<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability review</td>
<td></td>
</tr>
<tr>
<td>Integrated sustainability reporting</td>
<td>3</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>5</td>
</tr>
<tr>
<td>Key performance indicators</td>
<td>9</td>
</tr>
<tr>
<td>Customer relations</td>
<td>13</td>
</tr>
<tr>
<td>Human resources</td>
<td>22</td>
</tr>
<tr>
<td>Investment in communities</td>
<td>(Corporate Social Investment)</td>
</tr>
<tr>
<td>Absa Group sponsorships</td>
<td>38</td>
</tr>
<tr>
<td>Environmental sustainability report</td>
<td>40</td>
</tr>
</tbody>
</table>

*Information available on CD supplied.*
Integrated sustainability reporting

**Introduction**

Absa uses the Global Reporting Initiative (GRI) guidelines on economic, environmental and social performance (collectively referred to as the triple bottom-line) as a benchmark for the Group’s sustainability reporting.

Absa has voluntarily aligned its reporting with the GRI standards, which represent the most advanced international standard for sustainability reporting. According to the GRI, the goal of sustainable development is to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Absa is firmly committed to advancing the principles and practice of sustainable development. Absa’s sustainability review for the year ended 31 December 2009 can be found on the compact disk accompanying this annual report.

The Group has sought external advice about how to enhance its overall approach to sustainable development. One outcome of this will be formulating an independent assurance review process.

**Black economic empowerment: Codes of Good Practice**

Absa is aware of the role it has to play in growing the economy, and has developed a BEE strategy that supports the transformation objectives of the country. Absa is measured under the generic scorecard in terms of the Department of Trade and Industry’s (DTI) Codes of Good Practice on BEE (the official standard for measuring transformation within South Africa). The Group currently qualifies as BEE compliant at Level 4. Absa’s intent is to achieve a Level 3 BEE recognition status by 2011.

The table below demonstrates Absa’s empowerment status as at 31 December 2009:

<table>
<thead>
<tr>
<th>Element</th>
<th>DTI target up to 2012</th>
<th>Actual CoGP – 2008 (Verified)</th>
<th>Actual CoGP – 2009 (Verified)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maximum points to be earned</td>
<td>Points earned</td>
<td>Points earned</td>
</tr>
<tr>
<td>Ownership</td>
<td>23</td>
<td>14,04</td>
<td>8,79</td>
</tr>
<tr>
<td>Management control</td>
<td>11</td>
<td>7,6</td>
<td>5,58</td>
</tr>
<tr>
<td>Employment equity</td>
<td>18</td>
<td>8,54</td>
<td>9,24</td>
</tr>
<tr>
<td>Skills development</td>
<td>15</td>
<td>8,16</td>
<td>10,52</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>20</td>
<td>13,71</td>
<td>15,42</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>15</td>
<td>14,31</td>
<td>15</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total points</strong></td>
<td><strong>107</strong></td>
<td><strong>71,36</strong></td>
<td><strong>69,55</strong></td>
</tr>
</tbody>
</table>

Rating/Level: Level 4
Integrated sustainability reporting

JSE Socially Responsible Investment (SRI) Index

Absa was one of 30 JSE-listed organisations to be awarded a ‘Best Performer’ certificate in the 2009 JSE Socially Responsible Investment (SRI) Index survey. The Group was one of only 10 listed companies in the index to be recognised as a ‘Best Performer’ for three consecutive years.

Stakeholder communications and relationships

Policies

Absa has various policies in place to govern communications, relationships and conduct with its stakeholders. These policies balance the diverse needs and expectations of the Group’s stakeholders and ensure that Absa engages with them in a fair and transparent manner.

Absa’s stakeholders include shareholders, employees, customers, the community, government and regulators, and various suppliers and service providers. Absa reports on the nature and extent of its social transformation, ethical, safety (including HIV/AIDS) and environmental policies and practices.

Disclosure to shareholders and investors

Absa recognises the importance of full, equal and timely disclosure to all shareholders as prescribed by the JSE Listings Requirements. Apart from annual and interim reports, Absa communicates with shareholders using a broad range of channels, including the Securities Exchange News Service (SENS), print, radio and television media and the Absa website.

Absa’s Investor Relations department is responsible for communicating with shareholders and the investor community. It maintains regular contact with domestic and international institutional shareholders, fund and asset managers, and analysts through a comprehensive investor relations programme. The programme includes meetings with executive management, investor road shows, presentations to the investor community, and liaison with private shareholders.

Annual general meeting

The Group encourages shareholders to attend the annual general meetings, where shareholders have opportunities to take part in discussions and raise relevant issues with the directors. Explanatory notes detailing the effects of all proposed resolutions accompany the notice of each meeting.

The chairmen of the board-appointed committees attend annual and other general meetings to respond to questions from shareholders. Shareholders’ meetings are conducted on the basis of a poll. The results of shareholders’ meetings are posted on SENS. Shareholders also have access to the minutes of meetings in line with the provisions of the Companies Act.

Democracy Support Programme

Absa is a committed supporter of multiparty democracy in South Africa and supports good governance and healthy competition of ideas in the country’s policy-making environment through the Democracy Support Programme.

The board annually approves the policy and budget for the Democracy Support Programme. A total of R2,56 million was granted to qualifying political parties through this programme in 2009. About R2,6 million was disbursed in 2008 and R2,4 million was distributed through the programme in 2007.

Selecting qualifying parties

Parties that receive funding from the Democracy Support Programme are chosen using verified provisions from the Independent Electoral Commission. To qualify for the programme, political parties must be registered in terms of section 15 of the Electoral Commission Act, No 57 of 1996, and must have parliamentary representation. Absa gives donations to national offices of all political parties who have three or more seats in Parliament. All democracy support donations are publicly declared.

Funds allocated to qualifying political parties are donated at the beginning of each calendar year. In an election year, funding is granted only after the election in the interests of impartiality and inclusiveness. This policy is reviewed by the board as and when required.
Stakeholder engagement

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Mechanisms and channels of engagement</th>
<th>Feedback</th>
</tr>
</thead>
</table>
| Shareholders      | General communication with shareholders is undertaken via:  
|                   | - The Group’s annual report;  
|                   | - Absa’s website (www.absa.co.za);  
|                   | - media releases;  
|                   | - television;  
|                   | - results and dividend announcements;  
|                   | - conferences and road shows;  
|                   | - Absa’s annual general meeting; and  
|                   | - the JSE Limited’s Stock Exchange News Service (SENS).  
|                   | Shareholder queries are dealt with one-on-one by senior management in the Group, Group Secretariat and Group Investor Relations. Additional information for the investor community is provided through:  
|                   | - one-on-one meetings and conference calls with executive management;  
|                   | - road shows, investor conferences and conference calls; and  
|                   | - financial and subject-specific presentations.  
|                   | Core topics included:  
|                   | - an overview of how Absa found the operating environment and the impact it had on business;  
|                   | - an understanding of the Group’s strategy, especially related to Africa;  
|                   | - an understanding of the sectors available for growth in Absa;  
|                   | - an interest in Absa management changes and make-up;  
|                   | - the impact of regulatory changes to Absa’s balance sheet and capital levels;  
|                   | - the sustainability of cost-cutting measures; and  
|                   | - the sustainability of the investment bank’s growth.  
| Analysts          |                                       |          |
| Investors         |                                       |          |
| Rating agencies   |                                       |          |
| Customers         | Absa uses various mechanisms and channels to continuously engage with customers, to ensure that the Group is truly customer-centric in all its business operations. Normal business interaction mechanisms include:  
|                   | - points of presence (sales and service employees);  
|                   | - personal bankers;  
|                   | - private bankers;  
|                   | - relationship managers and financial advisers;  
|                   | - self-service centres and ATMs;  
|                   | - Internet banking feedback facility;  
|                   | - customer call centres (including Action Line);  
|                   | - customer focus groups;  
|                   | - marketing and advertising;  
|                   | - media releases; and  
|                   | - Absa’s Internet site (www.absa.co.za).  
|                   | To understand the dynamics of the market in terms of actual and potential size, growth, trends, developments, threats, opportunities and key success factors, the Group undertakes market research.  
|                   | The Group also continuously undertakes customer analysis to evaluate the effect of Absa’s marketing activities and those of competitors. This is done to understand customer behaviour and perceptions. Various projects have been undertaken in specific market segments to understand existing customer behaviour, purchase decisions, drivers and detractors and unmet needs.  
|                   | In addition to this, the Group has an automated complaints management system providing access to all employees to log complaints to ensure that customers receive fair and just treatment. All complaints not resolved or handled satisfactorily are logged onto the system and escalated to a dedicated central help desk focusing on the resolution of customer complaints. The help desk facilitates the process of resolution and manages the customer experience during the resolution process.  
|                   | Core topics included:  
|                   | - enhancing the Group’s service levels to customers;  
|                   | - infrastructure availability;  
|                   | - turnaround times;  
|                   | - customer recognition;  
|                   | - consumer indebtedness;  
|                   | - brand awareness;  
|                   | - brand strength;  
|                   | - image perceptions;  
|                   | - customer expectations and needs;  
|                   | - customer frustrations (dislikes); and  
|                   | - communication/advertising effectiveness.  
| Consumers (potential customers) | | |
### Stakeholder engagement

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Mechanisms and channels of engagement</th>
<th>Feedback</th>
</tr>
</thead>
</table>
| Employees         | A variety of broad-based communication media are used to continuously engage with staff, including:  
- Absa’s intranet site, which provides employees with online access to information;  
- a contact centre providing an email and telephonic contact point regarding employee issues;  
- face-to-face representation per business unit;  
- television broadcasts;  
- an employee magazine;  
- email; and  
- a communication champion network. | Absa participates in an employee opinion survey (EOS), which is designed and administered by International Survey Research and is used by many major global organisations. Absa’s participation allows the Group to benchmark the perceptions and overall satisfaction of its employees against some of the world’s leading organisations. The EOS is undertaken annually to ensure insight into employee satisfaction and whether leadership actions have had the desired impact.  
Absa has an extensive communication system in place to ensure that meaningful, transparent information reaches employees in a timely fashion.  
Core areas pertaining to the EOS survey were as follows:  
- Business unit leadership.  
- Customer focus.  
- Employee engagement.  
- Corporate responsibility.  
80% of Absa’s employees participated in the survey in 2009. |
| The community     | Obtaining and understanding of the socio-economic needs and expectations of the South African community is achieved through a two-way communication process.  
Communication mechanisms include:  
- personal interactions;  
- community forums;  
- community-related events;  
- Absa CSI stakeholder open day;  
- partnership announcements and dialogue sessions;  
- Specialised publications;  
- Community newspapers;  
- Absa’s annual report;  
- exhibitions; and  
- Absa’s website (www.absa.co.za). | Absa obtains feedback from the community with regard to funding needs and the likely impact of this funding. Absa strongly believes in partnerships to engage with the communities in which it operates. Through a provincial network of consultants, Absa engages directly with community members through formal and informal meetings on national developmental priorities and local community needs. Identification of these needs enables grant funding to impact on the area identified.  
Core focus areas of involvement included:  
- early childhood development (ECD) in partnership with training organisations who offer accredited training to community-based ECD practitioners;  
- mathematics, science and technology education, specifically the training of educators with the intention of upgrading their qualification levels and thereby providing them with an increased ability to teach their subject matter;  
- entrepreneurship development and job creation by engaging disadvantaged and developing communities in sustainable job creation activities and promoting a culture of entrepreneurship; and  
- community-based HIV and Aids interventions committed to improving the quality of life, and building the capacity of the community to care for those affected and infected. |
<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Mechanisms and channels of engagement</th>
<th>Feedback</th>
</tr>
</thead>
</table>
| Suppliers and other resource providers    | Absa Group Sourcing has established formal communication mechanisms with Absa’s suppliers. Keeping these suppliers informed and updated is part of Absa’s partnership approach. A quarterly electronic newsletter is sent to suppliers. A supplier Internet site has been set up to communicate Absa’s ethics, policies and procedures pertaining to suppliers. The website is also used to inform current and prospective suppliers of the Absa sourcing calendar. In addition to this, it offers tools such as a BBBEE self-assessment toolkit to assist suppliers as well as the Supply Chain Corporate Responsibility (SCCR) questionnaire. | The Group issues a supply chain corporate responsibility questionnaire as part of the tender process for all medium- and high-risk categories. All of the Group’s key suppliers are required to complete a questionnaire on an annual basis. The questionnaire was updated during 2008, in conjunction with other members of the Chartered Institute of Purchasing and Supply (CIPS) financial services purchasing forum. In addition, a dedicated supplier share call number is available for suppliers to contact Absa directly, as well as for complaints handling. Core topics included:  
  ■ health and safety;  
  ■ environment;  
  ■ labour standards;  
  ■ equality and diversity;  
  ■ service excellence;  
  ■ business integrity;  
  ■ supply chain sustainability; and  
  ■ business continuity. |
Stakeholder engagement

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Mechanisms and channels of engagement</th>
<th>Feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governments</strong></td>
<td>At a business level:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ The Absa process consists of a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>multi-business-unit delivery matrix</td>
<td></td>
</tr>
<tr>
<td></td>
<td>enabling networking structures at</td>
<td></td>
</tr>
<tr>
<td></td>
<td>various levels in the Group.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Supporting this process is a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>dedicated provincial and local</td>
<td></td>
</tr>
<tr>
<td></td>
<td>banking presence, as well as access</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Absa’s provincial leadership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and decision-making structures.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At a community level:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Through a provincial network of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>consultants, Absa engages directly</td>
<td></td>
</tr>
<tr>
<td></td>
<td>with the government through formal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and informal meetings on national</td>
<td></td>
</tr>
<tr>
<td></td>
<td>developmental priorities and local</td>
<td></td>
</tr>
<tr>
<td></td>
<td>community needs. It is important</td>
<td></td>
</tr>
<tr>
<td></td>
<td>that open and regular dialogue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>takes place across all spheres of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>government, not only to share</td>
<td></td>
</tr>
<tr>
<td></td>
<td>information but to use government</td>
<td></td>
</tr>
<tr>
<td></td>
<td>strategy to inform and, where</td>
<td></td>
</tr>
<tr>
<td></td>
<td>possible, create synergy between</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Absa and government programmes.</td>
<td></td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
<td>Dialogue with regulators takes the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>form of briefing sessions and one-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>on-one interactions with the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>relevant management and executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>management in the Group.</td>
<td></td>
</tr>
</tbody>
</table>

The central communication platform is face-to-face interactions at various events, dialogue sessions and meetings.

Core topics included:

- education;
- skills development and shortages;
- human security;
- infrastructure;
- small medium business development;
- crime;
- health;
- support of Africa and globalisation;
- growing the first economy, reducing the second economy;
- preparing for climate change and conserving the environment; and
- government priorities and legislative requirements.
Economic indicators

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added (Net interest income plus other income, less operational expenditure) (Rm)</td>
<td>22 144</td>
<td>27 909</td>
<td>25 165</td>
</tr>
<tr>
<td>Value allocated to ordinary shareholders (cash dividends) (Rm)</td>
<td>3 800</td>
<td>3 974</td>
<td>3 401</td>
</tr>
<tr>
<td>Attributable earnings five-year compounded annual growth (%)</td>
<td>4.8%</td>
<td>18.6%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Headline earnings (Rm) (refer to graph below)</td>
<td>7 621</td>
<td>9 965</td>
<td>9 413</td>
</tr>
<tr>
<td>Net asset value per share (cents)</td>
<td>7 038</td>
<td>6 998</td>
<td>5 537</td>
</tr>
<tr>
<td>Net interest income (Rm)</td>
<td>21 854</td>
<td>22 106</td>
<td>18 890</td>
</tr>
<tr>
<td>Non-interest income as a percentage of top-line income (%) (refer to graph below)</td>
<td>48.1%</td>
<td>48.5%</td>
<td>47.0%</td>
</tr>
<tr>
<td>Impairment losses ratio (%)</td>
<td>1.74%</td>
<td>1.19%</td>
<td>0.58%</td>
</tr>
<tr>
<td>Cost-to-income ratio (%)</td>
<td>49.6%</td>
<td>49.2%</td>
<td>51.7%</td>
</tr>
<tr>
<td>Return on average equity (RoE) (%)</td>
<td>15.5%</td>
<td>23.4%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Return on average economical capital (EC) (%)</td>
<td>18.2%</td>
<td>24.0%</td>
<td>n/a</td>
</tr>
<tr>
<td>Total shareholder return (%)</td>
<td>23.9%</td>
<td>5.7%</td>
<td>(6.8%)</td>
</tr>
<tr>
<td>Capital adequacy – Absa Bank (%)</td>
<td>14.7%</td>
<td>14.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Capital adequacy – Absa Group (%)</td>
<td>15.6%</td>
<td>14.1%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

Headline earnings

Objective: The Group aims to achieve a compounded annual growth rate of 15% over 5 years.

Headline earnings (Rm)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6 282</td>
<td>7 872</td>
<td>9 413</td>
<td>9 965</td>
<td>7 621</td>
</tr>
<tr>
<td>%</td>
<td>16.5%</td>
<td>25.3%</td>
<td>19.6%</td>
<td>5.9%</td>
<td>(23.5%)</td>
</tr>
</tbody>
</table>

Notes

1 Excluding impairment losses on loans and advances.
2 Pro forma figures (twelve months).
3 December 2008 comparative has been restated.

Non-interest income

Objective: The Group aims to maintain non-interest income at approximately 50% of top-line income.

Non-interest income as % of operating income (%)\(^1\)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53.8%</td>
<td>50.2%</td>
<td>47.9%</td>
<td>48.5%</td>
<td>48.1%</td>
</tr>
</tbody>
</table>

Notes

1 Excluding impairment losses on loans and advances.
2 Pro forma figures (twelve months).
3 December 2008 comparative has been restated.
<table>
<thead>
<tr>
<th>Customers</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer base (million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>11,0</td>
<td>10,0</td>
<td>9,0</td>
</tr>
<tr>
<td>Africa</td>
<td>0,7</td>
<td>0,7</td>
<td>0,6</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction measure</td>
<td>44</td>
<td>49</td>
<td>44</td>
</tr>
<tr>
<td>Customer advocacy (NPS)</td>
<td>18</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Complaints as a percentage of customer base (South Africa) (%)</td>
<td>0,0</td>
<td>0,1</td>
<td>0,1</td>
</tr>
<tr>
<td>Percentage of complaints resolved at first point of contact (%)</td>
<td>54</td>
<td>40</td>
<td>17</td>
</tr>
<tr>
<td>Average number of days taken to resolve complaints</td>
<td>3,00</td>
<td>2,68</td>
<td>4,00</td>
</tr>
<tr>
<td>Access</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outlets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>929</td>
<td>975</td>
<td>892</td>
</tr>
<tr>
<td>Africa</td>
<td>133</td>
<td>217</td>
<td>119</td>
</tr>
<tr>
<td>Self-service terminals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>8 662</td>
<td>8 840</td>
<td>8 324</td>
</tr>
<tr>
<td>Africa</td>
<td>283</td>
<td>264</td>
<td>200</td>
</tr>
<tr>
<td>Internet banking users (SA)</td>
<td>1 005 165</td>
<td>908 444</td>
<td>797 245</td>
</tr>
<tr>
<td>Cellphone banking users (SA)</td>
<td>1 670 401</td>
<td>708 646</td>
<td>409 129</td>
</tr>
<tr>
<td>Telephone banking users (SA)</td>
<td>150 183</td>
<td>688 907</td>
<td>653 253</td>
</tr>
<tr>
<td>NotifyMe users (SA)</td>
<td>5 116 320</td>
<td>3 755 157</td>
<td>1 789 903</td>
</tr>
<tr>
<td>Entry-level/mass market banking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share of savings accounts (individuals) (%)</td>
<td>56,5</td>
<td>55,4</td>
<td>47,6</td>
</tr>
<tr>
<td>Percentage of customer base classified as a mass market customer (%)</td>
<td>55,7</td>
<td>54,5</td>
<td>54,7</td>
</tr>
<tr>
<td>Access to financial services for low-income social groups</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(These numbers reflect active accounts only. The numbers for 2008 and 2007 have been adjusted accordingly.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Mzansi accounts</td>
<td>763 715</td>
<td>615 688</td>
<td>541 340</td>
</tr>
<tr>
<td>Number of Sekulula accounts</td>
<td>920 100</td>
<td>818 100</td>
<td>720 125</td>
</tr>
<tr>
<td>Number of Flexi savings accounts</td>
<td>4 543 826</td>
<td>3 875 398</td>
<td>3 622 710</td>
</tr>
<tr>
<td>Number of Club accounts</td>
<td>40 536</td>
<td>27 155</td>
<td>19 811</td>
</tr>
<tr>
<td>Small business entities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of small business customers as a percentage of total customers (SA) (%)</td>
<td>4,3</td>
<td>4,7</td>
<td>5,0</td>
</tr>
<tr>
<td>Transformation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of black customers (%)</td>
<td>63,5</td>
<td>61,4</td>
<td>58,5</td>
</tr>
<tr>
<td>Percentage of female customers (%)</td>
<td>50,1</td>
<td>49,5</td>
<td>49,2</td>
</tr>
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</table>
### Employees

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value allocated to employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs (Rm)</td>
<td>10 806</td>
<td>11 525</td>
<td>9 944</td>
</tr>
<tr>
<td><strong>Employee statistics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td>36 150</td>
<td>37 828</td>
<td>36 893</td>
</tr>
<tr>
<td>Employee turnover (%)</td>
<td>12.3</td>
<td>15.4</td>
<td>13.8</td>
</tr>
<tr>
<td>Absentee rate (%)</td>
<td>1.78</td>
<td>1.83</td>
<td>1.74</td>
</tr>
<tr>
<td>Staff resignations with less than one year of service as a percentage of appointments for the year (%)</td>
<td>13.60</td>
<td>6.94</td>
<td>6.63</td>
</tr>
<tr>
<td>Disabling injury frequency rate (%)</td>
<td>0.49</td>
<td>0.64</td>
<td>0.59</td>
</tr>
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</table>

### Health and safety

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injuries</td>
<td>164</td>
<td>227</td>
<td>199</td>
</tr>
<tr>
<td>Lost days</td>
<td>734</td>
<td>869</td>
<td>670</td>
</tr>
</tbody>
</table>

### Employment equity and transformation

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of black employees (%)</td>
<td>61.7</td>
<td>61.1</td>
<td>58.8</td>
</tr>
<tr>
<td>Percentage of female employees (%)</td>
<td>65.5</td>
<td>65.5</td>
<td>65.7</td>
</tr>
<tr>
<td>Percentage of disabled employees (%)</td>
<td>0.9</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

### Community

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group-wide corporate social investment spend (Rm)</td>
<td>73.5</td>
<td>76.8</td>
<td>60.9</td>
</tr>
<tr>
<td>Corporate Care Check rating</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>2nd</td>
<td>2nd</td>
<td>2nd</td>
</tr>
<tr>
<td>Financial services</td>
<td>1st</td>
<td>1st</td>
<td>1st</td>
</tr>
</tbody>
</table>

### Governments and regulators

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value allocated to government (South African tax)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct tax (Rm)</td>
<td>2 340</td>
<td>3 974</td>
<td>4 052</td>
</tr>
<tr>
<td>Indirect tax (Rm)</td>
<td>913</td>
<td>724</td>
<td>709</td>
</tr>
</tbody>
</table>

### Other statistics

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political donations made (Rm)</td>
<td>2.6</td>
<td>2.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Number of provincial government cheque account business held</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Number of metropolitan municipalities’ cheque account business held</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
## Environment

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumption statistics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diesel usage (litres) 129,557</td>
<td>738,461,0</td>
<td>Not reported</td>
</tr>
<tr>
<td>Paper consumption (excluding African operations and subsidiaries) (tonnes) 2,377,0</td>
<td>3,160,0</td>
<td>Not reported</td>
</tr>
<tr>
<td>Paper recycled (excluding African operations and subsidiaries) (tonnes) 917,0</td>
<td>848,0</td>
<td>Not reported</td>
</tr>
<tr>
<td>Environmental management system implemented compliant</td>
<td>ISO14001 compliant</td>
<td>ISO14001 compliant</td>
</tr>
<tr>
<td>Compliance with Equator Principles Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Corporate finance transactions subjected to the Equator Principles:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of transactions 12</td>
<td>5</td>
<td>Not reported</td>
</tr>
<tr>
<td>Monetary value of transactions (Rm) 4,252</td>
<td>6,674</td>
<td>Not reported</td>
</tr>
</tbody>
</table>

## Brand and reputation

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical policy in existence and reviewed annually Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Governance and compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with King II Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Compliance with King III In progress</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Inclusion in sustainability indices:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSE SRI Index —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transformation and BEE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Sector Charter rating n/a</td>
<td>94,13</td>
<td>92,53</td>
</tr>
<tr>
<td>BEE Codes of Good Practice rating 69,55</td>
<td>71,36</td>
<td>63,40</td>
</tr>
</tbody>
</table>

**Note**

(1) A program is being put into place to comprehensive and accurately measure the Group’s carbon footprint. During 2009, a number of proactive steps were undertaken to reduce the Group’s carbon footprint.
Customer relations

Introduction
The Absa Group regards its customers as key to the Group’s success as a leading financial services company. This view is embodied in two themes in the Group’s new ‘One Absa’ strategy:
- To be a simple, streamlined Group for better customer delivery;
- To be a customer- and people-centred organisation.

Overview of 2009
During the year under review, the Group succeeded in growing its client base and offering innovative and appropriate products and services while coping with the economic downturn.

Some of the highlights of 2009 that are detailed in this section are:
- Over one million new customers;
- Improved customer service: Absa improved its overall position from 36th to 13th in the annual customer service benchmark (Orange Index);
- More complaints recorded, complaints better dealt with: The average time to resolve complaints improved to an average of three days;
- Better customer research: Absa uses consumer research in developing and evaluating customer value propositions, products and services;
- Innovation in solutions and services: Absa continued to offer solutions for small and new businesses, and to develop existing and new initiatives to help financially distressed customers. Various new and innovative solutions were created to better serve customers in the current environment;
- Improved access to banking. This remained a priority for 2009.

Growth in customer base
Absa added over a million new customers to its base in 2009. This continues the growth in customer numbers over the past six years, as the graph below shows:

Customer experience
Overall customer satisfaction with the Group’s services remained steady. This reflects positively on the organisation, given the financial turmoil of 2009.

Although there were challenges during 2009, the Group’s customer-centred efforts are showing results. This can be seen in its performance in the annual customer service benchmark (Orange Index). The Group improved its overall position from 36th to 13th, with an overall improvement of 7%. According to the benchmark, Absa Group also outperformed its peers in the following areas:
- Internet banking: First in the Banking category and fourth overall;
- Contact centre: First in the Banking category;
- Tellers: Best in the Banking category;
- Business tellers: Best in the Banking category;
- Sales consultants: Best in the Banking category;
- Ease of opening an account: Considered the easiest of its peers.
Possible solutions to problem areas

Investigations into customer feedback and into other types of complaints showed that more attention should be paid to:

- Initiatives to reduce ATM fraud;
- Creating a customer-centred culture;
- Improving staff competence, capacity and behaviour through training;
- Enabling staff at touch point to perform end-to-end resolution when required;
- Providing better customer education at customer touchpoints.

Areas of complaint

ATM complaints and ‘lack of customer feedback’ remained a major portion of all customer complaints in 2009. To deal with these, Absa has set up complaint management centres to enable the end-to-end resolution and ownership of complaints. ATM fraud remained the most common issue in this type of complaint with Internet phishing complaints increasing rapidly in the last quarter of 2009.

The category ‘lack of feedback to customers’ touches all areas of the Group.

### Top five complaint categories

1. ATM 21%
2. Customer feedback 15%
3. Pricing, charges and fees 10%
4. Instruction not adhered too 8%
5. Waiting time/delays – bank process 6%

More complaints in 2009

The graph on the next page shows that more complaints were logged in 2009 than in 2008. This was in part due to greater awareness of the importance of handling customer complaints, and an improved way to log complaints. The increased focus on ‘resolution at touchpoint’ improved the average resolution time.
Customer relations

Complaints received as at 31 December 2009

- Number of NEW complaints (Received during month)
- Average time to resolve a complaint (days)

Customer resolution success as at 31 December 2009

- Total resolved
- Number of resolved complaints found in favour of the customer
- Total cost paid on resolved complaints

Resolution time as at 31 December 2009

- % resolved <5 days
- % resolved <20 days
- % resolved @ point of contact
Outstanding stock as at 31 December 2009

Regulatory complaints as at 31 December 2009

Growth as at 31 December 2009

- Total outstanding complaints
- Total complaints referred to regulator/ombudsman
- Number of complaints where the regulator/ombudsman has found in favour of the customer
- No of breaches of regulatory standards for complaint handling

- Branches
- Total customers
The rise in complaints has not resulted in an increase in compensation payments to customers. The annual statistics released by the Ombudsman for Banking Services in December 2009 showed that:

- The Absa Group remained a minor contributor to Ombudsman complaints in relation to its competitors;
- Only 5.8% of all Ombudsman cases (year to date resulted in an ‘uphold’ or ‘in favour of the customer’ outcome;
- Only 16% (year to date) of all cases referred were accepted as formal Ombudsman complaints; and
- Total compensation paid (year to date) was R0.6 million compared to R1.2 million for the same period in 2008.

Resolving complaints faster
The complaint system runs on the Group’s Intranet and is available to all staff for logging customer complaints. The system allocates ‘ownership’ of a complaint to resolution or complaint management centres in the business units. Because of the efficiency of the ownership system, complaints were finalised on average within three days. This is an improvement on 2008. Improving the attitude and competence of staff, as well as customer education and customer experience at touch point, contributed to problems being resolved promptly.

Customer service initiatives
Customer service initiatives resulted in customer-centric behaviour and improved staff morale. Absa initiated several projects and events to promote customer-friendly attitudes and to reward outstanding staff.

Treating Customers Fairly
Absa used the theme of ‘Treating Customers Fairly’ as a basis for measuring all business actions. This was successful in improving customer-centred behaviours across Absa.

During 2009, approximately 54,000 compliments were recorded, representing a ratio of 1:2.4 against complaints.

Customer Appreciation Week
Customer Appreciation Week, held in October 2009, helped Absa teams to appreciate the importance of working together to retain customers. In their feedback, staff claimed that the Week succeeded in improving relationship building with customers.

Prestige Awards
Each year, the Group holds a Prestige Awards event to recognise outstanding employee performance in various categories. A category called Service Heroes recognises the achievements of employees in delivering superior customer service. The awards are an important staff morale builder in the Absa calendar. Of 2,300 nominations received, 119 heroes were honoured.

Below are extracts from the nominations of two of the top performers:

Khathutshelo works as an Inbound Call Centre Consultant in the Telephone Banking department. His impressive understanding of products enables him to deliver accurate relevant information to customers at all times. Khathutshelo delivers on the basics brilliantly. He continuously strives to achieve winning conversations with our customers and goes the extra mile for them on a daily basis. “You don’t know me from a bar of soap but I just had to send you this email regarding the exceptional service that I have just received. My tale of despair was corrected by Khathutshelo Muleya, one of your staff members.”

This is one of the numerous compliments that Khathutshelo has received for his excellent work. Khathutshelo’s effort has also been noticed by executive management and he has received compliments from people like Louis van Zeuner: Group Executive. Khathutshelo lives the Absa values and through his commitment and passion for service delivery, Khathutshelo has always aspired to ultimate customer delight. These have always been evident with his interactions with customers.

Amanda is a foreign exchange teller at Durban International Airport. Although this outlet is small, its employees work shifts in order to service the continuous flow of passengers visiting the airport. Amanda’s good teamwork spirit is highly appreciated her. She often keeps her work station open when the banking hall is busy or whenever a tour group arrives to assist her colleagues, even if it might mean getting home late. She once assisted a customer who had visited the branch to obtain a new debit card. Amanda could not assist the client, as the Airport branch operates as a Bureau de Change and does not have a ‘full’ enquiry counter. The customer had no means of transport. Amanda physically transported the client to another branch where the client received a new card. Her colleagues say she is passionate about customers and her job and displays a ‘customer-centric attitude’ at all times. She has the gift of turning a negative experience into a positive WOW!
**Customer solutions for small and new businesses**

The Absa Group provides products and services to meet the need of customers by developing innovative solutions to attract and retain customers. The following are some of the projects embarked on during the year.

**Project Tavern**

In 2009, Absa Small Business began a project to explore banking solutions for informal small businesses. The objective is to identify viable businesses that have no access to financial services and assist them with Absa products.

The project was successfully piloted through a proof of concept with SA Breweries and will continue in partnership with corporates with similar trade relationships. Several banking products (including point-of-sale machines, Internet banking and transactional accounts) have already been offered to numerous taverners.

**Supply Chain and Procurement Finance Solutions**

The project explored how to assist small businesses with financial solutions when contracting with corporations. The aim is to allow small businesses to borrow against the strength of cash flows expected from the contract that they have entered into with the corporation.

Currently, South African corporations have incentives to procure goods and services from small businesses. Many of these new businesses are newly formed or in a growth phase and have not accumulated the capital or resources needed to qualify for credit facilities.

This creates a financial need among small businesses that traditional banking has not been able to address. Small businesses often have excellent contracts but weak financial backing. This causes them to be unable to meet client commitments and to lose the contracts.

Absa believes that, given the right financial resources, many of these small businesses would thrive. This project will help them to reach their potential.

**The SME Fund**

Through the SME (small and medium enterprises) Fund, Absa assists SMES across a wide spectrum of industries and sectors. This is in line with the government’s strategy for SME development.

The SME Fund also aims to create effective networks for new small businesses to develop business opportunities across provinces.

The initiative provides a full financial and non-financial solution to previously disadvantaged entrepreneurs who cannot access funding through conventional banking channels. Reasons for this may be that they do not have enough security for credit facilities or that they have poor credit histories.

In addition to funding, the SME Fund initiative also offers a comprehensive mentorship and business support programme. The programme is active both before and after funding and aims to ensure the business’s sustainability.

Programme objectives include:
- Transferring financial and non-financial skills;
- Identifying and addressing needs and gaps in the SME’s ability to run or grow the business;
- Implementing a financial management system (record keeping, understanding cash flow management and income and expenditure);
- Transferring knowledge about the importance of banking and repaying credit facilities to facilitate future loan requirements;
- Identifying opportunities to enable the business to become sustainable.

**Absa Micro Enterprise Finance (AMEF)**

Absa provides business loans in the micro enterprise finance market to enterprises with annual turnovers of between R15 000 and R500 000. In 2009, AMEF reshaped its micro enterprise finance model to focus on the Community Finance Officers, who engage with clients in the areas where they live and work.

In 2010, 12 more micro finance service centres will be opened. Community finance officers serve clients from these centres.

The project also changed to focus on two core products:
- Group lending (largely following the Grameen-style lending of working with groups of five people, mostly women);
- An individual enterprise loan (called the Siza Loan).

AMEF continues to refine the Hawker Loan (a weekly loan to small traders). All these loans are unsecured.

AMEF is committed to providing the underbanked female population with access to financial services. More than 80% of AMEF’s clients are women.

**Assisting customers in financial difficulty**

The global economic meltdown had a negative effect on South African consumers. It led to many clients having financial difficulty. Absa designed a robust strategy that considers customer experience and helps
customers to continue their work and businesses, and not lose personal assets. Some of these initiatives are described in the paragraphs that follow.

**Calling on clients before insolvency**

Highly skilled Absa staff members call on customers who are showing signs of financial distress but might not be in arrears with their loan repayments. The staff member and customer jointly discuss various options for assistance. As a responsible lender, Absa believes that early detection and assistance can prevent long-term problems.

**Debt solutions initiative**

During the second quarter of 2009, Absa launched an initiative called ‘Let’s talk’. The idea is that customers contact the branches to discuss financial difficulties or debt. The branches assist customers through a rehabilitation plan, debt consolidation, or referral to a debt counsellor.

**Rehabilitation plans**

There are various rehabilitation plans, which are tailor-made for financially distressed customers. These include:

- Repaying arrears over an agreed term;
- Restructuring the loan term to make the instalment more affordable;
- Payment breathers (when unemployment or a disability has led to the problem);
- Interest rate concessions to make the instalments more affordable.

Each customer’s personal circumstances are taken into account when reviewing which plan is best suited to their needs.

**Personalised visits by mitigation agents**

Absa is currently the only South African bank that offers its financially distressed customers personalised visits by a highly skilled agent. The purpose of these visits is to discuss the client’s financial situation in the comfort and privacy of their own home or work place. The customer’s financial situation is discussed with dignity and sympathy.

The agent explains debt rehabilitation and the consequences of defaulting, including the legal processes if the client does not take any actions.

The network of mitigation agents is national and services all areas, no matter how remote. For example, there are agents from Messina to Umtata, from Upington to Richards Bay.

**Assisted sales programmes**

Absa can assist the customer to sell their property quickly on private auction if the customer is not able to continue payments on their mortgage loan. This is completely voluntary. Absa and its auction partners, which are reputable auction houses, assist with marketing and auctioning the property and achieving a market-related price. However, the customer has the final say on whether to accept the auction price.

Absa has also created a national estate agent network that assists customers with selling their homes without a ‘distressed’ label on them. Absa also can assist with a scaling down option.

**Private sales**

Absa encourages and assists customers with a private sale if the customer has found a private buyer.

**Debt counselling**

Absa supports the spirit of the National Credit Act and promotes debt counselling.

**Providing innovative solutions**

Absa was voted ‘Most Innovative Bank in Africa’ in October 2009. The solutions below are some examples of its successful approaches.

**Distribution solutions**

- **AllPay**: These are payments of monthly social grants to 1.4 million people in 1 400 remote locations throughout South Africa. The payments are made through cash dispensers that hold beneficiary information, allowing beneficiaries to receive grant and pension money.

- **Bank-on-wheels**: These branches are specially fitted trucks that take a full-suite banking offering to people at home or at work in rural or remote areas.

- **Bank-in-a-box**: This electronic equipment is housed in a briefcase and facilitates opening accounts in any remote or rural area. It incorporates all the elements of technology needed to open an account outside of the branch network.
- **Workplace banking:** These are banking services at company premises. Workplace banking is the convenience of having an extensive range of financial services, banking packages and special concessions available to employees at their place of work.

**Channel solutions**

- **Drive-through ATM and insurance centres:** These give easy in-your-car access to ATMs and insurance products.
- **HARP ATMs:** These are small, customised ATMs for use in stores. They are much smaller than conventional ATMs and are better suited to the space limits in retail stores.
- **NotifyMe and CB Lite:** This is an SMS-based notification service that alerts customers whenever there is a value-related activity on their accounts. An enhanced NotifyMe service (CB Lite) also performs basic transactions.
- **Seven-day banking:** These are branches that are open every day. This is a first in South Africa.

**Product and service solutions**

**International remittances:** Absa is the first South African bank to offer Western Union services. This is a cash-to-cash cross-border money transfer option that does not require a bank account. It allows customers to send or receive money internationally in a safe, convenient environment.

**Domestic remittances (CashSend):** This service allows remittance payments in South Africa on ATMs, cell phones and the Internet, whether the beneficiary has a bank account or not, provided that they have a cell phone number. This is an African first and one of the first globally.

**ATM loans (Recurring advance deposit):** This is an electronic service allowing customers to apply for small loans and receive immediate payouts at an Absa ATM. It is a South African first.

**Immediate interbank payments:** This allows for instant clearing of customer payments between banks. It is another South African first.

**Fingerprint identification:** This method enables illiterate pensioners to receive their pension payouts safely in rural areas. It is another South African first.

**Email statements:** This service offers greater customer convenience and reduces costs. It also contributes to Absa’s environmental programme of reducing paper usage.

**Account opening on the Internet:** This is another way to increase customer convenience as the customer does not need to visit a branch to open an account.

**Micro-finance:** These are unsecured micro-loans for entry level banking customers. These customers are usually self-employed, low-income South Africans running informal businesses.

**Pre-paid debit cards:** This entry-level banking product offers a basket of unlimited free transactions. The card is a low-cost alternative to cash or cheque payments, and is a solution for people with basic transactional needs or who were previously unable to access or afford basic banking.

**Youth market:** This solution includes on-campus student products and a mobile portal site. It was voted ‘Coolest Brand in 2008 and 2009’ in the Sunday Times Generation Next survey.

**HomeBuy:** This is an association with an online home-shopping service. It offers benefits on products and services for Absa home loan customers.

**International mortgages:** These are for visitors wanting to buy South African property. The product was introduced to facilitate mortgage finance for residential properties in specific countries where Absa or Barclays has a presence.

**Funeral policies:** These cover funeral costs for spouses in legal polygamous marriages and may be expanded beyond this sector. This is a South African first.

**Rewards programmes:** These are financial rewards paid to customers for debit and credit card transactions to reward them for banking with Absa. They include a range of value added services and rebates at participating merchant partners.

**Agri-input cost insurance facility:** This market-leading price risk management product provides credit to grain and oil seed farmers to buy materials to produce a crop.

**Home-loan retrenchment policy:** The stand-alone retrenchment product covers five monthly instalments on an Absa home loan account if the customer has been retrenched.
**Customer relations**

**Technology solutions**

**Jitter:** This is software to prevent card-skimming at ATMs. ‘Jitter’ causes a vibration to the ATM card reader which sends a disrupted signal to any illegal skimming device attached to the ATM. It makes this form of card skimming impossible.

**Social media:** Absa has a Facebook presence.

**Multi-language ATMs:** Multiple languages appear on Absa ATMs so that local and foreign customers can transact in a language they understand.

**Banking-the-disabled:** These include in-branch audio-brochures for the blind and wheelchairs for the frail or disabled. The audio brochures empower blind customers by giving them the information they need to evaluate a range of products and services anywhere, anytime. Wheelchairs are available in branches for customers who need them.

**In-branch rechargers:** A ‘ChargeBox’ is a machine for charging devices such as mobiles, iPods and PDAs in securable lockers while customers are doing their banking.

**Improving access to banking**

Absa offers its customers an array of channels to engage with the Group. The variety of channels gives customers a choice and also helps to meet the commitment to take banking to the people. Absa has the access points set out in the graph below:

<table>
<thead>
<tr>
<th>Internet, telephone and cellphone banking (number of customers ('000))</th>
</tr>
</thead>
<tbody>
<tr>
<td>608.6</td>
</tr>
</tbody>
</table>

**Themes for 2010**

Under the tough economic conditions, Absa has done well in servicing its customer base and improving the customer experience in many areas.

In 2010, the focus on a good customer experience and of innovation in products and services is set to continue.
## Introduction
People are critical to business performance. Human Resources at Absa strives to:
- increase the diversity of employees and transform the Group;
- make it more attractive to be an employee (improve the employee value proposition) through creating opportunities for career advancement;
- improve employee efficiency; and
- strengthen talent management and succession pipelines (attract, develop and retain employees).

## Overview of 2009

### Achievement of objectives in 2009

<table>
<thead>
<tr>
<th>Objectives</th>
<th>2009 performance</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transformation:</strong></td>
<td>Attained Black representation at over 50% overall for the 2009 intake and at over 62% for total staff complement. Below target at middle and senior managerial levels (both in terms of Black employees and particularly in terms of African employees).</td>
<td>Partly achieved</td>
</tr>
<tr>
<td>Move to a culture of inclusivity;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Align with the Codes of Good Practice (CoGP); and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerate Black talent.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Improve employee engagement (the employee value proposition):</strong></td>
<td>Achieved over 80% response rate to 2009 employee opinion survey. The actual engagement levels were similar to those in 2008, which is regarded as positive given the difficult trading conditions. However there is still room for improvement. Good uptake of Wellness products.</td>
<td>Partly achieved</td>
</tr>
<tr>
<td>Implemented a 'great' employee lifecycle with a focus on new engagements at the various touchpoints;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote uptake of Wellness products with a swing towards proactive rather than reactive wellness; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pilot for revised Group-wide 'onboarding' of new employees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Improve employee efficiency.</strong></td>
<td>Lowered headcount by approximately 6 000 from mid-2008 to mid-2009 due to highly disciplined management of cost and headcount. This was achieved mainly through natural attrition.</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Develop skills.</strong></td>
<td>Spent R278 million on skills development of which 72% (R200 million) was spent on Black employees. However, this was still below the targeted 3% spend on black employees.</td>
<td>Partly achieved</td>
</tr>
<tr>
<td><strong>Strengthen talent management:</strong></td>
<td>Implemented successful graduate programme; Implemented mentoring programme for top talent; Increased reach of leadership of initiatives through facilitation of workshops across the Group; Designed and piloted talent management framework; Launched iTalent, an online job application site.</td>
<td>Partly achieved</td>
</tr>
<tr>
<td>Develop career management;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target development;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build and use electronic tools for recruiting, applications, hiring and orientation (electronic onboarding); and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan for succession.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Human resources

Highlights

- Best-in-class performance management system;
- Continuing success of the Absa Development Initiative (ADI). The ADI and the Absa Leadership Development programmes showed Black representation at over 50% for the 2009 intake;
  - High level of responses for the 2009 employee opinion survey (82% response rate). The survey found that corporate social responsibility has become more important to employees. 82% of employees believe Absa is a socially responsible company;
- Success in learnerships intake – in 2009 Absa met its objective for the first time and engaged 1 650 learners;
- Success in the graduate recruitment programme:
  - The annual intake of approximately 150 graduates is going into its third year;
  - Absa visits 12 universities each year to recruit Bachelor of Commerce and Bachelor of Science students;
  - The Group supports the development of commercial skills through the following yearly sponsorships:
    - 50 students at Mamelodi Campus, University of Pretoria, in a bridging programme for Bachelor of Science students;
    - 40 students at North West University in BMI (Masters in Risk); and
    - Sponsorship of the Masters of Accounting programme at the University of Pretoria.

Challenges

The main challenges relating to Absa’s employees in 2009 were:

- Implementing a coherent response to global regulation (G20, King III, FSB). This impacted on Absa’s approach to reward and particularly on the delivery of variable pay (which took the form of longer-term share-based rewards with performance conditions). While this is very much in keeping with global norms, the change management around the employee experience was challenging given the move from cash to longer-term compensation.

- Rolling out a talent management framework across the Group to fast-track succession planning.
- Upgrading human resources technology.
- Lower investment in skills development due to financial constraints.

Absa’s employee strategy

Absa’s strategy aims to position the Group as a high-performing organisation, with key objectives in:

- Talent management: Creating an aspirational employee value proposition linked to the customer value proposition. This would include much more alignment with development initiatives, thorough onboarding and socialisation, talent management conversations, career pathing conversations, and proactive succession planning;
- Performance development: Ensuring that the performance development process does not discriminate, enables employees to develop, and results in the fair allocation of rewards;
- Learning and development: Implementing principles that will continue to transform the organisation into a learning organisation that is able to respond to rapidly changing business challenges with a focus on targeted development and appropriate training;
- Leadership: Entrenching sustainable leadership behaviour and practices;
- Reward and benefit: Applying best practice solutions that are appropriately customised to employee segments;
- Transformation: Promoting and advocating transformation, equality, and a culture of inclusion. It is important to highlight the BEE Codes of Good Practice targets and the Department of Labour’s employment equity commitments. There is also a focus on improving gender representation at all levels and a focus on ensuring that disabled colleagues are given developmental opportunities to move through the organisation;
- Employee relations: Fostering partnerships with its trade unions, and ensuring robust and fair disciplinary and grievance proceedings;
- Health and wellness: Promoting proactive steps for employee health and wellness; and
Ethics: Ensuring that there is active implementation of the framework to ensure that ethical behaviour is consistently defined and applied across the organisation.

Talent management

Alignment of initiatives

The focus of 2009 was coherently aligning organisational design, recruitment, performance development, career management, development and succession planning.

Talent management framework

A talent management framework was set up to ensure a common approach. The framework considers the employee at all stages of the employee lifecycle (the touchpoints referred to above). It considers that each employee has potential for developing and advancing their career. An employee engagement strategy is there to ensure that employees are motivated and accordingly productive in their jobs. A highly engaged workforce will deliver on the customer service promise.

Performance development

Performance development (PD) aims to align individual performance with Absa’s mission, vision and purpose. Absa business line leaders ensure that each individual and team understands how their contribution relates to these.

Feedback about an individual or team is gained from numerous sources and must be aligned to the Group’s values.

During 2009, performance development became further entrenched into the way employees are managed. The uptake of performance development as a management process is notable: over 99% of all employees had a performance development review by the end of 2009. The spread of A, B, C and D-rated employees at the end of 2009 (A being highest and D being lowest) was appropriate relative to the Group’s performance.

In 2010, there will be a focus on further entrenching performance development including: more line manager training to improve employees’ experience of performance development, and more consistency regarding how the Group’s values are applied at individual and team level.

Learning and development

2009 saw the following progress

- Updated governance framework (standardisation of policies, procedures, processes and reporting);
- BANKSETA re-accreditation on 193 programmes, positive mandatory audit outcomes;
- Piloted new learning metrics and measurement framework;
- All leadership programmes demographically representative with an annual throughput in the flagship programmes of 64 future leaders.

Bursaries and further education

In 2009, Absa funded 1 428 bursaries for staff members to further their studies. These bursaries were provided for certificate studies, diploma studies, undergraduate studies, postgraduate studies and other studies (related mainly to professional qualifications and short-courses).

The race and gender demographics are reflected below. Nine disabled staff members received bursaries during this period.

### Bursaries awarded in 2009

<table>
<thead>
<tr>
<th></th>
<th>African</th>
<th>Coloured</th>
<th>Indian</th>
<th>White</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>270</td>
<td>147</td>
<td>144</td>
<td>245</td>
<td>806</td>
</tr>
<tr>
<td>Male</td>
<td>215</td>
<td>93</td>
<td>95</td>
<td>219</td>
<td>622</td>
</tr>
<tr>
<td>Total</td>
<td>485</td>
<td>240</td>
<td>239</td>
<td>464</td>
<td>1 428</td>
</tr>
</tbody>
</table>

|            | 1       | 4        | 1      | 3     | 9     |
Learnerships
Absa offers learnerships for staff members in critical or scarce skills. It also offers sector-specific learnerships (funded by the BANKSETA), which are aimed at giving work to unemployed matriculants (Letsema) or unemployed graduates (Kuyasa). In 2009, for the first time, the Group reached its learnership targets (5% of the Group’s permanent workforce): it signed up 1 650 learners in the 2010 calendar year.

Concepts driving leadership
Absa’s leadership interventions have been started at different work levels. They consider the following concepts:
- A recognition that there is constant change;
- Applying leadership practices Group-wide;
- Becoming the catalyst for ongoing operational improvement, innovation and best practices;
- Building sustainable leadership practices;
- Implementing a consistent view of leadership, through all levels of the organisation;
- Support through coaching.

Coping with change
There was a renewed effort to assist people to adapt to change, with an overall aim of creating a resilient workforce. Energy and resilience programmes were implemented where needed, to help reduce levels of stress.

Valuing diversity
Workshops on valuing diversity in South Africa were implemented. Their aim was to provide participants with knowledge, skills, applied competence and the values and attitudes necessary for managing diversity.

Employee rewards and benefits
Absa operates in a competitive global environment, with high demand for talent. Absa’s reward strategy supports the acquisition, motivation and retention of talent, while focusing on commercial sustainability in respect of employment costs. Managers have discretion in allocating rewards, but rewards must fit within set parameters of fixed and variable compensation.

Reward philosophy
The key elements of the Absa reward and benefits environment are the following:
- Rewards support the acquisition, motivation and retention of key talent;
- Rewards are commercially competitive and sustainable over the long term;
- Rewards appropriately align the interests of shareholders and employees;
- Rewards are managed according to local legislation and local and international governance standards;
- Line managers are accountable for their decisions about rewards within the context of the Absa Reward policy;
- Decisions about rewards are transparent and easily understood.

Reward governance
The Absa Group Remuneration and Human Resource Committee oversees the Reward Framework and all Reward and Human Resource Policy decisions of a significant nature. The committee consists of five non-executive directors who take decisions relating to:
- Annual salary mandates;
- Annual bonus pool and long-term incentive mandates;
- All structures pertaining to bonus and long-term incentives;
- All executive-level hires;
- All other senior hires whose annual package is over a certain Rand value threshold;
- Any significant changes to benefits (medical aid, pension fund, annual leave, etc).

The committee will also be appraised annually of the human resource strategy and will be provided with updates of the Group’s progress on transformation.

Transformation
Strategy for transformation and diversity
Absa’s transformation and diversity strategy is based on the philosophy that:
- Absa’s employee profile increasingly reflects the broad diversity of South Africa;
- Diversity is valued and promoted and aids in reaching the Group’s business objectives;
People interact and effectively, using the Group’s values as a guide for their behaviour.

The focus areas are:

**Compliance and stakeholder engagement**
- Delivering on Financial Sector Charter (FSC) and Codes of Good Practice (CoGP) and other legislative obligations;
- Ensuring that the governance, coordination and structural basics are in place;
- Ensuring clarity and efficiency in delivery.

**Meaningful transformation**
- Addressing key inequalities in the Group’s employee profile;
- Eliminating discrimination;
- Ensuring that Absa’s approach results in sustainable transformation;
- Ensuring all employees understand and support transformation.

**Value from diversity**
- Identifying how to gain value from diversity.

**Employment equity**
Employment equity is a critical component of the business strategy and is integral to strategic employment relations and talent management initiatives at Absa.

**Employment equity indicators**
Absa’s delivers on transformation and key employment equity indicators through team-based, company-aligned goals and through individual performance contracts.

Failure to achieve individual and team goals on employment equity is a critical performance issue.

**Full representation**
The objective is for Absa to have defined groups (Blacks, Coloureds, Indians, women and people with disabilities) fully and meaningfully represented at all levels within the Group. ‘Full representation’ takes into consideration: legislative provisions; operational and business needs; integrated human resource plans; the need to attract top talent in South Africa; and application of business best practices to the requirements of the FSC and CoGP.

**Aims of the employment equity programme**
The Group’s employment equity programme aims to: provide for accelerated affirmative action; drive talent development and management; manage and celebrate diversity; address the matter of understanding differences; and make efforts to redress existing imbalances.

**Targets in 2009**
The percentage of black employees increased from 61.1% at 31 December 2008 to 61.7% at 31 December 2009. The percentage of black people in junior management positions has exceeded the target for two consecutive years. The percentage of black women at junior management level has also exceeded the target for two consecutive years.

The targets have not, however, been reached in all areas. Refer to the table on the next page to compare Absa’s current position with the targets set by the CoGP.
Human resources

Absa’s position in terms of CoGP targets

<table>
<thead>
<tr>
<th>Management levels (DTI CoGP)</th>
<th>Absa 2009 CoGP targets</th>
<th>Amounts under (over) the targets</th>
<th>Absa’s position (31 December 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Senior top management</td>
<td>40,00</td>
<td>4</td>
<td>8,75</td>
</tr>
<tr>
<td>Senior top black women</td>
<td>20,00</td>
<td>2</td>
<td>7,50</td>
</tr>
<tr>
<td>Other top management</td>
<td>40,00</td>
<td>9</td>
<td>30,48</td>
</tr>
<tr>
<td>Other top black women</td>
<td>20,00</td>
<td>5</td>
<td>15,24</td>
</tr>
<tr>
<td>Senior management</td>
<td>26,84</td>
<td>148</td>
<td>3,40</td>
</tr>
<tr>
<td>Senior black women</td>
<td>11,98</td>
<td>60</td>
<td>3,33</td>
</tr>
<tr>
<td>Middle management</td>
<td>43,22</td>
<td>4 157</td>
<td>1,76</td>
</tr>
<tr>
<td>Middle black women</td>
<td>21,35</td>
<td>2 029</td>
<td>0,16</td>
</tr>
<tr>
<td>Junior management</td>
<td>61,14</td>
<td>7 429</td>
<td>(4,67)</td>
</tr>
<tr>
<td>Junior black women</td>
<td>34,71</td>
<td>4 751</td>
<td>(8,69)</td>
</tr>
</tbody>
</table>

Progress in disability programmes

2009 saw the start of the roll-out of 700 nationwide Disability Sensitisation Programmes. The aim is to communicate widely about disability, to dispel certain misconceptions, to make the environment more enabling, to encourage disabled colleagues to declare their status, and to offer solutions where there are physical, environmental or social issues in the workplace. The initial (pilot) workshops saw an increase in disability declarations by the end of the year and raised certain substantive issues which Human Resources were then able to address. The Disability Support Fund also provided financial support to disabled colleagues and disabled family members of employees.

Employee relations

Workplace dignity and fairness

The Group attempts to achieve transparency, openness and approachability in employee relations. This is articulated in:

- The Absa values;
- The ethics policy;
- The growth charter;
- Employee relations policies in general.

Communication between employees and the employer

There are various ways that employees can raise concerns about their dignity, physical or emotional well-being, job security and general safety. Examples of secure environments where employees need not feel threatened by victimisation are Tip-offs Anonymous, Action Line, the Absa Contact Centre and several dedicated email addresses.

The recognised trade union, Sasbo, plays a vital role in monitoring accountability and compliance to agreed standards on behalf of its members.

Communication between employer and employees in Absa is well developed and operates on the principles of fairness, equity and industrial democracy. Specific measures are in place to ensure that employment practices are fair. There are effective dispute resolution mechanisms to address situations where these principles are not applied.

Labour relations and trade union relationships

There are currently formal relationships governed by collective agreements with trade unions. A formal partnership agreement currently exists in South Africa between Absa and Sasbo.

Currently, approximately 53% of Absa’s total workforce is unionised, with recognition agreements in place.
In South Africa

Sasbo

The primary recognition agreement is with Sasbo. Sasbo is the finance union representing most Absa employees.

Approximately 62% of employees within entry-level grades up to supervisory level (the bargaining unit) belong to Sasbo and agreements reached in this regard are binding for the entire bargaining unit.

Approximately 33% of employees in managerial and executive positions belong to Sasbo. Sasbo represents these employees on an individual and not a collective level.

The contractual relationship with Sasbo is complemented by a partnership agreement. However, this agreement is cooperative and not legally enforceable. It represents a mutual understanding of the interests of the employers and employees, so that there is an environment of respect and understanding rather than of dispute.

Absa Life Brokers Association

The other recognition agreement is with the Absa Life Brokers Association (ALBA). ALBA represents life brokers only. It represents 59% of life brokers within this category.

In Mozambique

In Mozambique a partnership relationship is practised with the trade union SNEB; however, there is no formal partnership agreement.

The bargaining unit comprises entry levels up to and including middle management and SNEB has 65% representation within the bargaining unit. Agreements reached through collective bargaining are extended to all employees and yearly increases in remuneration are negotiated.

In Tanzania

The trade union, TUICO, is no longer recognised because it is not sufficiently representative of the employees of the National Bank of Commerce Limited (NBC). In 2009 a new trade union was formed. FIBUCA emerged in relation to employees of the NBC as a splinter group from TUICO.

NBC recognises FIBUCA and FIBUCA is sufficiently representative of NBC’s employees. A formal recognition agreement is being negotiated. When it is in place, a partnership agreement will be set up. This is due to take place in 2010.

The separate bargaining unit for collective union representation comprises entry levels up to and including middle management.

In Namibia

In January 2009, Absa established a representative office in Namibia; there is no trade union activity for these employees.

Employee relations policies

Absa’s employee relations policies are available on the Group’s Intranet and are regularly reviewed by the Human Resources function to ensure that they are effective and that they meet legislative requirements. Employee relations policies are reviewed each year with Sasbo.

Freedom of association

The principle of freedom of association is formally endorsed in Absa’s employee relations’ policy statements and in Absa’s policy on trade unions.

Health and wellness

Absa employees live in a society undergoing change and face unique social and corporate challenges. In their work environment, they also face the organisational challenge of maintaining and improving business performance in ever-competitive markets.

Absa realises that the key to sustainable business growth does not only lie in robust business strategies, processes or systems but also in a healthy and productive workforce.

Integrated Health and Wellness Programme

The Group has launched the Integrated Health and Wellness Programme to address employee wellness holistically.

The overall budget for this programme for 2009 was R27 244 800. HIV/AIDS programmes are now included in this budget.
Supporting all wellness dimensions

Group Wellness provides wellness practitioners to support all wellness dimensions: physical, spiritual, mental, social, occupational and intellectual wellbeing. Programmes include:

- **Promoting wellness**: Health through Wellness days and various campaigns, such as Women’s Day celebrations in August and Men’s day in September.
- **Preventative**: Programmes such as the flu vaccination campaign before the winter season and the Drive Alive campaign before long weekends and holidays.
- **Curative**: Wellness centres give support for chronic disease management. Emotional problems related to financial problems are treated through training and debt rehabilitation.
- **Rehabilitative**: Specialist practitioners such as physiotherapists and reflexologists are available on certain days.

Counselling services are available 24 hours a day, every day of the year. They are actively promoted while there are stressful events, such as restructuring, and also after traumatic events, for example, bank robberies.

Occupational health and safety

**Dedicated team for environment, health and safety**

Absa has a dedicated team for environment, health and safety. The team provides guidance and ensures compliance with relevant requirements. Environment, health and safety audits are conducted every three years at low-risk workplaces and every year at high-risk workplaces. The Group’s Environment Health and Safety department conducts these audits.

**Occupational health and safety policy**

Absa has an occupational health and safety policy, which includes employer and employee responsibilities in terms of the Occupational Health and Safety Act. The policy is communicated through an orientation programme for all new employees and a compulsory general awareness programme. A copy of the Act and policy is available on the Group’s Intranet.

Workplace risk assessments and committees

Risk assessments of workplaces are done and the required procedures are put in place to reduce the risk. At workplaces with more than 100 employees or where the layout requires more than one environment, health and safety representative committees are formed to manage workplace environment, health and safety.

All workplaces have elected environment, health and safety representatives, first-aiders, fire wardens and evacuation leaders, who receive the necessary training to enable them to perform the required duties. Quarterly inspection reports are conducted by the environment, health and safety representatives and then forwarded to the Environment, Health and Safety department.

**Health and safety statistics**

The top five health and safety risks in Absa are: injuries caused by slipping and tripping; falling from stairs; moving, opening, lifting and handling objects, and vehicle accidents.

Most of these injuries result from employee negligence.

**Injuries and lost days**

<table>
<thead>
<tr>
<th>Year ended</th>
<th>Injuries</th>
<th>Days lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>164</td>
<td>734</td>
</tr>
<tr>
<td>2008</td>
<td>227</td>
<td>869</td>
</tr>
<tr>
<td>2007</td>
<td>199</td>
<td>670</td>
</tr>
</tbody>
</table>

**HIV/Aids policy and programme**

Absa recognises that the impact of the HIV/Aids pandemic in South Africa and Southern Africa is likely to increase.

The Group has an HIV/Aids programme, which aims to minimise the impact of HIV/Aids and other life-threatening diseases on the Group and its stakeholders. Absa has a number of HIV/Aids programme structures. These include a HIV/Aids steering committee, which consists of various Group Exco members and business unit heads. The aim of the steering committee is to drive Absa’s HIV/Aids process centrally.
Focus for 2009

The focus for 2009 was on reducing the stigma associated with HIV/AIDS. Messages were communicated throughout the organisation and Wellness Champions held workshops in all regions. There has been a motivation for a voluntary counselling and testing (VCT) campaign in 2010.

Absa no longer budgets for HIV/AIDS separately; the spend is part of the Integrated Health and Wellness Programme budget.

A summary of Absa’s HIV/AIDS policy

The Absa Group undertakes to deal with HIV-infected employers and employees with AIDS in the same way as employees suffering from any other life-threatening disease. This is done with due consideration for all stakeholders, while addressing the issue in a positive, supportive and non-discriminatory manner.

However, the Group recognises that the HIV/AIDS pandemic poses unique challenges and requires a specific focus.

Absa’s objectives in addressing HIV/AIDS are:

- To provide guidelines in the workplace on the management of HIV/AIDS and other life-threatening diseases;
- At work, to protect the health and legal rights (including confidentiality) of employees who have life-threatening diseases or who are HIV-positive or who have AIDS;
- To minimise, as far as possible, the risk of the spread of the disease and its impact on the organisation and on stakeholders;
- To encourage, with compassion, dignity, respect and in a way that is free of discrimination, those employees who are affected to seek counselling and other support services;
- To ensure that the Group continues to provide a safe, healthy and productive working environment for employees and other stakeholders by creating awareness, providing preventative programmes, and supporting appropriate changes in behaviour;
- To ensure compliance with formal legal requirements and labour legislation.

The core principles of Absa’s HIV/AIDS policy ensure the following:

- HIV or health status does not preclude any person from employment. This applies to the recruitment process and to continued employment;
- Every employee has a right to privacy; therefore an employee who contracts HIV/AIDS is not obliged to inform management of their condition;
- Confidentiality about the HIV or health status of any employee will be maintained at all times. An employee’s status will not be divulged to any other person unless the employee has given written consent.

Absa’s HIV/AIDS policy is revised every two years by the Group’s Human Resources function and approved by the Group’s Human Resources leadership team and the recognised trade union. The policy is available on the Group’s Intranet.

Management of infected employees

Absa has the following HIV/AIDS support programmes in place for its employees:

- Employees who are HIV-positive are assisted to register on the Bankmed HIV programme or their own medical aid for continuous monitoring and case management;
- Where anti-retroviral treatment (ART) is needed, the programme ensures that employees receive their ART from pharmacists of their choice;
- Blood tests are done periodically for monitoring of the CD4 count and viral load;
- The employee assistance line, 0800 611 262, is available 24 hours a day for support and counselling;
- Access is provided to personalised online disease management and support where employees can confidentially ask questions to medical and psychological experts;
- All information and diagnosis available in the Wellness Centre is considered strictly confidential. The Group protects the rights of employees to confidentiality;
Provision is made for online and face-to-face information and education sessions.

HIV/Aids initiatives

**Voluntary counselling and testing (VCT):** Absa wellness practitioners in all regions offer voluntary counselling and frequent testing. Employees can be tested at the Wellness Centre to know their status. The wellness practitioner counsels the employee before and after testing to prepare them for their results. If the results are negative, counselling is focused on the importance of staying negative. If the results are positive, counselling is focused on lifestyle management and how to stay healthy. Voluntary counselling and testing drives are done regularly to encourage employees to know their status.

**Health-risk assessments (HRA):** Throughout the year, employees can have health assessments done, which check vital clinical signs.

**Physical Wellness Programme:** Employees are encouraged to enrol for the gym programme. A biokineticist is available for a personalised exercise programme.

**HIV/Aids expenditure**

All costs on HIV/Aids are carried by the service providers, Bankmed and ICAS, who also provide technical and medical expertise. The costs are covered by the insured benefit of individual members on Bankmed. ICAS receives a per person fee, which includes all other services in the integrated health and wellness service offering. This includes:

- Voluntary counselling and testing drives;
- Laboratory investigations;
- Counselling services;
- Education and training;
- Chronic medication;
- Post-exposure prophylaxis.

Absa provides assistance to individuals infected or affected by HIV/Aids through its corporate social investment arm – the Absa Foundation. Refer to the community section of this report for more information.

**Other employee benefits**

Where possible Absa offers canteen and gym facilities for its employees. The Group also has market-leading maternity benefits (four months on full pay irrespective of the time employed before pregnancy). Another benefit, which goes beyond basic conditions is that of the ‘sick benefit bank’: Employees can bank 50% of their unused sick leave and use it when they need it. Sick leave cannot, however, be redeemed for money at any point.

**Absa’s code of ethics**

The Group believes that a reputation for integrity, professionalism and being a good corporate citizen contributes to economic value. Key to this is its code of ethics, and standards of corporate governance and compliance.

Absa is committed to demonstrating ethical excellence. Absa has a set of values linked to behavioural guidelines. The guidelines give direction on how employees should act in the workplace, and their conduct towards each other and external stakeholders. Absa’s values are to:

- Value our people and treat them with fairness;
- Demonstrate integrity in all our actions;
- Strive to exceed the needs of our customers;
- Take responsibility for the quality of our work;
- Display leadership in all we do.

**Scope and objectives of Absa’s code of ethics**

The code of ethics provides a framework and guidance for behaviours and business conduct that are consistent with Absa’s values. This code applies to all directors (executive and non-executive) as well as to employees of Absa. It should be read with the Absa Spirit booklet.

Where Absa’s name or image is linked to a joint venture, the joint venture’s management and employees must formally support the code of ethics. The objectives of the code are to:

- Define acceptable standards of conduct that form the foundation for compliance with Absa policies and procedures;
Inform and inspire employees and stakeholders to work towards desired behaviours;
Support Absa’s objective to be a leader in corporate responsibility;
Contribute to the fulfilment of Absa’s governance obligations.

Annual review of the code

Attestation process
All Absa employees must confirm each year that they have read and understood the requirements of the code of ethics and that they comply with it.
Failure to comply with the Group policies and procedures is grounds for disciplinary action. This may include dismissal and, where appropriate, referral to the relevant regulatory authorities.

Behaviour review
All employees are expected to consistently demonstrate Absa’s values.

Annual review of the code
Group executive directors, line managers and supervisors are responsible for ensuring that the code is properly implemented and that the employees reporting directly to them, know and understand the code.
The Absa board is responsible for maintaining and reviewing this code each year. All Absa employees have a duty to ensure that suppliers adhere to the rules of ethical conduct contained in the Sourcing and Supplier Management Handbook.
Investing in communities (corporate social investment)

Introduction
Absa is committed to improving the lives of South African communities through its corporate social investment (CSI) initiatives. The CSI division of the Group partners with other organisations to develop new and existing projects. The aim of these projects is to stimulate social and economic upliftment. Absa selects the best practice organisations, establishes sound partnerships and works to improve the performance of grant recipients as well as advancing knowledge and practice in the field. Absa’s CSI activities are underpinned by the need to make measurable impact through funding that empowers the non-profit sector.

Themes of Absa CSI
- **Banking on brighter futures.** Helping disadvantaged people to work towards financial independence and security. This includes projects such as financial literacy, entrepreneurship, job creation and skills development initiatives.
- **Looking after local communities.** Local support in South African neighbourhoods for orphaned and vulnerable children, people living with disabilities, health and welfare and local education, including training educators.
- **Charity begins at work.** A distinctive approach that allows Absa staff to get involved in social projects of their own choice.

Framework for Absa CSI

**Purpose**
To build on Absa’s contribution to social and economic upliftment in South Africa through sustainable and sound investment.

1. **Absa Foundation**
Providing funds, governance and oversight for community development.

2. **Executive and leadership support**
Active involvement from all levels of management by leadership, donations and volunteer participation.

3. **Other CSI spend**
through the Group’s participation in relevant initiatives.

4. **Employee volunteering**
Staff contributing time, skills and their own money.

5. **Family CSI**
Involvement through the Absa Sešego Cares spouses’ programme.

6. **Strategic partnerships**
Joining forces with other organisations to achieve objectives.

Spend on CSI in 2009
The Group invests one percent of post-tax profits in community programmes. In 2009 the value of Absa’s voluntary investment totalled R102 million. Despite tougher financial times in 2009 compared with 2008, Absa continued to invest in communities at levels similar to 2008.
### Achievement of 2009 objectives and direction for 2010

<table>
<thead>
<tr>
<th>2009 challenges</th>
<th>2009 responses and progress</th>
<th>Direction in 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring that CSI happens in areas where impact and relevance are greatest.</td>
<td>Developed a three-year strategy and agreed on an operating model.</td>
<td>To implement the ‘One Absa’ CSI strategy; increase employee involvement; keep high standard of implementation; manage investment spend.</td>
</tr>
<tr>
<td>Completing the entrepreneur-ship flagship pilot and select a suitable partner.</td>
<td>Completed a pilot with two partners – Triple Trust Organisation (spaza shop) and the Big Fish School of Digital Filmmaking. R861 273 was invested in Triple Trust and R1 399 040 in Big Fish during 2009.</td>
<td>To continue the partnership with Big Fish and ensure that different areas of the business work together to produce the best end result.</td>
</tr>
<tr>
<td>Improving the orphaned and vulnerable children flagship programme.</td>
<td>Programme extended to meet other areas of need for these children. R2 million was invested in the programme during 2009.</td>
<td>Possibly expand the programme to become nationwide.</td>
</tr>
<tr>
<td>Effective monitoring and evaluation of projects/programmes. Agree on the criteria of assessment.</td>
<td>Assessed impact of different programmes with the help of partners, and implemented changes.</td>
<td>To ensure that the results of the assessments are used to improve implementation CSI strategy and achieve greater results.</td>
</tr>
<tr>
<td>Encouraging innovation in implementing programmes.</td>
<td>Absa received the ‘Company Partnership Award’ at the Mail and Guardian ‘Investing in the Future Awards’ for its partnership with the National Council for Persons with Physical Disabilities and its contribution towards highlighting the plight of persons living with disabilities. Funds raised for this campaign increased from R413 000 in 1994 to R17,7 million in 2009.</td>
<td>To encourage even greater involvement by Absa employees. To exceed amount raised in 2009.</td>
</tr>
</tbody>
</table>

### Flagship programmes in 2009

Flagship programmes are large-scale, best-practice projects, typically national and they aim to provide viable and sustainable solutions in response to national priorities. Underlying the flagship philosophy are deliberate partnerships with key partners who are experts in a particular field, offering holistic and practical models to address the priorities. Flagship programmes are funded at a high rand value to obtain maximum reach and impact. Five flagship programmes were implemented during 2009:

- Orphaned and vulnerable children programme partners (see below);
- Big Fish Entrepreneurship (see below);
- Beyers Naudé Schools Development Programme with Kagiso Trust and the Department of Education;
- Casual Day with the National Council for Persons with Physical Disabilities in SA;
- Absa/Sowetan Early Childhood Development Awards.

### Orphaned and vulnerable children programme partners

To address the needs of orphaned and vulnerable children (OVC), Absa partnered with five NGOs in 2009: The Olive Leaf Foundation (Eastern Cape), World Vision (Limpopo), Wola Nani (Western Cape), Starfish Greatearts Foundation (North West) and Johannesburg Child Welfare (Gauteng).
Sustainable support was given to nearly 2 000 children living in households where the head of the house was elderly or had not yet reached adulthood.

Following a review of the programme, the Group increased funding to the five partners, enabling them to substantially increase the services they offer.

The programme focuses on providing all-round support to the families in the form of:

- A monthly food parcel;
- Trained caregivers assigned to the households to care for and monitor the children;
- Monthly home visits to deliver food parcels, assess the environment and health of the recipients and to listen to any comments from the children;
- Access to an after-school community centre with hot meals and a place to do homework;
- Help in registering for a social grant;
- Referral of children to relevant services, for example, health and social security;
- School fee exemptions;
- Monthly contact by care-workers with the school to monitor progress;
- Psychosocial support and counselling services;
- Encouraging children to learn how to grow their own food.

Through this initiative, Absa supports children with a total investment in the programme of R2 million in 2009.

**Big Fish School of Digital Filmmaking**

Big Fish helps unemployed young people to receive training in filmmaking all over South Africa. The goal is to provide skills to ensure employment after completion of the course. Big Fish has achieved a success rate of more than 80% employment. The film-making school offers groundbreaking initiatives in skills development. The school’s methods include intensive, hands-on training in a simulated workplace experience.

In 2009 Absa supported the training of 20 young people (18 to 35 years old) from various provinces. They obtained a certificate in Audio Visual Production at NQF 4 level. The course included research, proposal writing, scriptwriting, production processes, administration, production budgeting, directing, camera, sound, editing, conceptual thinking and consequential reasoning. Life skills were also taught.

One of the main deliverables of the course was the production of a five-minute drama/documentary.

Workplace experience (two months) is built into the course to allow participants to test their newly acquired skills and knowledge while still training.

All 20 students completed training and produced four short films profiling Absa CSI initiatives. They have all been offered employment contracts in the filmmaking industry, including placements at SABC and SuperSport.

This initiative has helped students become economically independent and given them the knowledge and ability to make socially responsible films with the power to make a difference. One of the students is establishing his own non-profit organisation for youth development.

In September 2009 Big Fish won the prestigious Stevie International Business Award for Corporate Social Responsibility Programme of the Year in the Middle East and Africa. Absa was acknowledged for assisting Big Fish in this achievement.

Due to the programme’s success, a decision was taken by Absa to continue with Big Fish as a partner in the Entrepreneurship Development Flagship programme, and support another intake of 20 students in 2010.

**Significant partners**

Significant partners are reputable non-profit organisations (NPO) who stand out as the best in their fields and who are recognised for the quality of their programmes. They operate at either provincial or national level, are recognised within the community, and are transparent and accountable. Funding is at a moderate to high level and in some cases a whole segment of the project is primarily funded by Absa.

Some examples of significant partners are detailed within the following case studies:

**Walter Sisulu Paediatric Cardiac Centre for Africa**

Altogether 99% of children who are born with heart problems in Africa die due to a lack of money to pay for operations and medication.

The Walter Sisulu Paediatric Cardiac Centre for Africa, operating from Netcare’s Sunninghill Hospital, champions life-saving operations. These operations give many children a chance at living in good health. A total of 16 children have already benefited from operations given at the centre through Absa funding. The scope
of the centre has grown to include training of doctors from other African countries. The Absa Group’s support to the centre commenced in 2006. In 2009, Absa donated R500 000, which was boosted by a grant of R150 000 from Absa employees through the ‘Give As You Earn’ contributions. At the 2009 annual gala dinner to celebrate Mrs Sisulu’s 91st birthday, Absa matched the money raised by an auction and donated another R400 000. This donation allowed another three children to benefit from the operations offered by the centre.

**THRASS Absa TalkTogether Project**

Studies at universities across South Africa have revealed alarming statistics on literacy. A draft report produced for Higher Education South Africa (HESA), by the National Benchmark Tests Project, showed that low literacy levels contribute to high dropout rates in schools and universities in South Africa. Literacy at primary school level is especially important because it is the foundation for future academic and life skills. In 2007, the Group became involved in a sustainable corporate sponsorship programme with THRASS (Teaching Handwriting Reading And Spelling Skills). The programme runs in six primary schools in the Western Cape, Gauteng (2), Eastern Cape and KwaZulu-Natal (2).

The TalkTogether schools benefit from the project through:

- Training foundation phase teachers;
- Installing resources for Teaching Handwriting Reading and Spelling Skills (THRASS) for up to 500 students;
- Training student teachers from the associated university.

Training the student teachers ensures that a constant flow of THRASS-qualified teachers graduate every year. These teachers graduate with theoretical and practical THRASS teaching experience. TalkTogether schools also have regular access to student teachers. The TalkTogether Project has produced over 1 100 teachers and student teachers to date. That is approximately 20% of the total THRASS teachers trained in South Africa.

Absa has also sponsored two Wits graduate teachers at farm schools in the Kwena Basin, Mpumalanga for the previous two years. These deep rural farm schools have been supported in the past by Wits Education Department and need new learning techniques to help enable both learners and teachers achieve their potential.

**Employee community involvement**

Launched in 1991, Absa’s employee community involvement (ECI) programme gives employees the opportunity to get involved in improving the quality of life of fellow South Africans.

Absa’s internal Corporate Social Investment (CSI) initiatives include the following:

- Executive and senior leadership community initiative programme. As a leading company, Absa encourages its managers to get involved in economic development and social upliftment. Senior staff members are also encouraged to get employees involved in volunteer work;
- A ‘Matched Giving’ fund aimed at matching any fundraising or volunteering by staff;
- A voluntary payroll giving programme, Give As You Earn. In 2009 R816 000 was raised by employees and matched rand for rand by Absa;
- Employee Volunteer Week;
- Community development facilitated by business units;
- Volunteering and fundraising initiatives for the family members of employees through the Sešego Cares programme.

**Matched Giving Fund**

Absa values the enthusiasm and passion with which its employees carry out volunteering and fundraising efforts. To encourage this behaviour Absa introduced ‘the Matched Giving Fund Programme’, which recognises and rewards the efforts of employees. Employees have the opportunity to help decide how the Group’s contributions are spent.

Absa matches the donations made and hours served by employees in volunteer projects with contributions to charity organisations. Employees on the ground are often best equipped to understand the individual needs of their local communities. Their volunteer projects play an important role in helping Absa extend its reach and impact. The ‘Matched Giving Fund Programme’ also enables donations from Absa to reach local community organisations involved in activities which might normally fall outside of corporate social investment.
Investing in communities (corporate social investment)

The table below provides a two-year comparison on the Matched Giving Fund Programme.

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team applications</td>
<td>79</td>
<td>72</td>
</tr>
<tr>
<td>Individual applications</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Total number of applications</td>
<td>84</td>
<td>96</td>
</tr>
<tr>
<td>Total amount granted</td>
<td>R692 988,66</td>
<td>R665 014,34</td>
</tr>
</tbody>
</table>

During 2009 individual and team fundraising efforts plus the Group match of R692 988,66 totalled R906 016,20. This benefited over 70 not-for-profit organisations (NPO) and includes matching for some 1 722 hours of volunteer work.

Employee Volunteer Week

Together with its corporate and NPO partners, CAF Southern Africa established a national employee volunteer week in South Africa.

Absa supports the initiative and encourages all branches and business units within the Group to get involved during the Week. Employees are encouraged to identify community-based projects in their area and to volunteer their time and skills. They are also given time off from work to take part. During 2009 Absa CSI made efforts to educate Grade 3, 5 and 7 students across South Africa in financial literacy. More than 3 682 employees were involved. The benefits of saving and budgeting were explained to over 156 000 children across South Africa.

Employees who wanted to become involved in more general volunteer activities were encouraged to do so. Besides the support received for the financial literacy programme, over 1 500 employees took part in other activities.

Absa Home Build

Absa and its suppliers are involved in the Make a Difference Day (MADD) project. This Groupwide CSI project was started in 2007 with the building of 10 houses in Katlehong (East of Johannesburg). This grew to 36 houses in 2008 where staff and supplier volunteers were involved in Orange Farm (South of Johannesburg).

The main aim of this project is to provide shelter for the poor, elderly and people with disabilities. The project uses local labour and has the added benefit of teaching members of the community how to build their own houses.

In partnership with the City of Johannesburg Municipality, Absa mobilised suppliers and other companies to build 100 houses. Participants in the project included over 2 000 Absa employees, suppliers and community members. Absa also contributed 100 trees for planting.

The project was about more than just building a house. Staff members from all levels created homes for families and helped in transforming a community.

The building culminated in a handover ceremony to the beneficiaries of the houses on Friday 23 October 2009, attended by Deputy Minister of Human Settlements, Ms Zoliswa Albertina Kota-Fredericks.
Absa Group sponsorships

Introduction
Partnering with organisations through sponsorships is an important element of the Absa Group’s ethos. Sponsorship complements CSI initiatives and benefits the Group, the partner organisation and the wider community. It reinforces the Group’s commitment to developing South Africa’s sports, arts and culture.

Among the benefits for the Group are:
- Market visibility;
- Reinforcing brand values and business objectives;
- Relationship-building with current and potential customers;
- Showcasing products and services;
- Staff involvement, which enhances staff morale.

Among the benefits for the partner organisations are:
- The sustainability of the sporting code or artistic or cultural activity can continue to exist, develop and thrive through the Group’s financial support; and
- The wider community can benefit economically through events that are held.

Overview of 2009
Through well-conceived agreements with partner organisations, the Absa Group has made a significant contribution to different communities in South Africa this year. In this economic climate, the Group sees making a financial impact in communities through sponsorships as equal in importance to promoting the Group’s brand and boosting revenue.

The Group mainly sponsors sporting codes and arts and culture activities.

A selection of Absa Group’s sponsorships in 2009

<table>
<thead>
<tr>
<th>Activity</th>
<th>Sponsorship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sport</strong></td>
<td></td>
</tr>
<tr>
<td>Rugby</td>
<td>Absa Currie Cup</td>
</tr>
<tr>
<td></td>
<td>Springboks</td>
</tr>
<tr>
<td></td>
<td>IRB Sevens Tournament – SA leg</td>
</tr>
<tr>
<td>Soccer</td>
<td>Absa Premiership</td>
</tr>
<tr>
<td></td>
<td>Bafana Bafana</td>
</tr>
<tr>
<td>Cycling</td>
<td>Absa Cape Epic</td>
</tr>
<tr>
<td><strong>Arts and culture</strong></td>
<td></td>
</tr>
<tr>
<td>Arts and culture festivals</td>
<td>Absa KKNK</td>
</tr>
<tr>
<td></td>
<td>The Aardklop Festival</td>
</tr>
<tr>
<td></td>
<td>The Mangaung Cultural Festival (MACUFE)</td>
</tr>
<tr>
<td>Television programmes</td>
<td>Noot vir Noot</td>
</tr>
<tr>
<td>Theatrical productions</td>
<td>Various in partnership with Packed House Productions</td>
</tr>
<tr>
<td><strong>Other sponsorships</strong></td>
<td></td>
</tr>
<tr>
<td>Amateur golf</td>
<td>Absa Premier’s Invitational</td>
</tr>
</tbody>
</table>
Absa Group sponsorships

Summary report of selected sponsorships

The Absa Premiership
Absa’s football investment dates back to the United Bank Challenge in 1982. Currently headlining the football portfolio is the PSL League sponsorship, the Absa Premiership.

Some notable impacts of the Group’s sponsorship of the Absa Premiership are:
- Throughout the 10-month long season, the Absa Group is able to connect with many South Africans who are passionate about local football;
- There has been a significant increase in the number of broadcast television matches on both SABC and SuperSport, with many more people being reached;
- Soccer matches on Tuesdays and Thursdays have been introduced (a first in the history of South African football);
- The Absa Premiership is the launch pad for an international career.

Noot vir Noot
This much-loved music quiz show is flighted on SABC 2 and has been on air for 19 years, making it the longest running show in the history of the SABC. The Group has sponsored it for the past 18 years. Noot vir Noot has an average viewership of two million people per show, which adds up to 44 million over one series.

Noot vir Noot’s impact over the sponsorship period includes:
- It is the longest running broadcast show;
- One show per season is dedicated to fundraising activities;
- It is one of the most successful and most watched programmes on SABC 2.

The Aardklop Festival
In 2009, the Group once again sponsored the successful Aardklop Festival in Potchefstroom. The festival is held every year over 10 days in September and October.

Some noteworthy benefits of the Aardklop Festival of 2009 include:
- Over 70 000 tickets were sold, earning R42 954 million for the local community (slightly down on the previous year because of the recession);
- Around 850 temporary jobs were created before and during the festival;
- Local businesses showed an increase in their annual income.

The Absa Currie Cup
Absa Group has sponsored the Absa Currie Cup for 25 years. This premier domestic tournament, which takes place between July and October each year, showcases all 14 provincial rugby unions in a four-tiered tournament, comprising premier division, first division, under-21 and Under-19 competitions.

Through its sponsorship of the Absa Currie Cup, the Group has achieved:
- The longest running rugby sponsorship in the country;
- Providing a vast pool of experienced and match fit players for Springbok selection;
- The sustained existence of the game of rugby.

Outlook for 2010
The Group is committed to collaborating with and maintaining sound relationships with its sponsorship partners. It will continue to evaluate its involvement in the various projects and activities it sponsors, and refine its strategies where necessary. In this way, the Group can identify how best to outline agreements that meet the needs of the partner organisations, the broader community and the Absa Group.

Absa Group Limited Annual report for the year ended 31 December 2009
Through improved efficiency in buildings, the Group reduced carbon emissions by 8,237 tonnes in 2009;

- Focusing on the difficult task of collecting data on utility consumption in South Africa;
- Working with suppliers to help reduce their carbon emissions. Environmental considerations are a priority in Absa’s supplier selection process. When buying a product, Absa collects information about the prospective supplier’s environmental performance. Absa is working with its suppliers to understand and reduce its supply chain carbon footprint and identify opportunities to reduce emissions;
- Developing products and services that help customers reduce their impact on climate change;
- Engaging with key stakeholders and taking part in the debate on climate change action. Absa continues its dialogue with governments and market regulators, as well as international bodies.

Six strategic objectives to ensure sustainability

Absa prioritised six strategic objectives to guide management and ensure environmental sustainability of the Group’s activities:

Environmental credit risk

Transactions must meet the environmental criteria

In 2009, Absa’s Environmental Risk Management Department (ERMD) employees improved their expertise by attending various environmental workshops and conferences. They also received in-house training from the Barclays Environmental Risk Management Unit (ERMU).

Absa regularly reviews and updates its credit policies and procedures, taking into account environmental risks. The Group uses the Environmental and Social Impact Assessment (ESIA) policy to manage relationships with customers working on environmentally and socially sensitive projects.

Absa is dedicated to reducing its impact on the environment

Absa has a broad approach to sustainability. It realises that environmental initiatives must involve stakeholders and must aim to improve the lives of everyone living in South Africa.

Absa is committed to reducing the direct and indirect environmental impact of its operations and those of its associates. The Group has identified aspects of its business to focus on lessening its overall impact.

The direct environmental footprint of the company derives mostly from its property and development portfolios. These include the daily activities of employees involving energy, water use and travel. Therefore, the impact of Absa’s operations on biodiversity is minimal.

Sustainable development – nationally and at Absa

Sustainable development is a key concept shaping economic development in many developed and developing countries. South African law-makers have given substance to the concept in the Constitution (Section 24, Constitution of the Republic of South Africa). The laws call for government to protect the environment for current and future generations.

South Africa is one of the few developing countries to have incorporated sustainable development as the standard in enacting environmental regulation. This concept forms the backbone of the National Environmental Management Act (NEMA), as well as other pieces of legislation relating to biodiversity, air quality, waste and water resources.

Absa takes its environmental obligations seriously and stays up to date with the Constitution, NEMA and other relevant legislation. The Group has also raised awareness of concerns about sustainable development, climate change and global warming. These issues are priorities for countries that belong to the Organisation for Economic Co-operation and Development (OECD).

Absa is focusing on broadening awareness of environmental issues that face the company and its customers. This has included the launch of the Absa sustainability newsletter. The newsletter aims to keep employees in touch with global and South African matters and how Absa features in the matter of sustainability.

Absa’s climate action programme manages carbon emissions

Absa’s climate action programme approaches carbon management through the following initiatives:

- Reducing carbon dioxide emissions by improving energy efficiency. The Group has invested in new ways to improve the energy efficiency of its buildings and technology (including data centres);
At the United Nations Environment Program Finance Initiative (UNEP FI) Roundtable in October 2009, Absa formally adopted the Equator Principles. This formally qualified Absa as an Equator Principles Financial Institution (EPFI), although the Group had been working within the Barclays scope of the Principles for two years.

Absa’s two guest speakers at the UNEP FI discussed:

- Managing social and environmental risks in project finance transactions;
- The contaminated land risks that financial institutions are exposed to.

**High-risk projects subject to strict approval process**

Absa’s ERMD team approves projects that must follow the Equator Principles. High risk (Category A) transactions must receive dual approval from Absa ERMD and Barclays Environmental Risk Management Unit (ERMU). Absa follows this dual approval principle before approving loan facilities. This ensures that it mitigates and manages environmental risks adequately.

The ESIA assesses the potential environmental and social impact of a proposed project and informs Absa’s businesses about significant impact or reputational risks. When the environmental risk is high, ERMD is responsible for assessing the risks and reporting on how acceptable the transaction is.

Environmentally sensitive lending transactions must comply with environmental criteria stipulated in the lending conditions, dictated by the mandate holder’s assessment of environmental risk.

Absa keeps abreast of new and changing environmental legislation through its formal compliance processes and, when necessary, updates policy and processes to take these requirements into account.

**Absa recently qualified as an Equator Principles Financial Institution**

The Equator Principles define the circumstances under which financial institutions agree to approve loans for projects valued at more than US$10 million. They are a voluntary framework of environmental and social benchmarks.

This is an overview of the 2009 Project Finance transactions that were subject to the Equator Principles:

<table>
<thead>
<tr>
<th>Category</th>
<th>A</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher risk</td>
<td>Medium risk</td>
</tr>
<tr>
<td>Number of transactions</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Value of transactions (Rm)</td>
<td>1 358</td>
<td>591</td>
</tr>
</tbody>
</table>

**Sector distribution**

- **Mining and metals**
  - Number of transactions: 1
  - Value of transactions (Rm): 765

- **Oil and gas**
  - Number of transactions: 1
  - Value of transactions (Rm): 593

- **General manufacturing**
  - Number of transactions: —
  - Value of transactions (Rm): —

- **Utilities and waste management**
  - Number of transactions: —
  - Value of transactions (Rm): —

- **Infrastructure**
  - Number of transactions: —
  - Value of transactions (Rm): 2 016

**Notes**

1. Amount includes one deal still in progress, value of deal not yet determined
2. Deal still in progress, value of deal not yet determined
Resource efficiency
Absa ensures that its operations use resources as efficiently as possible.

Reducing water use
A water consumption reduction feasibility study in 2009 showed the possibility of a 30% reduction in water use. From 2010, actual consumption numbers will be available.

Utility consumption data available mid-2010
There have been difficulties in getting accurate statistics for trend analysis and the carbon footprint calculation. Absa engaged external consultants for this and expects them to provide updated data by the end of the second quarter of 2010. This will allow Absa to measure and manage the effectiveness of various initiatives.

Reducing waste
Absa aims to prevent pollution and ultimately to reduce all waste possible. There are three main initiatives supporting this:

Reducing paper use by 10% a year: There was a 24.8% reduction in paper use, resulting in a saving of R7 million;

Increasing paper recycling: The Group was able to increase paper recycling by 69 tonnes over the target;

Reducing landfill: Although efforts are ongoing, obtaining accurate landfill numbers remained a challenge in 2009.

Climate change
Absa takes appropriate action to maintain an acceptable carbon footprint. The goal was to reduce the Group’s carbon footprint for 2009 by 5 000 tonnes of carbon dioxide emissions. The main initiatives, which began in 2008, were to:

Reduce carbon dioxide emissions from business travel: Absa’s goal was to reduce business distance claimed in 2009 by 6 million kilometres. In fact, the total reduction was 10 million kilometres during 2009, saving R19 million for Absa. This meant a 2 283 tonne-reduction of carbon dioxide emissions;

Reduce carbon dioxide emissions from air travel: Absa reduced its air travel by 17 million kilometres, resulting in a reduction of 1 642 tonnes of carbon dioxide;

Reduce carbon dioxide emissions by improving energy efficiency: Since the beginning of 2008 Absa has initiated several projects to reduce its effect on the environmental map. One project is the replacement of all conventional light bulbs in its head office buildings with energy-saving globes, saving between 14% and 33% of electricity a year;

Reduce carbon dioxide emissions by using office space efficiently: Compared to Europe, South African companies generally give a larger office space for each full-time employee. Reduction of office space has considerably lessened Absa’s carbon footprint.
In September 2010, Absa’s new Energy Centre will come on line in the Johannesburg central business district. The concept is based on self-generated energy through gas turbines and has several benefits:

- Cost saving;
- Energy saving;
- Securing carbon credits;
- The only green campus in South Africa.

The highly efficient gas turbines emit no smoke or exhaust gas odours and are relatively quiet. The gas turbines recover waste heat from the turbines and exhaust, which can be used to heat and cool the building, resulting in greater energy efficiency.

Absa will run its Energy Centre during peak electricity demand time when electricity costs are higher. This way, Absa will save more than one third of its current electricity running costs in a single year. Also, gas turbines emit half the amount of greenhouse gas of coal power stations.

**Model of the Energy Centre**

Absa’s goal is to develop low-carbon property design standards for new or refurbished Absa premises. The new facilities in Sandton Court, Johannesburg, incorporated environmental sustainability from design to occupancy. Bioclimatic surveys were performed before building to determine the design. The structure incorporated passive solar shading, free cooling, high efficiency lighting and rainwater harvesting. There was an effort to use only locally sourced and recycled materials. As a result, the office is over 30% more efficient than standard new office buildings in South Africa.
Reduce impact from technology

Absa Group technology’s initiatives include:

- Consolidation of all storage facilities through storage management software;
- Virtualisation of servers across the Absa Group;
- Removal of all unused servers;
- Sourcing from companies that are green-compliant and keep to acceptable carbon footprint standards;
- Keeping to industry standard policies and guidelines around Green IT;
- Redesigning data centre layout to meet cooling requirements and best practices in data centre design;
- Replacing conventional Cathode Ray Tube (CRT) screens with Liquid Crystal Display (LCD) flat screens;
- Introducing energy use meters and metrics;
- Consolidating network hubs, appliances and switches.

Absa has further reduced energy by:

- Using video conferencing facilities, to reduce travel;
- Changing signage lights to triphosphor bulbs, which are more energy efficient and more durable.

Keep giving environmental community support

Absa considers environmental management needs in its involvement with Corporate Social Investment initiatives:

- WWF-SA: Absa is one of the founding members of WWF-SA. Through annual membership, Absa continues to support WWF-SA in many of its activities. This has included taking part in Earth Hour, where 150 Absa-leased and Absa-owned buildings switched off their electricity.
- Peace Parks Foundation: Absa supported the Peace Parks Foundation with a sponsorship of R1 million. The sponsorship was divided between the Peace Parks Foundation fundraising account and the SA College for Tourism in Graaff-Reinet in the Eastern Cape Province of South Africa. The SA College for Tourism used its funding as bursaries for hospitality training for women from disadvantaged backgrounds. This helped them to find employment in the hotels and B&Bs in the Peace Parks areas.
- Food and Trees for Africa: Absa is a corporate member of Food and Trees for Africa. In 2009 Absa partnered with Food and Trees for Africa and undertook greening initiatives across South Africa. During the year, Absa employees planted more than 2 500 trees in over 100 schools. This included the Absa Financial Services Women’s Forum contributing to the Greening Soweto project by planting trees in Orlando Park.

Department of Water Affairs and Forestry: Absa sponsored the annual Baswe Le Meetse Youth in Water programme again. The programme focuses on teaching young learners – specifically in rural communities – the importance of sanitation and conserving water. The sponsorship for this programme totalled R200 000.

Develop products and services that help customers reduce their impact on climate change

Absa is taking action to deliver low-carbon products and services. Emissions trading is an example. From the end of 2010 Absa will be able to trade carbon credits due to the enormous energy saving from its gas-driven Energy Centre.

Improve environmental risk management

ERMD manages environmental risks across the Group and helps business units to put into action the required environmental policies.

ERMD identifies, prioritises, managers and monitors the Group’s direct and indirect environmental impact related to the key strategic objectives. In 2009, it reported the results of these activities at the Environmental Steering Committee (ESC) and Credit Risk Committee (CRC) meetings:

- The ESC met each quarter to manage and review the Group’s performance in relation to the key strategic objectives. The ESC was chaired by the Group Risk Officer. The ESC is guided by the Environmental Positioning Statement and Environmental Management Policy Statement. The ESC was supported by environmental working groups created to manage the various environmental projects that were implemented. Frequency of working group meetings depended on project specific requirements;
- The CRC also received monthly reports on the status of lending-related activities.

Absa’s Environmental Risk Management practices do not only enable the Group to manage risks, but also help it get funding from Development Finance Institutions that rely on these sustainable risk management practices.

Transparent sustainability reporting

Absa continued to report to its stakeholders on environmental performance.

In line with this, for the second time, Absa contributed to the 2009 Carbon Disclosure Project (CDP) and the JSE’s Socially Responsible Investment (SRI) Index 2009. It will continue to focus on the detail of reporting to ensure accurate measurement.
Absa Group appeared in the SRI Index, among ten listed companies, as a ‘best performer’ for three consecutive years.

**Key stakeholder initiatives**
Absa engages with key stakeholders and contributes to the debate on climate change action.

**Supplier sustainability programme**
Absa launched an environmental forum with its key suppliers. The forum addressed significant issues such as the carbon footprint and usage of paper and print. It also tackled important areas of focus in South Africa, for example, service delivery. The participants formed work groups to address these topics to ensure greater focus and agreed outcomes.

The vision of this initiative, which started in April 2009 is to ‘Make a visible impact on sustainability in South Africa by sharing and working together’.

The Group held eight sessions from April to November to get support from suppliers to improve service levels and raise awareness with others so that similar initiatives can be started across South Africa. The sessions also encouraged suppliers to share their sustainability agendas.

The success of these sessions is based on shared agendas that include:
- Carbon footprint;
- Paper usage and printing;
- Service levels in South Africa;
- Individual achievements and opportunities to identify other sustainability-related activities.

**Suppliers must explain their approach to corporate responsibility**
Absa Group Sourcing launched the Supply Chain Corporate Responsibility (SCCR) initiative in February 2008.

The SCCR questionnaire process helps the Group to:
- Understand the current level of risk and performance in its supply chain;
- Inform the Group’s sourcing decisions;
- Identify areas for improvement.

Absa asks its suppliers to explain their approach to managing corporate responsibility in their own organisation and supply chain. This will form an important part of its assessment of current and potential suppliers and lower risks to the Absa brand, performance and reputation.

The questionnaire is based on the work of the Chartered Institute of Purchasing and Supply (CIPS) Financial Services Purchasing Forum.

**Climate change affects local business and social values in Africa**
Absa collaborated with the Barclays Group and the UK MET office to research the potential impacts of climate change on business in South Africa, Kenya and Ghana. The report, titled ‘Storm Shelter: Managing climate risks in Africa’ finds that climate factors put economic and social value at risk in Africa today. Although climate projections are uncertain at the local level, business needs to assess current and future climate risks and identify management options.

Together with this, a study was conducted to find out whether there is a statistical relationship between climate change and loan defaults in the agricultural sector. Although the results of the study were inconclusive due to insufficient data, this represents a significant step forward towards determining the expected impact of environmental risks on Absa’s customers’ operations.

**Themes for 2010**
**Absa aims to be at the forefront of dealing with environmental issues**
Absa succeeded in reducing its carbon footprint in 2009 and with the opening of its Energy Centre in 2010, Absa will achieve reductions of up to half its carbon footprint for the CBD campus buildings.

The Group is committed to a green environment. This extends to offering discounts to Absa home loans customers, when Absa has approved a new application, on sustainable products such as:
- Solar water-heating devices;
- Power generators;
- Lighting solutions.

Two projects to manage the impact of the National Environment Waste Act have been identified and initiated. Absa will continue to consider Project Finance transactions in line with the Equator Principles.

These and other efforts will drive Absa’s ongoing commitment to a sustainable environment for the Group and its stakeholders.