



## Entities in Scope for Risk Data Aggregation and Risk Reporting Standard

### INTERNAL ONLY

Governance	
Principal Risk	Non Risk Type Specific
Sub Risk Type	Not applicable
In support of the following Policy/ies	Risk Data Aggregation and Risk Reporting (RDARR) Policy
Approval date	6 May 2022
Last review date	6 May 2022
Next review date	6 May 2023
Location	Policy Hub>Standards

Ownership	
Accountable Executive (Group CRO/Business Unit/Area CRO)	Deon Raju Designation: Absa Group Limited Chief Risk Officer
Principal Risk Officer	Not applicable
Sub Risk type Owner	Not applicable
Policy Owner	Phiwe Soldati Designation: Risk Chief Operating Officer
Standard Owner	Phiwe Soldati Designation: Risk Chief Operating Officer
Standard Approver Note *Group Standards - PRO or delegated Official / Business Unit/Area Standards - CRO or Delegated official	Phiwe Soldati Designation: Risk Chief Operating Officer
Standard Custodian (Contact)	Cindy Stringer Designation: Enterprise Risk Reporting

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## Entities in Scope for Risk Data Aggregation and Risk Reporting Standard

### 1. STANDARD CONTEXT

#### 1.1 Introduction

The Entities in Scope for Risk Data Aggregation and Risk Reporting Standard, hereafter referred to as 'the Standard', specifies the required provisions / controls as per the requirements indicated under Purpose and sets out a definition of the scope of inclusion for adherence to the principles embodied in the Basel Committee on Banking Supervision (BCBS) directive 239.

This Standard is in support of the Risk Data Aggregation and Risk Reporting (RDARR) Policy and the Enterprise Risk Management Framework and should be read in conjunction with any document listed in Section 4.1 'Related documentation supporting this Standard'.

#### 1.2 Purpose

The primary objectives of the Standard are to:

- Provide a definition of the scope of inclusion of legal entities to ensure compliance with the Risk Data Aggregation and Risk Reporting (RDARR) principles;
- Set out the methodology and approach to assess if a legal entity falls within scope of RDARR principles.

#### 1.3 Scope

##### 1.3.1 In Scope

**This Standard applies to:**

- (a) Absa Group Limited and all its subsidiaries, if applicable (including any consolidated entity acquired via a debt-for-equity swap or created through a joint venture); and
- (b) All employees of any entity within paragraph above; for the purposes of this document, "employees" includes permanent employees, agency workers, consultants and contractors, irrespective of their location, function, grade or standing

##### 1.3.2 Out of Scope

This standard does **not** apply to:

- Any entity in which Absa Group Limited has any interest and which is a non-consolidated entity, or to any employee of any such entity; or
- Any entity which has been consolidated for International Financial Reporting Standards (IFRS) accounting purposes\*, provided Absa Group Limited has neither legal nor operational control.
  - By agreement between the Policy Owner and the Absa Group Limited Accountable Executive / Relationship Manager for a non-consolidated entity, specific control requirements incorporated within this Policy may be applied to the non-consolidated entity. In such cases, obtaining the agreement of the non-consolidated entity concerned or its other owner(s) to the control requirement(s) and the monitoring / oversight of the effective operation of the related controls, will be the responsibility of the relevant Accountable Executive / Relationship Manager."
- Any business areas that are not governed by the Basel Commission on Bankin Supervision (BCBS).
  - *\*such entities are likely to be special purpose vehicles (SPV) with a related Absa Group Limited loan which is in default and where Absa Group Limited has current and unilateral enforcement rights but does not have legal ownership / control.*

## 2. STANDARD PROVISIONS

### 2.1 Scope of inclusion to ensure compliance

The objective of this section is to summarise the key requirements in relation to the identification of entities to be included within the RDARR scope.

#### 2.1.1 Entities to be considered within the Scope

The scope of this Standard applies to an entity holding any exposure, whether originated or subsequently purchased, regardless of whether the exposure is classified as banking or trading in nature.

As it is neither possible nor desirable to eliminate the role of judgement in determining the appropriate regulatory treatment, the Assessment Criteria below sets out the approach which Absa Group Limited follows in order to determine whether an entity is included within the RDARR scope.

Assessment criteria	Description
BA 600	Entities included in the scope of assessment for compliance with the requirements of RDARR are initially determined based on the requirements of the form BA 600: Consolidated Supervision of the Regulations relating to banks. This form includes all entities subject to regulatory consolidation, including Absa Group Limited, its subsidiaries, joint ventures and wealth and investment management entities. It excludes any licensed insurance entities.
Qualitative and quantitative characteristics	The determination is based on the consideration of an entity's defined qualitative and quantitative characteristics in relation to the Group, such as: <ul style="list-style-type: none"> <li>• Risk Weighted Asset (RWA) contribution or significance.</li> <li>• The overall risk and economic impact of an entity</li> </ul>

Given the general nature of these principles, assessments need to be made on a case by case basis in order to identify the relevant factors and determine the appropriate treatment of each entity.

Any exceptions are to be appropriately documented and signed off by the Risk Data Aggregation and Risk Reporting (RDARR) Policy owner.

### 2.2 Methodology and approach for assessment of entities

#### 2.2.1 Defining entities

##### 2.2.1.1 Subsidiaries

Subsidiaries are all entities (including Structured Entities (SE's)) over which the Group has control. The Group controls and hence consolidates, an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group will only consider potential voting rights that are substantive when assessing whether it controls another entity. In order for the right to be substantive, the holder must have the practical ability to exercise that right. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are deconsolidated from the date that control ceases.

The consolidation of SEs is considered at inception, based on the arrangements in place and the assessed risk exposures at that time and is continuously re-assessed for any change in circumstance. The assessment of control is based on the consideration of all facts and circumstances.

There are a number of subsidiaries in which the Group has less than half of the voting rights which are consolidated as the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group. Such entities are deemed to be controlled by the Group when relationships with such entities give rise to benefits that are in substance no different from those that would arise were the entity a subsidiary.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has been obtained and they do not subsequently result in loss of control.

##### 2.2.1.2 Associates

Associates are entities in which the Group has significant influence, but not control over its operating and financial policies. Generally the Group holds more than 20%, but less than 50%, of the voting shares in an associate.

### **2.2.1.3 Joint ventures**

A joint arrangement is a contractual agreement between two or more parties to undertake an economic activity that is under joint control. Joint ventures are joint arrangements whereby the joint venture's that have joint control of the arrangement have rights to the net assets of the entity.

### **2.2.1.4 Structured entities**

An interest in a structured entity is any form of investment or arrangement which creates variability in returns arising from the performance of the structured entity for the Group. Such interests include but are not limited to holdings of debt or equity securities, derivatives that transfer financial risks to the Group, and in some cases financial guarantees and investment management fee agreements. At market, plain-vanilla interest rate swaps and derivatives that are determined to introduce risk to a structured entity are not considered to be an interest in an entity. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its returns from it, it may consolidate the entity.

## **2.2.2 Considerations for inclusion**

Though a subsidiary, associate, joint venture, or SE is not a defining feature for the application of RDARR principles, the nature of an entity and whether it is consolidated from a regulatory perspective is a key consideration for its inclusion in the form BA600. The regulatory consolidation of associates, joint ventures or SEs must be specifically confirmed with Group Regulatory Reporting prior to assessing the considerations detailed below.

In order to establish whether an entity, included in the form BA600, forms part of the RDARR scope, an assessment must be performed in terms of the considerations below.

Quantitative measures are based on RWA contribution or significance as stipulated below:

- Entities contributing >2% of total consolidated RWA are automatically included in scope for full compliance.
- Subsidiaries, associates, joint ventures or SEs contributing <2% of total consolidated RWA should be assessed on a qualitative basis.

Qualitative characteristics are assessed / considered as stipulated below:

- All regulated banking entities must be included within the scope.
- Strategic importance of the entity.
- Overall risk profile of the entity.
- Whether the financial and risk position of the Group is materially affected by the entity.
- Consideration of the Medium Term Plan (MTP) business plan of the entity i.e. growth potential.

Any other investment in an entity not discussed above should be assessed on a case by case basis taking cognisance of the guidance included in this Standard.

## **2.2.3 Consideration of control over the operations of an entity**

Entities included in the RDARR scope should be assessed for the appropriate point of compliance. To the extent that Absa Group Limited has control over the operations of the entity, the RDARR principles should be adhered to from the point of data origination.

In instances where Absa Group Limited does not have direct control over the operations of the entity, the RDARR principles should be adhered to from the point at which the data is received from the entity concerned. Furthermore, the entity should adhere to the RDARR Policy and attest to the fact that these controls have been applied in relation to the data which has been provided.

# **3. STANDARD GOVERNANCE**

## **3.1 Roles and responsibilities**

Key roles and responsibilities to achieve the Standard requirements:

ROLE	RESPONSIBILITY
Head of Enterprise Risk	<ul style="list-style-type: none"> <li>• Approve the Absa Group Limited definition of entities in scope for RDARR compliance.</li> <li>• Own the content and confirm conformance to the Entities in Scope for Risk Data Aggregation and Risk Reporting Standard.</li> <li>• Sign off any exceptions as part of the Dispensations, Waivers and Breaches process as it pertains to the RDARR Policy.</li> </ul>

### 3.2 Adherence

The provisions / control requirements of this Standard are mandatory and are used to implement a group-wide approach for managing RDARR scope compliance in support of the RDARR Policy. Any deviations from these provisions / control requirements must be escalated per the requirements stipulated in Management of Dispensations, Waivers and Breaches Standard.

Non-adherence to any requirement in this Standard may result in disciplinary action, which could lead to dismissal.

### 3.3 Principal Risk Impact

It is to be understood and expected that, in the execution of the requirements detailed in this standard, the frameworks, policies and standards of other Principal Risks – as detailed within the ERMF – may apply and interact invariably to the requirements set out in this standard and are to be complied with.

### 3.4 Reputational Impact

Any action or inaction taken relevant to this standard which may have potential to incur reputation risk for Absa Group Limited, i.e. likely to result in material criticism and/or censure of Absa Group Limited by key stakeholders or opinion formers (including clients, market counterparties, regulators, government officials, law enforcement agencies, media or Non-Governmental Organisations (NGOs)) must be escalated to [reputationrisk@absa.africa](mailto:reputationrisk@absa.africa) in accordance with the Reputation Risk Framework.

### 3.5 Data Privacy

For all personal data that is collected, processed, stored, shared, archived or destroyed under this Standard, the control objectives and minimum control requirements of the Data Privacy Policy and Data Privacy Standard must be complied with.

### 3.6 The Absa Way Code of Ethics

The Absa Way Code of Ethics outlines our values and expected behaviours when engaging with our fellow employees, customers, clients, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community. The behavioural standard set by the Absa Way applies to every Absa employee and to colleagues across our business globally. The objective is to define the way we think, work and act at Absa to ensure that we deliver against our Purpose of helping people to bring their possibilities to life.

Absa takes the Values and Behaviours and points set out in this Code of Ethics very seriously. It is every colleague's responsibility to be aware of, understand, and behave in accordance with this Code of Ethics and the policies that apply to their roles. Any failure to act in accordance with the Values and Behaviours or breaches of this Code of Ethics may result in disciplinary action, up to and including dismissal.

## 4. REFERENCES

### 4.1 Related documentation supporting this Standard

The following document must be referred to during the execution of this Standard:

- Risk Data Aggregation and Risk Reporting (RDARR) Policy.

## 4.2 Glossary

This glossary provides acronyms and definitions that are specific to the content of this document:

### 4.2.1 Abbreviations / Acronyms / Terms

Abbreviation / Acronym / Term	Explanation
BCBS	Basel Committee on Banking Supervision
ERMF	Enterprise Risk Management Framework
NGO	Non-governmental Organisation
RWA	Risk-weighted Asset
SE	Structured Entities

### 4.2.2 Definitions

Definition	Explanation
Not applicable	

## 5. RECORD OF VERSION CONTROL / UPDATES

Date	Author / Source	Change
22 February 2021	Email: Cindy Stringer Circular date: 22 February 2021 Circular number: 211/2021	Annual Review with a name change <ul style="list-style-type: none"> <li>From Entities in Scope for Basel Commission on Banking Supervision 239 Standard to Entities in Scope for Risk Data Aggregation and Risk Reporting Standard</li> <li>Version 1.0</li> </ul>
6 May 2022	Email: Cindy Stringer Circular date: 6 May 2022 Circular number:	<ul style="list-style-type: none"> <li>Annual Review</li> <li>Version 2.0</li> </ul>