Absa Group Limited
Integrated Report 2022
For the year ended 31 December 2022

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Reading this report
This chapter explains how our report was constructed, the rationale for inclusion of certain information and approval of the report by our Board.

Absa – brave, passionate, ready
This chapter is an introduction to the Absa Group, its purpose and values. It explains where we operate, our different products and services and ways in which our customers can bank.

Empowering Africa’s tomorrow – our strategic intent
In this chapter our Chairman explains the context in which the Board set strategic direction, followed by the endorsed purpose and strategy. Our chosen business model lays the foundation to effective strategy execution. We believe our strategy is responsive to our external environment, our stakeholders’ needs and expectations and what we deem as the most material matters facing Absa.

Together . . . one story at a time – delivering value
This chapter analyses performance against strategy. The executive messages summarise financial and operational performance. Thereafter, for each of our strategic themes, we analyse current vs prior performance in more detail. We close the chapter by considering how future events and trends impact on Absa’s future outlook.

Value created and preserved through strong governance
Strong performance is only possible if a strong organisational foundation exists. In this final chapter we explain our governance structures and practices to protect and preserve value created. Also, we explain how we remunerate for performance.

Supplementary information
Supplementary information only. Please reach out to groupsec@absa.africa with any queries or additional information requests.
Identifying these unrecognised intangibles and understanding how we manage, enhance and maintain them is fundamental to understanding not all intangible value created is recognised in the statement of financial position according to the International Financial Reporting Standards. Intangible value lies in our ability to innovate, our brand, our interactions with people and the planet, and how we govern ourselves. However, disclosures and demonstrates how governance, strategy and risk management could affect enterprise value.

Enterprise value comprises of tangible and intangible assets.

The tangible asset value of a business is presented in the statement of financial position and provides insight into how well we are managing our financial and manufactured capital.

Intangible value lies in our ability to innovate, our brand, our interactions with people and the planet, and how we govern ourselves. However, not all intangible value created is recognised in the statement of financial position according to the International Financial Reporting Standards (IFRS) which sets out defined recognition criteria for intangible assets.

Identifying these unrecognised intangibles and understanding how we manage, enhance and maintain them is fundamental to understanding the holistic value of a business and is a source of competitive advantage.

This report aims to explain Absa’s holistic enterprise value to providers of financial capital. We believe this is essential to enable investors and asset managers to allocate capital toward long-term value creation. This report connects our material sustainability matters to financial disclosures and demonstrates how governance, strategy and risk management could affect enterprise value.

We recognise the critical interdependency between enterprise value creation and value creation for our investors and other key stakeholders.

Board approval

Supported by the Disclosure Committee, the Board acknowledges our responsibility for the integrity of the Group’s external reporting. This report provides material and relevant information to providers of financial capital to enable informed capital allocation decisions. This report is presented in accordance with the Integrated Reporting Framework (2021). It addresses all material matters influencing Absa’s ability to create, and preserve value or those that may lead to value erosion in the short, medium and long term. It is our opinion that this Integrated Report presents a fair and balanced view of our performance, strategy, governance and outlook. The Board approved this report on 23 March 2023.

Materiality determination

This Integrated Report uses dynamic materiality to scope which matters are significant for reporting and servicing the informational needs of capital markets. A material item is material if it can significantly affect our ability to create or preserve value or lead to value erosion (i.e., enterprise value) over the short1, medium2 and long term3. Our material matters as determined through our materiality determination process are:

- Maintaining economic and strategic momentum
- Digital dependencies and vulnerabilities
- Social cohesion erosion
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition

Dynamic materiality

Absa may have many positive and/or negative impacts on prosperity, people and the planet. However, only a subset of these impacts can, in turn, impact our business model and thereby create or erode enterprise value and influence returns to providers of financial capital. We therefore re-direct stakeholders in need of detailed sustainability impact disclosures to our ESG report. Recognising that sustainability matters can move over time, we continuously monitor our approach to dynamic materiality.

Navigational icons used in this report

Hyperlinks are used throughout this report and is indicated through the use of red italic text.

Integrated thinking principle

We signpost where integrated thinking and decision making are at play to create the basis for long-term value creation.

King IV statement. We signpost statements by those charged with governance in line with King IV disclosure practices.

King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Six capitals We consider all six capitals in assessing value creation, preservation and erosion. These icons sign post the relevant capitals. A full description of each capital is available in the supplementary information.

Sustainable Development Goals (SDGs) Absa Group’s prioritised SDGs.
Absa – brave, passionate, ready

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Absa at a glance

Absa Group Limited, listed on the Johannesburg Stock Exchange (JSE), is one of Africa’s largest diversified financial services groups.

Our purpose
Empowering Africa’s tomorrow, together ...one story at a time

Our ambition
To be a leading African bank

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

Our behaviours
Act ethically with honesty and integrity
Collaborate with each other
Act with due skill, care and diligence
Be open and cooperative with regulators
Treat customers fairly
Observe standards of market conduct
Respect one another professionally, including our diversity
Remember our communities in day-to-day business

Our organisational purpose is unique and clearly articulated. It is brought to life in the interactions of our leadership, management, employees, customers, suppliers, governments and local communities. Our conduct and how we do things are consistent with our purpose.

The 847.8 million issued shares are held by a diverse shareholder base:

<table>
<thead>
<tr>
<th>Top 10 shareholders by %</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ninety One Limited</td>
<td>5.33</td>
<td>6.87</td>
</tr>
<tr>
<td>Old Mutual</td>
<td>5.18</td>
<td>5.57</td>
</tr>
<tr>
<td>M&amp;G</td>
<td>5.02</td>
<td>5.32</td>
</tr>
<tr>
<td>Public Investment Corporation</td>
<td>4.89</td>
<td>5.41</td>
</tr>
<tr>
<td>Black Rock Incorporated</td>
<td>4.40</td>
<td>3.75</td>
</tr>
<tr>
<td>CSC Asset Management</td>
<td>4.23</td>
<td>1.73</td>
</tr>
<tr>
<td>Citigroup Global Markets</td>
<td>4.01</td>
<td>4.03</td>
</tr>
<tr>
<td>The Vanguard Group Inc.</td>
<td>3.90</td>
<td>3.07</td>
</tr>
<tr>
<td>Investec Securities</td>
<td>3.16</td>
<td>3.35</td>
</tr>
<tr>
<td>Coronation Asset Management</td>
<td>3.14</td>
<td>0.54</td>
</tr>
<tr>
<td>Other</td>
<td>56.74</td>
<td>60.36</td>
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</table>

Geographic split of shareholders (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Employees</th>
<th>PoS</th>
<th>ATMs</th>
<th>Branches</th>
<th>Founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>1,073</td>
<td>4,810</td>
<td>114</td>
<td>32</td>
<td>1950</td>
</tr>
<tr>
<td>Ghana</td>
<td>1,187</td>
<td>1,361</td>
<td>166</td>
<td>52</td>
<td>1917</td>
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<tr>
<td>Kenya</td>
<td>2,304</td>
<td>5,318</td>
<td>194</td>
<td>83</td>
<td>1916</td>
</tr>
<tr>
<td>Mauritius</td>
<td>754</td>
<td>1,585</td>
<td>38</td>
<td>9</td>
<td>1919</td>
</tr>
<tr>
<td>Mozambique</td>
<td>767</td>
<td>1,473</td>
<td>93</td>
<td>45</td>
<td>2002</td>
</tr>
<tr>
<td>Seychelles</td>
<td>270</td>
<td>2,060</td>
<td>22</td>
<td>6</td>
<td>1959</td>
</tr>
<tr>
<td>South Africa (SA)</td>
<td>25,719</td>
<td>92,026</td>
<td>5,364</td>
<td>559</td>
<td>1888</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1,478</td>
<td>1,418</td>
<td>242</td>
<td>62</td>
<td>1945</td>
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<tr>
<td>Uganda</td>
<td>922</td>
<td>2,124</td>
<td>79</td>
<td>39</td>
<td>1927</td>
</tr>
<tr>
<td>Zambia</td>
<td>786</td>
<td>2,720</td>
<td>104</td>
<td>32</td>
<td>1918</td>
</tr>
</tbody>
</table>

Representative offices

<table>
<thead>
<tr>
<th>Country</th>
<th>Employees</th>
<th>PoS</th>
<th>ATMs</th>
<th>Branches</th>
<th>Founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>14</td>
<td>1</td>
<td>136</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Namibia</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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</table>

Technology support

<table>
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<tr>
<th>Country</th>
<th>14 employees</th>
<th>30 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td>10</td>
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</tbody>
</table>

Securities entities

<table>
<thead>
<tr>
<th>Country</th>
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<th>30 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>

1 Banks are wholly owned apart from the following where we hold majority stakes: Botswana 67.8%, Kenya 68.5%, Mozambique 98.7%, NBC, Tanzania 50% and Seychelles 99.8%.
2 Absa Bank Tanzania (ABT) and National Bank of Commerce (NBC) combined.
3 Representative office.
4 Technical (IT support resources to the Group).
5 Securities entity.
6 South Africa 9.7 million and ARO 1.7 million customers.
Our structure, products and services

The Group moved from two commercial businesses, Corporate and Investment Bank (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions Cluster, CIB Pan-Africa and Absa Regional Operations RBB).

Areas of differentiation

- Strong secured lending presence
- Robust credit and collections capability
- An effective and seamless bancassurance model integrated into the broader franchise
- Accomplished advisory capability
- Experience in partnering with various market players
- Award winning customer experience in Life Insurance.
- Ease of onboarding SMEs
- Assist SME customers through local third-party suppliers
- Wealth creation through high-quality conversations and advice
- Longstanding trusted advisor
- Bespoke solutions that assist clients in growing their businesses
- Propositions include both banking and non-banking solutions
- Best-in-class service delivery
- Frictionless processes.
- Over two million customers can digitally authenticate their identity using Absa ID
- A comprehensive suite of payment options
- A Branch-on-the-Move solution that takes banking services directly to communities
- A membership-free rewards programme
- A market-first digital fraud warranty
- Absa Abby, the award-winning chatbot.

We generate competitive advantage through innovation, our unique insights and perspectives, and our ability to bring our products and services to market effectively and efficiently while generating a financial surplus.

Ways to do banking

We serve customers through an extensive branch and self-service terminal network, digital channels, financial advisers, relationship bankers and dealerships, originators, alliances, and joint ventures.

Digital ways to pay with partners

Include Apple Pay, Fritbit Pay, Garmin Pay, Samsung Pay and Google Wallet. Customers can pay using compatible smartwatches, smartphones or tablets. MasterPass Wallet stores the customers debit or credit payment and delivery information in a central and secure location.

walletdoc stores customers' bills and keeps a record of their accounts and reference numbers to make future payments easier.

Self-service banking

Offers convenient banking services on the go. With a phone call, customers can obtain settlement letters, account balances, tax certificates, Absa Rewards redemptions and more. The calls are secure, providing peace of mind and enabling customers to bank easily.

Cell phone banking

Can be done using any phone and requires no downloads, data or airtime. SA customers can transfer money, buy airtime and electricity, and do much more by dialling *120*2272#.

Hello Money SA Customers dial *161*2344 to access Hello Money without needing data. SA customers can send money to anyone via CashSend – even if the receiving party has no account.

Timiza (Kenya) Customers can obtain an instant loan, send money, pay bills or purchase airtime, and obtain insurance when using the Timiza app on their phones. Customers can also save and earn returns with Absa's Timiza Savings Account.

JUMO (Tanzania, Ghana and Zambia) is a mobile financial services platform for mobile network operators and banks. The platform facilitates digital financial services, such as credit and savings, in emerging markets using Unstructured Supplementary Service Data (USSD) short codes.

Absa online banking

Is a banking platform that makes banking easier, quicker and better. We offer a superior banking experience so customers can spend less time navigating and more time banking.

Branches, ATMs and POS devices

Deliver an extensive physical footprint across 15 countries, comprising 919 branches, 6,416 ATMs and 114,895 POS devices.

As our customers become more digitally active, our physical footprint will continue to reduce.

Our Banking app

Is the safest way to bank, and customers do not need data or Wi-Fi. Customers using the app have free protection through a digital fraud warranty. All customers need is a smartphone to bank whenever and whenever.

ChatBanking

Is a world-first secure banking service that allows customers to bank using Facebook or WhatsApp.

Call centres

Sales, service, and general enquiries. Interactive voice response capability.
The African market contains a broad spectrum of local, regional, and global banks, as well as emerging fintechs and digital players. The table below provides a view of the Group’s position relative to our most significant peers in each country.

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### Absa in the African banking context

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### South African peer comparison

#### Absa relative to peers

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross domestic product (GDP) (USD'bn)</th>
<th>GDP growth (%)</th>
<th>Population (millions)</th>
<th>Banking revenue pool (R'bn)</th>
<th>Number of banks</th>
<th>% of total banking income held by top five banks</th>
<th>Rank by income</th>
<th>Return on equity</th>
<th>Cost-to-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>18.0</td>
<td>4.1</td>
<td>2.4</td>
<td>10.9</td>
<td>11</td>
<td>81.6</td>
<td>2nd</td>
<td>4th</td>
<td>3rd</td>
</tr>
<tr>
<td>Ghana</td>
<td>76.0</td>
<td>3.6</td>
<td>32.1</td>
<td>44.5</td>
<td>27</td>
<td>49.2</td>
<td>3rd</td>
<td>1st</td>
<td>1st</td>
</tr>
<tr>
<td>Kenya</td>
<td>114.9</td>
<td>5.3</td>
<td>50.9</td>
<td>65.8</td>
<td>39</td>
<td>61.9</td>
<td>5th</td>
<td>3rd</td>
<td>4th</td>
</tr>
<tr>
<td>Mauritius</td>
<td>11.5</td>
<td>6.1</td>
<td>1.3</td>
<td>13.8</td>
<td>20</td>
<td>96.2</td>
<td>3rd</td>
<td>5th</td>
<td>4th</td>
</tr>
<tr>
<td>Mozambique</td>
<td>17.9</td>
<td>3.7</td>
<td>32.9</td>
<td>19.2</td>
<td>20</td>
<td>80.6</td>
<td>4th</td>
<td>4th</td>
<td>5th</td>
</tr>
<tr>
<td>Seychelles</td>
<td>2.0</td>
<td>10.9</td>
<td>0.10</td>
<td>1.7</td>
<td>7</td>
<td>99.9</td>
<td>2nd</td>
<td>3rd</td>
<td>5th</td>
</tr>
<tr>
<td>South Africa</td>
<td>411.5</td>
<td>2.1</td>
<td>61.1</td>
<td>564</td>
<td>64</td>
<td>82</td>
<td>3rd</td>
<td>2nd</td>
<td>1st</td>
</tr>
<tr>
<td>Tanzania</td>
<td>76.6</td>
<td>4.5</td>
<td>61.5</td>
<td>24.6</td>
<td>40</td>
<td>68.3</td>
<td>3rd</td>
<td>3rd</td>
<td>3rd</td>
</tr>
<tr>
<td>Zambia</td>
<td>48.4</td>
<td>4.4</td>
<td>43.7</td>
<td>16.6</td>
<td>27</td>
<td>64.9</td>
<td>3rd</td>
<td>3rd</td>
<td>5th</td>
</tr>
<tr>
<td></td>
<td>27.0</td>
<td>2.9</td>
<td>20.0</td>
<td>17.4</td>
<td>17</td>
<td>60.6</td>
<td>2nd</td>
<td>2nd</td>
<td>1st</td>
</tr>
</tbody>
</table>

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#### Cost-to-income ratio

<table>
<thead>
<tr>
<th>Bank</th>
<th>FY22</th>
<th>FY18</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absa</td>
<td>57.7</td>
<td>51.5</td>
<td>-6.2</td>
</tr>
<tr>
<td>FirstRand</td>
<td>53.7</td>
<td>55.2</td>
<td>+1.5</td>
</tr>
<tr>
<td>Nedbank</td>
<td>57.7</td>
<td>57.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>Standard Bank</td>
<td>50.2</td>
<td>59.0</td>
<td>-8.8</td>
</tr>
<tr>
<td>Capitec</td>
<td>39.4</td>
<td>46.6</td>
<td>+7.2</td>
</tr>
</tbody>
</table>

#### Return on equity

<table>
<thead>
<tr>
<th>Bank</th>
<th>FY22</th>
<th>FY18</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absa</td>
<td>16.8</td>
<td>16.6</td>
<td>-0.2</td>
</tr>
<tr>
<td>FirstRand</td>
<td>23.0</td>
<td>20.6</td>
<td>-2.4</td>
</tr>
<tr>
<td>Nedbank</td>
<td>16.8</td>
<td>14</td>
<td>-2.8</td>
</tr>
<tr>
<td>Standard Bank</td>
<td>18.0</td>
<td>16.4</td>
<td>-1.6</td>
</tr>
<tr>
<td>Capitec</td>
<td>28.0</td>
<td>26.0</td>
<td>-2</td>
</tr>
</tbody>
</table>

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1 Adjusted to Absa's fiscal year for FirstRand and Capitec.
2 Average for percentage point difference for competitors.
3 Capitec FY22 reflects February 2022 results.
4 NBC only does not include Absa Bank Tanzania.

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Empowering Africa’s tomorrow – our strategic intent

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>Group Chairman’s message</td>
<td>11</td>
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<td>Our purpose</td>
<td>13</td>
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<td>Strategic overview</td>
<td>14</td>
</tr>
<tr>
<td>Our business model</td>
<td>19</td>
</tr>
<tr>
<td>Our external environment</td>
<td>24</td>
</tr>
<tr>
<td>Our stakeholders’ needs and expectations</td>
<td>27</td>
</tr>
<tr>
<td>Material matters</td>
<td>31</td>
</tr>
</tbody>
</table>
Group Chairman’s message

Context

Just as the world appeared to be returning to normal following two years of a global pandemic, a series of economic, market and geopolitical headwinds resulted in 2022 being another year beset with challenges.

The Russia-Ukraine war resulted in significant volatility in global markets while supply chain disruptions added to inflationary pressures and growing concerns about the slowing global economy. Against this backdrop, growth in sub-Saharan Africa slowed to 4.1% in 2022 from 4.7% in 2021. Rising food and energy prices have dealt a blow to the region’s most vulnerable communities, and public debt and inflation reached levels not seen in decades.

Absa Regional Operations

Economies that form Absa Regional Operations (ARO) performed better than our initial expectations, but momentum has been insufficient to return growth to pre-pandemic levels. Zambia and Ghana faced funding crises that required assistance from the International Monetary Fund (IMF). Zambia successfully concluded its funding agreement with the IMF, and we hope Ghana will soon reach a similar arrangement. In Kenya, we observed relative stability after the elections in August, but the fiscal picture remains challenging, and the sovereign saw a ratings downgrade.

In these challenging economic times, I am grateful for the expertise and oversight of the chairmen and boards of our ARO bank subsidiaries. Engagement with the chairmen continued, with productive discussions on various topics such as financial performance, strategy, technology, sustainable finance, and talent, in particular at our July 2022 Africa Chairmen’s conference in Nairobi.

South Africa

The deterioration of economic infrastructure, state-owned enterprises (SOEs) that are heavily reliant on public funds, persistent power outages that are constraining economic growth and high unemployment in South Africa paint a picture of a country at risk of social instability. The decision by the Financial Action Task Force (FATF) to place South Africa on its ‘grey list’ underscores this worrying trend of a decline. While we do not expect FATF’s move to have any material direct impact on Absa in the short term, in broad terms, we are concerned about the state of SA Inc.

These headwinds point to a difficult period ahead that will require companies to navigate carefully. As Absa, we will continue to work with relevant industry bodies and stakeholders to support the broader national effort to address our challenges.

Absa’s purpose and strategic direction

Despite the challenging economic backdrop across our operations, Absa’s recovery from the COVID-19 lows of 2020 gained further momentum in 2022.

We recorded strong financial results for 2022 on the back of solid revenue growth.

This performance can be attributed to the effective execution of our strategy and the successful implementation of our optimised operating model. During the year, the Board oversaw the strategy refinement and reconfiguration of this operating model as part of the journey to enhance market competitiveness.

At a high level, improving primacy remains a crucial pillar of the strategy. As such, the Group has moved from two commercial businesses to five client-centric business units (see the Group CEO’s message).

The Board is fully supportive and believes these changes are essential to the journey to becoming a leading African bank. We also believe the executive team has made progress in delivering against all five pillars of the strategy as detailed in this Integrated Report. Our strong purpose of ‘Empowering Africa’s tomorrow, together… one story at a time’ is the cornerstone of everything we do. We aspire to be a leading Pan-African organisation that positively contributes to the world. Being purpose-led will enable the Group to navigate difficult choices, meet the needs of our broader stakeholders, and inspire our people and clients.

Our purpose finds no greater expression than in our approach to ESG. Our organisational culture seeks to create an environment that embraces each individual and fosters people-centred leadership to enable our employees to thrive. We are pleased by the strides we have made, and the public recognition received in this regard.

In this spirit, we have embarked on a culture journey to enhance our competitiveness. Our organisational culture seeks to create an environment that embraces each individual and fosters people-centred leadership to enable our employees to thrive. We are pleased by the strides we have made, and the public recognition received in this regard.

We believe our three focus areas – financial inclusion, diversity and inclusion, and climate – will enable us to make a greater impact in the communities in which we operate. We are committed to extending financial inclusion to underserved groups and helping our clients to access and create intergenerational wealth.

We are proud of our Young Africa Works programme – a five-year collaboration between Absa Bank Ghana and the Mastercard Foundation to stimulate the growth of SMMEs to create access to 50,000 dignified and fulfilling jobs for young people and women in the country.

We have raised the bar on our transformation, diversity and inclusion aspirations, supported by our targeted interventions to train and empower our leaders.

With regards to climate, the increase in the frequency and intensity of destructive weather events across the continent underscores the urgency for solutions that tackle climate change. As a Group, we believe we have a critical role to play.

Accordingly, we have undertaken several initiatives including efforts to improve Board capacity regarding ESG so that we enhance our oversight capability on the matter. In addition, we have publicly announced our net-zero ambition in line with our goal of becoming Africa’s leader in sustainable finance.

Ours is a continent in which carbon intensive industries are the bedrock of our economies. We are mindful therefore, that transition efforts must consider societal repercussions and solutions must holistically address both social and environmental challenges. Our purpose will guide us as we seek to strike the right balance between our ESG focus areas while managing the trade-offs.

Board matters and Executive changes

On 31 March 2022, Wendy Lucas-Bull stepped down from the Board as Chairman. We are grateful for her leadership over her nine-year tenure and the significant role she played in the separation from Barclays PLC.

We congratulate and welcome Arrie Rautenbach to the Board after his appointment as Group CEO at the end of March 2022. With Arrie’s appointment, Jason Quinn resumed his position as Group Financial Director. We thank Jason for providing strong leadership during the transition.

At the same time, Pumki Modise stepped down from the Board after a solid run as Interim Group Financial Director and executive director. We are pleased to welcome her as the organisation’s first Chief Strategy and Sustainability Officer.

We expanded the Executive Committee to reflect our focus on core client segments, and we welcome the new crop of leaders into the team.

Going forward, a key focus area will be enhancing our succession planning approaches to ensure the organisation’s stability and future sustainability both for the executive team and at Board level. We are looking to further broaden the diversity of the Board’s skills and experience to foster comprehensive oversight and support to the management team.

Conclusion

My first year on the Board of Absa Group has been fulfilling. I am grateful to my colleagues on the Board for their welcome, guidance and support.

I have been impressed by the ability of the business to adjust to change swiftly, which is a testament to the strength of the leadership team. I commend them for their exemplary commitment. I also wish to thank the staff for their dedication in serving this organisation and our clients for their ongoing support.

The current business operating environment is challenging and looks set to be dominated by uncertainty in the near term. However, our business remains healthy, and I am comfortable that we are well positioned to successfully navigate these conditions in our quest to be a market-leading bank. I am confident about the strategic choices we have made and that we are well on the path to becoming a truly purpose-driven business that drives long term benefits for the Group and all its stakeholders.
Purpose

Purpose is at the core of everything we do

Absa aspires to be a truly purpose-led organisation. This means making a proud and positive contribution to the world around us and putting our purpose at the core of everything we do.

This year, we began an immersive and inclusive journey to assess whether our purpose statement, bringing possibilities to life, continues to reflect who we want to be as a business. We started by unpacking the building blocks that sit at the intersection of what the world needs, what we have to offer, and what will make us proud. To do this, we conductedoffline workshops with our senior leadership team, engaged with our employees through surveys and virtual platforms, and held discussions with the Board and ExCo. What emerged were key themes around our role in powering Africa’s possibilities, enabling our clients to realise their dreams, investing in people and exemplifying integrity. Building on this input, we finalised our new purpose statement in January 2023:

Empowering Africa’s tomorrow, together
...one story at a time

Each word signifies a clear meaning and emotion:

Empowering

As a financial institution we empower and enable – from investing in our colleagues to uplifting our communities and enabling our clients’ ambitions. Empowering is active, every moment, walking together as partners.

We unlock opportunities for our clients through imagination, energy and passion, and finding innovative solutions.

Empowering ensures we invest in people and their capabilities.

Africa’s

Our heartbeat is African. We are committed to a Pan-African presence and contribution.

We cherish our home; we care for it, and we invest in it. We feel a sense of wellbeing and warmth. Africa is a home we are proud of. It is the continent of our birth more than 100 years ago.

tomorrow

We value our heritage and embrace the challenge of reimagining a better tomorrow – for our colleagues, our clients, and our communities. We know that every action we take, has a consequence for a meaningful tomorrow.

We relentlessly deliver on our commitments today with a long-term mindset through good times and bad.

We are stewards of a sustainably better world. Tomorrow embodies the aspiration of youth and future generations. Tomorrow represents one day to many years.

Our organisational purpose is unique and clearly articulated. It is brought to life in the interactions of our leadership, management, employees, customers, suppliers, host governments and local communities. Our conduct and how we do things are consistent with our purpose.

Strategic overview

The executive team identifies future opportunities during our strategic planning process.

The executive team recalibrates our business model and strategic objectives based on the insights yielded by cross-functional risk management and integrated planning processes. Strategic opportunities are assessed with the same rigour as strategic risks.

Strategic journey

We have made substantial progress over the last six years and have built a strong foundation for growth. Having successfully navigated the separation from Barclays PLC and the COVID-19 crisis, we are now looking to the future and aim to raise our performance to new levels.

Strategic framework

We have set our aspiration to be a leading African bank, empowering Africa’s tomorrow, together – one story at a time. To drive outperformance, we are focusing on delivering against five strategic themes:

• A diversified franchise with deliberate, market-leading growth: We will be purposeful regarding where we compete, identifying attractive growth pockets by geography, segment, and product. We will allocate our capital purposefully regarding where we compete, identifying attractive growth pockets by geography, segment, and product. We will allocate our capital sustainably and manage risk appropriately.

• The primary partner for our clients: We aim to be the primary partner for our clients by truly understanding and satisfying their day-to-day needs, creating and delivering value across the entire client relationship, and building a brand our people and clients can be proud of. A digitally powered business: We aim to be a digitally powered business – delivering superior digital experience, using data as a strategic asset, continuously evolving our technology architecture, and improving trust and security while operating as a nimble organisation.

• A winning, talented and diverse team: We will build a winning team by developing a competitive advantage through our culture, attracting and retaining Africa’s leading talent, organising distributed leadership around our clients and supporting and enabling our people.

• An active force for good in everything we do: We will be an active force for good by managing climate-change and biodiversity risks and opportunities, contributing meaningfully to the societies in which we operate, maintaining the highest standards of governance and ethics, and actively influencing public policy and regulation.

Value created and preserved through strong performance

Supplementary information
A diversified franchise with deliberate, market-leading growth

Our ambitions concerning this strategic theme are twofold: we aspire to grow boldly, and we aim to eliminate costs that do not align with our strategic choices.

To support growth, we will first win in traditional banking pools in the face of a challenging economic outlook and increasing competition. We will also diversify our revenue pools by significantly scaling bancassurance and non-banking financial services, capitalising on emerging revenue pools such as digital assets, and through partnerships and inorganic growth in both existing and new markets.

Being a truly Pan-African bank is critical to enabling our growth ambition and scale. Leveraging our capabilities throughout the continent will assist in delivering sustainable growth and alleviating market-specific risks. While growth in most ARO markets remains strong, competition across ARO is fierce. Therefore, we require a renewed focus and commitment to retain and grow our market share. Our cross-border network provides a competitive advantage as it is critical to many clients – especially corporate clients.

We have set a target to reduce our cost-to-income ratio to the low 50s to create space for further investment in these growth opportunities while building financial resilience within a challenging environment.

Managing our strategic trade-offs – Re-investing internally or pursuing external sources of growth

By diversifying our portfolio and capital allocation, leveraging our Pan-African operational capabilities, we believe we can alleviate market-specific risk (i.e., inflation, political stability, sovereign debt etc.). This approach gives rise to a primary trade-off, on whether we pursue growth by acquiring existing operations in new markets (inorganic) or retaining capital for investment in the existing business. It also relates to the decision to pursue partnerships, e.g., the relationship with Solam on the investment management business. This ongoing trade-off discussion is rigorously debated to ensure sound decisioning as and when opportunities arise.

The primary partner for our clients

In a rapidly evolving operating context, we must remain agile and proactive in developing relevant, innovative propositions. In line with this thinking, we continue to challenge ourselves on primary and how we shape our business to achieve it, including how to harness the full power of the Group’s ecosystem.

Resourced with our best talent, our new operating model will be essential in the battle for primacy. It will enable us to harmonise sales and customer value management across our businesses; create shared centres of excellence across products, channels and clients; and define clear measurements for primacy. In our bid for primacy and building deeper relationships with our clients, we need to balance non-interest revenue (NIR) and growing sustainable, capital-light revenues.

Finally, we will continue the journey of strengthening our brand by revising our positioning (linked to our purpose) and investment levels, and will align our marketing operating model to leverage the full power of our brand. We strive to ensure every action is built on our purpose to support organisational alignment and build brand affinity with clients and employees.

Managing our strategic trade-offs – Prioritising long-term relationships

Our strategic ambition to be the primary partner to our clients may incite a trade-off between short-term financial performance and the business’ long-term relationships. However, we believe that our customer-centric pricing will deliver long-term sustainable returns as we seek to grow our universal model, integrating our customers, products and channels to deliver enhanced value for all within the ecosystem.

A digitally powered business

Being a digital-first business has never been more critical. Absa continues to pursue opportunities to accelerate our digital transformation to respond to increased competition and technological change that present opportunities to our business and client base.

We have successfully developed new digital propositions and will continue to simplify our offerings and accelerate our speed to market. To gain a competitive advantage, we recognise the need to continuously adapt and enhance our customer propositions supported by modern, agile technology.

To achieve this, we are clear on where we must focus:

- Increasing our digital adoption and embedding digital-first ways of working in everything we do
- Deploying best-in-class digital customer journeys and relevant digital propositions in segments under threat
- Continuing the transformation and simplification of our technology architecture
- Scaling and commercialising our data pools
- Accelerating hiring, training and retention of critical digital skills
- Using digital advancements to transform our cost base.

Managing our strategic trade-offs – Prioritisation and innovation

Within our digital ambition, an ongoing and active trade-off decision must be made between allocating our finite resources to urgent, time-bound operational matters and our recognised need to innovate. For example, if we evolve our core technology too slowly, we risk losing relevance and the ability to deliver at pace, however, we will face increased operational risk should whole-scale change impact business continuity.

A winning, talented and diverse team

We want purpose to be the cornerstone of our culture and ways of working. Therefore, we have co-created our organisational purpose with our employees to ensure it reflects the heart of our organisation – our people. Moreover, our realigned operating model aims to create improved ways of working, simplify governance and accelerate talent mobility.

We seek to be a leader in shaping a transformed business that fosters diversity, equity and inclusion. Our ambitious diversity and inclusion targets are supported by a comprehensive set of interventions, for example, a leadership transformation programme to train and empower our business leaders. We continue to focus on being an employer of choice for women, providing women within our organisation with opportunities for growth. We are shifting our mindset and behaviours to distribute leadership through ongoing coaching and development and are mobilising our talent across roles and borders.

Absa aspires to achieve a best-in-class employee experience. In line with this objective, we have made implementation enhancements within our remuneration framework and continue to offer a diverse range of benefits to our colleagues. The ongoing development of an employee share scheme will further enhance these benefits, increasing employees’ sense of ownership and desire to contribute to the Group’s success.

Managing our strategic trade-offs – Investing now to grow our own timber

Developing our own talent (in order to ‘grow our own timber’) is a key choice we are making as we seek to forge a workforce that has the requisite skills to future-proof the Bank. This is becoming increasingly crucial given the broader scarce skills environment and global war for talent faced by organisations worldwide – especially with respect to digital skills. Developing our own talent to build skills internally will require up-front investment (both financial and time), a necessary trade-off as we seek to create a winning, talented and diverse team in an increasingly competitive environment.

The value created and preserved through strong performance

At Absa, we recognise that the value we create and preserve through strong performance is essential for supporting the Group’s ambitions. We are committed to delivering sustainable returns for shareholders, customers and employees, while also ensuring that our actions contribute positively to the broader social and environmental landscape.

Value created and preserved through strong performance

Supplementary information

16 Absa Group Limited Integrated Report 2022
**An active force for good in everything we do**

We want to drive measurable, material change in our communities in a way that brings our purpose to life, differentiates us from our peers and strengthens our business. To do this, we have identified three specific ESG focus areas where we will invest:

- We seek to significantly impact the fight against climate change by becoming a major player in sustainable finance transactions and setting ambitious net-zero carbon targets. As we craft our climate ambition, we recognise that the sustainability challenges we face as a Pan-African bank differ from those faced by banks in other parts of the world due to the significant social challenges within our context.
- We therefore also actively promote financial inclusion to underserved groups as we strive to make intergenerational wealth creation accessible to all, in particular women and youth. As a universal bank, we are uniquely positioned to make a real difference in financial inclusion.
- It is our ambition to be a beacon of diversity and inclusion across the continent. This means not only unlocking our talent internally to outperform, but also supporting and enabling diversity and inclusion with our suppliers (e.g., Enterprise supplier development), clients, and communities we operate in.

To achieve this ambition, we have established an operating model that scales our collective impact, operating within a resilient and robust control environment. This supports our Group-wide commitment to the highest standards of governance and ethics.

**Resource allocation to strategic initiatives**

Resources are used to differentiate ourselves and maximise value creation for our stakeholders in the long term. We have made trade-offs on our resource allocation aligned with our strategic ambition and are clear on areas requiring further investment. This is demonstrated through our investment in implementing our renewed operating model, specifically in establishing our Strategy and Sustainability function and the supporting roles within the business to drive our ambition of being an active force for good.

We have been deliberate about distributing investment support into the business to drive our ambition of being an active force for good. We are focusing on projects that affect a large portion of the organisation and continuously and dynamically manage our resource allocation accordingly, guided by our clear vision of our overarching strategic objectives and purpose.

**Key performance indicator**

**Diversified franchise with market-leading growth**

<table>
<thead>
<tr>
<th>Revenue (Rbn)</th>
<th>2022 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>90.2</td>
<td>90.2</td>
</tr>
</tbody>
</table>

**Return on equity (RoE) (Normalised) (%)**

<table>
<thead>
<tr>
<th>2022 actual</th>
<th>2022 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.8</td>
<td>9.8</td>
</tr>
</tbody>
</table>

**Cost-to-income (CTI) ratio (%)**

<table>
<thead>
<tr>
<th>2022 actual</th>
<th>2022 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>5.4</td>
</tr>
</tbody>
</table>

**Non-interest revenue growth (%)**

<table>
<thead>
<tr>
<th>2022 actual</th>
<th>2022 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>9</td>
</tr>
</tbody>
</table>

**Primary partner for our clients**

<table>
<thead>
<tr>
<th>Customer numbers</th>
<th>2022 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBB SA: 9.7</td>
<td>RBB SA: 9.8</td>
</tr>
<tr>
<td>RBB ARD: 1.7</td>
<td>RBB ARD: 1.7</td>
</tr>
</tbody>
</table>

**Customer satisfaction**

<table>
<thead>
<tr>
<th>Customer satisfaction</th>
<th>2022 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBB SA – Net promoter score (NPS) (%)</td>
<td>44</td>
</tr>
<tr>
<td>RBB ARD: 43</td>
<td></td>
</tr>
<tr>
<td>RBB ARO: 65</td>
<td></td>
</tr>
</tbody>
</table>

**Digitally powered business**

| CIB 5 |
| Digitally active customers |
| RBB SA: 2.31 |
| RBB ARD: 62 |
| Business Bank ARD: 34 |
| CIB SA: (Absa Access active customers) 58 |
| CIB ARO: 65 |

**Sustainable business**

| WIB (Percentile of global banks) |
| 41.5 |

**Sustainable and diversified team**

| Employee diversity index (Points out of 100) |
| 66.7 |

| Women in senior leadership (%) |
| 37.0 |

**An active force for good**

| Sustainability-aligned financing facilitated – CIB (Rbn) |
| 30.5 |

| B-BBEE status (Level) |
| 1 |

**S & P SAM (ESG rating) (Percentile of global banks) |
| 89th |

| Our short-term and long-term incentive scorecards are aligned with metrics in the Group balanced scorecard. We believe our executive remuneration consists of an appropriate mix of short-term and long-term remuneration, underpinned by balanced scorecards, to ensure alignment with long-term value creation. |

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1 In constant currency.
Our business model

Empowering Africa's tomorrow, together — one story at a time

Strategy
- A diversified franchise with deliberate, market-leading growth
- The primary partner for our clients
- A digitally powered business
- A winning, talented and diverse team
- An active force for good in everything we do

Our purpose
Empowering Africa's tomorrow, together — one story at a time

Market presence
A Pan-African footprint in 15 countries servicing individuals, small- and medium-sized businesses, corporates, multi-national financial institutions, banks, governments and development finance institutions. We offer several ways to do banking.

Our operating context is impacted by several material matters namely:
- Maintaining economic and strategic momentum
- Climate change and a just transition
- Digital dependencies and vulnerabilities
- Rising regulation
- Social cohesion erosion
- Evolving employee value propositions.

Our core banking activities, products and services
Underpinned by our strategy and market presence, our fully integrated business offering is delivered through our customer-first digital solutions, ecosystems of financial services, and lifestyle and value chain offerings.

1. Providing payment services and a safe place to save and invest
2. Providing funds for purchases and growth
3. Managing business and financial risks
4. Providing financial and business support
5. Protecting against risks (insurance)

How it works
Potential for cost differentiation
- Leveraging our scale in multiple geographies
- Enhanced operational efficiencies using automation that contribute to enhanced service levels
- All-in fraud analytics and safe customer service.

Potential for revenue differentiation
- Diverse revenue streams across our portfolio and geographies
- Large customer base in retail, business and corporate banking
- Regulating market leadership, increasing market share and cross-sell ratios, within an appropriate risk appetite
- Scope to grow product lines where we are underweight in terms of market share
- Emphasis on transactional customer relationships opposed to debt-led relationships, winning customer primary
- Strengthening services to multinational corporations, global development and non-governmental organisations
- Potential for reaching the unbanked
- Opportunities to support a just transition to low-carbon economy
- Leveraging strategic partnerships.

We generate revenue through interest, fees, premiums and commission

Value created and preserved through strong performance

Capital inputs
Value is created over time as stocks of capitals increase

Human Capital
Our people are our strength, so our business model is dependent on our human capital.
- 389 combined years of EoC experience
- 37% women in senior leadership
- 79.3% AIC employees
- 9.2% turnover rate.

Financial Capital
As a financial services provider our primary capital created and transformed is financial capital.
- Total deposits of R1.24bn
- Gross loans of R1.25bn
- CET1 of 12.8%
- VR to total income of 38.9%

Intellectual Capital
We maintain a physical footprint although manufactured capital only makes up 0.9% of total assets.
- Global trend towards digital banking
- 953 TVs
- 114 895 PoS devices.

Social and Relationship Capital
Our relationships with key stakeholders are crucial for our licence to operate.
- Shared values and behaviours
- Understanding stakeholders’ needs and expectations.

Natural Capital
We are not a large consumer of natural capital. However, our lending decisions can affect natural capital under the stewardship of others.
- 5.04 MtCO2 carbon emitted per FTE
- 216 GWh energy consumption

Net positive
- R98.9bn revenue
- 51.5% CTI
- 16.6% RoE
- R10.2bn economic value to investors
- 94% retention of high-performers
- 68 employee experience index score
- R27.9bn paid to employees in salaries, incentives and benefits
- 79.1% retention of high-performers
- 51.5% CTI
- 68 employee experience index score
- R27.9bn paid to employees in salaries, incentives and benefits

Net positive
- R32.4bn in sustainable and loan financing
- Level 1 B-BBEE rating
- 79.1% retention of high-performers
- 68 employee experience index score
- R27.9bn paid to employees in salaries, incentives and benefits

Net positive
- 11.4m customers
- Increase in customer experience scores
- R3m digitally active customers
- 99% digital service availability

Financial Inclusion
Make inter-generational wealth accessible for all

Climate
Be a leader in sustainable finance

Diversity, transformation and inclusion
Enable all our people to bring their true selves to work, and be a beacon of inclusion across the continent

Governance
A non-negotiable priority

We have identified our strategic objectives and gauged how their achievement will enable us to achieve our purpose and contribute to the SDGs.
Our business model continued

Value over time

<table>
<thead>
<tr>
<th>Capitals</th>
<th>Unit</th>
<th>5-year trend</th>
<th>Long term</th>
<th>Medium term</th>
<th>Short term</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>R’bn</td>
<td>^ 75.7</td>
<td>80.0</td>
<td>81.4</td>
<td>85.9</td>
<td>98.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest income growth</td>
<td>%</td>
<td></td>
<td>5</td>
<td>4</td>
<td>(2)</td>
<td>2</td>
<td>18%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headline earnings</td>
<td>R’bn</td>
<td></td>
<td>16.1</td>
<td>16.3</td>
<td>8.0</td>
<td>16.6</td>
<td>21.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity</td>
<td>%</td>
<td></td>
<td>16.8</td>
<td>15.8</td>
<td>7.2</td>
<td>15.8</td>
<td>16.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost-to-income ratio</td>
<td>%</td>
<td></td>
<td>57.7</td>
<td>58.0</td>
<td>56.0</td>
<td>55.2</td>
<td>51.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CET1</td>
<td>%</td>
<td></td>
<td>12.0</td>
<td>11.8</td>
<td>11.2</td>
<td>12.8</td>
<td>12.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average assets</td>
<td>%</td>
<td></td>
<td>1.34</td>
<td>1.20</td>
<td>0.52</td>
<td>1.18</td>
<td>1.23%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest margin</td>
<td>%</td>
<td></td>
<td>4.64</td>
<td>4.50</td>
<td>4.17</td>
<td>4.46</td>
<td>4.56%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net stable funding ratio</td>
<td>%</td>
<td></td>
<td>110.2</td>
<td>112.7</td>
<td>115.8</td>
<td>116.1</td>
<td>113.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity coverage ratio</td>
<td>%</td>
<td></td>
<td>1009.4</td>
<td>134.4</td>
<td>120.6</td>
<td>116.8</td>
<td>123.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit loss ratio</td>
<td>%</td>
<td></td>
<td>0.73</td>
<td>0.80</td>
<td>1.92</td>
<td>0.77</td>
<td>0.96%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets</td>
<td>R’m</td>
<td></td>
<td>818 592</td>
<td>870 406</td>
<td>915 061</td>
<td>931 524</td>
<td>1 007 993</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 3 ratio</td>
<td>%</td>
<td></td>
<td>51.4</td>
<td>47.3</td>
<td>6.3</td>
<td>5.4</td>
<td>5.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital adequacy ratio</td>
<td>%</td>
<td></td>
<td>15.4</td>
<td>15.5</td>
<td>15</td>
<td>17</td>
<td>16.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross loans and advances</td>
<td>R’bn</td>
<td></td>
<td>872 977</td>
<td>1 058</td>
<td>1 134</td>
<td>1 258</td>
<td>1 258%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total deposits</td>
<td>R’bn</td>
<td></td>
<td>736 944</td>
<td>944</td>
<td>1 048</td>
<td>1 174</td>
<td>1 242</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total shareholder return</td>
<td>%</td>
<td></td>
<td>(5)</td>
<td>(1)</td>
<td>(16)</td>
<td>30</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic value distributed</td>
<td>R’bn</td>
<td></td>
<td>682</td>
<td>70.6</td>
<td>59.3</td>
<td>75.8</td>
<td>83.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic value retained</td>
<td>R’bn</td>
<td></td>
<td>9.5</td>
<td>10.1</td>
<td>5.2</td>
<td>19.8</td>
<td>15.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Proofpoint: South African Listed Tracker Awards (SALTA) 2022 - Best total investment returns over the past one-to-ten years in several categories

Human capital

<table>
<thead>
<tr>
<th>Primary interest groups: Employees, Absa</th>
<th>Strategic theme:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee experience index</td>
<td>Points/100</td>
</tr>
<tr>
<td>Retention of high-performing employees</td>
<td>%</td>
</tr>
<tr>
<td>Management control – Employment equity</td>
<td>Points/12</td>
</tr>
<tr>
<td>Women in senior leadership</td>
<td>%</td>
</tr>
<tr>
<td>Employee headcount</td>
<td>Nr</td>
</tr>
<tr>
<td>Turnover rate</td>
<td>%</td>
</tr>
<tr>
<td>Economic value to employees</td>
<td>R’bn</td>
</tr>
<tr>
<td>Absenteeism rate</td>
<td>%</td>
</tr>
<tr>
<td>Employee training and development spend</td>
<td>R’m</td>
</tr>
<tr>
<td>Female-to-male ratio (gender equality)</td>
<td></td>
</tr>
<tr>
<td>Economic value below the age of 40 (age neutrality)</td>
<td>R’m</td>
</tr>
<tr>
<td>AIC employees (SA only) (race equality)</td>
<td>%</td>
</tr>
<tr>
<td>Absa Way Code of Ethics training completion</td>
<td>%</td>
</tr>
</tbody>
</table>

Proofpoint: Top Employer Africa 2023, score of 87.1% in employee experience and employment practice. (Global-benchmark score of 85.2%)

Legend
- ^ Data point assured by Internal Audit as part of the integrated reporting assurance process.
- ^ Data point assured through external assurance process.
- ^ Data point from independent external source.

Intellectual capital

<table>
<thead>
<tr>
<th>Primary interest groups: Customers, employees, Absa</th>
<th>Strategic themes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitally active customers – total</td>
<td>m</td>
</tr>
<tr>
<td>Total severity 1 and 2 incidents</td>
<td>Nr</td>
</tr>
<tr>
<td>Retail digital channel availability</td>
<td>%</td>
</tr>
<tr>
<td>Service availability for the Group</td>
<td>%</td>
</tr>
<tr>
<td>Brand value ranking</td>
<td>Rank</td>
</tr>
</tbody>
</table>

Proofpoint: The Digital Banker - Middle East Africa Retail Banking Innovation Awards 2022- Best Digital Bank – South Africa

Manufactured capital

<table>
<thead>
<tr>
<th>Primary interest group: Customers</th>
<th>Strategic themes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATMs</td>
<td>Nr</td>
</tr>
<tr>
<td>Branches</td>
<td>Nr</td>
</tr>
<tr>
<td>Pots devices</td>
<td>Nr</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>R’bn</td>
</tr>
</tbody>
</table>

Proofpoint: Technology Innovation of the Year Award 2022 for ‘Branch-on-the-Move’

Natural capital

<table>
<thead>
<tr>
<th>Primary interest group: Planet</th>
<th>Strategic themes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan exposure to fossil fuels</td>
<td>%</td>
</tr>
<tr>
<td>Sustainable and loan financing – CB</td>
<td>R’bn</td>
</tr>
<tr>
<td>– RB</td>
<td>R’bn</td>
</tr>
<tr>
<td>– Home loans</td>
<td>R’m</td>
</tr>
<tr>
<td>CDP rating</td>
<td>Rating</td>
</tr>
<tr>
<td>S&amp;P SAM Index</td>
<td>Percentile</td>
</tr>
<tr>
<td>ESG bond and issuance – ESG loans</td>
<td>R’bn</td>
</tr>
<tr>
<td>ESG bond and issuance – Treasury issued green bonds</td>
<td>R’t’bn</td>
</tr>
<tr>
<td>Energy consumption</td>
<td>GWh</td>
</tr>
<tr>
<td>Carbon emissions per m² of office space</td>
<td>Per m²</td>
</tr>
<tr>
<td>Transactions screened for environmental and social impacts</td>
<td>Nr</td>
</tr>
<tr>
<td>Carbon intensity per full-time employee (CO2)</td>
<td></td>
</tr>
</tbody>
</table>

Proofpoint: Best Investment Bank in Power/Energy (Global Sector Award)
Our business model continued

Value over time

<table>
<thead>
<tr>
<th>Capitals</th>
<th>Unit</th>
<th>5-year trend</th>
<th>Long term</th>
<th>Medium term</th>
<th>Short term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Social and relationship capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary interest groups: Society, regulators, customers, investors, suppliers</td>
<td>Strategic themes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer numbers</td>
<td>#</td>
<td>N/A</td>
<td>N/A</td>
<td>11.2</td>
<td>11.4</td>
</tr>
<tr>
<td>Customer experience – RB</td>
<td>Points/150</td>
<td>N/A</td>
<td>N/A</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td>– EE</td>
<td>Points/150</td>
<td>N/A</td>
<td>N/A</td>
<td>81</td>
<td>84</td>
</tr>
<tr>
<td>– PSC</td>
<td>Points/150</td>
<td>N/A</td>
<td>N/A</td>
<td>78</td>
<td>81</td>
</tr>
<tr>
<td>– ARO RBB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Retail banking</td>
<td>Points/150</td>
<td>N/A</td>
<td>N/A</td>
<td>73.9</td>
<td>78.7</td>
</tr>
<tr>
<td>– Business banking</td>
<td>Points/150</td>
<td>N/A</td>
<td>N/A</td>
<td>63.1</td>
<td>73.1</td>
</tr>
<tr>
<td>Client experience – CIB</td>
<td>Points/150</td>
<td>N/A</td>
<td>N/A</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>B-BBEE status</td>
<td>Level</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Economic value to – suppliers</td>
<td>Rbn</td>
<td>16.6</td>
<td>15.9</td>
<td>15.3</td>
<td>16.5</td>
</tr>
<tr>
<td>– investors</td>
<td>Rbn</td>
<td>9.6</td>
<td>10.2</td>
<td>6</td>
<td>3.4</td>
</tr>
<tr>
<td>– government</td>
<td>Rbn</td>
<td>8.2</td>
<td>8.3</td>
<td>7.3</td>
<td>9.8</td>
</tr>
<tr>
<td>– communities</td>
<td>Rm</td>
<td>266</td>
<td>371</td>
<td>380</td>
<td>195</td>
</tr>
<tr>
<td>Regulatory fines and penalties</td>
<td>Rm</td>
<td>1.4</td>
<td>9.8</td>
<td>9.6</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Risk categories
- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Legend
- # - Data point based on Internal Audit as part of the integrated reporting assurance process.
- N/A - Not available.
- IA - Data point assumed through external assurance process.
- Data point from independent external source.
- Data point from previous operating model categories.
- - Metric not tracked at the time.

Proofpoint: Inaugural National Presidential SMME and Cooperatives 2022 Award for Supporting Small Business Development for over 20 years.

We continuously scan the horizon for strategic opportunities.

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

Weakened growth and surging inflation hampering economic recovery

Throughout the COVID-19 pandemic, global supply chains were severely constrained. Renewed geo-political tensions and the ongoing war in Ukraine have also disrupted commodity and food supplies. Combined, these factors have pushed the world’s economy into a period of high inflation and given rise to a cost-of-living crisis across the globe. In an attempt to moderate price growth, the US Federal Reserve Bank raised interest rates several times over the course of 2022. This policy approach has sizeable knock-on effects on economic activity in emerging markets, many of which are already confronting elevated inflation and substantially higher public debt. In particular, US policy tightening results in capital outflows and reduced liquidity for emerging market players as investors reallocate capital to take advantage of higher rates of return. Rising interest rates also led to currency depreciation among emerging market economies, which reduces purchasing power and increases the difficulty of servicing sovereign debt. This risk is significant for Africa, and particularly sub-Saharan Africa, with many countries already facing a debt crisis and being forced to choose between servicing debt or funding social and economic reform projects.

Botswana – Strong macroeconomic fundamentals and transparency with a more robust monetary policy response to inflation. A new monetary policy framework was adopted in April 2022.

Ghana – Ghana’s economy is slipping deeper into a crisis amid soaring inflation, aggressive monetary policy tightening and collapsing growth. In response to a possible default scenario, the government announced a domestic exchange programme.

Kenya – Real GDP slowed to an estimated 5.3% in 2022 from 7.5% in 2021 as base effects, a weaker agriculture sector and election uncertainty weighed on output.

Mauritius – Strong momentum in tourist arrivals has bolstered economic activity amid elevated inflation and tighter monetary policy. The South African economy continued its gradual recovery from the pandemic, with the real GDP increasing to roughly its pre-pandemic level. Headline inflation in South Africa averaged 6.9% for the year. The South African Reserve Bank’s (SARB) cumulative 375 basis point hikes since November 2021 reflected higher inflation and inflation expectations than anticipated and the need for the real repo rate level to be more consistent with a stable inflation rate².

Volatility from extensive load-shedding has hampered economic progress. Power cuts saw a record high as unplanned outages and breakdowns escalated dramatically. Our econometric estimates suggest that each 1% reduction in electricity distribution costs GDP by about 0.16% and manufacturing output by 0.44%. And, of course, these estimates do not account for the long-term impact on growth due to investment foregone as a result of the persistent electricity shortages. However, President Ramaphosa’s far-reaching electricity plan presented in October 2022 is encouraging. Moreover, the African National Conference in December 2022 saw Ramaphosa re-elected as the ANC president. Global financial markets reacted positively to Ramaphosa’s victory, with the rand strengthening against all three major currencies (dollar, pound, and euro).

The food pricing experienced in KwaZulu-Natal in April 2022 destroyed significant infrastructure, with damages estimated to be near R17 billion, yet another shock to the South African insurance industry.
Increased competition and technological change disrupt traditional business models.

Increasing competition, advancements in digital technology, embedded finance, the need for innovative risk prevention, and rapidly evolving customer expectations are just some of the factors that are placing pressure on traditional banking business models.

During the COVID-19 lockdowns, many individuals adopted digital behaviours and now expect the ease of access and personalisation that have become the norm across other platforms. According to a recent McKinsey survey, 71% of those surveyed expect personalisation from businesses and brands, and 76% of those consumers get frustrated when they do not receive it. Within this context, traditional banks continue to focus on digital enablement and data-led innovation to meet consumer needs. At the same time, the competitive landscape for banks has evolved entirely, with an increasing number of digital-only providers and other non-banking competitors. Moreover, the rise in fintech consolidation has enhanced competition, with smaller competitors merging to create larger groups with broad offerings. To compete, banks are focusing on becoming the best ecosystem partners, partnering with retailers, e-commerce platforms and fintechs to acquire customers from these partnerships beyond their traditional channels.

While banks continue to become increasingly digitised, cybersecurity risks are on the rise, posing the threat of business interruption, ransomware attacks, data privacy breaches and material operational and financial costs. In fact, according to the Allianz Risk Barometer 2022, cyber incidents constitute Africa’s top business risk.

Corruption, inflation, and rising inequality threaten social and economic stability.

High inflation presents severe challenges to social cohesion over the short, medium and long term. The disproportionate reduction in the purchasing power of poorer households and those dependent on fixed incomes gives rise to rapidly widening income inequality. Rising inflation also distorts resource allocations and undermines productive activities, degrading growth prospects, investment, and jobs.

According to the World Bank, the Southern African Customs Union member countries of Botswana, Eswatini, Lesotho, Namibia, and South Africa, represent the world’s most unequal region. Notably, South Africa is the most unequal country in the world, among 164 countries in the World Bank’s global poverty database. The top 10% earn over 65% of the national income and the bottom 50% only 5.3%. Within this context, the South African government aims to build a capable, ethical and developmental state. However, the dysfunction of many public institutions at all levels of government has impeded development and continues to undermine business confidence, further hindering economic recovery. These conditions threaten social and economic stability increasing the risk of civil unrest and service delivery protests, disrupting business.

Business expected to empower a better tomorrow.

The 2022 Edelman Trust Barometer cited business as the only trusted global institution to address the world’s most pressing issues (including climate change and the energy transition), noting declining trust in governments, media and NGOs.

Financial services are fundamental to enabling economic opportunity through access to services such as banking, savings and investment, insurance and debt and equity financing. Likewise, economies depend on stable financial services that garner trust. While confidence in financial services has improved over the past decade, as an industry, we have not yet reached a trust status. Placing client primacy at the heart of banking is critical to ensure growth in trust going forward.

“Banks can sharpen their positioning through data-led innovation in their digital enablement efforts and trust-building with their core customers, by committing to ESG initiatives, and by showing their target customers that they can offer value that goes beyond just offering financial services and products.”

Trust in financial services: 10-year trend (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trust (60 – 100)</th>
<th>Neutral (50 – 59)</th>
<th>Distrust (1 – 49)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>54</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


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5. Pac – Retail banking 2025 and beyond.
Our stakeholders’ needs and expectations

We consider how our strategic actions affect our broader stakeholders. We recognise that the quality of our relationships with stakeholders impacts our ability to fulfil our purpose. Various mechanisms are used to measure the quality of our relationships.

**Investor community**

Who they are
- Over 53,000 local and international shareholders, including retail investors, asset managers, pension funds, sovereign wealth funds and corporate holdings.
- Investment analysts
- Prospective investors
- Debt investors and credit rating agencies.

Needs and expectations
- Strong operational performance, including efficiency, revenue growth and returns
- Maintaining a well-capitalised balance sheet (strong capital and liquidity positions)
- Adequate, sustainable shareholder returns
- Sound risk management
- Transparent reporting and disclosures and effective communication
- Sound ESG practices.

**Customers**

Who they are
- Individuals: Entry-level to high net-worth individuals, across all ages and geography
- Businesses: Sole proprietorships; SMEs; large corporates and multinationals
- Public sector: Local, provincial and national government and state-owned enterprises.

Various other legal entities such as development finance institutions, other financial institutions, trusts, non-governmental entities and associations.

Strategic response/value proposition
We deliver innovative technologies and propositions to help our customers empower their tomorrow by:
- Improving access to financial services and local, regional and global markets.
- Deepening relationships with them through a life-stage/ecomomy approach.
- Providing an extensive and accessible network combining physical outlets, call centres, digital platforms and strategic partners.
- Protecting data privacy and ensuring cybersecurity through robust technology and data management.

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

**Employees**

Who they are
- 35,451 employees (South Africa: 25,719; ARO: 9,556; international: 176)
- 40.8% women and 59.2% men
- 79.3% African employees (South Africa)
- 52.2% below the age of 40 and 84.9% below the age of 50
- 51.5% recognised employee trade unions, covering 40.8% of employees.

Strategic response/value proposition
We create an environment where employees can fulfill their potential and deliver excellence to our customers by:
- Creating differentiated experiences and inspiring a diverse and inclusive workforce
- Attracting and retaining the best talent
- Encouraging self-led development and opportunities for career progression
- Delivering performance-based reward and recognition
- Providing a comprehensive wellness programme and supporting different ways of work.

Measuring performance
- 83% response rate for employee experience1 survey (2021: 80%)
- 9.2% permanent employee turnover rate (2021: 9.7%)
- 94% retention of high-performing employees (2021: 94.3%)
- 56.2% senior AIC management (2021: 52.4%) remains below target
- R500m invested in employee training and development (2021: R449m).

**Regulators**

Who they are
- Regulators: The Prudential Authority, The Financial Sector Conduct Authority (FSCA), Financial Intelligence Centre, National Credit Regulator, Financial Services Board, The Information Regulator, Johannesburg Stock Exchange and equivalent in-country regulators
- Industry bodies and associations: Banking Association South Africa; Payment Association of South Africa and in-country industry bodies and associations.
- Revenue authorities: The South African Revenue Service (SARS) and in-country revenue authorities.

Strategic response/value proposition
We support the creation of an environment that facilitates sustainable growth for all. We do this by working with regulators and providing input into policymaking and the development of regulations.
- Comprehensive regulatory change management programme
- Facilitating responsible banking by ensuring appropriate due diligence is followed
- Maintaining a transparent and constructive relationship with regulators.

Measuring performance
- 12.8% common tier 1 equity ratio (2021: 12.9%) remains above the Board target range and above minimum regulatory requirements
- 124.4% liquidity coverage ratio (2021: 116.8%) remains above regulatory requirements
- 113.4% net stable funding ratio (2021: 116.1%) remains above regulatory requirements
- 98.5% of employees completed the Absa Way Code of Ethics training (2020: 92%)
- 98.5% of employees completed the Absa Way Code of Ethics training (2020: 92%)
- R3.7m in regulatory fines and penalties (2021: R2.1m).

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1 All African, Indian or Coloured people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.
2 As measured through our employee experience index.

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Our stakeholders’ needs and expectations continued

Society

Who they are
• Individual citizens
• Communities
• Civil society organisations
• Media
• Suppliers.

Strategic response/value proposition
Our societal interventions are aimed at meaningfully contributing to help create inclusive and sustainable economic growth aimed to impact our communities. We do this through:
• Preparing young people for the future of work
• Advancing financial literacy and inclusion
• Providing products and services with a positive social impact
• Supporting an inclusive and responsible supply chain
• Minimising the impact of our business and carbon footprint on the communities and society
• Supporting national development objectives and policies to stimulate inclusive growth generating and distributing economic value.

Needs and expectations
Meaningful contribution towards suitable and innovative solutions that address societal and economic challenges. This includes supporting key priority interventions related to disaster relief, national development plans, the UN SDGs and the global ESG agenda.

Measuring performance
• B-BBEE Level 1 (2021: Level 1)
• R267m economic value to communities (2021: R195m)
• 79 173 consumer education participants (2021: 32 639)
• 86.1% B-BBEE procurement as a percentage of the South African total (2021: 86.2%)
• R22.2bn total procurement spend (2021: R20.5bn)
• 29 883 ReadytoWork participants (2021: 20 620)

Engagement and quality of relationships
Strategic response/value proposition
We seek to address climate change and play an active role in minimising pressure on nature’s resources by:
• Supporting customers in responsible consumption and the transition to a low-carbon economy
• Advancing our environmental and social risk management practices and capabilities in climate risk management
• Minimising our direct environmental impacts.

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

Measuring performance
• 86bn in renewable energy lending (32% of projects approved under round six of the REIPPP programme)
• 233 transactions screened for environmental and social impacts (2021: 91)
• Six Equator Principles transactions (2021: two)
• 5.04 tCO2 carbon emissions per full-time equivalent employee (2021: 5.34 tCO2)

Planet

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

Strategic response/value proposition
We seek to address climate change and play an active role in minimising pressure on nature’s resources by:
• Supporting customers in responsible consumption and the transition to a low-carbon economy
• Advancing our environmental and social risk management practices and capabilities in climate risk management
• Minimising our direct environmental impacts.

Needs and expectations
• Reputational leadership assesses whether stakeholders spontaneously think of Absa as a reputational leader in the banking sector.
• Thick trust considers whether Absa is a recognised leader in terms of basic trust, overall impression, meaningfulness and level of advocacy.

Survey categories monitored:
• Reputational leadership assesses whether stakeholders spontaneously think of Absa as a reputational leader in the banking sector.
• Thick trust considers whether Absa is a recognised leader in terms of basic trust, overall impression, meaningfulness and level of advocacy.

Key findings
Key reputational indicators remain strong and are trending up
Overall, key indicators continue to move positively, with a notable increase in active advocacy. This indicates that efforts by the various markets are gaining traction and manifesting in the desired level of collaboration with stakeholders. Absa continues to build trust across Africa, and we saw a 10% increase in our Thick Trust scores compared to when we started tracking our performance in 2017. It is also important to note that almost all markets scored above or close to the Group trust norm this year. This indicates collective effort from all markets across the Group.

While Absa is consolidating its position as a trusted leader in Africa there are opportunities to strengthen relationship building
We are consolidating our position as a trusted leader in many markets, indicative of a more consistent effort to respond to stakeholder expectations. However, while stakeholder engagement moves in the right direction, responsiveness to stakeholders and fostering two-way dialogue (two critical relationship-building metrics) have plateaued. Looking forward, we will promote more intentional two-way dialogue with stakeholders to continue our upward trajectory in building trust throughout Africa.

We can better leverage our purpose as a value-creating and trust-driving catalyst
The Group’s performance on the value creation index and progress on the various citizenship pillars (which include financial inclusion, education and environmental action) remain static. This is an area where we can do more to meet stakeholder expectations, as our stakeholders have indicated that they want Absa to step more boldly into its leadership position in Africa and meaningfully influence sector and societal issues. We have responded strategically aiming to be an active force for good in everything we do – underpinned by our refreshed purpose and guided by our new leadership.

Performance indicators
• Value creation index: 71.89% (2021: 69.70%)
• Stakeholder engagement index: 69.65% (2021: 68.15%)
• Thick trust index: 74.04% (2021: 71.01%)
• Active advocacy index: 71.82% (2021: 67.15%)

788 stakeholder opinions across 10 countries and includes government, business, media, NGOs and senior financial services and banking sector analysts on the sell and investment side.

1 Department of Mineral Resources and Energy’s Renewable Energy Independent Power Producer Procurement (REIPPP) Programme.
2 GlobeScan | Know your world. Lead the future.
Material matters

Risk management overview

The Group actively identifies and assesses risks arising from internal and external environments while proactively identifying emerging risks. To ensure effective implementation, we monitor our consolidated response as follows:

- An integrated governance structure at Group, country, business and enterprise core function levels, promoting a sound risk culture
- Well-defined risk categories, known as principal risks, for complete risk coverage
- A combined assurance model with clear accountability for managing and overseeing the effective execution of assurance throughout the Group
- Comprehensive and structured processes for evaluating, responding to, and monitoring risks
- An entrenched risk culture underpinning an effective risk operating model and appropriate risk practices, tools and techniques to support the Group's strategy.

We developed the risk strategy alongside the Group's strategy. The determined risk appetite defines the nature and amount of risk the Group is willing to take to achieve strategic objectives. This forms part of the strategic planning process to ensure the business strategy is achievable within the risk appetite, and we consider risk information in the organisation's decision-making and planning process.

Risk appetite

The Group's risk appetite is defined as the types and amount of risk that Absa Group, its business lines and subsidiaries are prepared to accept to meet strategic objectives. It explicitly defines the risk boundaries within which management is expected to operate under business-as-usual and stressed conditions when pursuing the business strategy. Risk appetite statements are articulated in quantitative and qualitative terms and consider the expectations of multiple stakeholders. The statement seeks to strike a balance between potentially competing objectives of different stakeholders to balance strategy, capital, liquidity, franchise value, sustainability factors and shareholder value creation. These are cascaded to the level of principal risk, legal entity and business unit.

There were no undue or unusual risks taken outside of our tolerance levels.

Risk metric | Group quantitative risk statement
--- | ---
**Capital**
Common equity tier 1 adequacy ratio (%) | The Group aims to have sufficient capital supply to remain within risk appetite and above minimum regulatory CET1 capital adequacy ratio post-management actions following a severe yet plausible stress.
Leverage ratio (%) | The Group aims to remain within risk appetite and above regulatory minimum leverage ratio post-management actions following a severe yet plausible stress.
Economic capital coverage (multiple) | The Group aims to have sufficient capital supply to remain within risk appetite and maintain an investment-grade credit rating post-management actions following a severe yet plausible stress.
**Earnings**
Earnings at risk (%) | With 90% confidence, the reduction in the Group's pre-tax earnings will not exceed a predefined level following a severe yet plausible stress.
Credit loss ratio (bps) | The Group aims to maintain credit losses in its portfolios within risk appetite following a severe yet plausible stress.
**Losses**
Net operational risk losses to gross income (bps) | The Group aims to maintain operational risk losses post recoveries, below a certain percentage of gross income.
**Liquidity**
Liquidity coverage ratio (%) | The Group has sufficient high-quality liquid assets (HQLA) to survive a significant stress over a 30-day period.
Net stable funding ratio (%) | The Group maintains a stable funding profile where available stable funding (ASF) is adequate to meet its required stable funding (RSF).

Additional qualitative and risk appetite metrics relevant to the risk types, legal entities and business units are defined to align strategy execution and support the Group's defined risk appetite.

**Risk theme** | **Group qualitative risk statement for 2023**
--- | ---
**Business and strategy**
Focus risk-taking on activities and business engagements that are core to the business strategy. This includes products, customer segments and geographies as they relate to the Group’s deposit taking, lending, transacting, trading, advisory, insurance and investment businesses.
Pursue risk-taking through activities that the Group understands and has the requisite skills and capabilities to manage. Continue to enhance the Group’s skills and capabilities in line with emerging opportunities, trends and changing markets.
Minimise strategic drift in pursuing business objectives by proactively monitoring and timely responding to material deviations from planned outcomes. This risk appetite statement takes cognisance of the continuous change in the business environment and emerging opportunities. Maintain alignment to strategy while ensuring that the strategy remains supportive of the Group’s growth objectives, risk preferences and stakeholder value creation.

**Risk theme** | **Group qualitative risk statement for 2023**
--- | ---
**People and leadership**
Recruit, train, develop and retain an appropriate level of skilled and capable human capital in line with an effective operating model design for resourcing, supporting systems, diversity and performance.
Align remuneration to support the delivery of strategic objectives and the efficient usage of financial resources in accordance with approved risk appetite.
The Group has no tolerance for any form of discrimination or prejudicial treatment based on age, culture, race, gender and disability, including harassment of any kind.
Leadership to set an example for a high-performing and values-based culture.
The Group has no tolerance for fraud by its employees and considers such unacceptable behaviour.

**Operational and Resilience**
The Group aims to manage operational risks within tolerances to protect against material loss and/or damage to the Group and its customers.
Maintain robust systems, adequate processes and recovery capabilities in order to contain operational disruptions due to technology infrastructure failures, third-party services unavailability, cybersecurity attacks and lack of data protection.
Assess the technology and security emerging risks on a continuous basis to ensure the Group has a forward-looking view to which it must respond to.
Protect the Group’s technology assets as it pursues its digital strategy, while maintaining value-adding data management and accelerating delivery of strategic initiatives.

**Capital adequacy**
Maintain capital adequacy at levels that enable the Group to continue doing business under severe yet plausible stress conditions within the Board-approved risk appetite.
Maintain capital levels above minimum regulatory requirements under a very severe stress event.
Allocate capital optimally to generate appropriate returns and ensure the Group does not unduly hold capital in excess of the approved risk appetite.

**Funding and liquidity**
Maintain a healthy liquidity position by holding adequate but not excessive buffers of high-quality liquid assets above minimum regulatory requirements.
Maintain the tenor composition of assets and liabilities at levels that ensure the sustainability of the Group’s funding structure under business-as-usual and stressed conditions.

**Concentrations**
Maintain a well-diversified portfolio at all times, while being cognisant of structural constraints that exist in specific markets in which the Group operates. Manage structural concentrations within approved risk appetite.
Conduct risk-taking activities in a manner that optimises concentrations in industries, sectors, products, counterparties, maturity, funding base, countries, types of collateral and credit protection providers.

**Earnings volatility**
Maintain diversified sources of earnings through an economic cycle to ensure sustainable shareholder value creation.
Manage risk-taking activities within the Board-approved risk appetite for earnings volatility under business-as-usual and stressed conditions.

**Conduct, legal and reputation**
Minimise the risk of our customers being harmed, or the integrity and stability of the market.
Regularly assess our customer engagement model to ensure we deliver on our customer-centric principles.
Uphold a satisfactory level of employee conduct and ethical behaviour when executing activities on behalf of the Group.
Comply, at all times, with regulatory requirements and other laws to which the Group and its subsidiaries are bound.
Maintain business activities and processes that uphold the Group’s reputation, brand and franchise value.

**Sustainability**
Continuously assess the suitability of the Group’s products and customer value propositions against changing environmental and social factors while continuing to fulfil its role of growing the economy in a sustainable and responsible manner.
Enhance understanding on climate-change risk and opportunity management and integrate into overall risk management framework.
Identify, assess and manage sustainability risks to minimise and mitigate negative impact to employees, communities, society and the natural environment and enhancing positive impact.

1. As approved in November 2022.
Material matters continued

Risks from our operating context

As disclosed in the Group’s Pillar 3 Risk Management Report, the risks arising from the operating context are tabulated below, along with management responses. Letter and number icons, e.g., [A1] and [B1], link the Pillar 3 disclosure to discussions of our material matters.

Current and emerging risks

Global and local economic uncertainty – macroeconomic factors globally placing pressure on sovereigns, companies and individuals

- Persistently high global inflation driving monetary policy tightening, with the resultant high interest rates affecting growth and economic activity. [A1]
- Potential introduction of supply-side inflation into economies already under pressure increasing the risk of recession.
- Stress is evident in global banks and consumers
- Asset values are negatively impacted.
- Potential risk of sovereigns prematurely anticipating inflationary cycles to have peaked, resulting in heightened volatility. [A2]
- High sovereign debt levels, along with reduced debt and interest servicing capacity, caused increased possibility of sovereign restructures or downgrades and defaults (Nigeria, Ghana, Kenya). [A3]

Management’s response

- Protect the Group’s liquidity and balance sheet.
- Use scenarios to evaluate the potential outcomes of a variety of factors. Management develops mitigating actions and assesses their effectiveness to guide decision-making.
- Investigate the link between impairments and movements in the interest rates and consider credit solutions, due to customer stress.
- Monitor downside risk presented by the uncertainty.
- Pragmatic approach to risk modelling where data may not reflect economic reality.
- Maintain a strong collections processes and consider strategic capabilities, including heightened collateral monitoring.

Risk types affected: credit, market, capital and liquidity, insurance, strategic and sustainability, model

Global and local liquidity and cash flow stresses – cheap and plentiful liquidity is drying up

- Liquidity is drying up as evidenced in the weak global demand for sovereign issuances. Areas of heightened risk resulting from this include: [C1]
- Heightened concentration risk, especially for sovereigns as downgrades have significant impacts.
- Counterparty contagion risk from liquidity and credit risk perspective.
- Scarce hard currency in ARO, which impacts trade and release of dividends, particularly in Zambia and Nigeria.
- Assumptions for business decisions, hedging and modelling may fail.
- The grey listing by FATF may impact hard currency funding and liquidity in South Africa. [C2]

Management’s response

- Protect the Group’s liquidity and balance sheet.
- Continuously scan and prepare for possible liquidity.
- Challenge assumptions made for business decisions, hedging and modelling to assess if they are appropriate.
- Assess for and build inflexibility regarding hedging and other liquidity and interest rate risk strategies.
- Assess key counterparties to understand their potential cash flow or liquidity weaknesses.
- Improve client knowledge and develop strategies to support clients with liquidity issues.

Risk types affected: credit, market, capital and liquidity, insurance, strategic and sustainability, model, compliance

Increased compliance risk due to new and emerging regulations and oversight – the rapid pace of change and increasing complexity requires close monitoring

- Increasing pace and evolving complexity of regulatory and statutory requirements across the Group’s markets impact on the current business model. [D1]
- Skills development needed to meet new regulatory requirements for ESG risk disclosure, operational resilience assessments and digital assets regulation. [D2]
- Potential long-term impact of regulatory changes on business strategy and Group performance. [D3]
- Pace of change in crypto-currency and fintech including regulation thereof. [D4]
- Tightening margins and pricing restrictions (ARO). [D5]
- New regulations relating to fraud and liability. [D6]

Management’s response

- Maintain a forward-looking approach to evaluate, respond to and monitor change.
- Engage with regulators and other stakeholders on regulatory developments.
- Build a robust control environment of compliance.
- Develop systems with the agility to accommodate change.
- Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes.

Risk types affected: credit, market, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience, compliance
Material matters continued

Environmental and social risks impact the Group, its customers and operating environment – the developing nature of both these risks and their monitoring yields high uncertainty

- Adverse impact of climate and social change. (E1)
- Will negatively impact communities and sharply heighten the Group’s credit and insurance risks.
- May cause increased migration and thus tension.
- Complexities in managing social trends, and the evolving societies and political environments in which the Group operates.
- Forthcoming elections may cause social unrest and heighten complexities. (E2)
- Increasing expectations from stakeholders to integrate sustainability risk management practices with business activities. (E3)
- Change risk will remain heightened as processes, metrics and monitoring is embedded.
- Stakeholders need clarity on the cost and required participation in the “just transition”.
- The Group needs to meet green targets on owned assets.

Management’s response

- Reduce the Group’s direct environmental footprint in line with its 2030 environmental action plan.
- Embed processes to encourage customers to adopt business strategies and practices that align with the Group’s Sustainability Policy.
- Embed existing financing standards.
- Continuously enhance credit and insurance risk data, models and scenario analyses to assess the impact of climate change risk.
- Continue to engage with civil societies, shareholder activists and Development Finance Institutions.

Risk types affected: credit, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience, compliance

Heightened resilience, fraud, financial crime, people and cyber risks expected for the foreseeable future – preparing for systemic wildcard events requires resilience

- Heightened risk of social unrest due to high inflation levels impacting on cost-of-living, weak economic environments, infrastructure failures (including secondary impacts) and poor service delivery. (F1)
- Fraud and security risks arising from economic pressure. (F2)
- Increasing opportunistic financial crime and cybercrime (including ransomware attacks), and rising criminal activity sophistication. (F3)
- Increasing exposure to potential data leaks arising from third and fourth-party suppliers. (F4)
- Heightened risk to employee wellness from evolving social and economic environments. (F5)
- Evolving risks arising from unethical use of artificial intelligence tools relating to internal and external fraud, and cybercrime. (F6)

Management’s response

- Maintain focus on operational resilience and proactively identify and mitigate risks.
- Maintain the technology estate’s high stability.
- Invest in security platforms including external intelligence, customer awareness campaigns and industry collaboration.
- Embed a strong and resilient risk culture across the Group.
- Enhance due diligence performed on third-party suppliers.
- Monitor and manage the impact on employees.

Risk types affected: strategic and sustainability, operational and resilience, compliance

Materiality determination process

As a financial services provider, we play a pivotal role in the economic activity of individuals, businesses, and nations, helping to create, grow and protect wealth through partnerships in economic development. Many factors affect our ability to create value, including our operating environment, stakeholders, responses to risks and opportunities and our chosen strategy. This report provides the context for what we have deemed our material matters – those which can significantly affect our ability to create or preserve value or lead to value erosion over the short, medium and long term. Our materiality determination process is discussed and illustrated as follows:

1. Identifying a list of potential matters considering:
   - Our external environment
   - Strategic overview
   - Stakeholders’ legitimate needs and expectations
   - General and industry-specific assessments.

2. Considering the relevance of identified matters by:
   - Validating potential matters through local, regional, and global peer review
   - Understanding their significance within our industry through scrutiny of thought leadership
   - Engaging with various internal functions, including strategy, risk, investor relations, company secretariat, sustainability, and citizenship
   - Noting whether matters are key topics of discussion at Board committee meetings
   - Understanding the root causes of changes in performance
   - Identifying differences in geographical risk and opportunities:
     - Although each of our operating geographies has its own unique set of risks and opportunities, this report sets out the material themes at a Group level that impact all our operations. Our ERMF allows risk management and oversight to be appropriately cascaded within the Group.

3. Assessing the importance of a matter, taking into consideration:
   - Our deep-dive strategy review process, including a detailed business environment assessment, alongside stakeholders needs clarity on the cost and required participation in the “just transition”.
   - The likelihood of a risk or opportunity coming to fruition
   - The arena of the effect, be it internal or external
   - Our risk appetite framework ensures a balanced approach between future growth and responsible risk management
   - Quantitative and qualitative factors that influence the risk appetite of each principal risk
   - Our integrated planning process considers:
     - Potential opportunities and prospects
     - Responses to changing consumer needs and dynamics
     - Resource needs and relative availability
     - The trade-offs between possible responses
     - Timing and execution requirements
     - The importance to, and impact on, our strategy
     - Contribution to strengthening Absa’s brand equity and reputation

4. Prioritising matter matters enables us to respond quickly to risks and opportunities specific to Absa and our strategic intent, magnifying our ability to create value. Prioritising the risks and opportunities arising from the operating context is based on our Risk and Issue Classification Matrix (RICM).
   - As a formula, RICM is expressed as: Likelihood x severity of impact = Risk classification.
   - When assessing the severity of potential impact, we consider both financial and non-financial impacts. We consider non-financial impact types as they relate to regulators, customers, reputation, our service, and employees.
Maintaining economic and strategic momentum
The current environment remains volatile. While we saw initial economic recovery as lockdowns eased, economic momentum has been insufficient to return countries to pre-pandemic levels. Impacts include high inflation, low growth and supply chain disruptions caused by the rising cost of raw materials, commodities, energy, transport and debt distress as financial conditions tighten. Central banks have had to increase policy rates in response, and there is a need for governments, including regulators and central banks, to continue to coordinate policy on a global level to help maintain financial stability, avoid recession and ease pressure on emerging markets [A1] [B1].

In the emerging markets in which Absa operates, there is a need to facilitate trade among African countries and attract foreign investment. Persistent economic volatility stresses asset values [A2], limiting available liquidity [C1].

In four of our presence markets, high sovereign debt levels and reduced debt service capability increase the risk of sovereign default and investor downgrades [A3].

Within South Africa, our primary market, the financial system continues to be resilient under heightened volatility and challenging global and domestic conditions, and we expect this resilience to be sustained 1. However, rising interest rates to lower business and consumer confidence and may be ineffective [B2]. Infrastructure failures, such as logistical and power supply (including secondary impacts such as the effects on water supply), negatively affect our customer base and increase the cost of doing business due to business disruptions. Furthermore, South Africa declared its second state of disaster as the power supply crisis has dramatically impacted growth [B3].

Within this context, not only does Absa need to adapt to the constantly changing operating environment but to evolving client needs and expectations, as they, too, are impacted by economic pressures [B4].

We continuously assess how macroeconomic factors impact large strategic change projects [B5]. For example, our APO markets have stronger growth prospects than South Africa, making them strategically important. Yet, we face heightened complexity in achieving our ambition of being a truly Pan-African bank, as we need to develop strategic responses uniquely tailored to each presence country based on their market volatility.

Our growth ambitions for our insurance business are equally affected as insurance risk increases due to business interruptions, customers’ economic circumstances, and climate change impacts.

Principal risks affected
Credit, market, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience.

Opportunities
• Facilitating trade among African countries through the African Continental Free Trade Agreement
• Promoting financial inclusion through targeted and relevant financial advice and products
• Innovating products, services and pricing structures
• Expanding the non-traditional acquisition channels across the business
• Delivering holistic and integrated product solutions to customers and enhancing the Absa Rewards programme as rewards are central to driving customer engagement and primacy, we are revamping the programme to deliver this more effectively
• Galvanising acquisition efforts in the youth and student segments
• Increasing our bancassurance presence
• Increasing funding and support for SMEs by Regional Governments by establishing economic zones, development funds and other such initiatives
• Scaling lending products
• Driving efficiencies in cost
• Creating balance in revenue mix.

Impact on our business model

Financial capital

Within a constrained environment, we recognise that there is an increased risk of credit defaults, inflationary pressures on our cost base and margin pressures

The increase in repo rates by central banks results in higher net interest income

Providing additional support to constrained customers affects margins.

Social and relationship capital

Increased financial inclusion

Customer primacy and brand affinity.

Manufactured capital

Physical footprint gives way to more efficient and cost-effective digital channels, possibly impacting on human capital.

Link to our strategy

A diversified franchise with deliberate, market-leading growth

The primary partner for our clients

An active force for good in everything we do

Stakeholders

Regulators

Investor community

Customers

Employees

Social and relationship capital

Supporting clients’ transition paths

Appreciate the social context to ensure a just transition, especially in Africa

Reputational damage if Absa fails to deliver on sustainability commitments or regulations.

Financial capital

Investors are seeking climate and environmentally friendly opportunities, which will diversify our funding base and source of income

Increased and diversified revenue from sustainability-related products and services

Increased impairment risk due to physical and transition risks because of climate change.

Human capital

Increased ESG skills and talent

Natural capital

Low-carbon societies and businesses

Food and water security

Increased consumption of water and electricity as we embed a Pan-African footprint.

Link to our strategy

A diversified franchise with deliberate, market-leading growth

The primary partner for our clients

An active force for good in everything we do

Stakeholders

Principal risks affected
Credit, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience.

Opportunities

Positioning Absa as a leader in sustainable finance

Increasing insight into customers’ sustainability needs and roadmaps to net zero can lead to new financing opportunities, including nature-positive financing.

Furthering capital allocation to environmentally responsible businesses

Access to sustainable green loans

Contribution to a just transition and responsible consumption

Driving business continuity for clients.

Climate change and a just transition

Extreme weather events continue to have a global impact, and there is an urgency to move towards a low-carbon economy. Countries continuing to rely on carbon-intensive sectors risk losing competitive advantage through a higher cost of carbon, reduced resilience, failure to keep up with technological innovation and limited leverage in trade agreements.

Financial institutions remain vulnerable to the effects of physical and transition risks because of climate change, which heightens credit and insurance risks [B1]. With climate risk pervasive across industries, there is also a war for talent, as climate science and risk management expertise are scarce. Furthermore, ESG stakeholder expectations are evolving, and there is added pressure on banks to support clients’ transition to a zero-carbon economy, focusing on banks assessing the industries they finance [B3]. Within this context, we recognise that while our direct impact on climate change through our carbon footprint may not be material, our impact on driving a low-carbon economy is significant through our products and services.

Regulators are also monitoring developments in climate change. For example, the Prudential Authority developed a regulatory and supervisory response to climate risks affecting supervised institutions through the Prudential Authority Climate Task Team. The launch of South Africa’s first national Green Finance Taxonomy on 1 April 2022 is also encouraging, ensuring that national priorities are reflected while moving in line with international trends.

As a Pan-African bank, climate change on the African continent is a crucial focus area, with the continent facing systemic risks to its economies, infrastructure, water and food supplies, public health, agriculture and livelihoods. For example, South Africa experienced severe flooding during the year, adversely affecting insurance non-life products. Clients in the agriculture sector are also heavily impacted, increasing the risk of food insecurity. In many African countries, however, there is a lack of infrastructure and investment in renewable energy sources, and many economies remain heavily dependent on fossil fuel industries. Carbon-intensive industries also employ a significant proportion of workers. Shifting away from these industries could deepen the unemployment issues in developing economies. Transition efforts should therefore consider societal repercussions and opt for solutions that holistically address social and environmental challenges [B1]. Furthermore, while most African economies’ energy-related emissions are minimal, electricity access is a significant challenge. For these countries, the immediate priority is to improve energy access to enable sustainable development and create better livelihoods — with the transition to cleaner energy sources seen as a complementary priority.

The estimated cost of transitioning Africa’s power sector to carbon neutrality while providing reasonable access to electricity equates to approximately US$2.6 trillion. On the other hand, country context and energy markets are mostly unfavourable in attracting private-sector investment into renewable energy, going beyond financial and technical challenges to include political contexts, resulting in a slow pace of change.
Digital dependencies and vulnerabilities
A rapidly developing competitive landscape, changing consumer demand, financial disintermediation and disruptive technologies have highlighted businesses’ dependency on digital infrastructure. For example, the SMME market share is impacted by telecom companies offering unsecured personal lending products and funding solutions. Non-traditional banking service providers are also partaking in the banking space through finance solutions offered to SMMEs.

Governments and businesses in developing countries recognise the need to digitise rapidly if they wish to compete globally but face constraints in technical and financial resources to build robust ecosystems. As a digitally powered bank, we engage on the platforms and ecosystems our customers prefer, continuously diversifying and strengthening our modes of service delivery.

Protection against data leakage [F4] and other security breaches is essential because banks play a vital role in ensuring functioning payment and settlement systems, thus demanding additional resources be funnelled to this priority area. Cybercrime and associated attacks (such as ransomware) remain significant threats to financial institutions domestically and abroad, with attacks becoming more aggressive, sophisticated and widespread [F3]. We have identified increased use of artificial intelligence tools to perpetrate fraud and cybercrimes [F6]. The increase in social engineering attacks, such as vishing, place our customers at risk, increasing the need for us to educate our customers on how they safeguard against such attacks.

The large South African financial institutions use major international financial market infrastructure and transact with global counterparts, indirectly exposing the domestic financial system to global cyberattacks. Potential data leaks through third-party technology suppliers also pose a significant risk for financial institutions as attacks on these providers are still prevalent [F4].

The ability to attract and retain technology professionals remains challenging, as this remains a rare skill set. The rise in remote workers has also created a unique challenge, necessitating heightened internal awareness to mitigate these employees’ becoming targets of cyber attackers. Therefore, we continually work with our people to enhance their understanding of the risks involved and strengthen the systems enabling the Group to track anomalies and proactively investigate potential threats.

Principal risks affected
Strategic and sustainability, operational and resilience, compliance.

Opportunities
• Adding new digital capabilities to the Absa mobile banking app further supports the increased digital adoption rate. This is also complemented with various security features to improve customer authentication, transact behaviour and real-time intervention where suspicious activities are observed.

• Capitalising on alternative channels (agency banking, USSD, mobile and internet banking and merchant acquiring)

Financial capital
• Increased transaction volumes and higher digital inclusivity affect fee income
• Cost efficiencies over the medium to longer term
• Investment in technology infrastructure in the short to medium term
• Financial loss as a result of cybercrime and data loss.

Human capital
• Scarcity of digital and technology skills resulting in talent wars
• Helping to reskill the existing workforce drives retention and meets fundamental business needs while recognising that being digitally focused could impact job creation
• Work from home and hybrid work, improving the employee value proposition

Social and relationship capital
• Increased reputational risk as a result of data leakage and other security breaches
• Closing of the digital divide, increasing financial inclusion.

Intellectual capital
• Increased risk of data loss and dependency
• Future-fit digital ecosystems.

Link to our strategy
A diversified franchise with deliberate, market-leading growth

Stakeholders

Principles of high impact

Impact on our business model

Rising regulation
Banks face an ever-changing regulatory environment, with compliance failures that can lead to litigation, penalties and reputational damage. With the increased advancement of banking systems, for example, in crypto-currency and fintech, regulatory bodies aim to ensure compliance that secures economic stability to protect consumers and maintain institutional soundness [D2] [D4].

The Prudential Authority, being a significant player in the regulation of the banking sector in South Africa, continues to monitor local and international developments from a standard-setting and trends and policy perspective to ensure that the regulatory framework caters for all risk types and that the supervisory framework is adequately proportionate, forward-looking, outcomes-focused and integrated [D3].

The FATF issued recommendations to South Africa, proposing further strengthening of regulations, oversight by regulators and capabilities within banks to combat money laundering, terrorist financing and other similar threats to the financial sector [C2].

The potential for penalties and regulatory sanctions for non-compliance with legislation and conduct in our markets is increasing in number and severity. While up-to-date regulation is critical to promote responsible banking and protect customers and banks alike, the pace of change in these regulations requires a coordinated, comprehensive and forward-looking approach. We, therefore, continue to bolster our regulatory capabilities (including specific skills development [D2]) to anticipate, influence and respond to our changing regulatory landscape while assessing the likely impact of regulatory shifts on our business model and strategic priorities [D3].

Principal risks affected
Credit, market and capital and liquidity, insurance, strategic sustainability, model, operational and resilience, compliance.

Opportunities
• Consistent policies in certain industry sectors, e.g., mining, to boost exports
• A catalyst for progressive change through advocacy
• Technology-enabled models to improve ease of compliance
• Pan-African countries increase their global competitiveness and financial stability
• Improved public confidence in financial institutions
• Increase in attracting foreign investment
• Accessing international and local capital.

Social and relationship capital
• Sound, positive and healthy relationships with regulators
• Compliance burden may affect customer journeys and experiences, yet customer benefit from the protection provided by regulation
• Reputational damage as a result of non-compliance.

Financial capital
• Increased costs to comply
• Penalties and fines due to non-compliance
• Compressed foreign exchange margins on the back of regulatory interventions.

Stakeholders

Impact on our business model

Link to our strategy
A diversified franchise with deliberate, market-leading growth

The primary partner for our clients
An active force for good in everything we do

Stakeholders
Evolving employee value proposition

COVID-19 changed the working landscape, with employees questioning traditional structures of work and employers seeking to identify strategies to keep employees engaged. The pandemic also renewed the emphasis on employee health and wellbeing (F5). As a result, companies are under scrutiny regarding their response to mental health challenges. Fostering open dialogue has never been more critical for companies to demonstrate their commitment.

Employees are also increasingly looking to work in inclusive and diverse environments, and regulators are finding ways to entrench diversity and inclusion in the workplace. For example, the Prudential Authority in South Africa finalised its transformation approach and developed internal supervisory guidance on how transformation will be monitored and regulated in financial institutions.

Global insecurity resulting from economic hardships, geopolitical events and political instability has resulted in many moving away from their home countries or regions in search of better opportunities, resulting in a brain drain from some countries and an increase in skilled migrants into others. The war for talent is ongoing, as many organisations prioritise attracting and retaining the best skills. Furthermore, due to rapid skills obsolescence, there is a need to leverage digital transformation to build the talent and skills required for the future of business.

Absa understands that its people’s wellbeing is vital to building a winning, talented and diverse team, as it increases employee productivity and engagement. We continue to support hybrid working as the new normal, and this model will remain part of our blueprint. To prepare our organisation for this longer-term transition, we continue to upskill employees and leaders with the knowledge and tools to enhance productivity, engagement, and inclusiveness in a virtual world. Furthermore, the Group is committed to progressing its transformation and inclusivity agenda, believing that diversity presents a competitive advantage that will continue to shape our organisational agility and resilience in years to come.

By establishing ourselves as an employer of choice, we gain access to the top skills in the marketplace. Likewise, our internal initiatives enable our employees to continually upskill and reskill based on the evolving needs of our business. This, too, becomes a drawcard for talent.

Principal risks affected
Strategic and sustainability, operational and resilience.

Opportunities
- Engaged and talented workforce
- Employer of choice for current and prospective employees
- Home of Africa’s leading talent.

Impact on our business model

<table>
<thead>
<tr>
<th>Financial capital</th>
<th>Impact on our business model</th>
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<tbody>
<tr>
<td>▶ Fair and equitable remuneration appropriately addressing unfair remuneration differentials as well as attracting and retaining high performers</td>
<td></td>
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<tr>
<td>▶ Investment in skills development and training</td>
<td></td>
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<tr>
<td>▶ Lower hiring cost as top talent remains with Absa</td>
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<tr>
<th>Human capital</th>
<th>Impact on our business model</th>
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<tbody>
<tr>
<td>▶ Increase in employee engagement index</td>
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<td>▶ Win the war for scarce skills</td>
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<td>▶ Improved employee value proposition</td>
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<tr>
<th>Intellectual capital</th>
<th>Impact on our business model</th>
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<tr>
<td>▶ Increased know-how and institutional knowledge</td>
<td></td>
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<tr>
<td>▶ Employees equipped for work in the digital age</td>
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<tr>
<td>▶ Profile changes to reflect a more diverse team in terms of age, race and gender</td>
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Social cohesion erosion

Still nursing the physical and emotional effects of COVID-19, many are dealing with mental health deterioration. As a result, governments and businesses have increased wellness campaigns and initiatives to support people and communities dealing with stressors in their social and economic environments (F3).

Unemployment, weakening wage growth, and heightened poverty impact our markets and increase instability, business disruptions and social unrest (F1), (B2). We, therefore, continue to interact with governments across our regions directly and through various associations, seeking to advocate for enabling policy environments that promote national and regional objectives and beneficial socioeconomic outcomes.

Our products and services support financial wellbeing and extend financial inclusion to lower-income groups (B4). In this way, we contribute to a more inclusive economy and societal financial wellness, developing affordable, needs-based financial products delivered through innovative and convenient channels supported by consumer education and financial literacy training.

Principal risks affected
Strategic and sustainability, operational and resilience.

Opportunities
- Financial inclusion
- Equal opportunity and poverty eradication
- Customer primary and extended customer life journeys
- Increased and diversified revenue streams.

Impact on our business model

<table>
<thead>
<tr>
<th>Financial capital</th>
<th>Impact on our business model</th>
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<tr>
<td>▶ Increased loss from disruption and damage</td>
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<td>▶ Investment in communities</td>
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<tr>
<th>Social and relationship capital</th>
<th>Impact on our business model</th>
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<tr>
<td>▶ Reputational gains supporting communities</td>
<td></td>
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<tr>
<td>▶ Customer primary</td>
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</table>

Human capital

- Preservation of available job opportunities.

Link to our strategy

The primary partner for our clients

An active force for good in everything we do

Stakeholders

- Customers
- Employees
- Investors
- Society
- Planet

An active force for good in everything we do
Together… one story at a time – delivering value

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A digitally powered business 57
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An active force for good in everything we do 66
Outlook 72
The appointment of permanent Group ExCo members to lead the People Function, Information and Technology Office as well as Job Brand, Marketing and Corporate Affairs portfolio, means that our Group ExCo is now fully constituted and transformed, thus placing us on a solid footing to achieve both commercial excellence and demographic requirements. At this point, let me once again express my profound gratitude to Thabo Mashaba and Wilhelm Krige for holding the fort in the People function and the Information and Technology function, respectively, during the intervening period.

Financial performance
I am immensely proud to see the strides that we have made in embracing andaligning our organisation to South Africa’s transformation imperatives, while also embedding strong Pan-Africanism in our ethos.

As we revised structures and created leadership certainty, we continued to maintain positive financial momentum, as evident in our strong 2022 results. Headline earnings of R21 billion grew 13% and, pleasingly, were supported by a pre-provision profit growth of 25% as our cost-to-income (CTI) ratio decreased to 51.5%.

Our credit loss ratio (CLR) of 196bps is within our through-the-cycle range, albeit at the upper end of the range as consumer strain in the South African retail market started to materialise. While not reflected in the CLR, the sovereign debt crisis in Ghana had a material impact on our impairment charge.

Key shareholder value metrics continued to improve as net-asset value per share increased by 5%, return on equity (ROE) improved to 16.6%, which is well above the cost of equity, and our dividend pay-out ratio returned to pre-COVID-19 levels. Particularly pleasing is that both our ROE and CTI are already approaching our medium-term target of 17% and a CTI within the low 50s.

I am especially proud that earnings growth and improved returns have been delivered while we have maintained our balance sheet resilience. Our capital and liquidity measures remained strong and above pre-COVID-19 levels, with our CET1 ratio of 12.8%, tier 1 ratio of 14.4%, liquidity coverage ratio of 124.8% and net stable funding ratio of 113.3%, while we continue to be prudent in our balance sheet coverage, remaining well above 2019 levels.

Enhancing our employee value proposition
Our strategic efforts have not been limited to leadership changes. As previously stated, employees are an irreplaceable bridge between our shareholders and other key stakeholders for their ongoing support and assist customers and colleagues in the country with a loan of up to R2 billion.

We have identified three ESG focus areas for investment: financial inclusion, diversity and inclusion, and climate. We selected these areas based on considerations including the potential impact on our business and our strengths and assets. The appointment of Punki Modise as Group Chief Strategy and Sustainability Officer will strengthen our ESG efforts across the organisation.

We have registered milestones in several areas and built on our position as the leading financier of renewable energy in South Africa. We issued our first green bond and published a Sustainable Financing Framework, which outlines our policies and processes improving the conditions of sustainable financing.

We launched a USD400 million sustainability-linked term loan facility and to increase access to affordable housing in South Africa, we partnered with the International Finance Corporation to support the establishment of housing finance targeting lower- to middle-income households in the country with a loan of up to R2 billion.

We built on the support we provided to colleagues, customers and communities during the COVID-19 pandemic in 2022, when we assisted disaster-struck communities, including those in KwaZulu-Natal, where floods claimed lives and livelihoods. We rallied resources to provide assistance in the form of drinking water and care packages to communities and Absa colleagues.

We also waged excess fees on insurance claims, and we allocated funds to assist with longer-term needs, such as rebuilding affected areas. Being meaningful to the communities in which we operate is one of our five key themes and entrenching this into our DNA means more future decisions are in the offing.

Redefining our purpose
Absa has been on an unrelenting strategic journey towards market superiority – we completed the first phase, which was focused on the bricks and mortar of our business. The current phase is about organisational health, which is underpinned by an employee-led purpose.

To this end, we have undertaken an extensive collective effort across the colo lineage franchise to revisit our purpose as a corporate citizen in Africa.

The process has resulted in our new purpose statement – Empowering Africa’s tomorrow, together – one story at a time.

This purpose expresses our collective commitment to our stakeholders in contributing to Africa’s growth, now and in the future. What this means to our everyday roles and responsibilities will be unpacked internally and externally this year, guiding the continuous evolution of our brand to one that inspires our colleagues and customers and functions as a set of pride.

Throughout the year, we continued to engage external stakeholders who are of strategic importance to our business, here on the continent and abroad. These engagements are critical for strengthening existing bonds and creating new ones. Given the rising social pressures that I referred to earlier, it is becoming more critical for businesses, governments and civil society to come together in order to build inclusive and sustainable solutions to the challenges that we collectively face.

There are two platforms that particularly stand out in our external engagements; these include our participation at the US-Africa Leaders’ Summit and the World Economic Forum (WEF) Annual Meeting in Davos.

Conclusion
In 2023, we look forward to driving commercial outperformance and customer and business growth and social relevance as an organisation. We will continue to build on the transformation progress we have made in our broader Pan-African context, including advancing our plans for a new B-BBEE scheme and continuing to build our talent pipeline. The work undertaken since 2018 to deliver against our strategy has ensured that we have a solid foundation in place to accelerate strategy execution and performance, notwithstanding the more challenging operating environment, and to build our social relevance as an organisation. With a strong and experienced leadership team and an engaged colleague base, I am confident that we are well-placed to become a truly Pan-African bank that serves our customers and drives sustainable growth in Africa.

At the time of writing this, there is heightened uncertainty in global banking markets with the collapse of Silicon Valley Bank and Signature Bank in the US as well as UBS’s government backed takeover of Credit Suisse in Switzerland. Central Bank responses have been swift and comprehensive, while we continue to monitor the situation closely.

We currently don’t envisage systemic risk to the South African banking sector other than capital markets general aversion to emerging markets. I am confident in my leadership team’s ability to respond accordingly but it is also important to note that the South African Banking sector remains liquid and well capitalised with levels well in excess of the regulatory minimums and significantly higher than the 2008 global financial crisis.

I would like to thank both Jason Quinn and Punki Modise for their stewardship of the organisation during their time as the interim CEO and interim CFO and their support during my transition into the CEO position.

I thank the Board, my ExCo, all of our colleagues, our customers, our shareholders and other key stakeholders for their ongoing support and look forward to further engagements throughout the year.

Group Chief Executive Officer’s message

It is an honour and a privilege to be leading an organisation I have been part of for over 25 years.

Thabo Mashaba and Wilhelm Krige for holding the fort in the People function and one story at a time – delivering value

Value created and preserved through strong performance

Supplementary information

Relevant teams have worked diligently to design our proposed new B-BBEE ownership transaction with an aim to ensure that eligible employees throughout our Pan-African business become part owners of this organisation.

Our employee engagement initiatives stood us in good stead during the pandemic when our colleagues went above and beyond in helping our customers in a decidedly difficult operating environment.

Our recent employee experience survey, which is the basis for our colleague-led efforts, has given us key collegiate insights on workplace culture, the quality of the work environment and levels of confidence in strategy and direction.

Over 30 000 of our colleagues, equating to 83%, completed the survey, which is an unprecedented response rate – a sure indicator of a strong affinity with the organisation. Our employee experience index, at 68 points, improved markedly by 6.7% in 2021 and exceeded our target, demonstrating a tangible positive shift. Our advocacy net promoter score, which measures the extent to which employees would recommend Absa as an employer, almost doubled. It is also worth mentioning that the operational changes alluded to earlier reaffirmed our internal talent while preventing job losses.

Environment, social and governance focus

More broadly, we are also making a measurable and material change in the communities in which we operate. We have identified three ESG focus areas for investment: financial inclusion, diversity and inclusion, and climate.

In 2022, we executed these changes to boost our organisation’s commercial capacity to serve our customers better. Through this, we have sought to drive one critical customer intent and commitment across our organisation.

The major effort of 2022 went into reconfiguring our commercial businesses and affecting crucial operating model changes. Resultantly, the Group changed from two business units to five. In a structure that is now deliberately designed to help Absa win in our key market battlegrounds, Group ExCo now boasts Everyday Banking, CB Africa, Product Solutions Cluster, Relationship Banking, and ARD Retail and Business Bank.

These changes were, by design, to drive end-to-end ownership in the commercial businesses as well as well thought-out functional support. Distributed leadership underpinned the shift, where business and function unit leaders have the autonomy to make key decisions within their portfolios.

We also saw this as an opportunity to reaffirm our commitment to transformation, diversity and inclusion. Our experience in South Africa is now deliberately designed to help Absa win in our key market.
**Group Financial Director's message**

**We are building a strong and consistent track record of delivery against our strategy, and we are well positioned for growth, notwithstanding the challenging operating environment.**

**Jason Quinn**
Group Financial Director

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**Strategic performance**

**Value for shareholders**

<table>
<thead>
<tr>
<th>Revenue growth</th>
<th>Revenue</th>
<th>Cost-to-income</th>
<th>Return on equity</th>
<th>Total dividend per ordinary share</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>R98.9bn</td>
<td>51.5%</td>
<td>16.6%</td>
<td>1 300 cents</td>
</tr>
</tbody>
</table>

**Overhead**

- Strong deposits and loans: Gross loans and advances increased 11% to R21 016 million, and diluted headline earnings per share grew 13% to 2 482 cents. Importantly, our earnings growth was due to 25% higher pre-provision profit, which in turn was driven by strong revenue growth of 15% to R98 874 million. These are all comfortably above pre-COVID-19 levels, with earnings, pre-provision profit, and revenue up 29%, 43%, and 24% from 2019, respectively. Net interest income increased 13% to R60 440 million, reflecting further margin expansion and 11% growth in average interest-bearing assets. Our net interest margin on average interest-bearing assets widened to 4.56% from 4.46%, reflecting higher policy rates. Non-interest income increased 18% to R1 242 billion, with average interest-bearing assets growing 11%.

- Non-interest income increased 18% to R1 242 billion, with average interest-bearing assets growing 11%.

- **Well-diversified growth in loans and advances**

  Total gross loans and advances grew 11% to R2 158 billion, given 9% growth in gross loans and advances to customers to R1 155 billion, while gross loans and advances to banks rose 38% to R104 billion. Loan growth was well diversified across our divisions. Product Solutions Cluster gross loans and advances to customers rose 9% to R414 billion, as mortgages grew 9% to R297 billion and instalment credit agreements increased 9% to R87 billion. Everyday Banking gross loans and advances to customers grew 12% to R82 billion, with personal and term loans and credit cards both up 12% to R28 billion and R50 billion, respectively. Relationship Banking gross loans and advances to customers grew 7% to R140 billion, driven by 10% growth in personal and term loans to R44 billion and 7% higher instalment credit agreements to R35 billion, while mortgages decreased 2% to R27 billion. ARO RBB gross loans and advances to customers grew 13% to R78 billion, or 16% in constant currency (CCY), with solid production in personal loans, mortgages, and commercial lending. CIB gross loans and advances to customers increased 8% to R438 billion, with CIB SA up 7% to R366 billion and CIB ARO growing 15% to R72 billion, or 18% in CCY.

- **Slower deposit growth**

  After strong growth over the past two years, our deposit growth slowed somewhat. Total deposits rose 6% to R1 242 billion, driven by transactional deposits (31% in CCY) and investment (29% in CCY). The total deposits rose 4% to R500 billion, with deposits due to customers decreasing marginally to R448 billion. Retail deposits grew 26%, CIB SA deposits due to customers declined 1% to R319 billion, as 11% lower fixed deposits outweighed 3% growth in cheque account deposits. CIB ARO deposits were flat at R99 billion, or just 3% in CCY.

- **Capital levels remain strong**

  We remain well capitalised to fund our growth opportunities. Our CET1 ratio was flat at 12.8%, in line with the prior period. This exceeds the top end of our Board target range of 11.0% to 12.5%, well above post-COVID levels and comfortably exceeding regulatory requirements. Our total capital adequacy ratio improved to 16.6% from 15.8%, mainly on the back of higher policy rates across the Markets income, coming off a high base. I should note that non-interest income included a R759 million profit on disposal of the Absa investment management business, a non-headline item.

**Operating expenses well controlled as we continue to invest**

- Operating expenses grew 7% and the same in CCY to R50 907 million, improving the Group’s cost-to-income ratio to 51.6% from 55.2%. Staff costs rose 7% to R27 873 million, accounting for 15% of total operating expenses. Within this, salaries and other staff costs increased by 4%, in part due to lower restructuring costs. Bonuses grew by 20%, linked to the Group’s performance, while deferred cash and share-based payments increased by 25%.

- Non-interest income increased 18%, or 21% in CCY, to R23 034 million. We continue to invest in IT. Total IT spend, including staff, amortisation and depreciation, increased 8% to R12 638 million, or 25% of Group expenses. Amortisation of intangible assets increased by 15%, given the investment in new digital, data and automation capabilities. Professional fees rose 22%, mainly from higher investment in strategic initiatives. Marketing costs grew 34%, due to increased campaign spend, sponsorship and corporate social investment spending, all of a low base.

- Costs were also reduced in several areas. Depreciation fell 10%, primarily due to continued optimisation of property and physical IT infrastructure. Property costs declined 1%, reflecting ongoing property optimisation, while cash transportation costs fell 1%, given the migration to digital banking and benefits from increased cash recycling.

- **Credit impairments increased off a relatively low base**

  Credit impairments grew 61%, or 62% in CCY, to R13 703 million from R8 499 million due to substantially higher credit charges in the South African retail lending portfolio and coverage raised against Ghana sovereign investment securities and related exposures in the banking book. The Ghana sovereign-debt-related impairment totalled R2.7 billion, with R2.1 billion on sovereign investment securities.

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1 IFRS CET 1.
Group Financial Director’s message continued

(predominantly local currency sovereign bonds). Our credit loss ratio calculation excludes impairments on investment securities and cash balances and rose to 0.96% from 0.77%. Excluding Ghana, the charge was 0.91%, slightly above the mid-point of our through-the-cycle target range of 7% to 10bps. In 2021, model enhancements and a change in the definition of default to align with peers reduced retail loan credit impairments in South Africa by R182 million. Total loan coverage decreased slightly to 3.93% from 4.08% at 31 December 2021, although it remains well above the pre-COVID level of 3.27% at 31 December 2019. Stage 3 loans and advances improved to 5.29% of gross loans and advances from 5.49%, while Stage 3 loan coverage increased to 46.13% from 44.62%.

Summarised normalised income statement

<table>
<thead>
<tr>
<th>2022</th>
<th>R'm</th>
<th>% Change</th>
<th>2021</th>
<th>R'm</th>
<th>% Change</th>
<th>2020</th>
<th>R'm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>60 440</td>
<td>13</td>
<td>53 297</td>
<td>9</td>
<td>48 790</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest income</td>
<td>38 434</td>
<td>18</td>
<td>32 576</td>
<td>(0)</td>
<td>32 592</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>98 874</td>
<td>(50 907)</td>
<td>85 873</td>
<td>6</td>
<td>81 382</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>47 967</td>
<td>25</td>
<td>38 461</td>
<td>7</td>
<td>35 806</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-provision profit</td>
<td>(12 703)</td>
<td>62</td>
<td>(8 499)</td>
<td>(19)</td>
<td>(20 569)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other impairments and indirect tax</td>
<td>(2 541)</td>
<td>13</td>
<td>(2 247)</td>
<td>(0)</td>
<td>(2 238)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associates and joint ventures</td>
<td>137</td>
<td>4</td>
<td>132</td>
<td>(100)</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>31 860</td>
<td>(8 379)</td>
<td>27 487</td>
<td>&gt;100</td>
<td>12 963</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>23 481</td>
<td>16</td>
<td>20 243</td>
<td>&gt;100</td>
<td>9 357</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>21 307</td>
<td>15</td>
<td>18 565</td>
<td>&gt;100</td>
<td>7 912</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>2 174</td>
<td>30</td>
<td>1 678</td>
<td>(16)</td>
<td>1 445</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headline earnings</td>
<td>21 016</td>
<td>13</td>
<td>18 591</td>
<td>&gt;100</td>
<td>7 965</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summarised balance sheet

<table>
<thead>
<tr>
<th>2022</th>
<th>R'm</th>
<th>% Change</th>
<th>2021</th>
<th>R'm</th>
<th>% Change</th>
<th>2020</th>
<th>R'm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>1 790 903</td>
<td>9</td>
<td>1 635 994</td>
<td>7</td>
<td>1 525 964</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which net loans and advances</td>
<td>1 213 399</td>
<td>11</td>
<td>1 092 257</td>
<td>8</td>
<td>1 014 517</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>150 010</td>
<td>5</td>
<td>143 506</td>
<td>13</td>
<td>127 546</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1 640 893</td>
<td>10</td>
<td>1 492 488</td>
<td>7</td>
<td>1 398 418</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which deposits due</td>
<td>1 241 919</td>
<td>6</td>
<td>1 173 766</td>
<td>12</td>
<td>1 048 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>1 790 903</td>
<td>9</td>
<td>1 635 994</td>
<td>7</td>
<td>1 525 964</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 These numbers were restated, refer to “Report Overview” in the Financial Results booklet 2022.

Conclusion

Over the past two years, we have over-delivered on our growth, returns, efficiency and capital targets, notwithstanding a challenging operating environment.

Based on our macro expectations and excluding major unforeseen political, macroeconomic or regulatory developments, our guidance for 2023 is as follows:

- We expect high single-digit operating expense growth, resulting in a similar cost-to-income ratio as in 2022. We expect mid to high single-digit growth in pre-provision profit.
- Consequently, we expect to generate R of around 17%.
- Lastly, our Group CET1 capital ratio is expected to remain at the top end of the Board target range of 11.0% to 12.5%. We expect to maintain a dividend pay-out ratio of at least 52%.

Given material base effects in 2022, we see differing trends between the first and second half of 2023. In the first half, we expect stronger revenue and pre-provision profit growth, although our credit loss ratio will likely exceed our through-the-cycle range in this half and dampen earnings growth off a relatively high base. Conversely, despite slower second-half revenue growth, credit impairments are expected to decline substantially to support stronger earnings growth in the second half.

In terms of medium-term guidance, we still aim to achieve a cost-to-income ratio in the low 50s and a RoE above 17% on a sustainable basis, which is heavily dependent on the macro backdrop globally and in our presence countries.

Accolades evidencing our focus on being a diversified franchise with market-leading growth

- Chana Insurance Awards – Absa Bank received the Bancassurance Leader Award
- PMR Africa Awards 2022 – Absa’s award-winning Islamic banking services received three Diamond Arrow Awards
- Global Finance Innovators Awards 2022 – CIB was named the Most Innovative Bank in Africa for the second consecutive year
- CIB was awarded the African Markets Loan House of the Year and Sub-Saharan Africa Investment Bank of the Year
- Euromoney’s Awards for Excellence 2022 – Named Africa’s Best Bank for Transaction Services

Material matters

- • Maintaining economic and strategic momentum
- • Climate change and a just transition
- • Digital dependencies and vulnerabilities
- • Rising regulation

Return on Equity (RoE) of 16.6%  
EB revenue contribution of 27.9%  
RB revenue contribution of 15.1%  
PSC revenue contribution of 15%  
ARO RBB revenue contribution of 14.4%
A diversified franchise with deliberate market leading growth continued

Absa delivered strong financial performance, with record normalised headline earnings of R21.6 billion, with headline earnings increasing 21% on the back of income-led solid pre-provision growth of 29%, partially offset by dilution by 61% higher impairments. Our return on equity increased materially to 16.6%, comfortably above our cost of equity, with most business units improving returns year-on-year underpinned by progress against key objectives, including:

- Tailoring reach and relevance to clients
- Targeting growth in attractive client segments
- Renewing and expanding product suites.

The transaction with Sonlon to combine our investment management businesses became effective on 1 December 2022. For Absa, the transaction delivers improved scale, capabilities, customer propositions, and transformation, all essential to achieving growth in the investment management sector.

Everyday Banking (EB)

EB has made significant strides in expanding its physical and digital reach through several award-winning innovations. Absa's chatbot Abby, allows over two million customers to self-service in an intuitive and user-friendly manner. Absa is also innovating to expand its physical presence in a low-cost manner by leveraging Branch-on-the-Move to support underserved low-income communities. We have pivoted our network significantly, automating cash while ramping up sales and service to enhance the depth and empathy of our high-touch customer interactions.

The entry-level and inclusive banking segment has been identified by the business as a priority for future sustainable growth. Against this backdrop, we have set the foundation for accelerated entry-level and inclusive banking segment acquisition through on-the-ground community-based marketing efforts, customer-centric pricing enhancements and improvements to our rewards programme. Furthermore, the business has enhanced its customer engagement strategies to drive more value-based interactions, resulting in deeper customer conversations. These efforts have stabilised customer primacy and improved the average product holding across the segments.

EB launched a new package-based product that integrates the best features of credit and transactional products underpinned by market-leading pricing. Furthermore, we enhanced our savings and personal lending suite with personalised pricing for main-banked customers, which incorporates the depth of the relationship and the value of the customer channels to engage the bank. We have also enhanced our digital offering, expanding services on our mobile banking app and heightening customer engagement through Absa Advantage.

Despite the effects of strategic pricing concessions and the migration of customer activity to digital channels, EB achieved a 10% growth rate in revenue and contributed 27.6% to the Group’s revenue in 2022. Furthermore, the quality of earnings improved relative to the previous year, underpinned by 17% growth in pre-provision profit.

This success was largely in line with market conditions and enhancements to customer propositions to drive customer growth, primacy, and activity, particularly in the core-middle market and retail affluent segments. In addition, the optimisation of the distribution network also contributed to headline earnings performance by right sizing the physical network and expanding digital capabilities.

Relationship Banking (RB)

RB has reorganised our operating model around client segments to increase the alignment of value propositions to specific client requirements.

Strong sector expertise enabled the commercial segment to provide bespoke solutions, enabling clients to grow their businesses. Building long-term relationships with our clients helped bankers to understand client requirements and, in so doing, become trusted advisors.

Significantly, we have launched in the Commercial business, enabling clients to adjust their overdraft in line with their seasonal requirements. Additionally, the business expanded the third-party funding management model to include independent lawyers, liquidators, estate and property managers, allowing third parties to administer trust funds on their client’s behalf. The segment further established a renewables franchise that is market-leading and growing in production.

The private wealth segment has seen improved primacy through bespoke, high-quality engagements and solutions with best-in-class banking products.

In creating a specific SME proposition, RB has focused on expanding its market-leading transactional product, Business Evolve. Additional features will enable clients to use or up-gear down their Business Transaction Account depending on business requirements. DIGICERT, the platform that turns an android mobile phone into a point-of-sale device through the app. We also launched the SMB Fridays rewards programme in early 2022 supporting SMEs by driving them to events on a Friday. Reformation of the SME segment and alignment with the SME market will see us focus on a clear distribution strategy in 2023.

The key outcomes of reorganising our operating model include the steady growth of revenue at 5% year-on-year to a contribution of 15.1% to the Group and headline earnings growth of 8% year-on-year.

Product Solutions Cluster (PSC)

PSG serves Absa’s customers during the key moments in their lives through a comprehensive offering of secured lending, insurance and wealth management solutions. The cluster broadens franchise value by providing a compelling proposition to meet each customer’s unique needs holistically.

PSG introduced new customer solutions and created additional revenue streams by implementing the bancassurance sales operating model across the franchise and external networks. Life Insurance launched an integrated Credit Life Insurance solution for Home Loans and expanded the Vehicle and Asset Finance (VAF) Credit Life offering to include car dealerships. New credit life solutions are also expected to come online shortly. The Credit Life Insurance also launched lower-sum-insured death cover aimed at the entry-level customer segment. VAF continues to provide holistic banking solutions to dealers groups and vehicle manufacturers in collaboration with Own-it and Giro. Custodianship and Custody and Trustee proposition. This capability is vital to several ARO networks into areas of the country where we have not previously been present. We are targeting a new customer base locally and improving our digital channels’ service through conveniently located agents.

ARO RBB focuses on our value customer, prestige, and premier (affluent) segments. The growth opportunity in these segments has remained attractive across all the ARO markets, and thus ARO RBB continues to serve these customers through enhanced value propositions and excellence in customer service. The Mobile Wallet proposition was developed and positioned for our personal (middle) segment to compete with leading MNOs in the industry.

New product developments such as micro-lending offers expand ARO RBB’s traditional banking reach. While innovative developments in servicing channels, such as Abby and Chatbanking, allow for digital customer care and reduced customer service, and the expansion of our mobile banking app and heightening customer engagement through Absa Advantage, together with the strategy to integrate the business on our digital platform.

Value created and preserved through strong performance

Initiatives to improve reach, focus on segments and new product offerings continue to drive growth in ARO BIB. Further to the headline earnings growth of 21% (34% in constant currency), ARO BIB achieved revenue growth of 22% (24% in constant currency), and headline earnings growth of 26% (29% in constant currency), with new and existing customers. Further investments into this capability continue to improve, with approximately 58% of migrated customers now digitally active.

We continue to grow new-to-bank acquisitions across our crucial growth and priority sectors, and the current primary penetration levels indicate growth opportunities. In the last three years, the focus on client acquisition has delivered results, with CIB acquiring 25% of its client base and Pan-African more than 50%. For Absa, Minges, we will deepen client insights, learning to new functionality and a refined client experience. CIB has also re-entered the Custody and Trustee business, planning to scale a Pan-African Custody and Trustee proposition. This capability is vital to several clients and complementary to our existing offerings.

As a leading player in renewable energy financing in SA, CIB will utilise its product and advisory capabilities to capture the opportunities associated with power and infrastructure on the continent. We have delivered several market-first transactions in the sustainability space and will continue to innovate and expand our product offering in line with our ambition to reach R100 billion in sustainability-linked financing by 2025.

CIB continues to seek opportunities to grow revenue pools, including those in selected non-tax revenue sources. However, given the challenging macroeconomic outlook and increased competition, a singular focus is required to deliver sector-leading solutions in each market to increase our share of traditional revenue pools. During the current period, CIB achieved revenue growth of 12% and headline earnings growth of 9%, with CIB’s contribution to Group headline earnings increasing to 41.4%. Financial performance was supported by growth in the client franchise in line with CIB’s strategy to put clients at the core of everything we do. In addition, our performance benefited from improved primacy, the roll-out of platforms to our customers, maintenance of our strong liquidity position and improved quality in our asset book.
This year’s 35% total shareholder return, our highest since 2014, was ahead of the JSE FTSE All-Share Index return of 12%, a peer average of 16%, and a continued improvement on 2021’s 30%.

Focus areas 2023
• Assess opportunities to grow in new revenue pools, including through partnerships and inorganic moves
• Continue to shape our desired cost targets to enable investments in growth and build financial resilience
• Increase our momentum in winning market share in traditional revenue pools in a challenging macroeconomic context with increasing competition
• Strengthen credit risk capabilities, where required, to sustain growth through calibrated risk appetite and upgraded processes for non-traditional market segments
• Double down on ARO to become a truly Pan-African bank, prioritising market selection for long-term growth.

Accolades evidencing our focus on being the primary partner to our customers
• Europe, Middle East and Africa (EMEA) Finance Treasury Services Awards 2022 – Africa’s Best Cash Management Services and Best Payment Services in Africa
• Annual Bonds and Loans Africa Awards 2022 – Awarded Local Markets Loan House of the Year and Sub-Saharan Africa Investment Bank of the Year
• Euromoney’s Awards for Excellence 2022 – Africa’s Best Bank for Transaction Services
• Best Bank for Cash Management – Africa
• Best Bank for Trade Finance – Africa
• Best Bank for Trade Finance – Ghana
• Global Banking and Finance Review Awards 2022 – Best CSR Bank Zambia
• Global Business Outlook Magazine – Named Absa South Africa the Most Customer-Centric Retail Bank 2022

Material matters
• Maintaining economic and strategic momentum
• Climate change and a just transition
• Digital dependencies and vulnerabilities
• Rising regulation
• Social cohesion erosion
• Evolving employee value proposition.

We will be the primary partner for our clients by truly understanding and satisfying their day-to-day needs, creating and delivering value across the entire client relationship. We will build a brand our people and clients can be proud of.
The primary partner for our clients continued

Improving primacy and client acquisition

We are committed to delivering innovative propositions for our client segments that fully satisfy their day-to-day requirements based on a deep understanding of their needs. Primacy requires the full power of the Group’s ecosystem to achieve higher revenues and profit per client segment, allowing us the flexibility to compete.

To bring the power of the group ecosystem to bear, a golden thread runs through strategy that determines how we will align value across the franchise in client primary. Sales and customer value management between integrated businesses has been harmonised and put in place for products, channels and client relationships. The functions have been aligned to the business with client at the center. Measurements on primacy have been agreed within individual businesses.

Corporate and Investment Bank (CIB) prioritised new-to-bank clients across key growth and priority sectors. CIB continued to up-sell and cross-sell new products and services to existing clients. The business also achieved strong foreign exchange revenue growth across this segment.

Relationship Banking (RB) has invested in market data and insights to better understand client needs to create and deliver value for its customer base, thereby designing value-aligned propositions by segment to drive primacy, supported by a sound client-centric pricing philosophy and tools that enable ease of implementation. Additionally, these propositions are supported by a robust marketing plan.

Everyday Banking (EB) has overhauled how primacy is tracked, with emphasis on customer engagement and activity, including our range of customers and the nature of transactions performed. Against this backdrop, EB intensified its focus on outperforming the market through customer acquisition and primacy underpinned by vigorous marketing campaigns. These efforts were amplified by a strong emphasis on reconfiguring Absa’s pricing philosophy, premised on offering unrivalled value for money to primary banked customers. This trend, building on the half a billion rand pricing relief efforts from 2021, saw EB’s client experience index in PSC can be attributed to the progress seen in the Life and Short-term Insurance areas. RB saw an improvement for Business Bank SMEs as the propositions grew with intensified marketing efforts.

Customer experience – RB

\[ \begin{array}{c|c|c|c|c|c|c|c|c} \text{Year} & 2019 & 2020 & 2021 & 2022 \\ \hline \text{Customer experience} & 75 & 70 & 64 & 59 \\ \text{EB} & 81 & 84 & 87 & 90 \\ \text{PSC} & 78 & 81 & 84 & 86 \\ \text{ARO RBB} & 73.9 & 78.7 & 80 & \text{ARO RBB} \\ \text{Retail banking} & 63.1 & 73.1 & 70.4 & 70.5 \\ \text{Business banking} & 72 & 72 & 79 & 79 \\ \text{TCF} & 84 & 82 & 80 & 76 \\ \text{EB} & 86 & 88 & 89 & 88 \\ \text{ARO RBB} & 83.3 & 85.3 & 85.3 & \text{ARO RBB} \\ \text{Retail banking} & 79.4 & 79.7 & 82.7 & 89.8 \\ \text{Business banking} & 84 & 88 & 88 & 87 \\ \end{array} \]

1 Customer/client score out of 150. The TCF score is a weighted index score (%).

Ensuring outstanding customer experiences

A great customer experience is key to driving primacy. At Absa, we want our customers to feel that their best interests are always considered, and treated fairly, especially during complaints process. The treating customers fairly (TCF) score measures our customers’ perception of our performance against our Conduct Risk Framework and the expected TCF outcomes. The client experience score measures the service quality experienced by our customers, and the Ombudsman oversees the number of customer complaints in the industry.

For the third consecutive year, Absa received the fewest complaints out of the big five banks. By proactively addressing complaints and referrals, we have prevented more than half of complaints referred to the Ombudsman from escalating to formal complaints. We opened 35 fewer cases than the previous year, representing a 3% decrease from 2021 and a 5% industry average decrease.

The customer experience index improved notably across business units. In EB, in the entry-level and inclusive banking and student segments saw strong increase. The value-for-money perception in the market has also improved following a strategic pricing review executed over the past two years. The improved customer experience index in PSC can be attributed to the progress seen in the Life and

Operating model to service Private Banking customers was poorly received by impacted customers and finally, challenges with regards to Banker availability, specifically in the SME segment of the business. We have taken the necessary corrective actions to address these issues and have also taken deliberate steps to improve our capacity to monitor and manage customer complaints and customer service.

Safeguarding customers’ interests

A key priority for the Group is to increase our customers awareness of fraud, data leakage and cybercrimes. There was an increase in the number of data breaches in the first half of 2022 fuelled by social engineering (where perpetrators use psychological manipulation to trick
The primary partner for our clients continued

users into making security mistakes or giving away sensitive information), along with increased payment fraud attempts (digital and e-commerce). To combat this, Absa has put several measures in place.

Building a brand our people and clients can be proud of

Absa’s brand is well established, but substantial investment and focus is required to support Absa’s ambition to increase primary.

We highlighted the stories of youth impacted by our education and skills development initiatives and, working with BBC Storyworks, showcased our support of disability-inclusive training. Towards year end, we enhanced our Absa ReadytoWork app to provide more tools, resources and training to help young people bridge the gap from school into the virtual world of work. Furthermore, our ReadytoWork augmented reality interview on Snapchat won several marketing industry awards, and LinkedIn profiled our Absa Fellowship augmented reality interview on Snapchat won several marketing industry awards, and LinkedIn profiled our Absa Fellowship.

As our customers embrace digital technology as part of their everyday lives, we focused on building a strong digital brand and capability to offer a seamless experience across the consumer ecosystem, including social, digital and mobile apps and websites. We seek to adopt a test-and-learn approach by driving innovation in the media to test new platforms such as TikTok and experiment with the metaverse using augmented reality and virtual reality creative tools.

CIB successfully launched LinkedIn and Twitter accounts to bolster communications with stakeholders, which have started outperforming some key competitors in less than a year.

Absa Regional Operations (ARO) continued to develop brand recognition and build strong brand equity, reputation and trust, reaping pleasing results. ARO brand and marketing initiatives also received local accolades received in Uganda, Ghana and Zambia.

Focus areas 2023

To advance our goal of being a primary partner for our clients in the year ahead, we will:

Drive customer primary through a deep understanding and satisfaction of clients’ needs

Apply data science to win franchise-wide clients and improve pricing and risk

Rebuild a brand with affinity, linked to our purpose

Shift the focus from NRI to deepening relationships with customers, growing capital-light revenues

To further bolster our digital marketing transformation efforts, we continue strategically partnering with leading accelerators, including Google, Meta, Twitter and Microsoft, to gain access to world-class solutions, tools and resources for developing our brand. In addition, digital marketing transformation programmes within priority markets such as South Africa, Kenya and Ghana demonstrate our commitment to futures proofing our business.

Being a digitally powered business affords us a unique advantage in leveraging world-class technology solutions such as Salesforce, Workday, Coupa, Microsoft 365, Amazon Web Services (AWS) and a vast ecosystem of modular marketing technology solutions. As such, our first-party data is the cornerstone of our strategy for deepening our relationships and brand trust with customers. Therefore, we must maintain confidence in our brand by applying a rigorous data privacy and consent management approach in line with the Protection of Personal Information Act.

Across the Group, we have sought to integrate our data sources into a unified view of our customers to drive personalisation and contextual relevance. A key focus for 2023 is to support the digital elevation of our brand is to find new ways to co-create value between the business and our consumers, disrupting the status quo on the consumer ecosystem, and taking our brand into new and exciting territories, both physically and virtually.

Accolades evidencing our focus on being a digitally powered bank

• Best Trade Finance Platform Initiative – Absa Trade Management Online
• Global Finance Innovators Awards 2022 – Most Innovative Bank in Africa for the second consecutive year
• Global Finance Best Digital Bank Awards 2022 – Absa Access FX platform won the Best Online Portal/User Experience Design and Best Mobile Banking App accolades
• The Digital Banker – Digital Customer Experience Awards 2022 – Best Customer Insights Initiative
• The Digital Banker – Middle East Africa Retail Banking Innovation Awards 2022 – Best Digital Bank, Zambia
• The Asian Banker – Middle East and Africa Finance Awards 2022 – Best Chatbot/Voice Banking Initiative, South Africa
• Global Banking and Finance Review Awards 2022 – Best Digital Bank, Zambia and Best Digital Wallet (Spark by Absa)
• Global Business Outlook magazine – Best Digital Bank and Most Innovative Digital Banking Platform 2022 awarded to Absa Mauritius
• The Asian Banker – Middle East and Africa Finance Awards 2022 – Best Chatbot/Voice Banking Initiative, South Africa
• The Digital Banker – Digital Customer Experience Awards 2022 – Best Customer Insights Initiative
• Project Management Institute Awards 2022 – Ghana won the Project of the Year Award for project management excellence for the QR Code on ATM implementation, which was a first-to-market in Ghana
• 4x100 CIO Symposium – Absa Kenya won a gold award for leading the way in digital transformation and for excellence in enterprise information technology adoption across the top 100 organisations in Africa using technology to drive innovation and business value
• Salesforce B2C Customer Appreciation Awards – Out with the Old, in with the New Award – South Africa 2022

Material matters

• Digital dependencies and vulnerabilities
• Evolving employee value proposition.

We aim to be a digitally powered business delivering a superior digital experience, using data as a strategic asset, continuously evolving our technology architecture, and improving trust and security while operating as a nimble organisation.

Market-leading customer solutions

11% growth in digitally active customers to 3 million, 13% increase in digital penetration for Everyday Banking customers, with 77% of the core segment customers now transacting digitally and remotely

36% decline in call centre volumes due to the customer service delivered through our AI-powered virtual assistant, Abby.

Data as our strategic asset

• Data-driven decisions and revenue realised through PocketFlow.

Superior digital customer service and experience

Always-on, secure services with over 99% digital service availability

Reliable service, with zero severity 1 and 2 incidents

• Automation significantly reduced application time for home loans from 10 days to one and a half days.

Nimble organisation

Partnerships yielded innovation accelerators to power future-ready solutions, including Meltwater Entrepreneurial School of Technology (METST), Grindstone and Kapitana.

Future-fit workforce

• 694 students equipped with critical digital skills since 2015, of which 263 have been placed at Absa
• Built our future-skills pipeline through academies and certifications
• Enhanced retention and attraction of critical technology skills.

Value created and preserved through strong performance

Supplementary information

Together ... one story at a time – delivering value

Absa Group Limited

Integrated Report 2022

Absa Group Limited

Integrated Report 2022
We achieved our 2022 digital maturity target of ‘performer’ maturity level, showing an improvement in capabilities – the most notable capability improvement related to our efforts to improve colleague experience and digital ways of work.

At Absa, we invest in strategic initiatives supporting our ambition to be a digitally powered bank. These include optimising our digital capability as a foundation for providing superior digital experiences for our customers and colleagues. We focused our efforts and investments on enhancing our mobile and payment offerings to our retail customers. By expanding our digital estate with Google Wallet and developing our soon-to-be-launched Chat Wallet, we meet our colleagues’ needs on their platform of choice with trusted, secure and innovative products.

Absa understands the value of creating a seamless and consistent customer experience and has continued to invest in its strategic corporate, trade and forex platforms to ensure that our local and multinational corporate customers have access to world-class services. Absa placed a strategic focus on platform and operational solutions that are nimble, allowing us to proactively meet emerging and future customer demands.

Superior digital experiences for our customers and employees

We continue to enhance our customers’ and employees’ digital experiences, driven by several key initiatives across our various technology teams that focus on end-to-end redesign and new digital capabilities. Key initiatives and progress to date across the technology estate include:

- **Absa Identity Wallet**
  - The Absa Identity Wallet, developed in 2021, is an open-source mobile application and self-sovereign digital identity manager now available in all application stores. It provides a safe, secure and trusted place to store digital, verified copies of personal information. The wallet turns your personal information into verified credentials by creating digitised copies and securely saving them as credentials in your identity wallet, allowing users to share personal information with accredited institutions, such as banks, telcos, government agencies and more. It is available as an open-source platform for employees. Testing of interoperability across multiple wallets in the industry is also underway. Under the learnings from these pilot initiatives, we aim to expand the use of this capability in 2023. These learnings will also carry forward into the future digital asset strategy and opportunities.

- **Nucleus programme**
  - A program encompassing the migration of our non-life business home loans by optimising the automation of the decisions and rules. Nucleus programme caters for 5% of our overall home loans volume, with a target of 50% by the end of 2023. A reduction in turnaround times has been noted from 10 to one-and-a-half to two days. The Nucleus programme has also enabled the business process to enable employee and customer digital experience while transforming processes and technology to future-fit capabilities.

- **Abby Virtual Assistant**
  - Abby is Absa’s award-winning Abby Virtual Assistant. Abby virtual assistant digitises how customers interact with the bank, powered by artificial intelligence, Abby provides an intuitive user experience, allowing customers to navigate the banking app quickly and easily. Abby has been assisting our customers with queries related to payments, document management, and new product sales information, leading to a 36% decrease in call centre volumes for queries supported by Abby. We continue to increase the number of navigational features that Abby can utilise.

- **PocketFlow**
  - PocketFlow is our web-based big data analytics portal targeted at corporate clients, allowing them to understand spending patterns across the industry. The portal is integral to our e-commerce proposition and provides insights into spending behaviour, demographic profiles and competitor analysis. We have made significant progress in onboarding corporate clients onto the portal. We are also pleased to report that PocketFlow is now a revenue-generating solution with several key retailers actively engaged on the platform.

- **Absa Access**
  - We migrated most of our ARO clients from legacy platforms onto Absa Access. Absa Access is a digital banking platform where clients and employees can access all banking services in one place through single sign-on. Of the migrated clients, a significant portion were activated on Absa Access today. We have foreign currency, cash management (information on our services, payments and collections), trade finance, custody, research and prime brokerage value propositions built and available through the Absa Access channel framework, with thousands of active customers across all our presence countries.

- **Workday flexibility enhancements**
  - We continue to enhance features on our human resources management system, Workday, to improve the lived experience of our colleagues.

Enabling a superior digital experience requires a continuous transformation of our internal operations. Therefore, key initiatives included the heightened focus on proactively identifying and defending our products’ platforms and services from cyber threats and enhancing employee experience with superior digital solutions and ways of work.

Significant investment has been channelled towards the following key projects:

- **Superior digital experience (e.g., digital channel transformation and Absa Access)**
- **Data as a strategic asset (e.g., enterprise data management initiative and IFRS 17)**
- **Continuously evolving our technology architecture (e.g., payments, branches and ATM)**
- **Trust and security as our right to compete (e.g., stability and network security)**
- **Nimble organisation (e.g., legacy decommissioning and Group digital partnership experimentation)**

**Data as a strategic asset**

Our data strategy has been refreshed in alignment with the goals of our business clusters to help drive the enterprise-wide agenda of leveraging data as a strategic asset. The building and scaling of our data capabilities continue to receive due focus, with significant progress on legacy data warehouses to the strategic data lake. Migration progress and increased business adoption of the platform led to a growth in consumption of over 50% during 2022. This increase in adoption resulted in procuring an AWS Outpost solution, the largest in Africa, accelerating our adoption of cloud-based architectures while providing more data lake capacity in line with our strategy.

**Continuously evolving our technology architecture**

We continue to focus on modernising our technology stack through initiatives such as our cloud journey and legacy replacement. Some of our critical initiatives include:

- **DebCheck platform**
  - Our DebCheck platform protects consumers from debit order abuse, as all mandates to collect from an account must be authorised by the consumer before any collections can be made. In addition, work has continued to modernise the channel components of the DebCheck estate to better handle the message-based (versus batch) nature of DebCheck, with the initial components of a cloud-native solution rolled out during the first half of 2022. As a result, further stability has been achieved across the mandates estate.

- **Modern Insurance**
  - The platform aims to simplify transactions and improve client engagements across the insurance value chain. It includes driving our cloud and open-source strategy, introducing fully cloud systems and migrating essential applications to AWS, and improving the adoption of Salesforce. We have accelerated our transformation and cloud migration efforts with new solutions commissioned onto the cloud, supporting the move from on-premises into cloud-based applications and increasing savings in physical infrastructure investment.

  In the first half of 2022, we introduced fully cloud enterprise resource planning systems for comprehensive cost accounting and supply chain management solutions. SAP S/4HANA and Confluent, which will transform finance and procurement across Absa and ensure streamlined payment processes. Ultimately, this initiative will standardise and transform Absa’s financial reporting and procurement processes across the countries in which the Group operates, including enhancement of tax payments and VAT determination rules, which are now automated. We successfully migrated our main financial crime application, NetReveal, onto AWS.

**Trust and security as our right to compete**

We continue to make steady progress in decreasing the trend of high-impact incidents and providing reliable and stable online and digital services to our customers. We are forging ahead to lift the bank out of legacy environments as we continue to improve the technology and security within the bank.

We have also placed considerable focus on strengthening our data governance practices through a redefinition of our Group data governance operating model and continue to scale the pockets of excellence in data science and analytics within our business. In recognition of the exponential increase in business usage of the data and analytics platforms, the existing platforms have been enhanced to increase capacity, risk and performance in the short term. This evolution has resulted in the data science team producing 130% more data science models in 2022 and halving the time for solutions. As we incrementally optimise for scale, we are adopting DataBricks to modernise parts of our data science toolkit. The 2023 resource allocation places a significant investment focus on enterprise data management.

In 2022, we maintained stability, with zero severity or 1 or incidents reported and digital service availability held above target at 99.9%. Our continued efforts to improve our overall stability and enhance the value delivered to our customers through our digital channels are increasingly becoming market differentiators.

**Security position**

Like all organisations, Absa faces continuous cybersecurity threats and increasing and evolving threat actors. The ransomware and phishing risk, in particular, is developing due to such techniques relatively low cost and continued success in compromising networks and systems. Therefore, the bank continues to focus on reducing ransomware by improving phishing controls, driving security awareness, minimising vulnerabilities, and maturing Absa’s detection and response capabilities. We continuously develop our defence strategy using multiple layers of security controls to protect the bank and our customers.

The security office has established an inherently proactive security capability, and we actively invest in our cybersecurity threat intelligence and detection capabilities. We continue to learn from emerging threat vectors and actors and mature the integrity of our security controls. In the event of an incident, we conduct a thorough root cause analysis, take remedial actions where necessary, and adhere to all regulatory reporting requirements. We work with law enforcement authorities to ensure action is taken against individuals or entities in contravention of the law and partner globally with the best security partners available.
A digitally powered business continued

Ongoing technology remediation and modernisation
Key initiatives are on track as part of our overall technology remediation programme, with focused initiatives to remediate the known high-risk technology issues and implement modernisation priorities. Doing so ensures that our systems and architecture are updated, and should incidents occur, they will be more contained and quicker to recover from, minimising impact on the broader organisation. Our technology remediation programme drives the execution of remediation activities to ensure maximum speed and benefit without overburdening the system and resources, thus introducing other risks.

Nimble organisation
As we continue to be a nimble organisation that flourishes in an ever-changing consumer and operating market, we have driven the following key initiatives, which seek to promote enhanced common digital behaviours across the Group:
- Expanding our access to mature start-ups through our accelerator partnerships with Grindstone and CapeCiti in South Africa and MEST in Ghana
- Extending our experimentation on blockchain technology, especially within Trade Finance use cases and the Absa Digital Identity app
- Creating alternate talent pools to address critical skills shortages in the industry in collaboration with Citi and Harambee
- Transforming our internal operations to bolster our customer and colleague experience with Huawei, Microsoft and AWS.

Building Absa’s winning formula for technology talent
In our 2021 analysis of the business’s scarce, critical, and future technology skills, we identified activities to mitigate the risk of shortages in relevant technology skills. This included focusing on retaining and building in-house skills, resourcing effectively and ensuring Absa is well positioned as an attractive employer with a competitive employee value proposition. As a testament to our focus on this area, during 2022, 87% of the R43 million spent was focused on scarce, critical and future skills, with 13% invested towards management, leadership and change management skills.

Growing digital skills in the market
By understanding Absa’s internal skills landscape and what is available in the market, the Group can drive a targeted talent acquisition approach to address identified skills gaps. To bolster these acquisition efforts, over and above what we are doing to retain skills, we have made a concerted investment in key initiatives, such as the appointment of specialised technology recruiters to source critical and scarce skills while exploring the development of a more global workforce to supplement the Pan-African resource pool, where required. Specific programmes are also under development to attract women into crucial technology roles. Furthermore, we have sought to develop skills in the industry through funding bursaries and partnering with tertiary institutions and learning providers. For example, in 2022, the Absa information and technology office contributed R5 million towards funding unemployed youth bursaries to grow the collective science, technology, engineering and mathematics skills base.

Finally, it is imperative to recognise that, in some cases, the best and most appropriate talent in the market will only be available through partnership. This is also key for building future skills. Absa boasts a strong and growing partner network offering globally leading talent. Maintaining these relationships with global tech organisations is critical, as is developing new relationships to gain access to more specialised skill sets, such as payments and cybersecurity.

Focus areas 2023
Our strategy remains unchanged, ensuring we deliver a superior digital experience to our clients and employees supported by data, future-fit technology architecture, a trusted and secure environment and a nimble organisation, allowing us to execute at speed. To deliver a digitally powered business, we seek to develop and partner to gain access to nascent technology to drive agility and embrace experimentation while scaling our learning and innovation. The key areas we will focus on in 2023 include:
- Investing and improving service and security and maintaining a strong control environment. The stability of our platforms is critical to ensure that our customers can securely transact as and when they need to. In this regard, continued improvement of our cyber defences is vital to ensure that our clients continue to feel safe when dealing with the bank
- Investing in our digital customer journeys to improve how our customers interact with the bank. Therefore, we will continue to accelerate the execution of our modernisation priorities and ensure that the bank takes advantage of new technologies as they mature to bring better propositions to customers
- Acquiring and building scarce skills to take full advantage of new technologies and developing our talent to give us a disproportionate advantage in attraction and retention, not just in banking but across the industry.

In 2022, we realigned our efforts to enable the execution of the Group-wide strategy through the efforts of our winning, talented and diverse team, focusing primarily on:
- Building a competitive advantage through culture
  Transforming our culture and employee experience, measured by the Employee Experience Index of 68 (out of 100)
- Distributed leadership organised around clients
  Clarifying accountabilities and devolving decision-making closer to the front line to meet our customer needs better

Becoming the home of Africa’s leading talent

94% high-performer retention rate
R27.9bn paid in remuneration, benefits, and incentives
R638m skills development spend
AIC2 promotion ratio of 85.4%

Accolades evidencing our focus on building a winning, talented and diverse team
- The Top Employers Institute® – Top Employer Africa 2023 based on the 2022 audit (we scored 87.1% vs the global best-practice score of 85.2%)
- Forbes recognised Absa as a top African organisation championing women at work (ranked thirty-sixth out of 400 companies internationally)
- Absa was voted the best employer in banking and financial services and the best overall employer in South Africa by South African tertiary students in the Gradstar Students’ Choice programme, the largest survey of its kind
- The Digital Banker – Global Retail Banking Innovation Awards 2022 – Retail Banker of the Year was awarded to our Head of Digital Channels
- The Digital Banker – Digital Customer Experience Awards 2022 – Customer Experience Professional of the Year was awarded to our Head of Digital Channels

Material matters
- Social cohesion erosion
- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

1 AIC or black (South Africa) represents African, Coloured and Indian.
2 AIC or black (South Africa) represents African, Coloured and Indian.

Capital affected Contributing to SDGs

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Building a competitive advantage through culture

Guided by our re-anchored strategy, we remain committed to transforming our culture in line with the changing world of work. Accordingly, we have invested significant time and resources in embedding a shared understanding of our refreshed operating model and aligning Absa leadership with our purpose and strategy.

We firmly believe that a thriving culture is reflected by the strength and commitment of our leaders. As such, our leaders have committed to:

- Doing what's best for Absa, our people and stakeholders
- Leading with integrity and taking accountability for our actions
- Embracing transformation, diversity and inclusion
- Pursuing impactful excellence
- Listening and learning.

As we matured our leader-led approach to shaping our culture, building our competitive advantage through culture remained a strategic focus in 2022. As a listening organisation, we use our bespoke employee experience survey to understand our employees' needs and concerns. In 2022, we achieved an 83% participation level, up from 80% in 2021 and 73% in 2020. Our results have improved from 64.7 out of 100 in 2021 to 68 in 2022, showing a notable improvement from our baseline of 64.1 in 2020.

Our three critical outcomes measured as part of the employee experience survey include:

- Employee sentiment: 22% (2021: 18.3%) of employees indicated they were delighted with their experience at Absa, 47% (2021: 45.1%) were neutral and 31% (2021: 36.6%) indicated they were not happy with their experience

- Job satisfaction mean score (out of 10): We saw a slight improvement from 7.11 out of 10 in 2021 to 7.42, indicating employees felt satisfied working at Absa

- Employee advocacy (refers to how likely our employees are to recommend Absa as a bank of choice): Our employee net promoter score almost doubled from +12.8% in 2021 to +24.8%, comprising 44.4% promoters (2021: 38.9%), 35.2% neutral (2021: 35.2%), 20.4% detractors (2021: 26%).

Distributed leadership organised around customers

Within a competitive market, customer priority is essential to our success. We therefore continue to adjust our operating model to ensure that the value we deliver as a Group is led by customer-focused business units, enabled by products that meet each segment's needs and are provided through preferred channels in specific markets. To support this model, we focus on distributed leadership, where leaders are given the autonomy to make critical decisions in their areas of responsibility.

We reviewed the operating models of each business unit and corporate function during the year to ensure the required organisational capabilities were in place. Levels of accountability informed the alignment of the structures, and decision rights were cascaded to ensure leadership was distributed across the Group into the right jobs and corporate functions across countries.

Becoming the home of Africa’s leading talent

A focus on diversity, transformation, and inclusion (DTI)

Our commitment to transformation resonates with our shared purpose, and we encourage open and honest conversations to collectively own and face our challenges and celebrate our successes. Absa Group’s ambition is to be an industry leader in DTI.

To enable this ambition, a detailed analysis of our current state was conducted to identify potential barriers to DTI to produce an externally benchmarked critique of our strengths and weaknesses. Based on the research outcomes, we launched a DTI-inclusive leadership journey programme, which aims to enable all leaders (starting with Group ExCo) and employees across the Group to create a more inclusive work environment throughout the employee lifecycle and business value chain. We focused on solidifying our leadership’s ability to act as proponents of change, underpinned by a renewal of people practices to foster diversity and inclusion.

Racial diversity and inclusion

Our Board and leadership are at the forefront of the overall DTI agenda and the inclusive leadership journey. Although our Group Board black representation has decreased to 35.71% (2021: 40%), our Group ExCo black representation has increased to 46.1% (2021: 44.4%).

Our black employee promotion rate has improved to 83.9%, and representation at all levels has improved. In addition, 92.29% of all new hires were black appointments, and 49.77% were black females. (SA), in line with our philosophy to grow our own timber, we promoted 61% of black employees, of which 59% were female. Racial diversity and inclusion criteria are included on our leaders' performance scorecards to ensure continuous improvement in racial representation across all management levels. The table on the opposite page displays our current racial diversity and progression over the years:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Non-management and contractors</th>
<th>Junior management</th>
<th>Middle management</th>
<th>Senior management</th>
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<tr>
<td>2020</td>
<td>35.0%</td>
<td>33.9%</td>
<td>37.8%</td>
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<td>2021</td>
<td>36.0%</td>
<td>34.8%</td>
<td>39.4%</td>
<td>41.0%</td>
</tr>
<tr>
<td>2022</td>
<td>36.7%</td>
<td>35.6%</td>
<td>39.2%</td>
<td>41.9%</td>
</tr>
</tbody>
</table>

Inclusion of people living with disabilities

The Group continues to seek a voluntary declaration of disability. However, significant under-reporting often occurs due to cultural sensitivities and the fear of stigmatisation. Addressing this matter is a clear priority in our transformation agenda, and we strive to deliver a conducive and supportive work environment. We also provide reasonable accommodation for self-declared employees living with disabilities, constituting 0.89% of our workforce (2021: 0.88%).

Generational diversity and inclusion

Young people under 35 constitute 51.9% of our workforce, thus contributing to youth employment. According to the International Labour Organization, Africa’s youth unemployment rate slightly declined to 12.7% (2021: 12.9%). However, the youth unemployment rate in SA increased to 66.6% (2021: 64%), which challenges our economic growth. As a financial institution, we have a responsibility to apply our resources to support the socioeconomic stability in our countries of operation. Therefore, we have invested R110 million (2021: R110 million) in a leadership and internship programmes to reduce youth unemployment, benefiting 938 (2021: 1 652) unemployed youth with on-the-job experience. We also have an Absa Fellowship programme to develop young leaders from disadvantaged communities.

LGBT+ community inclusion

Creating a conducive working environment for our LGBT+ community continues to be an area of focus in countries where the agenda is legally supported. For example, during Pride Month, we hosted sessions where employees shared their challenges and offered suggestions to enable Absa to become an employer of choice for the LGBT+ community.

Talent, leadership and succession

Of the 9 374 vacancies filled, 61% were internal hires (70.4% in 2021). The decline in internal placements was largely due to external hiring efforts to strengthen our scarce and critical skills talent pipeline. Our retention of high-performing employees across all grades decreased marginally to 94% from 94.3% in 2021.

We conducted an in-depth assessment of the senior leadership bench in partnership with a leading global leadership advisory firm to enhance senior leadership development and augment internal views on talent with an external, independent and market-benchmarked perspective. While the work is ongoing to incorporate the recent changes to our Group executive leadership structures, outputs are already integrated into career development, mobility and succession management discussions and plans.
The emerging mental global health crisis is alarming. We have created an online mental health programme to address this as an organisation. The aim is to equip employees with the necessary skills and resources to build their resilience and cope with the changes in their internal and external environments. We strive to create awareness and education around mental health and communicate the support mechanisms available to our employees. Our comprehensive programme encompasses mindfulness sessions that focus on developing positive mental health practices, online exercise programmes, and education through daily health tips and wellness awareness sessions to inform and empower employees to prioritise their personal wellness, enabling them to thrive in the workplace and at home.

Developing a future-fit workforce

We recognise that the spaces and places that will define the organisations of tomorrow must be flexible, future-ready and fit for purpose while retaining a people-centred approach. Therefore, to accelerate our organisation’s long-term transition to a flexible model incorporating site-based, hybrid and remote working options, we continue to support employees and the business to optimise productivity, engagement, and inclusiveness in a virtual world. We are enabling the business with the requisite technology infrastructure, tools, and resources to adopt various flexible working arrangements, moving beyond transactional to transformational change allowing a change-fit and resilient workforce with greater flexibility.

For more information, see a digitally powered business.

Supporting and enabled employees

Integrating wellbeing in the workplace

Our philosophy is to empower our people to show up in the totality of their human potential and possibility. Thus, our traditional model of care has evolved to a multi-dimensional model where wellbeing is integrated into our organisational philosophies, practices and processes across the employee life cycle. Furthermore, we continue refining our wellness offerings through our new care paradigm. In this way, we view wellness as a lifelong social contract focusing primarily on the seven dimensions of employees’ wellbeing: occupational, physical, social, financial, mental, emotional and spiritual.

Our wellness strategy focuses on education and awareness, prevention, early detection and access to medical treatment. Support services continue to be employee and role in line of assistance, with 9.78% personal cases submitted, representing a 36.2% utilisation rate (2021: 55.4%). In 2022, 19 489 participants accessed the Absa Employee Assistance programme (2021: 17 543). The top three reasons were COVID-19, mental health issues and relationship challenges. Our medical insurance provider, Bankmed in SA, reported that 2 468 employees underwent personal health assessments (2021: 4 769) and 2 393 completed HIV counselling and testing (2021: 4 014). Non-communicable diseases remain the highest cause of morbidity among our employees and, therefore, an area of focus for education and awareness campaigns. In line with our previous commitments from global health regulatory bodies and keeping with our risk-based approach, we have continued to implement COVID-19 related protocols were lifted at the end of June 2022, signalling the endemic phase of COVID-19.

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Performance and recognition

To further align our workforce architecture to performance requirements, we continued to improve our performance management processes and systems through the MyContribution programme. We focused on:

• Improving the quality of outcomes-focused objectives aligned with business priorities
• Building employee and manager capability to engage in more frequent and high-quality performance engagements
• Leveraging digital platforms to create group-wide access to thought pieces, processes, toolkits and other resources.

We advocate for more frequent and real-time recognition alongside more formalised programmes. Therefore, in 2023 we will focus on maturing our recognition blueprint through three integrated components that facilitate top-down, bottom-up and peer-to-peer recognition, comprising:

• Peer-to-peer recognition for which employees intuitively celebrate one another’s everyday excellence
• Business unit or function recognition for which employees are nominated and honoured for excellence
• Organisational recognition to celebrate excellence across Absa.

Building a sustainable business

Productivity, wellness and engagement remain top priorities for Absa. As such, we monitor attrition closely to understand areas for improvement, adjustments to our talent and strategic workforce plans, and improvements to enhance the employee experience. Our ability to retain high-performing employees across all grades marginally decreased from 94% from 94.3% in 2021, above the industry benchmark of 93%.

Our total headcount remained stable at 35 451 employees (2021: 35 267), and voluntary attrition increased to 7.44% (2021: 6.41%). Total employee turnover increased to 9.2% (2021: 8.7%) compared to the industry benchmark of 11%. Pleaseingly, our average employee tenure is 14.3 years.

Employee tenure profile (%)

| Year | 0 – 2 years | 3 – 5 years | 6 – 10 years | 11 – 20 years | 21 – 30 years | 31 – 40 years | 41 years+
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<td>2022</td>
<td>17.7%</td>
<td>31.3%</td>
<td>22.6%</td>
<td>17.0%</td>
<td>4.8%</td>
<td>3.7%</td>
<td>1.0%</td>
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We continue monitoring health metrics such as absenteeism, occupational health and safety. Our absenteeism rates have decreased to 1.4% from 1.7%.

Employee relations

A reduction in employee relations cases (which include misconduct, grievance and disciplinary cases) has been experienced when compared to the previous two reporting periods (2020/2021) and is below the risk threshold:

• Misconduct as a % of the workforce – 4.76% (target ≤5%)
• Dismissals as a % of misconduct cases – 11.66% (target ≤25%)

Absa adopts the South African Labour Relations Act, 66 of 1995, in its definition of general misconduct, which includes ‘behaviour that is inconsistent with employee obligations or duties; a breach of company policy or procedure; or generally unacceptable or improper behaviour.’ Examples include unauthorised absence, theft and insubordination. This definition is in line with that provided by the International Labour Organisation and, as such, is applicable in all the jurisdictions Absa has a presence in.

Focus areas 2023

A summary of our 2023 focus areas includes:

• Embed leadership role modelling and integrate the renewed purpose and values into people practices and culture initiatives across the organisation while continuing to strengthen shared ownership of our culture transformation
• Anchor the new talent management practices across all business units to achieve a robust cadence of leadership assessment, pipeline development and improved succession strength across all levels. To enable this, we will launch the new talent mobility framework to allow the dynamic allocation of talent to key priorities across the Group
• Rollout DTL interventions that shift mindsets, behaviours and leadership practices, making diversity and inclusion current, topical and intentional in our day-to-day practices
• Cascade the Group’s recognition initiatives aligned with the approved recognition blueprint
• Support a culture of care by integrating wellness initiatives across the employee life cycle, specifically focusing on strengthening our mental and financial wellbeing proposition to our employees
• Drive targeted investment into future-fit, critical and scarce skills development to equip the workforce of the future
• Continued enhancement of our performance management and high-performance behaviours framework.
An active force for good in everything we do

51% reduction in carbon emissions by 2030
30% reduction in energy consumption by 2030
R6bn renewables loans or 1.6% of our total Group loans
R267m investment in communities
ReadytoWork participants 29,881
Total procurement spend R22.2bn
B-BBEE status Level 1
S&P SAM Index 89th percentile

ESG overview
ESG is gaining momentum globally. However, priorities vary significantly across stakeholders and countries in our presence markets. The need to balance environmental and social initiatives is more pronounced in Africa than in more developed regions.

Our ESG Report provides more detailed information on our various ESG initiatives.

Environmental initiatives: Sustainable finance, incorporating climate-change risk into the business, net-zero targets, biodiversity, energy efficiency, water and waste management, sustainable procurement, electric power charging stations and tree-planting initiatives.

Social initiatives: Inclusive financial services for SMEs, women and youth, support for education and skills development, support for communities, employees and clients in need, and championing diversity and inclusion. We support our communities through strategic public benefit support programmes and humanitarian relief. In 2022, R266.7 million (2021: R194.8 million) was invested in assisting our communities.

Governance initiatives: Governance and risk management, fair outcomes and transparency, and resilient and robust control environment.

Our new ESG framework
During 2022, we engaged with our stakeholders regarding their ESG expectations, which revealed that social elements, including financial inclusion, diversity, transformation and inclusion, were extremely important among our stakeholders. Combating climate change also remains a priority. The outcome of our engagements with stakeholders led to the establishment of a clear ESG framework.

Accolades evidencing our focus on being an active force for good in everything we do
- Global Finance Awards 2022 – Best Investment Bank in Power/Energy (Global Sector Award) and Best Equity Bank (African Region Award). Awards acknowledge excellence in advisory, capital raising and financing solutions
- Global Banking and Finance Review Awards 2022 – Best SME Bank Zambia
- Inaugural National Presidential SMME and Cooperatives 2022 Award for Supporting Small Business Development for over 20 years.

Material matters
- Maintaining economic momentum
- Climate change and a just transition
- Rising regulation
- Social cohesion erosion

Capitals affected

Contributing to SDGs

Impacted SDGs

Drive measurable, material change in our communities, in a way that brings our purpose to life, differentiates us from peers, and strengthens our business
An active force for good in everything we do continued

Climate change
We have defined four clear components to focus on in our climate strategy: financed target emissions, green business opportunities, climate risk process and governance and external engagement.

Absa’s net-zero commitment
We want to raise our ambition even further and for ESG to be a differentiator for our organisation. We will collaborate with other leaders and organisations to broaden our expertise, reach and impact. Our refreshed ESG strategy defines our go-forward ambition, focus areas and roadmap. Since 2018, we have continuously prioritised our climate change efforts, achieving many notable milestones throughout. We have set the long-term ambition to reach net zero state by 2050 for our scope 1, 2 and 3 emissions. This commitment includes both financed emissions and operational emissions. The net zero pathway planning will take priority in the coming year.

Green business opportunities
In 2022, CIB advanced our sustainable finance ambition. We advanced, R30.5 billion (2021: R18.6 billion) in sustainability-linked funding, bringing the total cumulative amount of sustainability-linked financing to R49.1 billion since 2021 – almost half of our stated ambition of R100 billion by 2025.

Notable landmark transactions concluded in 2022 in support of our clients as they transition to a low carbon economy include:
- Acting as a joint mandated lead arranger and lender for South Africa’s first utility-scale renewable energy captive power project comprising 200MWs of solar power.
- Concluding a landmark sustainable finance transaction of approximately R10.1 billion for the Harmony Gold Mining Company Limited (Harmony) in South Africa.
- Enabling the refinancing of Pareto’s current borrowings with the ESG-linked financing. Using our understanding of the local real estate financing market and the Pareto group, we raised over R9 billion in demand for the transaction.
- Acting as the sole sustainability coordinator in the first sustainability-linked transaction in the paper and pulp industry for Sappi. In addition, we enabled Teraco’s renewable energy journey by arranging a R1.5 billion green loan.

Group Treasury finalised and published the Absa Group Sustainable Finance Issuance Framework (SPIF) in 2022, encompassing the guidelines and principles of the International Capital Markets Association and the Loan Market Association. The SPIF was verified by the Carbon Trust, which provided a second-party opinion in support of the framework. This enabled the Group to raise ESG bonds of R4.5 billion. Additionally, ESG loans raised locally and in the offshore market amounted to a further R9.8 billion. The level of funding and diversity of funders indicates the robust investor appetite, and the level of support Absa can command in the investor market. Absa secured competitive pricing from the general investor market, and bilateral loan agreements with development finance institutions and offshore investors.

The Absa Eco Home Loan has demonstrated how collaborating with developers can assist in creating innovative solutions that enable home ownership in South Africa while supporting a more sustainable environment for all. In 2022, Balwin developments increased from four to 19, allowing customers to buy EDGE-certified developments.

Diversity, transformation and inclusion (DTI)
A focus on diversity, transformation, and inclusion in the workplace
A winning, talented and diverse team provides more information on DTI as it relates to our considerations of employees’ gender, race and disabilities to ensure Absa contributes to reducing inequalities (SDG 10) and promote fairness across gender (SDG 5).

Fair and responsible remuneration is another key focus when addressing inequality. Absa adopts a holistic approach to reviewing its remuneration framework, ensuring that remuneration outcomes are fair across grade, race and gender. It reflects a conscious decision to strengthen fair pay by investing in the lower levels of the organisation and addressing pay differentials where needed. It also includes ensuring that our overall remuneration offering, including our employee benefit suite, is appropriately available and affordable. We are proud to have invested over R500 million in improving our fair and responsible remuneration outcomes over the past two years, including both fixed remuneration adjustments in 2021 and 2022. We paid R27.9 billion, excluding taxes, in remuneration, bonuses and incentives to our employees in 2022 (2021: R26.1 billion).

We seek to strategically allocate variable reward resources aligned with performance and ensure appropriate competitive total remuneration. In addition, we sought to increase trust in Absa’s remuneration frameworks and outcomes with all stakeholders by improving transparency and enhancing the link between performance and reward outcomes.

Further details of our 2022 remuneration outcomes are set out in our Remuneration Report.

A diversified and inclusive supply chain
Absa is one of the principal buyers of goods and services in the South African financial services industry. We use our purchasing power to support our transformation agenda, which we report on in terms of the Amended Financial Services Charter.

Our suppliers include SMMEs and national, regional and multinationals and state-owned entities. To extend access to the Absa internal market, we have developed a user-friendly online portal www.absa.co.za/business/procurement-marketplace/. The Absa Procurement Marketplace is a simplified, single platform for prospective SMMEs to register their company profiles, upload their value propositions and access supply opportunities with Absa.

Climate risk processes and governance
In August 2022, the Prudential Authority (PA) issued a communication on climate risk to provide specific regulatory guidance in 2023. The PA guidelines are expected to align with the 12 Base Committee on Banking Supervision principles that underpin regulatory requirements in various jurisdictions. Considering this report, we have developed a programme based on industry best practice. The group risk and capital risk management committee (RMC) has approved six priority areas in alignment with the Basel Committee on banking supervision. We have further integrated climate risk considerations into strategic decision-making, business processes and enterprise risk management framework.

Financial inclusion
We continue to play an active role in the affordable housing market by providing relevant and appropriate financial solutions to investors, developers and the communities we serve. We offered home loans to 6 843 affordable housing customers to the value of R1.9 billion. As part of our home loan offering, our Borrower’s Education programme informs customers of all home buying and ownership aspects. 6 960 customers participated in the programme, which was delivered virtually. Our affordable housing loan book grew to R16.8 billion in 2022.

A Winning, talented and diverse team provides more information on DTI as it relates to our considerations of employees’ gender, race and disabilities to ensure Absa contributes to reducing inequalities (SDG 10) and promote fairness across gender (SDG 5).
An active force for good in everything we do continued

Our commitment to the highest standards of governance and ethics
Value created and preserved through strong governance provides more information on governance related to our application of King IV. We focus this chapter on how we support SDG 16 through regulatory and public policy participation.

South Africa
Market conduct
We continue to monitor, implement and, where required, perform impact assessments on various developments, including:

- Data privacy, protecting personal information and cybersecurity in multiple jurisdictions
- Customer engagement across all business operations
- Performance of all our products and services.

The Banking Association of South Africa (BASA) Protection of Personal Information Act (POPIA) Code of Conduct was approved by the information regulator. The code was drafted by the banks through BASA to outline and expand on the specific obligations of the banking sector as responsible parties when processing the personal information of data subjects. Some of the material changes in the code include processing limitation, data subject access rights, notification of a security compromise, retention and restriction of records, further processing limitation, openness, processing of special personal information, data subject criminal behaviour and biometric information, direct marketing, automated decision-making, information matching programmes, authorisations, the transborder flow of information, internal dispute resolutions, and the appointment of adjudicators. The code will simplify the operationalisation of POPIA for banks.

The Expropriation Bill, passed by the National Assembly in 2022, repeals the existing Expropriation Act of 1975, providing a common framework in line with the Constitution to guide the processes and procedures for expropriating property by organs of state. It seeks to provide for certain instances where expropriation with nil compensation may be appropriate in the public interest. The Absa legal team has thoroughly reviewed the updated Expropriation Bill. While many of the BASA proposed updates have not been included, there were positive changes that mitigate the risks for mortgages.

Absa participates in local tax reform and the development of effective tax systems through BASA tax workgroups, the Association for Savings and Investment South Africa, the South African Institute of Taxation and the National Treasury. We will continue actively engaging in tax developments relating to the financial services industry. We will be involved in the relevant discussions regarding tax policy and legislation as they arise.

Absa plays an advisory role in the Payments Association of South Africa’s Rapid Payments programme, which aims to simplify and make the payment process more efficient and affordable to users. We provided drafts to BankersAfrica and scheme banks on how the rapid payments programme can be implemented across the industry. We will continue collaborating with scheme banks and regulators to ensure successful implementation.

Shortly after year-end South Africa was placed on the grey-list by the FATF as noted in our Chairman’s message and the possible effects outlined in Outlook.

ARO
Several key legislative updates were passed in 2022 with varying degrees of impact on the respective regional operations and included:

- Information security (cyber and data privacy)
  Mozambique – The government has committed to releasing legislative frameworks addressing cloud data development, the management of cyber threats and regulations impacting copyright infringement, throughout 2023 and 2024. Absa is participating in the industry consultations currently in progress.
  Zambia – Industry engagement with authorities over data transfer legislation has resulted in a position paper. The position paper recommends that databases, as well as the processing of data, be housed outside the country’s borders. The paper is under review by the Finance Ministry and it is worth highlighting that Absa Bank Zambia is supportive of the paper.

- Financial crime
  Uganda – The Financial Intelligence Authority requires all banks to file reports on international incoming and outgoing transactions and report large cash transactions above certain prescribed thresholds on the ‘Go Anti-Money Laundering Platform’. The regulator has advised that there are potential penalties for any banks in non-compliance with these new regulations.
  Mauritius – The regulator has requested banks to perform sanctions screening on all domestic transactions. Currently, screening is performed on 30% of transactions retrospectively. The industry is seeking further guidance from the regulator on implementing the law. Absa Bank Mauritius has established a working group to monitor and implement as required.

Payments compliance

- Globally – The Society for Worldwide Interbank Financial Telecommunication (SWIFT) released a global standard whereby all financial institutions utilising the SWIFT network are required to enhance their systems with the capability to send and receive payments via a messaging format as defined by the ISO 20022 standard. Alignment with the ISO 20022 standard creates a common language for payments worldwide, intending to enhance data quality.

- Tanzania – The national payment switch to the Instant Payment System provides real-time funds transfers for banks and non-banks. The platform enables regulatory oversight and is aimed at improving payment turnaround times. The system enhancements will reduce lead time and possible errors due to human intervention. The system enhancement was deployed in November 2022 in alignment with the country’s digitisation strategy.

- Outsourcing guidelines
  During September 2022, the regulator in Mauritius released guidelines using cloud services. No additional impact has been identified for Absa Bank Mauritius, which already deploys stringent cloud services guidelines.

- Climate change
  The regulator in Kenya has issued a framework to manage climate-change risk. Embedment of the framework was completed during June 2022, and the regulator is continuously informed of embedment updates. Similarly, to address climate-change risk, Absa Bank Mauritius conducted an exercise to assess risk exposure concerning credit, market and operational risks. The assessment is ongoing, with embedment scheduled for 31 March 2023.

Focus areas 2023
The next steps in bringing our active force for good ambitions to life include:

- Progressing our work on our net zero pathways
- Further strengthening our climate risk management framework
- Building out and embedding our Group-wide ESG capability
- Clarifying our ambitions per ESG focus area, aligned to our purpose
- Defining our flagship programmes per ESG focus area
- Implementing a holistic set of ESG targets and reporting mechanisms to measure and communicate our progress.
Outlook

Long-term value creation requires future focus, responsive strategic planning and consideration of available resources.

We need to ensure our stated aspiration and supporting strategic themes are grounded – considering the risk involved, the competitive landscape, the available opportunities and our ability to deliver on these opportunities. This includes understanding the availability, affordability and quality of the capitals we will require to execute our strategy.

Our understanding is informed by potential barriers and opportunities, taking into account:

1. Most severe global risks in the next decade
2. Medium to long-term trends in our industry
3. Medium-term outlook in our key markets
4. Future focus 2023

We unpack each of these elements in more detail on the pages that follow.

Most severe global risks in the next 10 years

The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical instability. The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical instability. The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical instability. The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical instability. The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical instability. The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical instability. The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical instability.

1. Erosion of social cohesion and societal polarisation
2. Large-scale environmental damage incidents
3. Natural resource crises
4. Natural disasters and extreme weather events
5. Failure of climate-change adaptation
6. Failure to mitigate climate change
7. Diversified franchise and market leading growth – Future focus 2023
8. Primary partner to our clients – Future focus 2023
9. Digitally powered business – Future focus 2023
10. Winning, talented and diverse team – Future focus 2023
11. Active force for good – Future focus 2023

Those who govern us:

We unpack each of these elements in more detail on the pages that follow.

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<th>Short term</th>
<th>Medium term</th>
<th>Long term</th>
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<td>&lt;3 years</td>
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Most severe global risks in the next 10 years1

Medium- to long-term trends in the financial services industry2

Payments

- Cashless transaction volumes are expected to rise by 78% from 2020 to 2025 and then by 64% from 2025 to 2030 (globally 82% and 61%)
- 60% of central banks are exploring digital currencies
- Central banks remain concerned about decentralised finance and private crypto-currencies
- Digital wallet use will continue to rise, with convenience driving wallets as a first point of contact
- Digitised supply chains are the next frontiers for digital wallets
- Regulators are expected to strengthen domestic infrastructure for payments
- Payment initiation is changing towards digital wallets supported by open banking
- New customers are skipping card payments and opting to move directly into mobile wallets and account-based payments
- Cross-border payments are being re-invented on the back of the need for low-cost, instant solutions
- Cross-border connectivity of domestic instant solutions will be possible through global payments standardisation
- As consumers adopt new payment solutions, financial crime is rising and banks will need to protect full payment ecosystems.

Consequently, business confidence remains weak, resulting in subdued business investment. Though government has made significant progress in strengthening key institutions such as the South African Revenue Services and the National Prosecuting Authority, a much broader set of economic reforms is needed to create a conducive investment environment. At 14% of GDP currently, South Africa’s fixed investment is below the rate of capital depreciation – meaning that our capital stock is not growing.

Meanwhile, after the shocks to food and oil prices due to Russia’s invasion of Ukraine sent inflation soaring, it has now clearly peaked. Consumer price inflation will likely continue its downward trend in 2023, returning to the midpoint of the South African Reserve Bank’s (SARB’s) target range in the second half of the year. Various upside risks persist, however, with producers aiming to pass on their cost increases to consumers. Food price inflation is proving particularly problematic, given its importance to the welfare of South African households. That said, we forecast headline CPI to average 5.5% in 2023 and 4.6% from 2024 to 2026, just above the midpoint of the SARB’s target for inflation. With subdued GDP growth and a relatively high inflation target, the rand will likely fall against the US dollar over the long run. The SARB has now removed its extraordinary COVID-19-related monetary policy support. Since the end of 2021, the Reserve Bank has hiked interest rates by 3.75 percentage points (pushing the prime lending rate to 10.75%) to contain inflation.

There is likely some room for a small amount of soaring in the future once the US Federal Reserve has completed its hiking cycle. Ultimately, with an inflation target midpoint of 4.5%, the SARB could settle the repo rate at a neutral level of 6.75%, leaving the prime rate at a 15.25% long-run trend.

Implications of grey-listing

Absa’s assessment of the impact of being grey-listed has revealed potential economic implications for South Africa including (among others):

- Reduced capital inflows and foreign direct investment negatively impacting GDP
- Impact in exchange rates and asset prices
- South African financial sector access to key financial markets impacted
- Potential further credit rating consequences for SA Sovereign, domestic banks and corporates.

While there are potential implications on the broader South African economy, the direct impact on Absa is expected to be in the short-term as Absa is following internationally accepted standards. By proactively managing our risk exposure and the risk we pose to the economy, we are mitigating potential long-term impacts and will continue to engage constructively with regulators and the FSTF to address the grey-listing.

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1 Source: World Economic Forum Global Risks Perception Survey 2022-2023
2 Policymakers -- Where disparate crises interact such that the overall impact far exceeds the sum of each part
3 PwC – Future of payments 2023; Retail banking in 2023; Insurance 2025 and beyond.
4 Source: Absa Group Limited Integrated Report 2022

Retail banking

- By partnering with banks, customer-facing parts of the value chain will be captured by fintechs and entertainment players without the hurdle of a banking licence
- Big tech and non-traditional players (e.g., retailers) could apply for full banking licences
- Regulators will rewire barriers to entry based on concerns (from consumers over data, privacy and cybercrime) or opportunity for new entrants (e.g., crypto-currencies)
- Technology investment costs will be high but necessary to ensure optimal customer experiences or risk falling behind peers and non-traditional banking players
- Public distrust can increase doubt in financial institutions or banks reclaim trust as the central provider of financial products and services

Insurance

- The global protection gap continues to rise. The base estimate is a 6% increase to 2025 to USD121 billion for Africa and the Middle East
- It is expected that a significant portion of insurance revenues will come from digital platforms offering insurance-as-a-service
- Insurers must embrace digital technologies especially data and responsible artificial intelligence to remain relevant

Swiss Re estimates that by 2040 up to USD183 billion in premiums globally will be raised due to climate change.

Medium-term outlook in key presence markets

South Africa – Our primary market and listing geography

Investment grades:

- Foreign currency long-term (Moody’s) – Ba1 (Stable)
- Local currency long-term (Moody’s) – Ba3 (Stable)
- National long-term (Moody’s) – A1 (Stable)
- National long-term (Standard & Poor’s) – Aa3.za

Despite record load-shedding in 2022, the South African economy proved resilient, with stronger-than-expected GDP growth. However, the performance of Eskom’s generation plants deteriorated sharply over the year, taking the energy availability factor to approximately 55% of installed capacity, resulting in persistent power cuts. However, the National Energy Crisis Committee has an ambitious plan to add new power from various sources to the grid over the next two years. Eskom also aims to improve its maintenance to lift its generation performance, but the targets are extremely challenging. Thus, regular load-shedding will likely persist until the end of 2024, limiting the economy’s ability to grow. We, therefore, forecast growth of 0.7% in 2023, rising to an average of 4.5% from 2024 to 2026. Unfortunately, the South African economy suffers many other structural growth constraints, and the reform programme is progressing slowly, with critical areas such as labour markets omitted.

Absa Group Limited Integrated Report 2022

Absa Group Limited Integrated Report 2022
### Outlook continued

Absa, together with the other larger banks, worked actively with BASA to support National Treasury, the South African Reserve Bank and the Financial Intelligence Centre to address the remaining actions, in particular the proposed General Laws (Anti-money Laundering and Combating Terrorism Financing) Amendment Bill 2022, which are required to avert remaining on the grey list. Updates to the legislative requirements imposed on and impacting Accountable Institutions as set out in the proposed General Laws Amendment Bill will be addressed within the Risk Management and Compliance programme, as required.

#### Baseline scenario for Absa’s top five presence countries

<table>
<thead>
<tr>
<th>Country</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>0.7</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Botswana</td>
<td>4.3</td>
<td>4.0</td>
<td>3.8</td>
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<td>Ghana</td>
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<td>3.8</td>
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</tr>
<tr>
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<td>5.0</td>
<td>5.2</td>
<td>5.5</td>
</tr>
<tr>
<td>Mauritius</td>
<td>5.1</td>
<td>4.2</td>
<td>4.0</td>
</tr>
</tbody>
</table>


### Possible effects on our strategic ambitions

**Strategic pillar most at risk**: Capital most impacted

#### A diversified franchise with deliberate, market-leading growth

Given the stressed economic climate, a significant risk facing the banking sector is the potential for bad debts to remain elevated. Credit risk can result from expected losses (e.g., customers having difficulty repaying loans) or unexpected losses (e.g., those that arise from a shock, such as riots experienced in July 2021). During our strategic planning process, we considered potential scenarios in the global macro environment over the next three years and how these scenarios could influence our ability to create market-leading growth. We considered an inflation growth and a stagnation scenario considering factors such as interest rate, cost-of-living, monetary policy, GDP growth and inflation. We are comfortable that the immediate economic downturn and the medium-term risk of increased cost-of-living across many of our developing country markets, we are in a strong capital position to deliver our medium-term plan (2023-2025). Our 2023 guidance can be found in the Group Financial Director’s message.

**The primary partner for our clients**

The competitive landscape is continuously evolving with an increasing number of digital-only providers and other non-banking competitors. We therefore have to compete within this evolving environment to be the primary bank for our clients ensuring that we organise around our clients, giving us agility to adapt to their evolving needs.

**A digitally powered business**

Widespread cybercrime and cyber insecurity can possibly negatively affect the quality of intellectual capital i.e., our technology architecture and data assets can be compromised. Achievement of our medium-term plan accounts for digital investment, as reflected on our 2023 change initiative budget.

**A winning, talented and diverse team**

“Over the next 10 years, fewer countries will have the fiscal headroom to invest in future growth, green technologies, education, care and health systems. The slow decay of public infrastructure and services in both developing and advanced markets may be relatively subtle, but accumulating impacts will be highly corrosive to the strength of human capital and development – a critical mitigant to other global risks faced” – WEF

People are our strength, and our business model depends on human capital. Although Africa is the home to the largest growing young adult population, it is also home to high unemployment levels due to inadequate education systems. Over the past decade, there has been a notable increase in migration levels as a result of these challenges. These factors impact on our ability to find the right critical and scarce talent we need. If societal risks only become more pronounced in the next decade, we will have to consider alternate human capital strategies. The cost of critical skills to strategic initiatives is regarded in the medium-term plan (discussed above), and we have set a target of 70% of our employee experience index in 2023.

**An active force for good in everything we do**

“Policy makers are increasingly confronted by perceived trade-offs between energy security, affordability and sustainability. The stark reality of 600 million people in Africa without access to electricity illustrates the failure to deliver change to those who need it and the continued attraction of quick fossil-fuel-powered solutions – despite the risks of stranded assets, energy security challenges of exported fossil-fuel commodities and lifetime carbon emissions that exceed the 1.5°C limit.” – WEF

Increased climate and ecological risk in the long term will widen the opportunities base for Absa in terms of sustainability and ESG-linked financing. We are confident we will reach our 2025 target of R100 billion in sustainable financing.

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Value created and preserved through strong governance

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Rewarding value creation 94
Protecting value through sound governance

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

Leadership, ethics and a force for good

In line with our pursuit of best-practice governance, we focus on the four governance outcomes as envisioned by King IV. We are compliant with all the principles as outlined by the Code.

Ethical culture

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

Good performance

The Board monitors the control environment, and the related lines of defence, including the enterprise-wide risk management, oversight of, the management of regulatory compliance, human resource management, information management, stakeholder relationships and sustainability. The Board is accountable for the performance of the Group, considering the possible positive and negative major employer, buyer of services, contributor to the local community, taxpayer and skills provider.

Effective control

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

Legitimacy

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

The Board Charter is the constitution that guides our Board and its committees in their activities and decisions, as well as in their dealings with each other, with management, with our stakeholders and with the Group as a whole. It is designed to guide directors and external auditors on how we approach critical issues within the Group. It is aligned with the South African Companies Act, King IV, the IIRC Listings Requirements, the Basel Practices on Governance, and the SARB Directive 4/2018. The Group Governance Framework is the glue that pulls together the practices, policies and decision-making of the Group’s material subsidiaries ensuring alignment of approach to risk, governance and policy in all entities and all jurisdictions and sets out the Group’s minimum requirements regarding matters such as governance, internal controls, financial management, disclosure controls, risk management, legal and regulatory compliance, internal audit, ethics management, human resource management, information management, stakeholder relationships and sustainability.

We consider actual and potential conflicts of interest at each Board and Board Committee meetings; in the declarations of interest (which are reviewed at least every two months); and in the annual assessment of directors’ independence. A director may accept other board appointments, provided potential conflicts are considered and appropriately disclosed and managed, and the appointments do not conflict with the Group and/or adversely affect the director’s duties. Before accepting such an appointment the proposed board appointment must be agreed upon with the Chairman, and in some instances the Directors’ Affairs Committee. The Board Governance Framework, Board Charter and the Board Conflicts of Interest Policy provide guidance on how to treat any conflict of interest at a Board level.

Directors are responsible for avoiding situations that place, or are perceived to place, their personal interests in conflict with their duties to the Group. A director or prescribed officer and all our employees are prohibited from using their position or access to confidential and price-sensitive information to benefit themselves or any related third party, financially or otherwise. Where actual or potential conflicts of interest are declared, we implement a recusal process. The affected directors are excluded from discussions and any decisions on subject matter related to the declared conflict.

An ethical bank

The Ethics Institute of South Africa announced Absa Group as the 2022 Ethics Initiative of the Year Award winner, in recognition of the Absa Ethics programme. It significantly honours how Absa managed and executed the Ethics programme during the COVID-19 pandemic, including the proactive ethics interventions that were implemented. The award also recognises the implementation of various initiatives designed to incorporate the Absa Way Code of Ethics into business decisions and, in so doing, encouraging that ethical business principles and practices to be considered and upheld.

Absa’s Values help to shape our culture and guide the way we behave, and how we want our colleagues, customers and stakeholders to feel about interacting with us. By creating an environment where everyone feels valued, empowered and supported, our people are able to live into our purpose and Values as co-owners of our culture and deliver on our ambitions of outperformance.

An ethical culture

Fosters values-based decision-making and shows how our policies and practices align with the Absa Values. This drives the proper behaviour concerning our stakeholders.

The Absa Way Code of Ethics outlines our values and expected behaviours when engaging with our fellow employees, customers, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community. The objective is to define how we think, work and act as a Group to ensure that we deliver against our purpose. The Absa Way Code of Ethics and Group Conflict of Interest Policy is reviewed and approved annually by our Social, Sustainability and Ethics Committee. This year, we focused on benchmarking the Absa Way and Conflict of Interest Policy with local and international practices, including the Harvard Business School Global Business Standards, CODE, the UN Global Compact principles, and local and international banks. The Absa Way handbook has also been updated and rigorously edited, which produces a simplified, more digestible, and easily communicated Code of Ethics. The Absa Way includes the CEO and Board commitment statement, which recommits the Board and Executives to the principles and behaviours set in the code. The Absa Way was rolled out in 2022 and included lessons learnt sharing as per ethcis risks within our various jurisdictions. There was also ongoing system-based training for new joiners and annual training for the rest of our employees. In October 2022, the Group launched its first supplier ethics day, where suppliers were trained on the Supplier Code of Ethics principles. The supplier ethics day also focused on creating mutually beneficial relationships with suppliers and third-party service providers governed on ethical and values-based merit.

In 2022, we continued to mitigate risks identified through our Group-wide ethics risk awareness survey. Country-specific ethics management plans were supported by in-country executive teams and noted within the different boards. The Social Sustainability and Ethics Committee continues to track and hold management accountable on the Group’s Ethics Management Plan.

The Insider Trust Programme aims to prevent insider threats and mitigate the associated risk. We conducted employee assessments across cyber, fraud and physical security domains.

Several mechanisms govern employee conduct, including but not limited to, the Absa Code of Ethics, Absa Values, Conditions of Service Policy, Conduct Risk Framework, Fraud Risk Policy and Investigations Standard, an Employee Relations Navigator system and the C-Zone compliance monitoring platform.

Absa has no tolerance for wilful detriment to customers, clients, market integrity, and competition from the inappropriate supply of financial services, including wilful and negligent misconduct, breach of regulatory requirements and unethical behaviour. Personal accountability is central to our culture and our behaviours.

We monitor employee conduct through several risk mitigation tools, culture surveys and tracking disciplinary cases, grievances and ethical breaches. This analysis helps define the areas impacting culture and how to better align these with Absa’s Values.

In addition, conduct forms part of an employee’s annual performance assessment and unethical conduct can result in a range of possible sanctions, including dismissal.

Value created and preserved through strong performance

Supplementary information
The number of disciplinary cases as a percentage of employees remained stable. Of the 1,690 (2021: 1,577) disciplinary cases reported, 1,480 were concluded in the year (2021: 961), and 422 were due to ethical breaches (2021: 416). 148 (2021: 116) cases resulted in dismissal.

Whistleblowing is a safe platform for employees to raise concerns confidentially and anonymously regarding unethical behaviour and/or fraud. We saw the highest number of whistleblowing cases in the third quarter of 2022, which could be attributed to the whistleblowing awareness campaign. As in previous reporting periods, ‘Breaches of Policy, Procedures or Controls’ and ‘General Unethical Conduct’ were the two most prevalent categories of whistleblowing matters reported in the quarter.

In 2022, 416 tip-offs were received, of which 105 (37% of closed cases) were substantiated and 180 unsubstantiated to date, while 131 remain under investigation (2021: 416; 112; 201; 103). 393 tip-offs were staff conduct related, of which 74 (28% of closed cases) were substantiated to date (2021: 76; 39%). The ageing of whistleblowing cases is actively monitored and reported on, and regular feedback is provided to whistleblowers, where they choose not to be anonymous. While many cases were unfounded, those upheld contain essential insights for management to ensure additional controls, consequence management or other behavioural changes. The necessary investigations were undertaken, and appropriate disciplinary action was applied where necessary. Four employees were dismissed. We refer criminal offences to the relevant authorities for criminal prosecution. Whistleblowing is audited regularly internally and externally, where external audit focuses on benchmarking the whistleblowing process and internal audit assesses the details behind the process.

Data privacy and the protection of personal information are of utmost importance, and we are aware of our responsibilities regarding the personal data entrusted to us. We proceed according to data protection laws, principles, and guidelines that bind our suppliers in the aforementioned risks and frameworks, we enable responsible sourcing and supplier engagement. Our suppliers must establish and demonstrate a baseline for ESG practices and management from which future performance improvements and impact can be tracked, measured and communicated.

No supplier relationships were terminated in 2022 because of ethical concerns. Group Supplier Assurance continuously and specifically reviews our critical and high-risk suppliers for financial, operational and reputational risks. We conducted discrete 486 control reviews during the year (2021: 335).

The Group High Risk Onboarding and Exit Committee is a management committee that takes decisions regarding high-risk clients and related financial, compliance, conduct and reputational risk. Each business segment also has a client exit and onboarding committee, which escalates material reputational risk matters to the Group High Risk Onboarding and Exit Committee. 385 customers were assessed through this governance process since its inception in 2019, of which 1,428 customer relationships were exited.
Protecting value through sound governance continued

A winning, talented and diverse team

An overview of the 2022 to 2024 people and culture strategy was presented, aligned with the key themes of the re-anchored Group strategy. People measures on the 2022 scorecard were expanded including the existing employee experience index and new skills-related, retention and diversity measures. In addition, detailed reports on various topics and the risks under people and culture were provided. Focus areas included: people and culture strategy; transformation; diversity and inclusion; MyContribution (performance management) 2021 outcomes and 2022 approach; 2021 colleague experience results; fair pay implementation; mobility of talent across the continent; new hires (black management) turnover; and strategy to acquire and retain critical skills. Initial work on the critical skills necessary for strategic objectives has commenced. Significant work was presented to and approved by the Remuneration Committee regarding the Remuneration Framework, and pay review process, including expanding the key talent long-term incentive plan considering comparative analysis and the retention imperatives; introducing more vertical balance in the STI pool; monitoring the race and gender split for all long-term incentive, short-term incentive and fixed remuneration awards. Much work was also done analysing benefits and pay practices in our ARO markets. More work is required regarding these elements, particularly the fair pay analysis, retention of scarce and critical skills, and succession planning. Notably, the new ExCo was announced at the end of June 2022, with permanent appointments to all vacant executive roles effective 1 January 2023. Pleasantly, the race and gender balance of the ExCo has also improved.

2023 focus areas
- Diversity and inclusion in all our geographies
- Customer centricity
- Our values and ethical practices
- The continued culture transformation journey
- Talent strategy
- Performance and reward.

An active force for good in everything we do

Updates on various topics were provided, including sustainability risk; ESG ratings; progress made in implementing the UN Principles for Responsible Banking; the Sustainable Development Goals; our climate targets; standards pertaining to extractive industries; and the Absa Anti-Bribery and Anti-Corruption Policy and related standards. The establishment of the Absa Africa Foundation Advisory Board as a sub-committee of the Social, Sustainability and Ethics Committee (SSEC) was approved, with meetings held in the second half of 2022. Oversight was provided regarding the Group’s ambition to be an active force for good following the floods in KwaZulu-Natal and the related insurance and other claims. Despite progress on sustainability and significant reporting in this area, there is still work to be done in the citizenship, stakeholder and brand areas. A citizenship investment update was provided, including evaluations measuring the impact of Absa’s education and skills development spending between 2017 and 2021. However, the restructing of the team and the change in leadership in this period has led to a delay in delivering certain reports to the SSEC. The SSEC envisages that our investment in implementing our renewed operating model, specifically in appointing a Group Chief Marketing and Corporate Affairs Officer will re-establish focus on brand and reputation management and stakeholder engagement.

2023 focus areas
- Inclusive finance
- Climate/environmental sustainability
- A just society
- The Group’s contribution to a just transition
- Education and skills development.
We will embed the related activities to contribute more broadly to shaping Africa’s growth and sustainability.

Structure and delegation

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Board committees
- Directors’ Affairs
- Audit and Compliance
- Information Technology
- Board Finance
- Remuneration
- Social, Sustainability and Ethics
- Risk and Capital Management
- Models

All Board committees are satisfied that they have fulfilled their responsibilities in accordance with their respective charters for the reporting period.

Our leadership, organisational structures, cross-functional collaboration and decision-making processes support our Board and management team in executing our strategy and delivering our strategic objectives. Our governance structures and processes support the decision-making which enables us to navigate the necessary trade-offs between the capitals.
Protecting value through sound governance continued

Our Board as at 23 March 2023

Independent directors

Fulvio Tonelli 59
BCm (Hons), CA(SA), AMP
One year and seven months

Non-executive directors

Fulvio Tonelli 59
BCm (Hons), CA(SA), AMP
One year and seven months

Alex Darko 56
BSc (Hons), BSc
Eight years and six months

Swathi Munyantatwali 46
BSc, LLB, LLM
Three years and six months

Biographies can be found at www.absa.co.za

The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

Our Board

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Value created and preserved through strong performance

Supplementary information

The Board is satisfied that the evaluation process is improving its performance and effectiveness.

The Board supports the candidate’s election or re-election.

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

The Board conducts an annual effectiveness review in order to evaluate the performance and effectiveness of the Board, its committees and individual directors, including the Chairman, in line with section 64(B)(b)(iv) of the Bank’s Act, 1990. The performance evaluation process may differ in methodology from year to year, but normally takes the form of a detailed questionnaire, supplemented by individual interviews with each of the directors. The Board itself will also appraise the extent to which the board committees have delivered on their mandate and supported the Board in so doing. The evaluations may be independently facilitated, and the 2022 evaluation was conducted by The Board Practice. It was noted that the Board had dealt with some extremely challenging circumstances and had managed to navigate these complex issues successfully.

One indicator of the Board’s effective functioning is Absa’s recent strong financial performance. This was described as (i) an effective Board with independent behaviour and different perspectives, committed, prepared and with strong skills; (ii) discussions are frank, robust, candid and open; (iii) the Board is diverse with good tolerance for different views; (iv) the Board is robust, candid and open; (v) the Board is focused, democratic, asks thoughtful questions, applies its mind and is focused on the health and success of Absa; (vi) the Board has a strong focus and adherence to proper governance and ethics; (vii) the Board is diverse with good balance regarding background, culture and demographics; there is tolerance for different views; (viii) the balance between being supportive versus challenging with respect to management is healthy; (ix) the Board has been stress-tested through a series of challenges, such as the pandemic and operating in a disrupted industry.

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Protecting value through sound governance continued

The Board and all of its Committees confirmed that they had the right skills and expertise to fulfil their respective mandates. The Board and its Committees consistently achieved higher than average (2.5 out of 5) scores in their evaluation (refer graph below).

### Summary: Average scores per theme

<table>
<thead>
<tr>
<th>Theme</th>
<th>Average Score</th>
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</thead>
<tbody>
<tr>
<td>Introduction</td>
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</tr>
<tr>
<td>Part 1: Strategic focus and priorities and overall effectiveness</td>
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<tr>
<td>Part 2: Core governance</td>
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<td>Part 3: Board dynamics</td>
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<td>Group Credit Risk Committee</td>
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<td>Board Finance Committee</td>
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<td>Social Sustainability and Ethics Committee</td>
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<td>Group Remuneration Committee</td>
<td></td>
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<tr>
<td>Group Risk and Capital Management Committee</td>
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</tbody>
</table>

### Board skills

- Brand
- HR/Compensation
- Sustainability – Climate change and environmental
- Sustainability – Social and governance
- Africa Citizenship
- Information Technology
- Large scale organisational leadership
- Legal
- Governance
- Financial management/Accounting/Audit
- Commercial enterprises/large scale industrial (outside of banking)
- Counterparty
- Strategy development
- Credit
- Risk management
- Treasury/Trading
- Banking

### Directors

- Prabashni Naidoo 57
  - Group Chief Internal Auditor2
  - Ex-officio
  - Absa: Two years

- Cowyk Fox 49
  - Chief Executive: Everyday Banking, PO
  - ExCo: Seven months
  - Absa: Seventeen years

- Deon Raja 44
  - Group Chief Risk Officer
  - ExCo: Two years
  - Absa: Twenty-four years

- Akash Singh 44
  - Group Chief Compliance Officer
  - ExCo: Three years
  - Absa: Nineteen years

- Sydney Mhelle 49
  - Group Chief Brand, Marketing and Corporate Affairs Officer
  - ExCo: Two months
  - Absa: Two months

### Changes during the year

- Appointed
  - Cowyk Fox
  - Geoffrey Lee
  - Akash Singh
  - Jeanett Modise
  - Sydney Mhelle

- Resigned
  - None

- Stepped down from interim executive roles
  - Thabo Mashaba
  - Wilhelm Krige

### Diversity

- 3% African women
- 5% African men
- 4% White men
- 92% Non-South African men

### Tenure on Exco

- 7% 0 – 5 years
- 5% 6 – 9 years
- 14% 10 – 13 years
- 21% 14 – 17 years
- 21% 18 – 21 years
- 21% 22 – 25 years

### Tenure at Absa: 189 years of combined experience

- 2% 0 – 9 years
- 7% 10 – 19 years
- 14% 20 – 29 years
- 21% 30 – 39 years
- 43% 40 – 49 years
- 21% 50 – 59 years
- 7% 60+ years

### Age

- 7% 21 – 30 years
- 14% 31 – 40 years
- 21% 41 – 50 years
- 14% 51 – 60 years
- 21% 61 – 70 years
- 7% 71+ years
Protecting value through sound governance continued

Our leadership commitments

- We are proud to be Absa and we will tell our story.
- We are inspired and honored to guide Absa as stewards.
- We want to win together as one Absa, selflessly.
- We will proactively forge a new path, and think long term.
- We will lead with honesty, fairness, and care.
- We will talk straight, facing up to difficulties (confident, not arrogant).
- We will provide constructive feedback.
- We have the courage to stand up for what we believe in.
- We build and promote diverse, winning teams.
- We will build and promote diverse, winning teams.
- We will build the creative energy of diverse thoughts to solve problems.
- We will empower others to lead.
- We will lead in a way that everyone belongs.
- We will inspire through our presence.
- We will deliver sustainable and material positive outcomes for us, for society.
- We are bold; we will take on competition and pursue outperformance.
- We will lead in a client-centric way across the continent.
- We will listen to clients, colleagues and stakeholders.
- We listen to feedback.
- We will inspire others to lead.
- We will also show up as team members, not only as team leaders.

Board Committee focus areas

The Board is satisfied that its committees have fulfilled their responsibilities in accordance with their terms of reference for the reporting period and that the members of the committees have the requisite skills to comply with the mandate of such committees.

2022 focus areas and material decisions

Key matters included:
- Control environment and management control approach, including a deep dive into Access Control
- Expected credit losses and macroeconomic variables
- Assurance capability and focus
- Statutory responsibilities, including annual and interim financial reporting and regulatory disclosures
- Deep dives on ARO subsidiaries (NBC Tanzania and Absa Bank Botswana).

2023 focus areas

Areas for focus in the year ahead include:
- Maintaining a sustainable satisfactory outcome in the Controls Environment, including continued oversight on the lines on defence and the combined assurance providers.
- Impairment of loans and advances at amortised cost (IFRS 9)
- Valuation of financial instruments held at fair value
- IT access controls
- Relationship Banking Know Your Customer compliance
- Anti-Money Laundering/Countering the Financing of Terrorism requirements.

Group Audit and Compliance Committee

Tasneem Abdool-Samad Committee Chair

2022 focus and material decisions

Key matters included:
- Statutory responsibilities, including annual and interim financial reporting and regulatory disclosures
- Deep dives on ARO subsidiaries (NBC Tanzania and Absa Bank Botswana).

2023 focus areas

Areas for focus in the year ahead include:
- The macroeconomic environment, including economic recovery, headwinds, volatility, risks and opportunities
- Regulatory developments (as part of the Basel III finalisation, appropriate courses of action to manage cost and capital impact, and ensure regulatory compliance and (b) appropriate risk processes to respond to the direct and indirect impacts of climate change.
- Capital, liquidity and funding management across the Group, particularly in light of the sovereign debt crisis in Ghana.

Group Risk and Capital Management Committee

René van Wyk Committee Chair

2022 focus and material decisions

Key matters included:
- Liquidity simulation (with the participation of Group ExCo), monitored by the Prudential Authority
- Capital adequacy, liquidity and funding
- Risk appetite and principal risk profiles
- Deep dives into market risk and consumer stress
- Impact assessment on risk data aggregation and risk reporting (RIADD) compliance
- Updates on regulatory reforms, including interest rate benchmark reforms, deposit insurance scheme
- Internal capital adequacy assessment process (ICAAP)
- Internal liquidity adequacy assessment process (ILAAP)
- Revised Enterprise Risk Management Framework, including Principal Risk Taxonomy
- The macroeconomic environment, including economic recovery, headwinds and volatility, and customer stress to assess possible impacts on the Group’s risk appetite.
- Processes for screening sensitive and ESG financing transactions.
Protecting value through sound governance continued

**Remuneration Committee**

2022 focus areas and material decisions

No Remuneration Policy changes were made in 2022.

Key implementation enhancements in 2022 include:

- Extending participation in our long-term incentive arrangements, to increase coverage for scarce and critical skills and to align with the market practice of peers.
- A further market adjustment, informed by market benchmarking, of our on-target short-term incentive pool.
- Taking additional steps in fair and responsible pay predominantly in respect of fixed remuneration increases and short-term incentive allocation for more junior employees, as well as addressing pay differentials.
- Overseeing the remuneration implications of the changes in the Group’s operating model.

2023 focus areas

Areas for focus in the year include:

- Attracting and retaining top talent, scarce and critical skills, and mitigating the impact of macro issues on talent movement (including emigration) and availability, as an underpin to our Pan-African strategic ambition.
- Fair and responsible remuneration in the context of the Group’s ESG strategy, including ensuring appropriate responses to emerging regulatory and best-practice disclosure requirements covering broader ESG and specific remuneration matters.
- Consideration of the evolution of the organisational health metrics in the short-term and long-term incentives.
- Ongoing evaluation of the impact of our evolving remuneration frameworks and their outcomes ensures that they remain locally relevant and competitive, and effectively balance stakeholder interests.

**Information Technology Committee**

2022 focus areas and material decisions

Key matters included:

- Technology enhancement of the known high-risk technology issues in the estate, specifically as they relate to the unsupported infrastructure, network, applications and estate-wide issues.
- Continuously evolving technology in line with changing customer needs and behaviours – being ahead of the curve regarding new technologies.
- Introduction to artificial intelligence and reinforcement learning.
- Continuous intensive effort and investment to secure the bank and ensure a safe control environment.
- Digital literacy and digital skills and related programmes to improve access to talent in key areas.
- Critical analysis of the Group’s technology architecture.

2023 focus areas

Areas for focus in the year ahead include:

- Technology enhancement of the known high-risk technology issues in the estate, specifically as they relate to the unsupported infrastructure, network, applications and estate-wide issues.
- Continuously evolving technology in line with changing customer needs and behaviours – being ahead of the curve regarding new technologies.
- Introduction to artificial intelligence and reinforcement learning.
- Continuous intensive effort and investment to secure the bank and ensure a safe control environment.
- Digital literacy and digital skills and related programmes to improve access to talent in key areas.
- Critical analysis of the Group’s technology architecture.

**Social, Sustainability and Ethics Committee**

2022 focus areas and material decisions

Key matters included:

- People, culture, Bi-BBEE, ESG, and the Group’s role in society.
- Sustainability Risk Framework and Sustainability Risk Policy, the Absa Way Code of Ethics Policy, and the Conduct Risk Management Framework were approved.
- Existing standards were monitored and approval of new standards were approved concerning extractive and other environmentally sensitive industries.
- The Final Sustainable Development Goals prioritisation and target setting were approved.
- Customer measurement indexes and metrics were approved.
- Organisational health metrics for the long-term incentive (for 2022-2024) and the short-term incentive for 2022 were approved; the attainment of prior incentive schemes was reviewed.

2023 focus areas

Areas for focus in the year ahead include:

- Progress concerning people, culture and labour/employment matters.
- Progress in all elements of the B-BBEE transformation scorecard.
- Customer health and engagement in accordance with the Conduct Standard for Banks to ensure the fair treatment of our customers.
- The integration of the ESG strategy within the Group; the development of the various climate-related standards; and substantial and tangible results towards the Group’s active force for good strategy.
- Execution activities that enable the Group to lead with purpose and play a meaningful role in our customers’ journeys, embedding and integrating the Group’s active force for good strategy.
- Absa Africa Advisory Board activities concerning its citizenship and ESG activities.
Group Credit Risk Committee

**2022 focus areas and material decisions**

- **Key matters included:**
  - Material limit increases in 2022 for several significant single-name exposures were approved
  - The overall portfolio health of the lending book, the related loan loss ratios, vintages and related matters were considered
  - Deep dives were conducted on higher risk sectors (including CPF, VAF and the Agri-sector), considering the macroeconomic environment, resultant consumer stress, and the impact of climate and weather on certain regions
  - The Group’s exposures to renewable financing and to the Oil and Gas sectors were reviewed
  - Country and sovereign risk exposures.

- **2023 focus areas and material decisions**
  - Areas for focus in the year ahead include:
    - The Group’s loans and advances growth in the context of concentration risks and exposures, in particular to the higher risk sectors of the economies that we lend to.
    - Country and sovereign risk, in light of the recent sovereign debt crisis in Ghana, the lessons learnt and the risk management practices to be put in place to best manage the Group’s exposures
    - Monitoring the sectors affecting our ESG ambitions and targets regarding gross loans, losses, returns, and emissions management.

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Models Committee

**2022 focus areas and material decisions**

- The Group’s material models were reviewed, as required by the Prudential Authority (PA) (some regulatory models submitted and four approvals received from the PA in 2022)
- Material risk models were approved, both on a periodic and an inception basis, in accordance with the model validation standard, the Group model risk policy, PA and other applicable regulatory requirements (e.g., Basel), as amended from time to time
- The secured Retail Basel models suite was approved (WAF and Home Loans), which supported a new definition of default to align with industry practice.

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**2023 focus areas**

- Areas for focus in the year ahead include:
  - Annual validation of material models in the scope of the committee, including regulatory, credit and impairment models
  - Approval of methodologies related to post model adjustments as applied to material models
  - Ongoing approval of the model risk framework and model risk appetite
  - Capacity and experience of resources of the model risk management functions.

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Governance functional areas

**Risk and opportunity**

A risk management overview is provided in the material matter section of this report, detailing how risk is governed and managed, the risk appetite and tolerances of the Group. The Pillar 3 Risk Management Report provides detailed supplementary information on the Group’s Enterprise Risk Management Framework (ERMF) and 2022 performance. Risk is managed through our Board-approved ERMF and rigorous monitoring and reporting as to the effectiveness of risk management through several Board committees, including the Group Risk and Capital Management Committee, Group Audit and Compliance Committee, Group Credit Risk Committee, Social, Sustainability and Ethics Committee, Information Technology Committee, and Models Committee.

**Information technology**

Information and technology, and specifically driving innovation, are central to our competitiveness, growth, and sustainability. Through the re-anchoring of the Group strategy, one of the five strategic themes identified was creating a digitally powered business. The Information Technology Committee assist the Board with effective oversight and governance of Absa’s information assets and the technology infrastructure used to generate, process and store that information. The focus is on resilience and stability; architecture; data management; security (cyber and other), and digitisation.

In 2022, Absa Bank Mauritius was awarded Data Protection Certification by the Mauritius Data Protection Commissioner, making them the first bank to receive such an accolade and comes in recognition of the strides made to embed a data privacy culture of the highest standard, in compliance, with the Mauritius Data Protection Act.

**Compliance**

The primary mandate of the Compliance function is to assist with, enable, facilitate and monitor the effective management of compliance risk within the organisation by:

- Establishing and maintaining a compliance culture, through the provision of independent and objective advice and guidance on regulatory and compliance risk related matters
- Nurturing working relationships with relevant regulators
- Providing businesses and functions with insight and independent challenge concerning compliance risk management and reporting to the Board, relevant committees, executive management and regulators, as required.

The Board understands and takes its responsibility for the oversight and maintenance of a culture of compliance and ethical conduct seriously, which goes beyond regulatory compliance. The Board holds management responsible for ensuring a culture of compliance across the organisation. This is enabled through existing structures, policies and processes: ERMF, Compliance Charter, Absa Way Code of Ethics, and management control approach influence the type of culture set by the Group Board which promotes openness, transparency, diversity, opportunity, pay for performance, compliance, and risk management.

Absa has a Group-wide Risk Management and Compliance Programme (RMCP), per the South African Financial Intelligence Centre Act (as amended), providing the strategic direction pursued by the Group towards achieving our objectives regarding financial crime risk management and compliance. The RMCP covers financial crime holistically and is underpinned by the Group Anti-Money Laundering Policy, Group Sanctions Policy and Group Anti-Bribery and Anti-Corruption Policy and associated standards. We align our policies and standards with local regulatory requirements and international best practice standards. Our training and awareness programmes ensure our employees are aware of the social and environmental impact of financial crime and their responsibilities in fighting financial crime.

We continue to proactively identify trends and threats and develop commensurate typologies to ensure that the RMCP and underlying policies and standards remain relevant. To strengthen the collective efforts to fight financial crime and to remain effective in our fight against financial crime, we actively collaborate with private and public sector bodies, both locally and globally. Moreover, we play a prominent role in proactively providing input on new legislation and changes to current legislation to ensure we contribute positively towards effectively fighting financial crime. 99.4% of our employees received anti-bribery and anti-corruption awareness training.

C-Zone is our digital compliance monitoring system, consolidating all employee-related compliance activities (including share trading, gifts and entertainment, and identifying conflicts of interest), ensuring efficient and confidential submission of required disclosures, thereby improving internal controls. Whistleblowing is a safe platform for employees to raise concerns confidentially and anonymously regarding unethical behaviour and/or fraud. The Suspicious Transaction Reporting platform requires all employees (directors, permanent and temporary employees on all levels) who know or suspect that a transaction or activity is linked to money laundering, terror financing, or targeted financial sanctions to report that transaction and/or activity within two business days.

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

The Compliance Monitoring and Testing team, responsible for assurance over adherence to regulatory obligations was awarded a Financial Services Industry Award from the Institute of Risk Management South Africa. The award is in recognition of the outstanding contribution to elevating risk management.
Protecting value through sound governance

A formalised and robust combined assurance reporting process has been implemented across the three lines of defence and a SharePoint tool will be implemented in 2023 for better visibility and planning across the three lines of defence.

The Group Audit and Compliance Committee is accountable for the Group's internal financial controls (IFCs), defined on the basis of the operational and resilience framework and the financial reporting risk policies and standards which are aligned to FRBS, statutory and regulatory reporting and ISE Listings Requirements, respectively. The Group's IFCs remain robust and are monitored through effective governance processes where all exposures which could result in material financial loss, fraud, corruption or errors within the IFCs are tackled with supporting mitigation plans. These IFCs are subject to regular independent review across the three lines of defence annually.

The basis of presentation and presentation describes the process and assurance approach to ensure integrity over external reports in the Absa Group suite of reports.

Remuneration

The Remuneration Committee (RemCo) sets and oversees the implementation of the Group’s Remuneration Policy principles to deliver fair and responsible pay aligned with current and emerging market practice, to meet regulatory and corporate governance requirements and to align the behaviour of executives with the strategic direction of the Group. It approves the total remuneration spend, including fixed remuneration, and short- and long-term incentives, and oversees other remuneration arrangements, and the particulars of a defined senior population. It also considers and approves the Group’s remuneration disclosure policies and ensures that disclosures are accessible, understandable, accurate, complete and transparent; and that the Group remunerates fairly and responsibly.

Our Remuneration Report sets out the Chairman's background statement, Remuneration Policy and Implementation Report.

Assurance

Stakeholder relationships

Stakeholder engagement is a critical value-creating process and of critical importance in enhancing the growth ambitions of the Group. The Social, Sustainability and Ethics Committee monitors key organisational health indicators relating to social and economic development; responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation; as well as the Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment. It applies the principles, recommended practices and regulations as outlined in King IV and the Companies Act in executing its mandate. Our Group Stakeholder Engagement Policy requires frequent stakeholder engagement to shape strategic thinking and enhance decision-making processes. Absa therefore regards all its material stakeholders as essential partners, and seeks to effectively identify, understand and manage stakeholder relationships to enhance business sustainability, reduce risk and ensure the successful implementation of Group strategy. Our stakeholders’ needs and expectations are considered in determining the Group's strategic responses.

Operating environment

The global, regional and domestic environments remained very uncertain through 2022. COVID-19 receded as an immediate threat to the economy, though remained a key driver of the Chinese outlook, and geopolitical uncertainty rose to the fore, particularly surrounding the Russia/Ukraine conflict and rising tension between the West and China. Energy and food markets were particularly disrupted, adding to broader supply chain pressures globally and pushing inflation to multi-decade highs in many countries. Global financial conditions tightened significantly through the year, placing pressure on many categories of financial assets including emerging markets.

The South African economy faced not only this difficult external environment, but also the debilitating impact of sharply heightened electricity loadshedding, particularly as Eskom's operational difficulties deepened significantly in the later stages of the year. Economic growth is likely to have disappointed earlier forecasts as a result, while consumer price inflation rose faster than expected and breached the central bank’s 6% upper target early in the year, largely due to sharply higher food and fuel prices. The SA Reserve Bank responded with 350 bps in interest rate increases from November 2021 through November 2022.

There is considerable economic and geographic diversity across the Group’s Absa Regional Operations (ARO) presence countries. On a GDP-weighted basis, Absa projects a real gross domestic product (GDP) growth of 4.4% for ARO in 2023. Inflation surprised to the high side in most ARO markets during 2022, pushed up by the same fuel and food price pressures as are evident globally. Higher inflation, tighter global financing conditions and higher country risk premia in some ARO countries, resulted in increased policy rates in most of Absa’s presence countries. These headwinds to economic growth further complicated efforts to reduce fiscal deficits and improve debt sustainability, and a number of ARO countries are engaging with the International Monetary Fund for financial support. Zambia continues to work through its sovereign debt default, while in the second half Ghana indicated that it would seek to restructure much of its domestic public debt.

Normalised Group performance overview

Performance is a critical lens through which remuneration outcomes are assessed. Salient features of our results (with prior year results in parentheses) include:

- The Group recorded its highest ever normalised headline earnings of R21 billion (2021: R18.6 billion), reflecting an increase of 13%, or 8% in constant currency (CCY). This is underpinned by strong income-led pre-provision profit growth of 25% (26% CCY), partially offset by 61% (CCY 82%) higher impairments. Strong medium-term performance momentum has seen earnings increase well above pre-COVID levels (6.29% above 2019 results).
- Return on equity of 16.6% (2021: 15.8%) has improved materially from the prior year and is well above cost of equity (14.9%) with most business units improving returns year-on-year.
- The cost-to-income ratio reduced materially to 51.5% (2021: 52.2%) which is now in line with the medium-term ambition (50-55%). This reflects strong post-COVID (2021) of very strong income growth of 15% relative to contained operating expenses growth of 7%.
- Income growth was driven by growth in both non-interest income and net interest income. Non-interest income growth (38%) was underpinned by strong growth in fees and commission (7%), trading income (9%); and further by a recovery of the Insurance business and profit on sale of the investment management business. Net interest income growth (13%) has been supported by higher interest rates, an expanding net interest margin of 4.56% (2021: 4.46%) and strong growth in loans.
The Group remains well positioned for growth and resiliency with its capital position remaining above the Board-approved target range and the Committed Equity (CE) ratio unchanged at 12.8%. The Group loan coverage ratio of 3.93% remains robust and well above the pre-COVID position (2019: 3.27%) notwithstanding the utilisation of a portion of the provisions recognised during 2020.

Impairment charges increased significantly to R13.7 billion, following R2.7 billion in coverage raised against Ghana sovereign-related exposures and increased delinquencies in the South African retail portfolios. The credit loss ratio on loans and advances of 0.96% (2021: 0.77%) is now near the top end of the Group’s through-the-cycle target range of 0.75% – 1.00%.

The RemCo considered the overall operating environment and financial results in determining our 2022 remuneration outcomes regarding our short-term and long-term incentives. These were assessed in terms of the respective financial performance scorecards approved for each incentive.

The RemCo considered non-financial performance in the form of organisational health, which included customer, colleague, sustainability and the control environment. Organisational health was assessed as marginally below target for the 2022 short-term incentives and between target and stretch for the 2020 long-term incentive vesting in 2023 (in respect of its 2020 to 2022 performance period).

RemCo focus areas
Our 2021 Remuneration Policy and implementation outcomes were generally well-received by shareholders at our 2022 annual general meeting (AGM). The RemCo has steadfastly focused on remuneration’s strategic role in enabling sustainable organisational performance and stakeholder value creation.

During 2022, the RemCo focused on the following key priority areas, which are dealt with in more detail in the Remuneration Policy and Implementation Report:
• Competitiveness of total remuneration and its composite parts in the context of the war for talent and scarce and critical skills.
• Non-financial metrics in our short- and long-term incentive scorecards aligned with our strategy and environmental, social and governance (ESG) commitments across sustainability, climate, people and culture, transformation and customer.
• Fair and responsible remuneration is a strategic imperative within Absa’s ESG strategy and the emerging discourse on remuneration-related disclosures. In this regard, we are proud to have invested over R500 million in improving our fair and responsible remuneration outcomes over the past two years, including both fixed remuneration and incentive adjustments in 2021 and 2022.
• Increased focus on rewarding talent in the ARD environment, aligned with our Pan-African strategy, including ensuring competitive benefit design, market benchmarking improvement, and specific country-level interventions to address significant cost-of-living related pressures.
• Remuneration implications of the changes to the Group’s operating model initiated by the new Group Executive and supported by the Board, as well as the composition of the executive director, prescribed officer, executive committee (ExCo) and Material Risk Taker (MRT) population.
• Total cost of remuneration (and its component parts) and its impact on the Group’s overall cost base and financial performance.

The RemCo has concluded that the Remuneration Policy approved by shareholders at the 2022 AGM remains fit for purpose, following reviews in 2020 and 2021. Accordingly, no Remuneration Policy changes were made in 2022.

We made the following implementation enhancements in 2022:
• Extending participation in our long-term incentive arrangements, to increase coverage for scarce and critical skills and to align with the market practice of peers;
• A further market adjustment, informed by market benchmarking, of our on-target short-term incentive pool;
• Taking additional steps in fair and responsible pay predominantly in respect of fixed remuneration increases and short-term incentive allocation for more junior employees, as well as addressing pay differentials;
• Overseeing the remuneration implications of the changes in the Group’s operating model.

Evolution of our long-term incentive implementation
A total of R3.17 billion incentive pool of R1.91 billion (value at award) was approved for awards to be made in April 2023. A description of the value and proportion of the long-term incentive pool exposed to the Group performance targets is on page 17 of the Implementation Report.

Strategic long-term incentive awards
• Executive directors, prescribed officers and other members of the ExCo (16 executives at 31 December 2022) remain participants in the strategic long-term incentive awards. These are subject to Group performance targets on the full award. This is consistent with previous years and with general market practice as it pertains to senior executives. There was, accordingly, no change in this regard.
• Pursuant to the Group operating model change, we have 139 executives whose roles are regarded as having a strategic influence on the long-term performance of the Group, and who received awards under the strategic long-term incentive. This includes from 85 in 2021.

Key talent and critical skills long-term incentive awards
• The RemCo and shareholders approved an enhancement in 2021 to the Group’s long-term incentive policy to improve market-relatedness and to support the attraction and retention of those below the most senior levels who are regarded as key talent or holders of scarce and critical skills. Awards for eligible employees are subject to Group performance targets on 50% of the award. The balance of the award is subject to time-based vesting, with an underpinning individual minimum performance condition.

• The RemCo approved the extension of participation in this category of long-term incentive awards for five new employees to be made in April 2023 to more eligible employees, strengthening the alignment these participants have with shareholder interests and the delivery of long-term sustainable value (LTSC) population, which now includes 624 individuals regarded as talent or holders of scarce and critical skills, up from 316 in 2022.

Further detail of our long-term incentives is on pages 10 and 11 of the Remuneration Policy.

Ensuring market competitiveness of our short-term incentives
As indicated in previous Remuneration Reports, we regularly review the competitiveness of our remuneration framework against peers to ensure that our remuneration approach supports the attraction and retention of key talent, as well as our pay-for-performance principles.

During 2022, we undertook a detailed review of our short-term incentive pools to determine their competitiveness against peers, with particular reference to sharing ratios of headline earnings.

As a result, the RemCo agreed on principles relating to setting our on-target short-term incentive pool by referencing headline earnings, with Group performance continuing to apply as a modifier in line with our current policy.

Determination of the 2022 short-term incentive pool
The Group performance short-term incentive pool of R3.671 billion, reflecting the Group’s performance. This represents a 25% year-on-year increase due to the market-aligned increase to the on-target pool and the impact of our performance for 2022.

In considering the increase in the short-term incentive pool, the RemCo took into consideration the distribution of a greater share of the pool to our more junior population, with the net effect being a year-on-year increase (19%) in the pool allocated to employees in our more senior population at below the overall pool increase.

The pool outcome is on pages 17 to 18 of the Implementation Report.

2022 Performance short-term incentive outcome
In approving the Final short-term incentive performance pool outcome for 2022, the RemCo considered:
• The Group’s performance against the 2022 short-term incentive scorecard, which included the pre-determined financial (80% weighting) and non-financial (20% weighting) measures aligned with the Board-approved strategy and medium-term plan.
• The Group’s performance relative to the market (based on the latest publicly available information).
• The quality of the Group’s earnings and whether any adjustment was required based on the control environment (with inputs from the Group Audit and Compliance Committee). The quality of earnings was determined to be sound. No adjustments regarding the control environment were deemed necessary.
• An assessment by the Group Social, Sustainability and Ethics Committee of the 2022 non-financial outcomes (sustainable colleague and sustainability) against the agreed short-term incentive scorecard. The approved outcome was marginally below target.
• Consideration of the shareholder experience, and that the Group’s relative total shareholder return has been ahead of the major banks.

Vesting outcomes for the 2020 long-term incentive award
The RemCo provided recommendations to the performance targets of our in-flight long-term incentive awards to mitigate the effects of COVID-19 on business performance.

Our 2020 long-term incentive will vest in April 2023 at 68.5% of the on-target award, based on the applicable Group performance targets and assessment of the outcomes relative to these. The detail is on pages 20 and 21 of the Implementation Report.

Fair and responsible remuneration
Fair and responsible remuneration remained a core focus for the Group in 2022, building on the actions taken in 2021. Specific implementation actions reflect ongoing conscious decisions to strengthen fair pay by investing in the more junior levels of the organisation and addressing pay differentials where needed. This ensures that our overall remuneration offering, including our employee benefit suite, is appropriate, sustainable and fair.

• There was deliberate growth in the share of the short-term incentive pool allocated to more junior levels of the organisation. The share of the pool has increased from 12% (R358.9 million) of the total pool in 2021 to 15% (R458.3 million) in 2022, an increase of 3% (R100.4 million).
• Further, out-of-cycle remuneration increases at an annualised value of approximately R32 million on 1 November 2021 in South Africa to increase the fixed remuneration of those paid at the lower end of the peer range. Approximately 1,000 employees have up to middle management received this increase. This in addition to the R290 million allocated in 2021 to improve our fair pay position. The RemCo applied a substantial transformation and diversity lens in assessing outcomes.

• Fixed remuneration increases in our annual pay review process have, for several years, been deliberately set at higher levels for more junior employees (typically the bargaining unit) than those for more senior employees. This is again the case for increases to be awarded in the first quarter of 2023 for the coming year, with our bargaining unit staff in South Africa receiving, on average, 8% versus the rest of our employees (of the average increase applied to ExCo members below the management and senior executive average). Also, our minimum annual cost to company in South Africa will increase to R111.2 million with effect from 1 April 2023. This is on page 19 of the Implementation Report.

In ARD, detailed benchmarking of our benefits arrangements was undertaken in 2022 to ensure these are locally relevant and competitive. Where enhancements are required, these are factored into the relevant business plans to ensure sustainable implementation, with appropriate engagement with, and support from, our employees. Where available, we refer to the latest publicly available information.

Further detail of our long-term incentives is on pages 10 and 11 of the Remuneration Policy.
Rewarding value creation continued

• We implement initiatives beyond remuneration to support and enable employees. These are detailed earlier in this Integrated Report and include employee wellness, funding for education and development opportunities. We provide direct support to employees in instances of disaster, such as the 2022 KwaZulu-Natal flooding.

Overseeing the implications of changes in the Group's operating model

During 2022 the RemCo oversaw the remuneration implications of the new Group operating model as the Group moved from three to five commercial clusters, resulting in a reconfiguration of the ExCo and prescribed officer composition, with five prescribed officers representing the five commercial clusters. The RemCo has also had full oversight over executive and MPT remuneration changes. This is on page 20 of the Implementation Report.

We approach executive remuneration through several key lenses, including:

• Relative and absolute performance of the Group and the individual executives, underpinned by balanced scorecards.

• An appropriate mix of short-term and long-term remuneration, to ensure alignment with the creation of long-term stakeholder value.

• Appropriate consideration of the experience and tenure of executives in their roles, and for more recent appointments, to ensure that there is an appropriate runway to develop into their roles.

• As set out under fair and responsible remuneration above, we ensure that we do not have a disproportionate allocation of the short-term incentive pool to more senior levels.

• Market competitiveness of our executive remuneration relative to our peers and other large organisations.

• The remuneration of the heads of control functions has been determined independently of the results of the businesses they support.

The 2022 short-term incentives allocated to our executive directors and prescribed officers for whom disclosures are made this year amounted to R81.5 million. This is reflective of the performance of the Group, the growth in the Group’s short-term incentive performance pool, and the executives’ contribution during the year. The outcomes also reflect the changes made in the composition of the Group’s executive director and prescribed officer population during the year as a result of our operating model changes and the roles held by each incumbent.

Individual disclosures for our executive directors and prescribed officers are on pages 22 to 58 of the Implementation Report. We set out the details of any role changes within this population during the year. Given the number of changes in respect of the Group's senior leadership, making meaningful year-on-year comparisons in these detailed disclosures (as well as those in the Annual Financial Statements disclosed) may be challenging.

Stakeholder considerations

Our 2022 remuneration implementation decisions were made through the lens of enabling the long-term sustainability of our business and ensuring a balance of stakeholder interests over time.

In reviewing our remuneration frameworks and in approving the remuneration outcomes for 2022, the RemCo considered the following:

• The market-competitive performance delivered by the Group in 2022, which is underpinned by sound quality of earnings.

• Ensuring that our remuneration frameworks remain fit for purpose and competitive to support the attraction and retention of key talent and scarce and critical skills in all our markets to support a sustainable franchise. In this regard, we seek to ensure that our remuneration frameworks are locally relevant and competitive in the markets in which we operate.

• The improving Group performance trends reflected in our relative total shareholder return, which is ahead of the major banks.

Shareholder engagement

We are committed to ongoing and constructive engagement with shareholders regarding remuneration and related matters.

The Group Chairman and RemCo Chairman engaged extensively with shareholders ahead of our 2022 AGM on matters including our remuneration framework review, which commenced in 2020 and further developed during 2021. As in prior years, we sought to address the feedback we have received from shareholders in our evolving practices and disclosures. We thank our shareholders for their constructive input.

At the AGM on 3 June 2022, we received an 81.49% vote in favour of the Remuneration Policy and 58.89% in favour of the Implementation Report. As required in terms of King IV and the Johannesburg Stock Exchange (JSE) Listings Requirements, dissenting shareholders were invited to a further engagement on 30 June 2022 where shareholders regarding remuneration and related matters, including risk, regulation, compliance, the central environment, or conduct.

Dellolite is the independent RemCo adviser. Advice was provided on our evolving remuneration framework, local and international market practices and executive remuneration. The advice provided to the RemCo was objective and unbiased. Dellolite does not provide remuneration advisory services to management.

Specialist consultancy firms are engaged by management to provide market benchmarking data and general reward advisory services. These include RemChannel, McLagan, Mercer and KornFerry. Vasdex Associates (management’s primary reward adviser) provided advisory services to management to benchmark the competitiveness of the Group’s variable remuneration pools and fair and responsible remuneration.

Several enabling and control functions within the Group, including the Group People Function, Group Finance, Risk, Compliance and Internal Audit, provide supporting information and documentation to the RemCo. In particular, Group Finance is actively involved in all matters pertaining to the formulation and measurement of metrics for the short-term and long-term incentives and the related determination and distribution of the pools and vesting outcomes.

PwC, the Group’s joint external auditors, provided a factual findings report to the RemCo on the metrics’ outcomes for the 2020 long-term incentive that will vest in 2023. These are on pages 20 and 21 of the Implementation Report.

Regulatory compliance

Our remuneration-related reporting aligns with the South African Companies Act requirements, Section 64C and Regulation 9(1)(A)(d) of the South African Banks Act, the principles and recommended practices of King IV, the related JSE Listings Requirements, and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. The South African Prudential Authority’s Governance of Insurers (GOI) standards were applied concerning Absa Financial Services and the underlying insurance entities. We also adhere to local remuneration-related legislative and regulatory requirements in each of the countries within which we operate.

We have been mindful of broader remuneration governance guidance and frameworks, including the Financial Stability Board’s Principles for Sound Compensation Practices and Implementation Standards.

We continue to engage with regulators regarding evolving remuneration governance and good practice requirements.

Aligned with King IV, the Group will engage with shareholders in the event of a negative vote of over 25% on our Remuneration Policy or 2022 Implementation Report.

Access to information and advisers

Members of the RemCo may access any information required to inform their independent judgement on remuneration and related matters, including risk, regulation, compliance, the central environment, or conduct.

Value created and preserved through strong performance

Conclusion

The Group’s performance in 2022 is reflected in our remuneration outcomes. As in prior years, we have sought to ensure an appropriate balance of stakeholder interests in our remuneration outcomes and focused on attracting and retaining skilled and talented individuals. The RemCo gave considerable attention to ensuring that our remuneration philosophy and policy are fit for purpose, support the Group’s strategy, and that remuneration outcomes reflect the strategic deployment of our remuneration resources. Our 2022 remuneration implementation decisions represent a fair outcome based on the Group’s performance, are appropriately aligned with shareholder and stakeholder interests over the long term, and are sustainable.

Given the dynamic macroeconomic and social environment, the RemCo’s future focus (in collaboration with other Board Committees, such as the Social, Sustainability and Ethics Committee) will be on the following:

• Attracting and retaining top talent, scarce and critical skills, and mitigating the impact of macro issues on talent movement (including emigration) and availability, as an underpin to our Pan-African strategic ambition

• Fair and responsible remuneration in the context of the Group’s ESG strategy. This includes ensuring appropriate responses to emerging regulatory and best-practice disclosure requirements covering broader ESG and specific remuneration matters.

• Consistency of the evolution of the organisational health metrics in the short-term and long-term incentives.

• Ongoing evaluation of the impact of our evolving remuneration frameworks and their outcomes ensures that they remain locally relevant and competitive, and effectively balance the needs and interests of various stakeholders.

We are confident that our Remuneration Policy is now substantially fit for purpose. To remain market competitive (both in terms of our remuneration frameworks and remuneration outcomes), we will continue to identify opportunities to strengthen our frameworks and their implementation.

I am thankful to the RemCo for their efforts over the past few years in developing our remuneration framework, and making remuneration implementation decisions focused on our employees delivering the Group’s strategic ambitions, and aligned with the interests of our stakeholders.
Rounding value creation continued

Executive directors and prescribed officers: remuneration tables
Combined tables for 2022 total remuneration

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<tr>
<th>Executive directors</th>
<th>Arrie Rautenbach⁷</th>
<th>Jason Quinn</th>
<th>Daniel Mminele⁸</th>
<th>Peter Matlare⁹</th>
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<td>158 651</td>
<td>462 660</td>
<td>411 749</td>
<td>–</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>232 918</td>
<td>494 316</td>
<td>67 380</td>
<td>59 008</td>
<td>–</td>
</tr>
<tr>
<td>Total fixed remuneration</td>
<td>9 275 084</td>
<td>7 299 338</td>
<td>6 752 329</td>
<td>6 009 313</td>
<td>–</td>
</tr>
<tr>
<td>Non-deferred cash award¹</td>
<td>9 750 000</td>
<td>6 750 000</td>
<td>8 000 000</td>
<td>9 000 000</td>
<td>–</td>
</tr>
<tr>
<td>Deferred share award²</td>
<td>8 750 000</td>
<td>5 750 000</td>
<td>7 000 000</td>
<td>8 000 000</td>
<td>–</td>
</tr>
<tr>
<td>Total short-term incentive³</td>
<td>18 500 000</td>
<td>12 500 000</td>
<td>15 000 000</td>
<td>17 000 000</td>
<td>–</td>
</tr>
<tr>
<td>Face value of long-term incentive award (on-target award)⁴</td>
<td>17 000 000</td>
<td>17 000 000</td>
<td>13 000 000</td>
<td>12 500 000</td>
<td>–</td>
</tr>
<tr>
<td>Other payments⁵</td>
<td>–</td>
<td>2 007 617</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total awarded remuneration⁶</td>
<td>44 775 084</td>
<td>38 766 955</td>
<td>34 752 329</td>
<td>35 509 313</td>
<td>–</td>
</tr>
</tbody>
</table>

¹ This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.
² This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares (on 50% of the portion that exceeds R1m). Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022 performance.
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).
⁴ 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. This is the ‘on-target’ value of the award.
⁵ ‘Other payments’ reflect all payments made to Daniel Mminele on termination of employment (see note 8) and, for other executive directors and prescribed officers, the encashment of leave as a consequence of changes to our leave policy. For Peter Matlare, the payment was in respect of accrued leave to the date of his passing, excluding any death benefit due from Group benefit funds.
⁶ Total awarded remuneration for 2022 includes the fixed remuneration paid during 2022, the total short-term incentive in respect of prior year performance (comprising a cash award paid in March 2022 and a deferred share award granted in April 2023), and the face value of the long-term incentive to be granted in April 2023. Amounts disclosed in 2021 follow the same principle.
⁷ Arrie Rautenbach was appointed as Group Chief Executive and executive director on 29 March 2022, and was the Chief Executive: Retail and Business Banking and a prescribed officer prior to that. His total awarded remuneration for 2022 is disclosed in full in the executive director disclosures, for ease of reference. His 2021 total awarded remuneration was included in the prescribed officer table in the 2021 disclosures, and is included in this table for ease of comparison.
⁸ Daniel Mminele stepped down as an executive director on 20 April 2021 and ceased being an employee on 30 April 2021. All remuneration paid to him in 2021 was included in the 2021 disclosures. This included separation payments, contractual notice payments and leave payments which are shown as ‘Other payments’.
⁹ In light of the passing of Peter Matlare on 7 March 2021, his 2021 fixed remuneration was pro-rated for time in service.
### Executive directors and prescribed officers: remuneration tables

#### Combined tables for 2022 total remuneration

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>Arrie Rautenbach</th>
<th>Jason Quinn</th>
<th>Daniel Mminele</th>
<th>Peter Matlare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single-figure remuneration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2022</strong></td>
<td><strong>2021</strong></td>
<td><strong>2022</strong></td>
<td><strong>2021</strong></td>
<td><strong>2022</strong></td>
<td><strong>2021</strong></td>
</tr>
<tr>
<td>Salary</td>
<td>8 689 014</td>
<td>6 444 479</td>
<td>6 098 485</td>
<td>5 418 952</td>
<td>–</td>
</tr>
<tr>
<td>Medical aid</td>
<td>167 556</td>
<td>161 892</td>
<td>123 804</td>
<td>119 604</td>
<td>–</td>
</tr>
<tr>
<td>Retirement benefits</td>
<td>185 596</td>
<td>158 651</td>
<td>442 660</td>
<td>411 749</td>
<td>–</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>232 918</td>
<td>494 316</td>
<td>67 380</td>
<td>59 008</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total fixed remuneration</strong></td>
<td>9 275 084</td>
<td>7 299 338</td>
<td>6 752 329</td>
<td>6 009 313</td>
<td>–</td>
</tr>
<tr>
<td>Non-deferred cash award</td>
<td>9 750 000</td>
<td>6 750 000</td>
<td>8 000 000</td>
<td>9 000 000</td>
<td>–</td>
</tr>
<tr>
<td>Deferred share award</td>
<td>8 750 000</td>
<td>5 750 000</td>
<td>7 000 000</td>
<td>8 000 000</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total short-term incentive</strong></td>
<td>18 500 000</td>
<td>12 500 000</td>
<td>15 000 000</td>
<td>17 000 000</td>
<td>–</td>
</tr>
<tr>
<td>Value of vested long-term incentives</td>
<td>17 306 932</td>
<td>2 803 482</td>
<td>17 306 932</td>
<td>2 735 115</td>
<td>–</td>
</tr>
<tr>
<td>Dividend equivalents/service credits received on vesting awards</td>
<td>1 113 902</td>
<td>631 062</td>
<td>1 113 902</td>
<td>631 062</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total long-term incentive</strong></td>
<td>18 282 571</td>
<td>3 458 473</td>
<td>18 420 434</td>
<td>3 346 177</td>
<td>–</td>
</tr>
<tr>
<td>Other payments</td>
<td>–</td>
<td>2 007 617</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total single-figure remuneration</strong></td>
<td>46 057 655</td>
<td>25 225 428</td>
<td>40 172 763</td>
<td>26 355 490</td>
<td>–</td>
</tr>
</tbody>
</table>

---

1. This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.
2. This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022.
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).
4. The 2020 long-term incentive, which vests in respect of the performance period ending 31 December 2022, is included in the 2022 single-figure remuneration for executive directors and prescribed officers. The actual value of the vesting to accrue to each participant will be based on the share price on vesting date (in equal tranches on 18 March 2023, 2024 and 2025) and will include any dividend shares (based on dividends declared during the vesting period), and referenced to the number of shares that will vest following application of the performance target. For the purpose of the 2022 and 2021 disclosure, values are reported using the 31 December share price for the respective years, adjusted for the performance target outcomes, as the publication date of the Annual Financial Statements was before the vesting date in each instance. In light of the passing of Peter Matlare on 7 March 2021, the Board approved the payment in cash of the long-term incentive that was awarded to him (adjusted for performance measurement), as long-term awards would, in the normal course, be accelerated in the event of the death of a participant.
5. Other payments reflect all payments made to Daniel Mminele on termination of employment (see note 8) and for other executive directors and prescribed officers, the encashment of leave as a consequence of changes to our leave policy. For Peter Matlare, the payment is in respect of accrued leave to the date of his passing, excluding any death benefit due from Group benefit funds.
6. Total single figure remuneration includes, for each year respectively, the fixed remuneration paid during 2022 and 2021, short-term incentives in respect of 2021 and 2022 performance (consisting of a cash award paid in March 2022 and March 2021, and a deferred share award granted in April 2022 and April 2021), long-term incentive awards (consisting of the full value of vested long-term incentives, notwithstanding that this is released in three vesting tranches in 2023, 2024 and 2025, and dividend equivalents/service credits received on the vesting date) and payments reflected as ‘Other Payments’.
7. Arrie Rautenbach was appointed as Group Chief Executive and executive director on 29 March 2022, and was the Chief Executive: Retail and Business Banking and a prescribed officer prior to that. His single figure remuneration for 2022 is disclosed in full in the executive director disclosures, for ease of reference. His 2021 single figure remuneration was included in the prescribed officer table in the 2021 disclosures, and is reflected in this table for ease of comparison.
8. Daniel Mminele stepped down as an executive director on 20 April 2021 and ceased being an employee on 30 April 2021. All remuneration paid to him in 2021 was included in the 2021 disclosures. This included separation payments, contractual notice payments and leave payments which are shown as ‘Other Payments’.
9. In light of the passing of Peter Matlare on 7 March 2021, his 2021 fixed remuneration was pro-rated for time in service.
Rewarding value creation continued

### Executive directors and prescribed officers: remuneration tables continued

Combined tables for 2022 total remuneration continued

| Prescribed officers | Charles Russo | Punki Modise | Faisal Mkhize | Cowyk Fox | Geoffry Lea | Saviour Chibiya | Total |  |
|---------------------|---------------|--------------|--------------|-----------|-------------|--------------|-------|
| **Awarded remuneration** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Salary | R 5 763 388 | R 5 585 822 | R 1 624 045 | R 1 866 091 | R 2 543 235 | – | – |  |
| Medical aid | R 209 508 | R 202 428 | R 108 194 | R 156 811 | R 55 710 | – | – |  |
| Retirement benefits | R 192 301 | R 162 055 | R 137 037 | R 159 877 | R 196 992 | – | – |  |
| Other employee benefits | R 62 132 | R 59 008 | R 181 193 | R 210 403 | R 79 064 | – | – |  |
| Total fixed remuneration | R 6 227 329 | R 6 009 313 | R 2 050 469 | R 2 393 182 | R 2 875 000 | – | – |  |
| Non-deferred cash award | R 7 500 000 | R 6 750 000 | R 3 500 000 | R 5 500 000 | R 4 000 000 | – | – |  |
| Deferred share award | R 6 500 000 | R 5 750 000 | R 2 500 000 | R 4 500 000 | R 3 000 000 | – | – |  |
| Total short-term incentive | R 14 000 000 | R 12 500 000 | R 6 000 000 | R 10 000 000 | R 7 000 000 | – | – |  |
| Face value of long-term incentive award | R 11 000 000 | R 10 000 000 | R 8 000 000 | R 10 000 000 | R 8 500 000 | – | – |  |
| Other payments | – | – | – | – | – | R 816 546 | – |  |
| **Total awarded remuneration** | **31 227 329** | **28 509 313** | **16 050 469** | **23 209 728** | **18 375 000** | – | – | **18 476 559** |

---

1. This is the portion of the short-term incentive award that is subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.
2. This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022 performance.
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-related payments (pro-rated from appointment date, with short-term incentives and long-term incentives shown at full value).
4. As a result of the Board-approved changes to the Group operating model, four new prescribed officers were appointed on 1 July 2022. Their fixed remuneration has been pro-rated from appointment date, with short-term incentives and long-term incentives shown at full value.
5. ‘Other payments’ reflect the annuities of leave as a consequence of changes to our leave policy. See note 9 regarding Saviour Chibiya’s ‘Other payments’.
6. Total awarded remuneration for 2022 includes the fixed remuneration paid during 2022, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2023 and a deferred share award granted in April 2023), and the face value of the long-term incentive to be granted in April 2023. Amounts disclosed in 2021 follow the same principle. See notes 7 and 8 regarding the pro-rata of fixed remuneration for individuals who were not in their roles for the full year.
7. Saviour Chibiya was appointed as the interim Financial Director and executive director on 23 April 2021 until 28 March 2022. She was subsequently appointed as interim Chief Executive: Retail and Business Banking and prescribed officer from 29 March 2022 until 30 June 2022. Her remuneration disclosures for 2022 and the comparative 2021 disclosures are all set out in this table for ease of reference and comparison. Her fixed remuneration is pro-rated for the period served as an executive director and as a prescribed officer during each year, with the short-term incentive and long-term incentive shown at full value.
8. Saviour Chibiya’s expat benefit package has been included under ‘Other payments’.
### Executive directors and prescribed officers: remuneration tables

**Single-figure remuneration**

<table>
<thead>
<tr>
<th>Prescribed officers</th>
<th>Charles Russon</th>
<th>Punki Modise¹</th>
<th>Faisal Mkhize²</th>
<th>Cowzy Fox³</th>
<th>Geoffrey Lee⁴</th>
<th>Saviour Chibiya⁵</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single-figure remuneration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>R 5 763 888</td>
<td>R 5 585 822</td>
<td>R 1 624 045</td>
<td>R 1 866 091</td>
<td>R 2 543 235</td>
<td>–</td>
<td>R 2 478 656</td>
</tr>
<tr>
<td>Medical aid</td>
<td>R 209 508</td>
<td>R 202 428</td>
<td>R 108 194</td>
<td>R 156 811</td>
<td>R 55 710</td>
<td>–</td>
<td>R 104 754</td>
</tr>
<tr>
<td>Retirement benefits</td>
<td>R 192 301</td>
<td>R 162 055</td>
<td>R 137 037</td>
<td>R 159 877</td>
<td>R 196 991</td>
<td>–</td>
<td>R 99 769</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>R 62 332</td>
<td>R 59 008</td>
<td>R 181 193</td>
<td>R 210 403</td>
<td>–</td>
<td>R 79 064</td>
<td>R 293 380</td>
</tr>
<tr>
<td><strong>Total fixed remuneration</strong></td>
<td>R 6 227 329</td>
<td>R 6 009 313</td>
<td>R 2 050 469</td>
<td>R 2 393 182</td>
<td>R 2 875 000</td>
<td>–</td>
<td>R 2 976 559</td>
</tr>
<tr>
<td>Non-deferred cash award⁶</td>
<td>R 7 500 000</td>
<td>R 6 750 000</td>
<td>R 3 500 000</td>
<td>R 5 500 000</td>
<td>R 4 000 000</td>
<td>–</td>
<td>R 4 000 000</td>
</tr>
<tr>
<td>Deferred share award⁷</td>
<td>R 6 500 000</td>
<td>R 5 750 000</td>
<td>R 2 500 000</td>
<td>R 4 500 000</td>
<td>R 3 000 000</td>
<td>–</td>
<td>R 3 000 000</td>
</tr>
<tr>
<td><strong>Total short-term incentive⁸</strong></td>
<td>R 14 000 000</td>
<td>R 12 500 000</td>
<td>R 6 000 000</td>
<td>R 10 000 000</td>
<td>R 7 000 000</td>
<td>–</td>
<td>R 7 000 000</td>
</tr>
<tr>
<td>Value of vested long-term incentives</td>
<td>R 13 196 640</td>
<td>R 1 914 565</td>
<td>R 4 326 685</td>
<td>R 786 762</td>
<td>R 4 687 339</td>
<td>–</td>
<td>R 5 365 213</td>
</tr>
<tr>
<td>Dividend equivalents/service credits received on vesting awards</td>
<td>R 800 410</td>
<td>R 450 541</td>
<td>R 286 851</td>
<td>R 100 700</td>
<td>R 323 895</td>
<td>–</td>
<td>R 412 308</td>
</tr>
<tr>
<td><strong>Total long-term incentive⁹</strong></td>
<td>R 13 997 050</td>
<td>R 2 365 106</td>
<td>R 4 613 536</td>
<td>R 887 462</td>
<td>R 5 011 234</td>
<td>–</td>
<td>R 5 777 521</td>
</tr>
<tr>
<td>Other payments¹⁰</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>R 841 291</td>
</tr>
<tr>
<td><strong>Total single-figure remuneration¹¹</strong></td>
<td>R 34 224 379</td>
<td>R 20 874 419</td>
<td>R 12 664 005</td>
<td>R 14 097 190</td>
<td>R 14 886 234</td>
<td>–</td>
<td>R 15 754 080</td>
</tr>
</tbody>
</table>

¹ This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.

² This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022 performance.

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).

⁴ The 2020 long-term incentive, which vests in respect of the performance period ending 31 December 2022, is included in the 2022 single-figure remuneration for executive directors and prescribed officers. The actual value of the vesting to accrue to each participant will be based on the share price on vesting date (in equal tranches on 18 March 2023, 2024 and 2025 for Charles Russon, and on 18 March 2023 for Punki Modise, Faisal Mkhize, Cowzy Fox, Geoff Lee and Saviour Chibiya) and will include any dividend shares (based on dividends declared during the vesting period, and referenced to the number of shares that will vest following application of the performance targets). For the purpose of the 2022 and 2021 disclosure, values are reported using the 31 December share price for the respective years, as the publication date of the Annual Financial Statements was before the vesting date in each instance.

⁵ Other payments reflect the encashment of leave as a consequence of changes to our leave policy. See note 9 regarding Saviour Chibiya’s ‘Other payments’.

⁶ Total single-figure remuneration includes, for each year respectively, the fixed remuneration paid during 2022 and 2023, short-term incentives in respect of 2021 and 2022 performance (consisting of a cash award paid in March 2022 and March 2023, and a deferred share award granted in April 2022 and April 2023), and share awards granted in April 2022 and April 2023 (consisting of the value of vested long-term incentives and dividend equivalents/service credits received on the vesting dates) and payments reflected as ‘Other Payments’.

⁷ See notes 7 and 8 regarding the proration of fixed remuneration for individuals who were not in their roles for the full year.

⁸ Punki Modise was appointed as Interim Financial Director and executive director on 23 April 2021 until 28 March 2022. She was subsequently appointed as Interim Chief Executive: Retail and Business Banking and prescribed officer from 29 March 2022 until 30 June 2022. Her remuneration disclosures for 2022 and the comparative 2021 disclosures are all set out in this table for ease of reference and comparison. Her fixed remuneration is pro-rated for the period served as an executive director and a prescribed officer from 29 March 2022 until 30 June 2022. Her short-term incentives, the vesting value of her 2020 long-term incentive, and dividend equivalents and service credits are shown at full value.

⁹ Saviour Chibiya’s expatriate benefits have been included under ‘Other payments’.
Supplementary information

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Shareholder diary and information 118
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Basis of preparation and presentation

Integrated reporting scope and boundary

We aim to provide investors with a concise yet sufficiently informed view of the Group's strategy, governance, performance and prospects in the context of our operating environment, reporting on how value is created, protected or eroded over time.

The financial information reporting boundary is defined by control and significant influence over entities, as indicated in the diagram below. In some cases, environmental and social boundaries only encompass South African operations and are noted as such. Our integrated reporting boundary extends to the whole Group, which includes our ARO markets. Strategic and governance information encompasses South African operations and are noted as such.

Restatements and reporting methodologies

Changes to reportable segments and business portfolios

In the current period, Treasury revised its allocation methodology to better reflect the underlying performance of the relevant business units. This resulted in the restatement of operating expenses and net-interest income between, and within, segments, as part of the federation model to move cluster-specific costs into business. These resulted in adjustments to the related intercompany balances, thus impacting ‘other assets’ and ‘other liabilities’. The change resulted in the restatement of the business units’ financial results for comparative periods but has no impact on the overall financial position or net earnings of the Group. Refer to note 57 in the annual financial statements.

Metrics in the value over time table

Digitally active customers methodology

• Metrics for 2018 and 2019 include RBB SA only. In 2020 the metric was extended to include ARO RBB. Metrics for 2021 and 2022 include CIB Pan-Africa, RBB SA and ARO RBB. The methodology for calculating this metric considers activity within 90 or 30 days depending on the individual business segments preferred reporting methodology. The totals provided here do not adjust for the different methodologies.

Total procurement spend methodology

Total procurement spend for the Group (R22.2 billion) extracted from the procurement system, excludes spend with external entities not managed under procurement contracts including licensed financial service companies, regulated government utilities, introduces, joint ventures, and individual consultants and service workers.

Economic value to suppliers methodology

Economic value to suppliers (R18.6 billion) is derived from an IFRS financial value added statement reporting methodology.

Transactions screened for environmental and social impact

In previous integrated reports this metric also included commercial property transactions. The trend provided in this report only includes general transactions and Equator Principle transactions.

Branches methodology

The number of branches performance metric is made up of the total number of branches reported for SA and ARO. The number of branches reported for ARO includes only traditional branches (i.e., offering full service and sales onboarding supported by staff and/or devices), whereas the number of branches reported for SA further includes additional Sales and Services Outlets, namely Private Banking, Business Banking, and Wealth suites.

Regulatory fines and penalties

Post-year-end (January 2023) a regulatory fine and penalty was received to the value of R1.4 million which is not included in the R3.7 million disclosed in the value over time table. Also, the R3.7 million excludes fines and penalties from industry bodies and revenue authorities.

Normalised financial results

Given the process of separating from Barclays PLC, Absa Group has reported IFRS-compliant financial results as well as a normalised view. The latter adjusts for the consequences of the separation and better reflects its underlying performance. Normalisation adjusted for the following items: interest earned on the remaining capital invested; non-interest income; operating expenses mainly relating to the amortisation of intangible assets and depreciation; recovery of other operating expense and the tax impact of the aforementioned items. Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Reporting period and forward-looking statements

This report covers the period from 1 January 2022 to 31 December 2022. Notable or material events after 31 December 2022 and until the approval of this report on 23 March 2023 are included. Statements relating to future operations and the performance of the Group are not guarantees of future operating, financial or other results and involve uncertainty, as they are based on assumptions of future developments, some of which are beyond our control. Therefore, the results and outcomes may differ. Given continued levels of uncertainty, our approaches, planning, and stress testing exhibit a higher than usual level of uncertainty as to selected outlook and forward-looking statements. Shareholders should consider the full published reporting suite on www.absa.co.za as part of any investment decision.

Process disclosure and assurance approach

Approach to reporting processes

We apply a risk-based, combined assurance approach to the Group’s operations. Internal controls, management assurance, compliance, internal audit reviews, and the services of independent external assurance providers support the accuracy of the disclosures within our published reports. In line with their respective mandates, the Disclosure, Social, Sustainability and Ethics, Remuneration, Directors’ Affairs, Group Audit and Compliance, Information Technology, and Group Risk and Capital Management committees receive and recommend specific reports to the Board for approval. The Board takes final accountability for approving the Group’s external disclosures.

Our full reporting suite is available at www.absa.co.za/absaecofi/investor-relations/annual-reports/.

• PricewaterhouseCoopers Inc. and KPMG Inc. jointly audited our Absa 2022 annual financial statements. Note: this report contains certain information that has been extracted from the group’s audit annual financial statements (denoted as “EA” within our ‘value over time’ table), on which an unmodified audit opinion has been expressed by the group’s external auditors.

• PricewaterhouseCoopers Inc. conducted limited assurance on selected sustainability information as disclosed in 2022 Environmental, Social and Governance Report. The selected sustainability information has been denoted with an “L” within our value over time table.

• Empowerdex verified our B-BBEE rating. The scope and conclusions of these can be found on our website.

The Integrated Report

Process

We follow a formally documented, end-to-end integrated reporting process, tracked using a digital project management system. The process is audited by our Group Financial Control (1st line of defense), who check that functions, roles and responsibilities are running as documented and that the design and implementation of the process are effective. This is supported by an annual self-attestation from management confirming that the process is being adhered to and remains effective.

The first step of our integrated reporting process is our materiality determination process, which enables us to identify and report on matters that can significantly affect our ability to create or preserve value, or lead to value erosion, over the short, medium, and long term. The material matters identified through our materiality determination process are included in our Integrated Report and are reviewed and approved by ExCo and the Disclosure Committee.

As a further input into our integrated reporting process recommendations to improve the quality of our Integrated Report are put forward to the Disclosure Committee annually for discussion and approval. These recommendations are informed by a rigorous internal review of our Integrated Report against reporting best practice and disclosure trends. We also receive guidance from independent experts, such as EY and Deloitte, who provide insight into improving the quality and integrity of our Integrated Report.

Before we release our Integrated Report to our stakeholders, it is comprehensively reviewed by our ExCo and Board, supported by the Disclosure Committee. This year, we took steps to enhance the integrity of our Integrated Report by including internal assurance (3rd line of defense) on certain components of the report (explained on the next page).
Statement from our Group Chief Internal Auditor

Prabashni Naidoo
Group Chief Internal Auditor

It’s a privilege for Absa Internal Audit to present our inaugural assurance statement over Absa’s Integrated Report.

Absa Internal Audit’s (IAs) assurance in respect of the Group’s 2022 Integrated Report, included an assessment over management’s description of the processes performed in compiling and reviewing the Group’s Integrated Report page 109 and an assessment over the preparation and measurement over key performance metrics in accordance with management’s defined reporting criteria.

1 As approved by the Board for any given year.
2 Integrated Reporting Framework, IFRS.
3 Globally, professional bodies are investigating assurance opportunities for integrated reporting. Areas of development include defining the reporting criteria for certain principles that are not well defined to represent suitable criteria for an effective assurance engagement (including, for example, Completeness, Connectivity and Consequence). Other principles require significant auditor judgement (including, for example, Materiality and Strategic focus and future orientation).
4 Management’s defined reporting criteria is available on request.

Integrated assurance reporting

This year we initiated a multi-year assurance plan to enhance the integrity of our Integrated Report and reporting process. We believe that assurance strengthens the credibility of reporting, and helps improve internal information-gathering systems and processes, providing comfort to our key stakeholders. Our assurance journey (as depicted below) contains steps to develop a combined assurance approach that relies on shared oversight and responsibility for the assurance process by internal and external audit and assurance providers.

The scope of our assurance journey will cover four key components of our Integrated Report:
• The integrated reporting process described in the ‘Process’ section above,
• Self-determined performance metrics, which are reflected in our value over time table and contain key metrics from our Group strategic scorecard3;
• Content elements (as defined in the IR Framework)1 included in our Integrated Report.
• Select principles contained in the IR Framework.1

As part of year one (i.e., 2022), internal assurance over the Group’s 2022 Integrated Reporting process and selected performance metrics was provided by Absa Internal Audit (see below).

Internal Audit

Reporting process and business critical metrics

Context elements added to the scope

Principles added to the scope

Internal audit scope includes all four key components of our integrated report

External Audit

No other involvement beyond consideration of the use of financial information in other reports

Process and business critical metrics only

Content elements added to the scope

Principles added to the scope

2022

2023

2024

2025

2026

Combined Assurance

Integrated reporting assurance

We have conducted our engagement in line with the IA Methodology as well as drawing on the principles from the International Standards on Assurance Engagements, ISAE 3000 (Revised). For this purpose, IA partnered with a reputable international professional services firm in ensuring that the principles adopted are aligned with leading practices.

The key performance metrics in-scope as presented in the ‘value over time’ table pages 21 to 23, denoted as internally assured (IA) included:

<table>
<thead>
<tr>
<th>Category</th>
<th>Performance metric</th>
<th>Reporting boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural capital</td>
<td>Loan exposure to fossil fuels</td>
<td>Absa Group Limited</td>
</tr>
<tr>
<td></td>
<td>Transactions screened for environmental and social impacts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sustainable and loan financing</td>
<td>CIB, RB and Home Loans</td>
</tr>
<tr>
<td>Human capital</td>
<td>Management control – Employment equity</td>
<td>South Africa</td>
</tr>
<tr>
<td></td>
<td>KIC employees (SA only) (race equality)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee headcount</td>
<td>South Africa, ARO and Representative Offices</td>
</tr>
<tr>
<td></td>
<td>Economic value to employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Female-to-male ratio (gender equality)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Women in senior leadership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee headcount below the age of 40 (age neutrality)</td>
<td>South Africa and ARO</td>
</tr>
<tr>
<td></td>
<td>Retention of high-performing employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Absa Way Code of Ethics training completion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Turnover rate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Absenteeism rate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee experience index</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee training and development spend</td>
<td></td>
</tr>
</tbody>
</table>

Social and relationship capital

<table>
<thead>
<tr>
<th>Category</th>
<th>Performance metric</th>
<th>Reporting boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic value to government</td>
<td></td>
<td>Absa Group Limited</td>
</tr>
<tr>
<td>Economic value to investors</td>
<td></td>
<td>South Africa and ARO</td>
</tr>
<tr>
<td>Economic value to suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic value to communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory fines and penalties</td>
<td></td>
<td>South Africa and ARO</td>
</tr>
<tr>
<td>Total procurement spend1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer education participants1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client experience – CIB</td>
<td></td>
<td>CIB Pan-Africa</td>
</tr>
<tr>
<td>Customer experience</td>
<td></td>
<td>RIL, EIB, PSC, ARD RBB (Retail Banking and Business Banking)</td>
</tr>
<tr>
<td>Customer numbers</td>
<td></td>
<td>RIL, EIB, PSC, ARD RBB and CIB Pan-Africa</td>
</tr>
<tr>
<td>Treating customers fairly outcome score2</td>
<td></td>
<td>RIL, EIB and ARD RBB (Retail Banking and Business Banking)</td>
</tr>
<tr>
<td>Intellectual capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digitally active customers – total</td>
<td></td>
<td>RIL, EIB, PSC, ARD RBB and CIB Pan-Africa</td>
</tr>
<tr>
<td>Manufactured capital</td>
<td></td>
<td>South Africa and ARD</td>
</tr>
<tr>
<td>ATMs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branches</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Directors’ responsibility

The Disclosure Committee (the Committee) has been established by the Board of directors as a sub-committee of the Absa Group Audit and Compliance Committee (the AGACC). The purpose of the Committee is to assist the Board and various Board committees in considering the integrity, appropriateness and relevance of disclosures made in the Group’s Integrated Report on issues deemed material to the short-, medium- and long-term value creation of the Group. Accordingly, the Committee is responsible for:
• Reviewing management’s reporting controls and procedures to ensure that reporting reflects the execution of the Group’s strategy; and is integrated across all areas of the Group’s financial and ESG performance.
• Evaluating significant judgments and reporting decisions affecting the Integrated Report.

1 These performance metrics were not disclosed under the ‘value of time’ table, but included within ‘Our stakeholders’ needs and expectations’ section of the report.
2 These performance metrics were not disclosed under the ‘value of time’ table, but included within ‘The primary partner for our clients’ section of the report.
Basis of preparation and presentation continued

• Evaluating and providing guidance on whether the information contained in the Integrated Report discloses meets the following criteria, inter alia, information:
  • Is material to the ongoing sustainability of the Group, including relevant key risk and key performance indicators
  • Supports completeness, relevance, accuracy, and comparability (as applicable) with past performance and is forward-looking
  • Forms part of the response of the Group to the legitimate expectations of all stakeholders
  • Influences the stakeholder assessment(s) of the Group’s value creation and future ability to continue operations
  • Reflects the impact of the operating environment on the Group’s operations as well as the Group’s impact on the economic, social, and environmental spheres.

• Approving recommendations from management on processes for combined assurance over the Integrated Report and other specified external reports, to include but not be limited to, the scope of assurance activities level of assurance required, and as deemed appropriate, the selection of independent assurance providers

• Reviewing the summary findings raised in the Integrated Report from the assurance providers and management’s responses

• Comparing and assessing content in the Integrated Report to ensure that no conflicts or differences arise when compared to the financial results.

Internal Audit’s responsibility

As responsibility is to plan and perform this specific assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

We plan and perform the engagement to obtain specific assurance regarding whether the key performance metrics are free from material misstatement. Further, we comply with ethical requirements and planned and performed our assurance engagement with the aim of obtaining specific assurance regarding the key performance metrics in-scope of the engagement. We shall not be responsible for reporting on any performance metric events and transactions beyond the period covered by our assurance engagement.

Independence and quality control

IA adheres to the mandatory elements of the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IAI), including the Core Principles for the Professional Practice of Internal Auditing, the IIA Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (IAI Standards), and the definition of Internal Auditing.

Further, IA complies with Absa values and any other material Regulatory requirements as it pertains to Internal Audit. IA maintains an internal Quality Assurance (QA) function and a continuous improvement programme that covers all aspects of Internal Audit activity and continuously monitors its effectiveness to the IA Standards including documented policies and procedures regarding compliance with ethical requirements to the IIA Code of Ethics and applicable legal and regulatory requirements. The quality assurance and improvement programme receives oversight from the GACC.

Summary of work performed

Our evaluation included performing such procedures as we considered necessary which included:

• Procedures over management’s description of the processes performed:
  • Interviewing management to obtain an understanding of the process and information systems relevant to the reporting processes for the Integrated Report
  • Inspecting supporting documentation, approvals and minutes of meetings to confirm management’s description of the processes performed in compiling and reviewing the Integrated Report
  • Procedures over the preparation and measurement of key performance metrics:
    • Interviewing management to obtain an understanding of management’s definition criteria, process and information systems relevant to the key performance indicators
    • Assessing the processes to generate, collate, aggregate, validate and monitor the data used to prepare the key performance metrics for disclosure in the reports
    • Inspecting supporting documentation and performing sample testing on the underlying data for key performance metrics
    • Independently obtaining data from source systems and recalculating the key performance metrics
    • Performing procedures to verify whether the key performance metrics were monitored within the Group during the reporting period
  • Evaluating whether the key performance metric disclosures are consistent with our overall knowledge and experience of the Group and non-financial processes.

Conclusion

Based on procedures performed, IA confirms the following:

• The Integrated Report for the period ended 31 December 2022 is compiled and reviewed in accordance with management’s description of the reporting process

• The selected key performance metrics disclosed in the Integrated Report for the year ended 31 December 2022 are prepared and measured, in all material respects, in accordance with managements defined reporting criteria.

Where inaccuracies were identified, the Integrated Report was corrected and actions have been taken by management, or are underway to strengthen the controls over the reporting processes, with progress being tracked to completion.
Board committee details as at 31 December 2022 continued

**Directors’ Affairs Committee**

Assists the Board in establishing and maintaining appropriate corporate governance aligned with King IV, the corporate governance provisions of the Banks Act and other relevant regulations for the Group and material subsidiaries. This includes composition and continuity of the Board and its committees; the induction of new Board members; director training and skills development; director independence and directors’ conflicts and disclosures of interests; effectiveness evaluation of the Board and its committees; reviewing and proposing governing policies; monitoring the governing structures of subsidiary entities and considering matters of regulatory and reputational risk.

Members
- ID Alex Darko (Chairman)
- ID Francis Okomo-Okello
- ID Nonhlanhla Mjeli-Mncube
- ID René van Wyk
- ID Rose Kearny
- ID Sello Moloko
- ID Taseem Abdool-Samad

Attendees
- ED Arnie Rautenbach
- ED Jason Quinn

**Group Audit and Compliance Committee**

Is accountable for the annual financial statements, accounting policies and reports; and overseeing the quality and integrity of the Group’s integrated reporting. It is the primary forum for engagement with internal and external audit and operational risk. The committee monitors the Group’s internal control and compliance environment. The committee recommends the appointment of external auditors to the Board and shareholders.

Members
- ID Alex Darko
- ID Daisy Naidoo
- ID René van Wyk
- ID Swithin Munyantwali
- ID Taseem Abdool-Samad (Chairman)

Attendees
- ExCo Akash Singh
- ED Arnie Rautenbach
- ExCo Deon Raju
- ED Jason Quinn
- CIA Prabashni Naidoo

**Group Risk and Capital Management Committee**

Assists the Board in overseeing the risk, capital and liquidity management of the Group by reviewing and monitoring (i) the Group’s risk profile against its set risk appetite; (ii) its capital, funding and liquidity positions, including in terms of applicable regulations; and (iii) the implementation of the Enterprise Risk Management Framework and the eight principal risks defined therein. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital, funding and liquidity management in all relevant jurisdictions.

Members
- ED Arnie Rautenbach
- NED Fulvio Tonelli
- ED Jason Quinn
- ID John Cummins
- ID René van Wyk (Chairman)
- ID Sello Moloko
- ID Taseem Abdool-Samad

Attendees
- ExCo Akash Singh
- ExCo Deon Raju
- CIA Prabashni Naidoo

**Remuneration Committee**

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

Members
- ID Alex Darko
- ID Daisy Naidoo
- ID Itron Reinburg
- ID Rose Kearny (Chairman)
- ID Sello Moloko

Attendees
- ED Jason Quinn
- ED Arnie Rautenbach
- ExCo Thabo Mashaba

**Social, Sustainability and Ethics Committee**

Monitors key organisational health indicators relating to social and economic development; responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation; as well as the Group’s activities relating to its role in Africa’s growth and sustainability and the impact on the Group’s employees, customers, and environment. It applies the recommended practices and regulations as outlined in King IV and the Companies Act in executing its mandate.

Members
- ED Arnie Rautenbach
- ID Francis Okomo-Okello (Chairman)
- ID Itron Reinburg
- ID Nonhlanhla Mjeli-Mncube
- ID Rose Kearny
- ID Sello Moloko
- ID Swithin Munyantwali

Attendees
- ExCo Akash Singh
- ExCo Faisal Mkhize
- ExCo Saviour Chibya
- ExCo Charles Russon
- ExCo Punzi Modise
- ExCo Thabo Mashaba

**Information Technology Committee**

Assists the Board with effective oversight and governance of technology and information for Absa. King IV distinguishes between governance oversight of (i) the organisation’s information assets, and (ii) the technology infrastructure used to generate, process and store that information. The focus is on resilience and stability; architecture; data management; security (cyber and other); and digitisation.

Members
- ID Alex Darko (Chairman)
- ED Arnie Rautenbach
- NED Fulvio Tonelli
- ED Jason Quinn
- ID John Cummins
- ID Rose Kearny
- ExCo Wilhelm Krige

Attendees
- ExCo Akash Singh
- ExCo Charles Russon
- ExCo Cowyk Fox
- ExCo Deon Raju
- ExCo Geoff Lee
- CIA Prabashni Naidoo
Absa Group Limited Integrated Report 2022

**Board committee details as at 31 December 2022 continued**

### Board Finance Committee

Assists the Board in reviewing and approving certain levels of investment, outsourcing, acquisition and divestments within the committee’s mandate; considers and recommends to the Board the short-term and medium-term financial plan underpinning the Group strategy; and considers and finalises the profit commentary as it relates to the interim and year-end financial results. It also approves the publication of dividend declarations within the parameters determined by the Board.

**Members**
- NED: Fulvio Tonelli
- ID: Nonhlanhla Mjik-Mncube
  (Chairman)
- NED: René van Wyk

**Attendees**
- ED: Arrie Rautenbach
- ED: Jason Quinn

**Committee tenure**
- 0 – 3 years
- 4 – 6 years

### Group Credit Risk Committee

Considers and approves all significant exposures that exceed 10% of qualifying capital and reserves, including single-name exposures and key country and sovereign risk limits, with the credit risk appetite of the Group as approved by the Board from time to time. It also oversees credit risk and monitors industry, sector, and single-name concentration risks, trends and exposures.

**Members**
- ED: Arnie Rautenbach
- ExCo: Deon Raju
- ExCo: Cowyk Fox
- ExCo: Geoffrey Lee
- ED: Jason Quinn
- ID: John Cummins
- ID: Nonhlanhla Mjik-Mncube
- CCO: Rautie Nel
- ID: René van Wyk (Chairman)

**Committee tenure**
- 0 – 3 years
- 4 – 6 years

### Models Committee

The Models Committee is the designated committee tasked with reviewing Absa Group’s material models as required by the Prudential Authority.

**Members**
- ExCo: Charles Russon
- ExCo: Cowyk Fox
- ExCo: Deon Raju
- ExCo: Geoffrey Lee
- ED: Jason Quinn (Chairman)

**Committee tenure**
- 0 – 3 years
- 4 – 6 years

## Abbreviations and glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGM</td>
<td>Annual general meeting</td>
</tr>
<tr>
<td>AIC</td>
<td>African Indian Coloured</td>
</tr>
<tr>
<td>ANC</td>
<td>African National Congress</td>
</tr>
<tr>
<td>ARO</td>
<td>Absa Regional Operations</td>
</tr>
<tr>
<td>ATM</td>
<td>Automatic Teller Machine</td>
</tr>
<tr>
<td>AVAF</td>
<td>Absa vehicle and asset finance</td>
</tr>
<tr>
<td>AWS</td>
<td>Amazon Web Services</td>
</tr>
<tr>
<td>BASA</td>
<td>Banking Association of South Africa</td>
</tr>
<tr>
<td>B-BBEE</td>
<td>Broad-Based Black Economic Empowerment</td>
</tr>
<tr>
<td>BFC</td>
<td>Board Finance Committee</td>
</tr>
<tr>
<td>Bps</td>
<td>Basis points</td>
</tr>
<tr>
<td>CAF</td>
<td>Commercial Asset Finance</td>
</tr>
<tr>
<td>CET</td>
<td>Common Equity Tier 1 capital</td>
</tr>
<tr>
<td>CIB</td>
<td>Corporate and Investment Bank</td>
</tr>
<tr>
<td>CPF</td>
<td>Commercial Property Finance</td>
</tr>
<tr>
<td>CTI</td>
<td>Cost-to-income</td>
</tr>
<tr>
<td>DAC</td>
<td>Directors’ Affairs Committee</td>
</tr>
<tr>
<td>DTI</td>
<td>Diversity, transformation, and inclusion</td>
</tr>
<tr>
<td>EMEA</td>
<td>Europe, Middle East and Africa</td>
</tr>
<tr>
<td>ERMF</td>
<td>Enterprise Risk Management Framework</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, social and governance</td>
</tr>
<tr>
<td>ESMS</td>
<td>Environmental Social Management System</td>
</tr>
<tr>
<td>Financial capital</td>
<td>The pool of funds that is available to an organisation for use in the production of goods or the provision of services obtained through financing, such as debt, equity or grants, or generated through operations or investments.</td>
</tr>
<tr>
<td>GACC</td>
<td>Group Audit and Compliance Committee</td>
</tr>
<tr>
<td>GCRC</td>
<td>Group Credit Risk Committee</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GRCMC</td>
<td>Group Risk and Capital Management Committee</td>
</tr>
<tr>
<td>Human capital</td>
<td>People’s competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for an organisation’s governance framework, risk management approach, and ethical values, ability to understand, develop and implement an organisation’s strategy and loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.</td>
</tr>
<tr>
<td>IFCs</td>
<td>Internal financial controls</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>Intellectual capital</td>
<td>Organisational, knowledge-based intangibles, including Intellectual property, such as patents, copyrights, software, rights, and licences and “organisational capital” such as tacit knowledge, systems, procedures, and protocols.</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>ITC</td>
<td>Information Technology Committee</td>
</tr>
<tr>
<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
</tr>
<tr>
<td>LGBT+</td>
<td>Lesbian, gay, bisexual, transgender and many other gender and sexual identities</td>
</tr>
<tr>
<td>Manufactured capital</td>
<td>Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including buildings, equipment and infrastructure (such as roads, ports, bridges, and waste and water treatment plants).</td>
</tr>
<tr>
<td>MC</td>
<td>Models Committee</td>
</tr>
<tr>
<td>MEST</td>
<td>Meltwater Entrepreneurial School of Technology</td>
</tr>
<tr>
<td>Natural capital</td>
<td>All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. It includes air, water, land, minerals and forests, biodiversity and ecosystem health.</td>
</tr>
<tr>
<td>NIR</td>
<td>Non-Interest Revenue</td>
</tr>
<tr>
<td>NPS</td>
<td>Net promoter score</td>
</tr>
<tr>
<td>PA</td>
<td>Prudential Authority</td>
</tr>
<tr>
<td>POPIA</td>
<td>Protection of Personal Information Act</td>
</tr>
<tr>
<td>PoS</td>
<td>Point-of-sale</td>
</tr>
<tr>
<td>PRB</td>
<td>Principles for Responsible Banking</td>
</tr>
<tr>
<td>PSC</td>
<td>Product Solutions Cluster</td>
</tr>
<tr>
<td>QR</td>
<td>Quick Response</td>
</tr>
<tr>
<td>RB</td>
<td>Relationship Banking</td>
</tr>
<tr>
<td>RBB</td>
<td>Retail and Business Banking</td>
</tr>
<tr>
<td>REIPP</td>
<td>Renewable Energy Independent Power Producer Procurement</td>
</tr>
<tr>
<td>RemCo</td>
<td>Remuneration Committee</td>
</tr>
<tr>
<td>RICM</td>
<td>Risk and Issue Classification Matrix</td>
</tr>
<tr>
<td>RMCP</td>
<td>Risk Management and Compliance Programme</td>
</tr>
<tr>
<td>RoE</td>
<td>Return on equity</td>
</tr>
<tr>
<td>ROI</td>
<td>Return on interest</td>
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</tbody>
</table>
Shareholder diary and information

Shareholder diary

<table>
<thead>
<tr>
<th>Financial year end</th>
<th>31 December 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual General Meeting¹</td>
<td>2 June 2023</td>
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<tr>
<td>Dividend declaration date</td>
<td>13 March 2023</td>
</tr>
<tr>
<td>Last day to trade</td>
<td>18 April 2023</td>
</tr>
<tr>
<td>Ex-dividend date</td>
<td>19 April 2023</td>
</tr>
<tr>
<td>Record date</td>
<td>21 April 2023</td>
</tr>
<tr>
<td>Payment date</td>
<td>24 April 2023</td>
</tr>
</tbody>
</table>

¹ Subject to change.

Abbreviations and glossary continued

SA South Africa
SFIF Sustainable Finance Issuance Framework
Six capitals The capitals identified by the International Integrated Reporting Framework, 2021 are: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. Together they represent stores of value that are the basis of an organisation’s value creation.
SME Small and medium-sized enterprises
Social and relationship capital The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective wellbeing. Social and relationship capital includes shared norms, and common values and behaviours; key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders, intangibles associated with the brand and reputation that an organisation has developed and an organisation’s social licence to operate.
SSEC Social, Sustainability and Ethics Committee
STI Short-term incentive
TCF Treating customers fairly
UK United Kingdom
US United States
USSD Unstructured Supplementary Service Data
VAF Vehicle and Asset Finance

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