

Delivering the strategy and value drivers

The Group has an extensive number of governance and compliance activities which protect and enhance value creation. We outline a summary of management activities and Board deliberations for 2018 against a series of priority objectives that focus on the new Group strategy, the Separation and the impact of these in the context of value creation.

Priority	Management activities and Board deliberations
<p>1. Oversee management's delivery of the approved growth strategy into detailed execution plans.</p> <p>Self-assessment outcome: Substantial achievement</p>	<ul style="list-style-type: none"> Engaged management on the execution of the Group strategy with an immediate focus on six core initiatives: Separation, brand, digital, employees, Retail and Business Banking and Wealth, Investment Management and Insurance. Focused on Retail and Business Banking and the restructuring required; the risk appetite approach and the investment spend needed. We considered, in particular, the vehicle and asset finance business, the impairments and our collections ability, the dealer approach, and returns given the inherent costs and competition. Assessed the execution plans for customer-facing businesses through strategy sessions, considered the risks and opportunities (within the risk appetite setting and approval process) and approved associated medium-term financial, capital and funding plans. Deliberated our micro-lending approach in Absa Regional Operations, including new joint ventures, the associated inherent risks and potential returns balanced against conduct risks while ensuring the fair treatment of customers. Approved a new remuneration philosophy, principles and the metrics and targets for the 2018 short-term and 2019 long-term incentives.
<p>2. Monitor and assess the business-as-usual execution in the context of significant change and the new strategy.</p> <p>Self-assessment outcome: Full achievement</p>	<ul style="list-style-type: none"> Monitored business performance, including key focus areas, significant variances to key measures, and the macro and environmental factors from the operating environment and their potential to influence the Group's sustainable performance. Maintained a customer focus by regularly reviewing the operating environment including competitor strategies and performance metrics, and adjusting our activities taking into account market developments. Closely monitored the control environment across operational risk, compliance, internal audit and external audit covering both business-as-usual and Separation activities, while remaining mindful of the effect of Separation. Conduct and reputation matters were deliberated by the Directors' Affairs and Social and Ethics committees. Considered the Group's risk profile and outlook, including internal and external key risk themes, performance against risk appetite (under and over-utilisation), triggers, performance against key metrics (earnings at risk, return on equity and profit after regulatory capital charge). A focus was on managing credit risk relating to South African state owned entities and high-profile customers.
<p>3. Oversee system stability while the Group manages change and transforms the technology landscape, taking into account both the Separation and the growth strategy.</p> <p>Self-assessment outcome: Full achievement</p>	<ul style="list-style-type: none"> Considered updates on the stability of services, including the impacts on customer and employees, resilience and technical trends for South Africa and Absa Regional Operations. Assessed the control environment across the technology estate, specifically converged security, information risks, technology people risks (employee resiliency and well-being) and technology risks. Disaster recovery in Absa Regional Operations remains a challenge and is a specific focus area for in-country regulators. Considered management's digital transformation, including the Group-level digital priorities and measures to track the digital progress, as well as certain bespoke digital innovations for an improved customer experience. Reviewed updates to the technology strategy, including the people agenda, Separation impact and finances (spend against budget, investment spend and related cost to achieve).

Delivering the strategy and value drivers *continued*

Priority	Management activities and Board deliberations
<p>4 Oversee and assess how we are transforming our business in the areas of growth (top-line and returns), building a scalable, digitally-led business, and playing a role in shaping society.</p> <p>Self-assessment outcome: Substantial achievement</p>	<ul style="list-style-type: none"> • Focused on top-line growth, particularly strategies in Retail and Business Banking South Africa to strengthen deposits to support our advances growth and to improve customer retention through better service and more competitive product options. Opened our UK securities subsidiary, with an approved plan for a US presence to support our corporate customers. • Focused on market share growth within the approved risk appetite and with appropriate returns in all businesses. • Engaged management on the role in society agenda, while continuing to invest in education (bursaries, scholarships and learnerships); the Johannesburg city centre through a new multi-use building; and in defining a strategic focus on the knowledge economy and transformative education.
<p>5 People and culture – Monitor and assess our progress with respect to diversity and the renewed culture, as an enabler of the new strategy.</p> <p>Self-assessment outcome: Full achievement</p>	<ul style="list-style-type: none"> • Monitored organisational health indicators (headcount and retention; diversity and inclusion; training spend; talent acquisition; employee relations) while focusing on transformation and our progress against Financial Sector Charter and Employment Equity targets where some improvement has been achieved but more work is still required. • Engaged on employee engagement results (measured by a Gallup survey) which evidenced significant increase in participation, with some improvement in the overall engagement rate and the significant work still to be done on culture transformation. • Tracked conduct indicators, including grievances, disciplinary cases, Treating Customers Fairly surveys, and complaints resolved on first point of contact. Focus was placed on Banking Ombudsman cases, many of which are linked to digital fraud, and management's actions including steps to decrease customers' risk was monitored. • Deliberated the new people and culture transformation strategy and approved the aspirational culture and Values. • Monitored the programme implementation of Workday, a single integrated digital platform encompassing all core human resource functions to be delivered to our presence countries, ending with South Africa in the fourth quarter of 2019.
<p>6 Oversee the execution of the Separation programme.</p> <p>Self-assessment outcome: Full achievement</p>	<ul style="list-style-type: none"> • Considered feedback from the Africa Supervisory (Regulatory) College meetings hosted by the South African Prudential Authority in March and September 2018. • Monitored and challenged the overall programme execution against approved performance metrics, key milestones as well as spend versus programme budget. • Engaged with management on critical projects, for example Workday and the Absa Regional Operations core banking project (the latter was implemented in April 2019). • Deliberated assurance reports from internal audit, external audit and PwC (including a PwC risk tolerance assessment).

2019 Board objectives

- Oversee the progress in the execution of the approved medium-term plan.
- Oversee the technology change that is taking place in the Group, with a view to ensuring an optimised customer experience and sustainable benefits realisation.
- Monitor and assess our progress with respect to diversity, the renewed values, and the culture.
- Oversee the execution of the Separation programme in regard to its impact.
- Monitor the Group's activities that contribute to shaping society.