Absa Group Limited

Integrated Report 2020

Our reporting suite

2020 Integrated Report

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

Financial and risk disclosures

- 2020 Annual Consolidated and Separate Financial Statements
- 2020 Summarised Annual Consolidated Financial Statements
- 2020 Pillar 3 Risk Management Report
- 2020 Pillar 3 Risk Management Report – Additional Tables
- 2020 Financial Results Booklet and Results Presentation

Environmental, Social and Governance disclosures

- 2020 Environmental, Social and Governance (ESG) Report
- 2020 Remuneration Report
- 2020 Broad-Based Black Economic Empowerment (B-BBEE) Report
- 2020 Principles for Responsible Banking (PRB) Report
- 2020 Task Force on Climate-related Financial Disclosure (TCFD) Report

Shareholder information

- 2021 Notice of Annual General Meeting
- Form of Proxy

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

Reporting standards and frameworks

Our Integrated Report contains information that is governed by a diverse set of regulations, frameworks and codes, including:

- International Integrated Reporting Council's <IR> Framework (2021)
- International Financial Reporting Standards (IFRS)
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV)

Core topics

- Who we are and the role we play in society.
- Governance of our business and how the Board deals with evolving dynamics.
- Our stakeholders, operating environment and related opportunities and challenges.
- Our strategy and resource allocation decisions.
- Assessment of value created (outcomes by capital and for our stakeholders).
- Our remuneration policy and decisions made.

Icons used in this report

Stakeholders

Customers, Employees, Society, Planet, Regulators, Investors

Six Capitals

Financial Capital, Manufactured Capital, Intellectual Capital, Human Capital, Social and Relationship Capital, Natural Capital

King IV™

King IV application

Navigation

Weblink, Online download

Table of contents

About our Integrated Report

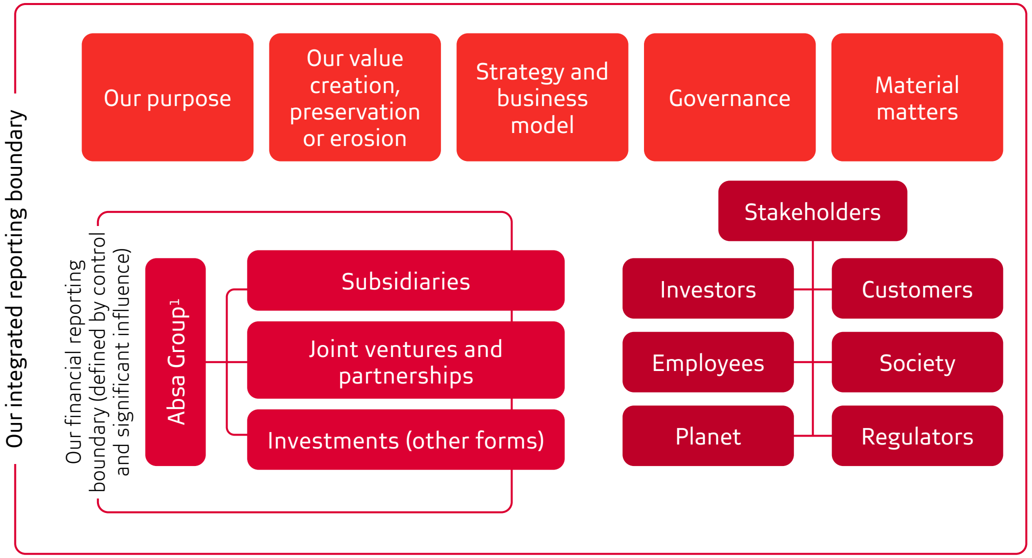
Absa Group Limited (Absa or the Group) strives to incorporate the principle of integrated thinking into our business and ultimately our reporting. This Integrated Report is our primary report to our investors and contains information relevant to other stakeholders. It is supplemented by the disclosures outlined on the inside front cover.

Integrated reporting scope and boundary

Our Integrated Report is intended to enable stakeholders to make informed assessments of our ability to create value in the short term (less than 12 months) and medium term (one to three years) as well as our endeavours to secure long-term value beyond these horizons through our purpose-driven pursuits. The report covers the Group activities, business units and support functions across our international presence. 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.
- 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, our stakeholder relationships, the challenges and opportunities we face, and our approach to creating and distributing value. Selected information (such as Broad-Based Black Economic Empowerment (B-BBEE)) is presented for our South African operations and is noted accordingly.



[1] A list of subsidiaries and consolidated structured entities are outlined in note 50.2 of the annual financial statements.

Normalised financial results

As part of Barclays PLC's (Barclays) divestment of its controlling interest in Absa, it contributed R12.6bn, mainly in recognition of the investments required to separate the businesses (the Separation). We report both IFRS financial results and a normalised view, which adjusts for the consequences of the Separation and better reflects the Group's underlying financial performance. Although the Separation was successfully completed in 2020, we will continue to present normalised results as the financial impact will continue for several years due to amortisation. Unless indicated otherwise, the financial results are presented on a normalised basis. Capital ratios are presented on an IFRS basis.

Reporting period and forward-looking statements

This report covers the period from 1 January 2020 to 31 December 2020. Notable or material events after this date and up until the approval of this report on 23 March 2021 are included. Statements relating to future operations and the performance of the Group are not guarantees of future operating, financial or other results and involve uncertainty as they are based on assumptions of future developments, some of which are beyond our control. Therefore the results and outcomes may differ. The ongoing impact of Covid-19 has a significant influence on our business, operational and financial performance. Given continued levels of uncertainty, our approaches, planning and stress testing exhibit a higher than usual level of uncertainty as to select outlook and forward-looking statements. Shareholders should consider the full published reporting suite on www.absa.africa as part of any investment decision.

Process disclosure and assurance approach

Our Integrated Report process began with the review of the material matters for reporting. Our deep dive strategy review, in which the Board was actively engaged, formed a key input. Content gathering for these disclosures included engagements with and submissions from business units, as well as drawing from Board and Board committee submissions. We apply a risk-based, combined assurance approach over the Group's operations. Therefore internal controls, management assurance, compliance and internal audit reviews, as well as the services of independent external assurance providers support the accuracy of the disclosures within our published reports. In line with their respective mandates, specific reports are reviewed and recommended to the Board for approval by the Disclosure, Social and Ethics, Remuneration, Directors' Affairs, Group Audit and Compliance, Information Technology, and Group Risk and Capital Management committees. The Board takes final accountability for the approval of the Group's external disclosures.

Ernst & Young Inc. audited our annual financial statements. PricewaterhouseCoopers Inc. conducted limited assurance on the total energy use and carbon emissions indicators. Empowerdex verified our B-BBEE rating. The scope and conclusions of these can be found in the Limited Assurance Report, the Group's B-BBEE certificate and annual financial statements, all of which are available on our Group website at www.absa.africa/absaafrica/investor-realtions/annual-reports/.

Determining materiality – What matters most

Value creation

As a financial services provider, we play a key role in the economic activity of individuals, businesses and nations, helping to create, grow and protect wealth through partnerships in economic development. Through these activities, we consider our stakeholders as we pursue our ambition to have a positive impact on society and deliver shareholder value. We measure the impact and outcomes of our business activities using a stakeholder scorecard and reporting our impact on the Six Capital of Integrated Reporting, as well as including information regarding governance and remuneration practices that support value creation.

Materiality

Our ability to create value is impacted by a multitude of factors, including the operating environment, our responses to the risks and opportunities and our chosen strategy. Through this report, we provide the context for what we have deemed our material matters – those which have influenced, or could influence, our ability to create value over the short, medium and long term, as well as how we are managing and governing our responses. Our materiality determination process is discussed below, with further detail on each matter discussed from page 35.

Identify
INPUT

Identified a list of potential matters considering:

- The operating context (pages 6, 12 and 41 – 42.)
- Our strategic ambitions (page 7).
- Stakeholders' legitimate needs and expectations across the Six Capitals (pages 9 – 11).
- General and industry-specific assessments

Validated the list through:

- Local, regional and global peer review.
- Engagement with various internal functions, including strategy, risk, investor relations, company secretariat, sustainability and citizenship.

Analysed the list in terms of:

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

Assess and prioritise
PROCESS

Assessed potential matters through our:

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

Prioritise

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

Respond and monitor
OUTPUT

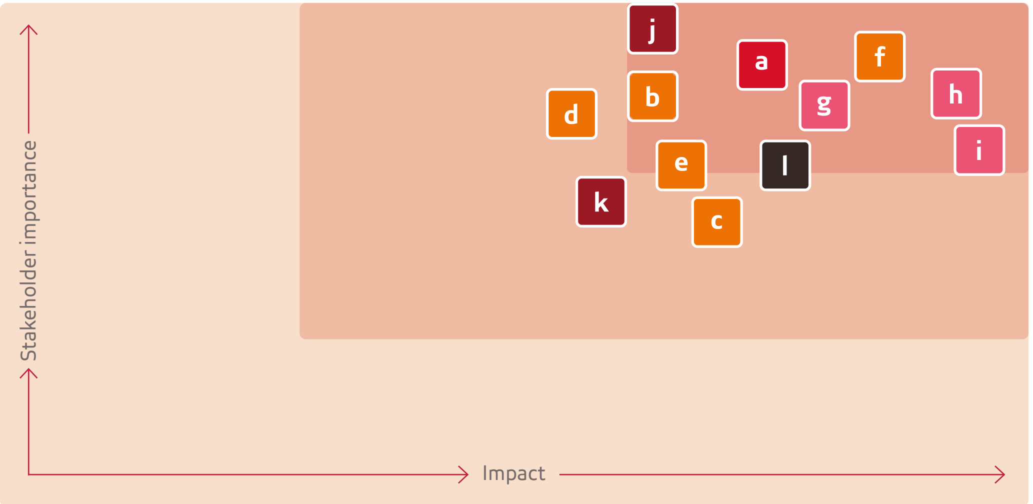
Our material matters enable us to **respond** to our context by informing our strategy, ensuring we manage risk and capture opportunities as they arise. We **monitor** our strategic performance using key performance indicators that inform remuneration.

Our identified material matters:

1. Macroeconomic environment and economic flux (page 35).
2. Competition and technological change (page 36).
3. Regulatory change, risk management and governance (page 37).
4. Climate change (page 39).
5. Transformation within a sustainable development context (page 40).

Determining materiality – What matters most *continued*

The matrix below represents the matters that can materially impact our ability to create sustained value in the short, medium and long term, which are dealt with in this report. Mindful of the dynamic nature of the environment we are operating in, many other matters are monitored. Our Environmental, Social and Governance Report includes the Group's disclosure on further matters that are of relevance to the Group and other stakeholders.



Prioritised matters include the following sub-matters:

1. Macroeconomic environment and economic flux

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

2. Competition and technological change

b. Usability and accessibility of our products: Making banking personal, instant, seamless, relevant and accessible to enhance the customer experience.

c. IT systems and platforms stability such as apps, payment services, internet banking, and data centres.

d. Innovation of products, services and delivery channels factoring in technological developments and customer trends.

e. Interconnectivity and digital transformation considering new technologies and digital trends along with increasing connectivity with third parties and enhancing functionalities using application programming interfaces.

f. Cyber resilience against cyberattacks or malware.

3. Regulatory change, risk management and governance

g. Governance, culture, ethics and integrity means conducting business with the highest level of integrity and in compliance with all applicable laws, regulations and standards, including a zero-tolerance approach to bribery and corruption.

h. Information security and data privacy (protecting confidential information and ensuring information is treated with integrity and is available when needed).

i. Financial performance: Being a financially healthy and stable company underpinned by sound risk management.

4. Climate change

j. Promoting sustainable environmental practices and mitigating current and potential climate change impacts while helping countries and affected businesses to adapt.

k. Water (drought and flooding) encompassing the potential impact on our operations and risks to customers.

5. Transformation within a sustainable development context

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

Board approval

Supported by the Disclosure Committee, the Board acknowledges our responsibility for the integrity of the Group's external reporting. This report provides material and relevant information to providers of financial capital to enable informed capital allocation decisions, while supplying information relevant to broader stakeholders.

This report is presented in accordance with the International Integrated Reporting <IR> Framework (2021). It addresses all material matters influencing Absa's ability to create value in the short, medium, and long term. Absa's use of and effect on the Six Capitals is presented, taking into consideration how the availability of these capitals, along with the operating context, has influenced the Group's business model and strategic direction. Furthermore, we believe this report demonstrates how Absa seeks to fulfil its purpose and, in this way, creates sustainable value for all its stakeholders. It is our opinion that this Integrated Report presents a fair and balanced view of our performance and outlook.

The Board approved this report on 23 March 2021.

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

Absa, our identity, our purpose and approach to value creation

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

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

We bring possibilities to life.

Absa at a glance

Absa Group Limited, listed on the JSE, is one of Africa's largest diversified financial services groups.

R974bn gross loans and advances to customers
(2019: R946bn)

R952bn deposits due to customers
(2019: R826bn)

R101.6bn market capitalisation
(2019: R126.6bn)

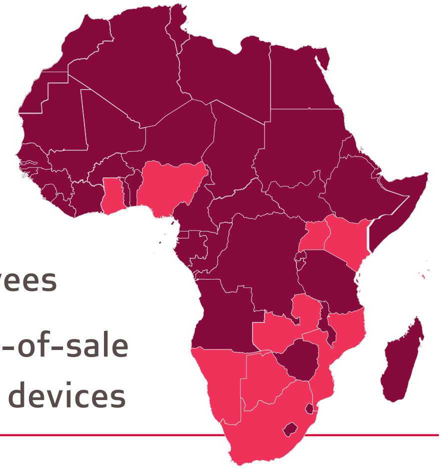
14 countries

991 branches

9 734 ATMs

36 737 employees

124 432 point-of-sale (PoS) devices



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

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, Jumo and Timiza.
- ChatBanking on WhatsApp and Facebook Messenger.
- Quick code-based functionality.
- Online transactions via third-party sites.

Our wide array of partnerships

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

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

[1] Absa Bank Tanzania and National Bank of Commerce combined.

Representative offices

Namibia — 1 employee

Nigeria — 15 employees

Securities entities

UK — 27 employees

USA — 7 employees

Absa in the African banking context

The African market contains a wide spectrum of local, regional and global banks as well as emerging fintechs and digital players. Our presence countries have a combined banking revenue in excess of R520bn[1]. In the table below we provide a view of the Group's position relative to our most significant peers in each country.

	GDP[2]	GDP growth[2]	Population[2]	Banking revenue pool[1]	Number of banks	% of total banking income held by top five banks	Absa relative to peers[3]: Rank by income	Return on equity	Cost-to-income
South Africa	US$304.6bn	(7.1%)	59.6m	R322.7bn	41	86.2%	3rd	3rd	3rd
Botswana	US$18.3bn	(10.3%)	2.3m	R12.8bn	12	83.9%	3rd	1st	4th
Ghana	US$67.0bn	1.3%	30.4m	R34.6bn	23	44.1%	3rd	2nd	1st
Kenya	US$95.5bn	0.9%	52.6m	R59.5bn	39	55.0%	4th	5th	4th
Mauritius	US$14.0bn	(13.7%)	1.3m	R25.8bn	19	81.3%	5th	3rd	4th

	GDP[2]	GDP growth[2]	Population[2]	Banking revenue pool[1]	Number of banks	% of total banking income held by top five banks	Absa relative to peers[3]: Rank by income	Return on equity	Cost-to-income
Mozambique	US$15.3bn	(0.8%)	30.4m	R17.7bn	21	68.5%	4th	4th	4th
Seychelles	US$1.7bn	(10.4%)	0.98m	R1.3bn	8	100%	1st	3rd	3rd
Tanzania[4]	US$63.2bn	4.1%	58.0m	R19.3bn	49	61.7%	9th ABT 3rd NBC	7th 3rd	8th 4th
Uganda	US$35.2bn	(1.3%)	44.3m	R13.9bn	25	67.0%	5th	4th	4th
Zambia	US$23.3bn	(3.2%)	17.9m	R12.4bn	18	56.7%	3rd	1st	1st

South African peer comparison[3,5]

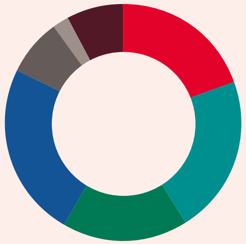
	Absa[6]	FirstRand[6]	Nedbank	Standard Bank
Cost-to-income (%)[7]	56.0	53.4	58.6	58.2
Return on equity (%)	7.2	10.2	6.2	8.9
Common equity tier 1 (%)[8]	11.2	12.4	10.9	13.3
Credit loss ratio (%)	1.92	2.17	1.61	1.51

Absa is the third-largest bank in Africa as measured by assets and tier 1 capital[10].

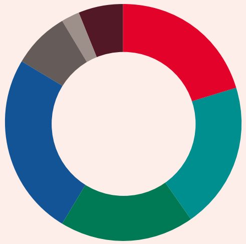
1 Estimated.
2 Source: Absa Research forecasts.
3 South Africa based on 2020 financial results with the balance based on 2019 financial results.
4 Absa Bank Tanzania (ABT) and National Bank of Commerce (NBC).
5 Source: 2020 peer reports.
6 Absa and FirstRand normalised results are presented.
7 Nedbank and FirstRand include associate income in their cost-to-income ratio, whereas Absa and Standard Bank exclude it. Nedbank and FirstRand ratios presented have been recalculated to exclude associate income.
8 IFRS 9 day one impact is being phased in over three years, with the exception of Nedbank.
9 Source: South African Reserve Bank BA 900 31 December 2020.
10 Source: The Banker magazine, July 2020.

South African market[9]

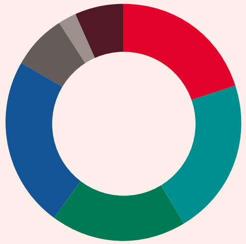
Total assets market share (%)
(2019 comparison)



Advances market share (%)
(2019 comparison)



Deposits market share (%)
(2019 comparison)



Absa's purpose is to bring possibilities to life

Our purpose is to bring possibilities to life. We believe everyone should have access to the transformative power of financial services to help them plan, dream, and aspire to change their lives for the better. We will find creative ways to deliver innovative technologies and propositions to make more possible, and we will help shape a world that values progress and economic activity to serve the common good. We believe in growth that is sustainable, which serves to benefit generations of our customers, our employees, and our communities on our continent and in the world at large. **This is what drives us. This is what creates value for all our stakeholders. These are the possibilities we bring to life.**

Our organisational structure, products and services

We deliver a wide range of financial products and services through three customer-facing segments to meet the needs of our customers.

	Retail and Business Banking South Africa (RBB SA)	Corporate and Investment Bank (CIB)	Absa Regional Operations (ARO)
Key metrics Diving deeper Financial Results Booklet	**R416.4bn** Deposits due to customers **R4.3bn** Headline earnings **R551.7bn** Gross loans and advances to customers **9.4%** Return on regulatory capital	**R282.8bn** Deposits due to customers **R3.0bn** Headline earnings **R306.3bn** Gross loans and advances to customers **11.1%** Return on regulatory capital	**R159.2bn** Deposits due to customers **R1.6bn** Headline earnings **R115.1bn** Gross loans and advances to customers **6.4%** Return on regulatory capital
Serving	Individuals; micro, small and medium enterprises; non-governmental organisations and public sector institutions.	Global, regional and mid- to large sized corporates and organisations; financial institutions; and public sector institutions.	Individuals; micro, small and medium enterprises; regional and local corporates; financial institutions; non-governmental organisations and public sector institutions.
Presence	South Africa	South Africa, serving customers across Africa alongside Absa Regional Operations and an international presence in the United Kingdom and the United States of America. Representative offices in Namibia and Nigeria.	Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania, Uganda and Zambia.
Products and services Diving deeper 2020 ESG Report (102-2)	Comprehensive suite of banking and insurance offerings, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products, and card- acquiring services.	Specialist solutions across corporate and transactional banking, investment banking, financing, risk management, advisory products and services.	Comprehensive suite of retail, business, corporate and investment banking products and services, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products, and card-acquiring services. Insurance products in select markets.
Areas of strength and differentiation	• An engaged and energised workforce. • Largest distribution network in South Africa. • Full bank offering with integrated insurance products and a clear focus on customer value management. • Enhanced digital capabilities. • A stable customer base with improving retention and cross-sell. • Strong ecosystems and partnerships in key sectors, including home loans and vehicle finance. • Strong credit and collections capability. • Strong brand recognition.	• Global network. • Substantial South African platform to leverage across African operations. • An increased client base due to a continued focus on cross-selling, new client acquisitions and diversification of product offerings. • Transactional banking offering across presence markets with new capabilities and an effective sales and service model. • Leading industry expertise in renewable energy, mining and resources, infrastructure, oil and gas and telecoms. • Efficient African franchise and high-quality portfolio with a low credit loss ratio.	• Strong overall portfolio delivering new revenue growth and improving returns. • A growing customer base with improving retention and cross-sell. • Ability to meet corporate and commercial client needs by combining global capabilities and expertise, a consistent offering across the region, and local coverage through an extensive network of branches and points of presence. • In-house solutions and strategic partnerships providing mobile banking, agency banking, chat banking, digital wallets and a fully digital savings and lending platform. • Leading agricultural expertise, including a bespoke platform that facilitates trade between buyers and suppliers across the agricultural supply chain. • Strong integrated bancassurance offering.

Our stakeholders' needs and expectations

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

Quality of relationship
Good | To be improved | Poor

Investor community

Page 73

How we measure success

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

Who they are

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

Needs and expectations

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

Strategic response/value proposition

We effectively manage risk and create sustainable returns by:

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

Measuring performance[1]

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

[1] Normalised excluding capital ratios

Responding with purpose in a crisis

Page 55

Focus:

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

Customers

Page 74

How we measure success

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

Who they are

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

Needs and expectations

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

Strategic response/value proposition

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

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

Measuring performance

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

NPS Net promoter Score

Responding with purpose in a crisis

Page 56

Focus:

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

Our stakeholders' needs and expectations *continued*

Quality of relationship

Good | To be improved | Poor

Employees

Page 71

How we measure success

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

Who they are

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

Needs and expectations

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

Strategic response/value proposition

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

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

Measuring performance

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

[1] African, Indian or Coloured (South Africa).
[2] As measured through the new Colleague Experience Index.

Responding with purpose in a crisis

Page 55

Focus:

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

Regulators

Page 75

How we measure success

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

Who they are

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

Needs and expectations

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

Strategic response/value proposition

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

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

Measuring performance

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

Responding with purpose in a crisis

Page 55

Focus:

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

Our stakeholders' needs and expectations *continued*

Quality of relationship

Good | To be improved | Poor

Society

Page 76

How we measure success

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

Who they are

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

Needs and expectations

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

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

Strategic response/value proposition

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

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

Measuring performance

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

Responding with purpose in a crisis

Page 56

Focus:

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

Planet

Page 79

How we measure success

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

Who they are

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

Needs and expectations

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

Strategic response/value proposition

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

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

Measuring performance

- ▲ R80bn in renewable energy lending (46% of projects approved under REIPPP Programme[1]); senior and mezzanine lender in the first project refinancing.
- ▼ 2 949 transactions screened for environmental and social impacts (2019: 3 704).
- ▲ Three Equator Principles transactions (2019: 0).
- ▼ 4.81% tCO_2 carbon emissions per full-time equivalent employee (2019: 5.79 tCO_2).
- ▲ Sustainability risk elevated to a principal risk in the Group's Enterprise Risk Management Framework.
- ▲ Piloted an enhanced environmental and social management system in seven countries.
- ▲ Enhanced current ESG reporting with our first Task Force on Climate-related financial Disclosures (TCFD) Report.

[1] Department of Mineral Resources and Energy's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme.

Responding with purpose in a crisis

Page 54

Focus:

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

Market drivers influencing our business model

Responding to trends is critical to remain relevant . . . . . . and accelerating is necessary to win in the medium term

Long term trends have accelerated due to Covid-19

Macroeconomic trends
- Financial inclusion and sustainability (ESG).
- Global capital flows and trade.

Evolution of capitalism
- Social licence.
- Government and politics.
- Regulatory environment.

Data and identity
- Monetisation and ownership of data.
- Digital identity.
- Cybersecurity.

Digitisation
- Automation (artificial intelligence, robotics).
- Advanced analytics.
- Virtual/augmented reality.

Democratised computing
- Distributed ledgers (blockchain).
- Cryptocurrencies.
- Cloud computing.

Changing demographics
- Population growth and diversity.
- Changing workforce across sectors.
- Diversity of large African companies.

Increased customer expectations
- Increased service expectations (digital).
- Segment of one product offering and servicing.
- Trust in banks.

Global connectivity
- Growing number of internet connected Africans.
- Global platforms and ecosystems.
- Rise of the tech giants.

Source: BCG analysis

Impact on our business model

Accelerated switch to digital channels
- Digital channels are becoming the preferred channel among retail customers, increasing the importance of remote anti-money laundering/know your customer capabilities as well as end-to-end digital sales and services.
- Faster than expected erosion of the role of branches in product distribution, requiring branch model redefinition.
- Growing importance of integrated financial value-added services such as accounting services and chief financial officer toolkit.

Significant increase in digital sales
- Growing e-commerce sales will drive digital payments volumes.
- E-commerce financing volumes to go up, increasing the importance of flexible digital instalment loans.

Higher awareness of liquidity importance
- Companies to look for liquidity financing, therefore increasing role of factoring and more flexible credit policies.
- Demand for liquidity management tools.
- Consumers suffering from job losses are at a risk of default.
- Possible uptake in other consumer finance (credit cards, overdrafts) products.

Further adoption of card and mobile payments
- Increased volume of card and mobile payments, with customers gravitating towards operators with the lowest fees.

Need for market-risk and trade protection
- Increased demand for products mitigating market risk, capital exposure and risk issues in broader international trade (for example exchange rate volatility/trade finance).

Run for safety
- Customers are likely to reduce existing investments in securities, stocks and most bonds.
- Returns from savings/investments activities are being pooled mainly into current accounts.

Our strategic response

(pages 48 and 57 – 59)

Accelerate the move towards digital sales and service
- Review distribution model and migrate customers to online channels and platforms.
- Accelerate digital sales and propositions.
- Secure cross-channel orchestration.
- Consistent 360 view of customers.
- Hyper-personalised banking and beyond-banking offerings.
- Foster new ways of working between relationship managers and customers.
- Evolve IT architecture to support massive transfer of customers to digital channels and propositions.

Accelerate reinvention of models
- Re-evaluate the business portfolio to improve the Group's return on equity.
- Analyse new trends in industry sectors and design products for priority sectors and customers in the 'new world'.

Prepare for new opportunities
- Evaluate potential consolidation opportunities to strengthen long-term profitability (notably fintechs facing devaluation).
- Create new fee-based income streams, for example beyond-banking solutions.

Rethink planning for low-probability/high-impact risk events
- Diversify revenue sources through online banking, fintechs and ecosystem partnerships and more.
- Analyse geographic footprint to enhance resilience to market shocks.
- Develop plans with new and more severe scenarios such as extreme cyberattack.

Sharpen business purpose with ESG goals
- Reassess purpose in light of customers' and shareholders' expectations.
- Set aspiration for sustainability, climate change, financial inclusion and other ESG factors.
- Integrate ESG, corporate longevity and shareholder value in order to walk the talk underpinned by a concrete set of actions.

Our value-creating business model

Inputs at 1 January 2020

Financial capital

- Equity of R121.8bn.
- Common equity tier 1 ratio 12.1%.
- Capital adequacy ratio 15.8%.
- R917bn gross loans and advances to customers.
- R826bn deposits due to customers.

Manufactured capital

- Effective information and technology infrastructure.
- R18bn property, plant and equipment.
- 1 012 branches, 9 873 ATMs, 115 708 point-of-sale devices.
- Innovative digital portfolio and customer value propositions.

Human capital

- 38 472 employees.
- 61.1% women.
- 75.8% African, Indian and Coloured employees in South Africa.
- Fair and responsible reward structure.
- Diverse, experienced management and Board.

Social and relationship capital

- 9.7m RBB SA customers.
- Strategic channel partner-ships, service providers and a diverse supply chain with a focus on localisation.
- 3 564 Youth Employment Services placements.
- Evolved stakeholder relationships and strategic partnerships.
- Contribution to the Sustainable Development Goals.

Intellectual capital

- Strong brand and presence in key markets.
- Change management expertise built through the Separation.
- Financial, commercial, technical, risk and management skills and expertise at Board, management and employee level.

Natural capital

- Signatory of the Principles for Responsible Banking.
- Three five-star and four four-star rated buildings.
- Leader in renewable energy financing.

Factors impacting our ability to create value

External environment

Matters impeding our financial performance

Subdued macroeconomic conditions which leads to subdued revenue opportunities and increased impairments.

Matters from the operating environment influencing value creation

- Covid-19 and the associated impacts on operations, employees and customers.
- Subdued economic conditions and broader macro and socioeconomic trends.
- Increasing competition and heightened customer expectations.
- Rapid technology developments and the associated opportunities and risks.
- Sector commitment to supporting sustainable development.
- Rising stakeholder expectations and the evolution of capitalism.
- Ongoing regulatory and policy changes.

12 Market drivers influencing our business model
35 Market drivers, risks and opportunities (material matters)

Managing key risks

- Global, regional and local macroeconomic pressures and weakening economic fundamentals.
- The financial position and operational instability of South Africa's state-owned entities, most notably Eskom.
- Policy uncertainty, such as land reform in South Africa.
- Increasing sophistication of fraudulent activity, including heightened cyber risk.
- Strong competition especially from new and/or digital players.
- Change fundamentals arising from the transformation of the business.
- Climate change impacting both business continuity and our customers.
- Increasing environmental constraints, most notably in the case of water.
- Impacts of Covid-19, most notably on credit risk.

Factors within our control

Potential for cost differentiation

- Ability to deliver cost reduction through digitisation.
- Enhanced operational efficiencies using automation which further contributes to enhanced service levels.

Potential for revenue differentiation

- Diverse revenue streams across our portfolio and geography.
- Large customer base in retail, business and corporate.
- Regaining market leadership, increasing market share and cross-sell ratio, all within an appropriate risk appetite.
- Scope to grow product lines where we are underweight in terms of market share.
- Shifting from debt-led customer relationships to transactional, winning customer primacy.
- Strengthening services to multinational corporations, global development and non-governmental organisations.
- Opportunities to support the transition to low-carbon economy.
- Leveraging strategic partnerships.

Our value-creating business model *continued*

Diving deeper
2020 ESG Report (102-2)

Our core business activities

A fully integrated business offering delivered through our customer-first digital solutions, ecosystem of financial services, lifestyle and value chain offerings.

1. Providing payment services and a safe place to save and invest
Accepting customers' deposits, issuing debt, facilitating payments and cash management, providing transactional banking, savings and investment management products and international trade services.

2. Providing funds for purchases and growth
Extending secured and unsecured credit, based on customers' credit standing, affordability and risk appetite. Trade and supplier finance, working capital solutions, access to international capital markets and inter-bank lending.

3. Managing business and financial risks
Providing solutions including fixed rate loans, pricing and research and hedging including inflation, interest rate and foreign exchange.

4. Providing financial and business support
Providing individual and business advice, advisory on large corporate deals and investment research.

5. Protecting against risks (insurance)
Providing savings and investment policies and compensation for a specified loss, such as damage, illness or death, in return for premium payments.

Our outputs

We provide a range of banking, advisory and insurance offerings for individuals, small- and medium-sized businesses, corporates, financial institutions, banks, governments and development finance institutions

We generate revenue through fees, interest from lending and insurance activities

- Interest
- Net fee and commission income

- Changes in investment and insurance contract liabilities
- Gains and losses from investment activities
- Gains and losses from banking and trading activities
- Net insurance premium income

- Net claims and benefits payable on insurance contracts

Outputs from our business operations includes carbon emissions and other waste

46 Financial Directors Report

Outcomes as at 31 December 2020

Financial capital (page 64)

- ▲ R95.3bn retained earnings.
- ▼ 56.0% cost-to-income ratio.
- ▲ Net asset value per share 13 103 cents.
- ▼ 7.2% return on equity.
- ▼ Share price 11 986 cents.
- ▼ R8.0bn headline earnings.
- ▼ No dividends distributed given our focus on capital preservation in the current environment.

Manufactured capital (page 69)

- ▲ RBB SA digitally active customers increased to 1.9m.
- ▲ Digitised branch services.
- ▲ Uptime of application systems at 97.5%.
- ▼ 991 branches, 9 734 ATMs.
- ▲ 124 432 point of sale devices.
- ▲ Data security issue at premises of third- and fourth-party providers however controls were enhanced.

Human capital (page 71)

- ▲ R25.1bn paid in salaries and benefits.
- ▲ Unionised employees received a higher cost-to-company increase than management.
- ▼ R406m invested in training.
- ▼ 35.3% women in senior management.
- ▼ 50.7% black senior management.
- ▼ 7.04% employee turnover.
- ▲ 64.1% colleague experience index.

Social and relationship capital (page 73)

- ▲ Improving customer experience scores.
- = Primacy stable in core middle market and higher in retail affluent.
- ▼ Customer complaints down.
- ▼ R7.0bn direct and indirect tax paid.
- ▲ R380m citizenship disbursements, including R83m towards Covid-19.
- ▼ Level 2 B-BBEE rating.
- ▲ 85.8% localised procurement in South Africa.

Intellectual capital (page 69)

- ▲ IT modernisation programme progressing.
- ▲ Retained market-leading skills in areas such as data analytics, cybersecurity.
- ▲ Piloted facial recognition app
- ▲ Launched a spend analytics platform.

Natural capital (page 79)

- ▲ RBB SA lent R252m to renewable energy projects, adding 16 MW in 48 customer transactions.
- ▼ 11.9% decrease in carbon emissions (2019: 16.2%).
- ▲ Supporting the transformation of the energy system over time through interventions such as our new coal financing standard.
- ▲ Launched South Africa's first green home loan with Balwin Properties.

Playing a shaping role in Africa's growth and sustainability

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

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

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

Informing our approach are the following principles:

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

Pillar 1: Inclusive finance

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

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

Pillar 2: Environmental sustainability

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

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

Pillar 3: A just society

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

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

Pillar 4: Education and skills development

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

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

Contributing to the 17 SDGs which aim to transform the world

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

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

In 2020, guided by the Principles for Responsible Banking, we honed our focus further, commencing a systematic approach to identifying the Group's areas of most significant (potential) positive and negative impacts. This initial prioritisation exercise enabled us to identify the SDGs most relevant to Absa's strategy, business model and operating context, focusing on specific targets and indicators underlying those SDGs. In the diagram below, we indicate whether the goal has been identified as a potential priority SDG and where a goal is considered to be cross-cutting. This process will be finalised in 2021, following which, we will set and publish targets in alignment with the Principles for Responsible Banking. These targets will ultimately be linked to the appropriate SDGs, the Paris Climate Agreement, and relevant regional and local frameworks, such as the African Union Agenda 2063 and the South Africa Financial Sector Code, which drives broad-based black economic empowerment.

Key

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

C P
1 NO POVERTY
SDG 1
End poverty in all its forms everywhere

C
2 ZERO HUNGER
SDG 2
End hunger, achieve food security and improved nutrition and promote sustainable agriculture

C O
3 GOOD HEALTH AND WELL-BEING
SDG 3
Ensure healthy lives and promote well-being for all at all ages

C O S P
4 QUALITY EDUCATION
SDG 4
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

C O S
5 GENDER EQUALITY
SDG 5
Achieve gender equality and empower all women and girls

C O P
6 CLEAN WATER AND SANITATION
SDG 6
Ensure availability and sustainable management of water and sanitation for all

C O P
7 AFFORDABLE AND CLEAN ENERGY
SDG 7
Ensure access to affordable, reliable, sustainable and modern energy for all

C O S P
8 DECENT WORK AND ECONOMIC GROWTH
SDG 8
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

C P
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
SDG 9
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

C O S C
10 REDUCED INEQUALITIES
SDG 10
Reduce inequality within and among countries

C O S P
11 SUSTAINABLE CITIES AND COMMUNITIES
SDG 11
Make cities and human settlements inclusive, safe, resilient and sustainable

O
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
SDG 12
Ensure sustainable consumption and production patterns

C O C
13 CLIMATE ACTION
SDG 13
Take urgent action to combat climate change and its impacts

14 LIFE BELOW WATER
SDG 14
Conserve and sustainably use the oceans, seas and marine resources for sustainable development

C S
15 LIFE ON LAND
SDG 15
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

C O S C
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
SDG 16
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

C O S
17 PARTNERSHIPS FOR THE GOALS
SDG 17
Strengthen the means of implementation and revitalise the global partnership for sustainable development

Value creation and preservation through strong governance

Wendy Lucas-Bull
Chairman

The Group showed remarkable resilience in a tumultuous year. Careful management and deliberate decisions were the order of the day, with value protection for all our stakeholders, and the business' long-term sustainability always top of mind.

Group Chairman's message

We began 2020 with cautious optimism about the future, notwithstanding economic and fiscal challenges in South Africa. The Board was pleased with the growth momentum various parts of our business had started generating, and the steady progress we were making towards meeting our growth and strategic goals.

The South African government had begun to take action to reverse the institutional damage caused by the previous years' corruption and mismanagement. Despite ongoing economic and fiscal challenges, there were clear signs that there was appetite for economic and institutional reform that various stakeholders were willing to support.

However, as we now all know, 2020 was to be an unprecedented year that would challenge the Group's resilience in the face of a devastating Covid-19 pandemic. Globally, by 23 March 2021, 123m people had fallen ill, with 2.7m recorded deaths directly linked to the pandemic.

The Group's Covid-19 response

As soon as the gravity of the pandemic became apparent, the Board urgently re-prioritised its work to ensure that the Absa Group was as well positioned as possible for the disruption, devastation and uncertainty that was to come. We focused our efforts on providing the necessary guidance and governance support to management around five priority areas:

- Protecting the safety and health of our employees and customers by instituting new, robust hygiene and related protocols at all our premises and facilities.
- Re-organising our business to enable it to continue operating and providing essential services to our customers.
- Ensuring that the Group shifted its focus from growth to capital preservation and effective liquidity management.
- Supporting the business in our payment relief initiatives taking into account country specific regulatory actions.
- Carefully monitoring the payment relief portfolios and impairment models, taking into account the rapidly changing market environment.

The Board also supported management in its assistance to public health and social welfare agencies in all our presence countries to provide some measure of support to those for whom the pandemic had an immediate detrimental effect.

Daniel provides further detail on each of these initiatives in his statement on page 44 and our Covid-19 response on pages 55 and 56.

The Board is satisfied that the Group has acquitted itself well in all respects. I am particularly proud of the bravery and resilience of our customer-facing employees for continuing to serve and support our customers during an extremely difficult period. However, we are devastated to have, as at 23 March 2021, lost 34 employees across the Group to the pandemic and we convey our deepest sympathies to their families and colleagues.

We mourn the loss of Peter Matlare, our Deputy Group Chief Executive Officer, and remember his many contributions to our Group Board, both as an independent non-executive and as an executive director. After we concluded the transaction with Barclays to acquire the eight Barclays businesses in Africa, we realised that we needed a mature, experienced leader with personal gravitas and with knowledge of, as well as passion for, the continent. Peter was the ideal choice. During my call to the Absa Regional Operations bank Chairs the day after Peter's passing, they all fondly and with great collective sadness reflected that Peter was a committed Absa leader, a mentor and friend, who empathetically grasped each country's issues. Peter was a charismatic, inspirational leader and he embodied Africanacity.

Economic impact

The Covid-19 pandemic has damaged economies across the world to an extent not witnessed in the post-war era. The direct impacts of lockdowns and social distancing, of disrupted global supply chains, and, less directly, the impacts of heightened uncertainty on business and consumer confidence have together caused real global GDP to decline by an estimated 3.5% in 2020. Rapid increases in unemployment, inequality, and government indebtedness may well be a persistent feature of the post-pandemic period, even once the global vaccination programme declares a health victory.

For South Africa, the economy shrunk by approximately 7% in real terms in 2020. On a GDP-weighted basis, the economies of our Absa Regional Operations presence countries contracted by an average of 0.4% in 2020. However, this aggregate number risks over-simplifying the stark differences in outcomes faced by various countries.

Group Chairman's message *continued*

Broadly speaking, the most severely impacted economies were those significantly affected by the near-halt in global tourism or those exposed to traded commodities outside of precious metals, as evidenced by Mauritius and Seychelles seeing their real GDP decline by more than 10% and Botswana's economy by around 8%. The more diversified economies of East Africa generally fared better, with official statistics showing that Tanzania was amongst the fastest growing economies in the world during 2020. Similarly the economies of Kenya and Uganda only contracted modestly.

Recovery is expected across our presence countries in 2021, although for the most impacted countries such as South Africa and the island states it is likely to be several years before 2019-levels of activity are reached. For all others the forecast economic path remains more challenging for the coming years than was the pre-pandemic expectation.

Notwithstanding the resilience of our business, and the willingness of governments and stakeholders to drive sustainable economic recovery, we must accept that the road to recovery will be long and challenging. This more difficult operating environment will be felt broadly. For this reason, we intend to remain dynamic and flexible so that we can pivot aspects of our strategy in response to changes in the external environment.

Governments across the region are faced with the need to reduce economic support as public finances have taken significant strain, and several countries now face debt sustainability risk. An increasing number of countries are likely to seek external support from the International Monetary Fund, the World Bank and others to help fill financing gaps at relatively low interest rates.

Further, public spending reviews will be required, with a particular need to root out wasteful expenditure while finding space to continue to fund critical social safety nets. Economic and structural reforms must be implemented to provide a path towards higher growth trends. The need to reform public enterprises and institutions is urgent to enable the implementation of economic reforms. It is imperative that the South African government becomes more urgent in its execution of reform while taking account of various stakeholder concerns – which cannot be met simultaneously.

Infrastructure remains critical for the region's economic future, and new models of finance and participation need to be prioritised to provide the most efficient use of states' often-stretched balance sheets. Critical to recovery and long-term economic growth is a reliable and affordable supply of energy, the South African government must act with speed to liberalise the energy sector to reduce the infrastructure investment burden on government, and to rapidly increase investment and supply from renewable energy sources.

Although generally higher commodity prices provide some important support for extractive companies in our geographies, corporates in other sectors are likely to face a less certain operating environment and more challenging financial conditions. We welcome the introduction of the African Continental Free Trade Agreement, however expect that economic success from this significant commitment may take several years to be felt.

Households across our operating countries have not only suffered the health and social impact of the pandemic, but also suffered job losses that are likely to reverse only slowly as the economic rebound builds pace, adding to social strain and risking greater inequality.

These challenges can be navigated successfully if governments, regulators, the business sector and civil society groups work together to drive coordinated responses that reinvigorate economic activity and investor confidence.

As an organisation that takes our role as a corporate citizen seriously, we continue to work closely with financial and business sector peers to contribute to efforts to stimulate economic recovery in all our presence countries.

Whenever possible, we will support broader building of state capacity to deliver much needed policy, governance and other reforms.

Separation

For the last few years, a major focus for the Board and the Group has been the Separation programme, which came with as many risks as with opportunities. I am pleased and proud that at the end of December 2020, we had fully completed the separation from Barclays. Daniel provides an overview of the 2020 activities on page 46. This was achieved under budget, validating the way we approached this complex programme.

From the beginning, we were determined to secure an appropriate financial settlement from Barclays. Although we went through months of tough negotiations, I am pleased that the outcome was indeed appropriate and served us well.

Secondly, we reorganised the Board and management oversight structures, and added the necessary third-party assurance to ensure that we robustly considered every material step to understand and effectively mitigate various risks. For example, the successful execution of the brand and name change in the Absa Regional Operations' businesses averted a significant identified risk. Programmes of this nature, complexity and size generally do not have a favourable history but, thanks to the efforts of all our people and the support of Barclays, the South African Reserve Bank, and regulators in all our presence countries, the combination of oversight and guidance measures has ensured that we emerged with a positive story to tell.

Lastly, we decided to use the endeavour as an opportunity to build depth and resilience in our organisational programme and change management skills, which translated into a significant advantage when we needed to swiftly respond to the pandemic. We are now able to coordinate multiple streams of work in an agile manner while monitoring progress on those streams and delivering solid outcomes that protect value for our shareholders.

On behalf of the Board, I would like to offer my sincere thanks to all those employees, past and present, who worked tirelessly to ensure that the Separation was a success. Our business is now better placed to confront the transformative challenges facing our operating environment.

Strategy review

The pandemic is a course-altering event. While the near term continues to look challenging, it is also clear that many areas, such as the digital delivery of various services, have seen significant growth.

Following a careful review of our strategy and implementation progress, as well as the external environment and its prospects, we

Group Chairman's message *continued*

are satisfied that the main thrust of the strategy remains relevant. Significant changes in our operating environment have resulted in refinements, described in further detail by Daniel on page 46, which will drive the ongoing strategy execution in order to continue to grow sustainably into the future.

We continue to invest in strategic capabilities and modern technology platforms that will respond to the rapid digital transformation that is currently underway. Transforming cultures takes time, but I am pleased that management has continued to focus on building the right culture.

Our commitment

The challenges I have outlined above make it ever more important that we remain a force for good in society, and in this respect I am pleased to say that our refreshed and holistic role in society strategy will integrate and leverage the resources and imperatives of various parts of our Group. Its pillars are:

- Inclusive finance
- Environmental sustainability
- Promoting a just society
- Education and skills development

Each of our customer-facing businesses and supporting functions have a significant role in the delivery of these pillars, the totality of which will ably support our environmental, social and governance (ESG) performance. Daniel outlines several of the activities we will be implementing through our refreshed role in society strategy on page 15.

Board matters

Our Board underwent substantial change in 2020. Sipho M Pityana became our Lead Independent Director, following Mohamed Husain's retirement in June, and he took over from Alex Darko as the Remuneration Committee Chair. I wish to thank Alex for agreeing to chair the RemCo on an interim basis.

A special note of thanks to Mohamed who served on our Board since 2008. We thank him for his valuable contributions as Board member, Chairman of the Social and Ethics Committee (and previously the Remuneration Committee), and as Lead Independent Director. Mohamed's keen legal mind and commercial acumen have been invaluable in many of our deliberations, not least of which was acquiring the eight Barclays Africa subsidiaries through an inherently complex transaction, and the separation from Barclays. Both of which involved various reviews and approvals at a Board level, expertly guided by Mohamed. There were many other commercial transactions through the years, such as outsourcing facilities, joint ventures and technology arrangements where Mohamed's input was always value-adding for Absa.

Francis Okomo-Okello replaced Mohamed as the Social and Ethics Committee Chairman, an increasingly important committee given its focus on areas of ever-expanding interest – not least of which for this year were customer, conduct, people, culture and environmental sustainability.

Colin Beggs has been a key member of our Board since 2010. From our AGM in June 2020, Colin was no longer classified as independent, given his tenure, but he continues to serve on the Board as a non-executive director until our 2021 AGM. As Audit and Compliance Committee Chairman from June 2011 to June 2020, Colin did a tremendous job with his eye for detail, his incredible work ethic, and his ability to remain current on the most complex technical audit and accounting matters. Over the years, he also provided insight on broader commercial matters.

Tasneem Abdool-Samad became the Group Audit and Compliance Committee Chairman. She was a member of the Absa Bank Board between 2016 and 2018, joined the Absa Financial Service Board in 2016, joined the Group Board in 2018 and re-joined the Bank Board in 2020. She was the Absa Financial Services Audit Committee Chairman until August 2020 and remains a member of that board.

Fulvio Tonelli joined the Board on 1 July after a career at PwC and brings with him a wealth of financial services, banking, risk, technology, accounting and auditing experience.

We welcomed René van Wyk back as a non-executive director from 1 August 2020, after a six-month cooling-off period following his role as the Group Chief Executive Officer in 2019. René will be regarded as an independent director from 1 August 2021.

Nonhlanhla Mjoli-Mncube joined the Board on 15 October 2020 and brings substantial banking experience, having been on the board of a retail bank for over 15 years before joining Absa.

Unfortunately, Dan Hodge stepped down following his appointment as an executive of a global bank. While he was initially a Barclays nominee in 2017, he transitioned to an independent non-executive director in June 2020. Dan's strong risk and treasury skills added substantial value, and we thank him for his contribution.

We are confident that we have a highly skilled and engaged Board, able to meet the demands of governing a systemically important financial services group in these times.

Conclusion

I thank all the chairmen and boards of our subsidiary banks and all our other entities. I also extend my appreciation to all our employees across the Group for their tremendous effort in difficult circumstances, without whom the Group could not have accomplished what it did this year.

I thank all my fellow Board members and the executive team under Daniel's leadership for getting us through an incredibly tough year with sheer force of will and application of mind to the right matters at the right time.

Sound governance to protect and enhance value

Sound corporate governance practices are vital for creating and sustaining shareholder value and ensuring that behaviour is ethical, legal and transparent thereby reducing the risk of value erosion. Our Board is committed to continuous improvement in our corporate governance principles, policies and practices, and does so by remaining abreast of evolving regulations and best practices. This is further enhanced through engagement with regulators and industry bodies, and through seeking regular feedback from other stakeholders.

We are compliant with all the principles outlined in the King IV Report on Corporate Governance for South Africa, 2016 (King IV). Each year, we focus on maturing and improving our practices, with specific emphasis on resilience, remuneration, governance, sustainability, combined assurance and stakeholder relationships.

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

As a major bank, investment manager and insurer in various jurisdictions, we have a significant responsibility to our customers (in particular our depositors) and to the public at large to contribute to a stable, secure economy. We are also responsible for ensuring continued open, transparent and constructive relationships with our regulators.

Decisions are made in good faith to promote the success of the Group for the benefit of our stakeholders. In doing so, the Board considers, among other matters:

1. The likely consequences of any decision in the long term.
2. The interests of the Group's employees.
3. The need to foster the Group's business relationships with regulators, suppliers, customers and other stakeholders.
4. The impact of the Group's operations on the community and the environment.
5. The imperative of the Group maintaining a reputation for high standards of business conduct and ethical behaviour and the need to act fairly in respect of shareholders and other stakeholders.

Diving deeper: 2020 ESG Report

In line with our pursuit of best-practice governance, we focus on the four governance outcomes as envisioned by King IV.

Ethical leadership

The Board sets the tone and leads the Group ethically, effectively and responsibly. In decision-making, individual Board members act with independence but on a consensus basis, with competence, commerciality and challenge, and with the necessary awareness, insight and information. The Board ensures that the Group plays a key role in society as a trusted taker of deposits, contributor to financial markets, lender, major employer, buyer of services, contributor to the local community, taxpayer and skills provider.

Trust and legitimacy

Absa is grounded in the communities within the countries in which we operate. The Board oversees the Group's stakeholder policies and takes a stakeholder-inclusive approach, recognising the need for transparent disclosure and open channels of communication.

Good performance

The Board is accountable for the performance of the Group, considering the possible positive and negative outcomes of the Group's activities and outputs on the economy, society and the environment in which we operate (see our business model on pages 13 – 14 for more detail on activities, outputs and positive and negative outcomes). Taking these factors into account, the Board approves the strategy and any changes thereto. The Board also monitors the execution of the strategic objectives.

Effective control

The Board provides guidance to, and oversight of, the management of compliance risk, remuneration, the enterprise-wide risk management, and the related lines of defence that support good governance practices. The Board actively monitors the control environment and adjusts risk appetite and growth objectives.

Strategic focus areas

1 — 2018–2020: Pre-Covid-19

Delivering our growth strategy, premised on the overarching guiding purpose – to bring possibilities to life.

2 — 2020–2021: Covid-19

Immediate stabilisation of the business due to the impacts of the Covid-19 pandemic from March 2020.

3 — 2021 and beyond: Post-Covid-19

Refreshing our strategy to maintain relevance and competitiveness.

To the right and on the page that follows, we capture the most material Board and Board committee activities through 2020 as pertaining to our three strategic responses.

Governance in times of crisis

The Covid-19 crisis necessitated a multipronged strategic approach through the implementation of three clear strategic focuses. The Board and its committees applied judgement to the Group's cohesive, comprehensive and adaptable response to the pandemic, while managing business-as-usual governance requirements. Risk management, along with the opportunities to reinvent, rescale and reposition the organisation, were monitored.

Focus	Reviewed/monitored
1 + 2 + 3	Stakeholder engagements spanning the South African Reserve Bank (SARB) and Prudential Authority, National Treasury, Banking Association of South Africa, Payments Association of South Africa, the Financial Services Conduct Authority, regulators across our Absa Regional Operations presence countries, along with other key stakeholders.
2	Management's response to the invocation of the Disaster Management Act in South Africa, through a Covid-19 advisory committee to oversee a comprehensive rollout of practical measures that (i) minimised disruption to business operations, (ii) reduced negative impact on customers and (iii) safeguarded the health and safety of employees, contractors and the general public.
2	Operational resilience activities with an emphasis on continuity (including the rollout of an extensive virtual private network (VPN) to accommodate remote working by over 30 000 employees), supplier management and cyber defences.
2	The Group's cyber defences and additional security measures taken in response to the lockdown, the economic stresses being experienced by threat actors, and the general resilience of our systems.
2	Financial risk management, focusing on lower revenue, higher impairments, managing the cost base while continuing with strategic initiatives, capital and liquidity preservation and resetting the budget with a new 2020 baseline using various scenarios.
1	The final stages of Separation, including the brand change of eight Absa regional banks, and the related regulatory, customer, people and community engagements.
1	Ongoing developments at the South African Judicial Commission of Inquiry into allegations of State Capture, and management's response regarding the provision of documents, taking into account the need to protect client information and the public interest.
1	The Group's progress in terms of the B-BBEE scorecard and the Covid-19-related challenges to aspects thereof, particularly employment equity, training and supplier-related spend.

Focus	Considered
2	Detailed economic overviews, reviews in terms of capital, liquidity and funding, as well as market impact views, especially in the early stages of the lockdown.
2	Business presentations of immediate priorities (operational resilience, protection of employees and protection of the franchise), stakeholder engagement and approaches to payment relief.
2	Status of the customer, including the impact of payment relief interventions, call centre service, ATM and branch accessibility, and related customer responses.
2	Status of impairments, coverage and collections along with wholesale exposures, given the severely stressed economic environment.
2 + 3	The Group's exposures to sovereigns and state-owned enterprises; how best to continue supporting governments where we have a systemically important banking presence, while managing and mitigating the Group's exposures to these clients.
2	Emerging people risks – Protecting and promoting employee health, physical and mental wellbeing; supporting team morale and effectiveness while working remotely; strengthening partnerships and industry engagements.
2	Heightened conduct risk along with the need to ensure appropriate and fair treatment for all customers, going the extra mile in claims pay-outs and accommodation regarding payments.
2 + 3	The Group's refreshed strategic planning framework and tactical responses after considering our strategy implementation, the macroeconomic environment, and evolving market drivers (page 12).
3	The data breach incident, which saw customer data intentionally leaked by an employee, validated the actions taken by management which included a detailed review and remediation of control weaknesses, disciplinary and legal action.

Governance in times of crisis *continued*

Focus	Approved
2	The distribution of the 2019 final dividend in April 2020, which had previously been announced on 11 March 2020, following deliberations and considering legal advice. No further dividend distributions were made during the year, in line with the recommendations of SARB Guidance Note G4/2020 on dividend distributions and considering the uncertainty of the situation and the criticality of preserving the Group's capital and liquidity resources (page 55).
2	The 2020 notice of AGM in early March, with provisions to cater for a fully electronic meeting, followed by the approval of the amendment of the previously published Notice of AGM, specifically removing the proposed increase in Board fees.
2	Absa's participation in the SARB Covid-19 Facility and Guarantee Scheme (page 56).
2	A new 2020 baseline budget for the Group in May/June 2020, based on available macroeconomic and other data, including scenarios for each business unit. Budgets were subsequently updated monthly, taking new data into account.
2 + 3	The revised combined assurance plan, with specific coverage of those items that were regarded as heightened risks in the context of the pandemic.
1 + 3	Annual updates to the following policies: code of ethics, anti-money laundering, and non-audit services.
1 + 2	Interim and full year financial results, including a detailed review of the impairment outcomes, considering inputs from the models, credit, financial control team, as well as the Group Financial Director and external auditors.
2 + 3	The updated Enterprise Risk Management Framework, which incorporated changes to the Group Risk and other functions target operating models and increased the number of principal risks from 10 to 12, including the elevation of reputation, technology, financial crime and sustainability risk (page 28).
3	The funding for corporate and state-owned enterprise clients, considering the underlying business case and the provision of suitable collateral or guarantees.
1 + 2 + 3	The Group reward framework for 2021 and beyond and the approach to 2020 reward, factoring in limited resources, the context of no ordinary shareholder dividends being issued, and the need to recognise employees' performance.
3	The Group's risk appetite for 2021 to 2023.
2 + 3	The budget (short-term plan) for 2021 and the medium-term plan to 2023.
2 + 3	Capital ranges and funding levels for 2021.

Diving deeper: Group Audit and Compliance Committee and Social and Ethics Committee reports are contained within the Group annual financial statements and ESG Report, respectively.

Focus	Briefings / training
2	A broad range of Covid-19-related materials, such as epidemic projections; trends; crisis management; reaction to SARB directives/review of various banks' responses; and economic impact assessments.
1 + 2 + 3	Regulatory changes: Banks Act Public Disclosure; JSE (equity and debt) Listings Requirements; conduct-related legislation; and consolidated supervision directives.
2 + 3	Sector-specific updates from a credit point of view, including aviation, tourism and hospitality, healthcare, commercial property, manufacturing and mid-corporates.
1 + 2 + 3	More general upskilling topics (shared through electronic reading) included: Enhancing Board oversight of culture.
1	The World Economic Forum 2020 Global Risk Report.
1 + 3	Insights to the considerations relating to a just transition and other climate-related matters.

Key corporate governance practice

The following core governance practices are in place:

- Majority independent non-executives.
- Lead independent director with clearly delineated duties.
- Active, engaged, and diverse Board.
- Proactive stakeholder engagement programme.
- Annual election of the audit committee.
- Annual election of a minimum of one third of directors by majority vote.
- Succession planning and rotation.
- Biennial board and committee evaluations.
- Key constitutional documents in place.
- Fully manned and mandated committees.
- Key policies approved and monitored for embedment, including published conflict of interest and director nominations policies.
- Regulatory compliance prioritised.
- Minimum shareholding requirements for executives.
- Approved malus and clawback provisions.
- Annual shareholder vote on remuneration policy and implementation report.
- Detailed ESG reporting.
- 'Over boarding' (directors' external commitments) policy and provisions.
- Risk management through an Enterprise Risk Management Framework.
- Risk appetite set and monitored.
- Combined assurance approach.
- Solvency, liquidity and going concern status regularly tested.
- Capital allocation deliberated and executed.
- Liquidity and funding tested and stressed.

2020 governance outcomes

Board objectives reflect the most important governance focus areas for the year and are directly linked to the strategic ambitions of the Group. In assessing the Board's delivery against these governance objectives, attention was given to the work of the Board and committees, with a focus on strategic matters, deep dives and the reports of the Group Chief Executive Officer, Group Financial Director; Chief Risk Officer as well as the chief executives of customer-facing segments.

The approach considers the extent to which the Board and its committees were able to engage with, test and challenge management. There is sometimes delayed correlation between the governance performance and the financial performance outcomes of the Group, and the Board is aware there may be a disconnect between the governance outcomes and shareholders' likely expectations. The 2020 Board objectives were revised, where relevant, to reflect the impact of the Covid-19 pandemic and the business activities and performance.

Our 2020 governance objectives	Assessment	Diving deeper
1. **Corporate strategy:** Agree the adjusted short- and medium-term plans required to address the effects of Covid-19, to support customers and preserve capital and liquidity, considering the Group's sustainability within our control environment framework. As the effects of the pandemic are likely to remain dynamic for some time, the Board will oversee any consequential amendments to the strategy and plans, and their execution.	Substantial achievement	**27** Good performance **48** Refreshing the Group strategy
2. **Technology:** Oversee the technology change and digital journey that is taking place in the Group, with a view to ensuring the consistent provision of services, an optimised customer experience and sustainable benefits realisation.	Modest achievement	**27** Good performance **52** Scalable, digital-first, business
3. **People and culture:** Monitor and assess our progress with respect to: (i) diversity in all our geographies; (ii) our renewed values; (iii) the adoption of The Absa Way Code of Ethics and related ethical practices; (iv) the culture shift; (v) talent strategy; and (vi) performance and reward.	Modest achievement	**49** Thriving and entrepreneurial organisation **71** Human Capital
4. **The Separation:** Oversee the final execution of the Separation programme and its impact on customers, people, brand and technology.	Full achievement	**26 – 27** Good performance
5. **Playing a role in Africa's growth and sustainability:** Monitor the Group's role in being a force for good in the areas of environmental, social and governance, including: (i) sustainability; (ii) constitutional support; (iii) community development; (iv) Covid-19-related activities, such as medical testing, personal protective equipment, and support to vulnerable communities; and (v) activities that generally contribute to playing a shaping role in Africa's growth and sustainability.	Substantial achievement	**29** Trust and legitimacy **55 – 56** Covid-19 response

Our 2021 governance objectives

1. **Corporate strategy** – Oversee the execution of the approved short-term plan for 2021 and the medium-term plan within the framework of the control environment, while considering the uncertainties of the macro environment.
2. **Technology** – Oversee the technology and digital journey of the Group to ensure the consistent provision of services, a safe and secure environment, an optimised and sustainable customer experience (recognising different needs for our different customers) and sustainable benefits realisation, within the context of an accelerated pace of change.
3. **People and culture** – Monitor and assess the Group's progress with respect to:
   i. Diversity and inclusion in all our geographies
   ii. Customer centricity
   iii. Our values and ethical practices
   iv. The culture shift
   v. Talent strategy
   vi. Performance and reward
4. **Role in society** – Monitor the Group's role regarding environmental, social and governance matters, with a focus on:
   i. Inclusive finance
   ii. Environmental sustainability
   iii. A just society
   iv. Education and skills development

   to be supported by embedding, the related activities that more broadly contribute to playing a shaping role in Africa's growth and sustainability into business-as-usual.

2020 governance outcomes *continued*

King IV outcome: Ethical leadership

Good conduct is fundamental to the sustainability of the financial services industry and the creation and preservation of value. Good conduct is driven by our daily behaviours and exhibited in our individual and collective actions and decisions. The Board assumes ultimate responsibility for the Group's ethics performance and adherence to human rights principles. This responsibility is delegated to executive management while the Board oversees the various tools, processes and systems used to embed an ethical culture in the organisation.

Supplier due diligence includes anti-bribery and anti-corruption checks. We require our suppliers to uphold high standards of corporate governance and to align with the Group's ethics and human rights policies. Their readiness to respond to, manage and mitigate operational, financial and reputational risks is assessed during onboarding, and periodically thereafter, in line with the Group Procurement Policy, External Supplier Standard, the Supplier Management Standard and Supplier Code of Ethics. Independent assurance of high-risk and high-value tenders and outsourced agreements ensures that all activities and duties are carried out in compliance with regulatory requirements, frameworks, policies and processes. Group Supplier Assurance continuously and specifically reviews our critical and high-spend suppliers for financial, operational and reputational risks.

216 reviews of suppliers were conducted during the year (2019: 130). No suppliers were exited in 2020 for ethical concerns. We re-engaged two suppliers that were exited between 2017 and 2018 for reasons including ethical concerns, having fully reviewed their remedial actions. We engaged over 5 000 suppliers on ethics, human rights, governance and ethical tender practices with the rollout of our Supplier Code of Ethics. In 2020, we discontinued relationships with 32 third-party debit order processors and aggregators, due to ethics-related concerns. We have implemented several controls, including a dedicated risk monitoring team to curb debit order abuse and protect our customers. We continue to proactively engage with the National Payment System Department within the South African Reserve Bank and the Payments Association South Africa and share insights at interbank level to improve the response to debit order abuse.

Absa's Values underpin our culture and we continue our journey to embed these as we unite under the Absa brand.

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

The **Absa Way Code of Ethics** outlines our values and expected behaviours when engaging with our fellow employees, customers, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community. 92.0% of employees completed ethics awareness training in 2020, and awareness campaigns were run throughout the year, including the #MakeTheCallMakeADifference call to action and Whistleblowing Awareness Week to coincide with World Ethics Day.

Conduct risk is a principal risk and the associated framework is linked to the Enterprise Risk Management Framework and guides management on conduct rules, processes and consequences within the Group.

The Absa Way Code of Ethics

Supplier Code of Ethics

Employee conduct is monitored through culture surveys and by tracking disciplinary cases, grievances and ethical breaches. This analysis assists in determining the areas impacting culture and identifies how to better align these with Absa's values. In addition, conduct forms part of an employee's performance assessment and unethical conduct can result in a range of possible sanctions, including dismissal. 321 employees were disciplined for unethical conduct (2019: 394), with the majority of cases relating to less serious offences.

C-Zone is our digital compliance monitoring system, which consolidates all employee-related compliance activities (including share trading, gifts and entertainment, and identifying conflicts of interest), ensuring efficient and confidential submission of required disclosures, thereby improving internal controls. In January 2021, the C-Zone Mobile App was deployed in South Africa, simplifying the preclearance and review of trade requests and gifts and entertainment declarations.

The Client Onboarding and Exit Committee is a management committee that takes decisions regarding high-risk clients and related financial, compliance, conduct and reputational risk. 619 customer accounts were closed when appropriate, and 20 855 suspicious transaction reports were filed with the Financial Intelligence Centre (2019: 12 575), with the increase mainly as a result of improved analytics following the implementation of NetReveal as part of the Separation.

Whistleblowing is a safe platform for employees to confidentially and anonymously raise concerns regarding unethical behaviour and/or fraud. Tip-offs are the most common method of detecting occupational fraud. As at 23 March 2021, 434 tip-offs were received, of which 144 (38% of closed cases) have been substantiated to date and 236 unsubstantiated, while 54 remain under investigation (2019: 514; 199; 309; 6). 310 tip-offs were conduct-related, of which 98 (37% of closed cases) have been substantiated to date (2019: 160; 40%). Closure of whistleblowing cases improved significantly, with report-backs to the complainants. While a substantial number of cases were unfounded, those upheld contain important insights for management to ensure additional controls, consequence management or other behavioural changes are instituted.

Our **Ethics and Priority Whistleblowing and Investigations teams** are dedicated to embedding the Group's policies through regular communication and training. They also monitor compliance and investigate matters of a more serious nature.

Data privacy and protection of personal information is of utmost importance and we are aware of our responsibilities in terms of the personal data entrusted to us. We process personal data responsibly and ethically.

Regrettably, one data breach incident involved an Absa employee sharing customer information with external parties for personal gain. This is a serious contravention of our data privacy policy and it is an unlawful act. Criminal charges have been filed.

Diving deeper: 69 Intellectual and manufactured capital

In terms of **human rights**, we align with the International Labour Organisation's (ILO's) Declaration on Fundamental Principles and Rights at Work. The Board regularly tests the Group's adherence to the various ILO and Organisation for Economic Co-operation principles and is satisfied with the Group's delivery against these requirements.

2020 governance outcomes *continued*

King IV outcome: Ethical leadership *continued*

Absa performs regular **bribery and corruption** risk assessments, which identify the level of bribery and corruption risk that Absa might reasonably anticipate. This risk tends to relate to the countries in which we conduct business, how we engage certain parts of our diverse customer base, and how we manage third-party relationships. We analyse, assess and prioritise the identified bribery risks and evaluate the suitability and effectiveness of the existing controls to mitigate the assessed bribery risks. The assessment is informed by quantitative and qualitative measures and is performed monthly, with oversight by the relevant governance structures, including submission to the Social and Ethics Committee with a summary to the Group Audit and Compliance, and Group Risk and Capital Management committees. Our Anti-Bribery and Anti-Corruption Policy is designed to comply with legislation in all the jurisdictions in which Absa operates and considers the recommendations of various international financial crime standards setting bodies, such as the Organisation for Economic Cooperation and Development Anti-Bribery Convention, the UN Global Compact or UK Bribery Act, and International Organization for Standardization (ISO) 37001. The policy is formally reviewed and approved annually, and the control requirements are benchmarked to independent ratings or best practices.

We proactively engage with relevant industry bodies as well as private and public sector bodies to ensure robust discussion and active contribution to the reduction of financial crime. These include the South African Anti-Money Laundering Integrated Task Force, Financial Intelligence Centre, South African Revenue Service, Banking Association of South Africa, South African Banking Risk Information Centre and ISO. The Group is in the process of applying for ISO 37001 certification.

The Board Charter is the constitution that guides our Board and its committees in their activities and decisions; as well as in their dealings with each other, with management, with our stakeholders and with the Group as a whole. 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. A director or prescribed officer and every employee is prohibited from using their position or access to confidential and price-sensitive information to benefit themselves or any related third party, whether financially or otherwise.

Where actual or potential **conflicts of interest** are declared, we implement a recusal procedure and affected directors are excluded from discussions and any decisions on subject matter related to the declared conflict. We consider actual and potential conflicts of interest in the annual assessment of directors' independence. A director may accept other board appointments, provided that any potential conflicts are considered and appropriately disclosed and managed, and the appointments do not conflict with the Group and/or adversely affect the director's duties. The proposed Board appointment must also be agreed with the Chairman prior to the director accepting such an appointment. In the recent case of the Group Chairman's acceptance of an appointment as Chairman of a major South African retailer, the matters of capacity and potential conflicts were discussed extensively at the Director's Affairs Committee. While approval was granted, in the event that any decision were to come to the Board or committee relating to this client, the Chairman would not have sight of the papers and would be recused from any related discussion and resulting decision.

King IV outcome: Good performance

The Board is accountable to shareholders and other stakeholders for creating and delivering sustainable value hrough the execution of strategy and oversight of the management of the Group's businesses, while nevertheless maintaining its independence. It provides overall strategic direction within a framework of rewards, incentives and controls. A key role played by the Board is to ensure that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short- and medium-term performance.

Through the Covid-19 pandemic materially impacted all economic markets, requiring fiscal intervention and financial support, which in turn had a material and negative impact on the growth **strategy** and plans, and the execution thereof. Focus was temporarily redirected from a growth strategy (49 strategic focus 1) to a capital and liquidity preservation strategy (55 strategic focus 2), with substantial attention given to accelerating certain aspects of the Group's strategy in a radically changed environment (57 strategic focus 3).

To address the effects of Covid-19, to support customers, and to preserve capital and liquidity with a view to the Group's sustainability, the Board agreed the financial shape of the adjusted short-term and medium-term plan in line with a newly established baseline. As the effects of the pandemic are likely to remain dynamic for some time, the Board will continue to oversee any consequential amendments to the strategy and plans, and the execution thereof. A revised balanced scorecard was approved by the Board. This was necessitated by the impact of the Covid-19 pandemic, the drastic shift in the operating environment, business activity levels, financial performance and a shift in focus to capital and liquidity preservation.

The Group strategy refresh (strategic focus 3), including the execution plans of the three customer-facing business units, was presented to, and debated by, the Board at a three-day strategy session in October 2020. The consequent first iteration of the medium-term plan 2021–2023, as well as the related risk appetite and capital and funding plans were presented to the Board for approval in December. Key focus areas in the approval process included:

1. Scarce resources, being strategic investment capability (finances, time, technology constraints and capacity), liquidity, capital and funding
2. Competitive pressures
3. Macroeconomic constraints in all markets
4. Heightened levels of risk (people, cyber, technology).

While significant work was undertaken in terms of the Group's strategy and the execution thereof, the Board recognises the performance falls short of shareholder expectations compounded by a lower share price, a significant drop in headline earnings and no ordinary dividend being declared for 2020.

Diving deeper: 12 Market drivers influencing our business model, **48** Strategy refresh, **60** Strategic trade-offs.

2020 governance outcomes *continued*

King IV outcome: Good performance *continued*

Within the current context, progress reporting to the Social and Ethics and Remuneration committees on **people and culture** has been substantial. There is notable traction in various areas such as employee experience, employee engagement, and leadership and training academies. Agreement was reached between the Remuneration Committee and management on the reward principles for 2020 and the reward framework for 2021 and beyond. The Social and Ethics Committee considered the outcomes of the Group's new employee engagement survey, which showed progress. However, work remains to improve the Group's entrepreneurial culture while ensuring it is inclusive and caring. Talent management is another area of focus, with an emphasis on career pathing and succession planning and improved retention of African, Indian and Coloured employees in South Africa, as well as enhanced performance and reward practices. Given a heightened focus on conduct risk, reporting on conduct and the conduct risk scorecard were deliberated, along with whistleblowing. Internal audit and compliance provided updates on the coverage of ethics, revisions to the Absa Way Code of Ethics and related policies and standards, awareness activities, practices and recorded incidents.

Diving deeper: 49 A thriving, entrepreneurial culture, **60** Strategic trade-offs

The Separation from Barclays was successfully completed in 2020. The three-year separation was of a size and complexity unparalleled in Africa. At its peak, nearly 1 300 employees and contractors were working on 273 projects. The Separation Oversight Committee oversaw the execution of the programme, which has fundamentally improved Absa's resilience, systems and capabilities to the benefit of employees and customers alike. Customer experience has improved through greater stability and upgraded user interfaces in several countries across the continent. While Covid-19 delayed a few projects requiring onsite work, the final three projects – the Absa Regional Operations card issuing, Corporate and Investment Bank valuation systems and foreign exchange projects – were delivered by year-end and Corporate and Investment Bank client migration was completed. During the process of Separation, business resilience and technical competence in managing complex projects have been enhanced, which were valuable as the Group planned and executed our response to Covid-19. The book of work was rapidly reprioritised to focus on stability, digital and in-year benefit projects, deploying change and project management skills across the Group.

Throughout the execution of the programme, the Separation Oversight Committee considered reports from the combined assurance providers including risk, internal and external audit. In the final meeting in July 2020, the Committee engaged with a deep dive into the programme closure activities. There remains a R1bn centrally held contingency that supplements the Group's capital position. Further updates on the arrangements with Barclays and the foreign exchange project were considered by the Information Technology Committee.

Our **remuneration principles and practices** are designed to deliver remuneration that is competitive; fair and transparent; incentivises performance; assists in retaining talent; reflects regulatory requirements; and is aligned with the risk and conduct expectations of the Group. The Board sought to achieve a balance between stakeholder interests over the long term when considering management's remuneration. The Remuneration Committee considered a comparison of the remuneration practices and policies of large local and international competitor banks along with our peer group's approach to executive director and prescribed officer remuneration and reporting. The Committee conducted a review of our reward framework for 2021 onwards; and deliberated how to deal with remuneration for 2020. For 2020, the deliberations involved considering the challenges of the pandemic for our shareholders, business, the countries and communities in which we operate, along with the need to retain and reward top performers and holders of scarce and critical skills. A more highly differentiated approach has been applied to short-term and long-term incentives that will likely remain going forward. Our fixed remuneration increases for 2021 were generally focused more on our bargaining units and junior and middle managers, with senior managers not typically receiving increases. Other outcomes included:

- The short-term performance incentive pool decreased by 53% in constant currency to R990m, in line with the Group's reduced headline earnings.
- Vesting of the 2017 long-term incentive award in August 2020 was at 64.3% and 57.7% for South African and Absa Regional Operations participants, respectively. This was based on outcomes relative to the financial and non-financial performance targets over the three-year performance period.
- Participation in the long-term incentives to be awarded in 2021 will be more concentrated, in line with the changes to our remuneration policy in 2020.

Diving deeper: 80 Remuneration outcomes, 2020 Remuneration Report

Information and technology, and specifically **driving innovation**, are central to our competitiveness, growth, and sustainability. Our information and technology strategy is aimed at enhancing the stability, security, resilience and competitiveness of the Group's information systems and technology infrastructure. While the Information Technology Committee has noted progress in all aspects of run-the-bank and change-the-bank, along with a significant work-from-home response and the related requirements, the Group is not where we had initially aimed to be in terms of digitisation. The emphasis on stability intensified to provide customers with improved access to the Group's systems to support digital adoption as customers shifted from branch interactions to digital channels in response to social distancing requirements. While the stability of systems and the mean time to recover have improved and recent data breaches have been well managed in terms of response, and the related controls will continue to be monitored closely. Additional focus was placed on the Group's cyber defences and security measures taken in response to the lockdown. A detailed independent review of Absa's digital maturity was conducted in November 2020, focusing on areas of improvement and identifying partnerships. The book of work has been reprioritised, factoring in the Covid-19 business impact and regulatory initiatives, while focusing on several initiatives aligned with the revised strategic priorities. Deep integration with business is needed in 2021. Through the course of the Board's 2020 deliberations on the refreshed strategy (strategic focus 3), attention was given to invigorating Group-wide innovation capabilities to meet the pace of change required in the industry.

Diving deeper: 52 Scalable, digital-first business, **57** Strategic focus 3 and **69** Intellectual and manufactured capital

2020 governance outcomes *continued*

King IV outcome: Effective control

The extent to which we can monitor and effectively manage the material matters that have the potential to affect the sustainability of our business is directly linked to our value creation and preservation efforts. The Board ensures that management maintains a system of internal controls to deliver accurate results and to comply with applicable laws and regulations. In carrying out these responsibilities, the Board must have regard to what is appropriate for the Group's business and reputation, the materiality of the financial and other risks inherent in the business, and the relative costs and benefits of implementing specific controls.

Diving deeper: 2 – 3 Determining materiality

We strive to combat **financial crime** and constantly enhance our control environment to reduce the risk of our employees or customers breaching legislation.

The same is expected from employees and any third parties providing services to or on behalf of Absa. **Corruption** continues to have a wide economic impact on society, leading to an increased need for business, in particular, to maintain financial discipline, ensure appropriate conduct and increase the rigour with which it monitors and reports financial crime.

Fraud is a standing matter on the agenda of the Group Audit and Compliance Committee. The committee receives regular reports, which include the gross and net fraud losses as well as lessons learnt on the most material losses. The Board received annual financial crime training and approved the elevation of financial crime as a principal risk under the Enterprise Risk Management Framework.

The Board approved revisions to the Group's **Enterprise Risk Management Framework**, incorporating the principal risk and key risks, as well as the Group's risk appetite. Key changes included sustainability risk, financial crime risk, resilience risk (including technology) and reputation risk being made principal risks; with other risk types being refined. The Board closely monitored the risk appetite consumption against targets, triggers and limits. Due to the changing landscape, a dynamic approach to risk appetite setting was initiated as the outlook for 2020 continued to evolve. The revised economic outlooks were compared to scenarios developed in previous stress testing initiatives and potential downside scenarios were updated. Prioritised initiatives focused on preserving capital and liquidity while maintaining the operational resilience of the business. Risks that received particular attention during 2020 included:

- **Resilience:** Monitored the activities of management's Covid-19 advisory board in terms of the Group's execution of customer service (including physical points of presence); remote working capabilities; health and safety protocols; and bespoke communications to customers, suppliers, regulators and employees.
- **Credit:** Approved management's payment relief response, including capability for managing emerging issues based on a risk differentiation of sectors, updates to lending criteria, and the Group's digitisation and refocusing of collections capabilities both to ensure the intended payment relief outcome while limiting losses. Impairment coverage and performance was closely monitored.
- **Model risk:** Monitored management's progress in the development of regulatory capital credit risk models while mitigating model risk resulting from the crisis.
- **Treasury:** Monitored the active management of capital and liquidity, given increased strain and volatility. The Board noted that, while interest rate cuts resulted in margin pressure, the Group's interest rate hedging programme continued to offer a level of support.
- **Market:** Monitored utilisation remained well managed, albeit higher than appetite due to extreme volatility. Risk teams provided detailed risk analyses to forecast near-term demand and inform risk mitigation strategies.
- **Fraud:** Monitored management's measures to address the idiosyncratic heightened fraud and payment risks, the proactive review of the fraud policy/rule sets, and the intensification of monitoring and oversight over fraud and payments.
- **Technology/cyber and change:** Noted the increased rollout of work-from-home capabilities; cybersecurity readiness; third-party supplier risk management; and technology platform stability (remediation of known risks, unsupported infrastructure, and modernising old technology).
- **Environmental, social and governance:** Our Social and Ethics Committee assessed management's response to customers, labour, conduct and ethics within the conduct risk framework and is overseeing the expansion of our environmental risk management approach. From 2021, sustainability risk will be reported on separately.

Diving deeper: 41 – 42 Risks arising from the operating environment, 2020 Pillar 3 Risk Management Report

Our Group Audit and Compliance Committee monitors **compliance with legislation and regulation** governing the Group in respect of South Africa and all our presence countries. Regulatory relations are reported on as part of the process to assess the level and timeliness of responses and any issues of concern being raised by our regulators. Substantial conformance reviews are performed by compliance, internal audit and external audit.

Our **Group Governance Framework** standardises the application of policies and standards and ensures that the Group's minimum requirements in governance, internal controls, financial management, disclosure controls, risk management, legal and regulatory compliance, internal audit, ethics, human resource management, information management, stakeholder relationships and sustainability are complied with. The framework clarifies the roles and responsibilities of the Group and subsidiary boards, the proportional application of King IV by subsidiaries and the management of discretionary limits across the Group.

The Group conducts biennial **evaluation of our Board and governance practices** alternating between a self-assessment and an independent facilitated process. The Institute of Directors of Southern Africa facilitated the 2020 evaluation and assessed the effectiveness of the Board and its committees, individual directors and the Group Chairman. No significant matters of concern were noted, with all governance areas being rated four and above out of five. Board culture and Board committees were rated exceptionally well, while Board composition rated marginally lower. An action plan to address the granular findings identified for improvement is in place.

2020 governance outcomes *continued*

King IV outcome: Trust and legitimacy

The Board accepts accountability for the Group's impact on the environment, for evolving as society changes and for ensuring that we comply with applicable/relevant laws and regulations. In 2020, the Social and Ethics Committee deliberated a broad range of activities, including conduct and ethics; customer engagements; culture and employee relations; and broader sustainability, transformation and citizenship efforts.

Playing a shaping role in Africa's growth and sustainability is one of three enablers within the Group's growth strategy (strategic focus 1). Alongside the broader strategy refresh (strategic focus 3), which is firmly anchored in the concept of creating shared value. The Social and Ethics Committee considered and approved the Group's sharpened focus on our role in society strategy. The strategy brings together various programmes to deliver on our commitment to shared value through (i) inclusive finance; (ii) environmental sustainability; (iii) a just society; and (iv) education and skills development. This approach was supported by the Board, calling on management to ensure that all elements are embedded throughout the business.

Substantial emphasis was placed on Absa's response to Covid-19, focusing on employees, customers and the community. Significant time was spent on customer initiatives, payment relief measures, conduct matters and complaints.

The sustainability progamme and the establishment of the Absa Africa Foundation are gaining momentum; however, full integration within the various businesses is still required to demonstrate substantial and tangible results.

The Social and Ethics Committee considered various views of the Group's contribution to the UN Sustainable Development Goals, both through the role in society strategy review and the Group's UNEP FI Principles for Responsible Banking implementation programme. The ambition is to finalise the prioritisation and target-setting during 2021.

The Remuneration Committee approved the expansion of the non-financial component of the long-term incentive plan to 20%, from 10%, with the intention that environmental, social and governance (ESG) targets are set and measured over a three-year period.

Diving deeper: 7 Purpose-led organisation, **15** Playing a shaping role in Africa's growth and sustainability, **73** Social and relationship capital and **79** Natural capital
2020 PRB and ESG reports

Stakeholder engagement is as important in creating value as it is in protecting against value erosion. Engaging with stakeholders in a structured and well-coordinated manner through meaningful, transparent communication enables us to cultivate relationships that can serve as valuable social capital in both good and challenging times. It is a process that provides significant information about our business, social, political and physical environment to shape strategic thinking and hone our decision-making processes. Collaboration is important to the Group's approach, and strategic partnerships are driven with like-minded stakeholders. The Board and management proactively engage with material stakeholders to strengthen relationships and address their concerns in the best way possible. The engagement also enables our Board to exercise constructive influence, as and when appropriate, and to protect the interests of our minority shareholders. The Social and Ethics Committee considered and approved a revised stakeholder strategy and Group Stakeholder Policy, and management approved the related Business, Industry and Professional Association Standard.

The Board and management engaged with our regulators and shareholders on a wide array of matters. Engagements covered the Group's Covid-19 response relating to customers, employees, suppliers, and society at large. Other focus areas included the final stages of the Separation, as well as various new and emerging regulatory requirements.

In June 2020, Absa shareholders unanimously voted in favour of the Group's climate-change related disclosures, which we include for the first time in our 2020 annual report suite.

In 2020, customer engagement was more intense and significant than ever before, with engagements taking place across all customer segments in all our geographies. This was evidenced by various awards recognising our multifaceted customer and societal achievements. The Chairman and the Group Chief Executive Officer also engage with customers regarding complaints that may not have been dealt with through conventional channels.

Union engagements were particularly important and our Group Chief Executive Officer and Chief Executive: Retail and Business Banking South Africa met with South African finance union (SASBO) representatives to gain an understanding of the union members' positions and view on the real economic impact of the Covid-19 crisis ahead of salary negotiations.

Diving deeper: 9 – 11 Stakeholder needs and expectations, **55 – 56** Covid-19 response and **79** Natural capital, 2020 TCFD Report

Transformation

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

A potential structure for the Group's planned black economic empowerment transaction was discussed by the Board Finance Committee in February 2020; however, given the market shocks that followed shortly thereafter, it was subsequently agreed the transaction would be reconsidered when market conditions were more conducive.

Diving deeper: 2020 B-BBEE Report

The Board commits to **accountability and transparency**, providing credible and comprehensive financial and non-financial reporting, accompanied by constructive stakeholder engagement. We align with reporting best practice and are subject to internal and/or external assurance and governance procedures. The Group continues to review our performance against various ESG performance indices/benchmarks with the ambition of continuously improving our disclosures, and aligning with associated ESG best practices.

Diving deeper: 2020 ESG Report

Board structure

The Board of directors provides leadership and strategic guidance within a framework of prudent controls designed to assess and manage risk to ensure long-term sustainable development and growth. The Board has ultimate accountability for the performance and affairs of the Group and for ensuring that the Group adheres to high standards of ethical behaviour.

Committees assist in the execution of the Board's duties and responsibilities, with each committee comprising suitably skilled directors. Each committee has written terms of reference that are reviewed annually and mapped to applicable legislation, regulation and governance practices to ensure relevance and compliance. The key functions of each committee are outlined on pages 92 – 94.

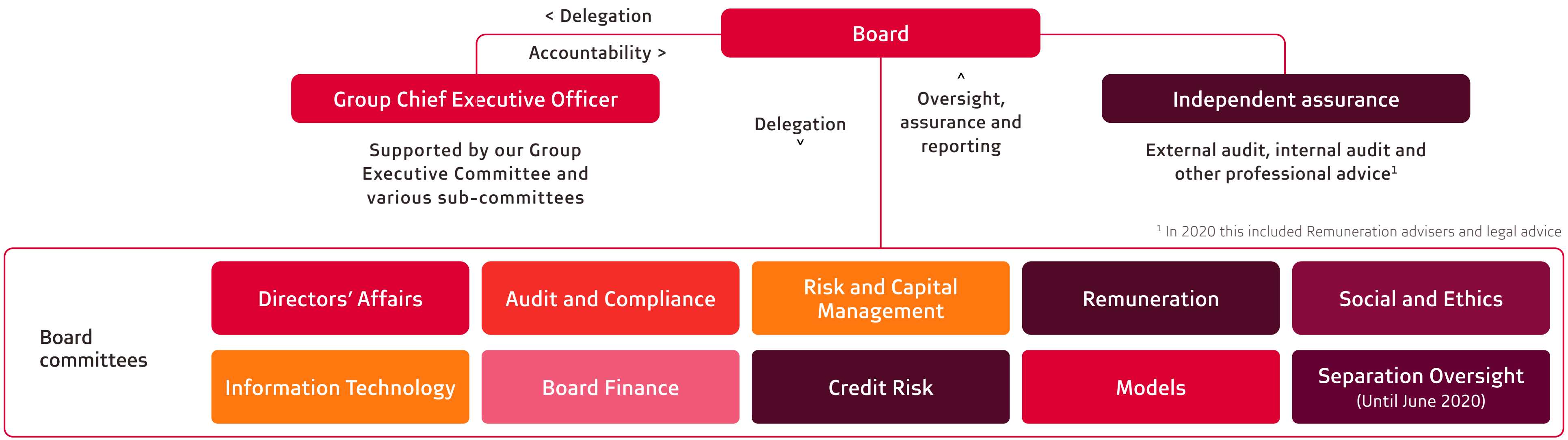
The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Group. Occasionally, the Board requests that particular directors undertake specific duties, typically as a Board sub-committee, to provide additional focus. During the year, *ad hoc* committees contributed in areas such as the development of a revised reward framework; the advancement of our role in society strategy; and the Chairman's succession process. Each committee chair provides written and verbal feedback at Board meetings and the Group Chairman reports back on engagements with the chairs of material subsidiaries.

Meeting attendance is an important factor in the Board's ability to discharge its duties and responsibilities, and care is taken in preparing the Board calendar to enable attendance.

If a director is unable to attend a meeting, an apology is recorded and, if possible, he/she makes written or oral contributions ahead of the meeting.

We expect, and receive, significant commitment from our Board members:

Number of Board and committee meetings	**94**	**(2019: 91)**
Attendance	**99%**	**(2019: 95%)**



[1] In 2020 this included Remuneration advisers and legal advice

The Group Executive Committee, and its various sub-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. The executive committees operate under the authority of the Group Chief Executive Officer and implement Board-approved strategies and policies while managing the risk across the Group within the approved risk appetite. These committees report regularly on their execution progress and on risk and compliance matters.

Board composition

Approach and policy: The magnitude and complexity, future plans and strategies and the changing external environment influence our Board's composition. We strive to have an appropriate balance of diversity to ensure robust governance, keen commercial decision-making and strong technical inputs. The Board regards diversity of perspectives at Board level as essential to provide effective oversight over the setting and execution of strategy and the creation and preservation of value for stakeholders.

We seek to promote diverse mindsets and opinions. Our Board review takes tenure and succession, retirement, resignation, skills, Board evaluation outcomes and regulatory requirements into account.

We have a diverse Board, ranging broadly in age, race, gender, ethnicity, country of origin, culture, educational background, skills, experience and knowledge. This provides a fertile environment for discussion, debate, input, challenge and thoughtful outcomes. The Board is committed to ensuring that we meet our governance, social and regulatory obligations regarding race and gender diversity, taking into consideration the environments and geographies in which we operate. As an African financial services group, the Board also recognises the benefits of having members who are from countries outside South Africa. We regularly review our race and gender targets. Other diversity measures, including skills, educational qualifications and age, will continue to be tracked and reported.

As at 23 March 2021, the **Absa Group Board** has 16 members. The **size** is influenced by the demands of a complex banking and financial services industry, our universal banking model and geographic footprint. The size of the Board allows adequate membership, including appropriate levels of independence, for its nine Board committees, of which all but two are required in terms of the Companies Act and Banks Act and regulations, and endorsed by King IV and the JSE Listings Requirements. The Board size also facilitates succession planning.

Our Board should comprise a majority of non-executive directors, of whom the majority must be **independent**. 69% of our Board is independent.

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

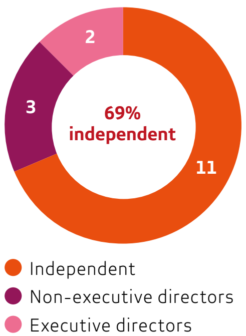
In assessing the skills requirements considering the current operating context, our analysis shows that additional skills in banking risk and treasury would be ideal, given the ever increasingly complex regulation and developments in these areas; and legal, due to the importance of the South African legal environment to our business. This will be addressed with the appointment of two additional suitable non-executive directors in due course. All Board members will need to become skilled in the areas of environmental and social sustainability, and climate change. We began bolstering these skills in 2019 through training and deep dive sessions, this will be a focus to ensure a general understanding of these challenges and their ramifications.

Over the past year, we continued to strengthen and refresh our Board skills and experience, specifically in technology, human resources and sustainability.

Our targets for **race and gender representation** are set at a minimum of 40% AIC[1] and 30% women. 38% are AIC[1] and 31% of the Board are women.

Within our **tenure** approach, we apply a staggered rotation of Board members to ensure continuity, sufficient knowledge, skills and experience while introducing new expertise and perspectives. Directors serving over nine years are subject to annual re-election and may be classified as non-independent after nine years.

Independence



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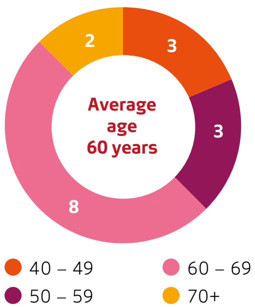
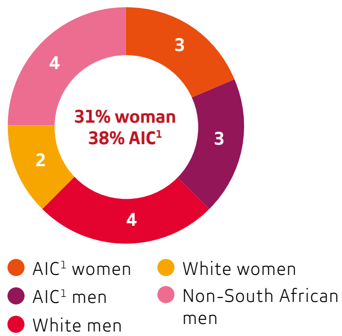
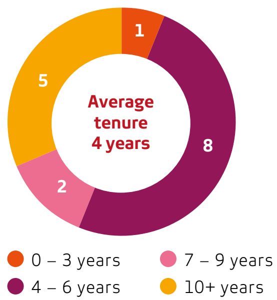


Skills and expertise

Race and gender representation



Tenure



[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.

Our Board as at 23 March 2021

Independent directors

Wendy Lucas-Bull 67
Independent Chairman

BSc

Chair: Directors' Affairs Committee

Seven years

Sipho M Pityana 61
Lead Independent Director

BA (Hons), MSc

Chair: Remuneration Committee

One year

Alex Darko 68
MSc (Management Information Systems), FCCA

Chair: Information Technology Committee

Six years

Daisy Naidoo 48
BCom, CA(SA), MAcc (Tax)

Four years

Francis Okomo-Okello 71
LLB (Hons), Dip (Law), Certified Public Secretary

Chair: Social and Ethics Committee

Six years

Ihron Rensburg 61
BPharm, MA (Political and Organisational Sociology), LLD (Hons Causa), PhD (International Development Education)

One year

Mark Merson 52
MA (Hons), ACA

Chair: Group Risk and Capital Management and Group Credit Risk Committees

Seven years

Nonhlanhla Mjoli-Mncube 61
PgCert (Engineering Business Management), Fellowship in Urban Development (MIT), Masters in Regional and Urban Planning

Five months

Rose Keanly 62
BCom (Hons), BSc

One year

Swithin Munyantwali 58
BSc, LLD, LLM

One year

Tasneem Abdool-Samad 47
BCom, CA(SA)

Chair: Group Audit and Compliance Committee

Three years

Board changes since the 34th annual general meeting

Additions
- Fulvio Tonelli
- René van Wyk[2]
- Nonhlanhla Mjoli-Ncube

Retired
- Mohamed Husain

Stepped down
- Daniel Hodge

Deceased
- Peter Matlare

Board changes scheduled for the 35th annual general meeting

For election
- René van Wyk
- Nonhlanhla Mjoli-Ncube

For re-election
- Alex Darko
- Daisy Naidoo
- Francis Okomo-Okello
- Sipho M Pityana
- Tasneem Abdool-Samad

Retired
- Colin Beggs[1]

Non-executive directors

Colin Beggs 72
BCom (Hons), CA(SA)

Ten years[1]

Fulvio Tonelli 61
BCom (Hons); CA(SA)

Nine months

René van Wyk 64
BCom, BCompt (Hons), CA(SA)

Chair: Board Finance Committee

Eight months[2]

Executive directors

Daniel Mminele 56
Group Chief Executive Officer

Associate Certificates (Chartered Institute of Bankers), German Banking Diploma

One year

Jason Quinn 46
Group Financial Director

BAcc (Hons), CA(SA)

Chair: Models Committee

Four years

1 Colin was an independent director for 10 years, until 4 June 2020.

2 René was an independent director for five years, prior to serving as Group Chief Executive Officer between the retirement of Maria Ramos and the appointment of Daniel Mminele. He served a six-month cooling-off period in 2020 and re-joined the Absa Group Board as a non-executive director on 1 August 2020. He will be regarded as an independent director after a period of 12 months (1 August 2021).

Executive Committee member biographies can be found at www.absa.africa

Our Executive Committee as at 23 March 2021

Executive directors

Daniel Mminele [56]

Group Chief Executive Officer

ExCo: One year
Absa: One year

Jason Quinn [46]

Group Financial Director, Acting Digital Solutions, Innovation and Technology; Acting Head: Group Shared Services

ExCo: Four years
Absa: Twelve years

Prescribed officers

Arrie Rautenbach [56]

Chief Executive: Retail and Business Banking South Africa, Acting Head: People and Culture

ExCo: Five years
Absa: Twenty-three years

Charles Russon [54]

Chief Executive: Corporate and Investment Bank

ExCo: Six years
Absa: Fourteen years

Balance of the Executive Committee

Akash Singh [47]

Group Chief Compliance Officer

ExCo: One year
Absa: Seventeen years

Bongiwe Gangeni [42]

Deputy Chief Executive: Retail and Business Banking South Africa

ExCo: Three years
Absa: Fourteen years

Charles Wheeler [56]

Group General Counsel

ExCo: Eight years
Absa: Eight years

Rajal Vaiyda [55]

Chief Risk Officer (Acting)

ExCo: One month
Absa: Four years

Ex-officio member

Prabashni Naidoo [45]

Group Chief Internal Auditor[2]

Ex-officio
Absa: Three months

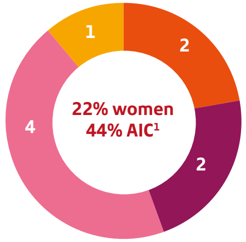
Changes during the year

Appointed
- Prabashni Naidoo
- Rajal Vaidya (Acting)

Resigned
- August van Heerden
- Paul O'Flaherty
- Roze Phillips
- Zameera Ally

Deceased
- Peter Matlare

Diversity



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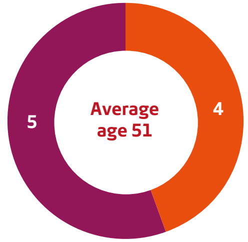
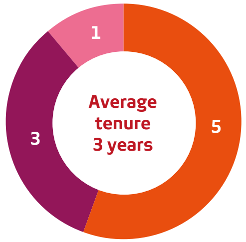
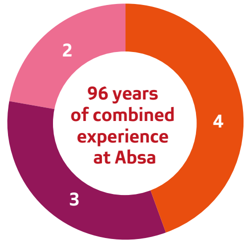


Tenure on the Executive Committee



Tenure at Absa



[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.

[2] Prabashni reports directly to the Group Chief Executive Officer and to the Group Audit and Compliance Committee.

Executive Committee member biographies can be found at www.absa.africa

A challenging context

Market drivers, risks and opportunities (material matters)

Macroeconomic environment and economic flux

Links to long-term trends (page 12)

- Macroeconomic trends

Impacted SDGs

SDG 1 SDG 8

Capitals impacted

Related risks (pages 41 – 42)

- Global recession with forward-looking uncertainty
- Sovereign intervention long-term impacts
- Pressure on the financial services industry

Diving deeper
55 – 56 Our Covid-19 response
48 Strategy refresh
2020 Financial Results Booklet

Description

The Covid-19 pandemic upended the global economy, producing historic declines in economic activity across most countries and generating a dramatic increase in economic uncertainty that is likely to continue. The timely rollout of effective vaccines is a focus, but until immunity is achieved at a global scale, it will be difficult for normal business activity to fully return, especially in select sectors. The International Monetary Fund expects that the 3.5% decline in global activity during 2020 will be followed by a 5.5% expansion for 2021. Significant uncertainty around the global, regional and domestic economic outlooks is likely to persist as economies work through the largest economic shock since the Great Depression of the early 1930s. We expect the South African economy to grow by 3.1% in 2021; however, the performance across sectors will remain highly uneven, employment and consumer spending will remain under pressure, and business confidence and investment are likely to recover slowly. South Africa's fiscal trajectory is important as National Treasury seeks to reduce public sector wages in order to improve the sustainability of the state's finances. Our view is that the South African Reserve Bank is unlikely to alter the policy interest rates in 2021. For our Absa Regional Operations presence countries, we expect the economy to rebound in 2021, with activity accelerating by 4.5% on a GDP-weighted basis. Economies where tourism is a significant contributor, such as Botswana, Mauritius and Seychelles, are expected to show the slowest recovery path, while the more diversified economies of East Africa are anticipated to be the most resilient. Our view is that policy interest rates are likely to rise, albeit gradually, and that the sustainability of public finances will be a central focus among policymakers in several countries. A successful and timely rollout of an appropriate vaccination programme is critical.

Covid-19 impacts

- Maintaining a well-capitalised position.
- Sustained financial returns.
- Sound risk management that takes operating conditions, competition and opportunities into account.
- Improved efficiencies while managing strategic investments.

Impact on value creation

There is increased risk of credit defaults. Higher levels of unemployment, poverty and inequality are likely to give rise to further political polarisation globally. The constrained fiscal position of our various presence countries could result in downward pressure on our customers. The ability of African governments to insulate their populations from the full impact of the economic difficulties will determine overall socioeconomic and political stability. As countries grapple with fiscal crisis and measures for financing economic recovery, we anticipate, for example, that the work led by the Organisation for Economic Cooperation and Development on anti-base erosion and profit shifting to become more accentuated. Additionally, the work on digital taxes will likely impact our strategy as we drive greater digital-first banking.

Governance in action

The impact of the pandemic and the associated lockdowns on our ability to conduct business was closely examined by the Board, in particular the risks associated with lending and the ability of our customers to repay their debts. To address the economic impacts, the Board approved an adjusted short-term and medium-term plan and will continue to oversee any subsequent amendments to the strategy and plans. A combined assurance project was implemented to cover key and heightened risk areas and reporting to the Board Committees was increased. For example, such as heightened reporting on conduct risk to the Social and Ethics Committee. Operational losses and fraud risk, management actions and steps taken to improve associated controls were monitored closely due to the influence of the macroeconomic conditions on these risks. The Group Audit and Compliance Committee considered management's assumptions, methods of estimation and judgements used in the preparation of the Group's financial statements.

Related opportunities

African banks can position themselves to play a leading role in facilitating trade flows within prominent global trade corridors, while the successful adoption of the African Continental Free Trade Agreement offers many possibilities for intra-Africa trade.

Strategic response

We have adopted a dynamic approach to risk appetite setting and are proactively adjusting our responses to address emerging risks. Our refreshed strategy seeks to accelerate the delivery of a relevant and competitive business model that will see us emerge from this crisis as a resilient and robust business for our employees, customers and shareholders. This includes refining and accelerating our digital strategies, enhancing organisational agility, assessing our approach to strategic partnerships and adapting how we attract and retain leaders to drive a more entrepreneurial culture while investing in future skills and capabilities.

Market drivers, risks and opportunities (material matters) *continued*

Competition and technological change

Links to long-term trends (page 12)

- Data and identity
- Digitisation
- Democratised computing
- Increased customer expectations
- Global connectivity

Impacted SDGs

SDG 1 SDG 9 SDG 10 SDG 16

Capitals impacted

Related risks (pages 41 –42)

- Resilience, fraud, people and cyber risks
- Strategic, execution and business risks from external and internal drivers
- New and emerging regulations and oversight increase compliance risk

Diving deeper
69 Intellectual and manufactured capital
74 Social and relationship capital: Customer

Description

Increased competition, changing consumer demand, financial disintermediation and disruptive technologies – which have only accelerated in a Covid-19 context – have expedited the evolution of our business to one that truly embraces digital technology for delivering better products to customers, improving risk management and optimising profitability. 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 key role banks play in the functioning of payment and settlement systems.

Covid-19 impacts

- Accelerated existing trends towards digitisation and digital-first banking.
- Negative economic impacts amplified by financial fraud crisis.

Impact on value creation

To meet customers' needs, we must focus on delivering innovative products and services, informed by advanced data analytics enabled through an increasingly automated and digitised environment. Key to this is the customer experience, the stability of systems and ensuring trust and safety of people, assets and information.

Governance in action

Covid-19 has created the catalyst for Absa to consider and accelerate changes to our approach to business and sharpen our strategic focus and execution abilities to maintain our relevance. Almost 70% of projects in the approved book of work are related to digital transformation. A detailed review of Absa's digital maturity was conducted in November 2020, with a focus on areas of improvement and identifying partnerships. The book of work has been reprioritised factoring in the Covid-19 business impact and regulatory initiatives while focusing on several initiatives aligned with the revised strategic priorities. Deep integration with business is needed in 2021 and through the course of the Board deliberations on the refreshed strategy (strategic focus 3), attention was given to the means of invigorating Groupwide innovation capabilities to meet the pace of change required in the industry. The Board also oversaw measures throughout the Group to combat increased cybersecurity threats that arose generally through opportunistic threat actors, and because of increased digitisation and a shift to remote working arrangements.

Related opportunities

- **Improving our ways of working allows us to become faster and more efficient in delivering a great customer experience.**
- **To re-imagine the way we do business to capture opportunity in this constrained environment by accelerating the move towards digital sales.**
- **By using technologies such as open-source, the cloud, software-as-a-service and modern IT architecture principles, we are transforming our current business into a more cost-efficient and connected model.**
- **Partnerships continue to be a key focus as we build our digital propositions and expand our customer reach.**

Strategic response

We have analysed the shifts in competition and technological change given the impacts of the Covid-19 pandemic, which has accelerated many of the trends and cemented their importance to banking going forward. Responding to these trends at pace with compelling propositions is vital for our ongoing success in our chosen markets. By providing digital, customised offerings and selectively pursuing innovations, we are targeting customer growth and increased revenue. Our big data and advanced analytics capabilities allow us to understand our customers' needs better and to add further value.

Should the remote working model continue to prove successful, we will be positioned to have access to a far greater talent pool unconstrained by the locations of our offices.

Market drivers, risks and opportunities (material matters) *continued*

Regulatory change, risk management and governance

Links to long-term trends (page 12)

- Evolution of capitalism
- Data and identity
- Digitisation
- Democratised computing
- Global connectivity

Impacted SDGs

SDG 1 SDG 10 SDG 16

Capitals impacted

Related risks (pages 41 – 42)

- Strategic, execution and business risks from external and internal drivers
- New and emerging regulations and oversight increase compliance risk

Diving deeper
69 Intellectual and manufactured capital
75 Social and relationship capital: Regulator

Description

Compliance with local and international banking regulations is vital for a competitive and sound banking system. Each country's financial system's ability to interact effectively with the global financial system is key for economic growth. Laws, regulations and codes define expectations of how we conduct our business. The regulatory landscape has a wide-reaching impact on our business and customers, influencing our operations as well as our products and services.

Our continually evolving regulatory environment places additional requirements on the Group. We continue to support efforts to ensure a stable financial services sector and a safe and fair operating environment, recognising that a stable and fair financial services industry benefits all stakeholders. The pace of change requires a coordinated, comprehensive and forward-looking approach to evaluate, respond to, and monitor this change. The penalties and regulatory sanctions for non-compliance to legislation and conduct in the markets are increasing in number and severity.

Covid-19 impacts

- Due to increased pressure on the macroeconomic environment, regulators are revising, and developing further regulations to ensure robust banking frameworks, profitability and the stability of the financial sector.
- Engagements with regulators mainly focused on the impact of the pandemic on the business in general, particularly in the daily status of the bank liquidity and capital ratios, credit risk and, corporate governance matters.

Impact on value creation

As part of managing our social and relationship capital, we seek to conduct our business activities responsibly by complying with regulatory and legislative requirements. It is key to note, however, that world-wide, exponential increases in regulation have resulted in heightened demands on banks to ensure compliance, resulting in, amongst others, the increased costs of banking. To support these demands, we focus on meeting regulatory requirements while balancing customer needs.

Governance in action

Several Board committees monitor current and anticipated regulatory changes within their respective mandates. 2020 reviews included, but were not limited to, bank recovery and resolution; statutory, regulatory and economic capital compositions and levels considering regulatory requirements; stress scenarios; Basel III amendments (revising the rules for the determination of risk-weighted assets); depositor insurance requirements; interest rate reform (for example, Libor and Jibar); latest requirements affecting the high-quality liquid asset portfolio; the Fundamental Review of the Trading Book which comes into effect in 2022 and changes to disclosure standards. The impact of the new South African Conduct Standards relating to Banks has been incorporated into the mandate of the Social and Ethics Committee with additional monitoring on aspects of customer engagement required. Discussions were also held on the potential impact of non-bank specific regulatory change such as land reform and the National Health Insurance Bill in South Africa.

Related opportunities

Continuing to build and maintain sound, positive and healthy relationships with regulators and government is essential given the vital role they play in ensuring the stability of the financial system. Continuous engagements help contribute to our ability to influence the legislative processes related to regulations, directives, guidance notes, conduct standards and the like, which help us to promote, drive and shape the strategy of the Group.

The use of artificial intelligence to streamline and simplify regulatory compliance will enable us to provide faster and more effective services to our customers. We welcome the recent engagements with the Financial Sector Conduct Authority on Open Banking for the financial services industry.

Strategic response

Our refreshed strategic ambition speaks to our aim of sustainably creating shared value. To achieve this, we seek to balance regulatory demands with meeting customer needs – conducting ourselves in accordance with both the law and our values. We have instilled a culture of sound regulatory compliance across the Group through specific projects, steering committees, working groups and executive committees for which, depending on the nature of the regulatory or statutory requirement, either the Group Chief Risk Officer or Chief Compliance Officer are accountable to the Group Executive Committee and the Board. Further, we participate in regulatory and statutory advocacy groups in all presence countries to advocate for regulation and supervision, which enhances financial stability and facilitates the fair treatment of customers.

Regulations are constantly evolving requiring a proactive and wide-ranging approach to ensure that we achieve compliance

Market drivers, risks and opportunities (material matters) *continued*

with these regulations and meet our strategic objectives as a bank. The graphic below illustrates this regulatory environment, the stage of implementation and the impact on our operations. In this section, we discuss the most material regulatory items.

Protection of personal information is governed by laws that control the processing, holding and security of personal data, as well as the cross-border processing and storage of data. This requires a careful balance between achieving processing efficiencies and meeting applicable regulatory and legal requirements. The South African **Protection of Personal Information Act** commenced in July 2020 and our comprehensive data privacy programme has aimed to ensure the we are materially compliant with the Act by the enforcement date of end June 2021. We continue to focus closely on the protection of customer data in our Absa Regional Operations, in line with country regulations.

Conduct standards are instrumental to achieving the highest standards of performance, adding value to our customers and clients, and meeting our regulatory obligations. The South African **Banking Conduct Standards 2020** enables the Financial Sector Conduct Authority to supervise banking institutions' conduct in relation to the provision of financial products and services to customers. Select provisions became effective in March 2021, with the balance by July 2021. The South African **Conduct of Financial Institutions Bill 2018**, expected to be finalised in 2021, streamlines the legal landscape of financial sector conduct regulation and legislates the market conduct policy approach, including the principles of treating customers fairly.

The **Financial Sector Levies Bill 2017**, effective April 2021, imposes the necessary levies on regulated financial institutions.

Climate change continues to receive increased attention. In 2020:

- The Presidential Climate Change Coordinating Commission was established to understand the impact of climate change on jobs, and climate change responses by sector and location.
- South Africa's Low Emissions Development Strategy was published, focusing on measures being implemented by government to address mitigation in the energy, industrial (including agriculture), forestry and land use and waste sectors.
- The revised National Waste Management Strategy was published, focusing on preventing waste and diverting waste from landfills through the concept of a circular economy to drive sustainable, inclusive economic growth and development in the waste sector, while reducing the social and environmental impacts of waste.

Absa will continue to participate in the engagements on the following regulations in 2021:

- **The Financial Sector Laws Amendment Bill 2020**, including the proposed deposit insurance scheme.
- **National Payments System Bill, 1998**
- **Cybercrimes Bill 2017**, which seeks to criminalise the distribution of harmful data messages; provide for interim protection orders; regulate jurisdictions; and provide powers to investigate cybercrimes.
- **Climate Change Bill 2018**, which was on hold to allow time to effect alignment of the carbon budget and carbon tax, seeks to communicate and implement an effective, nationally determined climate-change response, including mitigation and adaptation actions.
- **Employment Equity Amendment Bill 2020**, which seeks to empower the Minister of Employment and Labour to regulate sector-specific employment equity targets.
- In terms of land reform, the **Expropriation Bill 2020**, which regulates the expropriation of property for a public purpose or in the public interest and the **Eighteenth Amendment Bill (Section 25 of the Constitution) 2019** which seeks to provide that where land and any improvements thereon are expropriated for the purposes of land reform, the compensation amount may be nil. This will impact Absa due to the risk to our assets and liabilities (including mortgages) and overall socioeconomic impacts (property, food, investor sentiment, economic and legal rights). The scenario analysis, including financial impacts, has been led by our Land Reform Steering Committee (a sub-committee of the Group Executive Committee).

Stage of implementation			Potential impact
Evaluate	Respond	Monitor	
	• Kenya Banking Sector Charter • **Financial Sector Laws Amendment Bill**[1] • Directive to establish a primary data centre in Tanzania • Prohibition against unwarranted charges, fees and regulations of specific charges directives 2020	• **Carbon Tax Act** • **Code for Responsible Investing in South Africa** • **King IV**	Limited
• **Climate Change Bill (including TCFD**[2]**)** • **National Health Insurance Bill** • **National Payment System Bill**	• Basel III Finalising Post Crisis Reforms[3] • **South African Financial Markets Act** • International Financial Reporting Standard 17 • Land reform[4] • Anti-money laundering/anti-terrorism financing[5] • UNEP FI Principles for Responsible Banking	• Data privacy[6] • **Financial Intelligence Centre Amendment Act** • International Financial Reporting Standard 9 • Payments[7]	Major
	• **Broad-Based Black Economic Empowerment Act** • **National Credit Amendment Act (debt intervention)** • **Cybercrimes Bill** • Market Conduct[8] • **Employment Equity Amendment Bill**		Critical

1 Resolution Bill, Deposit Insurance Scheme and Insolvency Act (South Africa).
2 Task Force on Climate-Related Financial Disclosures.
3 Basel Committee on Banking Supervision's Standard 239.
4 Amendment to section 25 of the Constitution of South Africa and the Expropriation Bill, 2019 (South Africa).
5 Anti-Money Laundering and Countering the Financing of Terrorism Handbook and Guideline on Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation (Mauritius).
6 Data Protection Act, 2003 (Seychelles); Data Protection and Privacy Act, 2019 (Uganda); Protection of Personal Information Act, 2013 (South Africa); The Data Protection Act, 2018 (Botswana).
7 National Clearance and Settlement Systems Act, 2003 (Botswana), National Payments System Act, 2007 (Zambia), National Payments System Act, 2018 (Mauritius), Payment System and Services Act, 2019 (Ghana), National Payments System Act, 2020 (Uganda).
8 Amendments to the Financial Advisory and Intermediaries Services Act, Conduct of Financial Institutions Bill, Conduct Standard for Banks, Financial Sector Regulation Act, and Retail Distribution Review (South Africa); Financial Market Conduct Bill (Kenya).

South Africa specific in bold

Market drivers, risks and opportunities (material matters) *continued*

Climate change

Links to long-term trends (page 12)

- Macroeconomic trends
- Evolution of capitalism
- Changing demographics
- Increased customer expectations
- Global connectivity

Impacted SDGs

SDG 6 SDG 8 SDG 12 SDG 13

Capitals impacted

Related risks (pages 41 –42)

- Strategic, execution and business risks from external and internal drivers
- New and emerging regulations and oversight increase compliance risk
- Environmental and social risks

Diving deeper
45 Role in society
15 Playing a shaping role in Africa's growth and sustainability
79 Natural capital
2020 ESG Report, TCFD Report and PRB Report

Description

The climate change agenda is complex and far-reaching, posing many dilemmas. We anticipate a greater focus on the Paris Climate Agreement with additional local and international policy initiatives to address fossil fuels and their funding. Sub-Saharan Africa is particularly vulnerable to climate change while also facing risks in transitioning to a low-carbon economy. Southern Africa's temperature is expected to rise at double the global rate. In Africa, millions of households engage in subsistence farming. Climate change is expected to impact the poor disproportionately. Further, the shift to lower-emission pathways must be carefully managed to ensure a 'just transition'. In South Africa, the economy is emission intensive as power is largely dependent on coal, and resources are a key sector. The country is already water-stressed, and water demand is expected to exceed supply by 17% in 2030.

Covid-19 impacts

Covid-19 is expected to worsen pre-existing socioeconomic inequalities and heighten political instability in African countries, further exacerbated by continued climate-related shocks, such as floods and droughts.

Impact on value creation

Developing countries, particularly those in Africa, will be most adversely affected by climate change while also being the least able to cope with the anticipated shocks to their economic, social and natural systems. Financial service providers are central to all economies and, as such, can and must play a pivotal role in embedding climate change considerations into business strategies to mitigate these risks while also proactively seeking out opportunities to support the transition to a low-carbon economy. To ignore the need to transition would expose our business to severe financial impacts, as long-term sustainability factors have the potential to affect future viability and cash flows. The centrality of ESG in investment decisions can also influence perceptions about the African banking sector, given the continent's climate-related risks, and portfolio exposures.

Governance in action

In 2019, the Board approved the adoption of the United Nations Environment Programme Finance Initiative's Principles for Responsible Banking with Absa becoming a founding signatory in September 2019. In 2020, the Board approved the elevation of sustainability risk to a principal risk within the Group's Enterprise Risk Management Framework. The Social and Ethics Committee considered an update on the Group's progress in implementing the PRBs, including the Group's response to our climate resolution, which was unanimously passed, relating to the Group's exposure to climate-sensitive sectors, the management thereof and the opportunities relating to climate change.

Related opportunities

We are supporting solutions that aid the transition to a low-carbon economy and a sustainable future by creating relevant finance solutions. For example, we are supporting renewable energy projects that are economically, environmentally and socially feasible and play a role in the diversification of electricity supply as articulated in the national development plans of many of the countries in which we operate.

Working through the Banking Association of South Africa, we are engaging with the government regarding plans for an orderly transition, which will allow the country to comply with its international greenhouse gas emission reduction commitments.

Strategic response

Our ambition is to take a holistic African view and systematically identify and address the complex interconnected sustainability matters across the Group. This will enable us to gain a balanced perspective of our portfolio's exposure to climate change (current and future) and develop strategies and policies to positively influence and drive opportunities that generate meaningful impacts in the communities we serve, as well as the economy at large. This will strengthen our business, creating customer, employee and investor confidence.

Our role in society strategy brings together multiple strategies, capabilities and implementation programmes across the Group, including our sustainable financing commitments. Corporate and Investment Bank aims to finance or arrange R100bn for ESG-related projects by 2025 through capital-raising and lending solutions. Business Banking South Africa aims to finance 250MW or R2.5bn of renewable power by 2025.

Market drivers, risks and opportunities (material matters) *continued*

Transformation within a sustainable development context

Links to long-term trends (page 12)

- Macroeconomic trends
- Evolution of capitalism
- Changing demographics
- Increased customer expectations
- Global connectivity

Impacted SDGs

SDG 1, SDG 2, SDG 4, SDG 5, SDG 8, SDG 10, SDG 16

Capitals impacted

Related risks (pages 41 –42)

- Global recession with forward looking uncertainty
- Sovereign intervention long-term impacts
- Pressure on the financial services industry
- Strategic, execution and business risks from external and internal drivers
- Environmental and social risks

Diving deeper
45 Role in society
15 Playing a shaping role in Africa's growth and sustainability
76 Social and relationship capital: Society
2020 ESG Report and PRB Report

Description

Sustainable economic development is aimed at meeting the needs of people in a way that sustains the environment and natural resources for future generations. This requires actions to address global challenges related to poverty, inequality, climate change, environmental degradation, peace and justice. In Africa, these challenges include education, health and economic opportunities. While global inequality may be reducing, for many people, this is not a lived experience and has worsened with the impacts of Covid-19. Poverty persists, unemployment rates remain high, and quality healthcare and education are unreachable to many. Women and children are, at times, further excluded in patriarchal societies. In South Africa, racial transformation is imperative.

Covid-19 impacts

Widespread economic contraction resulting from persistent interruptions of various sectors such as mining, manufacturing, and tourism have exacerbated inequalities, increased unemployment and highlighted vulnerabilities in the social fabric.

Impact on value creation

Urgent global economic transformation is needed, and failure to implement the necessary action is likely to result in destabilising climate change, along with increasing inequality, joblessness and migration in search of a better quality of life. This, together with social unrest, activism, geopolitical and geo-economic tensions, will ultimately translate into weakened economic development and instability, threatening future business and economic sustainability. In turn, the Group will face heightened risks, including, but not limited to, operational risk, decreased revenues, increased credit risk, and potential legal and reputational risks.

Governance in action

As a signatory to the UNEP FI Principles for Responsible Banking, we have committed to aligning our business strategy with society's goals as expressed in various frameworks, including, but not limited to, broad-based black economic empowerment, the Sustainable Development Goals and the Paris Climate Agreement, among others. During the year, the Social and Ethics Committee considered the Group's performance against our transformation scorecard, approved the sharpened focus of the Group's role in society strategy and received updates in terms of our sustainability programme to define and prioritise a Group sustainability agenda under the sponsorship of the Board, through the Financial Director. The committee also considered an update on the Group's progress in implementing the Principles for Responsible Banking.

Related opportunities

The Sustainable Development Goals and the Paris Climate Agreement articulate common development priorities and aspirations. Addressing these requires significant new finance, changes in capital allocations and blended finance that brings together government funds and the private sector's financial capability.

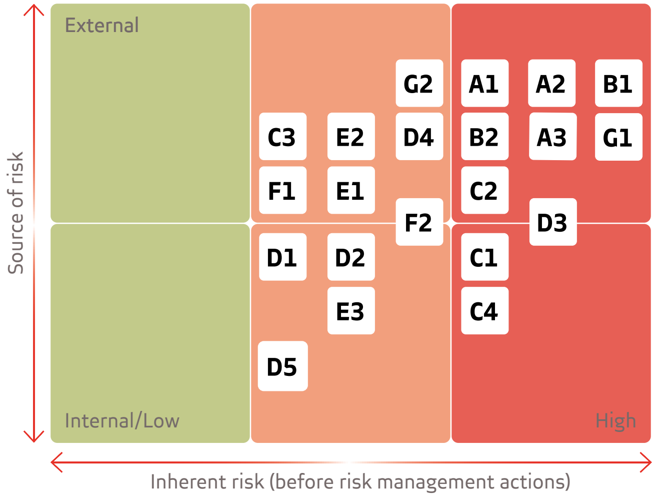
In 2020, we began the process of a systematic portfolio analysis to prioritise areas both to minimise the negative impacts of our business activities and to identify the significant financing opportunities of activities that contribute to the achievement of the Sustainable Development Goals.

Strategic response

We have sought to align our business strategy to consistently contribute towards the needs of individuals and society's goals in order to lead with purpose. Our sustainability programme is focused on addressing growing global concerns regarding climate change and sustainable development in the financial sector, including an assessment of perceived high-risk book exposures within the existing lending portfolio and related business practices across all countries in which Absa has a footprint, in order to inform our strategic choices going forward.

Our role in society strategy brings together multiple strategies, capabilities and implementation programmes in a deeper commitment across the business to deliver on our objective of delivering shared value.

Risks arising from the operating environment



Global recession with economic uncertainty

A1 Recovery from significantly reduced economic activity at risk from further waves of infections and impacted by the speed of global Covid-19 vaccine rollouts.

A2 Increasing sovereign debt levels and reduced debt and interest servicing capacity increases the risk of sovereign defaults and an emerging markets debt crisis.

A3 Global uncertainty resulting in increased global economic pressure and risk aversion to emerging markets.

Management's response

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

Principal risks impacted

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

Anticipated long-term impact of sovereign interventions

B1 Actions taken by government, such as lockdowns, to curb the spread of Covid-19 infections result in economic hardship, higher unemployment, increased inequality, and lower business and consumer confidence. These negative impacts are only partially mitigated by social welfare measures.

B2 Heightened risk of social unrest due to rising fatigue from lockdowns and public anger over deteriorating economic environments.

Management's response

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

Principal risks impacted

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

Increased pressure on the financial services industry

While tentative signs of recovery are visible, the effects of further infection waves could exacerbate the already heightened stress experienced by stakeholders, such as:

C1 Customer distress resulting in increased impairments and credit risk.

C2 Increased long- and short-term insurance claims negatively impacting solvency and capital requirements.

C3 Reduced availability of capital supply, funding and liquidity.

C4 Elevated business risk as earnings are impacted by the negative impact of the Covid-19 pandemic on the economy.

Management's response

- Monitor and manage the payment relief strategy and the substantial downside risk presented by the uncertainty in the outlook where an economic recovery will likely be slow and off a low base.
- Monitor leading indicators to ensure economic risks are effectively managed through:
  - Active preservation of capital and liquidity.
  - Re-evaluation and reduction of discretionary expenditure.
  - Proactive management of credit portfolio risks.
  - Hedging of interest rate risk and foreign exchange risk as appropriate.

Principal risks impacted

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

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

D1 Increasing pressure on the health of employees, customers and suppliers as subsequent waves of the pandemic continue.

D2 Heightened pressure on operational resilience arising from the impact of the Covid-19 pandemic.

D3 Heightened fraud risk arising from economic pressure.

D4 Increasing opportunistic financial crime and cybercrime, combined with rising sophistication of criminal activity, impacting customers and the Group.

D5 Heightened risk to employee wellness from the pandemic and a prolonged work from home situation.

Management's response

- Adhere to health and safety recommendations, including monitoring infections and adherence to preventive measures, to keep our premises safe for employees, customers and suppliers.
- Continue development of a vaccination plan for employees and stakeholders, in line with latest information.
- Maintain heightened focus on operational resilience and proactively identify and mitigate risks.

Risks arising from the operating environment *continued*

- Maintain high stability of the technology estate to minimise incidents impacting customers and operational effectiveness.
- Continue to invest in security platforms and further strengthen controls to secure customer information including investments in technology, data capability (including external intelligence), customer awareness campaigns and industry collaboration.
- Monitor and manage the impact on employees through an expanded Group wellness programme and supporting employees in the evolution of working environments.

Principal risks impacted

Operational | Financial Crime | Resilience

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

E1 Swift and significant changes in the economic and social environment impact the execution of the Group strategy, heightening business risk.

E2 Disruption through changing customer preferences and competitor offerings.

E3 Potential adverse impact of large strategic change projects on business risk, change risk and people risk.

Management's response

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

Principal risks impacted

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

New and emerging regulations and oversight increase compliance risk

F1 Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's presence countries.

F2 Potential long-term impact on business strategy and Group performance from regulatory change.

Management's response

- Maintain a forward-looking approach to evaluate, respond to and monitor regulatory and statutory change.
- Ongoing engagement with regulatory authorities and other stakeholders on upcoming regulatory changes to ensure the most appropriate outcomes for the banking sector and broader economy.
- Instil a culture of sound regulatory compliance across the Group.
- Develop systems with the agility to accommodate rapid change.
- Understand the impact of future requirements on current business model and practices, and proactively make necessary changes.

Principal risks impacted

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

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

G1 Ongoing and rapid climate and social change will adversely impact communities, customers and sharply heighten the Group's credit and insurance risks.

G2 Evolving complexities in the management of social trends as well as the societies and political environments in which the Group operates.

Management's response

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

Principal risks impacted

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

A strategy defined to deliver possibilities and shared value

Daniel Mminele
Group Chief Executive Officer

We responded decisively to the Covid-19 pandemic and the resulting economic downturn. We supported our employees, customers and communities through a difficult period and produced a resilient financial performance in a very challenging operating environment. We also successfully completed our separation from Barclays and reviewed our strategy to ensure it continues to be relevant in the context of rapid changes in the operating environment.

Group Chief Executive Officer's message

When I joined Absa as Group Chief Executive Officer last year, I was excited by the prospect of contributing to shaping the Group's future. Moreover, I was eager to work with colleagues to drive our strategic agenda towards restoring our leadership position in South Africa and further transforming Absa as a leading pan-African financial services business. While the outbreak of the pandemic required some of these plans to be temporarily held in abeyance, the way the Group has navigated this time has been proof of our organisation's agility and adaptability, and a true testament to our people's resilience. This challenging period has only strengthened my belief that we will achieve our goals, and I am humbled and honoured to lead the Group on this journey.

The advent of Covid-19 fundamentally changed life as we know it, altering the way we work and cater to our customers' needs. As the health emergency quickly evolved into a global economic crisis, we acted swiftly to protect our employees' wellbeing and the livelihoods of our customers while ensuring the business's financial and operational resilience. Regrettably, 34 of our colleagues passed away, including Peter Matlare, our Deputy Group Chief Executive Officer and Chief Executive of Absa Regional Operations. Peter was a seasoned corporate executive and an inspirational leader who was passionate about his work and always heavily invested in our continent's success. I will miss his friendship, collegiality, guidance and wise counsel.

Our Covid-19 response

Our pandemic response was focused on:

- Ensuring the safety and wellbeing of our employees.
- Supporting customers who required assistance through payment relief programmes.
- Leveraging our citizenship programme to contribute to broader community efforts to fight the pandemic.

For the safety of our frontline employees and our customers, we put in place strict hygiene protocols at our offices and branches. These measures will remain in place until the risk of infection has abated. During this time, over 40% of our branches remained open to continue providing a wide range of services to our customers, including the distribution of government's social grants during the hard lockdown. We also maintained high availability across our ATM network – the largest in South Africa – to meet the cash needs of our customers and the broader public. Our system's stability was excellent, with an average availability of 97.5% throughout 2020, including downtime caused by load shedding. Our frontline employees deserve special recognition for their dedicated service and willingness to help our customers during difficult times.

Enabled by our technology capabilities, we switched quickly and relatively seamlessly to a predominantly remote-working model. We rapidly increased access through our virtual private network and rolled out mobile versions of our human capital management and learning systems. To date, approximately 60% of our employees are still working remotely.

Customer relief

Acknowledging the difficulties our customers were facing, we provided significant payment relief on loans amounting to R219bn, or 22% of our total Group loans.

In South Africa, we offered a comprehensive relief programme, providing R9.8bn in relief to over 613 000 retail and business banking customers. Additionally, we waived various transaction fees and provided insurance premium relief while extending our credit cover to include a more expansive definition of loss-of-income events. We also approved R2.3bn under the South African Government's Loan Guarantee Scheme.

Absa Regional Operations extended R12.5bn in Covid-19 payment relief to over 61 200 retail and business banking customers. We also waived fees on certain digital transactions.

In our Corporate and Investment Bank, we extended R54.4bn in payment relief. This included interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.

Citizenship

In line with our commitment to being a force for good in the communities in which we operate, we mobilised our citizenship programme as Covid-19 quickly evolved into a humanitarian crisis, pivoting our existing endeavours to ensure we could play our part in protecting lives and livelihoods (page 55). We contributed over R83m in support of various initiatives across the continent, including R5.2m in donations from employees. Our humanitarian response focused on:

- Expanding tracing, screening and testing to contain the spread of the virus.
- Bolstering medical response efforts by providing personal protective equipment and facilitating healthcare workers' training.
- Supporting vulnerable groups through the provision of food and hygiene goods.

Group Chief Executive Officer's message *continued*

Our efforts to make a meaningful impact attracted local and international recognition, including the Euromoney Excellence in Leadership Award in Africa for our integrated response to Covid-19. As one of six banks globally to receive this recognition, this accolade bears testimony to the hard work and dedication of all our employees across the bank who have worked tirelessly – and continue to do so – to keep colleagues, customers, and communities safe during the pandemic while ensuring the continued operational and financial resilience of our organisation. Several more awards also recognised our efforts across different areas, including the Institute of Risk Management Award for the Industry Specific Risk Initiative in the Financial Category in response to Covid-19.

Regulator response

In answer to unfolding developments, we temporarily shifted our focus from our growth ambitions to an emphasis on capital preservation, as well as credit and liquidity risk management. Further, the pandemic resulted in an increased level of collaboration between industry peers, the South African Reserve Bank (SARB) and our regulators in the Prudential Authority.

The SARB Directive 3 provided temporary relief for banks, enabling the industry to offer payment relief to customers without triggering punitive capital and accounting consequences. In addition, capital and liquidity requirements were decreased, and adjustments to domestic liquidity management operations included buying government bonds in the secondary market to support price discovery and the orderly functioning of markets. Interest rates were reduced by a cumulative 300 basis points during 2020, providing an estimated R100bn in relief to consumers and businesses on an annualised basis.

The Prudential Authority issued a directive temporarily reducing the Pillar 2A minimum common equity tier 1 by 50 basis points, tier 1 capital by 75 basis points and total capital by 100 basis points. A capital conservation buffer of 250 basis points was also made available for banks to utilise during this period of stress. At 11.2%, our common equity tier 1 ratio represents a surplus in relation to the Covid-19-related adjustments to regulatory minimums, is above regulatory requirements, and lies within our Board target range.

Central banks across our Absa Regional Operations presence countries also took steps to mitigate the impact of the pandemic. For example, in Zambia, banks could renegotiate the terms of credit facilities with borrowers, giving banks flexibility regarding loan classification and provisioning for loans in good standing before the pandemic. Banks in Kenya were encouraged to be flexible with borrowers' loan terms and waive or reduce charges on mobile money transactions. The primary reserve requirement and the capital conservation buffer were lowered in Ghana, and, in Mauritius, affected businesses were supported through a credit line channelled through commercial banks to allow firms to meet their cash flow and working capital requirements.

Our Absa Regional Operations subsidiaries all have capital ratios well above regulatory requirements and are expected to remain above these in a severe stress scenario.

Through the year, and notwithstanding various customer and client payment relief programmes, we maintained more than adequate levels of liquidity and capital reserves.

Role in society

We have a vested interest in supporting inclusive growth, economic and social justice, and delivering financial services in a socially and environmentally responsible manner.

Our role in society strategy is a collective framework that brings together and leverages the capabilities of the various businesses and functions under an overarching set of priorities that are driven across the organisation. The pillars of this strategy include advancing inclusive financing, advancing environmental sustainability, promoting a just society and supporting education and skills development. We unpack our 2020 initiatives over pages 54, 56 and in the Delivering possibilities and shared value section of this report (pages 74 - 81). I highlight a few of our activities with a focus on climate change and sustainable finance.

Since becoming a founding signatory of the Principles for Responsible Banking in September 2019, we have made significant strides towards embedding sustainability in our business thinking and responding to climate change. To this end, we published our revised Sustainability Policy and a Coal Financing Standard. Sustainability risk has also been elevated to a principal risk within our Enterprise Risk Management Framework.

Further, we implemented an environmental and social risk management system in seven countries across the continent, in line with the requirements of our agreement with the Multilateral Investment Guarantee Agency. The agreement requires the inclusion of green lending targets and coal financing caps, as well as the embedding of social and environmental considerations into our lending processes.

In terms of sustainable finance, we will work with customers in three areas, namely:

- Developing capital and risk management solutions that promote environmental protection (such as, emissions reduction and pollution prevention) and inclusive growth (increasing access to basic services such as education, health and housing).
- Assisting clients in transitioning to sustainable operating models in line with sector-specific transition plans and, where appropriate, sector-specific policies.
- Driving systemic change by engaging directly with key influencers, regulators and policymakers to support the alignment of policy and regulations with the Sustainable Development Goals and Paris Climate Agreement targets.

Our Corporate and Investment Bank aims to finance or arrange R100bn for ESG-related projects by 2025 through capital-raising and lending solutions and Business Banking South Africa aims to finance 250MW or R2.5bn of renewable power by 2025.

At our annual general meeting in June 2020, we introduced a resolution to provide stakeholders with an assessment of our exposure to climate change risk in our lending and finance portfolios, how we manage these risks; as well as the related opportunities. This resolution received overwhelming support from our shareholders. A summary of our disclosures are outlined in our natural capital section (page 79).

Separation

The successful Separation from Barclays was a 2020 imperative. I am pleased to report that by the end of June – which was the agreed date of Separation – we had substantially completed this massive undertaking on schedule, well within budget and with over R1bn of centrally held contingency remaining. All other remaining projects were finalised by the end of 2020.

Group Chief Executive Officer's message *continued*

The Separation also provided the opportunity to fully express our strong presence on the continent by rebranding our operations outside South Africa into one cohesive Absa brand. I was fortunate to join the celebrations in Kenya and Ghana in the final phase of this process and see our employees' excitement regarding this new chapter in our history. During the process, we rebranded 324 branches and corporate offices, 710 ATMs and 17 174 point-of-sale terminals, along with 1.2m customer cards and thousands of uniforms, signs, forms, and stationery. The project involved, among others, the largest single data and system migration in Africa as customers in nine countries were moved to a new online banking platform. Despite the complexity of the endeavour, the migration resulted in improved customer experience through greater stability and upgraded user interfaces. It is also essential to highlight that we did not merely replace our systems, we also enhanced relevant systems along the way.

To demonstrate the size and complexity of the Separation, it is worth mentioning that at its peak, nearly 1 300 employees and contractors were working on the 273 Separation projects. As one would expect, Covid-19 delayed a small portion of initiatives, specifically those requiring onsite work. However, we completed 99% of the projects by 5 June, including the technical build for three final platinum projects.

Of the three, the Absa Regional Operations card issuing project was delivered in July, while Corporate and Investment Bank's new valuation systems went live in August. CIB's foreign exchange products went live in November, and client migration has now been completed, marking the completion of Separation from Barclays.

What's more, the business resilience and technical competence gained through this complex undertaking proved invaluable as we planned and executed our response to Covid-19. For example, we quickly reprioritised our book of work to focus on stability, digital and in-year benefit projects. We are now able to deploy these change and project management skills elsewhere across the Group.

I am grateful to all the teams who worked on this project over the years. Completing such a complex, multi-dimensional deliverable with minimal disruption for customers and clients is a commendable feat.

Strategy refresh

The Group has delivered respectable progress over the last two-and-a-half years against the strategy journey adopted in 2018, seeing significant traction gains in parts of the business.

As agreed with the Board when I joined, and given critical contextual matters, including the amount of time that had elapsed since we launched our strategy, the rapid evolution of our operating environment, and the impact of Covid-19, it was vital that we review our strategy to ensure that it remains relevant; and to make the necessary changes to ensure that our pace of delivery keeps up with market trends. The strategy review process investigated changes in the market, our performance gaps, and what was needed to thrive post-crisis. This Group-wide and collaborative effort leveraged our internal resources and external thought leadership regarding seven specific focus areas.

While our aspirations are unwavering and our strategic choices remain, the world in which we seek to achieve them has changed. Covid-19 has accelerated some of the megatrends, such as digital innovation and payments, while deemed a competitive advantage in 2018, now determines relevance in the market (page 12). Pivoting our business to respond to these trends at pace and with compelling propositions is a crucial requirement for differentiation and sustainable growth. As a result, we have adapted our strategy to refine our go-to-market approach and execute with agility and speed (page 48).

Our strategy creates the ability for the business to seamlessly integrate banking services into our customers' other daily activities – coupling the provision of traditional banking services with the fulfilment of customers' adjacent needs. We have become more precise in expressing how we want to be more customer-centric, how we will evolve our digital maturity, what it means to be purpose-led and how we will play a meaningful role in society.

We will shift our focus in meeting our customers' needs and expectations while adapting to changing behaviours to remain hyper-relevant in their lives. To that end, we have evolved our corporate strategy into four strategic imperatives and four strategic enablers.

Four strategic imperatives

- Lead with purpose and deliver shared value to a broad range of stakeholders.
- Address customers' intrinsic needs through hyper-personalised propositions in the right key moment.
- Deliver propositions through effective digital-first distribution channels that complement our customers' behavioural patterns.
- Establish a diverse market footprint that best meets our customers' expectations.

Four strategic enablers

- Continue to invest in strategic capabilities that drive market leadership.
- Continue to build a modernised technology architecture that powers digital transformation.
- Evolve our execution model to one that drives fast lane innovation.
- Develop and nurture the entrepreneurial mindset of our people.

The true value of a strategy starts with deliberate preparation and a clear execution plan. Our Executive Committee is undergoing several changes to ensure that we have a team that is diverse in skills and experience, and that can entrench an entrepreneurial culture in our organisation to effectively implement our strategy as a collective. We must get this right, and the work we are doing in this area is at an advanced stage.

2020 business performance

Despite the unprecedented challenges faced in 2020, we were able to ease the financial difficulties of our customers while maintaining the sustainability of our business. While credit impairments had a substantial negative impact on our financial results and we saw our earnings halving, our financial results indicated positive underlying trends, including a 2% increase in income. Our net interest income growth of 5% is notable, considering significant policy rate cuts that reduced Absa's net interest income, particularly in South Africa; however, our structural hedge released R2.6bn to the profit and loss statement to partially offset these cuts.

Group Chief Executive Officer's message *continued*

Salient features

- Headline earnings decreased 51% to R8bn
- Return on equity to 7.2% from 15.8%
- 2% revenue growth to R81.4bn
- 7% pre-provision profit growth
- Credit impairments almost trebled to R21bn
- Cost-to-income ratio down 2% to 56.0%
- Profit after regulatory capital charge decreased to negative R7.6bn
- Net asset value grew 4%
- Common equity tier 1 11.2%

Operating expenses remained well-managed, declining 2%. Resilient revenue growth, combined with lower costs, resulted in positive operating JAWS – a measure of efficiency – of 3%, and our cost-to-income ratio improved to 56% from 58%.

The strong growth of 7% in pre-provision profit is an important indicator of positive underlying performance.

Our earnings and returns improved materially in the second half due to significantly lower credit impairments when compared to the first half. Headline earnings were down 19% year-on-year in the second half after falling 82% in the first half.

After carefully considering how the pandemic continues to affect global economic developments and resultant changes to government policies and actions, we decided to balance retaining sufficient capital for growth, resuming dividends, and a period of capital accretion to build and then maintain capital reserves. Therefore, we felt it was prudent to not declare a dividend for 2020.

Although the divisional earnings fell materially due to significantly higher credit charges, all three businesses grew pre-provision profits, and we continued to benefit from diversification across both geography and activity, as outlined alongside.

2020 Financial results webcast

Retail and Business Banking South Africa

Retail and Business Banking (RBB) South Africa's normalised headline earnings fell 55% year-on-year to R4.3bn as 6% pre-provision profit growth largely cushioned far higher credit impairments, which more than doubled year-on-year, as we took large provisions against future expected credit impairments. RBB exited the 'fix' phase of its strategic journey with solid momentum, stability and operational resilience, as well as market share gains across all portfolios. The strength of the customer franchise has been pleasing. RBB SA is now pivoting into the 'smart growth' phase of its journey to build confidence and regain leadership in the market. This entails a strong focus on the customer franchise, bancassurance model and the digitisation effort.

RBB SA's operating expenses fell 8%, in part due to reduced variable costs on lower volumes. However, this also reflects the continued benefits of restructuring that started in the second half of 2018, which has sustainably decreased costs by R3bn. Importantly, RBB continues to invest in the business's future, particularly in digital, to improve operating efficiencies and customer experience. This is illustrated by 23% growth in digitally active customers to 1.9m, which was primarily driven by mobile app adoption. Although increased claims and strengthening reserves, in light of the Covid-19 impact, dampened Insurance Cluster earnings in the second half, the benefits of repositioning it within RBB remain evident as the integration of customer journeys improved sales volumes.

Corporate and Investment Bank

Corporate and Investment Bank's (CIB's) headline earnings declined by 17% as impairments increased six-fold. Pre-provision profits increased by 22%, supported by income growth of 14%, with all core operating business units delivering growth, as well as containment of cost growth to 7%. Notably, CIB completed its Separation from Barclays, which involved 44 projects, leaving it with several new systems. CIB completed the acquisition of Société Générale's local custody business in March, which was integrated successfully and will assist in growing deposits.

Absa Regional Operations

ARO earnings fell 56%, or 65% in constant currency, to R1.6bn as credit impairments increased three-fold. Completing the Separation was a significant event in 2020, which included the largest single data and systems migration in Africa, as customers in nine countries were switched to a new, enhanced online banking system. ARO continues to benefit from its well-diversified portfolio, both by activity and geography. Although ARO RBB made a small loss, ARO CIB was more resilient, with a strong performance from the Investment Bank. Similarly, Ghana performed exceptionally well, with earnings growth and strong returns. Ghana remains our largest country outside South Africa in terms of earnings contribution. Operating expenses grew 12%, reflecting expected higher incremental run costs after Separation, restructuring costs to right-size the business, IT investments and the weaker rand. Strong digital adoption helped reduce costs, with automation and digitisation enabling us to optimise ARO's branch network. Digitally active customers grew by 34%, with digital transaction volumes rising 51% and transaction values 118%. We launched a mobile app for business customers and NovoFX for currency payments across most markets. Mobile lending with partners in Ghana and Zambia has shown strong growth, with 1.9m loans worth R1.1bn disbursed.

Appreciation and outlook

2020 was a year of challenges and opportunities. I am satisfied that we solidified our relationships with our customers through our response, which positions us well to execute our refreshed strategy and achieve our ambitions. While various Covid-19 vaccines have been approved for distribution, we believe it will take time for these to be made widely available in all parts of the world, particularly on the African continent. Many countries will be constrained by fiscal and infrastructure limitations, resulting in the persistence of the risks associated with the disease for some time.

At Absa, we remain committed to playing our part to support the public health response, as well as the humanitarian and economic relief efforts in all our presence countries.

As challenging as this past year has been, our employees' ingenuity, hard work, and resilience have been inspiring. The support and guidance of my Executive Committee colleagues and the Board have also been invaluable as we navigated uncharted waters.

Through our refreshed strategy and the enduring strength of Absa's people, we will seek to lead with purpose and deliver shared value to our stakeholders. In this way, we will continue to bring possibilities to life.

Refreshing the Group's strategy

Our 2018 growth strategy laid the foundation to reimagine our business. 2020 brought with it a materially different operating context than the one in which our original growth strategy was set. The pandemic has fundamentally altered behavioural patterns, the way we work, collaborate, our perspectives on health and the fragility of life. Moreover, it significantly impacted banking performance while rapidly accelerating the evolution of the industry. Against this backdrop, we proactively engaged in a strategy review process – while ensuring the immediate stabilisation of our business – determined to still deliver on our aspiration to be a leader on the continent.

Diving deeper: 12 Market drivers influencing our business model, **35** Market drivers, risk and opportunities, **44** Chief Executive Officer's statement.

Sustainable growth will continue to shape our thinking and drive our planning as a critical measure of our success.

While our aspirations are unwavering and our strategic choices remain, the world in which we seek to achieve them has changed. A crisis is one of the most fundamental drivers for innovation, and as 'old' value and opportunities diminish, we need to shift our focus and employ our creativity, tenacity and ingenuity in building new value to drive growth – a reality that we have embraced and one that has propelled us to address the implications of our evolving operating environment. As such, we have adapted our strategy which required that we refine our go to market approach and execute with agility and speed.

To assist our stakeholders in understanding our actions in 2020 and our strategic path ahead, we have outlined our strategic discussion according to three areas.

2018 – 2020: Pre-Covid-19

Delivering our growth strategy, premised on the overarching guiding purpose – to bring possibilities to life.

Three strategic priorities

- Create a thriving, entrepreneurial organisation.
- Restore leadership in our core businesses.
- Build pioneering new propositions.

Three enablers

- Build a scalable, digital-first business.
- Pursue growth opportunities.
- Play a shaping role in Africa's growth and sustainability.

Strategic focus 1 Delivering our growth strategy.

2020 – 2021: Covid-19

Immediate stabilisation of the business as a result of the Covid-19 pandemic arising from March 2020.

Ensuring business resilience through:

- Capital and liquidity preservation.
- Operational stability.

Delivering our corporate purpose through:

- The safety and wellbeing of our employees.
- The safety and financial wellbeing of our customers.
- Safeguarding the lives and livelihoods of the communities we serve.

Strategic focus 2 Covid-19 pandemic – Immediate stabilisation of the business.

2021 and beyond: Post-Covid-19

A purpose-led ethos and a customer-centric business model where our focus is on ensuring that our propositions, distribution channels, market footprint, capabilities, mindsets and behaviours deliver on the needs of our customers.

Four strategic imperatives

- **Lead with purpose** and deliver shared value to a broad range of stakeholders.
- Address customers' intrinsic needs through **hyper-personalised propositions** delivered in the right key moments.
- Deliver propositions through effective **digital-first distribution channels** that complement our customers' behavioural patterns.
- Establish a **diverse market footprint** that best meets our customers' expectations.

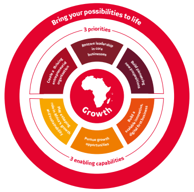
Four strategic enablers

- Continue to invest in **strategic capabilities** that drive market leadership.
- Continue to build a **modern technology architecture** that powers digital transformation.
- Evolve our execution model to deliver **fast-lane innovation**.
- Develop and nurture an **entrepreneurial culture**.

Strategic focus 3 Refreshing our strategy for relevance and competitiveness.

Strategic focus 1 Delivering our strategy through priorities set out at the start of 2020

2018 – 2020: Pre-Covid-19



Create a thriving, entrepreneurial organisation

Material matters

- Regulatory change, risk management and governance
- Transformation within a sustainable development context

Capitals

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

Why it matters

Our African heartbeat pulsates through our people. It is imperative that we nurture an inclusive work environment that not only attracts, embraces and fosters diverse talent and skills, but also engenders possibilities for all. Transformation, diversity and inclusion have been proven to foster innovation, increase financial return, enable business success and attract a diverse customer base.

2020 performance

- Kept the health and safety of our employees at the core of our Covid-19 response, investing heavily in learning agility and mental resilience. Expanded our virtual private network, enhanced existing systems and deployed mobile applications such as the Workday app and My Learning app, as well as rapidly deploying Microsoft Teams to enable successful remote working and collaboration.
- #YourVoiceMatters is designed to foster a culture of listening, co-creation, meaningful conversations and actions, to transform the employee experience, improve performance and achieve business objectives. Feedback is obtained from employees using a range of mechanisms, including pulse surveys, wellbeing scans, ethics surveys and targeted employee satisfaction surveys. Our new Colleague Experience Index achieved a 73% participation rate with an outcome of 64.1%. An analysis of the results informed action plans towards achieving the Group's desired culture.
- Drove our Culture Transformation journey, under the banner #iamAbsa, building our culture capability across the organisation, and training over 300 employees as culture facilitators. The Senior Leadership Group Culture Programme was implemented to maintain momentum through meaningful conversations and monthly Group Chief Executive Officer-led, senior leadership discussions on strategy execution and transformation.
- Learning is Transformation (#LIT) further enhanced our future-fit learning agenda, encompassing the launch of the Absa Digital Academy, Udemy and focused learning weeks delivered across the continent through Microsoft Teams and Workplace. We delivered new and existing talent and leadership development programmes as well as specialised academies, such as compliance, risk management and cybersecurity. We invested R406.2m (2019: R450.5m) in learning and development with employees accessing over 5 047 programmes (2019: 4 719), undertaking 1.2m hours of training (2019: 1.0m). Building the leadership capabilities of all employees was accelerated using digital platforms, with 35 284 delegates (24 260 women and 11 024 men) participating in Absa Leadership Academy offerings (2019: 2 459).
- Launched authentic, positive storytelling on Workplace and LinkedIn platforms to help achieve optimistic, inspired, creative and resilient employees and teams and promote Absa's employer brand in the market.
- Reaffirmed our commitment to advancing the Women's agenda holistically by launching our Absa Women's Manifesto, which comprises eleven declarations that speak to a more inclusive workplace.
- Faced challenges in achieving our diversity targets (gender and race), partly due to Covid-19, which impacted recruitment and movement within the business. Revised B-BBEE targets were cascaded, with each pillar of the scorecard assigned to a Group Executive Committee member to support enhanced accountability and focus.

Measuring progress

Colleague Experience Index
64.1% (baseline)

Colleague experience sentiment
17% delighted
48% satisfied

Job satisfaction
6.96/10

B-BBEE

Employment equity score
8.89/12 (2019: 8.87/12)

Skills development
15.16/20 (2019: 15.34/20)

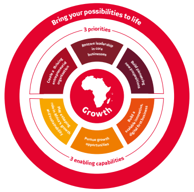
Key risks and mitigating actions

Our employees are required to navigate organisational changes arising from ongoing efforts towards digitisation, as well as the personal and operational impacts of the Covid-19 pandemic. These changes continue to contribute to elevated levels of stress among our employees.

We offer a comprehensive employee wellness programme to manage work and personal stress. Our Covid-19 employee response has focused on the safety, physical and mental wellbeing of our employees while also investing heavily in learning agility and mental resilience.

Strategic focus 1 Delivering our strategy through priorities set out at the start of 2020 *continued*

2018 – 2020: Pre-Covid-19



Restore leadership in our core businesses

Material matters

- Competition and technological change
- Regulatory change, risk management and governance
- Transformation within a sustainable development context

Capitals

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

Why it matters

Gaining a deep understanding of our customers' present and future needs enables us to provide customised solutions across their lifestage, and in so doing, create and maintain competitive advantage.

2020 performance

Absa entered 2020 with momentum from the consistent execution of the strategic transformation journey and performance in the first quarter continued to demonstrate this. The sudden onset of the Covid-19 pandemic required a significant shift in focus, to prioritise the health and safety of employees, assist customers and mitigate the financial consequences on the business. As lockdown conditions were eased and economic activity improved, execution against our strategy was reinvigorated, taking the adjusted capital and liquidity appetite into account, while we continued to emphasise the wellbeing of the employees, customers and the future sustainability of the business. Despite the impact of Covid-19 on our operations across the business, remaining close to our customers through the crisis remained a pivotal component in achieving our strategy. Our customer primacy performance in Retail and Business Banking showed a decline due to the impact of reduced customer activity and disruption of sales activities in branches, while Corporate and Investment Bank customer trends were stable.

Retail and Business Banking (RBB) South Africa – Despite the significant impact of the low interest rates and the challenging operating environment brought on by the Covid-19 pandemic. The business continues to make progress, reflecting strength within the customer franchise:

- Deposits market share decreased slightly to 21.7% (2019: 21.8%). Advances market share increased slightly to 21.9% (2019: 21.3%). Home loans improved marginally to 23.4% (2019: 23.3%); Absa vehicle and asset finance up to 21.5% (2019: 19.7%); card up to 25.6% (2019: 25.3%); personal loans up to 11.1% (2019: 10.7%).
- Product holding (cross-sell ratio) increased to 2.34 (2019: 2.31). Total customer numbers declined 2% to 9.5m (2019: 9.7m); however, primacy in targeted customer segments was stable in core middle market and up 2% in retail affluent.

Corporate and Investment Bank (CIB) delivered satisfactory results by taking advantage of a conducive market environment in a year characterised by uncertainty across global markets.

- CIB South Africa acquired 94 new-to-bank clients and CIB Absa Regional Operations acquired 274 new-to-bank client groups.
- Average customer deposits increased by 19.8% supported by strong growth across all deposit classes. Customer advances largely unchanged, with muted growth of 2% in South Africa and Absa Regional Operations declining by 11%.
- Equity Capital Markets led three of the largest capital raisings on the JSE in 2020 in the mining, property and retail sectors.

Absa Regional Operations (ARO) continued to benefit from its well-diversified portfolio, both by activity and geography. Although Retail and Business Banking made a small loss, our Corporate and Investment Bank was more resilient, with a strong performance from the Investment Bank. The Separation, including the name and brand change, was successfully completed and we continued to focus on customer service, automation and digitisation.

- Deposits due to customers grew by 6% driven by growth in both RBB and Corporate Banking, while loans and advances to customers declined by 3% despite a 6% growth in RBB loans and advances to customers, given a decline of 11% in Corporate loans and advances to customers.
- The mobile lending proposition in partnership with Jumo in Zambia (Kongola) and Ghana (Ahomka) continued to grow with 1.9m loans disbursed (2019: 1.8m) with a disbursement value of over R1.1bn (2019: R706m).

Measuring progress

RBB SA Net Promoter Score of ▼ 38% (2019: 41%)

RBB SA client experience score ▲ 77 (2019: 76)

▲ ARO Retail's and Business Banking's Net Promoter Scores 20% and 11%, respectively (2019: 20%; 2%)

▲ **CIB** client experience score 74 (2019: 73)

Awards

RBB SA **best retail bank in Africa** by Asian Banker Magazine

RBB SA **Best Bank at the Ombudsman for Banking Services' Annual Awards 2020**

EMEA Finance Treasury Service Awards 2020 **Best Cash Management Service in Africa and Best Payment Service in Africa**

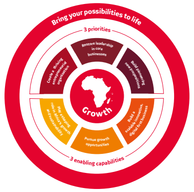
Financial Mail: **1st place in Research in Fixed Income Securities**

Key risks and mitigating actions

Risk factors include high levels of competition, especially from new digital entrants who boast a heightened relevance due to the technological acceleration that has taken place during the pandemic. This wide-spread shift in customer preference for a digital-first experience could result in market share and/or revenue loss, as well as margin compression if not agilely addressed. Local, regional and global macroeconomic variables are also impacting customers in terms of appetite or increasing default.

Strategic focus 1 Delivering our strategy through priorities set out at the start of 2020 *continued*

2018 – 2020: Pre-Covid-19



Build pioneering new propositions

Material matters

- Competition and technological change
- Regulatory change, risk management and governance

Capitals

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

Why it matters

In a rapidly evolving operating context, we must remain agile and proactive in developing innovative propositions that meet the current and arising customer needs in order to remain relevant.

2020 performance

Retail and Business Banking South Africa

- Integrated cross-product sales journeys for bancassurance products, such as credit life integrated into unsecured lending, as well as the payment relief programme. Further enhanced the overall customer proposition with the full integration of fiduciary and advisory services and products.
- Integrated further cross-product propositions, such as the Evolve business banking account with the option to activate merchant acquiring and e-commerce payments gateway access. Business Evolve Zero, a new transactional account offering for small and medium enterprises has no monthly fee, includes free access to an integrated business management and accounting tool called Cashflow Manager, as well as free access to Absa Online, a debit card and savings account.
- Refreshed the Absa Rewards programme with the introduction of new partners, including Dischem and Bolt, and improved value propositions such as Absa Advantage.
- Launched an Eco Home Loan in partnership with property developer Balwin, which is the first for a South African bank. This finance solution makes buying and owning a green home possible for more South Africans, as it offers competitive rates for EDGE (Excellence in Design for Greater Efficiencies) certified properties.
- Partnered with Lionesses of Africa, a non-profit company striving to empower female entrepreneurs of Africa, to launch a sophisticated virtual platform showcasing a diverse array of products and services from 117 of South Africa's women-owned businesses.

Corporate and Investment Bank

- Launched IMEX 8, a back-office trade finance platform across all presence countries and continue to commercialise this offering across Absa Regional Operations.
- Launched PocketFlow in our merchant client offering, which is a web-based big data self-service analytics portal for merchants and offers analytics-as-a service. This tool empowers merchants to better understand their card customer business, help them with their e-commerce strategies, and enable them to adapt and respond faster to changes in consumer behaviour.
  It allows users to track and compare current year with previous year spend, including transaction volume trends, as well as overall increase/decrease spending by region, sector industry classifications and merchant. Customers include six national South African retailers.

Absa Regional Operations

- The mySME Tool, available across ARO presence countries, supports efficient and effective business management by allowing customers to manage their customers and products; assists with business planning and financial forecasting; sends quotations and invoices, manages monthly reporting and improves branding.
- Launched NovoFX in the majority of our presence countries, giving customers the ability to send money across borders for immediate payment into recipients' accounts.

Measuring progress

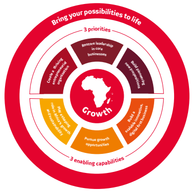
- Absa Insurance Digital Solutions
- Eco Home Loan with Balwin
- Absa Access
- mySMEtool
- Absa Mobile Banking
- Absa simple and easy

Key risks and mitigating actions

High levels of competition, which could result in market share/revenue loss as well as margin compression. For example, in deposits where customers are seeking better yields. Preventing digital fraud, particularly incidents of social engineering attacks, remains a focus.

Strategic focus 1 Delivering our strategy through priorities set out at the start of 2020 *continued*

2018 – 2020:
Pre-Covid-19



Build a scalable, digital-first business

Material matters

- Competition and technological change
- Regulatory change, risk management and governance
- Transformation within a sustainable development context

Capitals

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

Why it matters

Our re-engineered technology infrastructure drives down costs while enhancing resilience and supporting disaster recovery. Long-term industry trends, such as digitisation, global connectivity and democratised computing have accelerated due to Covid-19. Being a digital-first business has never been more relevant and Absa continues to pursue opportunities to accelerate our digital transformation.

2020 performance

Retail and Business Banking South Africa

- Introduced several new features to the banking app, including debit orders dispute, viewing of wills, credit limit increases and in-app arrears messaging. The app is consistently rated the highest by customers across all app stores.
- Improved customer onboarding, reducing the average onboarding time from 40 to 8 minutes; and enhanced the switching process to reduce customer effort and switching time from 60 to 27 days. Deployed interactive digital channels in the application and collection environments of home loans to improve access to customers while continuing to invest in improving core capabilities. Targeting to complete the rollout the Customer One customer relationship management tool by end 2021.
- Continued to invest in new capabilities in our card acquiring business, in alignment with our digital agenda, launching Tap2Pay, Absa merchant Access Online and an e-Commerce Gateway.
- Accelerated process digitisation and automation included Bolt, our integrated, real time, automated vehicle finance platform (application to pay out within 30 minutes); and Home Loans revolutionising customer journeys down to minutes. Launched a fully end-to-end digital short-term insurance product – Activate – which includes a full motor telematics offering.

Corporate and Investment Bank

- Absa Access is live in all presence countries, with 12 value propositions available including cash, trade and markets.
- The capabilities generated from the Separation, including Absa access and risk management platform in markets.
- Piloted several application programming interface solutions with corporate clients and launched its first integrated proposition linking banking to an enterprise resource management system.

Absa Regional Operations

- Launched a more responsive and rejuvenated mobile banking platform, enhancing user experience and providing new features to support customers transacting via mobile. Launched a business mobile banking application off the existing mobile platform, enabling business customers to fulfil their day-to-day banking needs on the go.
- Implemented feature and security enhancements for Hello Money, and enabled capability on social media channels, such as WhatsApp, to reach a wider customer base and offer more convenient banking.
- Launched contactless payment for point-of-sale devices and grew digital adoption across ATM, mobile banking, point-of-sale and internet banking. Digitally active customers grew by 34%.
- Replaced the card management system, fast tracking the digitisation of the credit card business, increasing stability while allowing faster roll-out of new capabilities and the integration of risk management and loyalty programmes.
- Enhanced the ChatBot capability to engage with customers 24/7 across preferred platforms and locations, resulting in responses to over 142m frequently asked questions.

Measuring progress

RBB SA ▲ 1.9m digitally active customers

Absa banking app remained #1 rated banking app across all app stores

ARO RBB ▲ 48% digital adoption

ARO CIB ▲ 64% digital adoption

Awards

Retail Banking International Awards 2020: **Winning data analytical team**

EFMA and Accenture 2020 Silver award (Absa Bancassurance App)

Innovation in Insurance Awards (Connected Insurance and Ecosystems' category)

The Digital Banker Online Awards **Best Retail Bank in Africa, Best IT Transformation** and **Best Microfinance Product**

Absa Access (CIB) recognised by Global Finance for the **Best Online Portal in Africa**

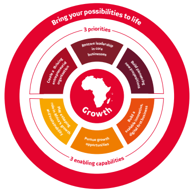
Key risks and mitigating actions

The risk of cyberattacks increases due to the amount of sensitive data processed and stored, as well as the key role banks play in the functioning of payment and settlement systems. Our Cyber Security Fusion Centre monitors malicious behaviour 24/7 and have well established response protocols. The rapid shift to online/digital has necessitated tactical responses, such as managing access and stability due to remote working, increased cyber risk as well as a reset of our strategic principles and the urgency in delivering on our modular target architecture to enable digital transformation.

Cyber risk is generally accepted as one of the top global risks and the specialist-skills market is highly competitive, which we mitigate through ongoing investment in our cybersecurity specialists while developing new resources and talent. Cloud adoption requires a clear understanding of the attendant risks, including concentration risk, resilience, stranded costs, continuous cost management, execution risk, people and skills, streamlined risk management and regulatory engagement.

Strategic focus 1 Delivering our strategy through priorities set out at the start of 2020 *continued*

2018 – 2020: Pre-Covid-19



Pursue growth opportunities

Material matters

- Competition and technological change
- Regulatory change, risk management and governance
- Macroeconomic, socio and political flux

Capitals

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

Why it matters

To remain competitive, we seek out every opportunity to enhance our value propositions and offerings. We do this by pursuing growth opportunities through targeted acquisitions, expansion into high-potential markets and leveraging strategic partnerships. Growth is also supported by considered rationalisation of our current portfolio to drive long-term sustainability.

2020 performance

- Continued to expand the number and scope of strategic partnerships with mobile operators, retailers, third-party agents, fintechs and global financial players to extend our range of products and services to broaden our geographic reach and mobilise additional financial resources.
- Leveraged a significant number of partnerships to deliver a range of products and services, as well as to provide market access for our customers. These partnerships enable cash and trading, lending, savings and investment, payments, insurance and customer service, as well as innovation, lead generation and digital marketing.

Retail and Business Banking South Africa

- Continued to work with key partners such as Woolworths Financial Services, Ford Financial Services, MAN Financial Services and Pepkor, and pursued new opportunities with a large national retail store and global tyre producer in the enterprise development space.
- Initiated a successful partnership with Private Property, creating a platform for thought leadership and visibility, as well as enhancing Absa's reach. Home Loans maintained a strong presence with our mortgage originators, particularly with our payment relief programme during level 5 lockdown.
- Vehicle Finance launched dealerfloor.co.za to connect the industry and elevate its thought leadership position.
- Strong relationships with device manufacturers, such as Huawei, Samsung and Apple were maintained. All new Huawei mobile devices sold in South Africa have the Absa banking app preinstalled.

Corporate and Investment Bank

- Absa and the CDC (the United Kingdom's largest impact investor) have two trade finance facilities to boost trade finance funding into Africa. With the onset of the Covid-19 pandemic, the CDC increased its commitments and has shown support of African trade by providing preferential terms for Covid-19 related transactions, such as medical value chains and trade finance transactions that serve people's basic needs during the crisis such as food, agriculture and health. Our total finance commitment with the CDC Group is USD300m.
- Provided, through the Absa Financial Markets Index (AFMI), thought leadership on the importance of building resilient financial markets and proffered possible blueprints to different regulators and policy markets. The annual AFMI report has become a significant development index on the financial markets and widely quoted by governments, policymakers and journalists as the benchmark indicator for excellence.
- Successfully integrated the custody and trustee business purchased from Société Générale, bringing a rich network of local and global clients.
- Secured all regulatory approvals and licences for the US office, establishing our presence in the US and our ability to intermediate global trade and investment via the Securities Exchange Commission registered broker dealer.

Absa Regional Operations

- Managed a broad range of partnerships, including Safaricom, MTN, Jumo and youtap and continue to progress these partnerships in areas such as remittances with Moneygram.

Measuring progress

Thought leadership with Private Property

Absa Financial Markets Index

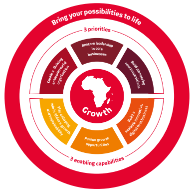
In partnership with SocGen

Key risks and mitigating actions

Strategic partnerships are fast becoming growth drivers in the African business landscape. Success depends not only on internal capabilities, but also on capabilities that can be leveraged through partnership. Successful partnerships have become a new core competency for leading businesses, helping to develop compelling user experiences; to propel growth, to expand distribution channels and create new channels; as well as to build new capabilities and capture new sources of value while remaining relevant in a constantly changing environment.

Strategic focus 1 Delivering our strategy through priorities set out at the start of 2020 *continued*

2018 – 2020: Pre-Covid-19



Play a shaping role in Africa's growth and sustainability

Material matters

- Transformation within a sustainable development context
- Climate change

Capitals

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

Why it matters

Growing consumption, globalisation and urbanisation are placing pressure on nature's resources while accelerating climate change and jeopardising human wellbeing. Likewise, inequality and poverty are threatening the stability of social systems. Within this volatile context, achieving sustainable development is not only a global priority but a business imperative that supports our organisation's ongoing viability.

2020 performance

- Placed 3 564 Youth Employment Services (YES) participants (67% women) in workplace experience opportunities across South Africa in various sectors, including education; tourism and hospitality; sales and marketing; retail; non-profit; information technology/digital marketing; healthcare; and financial services, among others. 3 247 completed the 12-month programme by the end of 2020.
- 571 youth were provided with employment opportunities (16% against the South African The Department of Trade, Industry and Competition's target rate of 2.5%). The remainder of the participants will conclude the programme in 2021 or have exited for other opportunities (such as furthering their studies or other employment opportunities).
- Equipped 20 914 young people with soft skills to improve their employment or self-employment prospects through ReadytoWork (2019: 35 169).
- Provided R67.3m to fund 1 511 student bursaries in commerce, technology, science, engineering, humanities, design and art degrees at over 100 universities. This includes 57 new agri scholarships and 50 Mandela 100 scholars attending the African Leadership University in Rwanda.
- Reached 1 022 learners in South Africa through our leadership development programmes (2019: 83) and trained 113 unemployed youth in future skills programmes, such as coding and software development with WeThinkCode; general repairers training with the National Business Institute and public technical vocational education and training colleges; and student teachers training through a practical school-based teacher development model.
- Supported social justice initiatives through partnerships that support and advocate for a healthy democracy, transparency, free and transparent media, and the empowerment of women, including Corruption Watch, African Monitor, Helen Suzman Foundation, Ilitha Labuntu and the Legal Resource Centre.
- Trained, in partnership with FUNDISA, 1 256 nurses in caring for Covid-19 patients in high care and intensive care units.
- Provided 1 000 healthcare professionals access to gender-based violence continuing professional development e-learning to improve capability to deal with the cases, enable appropriate care of victims and handling of evidence, reducing trauma after the events and contributing to successful closure of cases. 451 candidates had completed the training by the end of 2020.
- Partnered with the SA Guide Dog Association, National Institute of the Deaf, and South African Mobility of the Blind to facilitate independence, mobility and orientation training for 169 people with disabilities.
- Upskilled 662 micro farmers in Gauteng, focusing on household food security linked to local economic development and job creation.
- Commissioned a climate risk research with the Global Change Institute on the most urgent climate-change-related risks faced by South Africa.
- Advanced our risk management practices by elevating sustainability risk to a principal risk within our Enterprise Risk Management Framework; implementing an environmental and social risk management system in seven Absa Regional Operations countries; and embarking on a pilot project, in partnership with the Centre for Scientific and Industrial Research, to model climate change impact on maize in the Free State in South Africa.
- Launched our sustainable finance strategy, which includes a R100bn lending and debt raising financing commitment, to be delivered by a dedicated team who will work with customers and other stakeholders to advance sustainable finance activities in our presence countries.
- Achieved B-BBEE Level 2 down from Level 1 due to implementation challenges experienced in the areas of hiring, procurement and skills development posed by the Covid-19 pandemic.

Measuring progress

- ▲ Citizenship disbursements R380m (2019: R371m)
- ▲ Published our first Principles for Responsible Banking Report.
- ▲ Published our first Task Force on Climate-related Financial Disclosures Report.

ESG ratings

- ▲ FTSE: Included in the FTSE4Good Sustainability Index
- ▲ DJSI: Improved to 61 from 57
- ▲ Sustainalytics: Improved risk rating to 28.3
- = MSCI: Rating remained at AA
- = CDP: Score stable at C (Industry average: C)

B-BBEE

- ▼ Level 2 (2019: Level 1)

Key risks and mitigating actions

Urgent global economic transformation is needed and failure to implement this is likely to result in destabilising climate change, growing inequality, joblessness and migration in search of a better quality of life. This, together with social unrest, activism, geopolitical and geo-economic tensions, will ultimately translate into weakened economic development and instability, threatening future business and economic sustainability. In turn, the Group then faces multiple risks including, but not limited to, operational risk, decreased revenues, increased credit risk, and potential legal and reputation risks. As a signatory to the UNEP FI Principles for Responsible Banking, we have made a commitment to align our business strategy with society's goals as expressed in the Sustainable Development Goals and the Paris Climate Agreement.

Strategic focus 2 Covid-19 pandemic – Immediate stabilisation of the business

2020 – 2021: Covid-19

When a crisis of the magnitude of Covid-19 strikes, it is our role as a responsible organisation to put forward various immediate and medium-term solutions to proactively combat its negative effects. We positioned ourselves to offer tangible relief in this time of distress and global upheaval, along with true value in an ever-changing world.

Ensuring business resilience through

Capital and liquidity preservation

Unpacking our response

All capital and liquidity ratios are well above the respective minimum Board target ranges and are supported with strong pre-provision profit growth that improved overall operating leverage.

- Capital ratios were weaker due to higher impairments yet remained well above minimum regulatory requirements supported by improved capital supply, a recovery in earnings in the second half and careful allocation of scarce risk-weighted asset resources. Our common equity tier 1 ratio of **11.2%** (2019: 11.8%) is in line with market leaders.
- No ordinary dividend was declared for 2020.
- Liquidity coverage ratio of **120.6%** (2019: 134.4%) well above the 100% minimum and a net stable funding ratio of **115.9%** (2019: 112.7%).
- Coverage of loans increased to **4.54%** from 3.27%.

Operational stability

Unpacking our response

Rapidly moved from 1 700 concurrent virtual private network connections to **60 000** across our African presence (including contractors and suppliers).

Created additional virtual desktop infrastructure capacity for 5 000 employees; deployed thousands of laptops, desktops and data sims, as well as accelerated the adoption of Microsoft Teams across the Group and launched mobile apps for Workday (human capital management) and the learning management system.

Embedded an Africa leading Insider Trust Programme, aimed to protect the Group's critical assets using highly skilled employees, the application of relevant technologies and processes to embed a culture and capability that will effectively prevent, detect and respond to increased risk due to remote working.

Reprioritisation of the book of work to focusing on key projects that deliver strategic advantage, regulatory requirements, support revenue growth and/or deliver cost reduction.

Delivering our corporate purpose through

Ensuring the safety and wellbeing of our employees

Our response in numbers

- **25 985 calls** made to the Covid-19 hotline.
- **4 095** Covid-19 infections reported as at 23 March 2021.
- Over **426 000** meetings, **354 000** calls and **2.8m** private chats on Microsoft Teams per month.

Unpacking our response

- Established a Covid-19 medical hotline in the early days of the pandemic to support employees across the Group.
- Implemented an extensive work-from-home strategy, enabling two-thirds of our employees to work from home. This included mobile applications for human capital and learning systems and a Thriving Remotely series, which provided advice on staying healthy and productive.
- Updated relevant policies, such as sick leave, and provided financial support to qualifying employees. In South Africa, relief measures were implemented for commission-based workers unable to work in lockdown and a once-off incentive payment was made to frontline employees in recognition of their efforts during levels 4 and 5 of lockdown. A CARE (Connect – Achieve – Recharge – Empower) gift pack was distributed to employees.
- Invested in providing counselling and mental and emotional resilience building programmes to ensure holistic wellness.
- Applied strict hygiene protocols with personal protection equipment, where onsite presence was required. Provided transport for customer-facing employees, where necessary.
- Reconfigured workspaces, especially at call centres, to adhere to health authorities' social distancing guidelines.
- Provided testing, quarantine and care, while maintaining strict confidentiality. Group infections were well contained. Regrettably, as at 23 March 2021, 34 employees have died due to Covid-19 across presence countries.
- Ran employee education programmes on germ control and hygiene, some of which were made publicly available through our sports broadcast partner channels, our website and social media.

Recognition

Euromoney's **Excellence in Leadership Award** in Africa for our integrated response to Covid-19. We were one of six banks globally recognised for our outstanding performance during the crisis. The Award looked at what corporates in the banking industry have done for their employees, clients, communities, industry and economies. Moreover, we won four separate awards for corporate social responsibility in Zambia, Ghana and Seychelles.

Business Continuity Institute (BCI) Africa Award: **Most Effective Recovery** recognising the resilience we demonstrated in the face of the impact of the Covid-19 crisis.

Institute of Risk Management: **Industry Specific Risk Initiative** in the Financial Category in response to Covid-19.

Strategic focus 2 Covid-19 pandemic – Immediate stabilisation of the business

2020 – 2021: Covid-19

When a crisis of the magnitude of Covid-19 strikes, it is our role as a responsible organisation to put forward various immediate and medium-term solutions to proactively combat its negative effects. We positioned ourselves to offer tangible relief in this time of distress and global upheaval, along with true value in an ever-changing world.

Delivering our corporate purpose by *continued*

Prioritising the safety and financial wellbeing of our customers

Unpacking our response

- Our technology infrastructure and array of digital products we offer enabled us to continue to serve customers efficiently and effectively.
- Strengthened hygiene protocols in accordance with Covid-19 best practice.
- Payment relief, and subsequent payment relief extensions, were primarily designed to offer immediate relief and ensure a continued cash flow for households or businesses facing financial hardship while at the same time protecting credit worthiness. Other relief measures included insurance payment relief; temporary expansion of credit life cover to encompass a wider definition of loss of income; moratoriums on capital repayments, restructuring and adjusting agreements by revising loan periods and capitalising interest; waiving of administration fees on restructuring; debt consolidation; the waiver of certain fees such as interbank ATM and online banking fees; bank-to-wallet transactions, among others.
- Commercial tenants at Absa campuses were granted fixed-term rental holidays.

Our response in numbers

Retail and Business Banking South Africa

- Over **40%** of our branches stayed open during level 5 lockdown
- **R9.8bn** relief to 613 000 customers
- **R2.3bn** in funding approved under the Covid-19 Loan Guarantee Scheme.
- **R178k** donated by customers to the South African Solidarity Fund using Absa Rewards.

In independent surveys conducted by consumer research consultancies, Consulta and Ipsos, Absa received the #1 customer support ranking of 71% in the consumer segment. This was and was ranked #2 in the small and medium enterprise segment, in recognition of Absa's holistic and empathetic Covid-19 support offered.

Corporate and Investment Bank

- **R54.4bn** in payment relief to 365 customers including interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.

Absa Regional Operations

- The **first** bank in most jurisdictions to offer support to customers through payment relief measures.
- Payment relief granted to over 61 200 retail and business banking customers in respect of loans to the value of **R12.5bn**.

Absa Sewing Project

Rusinga Group of Schools

LIVE2LEAD Women's Conference

Safeguarding the lives and livelihoods of the communities we serve

Unpacking our response

In line with broader global and local efforts to assist employees, customers and communities impacted by Covid-19, the Group undertook several humanitarian, health, and community support initiatives, focusing on the following three areas:

- The expansion of tracing, screening and testing, a very important requirement for the containment and suppression of the virus.
- Provision of medical equipment and enabling infection peak medical care. Securing personal protective equipment for the heroes of this pandemic, the health workers, as well as initiatives such as training of nurses and health workers to support the public health response.
- Supporting vulnerable people and communities through the provision of food and hygiene goods.

Our response in numbers

- Contributed **R83m** towards our various Covid-19 humanitarian, health and community support initiatives (South Africa: R55.9m and Absa Regional Operations R27.1m).
- Donated over **3m meals** along with hygiene and sanitation products to communities in need across South Africa.
- Absa employees donated proceeds of their accumulated leave and made cash donations amounting to **R5.2m**.
- Partnered with Universities South Africa for the procurement and distribution of **1 181** laptops and mobile data devices and the production of lectures for free-to-air radio and TV broadcasts.
- Donated over **R1m** of trading commissions to the Solidarity Fund as part of the JSE #Trade4Solidarity initiative.

Strategic focus 3 Refreshing our strategy for relevance and competitiveness

The decisions we made as a Group during the crisis have shaped our identity. More than ever, we deeply understand and accept our responsibility to our broad range of stakeholders, including employees, customers, communities, our environment and shareholders. As an organisation, we have sought to assess the role we play in our customers' lives: Do they truly consider us as their partner as they progress through this uncertainty? As our customers' lives grow more complex within an increasingly interconnected world, our solutions must adapt to meet their needs, understanding how and where they want to engage with us. This evolution includes shifting from a product and segment-driven strategy to leveraging our capabilities in delivering targeted solutions to create a differentiated experience for each customer.

This will entail us employing a solutions-driven mindset, which includes excelling at execution as well as solving for the needs, aspirations and behaviours of our customers. Financial service needs do not exist in a vacuum, and so our differentiation will come from implementing our customer-first digital solutions; creating an ecosystem of financial services, lifestyle and value chain offerings, which deliver a seamless experience for our customers across all our channels and points of presence, at the right price.

Our strategic goal is to ensure that Absa is competitive across all segments, expanding our offering to capture new value to thrive and advance as a business.

Customers are at the heart of our strategy

Four imperatives

- **Lead with purpose and deliver shared value to a broad range of stakeholders.**
- **Address customers' intrinsic needs through hyper-personalised propositions delivered in the right key moments.**
- **Deliver propositions through effective, digital-first distribution channels that complement our customers' behavioural patterns.**
- **Establish a diverse market footprint that best meets our customers' expectations.**

Four enablers

- **Continue to invest in strategic capabilities that drive market leadership.**
- **Continue to build a modern technology architecture that powers digital transformation.**
- **Evolve our execution model to deliver fast-lane innovation.**
- **Develop and nurture an entrepreneurial culture.**

Rewarding sustainable performance

Our remuneration philosophy underpins our strategy, supports the evolution of our culture and is aligned with our risk management approach. It aims to direct the efforts of our employees in delivering our strategy of creating sustainable value for our stakeholders in a manner that is both fair and responsible.

Fixed remuneration The remuneration for the content of the role and the individual's skills and reflects the prevailing market rate for the role.

Short-term incentives Based on company, business unit, team and individual performance delivered within our risk appetite. Deferral into shares creates a medium-term focus aligned with shareholder interests.

Long-term incentive Performance shares awarded to eligible senior employees as per the policy and plan rules. These are subject to Group performance targets, which apply over a minimum performance period of three financial years and continued employment.

Diving deeper: 82 Remuneration, 2020 Remuneration Report

Integrated planning

Underpinning our strategy is a robust integrated planning process characterised by the allocation of capital to maintain balance sheet growth, along with clear prioritisation of change and the allocation of funds to deliver strategic initiatives. All the while ensuring we deliver shareholder value by generating returns above the cost of equity and paying dividends when appropriate.

The Six Capitals

The execution of our strategy will result in transformation of the Six Capitals to varying degrees.

The greatest tangible impacts

- Financial
- Intellectual
- Manufactured
- Human

Preserve and enhance

- Social and relationship
- Natural

Strategic focus 3 Refreshing our strategy for relevance and competitiveness *continued*

2021 and beyond: Post-Covid-19

Four strategic imperatives

Lead with purpose and deliver shared value to a broad range of stakeholders

Purpose is the cornerstone of our long-term sustainable growth, enabling Absa to balance profit with responsibility. Being purpose-led includes strengthening our role, and impact, through our core business lines including banking solutions which deliver social and environmental benefits in order to contribute to the achievement of the Sustainable Development Goals.

Time frame Continuous progression.

Why it matters By accelerating our social agenda and purpose journey, shaping what we do every day, we will address the needs of a broad range of stakeholders to create shared value for our employees, customers, the communities in which we operate, the environment and our shareholders.

Critical success factors

- Common understanding of Absa's shared value aspirations used as a compass for decision-making and actions.
- Healthy stakeholder relationships.

Material matters

Competition and technological change; regulatory change, risk management and governance; macroeconomic, socio and political flux; climate change; and transformation within a sustainable development context.

Address customers' intrinsic needs through hyper-personalised propositions delivered in the right key moments

Through a deep understanding of our consumers' needs, including our customers holistic lifestyle and value chain needs, we will be able to deliver personalised solutions. To achieve this, we will leverage our strengths as a bank, combined with data analytics, to deliver individual banking and beyond-banking needs.

Time frame Phased approach across 2021 – 2024.

Why it matters Banks in Africa are increasingly competing on their ability to meet not only customers' traditional banking needs, but also other related services (beyond-banking). These offerings target customers' fundamental needs in a single, easy-to-use service, enabling seamless lifestyle integration.

Critical success factors

- Customer-centric creativity.
- Single, integrated view of the customer.
- Digital analytics and innovation capabilities.
- Leveraging artificial intelligence and real-time data to address the needs of customers.

Material matters

Competition and technological change; and macroeconomic, socio and political flux.

Deliver propositions through effective, digital-first distribution channels that respond to our customers' behavioural patterns as they evolve

Shifting from a traditional business model into a digital-first distribution model will make it cheaper and easier for our customers to access the services they need by seamlessly integrating various service providers to holistically address our customer needs. Leveraging technology, we will seek to create customer-centred experiences that matter, be that physical, digital, mobile, voice or across ecosystems and platforms.

Time frame 2021 – 2025 for build and benefit realisation.

Why it matters Customers are increasingly opting for providers that offer access to products and services that address their needs holistically through a superior, digital-first experience. Adopting a digitally-driven business model and mindset enables Absa to redefine our service delivery model.

Critical success factors

- Future-orientated mindset, willingness to partner and calculated risk-taking.
- Reconfigured physical network and increased self-service.
- Digitally-fit workforce and performance culture.

Material matters

Competition and technological change; and macroeconomic, socio and political flux.

Establish a diverse market footprint that best meets our customers' expectations

Selectively expanding our footprint through organic and inorganic growth, including into new African markets, and increasing our market reach through strategic partnerships. Our immediate priority remains a focus on capital preservation, with a pivot to cautious growth when economic conditions improve. We will continually scan the landscape and remain agile concerning potential opportunities that arise within the market.

Time frame Opportunity driven.

Why it matters Absa has affirmed its aspiration to be a leading African financial institution. Organic and inorganic growth are clear strategic levers to accelerate our growth aspirations, enabling the Group to diversify our portfolio through improving existing market scale, new market entry or strategically partnering to expand our market reach.

Critical success factors

- Optimising our portfolio to improve returns.
- Opportunity for organic growth in presence countries and risk appetite for inorganic growth in new and existing markets.
- Quality of targeted assets and potential synergies.

Material matters

Competition and technological change; macroeconomic, socio and political flux; regulatory change, risk management and governance and climate change.

Strategic focus 3 Sharpening our strategy for relevance and competitiveness *continued*

2021 and beyond: Post-Covid-19

To achieve our strategic imperatives, we will focus on delivering four strategic enablers

Continue to invest in strategic capabilities that drive market leadership

Continually invest in building and advancing critical capabilities, including payments, data and analytics, platforms and strategic partnerships. This will be achieved by building internal capability where this is core to the Group; through strategic partnerships that provide faster access to technologies, capabilities, talent and skills; and acquisitions to complement partnership activities. We will pursue additional partnership opportunities, including in cross-border payments, e-commerce marketplaces, small and medium enterprise banking propositions, young adult banking propositions and cashless economy.

Time frame 2021 – 2023 and continuously thereafter.

Why it matters Investment in strategic capabilities accelerates Absa's ability to drive delivery of our strategic imperatives as a leading African bank. These capabilities will deliver organic growth opportunities, and diversification of payment revenue streams.

Critical success factors

- Fit-for-purpose risk, control and assurance frameworks for strategic partners.
- Fast-lane execution.

Material matters

Competition and technological change; macroeconomic, socio and political flux; regulatory change, risk management and governance; climate change; and transformation within a sustainable development context.

Continue to build a modern technology architecture that powers digital transformation

Continually evolving and modernising our technology architecture to remain competitive and to enable the Group to accelerate digital transformation, safely. This will include harnessing the power of cloud computing, artificial intelligence, machine learning and emerging technologies to build digital assets and capabilities that can be scaled across our business and safely into third-party ecosystems.

Time frame 2020 – 2022 and continuously thereafter.

Why it matters To thrive and deliver customer-first solutions, we must continue to build a modern technology architecture that powers digital transformation and the modernisation of our business.

Critical success factors

- Ongoing evolution of our risk, control and assurance frameworks in line with digital transformation.
- Fraud prevention as a constant discipline.
- Reuse of core technical enablers.
- Enabling employees with training and scaled learning.

Material matters

Competition and technological change; macroeconomic, socio and political flux; and regulatory change, risk management and governance.

Evolve our execution model to deliver fast-lane innovation

Most traditional banking processes and structures are not conducive to the pace of change required to seize changing market opportunities. We will evolve our business model and deliver continuous market-leading innovation with an accelerated speed to market.

Time frame 2021 – 2023.

Why it matters Banks in Africa are increasingly competing on their ability to meet not only customers' traditional banking needs, but also other related services (beyond-banking). These offerings target customers' fundamental needs in a single easy-to-use service, enabling seamless lifestyle integration.

Critical success factors

- Entrepreneurial culture.
- Innovation measurement framework.

Material matters

Competition and technological change; macroeconomic, socio and political flux; and regulatory change, risk management and governance.

Develop and nurture an entrepreneurial culture

A combination of creativity and market proactiveness are the hallmarks of entrepreneurship and an opportunity-driven mindset. It is vital that we nurture a culture that sees opportunity and possibility in challenge and adversity, a culture that embraces inclusivity and respects diversity while collaborating openly to deliver shared goals. An entrepreneurial culture is arguably our most critical enabler.

Time frame Continuous progress.

Why it matters The ability to respond to market trends and new customer needs with agility and speed is key to remaining relevant and competitive. A more entrepreneurial mindset enables the Group to drive innovation, strategic renewal and new value creation, while delivering shared value to a broad range of stakeholders.

Critical success factors

- Clear purpose, values and behaviours.
- Leadership engagement and role modelling.
- Clear entrepreneurial culture measurement.

Material matters

Competition and technological change; regulatory change, risk management and governance; climate change and transformation within a sustainable development context.

Managing the strategic trade-offs decided in 2018

Our corporate strategy, launched in 2018 was developed after making deliberate choices about the organisation we wanted to be and the necessary shifts that were required to achieve this.

Pre-2018 To move away from …	Return on equity only	Optimising within current geographic footprint	Centralisation, functionalisation and standardisation	'Command and control' culture	Relying on traditional strengths	Passive good corporate citizen	Incremental growth strategy
We choose this … in terms of our growth strategy	Strong growth focus with sustained high returns	African organisation with globally scalable platforms	Customer-focused operating model	Culture of entrepreneurship, autonomy, accountability and ownership	Digital Bank	Active force for good in society	Growth via acquisitions while disposing of non-core assets

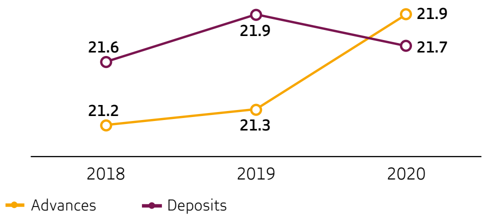
An important part of our integrated planning process is to consider the trade-offs between the possible responses; timing and execution requirements; the magnitude of effect; and the likelihood, importance and impact on our strategy. Below is a summary of the key Six Capital interactions and the trade-offs required.

Priority: Restore leadership in our core businesses
Enabler: Pursue growth opportunities

Our strategy is to restore top-line revenue growth (financial capital) in our core businesses and to seek out new opportunities through new markets; new products and services; strategic partnerships; and where necessary, disposing of non-core business lines. In 2020, our customer primacy performance in Retail and Business Banking showed a decline due to the impact of reduced customer activity and disruption of sales activities in branches; however, in South Africa, primacy was stable in core middle market and increased in retail affluent. Providing financial services to the less profitable entry-level, youth and student segments is a transformation imperative (social and relationship capital) and, over time, our ambition is to grow with these customers, where possible, as they migrate to the more profitable middle market segment. Corporate and Investment Bank customer trends were stable.

We continue to expand the number and scope of strategic partnerships with mobile operators, retailers/third-party agents, fintechs, and global financial players to extend our products and service offerings, to build and enhance our capabilities, extend our geographic reach and to mobilise additional financial resources (financial and social and relationship capital).

South African retail banking market share (%)



Global Finance Award 2020 World's Best Corporate/Institutional Digital Banks in Africa 2020-Best Trade Finance Services and Best Online Portal

Priority: Build pioneering new propositions
Enabler: Build a scalable digital-first, business

The provision of financial services continues to shift towards digital interfaces (including end-to-end processes) and is increasingly automated (manufactured and intellectual capitals). This shift was accelerated because of social distancing measures in 2020, which directly impacts on our physical branches (manufactured capital) and headcount (human capital). In turn, it has the benefit of improving customer service (social and relationship capital).

However, it does reduce our human capital requirements and necessitates the reconfiguration of our branches. The cost efficiencies arising are partly offset by investments in information and technology to encompass regulatory changes, innovation and modernisation, as well as cyber resilience (financial, manufactured and intellectual capitals).

To partly offset the negative impacts, we educate our customers on the benefits, convenience and safe use of digital platforms. We are also reskilling employees to create a future fit workforce and, when necessary, work with affected employees to place them in alternative roles or provide them with the necessary support to transition out of the Group.

Absa Mobile Banking App users up to 1.9m users (2019: 1.5m)

RBB digitally active customers increased to 1.9m. Digital adoption in ARO RBB, ARO CIB and CIB SA are 48%, 64% and 12%, respectively.

Managing our strategic trade-offs *continued*

Priority: Create a thriving, entrepreneurial organisation

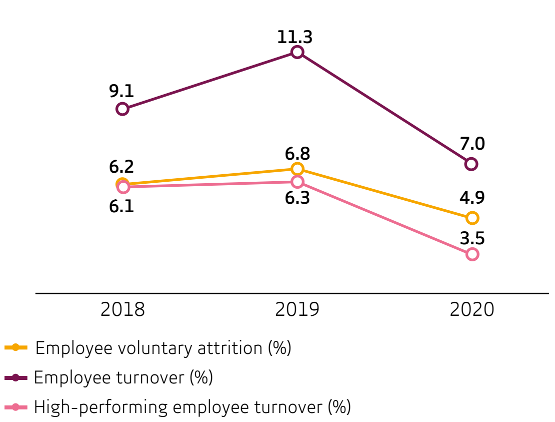
Key to the success of the Group's strategy was the reorganisation of the business alongside a comprehensive culture transformation experience that moves our organisation to a culture of inclusivity, diversity, entrepreneurship and ownership. While bringing employees closer to our customers (social and relationship capital), there has been a human capital impact, reducing headcount mostly through natural attrition and hiring freeze.

To realise the required behavioural shifts, a comprehensive programme of cultural engagements took place and we are embedding a leadership framework, which includes a reinvigorated learning and talent development approach. Results from the employee engagement survey reflect improving engagement.

Diving deeper: 71 Human capital

Several digital transformations (manufactured and intellectual capital) have been deployed to further enable and empower our employees, some of which were accelerated due to Covid-19, requiring financial capital input. These include ongoing enhancement of Workplace (our internal digital communication platform) and Workday (a holistic people management platform); the deployment of our web-based people portal, launch of the Absa Digital Campus learning platform and the C-Zone employee compliance app launched early in 2021.

Employee turnover (%)



Colleague Experience Index
64.1% (baseline)

Colleague experience sentiment
17% delighted
48% satisfied

Job satisfaction
6.96/10

Enabler: Play a shaping role in the sustainability and growth of Africa

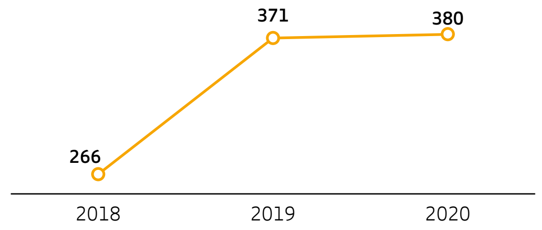
We are mindful of our important role in addressing the many societal challenges Africa faces, even more so now that the impacts of Covid-19 are being felt. We continue to deliver positive impacts through (i) education reform and employability; (ii) strategic initiatives and engagements; (iii) thought leadership and innovation; (iv) intergenerational sustainability; and (v) community Covid-19 support.

Diving deeper: 76 Social and relationship capital (Society), **79** Natural capital

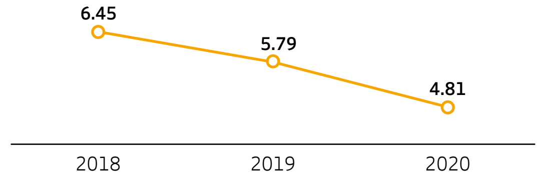
We embarked on a multi-year process to assess the impacts of our lending portfolio on environmental, financial, and social and relationship capital. We are a leading funder of renewable energy in South Africa (natural capital); however, significant further work needs to be done to support the transition to the low-carbon economy through the mobilisation of funding (financial capital). Further, more advanced climate risk management capabilities will be required into the future (intellectual capital). Our 2030 science-based targets will guide our ongoing efforts to reduce our direct operational footprint (natural capital).

In terms of transformation (social and relationship capital), Covid-19 has delayed the achievement of our employee diversity ambitions within senior leadership and people with disabilities (human capital). While total procurement spend decreased as a result of remote working and cost management efforts (financial capital), this was achieved without impacting our B-BBEE compliant spending pattern.

Citizenship disbursements (Rm)



Carbon emissions per full-time equivalent employee (tCO_2)



Financial trade-off considerations in time of crisis (2020)

Covid-19 has created the catalyst for Absa to consider and accelerate changes to maintain relevance into the future. The change in landscape requires a revised strategic financial ambition to guide the trajectory and prioritisation for the Group's 2021 – 2023 integrated plan.

As outlined on page 48, in terms of our strategy refresh, we will accelerate:

- Building and nurturing a more entrepreneurial culture.
- Creating more competitive digital, data, technology and innovation capabilities.
- Leveraging better strategic partnerships to create market leading capabilities.

And deliver strategic shifts in:

- Our compass for acting, behaving and decision-making.
- Customer and client solutioning across all segments.
- Our distribution channels.
- Our footprint and market reach.

To achieve these, we needed to make choices regarding scarce resources that must be deployed to support:

- Change execution and the ability to fund and capacity to deliver strategic initiatives.
- Capital allocation to business units to fund balance sheet growth.
- Shareholder value creation by generating returns above cost of equity.
- Paying dividends when appropriate.

The Group considered four broad scenarios in considering the 2020 trade-offs:

	Management levers to affect trajectory		
Scenario	**Growth**	**Efficiency**	**Dividends**
A: Sweeping	Continue to pursue growth faster than market.	Accommodate negative JAWS in the near term to fund growth supporting initiatives.	Low dividends near term to support growth, with a gradual increase thereafter.
B: Cautious	Aim to grow in line with the market in the short term, with faster growth only pursued once capital levels are restored.	Neutral JAWS with efficiency gains funding some growth investments in 2021. Positive JAWS in the medium term.	Resume dividends in 2021, with gradual improvement thereafter.
C: Wait and see	Accept lower-than-market growth until capital levels are restored to the top end of the Board target range.	Aim for positive JAWS in 2021 and limit investment in growth till 2022.	Same as B: Cautious.
D: Survivor mode	Same as C: Wait and see.	Same as C: Wait and see.	No dividend payment to conserve capital, then increasing the dividend levels from 2023 onwards.

The trade-offs considered:

1. **Capital vs returns:** Maintaining strong capital ratios supporting sustainability vs returns above cost of equity.
2. **Growth vs capital:** Deploying balance sheet, risk and capital vs capital preservation.
3. **Capital retention vs shareholder distributions:** Conserving capital in the short to medium term considering the economic climate and regulatory guidance, for purposes of longer-term sustainability.
4. **Investing for growth vs driving operating efficiency:** Determining an optimal level of investment, while maintaining a level of operating efficiency to manage short-term operating leverage, and investing in long-term sustainability.

Our choices going forward:

1. **Capital:** Pivot from the current focus on capital preservation once capital ratios are comfortably within the Board target range.
2. **Growth:** Continue to grow faster than market, which is supported by strong internal capital generation ability.
3. **Efficiency:** Improve operating efficiency by leveraging post-Covid-19 structural changes to fund investments.
4. **Returns:** While recovering post crisis, target an improving return on equity trajectory and sustainable above cost of equity returns.

Delivering possibilities and shared value

Group Financial Director's report

Strategic performance

Revenue growth	Revenue	Cost-to-income
2% (2019: 6%)	R81.4bn (2019: R80.0bn)	56.0% (2019: 58.0%)

Value for shareholders

Headline earnings	Return on equity	Total dividend per ordinary share
R8.0bn (2019: R16.3bn)	7.2% (2019: 15.8%)	0 cents (2019: 1 125 cents)

Strong deposits and loans

Gross loans and advances to customers	Deposits due to customers
R974bn (2019: R947bn)	R952bn (2019: R826bn)

Elevated risk profile

Stage 3 loans ratio on gross loans and advances	Credit loss ratio
6.28% (2019: 4.67%)	1.92% (2019: 0.80%)

Strong capital and liquidity

Common equity tier 1 ratio	Liquidity coverage ratio
11.2% (2019: 12%)	120.6% (2019: 134.4%)

Overview of 2020

The Covid-19 pandemic upended the global economy in 2020, producing historic declines in economic activity across most countries. The International Monetary Fund estimates that global economies contracted by 3.5% in 2020. Coming into 2020, South Africa's economy was already under pressure and in a mild recession following several years of disappointing growth, with very high unemployment, a weak fiscal position and already fragile business and consumer confidence. South Africa's GDP shrank 7.0% during 2020, well below the 0.9% growth we expected before the pandemic. Growth in our main Absa Regional Operations (ARO) presence countries also slowed sharply in 2020, with weighted real GDP declining by 0.4%, significantly below the 5.6% growth we expected. Policy rates were reduced in all our countries, ranging from 100 basis points in Botswana to 300 basis points in South Africa and Zambia's 350 basis points.

Our performance should be considered in the context of this extremely difficult operating environment, as well as completing the separation from Barclays. Our performance was resilient, despite earnings falling 51% to R8.0bn and our return on equity reducing to 7.2% from 15.8%.

There were several positive underlying trends within this decline. Revenue grew 2% to R81bn, despite the substantial pressure on sector revenue as Covid-19 lockdowns and the weak economy reduced our loan production and transaction volumes materially, particularly in the second quarter. Net interest income growth of 5% stands out, considering large policy rate cuts across all our presence countries, only partially offset by our structural hedge in South Africa.

Our operating expenses remain well-managed, declining 2% to R46bn. Combining resilient revenue growth with lower costs produced positive operating JAWS of 3%, improving our cost-to-income ratio noticeably to 56%, our best since 2016. Our pre-provision profit grew 7% to R36bn, a credible performance given the circumstances.

Additionally, our earnings and returns improved materially in the second half due to significantly lower credit impairments than the first half. After falling 82% in the first half of the year, our second half earnings were 19% lower year-on-year. Our second half return on equity improved to 11.7% from 2.6% in the first half.

Earnings declined due to significantly higher credit impairments, rising 163% to almost R21bn, resulting in a 1.92% credit loss ratio. The charge included R5.4bn of macroeconomic variable adjustments and R2.7bn for single name exposures. Our total loan coverage increased materially to 4.5% from 3.3%.

We focused on preserving capital and liquidity and protecting our balance sheet, rather than on growth. It is pleasing that Group capital and liquidity ratios remained strong, well above regulatory requirements. Our net asset value per share grew 4% to 13 103c.

Outlook

There remains substantial uncertainty about the global economic outlook, which depends on the roll-out of effective vaccines and additional policy support. We forecast 3.1% growth in South Africa during 2021, although we only expect absolute GDP to recover to 2019 levels by 2024. The timely rollout of an appropriate vaccination programme is critical. Employment and consumer spending will remain under pressure, and business confidence and investment is likely to recover slowly. Additional episodes of load shedding are likely, as are further waves of Covid-19 infections. Our view is that the South African Reserve Bank will leave the repo rate unchanged in 2021, before increasing it by 75 basis points in 2022.

We expect our ARO countries to recover faster, with 4.5% GDP-weighted growth in 2021. Policy rates are likely to rise during 2021 and public finances will remain a focus among policymakers in several countries. Based on these assumptions, and excluding further major unforeseen political, macroeconomic or regulatory developments, we provide our market guidance for 2021 within this report.

Jason Quinn
Group Financial Director

We focused on preserving capital and protecting our balance sheet during the period. While earnings declined substantially given the difficult operating environment, there were underlying positives, including strong pre-provision profit growth and an improved second half performance.

2020 Financial results webcast

Financial capital

Financial capital refers to the pool of funds that is available to the bank to enable our business activities. This capital can be obtained through various means, including financing, (such as debt), equity, or generated through operations or investments. We seek to use our financial stocks of value to enhance the outcomes on all our capitals to support our ability to create value over the short, medium and long term.

Related material matters

35 Macroeconomic and regulatory flux
36 Competition and technological change
37 Regulatory change, risk management and governance

Strategic response

49 Create a thriving, entrepreneurial organisation
50 Restore leadership in core businesses
51 Build pioneering new propositions
52 Build a scalable digital-first business
53 Pursue growth opportunities
54 Playing a shaping role in Africa's growth and sustainability

Unless indicated otherwise, the financial results are presented on a normalised basis. Capital ratios are presented on an IFRS basis.

Summarised balance sheet

	2020 Rm	2019 Rm	%
Total assets	**1 525 964**	1 394 494	9
Of which Loans and advances to customers	**929 969**	916 978	1
Total equity	**127 546**	121 840	5
Capital and reserves attributable to ordinary equity holders of the Group	**110 693**	106 328	4
Non-controlling interest – ordinary, preference shares and additional Tier 1 capital	**16 853**	15 512	9
Total liabilities	**1 398 418**	1 272 654	10
Of which Deposits due to customers	**951 894**	826 293	15
Total equity and liabilities	**1 525 964**	1 394 494	9

Targeted loan growth

Unusually, customer lending was a very limited contributor to our asset growth, as loans declined in both the second and fourth quarters. Strong growth in the trading portfolio, mostly in the first half, was mainly on the back of increased market volatility. Loans to banks also grew substantially, all in the first half. Investment securities rose 31%, as we deployed significant surplus liquidity into government bonds, again largely in the first half.

Entering 2020, the balance sheet momentum that we delivered over the last few years continued, as gross loans were 16% higher year-on-year at the end of the first quarter. National lockdowns reduced our loan production significantly in the second quarter, although run-off slowed due to the substantial payment relief granted.

Growth also slowed in the second half, with gross loans ending the year up 3%. Given the shape of our loan growth, average gross customer loans were 8% higher over the year. RBB SA, our largest book, grew 4% to R552bn, with our retail market share increasing slightly to 22%. CIB SA's gross loans rose 2%, or 5% excluding reverse repurchase agreements, to R306bn. ARO's gross loans decreased 1%, which was up 2% in constant currency.

Within our largest book, RBB SA, Home Loans rose 5% to R255bn, as share of new business increased to 22% from 21%. Vehicle and Asset Finance grew 9% to R95bn, as we gained share in both the new and used segments.

Personal Loans declined 1% to R24bn, as we reduced our risk appetite for this asset class. Credit Card grew 3% to R46bn, broadly in line with inflationary type limit increases, although total card issuing turnover fell 12% during the year, due to lockdowns and reduced economic activity. Lastly, Relationship Banking was unchanged at R128bn, with lower commercial property finance offsetting strong growth in agri loans.

2021 outlook	Key risks
Improved customer loan growth.	Weaker economy, low consumer and business confidence, and investment remaining low.

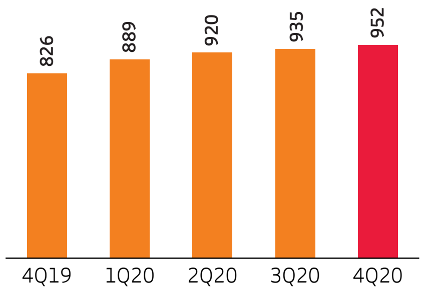
Robust deposit growth in South Africa

Growing core deposits remains a priority and is an indicator of the health of our franchise. Total customer deposit growth improved to 15% year-on-year. It was pleasing to see that customer deposits increased to 80% of our total funding mix from 75%.

Combining strong deposit growth with subdued loan growth, our loans to deposits and debt securities improved materially to 85% from 93%. Adding R134bn in core deposits, produced strong positive balance sheet JAWS, as gross customer loans grew only R27bn.

RBB SA grew 12% to R416bn, or 44% of our total deposits excluding reverse repos. It is notable that high margin deposits grew 13% in both Retail and Relationship Banking. Deposits are also a priority for CIB SA and grew 36% to R283bn, with strong growth across all classes. ARO's deposits grew 6%, or 11% in constant currency, to R159bn.

Customer deposits quarter on quarter growth (Rbn)



Financial capital *continued*

Solid capital and liquidity

Managing capital and liquidity was a key priority. Our Group common equity tier 1 ratio decreased to 11.2% from 12.1%, although it remained within our Board target range of 11% to 12% for 2020 and comfortably above regulatory requirements. The decline was largely due to paying our final 2019 dividend of R5.1bn and risk-weighted asset growth, which outweighed reduced internal capital generation. Our risk-weighted assets increased 5% to R915bn, reflecting 6% credit risk risk-weighted asset growth. Given the weak and uncertain economic outlook, we have increased the top end of our common equity tier 1 target range to 12.5%, with a view to broadly maintaining it at the mid-point of the new range on a sustainable basis.

2021 outlook	Key risks
Return on equity to improve materially, particularly in the first half, to low double digits for the year, although it will likely remain below our cost of equity with the target to exceed our cost of equity in 2023.	Heavily dependent upon GDP forecasts and interest rates.

Summarised normalised income statement

	2020 Rm	2019 Rm	%
Net interest income	**48 790**	46 306	5
Non-interest income	**32 592**	33 655	(3)
Total revenue	**81 382**	79 961	2
Operating expenses	**(45 576)**	(46 357)	(2)
Pre-provision profit	**35 806**	33 604	
Credit losses	**(20 569)**	(7 816)	>100
Other impairments and indirect tax	**(2 238)**	(1 893)	18
Associates and joint ventures	**(36)**	221	<(100)
Profit before taxation	**12 963**	24 116	(46)
Taxation	**(3 606)**	(6 310)	(43)
Profit after taxation	**9 357**	17 806	(47)
Attributable earnings	**7 912**	16 003	(51)
Non-controlling interest	**1 445**	1 803	(20)
Headline earnings	**7 965**	16 265	(51)

Rate cuts and balance sheet mix changes dampened net interest margin

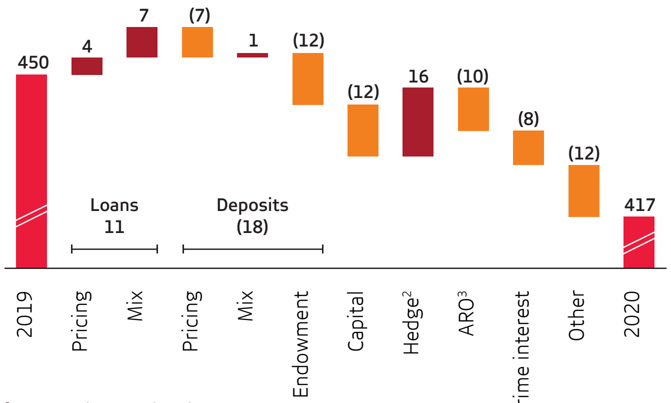
Significant policy rate cuts and the change in balance sheet composition were the main reasons our margin narrowed to 4.17% from 4.5%. However, with average interest-bearing assets up 14% to almost R1.2tn, net interest income still grew 5%.

Our lending margin widened by 11 basis points. Pricing improved further in Home Loans and Investment Banking in South Africa. Slower loan growth in Home Loans and CIB South Africa versus overall Group interest bearing assets had a positive mix effect, which was partially offset by the sale of the high-margin Edcon store card portfolio.

Our deposit pricing margin declined by 7 basis points due to competitive pricing in RBB and Corporate in South Africa, where the ability to fully pass on lower rates was constrained. Reduced reliance on wholesale funding was positive for mix, outweighing the negative impact of strong growth in low-margin deposits in Corporate South Africa.

Benchmark rates were cut in most of our presence countries, including 300 basis points in South Africa, which decreased the endowment income on lazy deposits and equity reducing our Group margin by 24 basis points.

Change in net interest margin[1] (basis points)



[1] Average interest bearing assets
[2] Interest-rate risk management
[3] Absa Regional Operations

We continue to hedge structural balances of 12% of our South African equity and liabilities. Our structural hedge released R2.6bn to the income statement, 16 basis points more than the previous year. Our cash flow hedging reserve increased materially to R4.3bn after tax at 31 December 2020.

Endowment on equity and liabilities after hedging had a net negative contribution of 7 basis points, as interest-bearing assets grew faster than endowment balances.

The negative reset impact following the drop in South Africa's prime rate during the year was an 8 basis point drag. ARO reduced our Group margin by 10 basis points, reflecting substantially lower policy rates in these markets and competitive pricing pressures.

Within 'other', deploying surplus liquidity into relatively lower margin assets was a 15 basis point drag, partially offset by an increased basis differential between prime and Jibar and higher yields earned on our liquidity asset portfolio.

Lower fees and commission reduced non-interest income

Better momentum in balance sheet growth coming into the year, with a focus on growing our customer base and improving primacy was starting to translate into better non-interest income, with 8% first quarter growth year-on-year. However, non-interest income slowed significantly in the second quarter on the back of Covid-19 lockdowns and the sharp reduction in economic activity. Reduced transactional activity was evident in 2020, with credit card turnover down 12% and ATM cash withdrawal volumes 13%. Our Group fee and commission income was 8% down year-on-year in the fourth quarter, and still below first quarter levels. Overall, fee and commission income fell 9% for the year. There were also sizeable negative fair adjustments in the non-core Private Equity business.

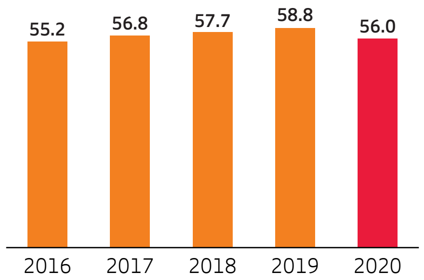
This decrease was partly offset by Global Markets revenue increasing 33% to R6.2bn, our strongest performance in five years. ARO grew 24% off a high base due to continued product and geographic diversification. South African based Global Markets revenue rebounded, growing 41% off a low base to R3.6bn, getting back to levels we saw before the separation from Barclays, which disrupted our Global Markets business materially.

Financial capital *continued*

2021 outlook	Key risks
Low to mid-single digit growth in net interest income. Non-interest income growth is expected to improve, however it is likely to remain low.	Business activity levels and GDP growth.

Operating expenses well managed and responsive

Cost-to-income ratio (%)



Operating expenses declined 2%, or 3% in constant currency, to R46bn. The reduction reflects the benefits of our restructuring efforts over the past two years, particularly in RBB South Africa, plus management actions in response to Covid-19 and lower variable costs as activity decreased due to national lockdowns.

Staff costs decreased 2%, to R25bn, and remain the largest component at 55% of the total. Salaries increased by only 1%, while incentives decreased materially.

Non-staff costs declined 1%, or 2% in constant currency. Property-related costs grew 7%, largely due to additional spend on protecting employees and customers from Covid-19, with no increase in the underlying cost base, which was in line with previous periods.

Technology costs rose 11%, reflecting continued investment and post Separation incremental run costs. Our total IT spend, including staff, amortisation and depreciation, grew 9% to R10bn, or 22% of Group expenses. Amortisation of intangible assets grew 17% due to a 15% increase in capitalised software assets to R6.2bn. Depreciation rose 7%, largely due to higher technology infrastructure assets. Professional fees grew 21%, given higher spend on change and technology services. The 9% decline in cash transportation costs is a good example of lower variable costs due to the Covid-19 lockdowns and reduced economic activity.

We have absorbed substantial incremental run costs in the past three years due to separating from Barclays. These were R1.8bn last year, predominantly in CIB, ARO and central functions. ARO also incurred almost R0.5bn in restructuring costs to right size the business towards the end of 2020. Lastly, Covid-19 related costs totalled R0.3bn, largely for personal protective equipment to keep customers and employees safe, as well as increased communication costs.

2021 outlook	Key risks
Despite increased variable and performance costs, we expect low single digit cost growth overall. Flat operating JAWS in 2021, although the first half is likely to be negative. Cost-to-income ratio is likely to be in line with 2020's 56.0%. We expect positive but slower pre-provision profit growth, particularly in the first half.	Balancing the containment of costs with maintaining investments in systems and digitisation.

Credit impairments rose significantly across the board

Credit impairments of almost R21bn were 163% higher, reflecting the significant strain on our customers and the impact of IFRS 9 accounting. Our credit loss ratio rose from 0.80% basis points, (at the bottom of our expected through-the-cycle range of 0.75% to 1.00%), to 1.92%.

Our credit impairments included R5.4bn of management judgemental provisions based on the unprecedented deterioration in macroeconomic variables. We also raised R2.7bn for single name exposures. No large exposures stood out and the industries these companies operate in vary.

RBB SA's credit loss ratio rose to 2.64% from 1.18%, with all products increasing materially. CIB SA's charge grew a low 0.11% to 0.54%, due to increased single name charges. ARO's credit loss ratio increased materially to 2.66% from 0.98%, particularly in CIB, due to single names and tail risk provisions raised for the hospitality and leisure industry in certain countries.

We granted significant payment relief to over 670 000 customers on loans of R219bn, 22% of our total Group loans. RBB South Africa's relief covered R152bn of loans or 27% of its overall book and over two-thirds of the total relief we granted. At R84bn, Home Loans was the largest payment relief portfolio. The relief portfolios were ring-fenced to ensure heightened monitoring when the relief expired. The portfolio has performed in line with expectation and is 92% up to date.

After improving consistently during the past two years, our delinquency profile and non-performing loans deteriorated in the first half, although the increase in the second half was less pronounced than anticipated. Total loan coverage increased from 3.3% to 4.5%, which we believe is appropriate for the operating environment based on our current expectations.

2021 outlook	Key risks
After 2020's substantial build in coverage, credit impairments are expected to decrease substantially, particularly in the first half, resulting in a 2021 credit loss ratio only slightly above our through-the-cycle range of 75 to 100 basis points.	Pressure on our customers due to prolonged Covid-19 impacts on the economy, including increased unemployment.

Dividends and capital

In line with our previous guidance, we did not declare any ordinary dividends for 2020.

On capital outlook and dividend policy, we will follow a balanced approach between retaining sufficient capital for growth, resuming dividends and a period of capital accretion to build and then maintain a position at the mid-point of our 11.0 to 12.5% Group common equity tier 1 target range.

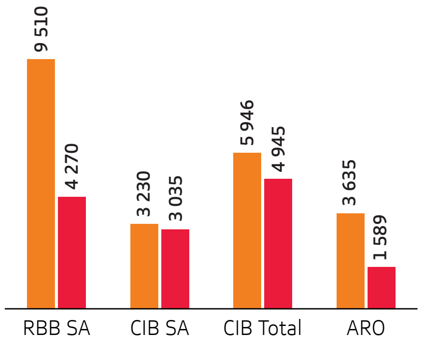
2021 outlook	Key risks
Resuming dividend payments from interim 2021, starting with a 30% dividend pay out ratio increasing to 50% over the medium term.	Lower than expected capital generation, or higher risk-weighted asset growth.

Financial capital *continued*

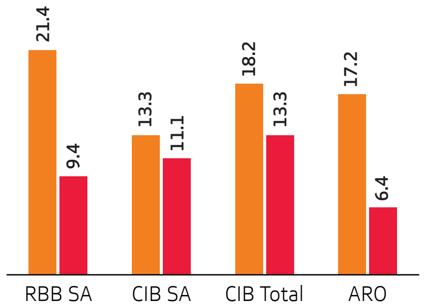
2020 performance	
Retail and Business Banking South Africa 48% of Group normalised headline earnings[1]	Headline earnings fell 55% to R4 270m, as credit impairments increased 134% to R14 621m resulting in a credit loss ratio of 2.64% from 1.18%. Pre-provision profits grew 6%. Revenue declined 2% to R48 577m, as net interest income rose 4% and non-interest income decreased 8%. Costs decreased 8% to R26 406m, resulting in a cost-to-income ratio of 54.4% from 57.7%. Everyday Banking headline earnings fell 44% to R1 967m, given substantially higher credit impairments. Within this, Transactional and Deposits headline earnings increased 11% to R2 478m, while considerably higher credit impairments saw Card's earnings drop 99% to R5m while Personal Loans lost R516m. Home Loans earnings decreased 71% to R453m, as significantly higher credit impairments outweighed 17% higher pre-provision profits. Vehicle and Asset Finance lost R993m, despite 33% pre-provision profit growth, as credit impairments almost trebled. Relationship Banking's headline earnings fell 31% to R2 522m, although pre-provision profits grew 4% , again due to significantly higher credit impairments. The Insurance Cluster headline earnings decreased 12% to R1 114m, with Life Insurance falling 30%, while Short-term Insurance grew 42%.
Corporate and Investment Bank 34% of Group normalised headline earnings[1] **CIB SA** 56% of Group normalised headline earnings[1] **CIB total**	**CIB – South Africa** Headline earnings decreased 6% to R3 035m, as credit impairments increased 432% to R1 951m, resulting in a 0.54% credit loss ratio from 0.11%. Pre-provision profits grew 33% as 14% revenue growth exceeded flat costs. Corporate earnings declined 14% to R838m, due to significantly higher credit impairments, while Investment Bank earnings decreased 2% to R2 197m for the same reason. **CIB – Total (including ARO)** Total CIB earnings decreased 17% to R4 945m. Pre-provision profits increased 22%, as revenue grew 14% and costs 7%. Credit impairments increased 509% to R3 921m, resulting in a 0.76% credit loss ratio from 0.14%. Total Corporate earnings dropped 35% to R1900m, while the Investment Bank grew 1% to R3 045m.
Absa Regional Operations 18% of Group normalised headline earnings[1]	Headline earnings fell 56% (65% in constant currency) to R1 589m, as credit impairments rose 229% to R3 995m. Revenue grew 8%, or 2% in constant currency, to R20 149m, including 4% higher non-interest income. Costs rose 12%, or 8% in constant currency, to R12 085m, resulting in a 60% cost-to-income ratio. RBB ARO made a R161m loss, due to significantly higher credit impairments, while CIB ARO earnings fell 30% to R1 910m for the same reason.

[1] Excluding Head Office, Treasury and other operations in South Africa and after the impact of separation effects
[2] Normalised

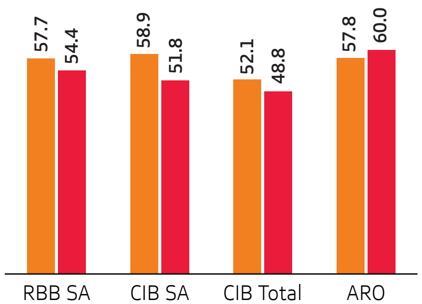
Headline earnings (Rm)



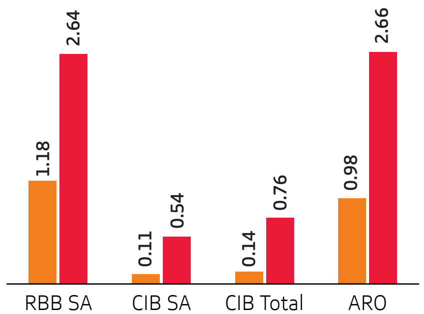
Return on regulatory capital (%)



Cost-to-income (%)



Credit loss ratio (%)



2020
2019

2020 Financial Results Booklet

Intellectual and manufactured capital

Intellectual capital refers to our intellectual property and organisational capital, including tacit knowledge, systems, procedures and protocols. Our ability as an organisation to innovate in order to meet pressing and future needs is also considered part of our intellectual capital.

Our IT infrastructure is the most material part of our **manufactured capital**, taking our strategic direction and evolving business model into consideration. While our buildings and other manufactured capital provide necessary inputs, the detail of these aspects of our manufactured capital are not detailed here. More information can, however, be found in our ESG report.

Related material matters

36 Competition and technological change

37 Regulatory change, risk management and governance

Strategic response

56 Build a scalable digital-first business

57 Build pioneering new propositions

Contributing to SDGs

SDG 8 SDG 9 SDG 16

While 2020 has presented challenges for our business operations due to the impact of Covid-19 and the resulting lockdown, it has also presented opportunities for us to accelerate the digital transformation of our organisation.

Technology is a key enabler of the Group's strategy

Our three front-end priorities are:

- Driving digital adoption, concentrating on mobile.
- Delivering end-to-end self-service capabilities with speed.
- Focusing on reducing cost-to-serve and increasing digital sales.

These are underpinned by our three back-end priorities:

- Evolving our technology architecture.
- Fully utilising our strategic data platforms.
- Developing digital ways of working.

We continue to reshape our digital focus to align not only with global digital trends, but also with our changing competitor landscape and business strategies.

The Group has migrated to a single data transformation layer to streamline data distribution, improve efficiencies and availability. The migration/consolidation of multiple legacy data warehouse environments into a modern open-source data lake platform is complete. Our unified real-time streaming architecture brings the benefits of big-data processing to real-time use cases, allowing us to interact with our customers 'in the moment'. This is also a supporting framework for our advanced analytics and machine learning initiatives, such as electronic campaign management, anti-fraud and corporate digital channels.

We continue to progress towards a simple, secure, stable and scalable technology by creating digital assets and capabilities such as:

- Cloud infrastructure-as-a-service using Amazon Web Services.
- Cloud software-as-a-service, an alternative to traditional software purchases, for example, Salesforce and Workday.
- Robotics, which improves internal efficiencies and experiences, using an internally developed open-source framework.
- Biometrics that improve experiences and services through voice-based virtual channels.
- Distributed ledgers, which address issues surrounding digital identity.

Leveraging the tangible and intangible benefits of Separation

Separation from Barclays PLC

The Separation was a comprehensive programme to replace the systems and capabilities previously provided by Barclays and included a brand and name change across the continent. We implemented a combination of standard lift-and-drop solutions, where existing systems already met requirements, executed noteworthy system upgrades, and effected transformative solutions such as Workday and NetReveal.

The Separation office transitioned into a Group change function, with the skills and expertise acquired along the Separation journey being leveraged to drive the Group's strategic initiatives. The programme matured and embedded our change service capability, encompassing the development of new standards and processes for change management, as well as the introduction of automated tooling and digitised ways of work. These capabilities were instrumental in delivering the Group's rapid technology response to Covid-19.

Our technology separation programme received a high commendation in the 'Best Tech Overhaul' category at the Fintech Futures 2020 Banking Tech Awards.

Cyber risks and data stewardship

While digitisation is essential to remain competitive, the risk of attack increases due to the attractiveness of the amount of sensitive data processed and stored. Banks are also targeted due to their key role in the functioning of payment and settlement systems. We continue to invest in our cybersecurity capabilities through our threat intelligence and risk management functions. Our Cyber Security Fusion Centre monitors malicious behaviour around the clock with well-established response protocols.

Globally, an unprecedented increase in the number of data breaches continues, as well as an escalation in public sensitivity and regulation that requires increased security rigour. There was a sharp increase in attacks during the pandemic, preying on people's fears and vulnerabilities. We launched a remote working module for employees to enhance their vigilance and knowledge in this area. A phishing campaign was also executed across the continent.

Intellectual and manufactured capital *continued*

Insider threat continues to be an area of concern across the industry, with a greater number of employees working remotely increasing risks. We designed and embedded an Africa-leading Insider Trust Programme, aimed at protecting the Group's critical assets using highly-skilled personnel, as well as enhancing the application of relevant technologies and processes to embed a culture and capability that will effectively prevent, detect and respond to insider threats across the bank.

An unlawful data breach was uncovered and decisive action was taken to recover the leaked information through a court-sanctioned search-and-seizure operation that led to the destruction of the unlawfully obtained information. We have stepped up our monitoring of customer accounts exposed to the breach and put in place additional control measures to minimise the risk of reoccurrence in the future. Criminal charges have been brought against the employee involved, and further action will be taken in due course in relation to the recipients of the data, once the full extent of the matter has been investigated.

Given the recent data breaches involving third and fourth parties, a third-party cyber risk assessment was concluded in July 2020. Our Group Privacy Office is working closely with the Converged Security Office and Group Procurement to ensure the data privacy requirements are being addressed through the enhanced pre-contracting and post-contracting controls relating to vendors.

We continued to invest in world-class data protection software to ensure that we have the best defences possible and we implemented several enhancements to our data leakage prevention controls which also included learnings from several data-related incidents. Our digital fraud-detection capabilities are enabled through sophisticated tooling and analytics. For example, automated capabilities can now block phishing sites within an hour, compared to over eight hours it took back in 2018. We have collectively recovered R123m (2019: R87m) from fraudsters on behalf of Absa customers and customers of other banks. We continue to engage with employees and customers on digital fraud awareness.

Absa will serve on the Payment Card Industry Security Standards Council's Board of Advisors for 2021 and 2022. This forum leads a global, cross-industry effort to increase payment security by providing industry-driven, flexible and effective data security standards and programmes that help businesses detect, mitigate and prevent cyberattacks and breaches. Absa is one of 31 board members, alongside Google, Apple, Amazon and the European Card Payment Association, among other organisations.

Developing critical and scarce skills

We continue to focus on developing technology and cybersecurity skills. In 2020, we:

- Reached 1 006 employees with Amazon Web Services (AWS) training and the 'A Cloud Guru' learning platform.
- Sponsored 164 youth in six unemployed youth development programmes with The Digital Academy, Maharishi Institute and Bytes among others, focusing on developing critical skills such as Amazon Web Services, Java open-source, Git flow training, Hadoop and cybersecurity.
- Launched a Tech Learnership, with specific focus on 35 young people living with disabilities.

Our Cyber Security Academies won the not-for-profit category Global Cyber Security Awards and won the Fintech Futures 2020 Banking Tech Awards in the 'Fintech for Good' category.

Brand

The brand change within the Separation was one of unprecedented scale, encompassing the rebranding of all technology and digital platforms, corporate and retail premises, business assets and marketing collateral. In February 2020, we completed the launch of the Absa brand in seven markets – Botswana, Ghana, Kenya, Mauritius, Seychelles, Tanzania, Zambia – following Uganda and Mozambique, which were completed in November 2019. Most markets held or exceeded the prior Barclays brand/reputation scores as measured by Brand Health Tracker and Reputation Tracker. The Group's overall brand equity rating was stable at 33 points in 2020, which was largely achieved due to strong brand progress in our Absa Regional Operations presence countries. South Africa's brand performance was impacted by Covid-19-related market, operating and investment changes.

Governance and risk management

The continuous pursuit of best practice governance remains a key aim for the Group – not only to sustain and preserve value creation, but to ensure that value is not eroded through fundamental breaks in trust with our stakeholders. The Board has ultimate accountability for the performance and affairs of the Group while seeking to entrench a beyond-compliance approach throughout the Group, supporting a culture that pursues ethical and effective leadership at every level of the business. Further, through continuous training and development, we seek to enhance capabilities while developing collective learning, ensuring best-practice approaches move beyond the know-how of individuals to forming part of our organisational practices – thus forming part of our intellectual capital.

Diving deeper: 72 Governance, **23** Human capital (training and development).

We maintain an active risk management approach – identifying both current and emerging risks. The risk strategy is developed alongside the Group strategy and the determined risk appetite defines the nature and amount of risk the Group is willing to take on in pursuit of our strategy. Risk is managed through our Board-approved Enterprise Risk Management Framework.

Diving deeper: Pillar 3 Risk Management Report.

Human capital

Our **human capital** refers to our employees' competencies and capabilities, as well as their motivation to innovate, in order to achieve our purpose by aligning with our strategic direction. Our people ambition is to create a thriving, future-fit organisation that attracts, develops and retains the best people through a differentiated employee experience that brings their possibilities to life.

Collectively, the culture journey is one of becoming customer-obsessed, acknowledging the strength of our employees and delivering results sustainably – with an African heartbeat. Our culture transformation journey, under the banner #iamAbsa, continues to focus on courageous conversations to build meaningful relationships across the organisation.

Related material matters

36 Competition and technological change

37 Regulatory change, risk management and governance

Strategic response

49 Create a thriving, entrepreneurial culture

55 Covid-19 response

Contributing to SDGs

SDG 4 SDG 5 SDG 8

SDG 16 SDG 17

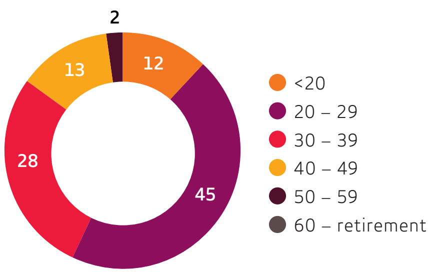
Diving deeper: 2020 ESG and B-BBEE reports

Driving diversity

A diverse workforce broadens perspectives and enhances resilience and performance. We consider diversity to encompass gender, race, age, disability, experience, religion, values, beliefs and sexual orientation. Gender parity is a global issue, while race is an additional focus in South Africa (although is receiving increasing focus globally).

Our total workforce declined to 36 737 (2019: 38 472), mostly due to natural attrition and a hiring freeze due to the current economic conditions. Voluntary attrition decreased to 4.9% from 6.3% and total employee turnover decreased to 7.0% from 11.3%.

Workforce profile by age (%)

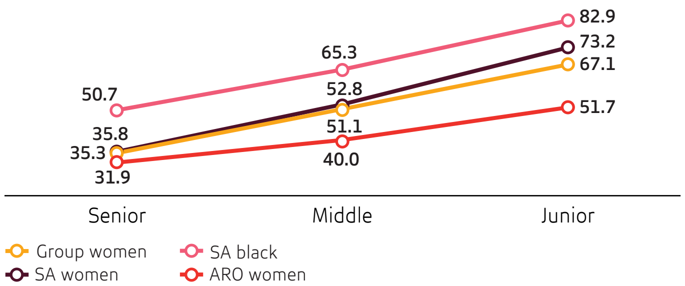


We remain focused on talent development and career progression. Of the 4 277 vacancies filled, 74.6% were internal hires, up from 68.7% in 2019. There has been an improvement in our ability to retain high-performing senior employees (96.2%, 2019: 92.5%) and high-performing employees across all grades (96.5%, 2019: 93.2%)).

Women make up 61.1% of our workforce, account for 51.7% of promotions, and comprise 35.3% of our senior leadership (2019: 61.1%; 58.7%; 35.4%). In South Africa, 76.4% of employees are AIC[1], up from 75.9% in 2019. While 50.7% of senior management are AIC[1] (2019: 51.4%), this is below our target and remains a key focus in terms of recruitment, succession and retention.

We deepened our gender-focused activities, including our commitment to the United Nations He4She Initiative and targeted development programmes such as our IgniteHer and focus-group sessions across the Group. This culminated was the launch of our Women's Manifesto in December 2020.

Women in leadership



Employee engagement

We launched a new employee engagement survey, in which 73% of employees participated. The overall score for the quality of the employee experience is 64.1%, with 65% of employees either delighted or satisfied with their experience of working at Absa (employee sentiment) and almost 70% of employees indicated that they experience job satisfaction. In terms of advocacy, our employee net promoter score (eNPS) is +13. The next step in our journey is to connect through conversations and implement actionable insights to leverage our strengths while addressing areas for focused improvement throughout the Group.

Performance management

Our performance management platform, MyContribution, was enhanced with a focus on improving the quality and frequency of engagements. Emphasis was placed on aligning organisational and personal purpose, linking individual contributions directly to Group and business unit objectives, and ensuring continuous meaningful coaching conversations in which development needs, ways of leveraging strengths and methods of contributing to Absa's strategy are discussed. 99.9% of employees have formal performance ratings.

Fair and responsible remuneration

Our remuneration practices support fair and equitable remuneration, paying our people relative to their role, skills, experience and performance. Our remuneration policies reward sustainable performance and sustainable value for the Group, in line with our purpose and values, as well as our risk expectations.

Human capital *continued*

We paid R25.1bn, excluding taxes, in remuneration, benefits and incentives to our employees (2019: R25.7bn). Unionised employees in South Africa received a 7.0% cost-to-company increase, with management receiving an average of 4.4% (2019: 7.2%; 4.8%). Members of the Executive Committee did not receive a cost-to-company increase other than in instances where individuals were recently appointed to the ExCo and progress toward market alignment was approved by the RemCo. This contributed to an overall improvement of relative fixed remuneration of our more junior employees.

Diving deeper: 82 – 85 Remuneration outcomes

Evolving ways of working

Remote working was the most significant change to ways of work in 2020 and required various tools and platforms to successfully navigate this shift. A two-fold approach was used to support this aim – enablement, and health and wellness. In addition to the actions outlined on page 55, we:

- Deployed a web-browser version of our People Portal to allow remote access, enabling employees to connect to all people function platforms from any device, anywhere.
- Integrated the WelcomeMe Onboarding App into Workday to provide a more seamless onboarding experience.
- Implemented ongoing enhancements of Workday (our cloud-based human capital platform) with full mobile access, Covid-19 screening protocols, and functionality to migrate employee data from the hiring process into the onboarding experience and employee records.
- Accelerated the use of Workplace by Facebook for easier access to senior leadership, delivering of Groupwide training, leadership town halls, collaboration and sharing of knowledge and information.

Our employee wellness offering spans eight dimensions of wellbeing: physical, emotional/mental, financial, social, intellectual, spiritual, environmental and vocational. Delivery is supported by specialised providers and confidential reports are generated that identify trends, underlying factors and suggest corrective measures. Examples of our response in 2020 include:

- Introduced a comprehensive mental health programme, encompassing mindfulness, exercise and daily health tips, culminating in a 21-day mental health challenge during October, which sought to raise awareness around mental health issues while providing employees with the skills and tools to develop and maintain mental wellbeing and resilience.
- Launched a Covid-19 hotline to provide medical information, direction regarding medical testing sites, comprehensive practical resources, and workplace contact tracing, with 25 985 calls logged in 2020.
- Updated the special sick leave policy to encourage the reporting of possible exposure to Covid-19 and adherence to self-quarantine requirements, with 1 303 employees using this benefit.
- Increased financial wellness support and education, with 2 014 employees receiving debt relief.
- Raised awareness of gender-based violence and increased the support and resources available to victims and survivors of gender-based violence, including access to professional counselling, workplace support groups, legal advice and safe homes. We also created a platform for Absa men to connect, engage and receive counsel from others struggling with the effects of lockdown thus reducing this risk.

Delivering people development

Learning has accelerated towards an interactive, self-directed, primarily digital experience that employees can opt into anywhere, anytime, on any device and at any pace. While the primary objective remains reskilling and upskilling of employees for the future of work, we also aim to instil a mindset of lifelong learning.

Learning and development highlights, in addition to those outlined on page 49, include:

- Our total skills development spend was R822m, benefiting employees and unemployed learners. R406m was directly invested in the training and development of our employees. (2019: R740m; R451m).
- Almost 80% of permanent employees participated in non-mandatory training programmes, with employees accessing 5 047 available learning programmes.
- The Absa Digital Campus, launched in July 2020, enables our employees to create a hyper-personalised learning experience, with proficiency improvements of up to 80% in learners. 7 648 employees have crafted their personal learning journeys. We are exploring behavioural economics as a tool to encourage the uptake of self-directed learning.
- R25.8m in bursaries was disbursed to 864 employees, of which 67.5% of beneficiaries were women (2019: R25.2m; 782; 62.3%).
- 35 Gen A graduates undertook a year-long graduate programme, joining 1 313 young professionals who have built their careers with us since 2008.
- Learnerships, apprenticeships and internships increased to 3 302 from 2 229 in 2019, of which 1 956 were unemployed black youth who gained work experience with Absa, and 1 346 were employed black people.

Leadership development

Over and above our leadership development programmes, our monthly CEO-led senior leadership group conversations create a space to hold strategic and transformational discussions, and to build trust while mobilising for action to lead employees as a united Absa. This programme is focused on teaching leaders how to use meaningful and courageous conversations to build trust-based relationships that promote a culture of inclusivity. In addition, our Leadership Circle 360-degree assessments for the senior leadership group have commenced to measure and track leadership quality at individual and leadership team levels, providing valuable insight that facilitates the creation of actionable plans for further development.

Taking a stand against discrimination – Sexual harassment

Sexual harassment violates the rights of an employee and is a barrier to equity in the workplace. Given the serious nature of this violation and its repercussions on individuals and teams, we launched sexual harassment training in our South African operations in 2020. The training assists employees in developing an understanding of what constitutes sexual harassment, and how a complainant can respond to unwanted conduct using a confidential process outlined in the Absa Sexual Harassment Standard. We are developing customised content for the Absa Regional Operations to accommodate each country's laws and unique context, which will be released in the first half of 2021.

Social and relationship capital

Sound relationships with our stakeholders are vital to value creation and preservation. These serve as valuable capital in both good and challenging times.

Social and relationship capital refers to the relationships that form the lifeblood of our business. This includes the institutions and relationships within and between our communities, stakeholder groups and other networks.

In this section, we outline our relationships with the investor community, our customers, and society at large.

Related material matters

37 Regulatory change, risk management and governance
39 Climate change

Strategic response

50 Restore leadership in our core businesses
51 Build pioneering new propositions
53 Pursue growth opportunities
54 Build a scalable, digital-first, business

Contributing to SDGs

SDG 1 SDG 4 SDG 8 SDG 10 SDG 16

Diving deeper: 90 Stakeholder scorecard.

Investor community

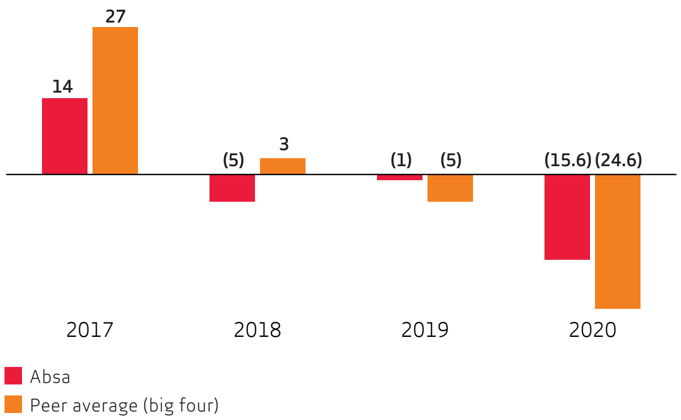
We create value for shareholders by delivering sustainable growth and returns. We aim to provide the market with enough information to make an informed assessment of our performance and our prospects.

Resilient performance

Despite the substantial decline in earnings, our performance was resilient, considering the significant economic impact of the Covid-19 pandemic. Revenue growth held up comparatively well, in part due to our structural interest rate hedge, while operating expenses were reduced, resulting in solid 7% pre-provision profit growth.

Capital conservation was regarded as paramount in the near term, and the Group's common equity tier 1 capital ratio remained solid at 11.2%. Given this focus, no interim or full-year ordinary dividends were declared. Strong deposit growth assisted with the Group's liquidity position.

Total shareholder return (%)



Shareholder engagement

- In addition to our usual results presentations and related meetings, we hosted two market updates on the Group's performance and provided guidance on the outlook.
- We participated in four investor conferences and undertook a virtual Chairman's roadshow before our annual general meeting.
- All resolutions were passed at our 2020 annual general meeting, with 74% of our issued ordinary share capital represented.

Top engagement topics included:

- Management changes.
- Impact of Covid-19 and the resulting economic downturn on our performance, particularly credit impairments, revenue and earnings.
- Capital conservation and ordinary dividends.
- Regaining leadership in RBB South Africa.
- Separation completion.
- Executive remuneration.

Shareholder diary

Annual general meeting	4 June 2021[1]
2021 interim results	16 August 2021[1]
Financial year-end	31 Dec 2021

[1] Subject to change.

Absa share price versus the JSE Banks Index (based to 100)

Customers

To remain relevant, we offer innovative and cost-effective products and solutions. Customers provide revenue and are our main source of deposits that enable our lending activities.

Diving deeper: This section should be read in conjunction with Restore leadership in core business (page **50**); Building pioneering propositions (page **51**); Build a scalable, digital-first business (page **52**); Pursue growth opportunities (page **55**); and Strategic focus 2: Covid-19 pandemic (page **55**). ESG and B-BBEE Reports

Convenient and innovative financial services

We provide services to our customers through a multi-channel approach, providing a choice of platforms encompassing digital, online, call centres, and face-to-face engagements in branches and customer suites with relationship managers. Our digital, design and data capabilities are essential for responding to our customers' needs, enhancing their experience and reducing their dependency on physical branches. We continue to create focused customer value propositions, enhance key customer processes, ensure system stability, strengthen relationships with customers and sharpen our knowledge of key sectors. We have a broad range of propositions to meet the needs of our various customer segments.

Excellent customer service and advice

Our customer journey aims to address previously identified challenges in our service model and extracting additional operational efficiencies through systematic automation and digitisation of back-office processes and services. The continued focus on improved customer experience through leveraging our voice channels and digitisation of non-empathetic service jobs means bankers are increasingly focusing on sales and value-add services. While not yet fully embedded, where new ways of work have been successfully adopted, a marked improvement has been noted in our customer satisfaction scores.

Accolades evidencing this focus on customer service included Best Bank and Best Individual at the Ombudsman for Banking Services' Annual Awards, along with accolades for the insurance business in the South African Customer Satisfaction Index and the Ask Africa Orange Index.

Treating Customers Fairly score is a measure of our customers' perception of our performance against our conduct risk framework and the expected Treating Customer Fairly outcomes. Improvements were seen across the 2020 scores:

- ▲ Group 86% (2019: 84%)
- ▲ RBB SA 85% (2019: 83%)
- ▲ CIB 90% (2019: 87%)
- ▲ ARO 80% (2019: 78%)

There were notable improvements in certain categories, including the ability to choose products as needed by the customer and confidence in the Group's ability to safeguard customers' funds.

The net promoter score (NPS) measures the willingness of customers to recommend our products and services to others.

- ▲ RBB SA 34% (2019: 33%)
- ▲ ARO Retail 20% (2019: 18%)
- ▲ ARO Business Banking 11% (2019: 3%)

The client experience score measures the service quality experienced by our customers, with some improvement noted:

- ▲ ARO RBB SA 68% (2019: 65%)
- ▲ CIB 74 (2019: 73).
- ▼ ARO Retail 72% (2019: 73%)
- ▲ ARO Business Bank 68% (2019: 65%)

Corporate and Investment Bank's (CIB) overall client health remained strong due to a concerted effort to stay close to clients and improve their experience. In RBB SA, the complaints index dropped to 18% from 24%, due to the limited service capacity available in branch and voice channels during lockdown. Complaint volumes to the South African Ombudsman of Banking Services dropped by 37% from 2019 as we placed an intense focus on fraud and complaints resolution capabilities. In 2020, 943 cases were opened against Absa, the lowest number of Ombudsman complaints out of the biggest five banks in South Africa. Of closed cases, 64% were resolved in our favour (2019: 1 486; 67%).

Leading digitally

A post-Covid-19 world will see us emerge into a more digitally driven space. We are actively driving the rollout of digital infrastructure and offering our customers more innovative solutions to stretch digital boundaries to meet and exceed the needs of our customers in a rapidly evolving landscape. Our digital transformation towards a low-touch, low-contact future is accelerating at a fast pace. In so doing, we will make banking and ways of payment more cost-effective for all our customers.

Understanding the users of our products is imperative for the design process and includes understanding customers with differing needs. For example, in 2020, we redesigned our banking app for accessibility. Through extensive research and collaboration with our customers throughout the design process, we wrote a set of design principles from a blind user's perspective. In this way, we were able to enhance accessibility to assist in removing unnecessary barriers for these customers.

Safety and protection against fraud

Fraud is constantly evolving, and our customers' awareness is essential to prevent fraud. Employees undertake mandatory annual training covering a range of topics, such as anti-money laundering, data privacy protection and anti-bribery and corruption. To safeguard our customers, employees and the Group, we issue regular communications regarding financial crime, with topics such as how to avoid phishing attacks, how to conduct online shopping, travel tips, and card and app safety. Despite improved security, fraudsters continuously devise new plans to circumvent the latest safety measures. This was exacerbated as fraudsters sought to use Covid-19 to exploit peoples' fears.

Our protective measures include:

- Two-factor authentication, whereby verification messages are sent directly to the Absa Mobile Banking App to prevent fraudsters from intercepting verification messages.
- DebiCheck, which mitigates the risk of unauthorised debit orders being attached to accounts without customers' consent.
- South Africa's first digital fraud warranty.

Privacy is a foundation of our relationships and our data privacy policy aims to ensure we collect, transfer and store electronic and hard copy personal data appropriately, protecting against the misuse or abuse of information.

Absa Cyber Security

Social and relationship capital *continued*

Regulators

Continuing to build and maintain sound, positive and healthy relationships with regulators and government is essential, given the vital role they play in ensuring the stability of the financial system.

As we operate in a highly regulated environment, we follow a structured approach to ensure that all the business processes, policies or system changes necessary for regulatory compliance are implemented. In the normal course of business, regulators conduct reviews of our controls and progress in meeting regulatory requirements. Our communications with regulators are open and transparent and we engage constructively during inspections and investigations.

Covid-19 regulatory intervention

Engagements with regulators during 2020 focused on the impact of the Covid-19 pandemic, covering liquidity and capital ratios; credit risk; corporate governance matters; technology resilience; Group Executive Committee and senior management succession planning; refocusing, and execution of, the Group strategy; as well as data privacy issues experienced by the Group.

We offered our expertise to policymakers and industry bodies who developed coordinated responses to mitigate systemic shocks resulting from the Covid-19 pandemic, which threatened the economic infrastructure and social stability of the countries in which we operate.

Regulators were proactive in supporting the banking sector and released several directives and guidance notes in relation to relief measures to mitigate the effects of the Covid-19 pandemic.

In South Africa regulators:

- Provided temporary relaxation on capital and liquidity requirements to encourage continued flow of credit.
- Granted a block exemption for the banking sector with respect to the Competition Act, which allowed the sector to coordinate and collaborate on solution-driven banking practices without fear of this being deemed anti-competitive behaviour.
- National Treasury, the South African Reserve Bank and government partnered with commercial banks on a R200bn loan guarantee scheme to temporarily increase the supply of credit to small and medium enterprises to cover operating costs (page 44).
- Government purchased securities in the market to address concerns on government bond markets resulting in cumulative repurchase rate reductions of 3% in 2020. This interest rate reduction supported the debt repayment capacity of companies and households.

In our Absa Regional Operations presence countries, regulators:

- Granted temporary relaxation on capital adequacy requirements; reduced borrowing costs from central banks and provided additional liquidity for onward lending.
- Issued guidelines for restructuring loans in good standing, extending loan terms and the granting of repayment moratoriums (Botswana, Ghana, Kenya, Mauritius, Uganda and Zambia).
- Eased regulations relating to the classification of restructured loans and the raising provisions to support loan restructures (Botswana, Kenya, Mauritius, Mozambique, Uganda and Zambia).
- Reduced digital and mobile banking fees and increased certain transaction limits to reduce the use of cash.

Market conduct

The South African Financial Sector Conduct Authority issued the Conduct Standard of Banks 2020, the main objective of which is to ensure the fair treatment of financial customers of banks, with an emphasis on transparency and disclosure. Following a phased implementation, work is ongoing in updating the relevant components of our Enterprise Risk Management Framework.

We continue to monitor, implement and, where required, perform impact assessments on various developments, including:

- Data privacy, the protection of personal information and cybersecurity in multiple jurisdictions.
- Responsible lending and insurance, where we continue to respond to the limitation of fees and interest rates and the maximum costs of credit life, and to engage with regulators on mechanisms for resolving over indebtedness and providing debt relief.

We continue to respond to the following South Africa specific conduct-related legislation:

- The Financial Sector Regulation Act (including the Financial Sector Levies Bill)
- The Financial Sector Laws Amendment Bill
- The Conduct of Financial Institutions Bill
- The Financial Matters Amendment Bill
- The National Credit Amendment Act (debt intervention)
- Amendments in the Financial Advisory and Intermediaries Services (FAIS) Act (including the general code of conduct, fit-and-proper requirements and recognition of crypto currencies as FAIS financial products).

Our Anti-Bribery and Anti-Corruption Policy and Standards are designed to help comply with the United Kingdom Bribery Act (2010), the United States Foreign Corrupt Practices Act, the South African Prevention and Combatting of Corrupt Activities Act (2010) and Regulation 43 of the South African Companies Act. In South Africa, the Financial Intelligence Centre Amendment Act defines a risk-based approach to customer due diligence, which requires cooperation with an appropriate sharing of information with designated authorities and other stakeholders. We continue to proactively identify and develop trends and typologies and remain committed to sharing intelligence gathered with identified stakeholders.

Prudential oversight

We complied with key aspects of Basel III as follows:

- Exceeded the capital requirements, with a common equity tier 1 ratio of 11.2%, above the SARB requirement of 7.5%.
- Achieved a liquidity coverage ratio of 120.6%, above the SARB minimum target requirement of 80%.
- Achieved a net stable funding ratio of 115.9%, above the minimum regulatory requirement of 100%.

We are progressing our response to Basel III Finalising Post Crisis Reforms.

Other notable matters

Separation programme updates were provided through engagements with Absa Regional Operations banking entity regulators, with written updates provided to the South African Prudential Authority. A comprehensive close out session is planned for the 2021 Africa Supervisory College, facilitated by the South African Reserve Bank.

Our tax philosophy ensures that we pay the appropriate amount of tax in the jurisdictions where we operate. In 2020, we paid R3.7bn in direct corporate taxes, and a total of R3.3bn, including indirect taxes. This included our carbon tax contributions.

Social and relationship capital *continued*

Society

Our success is interlinked with the wellbeing of the societies in which we operate. We aim to amplify the positive impact of the Group by contributing to solutions that address several socioeconomic challenges.

By tackling societal challenges through commercial business models, we have been able to offer solutions in various focus areas such as affordable housing and financial inclusion. In 2020, we extended these positive impacts through: (i) sustainability; (ii) constitutional support; (iii) community development; (iv) Covid-19-related activities, such as medical testing, personal protective equipment; and support to vulnerable communities; and (v) activities that generally contribute to playing a shaping role in Africa's growth and sustainability.

Diving deeper: This section should be read in conjunction with **15** Playing a shaping role in Africa's growth and sustainability, **55** Strategic focus 2: Covid-19 pandemic, **79** Natural capital
2020 ESG, PRB and B-BBEE Reports

Responsible procurement and supplier diversity

We prioritise purchasing from small and medium enterprises, black-owned and black-women owned entities. For qualifying entities, we provide preferential rates for projects funded through the Group's supplier development initiatives. We have moved away from asset-based criteria for small- and medium-enterprise funding and use secured supply or service contracts as the basis of funding. We also unbundle large contracts into smaller pieces of work, enabling emerging enterprises to participate in tenders. Despite the constraints posed by Covid-19, we have improved our local procurement performance.

In South Africa, our total weighted procurement spend was R18.8m, of which R15.3m (81.4%) was procured from locally registered businesses (2019: 79.1%). The weighted spend (calculated in accordance with the Department of Trade, Industry and Competition's Codes of Good Practice) is allocated as follows:

- R3.5bn with 909 exempted micro enterprises and 466 qualifying small enterprises (2019: R2.7bn; 890 small to medium enterprises; 421 qualifying small enterprises).
- R4.8bn with 479 suppliers who are 30% or more black women-owned (2019: R5.7bn; 405 suppliers).
- R9.2bn with 903 suppliers who are 51% or more black-owned (2019: R8.1bn; 783 suppliers).
- R175.5m with 17 designated suppliers, including unemployed and disabled individuals, youth, black military veterans, and people from rural and under-developed areas (2019: R162.7m; five designated suppliers).

We also contributed R231m (2019: R248m) to supplier development initiatives, which included capacity building and funding at preferential interest rates.

Absa Insurance launched Basadi, onboarding 26 black women entrepreneurs as service providers. The programme includes the training and development of the business owners, financial aid, preferential allocation of work, and mentorship opportunities.

In Absa Regional Operations, our procurement spend was R3.0bn (2019: R1.5bn). Where possible, we select and contract with local entities. We embarked on multiple joint supplier relationships for our signage, ATM profile installations and branch refurbishments for the Absa Brand launch, which we concluded in 2020. We have identified in-country suppliers who were trained and upskilled by our South African partners to complete the installation and to run business-as-usual projects going forward.

The Absa Business Day Supplier development awards events focused on small and medium enterprise resilience strategies, future-based skills, collaboration and innovation, as well as building thriving and inclusive supply chains. We also provided small and medium enterprises access to the Annual Smart Procurement Indaba – an online exhibition reaching over 1 000 corporates and chief procurement officers – and a year's membership to the online platform.

Entrepreneurship

Over and above access to procurement opportunities, we support small and medium enterprises with access to financial services, as well as development of business skills, information, networks and markets. These interventions include training and strategic events; access to corporate customers and their value chains; and partnerships with non-profit organisations, global development organisations and governments.

Absa virtual supplier engagements

We held a virtual seminar focusing on woman-owned businesses through the Lioness of Africa, featuring real-life successes and lockdown challenges in small and medium enterprises in South Africa.

Female entrepreneurs gained access to markets through the Digital Online Business Expo, whereby they showcased their products and services to Absa and our clients' procurement heads to promote access to funding and value chain opportunities. This initiative included bespoke business success agility training during lockdown, as well as a networking platform through the Lioness of Africa Business Agility webinars, which saw established business owners sharing lessons learnt on their journey to success.

Another virtual seminar focused on small business matters, such as compliance with relevant regulations.

While there have been many casualties of the Covid-19 lockdown, there have also been inspiring stories of hope, persistence and innovation. Our intention with this webinar series was to provide inspiration and guidance through a platform for small and medium enterprises to share their stories.

Absa supply chain beat Covid-19

Absa hosted a series of webinars with the Lionesses of Africa that connected women entrepreneurs to share insights.

Absa and the Lionesses of Africa

Social and relationship capital *continued*

Our structured approach to value chain financing blends our commercial funding with more affordable funds and/or guarantees from third parties to provide more affordable financing rates for emerging businesses that would not otherwise qualify for traditional finance.

In South Africa, we selected 13 licences and issued grants totalling R63m to be used to acquire licenses, improve systems, hire new staff, enhance their capital adequacy, and grow their businesses. Below are a few examples:

- Bright On Capital, a black-owned and managed alternative financial services company, received a grant to expand and simplify access to affordable finance for small and medium enterprises. The grant supported enhancements to their technology platform and enabled the expansion of their sales and operational, and management teams.
- Cartesian Capital, a black female-owned asset management company, received a grant for expansion of their business.
- Grant funding was provided to Suntricity, a black-owned entity, for a pilot project to assist public schools in managing their electricity and energy consumption. Detailed analysis of the electricity and water usage is conducted, and potential savings identified. Where applicable, Absa's renewables team can assist in funding solar photovoltaic installations that will assist the school to reduce its electricity costs.
- Grant funding was provided to Thuma Mina, a black-owned SME employing seven youth, providing courier services of food, grocery and medication.
- Grant funding supported eight Absa-banked SMEs who supplied personal protective equipment to our public sector clients and government entities, which reduced public sector burden while supporting small businesses.
- Grant funding was provided to Tsholetsa Disability Group after participating in business coaching on topics such as sustainability, cash flow, financial management, and strategic marketing on social media.
- In partnership with Ekasi Entrepreneurs, Absa assisted more than 400 township-based SMEs with Unemployment Insurance Fund registration and funding, annual financial statements and reports, South African Revenue Service registrations and access to an accounting and payroll system for one year. The benefits received by the SMEs amounted to more than R6m and created more than 100 jobs.

The following programmes will be implemented in 2021. In both instances, Absa will also provide transactional services and financial literacy to the emerging operators.

- Absa will be a funding partner a programme that seeks to grow the businesses of black-owned informal second-hand tyre dealers.
- Absa will be a funding partner of an initiative that seeks to assist spaza shop owners to upgrade their stores to a commercially sound neighbourhood convenience store format, supported by a large South African retailer's supply chain.

Further examples in our Absa Regional Operations presence countries include:

- mySME Tool, available across our ARO presence countries, supports efficient and effective business management by allowing customers to manage their customers and products, assisting with business planning and financial forecasting, sending quotations and invoices, managing monthly reporting and improving branding.
- In support of the International Trade Council's ShetradeKE, Absa Kenya announced a SH10m fund to advance credit to women-owned small and medium enterprises over the next five years. This fund is part of our commitment to advance diversity and inclusion by empowering women with finance, access to markets, access to information and capacity building.
- An SME Academy pilot in Uganda helped businesses improve sustainability by better managing their businesses through periods of economic downturn. In partnership with the International Financial Corporation, we hosted six webinars for the SME community with the purpose of helping small businesses navigate through Covid-19 and the economic impact of the pandemic.
- 722 SMEs in Botswana received online training on topics including opportunities available in different sectors for SMEs and business innovation.
- A four-year sponsorship of the Exxon Mobil and Area 4 Partners Enterprise Development Centre, will focus on upskilling local businesses to enable participation in the oil and gas value chain in Mozambique. Absa also delivered financial management training.

Focus on agriculture

In South Africa, we have prioritised collaboration with all stakeholders in the agricultural value chain. Our specialists provide ongoing reports on local and global markets to help our customers make more informed decisions. We assist customers who experience challenges with proactive interventions. for example, where farmers have demonstrated good management skills and a solid track record, we offer payment extensions, balance sheet restructuring or capital holidays.

To enhance the viability of small-scale farmers, we have built supportive agri ecosystems that aim to mitigate risk and reduce barriers. This helps to address many challenges these farmers face, providing them with technical knowledge, market access and access to finance through partnerships with fellow corporates, industry associations and business development organisations. For example, with committed market off-takes in place, we can lend against projected cash flows as opposed to relying on collateral.

For Farmers Group: Transforming the grain sector

Enabling inclusive growth and transformation in agriculture is possible through sustainable partnerships. Our partnership with the For Farmers Group aims to transform the grain industry by bringing previously unused and under-used land into production while simultaneously benefiting the households who own the land.

We began in 2018 by financing 220 hectares of production, which increased to 1 875 hectares in three years, benefiting 26 farmers, their households and the 220 families in the communities from whom the land is leased. In the past season, this created 150 seasonal jobs for the communities.

With the For Farmers Group and other ecosystem partners, there is potential to cultivate over 15 000 hectares in KwaZulu Natal, Mpumalanga, North West and Western Cape, benefiting 217 black farmers and their households. In addition, 500 families will benefit from the rental fees for the land and the jobs created in their communities.

Social and relationship capital *continued*

From a backyard business to a flourishing poultry farm

Absa supported a rural poultry farm owned by Pheona Phalane, a 24-year-old entrepreneur who started the business in her grandmother's backyard using the savings she gathered as a student. Through Absa, Pheona has received one-on-one mentorship and training on business strategy, cash-flow management and the preparation of financial reports. She also received training in business marketing and support in securing registration as a recognised supplier with the Department of Agriculture. The Absa-enabled mentorship further guided her in the purchasing of land for her business, as well as registration with the Gordon Institute of Business Science for an international innovative female entrepreneurs' programme. Absa also offered Pheona's business, the Phalmosh Poultry Farm, a business development grant. Phalmosh are now suppliers to the community and smaller local supermarkets.

Agri innovation

We embarked on a remote sensing pilot for development clients, which uses optical and radar satellite images to enable a real-time view of the production of a specific commodity. This allows producers to take corrective actions to protect the crop and thus safeguard cash flow. The system allows for the monitoring of crucial events in the crop growth cycle. There is also a weather module that provides 30 years of historical data and 10 days forecast. The platform provides a yield estimate that enables forecasting of revenue. This platform assists Absa in understanding production risk and enables the pursuit of corrective actions.

Financial inclusion and literacy

We contribute to a more inclusive economy and societal financial wellness of society by developing affordable, needs-based financial products delivered through innovative and convenient channels. This is supported by consumer education and financial literacy training. We use various communication channels, including ATMs, short message services, face-to-face exchanges and digital platforms to educate customers on managing the costs of everyday banking products.

A diverse set of transactional, savings, lending and insurance products meet the needs of the entry-level market. These include offerings such as Group Savings and PEP Money (South Africa), Atlas (Ghana), Motshelo (Botswana), Jumo (Ghana and Uganda) and Timiza (Kenya).

Our consumer financial education empowers individuals to make informed choices through responsible financial management while improving the broader economic inclusion of citizens. In South Africa, over 50 246 (2019: 119 000) beneficiaries have received consumer financial education, with social distancing impacting the ability to deliver face-to-face training.

Connecting people to formal financial services

A large proportion of the population of unbanked individuals in Africa cannot be serviced economically using traditional brick and mortar banking channels mainly due to the high cost to serve. To fulfil our vision of shared growth through connecting people to formal financial services, Absa collaborated with a technology platform provider, JUMO, and MTN to provide mobile loans to the largely unserved and underserved customers. Through these products, many customers who would not have access to finance because of thin credit files, or were unable to save due to onerous onboarding requirements, can now borrow to finance their businesses and save for the future. This is contributing to a significant uplift in driving financial inclusion in Africa.

Focus on affordable housing

In support of home ownership in South Africa, we have provided R2.6bn in affordable home loans to 5 332 customers, up by 17%. These include loans to 143 customers through the South African Government's Finance-Linked Individual Subsidy Programme. 6 874 first-time home buyers participated in the borrower education programme, which covers key aspects of home ownership, home maintenance and personal financial matters. We continuously leverage the opportunities that digitisation brings to scale access to information and understanding of homeownership in South Africa.

In the past five years, we have provided more than R7bn in finance to enable the development of and/or investment in affordable units. Our offering includes social housing, which involves providing finance to facilitate more affordable rentals. We have worked with the Department of Human Settlements and local authorities over the past seven years on projects delivering approximately 5 000 homes in Gauteng and the Eastern Cape (Witbank, Mogale City, Olivenhoutbos and Thornhill). A further 1 762 houses will be delivered over the next two to three years in Mogale City, Thornhill and Witbank. The project to deliver 580 homes in Pienaarsrivier was completed in 2020.

Employees as a force for good

Our employees bring our intent of being an active force for good in communities to life. They do this through both Group-led and employee-led initiatives, be it by volunteering their time, skills, knowledge, and expertise, or through fundraising to support communities in need. Covid-19 fundamentally impacted the way we engage in communities and resulted in a reprioritisation of focus areas. In 2020, our employees focused their efforts on fundraising in support of Absa's Covid-19 humanitarian response, contributing R5.2m towards these efforts through donations, which included encashment of accumulated leave.

Promoting gender equality and dignity

Absa is committed to advancing gender equality in policy and practice. We have a zero-tolerance approach towards gender-based violence and femicide (GBCF). Moreover, we recognise the need for society to come together to create an environment in which women and girl children can be safe – in their homes, in our communities and at work.

To help address this need, Absa has committed to supporting South Africa's National Strategic Plan on GBVF by contributing R10m towards the newly-established GBVF Private Sector Response Fund. The Fund will mobilise resources to enable scalable programmes, targeting prevention of and response to GBVF across South Africa. We are also providing project management capacity, building the Fund's website and offering basic marketing activities, as well as supplying free banking services for the first twelve months. Absa will also assist in developing a donation and disbursement process with the administrator. This is a practical example of how, as industry leaders, we can set the tone and be drivers of change.

This support builds on various initiatives undertaken by the Group in 2020 to promote gender equality and support action against GBVF, including the launch of our Absa Women's Manifesto, promoting the UN's HeForShe initiative, working with men in our communities and within Absa to break the cycle of violence, hosting several dialogues on gender-based violence, and collaborating with multiple institutions to ensure a portion of public procurement spend is earmarked for women-owned businesses.

Let us Stop the silence on SGBV and start being part of the solution to end this pandemic.

Natural capital

Natural capital refers to all renewable and non-renewable environmental resources and processes that enable our business activities, thereby supporting our ability to create value in the short, medium and long term.

Related material matters

37 Regulatory change, risk management and governance
39 Climate change
40 Transformation within a sustainable development context

Strategic response

51 Build pioneering new propositions
53 Pursue growth opportunities
54 Playing a shaping role in Africa's growth and sustainability

Contributing to SDGs

SDG 7 SDG 12 SDG 13

Environmental risks dominate both the short-term and long-term risk outlooks of the 2021 World Economic Forum Global Risk Report, which cites biodiversity loss, climate action failure, extreme weather, human-made environmental disaster, natural disasters and water crises. These, in turn, will continue to have a knock-on impact on economies, productivity, property, infrastructure, food security, health and sustainable human settlements.

Since become a founding signatory of the United Nations Environment Programme Finance Initiative's Principles of Responsible Banking (PRBs) in September 2019, we have made several strides in dealing with climate change:

- We published our revised Sustainability Policy and a Coal Financing Standard after consultation with stakeholders. Our Group Sustainability Policy requires our Group strategy to align with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement, among others.
- Absa was the first listed South African company to voluntarily include a climate change resolution in our annual general meeting resolutions. Over 99% of shareholders voted in support and we have provided an assessment of our exposure to climate change risk in our lending and financing portfolios, and of the opportunities to finance climate change mitigation and adaption.
- Sustainability risk was elevated to a principal risk type within our Enterprise Risk Management Framework.
- We commenced a pilot project in partnership with the Centre for Scientific and Industrial Research to model climate change impact on maize in the Free State, South Africa. The outcomes of this project will feed into internal climate change models. Additional sectors prone to physical risk, such as drought, hail and flooding, will be assessed in the near future.
- We implemented an environmental and social risk management system in seven Absa Regional Operations countries, in accordance with the requirements of the Group's Multilateral Investment Guarantee Agency (MIGA) agreement. The framework, manual and tools ensures compliance with International Finance Corporation performance standards and local legislation. Environmental and social management system officers were appointed and trained in these countries. Where the agreement is not in force, the roles and responsibilities are implemented by equivalent role holders.
- In partnership with daily online independent newspaper Daily Maverick, we commissioned research by world-acclaimed scientists at Wits University's Global Change Institute, together with a panel of 12 experts from various disciplines, to generate a top-five list of factors that are almost certain to alter the fabric of our society. The findings are being discussed over a series of webinars.
- Absa participated in the UNEP FI Phase II pilot project on implementing the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for banks, together with 38 other global financial institutions across six continents.
- Working through the Banking Association of South Africa, we are engaging with government regarding plans for an orderly transition, which will allow the country to comply with its international greenhouse gas emission reduction commitments.

Absa's portfolio exposure

Intensifying climate change impacts mean banks must better manage climate-related risk within their portfolios. We support the goals of the Paris Climate Agreement. Implementing the TCFD framework supports our ability to provide decision-useful information to investors, lenders, and insurance underwriters regarding our most material climate-related risks and opportunities.

We have published the Group's first TCFD Report.

As our climate-related risks exist predominantly in our lending activities, we are committed to disclosing metrics that capture the potential impact of climate change risks and opportunities within our loan portfolios in line with the TCFD recommendations. We also provide the details of our direct footprint, although the climate-related risks and opportunities in this regard are less significant.

The sectors below are those we believe have elevated climate-related risks, although a range of vulnerability exists within each sector. Our monitoring and reporting of exposures to sectors with elevated climate risk will improve and become more granular as our approach to climate change risk management evolves, aligning further with the TCFD recommendations. We provide three viewpoints – reporting on climate-sensitive sectors, high-emissions sectors and our exposure to fossil fuels. The tables that follow show our gross loans and advances at a Group level at 31 December 2020.

In aggregate, climate-sensitive sectors, as identified by the United Nations Environment Programme, constitute 52% of our total gross loans and advances. However, excluding our sizeable real estate book, which is primarily retail home loans, climate-sensitive sectors comprise 18% of our total loans, with our well-diversified agriculture and manufacturing portfolios constituting the most significant components at 5% each.

Natural capital *continued*

	Loans Rbn	Percent of total
Real estate	323	34.8
Agriculture	48	5.2
Manufacturing	46	5.0
Transport and logistics	32	3.4
Mining and quarrying	22	2.4
Construction	15	1.6
Electricity, gas and water supply[1]	8	0.9

[1] Excluding renewables

High emission sectors

Sectors with generally high emissions account for 12% of our total loans, with manufacturing the largest at 5%.

	Loans Rbn	Percent of total
Manufacturing	46	5.0
Transport and logistics	32	3.4
Mining and quarrying	22	2.4
Electricity, gas and water supply[1]	8	0.9

[1] Excluding renewables

Fossil fuels

At R9bn, fossil fuels comprise 1% of our total gross loans, with oil the largest component. In addition, we have approved two facilities in the gas sector within Absa Regional Operations with limits of almost R7bn that had not been drawn by 31 December 2020.

	Loans Rbn	Percent of total
Oil	6.1	0.7
Coal	2.9	0.3
Gas	0	0

Climate change opportunities

Banks are uniquely positioned to facilitate the flow of capital towards environmentally and socially beneficial activity. Intensifying climate change impacts have resulted in increasing investor and broader stakeholder focus on climate-related risks and opportunities. For example, banks are pivotal in enabling Africa's transition to a low-carbon economy in an orderly manner that is least disruptive to the financial system, ensuring a secure and sustainable energy supply, and considering the socioeconomic wellbeing of the continent.

The significant financing requirements for the 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.

We continue to intensify our strategy to support renewable energy projects that are economically, environmentally and socially feasible and that play a role in the diversification of electricity supply as articulated in the national development plans of many of the countries in which we operate.

We support the renewable energy sector, offering strategic advice on and facilitating access to finance for wind, solar, geothermal, waste and hydro-electric energy.

Our renewables loans at 31 December 2020 amounted to R20.4bn, or 2.2% of our total Group loans. Consequently, renewables constituted 69% of our total energy funding. We strongly support renewable energy and clean technology as solutions to the energy transition and are the largest funder of renewable energy in South Africa by megawatts financed. Our existing renewables book is considerably lower than the R80bn of funding we have provided (46% of all renewable energy projects awarded so far as measured in megawatts), reflecting pay downs and distributing much of the book after origination.

While no new deals were approved in 2020, we were a senior and mezzanine lender in refinancing a concentrated solar power project, which was a landmark transaction as the first refinancing of a project under the Department of Mineral Resources and Energy's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme. Moreover, we supported several clients' bids in Eskom's Risk Mitigation Programme in December, including a significant renewables component.

Commitment to sustainable finance

Launched in 2020, our newly established Sustainable Finance team within Corporate and Investment Bank, will use our products, services and relationships to support and accelerate the fundamental changes in our economies and lifestyles necessary to achieve shared prosperity for both current and future generations.

Pillar 1: Capital and risk management solutions

Solutions for our customers, projects and initiatives that promote environmental protection in the form of emission reductions and pollution prevention as well as inclusive growth through the increase in access to basic services such as education health and housing. Our capital will be strategically allocated to minimise harm or increase societal outcomes.

Pillar 2: Assisting clients to transition to sustainable operating models

Over time, we will develop sector-specific transition plans to assist clients in areas where they lack the capacity or expertise.

Pillar 3: Driving systemic change

Proactive engagement with key decision makers and regulators based on insights and thought pieces.

Corporate and Investment Bank aims to finance or arrange R100bn for ESG-related projects by 2025 through capital-raising and lending solutions and Business Banking South Africa aims to finance 250MW or R2.5bn of renewable power by 2025.

Natural capital *continued*

Bokpoort refinancing a first

Absa was a senior and mezzanine lender in the refinancing of the 50 MW Bokpoort concentrated solar power project, the first refinancing of a renewable energy project under the REIPPP. The project began commercial operation in 2016 and was in the fourth year of the ramp-up period, which is required for a concentrated solar project. The transaction included refinancing the existing senior Jibar-linked debt as well as introducing senior CPI-linked and mezzanine debt, increasing the loan tenors, and increasing the project's debt quantum by R1 991m, of which Absa financed R958m.

Advocacy and awareness

Customer education and awareness is an important component of managing climate change and our activities in this area include events and customer visits to solar photovoltaic sites; thought leadership through newsletters, articles, social media posts, testimonials 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.

In 2020, we created general awareness of sustainability among 400 employees across the Group during engagement sessions on the Sustainable Development Goals, arranged for a co-author of the South African National Treasury's technical whitepaper on Sustainable Finance to provide a teach-in on the whitepaper, and co-facilitated training for in-country officers on the environmental and social requirements of our MIGA deal. Other training included 25 sessions on renewable energy and funding mechanisms, as well as various podcasts on sustainability.

Direct environmental impact management

We aim to continuously mitigate our direct environmental impact and our 2030 Environmental Action Plan outlines a long-term plan to further reduce our environmental impact. Our portfolio includes five buildings with Green Star ratings, and we maintain 1.4MW of solar photovoltaics and use gas to generate a further 12MW. In South Africa, we also use bio-degradable materials in all our canteens.

Large Absa offices in South Africa and Botswana have grey water recycling plants, rainwater harvesting and boreholes to reduce potable water consumption.

Our direct footprint was notably impacted by changes to ways of working brought about due to the Covid-19 pandemic. The marked decrease in our waste recycling, carbon footprint, energy, and water usage was attributable to the reduction of travel emissions and reduced occupancy levels across the corporate portfolio. In 2020, we achieved a 23.3% reduction in energy consumption (32.1% reduction against the baseline). We achieved a 21.1% reduction in carbon emissions, resulting in an overall 33.8% reduction against the 2018 baseline. Our carbon emissions per full-time equivalent employee improved to 4.81 (2019: 5.79) and carbon emissions per square metre improved to 0.15 (2019: 0.18). Our energy mix, which includes cleaner energy sources, such as gas and diesel, resulted in a reduction of our emissions factor to 0.81 kg/kWh, which is below that of the national grid average of 1.04kg/KWh. PwC conducted limited assurance on the total energy use and carbon emission indicators, which are detailed in the stakeholder scorecard on pages 90 – 91.

Diving deeper: 2020 ESG Report

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

[1] Baseline not yet established.
[2] South Africa only.

Sipho M Pityana
Remuneration Committee Chairman

In this Remuneration Report, we set out the remuneration decisions taken regarding the 2020 financial year. We describe the adjustments being made to our remuneration frameworks to ensure the Group's remuneration structures remain fit-for-purpose. During this time, there was heightened focus by the RemCo on the needs and expectations of the Group's stakeholders in making remuneration decisions.

Diving deeper: 2020 Remuneration Report

Remuneration outcomes

The year in review

2020 was a particularly challenging year, both locally and globally, significantly impacted by the outbreak of the Covid-19 pandemic and the resultant material economic, social and health issues. Absa responded to the pandemic to help mitigate the effects, as far as was practicable, for stakeholders. Details of our various responses are set out in our Integrated Reporting suite.

Banking was declared an essential service during the pandemic under South Africa's State of Disaster regulations, and in other countries. The Absa management team responded to the challenges posed over this time with speed, intensity and rigour. Employees across the Group responded admirably, with our frontline employees continuing to serve customers in branches and call centres. At the same time, a large proportion of our workforce transitioned to working from home. We kept our operations running with minimal interruption and implemented initiatives to ensure the safety, physical and mental wellbeing of employees. Our employees (including executive directors and prescribed officers) were joined by non-executive directors in contributing financially and in other ways to the fight against the impact of Covid-19.

During 2020, the Group successfully completed the separation from Barclays PLC on time and within budget. This was the culmination of the significant change efforts and management focus required through the Separation, thereafter allowing the Group to focus more on its strategic transformation imperatives.

Operating environment

The Group's earnings were materially impacted in 2020 by the Covid-19 pandemic. However, the organisation demonstrated financial resilience on key metrics prioritised at the start of the crisis (including capital, liquidity, cost management and pre-provision profits). Details of our financial performance are reflected in the Financial Director's report, with salient elements thereof considered by the RemCo in relation to remuneration decisions set out in this Remuneration Report. These included:

- Headline earnings reduced by 51% in reported currency and 53% in constant currency to R8bn, following a material increase in impairments as delinquencies grew and coverage was increased to reflect an expectation of increased credit losses over time.
- Pre-provision profits remained resilient, increasing by 7%, supported by 3% positive operating JAWS. Cost management received increased focus during the crisis, resulting in operating costs decreasing by 2%, and the cost-to-income ratio reduced to 56% from 58% in 2019.
- The Group common equity tier 1 ratio of 11.2% remained in the Board target range (11 – 12%) as the adverse impact of lower earnings was offset by deliberate actions to manage capital deployment. Liquidity levels were strong, supported by good growth in deposits.

Pre-provision profit growth is competitive relative to the market. In contrast, headline earnings is broadly in line with market despite Absa's positioning our impairments coverage.

Stakeholder considerations

All remuneration decisions were taken through the lens of ensuring the long-term sustainability of our business.

- The RemCo was acutely aware of the Board's decision that no dividend will be paid to shareholders for the 2020 financial year, having regard to capital preservation in the current environment.
- We considered the impact of the capital and liquidity interventions by the South African Reserve Bank and other regulators in our various markets, as well as benefits arising from these to the Group.
- Throughout our deliberations, we remained conscious of the pandemic's damage to our societies, the impact on small business owners, large business in certain sectors and generally on employment in all the jurisdictions in which we operate. Our Integrated Report discusses the initiatives to support our customers and our societies.
- RemCo is cognisant of the extreme pressure the crisis has placed on the broader economy and our Group. We also needed to reward our employees appropriately for their contribution to the Group's performance, taking into consideration the competitive environment, to ensure a balanced outcome for all stakeholders over the long term.

Outcomes of remuneration review

In considering enhancements to our remuneration frameworks to ensure fitness for purpose, the RemCo adopted a longer-term focus. We did not adjust our remuneration practices merely as a response to the Covid-19 pandemic; the RemCo remained focused on the strategic role that remuneration plays in driving organisational performance and stakeholder value creation.

Through its deliberations and engagement with management, the RemCo recognised that it was essential to focus on two critical and distinct perspectives: 2020 as a unique period; and 2021 and beyond as we move to recovery. The former dealt with remuneration for this year, while the latter addressed the Group's longer-term strategic reset of our remuneration approach . Several fundamental principles guided the committee's decision-making. These included ensuring:

- Appropriate balance of stakeholder interests over time.
- Simplified, fit-for-purpose remuneration frameworks that increase transparency and enable the delivery of the Group's strategy and creation of long-term shareholder and stakeholder value.
- Differentiated reward outcomes based on performance and contribution.
- Clear focus on critical talent, scarce skills and our transformation imperatives in allocating reward.

2020

Our 2020 remuneration outcomes include:

1. The RemCo approved a **performance bonus pool** of R990m (53% down on the prior year in constant currency, in line with our reduction in headline earnings). The approach adopted by the RemCo, and the financial and non-financial performance considered in this regard, are set out on pages 9 – 11 and pages 17 – 18 of the 2020 Remuneration Report. Additionally, the RemCo approved a pool of R57m for Separation (this being the last year that this pool will apply) and R22m for the Investment Cluster incentive plan.
2. The **2020 short-term incentives allocated to our executive directors and prescribed officers** (for individuals in their role during both 2019 and 2020) were in total R16.9m, down 60% from R41.9m awarded to these same individuals for 2019 performance. This excludes the Group Chief Executive Officer, who joined in January 2020. This reduction is greater than the reduction in the approved performance short-term incentive pool and greater than the reduction in headline earnings.
3. **No cash bonuses** are being paid in 2021 for 2020 performance to executive directors, prescribed officers, members of the Group Executive Committee (ExCo), and other material risk takers.
   - Short-term incentives awarded to executive directors (with the exception of Peter Matlare), prescribed officers and ExCo members will be deferred into Absa Group shares vesting in equal tranches on the first, second and third anniversaries of the award date. Individual disclosures for our executive directors and prescribed officers are set out on pages 23 – 40 of the 2020 Remuneration Report.
   - Short-term incentives awarded to other material risk takers will include a cash deferral to vest after one year, and the remainder deferred into Absa Group shares to vest in equal tranches on the first, second and third anniversaries of the award date.

   These deferrals will be subject to an appropriate common equity tier 1 safety and soundness validation before vesting. The details are set out on pages 18 – 19 of the 2020 Remuneration Report.
4. Short-term incentive allocations, at both a pool and individual level, have been **differentiated** in favour of top performers and those who made the most significant contribution to our strategic delivery in 2020.
5. Our **short-term incentive deferral thresholds** were amended. Awards up to R1m will not be subject to deferral, with 50% of the portion of the award above R1m deferred into Absa Group shares. This is more in line with market practice.
6. The RemCo decided that the **performance conditions for the 2019 and 2020 long-term incentive allocations** will not be changed.
7. The RemCo reaffirmed its previous decision not to make use of stand-alone retention shares.
8. The RemCo decided that there would be no **fixed remuneration** adjustments for the executive and senior management population (about 1 000 managers and executives) in April 2021, unless there are anomalies to be addressed on an individual basis.

Remuneration outcomes

2021 and beyond

The RemCo approved the following for implementation in 2021 and beyond:

1. Executive directors, prescribed officers and a limited group of other executives and senior managers will remain eligible for long-term incentive participation. Focusing **long-term incentive participation** on a smaller number of roles with the direct ability to materially influence the delivery of the Group's strategy strengthens the alignment of participants' and shareholders' interests. Participants have greater control over outcomes.
2. Our 2021 long-term incentive Group performance targets reflect the Group's strategic priorities over the 2021 to 2023 performance period. These are set out on page 12 of the 2020 Remuneration Report. The 2021 long-term incentive performance conditions have been re-aligned with the key priorities as the Group emerges from the crisis. Five measures, each with a 20% weighting, will be tracked (of which one is non-financial):
   - Return on equity and the cost-to-income ratio remain focus areas and have been supplemented by the common equity tier 1 ratio, given the focus on maintaining strong capital levels during a period of heightened uncertainty. The Group total shareholder return relative to peers has also been introduced.
   - We have increased the weighting of the non-financial organisational health measure to 20%, given shareholder feedback and the increased focus on the environmental, social and governance (ESG) agenda.
3. Long-term incentives awarded to ExCo members (including executive directors and prescribed officers) from 2022 onwards will vest, subject to fulfilment of the applicable Group performance conditions, on the third anniversary of the award date. This is aligned to market practice, and is a change from the current vesting structure of the third, fourth and fifth anniversaries from award date.
4. Migration to a **simplified remuneration structure** for most employees. Remuneration will consist of fixed remuneration and a short-term incentive (including deferral, where applicable). This will improve the simplicity of our remuneration design, while maintaining a strong focus on pay-for-performance.
5. We will review our short-term pools, taking into account smaller long-term incentive participation.
6. We will review the control function (Compliance, Risk and Internal Audit) remuneration mix to ensure that guaranteed remuneration is appropriately competitive and reduces reliance on, and volatility in, short-term incentives. This ensures that control functions remain independent, with variable remuneration linked primarily to performance against the function's objectives. Long-term incentive participation will be exceptional in control functions.

In addition:

- The RemCo oversaw a comprehensive review of all formulaic incentive schemes (which typically apply to employees in sales-related roles) to ensure they remained fit-for-purpose and adhered to governance standards. No material issues were found in these plans. Four schemes were decommissioned. Participants in these decommissioned schemes will now be eligible to participate in the broader performance short-term incentive arrangements, with R19m in funding moving into the base of the 2020 performance pools.
- Our 2017 long-term incentive vested in August 2020. The vesting outcome is set out on page 20 of the 2020 Remuneration Report, with the value accruing to executive directors and prescribed officers in respect of this vesting included in the individual disclosures on pages 23 – 40 of the 2020 Remuneration Report.

Shareholder engagement

Absa's 2019 Remuneration Report, along with other statutory reports, were released on 31 March 2020. The Group Chairman and RemCo Chairman engaged with shareholders ahead of the annual general meeting (AGM) on matters that included our remuneration arrangements. At the AGM on 4 June 2020, we received an 87.22% vote in favour of the Remuneration Policy and 82.99% in favour of the Implementation Report. The vote on the Implementation Report showed a marked improvement from the 2019 AGM outcome of 68.57%.

The RemCo notes that there is still room for further improvement in shareholder support for our Remuneration Policy and implementation outcomes. We are committed to ongoing engagement with shareholders and held several engagements in 2020 and early 2021. As in prior years, we have sought to address the feedback in our evolving practices and disclosures, and thank shareholders for their constructive input.

The Policy and the Implementation Report will be presented for separate annual non-binding votes at our AGM on 4 June 2021. The resolutions are set out in the 2021 Notice of AGM.

Regulatory compliance

Our reporting aligns with the South African Companies Act requirements, Section 64C and Regulation 39(16)(a) of the South African Banks Act, the principles and recommended practices of King IV and the related Johannesburg Stock Exchange (JSE) Listings Requirements. We have been mindful of broader remuneration governance guidance and frameworks, including the Financial Stability Board's Principles for Sound Compensation Practices.

We continue to engage with regulators regarding evolving remuneration governance and good practice requirements.

Aligned to King IV, the Group will engage with shareholders in the event of a negative vote of over 25% on our Remuneration Policy or 2020 Implementation Report.

Access to information and advisers

Members of the RemCo may access any information to inform their independent judgement on remuneration and related matters. This includes any impact that might arise regarding risk, regulation, compliance, control or conduct.

In July 2020, the RemCo appointed Deloitte as its independent adviser. Advice was provided to the RemCo on the remuneration framework review and executive remuneration. This included a comprehensive independent market review to provide context for the remuneration framework review and benchmarking of executive pay. Deloitte is the independent adviser to RemCo, and they do not provide remuneration advisory services to management. The advice provided was objective and unbiased.

Other firms are engaged by management to provide market benchmarking data, including RemChannel, McLagan, Mercer and KornFerry.

Several enabling and control functions within the Group, including the Group People and Culture Function, Finance, Risk, Compliance and Internal Audit, provide supporting information and documentation to the RemCo. In particular, the Finance Function is actively involved in all matters pertaining to the formulation and measurement of metrics for the short-term incentive and the long-term incentive, as well as the related verification of the pools. EY provided an assurance report to the RemCo on the outcomes of all the metrics for the 2017 long-term incentive, which vested in August 2020.

Conclusion

The past year has been enormously challenging for the Group's stakeholders, and our remuneration decisions have been mindful of this trying context. We have sought to ensure an appropriate balance of stakeholder interests while remaining an employer that can attract and retain skilled and talented individuals who can drive long-term shareholder and stakeholder value. In this context, we have applied considerable focus on ensuring that our remuneration philosophy and policy are fit-for-purpose and able to support the Group's refreshed strategy.

The remuneration philosophy serves as an essential catalyst in focusing our employees to deliver the Group's strategic ambitions while supporting the fair and responsible creation of value for all our stakeholders. In this regard, we believe that our remuneration decisions represent a fair outcome and remain appropriately aligned with shareholder and stakeholder interests over the long term.

Sipho M Pityana
RemCo Chairman

We have sought to ensure an appropriate balance of stakeholder interests while remaining an employer that can attract and retain skilled and talented individuals who can drive long-term shareholder and stakeholder value. In this context, we have applied considerable focus on ensuring that our remuneration philosophy and policy are fit-for-purpose and able to support the Group's refreshed strategy.

Executive directors and prescribed officers: remuneration tables

Combined tables for 2020 total remuneration

Executive directors	Daniel Mminele[5]		René van Wyk[6]		Maria Ramos[7]	Jason Quinn		Peter Matlare		Total	
	2020	2019	2020	2019	2019	2020	2019	2020	2019	2020	2019
Awarded remuneration	R	R	R	R	R	R	R	R	R	R	R
Salary	8 430 191	–	833 333	9 166 667	1 606 548	5 422 836	5 428 393	6 501 664	6 493 177	21 188 024	22 694 785
Medical aid	–	–	–	–	21 036	115 128	106 812	188 280	193 881	303 408	321 729
Retirement benefits	154 680	–	–	–	25 482	412 862	417 706	537 727	552 292	1 105 269	995 480
Other employee benefits	75 102	–	28 842	–	2 130 211	58 487	56 402	31 642	19 964	194 073	2 206 577
Total fixed remuneration	8 659 973	–	862 175	9 166 667	3 783 277	6 009 313	6 009 313	7 259 313	7 259 314	22 790 774	26 218 571
Non-deferred cash award[1]	–	–	–	6 000 000	–	–	5 750 000	3 300 000	5 500 000	3 300 000	17 250 000
Deferred share award[2]	5 000 000	–	–	–	–	4 800 000	5 750 000	–	5 500 000	9 800 000	11 250 000
Total short-term incentive[3]	5 000 000	–	–	6 000 000	–	4 800 000	11 500 000	3 300 000	11 000 000	13 100 000	28 500 000
Face value of long-term incentive award (on-target award)[3,4]	15 000 000	15 000 000	–	–	–	10 000 000	12 000 000	–	–	25 000 000	27 000 000
Total awarded remuneration	28 656 973	15 000 000	862 175	15 166 667	3 783 277	20 809 313	29 509 313	10 559 313	18 259 314	60 890 774	81 718 571

1 Executive directors and prescribed officers did not receive cash short-term incentive awards in respect of 2020 performance, aligned to the Prudential Authority guidance. In light of the passing of Peter Matlare on 7 March 2021, the Board approved the payment in cash of the short-term incentive that was awarded to him, as deferred awards would, in the normal course, be accelerated in the event of the death of a participant.

2 The full award made in respect of 2020 performance is deferred into Absa Group shares, with vesting in equal proportions on the first, second and third anniversaries of the award date. Release will be subject to the additional common equity tier 1 (CET1) safety and soundness validation set out on pages 18 – 19 of the 2020 Remuneration Report. The award will be granted in April 2021. All deferral in respect of the short-term incentive award made for 2019 performance was in shares. Deferred awards disclosed in 2019 were granted in April 2020.

3 Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years). For deferred short-term incentives awarded in 2021 for 2020 performance, an additional CET1 safety and soundness validation will apply at vesting. In contrast to this, the long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. Total awarded remuneration disclosed in 2020 includes the fixed remuneration paid during 2020, the total short-term incentive in respect of 2020 performance (consisting only of a deferred award to be granted in April 2021, other than in respect of Peter Matlare) and the face value of the long-term incentive to be granted in April 2021. Amounts disclosed in 2019 follow the same principle, except that the short-term incentive awarded for 2019 performance consisted of a cash award and a deferred share award.

4 This is the 'on-target' value of the award. The awards reflected in 2019 were made in April 2020, and those reflected in 2020 are to be made in April 2021.

5 Daniel Mminele was appointed as Group Chief Executive and an executive director on 15 January 2020. His total fixed remuneration reflects payments made from that date. Daniel received a 2020 long-term incentive award of R15m on 1 April 2020, which was agreed as part of his joining terms, as disclosed in the 2019 Remuneration Report.

6 René van Wyk served as Chief Executive from 1 January to 14 January 2020. He was an executive director from 15 January to 31 January 2020. Remuneration received in 2020 as a non-executive director from 1 August 2020 to 31 December 2020 is set out in the table on non-executive directors' remuneration on page 41 of the 2020 Remuneration Report.

7 Maria Ramos retired from the Group effective 28 February 2019. Values for 2019 are inclusive of amounts to this date.

Executive directors and prescribed officers: remuneration tables

Combined tables for 2020 total remuneration

	Daniel Mminele[4]	René van Wyk[5]		Maria Ramos[7]	Jason Quinn		Peter Matlare		Total	
	2020	2020	2019	2019	2020	2019	2020	2019	2020	2019
Single figure remuneration	R	R	R	R	R	R	R	R	R	R
Salary	8 430 191	833 333	9 166 667	1 606 548	5 422 836	5 428 393	6 501 664	6 493 177	21 188 024	22 694 785
Medical aid	–	–	–	21 036	115 128	106 812	188 280	193 881	303 408	321 729
Retirement benefits	154 680	–	–	25 482	412 862	417 706	537 727	552 292	1 105 269	995 480
Other employee benefits	72 102	28 842	–	2 130 211	58 487	56 402	31 642	19 964	191 073	2 206 577
Total fixed remuneration	8 659 973	862 175	9 166 667	3 783 277	6 009 313	6 009 313	7 259 313	7 259 314	22 790 774	26 218 571
Non-deferred cash award[1]	–	–	6 000 000	–	–	5 750 000	3 300 000	5 500 000	3 300 000	17 250 000
Deferred share award[2]	5 000 000	–	–	–	4 800 000	5 750 000	–	5 500 000	9 800 000	11 250 000
Total short-term incentives	5 000 000	–	6 000 000	–	4 800 000	11 500 000	3 300 000	11 000 000	13 100 000	28 500 000
Value of vested long-term incentives[3]	–	–	–	–	5 007 063	–	6 974 155	–	11 981 218	–
Dividend equivalents/service credits received on vesting awards	–	–	–	–	1 838 139	788 111	2 320 148	173 847	4 158 287	961 958
Total long-term incentives	–	–	–	–	6 845 202	788 111	9 294 303	173 847	16 139 505	961 958
Total single figure remuneration	13 659 973	862 175	15 166 667	3 783 277	17 654 515	18 297 424	19 853 616	18 433 161	52 030 279	55 680 529

1 Executive directors and prescribed officers did not receive cash short-term incentive awards in respect of 2020 performance, aligned to the Prudential Authority guidance. In light of the passing of Peter Matlare on 7 March 2021, the Board approved the payment in cash of the short-term incentive that was awarded to him, as deferred awards would, in the normal course, be accelerated in the event of the death of a participant.

2 The full award made in respect of 2020 performance is deferred into Absa Group shares, with vesting in equal proportions on the first, second and third anniversaries of the award date. Release will be subject to the additional CET1 safety and soundness validation set out on pages 18 – 19 of the 2020 Remuneration Report. The award will be granted in April 2021. All deferral in respect of the short-term incentive award made for 2019 performance was in shares. Deferred awards disclosed in 2019 were granted in April 2020.

3 The amount included in the single figure remuneration *Value of vested long-term incentives* under 2020 reflects the value vested in terms of the 2017 long-term incentive in August 2020. No long-term incentive vested in 2019.

4 Daniel Mminele was appointed as Group Chief Executive and an executive director on 15 January 2020. His total fixed remuneration reflects payments made from that date.

5 René van Wyk served as Chief Executive from 1 January to 14 January 2020. He was an executive director from 15 January to 31 January 2020. Remuneration received in 2020 as a non-executive director from 1 August 2020 to 31 December 2020 is set out in the table on non-executive directors' remuneration on page 41 of the 2020 Remuneration Report.

7 Maria Ramos retired from the Group effective 28 February 2019. Values for 2019 are inclusive of amounts to this date.

Executive directors and prescribed officers: remuneration tables

Combined tables for 2020 total remuneration

Prescribed officers	Arrie Rautenbach		Charles Russon		Total	
Awarded remuneration	**2020 R**	2019 R	**2020 R**	2019 R	**2020 R**	2019 R
Salary	6 450 191	6 465 313	5 593 432	5 611 628	12 043 623	12 076 941
Medical aid	155 820	144 288	194 844	180 432	350 664	324 720
Retirement benefits	159 261	157 676	162 550	160 851	321 811	318 527
Other employee benefits	494 132	492 096	58 487	56 402	552 619	548 498
Total fixed remuneration	**7 259 404**	**7 259 373**	**6 009 313**	**6 009 313**	**13 268 717**	**13 268 686**
Non-deferred cash award[1]	–	5 500 000	–	4 175 000	–	9 675 000
Deferred share award[2]	4 800 000	5 500 000	4 000 000	4 175 000	8 800 000	9 675 000
Total short-term incentive[3]	**4 800 000**	**11 000 000**	**4 000 000**	**8 350 000**	**8 800 000**	**19 350 000**
Face value of long-term incentive award (on-target award)[3, 4]	**10 250 000**	**12 000 000**	**7 000 000**	**9 150 000**	**17 250 000**	**21 150 000**
Total awarded remuneration	**22 309 404**	**30 259 373**	**17 009 313**	**23 509 313**	**39 318 717**	**53 768 686**

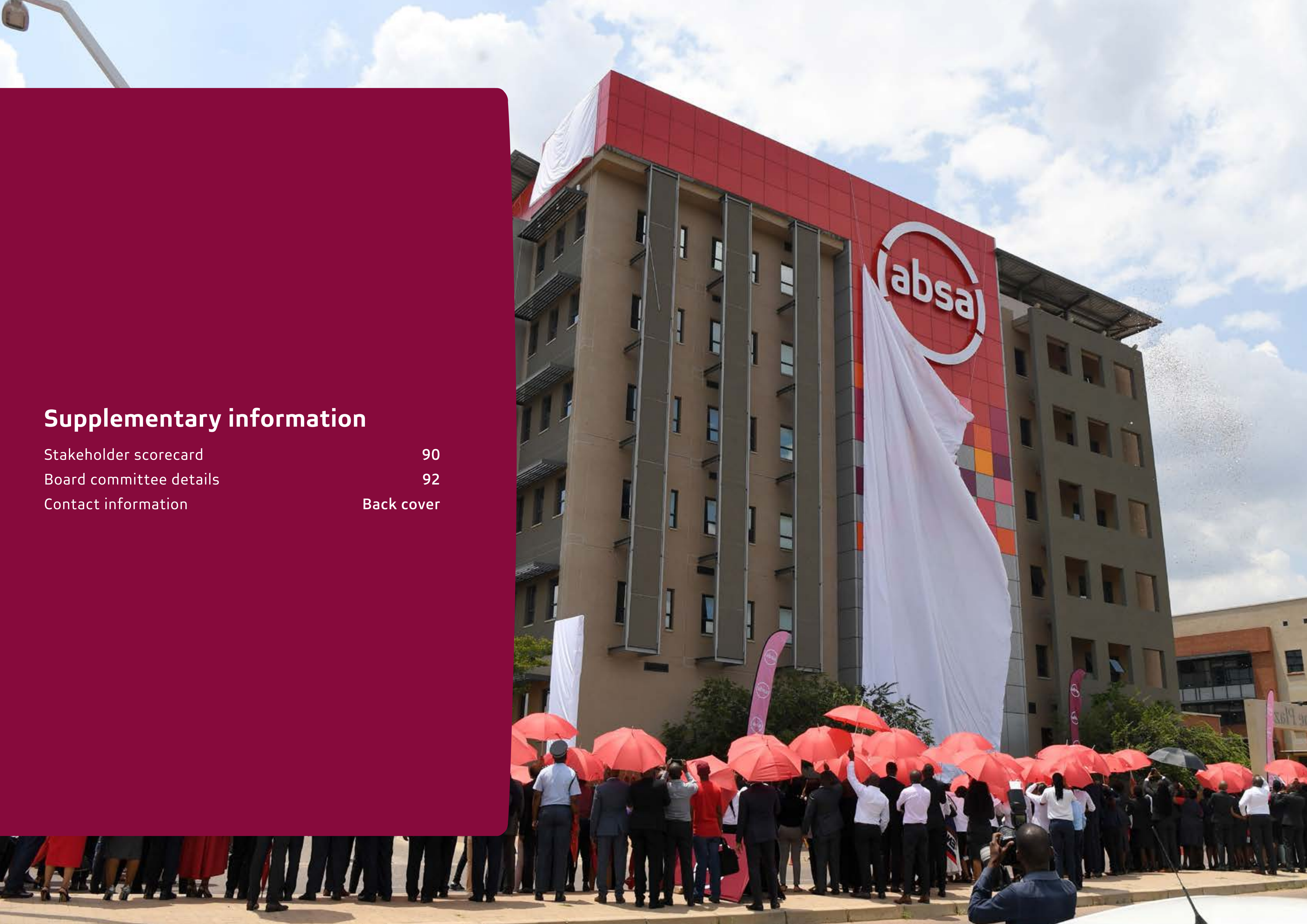
Single figure remuneration	2020 R	2019 R	2020 R	2019 R	2020 R	2019 R
Salary	6 450 191	6 465 313	5 593 432	5 611 628	12 043 623	12 076 941
Medical aid	155 820	144 288	194 844	180 432	350 664	324 720
Retirement benefits	159 261	157 676	162 550	160 851	321 811	318 527
Other employee benefits	494 132	492 096	58 487	56 402	552 619	548 498
Total fixed remuneration	**7 259 404**	**7 259 373**	**6 009 313**	**6 009 313**	**13 268 717**	**13 268 686**
Non-deferred cash award[1]	–	5 500 000	–	4 175 000	–	9 675 000
Deferred share award[2]	4 800 000	5 500 000	4 000 000	4 175 000	8 800 000	9 675 000
Total short-term incentives[3]	**4 800 000**	**11 000 000**	**4 000 000**	**8 350 000**	**8 800 000**	**19 350 000**
Value of vested long-term incentives[3]	5 364 716	–	4 828 237	–	10 192 953	–
Dividend equivalents/service credits received on vesting awards	2 348 020	1 375 476	2 082 134	1 333 806	4 430 154	2 709 282
Total long-term incentives	**7 712 736**	**1 375 476**	**6 910 371**	**1 333 806**	**14 623 107**	**2 709 282**
Total single figure remuneration	**19 772 140**	**19 634 849**	**16 919 684**	**15 693 119**	**36 691 824**	**35 327 968**

1 Executive directors and prescribed officers did not receive cash short-term incentive awards in respect of 2020 performance, aligned to the Prudential Authority guidance.

2 The full award made in respect of 2020 performance is deferred into Absa Group shares, with vesting in equal proportions on the first, second and third anniversaries of the award date. Release will be subject to the additional CET1 safety and soundness validation which are set out on pages 18 – 19 of the 2020 Remuneration Report. The award will be granted in April 2021. All deferral in respect of the short-term incentive award made for 2019 performance was in shares. Deferred awards disclosed in 2019 were granted in April 2020.

3 Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years). For deferred short-term incentives awarded in 2021 for 2020 performance, an additional CET1 safety and soundness validation will apply at vesting. In contrast to this, the long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. Total awarded remuneration disclosed in 2020 includes the fixed remuneration paid during 2020, the total short-term incentive in respect of 2020 performance (consisting only of a deferred award to be granted in April 2021) and the face value of the long-term incentive to be granted in April 2021. Amounts disclosed in 2019 follow the same principle, except that the short-term incentive awarded for 2019 performance consisted of a cash award and a deferred share award. The amount included in the single figure remuneration *Value of vested long-term incentives* under 2020 reflects the value vested in terms of the 2017 long-term incentive in August 2020. No long-term incentive vested in 2019.

4 This is the 'on-target' value of the award. The awards reflected in 2019 were made in April 2020, and those reflected in 2020 are to be made in April 2021.



Supplementary information

Stakeholder scorecard

	Indicator	How does it link to value creation?	2020	2019	Benchmark/peer average	Assurance type
Investors	Revenue growth[1]	Business performance	**2%**	6%	South African peer[2] average: (2%)	MBO
	Return on equity[1]	Business performance	**7.2%**	15.8%	South African peer[2] average: 8.8%	MBO
	Cost-to-income ratio[1]	Business performance and efficiency	**56.0%**	58.0%	South African peer[2] average: 56.4%	MBO
	Total shareholder return	Wealth creation for shareholders	**(15.6%)**	(1.0%)	South African peer[4] average: (24.6%)	MBO
Customers	Treating Customers Fairly outcome score	Fair treatment experienced by customers	**86%**	84%	South African peer[2] average: 81.1%	EXT
	Net Promoter Score – RBB	Service quality experienced by customers	**34%**	33%	South African banking industry average: 33.5% (2020 SA – csi, Consulta)	EXT
	Net Promoter Score – ARO Retail Banking	Service quality experienced by customers	**20%**	20%		EXT
	Net Promoter Score – ARO Business Banking	Service quality experienced by customers	**11%**	2%		EXT
	Client experience (CX) – CIB	Service quality experienced by customers	**74%**	73%	NA	EXT
	Brand value ranking (Brand Finance South Africa)[6]	Brand value	**4th**	4th	First National Bank: 3rd; Nedbank: 8th; Standard Bank: 6th	EXT
Employees	Employee experience index	Engaged employees	**64.1%**	–[6]	NA	EXT
	Retention of high performing employees	Ability to retain high-performing employees	**96.5%**	93.2%	NA	MBO
	Permanent employee turnover rate	Ability to retain employees	**7.0%**	11.3%	South African industry average: 11.9%	MBO
	Internal promotions (number)		**797**	1 402	NA	MBO
	Diversity: Internal promotions (women)	Development of internal skills and capability	**51.7%**	58.7%		
	Diversity: Women in senior management	Progress of women in leadership positions	**35.5%**	35.0%	B-BBEE target: 30%	MBO
	Diversity: AIC[7] employees	Demographic alignment	**76.4%**	75.8%	NA	V
	Diversity: Senior AIC[7] management	Demographic alignment	**50.7%**	51.4%	B-BBEE target: 60%	V
	Training spend	Employee development investments	**R406m**	R451m	NA	MBO
	Staff costs	Employee remuneration and benefits	**R25 140m**	R25 696m	NA	MBO
	Annual unionised salary increase[5]	Salary increases for bargaining unit	**4.1%[8]**	7.0%[9]	South African peer[2] average: 5.9%[10]	MBO
	Absentee rate	Wellness of our employees	**1.12%**	1.57%	Sick leave benchmark: 1.5% (Human Capital Review)	EXT

1 Normalised.
2 FirstRand, Nedbank and Standard Bank.
3 No dividends were issued given our focus on capital preservation in the current environment.
4 FirstRand and Standard Bank.
5 South Africa.
6 New survey implemented in 2020.
7 All African, Indian or Coloured people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.
8 2021 pay cycle.
9 2020 pay cycle.
10 Based on 2020 pay cycle.

EXT – External source
MBO – Management and Board oversight
V – B-BBEE verified

Stakeholder scorecard *continued*

	Indicator	How does it link to value creation?	2020	2019	Benchmark/peer average	Assurance type
Society	Citizenship disbursements	Contribution to education and skills, health and social justice	**R380m**	R371m	NA	MBO
	Consumer education (number of beneficiaries)	Contribution to education	**50 246**	119 500	NA	V
	Local procurement as a percentage of South African total[1]	Supporting local suppliers	**85.8%**	79.1%	NA	V
Planet	Number of transactions screened for environmental and social impacts[2]	Lending impact on the environment and society	**2 949**	3 704	NA	MBO
	Carbon footprint per full-time equivalent employee	Operational impact on the environment	**4.81tCO_2**	5.79tCO_2	South African peer average[7]: 4.37tCO_2	MBO
	Energy	Operational impact on the environment	**229 695 395[LA]**	299 503 892[LA]	South African peer average[2]: 176 871.0	LA
	Carbon emission	Operational impact on the environment	**196 146[LA]**	248 529	South African peer average[2]: 205 830	LA
Regulators	Common tier 1 equity ratio	Basel compliance/strength of capital	**11.2%**	11.8%	SARB[4] minimum: 7.5%	MBO
	Liquidity coverage ratio	Basel compliance/strength of liquidity	**120.6%**	134.4%	SARB[4] minimum: 80%	MBO
	Net stable funding ratio	Basel compliance/strength of funding	**115.9%**	112.7%	SARB[4] minimum: 100%	MBO
	Regulatory fines and penalties	Adherence to regulatory requirements	**R9.6m**	R9.8m	NA	MBO
	Corporate taxes paid[5]	Contribution to government funds	**R3.7bn**	R6.7bn	NA	MBO
	Indirect taxes paid[6]	Contribution to government funds	**R3.3bn**	R2.9bn	NA	MBO
	Employees completing the Absa Way Code of Ethics training	Ethical culture	**92.0%**	96.5%	NA	MBO
	Employees completing Preventing Financial Crime training	Skilled employees preventing criminal behaviour	**98.6%**	96.5%	NA	MBO
	B-BBEE level[1]	Corporate transformation	**Level 2**	Level 1	South African peers[7]: Level 1	V

1 South Africa.
2 Includes Equator Principles.
3 36 204 full-time equivalent employees (2019: 37 796)
4 SARB. Effective 1 April 2020, minimum liquidity coverage ratio requirement was temporarily reduced from 100% as part of the relief measures implemented following the Covid-19 pandemic.
5 Tax paid by entities incorporated under the laws of the country in which it is effectively managed. It therefore excludes foreign tax expenses or withholding tax paid by a non-resident company.
6 Payroll (based on social security policies, excluding taxes borne by employees), irrevocable VAT, withholding tax and other taxes.
7 FirstRand, Nedbank and Standard Bank (SA only).

EXT – External source
LA – Limited Assurance. Refer to the Limited Assurance Report.
MBO – Management and Board oversight
V – B-BBEE verified. Refer to the verification certificate.

Board committee details as at 31 December 2020

Directors' Affairs Committee (DAC)

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

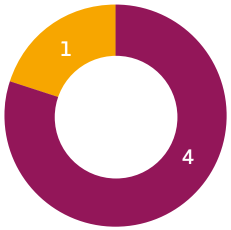
Members

- IC, ID Wendy Lucas-Bull (Chairman)
- ID Francis Okomo-Okello[1]
- ID Mark Merson
- LID Sipho M Pityana[2]
- ID Tasneem Abdool-Samad[3]

Attendees

- ED Daniel Mminele
- ED Jason Quinn

Member committee tenure



0 – 3 years
7 – 9 years

ED Executive director
IC Independent chairman
ID Independent director
LID Lead independent director
NED Non-executive director

The Group Audit and Compliance Committee (including the Disclosure Committee) (GACC)

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

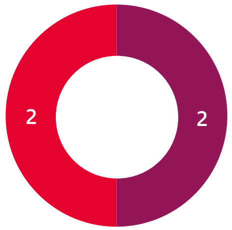
Members

- ID Tasneem Abdool-Samad[3] (Chairman)
- ID Alex Darko
- ID Daisy Naidoo
- ID Swithin Munyantwali[4]

Attendees

- ExCo Akash Singh
- ExCo August van Heerden
- NED Colin Beggs[5]
- ED Daniel Mminele
- NED Fulvio Tonelli[6]
- ED Jason Quinn
- ExCo Pieter Botha
- IC, ID Wendy Lucas-Bull

Member committee tenure



0 – 3 years
4 – 6 years

Group Risk and Capital Management Committee (GRCMC)

Assists the Board in overseeing the risk, capital, funding and liquidity management of the Group by reviewing and monitoring:

i. The Group's risk profile against its set risk appetite.
ii. Capital, funding and liquidity positions, including taking into account applicable regulations.
iii. The implementation of the Enterprise Risk Management Framework and the 12 principal risks defined there. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital, funding and liquidity management in all relevant jurisdictions.

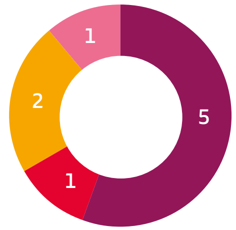
Members

- NED Colin Beggs[5]
- ED Daniel Mminele[7]
- ED Jason Quinn
- NED Fulvio Tonelli[6]
- ID Mark Merson (Chairman)
- NED René van Wyk[8]
- ID Rose Keanly[9]
- ID Tasneem Abdool-Samad[3]
- IC, ID Wendy Lucas-Bull

Attendees

- ExCo Akash Singh
- ExCo August van Heerden
- ExCo Pieter Botha

Member committee tenure



0 – 3 years
4 – 6 years
7 – 9 years
>10 years

Changes in 2020

1 Francis joined DAC and was appointed SEC Chairman in June.
2 Sipho joined RemCo in May, was appointed lead independent director and joined the DAC in June, and was appointed RemCo Chairman in September.
3 In June, Tasneem joined DAC and GRCMC, and was appointed GACC Chairman.
4 Swithin become a member of GACC in March (formerly an attendee).
5 In June, Colin became a non-executive director (previously independent), an attendee on GACC (formerly a member) and joined RemCo.
6 Fulvio joined the Board, GACC, GRCMC, ITC and GCRC in July.
7 Daniel joined the Board, GRCMC, SEC, ITC, GCRC and MC in January. He is also an attendee of DAC, GACC and RemCo.
8 In August, René re-joined the Board, GRCMC, BFC and GCRC, and was appointed BFC Chairman.
9 Rose joined GRCMC in February and RemCo in July.

Executive Committee (ExCo)

Akash Singh *Group Chief Compliance Officer; Acting Chief Risk Officer* (from 1 January 2021)
Arrie Rautenbach *Chief Executive: RBB SA; Acting Head: People and Culture* (from 1 December 2020)
August van Heerden *Chief Risk Officer* (until 31 December 2020)
Bongiwe Gangeni *Deputy Group Chief Executive: RBB SA*
Charles Russon *Chief Executive: CIB*
Charles Wheeler *Group General Counsel*
Daniel Mminele *Group Chief Executive Officer*
Jason Quinn *Group Financial Director; Acting Digital Solutions, Innovation and Technology; Acting Head: Group Shared Services* (from 1 November 2020)
Peter Matlare Deputy *Group Chief Executive Officer and Chief Executive: ARO* (Deceased 7 March 2021)
Pieter Botha, *Acting Chief Internal Auditor (ex-officio)* (until 31 December 2020)
Prabashni Naidoo *appointed Chief Internal Auditor (ex-officio)* (from 1 January 2021)

Board committee details at 31 December 2020 *continued*

Remuneration Committee (RemCo)

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

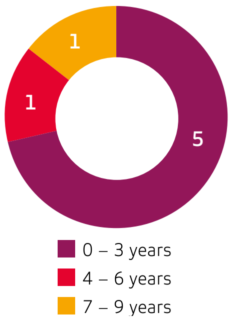
Members

ID	Alex Darko
NED	Colin Beggs[5]
ID	Daisy Naidoo
ID	Ihron Rensburg[10]
ID	Rose Keanly[9]
LID	Sipho M Pityana[2] (Chairman)
IC, ID	Wendy Lucas-Bull

Attendees

ExCo	Arrie Rautenbach
ED	Daniel Mminele
ED	Jason Quinn

Member committee tenure



Social and Ethics Committee (SEC)

Monitors key organisational health indicators relating to social and economic development; good and responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation; as well as the Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment. It applies the recommended practices and regulation as outlined in King IV and the Companies Act in executing its mandate.

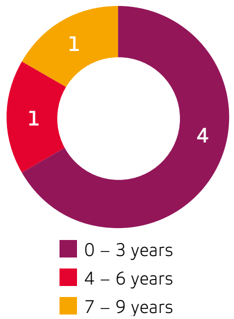
Members

ED	Daniel Mminele[7]
ID	Francis Okomo-Okello (Chairman)[1]
ID	Ihron Rensburg
ID	Nonhlanhla Mjoli-Mncube[11]
ID	Swithin Munyantwali[4]
IC, ID	Wendy Lucas-Bull

Attendees

ExCo	Akash Singh
ExCo	Arrie Rautenbach
ED	Peter Matlare

Member committee tenure



Information Technology Committee (ITC)

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

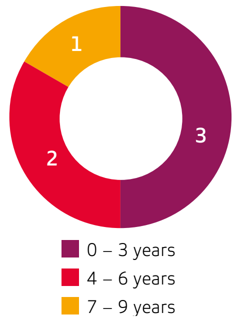
Members

ID	Alex Darko (Chairman)
ED	Daniel Mminele[7]
NED	Fulvio Tonelli[6]
ED	Jason Quinn
ID	Rose Keanly
IC, ID	Wendy Lucas-Bull

Attendees

ExCo	Akash Singh
ExCo	Arrie Rautenbach
ExCo	August van Heerden
ExCo	Charles Russon
ED	Peter Matlare
ExCo	Pieter Botha

Member committee tenure



ED Executive director
IC Independent chairman
ID Independent director
LID Lead independent director
NED Non-executive director

Changes in 2020

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4 Swithin become a member of GACC in March (formerly an attendee).
5 In June, Colin became a non-executive director (previously independent), an attendee on GACC (formerly a member) and joined RemCo.
6 Fulvio joined the Board, GACC, GRCMC, ITC and GCRC in July.
7 Daniel joined the Board, GRCMC, SEC, ITC, GCRC and MC in January. He is also an attendee of DAC, GACC and RemCo.
9 Rose joined GRCMC in February and RemCo in July.
10 Ihron joined RemCo in July.
11 Nonhlanhla joined the Board, SEC and BFC in October.

Executive Committee (ExCo)

Akash Singh *Group Chief Compliance Officer; Acting Chief Risk Officer* (from 1 January 2021)
Arrie Rautenbach *Chief Executive: RBB SA; Acting Head: People and Culture* (from 1 December 2020)
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Peter Matlare Deputy *Group Chief Executive Officer and Chief Executive: ARO* (Deceased 7 March 2021)
Pieter Botha, *Acting Chief Internal Auditor (ex-officio)* (until 31 December 2020)
Prabashni Naidoo *appointed Chief Internal Auditor (ex-officio)* (from 1 January 2021)

Board committee details at 31 December 2020 *continued*

Board Finance Committee (BFC)

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

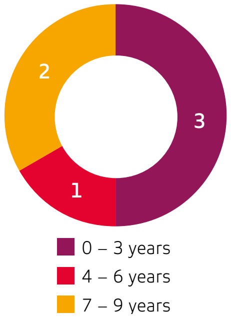
Members

- NED Colin Beggs[5]
- ID Mark Merson
- ID Nonhlanhla Mjoli-Mncube[11]
- NED René van Wyk (Chairman)[8]
- ID Tasneem Abdool-Samad
- IC, ID Wendy Lucas-Bull

Attendees

- ED Daniel Mminele
- ED Jason Quinn

Member committee tenure



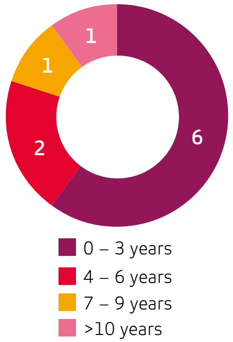
Group Credit Risk Committee (GCRC)

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

Members

- CCO Anthony Harvett
- ExCo August van Heerden
- ED Daniel Mminele[7]
- ID Daisy Naidoo
- NED Fulvio Tonelli[6]
- ED Jason Quinn
- ID Mark Merson (Chairman)
- NED René van Wyk[8]
- ID Sipho M Pityana
- IC, ID Wendy Lucas-Bull

Member committee tenure



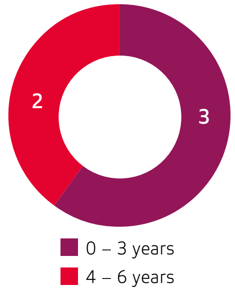
Models Committee (MC)

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

Members

- ExCo Arrie Rautenbach
- ExCo August van Heerden
- ED Daniel Mminele[7]
- ExCo Charles Russon
- ED Jason Quinn (Chairman)

Member committee tenure



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5 In June, Colin became a non-executive director (previously independent), an attendee on GACC (formerly a member) and joined RemCo.
6 Fulvio joined the Board, GACC, GRCMC, ITC and GCRC in July.
7 Daniel joined the Board, GRCMC, SEC, ITC, GCRC and MC in January. He is also an attendee of DAC, GACC and RemCo.
8 René re-joined the Board, GRCMC, BFC and GCRC on 1 August 2020; appointed BFC chair at the same time.
11 Nonhlanhla joined the Board, SEC and BFC in October.
* Daniel Hodge was a member of the Board, GRCMC, RemCo (joined in July) and GCRC (joined in June) until his resignation from the Board in December.

Executive Committee (ExCo)
Akash Singh *Group Chief Compliance Officer; Acting Chief Risk Officer* (from 1 January 2021)
Arrie Rautenbach *Chief Executive: RBB SA; Acting Head: People and Culture* (from 1 December 2020)
August van Heerden *Chief Risk Officer* (until 31 December 2020)
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Pieter Botha, *Acting Chief Internal Auditor (ex-officio)* (until 31 December 2020)
Prabashni Naidoo *appointed Chief Internal Auditor (ex-officio)* (from 1 January 2021)

ince

www.absa.africa

Contact information

Absa Group Limited

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

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Transfer secretary

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Joint sponsor

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