1.1
<b>Africa Regional Operations<sup>2</sup></b>				
Managing Principal to Principal	1.0	1.1	1.0	1.1
Assistant Vice President to Vice President	1.0	1.0	1.0	1.0
BA1 to BA4	1.0	1.0	1.0	1.1
<b>Total remuneration<sup>3</sup></b>				
<b>South Africa<sup>1</sup></b>				
Managing Principal to Principal	1.0	1.2	1.0	1.2
Assistant Vice President to Vice President	1.0	1.2	1.0	1.2
BA1 to BA4	1.0	1.1	1.0	1.1
<b>Africa Regional Operations<sup>2</sup></b>				
Managing Principal to Principal	1.0	1.1	1.0	1.1
Assistant Vice President to Vice President	1.0	1.0	1.0	1.1
BA1 to BA4	1.0	1.0	1.0	1.1

<sup>1</sup> Cost-to-company.

<sup>2</sup> Basic salary.

<sup>3</sup> Remuneration is the sum of fixed pay plus discretionary incentive bonus/formulaic incentive for the performance year plus any long-term incentives awarded in the year.

### Taking a stand against discrimination: Sexual harassment

Absa is committed to creating and maintaining a working environment in which employees feel safe and accepted. Every employee is responsible for creating this culture – one that encourages diversity and inclusivity – and for fostering a workplace that is free of discriminatory practices.

Sexual harassment in the workplace is a form of unfair discrimination and is prohibited on the grounds of sex and/or gender and/or sexual orientation. It includes unwanted conduct, whether physical, verbal or non-verbal, that is of a sexual nature. Notably, even a single incident of unwelcome sexual conduct may constitute sexual harassment.

Given the serious nature of this violation and its repercussions on individuals and teams, we launched sexual harassment training to our South African employees in 2020 to assist in developing an understanding of what constitutes sexual harassment and how a complainant can respond to unwanted conduct using a confidential process, which is outlined in the Absa Sexual Harassment Standard. Customised content is being developed for the Absa Regional Operations to accommodate each country's laws and unique context, which will be released in the first half of 2021.

#### Physical conduct:

All unwelcome physical contact, touching, a strip search by or in the presence of the opposite sex, sexual assault etc.

#### Non-verbal conduct:

Unwelcome gestures, indecent exposure and display of or sending sexually explicit pictures or objects

**Verbal conduct:** Unwelcome innuendos, suggestions, hints, sexual advances, comments with sexual overtones, sex-related jokes or insults, graphic comments about a person's body made in their presence or to them, inappropriate enquiries about a person's sex life and whistling of a sexual nature.

## 406 Non-discrimination

### 406-1 Incidents of discrimination and corrective actions taken

Our employment relations policy relating to disciplinary procedures and grievances are informed by the provisions and the spirit of the International Labour Organisation conventions and all relevant employment legislation applicable in South Africa and respective Absa Regional Operations presence countries. We strive to create an environment that is diverse and inclusive, and free from discriminatory practices. In the event of an incident, our policies and procedures make provisions for speedy resolution.

## 410 Security practices

### 410-1 Security personnel trained in human rights policies and procedures

We outsource security to reputable companies whose employees receive basic human rights training. The International Bill of Rights is incorporated into the induction process for new security personnel and new learners enrolled in accredited training programmes. In Absa Regional Operations, we adhere to local laws and regulations. Human rights is included in security personnel training in all our presence countries except in Botswana, where the training is being updated to ensure compliance. Security personnel receive electronic updates, and a human rights booklet/brochure, which is also distributed to security employees and discussed during the opening of all courses as a Toolbox Talk. Our security providers provide attestations on an annual basis to validate conformance to human rights requirements.

## 412 Human rights assessment

### 412-1 Operations that have been subject to human rights reviews or impact assessments

We have a clear and unambiguous responsibility to respect and uphold human rights principles. We are committed to operating in accordance with the International Bill of Human Rights and take account of other internationally accepted human rights standards.

Human rights are managed in line with the Group Enterprise Risk Management Framework, Operational Risk Management Framework and the Employees Risk policies and standards. The principles and

guidelines are outlined in the policies and standards, including guidelines on:

- Diversity and inclusion.
- Employment relations (discipline and grievance).
- Bullying and harassment (including sexual harassment).
- Recruitment and development.
- Pay and remuneration.
- Employee conditions of service.
- Performance management.
- Talent management.
- Employee wellness – health and safety.
- Whistleblowing.

A combined assurance approach is followed across the three lines of defence (including compliance, internal audit, and specialist risk type) to assess and monitor policy and regulatory adherence to employees risk practices. Where gaps are identified, remediation plans are documented, tracked and monitored for effective closure. Regular employees risk profile and control environment assessments are compiled and submitted to the relevant sub-Board committees.

The effectiveness of our approach is monitored through:

- Employee engagement.
- Satisfaction surveys.
- Monthly and quarterly employees risk meetings, where any breaches are identified and discussed.
- Direct feedback from employee representatives through recognised trade unions, staff associations and work councils.
- Tracking whistleblowing referrals and other employee grievances.

We assessed our human rights practices against the six principles of the United Nations Global Compact, and the Group's standing in terms of the goals and purposes of human rights. Overall outcomes were satisfactory. In 2020:

- No violations to human rights were reported.
- No issues were raised that indicated that the business was not supporting and respecting the protection of internationally proclaimed human rights.





- There was no indication that the business was being complicit in human rights abuses. Whistleblowing reports are one of the sources used to determine conduct issues and there were no issues raised regarding human rights abuses through this reporting channel.
- Freedom of association was in place and there was effective recognition of the right to collective bargaining.
- We did not subscribe to forced or compulsory labour. Whistleblowing reports and grievances do not indicate failure in this regard.
- We did not employ individuals aged younger than 18.
- No discrimination was identified in respect to employment and occupation.
- There were no material risk events reported.

#### 412-2 Employee training on human rights policies or procedures

##### Human Rights statement

This statement draws together the policies, principles and standards relevant to all parts of Absa with an aim of:

- Providing guidance to business and employees on the extent of our responsibilities and commitments to respecting and upholding human rights.
- Contributing to the Group's compliance with human rights legislation and standards.
- Supporting the Group's values of driving high performance to achieve sustainable results, strength in our employees, obsession with the customer and being the heartbeat of Africa.

We promote human rights through our employment policies and practices, through our supply chain practices and through the responsible sale of our products and contracting of our services, as well as monitoring the use of our products and services, where possible/applicable. The Absa Way Code of Ethics outlines how we expect our employees to behave, details required standards of work and makes specific reference to human rights. Employees undertake annual mandatory training in the Absa Way Code of Ethics. Moreover, the evaluation of human rights and social aspects are integrated into our product development, business relationships and transaction review.

## 415 Public policies

### 415-1 Political contribution

We are a politically neutral organisation and do not participate in party political activities or make party political contributions. This means:

- We do not pay fees to political speakers, which include former politicians and government officials, elected officials, heads of state, and members of parliament and provincial legislatures.
- All employees are prohibited from offering, promising, providing, requesting or receiving donations for political parties.
- We do, however, participate in government initiatives that are in line with our strategy and values.

## 416 Customer health and safety

### 416-1 Assessment of the health and safety impacts of product and service categories; 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

Our occupational health and safety policy encompasses employees, contractors, visitors, consultants and customers. In South Africa, the Department of Labour regularly inspects all our premises, including those serving customers, for compliance with the South African Occupational Health and Safety Act. We have public liability cover for litigation arising from accidental bodily injury sustained by persons while they are at our premises, as well as for accidental damage to their property. This standard applies across our Absa Regional Operations as not all countries have the same legislation in place.

No non-compliance to any health and safety regulations or codes were reported in 2020. Due to the Covid-19 pandemic, an executive decision was made to restrict access to our buildings to protect our employees and customers from Covid-19 transmission. If a customer or contractor visited a site, a comprehensive Covid-19 self-screening questionnaire was completed and submitted to Absa 24 hours prior to the site visit.

## 418 Customer privacy

### 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

There were 78 substantiated customer privacy complaints during 2020 (2019: nil). These related to data quality where customers had not updated their contact details and/or customer contact details were incorrect; unsolicited direct marketing; and complaints pertaining to the Absa data breach in October 2020.

### Proactive action in customer privacy breach

Experian, a consumer credit reporting company that Absa partners with, experienced a data breach that exposed personal information of as many as 24m South Africans. Financial institutions use companies such as Experian, one of South Africa's largest credit bureaus, to assess customers credit status and debt commitments when applying for credit, as regulated by law. We assessed the impact of the breach on our customers and notified the relevant regulators. Affected customers were notified and informed of the precautions they needed to put in place, as well as our response to the breach. Investigations revealed that breaches resulted from fourth party control weaknesses and new controls have been introduced to remedy these situations going forward. To enhance our controls further, a third-party cyber risk assessment was concluded in July 2020. Our Group Privacy Office is working closely with the Converged Security Office and Group Procurement to ensure the data privacy requirements are being addressed through the enhanced pre-contracting and post-contracting controls relating to vendors.

Regrettably, one data breach incident involved an Absa employee sharing customer information with external parties for personal gain. This is a serious contravention of our data privacy policy and it is an unlawful act. Criminal charges have been filed.

## 419 Socioeconomic compliance

### 419-1 Non-compliance with laws and regulations in the social and economic area

We have a zero-tolerance approach to causing detriment to customers, markets and effective competition. In the normal course of business, our various regulators conduct reviews of our business operations' controls and our progress in meeting regulatory requirements. We continuously focus on compliance and risk controls. At times, however, remedial action is required, and administrative penalties and fines are levied on the Group.

In 2020, we incurred R9.6m in penalties (2019: R9.8m), the most notable being the R9.3m penalty imposed by the Tanzanian Revenue authority relating to misleading customer information supplied. The issue is currently being remediated.



## Financial Services Sector Disclosure

### Responsible banking

In the financial services industry, providers of products and services are usually better informed than their customers. This imbalance results in the potential for unfair treatment of customers. Possible consequences include:

- Inappropriate products being sold to customers.
- Unsuitable financial advice being given to customers.
- Financial products and services underperforming or even failing.
- Ambiguous communication about products.

Treating Customers Fairly is an outcomes-based regulatory and supervisory approach aimed at protecting consumer rights and ensuring that consumers are delivered specific fairness outcomes when dealing with regulated financial firms. In line with this, our customers can expect the following from us:

- Fair treatment.
- Retail products and services that are designed to meet the needs of our consumer groups.
- Clear information before, during, and after the point-of-sale.
- Suitable advice that takes account of the customer's circumstances.
- Products that perform to expectation and associated services of an acceptable standard.
- No unreasonable, post-sale barriers to changing product, switching provider, submitting a claim or making a complaint.

We are mindful of our responsibility to ensure that our employees have the necessary competencies, qualifications and experience, as well as the personal honesty and integrity, to fulfil their duties. In addition to meeting the relevant regulatory requirements in our presence markets, various policies and standards such as the Conflicts of Interest and Employee Relations policies guide our daily interactions with customers. Our tax affairs are managed in accordance with legislative requirements in each of the countries in which we operate.

### FS1 Policies with specific environmental and social components applied to business lines

Our Client Assessment and Aggregation Policy, along with the supporting Environmental and Social Risk Standard for Lending,

guide our relationships with customers and our mitigation efforts regarding environmental and social risks. The standard details the minimum requirements and controls for identifying transactions with potential environmental and social risks, outlines when the Equator Principles and guarantee provider requirements must be applied and gives details of the circumstances under which referral to the environmental credit risk management team is required. Our Nuclear Industry Risk Standard and Coal Financing Standard stipulate specific required obligor assessment parameters and mitigating actions for clients that engage in activities related to these sectors. Our sector-specific guidance notes outline key sector and reputational risks, headline issues and considerations to inform decision-making. These include:

- Agriculture and fisheries
- Chemicals and pharmaceuticals
- Conflict blood diamonds
- Forestry and logging
- General manufacturing
- Infrastructure
- Mining and metals
- Oil and gas
- Power generation and distribution
- Service industry
- Utilities and waste management

### FS2 Procedures for assessing and screening environmental and social risks in business lines

Mechanisms for assessing and screening these risks include:

- Customer-facing employees and credit analysts review the transaction for environmental and social risks as part of the credit review and approval process, guided by our specialist environmental credit risk management team.
- Credit analysts consider environmental and social risks when providing credit facilities as environmental credit risk is embedded in the credit risk process. They document applicable material risks and mitigating actions in the credit paper.
- Transactions are referred to the appropriate committees for approval, as determined by credit policy and business procedures, both for initial support and for final credit approval.

- Financing requests for sensitive sectors are assessed on a case-by-case basis and the process includes considerations such as the need for critical power and the country's strategic development commitments.

Where appropriate, we appoint independent environmental consultants to assess and mitigate the identified risks.

A transaction will be rejected based on a holistic decision that considers numerous factors, including environmental and social risks. Finance will only be provided if all requirements are met.

Where appropriate, identified environmental and social risk gaps are included in action plans and covenanted in facility agreements.

Exclusion lists, which prohibit or limit funding to identified high-risk environmentally and socially sensitive sector activities, are being progressively introduced and implemented in our lending operations.

### International Finance Corporation Performance Standards

We are enhancing our environmental and social management system by extending the application of the International Finance Corporation Performance Standards on Environmental and Social Sustainability beyond Equator Principles transactions to lower value project finance, project-related corporate loans and general corporate loans that meet specified criteria in Ghana, Kenya, Mauritius, Mozambique, Seychelles, Uganda and Zambia.

Project finance transactions <sup>1</sup>	Project-related bridge loan
<b>2</b>	<b>0</b>
(2019: 0)	(2019: 1)
Project-related corporate loans <sup>2</sup> reaching financial close	Commercial property finance transactions
<b>1</b>	<b>2 879</b>
(2019: 0)	(2019: 3 619)
Project finance advisory services	General transactions
<b>0</b>	<b>70</b>
(2019: 0)	(2019: 27%)

<sup>1</sup> Over USD10m.

<sup>2</sup> Over USD100m that meet specified criteria.



## Equator Principles

Since 2009, we undertake environmental risk assessments for all transactions, including project finance and project-related corporate loans, that fall within the thresholds defined in the Equator Principles. All Equator Principles transactions are reviewed by the environmental credit risk management team, working closely with the business and legal teams.

Equator Principles projects are categorised in terms of the International Finance Corporation's environmental and social categorisation process as category A, B or C based on the expected magnitude of their environmental and social impacts:

A – Potentially significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.

B – Potentially limited adverse social or environmental impacts that are few, generally site-specific, largely reversible and readily addressed through mitigation measures.

C – Minimal or no social or environmental impacts.

We have amended our policies and standards to reflect the changes and requirements of the Equator Principles IV, which became effective on 1 October 2020. All reported Equator Principles transactions have applied Equator Principle III. No transactions where Equator Principle IV applies were closed during 2020.

Equator Principles transactions	Project finance			Project-related corporate loans								
	2019	2020			2019	2020						
	A	B	C	A	B	C	A	B	C	A	B	C
<b>Sector</b>												
Mining and metals	–	–	–	–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	1	1	–	–	–	–	–	–
Oil and gas	–	–	–	–	–	–	–	–	–	1	–	–
Power generation	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–	–	–
<b>Region</b>												
Americas	–	–	–	–	–	–	–	–	–	–	–	–
Europe, Middle East and Africa	–	–	–	–	1	1	–	–	–	1	–	–
Asia Pacific	–	–	–	–	–	–	–	–	–	–	–	–
<b>Country designation</b>												
Designated country	–	–	–	–	–	–	–	–	–	–	–	–
Non-designated country	–	–	–	–	1	1	–	–	–	1	–	–
<b>Independent review</b>												
Yes	–	–	–	–	1	1	–	–	–	1	–	–
No	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	–	–	–	–	1	1	–	–	–	1	–	–

## General transactions

	2019	2020
	A	A
<b>Sector</b>		
Mining and metals	26	16
Infrastructure	15	8
Oil and gas	16	12
Power generation	4	3
Power generation (renewable energy)	8	18
Agriculture and fisheries	1	2
Chemicals and pharmaceuticals	2	2
Manufacturing	2	3
Services	7	1
Utilities and waste management	3	5
<b>Region</b>		
Americas	1	0
Europe, Middle East and Africa	83	70
Asia Pacific	0	0
<b>Total</b>	84	70

### FS3 Processes for monitoring customers' implementation of and compliance with environmental and social requirements included in agreements or transactions

Within the environmental risk assessment process, the customer relationship, legal, transaction support and environmental credit risk teams engage with the customer during the transaction life cycle to ensure environmental and social risks are appropriately mitigated and that financing opportunities that support the green finance economy are identified, for example, renewable energy opportunities.

The environmental credit risk function reviews the reports to ensure that environmental and social risks are satisfactorily managed. When required, we engage with our customers regarding environmental issues of concern or to address cases where unsatisfactory progress has been noted to agree an appropriate resolution or action plan. Where appropriate action is not taken, support for the finance application may be cancelled or revoked after following due process.



### FS4 Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

Our environmental credit risk management learning programme enhances internal credit and bankers' knowledge and awareness of environmental and social risks, and of how these relate to sustainable finance. In 2020, a core team of eight employees in South Africa received training on global best practice in environmental and social requirements from the Multilateral Investment Guarantee Agency. A formalised training programme was subsequently rolled out to seven appointed environmental and social management system officers in Ghana, Kenya, Mauritius, Mozambique, Seychelles, Uganda and Zambia. Respective country risk, business and legal teams are also in the process of receiving this training.

### FS5 Interactions with clients/investors/business partners regarding environmental and social risks and opportunities

We engage with relevant stakeholders on issues such as critical developments in the environmental risk field, international and regional sustainable finance matters and related regulatory developments, as well as on environmental impacts to broaden our understanding of both environmental and social risk.

We are:

- A member of the Banking Association of South Africa's Sustainable Finance Committee, Climate Risk Committee and Positive Impact Working Group.
- A member of the United Nations Environment Programme Finance Initiative, which includes participation in Phase 2 of the Task Force on Climate-related Financial Disclosures Pilot.
- A member of the National Business Initiative and a local representative of the CDP.
- Working with the Council for Scientific and Industrial Research on physical climate-related risks.
- During 2020, we participated in The Equator Principles annual meeting.

In addition, we participate in a range of information events/webcasts, hosted by various stakeholders such as the United Nations Global Compact, the University of Cambridge Institute for Sustainable Leadership, Global Association of Risk Professionals the GRI and the CDP.

↓ 2020 TCFD Report

### FS6 Percentage of the portfolio for business lines by specific regions, size and by sector

An analysis of the Group's lending portfolio by business lines and geographic regions are disclosed within our financial results analysis.

↓ 2020 Financial Results Booklet Note 8

### FS7 Monetary value of products and services designs to deliver a specific social benefit for each business line, broken down by purpose

#### Affordable housing

We continue to play an active role in the affordable housing market by providing relevant and appropriate financial solutions to investors, developers and the communities we serve. We provided home loans to 5 308 affordable housing customers to the value of R2.76bn.

Although the country experienced Level 5 lockdown restrictions during the periods from April to May 2020, the affordable housing market saw a significant increase in home loan applications due to the current favourable lending interest rates, which is the lowest in 50 years. As part of our home loan offering, our borrower's education programme informs customers on all aspects of home buying and home ownership. 6 874 customers participated in the programme, which has been delivered virtually to support social distancing. We also supported 143 customers to access the government's Finance-linked Individual Subsidy Programme.

To enable the development of and/or investment in affordable units, we have provided finance in excess of R7bn in the past five years. Our offering includes social housing, which involves providing finance to facilitate more affordable rentals.

We have worked with the Department of Human Settlements and local authorities over the past seven years on projects delivering approximately 5 000 homes in Gauteng and the Eastern Cape (Witbank, Mogale City, Olivenhoutbos and Thornhill). A further 1 762 houses will be delivered over the next two to three years in Mogale City, Thornhill and Witbank. The project to deliver 580 homes in Pienaarsrivier was completed in 2020.

#### Partnering to bring possibilities to life

Absa Commercial Property Finance partnered with Morgan Stanley Capital International (MSCI), a leading provider of investment decision support tools worldwide, to produce South Africa's first residential index. The index provides objective empirical data on total returns achievable for direct investments in the residential property sector in South Africa. This partnership began in 2018 when the first results were presented. In 2019, Absa took a decision to sponsor the full suite of commercial property indices produced by MSCI, and the residential index became part of the overall South African property index.

The MSCI indices are a unique source of empirical data reflecting the performance of the property sector in South Africa. Absa Commercial Property Finance's involvement in generating the first Residential Index by MSCI in South Africa (which covers affordable housing) is a significant development as it enables investors broadly to assess the housing sector using comparable metrics for other mainstream property segments in the South African property sector. As housing is a critical sector for the South African economy, we see this initiative as having the potential to attract additional private and institutional capital, which will assist in alleviating housing shortages, and draw many more South Africans into the formal economy – helping bring their possibilities to life.

#### Enterprise development

Partnering with several of our provincial government primary banked clients, we have allocated R1.7bn in 2020 (2019: R1bn) to provide funding to small and medium enterprises (SMEs) that have secured government contracts in order to promote financial inclusion for these entities.

Over and above access to procurement opportunities, we support SMEs by providing access to financial services, as well as development support in the form of business skills, information, networks and markets. These interventions include training and strategic events; access to corporate customers and their value chains; and partnerships with non-profit organisations, global development organisations and government. Our structured approach to value chain financing blends our commercial funding with more affordable funds and/or guarantees from third parties to provide more affordable financing rates for emerging businesses



that would not otherwise qualify for traditional finance.

In South Africa, we selected 13 candidates and awarded grants totalling R63m to be used to acquire licences, improve systems, hire new staff and enhance their capital adequacy to grow their businesses. Below are a few examples:

- Bright On Capital, a black-owned and managed alternative financial services company, received a grant to expand and simplify access to affordable finance for SMEs. The grant supported enhancements to their technology platform and enabled the expansion of their sales and operational, and management teams.
- Cartesian Capital, a black female-owned asset management company, received a grant for expansion.
- Grant funding was provided to Suntricity, a black-owned entity, for a pilot project to assist public schools in managing their electricity and energy consumption. Detailed analysis of the electricity and water usage is conducted, and potential savings identified. Where applicable, Absa's renewables team can assist in funding solar photovoltaic installations that will assist the school to reduce its electricity costs.
- Grant funding was provided to Thuma Mina, a black-owned SME employing seven youth that provides courier services for food, groceries and medication.
- Grant funding supported eight Absa-banked SMEs who supplied personal protective equipment to our public sector clients and government entities, which reduced public sector burden while supporting small businesses.
- Grant funding was provided to Tsholetsa Disability Group after participating in business coaching on topics such as sustainability, cash flow, financial management, and strategic marketing on social media.
- In partnership with Ekasi Entrepreneurs, we assisted more than 400 township-based SMEs with unemployment insurance fund registration and funding, annual financial statements and reports, South African Revenue Service registrations and access to an accounting and payroll system for one year. The benefits received by the SMEs amounted to more than R6m and created more than 100 jobs.

The following programmes will be implemented in 2021. In both instances, Absa will also provide transactional services and financial literacy to the emerging operators.

- Absa will be a funding partner for a programme that seeks to grow the businesses of black-owned informal second-hand tyre dealers.
- Absa will be a funding partner for an initiative that seeks to assist spaza shop owners to upgrade their stores to a commercially sound neighbourhood convenience store format, supported by a large South African retailer's supply chain.

Further examples in our Absa Regional Operations' markets include:

- mySME Tool, available across our Absa Regional Operations presence countries, supports efficient and effective business management by allowing our customers to manage their customers and products; assisting with business planning and financial forecasting; sending quotations and invoices, managing monthly reporting and improving branding.
- In support of the International Trade Council's ShetradeKE,

#### Partnership in action: Boosting trade finance in Africa

Over the past few years, banks headquartered in the US and Europe have reduced their exposure to Africa, which has led to an acute shortage of trade finance capacity in African countries, particularly for small and medium enterprises. This often prevents African companies from taking advantage of opportunities to grow and therefore increase employment.

Absa has successfully rolled out its Trade Hub strategy to become an African regional trade bank and bank of banks, significantly contributing to the growth and support of trade finance on the continent through the Hub's risk management, foreign exchange liquidity and innovative financing solutions supporting trade flows into, out of and between African countries. While the Covid-19 pandemic exacerbated the trade gap in Africa – as international investors further withdrew from Africa – our Trade Hub was able to meaningfully buttress African trade by distributing funding from key development finance institutions and multilateral support to where it was practically needed.

Absa and the CDC Group (formerly the Commonwealth Development Corporation) have two trade finance facilities to boost trade finance funding into Africa. With the onset of the Covid-19 pandemic, the

Absa Kenya announced a SH10m fund to advance credit to women-owned SMEs over the next five years. This fund is part of our commitment to advance diversity and inclusion by empowering women with finance, access to markets and information, and capacity-building.

- An SME Academy pilot in Uganda helped businesses improve sustainability by better managing their businesses through periods of economic downturn. In partnership with the International Finance Corporation, we hosted six webinars for the SME community with the purpose of helping small businesses navigate through the pandemic and the economic impact of Covid-19.
- 722 SMEs in Botswana received online training on various topics, including opportunities available in different sectors for SMEs and how to facilitate business innovation.
- A four-year sponsorship of the Exxon Mobil and Area 4 Partners Enterprise Development Centre, will focus on upskilling local businesses to enable participation in the oil and gas value chain in Mozambique. Absa also delivered financial management training.

CDC increased its commitments and has shown support for African trade by providing preferential terms for Covid-19-related transactions, such as medical value chains and trade finance transactions that are critical to serving employees' basic needs during the crisis such as food, agriculture and health. Our total finance commitment with the CDC is USD300m.

As an emerging market bank, we do not have access to a natural source of USD to fund a large book of USD international trade assets and, due to the cost of funds, raising short-term liquidity is an important part of our business. These CDC facilities allow Absa to reach more customers, price effectively, enhance margins while managing the risk, reduced the cost of funds, and improve capital returns within the Group.

These facilities have also practically protected vital supply chains in fragile economies throughout the economic fallout of the pandemic and ensuing financial crisis.

Further, we welcome the introduction of the African Continental Free Trade Agreement, though expect that economic success from this important commitment may take several years to be felt.





## Agriculture

In line with our efforts to use the agricultural sector as a springboard for labour-intensive growth, we prioritise collaboration with all stakeholders in the agriculture value chain.

We assist clients who experience challenges with proactive interventions. Over the past three years, many of the farmers who have received business support have managed to turn their businesses around, thereby avoiding legal process. Where farmers have demonstrated good management skills and a solid track record, we engage them to offer full support, including payment extensions, balance sheet restructuring and capital holidays.

Our agriculture strategy includes a focus on providing small-scale farmers with access to finance and we continue to offer fact-based information to upskill farmers and assist in growing their profitability. We have built supportive ecosystems that help address many of the challenges these farmers face in the areas of technical knowledge, market access and access to finance through partnerships with fellow corporates, industry associations and business development organisations.

These ecosystems enhance the viability of small-scale farmers by both reducing and mitigating risk. Importantly, they also reduce barriers to entry and provide the resources farmers require to grow their businesses. For example, with committed market off-takes in place, we can lend against projected cash flows as opposed to relying on collateral – a particular challenge for small-scale farmers, which is often complicated by precarious land tenure issues.

In 2018 and into 2019, we successfully piloted two such ecosystem models. With the insights gained from this initiative, we believe we will be able to substantially increase our lending to the developing agriculture sector in the next five years. Consequently, we extended the model to the North West province, with planned roll out to the Western Cape.

Demonstrating our commitment to transformation in the agricultural sector, we established a R200m concessional loan facility for new-to-bank black-owned agribusinesses. This enables business owners to access finance at competitive rates.

### For Farmers' Group: Transforming the grain sector

Enabling inclusive growth and transformation in agriculture is possible through sustainable partnerships. Our partnership with the For Farmers' Group aims to transform the grain industry by bringing previously unused and under-used land into production while benefiting the households who own the land.

We began by financing 220 hectares of production, which has increased to 1 875 hectares in three years, benefiting 26 farmers, their households and the 220 families in the communities from whom the land is leased. In the past season, this created 150 seasonal jobs for the communities.

With the For Farmers' Group and other ecosystem partners, there is potential to cultivate over 15 000 hectares in KwaZulu-Natal, Mpumalanga, North West and Western Cape, benefiting 217 black farmers and their households. In addition, 500 families will benefit from the rental fees for the land and the jobs created in their communities.

As part of the overall Absa scholarship initiative, we provided scholarships for 57 agricultural students at nine universities, investing over R5m each year. This initiative enables meritorious students from disadvantaged backgrounds to gain the skills and qualifications needed by the sector.

Our specialists provide updates on local and global market insights to help our customers make more informed decisions through various media platforms such as the Absa blog, television, print and social media. In addition, we provide a range of information in support of the industry, including:

- Weekly livestock prices, containing an analysis of factors that impact global and local markets, and a forecast of expected prices within the next three months. This covers grains, livestock, fibre, hides and feedlot.
- Connecting small livestock producers and pastoral family farmers with auctioneers and feedlots through instant messaging service.
- Weekly commodity process.
- Annual commodity outlooks, comprising global and local economic drivers covering grain, oilseed and horticultural crops, livestock, fibre and other topical regulatory or resource issues. The report includes a three to five-year outlook on production, imports, consumption, exports and prices.

- Hosting webinars to provide our clients with relevant information on market-related aspects and the bank products available to meet their needs.

### From a backyard business to a flourishing poultry farm

Absa supported a rural poultry farm owned by Pheona Phalane, a 24-year-old entrepreneur who started the business in her grandmother's backyard using the savings she gathered as a student. Through Absa, Pheona has received one-on-one mentorship and training on business strategy, cash flow management and the preparation of financial reports. She also received training in business marketing and support in securing registration as a recognised supplier with the Department of Agriculture. The Absa-enabled mentorship further guided her in the purchasing of land for her business, as well as registration with the Gordon Institute of Business Science for an international innovative female entrepreneurs' programme. Absa also offered Pheona's business, the Phalmosh Poultry Farm, a business development grant. Phalmosh are now suppliers to the community and smaller local supermarkets.

### Agri innovation

We embarked on a remote sensing pilot for development clients that utilises optical and radar satellite images to enable a real-time view of a specific commodity's production. This innovation allows producers to take corrective actions to protect the crop and thus safeguard cash flow. The system enables the monitoring of notable events in the crop growth cycle and includes a weather module that provides 30 years of historical data, as well as a 10-day forecast. Moreover, the platform provides a yield estimate that enables forecasting of revenue. Therefore, through remote sensing, Absa is better able to understand production risk and pursue corrective actions.

We have a relationship with various industry associations, including, but not limited to, the Agricultural Business Chamber, Agri SA and its provincial unions, the Citrus Growers Association, Cotton SA, Hortgro, Grain SA, the Produce Marketing Association, Potato SA, the National Emergent Red Meat Producers' Organisation, the South African Table Grape Industry, the Transvaal Agricultural Union and Vinpro.



## Digital solutions

Partnering to offer digital solutions that assist our clients run a secure and efficient business.

Many business clients perform their financial transactions using an online banking system, which creates inefficiencies due to recapturing data and increases the risk of payments files being intercepted. While the alternative is to create a host-to-host connection to transfer data between their line of business systems and the bank, this invariably results in high costs and is technically challenging.

We have been working with two collaborators to implement integrated seamless payment solutions to reduce inefficiencies and minimise fraud and operational risks. Furthermore, with the advent of Covid-19, this latest innovation is yet another example of how we are responding to adopt digitised interventions to limit manual processes and enhance the client experience.

**FS8 Monetary value of products and services designs to deliver a specific environmental benefit for each business line, broken down by purpose**

### Renewable energy

Customer education and awareness are important components of our approach to driving renewable energy. We shifted from face-to-face customer education and awareness-raising engagements to participating in online events, including the Sustainability in Manufacturing event, Smart Mobility Week, Green Building Council South Africa conference and other energy-related virtual events, and we were a lead sponsor of the Solar Power Africa Conference. We also sought to contribute our insights through the publishing of a battery short report, an electric vehicle short report and thought leadership articles on the renewable energy sector. We have introductory research available to customers on seven renewable energy technologies and face-to-face training initiatives. Internally, we ran 25 training sessions around renewable energy (and the funding thereof) and enhanced digital training by making available four training modules.

As a member of the South African Photovoltaic Industry Association, we proactively engage and collaborate on topics seeking to advance the industry. We continued to give input to Green Cape and the Council for Scientific and Industrial Research, and we worked with Sustainable Energy Africa to promote the adoption of rules and regulations that are supportive of the small-scale embedded generation sector.

We continually refine our strategy to support affordable and clean energy through more propositions and strategic partnerships which can unlock opportunity for cross-collaboration across the bank and in the industry.

### Energy efficiency through solar PV

We assist our clients by providing advisory and technical insights and driving efficiency by taking a positive and proactive approach to understanding their energy bills. In this way, we aid businesses to better manage their consumption and consequently reduce their billing. We also analyse the different tariff structures available to them from their utility provider. Through these interventions and by providing finance for solar PV, we have facilitated client savings on electricity costs to the value of approximately R1.2m. Our focus will remain on supporting our customers in each sector by providing further advice on measuring mechanisms that enable operational insights that support cost reduction.

### Small-scale embedded generation (SSEG)

With the highest intensity of load shedding in South Africa on record during 2020, rooftop solar is one of the quickest means of addressing the crisis. The funding of solar with batteries is included in our view on funding SSEG and part of our Green Asset Finance funding option, which is guided by our solar PV specific credit standards. We continue to work with independent power producers to finance their projects. While still a small segment of the market – with our customers owning 100 plus sites nationally – we continue to support role players in this market. There was a 30% growth year-on-year in our lending to the SSEG market.

### South Africa's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme

The REIPPP programme is seen as the most significant contributor to South Africa's shift towards a low-carbon economy. It supports the country's commitment to reducing carbon emissions in line with the 2015 Paris Accord, as well as the 2019 Energy Integrated Resource Plan goal to diversify energy resources and reduce the reliance on coal. The renewable energy technologies supported include wind, solar photovoltaic (PV), concentrated solar power and biomass. The projects are designed to make a significant contribution to energy generation, environmental sustainability and economic growth and development by benefiting local communities and businesses during the various construction phases and beyond.

Starting in 2010, approval has been given for 92 projects with a total capacity of 6 322 MW. Absa has been involved in financing 33 projects with a combined capital value of R80bn and combined capacity of 2 916 MW, consisting of:

- 704 MW of solar PV.
- 1 837 MW of wind power.
- 350 MW of concentrated solar technologies.
- 25 MW of biomass.

This represents 46% of all renewable energy projects in South Africa, measured in megawatts, awarded so far. There were no new deals approved in 2020, however, Absa approved participation in the refinancing of the Bokpoort concentrated solar projects.

### Bokpoort concentrated solar power project

Absa was a senior and mezzanine lender in the refinancing of the 50 MW Bokpoort concentrated solar power project, the first refinancing of a renewable energy project under the REIPPP programme. The project began commercial operation in 2016 and was in the fourth year of the ramp-up period, which is required for a concentrated solar project.

The transaction included refinancing the existing senior Jibar-linked debt as well as introducing senior CPI-linked and mezzanine debt, increasing the loan tenors, and increasing the project's debt quantum by R1 991m, of which Absa financed R958m).

### Partnership in action: Green mortgages

The demand for new buildings presents a unique opportunity to leap into a low-carbon and resource-efficient future by developing responsibly and incorporating energy efficient design and construction strategies. Absa is committed to creating customer-centric products and recognises that sustainability is not only a priority for the Group but for the customers we serve.

The Absa Eco Home Loan, launched in partnership with Balwin Properties, makes buying and owning a green home possible for more South Africans. This finance solution offers competitive rates for EDGE (Excellence in Design for Greater Efficiencies) certified properties. The EDGE standard is set at a minimum of 20% reduction across energy consumption, water and embodied energy. In this way, Absa can support the development of buildings that are not only



greener but lower the costs of running a household and therefore have a direct impact on property owner cash flows.

The Absa Eco Home Loan has demonstrated how collaborating with developers can assist in creating innovative solutions that enable homeownership in South Africa while supporting a more sustainable environment for all.

Eco Home Loans to the value of R9m were taken up in 2020.

#### Unlocking financial resources for further growth

Absa secured a USD497m guarantee with Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group. MIGA only supports investments that are developmentally sound and meet high social and environmental standards. Notably, Absa was the first African banking group to enter this type of guarantee transaction.

Guarantees help protect Absa against risks related to the mandatory capital reserves that Absa and other banks are required to hold with central banks. The guarantee serves to free up financial capacity, enabling Absa's subsidiaries to provide additional sustainable financing for corporates and small and medium-sized businesses, as well as projects with climate co-benefits, that is, beneficial outcomes from climate action that are not directly related to climate change mitigation (such as the creation of green jobs). The climate finance component of this project is significant, and Absa in Kenya and Mauritius will lend USD325m in support of new climate finance transactions. The guarantees are valid for as long as 15 years and apply to Absa's subsidiaries in Ghana, Kenya, Mauritius, Mozambique, Seychelles, Uganda and Zambia.

#### FS13 Access points by low-populated or economically disadvantaged communities

We offer services to our customers through a multichannel approach with a choice of platforms, from digital solutions, call centres and face-to-face engagements in branches to customer suites with relationship managers. We also have convenient alternatives to branches, such as self-service options (ATMs) and digital options (online banking, mobile banking, mobile apps and USSD-code).

Strengthening and extending our online and mobile service continues to be a priority for responding to our customers' needs, enhancing their experience and reducing their dependency on physical branches.

In addition to our branches and intelligent ATMs, we partner with various retailers and other organisations, such as postal services and telecommunications companies, to extend the reach of our services.

We seek to help customers transition to 'smart banking' with cheaper and more convenient banking channels, and our pricing model encourages and rewards customers who choose to make use of electronic or digital channels.

In accordance with the Amended Financial Sector Code, access to financial services is a transformation imperative in South Africa.

↓ 2020 B-BBEE Report

#### FS14 Initiatives to improve access to financial services

We have a clear focus on developing innovative ways to improve access to financial services for the economically disadvantaged. We focus on relevant affordable products and services, innovative delivery channels designed to facilitate easier access to financial services, and consumer education that improves financial literacy.

↓ 2020 B-BBEE Report

The following constitute a selection of the products and services aimed at providing access to a range of financial options, from transactions and savings to lending and insurance (availability may vary across our countries of presence):

- Absa Transact (SA only) is a simple, lowest-cost bank account.
- Absa Value Bundles (SA only) are simple, transparent transaction bundles offering value-added services, including funeral cover.
- Absa Rewards (SA only) offers a cash-back feature and bonuses, based on a customer's product portfolio and the way in which they transact.
- Agency banking allows customers to perform basic transactions such as bill payments, balance enquiries, card and cardless cash deposits, and withdrawals at third-party outlets.
- Hello Money (Absa Regional Operations only) provides mobile phone banking with online and ATM bill payment facilities.
- MegaU Youth Account (SA only) includes an interactive app that makes banking rewarding and educational for children.

- Absa app (SA only) is a full-service banking app that includes home loans, foreign exchange, vehicle finance, Western Union money transfers (a first in South Africa), life cover and account opening for new-to-bank customers.
- A digital fraud warranty on the app now means that we carry the loss for customers who are defrauded, within reason. In addition, we launched the world's first beneficiary-switching capability.
- Homeowner app (SA only) assists our customers with their home loan application process and includes a pre-qualification home loan estimator tool.
- CashSend allows for cash remittances from our ATMs without a bank card and via a mobile phone.
- Chatbanking is available on WhatsApp, Twitter and Facebook in South Africa. In 2019, we launched a pilot in Uganda with frequently asked questions on our online portals and plan to roll out financial transaction capabilities on WhatsApp and Facebook Messenger across all Absa Regional Operations in 2020.
- Jumo (in partnership with MTN) is a USSD micro-lending solution for individuals and small and medium enterprises in Ghana and Zambia.
- Wezesha Biashara in Kenya is a funding programme aimed at boosting growth for small and medium businesses by providing easy access to business loans.
- In Kenya, Kiswahili insurance policy contracts will be made available as part of a government-led initiative.
- Kongola is a mobile lending proposition and Kasaga a savings solution offered in Zambia.
- Multi-functional, multi-language ATMs include bill payments, cardless withdrawals and the facility for customers to save their favourite transactions.
- NovoFX app allows customers to buy foreign exchange and make cross-border payments in more than 28 currencies.
- Partnerships with various telecommunications providers across Absa Regional Operations deliver mobile payment solutions even, in some instances, for users without bank accounts.
- Prepaid cards are a cash management solution that enables customers to distribute cards to several individuals, who can then spend funds either locally or internationally.
- Private-to-Private (SA only) enables customers to buy or sell vehicles privately through a safer and more credible channel.



- Timiza is delivered in partnership with Safaricom, Kenya's first digital banking platform, and offers loans, bill payments, airtime, insurance, foreign exchange and other transactional capabilities via mobile phone.
- Virtual Pay (SA only) is a cardless payment solution for a single business account that allows businesses to monitor and control expenses by integrating with most procurement systems and travel booking tools.
- Virtual Investor (SA only) is a platform that can be used by both Absa and non-Absa customers to buy unit trusts online.
- Workplace Banking (SA only) offers our wholesale customers banking, insurance and financial wellness education onsite, strengthening their employee value proposition.
- Solutions such as Asorbia, a fintech church app, and Atlas, a savings-based digital wallet, both offered in Ghana, and the Prepaid Vivo Energy EasyGo card, which is offered in Tanzania and allows for budgeting, tracking and rewards, extend financial access even further.
- Shari'ah-compliant Islamic banking is offered in various markets for individuals seeking a different approach to financial services.

#### Safe and secure access to ATMs for the blind

To drive inclusivity in financial services in South Africa, our ATM services include multiple languages, braille and audio prompts. Taking this a step further, we have formalised a relationship with the South African Guide Dogs Association to make ATM use more accessible for those using service dogs. As part of the partnership – and with the support of Metal Techniques and Bytes Technology – we have installed a fully functional ATM at the association's headquarters to assist with the training of service dogs and visually impaired employees. This will allow for training in a relaxed and controlled environment. We will analyse customer experiences and feedback to inform ongoing enhancements and functionality on our ATMs and so improve the experience for our visually impaired customers.

#### FS15 Policies for the fair design and sale of financial products and services

We develop and review products and services considering our Product Risk Standard, Conduct Risk Framework and our Reputation Risk Policy with the aim of addressing potential product risks and associated market conduct. The product development and review process consider customer and public feedback, new or amended laws and regulations, as well as feedback from regulators, trade bodies and consumer organisations. Our products are developed and approved through a rigorous process overseen by the Group's Product Approval Committee. We conduct post-launch risk reviews to confirm that the product operates as designed and that the necessary controls to protect both the customer and the Group are in place.

This process applies to new and existing products offered to existing and potential customers, counterparties or other participants and deals, and results in the maintenance, modification or withdrawal of products and services. Withdrawal takes place when a product is no longer offered because of business performance or regulatory reasons, the closure or disposal of a distinct business unit, the end of a strategic alliance, or due to a risk-based assessment after product launch.

#### FS16 Financial literacy

We recognise that consumer financial education plays a critical role in the upliftment of our communities, particularly in low-income segments. We seek to grow financially informed communities that make sound financial choices, thus positively contributing to the economic welfare of these societies.

In South Africa, our consumer financial education programme forms part of our strategy on financial inclusion and is delivered to reach school learners, the unemployed and individuals earning an income of less than R250 000 per annum. The programme is delivered by accredited training partners and aims to empower consumers (and our communities in general), to make informed choices and improve their lives through responsible personal financial management. In 2020, face-to-face training was impacted by lockdown and social distancing measures. We invested R27.7m (2019: R34.3m) in reaching 50 246 (2019: 119 500) beneficiaries throughout South Africa, with 75% in urban areas and 25% in rural areas.

#### Managing finances through Covid-19

To augment our financial education and help our existing and potential customers and clients navigate the impact of Covid-19 on their lives and livelihoods, we leveraged existing partnerships, working with the Money Makeover's Mapalo Makhu, to create six articles over a course of six weeks. The articles discussed common money matters and provided practical tips to assist readers and listeners to navigate the crisis. The articles were shared and housed on our Absa blog, and comprised:

1. Tips to survive the immediate Covid-19 crisis: Navigate your finances in an uncertain world.
2. Debt: Avoid the slippery slope of credit dependency: How to get out of debt in an uncertain Covid-19 world; Good Debt versus Bad Debt; Additional tool: The Debt repayment plan.
3. Budgeting 101: Different ways to budget; How to stick to a budget; The envelope system; How to make your grocery budget work for you.; Additional tool: The Budget Planner.
4. The Savings journey: The importance of building a savings buffer in an uncertain world; Where to find money to save in your current budget; How to build an emergency fund; Stokvels; How to save/invest with R500 or less.
5. The importance of money conversations in an uncertain Covid-19 world: Money and marriage/relationship – How to have the dreaded money conversation; How financially compatible are you?
6. Dealing with retrenchment or loss of income due to Covid-19: Supplementing loss of income during Covid-19 with a side hustle; And what about your Black Tax responsibilities now that times are tough?



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