Absa Group Limited

2020 Remuneration Report

Contents

Chairman's statement

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.

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. 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.
   - 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.
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.

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. 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, with the value accruing to executive directors and prescribed officers in respect of this vesting included in the individual disclosures on pages 23 – 40.

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.

The RemCo undertook a review of the Group's remuneration frameworks in 2020. A key consideration was to make further progress concerning pay-for-performance to facilitate sustainable business performance, long-term stakeholder value creation and ensuring that Absa's reward practices continue to be market related.

Remuneration policy

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

The RemCo undertook a review of the Group's remuneration frameworks in 2020. A key consideration was to make further progress concerning pay-for-performance to facilitate sustainable business performance, long-term stakeholder value creation and ensuring that Absa's reward practices continue to be market related.

Areas of focus for 2020 remuneration included:

Short-term incentives

In deciding to approve a short-term incentive pool, as well as the quantum of the pool, RemCo considered the following:

- The Group's performance against the approved 2020 short-term plan.
- The short-term incentive scorecard and targets agreed by RemCo for the 2020 year, which assess performance against targets relative to forecast market performance. This is consistent with the approach applied in 2019 and communicated to shareholders in 2020.
- The Group's performance based on the revised priorities due to Covid-19.
- The principle that the pool should reduce by at least the year-on-year reduction in Group headline earnings, with a more significant reduction applied to executive directors' and prescribed officers' awards.

The RemCo considered the above in the context of the quality of the Group's earnings (with inputs from the Group Audit and Compliance Committee) and whether any further risk adjustment was required. No such adjustments were deemed necessary.

Our remuneration principles

1. **Attract, retain and engage** high-calibre individuals who have the skills, ambition and talent to deliver our strategy.
2. **Support the realisation of our stakeholder aspirations,** with a specific focus on rewarding our employees for the achievement of our strategy within our risk appetite relative to performance and shareholder returns.
3. **Align the long-term interests of our executives and shareholders** by ensuring remuneration outcomes are transparent and are aligned to the value we create in the short, medium and long term. This entails a specific emphasis on the contribution of longer-term incentives for senior and executive employees, which are aligned to market practice.
4. **Pay-for-performance** by aligning incentive outcomes to performance and value created. Within this context, we apply deferrals and malus and clawback provisions to ensure the effective alignment of risk and reward within the context of Group performance outcomes and to discourage inappropriate behaviour.
5. **Drive our culture** of being entrepreneurial, while taking ownership and accountability for responsible, sustainable business growth and success. We aim to achieve this by:
   - ensuring that employees share in the Group's success, differentiated on the basis of their contribution, in both the short and long term; and
   - ensuring that our employees' ethical behaviour, values and adherence to our risk management principles are recognised in their individual performance ratings.
6. **Continuously build confidence and trust** in our reward outcomes through high quality reward governance, engagement on our disclosure with shareholders, and internal transparency and effective communication.
7. **Deliver fair and responsible remuneration** through regular reviews of pay-gap metrics and appropriate decisions that impact our most junior employees. This includes a concerted emphasis on addressing differentials in reward, considering diversity.

Given that the pool was much smaller, short-term incentive allocations were differentiated in favour of those who made the most significant contribution to delivering on our strategic priorities in 2020. This was a deliberate action to enable the Group to make progress towards a sustainable pay-for-performance model. Our differentiation focused on top performers, key talent and holders of scarce skills.

We amended our short-term incentive deferral levels to be more in line with our peer market practice. This will reduce deferral levels (with deferrals now triggering at R1m rather than R500 000), with no change to the vesting profile over three years. These are set out on page 8.

No cash bonuses[1] will be paid in 2021 to executive directors, prescribed officers and other material risk takers for 2020 performance, with any awards made being subject to deferral in full. The approach to the delivery of any awards made for 2020 performance to this population is on pages 18–19.

Long-term incentives

The RemCo decided that the performance conditions for the 2019 and 2020 long-term incentive allocations will not be changed.

Long-term incentives included in the awarded remuneration disclosures for executive directors and prescribed officers (pages 23 to 40) will be awarded on 1 April 2021. The following amendments, which relate to all eligible participants, apply to these awards:

- Participation will be more concentrated and focused only on those individuals who can directly and significantly influence the delivery of the Group's strategy over the three-year performance period. This ensures alignment of the interests of these individuals with shareholder interests.
- The long-term incentive performance targets for 2021–2023 reflect the Group's strategic priorities over the performance period.
- Awards may not be made to individuals within one year of contractual retirement (previously three years). Awards are prorated on retirement and remain subject to Group performance targets.

[1] In light of Peter Matlare's passing, the Board approved that the award to him would be in cash, as deferred awards would, in the normal course, be accelerated in the event of the death of a participant.

Fair and responsible remuneration

We are committed to delivering fair and responsible remuneration that is externally competitive and internally equitable. This occurs within the context of ensuring that our business remains sustainable.

Fair remuneration is:

- Impartial.
- Free from discrimination, prejudice, favouritism or self-interest.
- Purposeful in addressing unfair and/or unjustifiable remuneration differentials.

We consider executive remuneration alongside the broader employee population's remuneration to ensure fairness and consistency across the Group. Where practical, we monitor the remuneration paid by our third-party service providers to ensure that it is fair.

Fair remuneration

Responsible remuneration

Responsible remuneration is:

- Approved within appropriate levels of authority.
- Subject to independent oversight.
- Linked to positive outcomes and value creation.
- Sustainable.

We seek to ensure appropriate and reasonable alignment between reward, risk and conduct, taking into account our values and ensuring that it does not encourage inappropriate risk.

- Our Remuneration Review Panel, a sub-committee of the ExCo, is chaired by the Chief Risk Officer. This panel makes recommendations on adjustments to incentive pools and individual awards, as well as malus adjustments and clawbacks in the event of conduct, compliance, control, regulatory or ethical issues arising that impact on, or are impacted by, remuneration. In the event of senior executives possibly being implicated in any matter of concern (which did not occur in 2020), this would be escalated to the Group Chief Executive Officer and, when required, to the Directors' Affairs Committee.
- Other Board committees, which include the Group Audit and Compliance Committee, the Social and Ethics Committee and the Group Risk and Capital Management Committee, give input as required on remuneration and risk-related matters (typically concerning the attainment of targets and metrics).
- We review pay differentials to establish the reasons for these variances. Where disparities exist that are not based on objective criteria, such as seniority, role content, experience and performance, we endeavour to take steps to address these.

Steps taken in 2020 to deliver fair and responsible remuneration are set out on pages 19-20.

Remuneration benchmarking

Fixed remuneration	Alignment to remuneration principles
We target a median market position on fixed remuneration with an appropriate spread around the median to consider the scarcity of skills and the impact of the role. High-impact roles and highly scarce skills may reflect a premium. Transformation is also a critical factor. Market positioning is reviewed during the annual pay review to ensure that outliers, either above or below the target market position ranges, are addressed, taking budget and approved mandates into account. Fixed remuneration that is not market related can be addressed over time by either above-average increases (for those below) or slowing or stopping fixed remuneration increases (for those above).	• Attract, retain and engage. • Support the realisation of our stakeholder aspirations. • Drive our culture. • Deliver fair and responsible remuneration.

Total remuneration	Alignment to remuneration principles
Total remuneration (which includes short-term incentives and, where applicable, the vesting of long-term incentives) will be based primarily on Absa's performance relative to the respective plan targets and market-relative performance. In the case of short-term incentives, individual performance is also a key input. Our target position is market-related total remuneration for market-related performance over the short and long term. Outperformance may result in an above-market total remuneration position. In contrast, underperformance may result in below market total remuneration outcomes.	• Attract, retain and engage. • Support the realisation of our stakeholder aspirations. • Pay-for-performance. • Align the long-term interests of our executives and shareholders. • Drive our culture.

Benchmark peer groups

To the extent possible, we tailor our use of benchmarks to ensure that we make comparisons with the most appropriate peer benchmarks. We use several surveys to inform our benchmarking, including the Mercer Top Executive Survey, RemChannel, and the McLagan Corporate and Investment Banking survey. Absa Regional Operations businesses participate in Mercer and KornFerry surveys. Where appropriate, we may commission bespoke remuneration surveys to address specific areas of concern. Deloitte supported the RemCo in benchmarking senior executive remuneration.

Application of judgement

Published market information (whether in remuneration surveys or the remuneration reports of our peer group) provides one lens through which remuneration competitiveness can be assessed. The judgement of the RemCo and management is required in the determination of individual remuneration levels to ensure that all relevant factors, including retention, talent and transformation imperatives, and performance and nature of the role, are considered. The aim is to deliver fit-for-purpose remuneration outcomes that are framed within the context of the Remuneration Policy and remuneration principles, and are aligned to our commitment to fair and responsible remuneration.

Our approach to performance management *(MyContribution)*

Our approach to performance management is an integral part of our short-term planning process. This enables the alignment of individual employee objectives to those of the Group and their respective businesses/functions. Our rating outcomes consider a combination of what is delivered and reference to conduct aligned to the Absa Way, and should therefore represent a fair review of contribution.

The changes to working arrangements in 2020 due to the Covid-19 pandemic saw significant numbers of employees working from home. Moreover, we had several employees on standby, particularly during the hard lockdown. This increased the challenge of ensuring that employees and their managers regularly check-in on performance, potentially leading to difficulties in determining performance outcomes. To address this, there was an increased focus on the quality and frequency of engagements between employees and their managers across the span of working arrangements. During the year, under the *MyContribution* banner, several initiatives were completed to ensure a focus on regular performance check-ins and to guide employees to optimise these engagements.

The full year's performance ratings are subject to appropriate consistency reviews to ensure fairness and enable alignment with overall business performance. We do not apply a forced ranking approach. The principles applicable to fair and responsible remuneration are also considered, serving to enhance the credibility of the performance management process.

Individual performance is a critical input into short-term incentive decisions. It also informs fixed remuneration decisions, especially where individuals are positioned below fixed remuneration market levels. Where full-year individual performance falls below expectations and needs improvement, employees are typically ineligible to receive short-term incentive awards.

Elements of total remuneration

We include the following remuneration elements in the composition of our total remuneration package:

	Strategic intent	Description	Eligibility
Fixed remuneration	• The basis for a competitive remuneration package. • Reflects the market rate for the content of the role and the individual's skills and competence.	South Africa: Fixed remuneration is delivered as a **cost-to-company**, which incorporates cash salary and company contributions to benefit funds (including retirement funding, medical aid, death and disability cover). Absa Regional Operations and international offices: Fixed remuneration is delivered as **basic salary plus stand-alone benefits**. Benefits (including retirement funding, medical aid, death and disability cover) and allowances are determined based on local market practice.	All employees.
+ Short-term incentives	• Rewards sustainable performance achieved within risk appetite. • Based on the company, business/functional, team and individual performance. • Deferral into shares for individuals paid above the deferral threshold creates a medium-term focus aligned to shareholder interests.	Short-term incentive payable in cash, and for amounts above a specified threshold, in the form of deferred shares. Deferral for awards made for 2020 onwards will apply to 50% of the short-term incentive portion that exceeds R1m, with no deferral applying on the first R1m of the award. Vesting[1] occurs in equal tranches on the first, second and third anniversaries of the award date. It may include dividend equivalents on the vesting shares at the time of vesting. **Executive directors (other than Peter Matlare), prescribed officers and material risk takers will not receive cash bonuses in 2021 for 2020 performance, with the delivery arrangements for any award as set out on pages 18–19.**	Employees who meet the minimum service and performance requirements may be eligible for consideration. Strongly differentiated in favour of top performers and key talent/skills who meet and exceed performance requirements.
+ Long-term incentives	• Align shareholder and executive interests over the long term through short-, medium- and long-term actions, with reference to the Absa share price and achievement of Group performance conditions. • Align key employees who can materially influence the delivery of the Absa strategy in terms of long-term, sustainable future performance. • Retention is a potential outcome of long-term incentive participation, but not a primary objective given that long-term incentives relate exclusively to the delivery of business performance over the performance period.	Award of performance shares that vest subject to Group performance targets measured over a three-year performance period. Vesting[1] of awards takes place, subject to achievement of the Group performance targets: • In equal tranches on the third, fourth and fifth anniversaries of the award date for executive directors, prescribed officers, and other ExCo members. • On the third anniversary of the award date for all other participants. Dividend equivalents (where dividends have been declared) may apply on vesting, but only for the number of shares vesting, after applying the relevant Group performance targets.	Roles that can directly influence the delivery of the strategy over the medium term, or without whom there is direct risk to execution.

[1] Our practice in acquiring shares to settle vesting deferred and long-term incentive awards has been to purchase these in the market, to avoid shareholder dilution.

Other arrangements that may be considered where the circumstances require, include:

	Strategic intent	Description	Eligibility
Project incentives	• Support the delivery of key strategic and business projects by offering a bespoke incentive linked to project objectives. • Retention of critical project resources and incentivisation of project delivery.	Designed based on project requirements. Typically delivered in cash subject to achieving specific project objectives and continued employment during the plan's duration. The continued employment condition may, in some instances, extend beyond the completion date of the project to ensure retention of key skills or the embedding of project outcomes.	Determined based on specific project requirements. Executive directors, prescribed officers and other members of the ExCo are not eligible to participate.
Formulaic incentives	Incentives linked to the achievement of pre-determined business performance targets within agreed risk appetite and considering conduct outcomes.	Incentive awards are typically paid in cash, on a frequency determined by the plan rules, including monthly, quarterly, half-yearly or annual payments. Schemes are subject to appropriate governance and control to mitigate conduct risk. Formulaic schemes are reviewed for appropriateness and alignment to market practice in relevant sectors of our business.	Determined based on plan design and rules in each instance, and for the most part, limited to employees in sales-focused roles.

Approach to variable remuneration

Our short-term incentives

Our short-term incentive pool methodology incorporates a hybrid top-down and bottom-up approach.

The top-down determines the overall Group and business unit, enabling and control function pools, based on affordability and performance. The pool is determined in the normal course by adjusting the on-target pool (approved by the RemCo) by a performance modifier. The performance modifier is determined based on performance against a range of performance outcomes with leverage from threshold achievement (80% modifier applies) to stretch achievement (120% modifier applies). Financial performance makes up 90% of the total pool, with non-financial making up 10%. The top-down pool would be determined as follows:

Performance short-term incentive pool = on-target performance pool X performance modifier

Business/functional pools are allocated based on relative contribution and performance within the affordability parameters of the Group pool.

The **bottom-up** approach reflects individual employee allocation/demand against the Group and business unit, as well as enabling and control function pools, considering individual performance. The pool allocation and individual awards are not based on a formulaic calculation and are discretionary. The bottom-up demand ultimately needs to conform with, or to be moderated to, the top-down affordability and pool funding calculations.

Given the exceptional circumstances in 2020, the RemCo adopted the following approach when determining the 2020 top-down pool. Section A and B in the figure address the top-down element, with section C addressing the bottom-up element.

A Group pool

1

Short-term Plan (STP)
- Headline earnings
- Revenue
- Profit after regulatory capital charge (PARCC)
- Organisational health

→

2

Original market-referenced short-term incentive scorecard
- Headline earnings
- Revenue
- Profit after regulatory capital charge (PARCC)
- Organisational health

→

3

Sense-check: Revised 2020 priorities
- Pre-provision profit growth
- Headline earnings
- Common equity tier 1 (CET1) capital (Group IFRS)
- Organisational health

↓

4

Reduction in Group headline earnings

B Business/functional pools

Client-facing businesses
- Headline earnings reduction
- Performance against scorecard
- Relative contribution to strategic delivery in 2020
- Relative contribution of sub-businesses

Enabling and control functions
- Performance against scorecard/expectations
- Relative contribution to strategic delivery in 2020
- Relative contribution of sub-units

5

Reasonability checking to ensure fairness in context of overall Group pool reduction and to mitigate unintended consequences

C Individual allocations

6

Strongly differentiated in favour of top performers and those who made the largest impact in terms of delivery of our strategic priorities and 2020.

A Group pool

Mindful of the need to balance the interests of all of our stakeholders, the RemCo adopted a multidimensional approach to assessing the appropriateness of declaring a short-term incentive pool and the quantum thereof. This took account of:

Step 1 – The Group's performance against the approved 2020 short-term plan.

Step 2 – The short-term incentive scorecard and targets agreed by RemCo at the beginning of 2020, which assess performance against targets relative to forecast market performance. This is consistent with the approach communicated to shareholders in 2020 and is based on feedback that our pools should be determined in relation to market performance. Market performance is forecast based on publicly available information obtainable when the pool is determined and approved.

Step 3 – A sense-check based on the revised priorities that emerged due to Covid-19, also referenced to market performance.

Step 4 – Ensuring that the pool was reduced by at least the year-on-year reduction in Group headline earnings, with the principle that a greater reduction be applied to awards made to executive directors and prescribed officers.

The RemCo took into consideration the four perspectives above, as well as assessments by:

- The Group Audit and Compliance Committee of the quality of the Group's earnings, the extent to which the control environment had improved during the year and any risk adjustment factors.
- The Social and Ethics Committee of the colleague and customer franchises.

Considering the above, the RemCo applied its discretion to approve a performance short-term incentive pool of R990m (53% lower than the prior year in constant currency, in line with the reduction in headline earnings). Further detail is set out in our Implementation Report on pages 17–18.

B Business and functional pools

Business and functional pool allocations are reviewed by the Group Chief Executive Officer (advised by the Executive Appointments and Remuneration Committee) for appropriateness based on the relative performance of the business and functional areas. The considerations set out in **Step 5** apply in determining the business and functional pool allocations. The RemCo considers and approves the allocation of pools to businesses and functions as recommended by the Group Chief Executive Officer.

C Individual allocations

Individual awards **(Step 6)** for 2020 are strongly differentiated. Individuals who made the most significant impact in terms of delivering on our strategic priorities in 2020 to navigate the challenges and enable the Group's performance were prioritised when awards were made.

The RemCo also considered the following in approving the final pools:

- Total 2020 shareholder returns were assessed in relation to peers. The assessment indicated that Absa was in the upper end of the market, relative to major banks.
- A quality of earnings assessment, which the Group Audit and Compliance Committee conducted, concluded that the reported results were an appropriate basis for the calculation of the short-term incentive pool outcomes and that no further risk adjustment was required regarding remuneration.

Our pool outcomes, based on the application of this approach, are set out on pages 17– 18.

Our long-term incentives

Our long-term incentive arrangements in terms of the Share Incentive Plan rules approved by shareholders in 2019 remain fit-for-purpose. The key design features are:

- Long-term incentive awards are subject to Group performance targets on the full award, which apply over a minimum performance period of three financial years and subject to a continued employment condition.
- Awards will be made at the on-target level (100% of the **value at award** of the long-term incentive).
- Vesting is subject to fulfilment of Group performance targets, including financial and non-financial metrics:
  - Upside adjustment due to material outperformance of the Group performance targets may apply up to 150% of the on-target award. Awards will only vest at stretch levels in cases of significant outperformance.
  - Downside adjustment due to underperformance of the Group performance targets may apply, and may include application of 0% vesting.

The 2021 Group performance targets and the motivation for a change from those used in previous awards are set out below.

In approving the Group performance targets for the 2021 long-term incentive awards, we considered the following:

- Our key strategic financial ambitions over the 2021 to 2023 performance period which have been repositioned as we exit the Covid-19 crisis, ensuring that the targets align to these. We are measuring five elements, of which one is non-financial, each with an equal (20%) weighting:
- return on equity, common equity tier 1, and the cost-to-income ratio are focus areas for the Group as we exit the crisis i.e.
  - Providing shareholders with appropriate risk-adjusted returns on capital deployed measured through return on equity where we are targeting sustainable above cost of equity (COE) returns in the medium term;
  - Restoring capital levels measured through the Group common equity tier 1 ratio, which is a focus during a period of heightened uncertainty; and
  - Improving efficiency and reducing the cost-to-income ratio through accelerated digitisation and new ways-of-work, which are key to our ongoing competitiveness.
- These financial targets are underpinned by a medium-term plan, which is considered stretching in the context of the uncertainties in the current environment.
- Shareholder and management alignment is further strengthened through the specific inclusion of a total shareholder return (TSR) measure. In addition, participants have direct exposure to changes in the Absa Group share price over the vesting period through the award of performance shares.
- The non-financial metric that will measure organisational health has been increased to 20% in response to previous shareholder feedback that this element should have a greater weighting in the long-term incentive. These will assess the progress on key strategic priorities measured on the Group balanced scorecard, including customer primacy, digital adoption, transformation and environmental sustainability.

2021 long-term incentive

Number of shares awarded	✖	Performance share modifier	=	Number of shares vesting
1 April 2021		Performance period 1 January 2021 – 31 December 2023		ExCo – 33% each on 1 April 2024, 2025 and 2026 Other participants – 1 April 2024

Metrics	Weighting	Outcomes: Threshold (15%)	Outcomes: Target (100%)	Outcomes: Stretch (150%)
Normalised return on equity (for the period ended 31 December 2023)	20%	≥COE -1% concomitant requirement of CET≥ 11.0%	≥COE concomitant requirement of CET≥ 11.0%	≥COE +2% concomitant requirement of CET≥ 11.0%
IFRS Group CET 1 (as reported at 31 December 2023)	20%	CET≥11.0%	CET≥11.75%	CET≥12.5%
Normalised cost-to-income ratio (as reported at 31 December 2023)	20%	≤55.0%	≤52.5%	≤50.0%
Total shareholder return (1 January 2021 – 31 December 2023)	20%	Absa TSR <5% lower Average peer group TSR growth*	Absa TSR ≥ Average peer group TSR growth*	Absa TSR >10% higher Average peer group TSR growth*
		*Average TSR growth for the six major listed banks weighted based on market capitalisation size		
Organisational health	20%	Outcome with reference to Customer, Colleague, Control as well as Sustainability measures in terms of the Group's Balanced Scorecard and will include 10% attribution to each of the combination of Customer, Colleague, Control and Sustainability		

Straight line interpolation of the vesting outcomes occurs between threshold and on-target, and on-target and stretch outcomes.

COE – cost of equity
CET – common equity tier 1
TSR – total shareholder return

Malus and clawback: adjustments to variable remuneration for adverse risk and conduct matters

Malus (the ability to reduce, including to zero, an award that has not yet accrued or vested to an individual) and **clawback** (the ability to recover/seek repayment of awards already paid or vested to the individual) remain essential features of our remuneration philosophy. These processes allow for the risk adjustment of awards already made and, in the case of clawback, awards already vested or paid out.

Where appropriate, the variable remuneration (short-term and long-term incentives) of individuals who were directly or indirectly accountable for an event may be adjusted.

The Remuneration Review Panel (a sub-committee of the ExCo) follows an approved process for considering risk and conduct matters and the associated consequences to be reflected in individual incentive decisions. When considering individual responsibility, the panel takes a variety of factors into account, such as whether the individual:

- Was solely responsible for the event, or whether others were also directly or indirectly responsible.
- Was aware (or could reasonably have been expected to be aware) of the failure.
- Took action or missed opportunities to take adequate steps to address the failure.
- By virtue of seniority and influence, could be deemed to be indirectly responsible.

Malus

All deferred short-term incentives and long-term incentive awards are subject to continued employment and malus provisions. We may reduce the level of vesting of these awards, including to zero, where (but not limited to):

- A participant deliberately misled the Group, the market and/or shareholders concerning the financial performance of the Group.
- A participant caused harm to our reputation, or their actions amounted to misconduct, incompetence, poor performance, or negligence.
- There is a material error in the Group's financial statements, which results in a restatement.
- There is a material failure of risk management in the Group.

Clawback

Clawback provisions apply to any variable remuneration awarded (including long-term incentives) to a material risk taker from 1 January 2015. In 2019, the RemCo broadened the application of the clawback provisions to apply to all employees.

The RemCo may apply clawback at any time during the three years from the date on which variable remuneration is awarded, or in the case of deferred remuneration (which includes deferred short-term incentives and long-term incentives), three years from the date on which this vests, based on any of the following trigger events:

- The Group suffers a material risk management failure, considering the individual's involvement and responsibility for that incident; and/or
- The business unit in which the employee is employed has suffered a material failure of risk management; and/or
- The discovery of a misstatement resulting in an adjustment to the company or Group's audited accounts (or the audited accounts of any other group company); and/or
- The discovery of the events that occurred prior to vesting or settlement that have led to the censure of the company or a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company, subsidiary or the employee's business unit; and/or
- The discovery that any information or the assessment of any performance condition(s) used to determine an incentive award was based on erroneous, or inaccurate, or misleading information and led to a material error in calculating that award.

Malus (the ability to reduce, including to zero, an award that has not yet accrued or vested to an individual) and clawback (the ability to recover/seek repayment of awards already paid or vested to the individual) remain essential features of our remuneration philosophy. These processes allow for the risk adjustment of awards already made and, in the case of clawback, awards already vested or paid out.

Risk and remuneration

Remuneration governance

Regulatory context

Our Remuneration Policy, principles and practices align with the South African Companies Act requirements, the Banks Act, the principles and recommended practices of King IV and the relevant JSE Listings Requirements. We have also been mindful of broader remuneration governance guidance and frameworks, including the Financial Stability Board's Principles for Sound Compensation Practices. Given our pan-African operations, the RemCo is mindful of the regulatory and corporate governance requirements in each of our operating environments and considers these in our remuneration governance.

Final decisions regarding remuneration, including salary mandate, bonus pool and executive awards, are taken by the relevant Absa Regional Operations country/subsidiary bank boards, with input from the accountable Group executives and the RemCo where appropriate. Deloitte, the RemCo's independent advisers, provides input regarding remuneration outcomes.

Remuneration of risk and control functions

The remuneration of risk and control functions is considered in terms of Regulations 43 and 39(16)(a) of the South African Banks Act. In this regard:

Management oversight

- Remuneration of compliance, internal audit, risk and group legal employees is considered independently by the Group function head, based on their performance and the performance of the function.
- For employees in the control functions providing services to the business units, input is obtained from the business head on their performance. The final remuneration decision rests with the function head.

Remuneration governance structures

In line with the recommended practices of the King IV Code and section 64C of the Banks Act, the RemCo is a committee of the Group Board from which it derives its authority, and to which it regularly reports. In discharging its responsibilities, the RemCo is supported by various other board and management committees.

Group Executive Committee

Executive Appointments and Remuneration Committee

Review and approval of executive hiring, remuneration and termination arrangements within its term of reference. Approval of governance frameworks related to formulaic incentives. Approve referrals to the RemCo on behalf of ExCo.

Matters above the committee's limits of authority are referred to and approved by RemCo.

Remuneration Review Panel

Makes recommendations on adjustments to incentive pools, individual awards as well as malus and clawback in the event of conduct, compliance, control, regulatory or ethical issues arising that impact or are impacted by remuneration.

Any matters related to senior executives would be referred to the Group Chief Executive, and in need, to the Directors Affairs Committee.

Group Board

Group Remuneration Committee

Discharges its responsibilities as mandated by the Group Board and in accordance with the recommended practices of the King IV Code and section 64C of the Banks Act and its regulations.

Other committees

Group Risk and Capital Management Committee

Group Audit and Compliance Committee

Social and Ethics Committee

Advises/informs the RemCo on the management of various element of remuneration risk, which includes conduct, ethics, reputation, transformation and the control environment.

Subsidiary boards and remuneration committees

Appropriate engagement with country and subsidiary boards is included in our governance process, in line with the Group Governance Framework.

Board oversight

- Board Committees assess the control functions' performance, particularly evaluating the performance of the Chief Internal Auditor, the Chief Compliance Officer, and the Chief Risk Officer.
- The Directors' Affairs Committee provides input on the performance of all ExCo members.
- Final performance and remuneration outcomes for control function heads are subject to RemCo approval.
- Remuneration outcomes for senior control function employees in the population subject to RemCo oversight are reviewed and approved by the RemCo.
- Remuneration of all material risk takers is subject to RemCo approval. Short-term incentive deferrals have been applied for material risk takers in line with the South African Prudential Authority's Guidance Notes 4 of 2020 and 3 of 2021, regardless of the geography in which the material risk taker works. No cash bonuses will be paid to material risk takers in 2021 for 2020 performance.

Addressing future risks in remuneration outcomes

We apply a three-year planning process, which aligns with our strategic objectives, risk appetite and capital planning. The Board approves the outcomes of this process. This forward-looking view of the strategic, financial and risk and return outcomes allows the Board and the RemCo to assess potential remuneration outcomes and make appropriate adjustments to future-based targets for new awards, and to determine remuneration outcomes based on the relevant risk factors.

Our deferred short-term incentive and long-term incentive approach aligns to this longer-term planning focus through:

- The mandatory short-term incentive deferral of up to three years for awards above the deferral threshold.
- A vesting period of at least three years for long-term incentive awards. In addition, awards are subject to Group performance targets on the full award.

The deferral period for short-term incentives and the vesting period for long-term incentives enables the application of malus or clawback.

Executive directors' and prescribed officers' service contracts

Minimum shareholding requirements	ExCo members (including executive directors and prescribed officers) should have an unencumbered shareholding of at least 150% of their **cost-to-company** (on a pre-tax basis). In comparison, the Group Chief Executive Officer should hold at least 300% of his **cost-to-company** on an unencumbered basis. ExCo members (including the Group Chief Executive Officer) have five years to build up this level of personal shareholding: • By 2021 for those on ExCo in 2016 when the minimum shareholding requirements were introduced. • From the date of their appointment to the ExCo, if this was later than 2016.
Notice periods	Executive directors and prescribed officers have a six-month notice period, with their potential compensation in relation to termination of service being six months' fixed remuneration. They may be required to work during the notice period or may be placed on gardening leave subject to the requirement that they may be called upon to render services during this period. If they are not required to work, and where there is no competitive or commercial imperative to keep the individual on gardening leave, remuneration in lieu of notice (all or part of the notice period) may be paid.
Payments on termination	These consider the individual circumstances, including the reason for termination, individual performance, contractual obligations and the terms and conditions of the short-term or long-term incentive plans that apply. There are no contractual entitlements to payments on termination, other than for contractual notice and unutilised leave. Malus and clawback continue to apply to any short-term and/or long-term incentive arrangements that extend beyond the termination date.
Treatment of short-term incentives on termination	There is no automatic entitlement to a short-term incentive payment on termination. An award may be considered at the RemCo's discretion and subject to performance. Awards may be prorated for service. Malus and clawback apply regarding any short-term incentive arrangements that extend beyond the termination date. No short-term incentive is payable in the case of underperformance, dismissal for cause or resignation.
Treatment of unvested awards on termination	Unvested share and cash awards (including deferred short-term incentive awards) will lapse if the executive director or prescribed officer resigns or their employment is terminated for cause. In an eligible leaver situation (other than in the case of death, in which case accelerated vesting applies) the following will occur in respect of unvested awards: • Deferred short-term incentive awards may be considered for release in full on the scheduled vesting dates (equal tranches on the first, second and third anniversary of the award date). • Long-term incentive awards will remain subject to Group performance targets. They will vest (subject to these) on the normal vesting date unless, in exceptional circumstances, the RemCo determines otherwise. Awards will be subject to prorating for the time served during the vesting period. Share-based awards and their cash equivalents are subject to malus and clawback provisions enabling the RemCo to reduce the vesting level (including to zero) or to recover amounts already paid should this be necessary.
Restrictive covenants	Executive contracts include restrictive covenants on poaching employees and customers. In a limited number of instances, and typically only for specifically identified senior executives, non-compete clauses may also be included.

Group Chairman and non-executive directors' remuneration policy

Non-executive director remuneration policy

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

- The Group Chairman's fee covers her chairmanship and/or membership of and attendance at the Board and all committees (including Absa Bank and Absa Financial Services and *ad hoc* meetings), except for attendance at the Separation Oversight Committee, which was separately remunerated. That committee was established on an *ad hoc* basis and held its last meeting in July 2020.
- Non-executive directors are paid an annual fee (in monthly instalments) for their board membership.
- Members of Board committees are paid an annual fee (in monthly instalments) for their committee membership.
- Chairmen of committees are paid a premium, as follows:
  - Group Audit and Compliance, Group Risk and Capital Management, Remuneration, Social and Ethics – 2.5 times the standard fee.
  - All other committees – 2 times the standard fee.
- The Board Finance Committee and Separation Oversight Committee members are paid per meeting, as these meetings are scheduled as the need arises.
- The Group Credit Risk Committee members are paid a separate fee for each credit application reviewed.
- Special and *ad hoc* meetings of both the Board and committees are separately remunerated based on a per-meeting fee, or an hourly rate, based on preparation time and the meeting length.

Determination of non-executive directors' fees

We consider the following when setting the fees for our non-executive directors:

- Fees paid by our large banking competitors.
- General level of increase applied for non-executive director fees across the market.
- Level of general increase applied to our employees (with particular reference to those applicable to senior management).
- Overall inflation.

Non-executive directors' fees were not increased in 2020. The value of the increase that would otherwise have been made and savings from the non-incurred travel expenses was donated by the Group to various feeding schemes.

The proposed fees for the period from 1 June 2021 to 31 May 2022 are set out in the Notice of annual general meeting. An overall increase of 3.3% is proposed.

Implementation report

The context for our remuneration outcomes

The RemCo considered a shareholder, stakeholder and franchise protection view in determining the remuneration outcomes for 2020, particularly for the short-term incentive pool.

We considered the following salient features of the 2020 normalised Group financial results in making remuneration decisions:

- Headline earnings reduced by 51% in reported currency and 53% in constant currency to R8bn following, a material increase in impairments as delinquencies increased 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, and operating costs reduced by 2% compared with the prior year and the cost-to-income ratio reduced to 56% from 58% in 2019.
- The Group common equity tier 1 ratio of 11.2% at year-end 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 are broadly in line with market, despite Absa's positioning on impairments coverage.

Other key considerations were:

- The 2020 short-term incentive pool proposals were cognisant of the shareholder perspective, and the material reduction in overall business performance and no dividends payable.
- The broader societal response to the declaration of a short-term incentive pool in the context of the extremely challenging year experienced by stakeholders (including customers and communities) has been considered. Absa has managed the stakeholder impact of Covid-19 responsibly and ethically and has sought to assist in mitigating the impact on our customers, communities, and employees.
- The Group has made good progress on the elements included in our non-financial organisational health metric, which makes up 10% of the outcome in each of the scorecard scenarios considered by the RemCo. The RemCo approved an on-target outcome (7/10) for this metric. Further detail on our customer, colleague and control environments are set out in our Integrated Reporting suite.
- The RemCo considered the franchise risk of potentially being misaligned with market practice (given an assumption that the peer group would pay bonus awards, albeit reduced), especially in the context of the strong relative underlying financial performance. We adopted a balanced approach in considering franchise risk, and in this regard:
  - We are not changing in-flight long-term incentive performance conditions for our 2019 and 2020 awards, notwithstanding the significant impact on vesting potential wrought by the pandemic.
  - Short-term incentive pools are down in line with headline earnings (in constant currency), with business/functional allocations focused on rewarding those who made the most significant contribution to delivering on our strategic priorities in 2020. This sees some pools reduce by over 60%.
  - Our executives and senior managers (approximately 1 000 people) will generally not receive salary increases. For middle and junior managers, increases will be differentiated to focus on top performers, key talent and scarce skills, as well as addressing market relativity. We have allocated a larger percentage increase to our bargaining unit employees.
  - We did, however, adjust deferral levels to be more market related, making these less stringent.

The RemCo considered a shareholder, stakeholder and franchise protection view in determining the remuneration outcomes for 2020, particularly for the short-term incentive pool.

Building our 2020 short-term incentive pool

The outcomes of our decisions are reflected in a Board-approved total 2020 Group short-term incentive pool of R1 069m (excluding formulaic sales incentives). This is 53% lower than the rebased 2019 pool (in constant currency). The components of this pool are set out below:

Performance pool		Separation pool		Investment Cluster		Total 2020 Group pool	
R990m	▼ 53%	R57m	▼ 55%	R22m	▼ 17%	R1 069m	▼ 53%

Based on the approach and considerations set out on pages 9–11 and the outcomes of the organisational health assessment at 7/10 (on-target), the RemCo considered that a performance short-term incentive pool that reduces in line with headline earnings is appropriate on the proviso that the short-term incentive pool for senior executives should reduce by more than the reduction in headline earnings.

Other outcomes in finalising the allocation of the pool included:

- The pool allocation to businesses and functions was differentiated to ensure that those businesses and enabling/control functions that made the most significant impact on the strategic priorities to deliver the Group's performance in 2020 were appropriately rewarded for their contribution in the context of materially reduced pools. This principle was also applied regarding individual awards, focusing on ensuring that top performers were appropriately rewarded.
- The short-term incentive pool allocated to executive directors and prescribed officers who were in their roles for two full years was R16.9m for 2020 (2019: R41.9m), which is down 60% year-on-year for the same individuals. This excludes the Group Chief Executive who joined the Group in 2020. The reduction in the pool for these senior executives is greater than the overall reduction in the total pool and the reduction in Group headline earnings (in constant currency).
- The pool allocated to the Group ExCo is influenced by several changes in the ExCo membership during the year, and therefore like-for-like comparison is not possible. The RemCo is, however, satisfied that the awards made to ExCo members are aligned to the reduction in headline earnings and their relative performance.

The Separation pool (R57m) and Investment Cluster pool (R22m) is in addition to the performance short-term incentive pool of R990m and is allocated to (i) employees who worked wholly or substantially on the Separation prior to this being completed in July 2020, and (ii) those who participate in an approved stand-alone plan for our Investment Management operation.

i. The Separation pool was adjusted based on time spent by participants on Separation during the year. On a *pro rata* basis, employees who worked on both Separation and business as usual for parts of the year may participate in both pools. This will be the last year of payments from a distinct Separation incentive pool, given the completion of the Separation during 2020. ExCo members (including executive directors and prescribed officers) do not participate in the Separation incentive pool.

ii. The Investment Cluster pool is allocated to a ringfenced group of eligible employees in our Investment Management business based on performance within their operating unit. It is determined based on achievement relative to specifically contracted performance targets. This plan operates in terms of a RemCo-approved set of rules. Awards are moderated based on individual performance.

As indicated in our 2019 Remuneration Report, a review of banking peers' public disclosures of performance short-term incentive pools indicates that the Group's short-term incentive pools were lower than those of its peers, relative to earnings. It was contemplated that the Group's variable remuneration would increase over time, provided that the Group's performance improves in line with our medium-term financial targets and relative to our peer group. This remains our intention as performance begins to normalise into the future.

The extent of this normalisation will depend on the ongoing impact of Covid-19 and the success of initiatives to fight the pandemic. Other changes in our future short-term incentive pools will reflect a rebalancing of total remuneration potential under our single-incentive model, which is a revised incentive model for employees no longer eligible for long-term incentives. This will, for 2021, require some rebalancing of the mix of the short-term incentive and long-term incentive pools below ExCo and certain senior management roles.

Short-term incentive deferrals for disclosed officers and material risk takers for 2020

Aligned to the South African Prudential Authority's Guidance Notes 4 of 2020 and 3 of 2021, short-term incentive awards made in respect of 2020 performance to disclosed officers and material risk takers are subject to deferral in full, with no cash bonus being paid in 2021 for 2020 performance. Differentiated approaches have been adopted regarding members of the ExCo (including executive directors and prescribed officers) and other material risk takers:

Executive directors, prescribed officers and members of the Group ExCo

Short-term incentive deferral for 2020 for all members of the Group ExCo (including executive directors and prescribed officers) will be delivered as follows:

- Deferral of the full value of any short-term incentive will be into Absa Group shares. These awards will be made under the deferred award section of the share incentive plan rules.
- Deferral will be over the standard Absa deferral timelines (one-third each on the first, second and third anniversary of the award date). However, each tranche will be subject to a safety and soundness validation that the Group has reached a common equity tier 1 level that is at least at the minimum of the Group's target common equity tier 1 range (the trigger event). Vesting will therefore be at the later of the time-based vesting date or the achievement of the trigger event.
- The award made to Peter Matlare will be in cash.

Other material risk takers

Short-term incentive deferral for 2020 for all other material risk takers will be delivered as follows:

- The portion of the award that, in the normal course, would have been paid in cash is deferred as a cash deferral until **the later of**:
  - One year from the award date; or
  - The safety and soundness validation of the Group reaching a common equity tier 1 level that is at least at the minimum of the Group's target common equity tier 1 range (the trigger event).
- The portion of the award that, in the normal course, would have been deferred (that is, the value of 50% of the portion of the award that is in excess of R1m) is deferred as a share-based deferral (aligned to revised deferral arrangements set out on page 8:
  - On the standard Absa deferral cycle, with vesting taking place in equal proportions on the first, second and third anniversaries from the award date.
  - Subject to each tranche also being subject to the trigger event.
  - Where the trigger event has not yet been achieved, vesting will be delayed until such time as the trigger event is achieved.

This applies consistently to all the Group's material risk takers, regardless of their geographic location.

Fair and responsible remuneration

South Africa

2020 fixed remuneration outcomes

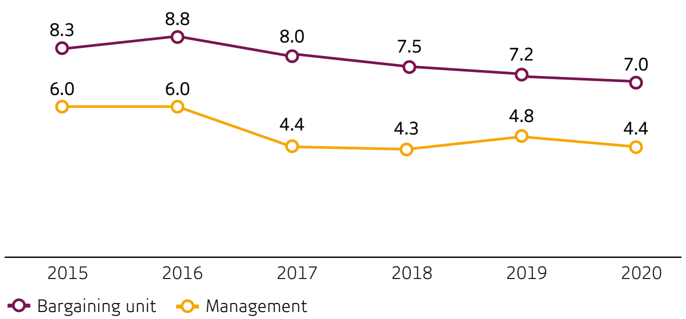
In 2020, we applied a minimum cost-to-company level of R177 620 which is higher than the national minimum and living wage and is competitive relative to the disclosed minimum cost-to-company levels in our peer group.

Increases awarded to our South African bargaining unit employees in 2020, in terms of the relevant collective agreement, were above inflation, with a minimum increase of 7% applying for all employees meeting the required performance standards for their roles. These outcomes aligned to our fair and responsible remuneration objectives and the principle that a more significant proportion of senior employees' remuneration should be based on performance.

Variances in remuneration that cannot be explained based on role, skills, experience, performance and market competitiveness or other objective factors were considered in the allocation of discretionary salary increases awarded on 1 April 2020 for our management and executive populations, with progress in addressing these variances carried out within the available budgets. Average increases of 4.4% were implemented for this population, differentiated to take account of market relativity and performance. Group ExCo members did not receive increases, other than in instances where individuals were recently appointed to the ExCo and progress toward market alignment was approved by the RemCo.

The differential in increases applied in relation to cost-to-company in 2020 to the bargaining unit (7%) and management (4.4%) is consistent with practice over several years.

Increases in fixed remuneration (%)
Average cost-to-company increase (South Africa only)



2021 fixed remuneration outcomes

For increases to apply from 1 April 2021 for South African employees, the RemCo adopted the following approach:

- Senior management and executives (including executive directors and prescribed officers) will not be eligible for increases in April 2021, other than on an exceptional basis to address pay equity concerns. No adjustments will be made for executive directors and prescribed officers.
- Junior and middle management may be eligible to receive an increase, with the average increase pool not exceeding 3.3%. Actual increases will be strongly differentiated to ensure that those meeting and exceeding performance standards who are positioned below market levels receive attention. Focus will also be given to addressing pay differentials based on race and gender to the extent that these exist.
- A total increase pool of 4.1% was agreed with Sasbo in respect of the bargaining unit. This settlement, which is above the increase levels approved for our junior and middle management levels, continues our focus of ensuring that lower-paid employees receive priority concerning fixed remuneration adjustments.

Our 2021 salary review arrangements continue to prioritise lower-paid employees, and within that cohort, those who are performing to at least the required standard and who are below market median levels.

Recognising exceptional contributions during lockdown levels 5 and 4

In Retail and Business Banking South Africa, 11 560 frontline employees who served our customers in branches and call centres during the Level 5 and 4 lockdown periods received once-off *ex gratia* payments in August 2020. Similar payments were made in Corporate and Investment Bank frontline environments. Approximately R50m was paid out. These payments made a material impact on keeping employees engaged and energised during a very bleak and daunting period.

Absa Regional Operations – fixed remuneration

Increases awarded to bargaining unit employees in our various countries in our Absa Regional Operations are determined through a collective bargaining process, which in some instances includes industry-based bargaining. Executives based in these operations had their increases determined based on local market conditions, with further consideration to the skills scarcity for top executive talent in many of our markets. These are subject to local Absa Regional Operations board approval. Where individuals are within the population subject to Group RemCo oversight, these are presented to the RemCo.

We comply with minimum salary determinations in all the markets in which we operate.

Monitoring and addressing pay differentials

The competitiveness of our fixed remuneration levels relative to market levels in our various operations will continue to receive attention to remediate any unjustifiable disparities. It was anticipated at the beginning of 2020 that we would implement initiatives to specifically improve the market competitiveness of the fixed remuneration of employees who were meeting or exceeding the performance requirements of their roles, but who were lagging market levels. This was suspended in light of the Covid-19 pandemic and the need to apply prudent cost management in the organisation. This position will continue to be monitored, and the initiatives reconsidered as appropriate in the future.

Supporting the fight against Covid-19

Our employees responded generously to support the fight against Covid-19 through a range of donation arrangements. These included:

- Our executive directors and prescribed officers donated one-third of their post-tax guaranteed remuneration for three months to the Solidarity Fund and/or other Covid-19 relief organisations. These donations were made by the executives in their own right and were not managed through the payroll.
- Employees were given an option to donate the value of up to eight days of accrued accumulative leave to the Absa Foundation Trust to support Covid-19 responses. 316 employees made these donations, raising R4.5m on an after-tax basis.
- Employees and non-executive directors took the initiative to support a range of Covid-19 causes, either on their own or through community-based structures.

Vesting outcomes for the 2017 long-term incentive award

The Absa Group 2017 long-term incentive vested in 2020. The outcome, based on the RemCo's assessment of the achievement against the Group performance targets disclosed in our 2018 Remuneration Report, is described below:

The 2017 long-term incentive performance conditions were:

Financial targets	Performance	Target	Range of vesting potential based on performance outcome (% of total award)	Actual performance achieved	Outcome (Vesting %)	
					South Africa	Absa Regional Operations
Constant currency growth in normalised headline earnings per share (30%)	Threshold	3%	15%	3.44%	15.9%	
	Stretch	10%	30%			
Normalised return on equity (30%)	Threshold	14%	15%	16.3%	23.8%	
	Stretch	18%	30%			
Non financial targets						
Transformation (20%) – At the discretion of the Committee based on the following: Race and Gender* • Race and Gender: for **South Africa**, achieve approved employment equity targets in the employment equity plan for 2019 (measured in 2020) as submitted to the Department of Labour				2/6 measures achieved	6.6%	
• Gender: for Absa Regional Operations: To achieve the gender targets for 2017–2019 in respect of middle and senior management *these conditions applied separately for the respective participant populations (South Africa and Absa Regional Operations)				0/2 measures achieved		0%
Separation from Barclays (20%) At the discretion of the RemCo and Separation Oversight Committee based on the following: • Achievement of effective Separation by June 2020, having regard to safe, sustainable and efficient delivery.				18/20	18%	
Total					64.3%	57.7%

The vesting outcomes were subject to assurance by EY.

Awards were scheduled to vest on 31 July 2020; however, the Group was in a closed period. Vesting moved to 24 August 2020, being the date upon which the Group exited the closed period.

The 2017 long-term incentive, which vested in 2020, is included in single-figure remuneration for 2020 for executive directors and prescribed officers on pages 23–40.

Disclosures for executive directors and prescribed officers

The Group's executive directors and prescribed officers are designated as such by the Board. Executive directors are subject to appointment by shareholders in their first year, and to resignation by rotation and reappointment by shareholders in the normal course of their tenure. This is in accordance with the company's Memorandum of Incorporation and the South African Companies Act requirements.

In 2020, no malus or clawback provisions were applied for executive directors and prescribed officers.

Minimum shareholding requirements

Progress in achieving the minimum shareholding requirements is assessed whenever an ExCo member seeks approval to dispose of Absa Group shares. At the beginning of 2020, all ExCo members were on track to meet the minimum shareholding requirements over the stipulated five-year time frame. However, with the significant reduction in share values (including the Absa Group share price), which generally persisted through 2020 (the year-on-year share price was down 20% by the end of December 2020), there is a risk that a limited number of ExCo members may not be able to meet the minimum shareholding requirements within the timeframe provided. This also includes consideration of unvested awards due to vest during the period that the ExCo member must build up his/her holdings.

To mitigate this impact, no authority to sell Absa shares (whether already owned or acquired due to the vesting of short-term incentive deferrals or long-term incentives) has been provided to any Group ExCo member during 2020. This will continue to apply until it becomes evident that the ExCo member is back on track in terms of achieving the minimum shareholding requirements in the context of a depressed Absa share price.

The personal shareholding (own unencumbered Absa Group shares) and the multiple of **cost-to-company** this represents for each executive director and prescribed officer, is set out below. The holdings as at 31 December 2020 are above the minimum shareholding requirements as a multiple of **cost-to-company** for the disclosed officers, other than for the Group Chief Executive Officer who joined during 2020:

Name	Role	Number of shares	Value of holdings as a multiple of cost-to-company
Daniel Mminele	Group Chief Executive Officer	–	–
Jason Quinn	Group Financial Director	104 033	2.1
Peter Matlare	Chief Executive: ARO	92 709	1.5
Arrie Rautenbach	Chief Executive: RBB	163 536	2.7
Charles Russon	Chief Executive: CIB	113 412	2.3

Cost-to-company

No **cost-to-company** increases were awarded to executive directors and prescribed officers in April 2019 and April 2020, and none have been proposed for implementation in April 2021.

Remuneration disclosures for our executive directors and prescribed officers include awarded remuneration and single-figure remuneration

Awarded remuneration and single-figure remuneration

Our disclosures are based on two methodologies, awarded remuneration and single-figure remuneration. The components of each are highlighted below:

		2020 awarded remuneration	2020 single-figure remuneration	Corresponding payment/vesting period 2020	2021	2022	2023	2024	2025	2026
Cost-to-company and any other guaranteed remuneration paid in 2020.		✓	✓	■						
Short-term incentive in respect of 2020, comprising:	Cash short-term incentive	✓ *see note	✓ *see note		□	*Cash bonuses will not be paid in 2021 for 2020 performance. In terms of the Prudential Authority's Guidance Note 4 of 2020 and Note 3 of 2021, the short-term incentive will be deferred as described on pages 18–19.				
	Face value of deferred short-term incentive	✓	✓			33.3%	33.3%	33.3%		
Face value of long-term incentive to be awarded in April 2021.		✓			Performance period			33.3%	33.3%	33.3%
Total awarded remuneration		✓								
Long-term incentive awards vesting in 2020 or for which the performance period ends in 2020.			✓	■	The proceeds of vesting of the 2017 long-term incentive awards, which vested on 24 August 2020, are included.					
Dividend-equivalents and service credits received in 2020 in respect of awards vesting during the year.			✓	■						
Total single-figure remuneration			✓							

Total remuneration mix potential for executive directors and prescribed officers – Single figure

The individual disclosures that follow for each disclosed officer illustrate the potential total remuneration outcomes (on a single-figure basis), with each element shown as a percentage of the potential total remuneration outcome, as envisaged under the Remuneration Policy). The actual total single-figure remuneration received in 2020 is included in the chart. The individual disclosures are set out on pages 23 to 40.

Determining the single-figure scenarios

The single-figure total remuneration scenarios (which include fixed remuneration, short-term incentives and long-term incentives) are based on three potential performance scenarios (the assumptions for each being set out below), namely:

- Below threshold (minimum)
- On-target
- Stretch

The actual total remuneration outcomes will reflect the combination of a range of Group, business and individual performance outcomes over the short- and long-term. The scenarios therefore reflect a combination of award outcomes (for short-term incentives), and vesting outcomes (for long-term incentives) based on performance at the three levels indicated above. Deferred short-term incentives and long-term incentives are reflected based on a constant share price, and before the inclusion of any dividend equivalents that may apply on vesting of the awards.

The charts in the individual disclosures demonstrate that the relative weighting of variable remuneration in the total remuneration mix, and the exposure to the Absa Group share price (via deferred short-term incentives and long-term incentives), increases as total remuneration increases. This demonstrates the principles of pay-for-performance and alignment of shareholder and executive interests. There is no entitlement to receive any element of remuneration (other than cost-to-company, which is a contractual payment), and neither is there any guarantee of awards being made or vested, as may be applicable, at the illustrative levels. The scenarios do not include any adjustment for the possible application of discretion (either positive or negative) by the RemCo.

The scenarios are based on the following assumptions:

- For **below threshold** performance, the executive will only receive cost-to-company.
- For **on-target** performance he/she may receive a discretionary short-term award referenced to (but not determined solely based on) the on-target level set for each executive, and a long-term incentive, vesting in the year, at the **on-target** level.
- At the **stretch** level, he/she would likely receive a superior bonus award and for Group outperformance, a superior long-term incentive plan vesting, up to **stretch** outcomes. **An outcome at stretch for all remuneration outcomes over the relevant performance periods would be extremely unlikely to occur and would be accompanied by creation of significant long-term shareholder value.**

Total remuneration potential (before considering changes to share price for long-term incentive awards) is capped at the Stretch level, as set out in the individual charts.

For the pages below, **executive** refers to executive directors and/or prescribed officers.

Remuneration outcomes for our executive directors and prescribed officers

The disclosures that follow set out the details of the 2020 performance and the associated remuneration for the Group's executives. The disclosures include both awarded remuneration and single-figure remuneration.

In assessing each executive's performance, RemCo considered performance against the Group's strategic priorities, including those amended in response to the Covid-19 pandemic, and his leadership role in steering the Group through the challenges addressed during the year. These decisions are outlined on the pages that follow.

Disclosures for executives who left the Group in 2019 or 2020 are included in the combined tables.

Daniel Mminele
Group Chief Executive

Performance and remuneration outcome

Daniel joined the Group in mid-January 2020 and, within two months, found himself leading the Group through a global pandemic. With ExCo support, Daniel swiftly put measures in place to coordinate and direct the effort to ensure our resilience and safeguard colleagues, customers and our communities while working closely with regulators.

In a uniquely challenging context, together with the leadership team, Daniel produced a resilient and respectable financial and operational performance.

The circumstances called for a review of the Absa strategy. Daniel led this process using predominantly internal resources and leveraging employee-led teams that were diverse in race, gender and geographies. The outcome was a refinement of our strategic objectives focusing on our propositions, distribution channels, market footprint, capabilities, mindsets and behaviours to deliver on the needs of our customers and clients.

Group financial performance

Headline earnings decreased by 51% (down 53% in constant currency) to R8.0bn following the impact of materially higher impairments on the Group's results despite strong pre-provision profits. The reduction in earnings resulted in a return on equity of 7.2%, which was substantially lower than the prior year (2019: 15.8%). Impairment charges of R20.6bn increased substantially from R7.8bn, and the credit-loss ratio increased to 1.92% (2019: 0.80%). A material component of the charge related to judgemental macroeconomic overlays, which supported an increase in the Group's loan coverage to 4.54% (2019: 3.27%). Muted income growth of 2% (flat in constant currency) reflects resilient net interest income growth of 5% (4% in constant currency) supported by 15% growth in customer deposits. However, non-interest income reduced by 3% (down 4% in constant currency) as fee and commission income was adversely affected by lower transactional volumes due to lower economic activity. Net interest margin contracted to 4.17% (2019: 4.50%), reflecting materially lower interest rates across our markets and a change in balance sheet composition following solid growth in lower margin deposits, which were deployed in low margin assets. Positive JAWS of 3% supported strong pre-provision profit growth of 7% (5% in constant currency). At a business unit level, pre-provision profits reflect particularly strong growth in CIB pan-Africa up 22% (18% in constant currency), with RBB SA up 6% and ARO up 3% (down 5% in constant currency). Costs reduced by 2% (down 3% in constant currency), reflecting management actions in response to the Covid-19 stress, restructuring initiatives in the prior-year, as well as a reduction in performance costs (in line with the Group performance). The cost-to-income ratio reduced to 56.0% (2019: 58.0%). Customer deposits grew 15% (16% in constant currency), faster than gross customer advances which was up 3% (3% in constant currency). This contributed to a strong liquidity coverage ratio of 120.6%, well above the regulatory minimum. Improved performance was evident in the second half, albeit still below pre-Covid-19 levels, with second-half headline earnings of R6.5bn, which were 19% lower (down 20% in constant currency) than the comparable period in the prior year. The first-half headline earnings of R1.5bn were 82% lower (down 84% in constant currency), following materially higher credit impairments. A well-capitalised position was maintained despite the material impact of higher impairments with a Group common equity tier 1 ratio of 11.2% (2019: 12.1%).

Grow the business

The Group delivered on a Board-approved revised scorecard, developed by Daniel and his ExCo, which reflected the adjusted 2020 strategic financial priorities of capital and liquidity preservation. The Group's non-financial performance was mixed; in particular, digital, customer and brand measures varied relative to targets and peer benchmarks. While 2020 was not a year to grow the business, the Board is of the view that the correct strategic decisions were taken to prioritise long-term sustainability.

Playing a shaping role in Africa's growth and sustainability

The Group achieved a Level 2 BEE status, in line with target. It was challenging to maintain 2019's Level 1, as procurement spend and hiring practices supporting employment equity targets, in particular, were hampered by the disruption caused by the crisis. The Group is targeting a Level 1 status in 2021. Daniel was involved in developing a more precise articulation of the Group's role in society and securing Board approval thereof. He spearheaded the Group's involvement with the Solidarity Fund and Oppenheimer South African Future Trust, demonstrating our commitment to our communities. Notwithstanding that stakeholder management, public policy, and citizenship could have progressed more rapidly, Daniel's role in improving relationships with our regulators was critical. He pursued regular communication and ensured quality and timeous responses to regulatory queries. Daniel engaged with critical constituencies such as Sasbo, The Black Management Forum and the Association of Black Securities and Investment Professionals. Further, he played an active role at the Banking Association of South Africa and Business Unity South Africa. Although there is room for improvement in our sustainability initiatives, we issued our first Task Force on Climate-related Financial Disclosures and Principles for Responsible Banking for 2020.

Brand equity

Brand equity remained flat on the 2019 performance and below the pre-Covid benchmark of 38 points. However, the Group has noted that peers' brand equity scores in South Africa are considerably higher than Absa's. Daniel did, however, contribute to positioning and profiling the brand at global forums.

Control enviroment

The control environment improved, as assessed by all three lines of defence and the external auditors. The Group made sound progress by completing several of its actions on its 'Road to Satisfactory' plan.

Customer

All business units showed progress on key customer measures. However, customer primacy measures have not indicated the same improvement, partially reflective of the challenges in improving this measure in an environment where it is more challenging to acquire customers (given our still-heavy reliance on branches for sales). The Group launched several initiatives (most notably the payment relief programmes) to support vulnerable customers during the period and has been recognised externally through awards.

Colleague

A Group-wide survey was successfully rolled out in October and November 2020. The results were positive, and provide a baseline that will inform action plans and initiatives that have medium-term targets for the Group's desired culture into 2022. Daniel committed to accelerating the culture transformation journey, starting with the Senior Leadership Group. Much progress was made in the reward framework that seeks to balance shareholders' and employee reward over the long term. Revised reward principles were approved, facilitating the shift toward greater emphasis on pay-for-performance and more substantial differentiation of remuneration outcomes. There is, however, more to be done in the areas of talent management, retention and employment equity. Furthermore, senior vacancies must be filled quickly but without any associated compromise to quality. Our wellness programme took centre stage this year. Daniel was integrally involved in supporting this initiative to safeguard employees' physical, emotional and mental wellbeing, and communicated regularly with all employees on Covid-19-related matters. Daniel communicated consistently and effectively with the organisation under challenging circumstances through townhalls, Workplace, employee engagements and site visits.

Areas of focus for 2021

Some areas were not completed in 2020 and will continue into 2021. These include :

- Finalising work on the Group target operating model.
- Filling key ExCo vacancies.
- Facilitating more external interactions with clients, ARO regulators and country boards, investors and the media.
- Progressing our sustainability disclosures and embedding our sustainability policies and initiatives throughout the business.
- Further developing and embedding our broader citizenship initiatives, particularly enterprise development, with the Group having a key and shaping role to play in this regard.

Remuneration outcomes

Based on the performance outcome described above, the following remuneration outcomes were approved for Daniel.

Awarded remuneration

The following remuneration was awarded to Daniel by the RemCo in the 2020/2021 pay review, based on his performance:

- Daniel's fixed remuneration is pro-rated for the period that he was Group Chief Executive (15 January to 31 December 2020).
- The short-term incentive award, which will be deferred in full into Absa Group shares, was determined based on Daniel's performance in the context of Group performance and the reduction in the Group performance short-term incentive pool.
- The long-term incentive was awarded at the on-target level in Daniel's total remuneration mix and is subject to the Group performance targets set out on page 12.

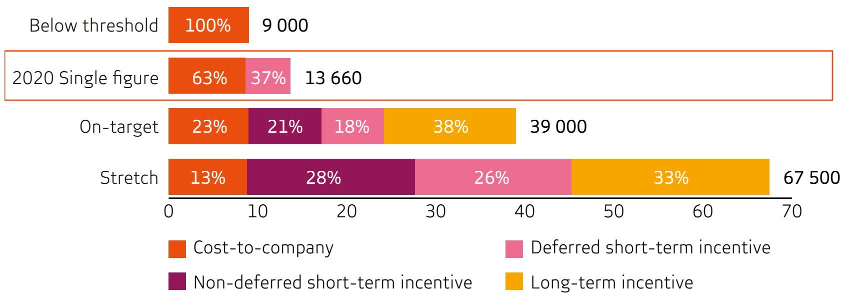
Awarded remuneration	2020 R
Salary	8 430 191
Medical aid	–
Retirement benefits	154 680
Other employee benefits	75 102
Total fixed remuneration	**8 659 973**
Non-deferred cash award	–
Deferred share award[1]	5 000 000
Total short-term incentive	**5 000 000**
Face value of long-term incentive award (on-target award)[2]	**15 000 000**
Total awarded remuneration	**28 659 973**

[1] Executive directors and prescribed officers did not receive cash short-term incentive awards in 2021 for 2020 performance, aligned to the Prudential Authority guidance. The full award made for 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 safety and soundness validation set out on pages 18 – 19.

[2] This is the **on-target** value of the award. The award is to be made in April 2021. Vesting will be in equal tranches on the third, fourth and fifth anniversaries of the award date. Daniel received a long-term incentive award of R15m (value at award) on 1 April 2020, as part of his joining terms, as disclosed in the 2019 Remuneration Report.

Single figure remuneration relative to on-target remuneration mix

Daniel received the following single figure remuneration in 2020. The remuneration mix is shown as a percentage of total remuneration.



Daniel's 2020 single figure remuneration of **R13.7m** includes:

- Fixed remuneration received in 2020: Daniel's fixed remuneration is pro-rated for the period he was Group Chief Executive (15 January to 31 December 2020).
- Short-term incentive received for 2020 performance: No cash bonus was paid, with the full amount deferred as set out on pages 18–19.
- Vesting awards: Daniel did not participate in vesting of any deferred or long-term awards in 2020, given that he joined the Group during the year, and he therefore received no dividend equivalents related to vesting awards.

The basis for determining the **below threshold**, **on-target** and **stretch** scenarios is described on page 23.

Jason Quinn
Group Financial Director

Performance and remuneration outcome

Jason is an accomplished enterprise leader and provided strong leadership to the finance function during 2020. Jason drove resilient performance in a tough year. His guidance as the Group Finance Director enabled the ExCo to drive the structured handling of the Covid-19 crisis at its peak, in particular, guiding a timeous pivot to capital and liquidity preservation to ensure the continued resilience of the Group.

Jason is well respected by his peers, the Board, investors and stakeholders. This is evident in the CFO of the Year award he received at the 2020 CFO Awards (CFO South Africa).

Group financial performance

Headline earnings decreased by 51% (down 53% in constant currency) to R8.0bn following the impact of materially higher impairments on the Group's results despite strong pre-provision profits. The reduction in earnings resulted in a return on equity of 7.2%, which was substantially lower than the prior year (2019: 15.8%). Impairment charges of R20.6bn increased substantially from R7.8bn, and the credit-loss ratio increased to 1.92% (2019: 0.80%). A material component of the charge related to judgemental macroeconomic overlays, which supported an increase in the Group's loan coverage to 4.54% (2019: 3.27%). Muted income growth of 2% (flat in constant currency) reflects resilient net interest income growth of 5% (4% in constant currency) supported by 15% growth in customer deposits. However, non-interest income reduced by 3% (down 4% in constant currency) as fee and commission income was adversely affected by lower transactional volumes due to lower economic activity. Net interest margin contracted to 4.17% (2019: 4.50%), reflecting materially lower interest rates across our markets and a change in balance sheet composition following solid growth in lower margin deposits, which were deployed in low margin assets. Positive JAWS of 3% supported strong pre-provision profit growth of 7% (5% in constant currency). At a business unit level, pre-provision profits reflect particularly strong growth in CIB pan-Africa up 22% (18% in constant currency), with RBB SA up 6% and ARO up 3% (down 5% in constant currency). Costs reduced by 2% (down 3% in constant currency), reflecting management actions in response to the Covid-19 stress, restructuring initiatives in the prior-year, as well as a reduction in performance costs (in line with the Group performance). The cost-to-income ratio reduced to 56.0% (2019: 58.0%). Customer deposits grew 15% (16% in constant currency), faster than gross customer advances which was up 3% (3% in constant currency). This contributed to a strong liquidity coverage ratio of 120.6%, well above the regulatory minimum. Improved performance was evident in the second half, albeit still below pre-Covid-19 levels, with second-half headline earnings of R6.5bn, which were 19% lower (down 20% in constant currency) than the comparable period in the prior year. The first-half headline earnings of R1.5bn were 82% lower (down 84% in constant currency), following materially higher credit impairments. A well-capitalised position was maintained despite the material impact of higher impairments with a Group common equity tier 1 ratio of 11.2% (2019: 12.1%).

Strategy

Jason led the Group's financial risk management response to the Covid-19 crisis, where he played a crucial role in reshaping the Group's priorities and objectives. With the onset of the Covid-19 outbreak, the Group pivoted its focus away from the growth strategy to a more appropriate crisis response that prioritised capital and liquidity preservation and the management of operating leverage. These revised objectives were managed successfully with strong year-end liquidity ratios, Group common equity tier 1 within the Board target range and 7% pre-provision profit growth reflecting the benefits of cost management.

Jason chairs the Efficiency Committee, which has been leading the Group through a multi-year efficiency programme initiated to mitigate the impact of incremental run costs following the Barclays PLC sell-down. The programme has successfully delivered sustainable cost reductions and is ahead of internal targets with the benefits reflected in the cost-to-income ratio, which has reduced to 56% in 2020.

Jason provides a clear and consistent underpin to the strategic deliberations at management and Board level. He delivers credible financial leadership and strategy delivery and provides strong leadership of the financial risk management process.

Sustainability

Water and waste reduction targets were negatively impacted by reduced building occupancy due to remote working during Covid-19. Water reduction targets are based on initiatives implemented through the greywater system. As a result of reduced employees in the office, the greywater volume could not accumulate to reach the anticipated levels.

Colleague

The baseline for the colleague experience index was completed in 2020, with encouraging outcomes. Positive job satisfaction, employee advocacy and colleague sentiment scores were evident.

Separation

The Separation programme was concluded in 2020, within budget and on time. Jason was instrumental in the cost management of the programme over several years.

Remuneration outcomes

Based on the performance outcome described above, the following remuneration outcomes were approved for **Jason**.

Awarded remuneration

The following remuneration was awarded to Jason by the RemCo in the 2020/2021 pay review, based on his performance.

- The short-term incentive award, which will be deferred in full into Absa shares, was determined in based on Jason's performance in the context of Group performance, and the reduction in the Group performance short-term incentive pool. The award shows a material reduction on the prior year total short-term incentive.
- The long-term incentive was awarded at the **on target** level in Jason's total remuneration mix, and is subject to the Group performance targets set out on page 12.

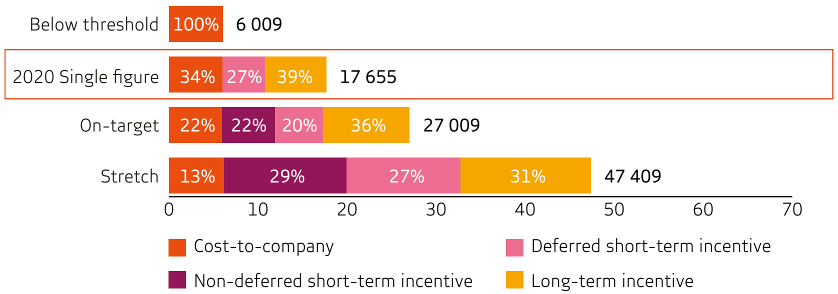
Awarded remuneration	2020 R	2019 R
Salary	5 422 836	5 428 393
Medical aid	115 128	106 812
Retirement benefits	412 862	417 706
Other employee benefits	58 487	56 402
Total fixed remuneration	**6 009 313**	**6 009 313**
Non-deferred cash award	–	5 750 000
Deferred share award[1]	**4 800 000**	5 750 000
Total short-term incentive	**4 800 000**	**11 500 000**
Face value of long-term incentive award (on-target award)[2]	**10 000 000**	**12 000 000**
Total awarded remuneration	**20 809 313**	**29 509 313**

[1] Executive directors and prescribed officers did not receive cash short-term incentive awards for 2020 performance, aligned to the Prudential Authority guidance. The full award made for 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 common equity tier 1 safety and soundness validation set out on pages 18 – 19.

[2] 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. Vesting will be in equal tranches on the third, fourth and fifth anniversaries of the award date.

Single figure remuneration relative to on-target remuneration mix

Jason received the following single figure remuneration. The remuneration mix is shown as a percentage of total remuneration.



Jason's 2020 single figure remuneration of **R17.7m** includes:

- Fixed remuneration received in 2020.
- Short-term incentive received in respect of 2020 performance. No cash bonus was paid, with the full amount deferred as set out on pages 18–19.
- The value (R6.8m) received in respect of the vesting in 2020 of the 2017 long-term incentive award, and any dividend equivalents/service credits received during 2020 in respect of all vesting awards. Details are set out in the share- and cash-based remuneration tables. *It is noted that the 2017 long-term incentive was awarded prior to the determination of the remuneration mix scenarios set out above, and therefore was not made with reference to the on-target long-term incentive award set out in the scenarios. The 2017 long-term incentive awards were made to incentivise performance and retain key individuals during the transition from Barclays PLC. The targets and vesting outcome of the 2017 long-term incentive are set out on page 20.*

The basis for determining the **below threshold**, **on-target** and **stretch** scenarios is described on page 23.

Peter Matlare
Deputy Group Chief Executive and Chief Executive: Absa Regional Operations (ARO)

Performance and remuneration outcome

On 7 March 2021, Peter passed away after succumbing to Covid-19. As the Chief Executive: ARO and an Executive Director on the Absa Group Board, and through his various roles, Peter made a significant contribution to the Group. Absa has lost a dedicated leader, a visionary and an amazing human being. No words can adequately express our sadness at Peter's passing or our gratitude for the opportunity to have known him and worked with him. His presence, his infectious laugh, and valuable insights will be missed both in our organisation and in the broader business world, both here at home and the rest of our continent that was so close to his heart.

Peter led his portfolio through a tough year and managed to keep his teams connected and engaged under difficult circumstances in the wake of Covid-19. Completing the Separation on time and within budget during 2020 was a highlight in ARO, including the successful rebranding exercise early in the year. The Covid-19 pandemic exacerbated the challenging context across the continent and has significantly impacted performance. Completion of Separation will allow for management resources to be directed to driving strategy execution.

ARO financial performance

Headline earnings fell 56% (65% in constant currency) to R1 589m, as credit impairments rose 229%. 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 60.0% cost-to-income ratio. ARO Retail and Business Banking (ARO RBB) made a R161m loss due to significantly higher credit impairments. At the same time, ARO Corporate and Investment Bank (ARO CIB) earnings fell 30% to R1 910m for the same reason. ARO accounted for 18% of total Group headline earnings, excluding the Group centre, and produced a 7.4% return on equity from 19.0% in the prior year.

Strategy

Customer – Customer experience measures and banking primacy

During a period when many customers faced extraordinary financial difficulties, the provision of loan payment relief to qualifying customers cemented our reputation as a purpose-led bank. Despite 2020 being a difficult operating environment, Retail and Business Banking showed a pleasing year-on-year improvement across nearly all customer experience metrics. ARO Corporate and Investment Bank also improved its client experience year-on-year despite a difficult operational environment with Covid-19, brand change (Separation) and significant system migrations.

Active/primary customers: Retail Bank was ahead of all re-baselined targets for 2020, despite the impact of national lockdowns, which materially impacted customer traffic in branches and overall transaction volumes. Business Bank tracked behind target due to a slowdown in the volume of transactions and the adverse impacts the pandemic has had on small and medium enterprises, which have had to suspend or cease trading. ARO CIB achieved primacy above target.

Average product holding: Retail Bank was marginally behind target, as the business adopted defensive product strategies to protect the lending and deposit book, curtailed its lending appetite in the face of economic turmoil and suffered the impact of reduced trading activity due to lockdowns, which also constrained cross-sell initiatives. Business Bank was ahead of target. The pandemic had a positive influence on the take-up of digital solutions, coupled with the timely rollout of enhanced electronic banking capabilities. With active customers declining in 2020, the increased number of solutions and products offered to customers, e.g., digital and foreign exchange solutions provided to existing customers, resulted in growth in average product holding. Focus remains on active customer growth.

Digital first

ARO RBB percentage of digitally active customers was significantly ahead of target. The advent of Covid-19 accelerated the adoption of digital banking services and channels and has led to a pleasing percentage of both Retail and Business Bank customers increasing their usage of digital solutions. ARO CIB was disappointingly behind target due to delays in systems implementations and rollouts, which dampened planned customer acquisition and migration. ARO RBB was ahead of target for the percentage of end-to-end self-service availability.

Brand equity

The 2020 One Brand Equity scores across all ARO presence countries exceeded targets for all segments. Absa won four separate Euromoney awards for corporate social responsibility in Zambia, Ghana and Seychelles. Several ARO leaders and business units excelled across various business areas from exemplary leadership, innovation, service and solutions for our customers and markets, underscoring our drive to be a financial services Group that makes Africa proud. ARO also won in three categories at the Digital Banker Online Awards.

Creating a thriving entrepreneurial organisation and playing a shaping role in Africa's growth and sustainability

The benchmark ARO employee experience survey saw a high participation rate and established an encouraging baseline for 2021. Retention of high performers remains above target.

The implementation of an organisational hiring freeze, unanticipated disruptions from Covid-19, and several employee exits negatively impacted the delivery of transformation targets. ARO implemented a number of Covid-19 response and preventative actions, including scenario planning, the provision of personal protection equipment to employees and customers, and were represented on several in-country national bodies established to manage the impact of the pandemic.

Separation

A significant and substantive milestone was achieved with all Separation and brand and name change initiatives completed on time and well within budget. Peter led the brand and name change project, with the brand change completed in February 2020. Most markets held or exceeded prior Barclays' brand/reputation scores, according to the Brand Health Tracker and Reputation Tracker. ARO moved card management and processing across nine countries to a new platform with implementation competed entirely on a virtual basis as these all occured after the Covid-19 related lockdowns across the continent. Furthermore, with the rebrand came the launch of card contactless payments for point-of-sale, enhancements to the banking app, and the Absa Business Banking and NovoFX apps' launch.

Remuneration outcomes

Based on the performance outcome described above, the following remuneration outcomes were approved for Peter.

Awarded remuneration

The following remuneration was awarded to Peter by the RemCo in the 2020/2021 pay review, based on his performance.

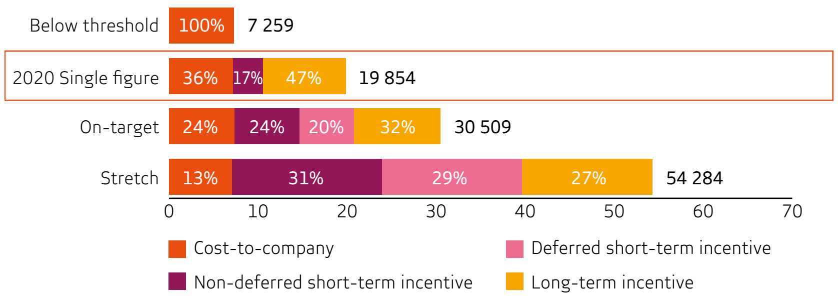
- The short-term incentive award, to be paid in cash[1], was determined based on Peter's performance in the context of ARO and Group performance, and the reduction in the Group performance short-term incentive pool. The award shows a material reduction on the prior year total short-term incentive.
- Peter was not eligible to receive a long-term incentive, given his passing prior to the award date.

Awarded remuneration	2020 R	2019 R
Salary	6 501 664	6 493 177
Medical aid	188 280	193 881
Retirement benefits	537 727	552 292
Other employee benefits	31 642	19 964
Total fixed remuneration	**7 259 313**	**7 259 314**
Non-deferred cash award[1]	**3 300 000**	5 500 000
Deferred share award[1]	–	5 500 000
Total short-term incentive	**3 300 000**	11 000 000
Face value of long-term incentive award (on-target award)	–	–
Total awarded remuneration	**10 559 313**	18 259 314

[1] In light of Peter's passing on 7 March 2021, the Board approved release of the short-term incentive awarded to him in cash.

Single figure remuneration relative to on-target remuneration mix

Peter received the following single figure remuneration. The remuneration mix is shown as a percentage of total remuneration.



Peter's 2020 single figure remuneration of **R19.9m** included:

- Fixed remuneration received in 2020.
- Short-term incentive received in respect of 2020 performance. Given Peter's passing on 7 March 2021, the Board approved that this award would be made in cash.
- The value (R9.3m) received in respect of the vesting in 2020 of the 2017 long-term incentive award, and any dividend equivalents/service credits received during 2020 in respect of all vesting awards. Details are set out in the share- and cash-based remuneration tables. *It is noted that the 2017 long-term incentive was awarded prior to the determination of the remuneration mix scenarios set out above, and therefore was not made with reference to the on-target long-term incentive award set out in the scenarios. The 2017 long-term incentive awards were made to incentivise performance and retain key individuals during the transition from Barclays Plc. The targets and vesting outcome of the 2017 long-term incentive are set out on page 20.*

The basis for determining the **below threshold**, **on-target** and **stretch** scenarios is described on page 23.

Arrie Rautenbach
Chief Executive: Retail and Business Banking South Africa (RBB)

Performance and remuneration outcome

Arrie led his business through a tough year, producing a resilient performance. He provided a high standard of leadership to RBB SA, ensuring that employees remained engaged and offered relatively uninterrupted service to customers and that effective operational performance was delivered. Arrie was instrumental in leading the effort around payment relief programmes and the Government Loan Guarantee Scheme.

RBB SA's underlying performance momentum continued throughout the year, although this was not evident in earnings given the impact of the Covid-19 pandemic and high levels of impairments. The underlying performance was driven by the considerable effort from all employees towards protecting the business against the pandemic's impact while ensuring its future sustainability through the continued execution of the strategic turnaround.

RBB financial performance

Headline earnings fell 55% to R4 270m, due to 134% higher credit impairments as pre-provision profits showed a solid 6% growth. Growth in pre-provision profits was achieved through 6% positive operating JAWS following slightly lower revenues and operating costs, which reduced by 8% due to lower volume-related costs in 2020 and the benefits of a multi-year cost-efficiency programme. This resulted in a cost-to-income ratio of 54.4% in 2020, down from 57.7% in 2019. RBB South Africa generated a return on regulatory capital of 9.4% from 21.4% in 2019 and contributed 48% of total Group normalised headline earnings, excluding the Group centre.

Everyday Banking's 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 Cards' 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's headline earnings decreased 12% to R1 114m, with Life Insurance falling 30%, while Short-term Insurance grew 42%.

Strategy

Grow the business

Production volumes in secured portfolios rebounded in the second half of the year, with mortgages production for 2020 exceeding 2019 levels and vehicle finance only marginally down on 2019 as the strategic direction adopted in 2018 started to bear fruit. Risk appetite was reduced in the unsecured portfolios given the weakened economic environment. Production remained below pre-Covid-19 levels and behind the market. Growth in the secured portfolios improved advances market share (BA900) to 22% from 21% in 2019. Improved growth in transactional deposits offset increased competition in investment products as market share remained stable at 22%. Improved product propositions and closer integration with banking product journeys are starting to unlock the bancassurance opportunity as strike rates, particularly in unsecured credit life, have improved. The higher proportion of mortgage originator business has impacted homeowners' cover strike rates. To address this matter, a revised proposition is being developed in conjunction with the mortgage originators.

Create a world-leading payments capability

Progress was affected by the deterioration in the operating environment. Card turnovers were impacted by the weakened economic climate and were below 2019 levels. Excess liquidity generated by the extensive payment relief programme meant debit card volumes rebounded faster than credit cards. Acquiring turnover remained resilient through 2020, given the relatively higher proportion of large retailers acquired. Further, acquiring margins contracted on 2019 levels due to the stronger performance from the lower margin retailers while commercial and small and medium enterprise volumes were constrained by the economic lockdown.

Customer

As generally observed in the market, customer apprehension to visit branches and the hard economic lockdown impacted sales, resulting in declining customer numbers, particularly in entry-level banking, which saw improvement with the easing of lockdown conditions. Primacy levels declined marginally in line with reduced economic activity while customer product holding improved, reflecting improved digital adoption and the benefits of the bancassurance model. Customer perception continues to show traction, increasing from an already high base. This is largely attributable to improved customer experience, including complaints management (for which Absa received the Best Bank award from the Ombudsman for Banking Services) and improvements in the stability and functionality of RBB's digital offerings.

Digital first

The number of digitally active customers grew by 23% to 1.89m, reflecting improvements to the stability and functionality of the digital estate supported by a shift in customers' interaction preferences to digital in response to Covid-19.

Brand equity

Brand equity decreased during the year and was well below pre-Covid-19 levels. There was more focused marketing spend to increase overall effectiveness.

Colleague

Focus on being closer to employees in the past two years resulted in encouraging colleague engagement and employee net promoter score baseline survey results.

Remuneration outcomes

Based on the performance outcome described above, the following remuneration outcomes were approved for Arrie.

Awarded remuneration

The following remuneration was awarded to Arrie by the RemCo in the 2020/2021 pay review, based on his performance.

- The short-term incentive award, which will be deferred in full into Absa Group shares, was determined in based on Arrie's performance in the context of Group and RBB performance, and the reduction in the Group performance short-term incentive pool. The award shows a material reduction on the prior year total short-term incentive.
- The long-term incentive was awarded at the **on target** level in **Arrie's** total remuneration mix, and is subject to the Group performance targets set out on page 12.

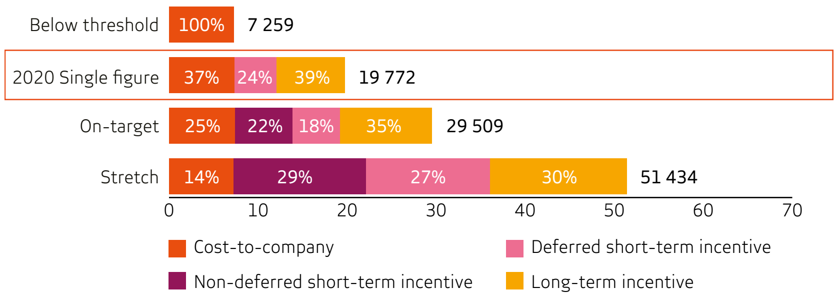
Awarded remuneration	2020 R	2019 R
Salary	6 450 191	6 465 313
Medical aid	155 820	144 288
Retirement benefits	159 261	157 676
Other employee benefits	494 132	492 096
Total fixed remuneration	**7 259 404**	**7 259 373**
Non-deferred cash award	–	5 500 000
Deferred share award[1]	**4 800 000**	**5 500 000**
Total short-term incentive	**4 800 000**	**11 000 000**
Face value of long-term incentive award (on-target award)[2]	**10 250 000**	**12 000 000**
Total awarded remuneration	**22 309 404**	**30 259 373**

[1] Executive directors and prescribed officers did not receive cash short-term incentive awards for 2020 performance, aligned to the Prudential Authority guidance. The full award made for 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 common equity tier 1 safety and soundness validation set out on pages 18 – 19.

[2] 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. Vesting will be in equal tranches on the third, fourth and fifth anniversaries of the award date.

Single figure remuneration relative to on-target remuneration mix

Arrie received the following single figure remuneration in 2020. The remuneration mix is shown as a percentage of total remuneration.



Arrie's 2020 single figure remuneration of **R19.8m** includes:

- Fixed remuneration received in 2020.
- Short-term incentive received in respect of 2020 performance. No cash bonus was paid, with the full amount deferred as set out on pages 18–19.
- The value (R7.7m) received in respect of the vesting in 2020 of the 2017 long-term incentive award, and any dividend equivalents/service credits received during 2020 in respect of all vesting awards. Details are set out in the share-and cash-based remuneration tables. *It is noted that the 2017 long-term incentive was awarded prior to the determination of the remuneration mix scenarios set out above, and therefore was not made with reference to the on-target long-term incentiveaward set out in the scenarios. The 2017 long-term incentive awards were made to incentivise performance and retain key individuals during the transition from Barclays PLC. The targets and vesting outcome of the 2017 long-term incentive are set out on page 20.*

The basis for determining the **below threshold**, **on-target** and **stretch** scenarios is described on page 23.

Charles Russon
Chief Executive: Corporate and Investment Bank (CIB)

Performance and remuneration outcome

Charles has provided good leadership to CIB, delivering strong performance when compared to the previous year, taking advantage of a supportive environment. CIB played a significant role in achieving the Separation on time and budget. The custody business was successfully integrated, and CIB managed to secure mandates for, and participated in, several significant transactions during 2020.

Charles and his team kept employees engaged and feeling supported during the Covid crisis with a commendable level of communication . CIB delivered a resilient performance in 2020 by managing capital effectively, staying close to clients and maintaining employees' safety while providing business services.

The progress made in 2020 needs to be sustained to raise the profile of the business with clients and broader stakeholders.

CIB financial performance

CIB SA headline earnings decreased 6% to R3 035m, as credit impairments increased 432%, 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, and Investment Bank earnings decreased 2% to R2 197m for the same reason. CIB South Africa contributed 34% of total normalised headline earnings, excluding the Group centre, and generated an 11.1% return on regulatory capital from 13.3%.

Pan-Africa CIB earnings decreased 17% to R4 945m. Pre-provision profits increased 22%, as revenue grew 14% and costs 7%. Credit impairments were 509% higher, resulting in a 0.76% credit-loss ratio from 0.14%. Total Corporate earnings dropped 35% to R1 900m, while the Investment Bank grew 1% to R3 045m. Pan-Africa CIB contributed 56% of total Group headline earnings, excluding the Group centre, and produced a 13.3% return on regulatory capital from 18.2% in the prior year.

Strategy

Customer (Launch winning propositions)

Overall, client health was robust due to a concerted effort to stay close to clients, improving client experience year-on-year in a challenging environment. CIB SA achieved 111% on the customer experience index (CX) measure (11% up year-on-year and ahead of target) while CIB ARO reached 104% (4% up year-on-year, but marginally below target). Progress has been made on primacy despite Covid-19 and the lockdowns imposed. In gauging the impact of Covid-19 on clients' businesses, over 75% of clients were satisfied with Absa CIB's response to their needs during this time, with CIB's customer experience index relative to competitors exceeding the target. Covid-19 relief efforts included providing R32bn in Covid-19-related funding to 72 CIB clients and supplying relief to 293 clients in the form of capital moratorium, interest moratorium and covenants waivers.

Digital first

CIB continues to see positive momentum in the execution of platform delivery. This is closely monitored, to support further acceleration of client adoption, migration and acquisition.

Brand equity

Pan-African CIB brand equity improved, benefitting from the Covid-19 response and rebranding. Brand building transactions were concluded, including landmark deals in the retail and telecommunications sectors. These deals supported the Investment Banking Division in the Capital Market league tables, as mandated lead arranger for Debt in SA (Number 1) and Sub-Saharan Africa (Number 2) and bookrunner for Equity Capital Market transactions (Number 3). Absa CIB received an award for Excellence in Leadership in Africa from Euromoney in July for its integrated Covid-19 response for employees, clients, and communities. Absa was one of six banks globally that were recognised for outstanding performance in this area.

Create a thriving entrepreneurial organisation and B-BBEE

The baseline for the colleague experience index was completed in 2020, with encouraging outcomes. CIB's integrated Covid-19 response has been recognised as market-leading (Euromoney Award) and focused on engaging employees and protecting their wellbeing, with CIB maintaining a 94% work-from-home rate. CIB delivered a credible performance despite the challenges presented by Covid-19 to hiring, procurement and skills development.

Separation

The Separation programme was concluded in 2020, within budget and on time. Charles drove the Separation initiative for CIB, which celebrated the delivery of 44 projects in total (five of which were platinum projects), enabled by more than 200 employees.

Remuneration outcomes

Based on the performance outcome described above, the following remuneration outcomes were approved for Charles.

Awarded remuneration

The following remuneration was awarded to Charles by the RemCo in the 2020/2021 pay review, based on his performance.

- The short-term incentive award, which will be deferred in full into Absa Group shares, was determined in based on Charles' performance in the context of Group and CIB performance, and the reduction in the Group performance short-term incentive pool. The award shows a material reduction on the prior year total short-term incentive.
- The long-term incentive was awarded at the **on-target** level in Charles' total remuneration mix, and is subject to the Group performance targets set out on page 12.

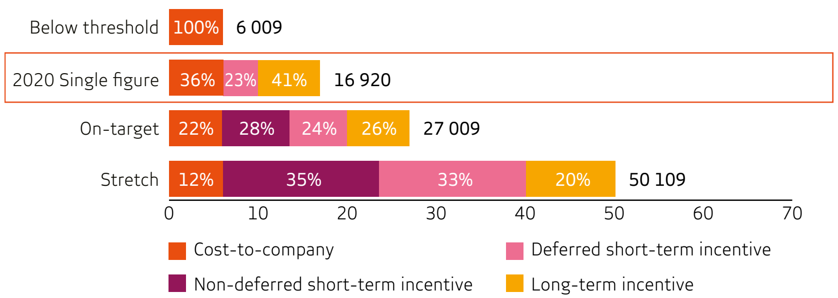
Awarded remuneration	2020 R	2019 R
Salary	5 593 432	5 611 628
Medical aid	194 844	180 432
Retirement benefits	162 550	160 851
Other employee benefits	58 487	56 402
Total fixed remuneration	6 009 313	6 009 313
Non-deferred cash award	–	4 175 000
Deferred share award[1]	4 000 000	4 175 000
Total short-term incentive	4 000 000	8 350 000
Face value of long-term incentive award (on-target award)[2]	7 000 000	9 150 000
Total awarded remuneration	17 009 313	23 509 313

[1] Executive directors and prescribed officers did not receive cash short-term incentive awards for 2020 performance, aligned to the Prudential Authority guidance. The full award made for 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 common equity tier 1 safety and soundness validation set out on pages 18 – 19.

[2] 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. Vesting will be in equal tranches on the third, fourth and fifth anniversaries of the award date.

Single figure remuneration relative to on-target remuneration mix

Charles received the following single figure remuneration in 2020. The remuneration mix is shown as a percentage of total remuneration.



Charles' 2020 single figure remuneration of **R16.9m** includes:

- Fixed remuneration received in 2020.
- Short-termincentive received in respect of 2020 performance. No cash bonus was paid, with the full amount deferred as set out on pages 18–19.
- The value (R6.9m) received in respect of the vesting in 2020 of the 2017 long-term incentive award, and any dividend equivalents/service credits received during 2020 in respect of all vesting awards. Details are set out in the share- and cash-based remuneration tables. It is noted that the 2017 long-term incentive was awarded prior to the determination of the remuneration mix scenarios set out above, and therefore was not made with reference to the on-target long-term incentive award set out in the scenarios. The 2017 long-term incentive awards were made to incentivise performance and retain key individuals during the transition from Barclays PLC. The targets and vesting outcome of the 2017 long-term incentive are set out on page 20.

The basis for determining the **below threshold**, **on-target** and **stretch** scenarios is described on page 23.

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. 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.

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 inventives[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. 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.

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

Awarded remuneration	Arrie Rautenbach 2020 R	Arrie Rautenbach 2019 R	Charles Russon 2020 R	Charles Russon 2019 R	Total 2020 R	Total 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	Arrie Rautenbach 2020 R	Arrie Rautenbach 2019 R	Charles Russon 2020 R	Charles Russon 2019 R	Total 2020 R	Total 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. 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.

Directors' and prescribed officers' remuneration

Outstanding share-based and long-term incentives

The table below outlines share-based and long-term incentive awards (awarded for performance in a prior period):

Executive directors	Number of shares under award at 1 January 2020	Number of shares/cash awarded during 2020	Share price on award R	Number of shares/cash released during 2020	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed (forfeited) in 2020	Number of shares under award/option at 31 December 2020	Last scheduled vesting date	Fair value of unvested awards at 31 December 2020[4] R
Daniel Mminele											
Share incentive plan performance 2020[1, 2]	–	162 902	92.08	–	–	–	–	–	162 902	2025/04/01	19 525 434
Total	–	162 902		–		–	–	–	162 902		19 525 434
Peter Matlare											
Share value plan 2017 – 2019[3]	2 533	–	–	2 533	119.62	302 997	67 585	–	–	2020/03/13	–
Share value plan 2018 – 2020	20 286	–	–	10 142	119.62	1 213 186	172 971	–	10 144	2021/03/01	1 215 860
Share value plan 2019 – 2021	31 786	–	–	10 596	119.62	1 267 494	89 237	–	21 190	2022/03/18	2 539 833
Share incentive plan deferral 2020 – 2023[1]	–	59 731	92.08	–	–	–	–	–	59 731	2023/04/01	7 159 358
Long-term incentive award 2017[3]	134 770	–	–	86 657	80.48	6 974 155	1 870 355	48 113	–	2020/08/24	–
Long-term incentive award 2019[2]	84 449	–	–	–	–	–		–	84 449	2024/03/18	10 122 057
Total	273 824	59 731	–	109 928	–	9 757 832	2 200 148	48 113	175 514		21 037 108
Jason Quinn					–						
Share value plan 2017 – 2019[3]	3 167	–	–	3 167	119.62	378 837	84 452	–	–	2020/03/13	–
Share value plan 2018 – 2020	8 115	–	–	4 058	119.62	485 418	69 140	–	4 057	2021/03/01	486 272
Share value plan 2019 – 2021	17 028	–	–	5 676	119.62	678 963	47 728	–	11 352	2022/03/18	1 360 651
Share incentive plan deferral 2020 – 2023[1]	–	62 446	92.08	–	–	–	–	–	62 446	2023/04/01	7 484 778
Restricted award – Share value plan 2017	7 112	–	–	7 112	88.95	632 612	144 010	–	–	2020/09/30	–
Long-term incentive award 2017[3]	96 758	–	–	62 215	80.48	5 007 063	1 342 809	34 543	–	2020/08/24	–
Long-term incentive award 2019[2]	86 615	–	–	–	–	–	–	–	86 615	2024/03/18	10 381 674
Share incentive plan performance 2020[1, 2]	–	130 321	92.08	–	–	–	–	–	130 321	2025/04/01	15 620 275
Total	218 795	192 767		82 228		7 182 893	1 688 139	34 543	294 791		35 333 650

1 During 2020, new Share Incentive Plan scheme rules replaced the previous Long-Term Incentive Plan and Share Value Plan rules, with awards from 2020 onwards made under the new scheme rules. The terms of awards granted prior to 2020 were not modified and as such there was no impact on the accounting treatment of such awards.
2 For all executive committee members, the award will vest over a five-year period.
3 The scheduled vesting date for the 1 March 2020 share value plan vesting and the 31 July 2020 long-term incentive award vesting were moved to 13 March 2020 and 24 August 2020 respectively, due to the vesting dates falling within a closed period.
4 Fair value of the awards is the number of shares multiplied by the closing share price on 31 December 2020 (R119.86). For the 2019 long-term incentive and the 2020 share incentive plan performance award, the fair value is calculated before the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. The financial performance conditions for these awards are at material risk given the impact of Covid-19. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

Directors' and prescribed officers' remuneration

Outstanding share-based and long-term incentives

Prescribed officers	Number of shares under award at 1 January 2020	Number of shares/cash awarded during 2020	Share price on award R	Number of shares/cash released during 2020	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2020	Number of shares under award/ option at 31 December 2020	Last scheduled vesting date	Fair value of unvested awards at 31 December 2020[6] R
Arrie Rautenbach[1]											
Share value plan 2017 – 2019[2]	5 699	–	–	5 699	119.62	681 714	152 157	–	–	2020/03/13	–
Share value plan 2018 – 2020	18 258	–	–	9 128	119.62	1 091 891	155 506	–	9 130	2021/03/01	1 094 322
Share value plan 2019 – 2021	32 638	–	–	10 880	119.62	1 301 466	91 629	–	21 758	2022/03/18	2 607 914
Share incentive plan deferral 2020 – 2023[3]	–	59 731	92.08	–	–	–	–	–	59 731	2023/04/01	7 159 358
Restricted award – Share value plan 2017	11 853	–	–	11 853	88.95	1 054 324	239 987	–	–	2020/09/30	–
Long-term incentive award 2017[2]	103 669	–	–	66 659	80.48	5 364 716	1 438 741	37 010	–	2020/08/24	–
Long-term incentive award 2019[4]	88 780	–	–	–	–	–	–	–	88 780	2024/03/18	10 641 171
Share incentive plan performance 2020[3,4]	–	130 321	92.08	–	–	–	–	–	130 321	2025/04/01	15 620 275
Total	**260 897**	**190 052**		**104 219**		**9 494 111**	**2 078 020**	**37 010**	**309 720**		**37 123 040**
Charles Russon[5]											
Share value plan 2017 – 2019[2]	5 066	–	–	5 066	119.62	605 995	135 171	–	–	2020/03/13	–
Share value plan 2018 – 2020	16 230	–	–	8 116	119.62	970 836	138 281	–	8 114	2021/03/01	972 544
Share value plan 2019 – 2021	12 062	–	–	4 021	119.62	480 992	33 852	–	8 041	2022/03/18	963 794
Share incentive plan deferral 2020 – 2023[3]	–	45 341	92.08	–	–	–	–	–	45 341	2023/04/01	5 434 572
Restricted award – Share value plan 2017[2]	11 853	–	–	11 853	88.95	1 054 324	239 987	–	–	2020/09/30	–
Long-term incentive award 2017[2]	93 302	–	–	59 993	80.48	4 828 237	1 294 843	33 309	–	2020/08/24	–
Long-term incentive award 2019[4]	60 630	–	–	–	–	–	–	–	60 630	2024/03/18	7 267 112
Share incentive plan performance 2020[3,4]	–	99 370	92.08	–	–	–	–	–	99 370	2025/04/01	11 910 488
Total	**199 143**	**144 711**		**89 049**		**7 940 384**	**1 842 134**	**33 309**	**221 496**		**26 548 510**

1 Arrie Rautenbach's outstanding share-based long-term awards includes awards received prior to becoming a prescribed officers on 9 April 2018.
2 The scheduled vesting date for the 1 March 2020 share value plan vesting and the 31 July 2020 long-term incentive award vesting were moved to 13 March 2020 and 24 August 2020 respectively, due to the vesting dates falling within a prohibited/closed period.
3 During 2020, new Share Incentive Plan scheme rules replaced the previous Long-Term Incentive Plan and Share Value Plan rules, with awards from 2020 onwards made under the new scheme rules. The terms of awards granted prior to 2020 were not modified and as such there was no impact on the accounting treatment of such awards.
4 For all executive committee members, the award will vest over a five-year period.
5 Charles Russon's outstanding share-based long-term awards include awards received prior to becoming a prescribed officer on 5 November 2018.
6 Fair value of the awards is the number of shares multiplied by the closing share price on 31 December 2020 (R119.86). For the 2019 long-term incentive and the 2020 share incentive plan performance award, the fair value is calculated before the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. The financial performance conditions for these awards are at material risk given the impact of Covid-19. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

Directors' and prescribed officers' remuneration

Outstanding deferred cash incentives

Executive directors	Value under award at 1 January 2020 R	Maximum potential value at 1 January 2020 R	Value awarded in the year R	Value released in the year R	Value forfeited in the year R	Converted to equity R	Service Credit awarded in the year R	Service Credit released in the year R	Service Credit lapsed (forfeited) in the year R	Value under award at 31 December 2020 R	Maximum potential value at 31 December 2020 R	Last scheduled vesting date
Peter Matlare												
Cash Value Plan 2017 – 2019	400 000	520 000	–	400 000	–	–	–	120 000	–	–	–	2020/03/01
Total	400 000	520 000	–	400 000	–	–	–	120 000	–	–	–	
Jason Quinn												
Cash Value Plan 2017 – 2019	500 000	650 000	–	500 000	–	–	–	150 000	–	–	–	2020/03/01
Cash Value Plan 2018 – 2020	1 600 000	1 793 333	–	800 000	–	–	–	–	–	800 000	993 333	2021/03/01
Cash Value Plan 2019 – 2021	2 949 000	3 243 900	–	983 000	–	–	–	–	–	1 966 000	2 260 900	2022/03/18
Total	5 049 000	5 687 233	–	2 283 000	–	–	–	150 000	–	2 766 000	3 254 233	
Prescribed officers												
Arrie Rautenbach[1]												
Cash Value Plan 2017 – 2019	900 000	1 170 000	–	900 000	–	–	–	270 000	–	–	–	2020/03/01
Total	900 000	1 170 000	–	900 000	–	–	–	270 000	–	–	–	
Charles Russon[2]												
Cash Value Plan 2017 – 2019	800 000	1 040 000	–	800 000	–	–	–	240 000	–	–	–	2020/03/01
Cash Value Plan 2019 – 2021	2 089 000	2 297 900	–	696 333	–	–	–	–	–	1 392 667	1 601 567	2022/03/18
Total	2 889 000	3 337 900	–	1 496 333	–	–	–	240 000	–	1 392 667	1 601 567	

1 Arrie Rautenbach's outstanding cash-based long-term awards include awards received prior to becoming a prescribed officer on 9 April 2018.
2 Charles Russon's outstanding cash-based long-term awards include awards received prior to becoming a prescribed officer on 5 November 2018.

Group Chairman and non-executives directors' fees

Non-executive directors' fees paid during 2020

	2020						
	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	Total[21] R	2019 Total[21] R
Alex Darko[1, 2, 16]	596 213	1 529 994	105 880	–	–	**2 232 087**	2 439 666
Colin Beggs[1, 3]	596 213	1 623 995	80 880	–	261 616	**2 562 704**	3 160 349
Dhanasagree (Daisy) Naidoo[4]	596 213	835 219	–	301 281	–	**1 732 713**	1 409 650
Daniel (Dan) Hodge[5]	317 345	454 178	–	–	–	**771 523**	918 852
Daniel (Dan) Hodge (Barclays PLC)[5]	254 457	184 870	–	–	–	**439 327**	–
Francis Okomo-Okello[1, 6, 7, 8]	596 213	497 593	58 333	–	24 000	**1 176 139**	761 724
Fulvio Tonelli[9]	292 934	579 800	–	–	111 597	**984 331**	–
Ihron Rensburg[10]	596 213	324 606	–	–	24 000	**944 819**	180 213
Mark Merson[1, 11]	596 213	1 617 940	139 213	–	529 995	**2 883 361**	2 697 095
Mohamed Husain[1, 12]	303 280	566 128	89 213	–	–	**958 621**	2 191 413
Nonhlanhla Mjoli-Mncube[13]	122 056	51 551	–	–	–	**173 607**	–
René van Wyk[1, 14]	244 111	276 375	–	–	–	**520 486**	193 217
Rose Keanly[15]	596 213	744 963	–	136 355	–	**1 477 531**	258 301
Sipho M. Pityana[1, 7, 18]	596 213	675 420	58 333	–	–	**1 329 966**	665 770
Swithin Munyantwali[17]	596 213	495 281	–	–	–	**1 091 494**	220 594
Tasneem Abdool-Samad[1, 7, 18]	596 213	1 396 334	58 333	517 062	–	**2 567 942**	2 018 506
Wendy Lucas-Bull (Group Chairman)[1, 19]	6 501 939	70 287	–	–	–	**6 572 226**	6 487 845
Yolanda Cuba[20]	–	–	–	–	–	**–**	556 616
	13 998 252	11 924 534	590 185	954 698	951 208	**28 418 877**	24 159 811

1 The GACC, GRCMC, RemCo and SEC Chairmen receive fees equal to two-and-a-half times the fee payable to members of these committees. Chairmen of the remaining committees receive fees equal to two times the member fee.
2 Alex Darko stepped down from the DAC and Bank Board on 31 August 2020.
3 Colin Beggs' status changed from independent to non-executive director effective 4 June 2020, and he stepped down from the Bank Board, Directors' Affairs Committee and Group Audit and Compliance Committee chairmanship. He remains an attendee of the Group Audit and Compliance Committee. He is a Trustee of the Absa Group Pension Fund (reported under Other).
4 Daisy Naidoo joined the Absa Financial Services Board, Group Actuarial and the Absa Financial Services Audit Risk and Compliance Committee on 1 July 2020; and became the Chairman of the Group Actuarial and the Absa Financial Services Audit Risk and Compliance Committee on 1 August 2020.
5 Daniel Hodge no longer represented Barclays PLC as a nominee from 4 June 2020, but remained on the Absa Group Board as a non-executive director. He became a member of RemCo on 1 July 2020. Daniel Hodge has resigned from the Board effective 15 December 2020. Fees were paid to Barclays and not to the individual until the end of May 2020. An additional amount of R18 106, due to ad hoc meetings, was paid in 2020.
6 Francis Okomo-Okello became the Chairman of the SEC on 4 June 2020.
7 Francis Okomo-Okello; Sipho M. Pityana and Tasneem Abdool-Samad joined the Absa Bank Board on 4 June 2020.
8 Francis Okomo-Okello and Ihron Rensburg are trustees of the Absa Foundation Trust (reported under Other).
9 Fulvio Tonelli joined the Board on 1 July 2020.
10 Ihron Rensburg joined the Board on 1 October 2019.
11 Mark Merson is the Chairman of the Absa Securities United Kingdom Limited, a subsidiary of Absa Group Limited (reported under Other).
12 Mohamed Husain retired from the Board effective 4 June 2020.
13 Nonhlanhla Mjoli-Mncube joined the Board on 15 October 2020.
14 René van Wyk rejoined on 1 August 2020 as a non-executive director.
15 Rose Keanly joined the Board on 1 September 2019 and the Absa Financial Services Board as a member on 1 July 2020.
16 Sipho M. Pityana joined the Board on 1 May 2019 and became the Chairman of the Remuneration Committee on 1 September 2020, taking over from Alex Darko.
17 Swithin Munyantwali joined the Board on 15 September 2019.
18 Tasneem Abdool-Samad is a member of the Absa Financial Services Board, and was a member of the Group Actuarial Committee and Chairman of the Group Actuarial and the AFS Audit Risk and Compliance Committee until 31 July 2020. Tasneem assumed the position as Chairman of the Group Audit and Compliance Committee on 4 June 2020.
19 The fee applicable to Wendy Lucas-Bull, the Group Chairman, covers chairmanship of the Absa Group, Absa Bank and Absa Financial Services, as well as the membership of all Board committees and sub-committees, except for attendance at the Separation Oversight Committee (a special committee established in relation to the Barclays sell-down which remained in place until completion of the Separation in June 2020).
20 Yolanda Cuba retired from the Board effective 4 June 2019.
21 The fees indicated above are exclusive of VAT. Where applicable VAT has been levied by the non-executive directors and such fees plus VAT were paid to the non-executive directors concerned (subject to the issue of a valid tax invoice).

Basel Pillar 3 remuneration disclosures [REMA]

The Group's Remuneration Policy, which describes the key features of the remuneration system, is outlined in this Remuneration Report.

In the following tables, senior managers are defined as members of the Executive Committee (Exco) and other individuals with management responsibility for a material portion of the Group's business. Other material risk takers are identified in accordance with the Group's material risk taker methodology, which was developed by Group Operational Risk. Material risk takers are those who:

- Define the Group's strategy.
- Define the strategy of the individual material businesses.
- Provide oversight on the Group's Risk Profile.
- Approve significant transactions, or recommend these to the Board for approval.

In 2020, a total of 12 individuals were classified as senior managers and 39 individuals as other material risk takers (2019: 14 senior managers and 37 material risk takers). Given changes to the classification of material risk takers in 2019, the composition of the material risk taker population has changed during the year.

Remuneration awarded during the financial year [REM1]

Aggregate remuneration for senior managers and material risk takers		2020 Senior managers Rm	2020 Other material risk takers Rm	2019 Senior managers Rm	2019 Other material risk takers Rm
Fixed remuneration	*Number of employees*	*12*	*39*	*14*	*37*
	Total fixed remuneration	69	195	75	179
	Of which: cash based	69	195	75	179
	Of which: deferred	–	–	–	–
	Of which: shares or other share linked instruments	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: other forms	–	–	–	–
	Of which: deferred	–	–	–	–
Variable remuneration	*Number of employees*	*12*	*39*	*14*	*37*
	Total variable remuneration	91	184	137	270
	Of which: cash based	3[1]	50[1]	35[4]	85[4]
	Of which: deferred	–[2]	49[2]	–[5]	–[5]
	Of which: shares or other share linked instruments	88[3]	134[3]	102[6]	185[6]
	Of which: deferred	88	134	102	185
	Of which: other forms	–	–	–	–
	Of which: deferred	–	–	–	–
Total remuneration		160	379	212	449

1 This includes the cash bonus payable in March 2021 in respect of performance for the 2020 financial year. Senior managers will not receive cash bonuses, except for Peter Matlare due to death in service. The cash portion of the bonus for material risk takers will be deferred for a period of one year into the Cash Value Plan.
2 The deferred portion will be released on the anniversary of the award date, subject to continued service and malus and clawback provisions.
3 Includes the Share Incentive Plan awards made during the 2020 financial year.
4 Includes the cash bonus paid in March 2020 in respect of performance for the 2019 financial year.
5 The deferred portion is released in three equal annual tranches, subject to continued employment and malus and clawback (for material risk takers, including executive directors and prescribed officers) provisions.
6 Includes the Share Incentive Plan awards made in respect of deferred bonuses for the 2019 financial year awarded in March 2020 and the Long Term Incentive Plan awards made in 2019.

Basel Pillar 3 remuneration disclosures [REMA]

Special payments [REM2]

	2020						2019					
	Guaranteed bonus		Sign-on awards		Severance payments		Guaranteed bonus		Sign-on awards		Severance payments	
	Number of employees	Total amounts Rm	Number of employees	Total amount Rm	Number of employees	Total amount Rm	Number of employees	Total amounts Rm	Number of employees	Total amount Rm	Number of employees	Total amount Rm
Senior management	–	–	–	–	2	4	–	–	–	–	–	–
Other material risk takers	–	–	–	–	–	–	–	–	–	–	–	–

Deferred remuneration [REM3]

	2020				
Deferred and retained remuneration	Total amount of outstanding deferred remuneration as at the end December 2020 Rm	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment Rm	Total amount of amendment during the year due to ex post explicit adjustments[7] Rm	Total amount of amendment during the year due to ex post implicit adjustments[8] Rm	Total amount of deferred remuneration paid out in the financial year Rm
Senior management					
Cash[9]	8	8	1	–	9
Shares[10]	187	187	12	(19)	64
Cash linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Other material risk takers					
Cash[9]	28	28	2		27
Shares[10]	377	377	25	(42)	130
Cash linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Total	600	600	40	(61)	230

7 Ex post explicit adjustments reflect service credits and dividend equivalents determined and paid on vesting for the Cash Value Plan, and Share Value Plan and Long Term Incentive Plan respectively.
8 Ex post implicit adjustments were determined using each individual's award dates, award values and vesting dates. The 2017 Long Term Incentive Plan awards vested during the 2020 financial year. Amounts reflected represent the value of awards lapsed due to partial fulfillment of the 2017 Long Term Incentive Plan performance conditions.
9 Includes the Cash Value Plan, which is deferred over three years in equal tranches, subject to continued service, malus and clawback (for all material risk takers, including executive directors and prescribed officers) provisions.
10 Includes the Share Value Plan, Restricted Shares, Long Term Incentive Plan and Share Incentive Plan awards.

Basel Pillar 3 remuneration disclosures [REMA]

Deferred remuneration [REM3] continued

Deferred and retained remuneration	2019 Total amount of outstanding deferred remuneration as at the end December 2019 Rm	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment Rm	Total amount of amendment during the year due to ex post explicit adjustments[11] Rm	Total amount of amendment during the year due to ex post implicit adjustments[12] Rm	Total amount of deferred remuneration paid out in the financial year Rm
Senior management					
Cash[13]	32	32	0.3	–	9
Shares[14]	271	271	7	–	55
Cash linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Other material risk takers					
Cash[13]	52	52	1.5	–	22
Shares[14]	367	367	13	–	96
Cash linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Total	722	722	21	–	181

[11] Ex post explicit adjustments reflect service credits and dividend equivalents determined and paid on vesting for the Cash Value Plan and Share Value Plan.
[12] Ex post implicit adjustments were determined using each individual's award dates, award values and vesting dates. No Long Term Incentive Plan awards vested during the 2019 financial year.
[13] Includes the Cash Value Plan, which is deferred over three years in equal tranches, subject to continued employment, malus and clawback (for all material risk takers, including executive directors and prescribed officers) provisions.
[14] Shares include Share Value Plan, Restricted Shares and the Long Term Incentive Plan awards.

Ex post implicit adjustments are comprised as follows:

	2020 Senior Rm	2020 Other Rm	2020 Total Rm	2019 Senior Rm	2019 Other Rm	2019 Total Rm
Long-term incentive plan (LTIP)	**(19)[8]**	**(42)[8]**	**(61)[8]**	–[12]	–[12]	–[12]
Restricted shares and share value plan (Deferred Awards)[15]	**–**	**–**	**–**	–	–	–
Other share instruments	**–**	**–**	**–**	–	–	–

[15] Share Value Plan Awards and Share Incentive Plan (Deferred Awards) are not subject to Group performance conditions, however, are subject to a continued employment condition. Restricted Shares are only subject to individual performance conditions and continued employment.

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