



Absa Group Limited

2019 Environmental, Social and Governance Report



Our reporting suite

2019 Integrated Report

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

Financial and risk disclosures

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

Environmental, social and governance disclosures

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

Shareholder information

- 2020 Notice of Annual General Meeting
- Form of Proxy

Reporting standards and frameworks

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

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

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- Regulation 43 of the Banks Act No. 94 of 1990, where not superseded by the Pillar 3 disclosure requirements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

All of the reports listed are available on www.absa.africa. Comments or queries regarding these documents can be sent to groupsec@absa.africa

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Through this report, we aim to communicate Absa's impact on material sustainability issues such as climate change, human rights, governance and social wellbeing. Our disclosures include several sector-specific indicators in accordance with the Financial Services Sector Disclosures document. We have elected to report to stakeholders in a manner that allows for ease of referencing and comparability, and the report is therefore structured in line with the GRI Index as outlined below.

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About our Environmental, Social and Governance Report

Reporting period and scope

Our report covers the period 1 January 2019 to 31 December 2019. Any notable or material events after this date and up until the approval of this 2019 Environmental, Social and Governance Report (ESG Report) are included.

Target audience and reporting frameworks

This report supplements our 2019 Integrated Report. Within this report, we recognise and report on specific stakeholder interests in environmental, social and governance issues. We take direction from the Global Reporting Initiative's (GRI) Standards and have prepared these disclosures in accordance with the Core option of the G4 Standards. We also include several sector-specific indicators as per the Financial Services Sector Disclosures document.

We have edited the GRI indicators description for the sake of brevity. Please refer to globalreporting.org/standards/ 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.

Application of King IV

Absa is listed on the Johannesburg Stock Exchange (JSE).

The King IV Report on Corporate Governance for South Africa, 2016™ (King IV or the King Code) is the primary corporate governance code in South Africa and is applicable to all types of entities.

The King Code consists of a set of voluntary principles and leading practices with an 'apply and explain' disclosure regime. The JSE Listings Requirements oblige listed companies to apply King IV. Paragraph 8.63(a)(i) stipulates that issuers are required to disclose the implementation of the King Code through the application of the King Code disclosure and application regime.

In various sections of this report, and within our 2019 Integrated Report, we provide information on how we have applied these principles and recommended practice. On page 19, we provide a reference table to guide readers to the relevant disclosures for each King principle.

Assurance

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

For 2019, PricewaterhouseCoopers Inc conducted limited assurance on the total energy use and carbon emissions indicators. Empowerdex rating agency verified our Broad-Based Black Economic Empowerment (B-BBEE) performance. Ernst & Young Inc., our statutory auditors, have audited our annual financial statements. Information relating to the scope and conclusions can be found in the Limited Assurance Report, the Absa Group's B-BBEE certificate and the Group's annual financial statements, which are available on our Group website at www.absa.africa

Board approval

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





Assisted by our Social and Ethics Committee we, the Board, accept ultimate responsibility for the integrity of this 2019 Environmental, Social and Governance Report. It is our opinion that it presents a fair and balanced view, and believe it demonstrates the way in which we are creating sustainable value and prosperity for our stakeholders.

The Board approved this report on 20 March 2020.

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

Icons used in this report

Six Capitals

	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 property, equipment and 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 our customers, 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	Responsible use of natural resources including energy sources (electricity, solar and gas), air, water, paper and the management of impacts including carbon emissions, water and waste.

Stakeholders



Customers



Society



Regulators



Employees



Planet



Investors

Stakeholder engagement is a value-creating process that is of critical importance in furthering Absa's growth ambitions. Engaging with stakeholders in a structured and well-coordinated manner, through meaningful, transparent communication, enables us to cultivate relationships that can serve as valuable capital in both good and challenging times. It is a process that provides important information about our business as well as about our social, political and physical environment. Principle 16 of King IV advocates for the adoption of a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. The range and extent of engagements is vast and our approach is informed by the specific stakeholder as well as by the need for engagement.

King IV™



King IV application

Navigation



Page reference



Online download reference



Weblink reference



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

Absa Group today

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

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

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

Everything we do focuses on adding value.

Purpose

Bring your possibilities to life

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

Aspirations

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

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

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

Values

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

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Our growth strategy

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

Bring your possibilities to life

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

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

Our strategic objectives

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

Our measures of progress

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



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Contributing to the United Nations Sustainable Development Goals

Governance and accountability

Board

We appreciate that the Group's core purpose, the risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Executive management

Led by the Group Chief Executive, each Executive Committee member is, within their respective mandates, accountable for integrating the principles of sustainability into their business strategies.

Senior management

Mandated by the Executive Committee, the accountability to execute and report is appropriately transferred to other levels of leadership.

Contributing to the United Nations Sustainable Development Goals (SDGs)

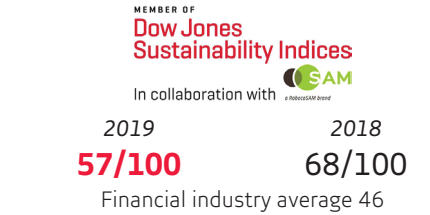
In our report, we provide reference to the specific SDGs where we create value. These links have been determined by an analysis of our operations, corporate citizenship and, most importantly, customer-facing activities against the underlying 169 targets.

In the diagram alongside, we reflect our contributions through three lenses:

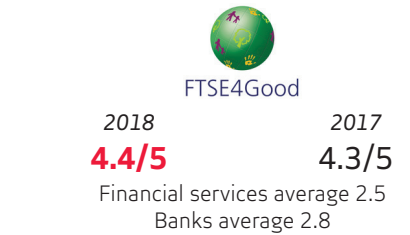
- Customers
- Operations
- Social



Dow Jones Sustainability Index



FTSE4Good



MSCI ESG



Carbon Disclosure Project (CDP)



Sustainalytics



<https://sustainabledevelopment.un.org>



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; and 102-8 Information on employees and other workers

Absa Group is a diversified financial services provider, offering products and services across retail, business, corporate, investment and wealth banking as well as in 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 (JSE).

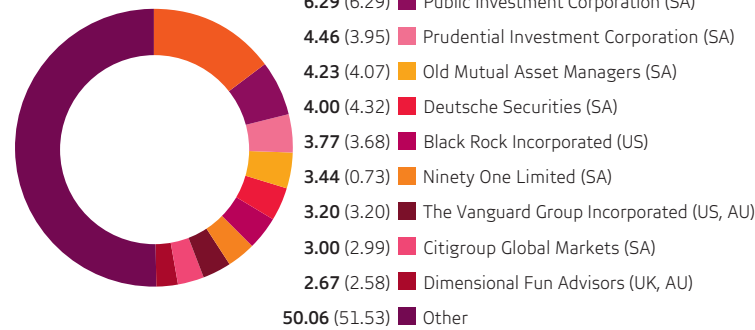
A diverse shareholder base

As at 31 December 2019, we had 847.8m shares in issue and our market capitalisation was R126.6bn (2018: 847.8m; R137.2bn).

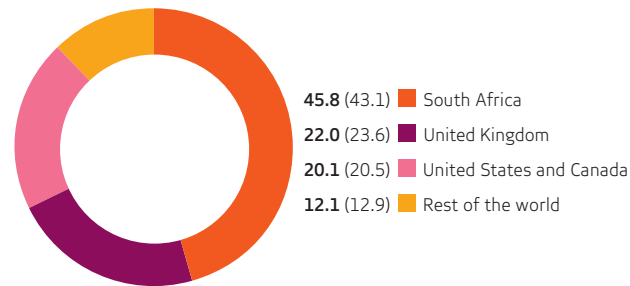
We own majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, the Seychelles, South Africa, Tanzania (Absa Bank and National Bank of Commerce), Uganda and Zambia. We also have representative offices in Namibia and Nigeria, as well as insurance operations in Botswana, Kenya, Mozambique, South Africa, Tanzania and Zambia. Our international presence includes offices in the United Kingdom and the United States.

On 1 June 2017, Barclays PLC (Barclays) executed a sell-down of its then controlling interest in the Group. The term Separation, used in this document, refers to the programme of activities to disengage the businesses from one another. As part of the Separation, we undertook a brand change programme, which started in 2018 and is culminating in 2020 throughout our physical and digital presence. As of 10 February 2020, all banking entities within the Group (with the exception of NBC Tanzania) are legally trading as Absa.

Major ordinary shareholders (%)
(2018 comparison)



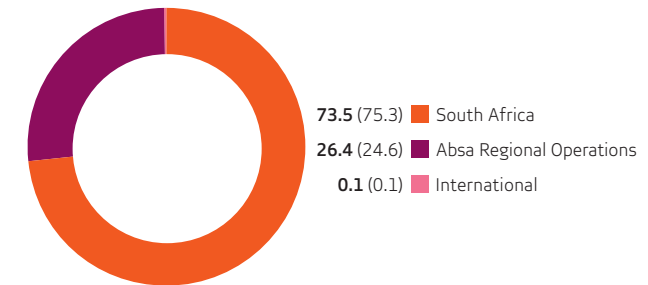
Geographic spread (%)
(2018 comparison)



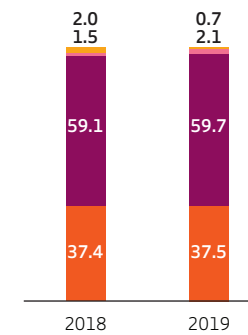
Employees

We employ 38 472 people, the majority of whom are employed in our South African operations. Of our total workforce, 61.1% are women, with 35.0% of senior managers being women. In South Africa, where race diversity is an imperative, 75.9% of our employees are black, with 51.4% of senior managers being black.

Employees per region (%)
(2018 comparison)

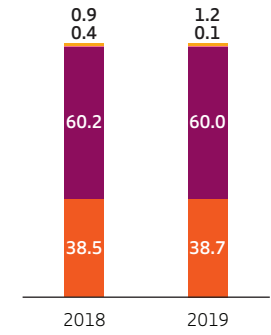


Permanent versus temporary employees (% of gender)



Permanent men
 Permanent women
 Temporary men
 Temporary woman

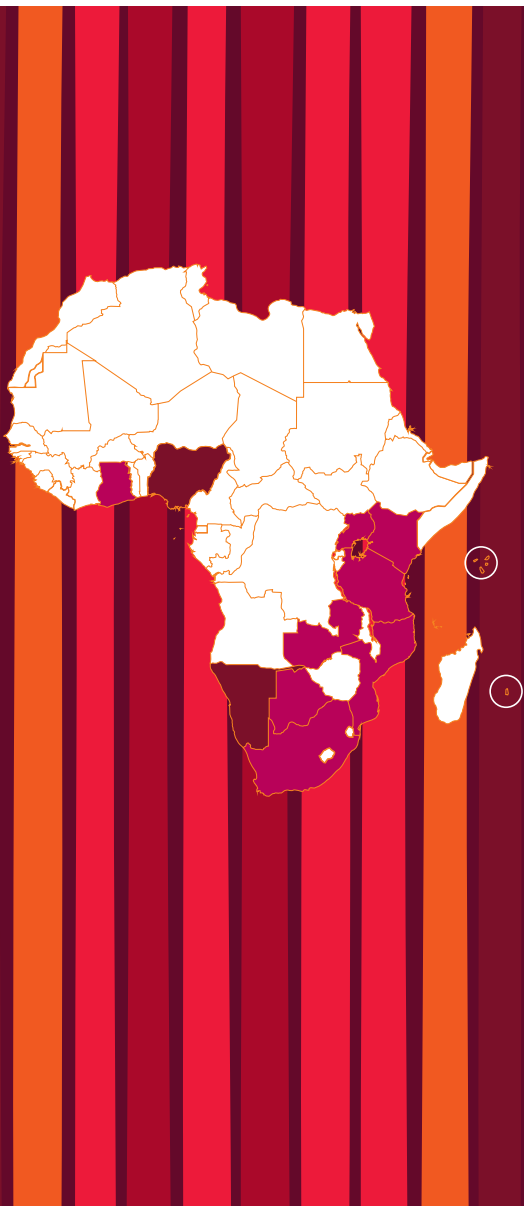
Full time versus part time employees (% of gender)



Full-time men
 Full-time women
 Part-time men
 Part-time woman



Location and scale of our operations



Customers are served through an extensive branch and self-service terminal network, digital channels, financial advisors, relationship bankers and dealerships, originators, alliances and joint ventures.

- 14 countries¹**
- 38 472 employees**
- 1 016 branches**
- 9 763 ATMs**
- 115 708 point-of-sale devices**

Call centres

- Sales, service and general enquiries.
- Interactive voice response capability.

Our digital offering

- Transacting and sales through Absa Online Banking, Absa Access and Virtual Investor.
- Mobile apps, such as the Absa Mobile Banking App, NovoFX, Hello Money, Juno and Timiza.
- ChatBanking on WhatsApp and Facebook Messenger.
- USSD code-based functionality.
- Online transactions via third-party sites.

Our wide array of partnerships

- Agency banking at third parties for bill payments, deposits and withdrawals.
- Access to financial services through our telecommunications and retail partners, which enhances our digital offering.

¹ Other offices: Namibia, Nigeria, United Kingdom and United States.

² Absa Bank Tanzania and National Bank of Commerce combined.

Botswana

1 200 32 114 4 900

Founded: 1950

Seychelles

282 8 21 1 400

Founded: 1959

Kenya

2 398 85 214 5 900

Founded: 1916

South Africa

28 296 632 8 656 94 657

Founded: 1888

Ghana

1 167 60 171 500

Founded: 1917

Tanzania²

1 662 64 246 950

Founded: 1925

Mauritius

743 16 40 1 400

Founded: 1919

Uganda

934 39 74 1 201

Founded: 1927

Mozambique

857 44 107 900

Founded: 2002

Zambia

890 36 120 3 900

Founded: 1918



A universal set of products and services

	Activities	What this means	Risks	Statement of financial position impact	Flow of money	Statement of comprehensive income impact
Core business, activities and processes	Provide a safe place to save, invest and manage funds	Managing shareholder funds Accepting customers' deposits and raising debt Facilitating payments Providing savings and investment management products and advice	Treasury Operational Conduct Market Business Technology Legal	Shareholders' equity and preference shares Deposits Debt securities in issue Borrowed funds Dividends paid Investments linked to investment contracts Liabilities under 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 Net fee and commission income Changes in investment and insurance contract liabilities 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 Traded market Treasury 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 Net 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 Traded market Operational Conduct Business Technology Legal	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	Traded market Operational Conduct Technology Legal		Fee income from advisory services	Net fee and commission income
	Protect against risks	Providing savings and investment policies and compensation for a specified loss, such as damage, illness or death, in return for premium payments	Insurance Operational Conduct Traded market Model Technology Legal	Policyholder liabilities under insurance 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



A universal set of products and services *continued*

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

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102-9 Supply chain

Our supply chain of 3 060 suppliers in South Africa and 3 320 in Absa Regional Operations includes small and medium enterprises (SMEs), as well as national, regional and multinational companies and state-owned entities.

A revised Group Procurement Policy, which supports responsible sourcing and enables us to drive supplier diversity, was approved during 2019. Our enterprise and supplier development approach is to support entrepreneurs in growing their businesses and in contributing to job creation.

Absa is one of the largest buyers of goods and services in the South African financial services industry and we use our purchasing power to support a transformation agenda. The Amended Financial Services Charter requires that we (i) measure the level of procurement spend from qualifying black-empowered companies, namely black-owned, black female-owned and qualifying small enterprises and emerging micro enterprises; and (ii) enter into defined supplier development initiatives.

For qualifying entities, we:

- Provide preferential rates for projects funded through the Group's supplier development initiatives.
- Use a secured supply or service contract as a basis of funding to ensure responsible financing.

Our preferential procurement programme ensures that a growing number of small black-owned and black female-owned companies supply us with goods and services. This involves:

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

In 2019, we:

- Contributed R230.4m (2018: R156m) to supplier development initiatives, which included R156.5m (2018: R83.9m) in funding at preferential interest rates as well as capacity-building grants for small and medium enterprises supplying goods and services to Absa.
- Spent R2.9bn with 890 exempted micro enterprises and 421 qualifying small enterprises (2018: R2.9bn; 1 713 small to medium enterprises).
- Spent R5.7bn with 405 suppliers who are 30% or more black women-owned (2018: R6.4bn; 420 suppliers).
- Spent R8.1bn with 783 suppliers who are 51% or more black-owned (2018: R8.6bn; 816 suppliers).
- Spent R162.7m with five designated suppliers, including unemployed and disabled individuals, youth, black military veterans, and people from rural and under-developed areas (2018: R7.1m).

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

2019 B-BBEE Report

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

As part of the Separation from Barclays, a structured programme has been undertaken to transition from services - including technology services - previously provided by Barclays, and to manage the brand change in our regional operations. Critical to the change process are ongoing engagements with regulators. Given the size and complexity of the task, the change programme is run by an experienced and dedicated team within a robust risk management framework. This is overseen by sound governance structures, including a dedicated Board committee.

In 2019, we identified 332 supplier contracts that could possibly be localised to a South African supplier or one with a presence in the country. Of these, 159 supplier contracts have been localised, the services of 158 were no longer required or phased out, and 15 are operating under right to use arrangement from Barclays. The remaining five supplier contracts are scheduled to be localised in June 2020.

102-11 Precautionary principle or approach

With regard to environmental impact, we have adopted a precautionary approach as defined by the United Nations within Principle 15 of The Rio Declaration on Environment and Development in order to reduce negative environmental impacts. This is managed through our Enterprise Risk Management Framework with particular reference to our credit, operational, insurance, conduct, reputational and legal principal risks.

The enterprise risk management process includes (i) the application of our Environmental Risk Standard in our lending practices alongside various Reputation Risk Guidance documents; as well as (ii) our approach to managing our direct environmental impact and a set of other social risks.

In December 2019, the Board approved a revised Group Sustainability Policy as well as a Coal Financing Standard. We will add standards for financing other climate-sensitive sectors in due course.

33: Environmental risk in lending

102-12 External initiatives

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

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

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

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

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

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

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

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

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

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

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

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

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

102-13 Membership associations

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

Our disclosures in this report are focused on South Africa as it is the registered country of the Group's operations and the region that accounts for over three-quarters of the Group's revenue.

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

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

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

Industry associations

- Association of Savings and 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 (G)
- Business Unity South Africa (G; F)
- CEO Initiative (F)
- National Business Initiative (G)
- British Chamber of Business in South Africa (G; F)
- German Chamber of Commerce (F)
- American Chamber of Commerce (G; F)
- South African Chamber of Commerce and Industry (G)
- Small Business Institute of South Africa (F)
- South African Photovoltaic Industry Association

Professional bodies

- Association for Black Security and Investment Professionals (G; F)
- Black Management Forum (G; F)
- Fiduciary Institute of South Africa (G)
- Society for Trust and Estate Practitioners
- Corruption Watch (F)
- Business Against Crime (F)

Other affiliations

- Group of Thirty (G30)
- International Business Council
- United Nations Environmental Programme Finance Initiative
- The World Economic Forum

2. Strategy

102-14 Statement from the senior decision-maker

We refer readers to our 2019 Integrated Report including:

- The Group Chairman's message.
- The message from the outgoing Group Chief Executive.
- The message from the incoming Group Chief Executive.
- The Social and Ethics Committee report.

2019 Integrated Report

102-15 Key impacts, risks and opportunities

We provide on the pages that follow, an overview of the Group's risk management approach and a thematic presentation of the risks and opportunities material to the Group's strategic ambitions. We actively manage these through using the policies and procedures defined in our Enterprise Risk Management Framework.



As a financial services group, effective risk management and control are essential for sustainable and profitable growth.

Risks exist when a decision or action has an uncertain outcome that could impact on our performance. They arise for a variety of reasons, including external events, such as economic shifts and regulatory change and internal events (system failure or poor sales practices). We take calculated risks, such as lending money to customers after appropriate consideration. We use a risk management framework to set a balanced risk appetite that takes into account the operating environment and our strategy.

The framework sets out the organisational arrangements, activities, tools, techniques and practices to:

- Comply with regulatory frameworks.
- Identify and manage material risks.

It also ensures appropriate responses that protect us and our stakeholders.

Risk strategy and appetite

It is essential that business plans are supported by an effective risk management framework to allow us to grow sustainably and responsibly.

The strategy is set within the parameters of an agreed risk appetite. The risk strategy is developed alongside the Group's strategy. The risk appetite defines the nature and amount of risk the Group is willing to take in order to achieve strategic objectives.

Risk management framework

We maintain an active approach towards managing both current and emerging risks through the continued operating effectiveness of our Board-approved Enterprise Risk Management Framework, the foundations of which are:

1. A robust and consistent governance structure at Group, country and business level.

2. Well defined material risk categories known as principal risks.

Financial	Non-financial
1. Credit	6. Operational
2. Traded Market	7. Conduct
3. Treasury	8. Model
4. Insurance	9. Technology (incl. cyber and change)
5. Business	10. Legal

3. A 'three lines of defence' combined assurance model with clear accountability for managing and overseeing risks across all businesses and functions:

1st line: The process and control owners in customer facing segments and Group functions who are responsible for managing end-to-end risks and controls in their businesses.

2nd line: The independent risk, compliance, legal and control functions who formulate risk and control policies, and review the first line's adherence to these.

3rd line: The Internal Audit function tests and reviews controls to determine that the first and second lines execute their responsibilities effectively and consistently.

4. A comprehensive process to evaluate, respond to and monitor risks. This is a structured and practical risk management approach to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile:

Evaluate: Individuals, teams and departments, including those responsible for delivering the objectives under review, identify and assess the potential risks.

Respond: The appropriate risk response ensures that risks are managed within risk appetite. This includes risk mitigation; risk transfer, and ceasing certain activities.

Monitor: Ensure that risk profiles remain within agreed appetite levels, verify that controls are working as intended, and challenge or promote re-evaluation of the risks.

5. A robust risk operating model which provides clear roles and responsibilities.

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

Current and emerging risks

- Global uncertainty arising from international trade discussions and other market drivers result in increased pressure on emerging markets.
- Disruption through fintechs and new digitally-led competitor banks affect customer relevance.
- Nearing completion of the Separation combined with large ongoing strategic change projects results in increased business risk, change risk and people risk.

Responses

- Monitor and manage risk strategy and appetite based on the ongoing evaluation of the global and regional developments to identify and mitigate risks as they arise, while enabling business to pursue opportunities.
- Deliver scalable digital solutions that focus on customer needs. Continuously build and embed a winning brand with a focus on innovative business processes and products including diversification into new markets and customer segments.
- Closely monitor and actively manage risks arising from the completion of Separation and strategic change projects.

Economies in the Group's presence countries continue to exhibit subdued growth amid global and domestic uncertainties

Current and emerging risks

- Continued subdued economic growth, high unemployment, increased inequality and low business and consumer confidence impacting South African markets.
- Inconsistent supply of electricity impacting stakeholders through lost business, increased emergency energy costs and potential job losses.
- Unfavourable macroeconomic environments with increasing debt burdens and limited fiscal space in presence countries.
- Increasing cost and scarcity of capital, funding and liquidity across global markets.
- Policy uncertainty in South Africa (such as the mining charter, land reform, challenges within state owned entities and economic disparities) creates a barrier to investment.
- Broader socio-political challenges impacting negatively on employee turnover and skills retention.

Responses

- Monitor leading indicators to ensure economic risks are effectively managed, including:
 - proactively managing credit portfolio risks;
 - hedging of interest rate risk and foreign exchange risk as appropriate;
 - strengthening the Group's position in the countries where we operate that are considered growth markets while seeking opportunities to diversify into new markets; and
 - managing cost growth in response to subdued macroeconomic environments.
- Analyse specific scenarios to assess the impact of a South African sovereign downgrade or potential external financial support.
- Engage with communities and support initiatives as part of the Group's commitment to play a role in Africa's growth and sustainability.
- Participate in industry advocacy groups to contribute to new and innovative ways to solve social challenges.
- Ongoing succession planning to ensure the required depth and strength of employee skills are retained.

Technology and the pace of change impact competitiveness and operational risk

Current and emerging risks

- Ever increasing sophistication of cybercrime, fraud risk and financial crime requires continuous improvement of detection, monitoring and prevention to protect customers and the Group.
- Threat detection and prevention of security breaches, disruptions and data mismanagement to protect customers.

Responses

- Continue investment in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues.
- Develop artificial intelligence solutions using global data to strengthen security measures and crime prevention.
- Drive awareness with employees and customers on the prevention of cyber-related risks.

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New and emerging regulations and oversight

Current and emerging risks

- Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets require ongoing co-ordinated approaches to address these requirements, including:
 - Basel III: Finalising post-crisis reforms' standard (Basel III enhancements), including the fundamental review of the trading book.
 - National Credit Amendment Act.
 - Financial Sector Laws Amendment Bill.
 - Protection of personal information legislation.
 - Financial Matters Amendment Bill.
 - Conduct of Financial Institutions Bill.
 - Financial Advisory and Intermediary Services Act.

Responses

- Maintain a co-ordinated, comprehensive and forward-looking approach to evaluate, respond to and monitor regulatory change, through ongoing improvement of processes and systems, supported by people, across the Group.
- Participate in regulatory and statutory advocacy groups across all countries where we operate.
- Instill a culture of sound regulatory compliance across the Group.

Environmental risks impact on the Group's clients, organisation and operating environment

Current and emerging risks

- Adverse effects of climate change and its impact on communities, clients and the Group's credit and insurance businesses.
- Complexity of modelling the implications of climate change and incorporation into the Group's strategy and operations.
- Increasing stakeholder focus on corporates' impact on the environment and operational sustainability.
- Diminished ability of the Group, our customers and employees to operate in a resilient manner due to health-related pandemics for example the current COVID-19 pandemic.

Responses

- Became a founding signatory to UNEP Finance Initiative's Principles for Responsible Banking.
- Approved a Group Sustainability Policy and a Coal Financing Standard.
- Assess the suitability and strategic alignment of products and customer value propositions with changing environmental factors and the impact on the Group's risk profile.
- Develop and enhance credit and insurance risk models to incorporate environmental risk.
- Build relationships with clients whose environmental impact is aligned with the Group's strategy and risk appetite.
- Stress test the Group's ability to withstand a potential economic downturn due to the COVID-19, and improve business continuity responses to accommodate the effects of pandemics.



3. Ethics and integrity

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

Our values define the way we think, work and act.



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 and we are bold enough to change course.



We are obsessed with the customer

- We are curious and 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.

The Absa Way Code of Ethics outlines the behaviours that govern our interactions with stakeholders, fosters values-based decision-making, and shows how our policies and practices align with our values. Our supplier code of ethics outlines the standards we expect from our suppliers.

Personal accountability is central to our culture and how we behave is instrumental. As outlined in The Absa Way Code of Ethics, we expect our employees to:

- Behave ethically.
- Act with integrity.
- Act with skill, care and diligence.
- Be open and cooperative with regulators.
- Treat customers fairly.
- Observe proper standards of market conduct.
- Respect one another professionally.
- Respect the diversity.
- Respect one another professionally, including our diversity.
- Keep our stakeholder communities in mind in conducting our day-to-day business.



The Absa Way Code of Ethics

In addition to our own ethics and culture there are laws, regulations and codes that define how we are expected to conduct our business.

Regulations relating to consumer protection and ethical behaviour in the financial services industry naturally continue to evolve. While this means the Group has to comply with an evolving set of requirements, we support efforts to ensure a stable financial services sector and a safe and fair operating environment.

Our 12 target conduct outcomes

1. Our culture places customer interests at the heart of our strategy, planning, decision-making and judgements.
2. Our strategy is to develop long-term banking relationships with our customers by providing products and services that meet their needs and do not cause detriment.
3. We do not disadvantage or exploit customers, customer segments, or markets.
4. We do not distort market competition.
5. We proactively identify conduct risks and intervene before they crystallise by managing, escalating and mitigating them promptly.
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 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.
8. We address any customer detriment and dissatisfaction in a timely and fair manner.
9. We safeguard the privacy of our customers' and employees' personal data.
10. We facilitate market integrity.
11. We uphold the reputation of Absa.
12. We act ethically.

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It is essential that we monitor our performance against our own standards as well as against regulatory requirements. One of the ways in which we do this is through our three lines of defence, as outlined in our Enterprise Risk Management Framework.

Our conduct risk framework covers all of 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.
- Mitigate potential risks.

Conduct forms part of an employee's performance assessment and unethical conduct can result in a range of possible sanctions, including dismissal.


102-17 Mechanisms for advice and concerns about ethics

At Absa, we have a comprehensive programme that educates all employees about their rights and responsibilities and empowers them to act ethically. Our training and awareness programmes, ensure that our employees:

- Are aware of the values and behaviours expected of them.
- Understand the importance of fighting financial crime and observing sanctions legislation.
- Understand the need to combat bribery, corruption and money laundering.
- Develop a sensitivity to situations of real or perceived conflict of interest, including in relation to accepting gifts and entertainment, and learn how to deal with them when they arise.
- Put customers at the forefront of what we do and apply a Treating Customers Fairly mindset to all of our engagements with our customers.
- Are aware of the tools available to them to raise their concerns about unethical behaviour or suspected fraud through our whistleblowing programme.

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, seconded staff, contractors and consultants, are able to raise concerns. Whistleblowers may raise concerns about inappropriate or unlawful conduct anonymously, either internally or externally. Internally, they may do so through our Priority Investigations

and Whistleblowing team, which falls under Group Compliance. Externally, they may do so through our independent, external service provider, Tip-offs Anonymous. We prohibit any form of retaliation against whistleblowers and protect their identities.

Other processes exist for addressing matters such as an employee's personal treatment or a customer's complaint.

We define inappropriate conduct to include:

- Anything that suggests a criminal offence, or any activities that are being contemplated, which might constitute criminal behaviour.
- Questionable accounting practices or any other financial impropriety by businesses or employees.
- Unethical behaviour, such as anything that is contrary to The Absa Way Code of Ethics and Values.
- Behaviour that could cause detriment to any stakeholder or group of stakeholders.
- 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 mandatory minimum controls, including a breach of the Group's policies or procedures.
- Suppression or concealment of any of the above behaviours or practices.

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

Our Social and Ethics Committee receives comprehensive updates on conduct and ethical matters from the Group Chief Compliance Officer.

In 2019, 212 employee conduct-related whistleblowing cases were reported (2018: 198). However, as at 14 January 2020, only 18% of these (2018: 27%) had been substantiated.

Tip-offs are the most common means of detecting fraud. When received, a tip-off is categorised and assessed for allocation to the appropriate

investigative unit. This process allows for the management of actual or potential conflicts of interest on a case-by-case basis. Identified issues are referred to senior management for remedial action.

Remedial actions can range from disciplinary action to submission of required external reporting such as the reporting of suspicious transactions as defined in the Prevention and Combating of Corrupt Activities Act (2003) to the Financial Intelligence Centre or the relevant police services.

Substantiated whistleblowing cases (number) (2018 comparison)



- 6 (4) Conflict of interest
- 19 (22) General unethical conduct
- 1 (3) Racism
- 9 (11) Bullying, victimisation, harassment
- 2 (1) Nepotism



Whistleblowing contacts

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

Whistleblowers can send an e-mail to protect@tip-offs.com or visit www.tip-offs.com. They can also send an e-mail to the Absa Priority Investigations and Whistleblowing team directly on protected@absa.africa

Botswana

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

Ghana

+233 30 2610 240

Kenya

0800 720012

Mauritius

802 027 0001/802 049 0019

Mozambique

800112233/800333312

Namibia

+27 31 571 5694

Nigeria

+234 708 060 1872/8099937319

Seychelles

+27 31 571 5717

South Africa

0800 205 055

Tanzania

+255 754 210818 (Barclays)
 +255 752 043729 (NBC)

Uganda

800100255

United Kingdom

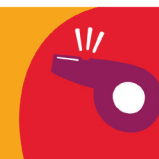
0800 069 8171

Zambia

+260 211 22 47 08

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

How to make the call.



Look out for fraud, misconduct or wrongdoing.

Call: **0800 205 055**
 Email: protect@tip-offs.com
 or protected@absa.co.za
 Visit: www.tip-offs.com



Give as much information as possible.

Outline the problem.



You will be afforded complete anonymity and protection from victimisation in line with our whistleblowing policy and the law.

Make the call.
 Make a difference.
 Report fraud, misconduct and wrongdoing when you spot it.
 #OurTeamOurResponsibility



4. Governance

King IV reference

Leadership and organisational ethics

Principles 1 and 2

- 1: The governing body should lead ethically and effectively.
- 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

ESG 102.16; 102.17; 102.18; 102.25
 2019 Integrated Report: pages 14 and 15

Responsible corporate citizenship and regulatory compliance

Principles 3 and 13

- 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.
- 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

ESG 102.19; 102.20 and 403.3
 2019 Integrated Report: pages 17, 32 and 36

Strategy and performance

Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation.

ESG 102.26
 2019 Integrated Report: page 16

Reporting and assurance

Principles 5 and 15

- 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.
- 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

ESG 102.18; 102.32 and 102.56
 2019 Integrated Report: pages 1 and 2

Board's primary role and responsibility

Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

ESG 102.18
 2019 Integrated Report: page 17

Board composition

Principle 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

ESG 102.24
 2019 Integrated Report: pages 18 and 19

Delegation to management and committees

Principles 8 and 10

- 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and the effective discharge of its duties.
- 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

ESG 102.28
 2019 Integrated Report: pages 19 and 23

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Board and committee performance evaluation

Principle 9 The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness. ESG 102.28
📄 2019 Integrated Report: page 20

Risk governance

Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives. ESG 102.18; 102.30; 102.56
📄 2019 Integrated Report: page 17

Technology and information governance

Principle 12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. ESG 102.18
📄 2019 Integrated Report: page 17

Remuneration governance

Principle 14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. ESG 102.18; 102.35 and 102.36
📄 2019 Integrated Report: pages 71 to 80
📄 2019 Remuneration Report

Stakeholder relationships

Principle 16 In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. ESG 102.42; 102.43
📄 2019 Integrated Report: pages 16 – 17

Responsibilities of institutional investors

Principle 17 The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests. 🌐 <https://www.absainvestmentmanagement.co.za/wealth-and-investment-management/about-us/governance/>

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102-18 Governance structure

Our governance aligns with the South African Companies Act, the Banks Act (including South African Reserve Bank Directive 4/2008), the JSE Listings Requirements and South Africa's corporate governance code, King IV. Our Board is committed to continuously improving our corporate governance principles, policies and practices through creating awareness and implementing evolving regulatory and best practices, as well as through acting on regular feedback from stakeholders.

The Board is the primary governance body for the Group. Its role consists of:

- 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 Group Chief Executive.
- Outlines a formal process for director appointment, induction and training.
- Dictates the Board's expectations of the directors, the chairmen of our Board committees and the Lead Independent Director.
- Sets criteria for director independence and the assessment of such independence.
- 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.
- 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 in order to deal with any confidential matters that may need to be addressed. Representatives from 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 as and when necessary.

The Board's structure balances the directors' powers so that no individual has unfettered authority in discussions or decision-making. Distinct roles exist for

the Chairman, Group Chief Executive, Lead Independent Director and non-executive directors.

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

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

Ten 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 the composition of the Board and the committees of the Board; the 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 the Disclosure Committee) – is accountable for the annual financial statements, accounting policies and reports; oversees the quality and integrity of the Group's integrated reporting; is the primary forum for engagement with internal and external audit; and monitors the Group's internal control and compliance environment.

The Group Risk and Capital Management Committee – assists the Board in overseeing the risk, capital and liquidity management of the Group by reviewing and monitoring (i) the Group's risk profile against its set risk appetite and capital and liquidity positions, taking into account applicable regulations; and (ii) the implementation of the Enterprise Risk Management Framework. It secures 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 – sets and oversees the implementation of the Group's Remuneration Policy so to deliver fair and responsible pay aligned with market practice and to meet regulatory and corporate governance requirements. It approves the total remuneration spend, including fixed pay, short-term incentives and long-term incentives, and

the particulars of a defined senior population. It also considers and approves the Group's remuneration disclosures to ensure they are accurate, complete and transparent.

The Social and Ethics Committee – monitors all matters required as set out in the Companies Act including:

- Key organisational health indicators, including ethics management; customer trends; complaints and attrition; talent retention and acquisition; labour turnover; wellness; learning and development reach and spend; employee relations; diversity and inclusion; and conduct and reputation risks.
- The Group's activities, taking into account 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 (including the approval of the Group's transformation scorecard); 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 as it requires the introduction of new systems and managing the related costs and risks.

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

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

The Models Committee – is tasked with the review of the Group's material models as required by the Prudential Authority.

The Separation Oversight Committee – conducts oversight of the Separation of Absa from Barclays, in particular the technology and brand change projects. and obtains assurance from appropriate providers regarding these activities. Specific decisions related to Separation activities rest with the relevant Board committees, in accordance with their respective mandates. This committee will remain in place until mid-2020, when the Separation is due to be completed.

[2019 Integrated Report](#)

Group Governance Framework

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

Subsidiary relations

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

At subsidiary level, each management team is responsible for reporting back to the legal entity's board on a regular basis so that the entity's board

can monitor business performance, matters affecting the risk profile and risk appetite, the control environment, and matters of citizenship, ethics and stakeholder relationships. As a shareholder, the Group is involved in considering material decisions of its subsidiaries, although ultimate approval rights rest with the subsidiary boards.

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

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

Our Deputy Group Chief Executive and Chief Executive: Absa Regional Operations, Peter Matlare, engages with the subsidiary bank boards to manage business performance and regulatory relations. The latter require significant time and commitment in light of the Separation, in particular as this relates to the very recent brand and name change, the implementation of new systems and technology, and the charging and re-charging for related assets and services.

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

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

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

Social and Ethics Committee meetings are, as a minimum, attended by the:

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

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

Our Financial Director is responsible for various matters relevant to the committee, including the Group's sustainability programme, the company secretariat, the environmental impact of operations, supplier management, and the Group's integrated and sustainability reporting.

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.

[2019 Integrated Report](#)

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

The Group and Board proactively engage with material stakeholders, including regulators, shareholders, employees and other stakeholders indirectly through reports and updates. The Board aims to balance the needs, interests and expectations of stakeholders and to address any concerns they may have. In 2019, the Social and Ethics Committee considered and approved a revised stakeholder strategy and policy, and management approved a related business and professional association standard.

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

[27: ESG 102-40 to ESG 102-43](#)

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

As at the date of publication, our Board has 16 members, 12 of whom are independent, one of whom is a non-executive director and three of whom are executive directors. Eleven are South African, of whom seven are black, Indian or coloured and four of whom are women. The remaining members are a Ghanaian, a Kenyan, a Ugandan and two Britons.

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Our Group Chairman, Wendy Lucas-Bull, is an independent director. Mohamed Husain is the Lead Independent Director. Daniel Hodge, appointed in May 2017, is the sole nominee of Barclays.

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

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

Board member biographies
www.absa.africa/absafrica/about-us/board-and-management

102-24 Nominating and selecting the highest governance body

The Board endorses the recommendation of King IV that a board of directors should comprise the appropriate balance of knowledge, skills, experience, diversity and independence. The JSE requires listed entities to establish a policy on the promotion of broader diversity at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age,

field of knowledge, skills and experience. We set and regularly review targets for race and gender. Other aspects will continue to be managed and, where appropriate, disclosed.

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

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

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

Race and gender policy

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

As a pan-African financial services group, the Board recognises the benefits of having South African, pan-African and non-African board members.

- 25% of the members of the Group's Board are women.
- 44% of the members of the Group's Board are AIC¹.

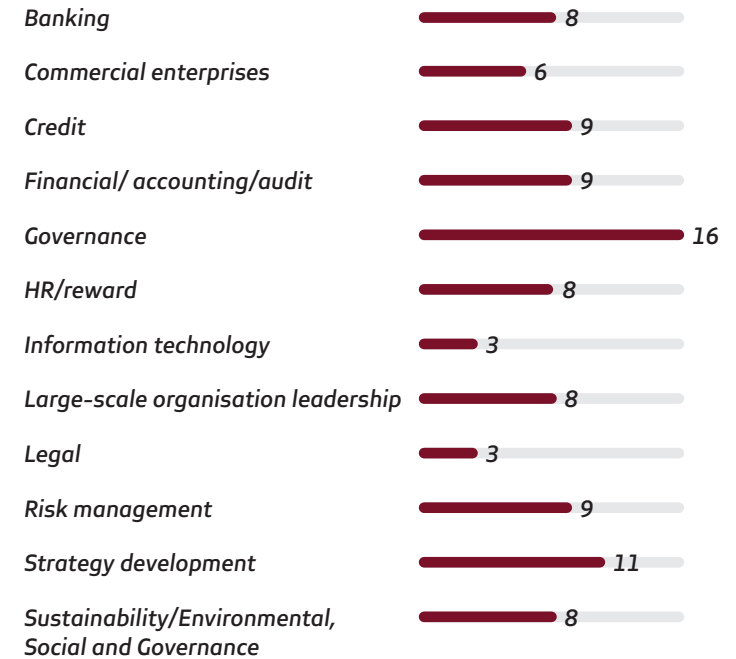
Skills and expertise policy

Members should have the highest levels of integrity; a deep understanding of governance; appropriate technical, financial and non-financial knowledge; and interpersonal skills. They should also have skills and experience in the areas of banking; risk and capital management; technology; general financial management; auditing and accounting; large-scale industrial financing; counterparty negotiations; legal affairs; human resources and reward; all of which are required of the Board as a collective.

Our Group Board has the requisite skills to consider and deal with all the matters it is mandated to deal with. The skills analysis below provides the mix of skills and expertise.

¹ All African, Coloured, Indian or Chinese people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.

The current composition of the Board, which comprises 16 members, is outlined below:



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

Independence policy

The Board should comprise a majority of non-executive directors, most of whom should be independent.

We seek to promote independent judgement and diverse mindsets and opinions, irrespective of classification. Independent non-executive directors are assessed annually in accordance with the JSE Listings Requirements and King IV recommendations.

In line with King IV's recommendations, non-executive directors are required, on an annual basis, to formally confirm their capacity to effectively discharge their duties and responsibilities as members of the Board and its committees.

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This process is guided by the Board with respect to the maximum number and types of directorships that a director may hold in addition to his/her directorship(s) within the Absa Group.

Directors who were assessed in 2019 maintained their independent status. We also reassessed independence in early 2020 and did a detailed time and capacity assessment, as recommended by the South African Reserve Bank Governance Directive 4 of 2018.

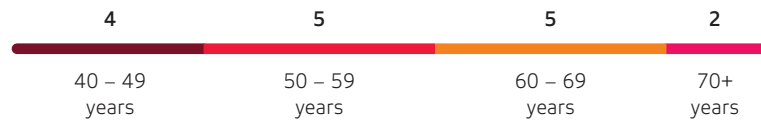
Tenure policy

We provide for a staggered rotation of Board members in order to retain knowledge, skills and experience and to maintain continuity, while simultaneously introducing new expertise and perspectives. Directors serving over nine years are subject to annual re-election.

We review the length of service as part of the succession planning process. A total of 56% of our members are in their first three years on the Board; 25% have tenures of four to six years; 13% have served for seven to nine years; and 6% have served 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 who have served for longer than nine years are categorised as non-independent. Mohamed Husain and Colin Beggs have served on the Board for more than nine years and Mohamed will be retiring at the June 2020 annual general meeting, while Colin will remain as a non-executive director.

Age



Average age 58 years.

2020 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 they become aware of it. Before each scheduled meeting, each director submits a declaration of interest form, outlining his/her other directorships and personal financial interests, including those of their related parties. Where actual or potential conflicts are declared, we implement a recusal procedure and affected directors are excluded from discussions and any decisions on the subject matter related to the declared

conflict. We consider actual and potential conflicts of interest in the annual assessment of directors' independence.

There is no controlling shareholder of the Group. Related parties are disclosed in Note 50 of the Group's 2019 consolidated and separate annual financial statements.

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, policies and ethical standards.
- Demonstrate the behaviours that are consistent with the Group's values.

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

Absa Group is committed to the highest standards of integrity and ethical behaviour and our The Absa Way Code of Ethics outlines the values and behaviours that govern our way of working throughout our business.

In 2019, the Chair of the Social and Ethics Committee made a presentation on conduct and ethics to the Prudential Authority of the South African Reserve Bank. This included a detailed analysis of our policies, implementation, training, effectiveness and future plans in relation to these matters.

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

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, through challenging and approving strategic plans proposed by management, and by monitoring implementation of the strategy and plans within the context of the approved risk appetite, the available opportunities, and the macro and regulatory environments.

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.

Throughout 2019, the Board received regular strategy execution updates. A detailed strategy update on all areas of the business was presented in October 2019 with a view to informing the medium-term plan (budget) approved in December 2019.

ESG-related milestones included:

- Securing shareholder approval for a new share incentive plan to retain and incentivise our key senior managers.
- Approval of customer satisfaction measures.
- Deploying two new compliance monitoring tools. These are NetReveal, which is used for detecting money laundering, bribery, corruption and related nefarious activities among clients, customers and suppliers, and C-Zone, which is used for monitoring share trading, gifts, entertainment and conflicts of interest relating to employees.
- Implementing Workday, a Group-wide human resources technology platform for the management of performance, resourcing, remuneration and pay.
- Approval of the Group's revised Sustainability Policy and Coal Financing Standard.

102-27 Collective knowledge of the highest governance body

Newly appointed directors receive comprehensive induction training. This includes engagement with customer-facing business leaders and functional executives in the areas of risk, finance, treasury, credit, human resources, compliance, legal and internal audit in order to give them a holistic understanding of the Group.

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

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Specific training is delivered through presentations from internal and external experts, as required. In 2019, the Board participated in sessions relating to data protection, cyber risk, climate change forecasts, insights into sensitive sectors, conduct-related legislation, land reform matters and lessons learned from corporate failures and the difficulties being experienced by state-owned entities.

More general upskilling in terms of Board presentations and electronic reading material distributed to directors occurs throughout the year. Topics in 2019 included the World Economic Forum 2019 Global Risks Report, the International Labour Organisation Global Commission on the future of work, and various climate-related power generation matters. These included: (i) Department of Energy: Overview of the Draft Integrated Resource Plan 2018 and the Draft Integrated Resource Plan 2018; and (ii) Council for Scientific and Industrial Research (CSIR): Economic impacts of South Africa's Energy Mix.

102-28 Evaluating the highest governance body's performance

The Group conducts biennial reviews of all governance structures. The last review was completed in 2018 and the next one will be conducted during the course of 2020. During the last process, we assessed the effectiveness of the Board and its committees, individual directors and the Group Chairman. The Institute of Directors of Southern Africa facilitated the process and no significant matters of concern were noted. An action plan is in place to address areas for improvement, and updates are regularly provided to the Board. The Board considered the outcomes of the assessment in recommending directors for re-election by shareholders at the 2019 annual general meeting and in recommending the annual appointment of the Group Chairman after that meeting.

Pursuant to the evaluation and following the mapping of the terms of reference to relevant legislation, we amended the terms of reference of the Social and Ethics Committee to reflect oversight of employment relationships and the Group's contribution towards the educational development of our employees, as well as the Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions.

Group Company Secretary

Our Company Secretary advises the Board and individual directors on their fiduciary duties and on corporate governance requirements and practices. She has unfettered access to the Group Chairman and her office is sufficiently resourced to perform its duties. The Board evaluates the qualifications, competence and experience of the Group Company Secretary annually and remains satisfied that she is qualified for the role. During its annual review in 2019, the Board re-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 2019, various issues were deliberated, including customer health; health and safety on premises; micro-lending; data privacy; resilience; transformation; stakeholder engagement; the UN Global Compact and related requirements; the sustainability policy and coal standard; the introduction of a new foundation; culture; ethics; and the environment.

In addition to matters such as these, Board members engaged with stakeholders at various times throughout the year. For example, the Chairman engaged with shareholders and regulators regarding remuneration, as well as with shareholders, regulators and civil society on climate change. Our Financial Director and Chief Operations Officer engaged with key suppliers on matters relating to cost, delivery, employment equity, and adherence to our policies and standards. The Deputy Group Chief Executive also engaged extensively with regulators in countries that fall under the auspices of Absa Regional Operations on a broad range of matters, most notably the Separation from Barclays and its various impacts including brand and technology. Further and as a matter of course, the Chairman and Group Chief Executive receive customer complaints and correspondence directly and the Executive Committee members engage proactively with customers to offer feedback.

22: ESG 102-19, 102-20 and 102-21

102-30 Effectiveness of risk management processes

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

- Group Credit Risk Committee: credit and concentration risk.
- Social and Ethics Committee: conduct, reputation, people and environmental risks.
- Directors' Affairs Committee: reputational risk.
- Group Audit and Compliance Committee: financial reporting, operational, fraud and tax risks.
- Models Committee: model risk.
- Information Technology Committee: information and technology risk, including cyber risks.

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

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

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

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

102-31 Review of economic, environmental and social topics

In 2019, we undertook a comprehensive review of our environmental and social risk management approach, taking into account current and emerging frameworks such as the UNEP FI's Principles for Responsible Banking, which encompasses the United Nations Sustainable Development Goals and the Financial Stability Board's Taskforce for Climate Related Financial Disclosures. The outcome was a revised sustainability and coal financing standard, which complements the current policies, standards and guidance documents. Standards relating to other sensitive sectors will follow.



Responsible
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The Social and Ethics Committee meets quarterly and, at each meeting, deliberates management's representations including, when relevant, assessment of the impacts, risks and opportunities relating to the environment; the compliance of our buildings with environmental and health and safety norms; our physical presence footprint; the Group's spend in relation to our communities; and other citizenship and constitutional initiatives. It also monitors the Group's activities relating to compliance with 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 the Group's performance against these matters.

2019 Integrated Report

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

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

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

In 2019, 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's 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 FTSE4Good Index, the Carbon Disclosure Project and the Dow Jones Sustainability Index.
- Approved the Group Transformation scorecards for 2019 and 2020.
- Approved this 2019 Environmental, Social and Governance Report and the 2019 Broad-Based Black Economic Empowerment Report.

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

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

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

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

We do not disclose the number and nature of specific critical concerns, however, the thematic critical concerns for 2019 included:

- Compliance with and/or readiness relating to various regulatory frameworks, including International Financial Reporting Standards accounting standards, capital and liquidity, privacy, and conduct
- Progress with the Separation and the embedding of the Group strategy in each of the businesses and the related operating models (with the functions generally being less centralised and more federalised)
- Socio-political issues, including:
 - The governance and going concerns status of state-owned entities.
 - Low growth and high unemployment.
 - State capture in South Africa.
 - Land expropriation without compensation in South Africa.
 - The independence of the South African Reserve Bank.
 - The knock-on impact of each matter of these matters on the economy and outlook.
- Fraud, including cybercrime.
- The payments and the control environment.
- Transformation in the financial sector and the related ownership of equity in the Group.

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

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

2019 Remuneration Report

102-37 Stakeholders' involvement in remuneration

Following the 68.5% 'for' shareholder vote in 2019 on the 2018 Remuneration Implementation Report and 88.9% vote 'for' our remuneration policy, we held a teleconference call with shareholders on 25 July 2019 to obtain feedback. The Remuneration Committee has taken steps in good faith and with the best reasonable effort to address concerns raised.

A total of 97.44% (2018: 94.11%) of shareholders voted in favour of the proposed remuneration of the non-executive directors, and 97.77% in favour of the new Absa Group Share Incentive Plan, at the 2019 annual general meeting.

2019 Remuneration Report

Outcomes of voting at the 2020 annual general meeting scheduled for 4 June 2020, will be made available thereafter on www.absa.africa and SENS.

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5. Stakeholder engagement

102-40 List of stakeholder groups

Our key stakeholder groups are our investors, analysts, customers, employees, recognised trade unions, regulators, government, planet and society, which includes suppliers, community organisations and the media.

102-41 Collective bargaining agreement

We have recognition agreements with 14 (2018: 13) trade unions across our operations covering 56% (2018: 53%) of our employees.

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

🏠 Stakeholder engagement is an important value-creating process that is of critical importance in furthering the growth ambitions of Absa. Engaging with stakeholders in a structured and well-coordinated manner, through meaningful, transparent communication, enables us to cultivate relationships that can serve as valuable capital in both good and challenging times. It is a process that provides valuable information about our business, social, political and physical environment. Principle 16 of King IV advocates for the adoption of a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders with the best interests of the organisation over time.

We require engagement with our stakeholders to shape strategic thinking and hone our own decision-making processes. We therefore regard all of our material stakeholders as important partners and seek to effectively identify, understand and manage all of them to enhance business sustainability, reduce risk and ensure a successful implementation of our strategy.

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

Management of stakeholder risk is an integral part of group-wide risk management. Our stakeholder management framework:

- i Enhances the Board and Social and Ethics Committee's supervision and direction of stakeholder engagement matters and
- ii Recognises our decentralised stakeholder engagement approach, which makes use of a central point to collate engagement results.

Where relevant, executives define the engagement approach, including the mechanisms of engagement, the frequency of engagement, issue management, reporting and dispute management. It is the responsibility of all employees to manage relationships effectively, guided by The Absa Way Code of Ethics, to ensure, within reason, that both internal and external stakeholders' reasonable needs and expectations are met.

We continue to improve the measurement of the quality and maturity of stakeholder relationships. The foundational elements for stakeholder relationship management are present at varying levels of maturity within our governance structures. We have:

- A Group-level stakeholder engagement policy.
- Governance structures that include executive-level accountability for each stakeholder group.
- Governance structures for each of our identified stakeholder groups and for prioritising key matters.

Further, we continue to develop and/or refine our stakeholder management methodologies and are in the process of formalising centralised reporting on stakeholder activities and outcomes, including on the development of measurement tools to determine the effectiveness of engagement activities. Continuous assessment and monitoring of our stakeholder engagement efforts is critical to ensure that we remain responsive to stakeholder needs and interests.

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.

Stakeholder engagement principles

The following principles underscore our engagement with stakeholders:

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



Shareholder perspectives

To deliver sustainable performance, we balance the needs of stakeholders over the short and long term. It is through these relationships that we meet and create value for the Group and our stakeholders. 2019 Integrated Report, pages 59 – 70



Investors

Who they are

- Over 22 000 local and international shareholders, including retail, asset managers, pension funds, sovereigns and corporate holdings.
- Investment analysts and prospective investors.
- Debt investors.
- Credit rating agencies: Moody's and Standard and Poor's.

Needs and expectations

- Sustained financial returns.
- Sound risk management that takes operating conditions, competition and opportunities into account.
- Improved efficiencies, while managing strategic investments.
- Completion of the Separation within planned budget and timelines.

How we measure success

- Return on equity.
- Revenue growth.



Customers

Who they are

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

Needs and expectations

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

How we measure success

- Customer service satisfaction measures such as Net Promoter Score.
- Complaints management performance.
- Market shares.
- Cross-sell ratio.



Employees

Who they are

- 38 472 employees (South Africa 28 296, Absa Regional Operations 10 149; international 27).
- 61.1% women and 38.9% men.
- 75.8% AIC¹ employees (South Africa).
- Employee trade unions.

Needs and expectations

- An ethical workplace with opportunities to contribute to society at large and which are supportive of environmental and social sustainability.
- A diverse and inclusive workplace where all employees are treated equally.
- Job security, strong leadership and change management through the Separation and restructuring.
- Fair pay and terms of employment with market-related reward and benefits.
- Training, development and career opportunities.

How we measure success

- Employee engagement.
- A diverse and inclusive workforce.
- Ability to attract, develop and retain talent/critical skills.

¹ All African, Indian or Coloured people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.

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49	402 Labour/management relations
49	403 Occupational health and safety
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Society

Who they are

- Individual citizens.
- Civil society, media and non-governmental organisations.
- Suppliers.

Needs and expectations

Contribution to solutions addressing societal challenges as articulated in:

- The United Nations SDGs.
- National development plans.
- Global environmental, social and governance frameworks.

How we measure success

- Recognition for our Role in Africa's growth and sustainability activities including contribution to the SDGs.
- Supplier diversity and localisation.



Planet

Who they are

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

Needs and expectations

- Proactive management of the environmental and societal impacts of our business to encompass lending practices and our operational footprint.
- Mobilising funds to support the transition to a low-carbon economy.

How we measure success

- Carbon emissions per full-time equivalent employee.
- Resource use and waste management.
- Share of lending to low carbon economy and environmental risk management.



Regulators

Who they are

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

Needs and expectations

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

How we measure success

- Effective compliance with regulatory change.
- Strong capital and liquidity levels.

102-45 Entities included in the consolidated financial statements

We provide a list of related parties, including subsidiaries and consolidated structured entities, in note 50.2 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.

2019 Annual consolidated and separate financial statements

102-46 Defining report content and topic boundaries

Our ability to create value is impacted by a variety of factors, ranging from the operating environment and our responses to the risks and opportunities it presents 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 an outline of how we are managing and governing our responses to these matters.

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Market drivers, risks and opportunities (material matters)

Material matters and our report boundaries

Our ability to create value is impacted by a multitude of factors, including the operating environment, our responses to the risks and opportunities and our chosen strategy.

Strategic ambition

Our corporate strategy was developed after making deliberate choices about the kind of organisation we want to be, as well as about the shifts required. Our aim is to:

- Focus on growth and sustained high returns.
- Build an African organisation with globally scalable platforms.
- Become customer obsessed.
- Build a culture of inclusivity, diversity, entrepreneurship and ownership.
- Transform into a digital organisation.
- Become an active force for good in society.
- Maximise the potential of our current portfolio while simultaneously exploring new opportunities and disposing of non-core assets.

Our strategy rests on the goal of sustainable growth by bringing possibilities to life.



1. Identify and assess

Our integrated planning factors in who we are, our capabilities, our strategic ambitions and our operating environment. We consider our current and future resource needs and our stakeholders' legitimate needs across the Six Capitals.

Our stakeholders' expectations / concerns can be summarised as followed:

All stakeholders Ethical behaviour, sound governance, and active management of environmental and social concerns. Strong risk management encompassing fraud, technology and cyber risks, and climate change. Contribution to transformation, diversity, inclusion and socioeconomic upliftment.

Customers Convenient, safe and reliable financial products and services delivered in a fair and responsible manner.

Employees Fair reward and recognition, personal and professional development opportunities and an enabling workplace.

Regulators and government A stable financial services industry, fair treatment of customers and the efficient execution of regulatory change.

Society Contribution to solutions addressing societal challenges as articulated in the United Nations SDGs such as economic growth, financial access, constitutional support and education.

Planet Responsible consumption. Active management of climate-related risks and support for the transition to a low-carbon economy.

Investors Separation, strategic execution and sustainable returns.

2. Prioritise and plan

We consider the key matters within the context of:

- Our strategic ambition as outlined alongside.
- Our purpose, goal and values.
- Our business model, current strategy and approved risk appetite.

The prioritisation of operational requirements, strategy and change initiatives consider the following:

- Potential opportunities.
- Current and anticipated economic and socio-political conditions.
- Stakeholders' perceptions and expectations.
- Resource needs and the relative availability of resources.
- Company-specific events e.g. Separation from Barclays and changes to the business model.
- Mandatory regulatory-driven requirements.

Potential opportunities are assessed within our risk appetite framework to ensure a balanced approach between future growth and responsible risk management. We also consider possible changes and refinements to our strategy and our business model to remain relevant and competitive.

An important part of our integrated planning process is to consider the identified matters in light of:

- The trade-offs between possible responses;
- Timing and execution requirements;
- The likelihood and magnitude of the effect of these matters; and
- The importance to, and impact on, our strategy.

3. Respond and monitor

Our strategy rests on the goal of sustainable growth by bringing possibilities to life. To achieve this, we identify specific actions to ensure we respond appropriately to our material issues. Our progress, including metrics against which we measure ourselves, are monitored by our executive committee as well as our Board and the various Board committees in accordance with their terms of reference.

4. Report

Integrated reporting

The focus is on the matters which have or could materially impact on our ability to create value in the short, medium and long term as envisioned in the International Integrated Reporting Council's <IR> Framework. This encompasses:

- Current and future risks and opportunities;
- Material matters and our responses, including qualitative and quantitative disclosures;
- The relevance to our strategy and the influence on our business model; and
- The impacts on value created for our stakeholders.

In doing so, our aim is to provide stakeholders with a succinct yet sufficiently informed view of the organisation, the challenges and opportunities we face, and our approach to creating and distributing value.

ESG reporting

This provides more in-depth information on material matters as guided by the relevant frameworks.

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102-47 List of material topics

We outline the material matters as arising from our operating environment and the resulting risks and opportunities in our 2019 Integrated Report. Our material matters include:

- Competition and technological change.
- Regulatory change, risk management and governance.
- Macroeconomic, socio and political flux.
- Climate change.
- Transformation within a sustainable development context.

[2019 Integrated Report](#)

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

Notable financial reporting changes

As mentioned earlier in this report, Barclays executed the sell-down of its controlling interest in the Absa Group on 1 June 2017. The Separation is the term used to refer to the programme of activities required to 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. We report both International Financial Reporting Standards compliant financial results in our 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 in which the financial impact is considered material.

IFRS 16 was implemented from 1 January 2019.

[2019 Annual consolidated and separate financial statements \(Note 1.21 – Reporting changes\)](#)

Environmental data

Our data collection processes are continuous and each year we report the most accurate data available for the baseline and subsequent years. This can lead to restatements of previously reported data if data quality improves, more data is available, or updated CO2 emission factors are applied. In cases in which we have collected new data for previously unreported consumption, we will restate the baseline if the new data amounts to a material change greater than 1% of the total consumption. If the change is less than 1%, we will report consumption from the point at which the data became available. If it is greater than 1%, we will restate the baseline and previous year's figures based on actual or estimated figures.

In October 2019, we aligned to the latest carbon conversion factors, as released by the International Energy Agency and Department for Environment, Food and Rural Affairs and backdated to January 2019.

Our utility strategy to install more smart meters will improve the accuracy of our environmental data and lead to increased automation. It will help us to identify opportunities to reduce our operating costs and environmental impact. We have further improved our internal processes for our environmental data after both an internal and an external review.

Material topics/topic boundaries

The Separation activities influences some of our responses to matters identified as material. We deal with these 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 report and 102-52 Reporting cycle

Our reporting period runs from 1 January to 31 December. Any notable or material events after this date and up until the approval of our 2019 ESG Report are included in the report. This document forms part of our 2019 Integrated Report suite issued for the reporting period ended 31 December 2019. Further, we publish interim financial results and additional risk and capital disclosures, which are published at various times throughout the year in accordance with regulatory requirements.

[Our annual report archive is available at www.absa.africa/absafrica/investor-relations/financial-results/](http://www.absa.africa/absafrica/investor-relations/financial-results/)

102-53 Contact point for questions regarding the report

Queries and/or comments should be sent to groupsec@absa.africa and these will be re-directed internally depending on the nature of the query.

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

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

102-56 External assurance

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

Assurance service providers and functions may include the following:

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

The assurance for each published report is disclosed on the opening pages.



103 Management approach

103-1 Explanation of the material topics and its boundaries

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

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

In this 2019 ESG Report, identified material issues are those that reflect our significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders.

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

However, the level of disclosure on certain issues, such as occupational health and safety, and environmental issues, are more detailed 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 matters 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 services organisations play a central role in financing the real economy by, for example, providing finance to:

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

3. Community support

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

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

4. Procurement

We manage our supplier relationships through a risk-based approach. Our Group Procurement Policy provides the minimum control requirements applicable to procurement within Absa Group. The policy is supported by our Supplier Diversity Standard and External Supplier Management Standard.

5. Fighting financial crime

Each country's financial system – and its ability to interact effectively with the global financial system – is essential for both the country's 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 nevertheless continue to have a wide economic impact on society and there is an ever-increasing need to ensure appropriate conduct.

The financial services sector is strengthened by the actions we take to fight financial crime in all its forms. The legislative framework imposes personal liability for failing to adhere to the regulatory requirements pertaining to money laundering, terrorist financing and sanctions and criminal liability for the facilitation of these actions.

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's Good Practice Guidance for Development Co-operation, which emphasises that business should work against corruption in all its forms, including extortion and bribery. Our training and awareness programmes, underpinned by clear policies, ensure that our employees complete fighting financial crime training, which includes anti-bribery, anti-corruption, anti-money laundering and sanctions modules.

Although digitisation is essential to remain competitive, the risk of attack increases due to the attractiveness of the amount of sensitive data processed and stored, as well as the critical role banks play in the functioning of payment and settlement systems.

In the last five years, the world has seen an unprecedented increase in the number of data breaches, ransomware and malware attacks, as well as an increase in public sensitivity and regulation that requires increased security rigour. These attacks continue to increase in their co-ordination and sophistication. We have launched our Cyber Security Centre, which monitors malicious behaviour on a 24/7 basis and have well established response protocols. Cyber risk is generally accepted as one of the top global risks and the specialist-skills market is highly competitive. In Africa specifically, the demand for local experts exceeds the supply.

We subscribe to the guidance notes from the South African Reserve Bank and update the regulators on the protection of our own data as well as data of our customers. If there is an incident, we inform the regulator and we take the approach of being open, honest and transparent, whether it is with the regulator or with the customer base.

In addition, we run the scenarios specified in our incident response plans with our Board and Executive Committee on a quarterly basis, so that members can understand cyber risk, including both the physical risk and the resilience risk.

52: ESG 404-2



Case study

Financial taskforce against illegal wildlife trafficking

As a founding member of the United for Wildlife Financial Taskforce, 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 related to illegal wildlife trafficking. We are also developing machine learning analytical models to identify potential perpetrators and actively engage with various public sector groups, including in the South African Police Services, the Financial Intelligence Centre and the National Prosecuting Authority, to contribute to the ongoing improvement of our internal investigations capabilities.

In October 2019, we hosted an Illegal Wildlife Trafficking Academy in Kenya, which brought together experts and stakeholders from the financial industry, law enforcement, financial intelligence, NGOs and government to share knowledge and perspectives on the crime of illegal wildlife trafficking, its impact on East Africa and on what financial institutions can do to minimise or eliminate it. The Academy was oversubscribed, demonstrating that both the private and public sectors are determined to combat illegal wildlife trafficking.

Environment

We are aware of our role as environmental stewards and of the fact that our environmental impact is both direct and indirect. Our direct environmental impact or footprint comes about as a result of doing business, while our indirect impact occurs through our lending and investment practices.

1. Direct environmental footprint

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

Operational environmental risks and opportunities relate to greenhouse gas emissions, water use and wastewater generation, as well as the procurement of the goods and services needed to operate our business. Our corporate real estate team evaluates and manages these risks and

opportunities in collaboration with relevant business units such as Group Procurement. We aim for continuous improvement in mitigating our direct environmental impacts by reducing our use of natural resources and preventing pollution.

46: 300 Environmental

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 our mitigation of environmental and social risks. The Standard details the minimum requirements and controls for identifying transactions with potential environmental and social risks, outlines when the Equator Principles must be applied, and gives details of the circumstances under which referral to the environmental credit risk management team is required. Our Nuclear Industry Risk Standard and new Coal Financing Standard stipulates specific required obligor assessment parameters and mitigating actions for clients that engage in activities related to these sectors. Sector-specific guidance notes outline key sector and reputational risks, headline issues and considerations to inform decision-making. These include:

- Agriculture and Fisheries
- Chemicals and Pharmaceuticals
- Conflict Blood Diamonds
- Forestry and Logging
- General Manufacturing
- Infrastructure
- Mining and Metals
- Oil and Gas
- Power Generation and Distribution
- Service Industry
- Utilities and Waste Management

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

Mechanisms include:

- Customer-facing employees and credit analysts review the transaction for environmental and social risks as part of the credit review and approval process, guided by our specialist environmental credit risk team.
- Credit analysts consider environmental risk when providing facilities with credit as environmental credit risk is embedded in the credit risk process. They document applicable material risks and mitigating actions in the credit paper.

- Transactions are referred to the appropriate committees for approval, as determined by credit policy and business procedures, both for initial support and for final credit approval.
- Financing requests for sensitive sectors are assessed on a case-by-case basis and the process includes considerations such as the need for critical power and the country's strategic development commitments.
- Where appropriate, we appoint independent environmental consultants to assess and mitigate the identified risks.
- A transaction will be rejected based on a holistic decision that considers numerous factors, including environmental and social risks. Finance will be provided after all requirements have been met.

Where appropriate, identified environmental and social risk gaps identified are included in action plans and covenanted in facility agreements.

Equator principles

Since 2009, we undertake environmental risk assessments of all transactions, including project finance and project-related corporate loans, that fall within the thresholds defined in the Equator Principles. All Equator Principles transactions are reviewed by the environmental credit risk management team, which works closely with the business and legal teams.

Equator Principles projects are categorised in terms of the International Finance Corporation's environmental and social categorisation process as category A, B or C based on the expected magnitude of their environmental and social impacts.

Members of the Equator Principles Association have recently voted in favour of updates that enhance their scope and standards, as well as their human rights, climate change and biodiversity requirements. We are therefore in the process of amending our policies, standards and processes to ensure effective implementation on term sheets and mandates signed on or after 1 July 2020.



Equator principles

0 (2018: 12) Project finance transactions¹

0 (2018: 1) Project-related corporate loans² reaching financial close

0 (2018: 0) Project finance advisory services

1 (2018: 0) Project-related bridge loan

Other transactions

3 619 (2018: 3 464) Commercial property finance transactions

84 (2018: 103) General transactions

¹ over USD10m

² over USD100m that meet specified criteria

	Project finance						Project related corporate loans					
	2018			2019			2018			2019		
	A	B	C	A	B	C	A	B	C	A	B	C
Sector												
Mining and metals	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-	-	-	-	-	-
Power generation	-	12	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Region												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe, Middle East and Africa	-	12	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Country designation												
Designated country	-	-	-	-	-	-	-	-	-	-	-	-
Non-designated country	-	12	-	-	-	-	-	-	-	-	-	-
Independent review												
Yes	-	12	-	-	-	-	-	-	-	-	-	-
No	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	12	-	-	-	-	-	-	-	-	-	-

- A – potentially significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
- B – potentially limited adverse social or environmental impacts that are few, generally site-specific, largely reversible and readily addressed through mitigation measures.
- C – minimal or no social or environmental impacts.

General transactions

Sector	2018	2019
	A	A
Mining and metals	24	26
Infrastructure	16	15
Oil and gas	21	16
Power generation	2	4
Power generation (renewable energy)	10	8
Agriculture and fisheries	3	1
Chemicals and pharmaceuticals	4	2
Manufacturing	8	2
Services	10	7
Utilities and waste management	5	3
Region		
Americas	1	1
Europe, Middle East and Africa	102	83
Asia Pacific	0	0
Total	103	84

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

As part of the environmental risk assessment process, the customer relationship, legal, transaction support and environmental credit risk teams engage with the customer during the transaction life cycle to ensure environmental and social risks are appropriately mitigated and that financing opportunities which support the green finance economy, such as renewable energy opportunities, are identified.

Where appropriate, environmental risk management monitoring requirements are included in loan contracts in order to manage applicable environmental or reputational risks. The significance of the environmental risks identified during the environmental risk assessment process drives monitoring frequency, but we nevertheless 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 regarding environmental issues of concern or to address cases in which unsatisfactory progress has been identified in order to agree on 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.

In focus: Coal Financing Standard

Although there is a strong global trend away from using fossil fuels in power generation, Africa remains heavily reliant on coal for power. We recognise that power generation from coal contributes to air pollution and is the largest source of greenhouse gas emissions, which lead to global warming. Any policy decisions should therefore take a balanced view of the impact on the economies, their development plans, affected communities, investors, clients, other stakeholders and the environment. This standard, which applies to the Group and all its subsidiaries, supports the Group Sustainability Policy and our Enterprise Risk Management Framework. It applies to all new finance, including project finance and corporate lending to affected companies, as well as the use of any other financial vehicles, such as equity invested in companies.

The standard provides an overview of our position on financing coal mining and new coal-fired electricity generation; the minimum requirements fund coal mining; and specifics relating to the enhanced due diligence required for all new coal-related projects.

In addition to the focus on new thermal coal projects, we will apply an enhanced due diligence lens to financing companies that use metallurgical coal and coal used by companies in boilers and furnaces.

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Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

Our environmental credit risk management learning programme enhances internal credit and bankers' knowledge and awareness of environmental and social risks and of how these relate to sustainable finance. In 2019, five employees completed this programme, either through an interactive online training course or by attending general environmental credit risk presentations. A number of employees also attended industry-led Environmental Scenario Analysis training sponsored by GIZ and facilitated by Acclimatise.

Climate scientists from the University of the Witwatersrand made presentations to the Group's Board as well as a range of employees from banking, risk management and operations. A further deep dive session to sensitive sectors was conducted with the Group Board and Executive Management Committee.

Interactions regarding environmental and social risks and opportunities

Using various platforms, we engage on developments in the environmental risk field, on international and regional sustainable finance issues and related regulatory developments, and on environmental impacts in an effort to broaden our understanding of both environmental and social risk.

On an ongoing basis, we are:

- A member of the Banking Association of South Africa's Sustainable Finance Committee, Climate Risk Committee and Positive Impact Working Group.
- A member of the United Nations Environment Programme Finance Initiative (UNEP FI), which includes active participation in Phase 2 of the Task Force on Climate-related Financial Disclosures pilot.
- A member of the National Business Initiative and a local representative of the CDP.

During 2019, we also participated in:

- The Equator Principles annual meeting.
- The International Finance Corporation's Community of Learning, held in Singapore.
- The UN Climate Week in New York.

In addition, we participate in a range of information events/webcasts, hosted by various stakeholders such as the UN Global Compact, the University of Cambridge Institute for Sustainable Leadership, the GRI and the CDP.

Social

The management of social impacts cuts across our business, ranging from the provision of financial products and services to our employment practices and 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 being sold to customers.
- Unsuitable financial advice being given to customers.
- Financial products and services underperforming or even failing.
- Ambiguous communication about products.

Treating Customers Fairly is a mechanism that allows us to respond to increasing calls 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.
- Retail products and services that are designed to meet the needs of our consumer groups.
- Clear information before, during and after the point of sale.
- Suitable advice that takes account of the customer's circumstances.
- Products that perform to expectation and associated 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 responsibility to ensure that our employees have the necessary competencies, qualifications and experience, as well as the personal honesty and integrity, to fulfil their duties. In addition to meeting the relevant regulatory requirements in our presence markets, various policies and standards such as the conflicts of interest and employee relations policies guide our daily interactions with customers.

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

We develop and review products and services considering our Product Review Policy, Product Risk Policy, Conduct Risk Policy and our Reputation Risk Policy with the aim of addressing potential product risks and associated market conduct. The product development and review process considers customer and public feedback, new or amended laws and regulations, and from regulators, trade bodies and consumer organisations. Our products are developed and approved through a rigorous process overseen by the Group's Product Approval Committee. We conduct post-launch risk reviews to confirm that the product operates as designed and that the necessary controls to protect both the customer and the Group are in place.

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

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

4. Labour practices and decent work

The Group considers all relevant local labour-related regulations as well as the International Labour Organisation Protocol on decent work and working conditions. We display the Basic Conditions of Employment Act (1997) and the Employment Equity Act (1998), as amended, in all of our buildings.



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.

We reviewed our sexual harassment policy and provided awareness workshops throughout 2019 to ensure its principles are embedded in our culture. The policy clearly defines and prohibits sexual harassment and details the procedures for lodging complaints.

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 to conducting our global activities free from any form of bribery or corruption. Our performance management processes and reward decisions emphasise behaviour and commercial objectives, encouraging the right conduct and making the consequences of misconduct clear.

7. Transformation

In our commitment to transformation, we aim to promote diversity and inclusion as a catalyst for sustainable growth. Our transformation agenda covers a broad range of activities from our employment and procurement practices to the development of our products and services, which are designed to serve a wide spectrum of customers. This focus is supported by our commitment to the United Nations Sustainable Development Goals.

In South Africa, we focus on South African employment equity and the requirements of the Amended Financial Sector Code, which emphasises historically disadvantaged South Africans.

2019 B-BBEE Report

103-3 Evaluation of the management approach

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

1. Absa became a founding signatory to the UNEP FI Principles for Responsible Banking, committing to strategically align its business with the Sustainable Development Goals and the Paris Agreement on Climate Change. The Principles provide an effective framework to systematically identify and seize new business opportunities created by the emerging sustainable development economy, while at the same time enabling the bank to effectively identify and address related risks.
2. In terms of direct environmental impact, we continue to develop our central environmental data collection system, to capture data across our operations and to monitor performance against targets across the organisation. This enables us to identify areas where investment or focus is required in order to ensure that we continue to deliver emissions reductions. We are assessing a science-based approach for our target setting going forward.
3. We continue to make use of best-practice external benchmarks and self-assessment tools. We also analyse the outcomes of independent assessments from various sources, such as local and international ESG indices and independent ESG assessments, to confirm the effectiveness of various programmes and controls or to enable us to identify efficiencies and, where feasible, to adopt appropriate remedial and/or mitigating steps.

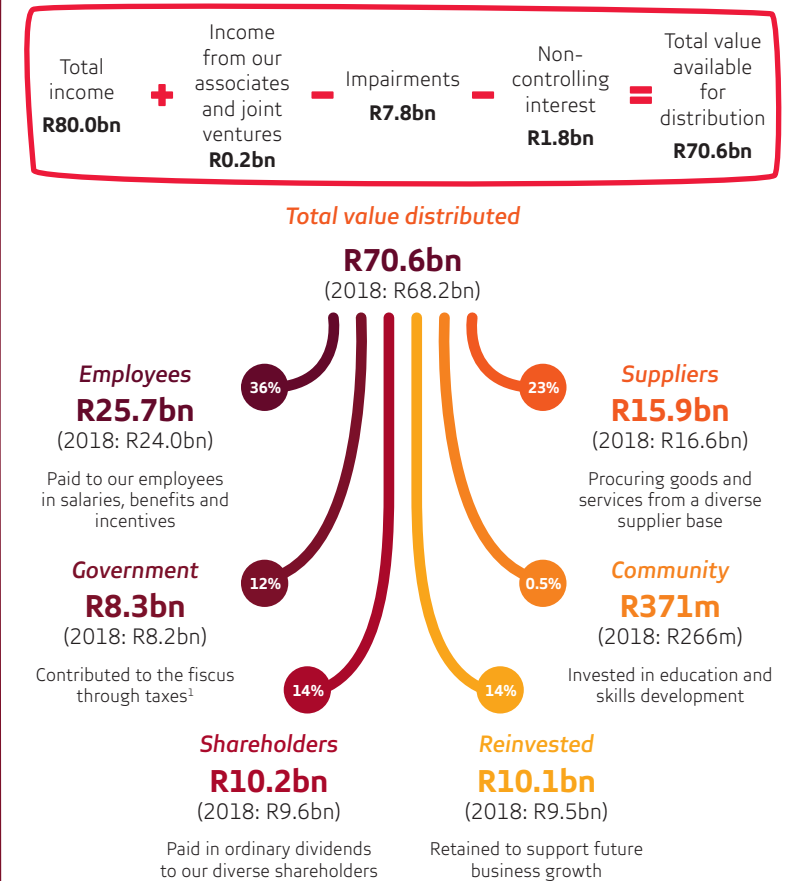
200 Economic

Refer to ESG 103 for our management approach.

201 Economic performance

201-1 Direct economic value generated and distributed

Through sustainable financial performance, we create wealth and in turn distribute this wealth to key stakeholders – namely employees, suppliers, government, society and shareholders – while retaining funds for future growth.



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



Focus on tax

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

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

Sound governance and transparency

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

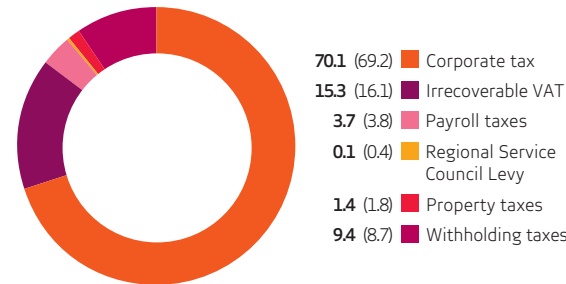
Our tax planning principles

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

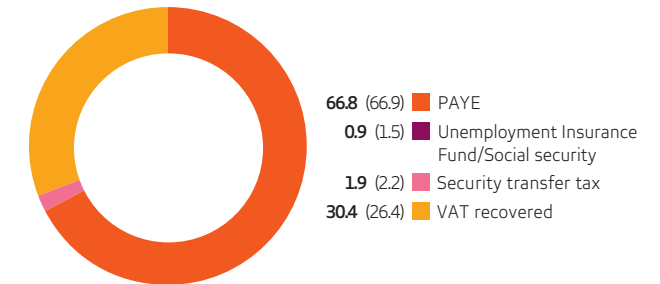
- Support genuine commercial activity.
- Comply with the law.
- Comply with generally accepted customs and practices.
- Be of a type that the tax authorities would expect.
- Only be undertaken with customers sophisticated enough to assess its risks.
- Be consistent with, and be seen to be consistent with, our Purpose and Values.

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

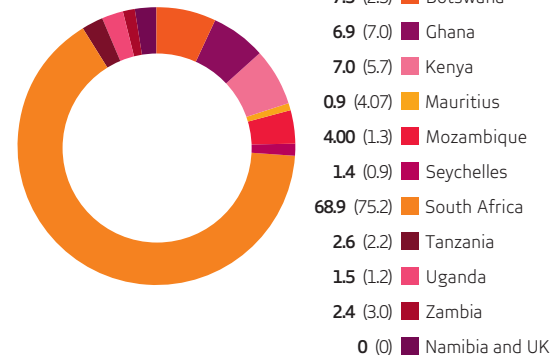
Taxes paid (2018 comparison)
Per tax type (%)



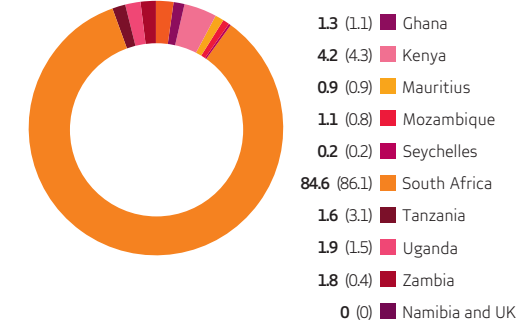
Taxes collected on behalf of governments (%) (2018 comparison)
Per tax type (%)



Taxes paid (2018 comparison)
Per country (%)



Taxes collected on behalf of governments (2018 comparison)
Per country (%)



PwC 2018 Building public trust through tax transparency initiative (JSE Top 100)

This is a commendation for our voluntary tax disclosures and ongoing efforts towards tax transparency, notably the linking of total tax contributions to the Board's responsibilities in terms of King IV, the governance of tax, the detailed tax code of ethics, and the tax contribution breakdown per jurisdiction and per type of tax.



Our tax code of ethics

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

- Our approach to taxation is clearly set out, and our tax reporting is transparent and informative to stakeholders.
- We aim to have professional and constructive relationships with tax authorities.
- We handle dealings with tax authorities and respond to their feedback proactively, constructively and transparently, recognising that early resolution of risks is in everyone's interest.
- We are cooperative and helpful when dealing with enquiries raised by tax authorities.
- We ensure that all tax planning is subject to a robust review and approval process.
- We handle any litigation necessary to resolve differences of opinion in a way that is consistent with our Values.
- In cases where it is unclear how tax law should be applied; we normally engage with tax authorities in advance of undertaking transactions to confirm the correct application of tax law.

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

Responsible approach to tax

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

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

Key elements of our approach include:

Our philosophy

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

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

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

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

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

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

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

To ensure we manage tax compliance, including the retention of necessary tax documentation, efficiently and effectively, 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 transactions between themselves on an arm's-length basis, reflecting the economic substance of the transaction in accordance with established international standards and local tax laws.
- We have business operations in certain jurisdictions that have low tax rates. For example, we operate full-service retail and corporate banking businesses in Mauritius. We do not, however, market the tax benefits of offshore financial centres to our customers. Where a customer chooses to invest via an offshore financial centre, we will only provide the customer with services that are compliant with our tax principles.
- When necessary, we consult with reputable external 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 that are specifically intended by government. We would not provide a product if the tax planning in question did 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 all of the necessary information in terms of various reporting requirements to the relevant tax authorities. These include the requirements of the United States Foreign Account Tax Compliance Act and the Organisation for Economic Co-operation and Development's Common Reporting Standards, which require that our entities throughout Africa share customer information with tax authorities. We also provide country-by-country reporting to assist with the prevention of tax evasion.

Our governance and tax risk management

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



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

The formal procedures around governance of tax matters are consistent with the Group's enterprise risk management approach, which includes tax risk as a key risk under the operational principal risk. 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 Financial Reporting Interpretations Committee 23. We disclose materially uncertain tax positions and our external auditors evaluate these.

Tax reporting

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

There may be transactions and calculations for which the ultimate tax treatment is uncertain. The carrying amount of any provisions that might require recognition will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances will only be concluded after 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, and the nature of the relevant tax environment impacts on 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.

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

Nature of operations

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

Country	Number of employees	Revenue less other income Rm	Profit before tax Rm	Total tax Rm	Corporate taxes Rm	Payroll taxes Rm	Irrevocable VAT ² Rm	Withholding tax and other taxes Rm
Botswana	1 200	2 263	935	715	363	0	52	300
Ghana	1 167	3 111	1 816	658	583	23	28	24
Kenya	2 398	4 967	1 567	669	626	1	42	0
Mauritius	743	2 023	880	86	29	10	37	10
Mozambique	857	1 202	254	130	26	0	16	88
Seychelles	282	538	162	94	68	19	6	1
South Africa	28 296	60 776	14 657	6 604	4 779	231	1 156	438
Tanzania	1 662	1 840	363	250	110	33	34	73
Uganda	934	1 238	379	146	23	24	49	50
Zambia	890	1 647	528	233	116	10	48	59
Other ¹	43	8	0	2	1	0	0	1
Total	38 472	79 613	21 541	9 587	6 724	351	1 468	1 044

¹ Representative offices in Namibia, Nigeria, United Kingdom and United States.

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

Explaining the numbers

Country: we pay tax in local currency and convert to rand. In most cases, we determine the country in which to report activity by determining the country of tax residence. Where activities are conducted by entities that are not themselves subject to tax, then we consider 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. It is possible that tax is paid in a different country to the one in which profits, upon which the tax is paid, are reported.

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

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

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

Corporate taxes: payments made in 2019, but these rarely relate directly to the profits earned in the year as tax on profits is paid across multiple years and taxable profits are calculated as prescribed by tax law. This usually results in differences between accounting and taxable profits. It is possible that relatively high corporate tax is paid when accounting profits are low and vice versa. The amount of corporate tax paid is not separately disclosed in the financial statements. In some African jurisdictions, additional taxes are levied by way of stabilisation levies, turnover taxes and other percentage-based levies. The normalised effective tax rate for the Group is 26.2% (2018: 28.1%). Non-taxable dividend income and non-deductible expenditure, which is not disbursed in the production of income, are the main drivers of the effective tax rate, as disclosed in the notes to the annual financial statements.



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

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

Withholding tax and other: Withholding taxes comprise the tax charged on dividends or other income received, which is typically paid at the point of a distribution from one country to another. We have kept these amounts separate from corporate taxes paid. Other taxes are the material property taxes that were paid in 2019 and include, for example, taxes on the properties used in our business, including our network of branches. Other taxes include regional services levies, which are applicable in some jurisdictions.

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

An enabler of Absa's growth strategy is a commitment to playing a shaping role in society. This is reinforced by our social promise to lead with a conscience, contribute to society, and do the best for people and planet. We recognise that our own sustainability is directly linked to the sustainability of the communities in which we operate and so we aim to have a positive influence on them. Our most significant impact in society is through the products and services we deliver for customers and clients every day. By tackling societal challenges through commercial business models, we have been able to offer scalable solutions for all stakeholders. Over and above the impact of our core business and the way in which we conduct our operations, our citizenship strategy extends these positive impacts through (i) education reform and employability; (ii) strategic initiatives and engagements; and (iii) thought leadership and innovation.

Education reform and employability

We focus on improving employment prospects and of building future leaders with the goal of positively impacting national, industry and business competitiveness. We do this by strengthening individual capability, building institutional capacity and contributing to the reform of the education system to ensure a transformative impact.

- **Scholarships** are awarded to address the financial challenges faced by tertiary education students pursuing degrees in commerce, technology, science, engineering, humanities, design and art. The majority of the beneficiaries are in their final year of study. In 2019, we invested R221m in scholarships, reaching 5 433 students (2018: R181m; 4 144) across 100 universities. This represents a total of R607m from 2017 to 2019.
- **ReadytoWork** aims to equip young people with the crucial soft skills needed to improve their employment or self-employment prospects. The programme is delivered mainly through face-to-face training, reaching a total of 35 169 young people across Africa. The programme is delivered through civil society organisations, trade associations and higher education institutions that are able to incorporate ReadytoWork content into their existing education programmes.
- **Artificial Intelligence in Africa** is delivered in partnership with the Kgalema Motlanthe Foundation. The three-day boot camp reached 120 disadvantaged girls in 2019, introducing them to the concepts of digital technology and design thinking to enable them to create solutions to the challenges that face their communities. The initiative aims to facilitate a change in mindset among young women so that they can see themselves as innovators and problem solvers, and to ignite their interest in science, technology, engineering, arts and mathematics careers.
- **e-Cubed** (entrepreneurship, employability and education) is a priority project of the South African National Department of Basic Education designed to develop a new generation of values-based South Africans who are equipped for employment or entrepreneurship upon completing their basic schooling. Delivered through new teaching methods, the curriculum is action-oriented and incorporates relevant technology and diverse forms of teaching media to ensure that it is fun, engaging, stimulating and transformative. A total of 2 000 learners and 727 educational officials, including teachers, principals and circuit managers, from 332 schools in all nine provinces were reached in 2019.

Discover more about our activities



Absa Cyber Security Academy



GirlsInTech



Absa | GIBS Spirit of Youth



Absa | Columbia Leadership Academy



ReadytoWork



- **Gauteng Department of Education Schools of Specialisation** are distinct from other public schools due to their strong focus on technical and vocational content. These schools offer a highly specialised curriculum with hands-on training and experience complementing the theoretical education. Absa supported three schools in three sectors in 2019, reaching over 2 000 learners. The sectors and schools involved were:
 - Commerce at PACE Commercial Secondary School, which focuses on finance, hospitality and tourism.
 - Agriculture at Magaliesburg Secondary School, which focuses on agri-processing, agriculture, mining, tourism and veterinary sciences.
 - Arts at the East Rand School of the Arts, which focuses on dance, art, design, music, drama, hospitality and enterprise management.
- Absa has also reached 28 272 young people through workplace experience, exposure, internships and/or job placements since 2017. The 2019 initiative included:
 - **Youth Employment Service (YES)**, which places young people into workplace experience opportunities across various host businesses in South Africa. Our contribution to the service allowed for an additional 3 564 participants.
 - **Technical and vocational education, training and workplace experience with PwC** – 60 top-performing final year students from Ekurhuleni West completed their curriculum requirements with a five-day work experience at PwC, which included interaction with professionals in their fields of study such as accounting, finance, economics and general management. The students were exposed to human resources, learning and development, corporate finance, advisory services, technology and operations, and strategy development. Absa sponsored the last day and Oscar Siziba, Regional Managing Executive: RBB Gauteng, addressed the students on various topics, including the future world of work, the role of these colleges and the role of students as future leaders of the country.
- **Financial management and financial literacy** training are provided to South African consumers with household incomes of less than R250 000 per annum. Over 80% of these are black households and at least 25% are situated in rural areas. Our consumer education, implemented by accredited training partners, aims to broadly empower consumers to make informed choices and improve their lives through responsible personal financial management. Face-to-face training to the value of R34.3m reached 119 587 beneficiaries across South Africa (2018: 100 746 beneficiaries; R32.3m). Financial literacy training was also provided to 29 942 (2018: 7 168) beneficiaries across Absa Regional Operations.
- **Spirit of Youth** is an eight-month leadership development programme for selected grade 11 learners from diverse social, economic, geographic and educational backgrounds. Learners are provided an opportunity to critically engage on contextual issues in South Africa in order to develop their sense of agency and define their vision for the country. The three themes of the programme are personal development, a deeper understanding of

socioeconomic issues in both the country and across the continent, and the development of skills and knowledge that informs leadership. It focuses on building inclusive societies, quality education that provides not only knowledge and skills but also develops personal agency, and on considering how to redress past imbalances, including gender inequality. In 2019, 83 learners graduated through the programme, which is delivered in partnership with the Gordon Institute of Business Science.

- **High School Debating Challenge**, which is delivered in partnership with Tshimong Media, is a debate series that seeks to stimulate critical thinking, creative thinking and communication skills in young people from previously disadvantaged communities. Over 400 learners from 100 South African schools participated in provincial championships in 2019, with the winners progressing to the National Championships.
- **The Interchange** is a podcast on CliffCentral and aims to stimulate critical thinking skills among young South Africans from various universities. It uses the World School Debate format of two teams; one proposing and the other opposing. This gives young people who are passionate about shaping a new South Africa and African continent a platform to make themselves heard and an opportunity to use their voices to drive a positive agenda. Topics included “Why is there violent oppression of the LGBQIA+¹ community in Africa?”; “Is democracy a universal solution for African governance?”; “How can developing states best use the opportunities of 4IR²?”; “Can social and financial exclusion be solved with improved spatial design?”; and “Could Android systems become our greatest allies?”.

¹ Lesbian, Gay, Bisexual, Transgender, Queer, Intersex and Asexual.

² Fourth Industrial Revolution.

Strategic initiatives and engagements

We focus on multi-sectoral engagements and initiatives to promote connectivity among networks; to enable cohesion among strategic partners, to build consensus on key issues among stakeholders, and to build trust and social capital in order to mitigate key country, industry, and company risks. We also aim to assist the political economy and business to creatively come to terms with challenges, driving increases in efficiency, efficacy and social change, and facilitating inclusive growth. Our role includes funding, facilitation and attendance at various deliberations.

- **The 2019 Inclusive Growth Forum**, also held in partnership with the Kgalema Motlanthe Foundation, was a gathering of thought leaders intended to generate dialogue and exchange, develop action plans, and build agreement in mapping the way forward to achieve the goals of the South African National Development Plan under the theme “Creative Solutions: Strengthening Local Government and Local Economies”. It was attended by over 150 influential delegates with 30 speakers from government, business, civil society, academia and labour.
- The **Public-Private Growth Initiative** aims to stimulate rapid growth in the South African economy through pragmatic, implementable projects and by rebuilding and strengthening trust and cooperation between the private sector and government. Improved relationships in multiple sectors as diverse as manufacturing, forestry, tourism, agriculture and chemical manufacturing, have led to shared projects and the resolution of several bottlenecks to doing better business. Examples include:
 - The Infrastructure Fund, which will draw on existing capacity in the Presidential Infrastructure Coordinating Commission, the National Treasury, the Government Technical Advisory Centre and the Independent Power Producers Office. This collaboration with the private sector through associations such as the Banking Association of South Africa, the Association for Savings, and Investment South Africa has a pipeline of projects valued at over R500bn that have been earmarked for fast tracking.
 - The Automotive Industry Transformation Fund received R6bn in investment commitments to use towards the development of an inclusive supply chain.
 - The Agricultural Development Agency, which launched in February 2020, will manage R12bn for the development and support of emerging black farmers.
 - The Information Communication Technologies and Business Services sectors are working closely together to create a strategy for South Africa in the digital age.

While there has been good progress reported, there were also several ongoing inhibitors being highlighted, ranging from policy incoherence, congestion at ports, rising crime and skills constraints, all of which need to be systematically addressed.



- **African Youth Networks Movement**, which is delivered in partnership with the Graça Machel Trust and the Mandela Institute of Development Studies, is a youth-led movement that seeks to empower youth networks across Africa to collectively harness their experience, knowledge and expertise to facilitate the development of the continent. It is building on the cohesion and momentum among existing youth networks across the continent to articulate a common regional youth agenda and to develop corresponding work plans to influence policy and practice across the continent.

The first Southern African regional dialogue focused on amplifying youth voices for Africa's transformation was held in Zambia and was attended by over 70 representatives from youth networks across 16 countries. Topics included education, entrepreneurship, peace, security and political participation. Actionable items will be used to inform the development of regional goals and the objectives for local implementation.

- **Improving the effectiveness of the local social housing ecosystem to enable a shift beyond free housing to sustainable human settlements** is a South African programme delivered in partnership with the Nelson Mandela Foundation and ReImagineSA. It is a platform intended to drive real change in the social housing sector at both provincial and national level. It has set out with the intention of holding four multi-stakeholder, representative round-table discussions – in Tshwane, Durban, East London and Cape Town – which will culminate in a social housing indaba. Outcomes will contribute towards developing a policy white paper on social housing and strategic housing partnerships. The first dialogue was convened in Tshwane on 22 November 2019 under theme “How to accelerate inclusive social housing in municipalities” and was attended by representatives from the Department of Human Settlements, the Socioeconomic Rights Institution and academia.

Discover more about our activities



Absa Africa Financial Markets Index: Themes across the continent



Absa Africa Financial Markets Index: Market Shifts



Absa MacroConference



Absa Investor Services



AfricaCom2019 role of ICTs

Thought leadership and innovation

We focus on researching key socioeconomic issues to enable an understanding of the dynamics of the business and social environment, knowledge development, innovation of ideas and solution, and identifying partnerships and networks. We seek to inform and persuade influencers and authorities to adopt new directions and achieve widespread innovation to drive real progress.

- **South Africa in the Digital Age** Partnering with the Gordon Institute of Business Science, we collaborated with Genesis Analytics and the Pathways for Prosperity Commission on Technology and Inclusive Growth to facilitate an assessment aimed at identifying areas in which digital and other technologies can give rise to scalable work opportunities for a broad range of South Africans. Six dialogues were convened with stakeholders from government, the private sector and civil society. Three pathways for South Africa to achieve inclusive growth in the digital age, four imperatives the country needs to get right in order to achieve success, and the relevant actions needed to close the readiness gap were identified.
 - Opportunities – capturing an increasing share of the demand for globally traded services, developing digital platforms that unlock demand for low-skilled labour, and establishing South Africa as a frontier technology hub for the region.
 - Imperatives – achieving universal digital inclusion, ensuring government support, building human capital in the digital age, and innovative business.
 - Actions – address the steep price of mobile data tariffs, re-channel budgeted government funds behind jobs in demand, unlock corporates as a source of demand for digital innovation, establish a digital innovation team in government, and identify South Africa's areas of competitive advantage in digital.

The final Strategy Primer report, summarising the findings of the assessment, was published in January 2020 and will be tabled at the Presidency's Commission on the Fourth Industrial Revolution, which seeks to identify relevant policies, strategies and action plans that will position South Africa as a competitive global player.

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 has to be addressed. Understanding these 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.

Risk management

Our Enterprise Risk Management Framework governs the way in which we identify and manage our risks, defines the Group's principal risks and related sub-risks, and assigns clear ownership and accountability. While environmental risk is considered a key risk within our conduct principal risk framework, climate change risks and opportunities cut across multiple principal risks including credit, operational, insurance and legal.

12: ESG 102-15

Credit risk

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



Operational risk

We identify risks that could affect the resilience and continuous operation of our business. Premises risk management assesses risks and opportunities associated with extreme weather events, while business continuity management includes the assessment of natural hazards associated with climate change, the potential impact of these on location selection, and relevant contingency plans. Location risk assessments also includes climate change risks where relevant.

Reputation risk

Banks are facing increased pressure from shareholders, society and national governments regarding the management and disclosure of their climate risks and opportunities, including the activities of their customer base.

This risk includes potential reputational risk associated with climate-related issues arising from operational as well as banking and insurance practices.

Insurance risk

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

Legal risk

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 - is dealt with as climate-related matters arise.

Policies that cover specific environmental and social components, as applied to our business lines, are also included in 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, defines 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. For example, we help to facilitate the capital required to accelerate the transition to a low-carbon economy. Significant financing requirements for energy transition and the development of resilient infrastructure requires 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, offering strategic advice on and facilitating access to finance for wind, solar, geothermal, waste and hydro-electric energy.

Opportunities that contribute towards a green economy are also prioritised. For example, we contribute to the South African Renewable Energy Independent Power Producer Programme, supporting solar and wind generation as cleaner alternative energy sources that help to mitigate carbon emissions.

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

201-3 Defined benefit plan obligations and other retirement plans

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

A minimum contribution level is applied with the voluntarily option to allow for employees to increase their contributions. A number of our regional operations also have defined-benefit funds, which are largely closed to new membership. Contributions to these funds are made in line with the recommendations by each fund's actuary.

The Absa Pension Fund

Employer and employee contributions and investment income finance the fund. Employer contributions 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, and the interest expense on the defined benefit obligation and the irrecoverable surplus. It is the Group's policy to ensure that the fund has adequate financial reserves to provide for the benefits due to members and, in particular, to ensure that any shortfall in the defined benefit portion will be met by additional contributions.

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

Other subsidiaries' plans

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, medical allowances and administration costs based on past 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 will exist 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, acting on advice from the actuary and, in some cases, with the agreement of the trustees. Where pension increases are granted in excess of what 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 should regulations require special additional contributions to be made to the funds, the respective employers within the Group will need to make such contributions in line with a funding plan approved by the relevant country's regulator.

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.

2019 Annual consolidated and separate financial statements, Note 45 Retirement benefit obligations.

201-4 Financial assistance from government

We do not receive financial assistance from any government. South African tax residents are subject to income tax on their worldwide income, regardless of the source of the income. The Group, due to 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 deductions, 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 us and to others 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 JSE 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 of R166 000 (2018: R155 160), which is higher than the national minimum and living wage.

A process to determine company minimum fixed remuneration and the relative pay differentials in our other operations will be undertaken in 2020 and 2021.

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

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

The South African businesses remain the most significant contributors to our operations. In South Africa, we report against the Amended Financial Sector Code, which focuses on the proportion of historically disadvantaged South African employees.

Black¹ representation at top management level has steadily increased over time to 41.7% from 46.2% in 2018 (2013: 15.1%).

Black¹ senior management representation increased to 51.4% in 2019, up by 2.1% from 49.3% in 2018 (2013: 32.2%) and black female senior management representation increased to 22.1% from 21.4% in 2018 (2013: 12.0%).

2019 B-BBEE report

203 Indirect economic impacts

203-1 Infrastructure investment and services supported

We had no infrastructure deals for 2019.

203-2 Significant indirect economic impacts

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

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

We need to address several challenges in order to achieve long-term sustainable economic growth. We do this by, among other things, working to improve employment rates, working to improve access to housing, and supporting families in planning for their futures. All of 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.

¹ All African, Coloured, Indian or Chinese people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.

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

204 Procurement practices

204-1 Proportion of spending on local suppliers

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

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

In 2019, we partnered with external stakeholders to develop the capacity and expertise of small and medium enterprises and provided sponsorship for some of our entrepreneurs to exhibit their business offerings in forums such as the Proudly SA Buy Local Summit, the Smart Procurement World Summit, and the National Small Business Chambers Women in Business event, providing access to markets for them.

Partnering with several of our provincial government primary banked clients, we have allocated R1bn in 2020 to provide funding to small and medium enterprises that have secured government contracts in order to promote financial inclusion for these entities.

Partnerships in action

Absa Legal Khulisa Programme

Through Khulisa, we support small black-owned law firms and are contributing to the transformation of the legal profession. We bring emerging law firms into the mainstream of the economy and support them through the Absa Enterprise Supplier Development funding programme. The initiative focuses on skills development, building relationships in the sector and providing access to funding.

52: ESG 404-2 for information relating to the learning of Absa employees and employees from the law firms.



205 Anti-corruption

205-1 Operations assessed for risks related to corruption

Anti-bribery and anti-corruption risks are assessed on a continuous basis. The assessment is informed by quantitative and qualitative measures. It is performed monthly with oversight by the relevant governance structures. The financial crime function monitors the completion of action plans to mitigate identified key risks. These risks tend to relate to the countries in which we conduct business, how we engage certain parts of our diverse customer base, and how we manage third-party relationships 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

The anti-bribery and anti-corruption team publish and communicate anti-bribery and anti-corruption policies and related standards on the Group's intranet, which is open to all employees. Relevant policies are communicated to third parties who have been identified as high risk and our anti-bribery and anti-corruption statement is shared with our correspondent banks.

We have a comprehensive programme in place to educate and empower all employees in terms of their roles and responsibilities. This contributes to a culture of trust.

The training and awareness programmes are underpinned by clear policies to ensure that our employees are:

- Aware of the values and behaviours expected of them, as outlined in The Absa Way Code of Ethics, including those relating to gifts and entertainment.
- Able to complete the preventing financial crime training, which includes anti-bribery, anti-corruption and anti-money laundering modules, as well as modules on sanctions and emerging requirements such as anti-facilitation of tax evasion.

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

Associated parties, namely third parties who deliver services for or on behalf of Absa, and introducers, namely third parties who win or retain business on behalf of Absa, are subject to the control requirements set out in our anti-bribery and anti-corruption policy. Contracts with them include mandatory anti-bribery and anti-corruption contract clauses that communicate our zero tolerance of bribery and corruption. We also take a zero-tolerance approach to the facilitation of tax evasion in any country and have procedures in place to prevent it. We expect the same from our agents and third parties providing services to the Group, or on our behalf.

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 2019 relate to less serious offences. Of the 1 712 disciplinary cases concluded in the year (2018: 1 828), 394 were due to ethical breaches (2018: 358).

A number of third parties are under review for possible corruption-related violations.

206 Anti-competitive behaviour

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

We are committed to complying with competition/anti-trust laws in all of the jurisdictions in which we operate. We require our employees to:

- Complete competition law training annually.
- Refrain from undesirable conduct.
- Seek guidance from the Absa Group Legal Competition team on issues that may arise in the course of doing business or concluding transactions.
- Immediately report any potential competition law issues to our legal team.

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 ultimate 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 Environmental¹

2030 Environmental Action targets

	2018 to 2019 trend	2030 target off 2018 baseline
Energy	11.3% reduction	30% reduction
Carbon	16.2% reduction	51% reduction
Water ¹	8m litres saved	100m litres saving
Waste ²	54% recycling	80% increase in recycling
Paper ²	26% recycling	50% reduction
Renewable energy	0.67% increase	10% increase
Travel	29% reduction	20% reduction
Certified green spaces	9.2%	33% increase
Carbon offsets	0%	100% increase

¹ Baseline not yet established.

² South Africa only.

In 2019, we developed our 2030 Environmental Action Plan, which provides for the long-term reduction of our environmental impact based on a new set of targets that include, carbon emissions, energy, water, waste, paper, renewable energy, travel, green certification and carbon offsets.

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

Our operational footprint derives from various goods and services that are required to operate our business and which make use of natural resources. Significant inputs include energy, water and the materials needed to produce paper, canteen packaging, furniture and equipment. Outputs include greenhouse gas emissions and waste, including wastewater, paper, canteen packaging, old furniture and old equipment. We aim for continuous improvement in mitigating our direct environmental impacts, reducing the use of natural resources and preventing pollution. Our corporate real estate team evaluates and manages the arising risks and opportunities in collaboration with the accountable business units such as procurement, information technology and building management units.

¹ PwC conducted limited assurance on the total energy use and carbon emission indicators, designated with a 'LA'. Refer to the Limited Assurance Report which is available on our Group website www.absa.africa.

301 Materials

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

In South Africa, we purchased 1 026 tonnes (2018: 1 387) of Forest Stewardship Council-certified paper, which is sourced in an environmentally friendly manner to promote the responsible management of the world's forests. We do not use recycled input materials or reclaimed products and packaging but certain Absa-branded gifts, such as notebooks, are made from recycled materials.

302 Energy

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

Our 2030 target is to reduce energy consumption by 30% against the 2018 baseline, with an in-year target of a 3% reduction. In 2019, we deployed managed energy efficiency initiatives within our property portfolio, achieving a 11.3% reduction in energy consumption.

We use the latest International Energy Agency and Department for Environment, Food and Rural Affairs emissions factors and apply the Greenhouse Gas Protocol to calculate the Group's energy consumption. This includes renewable energy, fuel for back-up power generation and electricity from the national grid but excludes steam. We do not measure energy consumption outside of the organisation or the energy requirements of products and services provided to our customers.

The installation of an additional 193 smart energy meters in our South African operations will allow for further improvement in the accuracy of our reporting and identifying opportunities to reduce energy consumption.

Energy type		2018 kWh	2019 kWh
Renewable	Solar photovoltaic	1 965 433	2 005 855
Non-renewable	Gas	79 822 428	80 571 514
	Diesel	4 307 404	5 135 044
	Grid electricity	252 030 216	211 791 479
Total		338 125 481	299 503 892 ^{LA}

^{LA} Limited assurance conducted.

303 Water

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

Our 2030 water target is to reduce water consumption by a further 100m litres, with an in-year target of 7m litres. In 2019, we saved 8m litres of water.

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

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

In an extension of our internal water crisis management campaign, called Water Warriors, we educate and raise awareness in our communities about the responsible use of water, as well as about living in the 'new normal' of water insecurity.

We currently have no statistics available to report on water withdrawal, water discharge and water consumption due to the limitation inherent in available cost-effective measurement systems. However, through the installation of 114 smart water meters in the South African property portfolio, we will determine a water baseline in 2020 and will use this to set targets for future water efficiency. We will report the water baseline using a verified methodology in the next reporting period.



304 Biodiversity

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

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

305 Emissions

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

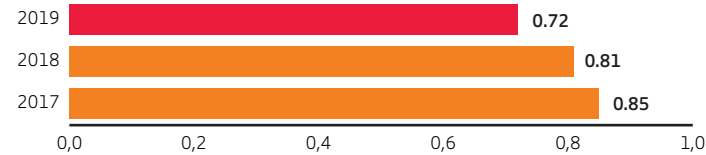
We use the latest International Energy Agency and Department for Environment, Food and Rural Affairs guidelines and apply the Greenhouse Gas Protocol (GHG) to calculate our carbon footprint. We make use of the GHG protocol to determine our assumptions and inform our calculations, including those used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

- Scope 1 emissions include emissions from the use of diesel fuel company cars and natural gas in our South African operations.
- Scope 2 emissions are all building-related emissions (excluding ATMs, land and parking), including those related to consumption of energy from the national electrical grid. For real estate-related CO₂ emissions, 100% of the reported emissions derive from data provided by on-site representatives, invoices, meter readings and, where no actual data is available, from system-generated estimates. We use the market-based method for all Scope 2 emissions calculations.
- Scope 3 emissions include air travel and vehicles used in South Africa only, including company, private and hired cars. Travel-related emissions cover 100% of travel and have an accuracy rate of 100%. We also account for Scope 3 transmission and distribution loss-related emissions for all buildings across the portfolio.

We do not have biogenic CO₂ emissions in scope 1 or 3.

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

Emissions (kg/kWh)



Our energy mix, including cleaner energy sources, such as gas and diesel, has allowed us to reduce our emissions factor to below that of the 0.97kg/kWh average of the national grid.

Our science-based carbon target is to reduce carbon emissions by 51% by 2030, with an in-year target of a 3% reduction. In 2019, the reduction was 16.2%. Scope 2 and Scope 3 emissions reduced due to increased reliance on back-up power generation rather than power from the national electricity grid and also a decrease in travel and related emissions.

The Group's carbon footprint decreased by 16.0% from 2018 due to energy efficiency initiatives as well as use of back-up power generation in response to power outages. Our intensity ratio (total carbon emissions divided by total number of full time employees) improved to 5.79 (2018: 6.45).

GHG emissions (tonnes CO ₂)	2017	2018	2019
Scope 1			
Gas	12 707	16 121	16 309
Company cars	3 813	5 024	4 334
Diesel	670	1 149	1 376
Scope 2			
Real estate	249 584	237 105	196 662
Scope 3			
Flights	13 606	11 109	8 313
Transmission and distribution	18 496	19 978	17 008
Private cars	6 078	5 825	4 422
Car hire	146	157	105
Total	305 100	296 468	248 529^{LA}

^{LA} Limited assurance conducted.

306 Effluents and waste

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

In partnership with an accredited waste partner, we sort and recycle recyclable waste and compost food waste. Our #BeatPlasticPollution initiative also resulted in all single-use consumables in our canteens and coffee bars being replaced with consumables made from biodegradable material.

To improve the accuracy and robustness of our waste reporting, the measurement methodology was amended to allow for us to report by weight (in tonnes) instead of by volume (m³).

Our overall recycling rate increased marginally by 0.4% to 53.8% in 2019. Total waste was 3 063 tonnes, including 186 tonnes of electronic waste (2018: 13 334 volume m³). Of this, 1 645 tonnes were recycled, and 1 415 tonnes were taken to a landfill. No waste was recovered.

In terms of fuel consumption, we proactively monitor our generators and fuel levels remotely. There were no fuel spills in 2019. Our waste management service providers are registered to transport all waste off our properties. We do not report on water discharge by quality and destination. Stormwater runoff through our car parks has a minimal impact on our environment.

307-1 Non-compliance with environmental laws and regulations; 308-1 New suppliers that were screened using environmental criteria and 308-2 Negative environmental impacts in the supply chain and actions taken

We aim to meet all relevant environmental legislation and regulations. In South Africa, we report our carbon emissions to the Department of Environmental Affairs. There have been no reportable environmental incidents in our property portfolio. In Kenya, our team is implementing solutions to ensure that our properties meet the legislated requirements in terms of energy efficiency.



The Green
Building Industry



400 Social

401 Employment

Our people strategy

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

Our people risk appetite statement

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

Comply, at all times, with employment legislation.

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

We have no tolerance for any form of discrimination or prejudicial treatment based on age, culture, race, gender and disability, including harassment of any kind.

Our strategy with future-fit people at its core



Create a new culture

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



Differentiate by becoming people centric

The best environment and opportunities for top talent to thrive.



Re-orientate around the customer

Outward-focused, customer-obsessed and digitally obsessed.



Empower ownership

Distributed leadership at all levels of the organisation.



401-1 New employee hires and employee turnover

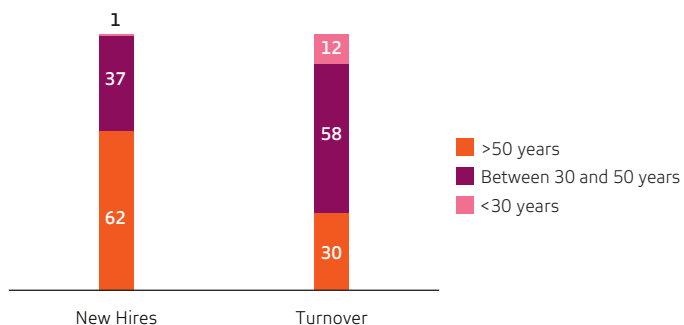
We filled 5 474 vacancies in 2019 (2018: 5 622), of which 68.7% were internal candidates (2018: 60%). We continued to invest significantly in specialist hiring to meet the needs of our new strategy. We hired 39 specialists to take up positions in our Converged Security Office team (2018: 44), of which 91% were black (2018: 93%) and of which 41% were black female. We hired 24 data professionals (2018: 15), of which 71% were black (2018: 87%).

In total, 53.5% (2018: 51.9%) of new hires in South Africa were women and 58.7% (2018: 60.8%) of internal promotions were women.

Employee turnover increased to 11.3% (2018: 9.1%) and voluntary attrition increased marginally to 6.3% (2018: 6.1%). The percentage of high performers retained decreased marginally to 93.1% (2018: 93.8%).

[44: Refer to ESG 202.2](#)

New hires and turnover per age group (%)



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

We grant benefits to full-time and permanent part-time employees. Temporary employees make their own arrangements for benefits such as retirement savings, medical aid, and death and disability cover.

Regarding 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.

[2019 Annual consolidated and separate financial statements, Accounting policies page 38](#)

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 paid maternity leave or adoption leave, of up to 87 days, if the child is three years of age or younger. Employees may take an additional two months using annual or unpaid leave. Leave entitlement for the adoption of older children is one month if the child is between the ages of three and seven, 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 adoption leave while the other is granted leave under parental leave. Paid parental leave of 10 days per annum is granted to employees on the birth or adoption of a child if the employee is not otherwise entitled to maternity or adoption leave. Non-permanent employees do not receive paid maternity/parental leave, but are entitled to four months of unpaid leave or 10 days parental leave, as appropriate, during which time they are able to claim from the Unemployment Insurance Fund. 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

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 can impact on our employees.

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

- i For employees covered by a collective agreement, we provide notice to the recognised union to commence consultations as soon as reasonably possible. Consultations take place on a bi-monthly basis. After consultation with the union, we issue notices to employees informing them of the impact and the process to follow. If the affected employees are not placed into jobs in the new structure, they can elect to exit or to commence a reassignment period of three months. After a final consultation with the union, a notice of termination and contractual notice period, for which payment may be made *in lieu*, follows.
- ii For employees not covered by a 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, they can elect to exit or to commence a reassignment period for three months. We issue the employee with a notice of termination at the end of the reassignment period, for which payment may be made *in lieu*.

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

We ensure that affected employees are the first to be considered for vacancies within the Group. We were able to reassign 47.2% of our employees during 2019 (2018: 32%). We support all our employees at any stage of their careers, and help them to make informed and positive choices about their working lives, either in relation to future opportunities within the Group or, in some instances, in relation to opportunities outside the Group. This service is available to our employees across job grades, race and gender.

We also offer our employees the opportunity to plan their careers and to be mobile in terms of knowledge and skills through upskilling and reskilling. A further service to our employees is pre-retirement support. We assist employees to consider the various options available to them to live a life of purpose beyond employment and to prepare them for their next life stage.

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 zero tolerance towards harm to people or non-compliance with relevant legislation. While not a legislative requirement in any jurisdiction of our operations, we manage occupational health and safety (OHS)



for the Group using a framework that encompasses policy, standards, procedures, a control library and key indicators that cover all premises and employees. The framework sets out the statement of commitment and minimum mandatory controls and actions that business areas and functions must implement and adhere to in addition to relevant national and local legislation. 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, comply with Absa South Africa policy and procedures.

We perform annual controls testing and assurance reviews to assess the effectiveness of our controls. In 2019, Absa Group Compliance monitored and tested compliance and adherence to the Occupational Health and Safety Act (1993), the General Administrative Regulations, and the General Safety Regulations (1986). No major findings were identified during this testing.

Our Social and Ethics Committee receives comprehensive updates on OHS performance within the Group on a regular basis.

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

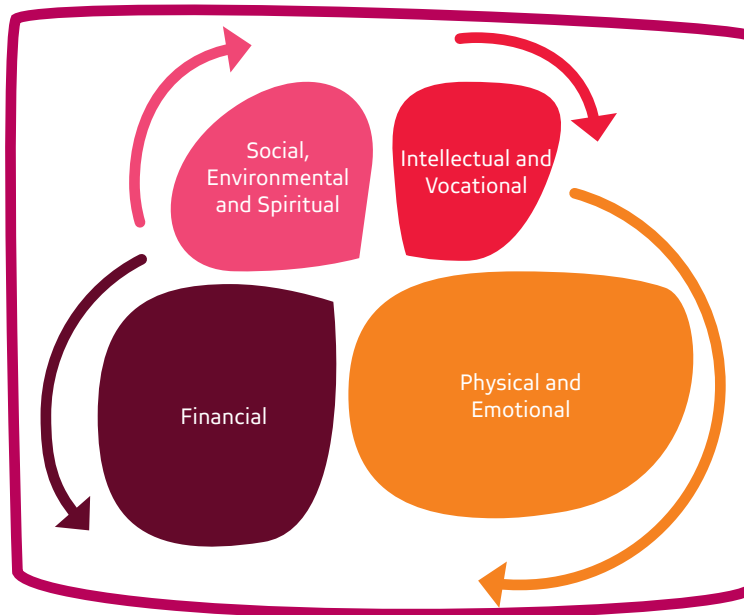
Qualified individuals conduct monthly site inspections at all of our premises to identify potential hazards, issues or risks. Employees and the OHS department have the authority to stop potentially hazardous work. Identified issues are tracked until resolution, with major risks being escalated to senior management. Our OHS department monitors and reports all accidents and incidents. The investigations 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/incidents are investigated and remedial work or, if necessary, new or 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 have maintained a satisfactory rating over the past three years. Employees can report any work-related hazards, injuries or accidents to the building facilities management staff, OHS representative and Group OHS. In South Africa, we have introduced an OHS emergency line, which employees can use to request assistance. Employees are urged to report all hazards on the Corporate Real Estate Solutions or OHS workplace pages on the internal intranet for immediate action.

403-3 Occupational health services

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

Our wellness strategy aims to unlock the full potential of our people by empowering them to achieve a state of physical and mental wellbeing, not merely an absence of disease. The strategy focuses on all eight dimensions of wellbeing, namely physical, emotional/mental, financial, social, intellectual, spiritual, environmental and vocational wellbeing.



The delivery of our strategic imperatives is supported by various providers of employee wellness programmes, such as ICAS in South Africa and Botswana and AON in Kenya. In 2020, we aim to appoint employee wellness programme service providers in all of the countries in which we operate. The services they provide are confidential, and the reports they submit to Absa outline usage trends, underlying factors and corrective measures, not individual information.

In 2019, we focused on three aspects of wellbeing, namely physical, mental and financial wellbeing.

According to our South African data, our employees' health status is suboptimal. This is driven by a high proportion of employees being overweight (54%), physically inactive (64%) and not eating healthily. This leads to a high prevalence of non-communicable diseases like high blood pressure (17%) and diabetes (4%). Therefore in 2019, we focused on raising awareness of the importance of physical activity. In addition to the three onsite gyms in our South African operations, as well as a running club and cycling club, we incorporated the use of technology and gamification through the Global Steps App, which tracks individual and team activity. We published healthy nutrition booklets and overhauled our onsite cafeteria offerings to include healthier food choices. In 2020, we aim to scale up these initiatives to increase employee participation.

The mental wellbeing of our employees is also an area of concern. We are seeing an upward trend with regards to stress and mental illnesses, like depression and anxiety. In 2019, 30% of our employees reported high levels of stress (Bankmed Health Report 2019), which is particularly high in comparison to the banking industry average of 21%.

The main drivers of stress are organisational changes, financial challenges and personal and/or relationship difficulties. In response to this, we have increased the number of support groups available to employee and have introduced a proactive employee assistance outbound call for each employee once a year. We have also rolled out resilience training across the Group.

In keeping with our digital strategy, we have digitised our wellness offering through the ICAS On-The-Go wellness App, which is currently only available in South Africa. We use this app to help our employees live well, work well and play well.

With regards to financial wellbeing, we offer a variety of services to help employees build a strong financial foundation, minimise financial stress and maintain an ongoing plan to reach future financial goals. These services include free annual financial screening, financial



literacy training, financial planning and debt remediation, as well as competitive rates for debt consolidation. Despite these initiatives, there has been a year-on-year increase in the number of employees submitting applications for debt consolidation, although the change in the total value of applications is small.

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

Worker participation and consultation forms part of occupational, health and safety (OHS) within our Enterprise Risk Management Framework. OHS information is published on the Group's intranet, both in our policies and procedures as well as on a dedicated OHS intranet page. A 24-hour helpline is also available to all employees.

In South Africa, a formal management – worker health and safety committee is a legal requirement. We hold quarterly committee meetings for all corporate buildings, at which OHS representatives are appointed. These meetings are a platform to discuss OHS-related matters, any injuries on duty that may have occurred within the past quarter, and upcoming projects and events that might have an OHS impact on employees.

Recognised trade unions can provide input into the Group's OHS approach on an annual basis. This may, for example, relate to the appointment of representatives.

403-5 Worker training on occupational health and safety

Mandatory OHS general awareness training educates employees about the Group's zero tolerance statement towards harm to people, about personal ownership of their safety and about being mindful of their fellow employees. It informs them of their roles and responsibilities when it comes to OHS, providing essential information about emergency evacuation procedures, the identification of hazards and the importance of ergonomics within the workplace.

Our OHS 365 campaign in 2019, which included events and live broadcasts, further raised OHS awareness in the office, on the road and at home.

Employees are made aware of the procedures they need to use to log hazards or risks identified within the workplace, both with the facilities call centre and through dedicated channels, such as line managers, the facilities help desk, their OHS representative, Group OHS or their local OHS committees.

403-6 Promotion of worker health

We use several mechanisms to support worker health:

- We provide education on and increase awareness of the early detection of communicable and non-communicable diseases and offer early referral mechanisms. We align to the World Health Organisation's calendar and use the opportunities it presents to address specific organisational factors that have a huge impact on employee health and wellbeing, such as stress and mental illness.
- We subsidise medical aid cover for employees to ensure that they can have access to private healthcare services at a reasonable cost.
- We run eight primary healthcare clinics in regional offices in South Africa.
- We support employees and their dependents living with disabilities through educational grants for dependents and the procurement of any devices they may need to help them meet their needs.
- We offer annual health risk assessments for employees and contractors through the Know your Numbers campaign. This helps them to identify health risks and to manage their health, while also providing up-to-date data to ensure that our internal health programmes are current, relevant and address the main risk factors that have been identified during screening.

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

All our premises are managed and maintained on strict schedules by industry specialists in accordance with regulation and law. Monthly site inspections identify, record and track hazards and risks for remediation. We maintain records of all the services and conditions.

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 OHS management system provides safe and clean premises for all of our employees and customers. We are regularly audited by the Department of Labour in South Africa and similar government departments in our other presence countries to assess compliance.

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

Most of our employees (99%) are administrative and office workers and their functions are seen as being of low risk for work-related diseases and injuries. Should an OHS claim arise, we follow the directives provided in the Compensation for Occupational Injuries and Diseases Act.

There were 95 (2018: 143) work-related injuries in 2019, resulting in 607 days lost. No high-consequence work-related injuries or fatalities were reported during 2019. The work-injury rate was 0.24 (2018: 0.57).

404 Training and education

404-1 Average hours of training per year per employee

The data presented below focuses on internal training and currently excludes tertiary education, external training programmes, seminars and continuing education programmes.

Average training hours per person, excluding compliance training:

		Total	African	Coloured	Indian	White	Not disclosed
2019	Female	22.81	32.36	31.39	19.50	24.60	6.18
	Male	21.37	28.75	31.12	14.14	21.46	11.40
2018	Female	18.13	21.67	18.26	17.34	14.42	–
	Male	16.46	20.46	19.99	12.50	13.00	–

Average training hours per person, including compliance training:

		Total	African	Coloured	Indian	White	Not disclosed
2019	Female	33.39	38.84	38.07	25.57	31.07	8.31
	Male	27.55	34.31	37.77	19.58	27.70	18.39
	Not known	8.09					8.09
2018	Female	25.96	31.67	25.89	20.03	22.18	–
	Male	23.70	27.28	29.93	15.86	24.41	–



Average training hours by geography	2018	2019
South Africa	26.67	28.35
Managing Principal to Principal	13.26	24.32
Assistant Vice President to Vice President	23.49	34.24
BA1 to BA4	36.17	40.32
Non-corporate title	11.85	14.66
Rest of Africa	19.04	15.99
Managing Principal to Principal	14.02	7.17
Assistant Vice President to Vice President	25.78	30.66
BA1 to BA4	19.02	17.90
Non-corporate title	10.25	7.70

Average training hours per employment status	2019
Unemployed average	16.38
African, Indian and Coloured	22.62
White	18.32
Other (undefined)	8.20
Employed	25.03
African, Indian and Coloured	33.75
White	29.25
Citizens of countries other than South Africa	12.98

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

Development and career experiences are a key component of our employee value proposition. Learning is employee-led and our employees can access a catalogue of 19 435 learning programmes. Employees accessed 6 637 of these in 2019 (2018: 7 710). We invested R450.5m (2018: R426m) developing our employees. This equates to a 5.6% (R24m) increase in our investment in skills training and development. Despite restructuring, the implementation of new strategies and cost pressures, 782 employee bursaries were allocated (2018: 1 088), equating to an investment of R25.2m. Of this, 88.1% was allocated to African employees and 62.3% of the total was invested for women.

The Group's new operating model has resulted in core learning being decentralised into the business. Businesses focus on core technical and behavioural skill development relative to its core functions, while the Group Centre of Expertise focuses on policy, governance and frameworks and Shared Services focuses on operational enablement through shared learning services, allowing for economies of scale.

Category	Training hours	Number of programmes utilised
Financial Advisory and Intermediary Services continuing professional development	8 739.5	69
Behavioural	159 991.6	1 806
Compliance	314 897.6	94
Leadership and Management	71 127.0	175
Technical	951 725.3	3 859

The Absa Leadership Academy was launched in April 2019, with the primary focus of aligning leadership development across the Group and of providing the Group with the required leadership skills to navigate through the current and future world of work. Specific emphasis was placed on prioritising employment equity talent for the Absa Leadership Academy and other Group learning programmes.

Programme	Delegate completion in 2019	Additional delegate registration for 2019
Personal Mastery (2-day workshop + Virtual)	569	346
Personal Branding and Marketing	172	25
Leadership Core	265	533
Leadership Excellence	113	279
Manager Essentials	728	554
Manager Excellence	94	233
Gen A Grad	-	148
Leap	57	57
Transform	18	9
Sustain	14	45

We initiated several group learning projects with a focus on Broad-Based Black Economic Empowerment. These included:

- An innovation immersion related to The Future of Financial Services. The programme was held in New York in October 2019 and attended by 10 Absa employees, all of whom were black¹ and 60% of whom were South African².

¹ All African, Coloured, Indian or Chinese people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.

² SA African refers specifically to Africans, excluding Coloureds, Indians and Chinese.

- A Singularity Summit hosted by Singularity University (South Africa), which was held in October 2019. This was attended by 25 senior Absa executives from across the Group.
- A strategic one-day session designed to drive an informed mindset to innovation within the bank. This was attended by a further 50 Absa executives.
- A Management in Banking for the Fourth Industrial Revolution programme, which was launched in South Africa in November 2019. Of the 74 participants, 75% were Black, Coloured and Indian.
- The Streetwise MBA, which was held in October and November 2019 and was featured 100% black³ participation.

Discussions are under way with Duke Corporate Education to convert the Gen A Grad programme (previously called the Rising Eagles Programme) into a recognised Category B Learnership (apprenticeship). The programme currently has 49 South African participants.

Work is also in progress to implement improved planning, tracking and reporting tools and systems. Many businesses within the Group embedded learning and leadership teams to rectify recording and reporting on training.

A core learning project launched in 2019 includes building a framework for business academies throughout the Group that align directly to building the core competences needed for the specific business functions to enable growth.

We further offer specialised academies, including finance, risk, security, human resources, compliance, internal audit and operations. Our Compliance Career Academy is conducted in partnership with Duke Corporate Education and the University of Cape Town Graduate School Business. With the federation of our business model the specialist functional academies will continue to ensure that we provide access to learning in order to strengthen the skills, knowledge and experience of specialist employees currently in the business.

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Our Digital Academy hosted 36 interns, of whom 11 have taken up permanent employment and 21 are external contractors. A further 59 systems development interns are currently being hosted. And to strengthen female technical talent, we hosted a Cyber for Girls Career Day, which was attended by girls from Digital Academy, Tetelo High School, Grads, Bytes Girls In Technology and the Maharishi Institute.

An additional 40 employees are training in our Cybersecurity Academy. On successful completion of the programme, candidates will be identified as talent with future scope for roles in information technology security operations (analyst cyber security), information risk governance (assistant cyber systems technology) and/or fraud risk (fraud prevention specialist) related positions.

We have partnered with the Maharishi Institute to develop a new generation of cybersecurity professionals through the Absa Cybersecurity Academy. This will address the scarce and critical skill shortage in this area as well as the high level of unemployment among youth. Through the programme, we develop each student holistically by balancing the technical, social and emotional skills required to ensure that they are adequately prepared to succeed in the workplace. We have earmarked seven of the 24 students for roles through our network of partners once they have completed all three certifications.

We have partnered with the Hein Wagner Academy for the blind in Worcester, where we train marginalised blind youth in cybersecurity.

In addition, we have partnered with the University of Cape Town Business School to co-create a postgraduate diploma in regulatory compliance. This has become a flagship programme within the Absa Compliance Career Academy. To date, we have sponsored 111 employees through this diploma, enabling them to build their careers as compliance professionals. The course is now open to registrations from across the industry in Africa, positioning Absa as a leading role-player in this regard.

We offered 2 511 learnerships, apprenticeships and internships in 2019, compared to 2 284 in 2018. Of these, 1 128 were awarded to unemployed black youth, who were able to gain work experience with us. We absorbed 171 (47%) at the end of their learnership and internship contracts. We also provided 18-month work-based experience to 24 TVET interns and awarded the balance of 1 226 of the 2019 learnerships, apprenticeships and internships to employed black people.

The 2 511 learners, apprentices and interns active between 1 January 2019 and 31 December 2019 was made up as follows:

- Unemployed (1 146): 1 128 African, Coloured and Indian; and 18 White
- Employed (1 365): 1 226 African, Coloured and Indian; 125 White; and 14 Non-South African nationals

The Absa Retail and Business Banking (RBB) Academy continues to offer specialised business and role-specific learning pathways to address both the technical and behavioural training needs of the business. In 2019, the focus was primarily on uplifting team leader capability through manager essentials, management for the Fourth Industrial Revolution (4IR), and frontline technical sales and service skills.

In partnership with PwC, the Perform programme was across Collections in Absa Vehicle and Asset Finance, Home Loans and Everyday Banking.

A digital pilot was conducted between Getsmarter, the University of Cape Town and 45 product specialists, which was aimed at upskilling employees on new and emerging technologies within the financial services sector.

In partnership with Milpark Education, 863 employees were enrolled into technical banking learnerships in order to improve the current qualification levels of frontline employees to National Qualifications Framework level 5.

The Africa Expansion Programme, enabled through BankSeta South Africa, develops business leaders across Africa. The programme is run in collaboration with Duke Corporate Education and aims to provide banks across Africa with an opportunity to create a high-level talent pool of individuals who are suitably skilled to head up the establishment of a new bank in any African country and to facilitate the transfer of knowledge

and skills. Five delegates completed the programme in August 2019 and a new cohort of five delegates from five different countries started the 2019/2020 programme in November 2019.

During 2019, 71 employees were on assignment (2018:133):

- Four (6%) were assigned from Barclays to Absa Group (2018:25).
- A further 64 (90%) were assigned in Africa (2018:108), with 31 (48%) being assigned from South Africa to Absa Regional Operations (2018:49%).
- Another 10 (16%) were assigned within Absa Regional Operations (2018:15%) and 23 (36%) were assigned from Absa Regional Operations to South Africa (2018:36%).
- The final three (4%) were assigned to Absa international entities in the United States and the United Kingdom.
- There were six international relocations in 2019 (2018:10).

We continue to attract and develop high-potential young leaders. A total of 65 graduates (2018: 135) from across the continent participated in our 2019 Gen A Grad Programme, joining the 1 213 (2018: 1 078) young professionals who have built their careers with us since 2008.

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

Our new performance management approach, called MyContribution, has three key focus areas: (i) high-quality goal-setting aligned to the business, function and/or team strategy and priorities; (ii) strong professional relationships amongst peers, team members, employees and people managers; (iii) ongoing performance conversations.

MyContribution moves us away from one-sided biannual review meetings, in which performance management is used as a stick, to regular, meaningful and transparent conversations. This means that performance is managed more effectively throughout the performance year. Each employee takes ownership of planning their career growth, co-creating their learning and development requirements, and they are given ample opportunity to contribute their skills to help Absa grow and thrive.

As at 23 January 2020, 97.6% of employees had formal performance ratings (97.8% men and 97.5% women). There are various reasons why an employee may have no rating. They may, for example, be a new recruit, on maternity leave or on a leave of absence. They may have resigned or be planning to retire, either voluntarily or as a result of the restructuring process.



405 Diversity and equal opportunity

405-1 Diversity of governance bodies and employees

The Group's Board is diverse, with 27% (2018: 29%) of its members being women and 33% being black. The boards of all South African subsidiaries and country banks are also well represented in terms of race and gender, and all members have the skills and knowledge to provide independent leadership.

Diversity: Women

61.1%
(2018: 61.1%) Total women employees

35.0%
(2018: 34.1%) Women in senior management

27%
(2018: 29%) Women board members

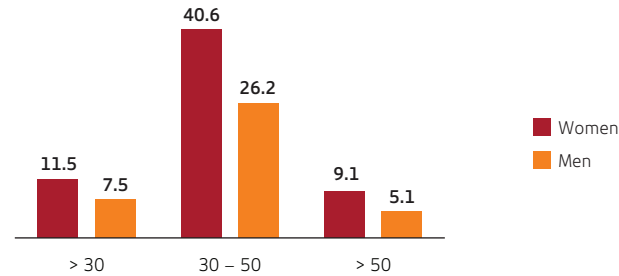
50.9%
(2018: 50.7%) Women in middle management¹

67.7%
(2018: 67.8%) Women in junior management²

Diversity: gender and age

We continue to provide reasonable accommodation for self-declared employees living with disabilities, who constitute 0.6% of our workforce, through specialised facilities and technology.

Employees by gender and age (%)



We embrace diversity in age, and 19.1% of our workforce is younger than 30 years, while 66.97% are between 30 and 50 years old and 14.2% are over 50.

Race diversity in South Africa is detailed in our 2019 B-BBEE report.

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

The ratios have remained stable year-on-year.

	Fixed pay			
	2018		2019	
	Female	Male	Female	Male
South Africa³				
Managing Principal to Principal	1.0	1.2	1.0	1.1
Assistant Vice President to Vice President	1.0	1.2	1.0	1.2
BA1 to BA4	1.0	1.1	1.0	1.0
Africa Regional Operations⁴				
Managing Principal to Principal	1.0	1.1	1.0	1.1
Assistant Vice President to Vice President	1.0	1.0	1.0	1.0
BA1 to BA4	1.0	1.0	1.0	1.0

	Total remuneration ⁵			
	2018		2019	
	Female	Male	Female	Male
South Africa³				
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 Operations⁴				
Managing principal to Principal	1.0	1.1	1.0	1.1
Assistant Vice President to Vice President	1.0	1.0	1.0	1.0
BA1 to BA4	1.0	1.0	1.0	1.0

406 Non-discrimination

406-1 Incidents of discrimination and corrective actions taken

Our policies relating to disciplinary procedures and grievances are informed by the provisions and the spirit of the South Africa Constitution and all the relevant employment legislation. We strive to create an environment that is diverse and inclusive, and it is free of discriminatory practices. In the event where there is an incident, our policies and procedures make provisions for a speedy resolution.

410 Security practices

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

We outsource security to reputable companies whose employees receive basic human rights training. The International Bill of Rights is incorporated into the induction process for new security personnel and new learners. In Absa Regional Operations, we adhere to local laws and regulations. Current personnel receive electronic updates, and a booklet and a human rights brochure are distributed on a regular basis to security employees.

³ Cost-to-company

⁴ Basic salary

⁵ Remuneration is the sum of fixed pay plus discretionary incentive bonus/formulaic incentive for the performance year.

¹ Assistant Vice President to Vice President

² BA1 to BA4

412 Human rights assessment

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

We have a clear and unambiguous responsibility to respect and uphold human rights principles. We are committed to operating in accordance with the International Bill of Human Rights and take account of other internationally accepted human rights standards. In 2019, we assessed our human rights record, with the following results:

- No issues were noted or reported indicating that the business is not supporting and respecting the protection of internationally proclaimed human rights.
- No issues were noted or reported indicting that the business is being complicit in human rights abuses. Whistleblowing reports are one of the sources used to determine conduct issues and there were no reports on human rights abuses.
- Freedom of association is in place and there is effective recognition of the right to collective bargaining.
- We do not subscribe to forced or compulsory labour. Whistleblowing reports and grievances do not indicate failure in this regard.
- We do not employ individuals aged younger than 18.
- No discrimination was identified in respect to employment and occupation.
- There were no material risk events reported.

412-2 Employee training on human rights policies or procedures

We promote human rights through our employment policies and practices, through our supply chain, and through the responsible use of our products and services. The Absa Way Code of Ethics outlines how we expect our employees to behave and the required standards of work.

It makes specific reference to human rights. The evaluation of human rights and social aspects are integrated into our product development, business relationships and transaction review.

415 Public policies

415-1 Political contribution

We are politically neutral organisation and do not participate in party political activities or make party political contributions. We do participate in government initiatives that are in line with our strategy and values.

416 Customer health and safety

416-1 Assessment of the health and safety impacts of product and service categories and 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

Our occupational health and safety policy encompasses employees, contractors, visitors, consultants and customers. In South Africa, the Department of Labour regularly inspects all our premises, including those serving customers, for compliance with the South African Occupational Health and Safety Act. We have public liability cover for litigation arising from accidental bodily injury sustained by persons while they are at our premises, as well as for accidental damage to their property. This standard applies across our Absa Regional Operations, as not all countries have the same legislation in place. No non-compliance to any Health and Safety regulations or codes were reported in 2019.

418 Customer privacy

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

Our relationship with our customers is important to us and we therefore treat their personal data with great care. To demonstrate our commitment to protecting the personal data entrusted to us, we continue to firm up our control environment, handle privacy complaints with rigour, train our employees on how to treat personal data, and work closely with our local and international regulators to deal with data breaches in the event that these occur. In addition to validated complaints, we also monitor customer perceptions of the Bank's performance. In our Treating Customers Fairly Outcomes Index, data privacy is consistently the highest-rated outcome.

To ensure that we are at the forefront of the changing technology landscape and in order to comply with international privacy laws, we focus on:

- Ensuring that we have easily accessible mechanisms in place that allow for the identification and escalation of data privacy breaches.
- Overseeing the transfer and use of data by suppliers.
- Managing customer complaints properly to ensure the best outcome for our customers.
- Having simple, informed marketing consent processes in place for better customer outcomes.
- Strengthening our cyber management capabilities to reduce our vulnerability to cyber-attacks.

- Having easily accessible request processes in place for our customers to exercise their data privacy rights.
- Creating awareness of cyber, fraud and privacy risks, both among employees and customers.
- Actively driving preventative measures, such as the two-factor authentication process used in South Africa, which protects against vulnerability linked to cell phone SIM cards, which is regularly exploited by fraudsters.

There have been no substantiated customer privacy complaints during 2019.



Into the Breach, our cybersecurity awareness video series

South African Banking Risk Information Centre has agreed to host our cybersecurity series on their platforms.

419 Socioeconomic compliance

419-1 Non-compliance with laws and regulations in the social and economic area

We have a zero-tolerance approach to causing detriment to customers, markets and effective competition. In the normal course of business, our various regulators conduct reviews of our business operations' controls and our progress in meeting regulatory requirements. We continuously focus on compliance and risk controls. At times, however, remedial action is required, and administrative penalties and fines are levied on the Group.

In 2019, we incurred R9.8m in penalties leave the most notable being the R6m penalty imposed by the Bank of Tanzania relating to the establishment of a primary data centre. The issue is currently being remediated.



Financial Services Sector disclosure

FS7 and FS8 Lending with social and environmental benefits

Affordable housing

We continue to play an active role in the affordable housing market by providing relevant and appropriate financial solutions to investors, developers and the communities we serve. We continue to explore 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.



Over the past 16 years, we have worked with the Department of Human Settlements and local authorities on projects delivering over 16 000 homes. In the past four alone, we have financed the development and/or investment of units to the value of R5.6bn. Our offering also includes social housing, which involves us providing finance to prospective homeowners in lower income brackets. We continue to partner with MSCI on South Africa's residential data, proving key insights into the sectors performance.



A partnership with Casa Real, a private business engaged in the construction of affordable housing in the Centre region of Beira, will erect 25 000 low-cost houses in various phases.

Partnerships in action

Boosting trade finance in Africa

Over the past few years, banks headquartered in the US and Europe have reduced their exposure to Africa, which has led to an acute shortage of trade finance capacity – particularly for small and medium enterprises – in African countries where it is most needed. This often prevents companies from taking advantage of opportunities to grow, secure export opportunities and increase employment.

Working with the CDC Group, the United Kingdom's impact investor for Africa and South Asia, Absa secured a US\$100m trade finance loan. This, combined with a US\$75m direct loan, is CDC's largest trade finance commitment in Africa. The partnership will significantly boost our financial commitment to driving African trade and will provide practical support for local banks, businesses, small and medium enterprises and entrepreneurs, which are the real source of GDP growth and developmental transformation in African economies. In addition to reaching customers in our presence countries, we will partner with other non-subsidiary correspondent banks across Africa.

Renewable energy financing

In South Africa, there have been several positive changes supporting the renewable energy sector, including the signing of the 2019 Integrated Resource Plan. The Plan provides for embedded generation and this should allow for continued lending growth.

We aim to enable growth by funding independent power producers and small-scale embedded generation, vertically integrating energy production into the existing business of agriculture, manufacturing, tourism, wholesale and other customers. We continue to successfully fund commercial and industrial power purchase agreements and have launched new innovative financing solutions for this sector, which include our Green Asset Finance and Renewable Energy Term Loans.

We provided funding for over 50 solar installations in 2019. We also concluded funding for two power purchase agreement portfolios in the commercial and industrial segments.

Advocacy and awareness

Customer education and awareness is an important component, and our programme includes events, site visits to solar photovoltaic installation across South Africa, and thought leadership in the form of newsletters, articles, social media posts, and testimonial and educational videos. We have introductory research available to customers on seven renewable energy technologies, face-to-face training initiatives, and four modules of training videos, which are accessible to employees.

As a member of the South African Photovoltaic Industry Association, we proactively engage and collaborate on topics seeking to advance the industry.

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

REIPPP is seen as the most significant contributor to South Africa's shift towards a low-carbon economy. It supports the country's commitment to reducing carbon emissions in line with the 2015 Paris Accord, as well as the 2019 Energy Integrated Resource Plan goal to diversify energy resources and reduce the reliance on coal. The renewable energy technologies supported include wind, solar photovoltaic, concentrated solar power and biomass. The projects are designed to benefit local communities and other businesses during the various construction phases and so to make a significant contribution to energy generation, environmental sustainability and economic growth and development.

Starting in 2010, approval has been given for 92 projects with a total capacity of 6 322 MW. Absa has been involved in financing 33 projects with a combined capital value of R80bn and combined capacity of 2 916 MW: 704 MW for solar photovoltaic, 1 837 MW for wind, 350 MW for concentrated solar technologies and 25 MW for biomass. This represents 46% of all renewable energy projects, measured in megawatt, awarded so far. There were no new deals approved in 2019.

How South Africans could
REIPPP the benefits of
renewable energy



Case study



We have also concluded a R17.26bn deal, including R7.06bn in mezzanine B-BBEE debt for Enel Green Power South Africa, financing five wind farms with a total capacity of 700MW in the Northern Cape and Eastern Cape. The transaction was the first portfolio-based financing structure closed in Africa. The use of a portfolio funding structure reduced the credit risk to lenders and significantly improved pricing.



A R6.6bn deal to construct two wind farms with a total capacity of 250MW in the Eastern Cape was concluded with Global Mainstream Renewable Power. The project created jobs in two locations where unemployment is particularly high, and introduced water and electricity infrastructure into these areas.



Local renewable energy fund Nesa Investment Holdings acquired Makro's carport solar photovoltaic systems at stores across South Africa. The acquisition, which was funded from capital raised from Nesa's shareholders, with a debt facility provided by Absa Retail and Business Banking generates clean electricity that is fed directly into stores. This allows the stores to reduce their total monthly electricity bills, while alleviating pressure on the national electricity grid.



Partnerships in action

MIGA guarantee unlocks financial resources for further growth

Absa secured a USD497m guarantees with the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group. The guarantees will help to protect Absa against risks related to the mandatory capital reserves that Absa and other banks are required to hold with central banks and in doing so free up financial capacity, enabling Absa's subsidiaries to provide additional sustainable financing for corporates and small and medium-sized businesses, as well as projects with co-climate benefits. The climate finance component of this project is significant, and Absa in Kenya and Mauritius will lend USD325m in support of new climate finance transactions. The guarantees are valid for as long as 15 years and apply to Absa's subsidiaries in Ghana, Kenya, Mauritius, Mozambique, Seychelles, Uganda and Zambia.

Absa is the first African banking group to enter into this type of guarantee transaction with MIGA. MIGA only supports investments that are developmentally sound and meet high social and environmental standards.

Agriculture

In line with efforts to use the agricultural sector as a springboard for labour-intensive growth, we prioritise collaboration with all stakeholders in the agriculture value chain. Our specialists provide ongoing reports on local and global market insights to help our customers make more informed decisions. In particular, we assist clients who experience challenges with proactive interventions. Over the past three years, many of the farmers who have received business support have managed to turn their businesses around, thereby avoiding legal process.

Where farmers have demonstrated good management skills and a solid track record, we engage them to offer full support, including payment extensions, balance sheet restructuring and capital holidays.

Our agriculture strategy includes a focus on providing small-scale farmers with access to finance and we continue to offer fact-based information. We have built supportive ecosystems that help address many of the challenges these farmers face, in the areas of technical knowledge, market access and access to finance through partnerships with fellow corporates, industry associations and business development organisations.

These ecosystems enhance the viability of small-scale farmers by both reducing and mitigating risk. Importantly, they also reduce barriers to entry and provide the resources 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 also provide fact-based and independent perspectives on topical issues and thought-leading views on the possible outcomes of opportunities or crises in agriculture 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, including an analysis of factors that impact on 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, universities and farmer's days. During 2019, we undertook the following activities:

- We attended the South Africa Chamber of Commerce Seminar in London, which was an investment drive.
- We gave a number of presentations on artificial intelligence to academic institutions and agri-industry role players.
- We produced a video on renewable energy with a focus on agriculture.
- We presented to the SIMA Africa summit in Paris on technology to enhance smallholder farmer development.

We have a relationship with various industry associations, including, but not limited to, the Agricultural Business Chamber, Agri SA and its provincial unions, the Citrus Growers Association, Cotton SA, Hortgro, Grain SA, the Produce Marketing Association, Potato SA, the National Emergent Red Meat Producers' Organisation, the South African Table Grape Industry, the Transvaal Agricultural Union and Vinpro.

Discover more about our activities



Agriculture Business



SME growth: Dreamland Piggery



SME Growth: Sofra Istanbul Restaurant

FS13 Access points by low-populated or economically disadvantaged communities

We offer services to our customers through a multi-channel approach, with a choice of platforms, from digital solutions to call centres and face-to-face engagements in branches to customer suites with relationship managers.

Our multi-channel focus includes convenient alternatives to branches, such as self-service options (ATMs) and digital options (online banking, mobile banking, mobile apps and USSD-code).

Strengthening and extending our online and mobile service continues to be a priority for responding to our customers' needs, enhancing their experience and reducing their dependency on physical branches.

In addition to our branches and intelligent ATMs, we partner with various retailers and other partners, such as postal services and telecommunications companies, to extend the reach of our services.

We seek to help customers transition to 'smart banking' with cheaper and more convenient banking channels, and our pricing model encourages and rewards customers who choose to make use of electronic or digital channels.

In accordance with the Amended Financial Sector Code, access to financial services is a transformation imperative in South Africa.

First ATM access

We installed the first ATM in the remote village of Messica in Mozambique, saving 70 000 villagers from long trips to the provincial capital of Manica to withdraw money. We also opened a branch in Larde, one of the most remote areas in the country, to assist in reducing the un-banked and under-banked population.



Safe and secure access to ATMs for the blind

To drive inclusivity in financial services in South Africa, our ATM services include multiple languages, braille and audio prompts. Taking this a step further, we have formalised a relationship with the South African Guide Dogs Association to make ATM use more accessible to service dogs and their owners. As part of the partnership – and with the support of Metal Techniques and Bytes Technology – we have installed a fully functional ATM at the association’s headquarters to assist with the training of service dogs and visually impaired people. This will allow for training in a relaxed and controlled environment. We will analyse customer experiences and feedback to inform ongoing enhancements and functionality on our ATMs and so improve the experience for our visually impaired customers.

FS14 Initiatives to improve access to financial services

We have a clear focus on developing innovative ways to improve access to financial services for economically disadvantaged people. 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.

9: A universal set of products and services

The following is a selection of the products and services aimed at providing access to a range of financial options, from transactions and savings to lending and insurance. Availability may vary across our countries of presence.

Absa Transact (SA only) is a simple, lowest-cost bank account.

Absa Value Bundles (SA only) are simple, transparent transaction bundles offering value-added services, including funeral cover.

Absa Rewards (SA only) offers a cash-back feature and bonuses, based on a customer’s product portfolio and the way in which they transact.

Agency banking allows customers to perform basic transactions such as bill payments, balance enquiries, card and cardless cash deposits, and withdrawals at third-party outlets.

Hello Money (Absa Regional Operations only) provides mobile phone banking with online and ATM bill payment facilities.

MegaU Youth Account (SA only) includes an interactive app that makes banking rewarding and educational for children.

Absa app (SA only) is a full-service banking app which includes home loans, foreign exchange, vehicle finance, Western Union money transfers (a first in South Africa), life cover and account opening for new-to-bank customers. A digital fraud warranty on the app now means that we carry the loss for customers who are defrauded, within reason. In addition, we launched the world’s first beneficiary-switching capability.

Homeowner App (SA only) assists our customers with their home loan application process and includes a pre-qualification home loan estimator tool.

CashSend allows for cash remittances from our ATMs without a bank card and via a mobile phone.

Chatbanking is available on WhatsApp, Twitter and Facebook in South Africa. In 2019, we launched a pilot in Uganda with FAQs on our online portals and plan to roll out financial transaction capabilities on WhatsApp and Facebook Messenger across all Absa Regional Operations in 2020.

Jumo (in partnership with MTN) is a USSD micro-lending solution for individuals and small and medium enterprises in Ghana and Zambia.

In Kenya, **Kiswahili insurance policy contracts** will be made available as part of a government-led initiative.

Kongola is a mobile lending proposition and Kasaga a savings solution offered in Zambia.

Multi-functional, multi-language ATMs include bill payments, cardless withdrawals and the facility for customers to save their favourite transactions.

NovoFX app allows customers to buy foreign exchange and make cross-border payments in more than 28 currencies.

Partnerships with various telecommunications providers across Absa Regional Operations deliver mobile payment solutions even, in some instances, for users without bank accounts.

Prepaid cards are a cash management solution that enables customers to distribute cards to several individuals, who can then spend funds either locally or internationally.

Private-to-Private (SA only) enables customers to buy or sell vehicles privately through a safer and more credible channel.

Timiza is delivered in partnership with Safaricom, Kenya’s first digital banking platform, and offers loans, bill payments, airtime, insurance, foreign exchange and other transactional capabilities via mobile phone.

Virtual Pay (SA only) is a cardless payment solution for a single business account that allows businesses to monitor and control expenses by integrating with most procurement systems and travel booking tools.

Virtual Investor (SA only) is a platform that can be used by both Absa and non-Absa customers to buy unit trusts online.

Workplace Banking (SA only) offers our wholesale customers banking, insurance and financial wellness education on-site, strengthening their employee value proposition.

Solutions such as **Asorbia**, a fintech church app, and Atlas, a savings-based digital wallet, both offered in Ghana, and the **Prepaid Vivo Energy EasyGo** card, which is offered in Tanzania and allows for budgeting, tracking and rewards, extend financial access even further.

Shari’ah-compliant Islamic banking is offered in various markets for individuals seeking a different approach to financial services.

FS16 Financial literacy

Consumer education is the process of transferring knowledge and skills to consumers, potential consumers and future consumers. The intended outcome is the development of consumers’ knowledge and understanding of the financial services 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.

In South Africa, our consumer education programme aims to reach schoollearners, unemployed people and individuals earning an income of less than R250 000 per annum. Implemented by accredited training partners, the programme aims to empower consumers to make informed choices and improve their lives through responsible personal financial management. In 2019, we invested R34.3m (2018: R32.3m) in reaching 119 500 (2018: 100 746) beneficiaries throughout South Africa, with 75% of these being located in urban areas and 25% in rural areas.

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We supported the Banking Association of South Africa’s Starsaver programme, which reaches school children in grades 7, 8 and 9, and worked with the Association of Savings and Investments to implement the Saver Waya Waya financial literacy programme for TVET college students.

In Botswana, Madi Majwana has been entertaining and educating the public on critical issues of money management since 2013. It is broadcast on three radio stations, reaching an audience of over 600 000 people throughout Botswana. In addition to the radio drama, Madi Majwana engages with the public through roadshows, which include performances at our branches so that our employees can gain greater insight into the messages being shared through the radio drama. In 2019, the initiative reached 756 599 radio listeners and 210 905 social media users and delivered 4 855 live theatrical performances across 14 villages and 10 branches.

Educating against fraud

Despite improved security, fraudsters are continuously devising new plans to circumvent the latest safety measures. For example, the shift from phishing to vishing. With phishing, fraudsters impersonate a bank via email and entice the customer to click on links that redirect them to a fraudulent banking site, duping them into sharing their details and robbing them. With vishing, fraudsters call the customer claiming to be from their bank and ask for account and login details to urgently “stop” a fictitious transaction. These are examples of social engineering – the act of manipulating customers into sharing their personal information.

Financial fraud is constantly evolving and while it is not possible to provide hard and fast rules as a guarantee against fraud, we believe there are steps customers can take to protect themselves. To this end we provide ongoing education/awareness through various mechanisms including email, short message service and on our banking websites.

Case study

As part of our strategy to move to our customers and the communities we serve, we partnered with Qhubeka to distribute 750 bicycles to children in the Drakenstein region of the Western Cape. A further 150 bicycles were delivered to Paarl Community Police Forum members to facilitate the fight against crime and assist in making the community safer. We hope that the 900 bicycles distributed will help communities by not merely by making children’s lives easier, but by having a positive impact on their school attendance and academic performance. The bicycles were assembled by members of the Groot Marico and Paarl communities. Bicycle mechanics were trained as part of our Enterprise Development Programme and financial literacy training was provided to over 2 000 pupils.

Two solar installations were also built at these schools to address the clear need for more environmentally friendly ways of generating energy and to achieve long-term energy savings. Helping schools to own their own solar installations enables them to educate pupils firsthand on renewable energy sources and drive awareness of solar photovoltaic for years to come. Following this pilot, we aim to roll out to other schools in 2020.



Qhubeka Absa Cape Epic Teams Donate Bikes to Stellenbosch School

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