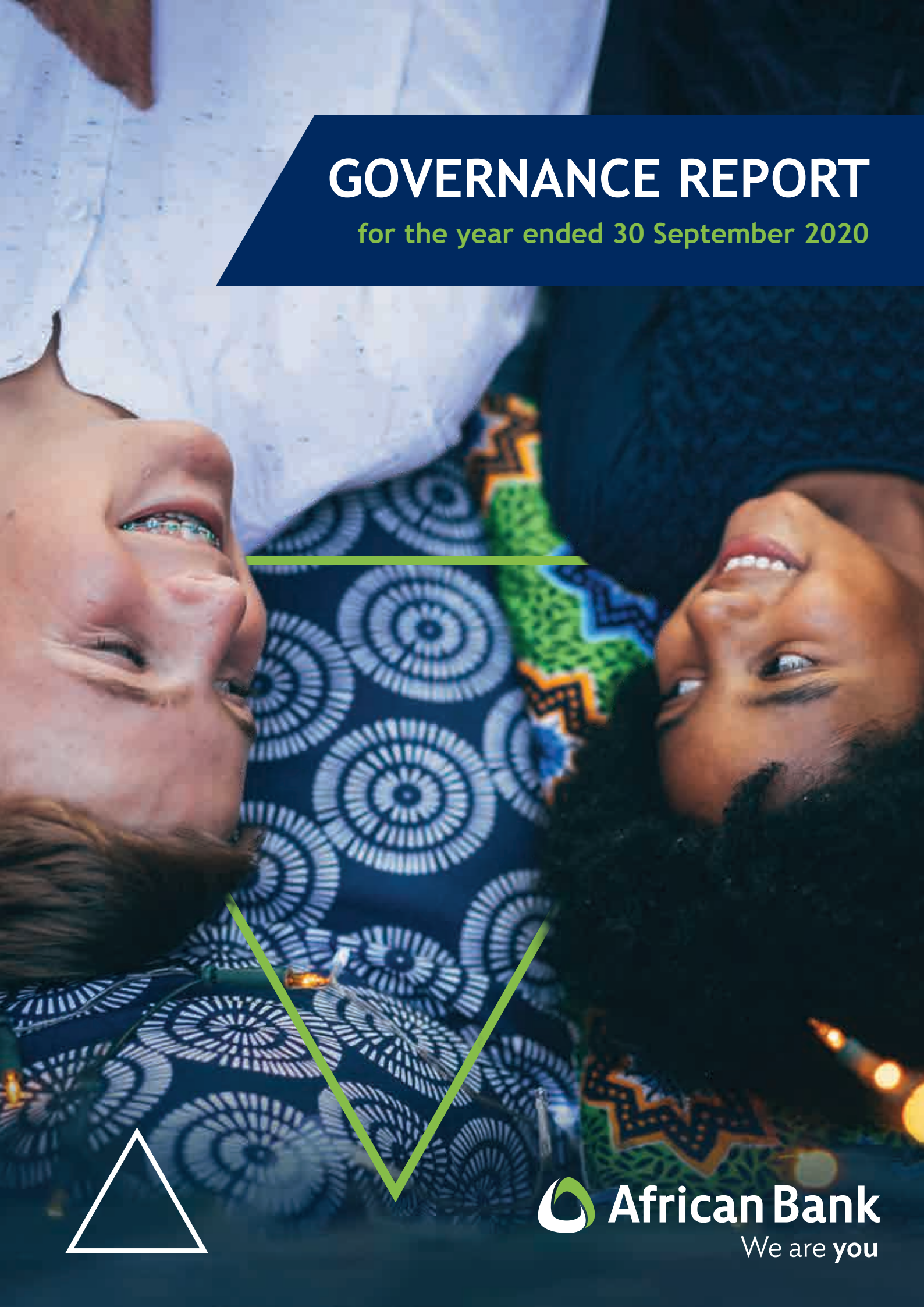
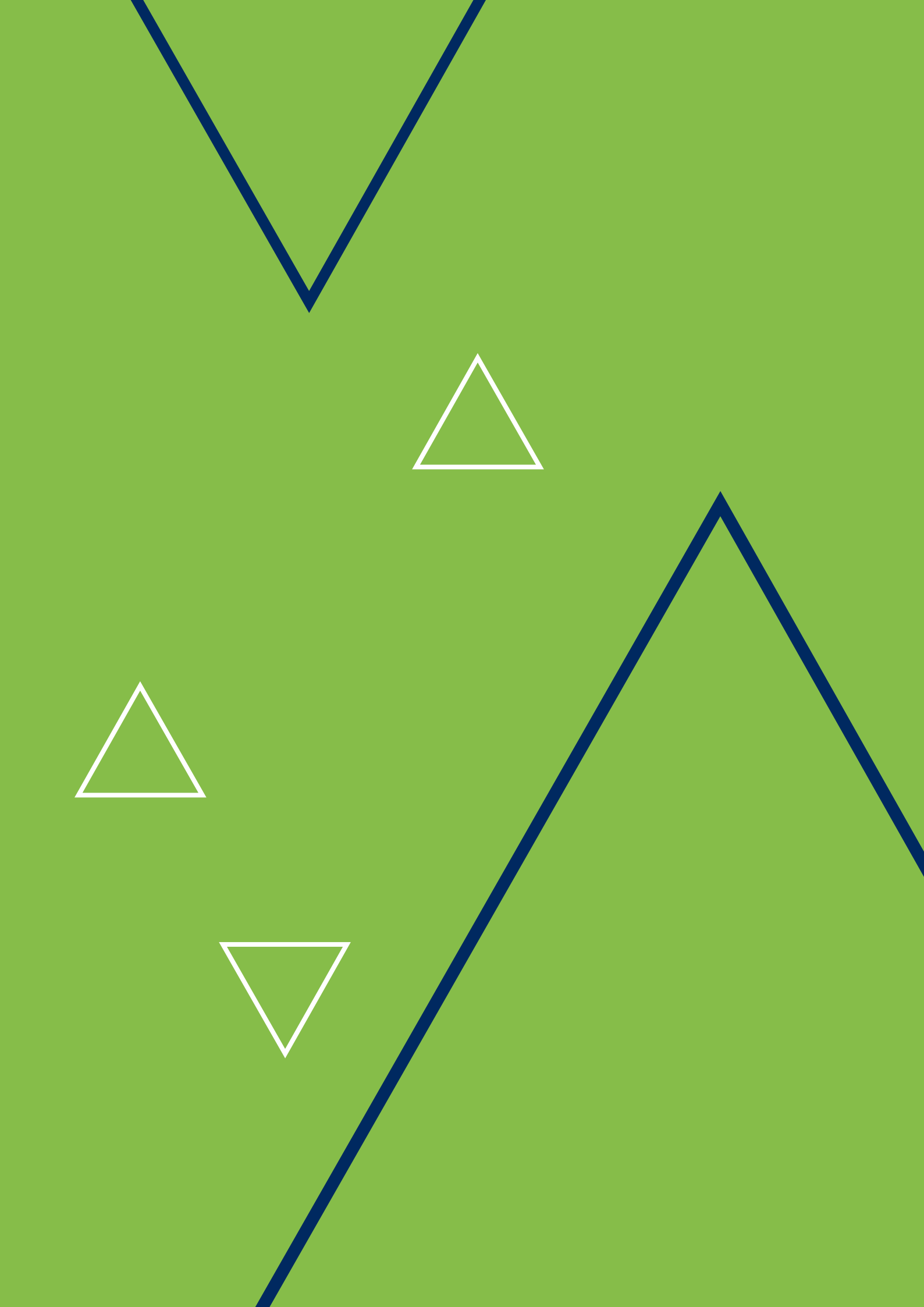


GOVERNANCE REPORT

for the year ended 30 September 2020





Our report guide

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Our purpose

Our purpose is to ‘advance lives through financial and related services’. Encapsulated in the phrase ‘advancing lives’, our purpose extends beyond generating profit for a narrow set of stakeholders. We strive to create tangible value for all our current and future stakeholders, within the context of creating a successful retail bank.

We pride ourselves on offering an increasingly diverse range of products and services which provide for customer value and socially responsible banking.

Over the last three years, we made good progress on our strategic journey - our transition from a single-product business, operating through a single channel, to a diversified financial services business, which has enabled us to grow and attract new customers.

Our reporting suite

We are committed to report openly and honestly to our broad range of stakeholders. To view the full suite, please visit our website, www.africanbank.co.za



IR Integrated report

Our integrated report is the primary report to our stakeholders. It is structured to show the relationship between the interdependent elements involved in our value creation story.



GR Governance report

Our governance report is a detailed account of the Group's broader governance matters. The report also includes the more detailed remuneration practices' overview, as well as the social, ethics and transformation committee report.



AFS Annual financial statements

The annual financial statements provide a comprehensive report of the Group's financial performance for the year.



Our navigational tools

Throughout our reporting suite, we use the following icons to show the connectivity between sections and key concepts.

Our strategic pillars

Our strategy is underpinned by three strategic pillars which sit at the heart of our value creation story. They are embedded in our business model and are used to evaluate our risks, opportunities and materiality themes and to measure our performance.



Culture

Our aspiration to create solutions together to advance lives



Customer-centricity

Our ability to anticipate and respond to customer needs



Data

Our ability to manage, enrich and interpret data to create stakeholder value

Our material matters

Our material matters are grouped into 4 broad materiality themes.



Disruptive technologies as a key differentiator



Evolving retail banking environment with a pandemic-induced new normal



Health and safety first



Volatile macroeconomic context

Our six capitals

Our ability to create long-term value and our future prospects are interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use them (our specific value-adding activities), our impact on them and the value we deliver (outputs and outcomes).



Financial

Funding and deposits used to support our business and operational activities, including credit extension



Human

Culture and our people, knowledge, skills and experience



Intellectual

Brand value, data analytics, data science, research and development, reputation and strategic partnerships



Manufactured

Business structures and processes, including physical and digital assets, infrastructure and products and services



Natural

Direct use of natural capital including land, energy, water and air in the provision of our services, while minimising our environmental footprint



Social and relationship

Stakeholder relationships, including the communities in which we operate

Our stakeholders

At the core of our organisational purpose is to create meaningful and tangible value to our existing and future stakeholder base. We group our stakeholders into 5 broad categories.



Colleagues

Both current and prospective employees, including organised labour



Customers

Past, present and future customers



Business partners

Our suppliers, service providers, collaborators, industry associations, shareholders, funders and strategic business alliances



Regulators

Sector and governmental regulators, including organs of state



Society

Society as a whole including media and financial commentators

Our board committees



Audit and Compliance Committee



Directors' Affairs and Governance Committee



Remuneration Committee



Risk and Capital Management Committee



Social, Ethics and Transformation Committee

Our board subcommittees



Asset & Liability Management Committee (ALCO)



Model Risk Committee (MRC)



Technology and Information Committee (TechInfo)

Other icons



King IV

refers to the King Code



Top risk

refers to one or more of our top risks for 2020



Covid-19

refers to the global pandemic

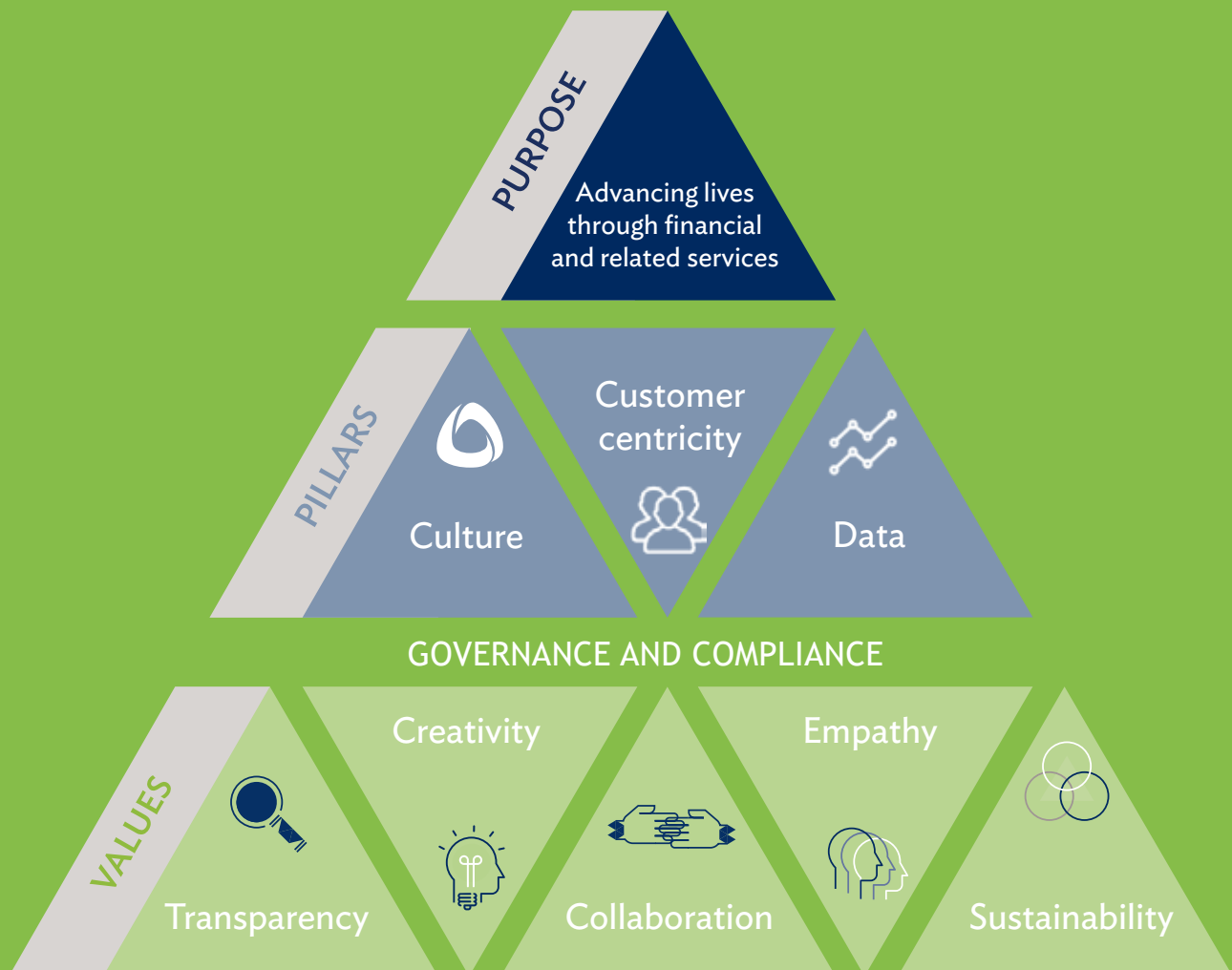


Website information

African Bank at a glance

As South Africa's 6th largest retail bank by customers, our organisational purpose is to advance lives through financial and related services. We believe in creating opportunities for our customers, our people and other stakeholders to improve their lives; helping them to achieve even greater possibilities by supporting them every step of the way - through the good and the bad.

At the end of our last financial year, we celebrated a strong set of results and cautioned that signs of an increasingly more fragile economy, both globally and locally, were becoming apparent. What few would have anticipated was the nature and extent of the challenges to come, coupled with the sudden, immediate and drastic global humanitarian, social and economic repercussions caused by the Covid-19 pandemic. In spite of the harsh external forces and the turbulent socio-economic environment, we remained steadfast in delivering on our vision, purpose, way of engaging and our strategic direction; looking to seize the opportunities presented.



OUR VISION is to be a diversified and investible retail bank serving lower to middle income consumers, by providing financial and related products and services that meet their needs, delivered through multiple channels

Our governance philosophy

At African Bank, we are committed to fostering and upholding the highest standards of sound governance, strong ethics and unwavering integrity. Good governance is a key foundational component of our strategy. In conducting our business, we rely on robust institutional frameworks, such as governance, risk management, ethics, legal and regulatory compliance policies and procedures.

We know that it is becoming increasingly important to our stakeholders for us to provide ongoing assurance regarding the security and stability of our in-branch, contact centre and digital retail banking services. Given this heightened expectation, changes to the regulatory and challenging external environment, we review our overarching governance practices on a continuous basis.

Good governance promoting effective decision-making

We maintain that through clear governance structures, we are able to promote effective decision-making and reach better decisions that reconcile differences of opinion and possible conflicts of interest and balance short-term targets with the longer-term sustainability of the organisation. Through sound governance principles, protocols and procedures, we are able to more holistically consider the needs and expectations of our broader stakeholder base; assessing the trade-offs that are in the organisation's longer-term best interests.

Good governance does not only enable us to preserve value, it also has the ability to create long-term stakeholder value.





‘Good governance is underpinned by the tone set by our organisational leaders and promoted company-wide. Our board and executive committee are dedicated to always lead by example’

Basani Maluleke
Chief Executive Officer
African Bank Holdings Limited



Chief Executive Officer's remarks

Dear stakeholders

The unprecedented impacts of Covid-19 - the deepening of the global and local recession, the heightened socio-political stability challenges and the introduction of a new normal - have required that, as a society, we press the 'pause' button and reassess both the risks and opportunities for us as individuals, families, communities and organisations.

In evaluating our current reality and what the new normal means for our business model and strategy, we have been encouraged that the relatively conservative stance we adopted over the last 3 years, together with our shareholder support, is enabling us to follow a well-informed expansion strategy, during these volatile times. Of course, given the rapidly evolving and still largely tenuous global backdrop, it takes courageous leaders and a committed employee base to capitalise on the opportunities the ambiguous macro-environment presents. The seizing of these opportunities demand sound and clear governance structures and processes, streamlined information flows, agile decision-making, carefully calculated risk management, prudent regulatory compliance, ongoing scenario-planning and trust-based stakeholder engagements. At the end of the day, the decisions we take during these times of anxiety and uncertainty will ensure that we preserve value in the immediate term and promote sustainable value creation over the longer term. We are fortunate that we are well-positioned to grow both organically and inorganically and to achieve our overarching strategic goal of expanding our customer reach and offering.

Of paramount importance to most stakeholders is how an organisation's management team is incentivised to deliver the company strategy; remaining cognisant of its broader societal impacts and purpose. We provide you with more details of our remuneration practices, against the backdrop of a clear strategy execution framework and adjusted performance targets for 2023 in chapter 05 of this report.

Mindful of the importance of sound governance and sustainability in enabling an organisation's advancement, earlier this year, our board took the decision to widen the scope of our annual governance report to that of an environmental, sustainability and governance report in the next financial year - FY21. As part of this transition, we will be reviewing our functional governance touch points and core governance processes across our organisation, and will be adapting our sustainable development framework; ensuring that they remain relevant in the context of a complex and still largely uncertain external environment and the sudden emergence of a new way of working and living.

Good governance is underpinned by the tone set by our organisational leaders and promoted company-wide. Our board and executive committee are dedicated to always lead by example. In formulating our strategy execution framework, we also reviewed our culture and ethics in the context of a post-pandemic new normal, and are encouraged by the positive, resilient and can-do attitude of our people.

From all of us at African Bank, we wish you good health and financial wellness.

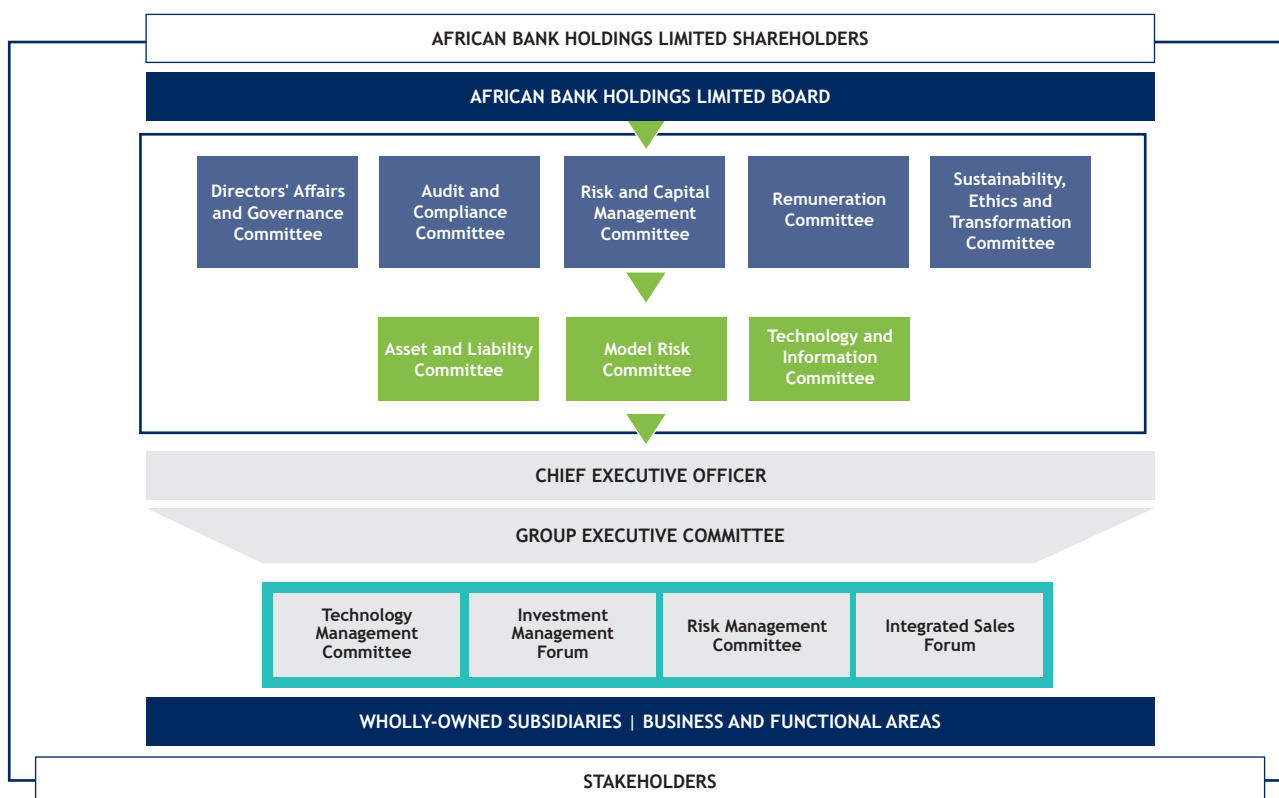
Basani Maluleke
Chief Executive Officer
African Bank Holdings Limited

Our governance framework

Ensuring an effective governance structure

The Group has adopted a governance framework, which provides an effective corporate governance structure that assists us to achieve our strategic and business objectives efficiently, ethically and equitably and within acceptable risk parameters. We regularly review and benchmark our governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainable development and ensure that they are applied in the best interests of African Bank and our stakeholders. Our governance framework is reviewed at least every second year and updated as required. The last update was in February 2019 and the next review will be in February 2021.

In addition, we have the necessary policies and processes in place to ensure that all business and functional areas in the Group adhere to the essential requirements and governance standards. Our governance framework is outlined below:



Board meetings

Our board meets at least six times a year. A quorum comprises a majority of directors of which at least 50% must be non-executive. Board members are excused from attending meetings in exceptional circumstances only and the approval of the Chairman is required.

Our board met ten times during our 2020 financial year. Of the ten meetings, three special meetings were called and one strategic planning session was held. Attendance at our board meetings for the year under review are outlined on page 9 of this report. The board is satisfied with the level of attendance at meetings, which enabled it to fulfil its responsibilities according to the board charter.

Board attendance

Meetings from 1 October 2019 to 30 September 2020

Name	Date appointed	Meetings									
		22 Oct 2019	31 Oct 2019	21 & 22 Nov 2019	27 Jan 2020	28 Feb 2020	22 May 2020	19 Jun 2020	23 Jul 2020	05 Aug 2020	28 Aug 2020
Basani Maluleke (Executive)	01 Apr 2018	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Brian Riley	25 May 2018 (resigned June 2020)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Frans Truter	07 Aug 2015 (resigned Jan 2020)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Gustav Raubenheimer (Executive)	03 Jul 2015	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Happy Ralinala	23 May 2018	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Louisa Stephens	02 Jul 2015 (resigned May 20)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Marjorie Ngwenya Flanagan	16 Sep 2019	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Mark Joseph Harris	29 Aug 2018 (resigned Feb 20)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Mike Field	11 Mar 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Peter Temple	29 Apr 2016	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Robert Hutchinson-Keip	11 Mar 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Spyridon Georgopoulos	18 Aug 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Sybille McCloghrie	28 Jul 2015 (resigned Feb 2020)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Sydney Mhlarhi	06 Jul 2016	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Thabo Dloti	07 Mar 2019	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲

Key

- ▲ In attendance
- ▲ Not a member
- ▲ Absent
- Strategic Planning Session
- Special Meetings
- Scheduled, Quarterly Meetings

Our board of directors

Providing oversight and guidance during unprecedented times

We are governed by a board of directors, the majority of whom are non-executive directors. Our Chairman is an independent, non-executive director. Our board is responsible for the strategic direction and ultimate control of the company according to the memorandum of incorporation and board charter.

Our board establishes the African Bank purpose, values and strategy, and satisfies itself that these core aspects and the organisational culture are aligned. Importantly, the board is also responsible for ensuring that the necessary resources are in place for the company to meet our objectives and for measuring performance against them. The board is accountable for promoting the long-term sustainable success of the organisation, generating value for shareholders and contributing to wider society. Through its oversight and strategic steer, it ensures that African Bank capitalises on our opportunities as an ethical, decisive and responsible corporate citizen.

Against the backdrop of constant and fast-paced changes, board diversity is important to remain agile and sustainable. At African Bank, we consider diversity of race, gender, ethnicity, age, independence and skill sets, to ensure more robust debate and better decision-making. The board numbers on the right-hand page are as at the end of our current reporting period being 30 September 2020.



Independence



8

independent non-executive directors



2

executive directors

Diversity of gender

Women

3



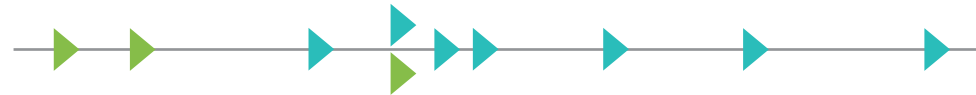
Men

7

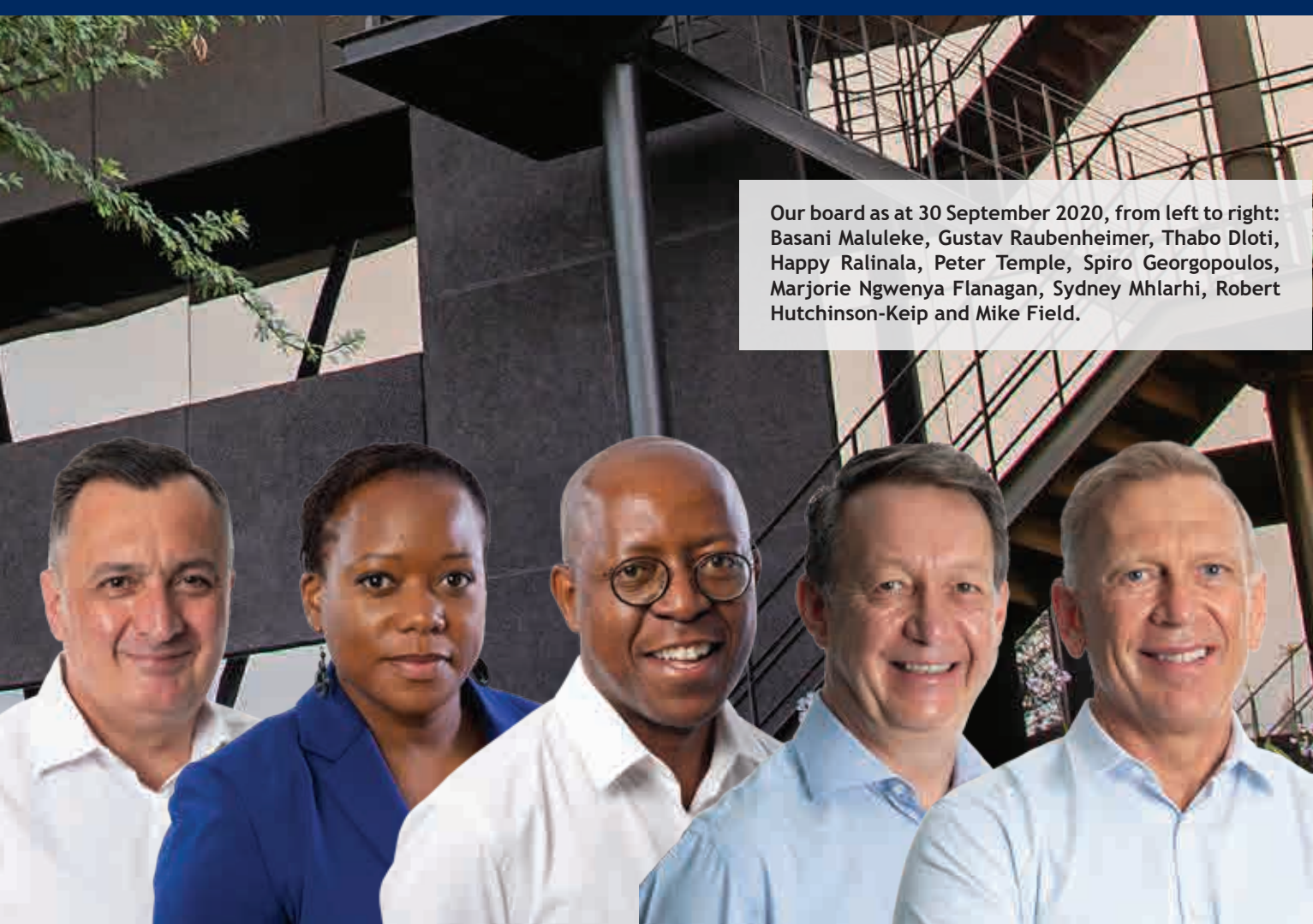


Diversity of age

41



60



Our board as at 30 September 2020, from left to right: Basani Maluleke, Gustav Raubenheimer, Thabo Dloti, Happy Ralinala, Peter Temple, Spiro Georgopoulos, Marjorie Ngwenya Flanagan, Sydney Mhlarhi, Robert Hutchinson-Keip and Mike Field.



Board independence

The board has considered the King IV recommendations on the independence of directors, as well as the provisions of the South African Reserve Bank Directive 4 of 2018 issued in terms of section 6(6) of the Banks Act 94 of 1990. The 'independent' status of the directors is recorded in their profiles on pages 16 to 23 of this report.

Except for Brian Riley, the former Chief Executive Officer of African Bank, who had since resigned from the board, all non-executive directors on the board are independent. Additionally, as the companies in the African Bank Group were incorporated in 2014, with the first directors being appointed in 2015, none of the directors have reached a nine-year tenure on the board, which may impact a director's perceived independence.

Board diversity

At African Bank, we adopt a proactive approach to ensure diversity across the board and executive management committee and throughout the entire organisation. For us, diversity encompasses diversity of skills and experiences, race, gender and ethnicity.

During the reporting period, our board comprised one-third female representation and 50% black representation. In the second half of the year under review, and taking into account our focused strategic inorganic growth drivers, we announced the appointment of three new directors who all have deep retail banking experience and who have been involved in banking acquisitions.

Board member onboarding and induction

Induction for the three new directors appointed during 2020 took place via virtual, video-conference sessions, given the South African national lockdown measures in place as a response to the outbreak of the Covid-19 pandemic in the country. Induction of newly appointed directors takes place through a customised process for each director. It includes one-on-one sessions with the Chairman, board members, Chief Executive Officer, members of the Group executive committee and other relevant senior employees. Regular updates, training and deep dives take place, as identified by the directors.

Director's code of conduct

The director's code of conduct is entrenched in the approved board charter, which is reviewed annually. The code of conduct reminds directors of the conduct required of them and emphasises the provisions of section 60 of the Banks Act, which states that each director, the Chief Executive Officer and the executive members of the bank owe a fiduciary duty, and a duty of care and skill, to the Group.

Conflict of interest

Upon appointment as a director, a declaration regarding all other directorships and memberships must be made. This declaration is reviewed by the directors at each subsequent board meeting for changes. Directors are also required to declare their own and related persons' personal financial interests as prescribed in the board charter, the provisions of Section 75 of the Companies Act and King IV.

During the reporting period, the changes to all declarations of interests and directorships were made by the directors and reported to the Prudential Authority. During board meetings, directors are also required to disclose their interests and any material information known to them in relation to the items on the agenda, and recuse themselves from the meeting, to allow the board to deliberate on the matter at hand.

Board evaluations

The board ensures that annual assessments of the individual directors, the Chairman of the board, the Chief Executive Officer, the board as a whole and the board committees are conducted to support continued improvement in performance and effectiveness. Assessments are conducted by an external company every three years, with the last independent assessment completed during the 2019 financial year.

During August 2020, the Group's Company Secretariat department assessed the performance and effectiveness of the board, board committees, individual directors, Chief Executive Officer, Chief Financial Officer and the Company Secretary, by way of an internal process. The results of these assessments were reviewed and discussed at the relevant board and committee meetings.

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

Chairman of the board

Our board Chairman, Thabo Dloti, was appointed in March 2019, following the requisite internal and external regulatory processes. The Chairman of the board, together with his fellow board members, is responsible for setting the ethical tone for the board and the Group as a whole. The Chairman provides overall leadership in the conduct of the Group's business and affairs.

As Thabo Dloti is an independent, non-executive chairman, the board took the decision not to appoint a lead independent director, at this stage, although provision was made for this role in the 2018 annual general meeting notice.



Chief Executive Officer

The Chief Executive Officer is appointed by the board, on a contract basis. The contract is for an indefinite period, which may be terminated by either the Group or by the Chief Executive Officer by mutual agreement, with a minimum notice period of three months.

The Chief Executive Officer reports to the Chairman and is responsible for developing and recommending to the board, a long-term vision and strategy for the strategic development, growth and sustainability of the Group. In addition, the Chief Executive Officer is responsible for leading executive and operational execution across the organisational business and functional areas.

Other professional commitments of the Chief Executive Officer, including membership on boards outside the organisation, are monitored through the internal declaration of interest process and external notification to the Prudential Authority, as required by the BA020 process. Changes in the current reporting period were disclosed in terms of these processes. Succession planning for the Chief Executive Officer position is a board responsibility and is addressed at that level, as well as at the Directors' Affairs and Governance Committee meetings.

The Chief Executive Officer's key performance metrics for the coming year, which are aligned to the Group strategy and key performance objectives, are approved by the board annually. The Chief Executive Officer's performance, in terms of these objectives, is assessed at financial year-end. The Chief Executive Officer is evaluated annually by the board Chairman. The roles of Chief Executive Officer and Chairman are not the same and are independent of each other.

Delegation of authority

The African Bank Holdings and African Bank Limited boards have delegated authority for the management of the Group to the Chief Executive Officer, by way of a formal delegation of authority. In delegating this authority, the board has imposed certain restrictions, conditions and limits that they believe to be appropriate. The Chief Executive Officer has, in turn, sub-delegated authority to the executive committee members, who are mandated to further sub-delegate to appropriate officials within the Group.

The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority. The board reviews the delegation of authority regularly and retains the authority to monitor executive committee members' actions and performance. The boards of African Bank Holdings and the Group companies retain specific authorities other than those delegated in terms of the board charter and the board committees' terms of references. The retained authorities are as stated in the board charter.

Chief Financial Officer

The Chief Financial Officer reports directly to the Chief Executive Officer. On an annual basis, the Group's Audit and Compliance Committee considers the experience of the Chief Financial Officer and the adequacy of resources of the finance function. The board has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function.

Company Secretary

The Group Company Secretary, Ms Maliga Chetty, was appointed on 4 October 2018. The Company Secretary must provide the board as a whole, and the individual directors, with guidance regarding their duties, responsibilities and authority. The Company Secretary maintains an arm's length relationship and is not a member of the board. The independence and performance of the Company Secretary is assessed annually through the board and committee evaluation process and no issues of concern were identified during the last assessment process conducted in August 2020.

Directors have unlimited access to the Company Secretary for advice and services, and are satisfied with the arrangements in place for them to access professional corporate governance services from the Group.

Our governance functions

Within African Bank, certain governance functions have administrative reporting lines to the Chief Executive Officer (company secretariat, internal audit and compliance functions) with functional reporting lines to either the board (Chairman) or relevant board committee such as the Audit and Compliance Committee. The legal and various risk functions report to the Chief Risk Officer, who in turn reports functionally to the CEO, while holding regular meetings with the Chairman of the Risk and Capital Management Committee.

Legal and regulatory compliance

Our legal and regulatory compliance processes and matters are considered and evaluated by the Directors' Affairs and Governance Committee. Details of the key legislation we comply with are listed on page 42 of this report.

Code of ethics

Our Group code of ethics was refreshed during the 2019 financial year and approved through the governance structures and by the board. To ensure that employees understand the code, extensive training is provided. The whistle-blowing policy was also reviewed during the current reporting period.

The board-approved treating customers fairly policy and the Group's treating customers fairly initiative are an important part of the efforts to reinforce an ethical culture. These efforts have resulted in employees feeling comfortable to report their suspicions of unethical behaviour and to engage with the internal ethics office.

Basani Maluleke (43)
Chief Executive Officer
Appointed April 2018



Qualifications

B Com, LLB (University of Cape Town)
MBA (Kellogg)

Expertise and experience

Basani assumed her role as Chief Executive Officer of African Bank in April 2018, after serving as an Independent Non-Executive Director from July 2015, and joining the executive team as Group Executive: Head of Operations in July 2017. Having qualified as an attorney at Edward, Nathan, Sonnenberg, she joined FirstRand Bank as a member of RMB's corporate finance team that pioneered the structuring and implementation of BEE ownership transactions for JSE-listed companies. She subsequently joined the FNB division as Head of Private Clients.

Basani is a member of the African Leadership Initiative, the Aspen Global Leadership Network and a member of the Council of Witwatersrand University.

Other directorships

- Get me to Graduation (NPC)

Core skills

- Professional training and experience: financial services and legal
- Broader acquired skills: banking (retail); banking (investment); business; business strategy; entrepreneurial; finance; law; sustainability, ethics and transformation; executive leadership

Board committee attendance



Board committee membership





Gustav Raubenheimer (50)
Chief Financial Officer
Appointed July 2015

Qualifications

B Com, B Com (Hons) (University of Pretoria)
 CA (SA)

Expertise and experience

Before joining African Bank as Credit Executive in 2012, Gustav gained diverse banking, financial and analytical skills experience while serving as an articled clerk at Deloitte & Touche, and working at FirstRand Bank, FNB's Corporate Bank, Nedbank's Credit Lab and ABSA's Retail and Commercial division.

As Credit Executive responsible for managing credit risk and provisions for bad debt and pricing at the old African Bank, he was instrumental in identifying the deteriorating performance of the Bank's loan book and alerting management to the situation that ultimately led to the Bank being placed under curatorship. Gustav was appointed Chief Financial Officer of the African Bank Group in July 2015.

Other directorships

- No other external directorships

Core skills

- Professional training and experience: finance and accounting
- Broader acquired skills: accounting; banking (retail); business; business strategy; finance; executive leadership

Board committee attendance





Thabo Dloti (51)
Chairman and Independent
Non-Executive Director
Appointed March 2019



Qualifications

B Bus Sc (Actuarial)
Advanced Management Programme
(Harvard School of Business)

Expertise and experience

Thabo is a seasoned financial services leader with a demonstrable track record of excellence in driving the implementation of growth and transformation strategies within blue-chip financial services companies in South Africa.

He is co-founder of Sithega Holdings (Pty) Ltd, an investment holding company, and an experienced Non-Executive Director currently serving on the boards of Alexander Forbes Group (Pty) Ltd and Rand Mutual Assurance (Pty) Ltd.

Other directorships

- Sithega Holdings (Pty) Ltd and Group entities
- Alexander Forbes Holdings (Pty) Ltd
- Rand Mutual Assurance Limited and Group entities
- Prescient Holdings (Pty) Ltd and Group entities

Core skills

- Professional training and experience: insurance and investment management
- Broader acquired skills: actuarial; business; business strategy; finance; insurance; remuneration; risk; sustainability, ethics and transformation; executive leadership

Board committee membership





Marjorie Ngwenya Flanagan (41)
Independent Non-Executive Director
Appointed September 2019

Qualifications

Fellow of the Institute of Actuaries (UK)
 Certificate in Company Direction (IoD, London)
 Sloan Masters in Leadership and Strategy (London Business School)

Expertise and experience

Marjorie is an actuary with over 20 years of financial services experience. She has held various leadership roles in South Africa and abroad, including Director and Head of Life Insurance Consultancy at Mazars UK, Chief Strategist at Liberty Holdings Limited and Chief Risk Officer at Old Mutual Africa Holdings Limited.

She was the youngest and first overseas-based president of the Institute and Faculty of Actuaries (UK).

Marjorie was a member of the African Bank board for the full reporting period; however, she resigned from the board, effective 30 September 2020.

Other directorships


- Elliott Ngwenya Limited (incorporated in London and Wales) and Group entities
- The Rand Mutual Assurance Company and Group entities
- Bidvest Life Limited and Group entities

Core skills

- Professional training and experience: insurance; reinsurance; education and professional services
- Broader acquired skills: actuarial; business; business strategy; finance; insurance, digital, technology and information; risk; sustainability, ethics and transformation; executive leadership

Board committee membership





Michael (Mike) Grant Field (54)
Independent Non-executive Director
Appointed March 2020

Qualifications

B Com, B Acc (Honours) (University of Kwazulu Natal)

CA (SA)

Graduate Diplomas in Advanced Banking Law (University of Johannesburg)

Advanced Mathematical Modelling in Derivatives (UNISA)

Expertise and experience

Mike is the co-founder of GSH Private Capital, which invests predominantly in services and technology businesses in South Africa and abroad.

He has extensive risk, investment and financial services experience, including 25 years in the banking industry where he was previously the Group CFO of FirstRand's Rand Merchant Bank.

He has a proven track record of combining critical thinking, leadership skills, business savvy and financial acumen to place businesses on profitable and sustainable growth paths.

Other directorships

- Pecanprops 64 CC
- Windfall 77 Properties Pty Ltd
- Urup Connex Pty Ltd
- Enhanced Engagement Pty Ltd
- New Steel Studio International Pty Ltd
- Inclusive Investment Group Pty Ltd
- Bedfordview Extension 523 Home Owners' Association
- GSH Private Capital Limited
- Bok Ventures LLC
- Seashore Investments Pty Ltd
- Getronics Group Limited

Core skills

- Professional training and experience: finance; banking; technology; media and telecommunications
- Broader acquired skills: accounting; actuarial; audit and compliance; business strategy; entrepreneurial; finance; digital, technology and information; remuneration; risk

Board committee membership





Robert Hutchinson-Keip (60)
Independent Non-executive Director
Appointed March 2020

Qualifications

B Sc (Honours) (University of Witwatersrand)
 B Acc (University of Witwatersrand)
 CA (SA)
 Postgraduate Diploma Strategy and Innovation (Oxford University)

Expertise and experience

Robert has over 22 years of banking experience, which includes Head of Retail: International at First National Bank, General Manager: Banking at Discovery, and Chief Financial Officer: FirstRand Retail. He has also headed up many business units at First National Bank, including Investment Products and Premier Banking.

Robert started off his career as a microbiologist and developed a way of refining gold using bacteria, before moving into finance and banking. He is recognised as an innovative strategic thinker, with Harvard University developing a case study on one of his innovations.

Other directorships

- No other external directorships

Core skills

- Professional training and experience: banking; mining; mining finance; advertising
- Broader acquired skills: accounting; auditing; audit and compliance; business; business strategy; credit; finance; innovation and risk

Board committee membership



Board subcommittee membership





Spyridon (Spiro) Georgopoulos (57)
Independent Non-executive Director
Appointed August 2020

Qualifications

B Com (University of Witwatersrand)
B Com Honours (University of Witwatersrand)
MBA (Carnegie Mellon, USA)

Expertise and experience

Spiro has over 25 years of management consulting and banking experience, and is an innovative, strategic thinker with a track record of turning around various banking businesses.

He has a broad range of experience in retail banking. His previous roles include that of Chief Executive Officer of Grobank Limited (formerly Bank of Athens).

Other directorships

- Tower Rise Properties (Pty) Ltd

Core skills

- Professional training and experience: banking (retail and corporate); wealth management; insurance; management consulting
- Broader acquired skills; audit and compliance; banking (retail); banking (investments); business; business strategy; credit; entrepreneurial; finance; digital, information and technology; remuneration; sustainability, ethics and transformation; risk

Board committee membership



Board subcommittee membership





Sydney Mhlarhi (47)
Independent Non-Executive Director
Appointed July 2015

Qualifications

B Com, B Acc (University of Witwatersrand)
 CA (SA)
 Diploma in Financial Markets and Instruments (University of Johannesburg)

Expertise and experience

Sydney is a founder and Director of Tamela Holdings (Pty) Ltd, a financial services company with activities in corporate finance (including JSE sponsor), fund management and principal investments.

Before founding Tamela, he was the Chief Investment Officer of Makalani Holdings, a mezzanine financier. He has over 20 years' experience in investment banking, having held various executive positions at Standard Corporate and Investment Bank from 1998 to 2004.

Other directorships

- Tamela Holdings (Pty) Ltd, and Group entities
- Assore Limited

Core skills

- Professional training and experience: finance; accounting and investments
- Broader acquired skills: accounting; audit and compliance; banking (investments); business; finance; risk

Board committee membership



Board subcommittee membership



Happy Ralinala (49)
Independent Non-executive Director
Appointed May 2018



Qualifications

Africa Leadership Development Programme (Barclays in collaboration with Duke of London)
Women Development Programme (University of Orange Free State)
MBA (Bond University)
Associate of Financial Planning (ILPA)

Expertise and experience

Happy has significant experience in the banking industry, having held various senior positions at ABSA Bank, including leading and directing Business Banking South Africa, heading up public sector business banking, and holding the position of Regional Executive: Northern Region.

Her final position at ABSA was that of Managing Executive: Private and Wealth Banking Africa. Prior to her time at ABSA, Happy served as Provincial Executive and Provincial Chairman at FNB.

Other directorships

- Nomalanga Travel and Tours (Pty) Ltd
- Thalala Trading and Investments (Pty) Ltd
- K2016335258 South Africa (Pty) Ltd t/a Ronauna Consulting Sandton Ladies Investments
- Khula Credit Guarantee Ltd
- Small Enterprise Finance Agency Ltd

Core skills

- Professional training and experience: finance; health; pharmaceutical; retail banking
- Broader acquired skills: banking (retail); business; business strategy; entrepreneurial; digital, information and technology; remuneration; sustainability, ethics and transformation

Board committee membership





Peter Temple (49)
Independent Non-executive Director
Appointed April 2016

Qualifications

B Bus Sc (Actuarial) (University of Cape Town)
 Fellow of the Actuarial Society of South Africa (FASSA)
 Fellow of the Institute of Actuaries (UK)

Expertise and experience

Peter is Head of Segment for General Reinsurance, a Berkshire Hathaway company, reporting directly to the global Chairman since August 2020. He has worked for General Reinsurance, since January 1999, and has previously occupied a number of senior management positions within the group.

In his current position, Peter is responsible for the life/health business for the United Kingdom, Ireland, Canada, Caribbean, Australia, New Zealand and Southern Africa. From 1992 to 1998, he held various positions at Momentum Life and Southern Life Association Limited. Peter is a fellow of the Institute of Actuaries and a past president of the Actuarial Society of South Africa.

Other directorships

- General Reinsurance Africa Limited
- GRF Services Limited
- Bowwood Road No 35 (Pty) Ltd

Core skills

- Professional training and experience: insurance; reinsurance
- Broader acquired skills: actuarial; audit and compliance; business; business strategy; entrepreneurial; finance; insurance; remuneration; executive leadership

Board committee membership



Board subcommittee membership



Diversity of skills and experience

70%	Accounting, actuarial, auditing	40%	Insurance
60%	Banking (retail and investment banking)	40%	Liability management
60%	Business executive leadership	80%	Remuneration
20%	Credit	80%	Strategy and risk
70%	Finance, financial	50%	Sustainability, ethics and transformation
40%	Governance and directors' affairs	30%	Technology (digital, IT)

Our board committees

Ensuring effective board support and oversight

To support our board, as governing body, with its broader steering and oversight role, the board has constituted five board committees: the Audit and Compliance Committee, the Directors' Affairs and Governance Committee, the Remuneration Committee, the Risk and Capital Management Committee and the Sustainability, Ethics and Transformation Committee. The composition of all board committees are determined and reviewed at least quarterly by the Directors' Affairs and Governance Committee and appropriate recommendations are made to the board for consideration and approval.

All board committees should comprise at least three members and while all board members are welcome to attend committee meetings, they do not have voting rights in committees where they are not members.

Additionally, the Risk and Capital Management Committee has constituted three subcommittees reporting into it, namely, the Asset and Liability Committee, Model Risk Committee and Technology and Information Committee. Each of these subcommittees should aim to have at least two non-executive directors appointed to it and are all chaired by a non-executive director.

A summary of how the board committees add value, their 2020 focus areas, membership for the reporting period and attendance are set out on pages 26 to 35 of this report.

Collective skills and experience

Board committee members are nominated to serve on specific board committees and board subcommittees based on their individual core skills, working experience, track record and time availability.

In the case of each board committee and subcommittee, we seek to ensure the appropriate balance of diverse and complementary expertise and experience. A summary of the collective range of diverse skills of our board members are outlined on page 24 of this report.

Ongoing board training

During the year under review, the following key training and board and executive committee development initiatives took place:

- 13 February 2020 - the RCMC received ICAAP training
- 25 February 2020 - the full board received cyber-security awareness training
- 9 June 2020 - the full board received bank regulatory and governance overview training
- 28 August 2020 - the full board received anti-money laundering training

Key board training initiatives identified for the 2021 financial year relate to:

- risk management
- sustainability beyond 2020 (taking into account Covid-19)
- IFRS9
- fintechs and future industry competitors
- stakeholder communications and engagements requirements



Audit and Compliance Committee

Chairman

R Hutchinson-Keip
(1/1)



Members

M Field (1/1)
R Hutchinson-Keip (1/1)
S Mhlarhi (4/4)
H Ralinala (4/4)
L Stephens (2/2)
F Truter (1/1)

Attendance

4 meetings
100%
attendance

6 special
meetings

Current members

S Georgopoulos
R Hutchinson-Keip
S Mhlarhi
H Ralinala

Committee considerations of stakeholder matters

- Regulators
- Funders
- Customers
- Shareholders

Collective core skills

- Accounting
- Auditing
- Banking
- Financial services
- Risk
- Strategy

How the committee contributes to value creation

The committee is constituted in terms of section 94 of the Companies Act, and in accordance with section 64 of the Banks Act. The main purpose of the committee is to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and financial statements, in compliance with all legal requirements and accounting members standards. The committee is satisfied that it has adhered to its terms of reference and has fulfilled its responsibilities in accordance with these terms of reference for the reporting period.

2020 key focus areas

- Conducted going concern, solvency, liquidity and capital adequacy assessments
- Reviewed the combined assurance model framework and plan
- Considered significant financial reporting, accounting, tax and compliance matters
- Evaluated macroeconomic issues, including those which arose from the Covid-19 pandemic and their impact on African Bank's sustainability and ability to execute our growth strategy
- Oversaw statutory financial reporting and integrated reporting preparation and finalisation
- Evaluated the independence and performance of the external auditors and recommendation of appointment
- Evaluated the internal controls over financial reporting and any remediation required

2021 key focus areas

- Review internal audit, Group compliance and tax compliance reports
- Financial accounting and external reporting oversight
- Financial control review and oversight
- Assess and review non-audit services requirements
- Review and recommend interim and annual financial statements
- Assess external reporting requirements
- Oversee external audit interface
- Review and appointment of external auditors
- Focus on staffing of the internal audit business unit and the roles and responsibilities of the Group Chief Internal Auditor

Committee consideration of materiality themes



Health and
safety first



Volatile
macroeconomic
context



Evolving retail banking
environment with a pandemic-
induced new normal



Disruptive
technologies as a
key differentiator

Audit and Compliance Committee attendance

Meetings from 1 October 2019 to 30 September 2020

Name	Designation	Date appointed	14 Nov 2019	15 Nov 2019	03 Dec 2019	24 Jan 2020	14 Feb 2020	31 Mar 2020	07 May 2020	10 Jun 2019	15 Jun 2020	13 Aug 2020
Robert Hutchinson-Keip	Chairman	07 July 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Robert Hutchinson-Keip	Member	14 Apr 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Frans Truter*	Chairman	07 Dec 2015	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Mike Field**	Member	14 Apr 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Sydney Mhlarhi	Member	11 Oct 2016	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Happy Ralinala	Member	14 Nov 2018	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Louisa Stephens***	Member	01 Oct 2019	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
TOTAL ATTENDANCE			4/4	3/4	3/3	3/3	3/3	3/3	4/4	4/4	4/4	4/4

Key

▲ In attendance

▲ Not a member

▲ Absent

Special Meetings

Routine Meetings

*Resigned as Chairman of AuditCom with effect from 30 November 2019

** Resigned as a member with effect from 31 August 2020

***Appointed on 1 October 2019 as a member and presided over AuditCom with effect from 1 December 2019 until 5 May 2020 when she resigned from African Bank as a Non-Executive Director. From 5 May 2020, Mr S Mhlarhi presided over the AuditCom meetings until the appointment of Mr R Hutchinson-Keip as the Chairman of AuditCom on 7 July 2020.

Regular management attendees are:

- Basani Maluleke (Chief Executive Officer)
- Gustav Raubenheimer (Chief Financial Officer)
- Piet Swanepoel (Chief Risk Officer)
- Nelanthrin Govender (Group Chief Internal Auditor)
- Saber Patel (Group Chief Compliance Officer)
- Costa Natsas (PwC Designated Audit Partner)



Directors' Affairs and Governance Committee

Chairman

T Dloti (4/4)



Members

R Hutchison-Keip (1/1)
H Ralinala (4/4)
L Stephens (1/1)
P Temple (4/4)
F Truter (0/1)

Attendance

4 meetings

93%
attendance

6 special
meetings

Current members

T Dloti
R Hutchinson-Keip
H Ralinala
P Temple

Committee considerations of stakeholder matters

- Prudential Authority
- Shareholders
- Board members

Collective core skills

- Accounting and auditing
- Banking
- Governance
- Risk
- Strategy

How the committee contributes to value creation

The committee's prime objective is to assist the board in its responsibilities in terms of section 64B and Regulation 39 of the Banks Act. It also ensures compliance with the provisions of King IV and any other code of corporate practice and conduct, determined by the board, from time to time. The committee assists the board to evaluate the adequacy, effectiveness and appropriateness of the corporate governance structures, develops and maintains board continuity and succession, and ensures that the process of effective corporate governance is adequately monitored. The committee is satisfied that it has adhered to its terms of reference and has fulfilled its responsibilities in accordance with these terms of reference for the reporting period.

2020 key focus areas

- Ongoing review of board and committee composition, succession planning, skills and gaps identified in considering potential directors for appointment
- Conducted interviews with prospective candidates and three new non-executive directors were appointed to the board during 2020, while Mr Mark Harris and Ms Louisa Stephens resigned from the board subcommittee during February and May 2020, respectively
- Obtained regular feedback from the CEO on the executive committee, status, changes, succession planning, areas of development and opportunity
- Received updates from the board Chairman to declarations made by all board members vis-à-vis their directorships, interests and changes to information in the BA 020 forms
- Updated the Prudential Authority as required
- Considered the orientation structure and programme for new directors, and the inclusion of existing directors in refresher updates
- Deliberated on the outcomes of the annual assessment reports as per the internal process undertaken (board, committees, and individuals)
- The tenure of the board Chairman identified as a key focus area previously, was discussed as part of the 2019 annual board and committee assessment process
- Peer-to-peer assessment process has been embedded as part of the annual assessment process
- Engaged with stakeholders, such as the Prudential Authority and shareholders, on various governance-related matters and updates
- Reviewed all committee terms of references, the board charter and other relevant policies annually, or as required

2021 key focus areas

- Ongoing improvements in board and executive succession planning
- Ensuring that the Group has an optimal board and executive structure, comprising appropriately skilled individuals to implement the Group strategy and fulfil delegated roles
- Sourcing and appointing appropriately experienced and skilled individuals for appointment as independent non-executive directors on the board
- Regular review of the skills and experience of board members to ensure optimal board composition

Committee consideration of materiality themes



Health and safety first



Volatile macroeconomic context

Directors' Affairs and Governance Committee attendance

Meetings from 1 October 2019 to 30 September 2020

Name	Designation	Date appointed	21 Nov 2019	17 Jan 2020	28 Feb 2020	03 Apr 2020	23 Apr 2020	06 May 2020	22 May 2020	12 Jun 2020	23 Jul 2020	28 Aug 2020
Louisa Stephens	Member (Presiding over AuditCom meetings from 01 Dec 2019)	01 Aug 2018	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Thabo Dloti	Chairman	07 Mar 2019	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Happy Ralinala	Member (SET-Com & RemCom Chairman)	22 Nov 2018	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Peter Temple	Member (RCMC Chairman)	20 Aug 2018	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Frans Truter	Member (Audit-Com Chairman)	10 Dec 2015	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Robert Hutchinson-Keip	Member (Audit-Com Chairman)	07 Jul 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
TOTAL ATTENDANCE			3/4	4/4	4/4	4/4	4/4	3/3	3/3	3/3	4/4	4/4

Key

▲ In attendance

▲ Not a member

▲ Absent

Special Meetings

Routine Meetings

Regular management attendee is:

• Basani Maluleke (Chief Executive Officer)



Remuneration Committee

Chairman

H Ralinala (3/3)



Members

M Field (2/2)
S McClooghrie(1/1)
L Stephens (1/1)
P Temple (2/2)
F Truter (1/1)

Attendance

3 meetings

100%
attendance

7 special meetings

Current members

M Field
H Ralinala
P Temple

Committee considerations of stakeholder matters

- Employees
- Unions
- Shareholders
- Board members
- Executive committee members

Collective core skills

- Accounting and auditing
- Financial services
- Remuneration
- Risk
- Strategy

How the committee contributes to value creation

The committee meets the requirements of section 64C of the Banks Act and is responsible for the governance of remuneration by setting the direction of how remuneration is approached and addressed within the Group. The primary role of the committee is to assist the board in ensuring that employees are remunerated fairly, responsibly and transparently by implementing affordable, competitive and fair reward practices to promote the achievement of the Group's strategy. The committee is satisfied that it has adhered to its terms of reference and has fulfilled its responsibilities in accordance with these terms of reference for the reporting period.

2020 key focus areas

- Evaluated the remuneration policies and procedures - ensuring alignment to the Group's strategic priorities
- Considered remuneration practices that are best-aligned to market engagement with institutional investors
- Assessed the broader employee value proposition within the Group
- Considered the latest thinking regarding clawback and malus provisions
- Approved material human resources policies, the principles of the mix between guaranteed and variable components of remuneration, annual salary adjustments, African Bank's benchmarking methodology, all retention schemes and standard conditions of services
- Assessed executive remuneration and board members fees, in light of the Covid-19 pandemic

2021 key focus areas

- Assist the board in discharging its responsibilities to ensure fair and responsible remuneration by the Group
- Review and update our remuneration philosophy and policy statement for disclosure to enable a reasonable assessment by stakeholders of reward practices and governance processes

Committee consideration of materiality themes



Health and safety first



Volatile macroeconomic context



Evolving retail banking environment with a pandemic-induced new normal

Remuneration Committee attendance

Meetings from 1 October 2019 to 30 September 2020

Name	Designation	Date appointed	03 Oct 2019	09 Oct 2019	29 Oct 2019	15 Nov 2019	21 Nov 2019	26 Nov 2019	24 Jan 2020	18 May 2020	17 Jun 2020	03 Aug 2020
Happy Ralinala	Chairman	01 Jan 2019	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Sybillie McCloghrie	Member	01 Jan 2019	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Mike Field	Member	14 Apr 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Louisa Stephen	Member	01 Oct 2019	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Peter Temple	Member	17 Jan 2020	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Frans Truter	Member	07 Oct 2015	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
TOTAL ATTENDANCE			4/4	4/4	4/4	4/4	4/4	2/3	3/3	3/3	3/3	3/3

Key

- ▲ In attendance
- ▲ Not a member
- ▲ Absent
- Special Meetings
- Routine Meetings

Regular management attendees are:

- Basani Maluleke (Chief Executive Officer)
- Gustav Raubenheimer (Chief Financial Officer)
- Lindiwe Miyambu (Group Executive: Human Capital)



Risk and Capital Management Committee

Chairman

P Temple (3/3)



Members

M Flanagan (3/3)
M Harris (1/1)
R Hutchinson-Keip (2/2)
S Mhlarhi (3/3)
L Stephens (1/1)

Attendance

3 meetings

100%
attendance

4 special meetings

Current members

S Georgopoulos
R Hutchinson-Keip
S Mhlarhi
P Temple

Committee considerations of stakeholder matters

- Consumers
- Funders
- Shareholders
- Risk advisors

Collective core skills

- Actuarial accounting and auditing
- Banking
- Financial services
- Risk
- Strategy

How the committee contributes to value creation

The committee is constituted in accordance with section 64A of the Banks Act. The committee and its sub-committees, oversee compliance with the Banks Act and Regulations, including execution of the business performance and risk management framework, recovery plan and the internal capital adequacy assessment process (ICAAP), on behalf of the board. The committee reports its assessment of the effectiveness of the risk management and compliance processes to the Audit and Compliance Committee and to the board. The committee is satisfied that it has adhered to its terms of reference and has fulfilled its responsibilities in accordance with these terms of reference for the reporting period.

2020 key focus areas

- Monitored and reviewed the risk appetite and tolerances regularly
- Obtained and interrogated the quarterly reports on enterprise risk management, operational risk, financial risk, information technology risk, credit risk including collections, market risk, and liquidity and funding risk
- Debated the impact of macroeconomic and legislative developments from a risk perspective e.g. Authenticated Collections (DebiCheck)
- Considered and approved the current recovery plan, ICAAP, changes to the Euro Medium Term Note (EMTN) programme, various anti-money laundering and compliance matters
- Reviewed and considered top risks as identified by the Non-Executive Directors, taking into account risk identification as per the enterprise risk management framework
- Received and considered the quarterly updates from its Subcommittees, namely, Asset and Liability Committee (ALCO), Model Risk Committee (MRC) and Technology and Information Committee (TechInfo)
- Reviewed the committee terms of reference, risk data aggregation, risk reporting, and other policies annually, or as required
- Oversaw the finalisation of the shareholder support arrangements totalling R8 bn

2021 key focus areas

- Continue to engage with the external advisors to RCMC, namely KPMG, on technical matters pertaining to the recovery plan, ICAAP and other risk-related matters
- Ensure more robust interrogation of the quarterly reports on enterprise risk management, operational risk, financial risk, information technology risk, credit risk including collections, market risk, and liquidity and funding risk
- Debate legislative developments from a risk perspective e.g. DebiCheck, Debt Relief Bill
- Approve the current ICAAP and recovery plan, as well as changes to the DMTN and EMTN
- Debate and agree on the risk universe for the Group
- Review progress of key projects e.g. risk data aggregation and risk reporting, and digital banking (which includes transactional banking)

Committee consideration of materiality themes



Health and safety first



Volatile macroeconomic context



Evolving retail banking environment with a pandemic-induced new normal



Disruptive technologies as a key differentiator

Risk and Capital Management Committee attendance

Meetings from 1 October 2019 to 30 September 2020

Name	Designation	Date appointed	13 Nov 2019	09 Dec 2019	28 Jan 2020	13 Feb 2020	06 May 2020	10 Jul 2020	12 Aug 2020
Peter Temple	Chairman	20 Aug 2018	▲	▲	▲	▲	▲	▲	▲
Mark Harris	Member	20 Aug 2018	▲	▲	▲	▲	▲	▲	▲
Sydney Mhlarhi	Member	30 Aug 2019	▲	▲	▲	▲	▲	▲	▲
Robert Hutchinson-Keip	Member	14 Apr 2020	▲	▲	▲	▲	▲	▲	▲
Louisa Stephens	Member	30 Aug 2019	▲	▲	▲	▲	▲	▲	▲
Marjorie Ngwenya Flanagan	Member	18 Aug 2019	▲	▲	▲	▲	▲	▲	▲
TOTAL ATTENDANCE			5/5	5/5	5/5	5/5	4/4	4/4	4/4

Key

- ▲ In attendance
- ▲ Not a member
- Special Meetings
- Routine Meetings

Regular management attendees are:

- Basani Maluleke (Chief Executive Officer)
- Gustav Raubenheimer (Chief Financial Officer)
- Piet Swanepoel (Chief Risk Officer)
- Nelanthrin Govender (Group Chief Internal Auditor)
- Saber Patel (Group Chief Compliance Officer)
- Costa Natsas (PwC Designated Audit Partner)
- KPMG representatives (Technical advisors to RCMC)



Sustainability, Ethics and Transformation Committee

Chairman

H Ralinala (4/4)



Members

T Dloti (2/2)

M Harris (1/1)

M Flanagan (4/4)

S McCloghrie (1/1)

Attendance

4 meetings

100% attendance

0 special meetings

Current members

T Dloti

H Ralinala

B Maluleke

Committee considerations of stakeholder matters

- Consumers
- Employees
- Suppliers
- Business Partners
- Regulators
- Governments

Collective core skills

- Banking
- Leadership
- Risk
- Strategy
- Sustainability, ethics and transformation

How the committee contributes to value creation

The committee performs the role of a social and ethics committee as contemplated in the Companies Act. The committee assists the board in monitoring the ethical conduct of the company, our executives and senior officials and reviews any statements on ethical standards or requirements. In addition, they monitor and evaluate the adequacy of the Group's substantive stakeholder, transformation, safety and health issues, risks and actions. In broader terms, the committee also considers progress made in African Bank's sustainability journey. The committee is satisfied that it has adhered to its terms of reference and has fulfilled its responsibilities in accordance with these terms of reference for the reporting period.

2020 key focus areas

Ethics and culture

- Considered the Group's code of ethics
- Assessed instances of whistle-blowing
- Evaluated the adoption of ethical leadership and an ethical culture throughout the Group
- Reviewed the treating customers fairly policy, including the annual review of consumer activities to ensure ethical conduct in advertising and marketing

Stakeholders

- Reviewed the Group's stakeholder management processes
- Considered the Group's response to the global pandemic and stakeholder impact

Transformation

- Monitored the good progress made in relation to the Group's transformation goals and employment equity targets
- Approved the 3-year employment equity plan and the metrics to be included in the 5-year broad-based black economic empowerment plan
- Considered the diversity and inclusion empowerment programme
- Reviewed reports on preferential procurement and supplier and enterprise development

Sustainability

- Noted the good progress being made in the second year of implementation of the environmental sustainability strategy
- Evaluated which United Nations sustainable development goals to prioritise
- Assessed sustainability benchmarking in the financial services sector; identifying gaps and opportunities for enhanced stakeholder engagements

2021 key focus areas

- Ensure the ongoing development of appropriate policies and stakeholder engagement processes
- Guide and monitor the Group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, codes and regulation
- Oversee progress on the B-BBEE scorecard and alternate ways of improving the supplier development contributions
- Monitor the execution of the revised sustainability plan to align to the six prioritised sustainable development goals
- Monitor voluntary participation in the Carbon Disclosure Project

Committee consideration of materiality themes



Health and safety first



Volatile macroeconomic context



Evolving retail banking environment with a pandemic-induced new normal



Disruptive technologies as a key differentiator

Sustainability, Ethics and Transformation Committee attendance

Meetings from 1 October 2019 to 30 September 2020

Name	Designation	Date appointed	01 Nov 2019	07 Feb 2020	04 May 2020	06 Aug 2020
Happy Ralinala	Chairman	01 Aug 2018	▲	▲	▲	▲
Sybillie McCloghrie	Member	12 Feb 2016	▲	▲	▲	▲
Mark Harris	Member	17 Jan 2020	▲	▲	▲	▲
Thabo Dloti	Member	23 Apr 2020	▲	▲	▲	▲
Marjorie Ngwenya Flanagan	Member	18 Sep 2018	▲	▲	▲	▲
TOTAL ATTENDANCE			3/3	3/3	3/3	3/3

Key

▲ In attendance

▲ Not a member

■ Routine Meetings

Regular management attendees are:

- Basani Maluleke (Chief Executive Officer)
- Gustav Raubenheimer (Chief Financial Officer)
- Lindiwe Miyambu (Group Executive: Human Capital)

Executive committee core skills and experience

- Accounting and Auditing
- Banking
- Data Science
- Digital and IT
- Finance
- Human Resources
- Leadership
- Legal and Regulatory
- Mergers and Acquisitions
- Risk
- Strategy
- Supply Chain Management



Our executive committee

A multifaceted team; providing decisive strategic leadership

From left to right:

George Roussos (53)
Appointed July 1998

Chief Operating Officer
B Com, B Acc, CA(SA)

PORTFOLIO AREAS

- Communications
- Customer Experience
- Marketing
- Products (excluding Credit)
- Payments and Business Operations
- Product Design and Development

Penny Futter (42)
Appointed September 2018

Chief Information Officer
BSc

PORTFOLIO AREAS

- Digital Technology
- Infrastructure and Engineering
- Innovation Technology
- Technology Operations and Service
- System Security

Basani Maluleke (43)
Appointed July 2017

Chief Executive Officer
BCom, LLB, MBA

PORTFOLIO AREAS

- All members of the executive committee report to the CEO
- In addition, the following areas have an administrative reporting line to the CEO:
 - o Company Secretariat
 - o Compliance
 - o Internal Audit
 - o Risk



Gustav Raubenheimer (50)
Appointed October 2012

Chief Financial Officer
B Com, B Com (Hons), CA (SA)

PORTFOLIO AREAS

- Balance Sheet Management
- Financial Management
- Financial Reporting
- Integrated Financial Planning and Profitability
- Provisioning and Financial Engineering
- Treasury

Lindiwe Miyambu (48)
Appointed September 2010

Group Executive:
Human Capital
B Ed

PORTFOLIO AREAS

- BEE and Transformation
- Corporate Social Investments
- Employee Relations
- Human Capital Shared Services
- Reward
- Sustainability

Piet Swanepoel (58)
Appointed June 2014

Chief Risk Officer
B Com

PORTFOLIO AREAS

- Credit Queues
- Enterprise Risk Management
- Financial Crime Department
- Legal
- Insurance

Vere Millican (43)
Appointed April 2013

Group Executive: Credit and
Data Sciences
B Sc (Hons),
NDip: Management

PORTFOLIO AREAS

- Collections
- Credit Decision Solutions
- Data Science and Advanced Analytics
- Direct Marketing
- Operations and Change Management

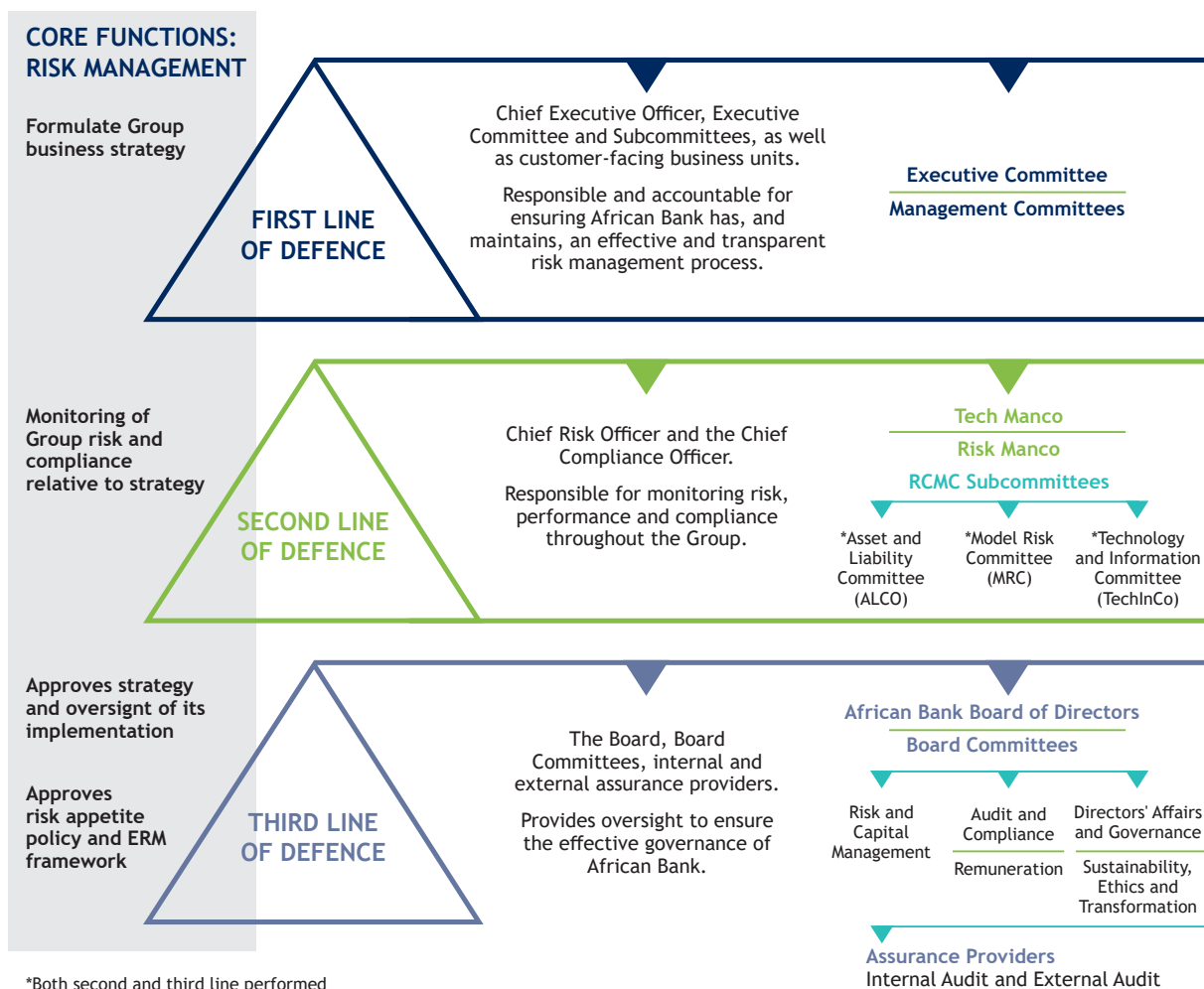
Our governance of functional areas

At African Bank, we work together to ensure effective governance and to reinforce a compliance culture across the Group. Our combined assurance model includes the board, management, and core governance functions and assurance providers, including internal audit, compliance, company secretarial, risk and legal, who together ensure a coordinated approach to governance and assurance.

Our combined assurance approach ensures that we have adequate assurance across the Group and prevents gaps or duplication in assurance efforts. The objective is to assure the Audit and Compliance Committee (AuditCom) that significant areas of risk within our Group are adequately addressed, and that suitable controls exist to mitigate these risks. To facilitate this, we employ an integrated planning and reporting process. This is achieved by aligning the activities of the separate assurance functions across the Group. To enable the necessary communication and discussion, African Bank has a Combined Assurance Forum that meets quarterly. The members of the Forum include our Chief Risk Officer, who chairs the Forum, our Chief Financial Officer, Chief Information Officer, senior business leaders and our external auditors and internal audit.

A revised combined assurance framework was approved by the AuditCom in February 2019. This framework is key to ensuring that coordinated and relevant assurance efforts are directed to risks with the most potential impact. The Combined Assurance Forum reports to the AuditCom on its combined view of the coverage and assessment of the top risk areas of strategic significance. The 'three lines of defence' model below depicts how the combined assurance approach is executed for key threats, to achieve our objectives.

Our three lines of defence approach



The table below summarises the nature of the assurance provided by each line of defence, including the structures in which they report and the frequency of the assurance and/or reporting. Importantly, the table also sets out the frameworks and standards used as well as the key outcomes.

Key threats associated with strategic objectives/targets	First line of defence Exco	Second line of defence Group Risk, Compliance, AML and Legal	Third line of defence Independent assurance providers	Governance structures reported to	Framework/ standards used	Outcome	Frequency of assurance and/or reporting
Performance against strategic scorecard	▲	▲	▲ EA ▲ IA	Exco and Board	Board ³ Governance	Areas of enhancements with action plans being undertaken	Monthly and Quarterly
Reliable and accurate financial and other reporting	▲	▲ ▲	▲ EA ▲ IA	Exco and AuditCom SetCom and RCMC	IFRS ¹ JSE ²	Adequate coverage	Biannually
Meeting financial targets	▲	▲	▲ EA ▲ IA	Exco, AuditCom and Board	Board ⁴	Adequate coverage	Monthly and Quarterly
Ensuring efficiency of operations	▲	▲	▲ IA	Exco, RCMC and AuditCom	Divisional ⁵	Areas of enhancements with action plans being undertaken	Ongoing throughout the year
Achieving customer targets	▲	▲	▲ IA ▲ Independent advisors	Board, SetCom and Exco	Third Party ⁶ measurement	Adequate coverage	Monthly and Quarterly
People targets	▲	▲	▲ IA ▲ HC external providers	Exco, SetCom and RemCom	Internal measurement ⁷	Adequate coverage	Monthly and Quarterly
Compliance with laws and governance	▲	▲ ▲	▲ IA ▲ EA ▲ Independent advisors	Exco, RCMC and AuditCom	Applicable legislation and regulation	Adequate coverage	Monthly and Quarterly

Key

- ▲ Exco providing assurance
- ▲ Group Risk
- ▲ Compliance/AML/Legal
- ▲ Internal Audit (IA)
- ▲ External Audit (EA)
- ▲ Other external assurance providers

- 1 International Financial Reporting Standards
- 2 JSE Listings Requirements
- 3 Board-approved strategy
- 4 Board-approved business plan and budgets
- 5 Group and divisional performance, stability, monitoring targets and measures
- 6 NPS® and SA-csi
- 7 Performance assessments, engagement surveys, diversity targets

Our enterprise risk management process

Our enterprise risk management (ERM) framework sets the foundation for our effective risk management in a standardised and systematic manner. In 2020, we continued with our efforts to ensure stronger integration between strategy and risk within a volatile external environment and the advent of a new normal. Managing risks and opportunities is an important business driver for us and our stakeholders. As an entrenched discipline and business management tool, we are better able to create sustainable value. The key outputs from successful risk management include more informed decisions, an organisation that learns from its mistakes, full compliance and effective assurance.

Our annual risk management plan is approved by our Risk and Capital Management Committee, executed by our risk function in collaboration with management and monitored quarterly by the Risk and Capital Management Committee.

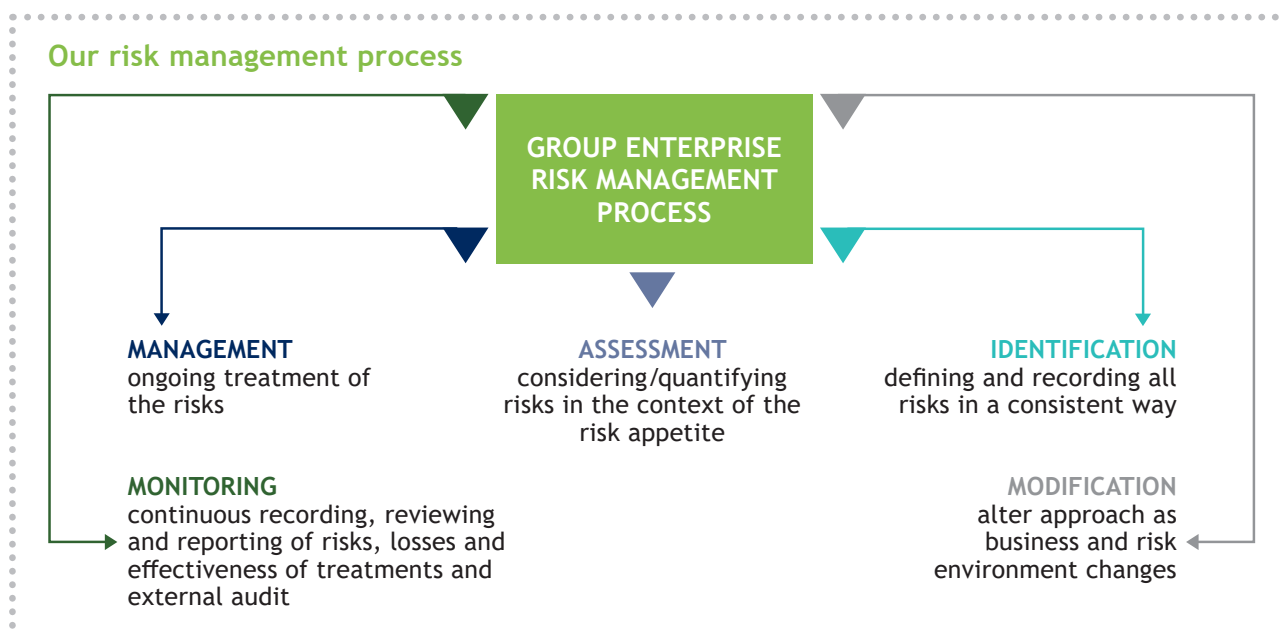
We understand and proactively manage risks within set risk appetite and risk tolerance levels, to optimise strategic objectives and business outcomes. We define risk appetite as the amount and type of risk that we are willing to take to meet our strategic objectives. We define risk tolerance as the amount of uncertainty that we are prepared to accept and cope with; identifying the maximum boundary, beyond which we are unwilling to operate. The sound management of our risks, within the approved risk appetite and risk tolerance levels, gives us the flexibility to anticipate and respond to changes in our business environment and make informed decisions in uncertain times.

Aligned to ISO 31000 and the risk management requirements of King IV, our ERM process:

- provides an effective and efficient management tool for continuous improvement
- identifies risks from longer-term strategic risks to day-to-day business and operational risks and reviews and ensures that the appropriate and relevant mitigation is in place
- reassesses risk management initiatives to ensure they are relevant
- anticipates emerging risks and opportunities
- adds value to the effectiveness of the Group's risk-preparedness
- meets corporate governance requirements

Risk management objective

The Group's risk management objective is to ensure a proactive identification, understanding and assessment of risks, including activities undertaken that result in risks which could impact on our strategic and business objectives. This is executed through various risk management and governance mechanisms and risk management oversight bodies. The risk management process is summarised in the diagram below.








Our top 10 risks in 2020


For the year under review, we identified the following Top 10 risks, which also indicate their movement from 2019 to 2020 (risk has escalated ▲ versus risk has reduced ▼). For more details regarding our responses and mitigations, the relevant strategic initiatives and the six capitals these impact and/or are relevant to, refer to pages 24 to 29 of the integrated report.


Summary of top 10 risks

 **1 Strategic Risk**
▲ Income/business diversity and financial performance


 **2 Liquidity Risk**
▼ Ability to attract diversified and cost efficient funding; liquidity and cash forecasting


 **3 Cyber-crime Risk**
▲ Penetration/ unauthorised access misappropriation of funds/data


 **4 Information Technology Risk**
▼ System stability and agility to support and enable delivery of strategy

 **5 Credit Risk**
▲ Risk of default on a debt including impairment

 **6 Regulation / Compliance Risk**
▼ Change in regulatory environment and compliance

 **7 Human Capital Risk**
▲ Key-man dependency and skill sets

 **8 Operational Risk**
▲ People, process and systems failure (includes internal and external fraud and model risks)

 **9 Model Risk**
▼ Models providing an inaccurate or invalid outcome

 **10 Reputational risk**
▼ Brand image

Outside of the top risks, the following key opportunities have been identified:

- Use of advanced data analytics in credit-risk decision-making
- Enhanced management of occupational health and safety risks, including the benefits of remote-working and automation
- Improved banking security features, as a key differentiator
- Financial wellness advice and related services
- M&A opportunities
- Fintech partnership opportunities

Legal and regulatory compliance

The responsibility for the effective implementation of compliance throughout African Bank has been delegated to our compliance function, which administratively reports to the Chief Executive Officer and functionally reports to the Chairman of the Audit and Compliance Committee. A Group Compliance Officer heads the compliance function, with compliance champions acting as a first line of defence in implementing the compliance process.

The compliance function empowers the business to adhere to applicable regulatory requirements by ensuring that actions, processes and procedures are risk-appropriate and that the business can achieve its business goals within the compliance framework. Areas of non-compliance are identified through compliance assessments and are reported to the responsible heads of business; ensuring mitigation and controls for enterprise regulatory compliance.

The compliance function distinguishes between legislative or regulatory requirements and non-binding rules, codes and standards. Monitoring and reporting within the compliance function entails a formal, risk-based approach.

The Group Compliance Officer reports functionally to the Chairman of the Audit and Compliance Committee and administratively to the CEO, but also has unfettered access to the board Chairman and the chairmen of all board committees. Quarterly reports are submitted to the Audit and Compliance Committee and the board, which include compliance monitoring on adequacy and effectiveness testing, reviews of the regulatory universe and various compliance risk management plans.

The compliance function is audited on an annual basis by both the Bank's internal audit function as well as an external audit function.

Regulatory compliance with the following legislation is monitored on a continuous basis

- Financial Sector Regulation Act, 2017
- Financial Intelligence Centre Amendment Act, 2017
- National Credit Amendment Acts, 2014 and 2019
- Banks Act, 1990
- Protection of Personal Information Act, 2013
- Competition Act, 1998
- Consumer Protection Act, 2008
- Electronic Communications and Transactions Act, 2002
- Employment Equity Act, 1998
- Broad-based Black Economic Empowerment Act, 2003
- Companies Act, 2008
- Occupational Health and Safety Act, 1993

Our approach to ethics

Our code of ethics enables a culture of entrenched values and norms that guide the behaviour of our people, business partners and suppliers. This code aims to instil ethics and integrity throughout African Bank.

Our Group code of ethics was refreshed during the 2019 financial year and approved through the governance structures and by the board. To ensure that employees understand the code, extensive training is provided. The whistleblowing policy was also reviewed during the current reporting period. The board-approved treating customers fairly policy and the Group's treating customers fairly initiative are an important part of the efforts to reinforce an ethical culture. These efforts have resulted in employees feeling comfortable to report their suspicions of unethical behaviour and to engage with the internal ethics office.

Whistleblowing

While the principles of ethics and integrity are fostered by our board and executive committee, it is the responsibility of each member of staff to ensure that they reflect the Group's values, code of ethics, and commitment to respecting each other, in the way they conduct themselves personally and professionally.

If any stakeholder believes that the Group or a member of the Group has contravened these commitments, they are encouraged to report this under the provisions of our whistleblowing policy.

Stakeholders are encouraged to report any suspected, attempted or actual unlawful, irregular or unethical behaviour, which includes danger to the health and safety of any individual, unfair discrimination, abuse of company resources and assets, or the deliberate concealment of any of these behaviours.

The Group provides various channels for employees and other stakeholders to seek advice or report concerns about unethical or unlawful behaviour. Through regular communications, we actively encourage people to use these channels if they have any concerns.

Whistleblowers may also choose to report anonymously to an independently-managed hotline.

Role of internal audit

Our internal audit function provides assurance to the board on the adequacy and effectiveness of African Bank's internal controls and risk management practices and the integrity of financial reporting systems.

Our internal audit function provides independent, objective and relevant assurance and consulting services in terms of our combined assurance framework approved by the board and designed to add value and improve our business activities and interfaces.

Governed by our AuditCom and board-approved internal audit charter, our internal audit function is responsible for implementing our combined assurance initiative. It reports to each AuditCom meeting on audits concluded during the previous period and their outcomes. The resolution of any adverse findings arising from audits is the responsibility of the executive concerned.

The Remuneration Committee (RemCom), which includes a member of the AuditCom, oversees the Head of Internal Audit's performance assessment and the remuneration packages of the Group's senior assurance providers, including the Head of Internal Audit.

The Head of Internal Audit is solely responsible for the function, scope of work and quality of delivery of the Group's internal audit. The functional reporting line is to the Chairman of the AuditCom, and the administrative reporting line is to the CEO. The Head of Internal Audit has unrestricted access to the Chairman of the board and the chairmen of all board committees.

We have aligned our internal audit structure to allow for portfolio-based reviews, focusing on identifying business processes that are of strategic importance to the Group.

The activities of internal audit are designed to ensure quality, efficiency and agility in the delivery of assurance services and meeting the assurance expectations of our stakeholders.

The internal audit plan

The internal audit plan is approved annually by the AuditCom and its execution is tracked to completion by the Committee. The plan is also reviewed during the year to ensure it remains relevant. If changes are necessary, they are approved by the AuditCom.

The following initiatives and scope formed part of the 2020 audit plan:

- credit risk assurance (including credit models, credit underwriting and collections)
- treasury function assurance
- capital management assurance
- information technology assurance
- transactional banking assurance
- advanced and more predictive analytics assurance relating to credit, collections and revenue

Looking ahead

To provide high quality, risk-based advisory and assurance services aligned to the Group's strategic and operational objectives, internal audit will undertake the following key initiatives in the next financial year:

- focus on data and digital transformation, including the use of data analytics, the continuous audit process, predictive analytics and interactive reporting
- customer-centricity, including customer engagement channels and various other touch points
- focus on cyber risk
- fraudulent risk

Statement of adequacy

Internal audit was able to conduct its work free of any restrictions and is of the view that there were no material internal control weaknesses or deficiencies during the year under review that would render the internal financial controls and financial systems ineffective in producing reliable information for the financial statements.



Our information technology governance

Our board affirms its responsibility for the governance of technology and information. Our Chief Information Officer oversees day-to-day IT operations and the board has delegated this oversight responsibility to the Risk and Capital Management Committee's Technology and Information Subcommittee.

The Technology and Information Subcommittee was constituted at the end of January 2019. Its main purpose is to give direction on innovation, progressive development and the ethical and responsible use of information and technology.

At the establishment of the subcommittee, the following were identified as key focus areas and are standing agenda items for committee meetings:

- operational review, which focuses on stability, security and financial effectiveness
- strategic risk review, in which emerging risks are raised and top risks within technology are reviewed and tracked
- technology strategy review, where the technology strategy is validated and reviewed, including the enterprise architecture capability
- the approval of IT, digital and technology policies and charters
- innovation review, which provides an important mechanism for challenging traditional solutions on a continuous basis
- material IT project reporting, in which the critical projects are detailed

In addition to attending the Risk and Capital Management and Technology and Information Subcommittee meetings, the Chief Information Officer attends other board committee meetings on an ad hoc basis.

The IT governance framework is reviewed periodically to consider organisational changes, industry developments and changing risk profiles. These aspects are continually measured and monitored by the Chief Information Officer, with quarterly reports to the appropriate oversight committee.

Key IT governance focus areas in 2020

The following received focused attention in 2020:

- continuing the enhancement of the Bank's governance frameworks in line with our digitalisation aspirations
- ensuring that robust risk management underpins our transformation into a future-proofed and technologically innovative organisation

Looking ahead

The following are the key focus areas for 2021:

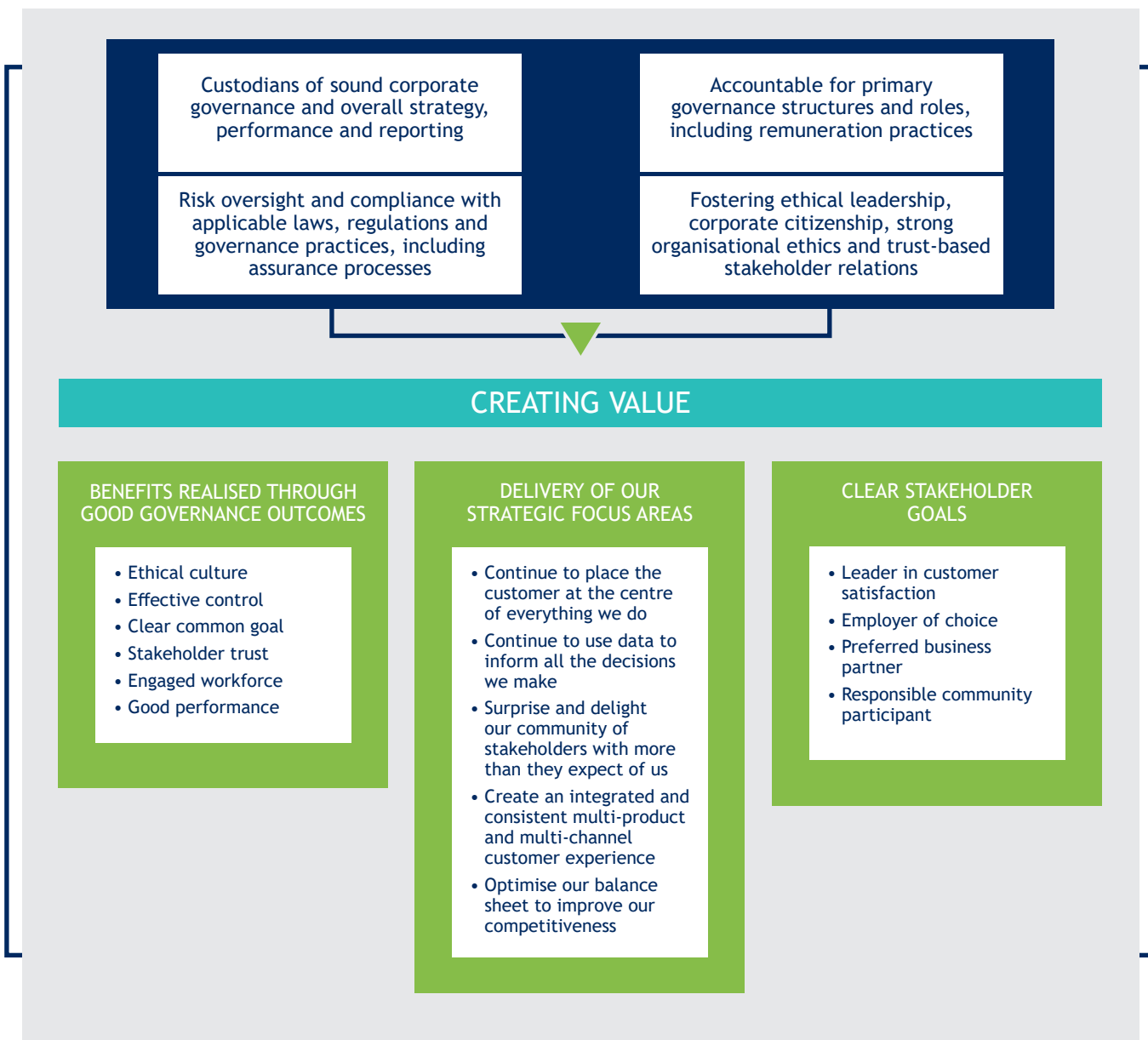
- continue to build a technology ecosystem which enables innovation, responsiveness and customer-centricity
- enhance controls to mitigate cyber-crime, defend against an ever-increasing and evolving threat
- enable a sound platform for cloud computing, which will allow for the establishment of a secure and resilient foundation on which to build future requirements





Creating value through good governance

Our board and executive committee strive to create maximum shared value by delivering on our organisational purpose and ensuring relevance, agility and sustainability of our business model. In 2018, the Group commissioned an external organisation to review our overall compliance with the ethical principles of King IV and a report was subsequently published on our website. In 2019, we undertook a full analysis of the implementation of the recommended practices in King IV. The flow diagram summarises our application of the King IV principles in 2020 and how we have actioned these recommended practices to create value. Our detailed King IV application register can be found on pages 48 to 59 of this report.



King IV principles and our activities	Outcomes
Leadership, ethics and corporate citizenship	
<ul style="list-style-type: none"> Reinforced the tone from the top through the company's values and code of conduct Reviewed speak-up and whistle-blowing mechanisms Evaluated the corporate culture through organisational culture review exercise Proactively monitored conflicts of interest Reinforced ethical leadership principles through board member induction sessions, board and executive committee training and development programmes 	<ul style="list-style-type: none"> Sound ethical foundation throughout the company, resulting in an ethical culture and interaction with stakeholders Ethical and effective leadership, resulting in the achievement of strategic objectives and positive outcomes over time Responsible corporate citizenship status Continuous development of director and executive competence
Risk and compliance management	
<ul style="list-style-type: none"> Implemented Covid-19 protocols to adhere to a range of disaster management regulations Reviewed and evaluated risks, associated opportunities and material matters impacting the Group, in the context of our operating environment Reviewed the risk appetite and risk tolerance for the Group Supplemented business continuity arrangements Oversaw technology and information management systems and controls 	<ul style="list-style-type: none"> Assurance services enable an effective control environment to support internal decision-making and external reporting Appropriate governance structures and processes in place to ensure effective control of the company Governance, risk and compliance management practices that support the company in setting and achieving our strategic objectives Ethical and responsible use of technology and information
Stakeholder relationships	
<ul style="list-style-type: none"> Oversaw formulation of stakeholder engagement strategies Participated in the retail banking consumer satisfaction index survey Conducted an internal people engagement survey Engaged with various institutional investors and considered feedback Oversaw facilitation by management of regular and pertinent communication with shareholders Approved the integrated report, annual financial statements and results announcements 	<ul style="list-style-type: none"> Stakeholder-inclusive approach adopted in the execution of governance roles and responsibilities Reasonable needs, interests and expectations of stakeholders, balanced in the best interests of the company over time
Strategy, performance and reporting	
<ul style="list-style-type: none"> Considered impact of Covid-19 pandemic, macroeconomic volatility and disruptive technologies on our strategy, business model and performance targets Reviewed our strategy and implemented our strategy execution framework Held a series of risk and strategy workshops to canvas changes to our strategy execution Reviewed and approved adjusted 2023 key performance measures and targets for assessing achievement of strategic objectives Approved 2021 budget Considered material acquisitions and strategic partnerships Conducted review of strategic initiatives to ensure alignment with the strategy execution framework Approved management's determination of relevant reporting frameworks and basis for determining materiality 	<ul style="list-style-type: none"> Execution of our strategy A well-governed company, run for the purpose of and in a manner that is intent on delivering value with due regard to sustainability matters Realisation of the company's core purpose Reliable external reports that enable stakeholders to make an informed assessment of the company's performance
Remuneration	
<ul style="list-style-type: none"> Reviewed the Group remuneration policy in the context of revised performance targets and cost containment measures Assessed executive remuneration 	<ul style="list-style-type: none"> Fair, responsible and transparent remuneration Alignment between executive director and stakeholder interests
Corporate governance	
<ul style="list-style-type: none"> Strengthened deep retail banking experience on the board to deliver on growth strategy Considered board evaluation report and implemented action plans Considered the recommendations of King IV - the detailed application register can be found on pages 48 to 59 of this report 	<ul style="list-style-type: none"> Continued improvement in the performance and effectiveness of the board Substantial compliance with the spirit and principles of King IV

Leadership

Principle 1

The governing body should lead ethically.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report
- chapter 05 of the 2020 integrated report

- The boards of African Bank Holdings Limited (ABHL) and African Bank Limited (ABL) (jointly referred to as the board or the boards or the company) are ultimately responsible for the ethical behaviour within the organisation and, in discharging this responsibility, is guided by the Group's code of ethics. Reference to the Group or the company in this table includes ABH and all of its subsidiaries.
- Board members are individually and collectively accountable for their ethical and effective leadership of the Group.
- The board ensures that the conduct of its members is aligned to the members' code of conduct, company code of ethics and the Group's values.
- The board assessment, undertaken by an external party in 2019 and by an internal team in 2020, confirms that the independent board Chairman adds value to the business and ensures that the board acts ethically and effectively at all times.
- The performance of individual board members is also assessed through an annual board evaluation process. This includes a measurement of achievement of the board objectives.
- Board members are also actively involved in setting and steering the direction of the board (including its values, purpose, strategy development, risk and opportunity assessments and performance management).
- The board ensures that it takes decisions in the best interests of the company, having regard to fairness towards all stakeholders.
- The board reviews the Group's values annually to ensure it adheres to high standards of ethics and integrity, and that the code of ethics that addresses conflicts of interests is in place.

Organisational ethics

Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

More details of our application of this principle can be found in:

- chapter 04 of the integrated report
- SETCom summary report in the 2020 integrated report
- SETCom report in this governance report

- The Group's Sustainability, Ethics and Transformation Committee (SETCom) oversees the embedding of an ethical culture throughout the organisation. It is assisted by the Chief Executive Officer (CEO), the Human Capital Executive, the Ethics Officer and Ethics Champions within the various business units. In addition, the CEO is a standing member of the SETCom and provides regular verbal feedback regarding the organisational culture.
- The SETCom regularly reviews the Group's policies and practices designed to enhance ethical behaviour.
- Processes have also been implemented to enable whistle-blowing, reporting of inappropriate behaviour and the management of any incidents of unethical behaviour.
- The Bank's whistle-blowing policy was approved in 2018 and is reviewed regularly. Internal and external stakeholders are encouraged to make use of the the externally-managed ethics line, which allows for anonymous reporting.
- Significant activities were undertaken during 2019 to embed the code of ethics with employees and to improve awareness in terms of ethical behaviour.

King **IV** principles

Application commentary

Good corporate citizen

Principle 3

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

- The board is ultimately responsible for how the consequences of the organisation's activities and outputs affect its status as a responsible corporate citizen. The SETCom plays an instrumental role in this regard. It monitors the Group's performance against target in the following areas:
 - Workforce - continued employment equity drive, fair and responsible remuneration, promoting diversity and inclusion, regular engagement surveys, creating a safe and healthy work environment.
 - Economy - exercising responsible lending through improved credit policies and scorecard, embedding changes to anti-money laundering legislation through the Financial Crime Unit and mitigating fraud.
 - Society - our purpose of 'advancing lives', executing on the Board-approved treating customers fairly (TCF) policy, reinforcing and instilling an ethical culture that underpins the five values entrenched in the strategy.
 - Environment - the environmental sustainability policy and strategy have been approved and the Sustainability Committee is operational. Its objective is to promote protection of the environment and reduce the environmental impact of business operations.
- The Group's B-BBEE scorecard, as verified by an independent external verification agency, guides us in terms of focus areas, targets, anti-money laundering and ethics.
- The Group has a successful Corporate Social Investment (CSI) programme focusing largely on education, to advance the lives of people. The Group's CSI policy has been developed and will be tabled for board approval.

More details of our application of this principle can be found in:

- SETCom summary report in the 2020 integrated report
- SETCOM report in this governance report
- chapter 05 of the 2020 integrated report

Strategy

Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

- The board recognises that the outcomes of its activities can have both positive and negative impacts on the triple context in which we operate (being the economy, society and the environment) and on the capitals we utilise in our business to create value for our stakeholders, by achieving sound business performance.
- The board sets and steers the direction for the realisation of the Group's core purpose and values through the Group strategy. It evaluates the company's strategy execution framework - the most recent one of which was presented in 2020. In addition, the board approved the management formulated business plan, most recently updated in 2020.
- The board ensures that a robust strategy process is defined and executed. The strategy-planning timetable entails business planning at executive committee level and a strategy review by the board, culminating in the final approval of the strategy execution framework by the board in August 2020 and final approval of the business plan in September 2020 - as recommended by the executive committee and as approved by the board.
- In developing the Group strategy, the board assesses the risks and the opportunities presented in relation to our risk appetite and risk tolerance. This assessment takes into account our external environment, the triple context and the trade-offs between the various capitals. The key macro-trends in our operating environment are identified by analysing political, macroeconomic, social, competitive, technological, regulatory and environmental drivers. Our Group strategic imperatives and financial and non-financial key performance areas are reviewed, adjusted and established based on our strategy, operating model and outlook. Our targets are both qualitative and quantitative. Regular updates on our strategy, strategic pillars, targets and progress made are presented to and interrogated by the board on a quarterly basis.
- Significant focus is placed on identifying, managing and remediating risks to ensure the Group's long-term value creation potential and overall sustainability. The viability of the organisation, the effect of risks on its capitals, its solvency and liquidity, internal capital adequacy assessment process (ICAAP), recovery plan and going concern status are discussed regularly by the Risk and Capital Management Committee (RCMC), the Audit and Compliance Committee (AuditCom) and the board.
- Taking into account the risks and opportunities, the board confirms the material matters according to the greatest relevance and highest potential to have a significant impact on the viability of our business and relationships with stakeholders. These material matters are continuously assessed to ensure the strategy remains relevant. Risks and opportunities arising from the material matters are identified and their impact on both the short-and medium-term strategy is assessed. The material matters are also tested against our Group's purpose, vision, strategic pillars, targets and long-term objectives. The outcome of this analysis informs the strategic focus areas for the year, which are adjusted in line with changes in material matters.

More details of our application of this principle can be found in:

- chapters 01 and 02 of the 2020 integrated report (core purpose and business model)
- chapter 03 of the 2020 integrated report (strategy, performance, risks and opportunities)
- chapter 05 of the 2020 integrated report (sustainable development)

King **IV** principles

Application commentary

Good corporate citizen

Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.

More details of our application of this principle can be found in:

- chapter 05 of the 2020 integrated report (stakeholder management)

- The Group publishes various reports throughout the year to ensure all stakeholders remain informed and that the integrity of the information included in the reporting is overseen by the board, with specific areas of reporting reviewed and challenged for appropriateness by the relevant board committees, as well as our internal audit and combined assurance functions. Reports generated by the Group include:
 - Interim financial results
 - Annual financial results
 - Pillar 3 disclosures
 - Integrated report, including this governance report
 - Prescribed and voluntary Stock Exchange News Service announcements
- We engage with our stakeholders throughout the year to provide them with information on our performance, the challenges we face and our view of the future business environment. The company performance is disclosed annually in the integrated report and supplementary reports. The reports are externally validated by the auditors.
- During the current year, there were numerous engagements held with our stakeholders and shareholders on funding and other relevant matters.
- Information related to the required disclosures appears in our Integrated Report. This includes matters relating to our strategy and detailed sections about our long-term goals, medium-to long-term targets in relation to the Group's position for value creation.
- Additionally, our governance principles, including the King IV application report are included in this report.

Primary role and responsibilities of the governing body

Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (governance)
- this governance report

- The board performs its duties in overseeing the implementation of the Group's strategy and the achievement of the company's performance target, goals and objectives within an approved governance framework and board charter that provides for effective risk management, ethical leadership and ethical business practices.
- Both the governance framework and board charter were updated in 2019 to take into account legislative and governance developments and were approved by the board in February 2019. These core governance documents will be reviewed again in 2021.
- The board charter details the responsibilities of the board and protocols for members to obtain independent external professional advice, requisitioning documentation from, and setting up meetings with management.
- The board meetings held and member attendance at meetings are disclosed in this governance report.
- The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2020 reporting period.

Composition of the governing body

Principle 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (governance)
- chapter 02 of this report

- The board is committed to ensuring that its composition reflects an appropriate balance in terms of independence, diversity, skills and experience.
- Diversity factors are a key consideration taken into account by the Directors' Affairs and Governance (DAG) Committee when reviewing performance contributions of current directors (prior to rotation and re-election at the Annual General Meetings (AGMs)) and in considering new director appointments.
- Explicit race and gender targets are considered on an ongoing basis.
- The board currently comprise 8 non-executive directors (NEDs) (all of whom are independent) and 2 executive directors (EDs), being the CEO and the CFO. During the current year, six directors resigned and three new directors were appointed, to address succession planning and to augment the strength of our board. Succession planning for the board Chairman is in progress.
- In 2019, the company approved a selection and nominations policy and an independence of directors policy, which encapsulate processes to assess candidates' profiles, qualifications, capacity and independence prior to their appointment to the board.
- At least one-third of NEDs retire by rotation at the AGM each year. This process invigorates the board capabilities by introducing members with new expertise and perspectives, while retaining valuable knowledge, skills and experience, and maintaining continuity.

King **IV** principles

Application commentary

Committees of the governing body

Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (governance)
- chapter 02 of this governance report

- Through the appointment of experienced and skilled independent directors and the separation and distinct definition of the roles and responsibilities of the board Chairman and CEO, the Group has established a clear balance of power and authority at board level.
- The board executes its responsibilities with support from its five board committees and three subcommittees of the Risk and Capital Management Committee (RCMC), each of which function through an approved terms of reference, which is reviewed annually. The committees established are the Audit and Compliance Committee, the Directors' Affairs and Governance Committee, the Remuneration Committee, the Risk and Capital Management Committee and the Sustainability, Ethics and Transformation Committee.
- All board committees comprise a minimum of two NEDs and, on the subcommittees, a minimum of one NED. All board members are entitled to attend any committee meeting as an observer.
- Each committee as a whole, has the necessary knowledge, skills, experience and capacity to execute its duties effectively. However, independent advisors, specialists and subject-matter experts are appointed to assist the board and board committees, as required.
- Details relating to each committee are disclosed in the integrated report and in this report, including its composition, responsibilities, meeting attendance, external advisors and attendees at meetings. Additional disclosures are made in relation to the activities of the AuditCom in the AFS.
- The board committee structures undergo review for effectiveness through independent and internal board evaluations.
- Delegation of responsibilities and mandates to individuals and/or ad hoc committees are managed through a formal delegation of authority process and accompanying board resolutions.

Evaluations of the performance of the governing body

Principle 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (governance)
- chapter 02 of this governance report

- The Group undertakes annual board, board committee, peer and self-assessments.
- Every third year, the assessments are undertaken by an independent external party, as was the case in 2019. This independent assessment will be conducted again in 2022.
- The outcomes of the assessments are reviewed by the individual committees and action plans developed in terms of any areas that require improvement, or where additional training may be required. The overall outcomes are reviewed and deliberated by the DAG Committee and the board.
- Individual director assessments are undertaken by the board Chairman in one-on-one discussions.
- The board is satisfied with the outcomes of the various assessment processes, which confirms that the board and all the board committees are operating effectively, with board members being suitably qualified and skilled.

Appointment and delegation to management

Principle 10

The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities. The governing body should appoint the CEO.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (governance)
- chapter 02 of this governance report

- The board is responsible for the appointment of the Group CEO and delegates its authority (in writing) to the CEO, who is responsible for executing the board-approved strategy, policies and business plans.
- The latest delegation of authority (DoA) was revised and approved in July 2020.
- The CEO's contract is for an indefinite period and may be terminated by mutual agreement or three months' written notice. The CEO's contracted performance criteria, which are aligned to the strategic objectives of the Group and balanced scorecard, are reviewed annually for the year ahead and the CEO's performance against those criteria is monitored by the DAG Committee, RemCom and the board.
- The DAG Committee and the board regularly review the succession plans for the executive committee (Exco) members (including the CEO), as well as key/critical roles. The recruitment process for one Exco member who resigned during the year is underway.
- The EDs (CEO and CFO) are supported by the Exco. The CEO has delegated the operational execution of the board-approved strategy and strategy execution framework to the Exco, which comprise members with suitable skills, experience and knowledge.
- The board is responsible for appointing a suitably qualified and experienced Company Secretary who provides guidance to the board and is empowered with necessary authority.
- The Company Secretary has unfettered access to the board and maintains an arm's length relationship with Exco.

King **IV** principles

Application commentary

Risk governance

Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

- The board sets the direction for risk and opportunity management in the Group and oversees risk management in the organisation through its RCMC.
- The board delegated to management the responsibility for implementing and executing effective risk management, guided by the enterprise risk framework (ERM) and the risk appetite policy, which are approved annually by the RCMC and the board.
- As part of the RCMC quarterly reporting, the risk appetite dashboard includes both risks and opportunities and is set to ensure that the company achieves its strategic and financial objectives.
- The RCMC holds quarterly meetings at which pertinent risk-related matters (including reviews of the Group's ICAAP, recovery plan, business continuity, disaster recovery, and business risk exposures) and governance processes are addressed.
- Levels of potential loss and appetite towards risk are also included as part of the quarterly risk appetite reporting and the annual risk appetite policy approval process.
- Trigger framework reporting is undertaken monthly to the risk exco and quarterly to the RCMC. The trigger framework includes business-as-usual (BAU), early-warning indicator (EWI) and recovery triggers.
- The board undertakes its own independent assessment of top risks on an annual basis, to ensure that risks are identified, monitored and managed for the Group to achieve its strategic objectives.
- The RCMC has three subcommittees, namely, the Model Risk Committee (MRC), the Asset and Liability (ALCO) Committee and the Technology and Information (TechInfo) Committee.
- The TechInfo Committee specifically focuses on IT risks and optimisation.
- The Group utilises stress testing as a risk management tool to identify and quantify any potential adverse financial and operational conditions that could impact its capital, liquidity and return on equity risk appetite limits.

More details of our application of this principle can be found in:

- chapters 03 and 04 of the 2020 integrated report (risk and governance)
- chapters 02 and 03 of this governance report

Technology and information governance

Principle 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

More details of our application of this principle can be found in:

- chapter 03 of this governance report

- The board has delegated oversight of its technology and information responsibilities to the RCMC, which in turn established a TechInfo Committee.
- The TechInfo Committee is responsible for governance of the Group's data and its information technology (IT) investment requirements, while the Group's Chief Information Officer (CIO) manages the operational aspects of the Group's IT requirements and ensures effective management of the Group's IT strategy.
- The IT strategy was developed and approved by the board in April 2019 and the architecture blueprint was approved during July 2019.
- The data strategy has been formulated with critical focus placed on data across protection of personal information (POPI), data governance and the strategic data science capability.
- The IT operational update, which covers, stability, change delivery, security, human capital, finance and enterprise architecture, risks and dependencies pertaining to third parties and outsourced service providers, is presented to the TechInfo Committee every second month.
- The Group has made significant investment in its IT environment in recent years, specifically in terms of the transactional banking and Omni-channel platforms.
- It has also invested in data scientists with the appropriate skills to support the Group's IT strategy.

Compliance governance

Principle 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (governance)
- chapter 03 of this governance report

- The board is committed to compliance with all applicable legislation, regulation, supervisory requirements and codes and has a zero tolerance for non-compliance.
- A Group Chief Compliance Officer is appointed to head the compliance function, with compliance champions acting as a first line of defence in implementing the compliance process.
- The compliance function distinguishes between legislative or regulatory requirements and non-binding rules, codes and standards.
- Monitoring and reporting within the compliance function entails a formal, risk-based approach.
- The Compliance Officer mitigates our regulatory risk and the possibility of regulatory fines and reputational risk by putting mitigation controls and procedures in place, investing in ongoing training aimed at establishing a culture of compliance in the Group and addressing legislative and compliance requirements on a proactive basis.
- The Compliance Officer reports administratively to the CEO and reports functionally to the chairman of the Audit and Compliance Committee, but also has unfettered access to the board Chairman and the chairmen of all board committees. Quarterly reports are submitted to the AuditCom and the board, which include compliance monitoring on adequacy and effectiveness testing, reviews of the regulatory universe and various compliance risk management plans.
- The compliance function is audited on an annual basis by both the Bank's internal audit function as well as an external audit function.

King **IV** principles

Application commentary

Remuneration governance

Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (RemCom summary and governance)
- chapter 05 of this governance report (remuneration practices)

- The board has delegated responsibility for oversight of its remuneration practices to the RemCom, which monitors the Group's remuneration practices and policies to ensure transparent, fair and market-related remuneration.
- The Group recognises the importance of attracting and retaining individuals of the highest calibre with appropriate skills and, therefore, its remuneration practices seek to fulfil these requirements.
- The RemCom regularly reviews the board-approved remuneration framework, which comprise the Group's remuneration philosophy, remuneration policy and best remuneration practices. A full review of the remuneration policy will be undertaken early in 2021.
- The RemCom reviews the fees payable to the Group's NEDs on an annual basis, for recommendation to the RemCom and the board. The proposed fees are then presented to the Group's shareholders for consideration at its AGM.
- Details on the background statement, remuneration policy and implementation report are disclosed in this report. The latter two documents are submitted for a non-binding advisory vote at the AGM. They were unanimously approved at the AGM in February 2020.



Assurance

Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.

More details of our application of this principle can be found in:

- chapter 04 of the 2020 integrated report (governance)
- chapter 03 of this governance report (governance of functional areas)

- The AuditCom, on behalf of the board, is responsible for oversight of the Group's combined assurance approach and its integrated planning and reporting processes required to ensure the adequacy and integrity of information utilised by the board in its decision-making.
- The combined assurance framework was approved in May 2019 and regular reports are tabled at AuditCom meetings.
- The established combined assurance forum meets quarterly and comprise the Chief Risk Officer, Group Heads of Enterprise Risk, Operational Risk, Legal, Compliance and Internal Audit.
- Tracking on progress of assurance activities is ongoing and is reported quarterly to the AuditCom.
- The Group's internal audit function was augmented with additional suitably skilled resources in recent years.
- The AuditCom reviews the plans of both the internal audit and external audit functions on a quarterly and annual basis, respectively.
- The AuditCom also evaluates the independence, effectiveness and performance of the internal audit function. It reviews any material issues raised through the internal audit process and addresses and monitors appropriate remedial actions required in terms of any findings.
- The AuditCom oversees the identification of an appropriate external auditor for recommendation to the board and the Group's shareholders, on an annual basis.

King **IV** principles

Application commentary

Stakeholders

Principle 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

More details of our application of this principle can be found in:

- chapter 05 of the 2020 integrated report (stakeholder management)

- Every part of our business interacts with stakeholders and these stakeholder relationships impact directly and indirectly on our business, its reputation and its ability to create value for our stakeholders. The board and the company strive to ensure a systematic and integrated approach to stakeholder engagement to ensure that all stakeholder issues are identified, prioritised and appropriately addressed.
- Oversight of the Group's stakeholder engagements is the responsibility of the board, through its SETCom. A stakeholder engagement policy was designed to provide guidelines on appropriate communications with stakeholders and was approved early in 2019.
- The Company's major stakeholders are inter alia: customers, people, investors (equity and debt investors/financiers), regulators, societies, governments, associations, industry and professional bodies, business partners, suppliers and contractors, unions and media.
- The Board believes that engagement with its shareholders and regulators forms a material corporate governance matter that it addresses through regular reporting. In the 2021 calendar year, there will be a stronger focus on improving our relationship with our regulators, as well as ensuring that we become a meaningful investable proposition for our investors.





Our remuneration practices

Our approach to remuneration

To create shareholder value, it is essential that our strategy, risks, performance and rewards are aligned. One of our key remuneration principles is to be market competitive, taking into account factors that influence remuneration, including: linking rewards to the changing needs of the Group, ensuring structured job evaluations and local market surveys for equivalent jobs, bargaining unit considerations, individual performance and affordability.

Future-proofing the organisation

In support of our information technology, credit and data science business units and to ensure that we attract and retain scarce skills in these areas, remuneration paid to individuals in these positions would typically be above the median paid for people in similar remuneration bands. This is in line with our focus to future-proof the organisation both as a strategic imperative and a material matter; taking into account risks and opportunities.

In addition, incentive allocations for certain key roles are refined and adjusted as determined by our board's Remuneration Committee (RemCom).

Outcomes of the advisory vote

Resolutions pertaining to the advisory vote on our remuneration policy and its application were tabled with shareholders at the African Bank Holdings annual general meeting on 28 February 2020.

Through a non-binding advisory vote, the shareholders endorsed

- Resolution 1.1 being the Group remuneration philosophy and the principles
- Resolution 1.2 being the remuneration framework and policy (excluding the remuneration of the non-executive directors and the members of the board committees for their services as directors and members of committees)
- Resolution 1.3 being the implementation of the Group remuneration policy

In the event that 25% or more of the voting rights exercised were against either the remuneration policy or implementation report or both, the board would take steps, in good faith and with best reasonable effort, to do the following as a minimum:

- implement an engagement process to ascertain the reasons for the dissenting votes
- appropriately address legitimate and reasonable objections and concerns raised by shareholders
- report on the manner and outcomes of engagements with shareholders regarding the above, as well as the nature of steps taken to address the legitimate and reasonable objections and concerns raised

Benchmarking of remuneration

Our Human Capital and Executive Committee teams, in consultation with the RemCom, ensure equitable remuneration across all roles.

Benchmarking is undertaken to determine reasonable increases for both staff and executives and to ensure consistency with the market and best practice. In 2020, we used the PwC Remchannel survey as a point of reference for determining and setting the increases for the year ahead. We also participate in the PE Corporate Services Executive survey, which is updated monthly.

Adjustments to guaranteed remuneration outside of the annual review process are the exception and are linked to changes in responsibility or the intention to retain specific talent. These are subject to appropriate approval based on the relevant delegations of authority.

Role of the RemCom

The RemCom is governed by its terms of reference, which is reviewed annually.

In summary, the role and duties of the RemCom are to:

- advise the board in determining appropriate remuneration strategies
- ensure that the link between performance and reward (including long- and short-term incentives) is maintained
- oversee the development of remuneration instruments and policies
- devise and recommend a policy that results in fair, responsible and transparent remuneration for the CEO, CFO, other executives, assurance providers, employees and non-executive directors of the board committees for their services as directors and members of committees
- advise on and oversee the implementation of the Group remuneration policy

Remuneration governance

Invitees to RemCom meetings have no vote and are not present when issues affecting their own remuneration are discussed. In compliance with King IV, our RemCom consists of only independent non-executive directors. The RemCom Chairman reports to the board following each RemCom meeting and attends the annual general meeting to respond to questions from shareholders on the RemCom's areas of responsibility.

Remuneration roles and responsibilities

- Our board accounts for organisational governance and provides the mandate to the RemCom
- RemCom oversees the remuneration policy and reward programmes; approves senior-executive and assurance providers' remuneration; and makes appropriate recommendations to the board for consideration and approval or ratification
- Risk and Capital Management Committee provides oversight and input regarding risk and remuneration; works with the RemCom to ensure appropriate risk adjustment in remuneration structures
- Independent advisors provide independent advice on best practice, benchmarking and remuneration governance issues
- Executive Committee proposes reward programmes and structures to the Remcom and oversees and implements the approved remuneration programme

Our remuneration philosophy and policy

Remuneration is not a standalone management process. It is integrated into other management processes that are aligned to achieving the Group's strategic objectives. The strategic principles included in our remuneration policy are aligned to our broader human capital strategy, which, in turn, supports the overall corporate strategy.

The targeted remuneration mix offered to top talent is deliberately weighted more heavily towards variable pay (short- and long-term incentives), linked to the achievement of pre-determined performance criteria. The performance criteria are selected and aligned to our strategic objectives and the targets are set at levels that encourage high performance but avoid excessive risk-taking behaviour by executives. Financial rewards are complemented with non-financial rewards such as career development and training opportunities.

Our remuneration philosophy provides an integrated approach to remuneration management that effectively attracts, motivates, engages and retains the talent required to achieve the Group's desired business results. It aims to uphold principles related to fair and responsible remuneration and to adopt policies and practices that create value for the organisation over the long term.

Key principles of our remuneration philosophy

- Aimed at being competitive and structured to achieve the optimum balance between guaranteed and variable remuneration, with a larger emphasis on variable remuneration
- Balances employee interests with shareholder interests and discourages inappropriate risk-taking
- Plays an integral part in supporting the achievement of the Group's strategic objectives
- Designed to motivate and reinforce individual and team performance
- Applies remuneration equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance
- Complies with the principle of 'equal pay for work of equal value' in the Employment Equity Act 55 of 1998
- Integrates financial and non-financial rewards and benefits
- Is sufficiently flexible to provide managers at all levels with the tools necessary to attract, retain and motivate the right people required to achieve the Group's vision and overarching common goal
- Maintains transparency at a policy level, while respecting the confidentiality of the remuneration of individuals
- Empowers management to manage the resources within their department

Remuneration structure and design

Our remuneration policy is linked to sustainable value creation and consists of guaranteed remuneration, short- and long-term incentives. The current remuneration philosophy and related policy are under review and will be updated in due course.

Guaranteed remuneration

Guaranteed remuneration consists of salary and employee benefits and is delivered to employees in a form determined by local market conditions. Guaranteed remuneration usually reflects the prevailing 'rate for the role' within an earnings range, with actual remuneration being distributed around the median of the range.

A core principle under a guaranteed remuneration approach is that changes to benefit contribution levels are cost-neutral to the Group - changes to benefit pricing result in a corresponding increase or decrease in the monthly cash salary of the individual.

Employee benefits are regularly reviewed to ensure they remain appropriate and are prudently managed. Our retirement scheme is a defined contribution provident fund which is compulsory for all employees of the Group.

Short-term incentives and deferrals

Short-term incentives (STIs) are delivered through our discretionary short-term incentive arrangements. Where appropriate, and subject to appropriate governance and approval and RemCom oversight, bespoke plans may be implemented.

The aim with STIs is to drive the achievement of sustainable results in line with our strategy and within an agreed risk appetite framework and to encourage behaviours that are consistent with our values and aligned with the best interests of our stakeholders. STI schemes are structured to reward collaborative work across different clusters. All STIs are funded from our overall STI pool.

RemCom key areas of focus during the reporting period:

- Approval of salary mandate for salary negotiations
- Determine whether salary increases and incentives are to be awarded to executives and assurance providers
- Review of the remuneration policy and various remuneration-related matters

Key areas of focus in 2021:

- Ongoing review and application (as deemed appropriate) of the recommended practices in King IV
- Approval of mandates for salary negotiations
- Ensuring proper benchmarking and approval of salary increases and incentives awarded to executives and assurance providers
- Review of the earnings of top talent and key individuals
- New KRAs for senior management and related mentoring, taking into account the outcomes of the scenario-planning exercise and updated strategic performance targets

Short-term incentive (STI) participation

STI participation is discretionary and therefore there is no right to a performance incentive award in any given year. At an individual level, STIs are determined primarily based on performance, with the overall objective of exceptional reward for exceptional performance. Furthermore, employees performing below a minimum acceptable level are not typically eligible for consideration for an STI award.

Incentives awarded are split between cash (STI) and deferred for certain levels of employees, which is reflected in the table below. STIs in excess of values per the remuneration policy are deferred as shown in the table on the right.

Employees must be in service on the date of payment of the incentives.

Level	Cash	Deferred
Executives and upper senior management	50%	50%
Senior managers, professionally qualified and specialist skilled employees	67%	33%
Other managers	85%	15%
Other employees	100%	

Level	Period	Amount/%
Executives and upper senior management	December	< R 2 000 000
	Following year June	> R 2 000 000 33.33%
	Following year Dec	> R 2 000 000 33.33%
	Thereafter	> R 2 000 000 33.34%
Senior managers	December	< R 1 000 000
	Following year June	> R 1 000 000 50%
	Following year Dec	> R 1 000 000 50%
Professionally qualified and specialist skilled employees	December	< R 750 000
	Following year June	> R 750 000 50%
	Following year Dec	> R 750 000 50%

The STI deferred pool will not be released in the event of:

- non-achievement by the Group of its strategic or financial objectives
- any major risk or other event which has a material impact on the financial performance of the Group
- employees forfeiting any unpaid portion of an STI following voluntary resignation or any fault termination (for example, dismissal), or suspension in terms of the Group disciplinary code, prior to payment
- proof of misconduct - the RemCom, in its discretion, may seek to recover any portion of STIs awarded for performance during the period of misconduct, even if it was settled



The deferred portion of the variable pay is used as a tool to incentivise and retain key employees, by linking performance to achievement of longer-term strategic objectives within the risk appetite and risk tolerance set by our board.

Settlements are based on a valuation of African Bank Holdings, calculated on the present value of future cash flows. An independent valuation is undertaken annually by the bank's auditors and presented to the AuditCom, which, once approved, makes a recommendation on its adoption to the RemCom and the board.

For all participants, other than the executive committee and upper senior management participants, settlement of the tranches is made on vesting, based on the valuation of African Bank Holdings at the immediate past financial year-end. These participants may retain the first and second tranches in the scheme, until the vesting of the third tranche, when they are obliged to accept the full settlement.

For executive and upper senior management, the first and second tranches are retained until paid at the end of the third tranche. The 2018 and 2019 tranches of the 2017 awards that have vested and are payable in 2020 are under consideration by the RemCom. All other deferred incentives vesting in 2020 have been forfeited as business targets were not met.

The scheme's rules make provision for forfeiture and claw-back of deferred incentives before payment or at payment.

Long-term incentives (LTI)

Executives and key individuals may be offered long-term incentives in addition to short-term incentives described above.

Vesting and pay out of long-term incentives will automatically be made after a three-year period, based on a Compounded Annual Growth Rate (CAGR), agreed upon over the three years, net profit before tax and foreign exchange losses.

The scheme's rules make provision for forfeiture before payment or at payment.

Recognition programmes

The Group has formal recognition programmes that recognise employees for exceptional performance.

Performance management review process

Our performance management process is aligned to the vision, strategy and business plan of the Group. The balance between Group and personal objectives depends on the seniority of the employee, with an appropriate higher proportion allocated for Group objectives the more senior the employee.

Non-executive directors (NEDs)

The board has mandated the Directors' Affairs and Governance Committee (DAGCom) with accountability for the identification, assessment, selection and nomination of directors to serve on the Group boards, including any succession planning requirements.

The election and removal of directors is governed by the Companies Act, Banks Act, Memorandum of Incorporation and governance best practices. The DAGCom approved a policy on the selection and nomination of NEDs during February 2019. This policy also ensures compliance with directive 4/2018 issued by the Prudential Authority, on Promotion of Sound Corporate Governance, in particular in relation to the appointment of directors and executive officers.

The board ensures that individuals appointed as NEDs on the board have the necessary knowledge, skills and experience that may reasonably be expected of a person holding such office.

Directors of the Group serve indefinitely or until resignation or removal in terms of section 71 of the Companies Act, if circumstances contemplated in section 69 and/or section 70 of the Companies Act arise, or if the NED is removed or becomes ineligible or disqualified.

One-third of the non-executive directors retire annually by rotation and, prior to recommending their re-election to the shareholders, the DAGCom and the board consider the performance and availability of such directors to serve. Newly appointed NEDs are subject to election by shareholders at the first AGM subsequent to their board appointment and their profiles are included in the annual general meeting notice to enable shareholders to make an informed decision.

A self-evaluation by directors on their fit and proper status is conducted annually and the relevant declarations made. In terms of the current declarations made by directors, no major or material issues of concern were identified by the board.

The fees for NEDs serving on the African Bank boards are revised annually and submitted to the RemCom for review and recommendation to the respective boards (including subsidiary boards) for consideration. The recommended fee increase and/or revised fees are then tabled at the AGM for shareholder approval.

The fees approved by shareholders do not apply to executive directors whose terms and conditions of office, including remuneration, are governed by their respective contracts of employment.

Our remuneration policy and implementation report, which references the application of the remuneration policy described on pages 66 to 71, are subject to non-binding advisory votes by shareholders at the annual general meeting to be scheduled early in 2021.

Application of our remuneration policy in 2020

This section of the governance report shows how our remuneration policy was applied in the reporting period, and the related payments made to the relevant executives. The RemCom confirms that all decisions in relation to executive remuneration were made in line with the Group's remuneration policy and that there were no deviations from the policy in the reporting period.

Fair and reasonable remuneration

Our Group executive committee holds management accountable for ensuring that the total company remuneration is distributed fairly.

Through our remuneration policy, the RemCom is committed to ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration. Executive guaranteed package increases are set by reference to, among other things, the remuneration of the broader workforce, which is represented by Sasbo, the finance union. Staff members have a right to freedom of association and unions representing their interests. At 30 September 2020, a total of 89% of our employees were covered under the collective bargaining agreement with Sasbo.

In the face of the Covid-19 pandemic, a rapidly deteriorating economic environment and a global recession, all staff members at executive level received a reduced increase to their guaranteed pay in the 2020 annual pay review. Salary negotiations in respect of 2021 for the bargaining unit have not been finalised; however, once agreed, these will be back-dated to October 2020. A decision was taken that no incentives and deferred incentives for 2020 are being paid. In addition, the executive committee agreed to no increases being awarded to them for the 2021 financial year.

Guaranteed package

Executive Directors' Guaranteed Pay

	Basic Salary	Retirement, Medical Aid and Other	Allowances	2020 Total	2019 Total
	R	R	R	R	R
Basani Maluleke Chief Executive Officer	4 674 596	519 399	12 000	5 205 995	4 912 000
Gustav Raubenheimer Chief Financial Officer	4 221 236	524 692	36 000	4 781 928	4 507 000

The guaranteed package increases of senior management have been consistently lower than those of the bargaining unit over the past number of years. This has been a deliberate approach in an endeavour to reduce income inequality.

Importantly, the RemCom believes that the minimum wage, effective October 2019, of R103 188 for non-clerical employees and R110 424 for clerical employees plus R1 205 for employees in the bargaining unit who provide proof of belonging to a medical aid is a decent living wage and significantly higher than the statutory minimum wage.

Increase in guaranteed package

The guaranteed packages of the CEO and other executives and prescribed officers were considered and recommended to the board by the RemCom.

The table below shows the guaranteed pay increases in previous years, for reference purposes only.

Prescribed Officers' Guaranteed Pay

	Basic Salary	Retirement, Medical Aid and Other	Allowances	Settlement	2020 Total	2019 Total
	R	R	R	R	R	R
Penelope Futter Chief Information Officer	3 606 120	400 680	12 000		4 018 800	3 792 000
Vere Millican Group Executive: Credit and Data Sciences	3 438 817	382 091	18 000		3 838 908	3 404 409
Lindiwe Miyambu Group Executive: Human Capital	3 118 255	383 473	288 000		3 789 728	5 570 492
Jan Moganwa Group Executive: Customer Engagement (Appointed 10 February 2020 and resigned 31 July 2020)	1 797 075	573 714	5 692		2 376 481	
George Roussos Chief Operations Officer	3 819 107	436 700	123 197		4 379 004	4 131 804
Kena Setshegoe Group Executive: Customer Engagement (Resigned 29 February 2020)	1 560 002	513 282	6 000	1 040 001 (mutual agreement)	3 119 285	3 683 167
Petrus Swanepoel Chief Risk Officer	3 406 371	464 505	12 000		3 882 876	3 528 476

Short-term incentive awards

The following table represents the way in which STI awards have been awarded, based on the assessment of the Group performance versus targets, as well as the performance of the executive directors and prescribed officers against their agreed individual goal commitment contract in 2019. A decision was taken that no incentives and deferred incentives for 2020 are being paid.

Short-term incentives

Executive Directors' Incentive Awards

	Total Incentive Award 2018	Total Incentive Award 2019
	R	R
Basani Maluleke Chief Executive Officer	5 000 000	3 240 540
Gustav Raubenheimer Chief Financial Officer	5 353 930	3 254 170

Executive Directors' Incentive Awards Settlements

	STI Paid December 2019	2018 STI Deferral paid in June 2020	2018 STI Deferral paid in Dec 2019	Total Settlements 2020
	R	R	R	R
Basani Maluleke Chief Executive Officer	1 620 270	166 667	166 667	1 953 604
Gustav Raubenheimer Chief Financial Officer	1 627 085	225 655	225 656	2 078 396

Executive Directors' Long-Term Deferred Incentives

	2017* Award Vested Dec 2018	2017* Award Vested Dec 2019	2017 Award Not Vested Dec 2020	2018 Award Vested Dec 2019	2018 Award Not Vested Dec 2020	2018 Award Vests Dec 2021	2019 Award Not Vested Dec 2020	2019 Award Vests Dec 2021	2019 Award Vests Dec 2022
	R	R	R	R	R	R	R	R	R
Basani Maluleke Chief Executive Officer	165 720	165 720	165 720	833 333	833 333	833 333	540 090	540 090	540 090
Gustav Raubenheimer Chief Financial Officer	819 468	819 468	819 468	892 322	892 322	892 322	542 361	542 361	542 363
Brian Riley Former Chief Executive Officer	1 250 000	1 250 000	1 250 000						

Note: The asterisks denote that the 2018 and 2019 tranches of the 2017 awards that have vested and are payable in 2020 are under consideration by the RemCom

Short-term incentives

Prescribed Officers' Incentive Awards

	Total Incentive Award 2018	Total Incentive Award 2019
	R	R
Penelope Futter Chief Information Officer	-	3 288 702
Vere Millican Group Executive: Credit and Data Sciences	4 000 452	3 344 000
Lindiwe Miyambu Group Executive: Human Capital	4 377 344	3 112 522
George Roussos Chief Operations Officer	4 305 786	3 564 452
Petrus Swanepoel Chief Risk Officer	4 204 186	2 909 200

Prescribed Officers' Incentive Awards Settlements

	STI paid Dec 2019	2018 STI Deferral paid in June 2020	2018 STI Deferral paid in Dec 2019	Total Settlements 2020
	R	R	R	R
Penelope Futter Chief Information Officer	1 644 352			1 644 352
Vere Millican Group Executive: Credit and Data Sciences	1 672 000	75	76	1 672 151
Lindiwe Miyambu Group Executive: Human Capital	1 556 261	62 890	62 891	1 682 042
George Roussos Chief Operations Officer	1 782 226	50 965	50 965	1 884 156
Petrus Swanepoel Chief Risk Officer	1 454 600	34 031	34 032	1 522 663

Prescribed Officers' Long-Term Deferred Incentives

	2017* Award Vested Dec 2018	2017* Award Vested Dec 2019	2017 Award Not Vested Dec 2020	2018 Award Vested Dec 2019	2018 Award Not Vested Dec 2020	2018 Award Vests Dec 2021	2019 Award Not Vested Dec 2020	2019 Award Vests Dec 2021	2019 Award Vests Dec 2022
	R	R	R	R	R	R	R	R	R
Penelope Futter Chief Information Officer							548 117	548 117	548 117
Vere Millican Group Executive: Credit and Data Sciences	606 327	606 327	606 327	666 742	666 742	666 742	557 333	557 333	557 334
Lindiwe Miyambu Group Executive: Human Capital	669 990	669 990	669 990	729 557	729 557	729 557	518 753	518 753	518 755
George Roussos Chief Operations Officer	773 067	773 067	773 067	717 631	717 631	717 631	594 075	594 075	594 076
Petrus Swanepoel Chief Risk Officer	660 324	660 324	660 324	700 698	700 698	700 698	484 866	484 866	484 866

Note: The asterisks denote that the 2018 and 2019 tranches of the 2017 awards that have vested and are payable in 2020 are under consideration by the RemCom

Long-term incentives

The following table represents the LTI awards that are based on an assessment by the RemCom of the performance of the business, executives and prescribed officers, and taking into account the macroeconomic realities.

Executive Directors' Long-Term Incentive Awards

	2018 Award	Vests December 2021	2019 Award	Vests December 2022
	R	R	R	R
Basani Maluleke Chief Executive Officer	13 500 000	13 500 000	2 800 000	2 800 000
Gustav Raubenheimer Chief Financial Officer	12 301 596	12 301 596	3 200 000	3 200 000

Prescribed Officers' Long-Term Incentive Awards

	2018 Award	Vests December 2021	2019 Award	Vests December 2022
	R	R	R	R
Penelope Futter Chief Information Officer			9 000 000	9 000 000
Vere Millican Group Executive: Credit and Data Sciences	9 272 160	9 272 160	4 000 000	4 000 000
Lindiwe Miyambu Group Executive: Human Capital	10 057 716	10 057 716		
George Roussos Chief Operations Officer	7 736 712	7 736 712		
Petrus Swanepoel Chief Risk Officer	6 608 400	6 608 400		

Additional regulation 43/Pillar 3 disclosures

Specific disclosures relating to senior managers and material risk-takers, the quantum of the remuneration paid in the year, sign-on awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are set out in our Pillar 3 disclosure document which can be found on our website: www.africanbank.co.za.

Remuneration of assurance providers

Consistent with good corporate governance, special attention is paid to and oversight is performed in respect of the process of remunerating assurance providers within the Group. This serves to ensure that individuals in these functions remain sufficiently independent from the functions and the businesses they serve.

The remuneration of assurance providers is not determined within the relevant business unit alone. Initial proposals are made by the business unit management, but executive committee members with overall accountability for the specific control function (the Chief Risk Officer, Chief Financial Officer and the Chief Compliance Officer) have scope to influence the remuneration outcomes of senior employees within the respective control functions. The final outcomes are presented to the RemCom, thereby ensuring a further layer of independent oversight.

Non-executive director fees for 2020

The non-executive director fee proposals were evaluated by an independent board committee with advice from external independent experts. Such evaluation was conducted from several perspectives, including the macroeconomic environment, peer group comparisons, effective rates per committee and year-on-year increases.

In the current environment of unprecedented economic challenges that have arisen as a result of the Covid-19 pandemic, no increases to the Chairman's fee, board fees and committee fees are proposed.

	October - December 2019	January - March 2020	April - June 2020	July - September 2020	Total
	R	R	R	R	R
Brian Riley					
ABH & ABL Boards					292 173.34
ABH Board (20%)	18 715.00	16 375.42	23 344.25	0.00	58 434.67
ABL Board (80%)	74 860.00	65 501.67	93 377.00	0.00	233 738.67
Frans Truter					
ABH & ABL Boards					216 089.10
ABH Board (20%)	43 217.82	0.00	0.00	0.00	43 217.82
ABL Board (80%)	172 871.28	0.00	0.00	0.00	172 871.28
Happy Ralinala					
ABH & ABL Boards					1 056 455.76
ABH Board (20%)	53 859.33	47 305.12	63 071.35	47 055.35	211 291.15
ABL Board (80%)	215 437.34	189 220.47	252 285.40	188 221.40	845 164.61
Louisa Stephen*					
ABH & ABL Boards					700 308.05
ABH Board (20%)	51 761.86	58 428.97	26 520.56	0.00	136 711.39
ABL Board (80%)	207 047.45	233 715.88	106 082.26	0.00	546 845.59
AIG Board	6 900.00	7 038.00	2 813.07	0.00	16 751.07
Marjorie Ngwenya Flanagan*					
ABH & ABL Boards					780 705.07
ABH Board (20%)	34 823.15	36 557.50	41 645.41	36 714.21	149 740.27
ABL Board (80%)	139 292.60	146 230.01	166 581.64	146 856.84	598 961.09
Travel Expenses	13 479.32	18 524.39	0.00	0.00	32 003.71
Mark Harris					
ABH & ABL Boards					250 708.04
ABH Board (20%)	28 831.00	21 310.61	0.00	0.00	50 141.61
ABL Board (80%)	115 324.00	85 242.43	0.00	0.00	200 566.43
Mike Field					
ABH & ABL Boards					366 132.91
ABH Board (20%)			46 051.93	27 174.65	73 226.58
ABL Board (80%)			184 207.73	108 698.60	292 906.33
Peter Temple					
ABH & ABL Boards					1 007 186.77
ABH Board (20%)	40 945.00	48 625.61	56 505.65	48 345.65	194 421.91
ABL Board (80%)	163 780.00	194 502.44	226 022.60	193 382.60	777 687.64
AIG Board	6 000.00	6 120.00	6 360.00	6 360.00	24 840.00
Travel Expenses	10 237.22	0.00	0.00	0.00	10 237.22
Robert Hutchinson-Keip					
ABH & ABL Boards					487 966.80
ABH Board (20%)			47 784.25	49 809.11	97 593.36
ABL Board (80%)			191 136.99	199 236.45	390 373.44
Spiro Georgopoulos					
ABH & ABL Boards					67 485.61
ABH Board (20%)				13 497.12	13 497.12
ABL Board (80%)				53 988.49	53 988.49
Sybille McClohrrie*					
ABH & ABL Boards					135 338.93
ABH Board (20%)	27 067.79	0.00	0.00	0.00	27 067.79
ABL Board (80%)	108 271.14	0.00	0.00	0.00	108 271.14
Sydney Mhlarhi*					
ABH & ABL Boards					930 499.88
ABH Board (20%)	44 275.38	43 644.03	55 142.96	42 596.00	185 658.37
ABL Board (80%)	177 101.54	176 784.13	220 571.84	170 384.00	744 841.51
Thabo Dloti					
ABH & ABL Boards					1 637 155.20
ABH Board (20%)	73 160.00	74 464	91 877.04	87 930.00	327 431.04
ABL Board (80%)	292 640.00	297 856	367 508.16	351 720.00	1 309 724.16
TOTAL AMOUNT FOR THE PERIOD					7 928 205.46

NOTE: The above table is in alphabetical order of first name of the director

NOTE: The asterisks denote that the payments include VAT

Our sustainability focus

We strive to be financially sound, socially responsible as well as environmentally friendly, with good corporate governance as the overarching principle.

Sustainability is one of our core values and its inclusion demonstrates African Bank's focus and commitment to embedding a culture of sustainable practices; transforming the business to one with a strong environmental consciousness. For us, sustainability is an approach to business that places value creation in a long-term context and promotes the longevity of an organisation. Shared value implies that economic value is created by and for the business while simultaneously creating value for society; enabling societal and humanitarian needs and challenges to be considered and addressed. Long-term business success is intrinsically linked to socio-economic development and low environmental impact.

Our approach to the sustainable development goals

To ensure a focused and measurable sustainability execution plan requires clear prioritisation and organisation-wide buy-in and alignment. An important milestone for us in the 2020 financial year was the prioritisation of 6 of the 17 Sustainable Development Goals (SDGs) being:



The SDGs represent a universal agreement on the economic, social and environmental priorities to be met by 2030. For organisations, they offer an objective mechanism through which to focus on the most material goals and targets. Through our active prioritisation, we focus management's attention and resources in areas where we believe we can deliver the most impact.

To date, our organisational sustainability has largely related to operational environmental factors, with the implementation of our 2018 environmental sustainability strategy. While the immediate focus is on measuring and adequately managing our small environmental impacts, we are conscious that more is required in identifying and promoting core sustainability business and innovation opportunities, including delivering products and services that generate revenue for the bank.

In the medium to long term, we will step up our work in sustainability investment initiatives to support sustainability collaboration efforts with our stakeholders, an example being the sustainable finance work being conducted through the Banking Association of South Africa, which aims to address environmental challenges experienced by broader society, now and in the future. Additionally, our core business will evaluate opportunities within green markets, including, green financing, promoting green rewards, and empowering and supporting SMMEs within green sectors of the South African economy.

Our prioritisation of 6 of the SDGs provides us with a blueprint for addressing sustainability holistically; positively benefitting our African Bankers, customers, suppliers, business partners and communities. Through our priority goals, our organisational sustainability is more intentional and strategic, going beyond short-term environmental fixes, and looking to address broader humanitarian and societal needs, including that of job security, clean water, food security and sustainable energy.

Our environmental sustainability strategy

Our environmental sustainability strategy, approved by the board in 2018, identified carbon emission reduction, natural resource conservation and environmental education and awareness as our immediate-term material focus areas, given the significance these areas hold in our business. At the management-level, our Sustainability Committee governs the oversight of sustainability projects; monitoring and measuring progress and evaluating areas for continuous improvement.

Our objective is to integrate environmental sustainability into our broader supply chains. While our short-term focus is on the environmental pillar of sustainability, we will be formulating strategies to specifically address the other sustainability pillars of economic and social sustainability to achieve a balance across all areas.

Education and awareness

Ongoing education and awareness-raising campaigns are key enablers to ensure the understanding and successful implementation of sustainability initiatives. Awareness is raised through our quarterly newsletter, 'Umhlaba Wethu', monthly environmental programmes and sustainability corporate social initiatives.

As a starting point, we aim to elevate sustainability consciousness in African Bank, highlighting the importance of everyone's contribution towards protecting our environmental resources and combating climate change.

In 2021, we plan to implement an approved change management and communication plan, including the adoption of an employee sustainability pledge. In addition, we are including important environmental sustainability information into all employee onboarding training.



Our sustainability principles and focus areas

Our sustainability principles, policy, strategy and focus areas are driven internally by our sustainability function. The function reports to the Human Capital Group Executive and presents regular reports to the executive committee and the Sustainability, Ethics and Transformation Committee of the board. Assurance of non-financial information, including relating to sustainability, is undertaken by internal audit or, in certain instances, by external audit, where required.

Our sustainability principles

Our sustainability principles are categorised under sustainability governance, societal commitment and environmental commitment.

Sustainability governance

- We will comply with all relevant legislation and approved codes of good practice
- We will communicate and report on progress, both internally and externally, principally, but not exclusively, by means of our integrated report and in this governance report
- We will utilise all suitable opportunities to influence our partners, suppliers and contractors to improve their sustainability performance
- We will constantly seek to improve environmental, governance, societal and economic performance on an ongoing basis
- We will participate in discussions about sustainable development matters
- We will consider and implement initiatives to manage new and changing sustainability issues such as climate change, supply chain management, bribery and corruption, human rights and crime

Societal commitment

- We will operate in a socially and ethically responsible manner
- We will raise awareness amongst our employees of our sustainability objectives
- We will encourage employee participation in sustainable development issues

Environmental commitment

- We will minimise the consumption of energy and water resources and reduce waste production
- We will endeavour to reduce our carbon emissions in line with the national South African target

Progress made against sustainability focus areas for our 2020 financial year

Reduction of carbon emissions

- Finalising an internal solution for accounting for our water and energy consumption to establish a baseline for target-setting

Conservation of natural resources

- Finalising and implementing our waste management policy
- Setting and communicating sustainable procurement standards and guidelines
- Finalising and issuing green-star building and office design guidelines for branches
- Completing our environmental compliance risk assessment

Education and awareness

- Creating awareness regarding the Sustainable Development Goals Assessment for African Bank
- Launching sustainability e-learning courses
- Finalising our change management plan

ENVIRONMENTAL BENEFITS OF THE COVID-19 PANDEMIC

The outbreak of a novel strain of the coronavirus has, and will continue, to impact humanity for years to come; presenting economic, societal and environmental challenges. While the near-term sustainability focus has shifted away from environmental challenges; curtailing the detrimental socio-economic consequences has been placed at the top of national, organisational and personal agendas.

In fighting the spread of Covid-19 globally, economic activity has been negatively impacted, while there has been several positives from a human health and life and environmental perspective, namely:

Substantially reduced business travel with fewer flights and reduced car hire

Far fewer deliveries by service providers to customers and between our various offices and branches

Significantly reduced road travel with limited kilometres travelled as work-from-home measures were introduced in March 2020

Significantly less waste generated

Decrease in electricity usage

Our environmental objectives are closely aligned to our sustainability focus areas:

We strive to:

- reduce our reliance on the national power grid by promoting energy efficiency solutions throughout our operations
- reduce waste by 50% by 2022
- improve monitoring and reporting on our water usage; identifying areas of potential savings and implementing water efficient fixtures
- integrate environmental sustainability practices across our supply chains
- reduce our energy consumption to be at or below our 2016 baseline
- reduce our carbon emissions to be at or below our 2016 baseline



Corporate information

Board of Directors as at 30 September 2020

Thabo Dloti (Chairman)
Mike Grant Field
Marjorie Ngwenya Flanagan
Spyridon Georgopoulos
Robert Hutchinson-Keip
Basani Maluleke (CEO)*
Sydney Knox Mhlarhi
Happy Ralinala
Gustav Raubenheimer (CFO)*
Brian Riley
Peter John Temple

* Executive directors

Company Secretary

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African Bank Holdings Limited

Incorporated in the Republic of South Africa
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