Standard Bank | Standard Bank Group

Sustainability Report **2014**

Our social compact

underpins our long-term sustainability

Standard Bank will contribute to the socioeconomic development of the countries in which we operate in a way that is consistent with the nature and size of our operations. We will provide financial services and products responsibly, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.

Terms used

Standard Bank Group (SBG or the group)

includes our banking operations, subsidiaries and Liberty.

Standard Bank (the bank)

refers to our banking operations across all the regions in which we operate.

Standard Bank South Africa

refers to our banking operations in South Africa.

Rest of Africa

refers to our banking operations in Africa excluding South Africa.

Liberty

includes life insurance, investment and wealth management operations including STANLIB.

STANLIB

includes investment and asset management operations in Africa including South Africa.

Sustainability website

Our sustainability website can be accessed at www.standardbank.com/sustainability

Contents

Note: part D is available online.

Topic index

Assurance and verification

✓ *Denotes numbers that have been assured.*

❖ *Denotes numbers that have been verified.*

Report publications

We produce a full suite of reporting publications to meet the specific information needs of our diverse stakeholders. This report aims to present a balanced and comprehensive analysis of the group's sustainability performance in relation to issues material to the group and its stakeholders. Additional reports pertaining to the group's sustainability performance are listed below.

Annual integrated report

Our integrated annual report is our primary report to stakeholders and provides an integrated assessment of the group's ability to create value over time.

Frameworks applied

- International <IR> Framework.
- South African Companies Act 71 of 2008.
- Johannesburg Stock Exchange Listings Requirements.
- King Report on Corporate Governance (King Code).
- South African Banks Act 94 of 1990.

Assurance

While the annual integrated report is not audited, it contains information extracted from the audited consolidated annual financial statements. Certain externally assured information has been extracted from the sustainability report. www.standardbank.com/reporting

Risk and capital management report

Provides a detailed discussion of the management of strategic risks related to the group's banking and insurance operations, including capital and liquidity management and regulatory developments.

Frameworks applied

- Various regulations relating to financial services, including Basel III.
- International Financial Reporting Standards.
- King Code.

Assurance

Selected information forms part of the audited annual financial statements. www.standardbank.com/reporting

Black economic empowerment (BEE) report

This report sets out our efforts and performance in addressing socioeconomic imbalance in South Africa in accordance with legislated targets and measures for broad-based BEE.

Framework applied

Financial Services Sector Codes for Broad-based Black Economic Empowerment (FS Codes).

Assurance

Independent external auditors, who are accredited to conduct BEE verification processes, conduct independent assessments of our BEE performance against the FS Codes. www.standardbank.com/sustainability

About this report

The 2014 SBG Sustainability Report (the report) presents a comprehensive analysis of our sustainability performance for the year ended 31 December 2014. Any material events after this date and up to board approval on 11 March 2015 are included.

The intended readers of this report are the group's broad base of stakeholders, specifically those with whom we have direct relationships and regularly communicate, including our shareholders, customers and clients, employees, government and regulatory authorities, industry bodies and service providers. More broadly, our stakeholders include those with whom we engage from time-to-time on particular issues or projects; who have an indirect impact on and who may be impacted by our business activities. These stakeholders include the communities we operate in, business associations we participate in, civil society groups, and environmental and community development non-governmental organisations.

Scope and boundary

This report covers SBG's operations in South Africa, the rest of Africa and outside Africa, the terms we use to describe the geographic regions in which we operate. Given that Standard Bank South Africa remains our largest subsidiary and contributor to headline earnings (2014: 72%, 2013: 64%), and the relative maturity of our reporting in this operation, our sustainability reporting remains weighted towards our domestic activities. We continuously work to improve our reporting at a groupwide level. Unless indicated otherwise, data in this report refers to the group, which includes our banking operations, subsidiaries and Liberty but excludes associates and joint ventures.

The report focuses on the most material aspects of our business in relation to our strategy. We consider an issue to be material if it is likely to impact our ability to achieve our strategy, and to remain commercially sustainable and socially relevant. In particular, material issues are those that have a strong bearing on our stakeholders' assessments of the extent to which we fulfil their needs over the longterm. We also take into account the factors that affect the economic growth and social stability of the countries and regions in which we do business. The material issues identified in 2013 have been reaffirmed as being the most relevant to the group at this time. These issues are detailed in the *material issues* section starting on page 24.

Sustainability approach

Our ongoing sustainability is linked directly to our being a valuable member of our communities and of society in general, now and into the future. Our social compact sets out our commitment to positively contributing to the societies in which we operate through our business activities. When considering our social and environmental impacts, we look beyond our direct impacts to the indirect impacts of the services we offer and the finance we provide. This is considered material to our operation and our approach is discussed in the *environmental and social risk management* section. Our supply chain is not considered an area of material environmental risk, and this aspect is not extensively covered in this report. Where we identify a downstream risk within the supply change we work with our suppliers to find mitigation measures.

Frameworks applied

Various surveys, benchmarks and international frameworks inform our reporting. The issues raised by our internal and external stakeholders in our day-to-day interactions are also taken into account. We report against the GRI G4 guidelines and the GRI Financial Services Sector Supplement, supported by our internally developed policies and procedures. This year we have improved our application of the G4 guidelines. Our report remains in accordance with the core GRI G4 level and goes some way towards accordance with the comprehensive level on certain aspects. Our disclosure in relation to the full set of GRI G4 indicators is available in the *annex* to this report.

Our ability to create value depends on our use and impact on certain resources and relationships (capitals). We apply the capitals model, adopted by the International Integrated Reporting Council in the International <IR> Framework, in managing and assessing our ability to create value over time and our sustainability performance. The following six capitals are fundamental to the long-term viability of our business: natural, social, human, intellectual, manufactured (or manmade) and financial. The capitals are considered in commentary throughout this report.

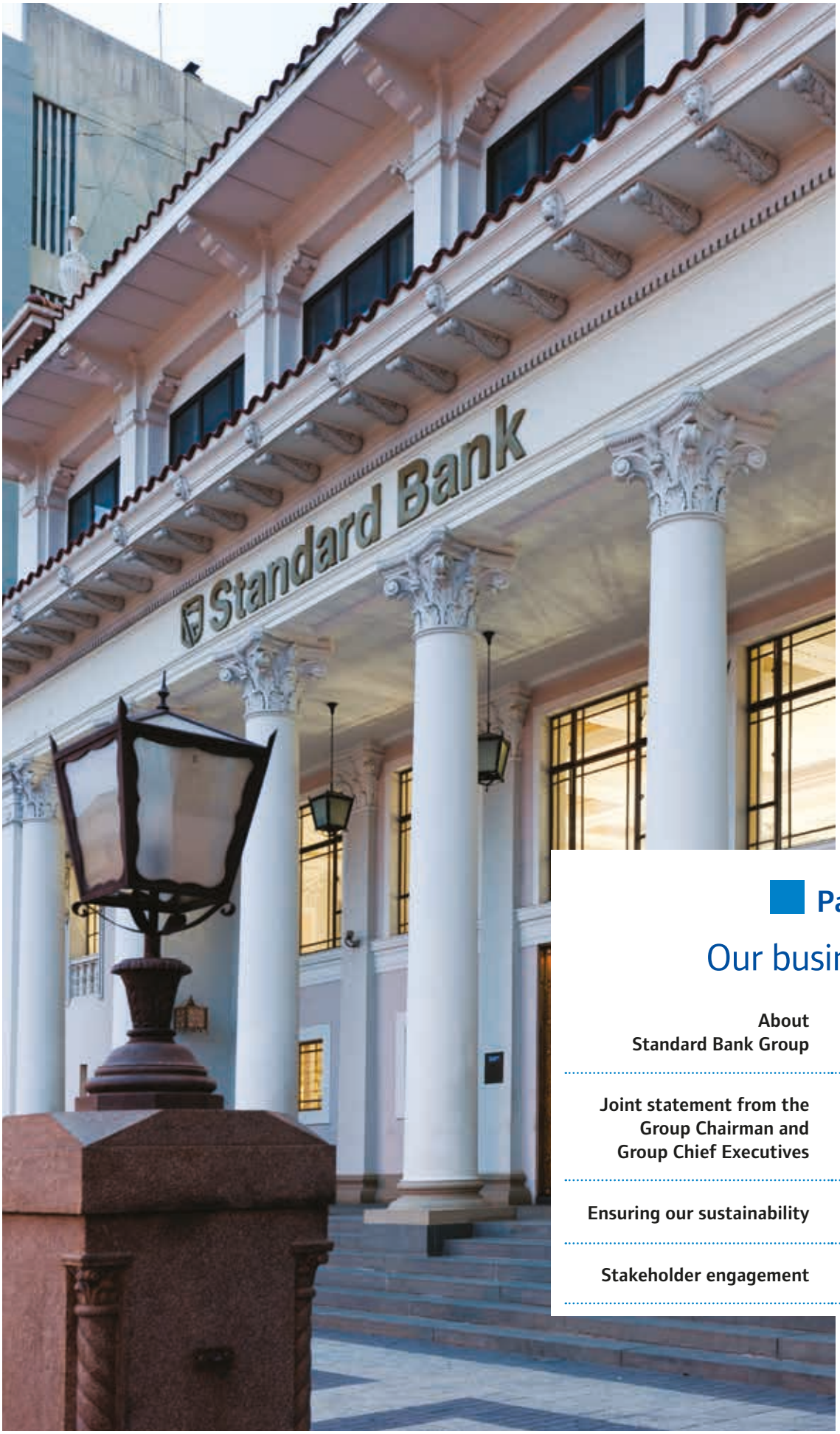
Assurance and oversight

KPMG Services Proprietary Limited has assured certain processes and key performance indicators noted in this report. The *assurance report* can be found on page 160 in the online version of this report.

The Group Social and Ethics Committee and Group Management Committee are responsible for providing oversight of the sustainability reporting process. The committees recommended the report for approval to the SBG Board of Directors, which was obtained on 11 March 2015.

Feedback

We welcome the views of our stakeholders on this report and the way we approach our sustainability priorities. Please contact Wendy Dobson: Head of Group Policy, Advocacy and Sustainability at Wendy.Dobson@standardbank.co.za with your feedback.



Part A

Our business

In 2014, we celebrated 120 years in Mozambique. We have positively contributed to the economic and social transformation of the country through financing infrastructure projects, providing financial services to Mozambicans and our involvement in various community initiatives.

About Standard Bank Group

In, for and across Africa

Our business

SBG is an integrated financial services group which operates as three business units: Personal & Business Banking (PBB), Corporate & Investment Banking (CIB) and Liberty. We own a controlling stake in the South African-listed wealth management group, Liberty Holdings Limited.

To avoid confusion, in African countries where Standard Chartered Bank also has a presence, we trade under the brand name Stanbic Bank.

Personal & Business Banking

PBB provides banking and other financial services to individual customers and to small to medium-sized enterprises (SMEs) in South Africa, the rest of Africa and the Channel Islands.

Headline earnings:

R9 834 million (2013: R8 401 million)

Return on equity:

18.2% (2013: 18.6%)

57%

Corporate & Investment Banking

CIB offers corporate and investment banking services to its clients, which include governments, parastatals, larger corporates, financial institutions and international counterparties.

Headline earnings:

R4 983 million (2013: R6 500 million)

Return on equity:

10.2% (2013: 14.1%)

29%

Liberty

Life insurance and investment management activities of group companies in the Liberty Holdings Group, offered to individuals and corporate customers in selected African countries. Services include asset management, fund administration, institutional banking, offshore banking and private client services.

Headline earnings:

R2 158 million (2013: R2 211 million)

Return on equity:

20.9% (2013: 24.7%)

12%

Business unit headline earnings contribution to SBG.

Standard Bank Group (SBG) is a leading integrated financial services group on the African continent. We have an on-the-ground presence in 20 countries in sub-Saharan Africa, fit-for-purpose representation outside Africa and a strategic partnership with the Industrial and Commercial Bank of China (ICBC). This unique footprint supports our strategy to connect African markets to each other and to pools of capital globally.

We continue to position the group for the future, putting our customers and clients at the centre of everything we do. In line with the realities of risk, regulation, technology and competition that are shaping the African landscape, we are investing significantly in our diversified operations, our people and culture, our systems and infrastructure, and our brand. We understand that our commercial success over the long term depends on the social relevance and outcomes of our contribution as a financial services organisation that serves the real economies of this continent we call home.

Listings

Headquartered in Johannesburg, our primary listing is on the Johannesburg Stock Exchange (JSE) Limited in South Africa, with a secondary listing in Namibia. Subsidiary banks are listed on exchanges in Kenya, Malawi, Nigeria and Uganda.

Our major shareholders

SBG is 51% South African-owned. ICBC is a 20% shareholder in the group, enabling a powerful relationship that connects us to this strategically significant economic power. The Government Employees Pension Fund holds 13% and is the second largest institutional shareholder in the group.

Recognition

Best Banking Brand in South Africa

Sunday Times Top Brands
2014

Most Innovative Investment Bank from Africa

The Banker Magazine
2014

Africa's greenest bank and 19th greenest bank globally

Bloomberg Markets
2014

Best Bank in Africa

Best Bank in Angola, South Africa and Uganda
Global Finance Magazine
2014

Our group strategic construct

The ultimate test of our strategy is to deliver sustainable and superior financial performance over the long term, measured by earnings and return on equity. The group's strategy has evolved organically in line with the development of our franchises. The fundamentals of our strategy and its alignment to our code of ethics have therefore not changed. In our pursuit of leadership as an African financial services organisation, we continue to pursue growth – mainly organic growth – in Africa. Our businesses outside Africa exist primarily to link African enterprises to global pools of capital.

> *i* A strategy refresh was undertaken in 2014 to define our purpose and provide a strategic construct for the group. This is set out in the 2014 Annual Integrated Report on pages 8 and 9.

Purpose

Our purpose is the reason we exist and the basis on which we plan our future:

- Our long-term profitability depends on the stability and wellbeing of our continent.
- Our pursuit of profit in a competitive market will lead to socially beneficial outcomes.
- We use the fundamental power of financial services to make life better for our fellow Africans.

Africa is our home, we drive her growth

Vision

To be the **leading financial services organisation in, for and across Africa**, delivering exceptional customer and client experiences and superior value

Values

Our values support our legitimacy and are the basis for earning the trust of our stakeholders.

- **Serving our customers**
- **Growing our people**
- **Delivering to our shareholders**
- **Being proactive**
- **Working in teams**
- **Respecting each other**
- **Living the highest levels of integrity**
- **Constantly raising the bar**

Integrated pillars

Business units: PBB, CIB, Liberty & Wealth

Enabling functions: Risk, Finance, IT, Operations, Human Capital, Marketing, Communications, Compliance, Legal

Our integrated pillars encompass our business units and enabling functions, which is where our strategy is executed:

- Clear strategies for each of our business units and enabling functions ensure that we deliver on our purpose.
- These strategies are supported by changes made to our business architecture, which ensure the strategies can be effectively implemented.

Recognition

In the Cell C DealMakers Annual Gala Awards, the R21.4 billion acquisition by Woolworths of Australian retailer David Jones won Deal of the Year 2014. Standard Bank acted as joint financial and debt advisor, lead debt provider, transaction sponsor, joint book runner and underwriter to Woolworths Holdings Limited.

Our new head office building in Accra, Ghana, has been constructed using elements of green building design.

Standard Lesotho Bank's head office in Maseru.

Opened in 2014, Standard Bank Mozambique's new head office incorporates energy efficient lighting and more efficient water-cooled air-conditioning systems. The building management practices also make provision for water and waste treatment and recycling.

Benchmarking

Standard Bank is a constituent of the 2014 JSE Socially Responsible Investment (SRI) Index

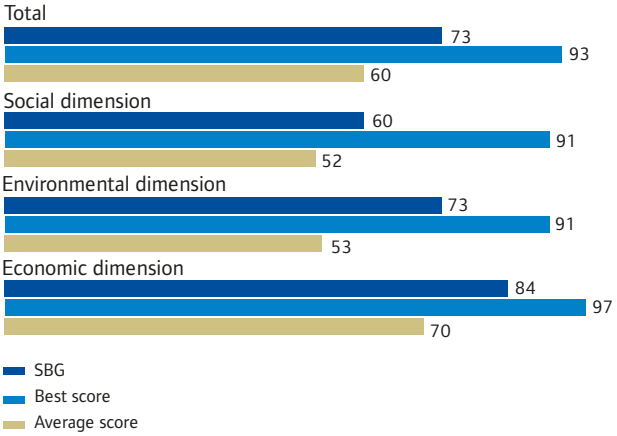
Of the 156 companies assessed in 2014, 82 were included in the index and nine companies were identified as best performers. Standard Bank is the only company to achieve a best performer status for

8 consecutive years

in the JSE SRI Index

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Standard Bank was included in the Dow Jones Sustainability Index in the Emerging Markets Index category in 2014.



CDP CLIMATE PERFORMANCE LEADER 2014

In 2014, Standard Bank was included in the A-list of the Carbon Disclosure Project's (CDP) Climate Performance Leadership Index. The CDP is an independent initiative encouraging transparency on all climate change-related issues and emissions performance. Standard Bank is a signatory investor in the CDP.

80% A-list

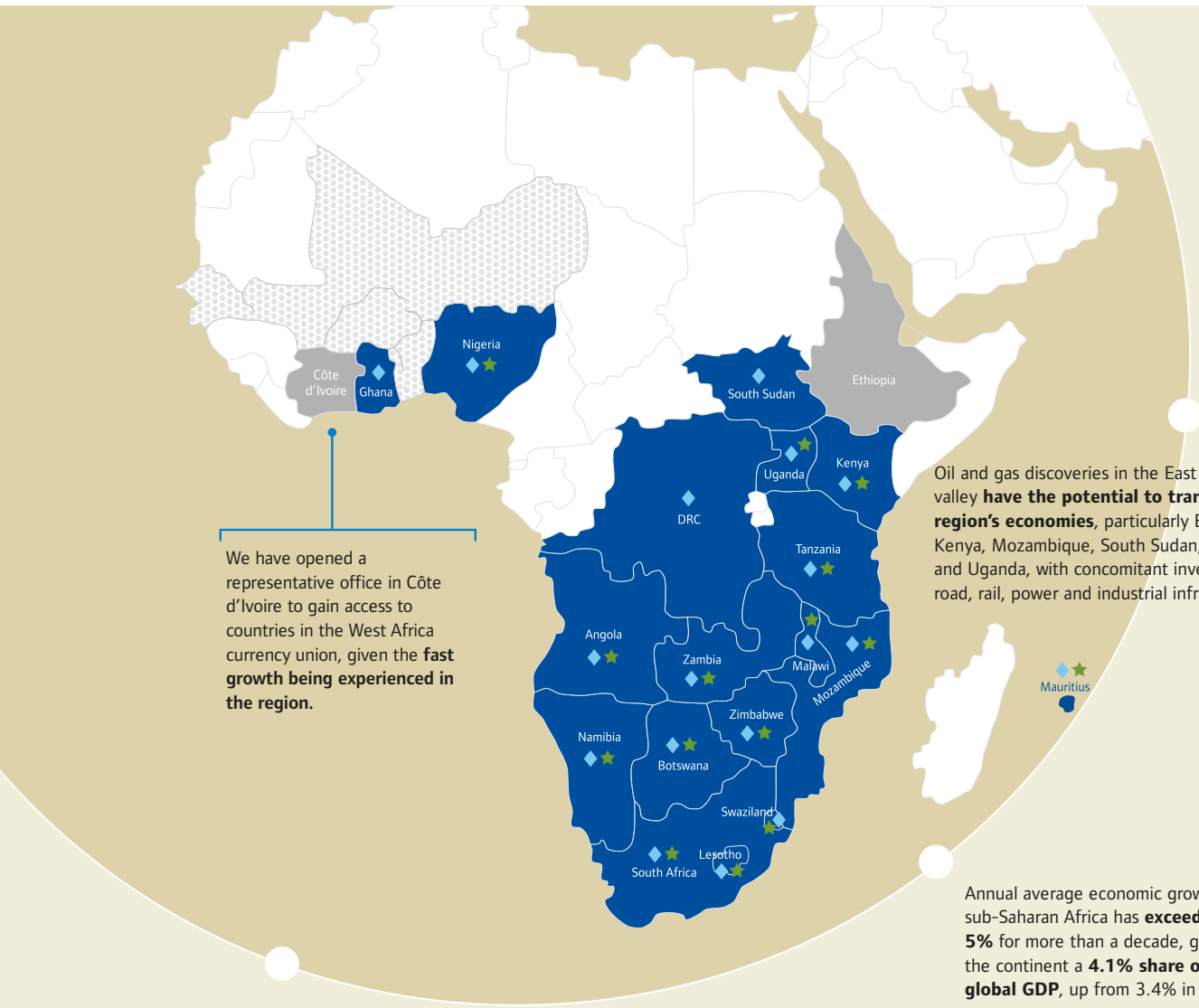
(2013: 71% C-list)

187

out of 2 000 listed companies from across the world were included on the A-list

Our operating context

The diagram below provides an overview of the context in which we are executing our strategy.



We have opened a representative office in Côte d'Ivoire to gain access to countries in the West Africa currency union, given the **fast growth being experienced in the region.**

Oil and gas discoveries in the East African rift valley **have the potential to transform the region's economies**, particularly Ethiopia, Kenya, Mozambique, South Sudan, Tanzania and Uganda, with concomitant investments in road, rail, power and industrial infrastructure.

Annual average economic growth in sub-Saharan Africa has **exceeded 5%** for more than a decade, giving the continent a **4.1% share of global GDP**, up from 3.4% in 2000.

The number of mobile phone users in Africa has multiplied 33 times since 2000. Over **50% of urban Africans** are already online.

Standard Bank **Liberty** **In-country presence**

How we create value

The success of our customers and clients, and the trust and support of all our stakeholders, underpin our commercial sustainability. This inter-dependence requires that we conduct our business ethically and responsibly to create value in the long-term interest of society. We intermediate between providers of capital and employers of capital, providing the former with competitive returns on their investments, and the latter with access to the liquidity and capital they need to realise their objectives. These functions of our core business can in no way be separated from our developing social and environmental context. We believe that a community-minded worldview is integral to our legitimacy and represents a consistent and considered level of integrated thinking, which in effect corresponds to the capitals model of value creation.

Our value chain

Our banking licences

The acquisition of banking licences in our chosen markets

Capital investment

We invest in our information technology (IT) systems, infrastructure and people so that we are able to provide relevant products and services

Innovation, research and development

We develop new products and services, and improve on existing ones, to ensure that we meet the needs of our customers and clients

Distribution

We ensure a robust distribution network which is a critical enabler to our growth strategy and ensures our products and services are accessible

Customer excellence

We work to understand changing consumer needs and we upskill our staff to ensure we deliver a distinct customer experience. Our success determines our ability to attract and retain customers

Capital inputs

Natural capital: renewable and non-renewable resources required to sustain our business. Natural capital underpins all other forms of capital, as such we must deploy our financial capital in such a way that promotes the preservation of natural capital.

Energy consumption (South Africa): 307 149 817 kilowatt hours
Paper consumption (South Africa): 2 502 tons
Water consumption (South Africa): 980 117 kilolitres

Human capital: the competencies and capabilities of our people and their motivation to improve and develop products and services that meet the needs of our customers.

Number of permanent employees: 49 259 ✓
Training spend: R746 million

Social and relationship capital: our relationships with stakeholders and communities which gives us our social license to operate.

Stakeholder engagement
African countries in which we have a presence: 20
Number of retail customers (South Africa): 12.7 million ✓
Number of retail customers (rest of Africa): 4.0 million
Number of suppliers: 16 146

Intellectual capital: our experience and brand strength which contributes to our reputation. This is closely related to financial, human and manufactured capital given the nature of our business.

Brand ranking
152 years of experience

Manufactured capital: our investment in IT systems, distribution channels and head office buildings, required to conduct our business activities.

IT spend: R19.0 billion
Number of branches: 1 233
Number of ATMs: 8 623

Financial capital: economic and financial resources available for us to use to support our business activities and invest in our strategy.

Cash generated through operations and investments: R21.4 billion
Number of shares: 1 618.4 million
Retentions to support future business growth: R13.1 billion

Our outputs and where we create value

Natural capital

- Our energy efficient programmes and recycling initiatives aim to reduce the emissions and waste resulting from our daily business operations.
- We screen CIB deals for environmental risk and we deliver products and services that contribute to carbon abatement.

Standard Bank South Africa	Standard Bank South Africa	SBG	SBG
319 784 metric tons ✓ of CO_2 equivalent emissions	**2 108 tons** waste generated	**USD28 million** (R304 million) debt underwritten for renewable power generation	**6 ✓** Equator Principles deals financed

Human capital

- The salaries and wages we pay enable our employees to support their families and buy goods and services, contributing to economic activity.
- Our development programmes help our employees adapt to rapidly changing labour markets.

SBG	SBG	SBG excluding Liberty	SBG
R28.8 billion salaries, wages and other benefits	**10.5%** overall employee turnover rate	**41 756** employees trained	**3 188** participants in leadership development programmes

Social and relationship capital

- We facilitate relationships between public and private sectors which drives investment in Africa and stimulates economic development.
- We provide access to financial services which enables socioeconomic development, personal wealth creation and financial protection.
- We facilitate credit, investment capital, trade finance and infrastructure financing which supports economic growth.
- We make sizeable contributions to governments through taxes and facilitate tax payments for government.
- Our investment in education builds skills in the broader economy.
- We contribute to employment levels both through the people we employ and through the businesses we provide financing to.
- As a multinational business, the goods and services we buy supports local businesses across all our operations.

SBG	SBG	SBG	SBG excluding Liberty	Standard Bank South Africa
R929 544 million loans and advances	**R66 billion** wealth created	**R115 million** CSI spend	**R30.5 billion** procurement spend	**94.25 ❖** transformation score out of 107

Manufactured and intellectual capital

- We contribute to effective markets through secure and reliable transactional systems and procedures.
- We ensure that customers and clients have safe and convenient access to their savings and funds.
- Our IT systems enable us to provide innovative products and services that are affordable and accessible to our customers, specifically those in remote areas.
- Moving customers to digital channels reduces the operating costs associated with physical banking infrastructure.

PBB South Africa	SBG excluding Liberty	SBG excluding Liberty	SBG excluding Liberty
22 million transactions facilitated a day	**2.7 million** registered internet banking customers	**3.4 million** registered mobile banking customers	**R3.2 billion ✓** potential fraud frustrated

Financial capital

Maintaining a robust business means we are able to provide returns to our providers of capital.

SBG	SBG	SBG	SBG
12.9% return on equity	**54.5%** cost-to-income ratio	**R17 323 million** headline earnings	**1.00%** credit loss ratio

Our ethics

Global Reporting Initiative – G4: 56-58

Who is responsible?

SBG Board of Directors (SBG board)

Mandated to provide effective leadership based on an ethical foundation

Group Social and Ethics Committee

Mandated to provide governance and oversight of the code of ethics

Group Chief Executives and Group Ethics Officer (formal custodians)

Ultimately responsible for incorporating the code of ethics' spirit throughout the group

Ethics office

Responsible for the internal reporting of ethics-related incidents

Business unit

Each business unit has a senior executive responsible for driving values and ethics-related activities and, if required, acts as a final arbiter when difficult decisions arise

Support

Human Capital representatives, line managers and the Group Financial Crime Control unit provide further support

Adhering to our values and code of ethics in everything we do, guides us in our objective of doing the right business in the right way and is imperative to building the trust of our stakeholders, particularly given an environment of increasing fraudulent activity.

As we continue our growth strategy into Africa, we require our people to be accountable for the decisions they make. Our values, shown on page 5, provide a shared frame of reference for what we as a group believe in and what matters most to us. As such, they guide our geographically and culturally diverse operations towards unified and consistent behaviour which helps us keep to the highest standards of responsible business practice in our interactions with stakeholders. Our code of ethics defines our values in greater detail and serves as a reference for values-based decision-making. In an environment of increasing fraudulent activity, together with the decrease in trust in the banking sector globally, it is imperative that we adhere to our values and code of ethics in everything we do.

Our code of ethics was developed through robust consultation between stakeholders within SBG and the Ethics Institute of South Africa, and was approved by the Group Executive Committee in 2008. The code of ethics is certified by the Ethics Institute of South Africa as conforming to the highest standards of international best practice. It is currently published in English with translations in French and Portuguese expected to be available in 2015. Liberty has its own code of ethics.

SBG's code of ethics applies to all our banking operations and is aligned to our group standards, policies and procedures. When applying ethics within SBG, we take into consideration the King Report on Corporate Governance (King Code), the South African Companies Act, the United Kingdom's (UK) Bribery Act, the Prevention and Combating of Corrupt Activities Act and market conduct requirements. The code of ethics is supportive of these regulatory requirements.

Implementation

Given their role in guiding the behaviour and decision-making of our people, our code of ethics and values are continuously embedded into the working lives of our people and serve as the primary reference for employees when resolving any ethical issue. Employees are required to read, understand and become familiar with the code of ethics and how it relates to their roles. We ensure that the code of ethics is implemented and managed effectively across our operations, covering areas ranging from leadership commitment and custodianship through to assessment, monitoring and reporting.

Our values and ethics also form part of our performance management system, with employees and executives holding themselves and each other accountable for appropriate behaviour in their day-to-day responsibilities.

The most recent review of the code of ethics was undertaken in 2013, during which the principles that form part of the 'serving our customers' value were amended to align to treating customers fairly (TCF) requirements. This revised code of ethics was launched in March 2014.

Ethics awareness training is undertaken throughout the group. Our employee handbook, available to all employees on their local intranet sites, sets out our policies, principles and ways of working, and has a section on our code of ethics and culture. The SBG intranet site has a dedicated ethics webpage and an ethics hotline microsite. New employees are inducted into our ethics culture as part of our Employee Orientation Programme. Our Team Leader and Foundation Leadership programmes, as

well as the Management Essentials courses run at our Global Leadership Centre, also incorporate ethics and values.

In 2014, we launched an ethics e-learning programme which is compulsory for permanent employees and available to non-permanent employees. Training is provided in English, French and Portuguese. In 2015, we will relaunch our vision, values and ethics in a groupwide employee campaign to reinforce awareness of the behaviours we expect from our employees.

All of these initiatives include training on the mechanisms available to employees for seeking advice or reporting an unethical incident. The Group Ethics Officer and the Group Financial Crime Control unit also use our internal employee engagement mechanisms to deliver ongoing communication on our ethics stance and culture.

Advice and reporting mechanisms

The following mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unethical or unlawful behaviour:

Ethics and fraud whistle blowing hotline: employees and external parties can confidentially and anonymously report instances of unethical behaviour, including alleged bribery and corruption, to the hotline. More detail on the whistle blowing process and the hotline can be found on page 74 in the *secure banking* section.

Ethics mailbox: employees can post comments or queries relating to ethical behaviour to the Group Ethics Officer via the ethics mailbox. Employees can access the mailbox on the group's intranet. It is managed internally by the Ethics Office and is only available in English. Employees are encouraged to use this facility if they believe that a work colleague has breached one of the principles contained in the code of ethics and, after having exhausted the recommended reporting process set out in the code of ethics, have still not reached a satisfactory outcome. Although the electronic form on the intranet can be used anonymously, we encourage employees to be open so that we can follow up on the query and help manage each situation.

A total of 17 requests were posted to the ethics mailbox in 2014, all of which have been answered. No particular theme was noted in terms of the nature of requests. The mailbox is not available to external stakeholders.

Other support functions: employees can confidentially seek advice from their direct line manager or Human Capital representatives.

"Banks globally have to get back the trust of customers, governments and regulators. At the end of the day, we wouldn't need such a tough compliance environment if we did the right business the right way."

— Paul Smith, Chief Ethics Officer.

Topics addressed in our code of ethics

- Treating customers fairly.
- Providing secure banking facilities.
- Providing professional development opportunities.
- Evaluating performance objectively.
- Sustainable value creation for shareholders.
- Adhering to good corporate governance.
- Engaging in political activities responsibly.
- Protecting intellectual property.
- Avoiding anti-competitive behaviour.
- Rewarding innovation.
- Working in unity.
- Respecting human dignity.
- Protecting our physical assets.
- Honesty.
- Addressing conflicts of interest.
- Combating unethical and criminal activities.
- Prohibiting giving and receiving of bribes.
- Prohibiting facilitation payments.
- Responsibly giving and receiving gifts.

Ethics training

Number of employees that successfully completed ethics training

South Africa

21 387

Rest of Africa

11 925

Outside Africa

980

Note: includes permanent and non-permanent employees.

Joint statement from the Group Chairman and Group Chief Executives

Fred Phaswana, *Group Chairman.* **Ben Kruger,** *Joint Group Chief Executive.* **Sim Tshabalala,** *Joint Group Chief Executive.*

"The ability of large organisations to avoid unnecessary bureaucracy and inculcate adaptability is fundamental to their survival and success in a world where change is one of the few things that can be predicted with any certainty. The way the group is adapting to the profound changes in the financial services industry and in the expectations of our stakeholders – anticipating the implications and responding decisively and effectively – is a measure of its ability to stay relevant to the economies and societies we serve in Africa."

Overview

In South Africa, deep socioeconomic inequalities remain the dominant threat to national stability. Macroeconomic conditions remained difficult in 2014 as socio-political challenges and economic weakness persisted. In contrast, our markets in the rest of Africa maintained their strong performance, with some achieving growth rates in excess of 5% despite the slowing of the Chinese economy and the decline in the demand for commodities. While oil-producing economies in Africa were impacted by the sharp decline in oil prices, many economies are diverse and remain robust, with oil-importing economies benefitting from the lower price trend.

Against this backdrop, SBG's financial performance in 2014 for its core operations across the African continent was strong. However, the total group results were affected by losses incurred in our discontinued operation, the costs of readying the group's international Global Markets business for sale and the significant investment in executing the Africa strategy and ensuring long-term competitiveness. However, the steady improvement in the performance of the operations in the rest of Africa and the solid performance of the continuing operations, attest to the soundness of our strategy and the strength of our core operations.

The Tutuwa Black Economic Empowerment (BEE) Scheme matured on 31 December 2014. Since inception, the scheme has generated net wealth of R10.7 billion for beneficiaries, with around R6 billion for 6 188 current and former black managers and 261 black small and medium community enterprises. This achievement is in addition to the other contributions the group has made to South Africa's socioeconomic development, which include the financing of affordable housing, emerging black agriculture, and infrastructure projects that support social and economic activity in historically underserviced areas.

The world in which we conduct our business has become less predictable, affecting the way we manage risk and how we engage with key stakeholders. This has implications for board composition, the induction and ongoing training of directors, and the processes of decision-making. In 2014, we altered the composition of the board to ensure it is adequately positioned to manage the complexities of a constantly changing financial services industry. We also continued to embed governance and compliance minimum standards in all our subsidiaries, strengthened our in-country boards and shifted greater accountability for and ownership of performance to subsidiaries.

In February 2015, we completed the disposal of a 60% interest in our Global Markets business in London to ICBC. This is the final hurdle in repositioning our international operations and in redeploying our capital to support our Africa-focused growth strategy. The transaction launches a partnership in global markets between the two banks and has further strengthened our strategic partnership.

The major investments we have made in our African franchise, and continue to make in the transformation of our IT infrastructure, have been considerably higher than our domestic competitors. However, we remain resolute in our belief that these are critically important investments in the sustainable competitive advantage they will afford our group in the long term.

Strategy

We refreshed our strategy during the year, rearticulating our purpose, the factors that underpin our legitimacy, our guiding principles and our vision. This provides a guide to the execution of the group's strategy, with each business unit and enabling function being responsible for ensuring that its plans are aligned with the group strategy and values. These strategic components express our belief that our pursuit of profit in a competitive market will lead, in the main, to socially beneficial outcomes and contribute to the stability and wellbeing of our continent. Our people and culture will determine our success in executing our strategy. As the foundation of our culture, our legitimacy is vitally important. It stems from our 152-year heritage and is vested in the relationships we build with our customers, clients, employees, shareholders, regulators and other stakeholders. Our values underpin our legitimacy and are intended to reinforce the trust our stakeholders have in our organisation. Our vision is the ultimate outcome of our strategy and outlines how we play an important role in connecting Africa to the world and the world to Africa, and how achieving our vision links to the delivery of superior stakeholder value on which our long-term success depends.

The extent to which we are changing the group to ensure it remains relevant and responsive to its customers and clients across Africa as an integrated financial services organisation cannot be underestimated. This all-encompassing transformation, and the significant levels of investment we are allocating to it, is necessary to create an organisation that will be competitive and effective long into the future, notwithstanding that change will continue to be the defining feature of our operating environment. Our investment has yielded an extensive on-the-ground presence in 20 countries in sub-Saharan Africa and fit-for-purpose operations in nine countries outside Africa to facilitate our strategy in, for and across Africa. The contribution of our operations in the rest of Africa to SBG's earnings and return on equity continues to grow, affirming our strategic focus on the continent. We face a number of challenges, including intense competition in the African financial services industry, expanding regulatory requirements and the high cost of building distribution and systems infrastructure.

We recognise that the opportunity of doing business in Africa carries inherent risks and we have measures in place to manage these risks. Our strong management teams have local expertise and high levels of accountability which are critical elements of our risk management in Africa. These teams are adequately supported by governance, compliance and risk management standards to ensure that we fulfil our principle of 'doing the right business right' and the improvement in our credit impairment performance reflects a strengthening risk management culture. Where we have received fines for non-compliance with regulatory requirements we have implemented remedial actions to prevent future transgressions.

There has been no respite in the intensity of regulatory change since the global financial crisis in 2008, and there are significant regulatory changes in the pipeline. Dealing with different regulatory regimes across multiple jurisdictions across Africa and beyond adds considerable complexity to our regulatory compliance requirements. We continue to adapt the group's systems and procedures accordingly, instilling regulatory best practice across our operations.

We enjoy constructive relationships with regulatory authorities in South Africa and in each country in which we have a presence. Where possible, we contribute actively and constructively to the development of national policy, legislation and regulation through formal submissions and regular engagement with these stakeholders. Our approach is guided by our aim to promote regulatory frameworks that are unambiguous, cohesive and practical, and that minimise unintended consequences.

The digital revolution is profoundly affecting the way financial services organisations operate. Most notable are the opportunities to improve customer engagement and develop customised products and services, and distribution channels that are more efficient, cost effective and deliver better outcomes for customers. Whereas financial services businesses used to compete on the strength of their branch networks and products, now the competitive arena is defined by customer engagement, underpinned by a single view of each customer, the use of data and analytics to gain deeper insight into customers' needs, and employing processes and systems to treat customers fairly.

Our comprehensive IT programme is developing a robust new architecture that allows our group to deliver its strategy in a digitally-enabled financial services environment. The scale and reach of this programme is extensive and has elevated the role of IT from a support function to a critical enabler of our strategy. The programme involves the replacement of decades-old legacy systems with new IT architecture capable of meeting customer demands for more agility, higher levels of flexibility and increased availability.

We are enhancing both our front-end customer engagement interfaces and our back-end systems to ensure that our IT infrastructure continues to provide stability, resilience and appropriate risk management as we adapt the organisation to remain competitive in a changing business environment. Innovations and opportunities that are being enabled as we transform our core banking systems are already delivering significant value, most notably continuous improvement in the quality of service to our customers.

Our vision to be the leading financial services organisation in, for and across Africa, delivering exceptional customer and client experiences and superior value is our ultimate goal. Africa is our home, we drive her growth, and our vision provides us with a set of primary goals and a standard of excellence that ensures we deliver on our purpose.

We established the Group IT Committee, a board committee responsible for ensuring the implementation of the IT governance framework across the group, and have strengthened our IT governance structure and operating model. To ensure adequate executive focus on the management of our IT strategy, we have appointed a Group Chief Information Officer who sits on the Group Management Committee and is responsible for ensuring that business unit strategies align to the group IT strategy.

Our people are the custodians of customer experience and the overall strength of our brand, and are therefore the ultimate determinant of success and competitive advantage. Attracting and retaining the skills we need, and creating a desirable and differentiated workplace culture is a complex undertaking in a highly competitive environment where the ability to attract top talent is critical.

We continue to strengthen our people management practices and create a workplace where high performance is expected and rewarded. Our more open and consultative approach to leadership has increased the level of our engagement with employees and we have hosted a number roadshows and conferences to discuss our strategy refresh and deepen the understanding of the culture of accountability, effective decision-making and social relevance we wish to build for our people. Business units have increased their levels of staff engagement to embed their strategies, inspire commitment and constantly remind their people that the expectations of customers and clients are at the centre of everything we do.

Prospects

With the exception of the United States, major global economies are likely to remain subdued in 2015 and some of our growth markets in the rest of Africa may experience a slowdown in their global domestic product growth as a result of lower levels of demand for commodities and a weaker oil price. The challenging economic environment in South Africa is expected to continue and this will maintain pressure on both credit appetite and credit impairment charges. Competition remains strong in all of our markets and operating environments are challenging.

Despite this, we remain confident in the capability of our people and the capacity of our operations to continue generating value, in line with our Africa-focused strategy. We continue to defend our franchise in South Africa against stiff competition, and our franchise in the rest of Africa is delivering a growing contribution to group earnings and return on equity. The investment in world-class systems is starting to manifest in our businesses, particularly in customer service levels and our ability to make innovative new services available. As we move forward, we anticipate a growing contribution from non-banking financial services as the integration of the group's wealth businesses takes effect. These factors, together with our focus on cost containment and efficiencies, specifically in our IT and head office costs, will underpin our ability to attain our medium-term return on equity target of 15% to 18% in the years ahead.

The ability of large organisations to avoid unnecessary bureaucracy and inculcate adaptability is fundamental to their survival and success in a world where change is one of the few things that can be predicted with any certainty. The way the group is adapting to the profound changes in the financial services industry and in the expectations of our stakeholders – anticipating the implications and responding decisively and effectively – is a measure of its ability to stay relevant to the economies and societies we serve in Africa.

Fred Phaswana,
Group Chairman.

Ben Kruger,
Joint Group Chief Executive.

Sim Tshabalala,
Joint Group Chief Executive.

Ensuring our sustainability

Our approach

Global Reporting Initiative – G4: 34-36, 38-42, 44, 46-49, LA12 and SO6

We proactively embed sustainability thinking and sustainable business practices at every level of our business. We believe that our most important contribution to sustainable development is to operate an effective, efficient and profitable group. Responsible finance is core to our contribution to sustainability. As a financier we work with individuals who are improving their quality of life and enhancing their financial security, with businesses growing and creating employment, and with governments building infrastructure and securing a better future for their citizens. Our financing of developments in key sectors assists in addressing global challenges such as energy and food scarcity, resource depletion and climate change.

The very nature of our business positions us to help our customers and other stakeholders manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local markets and national economies. The success of our customers, clients and stakeholders guarantees future business, which underpins our sustainability.

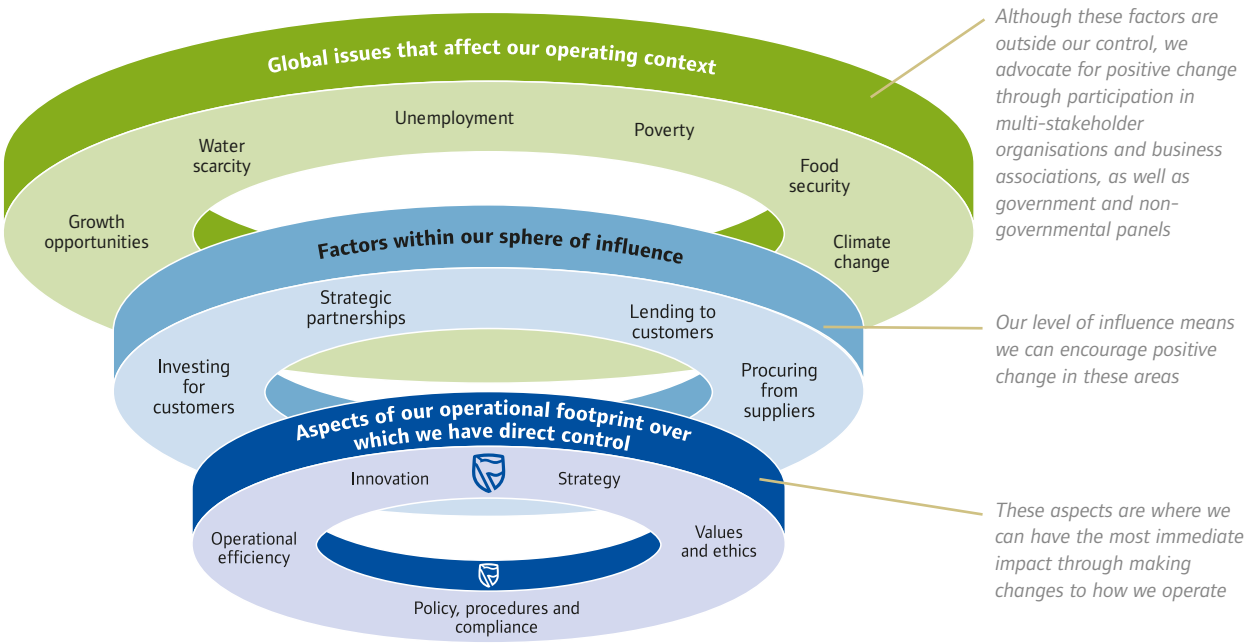
Sustainability management

The sustainability management team sits within the Group Policy, Advocacy and Sustainability unit within Group Risk. The head of the unit is responsible for sustainability matters and reports directly to the Chief Risk Officer who is also the Chief Ethics Officer, who in turn reports directly to the joint Group Chief Executives. The unit is considered an enabling function and works alongside the integrated operational risk functions. It is mandated to create a consistent approach to environmental and social risk management by facilitating policy and performance standards, as well as monitoring and evaluating the group's performance. The unit supports business areas throughout the group and raises awareness through relevant stakeholder engagement.

Our social compact

Standard Bank will contribute to the socioeconomic development of the countries in which we operate in a way that is consistent with the nature and size of our operations. We will provide responsible financial services and products, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.

Our level of influence and control over factors that impact our sustainability



Governance structure for sustainability-related matters

Managing sustainable development

SBG board

The SBG board is the group's highest decision-making body and is ultimately accountable and responsible for governance and sustainable development. The board ensures that group strategy is aligned to our values and performance targets, and monitors its implementation in relation to our risk profile. Every year, the board attends a two-day session dedicated to extensively reviewing our strategy, as presented by management. When reviewing the group's strategy, the SBG board takes into account relevant economic, environmental and social impacts, risks and opportunities. Our Africa-focused strategy was reaffirmed at the 2014 strategy session.

Policies pertaining to the group are approved at the relevant sub-committees of the board. Through our governance structures, the responsibility for sustainable development is delegated to the SBG board sub-committees and management committees listed below. The chairpersons of the SBG board sub-committees are independent non-executive directors.

Group Social and Ethics Committee (SBG board sub-committee)

Responsible for developing policies that guide the group in ensuring that environmental and social impacts, risks and opportunities are monitored. This includes the monitoring of:

- Social and economic development activities.
- Corporate social investment.
- Efforts to prevent and combat corruption.
- Environmental, health and safety activities including the impact of products and services.
- Consumer relationships including advertising and compliance with consumer protection laws.
- Implementation of the group's code of ethics and related reporting and training.
- Transformation policy, initiatives and targets for Standard Bank South Africa.

The Group Social and Ethics Committee meets quarterly and is attended by various business unit heads on invitation. The committee considers and approves the material issues for the group, has oversight responsibility for the sustainability reporting process and presents the sustainability report for approval to the SBG board. It also considers issues ranging from regulatory compliance through to environmental concerns that could potentially impact the reputation of the group.

The committee is supported by the Social and Ethics Management Committee which monitors the implementation of social, ethics, economic, environmental and transformation policies, practices and procedures in South Africa to ensure compliance with current and evolving legislation and related regulations.

Group Risk and Capital Management Committee (SBG board sub-committee)

Responsible for determining and monitoring the group's risk profile and potential future risk exposures to ensure adherence to the group's risk appetite.

Directors' Affairs Committee (SBG board sub-committee)

Responsible for determining and evaluating our corporate governance structures and practices, as well as ensuring that the group complies with all applicable laws, regulations and codes of conduct and practices. This includes assisting the board in reviewing and approving allocations in respect of our black ownership initiative.

Group Executive and Group Management Committees (management committees)

Responsible for implementing group strategy and the review of and guidance on all pertinent sustainability issues.

Safety, Health and Environmental Risk Oversight Committee page 106

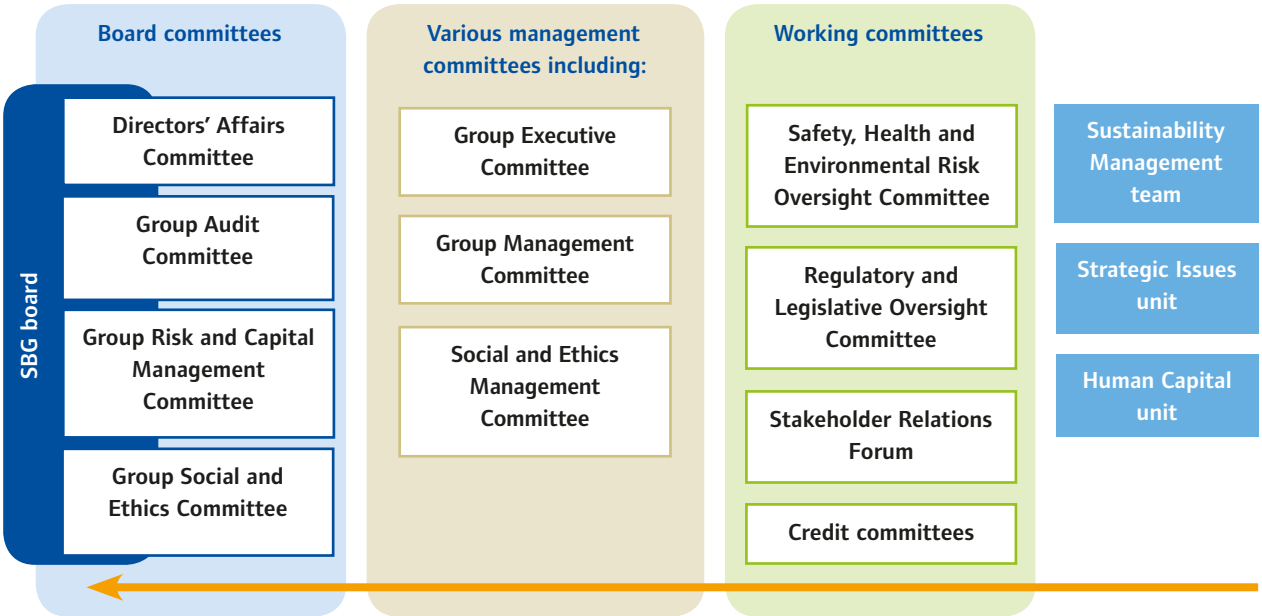
Stakeholder Relations Forum page 19

Regulatory and Legislative Oversight Committee page 40

Credit committees (environmental and social risk screening) page 109

Our full corporate governance report can be found on page 102 of the 2014 Annual Integrated Report.

Reporting of sustainability issues



Governance

Concerns considered by the Group Social and Ethics Committee in 2014 included: *development of a disability policy, environmental and social risk management, water consumption and the principles and outcomes of TCF.*

The SBG board operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. We subscribe to the King Code and continue to implement its recommendations within the group and our subsidiaries as appropriate. To ensure that we comply with international governance standards, international developments are continuously monitored and, where relevant, adopted.

SBG has a unitary board structure and in 2014, seven directors were appointed to the board to align the board's capabilities to the group's strategy and changing operating context. The roles of Chairman and Chief Executives are separate, with respective responsibilities clearly defined. The Chairman is an independent non-executive director and is responsible for leading the board and ensuring its effectiveness, as well as facilitating a link between the board and our management team. The joint Group Chief Executives are responsible for the execution of the group's strategy and the day-to-day business of the group, and are supported by the Group Executive Committee. In 2014, seven board meetings were held including meetings with the South African Reserve Bank and the strategy review session.

Our nominations and appointment policy governs the director nomination and selection process which complies with applicable legislation, JSE Listings Requirements and the King Code. Director appointments must be confirmed by shareholders at the annual general meeting. Factors such as skills, experience, independence and fitness are considered. The Directors' Affairs Committee considers board membership to ensure the composition of the board remains strategically, demographically and operationally appropriate. The board's collective experience and expertise provides a balanced mix of attributes that enables it to fulfil its duties and responsibilities.

Directors declare their interests annually and a register of directors' interests is maintained. A director is required to recuse themselves from meetings when an item being discussed does, or may be perceived to, give rise to a conflict of interest. Directors' memberships of other boards and their interests in contracts are disclosed in the annual integrated report.

The Group Governance Office evaluates the effectiveness of the SBG board and its sub-committees annually against their mandates. External auditors conduct independent assurance reviews and the outcomes are presented to the Directors' Affairs Committee and the SBG board, and feedback is given to the committees. In addition, directors of the board conduct a self-assessment evaluation of the board and its committees' performance annually, facilitated by independent consultants. It is mandatory for all committees to develop and implement an action plan in response to the outcomes of the assessment, and the Directors' Affairs Committee monitors the execution of the plans.

Engagement and debate between committees is facilitated through the submission of all sub-committee minutes, chairpersons' reports and presentations to the SBG board. All SBG board directors who are not members of a particular sub-committee can attend sub-committee meetings should they wish to do so.

A number of training sessions were held for the board and its sub-committees during 2014. Topics covered included the implementation of Twin Peaks, remuneration guidance, recovery and resolution planning, governance of IT, proactive monitoring of financial statements, the core banking IT implementations and cybercrime.

Managing financial crime is a standing agenda item on the Group Audit Committee, a sub-committee of the SBG board. Key financial crime risks, material incidents, mitigation strategies and remedial actions are reported quarterly to the committee. Our policies to manage financial crime are in line with applicable laws and assist the committee in evaluating and assessing the adequacy and effectiveness of the established accounting, financial, compliance and other internal control systems. Our financial crime policies, including the anti-bribery and anti-corruption policy, are communicated to all SBG board members.

Political party contributions

We continue to support democracy in South Africa through financial contributions to political parties. These contributions are made in proportion to political parties' representation in the National Assembly, in accordance with the Independent Electoral Commission's funding formula. Only parties represented in the National Assembly receive support. Parties submit a written report to the bank on how they have used the previous year's donation. A total of R13.5 million was allocated for disbursement to political parties over the five-year election cycle from 2010 to 2014. In 2014, we disbursed a total of R4.2 million as a direct financial contribution (2013: R2.1 million), in line with our policy to double support to political parties in an election year. No in-kind contributions were made to political parties in South Africa. No political contributions are made outside South Africa.

"We work to continually optimise our governance systems, structures, policies and processes to ensure they support the delicate balances required to create value in dynamic and complex environments – balancing control and flexibility, accountability and empowerment, penalty and reward."

– Fred Phaswana, Group Chairman.

SBG Board of Directors

	2014	2013	2012
Gender composition			
Women	**3**	2	2
Men	**15**	15	15
Independence			
Independent non-executive directors	**12**	11	11
Non-executive directors	**3**	3	4
Executive directors	**3**	3	2
Race composition			
Black[1] – South African	**6**	7	7
White – South African	**6**	5	5
Non-South African	**6**	5	5
Nationality			
South African	**12**	12	12
Australian	**1**	1	1
British	**2**	2	2
Chinese	**2**	2	2
Nigerian	**1**	0	0

[1] *Black includes African, Coloured, Indian and South African Chinese people who are citizens of South Africa.*

Note 1: one non-executive director had interests in the group's strategic empowerment partners and was not considered independent. This board member resigned on 31 December 2014. Two non-executive directors represent ICBC, the group's largest shareholder, and are similarly not considered independent.

Note 2: tenure on the governance body and details of each member's age are set out in the corporate governance section of the annual integrated report.

Stakeholder engagement

Global Reporting Initiative – G4: 16, 24-27, 37, 45, EC7, HR12 and SO11

SBG has a broad stakeholder base, our relationships with whom impact directly and indirectly on our business activities and reputation. We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, minimise reputational risk and influence the environment in which we do business.

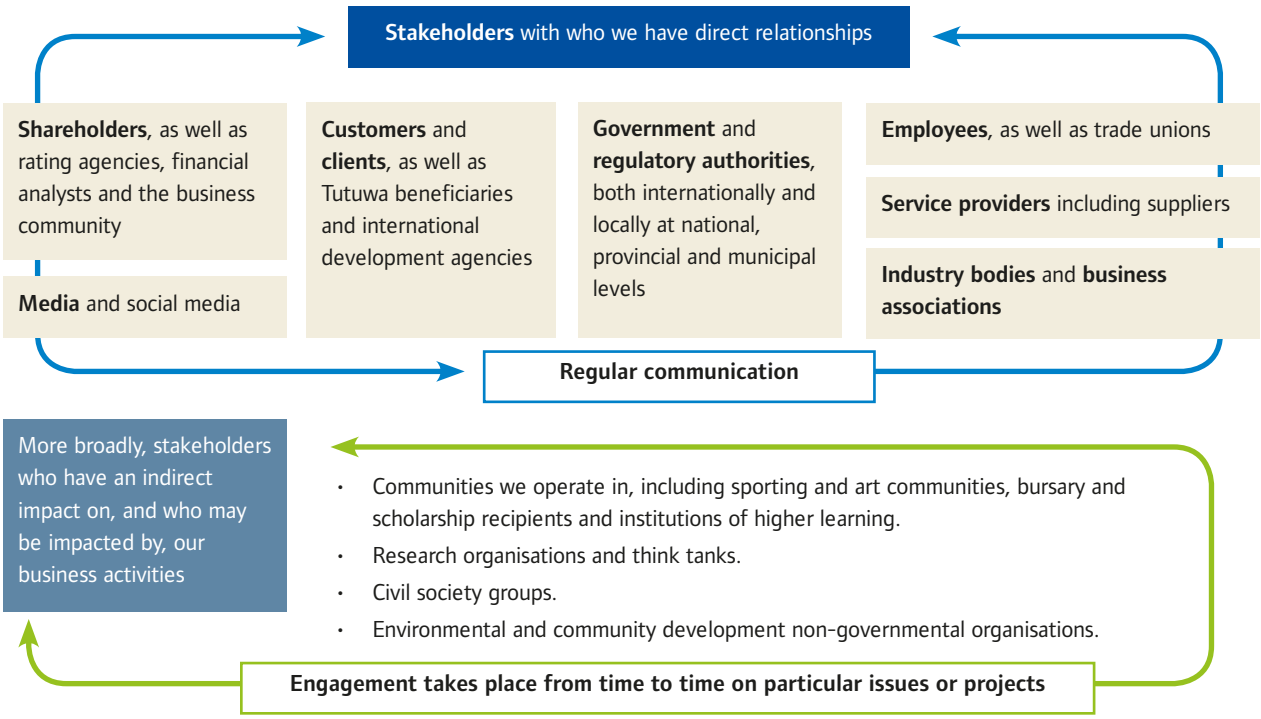
The ways in which we engage with our stakeholders, and the frequency with which we do so, vary according to each stakeholder group. Engagement is based on identified issues and areas of concern that may impact our stakeholders. We use a decentralised stakeholder engagement model in which individual business units undertake stakeholder engagement and are responsible for identifying stakeholder concerns and taking appropriate action. At the centre, the SBG board and in particular the Group Social and Ethics Committee, have oversight of our engagement activities, are responsible for identifying any areas of concern and provide guidance on appropriate responses. In addition, the SBG board and the chairpersons of our sub-committees engage directly with various stakeholders throughout the year.

The Stakeholder Relations team works with all business areas across the group to provide a consolidated view of key stakeholder engagement activities. It is responsible for ensuring that we maintain an accurate overview of all significant memberships and engagement activities. Quarterly reports are submitted to the SBG board, identifying any issues raised and how these have been or will be responded to. The team convenes a regular Stakeholder Relations Forum, comprising business unit managers, to discuss and coordinate stakeholder engagement activities. This is aimed at ensuring consistency in the messages we communicate, based on our code of ethics, values and strategy. We are developing a stakeholder engagement policy to formalise areas of responsibility and guidelines for best practice stakeholder engagement for those areas within the group that undertake stakeholder engagement activities on behalf of SBG. The policy will apply groupwide and will include performance indicators.

"As an organ of society, failure to look after the interests of other stakeholders and the environment creates risks that may reduce the value of the group. Accordingly, the job of maximising the value of the group requires a judicious optimisation of stakeholder interests – it's a journey filled with trade-offs and dilemmas."

– Sim Tshabalala, Joint Group Chief Executive.

Our stakeholders



The Stakeholder Relations team also assists the Strategic Issues unit in highlighting key social and economic challenges which are often raised by stakeholders. This includes a watch-list of social and ethical issues that may arise in our African operations and emerging issues and challenges in the South African business environment.

The tables on pages 21 and 22 set out our stakeholder engagement activities during the year. Our membership of key organisations and institutions provides us with important opportunities and formal structures to interact with many different stakeholders. Our memberships are highlighted throughout the report.

Managing conflicts and grievances

We work to ensure we meet our stakeholders' reasonable expectations. Where misalignments or conflicts are identified, we aim to resolve these at the business unit or country level, with coordination and support provided by the Stakeholder Relations team as required. Where appropriate, issues are escalated to the executive level. We have various channels through which we gather stakeholder feedback and mechanisms are in place for stakeholders to communicate grievances.

Organisations we sponsored in 2014

- Centre for Development and Enterprise.
- Centre for Dynamic Markets.
- Harvard Centre for International Development.
- Helen Suzman Foundation.
- International Financial Reporting Standards Foundation.
- Millennium Labour Council.
- Mapungubwe Institute for Strategic Reflection.
- National Business Initiative.
- Public Affairs Research Institute.
- South African Institute of International Affairs.

Grievance mechanisms

Employees	Customer and clients	Service providers	All stakeholders
• Line managers. • Human Capital unit. • Formal grievance process. • Trade unions.	• Complaints resolution process. • Complaints Resolution Centre. • Internal Customer Disputes Adjudicator. • Various industry ombuds functions.	Procurement review and appeals processes.	Whistle blowing hotline to report instances of unethical behaviour including alleged bribery and corruption.
page 96	page 66	page 115	page 74

Strategic business alliances

Under the United States Agency for International Development, we are a founding partner of President Barack Obama's Power Africa initiative. This partnership between the United States, African private sectors and the governments of Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania addresses access to electrical power. Over the past year, Power Africa has raised awareness around the key role that power plays in economic development and the commitment required from governments to put in place improved policies, legislation and regulation to enable a better investment climate. It is also facilitating power projects on the continent. We have committed to support independent power projects through a combination of debt products and transactional services, and to share our assessment of key regulatory changes that will be fundamental to achieving the objectives of Power Africa. We have committed funding of over USD400 million (R4 billion) in the Power Africa countries, principally Kenya and Nigeria, with smaller transactions in Ghana and Tanzania. In 2014, we made a further commitment to help fund an additional USD600 million (R7 billion) of debt in the Power Africa countries through to 2018 and an additional USD2 billion (R22 billion) across the rest of sub-Saharan Africa over the same period.

How we engage

Shareholders
and investment analysts

- Analyst briefings, results presentations, regular local and international meetings, analyst days for local shareholders, international investor roadshows.
- Annual general meeting where chairpersons of the group's audit, remuneration and social and ethics committees are available to respond to questions.
- Stock Exchange News Services announcements.
- SBG websites as well as annual integrated and sustainability reports.

Customers
and clients

- Distribution network and electronic communications.
- Customer surveys to measure service delivery (monthly, quarterly and annually).
- Customer events and focus groups.
- Strategic partnerships.
- Marketing initiatives.
- Relationship managers.
- SME market survey, franchise exhibitions and conferences.

Employees
and trade unions

- Conferences, team engagement sessions and performance management discussions.
- Standard Bank intranet sites, social media platforms and operational email communication.
- Television broadcasts, magazines, infographics, banners and posters.
- Employee engagement surveys.
- Interaction, consultation and negotiation with recognised trade unions.
- Grievance mechanisms.

Issues raised and our response

- **Success of the Africa-focused strategy:** aggregate headline earnings for our African operations showed 40% growth and overall return on equity improved to 21.5% (2013: 19.7%). Encouragingly, PBB rest of Africa made a profit of R105 million (page 34).
- **Completing the sale and separation of the London-based Global Markets business:** we actively engaged regulators and timeously submitted all the required regulatory submissions in jurisdictions in which this business operates. The sale was completed in February 2015 (page 33).
- **Increasing IT costs:** our move towards digital banking increased IT functional spend by 14%. This upward trend is expected through to 2017. However, our new systems are already strengthening our competitiveness (page 48).
- **Return on equity still too low:** SBG's return on equity decreased to 12.9% from 14.1% in 2013. We remain focused on improving returns and have clear plans to improve our return on equity to an acceptable level in the medium-term.

1 618.4
million shares

16.7 million **retail customers**

- **Improving staff interactions:** we have articulated expected employee behaviours and rolled out related training (page 57).
- **Resolving fraud claims:** bank consultants now assist with the completion of transaction dispute forms and faster fraud claim resolution.
- **Raising our levels of service:** Customer1st, our newly launched customer service IT platform in South Africa, has improved our ability to resolve queries and complaints (page 48).
- **Improving turnaround times (rest of Africa):** the branch and call centre upgrades are making our processes more efficient (page 58).
- **Understanding clients' business objectives (CIB):** the refined client coverage model ensures we understand client needs and provide appropriate solutions (page 60).
- **Assisting SMEs to make and receive payments (rest of Africa):** launched the Till2Bank pilot in Kenya, a mobile banking payment solution (page 51).
- **Providing unsecured credit to SMEs:** we educate SMEs about credit and help them prepare for debt through operating a business current account (pages 136 and 138).

- **Internal career opportunities:** in 2014, more than 50% of hires were internal promotions or transfers. There is sustained focus on succession planning, talent development for critical roles and skills development (page 86).
- **Employee wellness:** employee surveys indicate that job-related stress levels are high. We have increased emphasis on promoting employee health and wellness management with access to a range of services (page 90).
- **Leadership capability:** focused leadership development programmes are in place and our strategy provides clear guiding principles for management decision-making (page 87).
- **Diversity and inclusion:** initiatives are in place to assist our line managers in managing diverse teams. There is continued focus on aligning with localisation requirements, representation of women and creating an enabling environment for people with disabilities (pages 83 and 120).
- **Rewarding employee excellence:** the Beyond Excellence Programme is used in all countries of operation to recognise employee performance and values-based behaviour (page 90).

49 259
permanent employees

How we engage

Government
and regulators

- Formal meetings, policy discussions, conferences, forums, interactions through business organisations.
- Written submissions and other engagements.
- Onsite visits and compliance inspections.
- Regulatory Dialogue Programme which invites regulators to address our executive teams on emerging regulation.

Suppliers
and communities

- Ongoing supplier relationship management, supplier visits and meetings.
- *South Africa only:* quarterly supplier newsletter, supplier satisfaction surveys and an annual supplier summit.
- CSI projects and employee community involvement.

Business
organisations

Our membership of key organisations and institutions provides us with important opportunities and formal structures to interact with many different stakeholders on a range of social and environmental issues.

Issues raised and our response

- **Engagement on upcoming regulation:** we participated in the parliamentary public hearings on the National Credit Amendment Act, engaged on consumer credit affordability regulation, submitted comment on the draft Financial Sector Regulation (Twin Peaks) Bill and worked with the agricultural sector to formulate a response to the South African Government's proposals on land reform and tenure rights for farmworkers. We also engaged on the impact that European Union financial sector regulation has on emerging markets (page 41).
- **Supporting South Africa's National Development Plan (NDP):** we are involved in a number of high level government/business working groups focused on implementing initiatives and projects in support of the NDP (pages 34 and 118).
- **Regulatory change in the rest of Africa:** we are involved in initiatives to support thought leadership and the sharing of experiences across different geographies.
- **Increasing the pace of transformation in South Africa:** Standard Bank South Africa achieved a transformation score of 94.25 in 2014 (page 120).

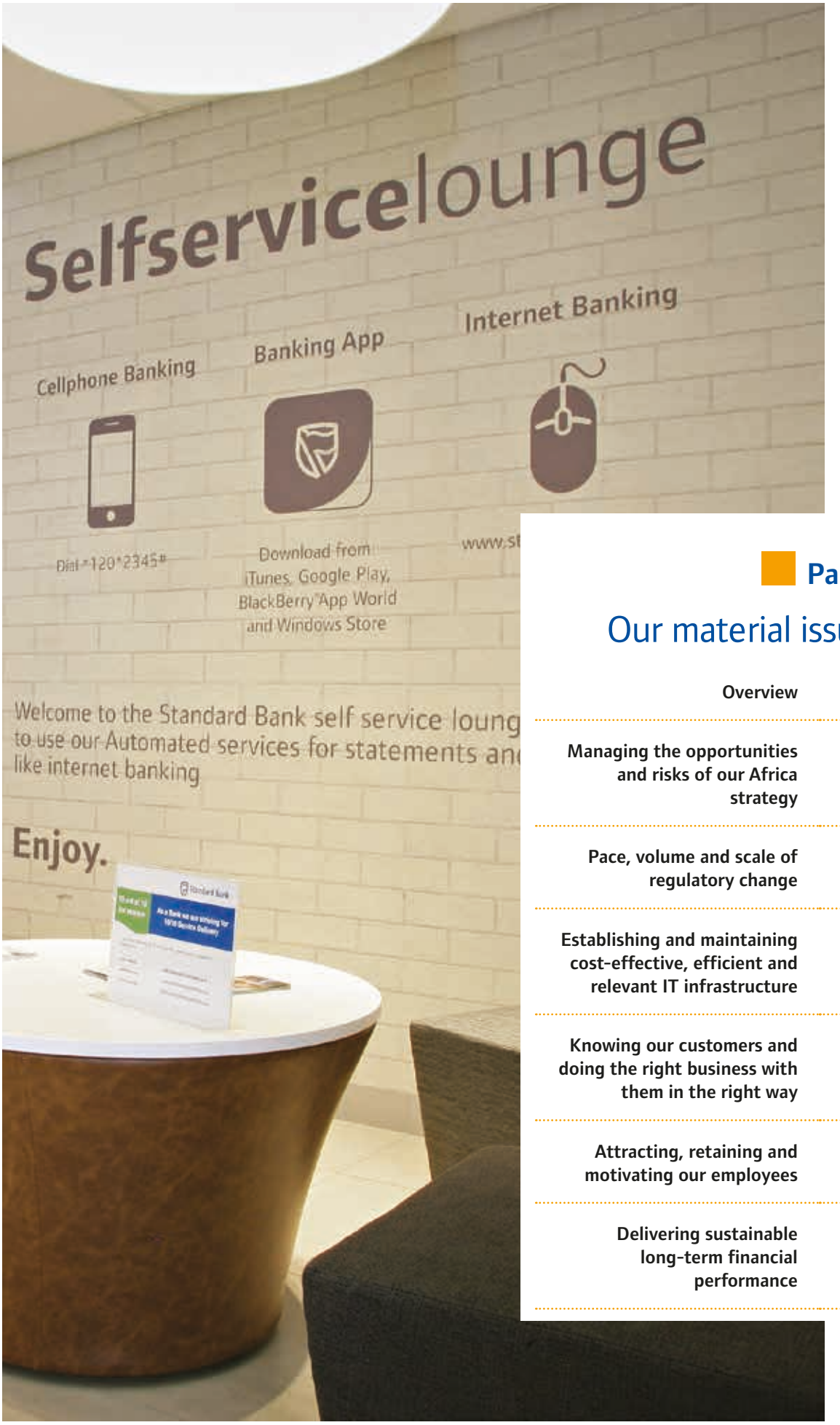
- **Improving how we engage with our suppliers:** we have embarked on a segmentation project to understand the types of relationships required between our various supplier groups and the bank. Special attention is being given to improving the vendor payment process and we continue to leverage off our enterprise development initiatives and external business development support providers to improve our pipeline of black-owned and black women-owned SME vendors.
- **Improving transparency in the procurement process:** our newly implemented SAP-based e-sourcing platform is assisting to manage and govern the procurement of goods and services in a transparent, fair and auditable manner.
- **Improving the supplier payment process (rest of Africa):** we have embarked on a formal project to align our sourcing, contracting and purchasing processes across Africa to the procurement operating model employed in South Africa.

16 146
suppliers

In 2014, we engaged with the Business Association of South Africa and it sub-committees on a range of issues including:

- Upcoming regulation (page 41).
- IT governance (page 45).
- Financial crime (page 71).
- Environmental and social risk management (page 108).
- Transformation and BEE (page 119).

Outside South Africa, we are members of organisations such as Chatham House and the Commonweath Business Council in the UK.



Our new-look branches are technologically advanced with self-service lounges that are fitted with new technology for customers to conduct internet and mobile banking transactions.

Part B

Our material issues

Determining our material issues

Identification

We interviewed over 85 internal stakeholders from across all business units, including:

- The chief executives of each business unit.
- Africa regional heads.
- Group Chief Risk Officer.
- Group Compliance Officer.

Prioritisation

The following inputs were used to verify and prioritise the various aspects of each material issue:

- A workshop with a selected group of external stakeholders.
- Day-to-day engagements with external stakeholders.
- Our code of ethics and values.
- Our strategy.
- Discussions among executive management.
- Risk management and regulation.
- Global challenges and national priorities.
- Sustainability indices.
- Review of peer reports and industry benchmarking.

Approval

Our material issues were reviewed and approved by the Group Social and Ethics Committee and informally communicated to two additional SBG board members in a planning meeting, who agreed that the issues were correct and material. Our material issues were reaffirmed in 2014.

Management and review

The determination of key performance indicators for measuring our management of our material issues is an ongoing process given the complex inter-relationships between the issues and their relevance to diverse areas of our business. Where required, systems are put in place to monitor and measure our performance. During 2014, we aligned the assurance process to our material issues, assuring absenteeism and the value of fraud frustrated for the first time. We also assured our regulatory advocacy process and our methodology to calculate energy savings.

Overview

Global Reporting Initiative – G4: 2, 18-21, 26 and 27

In formulating our strategy and determining our strategic priorities, we consider the full range of issues that influence the sustainability of our business and the social, economic and physical environments we operate in and which, in turn, have a direct impact on our future viability.

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the societies we operate in. In particular, material issues are those that have a strong bearing on our stakeholders' assessments and decisions about Standard Bank Group's (SBG) long-term sustainability and its commitment to their needs. We also take into consideration those factors that affect the financial stability and growth of economies and, in turn, our business. Effectively managing our material issues is critical to achieving our strategic objectives.

During 2013, we undertook an extensive exercise to update our material issues as set out in the diagram alongside. Six material issues, which are applicable across the group including Liberty, were identified. These issues, set out below, are inter-related and therefore not ranked in any particular order:

- Managing the opportunities and risks of our Africa strategy.
- Pace, volume and scale of regulatory change.
- Establishing and maintaining cost-effective, efficient and relevant information technology (IT) infrastructure.
- Knowing our customers and doing the right business with them in the right way.
- Attracting, retaining and motivating our employees.
- Delivering sustainable long-term financial performance.

Some of the more significant issues raised by external stakeholders were:

- Employees' ability to deal with complex transactions.
- Confidentiality of customer information.
- Transparency on how banking fees are determined.
- How we entrench our values and ethics across numerous geographies and cultures.
- Targets for the short, medium and long-term environmental and social management.
- Executive remuneration and the link to financial and non-financial performance.

Our analysis of how we manage these material issues and their impact on our operations revealed the intricate inter-relationships that exist between them. By way of a simplified example, managing the pace, volume and scale of regulatory change requires that we have IT systems in place that are flexible enough to enable adaptations to processes and procedures, and which allow for ongoing monitoring and compliance. This obviously has implications for the capabilities of our IT infrastructure and our investment decisions in relation to systems renewal. Changes in processes and procedures, and the underlying systems, also affect our customer and employee relationships, for instance through disruptions to customer service and the need for staff training. All of these factors have material cost implications that affect our financial performance. Dealing with numerous jurisdictions across Africa and beyond, which have different regulatory regimes, together with our commitment to complying with the highest standards of international banking regulation, adds many layers of complexity.

We have attempted to illustrate these complex relationships in the diagram below. We expect this to be a continually evolving process as determined by changes in the external environment in which we do business.

> A summary of our material issues follows from pages 26 to 31. Pages 32 to the end of this section present the detailed disclosure for each material issue.

Inter-relationships between our material issues

Managing the opportunities and risks of our Africa strategy

Why this is material

Rapid economic growth rates, increasing urbanisation and a growing middle class mean that Africa offers compelling opportunities for trade and investment. Annual average economic growth in sub-Saharan Africa has exceeded 5% for more than a decade, giving the continent a 4.1% share of global gross domestic product (GDP), up from 3.4% in 2000. By 2050, it is predicted that a quarter of the world's population will reside in Africa with at least 60% of the continent's people living in urban centres.

While opportunities for trade and investment can yield significant reward, the relatively recent emergence of some key economies onto global markets, the low base from which growth is being achieved and the under-development of key institutions requires a particularly effective risk approach and an appropriate risk appetite. To this end, we actively develop in-depth local knowledge and strong local partnerships, and understand the importance of taking a longer-term view. SBG's history and track record on the continent and our on-the-ground presence in 20 countries puts us at a particular advantage.

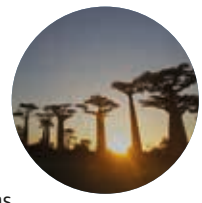
Given that our competitors are targeting the same opportunities as us, competition for local skills is fierce, which requires that we offer our employees a clearly defined value proposition. These specialist skills help determine our success on the continent, and as such we focus on hiring and retaining the right skills to service our customers. We also emphasise adherence to the compliance and regulatory environment we operate in.

Risks associated with this material issue

- Failure to be responsive and reflective of the markets we operate in.
- Capital and liquidity regulations constraining our ability to finance large infrastructure projects.
- Socioeconomic factors such as poverty and unemployment.
- Political unrest and conflict.
- Supply of electricity.
- The vulnerability of Africa to the effects of climate change.

The rest of Africa contributed 28% to SBG's headline earnings up from a 20% contribution in 2013.

Strategically material focus areas



- Growing headline earnings in the rest of Africa (pages 34 and 100).
- Attracting and retaining customers (page 54).
- Implementing core banking IT platforms in the rest of Africa (page 48).
- Transforming economies (page 119).
- Financing infrastructure development (page 128).

The capital trade off

financial capital is required to implement systems and build infrastructure

social capital is increased as we build relationships and contribute to socioeconomic development on the continent

human capital increases as we upskill our employees across the continent to meet customer needs

manufactured capital is required to deliver our products and services

our growth on the continent impacts **natural capital** as we require more resources to operate

Performance indicators

Standard Bank rest of Africa	**2015 target:** 35% of SBG's headline earnings
R4.9 billion	
headline earnings, 28% of SBG's headline earnings (2013: R3.5 billion)	✓ on track to meet target
Standard Bank rest of Africa	**Target**: 24%
21.5%	
return on equity (2013: 19.7%)	✓ on track to meet target
SBG	**No target**
R66 billion	
wealth created (2013: R60 billion[1])	✓ increased

[1] *Adjusted to account for the sale of the Global Markets business in London.*

Pace, volume and scale of regulatory change

Strategically material focus areas

- Managing regulatory change including regulatory advocacy (page 40).
- Twin Peaks (page 42).
- Market conduct including treating our customers fairly (page 62).

Why this is material

Emerging regulations whether capital requirements or market conduct, consumer protection and treating customers fairly (TCF) legislation, have far-reaching financial and strategic impacts. Several factors, including international reform of the financial sector following the global financial crisis and the South African Government's broader economic policy goals and priorities, are driving the volume of regulatory change. New regulation has extensive bearing on day-to-day operations, impacting processes as varied as talent management, pricing decisions and product design, as well as decisions around our ethics and culture. Banks face competing priorities with limited resources and as such the ability to manage the raft of regulatory change in a strategic, efficient and cost-effective manner has been identified as an important source of competitive advantage for SBG.

We aim not only to comply with the letter of new legislation, but to also be mindful of the goals intended behind these regulatory frameworks, which are typically aimed at protecting the greater social good. We will instil appropriate regulatory best practices to mitigate risk and create competitive advantage. In embedding regulatory best practice in our operations, we aim to ensure that we balance the interests of various stakeholders while supporting the long-term stability and growth of the markets we operate in and achieving our own growth aspirations.

The capital trade off

financial capital is required to **change IT systems** and internal processes to meet new regulatory requirements

social capital is increased as our strategic advocacy and engagement with government and regulators enhances our reputation as a responsible corporate citizen and mitigates risks

Risks associated with this material issue

- Disruptions caused by changes to processes and procedures to meet new regulatory requirements.
- Fines and sanctions incurred for non-compliance.
- Damage to corporate reputation.

Performance

- Engaged with regulatory stakeholders on a number of upcoming regulatory developments.
- Raised employee awareness around the Financial Sector Regulation (Twin Peaks) Bill.
- Continued with our bankwide regulatory change programmes and initiated two new programmes to ready ourselves for: a) the integration of payment systems across the Southern African Development Community (SADC) region and; b) foreign national reporting requirements for the Organisation for Economic Cooperation and Development (OECD) member countries.

Well-functioning businesses and markets require appropriate regulation to continue as constructive organs of society, to restore trust and to participate in the shared interest of maintaining stable and thriving African economies and societies.

Establishing and maintaining cost-effective, efficient and relevant IT infrastructure

Why this is material

The advancement of IT has brought about rapid changes in the way we do business including how we interact with and service our customers. Having previously been considered a support function within the organisation, IT is now a key enabler for achieving our strategy and we view IT as a strategic asset that creates sustainable value by enabling our growth and our ability to achieve operational excellence.

For the past eight years, we have made significant commitments to updating our IT infrastructure through various projects, some of which are ongoing such as our core banking transformation programmes. These commitments include consolidating, standardising and improving the efficiency of our IT infrastructure across our customer-facing business units and our group functions. We aim to build an agile and efficient digital bank for the future which will provide a consistent, efficient and valuable banking experience for our customers. This will also enable us to be agile enough to meet constantly changing regulatory requirements and contribute to our capacity to meet future demand as we grow in Africa. We are confident that these implementations and improvements will deliver business value in the medium to long-term.

Strategically material focus areas

- IT governance (page 45).
- IT risk management (page 46).
- Availability and stability of systems (page 47).
- Implementation and renewal of IT systems (page 47).
- Digital banking (pages 45 and 48).
- IT spend (page 48).

Risks associated with this material issue

- Failure or interruption of critical systems.
- Cybercrime.
- Unauthorised access to systems.
- Inability to serve our customers' needs on a timely basis.

Over 8.6 million and 2.5 million customer accounts in South Africa and the rest of Africa respectively have been migrated onto our new core banking platforms.

Performance indicators

SBG **R19.0 billion** IT spend (2013: R17.6 billion[1])	**No target** ✓ increased efficiency ✗ increased operating costs
SBG IT spend: **30.9%** of operational expenses (2013: 31.3%[1])	**No target** ✓ decreased
Standard Bank South Africa **98.7%** IT changes implemented successfully (2013: 88.1%)	**No target** ✓ increased
PBB South Africa **22 million** transactions on average facilitated each day (2013: 21 million)	**No target** ✓ increased

[1] *Adjusted to account for the sale of the Global Markets business in London.*

The capital trade off

financial capital and skilled **human capital** are required to build efficient IT systems

intellectual capital is enhanced as IT systems enable innovation

social capital is increased as IT enables affordable and accessible financial products and services

IT systems require **natural capital** resources to operate

Knowing our customers and doing the right business with them in the right way

Why this is material

To sustain our business performance we must remain responsive to the markets in which we operate by understanding our customers' different needs and expectations, and providing relevant products and services. Our ability to innovate will determine our success in this regard, while always remaining responsible in terms of the potential social, economic and environmental impacts. Our focus is to know who we are doing business with and how we are doing business with them while constantly being guided by our values.

Where our geographic footprint leads us to execute deals across borders, we comply with the highest set of standards across those jurisdictions.

Our good reputation is one of our greatest assets and therefore it is essential that we maintain our reputation for absolute integrity, for complying with our regulatory obligations and for doing the right business the right way.

Completed the roll out of our customer relationship platform, Customer1st, in South Africa. This is the next phase of achieving a true single view of our customers' interactions across the bank and a key part our TCF journey.

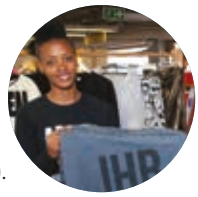
The capital trade off

financial capital and **manufactured capital** are required to increase our customer reach through relevant distribution channels and support our ability to innovate so that we are able to attract and retain customers

social capital is increased as we meet customer needs and expectations

skilled **human capital** is required to drive customer experience and make business decisions that meet regulatory requirements

Strategically material focus areas



- Attracting and retaining customers (page 54).
- Innovation (page 56).
- Treating our customers fairly (page 62).
- Secure banking (page 71).
- Lending and investing responsibly (pages 67 and 109).

Risks associated with this material issue

- Damage to corporate reputation.
- Not being relevant to market and customer needs.
- Credit risk.
- Inadvertent data breaches.
- Financial crime.

30 089 employees, including non-permanent employees, completed TCF training.

Performance indicators

Standard Bank South Africa **12.7 million** ✓ retail customers (2013: 12.7 million[1])	**No target** ✓ retained customers
Standard Bank rest of Africa **4.0 million** active retail customers (2013: 3.7 million[1])	**No target** ✓ increased
Standard Bank South Africa **26 548** customers assisted through Credit Customer Assist with a total loan obligation of R15.7 billion (2013: 26 019 customers with a R12.9 billion loan obligation)	**No target** ✗ more customers requiring assistance and a higher total loan obligation
SBG excluding Liberty **R3.2 billion** ✓ potential fraud frustrated (maximum exposure) (2013: R1.6 billion)	**2014 target:** to increase the amount of fraud frustrated compared to 2013 ✓ increased

[1] *Restated due to internal changes in segment rules.*

Attracting, retaining and motivating our employees

Why this is material

People who are empowered and motivated to excel are core to SBG's success. Finding, keeping and developing the right people also strengthens our competitive advantage in an industry with similar revenue opportunities, product offerings, risks and regulatory challenges. Our people are also the custodians of customer experience and brand, and as such are crucial to our ability to realise our customer centric strategy. As such our new guiding principles, developed as part of our strategy refresh, emphasise the importance of empowering our people and developing great leaders.

In attracting new people, we value a passion for the business and for Africa. In return we commit to developing individuals, building effective teams and upholding a high performance culture that recognises integrity and accountability. While we drive universal management models, we value the uniqueness and diversity of our African operations. The common threads that bind our diverse operations together are our deep heritage, embedded values and clearly defined culture, which together differentiate us as an employer.

Employee insight obtained from surveys undertaken in 17 African countries, including South Africa, with a 58% response rate.

The capital trade off

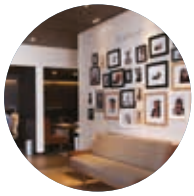
financial capital is required to ensure that our remuneration structures are competitive

social capital is increased as we meet the needs and expectations of our people

enhanced **IT systems** promote self-service channels which are less human capital intensive

we require the support of our people to meet our targets to reduce our impact on **natural capital**

Strategically material focus areas



- Employee engagement (page 79).
- Our workforce (page 80).
- Leadership development (page 87).
- Human capital development (page 86).
- Remuneration (page 89).

Risks associated with this material issue

- Failure to attract, motivate and retain talented employees.
- Loss of key talent and critical skill impacts succession plans and institutional knowledge.
- Imbalances in equal opportunity for all employees.
- Absenteeism.
- Shifting regulatory and legislative landscape.

Performance indicators

SBG **49 259** ✓ employees (2013: 48 808)	**No target** ✓ acceptable increase
SBG **10.5%** ✓ employee turnover rate (2013: 13.2%)	**No target** ✓ decreased
SBG **R746 million** training spend (2013: R638 million)	**No target** ✓ increased
SBG **3 188** participants in leadership development programmes (2013: 2 858)	**No target** ✓ increased
Standard Bank South Africa **38.5%** black representation at senior management (2013: 37.7%)	**2014 target:** 41.0% ✗ target not met
Standard Bank South Africa **15.7%** black women representation at senior management (2013: 15.2%)	**2014 target:** 17.2% ✗ target not met

Delivering sustainable long-term financial performance

Why this is material

Remaining financially sustainable means we are able to access the capital we need to invest in our infrastructure, projects and businesses, which in turn enhances our ability to service our customers and meet their needs. Our shareholders, as providers of financial capital, depend on us to continue delivering an acceptable financial performance to enable us to pay dividends and grow the value of their investment.

Our continued financial performance also enables us to create and sustain employment, which benefits the countries we operate in. It also enables us to remain a significant contributor to national treasuries through the taxes we pay.

Our ongoing investment in our business ensures that we remain competitive and sustainable, and thus able to continue to make a positive contribution to our host countries.

The capital trade off

investor capital and capital retention are required to support future growth

manufactured capital enhances our customer reach and the products and services we can provide, ultimately increasing financial capital

our contribution to **social capital** positions us to be the bank of choice and increases our ability to attract new customers

competitive salaries and development opportunities enable us to attract the **caliber of staff** required to meet our strategic objectives

reducing our **natural resource** consumption, reduces operational costs

Strategically material focus areas

- Our strategy (page 32).
- Financial performance (page 100).
- Our brand (page 103).
- Capital management and liquidity risk (page 101).
- Environmental and social risk management (page 106).

Risks associated with this material issue

- Changing economic and political conditions.
- Decline in investor confidence.
- Failure to build brand awareness.
- Inability to effectively meet expected and unexpected current and future cash flow and collateral requirements.
- Rising electricity and water costs, as well as the availability of these resources to carry out day-to-day business activities.

Performance indicators

SBG **12.9%** return on equity (2013: 14.1%)	**Medium-term target:** 15 – 18% ✗ decreased
SBG **54.5%** cost-to-income ratio (2013: 56.8%[1])	**No target** ✓ decreased
SBG **R17 323 million** headline earnings (2013: R17 194 million)	**No target** ✗ increased but not at the rate of market expectations
SBG **1.00%** credit loss ratio (2013: 1.12%[1])	**No target** ✓ decreased
SBG **12.9%** tier I capital adequacy ratio (2013: 13.2%)	**Target:** 10.5 – 12.5% over the medium to long-term ✓ decreased but still above target

[1] *Restated.*

Managing the opportunities and risks of our Africa strategy

Africa opportunities

- Our relationship with the Industrial and Commercial Bank of China (ICBC) facilitates joint initiatives and trade flow between Africa and China.
- Growth in the mining and energy industries in sub-Saharan Africa, and oil and gas discoveries in East Africa.
- African governments' investment in infrastructure.
- A growing middle class and increasing urbanisation.
- Untapped markets for wealth management and insurance services augurs well for bancassurance.
- Economic growth exceeding 5% a year for the past decade.

Africa challenges

- Market volatility.
- The slowdown in growth in China and the decrease in demand for natural resources globally.
- Increasing competition in financial services across the continent.
- High cost of building distribution and systems infrastructure.
- Availability of local talent.
- Instances of ineffective institutional capacity, onerous bureaucracy and corruption.

Our deepening understanding of local dynamics and first-hand insight into individual markets in Africa support our ability to identify and realise growth opportunities while applying responsible risk considerations.

2014 highlights

Implemented robust **governance frameworks** in all our African subsidiaries, including board reviews.

Standard Bank Mozambique celebrated its **120th anniversary.**

Opened a representative office in **Côte d'Ivoire**.

Made changes to the Personal & Business Banking (PBB) rest of Africa **management team** to help empower and strengthen local management, drive a sales culture and move to digital banking.

The **60% sale** of our London-based Global Markets business to ICBC was concluded at USD690 million (R7.5 billion) in February 2015. We intend to use some of the proceeds from the sale to facilitate expansion in Africa.

Rest of Africa

22%

growth in revenue from R19.8 billion in 2013 to R24.2 billion in 2014

Rest of Africa

28%

contribution to SBG's headline earnings up from a 20% contribution in 2013

Our vision is to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value. Key to achieving this vision is to execute on our strategic intent to drive Africa's growth by connecting African economies to each other and to the rest of the world. Our footprint on the continent is unique and positions us to take advantage of the continent's increasing prominence in global trade and capital flows. Our strategic relationship with ICBC gives us access to Chinese clients and strengthens our capacity to connect this economic powerhouse to Africa. It also enables us to access capital from China, reinforcing our ability to finance large transactions.

Our strategic intent requires that we deploy the majority of our capital in our growth markets in Africa and as a consequence we have systematically restructured our international operations over the last few years to increase the availability of capital and other resources for this purpose. A key focus for Corporate & Investment Banking (CIB) in 2014 was the sale of 60% of the London-based Global Markets business to ICBC. A key motivator for the transaction was the unsustainably high costs associated with the London-based bank when considering the revenue we are able to generate. We have however retained 40% of the business to maintain our presence in international markets; a key aspect of our Africa-focused strategy.

Finalised in February 2015, the sale has received regulatory approval from the South African Reserve Bank (SARB), the China Banking Regulatory Commission and the United Kingdom's (UK) Prudential Regulation Authority. The transaction strengthens our relationship with ICBC and ensures that our African operations still have access to global pools of capital. The new joint venture, with operations in Dubai, Hong Kong, London, New York, Shanghai, Singapore and Tokyo, will provide trading services in commodities, foreign exchange, interest rates, credit and equities to clients worldwide. This positions us to grow our remaining Global Markets business as African corporates increasingly demand access to international markets and international corporates demand access to African opportunities. The joint venture allows us to support the trading requirements of our existing clients with full and uninterrupted access to all distribution channels. The proceeds of the transaction will be used to further our growth strategy across the African continent.

In keeping with our strategic focus on Africa, we have agreed to sell Banco Standard de Investimentos SA, our operation in Brazil, to Grupo Financiero Inbursa SAB.

2014 EMEA Finance's Africa Banking awards

Best Investment Bank in Africa, as well as in Angola, Botswana, Kenya, Mozambique, Rwanda, South Africa, Tanzania and Uganda

Best Bank in Namibia and South Africa

Best Broker in Nigeria and South Africa

Boundaries of impact: Africa strategy

Internally: whole organisation, employees

Externally: shareholders, customers, regulators, governments, suppliers, communities

Board committees

SBG Board of Directors (SBG board)

Group Risk and Capital Management Committee

How we contribute to Africa's growth and socioeconomic development

Our most powerful socioeconomic contribution comes directly from our core business which channels capital into African economies …

SBG generates revenue, creating wealth for shareholders, employees and communities (page 118)

SBG contributes to employment and hires locally where possible (page 121)

SBG procures from local suppliers (page 123)

CIB finances sectors that enable economic diversification and address country sustainability risks (page 35)

SBG extends credit to businesses and individuals (page 118)

CIB supports multinationals wanting to grow into Africa (this section)

SBG supports local governments through banking services and taxes, and participating in national development plans (pages 118, 121 and 128)

PBB South Africa provides inclusive banking services (page 130)

PBB supports small business and entrepreneurs (page 135)

CIB facilitates trade on the continent and with the rest of the world (this section)

… which drives growth and development, in turn helping to address factors such as poverty and unemployment

South Africa remains our biggest market, in terms of customers, products, mortgages and trade finance. South Africa's contribution to group headline earnings was 72% in 2014 (2013: 64%).

South Africa

We are committed to defending our position in South Africa and will continue to pursue opportunities to grow local market share. As the group's biggest subsidiary and contributor to earnings, the capital we generate in our domestic operation enables us to improve our competitive position in other markets and to make the investments necessary to drive innovation.

South Africa's deep socioeconomic inequalities remain the dominant threat to national stability. Labour unrest continued to impact growth and foreign investment negatively in 2014. Likewise, policy uncertainty also puts downward pressure on investment in the country. For businesses, particularly those in the natural resources sector, sharp wage adjustments and increases in overhead costs are factors that affect their sustainability, competitiveness and credit worthiness. Given the current economic climate, together with the challenges facing domestic electricity supply, it is unlikely that South Africa will achieve the growth rates necessary to grow manufacturing capacity, reduce unemployment and improve living standards in the near term. In addition, the start of an interest rate hike cycle coupled with higher food and transport inflation is putting strain on consumers, driving higher debt levels particularly among low-income earners. This limits our ability to extend credit and can result in a higher number of non-performing loans. However, some relief is likely to occur from the fall in the price of oil, which has resulted in downward revisions to inflation expectations and upward revisions to growth forecasts due to higher real disposable income for households. In this environment of constrained revenue opportunities, defending our market shares and diligently managing our costs is crucial to staying profitable and ensuring we can continue to execute our strategy.

We support the South African Government's National Development Plan (NDP), which aims to address critical issues such as unemployment, poverty and inequality. We are involved in a number of high-level government/business working groups given our experience in providing inclusive financial services and financing major infrastructure projects, which the NDP promotes.

To compete effectively and meet our growth objectives, we must be able to attract talented people. On the World Economic Forum's 2014/2015 global competitiveness index, South Africa was placed 133rd out of 144 countries for primary education. Of concern is the number of school leavers who do not have the skills and competencies required to drive and sustain economic growth. For this reason, education remains the core focus of our corporate social investment (CSI) spend as well as being a primary focus of the NDP.

Rest of Africa

Africa is where SBG is targeting future earnings growth, and as such we have placed Africa at the centre of our strategy. Many countries have achieved annual real GDP growth of between 5% and 8%. Growth in sub-Saharan Africa continued on this trajectory into 2014, supported by foreign direct investment in the resource sectors, public investment in infrastructure and improved agricultural production. We have a presence in all the high-growth markets in sub-Saharan Africa, with a portfolio of operations ranging from the majority that are well-established, profitable and delivering satisfying returns on investment, to those that are still in their infancy.

Given the unique risk environments in each operating country, during 2014 we worked hard to embed governance and compliance minimum standards throughout our operations. We focused on building strong leadership teams and strengthening governance oversight abilities of country boards of directors, shifting greater accountability for and ownership of performance to subsidiaries. We also worked to enhance support of our teams in the rest of Africa to enable these operations to reach profitability. Our efforts have resulted in an overall increase in revenue from our rest of Africa operations. Headline earnings in 2014 were up by 40% to R4.9 billion (2013: R3.5 billion) and return on equity rose from 19.7% in 2013 to 21.5%. Revenue growth increased 22% on the prior year. We believe that the greatest opportunity for increasing performance over the next five years lies in PBB Africa, which accounted for the fastest growth in revenue in 2014.

We emphasised building stronger relationships with the public sector in 2014 and put in place programmes to increase our engagement with governments and regulators in each operating country. For example, in Nigeria these relationships are crucial to building our Islamic Banking offering and in Ghana we engaged with government on achieving macroeconomic stability. We work with African governments to support their socioeconomic development objectives, which are central to the ongoing viability of the markets we depend on for our sustainable growth.

Our operation in South Africa is also supporting domestic multinationals in their expansion on the continent, particularly into countries such as Angola and Mozambique. We add value through the interconnectedness of our operations and platforms across Africa and internationally, which aids the growth of their businesses as we are able to support their value chains and facilitate transactions across borders. Standard Bank acted as the co-financial and debt advisor, lead debt provider,

transaction sponsor and joint bookrunner and underwriter to Woolworths in South Africa in its transformational cross-border transaction to acquire Australia's second-largest department store chain, David Jones. This transaction positions Woolworths as a leading retailer in the southern hemisphere and highlights our capacity to support the growth strategies of our domestic clients.

Opportunities

Corporate and investment bank

The mining and metals, oil and gas, and power and infrastructure sectors, as well as those sectors that support them, remain central to Africa's development and core to CIB's strategy. These sectors are supported by investment in exploration, production, transport infrastructure, facilities management and other downstream activities. All of which depend on financial services to facilitate foreign investment and trade. As such we have committed to investing in expertise and capability in critical sectors such as financial institutions, consumer, real estate and telecommunications. We have opened a representative office in Côte d'Ivoire, as with more than 150 clients active in Francophone West Africa, it is vital that we offer a presence in the region. CIB's Africa strategy has focused on developing a powerful on-the-ground presence across the rest of Africa, which today contributes 45% to the franchise's total revenues (compared to 27% in 2011).

The oil and gas sector is a core focus area for the bank. Oil and gas discoveries in the East African rift valley have the potential to transform the region's economies, particularly those of Ethiopia, Kenya, Mozambique, South Sudan, Tanzania and Uganda. As several projects in East Africa are scheduled to come on stream at similar times, it is likely that East Africa will experience an oil and gas-led boom in the remaining decade. In addition, East Africa's gas is accessible to India and the Far East where demand for energy continues to grow. We expect total demand for petroleum products in East Africa to treble by 2030 with Kenya likely to remain the largest market in the region.

History has shown that upstream oil and gas operations can be a major catalyst for the wider expansion of any economy. Upstream investment produces tax revenue for the host nation, funding for new infrastructure such as roads and ports, cashflow for domestic businesses and potentially cheaper domestic energy solutions. Downstream demand for petroleum products requires massive infrastructural investment in pipelines, refineries, storage and distribution. The development of the sector across Africa is at an early stage and will remain a strategic priority for the group for the foreseeable future. The sector requires considerable capital inflows which may be a challenge to access given the stronger performance of other emerging markets such as South East Asia. The risk of insufficient access to capital is mitigated through ensuring the widest pool of investors, and we are uniquely positioned to assist in attracting global capital to Africa.

"The story is really about individual economies and how they contribute to the continent-wide power of Standard Bank. There are attractive propositions country by country, however one cannot underestimate the sheer value of our portfolio of businesses across the continent. You put the whole together and it's considerably bigger and more valuable than the individual parts. Where we really add value is in connecting these opportunities on the ground in Africa to multinationals that are looking to create access to new markets for themselves, make investments and deploy capital."

– David Munro, Chief Executive Corporate & Investment Banking.

Engagement in 2014

Hosted the Africa Investor Conference in London for the fourth consecutive year, bringing together our clients, investors and teams to showcase the opportunities on the African continent and aid further investment.

Standard Bank Africa Investor Conference

Attended by Joint Group Chief Executive, Sim Tshabalala, the summit facilitated discussions on expanding new business in Africa, financing the Africa of tomorrow and leading developments in infrastructure.

United States Africa Leaders Summit

Joint Group Chief Executive, Sim Tshabalala, presented two sessions on *Driving Sustainable Growth through Shared Infrastructure Models in Mining and Minerals* and *The South-South Advantage*, focusing on Africa's trade with the BRICs (Brazil, Russia, India and China).

World Economic Forum Annual Meeting, Davos

Showcased selected countries from across sub-Saharan Africa, giving them a platform to highlight trends and opportunities for growth and investment across various sectors. Standard Bank was a key sponsor.

Africa Trade Series

Our opportunities to fund infrastructure and energy projects can be found on pages 128 and 147.

Also of significance is the United States' move towards revitalising its commercial and trade links with Africa. For example, President Barack Obama's Power Africa Initiative, launched in 2013, aims to double access to power in Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania. The United States Government has committed more than USD7 billion (R76 billion) in financial support and loan guarantees to the project over the next five years. This commitment has been doubled by private sector partners who have pledged a further USD14.7 billion (R159.4 billion) in project finance through direct loans, guarantee facilities and equity investments for the initiative. Standard Bank's commitment is set out on page 20.

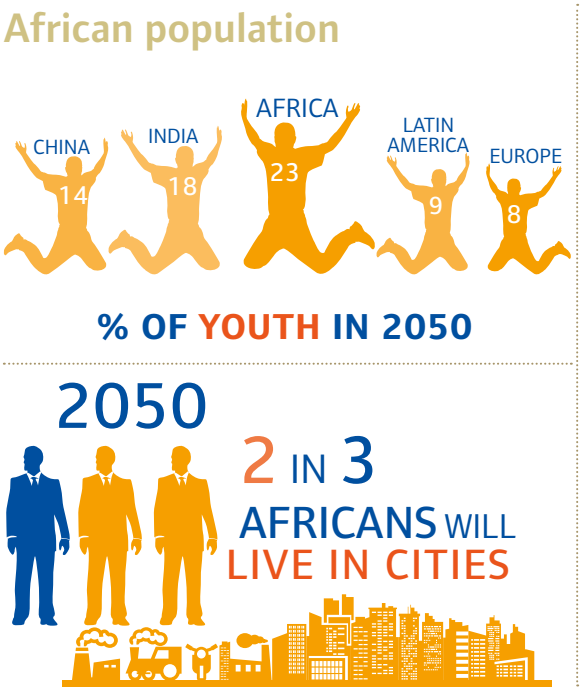
Retail banking

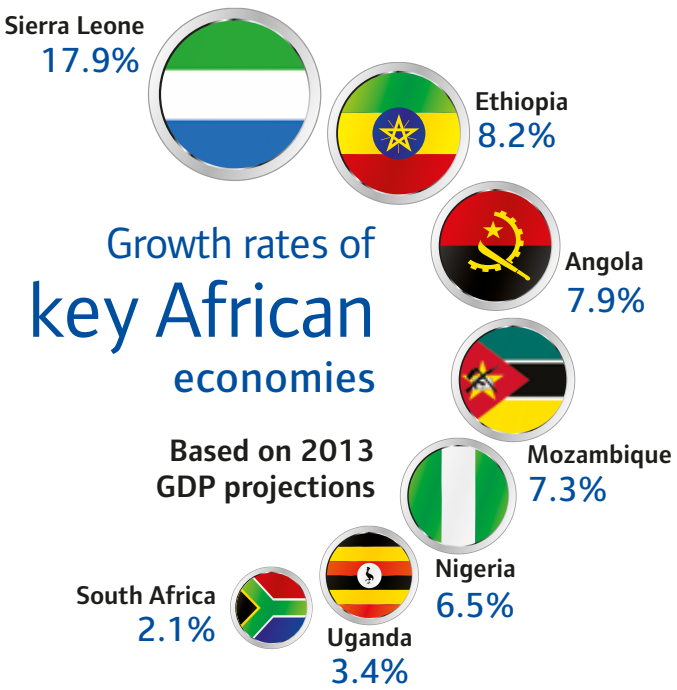
Africa's emerging middle class is driving large-scale diversification of the continent's economies. In Nigeria, the number of people defined as middle class has grown 600% since 2000. In Angola, 21% of households are considered middle class followed by Sudan at 14% and Zambia at 10%. The number of mobile phone users in Africa has multiplied 33 times since 2000 and in the next five years it is likely that almost every adult African will have a mobile device. Over 50% of urban Africans are already online, a figure that is likely to grow rapidly over the next decade. This creates good growth opportunities for foreign technology companies and the retail sector across the continent.

We have a good infrastructure network and product set in Africa. The agriculture and business banking sectors are priority areas for PBB given their significant role in the GDP growth of most African countries and their contribution to employment. Our Business Banking sales application (app) enables us to conduct comprehensive needs analyses for small and medium enterprises (SMEs) against which we can recommend appropriate products. Our focus is on transactions and deposits, with growth finance being offered once we understand the SME's business and trading performance. In the agriculture sector we bank a number of large commercial organisations in a broad range of sub-sectors such as tea, coffee, flora, sugar, maize, barley, poultry and livestock. Risks in commercial agriculture are considered moderate as customers are typically able to absorb market and commodity volatility. To tap into the opportunities offered by the agri-processing side of the value chain, we enter into joint ventures with other corporates. While of high importance in South Africa, the Inclusive Banking business is of a lesser priority for PBB Africa. In the larger markets where we have only been operational for a limited amount of time, our focus is more on middle to higher tier customers until we reach greater maturity.

Wealth and insurance

The opportunity for wealth management and insurance services in Africa is substantial, given that only 3% of Africans have any form of insurance. As the African middle class expands, demand for these products will rise. We are launching new low-cost investment and risk products tailored for the African market. Bancassurance, insurance products distributed through Standard Bank's channels, is offered in 14 African countries, including South Africa, and is supported by life insurance offerings from Liberty Life Africa in Botswana, Kenya, Namibia, Swaziland and Uganda. Through Heritage Insurance we provide short-term insurance in Kenya and Tanzania. We also have asset management businesses in eight





African countries outside South Africa to support the wealth management needs of our customers.

Standard Bank Wealth has been established to consolidate our non-banking financial services across the group. This business unit will be responsible for leveraging the group's existing competitive advantages in the wealth markets of South Africa and the rest of Africa. It will enhance PBB's service offerings, drive additional penetration and will attempt to realise the potential that exists between CIB and the wealth businesses. It will also be responsible for high net worth wealth management. A small central team of highly skilled executives has been established to strengthen the group's focus on developing the wealth franchise in partnership with PBB, CIB and Liberty. As this integration takes effect, we expect a growing contribution to headline earnings from our non-banking financial services.

Challenges

We must consider that: *the markets we operate in are not homogenous and economies are not as closely connected as is sometimes believed.*

The amount of business we can generate depends largely on commodity prices, the appetite for investment in Africa and the levels of capital we are able to lend responsibly within the constraints of our risk appetite. A particular challenge in working on the continent is the sheer variety in cultures and languages both within and across countries. To be locally relevant we must develop a nuanced understanding of each country, its people and culture, and the regulatory and competitive environment.

China's growth rate is likely the most fundamental driver of Africa's development. According to our research, it is estimated that Sino-Africa trade reached USD210 billion (R2.3 trillion) in 2013, up 6% when compared to 2012. Our estimates also show that China has extended lending to African governments of between USD30 billion and USD40 billion (R325 billion and R434 billion), the bulk of which has been used to improve infrastructure on the continent. If China's growth slows, coupled with weakening global demand, the market for Africa's natural resources will contract and commodity prices will weaken, leading to delays or cancellation of projects. Given the national significance of these projects, this will put pressure on countries' fiscal and current account metrics.

Factors that constrain investment in Africa include internal political conflict and socioeconomic factors such as income inequality, youth unemployment and corruption, as well as inadequate institutional capacity, onerous bureaucracy and ineffective legal and regulatory systems. Regulatory change is required to encourage and safeguard investors, secure investment for infrastructure and allay concern about potential corruption. At the same time, the cost to comply with unilateral regulatory changes is high given our presence in numerous countries. In addition, most of the countries in which we operate have developing economies where local currency liquidity is often placed under pressure. Our governance processes ensure that our exposure to liquidity risk is actively measured and managed according to the highest global standards, which take precedence over country regulatory requirements.

Our core banking systems and omni-channel distribution networks form the basis of our market share growth in the rest of Africa. However, building this infrastructure fast enough to compete is a challenge. Increased competition from local and international banks on the continent, as well as non-bank competitors, is providing customers with greater choice in choosing a financial services provider. The cost of building and maintaining a presence across the continent has an impact on our return to shareholders, as building infrastructure in locations convenient for our target markets and advancing technology platforms is costly. This cost is at times exasperated by erratic supply of electricity, and poor communication and transport networks. For instance, in Nigeria we have built a large branch network which has weighed on the returns from the rest of Africa operation. However this investment, together with our investment in advancing Stanbic IBTC Bank's technology, is critical to our competitiveness in the country and ability to innovate, which is necessary in an increasingly crowded market. Hence we need to carefully balance these costs against shareholder returns and future growth.

Credit risk in both the small-scale agriculture and SME sector is high. In certain instances, SMEs rely on a single contract as their only source of repayment, so if payment is delayed, the impact on the business is significant. Interest rate spikes also create challenges for these businesses, as well as the fact that often they do not have capital to borrow against and financial management skills are poor. While demand for credit solutions in the small-scale farming sector is high, the models used in the past have been unsuccessful. We are testing new models in Malawi and Zimbabwe which to date are looking positive.

The biggest challenge for our bancassurance offering is diverse regulatory requirements that can at times create barriers for expanding this business. We engage with regulatory authorities to influence positive regulatory change in line with international bancassurance legislative trends.

i How we are responding to these opportunities and challenges can be found throughout this report particularly in:

- Standard Bank Wealth – page 43 of the 2014 Annual Integrated Report.
- Our self-service channels – page 49.
- Our contribution to socioeconomic development – page 116.
- Human capital development – page 86.

Hiring talented and experienced bankers locally continues to be a challenge in some countries. To create our own talent pipeline, our talent management and leadership development programmes are aimed at nurturing the skills we need to meet our strategic objectives. To drive profitability, development programmes are in place for all country chief executives. Our people management focus includes building morale and increasing engagement with our employees to ensure that our employees in the rest of Africa feel part of the group.

The Ebola Virus Disease (ebola) outbreak in West Africa was a challenge particular to 2014. Our operation in Nigeria was most vulnerable to the epidemic and our response was quick, including the implementation of employee awareness raising and hygiene initiatives, as well as rules put in place for employees when travelling. Our campaign in Nigeria targeted both our customers and employees.

Looking forward

While we remain firmly aware of the challenges of doing business in Africa and in growing our franchises in line with our strategy, we believe these are outweighed by the opportunities open to us, given our unique competitive position on the continent. More specifically, business growth and the growth in the middle class are advantageous for PBB, whereas CIB is ideally placed to provide advisory services to and to facilitate investment in Africa through providing the capital required by multinationals and African corporates that want to expand their operations on the continent. Broadly, we are focusing on:

- Opening a representative office in Ethiopia to assist our clients who are interested in investing in the country.
- Continuing to leverage our investments to achieve growth rates above the GDP growth rates of the respective economies we operate in.
- Continuing to embed group compliance and governance standards in our operations in the rest of Africa.
- Delivering an omni-channel offering and a consistently superior customer experience.
- Building strong teams that are empowered to make sound and locally relevant business decisions, aligned to our values.
- Developing an employee experience to ensure that we attract local talent and that our teams are engaged, competent and deliver high levels of performance.

Standard Bank de Angola's branches are designed with modern lines, influenced by the architecture trend that is rebuilding the Angolan capital, Luanda.

Pace, volume and scale of regulatory change

Regulatory opportunities

- The strategic management of regulatory change can result in competitive advantage.
- Our contribution to legislative development helps us find common ground with regulatory stakeholders, which enhances our reputation as a responsible corporate citizen.
- Meeting legislative requirements in respect of consumer protection enhances our ability to attract and retain customers.

Regulatory challenges

- The impact of cumulative and aggregate regulatory change on operating costs, particularly with respect to IT systems and people.
- The impact of new regulatory requirements across multiple areas of the group.
- The volume of regulatory changes across jurisdictions.
- Retraining employees to ensure they understand the intent of, and operate according to, new regulatory standards.
- Regulatory uncertainty which can constrain project planning.

In South Africa, we track regulatory developments, policy papers, and laws that impact Standard Bank – in 2014 we tracked a total of 33 issues (0.63 matters per week) and responded to 52%.

2014 highlights

We participated in the **parliamentary public hearings** on the National Credit Amendment Act in South Africa.

Raised awareness of the implications of the Twin Peaks model of regulation throughout Standard Bank South Africa.

Became a member of the **Association for Financial Markets** in Europe.

Held two regulatory dialogues where speakers from **National Treasury** and the **SARB** addressed our executive teams on emerging regulation.

SBG excluding Liberty

43 051

employees received compliance training, with 464 652 courses having being successfully completed

SBG excluding Liberty

33 690

employees received training on treating customers fairly

Boundaries of impact: regulatory change

Internally: whole organisation, employees

Externally: shareholders, customers, regulators, suppliers, peers, communities

Board committees

SBG board

Group Risk and Capital Management Committee

Group Audit Committee

Group Social and Ethics Committee

Memberships and strategic partnerships

- Agricultural Business Chamber.
- Association for Financial Markets in Europe.
- Association for Savings and Investment in South Africa, for the long-term insurance sector.
- Association of Corporate Treasurers of South Africa.
- Banking Association of South Africa.
- Business Leadership South Africa.
- Compliance Institute of South Africa.
- Direct Marketing Association.
- Financial Planners Institute.
- International Institute of Finance.
- International Swaps and Derivatives Association.
- Payments Association of South Africa.
- South African Insurance Association, for the short-term insurance sector.
- South African Institute of Chartered Accountants.

Monitoring mechanisms

- We track the number of regulatory matters with implications for the financial sector published for comment by regulatory authorities. In 2014, we responded to authorities on 52% of proposed and draft policies, laws and regulations.
- External assurance: regulation tracked and response rate.

Managing regulatory change

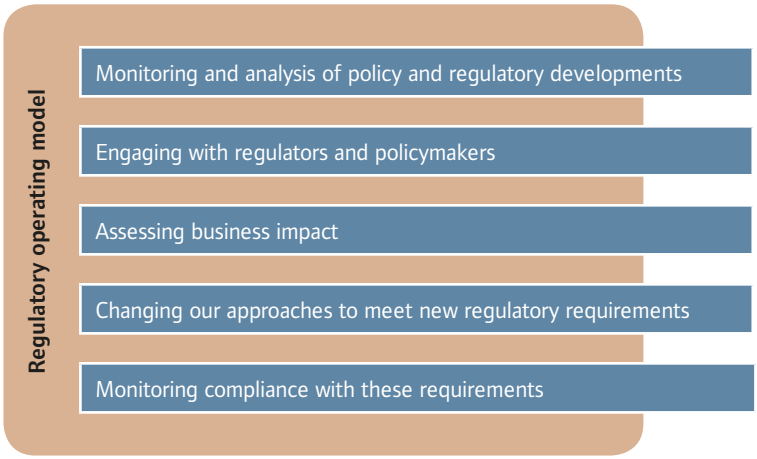
Global Reporting Initiative – G4: 26 and 27

Our approach

The fluid nature of the regulatory process can be challenging and impacts organisations' ability to plan effectively. Ambiguity in regulation can lead to inconsistent or ineffective application of regulatory requirements within the industry. Short lead times for implementation is another particular challenge given the extensive changes new regulations can necessitate for business processes and IT systems. In addition, the moves by regulators to introduce global standards and greater supervisory coordination creates inconsistencies across and gaps in implementation between jurisdictions. This may distort competition between market participants, increase the cost of intermediation and lead to regulatory arbitrage. Another consequence of the inconsistent application of international regulation is the complexity it creates for multinational banks in managing risks and business lines across cross-border operations. Regulation emanating from developed economies is also at times inappropriate for the economic needs and circumstances of emerging markets. Finally, banks are faced with the challenge of ensuring compliance in a fast-paced regulatory environment while continuing to focus on attracting and retaining customers and driving down operational costs.

SBG actively manages these challenges and our regulatory operating model is designed to do so in a strategic, coordinated and cost-effective manner. The Group Regulatory and Legislative Oversight Committee, a management committee, is the primary governance structure responsible for ensuring that the bank understands and proactively responds to the dynamic policy and regulatory environment.

Regulatory operating model



The regulatory operating model is a mechanism which facilitates the implementation of regulatory change programmes across all our operations. Recent changes for which the mechanism was used include TCF, the Protection of Personal Information (POPI) Act, the Foreign Account Tax Compliance Act (FACTA) and the Balance of Payments Reporting requirements (BOPCUS).

The committee's responsibilities include:

- Monitoring and raising awareness of relevant regulatory developments, both within our operating countries and globally.
- Communicating potential business impacts associated with these developments.
- Developing a cohesive and appropriate advocacy and business response.
- Engaging with relevant stakeholders to influence developments in the strategic interest of the bank and in line with our position as a responsible corporate citizen.

The Regulatory Change Management Committee meets monthly and makes recommendations to the Regulatory and Legislative Oversight Committee regarding the impact of and proposed implementation programmes for new regulatory requirements. Monthly reports on regulatory developments are considered by the SBG Management Committee and material regulatory issues are reported quarterly to the Group Risk Oversight Committee. Other governance structures, including the Group Social and Ethics Committee, the Group Regulatory Compliance Committee and the Group Audit Committee, have related responsibilities. Liberty is represented on the Group Regulatory and Legislative Oversight Committee and the Group Risk Oversight Committee, and interaction on regulatory developments takes place between Standard Bank and Liberty on a regular basis.

Our Regulatory Advocacy team, situated within the Group Risk enabling function, develops and implements the bank's responses to emerging regulations. The Group Compliance unit supports the group in ensuring that the business it conducts complies with relevant statutory, supervisory and regulatory requirements and maintains jurisdictionally appropriate operating models in each business unit. A groupwide online tool, Regulatory Tracker, provides information on the latest regulatory developments material to the bank.

Our IT teams work closely with our regulatory, risk and compliance committees to ensure our IT systems are appropriately aligned to regulatory changes. A large portion of CIB's IT investment is compliance related, particularly in projects implemented to comply with European Market Infrastructure Regulation, the Dodd Frank Act, the FATCA Act and the BOPCUS reporting system. This continued to be a priority in 2014.

Regulatory advocacy

SBG contributes to the development of policy, legislation and regulation through submissions to the relevant authorities, as well as through regular engagement with policymakers, law-makers and regulators. Our approach to regulatory advocacy is to promote constructive engagement guided by our aim of promoting a regulatory framework that is unambiguous, cohesive and practical, and that minimises unintended consequences. We seek to understand the policy imperatives

Our regulators

Our banking operations are regulated and supervised in each jurisdiction by the host country regulatory authorities, with consolidated supervision by South Africa's primary banking regulator, the Bank Supervision Department of the SARB. In addition to the SARB, our key South African supervisory bodies include the Financial Services Board (FSB) which regulates the non-banking aspects of the financial services industry, the Financial Intelligence Centre which oversees money laundering and terrorist financing control, and various regulatory bodies related to financial markets. The National Credit Regulator is responsible for regulating the South African consumer credit industry. The National Consumer Commission established under the Consumer Protection Act deals with general consumer issues and a number of specific ombuds functions, governed by the Financial Services Ombuds Schemes Act, are in place for financial services customers. A new Information Regulator will be established under the auspices of the POPI Act.

Regulatory monitoring

As a multinational organisation which trades with international counterparties, we monitor and consider emerging regulatory developments, notably those in the United States and the European Union, (EU), to ensure that we are appropriately equipped to meet international legislative requirements.

Compliance training

Compliance training and awareness raising play a key role in sustaining a culture of compliance within the group and in mitigating compliance risk. Training and awareness initiatives provide information on specific regulatory developments and enable us to entrench compliance values at every level of the organisation. All employees are required to complete mandatory regulatory and business compliance training. Interventions are delivered through various means, including staff induction programmes, e-learning, face-to-face training and focused activities such as flyers, posters and desk drops. The training framework is standardised across SBG, with jurisdictional content managed locally, as appropriate.

Our ethics, values and our commitment to being a responsible corporate citizen guide us in our approach to regulatory advocacy.

behind regulatory change and work with regulatory stakeholders to find solutions that are in the common interests of the country, the economy and the financial services sector.

Specific to Standard Bank, our engagement with regulatory stakeholders in South Africa is ongoing through formal meetings, onsite visits and compliance inspections. Our Regulatory Dialogue Programme invites regulators to address our executive teams on emerging regulation. In 2014, we held two dialogues, focusing on prudential and payments regulation with speakers attending from National Treasury and the SARB. We also engage with regulators through various industry associations and we participate in forums established by regulators such as the SARB's Financial Markets Liaison Group, National Treasury's Prudential Working Committee and the National Credit Regulator's forum to discuss the debt review system with credit providers.

During 2014, we participated in the parliamentary public hearings on the National Credit Amendment Act and we continued to engage with the National Credit Regulator and Department of Trade and Industry on consumer credit affordability regulation. We made a submission on the draft Twin Peaks Bill and we are leading a process within the agricultural sector to respond constructively to the South African Government's proposals on land reform and tenure rights for farmworkers. We also engaged on the unintended consequences of EU financial sector regulation on emerging markets.

Operating across multiple jurisdictions

The pace of regulatory change in Africa is rapid as regulators in developing markets collaborate and learn from each other. This means that we need to be flexible enough to adapt to changes in many jurisdictions. The most significant regulatory developments noted across our rest of Africa operations relate to foreign exchange control, financial crime, prudential and market conduct requirements. In Angola, Ghana and the Democratic Republic of the Congo, greater emphasis has been placed on local currencies being the mode of settlement and repatriation periods have been tightened, impacting cash payment procedures, pricing and the handling of imports and exports. In Lesotho, there is a possibility that the general debt provision requirement will be increased from 1% to 2%, and in Malawi the Reserve Bank may require a top-up on the USD5 million (R54 million) minimum capital requirement for banks as a result of the weakening kwacha against the dollar. Efforts to align to international best practice in terms of financial crime include enhanced reporting requirements for suspicious transactions and the introduction of offences for terrorist financing. Finally, countries such as Mauritius, Mozambique and Nigeria have recently placed directives on capital adequacy and prudential liquidity requirements. Consumer protection measures have also been noted in some of the countries ranging from the introduction of specific fee disclosures in Angola, Lesotho and Nigeria, proposed fairness measures in Mauritius to moratoriums being placed on fees in Botswana. We anticipate that the pace of regulatory reform will continue into 2015.

The emergence of new regulations and supervisory bodies has given rise to conflicting or overlapping regulations and enforcement actions in some countries. We adopt a cohesive approach in such instances and where appropriate highlight conflicts through the relevant banking associations. In countries such as Nigeria, where the central bank is viewed as the apex of all banking institutions and has responsibility for controlling and supervising most banking activities, instances of conflict between regulators is limited. Where relevant, learnings are shared across our rest of Africa operations. Given our international presence, regulators in the rest of Africa have requested that we provide guidance with regard to emerging risks and developments, particularly on Basel Capital Accord (Basel III) implementation. We aim to instill regulatory best practice across our operations, as such our group policies, which consider international best practice, are adopted by all our subsidiaries in the rest of Africa unless there is a specific conflict.

Importantly, in some instances, regulatory reforms have been catalysts for new opportunities. A good example of this is in Nigeria where legislation was passed requiring companies to provide pensions and group life cover to their employees. Stanbic IBTC Bank seized this opportunity to develop a wealth business which is now the industry leader.

Twin Peaks

Twin Peaks aims to strengthen the regulation of the financial sector in South Africa through enhancing macro-prudential supervision, promoting financial stability and establishing mechanisms for managing a financial crisis. Under the proposed Twin Peaks model there will be two dedicated regulators: the SARB as the prudential regulator supervising the financial health of systemically-important financial firms and ensuring they protect depositors' money; and the FSB as the market conduct regulator supervising the fair treatment of customers. Regulators who fall outside of these two bodies, such as the National Credit Regulator, will continue to operate.

The Bill also aims to improve coordination between financial sector regulators by introducing a Council of Financial Regulators. In 2014, we worked to raise awareness of the Bill and its implications throughout the bank and we engaged regularly with the National Treasury on the new supervisory approach. We also participated in a banking market conduct workgroup convened by National Treasury.

Significant regulatory developments facing SBG

Legislation	Overview	How we are preparing
South Africa Treating Customers Fairly	The FSB's TCF regulatory requirements provide the basic framework for managing market conduct risk. Banks are required to identify, measure, report on and take steps to manage market conduct risk in a more formal manner.	Over the past 18 months we have embarked on a TCF journey covering all business operations in South Africa. The TCF Programme includes training, embedding new reporting metrics and reviewing our employee performance management process to reward appropriate behaviour.
South Africa Financial Markets Act	The Financial Markets Act regulates the functioning of the stock exchange and over-the-counter (OTC) derivatives trading, as well as market abuse such as insider trading and price manipulation. The Act provides the enabling framework for central reporting and clearing of standardised derivative products. The Financial Markets Act will impact a number of activities within CIB.	We worked closely with the National Treasury, SARB and FSB on the regulations arising from this Act. We have also engaged with the Johannesburg Stock Exchange (JSE). A Derivatives Regulation Programme has been implemented within the group in response to similar regulatory requirements in other markets to further our preparations for the South African regulatory requirements.
South Africa Protection of Personal Information Act	The Act aims to safeguard privacy and personal information. The legislation is outcomes-based, requiring that organisations are able to demonstrate that they are meeting a number of conditions related to the protection of personal information. The Act impacts the group particularly in how it uses, records and transfers information, both within South Africa and internationally.	We take care to protect the personal information of our customers, suppliers and employees. The Data Privacy Officer guides the group to ensure that we comply with this legislation. We are assessing our existing control framework to ensure that the conditions will be met. Where gaps are identified these will be addressed. No implementation date for the POPI Act has as yet been set.
South Africa National Credit Amendment Act and affordability assessment regulations	Changes in the regulation of consumer credit have several implications for the bank and other stakeholders, including the assessment of a customer's ability to afford credit, the pricing of credit life insurance, the credit information available from credit bureaus and the functioning of the debt review system.	We are implementing various changes to credit decision mechanisms to accommodate the new affordability assessment regulations and we are working with the National Credit Regulator and the Department of Trade and Industry to better understand government's expectations.
United States (USA) Foreign Account Tax Compliance Act	FATCA introduces enhanced due diligence procedures for all clients who are taxpayers in the USA. All financial institutions, whose clients are American taxpayers that hold financial assets outside the USA, must comply.	A groupwide FATCA Programme, excluding Liberty, was implemented in 2013 to ensure compliance.
OECD countries Foreign National Reporting	The OECD member countries are introducing reporting requirements similar to those in FATCA.	A groupwide Foreign National Reporting Programme, excluding Liberty, was launched in 2014 to ensure compliance.
USA and EU Dodd Frank Act and European Market Infrastructure Regulation	Both pieces of legislation concern the regulation of OTC derivatives and have extra-territorial impact. Banks based in other jurisdictions must comply with these, or equivalent rules, to be able to trade with USA or EU counterparties.	A Derivatives Regulation Programme was initiated in 2012 and is ongoing as the granular regulatory requirements are released by the relevant authorities.
Africa SADC Payments Integration	SADC Central Bank Governors have embarked on an ambitious programme to integrate payments systems across the region. Phase 2 of the programme commenced in 2014 and multiple systems in the bank are being impacted.	A groupwide regulatory change programme, excluding Liberty, has been initiated. The deadline for implementation of the Common Monetary Area directive was met in September 2014.
Global International Financial Reporting Standards 9 Financial Instruments (IFRS 9)	The International Accounting Standards Board is replacing International Accounting Standards 39 Financial Instruments: Recognition and Measurement with IFRS 9. IFRS 9 will be achieved through the classification and measurement of financial assets and financial liabilities, impairments and the simplification of hedge accounting requirements.	The effective date for IFRS 9 is 1 January 2018. Once the IFRS standard is finalised an adoption plan will be formulated to ensure we are ready for implementation. To date, high level training has been provided on the proposed accounting changes.
Global Basel Committee on Banking Supervision (BCBS) Risk Data and Reporting	BCBS 239 sets out principles for effective risk data aggregation and risk reporting for global systemically important banks to comply with by end 2015. It encourages national supervisors to adopt the principles, which the SARB has done. The target compliance date will be finalised following a more detailed assessment.	We acknowledge the soundness and importance of the principles and have initiated a multi-year project to ensure compliance. We are engaging with our peers locally and globally through the Institute of International Finance data group.

Establishing and maintaining cost-effective, efficient and relevant IT infrastructure

IT opportunities

- Building a digital bank will provide our customers with an omni-channel experience offering convenience.
- Investing in IT enables us to develop more affordable products, take new products to market faster and improve our business flexibility, all of which will ultimately drive revenue growth.
- Migrating customers onto virtual channels reduces our operating expenses, enabling lower transaction costs for customers.
- Ensuring efficient and reliable IT systems enhances our reputation and builds customer trust.

IT challenges

- Ensuring that innovation and changes required to remain competitive do not compromise resilience and stability of systems.
- Running legacy and new systems at the same time while the change-over is in progress, adds to operational costs.
- The high proportion of operating expenses dedicated to IT.
- Shortage of specialist IT skills.
- Ensuring the security of our self-service channels.

Our goal: *to simplify our IT landscape to enable us to deliver a better service to our customers through quicker time to market and affordable products and services that meet customer needs.*

2014 highlights

Rolled out **Customer1st in South Africa**. This customer relationship platform facilitated over **2.6 million** customer service requests.

Launched the **Standard Bank mobile banking app** for iOS and Android tablets and smartphones in South Africa. This will provide the platform for further agile delivery of digital solutions to customers.

Finacle, our core banking system for the rest of Africa, was successfully implemented in Ghana, bringing the total number of countries using the platform to **six**. Upgrades to five country platforms were also implemented.

Implemented IT systems to **strengthen our trade offering** across the rest of Africa and introduced critical functionality in our online channels, improving our competitiveness.

Standard Bank South Africa

8.6 million

accounts in PBB South Africa have been migrated onto our new core banking platform, 70% of the total account base

Standard Bank rest of Africa

100%

of our automated teller machine (ATM) network has been updated with security features and enhanced functionality

Our approach

The digital revolution is fundamentally changing the way in which consumers and businesses interact. We aim to build an agile and efficient digital bank for the future which will provide a consistent and efficient banking experience for our customers. Our IT transformation programme covers the deployment of new core banking platforms and business-as-usual infrastructure efficiency initiatives. The four pillars of our IT strategy, which aims to enhance operational excellence and support our competitiveness and growth in Africa, are as follows:

- **Quality of service:** availability, reliability and security of IT systems.
- **Time-to-market:** innovation, agility and flexibility when launching new products and services.
- **Affordability:** reduce costs of running the bank and deliver affordable systems to change the bank.
- **Sustainability:** ensuring our IT interventions enhance the sustainability of the group and motivate our people through their interaction with efficient IT systems.

IT governance

Global Reporting Initiative – G4: SO3 and SO4

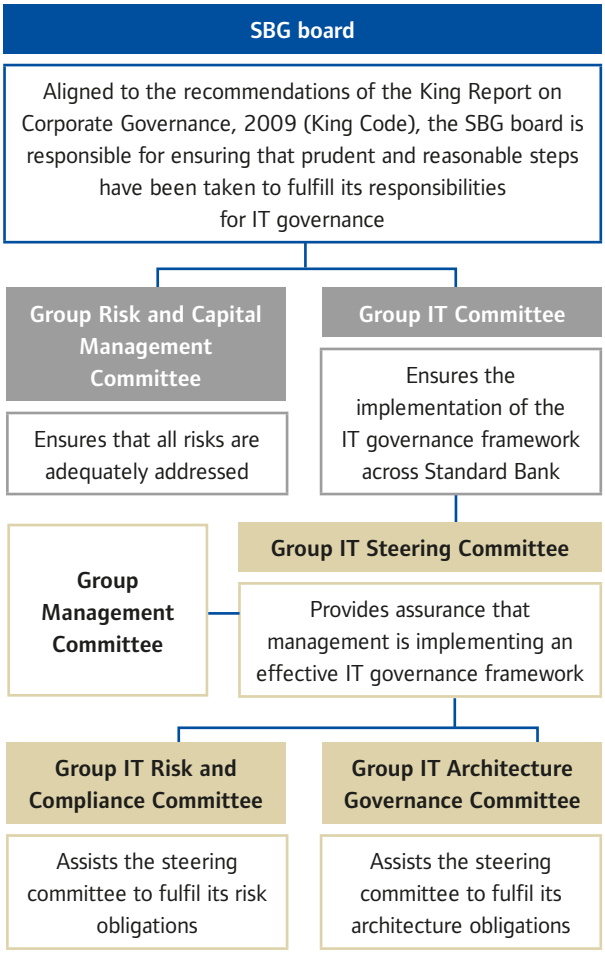
IT governance functions provide oversight of IT in the group to ensure that technology contributes to creating sustainable value both in the short and over the long-term. During 2014, we focused on strengthening our IT governance practices, including restructuring the IT operating model, establishing an effective IT governance framework and articulating an IT governance standard.

The IT operating model was consolidated in 2014 to allow for clearer executive accountability and stronger links to business. We have appointed a Group Chief Information Officer who is a member of the Group Management Committee. The Group Chief Information Officer and IT executives are suitably qualified, business-orientated and have access to the SBG board and its sub-committees, as well as executive management. They serve as a bridge between Group IT and business units and are tasked with designing, developing, implementing and maintaining IT solutions that help the group achieve its strategic objectives. The Group Technology Shared Services unit provides shared technology and support services to business units and country operations, enabling economies of scale.

In 2014, we established the Group IT Committee, a board committee responsible for ensuring the implementation of the IT governance framework across SBG. The committee is chaired by an independent SBG board member, who is also a member of the Group Risk and Capital Management Committee, and external independent subject matter experts are standing invitees. In addition, the subject matter experts are members of the Group IT Steering Committee and Group IT Architecture Governance Committee. Commencing in 2015, these experts will provide an opinion on the adequacy and effectiveness of our IT governance framework annually to the Group IT Committee and the SBG board.

Each business unit has a Technology Investment Committee responsible for prioritising IT investment and ensuring that IT spend aligns to business strategy. For IT projects that are

Who is responsible?



Note: the Group Risk and Capital Management Committee places reliance on the Group IT Committee for IT risk oversight.

Boundaries of impact: IT

Internally: whole organisation, employees

Externally: shareholders, customers, regulators, suppliers

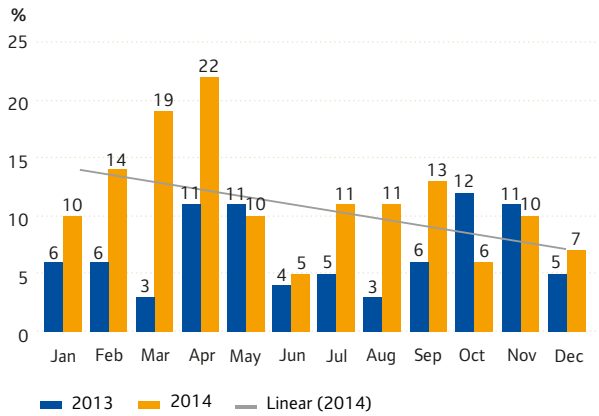
Memberships and strategic partnerships

- Business Continuity International.
- Corporate Executive Board.
- Directorate for Priority Crime Investigation.
- Forrester.
- Gartner.
- Information Security Forum.
- International Forum of Incident Response and Security Teams (FIRST).
- Strategic partnerships with our top vendors.
- Sub-committees and working groups affiliated to the Banking Association of South Africa and the SARB.
- Additional partnerships related to information security are listed on page 71 under *secure banking*.

Monitoring mechanisms

- IT performance is regularly reviewed and benchmarked against the industry. In 2014, McKinsey benchmarked us on cost efficiency and organisational health.
- Internal and external audit, risk management and line management.

Service commitment breaches on core systems
(Standard Bank South Africa)



A core system is defined as a system which, when it fails to operate for a given period of time, has a disruptive impact that is considered severe, adversely impacts our reputation, potentially causes regulatory breaches and negatively impacts revenue generation.

PBB South Africa facilitates on average 22 million transactions a day, one of the highest volumes of transactions of any bank in South Africa.

strategic in nature and impact business activities and our customers, Signature Programme Boards are established to ensure the appropriate mitigation of risks, escalation of issues and coordination of business and IT deliverables. Project execution and efficiency is monitored by the Group IT Steering Committee.

The IT governance standard, defined and articulated in 2014, applies groupwide with the exception of Liberty Holdings and its group entities. The standard provides a point of reference for the utilisation of IT and sets out the accountability framework as recommended by the King Code, as well as environmental considerations.

Liberty has its own IT governance and risk management frameworks. The responsibility for IT within Liberty rests with its Board of Directors, Chief Executive and Chief Information Officer, however there are certain infrastructure capabilities within Standard Bank that Liberty utilises.

IT risk management

Regular crisis simulations with the IT executive team aim to ensure the effective management of crisis events should they arise.

Most of the group's day-to-day operations occur through some form of IT system, making IT a key area for potential operational risk to arise. The Group IT Risk and Compliance Committee provides assurance that risks are identified, managed and mitigated in a secure, cost effective and sustainable manner. It promotes an appropriate risk management culture within IT, identifies trends and is mandated to ensure that the bank complies with applicable IT laws. The Group Risk and Capital Management Committee considers IT risk as a crucial element to the effective oversight of risk in general.

Information security threats

Protecting our information assets is an ongoing challenge and we work hard to ensure that the appropriate levels of information security are embedded in our IT design. The Group Information Risk Office, established in 2014, focuses on the identification of cybercrime threats and ensuring that the appropriate information risk controls are in place across the group.

The remote and faceless nature of cybercrime requires a new set of skills to manage and to ensure we are resilient and able to enhance all lines of defence. Our strategic partnerships help us stay abreast of emerging cyber threats and best practice in responding. For example, we are a member of FIRST, an organisation that brings together a wide variety of security and incident response teams, as well as product security teams, from government, commercial and academic sectors.

During 2014, we focused on strengthening our authentication methodology and logical access control, undertaking

vulnerability tests in critical business areas, monitoring various events such as employee logs on social media and the implementation of a data leakage prevention model to manage customer information. A number of training and awareness initiatives on cyber security were also undertaken during the year, reaching employees across the rest of Africa, as well as executive management and board members.

Availability and stability of IT systems

To remain competitive, our IT systems and capabilities must be able to adapt and evolve to changing business needs. Migrating to new core banking platforms means that the bank is exposed to potential disruption to normal business activities and system failures during change periods. In addition, banking has become a 24-hour, seven days a week service and our customers expect to be able to bank anywhere at any time. This, together with the fact that PBB South Africa processes on average around 22 million transactions a day, means that any outage is visible and impacts on our reputation. Compared to 2013, the number of service disruptions to our IT systems was more widespread primarily as a result of system integrations and a higher degree of complexity associated with our large project implementations. The total number of critical incidents that occurred across the group in 2014 increased by 3% compared to 2013. The most severe of these incidents was in September 2014, when a mainframe and network outage in South Africa impacted on our customers' ability to transact. Our quick response to this interruption confirmed that our business continuity measures are sound and that we have the resilience to recover from major system failures.

To facilitate a more robust approach to ensuring the availability and stability of our systems, we have focused on:

- Improving the reliability and predictability of new services introduced to change the bank.
- Enhancing existing and introducing new IT service management capabilities to meet business expectations and reduce the impact of outages on our customers.
- Executing end-to-end reviews of critical services to ensure that they continue to perform at optimal levels.
- Refreshing our crisis management framework to effectively deal with service restoration when outages occur.
- Improving root cause analysis and implementing a monitoring capability to enhance proactive preventive maintenance of our IT systems.

The success of our initiatives to drive stability is evident through the decline in service breaches experienced towards the latter part of the year as shown in the graph on page 46.

Implementation and renewal of IT systems

Our five-year IT architecture roadmap, which guides our strategy for the implementation of technologies, has been reviewed and approved by the Group IT Committee. Key to this is the remodelling of IT to cater for social, mobile, analytics and cloud computing. Time-to-market is a critical success factor, thus we have incorporated capabilities into our development lifecycle environment which facilitate more efficient project delivery. Our newly developed production readiness framework ensures proper quality checks before new services are introduced into the production environment. This framework has resulted in a change success rate of 98.7%.

Our systems are being designed to provide us with a single view of all interactions a customer has with the bank. Not only does this help our employees understand customer behaviour so that we can offer tailored products, but it enables us to identify common queries and complaints. In addition, being able to analyse this customer data from a single repository allows us to explore new segments and products and enables us to make business decisions that align to our strategy and that benefit our customers. The new core banking platforms implemented across Africa are designed with this in mind.

By providing integrated, automated, mobile and usable systems to our staff in our human capital, finance, risk and compliance functions, we are rationalising and simplifying our internal processes and fundamentally transforming the way people work within the organisation.

Corporate & Investment Banking

Competitive advantage: *developing integrated platforms that strengthen our ability to facilitate trade flows and cross-border transactions between Africa and other markets.*

In the corporate and investment bank we continued to invest in our signature IT programmes, making progress with the implementation of electronic distribution of cash management, foreign exchange, and equity and commodity products across Africa. This requires a multi-product technology architecture model that delivers real-time straight-through processing for domestic and multinational clients.

Another priority was to enhance our online capabilities across our markets and product lines, improving functionality and in turn our competitiveness. The deployment of international trade capability and a trading platform for the Global Markets business across our African country operations has also been a focus. This capability and trading platform will provide a single

integrated solution for trade services and has already improved our transactional products and services capabilities. It provides our clients with a range of pre and post-trade services, including research, pricing, trading and risk management.

Personal & Business Banking

Global Reporting Initiative – G4: 9

South Africa

For PBB South Africa the SAP Core Banking Transformation Programme is laying the foundation for our move to digital banking. The programme is being delivered through business releases which will enable agile solutions and simplified business processes, and will allow us to decommission multiple legacy systems. The programme is expected to be completed by the end of 2017 and has already enabled our Inclusive Banking business to integrate 16 products into one offering which is more affordable and easy to use, improving our time to originate accounts and facilitating remote account opening. At December 2014, 8.6 million customer accounts in PBB South Africa had been migrated onto this SAP platform, some 70% of our total account base. This platform processed around 430 million transactions during 2014.

In 2014, we rolled out the customer relationship management solution, Customer1st, a high-volume platform that manages customer leads, queries and complaints covering 12 million customers. During the year, the system facilitated over 2.6 million customer service requests, up more than 100% over legacy processes. The second phase of the implementation is scheduled to go live in 2015. It is at this point that we expect to achieve a single view of our customers' interactions with the bank.

Training and awareness initiatives are provided to our employees when implementing new business releases and we provide extensive internal and external communication ahead of all release events, including actively engaging with the SARB regarding potential risks.

Rest of Africa

Finacle is a universal banking solution that is configurable to the individual needs of country operations, easily integrated with peripheral systems and helps us deliver new products to market faster. The platform's centralised payments processing capability improves automation while reducing the risk of fraud.

New IT implementations

PBB South Africa: rolled out Customer1st, a high-volume customer service IT platform which helps us understand a customer's interactions with the bank. It will also serve to enhance our Know Your Customer and anti-money laundering controls and will serve as our master file for all customer information going forward.

PBB rest of Africa: Finacle has been deployed in Botswana, Ghana, Namibia, Nigeria, Tanzania and Uganda, with more than 2.5 million customer accounts migrated onto the new platform. Finacle processed around 258 million transactions in 2014.

Standardised accounting supports better financial control and reporting.

A considerable benefit is the standardisation of our operations across the continent while still providing flexibility to cater for unique country requirements. By moving our country operations onto the same system, we can become more efficient and can save on costs and effort when rolling out new enhancements. In addition, skills can be transferred across borders and products and services developed for one market can be exported to others. Each subsequent implementation has benefitted from the lessons learnt in previous implementations as well as from improved training, skills transfer and subject matter expertise.

Comprehensive training plans for our employees are a key part of our replacement projects in the rest of Africa.

IT spend

Software assets are a significant capitalised asset on our balance sheet. We engaged McKinsey to benchmark our IT cost performance. The results have shown that our ratio of IT spend to operating expenses is higher than that of international peer banks which generally hold their IT costs to around 15% to 20% of their total operating costs. We are the only bank in South Africa that is currently replacing its core banking system. Our IT transformation programme is focused on achieving long-term sustainable benefits rather than once-off benefits and on streamlining our processes and applications, as a strategic imperative to ensure we remain competitive going forward.

SBG IT spend

		2014	2013	2012
IT spend	Rbn	**19.0**	17.6[1]	14.1
IT spend as a % of income	%	**11.6**	11.1[1]	10.8
IT spend as a % of operating costs	%	**30.9**	31.3[1]	29.3
Run the bank:change the bank (SBG excluding Liberty)	ratio	**87:13**	87:13[1]	35:65

[1] *Adjusted to account for the sale of 60% of the Global Markets business in London.*

A software asset is amortised on a straight line basis on rates appropriate to the expected useful lives of the assets. The upgrade of our core banking systems means that IT costs will continue to elevate through to 2017. As our agility to innovate and levels of processing efficiency improve, we expect to drive customer retention and revenue through affordable offerings and greater cross-selling capability enabled by advanced analytics of customer data.

IT skill

Group IT continuously develops staff through a variety of specialist programmes to enhance the ability of our permanent staff to ensure continuity once new projects are implemented, thereby reducing our reliance on external contractors. Development initiatives are prioritised according to our workplace skills plan. We run two IT leadership programmes aimed at fast tracking individuals, particularly black employees in South Africa, identified as having leadership and technical skills. During 2014, 24 IT Graduate Programme participants were seconded for four weeks to the Wipro development campus in India and 15 learners participated in our newly launched Process Analyst and Data Warehousing Learnership. Test analyst, SAP banking specialist and JAVA learnerships are also in place and in 2015 we will launch a systems development lifecycle learnership.

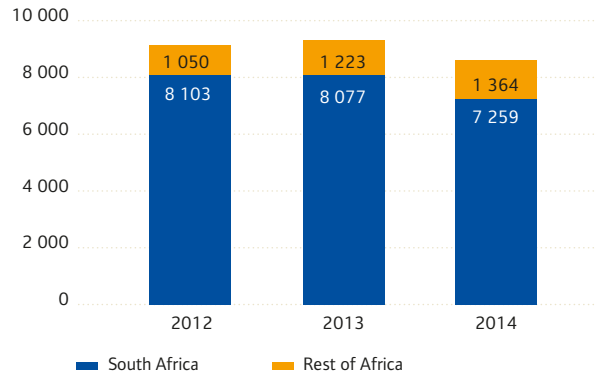
Our self-service channels

Global Reporting Initiative – G4: 9 and FS14

Our self-service channels are key enablers to our Africa growth strategy as they enable customers to transact in a simpler, faster and often cheaper manner without needing to travel to a branch. To be competitive, we need to deliver a self-service experience timeously, securely and reliably across multiple operations. A specific focus for the bank is to encourage customers to transact using self-service mechanisms, and to continue responding to changing customer needs through developing new functionality across channels.

We are empowering our staff through training to be digital ambassadors, who are able to educate customers and troubleshoot self-service transactions when required, as well as assist with complaints and service requests to ensure satisfactory outcomes. As our new full self-service auto banks are introduced inside branches, the roles of our employees will increasingly change from handling cash to becoming more sales focused. As such we need to help them understand how self-service functions impact on their work and what the objectives of our digital strategy are. This is important not only from a products and services perspective, but also for customer service and regulatory compliance as our IT systems are increasingly bringing elements of these functions closer together.

Number of ATMs
(Standard Bank)



Standard Bank rest of Africa

725 535

registered internet banking customers, a

119%

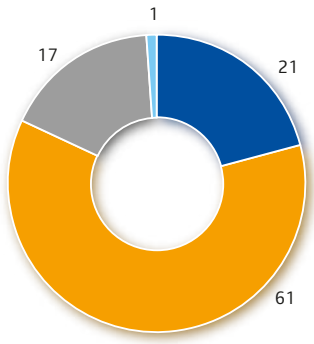
increase compared to 2013

Standard Bank South Africa

2.1 million

customers registered to receive electronic statements. Electronic statements have been introduced across all PBB products in South Africa, reducing paper usage.

Proportion of transactions (self-service channels) ✓
(Standard Bank South Africa)



Our innovation activities can be found on pages 50 and 56.

Across the rest of Africa, growth in uptake of these services has been fast and continues to accelerate, with more than 80% of all cash out transactions already occurring on our ATMs and triple digit growth year-on-year in active internet banking users. Cash continues to be the primary financial instrument in the rest of Africa, and as such our focus for this business is to establish self-service channels that facilitate customer payments.

ATMs

South Africa

In 2014, we upgraded a further 545 ATMs and in March 2015 will complete our four-year project to update some 1 800 ATMs to the latest technology. We now have 1 268 (2013: 936) real-time automated note accepting machines which immediately reflect cash deposits in a customer's account. On average over a million cash deposits are facilitated through these machines in a month. Domestic remittances are also now possible, enabling customers to send money to anyone in South Africa who can subsequently withdraw this money at an ATM.

The height of our newer generation ATM can be adjusted at the time of installation to ensure accessibility for people in wheelchairs. We provide three different language options on our ATMs and our icons aid our customers in determining the available transaction types and functionality. We have also implemented a function where customers who are visually impaired can adjust the resolution of the screen.

Rest of Africa

In the rest of Africa, we increased our ATM footprint by 12% in 2014 with the highest number of ATMs being in Nigeria (405), Uganda (173) and Namibia (167). In our first ATM roll out in the Democratic Republic of the Congo, we have installed five machines that will come online in February 2015. Our ATM network spans across 14 countries and we have one machine in South Sudan.

Our focus is to ensure that our machines are secure and offer a full range of self-service functions. During 2014, we updated all our installed machines to be Europay, MasterCard and Visa (EMV) certified and we added new capabilities such as real-time deposits and cardless cash-out transactions. For example, in Ghana we deployed automatic note accepting machines. The upgrades also cater for multiple language support and ATM screens are now more user-friendly, with country operations able to customise ATM screens with marketing messages and localised features. While all current ATMs in the rest of Africa are owned by the bank, we are implementing a model to use third party ATMs in Namibia as a means to more rapidly expand our ATM fleet into selected areas. This model will be expanded to Zambia in 2015.

Highlight: *in December, our new Standard Bank banking app was downloaded, on average, 1 600 times a day.*

Internet and mobile banking

South Africa

The number of successful internet banking transactions for 2014 increased by 1.8% when compared to 2013, while the number of successful transactions facilitated through our mobile banking platforms increased by 53%.

Smart mobile devices are rapidly becoming a crucial interface for customers to engage with us. In 2014, we launched our second generation Standard Bank mobile banking app for iOS and Android smartphones and tablets. The new release, which has received positive feedback, provides customers with an integrated view of their entire suite of banking, including on-shore and off-shore investments, share trading and insurance products. At December 2014, we had over 765 000 registered tablet and smartphone users and the value of the transactions processed during the year through the app amounted to R50.9 billion. The unique login or Standard Bank ID represents the customer's digital profile and is used to access the app, which also has advanced security features for functions that require greater security, such as creating a beneficiary, which requires a One Time Password to be sent to the customer's mobile phone. Customers are able to use this same ID when logging onto our new internet banking platform launched in February 2015.

Our second generation app is free to download with no subscription fee and, in response to feedback from our customers, has been enhanced to allow for:

- Comprehensive beneficiary management.
- Payments to phone contacts.
- Cash withdrawals without a card.
- Future-dated and recurring payments.
- An innovative savings feature which allows customers to save excess funds with the click of a button.
- Online account origination.

Our customers who do not have smartphones are able to do basic banking through the Unstructured Supplementary Service Data (USSD) Cellphone Banking platform. Cellphone Banking provides the following services: balance enquiries, mini-statements, inter-account transfers, beneficiary payments, prepaid airtime and Quick Top Up (airtime). Connectivity costs remain low and the menu options are simple to navigate, and as such this channel provides an entry to banking for people who were previously unbanked. USSD transaction volumes declined by 4.1% when compared to 2013 however the value of transactions increased by 35%. We continue to invest in this channel and enhancements will be made to this platform in 2015.

Rest of Africa

Internet banking is performing well, showing increases in both the number of registered users and number of transactions facilitated. Internet banking is available in Angola, Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Mobile banking is available to customers across mobile phones, smartphones and tablets. All 14 retail banking operations in the rest of Africa offer smartphone apps, although this is not the second generation app launched in South Africa. The tablet version of the second generation app was released in Namibia in February 2015. The USSD mobile banking platform is in use in Botswana, Kenya, Lesotho, Namibia, Swaziland, Tanzania and Uganda. The number of registered mobile banking customers has increased 32%. It is expected that stability and reliability of this service will be improved as the new Finacle system is bedded down.

Our digital offering is most advanced in Kenya due to M-PESA, a mobile phone-based money transfer and micro-financing service.

The magnitude and variety of interactions required to improve and maintain the stability of our internet and mobile banking platforms in the rest of Africa is a challenge given the sheer number of service providers we have to deal with. Improving the reliability of our platforms was a key priority for us in 2014, and we implemented initiatives such as technical reviews and building data management and analysis capabilities, to understand this aspect of our business as clearly as possible and enable better business decisions and customer service.

Other offerings released in the rest of Africa in 2014 include payPLUS in Ghana which offers businesses an efficient platform to facilitate cash collections with enhanced reconciliation capabilities. Till2Bank in partnership with M-PESA in Kenya allows merchants, shops, supermarkets and SMEs to accept M-PESA payments through an M-PESA till number. Payments

Self-service channels

		2014 target	2014	2013	2012
ATM network					
Standard Bank South Africa					
Number of transactions	million		**450**	458	455
Average ATM availability for the year	%	97.0	**96.4**	96.5	96.6
Standard Bank rest of Africa					
Number of transactions	million		**131**	120	86
Average ATM availability for the year	%	96.5	**95.1**	96.0	95.0
Internet banking					
Standard Bank South Africa					
Registered customers			**2 013 367**	1 875 915	1 459 862
Number of successful transactions	million		**885**	869[1]	868[1]
Average uptime for the year	%	99.6	**99.8**	99.9	99.9
Standard Bank rest of Africa					
Registered customers		600 000	**725 535**	331 697	140 348
Number of transactions	million		**5.0**	3.6	2.7
Mobile banking[2]					
Standard Bank South Africa					
Registered customers			**3 124 471**	3 212 335	2 657 147
Number of successful transactions	million		**247**	161[1]	108[1]
Average uptime for the year	%	99.5	**99.8**	Not reported	Not reported
Standard Bank rest of Africa					
Registered customers			**273 029**	206 198	48 059
Number of transactions	million		**0.96[3]**	0.42[3]	Not reported
CIB: Business Online					
Number of Business Online transactions	million	367.9	**369.4**	342.2	296.4

[1] *Restated to reflect successful transactions only.*

[2] *Mobile banking customers refer to both Cellphone Banking customers on the USSD platform and smartphone app users.*

[3] *This is for the USSD platform only.*

are then received directly into the merchant's CfC Stanbic Bank account without the need to physically go into a branch to deposit the cash. In Malawi, we launched a digital application, iServe, which enhances customer communication, the credit and cheque application process and complaints handling. Mobile wallet solutions, which facilitate electronic payment transfers, are available in Kenya and Nigeria and we are investigating the feasibility of implementing similar solutions in Ghana and Uganda.

To support our customer acquisition strategy, we use a tablet solution for on-boarding new customers both in branches and remotely. Its portability enables our sales force to interact and sign up new customers outside the branch environment, such as at their places of work. The solution services both Personal and Business Banking customers in Angola (Personal Banking only), Botswana, Ghana, Kenya, Lesotho, Malawi, Namibia (Business Banking only), Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. We have also rolled out an offshore version in Ghana and South Africa. This solution has allowed us to reduce time to sign-up a new customer through automated data capture, which has improved the customer on-boarding experience. Customers are signed up using a needs analysis tool. The solution has increased our average product-per-customer in key African markets and is earmarked to have online account opening in 2015.

Looking forward

Our key objectives looking forward are to:

Short to medium term

- Complete our IT transformation programme, including the core banking transitions so that we are able to decommission legacy systems, increase our competitiveness and obtain a single view of customer interactions with the bank.
- Redesign our business processes and associated technology infrastructure for certain products, in light of the sale of our London-based Global Markets business.
- Pilot new devices for PBB South Africa that will improve teller service in branches, as well as deliver an online banking solution for Business Banking and an investment management solution for Private Clients.
- Continue to migrate cash deposits and payments to self-service devices.

Longer term

- Continue to simplify and standardise our IT infrastructure landscape so that we are able to respond to the changes required to meet the needs of our individual country markets.
- Continue to deliver a consistent, scalable and reliable IT capability across all our operations.

Delivered to customers and clients in 2014

Introduced the Standard Bank **mobile banking app** for iOS and Android smartphones and tablets.

South Africa

Online Share Trading was made available on the Standard Bank app and an updated internet banking platform was piloted with staff. In 2015, we will provide an increased ability to open accounts online and on tablets.

South Africa

Introduced **Till2Bank**, an electronic payments solution for businesses, allowing them to accept M-PESA payments. M-PESA is a mobile phone-based money transfer and micro-financing service.

Kenya

Launched **iServe**, an application that improves customer communication, credit applications and complaints management.

Malawi

In 2014, we continued with our four-year project to upgrade 1 800 ATMs in South Africa to the latest technology. The project will be completed in March 2015, within the scheduled time frame. All our ATM machines across Africa are EMV-certified.

Knowing our customers and doing the right business with them in the right way

Business conduct opportunities

- Providing a good customer experience enables us to attract and retain customers and differentiates us from our competitors.
- Managing market conduct in line with best practice increases investor and market confidence, and protects the Standard Bank franchise.
- Effectively engaging with our customers and having robust customer data enables us to adapt our products and services to meet their needs.
- Innovation allows us to meet our strategic objectives, be relevant to our markets, and attract and retain top and critical talent.
- Lending responsibly mitigates the risk of our customers becoming financially distressed and defaulting on their repayments.
- Offering secure banking structures mitigates the risk of financial crime and engenders trust and confidence among our customers.

Business conduct challenges

- Differing cultures across our countries of operation.
- Providing a consistent experience for our customers across all channels and throughout the value chain.
- The fast-evolving nature of financial crime.
- Creating an environment where innovation is encouraged and protected.
- Training and incentivising our employees to deliver the customer experience we aspire to.

"Customers see one bank, therefore we must ensure that all business units and subsidiaries – no matter where in the world they are situated – look, feel and behave like Standard Bank." – **Ben Kruger, Joint Group Chief Executive.**

2014 highlights

Grew the retail customer base in the rest of Africa by **8.5%** in an increasingly competitive environment.

Introduced **TCF guidelines** and **minimum standards** to manage **data privacy**.

Introduced the **Innovation Ecosystem** in South Africa and across the rest of Africa.

Retained our position as the **largest provider** of **residential mortgages** in South Africa, with a **34.0%** market share at December 2014 (2013: 33.8%).

Increased the **recovery of assets** obtained through fraudulent activities by **28%.**

Standard Bank South Africa

118 000

people and 14 000 merchants using the newly launched SnapScan payment solution

SBG excluding Liberty

26 931

employees received financial crime control awareness training (2013: 21 101)

Recognition

SnapScan was voted one of the top 14 innovations in Africa by CNN. It was also awarded both the overall winner and the best HTML5 app at the MTN Business App of the Year Award.

Boundaries of impact: attracting and retaining customers

Internally: whole organisation, employees

Externally: shareholders, customers, communities

Board committees

SBG board

Monitoring mechanisms

- Customer feedback mechanisms.
- External assurance: retail customer numbers.

By creating a better customer experience through innovation, by becoming more efficient in sales and servicing, and by creating the right capacity and the right skills among our employees, our ability to acquire and retain customers will grow.

Attracting and retaining customers

Global Reporting Initiative – G4: 9

Our approach

Our broad geographic footprint means that we service a diverse customer portfolio, ranging from individuals and small businesses to large corporates and governments. Our ability to attract and retain customers depends on providing an appropriate value proposition that places convenience and efficiency at its core. To achieve this we must:

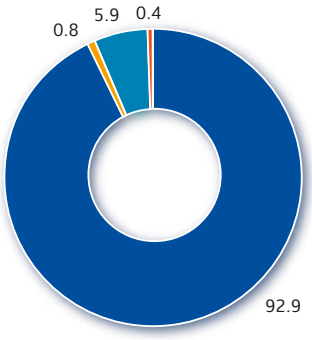
- Innovate.
- Deliver a consistent and relevant customer experience that is affordable.
- Be agile enough to adapt to changing market needs.
- Leverage customer data to gain meaningful insights.

Retail banking

Technology is revolutionising the retail banking industry and is a key enabler of innovation. While digital banking enables us to deliver a consistent and seamless customer experience, we acknowledge the importance of maintaining high levels of engagement with our customers to inform our understanding of their needs and experience. We aim to leverage customer data to garner meaningful insights to inform better service and sales, and to offer our customers a customised value-added banking experience, without compromising our customers' personal information.

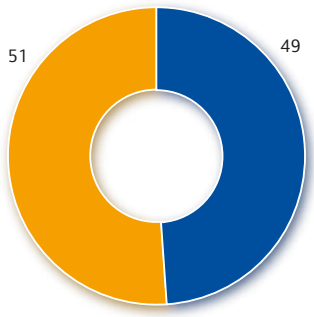
We face an increasingly competitive environment as consumers use more than one bank and as non-traditional players such as start-up technology businesses, retailers and telecommunications companies begin using digital platforms to offer low-cost banking services, known as disintermediation.

Retail customers: banking segment ✓
(Standard Bank South Africa)



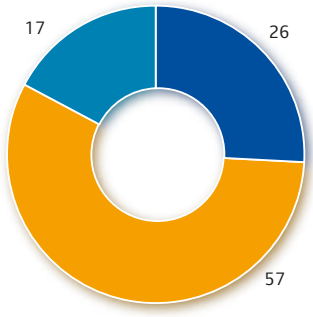
- Personal Banking (2013: 93.1%)
- Private Banking (2013: 0.8%)
- Business Banking (2013: 5.7%)
- Employees (2013: 0.4%)

Retail customers: gender composition
(Standard Bank South Africa)



- Women (2013: 50%)
- Men (2013: 50%)

Retail customers: age composition
(Standard Bank South Africa)



- 0 – 28 years old (2013: 28%)
- 29 – 55 years old (2013: 58%)
- 56+ years old (2013: 14%)

To remain competitive, we need to adapt our retail business model. Our focus on creating a digital bank is aimed at improving competitiveness and preempting disintermediation from non-bank players. An advantage that we have over non-bank players is that we already have scale in terms of customer numbers, we have access to customer information and we already comply with banking regulation which non-bank players will have to comply with in future. While the size of our retail customer base in South Africa remains fairly constant, in the rest of Africa it grew by 8.5% in 2014.

In many of our markets in the rest of Africa there is potential to grow our retail customer base due to the majority of people being unbanked, while in more mature markets we need to attract customers away from competitors. To achieve customer growth, we must have strong teams in-country and understand the local economy to inform strategic decision-making. Our customer acquisition strategy in the rest of Africa is largely deposit and transaction-led, with the longer term view to build a deposit base which will then allow us to provide loans within a specified risk appetite and at the right price. Over time we will have enough of an understanding of the unique risk factors to start providing bigger loans and for longer durations.

There is great opportunity to facilitate the transfer of money between people. While cash is still prevalent in some places, the limited availability of point-of-sale devices to facilitate card payments remains a challenge, however, as bandwidth and telecoms issues improve over time, it is expected that there will be an increased use of these devices. Plans are in place to drive our card market share and to grow card transaction volumes through better value propositions.

Standard Bank South Africa

12 682 844 ✓ retail banking customers

Standard Bank rest of Africa

>4 031 000 active retail banking customers

Standard Bank South Africa

665 branches
(2013: 726)

Standard Bank rest of Africa

568 branches
(2013: 557)

Standard Bank South Africa

>one million

service calls facilitated by contact centres each month

Standard Bank South Africa

Six

new generation branches opened, improving customer experience

Our digital banking journey can be found on pages 45 and 48.

Our customers

		2014	2013	2012
SBG				
South Africa: retail banking[1] customers		**12 682 844 ✓**	12 679 889[2]	12 101 494[2]
Rest of Africa: active retail banking customers		**>4 031 000[3]**	>3 714 000[4]	>3 521 000[4]
Liberty: credit life policies in force	million	**2.4**	2.5	2.2
Liberty: retail policies in force	million	**2.7**	2.7	2.6
Standard Bank South Africa: customer race composition				
African	%	**72**	76	71
Coloured	%	**9**	7	8
Indian	%	**4**	4	5
White	%	**15**	13	16
Standard Bank branches and service centres		**1 233**	1 283	1 249
South Africa		**665**	726	721
Rest of Africa		**568**	557	528

[1] *Where retail banking includes active and dormant personal and business banking customers and excludes corporate clients.*

[2] *Restated to include wealth and bancassurance standalone customers.*

[3] *The number of Personal Banking, Business Banking and Private Banking customers has been assured: 2.7 million. This excludes Nigeria's Wealth customers.*

[4] *Restated due to internal changes in segmentation rules.*

Innovation is fundamental for a business to stay ahead and we are committed to innovation as a priority across the group.

Innovation

Our approach to innovation is centred on serving our customers better. We want to be recognised as the leading open-innovation organisation on the continent. This approach encourages our people who are closest to our customers to apply their innovation and creativity in identifying new products that respond to customer needs. We are also adopting this approach externally. For example, some of our new apps were developed in partnership with software companies with whom we have negotiated appropriate ownership arrangements. Our open innovation policy allows us to respond rapidly to changing customer needs and the threat of disintermediation by bringing new products to market quickly and changing concepts that are not working. We define innovation as an inspiring idea that's aligned to our business strategy and which once fully implemented generates business growth and performance. Our innovation strategy currently applies in PBB South Africa and across the rest of Africa, with preliminary conversations taking place with our international operations and Liberty.

Every employee is able to do something better or different within the context of their role, and it is for this reason that motivation is crucial to innovation. These incremental innovations, when added up, can be a significant source of competitive advantage. One of our key challenges is creating an environment where employees are empowered to act with discretion and where innovation is protected, nurtured and encouraged. Getting this right will not only help infuse innovation into the group's DNA but will also help ensure that we are able to attract, retain and engage top and scarce talent, particularly the new generation entering the workforce who have grown up with technology. These individuals are often entrepreneurial, want to make a difference and are at the cutting edge of marketing and technology. In addition, we need to help existing employees embrace a more innovative mindset. In 2014, we established the Innovation Ecosystem, depicted below, to further these goals.

To drive innovation and bring new ideas to market faster we launched the Innovation and Design Centre, situated in Johannesburg, to incubate and accelerate innovative financial services solutions by allowing for technology-driven testing. The centre also provides opportunities for employees and external entrepreneurs to pitch ideas that link to our products and services. The centre offers business support, mentorship, technical assistance, access to markets and commercialisation, and exposes entrepreneurs to our banking teams. Our long-term goal is to establish further centres throughout the rest of Africa.

Our User Experience Laboratory, also situated in Johannesburg, gives us the ability to embed ourselves in the user's journey and helps us understand a customer's pain points and what technological interventions will best meet their needs. It also allows for cost savings as testing in such a realistic environment gives us an idea very early on whether an intervention will work or not. The objective of the laboratory is to create a more agile delivery of product innovation through a free flow of ideas.

Our Innovation Ecosystem

Ideation and idea boot camps

Where ideas are debated and the best ones forwarded on to workshops, where they are subjected to design thinking principles and stress testing with customer involvement. Those ideas that pass the testing are transformed into prototypes.

Internal innovation funds

All employees are invited to apply for the role of Fund Manager and are rigorously assessed for inherent entrepreneurial potential and competencies. Those selected manage venture capital funds aligned to PBB's strategy. Fund managers invest at their discretion in a combination of innovation projects and the teams that work on these projects generally work in partnership with a third party organisation. The work forms part of the employees' performance contract.

Quick wins

All employees are encouraged to be involved in incremental, quick win innovations.

Incubators

Facilities, such as innovation laboratories, designed to take new products to market faster.

Inner child and inner circle

The inner child element encourages employees to express and pursue their creative interests and hobbies through initiatives such as voluntary photography clubs. Given that employees are customers of the bank, the inner circle element invites them to be the 'Voice of the Customer' during the design, testing and piloting of solutions. Employees are also given the opportunity to apply for exposure to innovations linked to their career areas of interest, subject to their line manager's approval.

Customer experience

Global Reporting Initiative – G4: PR5 and FS14

Retail banking

In 2014, we introduced the globally accepted Net Promoter Score (NPS) which gauges customer perception as the key measure for customer experience in PBB. This methodology measures loyalty by asking customers whether they would recommend Standard Bank to their family and friends. This is used across all subsidiaries in Africa and allows us to benchmark our performance against that of our peers. In the Ask Afrika Orange Index 2014/2015, we ranked third out of the five measured banks in South Africa (2013: third).

Our channels are at the centre of our interaction with customers. Our branches and call centres are discussed in this section, and our self-service channels are discussed on page 49 of the *information technology* section.

PBB South Africa customer experience measure

During 2014, PBB South Africa focused on enhancing its customer experience model, a key step of which was implementing the Customer1st IT platform, our first step in the journey towards achieving a single view of our customers' interactions with the bank. At December 2014, over 2.6 million service requests and over 140 000 leads were captured on the system for the six months since implementation.

Delivering a predictable and consistent experience whenever and however a customer interacts with us, also requires that we build a culture for our people in which they are empowered to deliver the level of customer experience we aspire to. In 2014, we introduced a Customer Experience office to embed a focus on customer experience across every step of the value chain, from back-office functions to front-line customer interactions. This includes using data to fully understand the spectrum of a customer's interactions with the bank and communicating the behaviours we expect of our employees in support of our broader customer experience objectives. This communication is aimed at all employees, with more intensive training interventions for customer-facing staff.

Internal NPS: *PBB South Africa's overall NPS score at the end of 2014 was 36 points, with our channels achieving an overall score of 56 points.*

Target: 46 points overall and across each distribution channel.

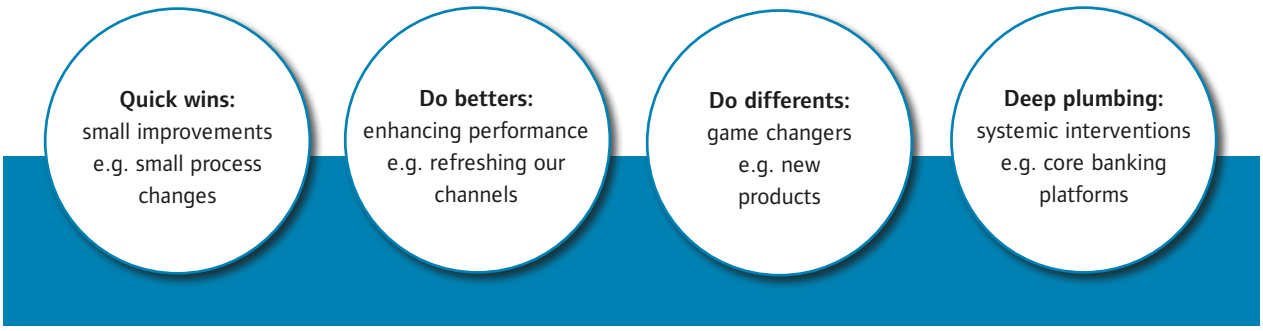
To gain insight into customers' perception of banking, we conduct focus groups for Inclusive and Personal Banking customers, as well as quarterly and annual focus groups for business and commercial customers respectively. NPS is measured telephonically on a quarterly basis by independent external service providers and participating customers are selected randomly. For PBB South Africa overall, the NPS score showed an improvement throughout 2014, ending the year at 36 points.

PBB South Africa branches

We estimate that in less than five years, some 80% of our customers will be doing at least 80% of their transactions digitally. We continue to optimise our physical branch network, reducing the number of branches in South Africa by 8% to 665. Our branches, however, remain an important element of our distribution network as they enable our customers to access advice and assistance through face-to-face interactions and can facilitate more complex transactions. In the last NPS study for 2014, the branch network scored 59 points.

We opened six 'new generation' branches in 2014, in addition to the eight opened in 2013. These branches pay specific attention on facilitating the most important conversations in the branch environment, particularly the help desk, enquiries counter and self-service areas. Self-service lounges are fitted with new technology such as tablets for customers to conduct internet and mobile banking transactions. Staff members are available to provide assistance. While the new-look branches are technologically advanced, they do not compromise customers' ability to interact with people when mobile and automated mechanisms are not sufficient to meet their needs. Smaller sites will be revamped to incorporate key elements of the design once the initial stage of the project is complete.

The spectrum of innovation



Most of our buildings in South Africa have facilities such as ramps and special entrances to accommodate people with disabilities. Where issues arise we liaise directly with our customers to provide remedies to improve accessibility. Visually impaired customers receive individual attention when transacting at a branch. In 2014, we held an awareness campaign for our branch staff to educate them on how to best service customers with different disabilities. People with disabilities were included as part of the campaign to engage on the challenges they face.

PBB South Africa contact centres

Our customer contact centres receive on average over one million service calls a month. Feedback indicates that inconsistent customer experience is an area for improvement. The Contact Centre Optimisation project aims to address this and to increase sales, and we are already seeing improvements in both areas. In 2014, we introduced a command centre that monitors key real-time information and raises alerts as soon as service levels drop below agreed thresholds. We are also upskilling our employees to be better able to address a range of customer requests and we regularly recognise exceptional performance and teamwork. Web-based and facilitator-led training is available to call centre employees and covers customer service, telephone etiquette, compliance, product, process and systems knowledge. The NPS score achieved at the end of 2014 was 47 points, up from 39 at the beginning of the year.

PBB South Africa reward programme

Our loyalty and reward programme, UCount Rewards, allows participants to collect reward points every time they use their Standard Bank personal debit, cheque or credit card no matter what they buy. The biggest benefits are up to 10% back in reward points on grocery purchases at participating retailers and up to R1 back in rewards points for every litre of fuel purchased at participating Caltex forecourts. Participants may redeem their points at any participating rewards retailers or use them to pay for fuel at Caltex forecourts, donate to a charity, gain access to a Bidvest Premier Airport lounge or invest in their Standard Bank PureSave account. They can also redeem points online at the UCount Rewards Online and Travel Mall for electronics, appliances, flights, car hire, holiday packages and air miles. At December 2014, the programme had 523 964 participants, with membership spanning across all Personal Banking segments. Some 76% are customers in the middle-income market. In the 18 months since the launch of UCount, participants have collected more than R610 million worth of rewards points of which R288 million have been redeemed. The programme has increased customer engagement and we are seeing increased uptake of products and improved customer retention.

PBB rest of Africa customer experience measure

A consistent experience and a multi-channel offering are key to strengthening our brand and growing our customer base in the rest of Africa. In 2014, we introduced customer service principles and minimum standards for the rest of Africa which cover meeting customer needs correctly and timeously, keeping customers correctly informed and taking ownership of customer queries and requests. Each country operation has a clear plan in place to measure performance against these service principles. NPS is used as the core measure against which our country operations measure customer experience, however these operations can also use additional service measures relevant to their operating environment.

PBB rest of Africa branches

Increasingly, our branches will provide more value-adding and convenient services, such as self-service capabilities, and more complex sales advice. We are changing the origination process to enable accounts to be opened within 20 minutes with ATM cards issued immediately. This capability has already been launched in Uganda, with Ghana to follow in 2015. CfC Stanbic Bank's new digital experience bank branch is the first of its kind in Kenya. It aims to introduce customers to self-service technology and is designed to do away with manual processes and serve more customers in less time. Customers can open an account at the branch and the cashless transaction capability facilitates tax payments, council collections, online share trading, ATM cash deposits and internet banking. The branch also offers free Wi-Fi.

PBB South Africa's NPS scores

	2014
Branches	59
Prestige Banking	42
Private Banking	59
Standard Bank Financial Consultants	60
Business Banking	69
Self-service channels[1]	50
ATMs	43
Number of customers surveyed	133 081

[1] *Self-service channels include the customer contact centres.*

PBB South Africa's goal over the next three years is to be ranked the retail bank that provides the best customer experience in South Africa.

Case study: new releases in South Africa

SnapScan taps into the emerging mobile wallet phenomenon by allowing real-time payments for purchases with a smartphone. For consumers it removes the need to carry cash or bank cards and for vendors it removes the need for expensive point-of-sale equipment, making cashless transacting more accessible to small vendors. Merchants are charged a flat fee of 3% per transaction.

After downloading the app, users register their credit or cheque card details and create a PIN for transacting. Security considerations informed every step of the app's development, for example card numbers are encrypted on smartphone devices and not uploaded to an external server, and we are able to block a user's app if there is suspicious activity.

SnapScan was developed in partnership with Fire ID and is available on iOS, Android and Blackberry smartphones. Users do not need to be a Standard Bank customer and merchants do not need a bank account as they can receive payments in the form of a Standard Bank Instant Money voucher which can be redeemed for cash at any Spar store or at a Standard Bank ATM. SnapScan has been well received and we plan to add a range of features over time, including the ability to do person-to-person payments.

Contactless cards, launched in May 2014, are designed to make payments more efficient and secure. The 'tap and go' facility allows customers to simply tap their debit or credit card on a participating merchant's point-of-sale device and their purchase is paid for. For purchases less than R200, no PIN is required so the transaction is completed instantly. Contactless cards greatly reduce the risk of card skimming as the card never leaves a customer's hand. The contactless wave logo is displayed on cards that have this functionality. This service is used within our own buildings in the cafeterias and coffee shops, and is being rolled out to merchants whose average sale is less than R200. As more consumers begin to carry enabled cards, this service is expected to grow.

MasterPass is a self-service online payment solution available to anyone who downloads the app regardless of which bank they bank with. Once downloaded, users input their billing addresses and the details of up to six debit, credit or cheque cards including MasterCard, Maestro and Visa. This process to create a wallet is done only once. When shopping online, the user clicks on the MasterPass icon and selects their wallet. They then scan the QR code of their purchase or enter the code manually and enter their PIN. MasterPass stores all contact, billing and shipping information in the user profile, so users don't have to enter these details every time they visit a new site.

SnapScan payment process

- Scan the merchants' unique barcode
- Enter the amount due
- Confirm unique PIN number
- Merchant receives payment with a confirmation SMS

14 000

registered merchants

118 000

registered users

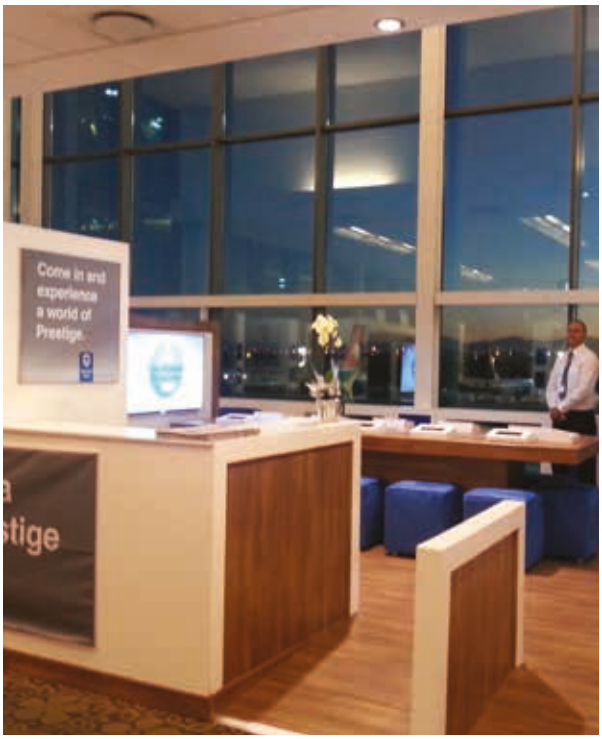
R35 million

processed

R112

average transaction value

Ntsako Baloyi has run One Time Shoe Shine in the foyer of our Standard Bank Rosebank building since the beginning of 2014. Using SnapScan, Ntsako is now able to receive mobile payments from customers who don't have cash, giving us access to a new market and helping Ntsako grow his business. Ntsako plans to expand his business into shoe repairs in the short-term. In the longer term, he would like to own a stand-alone store, incorporating a dry cleaner and laundry. He'll be looking for a banking partner for this – and says Standard Bank will be his natural choice.



Our Prestige Banking pop-up lounge in the domestic departure lounge of O.R. Tambo International Airport, offers a number of complimentary services to customers. A total of 48 967 customers used our pop-up lounges in O.R. Tambo and Cape Town international airports during 2014.

All new branches across Africa incorporate accessibility considerations and we adhere to local occupational health and safety requirements. Customers with visual or hearing impairments are assisted on a one-on-one basis by employees. Employees communicate in English, Portuguese or French as official business languages, although they are also able to converse in local languages.

PBB rest of Africa contact centres

Many of our operations in the rest of Africa are upgrading their customer contact centres to improve customer service and sales, onboard new customers and manage queries and complaints. The upgrades include a multimedia system that can handle multiple languages and has voice, email, web chat, web mail and web call back capabilities. The network across the rest of Africa receives on average 5 000 calls and 2 000 emails a day. Contact centre performance is monitored daily. Each customer contact centre has a Customer Retention and On-boarding team that proactively contacts new customers to ensure their on-boarding experience is seamless. We have customer contact centres in Angola, Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda and Zambia. Contact centre employees receive training on systems, communication skills and products.

Corporate and investment banking

CIB's client engagement model, introduced in 2013, provides a more client-centric focus aimed at understanding our clients'

Key objectives for PBB rest of Africa: *growing our customer base in our chosen segments based on excellent consistent customer experience and using technology in a smart way to improve efficiency, effectiveness and innovation.*

Our branches and service centres in the rest of Africa

	2014	2013	2012
Angola	**26**	26	15
Botswana	**11**	11	11
Democratic Republic of Congo	**5**	5	3
Ghana	**35**	27	22
Kenya	**24**	23	22
Lesotho	**17**	17	16
Malawi	**25**	25	24
Mauritius	**1**	1	1
Mozambique	**42**	42	42
Namibia	**47**	47	47
Nigeria	**179**	179	176
South Sudan	**1**	1	1
Swaziland	**10**	10	9
Tanzania	**10**	11	10
Uganda	**94**	91	91
Zambia	**22**	22	20
Zimbabwe	**19**	19	18
Total	**568**	557	528

Note: this excludes customer contact centres.

The results of the client research were presented to the various CIB business areas across Africa, and corrective action plans were developed to implement quick wins and effect long-term change in our service ethic.

CIB client survey results

	Target	2014	2013
Angola	9	**7.2**	No survey
Ghana	9	**7.8**	7.8
Kenya	9	**8.0**	7.8
Mozambique	9	**8.0**	No survey
Nigeria	9	**8.0**	7.6
South Africa	9	**7.9**	7.9
Tanzania	9	**7.4**	No survey
Uganda	9	**7.4**	No survey
Zambia	9	**8.0**	No survey
Zimbabwe	9	**7.9**	No survey
Number of clients surveyed		**4 224**	4 820

businesses and the sectors they operate in. Each client is allocated a relationship manager who establishes a Client Service Team with representatives from across CIB to facilitate their banking requirements. Bringing together different areas of CIB allows us to assist our clients in growing their business in their local operations and across the continent, which creates cross-selling opportunities for the bank.

Our client survey helps us improve client retention by identifying clients at risk of leaving the bank, analysing client needs and implementing corrective actions where identified. In 2014, challenges experienced included providing a consistent service with regard to relationship manager and service team availability, the turnaround time on queries and issue resolution, keeping clients informed of progress on open queries and delivering as promised.

In the South African client survey we asked clients who they perceived to be the leading corporate and investment bank. Some 71% responded with Standard Bank, up from 66% in 2013. The reasons provided included the strength of our relationships and the credibility of our relationship managers, particularly their responsive and helpful service, knowledge and expertise. While the overall score for South Africa remained constant at 7.9, the relationship manager score increased to 8.5 from 8.2 in 2013.

In the rest of Africa, we undertook client surveys in six additional countries in 2014. For Ghana, Kenya and Nigeria where surveys were undertaken in 2013, the overall scores have either improved or remained constant. The relationship manager rating in both Ghana and Nigeria has improved however the score for Kenya dropped slightly to 8.2 from 8.3 in 2013.

Clients participating in the survey are randomly selected from across CIB's product areas. The surveys are conducted annually,

New products and services launched

Blue Sky Lifestyle Programme where customers can source non-banking products and services 24/7 at the best prices. Services available range from accessing legal assistance to obtaining assistance during home emergencies.

Standard Lesotho Bank

Stanbic MoneyWallet Multi-Currency Card allows users to load four foreign currencies on a single card, mitigating foreign exchange and cross-currency fluctuation costs.

Stanbic Bank Ghana

Ghana launched its first mobile branch where banking services are offered at workplaces and in remote areas and **Kenya** launched its first digital experience branch in Mombasa.

New banking experiences

Stanbic IBTC Ethical Fund aimed at achieving long-term capital appreciation with at least 75% of its investment equity being in socially responsible companies.

Stanbic IBTC Bank in Nigeria

Boundaries of impact: market conduct

Internally: whole organisation, employees

Externally: customers, regulators, government

Board committees

SBG board

Group Audit Committee

Group Risk and Capital Management Committee

Group Credit Committee

Group Social and Ethics Committee

Country board and risk committees

Monitoring mechanisms

- Regulatory specialists and Business Compliance Officers support and monitor business with regards to FAIS compliance.
- Independent FAIS monitoring is conducted by the Market Conduct Monitoring team appointed by the Group FAIS Compliance Officer.
- Internal audit monitors ombud complaints.
- Customer Dispute Adjudication Office.
- TCF Programme.

Standard Bank South Africa

30 089

employees, including non-permanent employees, completed TCF training

Standard Bank South Africa

No

complaints concerning breach of confidentiality were received from regulatory bodies for PBB or CIB

Standard Bank South Africa

134

cases were considered by our internal Customer Dispute Adjudication office (2013: 133) with a

R9.8 million

potential maximum exposure (2013: R5.4 million) of which

R3.3 million

was awarded to customers (2013: R2.5 million)

either telephonically or by email, and target decision-makers within the client's business, for example the chief executive or financial director. We make use of an independent contractor to ensure objectivity.

Market conduct

Our approach

Market conduct refers to the expected behaviour of an organisation in the market and towards its customers and clients. Good market conduct deals with the fair treatment of customers, managing conflicts of interest and guarding against market abuse such as market manipulation and insider trading.

Given the constantly evolving nature of the consumer environment, to remain relevant we constantly look for better ways to meet the current and future needs of our customers. Our approach is one of promoting accessibility, inclusivity, value for money and choice within the financial services market. Various pieces of South African legislation are designed to ensure that consumers' rights are protected and that we offer our products and services responsibly. These include the Consumer Protection Act, the Financial Advisory and Intermediary Services (FAIS) Act, the National Credit Act (NCA), the Competition Act, POPI Act and the TCF principles and outcomes. We provide ongoing consumer education to advise customers of their rights and the recourse available to them in the event of a dispute.

Our approach extends beyond regulatory compliance to seek to provide customers with good financial outcomes. We endorse and subscribe to a number of voluntary and statutory codes of conduct and codes of good practice, listed on page 163 of the *annex* to this report. Liberty has its own TCF governance and monitoring frameworks.

Treating our customers fairly

Our value of serving our customers holds us to employing sound business principles in our interactions with our customers. The new TCF approach for the financial sector in South Africa requires that we demonstrate, through our processes and record keeping, how we are embedding fairness into our culture and decision-making as the right way of doing business. The TCF requirements seek to enhance financial product design, the marketing of financial products, the information we provide to customers, aspects of financial advice, the after-sale support we provide and the complaints procedure. TCF applies to all customer and client segments.

The SBG board has primary ownership of TCF across the group, and delegates the responsibility for delivery of outcomes to senior and executive management.

During 2014, we developed a set of guidelines to help our operations meet TCF outcomes at every customer contact point and throughout the product lifecycle. The guidelines are now being assessed against the business models of each operation.

Where control gaps are identified, projects are put in place to remedy these and progress is monitored.

The principles pertaining to the fair treatment of customers have far-reaching consequences for our systems and impact on our employees from those involved in product design through to those working with confidential information. Our e-learning platforms are used to help our employees understand and meet their obligations in this regard. Customers can report perceived breaches of TCF requirements through our existing complaints channels. If necessary, additional mechanisms may be put in place, should this be considered necessary, once our TCF guidelines are embedded.

Managing conflicts of interest and guarding against market abuse

Certain business areas such as CIB are more likely to encounter conflicts of interest due to the nature of their business activities. CIB's Conduct Programme aims to embed a culture of ethics and compliance within the business unit, covering training; the governance framework supporting the approval of transactions; clearly defining ownership and accountability; and ensuring that the CIB compliance policy framework meets international standards and is fit-for-purpose within the jurisdictions in which we operate. The Conduct Programme Board monitors progress.

Integrated IT systems are being implemented to streamline our deal management process across the group. These will cover conflict clearance, money laundering surveillance, market abuse surveillance and politically exposed persons and sanctions screening. The systems will facilitate monitoring of CIB deals to proactively ensure compliance with applicable policies and procedures.

Pricing

We work to ensure that our pricing is transparent and that our customers understand exactly what charges are incurred when they use our products and services. We encourage customers to transact using more convenient and cost-effective self-service channels such as ATMs, internet banking, Business Online and mobile channels. The implementation of the new core banking systems in South Africa and the rest of Africa will enable streamlined and online functions such as remote account opening. Our pricing structure takes into account the value to the customer, the risk associated with and the cost of the transaction and the convenience of the service. Our employees are trained to explain our pricing options and are provided with tools to respond to price discussions, to ensure that we sell the most appropriate products to our customers based on affordability and need.

South Africa

In PBB, our Fees and Commission Pricing Committee is responsible for ensuring that a rigorous pricing approval process is in place and reviews and assesses the risks related to price changes. The committee brings together role players from across the business unit as well as governance representatives. All price changes ratified by the committee are presented to the PBB Executive Management Committee for approval.

In addition to consulting our branch employees, customers are able to use our online pricing calculators and our electronic and physical brochures to help them choose the best pricing options to suit their needs. Our website and brochures also provide advice on how to reduce bank charges and avoid extra costs. We constantly endeavour to become more customer-centric and the ways in which we communicate with customers is a key focus area for further improvement. We have started using customers' preferred communication service channel, to communicate upcoming price changes. Pricing brochures, press advertisements and our website are also used to notify customers of price changes.

Marketing teams, product owners and stakeholders from across the business provide input before pricing material is published.

For our Inclusive Banking customers our AccessBanking products provide an easy-to-understand pricing structure limited to two pricing options – pay-as-you-transact and the AccessAccount Plus bundle, which will continue to be priced at R59 a month in 2015. Uptake of the AccessAccount bundle is improving and the cost to the bank is being optimised through greater use of low-cost channels such Instant Money, our mobile money transfer service, and the AccessPoint network.

Most of our bundled options provide unlimited free electronic transactions including any combination of debit and stop orders, electronic inter-account transfers, electronic account payments and debit or cheque card transactions to encourage

2015 pricing increases (PBB South Africa)

Personal Banking

Average inflationary increase of 4.5%

Business Banking

Average increase of 6.2%

BizLaunch account for start-up businesses

R6.15 a day (2014: R4.50)

Elite Plus

Decreased to R95 a month (excluding monthly credit card fee)

Prestige Plus Accounts

Remains unchanged at R179 a month

Private Banking

R325 a month (up from R299 a month in 2014)

Consolidator Plus

R45 a month (up from R43 a month in 2014)

customers to use more convenient and safer payment methods as an alternative to transacting with cash.

Rest of Africa

Different regulatory requirements can impact on pricing across jurisdictions. For example, in Botswana and Zambia, central bank and regulatory requirements have forced prices lower and in Namibia, banks are required to eliminate cash deposit fees for individual customers by March 2015. We are on track to meet this requirement.

Our commitment to fair and transparent pricing remains a priority in all operations and new product or pricing committees are in place to govern the pricing approval process. For most countries, transactional account prices are published on the relevant country operation's website and are available on request in branches. Customers are notified of loan rates and monthly instalments before disbursement of loans. Loan rates are typically published in branches, are available on request through call centres and in some countries online repayment calculators are available. Each country operation's product management team is responsible for ensuring that rates and pricing are benchmarked against their competitors. Where a price premium is charged, we engage with customers to determine the value they perceive to be attached to the offer. Our brochures are customised for each local market. On average our pricing in the rest of Africa is on par with our competitors.

Competition commission

In South Africa, we are in compliance with the Competition Commission's and the SARB's proposal that requires that we inform customers of other banks who use our ATMs that there will be an additional charge incurred on their transaction. In line with the Code of Banking Practice requirements, we strive to make the process of switching a transactional account to another bank as seamless and easy as possible for our customers who wish to move their business, and we offer a free debit order switching service. The switching requirements do not pertain to investment and loan accounts which are individual contracts.

Extending credit

Our credit function covers origination and evaluation, account and collateral management, rehabilitation and recoveries. Regular risk reviews are undertaken to ensure that minimum standards are maintained within the agreed risk appetite. The group applies these standards to all credit policies and procedures across the credit lifecycle. In South Africa, the NCA sets standards to prevent reckless granting of credit to consumers. The bank continuously develops appropriate systems and management processes and undertakes the necessary employee training to support compliance with the NCA. Our objective is to lend responsibly, in compliance with applicable legislation and based on stringent affordability and credit-granting criteria.

Our ability to provide and sustain effective and efficient credit capabilities across the credit lifecycle requires integrated processes and systems. The new core banking systems will provide a single and integrated customer view that will help to mitigate our credit risk and enable originators to make better credit-granting decisions based on the customers' total exposure to the bank. For our customers, these systems will improve the credit application process by reducing the time taken to reach a decision.

Protecting personal information

Global Reporting Initiative – G4: PR8

Given the nature of our business, we have access to the personal information of our customers and keeping this information private and confidential is a key aspect of good market conduct. A number of regulations are in place in South Africa to this effect including the POPI Act which strictly regulates the ways in which information is collected, stored and processed. The Act, which is not fully effective yet, will apply to all areas of our business, from customers and employees to suppliers, contractors and third-party vendors. Our contracts with third parties stipulate our requirements in terms of safeguarding personal information processed on our behalf and vendors are required to have incident response mechanisms in place. Our data privacy policy applies across the group and our Group Privacy Officer is responsible for overseeing our Privacy Programme, providing guidance and monitoring privacy risks.

During 2014, we undertook a gap analysis of our retail and corporate bank environments to determine where we potentially fall short of the POPI Act requirements. Several controls are already in place on our IT systems that house personal information and are considered business as usual. Where we have found gaps, remedial actions are being undertaken.

For PBB South Africa, the total number of substantiated complaints received by this business regarding breaches of customer privacy during the reporting period was 260 (2013: 319), with none of these complaints being from regulatory bodies.

In CIB, private and public information areas are kept separate to prevent the inappropriate flow of confidential information, price sensitive information or material non-public information. We have implemented surveillance systems in addition to our 'need to know' policies and procedures to further manage confidentiality. During 2014, no complaints concerning breach

We strive to ensure adequate IT system controls and embedding a culture of responsible communication among employees to reduce the risk of inadvertent data breaches.

Product responsibility

Global Reporting Initiative – G4: PR3, PR4, PR7, PR9 and FS15

Fair design

We ensure that the products we develop enshrine the fair treatment of our customers and are sustainable and responsible. Various product committees within PBB and CIB provide final oversight for the introduction of new or changes to existing products and services. Business areas are required to confirm that applicable regulatory requirements are considered, including those for consumer protection and anti-money laundering.
We work to ensure that our products and services are designed to meet the needs of identified consumer groups, that our products perform as customers have been led to expect and that our services are of an acceptable standard. In South Africa, before a large-scale rollout, products are piloted to ensure that they meet customer needs and do not unfairly impact on them. We have not as yet identified any products or services that are non-compliant with TCF requirements.

In the rest of Africa, new product or pricing committees are in place to govern the pricing approval process, as well as any material changes to products, channels or services. South Africa provides support in the form of advice and assisting with margin management and product development. Changes to credit-related products are also reviewed by credit risk management committees.

Fair sale

We aim to give our customers clear information and keep them appropriately informed before, during and after the point of sale. We also ensure that the advice we give is suitable and takes the customer's circumstances into account, and that there are no unreasonable post-sale barriers to change a product, switch provider, submit a claim or make a complaint. In South Africa, the NCA requires that we assess whether or not a customer can afford credit and that we provide a pre-agreement quote which describes the products and costs to the customer, allowing the customer to make an informed choice. This applies to all our South African lending products falling within the NCA's ambit. The FAIS Act requires that we appoint qualified representatives when dispensing financial advice and rendering intermediary services on certain financial products. These representatives are required to complete a financial needs analysis with our customers, explaining the characteristics, benefits and implications of products so that customers are able to make informed choices.

Product and service labelling

We adhere to the requirements of the NCA, TCF and Code of Banking Practice, which require that any information displayed or provided to our customers, including our written agreements with our customers, is in plain language and easy to understand. This also applies when communicating our pricing structures. For CIB, we have changed certain terms relating to our products and services to meet the regulatory requirements of the EU relating to derivative transactions and consumer protection in investment services.

Marketing and communication

For PBB, a compliance monitoring plan is prepared annually to ensure we adhere to legislative requirements and marketing codes and standards, both locally and internationally. Compliance monitoring is undertaken by various functions in the business and the frequency of these reviews varies depending on business area and regulatory requirements. Governance processes ensure compliance requirements are in place prior to marketing campaigns going live.

For CIB, a documented procedure is in place for the approval of all marketing campaigns and advertising as well as internal and external events and conferences. A FAIS Act checklist is also in place to guide the approval of marketing material.

Compliance

Non-compliance with:	PBB South Africa	CIB
Laws and regulations concerning the provision and use of products and services	Page 72	Page 72
Laws and regulations, or voluntary codes, concerning product and service information and labelling	No material incidents	No material incidents
Regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship	No material incidents	No material incidents

Note: our PBB operations across the rest of Africa are not reported.

of confidentiality were received from regulatory bodies for CIB (2013: none).

Guarding against the unethical use of customer information is included in our ethics and data privacy training which is provided across all our operations. Ongoing employee awareness campaigns and workshops are held to further embed appropriate behaviour. For CIB, all staff are required to undergo compliance training, which includes confidentiality, when they join the bank and refresher training thereafter. In addition, Business Compliance Officers within CIB conduct regular face-to-face training for staff in high risk areas. Breaches by employees result in disciplinary action.

Complaints management

South Africa

In South Africa, our customers are able to lodge complaints through any PBB channel such as our website, call centres and branch network, as well as public platforms such as Hellopeter.com and social media. Complainants are given a reference number and an expected timeframe for feedback. Complaints that cannot be resolved at channel level are escalated to our centralised Service Recovery unit and those requiring further investigation are escalated to a specialist Complaints Resolution Centre. The centre ensures that high reputational risk and more complex complaints receive the required focus and urgency, and it is equipped to deal with all escalated customer complaints through to resolution. We have a dedicated social media service desk which monitors and deals with queries and complaints received on these platforms. The CEO Complaints mechanism, within our Complaints Resolution Centre, deals with grievances addressed or escalated to the chief executives. During 2014, 5 971 (2013: 2 906) complaints were received by this mechanism.

Customers who are unhappy with the outcome of the complaints resolution process have the right to escalate their complaints to various industry ombud functions. The Office of the Ombud for Financial Services Providers (FAIS Ombud) and the Ombudsman for Banking Services (Banking Ombudsman) are the most frequently used ombud functions. We also deal with the Credit Ombud and the Ombudsman for Short-Term Insurance.

Customer feedback and information gathered from our complaints management process is used as a basis for customer experience improvement. Findings are escalated to the executive committees of the various customer offerings and customer channel departments. Complaints sent to business units are monitored by the Complaints Resolution Centre to ensure that a resolution is reached and that the customer is advised directly. The introduction of Customer1st, has improved our ability to track and resolve customer complaints and will help us meet customer needs better and fairly in alignment with TCF. To date, the system is showing an improvement in staff interactions with customers.

In September we revised our policy on ATM claims which resulted in an increase in the number of complaints received by the Complaints Resolution Centre and those proceeding on to the Banking Ombudsman for an independent decision. On average 90% of these decisions escalated to the Banking Ombudsman were ruled in the bank's favour.

We also have an internal Customer Dispute Adjudication office which is independent and positioned outside normal operational complaint handling structures. Decisions made by the office are final and binding on the bank, and through this function additional customer claims have been settled. The office adjudicates on escalated disputes in a fair, neutral, impartial and unbiased manner, helping to ensure customer

Nature of complaints for Standard Bank South Africa

Nature of complaint	What we are doing
Complaints Resolution Centre	
Staff capability when dealing with more complex transactions	Pages 57, 68 and 70
System availability	Page 47
Increasing levels of fraud	Page 71
Banking Ombudsman	
Mortgage finance, indebtedness and collection process	Page 68
ATM claims	This page
FAIS Ombud	
Inappropriate financial advice	Pages 41, 62, 65, 68 and 70
Non-compliance with legislative requirements	Page 41
Unfair treatment of customers by failing to disclose material terms and conditions relating to policies	Page 62

Our aim: *to develop a consistent approach to complaints management across all business units. Best practice changes will be implemented to meet our TCF goals in terms of complaints management.*

retention while protecting the bank's reputation. Each dispute is assessed on its own merit and dealt with in accordance with strict timelines, while keeping all parties involved throughout the adjudication process. The office is neither a bank representative nor a consumer advocate, and it applies the law, equitable principles and good banking practice to resolve disputes.

During 2014, the Customer Dispute Adjudication office considered 134 (2013: 133) cases with a potential maximum exposure of around R9.8 million (2013: R5.4 million). A total of R3.3 million (2013: R2.5 million) was awarded to customers. Of these cases, a total of 82 (2013: 74) were FAIS Ombud cases, five (2013: six) were escalated Banking Ombudsman disputes and 47 (2013: 53) were other referrals.

In addition, the office assists and advises business units on how to effectively resolve complaints without the need to formally adjudicate in the matter. The aim is to enable business units to use the principles of fairness and equity for similar cases that arise in future. The Customer Dispute Adjudicator attended the annual Conference of the International Network of Financial Services Ombudsman Schemes in Trinidad & Tobago. Ombud schemes and industry representatives from 25 countries attended the conference which provided many learning opportunities.

Rest of Africa

Complaints in our African operations are reported through the distribution channels available in each country. Each country is required to have the resources in place to receive, follow up and resolve complaints in an efficient manner. This includes having the skill to effectively manage complaints in key banking segments such as Business Banking or Personal Banking. In addition, internal and external complaints management processes must be documented and made available to customers, regulators and ombuds functions on request. Every country has a complaints inbox where customers can email their complaints directly to the Head of Customer Service. Customer contact centres are available in 12 out of 14 retail banking country operations. Our goal is to have a contact centre in each country of operation by the end of 2015. Where customers are unhappy with the outcome of a dispute, they have the right to refer the complaint to the relevant ombud function or regulator.

Indebtedness

PBB South Africa

Increased prices for essentials such as food and electricity, coupled with a subdued economy, continued to exert pressure on consumers in 2014, impacting their ability to repay their debt. These conditions are likely to persist during 2015. According to the most recent National Credit Regulator's credit bureau monitor, the number of consumers with impaired records stood at 9.95 million at June 2014 compared to 9.93 million at December 2013. This is almost half of the active credit consumer base having an impaired credit record. Over the past three years, there has been a focus on combating over-indebtedness among South African consumers amid concerns that high levels of over-indebtedness are a factor in some of the incidents of social and labour unrest in the country.

Standard Bank South Africa: managing complaints

		2014	2013	2012
Number of complaints		**93 489**	72 637	69 156
Banking Ombudsman				
Number of complaints referred by the Banking Ombudsman		**1 630**[1]	980	845
Amount claimed by customers	Rm	**35.3**	21.2	28.7
Amount settled by the bank	Rm	**1.8**	4.6	3.7
FAIS Ombud				
Number of FAIS complaints		**82**	74	116
Potential maximum exposure	Rm	**4.7**	5.3	9.9
Amount settled by the bank	Rm	**0.9**[2]	1.9	5.4
Short-Term Insurance Ombudsman (STIO)				
Number of complaints referred by the STIO		**527**	474	489
Amount claimed by customers	Rm	**13.4**	14.1	11.8
Amount settled by the bank	Rm	**2.6**	5.8	4.2

[1] *Increase is as a result of our revised policy on ATM claims. On average 90% of these decisions escalated to the Banking Ombudsman were ruled in the bank's favour.*

[2] *Claims that have not been resolved are either pending judgement, are being recalculated based on the circumstances of the case or have been dismissed in the bank's favour. This amount relates to 42 finalised matters, with 40 matters still pending.*

PBB South Africa provides home loans, instalment loans and business loans, as well as unsecured loans which include overdrafts, revolving credit plans, personal term loans, credit cards, medium-term loans, advance accounts and student loans. Through our membership of the Banking Association of South Africa we have adopted the industry Credit Accord agreement to promote responsible lending. This accord covers affordability assessment guidelines, credit life insurance, emolument attachment orders (garnishee orders), relief measures for distressed customers, updating credit bureaus timeously and consumer financial education.

We experienced a sharp increase in credit impairments in the vehicle and asset finance book during 2014 where factors including a weak product offering, limited system capability, a difficult application process and higher pricing meant that we acquired higher risk customers. As credit impairments rose, we limited our risk by pulling back on credit policies which caused a significant drop in financing volumes, affecting overall profitability and return on equity. We have since relooked our vehicle finance model and implemented a number of changes. We have introduced a more streamlined process and enhanced IT systems which allow sales consultants at the dealerships to process the application electronically, shortening the time required to approve a loan. We have also amended our pricing matrices and products to provide a more attractive offering which should encourage take up with better quality loans and reduced impairments.

Affordability assessments and education

Ensuring that customers are able to afford and repay their debt, and assisting them to make prudent debt choices, is key to ensuring the quality of our lending book. We use information from credit bureaus, our own records and customer-supplied information to determine whether a customer can afford a loan. If we believe a loan is not reasonably affordable, the application is declined. Specific training interventions are in place to ensure our originations team is able to apply the highest level of analytical thinking and ability in making credit-granting decisions.

We offer our first-time home buyers voluntary borrower's education. For our Affordable Housing customers, our panel of attorneys that facilitate loan agreements provide advice during the application process and at the signing of the agreement. For our customers that are self-employed, we have a dedicated team that focuses on intuitive lending, where an experienced credit manager bases the credit granting decision on additional sources of information, such as the current and likely future performance of the customer's business, to ensure repayment of the loan.

Collections

Collections capabilities are embedded in each product area within the Credit unit and execution is handled by a Credit Rehabilitation and Recoveries team supported by a collections head in each product portfolio. We do not use garnishee orders as part of our collections process. In 2014, we retrained our collections staff on how to negotiate effectively, improving the quality of conversations with our customers.

Home loans

The performance of our mortgage portfolio remained resilient despite economic pressure and our non-performing loan portion of the portfolio showed a marginal decrease year-on-year. New business originated post 2009 performed well, with a lower default rate compared to that originated prior to 2009. Targeted strategies are in place to alleviate affordability pressures on distressed customers, particularly those whose loans were originated prior to 2009. The early arrears portfolio showed a slight decrease. At December 2014, the total value of our home loan book was R302.8 billion (2013: R295.9 billion), of which R36 billion was registered during the reporting year. This is a 4% increase in loans registered when compared to 2013. Non-performing loans stood at 4.4% (2013: 4.6%) and our credit loss ratio remained at 0.8% compared to the beginning of the year. We have retained our position as the largest provider of residential mortgages in both affordable housing and mainstream residential property in South Africa, with a market share of 34.0% (2013: 33.8%) at December 2014.

Unsecured lending

Unsecured lending requires no security from a customer for a loan to be granted. We apply strict credit and affordability measures to ensure that customers are able to manage their unsecured debt appropriately. We do not undertake practices such as debt consolidation to extend further credit and re-advances which can lead to customer over-indebtedness, although we may offer debt consolidation where a customer is in distress and requires their repayments to be restructured. We apply prudent lending, monitoring and management activities to our unsecured lending book, working within our risk appetite and at appropriate prices. Executive committees and forums monitor the performance of this portfolio closely and determine risk appetite to minimise credit risk. Some 76% of our unsecured loans are granted to customers who hold their

Standard Bank South Africa: Credit Customer Assist

		2014	2013	2012
Number of distressed customers assisted		**26 548**	26 019	36 720
Total outstanding loan obligation	Rbn	**15.7**	12.9	11.9

Note: these volumes include all products (secured and unsecured) and cover staff, customers and Private Banking. The volumes exclude any distressed customers assisted by our rehabilitation and recoveries teams.

primary transactional account with us. This enables us to offer better interest rates and lending terms, as well as to provide assistance should the customer encounter financial difficulties, given our understanding of their financial behaviour.

Lower risk appetite has resulted in a slowdown in the unsecured lending market. Overall unsecured lending advances have grown by 6.7% year-on-year, mainly due to revolving credit plans and credit cards. Risk-based pricing has improved to align with changing market conditions and stricter Basel III requirements. Credit impairments have trended higher given the weak macroeconomic environment and the high levels of consumer indebtedness. Our ongoing management strategies, particularly in the AccessLoan and overdraft portfolios, have contributed to an improved credit loss ratio of 4.69% in 2014 (2013: 4.86%), and our enhanced collection capability should assist further in this regard.

Typically customers in the lower income market are experiencing the most hardship due to their inability to weather tougher economic conditions. As such our appetite in this part of the business has continued to decrease and our AccessLoan exposure has reduced 24% to R2.2 billion at December 2014.

Customers in financial difficulty

Customers who find themselves in financial difficulty can request that their loan be restructured to provide them with access to short-term cash flow relief. We also use behaviour scoring to proactively detect the early warning signs of customers in financial difficulty. This occurs at a customer and product level and typically takes into account events such as the misuse of credit facilities and attempts to spend money not available in cheque accounts. Credit Customer Assist is a dedicated unit within our Credit division that undertakes confidential assessments leading to the rescheduling and consolidation of customer debt. Where a customer demonstrates a willingness to make some level of payment, the Credit Customer Assist unit is notified through our internal processes, and the team approaches the customer concerned to offer assistance.

Where financial hardship requires a longer-term and more sustainable solution across multiple products, the Credit Customer Assist unit takes a holistic view of the customer's debt, income and expenditure, and then restructures and consolidates loan repayments across their secured and unsecured products held with Standard Bank. In certain cases, where exposure is not too high, unsecured debt held with other financial institutions may be included in the consolidation at a more affordable rate. We aim to ensure that the instalments on the restructured debt or consolidation account are sustainably affordable. The majority of successful consolidations are for home loan accounts and unsecured debt.

As a last resort, the services of EasySell, a private sale programme, will be used to help customers that are in arrears on their home loans. Our EasySell team of property marketing specialists helps customers settle their home loan with as little stress as possible, minimising their loss and maximising recovery for the bank.

The NCA makes provision for debt mediation and counselling. With the rise in over-indebtedness, a large number of consumers have sought assistance through the debt review process which aims to rehabilitate an over-indebted consumer through debt re-arrangement within an agreed period. During this time, the consumer is not able to access further credit. While the debt review process was designed with a positive intent, the execution has led to unintended consequences and the industry and regulators are working towards

PBB South Africa's loan book

R477 billion
loan book value
(2013: R461 billion)

4.6%
non-performing loans
(2013: 4.7%)

9% increase
in total impairment charges
compared to 2013

1.52%
credit loss ratio
(2013: 1.46%)

R302.8 billion
home loan book value
2014 target: R299.9 billion

Extending credit – and doing so responsibly – is critical to economic development and growth, and is thus a fundamentally important service that banks provide.

a more effective solution. At December 2014, 85 231 customers were under debt review, a 5% increase compared to 2013. Of the customers who exited the debt review process during 2014, 39% (2013: 39%) were successfully rehabilitated while the remainder have been moved further along the legal process. We only take the route of legal foreclosure as a last resort. This takes place outside the debt review process after a terminated account continues to default.

National Credit Amendment Act

The National Credit Amendment Act, which has not yet come into effect, aims to curb reckless lending and address over-indebtedness in the consumer credit market. Stemming from the Act are a number of draft regulations concerning the affordability assessments of credit applicants, the functions of the National Consumer Tribunal and the way matters appear before the tribunal. It also contains provisions that require the removal of adverse information from credit bureaus and puts in place rules for the dissemination of information. With regards to affordability assessments, the draft regulations will introduce a minimum standard on how to assess whether a consumer has the financial means to pay the proposed credit instalments. The regulations also prescribe what credit providers need to disclose in terms of the total cost of credit including the principle debt, interest, initiation fee, service fees and credit insurance. We already use a similar approach when assessing affordability of our unsecured loan products and our internal assumptions are more conservative than those in the draft regulations.

Rest of Africa

In the rest of Africa, PBB provides customers with secured and unsecured loans to personal and business customers, including home loans, term loans, vehicle and asset finance, overdrafts and credit cards. Our strategy is to lend to top tier personal and business customers. During 2014, the gross PBB loan book for the rest of Africa improved steadily and grew 17.5% to R57.1 billion (2013: R48.6 billion). Non-performing loans stood at 5.1% (2013: 5.6%) and the annualised credit loss ratio moved from 2.93% at December 2013 to 1.87% at December 2014.

In 2014, to improve our credit risk management we adopted a three-pronged approach including regular assessment and training reviews, credit risk reviews and internal audits. Remedial action plans are implemented where required and progress monitored. The shortage of people skilled and experienced in evaluating and managing credit continues to be a challenge. We undertake training interventions across the continent and our credit teams are assessed regularly to ensure that their skills meet our minimum standards.

Our credit coaching programmes provide relationship managers with focused training to improve the quality of applications submitted. To attain accreditation, candidates agree to a coaching plan, including fortnightly one-on-one sessions. Credit coaching programmes have been implemented in eight countries with good results already being seen in Tanzania and Zambia. We also provide credit coaching clinics and online training for specialised staff. Our investment in these initiatives and the core banking platforms are beginning to pay off and we are seeing an improvement in our risk management capabilities.

Affordability assessments and education

In Personal Banking, loans are granted based on affordability calculations using information from the application process, bank information and third party information where available. Customers are requested to provide all expense and loan repayment information as input to the credit decision. Where debt service ratios exist, calculated as the ratio of total loan instalments to net income, we comply with country limitations. For businesses, account behaviour and cash flow forecasts are used to determine affordability. Our fees, interest rates, loan amounts and repayment terms are clearly stated in our loan agreements and are explained to customers at point of sale. When a loan is granted, further consumer education is undertaken by the branch consultant. In certain countries such as Angola and Mozambique, personal customers are required to have their new loans confirmed by a legal officer of the government, at which point the customer must confirm that they understand the terms and conditions of the loan. The quality of credit applications is monitored across product type, business segment and relationship manager.

Collections

Collections capabilities are embedded in each operating country and are customised across all product types and business segments. Collections are managed through a standard collections system that has now been rolled out across our rest of Africa operations. While the system is not optimally deployed as yet, contingency plans are in place to ensure that all arrear accounts are actioned timeously and appropriately. Outcomes are being tested and alternative solutions to mitigate any data risk identified in the system will be implemented by the second quarter of 2015. Standard collection structures across all countries cater for early arrears, non-performing loans and bad debts written off. A Business Solutions and Recoveries team attends to upper end Business Banking arrear exposures. Various forums are in place to monitor and enhance collections capability at country, regional and head office levels. Actual outcomes are monitored against budgeted parameters on the arrears portfolio and corrective actions implemented for any emerging adverse trends.

Customers in financial difficulty

Processes are in place to detect the early warning signs of customers in financial difficulty and to take proactive action to avoid further over-indebtedness. Default analysis, reports that identify negative behaviour and watch-list meetings are used to inform discussions and solutions to rectify accounts and assist customers. Where customers are unable to rectify their accounts, specific tactical approaches are employed. Assistance

depends on each customer's unique circumstances and ranges from negotiating short to medium term payment arrangements, extended tenures or loan restructure. During 2014, we assisted around 12 300 (2013: 6 000) personal customers and 2 100 (2013: 1 100) businesses through our rehabilitation and recoveries model. The increases are due to a number of country-specific factors, for example the introduction of a 3% commission on salaries in the education sector in Kenya, delayed payments from various government entities and a number of cooperative loans not being paid in Nigeria.

Secure banking

Global Reporting Initiative – G4: 58, SO3, SO4, SO5, SO8, SO11, PR9 and HR12

Our approach

We must ensure the safety of our people and assets, and the security of our systems and processes. Our aim is to be prevention focused, and to minimise the impact of financial crime on customers by effectively managing instances of financial crime as early as possible when they occur. We are intolerant of all forms of financial crime, including fraud, theft, bribery and corruption, terrorist financing and money laundering.

In PricewaterhouseCooper's 2014 Global Economic Crime Survey, of the 134 South African organisations that took part, 69% reported experiencing some form of financial crime in the last 24 months, against 37% of global respondents. The survey found that asset misappropriation is the most common form of financial crime, followed by procurement fraud and bribery and corruption. For South Africa, bribery and corruption has been the fastest growing financial crime since 2011.

The Group Financial Crime Control unit is situated within the Integrated Operational Risk division and has over 200 financial crime control specialists that manage information security and operational risks. When control deficiencies are identified, the unit advises business and recommends best practice solutions, ensuring that our business units have the information they need to mitigate financial crime risks as they arise.

Financial crime continuously evolves and criminals are using more sophisticated technology and approaches. Our ongoing research and the sharing of information through our strategic partnerships assist us in building a current and proactive capability which enables us to be agile in our approach to financial crime management. This is critical as it enhances our ability to anticipate and respond quickly and effectively to new threats, while maintaining the robustness of our existing financial crime controls. This must be balanced with continuing to provide our customers with convenient banking services.

We add value to our customers through our ability to detect and quickly remediate fraudulent transactions. Through our

Boundaries of impact: secure banking

Internally: whole organisation, employees

Externally: customers, suppliers, communities

Board committees

SBG board

Group Audit Committee

Group Risk Oversight Committee

Monitoring mechanisms

- Financial crime management system that consolidates all fraud data.
- Financial crime management is benchmarked against other financial institutions through the South African Banking Risk Information Centre (SABRIC).
- Independent compliance monitoring and assurance on money laundering and terrorist financing controls.
- External assurance: value of potential fraud frustrated.

Memberships and strategic partnerships

- Association of Certified Fraud Examiners.
- Business Against Crime.
- Institute of Financial Crime Practitioners.
- International Association of Auto Theft Investigators.
- International Banking Security Association.
- KPMG Services Proprietary Limited.
- Payments Association of South Africa.
- Private Security Industry Regulatory Authority.
- SABRIC.
- South Africa Fraud Prevention Services.
- South African Insurance Crime Bureau.
- Additional partnerships related to information security are listed on page 46.

Cybercrime, card fraud, unauthorised electronic transfers and associated robberies (where a customer is robbed after making a cash withdrawal at a branch or while on route to make a deposit) were the top financial crime threats identified in 2014.

partnerships we contribute to making the banking sector in Africa safer and help to curb the risk of perpetrators targeting our peers. We are a member of SABRIC, an industry body established and funded by the major banks in South Africa, to assist banks and cash-in-transit companies in combating organised crime. We also collaborate with ICBC to share best practice in financial crime risk management.

In 2014, we appointed a Head of Financial Crime Control for the rest of Africa to help us create a consistent financial crime management framework across all our operations. We are transferring skills and lessons learnt in South Africa and have extended our financial crime detection capability to our other African operations. We regularly review these capabilities to assess their success and going forward we will enhance our frameworks to be more country specific.

Our customers are key role players in mitigating financial crime threats. We conduct awareness programmes across all our banking operations and work with other industry stakeholders to raise customer vigilance. We use a range of mechanisms to communicate with our customers such as internet banking logon messages, social media posts and email communications from relationship managers. In addition, our online Security Information Centre provides customers with security tips and information on various fraud scams. Associated robberies, where a customer is robbed after making a cash withdrawal at a branch or while on route to make a deposit, is considered a key risk for the banking industry. As such we regularly publish pamphlets on this crime type which are distributed throughout our branch network in Africa.

Instances of criminal activity uncovered during investigations are reported to law enforcement authorities. The slow criminal prosecution process unfortunately allows criminals to continue perpetrating crimes for extended periods even when they are subject to industry investigation. We focus on building strong working relationships with local law enforcement structures and industry bodies to ensure successful prosecutions.

Whenever we launch a new product or system the Integrated Operational Risk unit is involved early in the development cycle and at various stages thereafter to ensure that appropriate fraud mitigation controls are incorporated.

As we upgrade our IT systems, it will be easier to track and root out financial crime as an integrated system means we can more easily ensure that the right controls and risk mitigators are in place. However, the ever evolving nature of financial crime and human error mean that financial crime risk will remain a reality.

Money laundering control

We support global efforts to combat money laundering and terrorist financing. We use a risk-based approach to identify potential money laundering and terrorist financing risks. This includes targeted risk assessments across the group which consider factors such as occupation (including public or high-profile positions), source of income and wealth, country of origin and residence, products used, nature and purpose of accounts, linked accounts, business activities and other customer-oriented risk indicators. We may decline or terminate business relationships or transactions where there appears to be a risk of our services being abused for the purposes of money laundering or terrorist financing.

Matters related to managing money laundering and terrorist financing risk are reported to the SBG board. This includes information relating to our compliance with applicable Know Your Customer requirements. The Anti-Money Laundering Steering Committee considers and reviews pertinent internal and external money laundering and terrorist financing risks and issues, and ratifies related business risk decisions. Our policies and minimum standards are reviewed regularly to account for regulatory obligations and developments, both locally and internationally.

Meeting anti-money laundering and terrorist financing control requirements in each jurisdiction in which we operate imposes significant obligations in terms of customer identification, record keeping and the detection and reporting of suspicious transactions. Each banking operation has a dedicated Money Laundering Control Officer responsible for ensuring that the operation remains compliant with local legislation, and with the group's policies and minimum standards against money laundering and terrorist financing. Instances of non-compliance are managed and reported through our risk management governance structures, with corrective actions instituted and progress monitored as required. We are developing country-specific anti-money laundering and combating of terrorist financing operating manuals for our operations in the rest of Africa.

Our money laundering detection systems have enhanced our ability to detect suspicious activity. Staff awareness and an enhanced operating model in the Money Laundering Surveillance unit have contributed to the increase in reporting of suspicious transactions.

The Financial Intelligence Centre Amendment Bill proposes a risk-based approach to South Africa's money laundering and terrorist financing control regulatory framework. We welcome the alignment with international standards and principles and support a risk-based approach which presents a number of potential benefits, for example the effective allocation of resources to areas of highest risk.

The Financial Intelligence Centre Act (FICA) requires that the SARB supervises and enforces South African banks' compliance with FICA. In 2014, pursuant to money laundering and terrorist financing control inspections, the SARB imposed administrative sanctions and directives to implement remedial action on a number of banks, including Standard Bank South Africa. For Standard Bank South Africa, the sanction to the amount of R60 million, and directives to take remedial action, relate to the failure to ensure that appropriate measures were in place to comply fully with the provisions of FICA. The SARB noted that the administrative sanctions are not an indication that the

banks in question have in any way facilitated transactions involving money laundering and the financing of terrorism. We immediately put action plans in place to address the issues identified by the SARB, which we continue to monitor closely with reports submitted to the SARB regularly. The implementation of our enhanced anti-money laundering risk-based approach commenced in 2014 and will continue into 2015.

Following a review of client files during the period December 2007 to July 2011, the Financial Conduct Authority in the UK found that Standard Bank Plc had not consistently applied its own policies in terms of protecting against the risk of money laundering. The authority acknowledged that in April 2009 we had improved our customer risk assessment process and in January 2014 we agreed to pay a fine of £7.6 million (R133 million). This incident was reported in the 2013 Sustainability Report.

Basic anti-money laundering and terrorist financing control training is mandatory for all employees including non-permanent staff, secondees and contractors regardless of their location. Training material is available in English, French and Portuguese. This online training takes place when an employee joins the bank and thereafter refresher training is provided either annually or twice a year depending on staff categorisation.

Specialised anti-money laundering and terrorist financing training is developed for employees who are required to have specific knowledge in this regard in accordance with their duties and responsibilities. Additional training and awareness raising is provided on an ad hoc basis and when there have been regulatory developments or changes to internal policies and standards. In 2014, 34 974 employees received anti-money laundering control training, with 23% being employees in the rest of Africa operation.

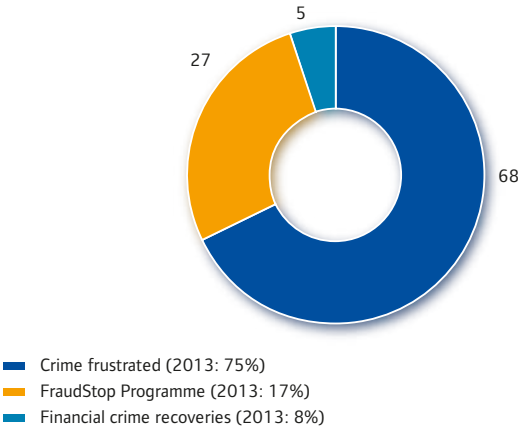
Combating fraud and corruption

The global industry target is to contain net losses from financial crime to within 5% of headline earnings. In 2014, our net financial crime losses amounted to R2.0 billion (2013: R212.4 million), 13.2% of Standard Bank's headline earnings. The increase includes the R1.6 billion loss incurred with regards to the suspected metal financing fraud in China, covered on page 101 of this report. Potential fraud with a maximum exposure of R3.2 billion (2013: R1.6 billion) was prevented through our proactive interventions. The FraudStop Programme prevented a further R1.3 billion of potential fraud loss, a 239% increase compared to 2013.

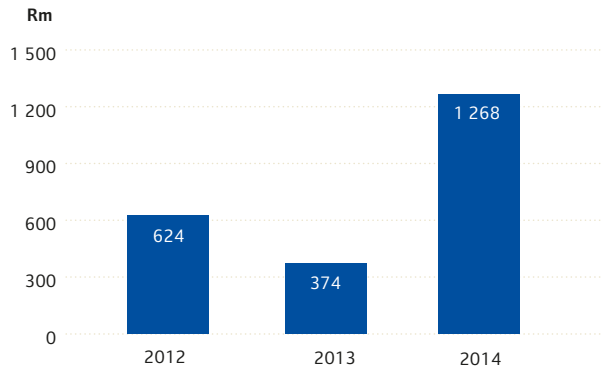
Employee fraud

Employee fraud refers to cases where anyone working for the bank, whether a permanent or temporary employee or contractor, is dishonest or conducts themselves in a fraudulent manner. This includes involvement in illegal banking transactions, stealing customer or bank funds or inadequately adhering to vendor management procedures.

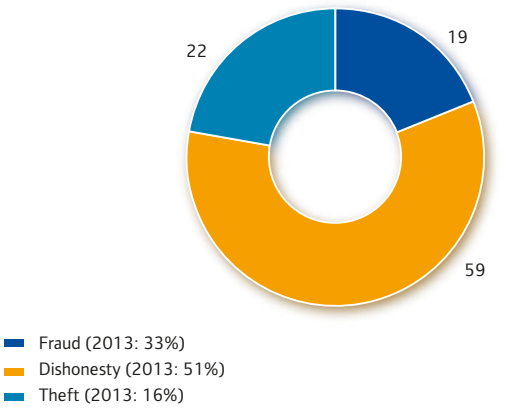
Breakdown of crime prevented
(SBG excluding Liberty)



Potential fraud loss prevented by FraudStop
(SBG excluding Liberty)



Dismissal Broadcast System: transgression breakdown
(SBG excluding Liberty)



Before hiring an employee, a comprehensive background and reference check is performed, including a check with the South African Fraud Prevention Services to determine if there are any adverse listings for the candidate. In addition, the Register of Employees Dishonesty System (REDS), a database maintained by the Banking Association of South Africa, records the names of all employees in the banking industry dismissed for dishonesty. Referral to the database is mandatory prior to employment and participation in the register is compulsory for all Banking Association members. Furthermore, credit risk checks are performed on applicants to understand their financial stability and whether this may pose a risk in the type of position for which they have applied. For high risk positions, a psychometric integrity assessment tool is used to understand the candidate's potential predisposition to criminal acts. During 2014, 326 (2013: 262) Standard Bank employees (out of an industry total of 1 108 (2013: 1 188)) were placed on REDS. All the South African employees named in the Dismissal Broadcast System are automatically placed on the REDS database.

As people struggle financially due to tough economic conditions, they can become more susceptible to criminal syndicates that target them to access secure information. In 2014, we developed a Standard Bank view on the profile of a fraudster. This is used in training and communication sessions with various stakeholders and provides insight and guidance in identifying employee involvement in criminal activities.

Whistle blowing hotline

Our confidential and anonymous ethics and fraud whistle blowing hotlines are independently operated by KPMG Services Proprietary Limited which is responsible for the overall call management and information escalation process. The Financial Crime Control unit is responsible for investigating, administering and reporting incidents of alleged misconduct.

Concerns are treated as confidential in instances where the whistle blower chooses not to reveal their identity, unless there is an overriding legal obligation to breach confidentiality. To allow for anonymous reporting, the system is set up in such a way that electronic reporting is non-traceable through mechanisms such as caller identification. In the event that the service provider does become aware of the caller's identity, contractually it is not permitted to divulge the identity of the caller to Standard Bank.

The whistle blowing policy protects whistle blowers from being discriminated against. Any form of retaliation, directly or indirectly, threatened or taken against a whistle blower because they have made a disclosure in accordance with the policy is treated as gross misconduct and dealt with accordingly.

The reporting process

Concerns raised must be without malice, in good faith and not for personal gain. The whistle blower must reasonably believe that the information disclosed, and any allegations made therein, are substantially true. Issues raised may relate to a manager, another member of staff or a group of staff, customers, contractors or vendors.

There is a decreasing trend in the number of incidents reported through the whistle blowing hotline, but an increase in reports of unethical behaviour to our FraudStop Programme. In addition, our engagement with employees has highlighted that there is mistrust in the reporting hotline process. Our groupwide awareness campaigns, which cover ethics and values, financial crime and our stance against bribery and corruption, also highlight the reporting procedures and the fact that confidentiality and anonymity is assured.

Physical security threats

Standard Bank sites throughout Africa undergo continuous security assessments to identify control weaknesses in processes, procedures and physical security systems. Our teams keep abreast of new technology and security services to mitigate physical security threats.

South Africa

In 2014, the most significant physical security threats identified were ATM attacks, armed robberies and associated robberies. We classify associated robberies, ATM attacks, branch burglaries and armed robberies as violent crime. The number of violent crime incidents targeting Standard Bank increased by 82% in 2014 and our value of losses accounted for 23% of the industry's total value of loss. We contained the number of violent crimes that resulted in a loss to 44%,

SBG excluding Liberty: whistle blowing hotline

		2014	2013	2012
Number of incidents of alleged misconduct reported		**567**	856	1 006
Number of incidents investigated and closed at year end		**566**	725	822
Number of incidents related to internal fraud or misconduct		**74**	20	114
Geographic breakdown				
South Africa	%	**88**	84	92
Rest of Africa	%	**11**	15	7
Outside Africa	%	**1**	1	1

meeting our target of under 45%. We do not incur an actual monetary loss from these crimes as this is guarded against through insurance cover, including cover against theft and damage to infrastructure.

ATM attacks accounted for 85% of the value of losses incurred by Standard Bank South Africa from violent crime, up from 68% in 2013. In 2014, there were 248 (2013: 196) attacks on ATMs in South Africa, resulting in an industry loss of R33 million (2013: R39 million). Of these, 73 (2013: 40) were Standard Bank ATMs and we incurred cash losses of around R9.5 million (2013: R4.1 million). Our security systems in branches ensure proactive monitoring of and response to burglaries and we provide employees and security guards with awareness training on how to identify possible perpetrators. Of the 24 industrywide branch robberies perpetrated in 2014, nine (2013: five) were Standard Bank branches.

During 2014, the associated robberies targeting Standard Bank customers increased 21% year-on-year and accounted for 37% (2013: 36%) of the local industry's associated robberies. At December 2014, our teams had effected a total of 207 arrests in South Africa, of which 40 were associated robbers and 16 were armed robbers.

Rest of Africa

For the rest of Africa, the most significant physical security threats are armed robberies, branch burglaries and associated robberies. In 2014, we successfully thwarted 47% of violent crime attempts, meeting our objective to contain the number of

Employee training and awareness

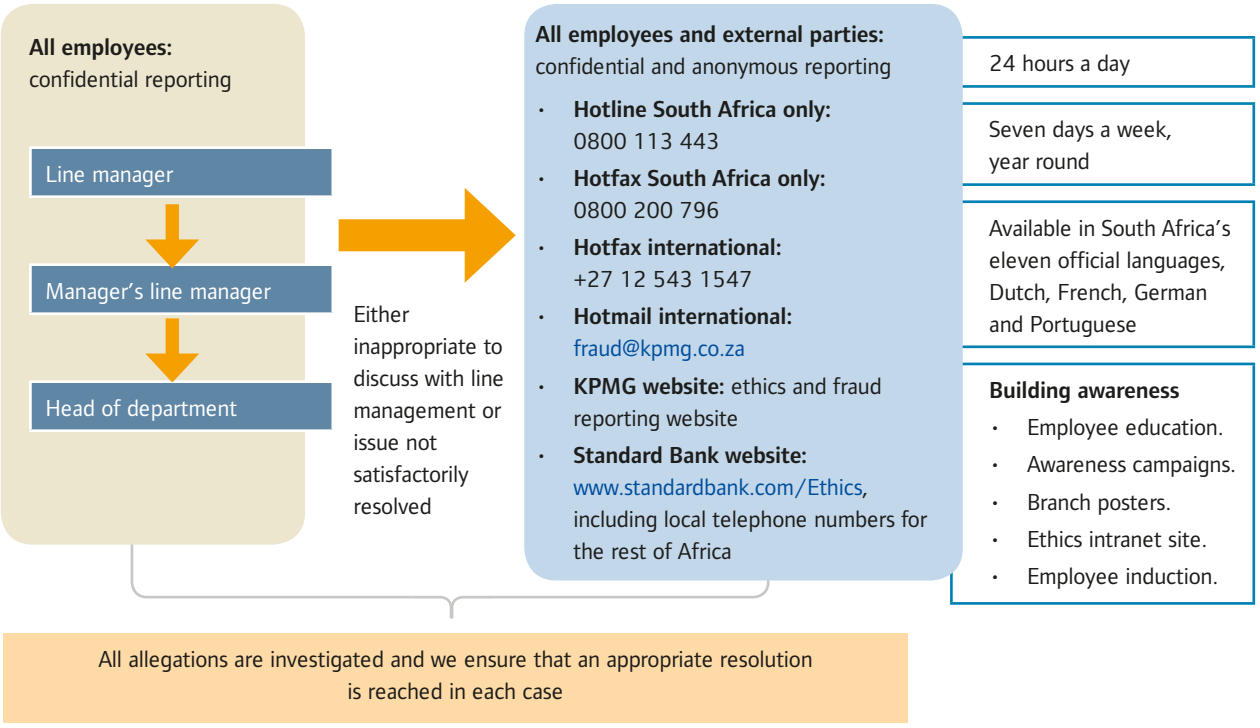
A risk-based approach, including risk assessments and stakeholder engagement, is used to identify which employees, divisions or countries are at high risk and require bespoke training interventions. Training on anti-corruption is mandatory for all new and existing bank employees. New employees are required to complete this training within three months of joining the bank. Communication and training interventions are delivered using a combination of electronic and face-to-face interventions. Our policies on how we deal with financial crime are readily available to all Standard Bank employees across the group on our intranet.

Tailored financial crime information relating to risks, alerts, controls or procedures is delivered weekly through electronic newsletters targeting relevant business units. We are developing country-specific awareness plans which will be rolled out in 2015.

26 931

employees across Standard Bank, excluding Liberty, received financial crime control awareness training, of which 53% were in the rest of Africa operation (2013: 21 101)

Whistle blowing reporting process



Initiatives in place to assist the deterrence of financial crime

FraudStop Programme

Operates throughout our banking operations in Africa and is designed to motivate all employees to report all fraud regardless of value. Employees who report fraud through the FraudStop Programme stand to win R1 million, after tax, in an annual draw, with a number of smaller financial rewards as incentives on a monthly basis and for runners-up.

6 158 (2013: 5 454) potential fraudulent activities reported through the FraudStop Programme

Dismissal Broadcast System

Publishes the high level details of staff dismissed as a result of dishonesty and serious misconduct. The reasons for dismissal are also published. The system covers all our operations in Africa. Where a staff member is convicted in a court of law, their name, position, offence and sanction are published. The system serves as a deterrent to reduce employee fraud, theft, corruption or any other dishonest misconduct and sends a clear message that dishonesty will not be tolerated. It is purely aimed at permanent staff and excludes contractors, employees in the arbitration process and staff dismissed for negligence with no malicious intent. Consultant and teller roles have been identified as high risk positions.

175 (2013: 189) cases published via the Dismissal Broadcast System. South Africa and Namibia account for the highest number of cases: 58% and 19% respectively.

Risk assessments

We use a proactive risk assessment methodology applied in all jurisdictions of operation, with significant focus on anti-bribery and corruption principles. Remediation plans, together with training and awareness interventions, are put in place following a risk assessment. The executive management of each business area is accountable for implementing the remediation plan which is documented in a financial crime risk assessment register used to monitor progress.

Risk assessments have identified the following risks:

- Card fraud such as card skimming and card cloning.
- Customer and staff fraud in the application process.
- Procurement fraud such as conflict of interest in the tender process.
- Staff fraud including syndicate involvement.
- Use of third party deal introducers.

16 African countries assessed in 2014 for internal and external fraud

incidents that result in a loss to under 50%. A total of three ATM attacks and 12 branch burglaries were reported by our rest of Africa operations in 2014. Of these, two ATM attacks resulted in a cash loss. We have continued to implement security measures to address identified gaps and build capability to effectively manage security in the rest of Africa. We drive local procurement of security-related products where possible.

Protecting our customers

Transaction monitoring

The move to becoming a digital bank has necessitated substantial investments in fraud monitoring tools to proactively monitor and track customer transactions. We monitor both card and online transactions. These tools are upgraded and new rules introduced regularly to optimise detection capability and mitigate emerging threats.

We use credit and debit card detection systems to match certain customer-generated transactions with known behaviour. Where behaviour is considered to be irregular, an alert is generated and the account holder is contacted to verify the transaction. Card transaction monitoring systems are in place across Africa. For internet banking, we have implemented a software programme that analyses online access attempts and transactions using a wide range of contextual data. The programme calculates an overall risk score which is used to approve or decline the activity, ask for additional authentication or alert a fraud analyst to investigate further.

SMS alerts

Automated messaging systems alert our customers by SMS whenever there is any activity on their account. These systems are supported by dedicated teams that handle disputed transactions. Currently over 9.8 million (2013: 8.9 million) customers are registered on MyUpdates in South Africa and 2.1 million (2013: 1.5 million) customers on SMS Alert in the rest of Africa. SMS Alert is available in Angola, Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda and Zambia.

Credit and debit cards

Card fraud and card skimming are a concern for all banks. In South Africa, all Standard Bank credit and debit cards, point-of-sale devices and ATMs are EMV-compliant, a global security measure. Approximately 63% of our debit cards in South Africa are chip-enabled. Our ATM network across Africa is also EMV-compliant and has anti-skimming devices installed. The MasterCard Network Defence solution is in place on Standard Bank debit and credit cards. This is a second layer of fraud monitoring for catastrophic events. It is managed by MasterCard using consortium knowledge of suspicious activity across the globe.

The One Time Password option provides additional security for our MasterCard customers who shop online. Every time a payment is made with participating online retailers, our MasterCard customers automatically receive a One Time Password which they are required to enter to validate their identity and complete the transaction. The One Time Password feature also applies to the AutoPay service which lets our transactional account customers make online purchases without using a credit card. AutoPay-enabled merchants are screened and held accountable for their obligations to Standard Bank. The One Time Password has also been applied to other types of online purchases, which has served to increase customer confidence when shopping online.

Internet banking

Standard Bank's internet banking service complies with industry best practice and applies high encryption specifications. This service is subjected to ongoing internal security reviews and improvements to mitigate current fraud attempts, as well as an annual external review to ensure the effectiveness of controls.

Measures to safeguard our customers who use internet banking include:

- One Time Password – a unique system-generated password delivered independently to the user.
- Free anti-virus, anti-phishing and financial malware protection software, Trusteer.
- Clearing delays on payments to increase the window for recovery.
- Real-time notification messages to alert customers of online activity on their accounts.
- Transaction limits on transaction types such as payments and prepaid purchases.
- Monitoring and detecting irregular transactions.
- phishing@standardbank.co.za mailbox to which customers can report any phishing emails they receive.

In addition, internet banking makes use of security-based questions, where a customer is prompted to answer questions for authentication purposes. This occurs during the internet banking registration process and when customers want to modify their internet banking profile. These questions help prevent fraudsters from gaining access to a customer's profile and transacting on it without the customer's knowledge.

Phishing is when an internet user receives an email claiming to be from an established and legitimate organisation, attempting to elicit private information that will be used to commit fraud. Varieties of this modus operandi are now appearing as mobile messaging and phone calls. The South African banking environment is the second most targeted globally. We take every measure to provide real-time solutions to detect and close down these sites and activities that claim to represent Standard Bank. Each case is treated on its own merit and we conduct a thorough investigation and consider all forensic evidence in making decisions regarding refunds to customers.

The Trusteer software secures the connection between a customer's computer and Standard Bank's internet banking site, warns customers if they are being directed to counterfeit sites and provides protection against financial malware which may be installed on a customer's machine to access information. This solution is currently only available to our customers in South Africa, however we are looking at implementing something similar for our operations in the rest of Africa. Through the capabilities of Trusteer and our in-house fraud detection capabilities we have managed to thwart more than R35.7 million potential phishing fraud during 2014. Some 32% (2013: 24%) of our customers in South Africa who use internet banking are protected by Trusteer.

Looking forward

Our key objectives looking forward are to:

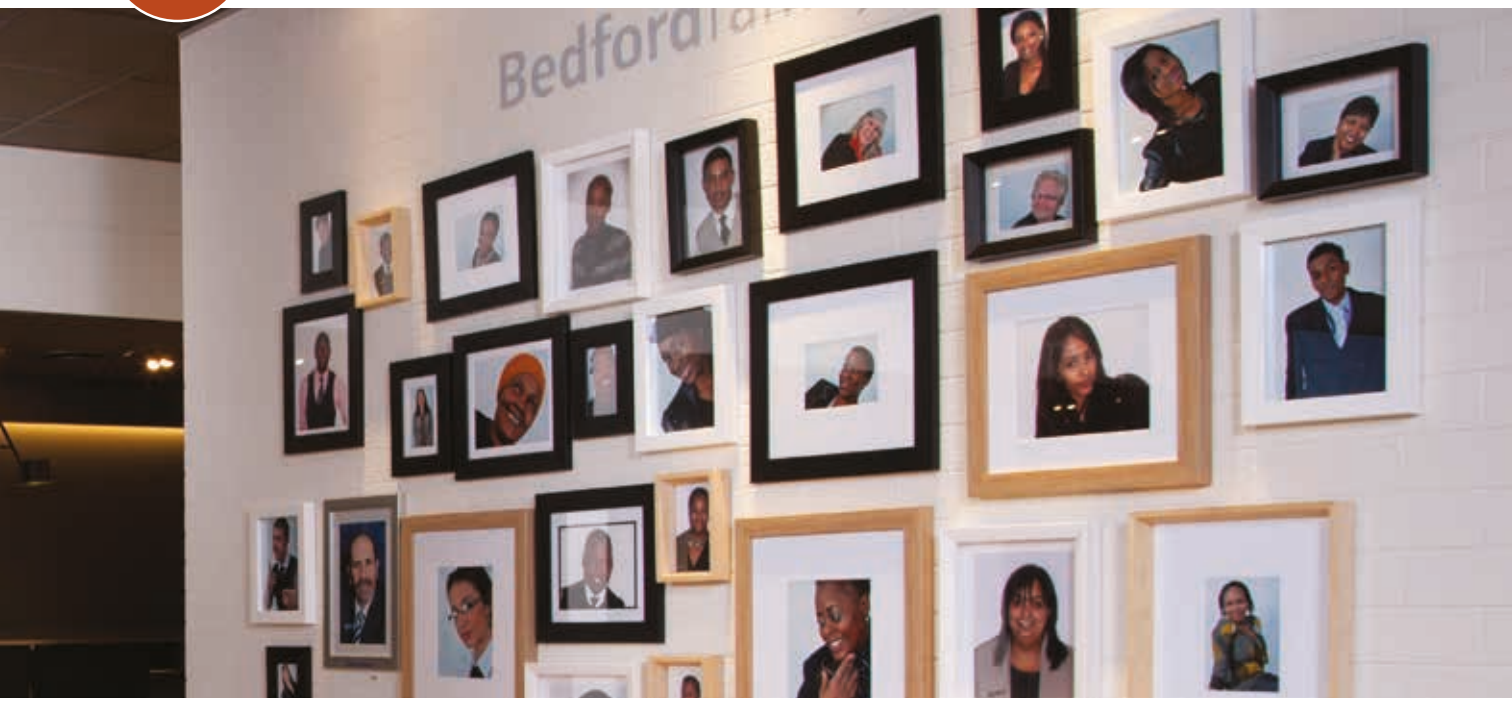
Short to medium term

- Implement our TCF guidelines in South Africa and begin engaging with our operations outside South Africa so that we can align TCF outcomes across our different jurisdictions.
- Focus on improving the ease with which customers can access our contact centres.
- Continue to develop credit risk management as a core competency across all operations in the rest of Africa.
- Continue to introduce enhanced financial crime detection and management technologies to ensure we remain proactive in our approach to this risk.

Longer term

- Create a mature customer relationship management capability extending across PBB South Africa and ultimately across the group.
- Enhance our debt repayment options in South Africa and embed such options into our digital offerings.

Attracting, retaining and motivating our employees



People opportunities

- Sustainable return on financial capital is only achieved with consistently attracting and retaining talent, and keeping these employees engaged.
- Building an inclusive and engaging culture leads to empowered and motivated employees.
- Effective talent management enables us to build a strong succession pipeline of future leaders.
- Fair and consistent performance management practices enable clear deliverables that support our business strategy.
- Upskilling and reskilling our workforce ensures we meet future business demand and provides opportunities for personal growth.
- Instilling fair employment practices strengthens our reputation as a responsible corporate citizen.
- Proactively supporting employee health and wellness ensures optimal productivity and assists our employees to deliver sustainable results.

People challenges

- Recruiting and retaining talent with scarce technical and leadership skills to meet changing business needs in very competitive environments.
- Meeting employment equity targets in South Africa where demand exceeds supply for relevant skills.
- Creating a consistent talent and people management approach across business areas and geographies.
- Transitioning our people practices to ensure they can appropriately balance our commercial requirements with a shifting regulatory and legislative landscape.

2014 highlights

We ranked third in the Empowerdex Top 100 Empowered Companies in South Africa based on our 2013 scorecard. Of the top ten companies, we scored the **highest** in **employment equity**.

Voted **Employer of Choice** (Commercial and Retail Bank) for the third consecutive year in the 2014 South African Graduate Employers Association Awards.

Approved a **disability policy** and published guidelines to manage disability in the workplace.

Focused on assisting employees to manage their **financial wellbeing** and provided **stress management training** to **3 853** employees.

Introduced three new **leadership programmes** in partnership with Duke Corporate Education.

SBG excluding Liberty

23 711

employees from across Africa shared their insights on various aspects of the culture and working environment that they experience, giving us a great view of what is working well and what can be optimised

Standard Bank South Africa

R12.2 million

spent on bursaries to assist 695 employees to further their careers (2013: R8.4 million to assist 632 employees)

Our approach

We aim to ensure that the people we employ are the right fit for the organisation and that we create an environment and culture that allows our people to thrive. We strive to attract individuals who share our vision and, in turn, we take cognisance of and support their individual aspirations.

The employee experience that we offer, the diversity of our workforce, the ongoing development and improvement of our people and the remuneration and benefits we provide, together differentiate us in the market place and contribute to our ongoing success. Our people proposition sets out the unique opportunities we offer as a leading financial services organisation in Africa, and in return we expect our employees to commit to our values and guiding principles in every engagement with customers, colleagues and other stakeholders.

As we execute our Africa-focused strategy and build a digital bank, our workforce is becoming increasingly diverse and specialised. We offer broad leadership and skills development opportunities, on the understanding that in a constantly evolving business context continuous development and learning is a necessity. Our leadership training, together with our graduate, learnership and bursary commitments, help to build the next generation of leaders and improves the level of skill in the countries in which we operate.

Providing the right employee experience is critical to differentiating us from other employers in a competitive market and enables us to attract and retain talent. It impacts our productivity, reputation, customers and business results and it is a key enabler in engaging and connecting our employees with our Africa strategy. To provide the right employee experience we must have a good understanding of what motivates employees to perform at their best.

The employee experience we offer needs to be flexible enough to adapt to where an employee is in their employee lifecycle, what their job entails and in what part of the organisation they work. In 2014, we held workshops in eight countries in the rest of Africa to better understand what leads to a positive employee experience and what detracts from it. We also undertook additional research to understand how employees experience working for the bank in each operating country, and action plans have been developed to address issues and prioritise initiatives.

Employee engagement

Global Reporting Initiative – G4: 26 and 27

We expect consistently high customer-focused performance from our employees. Part of our role in supporting this level of performance is to drive a culture of high employee engagement that unlocks the potential of all our employees, connects them deeply to our purpose and vision and places the customer firmly at the centre of everything we do. Higher levels of employee engagement are linked to lower levels of absenteeism and employee turnover. Added to this, employees are also demanding more personal engagement. In light of these factors, we are constantly looking for new and effective ways to engage with our people.

We use employee surveys to keep abreast of employee sentiment and the organisational climate, supplemented with focus groups, employee interviews and other engagement methods. Business areas and our country operations undertake individual employee engagement surveys with guidance from the Group Human Capital unit. We have established an agreed set of topics and

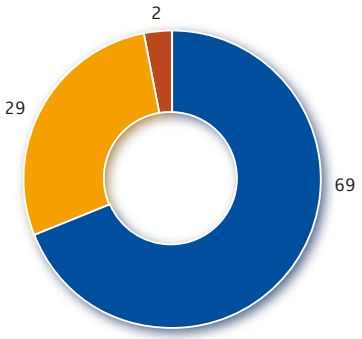
We offer:

- Market expertise and our experience in and across Africa.
- Opportunities particularly as part of our Africa-focused strategy.
- Integrity and strong values.
- Collaboration.
- Clear and fair performance management.
- Personal and professional growth.

We aim to provide an employee experience that:

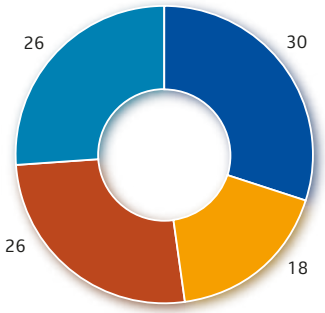
- Promotes clear, credible and compelling employee engagement
- Motivates, inspires and mobilises our people
- Clarifies what it is we expect from employees and what they can expect in return
- Builds an employment brand as a responsible employer
- Provides a reference point for people management processes and behaviours

Geographic breakdown of people employed
(Permanent and non-permanent employees including Liberty agents)



- South Africa (45 193 people employed)
- Rest of Africa (19 033 people employed)
- Outside Africa (1 574 people employed)

Permanent employees: length of service
(SBG)



- < 3 years (2013: 27%)
- 3 – 5 years (2013: 22%)
- 6 – 10 years (2013: 25%)
- > 10 years (2013: 26%)

> Issues raised by employees can be found in the *stakeholder engagement* section on page 21.

questions from which business areas and countries can select those most applicable to their operations. This allows us to compare trends across the group, industry and global peers.

In 2014, 8 948 employees from 16 countries in the rest of Africa responded to an employee engagement survey facilitated by an independent survey provider, a 68% response rate. Our overall Sustainable Engagement Index score was 71%, two percentage points lower than the global financial services norm. Our areas of strength include collaboration, learning and development, social relevance, risk culture and accountability. Areas for improvement include empowerment and innovation, leadership and communication.

In South Africa, an employee survey was undertaken to understand employment equity barriers and to inform the development of our employment equity plan. Some 14 763 employees participated in this survey which was also designed to gather information on broader engagement aspects. The survey revealed that while a high percentage of employees would recommend Standard Bank South Africa as a good place to work (90%), believe in the goals of the bank (87%) and are proud to be associated with the bank (85%), only 67% felt inspired 'to go the extra mile'. Our overall Sustainable Engagement Index score for the South African operation was 68%.

PBB's Connect methodology builds a two-way conversation where the bank addresses employee concerns and listens to employee suggestions on how to improve processes. This methodology is implemented in most customer-facing areas in South Africa and in 2014, it was introduced in three countries in the rest of Africa.

Our workforce

Global Reporting Initiative – G4: 9, 10 and LA1

Employee turnover

A level of turnover is healthy in any organisation as it creates opportunities to attract new talent and provide career advancement. Our overall employee turnover is well within industry norms in South Africa at 10.7%, compared to the local financial services turnover rate of 11% for 2014. Voluntary exits indicate employees who have left

SBG workforce

	2014	2013	2012
Permanent employees			
Personal & Business Banking	**21 468**	21 254	20 713
Corporate & Investment Banking	**2 306**	2 384	3 141
Enabling functions	**18 868**	18 583	18 882
Liberty	**6 617**	6 587	6 281
Total permanent employee headcount	**49 259[1]✓**	48 808	49 017
Non-permanent employees			
Standard Bank non-permanent employees	**12 595**	Not reported	Not reported
Liberty commission remunerated agents	**3 946**	3 511	Not reported

[1] *This includes 846 employees from our discontinued operations, sale concluded 1 February 2015.*

SBG employee turnover (permanent employees only)

		2014	2013	2012
Employees at the beginning of the year		**48 808**	49 017	51 656
Discontinued operations		**0**	0	(3 514)
Add: Recruitment		**5 586**	6 275	5 975
Acquisitions		**0**	0	154
Less: Exits		**(5 135)**	(6 484)	(5 254)
Voluntary		**(3 737)**	(5 005)	(4 040)
Involuntary		**(1 398)**	(1 479)	(1 214)
Employees at the end of the year		**49 259[1] ✓**	48 808	49 017
Turnover rates				
Overall turnover rate	%	**10.5 ✓**	13.2	10.2
Voluntary turnover rate	%	**7.7**	10.2	7.8
Involuntary turnover rate	%	**2.9**	3.0	2.4
South Africa	%	**10.7**	12.2	Not reported
Rest of Africa	%	**9.6**	13.7	Not reported
Outside Africa	%	**15.8**	38.2	Not reported
Women	%	**5.6**	5.1	Not reported
New employee hires				
South Africa		**3 648**	4 011	Not reported
Rest of Africa		**1 610**	2 099	Not reported
Outside Africa		**271**	159	Not reported
Total new hires		**5 529**	6 269	5 975
% of new employee hires that were women	%	**51**	50	Not reported
Rate of new hires	%	**11.3**	12.8	Not reported

[1] This includes 846 employees from our discontinued operations, sale concluded 1 February 2015.

Note: turnover rates calculated using exits figures over opening balance and appointment rates calculated using intake figures over opening balance.

our employ during the year and involuntary exits include retrenchments, retirements and dismissals. Retrenchments occur where operational requirements dictate, whether due to roles becoming redundant or when reshaping the organisation to meet strategic requirements. Affected employees are provided with ongoing support in their search for alternative employment both inside and outside the organisation. Of the involuntary exits, 23% (2013: 24%) were retrenchments, affecting 326 (2013: 347) permanent employees.

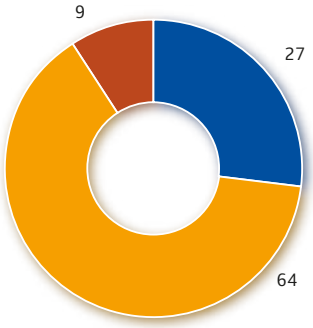
Impact of digital banking

Critical to PBB's success is building a culture of high performance, innovation, agility and adaptability. While the move towards digital banking is expected to reduce the number of branch staff required in the future, transforming our customer offering requires new skills and capabilities to meet these changes. As part of PBB's Transformation Programme, currently being implemented across Africa, the people work stream includes job impact assessments to understand how these changes impact our people, enabling us to implement change management initiatives and development solutions to assist our people to build new skills and adapt to changes. Our aim is to reskill staff adversely impacted by these changes with new capabilities so that we can redeploy them in alternative positions. Where this is not possible, retrenchments will only be considered after a reasonable time of reducing numbers through natural attrition.

Global Markets business sale

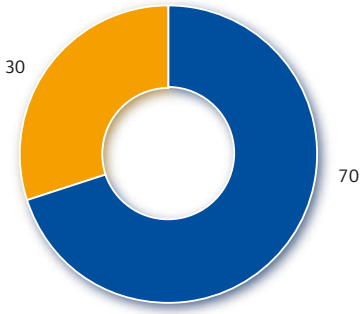
A number of human capital initiatives have been put in place to support the appropriate staff transition plans related to the sale of our London-based Global Markets business. These initiatives include the delivery of key human capital services, ensuring fit-for-purpose human capital operating models, leadership engagement and identifying and managing staff retention risks. The human capital strategy for ICBC has been defined and is being implemented, while the remaining entities continue to align to SBG's human capital strategies and practices. A total of 846 employees have been affected by the sale and have been transferred to the new entity.

Permanent employees: age profile ✓
(SBG)



- < 30 years old (2013: 28%)
- 30 – 50 years old (2013: 63%)
- > 50 years old (2013: 9%)

Graduate participation per geography
(SBG excluding Liberty)



- South Africa (2013: 68%)
- Rest of Africa (2013: 31%)
- Outside Africa (2013: 1%)

SBG excluding Liberty

R27.8 million

invested in graduate programmes, averaging approximately R190 000 per graduate (2013: R19.6 million)

Talent resourcing

Our talent resourcing function is twofold: it enables us to source and redeploy talent internally and, where required, to recruit externally to address identified skills gaps. We develop robust and pragmatic workforce planning scenarios to anticipate skills needs proactively. Each business unit has certain skills gaps which could range from sales skills in specific countries to general management experience in others.

Graduates

Our graduate programmes are critical to our resourcing strategy as they allow us to proactively develop the required technical capabilities and act as an important source of future leaders for the group. Our graduate programmes provide on-the-job experience, assisting graduates to transition into the work environment. Programmes range from between 18 to 24 months and each graduate is assigned a mentor and exposed to networking opportunities. Graduates are placed in roles within various areas of the bank and where broader skills and understanding of bank processes is required, training interventions include secondments to locations outside South Africa. Our annual Global Induction Programme provides graduates with a global view of the group, beyond their local country perspective. It is hosted at our Global Leadership Centre in Johannesburg and is supported by the group's Chief Executives.

Graduate programmes cover the following areas: operations, quantitative skills, chartered accountancy, risk, corporate and investment banking, retail banking, finance, IT and compliance. Our assessment criteria include a psychometric tool which helps us in the selection process to mitigate the risk of hiring graduates not suited to our needs. We also engage with graduates and university students using social media, our Global Graduate Programmes website and through other initiatives including:

- A work experience programme targeted at Grade 11 and Grade 12 scholars in South Africa which aims to build career literacy.
- A Winter School insights week for second and third year students which positions career opportunities at Standard Bank.
- A structured internship programme for final year students, enabling us to identify high potential graduates and helps to position our brand.
- Campus brand ambassadors that market Standard Bank on university campuses across South Africa.

Talent resourcing

		2014	2013	2012
SBG excluding Liberty: graduate programmes				
Graduate development programme participants		**148**	184	181
Women as % of total graduate participants	%	**49**	43	33
Black people as % of the South African graduate complement	%	**68**	80	49
Standard Bank South Africa: employee bursaries				
Bursary spend	Rm	**12.2**	8.4	Not reported
Number of employees assisted		**695**	632	Not reported

Our 150 Bursaries and Scholarships Fund, a CSI initiative, serves as a direct channel for our graduate programmes in South Africa. The fund is currently assisting 133 students and our investment in 2014 amounted to R8.9 million.

Graduate programmes are also offered in Angola, Botswana, Kenya, Mozambique and Nigeria.

Diversity and inclusion

Global Reporting Initiative – G4: 10, LA12 and FS14

By ensuring that we have a diverse employee complement, and by creating an environment in which diverse opinions and ideas are heard, we ensure that we keep pace with the rapidly changing environment within which we operate. We promote and value diversity as a strategic imperative and our approach is to go beyond legislative requirements. As part of promoting diversity and inclusion, we seek to build an organisational culture in which every employee can perform to their full potential. We strive to eliminate employment practices and processes which may result in unfair discrimination and we work to include people from diverse backgrounds and demographic groups within our employee complement. Our diversity and inclusion statement of intent and guiding principles on page 84 guide us in this approach.

We have a number of initiatives in place to assist our line managers in managing diverse teams, ranging from awareness workshops to interventions for employees who engage with different cultures during the course of doing business. Where a team is experiencing diversity challenges they are assisted in understanding the ways in which they can work that leverages diversity.

Our Unconscious Bias workshops help participants develop insight into their own personal stereotypes and biases and how these can impact behaviour and decision-making, while providing them with practical awareness and behavioural techniques. The workshops cover all aspects of diversity including religion and sexual orientation, as well as generational diversity. To date, we have not experienced a material challenge in terms of generational differences in the ways of working, however we are cognisant that such challenges may increase in the future. The talent management, resourcing, learning and development and reward teams were engaged in 2014 to support employment equity and diversity across the full spectrum of human capital practices and processes.

Issues of focus covered by our memberships and strategic partnerships during 2014 included the representation of women on boards and creating an enabling environment for people with disabilities.

Boundaries of impact: employee experience

Internally: whole organisation, employees

Externally: shareholders, customers, regulators, suppliers, communities

Board committees

SBG board

Group Social and Ethics Committee

Group Remuneration Committee

Monitoring mechanisms

- Employment Equity Plan and annual reports for the Department of Labour in South Africa.
- Workplace Skills Plan and annual training reports for the Department of Higher Education and Training in South Africa.
- Annual reports for the Employment Equity Commission in Namibia.
- Central Bank of Nigeria's diversity directive.
- Gender equity requirements in the UK.
- Kirkpatrick's learning and training evaluation theory (up to level three with the intention to start measuring at level four on selected programmes).
- Information systems: SAP human resources system for all our transactional processes, PeopleFluent for performance management, reward, talent and learning processes and occupational health and safety (OHS) management systems.
- External assurance: employee headcount, overall turnover rate, employee gender and age profile and absenteeism.
- External verification: employment equity and skills development in South Africa.

Memberships and strategic partnerships

Diversity and inclusion

- International Labour Organisation's Global Business and Disability Network.
- South Africa Employers 4 Disability.
- Women on Boards, UK.

Learning and development

- Banking Sector Education and Training Authority (BANKSETA).
- Corporate Executive Board.
- Duke Corporate Education.
- Gordon Institute of Business Science (GIBS).
- Universities: Bloemfontein, Pretoria and Rhodes.

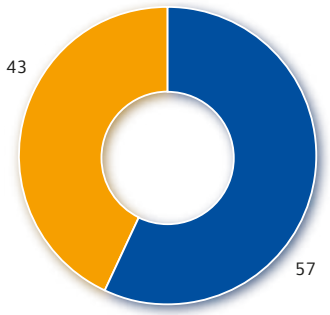
Occupational health and safety

- South African Institute for Occupational Safety and Health.

Remuneration

- South African Reward Association.

Permanent employees: gender profile ✓
(SBG)



Women (2013: 57%)
Men (2013: 43%)

Standard Bank South Africa

702

employees participated in unconscious bias and disability awareness training workshops

SBG excluding Liberty

113

(2013: 57) women participated in the Women in Leadership Programme, with

22

being from the rest of Africa operation

Our employment equity and skills development performance in South Africa can be found in the 2014 BEE Report on pages 6 and 8 respectively.

Employment equity

South Africa

We are committed to creating a workforce that better reflects South Africa's demographics in respect of race and gender. Our new employment equity plan, approved in 2014, sets out numerical targets for the representation of black (African, Indian and Coloured) people, women and people with disabilities at all occupational levels for 2015 and 2016. It includes the strategies and initiatives required to achieve these targets.

Our targeted recruitment initiative looks to appoint black people based on their potential and then provide the required support and on-the-job development to grow them into senior management positions. Furthermore, our talent management strategies are directed at retention, development and career-pathing so that we develop a pipeline of black talent for internal promotion.

Rest of Africa

In Namibia, the representation of black economic empowerment (BEE) beneficiaries in junior and middle management stands at 61.4% against the Namibian financial sector code target of 30%. The budgeted investment in learning and development for 2014 as a percentage of payroll stood at 1.7% against the financial sector code target of 2%.

Under the Central Bank of Nigeria's diversity directive, Stanbic IBTC Bank is required to increase the representation of women on its board of directors and at senior management level to 30% and 40% respectively. To support gender diversity, Stanbic IBTC Bank has deployed resourcing and retention strategies, as well as a talent management strategy to promote high-performing women into senior managerial roles. At December 2014, 18% (2013: 21%) and 26% (2013: 27%) of Stanbic IBTC Bank's board and senior management respectively were women. Following the March promotion cycle, it is expected that women in senior management positions will increase to 29%.

Our groupwide diversity and inclusion statement of intent

Statement of intent

As a leading African financial services organisation we believe that diversity is important to our business, whether we are investing in new markets, working with our diverse customers and clients across the globe or seeking outstanding talent to help us drive innovative solutions for our clients. Diversity is an important element in everything we do.

Our guiding principles

Value the diversity of our customers and clients and their need for new and unique financial solutions.

Leverage the diversity of our employees to the benefit of our customers and clients.

Aspire to build an inclusive culture where all our employees feel empowered and motivated to work together to create the best solutions for our customers and clients, our shareholders and the societies in which we operate.

Standard Bank South Africa: employment equity representation

		Black people		Women		Black women	
		2014 target	2014	2014 target	2014	2014 target	2014
Top management	%	23.4	**24.6**	27.4	**26.2**	11.3	**11.2**
Senior management	%	41.0	**38.5**	36.3	**35.8**	17.2	**15.7**
Middle management	%	66.3	**65.3**	50.4	**50.3**	34.6	**33.7**
Junior management	%	79.5	**79.0**	68.1	**69.6**	52.8	**53.7**

Gender equity

We strive to improve the representation of women in areas where they are under-represented through initiatives such as development programmes and networking forums.

Women in Leadership Programme

The Women in Leadership Programme aims to teach effective leadership skills to women in middle management roles with the view to moving them into senior management roles. The programme consists of classroom-based lessons, coaching to assist in personal development and a bank-related project which not only raises participants' visibility within the workplace but also delivers benefits to the business. Throughout the programme, participants receive guidance from an external project coach, as well as a Standard Bank business sponsor. The programme also assists participating women to build a network through working with peers on a project team and attending facilitated lunch sessions with executives.

Group Gender Forum

The Group Gender Forum focuses on the critical factors that contribute to women reaching senior management and executive levels. The forum provides a two-way channel of communication and ensures that men are part of the conversation and solution. We have identified two critical success factors for improving gender equity, namely networking opportunities and inclusion in high profile assignments. In 2015, we will set up regular engagement events between executive management and women in middle management positions. We are also working with business unit heads to ensure that participants in high profile assignments are representative in terms of race and gender.

Disability management

We actively work to recruit and retain people with disabilities by incorporating disability considerations in our human capital processes and creating an environment in which people with disabilities can perform to their full potential.

South Africa

We have a disclosure and verification process (managed by a disability panel) that allows employees to disclose their disabilities confidentially. Employees are also able to request reasonable accommodation where this is required. Despite these efforts representation remains low and we suspect that many employees do not declare a disability because they are anxious about stigmatisation or discrimination. Our Disability Forum helps us identify and remedy physical, social and attitudinal barriers that employees with a disability might face and Independent Counselling and Advisory Services (ICAS) runs a helpline to assist employees with any queries they may have in this regard.

We run disability awareness training programmes for managers, Human Capital representatives and employees, and we have a disability microsite on our intranet that provides access to disability procedures, legislative requirements and disability etiquette.

In 2014, we developed disability guidelines for managers to assist them in managing disabilities in the workplace, as well as guidelines for accommodating our customers with disabilities. The latter covers accessibility and reserved seating in our branches, signage that enables customer with disabilities to move ahead in a queue and training in disability etiquette for customer-facing staff. We also approved a disability policy and

SBG women representation

		2014	2013	2012
Employment level				
Women executives	%	**25**	24	23
Women managers	%	**47**	47	47
Region				
South Africa	%	**61**	61	62
Rest of Africa	%	**48**	48	48
Outside Africa	%	**38**	38	36

Currently, women are under-represented in senior and executive management levels, as well as in senior governance structures.

created a centrally allocated budget to respond to applications from disabled employees for reasonable accommodation. These initiatives were supported by a disability awareness campaign and specific training for employees in the Customer Channels unit.

At December 2014, 1.2% (2013: 1.2%) of our South African workforce had declared a disability, verified through our internal processes. Measured as a percentage of our South African workforce, 0.8% (2013: 0.8%) were black employees. Our targets for the total representation of people with disabilities and black people with disabilities are 1.5% and 1.0% of Standard Bank South Africa's workforce respectively. To assist us in reaching our targets, we work with specialist recruitment agencies that specialise in the placement of people with disabilities.

Human capital development

Global Reporting Initiative – G4: LA9, LA10 and LA11

The components of our human capital development strategy

Performance management

Evaluating the contribution of our employees enables us to reward our people for superior performance and identify and address their development needs. Our approach to performance management is to ensure that employees have a common understanding of the group's strategy and how it links to business unit and individual goals. Performance management is integrated into our key development programmes to improve the ability of line managers to have open and honest performance discussions with their team members, particularly in relation to managing poor performance.

Our performance management information system supports this process for the majority of our employees and encourages self-elevation to take place ahead of the performance conversation. The Human Capital team supports and facilitates an indepth performance moderation process which looks at relative performance and manages fair and balanced outcomes in the context of commercial and individual performance.

Talent management

Our talent management approach aims to strengthen our talent pipeline to deliver on our business strategy both now and in the future. It also needs to be agile enough to ensure that we are able to deploy talent quickly and effectively in line with changing business needs.

We define talented individuals as those who have a strong track record of performance, the potential to take on significantly greater levels of responsibility or complexity and demonstrate the ability to drive the business forward to achieve its strategic aspirations. Our primary focus is on critical operational and strategic roles.

Personal development plans are put in place for each individual identified as talent. Our talent development propositions include coaching and mentoring; international assignments that provide stretch opportunities and exposure to different operating markets; bursaries; learning opportunities at the Global Leadership Centre and through external organisations, and accelerated development

Our Enduring Performance Management philosophy

Strategic input

- Integrated business planning.
- Communication of business plans, priorities and goals.

Performance management processes

Goal setting: for the business, team and individual, as well as setting values-based behavioural expectations. Individual development planning takes place in this phase.

Performance monitoring: business and team performance monitoring and feedback on individual performance and behaviours.

Performance reviews: business and team performance review and individual performance rating, moderation and appraisal.

Outcomes

- Differentiated pay for performance.
- Talent differentiation.

programmes. Proactive interventions to retain talent include career conversations and opportunities to engage with executive management. In 2014, we worked to embed the talent framework in the rest of Africa.

Our talent review committees within business areas and at executive level actively identify and manage talent across the group, with talent reviews taking place annually. In 2015, we will implement an automated talent system to better track performance against key talent metrics such as succession coverage across the group, the size of talent pools and talent attrition. Our 2014 talent review process identified a sizeable talent pool and yielded positive trends both in the skills composition and diversity of the pools.

Succession planning is governed by the Group Executive Committee and the Group Management Committee. Our process includes managing different types of succession risk including vacancy risk, readiness risk and critical portfolio risk. Every critical role has a planning map of potential successors and their readiness levels. At December 2014, we had succession coverage for 80% of critical roles over a five year period and our talent attrition rates are within the industry norm.

Leadership development

Our leadership development initiatives aim to build a leadership capability that supports a high performance culture, given the role of leadership in motivating our employees to deliver good business results. In partnership with Duke Corporate Education we introduced three customised executive development programmes in 2014 targeting PBB, CIB and country executives. Business areas were consulted during the development process to ensure that the programmes align to expectations, and each programme includes at least one international learning experience. For example, PBB's Retail Executive Programme provides participants with learning experiences in Beijing, Nigeria and South Africa, assisting them to develop cross-cultural thinking. Feedback from participants across all three programmes has been positive.

A number of IT leadership programmes are in place to support our move towards digital banking. These programmes include learning experiences in countries such as China, Kenya and Japan and include action learning projects. The Transformative Leadership Programme is aimed at developing future black IT executives. We also have a niche Technical Leadership Programme, in partnership with world class IT vendors, for

"Developing leadership is key to our sustainability, as great leaders set the tone for the organisation and inspire great followers."

– Sharon Taylor, Head of Group Human Capital.

SBG leadership development programme participants

		2014	2013	2012
Standard Bank South Africa		**1 645**	2 067	1 431
Standard Bank rest of Africa		**1 039**	503	683
Standard Bank outside Africa		**30**	24	78
Liberty		**474**	264	306
Total participants		**3 188**	2 858	2 498
Gender				
Women as % of total participants	%	**50**	41	50
Black people[1]				
Standard Bank South Africa	%	**67**	53	72
Liberty	%	**59**	52	Not reported

[1] *Black people as % of total participants in South Africa.*

Standard Bank rest of Africa

190

employees started our Retail Banking Programme delivered as an online training solution through our Retail Banking Academy. This is the first phase of an internationally recognised certification.

SBG

R746 million

training spend, 2.6% of SBG's staff cost (2013: R638 million and 2.4% of staff costs)

Duke Corporate Education partnership

28

employees participated in PBB's Retail Executive Programme, of which **five** were from the rest of Africa and **two** from outside Africa

23

employees participated in CIB's Executive Programme, of which **two** were from the rest of Africa and **one** from outside Africa

30

employees participated in the Africa Executive Programme, of which **22** were from the rest of Africa

Outcomes

To date only the PBB Retail Executive Programme has been completed. Participants have since been divided into groups with each group assigned an action learning project aligned to the business area's strategy. Actions arising from each of these project teams have been implemented.

Highlight: *focused our top leaders on the purpose, vision, refreshed strategy and guiding principles for the group at a strategic alignment session held in October 2014.*

scarce IT skills which currently aims to develop junior managers for our succession pipeline.

During 2014, we delivered an Executive Conference for newly recruited and promoted executives, communicating our strategy and challenges and providing an overview of the group, as well as what the role of an executive entails. Our senior executives are also afforded the opportunity to attend leadership programmes at international business schools such as Harvard, Wharton and Stanford.

Our leadership initiatives are designed by our Global Leadership Centre and are aligned to our defined leadership behaviours. This ensures a shared language and common set of competencies across all our operations. Our programmes are designed to develop the leadership capabilities required to execute our strategy, guide our leaders through change and new levels of complexity, equip leaders with the skills to establish clear accountabilities, deliver an excellent employee experience and engage our employees effectively.

Skills development

We recognise that all employees possess unique skills and attributes that collectively contribute to the success of the group. All employees can explore skills and career development opportunities through the performance management process.

The Leadership and Learning unit works closely with the various business areas across geographies and regular assessments are undertaken to ensure that the quality of training delivered is effective and aligned to critical business priorities. To further our objective of gaining a consolidated view of our learning activities, in 2014 we mapped all learning and development processes and identified related system requirements.

We use electronic platforms to deliver high volume, technical learning to learners when and where they need it. In South Africa, we are a BANKSETA delivery partner which means we are able to register our qualifying training programmes with BANKSETA for accreditation.

In South Africa, 60% (2013: 78%) of our training spend was on black employees and 34% (2013: 50%) on black women employees. Of the 27 640 (2013: 27 535) employees trained in South Africa, 74% (2013: 70%) were black employees.

We invest in learnerships for unemployed matriculants and university graduates as part of our contribution to alleviating youth unemployment in South Africa. Our Induction Programme and integrated learner coaching and support structure helps learners acclimatise to the demands of working life and overcome inadequacies in the education system. Of the 391 learners who started a Standard Bank learnership in 2013, 317 successfully completed their respective programmes in 2014 and 267 were offered employment at Standard Bank (2012 intake: 523 with 479 successful completions and 306 job offers in 2013).

We also continued to support the BANKSETA Letsema and Kuyasa learnerships, and in 2014, we offered 120 learners a place on one of these learnerships. From the 2013 intake of learners, we employed 28 of the 105 learners and graduates that successfully completed the

programmes with the balance of participants having been supported in obtaining a nationally recognised qualification.

In 2014, we rolled out a learnership programme targeted specifically at individuals living with disabilities. A total of 20 learners have completed the work readiness programme and have been allocated to various business areas to complete the workplace component of their learnerships.

Remuneration and benefits

Global Reporting Initiative – G4: LA2, LA3, LA13 and EC5

Remuneration

We work to ensure that our remuneration philosophy and practices adequately motivate and reward performance, and meet developing regulatory requirements and stakeholder expectations, while maintaining market competitiveness and guarding against excessive risk-taking. The group's salary structures link to our strategic objectives, however they may vary according to different geographies to comply with local laws and practices. The Remuneration Committee ensures that individuals, particularly senior employees, are not rewarded for exposing the group beyond its stated risk appetite. We review our current remuneration structure and practices against the various global compliance and regulatory frameworks, as well as emerging trends, and we continually benchmark these structures to ensure that we remain competitive and are able to attract and retain talent.

How we add value:

our skills development programmes assist our employees to better adapt to regulatory, industry and labour market changes, as well as shifting skills requirements as the business evolves.

Standard Bank South Africa

490

candidates were offered Standard Bank learnership opportunities and at the end of 2014

466

learners were still active on their respective learnership programme. Of these learners,

99% and **57%**

were black employees and women employees respectively

Our remuneration structures can be found in the 2014 Annual Integrated Report on page 138.

Training spend

		2014	2013	2012
SBG training spend				
Standard Bank South Africa	Rm	**534**	424	423
Standard Bank rest of Africa	Rm	**146**	162	121
Standard Bank outside Africa	Rm	**19**	12	21
Liberty	Rm	**47**	40	40
Total training spend	Rm	**746**	638	605
Training spend as a % of SBG staff costs (total payroll)	%	**2.6**	2.4	2.6
SBG excluding Liberty: number of employees trained				
South Africa		**27 640**	27 535	24 862
Rest of Africa		**13 020**	4 787	Not reported
Outside Africa		**1 096**	1 252	Not reported
Total number of employees trained		**41 756**	33 574	24 862
Number of women employees trained		**23 770**	19 919	15 802
Number of black employees trained in South Africa		**20 554**	19 397	17 288
SBG excluding Liberty: hours of training per employee				
South Africa	hours	**35.2**	30.1	Not reported
Rest of Africa	hours	**22.4**	21.0	Not reported
Outside Africa	hours	**13.5**	9.4	Not reported

Note: the total training spend includes the costs allocated to the Global Leadership Centre.

Equity and remuneration

We do not tolerate any form of unfair discrimination. We monitor income differentials within and across job bands and levels to ensure that our remuneration practices do not discriminate on the basis of race, gender or disability. In South Africa, we submit an annual income differential report covering race and gender to the Department of Labour, as required by the Employment Equity Act.

Minimum salary

South Africa does not have an established national minimum wage however there is debate on setting a national minimum wage level of around R5 500 a month. We re-examine our entry-level wage annually to ensure that the increase in employee price inflation is considered. Our minimum salary across all employee levels is an annual guaranteed package of R124 740 at 1 March 2015 (up from R115 930 at 1 March 2014), which is comfortably above the debated national minimum wage at around R10 395 a month. At December 2014, no employee in South Africa was earning Standard Bank South Africa's minimum salary (2013: 0.76%).

Outside South Africa, we review all minimum salaries and remain in accordance with local market practice and comply with local regulatory requirements.

Recognition programmes

Beyond Excellence is a discretionary programme implemented in line with international best practice. It competitively rewards individuals and teams who make a consistent, sustainable and balanced contribution to customers, employees and shareholders. This assists in building an entrepreneurial culture where success is celebrated and contributes to employees feeling valued, all of which ultimately positively impacts sustainable business performance. The programme applies across all business areas and geographies and recognises individuals and teams at any level in the organisation. The governance of the programme is maintained centrally to ensure consistent application and is the responsibility of the Human Capital Executive Committee. The group recognition governance policy provides clear rules to ensure that all line managers understand the governance requirements related to recognising and rewarding employees. Business unit heads and their senior leadership teams are responsible for managing the programme and ensuring that it is applied fairly. Line managers are encouraged to present rewards in public forums such as staff meetings to drive transparency and demonstrate what constitutes excellence.

***Highlight**: from 1 October 2014, all employees in the bargaining unit that register a home loan in South Africa, qualify for the first R205 000 of the loan being priced at 4.5% per annum (up from R150 000) with the balance priced at the official rate of interest.*

Employee benefits

We provide a range of market competitive benefits to assist in the attraction, motivation and retention of employees. We aim to provide certain core benefits such as retirement benefits, medical aid or insurance benefits across the group however the extent or form of core benefits may differ by operation driven by costs, local market practice, legislation and culture. Certain non-core benefits such as employee loans, transactional banking products and sabbatical leave may be provided but these are country-specific.

The Employee Benefits and Tax Project launched in 2014 is optimising and aligning the benefits we offer to our employees, while introducing a consistent governance framework across all countries. All proposals regarding new benefits, enhancements to existing benefits and the removal of benefits must be approved by our newly established Group Benefits Committee which considers the cost impact of the change, as well as any significant negative impact for employees or increased risk to the bank. The framework will help us ensure that our benefit offerings are consistent and fair to all employees.

Employee wellness

Global Reporting Initiative – G4: LA5, LA6, LA7 and LA8

Our holistic approach to the wellness of our people enables us to manage workplace health risks and to build the resilience of our people by optimising physical health, as well as mental and

SBG excluding Liberty: parental leave

	2014	2013	2012
Number of women employees that took maternity leave	**1 156**	1 582	1 578
Number of employees that took parental leave	**822**	852	777
Women that exited the bank within a year of returning to work	**121**	100	121
Women still employed 12 months after returning to work	**1 031**	1 474	Not reported

Note: Angola, the Democratic Republic of the Congo, Lesotho, Swaziland and Zimbabwe are excluded as we do not have the systems in place in these operations to track this data.

social wellbeing, so that our employees remain sustainably engaged and productive. Our health and wellness framework is aligned to local and international best practice and aims to balance the rights and needs of the individual with those of the business.

Our priority is to provide access to appropriate health and wellness services for all employees, ensuring that our solutions are relevant in different business areas and countries. We encourage our employees to take responsibility for their health and support them through partnerships with service providers that give employees access to health screenings, nurse consultations, health-related information while travelling, executive medical assessments, counselling, managerial support and consultation, as well as financial and legal advice. Our wellness initiatives are more mature in our South African business, where 69% of our workforce is based.

We monitor all our health interventions to facilitate ongoing reporting, trend identification and cost effectiveness. This helps us to identify emerging health problems and reduce employee vulnerability to infectious diseases such as malaria and HIV/Aids, and chronic conditions of lifestyle such as type 2 diabetes and hypertension. We facilitate access to appropriate treatment and managed care when health issues are identified, and where possible we implement preventative interventions. Employees accessing our health and wellness services are assured of confidentiality unless there is a risk to self and others, or where prevailing legislation requires disclosure. Employees in South Africa also have access to five workplace wellness centres which facilitate our wellness initiatives.

Core benefits

Retirement

Retirement benefits are normally provided on a defined contribution basis linked to fixed pay and in line with local market practice and regulatory requirements. In the rest of Africa, with the exception of Angola, the Democratic Republic of the Congo, Nigeria and Tanzania, where state pension schemes or mandated participation in external pension arrangements exist, we provide some form of occupational pension scheme. Where we have occupational pension plans, participation is usually mandatory and a condition of employment. In Nigeria, amendments to the Pension Reform Act effective 1 July 2014 increased the statutory employer and employee contributions to registered pension schemes. We have made the necessary changes to comply with the Act which requires that employers and employees now contribute 10% and 8% of basic salary respectively to pension schemes.

Medical cover

All permanent employees across the group are provided with access to some form of healthcare benefit or treatment service irrespective of location. Some 84.0% (2013: 86.4%) of Standard Bank South Africa's permanent employees are members of Bankmed, our medical aid provider, with the remainder being dependents on other registered medical schemes. Liberty Health Blue Medical Insurance (Liberty Blue) is available to Standard Bank employees in ten rest of Africa countries. At December 2014, 10 455 employees in this operation were members of Liberty Blue (78% of Standard Bank's workforce in the rest of Africa). In the remainder of our operations, staff are provided with medical care through various medical aids, medical insurance providers or preferred clinics which are reimbursed accordingly.

Parental leave

Each operation has its own parental leave policy aligned to local legislation and market practice. We encourage our line managers to allow flexible working arrangements, where feasible, during the first few months of returning to work. Parental policies are made available to employees on the various country operation intranet sites or in the relevant employee manuals.

In South Africa, the maternity leave policy provides for at least four consecutive months of fully paid maternity leave and up to five working days of fully paid parental leave. Where care-giving responsibilities are shared between parents and both parents are employed by the bank, the period of maternity leave may be split between them. Fully paid maternity and parental leave is applicable for employees legally adopting children up to 17 years of age. Maternity and parental leave benefits also apply to same sex partnerships.

In the rest of Africa, employees are provided with fully paid maternity leave aligned to or exceeding the statutory requirement of the respective country. The number of fully paid maternity leave days varies from 43 working days to 90 working days. Outside Africa, the circumstance and duration of maternity, parental and adoption leave entitlement is set to comply with local legislation. Fully paid maternity leave varies from 45 days in Dubai to 26 weeks in the UK. Parental leave is available to employees in Asia, New York and the UK.

To realise the best possible outcome to our investment in health and wellness programmes we must actively promote and communicate these services to our employees. We achieve this through our various employee engagement channels and in South Africa, we host wellness days at regional and head offices, enabling employees to assess their levels of health and learn about making healthy lifestyle choices. During 2014, we launched a new online health and wellness service in South Africa that provides employees with an online health assessment and health content, as well as professional advice and behaviour change programmes. We also expect our leaders to encourage employees to take control of their own health.

We are currently piloting a more robust framework and tools to manage absenteeism due to sickness in South Africa. Encouragingly, we have experienced greater use of our employee wellness programmes across all business areas in South Africa. Following the pilot in South Africa, our aim is to implement similar frameworks throughout our banking operations in the rest of Africa. Customised frameworks will be developed for individual operations using a phased approach. In 2015, the framework and tool will be launched in four African countries outside South Africa.

Health interventions

Health screening

Project 90/90 is a health screening initiative implemented in Standard Bank South Africa which helps us appropriately manage employees with high-risk conditions. The project aims to screen 90% of Standard Bank South Africa's employees for health risks by the end of 2015, and to enroll 90% of employees found to be at high risk on an appropriate health management programme. Screenings include cholesterol, glucose and blood pressure tests, as well as voluntary HIV counselling and testing. For the rest of Africa, we have designed a health risk assessment framework which we hope to implement in 2015.

Total and temporary incapacity programme

Our total and temporary incapacity programme assists employees who are unable to perform their duties for an extended period due to ill health, but are expected to recover. During 2014, 245 (2013: 230) applications were received in South Africa, of which 117 (2013: 126) were granted benefits. The average duration of the benefit is around 3.8 months (2013: 4.3 months). In 2014 we piloted the total and temporary incapacity programme in five countries in the rest of Africa. Utilisation of the programme has been fairly low mostly due to various legal issues concerning confidentiality and the provision of consent by the affected parties regarding their medical condition.

Managing communicable diseases

Some 97% of our permanent workforce is situated on the African continent which has a high risk of communicable diseases such as HIV/Aids, malaria, other parasitic diseases, tuberculosis and in 2014 the outbreak of ebola. Targeted malaria prevention activities are in place where we have operations in high-risk malaria areas. In South Africa, the Bankmed Special Care HIV Programme is ISO: 9001:2008 certified and is available on a voluntary basis for all Bankmed members and their dependants at no additional cost. In the rest of Africa, Liberty Blue provides a similar programme also at no additional cost. Both programmes assist members living with HIV/Aids to access quality care and provide members with information and advice on treatment, counselling, anti-retroviral therapy, treatment for mother-to-child transmission if pregnant and post exposure prophylaxis in cases of accidental exposure. A member's HIV/Aids status is not disclosed without the member's written consent.

The first case of ebola was reported in Nigeria in July 2014. Following on from a proactive approach to raise awareness of the disease, Stanbic IBTC Bank intensified its efforts to help ensure the safety of employees and customers at all office locations. Our response, included an Ebola Command Centre, aimed to ensure that we had the ability to proactively respond to ebola-related events as they unfolded. We undertook extensive awareness communication with employees, restricted business travel, distributed hand sanitizers to all employees and installed automatic dispensing hand sanitizers at all office locations. All persons entering our offices were screened using infrared thermometers and employees were encouraged to visit designated ebola health centers in the event that they developed fever or other ebola-like symptoms. Nigeria was declared ebola-free in October 2014 by the World Health

Standard Bank South Africa: Project 90/90

	Target	2014	2013	2012
Number of employees screened since project launch in 2012		**21 621**	18 321	7 190
As a % of the workforce in South Africa	90% by 2015	**77**	64	21
Total number of health screenings since project launch in 2012		**24 824**[1]	18 945	Not reported

[1] *Some employees underwent more than one health screen.*

Organisation. Beyond Nigeria, we put measures in place to regulate travel arrangements and we distributed information on ebola to relevant stakeholders and employees travelling abroad.

Counselling and advice

ICAS is a free and confidential support service available to Standard Bank employees, their partners and immediate families in 14 countries in Africa, including South Africa. The service is customised where necessary to make it more suitable for the specific requirements of each local operation and an ICAS account manager is available in most countries to drive utilisation and manage any counselling requirements. ICAS counsellors can be contacted by phone 24 hours a day, seven days a week. In South Africa, the service is provided in several local languages and in the rest of Africa, counselling is provided in the national language of each respective country and where necessary offered in regional dialects.

Through ICAS, employees affected by workplace trauma such as acts of aggression by customers or bank robberies have access to onsite trauma management and debriefings. The top three presenting problems reported to ICAS for 2014 were relationship issues (personal and professional), stress and money management.

In the employee survey undertaken in South Africa in 2014, 58% of the respondents indicated that the stress experienced in their jobs reduced their effectiveness. During 2014, we drove awareness around the employee wellbeing programme and available support structures to minimise the impact of stress and stress-related conditions. A total of 3 853 employees in South Africa and the rest of Africa participated in proactive and targeted training to manage stress, build personal resilience, effectively manage change and achieve financial wellness.

Employees in South Africa requiring financial assistance are referred to Credit Customer Assist, a dedicated unit within our Credit division. All staff applications are evaluated by a debt restructure facilitator before a decision is made. During 2014, 2 188 (2013: 2 013) staff members were assisted, averaging around 8% of total restructures and consolidations performed across the Credit Customer Assist portfolio. Debt management performance has improved with 95% of the debt value owed by employees being serviced. Participation in ICAS's six month Financial Management Programme is mandatory for any employee requiring financial assistance. Employees are allocated an 'ICAS Buddy' to provide support and encourage behavioural change. Monthly financial planning sessions are put in place to ensure that change is being maintained and that commitment to downgrading on certain expenditures takes place within the appropriate time.

Standard Bank South Africa

2.1%

absenteeism rate
(2013: 2.2%)

2.4 ✓

average days per sick absence with a total of 134 534 work days lost (2013: 2.4 average number of days per sick absence and 141 389 work days lost)

Standard Bank rest of Africa

Our absenteeism data for the rest of Africa is not robust enough to report at this stage. We hope to be in a position to report full absenteeism data for this operation within the next three years.

Standard Bank South Africa

5 879

health screenings were undertaken, 2 579 of which were HIV counselling and testing

72%

of employees screened elected to undergo confidential HIV counselling and testing
(2013: 70%)

775

executives and senior managers underwent health screens
(2013: 852)

Standard Bank South Africa

1 252

employees and their dependants registered on the Bankmed Special Care HIV Programme, of which 917 were women
(2013: 1 180 of which 880 were women)

Standard Bank rest of Africa

197

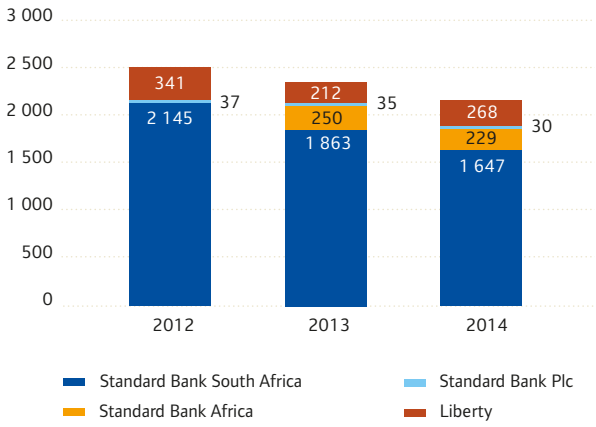
employees and their dependants registered on the Liberty Blue HIV Programme (available in ten countries), of which 116 were women

SBG excluding Liberty

3 853

employees in Africa, including South Africa, participated in targeted training on stress management

Number of health and safety officials trained
(SBG)



Number of days lost due to OHS injuries
(Standard Bank South Africa)

Note: we count lost days from the day immediately following the incident. The day of the incident is excluded.

Creating a safe place to work

We value and protect the health and safety of our employees and people who may be affected by our business activities. Our management systems and procedures are effective at preventing safety hazards, ill health and occupational diseases and incidents. Guidelines, risk management plans and procedures have been developed for high risks and we maintain a risk register. Our OHS management system extends beyond regulatory requirements and is aligned to the principles of the international OHSAS 18001 standard. Throughout Africa our operations are run according to their local occupational health and safety legislation.

South Africa

We manage occupational health and safety based on the requirements of the Occupational Health and Safety Act, the Compensation for Occupational Injuries and Diseases Act and other relevant legislation and regulations. The Occupational Health and Safety Act requires that employers meet with the relevant registered trade unions and consult in good faith to conclude agreements on the following:

- Nomination and election of health and safety representatives.
- Terms of office of health and safety representatives and the circumstances and prescribed manner in which they may be removed.
- The manner in which health and safety roles are filled.
- Facilities, training and assistance that must be provided to health and safety representatives.

There is an agreement in place between Standard Bank South Africa and SASBO, the Finance Union (SASBO) accommodating the above and we engage with SASBO when required.

Standard Bank South Africa: health and safety committees

Committee	Level	Responsibility
Safety, Health and Environmental Risk Oversight Committee (SHEROC) (employer representative committee)	Organisational level	Ensures synergy in managing high-risk occupational health and safety across the various business units. This committee ensures oversight of the relevant management structures and processes at a strategic and governance level, and oversees and governs all of our OHS committees.
Business unit health and safety committees (employer representative committees for all business units)	Business unit level	Consolidates and considers health and safety hazards reported by OHS committees at facility level. This committee has the mandate to resolve or escalate relevant matters to SHEROC.
Health and safety committees (employee representative committees for all work areas)	Facility level	Considers all health and safety hazards identified in immediate work areas and implements corrective action. Matters that cannot be resolved are escalated to our OHS employer representatives who have the mandate to escalate matters to SHEROC.

Note: all Standard Bank South Africa employees are covered by the above committees.

Outside South Africa

Our objective is to implement effective occupational health and safety management frameworks in our operations groupwide. The majority of our rest of Africa operations have OHS systems in place albeit at different levels of maturity. We are assisting these operations to develop robust occupational health and safety processes to ensure that we meet our moral obligation to provide safe environments for our stakeholders. During 2014, a support visit was made to Namibia by the Group OHS team based in South Africa. Support visits to other countries will continue into 2015 and are aimed at building working relationships and identifying each operation's OHS requirements based on local OHS legislation. We hope to have an integrated OHS reporting process in place for the rest of Africa by 2016.

Contractors

The identification of contractors and service providers working in our premises at any given time is a challenge given the number of facilities we occupy across different countries. OHS requirements are entrenched in the procurement process for construction projects and in 2014 we embedded these requirements in the negotiation phase of the procurement process for other categories of contractors. While this includes the requirement that occupational health and safety incidents be reported to our OHS unit, contractors tend to only engage with the bank on the most serious injuries. We are working to find ways to improve how we manage contractor incident reporting.

OHS awareness

We publish information on health and safety topics through our internal employee communication channels and every employee is required to view a BANKSETA health and safety video. Our Security Services unit publishes regular communications on personal safety and we implement effective security measures in and around our buildings in South Africa.

Standard Bank South Africa

27 339 hours

spent training OHS officials (2013: 24 926 hours)

R1.4 million

spent training OHS officials (2013: R1.9 million)

23 612

employees successfully completed OHS e-learning (2013: 17 467)

166

injuries reported (2013: 162), with 114 resulting in lost time (2013: 102). Our injury severity rating is low with no injury resulting in a permanent disability.

SBG workplace injuries

	2014	2013	2012
Number of workplace injuries[1]			
South Africa	**166**	162	202
London	**2**	6	8
Liberty	**20**	22	22
Total number of workplace injuries	**188**	190	232
Number of reportable workplace injuries[2]			
South Africa	**36**	6	13
London	**0**	0	0
Liberty	**20**	22	22
Total number of workplace injuries	**56**	28	35
Number of fatalities			
Employees	**0**	0	0
Contractors	**0**	0	2[3]

[1] *We do not report minor first aid injuries but only those that require medical intervention by a doctor.*

[2] *These are work-related injuries that we are required to report to meet legaslative requirements as per the Compensation for Occupational Injuries and Diseases Act and Occupational Health and Safety Act in South Africa, as well as Health and Safety Executive in the UK.*

[3] *Fatally injured following two separate incidents at Standard Bank construction sites in South Africa.*

Note: excludes rest of Africa.

No fines were incurred due to occupational health and safety infringements during 2014.

Progress: *while tough economic conditions limit our ability to meet all union demands, we have made progress in enhancing our preferential banking rates for employees in the rest of Africa, to assist them with housing acquisition or rental. This benefit is already in place for employees in South Africa.*

Standard Bank South Africa

48.5%

of our workforce are members of SASBO (2013: 51.6%)

65.0%

of our general staff are members of SASBO (2013: 71.3%)

9.3%

of our managers are members of SASBO (2013: 15.1%)

SBG

2 902

disciplinary incidents of which

2 078

were in South Africa (2013: 1 270),

798

were in the rest of Africa and the remainder of eight and 18 were in the operation outside Africa and Liberty respectively

Note: not comparable to 2013 as this is the first time we are reporting the number of disciplinary incidents for the rest of Africa and outside Africa.

Key issues that we managed in consultation with trade unions:

South Africa

- Wage settlement.
- Alternative working hours to achieve competitiveness and meet changing consumer needs.

Rest of Africa

- Salary increases for non-managerial staff.
- Housing allowances.

Employee relations

Global Reporting Initiative – G4: 11, LA16, HR3 and HR4

Our employee relations philosophy takes its lead from our values and codes of ethics. Our groupwide employee relations framework provides the governing mechanism for consistent and sound employee relations in compliance with relevant legislation and codes of good practice. It covers collective agreements and fostering constructive relationships with employees and labour organisations, to ensure fair outcomes and practices. It also provides guidance on representing the bank in external individual employee relations matters.

Non-permanent employees

Recent amendments to the Labour Relations Act in South Africa relate to our non-permanent employees earning below the Basic Conditions of Employment Act threshold, currently set at R205 433 per annum, and who have been engaged by the bank for more than three months.

Whether recruited directly by the bank or through a temporary employment service provider, the amendments require that non-permanent employees are not treated on the whole less favourably than comparable permanent employees unless there are justifiable reasons for differentiation such as seniority, experience, length of service, merit or the quality or quantity of work. The amendments define both the bank and the temporary employment service provider as the employers of non-permanent employees and as such both are jointly and severally liable for any contraventions of the Act.

The Amendment Act was implemented on 1 January 2015 and we are required to comply with these new provisions by 1 April 2015. In preparation for this, business units have reviewed their workforce plans and have identified the optimal resourcing mix in line with business requirements and the associated costs to meet the Act's requirements.

We have developed and communicated an operating model and, policy and procedures relating to this category of employee, to ensure good governance, consistent practice and regulatory compliance. Training material has been made available to our line managers and employees in the Human Capital unit.

Transitioning our practices to comply with these legislative requirements could result in elevated levels of engagement with SASBO and affected individuals. We have established a framework for dialogue with SASBO to develop a common understanding of the amendments which will serve the mutual interests of all parties concerned and enable a sustainable transition to the new dispensation. We are also working with the Banking Association of South Africa and Business Unity South Africa to achieve common business interpretations within the financial sector.

Freedom of association

In 2014, changing regulations and structural re-organisation within the organised labour movement in South Africa led to protracted and at times violent disputes in the broader labour market, particularly around remuneration and the issue of labour broking. We understand that relations between employees and management must be effectively managed to achieve mutual benefits. We subscribe to the principle of freedom of association in line with the International Labour Organisation's (ILO) Conventions and we believe in building respectful and mutually beneficial relationships with worker representative organisations across all our operations. Low economic growth and high competition for talent create challenges in the collective bargaining process as we strive to balance the legitimate demands and expectations of our staff with fair and effective business solutions. We did not experience any incidents of strike action in any of our operations in 2014.

South Africa

SASBO, as the majority recognised union, bargains for non-managerial staff at the bank. While the relationship is not adversarial, the union challenges management actions and decisions on a regular basis and invokes statutory dispute resolution procedures where necessary. The Negotiation and Consultation Forum comprises elected SASBO members and officials, and Standard Bank representatives. It meets on a scheduled and ad hoc basis to consult and negotiate on issues.

Outside South Africa

Recognition agreements exist with labour unions in Botswana, the Democratic Republic of the Congo, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe. Where required we facilitate capacity building using the ILO's Mutual-Gains Approach to conflict resolution and negotiations to ensure mutually beneficial outcomes. In 2014, 18 union and management participants from six countries attended capacity building training sessions at the Global Leadership Centre in Johannesburg. A similar training programme was held in Zimbabwe.

During 2014, challenges in salary negotiations for non-managerial staff were experienced in Ghana and Zimbabwe. In Zimbabwe, salary negotiations at the National Economic Council reached an impasse resulting in public picketing by members of the Zimbabwe Bank and Allied Workers Union (ZIBAWU) at Stanbic Bank Zimbabwe's head office in Harare. The picketing meeting did not develop into strike action. All demands made by ZIBAWU relate to the entire banking sector in Zimbabwe and parties concerned have since returned to the negotiating table. No agreement has yet been reached and Stanbic Bank Zimbabwe has paid interim increases to our employees in line with year-on-year inflation. The rollout of our new business unit operating models across the rest of Africa resulted in a number of restructures. In Swaziland, the introduction of CIB's new client engagement model was legally challenged by three managers in Swaziland and the matter has since been settled out of court.

In most countries outside Africa there are no collective agreements covering employment relationships. However, employees are free to join unions and in the UK we consult with employee representatives, where required, in collective retrenchment situations. For the sale of the Global Markets business, we have extended our engagement process as it relates to long-term assignees whose roles are impacted by the sale. Engagement relates to retrenchments, employees that will remain with Standard Bank and those whose contracts will be transferred to the new company. We have also engaged with all employees based in our London office with regards to the change in control of the business.

Standard Bank South Africa: disciplinary and grievance incidents

	2014	2013	2012
Disciplinary incidents			
Dismissals	**410**	405	313
Warnings issued	**1 668**	865	647
Total disciplinary incidents	**2 078**	1 270	960
Cases referred to the CCMA			
Unfavourable decision for the bank	**6**	1	5
Cases that were settled	**38**	61	59
Cases withdrawn	**29**	29	23
Cases ruled in favour of the bank	**25**	41	25
Cases still outstanding	**4**	3	2
Total cases referred to CCMA	**102**	135	114

Our employee handbooks, available on local Standard Bank intranet sites, set out how to lodge a grievance, including through the whistle blowing hotline, and the specific requirements that apply.

Disciplinary action, disputes and grievances

Our policies and procedures for grievance handling, dispute resolution and disciplinary action are designed to ensure that matters are dealt with in a fair and just manner for both the bank and employees, either individually or collectively. Procedures are in place for employees to challenge disciplinary sanction or who wish to lodge a grievance or complaint. The Human Capital team is available to assist staff in the resolution of disputes and in initiating formal grievance proceedings. We have formal training programmes for managers to assist them to manage the resolution of grievances. Liberty has its own set of policies and procedures to manage disciplinary action, and employee disputes and grievances.

South Africa

Employees may be represented by SASBO (if they are members) or fellow employees at internal disciplinary or grievance hearings. Employees who challenge the fairness of their dismissals or outcomes of the grievance process have the right to refer their disputes to the Commission for Conciliation, Mediation and Arbitration (CCMA). In certain instances disputes may be referred to alternative accredited dispute resolution bodies. Allegations of discrimination are referred to the CCMA and we are considering an expedited procedure for the resolution of grievances relating to allegations of harassment and discrimination. During 2014, none of the disputes filed in the Labour Court against Standard Bank South Africa related to incidents of discrimination.

Outside South Africa

Staff discipline, grievances and disputes are handled in line with country-specific policies and relevant local regulation, employment legislation and collective agreement procedures. Employees can choose to be accompanied by trade union representatives at disciplinary, grievance and appeal hearings. If no resolution can be found, employees are able to refer the case to the relevant statutory body for conciliation or arbitration, or to a labour court for adjudication in line with stipulations of local labour regulation.

In the rest of Africa, training sessions on effectively conducting disciplinary hearings and managing poor work performance are available for line managers and employees in the Human Capital unit. In 2015, this training will be expanded to include grievance handling. We hope to implement an employee relations management system for the rest of Africa in 2015, which will enable us to more efficiently track and report the number of grievances reported.

In our international operations outside Africa, employee engagement mechanisms and our Human Capital teams are responsible for reinforcing the awareness around the grievance mechanisms available to employees. None of the grievances that were filed against the bank in our operations outside Africa in 2014 related to discrimination.

Outside South Africa, there were 89 incidents referred to external bodies of which three resulted in an unfavourable decision for the bank, nine were settled, two were withdrawn and 11 were ruled in favour of the bank, with the remainder still pending an outcome.

Looking forward

Our key objectives looking forward are to:

Short to medium term

- Embed our talent management framework and ensure it is consistently applied across the group.
- Sustain focus on leadership development at all levels, including the relaunch of the Derek Cooper Standard Bank Africa Fellowship in 2015 in partnership with institutions in the UK.
- Build a cohesive and inspirational organisational culture and reassess our methods for measuring employee engagement.
- Continue to simplify, standardise and automate our human capital processes for an enhanced employee experience and improved management information.
- Promote a diverse and inclusive workforce including the delivery of a groupwide e-learning tool on diversity in 2015, expanding our cross-culture upskilling initiative to all countries of operation and ensuring that all employees with a disability have a clear idea of how they can progress their career in the group.
- Improve the integration of learning and development initiatives across the organisation to be enabled through the introduction of a single learning management system.

Delivering sustainable long-term financial performance

Financial opportunities

- Further expanding and embedding our banking franchise across Africa will create long-term sustainable growth for the group.
- Effective and responsible management of our capital enables us to meet future requirements, strengthen our balance sheet and invest in operational efficiencies.
- Building our operational infrastructure across Africa reaches more potential customers and expands brand visibility.

Financial challenges

- Subdued economic growth and increasing inflation and interest rates constrain our ability to lend.
- Impact of tougher capital standards limits the amount of capital at our disposal for business activities.
- Developing a consistent brand across multiple geographies and being able to serve and understand a diverse customer base.
- Balancing ongoing IT investment and omni-channel infrastructure with providing lower pricing to customers.
- Overall increase in cost structure while profit margins remain under pressure.

Delivering a strong financial performance and maintaining a robust business enables us to meet our financial obligations to our stakeholders.

2014 highlights

Named as the **Sunday Times Top Brand** in the consumer banking category in South Africa and awarded the **Best Banking Reputation** in the **Mail and Guardian's** South Africa Top Companies Reputation Index.

We signed a **R8.6 billion**, 36-month term loan facility to be used for general corporate purposes, including trade-related finance and infrastructure, power and mining-related lending transactions. The loan facility obtained an **over-subscription** of USD400 million (R4.3 billion).

Made progress in developing **inter-regional relationships** between our Business Banking teams in South Africa and the rest of Africa, with notable achievements in assisting franchise customers, such as KFC, expand their presence beyond South Africa.

PBB in Kenya, Mozambique and Zambia made a **profit** for the first time.

SBG

R17 323 million

headline earnings (2013: R17 194 million)

PBB rest of Africa

R105 million

profit, achieving profitability for the first time

Boundaries of impact: financial performance

Internally: whole organisation, employees

Externally: shareholders, customers

Board committees

SBG board

Group Risk and Capital Management Committee

Group Audit Committee

Monitoring mechanisms

- Information systems: quantitative risk management.
- Group Internal Audit.
- External audit of annual financial statements.

Memberships and strategic partnerships

- Communications Executive Council.
- Institute of Directors in Southern Africa.
- South African Chamber of Commerce and Industry.

Top five performing countries for PBB Africa: *Ghana, Kenya, Mozambique, Swaziland and Zambia.*

Where our business units collaborate

PBB and CIB collaborate mostly on Commercial Banking business segments including public sector banking, commercial property finance, foreign exchange and trade finance. In South Africa, this collaboration supports Commercial Banking customers who are expanding their businesses on the continent and provides retail banking solutions such as workplace banking schemes to CIB's clients where required.

Financial performance

SBG

Our financial performance in 2014 reflects a strong performance from our continuing operations, which represent our core franchise, and a disappointing performance from the group's discontinued operation, the Global Markets business outside Africa, 60% of which has been sold to ICBC. Group headline earnings increased by 1% to R17.3 billion and headline earnings per share increased by 1% to 1 070 cents. Headline earnings from continuing operations increased by 20% to R21 068 million, driven by robust revenue growth in our operations across the African continent. Return on equity declined to 12.9% from 14.1% in 2013. The total dividend for the year was 598 cents per share, a 12% increase on 2013. Total income from the continuing operations grew by 15% and expenses were 11% higher than 2013. Credit impairments were 2% lower, mostly due to the reduction in specific impairments required for corporate loans. Net income before taxation grew by 31% and profit from continuing operations was 32% higher.

Personal & Business Banking

PBB achieved headline earnings of R9 834 million, 17% higher than 2013 and a return on equity of 18.2% (2013: 18.6%). In South Africa, PBB increased earnings by 10% to R9 420 million, delivering a solid performance in a muted macroeconomic environment.

PBB South Africa's drive to build a bank for entrepreneurs is paying off with the Business Banking franchise delivering a robust performance during 2014. The business has maintained its leading position in the commercial market in South Africa, based on an independent survey conducted by Galactica. The franchise maintained its strength in the public sector and an increased drive to secure more customers in the medium to large business sector resulted in some significant new corporate accounts. In Personal Banking, the home loan book is performing well despite economic pressures, however loans originated prior to 2009 – when the credit environment was more lenient – continue to be a challenge. We are putting greater emphasis on attracting customers at the higher end of the market, particularly in the Private Banking segment of the market where customers are generally more profitable for the bank.

In the rest of Africa, PBB achieved profitability for the first time with twelve of the 14 countries in which we operate being profitable for the year. The majority of operations in our portfolio made solid progress in executing their strategic plans and responding to the myriad challenges of competition and regulatory pressure in their markets. PBB rest of Africa's drive to acquire profitable customers is largely responsible for the business achieving profitability. The Transformation Programme, which focuses on people, processes and technology to achieve improved customer experience, also contributed to this performance, as did our incentive programme that rewarded countries for achieving sales targets within a six month period and within chosen customer segments. Swaziland won the sales incentive programme both in the first and second half of 2014.

Corporate & Investment Banking

Although CIB recorded total headline earnings of R4 983 million, a 23% decrease on 2013, the continuing operations improved headline earnings from R6.9 billion to R8.7 billion, driven by robust revenue growth in the rest of Africa operation. Return on equity declined to 10.2% (2013: 14.1%), however on a *pro forma* continuing basis, including 40% of the loss incurred in the

discontinued operation and 40% of the equity in the Global Markets business, return on equity was 16.7%. This is ahead of CIB's current planning assumptions which the business unit's strategy was designed to deliver by 2016, and was achieved by disciplined deployment of capital despite the ongoing investment in IT. While the Transactional Products and Services and Global Markets businesses have shown strong growth, Investment Banking was impacted by our decision to downscale the international arm of this business but still showed growth, albeit at a slower pace. Investment Banking's revenues now represent a much tighter focus on Africa and a more efficient use of capital.

CIB's financial results for 2014 were materially impacted by fraudulent activities undertaken by certain trading companies at two ports in China. We have instituted legal proceedings against several parties to protect our position and rights to the physical aluminium held in bonded warehouses at these ports. The aluminium represents collateral held for a series of commodity financing arrangements undertaken in Standard Bank Plc, otherwise referred to as reverse repurchase agreements (repos). Our total exposure is about USD167 million (R1.8 billion), against which USD210 million (R2 277 million) of aluminium collateral is held and is subject to the legal process. A valuation adjustment of USD147 million (R1 624 million) was recognised in the discontinued operation against the repos. We also continue to pursue various alternatives to recover the client exposure, however at this time, the precise quantum and timing of recoveries remains uncertain. We maintain insurance for such loss events and are confident that we have taken the necessary steps to mitigate such risks going forward. This type of occurrence does impact employee morale and our strong leadership served us well in keeping employees motivated.

Liberty

Liberty's operating earnings for the year to December 2014 increased 18% to R2 586 million. Headline earnings attributable to the group were 3% lower at R2 158 million. The strong performance in operating earnings was muted by the lower return on the Shareholder Investment Portfolio which mirrors market conditions. This has resulted in a decreased return on equity of 20.9% for 2014 (2013: 24.7%).

Capital management and liquidity risk

Banking and trading activities naturally result in continuous exposure to financial and liquidity risk. Financial institutions must maintain adequate levels of liquidity and capital to guarantee their ability to meet their day-to-day and long-term funding obligations. Liquidity and capital is managed by our Treasury and Capital Management division, which aims to contribute to shareholder value by managing SBG's balance sheet and financial resources in a way that is optimised, comprehensive and integrated across all our banking operations.

The SARB has adopted Basel III which sets new international standards for the management of capital, liquidity and

Financial indicators

		2014	2013	2012
SBG financial results (normalised)				
Return on equity	%	**12.9**	14.1	14.0
Headline earnings per ordinary share increase	%	**1**	14	9
Distribution per share	cents	**598**	533	455
Total assets	Rm	**1 906 706**	1 693 683[1]	1 564 801
Total capital adequacy ratio	%	**15.5**	16.2	14.3
Market capitalisation	Rm	**232 203**	209 381	190 937
Cost-to-income ratio	%	**54.5**	56.8[1]	58.9
Credit loss ratio	%	**1.00**	1.12[1]	1.08
Third party assets under management	Rbn	**747**	611	572
New insurance business margin	%	**2.1**	2.2	2.0
Market share in South Africa				
Mortgage advances	%	**30.3**	30.1	29.5
Instalment finance	%	**17.7**	18.8	19.1
Card debtors	%	**27.4**	27.7	27.5
Deposits	%	**24.2**	24.1	24.3

[1] *Restated.*

Headline earnings for SBG's continuing operations grew by a pleasing 20% to R21 068 million in 2014.

Challenge: *customers with increased demands, together with tougher capital and liquidity standards, impact the profitability of banks and require fundamental changes in business models, product design and IT infrastructure.*

leverage. Basel III aims to reduce worldwide systemic bank risk by improving the ability of banks to absorb losses arising from financial and economic stress. It attempts to ensure that all banking entities, irrespective of jurisdiction, are regulated equally through the adoption of a global liquidity standard that requires banks to maintain sufficient liquidity sources for both the short and long-term. It aspires to make the banking system safer and works on the rationale that having a holistic understanding of risk is good for a bank's business, its consumers and investors, as well as the governments of the countries in which it operates.

Basel III requires that banks hold more capital against their assets and better match the maturity of their lending activities with their deposit-taking activities. As a result, the new regulations impact a number of our businesses from the retail bank through to CIB's Global Markets, Transactional Products and Services and Investment Banking units. To meet the new capital, liquidity and leverage ratios at a group level requires that all our banking operations contribute financial resources. This means that our subsidiaries in the rest of Africa face greater financial pressure than their domestic peers, impacting their competitiveness in the short to medium term until African regulators adopt the new standards.

To be capital and liquidity efficient, we have made adjustments to our business models and moved away from long-term structured lending transactions which have affected the viability of specific business lines and products. Significant costs have been incurred to adopt the new capital and liquidity standards. We work to find new ways to provide customers with the services they need at an affordable cost, and as we develop innovative solutions for capital and liquidity management, not only do we differentiate ourselves from our competitors but we also strengthen our balance sheet position.

The Group Risk and Capital Management Committee, a board committee, provides independent and objective oversight of risk and capital management across SBG. It is supported by the Group Risk Oversight Committee which has been delegated the executive management oversight for all risk types. Our capital management framework ensures that SBG and its principal subsidiaries are capitalised in line with the SBG board-approved risk appetite and profile, local and foreign regulatory requirements, economic capital requirements and target ratios. Our liquidity risk management framework measures and manages our liquidity positions to ensure that funding requirements and payment obligations can be met under both normal and stressed conditions. We undertake internal liquidity stress testing, guided by Basel principles and with strict consideration of prudential and regulatory requirements, to determine our total contingent liquidity buffer held.

Recovery and resolution planning is an important tool used by regulators to reduce the systemic risk of systemically important financial institutions. Our Integrated Recovery Plan, submitted to the SARB, will guide management and the SBG board in reducing the risk profile of the bank and conserving capital during times of severe stress. The SARB and National Treasury are defining a South African Resolution Framework which is anticipated to include aspects such as the resolution strategy, powers of the resolution authority and a supporting legal framework, as well as the protection of bank depositors and insurance policyholders in the event of failure of a South African financial institution.

SBG remained well capitalised at December 2014, with a total capital adequacy ratio of 15.5% (2013: 16.2%) and a common equity tier I capital adequacy ratio of 12.4% (2013: 12.6%). At December 2014, available financial resources covered the total economic capital requirement by 1.49 times compared to our internal minimum target coverage ratio of 1.15. The sale of 60% of our London-based Global Markets business will result in an improvement in SBG's capital adequacy ratio.

In addition to our internal stress testing calculations, we calculate and monitor two key Basel III liquidity metrics: the liquidity coverage ratio which came into effect on 1 January 2015 and the net stable funding ratio effective from 1 January 2018. Basel III requires that banks hold a 60% liquidity coverage ratio by 2015, where the ratio is calculated by taking the group's high-quality liquid assets and dividing it by the net cash outflows over a 30-day period. The required ratio increases annually up to 100% by 2019. We have taken the necessary planning steps to ensure compliance with these ratios within the specified timelines. Furthermore, the SARB has confirmed that a committed liquidity facility will be made available, at a fee, to enable South African banks to meet this ratio. This approach is allowed in countries where there are insufficient government securities, highly-rated corporate bonds and other high-quality liquid assets available in the market. The net stable funding ratio is designed to ensure that the majority of term assets are funded by capital, term borrowings or funds from stable sources. The Basel Committee on Banking Supervision issued its final standard for the net stable funding ratio in October 2014 which will require that further term funding be raised by all South African banks to fully meet the proposed Basel III liquidity regime in South Africa and other emerging markets.

During 2014, we continued to progress our asset and liability management capabilities and focused on managing our balance sheet in a way that ensures we protect our customers' deposits. We further evolved our internal liquidity risk framework to ensure that the bank has, at all times, sufficient liquidity resources to continue operating under a bank-specific and systemic stress event. Our liquidity risk technology framework was also updated to support the implementation of new liquidity regulations.

During 2014, the group maintained its liquidity positions within the approved risk appetite statement limits and appropriate liquidity buffers were held in line with regulatory, prudential and internal stress-testing requirements, taking into account ongoing global risk appetite and market conditions. At December 2014, our total liquidity holdings amounted to R296.1 billion (24.9% of funding-related liabilities). Comparatively, in 2013 our liquidity buffer amounted to R238.5 billion (23.2% of funding-related liabilities).

The Standard Bank brand

In 2014, Brand Finance, in association with the Banker Magazine, valued our brand at USD1.6 billion (R17.4 billion). We ranked as the 114th most valued banking brand in the world and were recognised as the most highly valued banking brand in Africa.

2013: ranked 103rd most valued banking brand in the world

For the past 152 years, the essence of who we are as an organisation has been built on our pioneering spirit as we entered and grew into new markets. We strive to move our customers forward and to play a significant role in Africa's growth story by helping people to meaningfully participate in the economies in which we operate.

A strong and reputable brand is critical to achieving business success and to attracting shareholders. In addition, being a responsible corporate citizen gains the support of the societies in which we operate, which in turn gives us licence to operate. We work to ensure that our brand is relevant to our customers, employees and stakeholders across all our geographies. This means we need to take into account the varying perceptions of value and expectations of a diverse customer base and ensure that our employees understand their responsibility in delivering the desired brand experience.

The way consumers experience the delivery of products and services is a critical influencer of their brand perceptions. As such, we consistently communicate with our employees in a way that firstly reinforces our purpose and brand positioning and secondly evokes passion for the brand throughout the organisation.

In countries where we have a long-standing heritage, we are well known and perceived positively and we have a particular stronghold in the corporate banking sector across the rest of Africa. In countries where we are relatively new, the challenge is to build our brand and develop awareness of what we can provide to the market. In some of these markets we compete with large and well established local and international banks, therefore we need to give particular focus to our offering to improve our competitiveness.

Creating emotional affinity with the brand allows us to differentiate ourselves in an environment where most bank offerings are similar. During 2014, we worked on defining a brand purpose and driving understanding and passion for what our brand stands for throughout the organisation. We devised brand engagement strategies and worked on building brand capability across all operating countries. For example, we worked with the marketing and communication teams in Kenya, Uganda and Zambia in 2014 to help them localise their engagement strategies. Brand campaigns were launched across Africa targeting corporate and investment markets and in Mozambique to celebrate 120 years of operation.

Brand equity and perception surveys, customer experience measurements, advertising surveys, ad hoc reputation research studies, traditional print and electronic media coverage, and online reputation monitoring are used to monitor our brand performance. South African and international media are monitored daily to ensure that we effectively manage any reputational issues that may arise specific to Standard Bank or to the banking industry as a whole. Where a reputational issue is identified, the relevant executive or business unit head is informed. Where required, the media relations team provides advice or engages with the relevant stakeholders to mitigate risk and clarify our position. We also monitor brand surveys across our operations and work to rectify negative perceptions.

During 2014, three issues that impacted on our brand were the discovery of the fraudulent activity of certain trading firms in China impacting our base metals holdings (negative impact), the sale of a controlling interest in our London-based Global Markets business and our participation in the United States Africa Leaders Summit (positive impacts). In addition, the launch of new products and services such as the Standard Bank banking app, SnapScan and MasterPass have helped to reinvigorate the perception of the Standard Bank brand as innovative and progressive in a digital world.

Protecting our intellectual capital

We employ a single brand across our multiple geographies, as well as customer and client segments. Deviations are required where legal agreements or regulation mean that we cannot operate under the Standard Bank brand name. In these instances we trade as Stanbic Bank. Also, in some cases we have purchased an operation and decided to retain its existing brand equity, for example Stanbic IBTC Bank in Nigeria. Liberty, STANLIB and Diners Club operate under their own brand.

We take great care in protecting our trademarks across all geographies. Brand trademarks are managed by the Group Brand team and the registration of products, services and channels are managed by the relevant business unit. We monitor our trademarks to prevent abuse thereof and identify any infringements. Where required we take necessary action to protect them, which can range from engaging with stakeholders

concerned to resorting to legal counsel. Our trademark guidelines outline the process and minimum trademark requirements.

Sponsorships

Our sponsorships shape the group's reputation, build customer and stakeholder relationships and contribute to achieving specific business objectives. We select sponsorships based on contribution to building our brand and alignment to business strategy, and we drive our sponsorships at group, national and commercial levels. Sponsorship proposals are put through a rigorous evaluation process and, through our brand and sponsorships governance mechanisms and policy, we ensure that our sponsorships do not give rise to conflicts of interest. Group-level sponsorship decisions are made by the Group Marketing Committee and commercial-level sponsorship decisions are made by the relevant business unit executive committee. For the rest of Africa, country decisions are made by the relevant marketing committee. Our total sponsorship spend across the group is tracked and our policy clearly differentiates between sponsorships and CSI spend.

At a group level our flagship sponsorship is with the Confederation Africaine De Football (CAF),where we are the sponsor of the following CAF competitions until 2016: Orange Africa Cup of Nations, Orange CAF Champions League, Orange CAF Confederations Cup and Orange CAF African Youth Championship for under 20-year olds. We have been a long-term sponsor of the arts in South Africa and our most significant art sponsorships are the National Arts Festival, Standard Bank Jazz Festival and National Youth Jazz Festival, all of which are in Grahamstown, as well as the Standard Bank Joy of Jazz Festival in Cape Town and Johannesburg. In 2014, we entered into a sponsorship agreement with IRONMAN South Africa.

Social media

Number of Standard Bank-branded social profiles: *38 (2013: 31), including an internal social platform for our employees across different geographies.*

Leveraging digital and social platforms enables us to build our brand and remain competitive in the marketplace by engaging with audiences that we may not otherwise have reached. Our strategic approach to social media ensures that business units and country operations implement social media engagement responsibly and in a way that the brand's reputation in the online space is effectively managed. Social media strategies and teams are in place in Ghana, Kenya, Namibia, Nigeria, South Africa, Tanzania and Uganda.

Country teams work with our specialist team in South Africa to effectively manage the reputation of the brand in their countries and we have launched community management tools to assist all social media teams to more effectively manage engagements and content on social media platforms.

Social media is about real-time interactions and therefore requires constant monitoring, engagement, listening and quick responses to queries. We have integrated social media into all our marketing and communication planning to ensure that potential reputational risks are identified quickly and our messaging adapted accordingly. We monitor the number of Standard Bank 'mentions' across all online platforms in real time and we measure sentiment towards the brand over longer periods.

Social media platforms have become an extension of our traditional channels such as branches and call centres, with service-related issues being the primary issues raised. In South Africa, engagement on the UCount Rewards Programme is also high. Stakeholder groups using these platforms vary from employees to Personal Banking customers and from small businesses to representatives of corporate clients. Customer insight is reported to the business units concerned, contributing to our ability to develop tailor-made and relevant products and services that meet their needs.

Looking forward

Our key objectives looking forward are to:

Short to medium term

- Continue to focus on the larger high-growth markets and high growth segments for PBB rest of Africa.
- Establish Standard Bank Wealth, focusing on our non-banking financial services across our existing operating segments. This business unit will be aligned in partnership with PBB and CIB to allow the group to compete more effectively through enhanced customer value propositions, underpinned by appropriate risk management.
- Implement updated funds transfer pricing methodologies across the group to accurately price and measure the internal cost of funding, taking into account the cost of Basel III liquidity impacts where applicable.
- Develop a transition plan for the bank's liquidity risk structure and balance sheet management framework to meet net stable funding ratio requirements from 1 January 2018.
- Roll out an updated social media strategy in 2015.

Part C

Environmental and social risk management

Our impacts on society and the environment can be both indirect, arising from the activities of our customers who we finance, and direct through our day-to-day operational activities and the products and services we provide.

Boundaries of impact: environmental and social risk management

Internally: whole organisation, employees

Externally: regulators, customers, business associations, communities

Board committees

SBG Board of Directors (SBG board)

Group Social and Ethics Committee

Monitoring mechanisms

- Equator Principles.
- International Finance Corporation (IFC) Performance Standards.
- World Bank Environmental Health and Safety (EHS) Guidelines.
- United Nations Principles for Responsible Investment (UN PRI).
- Information systems: deal transaction tracking and, environmental and social risk management systems.
- External assurance: Equator Principles projects financed, projects where Standard Bank played an advisory role and project-related corporate loans, methodology for calculating savings and measuring energy efficiency projects, carbon footprint for South Africa.
- External verification: black economic empowerment (BEE) performance in South Africa.

Memberships and strategic partnerships

- Banking Association of South Africa's Sustainable Finance Forum.
- Business Unity South Africa.
- Global Equator Principles Steering Committee.
- Green Buildings Council of South Africa (GBCSA).
- Institute of Directors' Sustainable Development Forum.
- National Business Initiative.
- United Nations Environment Programme Financial Initiative (UNEP FI).
- Partnerships relating to socioeconomic development are listed on page 119 of this report.

Our approach

Global Reporting Initiative – G4: 14, 15, EC2, HR5, HR6, FS1 and FS4

Standard Bank Group (SBG) has an obligation to manage the environmental and social impacts of its activities, products and services on society, and to respond strategically to global environmental and social risks that threaten its ability to create sustainable value for its stakeholders.

Environmental and social risks in our business operations relate to factors such as climate change and the cost of resources which could impact on our ability to continue operating. In providing banking services and finance, environmental and social risks relate to the product and industry sector being financed, the location of the financing activity and the impact of climate change on our customers. We have developed policies and procedures to manage and mitigate these risks both for the bank and for our customers.

Through our membership in the Banking Association of South Africa we have adopted a Code of Conduct for Managing Environmental and Social Risk which codifies the role of financial institutions in protecting, promoting and fulfilling social, economic and environmental rights in South Africa. The code covers a business's operations, procurement, lending practices, products and services. It also sets out a benchmark for what is required to effectively manage these risks.

The Sustainability Management team facilitates a consistent approach to environmental and social risk management by setting policy and performance standards, against which it monitors the group's performance. The team supports business areas and raises awareness through relevant stakeholder engagement.

The Safety, Health and Environmental Risk Oversight Committee meets quarterly to discuss safety, health and environmental challenges that require concerted action or the development of standards and guidelines to address key risks. The committee reports into various board and management committees, including the Group Social and Ethics Management Committee, and makes recommendations as appropriate.

We are committed to upholding the principles of the Constitution of the Republic of South Africa, the associated Bill of Rights and labour legislation in our South African operations. Outside South Africa, we operate to similarly high standards. Our values and the code of ethics apply across all bank operations and are an extension of this commitment, which we aim to embed in the behaviour of all our employees. Our groupwide human rights policy recognises the need for us to respect and protect human rights and remedy transgressions.

Liberty has its own environmental and social risk management frameworks.

Africa and climate change

Africa is highly vulnerable to the effects of climate change and water scarcity which can constrain the development and growth of emerging market economies. Declining economies impact our ability to grow in our chosen markets as customer acquisition becomes constrained and credit risk increases. More broadly, climate change can pose risks to national security, infrastructure, public health and the rights and cultural heritage of communities. Given our African footprint and strategy, we must be cognisant of the fact that these factors together with the loss of biodiversity and resilience in the natural environment, directly impacts on our customers' quality of life and their ability to prosper economically. In turn, what impacts our customers ultimately impacts us. Climate change heightens the need for environmental and social risk management. The diagram below sets out how we contribute to climate action through our environmental and social risk management framework.

Our approach to environmental and social risk management is to go beyond compliance and achieve best practice performance

Our environmental and social risk management framework

Environmental and social risk governance structures and policies

Why?

- To protect our reputation.
- To ensure our direct and indirect environmental and social risks are appropriately managed.
- To mitigate against the risk of disruption to business continuity due to factors such as extreme weather or energy and water scarcity.

Pages 106 and 167

Strategic partnerships

Why?

- To make a broader contribution to action on climate change.
- To understand where the interests of the bank and its stakeholders intersect.
- To contribute to national and international environmental policy development through regulatory advocacy.
- To mitigate the risk of non-compliance with environmental legislation and associated fines or penalties.
- To prepare for the introduction of carbon tax.
- To give impetus to the green economy.

Page 108

Environmental and social risk management and monitoring of projects financed

Why?

- To assist our clients in mitigating the risk of unforeseen social and environmental costs.
- To reduce instances of holding repossessed assets that require rehabilitation before being sold.
- To protect our reputation and reduce the risk of lender liability.

Page 109

Products and services that contribute to carbon abatement

Why?

- To assist our customers and clients in mitigating the risk of rising costs associated with carbon emissions.
- To finance renewable energy projects and assist African governments secure energy supply through low carbon alternatives.

Page 146

Green building design

Why?

- To reduce resource consumption.
- To mitigate against the risk of rising resource costs.

Page 150

Energy efficient and renewable energy programmes

Why?

- To reduce consumption and mitigate the risk of rising electricity costs and the costs associated with carbon emissions.

Pages 152 and 153

Supplier development and screening

Why?

- To ensure the sustainability of our suppliers and their ability to meet our procurement needs.
- To assist our suppliers in mitigating social and environmental costs.

Page 112

Employee training and awareness

Why?

- To ensure that employees consider the potential environmental and social risks associated with the financing deals they close.
- To get employee buy-in to help us meet our environmental targets and objectives.
- To assist our employees in implementing environmental considerations in their own homes and thereby reduce their cost base.

Pages 108 and 151

Training

A total of 173 (2013: 60) employees received environmental and social risk training.

Employees who are directly involved in managing environmental and social risks are required to have the necessary level of knowledge and awareness. Environmental and social risk training is available for transaction originators and credit committee members and is undertaken by the Environmental Business and the Sustainability Management teams.

Our introductory course on environmental and social risk is aimed at improving the quality of decision-making in granting products and services. The training covers the impact of business decisions on the natural environment and communities, how these impacts can affect the viability of the business and the residual risks that may affect the bank. In 2015, we will launch an e-learning version of this training for teams involved in risk mitigation functions. Information on our human rights policy forms part of this training and in 2014, human rights policy awareness programmes were rolled out in South Africa and the rest of Africa.

A specific focus for 2014 was raising awareness among customer-facing employees in Business Banking on the environmental and social risks that could potentially impact a business and the measures the bank can put in place to mitigate credit risk and lender liability. We also delivered tailored training sessions to improve the understanding of environmental legislation and the impact to a particular business area's lending practices. For example, training on contaminated land and the associated requirements of the National Environmental Management: Waste Amendment (NEMWA) Act in South Africa was delivered to the Real Estate, Credit and Valuations units. Environmental legislation training is improving our due diligence processes and a number of environmental law-related queries are being referred to the Sustainability Management team. Employees from the Compliance, Legal and Risk Management units were included in environmental legislation training. Environmental and social awareness interventions are also delivered to employees rotating through the Mining, Energy and Infrastructure Finance teams, and in 2014 awareness presentations were given to our teams in Namibia, Nigeria and Zambia.

Environmental legislation

Legal environmental registers are in place for all our major operations in Africa and are updated annually with input from the legal and compliance functions in each operating country. In addition, in project financing we apply the IFC's Performance Standards and World Bank EHS Guidelines to overcome legislative deficiencies.

South Africa

Upcoming environmental regulation in South Africa that could have notable impacts on our operations and those of our customers are the proposed carbon tax to be introduced in 2016 and the Department of Environmental Affairs' carbon budgeting approach where each industry sector will have an allocated budget of emissions. Through our membership of the Banking Association of South Africa, Business Unity South Africa and the National Business Initiative, we engage with government on issues of national environmental law, policy and strategy. We monitor evolving environmental regulation and put in place the necessary measures to comply. We also take part in various environmental and social thought leadership initiatives that have a bearing on the bank and its activities.

Under Part 8 of the NEMWA Act we could potentially face a risk in lending where land held as security is found to be contaminated. This provision came into effect in 2014 and requires that we amend our level of due diligence on land, property and assets to adequately value any contamination and ascribe the appropriate value to avoid negative equity or liability. The contaminated land provisions apply retrospectively prior to the commencement of the Act and to cases where contamination is likely to arise at a different time from the actual activity that caused the contamination. We have implemented risk mitigation control measures to ensure that our position is duly protected.

Engagement

Global Reporting Initiative – G4: 26 and FS5

The UNEP FI is an international body which brings together leading international financial institutions on sustainability issues. We co-chair the Climate Change Working Group and are a member of the African Task Force. In South Africa, we are active in the Banking Association of South Africa's Sustainable Finance Forum and the Institute of Directors' Sustainable Development Forum.

As a member of the Global Equator Principles Steering Committee and through our leadership of the African and Middle East Outreach Working Group, we engage with other commercial and development finance institutions on environmental and social risk management in lending practices. We engage regularly with the IFC, development agencies and other financial institutions on issues such as climate change and biodiversity. These interactions take place in workshop environments, face-to-face meetings and through a full spectrum of international engagements. During 2014, we played a leading role in hosting the Equator Principles Annual General Meeting (AGM) and workshop day in Cape Town. These events were attended by 42 global financial institutions and provided membership institutions with the opportunity to

network and discuss the implementation of Equator Principles III. This was the first time that an emerging market hosted the Equator Principles AGM. We also co-hosted a session on collaboration between commercial banks and development finance institutions at the AGM, as well as at the IFC's 'Community of Learning' initiative.

Environmental and social risk appraisal

Global Reporting Initiative – G4: 9, SO1, SO2, HR1, HR3, HR8, EN12, EN13, FS2, FS3, FS5, FS6, FS9 and FS10

Corporate and investment bank

Urbanisation comes at the expense of the environment and in some African countries there is quite severe environmental degradation. As our objective is to play a leading role in infrastructure development on the continent, we need to be cognisant of the environmental and social risks that can be associated with these types of projects. Environmental and social risk management evaluates a transaction's potential risks to the environment and society, and its impacts in its area of influence.

In Corporate & Investment Banking (CIB), the Environmental Business unit is responsible for the technical review, advice and consultation on transactions that have potential environmental or social risk. All CIB transactions go through the Pre-credit Committee which is responsible for ensuring that environmental and social risks are correctly identified in the application phase. During the credit approval stage, the unit works with the credit teams where a social or environmental concern has been identified and facilitates the requisite due diligence process.

The diagram below shows the key steps in the transaction process and where the environmental and social tools are applicable.

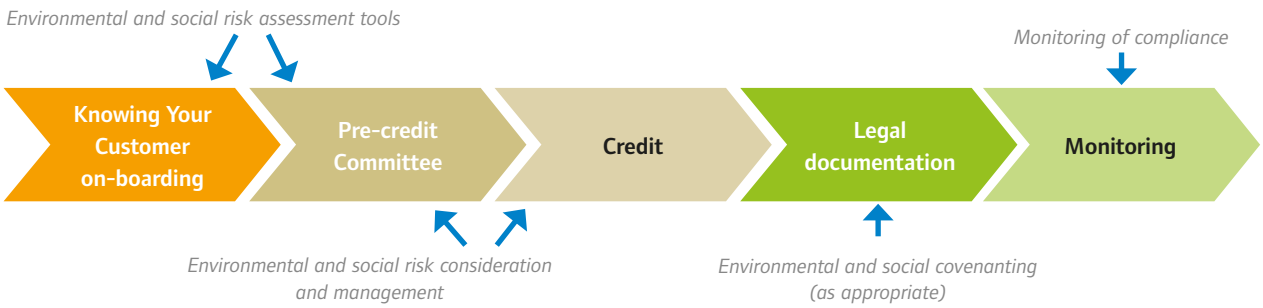
Environmental and social risk assessment

As part of our pre-credit application process, our environmental and social risk appraisal tool is applied to all debt transactions in CIB such as project finance, corporate term loans, bridge facilities, acquisitions, property finance, structured trade, commodity finance and structured commodity solutions. The tool provides a risk management approach to mitigate potential environmental, financial, credit, reputational, regulatory and operational risk and links directly with lender liability associated with environmental and social mismanagement. It is designed to identify the risks associated with a client's ability to manage environmental and social issues, as well as those of the transaction itself such as the nature and value of the loan, the industry sector involved and the actual environmental impacts. We utilise our local knowledge and experience, and more broadly the World Bank classifications, to determine sectors and regions that have potentially high social and environmental impact. The mining and metals, oil and gas, and power and infrastructure sectors have the greatest potential for large-scale higher-risk impact, and these projects are considered on a case-by-case basis.

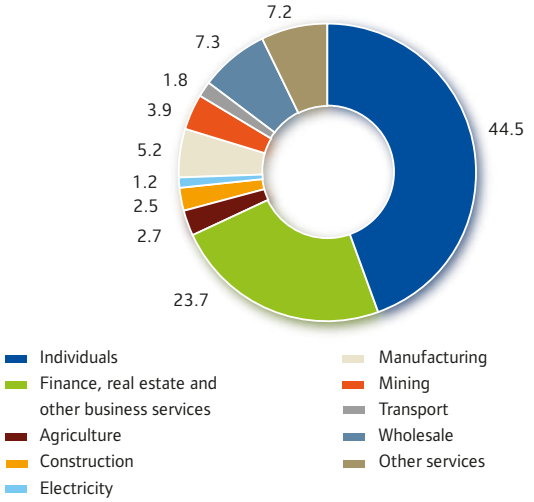
The upfront screening outcome determines whether to proceed with a transaction or not, or whether further assessment is required. The due diligence highlights any aspects requiring more work such as further baseline studies and provides us with recommendations that need to be implemented to ensure transactions are in compliance with applicable international and national standards. The level of due diligence depends on the financial product type, level of environmental and social risk and the industry sector. A detailed due diligence process, utilising internal or independent external consultants, is undertaken for all category A (high risk), and where appropriate, category B (medium risk) transactions. During 2014, no deals were declined at the final credit assessment stage as transactions that did not meet our requirements were either screened out during the pre-credit stage or the required actions were undertaken by the client for funding to be granted.

How we add value: *implementing sound environmental and social risk assessment tools for deals we finance assists our customers in meeting their social and environmental obligations and thereby alleviates our credit risk.*

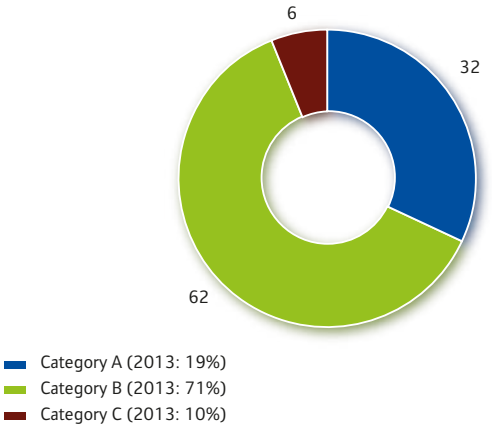
Key steps across the transaction process:



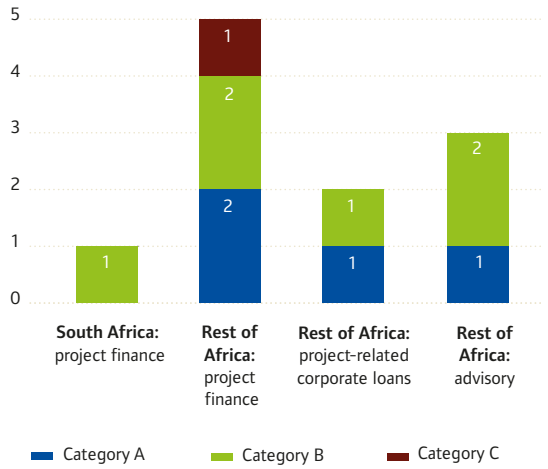
Loan portfolio per industry sector
(SBG)



% breakdown of total underwrite value of all project finance deals per risk category
(SBG)



Equator Principles
(SBG)



Being consistent in how we apply our environmental and social appraisal procedures across all our operations is a challenge. Our focus is to train transaction and project originators as well as Pre-credit Committee members across Africa on how to effectively identify environmental and social risks and use the appraisal tool. The introduction of the transaction tracking dashboard is helping us identify transactions in the Investment Banking portfolio with high environmental and social risks more efficiently, ensuring that they are escalated for more detailed scrutiny.

Equator Principles

The Equator Principles are a set of standards for managing social and environmental risk. As a signatory to the principles we must ensure that the customers we lend to or provide advisory services to evaluate and actively avoid, manage or mitigate the social and environmental impacts associated with their projects.

The Equator Principles process is applied to all new project finance loans of USD10 million (R108 million) or more, across all industry sectors. For project-related corporate and bridge loans, the Equator Principles process is applied where the total aggregate loan amount is at least USD100 million (R1.1 billion), our individual commitment is at least USD50 million (R542 million) and the loan tenure is at least two years.

The Equator Principles process is also applicable to any advisory services we provide on project finance loans where capital costs are USD10 million or more, and on bridge loans with tenure of less than two years, where the bridge loan is intended to be refinanced by a project loan or project-related corporate loan.

All other transactions

A transaction-specific environmental and social risk management process is used to assess transactions with no known use of proceeds and where the loan is not required to physically develop or expand a project. Where the loan is required for a high risk transaction or is in a high risk sector, a detailed due diligence may be undertaken depending on the level and scale of environmental and social risk identified. This is advised by the Environmental Business unit on a case-by-case basis.

Credit approval

Where a project requires additional environmental or social actions, a legally binding action plan is developed together with the client. The action plan includes risk mitigation actions, timeframes and resources to remedy the situation and evidence of completion. This may be required prior to finance being granted, prior to commencement of construction or during operations. Each action plan has its own timeframe depending on the project and impacts concerned.

SBG Equator Principles: lending

Sector	Category A (high risk) 2014	Category A (high risk) 2013	Category B (medium risk) 2014	Category B (medium risk) 2013	Category C (low risk) 2014	Category C (low risk) 2013	Total 2014	Total 2013
Project finance								
Oil and gas	**0**	1	**0**	0	**0**	0	**0**	1
Power and infrastructure	**2**	0	**2**	7	**0**	1	**4**	8
Industry	**0**	0	**0**	2	**0**	0	**0**	2
Other	**0**	1	**1**	0	**1**	1	**2**	2
Total	**2**	2	**3**	9	**1**	2	**6 ✓**	13
Project-related corporate loans								
Oil and gas	**1**[1]	0	**1**[1]	0	**0**	0	**2 ✓**	0

[1] *Transactions that did not meet the Equator Principles III project-related corporate loan financial thresholds however have been treated as project-related corporate loans in terms of best practice.*

Monitoring

All category A and, where relevant, category B projects financed are monitored to ensure that the social and environmental commitments set as part of the loan agreement are adhered to. If required, independent external professionals monitor the implementation and progress of remedial actions on a semi-annual or annual basis for the tenure of the loan. In addition, our Environmental Business unit undertakes site visits to ensure that environmental and social performance is being managed appropriately. The frequency and duration of monitoring and site visits depends on the type of project being financed and the level of perceived risk.

In cases where a borrower is not in compliance with environmental and social requirements, we work with them over a period of time to achieve the necessary standards. Following this, should there be no progress towards meeting requirements, we would then consider a number of avenues including re-evaluation of the loan. During 2014, no deals were terminated due to non-compliance.

Environmental and social impact

Included as part of our environmental and social appraisal process are biodiversity considerations which are also addressed in the detailed due diligence. The appraisal considerations are in line with the IFC's Performance Standards, including aspects such as ecosystems, critical habitats, legally protected areas and invasive alien species. Where a project that we have financed requires remediation or restoration of the land, rehabilitation is monitored and assessed in accordance with the rehabilitation and restoration requirements set out in the legally binding action plan. Remediation of the land may be addressed concurrently with project development and where rehabilitation and restoration are part of the corrective action, external specialists are brought in to verify the adequacy of the restoration.

The revised version of the Equator Principles applied to all new project finance transactions, requires that indirect emissions stemming from lending activities be assessed and where combined Scope 1 and Scope 2 emissions are expected to be more than 100 000 tons of carbon dioxide (CO_2) equivalent annually for a specific project financed, an analysis to evaluate less Greenhouse Gas (GHG) intensive alternatives be undertaken. The alternatives analysis requires the evaluation of technically and financially feasible and cost-effective options to reduce project-related GHG emissions during the design, construction and operation of the project.

A community's health, safety, and security is also assessed as part of the due diligence process. Community engagement and impact assessments take place on all projects involving large-scale physical development or expansion, especially

SBG Equator Principles: advisory

Sector	Category A (high risk) 2014	Category A (high risk) 2013	Category B (medium risk) 2014	Category B (medium risk) 2013	Category C (low risk) 2014	Category C (low risk) 2013	Total 2014	Total 2013
Mining and metals	**1**	0	**0**	0	**0**	0	**1**	0
Power and infrastructure	**0**	2	**2**	5	**0**	0	**2**	7
Other	**0**	0	**0**	1	**0**	0	**0**	1
Total	**1**	2	**2**	6	**0**	0	**3 ✓**	8

greenfields projects. Most power, infrastructure and mining projects have actual and potential negative effects, particularly in terms of increased pollution levels. In such projects, the environmental consultant or client publically discloses the results of the impact assessment during the public consultation processes. Where a community has a grievance, it is able to engage with the appointed community representative, chief leader or community liaison officer through an agreed grievance mechanism. The client is obliged to report material grievances to the bank. The number and type of grievances raised would also be assessed and reported on by the independent consultants if the project is subject to ongoing monitoring.

Human rights issues, including discrimination, child labour, forced or compulsory labour and the rights of indigenous people are also included in the environmental and social appraisal tool. Compliance with the IFC's Performance Standards are included in project financing contracts, which cover labour and working conditions with reference to human rights. Where human rights have been identified as a high-risk issue, this is specifically included in the loan contract. No incidents of discrimination or violations of indigenous rights were reported during 2014.

We engage with all our project finance clients on environmental and social issues associated with their projects, as well as with clients requiring project-related corporate loans or loans for transactions that are considered high risk.

Retail bank

Environmental and social risk analysis within Personal & Business Banking (PBB) is at a less mature stage than in CIB. We are aware of the need to strengthen our approach and are looking at various tools to improve the business unit's analysis of environmental and social risks. The Sustainability Management team is engaging with various business areas within PBB to understand how to optimise this approach and relevant lessons learnt in CIB's approach will be incorporated in the development of a PBB-specific environmental and social risk analysis tool. The tool will be implemented alongside our sector scorecards which work well for non-project finance transactions. PBB's environmental and social risk management approach covers the screening of environmental and social concerns in funding, monitoring and reporting, and is supported by training and awareness initiatives. When required, the Sustainability Management team provides advice and guidance to PBB's Credit unit and in 2014 worked with the unit to develop a process to identify and manage environmental risks in certain high impact industries. This assists our business bankers to ensure effective and efficient responses to funding requests.

To mitigate lender liability, we screen home loans and property investments for environmental risks during site inspection. Should there be any visible defects such as pollution or other negative impact on the environment, the assessor will request an environmental study report. A compliance directive was issued to the Standard Bank of South Africa by the national environmental inspectorate in 2013, requiring us to stabilise and rehabilitate a property which had been repossessed from a mortgage holder who failed to comply with local by-laws and conservation legislation. The property has been rehabilitated within budget and to the satisfaction of the Department of Environmental Affairs. We have incorporated lessons from this incident into our awareness training, and stricter controls are being applied to mortgaged property located near or adjacent to protected areas.

Responsible investment

Global Reporting Initiative – G4: 15, FS5 and FS12

Investors are increasingly incorporating environmental, social and governance (ESG) issues into their investment decisions as a proxy for management quality and an indication of the soundness of a company's long-term planning. STANLIB, as a custodian of investor interests, is active in its pursuit of good governance and responsible investment practices. It believes that ESG performance is essential for quality management and that companies well positioned to manage ESG risk and opportunities are likely to outperform others over the long-term. Accordingly, ESG issues are incorporated into its investment research process through the addition of a 'stewardship' pillar used by its analysts and portfolio managers. This pillar considers issues such as remuneration, social and environmental responsibility, board independence and transparency as part of the evaluation of a potential investment interest. The significance of the stewardship pillar is continually strengthened and supported by appropriate training of research analysts and portfolio managers. As part of its responsibility of being a signatory to the Code for Responsible Investing in South Africa and the UN PRI, STANLIB submits an externally verified annual compliance report to the UN PRI. STANLIB's Responsible Investment Policy outlines the approach, governance and commitments to responsible investing.

Responsible procurement

Global Reporting Initiative – G4: LA14, SO4, SO5 and SO9

We promote responsible procurement across all our operations and encourage our suppliers to act ethically and responsibly. Standards, local laws and regulations governing supplier performance are incorporated into service level agreements and contracts with suppliers. Suppliers and contractors to the bank must comply with the requirements of all applicable legislation in their respective countries, including environmental legislation.

As a financial institution we have no production facilities. Our top five spending categories in South Africa are human

Case study: environmental and social risk appraisal – gas-fired power project

Standard Bank was appointed lead arranger and underwriter for a gas-fired power plant in Mozambique. Located in Ressano Garcia Municipality in the district of Moamba, the plant was the first project-financed independent power producer to reach financial close in the country. The project will sell 100 megawatts of power to Electricidade de Moçambique, the Mozambican power utility, for domestic use.

The power plant will include an engine hall with natural gas-fuelled internal combustion engines and associated generators, a closed-loop dry cooling air system and an exhaust system including stacks. Provision has also been made for a heat recovery system for additional electricity production. Other key components include a pipeline connection to the gas supply point at the project boundary, staff residential housing and independent potable water, sewage works and fire water systems.

The project underwent a comprehensive environmental and social impact assessment and received national environmental approval and an environmental license from the Mozambican Ministry for the Coordination of Environmental Affairs.

In line with our environmental and social risk assessment process, we commissioned an external independent consultant to undertake an environmental and social due diligence. Site visits to the project site, adjacent power plants and community projects were also undertaken by consultants and lenders. The due diligence assessed the project's compliance with Mozambican laws and regulations, the Equator Principles, IFC Performance Standards 2012 and the World Bank EHS Guidelines with specific reference to the thermal power and electric power transmission and distribution guidelines. Best practice was also considered.

The specific environmental and social impacts that may result from the project's construction and operation, and which could be avoided or mitigated by adhering to specific performance standards, guidelines or design criteria; resulted in a category B classification as per the Equator Principles and IFC's Policy on Environmental and Social Sustainability. To accommodate language barriers and enable a thorough due diligence, the impact assessment report and selected appendices were translated into Portuguese.

It was found that while the impact assessment met national requirements, certain aspects of the process only partially met the applicable lender requirements. The identified issues, however, did not represent a material risk and could be addressed through the implementation of appropriate mitigation measures, including an environmental and social action plan. The action plan was discussed with the project company and the lenders and consultants assisted in the development of the action plan documentation and advised on specialist assessments to be undertaken.

The lack of sufficient air quality baseline data was identified as a key issue. The project company committed to addressing this and appointed a technical consultant to compile an air quality impact assessment which was used to determine and model potential operational air quality impacts and subsequently define the appropriate stack height prior to final project design. The assessment concluded that the proposed stack height was acceptable and met the World Bank EHS Guidelines in terms of air quality and emission limits.

Another concern raised was the general lack of social baseline information. The social baseline gaps were addressed through the following initiatives:

- A health and social baseline report for implementing and monitoring social accountability actions.
- A stakeholder engagement plan setting out the strategy for ongoing consultation.
- A project-specific public grievance mechanism.
- An additional public consultation update event aimed at local stakeholders.

Further risks identified included inadequate noise data. It was expected that the baseline noise levels were likely to have changed since the original impact assessment due to the revised project design and surrounding development. An updated ambient noise baseline was developed in line with our recommended scope of work and a technical consultant appointed to undertake a noise modelling and scenario analysis to verify operational impacts and determine the mitigation measures required to comply with World Bank EHS noise level guidelines. This took into account both the industrial and residential receptors where the residential receptors cover the staff housing, as well as existing nearby residences and primary school. It was concluded that baseline noise levels will be compliant with the World Bank EHS Guidelines.

We will continue to monitor the project throughout the construction and operations phases to ensure the suggested corrective actions are implemented and monitoring plans followed to manage the environmental and social impacts identified, in line with best practice and the required lenders' standards.

52 procurement employees in South Africa and 40 in the rest of Africa attended training which included environmental and social risk awareness.

resources and staff cost, information technology (IT), professional fees, maintenance and premises and other operating costs, which are not considered high-risk in terms of social or environmental impact. Together these categories represent 61% of our total procurement spend in South Africa. No one procurement category represents a critical threat to our core business.

While no formal risk assessment procedure is in place to identify which suppliers are high-risk in terms of social and environmental concerns, our risk control self-assessments and internal audits do account for these risks on a broader scale. To date we have not identified any supplier category that presents significant potential social, environmental or human rights risks or could undertake adverse labour practices. The new supplier management relationship framework being introduced in the rest of Africa takes account of social and environmental risk management.

As they pertain to the tendering process, environmental and social risk and BEE awareness are included in on-the-job training. In 2014, 40 employees working in our procurement units in the rest of Africa attended a Procurement Capability Workshop in South Africa to improve their understanding of the group's procurement policies. The workshop included environmental and social risk awareness training.

Supplier screening

Challenge: *incomplete data and lack of supporting documentation hampers effective supplier screening. We have broadened our screening process to include more controls and checks, which now also include sanction screening.*

Potential suppliers are required to formally indicate in writing their agreement and level of compliance with the outlined terms and conditions set out in our procurement contracts and the procurement policy. They are also required to provide proof that they are financially sound, have the capability to deliver the products and services required and have a viable customer base with customer references.

South Africa

In South Africa, prospective suppliers are screened on their health and safety practices. A valid BEE verification certificate and a recent copy of their letter of good standing from the Compensation Fund of the Department of Labour is compulsory. The latter enables us to evaluate the cover applicable to their employees in the event of an occupational injury or disease. Receiving valid and up-to-date BEE certificates is a challenge, and in 2014 we screened the independently audited certificates of 1 698 (2013: 1 368) vendors.

The tendering process in South Africa includes a sustainability questionnaire which covers labour practices, as well as social and environmental factors. The generic sustainability questionnaire is applicable to all potential suppliers and, where required, is customised with additional specific environmental and social questions depending on the sector concerned. Where a vendor does not answer the questionnaire, points reserved for sustainability are deducted from their overall score. All suppliers are contractually obligated to minimum environmental and occupational health and safety performance standards. Additional minimum environmental standards have been set for all waste management, cleaning and hygiene, exterior and interior landscaping and pest control services procured.

Rest of Africa

Country procurement policies were approved by our individual operations in the rest of Africa in 2014. These are aligned to the group's procurement policy and require that vendor due diligence takes place in the tender selection process and at the on-boarding stage where Know Your Vendor screening is undertaken. The procurement policies have also introduced requirements pertaining to environmental and social considerations, which will be implemented during 2015.

Non-compliance

Where a prospective supplier does not satisfy the above criteria, we either include performance expectations in the service level agreement to improve the level of adherence or disqualify the supplier from the tender process or supplier list, depending on the level of non-compliance. An exception occurs in terms of a potential supplier in South Africa not meeting our required BEE rating. In such cases the supplier is required to provide their transformation plans on how they intend to improve their BEE contributor level going forward.

Supplier monitoring

South Africa

Supplier review sessions measure supplier performance in accordance with contractual service levels and to educate suppliers on complying with applicable South African legislation. Any remedial action required is documented and monitored. Through engagement we determine a supplier's risk and business continuity management to ensure an uninterrupted supply of products or services. We do not formally audit our suppliers. Should a supplier not make progress towards meeting our expectations or agreements with them, we have the option to terminate the contract.

Rest of Africa

We have introduced supplier monitoring of the top 20 vendors in each country of operation in the rest of Africa. These reviews use a performance questionnaire which is completed annually. Meetings with these vendors also take place on a quarterly basis.

Bribery and corruption

Bribery and corruption risk assessments are undertaken by the Group Integrated Operational Risk unit which is mandated to undertake risk assessments across all areas of the group and all geographies. Risk assessments are undertaken as and when required.

Employees

Conflicts of interest are declared as part of our employee recruitment process, during which all employees of the bank are required to declare outside business interests and conflicts of interest. Over and above this, all procurement staff are required to declare their outside business interests biannually, whether remunerated or not, as well as relationships, affiliations or associations that may put them in a conflict of interest position in performing their duties. Standard Bank employees who are involved in the evaluation of tenders are obligated to maintain confidentiality and to declare any conflict of interest that may arise. Where a conflict exists, employees must recuse themselves from the entire procurement process for those specific goods or services. All invitations to social, cultural, sporting events and gifts received are to be discussed with the Head of Procurement and recorded in the Gifts Register. There were no employee dismissals in 2014 for procurement fraud (2013: one).

Our suppliers

The terms and conditions of our procurement contracts, as well as service level agreements, set out the anti-corruption requirements of the bank across all its operations. These terms and conditions are applicable to every supplier that does business with the bank irrespective of location, sector or products and services provided. We do not provide anti-corruption and bribery training to our suppliers. No supplier contracts were terminated in 2014 due to fraud (2013: one in South Africa).

Procuring locally and preferential procurement can be found on page 123 of this report and on page 11 of the 2014 BEE Report.

Grievance mechanisms

Our suppliers across Africa are able to call our anonymous and independent whistle blowing hotlines should they encounter unethical conduct or feel that they have been treated unfairly. Our whistle blowing contact details are available to the public on the Standard Bank website. Our suppliers in the rest of Africa are encouraged to lodge their complaints with the local Head of Procurement and in cases where the matter has not been sufficiently resolved they are encouraged to escalate the matter to the Head of Group Vendor Management and Procurement at our head office in Johannesburg.

In 2015, we will launch the bankwide Do Your Bit employee campaign, encouraging our employees to make small, manageable changes to their habits and behaviours and thereby positively impact on the environment. The cornerstone of the campaign requires employees to make a pledge to do their bit and pledges will be posted on the bank's intranet site. The campaign will be launched with energy expos held at our main office locations in South Africa, reaching around 20 000 employees. We aim to create awareness around energy efficiency and renewable energy technologies for households and provide our employees with the opportunity to purchase some of these technologies for their homes.

Our contribution to socioeconomic development

Our opportunities

- Finding profitable ways to service unbanked communities and businesses increases our customer and revenue base.
- As our Inclusive Banking customers move up the socioeconomic ladder, they can migrate to more profitable middle-market and associated products.
- Investing in communities to improve socioeconomic conditions favourably positions us to become their bank of choice.
- Hiring locally increases our understanding of local needs.
- Transforming our business gives us a competitive edge, particularly in relation to public sector business.

Our challenges

- Slow economic growth and land availability constrains the growth of the affordable housing market.
- Small business' lack of collateral and financial statements makes it difficult to assess their ability to repay when lending.
- Finding effective ways to increase financial know-how in the low-income market.
- Social return on investment is yet to be defined in a South African context.

"Along with the benefits of freedom comes great responsibility and as a responsible corporate citizen, Standard Bank hopes to continue its efforts to create a more inclusive economy through the promotion of financial inclusion, BEE and education."

– Sim Tshabalala, Joint Group Chief Executive.

2014 highlights

Ranked third in Empowerdex's Top 100 Empowered Companies based on our 2013 BEE scorecard. We were the highest placed bank and of the top ten companies, we scored highest in employment equity.

Implemented measures to **encourage and reward** the payment of voluntary deposits in the affordable home loan market segment in South Africa.

Launched our **Business Banking sales application** (app) in the rest of Africa. This was piloted with small and medium enterprises (SMEs).

We were directly involved in developing the funding model for an agricultural pilot programme, as a first step in implementing the **National Development Plan's** (NDP) land reform proposals in South Africa.

Standard Bank South Africa

R8.6 billion

funding extended to small, micro and start-up businesses (2013: R5.4 billion)

Standard Bank rest of Africa

R5.7 billion

funding extended to SMEs (2013: R4.5 billion)

Our approach

To build the leading African financial services organisation, we must contribute to the long-term viability and success of the communities and countries we operate in by facilitating economic growth and social development. We can only do this effectively if we stay relevant to the needs of communities and assist to advance national objectives. Our social compact commits us to making a contribution to socioeconomic development in a way that is consistent with the nature and size of our operations in the countries we serve.

We believe that partnerships are an effective means of addressing social challenges. We work closely with governments, development finance institutions and international organisations dedicated to facilitating the achievement of the Millennium Development Goals in Africa.

Our approach to achieving meaningful transformation (or localisation) goes beyond compliance with national requirements, seeking to embed equity, fairness and diversity in the very fabric of our business. We want this culture to be a tangible, everyday reality for our employees, customers, stakeholders and the communities we serve.

In addition to our role as a taxpayer, investor and employer, we contribute to the upliftment of economies through our business activities.

Capital impacts

financial capital is increased when operating in robust markets that are achieving economic growth and job creation

building our **social and relationship capital** secures our license to operate and enhances our reputation as a responsible corporate citizen which can contribute to financial capital over the longer term

being a responsible corporate citizen enhances **human capital** by improving our employee value proposition and motivating our employees through opportunities to help their communities and be brand ambassadors

Our contribution to socioeconomic development

- Wealth created (page 118).
- Helping to transform economies (page 119).
- Financing infrastructure development (page 128).
- Inclusive financial services (page 130).
- Supporting small businesses (page 135).
- Agriculture financing (page 139).

Performance indicators

SBG **R66 billion** wealth created (2013: R60 billion[1])	**No target** ✓ increased
SBG **R115 million** corporate social investment (CSI) spend (2013: R104 million)	**No target** ✓ increased
Standard Bank South Africa **94.25** ❖ BEE transformation score out of 107 (2013: 94.52 out of 107)	**Individual targets are set per pillar** Marginal decrease
Standard Bank South Africa **6.7 million** Inclusive Banking customers (2013: 6.8 million)	**Target:** 9.2 million by 2015 ✗ decreased
Standard Bank South Africa **>750 000** small, micro and start-up enterprises banked (2013: >722 000)	**No target** ✓ increased
Standard Bank rest of Africa **271 716** SMEs banked (2013: 209 913)	**Target:** 280 000 ✓ increased but still below target

[1] *Adjusted to account for the sale of the Global Markets business in London.*

Our economic contribution

Global Reporting Initiative – G4: EC1 and EC8

As an African organisation we are deeply aware of the many social challenges that continue to blight the continent. We value enduring relationships, effective partnerships and strong communities and therefore we must fulfil our obligation to be a valuable member of our communities and of society in general, now and into the future. In South Africa, the NDP specifically calls on the financial sector to strengthen credit extension to productive going concerns, especially small and expanding firms. We support the NDP and are engaged in a number of public-private forums to find ways in which government and business can work together to achieve the plan's objectives.

Direct economic contribution

Maintaining a robust business allows us to pay dividends to our shareholders, salaries to our employees and tax to governments. As a buyer of goods and services we play an important role in supporting local businesses and our CSI makes a measurable difference to recipients and communities that we depend on to remain sustainable.

Indirect economic contribution

As a real economy bank we provide products and services that are developed to be relevant and appropriate to our various markets. In doing so, we support economic development by facilitating individuals, businesses and governments to advance and improve. For example, we make it possible for young people to invest in their future by accessing student loans and we enable the rising middle class to own income-enhancing assets such as cars and technology products. We also enable people to plan and provide for their retirement and we empower families to buy homes. In servicing our business and corporate clients, we contribute to industrialisation and job creation right across the economic scale, from loans for SMEs and smallholder farmers, to large-scale corporate deals. For example, we have recently been nominated as the primary banker in Africa by the FAW Group, one of China's top four automotive brands, to support its expansion on the continent. This is one of the most important investments made by a Chinese company in South Africa, totalling R600 million –

Value added statement for the year ended 31 December 2014

	SBG 2014		SBG 2013		Stanbic IBTC 2014	
	Rm	%	Rm	%	Rm	%
Value added						
Interest, commissions and other revenues	125 004		105 864		6 634	
Income from investment management and life insurance activities	79 744		85 406		0	
Interest paid to depositors	(52 101)		(41 932)		(1 688)	
Benefits due to policyholders	(58 258)		(63 295)		0	
Other operating expenses	(28 482)		(25 606)		(1 972)	
Wealth created	65 907		60 437[1]		2 974	
Distribution of wealth						
Employees	28 789	44	26 762	45	1 337	45
Government	10 499	16	9 767	16	143	5
Ordinary shareholders	9 052	14	6 459	11	0	
Non-controlling interests and preference shareholders	4 390	6	3 873	6	0	
CSI spend	115		104		0	
Retentions to support future business growth	13 062	20	13 472	22	1 494	50
Wealth applied	65 907	100	60 437[1]	100	2 974	100
Ratio						
Value created per employee[2]	1.0		Not reported		–	

[1] *Adjusted to account for the sale of the Global Markets business in London.*

[2] *Calculated for permanent and non-permanent employees and Liberty agents.*

an investment that will create substantial local employment and support economic growth on the continent. We work with governments to bring together and manage the funding of crucial economic and social infrastructure, including dams, roads, railways, ports, power stations and renewable energy projects. We facilitate relationships between the public and private sectors which drive investment in Africa and build capacity by sharing our knowledge and experience. We also facilitate trade between markets which contributes to creating wealth on the continent. Finally, our transformation efforts contribute to the sustainable growth and social stability of the countries we operate in.

Helping to transform economies

Global Reporting Initiative – G4: 12, 26, 27, EC1, EC6, EC9, SO1 and FS9

We view transformation as an ongoing change process through which we seek to become relevant in, responsive to and reflective of the societies in which we operate. Our transformation strategy applies to all our operating jurisdictions. While transformation is directed from the centre it is guided by each of the geographies and business areas we operate in.

Transformation

South Africa

BEE is a national strategy that seeks to create an environment in which South Africans who were excluded from full participation in the economy under apartheid can engage fully in economic activity. It currently targets black (African, Coloured and Indian) South Africans with a specific emphasis on black women and black people with disabilities. BEE is imperative to South Africa's long-term socioeconomic and commercial success and is critical to our competitiveness.

Our targets are set annually and are approved by the Social and Ethics Management Committee. Independent external auditors, accredited to conduct BEE verification processes, conduct independent assessments of our BEE performance against the Financial Services Sector Codes for Broad-based Black Economic Empowerment (FS Codes).

With regards to employment equity, we experience challenges in meeting targets for black people with disabilities and black people in top and senior management positions. Our new Employment Equity Plan was approved in December 2014, setting out our employment equity strategy, targets and action plans to December 2016, to address these challenges. For the bank, a further challenge is legacy complexities in skills development management and reporting systems, which make it difficult for us to effectively track and report skills spend. A project team is addressing these issues and has made good progress to date.

Based on our 2013 BEE scorecard, we ranked third in the Empowerdex Top 100 Empowered Companies in 2014. Our prior year ranking was ninth.

Memberships and strategic partnerships

- Association of Black Securities and Investment Professionals.
- African Women Chartered Accountants.
- Banking Association of South Africa.
- Black Business Executive Chamber.
- Business Leadership South Africa.
- Business Unity South Africa.
- South African Chamber of Commerce and Industry.

Public sector and CSI

- Centre for Social Development in Africa at the University of Johannesburg.
- Department of Basic Education in South Africa.
- Governing Body Foundation.
- Higher Education South Africa.
- Independent Schools Association of Southern Africa (ISASA).
- Institute of Municipal Finance Officers.
- Municipal IQ.
- National Education Collaboration Trust.
- Ratings Afrika.
- South African Local Government Association.
- South African Principals Association (SAPA).
- The Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund).

Consumer education

- Teach Children to Save South Africa.

Agriculture

- African Farmers Association of South Africa (AFASA).
- AgriMEGA group.
- Business Innovation Facility.
- National Emergent Red Meat Producers Organisation (NERPO).
- Standard Bank Centre for Agribusiness Leadership and Development.

i Our 2014 BEE Report can be accessed on www.standardbank.com/sustainability, covering ownership, management control, employment equity, preferential procurement, enterprise development, skills development, socioeconomic development, empowerment financing and access to financial services in South Africa. The information in our 2014 Sustainability Report is a summary of our BEE performance.

Ownership

Standard Bank concluded its BEE ownership transaction, Tutuwa, in October 2004, resulting in 10% direct ownership of our South African operations by the Tutuwa BEE consortium led by well-established BEE investment companies Safika and Shanduka. The Tutuwa Scheme also consists of the Tutuwa Managers' Trusts for current and former black managers of Standard Bank South Africa, and the Tutuwa Community Trust which focuses on black SMEs and community development. At December 2014, we had 6 188 black managers and 261 black SMEs participating in the scheme.

At 31 December 2014, the scheme's ten-year lock-in period ended which enabled our Tutuwa participants to realise the value of their shares. While a number of Tutuwa participants are expected to exit the scheme, the FS Codes note that in the event of a dilution in the actual percentage of black ownership in a company due to black shareholders selling and realising value, the sale will not necessarily result in the dilution of the percentage of black ownership on the scorecard. Black managers in the Tutuwa Scheme can choose to either remain in the scheme or sell their shares. Black SMEs are obliged to settle their funding obligation by 31 March 2015, following which they can choose to remain as shareholders or sell all or part of their shares. We introduced beneficiary engagement programmes in 2014, to inform beneficiaries of their options in terms of selling their shares and to provide them with financial education so that they are empowered to make good financial decisions. The programme utilised a number of channels including countrywide face-to-face briefing sessions, newsletters, webinars, a website portal, a dedicated call centre and an SMS reminder campaign. To further assist our black SMEs, we also utilised our Business Banking teams and enterprise development support initiatives, as well as informal business networks that have evolved between participants in a particular town or area. The SME programme will provide for ongoing business advisory support following the SMEs' exit from the scheme. Each of the small business beneficiaries will receive a direct benefit of between R2 million and R3 million, allowing them to grow their businesses, employ more people and contribute to the overall prosperity of South Africa.

Tutuwa

SBG's dividend payouts amounted to approximately R164 million (2013: R139 million) to Tutuwa Managers' Trusts beneficiaries and R50 million (2013: R43 million) to black SMEs participating in the Tutuwa Community Trust.

Rest of Africa

Many African countries are increasingly putting processes in place to transform their economies, including indigenisation (ownership) or localisation. We engage constructively in debates on these developments in an effort to balance the legitimate expectations of nations with the reasonable rights of investors. We take a multi-faceted approach to localisation and our relevance in the market, taking into account what we do for our staff, our contribution to socioeconomic development, industry development and job creation. Ownership is an important element of this, and where legislation requires

Standard Bank South Africa: FS Codes scorecard

Category	Available points	Standard Bank South Africa 2014 verified results	Standard Bank South Africa 2013 verified results	Liberty 2014 verified results
Ownership	17	**17.00**	17.00	**17.00**
Management control	9	**5.60**	5.78	**4.08**
Employment equity	18	**11.66**	11.44	**11.04**
Skills development	10	**8.36**	8.78	**8.84**
Preferential procurement	16	**16.00**	15.85	**16.00**
Enterprise development	5	**5.00**	5.00	**3.26**
Socioeconomic development	3	**3.00**	2.92	**3.00**
Empowerment financing	15	**15.00**	14.69	**14.77**
Access to financial services	14	**12.63**	13.06	**11.08**
Total score	107[1]	**94.25** ❖	94.52	**89.07** ❖

[1] *Includes seven bonus points allocated for the ownership, management control and employment equity elements.*

Standard Bank qualifies favourably as a level two BEE contributor in a nine-level model.

that local shareholders hold a percentage of the shares in the local operation, we comply.

In Namibia we are a signatory to the voluntary Namibia Financial Services Charter and our overall compliance was 47% as at 31 December 2014. The exercisable voting rights of broad-based economic empowerment board members and women board members of Standard Bank Namibia currently stand at 77% and 60% respectively. The Standard Bank Namibia Board of Directors has agreed a minimum compliance target of 65 % (level four) and detailed action plans have been developed to assist us in meeting this objective. In Nigeria we support the Central Bank's Financial Inclusion Strategy. In Uganda, our focus is to remain aligned to the local government's transformation priorities set out in the country's National Development Plan. In Zimbabwe, the government is embarking on policy implementation that will focus on the broad-based empowerment of the Zimbabwean people. The required 51% shareholding in foreign-owned companies applies to companies in the natural resource sectors, while a more flexible approach will be pursued in other sectors, with a view to fostering foreign investment in the country. We are engaging with the Ministry of Finance, as qualifying foreign entities are required to negotiate their indigenisation plans with the specific sector ministries.

Employment

The employment multiplier effect means that for each job that we create we sustain, directly and indirectly, a number of other jobs in the local economy. Our Research unit accesses publically available statistics to calculate the labour market impact of our aggregate financial services activities in South Africa. While credible data is available domestically, this is not true of African markets in general which makes it difficult for us to calculate an employment multiplier for the rest of Africa. In addition, the size of the financial services sectors in the rest of Africa, as a share of overall economies, tends to be smaller than in South Africa and thus have a smaller impact on overall welfare.

When recruiting externally, we seek to reflect the markets in which we operate by hiring locally wherever possible, in preference to seconding from South Africa. We are required to demonstrate that all reasonable steps were taken to source talent locally before hiring from other countries. Exceptions are made only when necessitated by an existing local skills shortage or for specialist positions.

Supporting the public sector

The public sector's ability to fulfil its mandate to deliver services, reduce poverty and champion economic development relies on the effective management of government revenue and expenditure. As African markets continue to grow and achieve their economic development goals, public sector business will need to expand. This creates opportunities for funding large capital projects and public private partnerships. We aim to understand the needs of the public sector and develop solutions that are relevant across the full spectrum of local, provincial and national government, with a specific focus on education, healthcare and state enterprises. We provide a comprehensive offering that includes transactional banking

South Africa

Our research indicates that the local financial and insurance sector has a formal employment multiplier of approximately **3.2** = With 33 764 permanent employees, Standard Bank and Liberty, directly and indirectly, sustain around **108 045** jobs in the broader South African economy → Assuming that each of these jobs supports **4** people = Our activities could be seen to support around **432 180** individuals

(2013: 107 757 jobs in the broader economy supporting 431 030 individuals)

Rest of Africa

292 executive and senior managers working in the rest of Africa operations (2013: 263) → **87** of these executive and senior managers were seconded from the South African operation (2013: 81)

38 executive and senior managers were hired from African countries other than South Africa in 2014 (2013: 127)

services, business lending and investments, and we are an active partner in finding solutions for the funding of social and economic infrastructure.

South Africa

There is increasing competition to bank public sector institutions, therefore it is critical that we develop product and service offerings that effectively meet the public sector's needs at competitive prices. We have a nationwide network of public sector managers and we utilise our technology and financial platforms to realise administrative efficiencies to meet the large volumes of transactions required by our public sector clients. We are a trusted partner in facilitating the payments of rates, taxes, electricity and water accounts to municipalities and provinces, as well as payments from government to its suppliers. In addition, we engage with our public sector clients to help them manage revenue streams more effectively and we have put in place an on-boarding process to assist newly acquired public sector clients during the account opening process. At December 2014, we provided banking services to 19% of the local and district municipality market.

During 2014, as a sub-bidder we were awarded one of the largest fleet management tenders in South Africa. The five-year contract is for the provision of vehicle fleet management services for eight provinces, the national departments and the South African Police Service. We are funding the initiative, providing fleet cards and managing the maintenance of approximately 100 000 vehicles. There are many challenges in taking over a contract of this size, however we are focused on improving our operational efficiencies to ensure that we deliver an optimal service. Using the Eco_2Fleet tool, described on page 149, our offering will enable government to reduce costs, manage its carbon footprint and eliminate fraud through the system's validation and authorisation process. Other highlights for 2014 included a R300 million term loan to the Mangaung Metropolitan Municipality for infrastructure development and the acquisition of the transactional banking account for the National Skills Fund.

We provide banking solutions to education institutions including universities and public schools, and in 2014 we banked 14 universities. Where feasible, we provide value-added services and during the year Standard Bank staff delivered four lectures at the University of Limpopo. We also support school advisory bodies such as the Governing Body Foundation, ISASA and SAPA and we plan to partner with education institutions to see how we can increase the accessibility of our student loan offering.

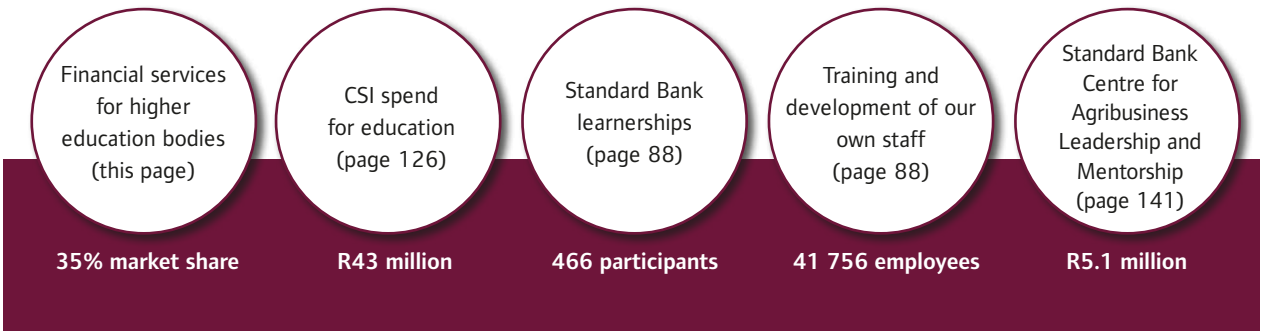
Engaging with government

We are committed to developing and maintaining appropriate relationships with our various regulators and government departments at national, provincial and local government level. Our engagement varies and includes periodic roundtable policy discussions to debate issues of topical interest, various national, provincial and regulatory conferences and forums, as well as meetings with relevant government officials, parliamentary oversight committees and government departments on specific issues, new policy developments and regulatory proposals. We also engage with political parties represented in the National Assembly, selected provincial party structures and specific party sub-structures such as youth and women's leagues, as well as with diplomats representing countries where we have a presence. Through our membership of organisations such as Business Leadership South Africa and Business Unity South Africa, we provide input and submissions to policy debates.

Rest of Africa

We work with governments and government agencies across our footprint on the continent, funding infrastructure projects, providing transactional banking services and assisting these stakeholders to collect revenue from citizens through e-tax collection programmes in Kenya, Malawi, Uganda and Zambia. These payment systems also benefit our customers as they are able to settle their customs

Our contribution to education in South Africa



Investing in education allows for socioeconomic development in communities and ultimately growth in our customer base.

duties and domestic tax online in an efficient, secure and cost effective manner.

As African markets grow, governments focus on developing infrastructure to support public demand for services and economic involvement in global markets. During 2014, we were involved in a number of power and transportation infrastructure projects, two sectors critical to Africa's growth. More information is provided on page 128 under *financing infrastructure development*. We bank the Botswana Power Corporation and Société Nationale d'Electricité, a service provider to the national electricity company in the Democratic Republic of the Congo. We are the local financier for the Nacala Airport in Mozambique and we provided currency risk management to the Namibian Port Authority's engineering, procurement and construction contractor. In 2014, we were appointed as the payments management service provider to Nigerian Bulk Electricity Trading Plc. We are also a key player in the burgeoning African sovereign debt market, and in 2014 we acted as joint lead manager and joint book runner for the USD2 billion (R22 billion) debut Eurobond for the Republic of Kenya, which will be used to fund infrastructure projects. At the time, this was the largest debut issuance by a sovereign in sub-Saharan Africa.

As guardians of monetary policy, the primary mandate of central banks is to deliver price stability in the interest of balanced and sustainable economic growth. Their responsibilities extend to foreign exchange policy and banking regulation and supervision, as well as ensuring financial stability and local financial market development. As such, central banks face a number of challenges in ensuring that Africa is seen as an attractive investment destination and that countries are able to benefit from global interest in the continent's resources, economies and markets. We support efforts to navigate between global demands and local needs and actively engage with central banks in the development of local financial markets and local and pan-African payment systems. We assist them in their efforts to access international capital markets, raise and manage foreign exchange reserves and implement monetary and exchange rate policies. We also deploy our resources to support the internal capacity building efforts of central banks across the region.

Procuring locally

South Africa

Preferential procurement aims to ensure that black businesses in South Africa have access to markets. Finding ways to increase our procurement spend with black-owned and black women-owned businesses, particularly SMEs, is a strategic focus area. We undertake monthly portfolio reviews to measure our progress against plans and targets to diversify our portfolios. In addition, the Group Vendor Management and Procurement unit encourages our business units to utilise the services of black SMEs. Our challenge is that we rely heavily on a few black-owned and black women-owned suppliers to meet our targets. To achieve our objectives we redirect as much of our procurement spend as possible to black-owned and black women-owned businesses operating in commodity areas where we have identified preferential procurement gaps.

SBG excluding Liberty

R30.5 billion

total procurement spend (2013: R35.1 billion)

16 146

suppliers of which 59% and 34% are vendors situated in South Africa and the rest of Africa respectively, with the remainder being vendors in the international operation (2013 restated: 15 754 suppliers)

Standard Bank South Africa

During 2014, we met our targets for preferential procurement in South Africa, scoring

16 ❖

points out of a possible 16. As a level two BEE contributor we are classified as a value adding supplier.

Standard Bank South Africa

In 2014, our addressable procurement spend, which refers to supplier spend we are able to influence through negotiation or other mechanisms, amounted to approximately R16.7 billion (2013: R17.2 billion). Our weighted procurement spend with BEE suppliers amounted to

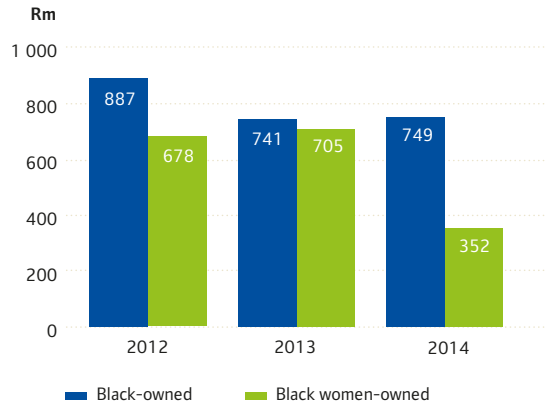
R19.2 billion ❖

(2013: R16.1 billion). Some 77% of our total procurement spend in South Africa is spent with our top 100 suppliers,

82%

of whom have a level four BEE rating or better

Procurement spend with black SME suppliers
(Standard Bank South Africa)



Due to the successful growth of some of our black SME suppliers, they no longer qualify as qualifying small enterprises or exempted micro enterprises. This has contributed to the 50% decrease in procurement spend from black women-owned SMEs. We have increased our efforts to identify and support black-owned SMEs, particularly women-owned businesses, without compromising our current supplier base.

Small businesses often lack access to funding, a sound business plan and the capacity to deliver to a large organisation. The year-long Standard Bank Supplier Development Programme is aimed at potential black-owned and black women-owned suppliers in the tender process. A business development service provider, appointed by the bank, assists these businesses with improvement of infrastructure used, financial management and capacity building. A total of 30 suppliers, with a black ownership level of 50% or more and a BEE rating of level four or better, are currently enrolled in the programme and we hope to link them to tender opportunities within the bank in due course. These SMEs cover sectors such as marketing, credit professional services and physical security services. This initiative not only helps these businesses be sustainable, it also helps mitigate supply chain risks.

Rest of Africa

We seek to procure goods and services locally wherever possible. Our ability to procure locally is constrained by the absence of a broad range of vendors which in turn hampers our ability to match the cost of goods or services available with our defined technical and quality requirements. Our procurement policy and guidelines clearly set out the products and services that can be sourced locally and those which must be sourced centrally through the Group Vendor Management and Procurement unit. The country-specific procurement policies implemented within our subsidiaries in 2014 incorporate localisation requirements and will provide the impetus required to drive increased local procurement in 2015. In countries where transformation legislation has been gazetted, we will set medium to long-term targets to drive local procurement.

Building procurement skill

We build the skills of our procurement staff through on-the-job training and specific training interventions delivered by external providers such as the Chartered Institute of Purchase and Supply. This approach to learning and development is available to employees across the continent and includes technical training. Our talent forum helps us identify talent across our procurement areas and ensures succession planning within the unit. We concluded a skills audit in 2014 and put in place development plans for each employee in the Group Vendor Management and Procurement unit in South Africa.

Case study: DG store

DG Store was established as a small enterprise in 1999. It has since become a leading specialist in the product lifecycle management of information and communication technology (ICT) products. Recognising the business's potential, in 2007 we invited DG Store to be our preferred IT hardware and peripheral supplier. DG Store took up residence onsite at our head office in Johannesburg and we worked with the business to enable it to achieve sustainable growth. At the beginning of the relationship, DG Store employed 30 staff members and focused on delivering specific solutions. It has since grown into a full ICT service delivery business with 140 employees, working with over 180 leading global manufacturers and suppliers. In 2013 and 2014, DG Store was recognised by Dell Computers as its top South African and leading Europe, Middle East and Africa partner. DG Store credits its affiliation with Standard Bank as providing it with economic and reputational benefits, including enhanced buying power among its suppliers and a strong reputation among clients. This has enabled the business to access numerous prospects in the South African corporate environment.

DG Store is committed to BEE and is defined as a level two, black woman-owned company. Committed to helping transform the industry more broadly, DG Store's partnership with Standard Bank has served as a springboard for the growth of Brima Logistics. As one of our suppliers since 2007, Brima Logistics was a participant in our enterprise development support programme and as such we introduced this black woman-owned enterprise to DG Store. Brima Logistics has since benefitted from capacity development from both Standard Bank and DG Store and has grown into a thriving business with four branches, a fleet of vehicles and 65 employees.

Corporate social investment

Impediments to socioeconomic development negatively affect our ability to grow. Our CSI strategy is aimed at creating meaningful and lasting mutual benefits for communities and for the group. Working to improve the socioeconomic circumstances of the communities in which we operate enhances our reputation, demonstrates that we are locally relevant and responsive, positions us favourably to compete for business and gives us the opportunity to grow in new markets. In addition, our programmes to support the personal altruism of our employees are an important part of our employee value proposition. In 2014, our total CSI spend was R115 million, a 11% increase compared to 2013.

CSI governance

Selecting projects and social partners in South Africa

We proactively identify opportunities that align to our focus on education and our business strategy when formulating our CSI programmes. Our intent is to improve access to quality education for all and enhance educational outcomes. Our investments take the form of long-term funding partnerships for clearly defined programmes approved by the Social and Ethics Management Committee. Charitable donations are only made through our staff matching mechanism where rigorous vetting processes ensure that the donation is to a legitimate and registered not-for-profit or non-governmental organisation. In 2014, we undertook an internal audit on our processes, checks and balances to ensure that our CSI approach is robust and withstands any risk of conflict or fraud.

We select social partners based on their presence in a specific geography in which we operate, ability to deliver results within the education sector or reputation for delivering on social development. Our approach is to:

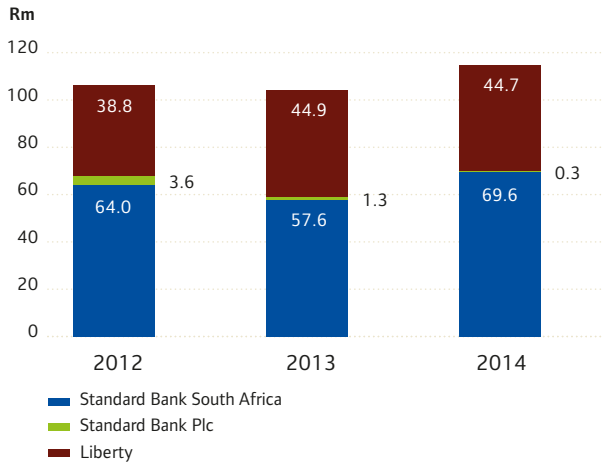
- Undertake a collective exercise with selected potential organisations to scope the programme.
- Receive proposals with costing from all organisations identified as potential implementers.
- Determine which proposals promise to deliver results.
- Select an implementation partner and commence contracting where feasible.
- Develop a monitoring and evaluation framework together with the implementing partner as part of the contractual relationship.

Assessing the impact of our projects in South Africa

CSI programmes are measured against objectives and targets set during the development stage. We regularly monitor progress via engaging with our social partners, reporting mechanisms and site visits. Where an organisation is not able to

CSI programmes in South Africa are discussed on page 16 of the 2014 BEE Report.

CSI spend
(SBG excluding rest of Africa)



Note: sponsorships and commercial giving are managed and funded entirely separately from our CSI activities.

Our flagship programmes in South Africa

National Education Collaboration Trust

An action-based and outcomes-oriented programme that takes a holistic approach to improving educational outcomes.

Our investment in 2014: **R5.0 million**

Programme reach: around **2 million** learners

National Benchmarking Test

Assesses the academic readiness of first year university students and provides foundation courses and other forms of academic support for students who are less well prepared for tertiary education.

Our investment in 2014: **R5.7 million**

Programme reach: around **70 000** learners

High School Curriculum Delivery and Teacher Support Programme

Aims to increase the number of learners attaining matriculation exemption and to upskill teachers to effectively teach Grade R to Grade 7 learners.

Our investment in 2014: **R1.8 million**

Programme reach: around **1 040** learners and **42** teachers a year in the Gauteng and Limpopo provinces

provide adequate reporting on their expenditure or agreed outcomes, we commission rigorous audits, and if discrepancies are found in their financial records, the partnership is terminated. In 2014, we approved a CSI monitoring and evaluation framework which we are piloting in three of our CSI programmes. In 2015, we will partner with the University of Johannesburg's Centre for Social Development in Africa to implement output, outcome and impact evaluation for our flagship programmes.

Stakeholder engagement takes place in all our CSI programmes, however the level of engagement with the local community largely depends on the type of project we are undertaking. Engagements range from workshops to focus groups, surveys and upskilling work. Increased engagement takes place for employee community involvement projects such as house building projects where we engage with the local community, the beneficiary and the local authority. No significant issues relating to our CSI programmes were raised in 2014.

CSI in the rest of Africa

Our ultimate goal is to introduce a level of conformity and consistency for CSI across the group, while maintaining local relevance. Each operation, including Liberty, determines its own CSI strategy, budget and focus areas.

In 2014, we strengthened the CSI governance processes in our rest of Africa operations. We approved a framework and set of guiding principles that require that each operation have in place a CSI policy that sets out CSI principles, governance structures, roles and responsibilities, reporting requirements and the prevention and management of conflicts of interest. The guidelines clearly define what constitutes CSI spend and CSI expenditure is signed off by the chief executive of each operation. A CSI expenditure target of 1% of each operation's net profit after tax has been set. From 2015, our country operations will be required to submit an annual CSI expenditure and activity report to the Group Social and Ethics Committee.

As each country has unique socioeconomic challenges, each operation in the rest of Africa is required to select no more than three relevant focus areas, with at least one area being either education or healthcare. We have also developed a pan-African partnership with the Global Fund and our rest of Africa operations are encouraged, but not mandated, to participate in this initiative.

Employee community involvement

We encourage and support the involvement of our employees in the communities they serve, particularly projects that have an impact in communities that we do business in. Staff can personally donate to their charities of choice and then claim matching funds from the bank. In 2014, staff matching amounted to R8.5 million (2013: R6.1 million) for Standard Bank South Africa, Standard Bank Plc and Liberty.

Our volunteering programmes in South Africa are open to permanent, temporary and contract staff participation. We make a particular effort to drive volunteering activities around Mandela Day but encourage more regular and sustained

209 students were assisted with bursaries through our CSI initiatives. A total of 133 students were assisted through the 150 Bursaries and Scholarships Fund and a further 20 through the Standard Bank CSI Bursary Programme. The remainder are students from our prior commitment to the Adopt a School Programme which we have continued to support despite exiting the Adopt a School Programme in 2013.

Standard Bank South Africa: CSI spend

		2014	2013
Current year focus areas			
Education	Rm	**43.0**	36.8
150 Bursaries and Scholarships Fund	Rm	**8.9**	0
Provincial allocation[1]	Rm	**2.1**	0
Staff matching	Rm	**1.7**	1.4
Employee community involvement (volunteering)	Rm	**5.4**	4.4
Executive Discretionary Fund[2]	Rm	**1.2**	0.2
Arts and culture development	Rm	**1.4**	1.3
Total administration and operational costs	Rm	**5.9**	5.9
Prior year focus area			
Health and wellness	Rm	**0**	7.1
Other (humanitarian relief)	Rm	**0**	0.5
Total CSI spend	Rm	**69.6**	57.6

[1] *This is an allocation made available to the provincial chief executives to support relevant CSI initiatives in their provinces.*

[2] *This includes donations made at the discretion of the group chief executives. For 2014, this included a contribution towards the National Department of Health's Ebola Fund and the University of the Witwatersrand Science workshops for high school learners.*

Some of the CSI projects undertaken during 2014

South Africa

We provided four fully equipped container classrooms to rural schools and one to a project that provides schooling for the children of refugees who do not yet have official status. Each classroom accommodates between 20 and 25 children and will be used to support early childhood education for pre-school learners.

South Africa

Our staff helped build 15 Reconstruction and Development Programme houses in the Eastern Cape, Northern Cape and North West provinces. Our Public Sector provincial managers assisted with identifying the recipients.

Africa

Through World Vision International, our New York Global Markets Desk donated USD10 000 (R108 412) to assist 23 children in Africa with their education. This is the desk's fourth annual donation.

South Africa

Group IT gave 11 floor movers and three cleaners in Standard Bank a three-hour introduction course to computers. The unit hopes to train all Standard Bank's drivers and cleaners, as well as learners at schools, who do not have access to computers.

Nigeria

Stanbic IBTC Bank visited various schools in Lagos to teach students about the value and benefits of financial planning and a savings culture.

A total of 28 909 sandwich packs were made and delivered to various organisations in Gauteng, South Africa, as part of the Mandela Day campaign.

Mozambique

Standard Bank Mozambique's Citizenship Campaign launched mobile brigades of authorities enabling the people in the city of Pemba to receive identification documents, birth certificates and tax identification numbers. Some 1 417 tax documents and 300 birth certificates were issued, as well as 1 346 applications for biometric identification.

Mozambique

Standard Bank Mozambique donated 500 mosquito nets to the Quelimane Provincial Hospital in the Zambezia province. In the first quarter of 2014, 2 521 cases of malaria were registered in the hospital's emergency department.

Botswana

Stanbic Bank Botswana was the Diamond Sponsor of the annual Diacore Gaborone Marathon, the country's largest running-for-charity event. Proceeds from the registration fees are awarded to official charities selected by the marathon. Over P600 000 (R725 173) was raised and 252 of our employees took part.

Tanzania

Tanzania's School Water, Sanitation and Hygiene (Swash) programme aims to build and rehabilitate school facilities. In 2014, Stanbic Bank Tanzania selected Juhudi Primary School as the second school to benefit from its Swash support. The school has 3 150 pupils. Stanbic Bank Tanzania has signed a memorandum of understanding with Unicef Tanzania to inject USD150 000 (R1.6 million) over three years to support the programme.

As part of our take on the ice bucket challenge that garnered so much support in 2014, we donated R254 000 for water storage tanks for schools in need in South Africa.

South Africa and Kenya

In partnership with the National Education Collaboration Trust, we donated 10 000 solar lamps to 25 underprivileged schools across South Africa. This project aims to assist children in townships and rural areas without electricity to do their homework after dark affordably and safely, without the cost and risk of using kerosene lamps. A similar project is in place in Kenya.

volunteering where possible. We use campaigns and newsletters to create awareness of our employee community involvement programmes and we have an internal microsite to promote and communicate our initiatives and for staff to log their pledges and applications. Furthermore, our diversity and transformation forums in South Africa have a mandate to drive employee volunteerism. Our employee community involvement programmes create structured opportunities for employees ranging from house building projects in Gauteng, North West and the Eastern, Northern and Western Cape provinces, cook-off competitions where teams prepare meals for those in need, clean-up and painting campaigns for Early Childhood Development Centres, schools and crèches, and preparing vegetable gardens in crèches in townships and economically disadvantaged areas.

Supporting arts and culture

As part of our broad commitment to South African arts and culture, the Standard Bank Gallery in Johannesburg showcases a variety of South African and international artists on an ongoing basis. The annual gallery exhibition programme provides an educational outreach programme where lectures and workshops are facilitated by specialist art educators. In 2014, 4 135 learners visited the gallery with 2 415 being from disadvantaged schools. A further 1 720 learners made use of the complementary educational supplements provided to the public.

Our association and involvement in jazz festivals held in Cape Town, Grahamstown and Johannesburg contributes to the growth of the musical genre in South Africa and positions South African musicians among credible international line-ups.

Our sponsorships of these festivals include a series of development initiatives such as:

- **National Arts Festival in Grahamstown:** includes the annual Standard Bank Young Artist awards which since 1984 has awarded 130 young talented South Africans in the fields of theatre, dance, music, jazz, visual art and film, contributing to their professional careers.
- **Standard Bank Jazz Festival in Grahamstown:** hosts the National Youth Jazz Festival, South Africa's main jazz education and development project, with some 350 young musicians benefitting annually from practical teaching sessions by professional musicians.
- **Standard Bank Joy of Jazz Festival:** supports a number of development initiatives which in 2014 included a jazz development workshop covering various careers in the music industry and how to access them, workshops and master classes delivered by international jazz luminaries and respected local jazz artists and two 'Jazz Cares' performances for the disabled and elderly in Alexandra and Soweto townships.

The Standard Bank Joy of Jazz Festival supports national government's Cultural Growth Plan and contributes to economic tourism. In 2014, it created 4 606 temporary jobs for the duration of the festival and provided internships in the fields of music production, public relations, artist management and hospitality. It also contributed to preferential procurement by targeting small black companies in the sound, stage and transport industries, providing them with the opportunity to offer their services.

Infrastructure development in Africa

African governments are undertaking large infrastructure projects to meet the needs of a growing middle class and unlock the continent's bulk mineral resources. Challenges faced include ensuring that tariffs required to fund projects are affordable to the general population and developing an investment and regulatory framework that promotes foreign investment.

Financing infrastructure development

Global Reporting Initiative – G4: 9, EC7 and FS7

Africa's economic growth is heavily influenced by the extent to which the continent is able to deliver crucial infrastructure at an appropriate scale, pace and quality. Infrastructure enables industries, and industry contributes to employment. In addition, studies have shown a positive correlation between infrastructure development and building human capacity through better health and education levels.

Infrastructure development particularly in the areas of power, transport and water acts as a catalyst for further investment in the resources and hospitality sectors. Furthermore, we have noted that infrastructure investments support economic growth both in domestic and regional economies.

Our cross-border capabilities and our relationships with development finance institutions, export credit agencies, multilateral development banks and our strategic partner, the Industrial and Commercial Bank of China (ICBC), positions us well to carry out major infrastructure transactions. We are one of Africa's leaders in terms of mining finance. Every mining deal we do stimulates much broader infrastructural development such as roads, ports and rail which are required to realise the value of the investment.

All project finance deals for the development or significant expansion or renovation of an asset are reviewed in terms of the Equator Principles and the IFC's Performance Standards.

The introduction of the third Basel Capital Accord (Basel III) impacts the ability of financial institutions to finance infrastructure projects as it favours shorter-term loans, meaning

that banks carry higher costs for long-tenure projects. We work closely with development finance institutions to develop risk participation and other credit enhancement structures to optimise the use of our balance sheet with a view to reducing the cost of infrastructure financing for end-users.

Beyond direct financing and investment, we support state institutional capacity in areas such as project investment management and by providing transaction advice, and we work with regulators to ensure adequate modelling of licensed tariffs to ensure adequate cash flow to support reliable service delivery.

Providing energy to Africa

Developing power generation capacity and infrastructure is of key strategic importance for emerging economies. For the past 18 years we have worked to understand and engage on the power requirements in Southern Africa. As such we are well placed to take advantage of opportunities that arise in this sector. Our financing includes both conventional power generation (coal and gas-fired power) and renewables. Conventional power generation is critical to ensuring the reliability and security of energy required for economic development in Africa, particularly as the transition to new sources of energy will require time and considerable investment. Our challenge is to support our clients in the coal industry while financing of other energy sources such as natural gas, nuclear, hydro-electric and renewable energy. Renewable energy projects currently represent a significant part of our project finance energy portfolio and include wind, photovoltaic and hydro power stations. We are pursuing or have been mandated to secure financing for a number of power generation opportunities in Africa including in Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

Infrastructure funds

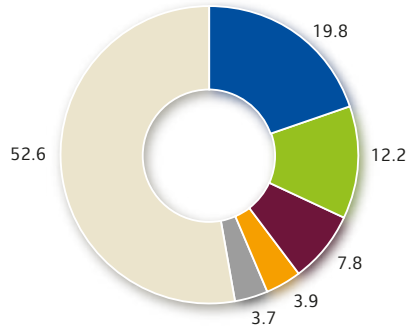
We are involved in the Pan African Infrastructure Development Fund, an equity fund which assists African economies in meeting their capital requirements in financing infrastructure investments. Sectors targeted are energy, transport, telecommunication and water. In 2014, we provided a revolving credit facility to the Emerging Africa Infrastructure Fund which will be used to support 30 additional transport, power and telecommunications projects in Africa.

Real estate financing

Growth in the real estate sector in sub-Saharan Africa has kept pace with the strong economic growth in the region. This, coupled with insufficient property investment in the past, has resulted in property demand outstripping supply. Our aim is to provide debt funding solutions by accessing a range of capital sources and providing innovative structured solutions for local and cross-border clients. Our main focus is on formal retail centres and office developments. We have a dedicated Real Estate Finance team in Nigeria and in other African operations we leverage our Investment Banking teams.

The challenges associated with real estate financing in Africa include sourcing of materials which often must be imported and a lack of top

Direct investment in infrastructure by sector
(SBG)



- Mining and metals (R57.1 billion)
- Oil and gas (R35.2 billion)
- Energy (R22.3 billion)
- Telecommunications (R11.2 billion)
- Transportation (roads, rail, ports) (R10.7 billion)
- Water (R90 million)
- Other including real estate (R151.7 billion)

Pan African Infrastructure Development Fund

USD0.4 million (R4.3 million)

our capital contribution during 2014

USD12.1 million (R131.2 million)

our total contribution to date

Emerging Africa Infrastructure Fund

USD25 million (R271 million)

provided in a three-year revolving credit facility

Standard Bank rest of Africa

34.9%

growth in the real estate loan book, exceeding our 2014 target of 25% growth

Standard Bank South Africa

R3.4 billion ❖

weighted transformational infrastructure lending, cumulative balance from 2012, as per the FS Codes
(2013: R1.1 billion)

Our financing of renewable energy projects can be found on page 147.

tier construction companies. There is also a general shortage of basic infrastructure, which each development project needs to consider. Finally the regulatory environments in some countries are changing fast, impacting development projects and funding structures.

Our approach is to ensure the long-term commercial sustainability of the projects we finance. We have experience in working with key developers across the continent and our understanding of local markets positions us well to effectively evaluate development proposals. We also consider development risk throughout the lifecycle of the project. We stress test the feasibility assumptions of each project to determine the risk in respect of servicing facilities and our financing arrangements are designed to enable us to take timeous corrective action when regulatory changes occur.

During the year we focused on implementing a consistent approach to risk assessment, continued to grow our market understanding including within the regulatory environment and increased our engagement with our clients on a country-by-country basis to understand their business aspirations. This is helping us to be proactive in delivering funding solutions that meet our clients' needs.

Empowerment financing

Targeted investment refers to our debt financing of, credit extension to or equity investment in activities that aim to address the gaps or backlogs in South Africa's economic development. Calculated as a cumulative balance from 2012, as per the FS Codes, our weighted qualifying targeted investments amounted to R21.1 billion (2013: R13.6 billion) at December 2014. Included in this is the debt and equity financing we provide to public or private sector infrastructure projects that support social and economic activity in historically underserviced areas. At December 2014, our total weighted transformational infrastructure lending amounted to R3.4 billion. The targeted infrastructure projects we finance include electricity production and distribution, roads and rail links, large scale public transport projects and government head offices. Aside from continued investment in power and rail, in the longer term we hope to support the development of South Africa's water resources and ensure effective sanitation infrastructure. Through our membership in the Banking Association of South Africa, we also work with government to find ways of eliminating funding challenges. Given the breadth and reach of our franchise and our extensive experience in deal origination, we are competitive against our local peers in terms of our empowerment financing.

Inclusive financial services

Global Reporting Initiative – G4: 9, SO1, FS7, FS13, FS14 and FS16

According to our research, based on the Living Standards Measure (a proven methodology widely employed in South Africa), there were 15 million middle class households across Angola, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, South Sudan, Sudan, Tanzania, Uganda and Zambia. These countries together account for half of Africa's total gross domestic product (GDP) and half its population. While there has been meaningful growth in individual income, 86% of households across these countries remain within the low-income band, with most people still living on or below the poverty line, measured as those with a daily income of USD2 (R21.68) or less.

Finding ways to include the millions of economically active people in Africa who fall outside the mainstream financial sector is essential to our sustained profitability and contributes to the broader socioeconomic development potential of the countries in which we operate.

South Africa

The inclusive banking market in South Africa is estimated to account for 84% of the banked population. Our strategy is to make available banking products and services that are simple, transparent, convenient and affordable to financially active people who typically earn less than R8 000 a month. To effectively reach the unbanked or under-banked market, we must understand the needs and requirements of these customers. Our Inclusive Banking unit conducts community needs assessments to determine the appropriateness of our products and services to the low-income market. We survey communities five times a year and hold customer focus groups twice a year.

We aim to increase volume and revenue in our Inclusive Banking business while driving down our acquisition, origination and servicing costs. We concentrate on selective acquisition, providing products based on customer needs. We focus on places of employment as channels to acquire new customers and offer a value proposition that is relevant to both employers and their employees. During 2014, we reviewed the mobile sales agents initiative which has been a part of our acquisition model for the past few years. Given the low levels of new account activations, we have decided that this is no longer a commercially viable solution and as such we have terminated this initiative.

Customers in the lower income market are often hit hardest by deteriorating economic conditions as result of their limited ability to absorb the resultant pressures. As such we have continued to decrease our lending appetite in this part of the business and our loan exposure on the AccessLoan product reduced 24% to R2.2 billion at December 2014. The non-performing loan rate on this loan book was 17% (2013: 21%).

Infrastructure projects pursued in Africa in 2014

Angola

We are the sole lead arranger and underwriter of a USD120 million (R1.3 billion) financing deal for the Ministry of Finance to reinforce the stability of the electrical system and to increase the capacity of the electrical transport lines in the Soyo region. We are also providing the financing to rebuild Catumbela Airport.

Ghana

We are the mandated lead arranger for a USD426 million (R4.6 billion) export credit insurance cover facility for the Cenpower Kpone Independent Power Project. We have underwritten USD100 million (R1.1 billion) of the transaction, which will be used to fund the construction of a 340 megawatt combined cycle gas turbine power plant, a 161 kilovolt sub-station, natural gas supply, and liquid fuel delivery, storage and treatment facilities. The Cenpower Kpone Independent Power Project will sell 100% of the electricity output to the Electricity Corporation of Ghana under a 20-year power purchase agreement. In Accra, we are financing the 27 303 square metre Westhills Mall, a retail centre anchored by Shoprite, Palace Stores and Woolworths with a total development cost of USD93.5 million (R1.0 billion).

Kenya

We secured a Sh1.8 billion (R220 million) asset financing deal with regional railway operator, Rift Valley Railways, for the acquisition of 20 locomotives. We are also financing the 33 530 square metre Garden City Mall in Nairobi. This retail centre is anchored by Game and Nakumatt and has a total development cost of USD66.5 million (R721 million).

Nigeria

We are acting as the lead arranger on the Lekki Port project which includes the construction and operation of a new deep water port near Lagos. We are also funding the Azura Independent Power Producer Project, a 1 000 megawatt open cycle gas turbine power plant, as well as the Osapa Mall in Lagos, a 13 900 square metre retail centre and office park with a total development cost of USD74.2 million (R804.4 million).

Mozambique

We are financing a USD 210 million (R2.3 billion) 118 megawatt gas-fired power plant in Ressano Garcia. The Gigawatt project is the first project-financed independent power producer programme to reach financial close in Mozambique and will sell 100 megawatts of its power to the Mozambican power utility. The plant will expand the electricity grid and allow for the sale of electricity to Maputo, reducing Mozambique's reliance on South Africa for power. We are the sole mandated lead arranger and underwriter of the transaction and 51% of the shareholders are local Mozambicans. We are also providing finance to rehabilitate and upgrade the Sena line for the Mozambique Rail Company.

South Africa

We partnered with Eskom to sell USD1.25 billion (R13.6 billion) 10-year fixed rate bonds into the international capital markets, enabling the state-run utility to fund its generation expansion programme. We acted as joint lead manager and bookrunner on the sale of the bonds. Eskom received bids totalling almost USD4.3 billion (R46.6 billion) from approximately 280 investors from across the globe. We are the sole lead arranger and underwriter for the R650 million BUSAMed Private Hospital deal. This 250-bed private hospital facility is situated in the Gauteng province and is the second private hospital development in South Africa financed by a commercial bank, both of which were structured and led by Standard Bank. We are a co-mandated lead arranger for the financing and development of the City of Tshwane's new head office complex procured as a public private partnership, and we have invested R566 million in the development of the city's first green precinct, Menlyn Maine. All the buildings in the development are designed to achieve a best practice, 4-Star Green Star rating from the GBCSA. The development is also one of 17 projects worldwide to be selected to work with the Clinton Climate Initiative, which works with projects that serve as innovative models for tackling climate change.

Zambia

We issued a USD31 million (R336 million) letter of credit on behalf of the Zambian Electricity Supply Corporation and financed the 27 797 square metre Mukuba Mall in Kitwe. Anchored by Shoprite, Pick 'n Pay and Game, this retail centre has a total development cost of USD46 million (R499 million).

Our involvement in President Barack Obama's Power Africa initiative is disclosed on page 20.

Standard Bank South Africa

Inclusive Banking customers represent

69%

of our Personal Banking customer base
(2013: 71%)

74%

of AccessBanking transactional accounts are active
(2013: 69%)

Note: inactivity is defined as no customer-initiated transactions (excluding balance enquiries and statements) performed over time, with the balance on the account being zero or in debit.

65%

of our AccessLoan customers hold an AccessAccount with us
(2013: 73%)

Standard Bank South Africa

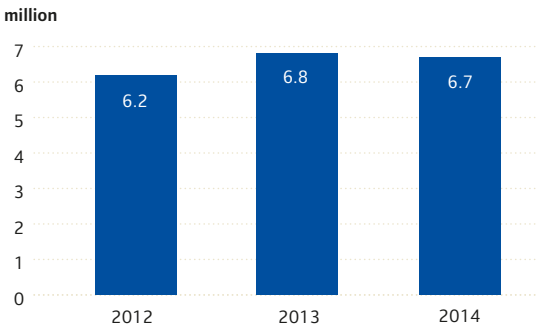
R18.4 million ❖

spent on consumer education, 0.2% of PBB South Africa's net profit after tax
(2013: R20.2 million, 0.2% of PBB South Africa's net profit after tax)

31.7 million

people estimated to have been reached through the WalletWise consumer education drive

Number of Inclusive Banking customers
(Standard Bank South Africa)



Stokvels

Stokvels are society schemes in which a group of individuals save together for a common goal. A 2014 survey by African Response revealed that 23.4% of South Africa's adult population belong to a stokvel, equating to over 8.5 million members, whose savings are estimated at R25 billion. Providing stokvel members with a bank account not only increases our customer base but also provides a safer and more secure means for members to save their cash. To increase our market share, in 2014 we simplified the stokvel account opening process, enabled electronic opening of accounts and undertook a number of initiatives to increase awareness of our stokvel banking offering. Having easy access to their funds is critical for stokvel members. We are therefore creating a stokvel bank card which members can use to pay for their purchases electronically or by swiping the card. Value adding aspects are included in our offering such as affordable funeral plans. In the future we hope to partner with retailers to provide our stokvel customers with grocery discounts and we are working to partner with funeral parlours to get better rates for burial societies.

Accessible distribution channels

Our operating costs to bank the low-income market are high and a strategic priority for 2014 was to find ways to make this model more cost effective. As the majority of low-income earners in South Africa have a mobile device and are comfortable using this technology, our move towards digital banking will increasingly be used to deliver our Inclusive Banking offering at lower cost. Not only does this benefit the bank but it enables our customers in rural areas to do their banking without incurring extra costs such as taxi fares. We are also looking at using third-party channels as opposed to owning these channels ourselves.

In addition, our AccessPoint distribution channel provides banking services at a lower cost to the low-income market while reducing our operating costs. AccessPoints are accessible to customers through retailers and offer a limited range of financial services. Customers can withdraw and deposit cash, buy prepaid airtime or electricity, transfer money, make a balance enquiry or use their card to pay for purchases made in-store. Retailers that take up the AccessPoint offering are ambassadors of the bank and as such earn a new source of revenue through competitive commission on the transactions they facilitate. In addition, AccessPoints allow retailers to broaden their service offering, increasing the number of customer visits to their shops. Retailers need to be well rooted and respected within the community to gain customer buy-in to the service, and are therefore taken through a stringent screening process. To encourage customers to move away from traditional channels, transactions such as deposits, withdrawals, prepaid airtime, prepaid electricity and balance enquiries are free.

How we add value: *banking marginalised communities helps to make the markets we operate in more sustainable.*

Standard Bank South Africa: number of Inclusive Banking accounts

	2014	2013	2012
Number of AccessAccounts	**6 661 459**	6 765 706	996 870
Number of AccessSave accounts	**826 239**	582 198	301 053
Number of AccessLoan accounts	**234 534**	377 989	450 724
Number of funeral plan policies	**1 140 807**	1 145 204	1 133 201
Number of Level Life policies	**79 864**	50 072	Not reported
Number of debt protection plan policies	**179 541**	369 547	459 106
Number of AccessCard protection plans	**10 776**	6 374	Not reported
Number of society schemes (stokvels)	**67 429**	63 978	65 953

The value of stokvels held at December 2014 was R1.4 billion (2013: R1.3 billion).

Our Instant Money offering is a payment solution where customers can buy Instant Money vouchers and send them to other people in South Africa using their mobile phone, even if they do not have a bank account. The receiver of the voucher is able to redeem the voucher for cash at any Standard Bank ATM or Spar store across the country and at our AccessPoints. Our customers completed over 7.5 million transactions using this platform in 2014, moving close to R6 billion in total value. In 2014, we launched AirTaxi which allows customers to pay taxi fares with mobile phone airtime.

Affordable housing

In the affordable housing market, our approach is to finance quality affordable housing units priced up to R660 000, with the average bond worth about R350 000. The household income level for units we finance is generally between R5 500 and R19 000 a month.

The current economic climate, exacerbated by prolonged labour disputes in certain sectors that employ low-income earners, together with regulatory capital requirements, constrains our ability to finance affordable homes. We work to find innovative ways to mitigate the impact on our customers in this segment. In the South African Government's scheme for households that earn between R3 501 and R15 000 a month, we have granted 412 Finance-Linked Individual Subsidy Programme mortgage loans to the value of R164 million. At December 2014, 197 of these loans were registered, valuing R49 million. While the scheme has great potential, bureaucratic inefficiencies have constrained its effectiveness.

Our borrower education course is voluntary and provides first-time home buyers with information on the processes involved when buying a home and the parties to a housing transaction and their respective obligations, as well as helping homeowners make sense of key terms. The course is delivered through face-to-face training and online.

When involved in affordable housing developments, we are prudent about which developers we fund and we screen for environmental risks. Where possible, we promote environmental considerations and alternative technologies, such as solar water heaters, in residential development projects. During 2014, we funded a total of 1 144 affordable housing stands at R146 million (2013: 2 493 stands at R274 million).

Consumer financial education

Our consumer education strategy targets consumers who typically earn less than R8 000 a month. To increase our reach, we launched the WalletWise campaign which delivered consumer education through television, radio, print and social media platforms. The WalletWise campaign covered the following topics: opening and using a bank account, using alternative banking channels such as mobile banking and the AccessPoint network, long-term and short-term savings, long-term and short-term loans, budgeting, insurance advice, risk and safety and security while banking. The campaign was supported by broadcasts on our in-house television network in branches and print advertorials in prominent newspapers. Independent monitoring and evaluation of the WalletWise

Standard Bank South Africa: AccessPoints (distribution channel)

	2014	2013	2012
Number of active AccessPoints in communities	**2 915**	3 657	6 725
Number of transactions through AccessPoints	**20 438 443**	28 171 100	22 446 113

Note: due to our reduced appetite to lend to this market, we have integrated all our AccessBanking Centres to fully serviced banking centres. As such our AccessLoan product is now available through our branch and service centre network.

campaign concluded that the consumer education drive was effective and achieved the campaign's objectives in terms of reach. The delivery channels and content were found to be relevant to the audience concerned. The findings will be used to inform our 2015 consumer education strategy.

We also empowered our employees to deliver financial literacy sessions at places of work or through the Teach Children to Save Campaign. Our programmes target adults and the youth, as well as our customers and the broader community. In 2014, 11% of our consumer education initiatives were delivered through classroom-based learning.

Rest of Africa

In the rest of Africa, our inclusive banking focus is less on developing financial products for the low-income market and more on offering self-service channels that are affordable and provide greater access, ultimately improving financial inclusion. For example, in 2014 Stanbic IBTC Bank in Nigeria partnered with the Subsidy Reinvestment and Empowerment Programme's Maternal and Child Health Project to launch a mobile conditional cash transfer programme targeted at women living in rural locations. The service, implemented in selected primary healthcare centres across the country, enables these women to receive cash for maternal and child health services. It leverages off Stanbic IBTC Bank's bulk payment solutions to transfer money seamlessly and instantly into mobile money accounts.

Our bancassurance products are tailored to meet customers' needs across all segments including the low-income market. Available in 13 rest of Africa countries, bancassurance products are tailored to country-specific needs and range from cost-effective and affordable funeral policies for the low-income market to SME business owner and business content cover. At December 2014, this business held around 850 000 (2013: 750 000) policies, of which 55 000 were held by businesses.

Our consumer education initiatives are at a more mature stage in South Africa, however we do recognise that we need to educate those customers in the rest of Africa who do not have experience of financial services or know how to manage their finances, grow their savings or build their wealth. Consumer education that informs customers on how to bank cost-effectively using alternative channels, is built into the sales process and is provided through print and electronic media. In 2014, we introduced a consumer education programme in Nigeria which is delivered to workers in prime worksites. Topics covered include financial management, debt, financial planning, saving and drawing up a will. Delivery of the printed brochure was a challenge, and as a result the 'My Life, My Money' programme was digitised and made available electronically through mediums such as Stanbic IBTC Bank's website, Facebook page and blog. Readers are able to provide feedback or ask queries. We also upskilled targeted employees to assist with consumer education within their communities. The electronic delivery of the programme was successful with over 9 000 hits in three weeks. Going forward we will continue with the electronic rollout of the programme and we will target key corporate customers. We will also look to roll this programme out to other countries as we strengthen our electronic channels.

In another initiative, Standard Bank Namibia invested USD210 000 (R2.3 million) in the Business Literacy Project, an initiative of the Youth Entrepreneurship Seminars Trust. The bank has been involved with the trust for eight years, and is also a member of the Namibian Government's Financial Literacy Initiative. The Business Literacy Project has benefitted approximately 1 500 Grade 11 learners and aims to empower them with basic financial literacy through simulation exercises, where their financial decisions lead to the success or failure of a business. By helping learners to become business literate, they are more likely to save for the future and less likely to fall into the debt trap.

We are the biggest affordable housing mortgage lender in South Africa, holding a 34% share of the market.

Standard Bank South Africa: affordable housing finance

		2014	2013	2012
Affordable housing accounts				
Number of affordable housing accounts		**99 959**	94 152	89 487
Number of affordable housing loans financed during the year		**12 040**	12 220	12 537
Number of pension-backed lending accounts[1]		**6 242**	12 325	13 660
Affordable housing finance				
Total qualifying finance as per the FS Codes[2]	Rbn	**4.6** ❖	4.4	4.0

[1] *Low-income earners who belong to pension and provident funds that enter into finance agreements to buy, build or renovate a home.*

[2] *Total finance includes home loans and pension-backed loans.*

Supporting small businesses

Global Reporting Initiative – G4: 9, FS7 and FS14

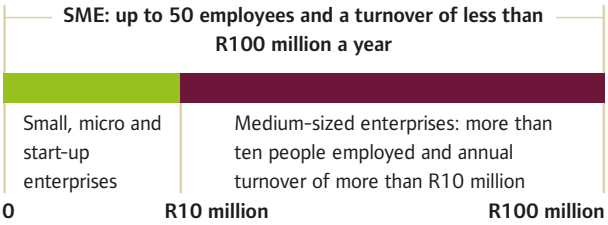
SMEs in Africa face a range of challenges including poor infrastructure, high interest rate environments and increasing regulation, as well as poor access to markets and limited general business management skills. For example marketing competence is growing in importance as small, micro and start-up enterprises face increasing competition from corporate brands and foreign multinationals. Accessing growth finance and start-up capital is also difficult as most SMEs do not have reliable financial statements and not all their cash flows through bank accounts. For SMEs that trade in imported goods, currency fluctuation remains a challenge. To grow our share of the SME market in Africa we focus on developing solutions tailored to the unique requirements of SME customers and that help them address these challenges and optimise cash flow in their businesses.

South Africa

A strong and growing SME sector is essential to the long-term development and transformation of our economy. The SME sector accounts for more than half of South Africa's GDP and is the biggest private sector employer and job creator in the economy. Our aim is to play a competitive part in effectively banking and developing this market. Our long-term objective is to assist SMEs in the fast-developing sectors such as business and financial services, computer and IT services and the construction industry as these sectors are highly computer literate for the most part, and provide the opportunity to introduce innovative, digitally-based banking services.

We work with provincial and local government departments, the Department of Trade and Industry, SME development agencies and our corporate customers to address the needs of the SME sector in South Africa.

SME definition



In addition to turnover, we also consider a customer's organisational complexity, growth rate and range of banking services required when segmenting them.

Relationship managers and business bankers

We have 640 business relationship managers dedicated to serving SMEs across all nine provinces. Our business bankers and business managers are trained through the Business Banking Academy to ensure that they are able to provide

How we add value: *consumer education provides low-income earners with the necessary information, knowledge and skills to enable them to make more informed financial decisions.*

Standard Bank South Africa

R23.7 billion

affordable housing home loan book value (2013: R17.9 billion)

2015 target: affordable housing book value R24 billion.

R4.5 billion

affordable home loan finance granted (2013: R4.0 billion) of which around

80%

was disbursed to first-time home buyers (2013: 81%)

R184 million

pension-backed loans[1] financed (2013: R370 million)

[1] Customers who belong to pension and provident funds can enter into finance agreements with our Pension-backed Lending unit to buy, build or renovate a home.

Standard Bank South Africa

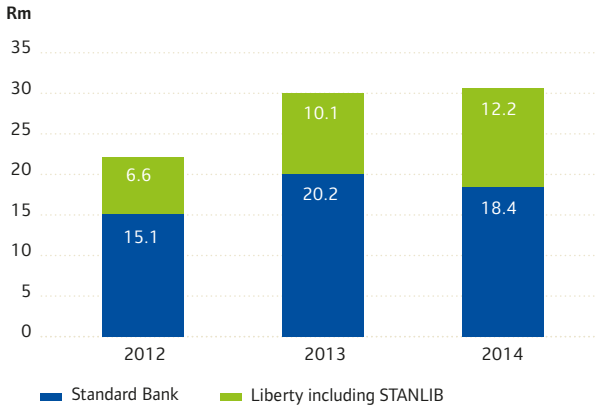
R1.3 million

spent on providing borrower education to

2 937

first-time home buyers

Consumer education spend
(Standard Bank South Africa and Liberty)



Standard Bank South Africa

>750 000

small, micro and start-up businesses banked
(2013: >722 000)

R8.6 billion

in new advances to small, micro and start-up businesses
(2013: R5.4 billion)

R14.3 billion

total lending to small, micro and start-up businesses
(2013: R14.5 billion)

R3.8 billion

exposure to black SMEs
(2013: R2.6 billion)

Standard Bank South Africa

R26 million

enterprise development spend
(2013: R27 million),

0.22%

of Standard Bank South Africa's net profit after tax
(2013: 0.26%)

682

SMEs received non-financial development support, of which

99%

were black-owned businesses
(2013: 277 SMEs of which 94% were black)

support to SMEs throughout the different stages of their business lifecycle, and we provide refresher training as necessary to ensure they stay up-to-date with changes in the market.

Banking products and services

We provide SME customers with a comprehensive range of banking products and services as well as wealth management solutions, covering the breadth of their banking needs. For our small, micro and start-up customers we provide value-adding services that address common challenges and which we believe improve their prospects for survival and growth, including discounted accounting packages and business management training. At December 2014, we held over 707 000 small, micro and start-up current accounts, of which over 153 000 were originated during the year (2013: over 698 000 current accounts).

Our Credit Command Centre is dedicated to servicing the credit requirements of small businesses, providing for faster turnaround times, a simplified application process and more focused risk management strategies and policies. We provide a range of credit solutions ranging from simple overdrafts and asset financing to working capital and trade finance solutions. These are offered alongside a full spectrum of payment, investment, risk management and cash management solutions that enable our small enterprise customers to manage their finances effectively and ultimately improve their credit worthiness.

Risk is priced in the credit evaluation process and we use either scored lending or intuitive lending systems depending on the specifics of the credit application. This approach allows us to consider and potentially lend to a diverse range of customers subject to robust evaluation and appropriate pricing, taking into account market risk and our risk appetite in particular sectors. We also factor in the regulatory requirements associated with lending to sole proprietors, who are the most common form of customer entity in the small business sector. Scored lending requires credit bureau information and an assessment of the customer's financial behaviour, particularly their cash flow records. This makes loan applications easier for customers borrowing small amounts and those who do not have long trading histories or comprehensive financial statements. Intuitive lending applies to larger loan amounts and more complex credit products, and involves expert assessment of the customers trading patterns and comprehensive financial records.

Unstable and unproven turnover and high business failure rates mean that granting credit to small, micro and start-up business is not without its challenges. We discourage start-up enterprises from borrowing to cover operational costs during their first six to 12 months of trading as credit at this time can actually mask fundamental operating weaknesses and place an additional burden on the fledgling business. We encourage these businesses to focus on securing sales and building sustainable turnover.

Enterprise development

Enterprise development is about ensuring that SMEs have meaningful opportunities to access markets, finance and long-term business development. We look to develop innovative and commercially viable

interventions that provide support to particularly black-owned and black women-owned SMEs.

Some SMEs are just too small to offer corporate clients economies of scale, and complex tender and compliance requirements in corporate supply chains can inhibit SMEs from gaining a foothold. There is also a need for business development and technical support to ensure that SMEs that have won supply chain contracts are able to deliver to the required quality. We use a four-party integrated enterprise development model which covers our existing SME customers and suppliers, new SME customers and black SMEs participating in our BEE initiative, Tutuwa. The enterprise development model is depicted below and some of our enterprise development programmes are discussed on page 140.

In 2013, we piloted our enterprise development corporate solution for corporates willing to provide supply chain contracts to black SMEs in the construction sector. This solution includes access to working capital and asset finance, business development support and general banking services. Finance is provided on the strength of the supply chain contracts in place and the expected future cash flow of the business. We have continued to work with black SMEs in the construction sector and have also entered into corporate solutions for black SME suppliers in the logistics sector and state-owned entities. In addition, we have developed a structured lending team which assists black SMEs that need growth funding or debt funding for equity shareholding in businesses seeking to transform their BEE status.

Rest of Africa

SME's in the rest of Africa operate across a broad spectrum of markets, including in formally established SME markets. Our SME products and services are offered in all operating countries in the rest of Africa with particular emphasis on countries such as Ghana, Kenya, Malawi, Nigeria, Tanzania, Uganda and Zambia. The newly launched Business Banking sales app for tablets enables our sales force and relationship managers to update customer information timeously and to digitally conduct a needs analysis with SME owners, providing financial recommendations based on the customer's specific business. During the year, we focused on banking the formalised SME segment and the upper end of the SME market.

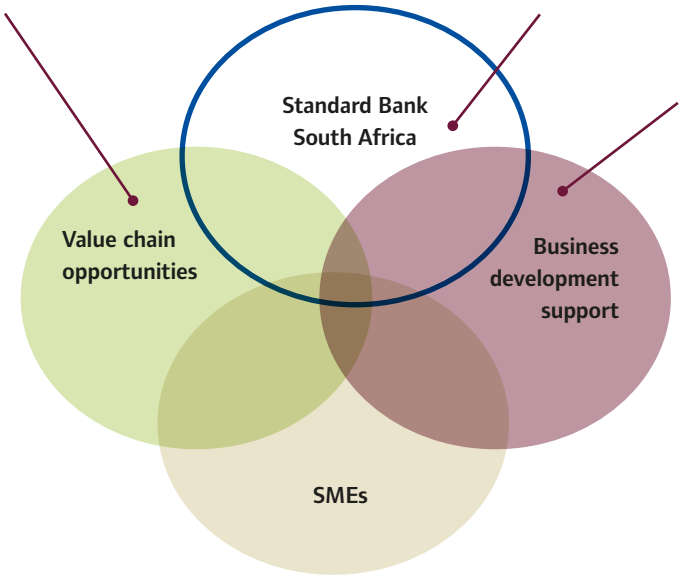
Relationship managers and business bankers

Our SME customers require relationship managers with the right business expertise. Each SME customer has access to a dedicated relationship manager, irrespective of the size or life stage of their business, and we have a dedicated SME business head in each operating country. We have developed a mandatory SME-specific training intervention for our SME relationship managers and business bankers which covers sales, product knowledge and credit-granting. Relationship managers and business bankers are also required to undertake specific accreditation over and above this training to ensure that they are able to deliver relevant and appropriate advice.

Our enterprise development model

Facilitating access to market opportunities in corporate and government supply chains, including within our own procurement department, and in the supply chains of our corporate clients. This helps SMEs to secure sustainable revenue streams.

Access to finance and banking products and services through innovative solutions such as our enterprise development corporate solution.



Non-financial business and technical development support provided to SMEs in the form of skills development and identifying the business and funding requirements of the SME. We provide quality and consistent business development support through a panel of accredited third-party providers that act as advisors, strategists and mentors.

Value-adding services for small, micro and start-up businesses in South Africa

BizLaunch

A full service banking product designed for start-up businesses, offering simple, efficient solutions to make and receive payments. It also enables business owners to insure their personal investment in the business. BizLaunch is available to any new business including sole proprietors with no trading history, as well as informal enterprises that previously used personal accounts to trade. Value-adding services and products have been included.

49 000 packages sold to date

(2013: 44 000 packages)

BizConnect

An online platform for SMEs which provides expert advice on developing systems, streamlining operations, improving the day-to-day running of a business and improving its growth prospects. It also offers the latest news, trends, statistics and solutions on general business, finance, agriculture and franchising, and allows users to interact with other business owners online.

3 900 registered subscribers

(2013: 3 400 registered subscribers)

BizDirect Response Centre

A dedicated Business Banking call centre that provides customers with faster and more convenient access to specialised consultants for service-related queries, as well as some transactional functions. The call centre removes the geographic barriers that would normally hinder access to a relationship manager.

Averaging 40 000 calls and 7 000 emails a month

Recognition

We received the 2014 South Africa Frost & Sullivan Award for Customer Value Leadership. This was awarded for the value we deliver to our SME customers by constantly innovating across a variety of platforms.

Banking products and services

We have adopted a transaction and deposit-led strategy which requires that we offer this sector relevant transactional products and services that enable them to make payments and collect funds in the simplest way possible.

We offer savings accounts, transactional accounts, investment accounts, lending products, insurance and point-of-sale devices, as well as trade and foreign exchange solutions. Bundled accounts reduce the cost of banking for SMEs and provide customers with a clear idea of bank charges, allowing them to price their own products and services optimally. In 2014, we rolled out a new bundled offering in Nigeria, Ghana, Kenya and Uganda. The products and services included in bundled offerings vary according to each operating country and in countries where the sales app is used, the customer can select which options to bundle according to products that best suit their needs. The availability of point-of-sale devices is limited across the rest of Africa. Solutions such as our Till2Bank offering in Kenya, discussed on page 51, provides SMEs with an accessible and convenient mobile banking payment solution and enables us to reach a much broader customer base in areas where we do not have branches. SnapScan and Masterpass are also viable alternatives and we are investigating how we can utilise these solutions in our operations outside South Africa.

In 2014, we launched TradeSure in Malawi, an insurance product that covers loss or damage to shipments from origin to final destination and covers both onshore and offshore transit of goods across African borders and beyond. Upon payment of the premium, customers are issued with a TradeSure coupon which clearly sets out terms and conditions, excesses and exclusions of the cover. TradeSure simplifies the process and reduces the cost of acquiring insurance, and is available to our Business Banking customers, including SMEs.

We provide finance to SMEs in the form of working capital finance, vehicle and asset finance and term loans, as well as trade finance. Once we have established a banking relationship with an SME and understand its transactional behaviours we evaluate the business's ability to repay and make lending decisions. This helps us to further our support to our SME customers with working capital solutions and growth finance. At this stage, we do not use a credit scorecard. We continue to work with our teams in the rest of Africa to improve the quality of credit applications submitted so that we can deliver first-time decision-making and improve credit application turnaround times.

In certain countries, we also offer insurance products for SMEs covering death, disability, fire, flood and theft. Our bancassurance offering for SMEs covers business owners and business contents. This offering is tailored to country-specific needs and is available in six countries.

Facilitating trade

Opportunities that lie within the informal trader market include having the ability to provide omni-channel solutions that facilitate SME trade at a domestic, regional and international level. A large proportion of consumer goods sold in trader markets across Africa

originate from China. An opportunity exists in using yuan accounts to facilitate China-Africa trade settlements. Through our strategic partnership with ICBC, we have in place renminbi accounts and cash and settlement solutions. Businesses are able to buy renminbi currency and open renminbi accounts in their country of residence, as well as open accounts in China. Having a bank account in China offers a variety of payment alternatives such as making payments using a China Union Pay debit card, making direct deposits or transfers into suppliers' accounts or withdrawing cash from ATMs and branches across China. We have a number of Mandarin-speaking consultants across the rest of Africa who are able to further facilitate trade solutions for our customers and we have expanded our trade teams in all our African subsidiaries to capture a greater volume of trade transactions. Opportunity also exists in personal remittances in yuan, whereby Chinese individuals, working in Africa, require the means to remit a portion of their salaries home.

Cash service points

Our cash service points are branches conveniently located near SME markets, which reduces the risk of transporting cash in congested areas and offers extended business hours that mirror customers' operating hours. These types of channels are available in Kenya, Ghana, Nigeria, Tanzania, Uganda and Zambia. In key areas, these branches are open seven days a week and up to nine hours a day.

Business development support

Business development support programmes are not in place in the rest of Africa. This is due to low uptake and difficulty in finding service providers able to deliver quality solutions to as many of our customers as possible across multiple jurisdictions. The majority of these service providers offer programmes for businesses that have a turnover of USD2 million a year and which are generally well capitalised. As such, we are investigating the feasibility of launching an online enterprise development support solution. In some countries our operations have formed partnerships with development non-profit organisations such as the Enterprise Development Centre in Nigeria, Junior Achievement Uganda and the Zambia Development Agency. In addition, Business Banking Africa works with our Group Vendor Management and Procurement units to identify SME suppliers in the rest of Africa supply chain that require enterprise development assistance.

Agriculture financing

Global Reporting Initiative – G4: FS7 and FS14

To sustain the forecasted global population of nine billion people by 2050 requires that current food production levels increase by approximately 70%. Assisting Africa to increase food production enables the continent to become self-sufficient and supplement world supply as demand increases.

Opportunities associated with SME banking

- Entrepreneurs are especially loyal to business partners that support and nurture them from inception. This improves lifetime customer value.
- SMEs employ more than 60% of the South African workforce. Through our relationship with these customers we have access to the employed personal mass market giving us the opportunity to grow our customer base.
- Small, locally-owned businesses put a large share of their revenue back into the local economy which contributes to developing the economies of local communities and ultimately creates local retail banking opportunities.

PBB rest of Africa

271 716

SMEs banked across 14 countries outside South Africa (2013: 209 913)

Target: 280 000

The SME sector currently contributes

45%

of the total transaction and deposit base in the PBB rest of Africa Business Banking segment

R12.8 billion

SME deposits
(2013: R10.8 billion)

R5.7 billion

SME funding
(2013: R4.5 billion)

USD6.5 million (R70.5 million)

financing provided to youth empowerment projects in Zimbabwe as part of our USD20 million (R217 million) Stanbic Bank Wealth Creation Fund. Projects in the following sectors have benefitted from this facility: agriculture, manufacturing, services industries, commodity traders and brokers, medical, hospitality, retail and wholesale, telecommunication and mining.

Enterprise development programmes in South Africa

Franchisor Incubator Programme

In collaboration with Franchising Plus this programme assists local entrepreneurs to develop a sound strategy for expansion using the franchise model. The programme provides hands-on experience from leading franchising experts. The first step in the programme is to ensure that business fundamentals are correct so that the business can be successfully replicated, leading to employment creation and business sustainability. The initiative is directed at profitable, black-owned businesses that have been in operation for two or more years and which are willing to invest their time and money in the development process. Standard Bank contributes a portion of this investment. Participants benefit from practical business consultations over a 12-month period. The participating businesses represent a broad cross-section of sectors from consumer goods businesses operating in the fast foods industry to individuals running successful technology-based companies.
Number of participants: 12 entrepreneurs

Mutale Agribusiness Development Programme

This programme assists selected farmers with accessing diverse services such as inputs, infrastructure, working capital finance, agriculture insurance and credit guarantees. The aim is to create a sustainable model for aggregating smallholder farmers and presenting them as viable business partners for suppliers, financiers and markets through a management company. The project is located in the Vhembe district municipality in the Limpopo province. The programme has been running for three years and we have invested R10.5 million since its inception. New markets have been secured for the farmers with companies such as Farmwise and Tiger Brand. In addition to these agreements the farmers continue to sell their produce to the informal markets through wholesalers such as FoodBank and Fruitspot.
Number of participants: 50 emerging farmers

Think Big South Africa Support Programme

Our Think Big South Africa television series, launched in 2014, followed 12 entrepreneurs selected from across the country as they overcame business and personal hurdles in an effort to win a R1 million investment in their business. Of the 12 entrepreneurs, six were chosen as finalists qualifying for business development support. TechnoServe, a United States-based non-profit economic development organisation, has been appointed to help these individuals develop skills, social networks and provide back-office support over a six-month period. Christine Buchanan and Louiza Rademan, co-owners of the Oh-lief brand of natural and organic products, were the winners of the R1 million.
Number of participants: six entrepreneurs

Market Access & Economic Cluster Development Programme

This programme offers training including technical and business coaching and mentorship, as well as soft skills such as marketing, finance and costing management and organisational behaviour to black smallholder farmers, 80% of whom are beneficiaries of South Africa's land reform programme. Faciliators and topic experts deliver the courses. Topic experts are affiliated with the South African Agri Academy which promotes sustainable market access. Training consists of theoretical classroom sessions and practical visits to illustrate best business practice. The programme aims to ensure that beneficiaries are trained and equipped to become independent, fully commercialised businesses with sustainable local, regional and international market access. The model caters for subsistence farmers with the potential to become commercially viable, semi-commercial farmers that are unable to access production finance and longer term loans, and commercial farmers. It runs in all nine provinces in South Africa and since inception 80 farmers have moved from the foundation phase (market access) to economic development with some having secured agreements with retailers such as Tiger Brands and Farmwise. We have invested more than R25 million in the programme to date.
Number of participants: 119 farmers

Tutuwa Plus

This programme aims to ensure the sustainability of the black SME beneficiaries in our Tutuwa Share Scheme beyond the vesting of their shares in March 2015. The programme assists these businesses in making sound investment choices and will provide for ongoing business advisory support following the SME's exit from the scheme.
Number of participants: 261 black SMEs

Business development support standards

We are developing a set of internal business development support standards to ensure a consistent framework of business support provided to SMEs. The standards will ensure a consistent quality in business development interventions implemented and cover business aspects such as finance, human resources, legal, marketing, procurement and operations. These are being piloted with six partners.

Our own Supplier Development Programme is discussed on page 124.

In addition, increased agricultural productivity means improved household food and income security, improving quality of life. Furthermore it creates an environment conducive to the development of rural businesses and rural employment. An increase in Africa's agricultural output will also create demand for upstream products linked to the broader agribusiness sector, creating new economic opportunities for enterprises. As 60% of the world's unused arable land is in sub-Saharan Africa, agriculture financing offers us the opportunity to develop innovative financial solutions for this sector. In addition, financing new technologies and expansion in the agriculture value chain not only supports increased primary production, but also opens up new revenue streams for the bank.

Our customers operating in this sector face a number of challenges. Produce yield is impacted by water scarcity in certain regions, climatic events and unpredictable weather patterns, as well as livestock and plant diseases. Price risk is another challenge influenced by world production, stock levels and subsidies. Other factors include negative terms of trade (where agriculture input prices such as those of seed and fertiliser increase faster than agricultural products sold), increasing legislative requirements and uneven playing fields due to tariff and product protection devices.

South Africa

The South African Government's NDP highlights the agriculture sector as an important element of the country's economic growth. We provide a holistic approach to financing this sector encompassing working capital solutions, vehicle and asset finance, short-term insurance and tools that help us grant credit in a responsible manner. We build our market presence through strategic partnerships with producer and processing organisations, relevant sponsorships and development initiatives. We also work with government, development finance institutions and agribusinesses to identify funding opportunities and we attend study group meetings in various provinces.

We facilitate the needs of customers in the primary agriculture market; small, medium and large farming operations producing agricultural produce for human and animal consumption; as well as secondary agribusinesses which directly sell to or buy from primary agricultural producers. Our focus is on asset finance arrangements with cooperatives which are groups of businesses that provide basic agricultural production inputs to primary farmers, as well as capital such as crop finance and insurance offerings. The cooperative culture means that the inputs and services provided to members ensure that farmers become sustainable and grow steadily.

To timeously identify customers in financial difficulty requires a deep understanding of the industry. As such we have a specialised advisory team in place dedicated to supporting the agricultural origination and credit process. This team includes qualified agriculturists. Our network of account executives and business managers facilitate the needs of our agricultural customers. These employees are trained through our accredited in-house Agri Credit courses and are further supported by the advisory team which provides technical support.

Financing black farmers

To sustainably increase yield, smallholder farmers require access to inputs such as seeds and fertilisers, improved land and water management systems and better market access, all of which require access to finance. BEE agriculture recognises the need for economically sustainable black commercial businesses in the sector to secure its growth. Our focus in this market is mostly on providing transactional services to agriculture businesses. Smallholder farmers find it difficult to access credit given that they generally do not have robust financial records or tangible collateral. We have ring-fenced a line of credit to support production finance and the acquisition of productive assets for black smallholder farmers in the livestock, citrus, grain and sugar industries. Our total black agriculture book at December 2014 was R384 million (2013: R242 million), of which 15% were loans to black smallholder farmers.

Enterprise development opportunities are incorporated into our BEE agriculture offering. A tripartite structure that includes the farmer, Standard Bank and a management support agency that assists with production, business and value chain management is put in place for each loan deal. The level of training and support provided depends on the capabilities and resources of each enterprise. This approach has improved our understanding of how to lower the risk of financing this market, which has enabled us to increase our reach in the unbanked segment of the agriculture market in all nine provinces. A lack of risk-sharing models is a challenge and as such we establish relationships with prominent organised BEE agriculture organisations such as AFASA, the AgriMEGA group and NERPO to help emerging farmers gain greater market access and secure their ability to pay back their loans.

Standard Bank Centre for Agribusiness Leadership and Development

The Standard Bank Centre for Agribusiness Leadership and Development, in partnership with the University of Stellenbosch, supports agricultural development, growth and transformation in South Africa through agriculture knowledge transfer and providing learning activities and mentorship support for black emerging farmers, with a focus on land reform and agriculture land transfer initiatives. The centre also commissions research into various topics such as agricultural transformation, agribusiness competitiveness analysis and food security, as well as publishes case studies. Our partnership with the centre positions us as a proactive leader in the sector and

provides us with a platform to help shape policy and engage with industry leaders.

The centre drives engagement and thought leadership in the South African agricultural sector and is a credible and independent source of insight for government and the agriculture value chain as a whole. The centre has initiated a number of Agric Leadership Imbizos (gatherings), where stakeholders ranging from agricultural leaders, academics, researchers, industry representatives and farmers address sector concerns. Input from the imbizos is forwarded to the National Planning Commission for consideration. An imbizo in March 2014 mobilised prominent agribusiness institutions and leading commercial farmers to implement the NDP's land reform proposals. One pilot programme was agreed to and we are directly involved in the funding model. A number of other pilots put forward are being considered.

Together with PricewaterhouseCoopers, we have developed a short course for third party business development support providers in the agricultural sector. The level six National Framework of Qualifications accredited course will enable support providers to help smallholder and medium scale commercial black farmers get structured support to access markets, finance and other players in the value chain. The centre's Academic Programme helps advance graduates with bursaries towards Masters and PhD degrees. Eleven students received bursaries in 2014 from institutions such as AgriSeta, Santam Agri and the Western Cape Department of Agriculture. The programme aims to support 20 students in 2015. The centre's partnership with Britain's Royal Agricultural College and the African Fellowship Trust facilitates internships for students from the rest of Africa in South African agribusinesses. Five interns were placed with a number of agribusiness development agencies in the Western Cape in 2014.

Rest of Africa

Highlight: *we funded smallholder farmers in the Zaria region of Nigeria under the umbrella of Nalmaco, a grain customer of the bank.*

Financing of the agriculture sector in Africa has been constrained due to the risks associated with the sector, modest returns and the high cost to extend banking facilities into rural areas. This has in turn limited the growth the sector has been able to sustain. Our aim is to implement funding structures supported by specialist teams to ensure rigorous due diligence before lending occurs. Our agriculture offering in the rest of Africa targets the entire agriculture value chain from production and processing through to retail. Our contribution to production output includes providing long-term financing, advising on production risks, as well as assisting in creating new markets for agricultural producers. Our customers are mostly medium to large businesses in this sector with the exception of Nigeria where our focus is also on smallholder farmers.

Standard Bank Centre for Agribusiness Leadership and Development

We have invested R5.1 million in the centre which through academic training, research and leadership development support, focuses on transformation strategies in the agriculture sector within the Africa context.

In Nigeria some 80% of primary agricultural production originates from smallholder farmers and providing relevant banking solutions to this market is an opportunity for Stanbic IBTC Bank. We target smallholder cash crop farmers that have agreements in place with formal organisations to purchase future production and who have the capacity to produce crops profitably. We use our existing lending products to finance these farmers. We have partnered with the Business Innovation Facility to develop the Smallholder Farmers Finance Scheme which is being piloted in the Plateau State in Northern Nigeria. The scheme looks to address the gap in smallholder agriculture financing. It gives us access to agricultural research and helps us develop a better monitoring process, reducing our risk. For smallholder farmers the scheme provides training through partners such as the United States Agency for International Development and organises farmers into groups making it easier for them to access financing, as well as production inputs. Yield is further increased through cultivating larger land areas.

The Nigeria Commodity Exchange (NCX) launched a pilot electronic warehouse receipt system in 2014. Stanbic IBTC Bank is participating in the project which provides a platform for farmers to place their commodities at an NCX-accredited warehouse in different parts of the country. The farmer receives an electronic receipt which can be used as collateral to obtain bank loans, to trade on the exchange or to keep such commodities in the warehouse until their prices stabilise or appreciate. Stanbic IBTC Bank is the settlements bank. The warehouse receipt system has been well received and, together with the commodity exchange, is expected to grow over time and contribute to Nigeria's ability to supply to the global commodity market.

Looking forward

Our key objectives looking forward are to:

Short to medium term

- Drive volume and revenue in our Inclusive Banking business while reducing the operating costs associated with this business.
- Continue to investigate methods in which to improve credit application turnaround times for the SME market in the rest of Africa.
- Provide banking services to around 2 000 smallholder farmers and 50 farmer groups in the Smallholder Farmers Finance Scheme in Nigeria.
- Grow the rest of Africa real estate asset book to at least 15% of the total real estate book over the next two years.
- Find ways to increase our procurement spend from black-owned SMEs, particularly women-owned businesses, in South Africa and drive increased local procurement in the rest of Africa.
- Enhance the external and internal branding of our CSI initiatives and improve our impact evaluation process.

As 60% of the world's unused arable land is in sub-Saharan Africa, agriculture financing offers us the opportunity to develop innovative financial solutions for this sector. In addition, financing new technologies and expansion in the agriculture value chain not only supports increased primary production, but also opens up new revenue streams for the bank.

Our environmental impact

Our opportunities

- Reducing our resource consumption and designing our buildings in an environmentally sustainable way reduces operational costs and environmental impact.
- Our ability to fund projects that have a positive impact on the environment.
- By developing relevant products and services, we can turn climate challenges into opportunities to build new revenue streams.

Our challenges

- Heavy over-supply in carbon markets resulting in a drop in carbon prices.
- Fragmented approach to emissions trading complicates the ability of different emissions schemes to interact and generate reasonably comparable measures of performance.
- Diesel is required for energy supply in the rest of Africa.
- Cost of retrofitting energy systems and designing green buildings.
- Managing and measuring the carbon footprint in the rest of Africa.

*Scored **80%** (2013: 71%) in the Carbon Disclosure Project (CDP) and we were one of only nine companies in South Africa that were included on the CDP's Climate Performance Leadership Index A-list.*

2014 highlights

Committed **R2.1 billion** for one concentrated solar power project and one photovoltaic project with an installed renewable energy capacity of 175 megawatts in the third phase of the **South African Government's Renewable Energy Independent Power Producer Procurement** (REIPPP) Programme.

Signed the **2014 Global Investor Statement on Climate Change** calling for world governments to take action to close gaps, weaknesses and delays in energy policies.

Acted as co-arranger on the City of Johannesburg's green bond, the **first listed green bond** in the South African debt capital markets.

The GBCSA awarded 30 Baker street an 'as built' **5-Star Green Star rating**.

SBG

35 million tons

of greenhouse gas abated as a result of our carbon financing (2013: 37 million tons)

Standard Bank South Africa

16.8 million

electronic statements delivered, 27% of the total volume of statements covering transaction products, VAT statements, vehicle and asset finance, home loans and card

Our approach

Given that the financial services industry generally has a low direct impact on the environment, our greatest opportunity for managing environmental risk lies in mitigating the potential impacts related to our financing activities.

Our direct impact arises out of our operational activities in which we consume natural resources and generate waste. Given the large number of premises we occupy and manage, our focus and investment in energy efficiency projects is making a difference to our natural resource consumption.

Our greatest opportunity to meaningfully impact on environmental issues lies in our indirect impact. Here we are in a position to lend responsibly to our clients to ensure that social and environmental risks are mitigated. We are proactive in our approach to environmental and social risk management and go beyond minimum compliance. We are further able to make a contribution through our ability to finance innovation and turn the climate challenge into market opportunities, as well as by developing products and services that assist our customers in reducing their own carbon footprint.

Our environmental impact

- Climate finance (page 146).
- Green buildings (page 150).
- Resource consumption and emissions (page 150).

Performance indicators

SBG **R2.1 billion** committed to renewable energy projects under the REIPPP Programme (2013: R5.3 billion underwritten)	**No target**
Standard Bank South Africa **319 784 ✓ metric tons** of CO_2 equivalent emissions (2013: 335 475 metric tons[1])	**No target** ✓ decreased
Standard Bank South Africa **275 061 941 kilowatt hours** purchased electricity consumed (2013: 303 332 016 kilowatt hours[1])	**2015 target:** 15% reduction ✓ decreased
Standard Bank South Africa **980 117 kilolitres** water consumed	**2015 target:** 20% reduction Increased scope, therefore not comparable to 2013
Standard Bank South Africa **2 502 tons** paper consumed (2013: 2 842 tons)	**2015 target:** 10% reduction ✓ target met in 2013 and achieved further reductions in 2014
Standard Bank South Africa **2 108 tons** waste generated (2013: 2 071 tons)	**2014 target:** maintain a ratio of 3% reuse, 60% recycling and 37% waste to landfill ✗ did not maintain target ratio

[1] *Restated.*

Capital impacts

financial capital is required to implement energy efficiency initiatives and invest in climate abatement opportunities

social capital is increased as we contribute to the delivery of alternative sources of energy infrastructure on the continent

human capital increases as we upskill our employees to evaluate the potential environmental and social risks associated with providing finance

manufactured capital is increased as we build our own alternative sources of energy

reducing our **natural resource** consumption reduces operational costs

SBG

35 million tons

of greenhouse gas abated as a result of our carbon financing (2013: 37 million tons). This equates to the annual greenhouse gas emissions generated from the electricity use of approximately

4.8 million

households in a year

SBG

Involved in

82

CDM projects, of which

60%

were in Africa.
(2013: 76 projects of which 65% were in Africa)

84

projects included in our Programmatic CDM portfolio (2013: 64), abating approximately

21 million tons

of emissions (2013: 17 million tons)

CDM projects

Sunny Money Solar Lighting Projects: this project sells and distributes handheld solar lights. We were an exclusive partner and assisted the project to access carbon credits in countries such as Kenya, Malawi, Tanzania and Zambia. The project provides a number of marked benefits including a saving on the cost of lighting, the replacement of kerosene lanterns which emit carbon dioxide and have been linked to respiratory illness, increased mitigation against fire hazard and a contribution to employment, as lights are distributed through schools and the local communities.

World Vision Efficient Cook Stove Project: based in Ethiopia, this project provides cost-effective fuel efficient wood-burning stoves to communities. Ancillary benefits include more efficient use of wood fuel resources, along with significant health and safety benefits. We were the initial off-taker of the carbon credits and we facilitated a deal where the Swedish Government is the premium purchaser of the emission reductions to offset their national obligations. We have provided the finance required by World Vision to make the initial purchase of the stoves for distribution.

Environmental products and services

Global Reporting Initiative – G4: EC7, EN30, FS5 and FS8

Climate finance

During 2014, we continued to finance renewable energy projects across Africa and to develop commercial financing solutions to support the growth of low-carbon and clean technology projects, including our Programmatic Clean Development Mechanism (CDM) product. However, the sale of 60% of our Global Markets business in London to ICBC includes the carbon trading desk and after reviewing the carbon business strategy, ICBC has decided not to pursue new business opportunities in the CDM for the time being.

Carbon trading

The CDM under the Kyoto Protocol is the global market for carbon credits and is overseen by the United Nations. It allows industrialised countries to help reduce global emissions by investing in sustainable development projects that reduce greenhouse gas emissions in developing countries. Approved CDM projects can generate Certified Emission Reduction units which are traded as carbon credits. We applied a range of quality criteria to the emissions-reduction projects we financed or purchased carbon credits from, to ensure they deliver real and permanent emissions reductions.

Traditionally, smaller low-cost emissions-reduction projects would not have been able to access carbon credit revenue due to high transaction costs. In addition, the CDM Executive Board only issues carbon credits once a carbon-reducing activity is completed. The Programmatic CDM allows for the registration of a programme of activities, which works as a collective mechanism for a range of smaller individual projects. We established a number of Programmatic CDM registrations enabling organisations to avoid the cost of individually registering an energy efficiency project and generate carbon credits much sooner. Projects that formed part of our Programmatic CDMs cover renewable energy, corporate and household energy efficiency, solar lighting, clean cook stoves, biomass generation and waste management. The United Nations Framework Convention on Climate Change (UNFCCC) have approved 16 programmes in our Programmatic CDM portfolio.

In 2014, we participated in initiatives to help support carbon prices and engaged with governmental and development organisations to develop climate finance structures to ensure carbon prices are high enough to make projects viable. The Climate Markets and Investment Association (CMIA) is a leader with regards to incentivising low-carbon and resource efficient investment. We have been represented on the board since its inception in 2007. We have also been members of the International Emissions Trading Association (IETA), the global

trade association for the emissions market. The association's objectives are to promote an integrated global view of the emissions trading system, develop national and international rules and guidelines for emissions trading, and provide credible emissions trading and greenhouse gas market activity. With the sale of the controlling stake of our outside Africa Global Markets operation, we will no longer be a member of either of these associations going forward.

Clean energy and energy efficiency

There are various funding opportunities across Africa in the renewable energy and hydro power generation sectors. However regulatory issues, limited government support and a lack of clearly defined programmes constrain the development of these projects. To facilitate the investment needed to meet the continent's growing energy demands requires a common understanding between developers, governments and funders of the pricing and regulatory risks associated with these projects. We work closely with government where we can and where there is limited support we look to develop innovative credit enhancement structures. The capacity of common infrastructure is also a challenge. For example, the REIPPP Programme in South Africa was impacted in 2014 due to the inability to connect to the grid.

South Africa

In South Africa, the government's REIPPP Programme is aimed at securing a total of 17 800 megawatts of renewable energy by 2030. The programme will serve to lower electricity prices, reduce the reliance on coal and lower pollution over time. We are active in advising, arranging finance for and funding renewable energy projects under the REIPPP Programme and we are dealing with a large number of project developers to this end. Our involvement is set out alongside. Local manufacturing requirements are structured into the construction and operation of the projects, creating opportunities for job and wealth creation. It is compulsory for the project deals to include local communities as equity participants, funded by local development finance institutions.

The Department of Energy in South Africa has undertaken to develop a dedicated fund to help small independent power producers access the opportunities presented by the REIPPP Programme. It aims to procure 200 megawatts from small-scale solar, wind, biomass and landfill gas projects. We are engaging with consultants on this initiative.

We have a R20 billion funding support agreement with ICBC for renewable energy projects in South Africa. Under the agreement ICBC will co-lend into renewable

REIPPP Programme projects

Linde

The Linde photovoltaic project is located in the Northern Cape province and has been connected to the grid since June 2014. It will be able to provide Eskom, South Africa's power utility, with up to 88 000 megawatt hours of electricity annually. The R1.15 billion project incorporates solar-tracking technology, which increases the plant's output by collecting solar energy for the longest period possible through aligning the panels to the shifting position of the sun. Linde was financed through a combination of debt from Standard Bank and equity from a consortium of companies including Scatec Solar, Standard Bank, Old Mutual Life Assurance Company, Norfund and Simacel.

40 megawatt solar photovoltaic project

MetroWind Van Stadens

Located in the Eastern Cape province, the R599 million MetroWind Van Stadens wind farm project is projected to have a 20-year life span and deliver 80 000 megawatt hours of electricity a year to between 5 000 and 6 000 households in the Nelson Mandela Bay Metropolitan Municipality. We are the authorised lead arranger in this transaction and are providing R450 million in debt financing to a consortium comprising Basil Read Energy, Afri-Coast Engineers, Old Mutual, Spilled Water Renewable Energy and the Van Stadens Community Trust, for the construction of the project. The project is expected to meet almost 50% of the Nelson Mandela Bay municipality's target of generating 10% of electricity from renewable energy.

27 megawatt wind farm project

Kalkbult

Kalkbult is a photovoltaic power project in the Northern Cape province whose shareholders include Scatec AS, Norfund, Old Mutual Ideas Fund, Stanlib, Simacel and the Kalkbult Local Community Trust. We are the sole mandated lead arranger and underwriter to the project which has been connected to the grid since September 2013. The project will provide Eskom with up to 137 million kilowatt hours of electricity annually, which is enough electricity to supply 33 500 households a year.

27.5 megawatt solar photovoltaic project

Herbert

We are the sole mandated lead arranger and underwriter of the Herbert photovoltaic project located in the Northern Cape province. Herbert has a signed power purchase agreement with Eskom and became fully operational in April 2014, although the project has generated early operating revenue since November 2013. Herbert is owned by AE-AMD Renewable Energy (Pty) Ltd, Old Mutual Ideas Fund, Tenesa, Exoport and the Herbert Educational Trust No 1, a local community trust.

22 megawatt solar photovoltaic project

SBG

Two

projects financed under the REIPPP Programme are under construction and

13

have come on line and are supplying electricity to the grid

SBG

USD28 million (R304 million)

debt underwritten for renewable power generation in the rest of Africa (2013: USD607 million (R6.6 billion) of which USD517 million (R5.6 billion) was provided for projects in South Africa)

Standard Bank South Africa

524

(2013: 537) customers, around 22% of Fleet Management's customer base, were using the ECO_2Fleet tool at December 2014

The tool covers

50 416

vehicles (2013: 55 217), 2.4% of which are Standard Bank's vehicles

energy projects with Standard Bank, where we are mandated as the lead arranger, through to 2025. ICBC's involvement will help to reduce liquidity and capital pressure and will provide further diversification of our sources of funding, in addition to domestic asset managers who are keen to invest in such projects.

Rest of Africa

We are co-financing the 300 megawatt Lake Turkana wind project, in northern Kenya, together with a group of commercial banks and development finance institutions including the African Development Bank and the European Investment Bank, as well as the United States Overseas Private Investment Corporation. Once complete, this will be the largest wind farm on the continent. We have also provided a R500 million facility to the Zimbabwe Power Corporation which is part of the Zimbabwe Electricity Supply Authority group of companies. The facility will be used to fund the 300 megawatt extension of the Kariba South Hydro Power Plant.

Green bond for the City of Johannesburg

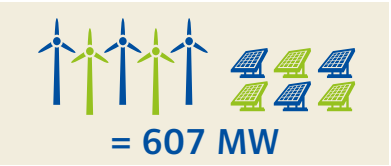
We acted as co-arranger on the City of Johannesburg's green bond, the first listed green bond in the South African debt capital market. The R1.46 billion bond is due in 2024 and pays an annual coupon of 10.18%, at a yield of approximately 185 basis points above the R2023 government bond. We arranged the sale of the instrument in partnership with BEE firm, Basis Points Capital. The bond will be used to fund projects ranging from efforts to reduce greenhouse gases to renewable energy initiatives across four key areas of the city's infrastructure: power, water, parks and transport. Through this bond issue, the City of Johannesburg has become the first member of the C40 Cities Climate Leadership (C40) Group to issue such an instrument. The C40 Group is a network of megacities across the world committed to addressing

Our involvement in the REIPPP Programme in South Africa

Bid submissions round 1
(closed: now in construction phase)

28 projects to produce
1 416 MW

Standard Bank underwrote
R9.5 billion
for this round, having been awarded
11
out of the 28 projects



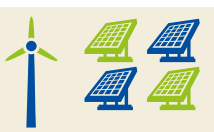
= 607 MW

Note: STANLIB has taken a R220 million equity stake in four projects.

Bid submissions round 2
(closed: now in construction phase)

19 projects to produce
1 044 MW

Standard Bank underwrote
R5.3 billion
for this round, having been awarded
5
out of the 19 projects



= 258 MW

Bid submissions round 3
(announced but not yet closed)

17 projects to produce
1 365 MW

Standard Bank has committed
R2.1 billion
for this round, having been awarded
2
out of the 17 projects

= 175 MW

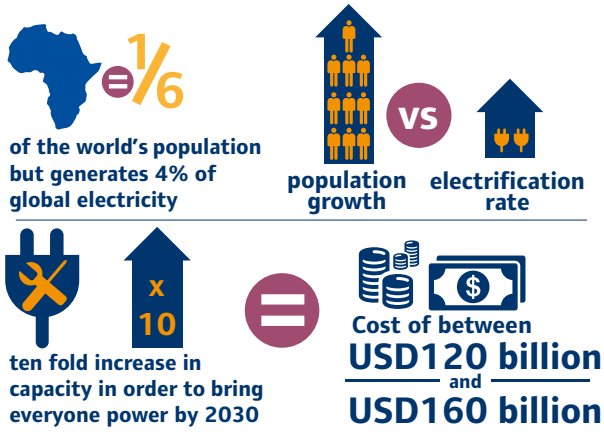
climate change. Bids received for the bond amounted to approximately R2.2 billion, an oversubscription of roughly 1.5 times. The bond was sold to domestic investors who exhibited a strong appetite for an asset class that encapsulated the principles of environmental, social and governance responsibility.

Carbon calculator for vehicle fleets

Our ECO_2Fleet carbon calculator tool is targeted at customers who operate vehicle fleets. It combines their card-based fuel purchases in litres with the distances travelled to calculate the carbon emissions per vehicle and the footprint of the fleet overall. In addition, our Fleet Management unit provides consulting services to help these customers manage their fleets more efficiently. For example, by comparing the actual emissions emitted by a vehicle against the vehicle manufacturer's specifications, or the national average footprint of the same vehicle, we are able to identify which vehicles are not being used efficiently. Inefficiency could indicate various factors such as the vehicle being incorrectly driven, its unsuitability to the function it is being used for or age-related wear and tear. By identifying these factors we are able to help our customers reduce their carbon emissions and costs associated with the running of their fleets. The tool offers online monitoring and reporting aligned to the internationally accepted GHG Protocol, the most widely used accounting tool to measure carbon dioxide and other emissions. This product is available to any business customer with a Standard Bank Fleet Management Card or private individual with a Personal Motorcard, and is offered at no additional cost to customers who are able to view their carbon footprint for passenger as well as light, medium and heavy commercial vehicles.

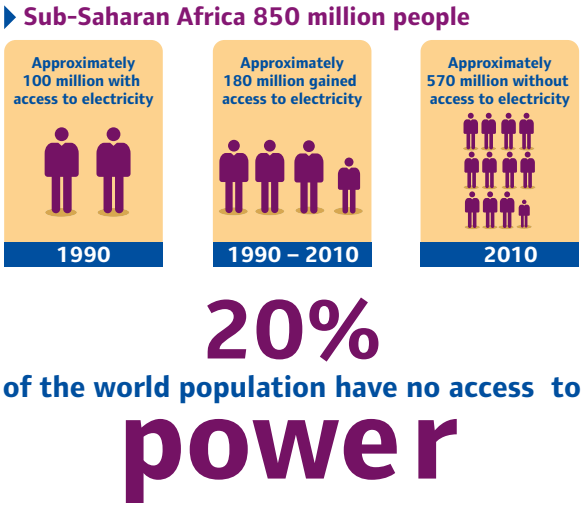
Our commitment: *in 2014, we signed the Global Investor Statement on Climate Change; a call from financial institutions across the globe to world governments to act to provide stable, reliable and economically meaningful carbon pricing policies that will help redirect investment that is aligned with the scale of climate change. The statement highlights concern that current investments in clean energy have only totalled USD25 billion (R271 billion) when they should be averaging around USD1 trillion (R10.8 trillion) a year from now until 2050.*

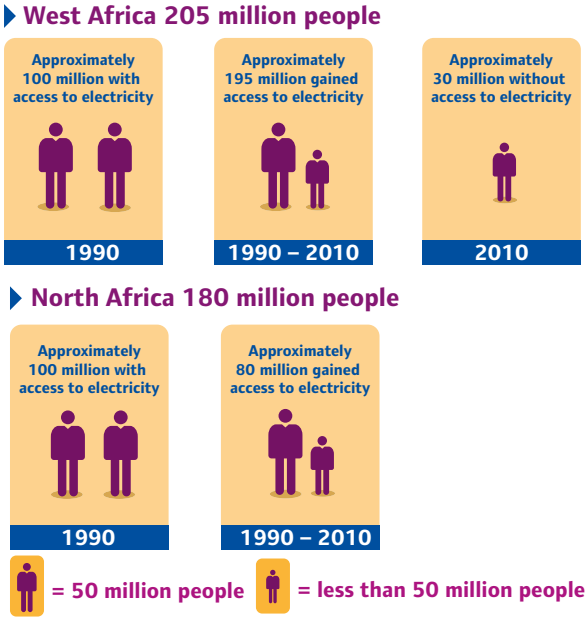
Key issues in Africa's sector



How much power does Africa need?

Access to energy





Green buildings

South Africa

Standard Bank has a property portfolio in excess of one million square meters in South Africa comprising of several hundred buildings ranging in functionality, operation and size. Around 500 000 square metres of this is commercial office space spread over 135 properties with the other half million square metres being retail branch space. Standard Bank Properties is a member of the GBCSA and when designing new buildings, we consider the Green Star SA building rating system that measures the environmental impact of buildings, taking into account factors such as building management, indoor environmental quality, the building's energy and water consumption, users' transportation needs, materials used, land use and site emissions. Our efforts to green our buildings are implemented throughout our property portfolio including offices and branches, as well as cash and data centres.

Buildings are certified at the design stage and once the building is complete. Ratings range from four stars for best practice to six stars for world leadership. Completed in 2013, our office building in Rosebank, Johannesburg, achieved a 5-Star design rating by the GBCSA and a 5-Star Green Star rating upon completion. Developers must then have the building audited to determine the 'as built' rating which tests the building's design parameters against its actual performance. The 65 000m² Rosebank building achieved a 5-Star 'as built' rating in 2014, one of seven buildings in South Africa to have achieved this rating. The building cost R2.7 billion to build and it is estimated that attaining a Green Star 5-Star rating has added about 3% to the overall cost.

Previously, the GBCSA's suite of tools only took into account the environmental and sustainability aspects of the design and construction of buildings and not the interiors. We have worked with the GBCSA to develop the Green Star SA Interiors Tool which addresses interior fittings across a broad range of tenancies and assesses the environmental attributes of the design, construction and refurbishment of the interior spaces in existing and new buildings. The tool encourages users and tenants of buildings to take cognisance of this additional element in their environmental sustainability initiatives. The interiors tool was jointly sponsored by the bank and Saint-Gobain Construction Products and was formally launched at the Green Building Council Convention held in September 2014. During the pilot phase, which ran from December 2013 to the launch date, we submitted two branches and one head office building for accreditation. We expect all submissions to achieve a minimum 4-Star rating, following which a rollout plan will be developed to use the tool for other office and retail spaces.

Our revamped branches are fitted with the latest energy efficiency technologies such as light emitting diode (LED) lighting and air-conditioning systems with inverter technology. Motion sensors are installed in meeting rooms and offices to optimise energy use in these areas and the branches are fitted with key switches which optimise the use of energy when the facility is not operational. Before implementation of the revamped design the average electrical consumption in our Bedford Centre branch in Johannesburg was 335 071 kilowatt hours. After the revamp, we achieved an approximate saving on electrical consumption of 23% and an annual cost saving of around R109 432. To date we have revamped 368 branches and in 2015 we hope to revamp a further 58 to the new look design and latest energy efficient technologies.

Rest of Africa

Where feasible, we introduce elements of green building design into the construction of new buildings in the rest of Africa. New branches are typically smaller and more efficient than our older branches, generating savings in both construction and operating costs. These construction projects are managed by our in-country teams with guidance from the Real Estate Services unit in South Africa. Our new head office building in Mozambique includes green elements such as the use of fly-ash concrete (which is less carbon intensive during manufacturing), energy efficient lighting (including motion sensors) and more efficient water-cooled air-conditioning systems. The building management practices make provision for water and waste treatment and recycling given that there is no formal sewerage system in this part of Maputo.

Resource consumption and emissions

Global Reporting Initiative – G4: EN1, EN3, EN5, EN6, EN8, EN15, EN16, EN17, EN18, EN19, EN23, EN25, EN31 and FS5

To manage our direct impact on the environment as a result of our day-to-day business activities, we have systems in place to track and manage energy, water, carbon emissions and waste, and processes to reduce our environmental footprint. We continue to focus on improving the integrity of our data for all environmental indicators, with energy being our primary focus. In 2015, we will work to improve the scope and accuracy of our water consumption in South Africa and we aim to engage with one or two countries in the rest of Africa to develop a more robust measure of resource consumption. Lessons from this exercise will then be used to expand our scope of measure for the rest of Africa, and will assist to prioritise environmental risk in this operation and facilitate better management decisions.

Our objective is to consolidate our Johannesburg head office premises into three main campuses. While the Rosebank building has been completed, refurbishment of some office space is still underway. Once the consolidation is complete, this should translate into further operational and resource efficiencies. However for 2014, the dual operation of office space has increased our consumption of certain resources, as set out in the progress table below. During 2015 we will reset our environmental targets which were initially set using 2009 as a base year.

Raising awareness among employees

Earth Hour is a campaign encouraging private households and businesses worldwide to switch off all electricity for an hour to symbolically reduce energy usage and demonstrate the benefits of switching off. On 29 March 2014, we turned off the lights in all our head office campuses and provincial offices in South Africa. A total of 15 sites participated in Earth Hour, saving approximately one megawatt of energy. Our main offices in London, Mauritius, Namibia, Nigeria, Tanzania and

Standard Bank South Africa: progress against environmental targets

Cateogory	Scope	Progress made during the year
Purchased electricity consumed	**2014 scope:** 100% of South African operations including our branch network and ATMs.	**Our target:** 15% reduction by 2015
		2015 target: 312 452 956 kilowatt hours (using 2012 baseline)
		2014 measure: 275 061 941 kilowatt hours
		Progress: since setting our target in 2009, we have implemented a number of energy efficiency and renewable energy initiatives. However by 2012 the scope of our electricity measurement had increased threefold to 100% of our premises in South Africa, including ATMs. As such the efficiencies achieved through our implementations have been obscured by the increased scope. While these energy efficiency initiatives have achieved cumulative savings, much of the decrease in reported consumption is attributed to improved data integrity and the refinement of our methodology to calculate consumption.
Water consumed	**2014 scope:** we have changed the scope of measurement from 11 premises in 2013 to metered readings for 25 sites in 2014, and extrapolating this for the remainder of our premises in South Africa.	**Our target:** 20% reduction by 2015
		2015 target: 269 589 kilolitres for nine buildings (using 2009 baseline)
		2014 measure: 980 117 kilolitres
		Progress: the change in measurement scope has made it difficult to evaluate progress against our 2009 target despite delivering water saving initiatives through the year.
General waste produced	**2014 scope:** main office premises in the Johannesburg area.	**Our 2014 target:** maintain a ratio of 3% reuse, 60% recycling and 37% waste to landfill
		Progress: achieved a ratio of 4% reuse, 57% recycling and 39% waste to landfill. The increase in waste to landfill is due to the relocation of our employees.
Paper[1] consumed	**2014 scope:** 100% of South African operations.	**Our target:** 10% reduction by 2015
		2015 target: 3 003 tons (based on a 100% scope)
		2014 measure: 2 502 tons
		Progress: paper consumption decreased by 12% compared to 2013, exceeding our 2015 target.

[1] This includes marketing paper, deposit slips and books, ATM slips, office paper, statement paper, cheque and stock bond paper.

Uganda also participated. For the 2014 Earth Hour campaign we developed an online system to monitor our mass switch-off. This united our teams in participating countries and served to raise awareness among a wider group of individuals. Leveraging off Earth Hour, we invited various lighting suppliers to showcase their energy efficient products for households at two head office campuses in Johannesburg, as well as at our provincial offices in Cape Town and Durban. Purchased goods amounted to a total estimated energy saving of around 33 000 kilowatt hours per year.

In 2014, we incorporated environmental wellness into our annual wellness day, hosting exhibitors that provide goods and services to help employees green their homes. Exhibits covered energy efficiency initiatives, recycling and growing your own food. Wellness days were held at all three head office campuses in Johannesburg, and in our provincial offices in Cape Town, Durban and Port Elizabeth. The purchase of energy efficient technologies at the wellness days amounted to a total estimated energy saving of 10 000 kilowatt hours per year.

Energy

Managing and reducing our energy consumption reduces our direct environmental impact and lowers operational costs, as well as mitigates the impact of rising electricity costs, pending carbon tax costs and energy supply concerns across Africa. Our three biggest energy consumers are heating, ventilation and air-conditioning systems; lighting and information technology.

Energy efficiency programmes and initiatives in South Africa

Technology	Description	Implementations	Forecasted annual savings for 2014 implementations
Carbon monoxide monitors	Carbon monoxide monitors enable the more efficient use of our exhaust extraction system in parking garages as they only operate when carbon monoxide increases beyond predetermined levels.	**2012, 2013 and 2014** Standard Bank Centre parking garages	**Energy saving:** 939 899 kWh **Cost saving:** R939 899 **GHG emissions reduction:** 940 tons
Motion sensors	Motion sensors are installed in meeting rooms, entrances and parking garages.	**Ongoing project started in 2011** Standard Bank Centre, branch network, Constantia Valley Office Park and Rosebank office building	**Energy saving:** 803 007 kWh **Cost saving:** R803 007 **GHG emissions reduction:** 803 tons
Energy efficient lighting systems	We retrofit our lighting systems with energy efficient lighting systems and we replace light bulbs with energy efficient LEDs which provide an 86% energy saving per lamp fitting.	**Ongoing project started in 2010** All buildings	**Energy saving:** 487 279 kWh **Cost saving:** R487 279 **GHG emissions reduction:** 487 tons
Energy efficient air-conditioning systems	Energy efficient air-conditioning equipment is installed where feasible. This includes inverter units that reduce the start-up current on the air-conditioning compressor.	**Ongoing project** Standard Bank Centre, new branches and in the upgrades of certain existing branches	**Energy saving:** 147 512 kWh **Cost saving:** R147 512 **GHG emissions reduction:** 148 tons
Once off projects	As part of Earth Hour we held awareness campaigns at a number of our premises and coordinated a mass switch-off campaign across Africa.	**Earth Hour 2014**	**Energy saving:** 1 000 kWh **Cost saving:** R1 000 **GHG emissions reduction:** one ton
Branch revamp and upgrades	Revamping our branches with the latest energy efficiency technologies.	**2014**	**Energy saving:** 600 246 kWh **Cost saving:** R600 246 **GHG emissions reduction:** 600 tons
Signage	We are replacing the lights in our signage with LEDs. This is estimated to result in a 90% energy reduction across our electrified signage.	**2014**	**Energy saving:** 388 663 kWh **Cost saving:** R388 663 **GHG emissions reduction:** 389 tons
Total forecasted annual savings for projects			**3 367 606 kWh ✓**

South Africa

The Private Sector Energy Efficiency (PSEE) project, delivered by the National Business Initiative, aims to assist companies in South Africa in implementing energy management strategies with achievable targets. As this aligns to our long term objectives, we participated in the project which has received funding to the value of £8.7 million (R155.3 million) from the United Kingdom's International Climate Change Fund. The PSEE requires that participating companies co-fund the implementation of systems to identify and implement energy saving measures, with the PSEE assisting these businesses by paying a portion of the expert consultants' costs to develop such systems. Through this project we have developed an Energy Management System for South Africa aligned to ISO 50001. Approximately R340 million is spent annually on electricity to perform our day-to-day activities, therefore managing this cost materially contributes to our sustainable long-term financial performance. The Energy Management System is helping us to better understand our energy consumption in South Africa so that we can further optimise our energy usage. The lessons learnt will be used to drive energy efficiency in the rest of Africa and however, the erratic electricity supply in some African countries means we remain dependent on diesel for operational continuity.

During 2014, we spent approximately R8.7 million on energy efficiency initiatives and alternative energy sources in South Africa. This is 79% lower than in 2013 when we implemented the tri-generation plant for the Rosebank building at a cost of R40 million. The energy efficiency programmes implemented in 2014 amount to a total forecasted annual saving of 3 367 606 kilowatt hours (2013: 3 796 593 kilowatt hours). In addition, alternative energy solutions provided 9 218 146 kilowatt hours of energy during 2014, equating to 9 218 tons of CO_2 equivalent not emitted. As we implement energy efficiency projects, our opportunity to achieve further large reductions in our electricity consumption is diminished, however alternative and renewable energy sources are constantly reviewed and implemented where feasible. Our energy efficiency and renewable energy projects are disclosed in the tables on page 152 and below.

We strive to procure IT assets that have a reduced impact on the environment and we replace servers which are over four years old, and typically less energy efficient, with the latest generation energy efficient technology. Electricity is required to power IT systems and the cooling technologies required to regulate the heat generated by IT systems. Projects are in place to reduce the number of single distributed servers, by migrating data onto concentrated server farms. Typically one machine in the consolidated environment

Alternative energy solutions in South Africa

Technology	Description	Implementation	Energy generated in 2014
Tri-generation plant	The energy saving tri-generation plant has a production capacity of one megawatt of energy for base load lighting, heating and cooling. The waste heat from the plant provides a further 0.8 megawatts of energy for heating and cooling.	**2013** Rosebank office building	**Energy saving:** 8 830 267 kWh **Cost saving:** R8.8 million **GHG emissions reduction:** 8 830 tons
Photovoltaic plants (solar-powered)	We have installed three photovoltaic plants with a combined power production of approximately 370 kilowatts. The most recent plant was installed in 2014 on the roof of the parkade at Standard Bank Centre.	**2011 and 2014** Standard Bank Centre and our regional office in Kingsmead, Durban.	**Energy saving:** 275 703 kWh **Cost saving:** R275 703 **GHG emissions reduction:** 276 tons
Hybrid solar water heating system	A solar-powered water heating system that supplements the main geyser system of the head office building which houses the staff gymnasium. The water is heated to an average temperature of 45ºC and the system is able to supply up to 48 000 litres of hot water daily to the ablution facilities.	**2010** 6 Simmonds Street – Standard Bank Centre	**Energy saving:** 112 176 kWh **Cost saving:** R112 176 **GHG emissions reduction:** 112 tons
Total annual alternative energy generated			**9 218 146 kWh**

Note: 9 105 970 kilowatt hours of alternative energy generated was assured.

can run the workload of 20 machines in the distributed environment, resulting in an electricity reduction that is generally of the same magnitude.

The Windows 7 operating system offers advanced power saving features and in 2014 we completed the roll out of this operating system across our desktop and laptop domain. This has resulted in a 30% reduction in the electricity consumption of these machines. We have also set a target to increase the utilisation of all servers to 65%, a 30% increase on the current utilisation rate. If successful, this will reduce the demand for server capacity and avoid an increase in energy consumption. In our data centres, the initiatives implemented to reduce energy consumption have resulted in energy savings of approximately R5 million. These initiatives include increasing the average running temperatures to 23 degrees which requires less cooling, reducing our need for air-conditioning by introducing technologies that provide for more efficient airflow through the data centres and installing energy efficient lighting and cooling systems. Energy efficiency initiatives implemented on our ATM machines include day and night signage switches, LEDs used in signage and energy efficient air-cooling processes. When not in use, our ATMs power down to an idle state, using less electricity.

Measuring energy consumption

Although we have multiple sites in South Africa the majority of our employees are accommodated in a few large office buildings which contribute the bulk of our resource consumption. Remote electricity meters are installed in key buildings and branch sites, as well as in two data centres. In 2014, we increased the number of meters from 318 in 2013 to 333 and we installed an additional 13 meters in a few remote standalone ATMs. Our electricity profile has been calculated using an audited methodology based on metered data, site type and average kilowatt hour consumption, extrapolated to obtain the total electricity footprint across South Africa. ATMs located within a branch are included in the measurement of those premises.

Energy consumption

		2014	2013	2012
Standard Bank South Africa				
Diesel (generators)	kWh	**5 608 551**	3 682 739[1]	3 864 126[1]
Electricity purchased: premises	kWh	**220 352 899**	248 428 258[2]	303 323 037
Electricity purchased: ATMs	kWh	**5 447 900**	5 245 725	15 309 968
Electricity purchased: data centres	kWh	**49 261 142**	49 658 033	48 958 708
Natural gas purchased	kWh	**26 218 167**	14 380 800[3]	Not reported
Renewable energy generated	kWh	**261 158**	243 589	703 234
Total energy consumed in South Africa	kWh	**307 149 817**	321 639 144	372 159 073
Standard Bank South Africa: energy intensity ratios				
Energy per rand of revenue generated	kWh/R	**0.01**	0.01	0.01
Energy per m² of floor space	kWh/m²	**236**	291[4]	336
Energy per full-time employee	KWh/employee	**8 535[5]**	11 563[4]	12 982
Standard Bank rest of Africa (14 countries)				
Diesel (generators)	kWh	**63 689 964**	68 985 260	70 298 088
Electricity purchased	kWh	**70 338 428**	58 449 187	23 432 696
Measured energy for the Rest of Africa	kWh	**134 028 392**	127 434 447	93 730 784
Standard Bank outside Africa (six countries)				
Diesel (generators)	kWh	**288 055**	26 955	Not reported
Electricity purchased	kWh	**7 218 252**	2 837 799	4 511 192
Measured energy for outside Africa	kWh	**7 506 307**	2 864 754	4 511 192

[1] *Restated to include data centres and diesel conversion factor correction.*

[2] *Restated due to double metering of Standard Bank Centre in 2013.*

[3] *Natural gas data was not reported in the 2013 Sustainability Report but is included in this report to align to our 2014 disclosure.*

[4] *Restated due to the above restatements of total energy consumed.*

[5] *2014 ratio is calculated using the permanent and non-permanent full-time employee base (2012 and 2013: permanent full-time employees only).*

Note: electricity consumption covers 100% of Standard Bank South Africa, including ATMs.

The decrease in the overall energy measured for South Africa is due in part to the cumulative savings from the energy efficiency projects delivered over the past few years. However, a more accurate measurement methodology and improved data integrity have also contributed to the overall year-on-year decrease but are not an actual electricity saving. We periodically undertake a comparative analysis of billed electricity data from local municipalities and remote electricity meters installed, and where anomalies are found these are investigated and resolved.

We continue to collect energy (diesel and electricity) consumption data for an increasing number of sites in our rest of Africa operations but have not yet achieved a full scope of measurement. To improve the robustness of the data we plan to pilot an end-to-end environmental management measurement system in one or two countries incorporating processes for collection of data and supporting evidence. In terms of our operations outside Africa, we expanded data collection to additional countries accounting for the markedly higher disclosure in diesel and electricity consumption compared to last year.

Carbon footprint

Our carbon footprint has been calculated according to the International GHG Protocol's Corporate Accounting and Reporting Standard. We use the operational control approach to determine what is included in our scope of reporting. The factors used in our carbon footprint calculations are listed on page 182 of the *annex* to this report.

Standard Bank's South African CO_2 equivalent for 2014 was 5% lower than 2013 due to a refined carbon footprint calculation following the assurance process, the improved data integrity with regards to our energy consumption and the removal of what we had previously included as Scope 3 electricity (as this component is already included in our Scope 2 reporting). Rental cars were moved to Scope 1 in line with our approach to follow the operational control method of reporting. In 2014, we expanded our Scope 1 calculation further to include natural gas for our tri-generation power plant and refrigerant gases, increasing our Scope 1 emissions but improving our disclosure. This has also required that we restate our Scope 1 disclosure for the 2012 and 2013 reporting years.

Standard Bank South Africa: carbon footprint

		2014	2013	2012
Scope 1: direct GHG emissions from:	metric tons	**15 385**	11 435[1]	9 778[1]
Equipment owned or controlled (diesel generators)	metric tons	**1 500**	985[2]	1 036[2]
Vehicles	metric tons	**6 143**	7 625	8 556
Rental cars	metric tons	**188**	165	186
Natural gas	metric tons	**4 850**	2 660[3]	Not reported
Refrigerant gases	metric tons	**2 704**	Not reported	Not reported
Scope 2: indirect GHG emissions from:	metric tons	**283 314**	303 332[4]	363 916
Purchased electricity	metric tons	**283 314**	303 332	363 916
Total Scope 1 and 2 CO_2 equivalent emissions	metric tons	**298 699**	314 767	373 694
Scope 3: other indirect GHG emissions from:	metric tons	**21 085**	20 708	24 085
Business travel (by air only)	metric tons	**13 424**	12 006	13 868
Paper consumption	metric tons	**7 661**	8 702	10 217
Total CO_2 equivalent emissions	metric tons	**319 784 ✓**	335 475	397 779
CO_2 intensity ratios (Scope 1 and 2)				
CO_2 per rand of revenue generated	grams/R	**5**	6	8
CO_2 per m^2 of floor space	tons/m^2	**0.23**	0.28[5]	0.34
CO_2 per full time employee	tons/employee	**8.3[6]**	11.3[5]	13.0

[1] *Restated to align to GHG protocol.*

[2] *Restated to include diesel from data centres.*

[3] *Natural gas data was not reported in the 2013 Sustainability Report but is included in this report to align to our 2014 disclosure.*

[4] *Restated due to double metering of Standard Bank Centre in 2013.*

[5] *Restated due to the above restatements of CO_2 equivalent emissions.*

[6] *2014 ratio is calculated using the permanent and non-permanent full-time employee base (2012 and 2013: permanent full-time employees only).*

For our operations outside South Africa, we are not able to disclose a total carbon footprint, but rather our measured CO_2 equivalent based on the actual data received from individual operations. Liberty's carbon footprint is included in the table below.

Beyond Standard Bank South Africa

		2014	2013	2012
Standard Bank rest of Africa (14 countries): measured CO_2 equivalent	metric tons	**68 059**	44 220	78 804
Standard Bank outside Africa: measured CO_2 equivalent	metric tons	**13 445**	12 634	2 367
Liberty: carbon footprint	metric tons	**49 357**	46 781	51 210

Water, waste and paper

Water consumption

South Africa

While we are not a large consumer of water, we do hope to more accurately understand our consumption and where there may be potential to achieve savings. During 2014, we installed 25 meters at key sites in South Africa and gathered historic consumption patterns. Using this data, we have developed a methodology similar to that used to measure electricity and this has enabled us to extrapolate water consumption for all our premises in the country. The revised measurement methodology means that our 2013 disclosure for water consumption in South Africa, measured for only eleven key buildings, is not comparable to 2014. We have implemented some water saving initiatives in this operation, including the retrofit of water-cooled equipment with air-cooled equipment and the installation of low flush toilets, timers for bathroom taps, rain water harvesting systems for irrigation and monitoring equipment that eliminates the need for garden sprinklers during the rainy season. We also check water accounts against readings for metered sites and discrepancies are managed on an ongoing basis.

SBG: water consumption (municipal and water utilities)

		2014	2013	2012
Standard Bank South Africa	kilolitres	**980 117**	319 085[1]	319 055[1]
Standard Bank rest of Africa	kilolitres	**1 563 696**[2]	2 356 206	Not reported
Standard Bank outside Africa	kilolitres	**61 681**[3]	Not reported	Not reported
Liberty	kilolitres	**174 357**	157 309	127 389

[1] *Data collected for eleven head offices and regional office buildings in South Africa.*

[2] *Data collected for 14 rest of Africa countries (2013:16).*

[3] *Data collected for six countries outside Africa.*

Waste generated

South Africa

In South Africa, our waste management strategy is aligned with the National Environmental Management: Waste Amendment Act 2014 and as such we prioritise waste practices such as minimisation, reuse, recycling and responsible disposal. We receive disposal, reuse and recycling certificates from our service providers. We undertake campaigns to raise employee awareness around minimising and sorting waste and specific interventions such as the reuse of stationery and the use of recycling bins are in place. As our branches are generally located in multi-tenanted buildings, we engage with our landlords on waste management services and recycling systems.

As employees were relocated into the Rosebank building, they were encouraged to clear their work areas in preparation for the move, resulting in an increase in office paper recycled during 2013. As expected the volume of office paper recycled started to decrease in 2014 given that the Rosebank building nears full occupation. The vacating of buildings also resulted in an increase in old IT equipment needing to be reused or recycled, further contributing to the recycled waste in 2013 and 2014. As such, we have marginally missed our target to maintain our 2013 ratio of 3% reuse, 60% recycling and 37% waste to landfill for 2014. In 2015, we plan to reinvigorate our waste sorting and recycling awareness initiatives.

Electronic equipment that has reached end-of-life is centrally collected from all our branches and offices and once cleared of data, the equipment is either refurbished for reuse in the organisation or sold to external service providers for reuse and recycling. Certificates for both processes are issued to the bank and we regularly audit our service providers. Fluorescent tubes and compact

fluorescent lights are disposed of using a drum system and other storage vessels to ensure safe disposal. Our service provider collects these storage vessels and crushes the globes off-site. A destruction certificate is then issued to the bank. No hazardous waste is shipped internationally.

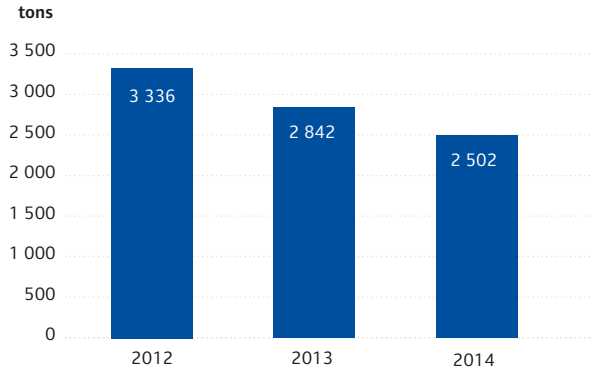
Paper consumption and recycling

We work towards removing paper from processes wherever possible. During 2014, we completed our programme to make electronic statements available across all products and we introduced digital imaging into the application process for new customers. Both initiatives have reduced paper consumption and the use of couriers in the branch network. During 2014, 16.8 million electronic statements were delivered to our customers that have requested this service, 27% of the volume of statements distributed for the year. We also take reasonable steps to ensure the efficient use of resources through appropriate software solutions and the optimal setting of equipment and peripheral devices. For example, in our Rosebank office a printing software programme facilitates the ability to only release a print job once the user has entered a unique PIN code. This negates the risk that confidential information is left on printers or that a document is printed twice. The software programme also forces double-sided printing, which the industry standard shows reduces paper consumption by up to 30%, and monitors printer use per staff member thereby encouraging behavioural changes. To date, these initiatives in Rosebank have reduced paper costs by R730 000 a year.

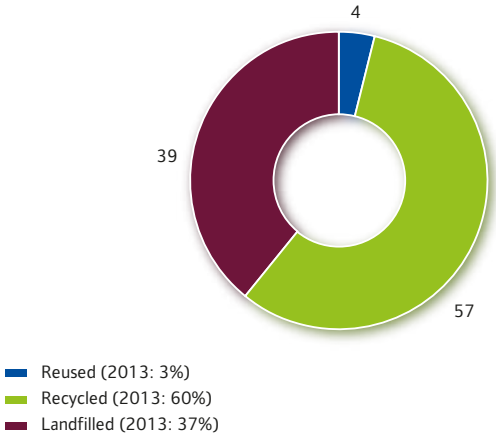
We dispose of internal documentation using an ISO 9001 certified secure process, to protect our information and recycle as much clean high grade paper as possible. This is formalised in our information security policy.

The 12% reduction in paper consumed in 2014 is mostly as a result of transitioning to electronic statements and the more controlled printing environment within offices. The consumption of office paper alone amounted to 1 282 tons (2013: 1 433 tons).

Paper consumption
(Standard Bank South Africa)



Waste sorting
(Standard Bank South Africa)



Standard Bank South Africa

1 496 tons

of paper recycled
(2013: 1 574 tons, 2012: 653 tons)

Standard Bank South Africa: waste generated

		2014	2013	2012
Reused waste (non-hazardous and hazardous)[1]	tons	**92**	61	69
Recycled waste (non-hazardous and hazardous)[2]	tons	**1 203**	1 247	715
Waste to landfill (non-hazardous)[3]	tons	**812**	762	824
Waste to landfill (hazardous)[4]	tons	**1**	1	1
Total waste generated	tons	**2 108**	2 071	1 609

[1] *Including stationery and e-waste.*

[2] *Including office paper, cardboard, newspaper, magazines, envelopes, plastic (bottles, food packaging and cutlery), aluminium and tin cans and glass bottles and e-waste.*

[3] *Including food waste, serviettes and non-recyclable packaging.*

[4] *Fluorescent lights.*

Biodiversity

Global Reporting Initiative – G4: EN11, EN13 and EN14

Standard Bank's Mogale's Gate conservation centre in the Cradle of Humankind is an area of high biodiversity value. This 3 060 hectare farm has 148 hectares of wetland and covers three veld types with over 700 plant species and 21 game species. The centre at Mogale's Gate works to conserve the biodiversity of South Africa's savannahs and provides quality environmental education to schools and communities.

The centre is in the upper catchment area of the Hekpoortspruit River and captures and naturally releases on average 24.17 billion litres of water annually into the system. Since 1988, 13 large mammal species have been reintroduced into the area including Oribi; the farm's most threatened species. To add to the biodiversity of the area, the centre plans to propagate indigenous trees to further increase awareness of and beautify the area with indigenous plants.

Within Mogale's Gate the following vegetation types are protected:

- 148 hectares of wetlands.
- Gold Reef Mountain Bushveld (least threatened).
- Moot Plains Bushveld (vulnerable).
- Andesite Mountain Bushveld (least threatened).

Mogale's Gate is involved in environmental education programmes for schools and organisations, including a number of Lions Clubs community service volunteer groups, giving disadvantaged children the opportunity to learn about biodiversity. In 2014, 2 678 (2013: 2 967) children from across Gauteng attended such programmes. The centre is an active partner to the Wildlife and Environment Society of South Africa in its drive to register schools on the international Eco-Schools Programme and it cooperates with the College of Environmental Sciences at the University of South Africa, giving students the opportunity to undertake practical lessons on conservation. In 2014, 345 (2013: 692) first-year diploma students visited the conservation centre to complete their practical lessons in freshwater and animal studies. Since 1997, 47 015 learners and students have participated in the centre's environmental awareness programmes and 1 837 primary schools in Gauteng receive our quarterly environmental newsletters.

The centre is also involved in a number of research projects, which in 2014 included Brown Hyena and Black-backed Jackal population dynamics studies.

Leadership for Conservation in Africa

We are a patron and corporate funder of Leadership for Conservation in Africa (LCA), a non-profit organisation that establishes links between the business community, governments and conservation institutions. The LCA aims to develop 20 million hectares of conservation land in Africa by 2020, including the restoration and development of land under conservation to the benefit of the environment, local communities and host governments. Since its inception in 2006, the LCA has been actively involved in 19 African countries. With support from Standard Bank, the LCA has successfully facilitated a 25-year public private partnership with various stakeholders to ensure the protection of the Odzala Kokoua National Park, a 1 354 600 ha² rainforest in the Democratic Republic of the Congo. The rainforest hosts the planet's largest population of endangered lowland gorillas, 10 000 forest elephants and 430 bird species, as well as over 100 other rare and endangered mammals. The park's facilities are already in high demand ensuring a new flow of revenue to the country and job opportunities for many Congolese residents.

The LCA has also signed agreements with the Congolese Government to replicate the Odzala model in and around the 400 000 ha² Nouabalé-Ndoki National Park. Both parks form a critical part of the bigger rainforest ecosystem in the Congo Basin.

Animals and plants protected on Mogale's Gate and that are listed in the South African red data lists

Mammals	Near threatened: Vulnerable: Least concern:	Brown Hyena, Leopard. Small-spotted Cat. South African Hedgehog, Aardwolf, Honey Badger, Oribi.
Birds	Near threatened: Vulnerable: Least concern:	Martial Eagle, African White-backed Vulture, Blue Korhaan. Cape Vulture, Lappet-faced Vulture, Blue Crane, Lesser Kestrel. African Grass Owl, Marabou Stork, Secretary Bird, Peregrine Falcon, Lanner Falcon, Black-bellied Bustard, Half-collared Kingfisher.
Reptiles	Near threatened:	Striped Harlequin Snake.
Plants	Endangered: Vulnerable: Declining: Least concern:	Turk's Cap. Climbing Potato, Red Stinkwood. Pineapple Flower, Poison Bulb, River Pumpkin, Star Flower, Cape Holly. Copper Leaf, Large Turret Flower, Wild Pear, Cape Valerian.

The LCA also supports the partial protection of the 650 000 ha² rainforest in the Dzanga Sangha National Park in the Central Africa Republic and with our support has signed an agreement with the President of Senegal to facilitate and spearhead the process of forming a public private partnership for the protection of the Niokolo-Koba National Park, a one million ha² World Heritage Site in danger of going extinct. Other similar agreements are negotiated in various other African countries.

Doing our bit in the fight against rhino poaching

In 2014, philanthropist Howard G Buffett provided the South African National Parks with a multi-million rand donation towards rhino conservation. The donation will be used to intensify the protection of the Kruger National Park's rhino population, including the creation of an intensive protection zone using sophisticated detection and tracking equipment, as well as infrastructure in the air and on land. Highly-trained canine units and ranger teams will be used to improve intelligence gathering, observation and surveillance systems. The project will test anti-poaching tactics which can then be applied in other regions in Africa. The Kruger National Park is home to more than 40% of the world's remaining 22 000 rhinos, the largest single population of rhinos in the world. We are providing preferential banking fees and interest on the funds. In addition, we also launched a donation campaign through social media and pledged to contribute R10 for every retweet on Twitter and 'share' on Facebook. We achieved 9 034 retweets and 24 458 unique Facebook shares, resulting in a total of R334 920 donated to the initiative.

Looking forward

Our key objectives looking forward are to:

Short to medium term

- Pilot an environmental management measurement system in one or two African countries with assurable results.
- Mature our water measurement methodology in South Africa and develop a formalised water management system that integrates with our energy management system.
- Expand our waste reporting scope to include some of our regional offices.

Longer term

- Drive electronic processing and elimination of paper from the branch environment.
- Extend energy efficiency lessons to our country operations in the rest of Africa.

Part D: annex

Assurance report

Independent Assurance Report on Selected Sustainability Information

To the Directors of Standard Bank Group Limited

We have undertaken an assurance engagement on selected sustainability information as described below and presented in the 2014 Sustainability Report of Standard Bank Group Limited (SBG) for the year ended 31 December 2014 (the Report). This engagement was conducted by a multidisciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

Subject matter and related assurance

We are required to provide assurance on certain key performance indicators prepared in accordance with Global Reporting Initiative (GRI) G4 Guidelines as follows:

1. Reasonable assurance on the key performance indicators, marked with a '✓' on the relevant pages in the Report, as indicated in the shaded area of the table below.
2. Limited assurance on the key performance indicators, marked with a '✓' on the relevant pages in the Report, as indicated in the non-shaded area of the table below.

Key performance indicators	Description	Boundary	Assurance level	Reference
Equator Principles	Number of projects financed, number of projects where Standard Bank played an advisory role and number of project-related corporate loans	SBG	Reasonable	Pages 9 and 111.
Carbon footprint	Total tCO2e (tons of carbon dioxide equivalent)	Standard Bank South Africa (SBSA)	Reasonable	Pages 9, 145 and 155.
South Africa retail customers	Total retail customer numbers, broken down per: – Segment (personal, private, business, commercial and employees) Transactions, broken down per: – Proportion of self-service channel usage (%)	SBSA	Limited	Pages 8, 29, 49, 54 and 55.
Africa customer statistics	Total number of active retail customers for Africa (excluding SBSA and Nigeria Wealth)	Africa (excluding SBSA and Liberty)	Limited	Page 55 (footnote).
Employee statistics	Headcount, as well as gender, age and employee turnover rate	SBG	Limited	Pages 8, 30, 80, 81, 82 and 84.
Absenteeism	Average number of days per event	SBSA	Limited	Page 93.
Regulatory change	– Number of new regulations tracked by Standard Bank in 2014 – Response rate (%)	SBG	Limited	Pages 39 and 40: 33 issues tracked and responded to 52%.
Fraud frustrated	Total value of fraud frustrated (ZAR)	SBG	Limited	Page 9, 29 and 73 (paragraph 'Combating fraud and corruption').
Energy efficiency	– Total potential annual savings for projects implemented in 2014 (kWh) – Total kWh generated by projects operational in 2014	SBSA	Limited	Page 152 and 153 (footnote).

Directors Responsibilities

The Directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the GRI G4 Guidelines. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, KPMG Services Proprietary Limited maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Our Responsibility

Our responsibility is to express assurance conclusions on the selected sustainability information based on the work we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain assurance about whether the selected sustainability information is free from material misstatement.

An assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the quantification of the selected sustainability information and related disclosures. The nature, timing and extent of procedures selected depend on the practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal control relevant to SBG's preparation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives at corporate level to obtain an understanding of the control environment and material issues and risk related to sustainability reporting.
- Tested the processes and systems at group level which generate, collate, aggregate, monitor and report selected sustainability information and inspecting related documentation, more specifically:
  - Interviews and discussions with relevant management, key personnel and/or stakeholders of SBG to confirm definitions and boundaries for selected performance information, and to gather information on the data collection and report preparation processes.
  - Evaluation of internal data management controls based on system walkthroughs.
  - Inspection of selected internally and externally generated documents and records and comprehensive data analyses.
  - Re-calculation of the key performance indicators.
- Evaluated whether the information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at SBG

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the selected sustainability information identified in 2 above has been prepared, in all material respects, in accordance with GRI G4 Guidelines.

Conclusions

1. On the selected sustainability information on which we are required to express reasonable assurance

   In our opinion, the selected key performance indicators identified in 1 above for the year ended 31 December 2014 is prepared, in all material respects, in accordance with GRI G4 Guidelines.

2. On the selected sustainability information on which we are required to express limited assurance

   Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators identified in 2 above for the year ended 31 December 2014 is not prepared, in all material respects, in accordance with GRI G4 Guidelines.

Other Matters

The maintenance and integrity of the SBG's Website is the responsibility of SBG management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the SBG's Website.

Our report includes the provision of limited assurance on Africa Customer Statistics, Absenteeism, Regulatory Change, Fraud Frustrated, and Energy Efficiency. We were previously not required to provide assurance on this selected sustainability information.

Our report does not extend to any disclosures or assertions relating to future performance plans and / or strategies disclosed in the Report.

Restriction of Liability

Our work has been undertaken to enable us to express the conclusions on the selected sustainability information to the Directors of SBG in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than SBG, for our work, for this report, or for the conclusions we have reached.

KPMG Services

KPMG Services Proprietary Limited
Per Neil Morris

Director

Johannesburg

4 March 2015

Codes and principles we endorse

We endorse and subscribe to a number of voluntary and statutory codes of conduct and codes of good practice disclosed in the table below.

	Date of adoption	Latest revision	Countries or operations where applied	Voluntary vs obligation to comply
Code for Professional Clients	Code is still in draft phase	.	South Africa: all financial services providers that render services to professional clients.	Obligated
Code for Responsible Investing by Institutional Investors in South Africa (CRISA)	2011	None	All countries of operation: Liberty and STANLIB.	Voluntary
Code of Banking Practice	2004	2012	South Africa: all banking operations	Voluntary
Code of Conduct for Managing Environmental and Social Risk	2012	None	South Africa: all operations.	Voluntary
Code of Conduct to Combat Over-Indebtedness	2013	Newly implemented	South Africa: all registered credit providers.	Obligated
Equator Principles	2009	2013	All countries of operation: project finance, project-related corporate loans and bridge finance only.	Voluntary
Financial Services Sector Codes for Broad-based Black Economic Empowerment	2012	Under revision expect adoption in April 2015	South Africa: all operations	Voluntary
Short Term Code and Discretionary Code of Conduct for Authorised Financial Services Providers and Representatives	2003	Varying dates applicable	South Africa: all banking operations and financial services providers.	Obligated
United Nations Principles for Responsible Investment (UN PRI)	2006	None	All countries of operation: STANLIB only.	Voluntary

Summaries of our policies

All SBG and Standard Bank South Africa polices are housed on the bank's intranet site. Group-level policies support the group's governance standards and governance frameworks. They are approved at the relevant governance committee, unless regulations require SBG Board of Directors (SBG board) approval. Policies derived from group-level policies are modified, as necessary, to accommodate legal entity and business requirements and are required to be approved at legal entity or business line level by the appropriately mandated committees within these entities. Our policies are not publicly available but are available to all employees on the Standard Bank intranet site. Liberty has its own set of policies.

Knowing our customer and doing the right business with them in the right way

Operations and entities within SBG have their own policies and procedures in place, aligned to local legislation and market practice. In South Africa, market conduct (also known as conduct of business and market integrity) includes a number of separate regulations addressing specific elements of market conduct. This includes Know Your Customer regulations, market abuse (insider trading) regulations, financial sector-specific regulation to protect consumers and investors such as the Financial Advisory and Intermediary Services (FAIS) Act, National Credit Act and the Financial Markets Act and generic commercial regulation to protect consumers and investors such as the Competition Act and the Consumer Protection Act. Policies are in place to address specific elements of market conduct.

Competition policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** July 2014 **Committee responsible:** Group Compliance Committee **Reference to an international standard:** none	**Summary:** the purpose of this policy is to establish a framework to manage the risks associated with applicable competition rules. Competition requires interaction between players in a market (with their suppliers and customers) with the aim to promote fair trading, consumer choice, fair pricing and quality products. The policy strictly prohibits anti-competitive behaviour.
Complaints management policy	
Entities covered: Standard Bank South Africa **Next review date**: May 2015 **Committee responsible:** Group Compliance Committee **Reference to an international standard:** none	**Summary:** the complaints management policy seeks to ensure that all Standard Bank staff are aware of and execute complaints handling and resolution in a consistent manner and that the complaint resolution process aligns to the group's strategy to enhance the service recovery experience, customer loyalty and customer retention. All complaints are logged on a complaint management front-end system and tracked against agreed service levels per complaint type, firstly to manage the customer expectation and secondly to ensure that complaints are fully resolved within stipulated timelines. A complaints management module is incorporated in the training for new staff.
Compliance risk management policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next review date:** May 2015 **Committee responsible:** Group Compliance Committee **Reference to an international standard:** none	**Summary:** the purpose of this policy is for the Group Chief Compliance Officer to support SBG in ensuring that business conducted complies with relevant statutory, supervisory and regulatory requirements. The policy requires SBG to maintain an independent and effective compliance function as required by legislation. All SBG employees must adhere to the policies, procedures, systems and controls put in place by the Group Compliance function to facilitate compliance by SBG and its employees.
Conflicts of interest policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next review date:** November 2015 **Committee responsible:** Group Compliance Committee **Reference to an international standard:** none **Supporting policies:** • FAIS conflict of interest management policy (SBSA) • Personal account trading policy (SBG) • Outside business interest policy (SBG) • Gifts and entertainment policy (SBG)	**Summary:** this policy requires that conflicts of interest are identified, managed and reported. It gives effect to SBG's code of ethics and values, and protects SBG and its employees from reputational damage, fines and penalties that may be imposed by the various legislators and regulators as a result of a conflict of interest not having been identified or managed appropriately. Under this policy: • Employees are prohibited from engaging in any conduct that amounts to an actual, potential or perceived conflict of interest. • Employees are required to disclose any actual, potential or perceived conflicts of interest as they arise. • Line management must identify and asses the applicable conflict of interest that may arise in the course and scope of work in their business unit and implement controls so that any actual, potential, or perceived conflict of interest are avoided or are appropriately managed. • Employees must familiarise themselves with the list of actual and potential conflicts of interests and relevant controls in their business unit.
Data privacy policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** November 2013 **Committee responsible:** Group Compliance Committee **Reference to an international standard:** none **Supporting policies:** • Chinese walls policy (relevant business areas) • Need to know information policy (relevant business areas)	**Summary:** this policy manages privacy risk and requires that we maintain and continuously improve our data privacy culture. It promotes the safeguarding and protection of personal information and requires that we: • Process personal information in a lawful and reasonable manner. • Establish and maintain appropriate standards and procedures for processing personal information. • Make all employees aware of their obligations in terms of protecting personal information. • Implement internal and external procedures to notify regulators of, and obtain consent from affected persons for, the processing of personal information, where necessary. • Implement procedures to notify regulators and affected persons where we have reasonable grounds to believe that personal information has been accessed or acquired by unauthorised persons.

Market abuse control policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next review date:** November 2015 **Committee responsible:** Group Compliance Committee **Reference to an international standard:** none	**Summary:** this policy sets out the framework for management of market abuse risks. All employees are prohibited from intentionally or negligently engaging in any forms of market abuse including, but not limited to, a prohibition on insider trading, improper disclosure and misuse of information, the use of manipulating transactions and devices, the dissemination of false or misleading information and misrepresentation or misleading behaviour. The policy requires that all employees report all actual and suspected instances of market abuse to the Group Market Abuse Control function or local Financial Crime Control unit for investigation.

Marketing and communication policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** May 2015 Committee responsible: Group Marketing Board **Reference to an international standard:** none **Supporting policy:** digital, direct and social media policy.	**Summary:** the policy recognises marketing and communication as a business function that contributes to the growth of the business through promoting the group's products and services and as influencing the group's reputation among customers, employees, investors, communities, governments and all its stakeholders. The policy sets out our intention to standardise all marketing and communication practices to ensure that they best contribute to the growth and reputation of SBG, its business units and subsidiaries. The policy requires that we act with the necessary social sensitivity that accompanies responsible marketing and communication practices.

Secure banking

Anti-bribery and corruption policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** June 2014 **Committee responsible:** Group Operational Risk Committee **Reference to an international standard:** none	**Summary:** this policy commits us to carrying out business in a fair, honest and open manner and requires that we take an active stance against bribery and corruption. Corrupt acts, including bribery, may incur criminal penalties for the group and individuals involved. The purpose of this policy is to ensure that bribery and corruption is prevented, and that an anti-bribery and anti-corruption culture is maintained within the group. The policy takes into account the most stringent legislative requirements worldwide, ensuring that we comply with legislation in all the countries in which we operate. Any suspicion of bribery and corruption is to be reported and investigated, and the group endeavours to take timely and appropriate action to remediate the problem within its agreed disciplinary framework and where required will assist the relevant external authorities.

Anti-financial crime policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** June 2014 **Committee responsible:** Group Operational Risk Committee **Reference to an international standard:** none	**Summary:** the purpose of the anti-financial crime policy is to develop a culture that promotes an awareness of the risks to and consequences of financial crime. It also provides an overarching framework for related policies and procedures to prevent and detect financial crime. The policy covers financial crime and associated losses within the group and applies to all staff, members of the public, contractors and suppliers of services.

Money laundering and terrorist financing policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** November 2014 **Committee responsible:** Group Risk and Capital Management Committee **Reference to an international standard:** Financial Action Task Force Recommendations and related guidance, guidance issued by the Basel Committee for Banking Supervision and the Wolfsberg Group Anti-Money Laundering Standards **Supporting policy:** sanctions control policy	**Summary:** the policy outlines our commitment to establishing and maintaining the appropriate procedures to assist in complying with money laundering and terrorist financing control requirements. The purpose of the policy is to protect the reputation and integrity of the group by taking all reasonable steps to prevent our services being used for money laundering or terrorist financing purposes and to establish the framework that will enable the recognition, investigation and reporting of suspicious activity to the relevant authorities. In its last review the policy was amended to strengthen existing provisions, align it with international best practice and take account of learnings from recent regulatory inspections and reviews.

Whistle blowing policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** June 2014 **Committee responsible:** Group Operational Risk Committee • **Reference to an international standard:** none	**Summary:** the purpose of the whistle blowing policy is to actively encourage employees to work in support of the group's values, particularly with respect to upholding of the highest levels of integrity. Consequently, SBG employees are obliged to report any unlawful, irregular or unethical conduct that they observe. The policy requires us to apply the highest standards of accountability and corporate governance to whistle blowing cases, including the protection of whistle blowers.

Recruiting, retaining and motivating our employees

In South Africa a Group Reference Guide sets out our policies and procedures on topics including terms and conditions of employment, hours of work, education and training, employee wellbeing, leave of absence, employee benefits, remuneration, transfer of employees, business travel, employee relations, tuition assistance, job evaluation, performance management, termination of employment, occupational health and safety, grievance procedures, harassment and disciplinary action, among others. In the rest of Africa, subsidiaries have all their country specific Human Capital policies on their country specific intranet sites.

Bursary policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next date of review and approval:** under review **Committee responsible:** Group Human Capital Executive Committee **Reference to an international standard:** none	**Summary:** we assist identified high-potential employees with their career development through external study support. The bursary policy sets out which employees qualify for bursaries and the conditions attached. Bursaries are granted to employees identified as high performers and those acquiring skills or qualifications deemed critical to the bank. To be considered for a bursary, the qualification must be aligned to the employee's planned career path.
Business health policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next date of review and approval**: under review **Committee responsible:** Group Operational Risk Committee **Reference to an international standard:** none	**Summary:** with our operations expanding into Africa, many of our employees are required to travel frequently to various countries. Our travel health policy mitigates travel risks across all our domestic and international operations. The travel clinic at our head office provides onsite vaccinations, counselling and advice, and malaria prophylaxis. We employ the services of a global medical assistance company, International SOS, which offers a broad range of services from providing country destination information to medical care in emergency situations, including the extraction of employees from areas or situations where their safety is compromised or transporting seriously sick or injured employees to where they can receive the appropriate care.
Disability policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next review date:** May 2016 **Committee responsible:** Group Social and Ethics Committee **Reference to an international standard:** none	**Summary:** the purpose of this policy is to provide guidance in managing disability in the workplace, and to enable the group to fulfil its responsibilities in respect of incorporating people with disabilities into mainstream employment. The policy seeks to achieve this by: • Eradicating discrimination in respect of opportunities for appointment, promotion, training and development. • Ensuring that employees with disabilities are protected from harassment and unfair discrimination. • Implementing guidelines for voluntary declaration of disability and provision of reasonable accommodation.
Learning quality policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next review date:** September 2017 **Committee responsible:** Group Learning Quality Committee **Reference to an international standard:** ISO 9001: 2008	**Summary:** this policy sets out how we approach quality management for learning and commits us to a process of continual improvement. The policy provides a framework for auditing our Learning Manager System and sets the controls required and the reporting needed to comply with the policy and govern our learning and development strategy.
Life threatening diseases policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next date of review and approval:** under review **Committee responsible:** Group Human Capital Executive Committee **Reference to an international standard:** none	**Summary:** our objective is to create a working environment where employees with life threatening diseases can enjoy the same rights and contractual obligations as other staff, and that our employees are protected against any form of unfair discrimination and stigmatisation in the workplace. Our policy serves to ensure that employees are not unfairly denied employment, transfer or promotion opportunities based on their illness and it entrenches access to medical and other support services and benefits.
Occupational health and safety policy	
Entities covered: Standard Bank South Africa and its subsidiaries excluding Liberty **Next date of review and approval:** under review **Committee responsible:** Group Compliance Committee **Reference to an international standard:** none	**Summary:** this policy formalises our commitment to providing a healthy and safe working environment for our employees and to complying with all applicable legislation and regulatory and supervisory requirements. It holds us to working with employer representatives and other stakeholders to develop programmes and guidelines that provide for the health and safety of all stakeholders, as far as is reasonably practicable.

Substance abuse policy	
Entities covered: Standard Bank South Africa **Next date of review and approval:** no date scheduled **Committee responsible:** Group Human Capital Executive Committee **Reference to an international standard:** none	**Summary:** this policy recognises that we are responsible both morally and legally to deal effectively with substance abuse issues in the workplace, and to prevent or mitigate any potential negative impact on the health and safety of our employees and our business, customers and reputation. We do not undertake drug-testing unless with express agreement however this does not rule out the possibility of disciplinary action being taken where appropriate.

Talent and resourcing transfer policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** March 2014 **Committee responsible:** Group Human Capital Executive Committee **Reference to an international standard:** none	**Summary:** this policy governs the management of the transfer of candidates across SBG's business units, departments and entities to maximise internal mobility and career paths of employees while minimising operational risk that can arise from loss of critical skills or active poaching of staff. The policy helps to ensure that key talent gets broader group experience and exposure in line with their career path and development objectives, while ensuring that the movement of talent is undertaken in a planned and coordinated way.

Total and temporary incapacity policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next date of review and approval:** 2015 **Committee responsible:** Group Human Capital Executive Committee **Reference to an international standard:** none	**Summary:** this policy governs situations where employees find themselves incapable either though illness or injury (work related or non-work related) to do their job. The policy establishes formal procedures for managing employees who are unable to perform their duties and assists Human Capital and line managers to address and manage the situation in terms of fair labour practices and within the requirements of the Labour Relations Act. As part of this overall process, a total and temporary incapacity benefit may be offered to an employee who has been found to be totally and temporarily incapacitated from doing their own job for a period of time.

Environmental and social risk management

SBG environmental and social policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** August 2014 **Committee responsible:** Group Risk Oversight Committee **Reference to an international standard:** Equator Principles, International Finance Corporation Performance Standards, World Bank Environmental, Health and Safety Guidelines, International Finance Corporation Exclusion List and the Banking Association of South Africa (BASA) Code of Conduct on Managing Environmental and Social Risk	Summary: the policy recognises our obligation to manage the environmental and social aspects and impacts that our activities, products and services have on society and to respond strategically to the risks which global environmental and social pressures have on our ability to create sustainable value for our stakeholders. The policy covers both our own environmental and social performance (direct impact) and our responsible and sustainable financing (indirect impact) and requires that we: • Develop and manage systems to enable effective risk and opportunity identification, and the management of performance improvement. This includes setting clear targets and reporting against them. • Actively contribute to developing environmental and social codes of industry best practice. • Benchmark our environmental footprint and find ways to reduce energy usage, greenhouse gas emissions, water consumption and pollution. This includes maintaining an integrated waste management plan based on waste minimisation and the Reduce, Reuse, Recycle hierarchy. • Work proactively to find market-based solutions, such as renewable energy financing and carbon trading, to create critical environmental and social solutions and look for sustainable development outcomes. • Embed the assessment of the environmental and social risks within the business unit risk assessment process for financial transactions. • Apply relevant environmental and social risk management measures across our business and corporate financing activities. • Utilise the Equator Principles as a framework for assessing and addressing environmental and social risks associated with financing and advisory services on large projects. • Embed sustainability thinking into daily business practice. This includes applying best practice for a financial services company, benchmarked against international peers. • Encourage associates, suppliers, landlords and tenants, customers and other stakeholders to follow good environmental and social practice and assist us in giving effect to the policy. • Work in partnership with other stakeholders on global issues which impact us as a business and as a corporate citizen, including issues such as climate change, water and HIV/Aids.

Human rights policy	
Entities covered: SBG and subsidiaries excluding Liberty **Next review date:** April 2015 **Committee responsible:** Group Social and Ethics Committee **Reference to an international standard:** the Equator Principles III, International Bill of Human Rights, International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie, United Nations (UN) Guiding Principles on Business and Human Rights	Summary: the policy recognises that part of SBG's corporate responsibility is to protect and uphold human rights in its operational practice and financing activities in line with the UN Guiding Principles on Business and Human Rights. This framework addresses the primary duty of states to protect against human rights abuses including those committed by business enterprises and state-owned enterprises; and the responsibility of business to respect, protect and remedy human rights abuses with which they are involved. We endorse the foundational principles contained in Section II of that report. The policy holds us to: • Treating all our stakeholders fairly and with dignity, irrespective of race, colour, gender and disability, language, religion, political affiliation, national or social origin, or other status. • Reflecting the human rights of our employees in our employment policies and practices, including the right to freedom of association and collective bargaining. • Seeking to prevent or mitigate adverse human rights impacts that are directly linked to our operations, products or financial services and which may result from our lending activities. • Maintaining a whistle blowing capability as part of our ethics and fraud whistle blowing hotline to enable anyone who believes we have infringed their human rights to report the infringement. • Maintaining a policy commitment to respect human rights that includes conducting human rights due-diligence processes to identify, prevent and mitigate human rights impacts. • Remedying any human rights impact that we may cause or to which we contribute. • Maintaining employment policies and practices that uphold the fundamental labour rights of employees, including the right to safe and healthy work environments and the right to organise and bargain collectively. • Not engage in child, forced or compulsory labour or finance activities which infringe on these rights.

Group procurement policy	
Entities covered: SBG and subsidiaries excluding Liberty **Last date of review and approval:** September 2014 **Committee responsible:** Group Management Committee **Reference to an international standard:** none Supporting policies: each African subsidiary has a procurement policy in place that is aligned to the group procurement policy	**Summary:** the policy ensures that the group's procurement activities are conducted in a manner that is equitable, fair, transparent, competitive and cost-effective. It sets out the procedures and processes to be followed during the acquisition of goods and services. The policy covers the mitigation of risk by ensuring the relevant supplier contracts and purchase orders are in place, improving quality of service and complying with relevant legislation and sustainability best practice. The procurement policy was updated in 2014 to include procurement undertaken by the Group Real Estate unit as it pertains to all construction services, associated requirements and procurement of residential leases.

Preferential procurement

Preferential procurement policy	
Entities covered: Standard Bank South Africa **Next review date:** March 2015 **Committee responsible:** Group Social and Ethics Committee **Reference to an international standard:** none	**Summary:** we have adopted the Department of Trade and Industry Financial Services Sector Codes for Broad-based Black Economic Empowerment (FS Codes) scorecard to evaluate our vendors. This approach is a proactive initiative aimed at assisting in redressing the imbalances of the past by creating opportunities to ensure constructive participation by black South African citizens at all levels of business within the South African economy. Under this policy: • A minimum BEE status of Level 4 with compliant levels of black-owned and black women-owned is considered an acceptable level. • Vendors, new or existing, that have a BBBEE status level below 4 are only be considered on an exceptional basis and are expected to submit details on how the acceptable level will be obtained during the contractual relationship. • Changes in BEE status below the minimum requirements must be communicated with the bank immediately.

Corporate social investment

Corporate social investment (CSI) policy	
Entities covered: Standard Bank South Africa. **Last date of review and approval:** November 2013 **Committee responsible:** Social and Ethics Management Committee **Reference to an international standard:** none **Supporting policies:** each African subsidiary is required to have its own CSI policy	**Summary:** this policy commits us to driving CSI in a responsible manner, ensuring that we provide value for all our stakeholders. The policy requires that our CSI activities deliver in respect of enhancing our reputation, improving our employee value proposition, situating us favourably in the competition for client business, growing new markets and demonstrating that we are locally relevant and responsive. We view CSI as an integral part of how we do business and we proactively identify opportunities arising from key social, developmental and business issues when formulating our CSI programmes, rather than just reacting to requests from charitable causes. Where possible, we aim to develop long-term partnerships with the most appropriate partners, whether these are with government (national, regional or local), non-profit organisations or international agencies, so that solutions can be co-created and the capabilities of these partners can be leveraged in implementing the development project. The policy also requires that we encourage and create appropriate platforms for employee volunteerism that goes beyond charitable giving and enables employees to become actively involved in community work. Calculating our reported CSI spend in South Africa • Spend is recognised when it is transferred out of the CSI operating cost centre and into the account of the recipient. • VAT: in South Africa the portion of VAT that is not claimable (half of the VAT amount) is included as spend only if the vendor providing the service is a registered VAT vendor; otherwise no VAT is included. • Matched giving: only the amounts contributed by Standard Bank and Liberty are counted and not the amounts donated by employees. • Membership fees and political party funding are not included as CSI spend. • We do not measure volunteering time contributions. • We do not have the systems in place to calculate in-kind contributions as CSI spend. • Management costs (operating costs incurred to manage the partnerships with and support the work of implementing partners, facilitate donations or manage volunteering, communication costs and the cost of research and evaluation) are included.

Global Reporting Initiative (GRI) G4 Index

We report against the GRI G4 Sustainability Reporting Guidelines and the GRI Financial Services Sector Supplement, supported by our internally developed policies and procedures. We continue to improve our application of the G4 guidelines and at this stage our report is in accordance with the core GRI G4 level and goes some way towards the comprehensive level.

Acronyms

SR: sustainability report
AIR: annual integrated report
BEE: black economic empowerment report
SBG: Standard Bank Group.
SBSA: Standard Bank South Africa.
FS Codes: Financial Services Sector Codes for Broad-based Black Economic Empowerment in South Africa.

Strategy and analysis				
Indicator			Disclosure	Assurance, verification and audit
G4-1	Statement from the most senior decision-maker of the organisation (such as CEO or chair) about the relevance of sustainability to the organisation.	Core	• Joint statement from the Group Chairman and Group Chief Executives: SR page 12.	-
G4-2	Description of key impacts, risks, and opportunities.		• Our material issues: SR pages 24 to 31, 32, 39, 44, 53, 78, 99, 116 and 144.	-

Organisational profile				
Indicator			Disclosure	Assurance, verification and audit
G4-3	Name of the organisation.	Core	Standard Bank Group.	-
G4-4	Primary brands, products, and services.	Core	Financial services: banking, life insurance and asset management.	-
G4-5	Location of the organisation's headquarters.	Core	5 Simmonds Street, Johannesburg, South Africa.	-
G4-6	Number of countries of operation and most significant operations.	Core	20 African countries and nine countries outside Africa. Our South African operations contributed 72% of SBG's headline earnings in 2014 (2013: 64%).	-
G4-7	Nature of ownership and legal form.	Core	• Shareholder analysis: AIR page 177.	-
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Core	**Geographic and sectors:** Africa and all sectors. **Customers:** low-income customers to large corporations and governments.	-
G4-9	Scale.	Core	**Employees:** 49 259 permanent employees (14 150 in the rest of Africa) **Total income:** AIR page 78. **Total assets:** R1 906 706 million. **Total capitalisation:** R232 203 million. **Beneficial ownership:** 13% held by the Government Employees pension Fund. **Largest shareholder:** 20% held by the Industrial and Commercial Bank of China. **Quantity of products and services:** • New IT platforms and self-service channels: SR pages 48 to 51. • Attracting and retaining customers: SR page 54. • Loan portfolio per industry: SR page 110. • Our contribution to socioeconomic development: SR page 130 and 132 to 139. • Inclusive financial services in South Africa: BEE pages 19 to 29.	**SBG:** number of employees and all financial indicators. **SBSA and Liberty:** FS Codes - access to financial services and empowerment financing. **SBSA:** retail customer base.

Indicator			Disclosure	Assurance, verification and audit
G4-10	a: total number of employees by employment contract and gender. b: total number of permanent employees by employment type and gender. c: total workforce by employees and supervised workers and by gender. d: total workforce by region and gender. e: work performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f: any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Core	• Our workforce: SR page 80. **Not reported:** 10b: not available and there are no plans are in place to measure this going forward. 10c, e and f: not considered material to our business.	**SBG:** employee headcount, as well as gender and age breakdown.
G4-11 G4-HR4	Percentage of total employees covered by collective bargaining agreements.	Core	We are not aware of any operations within SBG where an employee's right to exercise freedom of association or collective bargaining may be at risk. • Union representation: SR page 96. **Not reported:** we do not measure the percentage of staff covered by collective bargaining agreements beyond South Africa as this is not considered material.	-
G4-12	SBG's supply chain.	Core	• Procuring locally: SR page 123. **Not reported:** the estimated number of suppliers in the supply chain is not known.	**SBSA and Liberty:** FS Codes - preferential procurement.
G4-13	Significant changes during the reporting period regarding SBG's size, structure, ownership or its supply chain.	Core	Size: 60% sale of the Global Markets business in London. Structure and ownership: • Joint statement from the Group Chairman and Group Chief Executives: SR page 12. • Chairman's report to stakeholders: AIR page 24. • Managing the opportunities and risks of our Africa strategy: SR page 33. Supply chain: there has been no significant change regarding our supply chain.	-
G4-14	Precautionary approach or principle.	Core	The bank adopts a precautionary approach to environmental management, striving to anticipate and mitigate environmental degradation risk related to our financing activities. • Environmental and social risk management: SR page 106.	-
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which SBG subscribes or endorses.	Core	• Environmental and social risk management: SR page 106. • Equator Principles: SR page 110. • Annex: SR page 163. • BEE Report.	**SBG:** Equator Principles (deals financed, deals in which we played an advisory role and project-related corporate loans). **SBSA and Liberty:** performance against FS Codes.
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations.	Core	• Stakeholder engagement: SR page 20. • Our material issues: SR pages 40, 46, 71, 83 and 100. • Part C: environmental and social risk management: SR pages 106, 108, 119, 146 and 150.	-

Identified material aspect and boundaries				
Indicator			Disclosure	Assurance, verification and audit
G4-17	a: entities included in SBG's consolidated financial statements. b: entities included in the sustainability report.	Core	Entities included in financial statements: all SBG subsidiaries including Liberty Holdings. Sustainability report covers: all SBG subsidiaries including Liberty Holdings. Both reports cover domestic, African and international operations.	-
G4-18 to 21	Process for defining the report content, SBG's material issues and the boundary within the organisation, as well as outside the organisation.	Core	• Our material issues: SR page 24. • Boundaries: SR pages 33, 40, 46, 54, 62, 71, 83, 100 and 106.	-
G4-22	Restatements of information.	Core	Restatements are noted in table footnotes. • Note 35 - reclassification of financial assets: AIR page 247.	-
G4-23	Significant changes from previous reporting periods.	Core	No significant changes in scope or boundary.	-
Stakeholder engagement				
Indicator			Disclosure	Assurance, verification and audit
G4-24 to 27	List of stakeholder groups engaged, the basis for selection of stakeholders with whom to engage, SBG's approach to stakeholder engagement and key topics and concerns raised through stakeholder engagement, as well as SBG's response.	Core	• Stakeholder engagement: SR pages 19. • Employee engagement: SR page 79. • Regulatory advocacy: SR page 41. • Engaging on environmental issues: SR page 108. • Engaging with government: SR page 122. • Engaging with communities: SR page 126.	-
Report profile				
Indicator			Disclosure	Assurance, verification and audit
G4-28 to 30	Reporting periods.	Core	**Reporting period:** 31 December 2014. **Date of most recent previous report:** 31 December 2013. **Reporting cycle:** annual.	-
G4-31	Contact point for questions regarding the report.	Core	• Contacts: SR page inside back cover.	-
G4-32	GRI content index.	Core	G4 core accordance level.	-
G4-33	Assurance report.	Core	The Group Chief Risk Officer is engaged during the assurance process. The assurance statement was submitted to the SBG board for comment in March 2014. • Assurance report: SR page 160.	-
Governance structure and composition				
Indicator			Disclosure	Assurance, verification and audit
G4-34	SBG's governance structure including committees responsible for decision-making on economic, environmental and social impacts.	Core	• Corporate governance statement: AIR page 102. • Ensuring our sustainability: SR page 16 and 17.	-
G4-35	Process for delegating authority for economic, environmental and social topics.		• Ensuring our sustainability: SR pages 16 and 17.	-
G4-36	Executive-level position responsible for economic, environmental and social topics.		The Head of Group Policy, Advocacy and Sustainability attends the Social and Ethics Management Committee and when required, the Group Social and Ethics Committee. • Ensuring our sustainability: SR page 15.	-

Indicator			Disclosure	Assurance, verification and audit
G4-37	Consultation between stakeholders and the SBG board and its committees on economic, environmental and social topics.		• Stakeholder engagement: SR page 19.	-
G4-38 and 39	Composition of the SBG board and its committees.		**Group Chairman (independent non-executive director):** Fred Phaswana. **Joint Group Chief Executives (executive directors):** Sim Tshabalala and Ben Kruger. • Corporate governance statement: AIR page 102. • Governance: SR page 18.	-
G4-40	Nomination and selection processes for the SBG board and its committees.		• Corporate governance statement: AIR page 111. • Governance: SR page 17.	-
G4-41	Processes for the SBG board to ensure conflicts of interest are avoided and managed.		• Governance: SR page 17.	-
G4-42	The SBG board's role in setting strategy, values, policies and goals related to economic, environmental and social impacts.		• Ensuring our sustainability: SR page 16 and 17.	-
G4-43	Measures taken to develop and enhance the SBG board's collective knowledge of economic, environmental and social topics.		Papers to the SBG board and the Group Social and Ethics Committee cover a wide range of economic, environmental and social issues.	-
G4-44	Process for evaluating the SBG board's performance with respect to governance of economic, environmental and social topics and actions taken in response to the evaluation.		• Corporate governance statement: AIR page 112. • Governance: SR page 17.	-
G4-45 to 47	The SBG board's role in risk management and its role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.		• Ensuring our sustainability: SR page 16 and 17. • Stakeholder engagement: SR page 19. • Risk and Capital Management Report.	-
G4-48	The committee/s that formally review/s and approves the SBG's sustainability report.		• About this report: SR page 2. • Ensuring our sustainability: SR page 16.	-
G4-49	Process for communicating critical concerns to the SBG board.		• Ensuring our sustainability: SR page 17.	-
G4-50	Nature and total number of critical concerns communicated to the SBG Board.		**Not reported:** there are no critical concerns that can be discussed without negatively impacting regulatory or legal restrictions.	-
G4-51	a: remuneration policies for the SBG Board and senior executives. b: performance criteria in the remuneration policy that relate to the SBG Board's and senior executives' economic, environmental and social objectives.		Key performance indicators are set for each employee annually, including business unit heads and executives. Remuneration is linked to performance in these areas. Where environmental and social performance is key in certain business units employees are remunerated according to performance against social or environmental objectives. Transformation objectives are set for each business unit and each business unit head is responsible for meeting these targets. • Remuneration report: AIR page 133.	-

Indicator			Disclosure	Assurance, verification and audit
G4-52	Process for determining remuneration.		External independent consultants are used to determine remuneration, as well as benchmarking surveys. • Remuneration report: AIR page 133.	-
G4-53	Stakeholders' views regarding remuneration including the results of votes on remuneration policies and proposals.		• Remuneration report: AIR page 133.	-
G4-54 to 55	Ratio of the annual total compensation for SBG's highest-paid individual to the median annual total compensation for all employees. Ratio of percentage increase in annual total compensation for SBG's highest-paid individual to the median percentage increase in annual total compensation for all employees.		**Not reported** These are monitored internally but not reported publicly.	-

Ethics and integrity

Indicator			Disclosure	Assurance, verification and audit
G4-56	SBG's values and code of ethics.	Core	• Our ethics: SR page 10.	-
G4-57 to 58	Internal and external mechanisms for seeking advice and reporting concerns about ethical and lawful behaviour.		• Our ethics: SR page 10. • Whistle blowing: SR page 74.	-

Material issue: managing the opportunities and risks of our Africa strategy

Indicator			Disclosure	Assurance, verification and audit
G4-EC1	Direct economic value generated and distributed at country, regional, or market levels, where significant.		• Value added statement: SR page 118. • Corporate social investment: SR page 125.	-
G4-EC7	a: significant infrastructure investments and services supported. b: current or expected impacts on communities and local economies. c: whether these investments and services are commercial, in-kind, or pro bono engagements.		• Strategic business alliances: SR page 20. • Financing infrastructure development: SR page 128. • Clean energy and energy efficiency projects: 147.	-
G4-EC8	Examples of significant identified indirect economic impacts.		• **Section:** our contribution to socioeconomic development: SR page 116. • Our economic contribution: SR page 118.	-
G4-EC9	Procurement budget for significant locations of operation.		Standard Bank South Africa is our most significant operation. Our systems record procurement spend per business unit and not by region. Therefore the breakdown of SBG's procurement spend into South Africa, rest of Africa and international does not necessarily reflect the actual purchases made locally in the region. We are working to improve this and hope to provide a better metric going forward. • Procuring locally: SR page 123.	**SBSA and Liberty:** FS Codes - preferential procurement.
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Core	• Empowerment financing in South Africa: SR page 130 and BEE page 19. • Inclusive financial services: SR page 130 and BEE page 21. • Supporting small businesses: SR page 135. • Enterprise development in South Africa: BEE page 13. • Agriculture financing: SR page 139.	**SBSA and Liberty:** FS Codes - access to financial services, empowerment financing and enterprise development.

Indicator			Disclosure	Assurance, verification and audit
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Core	• Environmental products and services: SR page 146.	-
G4-FS13	Access points in low-populated or economically disadvantaged areas by type.	Core	• Access to distribution channels: SR page 132 and BEE page 22.	**SBSA and Liberty:** FS Codes - access to financial services.
G4-FS14	Initiatives to improve access to financial services for disadvantaged people.	Core	• Our self-service channels: SR page 50. • Our branches: SR page 58. • Disability management: SR page 85. • Inclusive financial services, supporting small businesses and agriculture financing: SR pages 130 to 143 and BEE pages 13 and 21.	-
G4-FS16	Initiatives to enhance financial literacy by type of beneficiary.	Core	• Consumer education: SR page 133 and BEE page 27.	**SBSA and Liberty:** FS Codes - consumer education.

Material issue: pace, volume and scale of regulatory change

Indicator			Disclosure	Assurance, verification and audit
G4-EN29	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations.		There have been no material fines or sanctions issued for non-compliance with environmental laws, regulations or agreements.	-
G4-SO6	a: total monetary value of financial and in-kind political contributions made. b: how the monetary value of in-kind contributions was estimated.		• Political party contributions: SR page 18. **Not reported** SO6b: we do not have the systems in place to track this information. We are in the process of determining whether or not this is material for our operation and if yes, what procedures can be implemented.	-
G4-SO7	a: total number of legal actions pending or completed regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation. b: the main outcomes of completed legal actions.		There have been no legal actions regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which Standard Bank has been identified as a participant.	-
G4-SO8	Significant fines and non-monetary sanctions in terms of laws and regulations and the context against which significant fines and non-monetary sanctions were incurred.		• Money laundering control: SR page 72.	-

Material issue: knowing our customers and doing the right business with them in the right way

Indicator			Disclosure	Assurance, verification and audit
G4-SO1 to SO2	Percentage of operations with implemented local community engagement, impact assessments and development programs and significant actual and potential negative impacts on local communities.		• Environmental & social risk appraisal: SR page 109. • Corporate social investment: SR page 125. • Supporting arts and culture: SR page 128. • Inclusive financial services: SR page 130 and BEE page 21.	-
G4-SO3	a: total number and percentage of operations assessed for risks related to corruption. b: significant risks related to corruption identified through risk assessments.		• IT risk management: SR page 45. • Secure banking: SR page 71 and 76.	-

Indicator			Disclosure	Assurance, verification and audit
G4-SO4	Communication and training on anti-corruption policies and procedures.		• Governance: SR page 18. • IT risk management: SR page 45. • Employee training and awareness: SR page 75. • Responsible procurement: SR page 115. • Policies: SR page 165.	-
G4-SO5	a: total number and nature of confirmed incidents of corruption. b: total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c: total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d: public legal cases regarding corruption brought against the organisation or its employees during the reporting period.		There were no legal cases regarding corrupt practices brought against SBG in 2014 (2013: none). • Combating fraud and corruption: SR page 73. • Responsible procurement: SR page 115.	**SBG excluding Liberty:** value of potential fraud frustrated.
G4-PR3 to PR4	Product and service information and labelling and incidents of non-compliance with related regulations and voluntary codes.		• Product responsibility: SR page 65.	-
G4-PR5	Measuring customer satisfaction.		• Customer experience: SR page 57.	-
G4-PR6	Banned or disputed products.		We do not sell banned products and services.	-
G4-PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications.		• Product responsibility: SR page 65.	-
G4-PR8	Substantiated complaints received concerning breaches of customer privacy and loss of customer data.		• Protecting personal information: SR page 64. **Not reported:** PR8b – information is considered too sensitive for public reporting.	-
G4-PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		• Product responsibility: SR pages 65 and 72.	-
G4-FS15	Policies for the fair design and sale of financial products and services.	Core	• Product responsibility: SR page 65.	-
G4-EN12 to EN14	Significant direct and indirect impacts on biodiversity. Size and location of all habitat protected areas or restored area. IUCN Red List species and national conservation list species.		Our operations do not have a material direct impact on biodiversity. Indirectly the customers we finance may have an impact and as such as our environmental and social risk screening accounts for biodiversity considerations in CIB deals financed. • Environmental & social risk appraisal: SR page 109.	-

Material issue: recruiting, retaining and motivating our employees

Indicator			Disclosure	Assurance, verification and audit
G4-LA1	New employee hires and employee turnover.		• Our workforce: SR page 80. • Employment equity: BEE page 7.	**SBG:** overall turnover rate.
G4-LA2	Benefits which are standard for full-time employees but not provided to temporary or part-time employees.		• Employee benefits: SR page 90.	-

Indicator			Disclosure	Assurance, verification and audit
G4-LA3	a+b: employees entitled to parental leave and the number that took parental leave. c: total number of employees who returned to work after parental leave ended. d: total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work.		• Employee benefits: SR page 90. **Not reported:** LA3e - not considered a material metric.	-
G4-LA4	Minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes.		**South Africa:** our agreement with SASBO, The Finance Union, relating to dismissal based on operational requirements provides for a ten day consultation period once notices have been served. Following this a 60 day redeployment/continued consultation period follows before 30 day notices of termination are served. **Rest of Africa:** the process is adapted to local conditions and legislation regarding consultations and notice period requirements. Consultation periods are excluded when notices for dismissals based on operational requirements are served. **Beyond Africa:** each restructuring programme is considered at executive committee level. External advisers may be engaged depending on the nature of the restructuring. We comply with local legislation and conditions with regard to consultation on redeployment opportunities and minimum notice periods.	-
G4-LA5 to LA8	Occupational health and safety Formal joint management-worker health and safety committees. Workplace injuries and lost days. Absenteeism rates. High incidence or high risk of specific diseases. Formal agreements with trade unions covering health and safety.		• Creating a safe place to work: SR page 94. **Not reported:** LA6b - workplace injuries, lost days and absenteeism for contractors working on our premises is not reported as we do not have the systems in place to track this measurement. We are however looking at ways to best manage contractor incident reporting.	-
G4-LA9	Average hours of training per employee.		• Human capital development: SR page 89.	-
G4-LA10	a: development programmes to upgrade employee skills. b: transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.		• Human capital development: SR page 86. **Not reported:** LA10b - we do not have specific transition assistance programmes per se but our development programmes assist employees to find alternative employment.	**SBSA and Liberty:** FS Codes - skills development.
G4-LA11	Percentage of employees who received a performance and career development review during the reporting period.		• Performance management: SR page 86.	-
G4-LA12	Diversity in governance committees and the workforce.		• Governance: SR page 18. • Diversity and inclusion: SR page 83. • Employment equity in South Africa: BEE page 6.	**SBG:** employee age and gender profiles. **SBSA:** employment equity performance against FS Codes.
G4-LA13	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.		• Equity and remuneration in South Africa: SR page 90. **Not reported:** LA13 - the ratio of basic salary and remuneration of women to men is tracked internally but not reported publicly.	-

Indicator			Disclosure	Assurance, verification and audit
G4-LA16 and G4-HR3	Total number of grievances about labour practices filed through formal grievance mechanisms and incidents of discrimination.		• Employee relations: SR page 98. **Not reported:** LA16c - the total number of grievances about labour practices filed prior to the reporting period that were resolved during the reporting period. HR3a - where an employee feels discriminated against they are entitled to lodge a case with the Commission for Conciliation, Mediation and Arbitration (CCMA). We report the total number of cases lodged with the CCMA however this metric includes all disputes and grievances and not just those that related to alleged discrimination.	-
G4-EC3	Coverage of SBG's defined benefit plan obligations.		Operations where we hold a direct obligation to fund pension liabilities include: ✓ A residual defined benefit liability for a closed group of pensioners in Standard Bank Mozambique. The assets backing these liabilities are ring-fenced and will be transferred to a separately registered supplementary pension fund which was approved by the Mozambican authorities in December 2014. ✓ Three closed defined benefit pension schemes in the Standard Bank Offshore Group which are all trust-based schemes with the assets held separately from the business. Contributions to these funds are in accordance with actuarial recommendations. Each fund has its own investment strategy to align its assets with its liabilities. These strategies have been developed in consultation with Towers Watson & Co, a global professional services firm. To achieve further de-risking, certain initiatives have been implemented where applicable. For example, in two schemes members have been given the option to transfer their benefits out of the scheme on an enhanced basis and in one of the schemes an initiative has been implemented to maximise protection of existing pensioner liabilities against interest rate fluctuations. ✓ The Standard Bank Group Retirement Fund in South Africa has defined benefit liabilities and a post-retirement medical liability for a closed group of members. These liabilities are fully covered by separate reserves held in the fund. Liabilities are on an annual basis. • Remuneration report: AIR page 133. **Not reported:** EC3d – each subsidiary bank within the group has different contribution levels, therefore we are unable to report the percentage of salary contribution by employee. .	-
G4-EC5	a: ratio of the entry level wage by gender to the minimum wage. b: whether a local minimum wage is absent or variable at significant locations of operation.		• Minimum salary: SR page 90. **Not reported:** EC5a - ratio of entry level wage is not considered material as less than 1% of the South African business earns Standard Bank's minimum salary.	-
G4-EC6	a: senior management at significant locations of operation that are hired from the local community. b: definition of 'senior management'. c: geographical definition of 'local'.		Standard Bank South Africa is our most significant operation. Our definition of local hiring for the rest of Africa refers to people hired from African countries excluding South Africa and that are working in our rest of Africa operation. Senior management covers employees working in the senior and executive management categories. • Employment equity in South Africa: BEE page 6. • Employment: SR page 121.	**SBSA:** employment equity performance against FS Codes.

Indicator			Disclosure	Assurance, verification and audit
G4-HR2 and HR7	Total number of hours devoted to training employees and security personnel on human rights policies or procedures		Human rights training is included as part of our environmental and social risk training initiatives.	-
G4-HR5 and HR6	Operations considered to have significant risk for incidents of child labour, forced or compulsory labour.		In our day-to-day operations we recognise and observe the human rights embedded in South Africa's Constitution. This covers child labour, as well as forced or compulsory labour. Indirectly this may be a risk through the projects we finance, and we cover both in our environmental and social screening of CIB deals. Our Human Rights policy states that we will not engage in child, forced or compulsory labour or finance activities which infringe on these rights. There was no evidence of any transgressions in this regard during the reporting period. • Environmental and social risk appraisal: SR page 109. • Policy: SR page 168.	-
Material issue: delivering sustainable long-term financial performance				
Indicator			Disclosure	Assurance, verification and audit
G4-EC4	Financial assistance received from government and the extent to which, the government is present in the shareholding structure.		SBG did not receive any financial assistance from government during 2014. The Government Employees Pension Fund in South Africa holds a 13% shareholding in SBG.	-
Environmental and social risk management				
Indicator			Disclosure	Assurance, verification and audit
G4-EC2	Risks and opportunities posed by climate change.		• Environmental and social risk management: SR page 107.	-
G4-HR1, HR3 and HR8	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. Total number of incidents of discrimination during the reporting period and the status of the incidents. Total number of identified incidents of violations involving the rights of indigenous peoples.		• Environmental & social risk appraisal: SR page 109.	-
G4-FS1	Policies with specific environmental and social components applied to business lines.	Core	• Environmental & social risk management: SR page 109. • Environmental & social risk policy: SR page 168.	-
G4-FS2	Procedures for assessing and screening environmental and social risks in business lines.	Core	• Environmental & social risk appraisal: SR page 109.	**SBG:** Equator Principles (deals financed, deals in which we played an advisory role and project-related corporate loans).
G4-FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Core	• Environmental & social risk appraisal: SR page 111.	-
G4-FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Core	• Environmental & social risk management: SR page 108.	-

Indicator			Disclosure	Assurance, verification and audit
G4-FS5	Interactions with clients/ investees/ business partners regarding environmental and social risks and opportunities.	Core	• Engaging on environmental issues: SR page 108. • Environmental & social risk appraisal: SR page 112. • Responsible investment: SR page 112. • Environmental products and services: SR page 146. • Raising awareness among employees: SR page 151.	-
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	Core	**Regions:** Africa. **Client size:** SMEs to large corporations. • Environmental & social risk management: SR page 110.	-
G4-FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Core	In 2014, KPMG Services Proprietary Limited assured Equator Principles (deals financed, deals in which we played an advisory role and project-related corporate loans), the methodology for calculating savings and measuring energy efficiency projects, as well as our domestic carbon footprint. No qualifications were received in 2014. Accredited BEE verification agencies and independent external auditors conduct independent assessments of our BEE performance against the Financial Services Sector Codes for Broad-based Black Economic Empowerment (FS Codes). • Assurance report: SR page 160. • BEE certificate can be found on our website under *socioeconomic development*.	-
G4-FS10 to FS11	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues and the percentage of assets subject to positive and negative environmental or social screening.	Core	• Environmental & social risk appraisal: SR page 109.	-
G4-FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting.	Core	• Responsible investment: SR page 112.	-
G4-EN1	Total weight or volume of materials consumed.		• Paper consumption: SR pages 151 and 157.	-
G4-EN2	Percentage of recycled input materials.		We do not use recycled input to deliver our products and services.	-
G4-EN3 to EN6	Energy consumption and intensity ratios.		• Energy: SR pages 151 and 152. **Not reported:** EN3d - we do not sell energy back to the grid or onto other stakeholders. EN4 - we do not report on the energy consumption outside the organisation however we do report scope three in our carbon footprint.	**SBSA:** energy saving achieved
G4-EN8 to EN10	Total volume of water withdrawn by source and the number of water sources significantly affected by withdrawal. Total volume of water recycled or reused.		Water is drawn from municipal water supplies or other water utilities. As a financial services organisation our water withdrawal is not significant. • Water consumption: SR pages 151 and 156. **Not reported:** EN10 - we are unable at this stage to determine the quantity of grey water recycled or reused.	-

Indicator			Disclosure	Assurance, verification and audit
G4-EN11, EN13 to EN14	Operational sites owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value. Significant direct and indirect impacts on biodiversity. Size and location of all habitat protected areas or restored area. IUCN Red List species and national conservation list species.		• Biodiversity: SR page 158. **Not reported:** EN13 b, c and d - Mogale's Gate is a biodiversity conservation centre.	-
G4-EN15 to EN19	Carbon footprint (scopes 1, 2 and 3) and carbon intensity ratios.		• Carbon footprint: SR page 155 and 182. **Not reported:** EN15c, EN17c - not applicable as we do not use biomass fuel. EN15d, EN16c, EN17e - as we do not have a carbon emissions target, we do not calculate a base year. We do not intend to set a carbon emissions target in addition to our energy target as there is direct correlation between the two.	**SBSA and Liberty:** carbon footprint.
G4-EN23 and EN25	Total weight of hazardous and non-hazardous waste, disposal method and transported waste.		• Waste generated: SR page 151 and 156.	-
G4-EN24	Total number and total volume of significant spills.		No significant diesel spills occurred during the reporting period. Our monitoring systems in Standard Bank-owned buildings use real time assessment of water, energy and diesel consumption. This provides an early warning mechanism that helps to reduce the severity of spills.	-
G4-EN30	a: significant environmental impacts of transporting products and other goods and transporting members of the workforce. b: how these environmental impacts due to transportation are mitigated. c: criteria and methodology used to determine which environmental impacts are significant.		• Carbon calculator for vehicles: SR page 149. **Not reported:** EN30a - we do not have the systems in place to quantitatively measure the environmental impact of transporting members of our workforce.	-
G4-EN31	Environmental protection expenditures.		• Energy: SR page 153. We do not calculate expenditure on environmental protection as it is inherent in our business environment. We report annually on the costs of energy efficiency projects implemented.	-
G4-LA14 and SO9	New suppliers screened using criteria for labour practices and impact on society.		• Supplier screening: SR page 114.	-
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments.		Human rights assessments are part of our due diligence process whenever we invest in a country or acquire a new operation.	-
G4-HR12 and SO11	Grievance mechanisms a: total number of grievances relating to human rights impacts, impacts on society and environmental impacts. b: of the identified grievances, report how many were addressed and resolved during the reporting period.		Our whistle blowing reporting hotlines are available to employees and external parties for reporting instances of unethical behaviour including human rights grievances, as well as impacts on society and the environment. Our whistle blowing hotline does not breakdown grievances into categories. • Grievance mechanisms: SR page 20. • Whistle blowing hotline: SR page 74.	-

Factors used in our carbon footprint calculations are listed in the table below.

Contributor	Standard	Emissions factor
	Scope 1	
Diesel in generators	United Kingdom Department of Environment, Food and Rural Affairs (DEFRA)	2,6705 kilograms of CO_2 per litre
Vehicles	Eco2Fleet (Standard Bank's fleet management tool)	DEFRA factors
Refrigerant gas	DEFRA	R22 is 1810 kilograms of CO_2 per kilogram R410A is 1725 kilograms of CO_2 per kilogram R134A is1300 kilograms of CO_2 per kilogram R407C is 1526 kilograms of CO_2 per kilogram
Natural gas	DEFRA	0,18497 kilograms of CO_2 per kilowatt hour
Rented cars	Europcar and AVIS	
	Scope 2	
Electricity purchased	Eskom (South Africa's electricity provider) For other countries the emission factor for the respective country was used.	2014: 1.03 kilograms of CO_2 per kilowatt hour 2013: 1.00 kilograms of CO_2 per kilowatt hour
	Scope 3	
Business travel by air	DEFRA	Air travel emission factor: kilograms of CO_2 per kilometre. First class <463km 0,15504 463-3700km 0,1256 >3700km 0,31837 Economy class <463km 0,15504 463-3700km 0,08373 >3700km 0,0796 Business class <463km 0,15504 463-3700km 0,1256 >3700km 0,23082
Paper consumption	Sappi (South African paper supplier and manufacturer)	3 062.34 kilograms of CO_2 per ton

Contact details

Head, Policy, Advocacy and Sustainability

Wendy Dobson

Tel: +27 11 636 4087

email: Wendy.Dobson@standardbank.co.za

Group Secretary

Zola Stephen

Tel: + 27 11 631 9106

email: Zola.Stephen@standardbank.co.za

Head, Investor Relations

David Kinsey

Tel: +27 11 631 3931

email: David.Kinsey@standardbank.co.za

Registered address

9th floor

Standard Bank Centre

5 Simmonds Street

Johannesburg 2001

PO Box 7725

Johannesburg, 2000

Contact details

Tel: +27 11 636 9111

Fax: +27 11 636 4207

email: shareholder queries:

InvestorRelations@standardbank.co.za

email: customer queries:

information@standardbank.co.za

About Part D: annex

The printed version of the 2014 Sustainability Report does not include Part D. This section of the report is available in the electronic version of the report only. This is accessible on Standard Bank's sustainability website at www.standardbank.com/sustainability.
Part D includes the following content: the assurance report, the codes and principles we endorse, summaries of our policies and the Global Reporting Initiative (GRI) G4 index.

This report is printed on triple green environmentally friendly paper.

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Standard Bank Namibia, as sole commercial lender, provided a facility to the Zimbabwe Power Corporation for the 300 megawatt extension of the Kariba South Hydro Power Plant. The expansion of the hydro power plant will ensure increased capacity for the Zimbabwe Power Corporation to meet its supply obligations in southern and central Africa. Our presence across jurisdictions and strong relationships with key stakeholders were instrumental in being awarded this deal.