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## ABSA GROUP LIMITED

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### Annual General Meeting

3<sup>rd</sup> June 2022

Financial Year End: 31<sup>st</sup> December 2021

Proxies voted
The Ditikeni Trust
SCAT (Social Change Assistance Trust)

The Integrated Annual Report and supporting reports (Report) are very detailed but rather dense and not easily read and understood. The Report quotes a survey which ranked Job Loss as the most pressing societal concern followed by Climate Change ... in partnership *to establish a renewable energy fund that aims to source reliable and cost-effective renewable energy to drive growth and employment.*

Despite that, the number of South African employees declined 9.6% from 27 160 to 25 908; this is most disappointing given the chronic unemployment in SA, the Report does *say South Africa's unsustainably high unemployment rose* and that *the Gini index in South Africa ... has increased to 0.63* and goes on to say *These conditions threaten social and economic stability.* We could not find any explanation for the drop in SA employees. In terms of inequality, it does say *Through our products and services, we seek to support financial wellbeing and extend financial inclusion to lower-income groups.* The company does not report on its internal Gini co-efficient and we could not find clear information to compare wage increases to directors increases.

We are told that *The SARB [South African Reserve Bank] views both the physical and transition risks of climate change as material to financial sector stability* and a good level of detail is provided of the ABSA groups impact on the environment but not of its lending practice to Carbon intensive industries.

Customer satisfaction includes a number of measures, however the NPS (Net Promoter Score) is disturbingly low at 37% for SA Retail & Business Bank down to 9% for African Region business banking.

The Report is laid out in Landscape format which is better suited to reading on a computer screen, however the size is such that it cannot be viewed at 100% on a large laptop screen – a pity as it is otherwise a well-presented Report with good hyperlinks. We found the list of all subsidiary reports together with links to the website most helpful. A great improvement this year is that website links go to the relevant report/section rather than the front page of the website, and the *diving deeper* links to subsidiary reports are a good innovation. We again note that the inclusion of a summary of subsidiary reports in the Integrated Report is fine but when some information is included in summary but not the subsidiary reports it leaves the user struggling to find information.

	Resolution	Rationale	Vote	Outcome of AGM
	Presentation of audited Annual Financial Statements (AFSs) and reports	<p>Active considers it best practice to allow shareholders the opportunity to adopt the AFSs. However, it is not a requirement to do so and few companies do this. ABSA does not.</p> <p>The auditors have expressed the opinion that the AFSs fairly present the results and financial position of the company.</p> <p>We have no issues with the AFSs.</p>		
	To present the report of the Social, Sustainability and Ethics Committee	<p>The company provides a detailed Environmental, Social and Governance Report which covers: Employees, Suppliers, Ethics and Integrity, Stakeholder Engagements,</p> <p>However, too much of the Report is spent on fitting the practices into boxes related to the King Code.</p> <p>A good level of detail of employees by country by gender etc. together with prior year figures. We were unable to find an explanation for the decline in the number of people employed in South Africa. Given the extraordinary level of unemployment an explanation would be welcome. A detailed table is provided of the movements in employee numbers for the whole company but this did not answer our question on the reasons for the decline in SA employees.</p> <p>The are details on occupational health and safety, training and employment practices.</p> <p>The section on the Environment does include a useful table showing the baseline, what has been achieved and the target by 2030. The table covers: Energy; Carbon emissions; Water Saving; Waste Recycling; Paper; Renewable Energy use; Travel; Certified Green Spaces; and Carbon offsets. The table is of course for the use of these or generation of these by the company.</p> <p>Detail for each of the above is provided including Scope 1, 2 and 3 GHGs (Green House Gas Emissions) and the source of the emissions.</p> <p>There is a great deal of information around project financing and ABSA's commitment to the Equator Principles. However, we did not find details of lending practices to Carbon intensive industries.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
	<b>Ordinary Resolution</b>			
	Re-appointment of joint external auditors	<p>The appointment of the joint auditors by ABSA (and previously Barclays Africa) has been quite extraordinary and confusing:</p> <p>In 2018 the company reappointed long serving auditors Ernst &amp; Young and withdrew the appointment of KPMG who had been auditors for 1 year.</p> <p>In 2019 the company appointed a single firm of auditors, Ernst &amp; Young with the permission of the SARB (SA Reserve Bank). It is a requirement that Banks have 2 audit firms.</p> <p>In 2020 the company continued with a single firm of auditors despite the requirement to have 2 firms and the fact that Ernst &amp; Young had very long service and the impending compulsory audit firm rotation.</p> <p>In 2021 the company retained Ernst &amp; Young but announced it would be their last year of service and brought back KPMG who they had dismissed in 2018.</p> <p>Thus we now have KPMG who have served for auditors for 1 year and PwC who will serve as auditors for the first time in 2022. Not an ideal situation.</p>		
1	Resolved that KPMG be re-appointed as the Company's joint external auditor	<p>KPMG are one of the big 4 international audit firms and have served for 1 year plus 1 year in 2017.</p> <p>We support their reappointment.</p>	FOR	FOR 99.7%
2	Resolved that PwC be appointed as the Company's joint external auditor	<p>PwC are another of the big 4 international audit firms and this will be their first year as joint auditors of ABSA.</p> <p>We support their appointment.</p>	FOR	FOR 99.9%
3	Re-election of retiring directors	<p>The ABSA board and leadership have been in the news for all the wrong reasons over the last while and at the date of the Report we again had an acting CEO. The company has now appointed a new CEO against some criticism in the media about the fact that the CEO is a white man.</p> <p>The company dismissed one of the directors Siphon Pityana, who some expected would become the new board chair.</p> <p>This year the Chair, Ms Lucas-Bull steps down.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>This is all most undesirable and does raise questions regarding the succession planning of the board and the leadership thereof, indeed the Report does note under Stakeholder Needs and Expectations that investors rate succession planning poorly.</p> <p>In considering the appointment of directors, we consider the above as well as the overall composition of the board, in particular their independence, skills, diversity and the continuity of the board and management.</p> <p>The board consists of 15 directors which will become 14 when Ms Lucas-Bull steps down after her 9 years' service.</p> <p>The board classifies all but 3 of those directors as independent, we take a stricter view of the status and tenure of Mr van Wyk who served as an interim CEO and as such we do not classify him as independent and we consider his tenure from when he first joined the board.</p> <p>Nevertheless, we have no issues with the independence of this board. Continuity is far from satisfactory, with the retirement of Ms Lucas-Bull, the average tenure of the non-executive directors will be 3 years and 7 or 58% of the board will have served for less than 3 years. The incoming Chair will have only just joined the board and only 3 directors have more than 5 years tenure. The incoming CEO is new to the board but has 24 years' service with the company. The executive committee has also seen too much change. We trust that the incoming Chair and incoming CEO will stabilise the board.</p> <p>Skills diversity is reasonable but we would like to see more IT/Fintech skills and some Climate Change/Environmental skills brought on board.</p> <p>Diversity at board level is reasonable in so far in terms of nationality, race, gender and age. However, both executive directors are white men and the number of South Africans who are Black Africans is unacceptably low at board and executive level. The number of women at executive level is far too low.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
3.1	Resolved that Rose Keanly be re-elected as a non-executive director of the company	Ms Keanly, 63, has been a director for 2 years and is suitably skilled and experienced. Details of board and committee attendance are not supplied which we deplore. The Report states that attendance at board meetings was 99%. Ms Keanly is not a director of any other listed company; she does serve on the board of 2 NGO's	FOR	FOR 92.7%
3.2	Resolved that Swithin Munyantwali be re-elected as a non-executive director of the company	Mr Munyantwali, 59, has been a director for 2 years and is suitably skilled and experienced. He is a Ugandan and British citizen who is not a director of any other listed companies but does serve on various legal organisations.	FOR	FOR 99.9%
3.3	Resolved that Ihron Rensburg be re-elected as a non-executive director of the company	Mr Rensburg, 62, has been a director for 2 years. He is the former Vice Chancellor of the University of Johannesburg. His wife serves as a non-executive director of Old Mutual but we do not consider this a problem. He does not serve on the board of other listed companies but has many commitments in the educational field. We do have a concern about his level of commitments but this is insufficient to oppose his reappointment.	FOR	FOR 95.0%
3.4	Resolved that Fulvio Tonelli be re-elected as a non-executive director of the company	Mr Tonelli, 62, has been a director for just over 1 year. He was COO of PwC Africa until his retirement and appointment to this board. We do have a concern that PwC have now been appointed auditors, but do accept that with only 4 major audit firms it would be difficult to not have such conflicts of interest, and Mr Tonelli does not serve on the Audit Committee. We do not think this is sufficient reason to oppose his appointment to the board. He is not a director of any other listed companies but does Chair IRBA the troubled auditing regulatory body.	FOR	FOR 99.9%

	Resolution	Rationale	Vote	Outcome of AGM
3.5	Resolved that René van Wyk be re-elected as a non-executive director of the company	Mr van Wyk, 65, is listed as an independent director with 1 year's tenure. The 2020 Report stated <i>René was an independent director for five years, prior to serving as Group Chief Executive Officer .... He served a six-month cooling-off period in 2020 and re-joined the Absa Group Board as a non-executive director on 1 August 2020.</i> However, the 2018 Report states <i>he was a non-executive director on the Board since February 2017</i> , this is not 5 years. The website says he served a 12-month cooling off period. Further the statement in the Report that he has been a director for <i>One and a half years</i> is at best misleading. The confusion in the reporting of Mr van Wyk's tenure and independence is very poor reporting, however this is no reason to oppose his reappointment. We do not have a concern regarding the independence of the board and, although there are questions regarding Mr van Wyk's independence, this is not an issue in terms of overall board independence. We support his reappointment.	FOR	FOR 94.0%
4.1	Resolved that John Cummins be elected as a non-executive director of the company	Mr Cummins, 60, is a new appointee to the board. He is well qualified to contribute to the board. His appointment is likely to raise questions regarding ABSA's commitment to transformation. We found no other current board positions.	FOR	FOR 99.9%
4.2	Resolved that Sello Moloko be elected as a non-executive director of the company	Mr Moloko, 56, is a new appointee to the board and the Chairman designate. Mr Moloko has the skills and experience necessary to take up this position and we found no other current directorships.	FOR	FOR 97.9%
4.3	Resolved that Arrie Rautenbach be elected as an executive director of the company	Mr Rautenbach, 57, is the newly appointed CEO after a period of some turmoil in that position. He is a long-serving member of the ABSA team and it is hoped he will be able to steady the management team. There has been some criticism in the media over his appointment and the company's commitment to transformation.	FOR	FOR 99.7%

	Resolution	Rationale	Vote	Outcome of AGM
5	Re-appointment of the Group Audit and Compliance Committee (GACC) members	<p>We do not have concerns regarding the independence of this board but do have a concern regarding continuity.</p> <p>This will inform our view on the suitability of the members of this committee.</p> <p>The King Code specifically precludes the Board Chair from being a member of this committee for good reason. We do not favour the attendance of the Board Chair at meetings of this committee as is the practice at ABSA. It is inconceivable that the Board Chair will not sway the discussion at this committee particularly where the Chair is a strong personality as is the case with ABSA. This is poor practice and not what we expect from a company such as ABSA.</p>		
5.1	Resolved that Alex Darko be reappointed as a member of Group Audit and Compliance Committee	<p>Mr Darko, 69, has been a director for 7 years. He is suitably skilled and experienced and his attendance record at GACC meetings was impeccable.</p> <p>We do not like the fact that he serves on the board and audit committee of another company together with Ms Abdool-Samad. He is the director of 1 other listed company.</p>	FOR	FOR 96.0%
5.2	Resolved that Daisy Naidoo be reappointed as a member of Group Audit and Compliance Committee	<p>Ms Naidoo, 49, has been a director for 5 years. She is suitably skilled and experienced and her attendance record at GACC meetings was impeccable.</p> <p>Ms Naidoo's current commitments include being a director of listed companies: Hudaco, Mr Price, Amplats, as well as ABSA. In addition, she is a Member of the Tax Court of South Africa and serves on the committees of Vantage GreenX Fund Advisors and Vantage Mezzanine Fund. We do have concern regarding her level of commitment with 4 listed company directorships but do not oppose her appointment on these grounds.</p>	FOR	FOR 99.1%

	Resolution	Rationale	Vote	Outcome of AGM
5.3	Resolved that Tasneem Abdool-Samad be reappointed as a member of Group Audit and Compliance Committee	Ms Abdool-Samad, 48, has been a director for 4 years and her attendance record at these committee meetings was impeccable. She took over as chair of this committee at the last AGM when the long-serving chair stepped down. We are pleased to see that there has been action on the appointment of a second auditor now. We do not like the fact that she serves on the board and audit committee of another company together with Mr Darko. She is a director of 4 listed companies – ABSA, Bidcorp, Long4Life and Reunert, so we do have a concern regarding her level of commitments but do not oppose her reappointment on these grounds.	FOR	FOR 98.9%
5.4	Resolved that Swithin Munyantwali be reappointed as a member of Group Audit and Compliance Committee	Mr Munyantwali's suitability as a director has been commented on under 3.2 above. We support his appointment to this committee.	FOR	FOR 99.9%
5.5	Resolved that René van Wyk be reappointed as a member of Group Audit and Compliance Committee	Mr van Wyk's suitability as a director has been commented on under 3.5 above. We do not favour a former CEO serving on this committee regardless of how short his tenure as CEO was as this leads to questions regarding his independence.	AGAINST	FOR 67.6%
6	Placing of the authorised but unissued ordinary share capital under the control of the directors	We are told that the directors have <i>no current plans to make use of this authority</i> but wish to renew this annually to allow the board <i>maximum flexibility in managing the Group's capital resources</i> . The resolution shall be limited to the issue of 5% of the companies shares in issue. We are not told what the minimum price is that such shares may be issued at. We are in principle opposed to a general authority to issue shares as this will water down existing shareholder interests and reduce minority interests. We are provided with no reasons which would alter that view and therefore oppose this resolution.	AGAINST	FOR 89.5%



	Resolution	Rationale	Vote	Outcome of AGM
	<b>Non-binding advisory votes</b>			
1	Resolved to endorse, by way of a non-binding advisory vote, the Company's remuneration policy	<p>The Remuneration Report does not include the list of members of the Remuneration Committee (Remco), this is only in the Integrated Annual Report which includes a summary of the Remuneration Report. It is most unacceptable that users must read the summary report in the Integrated Report plus the full Remuneration Report to get all the information.</p> <p>This is a large Remco with 7 members, we do not have any issues with the independence of this committee but are concerned that the <b>executives attend by standing invitation</b>.</p> <p>The various advisors are named and their specific areas of advice are stated, <b>good disclosure</b>.</p> <p>Support for the remuneration resolutions <b>has improved over a number of years</b>, the last time the company was obliged to consult shareholders was 2019 when it received only 68.6% support for the Implementation Resolution.</p> <p>We are told that the <i>Group Chairman and previous RemCo Chairman engaged with shareholders ahead of the 2021 AGM</i>. We do not favour selective engagement with shareholders – all shareholders should be invited to such engagements.</p> <p>Remuneration as is the norm consists of Fixed Pay, Short-Term and Long-Term incentives. Fixed Pay is market related and includes benefits.</p> <p>The policy is difficult to understand and requires the reader to flip back and forth from page to page to try and understand how it works. Short-Term Incentives (STIs) are paid to employees who meet <i>minimum service and performance requirements may be eligible</i>, this suggests <b>a level of discretion and is not clear at all who is eligible for a STI</b>. STIs are payable in cash for amounts below R1m, and above that 50% of the award is deferred in cash and vests in 3 equal tranches after years 1, 2 and 3.</p>	AGAINST	FOR 81.5%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>The <i>on target STI pool</i> we are told is approved by Remco and they carefully explain the factors which lead to the adjustment of this pool. <b>We could not find how the STI On Target pool is calculated.</b></p> <p>The On Target pool is adjusted by a modifier determined by the metrics and their weighting: Normalised Earnings 25%; Normalised Return on Equity 25%; Non-interest income 10%; IFRS Group common equity tier 1 capital 10%; Normalised Cost to Income Ratio 10%; and Organisational Health 20%. Organisation Health we are told is based on Customer, Colleague and Sustainability. This is all well and good but <b>we did not get any sense of how the targets for each metric are determined.</b> We are told that the pool was <i>enhanced</i> to be more competitive in the market which suggests the metrics are not working as they should.</p> <p>Once the pool has been determined and modified, then the individual's share of the pool is calculated. We are told <b><i>individual awards are discretionary and not based on a formulaic calculation.</i></b></p> <p><b>We are not told what if any the cap on the value of any individual's STI is.</b></p> <p>Long-Term Incentives (LTIs) are paid to employees who <i>can directly influence the delivery of the strategy</i>, all good but it does sound rather subjective and at the discretion of Remco, particularly when the Report states that rewards <i>vest subject to Group performance targets ... 100% of the award made to those whose roles impact strategic delivery, and 50% for other participants (with the balance subject to time-based vesting only.</i> <b>It sounds that the eligibility for LTIs is discretionary and the statement that it is only paid to employees who can influence delivery is contradicted by the statement that the reward is not 100% performance based for those whose roles do not impact delivery.</b></p> <p>Dividends or dividend equivalents are only paid on award that vest. <b>We favour such an approach.</b></p> <p><i>Vesting of awards takes place, subject to achievement of the Group performance targets.</i> <b>This is as it should be.</b></p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>LTI shares are awarded and for executives this can be modified up or down based on performance conditions. Executives LTI award vesting is 100% dependent on the performance conditions.</p> <p>LTI share awards made to other employees based on scarce skills etc are not adjusted based on performance conditions and 50% vest based on the performance conditions but the other 50% vest based on tenure only. <b>We favour all vesting being based on performance conditions.</b></p> <p>The performance condition metrics and weighting are: Normalised Return on Equity 20%; Normalised Headline Earnings Per Share 20%; Normalised Cost to Income Ratio 20%; Total Shareholder Return 20%; Organisational Health 20%. Targets for LTI metrics at threshold, target and stretch are disclosed. <b>Good disclosure.</b></p> <p><b>We are pleased that Total Shareholder Return is actually Relative Total Shareholder Return as this is a better measure of management performance.</b></p> <p><b>We are not told what the cap is on the LTI for any individual, nor are we told how an individual's LTI is calculated.</b></p> <p>LTI's vest over 3 years <b>we would prefer a longer time line.</b></p> <p><b>Organisational Health is a bit vague but we are pleased that it includes customer satisfaction. We would like to see harder targets of ESG metrics included.</b></p> <p>Malus and clawback apply which is as it should be.</p> <p>Executives are required to have a minimum shareholding which we approve of.</p> <p><b>We do like the principal of a STI pool which can be modified by various performance factors. However, the fact that Remco discretion has to be applied to change the pool suggests the basis of calculation is not meeting the required challenge. There is no information on how the pool is calculated. Further a high level of discretion seems to be applied at every step. We do not support this aspect of the remuneration policy.</b></p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p><b>As with the STI, we are not told how the LTI amount is calculated, although disclosure on the performance conditions is good.</b></p> <p><b>Overall, the main concern is that this is a report which is very difficult to understand with a high level of Remco discretion applied which suggests the policy is not fit for purpose.</b></p>		
2	Resolved to endorse, by way of a non-binding advisory vote, the Company's remuneration implementation report	<p>It is difficult to approve an implementation report based on our assessment of the policy and the fact that key issues such as the determination of the STI pool are far from clear and understandable. The statement that <i>the detailed benchmarking conducted regarding the Group's performance short-term incentive pool, the RemCo applied a market adjustment.</i> The amount of the adjustment was R 450m which is not inconsiderable. The need for this adjustment heightens our concern regarding the methodology of calculating the target pool. We also found the R 100m extra allocated to front-line workers a cause for concern – surely the policy should take this into account and not rely on Remco discretion. Remco does note that it is aware the dividend policy has not been fully reinstated but despite this they adjusted the bonus pool upwards.</p> <p>Fixed Pay increases are difficult to evaluate given all the changes at senior executive level and executives in acting positions during the changes. However, we note the CEO's pay at R9.9m is in the range of Standard Bank and Nedbank, the CFO's pay at R7m is on the higher end of the comparator banks but he has stepped into the breach as acting CEO on a number of occasions.</p> <p><b>We do not support the Implementation Report based on the fact that the policy could not fully be understood and as such to evaluate the bonuses is not possible. We do not like the fact that Remco has had to make such significant adjustments to the bonus pool, this does suggest the policy is not fit for purpose.</b></p>	AGAINST	<b>AGAINST</b> 41.2%

	Resolution	Rationale	Vote	Outcome of AGM
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	<b>Special Resolutions</b>			
1	Remuneration of non-executive directors	<p>It is pleasing that increases in board fees are relatively modest with the highest increases being 5% for the lower fees payable to committees. The higher fees payable to committees increase by 2% and Board and the Chairman's fees do not increase at all. Details of all increases are disclosed showing existing fees, increased fee and increase percentage.</p> <p><b>We commend the good and clear disclosure.</b></p> <p>A Lead Independent Director fee has been introduced, which is standard practice.</p> <p>However, fees are high although we do note that banks pay higher fees than other companies. The key issue is that we do not favour the payment of a flat fee with no attendance component or other measure of performance.</p>	AGAINST	FOR 97.0%
2	Authority to repurchase the Company's securities	<p>We do not in principle support general authorities to repurchase shares as these usually reduce minority interests.</p> <p>This resolution is limited to a repurchase of 5% of the issued shares, the price shall be no more than 10% above the listed price, and shall expire at the next AGM.</p> <p>However, no good reasons are put forward as to why we should support this resolution and note the value of the possible share repurchase at the current share price would be very material R 7.114b.</p>	AGAINST	FOR 99.8%
3	Financial assistance to a related or inter-related company	<p>This is one of the most poorly motivated resolutions we have faced. The motivation is that to make loans the company must have a special resolution passed by the shareholders within 2 years. This is not a motivation – it is a statement of the legal requirement.</p> <p>There are no limitations other than provided by law.</p>	AGAINST	FOR 95.7%

	Resolution	Rationale	Vote	Outcome of AGM
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**AGM OUTCOME**

The AGM was not very well attended by South African standards with 78% of shares voted in person or by proxy. All resolutions were approved save that 41% of shareholders voted against the Remuneration Implementation Report which report requires the approval of 75% of shareholders. Thus, the company is obliged to consult with shareholders and has stated that it will issue a request for shareholders to take part in this consultation.

Support for the appointment of Mr Rene van Wyk to the audit committee was poor with just under a third of directors opposing his appointment. It is unfortunate that Mr van Wyk has been put forward to be a member of this committee as we consider him a director of integrity and diligence, however he served a period as CEO of ABSA and as such should not serve on this committee.

We acknowledge that the Banks Act does not require ABSA to put the appointment of members of this committee to the shareholders and commend them for position on this, given the poor support for Mr van Wyk’s appointment to the audit committee we trust ABSA will listen to shareholders and make appropriate changes to the composition of the committee.

We raised this appointment with ABSA and this was their response: *Mr van Wyk originally served on the Absa Board as an INED [Independent Non-Executive Director] for two years from Feb 2017 to Jan 2019 at which point he took over as interim CEO. The CEO post lasted 11 months.*

*He then left the board completely for 6 months for purposes of cooling off (from February to August 2020); and he rejoined as a NED from August 2020. This status as NED rather than INED lasted for 12 months after which his status was re-assessed and he was determined to be an independent NED at that point. Mr van Wyk was appointed to the Audit Committee from September 2021.*

*King IV refers to taking a substance over form approach to independence.*

*As you say, Mr van Wyk is a very diligent and suitable board member. His skills are important for the board as a whole and to the Audit committee. His independence was assessed and there was an 18 month gap between his term as executive and his classification as INED.*