

# AGM round-up Absa Group Limited



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## 1. Introduction

Date of AGM: 4 June 2024

Chair of the Board: Sello Moloko

Type of AGM: **Hybrid AGM** (with attendance online and in person permitted) conducted by ComputerShare.

Useful links:

- [Notice of AGM](#)
- [Results of 2024 AGM](#)

## 2. Key takeaways: wage gaps, women in leadership roles & climate targets

- Absa's CEO expressed satisfaction with the rate of transformation and the level of investment directed towards advancing women in leadership roles, despite the company's 21% female representation at the executive committee level and 38.8% at senior management level.
- Absa reports its highest to lowest paid employee pay ratio as 144:1, but the figure for the highest paid employee used to calculate this ratio is lower than the figure it reports as the CEO's total remuneration. Using the total remuneration figure for the CEO yields a ratio of 175:1.
- Absa has disclosed its vertical wage gaps in line with the requirements of the Companies Amendment Bill, but did not voluntarily disclose the gender wage gap as it did in 2023, on the basis that the Companies Amendment Bill does not require this.
- The chair of the remuneration committee acknowledged discomfort with the gender pay gaps at the bank. She emphasised that management is dedicated to addressing the issue and will report back to the committee on the bank's progress, but did not commit to taking any specific actions.
- Absa has published interim targets for reducing its financed emissions from coal, oil and gas by 2030. However, unlike its target for coal, which is an absolute emissions reduction target, Absa has chosen to use a physical intensity target for reducing its emissions from oil and gas. It acknowledges that this means it can increase its lending to oil and gas while still meeting its "target".
- Absa confirmed its view of gas as a transition fuel, but did not respond when challenged as to how its efforts to "support coal clients in their ambition to re-weight their portfolios towards gas" could be viewed as part of the transitional role for gas. If companies invest in transitioning their operations to gas, this creates a serious risk of gas lock-in.
- Absa is working on a new target for sustainable financing, having already achieved 80% of its R100 billion 2025 target. It plans to announce its new target as part of its 2024 results.



### 3. AGM governance

Absa's hybrid AGM was hosted by ComputerShare,<sup>1</sup> and those attending in-person did so at the company's offices at Absa Sandton Campus South, Sandton. The chair welcomed shareholders and explained how and when the Q&A session would be conducted and when shareholders would vote on the resolutions.

The AGM was conducted effectively with no significant issues that might raise concerns about compliance with section 63(2)(b) of the Companies Act, 2008, which permits electronic AGMs:

“as long as the electronic communication employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the meeting.”

Absa also provided access to its AGM to stakeholders other than shareholders, via a live webcast.

### 4. Q&A sessions

During the Q&A sessions,<sup>2</sup> shareholders attending electronically were given the opportunity either to submit written questions or to ask their questions verbally. Written questions were read out clearly and in full.

### 5. Opening address

Addressing shareholders for the third time as Absa Group's chairman since his appointment on 1 April 2022, Mr Moloko's address included the following key ESG-related points:

- *Despite a difficult operating environment and poor results, Absa's sustainability approach has matured over the year. Moloko mentioned some key milestones in the bank's sustainability forecast, including in the areas of financial inclusion, diversity and inclusion, and climate. These included:*
  - *The publication, last year, of Absa's net zero statement for scope 1, 2 and 3 emissions and its interim targets published this year: to reduce financed coal emissions by 25%, and to reduce the physical intensity of oil and gas financing by 9%, by 2030.*
  - *Absa has already achieved 80% of its target of R100 billion in sustainability financing by 2025 and maintained that it is “Africa's leading funder of renewable energy.” (Nedbank made a similar claim at its AGM this year).*
  - *After recent top management appointments, African, Indian and Coloured (AIC) individuals now comprise 62% of the executive committee. In 2023, 83% of Absa's new senior management [hires] were AIC individuals, and 47% were women.*

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<sup>1</sup> [www.computershare.com/za](http://www.computershare.com/za)

<sup>2</sup> There were opportunities to ask general questions and to ask questions specifically relating to the resolutions.



## 6. Just Share's questions

### 6.1. Women representation in leadership

Absa reported female representation of 21% at the executive committee (EXCO) level and 38.8% at senior management level. Just Share highlighted that female representation on the executive committee has averaged only 19% over the past five years, and senior management has seen just a 3.8% increase in the same period. We asked what measures are being taken to address this slow progress, and to ensure tangible progress in equitable representation at the highest levels of leadership.

The chair responded by mentioning the “strong representation of women, across the senior management level” and the programmes in place to develop and advance women's careers. He conceded, however, that the group does not yet reflect the highest levels of transformation.

CEO Arrie Rautenbach added that female representation has become a key metric in Absa's strategic scorecards and that, at EXCO level, women currently represent 29%, well above the 19% five-year average. He expressed satisfaction with the rate of transformation and the level of investment directed towards advancing women in leadership roles, despite the fact that Absa's reported female representation falls significantly short of the national economically active population (EAP) of females, which is 45.5%.

### 6.2. Pay gap disclosure

Absa reported a pay ratio of 144:1 based on the total remuneration of R30.7 million for the highest-paid employee vs R214,000 for the lowest-paid employees in the bank. Just Share asked how Absa determined the figure for the highest-paid employee and to whom it applies, noting that the figure of R30.7m does not appear in any of the salary disclosures in the remuneration report. We also asked why the company did not disclose its gender pay ratios this year, as it voluntarily did in 2023.

Rose Keanley, chair of the remuneration committee (REMCO), explained that the company chose to align its pay gap disclosures with the requirements stipulated in the Companies Amendment Bill,<sup>3</sup> which does not mandate the disclosure of gender pay gaps. She assured us that the gender pay gap is regularly reported to REMCO, and acknowledged discomfort with some gender pay parity dynamics. However, she would not commit to any action, other than that management would be “reporting back to REMCO”.

The chair clarified that the top remuneration amount disclosed is the CEO's total remuneration for 2023, which includes fixed remuneration, short-term performance bonuses, and the value of long-

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<sup>3</sup> Currently awaiting signature by the President. Section 30B (3)(c) of the Companies Bill mandates that the remuneration implementation report must contain details of: (i) the total remuneration received by each director and prescribed officer in the company; (ii) the total remuneration in respect of the employee with the highest total remuneration; (iii) the total remuneration in respect of the employee with the lowest total remuneration in the company; and (iv) the average total remuneration of all employees, median remuneration of all employees and the remuneration gap reflecting the ratio between the total remuneration of the top five per cent highest paid employees and the total remuneration of the bottom five per cent lowest paid employees of the company.



term incentives (LTIs) that vested during the year. However, Absa should determine its pay differentials using the disclosed R37.55 million CEO's single-figure remuneration awarded in 2023,<sup>4</sup> as required by the Companies Amendment Bill, which mandates the disclosure of "the total remuneration in respect of the employee with the highest total remuneration" under Section 30B (3)(c)(ii).

Using this figure, Absa's pay ratio for the highest: lowest paid employee is 175:1, not 144:1 as the bank reports.

### 6.3. Oil and gas emission reduction target

Just Share congratulated Absa on publishing new interim targets for reducing its financed emissions from coal, oil and gas. The targets it has set are:<sup>5</sup>

- to reduce absolute financed emissions from coal by 25% by 2030 off a 2022 baseline, and
- to reduce the physical intensity of its financed emissions from oil and gas by 9% by 2030 off a 2022 baseline.

Setting the financed emissions reduction target for coal is an important step for the bank, although Just Share noted that we hope that this target will be revised and stretched to align with what is required by science to meet the goal of limiting global average temperature rise to 1.5 degrees Celsius.

Our question related to the oil and gas target, which is much less ambitious than the coal target. We asked why the bank has chosen to use a physical intensity target for oil and gas, instead of an absolute emissions target, like it has for coal. We pointed out that, as Absa acknowledges in its report, this intensity target allows it to increase lending to oil and gas while still meeting the target. It therefore does not contribute to reducing real-world emissions, which should be the goal of all of Absa's climate-related strategies and targets. This is particularly concerning in light of the high growth in Absa's oil and gas lending in the past two years - growth which significantly exceeds the depreciation in the Rand.

The chair of the social, sustainability and ethics committee, Ihron Rensburg, merely responded by reiterating the bank's commitment to reach net zero by 2050, and to its interim 2030 targets. Just Share does not question the bank's ability to meet its 2030 target, however, especially given how weak the oil and gas target is.

Rensburg ended by saying that "[Absa's] approach is that financing efficiency improvements in oil and gas is an important component of our mitigation efforts. So whilst it's possible to increase exposure to oil and gas clients under this measurement mechanism, transitioning from oil to gas as a transition mechanism is also captured by this metric...". However, Rensburg did not engage with the substance of our question, which was about why it has selected such a weak oil and gas emission reduction target in the first place.

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<sup>4</sup> [Remuneration Report 2023](#), p 36

<sup>5</sup> [Climate report](#), p 6



#### 6.4. Gas as a transition fuel

Just Share also asked Absa about its position on gas as “an important transition fuel critical to achieving a just transition”.<sup>6</sup> We asked whether the bank regards its efforts to “support coal clients in their ambition to re-weight their portfolios towards gas” as part of the transitional role for gas, given that, if companies are investing in transitioning their operations to gas, this is giving gas an important role in the long-term.

This question was not answered.

#### 6.5. Sustainable finance lending

Finally, Just Share noted that Absa has achieved 80% of its R100bn sustainable finance target due by 2025, and asked when it will set additional targets to increase sustainable lending.

To this, Rensburg responded that the bank was “already working on a new target, and plan to announce it as part of our 2024 results”.

### 7. Questions asked by other shareholders

Absa’s board and executive management team faced several questions from other shareholders attending the AGM electronically:

- Shareholders from the Centre for Environmental Rights asked questions on various matters relating to Absa’s financing of ArcelorMittal South Africa (AMSA), and its support for the decarbonisation of that company’s steel-making processes. Various directors responded to these questions, essentially emphasising Absa’s “commitment to work with AMSA, and with our other clients, as they develop and refine their independent journeys to net zero”. This includes covenants to “provide preferential rates based on their ... demonstrated commitment on the journey,” although the directors would not comment in any detail on the agreements Absa has with its clients.
- A shareholder from ESG Insights raised concerns about the use of the same metrics for both short-term incentives (STIs) and LTIs in executive remuneration, arguing that this practice may encourage short-termism. The chair of REMCO responded that Absa engaged extensively with major shareholder groups about the remuneration outcomes for 2023 and the design of the STI and LTI schemes for the next three years. She acknowledged the global debate about metric overlaps, but said that such overlaps are carefully considered. She added that the board believes these overlaps do not undermine the bank’s ability to set

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<sup>6</sup> Climate report, p 11



stretch targets for executives and indicated that shareholder feedback has been positive regarding the current remuneration structure.

## 8. Relevant resources

### 8.1. Just Share

#### 8.1.1. Climate-related resources

- **Briefing:** [Absa Group Limited's 2022 climate-related financial disclosures](#) (June 2023)
- **Report:** [How cool is your bank?](#) (November 2023).

#### 8.1.2. Inequality-related resources

- **Briefing:** [Women in leadership: Assessing gender equality in the JSE Top 40](#) (September 2023).
- **Briefing:** [Vertical pay gaps at JSE-listed companies](#) (June 2023).

#### 8.1.3. Governance-related resources

- **2023 AGM Roundup 1:** includes a summary of Just Share's 2023 Absa's AGM attendance
- **Guide:** [Best practices for South African virtual annual general meetings](#) (May 2020).

**End**