# Group Chairman's message

2018 was a year of good progress in terms of the Separation and of transformation as we embed the Group's growth strategy throughout the business.

**2018 was a year of strategic change for the Group and a year in which the United Kingdom's Prudential Regulatory Authority confirmed that, as of 30 June 2018, regulatory deconsolidation from Barclays had been achieved.**

We once again became the Absa Group, still listed on the JSE, however, under our new legal entity name and refreshed brand – a development that became effective on 11 July 2018.

This was a year in which we redefined ourselves through a new corporate strategy and announced resultant changes to our Executive Committee in March and April. Shortly thereafter, we began the restructuring of our South African Retail and Business Banking (RBB) business. RBB is critical to our growth ambitions and its new strategy was presented to investors in December 2018.

We provided our Group guidance to the market on our medium-term financial targets in December (page 23). These targets are based on our current expectations for economic growth and the current regulatory landscapes in our presence countries.

The Separation is proceeding well with the transition of services from Barclays to Absa, through the delivery of a combination of (i) replacement systems (assessed as fit for purpose) to deliver the same functionality on the most appropriate platform; and (ii) transformational systems which offer new and substantially better features for our customers and employees. By year-end, 52% of services contracted with Barclays had been terminated, with 52% of the Separation projects completed (including five of the 24 most complex and interdependent projects). Our Board and its Separation Oversight Committee are regularly updated on all material pieces of work (including major technology implementations), spend relative to forecast, the status of the overall programme, and related assurance reviews.

Good progress has been made on the rebranding of subsidiaries outside of South Africa carrying the Barclays brand. While continuing to use Barclays as their main identity for the time being, these entities now carry an additional "Member of the Absa Family" identifier. We expect the process of changing to Absa to be completed by mid-2020.

## A shifting macro environment

We are pursuing our objectives in the context of complex and challenging global and local environments, which may influence our progress.

Africa, along with other emerging market economies, is under pressure, driven by depreciating currencies, rising indebtedness, slowing growth and tighter global financing conditions.

The strength of democratic institutions and rule of law continues to improve across Sub-Saharan Africa – with recent electoral disputes in some countries successfully resolved through legislated processes.

In South Africa, our largest single market, President Ramaphosa has prioritised solving many of the binding constraints to investment and economic growth.

We welcome the steps being taken thus far to expose systemic corruption that has plagued the public and private sectors.

There remain many critical priorities that the government must urgently address, notably South Africa as an investment destination, and the stability and sustainability of the state owned companies, in particular Eskom's capacity to provide power to the country.

While the appointments of new boards of state owned companies and the new management teams are welcomed, many of these companies have significant financial and operational difficulties that require political resolve in a challenging socio-political environment. Most of the banks, like Absa, are key stakeholders in the financing of state owned companies and in the important decisions that need to be made regarding their sustainability. The extent of their challenges requires intricate policy coordination and active management of state owned companies' finances and deep and meaningful structural reforms.

We have observed the development of the land expropriation constitutional amendment process. Absa prepared a comprehensive submission to Parliament, and shared it with various key stakeholders ahead of the Parliamentary vote. In addition to expressing our full support for sustainable land policy reform and restitution, this submission contained well-researched proposals on how to do this in the context of current needs and development trends.

Since a decision has been taken to amend the Constitution to make provision for a more explicit expression of expropriation of land without compensation, it is very important that this process is carefully managed so to encourage the investment climate and to ensure positive economic outcomes, including sustainable food production. Absa will make further submissions as the process moves to drafting of the constitutional amendment and related legislative changes.

Absa supports and contributes to various initiatives to drive sustainable economic growth that leads to the creation of employment opportunities.

## Increasing operational risks

In addition to the macro developments and risks referred to above, we are beginning to see the acceleration of some operational risks that are confirmed by the World Economic Forum's Global Risks Report. For example, we had to contend with acute water shortages in the Western Cape and areas of the Eastern Cape. While the rains brought some relief in certain areas, strategic solutions are still not in place and we urge local, provincial and national government to continue the focus on sustainably solving the water crisis.

We know that this is directly related to climate change and that this is increasingly being felt across the continent, affecting our operations, that of our customers and society at large. Our response is threefold.

Firstly, we continue to use water in the most responsible and efficient way possible across our business, not just in the areas where there are acute shortages. Secondly, we will continue to drive environmentally-sustainable ways of operating, including energy usage; water recycling; and green buildings wherever possible. Thirdly, acknowledging the concerning issue arising from climate change and the resulting pressures on future sustainability, we have embarked on a group-wide sustainability programme to consider the potential implications on the Group's operating model, products and services, our customers' businesses and society at large. We are working with independent experts and other stakeholders.

In strained economic times and, in particular given the high rates of unemployment and financial difficulties encountered by state and other private sector-owned companies, we remain acutely aware of the need to lend responsibly to adequately address credit risks. As we advance as a standalone organisation, we will continually adjust our credit risk parameters to achieve a fair balance between growth and sustainable lending.

Furthermore, we continue to observe risks in the financial sector environment, such as the discussion about the independence of the South African Reserve Bank. Our view is that the independence of the Reserve Bank is sacrosanct, regardless of shareholding, and this is stated clearly in the South African Constitution. It will be helpful for this discussion to be concluded as soon as possible, in order to provide certainty to investors and international partners.

## CEO succession

In January 2019, we announced Maria Ramos' retirement as the Group's CEO at the end of February 2019 when she turned 60.

Maria had been the Chief Executive Officer since 2009 and had led the Group through significant milestones, including: acquiring Barclays' Africa subsidiary banks and thereby giving the Group much needed geographical diversification; securing a significant Separation settlement from Barclays, driving the subsequent Separation and the finalisation of a new corporate strategy. The strategy was followed closely by a brand refresh in South Africa that foreshadows the complete conversion of our African operations from Barclays branding to Absa, a standalone financial African financial services business.

The Board appointed René van Wyk as the Group's Chief Executive Officer with effect from 1 March 2019 for an interim period. René has been a non-executive director on the Board since February 2017. He was previously the Registrar of Banks within the South African Reserve Bank and has 19 years of experience with Nedbank, as an executive director of risk for then listed Nedcor Investment Bank. He was also Chief Executive Officer of Imperial Bank. René remains on the Group and Bank Boards as an executive director effective from 1 February 2019.

Our ambition is to announce a permanent appointment to the position at our interim financial results in August 2019, following the finalisation of the process of appointing a new CEO and the requisite regulatory approvals. The successor is likely to take over in 2020.

On behalf of the Boards, I wish to thank Maria for a decade of dedicated service to our Group and wish her all the best in her future endeavours. Absa is a different business to the one Maria joined in 2009. Instead of a South African bank it is now a pan-African financial services provider with a footprint in 12 countries in Africa. She left the Group with the Separation on track and clear medium-term targets aligned to the new strategy.

## Several changes to the Board

Trevor Munday retired at the annual general meeting in 2018, having joined the Board in 2007. David Hodnett resigned from the Group and the Board after 12 years with the Group, and eight years on the Board. Monwabisi Fandeso was on our Board for a year before stepping down for personal reasons. We thank them for their valuable contributions and wish them well in their future endeavours.

Paul O'Flaherty stepped down from the Board in November 2018, while taking up an executive position as Chief Executive: Engineering Services (covering technology, security and Separation portfolios).

As stated earlier, René was appointed as the Group's Chief Executive Officer from 1 March 2019 and is now classified as an executive director.

Finally, we have appointed Sipho Pityana as an independent non-executive director of the Group effective from 1 May 2019 and he brings strong commercial, corporate, human resources, strategy and leadership skills to the table.

## In conclusion

We remain determined to grow our top-line income and regain our market share as we execute our new strategy and effectively manage the Separation. To deliver on our commitments, we rely on the support and commitment of all our stakeholders. We thank our management and employees for their focus and delivery and our customers for their ongoing support and for entrusting us with their financial prosperity. Following another challenging year, I wish to thank my colleagues on the Board, Board committees and the boards of our subsidiaries.

**Wendy Lucas-Bull**
Group Chairman

# Message from the **Executive Committee**

We have made a firm commitment to the African continent . . . to bring possibility to life. We are obsessed with the customer and our people are our strength.

Headline earnings rose **3%** to **R16.1bn**

Return on equity improved slightly to **16.8%** from **16.5%**

Revenue grew **4%** to **R75.7bn**

Operating expenses rose **5%** to **R43.6bn**

Dividend increased **4%** to **R11.10 per** share

In July 2018, the UK's Prudential Regulatory Authority communicated to us that, effective 30 June 2018, regulatory deconsolidation of Barclays and Absa had been achieved. To those unconnected to the rigorous process of getting to that pronouncement, this probably did not mean much, but to Absa it was significant.

From that point onwards we became a standalone organisation, free to pursue our own path and to grow according to our ambitions across Africa. With all the work that had been done in 2017 to prepare a forward-looking corporate strategy, our organisation was ready for it.

In March, we set out a growth ambition that we followed up with a new Group operating model and revised executive committee structure.

The proclamation of regulatory deconsolidation provided us with added impetus to pursue the commitments we had made for 2018. Importantly, we had to continue to run the Group, deliver to our customers and meet the guidance we provided to the market.

Our results were achieved in an increasingly challenging operating environment. South Africa, our largest market, barely escaped a sovereign credit rating downgrade and recession, while geopolitical developments continued to adversely affect global trading conditions.

## The transformation of the business continued

When we launched our new strategy in March 2018, we promised a comprehensive reset of our business. A chief executive heads each of our core businesses (RBB South Africa, CIB, ARO and WIMI), and are accountable for strategic delivery.

We prioritised RBB, and completed a comprehensive review in June, followed by a new structure and Executive Committee. The new leadership conducted further bottom-up reviews, developed new strategies and agreed to new, ambitious targets for each of the business lines therein. By the end of the year, we had presented a comprehensive strategic review and targets to investors – clearly mapping the way we intend to meet our targets in the future.

Since we had advanced strategic reviews to reset all four core businesses, we were also able to publish medium-term financial targets for the Group. These are based on our current expectations for economic growth in South Africa and our Absa Regional Operations countries.

As part of our strategy emphasising growth and regaining leadership in our core businesses, we aim to:

1. Grow our revenue faster, on average, than the South African banking sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters;
2. Given this growth and continued cost management, we aim to consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021; and
3. We aim to achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

To meet these targets, we will continue to drive an ambitious transformation programme underpinned by a new, entrepreneurial culture throughout our organisation. The business operating models and governance frameworks, which we are now able to set afresh in line with our standalone status, are designed to bring our employees closer to our customers. Customer- related decision-making is being devolved to speed up service delivery but with the support of a robust Enterprise Risk Management Framework.

## Leading digital innovations

Our ambition is to become a scalable and digitally-led bank. When we launched our new strategy for growth, we set out to become technology pioneers and be ahead of the tech curve.

For us, this means transforming our current business by making it more open and connected, improving our ways of working to become faster and more efficient, orientating for customer growth with digital, pre-emptive customer engagement and simpler, customised offerings and selectively pushing the innovation envelope.

There are already several proof-points where we are bringing this ambition to life. Our retail franchise has taken the lead in providing first-to-banking digital solutions for our customers.

We were first to launch ChatBanking on Facebook and we collaborated with one of the largest and most popular messaging platforms, WhatsApp, to launch ChatBanking on WhatsApp – the first bank in the world to offer this service.

We also launched Samsung Pay, an innovative payment system that allows customers to store their bank details on a Samsung smartphone and make payments at point of sale – a first in the South African market.

Because we aspire to become a banking group which Africa can be proud of, we are also mindful of our responsibility to serve our customers in the most remote areas in the continent. This is why we collaborated with retailers, post offices and similar organisations in Kenya, Tanzania and Uganda to meet the cash needs of our customers.

We have collaborated with fintechs and start-ups through our innovation hub, based in Cape Town, South Africa, giving them the support, resources and access to develop best-in-class technology solutions in Africa.

## Continued delivery against new strategy

We have committed to grow faster than our peers in South Africa, beginning in 2019. We are pleased with the momentum that is building in retail lending, as well as the quality of new business, which bodes well for improved annuity business. RBB South Africa is progressing its restructuring, and will focus on building momentum towards its targets. It is a very significant and important component of our Group and we are pleased that we have completed its structural transformation. By the end of 2019, we will have completed the transformation of all core business and Group support functions in support of our strategy.

Cost management will remain a top priority. With the structural reset of the organisation due to be completed during 2019, we expect to see positive cost outcomes in future reporting periods. We continue to challenge ourselves to develop simpler, faster and nimbler structures that give us both agility and cost efficiency in all areas of our business.

## Separation programme

By the end of 2018, we had successfully achieved Separation on 140 out of 266 projects, which is the halfway mark of our Separation work. ARO successfully migrated the core banking platforms from the United Kingdom to South Africa in April 2019.

Our Separation projects are interdependent, which means the timeous and efficient completion of each project is crucial for completing subsequent pieces of work. We have developed ways of managing challenges quickly and efficiently. These include a risk mitigation team as well as a function to focus on large and systemically important projects. We continue to assess our project status regularly and respond proactively to potential challenges. We remain confident that we can deliver Separation on time and within budget.

## Conclusion

2018 was a defining year for the Absa Group. We announced a new strategy, and began the process to restructure and re-engineer our business, an effort that will continue into 2019.

In 2018, we also achieved regulatory deconsolidation and introduced a refreshed brand in South Africa.

We also began the work of embedding a new culture in our organisation, developing an understanding of engagement levels and putting strategies in place to make the experience of working for Absa enriching for each of our colleagues.

We know that the targets we have set for our business are ambitious and it will take a huge effort from every last one of our employees to achieve them, but the extent of the collaboration on this journey so far leaves us with little doubt that our employees are up to the task.

We are grateful to our Board for their continued support and guidance; we are thankful to all our colleagues for their consistent commitment to our customers and above all, we want to thank our customers for their ongoing business.

**Arrie, August, Bobby, Bongiwe, Charles R, Charles W, Jason, Maria, Nomkhita, Paul, Peter and Yasmin[1]**

[1] Maria retired on 28 February 2019, Yasmin took up a position in CIB and stepped down from the Executive Committee on 17 April 2019. Roze joined Executive Committee on that date.

## A new brand and Values

In July, we were proud to introduce a refreshed Absa brand identity in South Africa, united under a single purpose – Bringing possibility to life. It repositioned Absa as a youthful, exuberant brand that resonates with Africa's young, energetic population.

Out of this process, we developed new Values that now underpin our culture change, our entrepreneurial spirit and the role we are going to play in society and the communities we serve in particular. Our new Values and supporting behaviours are:

### We drive high performance to achieve sustainable results

- **We play to win and are accountable for results.**
- **We innovate, we are decisive and we act quickly.**
- **We learn from our failures, we are bold enough to change course.**

### We are obsessed with the customer

- **We are curious, we anticipate the customer's needs.**
- **We take ownership of delivering the One Absa customer experience.**
- **We outperform by going beyond customer expectations.**

### Our people are our strength

- **We integrate diverse perspectives to invent the future.**
- **We collaborate with courage, honesty and powerful energy.**
- **We trust, value and grow our people to achieve their full potential.**

### We have an African Heartbeat

- **We deliver a uniquely Absa experience, across Africa.**
- **We co-create across Africa to deliver better solutions.**
- **We actively engage our communities to bring people's possibilities to life.**

These Values were a result of an extensive collaboration by colleagues across our business. As we roll out the change in the visual identity of the organisation across Africa during 2019 and 2020, these Values will inform the cultivation of a new ethos that underpins who we are and how our customers and stakeholders experience us in the future.

# Message from the **CEO**

With major changes bedded down in 2018, including the launch of our new strategy and implementing our new operating model, the framework for our business has been reset.

2018 was almost unprecedented for Absa in the number and scale of changes that the Group went through. While there is more to do, I am encouraged by the pace at which we are advancing our key priorities.

2019 is pivotal and will determine how far we will go towards achieving our medium-term strategic ambitions and the targets we communicated in late 2018 (page 23). Fundamentally, it is about re-engineering our business, encouraging and maintaining the energy for change and achieving our goals.

As a member of the Board, I was, and still am, a strong supporter and believer in the new strategy that former CEO, Maria Ramos, defined together with the executive and broader leadership team.

Over 10 years, Maria guided the Group through several momentous and important milestones. Her stewardship has set us on a path where we can build a financial services group that Africa can be proud of.

The Executive Committee is fully empowered and fully accountable for the delivery of the strategy across the different businesses and support functions. Following Yasmin Masithela's move to Managing Executive Transactional Banking in CIB, Roze Phillips joins the Executive Committee to lead our people and culture change. Strategy execution moves to Group Finance under the leadership of Jason Quinn while Paul O'Flaherty assumes responsibility for digital within Engineering Services. We have a strong leadership team and they have my full backing and support. I am confident that this team will deliver against an ambitious growth agenda and lead the culture reset within our business.

Simply, the focus is regaining lost market share, retaining the trust and confidence of the customers we currently serve, and delighting them with new propositions. We will compete and win in all our chosen markets to achieve our ambition of growing revenue faster than our South African peers in the medium term. We are also focused on building momentum behind our digitisation initiatives. This is important not just for customer experience, but also for resetting our cost base and colleague experience. We have all the building blocks to deliver upon this – we have a strong balance sheet, a presence across 12 countries on a fast-growing continent and dedicated and passionate colleagues.

Having undergone a year of significant change, I am pleased that our employees understand our strategy, embrace it and are energised by it. 2019 is a critical year for the Group and I am personally committed to enabling both my executive team and all my colleagues across the continent as we work to meet our 2019 goals. The leadership team is committed to giving space to their entrepreneurial spirit, drive a relentless focus on our customers and to build capabilities that enable Absa to win well into the future.

**René van Wyk**
CEO

## 2019 priorities

To achieve sustained above-market growth, our immediate and highest priorities are to:

1. Regain franchise health in Retail and Business Banking South Africa and better serve customers across their life stages to retain them.
2. Deliver the Separation successfully in Absa Regional Operations and Corporate and Investment Bank Africa through the right prioritisation of the 2019 change project delivery.
3. Deepen our core Corporate and Investment Bank capabilities, coverage model and integrated transaction banking solutions across Africa.
4. Enhance digital customer enablement (full end-to-end self-service).
5. Drive an integrated bank assurance delivery model between WIMI and RBB to leverage the capabilities and resources of the Bank to deliver efficiencies.
6. Embed a new target culture focused on strategy execution.

# Transformation through the Separation

The Separation has been the catalyst for a significant strategic and cultural reset of our organisation and is progressing well.

| March | April | May | June | July | September | October | December |
|---|---|---|---|---|---|---|---|
| Announced our high-level growth strategy. | Reorganisation announced to align the organisation to the new growth strategy. | Shareholders approve the name change.<br>Culture change programme. | Achieved regulatory deconsolidation from Barclays. | Barclays Africa renamed Absa Group Limited.<br>Refreshed of the Absa brand in South Africa. | Opened our London office while continuing to pursue a New York presence. | Board considered the detailed strategy for RBB SA. | Board considered the detailed strategies for CIB, ARO and WIMI. |

Over 2016 and 2017, Barclays reduced its shareholding in Absa from 62.3% to 14.9%. The Separation has been the catalyst for a significant strategic and cultural reset of our organisation which includes the transition of services (including technology services) previously provided by Barclays and the brand change. A comprehensive programme is delivering the replacement of systems and capabilities to successfully separate a combination of standard lift-and-drop solutions, noteworthy systems refresh, and some substantial transformation for example the implementation of Workday (a unified human resource management solution for the Group).

Critical to the change process are the ongoing engagements with our regulators. Given the size and complexity, the programme is run by an experienced and dedicated team within a robust risk management framework that is overseen by a sound governance structure, including a dedicated Board committee.

Separation Oversight Committee review page 84

We have split the 198 services from Barclays into 266 projects, of which 24 are platinum projects (the most complex and interdependent). At the end of 2018, 103 services contracted with Barclays had been terminated and we delivered 140 projects, including five platinum. The majority of work remains on track and, as with any programme of this size, there has been slippage but we have worked hard to get back on track.

Resources who supported business-critical Absa Regional Operations applications from the Barclays Technology Centre in India have been successfully transferred to our selected third party, and continue to provide these services under a separate contract. We aim to localise resources from India to South Africa over five years, with half of them by 2021.

2019 is critical, with 12 platinum projects to be delivered. One of the most significant technical projects – the migration of core banking applications of Absa Regional Operations' entities from the United Kingdom to South Africa was successfully executed in April 2019, removing existing complexities and improving overall customer experience. We will also replace our core financial crime systems with an integrated and analytically advanced system that has substantially improved functionality.

In addition to Separation, the programme is consolidating and digitising core technology services. In most instances, we are implementing the same solutions with more recent versions, providing opportunity to improve our current state. Solutions include delivering a consolidated offering for pan-African payments and consolidating all Absa Regional Operations card-related systems.

The brand change is one of unprecedented scale and includes digital platforms, forms, marketing and business collateral, corporate and retail premises, ATMs and point of sale devices. The rebranding in South Africa is progressing well, the majority of which is to be completed in the first half of 2019. We have made good progress on the work to rebrand our Barclays branded subsidiaries to Absa by June 2020, and products and services in those markets will not be affected by the name change.

Going forward, the Separation office is transitioning into a Group change function that will leverage the learnings and capabilities from the Separation, to make Absa an effective, change-driven organisation.

# 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 |
|---|---|
| 1 Oversee management's delivery of the approved growth strategy into detailed execution plans.<br>**Self-assessment outcome: Substantial achievement** | • 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.<br>• 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.<br>• 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.<br>• 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.<br>• Approved a new remuneration philosophy, principles and the metrics and targets for the 2018 short-term and 2019 long-term incentives. |
| 2 Monitor and assess the business-as-usual execution in the context of significant change and the new strategy.<br>**Self-assessment outcome: Full achievement** | • 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.<br>• 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.<br>• 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.<br>• 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. |
| 3 Oversee system stability while the Group manages change and transforms the technology landscape, taking into account both the Separation and the growth strategy.<br>**Self-assessment outcome: Full achievement** | • 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.<br>• 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.<br>• 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.<br>• Reviewed updates to the technology strategy, including the people agenda, Separation impact and finances (spend against budget, investment spend and related cost to achieve). |

| Priority | Management activities and Board deliberations |
|---|---|
| 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.<br>**Self-assessment outcome: Substantial achievement** | • 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.<br>• Focused on market share growth within the approved risk appetite and with appropriate returns in all businesses.<br>• 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. |
| 5 People and culture – Monitor and assess our progress with respect to diversity and the renewed culture, as an enabler of the new strategy.<br>**Self-assessment outcome: Full achievement** | • 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.<br>• 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.<br>• 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.<br>• Deliberated the new people and culture transformation strategy and approved the aspirational culture and Values.<br>• 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. |
| 6 Oversee the execution of the Separation programme.<br>**Self-assessment outcome: Full achievement** | • Considered feedback from the Africa Supervisory (Regulatory) College meetings hosted by the South African Prudential Authority in March and September 2018.<br>• Monitored and challenged the overall programme execution against approved performance metrics, key milestones as well as spend versus programme budget.<br>• Engaged with management on critical projects, for example Workday and the Absa Regional Operations core banking project (the latter was implemented in April 2019).<br>• 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.