Absa Group Limited
2018 Environmental, Social and Governance Review

Our reporting suite

Integrated report and environmental, social and governance disclosures

2018 Integrated Report	2018 Environmental, Social and Governance Review	2018 Broad-based black economic empowerment (B-BBEE) Report	2018 King IV Application Review	2019 Notice of annual general meeting	2018 Remuneration Report

Scope and boundary

Activities of Absa Group including key banking and insurance subsidiaries.

These reports provide information regarding stakeholder relationships, material matters, risks and opportunities and our forward-looking strategy. B-BBEE applies to our South African operations.

Financial, risk and capital management disclosures

2018 Summarised annual consolidated financial statements	2018 Annual consolidated and separate financial statements	2018 Pillar 3 risk management report and Additional Tables	2018 Financial results booklet and investor presentation

Scope and boundary

Absa Group including subsidiaries, associates and joint ventures.

Note 49.3 of the annual financial statements provides a list of material subsidiaries and consolidated structured entities.

Reporting standards/frameworks

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

- Integrated Reporting <IR> Framework
- International Financial Reporting Standards (IFRS)
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV)
- The Amended B-BEE Financial Sector Code (South Africa)
- The GRI G4 Standards, Financial Sector Supplement and the Greenhouse Gas Protocol
- South African Banks Act, No 94 of 1990
- South African Companies Act No 71 of 2008
- JSE Listings Requirements (South Africa)

Assurance

We apply a risk-based, combined assurance approach over the Group's operations. Internal controls, management assurance, compliance and internal audit reviews, as well as the services of independent external service providers support the accuracy of disclosures within 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.

For 2018, PwC conducted limited assurance on select environmental, social and governance indicators and Empowerdex rating agency verified our B-BBEE performance. EY, our statutory auditors, have audited our annual financial statements. Information relating to the scope and conclusions of these can be found in the Limited Assurance Report, the Absa Group's B-BBEE certificate and the Group's annual financial statements, all of which are available on our Group website **www.absa.africa**

All of the reports listed are available on absa.africa. Comments or queries regarding these documents can be sent to **corporate.relations@absa.africa** or **groupsec@absa.co.za**

About our **Environmental, Social and Governance Review**

Absa Group Limited ('Absa' or 'the Group') strives to incorporate the principles of sustainable development within our business.

Reporting period and scope

Our report covers the period 1 January 2018 to 31 December 2018. Any notable or material events after this date and up until the approval of our 2018 Environmental, Social and Governance Review (ESG Review)are included. This report contains information regarding stakeholder relationships, material matters risks and opportunities and forward-looking statements.

Target audience

This ESG Review is aimed at our shareholders and contains information relevant to other stakeholders. This report along with the specific disclosures outlined on the previous page, supplements our integrated report.

Financial reporting

On 1 June 2017, Barclays PLC (Barclays) executed the sell-down of its controlling interest. The 'Separation' refers to the programme of activities that will disengage the businesses from one another. As part of its divestment, Barclays contributed R12.6bn mainly in recognition of the investments required to separate the businesses. This is being invested primarily in rebranding, technology and other Separation-related projects, and it is expected that it will neutralise the capital and cash flow impact of Separation investments on the Group over time.

Given the process of separating from Barclays, we report both IFRS-compliant financial results (financial results booklet and the annual financial statements) and we also present a normalised view. The latter adjusts for the consequences of the Separation and better reflects the Group's underlying financial performance. We will present normalised results for the periods where the financial impact is considered material.

ESG reporting

We recognise specific stakeholder interest in more detail on matters of environmental, social and governance topics. For these disclosures, we take direction from the Global Reporting Initiative's GRI Standards for reporting on our economic, environmental and social impacts.

The GRI Sustainability Reporting Standards (GRI Standards) are global standards for sustainability reporting designed to enhance the comparability and quality of information on environmental, social and governance impacts.

We prepared this report in accordance with the Core option of the Global Reporting Initiative (GRI) G4 Standards and we include a number of sector-specific indicators as per the Financial Services Sector Disclosures document. We have edited the GRI indicators description for the sake of clarity. Please refer to globalreporting.org/standards/ for full indicator descriptions.

The nature of environmental, social and governance matters, frameworks and reporting obligations continues to evolve and we will continue to refine our reporting approach over time.

Value creation and materiality

As a financial service provider, we play an important role in the economic life of individuals, businesses and nations – helping to create, grow and protect wealth through partnerships in economic development. Through these activities, we must take into account the views of 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 on the Six Capitals through a stakeholder scorecard that we present along with governance and remuneration activities that support value creation.

Materiality

Our ability to create value and manage our environmental and social impacts is influenced by a multitude of factors ranging from the operating environment, our responses to the risks and opportunities and our chosen strategy.

We include information in our Integrated Report and this 2018 Environmental, Social and Governance Review based on the principle of materiality. 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 ambition to have positive impact on society and deliver shareholder value. We outline our material matters on page 30.

Icons used in this report

The six capitals

- Financial capital
- Manufactured capital
- Human capital
- Social and relationship capital
- Intellectual capital
- Natural capital

Stakeholders

- Investors
- Employees
- Customers
- Society
- Regulators

Navigation

- Page reference
- Online reference

Board approval

This report is an opportunity to provide stakeholders with material information and commentary thereon so that they may make an informed assessment of the Group's environmental, social and governance performance the year under review. We have striven to be open and transparent and have made a particular effort to improve accessibility in terms of language and in providing adequate information in support the assertions made by the Board and management in the report.

As we chart a new future as a proud, standalone African financial services group, we will pursue our relationships with shareholders and all other stakeholders in a spirit of openness. If, after reading this report you feel there are areas in which we can better live up to this promise, please email corporate.relations@absa.africa

Assisted by our Social and Ethics Committee, we the Board accept ultimate responsibility for the integrity a of this 2018 Environmental, Social and Governance Review. It is our opinion that this report presents a fair and balanced view and believe it shows we are creating sustainable value and prosperity for our stakeholders.

The Board approved this report on 24 April 2019.

Alex Darko	Jason Quinn	Tasneem Abdool-Samad
Colin Beggs	Mark Merson	Wendy Lucas-Bull
Daisy Naidoo	Mohamed Husain	Yolanda Cuba
Daniel Hodge	Peter Matlare	
Francis Okomo-Okello	René van Wyk	

Table of contents

We have elected to report to stakeholders in a manner that allows for ease of referencing and comparability and thus the report is structured in line with the GRI Index as outlined below.

The Absa Group today

We are an African group, inspired by the people we serve and determined to be a Group that is globally respected and that Africa can be proud of. We are committed to finding local solutions to uniquely local challenges and everything we do focuses on adding value.

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

We are driven by our purpose and...

Bring your possibility to life.

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

...guided by our promises.

1. **For our people**, we will create a culture that appreciates, unifies and differentiates us from our competitors.
2. **For our customers**, we will create unprecedented, seamless experiences to engage and delight them.
3. **For society**, all our employees will lead with a conscience... doing the best for people and the planet.

We live by our Values.

- We drive high performance to achieve results
- Our people are our strength
- We are obsessed with the customer
- We have an African heartbeat

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

3 priorities
To restore
To innovate
To empower

3 enabling capabilities
To scale
To grow
To shape

Our strategic objectives

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

Our measures of progress

1. To grow revenue faster, on average, than the South African banking sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters.
2. To consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021.
3. To achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

Contributing to the **United Nations Sustainable Development Goals**

By providing financial services:

- to individuals, we enable them to enhance their financial stability and quality of life;
- to businesses, we contribute to economic growth, job creation and access to capital markets; and
- to sovereigns we contribute to the funding opportunities and operations of the country.

By conserving natural resources and driving diversity, financial inclusion, education, and enterprise development, we contribute to the societies and natural environment in which we operate. Our sustainability, and that of the communities around us, depends on our ability to effectively use and manage the resources in our value chain.

The United Nations Sustainable Development Goals (SDGs) are 17 global sustainable development priorities and aspirations agreed by member countries (including South Africa) at the United Nations in 2015, and were developed with input from business, civil society and other stakeholders.

We believe we deliver positive impacts by:

- developing accessible products and services, reducing barriers and driving innovation to achieve wider financial inclusion;
- providing financing solutions including those to address environmental and social challenges;
- supporting the transition to a more sustainable economy and managing our impacts on the environment;
- supporting entrepreneurs with financial services and procurement opportunities in order to drive economic growth and job creation;
- helping people gain access to quality education as well as skills development through employability initiatives;
- contributing to the stability of the financial services system though sound governance, ethical conduct, fraud and data security and the prevention of money laundering and terrorism financing;
- providing employment free from discrimination underpinned by fair labour practices and employee wellbeing; and
- delivering on diversity goals across race and gender.

Where relevant, we will pursue these activities in partnership with other stakeholders.

In the stakeholder scorecard section, we provide reference to the specific Sustainable Development Goals where we create value. These links have been determined by an analysis of the underlying 169 targets.

○ Areas where Absa currently creates value. The inner circle represents operational impacts while the outer circle represents customer and societal impacts.

ESG ratings and benchmarks

Absa participates in a number of external platforms assessing our ESG performance. While there is a wide range of approaches, methodologies and scoring methods applied, resulting in inconsistency of reported matters and data required, these assessments continue to evolve and we anticipate some level of harmonisation over time. In 2018, we improved or broadly maintained our performance scores in key ratings and indices; however, we note the most significant area for improvement is our response to climate change that we will be acting on in 2019.

	Dow Jones Sustainability Index	FTSE4Good	MSCI ESG ratings	Carbon Disclosure Project (CDP)
2018	**68/100**	**4.4/5**	**A**	**C**
2017	64/100	4.3/5	A	B
	Financial industry average 54 Industry best score 87	Financial services average 2.4 Banks average 2.7 Industry best 4.8	Financial industry distribution BB 29%, BBB 25% and AA 10%	General sector average B- *(The CDP does not have a financial sector classification)*

102 General disclosures

1 Organisational profile

102-1 Name of organisation
102-2 Activities, brands, products and services
102-3 Location of headquarters
102-4 Location of operations
102-5 Ownership and legal form
102-6 Markets served
102-7 Scale of the organisation
102-8 Information on employees and other workers

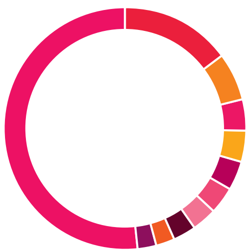
Absa is a diversified financial services provider, offering an integrated suite of products and services across retail, business, corporate, investment and wealth banking as well as investment management and insurance. The Group, headquartered at 15 Troye Street, Johannesburg, South Africa, is a publicly traded, limited liability entity listed on the Johannesburg Stock Exchange (the JSE).

Following shareholder approval in May 2018, the Group returned to the name Absa Group Limited on 11 July 2018 (from Barclays Africa Limited). Our representative offices in Namibia and Nigeria operate as Absa. The banks in Absa Regional Operations currently operating as Barclays will be rebranded Absa by 2020.

We have launched our international presence in London operating as Absa Securities UK. This office caters for the needs of Corporate and Investment Bank customers based in the United Kingdom and Europe, and who operate and invest in Africa. The Group is pursuing a corporate strategy to procure licences in the United States as well.

A diverse shareholder base

We have **847.8m** shares in issue and as at 31 December 2018, our market capitalisation was **R137.2bn**.



Barclays Bank PLC (UK)	14.88 (14.88)
Public Investment Corporation (SA)	6.29 (6.56)
Deutsche Securities (SA)	4.32 (4.16)
Old Mutual Asset Managers (SA)	4.07 (4.47)
Prudential Investment Managers (SA)	3.95 (2.95)
Black Rock Incorporated (US)	3.68 (3.06)
The Vanguard Group Incorporated (US, AU)	3.20 (2.89)
Citigroup Global Markets (SA)	2.99 (3.01)
Dimensional Fund Advisors (US, UK)	2.58 (2.39)
Investec Asset Management (SA)	2.51 (0.73)
Other	51.53 (54.90)

Geographical spread

South Africa **43.1%** (2017: 40.7%)

United Kingdom **23.6%** (2017: 27.3%)

United States and Canada **20.5%** (2017: 16.6%)

Rest of the world **12.9%** (2017: 15.2%)

Serving customers through multiple channels

Our customers transact across multiple platforms and devices, including point-of-sale devices, telephone, digital solutions (online and app solutions) or face-to-face engagements (corporate offices).

	Branches 1 074	ATMs 10 069	Employees 40 856
Botswana	32	115	1 188
Ghana	63	171	1 119
Kenya	85	212	2 311
Mauritius	16	38	722
Mozambique	48	117	895
Seychelles	8	20	265
South Africa	671	8 961	30 784
Tanzania BBT	18	58	525
Tanzania NBC	50	184	1 209
Uganda	39	75	904
Zambia	44	118	899
Namibia			1
United Kingdom			21
Nigeria			13

Delivering a wide set of product and services to meet a diverse set of financial service needs

1. A safe place to save, invest and manage funds:
   - Accepting customers' deposits and raising debt;
   - Facilitating payments and investments;
   - Investment management products and advice;
   - Managing shareholder funds.
2. Provide funds for purchases and growth. Extending credit, taking into account customers' credit standing and our risk appetite.
3. Manage business and financial risks. Solutions to manage risks such as interest rate and foreign exchange.
4. Financial and business support. Individual and business advice, investment research and advisory on large corporate deals.
5. Protect against risks. Compensation for retirement and/or a specified loss in return for a premium.

Page 10 Markets served, products, and services.

Group performance overview

We offer all our customers across the continent a range of personal, business, corporate and investment, wealth management and insurance solutions.

Diverse and transforming Group

Number of employees
40 856
(2017: 41 703)

Women
61.1%
(2017: 61.2%)

Women in senior management
34.9%
(2017: 34.1%)

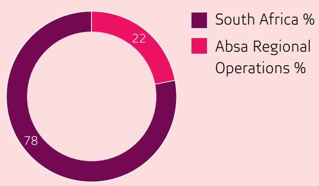
South Africa

Total Black
74.0%
(2017: 73.2%)

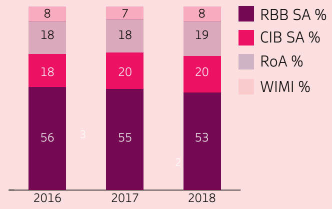
Senior Black management
49.3%
(2017: 44.3%)

B-BBEE level 2
(2017: level 2)

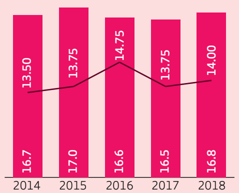
Income
R75.7bn[1]
(2017: R73.0bn)



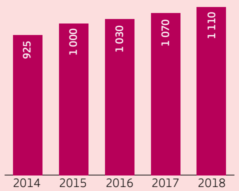
Headline earnings
R16.1bn[1]
(2017: R15.6bn)



Return on equity (%)[1]



Dividend per ordinary share (cents)



Assets
R1.3trn (2017: R1.2trn)

Assets under management
R337bn (2017: R335bn)

Strong deposits and loans

Group loans and advances to customers
R842bn
(2017: R750bn)

Group deposits due to customers
R736bn
(2017: R690bn)

Sound risk profile

Stage 3 loans ratio to gross loans and advances
5.1%
(2017: 5.6%)

Credit loss ratio
0.73%
(2017: 0.87%)

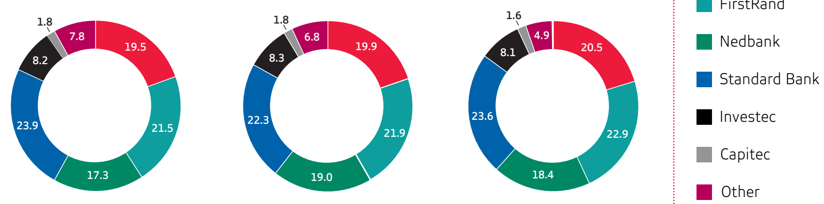
Significant capital and liquidity

Common equity tier 1 ratio
12.0%[1]
(2017: 12.1%)

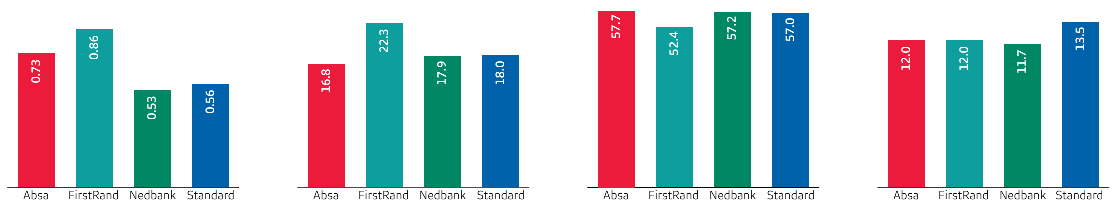
Liquidity coverage ratio
116.7%
(2017: 107.5%)

[1] Normalised
[2] Rebased to reflect IFRS 9 impact

Absa within the South African banking context



Source: South African Reserve Bank BA 900 31 December 2018



[1] IFRS 9 day 1 impact is being phased in over a three-year period with exception of Nedbank.
[2] Absa and FirstRand report return on equity on a normalised basis while Nedbank reports on a headline earnings basis excluding goodwill.
[3] Nedbank and FirstRand include associate income in the calculation of the cost-to-income ratio, whereas Absa and Standard Bank exclude associate income.
Source: Peer reports

102 General disclosures

Our value creating business model

Financial service providers play an important role in the economic life of individuals, businesses and nations – helping to create, grow and protect wealth through partnerships in economic development. Our business model is designed to create value for our shareholders and to deliver broader socioeconomic benefits to society.

Inputs

Financial capital
A balanced funding mix and solid equity position to support operations and business activities of taking deposits and lending.

Manufactured capital
Infrastructure including the technology used in the production of services and the delivery of products to our customers.

Human capital
A strong ethical culture that is customer and employee centric with competent and skilled employees engaged within a diverse workforce.

Social and relationship capital
Collaborative relationships with a range of stakeholders including strategic service partners, regulators and communities where we operate and aim to contribute to socioeconomic development and societal wellbeing.

Intellectual capital
Safe, effective information and technology infrastructure combined with a strong brand and institutional knowledge, specialised skills and expertise.

Natural capital
Energy (electricity, solar and gas), air, water and waste management.

Our business activities and outputs

We conduct our activities through the lens of our strategy.
We assist customers to create, grow and protect wealth by offering an integrated set of banking and insurance products and services delivered through our customer facing businesses

RBB SA | CIB | WIMI | ARO

who are enabled through robust operations management guided by common policies and frameworks to ensure consistent and integrated execution to improve service levels and gain synergy and scale benefits.

Integrated planning

Our integrated planning process takes into account our Purpose, our capabilities, our strategic ambitions and our operating environment

- Identify and assess
- Plan and prioritise
- Respond and monitor

Operational execution

Financial management

Information technology

Human resources

Facilities management

Procurement

Marketing and communications

Deliver products and services

We work to provide:

- Wholesale and retail transactional banking solutions
- Investment savings and credit solutions
- Asset and wealth management solutions
- Insurance solutions

Pillars of value creation

1. Leadership
2. Governance
3. Risk management
4. Reward

Outcomes

For customers
- Innovative, efficient, cost-effective banking solutions that meet customers' needs.
- Improved access to markets and financial services including access to information and advice.
- A safe and trustworthy financial services provider.

For employees
- A workplace where employees can be productive and achieve their potential.
- Performance underpins the rationale for recognition and reward.
- Self-led development and an opportunity for career progression.

For society
- Ethical behaviour.
- Support for economic growth.
- Increased access to, and funding for, education opportunities.
- Decreased negative environmental impact.

For regulators
- Fair and ethical engagement when dealing with the Group.
- A stable financial services sector.
- An inclusive and transformed sector.

For investors
- Growing, sustainable return on their investment through attractive dividends and growth in share price.
- Return on debt-based investments delivered in agreed timelines.

102 General disclosures

Products and service matrix

We help to create, grow and protect wealth. Our strategy focuses on opportunities for growth and takes into account the matters we believe are material to our long-term sustainability. The table below depicts our core activities, the risks, balance sheet and income statement impacts, the flow of money and ultimately the products and services delivered to our various classifications of customers.

	Activities	What this means	Risks	Statement of financial position impact	Flow of money	Statement of comprehensive income impact
Our core business activities and processes	**A safe place to save, invest and manage funds**	• Managing shareholder funds • Accepting customers' deposits and raising debt • Facilitating payments and investments • Providing investment management products and advice • Providing pension fund administration	Treasury (liquidity) Operational Conduct Market	• Shareholders' equity and preference shares • Deposits • Debt securities in issue • Borrowed funds • Dividends paid • Investments linked to investment contracts	• Interest paid to depositors and other funders • Returns generated for shareholders • Investments made on behalf of customers • Fee income administration services	• Interest expense • Fee and commission income • Gains and losses from investment activities
	Provide funds for purchases and growth	• Extending credit, taking into account customers' credit standing and our risk appetite	Credit Market Treasury (liquidity) Operational Conduct Model	• Investment securities • Loans and advances to banks • Loans and advances to customers • Provision for impairment losses	• Interest received from borrowers • Fee income relating to lending activities	• Net interest income • Fee and commission income • Gains and losses from banking and trading activities • Impairment losses
	Manage business and financial risks	• Providing solutions to manage various risks such as interest rate and foreign exchange	Credit Treasury (interest rate risk) Market Operational Conduct	• Hedging and trading portfolio liabilities • Hedging and trading portfolio assets	• Fee income from advisory services • Commission income • Trading revenue • Hedging costs	• Gains and losses from banking and trading activities • Net interest income • Net fee and commission income
	Provide financial and business support	• Providing individual and business advice, investment research and advisory on large corporate deals	Market Operational Conduct		• Fee income from advisory services	• Net fee and commission income
	Protect against risks	• Providing compensation for retirement and/or a specified loss (damage, illness or death) in return for a premium payment	Insurance Operational Conduct Market	• Policyholder liabilities under insurance and investment contracts • Reinsurance assets	• Insurance premium income • Pay out claims for specified losses	• Net insurance premium income • Net claims and benefits payable on insurance contracts • Changes in investment and insurance contract liabilities

102 General disclosures

<table>
<tr><th></th><th></th><th>Individuals</th><th>Small- and medium-size businesses</th><th>Corporates</th><th>Financial institutions and banks</th><th>Sovereigns and institutions</th></tr>
<tr><td rowspan="15">We provide our customers with a range of solutions</td><td rowspan="5">A safe place to save, invest and to manage funds</td><td colspan="5">Current accounts and overdrafts</td></tr>
<tr><td colspan="5">Savings, deposits and investment products</td></tr>
<tr><td colspan="3">Mobile and digital payments</td><td></td><td></td></tr>
<tr><td colspan="2">Stock broking and trading services</td><td colspan="3">Access to international financial markets</td></tr>
<tr><td></td><td colspan="4">Cash management, payment systems and international trade services</td></tr>
<tr><td rowspan="4">Provide funds for purchases and growth</td><td rowspan="4">Residential home loans, vehicles and asset finance, personal loans and credit cards</td><td colspan="3">Commercial property finance and business loans</td><td></td></tr>
<tr><td colspan="3">Asset and lease finance, trade and supplier finance and working capital solutions</td><td></td></tr>
<tr><td></td><td colspan="3">International capital markets</td></tr>
<tr><td></td><td colspan="2">Large corporate and inter-bank lending</td><td></td></tr>
<tr><td rowspan="3">Manage business and financial risks</td><td></td><td colspan="4">Foreign exchange rate hedging</td></tr>
<tr><td colspan="3">Fixed-rate loans</td><td></td><td></td></tr>
<tr><td></td><td></td><td colspan="3">Inflation and interest rate hedging</td></tr>
<tr><td rowspan="2">Provide financial and business support</td><td rowspan="2">Wealth advisory and private banking services, including investment advice, wills and trusts</td><td colspan="4">Relationship mangers and support</td></tr>
<tr><td>Business seminars and start-up support</td><td colspan="3">International investment research. Advice on large corporate deals, and mergers and acquisitions</td></tr>
<tr><td>Protect against risks</td><td colspan="3">Insurance (life, investments, retirement, credit and short-term)</td><td></td><td></td></tr>
</table>

102 General disclosures

102-9 Supply chain

Our supply chain of about 5 000 suppliers includes small- and medium-sized and micro enterprises (SMEs), national, regional and multi-national companies as well as state-owned entities.

In South Africa, Absa is one of the largest buyers of goods and services in our industry sector and, consequently, has the moral responsibility to leverage this purchasing power in support of the transformation agenda of the country. The Financial Services Charter requires that Absa measures the level of procurement spend from qualifying black employment equity companies in terms of black-owned, black-women owned, qualifying small enterprises and emerging micro enterprises as well as enters into defined supplier development initiatives.

Our enterprise and supplier development approach aims to support entrepreneurs to grow their businesses and thus contribute to job creation. In doing so we have:

- Reduced the rate of interest charged on the Group's supply chain fund from prime rate to prime rate less 2%.
- Moved away from asset based criteria for small- and medium-enterprise funding to ease access for qualifying small and medium enterprises. We now use the 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- and Black women-owned companies supply us with goods and services. This includes:

- Unbundling large contracts into smaller pieces of work, enabling emerging enterprises to participate in tenders.
- Providing non-refundable development support grants for capacity building to ensure growth and performance to qualifying small enterprises providing goods and services in our value chain.

In 2018, we:

- Contributed R156m to supplier development initiatives which includes R88.3m funding at zero interest recoverable funding as well as non-recoverable capacity building grants to SMEs supplying goods and services to Absa.
- Spent R2.9bn with 1 713 SMEs.
- Spent R6.4bn with 420 suppliers which are 30% or more Black women-owned.
- Spent R8.6bn with 816 suppliers which are 51% or more Black owned.

In our Regional Operations, we focus on selecting and contracting with local entities where possible, with consideration for gender and geographic profile. We also collaborate with multi-national corporations to identify and develop companies to promote the growth of the local economy.

2018 B-BBEE Report

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

On 1 March 2016, Barclays announced its intention to reduce its 62.3% interest in the then Barclays Africa Group (renamed Absa Group on 11 July 2018). By 2017, their shareholding had decreased to 14.9% and regulators in the United Kingdom approved regulatory deconsolidation in June 2018. Absa is now a standalone pan-African financial services group.

As part of the Separation, over two thousand dependencies are being localised and converted into independent Absa instances, including approximately 600 systems and applications, 284 policies and frameworks, and more than 150 vendor relationships.

102-11 Precautionary principle or approach

We implement the precautionary approach through our enterprise risk management framework, in particular, through our credit, operational, insurance, conduct, reputation and legal principal risks.

This includes the application of our Environmental Risk Standard in our lending practices alongside various Reputation Risk Guidance documents as well as our approach to managing our direct environmental impact and a diverse set of other social risks.

Page 33: Environmental risk in lending

102-12 External initiatives

The Code of Banking Practices, (from 2012) a voluntary code applying to personal and small business customers, sets out the minimum standards of service and conduct which banks should follow with regard to services, products and interactions.

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

The South African Department of Trade and Industry Financial Sector Code (from 2004) is mandatory and provides strategic direction in the development of policies and strategies that promote enterprise growth, empowerment and equity in the economy.

The Code for Responsible Investing in South Africa, (from 2016), a voluntary code, provides guidance about how institutional investors should conduct investment analysis and investment activities, and exercise rights to promote sound governance.

The Equator Principles (from 2009) is a risk management framework for financial institutions, to determine, assess and manage environmental and social risk in projects. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

The Global Reporting Initiative (from 2014) is a set of global sustainability reporting standards.

Banking Association of South Africa (BASA)'s Principles on Environmental and Social Risk Management (from 2011) requires financial institutions to set up internal processes to identify high-risk industries, where additional due diligence is required, and ensure that, through their credit and risk management policies, they will give recognition to environmental and social risks when making lending decisions.

The United Nations Sustainable Development Goals (UN SDGs) (from 2018) is a blueprint comprised of 17 Goals to address the global challenges including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

102 General disclosures

102-12 External initiatives

The United Nations Finance Initiative's Principles for Responsible Banking (released for comment in 2018), a voluntary set of six Principles, provide the banking industry with a single framework that embeds sustainability at the strategic, portfolio and transactional levels and across all business areas.

United Nations Principles for Responsible Investment (UN PRI), (from 2016) a voluntary set of six principles with the aim of understanding the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices, thus contributing to the development of a more sustainable global financial system.

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

The Dow Jones Sustainability Index (DJSI) (from 2012) is a voluntary participation investor index, 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 (from 2015) (non-binding) measures environmental, social and governance exposures and practice on a multi-dimensional basis, and are used by the investment community as a tool for portfolio design and management.

102-13 Memberships of associations

We are a member of several organisations and these associations work to represent their members and shape the industry's collective response to public policy issues.

Our disclosure with this report is focused on South Africa as the registered country of the Group's operations and as the region that accounts for over two-thirds of the Group's revenue.

Each underlying entity manages it stakeholder relations within the principles outlined in the Group Governance Framework.

G – Hold a position in the governing body or committees

F – Provide substantial funding over and above membership fees

Industry associations

- Association of Savings & Investment South Africa (G)
- Banking Association of South Africa (G)
- Institute of Retirement Funds Africa (G)
- Payments Association of South Africa (G)
- South African Banking Risk Information Centre (G)
- South African Insurance Association (G)

Business associations

- Business Leadership South Africa (BLSA) (G)
- Business Unity South Africa (BUSA) (G)
- CEO Initiative (F)
- National Business Initiative (G)
- British Chamber of Business in South Africa (G)
- German Chamber of Commerce (F)
- American Chamber of Commerce (F)
- South African Chamber of Commerce and Industry (G)
- The Small Business Institute of South Africa (F)

Professional bodies

- Association for Black Security and Investment Professionals (G)
- Black Management Forum (F)
- Fiduciary Institute of South Africa (G)
- Society for Trust and Estate Practitioners (Global)

Advocacy groups

- Corruption Watch (F)
- Business Against Crime (F)

Other

- Group of Thirty (G30)
- International Business Council
- The World Economic Forum

2 Strategy

102-14 Statement from the senior decision-maker

We refer readers to our 2018 Integrated Report including (i) Group Chairman's message, (ii) Message from the Executive Committee, (iii) Message from the Chief Executive Officer and (iv) Social and Ethics Committee report.

2018 Integrated Report

102-15 Key impacts, risks, and opportunities

We provide below a thematic presentation of the risks and opportunities material to the Group's strategic ambitions. We actively manage these through the principal risks as defined within our Enterprise Risk Management Framework.

2018 Pillar 3 Risk management report

102 General disclosures

There are a number of distinct factors shaping the financial services industry now and into the future. Linked to these market drivers, are risks and opportunities, both general to the external environment and a number that are specific to Absa. These are actively assessed, appropriate responses are defined and the performance monitored both against our strategic ambitions as well as through our principal and key risks as defined within our Enterprise Risk Management Framework.

Influencing market drivers, risk and opportunities

1 **Competition and technological change:** Increasing competition, technology and the pace of change impacts our ability to remain relevant to our customers as well as our competitiveness and the associated operational risk.

Market drivers and key risks

- Disruption through fintechs and new digitally-led competitor banks which also influences customer behaviour.
- Ever increasing sophistication of cybercrime, fraud risk and financial crime requires continuous improvement of monitoring and prevention to protect customers and the Group.
- The need for threat detection, the prevention of security breaches, disruptions and data mis-management.
- The Separation, combined with strategic organisational change, increases business risk, reputational risk (specifically brand risk) and people risk.

Opportunities and mitigation activities

- Building and embedding a winning brand with a focus on innovative business processes and products, including diversification into new markets and customer segments.
- Delivering scalable, digital solutions that focus on customer needs.
- Developing artificial intelligence solutions using global data to strengthen security measures and crime prevention.
- Continuing to invest in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues.
- Ongoing employee education on the prevention of cyber related risks.
- Closely monitoring and managing risks arising from the Separation and organisational change.

2 **Regulatory oversight:** New and emerging regulations impact on our operations as well as our products and services.

Market drivers and key risks

- The increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets.

Opportunities and mitigation activities

- Maintaining a coordinated, comprehensive and forward-looking approach to evaluate, respond to, and monitor regulatory change. This is done through ongoing investment in people, processes and systems across the Group.
- Participating in regulatory and statutory advocacy groups across all presence countries.

102 General disclosures

3 Macroeconomic, socio and political flux: The macroeconomic environment impacts on our ability to sustain business and achieve our market commitments while the socio and political environments impact on our operating environment. Africa has unique demographics and economic development.

Market drivers and key risks

- Global uncertainty arising from international trade discussions and Brexit result in increased pressure on emerging markets.
- Increasing cost and scarcity of capital, funding and liquidity across global markets.
- Subdued economic growth, high unemployment, increased inequality and low business and consumer confidence impacting South African markets.
- Unfavourable macroeconomic performance with increasing debt burdens, rate hikes and fiscal shortfalls seen in ARO presence countries.
- Policy uncertainty in South Africa is a barrier to investment. Key risks include the mining charter, potential land expropriation, state-owned entity uncertainty and economic disparities.
- Political risk arising from elections and policy uncertainty have affected the economies in a number of presence countries.

Opportunities and mitigation activities

- Monitoring and managing risk strategy and appetite based on the ongoing evaluation of global and African developments to identify and mitigate risks as they arise, while enabling business to pursue opportunities.
- Monitoring leading indicators to ensure economic risks are effectively managed, including:
  - hedging of interest rate risk and foreign exchange risk as appropriate;
  - proactively managing credit portfolio risks; and
  - strengthening the Group's position in the presence countries that are growth markets while seeking opportunities to diversify into new markets.
- Analysing scenarios to assess the impact of a potential South African sovereign downgrade.
- Engaging with communities and supporting initiatives as part of the Group's commitment to play a role in society.
- Participating in industry advocacy groups to contribute to new and innovative ways to solve social challenges.

4 Focus on social, governance and environmental matters: Social and climate change risk impacts on the Group, our customers and the operating environment.

Market drivers and key risks

- Persistent inequality, increasing activism as well as emerging regulation and reporting requirements focused on a broader range of social, environmental and governance-related matters.
- Adverse weather conditions resulting in extreme environmental events (e.g. droughts, floods and fires) impacting community sustainability with credit and insurance risk implications.
- Increased global stakeholder focus on sustainability of the investments and customers associated with corporates.
- Complexity of the data available to accurately model the implications of climate change.

Opportunities and mitigation activities

- Engaging internally and with external stakeholders through Group-wide strategic sustainability programme, to understand and assess impacts and opportunities on the Group and for our customers.
- Engaging with communities and supporting initiatives as part of the Group's commitment to play a role in society.
- Continuously assessing the suitability and strategic alignment of products and customer value propositions against changing environmental factors and the impact on the Group's risk profile.
- Developing and enhancing preventative and reactive credit and insurance risk models.

102 General disclosures

3 Ethics and integrity

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

Our values define the way we think, work and act and our performance management places equal emphasis on our objectives and values and behaviours.

Our code of conduct outlines the behaviours that govern our interactions with stakeholders across the business. Our conduct culture fosters values-based decision-making and shows how our policies and practices align with our values. Our supplier code of conduct outlines the standards we expect from our suppliers.

Our Board approved the new Absa values in December 2018. These will be a key element in the new Absa Code of Conduct.

Absa Values

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 take ownership of delivering the One Absa customer experience.**
- **We outperform by going beyond customer expectations.**

Our people 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 people 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 people's possibilities to life.**

In addition to our own defined ethics and culture there are laws, regulations and codes that further define expectations of how we conduct our business. These cover many aspects within our business, from Know Your Customer requirements, to the protection and processing of information through to how we design and sell our products and services. Regulations driving consumer protection and ethical behaviour in the financial services industry continue to evolve. While this means additional requirements for the Group, we support efforts to ensure a stable financial services sector and a safe and fair operating environment.

Our ten target conduct outcomes

1. Our culture places customer interests at the heart of our strategy, planning, decision-making and judgments.
2. We do not disadvantage or exploit customers, customer segments, or markets. We do not distort market competition.
3. We proactively identify conduct risks and intervene before they crystallise by managing, escalating and mitigating them promptly.
4. 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.
5. 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.
6. Our products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of our customers.
7. We safeguard the privacy of our customers' and employees' personal data.
8. We address any customer detriment and dissatisfaction in a timely and fair manner.
9. We facilitate market integrity.
10. We uphold the reputation of Absa.

It is essential that we monitor our performance against our own as well as regulatory conduct standards. We do so through our three lines of defence approach as outlined in our Enterprise Risk Management Framework.

Our conduct risk framework brings together all our activities. Focusing on conduct risk helps us to:

- provide appropriate products and services at the right prices to our customers;
- uphold market integrity;
- reward the right activities and behaviours; and
- mitigate potential risks.

102-17 Mechanisms for advice and concerns about ethics

We have a comprehensive programme that educates and empowers all employees in terms of their rights and responsibilities. This contributes to a culture of trust. Our training and awareness programmes, underpinned by clear policies, ensure that our employees:

- are aware of the values and behaviours expected of them – as outlined in our code of conduct – including those relating to gifts and entertainment;
- complete fighting-financial-crime training, which includes anti-bribery and anti-corruption, anti-money laundering and sanctions;
- develop a sensitivity to situations of real or perceived conflict of interest and learn how to deal with them when they arise;
- put Treating Customers Fairly at the forefront of what we do; and
- are aware of the tools available to them to raise their concerns of unethical behaviour or suspected fraud through our whistle-blowing programme.

Our performance management processes and reward decisions emphasise behaviour and commercial objectives, encouraging the right conduct, and making the consequences of misconduct clear.

We monitor our progress in managing conduct risk through a combination of internal processes and stakeholder feedback.

Our Whistleblowing policy provides a framework through which all employees (including temporary employees, secondees, contractors and consultants) are able to raise concerns. Whistleblowers may raise concerns of inappropriate or unlawful conduct anonymously to our independent, external service provider (Tip-offs Anonymous) or internally to our Priority Investigations and Whistleblowing function within Group Compliance. We:

- prohibit any form of retaliation against whistleblowers.
- protected the identity of whistleblowers should they wish to be anonymous.

102 General disclosures

Whistleblowing focuses on raising concerns that fall into the wider public interest. Alternative arrangements exist for addressing other matters, such as an employee's personal treatment or a customer's complaint.

We define inappropriate conduct to include the following conduct which has occurred, is occurring, or a person reasonably believes is likely to occur:

- Anything which tends to suggest a criminal offence or any other actions 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 contrary to our code of conduct and values;
- Behaviour that could cause detriment;
- Anything 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 which 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;
- Anything that constitutes a breach of any business mandatory minimum controls, including a breach of the policies or procedures;
- Suppression or concealment of any of the above behaviours or practices.

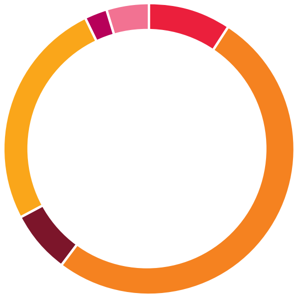
Legislation and regulations which impact whistle blowing vary significantly from country to country, particularly in relation to protection for individuals raising concerns about inappropriate conduct, anonymous reporting of inappropriate conduct and what types of conduct can fall into the scope of a whistleblowing process.

Where any elements of the Group 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.

Our Social and Ethics Committee receives a comprehensive update on conduct and ethics matters from the Head of Compliance.

198 employee conduct-related whistleblowing cases were reported (2017: 285). However, of these only 27% (2017: 44%) were substantiated as at 29 January 2019.

Substantiated whistleblowing cases (number)



Tip-offs are the most common detector of fraud, proving the importance of a whistleblowing function. A tip-off is categorised and assessed for allocation to the appropriate investigative unit when received. This process allows for the management of actual or potential conflicts of interest of investigative parties on a case-by-case basis. Identified issues are referred to senior management for remedial action.

Depending on the nature of the case, remedial actions can range from disciplinary action to the required external reporting, for example suspicious transaction reporting to the Financial Intelligence Centre or to the relevant police services, if linked to the prevention and combatting of corrupt activities.

Whistleblowing contacts

Our service provider (Tip-offs Anonymous managed by Deloitte) operates a call centre 24/7/365 offering assistance in all official South African languages and a number of others such as Swahili and Portuguese. Whistleblowers can email protect@tip-offs.com or visit www.tip-offs.com. They can also email the Absa Priority Investigations and Whistleblowing team on protected@absa.co.za.

Botswana
Orange 1144/Mascom 71 119 312/BTC 0800 600 644

Ghana
+233 30 2610 240

Kenya
0800 720012

Mauritius
+230 213 2954

Mozambique
+258 2134 0630

800 666666

Namibia/Nigeria International
+27 31 571 5694

Seychelles International
+27 31 571 5717

South Africa
0800 205 055

Tanzania
+255 754 210818 (Barclays)

+255 752 043729 (NBC)

Uganda (Internal numbers)
700 routes to Deloitte)/8301 (routes to Head of Compliance)

International
+27 31 571 5717

Zambia
+260 211 22 47 08

Call back number Africa (except SA and Namibia)
+27 11 929 3332

102 General disclosures

4 Governance

102-18 Governance structure

Our governance aligns with the South African Companies Act, the Banks Act, the JSE Listings Requirements, and South Africa's main governance code, King IV. Our Board is committed to continuously improving our corporate governance principles, policies and practices, through awareness and implementation of evolving regulation and best practices, and regular feedback from stakeholders.

The Board is the apex governing-forum of the Group. Its role consists of two fundamental elements:

(i) **Decision-making**: The Board approves the Group's strategic goals and associated budgets, key policies, major policy decisions and certain significant actions.

(ii) **Oversight**: The Board delegates to management the authority and responsibility for the day-to-day conduct of the business and reviews management's performance and effectiveness by overseeing strategy execution, delivery against plan, the customer franchise, the control environment, the adequacy of systems, people and all key resources.

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

- outlines our Board committees' mandates and specifies which matters are reserved for the Board;
- defines separate roles for the Group Chairman and Chief Executive Officer;
- 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;
- describes the assessment methodology for Board and Committee activities;
- sets out how the corporate governance provisions in King IV, the Companies Act, the Banks Act and the JSE Listings Requirements will be put into practice; and
- acknowledges that there are applicable regulations and codes in our presence countries outside of South Africa.

The non-executive directors have private meetings before each board meeting commence to deal with confidential matters that may arise. Prior to the meetings, compliance, internal audit and external audit have the opportunity to address the Group Audit and Compliance Committee separately in the absence of management. The Directors' Affairs Committee and Remuneration Committee also hold private meetings when necessary.

A number of committees support the Board:

The Directors' Affairs Committee – assists the Board in establishing and maintaining an appropriate system of corporate governance for the Group and material subsidiaries. This includes board and committee composition; induction of new Board members; director training and skills development; board and committee effectiveness evaluations, reviewing and proposing governing policies; monitoring the governance structures of subsidiary entities and considering matters of regulatory and reputational risk.

The Group Audit and Compliance Committee (including Disclosure Committee) – is accountable for accounting policies and the annual financial statements 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 Group Risk and Capital Management Committee – assists the Board with matters relating to risk, capital and liquidity management within the Group. It monitors the implementation of the Enterprise Risk Management Framework, and application and utilisation of risk appetite and the related management actions in regard thereto. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital and liquidity management in the relevant jurisdictions.

The Group Remuneration Committee – assists the Board with remuneration and incentive arrangements, the structure of short-, medium- and long-term awards, policy and disclosures (including stakeholder engagement related thereto), and executive appointments.

The Social and Ethics Committee – monitors:

- Key organisational health indicators, including ethics management; talent retention and acquisition; labour turnover; wellness; learning and development reach and spend; employee relations; diversity and inclusion; conduct and reputation risks; and
- The Group's activities, having regard to legislation and codes of best practice on matters relating to: social and economic development; good corporate citizenship; ethics and conduct; sustainable development; labour and employment; consumer relations; stakeholder management; transformation; the environment, and health and safety.
- reviews and recommends to the Board for approval the B-BBEE and ESG reports as they relate to environmental, social and governance of the Group.

The Information Technology Committee – assists the Board with effective oversight and governance of technology and information for Absa. King IV distinguishes between governance oversight of (i) the organisation's information assets, and (ii) 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 is a key focus, by introducing new systems, and managing the cost and the risk in relation thereto.

The Board Finance Committee – assists the Board in approving certain levels of investment and dis-investment transactions within its mandate. The committee is also mandated to consider and approve the Group's dividend declarations within the parameters determined by the board, and to finalise the profit commentary as it relates to interim and year-end financial results. The committee considers and recommends to the Board the medium-term plan developed in terms of the Group strategy.

The Group Credit Risk Committee –considers and approves all large exposures, including single-name exposures, key country risk limits, with reference to the credit risk appetite of the Group as approved by the Board from time to time, as well as to monitor industry, sector, and single name trends and exposures.

The Models Committee – is the designated committee responsible for approving Absa's material risk models on inception and annually thereafter, in accordance with guidelines set out in the relevant policy and by the South African Reserve Bank.

The Separation Oversight Committee – provides oversight of the execution of the Separation of Absa from Barclays, in particular the technology change projects; and obtains assurance from appropriate providers regarding these activities. Specific decisions in relation to the Separation activities rests with the relevant Board committees, in accordance with their respective mandates. This committee will remain in place until the completion of the Separation (approximately three years).

2018 Integrated Report
Page 27: Board governance objectives
Page 74 Committee reviews

102 General disclosures

Group Governance Framework

Our Group governance framework standardises the application of key governance principles, frameworks, policies and standards. The Framework ensures 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 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.

Subsidiary relations

As a major bank, investment manager and insurer in various jurisdictions, we have significant responsibilities to our customers, in particular our depositors and to the public at large to contribute to 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 a subsidiary level, each management team is responsible for reporting back to the legal entity 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 approving material decisions of its subsidiaries, but with the ultimate approval rights resting with the subsidiary boards.

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

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

Our Deputy Chief Executive Officer and Chief Executive: Absa Regional Operations, Peter Matlare, engages with the subsidiary bank boards to manage business performance and regulatory relations (the latter requiring significant time and commitment in light of the Separation).

102-19 Delegating authority

The Group Board actively engages with management in setting, approving and overseeing execution of the strategy and related policies. It monitors that management (i) maintains internal controls for assurance of effective and efficient operations, and compliance with laws and regulations; and (ii) does so within an ethical environment.

The Board's structure balances the directors' powers so that no individual has unfettered authority in discussions or decision-making. All executive directors are appointed on standard employment contracts, subject to a six-month notice period. Distinct roles exist for the Chairman, lead independent director and non-executive directors.

- **The Independent Chairman** – leads the Board with 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 the chairman, and manages the process regarding the performance assessment and the annual re-appointment of the Group Chairman.
- **The Chief Executive Officer** – leads the Group Executive Committee with responsibility for the execution of Group strategy and the effective day-to-day management of the businesses.

Relevant frameworks, policies and standards guide our Executive Committee, key amongst which are our enterprise risk management framework and our code of conduct. 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.

2018 Integrated Report
Page 74: Board and Executive committees

102-20 Executive-level responsibility on economic, environmental and social topics

The Social and Ethics Committee comprises the CEO and three independent non-executive directors (one of whom is the committee Chairman and another being the Group Chairman). Meetings, as a minimum, are attended by the:

- Head of Compliance;
- Chief Executive: Group Strategic Services (including people management); and
- Group Executive: Marketing and Corporate Relations (including Group citizenship).

These executives report directly to the CEO, and 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 operational environmental impact, supplier management, and the Group's sustainability approach and integrated and sustainability reporting.

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

The Group and Board proactively engage with material stakeholders in an inclusive manner, which aims to balance their needs, interests and expectations, and to address their concerns in the best way possible. In 2018, the Group Social and Ethics Committee considered and approved a revised stakeholder engagement policy and framework.

We have a decentralised stakeholder engagement model and outcomes are considered through various management and Board processes.

Page 25: GRI 102-40 to GRI 102-44

102 General disclosures

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

As at the date of publication, our Board has 14 members, 10 of whom are independent and three of whom are executive directors. Nine are South African, of whom six are black and four are women. The remaining members are a Ghanaian, a Kenyan and two Britons. Our Group Chairman, Wendy Lucas-Bull, is an independent director. Following the retirement of Trevor Munday in May 2018, Mohamed Husain is the Lead Independent Director. Daniel Hodge, appointed in May 2017, is the sole nominee of Barclays.

Board member biographies
https://www.absa.africa/absaafrica/about-us/board-and-management/

Various regulations, including the Companies Act, the JSE Listings Requirements, the Banks Act and the King IV governance code guide the composition of the following committees:

- Directors' Affairs Committee (governance and nominations functions): only independent directors, chaired by the Group Chairman;
- Group Audit and Compliance Committee: only independent directors.
- Social and Ethics Committee: majority of independent non-executive directors.
- Group Remuneration Committee only independent directors.
- Chairs of statutory committees: should be independent non-executive directors. These are the Directors Affairs', Group Audit and Compliance, Social and Ethics, Credit Risk, Models and Risk and Capital Management committees. All but the Models Committee are chaired by independent non-executive directors.

2018 Integrated Report
Page 74: 2018 Committee reviews
Page 85 2018 Board and committee attendance

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. Our Directors' Affairs Committee formally facilitates and recommends director appointments for ultimate approval by the Board.

The magnitude 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. We assess diversity against skills and expertise, independence, gender, age, race as well as tenure.

Our Board refresh process takes rotation plans, tenure and succession, retirement/resignation, skills and the outcomes of board evaluations into account.

Race and gender policy

The targets for race and women representation are a minimum of 30% each.

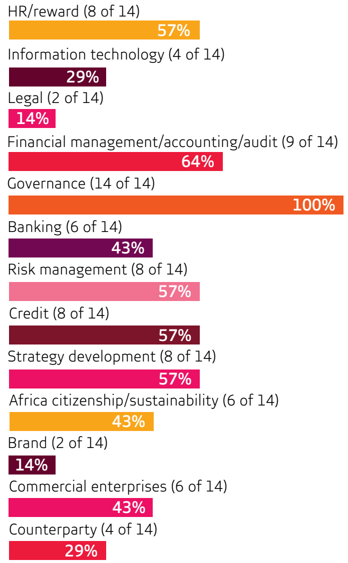
King IV recommends that a board sets targets for race and gender representation, and the JSE Listings Requirements require us to have policies on the promotion of race and gender diversity at board level. The Board takes prudent measures toward greater race and gender diversity among all employees, and recognises the benefits of having South African, pan-African, and non-African board members.

- 29% of the Group Board are women. The boards of South African subsidiaries are 35% women and the country bank boards are 22.5%. The average across all our subsidiary boards is 30%.
- 43% of the Group Board is Black, while the representation across all the South African subsidiary boards is 42%.

Skills and expertise policy

Members should have the highest levels of integrity, a deep understanding of governance, appropriate technical, financial and non-financial knowledge and interpersonal skills. In particular, skills and experience in the areas of banking, risk and capital management, technology, general commercial, financial, auditing, accounting, large-scale industrial, counterparty negotiation, legal, human resource and reward, as well as pan-African strategic engagement are required of the Board as a collective.

Our Group Board has the requisite skills to consider and deal with the matters that come before it. The skills analysis that represents provides the mix of skills and expertise as at 24 April 2019.



Our boards outside of South Africa have continued to focus on their composition and skill sets.

Independence policy

The Board is to comprise of a majority of non-executive directors, the majority of whom are independent. We seek to promote independent judgement and diverse mind-sets and opinions.

All directors must exercise their judgement independently, irrespective of their status. Independent non-executive directors are assessed annually in accordance with the JSE Listings Requirements, and King IV recommendations. The directors assessed in 2018 maintained their independent status. We also reassessed independence in early 2019, together with a detailed time and capacity assessment, as recommended by the South African Reserve Bank Governance Directive 4 of 2018.

102 General disclosures

Tenure policy

We have a staggered rotation of Board members which takes place to retain knowledge, skills and experience and to maintain continuity, while introducing new expertise and perspectives. Directors serving over nine years are subject to annual re-election.

We review the length of service as part of succession planning. 43% of our members are in their first three years on the Board; 29% have tenures of four to six years; while 14% have served for seven to nine years and 14% longer than 10 years. 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 having served longer than nine years are categorised as non-independent. Mohamed Husain and Yolanda Cuba have served on the Board for more than nine years. Yolanda will be retiring from our Board at the 2019 annual general meeting. The Board assessed and concluded that Mohamed remains independent and continues to make a valuable contribution to the Board's value creation efforts. Mohamed will offer himself for re-election. We have received dispensation from the Prudential Authority for Mohamed until June 2020 as well as for Colin Beggs, who will reach his nine-year anniversary shortly after the 2019 annual general meeting.

2019 Notice of annual general meeting

102-25 Conflicts of interest

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 when they become aware of such situation. 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.

As part of the independence assessment, each independent director submits a declaration of independence to the Board as well as confirmation of time and capacity to attend fully to board matters.

Ethics and culture

The Group, led by the various boards, is committed to the highest standards of ethical behaviour. Directors must strive to:

- uphold the standards of conduct required of them by law, regulation and policies and ethical standards; and
- demonstrate the behaviours that are consistent with the Group's Values.

Our Board appreciates the importance of ethics and its contribution to value creation and is committed to instilling ethical values throughout the Group, beginning with individual directors' conduct that will in turn have a positive impact on conduct in the Group.

We are committed to the highest standards of integrity and ethical behaviour, and our code of conduct outlines the values and behaviours that govern our way of working across our business. This code fosters values-based decision-making and demonstrates how our policies and practices align with our values.

Management, with appropriate oversight of the Social and Ethics and Directors' Affairs committees, are responsible for embedding ethical conduct in the organisation.

Page 18: GRI 102-18
Page 22: GRI 102-29

Controlling shareholder

Following the reduction of its controlling interest, Barclays currently owns 14.9% of Absa Group ordinary shares. UK regulators conferred regulatory deconsolidation from Barclays with effect from 30 June 2018.

Related parties

Refer to Note 49 within the 2018 consolidated and separate annual financial statements for disclosure of our related parties.

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

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

Our Board monitors the execution of our strategy through regular updates from the executive directors, while the Directors' Affairs Committee monitors performance against the Board governance objectives that derive from the strategic imperatives for the year.

In December 2017, the Board considered and approved a new Group strategy (including the purpose statement). This was shared publicly in March 2018.

The Board received six execution updates about aspects of the Group strategy during the course of the year, covering the 14 strategic workstreams. Key milestones achieved in 2018 included:

- Securing shareholder approval for, and the subsequent renaming of the Group on 11 July 2018.
- Launch of the refreshed Absa brand in South Africa in July 2018.
- Launch of the new Absa values in December 2018.
- Refreshed human resources proposition including the launch of Workplace, a Group wide communication and project collaboration platform and the redesign of a number of critical human resource processes, including performance management, remuneration, as well as learning and development.
- Consideration and approval of detailed business execution plans.
- Consideration and approval of the medium-term financial plan an outcome of the new strategy.
- Consideration and approval of our Conduct and Reputation Risk Framework.

102 General disclosures

102-27 Collective knowledge of highest governance body

Every newly appointed director receives comprehensive induction training tailored to his or her needs and includes engagement with customer-facing business leaders and functional executives (risk, finance, treasury, human resources, compliance and internal audit) for a holistic understanding of the Group.

Directors are, on an ongoing basis, provided with training and briefings on relevant topics so that they stay abreast of developments in the regulatory, technology, corporate governance, macro, and business environments.

All members receive specific training, as required, through presentations from internal and external experts. Lessons learned from corporate failures featured during the year. More general upskilling in terms of Board presentations or electronic reading material distributed to directors occurs throughout the year.

The Disclosure Committee received an update of current and emerging ESG regulations, frameworks and codes, with a view on how these are influencing corporate disclosures. The update included an overview of key sustainability/ESG indices that the Group is subject to and those in which we actively participate.

102-28 Evaluating the highest governance body's performance

The individual directors and the support system aid the Board's effectiveness. In 2017, the Board, guided by the King IV recommendation, decided to adopt biennial reviews (instead of annual) to allow sufficient time to remedy any identified shortcomings.

In 2018 we assessed the effectiveness of the Board, the committees, individual directors, and the Group Chairman. The Institute of Directors of Southern Africa facilitated the process and no matters of concern were noted. An action plan is in place to address areas of improvement. The Board considered the outcomes of the assessment in recommending directors for re-election by shareholders at the 2019 annual general meeting. The findings will also inform the annual appointment of the Group Chairman after the annual general meeting.

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 resourced sufficiently to perform its duties.

Annually, the Board evaluates the qualifications, competence and experience of the Group Company Secretary and remains satisfied that she is qualified for the role and the Board confirmed 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, good corporate citizenship, ethics, sustainable development, labour and employment, consumer relations, stakeholder management, transformation, the environment, and health and safety.

In 2018, various items were deliberated, such as the UN Global Compact and related requirements, micro lending, funding of coal-fired power stations and land reform without compensation (South Africa), and fraud (including cybercrime, SIM–swap fraud and the protection of personal information).

Page 19: GRI 102-19, 102-20 and 102-21

102-30 Effectiveness of risk management processes

The Group's Enterprise Risk Management Framework (incorporating principal and key risks) is reviewed and approved by the Board annually and provides the basis for setting policies and standards, and 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 in executing risk policies and embedding risk management in the business.

Compliance with laws and regulations is a critical aspect of our citizenship efforts and management's plans and execution of these is therefore a key aspect of the oversight responsibilities of our Board.

In terms of environmental, social and governance risks, our Social and Ethics Committee assess management's response in terms of the conduct risk and reputation risk frameworks (including customer, labour, and regulatory aspects); our Supplier Due Diligence Framework; and Conflicts of Interest Policy.

Our environmental risk standard guides our relationships with customers to mitigate environmental and social risks. This standard details the minimum requirements and controls for identifying transactions with potential environmental and social risks; outlines where the Equator Principles must be applied; the circumstances under which referral to the environmental credit risk management team is required, and provides guidance on the considerations for inclusion in loan documentation. PwC independently assures the reported Equator Principle metrics.

Commencing in 2019, it is the Group's intention, to undertake a comprehensive review of our environmental and social risk management approach, taking into account current and emerging frameworks such as the United Nations Environmental Programme Finance Initiative's Principles for Responsible Banking amongst others.

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

Good corporate citizenship is a strategic imperative. One of the three enabling capabilities in the Group's strategy is to play a shaping role in society. This means significantly contributing to the societies in which we operate; contributing towards the continent's growth and development; being accountable for our impact on the environment and evolving as the needs of communities change.

The Social and Ethics Committee monitors the Group's activities relating to relevant legislation or prevailing codes of best practice on matters including social and economic development, good corporate citizenship, ethics, sustainable development, labour and employment, consumer relations, stakeholder management, transformation, the environment, and health and safety. The Committee oversees and evaluates management's performance against these matters.

2018 Integrated Report
Page 79: Social and Ethics Committee review

102 General disclosures

102-32 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, and 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.

The Social and Ethics Committee:

- Reviewed the mapping of sustainability frameworks (including the principles set out in the United Nations Global Compact and the Organisation for Economic Co-operation and Development recommendations regarding corruption), and agreed on the approach for participation in environmental, social and governance frameworks and related reporting.
- Reviewed the Group's performance against the JSE FTSE 4Good Index, the Carbon Disclosure Project and the Dow Jones Sustainability Index.
- Reviewed, and recommended for approval to the Board, this 2018 Environmental, Social and Governance Review and the 2018 Broad-Based Black Economic Empowerment report (South African operations).

The Disclosure Committee is a sub-committee of the Group Audit and Compliance Committee that is comprised of the chairmen of the various Board committees and two executive directors. This committee oversees the Group's integrated reporting process and reviews and recommends the approval of the annual integrated report to the Board.

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

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

(i) As a standing topic;
(ii) Through the Chief Executive Officer, Chief Risk Officer or Financial Director's reports; or
(iii) Through a Board committee chairman's report back.

We do not disclose the number and nature of critical concerns, as this information is subject to specific confidentiality constraints. For 2018, the spectrum of concerns included:

- Regulatory frameworks, including IFRS 9 (accounting for financial instruments), BCBS 239 (Basel Committee on Banking Supervision's principles for effective risk data aggregation and reporting), and King IV.
- Separation and the embedment of the new Group strategy.
- Socio-political issues, primarily in South Africa, including:
  - State Capture;
  - Land expropriation without compensation;
  - Independence of the South African Reserve Bank;
  - The governance and going concerns status of state-owned entities; and
  - The knock-on impact of each matter above on the economy and outlook for the country.
- Fraud (including cybercrime).
- Transformation in the financial sector and the related ownership of equity for the Group.

102-35 Remuneration policies
102-36 Process for determining remuneration

2018 saw material changes in our remuneration context and we publish, for our shareholders and other stakeholders, a comprehensive remuneration report detailing the changes as well as in-depth disclosures on the process of determining the various components of remuneration with a focus on senior executives. This section provides a summary in line with the disclosure guidance. Readers are referred to the detailed report for the complete disclosure.

2018 Remuneration Report

Our remuneration principles and practices are designed to ensure remuneration is competitive, fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and align with risks as well as the conduct expectations of the Group. The Group Remuneration Committee oversees the remuneration philosophy, policies and frameworks.

Our remuneration philosophy and principles

We achieved regulatory deconsolidation from Barclays with effect from 30 June 2018 and subsequently our remuneration philosophy and implementation approach align with our Group strategy, entrepreneurial culture and risk management approach. The objective of our new reward strategy underpins our growth strategy, entrepreneurial culture and risk management approach. Its objective is to direct the efforts of our people in delivering our strategy of creating sustainable value for all our stakeholders in a fair and responsible way.

Our principle-based remuneration philosophy specifically seeks to balance the objectives of all stakeholders, including shareholders, our employees, our customers and the broader communities in which we operate, while taking risk appetite into consideration.

Key components of our remuneration principles:

1. Attract, retain and engage high calibre individuals who have the skills, ambition, and talent to deliver our strategy.
2. Support the realisation of all our stakeholder promises, with specific focus on rewarding our people for the achievement of our strategy within our risk appetite relative to performance and shareholder returns.
3. Align the long-term interests of our executives and shareholders, by ensuring remuneration outcomes are aligned to the value we create in the short and long term and are transparent. This entails a specific emphasis on increasing longer-term incentives for senior and executive employees aligned to market practice.
4. Pay for performance – aligning incentive outcomes to performance and values created. Within this, we apply deferrals, and malus and clawback provisions to ensure effective alignment of risk and reward within the context of Group performance outcomes.
5. Drive our culture of being entrepreneurial, while taking ownership and accountability for responsible, sustainable business growth and success. We aim to achieve this by:
   - ensuring that employees share in the company's success, differentiated on the basis of their contribution, in both the short and long term;
   - ensuring that our people's ethical behaviour, values and adherence to our risk management principles are recognised in their individual performance ratings.

102 General disclosures

6. Continuously build confidence and trust in our reward outcomes through high quality reward governance, engagement on our disclosure with shareholders, as well as internal transparency and effective communication.
7. Deliver fair and responsible remuneration, through annual reviews and disclosure of pay gap metrics, and appropriate decisions that influence our junior employees to ensure dignified standards of living. This includes a concerted emphasis on addressing differentials in reward, considering diversity.

Our remuneration approach is aligned to local regulatory and market practice and includes:

- Cost-to-company (salary and benefits);
- Short-term incentives (with performance targets and deferral in defined instances); and
- Long-term incentives (with performance targets aligned to the Group's medium-term financial targets and deferral).

- **Fixed remuneration** (cost-to-company in South Africa and total guaranteed package in Absa Regional Operations).

  This forms the basis for a competitive total remuneration package. We aim to position fixed pay generally at the market median, except in the case of critical skills, where we target above the market median to attract and retain talented individuals with outstanding records of accomplishment. Fixed pay is reflective of an individual's role, specific skills and experience, with reference to the appropriate market rate for the role.

- **Short-term incentives**

  Takes into account the achievement of Group, business/functional unit, team and individual objectives.

  Deferral, in terms of the defined deferral thresholds, threshold levels are assessed on an ongoing basis to enhance our offering to key talent in line with our reward principles (to attract, retain and engage high calibre individuals who have the skills, ambition, and talent to deliver our strategy).

- **Long-term incentives**

  Are subject to Group performance targets. Setting appropriate performance measures with sufficiently stretching targets is a critical element of our reward principles (pay for performance, supporting the realisation of all our stakeholder promises and aligning the long-term interests of our executives and shareholders). We review regional market practice and set measures and targets in the context of our ambitious growth strategy and medium-term targets.

In making remuneration decisions, we continue to seek to be a force for good in society, which is inclusive of making remuneration decisions that are fair and responsible. In this regard, we continue to award higher increases to our more junior employees and in this way are actively playing a role in seeking to reduce the wage gap within our society.

Termination payments

Our approach to payments in the event of termination take account of the individual circumstances, including the reason for termination, individual performance, contractual obligations and the terms and conditions of the short-term or long-term incentive plans that apply. All executive directors and prescribed officers have a six-month notice period, with their potential remuneration for loss of office being six months' fixed remuneration.

There is no automatic entitlement to a short-term incentive payment on termination, but it may be considered at the Remuneration Committee's discretion and subject to performance measures being met. Awards may be prorated for service. No short-term incentive is payable in the case of underperformance, gross misconduct or resignation.

Unvested share and cash awards will lapse if the executive director or prescribed officer resigns or their employment is terminated for gross misconduct. In the case of death, or if an eligible leaver (leaving due to injury, disability or ill health, retirement, redundancy) he/she would continue to be eligible to be considered for unvested portions of deferred awards – subject to the rules of the relevant plan – unless, in exceptional cases, the Remuneration Committee determines otherwise.

Deferred awards are subject to malus and clawback provisions which enable the Remuneration Committee to reduce the vesting level of deferred incentives (including to nil) or to recover amounts already paid. In an eligible leaver situation, deferred incentive awards may be considered for release in full on the scheduled vesting dates (equal tranches on 1st, 2nd and 3rd anniversary of award date) unless, in exceptional circumstances, the Remuneration Committee determines otherwise. Unvested long-term incentive awards will remain subject to company performance targets and will vest (subject to these) on the normal vesting date where eligible leaver treatment applies.

Retirement benefits

The majority of employees within South Africa and our Absa Regional Operations (excluding Mauritius) are on the Group's defined contribution retirement fund, with a minimum contribution level applied as inclusive of the employee's total cost-to-company. In addition to the compulsory minimum contribution, employees may elect to increase their contributions.

Advisors

The support received by the Remuneration Committee from PwC during 2018 was primarily strategic and directional and was subject to internal peer review within PwC. Management were advised by PwC during the year in the development and implementation of the Remuneration Policy.

Determination of non-executive director fees

In determining the fee levels of our non-executive directors, we consider the levels of fees paid in our key competitors, general levels of increase applied to non-executive director fees across our market, the level of general increase applied to our employees (and particularly executives and senior management) and overall inflation.

The determination of non-executive director fees is based on the following principles:

- Non-executive directors are paid an annual fee (paid in monthly instalments). Special and ad hoc Board and Board sub-committee meetings are paid a fee per meeting or an hourly rate depending on the amount of preparation time and the length of the meeting.
- The Group Chairman's fee covers the chairmanship and membership of all Board committees and sub-committees (including Absa Bank and Absa Financial Services) except for attendances at the Separation Oversight Committee.
- The chairmen of the Group Audit and Compliance, Group Risk and Capital Management, Remuneration, and Social and Ethics committees receive fees equal to 2,5x (two and a half times) the fee payable to the members. The chairmen of the remaining Board Committees and sub-committees receive fees equal to twice the fees payable to the members.

102 General disclosures

- The Board Finance Committee and Separation Oversight Committee members are paid per meeting (as these are scheduled as the need arises) and members of the Credit Concentration Risk Committee are paid a separate fee for each credit application reviewed.

Proposed fees are subject to a shareholder vote at the annual general meeting each year.

2019 Notice of annual general meeting

102-37 Stakeholders' involvement in remuneration

Following the 52.6% 'for' shareholder vote in 2018 on the 2017 Remuneration Implementation Report and 76.5% vote 'for' our remuneration policy, we held a teleconference call with shareholders on 23 July 2018 to obtain feedback. The Remuneration Committee has taken steps in good faith and with best reasonable effort to address concerns raised. 94.11% (2017: 98.0%) of shareholders voted for the proposed remuneration of the non-executive directors at the 2018 annual general meeting.

2018 Remuneration Report page 4

Outcomes of voting at the 2019 AGM scheduled for 4 June 2019, will be made available thereafter on www.absa.africa.

5 Stakeholder engagement

102-40 List of stakeholder groups

Our key stakeholder groups are our investors, customers, employees (and trade unions), regulators (and government), and society.

102-41 Collective bargaining agreements

We have recognition agreements with 13 trade unions across our operations covering 53% of our employees.

102-42 Identifying and selecting stakeholders
102-43 Approach to stakeholder engagement

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

Management of stakeholder risks as an integral part of Group-wide risk management. During 2018 our Board deliberated and approved a revised stakeholder management policy and framework. We have developed a stakeholder management framework that will:

(i) improve the Board and Social and Ethics Committee's supervision and direction of stakeholder engagement matters, and

(ii) recognise our decentralised stakeholder engagement approach, but with a central point to collate engagement results.

We continue to improve the measurement of the quality and maturity of stakeholder relationships. The foundational elements for stakeholder relationship management exist in our governance structure, with varying levels of maturity.

We have:

- a new Group-level stakeholder engagement policy;
- reviewed governance structures, including executive-level accountability for each stakeholder group; and
- reviewed our identified stakeholder groups, and prioritising key matters.

We are:

- developing stakeholder management methodologies; and
- planning to formalise centralised reporting on stakeholder activities and outcomes, including the development of measurement tools, to determine the effectiveness of engagement activities.

We have a decentralised stakeholder engagement approach, from which a significant number of issues, risks and opportunities arise. Over and above stakeholder inputs, other information is important in our determination of material matters, including internal deliberations; independent research; and continuous monitoring of the external environment for trends signalling opportunities and risks. 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.

The following principles underscore our engagement with stakeholders:

- Consistent messaging;
- Through dialogue we understand the needs, interest and expectations of stakeholders and incorporate them into our decision making;
- Through collaboration we establish meaningful relationships and link them with our goals;
- We are proactive and consistent in communication;
- We commit to create a sustainable business and to be a force for good in society;
- We respond to a changing business environment and to our legitimate stakeholders needs, interests and expectations.

102 General disclosures

	Investors	Customers	Employees	Regulators	Society
	Shareholders and debt investors who provide capital have a vested interest in the performance of the Group. We require a strong relationship to ensure a shared expectation around our vision, strategy and future performance.	Customers provide not only revenue but are the main source of deposits that enable our lending activities. To remain relevant, we offer innovative and cost-effective products and solutions to meet their needs.	Capable, engaged and knowledgeable employees with access to value-creating customer solutions, will drive our commercial success and advance our reputation. We provide employment, fair pay and development opportunities.	Sound governance and compliance with the legal and regulatory frameworks creates a stable financial services system that guides the way we do business. These enable a fair, ethical and competitive environment, enhance customer outcomes, promote trust in the financial system, and help ensure that we provide appropriate products and services. Industry bodies (and organised business interest groups) are an important channel through which we engage with regulators and government.	Our success is interlinked with the wellbeing of the societies in which we operate. Charities, non-governmental organisations public and private sector partnership enable the Group to amplify our positive impact in addressing a number of socio-economic challenges.
Value to stakeholder	• Growing, sustainable return on their investment through attractive dividends and share price. • Return on debt-based investments delivered in agreed timelines.	• Innovative, efficient, cost-effective banking solutions that meet customers' needs. • Improved access to markets and financial services including access to information and advice. • A safe and trustworthy financial services provider.	• A workplace where employees can be productive and achieve their potential. • Performance underpins recognition and reward. • Self-led development and career progression.	• Fair and ethical engagement when dealing with the Group. • A stable financial services sector. • Inclusive and transformed sector. • Fair advice and distribution.	• Ethical behaviour. • Support for economic growth. • Increased access to, and funding for, education opportunities. • Decreased negative environmental impact.
Value to the Group	• Adequate levels of capital and liquidity to fund growth. • Effective risk management. • Investment and support from shareholders.	• Improved customer satisfaction. • Customer trust and support. • Increased revenue from existing and new customers.	• High productivity through quality employees who are engaged and retained. • A ready pool of diverse and experienced talent equipped to meet current and future needs.	• Sound corporate values, high ethical standards, market integrity and good conduct practices. • Sustainable operations. • Stakeholder trust and support.	• Strengthened social licence to operate. • Decreased risk exposure for example greater financial literacy. • Minimised environmental impacts (direct and indirect). • Enhanced economic growth.

102 General disclosures

	Investors	Customers	Employees	Regulators	Society
How we engage	JSE SENS announcements (stock exchange news service); financial results and annual reports; roadshows and conferences; management meetings and query resolution; investor days; webcasts; website; annual general meeting; and our integrated reporting suite.	Customer experience programmes, including forums, surveys and focus groups; corporate websites and social media; complaints management process; face-to-face interactions in branches; digital (internet and mobile) platforms; one-on-one interaction with relationship managers; and marketing, sponsorship and advertising; call centre and tip-offs line; networking sessions; newsletters; digital magazine.	Human resource business partners; opinion surveys; leadership blogs; diversity forums; employee contact centre; television broadcasts, emails, newsletters and magazines; performance discussions; training; and face-to-face, electronic and telephone consultations with trade unions; town halls; social media (Workplace); daily and direct communication between managers and their teams.	Engagement with local government, provincial and national departments; written responses in consultation processes; presentations and feedback sessions; conferences (or joint sponsorships); participation in working groups and forums; regulator surveillance and interaction; and tenders; and participation on relevant government platforms.	Community investments roadshows; financial literacy programmes; employee volunteering; stakeholder and sector forums and events, including sponsorship, research, and digital channels; integrated report; in-depth agreements and engagement through relationship managers.
Key concerns and expectations	• Separation including rebranding, system changes, management capacity, investment spend and execution timelines. • Tough operating environment with low GDP growth in South Africa, our largest market. • Strong existing and emerging competition. • Stability in management. • Transparency and competitiveness in reward.	• Access to cost-effective, simple and convenient financial services. • Financial inclusion through products, increased access points (physical and digital) and markets. • System reliability and availability to transact on their chosen platform. • Service levels and efficient resolution of service failures (complaints). • Protection against fraud, and safety of personal data (customer privacy and data security).	• Job security and change management through the Separation. • Fair pay and terms of employment, and market-related reward and benefits. • Leadership continuity and managerial depth. • Diversity and transformation. • Training of employees for a digital future. • Talent attraction, development and retention of critical skills. • Productivity through an agile culture. • Development of our brand that indicates an employer of choice.	• Compliance with all relevant laws and regulations. • Financial system stability spanning financial soundness to fair treatment of consumers. • Contribution to government development plans and national priorities (such as job creation) and to the fiscus through fair tax payments. • Ethical work environment.	• Addressing societal challenges, such as access to financial services, education, employment opportunities and economic growth. • Funding for strategic partnerships in community development and entrepreneurship development. • Managing environmental and social impact so four lending practices • Managing our environmental footprint.
Material focus areas	• Execute the Separation. • Sustainably grow revenue with the turnaround of RBB South Africa being a priority. • Effectively manage risks. • Improve efficiency while enabling strategic investments. • Deliver appropriate shareholder returns.	• Understanding customer needs and delivering safe, cost-effective, reliable and convenient solutions. • Delivering enhanced customer experiences. • Effective management of information and technology. • Ensuring trust and safety.	• Creating an entrepreneurial and innovative culture. • Attracting and retaining quality employees. • Accelerating diversity. • Distinctive development opportunities. • Ethical business conduct.	• Complying with all laws and regulatory requirements. • Supporting consumer protection and preventing financial crimes. • Driving an ethical culture.	• Supporting the education ecosystem holistically. • Supporting initiatives that drive entrepreneurship and socioeconomic growth. • Improving access to financial services. • Environmental stewardship in our operations and lending..

102 General disclosures

	Investors	Customers	Employees	Regulators	Society
Outcomes	+ Distributed R9.0bn in dividends. + Retained R9.5bn for future investment.	+ NPS® continued to improve but remains below expectations. + Enhanced digital solutions including WhatsApp banking; Timiza. + Relaunched Absa brand with full implementation in mid-2020. + Grew loans to R842bn and deposits to R736bn.	+ New culture and Values. + Improved employee engagement. + Gender (61% women) and race 74.0% diversity improving. + Invested R426m in training. + 2 284 learnerships. − Employee turnover of 9.14%.	+ Strong corporate governance. + Compliance with laws. + Achievement of capital and liquidity requirements.	+ B-BBEE Level 2.[1] + Invested R266m in education initiatives. + R2.9bn procurement with small and medium enterprises.[1] + Five green star rated buildings.[1] − Total emissions 296 468 tonnes CO_2, a decrease of 2.8%
Managing the outcomes	• New strategy and performance targets alongside a focused Separation programme. • Maintained dividend payout. • Amended remuneration approach to address shareholder concerns.	• Reorganisation and re-shaping of the business starting with Retail and Business Banking. • Ongoing work to stem customer losses, re-shape the customer profile and restore trust and confidence. • Driving innovation and articulation of a digital strategy to reshape the Group.	• Culture reset delivering a target culture and new corporate values. • Implementation of multiple engagement forums. • Focus on transformation to include gender and, in South Africa, race.	• Continued engagement with regulators across all presence countries, with a focus on the Separation. • Ongoing engagement/ contribution to legislative developments.	• Ongoing stakeholder engagements informed by a revised Group Policy and engagement framework. • Continuous improvement of corporate governance, compliance and risk management practices. • Establishment of a Group-wide sustainable banking programme.

For further information on our responses and performance outcomes refer to our stakeholder scorecard in the Integrated Report (pages 29)

Value creation
stakeholder scorecard

We ensure a balanced review of our performance by tracking progress through, among others, internal dashboards, regular management reporting and external measures.

	What do we consider as success	Indicator	2018	2017	Trend	Assurance type
Customers	Innovative products and services that meet customers' needs, earning trust through excellent customer service and advice so that they ultimately recommend us to others.	Treating Customers Fairly outcome score	60%	61%	↓	LA
		Relationship Net Promoter Score®	34%	27%	↑	LA
		Brand value ranking in South Africa (Brand Finance)	4th	6th	↑	EXT
Employees	Engaged and enabled employees who are part of a diverse and inclusive workplace in which employees are treated equally and have the opportunity to achieve their potential.	Employee engagement (Gallup survey)	27%	23%	↑	EXT
		Retention of high performing employees	93.8%	95.4%	↓	LA
		Permanent employee turnover rate	9.1%	8.9%	↑	LA
		Women in senior management	34.9%	34.1%	↑	LA
		Senior Black management (South Africa)	49.3%	44.3%	↑	V
		Training spend	R426m	R487m	↓	MBO
		Total headcount broken down by:			↓	LA
		• Permanent	39 413	39 988		
		• Temporary	1 443	1 715		
		• Female	24 952	25 473		
		• Male	15 904	16 230		
Society	Through our shaping role in society we seek to contribute to securing a prosperous future for our customers, our employees and the communities we operate in.	Disbursements towards education and skills development	R266m	R299m	↓	LA
		Number of Equator Principle transactions	13	2	↑	LA
		Total energy use	338 125 499 kWh	329 302 208 kWh[2]	↑	LA
	Proactive management of the environmental and societal impacts of our business.	Carbon emissions	296 468 tonnes CO_2e	305 100 tonnes CO_2e[2]	↓	LA
		Local procurement as a percentage of total (South Africa)	76.0%	88.9%	↓	V
Regulators	A business responsive to regulatory change and the resulting impacts.	Employees completing Conduct Risk College Foundation training	99.9%	98.8%	↑	LA
		Employees completing a code of conduct attestation	99.9%	99.4%	↑	LA
	A positive conduct and values-based environment.	Employees completing Fighting Financial Crime training	98.2%	98.6%	↓	LA
Investors	Achieving financial targets timeously, generating sustainable returns for our shareholders and managing the Separation.	Revenue growth[1]	4%	1%	↑	MBO
		Return on equity[1]	16.8%	16.5%	↑	MBO
		Common equity tier 1 ratio[1]	12.0%	12.1%	↓	MBO
		Cost-to-income ratio[1]	57.7%	56.7%	↑	MBO
		Dividend cover[1]	1.7	1.7	—	MBO
		Dividend yield[1]	7%	6%	↑	MBO
		B-BBEE level (South Africa)	Level 2	Level 2	—	V

[1] Normalised
[2] Restated due to more accurate emission factors being used (page 31).

MBO – Management and Board oversight
LA – Limited assurance
V – B-BBEE verified
EXT – external source

102 General disclosures

102-45 Entities included in the consolidated financial statements

We provide a list of related parties (Subsidiaries and consolidated structured entities) in Note 49.3 of the Group's consolidated and separate financial statements. Our integrated report includes information regarding our stakeholder relationships, opportunities and risks, and the outcomes of our business activities including key banking and insurance subsidiaries. Our B-BBEE disclosures apply to our South African operations.

102-46 Defining report content and topic boundaries

We consider a matter to be material when it has, or could have, the ability to influence our financial performance, our reputation, or impact our licence to operate. We follow a three-step process to determine which matters we believe materially impact our ability to create value and on which we report.

1 Internal review

Our approach to value creation begins by looking internally.

- Who we are
- What we do
- What we define as value

2 Contextualise

We appreciate that we do not exist in isolation, therefore, we must contextualise ourselves in terms of our operating environment and stakeholder expectations. We bring matters to light in a number of ways:

- Directly by stakeholders (such as regulatory change and customer insights through day-to-day engagement);
- Through internal deliberations;
- Through independent research; and
- By continuously monitoring the external environment for trends signalling opportunities and risks that could have an impact on our operations.

3 Prioritise, respond and monitor

Our value creation approach is spearheaded by our strategy. We then seek to articulate the value we intend to create for our stakeholders. Our integrated planning approach ensures that our strategy and scarce resources are incorporated into execution plan and that we consider the key matters identified by stakeholders.

Integrated planning requires us to consider trade-offs between possible responses, timing and execution requirements, as well as their importance and impact in achieving our strategy.

We assess potential opportunities within our risk appetite framework to balance future growth with responsible risk management. We also consider possible changes to our business model to remain relevant and competitive. The prioritisation of operational requirements, strategy, business-as-usual change and Separation activities take into account the following:

- Our current strategy and business model.
- The Separation (operational and regulatory requirements).
- Potential opportunities factoring in our risk appetite.
- Resource needs and relative availability of resources.
- Current and anticipated economic and socio-political conditions.
- Regulatory driven requirements.
- Company specific events
- Stakeholder perceptions and expectations.

The outcomes are the material matters we consider most relevant to our sustainability.

We identify specific actions to ensure we respond appropriately, and our Executive Committee, Board and the various Board committees monitor progress in accordance with their terms of reference.

102-47 List of material topics

Our ability to create value is impacted by a multitude of factors ranging from the operating environment and our responses to the risks and opportunities to our business model 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 – and how we are managing and governing our responses.

Material matters

Our operating environment is characterised by volatility and uncertainty; increased competition and disruptive technologies; changing consumer behaviour and increasing regulations. Within the context of the Separation and our new strategic, cultural and digital journey, we manage the following material matters:

The **Separation** from Barclays which includes the transition of services (including technology solutions) previously provided by Barclays and the brand change.

Increased competition, changing consumer demand, disintermediation and disruptive technologies are changing our business. To meet customers' needs, we must focus on delivering innovative products and services, informed by advanced data analytics, which are enabled through an increasingly automated and digitised environment. Critical to this is the customer experience, the stability of systems and ensuring trust and safety of people, assets and information.

Our **employees** seek to be engaged through the structural and cultural change process, expect fair and competitive pay as well as development and career opportunities. Driving diversity and an ethical culture while seeking out scarse skills amidst strong competition and evolving skills set requirements is critical.

A thriving **society** is critical for the Group's ongoing success and our contribution is focused on education ecosystem, enterprise development and financial inclusion. Increasingly we are reflecting on environmental constraints and the impacts of current and potential future environmental and social risks on our own and customers' businesses.

Regulators demand a stable and fair financial services industry for the benefit of all stakeholders and with a specific focus on consumers and fighting financial crime. We focus on meeting these regulatory requirements, while ensuring we conduct ourselves in accordance with both the law and our Values (page 16).

In a highly competitive market, characterised by subdued economic growth and an uncertain and volatile socioeconomic environment, our investors are seeking sustainable revenue growth, within an acceptable risk profile, providing appropriate shareholder returns.

102 General disclosures

102-48 Restatements of information
102-49 Changes in reporting

Notable financial reporting changes

1 IFRS 9 implementation is complete. As a consequence of IFRS 9, an amendment was made to IAS 1 Presentation of Financial Statements, which is effective from 1 January 2018. The amendment requires interest revenue, which is calculated using the effective interest method, to be presented separately on the face of the statement of comprehensive income. This only includes interest earned on financial assets measured at amortised cost or at fair value through other comprehensive income, subject to the effects of applying hedge accounting to derivatives in designated hedge relationships. In compliance with this amendment, the Group has separately presented its effective interest income within profit or loss and has elected to present all other interest that falls outside the afore-mentioned scope as a sub-component of Interest and similar income. The Group has elected to apply the same approach in presenting Interest expense and similar charges to achieve consistency in the presentation of Net interest income.

IFRS 15, became effective from 1 January 2018, and replaced the previous revenue recognition standards and interpretations, including IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. IFRS 15 establishes a single approach for the recognition and measurement of revenue and requires an entity to recognise revenue as performance obligations are satisfied. It applies to all contracts with customers except for transactions specifically scoped out, which includes interest, dividends, leases, and insurance contracts.

2 Changes in internal accounting policies:

- We amended our accounting policy with respect to the measurement of policyholder liabilities, and specifically the calculation of discretionary margins held within policyholder reserves. This change impacts life insurance products where the present value of expected benefit payments, plus the future expected administration expenses under a life insurance contract, is lower than the expected discounted value of the contractual premiums to be received.
- We restated the presentation of interest income and interest expense comparative information to reflect the amendment to the Group's internal accounting policies, and an adjustment has been recognised within retained income as at 1 January 2018 to reflect the impact of implementing new standards.

For further details, see the 2018 consolidated and separate financial statements (Note 1.21 – Reporting changes)

For environmental data

Our data collection processes are continuous, and each year we report the most accurate data then 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 CO_2 emission factors are applied. In cases where 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.

In 2015, we also aligned to the latest carbon conversion factors back-dated to January 2015 as released by the International Energy Agency.

Our utility strategy to install more smart meters will improve the accuracy of our environmental data and lead towards increased automation and identifying opportunities to reduce our environmental impact. We have changed the process of calculating our carbon emissions from flights from Greenhouse Gas Protocol to DEFRA and have backdated to the 2015 baseline for consistency.

Material topics/topic boundaries

Incorporated into our material matters are the Separation activities resulting from the Barclays sell-down of its shareholding in the Group. This influences some of our responses to other matters identified as material. We deal with changes through the structured Separation change programme.

We continue to monitor the socioeconomic, natural capital and regulatory environments 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.

102-50 Reporting period
102-51 Date of most recent previous report
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 our 2018 Environmental, Social and Governance Review are included.

This document forms part of our 2018 Integrated Report suite issued for the reporting period ended 31 December 2018. Our annual report archive is available at https://www.absa.africa/absaafrica/investor-relations/financial-results/

We publish Interim Financial Results. Additional risk and capital disclosure are published at various times through the year in accordance with regulatory requirements.

102-53 Contact point for questions regarding the report

Direct questions relating to the report to groupsec@absa.co.za.

The query will be re-directed internally depending on the nature of the query.

102 General disclosures

102-54 Claim of reporting in accordance with GRI Standards 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 that covers the number of disclosures, page numbers or URL(s).

102-56 External assurance

The Group applies a combined assurance approach, which requires co-ordinated assurance activity across the three lines of defence. The objective of combined assurance is to optimise overall assurance to enable a holistic and integrated view of the risk and control environment to be delivered to Management, the Executive and the Board. The Group seeks to have a greater level of process automation and a higher proportion of preventative controls, wherever possible. The combined assurance strategy is a risk-based approach, which focuses on those aspects that are most material to the Group. The Group's combined assurance model is aligned to King IV requirements.

Each business is expected to drive the coordination of assurance activities across the three lines of defense by implementing effective governance and oversight processes. The aim is for each business to demonstrate adequate coverage over critical process assessments (CPAs), material control issue remediation, strategic change initiatives, as well as senior management, Board and regulatory requests. In addition, businesses are expected to demonstrate appropriate remedial responses to the identification of unacceptable residual risk exposure and control issues.

Combined Assurance coverage and output is reported and tracked at the business and functional levels, and is reported to the Executive Risk Committee and the Group Audit and Compliance Committee.

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, and external forensic fraud examiners and auditors.
- Regulatory inspectors.

For 2018, PwC conducted limited assurance on select environmental, social and governance indicators and Empowerdex rating agency verified our B-BBEE performance. EY, our statutory auditors, have audited our annual financial statements. Information relating to the scope and conclusions of these can be found in the Limited Assurance Report, the Absa Group's B-BBEE certificate and the Group's annual financial statements, all of which are available on our group website www.absa.africa or at absaafrica2018ar.co.za

103 Management approach

103-1 Explanation of the material topic and its boundary

As part of our process, we look at materiality internally and externally. Aspects considered material outside of the organisation range from labour to environmental to economic, and stem from a variety of sources including government, regulators and special interest groups.

Within 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 ambition to have a positive impact on society and deliver shareholder value. Within our 2018 Environmental, Social and Governance Review, our material aspects are those that reflect our significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders.

As a financial services organisation, the correlation between these two views is high and, therefore, there are no significant differences between the material matters disclosed in the two reports. However, the level of disclosure on selected aspects, for example, environmental disclosures, are in more detail in this report.

103-2 The management approach and its components

Economic

A successful, vibrant finance and banking sector is an essential enabler of social and economic progress, growth and development. We focus on five key material aspects in the economic sub-category:

1 Economic performance

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.

2 Indirect economic impacts

Financial service organisations play a central role in financing the real economy. For example,

- to individuals, we enable them to enhance their financial stability and quality of life;
- to businesses, we contribute to economic growth, job creation and access to capital markets; and
- to sovereigns we contribute to the funding opportunities and operations of the country.

3 Community support

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

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

4 Procurement

We manage our supplier relationships through a risk-based approach and are required to operate in accordance with our supplier code of conduct. In instances where standards outlined in the supplier code of conduct differ from local laws and customs, we expect suppliers to respect these standards within the context of the customs and the local laws of their specific geography.

Our supplier code of conduct has four principal components that focus specifically on our minimum expectations about diversity and inclusion, environmental management, human rights and working in accordance with our Values.

5 Fighting financial crime

Each country's financial system, and its ability to interact effectively with the global financial system (particularly to access to foreign currency to support foreign exchange clearing, lines of credit to facilitate transactions with local businesses, and global payments), is key for the country and the region's economic growth. Effective compliance with local and international banking regulations, including those related to preventing financial crime, is critical for a competitive and sound banking system.

Financial crime and corruption continue to have a wide economic impact on society as a result and there is an ever increasing need to ensure appropriate conduct.

The financial services sector is strengthened by the actions we take to fighting financial crime in all its forms. We have a zero-tolerance approach in combating money laundering, corruption and terrorist financing and constantly enhance our control environment to reduce the risk of our employees, customers and breaching legislation when dealing with the Group.

Our anti-bribery and anti-corruption principles are in line with the United National Global Compact Principle as well as the Organisation for Economic Co-operation and Development Good Practice Guidance emphasising 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 complete fighting financial crime training, which includes anti-bribery and corruption, anti-money laundering and sanctions. For example, as a founding member of a financial taskforce against illegal wildlife trafficking, we are driving awareness of the role of the financial industry in combatting this illegal activity. We are constantly improving the level of intelligence by understanding the money laundering typologies relating to illegal wildlife trafficking. We are developing machine learning analytical models to identify potential perpetrators, and we actively engage with various public sector groups including in the South African Police Services, Financial Intelligence Centre and National Prosecution Authority to contribute to the ongoing improvement of our internal investigations capabilities.

Environment

We are aware of our role as environmental stewards and our environmental impacts are:

(i) indirect via our lending and investment practices; and

(ii) in managing our direct environmental footprint

1 Direct environmental footprint

Operational environmental sustainability risks and opportunities include greenhouse gas emissions, water use, and waste water 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 the business units who are responsible for specific issues. We aim for continuous improvement in mitigating our direct environmental impacts, reducing use of natural resources and preventing pollution.

We collect and report environmental data related to energy, waste water, paper and business travel where we have operational control and are financially responsible as defined by the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, revised edition. We report environmental data from 2015 to 2018 for the periods running from 1 October to 30 September. Travel is business-related travel only and excludes commuting travel. Environmental data from joint ventures, investments, or sub-leased properties owned or leased by Absa has not been included in the reported figures.

2 Environmental lending practices

Policies with specific environmental and social components applied to business lines

Our Client Assessment and Aggregation Policy and the supporting Environmental Risk Standard guides our relationships with customers and mitigation of environmental and social risks. Our environmental risk standard details the minimum requirements and controls for identifying transactions with potential environmental and social risks, outlines where the Equator Principles must be applied, and the circumstances under which referral to the environmental credit risk management team is required. We also have a number of sector specific Reputation Risk guidance documents.

Procedures for assessing and screening environmental and social risks in business lines

We aim to ensure that the environmental and social risks related to our lending are well managed. We screen transactions before obtaining credit approval to ensure the mitigation of the identified risks (including reputational risks). We achieve this through several mechanisms:

- Customer facing employees and credit analysts review the transaction for environmental and social risks as part of the credit review and approval process.
- Our specialist environmental credit risk function assists and guides business and risk managers on managing these risks.
- Sector specific guidance notes for environmental and social risk as well as reputation risk. These assist with the identification of key sector risks, headline issues and considerations to inform their decision-making. As a financial institution that provides funding to developing economies and a key enabler of low carbon economies, financing requests for sensitive sectors are assessed on a case-by-case basis and includes considerations such as the need for critical power and country strategic development commitments.
- Where appropriate, we appoint independent environmental consultants to assess and mitigate the identified risks.

We have applied the Equator Principles since 2009 and in accordance with the Equator Principles III requirements, we undertake environmental risk assessments of transactions falling under the scope of the Equator Principles thresholds, which includes project finance over USD10m and project related corporate loans over USD100m that meet specified criteria. 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 its environmental and social impacts:

- Category A – Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented
- Category B – Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- Category C – Projects with minimal or no social or environmental impacts

103 Management approach

In 2018, we assessed 12 (2017: 0) project finance transactions and 1 project-related corporate loan (2017: 2) that reached financial close. All reported Equator Principles projects are in South Africa (non-designated country) and were independently reviewed. We have no project finance advisory services to report in 2018 (2017: 0).

	Project finance						Project related corporate loans					
	2017			**2018**			2017			**2018**		
	A	B	C	**A**	**B**	**C**	A	B	C	**A**	**B**	**C**
Sector												
Mining and metals	–	–	–	–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	–	–	–	–	–	–	–	–
Oil and gas	–	–	–	–	–	–	–	1	–	–	**1**	–
Power generation	–	–	–		**12**		1	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–	–	–
Region												
Americas	–	–	–	–	–	–	–	–	–	–	–	–
Europe, Middle East and Africa	–	–	–		**12**		1	1	–	–	**1**	–
Asia Pacific	–	–	–	–	–	–	–	–	–	–	–	–
Country designation												
Designated country	–	–	–	–	–	–	–	–	–	–	–	–
Non-designated country	–	–	–	–	**12**	–	1	1	–	–	**1**	–
Independent review												
Yes	–	–	–	–	**12**	–	1	1	–	–	**1**	–
No	–	–	–	–	–	–	–	–	–	–	–	–
Total	0	0	0	–	**12**	–	1	1	0	–	**1**	–

In addition, environmental and social risk guidance was provided on a further 103 (2017:98) general transactions across various sectors which fall outside the Equator Principles definitions or scope.

	2017 A	**2018** **A**
Sector		
Mining and metals	20	**24**
Infrastructure	26	**16**
Oil and gas	14	**21**
Power generation	3	**2**
Power generation (renewable energy)	14	**10**
Agriculture and fisheries	2	**3**
Chemicals and pharmaceuticals	3	**4**
Manufacturing	1	**8**
Services	10	**10**
Utilities and waste management	5	**5**
Region		
Americas	–	**1**
Europe, Middle East and Africa	98	**102**
Asia Pacific	–	
Total	98	**103**

Processes for monitoring customers' implementation of and compliance with environmental and social requirements included in agreements or transactions

As part of environmental risk assessment, the customer relationship team, legal, transaction support and the environmental credit risk employees 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 e.g. renewable energy opportunities.

Where appropriate, environmental risk management monitoring requirements (including the agreed frequency) are included in loan contracts to manage applicable environmental or reputational risks. The significance of the environmental risks identified during the environmental risk assessment process drives monitoring frequency; however, we review Equator Principle transactions at least annually. 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 about environmental issues of concern or where unsatisfactory progress is identified so 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.

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 how these relate to sustainable finance. This programme was completed by a further 36 employees in 2018 (310 employees in 2017), either by following an interactive online training course or by attending general environmental credit risk presentations.

Interactions regarding environmental and social risks and opportunities

We monitor developments in the environmental risk field and broaden our understanding of environmental and social risk. The Group is a longstanding member of the Banking Association of South Africa's Sustainable Finance Committee, engaging on various international and regional sustainable finance issues and related regulatory developments and impacts.

We participate in a range of information events, hosted by various stakeholders such as the National Business Initiative and University of Cambridge Institute for Sustainable Leadership to keep abreast of industry developments. We participated in 2018 in the Equator Principles annual meeting and International Finance Corporation Community of Learning held in Washington, USA.

Social

The management of social impacts cuts across our business from the provision of financial products and services to our employment practices and onto our approach to corporate citizenship.

1 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 sold to customers.
- Underperformance or even failure of financial products and services.
- Unsuitable financial advice given to customers.
- Ambiguous communication about products.

103 Management approach

Treating Customers Fairly is a mechanism that allows us to respond to increasing call for the protection of consumer rights, which is governed by current and emerging regulations across our presence countries.

Our customers can expect the following from us:

- Fair treatment.
- Products and services marketed and sold in the retail market that are designed to meet the needs of our consumer groups.
- Being kept appropriately informed with clear information before, during and after the point of sale.
- When receiving advice, it will be suitable and takes account of the customer's circumstances.
- Products that perform to expectation and associated service 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 responsibilities in ensuring that our employees have the necessary competencies, qualifications and experience as well as the character qualities of honesty and integrity. 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.

2 Policies for the fair design and sale of financial products and services

We develop and review products and services considering our New Product Approval and Product Review Policy, our Conduct Risk Policy and our Reputation Risk Policy with the aim to address potential product risks and associated market conduct. Product development and review takes into account customer and public feedback (e.g. complaints and media analysis); new or amended laws and regulations; as well as feedback by 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 if the product operates as designed and that the necessary controls to protect both the customer and the Group are in place.

This applies to new and existing products offered to existing and potential customers, counterparties or other participants and deals with 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 as a result of a risk-based assessment after product launch.

3 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 to them. Customers in vulnerable circumstances may be particularly at risk of harm and we should expect that all of our customers might be vulnerable at some point in their relationship with us.

There are a number of mechanisms in place guiding our behaviour from our approach to responsible lending and assisting retail customers in financial difficulty, to managing the environmental and social risks in our lending, to our conduct.

4 Labour practices and decent work

We continue attracting, developing and retaining the best talent. In 2018, as part of our target culture journey, we have fundamentally reset a number of internal policies and practices, particularly in the areas of leadership, talent, reward and performance to support our new strategy and target culture.

5 Human rights

We operate in accordance with the International Bill of Human Rights, including the UN 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.

6 Anti-bribery and anti-corruption

We take a zero-tolerance approach to bribery and corruption. Our anti-bribery and anti-corruption policy and standards summarise our commitments in 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.

7 Transformation

South Africa remains the most significant contributor to our operations. We currently focus on the South African employment equity requirements and the Amended Financial Sector Code. We report against the South African Financial Sector Code, a requirement that focuses on the proportion of previously disadvantaged South Africans across a spectrum, including ownership; management control (Board and employees), skills development, preferential procurement, empowerment financing, enterprise development, supplier development, socio-economic development, consumer education and access to financial services.

103-3 Evaluation of the management approach

We continually assess our management approach toward the issues outlined in the previous section. Notable changes in the year under review include

1. Assessed the Group's contribution to the achievement of the United Nations Sustainable Development Goals, identifying areas of contribution through our operational activities as well through as the provision of financial services. In 2019, we have embarked on a Group-wide sustainability programme to further understand and scale these contributions where possible.
2. In terms of direct environmental impact, we continue to develop our central environmental data collection system, to capture data across our operations thus enabling the monitoring of performance against targets across the organisation. This data enables us to identify areas where investment or focus is required to ensure we continue to deliver emissions reductions. CDP and DJSI have rated our emissions management system at a management level, which is assessed as having set medium-term targets, tracks its progress against goals and implements emissions reduction activities to reach them. Our rating is above the industry average. We are assessing a science-based target approach for our target setting going forward.
3. External benchmarks and self-assessment tools – we analyse the outcomes of independent assessments from various sources such as local and international ESG indices, independent ESG assessments as well as by conducting benchmarking to peers and undertaking self-assessments. The outcomes of these either confirm the effectiveness of various programmes and controls or enables us to identify deficiencies and where feasible, to adopt appropriate remedial and/or mitigating steps.

200 Economic

Refer to GRI 103 for our management approach.

201 Economic performance

201-1 Direct economic value generated and distributed

Total Income
R75.7bn
(2017: R72.9bn)
Net interest income and non-interest income from fees, premiums and interest

=

Share of post-tax results of associates and joint ventures
R0.2bn
(2017: R0.2bn)
Income from our associates and joint ventures

–

Impairments
R6.3bn
(2017: R7.0bn)
Decrease in the value of assets future cash flow

–

Non-controlling interest
R1.4bn
(2017: R1.2bn)
Shareholders who owns less than 50% of outstanding shares

+

Total Value available for distribution
R68.2bn
(2017: R64.9bn)
Value for distribution to employees, suppliers, government (tax), shareholders and the community

For further reading refer to the Integrated Report pages 8 (Business model) and pages 39 to 45 (Investors and Financial Director report)

Total Value distributed to various stakeholders
R68.2bn
(2017: R64.9bn)

+

Employees
R24.0bn
(2017: R23.1bn)
Paid to our 40 856 employees in salaries, benefits and incentives

+

Suppliers
R16.6bn
(2017: R17.5bn)
Procuring goods and services from a diverse supplier base.

+

Government
R8.2bn
(2017: R8.6bn)
Contributed to the fiscus through taxes.

+

Shareholders
R9.6bn
(2017: R9.2bn)
Paid in ordinary dividends to our diverse shareholders

+

Community
R266m
(2017: R301m)
Invested in education and skills development

=

Reinvested
R9.5bn
(2017: R6.2bn)
Retained to support future business growth

For further reading refer to

Employees: Integrated Report page 33, GRI 401.1 and 405.2

Suppliers: Integrated Report page 35, GRI 204.1

Government: Integrated Report page 37 and 42, GRI 201.1

Shareholders: Integrated Report page 39, GRI 102.7

Community: Integrated Report page 35, GRI FS16

Reinvested: Integrated Report page 40

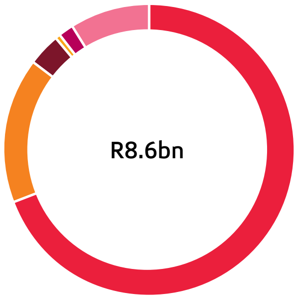
201 Economic performance

Focus on tax

We significantly contribute to the economies in the countries in which we operate. In addition to tax on profits, we also pay withholding taxes (on dividends and certain other income received) as well as VAT on goods and services from suppliers (unlike most other businesses, banks can only claim back a small proportion of the VAT incurred, making this a significant final cost to the Group). Although taxes paid by us remain the focus, we have also included some information on the taxes that we collect on behalf of governments and others (together both taxes collected and paid make up our total tax contribution).

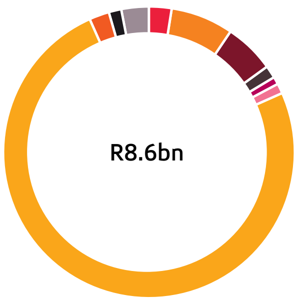
Taxes paid (2017 comparatives)

Per tax type (%)



- 69.2 (71.8) Corporate tax
- 16.1 (17.6) Irrecoverable VAT
- 3.8 (3.7) Payroll taxes
- 0.4 (0.4) Regional Service Council Levy
- 1.8 (1.4) Property taxes
- 8.7 (5.1) Withholding taxes

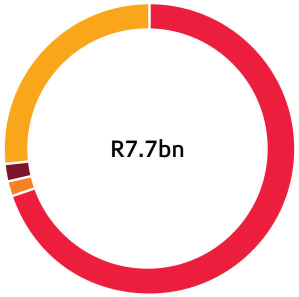
Per country (%)



- 2.5 (2.2) Botswana
- 7.0 (5.8) Ghana
- 5.7 (6.4) Kenya
- 1.3 (1.4) Mauritius
- 0.9 (1.1) Mozambique
- 1.0 (0.7) Seychelles
- 75.2 (76.0) South Africa
- 2.2 (2.1) Tanzania
- 1.2 (0.9) Uganda
- 3.0 (3.2) Zambia
- 0.0 (0.1) Other

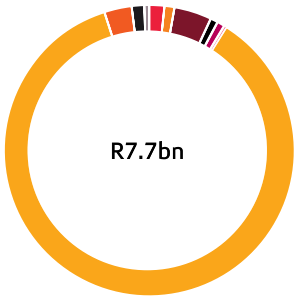
Taxes collected on behalf of governments (2017 comparatives)

Per tax type (%)



- 69.9 (66.7) PAYE
- 1.5 (2.1) Unemployment Insurance fund/Social security
- 2.2 (2.3) Security transfer tax
- 26.4 (28.9) VAT recovered

Per country (%)



- 1.7 (1.4) Botswana
- 1.1 (1.5) Ghana
- 4.3 (4.6) Kenya
- 0.8 (0.7) Mauritius
- 0.8 (1.8) Mozambique
- 0.2 (0.1) Seychelles
- 86.1 (84.8) South Africa
- 3.1 (2.3) Tanzania
- 1.5 (1.0) Uganda
- 0.4 (1.8) Zambia

Responsible approach to tax

Tax continues to be an important issue for our stakeholders. We ensure we pay all taxes to support a responsible approach in accordance with legislative requirements in each of the countries in which the Group operates.

The purpose of our tax function is to manage the impact of taxes through appropriate and responsible planning, to support all our businesses and to manage financial and reputational risks. Key elements of our approach include:

Our philosophy

We adhere to a pre-determined tax strategy, which includes collaboration with all relevant parties to enhance commercial outcomes, whilst aligning to our business objectives. In addition to taking the expectations of various stakeholders into account, our role in society and the contribution we make to the economy and to the lives of our employees, customers and communities are also recognised. Thus we recognise the responsibility to pay a fair level of tax.

We combine a strong control mind-set with a business partnering ethic and clear accountability, resulting in full compliance with regulations, generally accepted practices and Group requirements. There is also a drive to develop and maintain professional and values aligned conduct at all times.

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 Revenue Authorities with the information required in terms of various reporting regulations. This includes reporting in terms of the United States Foreign Account Tax Compliance Act (US FATCA) legislation and the Organisation for Economic Co-operation and Development's (OECD) Common Reporting Standards, both of which require our entities across Africa to share customer information with Tax Authorities. This helps to prevent tax evasion.

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

We align our tax function with our businesses, to ensure that we optimise commercial outcomes.

We foster constructive and professional relationships with tax authorities and other government departments. With 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. We engage with governments, non-governmental organisations and industry groups, through public consultations and other discussions, as part of our commitment to assisting with the development of the tax policy and the improvement of tax systems.

Tax regimes in many countries are undergoing review in response to the OECD's Base Erosion and Profit Shifting project aims at addressing the undesired consequences of differences in tax regimes and lack of transparency. We adhere to the key principles underpinning this project, such as reporting profits where value is created, and will continue to apply these principles in the future. We support the aims

201 Economic performance

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 about 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 generating them takes place.
- Entities within our Group conduct price dealings 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. However, we do not market the tax benefits of offshore financial centres to our customers. Where a customer chooses to invest via an offshore financial centre, the Group will only provide the customer with services that are compliant with our tax principles.
- When necessary, we consult with reputable external advisors to help us manage our tax position and to ensure that we are making appropriate decisions.

Our customers

Our tax principles make it very 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 specifically intended by a government. We would not provide a product if the tax planning does not comply with the spirit, as well as the letter of the law.

In supporting legislation aimed at good conduct, we are committed to providing to tax authorities the information required in terms of various reporting requirements such as the US FATCA legislation and the OECD's Common Reporting Standard, both of which require our entities across Africa to share customer information with tax authorities to assist in preventing tax evasion.

Our tax principles

We have clear tax principles that govern our approach to tax planning. Any tax planning must:

- support genuine commercial activity;
- comply with generally accepted customs and practice, in addition to the law;
- be of a type that the tax authorities would expect;
- only take place with customers sophisticated enough to assess its risks; and
- 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 conduct

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 the tax principles.

- Our approach to taxation is clearly set out, and our tax reporting is transparent and helpful to stakeholders.
- We aim to have professional and constructive relationships with tax authorities.
- We handle dealings with tax authorities proactively, constructively and transparently, recognising that early resolution of risks is in everyone's interest, and we respond to feedback from tax authorities.
- We aim to be 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 a difference of opinion in a way that is consistent with our Values.
- If it is unclear how tax law should be applied, we may engage with tax authorities in advance of undertaking transactions to confirm the correct application of tax law.
- We consult with reputable external advisors to help us manage our tax position and to ensure that we are making appropriate and well-informed decisions.

Our governance and tax risk management

We are aware that tax is a complex area, and we understand the importance of having strong governance in place in relation to our tax affairs. All employees adhere to a set of documented standards and procedures. We keep these standards under continuous review and revise them in the light of factors such as material changes to our business.

We have appropriate controls and procedures in place to ensure compliance with relevant tax legislation in all the jurisdictions in which we operate. This includes compliance with transfer pricing legislation and documentation, as per OECD requirements. We are subject to South African Controlled foreign Companies (CFC) legislation, which is aimed at taxing passive income realised by foreign subsidiaries.

The formal procedures around governance of tax matters are consistent with the broader framework for risk management that operates across the Group. The procedures in place ensure that all significant tax-related decisions are subject to review and approval by appropriately qualified and experienced people. Uncertain tax positions are properly evaluated and reported in terms of International Accounting Standard 37. We disclose all material uncertain tax positions and our external auditors evaluate these.

The Group is subject to income taxes in numerous jurisdictions, and the calculations of the Group's tax charge and provisions for income taxes 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 a number of years.

A number of factors including, inter alia, 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, as well as the nature of the relevant tax environment informs management estimates.

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.

201 Economic performance

Sound governance and transparency

In line with the King IV recommendations our Board plays an active role in ensuring effective tax governance and is ultimately responsible for tax matters. The oversight of tax risk is mandated to our Board's Group Audit and Compliance Committee which is supported by the Africa Tax management committee.

We believe it is important to be transparent in the disclosure of our tax affairs. In this section, we outline further details regarding our total tax contribution. This includes corporate taxes, payroll taxes, indirect taxes (irrecoverable VAT), withholding taxes (WHT) and other payments to government authorities. The table and notes that follow provide information on our tax contributions in our countries of operation.

				2018 Taxes paid				
Country	Number of employees	Revenue less other income Rm	Profit before tax Rm	**Total tax Rm**	**Corporate taxes Rm**	**Payroll taxes Rm**	**Irrevocable VAT[1] Rm**	**WHT and other taxes Rm**
Botswana	1 188	2 087	811	**215**	**145**	**0**	**22**	**48**
Ghana	1 119	2 680	1 560	**604**	**448**	**20**	**25**	**111**
Kenya	2 311	4 320	1 373	**491**	**441**	**1**	**21**	**28**
Mauritius	722	1 801	924	**112**	**49**	**9**	**25**	**29**
Mozambique	895	1 077	368	**76**	**0**	**0**	**9**	**67**
Seychelles	265	454	156	**85**	**75**	**0**	**5**	**5**
South Africa	30 784	59 285	15 312	**6 465**	**4 582**	**241**	**1 174**	**468**
Tanzania	1 734	1 629	213	**187**	**68**	**29**	**42**	**48**
Uganda	904	987	350	**100**	**27**	**19**	**14**	**40**
Zambia	899	1 559	460	**258**	**113**	**11**	**42**	**92**
Other[2]	35	16	14	**3**	**1**	**0**	**1**	**1**
Total	40 856	75 895	21 541	**8 596**	**5 949**	**330**	**1 380**	**937**

Explaining the numbers

Country: we pay tax contributions in local currency and translate it into South Africa rands. In most cases, we have determined which country to report activity under by looking at country of tax residence. Where activities are conducted by entities that are not themselves subject to tax, then we have considered other factors such as the location of management and employees, the jurisdiction in which the majority of revenues are generated, and the country of establishment of the entity's parent. In these cases, it is possible that tax is paid in a different country to the one where profits, upon which the tax is paid, are reported.

Revenue: Gives an indication of the size of our business in each country, it 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.

Profit or loss before tax: Indicating the disclosed accounting for profits or losses.

[1] At this stage the irrecoverable VAT in some of the African jurisdictions is not reflected separately from the original expense.
[2] Representative offices in Namibia and Nigeria.

Total tax: The total tax the Group actually paid in each country in 2018. The following columns break this total down into its constituent parts. Most of the taxes paid in any given year 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 (upon submission of the tax returns).

Corporate taxes: Paid in 2018 but rarely relate directly to the profits earned in the year as tax on profits are 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 corporation tax is paid when accounting profits are low and vice versa. The amount of corporate tax paid of R5 949m (2017: R5 835m) is not separately disclosed in the financial statements. In addition to the standard corporate taxes paid, 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 29.2% (2017: 27.5%). Non-taxable dividend income, and expenditure not 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 and, for example, in South Africa represent 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 borne by the Group (excludes VAT charged to customers and collected on behalf of tax authorities). Unlike many other industries, financial services are only able to reclaim a small proportion of the VAT they incur, making VAT a significant part of our tax contribution.

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 corporation tax paid by country in the table above. Other taxes are the material property taxes that Absa paid in 2018 and include, for example, taxes on the property we use in our business such as our network of branches. Other taxes also include regional services levies as applicable to some jurisdictions.

201 Economic performance

Focus on Citizenship

In 2015, we launched our three-year Shared Growth strategy based on the principle of creating shared value for our Group, our customers and our communities achieving many successes and recognising some challenges. This approach focused on three strategic areas linked to business capability: education and skills development, enterprise development and financial inclusion.

1. In education and skills development, we primarily provided access to education through scholarships and employability opportunities through ReadytoWork – a training and placement initiative. In 2018 we provided 4 144 students with scholarships totalling R181m – bringing the three-year total to R425m. We enabled work exposure and/or internships and/or job placements for 13 521 young people in 2018 – a total of 25 128 youth in three years.
2. In financial management and financial literacy training, we provided consumer education interventions mandated by regulations and we innovated on these programmes, expanding them to public school administrators in South Africa. Accredited training providers delivered face-to-face consumer financial education training reaching 100 746 beneficiaries across South Africa (R33.3m). Our school governing body training, in collaboration with the Department of Basic Education, focuses on upskilling school administrators in financial management and governance. In 2018 we reached 2 107 school governing body members across 656 schools Gauteng and Western Cape – bringing the total to 15 264 school governing body members in 4 050 schools across South Africa.

As we move forward, we are seeking to deliver an even more meaningful and integrated approach in our ambition to becoming a long-term active force for good in society, setting a fresh course while building on our previous investments. While the principle of shared value is the foundation of our approach, our ambition is to lead in a purpose-oriented way and in order to do this, our interventions will seek to address the following four strategic priorities:

- **Strategic engagements:** building trust and social capital by driving engagement across the different sectors of society on key issues to promote connectivity, to enable cohesion and to build consensus.
- **Education delivery and reform:** exploring controversial hard to solve problems within the knowledge and education ecosystem, and continuing to support individual capability, build institutional capacity, and striving to reform education systems.
- **Thought leadership:** initiating and commissioning research and thought pieces, with the aim to accelerate pan-African growth by leveraging insights, initiating active networks, and developing ideas for relevant innovation.
- **Promote sustainability:** elevating the issue as a core part of the business' operating model and growth strategy, seeking to better understand and manage the risks associated therein, and more proactively engaging stakeholders to co-create cross-sectoral solutions to economic, environmental and social growth.

This evolution of our strategy is a journey and we will continue to engage with our diverse stakeholders to help inform and bring these ambitions to life.

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. Understanding those risks, as well as the opportunities, through increased disclosure and transparency is necessary for all market participants to make informed and efficient capital allocation decisions.

There has been activity to further the financial sector's understanding of the potential financial, operational and strategic implications of climate change. We will continue to engage with regulators and industry associations on the foundations from which companies, investors, banks and other market participants can move forward together to improve transparency and build better understanding of those potential climate-related risks and opportunities.

Risk management

Our Board is responsible for approving risk appetite. This is determined through the enterprise risk management framework with principal risks managed through a framework and policy that set out responsibilities for risk management. We split business risks into eight categories: credit, market, treasury and capital, insurance, operational, model, conduct, reputation, and legal. We manage climate change considerations mainly within credit, operational and reputation risk.

Credit risk

Our dedicated environmental risk management team advise on customer transactions that have associated environmental or climate related risks. There is regular dialogue between the environmental risk management and credit managers on environmental risk management issues to raise awareness and ensure protocol is followed. Our environmental and social impact assessment policy is the mechanism that implements our commitment to the Equator Principles, which recognises the importance of climate change.

201 Economic performance

Operational risk

We identify key risk indicators that affect the resilience and continuous operation of the business, especially for key business locations. These include, among others, regulatory risks and extreme weather events. Premises risk management processes cover risks and opportunities associated with regulatory risks and extreme weather events. Business continuity management processes also include assessment of natural hazards associated with climate change and the impact of these on location selection as well as development of contingency plans. Location risk assessments also include climate change risks where relevant.

Reputation risk

Banks are coming under increased pressure from society, shareholders and some national governments regarding the management and disclosure of their climate risks and opportunities, including the activities of certain sections of their customer base. This risk includes potential reputational risk associated with climate-related issues arising from operational as well as banking and insurance practices.

Insurance risk

This risk is governed through the Insurance Principal Risk Control Framework which aligns both to the requirements of Board Notice 158 of 2014 (BN 158) and risk-based Solvency Assessment and Management regime as per the Financial Services Board. Factors include the impact of weather/climate-related catastrophe events (taking into account severity and frequency).

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the Group to meet its legal obligations including regulatory or contractual requirements and would deal with climate-related matters as arising.

In addition, policies with specific environmental and social components applied to business lines include our customer assessment and aggregation policy and the supporting environmental risk standard. We use these to guide our relationships with customers and to mitigate environmental and social risks. The environmental risk standard details the minimum requirements and controls for identifying transactions with potential environmental and social risks, outlines where the Equator Principles must be applied, the circumstances under which referral to the environmental credit risk management team is required, and provides guidance on the considerations for inclusion in loan documentation.

Climate-related opportunities

Banks are uniquely positioned to facilitate the flow of capital towards environmentally and socially beneficial activity. We help facilitate the capital required to accelerate the transition to a low-carbon economy. Significant financing requirements for the energy transition and resilient infrastructure will require access to the capital markets, bank debt and wider funding solutions, providing revenue pools that are projected to grow over time.

Multiple business lines are actively involved in delivering innovative solutions across product groups that help our customers achieve their environmental goals and ambitions. We support the renewable energy sector coverage, offering strategic advice on and facilitating access to finance wind, solar, geothermal, waste and hydro.

Opportunities that contribute towards a green economy are prioritised. For example we contribute to the South Africa Renewable Energy Independent Power Producer Programme supporting solar and wind power, thus supporting cleaner alternative energy sources and mitigating carbon emissions.

The greatest opportunity for reducing our direct environmental impact is in the way we manage our buildings and business travel. We continue to reduce our use of natural resources and prevent pollution by using alternative energies such as gas and solar power and investment into grey water recycling plants.

201-3 Defined benefit plan obligations and other retirement plans

Most of our employees are participants of defined contribution plans. We operate a number of pension fund schemes (defined benefit schemes and defined contribution schemes) and post-retirement medical aid plans. The most significant schemes operated by us are the Absa Pension Fund and the Barclays 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.

The Absa Pension Fund

Employer and employee contributions and investment income finance the fund. Employer contributions in respect of 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 as well as interest expense on the defined benefit obligation and the irrecoverable surplus. It is the Group's policy to ensure that the fund is adequately funded to provide for the benefits due to members, and particularly to ensure that any shortfall in the defined benefit portion will be met by way of additional contributions.

We manage the fund investments on a Liability Driven Investment mandate. The primary objective of the portfolio managed for the defined benefit section of the Fund to achieve is a net real return of 4.5% per annum, measured over rolling 36-month periods.

Other subsidiaries' plans

Defined benefit structure

The majority of the defined benefit liability relates to deferred pensioners and pensioners. There is not an insignificant 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 and medical allowances and administration costs based on experience.

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 legislation applicable in the various countries in which the funds are based. Funds operate on a pre-funded basis i.e. assets are accumulated monthly with the aim that sufficient funding exists to meet the benefits payable under all modes of exit.

Contributions are generally determined by the employer in consultation with the actuary following the funding valuation to ensure the sustainability and financial soundness of the funds. Surpluses and deficits are dealt with in a manner that is consistent with the funds' rules and applicable legislation. Minimum funding requirements are limited to the deficits of the funds.

Based on the results of the valuation, a contribution rate is recommended by the actuary. The power of deciding what the final applicable contribution rate should be rests with the employer on advice from the actuary, in some cases with the agreement of the trustees. Where pension increases are granted in excess of that which can be afforded by the fund, the employer must agree to such an increase and will make an additional contribution to fund this. In addition, should the valuation disclose a deficit and regulations require special additional contributions to be made to the funds, the respective employer within the Group will need to make such contributions in line with a funding plan approved by the relevant country's regulator.

201 Economic performance

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.

2018 Annual consolidated and separate financial statements
Page 105: Note 44 – 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 its 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 deduction (as applicable) against its South African tax liabilities to reduce the impact of double taxation. Tax credits, deductions and reliefs that are made available to others and us by legislation are not considered financial assistance.

The Public Investment Corporation SOC Limited, an investment manager for government pension funds, is a 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 Limited.

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

In our South African business, we apply a minimum cost-to-company level at R155 160, which is higher than the national minimum and living wage. Our internal Gini coefficient, which provides an indication of our remuneration differentials, improved to 0.41 for 2018, from 0.44 in 2017. This was influenced by the allocation of higher than average increases to more junior employees. It is noted that the fact that we did not make any long-term incentive or other share-based awards (other than in respect of short-term incentive deferrals) to the senior employee population in 2018 also influenced this improvement.

Work to determine company minimum fixed remuneration and the relative pay differentials on our other operations will be undertaken in 2019 and 2020.

Higher average increases are typically awarded to our more junior employees, to ensure that our lowest paid employees are able to maintain a reasonable standard of living. This may be impacted by business performance considerations and affordability.

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 previously disadvantaged South African employees.

Black representation at top management level has steadily increased over time to 46.15% from 41.67% in 2017 (2013: 15.07%). Black senior management (managing principals and principals) representation increased to 49.34%, 5% from 44.26% in 2017 (2013: 32.2%) and Black female senior management representation increased to 21.4% from 19.0% in 2017 (2013: 12.0%).

2018 B-BBEE report

203 Indirect economic Impacts

203-2 Significant indirect economic impacts, including the extent of impacts

We strive to fulfil our role as an enabler of social and economic progress, growth and development in our economies. We aim to make a positive impact on society while delivering shareholder returns and we are committed to contributing to Africa's growth and towards sustainable solutions to some of the most pressing challenges facing 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 must address a number of challenges to achieve long-term sustainable economic growth, including raising employment, improving access to housing, and supporting families in planning for their futures. All these goals rely on access to appropriate and responsible finance. In addition, new solutions to help tackle social and environmental challenges also need access to appropriate financing to help innovate, develop, commercialise and scale deployment.

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

204 Procurement Practices

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 previously 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 zero interest recoverable funding and non-refundable development support grants for capacity building to ensure growth and performance to qualifying small enterprises providing goods and services in our value chain as well as unbundling large contracts into smaller pieces of work.

- Total measurable procurement is R17.4bn from R15.1bn in 2017.
- Total weighted spend R18.4bn from R17.9bn in 2017.
- Procurement from qualifying small enterprises and exempted micro enterprises suppliers remained at R2.9bn.
- Procurement with 51% or more Black-owned suppliers R8.6bn from R6.5bn in 2017.
- Procurement with 30% or more Black women-owned suppliers R6.4bn from R5.5bn in 2017.

In 2018, we partnered with external stakeholders to develop SMEs' capacity and expertise and also sponsored some of our entrepreneurs for exhibition of their business offerings such as Proudly SA Buy Local Summit; Smart Procurement World Summit; National Small Business Chambers Women in Business, providing access to markets for them. Furthermore, our access-to-markets online portal has over 82 000 registered SMEs and over 7 000 registered corporate buyers an estimated value of tenders being between R3bn to R4bn per month (2017: 67 000 SMEs; 7 000 buyers).

205 Anti-corruption

205-1 Operations assessed for risks related to corruption

We conduct a comprehensive anti-bribery and anti-corruption risk assessment on an annual basis. The financial crime function that monitors the completion of action plans to mitigate identified key risks administers the risk assessment. These risks tend to relate to the countries in which we conduct business, how we engage certain parts of our diverse customer base, how we manage third-party relationships or areas of our anti-bribery and anti-corruption control framework that require further strengthening.

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

We communicate and publish anti-bribery and anti-corruption policies and related information on the intranet available to all employees. Relevant policies are communicated to third parties who have been identified as high risk and our bribery and corruption statement is shared with our correspondent banks.

We have a comprehensive programme that educates and empowers all employees in terms of their rights and responsibilities. This contributes to a culture of trust.

Clear policies underpin our training and awareness programmes to ensure that our employees:

1. Are aware of the values and behaviours expected of them – as outlined in our code of conduct – including those relating to gifts and entertainment;
2. Complete fighting financial crime training, which includes anti-bribery and anti-corruption, anti-money laundering, sanctions and emerging requirements such as the facilitation of tax evasion;
3. Develop a sensitivity to situations of real or perceived conflict of interest and learn how to deal with them when they arise;
4. Put Treating Customers Fairly at the forefront of what we do; and
5. Are aware of the tools available to them to raise their concerns of unethical behaviour or suspected fraud through our whistleblowing programme.

Introducers (third parties who win or retain business on behalf of Absa) are also subject to our anti-bribery and anti-corruption policies. Contracts with our business partners include anti-bribery and anti-corruption clauses that communicate our zero tolerance of bribery and corruption. We 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 for or on our behalf.

205-3 Confirmed incidents of corruption and actions taken

The number of disciplinary cases as a percentage of employees remains stable, and most matters dealt with in 2018 relate to less serious offences. Of the 1 828 disciplinary cases concluded in the year (2017: 2 036), 358 were because of ethical breaches (2017: 444).

We terminated three contracts with third parties due to violations related to corruption.

206 Anti-competitive behaviour

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

In February 2017, the South African Competition Commission (SACC) referred Absa Bank Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African competition law related to foreign exchange trading of the South African Rand. The SACC found from its investigation that, between 2007 and 2013, the respondents had engaged in various forms of collusive behaviour. Absa Bank Limited and its parent, Barclays, brought the conduct to the attention of the SACC under its leniency programme and have cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any administrative fine on Absa Bank Limited.

300 Environmental

Refer to GRI 103 for our management approach.

301 Materials

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

We procured 1 387 tonnes of paper from our supplier, who is certified by the Forest Stewardship Council as the paper has been sourced in an environmentally friendly manner to promote the responsible management of the world's forests. While we endeavour to recycle our waste materials, we do not use recycled input materials and reclaimed products and packaging in the execution of our business activities. In 2018, we launched our #BeatPlasticPollution campaign by piloting the replacement of single-use plastic with biodegradable materials in four large offices in South Africa for three months. Following on the success of the pilot, single-use plastic will be replaced with biodegradable material in our main campuses housing more than 22 000 employees.

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
302-5 Reduction in energy requirements of products and services

We use the International Energy Agency and DEFRA guidance and apply the Greenhouse Gas Protocol to calculate the Group's energy consumption, which includes renewable energy, fuel for back-up power generation and electricity from the national grid. Based on the nature of our business, we do not measure energy consumption outside of the organisation and the reduction in energy requirements of products and services provided to our customers and clients is not applicable.

In 2016 we launched a programme to achieve a 10.2% reduction in energy use by 2018 against our 2015 baseline. Our energy and carbon footprint baselines, which includes all energy types, was externally verified and assured according to ISAE 3410, Assurance Engagements on Greenhouse Gas Statement. Through this programme we deployed managed energy efficiency initiatives within our property portfolio. We exceeded the three year target, achieving a 15.1% reduction (a decrease in consumption of 59 971 685 kWh).

In 2018 our energy consumption increased 2.7% to 338 125 499kWh due to greater reliance on back-up power generation from gas and diesel. Our renewable energy usage from our two rooftop solar photovoltaic plants is 1% of our total energy consumption (1 965 433 kWh). The energy intensity ratio (all energy types divided by the total number of employees) increased to 8 301 (2017: 7 848) as a result of the energy along with a decrease in the total number of employees decreased.

	Energy type	2015 kWh	2016 kWh	2017 kWh	**2018 kWh**
Renewable	Solar Photovoltaic	625 831	2 190 062	2 007 225	**1 965 433**
Non-renewable	Gas	141 182 579	65 222 582	62 920 166	**79 822 428**
	Diesel	9 400 515	5 474 625	2 510 263	**4 307 421**
	Grid electricity	246 888 241	287 586 142	261 864 554	**252 030 216**
Total		398 097 166	360 473 411	329 302 208	**338 125 499**

It is our intention to re-baseline in order to set the appropriate future energy targets.

303 Water

303-1 Interactions with water as a shared resource
303-2 Management of water discharge-related impacts

The Group procures water from municipal water supplies, which in turn sources its water from major dams across the countries in which we have operations. In some cases, we source water from boreholes and rainwater harvesting. Our water uses include drinking, cooking, cleaning, irrigation, air-conditioning, showers and lavatories. Large offices in South Africa and Botswana have grey water recycling plants that includes rainwater harvesting. We reuse water only for lavatory systems. We release discharged water from lavatories into the municipal drainage system and pump it to local wastewater treatment plants. Given the type of water usage within our operations, we do not consider our effluent hazardous. Water at our facilities is quality tested according to SANS 241 on a quarterly basis across our portfolio in South Africa.

We set a target to save 22 million litres of water from 2016 to 2018, and exceeded this target in 2017. We calculated the water saving using the International Performance Measurement and Verification Protocol. In 2018, we have recycled and reused a further 15.9 million litres from grey water recycling and water from leak management. We have surpassed our three-year water reduction target by saving 42 million litres of water.

In South Africa, we adhere to the Department of Environmental Affairs regulations in respect of the ecological and biodiversity of our campuses. We control the invasive species to protect our indigenous fauna and flora which consume less water than identified alien species.

Our Water Warrior Campaign falls within our internal water crisis management programme and aims to educate and raise awareness in our communities around the responsible usage of water, as well as living in the 'new normal' of water insecurity. This activity is an example of how Absa aims to contribute to playing a shaping role in society.

303-3 Water withdrawal
303-4 Water discharge
303-5 Water consumption

Currently we have no statistics available to report on water withdrawal; water discharge and water consumption due to limitation in available cost effective measurement systems, however we aim to report on water baseline through a verified methodology similar to that used for energy baseline in the future.

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
305-5 Reduction of GHG emissions
305-6 Emissions of ozone-depleting substances (ODS)
305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions

We use the International Energy Agency and DEFRA guidance and apply the Greenhouse Gas Protocol to calculate our carbon footprint with the dimension of operational control determining the boundary of the emissions reporting.

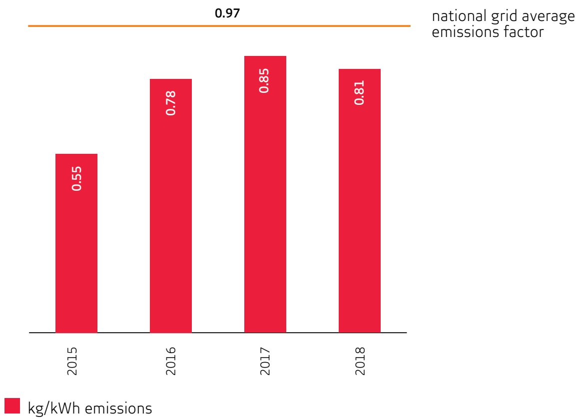
- Scope 1 building-related emissions include diesel fuel and natural gas (South Africa), and includes emissions from company-owned vehicles.
- Scope 2 emissions are all building-related and includes grid electricity consumption. For real estate-related CO_2 emissions, 100% of the reported emissions come from data provided by on-site representatives, invoices, meter readings and system-generated estimates where no actual data is available. We use the market–based method for all Scope 2 emissions calculations.
- Scope 3 emissions include air travel and vehicles (South Africa only including company, private and hired cars). Travel-related emissions cover 100% of travel, and have an accuracy rate of 100%. To improve the transparency and accuracy of our environmental footprint, we have included Scope 3 Transmission and distribution loss-related emissions for all buildings across the portfolio and has restated previous year carbon emission accordingly. For air travel, we changed the emissions factor source from Greenhouse Gas Protocol to DEFRA 2018 and restated back to the 2015 baseline.

We use the GHG protocol in our assumptions and calculations, including the operational control consolidation approach. We do not have biogenic CO_2 emissions in scope 1 or 3.

In 2018, the International Energy Agency updated the global database of carbon emission factors resulting in a restatement of our emissions calculations to 1 January 2015.

Our energy mix allows us to reduce power from the national grid that has an average emissions factor of 0.97kg/kWh. The graph below represents carbon emissions (Scope 1 and 2) from energy activities and depicts the impact of using cleaner energy sources (gas and diesel) in comparison to grid electricity. As we have come to the end of the 2015 - 2018 target period, we will look to set future targets that will further reduce our emissions from energy activities.

Emissions from energy activities (kg/kWh)

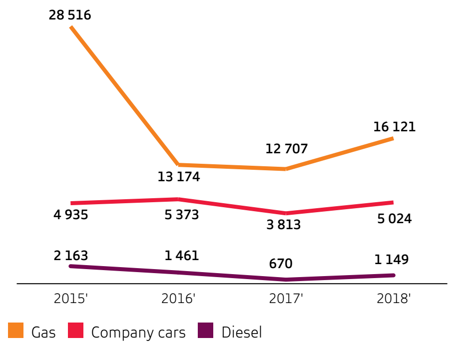


We do not measure emissions of ozone-depleting substances and nitrogen oxides, sulphur oxides and other significant air emissions on our environmental measurement system as they are very small.

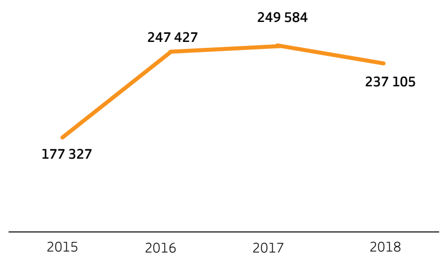
In 2016, we set a carbon reduction target of 10% by the end of September 2018, against the 2015 baseline. At the end of 2018, we saw a 18.7% increase against the 2015 baseline due to increased reliance on the South African electricity grid which has a higher emission factor than diesel and gas. In 2015 South Africa experienced extended periods of power outages resulting in more self-generated energy produced from natural gas and diesel.

Scope 2 and Scope 3 emissions reduced due to increased reliance on back-up power generation than the national electricity grid along with a minor decrease in travel and related emissions. The Group's carbon footprint decreased by 2.8% from 2017 due to energy efficiency initiatives along with previously mentioned power outages experienced during 2018. Our intensity ratio (total carbon emissions divided by total number of employees) improved slightly 7.25 (2017: 7.27).

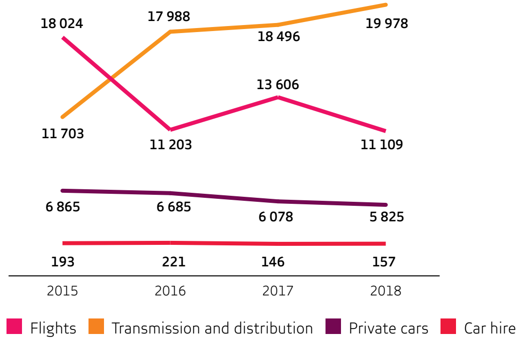
Total Scope 1 emissions (tonnes CO_2)



Total Scope 2 emissions (tonnes CO_2)



Total Scope 3 emissions (tonnes CO_2)



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
306-5 Water bodies affected by water discharges and/or runoff

We expanded our waste management programme to included all corporate offices in South Africa, in partnership with an accredited waste partner, to include sorting, recycling and food waste composting. As a result of the expanded reach we recorded a significantly higher volume – 13 334 tonnes (2017: 1 067 tonnes). 7 127 tonnes were recycled, 94 tonnes were recovered and 6 112 tonnes were taken to a landfill. This amount included 211.7 tonnes of electronic waste. Storm water runoff through our car parks has a minimal impact on our environment.

400 Social

Page 34: GRI 103 for our management approach.

401 Employment

401-1 Total number and rates of new employee hires and employee turnover by age group, gender, and region

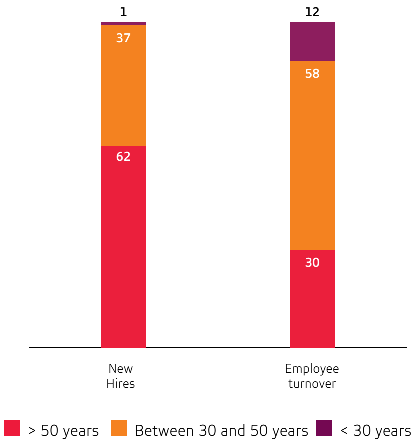
We are attracting and retaining a diverse workforce to broaden our perspectives and enhance performance. Our improving employer brand, and the pan-African opportunities we offer, underpin our ability to attract top employees.

We filled 5 622 vacancies (2017: 7 438), and our average time to hire improved for the fourth consecutive year, to 33 days (2017: 35 days). We invested significantly in specialist, and senior hiring to meet our needs following the Separation and we have filled 1 902 professional roles (2017: 3 393). We continue to invest in meeting our critical skills needs in technology, digital, data and cyber security. We have hired 356 professionals, including 44 in our cyber security team 93% Black) and 15 data professionals (87% Black).

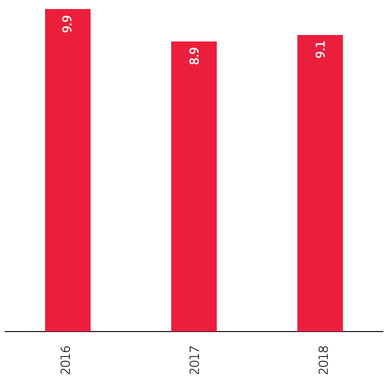
Employee turnover increased marginally while voluntary attrition reduced to 6.1% (2017: 6.4%) The percentage of high performers retained decreased to 93.8% (2017: 95.4%).

Page 42: Refer to GRI 202.2

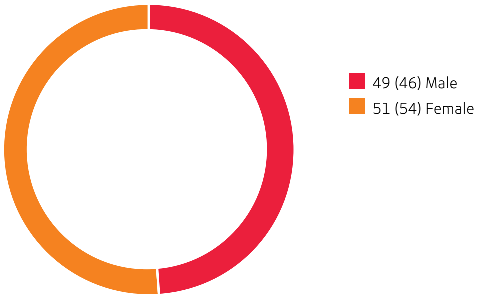
New hires and turnover per age group (%)



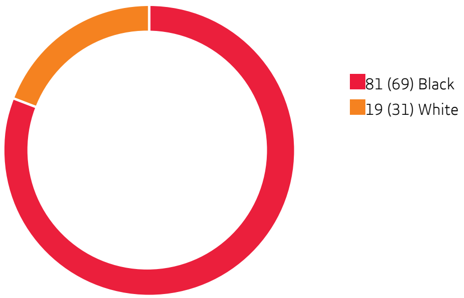
Permanent employee turnover rate



New hires gender (South Africa only) (%)



New hires race (South Africa only) (%)



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 part time permanent employees. Non-permanent employees make their own arrangements for items such as retirement savings, death and disability cover and medical aid.

Post-retirement benefits – the Group operates a number of 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.

Employee costs – short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes, are recognised for the period of employment.

Share-based payments – the Group operates equity-settled and cash-settled share-based payment plans.

Employee services settled in equity instruments – the cost of the employee services received in respect of the shares or share options granted is recognised for the period of employment, generally the period in which the award is granted or notified and the vesting date of the shares or options. The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation.

Employee services settled in cash – the fair value of the amount payable to employees in terms of a cash-settled share-based payment is recognised over the vesting period.

2018 annual consolidated and separate financial statements – accounting policies

401-3 Parental leave

Parental leave is considered within the context of overall leave benefits afforded to our employees which is informed by local regulation and market practice. In South Africa, permanent employees are entitled to maternity or adoption leave (if the child is three years or younger) of up to 87 days. Employees may take an additional two months using annual or unpaid leave. Paternity leave of five days per annum is granted under the family responsibility leave entitlement. Leave entitlement for the adoption of older children is one month when the child is three to seven years, and 10 days when the child is older than seven. Should both adopting parents (including same sex couples) work for the Group, one parent is entitled to the paid adoption leave while the other is granted leave under family responsibility leave. Non-permanent employees do not receive paid maternity /parental leave but are entitled to four months of unpaid leave during which time they are able to claim from the Unemployment Insurance Fund. In Absa Regional Operations presence countries, informed by local market practice, maternity leave is between 60 and 90 days while paternity leave varies between one day and 14 days.

402 Labour/Management relations

402-1 Minimum notice periods regarding operational changes

We live in a changing world where digitalisation, process re-engineering, driving efficiency and specialisation are part of any company's drive to improve performance and efficiencies. This leads to a constantly evolving workplace and has an impact on our employees.

In South Africa, operational changes follow a consultation process followed by 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/union affiliation.

We provide a notice to the recognised union to commence consultations as soon as reasonably possible for employees covered by a collective agreement. Consultations take place on a bi-monthly basis. Post consultation with the union, we issue notices to employees informing them of the impact and process to follow. If the affected employees are not placed into jobs in the new structure, an election can be made 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 (which may be paid out in lieu) follows.

For employees not covered by the collective agreement, consultation commences with the individual. Consultation is first completed on the business case before covering the elements of the Labour Relations Act that are to be complied with. Consultation meetings are hosted within five days of each other until all elements have been responded to. If the affected employees are not placed in the new structure, an election can be made 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, which may be paid out in lieu.

The process, while similar in Absa Regional Operations, needs to be finalised within three months.

In collaboration with our resourcing department, we ensure that affected employees are the first considered for vacancies within the Group. We were able to reassign 32% of our employees during 2018. A number of employees were able to gain employment outside of the Group. We support all our employees at any stage of their career, that is designed to assist them to gain a greater sense of who they are, as well as understand their capabilities, make informed and positive choices, in-line future opportunities inside the Group, and in some instances those that are outside of the Group as well. These services are available to our employees across job grades, race and gender.

We offer our employees the opportunity to plan their career and to be mobile in terms of knowledge and skills though upskilling and reskilling. A further service to our employees is pre-retirement support. We assist employees to consider various options of living a life of purpose outside of employment and to prepare them for their next life stage, especially the challenges and opportunities available to them. Employees who are on reassignment receive full outplacement support with dedicated career coaches through a series of outplacement programmes and workshops. We place emphasis on scarce skills to enhance the employability inside and outside our organisation.

403 Occupational health and safety

403-1 Occupational health and safety management system

The Group has a zero tolerance towards harm to people and non-compliance to relevant legislation. While not a legislative requirement in any jurisdiction of our operations, we manage occupational health and safety (OHS) for the Group using the principles of a management system and policy framework encompassing policy, standards, procedures, a control library and key indicators covering all premises and employees. The framework sets out statement of commitment, minimum mandatory controls and actions that business areas and functions must implement and adhere to, in addition to relevant national and local legislation. In South Africa, our most significant operation in terms of people and premises, we adhere to the Compensation for Occupational Injuries and Diseases Act, the Occupational Health and Safety Act and The Basic Conditions of Employment. Operations outside South Africa adhere to local legislation and in the absence thereof, to comply with South African policies.

We perform annual controls testing and assurance reviews to assess the effectiveness of the controls. Absa Group compliance conducted monitoring and testing during 2018. There were no major findings.

Our Board Social and Ethics Committee receives comprehensive updates on OHS performance within the Group.

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

Qualified individuals conduct monthly site inspections at all our premises to identify potential hazards, issues or risks. Employees and the OHS department have the authority to stop potentially hazardous work. Identified issues are tracked until resolution with major risks being escalated to senior management. Our OHS department monitors and reports all accidents and incidents. The investigation of work-related incidents, including identifying hazards and assessing related risks, determining corrective actions (using a control hierarchy) and system improvements are part of the management system approach and the requirements of our Enterprise Risk Management Framework. The root causes of accidents/incident are investigated and remedial work or, if necessary, new/revised controls are implemented.

We review the policy, standard, supporting documents and the conformance testing on controls and governance annually and are subject to assurance reviews and external audits. Every second year, Group Compliance reviews the management system, risk culture and management of risks. We maintained a satisfactory rating over the past three years.

403-3 Occupational health services

Our Group health and wellness approach covers:

- Physical wellness;
- Psychosocial wellness which includes including mental health and support groups; and
- Financial wellness including financial education workshops, debt consolidation services and employee financial wellness benefits.

Ongoing communications via Workplace cover a range of topics including support of local and international awareness campaigns as well as matters of financial management for example during the festive season. Employees have access to voluntary annual health screenings. We have a comprehensive risk-based occupational health programme, which includes health risk identification and a risk based medical surveillance programme.

In South Africa, we have eight clinics in regional offices and employees have access to a network of general practitioners through the Group's medical aid plan. We also have a network of general practitioners and other healthcare professionals specifically for occupational health services who assist employees in remote areas through our employee assistance programme service provider. We monitor these services through employee feedback surveys and monthly/quarterly supplier meetings to measure against service level agreements.

403-4 Worker participation, consultation, and communication on occupational health and safety

The processes for worker participation and consultation forms part of the OHS management system and the Enterprise Risk Management Framework. We publish all OHS documents on the Group's intranet both in the policies and procedures section as well as on a dedicated OHS intranet page. A 24-hour help-line is available to all employees and we display the Occupational Health and Safety Act informing employees of their rights.

A formal joint management–worker health and safety committee is a legal requirement in South Africa. We hold quarterly committee meetings for all corporate buildings where more than two occupational health and safety representatives are appointed. These meeting are a platform to discuss OHS related matters, any injury on duty that occurred within the past quarter, and upcoming events/projects that might have an OHS impact on employees.

Recognised trade unions have the opportunity annually, to input into the Group's OHS approach for example the appointment of representatives.

403-5 Worker training on occupational health and safety

We have an industry leading, mandatory OHS general awareness training. It aims to educate employees in terms of the Group's zero tolerance statement towards harm to people, their personal ownership of their safety and to be mindful of their fellow employees, their roles and responsibilities in instances of occupational health and safety, emergency evacuation preparedness, hazard identification and ergonomics within the workplace.

Employees are also made aware of the procedure to log hazards or risks identified within their workplace with the facilities call centre as well as the channels available to raise OHS issues (line manager, facilities help desk, OHS representative, Group OHS and local OHS committees).

403-6 Promotion of worker health

We use a number of mechanisms to promote worker health:

- We subsidise medical aid cover for employees to ensure that they can access private healthcare services at a reasonable cost.
- Eight clinics in regional offices in South Africa (general practitioners; specialist physicians e.g. gynaecologists and dentists).
- Our Disability Support Fund supports employees and their dependents living with disabilities or those with non-occupational medical and health conditions and need additional financial support, (when medical aid limits are reached or exclusions are applied).
- We offer annual health risk assessments for employees and contractors "Know your Numbers" campaign. This is aimed at not only assisting employees identify any health risks and manage their health but to also inform our internal health promotion programmes to ensure they are current, relevant and speak to the main risk factors of the Bank's population identified during screening.
- We also align to the World Health Organisation calendar which guides our health promotion activities and communication initiatives (i.e. corporate wellness week, where we take the opportunity to address specific organisational factors that have a huge impact on employee health and wellbeing such as stress and mental ill-health).

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

We ensure that from a statutory and legal compliance point of view, all our premises are managed and maintained on strict schedules by industry specialists. We keep records of all the services and conditions. Monthly site inspections identify, record and track hazards and risk for remediation.

403-8 Workers covered by an occupational health and safety management system

All employees are registered with the compensation fund while contracted workers and consultants are registered by their respective employers. We ensure that the occupational health and safety management system ensures safe and clean premises for all our employees and customers.

403-9 Work-related injuries
403-10 Work-related ill health

There were 143 (2017: 141) work-related injury cases reported by our employees. None was fatal. Six cases resulted in days lost. Our recordable work-injury rate for workers for the year was 0.57. There were no fatalities or recordable work-related ill health cases reported for 2018 for our employees or other workers. 99% of our employees are administrative/office workers and their functions are seen as low risk for work-related diseases and injuries. In an instance of a claim, we follow the directives provided in the Compensation for Occupational Injuries and Diseases Act.

404 Training and education

404-1 Average hours of training per year per employee

The data presented below is limited to computer based training programmes delivered through our online learning system and does not reflect hours invested through tertiary education, external training programmes/seminars/continuing education programmes and activities such as learnerships.

Average hours training excluding compliance

		Total	White	Coloured	Indian	White
2018	Female	**18.13**	21.67	18.26	17.34	14.42
	Male	**16.46**	20.46	19.99	12.50	13.00
2017	Female	**27.06**	34.42	29.80	27.33	20.84
	Male	**22.80**	29.75	35.56	16.51	17.05

Average hours training

		Total	African	Coloured	Indian	White
2018	Female	**25.96**	31.67	25.89	20.03	22.18
	Male	**23.70**	27.28	29.93	15.86	24.41
2017	Female	**36.31**	45.53	40.12	35.72	28.19
	Male	**31.31**	39.75	46.42	24.33	23.93

Average hours training by employee category

	South Africa		Absa Regional Operations	
	2017	**2018**	2017	**2018**
Managing Principal to Principal	25.22	**13.26**	43.47	**14.02**
Assistant Vice President to Vice President	40.92	**23.49**	47.85	**25.78**
BA1 to BA4	40.49	**36.17**	21.17	**19.02**
Contractors	19.91	**11.85**	13.33	**10.25**
Total	36.80	**26.67**	25.20	**19.04**

404-2 Programmes for upgrading employee skills and transition assistance programmes

Development and career experiences are a key component of our employee value proposition. Our approach to learning is employee-led and our employees can access a catalogue of 7 710 learning programmes following the purchase of two new global corporate training solutions (2017: 3 847).

We spent R426m (2017: R487m) developing the technical, commercial and leadership capabilities of our employees. The decreased spend was primarily due to the development of new strategies, restructuring and cost pressures.

As evidence of our commitment to development, we maintained a healthy internal hire ratio with existing employees filling 60% of the 5 595 vacancies. Of these, 2 070 or 37% (2017: 49%) were promotions, reflecting the strength of our internal talent pipeline. 61% of those promoted were female.

We have a number of specialised academies for key skills including finance, risk, technology and information security, compliance and internal audit. Highlights include:

- Launched in 2018, our Africa Converged Security Academy with Rhodes University has 40 candidates specialising in information security.
- 477 employees graduated from our Compliance Career Academy run in partnership with Duke Corporate Education and the University of Cape Town (2017: 190). In partnership with Deloitte we build an industry first - The Compliance Career Academy for Africa - which will be available to the financial services industry across Africa in 2019.
- Our Digital Academy internship hosted 36 interns (2017: 38), of whom 11 have taken up permanent employment and 21 are external contractors. A further 59 interns are completing a specialised system developer qualification.

We continue to collaborate with BankSeta on the Africa Expansion Programme to develop leaders across Africa.

135 graduates from across the continent participated in our 2018 Rising Eagles Programme (2017: 85). They join over 1 078 young professionals who have started their careers with the Group since the programme's inception in 2008. 535 still remain in the Group. We hosted 2 284 learnerships and internships in South Africa (2017: 2 214) and provided 18-month work-based experience to 50 interims from various Technical and Vocational Education and Training institutions.

106 employees were on an intra-Africa assignment (2017: 117). 49% were from South Africa and went to Absa Regional Operations, 36% from Absa Regional Operations came to South Africa and 15% moved between Absa Regional Operations countries. Barclays assignees are down to seven from 25.

We sponsored 2 284 (2017: 2 214) learnerships and internships in South Africa.

404-3 Performance of employees receiving regular performance and career development reviews

Performance management must be fair and have a strong developmental focus. Each employee agrees a set of objectives and measures of success against which they are assessed, taking into account both WHAT is delivered and HOW it is delivered. This ensures a balance between the achievement of performance objectives, and conduct, culture and values. Rating outcomes are subject to a consistency review process to ensure fairness, and alignment with overall business performance. Performance ratings for our executive committee are subject to oversight by the Remuneration Committee.

Individual performance ratings are used as a key input to both fixed remuneration and short-term incentive decisions. Where full-year individual performance falls below expectations, employees are ineligible to receive short-term incentive awards.

We aim to continuously improve our employees' performance management experience and to build on the success of performance coaching initiatives to assist with employee development.

We embed these practices by:

- Effective internal communication – improving the transparency of reward outcomes through effective communication of overall performance, as well as individual reward outcomes linked to this.
- Performance management – individuals set their objectives aligned to their team and businesses objectives and Group ambitions. Employees and managers have regular performance and development conversations through both our structured performance assessment cycle as well as on an ongoing basis through informal and formal engagements.
- Recognition programmes – we have a diverse range of recognition programmes, structured in accordance with the business' needs, to enhance employee engagement in the respective business/function.

86.9% of employees had formal performance discussions (84.0% men and 88.7% women). There are various reasons why an employee may have no rating, for example, a new joiner, maternity leave, other long-term absence, resignation/retirement, restructuring and so forth.

405 Diversity and equal opportunity

405-1 Diversity of governance bodies and employees

The Board recognises that a diverse board is beneficial to an organisation's business and regards diversity of perspectives at board level as essential to its ability to provide effective oversight over the setting and execution of strategy. The Board takes prudent measures toward greater race and gender diversity among all employees, and recognises the benefits of having South African, pan-African, and non-African Board members.

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. King IV recommends that a Board set targets for race and gender representation, and the JSE Listings Requirements require us to have policies on the promotion of race and gender diversity at board level.

Gender parity is a global social issue, and we embed its principles into our core employee processes and practices. In accordance with our Board diversity policy, the Board has set targets for race and female representation at a minimum of 30% each for 2018.

29% of the Group Board are women. The boards of South African subsidiaries are 35% women and the country bank boards are 22.5%. The average across all our subsidiary boards is 30%. 43% of Group Board is Black while the representation across all the South African subsidiary boards is 42%. Women make up 61.3% (2017: 61.4%) of our employees and accounted for 61% of promotions (2017: 59%) and female representation in senior leadership improved 34.9% (2017: 34.1%).

Race diversity in South Africa is detailed in our 2018 B-BBEE report.

We support workplace needs, including specialised facilities and technology for employees living with disabilities. 0.4% of our workforce have self-declared disabilities. We have multiple networks that provide employees with support: Reach (disability), Spectrum (lesbian, gay, bisexual and transgender, intersex (LGBTi) and in South Africa, transformation committees.

In terms of age diversity, 17.6% of employees are younger than 30 years; 70.4% between 30 and 50 years old and 12.0% are over 50.

405-2 Ratio of salary and remuneration of women to men

The ratios have remained stable year-on-year. This remains a focus area with there being improvement in our bargaining unit population for our Absa Regional Operations where the ratio is now at 1:1.

	Fixed pay			
	2017		**2018**	
Salaries	Female	Male	**Female**	**Male**
South Africa[1]				
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**	**1.0**
Africa Regional Operations[2]				
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	1.1	**1.0**	**1.0**

	Total remuneration[3]			
	2017		**2018**	
Salaries	Female	Male	**Female**	**Male**
South Africa[1]				
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**
Africa Regional Operations[2]				
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	1.1	**1.0**	**1.0**

1 Cost-to-company
2 Basic salary
3 Remuneration is the sum of fixed pay plus discretionary incentive bonus/formulaic incentive for the performance year.

406 Non-discrimination

406-1 Incidents of discrimination and corrective actions taken

Our people related policies and processes are informed and inspired by the provisions and the spirit of the South Africa Constitution in particular the clauses about fair labour practices and human dignity. In the event where there is an incident, our policies and procedures make provisions for a speedy resolution. As an organisation, we strive to create an environment that is diverse and inclusive and it is free of discriminatory practices. We embrace and leverage on the differences of our people.

410 Security practices

410-1 Security personnel trained in human rights policies and procedures

We outsource security to reputable companies whose employees receive a basic human rights training. Over and above this, a training initiative was implemented in South Africa at the end of 2018, to increase the knowledge of human rights of Absa allocated security personnel. The International Bill of Rights was incorporated into the induction process of new security personnel and new learners. Current personnel receive electronic updates and a booklet.

412 Human rights assessment

412-1 Operations that have been subject to human rights reviews or impact assessments

We recognise that we have clear responsibilities to support governments and civil society organisations in respecting and upholding human rights principles wherever we operate. We are committed to operating in accordance with the International Bill of Human Rights and take account of other internationally accepted human rights standards.

412-2 Employee training on human rights policies or procedures

We promote human rights through our employment policies and practices, through our supply chain, and through the responsible use of our products and services. Our code of conduct, which all employees must review and attest to, outlines how we expect our employees to behave and the required standards of working. It makes specific reference to human rights. 99.9% of employees attested to our code of conduct. 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 contributions

We are politically neutral organisation and do not participate in party political activities or make party political contributions. We do however take part 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 covers employees, contractors, visitors, consultants and customer. In South Africa, the Department of Labour inspects all our premises including those serving customers, regularly 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 accidental damage to their property. This standard applies across our Absa Regional Operations as not all countries have the same legislation in place.

418 Customer privacy

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

We take the protection of personal data extremely seriously and we work with local, regional and global regulators to ensure we meet legal and regulatory requirements for example the Protection of Personal Information Act in South Africa.

We continue to embed robust controls to protect the personal data of our customers that we use in the course of our business activities. We handle privacy complaints in line with our complaints-handling procedures. In addition to actual cases of complaints, we also monitor our customer perceptions of our performance. Within our Treating Customers Fairly Outcomes Index, data privacy is consistently the highest-rated outcome.

We continually review our procedures to ensure that they comply with international privacy laws, and we run both external and internal awareness campaigns about fraud and cyber awareness to work together with customers and employees to minimise customer data loss. More specifically we :

- have formal information risk management training for all employees;
- ensure mechanisms that allow for identification of data privacy breaches and escalation;
- oversee of the use of data by suppliers;
- have amended the marketing consent processes for better customer outcomes;
- have taken specific steps to strengthen our cyber management capabilities and to reduce our vulnerability to cyber-attacks;
- have periodic employee and customer communications highlight the importance of information security; and
- actively drive prevention measures, such as the introduction of two-factor authentication in South Africa which defends against a vulnerability linked to cellphone SIM cards which was exploited by fraudsters.

We had one complaint made relating to customer privacy which was subsequently rejected by the Ombudsman.

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. However, it is acknowledged that in the course of business, issues may arise and the obligation is to manage it with integrity and in an effective manner that prevents any further harm.

Financial Services Sector Disclosure indicators

FS14 Initiatives to improve access to financial services

We offer our customers a range of retail, business, corporate and investment, wealth management and insurance solutions. While doing so, we strive to create a positive impact. Our ability to support customers hinges on our ability to reach them through the channels most convenient and useful to them 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. We have a clear focus on developing innovative ways to improve access to economically disadvantaged people.

Page 10: GRI 102-6

Our multi-channel focus includes convenient alternatives to branches, such as self-service (ATMs) and digital (online and mobile banking, Absa banking app), and personal service and relevant advice through our front-line employees.

Strengthening and extending our online and mobile service continues to be a priority. Internet banking, and intelligent ATMs are now available in all markets. Over and above our online and mobile platforms, we partner with various retailers and other partners such as postal services and telecommunications companies to extend the reach of our services.

We have a number of products aimed to increase access to financial services and we seek to help customers transition to 'smart banking' with cheaper and more convenient banking channels. Our pricing model encourages and rewards customers who choose to make use of electronic or digital channels.

In South Africa, in accordance with the Financial Sector Code, access to financial services is a transformation imperative. 2018 B-BBEE Report

Focus on affordable housing

Access to decent affordable housing is a significant challenge across Africa. We strive to play an active role by providing relevant and appropriate financial solutions to investors, developers and the communities we serve. In South Africa, for over the last 15 years, we have worked with the Department of Human Settlements and local authorities in projects delivering over 15 000 homes. Key developments in South Africa include Olievenhoutbosch in Gauteng (5 400 homes), Mogale City in Gauteng (1 300 homes) and Klarinet in Mpumalanga (4 000 homes). In addition, over the past three years, we have financed 12 000 units to the value of approximately R4bn. In 2018 we partnered with MSCI on the first South African's Residential Index which provides empirical data on the sector's performance which was previously not available. We are also actively engaging in research around alternative building technologies that may in future contribute to addressing our housing shortages.

In Absa Regional Operations, drawing from lessons learnt in South Africa combined with local knowledge, we are exploring the use of various funding models that fit the requirements of target jurisdictions to support affordable housing and related opportunities in our presence countries as well as through suitable cross-border lending into countries where we do not have banking presence.

Lending with social and environmental benefits (FS7 and FS8)

Renewable energy financing

In Africa, energy security is key to economic growth and we continue to play a role in funding both renewable energy and fossil fuel projects on the continent. Both renewable energy projects and fossil fuel projects will be required, at least in the medium term, to ensure energy security as the global energy industry bridges the gap to cleaner options.

South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPP)

In South Africa, shifting towards a low-carbon economy is seeing progress through the Renewable Energy Independent Power Producer Procurement Programme (REIPPP). Implemented in 2010, it provides for participation by independent power producers through the procurement of targeted megawatt allocations. The renewable energy technologies supported include wind, solar photovoltaic, concentrated solar power and biomass, and have been designed to benefit local communities while also impacting many other businesses during the various construction phases. This programme is making a significant contribution to energy generation, environmental sustainability and economic growth and development.

As a result, South Africa is now the continent's largest renewable energy market. 92 projects, with a capacity of 6 322 MW, have been approved by the Department of Energy. We have been involved in financing 33 projects, with a combined capital value of R80bn, making up 2 916 MW (704 MW for solar photovoltaic, 1 837 MW for wind, 350 MW for concentrated solar technologies and 25 MW for biomass).

This represents about 46% of all renewable energy projects (by MW) awarded so far. We closed debt financing in 2018 worth R22 billion for 12 renewable energy projects as part of the latest bidding round under REIPP. These projects, comprising seven wind, four solar and one biomass project, will add a combined 1 200 MW to the Eskom grid.

Solar photovoltaic for businesses

We previously collaboration with development funding agency Agence Française de Développement (AFD) in offering customers rebates on loans related to energy efficiency or renewable energy projects for their existing business. Building on insights from this initiative and increasing interest from businesses in renewable energy solutions, we have created a dedicated focus on the renewable energy sector in Retail and Business Banking. Our aim is to enable growth by funding of small-scale embedded generation (vertically integrating energy production into the existing business of agriculture, manufacturing, tourism, wholesale, and other customers) or of smaller independent power producers. A key output of this is our solar photovoltaic lending guidelines to enable greater lending to our Business Bank customers.

In developing our customer value proposition for this segment of the market it was clear from stakeholders that a key focus needed to be on driving awareness. To achieve this we have focused on:

- Hosting events and visits to solar photovoltaic sites with customers across South Africa;
- Distributing newsletters to employees and customers;
- Developing introductory research available to customers on seven renewable energy technologies; and
- Face-to-face training initiatives as well as four modules of training videos accessible to all business bank employees (giving them an introductory level understanding of solar photovoltaic and the Business Bank's strategy for renewable energy).

Despite some industry challenges, we provided funding for over 10MW of solar installations (excluding cash deals) in 2018 including a number in the agricultural sector. We concluded funding for two power purchase agreements in the commercial and industrial segments.

Water is an increasing area of focus for society and we seek to support our customers for example, as a solution to the Western Cape drought, we provided funding for a desalination plant.

A focus on agriculture in South Africa

Our agriculture strategy includes a focus on enabling small-scale farmers with access to finance and we continue to provide fact-based information. We have built supportive ecosystems that help address many of the challenges these farmers face such as 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 the small-scale farmers by both reducing and mitigating risk. Importantly, they also reduce barriers to entry and provide resources these farmers require to grow their businesses. For example, with committed market off-takes in place, we are able to lend against projected cash flows as opposed to relying on collateral – a particular challenge for small-scale farmers that is often complicated by precarious land tenure issues. In 2018 and into 2019, we piloted two such ecosystem models. We believe our findings from these pilots will enable us to increase our lending to the developing agri-sector in the next five years.

We have created informative YouTube videos to provide fact-based information for producers and their stakeholders/ consumers in the market place:

- Conservation Agriculture (Soil quality)
- Listeriosis (Best agricultural practices)
- Avian Influenza (Bird Flu) (Best agricultural practices)
- Foreign exchange markets

We also provide fact-based and independent perspectives on topical issues and thought leading views on the possible outcome of opportunities or crises in agriculture affecting customers on various media platforms such as the Absa blog, television, print and social media.

In addition to this focused approach, we provide a range of information in support of the industry including:

- Weekly livestock prices, an analysis of factors that impact the 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 an instant messaging service.
- Weekly commodity process
- Annual commodity outlooks including 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.

On invitation, we present at various events such as summits, agricultural colleges and farmer's days. For example we:

- Presented alongside organisations such as the World Food Programme at the Shared Value summit held in Johannesburg in May and attended by role players from across the continent.
- Provided expert advice on best agricultural practices from an economic point of view in terms of a business plan to optimise the agricultural activities and cash flow of the farm unit at the Magaliesburg Agricultural School.
- Presented market analysis at a seminar organised for 50 small-scale food producers/family farmers at the Potchefstroom Agricultural College in November 2018.

Financial literacy (FS16)

Consumer education is the process of transferring knowledge and skills to consumers, future consumers and potential consumers for individual wellbeing and the public good. The intended outcome is the development of consumers' knowledge and understanding of the financial sector and its products and services. Our consumer financial education interventions empower individuals to make informed choices and improve their lives through responsible personal financial management.

Our consumer education aims to reach beneficiaries in schools, or who are unemployed or are earning an income of less than R250 000 per annum. Making use of accredited training providers we invested R32.3m in reaching 100 746 (2017: 76 917) beneficiaries across South Africa (75% beneficiaries in urban areas and 25% in rural areas).

We supported the Banking Association of South Africa's Starsaver programme that reaches schoolchildren in Grades 7, 8 and 9 and with the Association of Savings and Investments to implement the Saver Waya Waya financial literacy programme for TVET college students.

Our school governing body training takes place each year in different provinces across South Africa. In 2018, we focused on two provinces – Gauteng and Western Cape – training 2 107 governing body members from 656 schools in financial management and governance (2017: 2 636 in three provinces – North West, Free State and Northern Cape). We have trained 15 264 school governing body members in 4 050 schools over the past three years.

We also reached 7 168 consumers in our Absa Regional Operations markets with financial literacy training. The majority if this contribution is derived from Ghana, followed by Uganda, Zambia, with other contributions derived from Botswana and NBC each, as well as Seychelles and Mauritius.

In Ghana 4 318 consumers were reached through financial literacy workshops on savings and investments via 13 Barclays@Work teams and public officials from the ministries of Foreign Affairs and Food & Agriculture. 2 380 consumers were reached in Uganda via financial literacy trainings including savings options, delivered by the Barclays@Work team to various @Work companies – including 70 Fishnet staff and 100 women living with HIV/AIDS. 230 people were reached in Zambia through various literacy events activities and exhibitions. A partnership with a customer delivered training to 80 Caregivers, and 150 Zambia Sugar staff.

In addition to consumer education, we aim to use various communication channels to educate customers on managing the costs of everyday banking products.

Contact information

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

Registered office
7th Floor, Absa Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000
Switchboard: +27 11 350 4000
www.absa.africa

Head Investor Relations
Alan Hartdegen
Telephone: +27 11 350 2598

Group Company Secretary
Nadine Drutman
Telephone: +27 11 350 5347

Head of Financial Control
John Annandale
Telephone: +27 11 350 3946

Queries

Investor relations	IR@absa.co.za
Media	groupmedia@absa.africa
Absa Group shares	web.queries@computershare.co.za and groupsec@absa.co.za
General queries	absa@absa.co.za

Transfer secretary
Computershare Investor Services (Pty) Ltd
Telephone: +27 11 370 5000
computershare.com/za/

Sponsors

Lead independent sponsor
J.P. Morgan Equities South Africa (Pty) Ltd
Telephone: +27 11 507 0300

Joint sponsor
Absa Bank Limited (Corporate and Investment Bank)
Telephone: +27 11 895 6843
equitysponsor@absacapital.com

Auditors
Ernst & Young Inc.
Telephone: +27 11 772 3000
ey.com/ZA/en/Home

www.absa.africa